



414 Nicollet Mall
Minneapolis, MN 55401

July 15, 2019

—Via Electronic Filing—

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

RE: REPLY TO RESPONSE COMMENTS
2018 ANNUAL AUTOMATIC ADJUSTMENT REPORTS—ELECTRIC AND GAS
DOCKET NOS. E999/AA-18-373 AND G999/AA-18-374

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Reply to the June 14, 2019 Response Comments of the Minnesota Department of Commerce (Department) in Docket Nos. E999/AA-18-373 and G999/AA-18-374.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at (612) 330-7681 or lisa.r.peterson@xcelenergy.com, or Jennifer Roesler at (612) 330-1925 or jennifer.roesler@xcelenergy.com, if you have any questions regarding this filing.

Sincerely,

/s/

LISA PETERSON
MANAGER, REGULATORY ANALYSIS

Enclosure
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

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

IN THE MATTER OF NORTHERN
STATES POWER COMPANY
ANNUAL AUTOMATIC ADJUSTMENT OF
CHARGES REPORT FOR ITS ELECTRIC
OPERATION

DOCKET NOS. E999/AA-18-373
G999/AA-18-374

**REPLY TO
RESPONSE COMMENTS**

IN THE MATTER OF NORTHERN
STATES POWER COMPANY
ANNUAL AUTOMATIC ADJUSTMENT OF
CHARGES REPORT FOR ITS NATURAL
GAS OPERATION

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Reply in response to the June 14, 2019, Response Comments of the Minnesota Department of Commerce in the above-referenced dockets.

We appreciate the Department's thorough review of the Company's treatment of the High Bridge Adjustment and respond to the Department's recommendations below.

REPLY

The Company takes seriously its obligations regarding billing accuracy and ensuring that customers pay no more and no less than appropriate under the Company's approved tariffs. That is why, as soon as we discovered our error regarding accounting for gas at the High Bridge Plant, we promptly took steps to report and correct it. We also took steps to ensure this misallocation will not happen again, by changing the way we meter gas for the High Bridge Plant, which involves

communicating MV90 meter data to Northern Natural Gas (NNG) on a monthly basis for the purposes of accounting and reporting.

To be sure, we did not become aware of this issue until it was found in connection with our investigation into lost and unaccounted for gas from 2013 through 2018. Until that investigation, we knew that we had a larger percentage of lost and unaccounted for gas than other gas utilities, however, we had no reason to believe that our then-current metering and reporting methods—which involved the reporting of gas quantities used for fuel at our electric plants to NNG based on data from the SCADA system—were inaccurate.

Once we discovered this issue, we first reported it in the Company's Gas AAA, as was requested by the Commission, and then in the next Electric FCA docket in the place specifically designed for reporting such issues: The attachment entitled *Unusual Items Over \$500,000*, which is included each month in the Company's monthly Fuel Clause Adjustment filing. This filing requirement was added to the Company's monthly filings following a similar event in the past, in which certain generation costs associated with the Company's Riverside Plant were misallocated between wholesale and retail customers.¹ Although the Department characterizes this reporting mechanism as "one sparse page at the end of a 97-page standard filing," it is precisely where issues like the High Bridge Plant allocation are to be reported, and where we expected the Department to look for such issues as it was their recommendation to flag such issues in the monthly Fuel Clause Adjustment filings.² We therefore respectfully disagree with any suggestion that the Company attempted to hide or otherwise bury this issue in our filing. The Company's filings often include several attachments and schedules in response to a variety of compliance requirements that have developed over time, and some of those schedules and attachments are admittedly less important and receive less scrutiny than others. But Attachment 6 to our FCA filing is not one of those. Quite the opposite—Attachment 6 is where we identify "unusual items" for the purpose of highlighting those issues to ease regulatory review of our filings. Ultimately, the Company was trying to report this item in the manner the Department recommended and the Commission requested. That said, in the future, if the Department or Commission wants the Company to report these types of items in a location other than the attachment identifying Unusual Items Over \$500,000, the Company is willing to do so.

¹ Docket No. E999/AA-10-884, ORDER ACTING ON ELECTRIC UTILITIES' ANNUAL REPORTS AND REQUIRING ADDITIONAL FILINGS, April 6, 2012.

² Docket No. E999/AA-10-884, 2ND RESPONSE COMMENTS OF THE DIVISION OF ENERGY RESOURCES OF THE MINNESOTA DEPARTMENT OF COMMERCE at p. 10 and 11, January 27, 2012.

Moreover, while brief, the Company's description of the issue in our Fuel Clause Adjustment Report for October 2018, Docket No. E002/AA-18-622, was transparent:

An issue was identified at the High Bridge plant whereby SCADA meter data was being provided to NNG as opposed to more accurate volumes from the MV90 meter. This resulted in a total credit to gas commodity expenses of \$6M over 5 AAA years (2013-2018). An entry for this amount was booked during month-end close. The \$6M will be recovered through the electric FCA over the next 12 months beginning in October.

This plainly set out the issue we discovered, its magnitude and duration, how it occurred, and our plans for resolving it. We presented this information publicly as soon as we were aware of it, consistent with the Department's expectation that utilities should be "up-front and transparent."

Our approach, moreover, certainly was not an "attempt[] to circumvent Commission authority to even consider, let alone make, a policy call in this scenario." To the contrary, we publicly stated our specific plans for refunding and recovering the misallocated funds, and—in the absence of a specific rule governing this situation—we did so in a way that aligns with good policy, ensuring that both gas and electric customers pay for the actual costs of the gas used to serve them. We welcome the Department and Commission's review of our approach and believe it is the best way to resolve this issue.

The Department suggests that the Company should have opened a separate docket to deal with this adjustment—referencing the Company's recent request for deferred accounting treatment of manufactured gas plant cleanup (MGP) expenses.³ The Department states this should be the case because the total amount of the misallocation here (\$6 million) is greater the amount of MGP expenses for which we sought deferral. But, this is a false equivalency. We did not open a separate docket for MGP expenses because of their size (although that undeniably was a factor in our request for deferred accounting), but instead because that was the accepted procedure for handling deferred accounting requests. Unlike such requests for deferred accounting treatment, there is no clear approach to handling this allocation issue under any statute, rule, or Commission precedent. Moreover, the accepted procedure for handling unusual items in the fuel clause is to include them in

³ Docket No. G002/M-17-894.

Attachment 6 of the monthly FCA filing, which is exactly what the Company did here.

The Department notably agrees with the Company that the billing error rules under Minn. Rules 7820.3800 and 7820.4000 do not apply here. Notwithstanding this agreement, the Department argues that the billing error rules should be used to calculate the refund the Company owes to its gas customers and deny any surcharge to electric customers. In support of this position, the Department cites a number of cases in which the Company sought variances to the billing rules in order to provide refunds to customers covering the full period of any billing error. But, those cases are not valuable comparisons. They all undisputedly involved billing errors, as opposed to here, where there undisputedly was no billing error.

Regardless, if the Department proposes to look to the billing error rules in this case, then it should look to them in their entirety. Under Minn. Rule 7820.3800, subp. 2, and 7820.4000, subp. 2, refunds for overbilling are limited to “the difference between the amount collected for service rendered and the amount the utility should have collected for service rendered, plus interest, for the period beginning three years before the date of discovery[.]” Relatedly, under Minn. Rule 7820.3800, subp. 3, and 7820.4000, subp. 3, surcharges for underbilling are limited to “the difference between the amount collected for service rendered and the amount the utility should have collected for service rendered, for the period beginning one year before the date of discovery.”

Table 3 in our Reply Comments (reproduced as Table 1 below) set forth the specific amounts misallocated each year.

Table 1: Misallocations

AAA Year	Volume Diff (Dkt)	MN & ND \$	MN \$	ND \$
2013-2014	143,608	784,183	685,313	98,870
2014-2015	316,554	1,266,271	1,098,369	167,902
2015-2016	460,775	1,225,682	1,061,942	163,740
2016-2017	299,564	963,933	823,416	140,517
Subtotal 2013-2017	1,220,501	4,240,069	3,669,040	571,029
2017-2018	556,290	1,764,250	1,512,892	251,359
Total 2013-2018	1,776,791	6,004,319	5,181,931	822,388

Based on these figures, were the billing error rules to be applied in this case, the Company would owe Minnesota gas customers a refund of \$3,398,250 (misallocations from 2015-2018) plus interest. The Company would also be allowed to recover a surcharge from Minnesota electric customers of \$1,512,892 (misallocation from 2017-2018).

We continue to believe that correcting the misallocation in the way we first set forth in our October 2018 Monthly FCA Report is the most equitable approach. (As noted in our Reply Comments, this reallocation process would not result in any benefit to the Company.) However, if the Commission decides to look to the billing error rules, we believe requiring a refund of \$3,398,250, plus interest, and a surcharge of \$1,512,892 is more consistent with the rules than the Department's recommendation of a \$5,181,931 refund (plus interest on \$3,669,040 of prior-period misallocations) and no surcharge.

CONCLUSION

We appreciate the opportunity to submit our Reply to the Department's Response Comments regarding our AAA Reports. As discussed above, while we were somewhat surprised that the Department viewed our actions as an attempt to obfuscate or mislead, we wish to express a strong desire here to work with the Department and other stakeholders to improve processes and facilitate review of our filings. We respectfully request that the Commission accept and approve Xcel Energy's 2018 Gas AAA Report and 2018 Electric AAA Report as supplemented by our May 6, 2019, Reply Comments and this Reply to Response Comments.

Dated: July 15, 2019

Northern States Power Company

CERTIFICATE OF SERVICE

I, Paget Pengelly, hereby certify that I have this day served copies or summaries of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped
with postage paid in the United States Mail at Minneapolis,
Minnesota

xx electronic filing

DOCKET Nos. E999/AA-18-373
G999/AA-18-374

Dated this 15th day of July 2019

/s/

Paget Pengelly
Regulatory Administrator

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