



2302 Great Northern Drive
P O Box 2747
Fargo, ND 58108-2747
(701) 241-8632
dave.sederquist@xcelenergy.com

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 RENEWABLE ENERGY RIDER RATE ADJUSTMENT - UPDATED
CASE NO. PU-18-368

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed correction to our 2019 Renewable Energy Rider (RER) 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 renewable energy costs through the RER. 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 10, 2018.

We submit this update to revise the 2019 RER revenue requirements and the proposed RER rate accordingly. The revision will result in a \$913,370 *reduction* to the originally filed 2019 total RER revenue requirement of \$3,018,211.

Background

On page 11 of our original RER 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 RER and the Transmission Cost Recovery (TCR) Rider 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, we conducted 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 RER application to reflect the reduced 2019 revenue requirement and resulting reduction in the proposed 2019 RER rate.

Table 2: 2019 Rate Calculation

Retail	
ND retail revenue requirement <i>Jan. - Dec. 2019</i>	\$2,104,840
ND retail Sales <i>Jan - Dec. 2019</i>	2,233,684 MWh
2019 RER Adjustment Factor Cost Per kWh	\$0.000942

The updated rate is \$0.000942 (compared to the \$0.001351 proposed in our original Application). The typical residential bill impact of the 2019 RER rate will be approximately \$0.71 per month, or about 30 cents less than what the original October 10 petition proposed, and \$0.50 more than the current 2018 charge. We include the following updated attachments showing the corrected revenue requirement and rate:

- Attachment A: Annual Tracker Summary
- Attachment H: Proposed Tariff Sheet
- Attachment I: Proposed Customer Notice

We have highlighted the cell in Attachment A 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 RER 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	<u>Reference</u>
	<i>Att. C</i>	<i>Att. D</i>	<i>Att. E</i>	
Carryover Balance	(439,616)	(913,370)	(275,746)	
Border Winds Capital	1,672,497	1,450,751	1,360,418	<i>Att. C</i>
PTCs	(1,341,806)	(1,136,605)	(1,133,555)	<i>Att. D</i>
ITC	-	-	-	
O&M	249,877	191,770	144,845	<i>Att. E</i>
Property Taxes	37,989	38,579	38,681	
Total Border Winds Costs	618,557	544,495	410,389	
Courtenay Wind Capital	2,094,954	1,784,409	1,642,434	<i>Att. C</i>
PTCs	(1,618,940)	(1,245,272)	(1,405,581)	<i>Att. D</i>
O&M	290,700	276,712	229,023	<i>Att. E</i>
Transmission (Interconnect) Costs	82,258	91,478	90,046	
Property Taxes	49,213	56,667	57,446	
Total Courtenay Wind Costs	898,185	963,994	613,368	
Blazing Star I Capital	-	-	331,187	<i>Att. C</i>
PTCs	-	-	(3,085)	<i>Att. D</i>
O&M	-	-	22,350	<i>Att. E</i>
Property Taxes	-	-	13,133	
Total Blazing Star I Costs	-	-	363,585	
Foxtail Capital	-	-	715,926	<i>Att. C</i>
PTCs	-	-	(376,531)	<i>Att. D</i>
O&M	-	-	16,841	<i>Att. E</i>
Property Taxes	-	-	28,078	
Total Foxtail Costs	-	-	384,314	
Crowned Ridge Capital	-	-	400,103	<i>Att. C</i>
PTCs	-	-	(4,443)	<i>Att. D</i>
O&M	-	-	49,378	<i>Att. E</i>
Property Taxes	-	-	4,221	
Total Crowned Ridge Costs	-	-	449,259	
Lake Benton Capital	-	-	142,411	<i>Att. C</i>
PTCs	-	-	(1,705)	<i>Att. D</i>
O&M	-	-	18,900	<i>Att. E</i>
Transmission (Interconnect) Costs	-	-	-	
Property Taxes	-	-	65	
Lake Benton Ridge Costs	-	-	159,671	
Revenue Requirement	1,077,126	595,118	2,104,840	
Revenue Collections	1,990,497	870,864	2,104,840	
Balance	(913,370)	(275,746)	-	

Legislative

NORTH DAKOTA ELECTRIC RATE BOOK - NDPSO NO. 2

RENEWABLE ENERGY RIDER

Section No. 5

~~5th~~^{6th} Revised Sheet No. 87

APPLICATION

Applicable to qualifying charges for electric service provided under all Company retail rate schedules.

RENEWABLE ENERGY RIDER

There will be included on each customer's monthly bill a Renewable Energy Rider ("RER") charge for purposes of recovering capital and operating costs of company-owned renewable energy generation located in the state of North Dakota and not presently reflected in base retail rates. The RER charge shall be determined by multiplying a customer's monthly billed kWh for electric service by the current RER Rate. The RER charge shall be calculated prior to the application of any city surcharges and/or sales tax.

DETERMINATION OF RER RATE

The RER Rate is determined by dividing the annual forecasted RER revenue requirement amount by the annual forecasted kWh sales. The annual forecasted RER revenue requirement is the sum of the RER costs for the forecast period and the carryover balance in the RER Tracker Account from the prior period. The RER Rate will be calculated annually, with the approval of the Commission. The present RER Rate is:

All Classes ~~\$0.000285~~\$0.000942 per kWh

C

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

QUALIFYING RENEWABLE ENERGY RIDER COSTS

Qualifying RER costs include all annual revenue requirements eligible for recovery under N.D.C.C. § 49-02, 49-05 and 49-06. These costs include, but are not limited to, depreciation expense, property taxes, and operation and maintenance expenses related to Company-owned renewable energy project costs and capacity-related renewable energy purchased power costs not currently being recovered in base rates or eligible for recovery through the FCR. Eligible projects (or portions of these projects) must be located in the state of North Dakota and must have previously been granted an Advance Determination of Prudence by the Commission.

TRUE-UP

For each calendar year the RER is in place, a true-up adjustment to the Tracker Account will be calculated reflecting the difference between actual RER revenue and the actual RER costs (revenue requirements) for the recovery period. The true-up shall be recorded by May 1 of the following calendar year and will be included in the calculation of the RER rate effective for the next calendar year recovery period.

For example, Year 1 actual RER revenue will be compared to the actual RER 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 RER Rate to be filed with the Commission later in Year 2, and effective January 1 of Year 3.

Date Filed:	09-29-17 <u>10-10-18</u>	By: Christopher B. Clark	Effective Date:	01-01-18
		President, Northern States Power Company, a Minnesota corporation		
Case No.	PU- 17-364 <u>18-368</u>		Order Date:	12-20-17

Non-Legislative

NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2

RENEWABLE ENERGY RIDER

Section No. 5
6th Revised Sheet No. 87

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Date Filed: 10-10-18

By: Christopher B. Clark

Effective Date:

President, Northern States Power Company, a Minnesota corporation

Case No. PU-18-368

Order Date:

Proposed Customer Bill Notice

**Renewable Energy Rider Rate Increase
 Effective January 1, 2019**

The Renewable Energy Rider (RER) line item on your bill recovers investment costs associated with new and modified renewable energy facilities. Beginning January 1, 2019, the RER rate will increase from \$0.000285 to \$0.000942 per kWh.

Residential Electric Service – Winter Month Bill Example

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

	Prior				New					
Usage (kWh)	Other Charges	Prior RER Rate	Prior RER Charge	Prior Bill	Other Charges	New RER Rate	New RER Charge	New Bill	Change In Bill	Percent Increase
400	\$50.39	\$0.000285	\$0.11	\$50.50	\$50.39	\$0.000942	\$0.38	\$50.77	\$0.27	0.53%
500	\$59.37	\$0.000285	\$0.14	\$59.51	\$59.37	\$0.000942	\$0.47	\$59.84	\$0.33	0.55%
600	\$68.34	\$0.000285	\$0.17	\$68.51	\$68.34	\$0.000942	\$0.57	\$68.91	\$0.40	0.58%
750	\$81.80	\$0.000285	\$0.21	\$82.01	\$81.80	\$0.000942	\$0.71	\$82.51	\$0.50	0.61%
1000	\$104.24	\$0.000285	\$0.29	\$104.53	\$104.24	\$0.000942	\$0.94	\$105.18	\$0.65	0.62%
1500	\$149.11	\$0.000285	\$0.43	\$149.54	\$149.11	\$0.000942	\$1.41	\$150.52	\$0.98	0.66%
2000	\$193.97	\$0.000285	\$0.57	\$194.54	\$193.97	\$0.000942	\$1.88	\$195.85	\$1.31	0.67%

For more information

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