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March 29, 2013

VIA ELECTRONIC
AND U.S. MAIL

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

**RE: 2012 REVENUE TRUE-UP AND CUSTOMER 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 dockets, Northern States Power Company, doing business as Xcel Energy (Xcel Energy or Company) hereby submits its determination of the 2012 revenue true-up. The true-up results in a one-time refund for North Dakota electric customers in the amount of \$201,000, to be implemented within 60 days of Commission approval.

Background

On December 20, 2010, the Company filed with the Commission a \$19.7 million (12.0%) proposed increase in electric rates for 2011. In the same application, the Company also proposed a "step-in adjustment" increase for 2012 of \$4.226 million (2.57%), effective January 1, 2012. On May 10, 2011 Xcel Energy filed an adjustment to its application, reducing the proposed 2011 increase to \$18.0 million, (10.9%), and reducing the 2012 step-in adjustment to \$2.4 million (1.4%).

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.

177 PU-11-55 Filed 03/29/2013 Pages: 5
2012 Revenue True-Up and Customer Refund filing
Northern States Power Company
David Sederquist

120 PU-11-557 Filed 03/29/2013 Pages: 5
2012 Revenue True-Up and Customer Refund filing
Northern States Power Company
David Sederquist

202 PU-10-657 Filed 03/29/2013 Pages: 5
2012 Revenue True-Up and Customer Refund filing
Northern States Power Company
David Sederquist

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

2012 Revenue Adjustment - The Parties agree to increase or decrease weather normalized non-fuel retail revenues experienced in 2012¹ 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.

¹ Adjusted to reflect final rates effective January 1, 2012.

In addition to the terms outlined in the Settlement, the Commission's final Order in this case (February 29, 2012) 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.

Determination of True-up

Attachment A, Part 1 shows the comparison of weather-normalized non-fuel retail revenues to the Settlement (test year) 2012 projected non-fuel revenues of \$119,426,000. 2012 weather-normalized sales were 0.8% lower than 2012 forecast test year sales, resulting in a non-fuel revenue shortage of approximately \$1.1 million. However, demand charge revenues were higher than projected, resulting in an overall difference of \$201,000, or about 0.17 percent above the test year projection of non-fuel revenues. This difference reflects the true-up amount.

Refund

According to the terms of the Settlement, since total weather-normalized 2012 non-fuel revenues exceeded 2012 Test Year non-fuel revenues, a customer refund for the difference will be issued. The \$201,000 true-up amount will result in a one-time refund that will average a little over \$1 for residential customers. See Attachment A, Part 2 for the estimated average bill impact by customer class. Note that the Refund Factor shown on Attachment A (0.16882 percent) is an estimate; the final Factor will be determined when the Company compiles the 2012 non-fuel charges immediately prior to issuing the refund (the total amount of 2012 non-fuel charges continually changes slightly due to cancelled and rebilled customer billings).

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

Xcel Energy will implement, within 60 days of Commission order, the refund as a credit on the bills of active customers who made payments in 2012. The credit will be listed on each bill as a separate line item labeled "2012 Rev Refund"², and

² The Company defers to the Commission and/or staff if a different refund description is preferred.

an accompanying bill message will provide a brief explanation. A 2012 customer who no longer has an active Xcel Energy account will receive a check if the refund amount is greater than \$2.00. Any residual amount not refunded because 1) customers cannot be located, 2) the refund check is less than \$2.00, or 3) some other unforeseen circumstance will be handled in accordance with North Dakota Century Code 47-30.1-08. This process is consistent with previous refunds issued by the Company in North Dakota.

Conclusion

Xcel Energy has made every effort to comply with the provisions of the Settlement and Order, and respectfully requests the Commission approve the aforementioned true-up determination and resulting \$201,000 customer refund.

The Company also wishes to express its appreciation to the Commission for its willingness to approve this revenue true-up mechanism as part of the Settlement. We believe the relatively small true-up indicates the Company's forecasting methods are sound, even in a time of significant uncertainty, but the true-up concept could be used constructively in resolving future rate cases. While the Company's calculation complies with the provisions of the Settlement and Order, certain modifications may be made to future revenue or sales true-up calculations, or those we propose in other jurisdictions, based on the Company's experience in this case.

Thank you.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style.

DAVID SEDERQUIST
SR. REGULATORY CONSULTANT

cc: Michael Diller

Part 1 - Determination of True-Up Amount

(All \$'s in 000's)

Non-Fuel Revenues

| <u>Customer Class</u> | <u>2012 Step TY (Final Order)</u> | <u>2012 Actual¹</u> | <u>Difference</u> |
|---------------------------------|---------------------------------------|--------------------------------|---------------------|
| 1 Residential | \$40,764 | \$39,297 | |
| 2 C&I | \$37,294 | \$37,637 | |
| 3 Street Lighting | \$24 | \$21 | |
| 4 <u>Public Authorities</u> | <u>\$319</u> | <u>\$359</u> | |
| 5 Sales Revenue | \$78,401 | \$77,313 | (\$1,089) |
| 6 Customer Charges | \$11,479 | \$11,486 | \$8 |
| 7 Demand Charges | \$27,648 | \$29,002 | \$1,354 |
| 8 Other SLPA Charges | \$1,898 | \$1,825 | (\$73) |
| 9 Total Non-fuel Revenue | <u>\$119,426</u> | <u>\$119,626</u> | <u>\$201</u> |

¹ Residential and C&I classes are weather-normalized.

Part 2 - Bill Impact of Refund

Estimated Refund Factor Calculation

| | |
|---|-----------|
| 10 True-up Amount to Refund (line 9, Part 1) | \$201 |
| 11 Actual 2012 Billed Retail Base (non-fuel) Revenues ² | \$118,806 |
| 12 Estimated Revenue True-Up Refund Factor (line 10 / line 11) (to be applied to non-fuel charges) | 0.16882% |

Estimated Refund Amount per Customer

| | <u>2012 Actual Base Revenue</u> | <u>Customers</u> | <u>Avg Annual Base Rev</u> | <u>Estimated Avg Refund</u> |
|-----------------------|-------------------------------------|------------------|--------------------------------|---------------------------------|
| 13 Residential | \$47,913 | 76,719 | \$625 | \$1.05 |
| 14 Small Commercial | \$54,631 | 12,077 | \$4,524 | \$7.64 |
| 15 Large Commercial | \$14,012 | 21 | \$678,004 | \$1,144.63 |
| 16 Street Lighting | \$1,407 | 123 | \$11,471 | \$19.37 |
| 17 Public Authorities | <u>\$843</u> | <u>184</u> | <u>\$4,569</u> | <u>\$7.71</u> |
| | \$118,806 | 89,124 | | |

² This amount will change slightly when the final factor is calculated due to cancelled and rebilled customer bills.