

NOTICE OF COMMENT PERIOD

Issued: March 14, 2018

In the Matter of Northern States Power Company's, doing business as Xcel Energy, Annual Report of its 2016 Incentive Compensation Plan

PUC Docket Number(s): E-002/GR-92-1185; G-002/GR-92-1186; and E,G-002/M-17-429

Comment Period: Initial comment period closes April 12, 2018 at 4:30pm
Reply comment period closes April 23, 2018 at 4:30pm

The Commission may determine that it will not consider comments received after the close of the comment period.

Issue: Calculation of incentive compensation funds collected in rates that are not paid.

Topic(s) Open for Comment:

- In determining whether a ratepayer refund is due, should Xcel compare the amount approved in base rates to (1) the amount eligible for recovery that was actually paid, or (2) the total amount of incentive compensation paid, including both the current amount that is eligible for cost recovery and the amount ineligible for cost recovery?
- Are there other issues or concerns related to this matter?

Background: On December 30, 1993, the Commission, in its *Order After Reconsideration*, in Docket No. G-002/GR-92-1186, stated on page 16:

The Company shall record for future refund all incentive compensation payments earned under the terms of the plan and recoverable in rates under this Order but not Paid.

The Company shall file a report on or before April 1, 1995 and annually thereafter evaluating the operation and performance of its incentive compensation plan. The report shall include, but shall not necessarily be limited to, an accounting of all amounts paid under the plan, an accounting of all amounts recorded as earned but not paid, and an evaluation of the plan's

success in meeting its stated goals, including controlling overall compensation costs.

The Commission made the same statements in its January 14, 1994, *Order After Reconsideration* in Docket No. E-002/GR-92-1185.

On May 26, 2017, Northern States Power Company, doing business as Xcel Energy (Xcel Energy), submitted its Annual Report of its 2016 Incentive Compensation Plan (2016 Report). Xcel Energy's 2016 Report states, "Since we paid approximately \$3.5 million more in incentive compensation costs in Minnesota than we recovered through rates, there are no funds eligible for refund." The 2016 Report shows in Attachment C the amounts paid to employees, the amounts paid eligible for recovery, and the amounts approved in the current base rates of the Electric and Gas utilities.

On June 22, 2017, the Minnesota Department of Commerce (Department) submitted comments recommending that the Commission accept the Company's 2016 Report as being compliant with the Commission's Order.

On July 31, 2017, PUC staff asked the parties (Xcel Energy and the Department) by e-mail why a refund was not due on the electric operations.

On August 10, 2017, Xcel Energy responded. Xcel Energy explained that it used the format used in its past filings and based the comparison on Order Point 29 in the final order in Docket E-002/GR-12-961, which states:

"Xcel shall retain its existing refund mechanism, which provides customer refunds in the event that the incentive compensation payouts are lower than the test-year level approved in rates."

Xcel Energy stated that "This results in approximately 16% of the total AIP being unrecovered when compared to the amount in base rates using the shown measurements."

Xcel Energy further explained that the ratios of AIP paid up to 15% of each individual's base pay compared to the portion above have been relatively steady over the last four years, with between 76%-81% of the total AIP paid being up to 15% of each individual's base pay.

Filing Requirements: Utilities, telecommunications carriers, official parties, and state agencies are **required** to file documents using the Commission's electronic filing system (eFiling). All parties, participants and interested persons are encouraged to use eFiling: mn.gov/puc, select *eFiling*, and follow the prompts.

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Submit Public Comments: Visit mn.gov/puc, select *Speak Up!* to find this docket, and add your comments to the discussion or email your comments to consumer.puc@state.mn.us.

Full Case Record: See all documents filed in this docket via the Commission's website at mn.gov/puc, select *Search eDockets*, enter the year (17) and the docket number (429), select *Search*.

Subscribe to receive email notification when new documents are filed in this docket at mn.gov/puc, select *Subscribe*, and follow the prompts.

Questions about this docket or Commission process and procedure? Contact Commission staff, Sundra Bender, at sundra.bender@state.mn.us or 651-201-2247.

Change your mailing preferences: Email docketing.puc@state.mn.us or call Jamie Eschbach at 651-201-2204.

To request this document in another format such as large print or audio, call 651.296.0406 (voice). Persons with a hearing or speech impairment may call using their preferred Telecommunications Relay Service or email consumer.puc@state.mn.us for assistance.