

July 10, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G002/M-18-692

Dear Mr. Wolf:

Attached are the Response Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

In the Matter of the Petition of Northern States Power Company, doing business as Xcel Energy, for Approval of a Gas Utilities Infrastructure Cost Rider True-up Report for 2018, Revenue Requirements for 2019, and Revised Adjustment Factors (Petition).

The Petition was filed on November 1, 2018 by:

Lisa Peterson
Manager, Regulatory Analysis
Xcel Energy
414 Nicollet Mall, 401-7th Floor
Minneapolis, Minnesota 55401

The Department recommends that the Minnesota Public Utilities Commission **continue to allow Xcel to recover eligible project costs in its GUIC Rider, with modifications.**

The Department is available to answer any questions that the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ DOROTHY MORRISSEY
Financial Analyst

/s/ DANIELLE WINNER
Rates Analyst

DM/DW/ar
Attachments



Before the Minnesota Public Utilities Commission

Response Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G002/M-18-692

I. BACKGROUND

On November 1, 2018, Northern States Power Company d/b/a as Xcel Energy (Xcel, Xcel Gas or the Company) filed a request (Petition) with the Minnesota Public Utilities Commission (Commission) for approval of its 2019 Gas Utility Infrastructure Cost (GUIC) Rider in Docket No. G002/M-18-692.

On March 4, 2019, both the Minnesota Commerce Department, Division of Energy Resources (Department) and the Office of Attorney General - Residential Utilities and Antitrust Division (OAG) filed Comments responding to the Company's Petition. In these Comments, the Department requested that Xcel provide a number of items in Reply Comments, and also made a series of recommendations to the Commission.

On March 14, 2019, Xcel filed Reply Comments responding to the Department and the OAG.

On May 23, 2019, the Commission met and discussed the Company's 2018 GUIC Rider in Docket No. G002/M-17-787. The Commission's resulting Order from that meeting has not yet been released at the time of these Response Comments; likewise, the Company has not yet filed a compliance in that docket.

On May 31, 2019, the Commission issued a Notice of Comment Period requesting comments by July 1, 2019.

On June 25, 2019, the Department filed a letter indicating that Xcel's responses to information requests would be due on July 1; thus the Department requested an extension until July 12 for response comments, which the Commission granted.

In these Response Comments, the Department addresses the Company's Reply Comments and attempts to incorporate decisions made verbally by the Commission in its May 23, 2019 meeting.

II. DEPARTMENT ANALYSIS

A. SALES FORECAST

In its March 4, 2019 Comments, the Department concluded that the Company's 2019 GUIC sales forecast was generally reasonable, but asked that in Reply Comments, Xcel:

- Clarify whether the Company assumed, or included, any other cost drivers in its data and projections in the sales forecast; and
- Clarify if billing month customer count numbers are converted to calendar month average customer counts in the forecasting process.

In its March 14, 2019 Reply Comments, Xcel specified that the Company only uses active service counts, also called calendar month customer counts; billing month customers counts are not used in forecasting.

Xcel further specified that, as in its 2018 GUIC Rider, the Company included a reduction in Interdepartmental Transport volumes in the 2019 GUIC forecast. Xcel stated:

This adjustment accounts for decreases in our natural gas generation and interdepartmental transport forecasts that will result when we have additional energy from new wind projects. The next large addition of wind generation will begin service in the fourth quarter of 2019 and continues into 2020. [footnote omitted]¹

As in the 2018 GUIC Rider, the Department does not support Xcel Gas's approach of using speculative numbers to forecast sales. For example, incorporating generalized speculation about how increased renewables may decrease natural gas sales is not appropriate to include in a rate-setting sales forecast.

In its May 23, 2019 Agenda Meeting, the Commission directed Xcel to use its most recent 12 months of actual natural gas sales, rather than using the forecasted sales. Since the Company continues to use the interdepartmental transport adjustment in its GUIC forecast, the Department concludes that this course of action is appropriate in the 2019 GUIC Rider as well.

Therefore, the Department recommends that the Commission direct Xcel to use the most recent 12 months of actual natural gas sales to calculate the final GUIC Rider rates.

¹ Xcel Reply Comments, p. 7 (March 14, 2019).

B. RATE OF RETURN

In its March 4, 2019 Comments, the Department supported the Company's proposal to use the capital structure, short term cost of debt, and long term cost of debt approved in the 2017 GUIC Rider (Docket No. G002/M-16-891). However, the Department disagreed with the Company's proposal to use a return on equity of 10.25%, with a resulting rate of return of 7.63%. The Department instead recommended that the Commission direct the Company to set the ROE at 9.04%, resulting in a rate of return of 7.02%, which was the ROE approved in the 2017 GUIC Rider.

In its May 23, 2019 Agenda Meeting, the Commission approved an ROE of 9.04% for the 2018 GUIC Rider. Therefore, the Department continues to recommend an ROE for Xcel Gas of 9.04% and an overall rate of return of 7.02%, consistent with Xcel's 2017 and 2018 GUIC Riders.

C. THE TAX CUTS AND JOBS ACT OF 2017

On August 9, 2018, the Commission met, heard and approved compliance filings and required rate reductions *In the Matter of a Commission Investigation into the Effect of the 2017 Federal Tax Act on Utility Rates and Services* (Docket No. E,G999/CI-17-895, Order issued May 10, 2019). In that proceeding, the Commission required utilities to separately incorporate the effects of the *Tax Cuts and Jobs Act of 2017* (TCJA) in each rider mechanism.

In this Petition, the Department verified that the Company used the appropriate federal income tax rate in calculating tax expense and the tax gross-up factor in its revenue requirements schedules, Petition Attachments G and H. However, these GUIC Rider schedules did not show the amount of the rider's excess accumulated deferred income tax balance, due to be refunded to ratepayers as a result of the TCJA; nor did the schedules show whether or not any refund amortization of the excess accumulated deferred income tax was included when determining the rider's revenue requirements.

To increase transparency and to allow stakeholders to confirm that all benefits of the federal tax reform are reflected in rider rates, the Department's Comments² requested that the Company, in its Reply Comments, revise their rider petition revenue requirements schedules, Attachment G and H, to:

- breakdown the ADIT balance to separately identify the excess ADIT (i.e., EDIT) amount due to the TCJA that is to be returned to ratepayers,
- show the amortized amount of the excess ADIT included in the GUIC revenue requirement, and
- include a discussion of the EDIT amortization technique/method used in the GUIC Rider.

² Department Comments, p. 15 (March 4, 2019).

As requested, Xcel Gas's Reply Comments included a discussion on the EDIT amortization technique used in the GUIC Rider and also included modified revenue requirement schedules showing the excess ADIT amounts.³ Xcel's Reply Comments explained that the EDIT amortization technique used in the GUIC Rider is the Average Rate Assumption Method (ARAM). The Department appreciates Xcel's Reply Comments, which confirmed that the method employed in the rider is consistent with the method Xcel Gas used in determining its excess ADIT tax position in the Commission's tax investigation docket, Docket No. E,G999/CI-17-895. Therefore, the Department concludes that the amortization method that Xcel applied in the GUIC Rider is reasonable.

However, in Xcel's Reply Comments, the Company made known that the bifurcation of ADIT and excess ADIT (i.e., EDIT) in its model resulted in slightly higher revenue requirements. Although Xcel stated that it would not incorporate the increase in this Petition request, because a change in revenue requirements seemed odd, the Department questioned the Company to explain how a breakdown of a sum total into its operands would cause any change in the 2019 revenue requirements.⁴ The Department also issued discovery requesting explanation of notable changes in the total income tax amounts reported in Xcel's Reply Comments modified schedules as compared to the initial Petition amounts.⁵

Xcel's responses to these information requests (DOC IR Nos. 51 and 52) explained that since the filing of its Reply Comments, the Company discovered logic errors in the reprogramming of the revenue requirement modeling system. Xcel stated that it corrected the programming errors and provided in response to the Department's information requests a second revision to its revenue requirements schedules, Petition Attachments G and H. Xcel's second revision to the revenue requirement schedules now shows Xcel's net revenue requirement position to change from a \$16,000 increase over the initial Petition provided in Reply Comments, to a \$5,000 decrease below the initial Petition provided in subsequent discovery.

Though the results of the revenue requirements schedule corrections may appear immaterial, it is essential to have confidence in the revenue requirements model used by the utility. The impact of these programming errors if left undiscovered could have greater ramifications in subsequent filings. To that end, the Department's review of the second revised revenue requirements schedule Attachments G and H provided in Xcel's response to DOC IR No. 51, Part A, prompted further discovery to understand why the *Total ADIT* balance no longer equaled the sum of the operands, *ADIT* and *excess ADIT*. As a result, Xcel determined that further refinement of the revenue requirement modelling was needed to remove an inadvertent proration of the ADIT, resulting in another slight reduction to the 2019 GUIC Rider revenue requirement.⁶ Xcel Gas stated in its response to DOC IR No. 56 that its final compliance

³ Xcel Reply Comments, pp. 7-8 and Reply Attachments A and B (March 14, 2019).

⁴ DOC IR No. 51.A included as DOC Attachment 1-RC.

⁵ DOC IR No. 52 included as DOC Attachment 2-RC.

⁶ DOC IR No. 56 included as DOC Attachment 3-RC to these comments.

schedules would be updated with final data, revised model reprogramming, and no ADIT prorate.⁷

The Department appreciates Xcel Gas's cooperative efforts to ensure that its revenue requirement model correctly processes these complex tax-related changes. To aid in the Department's review of Xcel Gas's future final compliance filing, the Department requests that Xcel Gas include electronic files of its revenue requirements schedules, with formulae intact, in its final compliance filing.

D. SEWER AND NATURAL GAS LINE CONFLICT RIDER RECOVERY AMOUNT

The Company began its *Sewer and Gas Line Conflict Investigation* program in 2010, inspecting sewer laterals and mains for conflicts, which Xcel anticipated to be a 10-year program.⁸ Xcel's proposed 2019 GUIC revenue requirements included \$2.15 million O&M expense amount for 2019's expected program work.⁹ In addition to the current year's activity costs, the 2019 GUIC revenue requirement includes an amortized recovery amount of this program's deferred costs, incurred prior to the implementation the GUIC Rider; the amortized amount included in the 2019 revenue requirement is approximately \$3.7 million.¹⁰

Of Xcel's four categories for sewer and gas line inspection work, three of the work activity categories were included in the GUIC Rider for cost recovery: (1) Legacy Projects, (2) Emergency, and (3) Cleared by Maps.¹¹ *Emergency* category work, as described by Xcel, includes requests for inspection that are received from a customer, community, plumber, and other external resources. The Department's Comments pointed out that in Xcel Gas's 2010 petition requesting deferred accounting treatment for its sewer/gas line inspection work plan (Docket 10-422), the Company estimated that \$50,000 was included in its 2010 test year distribution O&M budget for "performing sewer investigations in response to customer and/or contractor requests."¹²

In our Initial Comments, the Department recommended that the Company reduce its current revenue requirement by \$50,000 because cost recovery of *Emergency* category sewer inspection work is built into base rates. The Department also pointed out that future GUIC Rider petitions should also exclude costs for *Emergency* category sewer inspection work. In Xcel's Reply Comments, the Company agreed with the Department's assessment and reduced its GUIC Rider revenue requirement by \$50,000.

⁷ Ibid.

⁸ Docket No. G002/M-14-336, [Petition](#), Attachment 3, p. 8 (August 10, 2014).

⁹ Petition, Attachment D, pp. 3, 9.

¹⁰ Petition, Attachment K. Sewer Line Inspection Program deferral of costs approved in Docket No. G002/M-10-422.

¹¹ DOC IR No. 41 included in DOC Attachment 3 to Department Initial Comments (March 4, 2019).

¹² Docket No. G002/M-10-422, [Initial Petition](#), p. 5 (May 3, 2010). Xcel Gas's last rate case was based on a 2010 test year, Docket G002/GR-09-1153.

The Department's Initial Comments also stated there may be additional adjustments if Xcel's Reply Comments cannot provide verifiable support that the Docket 10-422 deferred costs, now being amortized, excluded costs for the sewer conflict investigation costs incurred as part of its daily operations. Xcel's Reply Comments did not respond to this statement. Therefore, the Department issued further discovery, DOC IR No. 53, to question whether any *Emergency* category costs were included in the Sewer and Gas Line Conflict Investigation program's deferred costs that are being amortized.¹³ Xcel's response stated:

The total deferred sewer and natural gas conflict costs recovered through the GUIC Rider includes \$371,364 in costs attributed to Emergency category work.

Consistent with our initial comment position, the Department concludes that the *Emergency* category work activity should not have been treated as a deferred cost; therefore an additional adjustment in this Petition is necessary. Referring back to Xcel Gas's deferred accounting request for its Sewer and Natural Gas Line Conflict plan, Docket 10-422, the Company committed to segregate its Plan/Program costs to be deferred from these "normal conflict investigation costs incurred as part of our daily operations."¹⁴ Because 2019 is the final year of the five-year amortization of Docket 10-422 deferred costs, the Department recommends that the 2019 GUIC revenue requirement be reduced by the total of *Emergency* category work activity costs that were included in the nearly \$19 million total deferred sum for sewer inspection costs.

In sum, the Department recommends that Xcel reduce its 2019 GUIC Rider revenue requirement by removing the costs included for *Emergency* inspections work activity, that is, "performing sewer investigations in response to customer and/or contractor requests", which were considered and included in the establishment of its base rates and are part of Xcel Gas's normal daily operations. The Department recommends two adjustments, one in the amount of \$50,000 to reduce the GUIC Rider current year's sewer inspections cost recovery request that included costs of such work, an adjustment with which Xcel's Reply Comments agreed; and the second adjustment, a \$371,364 revenue requirements reduction, to remove expenses that should not have been deferred, to resolve the issue further developed by the Department in these Response Comments, which Xcel's Reply Comments did not address.

E. GUIC RETIRED FACILITIES REVENUE CREDIT

Xcel included a \$0.76 million reduction in its 2019 GUIC Rider revenue requirement calculation to account for the imbedded cost recovery of gas facilities in base rates, which were based on a 2010 test year,¹⁵ now retired due to GUIC projects. Among Xcel's listed components and their

¹³ DOC IR No. 53, and June 28, 2019 email from Xcel Energy, included in these comments as DOC Attachment 4-RC.

¹⁴ Docket No. G002/M-10-422, [Initial Petition](#), p. 6 (May 3, 2010).

¹⁵ Docket No. G002/GR-09-1153.

amounts used to calculate the \$0.76 million reduction, a separate line item adjustment for *Annual Deferred Tax Impact* was included.¹⁶

The Department recommended that Xcel Gas remove the component *Annual Deferred Tax Impact* when determining the GUIC Plan Retirement Revenue Credit, to avoid double counting that element, because the Department believed the return on rate base operation in Xcel's revenue requirement's calculation included the revenue gross-up for both the current and the deferred tax expense amounts ascribed to these assets.

Xcel Gas explained and demonstrated in its Reply Comments that it had removed the deferred income tax amount from the return on rate base tax-gross-up calculation; therefore Xcel did not include the *Annual Deferred Tax Impact* twice. Xcel detailed its calculation in Table 3 of its Reply Comments (page 9). The Department reviewed Xcel's Reply Comments and agrees that Xcel did not double-count the *Annual Deferred Tax Impact*; therefore, no adjustment is needed. The Department appreciates Xcel's response and concludes that this issue is appropriately resolved.

F. PRORATED ACCUMULATED DEFERRED INCOME TAX (ADIT) FOR RATE BASE DETERMINATION

Xcel Gas's initial petition prorated accumulated deferred income tax (ADIT) to determine the rate base component value, a normalization requirement instituted by the Internal Revenue Service (IRS) when the rate becomes effective prior to the conclusion of the forecasted period.¹⁷ The Department noted that the proration procedure is unnecessary because the effective date of this rider commences after the test period.¹⁸ Xcel agreed with the Department's assessment and stated that it will remove the impact of ADIT proration in its compliance filing.¹⁹ The Department appreciates Xcel's response and concludes that this issue is appropriately resolved.

G. CARRYING CHARGE ON UNRECOVERED GUIC RIDER RECOVERY TRACKER BALANCE

Xcel stated in its petition that, as their GUIC filing continues to grow larger and more complex, it stood to reason that the need for a lengthy review process would continue, and as such, the Company proposed to start recovery of its 2019 GUIC revenue requirement in January 2020. But, in conjunction with this "voluntary delay", Xcel requested to include in its revenue requirement a carrying charge, set to its current weighted average cost of capital, on the monthly unrecovered GUIC Rider recovery tracker balance starting in January 2020.²⁰

¹⁶ Petition, p.20, Table 1.

¹⁷ Petition, p. 36 and Attachment R

¹⁸ Department Comments, p. 18 (March 4, 2019).

¹⁹ Xcel Reply Comments, p. 15 (March 14, 2019).

²⁰ Petition, p. 38.

The Department's Comments opposed the installation of a carrying charge for several reasons:

- The GUIC Rider mechanism is an optional recovery tool availed to natural gas utilities, which permits utilities to begin recovery of eligible costs sooner than its next general rate case. The Company could elect to forgo use of this extraordinary rate tool and rather, when they find it necessary, file and request a general rate increase.
- The Company has control over the magnitude and complexity of its GUIC petitions. That is, Xcel Gas could elect to file a general rate case and have most, if not all, of the GUIC projects' costs rolled into its base rates, thereby effectively reducing the size and complexity of prospective GUIC Rider petitions.
- Unlike base rates, the GUIC Rider mechanism is subject to true-up. Due to the unique nature of rider true-ups, the utility is assured of realizing full recovery of its approved costs, including the rate of return on equity. This extraordinary recovery tool's true-up feature makes a rider an attractive recovery mechanism, even without carrying charges, because a true-up eliminates a significant amount of risk exposure the utility would otherwise face if all costs were recovered via base rates. This reduction of risk that the rider mechanism offers may be considered valuable recompense even if the rider rate commences post test-year.
- Because the Commission has not imposed an end-date to an approved rider rate, the Company continues to realize a revenue stream, even while a pending rider petition is processed.
- The Company's plant-in-service amounts include financing costs incurred while projects were under construction and prior to plant being placed into service;²¹ thus the utility recovers its GUIC projects' pre-implementation financing costs through the rider rate.

In its March 14, 2019 Reply Comments, Xcel stated that it would not object to using the Company's short-term debt rate as the carrying charge rate. Xcel also stated that it did not oppose applying a carrying charge symmetrically to both over- and under-recovered tracker balances.

At the Commission's May 23, 2019 Agenda meeting, the Commission heard and decided Xcel Gas's 2018 GUIC Rider docket G002/M-17-787. Therein, the Commission denied the application of a carrying charge on Xcel Gas's GUIC tracker balance. For all the reasons the Department listed above and consistent with the Commission's recent decision in Xcel Gas's 17-787 docket, the Department maintains its recommendation to deny Xcel's request to apply a carrying charge on its GUIC tracker balance.

²¹ Department IR No. 38 included in DOC Attachment 6. AFUDC – Allowance for Funds Used During Construction is the capitalization of financing costs for construction work in progress (CWIP).

H. DIMP - COSTS FOR LOW-RISK INFRASTRUCTURE WORK DONE IN CONJUNCTION WITH HIGHER RISK GUIC-ELIGIBLE WORK

The Company included in its GUIC Rider request proposed cost recovery for low-risk infrastructure work that was done in conjunction with higher-risk GUIC-eligible work. The Company identified that only its *DIMP Poor Performing Mains and Services Program* projects may include low-risk infrastructure replacement (or renewal) while undertaking a higher risk project.²² The majority of Xcel's total DIMP capital expenditures are spent on its *DIMP Poor Performing Mains and Services Program* projects.²³ The Company estimated that it will incur a total of \$16.4 million in 2019 for its DIMP programs, expecting that in 2019 the full amount will be spent on its *DIMP Poor Performing Mains and Services Program* projects.

In our Initial Comments, the Department concluded that the expenditures on low-risk infrastructure replacement are elective, and not supported by or responsive to civic/public work requirements or government regulations, and therefore would not be eligible for recovery through the GUIC rider mechanism per Minnesota statute Section 216B.1635, Subd. 1(c). Whether the low-risk work is carried out within a GUIC eligible project site/area or done geographically apart from GUIC project jobsite, low-risk infrastructure replacement that is not supported by civic/public work requirements or required by government regulations is not eligible for inclusion in the GUIC Rider. The proximity of low risk work to a GUIC-eligible project does not make low-risk project work eligible for inclusion in the GUIC Rider.

In addition, the Department's initial comments pointed out that it is to be expected that Xcel would undertake capital investment work on its existing operating system as part of the ordinary course of business, which is not GUIC Rider eligible. A representative level of costs for such work activity is already being charged to ratepayers through base rates and thus such costs are not eligible to be charged to ratepayers again through the GUIC mechanism. As noted above, rider recovery is extraordinary ratemaking that is appropriately reserved under Minnesota law only for specific instances.

Xcel's Reply Comments argued that it is efficient to replace low-risk infrastructure at the time high-risk project work is undertaken; Xcel's Reply also attempted to justify acceptance of its proposed inclusion of such costs, stating that the projected sum total for low-risk work proposed to be included within its 2019 GUIC-eligible projects' cost is minimal, less than the amount identified in prior year's DIMP work, thus should just be left in the calculated rider-eligible costs.

However, the issue isn't whether it is efficient to replace low-risk infrastructure; the issue is the appropriateness of charging ratepayers for such costs in the rider. Contrary to Xcel's thinking, the Department affirms that infrastructure work done that does not meet the statutory criteria

²² Department IR No. 47 included in DOC Attachment 7.

²³ Department Comments, p. 20 and Table 4 (March 4, 2019).

for the GUIC Rider must be excluded, regardless of the financial outlay that year's "work-done-in-conjunction with GUIC eligible project" requires. Xcel is supposed to maintain a well-documented natural gas operating system. Accurately tracking work and costs that statutorily meet rider eligibility should have been in place and adhered to since the use of this rider began.

In the Company's prior GUIC filing, Docket 17-787, the Department had also recommended that cost for low-risk work be excluded from GUIC rider mechanism. At the Commission's May 23, 2019 Agenda meeting, the Commission heard and decided Xcel Gas's 2018 GUIC Rider docket G002/M-17-787. Therein, the Commission disallowed the inclusion of costs for low-risk work done in conjunction with GUIC eligible project work. For the reasons the Department listed above and consistent with the Commission's recent decision in Xcel Gas's 17-787 docket, the Department recommends that the Commission reach the same decision in this petition.

I. REMOVAL COSTS IMPACT ON GUIC RECOVERY REQUEST

In our Initial Comments, the Department summarized Xcel's reported years' 2017 – 2020 removal cost impact on the GUIC Rider rate base components, *Accumulated Book Depreciation Reserve* and the *Accumulated Deferred Taxes*; the Department requested Xcel Gas to explain each years' sum-total dollar amounts because the two components' reported amounts within each year did not appear to correlate, though the two accounts have a relationship.²⁴

In its Reply Comments, Xcel explained that there are timing differences as to when these two accounts reflect removal activity. With respect to removal activity, Xcel stated that changes to the *Accumulated Deferred Taxes* account occurs when the expenditures for removal work are made, whereas the *Accumulated Book Depreciation Reserve* account changes are triggered after the removal work is completed and all expenditures completed/closed.

The Department appreciates Xcel's Reply Comments and concludes that Xcel's explanation of the methodology used resolves the Department's concern.²⁵ Thus, the Department concludes that this issue is appropriately resolved.

²⁴ Department Comments, p. 20, Tables 5 and 6.

²⁵ Table 6 in the Department's initial comments inadvertently shifted Accumulated Deferred Tax amounts by one year, as noted by Xcel. For record purposes only, a corrected Table 6 is included below.

***Corrected* DOC Initial Comments Table 6.**

**Impact of Removal Costs on DIMP Rate Base Components
For Years 2017 - 2019**

DIMP Removal Costs Only				
Rate Base Component	Total 2017	Total 2018	Total 2019	Total 2020
Accumulated Book Depreciation Reserve	\$(6,952,476)	\$(8,173,186)	\$(9,629,824)	\$(10,530,674)
Accumulated Deferred Taxes	3,020,855	3,483,281	3,735,393	3,990,250
Net End of Month Rate Base	\$3,931,621	\$4,689,905	\$5,894,431	\$6,540,424

J. TIMP – PROGRAMMATIC REPLACEMENT AND MAOP REMEDIATION

Xcel's TIMP *Programmatic Replacements and Maximum Allowable Operating Pressure (MAOP) Remediation* initiative focuses on remediating Xcel's system data gap findings in order to ensure that the pipeline's MAOP can be supported by records that are traceable, verifiable, and complete.

The Department's initial comments provided federal law references, which indicated MAOP record retention and substantiation has been a requirement of pipeline operators since 1970²⁶; the Department concluded that because these requirements have been in place since 1970, it would seem that unless the Company has not conducted tests on its pre-1970 installed pipelines, the Company should have MAOP supporting records.²⁷ Having substantiated, objective MAOP records is fundamental to safe pipeline operations, protecting not only the liability of the utility and its operators, but the safety of those located near the pipeline infrastructure.

Xcel's Reply Comments argued that the 1970 laws did not require that documentation be traceable, verifiable and complete.²⁸ The Department concludes that Xcel's suggestion, that prior to PHMSA's recent 2012 Advisory Bulletin the pipeline records used to determine MAOP levels were not required to be supportable or complete, is not reasonable. By contrast, it is unreasonable to assume that it is *not* necessary for a natural gas utility to have data that is traceable, verifiable and complete.

The Department maintains its conclusion that inadequate data records is concerning, especially given that data records were and continue to be within the control and responsibility of Xcel Gas's management. Xcel should be held accountable for its responsibility to substantiate by objective data records that its pipelines are operated within safe operating pressures.

The Department also maintains its conclusion that Xcel should not be afforded the opportunity to earn a profit for doing less than the 1970 law and reasonable business practices required; to do so otherwise would not be in the public interest. Therefore, the Department continues to recommend that the Commission limit the "return on" any approved recovery of MAOP remediation capital costs to no more than the Company's weighted debt cost rate over the life of these capital expenditures. This recommendation is reasonable because it allows Xcel Gas to recover expenditures to comply with requirements that have been in place since 1970; although ratepayers will still restore to Xcel these cost outlays²⁹ made to rectify the Company's

²⁶ PHMSA has required since 1970 (49 CFR sections 192.517 and 192.603) that operators retain, for the useful life of the pipeline, records regarding the pipeline MAOP determination.

²⁷ Department Initial Comments, pp. 23-24 (March 4, 2019).

²⁸ Xcel Reply Comments, p. 13 (March 14, 2019).

²⁹ In Attachment C, page 4, Xcel estimates its 2019 capital expenditures for this TIMP Project to be \$26.36 million. Attachment C1 to the Petition reports prior years' 2017 and 2018 capital expenditures amounted to \$5.8 million and \$7.4 million, respectively. Attachment C1(c) reports estimated future expenditures of \$32.4 million in 2020.

inappropriate data gaps, this action will not enrich the Company for lacking in its responsibility to retain and keep system records in order.

In the Company's prior GUIC filing, Docket 17-787, the Department had also recommended that the "return on" any approved recovery of MAOP remediation capital costs to no more than the Company's weighted debt cost rate over the life of these capital expenditures. At the Commission's May 23, 2019 Agenda meeting, the Commission heard and decided Xcel Gas's 2018 GUIC Rider docket G002/M-17-787. Therein, the Commission limited the return on any approved recovery of MAOP remediation capital costs to no more than the Company's weighted debt cost rate over the life of these capital expenditures. For the reasons the Department listed above and consistent with the Commission's recent decision in Xcel Gas's 17-787 docket, the Department recommends the same decision in this petition.

K. INTERNAL CAPITALIZED COSTS

In its March 4, 2019 Comments, the Department recommended that the Commission deny Xcel's proposed recovery of \$8,157,695 in actual 2018 GUIC internal capital costs for Overheads, Other, and Transportation, to the extent that these costs were not removed elsewhere. This recommendation was based on the Commission's treatment of internal capitalized costs in other riders, and ensures no double recovery.³⁰

In Reply Comments, Xcel disagreed with the Department's recommendation, but also provided an updated calculation of internal capitalized costs in Attachment E, which is summarized below.

Outside Contractor	\$35,468,285
Overheads	\$7,944,554
Cost In Aid of Construction (CIAC)	\$(200)
Materials	\$2,645,053
Other	\$201,895
Transportation	\$11,246
Salvage	\$(2,702)
Company Labor Loadings	\$122,616
Company OT Labor	\$97,887
Company ST Labor	\$313,448
Employee Expenses	\$1,531
Subtotal Total Capital Costs	\$46,803,614
Less Internal Labor	\$(535,483)
Less RWIP	\$(160,269)
Less Betterment Adjustment	\$(2,066,200)
Total GUIC Recoverable Costs	\$44,041,662

³⁰ For further discussion on this issue, see the Department Comments, pp. 24-28 (March 4, 2019).

In its May 23, 2019 meeting on the 2018 GUIC Rider, the Commission made the following Decision in Docket No. G002/M-17-787:

34. Require Xcel Energy to remove the costs of Overhead, Other, and Transportation, totaling \$6,268,396, from the GUIC Rider.³¹

The Department therefore considers this issue resolved within the GUIC Rider, and continues to recommend that the internal capitalized costs of Overhead, Other, and Transportation be removed from the 2019 GUIC Rider. This recommendation is not updated by the Company's provided update, and so would total \$8,157,695, to the extent that these costs are not already removed elsewhere.

L. RISK ASSESSMENT AND PERFORMANCE METRICS

In its March 4, 2019 Comments, the Department provided an assessment of Xcel's Risk Assessment and Performance Metrics. Those components of the Company's filing are found in the following locations of its Petition:

- TIMP 2019 Risk Assessment: Attachment C2
- DIMP 2019 Risk Assessment: Attachments D2(a) and D2(b)
- TIMP and DIMP 2017 Performance Metrics: Attachment W

As the Department described in its Comments, "the purpose of these tools is to aid in determining the reasonableness of GUIC investments."³² Since the Risk Assessment process is prospective and the Performance Metrics process is retrospective, this determination of reasonableness is done either before investments are pursued in the former, or after they are completed through the latter. Thus, in the instant docket, the Commission is to determine whether the Risk Assessments indicate that the proposed 2019 projects are reasonable for inclusion in the 2019 GUIC Rider. The Commission is also to determine whether the Performance Metrics indicate whether the already completed 2017 projects were reasonable.

In Reply Comments, Xcel responded to the Department's requests and recommendations on this issue.³³ The Department responds to the Company, first addressing Risk Assessment, then addressing Performance Metrics.

³¹ Briefing Papers, p. 63 (May 15, 2019), Docket No. G002/M-17-787.

³² Department Comments, p. 29 (March 4, 2019).

³³ Xcel Reply Comments, pp. 15-23 (March 14, 2019).

1. Risk Assessment

- a. Department's recommendation that the Commission direct the Company to develop risk profiles for all TIMP and DIMP program projects, and continue to work to improve its risk assessment reporting

In its March 4, 2019 Comments, the Department expressed concern that, while the Company provided risk information for selected 2019 TIMP and DIMP projects, it did not provide any risk information for non-selected projects. As the Department noted, "Without the context of all potential projects, the Commission cannot adequately get a sense of how reasonable the selected investments are."³⁴ The Department noted, however, that the Company's DIMP Poor Performing Mains and Services program provided high level risk information for all potential projects, which could serve as a useful model for other TIMP and DIMP programs. For ease of reference, the Department recreates this table for 2018 here:

**Table 1. 2018 Gas Distribution System Risk Composition
(Total Potential DIMP Mains and Services Projects, Steel)**

Risk Category	Project Risk Scores Range	Number of Optimain Projects Identified as of October 2018	Percentage
High	Score ≥ 36	1,415	2.42%
Medium	$24 \leq \text{Score} < 36$	663	1.13%
Low	$1 \leq \text{Score} < 24$	12,519	21.37%
None	Score < 1	43,990	75.08%
Total	All	58,587	

The Department recommended that the Commission direct the Company to develop risk profiles such as the one in Table 1 above for all potential projects in each TIMP and DIMP program. The Department further recommended that Xcel continue to work to improve its risk reporting in future filings, with the goal of providing better explanations of the Company's assets.

In Reply Comments, Xcel stated that it cannot develop such profiles for all TIMP and DIMP programs, as the software that the Company uses for this purpose is only used for the DIMP Poor Performing Mains and Steels program.³⁵ The Company further stated that software capable of producing this type of high-level risk profile is not commercially available. However, Xcel conducted an initial assessment of all TIMP and DIMP programs, and stated that it may be

³⁴ Department Comments, p. 32 (March 4, 2019).

³⁵ Xcel Reply Comments, p. 18 (March 14, 2019).

possible to develop a full risk assessment for the TIMP Transmission Pipeline Assessment and TIMP Programmatic Replacement/MAOP Remediation programs. Finally, the Company stated that it will continue to work on providing additional risk assessment information.

The Department supports the development of this type of high level risk profile for each program, where possible, and appreciates the Company's willingness to pursue this goal. The Department further notes that the specific report provided in Table 1 above is only one potential way that the Company might better provide the Commission with risk information. As stated above, the Department's primary concern is that there is little information that compares selected versus non-selected projects; there may be other more feasible ways for the Company to report this information. The Department is open to continuing discussing this issue with the Company.

Therefore, the Department amends its initial recommendation, and instead recommends that the Commission direct Xcel to develop full risk assessment profiles for the TIMP Transmission Pipeline Assessment program and the TIMP Programmatic Replacement/MAOP Remediation program. The Department continues to recommend that Xcel continue to work to improve its risk assessment reporting in future filings, with the goal of providing better explanations of the Company's assets.

- b. Department request that Xcel correct and clarify inconsistencies between the program detail versus Risk Assessment portions of the Company's filing

In its March 4, 2019 Comments, the Department noted that Xcel included the Eagan Line from the Transmission Pipeline Assessment- Replacement program in the project detail portion of the filing, but did not include this project in the Risk Assessment portion of its filing.³⁶ The Department also noted that in the Risk Assessment portion of its filing, Xcel included a table of high and medium risk DIMP Distribution Valve Replacement projects, but did not include these projects in any other portion of its filing.³⁷ The Department requested that the Company clarify and correct for these inconsistencies in Reply Comments.

In its Reply Comments, Xcel stated that this project received a high risk score of 4 based on the Company's Transmission Pipeline Assessment Project Risk methodology provided in Attachment C2 of its Petition.³⁸ Xcel stated that this project had a high risk score because the pipeline was installed in 1941, was last pressure tested in 2013, and contains high consequence areas.

³⁶ Department Comments, pp. 34-35 (March 4, 2019).

³⁷ Department Comments, p. 35 (March 4, 2019).

³⁸ Xcel Reply Comments, p. 21 (March 14, 2019).

Also, in its Reply Comments, Xcel clarified that at the time of the initial 2019 GUIC Petition, the Company was not planning on pursuing any DIMP Distribution Valve Replacement projects; the table included in the Company's Risk Assessment portion reflected 2018 projects and was included in error.³⁹ However, in the time since its initial Petition was submitted, nine of the projects initially planned for 2018 were delayed until 2019. Xcel provided a table of these projects on page 21 of its Reply Comments.

The Department is satisfied with these responses and considers these matters resolved between the Department and Xcel.

- c. Department recommendation that the Commission disallow cost recovery in the 2019 GUIC of the DIMP projects that also appeared in the 2018 GUIC, totaling \$4,646,972

In its Comments, the Department observed that seventeen projects in the DIMP Poor Performing Mains and Services Projects were included in both the 2018 and 2019 GUIC Rider filings. The Department was concerned that this fact could result in double recovery of these projects.⁴⁰

In Reply Comments, Xcel stated that although these projects were originally planned for completion in 2018, it was unclear if they would actually be completed in time at the time of the 2019 GUIC filing. Therefore, Xcel included these projects in the 2019 GUIC Rider. The Company stated that, as it turned out, all of the projects were in fact completed and put in service in 2018. As a result, the projects will be reflected in the GUIC Riders as projects completed in 2018 and not in 2019.⁴¹

The Department is satisfied with this response, and withdraws its initial recommendation. Instead, the Department recommends that the Commission direct the Company to include in its compliance filing an updated copy of Attachment D1(a), page 1 that reflects removal of these DIMP projects from the 2019 GUIC rider.⁴²

- d. Department request that Xcel explain the costs of the 2018 DIMP Winona Collegeview project

In its Comments, the Department noted that the DIMP Winona Collegeview project appeared in both the 2018 and 2019 list of proposed DIMP Poor Performing Mains and Services projects. However, this project was reported as costing \$1,346,660 in 2018 and \$149,282 in 2019. The Department sought clarification as to the significant different between the projected costs for the same project.⁴³

³⁹ *Id.*

⁴⁰ Department Comments, p. 35-36 (March 4, 2019).

⁴¹ Xcel Reply Comments, pp. 15-17 (March 14, 2019).

⁴² Petition, Attachment D1(a), p. 1.

⁴³ Department Comments, p. 36 (March 4, 2019).

In its March 14, 2019 Reply Comments, Xcel confirmed that the 2018 cost estimate was included in error, and that the final 2018 and 2019 GUIC revenue requirements will reflect the correct amount of the project.⁴⁴

The Department is satisfied with this response and considers this matter resolved.

2. Performance Metrics

- a. Department request that Xcel submit a table identifying all 2017 cost overruns for all 2017 GUIC programs, and identify where these overruns may have been included for recovery through either the 2018 and 2019 GUIC Riders

In its March 4, 2019 Comments, the Department noted that cost overruns should not be permitted to be recovered in the GUIC Rider; similar to the treatment of cost overruns in other riders.⁴⁵ Since the Company's performance metrics covered the 2017 year, the Department requested the Company to submit information regarding 2017 cost overruns.⁴⁶

In its March 14, 2019 Reply Comments, Xcel argued that other riders do in fact allow cost overruns, provided those overruns are reasonable and prudent.⁴⁷ The Company further argued that the GUIC-related cost overruns incurred in 2017 were reasonable and prudent. Xcel submitted the following table of these overruns:⁴⁸

Table 2. 2017 Forecast and Actual Cost by GUIC Rider Program (\$ Millions), Including both capital and O&M Costs

Program	2017 Forecast	2017 Actual	Variance
TIMP			
East Metro Pipeline Replacement	\$0.60	\$0.61	\$0.01
Transmission Pipeline Assessments	1.40	0.94	(0.46)
ASV/RCV	0.17	0.24	0.07
Programmatic Replacements/MAOP Remediation	7.63	6.04	(1.59)
Total - TIMP	\$9.80	\$7.83	\$(1.97)
DIMP			
Poor Performing Main Replacements	\$9.33	\$13.29	\$3.96
Poor Performing Service Replacements	5.52	3.47	(2.05)
Intermediate Pressure Line Assessments	0.73	0.15	(0.58)
Distribution Valve Replacement Project	0.31	0.34	0.03
Federal Code Mitigation	0.47	0.16	(0.31)
Sewer & Gas Line Conflict Investigation	3.43	3.28	(0.15)
Total - DIMP	\$19.79	\$20.69	0.90
Total - TIMP and DIMP	\$29.59	\$28.52	(1.07)

⁴⁴ Xcel Reply Comments, pp. 20-21 (March 14, 2019).

⁴⁵ For a further discussion of this issue, see the Direct Testimony of Mark Johnson, pp. 14-15 in Docket No. ET6675/CN-17-184 (November 7, 2018).

⁴⁶ Department Comments, p. 39 (March 4, 2019).

⁴⁷ Xcel Reply Comments, p. 22 (March 14, 2019).

⁴⁸ *Id.*

The Department notes that Xcel's reference to the Commission's November 25, 2014 Order Granting Certificate of Need with Conditions *In the Matter of the Application of ITC Midwest LLC for a Certificate of Need for the Minnesota-Iowa 345 kV Transmission Line Project in Jackson, Martin and Faribault Counties*, Docket No. ET-6675/CN-12-1053 as evidence indicating that the Commission should allow utilities under its ratemaking authority to recover cost overruns in riders is not valid. That proceeding involved ITC Midwest, a utility with rates that are subject to the Federal Energy Regulatory Commission (FERC), with no rate authority from the Commission. Because the facts in the instant case are markedly different, attempting to use that case to justify allowing Xcel Gas to recover cost overruns *in a rider* is inappropriate.

The Department's understanding is that currently, the 2017 actual costs are used to true-up any potential over- or under-recoveries from the Company's 2017 forecasted budgets. This circumstance means that, while the 2017 GUIC Rider would have recovered \$9.80 million in forecasted TIMP costs and \$19.79 million in forecasted DIMP costs, the 2018 or 2019 GUIC Rider will have adjustments of \$(1.97) million in TIMP costs and \$0.90 million in DIMP costs.

The Department supports the TIMP adjustment of \$(1.97) million, as these were over-recovered costs that the Company never actually incurred. However, the Department does not support Xcel's proposal to recover in cost overruns of \$0.90 million in 2017 DIMP costs. Xcel has a responsibility to keep costs low between rate cases, and the GUIC Rider should not be viewed as a mechanism whereby ratepayers are responsible for the Company's inability to stick to its budget.

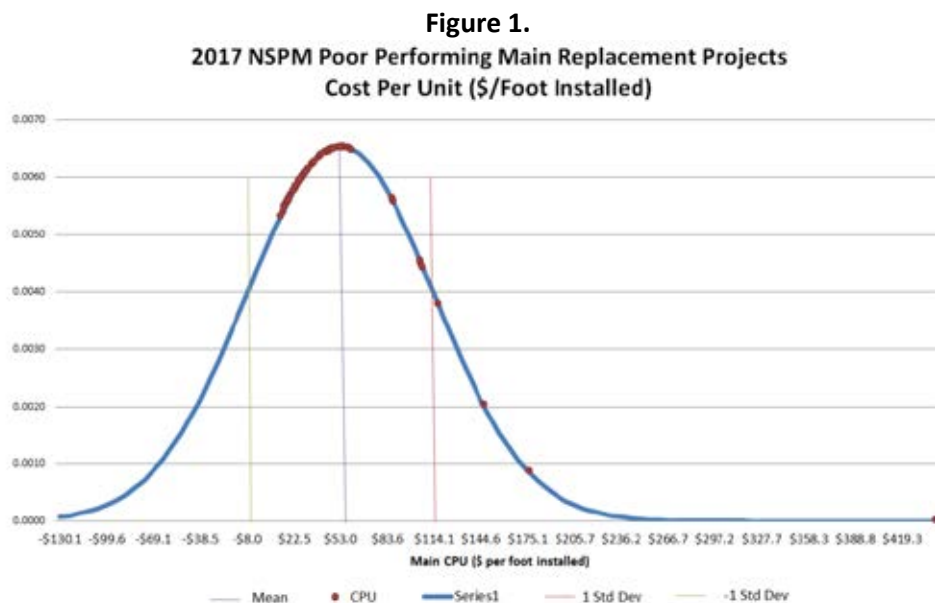
Therefore, the Department recommends that the Commission direct the Company to make an adjustment of \$(1.97) in TIMP costs to its 2019 GUIC Rider, and disallow an adjustment of \$0.90 in DIMP costs in its GUIC Rider, to the extent these adjustments were not captured in the 2018 GUIC Rider.

b. Department request that Xcel clarify the cause of the ~\$320/foot DIMP Poor Performing Main Replacement Observation

In its March 4, 2019 Comments, the Department requested that Xcel explain an unjustified observation in Xcel's Performance Metrics Figure "2017 NSPM Poor Performing Main Replacement Projects Cost Per Unit."⁴⁹ In its Reply Comments, Xcel clarified that the observation was included erroneously and has since been removed.⁵⁰ The Company provided the following updated figure, which is based on the data submitted to the Department in IR 50:

⁴⁹ Department Comments, p. 42 (March 4, 2019).

⁵⁰ Xcel Reply Comments, p. 19 (March 14, 2019).



The Department is satisfied with this response and considers this issue resolved between the Department and Xcel.

- c. Department request that Xcel explain its decision to use a normal distribution curve in its 2017 Poor Performing Main Replacement Project curve.

In its March 4, 2019 Comments, the Department noted that Figure 1 above appears to not be a normal distribution of data, as indicated by the cluster of observation points on the left hand side of the curve.⁵¹ The Department suggested that a more appropriate distribution curve would look more like a slope with a right-handed tail, and expressed concern that a different curve might produce different results as to which observations fell outside +1 and -1 standard deviations. The Department therefore asked Xcel to explain its reasoning behind using a normal distribution curve.

In its March 14, 2019 Reply Comments, Xcel stated that in the Company's view, the normal distribution curve was what fit the data experienced.⁵² Xcel also argued that using a different curve would not affect the Company's analysis, as the mean and standard deviation are determined by the data and not the curve; therefore, using a different curve would not result in a change in the number of observations falling outside the -1 and +1 standard deviation cutoffs.

⁵¹ Department Comments, p. 42 (March 4, 2019).

⁵² Xcel Reply Comments, p. 19 (March 14, 2019).

The Department appreciates the Company's clarification in this matter. The Department was concerned that the data had been normalized prior to calculating the standard deviation, but confirmed that it was not the case. Therefore, the Department agrees with Xcel's assessment that the standard deviation would not change with the different curve, as in this case the curve is being used simply as a visualization tool rather than a screening tool. However, the Department suggests that Xcel clarify this issue in future filings and consider developing a curve that is easier for a viewer to intuitively understand- for example, a curve that does not allow for potential negative data points.

The Department further notes that the current screening tool of +1 standard deviation may or may not be appropriate for the Company's Poor Performing Mains and Services data. Under a typical normal distribution, one can expect to see approximately 68 percent of the data fall within 1 standard deviation, and 95 percent of the data within 2 standard deviations. For this reason, 2 standard deviations is more typically used as a cutoff to screen for outliers. To better evaluate what would be a more appropriate cutoff, the Company may wish to, in next year's filing, perform a Monte Carlo type of analysis, whereby parties may better determine and justify an appropriate screening cutoff. The purpose in conducting such an analysis would be to help parties develop a more precise measurement for identifying potentially unreasonable costs.

The Department considers this matter resolved for purposes of this proceeding.

- d. Department request that Xcel provide the raw data behind the Company's Poor Performing Main Replacement figure, with observations categorized by consequence class

On September 26, 2018, Xcel met with the Department to discuss performance metrics and risk assessment. During that meeting, the Company noted that the reasons that observations fall beyond the +1 standard deviation tend to be driven by the surrounding environment in which the work is being done. For example, a project in downtown St. Paul will be significantly more expensive on a cost/foot basis than a project in rural setting with no structures around. Due to this dynamic, it can be like comparing apples to oranges when creating the Main and Service curves.

The Department agreed with this assessment, and suggested that more meaningful information may be gleaned if the data were categorized by consequence class; different curves could then be made for each consequence class. Consequence classes are a metric used on the front end in Xcel's Risk Assessment process, and are based in part on population density. The Department asked for the Company to provide the data by consequence class first in IR No. 50, and after further clarification, in its March 4, 2019 Comments.⁵³

⁵³ Department Comments, p. 43 (March 4, 2019).

In its March 14, 2019 Reply Comments, the Company submitted the requested information for plastic mains and services, but not for steel mains and services.⁵⁴ The Company clarified that its steel mains program does not track consequence class for each project, but that it is open to doing so going forward.⁵⁵ Similarly, the Company did not provide information on its steel services program, but the Department notes these seem to be part of a broader “mains and services” DIMP program, indicating that the Company likewise does not currently track this information.

The Department agrees that consequence classes for the steel mains and services should be a reasonable piece of information to track, and notes that once Xcel provides a few years of this data, parties may have a better sense of appropriate cost ranges for each consequence class. Therefore, the Department supports the Company’s proposal to provide both plastic and steel mains and services consequence class information in future GUIC filings, and recommends that the Commission require the Company to provide this information going forward.

- e. Department recommendation that the Commission require the Company to develop at least one unique cost performance metric and one unique effectiveness performance metric for each TIMP and DIMP program.

In its March 14, 2019 Comments, the Department noted two significant flaws related to Xcel’s current GUIC performance metrics. The first was that not all TIMP and DIMP programs were evaluated; the second was that, of those that were evaluated, not all performance metrics were adequate. To correct for these deficiencies, Department suggested that, at minimum, each program should be evaluated for cost and for effectiveness to help the Commission in its determination of reasonableness.⁵⁶ To this end, the Department recommended that the Commission require the Company to develop at least one unique cost performance metric and one unique effectiveness performance metric for each TIMP and DIMP program.

The Department further proposed a potential set of performance metrics that would cover the suite of GUIC programs, and requested feedback from the Company.

In its March 14, 2019 Reply Comments, Xcel stated that it was still reviewing the recommendations, but provided some initial feedback.⁵⁷ The Company stated that it is not opposed to continuing to report Poor Performing Main Replacement Unit Cost and Poor Performing Service Replacement Unit Cost. Further, the Company noted that, with some modifications, it may be feasible to report:

⁵⁴ Xcel Reply Comments, Attachment F (March 14, 2019).

⁵⁵ Xcel Reply Comments, p. 20 (March 14, 2019).

⁵⁶ Department Comments, p. 37 (March 4, 2019).

⁵⁷ Xcel Reply Comments, pp. 17-19 (March 14, 2019).

- Distribution Valve Replacement Unit Cost;
- Sewer and gas line conflict investigation inspection unit cost;
- ASVs and RCVs time period of leak detection by event for each replaced and non-replaced asset;
- Programmatic replacement and MAOP remediation percentage of records complete over time;
- Poor performing main replacement number of leaks;
- Poor performing service replacement number of leaks;
- Intermediate pressure line assessment number of leaks;
- Sewer and gas line conflict investigation percentage of potential projects inspected over time; and
- Federal code mitigation percentage of projects out of compliance over time.

In regards to the Department's proposals on cost performance metrics, Xcel stated that unit cost performance metrics will not necessarily yield meaningful results for all programs.⁵⁸ The Company argued that the most effective way to use this performance metric is in programs where unitized costs are expected to be similar and where a statistically significant sample exists. For example, the Transmission Pipeline Assessments program does not have enough projects in a given year to yield a statistically significant sample size (there were five performed in 2017). Further, the costs for this program vary widely based on the assessment method(s) used, diameter/length/condition of the line, and specific threats to be addressed.

The Department agrees with the Company's initial thoughts on this matter. The Department also suggests that there might be ways to create meaningful data out of such projects. For example, it may be that data for all Transmission Pipeline Assessment projects over many years (adjusted for inflation) could be compared. Alternatively, there may be ways to break down the total costs of the projects into specific components that are better compared. However, the Department notes that any further investigation of such data should only be pursued if it helps the Commission better make a determination of the reasonableness of costs incurred; it may be that such analysis would not aid in this determination.

Instead, the Company proposes to continue to track actual versus estimated cost variance explanation for capital projects where unit costs are not applicable.⁵⁹ For now, the Department agrees that this proposal may be the only immediately available method for analysis; however, the Department supports continued development of better cost metrics by parties.

⁵⁸ Xcel Reply Comments, p. 18 (March 14, 2019).

⁵⁹ *Id.*

In regards to the Department's proposals on effectiveness performance metrics, Xcel stated the following:

For effectiveness measurements, the Department requested that the Company develop a leak volume metric for each type of asset to serve as new effectiveness performance metrics. At this time, the Company does not have the ability to create a leak volume metric for any of its programs because the Company does not have information about the volume of natural gas released from these leaks. Also, comparing leaks for repaired versus non-repaired transmission pipelines, as suggested by the Department may not be statistically meaningful due to our limited number of leaks. In 2018 there were zero transmission pipeline leaks.

Despite this, the Company has information about the number of leaks occurring for most of our programs. If the Department and others would find that information useful to be paired with our leak rate metrics that have already been created, we can work with them to create those metrics.⁶⁰

From the Department's understanding, it appears that while Xcel does not have the capability to measure leak volume, the Company does have the ability to measure leak number. The Department supports the Company reporting the number of leaks for each program, but notes that the best effectiveness measurement would measure pre- and post- program results. If the Company experiences minimal leaks on its system to begin with, it may be that a different effectiveness measurement would be appropriate. For example, it may be appropriate to create an estimate of percentage of corroded pipelines for replaced versus non-replaced assets. The Department would expect that the Company has much more expertise than the Department in this matter of potential effectiveness metrics and could provide a better performance metric for the GUIC work.

⁶⁰ Xcel Reply Comments, pp. 18-19 (March 14, 2019).

Given the feedback from Xcel, the Department provides the below table with updated potential performance metrics for each TIMP and DIMP program.

Table 3. Department's Suggested Performance Metrics by 2017 GUIC Program and Type of Metric, Modified by Feedback from Xcel

	Program	Cost Performance Metric	Effectiveness Performance Metric
TIMP	East Metro	x	x
	Transmission Pipeline Assessments	-Estimated versus actual costs per project	-Number of leaks for repaired assets versus non-repaired assets
	ASVs and RCVs	-ASV Unit Cost -RCV Unit Cost	- Time period of leak detection by event for each replaced asset versus non-replaced asset
	Programmatic Replacement and MAOP Remediation	-Main Replacement Unit Cost (per foot)	-Percentage of records complete over time
DIMP	Poor Performing Main Replacement	-Poor Performing Main Replacement Unit Cost (per foot)	-Number of leaks for distribution mains replaced versus non-replaced comparable assets
	Poor Performing Service Replacement	-Poor Performing Service Replacement Unit Cost (per service and per foot)	-Number of leaks for services replaced versus non-replaced comparable assets
	Intermediate Pressure (IP) Line Assessments	-Estimated versus actual costs per project	-Number of leaks for IP lines repaired versus non-repaired comparable assets
	Distribution Valve Replacement	-Replacement Unit Cost	- Time period of leak detection by event for each replaced asset versus non-replaced asset
	Sewer and Gas Line Conflict Investigation	-Inspection Unit Cost	-Percentage of potential projects inspected over time
	Federal Code Mitigation	-Repair/project unit cost	-Percentage of projects out of compliance over time

Therefore, the Department amends its initial recommendation, and instead recommends that the Commission require Xcel to develop performance metrics based on the above table to include in future GUIC Rider filings. The Department continues to recommend that Xcel continue to work to improve its performance metrics reporting in future filings, with the goal of providing better explanations of the Company's assets.

III. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department recommends that the Commission:

- a. Require Xcel to use the most recent 12 months of actual natural gas sales to calculate the final GUIC Rider rates;
- b. To reflect the level of risk faced by Xcel Gas, set the 2019 ROE at 9.04%, the level approved in the 2017 and 2018 GUIC Riders, Dockets G002/M-16-891 and G002/M-17-787, respectively;
- c. Require Xcel Gas to show in the revenue requirement schedules a breakdown of the Accumulated Deferred Income Tax (ADIT) balance to separately identify the excess ADIT (i.e., EDIT) balance, attributed to the Tax Cut and Jobs Act of 2017, that is to be returned to ratepayers as well as the amortized amount of the EDIT being included in the GUIC revenue requirement;
- d. Require Xcel Gas to include electronic files of its revenue requirements schedules, with formulae intact, in its final compliance filing;
- e. Require Xcel to exclude from this and future GUIC Rider revenue requirements all costs for *Emergency* sewer inspection activity. For this 2019 GUIC Rider petition, two adjustments result, one in the amount of \$50,000, which removes the request for cost recovery of current (2019) year's *Emergency* work built into the revenue request; the second a one-time adjustment in the amount of \$371,364 to credit back to ratepayers expenses that should not have been included in the total deferred amount, currently being amortized in the GUIC Rider.
- f. Require Xcel Gas to remove the application of a prorated Accumulated Deferred Income Tax (ADIT) technique for rate base establishment when it is not required for IRS normalization purposes (i.e., the effective date of the rider rate is post test period);
- g. Deny Xcel Gas's request to include a carrying charge on the GUIC tracker balance;
- h. Require Xcel Gas to remove and exclude from the GUIC Rider costs incurred on low-risk infrastructure replacement work activity not required by either civic/public work requirements nor by government regulations;

- i. Determine that the “return on” the capital costs incurred to remediate the system’s MAOP data gaps, shall be limited to Xcel Gas’s weighted long-term debt costs;
- j. Deny the Company’s proposed recovery of \$8,157,695 in actual 2019 GUIC internal capital costs for Overheads, Other, and Transportation, to the extent that these costs are not removed elsewhere;
- k. Require Xcel to develop full risk assessment profiles for the TIMP Transmission Pipeline Assessment program and the TIMP Programmatic Replacement/MAOP Remediation program, such as that shown in Table 1 above;
- l. Require Xcel to continue to improve its risk assessment and performance metrics reporting in future filings, with the goal of providing better explanations of the Company’s assets;
- m. Require the Company to include in its compliance filing an updated copy of Attachment D1(a), page 1 that reflects DIMP projects currently projected to be completed in 2019;
- n. Require the Company to make an adjustment of \$(1.97) million in TIMP costs to its 2019 GUIC Rider to account for budgeted versus actual 2017 GUIC TIMP costs, and disallow an adjustment of \$0.90 million in DIMP costs in its 2019 GUIC Rider to account for 2017 DIMP cost overruns, to the extent that these costs were not already captured in the 2018 GUIC Rider;
- o. Require the Company to provide consequence class information for both plastic and steel mains and services in future GUIC filings; and
- p. Require Xcel to develop performance metrics based on Table 3 above, to be included in future GUIC Rider filings.

/ar

- ☐ Not Public Document – Not For Public Disclosure
☐ Public Document – Not Public Data Has Been Excised
☒ Public Document

Xcel Energy Information Request No. 51
Docket No.: G002/M-18-692
Response To: MN Department of Commerce
Requestor: Dorothy Morrissey/Danielle Winner
Date Received: June 5, 2019

Question:

Topic: Excess Deferred Income Taxes
Reference(s): Xcel Reply Comments, pp. 7-8 and Attachment A

The Department requested that,

the Company revise their rider petition schedules G and H to breakout the ADIT balance and separately identify:

- *the excess ADIT (i.e., EDIT) balance, **due to the TCJA**, that is to be returned to ratepayers and*
- *the amortized amount of the EDIT being included in the GUIC revenue requirement.*

In order to increase transparency and allow stakeholders to confirm that all the benefits of the federal tax reform are reflected in rates.

- A. Please explain why as a result of breaking down the accumulated deferred income tax in the revenue requirement schedules, to show the excess deferred income tax due to the 2017 TCJA, causes the 2019 GUIC revenue requirements to increase.
- B. (1) Please explain the Attachment A schedule amounts shown in the line “Excess ADIT (EDIT)” of the Rate Base Section. (2) Please indicate whether the reported excess accumulated deferred income tax amounts reflect the amount to be returned to ratepayers, that is, is the amount to be refunded to ratepayers due the change in the corporate income tax rate (2017 TCJA).
- C. (1) Please explain whether the Attachment A schedule amounts shown in the line “Excess Deferred Taxes” of the Income Statement Items Section. (2) Please indicate whether the reported excess accumulated deferred income tax amounts reflect the amount to be returned to ratepayers, that is, is the amount to be refunded to ratepayers due the change in the corporate income tax rate (2017 TCJA).

Response:

- A. The Company uses reductions in plant additions to incorporate regulatory capital disallowances in the GUIC revenue requirement models. Negative plant additions result in negative book depreciation and negative tax depreciation. During the reprogramming of the Company's revenue requirement modeling system necessary to bifurcate the accumulated deferred income taxes into current and excess, an "if" statement was used to calculate Excess ADIT (EDIT) unwind once book depreciation was greater than tax depreciation. Both the depreciation values calculated on the regulatory disallowances were negative, which caused the EDIT to unwind immediately; this was reflected as an increase to deferred taxes.

Unfortunately, the Company did not identify and correct this programming logic before filing its Reply Comments in this proceeding. The incorrect logic resulted in an increase to the deferred tax calculation which increased revenue requirements by \$16,000 in 2019.

Since filing our Reply Comments, we have identified and corrected the issue in the excess ADIT programming logic of the GUIC revenue requirements model. Attachment A to this response is a second revision to Petition Schedule G, which provides the breakout of the excess ADIT. There is now a slight decrease of \$57 in the 2019 GUIC revenue requirements when compared to the initial filing. During the reprogramming the Company's GUIC revenue requirements models to show the split of current and excess deferred taxes and the respective flow back, the Company made changes to more accurately reflect the flow back, which is why there are small changes to the revenue requirements when compared to the initial Petition filing.

The analysis in this response pertains to Petition Schedule G and Reply Comments Attachment A, both of which pertain to Transmission or TIMP projects in the GUIC Rate Rider. These programming changes also impact Distribution or DIMP projects, provided as Petition Schedule H and Reply Comments Attachment B. Distribution projects tend to be depreciated over a shorter life than transmission assets. As such, flow back of distribution-related EDIT has started to flow back to customers, as shown by negative excess deferred taxes in 2019 and 2020. Attachment B to this response is the revised version of the DIMP project revenue requirements calculations. The recalculated amounts result in a reduction to the DIMP revenue requirements of \$5,000 when compared to the Petition.

- B. (1) The EDIT line of the rate base section of Attachment A to this response reflects the impact of a composite tax rate change like the change from a

35 percent federal corporate income tax rate to a 21 percent federal corporate income tax rate on the ADIT balance. Prior to TCJA, most of ADIT was a deferred tax liability payable to the federal government. The amount related to the difference in tax rates is a liability payable to customers.

(2) Yes, the total EDIT will be returned to customers over the life of the assets. The flow back on an individual asset will occur when book depreciation is greater than tax depreciation.

- C. (1) The “Excess Deferred Taxes” line of the Income Statement Items Section of Attachment A to this response reflects the deferred tax expense flow back at the average of all the current rates used to set up the deferred balance. The plant-related deferred taxes were recalculated at the new lower federal tax rate, but because of IRS normalization rules, the lower federal tax rate is applied only to those timing differences where the vintage balance was increasing. For deferred tax liabilities, this means that current tax depreciation is greater than the book depreciation. For the timing differences where the vintage balance was decreasing (i.e., current year book depreciation is greater than the tax depreciation), the Company used the average rate assumption method (ARAM). ARAM is a method where the tax rate for the deferred tax expense calculation is modified to an average of all the tax rates used when the balances were growing. This assures that the benefit of a tax rate change on the deferred tax balance is ratably shared with all customers receiving benefit from the asset over the remaining life of that asset.

(2) Tax rate changes applied to the book and tax depreciation in aggregate produces additional EDIT, which gives the appearance of no EDIT flow back in Attachment A to this response. Once more projects have book depreciation greater than tax depreciation, the Excess Deferred Taxes line of Attachment A will reflect the flowing back to customers the accumulated EDIT balance included in Rate Base. Attachment C to the Company’s Reply Comments provides an individual project example that demonstrates the flow back for that project, and is reflected in the aggregate data provided in Attachment A to this response. Because more of the DIMP projects have book depreciation greater than tax depreciation you will see EDIT flow back as seen in Attachment B to this response.

Preparer: Mary Pope
Title: Senior Rate Analyst
Department: Revenue Requirements North
Telephone: 612-330-6574
Date: June 18, 2019

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Northern States Power Company

DOC Information Request No. 51
Attachment A

Docket No. G002/M-18-692
Gas Utility Infrastructure Cost Rider - 2019 Factors
Reply Comments - March 14, 2019
Attachment A (Petition Att G) - 1 of 4

TIMP - Capital Revenue Requirements	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Total
Rate Base													
CWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant In-Service	59,405,917	59,493,185	59,504,067	59,782,253	60,173,422	60,494,532	60,806,937	61,029,357	61,012,569	61,028,374	66,480,475	66,781,746	66,781,746
Less Accumulated Book Depreciation Reserve	1,067,186	1,187,970	1,308,824	1,429,974	1,551,713	1,674,017	1,796,789	1,915,984	2,006,684	2,129,945	2,250,693	2,379,149	2,379,149
Accumulated Deferred Taxes (ADIT)	5,645,449	5,864,728	6,084,008	6,303,287	6,522,567	6,741,847	6,961,126	7,180,406	7,399,685	7,618,965	7,838,245	8,057,524	8,057,524
Excess ADIT (EDIT)	(348)	(697)	(1,045)	(1,393)	(1,742)	(2,090)	(2,439)	(2,787)	(3,135)	(3,484)	(3,832)	(4,180)	(4,180)
Less Total Accumulated Deferred Taxes	5,645,100	5,864,032	6,082,963	6,301,894	6,520,825	6,739,756	6,958,688	7,177,619	7,396,550	7,615,481	7,834,413	8,053,344	8,053,344
End Of Month Rate Base	52,893,630	52,441,183	52,112,281	52,050,385	52,100,884	52,080,759	52,051,460	51,935,754	51,609,334	51,282,947	56,395,369	56,349,254	56,349,254
Average Rate Base (Prior Mo + Cur Month/2)	52,814,406	52,567,406	52,276,732	52,081,333	52,075,634	52,090,821	52,066,110	51,993,607	51,772,544	51,446,141	53,839,158	56,372,312	
Return on Rate Base													
Debt Return (Avg RB * Wtd Cost of Debt)	99,907	99,440	98,890	98,521	98,510	98,538	98,492	98,355	97,936	97,319	101,846	106,638	1,194,391
Equity Return (Avg RB * Wtd Cost of Equity)	209,057	208,079	206,929	206,155	206,133	206,193	206,095	205,808	204,933	203,641	213,113	223,140	2,499,277
Total Return on Rate Base	308,964	307,519	305,819	304,676	304,642	304,731	304,587	304,163	302,869	300,960	314,959	329,778	3,693,668
Income Statement Items													
AFUDC Pre-Eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes	84,131	84,131	84,131	84,131	84,131	84,131	84,131	84,131	84,131	84,131	84,131	84,131	1,009,577
Book Depreciation	120,714	120,784	120,854	121,150	121,739	122,304	122,772	123,122	123,256	123,261	128,870	134,783	1,483,608
Deferred Taxes	219,280	219,280	219,280	219,280	219,280	219,280	219,280	219,280	219,280	219,280	219,280	219,280	2,631,355
Excess Deferred Taxes	(348)	(348)	(348)	(348)	(348)	(348)	(348)	(348)	(348)	(348)	(348)	(348)	(4,180)
Total Deferred Taxes	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	2,627,175
Gross Up for Income Tax (see below)	(69,190)	(87,210)	(58,299)	(44,035)	(65,792)	(73,980)	(116,675)	(130,973)	(106,536)	(32,957)	(42,627)	(61,151)	(889,425)
Total Income Statement Expense	354,587	336,637	365,618	380,177	359,010	351,386	309,160	295,211	319,783	393,366	389,306	376,694	4,230,935
Total Revenue Requirement	663,551	644,156	671,436	684,853	663,652	656,118	613,746	599,374	622,652	694,326	704,265	706,472	7,924,603
Capital Structure													
Weighted Cost of Debt	2.27%												
Weighted Cost of Equity	4.75%												
Required Rate of Return	7.02%												
Current Income Tax Calculation													
Equity Return	209,057	208,079	206,929	206,155	206,133	206,193	206,095	205,808	204,933	203,641	213,113	223,140	2,499,277
Book Depreciation	120,714	120,784	120,854	121,150	121,739	122,304	122,772	123,122	123,256	123,261	128,870	134,783	1,483,608
Deferred Taxes	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	218,931	2,627,175
Less Tax Depreciation	649,873	673,771	631,929	611,439	642,917	654,948	715,711	736,539	702,160	601,377	629,877	665,034	7,915,576
Plus CPI-Tax Interest (If Applicable)	3,115	2,382	2,593	2,795	2,872	2,676	2,560	3,062	4,056	8,837	8,551	1,515	45,014
Total	(98,056)	(123,594)	(82,622)	(62,408)	(93,242)	(104,845)	(165,353)	(185,616)	(150,983)	(46,707)	(60,411)	(86,664)	(1,260,503)
Tax Rate (T/(1-T))	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611
Gross Up for Income Tax	(69,190)	(87,210)	(58,299)	(44,035)	(65,792)	(73,980)	(116,675)	(130,973)	(106,536)	(32,957)	(42,627)	(61,151)	(889,425)

TIMP - Capital Revenue Requirements	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
Rate Base													
CWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant In-Service	66,961,891	67,017,881	68,871,363	70,688,202	70,688,599	70,668,590	71,431,497	72,214,816	72,895,998	73,525,908	74,076,611	74,551,685	74,551,685
Less Accumulated Book Depreciation Reserve	2,489,604	2,600,257	2,711,971	2,826,207	2,941,954	3,086,838	(1,572,397)	(1,623,238)	(1,597,174)	(1,532,236)	(1,447,130)	(1,345,805)	(1,345,805)
Accumulated Deferred Taxes (ADIT)	7,877,771	7,698,018	7,518,265	7,338,512	7,158,759	6,979,006	6,799,252	6,619,499	6,439,746	6,259,993	6,080,240	5,900,487	5,900,487
Excess ADIT (EDIT)	205,251	414,683	624,115	833,546	1,042,978	1,252,409	1,461,841	1,671,273	1,880,704	2,090,136	2,299,568	2,508,999	2,508,999
Less Total Accumulated Deferred Taxes	8,083,022	8,112,701	8,142,379	8,172,058	8,201,736	8,231,415	8,245,776	8,275,454	8,305,611	8,334,811	8,364,968	8,394,168	8,394,168
End Of Month Rate Base	56,389,265	56,304,923	58,017,013	59,689,937	59,544,909	59,350,337	64,758,118	65,562,600	66,187,561	66,723,333	67,158,773	67,503,321	67,503,321
Average Rate Base (Prior Mo + Cur Month/2)	56,369,259	56,347,094	57,160,968	58,653,475	59,617,423	59,447,623	62,047,047	65,145,520	65,860,002	66,440,847	66,925,974	67,316,447	
Return on Rate Base													
Debt Return (Avg RB * Wtd Cost of Debt)	105,692	105,651	107,177	110,350	111,783	111,464	116,338	122,148	123,488	124,577	125,486	126,218	1,390,372
Equity Return (Avg RB * Wtd Cost of Equity)	246,616	246,519	250,079	257,484	260,826	260,083	271,456	285,012	288,138	290,679	292,801	294,509	3,244,201
Total Return on Rate Base	352,308	352,169	357,256	367,834	372,609	371,548	387,794	407,159	411,625	415,255	418,287	420,728	4,634,573
Income Statement Items													
AFUDC Pre-Eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes	94,590	94,590	94,590	94,590	94,590	94,590	94,590	94,590	94,590	94,590	94,590	94,590	1,135,079
Book Depreciation	110,456	110,653	111,713	114,237	115,747	115,737	116,123	117,022	117,986	118,891	119,722	120,465	1,388,751
Deferred Taxes	(179,753)	(179,753)	(179,753)	(179,753)	(179,753)	(179,753)	(179,753)	(179,753)	(179,753)	(179,753)	(179,753)	(179,753)	(2,157,037)
Excess Deferred Taxes	209,432	209,432	209,432	209,432	209,432	209,432	209,432	209,432	209,432	209,432	209,432	209,432	2,513,180
Total Deferred Taxes	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	356,142
Gross Up for Income Tax (see below)	6,921	7,194	773,400	9,603	11,218	13,788	14,440	18,923	21,015	22,528	24,419	30,630	954,077
Total Income Statement Expense	241,645	242,115	1,009,382	248,108	251,234	253,793	254,832	260,213	263,269	265,687	268,409	275,363	3,834,050
Total Revenue Requirement	593,953	594,284	1,366,638	615,942	623,843	625,340	642,626	667,373	674,894	680,942	686,697	696,091	8,468,623
Capital Structure													
Weighted Cost of Debt	2.25%												
Weighted Cost of Equity	5.25%												
Required Rate of Return	7.50%												
Current Income Tax Calculation													
Equity Return	246,616	246,519	250,079	257,484	260,826	260,083	271,456	285,012	288,138	290,679	292,801	294,509	3,244,201
Book Depreciation	110,456	110,653	111,713	114,237	115,747	115,737	116,123	117,022	117,986	118,891	119,722	120,465	1,388,751
Deferred Taxes	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	29,679	356,142
Less Tax Depreciation	370,092	369,126	(1,525,792)	378,405	381,147	375,541	385,934	388,686	387,688	387,688	386,179	372,471	2,657,167
Plus CPI-Tax Interest (If Applicable)	502	111	173	613	2,708	4,225	4,477	3,888	3,987	4,292	4,517	3,757	33,449
Total	17,159	17,835	1,917,436	23,807	27,813	34,183	35,800	46,914	52,101	55,851	60,540	75,938	2,365,376
Tax Rate (T/(1-T))	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351
Gross Up for Income Tax	6,921	7,194	773,400	9,603	11,218	13,788	14,440	18,923	21,015	22,528	24,419	30,630	954,077

Northern States Power Company

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TIMP - Capital Revenue Requirements	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total
Rate Base													
CWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant In-Service	74,653,577	74,734,328	74,827,289	74,926,380	75,028,547	75,159,400	75,338,580	75,542,016	75,757,828	75,962,388	85,727,506	85,825,266	85,825,266
Less Accumulated Book Depreciation Reserve	(1,236,824)	(1,124,120)	(1,011,300)	(898,366)	(785,316)	(674,267)	(566,775)	(460,937)	(355,802)	(249,572)	(132,481)	(7,032)	(7,032)
Accumulated Deferred Taxes (ADIT)	5,992,946	6,085,405	6,177,864	6,270,323	6,362,782	6,455,241	6,547,700	6,640,159	6,732,618	6,825,077	6,917,536	7,009,995	7,009,995
Excess ADIT (EDIT)	2,509,000	2,509,000	2,509,001	2,509,002	2,509,002	2,509,003	2,509,003	2,509,004	2,509,004	2,509,005	2,509,006	2,509,006	2,509,006
Less Total Accumulated Deferred Taxes	8,454,225	8,548,175	8,639,144	8,733,095	8,824,063	8,918,014	9,008,982	9,101,442	9,195,393	9,286,361	9,380,312	9,471,280	9,471,280
End Of Month Rate Base	67,436,176	67,310,272	67,199,445	67,091,651	66,989,800	66,915,653	66,896,372	66,901,511	66,918,037	66,925,599	76,479,676	76,361,017	76,361,017
Average Rate Base (Prior Mo + Cur Month/2)	67,439,720	67,326,249	67,209,374	67,098,572	66,995,241	66,905,751	66,860,529	66,852,712	66,862,799	66,876,334	71,655,662	76,374,862	
Return on Rate Base													
Debt Return (Avg RB * Wtd Cost of Debt)	126,449	126,237	126,018	125,810	125,616	125,448	125,363	125,349	125,368	125,393	134,354	143,203	1,534,608
Equity Return (Avg RB * Wtd Cost of Equity)	302,355	301,846	301,322	300,825	300,362	299,961	299,758	299,723	299,768	299,829	321,256	342,414	3,669,419
Total Return on Rate Base	428,804	428,083	427,340	426,635	425,978	425,409	425,122	425,072	425,136	425,222	455,611	485,617	5,204,028
Income Statement Items													
AFUDC Pre-Eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes	105,595	105,595	105,595	105,595	105,595	105,595	105,595	105,595	105,595	105,595	105,595	105,595	1,267,144
Book Depreciation	120,874	120,974	121,069	121,174	121,284	121,411	121,580	121,789	122,017	122,247	127,689	133,072	1,475,179
Deferred Taxes	92,459	92,459	92,459	92,459	92,459	92,459	92,459	92,459	92,459	92,459	92,459	92,459	1,109,508
Excess Deferred Taxes	1	1	1	1	1	1	1	1	1	1	1	1	7
Total Deferred Taxes	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	1,109,516
Gross Up for Income Tax (see below)	38,543	38,464	36,978	28,012	25,494	21,453	24,940	14,135	30,826	42,267	57,254	77,942	436,307
Total Income Statement Expense	357,472	357,493	356,102	347,241	344,832	340,918	344,575	333,979	350,898	362,568	382,998	409,069	4,288,145
Total Revenue Requirement	786,276	785,576	783,442	773,876	770,810	766,327	769,696	759,050	776,034	787,790	838,609	894,686	9,492,173
Capital Structure													
Weighted Cost of Debt	2.25%												
Weighted Cost of Equity	5.38%												
Required Rate of Return	7.63%												
Current Income Tax Calculation													
Equity Return	302,355	301,846	301,322	300,825	300,362	299,961	299,758	299,723	299,768	299,829	321,256	342,414	3,669,419
Book Depreciation	120,874	120,974	121,069	121,174	121,284	121,411	121,580	121,789	122,017	122,247	127,689	133,072	1,475,179
Deferred Taxes	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	1,109,516
Less Tax Depreciation	423,289	423,289	426,871	452,102	465,199	484,694	487,400	528,830	503,117	485,702	467,871	430,665	5,579,029
Plus CPI-Tax Interest (If Applicable)	3,156	3,371	3,698	7,091	14,299	24,050	35,434	49,903	65,296	75,955	68,413	55,955	406,620
Total	95,556	95,362	91,678	69,448	63,205	53,186	61,832	35,044	76,424	104,788	141,947	193,236	1,081,705
Tax Rate (T/(1-T))	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351
Gross Up for Income Tax	38,543	38,464	36,978	28,012	25,494	21,453	24,940	14,135	30,826	42,267	57,254	77,942	436,307

Northern States Power Company

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TIMP - Capital Revenue Requirements	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total
Rate Base													
CWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant In-Service	85,960,694	86,115,031	86,358,431	86,646,537	86,957,082	87,306,034	87,708,192	88,137,056	88,579,327	89,034,498	89,341,109	138,826,768	138,826,768
Less Accumulated Book Depreciation Reserve	115,580	(33,250)	81,268	192,583	302,479	409,731	513,229	615,099	716,403	819,007	931,873	1,077,105	1,077,105
Accumulated Deferred Taxes (ADIT)	7,159,812	7,309,630	7,459,447	7,609,264	7,759,081	7,908,898	8,058,715	8,208,532	8,358,349	8,508,166	8,657,983	8,807,800	8,807,800
Excess ADIT (EDIT)	2,509,010	2,509,014	2,509,018	2,509,022	2,509,026	2,509,030	2,509,033	2,509,037	2,509,041	2,509,045	2,509,049	2,509,053	2,509,053
Less Total Accumulated Deferred Taxes	9,591,496	9,743,733	9,891,137	10,043,375	10,190,779	10,343,017	10,490,421	10,640,242	10,792,480	10,939,884	11,092,122	11,239,526	11,239,526
End Of Month Rate Base	76,253,619	76,404,547	76,386,025	76,410,578	76,463,824	76,553,286	76,704,541	76,881,715	77,070,444	77,275,607	77,317,115	126,510,137	126,510,137
Average Rate Base (Prior Mo + Cur Month/2)	76,247,210	76,252,964	76,321,584	76,322,183	76,363,499	76,432,436	76,555,212	76,718,218	76,899,961	77,099,323	77,220,242	101,839,924	
Return on Rate Base													
Debt Return (Avg RB * Wtd Cost of Debt)	142,964	142,974	143,103	143,104	143,182	143,311	143,541	143,847	144,187	144,561	144,788	190,950	1,770,511
Equity Return (Avg RB * Wtd Cost of Equity)	341,842	341,867	342,175	342,178	342,363	342,672	343,223	343,953	344,768	345,662	346,204	456,582	4,233,490
Total Return on Rate Base	484,805	484,842	485,278	485,282	485,545	485,983	486,764	487,800	488,956	490,223	490,992	647,532	6,004,001
Income Statement Items													
AFUDC Pre-Eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes	121,563	121,563	121,563	121,563	121,563	121,563	121,563	121,563	121,563	121,563	121,563	121,563	1,458,759
Book Depreciation	133,200	133,358	133,575	133,865	134,192	134,552	134,962	135,415	135,891	136,381	136,796	163,975	1,646,160
Deferred Taxes	149,817	149,817	149,817	149,817	149,817	149,817	149,817	149,817	149,817	149,817	149,817	149,817	1,797,805
Excess Deferred Taxes	4	4	4	4	4	4	4	4	4	4	4	4	47
Total Deferred Taxes	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	1,797,852
Gross Up for Income Tax (see below)	8,560	8,749	4,100	(8,914)	(4,441)	(8,254)	(3,620)	(3,396)	12,238	33,559	43,698	69,295	151,574
Total Income Statement Expense	413,144	413,491	409,059	396,335	401,135	397,682	402,726	403,404	419,513	441,324	451,878	504,654	5,054,344
Total Revenue Requirement	897,949	898,333	894,337	881,617	886,679	883,664	889,490	891,204	908,469	931,547	942,870	1,152,186	11,058,345
Capital Structure													
Weighted Cost of Debt	2.25%												
Weighted Cost of Equity	5.38%												
Required Rate of Return	7.63%												
Current Income Tax Calculation													
Equity Return	341,842	341,867	342,175	342,178	342,363	342,672	343,223	343,953	344,768	345,662	346,204	456,582	4,233,490
Book Depreciation	133,200	133,358	133,575	133,865	134,192	134,552	134,962	135,415	135,891	136,381	136,796	163,975	1,646,160
Deferred Taxes	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	149,821	1,797,852
Less Tax Depreciation	660,467	660,467	672,956	711,059	711,059	734,370	739,695	758,746	739,695	698,930	680,051	679,518	8,447,012
Plus CPI-Tax Interest (If Applicable)	56,828	57,112	57,551	63,094	73,672	86,861	102,715	121,138	139,556	150,267	155,566	80,938	1,145,296
Total	21,223	21,691	10,165	(22,101)	(11,011)	(20,484)	(8,975)	(8,418)	30,341	83,200	108,336	171,798	375,785
Tax Rate (T/(1-T))	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351
Gross Up for Income Tax	8,560	8,749	4,100	(8,914)	(4,441)	(8,254)	(3,620)	(3,396)	12,238	33,559	43,698	69,295	151,574

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Northern States Power Company

DOC Information Request No. 51
Attachment B

Docket No. G002/M-18-692
Gas Utility Infrastructure Cost Rider - 2019 Factors
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DIMP - Capital Revenue Requirements	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Total
Rate Base													
CWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant In-Service	24,536,584	24,531,083	24,387,313	24,564,804	25,809,184	27,069,459	28,128,413	29,572,813	30,572,801	32,717,247	33,685,075	35,605,770	35,605,770
Less Accumulated Book Depreciation Reserve	(2,990,916)	(2,961,827)	(2,935,257)	(2,958,380)	(3,375,078)	(3,766,387)	(3,898,463)	(4,343,813)	(4,462,379)	(5,407,497)	(5,665,799)	(5,709,218)	(5,709,218)
Accumulated Deferred Taxes (ADIT)	2,554,556	2,906,481	3,258,405	3,610,330	3,962,254	4,314,179	4,666,103	5,018,028	5,369,952	5,721,877	6,073,801	6,425,726	6,425,726
Excess ADIT (EDIT)	(152)	(303)	(455)	(607)	(759)	(910)	(1,062)	(1,214)	(1,365)	(1,517)	(1,669)	(1,821)	(1,821)
Less Total Accumulated Deferred Taxes	2,554,405	2,906,177	3,257,950	3,609,723	3,961,496	4,313,268	4,665,041	5,016,814	5,368,587	5,720,359	6,072,132	6,423,905	6,423,905
End Of Month Rate Base	24,973,095	24,566,732	24,064,620	23,913,462	25,222,767	26,522,578	27,361,835	28,899,812	29,666,593	32,404,384	33,278,742	34,891,083	34,891,083
Average Rate Base (Prior Mo + Cur Month/2)	23,822,691	24,779,914	24,325,676	23,989,041	24,568,114	25,872,672	26,942,206	28,130,824	29,283,202	31,035,488	32,841,563	34,084,912	
Return on Rate Base													
Debt Return (Avg RB * Wtd Cost of Debt)	45,065	46,875	46,016	45,379	46,475	48,942	50,966	53,214	55,394	58,709	62,125	64,477	623,638
Equity Return (Avg RB * Wtd Cost of Equity)	94,298	98,087	96,289	94,957	97,249	102,413	106,646	111,351	115,913	122,849	129,998	134,919	1,304,969
Total Return on Rate Base	139,363	144,962	142,305	140,336	143,723	151,355	157,612	164,565	171,307	181,558	192,123	199,397	1,928,606
Income Statement Items													
AFUDC Pre-Eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes	32,966	32,966	32,966	32,966	32,966	32,966	32,966	32,966	32,966	32,966	32,966	32,966	395,590
Book Depreciation	56,677	57,997	57,840	57,875	59,368	61,998	64,433	67,062	69,628	72,930	76,198	79,231	781,237
Deferred Taxes	351,924	351,924	351,924	351,924	351,924	351,924	351,924	351,924	351,924	351,924	351,924	351,924	4,223,094
Excess Deferred Taxes	(152)	(152)	(152)	(152)	(152)	(152)	(152)	(152)	(152)	(152)	(152)	(152)	(1,821)
Total Deferred Taxes	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	4,221,273
Gross Up for Income Tax (see below)	(86,756)	(141,998)	(142,482)	(460,621)	(408,555)	(258,393)	(364,996)	(431,592)	(430,044)	(323,965)	(184,737)	(135,497)	(3,369,634)
Total Income Statement Expense	354,659	300,738	300,097	(18,007)	35,552	188,344	84,176	20,209	24,323	133,704	276,199	328,472	2,028,466
Total Revenue Requirement	494,022	445,700	442,402	122,329	179,276	339,699	241,788	184,774	195,629	315,262	468,322	527,869	3,957,072
Capital Structure													
Weighted Cost of Debt	2.27%												
Weighted Cost of Equity	4.75%												
Required Rate of Return	7.02%												
Current Income Tax Calculator													
Equity Return	94,298	98,087	96,289	94,957	97,249	102,413	106,646	111,351	115,913	122,849	129,998	134,919	1,304,969
Book Depreciation	56,677	57,997	57,840	57,875	59,368	61,998	64,433	67,062	69,628	72,930	76,198	79,231	781,237
Deferred Taxes	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	351,773	4,221,273
Less Tax Depreciation	627,762	711,703	712,791	1,162,663	1,092,782	887,228	1,044,387	1,146,087	1,151,195	1,011,601	825,655	761,293	11,135,147
Plus CPI-Tax Interest (If Applicable)	2,063	2,606	4,962	5,262	5,384	4,847	4,259	4,245	4,418	4,923	5,875	3,342	52,186
Total	(122,952)	(201,240)	(201,927)	(652,797)	(579,008)	(366,197)	(517,276)	(611,656)	(609,463)	(459,126)	(261,812)	(192,028)	(4,775,481)
Tax Rate (T/(1-T))	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611	0.705611
Gross Up for Income Tax	(86,756)	(141,998)	(142,482)	(460,621)	(408,555)	(258,393)	(364,996)	(431,592)	(430,044)	(323,965)	(184,737)	(135,497)	(3,369,634)

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Northern States Power Company

DOC Information Request No. 51
Attachment B

Docket No. G002/M-18-692
Gas Utility Infrastructure Cost Rider - 2019 Factors
Reply Comments - March 14, 2019
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DIMP - Capital Revenue Requirements	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
Rate Base													
CWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant In-Service	35,219,317	35,955,134	36,100,797	37,240,702	38,781,550	39,273,714	40,968,748	44,752,463	48,796,615	52,898,205	56,215,748	74,190,519	74,190,519
Less Accumulated Book Depreciation Reserve	(5,608,057)	(5,551,986)	(5,489,114)	(5,335,022)	(5,259,675)	(5,181,040)	(5,501,813)	(5,650,681)	(5,790,981)	(5,926,881)	(6,004,998)	(5,960,180)	(5,960,180)
Accumulated Deferred Taxes (ADIT)	6,360,452	6,295,179	6,229,905	6,164,631	6,099,358	6,034,084	5,968,811	5,903,537	5,838,264	5,772,990	5,707,717	5,642,443	5,642,443
Excess ADIT (EDIT)	162,801	327,422	492,044	656,666	821,287	985,909	1,150,530	1,315,152	1,479,773	1,644,395	1,809,017	1,973,638	1,973,638
Less Total Accumulated Deferred Taxes	6,523,253	6,622,601	6,721,949	6,821,297	6,920,645	7,019,993	7,068,065	7,167,413	7,268,363	7,366,109	7,467,059	7,564,805	7,564,805
End Of Month Rate Base	34,304,120	34,884,520	34,867,961	35,754,427	37,120,580	37,434,760	39,402,496	43,235,731	47,319,233	51,458,977	54,753,688	72,585,894	72,585,894
Average Rate Base (Prior Mo + Cur Month/2)	34,597,601	34,594,320	34,876,241	35,311,194	36,437,503	37,277,670	38,394,592	41,269,440	45,227,007	49,340,232	53,055,857	63,620,918	
Return on Rate Base													
Debt Return (Avg RB * Wtd Cost of Debt)	64,871	64,864	65,393	66,208	68,320	69,896	71,990	77,380	84,801	92,513	99,480	119,289	945,005
Equity Return (Avg RB * Wtd Cost of Equity)	151,365	151,350	152,584	154,486	159,414	163,090	167,976	180,554	197,868	215,864	232,119	278,342	2,205,011
Total Return on Rate Base	216,235	216,214	217,977	220,695	227,734	232,985	239,966	257,934	282,669	308,376	331,599	397,631	3,150,016
Income Statement Items													
AFUDC Pre-Eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes	50,432	50,432	50,432	50,432	50,432	50,432	50,432	50,432	50,432	50,432	50,432	50,432	605,186
Book Depreciation	65,299	65,589	66,322	67,390	69,619	71,308	73,126	77,680	84,187	90,958	97,125	114,823	943,426
Deferred Taxes	(65,274)	(65,274)	(65,274)	(65,274)	(65,274)	(65,274)	(65,274)	(65,274)	(65,274)	(65,274)	(65,274)	(65,274)	(783,283)
Excess Deferred Taxes	164,622	164,622	164,622	164,622	164,622	164,622	164,622	164,622	164,622	164,622	164,622	164,622	1,975,459
Total Deferred Taxes	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	1,192,176
Gross Up for Income Tax (see below)	13,182	2,788	1,108	2,174	(8,062)	(30,415)	(69,239)	(105,596)	(85,492)	(71,713)	(26,161)	46,985	(330,441)
Total Income Statement Expense	228,261	218,157	217,210	219,344	211,337	190,673	153,668	121,865	148,476	169,025	220,744	311,588	2,410,347
Total Revenue Requirement	444,496	434,372	435,186	440,039	439,071	423,659	393,634	379,799	431,144	477,402	552,343	709,218	5,560,363
Capital Structure													
Weighted Cost of Debt	2.25%												
Weighted Cost of Equity	5.25%												
Required Rate of Return	7.50%												
Current Income Tax Calculator													
Equity Return	151,365	151,350	152,584	154,486	159,414	163,090	167,976	180,554	197,868	215,864	232,119	278,342	2,205,011
Book Depreciation	65,299	65,589	66,322	67,390	69,619	71,308	73,126	77,680	84,187	90,958	97,125	114,823	943,426
Deferred Taxes	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	99,348	1,192,176
Less Tax Depreciation	288,554	313,534	320,298	320,886	353,577	416,193	524,318	639,534	623,067	623,067	540,780	405,799	5,369,609
Plus CPI-Tax Interest (If Applicable)	5,225	4,159	4,791	5,051	5,208	7,040	12,208	20,156	29,711	39,105	47,329	29,772	209,755
Total	32,682	6,912	2,746	5,389	(19,988)	(75,407)	(171,660)	(261,796)	(211,953)	(177,793)	(64,859)	116,485	(819,240)
Tax Rate (T/(1-T))	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351
Gross Up for Income Tax	13,182	2,788	1,108	2,174	(8,062)	(30,415)	(69,239)	(105,596)	(85,492)	(71,713)	(26,161)	46,985	(330,441)

DIMP - Capital Revenue Requirements	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total
Rate Base													
CWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant In-Service	75,521,782	76,340,173	76,879,415	77,590,916	78,903,983	80,698,639	82,565,481	85,083,665	87,353,991	89,659,144	91,548,806	92,415,881	92,415,881
Less Accumulated Book Depreciation Reserve	(5,872,337)	(5,773,932)	(6,165,671)	(6,071,644)	(6,019,031)	(5,990,338)	(5,955,484)	(5,937,815)	(5,900,875)	(5,861,490)	(5,806,583)	(5,685,658)	(5,685,658)
Accumulated Deferred Taxes (ADIT)	5,752,688	5,862,933	5,973,177	6,083,422	6,193,667	6,303,912	6,414,156	6,524,401	6,634,646	6,744,891	6,855,135	6,965,380	6,965,380
Excess ADIT (EDIT)	1,973,160	1,972,681	1,972,203	1,971,725	1,971,247	1,970,768	1,970,290	1,969,812	1,969,333	1,968,855	1,968,377	1,967,898	1,967,898
Less Total Accumulated Deferred Taxes	7,669,194	7,780,731	7,888,727	8,000,264	8,108,260	8,219,797	8,327,793	8,437,559	8,549,096	8,657,092	8,768,629	8,876,625	8,876,625
End Of Month Rate Base	73,724,925	74,333,375	75,156,359	75,682,296	76,814,753	78,469,181	80,193,173	82,583,921	84,705,770	86,863,542	88,586,761	89,224,914	89,224,914
Average Rate Base (Prior Mo + Cur Month/2)	73,103,215	73,973,382	74,690,869	75,353,559	76,184,527	77,586,199	79,277,179	81,333,664	83,589,077	85,730,658	87,669,383	88,851,839	
Return on Rate Base													
Debt Return (Avg RB * Wtd Cost of Debt)	137,069	138,700	140,045	141,288	142,846	145,474	148,645	152,501	156,730	160,745	164,380	166,597	1,795,019
Equity Return (Avg RB * Wtd Cost of Equity)	327,746	331,647	334,864	337,835	341,561	347,845	355,426	364,646	374,758	384,359	393,051	398,352	4,292,090
Total Return on Rate Base	464,815	470,347	474,909	479,123	484,407	493,319	504,071	517,147	531,487	545,104	557,431	564,950	6,087,109
Income Statement Items													
AFUDC Pre-Eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes	105,084	105,084	105,084	105,084	105,084	105,084	105,084	105,084	105,084	105,084	105,084	105,084	1,261,005
Book Depreciation	130,870	132,657	133,786	134,825	136,508	139,091	142,135	145,780	149,760	153,563	157,050	159,341	1,715,366
Deferred Taxes	110,245	110,245	110,245	110,245	110,245	110,245	110,245	110,245	110,245	110,245	110,245	110,245	1,322,937
Excess Deferred Taxes	(478)	(478)	(478)	(478)	(478)	(478)	(478)	(478)	(478)	(478)	(478)	(478)	(5,740)
Total Deferred Taxes	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	1,317,197
Gross Up for Income Tax (see below)	39,709	38,883	40,176	32,562	15,528	7,837	15,641	7,731	26,827	29,925	43,571	73,541	371,931
Total Income Statement Expense	385,430	386,390	388,812	382,237	366,887	361,778	372,626	368,361	391,437	398,338	415,471	447,733	4,665,500
Total Revenue Requirement	850,244	856,738	863,722	861,360	851,293	855,097	876,697	885,508	922,924	943,442	972,902	1,012,682	10,752,609
Capital Structure													
Weighted Cost of Debt	2.25%												
Weighted Cost of Equity	5.38%												
Required Rate of Return	7.63%												
Current Income Tax Calculator													
Equity Return	327,746	331,647	334,864	337,835	341,561	347,845	355,426	364,646	374,758	384,359	393,051	398,352	4,292,090
Book Depreciation	130,870	132,657	133,786	134,825	136,508	139,091	142,135	145,780	149,760	153,563	157,050	159,341	1,715,366
Deferred Taxes	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	109,766	1,317,197
Less Tax Depreciation	474,539	480,209	480,209	502,776	550,404	578,641	570,250	602,909	569,456	574,899	552,785	485,653	6,422,732
Plus CPI-Tax Interest (If Applicable)	4,604	2,539	1,400	1,077	1,068	1,368	1,701	1,885	1,681	1,400	940	519	20,181
Total	98,448	96,400	99,607	80,728	38,498	19,429	38,778	19,168	66,509	74,190	108,022	182,326	922,103
Tax Rate (T/(1-T))	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351
Gross Up for Income Tax	39,709	38,883	40,176	32,562	15,528	7,837	15,641	7,731	26,827	29,925	43,571	73,541	371,931

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DOC Information Request No. 51
Attachment B

Docket No. G002/M-18-692
Gas Utility Infrastructure Cost Rider - 2019 Factors
Reply Comments - March 14, 2019
Attachment B (Petition Att H) - 4 of 4

DIMP - Capital Revenue Requirements	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total
Rate Base													
CWIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant In-Service	92,870,514	93,226,333	93,457,261	94,043,104	95,295,459	97,071,809	98,895,511	101,431,118	103,718,448	106,040,352	107,939,274	108,811,467	108,811,467
Less Accumulated Book Depreciation Reserve	(5,547,082)	(5,409,002)	(5,268,552)	(5,144,018)	(5,062,636)	(5,006,278)	(4,944,375)	(4,899,986)	(4,836,281)	(4,770,097)	(4,688,180)	(4,540,128)	(4,540,128)
Accumulated Deferred Taxes (ADIT)	7,087,707	7,210,034	7,332,361	7,454,687	7,577,014	7,699,341	7,821,668	7,943,995	8,066,321	8,188,648	8,310,975	8,433,302	8,433,302
Excess ADIT (EDIT)	1,965,348	1,962,797	1,960,246	1,957,695	1,955,144	1,952,594	1,950,043	1,947,492	1,944,941	1,942,391	1,939,840	1,937,289	1,937,289
Less Total Accumulated Deferred Taxes	8,991,235	9,112,942	9,230,787	9,352,495	9,470,339	9,592,047	9,709,891	9,829,667	9,951,375	10,069,219	10,190,927	10,308,771	10,308,771
End Of Month Rate Base	89,426,362	89,522,392	89,495,026	89,834,628	90,887,757	92,486,041	94,129,995	96,501,437	98,603,355	100,741,230	102,436,527	103,042,824	103,042,824
Average Rate Base (Prior Mo + Cur Month/2)	89,268,333	89,413,523	89,449,787	89,603,973	90,302,270	91,626,045	93,249,096	95,255,828	97,491,542	99,613,370	101,528,024	102,680,753	
Return on Rate Base													
Debt Return (Avg RB * Wtd Cost of Debt)	167,378	167,650	167,718	168,007	169,317	171,799	174,842	178,605	182,797	186,775	190,365	192,526	2,117,780
Equity Return (Avg RB * Wtd Cost of Equity)	400,220	400,871	401,033	401,724	404,855	410,790	418,067	427,064	437,087	446,600	455,184	460,352	5,063,847
Total Return on Rate Base	567,598	568,521	568,752	569,732	574,172	582,589	592,909	605,668	619,884	633,375	645,549	652,878	7,181,627
Income Statement Items													
AFUDC Pre-Eligible	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes	130,898	130,898	130,898	130,898	130,898	130,898	130,898	130,898	130,898	130,898	130,898	130,898	1,570,779
Book Depreciation	160,440	161,113	161,601	162,280	163,808	166,326	169,318	172,941	176,950	180,782	184,290	186,593	2,046,442
Deferred Taxes	122,327	122,327	122,327	122,327	122,327	122,327	122,327	122,327	122,327	122,327	122,327	122,327	1,467,922
Excess Deferred Taxes	(2,551)	(2,551)	(2,551)	(2,551)	(2,551)	(2,551)	(2,551)	(2,551)	(2,551)	(2,551)	(2,551)	(2,551)	(30,609)
Total Deferred Taxes	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	1,437,313
Gross Up for Income Tax (see below)	55,073	53,269	53,503	44,703	27,463	19,609	27,407	19,412	38,872	42,235	56,035	86,080	523,661
Total Income Statement Expense	466,187	465,057	465,779	457,657	441,945	436,609	447,399	443,028	466,497	473,691	490,999	523,347	5,578,194
Total Revenue Requirement	1,033,785	1,033,578	1,034,530	1,027,389	1,016,117	1,019,198	1,040,308	1,048,696	1,086,380	1,107,066	1,136,548	1,176,226	12,759,821
Capital Structure													
Weighted Cost of Debt	2.25%												
Weighted Cost of Equity	5.38%												
Required Rate of Return	7.63%												
Current Income Tax Calculator													
Equity Return	400,220	400,871	401,033	401,724	404,855	410,790	418,067	427,064	437,087	446,600	455,184	460,352	5,063,847
Book Depreciation	160,440	161,113	161,601	162,280	163,808	166,326	169,318	172,941	176,950	180,782	184,290	186,593	2,046,442
Deferred Taxes	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	119,776	1,437,313
Less Tax Depreciation	544,180	549,850	549,850	573,394	621,307	649,951	641,559	674,503	640,358	645,231	622,711	555,293	7,268,184
Plus CPI-Tax Interest (If Applicable)	282	156	86	441	953	1,674	2,346	2,849	2,917	2,784	2,383	1,983	18,857
Total	136,538	132,066	132,647	110,828	68,086	48,616	67,948	48,127	96,373	104,711	138,923	213,412	1,298,275
Tax Rate (T/(1-T))	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351	0.403351
Gross Up for Income Tax	55,073	53,269	53,503	44,703	27,463	19,609	27,407	19,412	38,872	42,235	56,035	86,080	523,661

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Xcel Energy Information Request No. 52
Docket No.: G002/M-18-692
Response To: MN Department of Commerce
Requestor: Dorothy Morrissey/Danielle Winner
Date Received: June 5, 2019

Question:

Topic: Excess Deferred Income Taxes
Reference(s): Xcel Reply Comments Attachment A and Petition, Attachment G

Summarized below is comparison of the total income taxes (specifically, the sum of the respective year's current and deferred income tax amounts reported in the "Income Statement Items" section) in Petition Attachment G and in Reply Comments Attachment A (TIMP Capital Revenue Requirements).

	2017		2018		2019		2020	
	Petition	Reply	Petition	Reply	Petition	Reply	Petition	Reply
Deferred Taxes	2,626,422	2,672,408	356,219	387,310	1,109,508	1,137,212	1,797,805	1,822,349
Current Taxes	(889,818)	(861,160)	954,124	963,279	436,319	442,518	151,570	155,297
Total Tax	1,736,604	1,811,248	1,310,343	1,350,589	1,545,827	1,579,730	1,949,375	1,977,646

Please explain the basis and reasoning for a higher total income tax outcome, as shown in the Reply Comments schedules, when compared to the Petition's Attachment G total income tax amounts.

Response:

As discussed in the Company's response to DOC Information Request No. 51, reprogramming the Company's GUIC revenue requirement models to bifurcate the accumulated deferred income taxes into current and excess resulted in a change in the revenue requirement related to deferred taxes. The programming logic related to this change was not identified prior to filing the Company's Reply Comments in this proceeding. We have identified and corrected the programming issue that initially caused the change in the revenue requirement. After identifying and correcting the programming related to regulatory disallowances, there is virtually no difference in total income tax.

The following table provides a comparison of the current and deferred income tax amounts reported in Petition Attachment G and in the revised Attachment A provided with the Company's response to DOC IR 51:

	2017		2018		2019		2020	
	Petition	DOC IR 51	Petition	DOC IR 51	Petition	DOC IR 51	Petition	DOC IR 51
Deferred Taxes	2,626,422	2,627,175	356,219	356,142	1,109,508	1,109,516	1,797,805	1,797,852
Current Taxes	<u>(889,818)</u>	<u>(889,425)</u>	<u>954,124</u>	<u>954,077</u>	<u>436,319</u>	<u>436,307</u>	<u>151,570</u>	<u>151,574</u>
Total Taxes	1,736,604	1,737,750	1,310,343	1,310,219	1,545,827	1,545,823	1,949,375	1,949,425
Difference		\$1,146		\$(124)		\$(5)		\$50

Preparer: Mary Pope
Title: Senior Rate Analyst
Department: Revenue Requirements North
Telephone: 612-330-6574
Date: June 18, 2019

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Xcel Energy Information Request No. 56
Docket No.: G002/M-18-692
Response To: MN Department of Commerce
Requestor: Dorothy Morrissey/Danielle Winner
Date Received: June 20, 2019

Question:

Topic: TIMP/DIMP Revenue Requirements Rate Base - Total
Accumulated Deferred Taxes
Reference(s): Xcel Response to DOC IR No. 51

Request:

Reference both the TIMP and DIMP Capital revenue requirements – Rate Base item
Total Deferred Taxes reported amounts shown in DOC IR No. 51 Attachments A
and B, starting July 2018 and going forward.

Please explain why the Total Accumulated Deferred Taxes amount is not equal to the
sum of the reported ADIT and Excess ADIT component amounts.

Response:

Total Accumulated Deferred Taxes is not equal to the sum of the reported
ADIT and Excess ADIT components starting July 2018 and forward because the
Company inadvertently included ADIT proration in the analysis developed for
DOC IR No. 51, Attachments A and B. ADIT proration should not have been
included in this analysis, and the Company apologizes for the oversight.

In an effort to clarify the revised ADIT, EDIT and Deferred Tax amounts, this
response includes several data tables with comparisons to the Company's Initial
Petition. Additional revisions to Petition Schedules G and H, revised in Reply
Comments and the response to DOC IR No. 51, are not provided here but are
available upon request. Final Compliance schedules will be updated with final data,
revised model reprogramming, and no ADIT prorate.

Table 1: TIMP Rate Base - Accumulated Deferred Income Tax

	2017		2018		2019		2020	
	Petition	Revised	Petition	Revised	Petition	Revised	Petition	Revised
Accumulated Deferred Taxes (ADIT)	-	8,057,524	-	5,900,487	-	7,009,995	-	8,807,800
Excess ADIT (EDIT)	=	<u>(4,180)</u>	=	<u>2,508,999</u>	=	<u>2,509,006</u>	=	<u>2,509,053</u>
Total ADIT	8,052,591	8,053,344	8,393,489	8,409,486	9,470,598	9,519,002	11,238,799	11,316,853
ADIT Difference		753		15,997		48,403		78,054

Table 1 shows TIMP ADIT, EDIT, and Total ADIT with ADIT proration removed. ADIT plus EDIT equals Total ADIT in this table.

Table 2: TIMP Income Statement - Deferred Income Taxes

	2017		2018		2019		2020	
	Petition	Revised	Petition	Revised	Petition	Revised	Petition	Revised
Deferred Taxes	2,626,422	2,627,175	356,219	356,142	1,109,508	1,109,516	1,797,805	1,797,852
Current Taxes	<u>(889,818)</u>	<u>(889,299)</u>	<u>954,124</u>	<u>953,917</u>	<u>436,319</u>	<u>435,285</u>	<u>151,570</u>	<u>149,917</u>
Total Taxes	1,736,604	1,737,875	1,310,343	1,310,059	1,545,827	1,544,800	1,949,375	1,947,769
Tax Difference		1,271		(284)		(1,027)		(1,606)
Revenue Requirements	7,923,747	7,924,992	8,468,800	8,467,894	9,492,230	9,487,557	11,058,349	11,050,866
Rev Req Difference		1,245		(906)		(4,672)		(7,483)

Table 2 contains an update to the Company's response to DOC IR No. 52, excluding ADIT proration.

Table 3: DIMP Rate Base - Accumulated Deferred Income Tax

	2017		2018		2019		2020	
	Petition	Revised	Petition	Revised	Petition	Revised	Petition	Revised
Accumulated Deferred Taxes (ADIT)	-	6,425,726	-	5,642,443	-	6,965,380	-	8,433,302
Excess ADIT (EDIT)	-	(1,821)	-	1,973,638	-	1,967,898	-	1,937,289
Total ADIT	6,423,723	6,423,905	7,592,200	7,616,081	8,910,753	8,933,278	10,518,121	10,370,591
Difference		182		23,881		22,526		(147,530)

Table 3 shows DIMP ADIT, EDIT, and Total ADIT with ADIT proration removed. ADIT plus EDIT equals Total ADIT in this table.

Table 4: DIMP Income Statement - Deferred Income Taxes

	2017		2018		2019		2020	
	Petition	Revised	Petition	Revised	Petition	Revised	Petition	Revised
Deferred Taxes	4,221,091	4,221,273	1,220,993	1,192,176	1,322,937	1,317,197	1,620,152	1,437,313
Current Taxes	(3,369,664)	(3,369,539)	(319,119)	(330,979)	373,563	370,718	594,683	522,337
Total Taxes	851,427	851,734	901,874	861,198	1,696,500	1,687,915	2,214,835	1,959,649
Tax Difference		307		(40,676)		(8,585)		(255,185)
Revenue Requirements	3,957,066	3,957,367	5,599,436	5,557,923	10,757,577	10,747,129	13,004,095	12,753,841
Rev Req Difference		301		(41,513)		(10,448)		(250,253)

Table 4 contains an update to the Company's DIMP deferred income tax related income statement items with ADIT proration excluded.

The Company is continuing to review and improve its modeling techniques, and regrets the confusion these improvements have caused in this docket.

Preparer: Mary Pope
 Title: Senior Rate Analyst
 Department: Revenue Requirements North
 Telephone: 612-330-6574
 Date: July 2, 2019

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Xcel Energy Information Request No. 53
Docket No.: G002/M-18-692
Response To: MN Department of Commerce
Requestor: Dorothy Morrissey/Danielle Winner
Date Received: June 5, 2019

Question:

Topic: Sewer and Natural Gas Line Conflict
Reference(s): Department Comments, p. 16; Xcel Reply Comments, p. 8

Please provide the total amount of costs included in the approximate \$19 million total deferred sewer and natural gas conflict costs, being amortized in the GUIC rider, that are attributed to *Emergency* category work – *requests for inspection that are received from a customer, community, plumber, and other external resources.*

Response:

The total deferred sewer and natural gas conflict costs recovered through the GUIC Rider includes \$371,364 in costs attributed to *Emergency* category work.

Preparer: Austin Kerns
Title: Manager
Department: Gas System Strategy & Business Ops
Telephone: (303) 571-7666
Date: June 18, 2019

From: [Kerns, Austin](#)
To: [Morrissey, Dorothy \(COMM\)](#)
Cc: [Peterson, Lisa R](#)
Subject: GUIC Information Request No. 53
Date: Friday, June 28, 2019 11:42:06 AM

Good morning Dorothy. I got your voice message regarding our response to GUIC Information Request No. 53. To clarify our response, the \$19 million total deferred sewer and natural gas conflict costs includes \$371,364 in costs for Emergency work. This equates to \$74,273 annually for each of the 5 years of the deferral amortization (2015-19).

Please let me know if you have any further questions. Thanks you.

Austin Kerns
Xcel Energy | Responsible By Nature
Manager, Gas Strategy
1800 Larimer, 16th Floor
Denver, CO 80202
Office: 303.571.7666
Cell: 720.237.7191
Austin.Kerns@xcelenergy.com

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Response Comments**

Docket No. G002/M-18-692

Dated this 11th day of July 2019

/s/Sharon Ferguson

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