BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Dan Lipschultz	Commissioner
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
John A. Tuma	Commissioner

In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of a Gas Utility Infrastructure Cost Rider True-up Report for 2017, the Forecasted 2018 Revenue Requirements, and Revised Adjustment Factors

ISSUE DATE: August 12, 2019

DOCKET NO. G-002/M-17-787

ORDER AUTHORIZING RIDER RECOVERY AND SETTING REPORTING REQUIREMENTS

PROCEDURAL HISTORY

On November 1, 2017, Xcel Energy (Xcel or the Company) filed a petition requesting cost recovery of approximately $27.5 million in gas utility infrastructure costs (GUIC) through the Company's 2018 GUIC rider.

On February 8, 2018, the Commission issued an Order Approving Rider with Modifications in which the Company's proposed 2017 GUIC rider was approved, but with a lower rate of return than Xcel requested and with a reduction to Xcel's proposed software-related costs.[1]

On March 27, 2018, Xcel filed a supplement to its original petition to update the Company's proposal, in response to the Commission's February 8 order and a federal tax reform bill,[2] reducing its revenue requirements to $24.36 million.

On May 29, 2018, Xcel filed supplemental comments addressing whether the Commission should determine in this docket the rate impact of Xcel's reduction in depreciation expense of approximately $6.8 million, an issue initially raised in a separate docket.[3]

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[1] *In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy, for Approval of a Gas Utility Infrastructure Cost Rider True-up Report for 2016, Forecasted 2017 Revenue Requirement, and Revised Adjustment Factors,* Docket No. G-002/M-16-891, Order Approving Rider with Modifications (February 8, 2018).

[2] Public Law 115-97.

[3] *In the Matter of Northern States Power Company d/b/a Xcel Energy's Five-Year Transmission, Distribution, and General Depreciation Study*, Docket No. E,G-002/D-17-581, Commission Order (May 4, 2018).

On June 29, 2018, the Residential Utilities and Antitrust Division of the Office of the Attorney General (OAG) filed comments recommending that the Commission adopt a rate of return at the level of the utility's 2018 cost of long-term debt, or 4.94 percent.

On July 3, 2018, the Department of Commerce, Division of Energy Resources (the Department) filed comments recommending that the Commission authorize cost recovery, with modifications, and that Xcel file additional information in reply comments, including among other things, updated and clarifying sales forecast data.

On July 27, 2018, Xcel filed reply comments in response to the issues raised by the Department.

On December 6, 2018, the Department filed reply comments recommending that the Commission authorize cost recovery with modifications.

On December 17, 2018, Xcel filed response comments opposing the Department's proposed modifications and listing many of the issues that remained in dispute among the parties.

On May 23, 2019, the Commission met to consider the petition.

FINDINGS AND CONCLUSIONS

I. The GUIC Statute

Minn. Stat. § 216B.1635 governs filings requesting recovery of gas utility infrastructure costs (GUIC). The statute defines gas utility projects and the types of costs for which a utility may seek recovery.[4] The statute also includes detailed filing requirements applicable to a GUIC petition, and authorizes the Commission to approve the automatic annual adjustment of charges for GUIC.[5] Further, the statute states that "the return on investment for the rate adjustment shall be at the level approved by the commission in the public utility's last general rate case, unless the commission determines that a different rate of return is in the public interest."[6]

II. Xcel's Petition

In its petition, Xcel requested to recover approximately $27.5 million in costs incurred in 2018 for projects related to Transmission and Integrity Management Programs (TIMP) and Distribution and Integrity Management Programs (DIMP).

The Company subsequently revised its proposal by updating its 2018 forecast to reduce its revenue requirements from $27.5 million to approximately $24.36 million to reflect decisions made by the Commission related to the Company's 2017 GUIC rider and to reflect changes in federal tax law.[7] Changes between the initial and updated forecasts are shown in the table below.

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[4] Minn. Stat. § 216B.1635, subd. 1.

[5] *Id*. at subd. 4.

[6] *Id*. at subd. 6.

[7] *In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy, for Approval of a Gas Utility Infrastructure Cost Rider True-up Report for 2016, Forecasted 2017 Revenue Requirement,*

TABLE 1

2018 Original and Updated GUIC Costs ($ Millions)			
	2018 Original Forecast	2018 Updated Forecast	Change
Capital-Related Revenue Requirements			
TIMP	10.51	9.15	(1.36)
DIMP	7.96	6.25	(1.71)
Total	**18.47**	**15.40**	**(3.07)**
Operations & Maintenance (O&M) Expenses			
TIMP	1.33	1.33	0.00
DIMP	3.53	3.53	0.00
Total	**4.86**	**4.86**	**0.00**
5-year Amortization of Deferred Costs			
TIMP	0.82	0.82	0.00
DIMP	3.73	3.73	0.00
Total	**4.55**	**4.55**	**0.00**
ADIT Prorate	0.08	0.03	(0.05)
O&M Recovery in Base Rates	(0.48)	(0.48)	0.00
Revenue Requirement Subtotal	**27.48**	**24.36**	**(3.12)**
True-up Carryover	0	0	0
Total Revenue Requirement	**27.48**	**24.36**	**(3.12)**
Recovery	27.48	24.36	(3.12)
Difference – Under/(Over) Recovery	0	0	0
GUIC – Grand Total	**27.48**	**24.36**	**(3.12)**

III. Rate of Return

A. Introduction

The GUIC statute allows a utility to recover a return on capital investments included in a GUIC rider. The rate of return for such investments is the rate of return approved in the utility's last general rate case, unless the Commission determines that a different rate of return is in the public interest.[8]

In approving Xcel's first GUIC-rider petition, the Commission adopted the capital structure, cost of long-term debt, and cost of short-term debt that Xcel had proposed in its then-pending electric

and Revised Adjustment Factors, Docket No. G-002/M-16-891, Order Approving Rider with Modifications (February 8, 2018).

[8] Minn. Stat. § 216B.1635, subd. 6.

rate case and the cost of equity set in the utility's last natural-gas rate case (10.09%), resulting in an overall rate of return of 7.56%.[9]

In the Company's second GUIC-rider proceeding, the Commission required Xcel to use the same capital structure approved in the previous case, with modifications to update the cost of short-term debt and the cost of equity, resulting in an overall rate of return of 7.34%.[10]

Since then, the Commission has approved lower returns on equity and rates of return, including as recently as 2018 in the Company's 2016 GUIC docket (February 2018 Order).[11] In that case, the Commission approved a capital structure that included a 9.04% return on equity, with a 7.02% overall rate of return.

In this case, Xcel proposed a 10.0% return on equity, which would result in an overall authorized rate of return of 7.52%. The Department recommended maintaining the prior authorized rate of return of 7.02%, with a 9.04% return on equity, as set forth in the February 2018 Order. The OAG recommended that the Commission set the rate of return at the utility's cost of long-term debt, or 4.94%.

The Commission will approve the Department's proposed capital structure with a return on equity of 9.04% and a rate of return of 7.02%, as explained below.

1. Xcel

Xcel relied on a weighted mix of the results of three models in support of its proposal: the Discounted Cash Flow (DCF) model, the Risk Premium model, and the Capital Asset Pricing Model (CAPM), as shown in the table below.

The DCF model uses the current dividend yield and the expected growth rate of dividends to determine what rate of return is high enough to induce investment. The model is derived from a formula used by investors to assess the attractiveness of investment opportunities using three inputs—dividends, stock prices, and growth rates. DCF modeling can be performed using constant-growth, two-growth, or multistage dividend-growth assumptions. Dividend yields are calculated using average stock prices over varying time periods.

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9 *In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of a Gas Utility Infrastructure Cost Rider*, Docket No. G-002/M-14-336, Order Approving Rider with Modifications (January 27, 2015).

10 *In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of a Gas Utility Infrastructure Cost Rider True-up Report for 2015, Forecasted 2016 GUIC Revenue Requirement, and Revised GUIC Adjustment Factors,* Docket No. G-002/M-15-808, Order Requiring Updated Report, Approving Rider Recovery, and Requiring Metrics to Evaluate GUIC Expenditures (August 18, 2016).

11 *In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of a Gas Utility Infrastructure Cost Rider True-up Report for 2016, Forecasted 2017 GUIC Revenue Requirement, and Revised Adjustment Factors,* Docket No. G-002/M-16-891, Order Approving Rider with Modifications (February 8, 2018).

The CAPM model estimates the required return on investment by determining the rate of return on a risk-free, interest-bearing investment and adding a historical risk premium; the utility's risk premium is then determined by subtracting that risk-free rate of return from the total return on all market equities and multiplying the difference by beta, a measure of the investment's volatility compared with the volatility of the market as a whole.

The Risk Premium model determines the cost of equity by adding to current bond yields a premium reflecting the greater returns realized by equity holders over various historical periods.

TABLE 2

	Natural Gas Proxy Group	Combination Proxy Group
DCF Model – 90-day Average Constant Growth	8.63%	8.71%
Risk Premium - 30 Year U.S. Treasury	10.32%	10.32%
Moody's A-rated Utility Index	10.27%	10.27%
CAPM		
Value Line Beta	11.01%	10.54%
Bloomberg Beta	10.03%	9.13%
Mean of all Methods	10.05%	9.79%
Proxy Group Weight	79%	21%
Weighted Average ROE	10%	

Xcel claimed that its weighted approach produces a return on equity that best reflects market conditions, while mitigating potential market anomalies. According to Xcel, reliance on only the DCF analysis is problematic because current dividend yields are well below historical levels. Applying the results of the other two models alleviates the disproportionate weight on historical data by using data that reflects the expected increase in interest rates over the long term.

Further, Xcel asserted that because the Company competes for financing in the investment market, attracting investors becomes increasingly difficult if the Company's level of authorized return on equity is lower in Minnesota than elsewhere, which in turn, could potentially increase the cost of financing projects within the state.

Xcel also disagreed with the Department's approach to leaving in place the existing rate of return, including the 9.04% return on equity, stating that in the last year, the market has changed, justifying a new return on equity. In particular, Xcel stated that interest rates have increased, which correspond to an increase in government and corporate bond yields. That increase, Xcel claimed, should be reflected in a new return on equity.

2. The Department

The Department recommended limiting the use of regulatory resources to annually update the rates of return filed in rider petitions, stating that it is inefficient to do so prior to the Company's next general rate case filing. The Department stated that the extensive study required to effectively scrutinize rate of return proposals and to conduct independent analyses is not necessary to ensure a fair rate of return. The Department also rejected Xcel's claim that market conditions warrant a new return on equity, stating that there are no variations in market conditions that compel the development of a new return on equity at this time; the return on equity recently set in 2018 continues to be consistent with the public interest.

The Department therefore recommended that the Commission leave in place the rate of return approved in the February 2018 Order. That structure includes a return on equity of 9.04%, with an overall rate of return of 7.02%.

3. The OAG

The OAG recommended a return on equity of approximately 4.94%, consistent with the Company's cost of long-term debt. The OAG's position is predicated on the assertion that riders are lower-risk investments than the costs managed between rate cases. The OAG stated that because riders are trued-up each year, those adjustments for over- or under-recovered amounts significantly reduce the utility's financial risk.

The OAG stated that the risk of riders is comparable to the risk associated with debt securities in light of the fact that they share certain characteristics that are not present in equity investments. To illustrate the point, the OAG stated that the near-guarantee of rider recovery is similar to the guarantee by debt securities, whereas equity investors are paid when boards of directors decide to pay dividends. Another shared characteristic, according to the OAG, is that debt holders are generally prioritized over equity holders in bankruptcy proceedings. This level of protection against loss is similar to a utility's low level of risk of loss in rider recovery.

For these reasons, the OAG recommended using the Company's cost of long-term debt as the return on equity in this case.

B. Commission Action

The Commission concurs with the Department that under these circumstances, it is reasonable and consistent with the public interest to apply the Company's current rate of return to this rider.

Although Xcel claims that the best way to ameliorate inherent flaws in the DCF model is to apply a weighted mix of the results of three models, the Commission is not persuaded that the analysis conducted by the Department in the prior GUIC rider case is fundamentally flawed. To the contrary, the Commission found the Department's evidence convincing. And, as the Department stated in this case, there have been no material changes in market conditions that require further refinement or modification of the modeling to ensure that a fair return is in place. While some variation in market conditions is to be expected, Xcel's basis for seeking a change in the return on equity is principally that the DCF results are not the best reflection of market conditions. The Commission continues, however, to concur with the Department that the DCF model is substantially reliable, and notably, the DCF results in Xcel's analysis support a return on equity of less than 9.0%.

For these reasons, the Commission will approve the Department's proposed capital structure with a return on equity of 9.04% and a rate of return of 7.02%.

IV. Accumulated Deferred Income Tax (ADIT)

At the time of Xcel's filing, the Company proposed to prorate ADIT for 2018.

ADIT accounts for tax liability between the time when reported income tax obligation is accrued compared to when the income tax obligation is paid. This difference arises when a utility uses accelerated depreciation for income tax purposes. Under this scenario, the value of an asset depreciates sooner, lowering the amount of income tax that is due in the early years of an asset's life. But because, for regulatory purposes, the total tax amount remains the same over the life of the asset, the levelized amount of tax that ratepayers pay results in over-payment of taxes in the early years. This is, in effect, a pre-payment of the income taxes due. ADIT tracks that difference, which is removed from rate base, creating a reduction in customers' rates.

The Internal Revenue Service (IRS) prescribes how that pre-payment is addressed in rates. In recent years, the IRS began applying its rules to require that if rates are implemented prior to the end of a test year, ADIT must be prorated. The proration applies to the months, within the test year, during which rates are effective. The result is that ratepayers do not receive the full rate reduction. In response to changes by the IRS, Xcel has claimed that proration applies to forecasted ADIT balances as well and that Xcel is unable to replace the pro-rated forecasted ADIT balances with actual non-prorated ADIT balances in any true-up calculation. The Department disagrees with this position.

Xcel stated that it is working with Deloitte Tax Services to evaluate its calculations and minimize or eliminate customer impacts but requested to prorate ADIT for 2018. Xcel stated that Deloitte recommended two ideas for resolving the issue, including: applying a mid-month convention for the proration factors in each of the monthly revenue requirement calculations; and removing ADIT from the beginning and ending monthly rate base averages because proration is a form of averaging.

The Department recommended that the Commission consider implementing the adjustment factors, based on actual non-prorated ADIT balances, on or after January 1, 2019; doing so would eliminate the need to prorate ADIT balances.

The Commission will require Xcel to implement its GUIC rider effective January 1, 2019, thereby eliminating the need to prorate ADIT.

V. Sales Forecast

Xcel proposed using a sales forecast with a historical adjustment for determining how to apportion revenue responsibility of the GUIC rate factor. In the February 2018 Order, the Commission approved Xcel's revised sales forecast based on the Company's regression model results before monthly sales and demand-side management adjustments. In response to that decision, Xcel filed a sales forecast in this case that included a historical adjustment but no demand-side management adjustment. Further, the Company used a forecast that was significantly lower than actual 2016–2017 data. According to Xcel, the difference between the actual and forecasted data was the result of a projected decrease in gas sales to the transportation classes.

To avoid the use of potentially inaccurate sales forecasts in determining revenue apportionment, the Department recommended that the Commission require Xcel to use its most recent 12 months of actual natural gas sales to allocate the costs across jurisdictions and classes.

The Commission concurs with the Department and will require Xcel to use the most recent 12 months of actual natural gas sales to calculate the final rate.

VI. Maximum Allowable Operating Pressure Validation Program

According to federal regulations, a pipeline operator must not operate a pipeline that exceeds a maximum allowable operating pressure (MAOP).[12] Xcel stated that the federal Pipeline and Hazardous Materials Safety Administration requires pipeline operators to maintain and file records that are traceable, verifiable, and complete to establish compliance with MAOP requirements. Xcel explained that the Company is working to resolve data gaps through, among other steps, maintenance and testing, and requested recovery of costs related to such work.

The Department stated that that lack of data is concerning and therefore recommended that the Commission limit the return on capital costs incurred to address data gaps by allowing a return at the rate of Xcel's long-term debt costs. In response, Xcel stated that recent data requirements were put into place long after the vast majority of the Company's pipeline system was installed, but that the Company was making all efforts to comply as fully as possible with all applicable reporting requirements.

The Commission concurs with the Department, that under the circumstances, it is reasonable to limit the return on investments for which limited data is available. The Commission will therefore limit the return on MAOP validation costs to the Company's long-term debt cost rate, or 4.94%.

VII. Island Line South

Xcel proposed recovery of costs related to in-line inspection of the Island Line South pipeline, and water pumping to enable access to the line. The inspection is a TIMP project covering 1.9 miles of 20-inch natural gas pipeline that connects the Mendota Station to the south side of the Island Line Mississippi River crossing.

The Company inspected the line due to estimated risks and the current condition of the pipeline, and included approximately $0.6 million in assessment costs (including costs to construct access to the line) as part of its cost-recovery request. The Department opposed recovery of assessment-related costs stating that the Company intends to replace the pipeline and that it was unnecessary to inspect the line since the last assessment was only two years prior to the recent assessment. For these reasons, the Department stated that Xcel's assessment costs were imprudently incurred and are unreasonable.

The Company also incurred costs related to water pumping and ultimately incurred costs beyond the $1.7 million initially estimated due to unforeseen weather issues and permitting delays. The Company claimed that the additional $1.5 million in cost overruns are eligible for recovery under the GUIC statute. In its examination of cost over-runs related to pumping, the Department stated

[12] 49 C.F.R § 192.619.

that only $0.2 million was weather-related and that the Company had not demonstrated that cost overruns beyond that amount were supported by the record. The Department therefore recommended recovery of the initial estimate of $1.7 million, plus the $0.2 million in cost over-runs.

The Commission will authorize recovery of in-line inspections costs of this project. Although the Company may be inclined to replace the line, the costs of the in-line assessment itself were not unreasonably excessive and will help inform a final decision on replacement. The Commission will, however, limit Xcel's water pumping recovery costs to the $1.7 million as originally estimated by the Company and the $0.2 million in cost overruns supported by the record.

VIII. Langdon Line

Xcel proposed replacement of the Langdon Line and included the associated costs in its cost-recovery proposal. This is a DIMP project and would include replacement of 6 miles of 12-inch, 8-inch, and 6-inch with only 12-inch pipe. The project is located parallel to Highway 61 and runs from Cottage Grove to Saint Paul Park. Replacing the pipeline as proposed would cost approximately $12.5 million, with approximately $11.8 million to be included in the GUIC rider.

The Department recommended against use of a 12-inch pipeline to replace the entire line, stating that an 8-inch pipeline would adequately serve the Company's needs while reducing project costs by approximately $3.6 million. The Department stated that because a 12-inch pipeline constitutes a betterment under the GUIC statute, the associated costs of the proposal are not eligible for recovery. Under the GUIC statute, costs that constitute a betterment are not eligible for recovery unless the betterment is based on requirements by a political subdivision or a federal or state agency.[13]

Xcel disagreed with the Department that a 12-inch pipe constitutes a betterment, stating that using varying pipe diameters increases the capital costs of in-line inspections by requiring additional construction and access points along different segments of the pipeline. Xcel stated that a 12-inch pipe is the better engineering choice not because the line is larger but because it avoids variation in the sizing and segmentation of the pipeline.

The Commission concurs with Xcel's analysis that a 12-inch line is not a betterment under the GUIC statute and will therefore authorize recovery of all Langdon Line project costs.

IX. Lexington to Snelling Project (H005)

Xcel proposed recovery of costs related to replacing a three-mile pipeline located in Arden Hills beginning at the intersection of Snelling and Hamline Avenues, and continuing north to Lexington Avenue and Interstate Highway 694. This is a DIMP project, and Xcel proposed to design and construct the line in a manner that would enable in-line inspection without service interruption to large volume customers, an improvement from the existing line. Xcel stated that the project is necessary to comply with DIMP regulations and requested recovery of approximately $4.6 million in project-related costs.

[13] Minn. Stat. § 216B.1635.

The Department recommended against recovery of $420,000 of project costs that relate to removing the existing service connection to the new pipeline to avoid disruption to large volume customers. The Department stated that those costs are not necessary to fulfill DIMP obligations.

The Commission will allow Xcel to include all H005 Lexington to Snelling project costs in its GUIC rider, including the costs related to relocating customer services along the existing pipeline. The Commission is persuaded that Xcel is allowed to recover such costs under the GUIC statute, which authorizes recovery of eligible costs that are not already included in rate base.

X. Low-risk Infrastructure Replacement Projects

Xcel proposed to recover costs related to replacement of low-risk infrastructure. According to the Company, low-risk infrastructure includes infrastructure that is within the same area as high-risk pipeline segments, specifically within the same block. The Company stated that this reduces the number of projects needed in a small area over time, and therefore requested $85,000 in related costs.

The Department opposed cost-recovery of these replacement projects, stating that the costs are elective and therefore not eligible for recovery under the GUIC statute. The Department explained that solely because elective work is within the vicinity of a GUIC-eligible project does not make the elective work an eligible project under the GUIC statute.

The Commission concurs with the Department and will deny Xcel's request to recover $85,000 in costs incurred on low-risk infrastructure replacement work.

XI. Allocation of Operation and Maintenance Costs

In Xcel's prior GUIC rider case, the Department challenged Xcel's request to recover $2 million in DIMP software-related costs due, in part, to the lack of data showing that the costs were attributable to Minnesota. The Department used a two-step process for calculating the Minnesota-portion by: applying a gas allocator to determine an amount for Xcel's Minnesota operating company; and then applying a second allocator to approximate the portion of costs attributable to Minnesota.

In this case, the Department challenged a small portion—$6,550—of O&M costs, stating that Xcel did not demonstrate, through records, invoices, or other data that this amount was attributable only to Minnesota, and therefore recommended that Xcel be required to follow the two-step allocation process developed in the prior GUIC rider case. Using this method, Commission staff calculated the total eligible for recovery to be $1,712.74.

The Commission will apply the two-step allocation process established in the prior GUIC rider case and allow recovery of $1,712.74 of the $6,550 O&M costs at issue.

XII. Overhead, Other, and Transportation Costs

The Department challenged Xcel's proposed recovery of $6,268,396 in Overhead, Other, and Transportation costs, stating that Xcel is recovering a representative amount of these costs in base rates as internal capitalized costs. Xcel described these costs as engineering, supervision, general office, and administrative, and stated that they are incurred to ensure proper operation of projects, although they are not directly assigned to specific projects. Xcel clarified that labor costs had been removed and that this amount is therefore eligible for recovery under the GUIC rider.

The Commission will require Xcel to remove the costs of Overhead, Other, and Transportation, totaling $6,268,396 from the GUIC rider. Xcel's general description of these costs does not distinguish them from the internal capitalized costs recovered through base rates.

XIII. Carrying Charge

Xcel proposed using a two-way carrying charge on GUIC tracker balances for the time period beginning January 1, 2019. The two-way charge would require ratepayers to pay interest on under-recovered amounts and require the Company to pay interest on over-recovered amounts.

Xcel took the position that the delay between when cost recovery requests are made and when rates become effective creates large carryover balances, causing volatility in annual rider rates. Xcel therefore recommended a two-way carrying charge as a way to incentivize a closer match between time periods.

The Department disagreed that a carrying charge would incentivize faster implementation of rates, and recommended against a carrying charge, stating that the advantages of cost-recovery under a rider outweigh any potential disadvantage from not implementing a carrying charge.

The Commission concurs with the Department that a carrying charge is not necessary. The Commission is not persuaded that a carrying charge would effectively address volatility in rider charges, or that volatility in rates is likely, in fact, to occur. The Commission will therefore deny Xcel's proposal.

XIV. Performance Metrics

In ordering paragraph 5 of its February 2018 Order, the Commission directed Xcel to "continue to discuss with other parties, including the Department and the OAG, proposed performance metrics and ongoing evaluation of reporting requirements for future GUIC proceedings."

The Department asked the Company to recalculate its DIMP Poor Performing Main Unit Cost metric, which Xcel subsequently filed. Xcel also stated that it will continue to work with stakeholders prior to its next GUIC rider filing.

The Commission finds that Xcel has complied with ordering paragraph 5 of the February 2018 Order. The Commission will require Xcel, the Department, and the OAG to continue discussions on the establishment of performance metrics in future GUIC proceedings.

XV. Resolved Issues

By the time the Commission met to consider this matter, a number of issues had been resolved between the parties. Commission action on these issues is set forth in the ordering paragraphs below.

ORDER

1. The Commission authorizes Xcel to recover the 2018 revenue requirements over the 12 months following the effective date of this order.

Disputed Issues

2. The Commission approves the Department's proposed capital structure with a return on equity of 9.04 percent and a rate of return of 7.02 percent.

3. Xcel must implement its GUIC rider effective January 1, 2019.

4. Xcel must use the most recent 12 months of actual natural gas sales to calculate the final rate.

5. The Commission hereby limits the return on Maximum Allowable Operating Pressure validation capital costs to the Company's long-term debt cost rate.

6. The Commission authorizes recovery of in-line inspection costs of the Island Line South project.

7. The Commission limits recovery of Island Line South water pumping costs to $1.7 as originally estimated and the $0.2 million in cost overruns.

8. The Commission authorizes recovery of all Langdon Line project costs.

9. The Commission authorizes recovery of all H005 Lexington to Snelling project costs, including the costs of relocating customer services along the existing pipeline.

10. The Commission disallows recovery of $85,000 in costs incurred for low-risk infrastructure replacement work.

11. The Commission authorizes recovery of $1,712.74 of $6,550 in disputed O&M costs.

12. The Commission disallows recovery of $6,268,396 in Overhead, Other, and Transportation costs.

13. The Commission hereby denies Xcel's request to apply a carrying charge to the GUIC tracker account balance.

14. The Commission finds that Xcel has complied with ordering paragraph 5 of the Commission's February 2018 Order.

15. The Commission directs Xcel, the Department, and the OAG to continue discussion on the establishment of performance metrics in future GUIC proceedings.

Resolved Issues

16. In all future GUIC rider petitions, Xcel must include the reporting required by Minn. Stat. § 216B.1635, subd. 4(2)(iii).

17. In all future GUIC rider petitions, Xcel must include only incremental rate base amounts in its GUIC rider rate base.

18. Xcel must include, prior to applying its calculated property tax rate, only the incremental property tax expense amount for all GUIC years by adjusting the original cost of GUIC projects by the original cost of plant assets replaced by (or retired through) the GUIC projects in each year.

19. The Commission approves Xcel's recalculated incremental depreciation expense amount.

20. Xcel must remove the cost of work that is not Minnesota-specific, as identified by the Company in response to Department IR number 62.

21. Xcel must incorporate and apply only the reduction in annual depreciation expense from its five-year study (Docket No. E,G-002/D-17-581) pertaining to GUIC projects in the 2018 GUIC rider revenue requirements, and incorporate the non-GUIC depreciation changes in a future general rate case.

22. In all future GUIC filings, Xcel must include historical and projected GUIC revenue requirements, rates, and recoveries within a single tracker for each year.

Compliance Filing

23. Within ten days of this order, Xcel must file a compliance filing showing the final rate adjustment factors and all related tariff changes.

24. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf
Executive Secretary

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