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VIA  
ELECTRONIC  
AND U.S. MAIL

December 5, 2013

Darrell Nitschke, Executive Secretary  
North Dakota Public Service Commission, Dept. 0408  
600 East Boulevard Avenue  
Bismarck, ND 58505-0480

RE: **FINAL REPORT OF 2012 REVENUE TRUE-UP AND REFUND  
CASE NOS. PU-10-657, PU-11-55, AND PU-11-557**

Dear Mr. Nitschke:

Pursuant to the Commission's Order approving the Settlement Agreement in the above referenced cases, Northern States Power Company, doing business as Xcel Energy ("Xcel Energy" or the "Company") submits this final report of the required 2012 base (i.e., non-fuel) revenue true-up and \$201,000 customer refund issued in July and August. We regret this report was not submitted more timely.

### Background

On December 20, 2010, the Company filed with the Commission a \$19.7 million or 12.0% increase in electric rates using a 2011 test year. In the same application, the Company also proposed a "step" increase for 2012 of \$4.226 million or 2.57%, effective January 1, 2012. On September 15, 2011 a Settlement Agreement was entered into by Xcel Energy and Advocacy Staff, and filed with the Commission. The Settlement was amended December 23, 2011 to include terms relating to additional reliability improvements.

Included in the Settlement Agreement was a provision for a one-time surcharge or refund in 2013 to true-up weather-normalized 2012 base (non-fuel) retail revenues to the 2012 Test Year projected base (i.e., non-fuel) retail revenues of \$119,426,000. The Settlement stated:

**2012 Revenue Adjustment** - *The Parties agree to increase or decrease weather normalized non-fuel retail revenues experienced in 2012 so as to match the 2012 projected forecast of non-fuel retail revenues of \$119,426,000 resulting from this Settlement. Due to the continued economic recession, the actual weather normalized revenues for 2011 are lower than projected for the 2011 Test Year. While it is not possible to predict when economic recovery will occur, it is doubtful that a full recovery will occur in the near future. Therefore, due to the difficulty in forecasting retail revenues at this time, a retail revenue true-up will occur for the year ending 2012. Given the current trend in electric retail sales, the true-up may result in a customer surcharge rather than a bill credit. In either circumstance, the Company will collect no more and no less than its projected retail base revenues for 2012. This Revenue Adjustment will not apply to 2011 calendar year and will only apply to 2012 base revenues. The Revenue Adjustment will be made through a one-time bill charge or refund. Refunds or charges will be determined on a per customer basis using each customer's 2012 annual actual billed retail base revenues as a share of the total 2012 actual billed retail base revenues before weather-normalization, multiplied by the true-up amount. The Company shall make a compliance filing by March 31, 2013 providing a comparison of weather normalized retail revenues to the Settlement 2012 projected non-fuel revenues of \$119,426,000 and include supporting schedules calculating the customer bill impacts. The Company will use the same weather normalization methodology used in this current rate case.*

In addition to the terms outlined in the Settlement, the Commission's final Order in this case included an Order Point 6 which states:

*The Company shall make a compliance filing by March 31, 2013 providing a comparison of weather normalized retail revenues to the Settlement 2012 projected non-fuel revenues of \$119.426 million and include supporting schedules calculating the customer bill impacts.*

The company filed its true-up calculations and refund plan on March 29, 2013. The filing showed that, while electric sales (adjusted for weather) were lower than the test year projection, this under-run was more than offset by higher demand-related charges in 2012, leading to the \$201,000 refund. It should be noted that this true-up amount represented only a 0.17 percent variance from the test year projection of non-fuel revenues.

### **Refund**

In the company's refund plan filing, it was estimated that the average residential refund amount would be a little over \$1. The actual average residential refund was about 92 cents. Attachment A shows the refund amounts by customer class. The actual refund dollars were not tabulated in the same class breakdown that was calculated in the refund plan filing, so a format was used consistent with the interim rate refund report filed by the Company in the same docket.

As prescribed in the Settlement Agreement, the Company determined each customer's refund by multiplying the total refund amount (\$201,000) by the ratio of each customer's base rate charges in 2012 to the total base rate revenues collected from all customers in 2012.

The refund began with bills issued on July 8, 2013 and was completed by August 12, 2013. The credit was listed on each bill as a separate line item labeled "2012 Rev Refund"<sup>1</sup> and an accompanying bill message provided a brief explanation.

Customers who were on our system for part of 2012 but are no longer an active account with Xcel Energy were sent a check if their refund amount (combined with any current credit balance) was at least \$2.00. There were 935 checks sent. Refund checks that are returned because customers cannot be located will be handled in accordance with North Dakota abandoned property laws and rules. This process was consistent with previous refunds issued by the Company in North Dakota.

### **Conclusion**

Xcel Energy complied with the provisions of the Settlement and Order, and the refund was issued without incident. We are appreciative of the Commission's approval of this true-up mechanism. We believe tools like this can be effective in protecting both customers and the Company, particularly when there may be more uncertainty around extended test year projections. Employing this mechanism on our 2012 results provided good experience for the Company which will help improve the design of future true-up proposals.

Thank you.



DAVID SEDERQUIST  
SR. REGULATORY CONSULTANT

cc: Michael Diller

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<sup>1</sup> As directed by NDPSC staff.

**Northern States Power Company (MN)  
Electric Utility - State of North Dakota  
2012 Revenue True-up and Refund**

<u>Customer Class</u>	<u>2012 Non-Fuel Revenue</u>	<u>Refund</u>
Residential	\$47,051,588	\$82,245
Commercial & Industrial (Demand)	\$59,292,042	\$103,628
Commercial & Industrial (Non-Demand)	\$7,277,353	\$12,706
Outdoor Lighting	\$1,441,629	\$2,525
Total	\$115,062,612	\$201,105
Required Refund		\$201,000
Amount Over Refunded		\$105