The Commission met on **Thursday, August 8, 2013,** with Chair Heydinger and Commissioners Boyd, Lange, O'Brien, and Wergin present.

The following matters were taken up by the Commission:

ENERGY AGENDA

E-002/GR-12-961
In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota

Block Motion

Commissioner O'Brien moved to take the following actions:

1. Adopt the ALJ's Report and recommendation with modification to one or more of the following issues.

2. Approve the Company's proposal to exclude amounts in excess of 15 percent of any individual's base salary which decreases the test year revenue requirement by $1.279 million. Require the Company to retain the refund mechanism that would provide customer refunds in the event actual incentive compensation payouts are lower than the test-year level approved in rates.

3. Require the Company to evaluate the goals set for its AIP to determine if they are too lenient or they actually require stretching to meet. Require the results of the evaluation to be filed with Xcel's next rate case.

4. Do not allow the Company to recover the $1.032 million test year cost of the Nuclear Cash-Based Retention program. (ALJ, DOC)

5. Approve a test year expense of $34,419,215 for the Active Health Care costs (MN jurisdiction) and Active Health Care capital costs of $7,188,290 on a Minnesota jurisdictional basis. (ALJ, DOC)

6. Determine that the test year other operating revenues should be $4,556,564, an increase of $1,605,421. (Xcel)

7. Determine that 50% of the investor relations costs should be paid by ratepayers. (ALJ, DOC)

8. Determine that the Minnesota jurisdictional property tax expense should be $138,867,789 which excludes proposed inclusion of a $3.44 million adjustment to account for an assumed increase in 2013 local tax rates. (ALJ, DOC, XLI)

9. Adopt the ALJ's recommendation and allow Xcel to withdraw its request for a property tax rider.

10. Allow the inclusion of the test year cost for the Prairie Island Unit SGR in rate base for the 2013 test year. (ALJ, Xcel, DOC)

11. Determine that the pension asset value as of December 31, 2012 should be used when determining the 2013 test-year pension costs. (ALJ, Xcel, DOC)

12. Determine that the expected return on assets (EROA) actuarial assumptions for the 2013 test-year qualified pension cost should be the 7.5 percent per the Company's initial filing. (ALJ, DOC)

13. Determine that the test year qualified pension cost should be based upon Company's rebuttal wage assumption of 3.75 percent. (ALJ, Xcel)

14. Determine that the discount rate used to determine XES Plan test-year qualified pension cost for ratemaking should be based upon the expected return on plan assets (EROA), or a rate of 7.5 percent, as shown in its initial filing. (ALJ, DOC)

15. For each pension plan, direct the Company to include schedules of its 2008 Market Loss amortization, reporting, in its future rate case filings, the entire amortization period, until the 2008 Market Loss amortization has been extinguished. (Staff)

16. In the initial filing of its next rate case, the Company shall disclose all past removal and the use of surplus pension assets produced from each of its formulary defined benefit pension plans, qualified and non-qualified. (Staff)

17. In the initial filing of its next rate case, the Company shall disclose and discuss affiliate XES' and its current and future plans for using any excess surplus pension assets produced from each of its formulary defined benefit pension plans, qualified and non- qualified. (Staff)

18. The Company has satisfied Commission Order of May 14, 2012, ordering point 22 from Docket E-002/GR-10-971. (Staff)

19. In its next rate filing, the Company shall provide discussion and support why other stakeholders, other than ratepayers, should not bear pension costs, in general, and more specifically, not bear the pension costs related to the restoration of the fund's market losses. (Staff)

20. In its next rate case, require Xcel to discuss the extent of any and all of its exploration and evaluation of freezing, or otherwise amending, prior pension benefits and expanding the application of the 5% Cash Balance pension fund formulary to its veteran active employees hired prior to introduction of this formulary benefit (for both the non- bargaining and bargaining unit employees). (Staff)

21. Adopt the ALJ recommendation to disallow recovery of the cost for the non-qualified pension benefit plans: the Supplemental Executive Retirement Plan (SERP) and the Restoration Plan (non-SERP). (ALJ, DOC)

22. Require the Company to include in the initial filing of its next electric and gas rate case a discussion of each non-qualified retirement income plan (both defined benefit and defined contribution type plans) for which cost recovery is sought. Include in the filing and discussion disclosure of all characteristics of the unqualified plans that cause its unqualified status as well as the supporting documents and actuarial studies relied upon for the derivation of claimed cost. (Staff)

23. Adopt the ALJ's recommendation to permit the Company's requested recovery amount for corporate aviation costs. (ALJ, Xcel)

24. Direct the Company, in the initial filing of its next rate case, to provide parties with more detailed flight data reports (preferably in live Microsoft Excel electronic format) of its corporate jet trip logs for its most recent 12-month operational period. The report, by flight, should identify the charged employee, each employee passenger and his/her assigned operating company, the other passengers on flight and reasoned use, and primary purpose for scheduling the flight. The Company should include information for the calculation of the requested recovery amount of corporate aviation. (Staff)

25. Allow full recovery of the claimed jurisdictional cost for Directors and Officers insurance. (ALJ, Xcel)

26. Allow full recovery of the claimed jurisdictional cost for Fiduciary insurance. (ALJ, Xcel)

27. Information for next rate case filing – Expanding upon the information filed under Minnesota Rules 7825.4000(b) and 7825.4100(B), direct the Company to include in its initial filing of its next rate case balance sheet and income statement reconciliations between its FERC Form 1 and its general ledger accounts for each of the three most recent calendar years relative to the rate case test year. The schedules provided should be produced in like manner as requested and illustrated in the Department's Information Request 128-Revised, marked in the record as Exhibit 163, DOC Attachment ACB-15. In its initial filing, the Company should include explanations of the accounts that have large differences in amounts when compared between actuals and its test-year request (change of ±10 percent or more). (DOC with Staff modification)

28. Adopt the ALJ's recommendation to incorporate in rates the Department's proposed adjustment to the Company's Nuclear-related Fees request. This is a jurisdictional expense reduction amount of $1.448 million. (ALJ, DOC)

29. Adopt the ALJ's recommendation to allow the Company's test-year request for administrative credit and collections costs for unpaid accounts. (ALJ)

30. Use the Company's proposed capital structure comprised of 52.56% common equity, 45.30% long-term debt, and 2.14% short-term debt.

31. Adopt Xcel's proposed cost of long-term debt of 5.02%

32. Adopt Xcel's proposed cost of short-term debt of .68%.

33. Adopt the following Department proposals and require that for the next rate case, the Company provide:

    a) forecasting data at least 30 days prior to the initial rate case filing;
    b) a comparison to the forecast information in this docket and the Baseload Diversification Study that will be filed on or around July 1, 2013;
    c) large industrial customer account data in a format that allows interested parties to readily access historical data for all customers;

d) a spreadsheet, with all links intact, identifying any data inconsistencies with the Company's raw weather data and any modifications made to the raw weather data;
e) a detailed step-by-step explanation as to how test year revenue was calculated and what commands should be changed if a party wishes to adjust test year sales, adjust customer counts or calculate revenue;
f) detail the changes the Company has made to simplify its test year revenue calculation so that persons outside of the Company may verify the accuracy of the calculation; and,
g) a report on the meetings Company representatives have had, prior to filing, with interested parties to explain its revenue calculation process and to cooperatively discuss methods for streamlining the revenue calculation.

34. Determine that although a CCOSS is not precise, it can be a useful tool for setting rates.

35. Determine that the Xcel's refinement of its method of allocating Other O&M Costs is sufficient to produce reasonable results for this rate case as recommended by the ALJ.

36. Adopt the Department's recommendation, as supported by the ALJ and XLI, and require that Xcel refine its method in the next rate case by:

    Identifying any and all Other Production O&M costs that vary directly with the amount of energy produced based on Xcel's analysis. If Xcel's analysis shows that such costs exist, then Xcel should classify these costs as energy-related and allocate them using appropriate energy allocators, while allocating the remainder of Other Production O&M costs on the basis of the Production Plant.

37. Adopt the ALJ's recommendation, supported by the Department, and determine that Xcel has shown that its Stratification method for the CCOSS is reasonable.

38. Adopt Xcel's proposed modifications to Finding 663 and footnote 816.

39. Make no determination on the average and excess demand method.

40. Adopt the ALJ's recommendation and determine that Xcel is properly applying its demand allocation methodology and is not double-counting average demand.

41. Adopt the ALJ's recommendation and determine that Xcel has appropriately treated the credits provided to interruptible customers as a cost of peaking capacity and allocated the costs to classes based on firm load.

42. Adopt the ALJ's recommendation and determine that the Company has failed to demonstrate that the proposed new assignment of $22.210 million for underground wiring capital costs to the Street Lighting class is reasonable.

43. Adopt the ALJ's recommendation to require Xcel to provide a detailed analysis of its street lighting costs, both overhead and underground, as part of, or as a supplement to, its next rate case filing.

44. Modify Xcel's CCOSS to reflect any adjustments the Commission makes.

45. Adopt the ALJ recommendation to reject the MCC proposal to require Xcel to amend its service rules to establish a coincident peak billing option for C&I demand-billed customers. (ALJ, Xcel)

46. Reject MCC's proposal to increase the level of the current interruptible service credit by recognizing that the current credits maintain and attract interruptible customer load while minimizing total system cost. (ALJ, Xcel)

47. Adopt the ALJ's recommendation and approve Xcel's proposed CR Rider with the modifications suggested by the Department. [ALJ, Department]

48. Authorize Xcel to spread the cost of CR Rider discounts provided to Gerdau Steel from all of its customer classes.

49. Adopt the ALJ's recommendation and approve Xcel's proposed BIS Rider with the modifications recommended by the Department.

> 804. The Company proposed that any new revenues from increased load would be retained by Xcel's shareholders between rate cases. ~~The Company also proposed deferred accounting and recovery of the BIS Rider discounts in a subsequent rate case.~~
>
> 808. The Administrative Law Judge recommends that the Commission approve the BIS Rider as modified by the agreement of the Company and the Department~~, but disapprove the Company's proposal for deferred accounting and recovery of the BIS Rider discounts.~~ Additionally, the proposed tariff should be modified with respect to "existing customers" and "new customers" of the Company, as recommended in <u>Dr.</u> ~~Mr.~~ Amit's Surrebuttal testimony.

50. Adopt the ALJ's recommendation and require Xcel to provide additional reporting of its currently available MAIFI data, such as trend lines, and encourage Xcel to add substations enabled with SCADA or other similar technology when it is cost-effective to do so.

51. Require Xcel, in its thirty day compliance filing in this rate case, to propose a plan for incorporating the ALJ's recommendation into its service quality reports.

52. Adopt ALJ Finding 900 regarding the Wind Integration Study, including the technical correction proposed by Xcel. (ALJ, Xcel)

53. State that the final order in this docket shall contain summary financial schedules including: a calculation of Xcel's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues. Direct parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission's final decision.

54. Require Xcel to make the following compliance filings within 30 days of the date of the final order in this docket:

a. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:

    i. Breakdown of Total Operating Revenues by type;
    ii. Schedules showing all billing determinants for the retail sales (and sale for resale) of electricity. These schedules shall include but not be limited to:
        1. Total revenue by customer class;
        2. Total number of customers, the customer charge and total customer charge revenue by customer class; and
        3. For each customer class, the total number of energy and demand related billing units, the per unit energy and demand cost of energy, and the total energy and demand related sales revenues.
    iii. Revised tariff sheets incorporating authorized rate design decisions;
    iv. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.

b. A revised base cost of energy, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.

c. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.

d. Direct Xcel to file a computation of the CCRC based upon the decisions made herein for inclusion in the final Order. Direct Xcel to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective

e. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates, including interest calculated at the rate authorized by the Commission in this proceeding, to affected customers.

55. Authorize comments on all compliance filings within 30 days of the date they are filed. However, comments are not necessary on Xcel Energy's proposed customer notice.

The motion passed 5-0.

Monticello LCM/EPU Rate Base Adjustment

Commissioner O'Brien moved to take the following actions:

1. Determine that 41.6 percent of the LCM/EPU costs for 2011 and 2012 additions added to the rate base in this case, 41.6 percent of 2013 May plant addition costs, and 100 percent of NRC fees, should be moved from plant in-service to CWIP, as well as the related depreciation reserve, deferred taxes, depreciation expense, AFUDC, and any other applicable costs. Xcel may be

allowed to recover those costs in future rate cases once the EPU is in service, subject to the plant being used and useful and that the costs—including cost overruns—are determined to be prudent.

2. Open a new docket to investigate whether Xcel's handling of the Monticello LCM/EPU project was prudent and whether Xcel's request for recovery of Monticello LCM/EPU project cost overruns is reasonable.

3. Because the Commission will need specialized technical professional services, pursuant to Minn. Stat. section 216B.62, subd. 8, direct the Executive Secretary, in consultation with the Department, to develop a proposal to be approved by the Commission, for the conduct of the investigation, including the scope, work plan, and retention of an expert, to develop a report and recommendation to the Commission.

The motion passed 5-0.

Sherco 3

Commissioner Wergin moved to authorize the Company to defer its 2013 depreciation expense ($11.218 million), its 2013 property tax expense ($5.301 million), and its 2013 return on rate base for Sherco 3. If permissible from an accounting perspective, authorize deferral of the 2013 payroll taxes ($296,876), 2013 fuel handling costs ($462,842), and 2013 insurance costs ($485,920). In effect, all 2013 direct Sherco 3 costs, other than the variable costs that the Company has agreed to exclude, should be deferred and amortized beginning in 2014. (ALJ)

The motion failed 2-3. Chair Heydinger and Commissioners Lange and O'Brien voted no.

Chair Heydinger moved to take the following actions:

1. Determine that all direct costs except for property taxes for Sherco Unit 3 be removed from the 2013 test year.

2. Approve deferred accounting for the 2013 depreciation expense.

3. Accept Xcel's proposed 21 year remaining life period as a placeholder for Sherco Unit 3. Require that the Company have an engineer evaluate the Sherco Unit 3 plant due to significant upgrades and restoration in the Company's 2013 remaining life generation plant depreciation study as a compliance item in Xcel's next rate case.

4. Require the Company to provide, as a compliance issue in the next rate case, insurance information including an analysis and report on the Sherco Unit 3 total costs, insurance recoveries, and costs not covered by insurance in the November 2013 filing and the completed accounting and report by December 31, 2013, approximately 90 days after expected in-service date of Sherco Unit 3.

The motion passed 3-2. Commissioners Boyd and Wergin voted no.

Prairie Island Extended Power Uprate

Commissioner O'Brien moved to take the following actions:

1. Take no action at this time on the question of whether the Company should have sought deferred accounting or written-off the PI EPU costs. (ALJ, Xcel)

2. Require that at a minimum Xcel shall provide in its next rate case, a complete justification for its request, including the following information for the PI EPU cancelled plant:

   • all work order charges,
   • summary of costs by categories, including narrative description 1 of each cost category and support for why costs should be allowed recovery,
   • dollar amount of each cost category by year incurred, including total cost amount, and
   • any additional information necessary to support the Company's request for cost recovery of the PI EPU cancelled plant. (ALJ, DOC)

The motion passed 5-0.

Nobles Wind Farm

Commissioner O'Brien moved to direct Xcel to amortize the $5.6 million jurisdictional cost, less the $500,000 already recovered through depreciation over the remaining life of the plant (2013 to 2035). The unamortized balance will be excluded from rate base and a carrying charge is not allowed. (Staff developed alternative to Xcel's alternative.)

The motion passed 5-0.

Base Salary Increase

Commissioner Wergin moved to determine that the Company's proposed adjustment to base salaries of $244,000 ($239,000 O&M adjustment, $5,000 capitalization adjustment) is the appropriate adjustment. (ALJ, Xcel)

The motion passed 5-0.

Additional Energy Assistance Funding

Chair Heydinger moved to

1. Increase the budget by the $3.2 million per year for a separately funded POWER On program.
2. Require Xcel to fund this program through the existing surcharge using the per meter monthly surcharge methodology approved in the Commission's April 5, 2012 Order Approving Cost Allocation.
3. Not authorize Xcel to include this $3.2 million increase in base rates in this rate case.
4. Require Xcel to segregate and separately track the additional $3.2 million increase in funding from the other money it collects through the low-income affordability surcharge and to use this money only for the Power On program.
5. Authorize Xcel to increase the budget by $3,200,000 per year and modify the monthly surcharge prospectively, starting on January 1, 2014 or the effective date of final rates in this case.

6. Require Xcel to submit within 30 days of the Commission's order in this docket a compliance filing (including revised tariff sheets and a proposal for appropriate customer notice) that implements the Commission's decision.
7. Determine that Xcel is responsible for any deficits, i.e., any spending over the $3.2 million per year budget for this part of Xcel's Power On program.

The motion passed 5-0.

Depreciation Reserve

Chair Heydinger moved that the Commission not amortize the difference between the actual and theoretical depreciation reserves for the nuclear plant and ask the parties to explore this more fully in the next rate case. She further moved that the Commission determine that the difference between the actual and theoretical depreciation reserves for the TD&G plant should be returned to rate payers by amortizing that difference over five years.

Commissioner Lange moved to amend the motion to change the amortization period to eight years. The motion to amend passed 5-0.

Chair Heydinger moved the motion as amended. The motion passed 5-0.

Nuclear Refueling Outage Costs

Commissioner O'Brien moved to take the following actions:

1. Allow Xcel to use the deferral and amortization method of accounting for NRO costs for ratemaking purposes. (ALJ, Xcel)

2. Determine that the unamortized NRO costs shall be allowed to be included in rate base. (Xcel)

3. Determine that the deferred taxes prepaid by ratepayers should be included as a reduction to rate base. (OAG & Xcel if unamortized included)

The motion passed 5-0.

CWIP/AFUDC

Chair Heydinger moved to allow the proposed inclusion of CWIP and AFUDC in this case and to require the Company, in its next rate case filing, to provide evidence of FERC's accounting requirement for CWIP/AFUDC and demonstrate that it has met the FERC requirements. It shall also address whether a minimum dollar level should be set for projects placed in CWIP.

The motion passed 5-0.

Historical Test Year

Commissioner Wergin moved to allow the Company to use a forecasted test year for its next rate case.

The motion passed 5-0.

Pension Asset 2008 Market Loss

Commissioner Boyd moved to determine that the 2008 Market Loss should be included in the qualified pension cost for ratemaking purposes. He also moved to determine that the inclusion of the 2008 Market Loss for ratemaking purposes is limited to this proceeding. Further evaluation and evidence of the Company's policy and practice pertaining to past and future pension policies, including surplus, should be provided in its next rate case.

The motion passed 3-2. Chair Heydinger and Commissioner O'Brien voted no.

Commissioner Lange moved to take the following action on the NSPM and XES pension plans:

1. NSP Plan. Regarding the NSPM Plan, adopt the Company's alternative to extend the amortization period to 20 years. (ALJ, Xcel).
2. XES Plan. Regarding the XES Plan, adopt the Company's alternative to cap the pension cost at the total company 2011 pension cost level of $6.1 million, and defer the difference in excess of this level to future years. (ALJ, Xcel)

The motion passed 5-0.

Commissioner Boyd moved to direct, as clarification, that any previously amortized 2008 Market Loss amounts, that occurred prior to the filing of this rate case, are not to be reflected in this or future test-year pension costs. (Staff)

The motion passed 5-0.

Commissioner Wergin moved that the Company shall not be permitted to include a compensating return on the pension's unamortized asset loss balances.

The motion passed 5-0.

Fiduciary Insurance / Directors and Officers Insurance

Commissioner Boyd moved to direct the Company to include, in the initial filing of its next rate case, a comprehensive discussion of the type of insurance policies, description of coverage and related coverage amounts for which cost recovery is requested. For each policy type, the Company should discuss the relative benefits provided to shareholders, ratepayers and insured entity, and should provide quantitative support wherein cost recovery of policy is sought solely from ratepayers. The Company should include an explanation of the bases for insurance cost increases, the degree of increases and its cost mitigation efforts. (ALJ, DOC, Xcel) *Additionally,* *for each policy type, the information provided should disclose the policy holder, policy beneficiaries and documentation of accounting treatment of any and all potential insurance proceeds payable to policy holder and/or its beneficiaries.* (Staff)

The motion passed 5-0.

Amortization of Prepaid Asset

Chair Heydinger moved to determine to take no action on reducing the accumulated FAS 106 and FAS 112 balances for post-employment benefits other than pension (ALJ, Xcel) and to direct the Company to include in its initial filing of its next rate case a recent actuarial study on its FAS 106 and FAS 112 benefits, which includes incorporating the 2013 plan changes. (Staff)

The motion passed 5-0.

Fluctuations – Office Supplies and Expenses

Commissioner Lange moved to adopt the ALJ's recommendation to allow the Company's requested test-year jurisdictional cost classified as FERC 921 - Office Supplies and Expense. (ALJ, Xcel)

The motion passed 5-0.

Transmission Studies

Commissioner Wergin moved to adopt the ALJ's recommendation and opinion that the test-year transmission studies' costs are properly recoverable as an expense. (ALJ, Xcel)

The motion passed 5-0.

Commissioner Boyd moved to direct the Company to provide in its initial filing of its next rate case a discussion on its internal capitalization policy of costs related to transmission studies conducted for projects under contemplation and how its policy conforms to the prescribed FERC accounting under Account 183, *Preliminary Survey and Investigation Charges*. (Staff)

He also moved to direct the Company to address in the initial filing of its next electric rate case the transmission studies included in its rate case and the basis for capitalizing or expensing each transmission study.

The motion passed 5-0.

Bad Debt Study

Commissioner Lange moved to adopt the ALJ recommendation to require the Company to supplement its Study report with an additional filing prior to accepting the report. The supplement should address why the Company chose the specific parameters used in the study to identify low-income customers, whether there are any alternative means of identifying low-income customers, and comparing the parameters used by the Company to the parameters used by other utilities and the Department of Commerce in their studies. The Commission requests that the Company collaborate with the Attorney General on methodology. (ALJ)

The motion passed 5-0.

Forecast

Commissioner Wergin moved to find that the Company's forecast is appropriate for setting rates.

The motion failed 2-3. Chair Heydinger and Commissioners Lange and O'Brien voted no.

Commissioner Wergin moved to use the Company's forecast of customer counts.

The motion failed 2-3. Chair Heydinger and Commissioners Lange and O'Brien voted no.

Commissioner O'Brien moved to take the following actions:

1. Adopt the Department's method, as recommended by the ALJ, to utilize the average growth factor, updated with actual data from January of 2007 through December of 2012, to calculate test year Residential Non-Heating customer counts with a test year residential customer addition of 5,786 customers.

2. Adopt the Department's forecast, as recommended by the ALJ and supported by MCC, and use the monthly average price changes during the period between January 1998 and June 2012, drawn from the Company's Pre-Filed Forecast Data, for energy price escalators.

3. Adopt the revisions to ALJ Finding 252 as requested by the Department in its Exceptions:

   252. As shown by the Department, <u>the Company has not proven the reasonableness of a DSM adjustment in this proceeding. The inclusion of a DSM adjustment will underestimate test-year sales and should not be applied to the sales forecast in this proceeding.</u> ~~the best method of accounting for DSM related savings beyond the first year of a device's implementation, while avoiding an overestimation of the impact of these savings, is to use a four-year average to calculate embedded DSM. This approach would increase the sales forecast by 51.161 MWh or $3.0 million in revenue above the forecast resulting from the five-year average advocated by the Company.~~

4. Approve the Department's proposed approach, as recommended by the ALJ, to estimate sales then make exogenous adjustments, based upon historical data relating to former customers, to reach a final sales figure.

5. Adopt the ALJ's recommendation and determine that the Department's recommendations result in a sales forecast that is reasonable, well-designed and appropriate for ratemaking in this case. The Department's recommendations increase the test year retail revenue by $26,163,000.

6. Take no action on the Xcel refund proposal.

The motion passed 3-2. Commissioners Boyd and Wergin voted no.

Cost of Capital

Commissioner O'Brien moved to adopt the cost of equity of 9.83 percent as reflected recommended by the DOC and ALJ.

The motion passed 5-0.

Commissioner O'Brien moved to determine that the flotation cost adjustment used by the Department and the Company is appropriate.

The motion passed 5-0.

Commissioner O'Brien moved to adopt the overall cost of capital of 7.45% as recommended by the Department and the ALJ.

The motion passed 5-0.

Class Cost of Service Study

Commissioner Wergin moved to determine that Xcel's CCRC should be allocated using the per-kWh method as recommended by the Department and to adopt the Department's proposed changes to ALJ Finding 651 as amended, to read as follows:

> 651. Although the Company has supported its reasonable method of CIP cost allocation, the Administrative Law Judge acknowledges, for consistent treatment of the allocation of CIP costs for all utilities, consistent with the Commission's decision in Docket E002/M-11-278, that Xcel should use the per-kWh method of allocating CIP costs.

The motion passed 5-0.

Chair Heydinger moved to adopt the ALJ's recommendation on the allocation of economic development discounts and to require Xcel to incorporate further study of the proper class allocation of these costs in its next rate case.

The motion passed 5-0.

Chair Heydinger moved to adopt the ALJ's recommendation require Xcel to reallocate transmission facility costs in this rate case in a manner consistent with its allocation of capacity costs, according to contribution to summer peak demand.

The motion passed 5-0.

Class Revenue Apportionment

Commissioner Lange moved to adopt the DOC's recommended class revenue apportionment as set forth in Direct Testimony and as applied to a revised CCOSS; proportionally adjust the DOC-proposed apportionment based on the final revenue determination (ALJ) and to adopt the technical correction to Finding 698 as proposed by Xcel.

The motion passed 5-0.

Customer Charges

Chair Heydinger moved to not accept the Administrative Law Judge's recommendation on where to set the level of customer charges in this case and to instead set them at the following levels:

Residential Overhead – Standard	$ 8.00
Residential Overhead – Heating	$10.00
Residential Underground – Standard	$10.00
Residential Underground – Heating	$12.00
Small General Service	$10.00

The motion passed 5-0.

Standby Service Tariff

Commissioner Boyd moved to take no action at this time to change Xcel's Standby Service Rider Tariff in response to the MCC request.

The motion passed 5-0.

Interest Rate on Interim Rate Refund

Chair Heydinger moved to take the following actions:

1. Find that all three prongs of Minn. R. 7829.3200 are met and grant the variance to Minn. Rule 7825.3300, the methods and procedures for refunding rule. Require Xcel to refund the interim rate overcollection at the interest rate of the Company's authorized overall cost of capital, 7.45%.

2. Adopt the Department's recommendation, as amended in regard to the interest rate. Modify ALJ Findings 848 and 849 as described below and vary Minn. Rule 7825.3300, the methods and procedures for refunding rule.

   848. The Department demonstrated ~~None of the parties have shown~~ that the first prong is met in the circumstances identified in this proceeding. Department Witness Dale Lusti testified that "enforcement of the rule likely would impose an excessive burden on ratepayers." Mr. Lusti recommended that the Commission look at the facts in this case, including that Xcel has filed multiple cases, along with the difficulty Xcel had in supporting its case and the large difference in the overall rate of return and prime rate to determine whether the Commission concludes that ratepayers would be harmed by

enforcement of the rule. ~~The Department re-characterized the first prong when arguing that the standard has been met. The Department asserted that "enforcement of the rule would not impose an excessive burden on ratepayers or the Company (because the Company is repaying to customers what the Company already charged to customers)." Similarly, the OAG asserted that "it is not an excessive burden to require NSP to refund money to ratepayers that was over collected at the same rate it charges ratepayers on behalf of its shareholders." The MCC simply listed a number of facts that it maintains support a variance without addressing the prongs individually.~~

849. ~~Because the parties have not shown that the first prong is met, the Administrative Law Judge recommends that the Commission not grant the variance unless it determines, on its own, that "enforcement of the [average prime interest rate] rule would impose an excessive burden" on the Company or others affected by the rule.~~ The Department has shown that the enforcement of the rule likely would impose an excessive burden on ratepayers such that the first prong is met. The second and third prongs, regarding public interest and conflicting with legal standards, were also met. The Commission varies Minn. R. 7825.3300 to require calculation of the interim rate refund at the Commission-approved overall cost of capital, 7.45%.

3. Modify ALJ Finding 846 as set forth below:

846. Because the Company seeks to impose a carrying charge on its customers for nuclear refueling outage costs that is equal to its rate-of-return, grossed up for taxes, the Administrative Law Judge concludes that the public interest would not be adversely affected if the Company were required to pay that same rate on interim rate refunds. Both rates are essentially payments for the use of money. The Commission may also note several other points wherein the Company charges a much higher return for under recovery or short-term funds from ratepayers, including under recovery in rider proceedings such as Renewable or Transmission rider and CIP Riders. The Company has failed to explain how the public interest is served by Company paying only 3.25 percent interest on the interim rate refund at the same time imposing a much higher rate on its customers as a carrying charge.

The motion passed 4-1. Commissioner Wergin voted no.

Fuel Clause Adjustment Incentive

Commissioner Lange moved to adopt the ALJ's recommendation and address this issue in the fiscal-year 2012 electric annual automatic adjustment (AAA) proceeding, in Docket No. E-999/AA-12-757.

The motion passed 5-0.

End of Month Billing

Commissioner Boyd moved to reject the ALJ's recommendation and replace finding 896 with the following language proposed by Xcel

~~896. MCC has demonstrated that it is fair and reasonable to require the Company to include language in its tariff to allow a C&I customer with total peak demand in excess of 1000 KW to be switched to end-of-month billing upon request. MCC's proposal is consistent with the Company's position that it is willing to work with customers who request alternative billing cycles. In addition, the proposal is limited in scope. Furthermore, the Company has failed to provide any specific evidence regarding the alleged "operational, financial and workforce considerations" that cause the Company to oppose the MCC's proposal. For these reasons, the Administrative Law Judge recommends that the Commission adopt the MCC's latest proposal regarding end-of-month billing.~~

896. Given the Company's willingness to work with customers to achieve reasonable billing solutions and the limited number of customers that can be accommodated without increasing costs, the MCC's proposal should not be adopted.

He also moved to direct Xcel to address the availability of end-of-month billing for C&I customers in prefiled direct testimony in its next rate case.

The motion passed 5-0.

Inverted Block Rates

Commissioner Lange moved to approve the ALJ's recommendation and reject the proposed inverted block rate (IBR).

The motion carried 5-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: September 4, 2013

Burl W. Haar, Executive Secretary