MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	June 4, 2020		Agenda Item 2*
Company	Northern States Power Company d/b/a Xcel Energy (Xcel, Company)		
Docket Nos.	**E-002/M-20-437 & E-002/AA-19-293** In the Matter of Northern States Power Company's Proposal to Adjust the 2020 Fuel Forecast Monthly Fuel Cost Charges		
Issues	Should the Commission approve Xcel's request to lower FCA rates during the months of June, July and August 2020?		
Staff	Jorge Alonso	jorge.alonso@state.mn.us	651-201-2258
	Sundra Bender	sundra.bender@state.mn.us	651-201-2247
	Jason Bonnett	jason.bonnett@state.mn.us	651-201-2235

✓ **Relevant Documents**	**Date**
Xcel Energy – Initial Filing	April 23, 2020
Minnesota Department of Commerce – Comments	May 8, 2020
OAG-RUD – Comments (Letter)	May 11, 2020
Xcel Energy – Reply Comments	May 19, 2020

I. Statement of the Issues

Should the Commission approve Xcel's request to lower FCA rates during the months of June, July and August 2020?

II. Introduction

On April 23, 2020 Xcel Energy filed a Petition in this proceeding requesting authority to reduce, for the months on June through August 2020, changes collected through the Fuel Clause Adjustment (FCA) by $25 million.

On May 8, 2020, the Department of Commerce (Department, DOC) filed comments recommending that Xcel's request be approved.

On May 11, 2020, the OAG filed a letter recommending that Xcel's request be approved.

On May 19, 2020, Xcel Energy submitted reply comments.

III. Parties' Comments

A. Xcel's Petition

Xcel noted that in the Commission's June 12, 2019 Order[1] in Docket No. E-999/CI-03-802 states:

> The Commission adopts a threshold of plus or minus 5 percent of all FCA costs and revenues to determine whether an event qualifies as a significant unforeseen impact that may justify an adjustment to the approved fuel rates. The Electric utilities are permitted to implement revised rates following a 30-day notice period, subject to a full refund, if no party objects to the revised rates.

Xcel believes that the current economic downturn caused by the COVID-19 pandemic qualifies as a "significant unforeseen impact" and, in order to provide immediate ratepayer relief, the Company proposed to reduce monthly fuel rates for June, July, and August 2020 by a total of $25 million, to be recognized in three equal credits, for the three-month period.

Implementation on June 1, 2020 provides for the 30-day notice period specified by the June 12 Order. Additionally, to the extent the Commission thinks it necessary, Xcel requested a variance to allow implementation of an adjustment to the fuel rates that does not meet the 5% percent threshold.

Xcel attributed the reduced costs to a reduction in commitments from the MISO market and a decline in natural gas prices. Xcel indicated that, while there is uncertainty about forward market commodity prices, after reviewing its forecasted costs and revenues, the Company expects an overall reduction from the approved fuel costs for the 2020 forecast year.

---

[1] ORDER APPROVING ADDITIONAL DETAILS OF NEW FUEL CLAUSE ADJUSTMENT PROCESS, *In the Matter of an Investigation into the Appropriateness of Continuing to Permit Electric Energy Cost Adjustments*

Provided that no party objects, Xcel plans, subject to reversal, to implement revised rates for June, July, and August 2020. The Company will update its website with the adjusted monthly fuel cost charges prior to the June 1, 2020 implementation.

B. Department of Commerce - Comments

The Department agreed that Xcel's proposal does not meet the 5% threshold required to implement FCA changes. However, in light of the unprecedented effects of the pandemic on utility operations, economic conditions and consumers' personal finances, the Department supports Xcel's proposal. As a result, to the extent that the Commission determines it is needed, the DOC supports Xcel's variance request. However, given what is expected to be a lack of disagreement about the refund, the Department suggests that a variance may not be needed, especially during this peacetime emergency and the need to act in a timely manner on behalf of Xcel's ratepayers. The Department clarified that its support of Xcel's proposal despite the amount not meeting the 5% percent threshold is directly related to the unprecedented effects of the coronavirus pandemic and, as such, should not be used as a precedent in future FCA filings. Based on their calculations, the Department estimated that, for the three-month period, the average bill reduction for a residential customer to total $6.60.

C. OAG – Comments (Letter)

To provide relief to all customers in light of the COVID-19 emergency, the OAG supports Xcel's proposal to reduce its rates. The OAG believes that a rule variance is warranted under the current circumstances and noted that the Commission grants rule variances when (1) they will not "impose an excessive burden upon the applicant or others affected by the rule," (2) the variance will "not adversely affect the public interest," and (3) the variance will not "conflict with standards imposed by law."[2] Here, the existing FCA mechanism is already a product of a variance of several rules. No party will be excessively burdened by the variance. Since this will provide rate reductions during a public health emergency, the public interest will not be adversely affected, and will actually be advanced by the variance. Finally, the OAG is not aware of any standards imposed by law that would prohibit this variance.

D. Xcel – Reply Comments

In its reply comments, Xcel stated

> ... We agree with the Department's clarifications that a variance to the five percent threshold should not be used as a precedent in future fuel clause adjustment filings and that the Commission's initially approved 2020 forecasted fuel cost should remain the benchmark for the 2020 fuel cost true-up filing.
>
> As noted in our initial filing, and consistent with Ordering Point 3 of the Commission's June 12, 2019 Order in Docket No. E-999/CI-03-802, we intend to implement the proposed rate adjustment on June 1, 2020, since no party has

[2] Minn. R. 7829.3200, subp. 1.

objected. The Company acknowledges, however, that should the Commission choose to address this proposed change, the Company will be prepared to make any adjustments the Commission may Order.

IV. Staff Analysis

Staff concurs with the Department and the OAG's recommendation to approve Xcel's Petition. Since there was no consensus regarding whether or not a variance is required, Staff suggests that, to be abundantly cautious, the Commission may want to grant the variance. Similar to the Department's position, if the Commission does grant the variance it may want to explicitly state that such an action should not be considered a precedent.

Staff also notes that the parties appear to be discussing a variance to the Commission's June 12, 2019 Order rather than variance to a Commission rule, i.e. the automatic adjustment of charges rule. No specific rule has been identified that requires a variance. Ordinarily, when parties recommend the Commission authorize an action that is contrary to a Commission order they ask for permission in advance and the Commission decides whether to make an exception to what was previously ordered due to extenuating circumstances.

In some circumstances, the Commission has reopened previous orders to revise an earlier decision to conform to current circumstances. That seems unnecessary in this situation.

The Commission could also take no action on the proposed variance (exception request) without making a determination on whether a variance is needed to approve Xcel's request.

V. Decision Alternatives

Xcel's Proposal

1. Approve Xcel's proposed $25 million FCA reduction. (Xcel, DOC, OAG)

2. Do not approve Xcel's proposed $25 million FCA reduction.

FCA Variance

3. Grant Xcel a variance (or exception) to the Commission's June 12, 2019 Order so that Xcel can implement the $25 million reduction. (Xcel and DOC – only if needed, OAG, Staff)

4. Find that no variance (or exception) is needed.