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December 5, 2018

VIA U. S. AND ELECTRONIC MAIL

Mr. Darrell Nitschke, Executive Secretary  
North Dakota Public Service Commission  
600 East Blvd.  
Bismarck, ND 58505

RE: PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER  
NORTH DAKOTA TAX CUTS AND JOBS ACT ELECTRIC  
CASE NOS. PU-17-490, PU-18-155

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy and operating in North Dakota, submits to the North Dakota Public Service Commission this Proposed Findings of Fact, Conclusions of Law and Order in the above-captioned cases.

Please contact Pamela Gibbs at (612) 330-2889 or [pamela.k.gibbs@xcelenergy.com](mailto:pamela.k.gibbs@xcelenergy.com) if you have any questions regarding this submission.

Sincerely,

A handwritten signature in blue ink that reads 'David H. Sederquist'.

David H. Sederquist  
Sr. Regulatory Consultant

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Proposed Findings of Fact, Conclusions of Law and Order  
Northern States Power Company  
David Sederquist
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Proposed Findings of Fact, Conclusions of Law and Order  
Northern States Power Company  
David Sederquist

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

NORTHERN STATES POWER COMPANY

CASE NOS. PU-17-490

PU-18-155

INVESTIGATION OF THE ELECTRIC RATE  
IMPACT OF AND ACCOUNTING  
TREATMENT FOR

THE TAX CUTS AND JOBS ACT OF 2017

**XCEL ENERGY'S PROPOSED  
FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER**

**December 5, 2018**

**Preliminary Statement**

On January 10, 2018, in Case No. PU-17-490, the Commission ordered an investigation into the rate impacts of, and accounting treatment for, H.R. 1, the Tax Cuts and Jobs Act of 2017 (TCJA). The TCJA amends the Internal Revenue Code and results in reduced tax rates and other tax policy modifications effective January 1, 2018.

As part of its January 10 Order, the Commission directed the investor-owned electric and natural gas utilities operating in the state of North Dakota to: (a) apply the appropriate regulatory accounting treatment, including the use of regulatory asset and liability accounts, to record the impacts of the TCJA beginning January 1, 2018; and (b) submit, by February 15, 2018, their estimates of the impacts of the TCJA on their respective costs of service.

On February 15, 2018, Xcel Energy submitted comments highlighting the various aspects of tax law that were affected by the TCJA. In its comments, the Company estimated that, all things being equal, the current and future annual costs of service (i.e., revenue requirements) for its electric operations would decrease by approximately \$11-\$13 million, or roughly 5 percent, compared to previous tax law. The Company noted, however, that this estimate did not represent the appropriate amount to account for any potential deferral (i.e., accrual for potential refund) amounts as they did not appropriately take into account the revenue requirements approved in the Company's most recent electric rate case. In addition, the Company's February 15, 2018 filing noted that in refunding the full cost of service amounts

calculated, the Company would be projecting material revenue deficiencies in 2019 and 2020.

Subsequent to opening the broader TCJA impact investigation (Case No. PU-17-490), the Commission opened Case No. PU-18-155 to specifically evaluate the impact of the TCJA on the Company's electric operations. Both Advocacy Staff and the Company filed comments in Case No. PU-18-155, and Advocacy Staff also engaged in discovery. Additionally, the Company and Advocacy Staff participated in several conferences to further discuss how best to capture the benefits of the TCJA for the Company's North Dakota customers.

On October 1, 2018, Advocacy Staff and the Company executed and filed a Settlement Agreement proposing to resolve the issue of how the benefits of the TCJA will be provided to the Company's electric customers. On October 9, 2018, Advocacy Staff filed a Memorandum describing the Settlement Agreement and recommending that the Commission approve the Settlement Agreement.

On October 10, 2018, the Commission issued a Notice and Opportunity for Hearing in the above referenced cases. The Notice identified the issue to be considered was if the Settlement Agreement is just and reasonable. Comments and requests for hearing were due November 15, 2018 and none were received.

On November 27, 2018, the Commission held an Informal Hearing with representatives from the Company and Advocacy Staff. At the conclusion of that hearing, no party objected to the evidence produced during the Informal Hearing becoming part of the official record upon which a decision in these cases will be made.

Having allowed all interested persons an opportunity to be heard and having considered evidence presented, the Commission makes the following:

### **Findings of Fact**

1. NSP is an investor-owned electric utility headquartered in Minneapolis, Minnesota authorized to provide public utility service in North Dakota under the regulatory jurisdiction of the Commission.
2. The Tax Cuts and Jobs Act of 2017 (TCJA) has a variety of impacts on the Company's cost of providing electric service, including a reduction in the Company's income tax rate from 35 percent to 21 percent, the creation of excess plant (protected) excess deferred income taxes (EDIT), and the creation of excess non-plant (unprotected) EDIT.

3. The net result of these TCJA impacts is a decrease in Xcel Energy's most recent Test Year cost of service equal to approximately \$9.6 million.
4. The Second Settlement Agreement filed on October 1, 2018, in this proceeding resolves all issues between Xcel Energy and Advocacy Staff regarding how the benefits of the TCJA should be provided to the Company's electric customers.
5. The Settlement Agreement provides that \$9,763,400 will be refunded to all Xcel Energy customers of record in 2018 within 90 days of approval of this Settlement. The refund will be made by the Company in a single bill credit or payment and will be allocated to customer classes based on each class' share of the Commission's last-approved revenue allocation.
6. The Settlement Agreement also provides that, in lieu of making additional TCJA-related refunds in subsequent years beyond 2018, Xcel Energy will agree to a base rate moratorium for 2019 and 2020. Specifically, the Company will be precluded from filing another general rate case prior to November 1, 2020, such that new rates (including interim rates) cannot go into effect prior to January 1, 2021. Additionally, in its next general rate case, the Company's Test Year costs of service will reflect the cost savings of the TCJA.
7. The Settlement Agreement also provides that Xcel Energy's existing Renewable Energy Rider (RER) will be expanded to include Company-owned renewable energy resources located outside of North Dakota for which the Company has received an Advanced Determination of Prudence (ADP) from the Commission. Thus, if the Commission grants the ADPs requested for 1,850 MW of wind projects in Case Nos. PU-17-120 and PU-17-372, the Settlement Agreement provides that Xcel Energy can recover the costs of the owned wind investments (as well as other future company-owned renewable energy investments that receive an ADP from the Commission) in the RER as of their in-service date.
8. The Settlement Agreement also establishes an earning sharing mechanism to ensure rates remain just and reasonable during the 2019 and 2020 base rate moratorium. Specifically, in the event the Company's annual weather normalized earnings during either of fiscal years 2019 or 2020 exceed a Return on Equity (ROE) of 9.85 percent, the Company will refund to customers 100 percent of the weather-normalized revenue contributing to the excess earnings. This earnings sharing framework is asymmetrical; customers will not be charged for weather-normalized earnings below 9.85 percent.
9. The Settlement Agreement contains other customary terms for a Settlement Agreement of this type.

**Conclusions of Law**

1. The Commission has jurisdiction in this matter.
2. The Settlement Agreement is just and reasonable.
3. Xcel Energy will file, within 30 days, a refund plan describing the related refund allocations and calculations, and indicating the process for implementing a \$9,763,400 refund within 90 days of this Order.
4. Xcel Energy will also file, within 30 days, a revised Renewable Energy Rider tariff allowing the inclusion of Company-owned renewable resources that are located outside of North Dakota and have previously been granted an Advance Determination of Prudence by this Commission.

**Order**

1. The Settlement Agreement, a copy of which is attached to this Order and made a part of this Order, is APPROVED.

**PUBLIC SERVICE COMMISSION**

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**Brain Kroshus  
Commissioner**

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**Randy Christmann  
Chairman**

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**Julie Fedorchak  
Commissioner**