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MINNESOTA PUBLIC UTILITIES COMMISSION ACTS ON XCEL ENERGY'S MULTI-YEAR ELECTRIC RATE CASE

St. Paul, Minnesota - The Minnesota Public Utilities Commission ("Commission") today took action on the petition by Northern States Power Company d/b/a Xcel Energy, Inc. ("Xcel") for a general increase in its electric rates. This rate case is a multi-year rate plan, covering the years 2014 and 2015. It is the first multi-year rate case ever filed with the Commission, with Xcel acting on statutory authorization enacted in the 2011 legislative session.

The Commission's decisions likely will reduce the overall amount of the allowed increase from the amount recommended by the Administrative Law Judge (ALJ) assigned to the case. As Commission staff processes the impact of the decisions made today, the Commission will be better able to calculate the total dollar amount approved.

Xcel filed its petition in this rate case on November 4, 2013, initially asking for an increase in electric rates of \$192.7 million, or 6.9%, for 2014 and an additional \$98.5 million, or 3.5%, for 2015 resulting in a total of \$291.2, or 10.4%, over the two years. The ALJ conducted public hearings, evidentiary hearings, and issued her report with recommendations to the Commission on December 26, 2014. The ALJ's recommendations would have resulted in an approximate \$69.6 million increase, 2.54%, for 2014 and an additional \$121.7 million, 4.45%, increase for 2015, for a total of \$191.3 million, or 6.99%.

- A major factor affecting the final approved increase is the authorized return on equity. The Commission approved an authorized return of 9.72%. Though not a guaranteed return for Xcel, setting a return on equity is needed in order to establish final rates. Whether the company actually earns that return depends on numerous operational and financial factors. The ALJ had recommended a rate of 9.77%, while the Department of Commerce-Division of Energy Resources (the Department) recommended a rate of 9.64%. Xcel initially proposed a return on equity of 10.25%, but subsequently lowered its request to the rate recommended by the ALJ.
- The Commission, agreeing with the ALJ, rejected any increase in the monthly service charge for residential and small general customers. The Department had recommended that the basic charge for these customers be increased by \$.50 per month. Xcel had asked that it be allowed to increase the basic charge to residential customers by \$1.25 per month and to small general service customers by \$1.50 per month.

- The Commission approved a three-year pilot program of revenue decoupling. The purpose of a decoupling program is to remove the incentive for a utility to sell, and thereby its customers to use, more of electricity, while still providing a mechanism for the utility to recover its allowed revenue requirement. This will be the first decoupling program ever utilized in Minnesota for electric customers.
- As part of its decisions in Xcel Energy's 2012 electric rate case, in September of 2013 the Commission opened an investigation into Xcel's actions and expenses to refurbish the reactor at the Monticello nuclear power plant (life cycle management and extended power uprate project). The purpose of the investigation was to determine whether Xcel's decisions were prudent and if recovery of the costs from ratepayers was reasonable. In 2008, Xcel had estimated the expected cost of the project to be \$320 million, but during the course of the 2012 electric rate case the company informed the Commission that the actual costs would total \$665 million. Subsequent information show costs of approximately \$748 million.

Earlier this month, on March 6, the Commission determined that Xcel's handling of the project was not prudent. However, although the project costs were high, the Department's analysis, aided by the work of an outside expert, demonstrated that the project would supply cost-effective generation to ratepayers. Thus, the Commission did not disallow the cost overruns. But because there was ample evidence that Xcel's overall handling of the project was not prudent, and the Company failed to alert the Commission about the cost overruns and their causes, the Commission denied Xcel the opportunity to earn any return on the costs that are in excess of the initial figure (adjusted to 2014 dollars) provided by the company at the time the Certificate of Need for the project was filed.

The Commission also determined that the Monticello extended power uprate project was not used and useful in providing electricity in 2014, and therefore no depreciation expense or return should be allowed for 2014. The project costs were allowed in rates for the second year, 2015, in this multi-year rate case. The financial implications of these decisions will be incorporated into this rate case.

Xcel is currently charging interim rates, implemented on January 3, 2014, reflecting an increase of approximately \$127.4 million, or 4.57%. Once the financial impact of all of the decisions made earlier this month as well as today is calculated, if final rates are lower than these interim rates, customers would receive a proportionate refund of the difference. The process for those possible refunds, and any interest calculation, is to be determined.

Written orders formally documenting the Commission's decisions will be issued in several weeks. Those orders will be filed in docket E-002/GR-13-868, which is available on the Commission's website via the Commission's e-Dockets system.