

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
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

ISSUE DATE: January 27, 2015

DOCKET NO. G-002/M-14-336

ORDER APPROVING RIDER WITH
MODIFICATIONS

PROCEDURAL HISTORY

On August 1, 2014, Xcel Energy (Xcel or the Company) filed a petition for approval to recover gas utility infrastructure costs through a rider pursuant to Minn. Stat. § 216B.1635. The Company proposed to recover approximately \$15 million in gas utility infrastructure costs through the rider in 2015.

From October 16 to November 14, 2014, the Commission received initial comments, reply comments, and responses to reply comments from the Minnesota Department of Commerce (the Department), the Office of the Attorney General – Antitrust and Utilities Division (the OAG), and the Company.

The Department recommended that the Commission grant Xcel’s petition. However, the OAG recommended that, due to the magnitude of the infrastructure costs and the length of time since the Company’s last rate case,¹ the Commission deny the petition and require Xcel to file a new rate case to recover the costs.

On December 9, 2014, the OAG filed a letter requesting that the Commission reschedule the hearing of this matter for 60 days to allow the OAG to continue discovery regarding several issues. Xcel opposed the OAG’s request.

On December 18, 2014, the Commission met to consider the matter.

¹ Docket No. G-002/GR-09-1153.

FINDINGS AND CONCLUSIONS

I. Background

A. Statutory Background

Generally, a public utility may not change its rates without undergoing a general rate case in which the Commission comprehensively reviews the utility's costs and revenues. However, the Legislature has created exceptions to this general policy, allowing a utility to implement a rider with a rate-adjustment mechanism to expedite recovery of certain costs not reflected in the company's current base rates.

Minn. Stat. § 216B.1635 allows utilities to seek rider recovery of gas utility infrastructure costs. Gas utility infrastructure costs are costs, not included in the gas utility's rate base in its most recent general rate case, that are incurred in projects involving (1) the replacement of natural gas facilities required by road construction or other public work by or on behalf of a government agency or (2) the replacement or modification of existing facilities required by a federal or state agency, including surveys, assessments, reassessment, and other work necessary to determine the need for replacement or modification of existing infrastructure.²

Projects that constitute a "betterment" do not qualify for rider recovery unless the betterment is "based on" requirements by a political subdivision or a federal or state agency.³

A utility seeking approval of a gas-utility-infrastructure-cost (GUIC) rider must file a petition with the Commission detailing the projects and costs proposed for recovery.⁴ The utility must file sufficient information to satisfy the Commission regarding the proposed gas utility infrastructure costs, including, but not limited to, the following:

- project description and scope, estimated costs, and in-service date;
- the government entity ordering or requiring the project and the purpose for which the project is undertaken;
- a description of the estimated costs and salvage value, if any, associated with the existing infrastructure replaced or modified as a result of the project;
- a comparison of the utility's estimated costs and the actual costs incurred, including a description of the utility's efforts to ensure that the costs of the facilities are reasonable and prudently incurred;
- calculations to establish that the rate adjustment is consistent with the terms of the rate schedule, including the proposed rate design and an explanation of why the proposed rate design is in the public interest;

² Minn. Stat. § 216B.1635, subd. 1(b), (c).

³ *Id.*, subd. 1(b)(3).

⁴ *Id.*, subds. 2–3.

- the magnitude and timing of any known future projects that the utility may seek to recover under the GUIC statute;
- the magnitude of the costs in relation to the utility's base revenue as approved by the Commission in the utility's most recent general rate case, exclusive of gas-purchase costs and transportation charges;
- the magnitude of the costs in relation to the utility's capital expenditures since its most recent general rate case; and
- the amount of time since the utility last filed a general rate case and the utility's reasons for seeking recovery outside of a general rate case.⁵

The Commission may approve a GUIC rider if the costs proposed for recovery through the rider are prudently incurred and achieve gas facility improvements at the lowest reasonable and prudent cost to ratepayers.⁶ Costs eligible for rider recovery include not only gas utility infrastructure costs but also a rate of return, income taxes on the rate of return, incremental property taxes, incremental depreciation expense, and any incremental operation and maintenance (O&M) costs.⁷

B. Xcel's Recent Pipeline-Integrity Initiatives

Xcel filed its last natural-gas rate case in 2009, based on a 2010 test year.⁸ Since 2010, the Company has undertaken several pipeline-integrity initiatives at the behest of federal and state regulators.

Under the federal Pipeline Safety Improvement Act of 2002 and regulations issued by the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration, operators of natural-gas transmission and distribution pipelines must implement pipeline integrity management programs to assess and improve the safety, reliability, and integrity of their natural-gas infrastructure.

Furthermore, as a result of a February 2010 distribution-line explosion in Saint Paul, the Minnesota Office of Pipeline Safety (MNOPS) issued a Notice of Probable Violation and required Xcel to identify and remedy all situations in which its natural gas lines intersect with municipal sewer lines.

To comply with these federal and state directives, Xcel developed transmission- and distribution-integrity management programs (TIMP and DIMP, respectively). In the TIMP category, the following initiatives are underway or planned:

⁵ *Id.*, subd. 4.

⁶ *Id.*, subd. 5.

⁷ *Id.*, subd. 4.

⁸ Docket No. G-002/GR-09-1153.

- **Transmission pipeline assessments**, including in-line inspection, pressure testing, and direct assessment;
- **East Metro Pipeline Replacement Project**, an effort to replace aging high-pressure transmission pipeline running through the urban corridor between Saint Paul and Roseville with new pipeline with a standard, 20-inch diameter; and
- **Automatic-shutoff and remote-controlled valve installation** to allow more expedient gas shutoff in an emergency.

In the DIMP category, Xcel has undertaken or plans to undertake the following projects to assess and improve the integrity of its distribution assets:

- **Poor-performing main and service-line replacement**, which entails identifying high-risk pipeline segments and prioritizing their replacement in concert with city and county road maintenance;
- **Intermediate-pressure line assessments** to determine the health and condition of medium-sized distribution pipelines;
- **Distribution-valve replacements** to maintain Xcel's ability to isolate sections of the system in case of an emergency;
- **Pipeline data gathering**, including researching hard-copy records and converting this information to an electronic form; and
- **Sewer and gas line conflict-remediation program** to identify and correct situations where natural-gas lines intersect with sewer lines.

C. The Commission's Deferred-Accounting Orders

In April 2010, Xcel filed a petition requesting deferred-accounting treatment for costs it expected to incur to implement the sewer and gas line conflict-remediation program required by MNOPS' Notice of Probable Violation.⁹ And in March 2012, the Company filed another petition for deferred accounting, this time for the incremental O&M costs of its other TIMP and DIMP initiatives in 2012 and future years.¹⁰

Deferred accounting is a regulatory tool used primarily to hold utilities harmless when they incur out-of-test-year expenses that, because of their nature or size, should be eligible for possible rate recovery as a matter of public policy. Traditionally, deferred accounting has been reserved for costs that are unusual, unforeseeable, and large enough to have a significant impact on the utility's financial condition. Deferred accounting has also sometimes been permitted when utilities have incurred sizeable expenses to meet important public-policy mandates.

⁹ Docket No. G-002/M-10-422.

¹⁰ Docket No. G-002/M-12-248.

The Commission granted both deferred-accounting petitions, finding that the incremental infrastructure costs were largely unforeseeable, would have a significant impact on the Company's financial condition, and were incurred to meet important public-policy mandates. The Commission required Xcel to provide annual reports detailing the amounts deferred for future recovery and to justify, in its next general rate case, all deferred TIMP and DIMP costs for which it seeks rate recovery.

To date, Xcel has deferred approximately \$24 million in TIMP and DIMP costs for future recovery.

D. Xcel's Petition for Approval of a GUIC Rider

On August 1, 2014, Xcel filed a petition for approval of a gas-utility-infrastructure-cost rider, the first such petition filed by a utility under Minn. Stat. § 216B.1635. The Company seeks to recover forecasted costs of \$14.94 million for 2015, including nearly \$4.76 million in deferred TIMP and DIMP costs:

2015 Gas Utility Infrastructure Costs	
(\$ millions)	
Capital-Related Revenue Requirements	5.64
TIMP	4.96
DIMP	0.69
Operation & Maintenance Expenses	4.54
TIMP	0.22
DIMP	4.32
5-Year Amortization of Deferred Costs	4.76
TIMP	0.90
DIMP	3.87
Total Revenue Requirement	14.94

Xcel proposed to recover an overall rate of return of 8.28% on GUIC investments, which is the rate the Commission authorized in its last natural-gas rate case.¹¹

Xcel's proposed GUIC rate design allocates the 2015 revenue requirement among five customer classes using a rate-base allocator from the Class Cost of Service Study in the Company's last natural-gas rate case:

¹¹ Docket No. G-002/GR-09-1153.

Proposed 2015 GUIC Adjustment Factors (\$ per therm)	
Residential	\$0.031253
Commercial Firm	\$0.012901
Commercial Demand-Billed	\$0.005367
Interruptible	\$0.004111
Transportation	\$0.003933

Under the proposed rate design, the average bill impact for a typical residential customer would be \$2.22 per month, or about 3% of the total bill. The adjustment factors are based on an effective date of January 1, 2015. If the Commission does not act on the petition in time for the GUIC rates to become effective January 1, Xcel proposes that the rate factors be recalculated to recover the 2015 revenue requirement over the remaining months of 2015.

Xcel proposes to file changes to the GUIC factors annually on November 1 for the following year, with rates effective April 1.

II. The Positions of the Parties

A. The Department

The Department reviewed Xcel's petition and concluded that the TIMP and DIMP costs were prudent and eligible for rider recovery as gas utility infrastructure costs. The Department examined the proposed 2015 revenue requirements, tracker mechanism, rate of return, amortization of deferred costs, and rate design, among other specifics of the proposed rider. Based on its review, the Department recommended that the Commission approve the rider with a reduced rate of return of 7.56%, based on the capital structure and cost of debt Xcel proposed in its pending electric rate case.¹²

B. The OAG

The OAG recommended that the Commission deny Xcel's petition, arguing that the infrastructure costs proposed for rider recovery are significant—representing some 9% of Xcel's base revenues—and should be examined in a rate case along with Xcel's other costs and revenues to ensure that the Company is not overearning. However, if the Commission decides to approve a GUIC rider, the OAG recommended several changes to protect ratepayer interests:

- Adjust Xcel's cost of equity to reflect current market conditions;
- Allocate rider costs among customer classes based on the apportionment approved in Xcel's last rate case; and
- Limit approval to one year unless Xcel can demonstrate that its normalized infrastructure costs cannot be fairly estimated and recovered in based rates.

¹² Docket No. E-002/GR-13-868.

Finally, the OAG requested that the Commission reschedule the hearing to allow the OAG to continue investigating several issues on which it has pending information requests, including the appropriate return on equity and whether the East Metro Pipeline-Replacement Project constitutes a betterment ineligible for rider recovery.

C. The Company

Xcel argued that approving the rider would serve the public interest both by encouraging investments that promote pipeline safety and by allowing the Commission to postpone the administrative burden and expense of a rate case.

Xcel did not object to the Department's recommendation to use the cost of debt from its pending rate case, noting that this change would reduce the 2015 revenue requirement by \$244,000 to \$14.7 million. However, the Company opposed adjusting its cost of equity, as well as the OAG's other recommended changes.

Finally, Xcel opposed the OAG's request to reschedule the hearing, arguing that the Company had addressed the issues raised by the OAG and that postponing a decision could increase the bill impact of the rider.

III. Commission Analysis and Action

Having carefully reviewed the record, including the parties' written and oral comments, the Commission will deny the OAG's request to reschedule the hearing and will approve Xcel's proposed GUIC rider with the modifications discussed below.

A. Rider Recovery of TIMP and DIMP Costs Generally

The Commission concurs with the Department that Xcel's TIMP and DIMP investments meet the statutory requirements for rider recovery as gas utility infrastructure costs. These costs were incurred in the replacement or modification of existing facilities required by federal and state agencies. They were not included in Xcel's last rate case. And the costs are reasonable and prudent in view of the public safety purpose served by the TIMP and DIMP initiatives.

The clear thrust of the GUIC statute is to establish a mechanism by which utilities may recover out-of-test-year infrastructure investments mandated by federal or state agencies. The costs of these investments can vary widely from year to year and are difficult to forecast with accuracy. Approving a rider will give Xcel the ability to implement multi-year pipeline-replacement programs, adjusting the rates annually to correct for over- or under-recovery.

The OAG argued that requiring Xcel to bring a rate case to recover TIMP and DIMP investments would ensure that the Company is not overearning. It has been several years since Xcel's last rate case, and the Commission agrees that it may become necessary, at some point, to require the Company to file a rate case. However, denying a GUIC rider outright would create an unnecessary disincentive for Xcel to make important infrastructure investments. The Company's next annual rider filing will provide an opportunity, within a relatively short period of time, for the Commission to review Xcel's infrastructure costs and to revisit whether a rate case is needed.

B. Recovery of Deferred Costs

Xcel proposed to recover the deferred costs accumulated under Docket Nos. G-002/M-10-422 and 12-248 through the GUIC rider, amortized over five years to reduce the rate impact.

1. The Positions of the Parties

The OAG recommended that the deferred costs not be included for recovery in the rider. The OAG argued that Xcel is effectively seeking reconsideration of the Commission's orders granting deferred-accounting treatment, since those orders anticipated that the Company would seek recovery of the deferred costs in a rate case, not through a rider.

The OAG also argued that reviewing the deferred costs in a rate case would permit discovery to determine whether Xcel is properly accounting for these costs. In particular, more in-depth review would show whether Xcel has been deferring infrastructure-related O&M expenses that are not incremental to the O&M expenses allowed in its last rate case—routine pipeline maintenance costs that Xcel would have incurred in the absence of the mandated TIMP and DIMP initiatives.

The Department supported Xcel's proposal to recover the deferred costs through the GUIC rider over a five-year period. Addressing the OAG's accounting-related concerns, the Department stated that it examined whether Xcel is deferring normal O&M expenses as gas utility infrastructure costs. It found that the O&M expenses Xcel proposed for rider recovery are incremental to the \$480,000 of O&M expenses allowed in the last rate case for similar projects.

2. Commission Action

The Commission will grant rider recovery of the deferred costs and approve a five-year amortization to minimize their rate impact. These costs qualify as gas utility infrastructure costs because they stem from Xcel's required TIMP and DIMP initiatives.

The OAG argued that rider recovery is contrary to the Commission's deferred-accounting orders, which contemplated that Xcel would seek recovery of the deferred costs in a rate case. However, at the time Xcel sought deferred-accounting treatment of these costs, the GUIC statute only provided for recovery of costs related to "relocation and replacement of natural gas facilities located in the public right-of-way required by the construction or improvement of a highway, road, street, public building, or other public work by or on behalf of the United States, the State of Minnesota, or a political subdivision."¹³

The statute was amended in 2013 to include recovery for the "replacement or modification of existing natural gas facilities, including surveys, assessments, reassessment, and other work necessary to determine the need for replacement or modification of existing infrastructure that is required by a federal or state agency."¹⁴ Since there was no option for Xcel to seek rider recovery of the TIMP and DIMP program costs in 2010 and 2012 when it originally sought

¹³ 2005 Minn. Laws ch. 97, art. 10, § 1, subd. 1(c).

¹⁴ 2013 Minn. Laws ch. 85, art. 7, § 2.

deferred-accounting treatment of those costs, the Company should not be barred from seeking rider recovery now.

The OAG also argued that the close scrutiny afforded by a rate case would ensure that Xcel is properly accounting for its deferred O&M costs. The Department reviewed Xcel's filings and is satisfied that the Company has been properly accounting for O&M costs. However, to provide an additional measure of assurance, the Commission will require Xcel to submit, in its next natural-gas rate case, detailed schedules, any necessary supporting documentation, and an explanation of all O&M costs that were being recovered in the rider and are now included in the test year for recovery in base rates.

C. East Metro Pipeline-Replacement Project

Xcel owns and operates approximately 11.5 miles of gas transmission line in the cities of Saint Paul and Roseville. The line is composed of aging pipe with diameters ranging from 16 to 24 inches. Because of the differing pipe diameters and the type of couplings used, Xcel is unable to employ modern in-line inspection tools to assess the condition of the line. Xcel plans to install uniform, 20-inch steel pipe to ensure future safety and reliability and allow more effective inspection and pressure-testing of the line.

1. The Positions of the Parties

a. The OAG

The OAG argued that part of the East Metro project constitutes a "betterment" ineligible for GUIC rider recovery, since the new 20-inch pipe will result in a capacity increase, allowing Xcel to transport more gas and making the new pipeline "better" than the old.

The OAG requested more time to investigate several factual issues related to betterment, including (1) whether the East Metro project will provide a business advantage, (2) what the capacity increase provided by the new pipeline will be, (3) what alternatives could have been considered and their costs, and (4) the cost difference between the 20-inch pipe being used and alternative, 18-inch pipe. The OAG also stated that it would like an opportunity to provide written legal analysis of the betterment issue.

b. The Department

The Department stated that the purpose of the East Metro project is to make the pipeline safer. The Department therefore expected that the new line will be better than the old line. But even if the Commission believes the project will result in a betterment, the Department recommended authorizing full recovery because any betterment will be "based on" federal safety requirements.¹⁵ The Department does not believe that the record would benefit from further development of the betterment issue.

¹⁵ Minn. Stat. § 216B.1635, subd. 1(b)(3).

c. The Company

Xcel disagreed with the OAG's characterization of the East Metro project as a betterment. And the Company argued that, even if the project is a betterment, it is still eligible for rider recovery because using 20-inch pipe is the most prudent way to satisfy federal pipeline-safety requirements.

Xcel acknowledged that 18-inch pipe could serve the current demand on the East Metro line. However, because the majority of Xcel's transmission system is composed of 20-inch pipe, using 18-inch pipe would require the Company to carry extra inventory of nonstandard parts. Moreover, Xcel would have to train its employees on installing and maintaining nonstandard fittings and other equipment, further increasing costs.

Finally, 18-inch pipe would also complicate inspections. Xcel stated that it typically contracts out its inspections, in part because in-line inspection tools cost upwards of \$1 million. Eighteen-inch pipeline inspection tools would have a limited availability compared to standard-sized inspection tools.

2. Commission Action

The GUIC statute provides for rider recovery of the costs of infrastructure projects that “do not constitute a betterment, unless the betterment is based on requirements by a political subdivision or a federal or state agency.”¹⁶

The statute does not define “betterment.” However, *Black's Law Dictionary* contains three definitions of the term:

1. An improvement that increases the value of real property; esp., an enhancement in the nature of an alteration or addition that goes beyond repair or restoration to a former condition. . . .
2. An improvement of a highway, railroad, or building that goes beyond repair or restoration.
3. An increase in value, esp. real-estate value, attributable to improvements.¹⁷

None of *Black's* definitions perfectly fits the context of utility infrastructure projects. However, the second definition comes the closest. It states that an improvement that goes “beyond repair or restoration” rises to the level of a betterment.

The OAG's argument, in essence, is that the increased size of the new East Metro pipeline goes beyond mere repair or restoration. Xcel and the Department, on the other hand, argue that 20 inches is the smallest pipe diameter consistent with prudent engineering practices.

¹⁶ *Id.*

¹⁷ *Black's Law Dictionary* 182 (9th ed. 2009).

The Commission concurs with Xcel and the Department that the East Metro project will not result in a betterment. Using 20-inch rather than 18-inch pipe is not a betterment because it is the best engineering choice to restore the pipe to its original, safe condition. Had Xcel used 24- or 30-inch pipe, the situation would be different, since it would suggest that the Company was taking advantage of the replacement to increase its capacity. However, 20 inches is the pipe size Xcel routinely uses when replacing its transmission lines. The East Metro project therefore does not go “beyond repair or restoration” and is not a betterment.

For similar reasons, the Commission concurs with the Department and Xcel that, regardless of whether 20-inch pipe constitutes a betterment, the East Metro pipeline-replacement costs are eligible for rider recovery. Xcel is not required to use substandard materials to avoid a betterment, nor is it required to use materials that complicate—and potentially compromise—ongoing safety inspections of its transmission system. Using 20-inch pipe is the most prudent choice incidental to fulfilling federally mandated pipeline-integrity requirements. Therefore, the 20-inch pipe is “based on” requirements by a federal agency and would be a permissible betterment under the GUIC statute.

For the foregoing reasons, the Commission will allow Xcel to recover all East Metro project costs through the GUIC rider. And because the record would not benefit from further development of this issue, the Commission denies the OAG’s request to postpone the hearing for that purpose.

D. Rate of Return

The GUIC statute provides that “[t]he return on investment for the [rider] 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.”¹⁸ Xcel proposed a rate of return of 8.28%, which is the rate the Commission authorized in its last natural-gas rate case.

1. The Positions of the Parties

The Department recommended that Xcel update its rate of return using the cost of debt and capital structure proposed in the Company’s pending electric rate case. The Department supported this approach because it believed that Xcel’s gas-operations cost of debt is likely similar to its electric cost of debt, cost of debt is not disputed in the rate case, and the updated cost of debt would moderate rider costs. The cost-of-debt adjustment would reduce Xcel’s overall rate of return on GUIC investments to 7.56%.

The OAG agreed that Xcel’s cost of debt should be updated but also argued that the Company’s cost of equity should be adjusted. The OAG stated that, while the return on common equity authorized in Xcel’s last gas rate case was 10.09%, the Company’s cost of equity is likely lower in the current financial climate—between 9.34% and 9.59%. The OAG argued that Xcel’s cost of equity would be scrutinized and adjusted in a rate case, but that by seeking recovery of costs in a rider, the Company is able to benefit from an artificially inflated rate of return.

¹⁸ Minn. Stat. § 216B.1635, subd. 6.

Xcel did not object to updating its cost of debt based on its pending rate case but opposed any change to its cost of equity.

2. Commission Action

For the reasons given by the Department, the Commission finds that updating the cost of debt for GUIC investments is consistent with the public interest.

The OAG argues that Xcel's current cost of equity is also likely lower than the rate set in its last rate case. However, the record in this case supports neither that assumption nor any specific figure. Further, the cost of equity in Xcel's electric rate case is disputed and, in any event, would not provide a suitable comparison due to the differences between Xcel's gas and electric operations.

The Commission concludes that the most prudent course of action is to move forward with approval of the GUIC rider on the existing record. Approving the rider without delay will ensure that the 2015 revenue requirement is spread out over as many months as possible, reducing its rate impact. The Commission will approve a rate of return of 7.56% for 2015 as recommended by the Department, based on the capital structure and cost of debt from Xcel's pending electric rate case and the cost of equity from its last natural-gas rate case.¹⁹

In future GUIC filings the Commission will expect to see information on Xcel's current capital structure, cost of debt, and cost of equity. To that end, the Commission will require Xcel, 60 days in advance of its next annual GUIC filing, to submit information on what it believes the appropriate rate of return should be for the coming year. Based on this information, the parties can recommend, and the Commission can set, an updated rate of return for the GUIC rider if appropriate.

E. Rate Design

Xcel proposed to apportion the 2015 GUIC revenue requirement among its customer classes using a rate-base allocator from the Class Cost of Service Study in the Company's last natural-gas rate case.

The OAG argued that any costs recovered through a GUIC rider should be allocated using the apportionment that the Commission ordered in Xcel's last rate case, rather than the Company's Class Cost of Service Study. The OAG stated that approximately 60% of the rider costs will be recovered from the residential class in 2015 and that using the apportionment agreed upon in the last rate case, rather than the Class Cost of Service Study, would help ease the burden on residential customers.

The Commission will order that the 2015 GUIC revenue requirement be allocated to Xcel's customer classes according to the apportionment approved in the Company's last natural-gas rate case.²⁰ There is nothing in the record to indicate that circumstances have changed such that the allocation is no longer appropriate.

¹⁹ No carrying charge will be allowed on the GUIC tracker account balance.

²⁰ See Docket No. G-002/GR-09-1153, Findings of Fact, Conclusions of Law, and Order at 37–38 (Dec. 6, 2010); Compliance Filing (Feb. 28, 2011); Order Approving Compliance Filing (Apr. 29, 2011).

F. Rider Duration

The OAG argued that if the Commission approves a GUIC rider, the approval should be for 2015, and the rider should be continued only if Xcel can demonstrate that its normalized infrastructure costs cannot be fairly estimated and recovered in base rates. The OAG believes that the rider should sunset once Xcel's TIMP and DIMP costs stabilize.

Xcel has proposed to file, on November 1 of each year, its proposed changes to the GUIC rider factors for the coming year. The Commission will therefore have an opportunity to review the GUIC rider on an annual basis and to make any needed adjustments or require the Company to file a rate case, if that is appropriate. For this reason, the Commission finds it unnecessary to set a definite end date for the GUIC rider.

G. Conclusion

For the foregoing reasons, the Commission will approve Xcel's proposed GUIC rider, rate-adjustment factors, and tariff sheets, modified to reflect the following changes:

- a reduced overall rate of return, calculated using the capital structure and cost of debt from Xcel's pending electric rate case and the cost of equity from its last natural-gas rate case;
- a rate design that allocates the GUIC rider revenue requirement according to the apportionment approved in Xcel's last natural-gas rate case; and
- an effective date of the date of this order, with final rate-adjustment factors calculated to recover the 2015 revenue requirement over the remaining months of 2015.

The Commission will require Xcel to make a compliance filing showing the final rate-adjustment factors, and all related tariff changes, within 10 days of the date of this order.

ORDER

1. The Commission hereby approves Xcel's proposed GUIC rider, rate-adjustment factors, and tariff sheets with the following modifications:
 - a. a rate of return calculated using the capital structure and cost of debt from Xcel's pending electric rate case, Docket No. E-002/GR-13-868, and the cost of equity from its last natural-gas rate case, Docket No. G-002/GR-09-1153;
 - b. a rate design that allocates the 2015 revenue requirement to Xcel's customer classes in the same manner as revenues were apportioned in the Company's February 28, 2011 compliance filing in its last natural-gas rate case; and
 - c. an effective date of the date of this order, with final rate-adjustment factors calculated to recover the 2015 revenue requirement over the remaining months of 2015.
2. Xcel shall make a compliance filing showing the final rate-adjustment factors, and all related tariff changes, within ten days of the date of this order.

3. Sixty days in advance of its next annual GUIC filing, Xcel shall submit information on what it believes the appropriate rate of return should be for the coming year.
4. In the initial filing in its next natural-gas rate case, Xcel shall submit detailed schedules, any necessary supporting documentation, and an explanation of all O&M costs that were being recovered in the rider and are now included in the test year for recovery in base rates.
5. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf
Executive Secretary



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