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June 5, 2020

VIA ELECTRONIC MAIL

Mr. Steven M. Kahl, Executive Secretary
North Dakota Public Service Commission
State Capitol Building, Dept. 0408
600 East Boulevard
Bismarck, ND 58505-0480

RE: TRANSMISSION COST RECOVERY RIDER TARIFF MODIFICATION
CASE NO. PU-20-____

Dear Mr. Kahl:

Northern States Power Company, doing business as Xcel Energy, respectfully submits an application to the North Dakota Public Service Commission for approval of modifications to its North Dakota Transmission Cost Recovery (TCR) Rider tariff.

The proposed modifications were prompted by an Advocacy Staff recommendation in our most recent TCR rate adjustment filing (Case No. PU-19-328) and are intended to clarify the methodology used to annually true-up the recovery of qualifying costs in the TCR Rider. The Company has worked with Staff to develop this proposed change, and we respectfully request the Commission approve the revision so that it will be effective prior to the submittal of our next TCR rate filing this fall.

If you have any questions please contact me at dave.sederquist@xcelenergy.com or (701) 241-8632. Thank you.

Sincerely,

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

David H. Sederquist
Sr. Regulatory/Financial Consultant

**STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Brian Kroshus
Julie Fedorchak
Randy Christmann

Chair
Commissioner
Commissioner

IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER
COMPANY FOR APPROVAL OF
MODIFICATIONS TO ITS TRANSMISSION
COST RECOVERY RIDER TARIFF

CASE NO. PU-20-_____

APPLICATION

INTRODUCTION

Pursuant to North Dakota Century Code 49-05-05, Northern States Power Company, doing business as Xcel Energy, submits to the North Dakota Public Service Commission this application for approval of improvements to the Company's Transmission Cost Recovery (TCR) Rider tariff language to clarify the description of the annual true-up of costs versus recovery in the tariff section labeled *True-up*. The proposed revision was prompted by Advocacy Staff as part of their review of our most recent TCR application (Case No. PU-19-328). The Company proposes that this miscellaneous tariff change become effective on or before September 1, 2020, prior to the next true-up calculation and derivation of the 2021 TCR rate adjustment.

PETITION

I. FILING INFORMATION

Pursuant to § 69-02-02-04 of the North Dakota Administrative Code, the following information is provided.

A. Contact information for utility making the filing

David Sederquist
Sr. Regulatory and Financial Consultant
2302 Great Northern Drive
PO Box 2747
Fargo, ND 58108-2747
(701) 241-8632
Dave.Sederquist@xcelenergy.com

We request that all communications regarding this proceeding, including data requests, also be directed to:

Lynnette Sweet
Regulatory Administrator
Xcel Energy
414 Nicollet Mall – 401, 7th Floor
Minneapolis, MN 55401
Regulatory.records@xcelenergy.com
(612) 321-3159

B. Date of Filing and Proposed Effective Date

The date of this filing is June 5, 2020. The Company proposes that the tariff modifications become effective immediately upon issuance of an Order from the Commission on or before September 1, 2020.

C. Statutory Authority

N.D.C.C. Section 49-05-05 allows a utility to make changes to its tariffs upon 30 days' notice to the Commission.

D. Articles of Incorporation

Pursuant to Section 69-02-02-04 of the North Dakota Administrative Code, a certified copy of Xcel Energy's Articles of Incorporation is on file with the Commission, as is an original Certificate of Good Standing.

II. DESCRIPTION AND PURPOSE OF FILING

A. Background

At the January 22, 2020 Informal Hearing on our 2020 TCR Rider rate adjustment application,¹ Commission Staff questioned whether the true-up calculation used to derive our 2020 TCR rate was consistent with the description of the true-up process in the TCR tariff. In our February 10, 2020 letter in the same docket, we acknowledged that the language needed improvement and committed to work with Staff to revise the true-up description.

It is our understanding that Staff is in agreement that the proposed improvements reflected in this miscellaneous tariff filing more clearly describe the true-up process and support approval of the revisions in advance of the next TCR rate adjustment application.

B. Description of the Proposed Tariff Changes

As described in our February 10, 2020 letter, the current tariff language appears to indicate that the true-up calculation for the most recent historical year will be determined and recorded by May 1 of the following year. The reference to May 1 is tied to the timing of the Company's report of regulated earnings in North Dakota, when it has finalized all the various inter-company and jurisdictional allocators for the year that has ended. For example, on May 1, 2019 Xcel Energy filed its electric earnings report for fiscal (and calendar) year 2018 with the Commission. By that time, the financial records of the Company are closed for 2018.

However, from a ratemaking perspective, it should be noted that the 2019 TCR rate in effect at that time had been developed using a *forecasted* 2018 revenue requirement. In order to avoid having North Dakota customers pay more than the actual costs of transmission investments or, conversely, to avoid under-recovery of the actual costs of the same transmission investment, it is necessary to include in the next TCR filing a true-up of all actual data and allocators for the year that was forecast (i.e., for 2018, in the example above) including any adjustments or corrections that came to light after May 1.

¹ *In the Matter of the Application of Northern States Power Company for Approval of 2020 Transmission Cost Recovery Project Eligibility and Associated Rate*, Case No. PU-19-328

To address potential confusion in the True-Up section of the TCR tariff, we propose to:

1. Remove the reference to May 1st as the date the true-up amount for the prior, fully completed fiscal year is determined for purposes of calculating the next TCR rate. In reality, the Company typically develops the true-up amount when it prepares its next TCR rate adjustment application, typically in the fall of the following year.
2. Remove the reference to a “Tracker Account” to dispel the perception that actual accounting entries are recorded at the close of the most recently completed fiscal year as part of the true-up process. In reality, the true-up is calculated much later in the following year within the filed workpapers supporting the Company’s next TCR rate adjustment petition.
3. Include in the description how the TCR true-up is developed using the actual true-up of the most recently completed fiscal year as well as the expected true-up amount (using forecasted costs and revenue) from the as-yet uncompleted year within which the next TCR rate application is filed.

These changes to the description in the tariff True-Up section will clarify the true-up methodology while ensuring future applications of the true-up in setting TCR rates are consistent with past practice.

Redlined and clean versions of the proposed tariff sheets have been provided as Attachment A.

We proposed to modify the following tariff.

North Dakota Electric Rate Book – NDPSC No. 2:
Sheet No. 5-86, revision 9

C. Proposed Implementation

The Company requests that the tariff changes be effective by no later than September 1, 2020, in anticipation of the Company’s 2021 TCR Rider rate adjustment application.

III. CONCLUSION

The Company proposes this tariff update to clarify the description of the true-up methodology for its TCR Rider. For the benefits of clarity and consistency, Xcel Energy respectfully requests that the Commission approve the proposed

miscellaneous tariff modifications so that they can go into effect on or before September 1, 2020.

Dated: June 5, 2020

Northern States Power Company

Legislative

TRANSMISSION COST RECOVERY RIDER

Section No. 5
~~98~~th 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	\$0.003322 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 actual qualifying TCR the corresponding transmission costs (revenue requirements) for the recovery period. The resulting true-up amount shall be recorded by May 1 of the following calendar year and will be netted with the forecasted TCR cost for the current calendar year. The difference between forecasted TCR revenue and forecasted qualifying TCR costs for the current calendar year is then included in the calculation of the TCR rate ~~effective-proposed~~ for the next-following calendar year ~~recovery period.~~

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

Date Filed:	06-05-2009-27-19	By: Christopher B. Clark	Effective Date:	03-01-20
		President, Northern States Power Company, a Minnesota corporation		
Case No.	PU-20-xxx19-328		Order Date:	02-19-20

Non-Legislative

TRANSMISSION COST RECOVERY RIDER

Section No. 5
9th 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.

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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	\$0.003322 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 will be calculated reflecting the difference between actual TCR revenue and actual qualifying TCR costs. The resulting true-up amount shall be netted with the forecasted TCR cost for the current calendar year. The difference between forecasted TCR revenue and forecasted qualifying TCR costs for the current calendar year is then included in the calculation of the TCR rate proposed for the following calendar year.

For example, Year 1 actual TCR revenue will be compared to actual Year 1 TCR costs and the difference rolled into the forecasted Year 2 costs. Year 2 forecasted TCR revenue is then compared to forecasted Year 2 TCR costs and the difference included in the calculation of the proposed TCR rate to be effective in Year 3.

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