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November 27, 2018

--Via Electronic Filing--

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

RE: 2019 TRANSMISSION COST RECOVERY RIDER RATE - UPDATED
CASE NO. PU-18-364

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed correction to our 2019 Transmission Cost Recovery (TCR) rate adjustment application.

To comply with the Commission's recent approval of the Company's proposed 2017 earnings sharing refund (Case No. PU-18-200), we conducted a final review of the 2017 North Dakota electric regulated earnings statement. During that review, we discovered that the above-authorized earnings in 2017 did not reflect the impact of an over-recovery of transmission costs through the TCR. We have therefore concluded that the true-up of the 2017 over-recovery was incorrectly excluded from the tracker in our original petition filed on October 5, 2018.

We submit this update to revise the 2019 TCR revenue requirements and the proposed TCR rate accordingly. The revision will result in a \$206,407 *reduction* to the originally filed 2019 total TCR revenue requirement of \$5,313,471.

Background

On page 15 of our original TCR application, we discussed that the Negotiated Agreement approved by the Commission on March 9, 2016 in Case No. PU-12-813 requires the Company to return to customers 100 percent of any weather-normalized revenue associated with 2017 earnings exceeding a 10.25 percent ROE. Under the terms of the Agreement, the Company is in the process of returning to customers a

pre-tax revenue requirement of \$2,983,461, as approved by the Commission’s November 8, 2018 Order in Case No. PU-18-200.

The refund of 2017 excess earnings is the first such refund we have undertaken since the establishment of the TCR Rider and the Renewable Energy Rider (RER) in the last rate case (Case No. PU-12-813). At the time we filed our original TCR and RER Rider rates for 2019, it was assumed that our 2017 North Dakota regulated electric earnings report reflected any over- or under-recoveries occurring in each of our TCR and RER Riders in 2017. Accordingly, because our 2017 earnings were subject to an earnings sharing refund, we initially assumed that the 2017 Rider over-recoveries would also be remedied in the earnings sharing refund, and thus the true-ups or “refunds” of these over-recoveries should be removed from the 2019 TCR and RER true-up calculations to avoid a double refund.

As previously mentioned, a final audit of the 2017 electric earnings report revealed that the 2017 financials also included accounting adjustments to recognize in 2017 business the future rider true-ups. This adjustment, in effect, fully offset the rider-related over-recoveries reflected in the 2017 earnings report. In other words, the accounting adjustments ensured the 2017 financials were not affected by the differences between Rider costs and recoveries in that fiscal year. Therefore, it is appropriate that the true-ups associated with the 2017 Rider over-collections be addressed in the usual manner – as part of the tracker account true-up calculations in the respective TCR and RER Riders. The correction to each of the rider true-up calculations filed here includes the 2017 over-recovery true-up which will, in turn, reduce the originally proposed 2019 TCR and RER Rider revenue requirements and rates.

Correction

We have updated Table 2 from the initial TCR application to reflect the reduced 2019 revenue requirement and resulting reduction in the proposed 2019 TCR rate.

Table 2: 2019 Rate Calculation

Retail	
ND retail revenue requirement <i>Jan. - Dec. 2019</i>	\$5,107,064
ND retail Sales <i>Jan - Dec. 2019</i>	2,233,684 MWh
2019 TCR Adjustment Factor Cost Per kWh	\$0.002286

The updated rate is \$0.002286 (compared to the \$0.002379 proposed in our original Application). The typical residential bill impact of the 2019 TCR rate will be approximately \$1.71 per month, or about 7 cents less than what the original October 5 petition proposed, and 74 cents less than the current 2018 charge. We include the following updated attachments showing the corrected revenue requirement and rate:

- Attachment 4: Annual Tracker Summary
- Attachment 10: Proposed Tariff Sheet
- Attachment 11: Proposed Customer Notice

We have highlighted the cell in Attachment 4 where the excluded 2017 carryover balance has been reinserted into the tracker.

We apologize for any confusion or delay this amended filing may cause, and we appreciate the Commission's consideration of this corrected 2019 TCR revenue requirement and rate.

Please contact me if you have any questions or comments.

Sincerely,



DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION/FINANCE

c: Pat Fahn

Annual Tracker Summary				
Amounts in dollars		2017	2018	2019
Line No:		Actual	Mixed	Forecast
1	Big Stone-Brookings	\$ 385,156	\$ 388,669	\$ 362,307
2	Black Dog - Savage	46,785	42,349	40,279
3	Black Dog - Wilson	-	980	17,217
4	Bluff Creek - Westgate	115,850	103,522	98,146
5	CAPX2020 Brookings	2,836,228	2,668,370	2,512,155
6	CAPX2020 - La Crosse Local	331,734	297,851	283,487
7	CAPX2020 - La Crosse MISO	674,628	630,471	591,719
8	CAPX2020 - La Crosse MISO - WI	881,321	831,271	790,891
9	CAPX2020 Fargo	1,413,702	1,329,632	1,249,850
10	Cass County SUB Expansion	28,195	25,517	24,143
11	Chaska - Hwy 212 Conversion	89,363	81,217	77,468
12	Chisago 2nd Transformer Addition	37,085	33,467	31,824
13	CVA SiC Arresters	-	-	5,923
14	Dean Lake Substation	19,025	15,059	14,284
15	ELR - Breakers - NSPM	10,825	14,951	19,396
16	ELR - Relay - NSPM	20,998	49,245	64,360
17	ELR - Transformers - NSPM	25,762	23,011	21,828
18	ELR Nuclear NSPM	-	-	6,776
19	Franklin Transformer	36,630	33,077	31,489
20	Gleason Lake Sub	19,910	43,647	52,198
21	Glencoe - Waconia	133,567	125,828	117,575
22	GRE - Lake Wilson Breaker Station	-	-	7,252
23	HIBTAC 500kV	-	-	2,953
24	Hollydale Dist. 115kV	-	43,014	61,939
25	HPFF Minneapolis Upgrade	-	-	1,403
26	Huntley - Wilmarth	-	-	9,871
27	Kohlman Lake-Goose Lake 2nd ckt	110,157	103,500	97,207
28	La Crosse - Madison 345 kV Lin	-	-	943,799
29	Lake Marion Burnsville	53,588	48,505	46,131
30	Lawrence to Falls Capacity Enhancement	-	10,475	14,822
31	Line ELR - NSPM	-	28,421	35,112
32	Magic City	-	-	29,643
33	Maple Lake - Annandale	14,636	13,172	12,508
34	Maple River 115kV MPC Interconnection	-	-	-
35	Maple River Red River	5,242	20,111	76,301
36	Minn Valley	92,239	86,833	81,541
37	Minot Load Serving	23,933	144,167	206,669
38	MPC Fossum IA	1,484	2,229	2,018
39	NERC Order 754 NSPM	-	-	11,478
40	New Prague Area	34,173	30,812	29,304
41	NSM0953 Galloping Mitigate SPK	33,904	42,251	60,665
42	NSP Reloc B	48,232	39,208	41,950
43	NSPM Major Line Rebuild	30,043	27,112	26,325
44	NSPM Major Line Refurbishment	-	279	9,137
45	Prairie Sub Expansion	79,741	70,644	66,882
46	S&E - NSP Line	163,786	174,493	178,090
47	Scott Cty 345 kV Expansion	125,855	113,601	108,012
48	Sioux Falls Northern	177,440	156,751	147,122
49	Twin Cities Fault Current	-	-	8,086
50	Wilson Substation Conversion	-	641	27,358
51	Yankee Reactor	29,035	23,835	24,357
52	Transmission Projects	\$ 8,130,250	\$ 7,918,190	\$ 8,781,248
53	MISO RECB Sch.26/26a	73,006	43,140	(428,091)
54	Revenue Requirement in Base Rates	(1,811,376)	(1,811,376)	(1,811,376)
55	TCR True-up Carryover	511,332	(206,407)	(1,434,716)
56	Revenue Requirement (RR)	\$ 6,903,212	\$ 5,943,548	\$ 5,107,064
57	Revenue Collections (RC)	7,109,619	7,378,264	5,107,064
58	Carry Over Balance	\$ (206,407)	\$ (1,434,716)	\$ -

Legislative

NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2

TRANSMISSION COST RECOVERY RIDER

Section No. 5

~~6th~~^{7th} Revised Sheet No. 86

APPLICATION

Applicable to bills for electric service provided under the Company's retail rate schedules.

RIDER

There will be included on each customer's monthly bill a Transmission Cost Recovery (TCR) charge for purposes of recovering transmission capital and operating costs not presently reflected in base retail rates. The TCR charge shall be determined by multiplying a customer's monthly billed kWh for electric service by the current TCR rate. The TCR charge shall be calculated prior to the application of any city surcharges and/or sales tax.

DETERMINATION OF TCR RATE

The TCR rate is calculated by dividing the forecasted balance of the TCR Tracker Account by the forecasted retail sales. The TCR rate shall be rounded to the nearest \$0.000001 per kWh.

Transmission costs recoverable under this Rider include (i) the annual revenue requirements associated with electric transmission facilities eligible for recovery under NDCC 49.05.04.1, and (ii) federally regulated costs charged to or incurred by the Company to increase regional transmission capacity or reliability. A standardized forecast model will be used to calculate the total revenue requirements for eligible transmission facilities affecting the recovery period. Forecasted retail sales shall be the estimated total retail electric sales for the applicable recovery period.

The TCR rate will be determined annually for each upcoming calendar year recovery period through a TCR rate adjustment application to the North Dakota Public Service Commission.

The TCR rate will apply to monthly billed kWh rendered on and after January 1st of the recovery year. The present TCR rate is:

All Customer Classes ~~\$0.003270~~\$0.002286 per kWh

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All approved costs appropriately charged to the TCR Tracker Account shall be eligible for recovery through this Rider, and all revenues recovered through the Rider shall be credited to the TCR Tracker Account.

TRUE-UP

For each 12-month period ending December 31, a true-up adjustment to the Tracker Account will be calculated reflecting the difference between actual TCR Rider revenue and the corresponding transmission costs (revenue requirements) for the recovery period. The true-up amount shall be recorded by May 1 of the following calendar year and will be included in the calculation of the TCR rate effective for the next calendar year recovery period.

For example, Year 1 actual Rider revenue will be compared to actual revenue requirements for the same period and the difference recorded as an adjustment to the Tracker Account on or before May 1 of Year 2. This difference would then be included in the calculation of the new TCR rate (application to be filed in Year 2) effective January 1 of Year 3.

Date Filed:	40-02-17 <u>10-05-18</u>	By: Christopher B. Clark	Effective Date:	04-01-18
		President, Northern States Power Company, a Minnesota corporation		
Case No.	PU- 17-365 <u>18-364</u>		Order Date:	12-20-17

Non-Legislative

NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2

TRANSMISSION COST RECOVERY RIDER

Section No. 5
7th Revised Sheet No. 86

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Date Filed: 10-05-18

By: Christopher B. Clark

Effective Date:

President, Northern States Power Company, a Minnesota corporation

Case No. PU-18-364

Order Date:

Proposed Customer Bill Notice

Transmission Cost Recovery Rider Rate Decrease Effective January 1, 2019

The Transmission Cost Recovery (TCR) line item on your bill recovers investment costs associated with transmission lines, substations, and equipment and certain regional transmission costs. Beginning January 1, 2019, the TCR rate will decrease from \$0.003270 to \$0.002286 per kWh.

Residential Electric Service – Winter Month Bill Example

The chart below shows the impact on customer bills of the TCR rate decrease. The comparison does not reflect any other rate changes that may be happening concurrently.

Usage (kWh)	Prior				New				Change In Bill	Percent Decrease
	Other Charges	Prior TCR Rate	Prior TCR Charge	Prior Bill	Other Charges	New TCR Rate	New TCR Charge	New Bill		
400	\$49.20	\$0.003270	\$1.31	\$50.51	\$49.20	\$0.002286	\$0.91	\$50.11	(\$0.40)	-0.79%
500	\$57.88	\$0.003270	\$1.64	\$59.52	\$57.88	\$0.002286	\$1.14	\$59.02	(\$0.50)	-0.84%
600	\$66.55	\$0.003270	\$1.96	\$68.51	\$66.55	\$0.002286	\$1.37	\$67.92	(\$0.59)	-0.86%
750	\$79.56	\$0.003270	\$2.45	\$82.01	\$79.56	\$0.002286	\$1.71	\$81.27	(\$0.74)	-0.90%
1500	\$144.63	\$0.003270	\$4.91	\$149.54	\$144.63	\$0.002286	\$2.29	\$103.54	(\$0.98)	-0.94%
1000	\$101.25	\$0.003270	\$3.27	\$104.52	\$101.25	\$0.002286	\$3.43	\$148.06	(\$1.48)	-0.99%
2000	\$188.00	\$0.003270	\$6.54	\$194.54	\$188.00	\$0.002286	\$4.57	\$192.57	(\$1.97)	-1.01%

For more information

You may examine the new rate rider by visiting our website at xcelenergy.com/ndrates.