

Rebuttal Testimony and Schedules
Aakash H. Chandarana

Before the Minnesota Public Utilities Commission
State of Minnesota

In the Matter of the Application of Northern States Power Company
for Authority to Increase Rates for Electric Service in Minnesota

Docket No. E002/GR-15-826
Exhibit___(AHC-2)

Policy and Multi-Year Rate Plan

September 23, 2016

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Stipulation of Settlement filed August 16, 2016	Schedule 1
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1 **I. INTRODUCTION**

2

3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is Aakash H. Chandarana. I am the Regional Vice President for Rates
5 and Regulatory Affairs for Northern States Power Company-Minnesota (NSPM
6 or the Company). In this role, I am responsible for NSPM's regulatory filings
7 with the utility commissions in Minnesota, North Dakota and South Dakota,
8 including proceedings related to rates, resource planning, and service quality
9 filings.

10

11 Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

12 A. Yes. I filed Direct Testimony on behalf of Northern States Power Company
13 (Xcel Energy or the Company) providing multi-year rate plan (MYRP) policy
14 discussion and presenting the Company's overall request.

15

16 Q. IS THERE A SIGNIFICANT EVENT THAT TRANSPIRED FROM THE TIME THE
17 COMPANY FILED ITS CASE TO NOW?

18 A. Yes. The Company and eight other parties to this case (collectively, the "Settling
19 Parties")¹ entered into the Stipulation of Settlement (Settlement) on August 16,
20 2016, which provides for a four-year multi-year rate plan (MYRP) that resolves
21 all revenue requirements issues between the Settling Parties and addresses issues
22 related to customers with medical needs and LED street lighting. The
23 Settlement is attached to my testimony as Exhibit____(AHC-2), Schedule 1.

24

¹ The Settling Parties are: Xcel Energy; Minnesota Department of Commerce; Xcel Large Industrials; Commercial Group, Minnesota Chamber of Commerce; Suburban Rate Authority; City of Minneapolis; Industrial, Commercial, and Institutional customer group; and Energy CENTS Coalition.

1 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

2 A. The primary purpose of my testimony is to explain that the Settlement will result
3 in just and reasonable rates, is in the public interest, and is supported by
4 substantial evidence. I also introduce the other Company witnesses providing
5 rebuttal testimony and I provide rebuttal testimony addressing issues raised by
6 the Office of the Attorney General (OAG) in its Direct Testimony, since the
7 OAG did not join the Settlement.

8
9 Q. WHAT ARE THE KEY ELEMENTS OF THE SETTLEMENT?

10 A. The following are the significant elements of the Settlement:

- 11 • Agreed upon revenue increases over the next four years, equivalent to a
12 6.1 percent increase from current revenues (and including no base rate
13 increase in 2018), subject to the sales forecast true-up.
- 14 • Resolution of all revenue requirement related issues, as between the
15 Settling Parties as noted in Section I, B of the Settlement and as identified
16 in Settlement Attachment 4.
- 17 • A stated return on equity (ROE) of 9.2 percent.
- 18 • The use of an independent nuclear expert as part of the Company's next
19 integrated resource plan proceeding but not as part of the current rate case.
- 20 • Agreement on a new medical needs customer assistance program.
- 21 • Resolution of the LED street lighting issues.
- 22 • General terms and conditions that recognize the Commission's ongoing
23 legal authority to assure that rates remain just and reasonable during the
24 four-year term of the MYRP.

25
26 Q. DO YOU HAVE ANY PRELIMINARY REMARKS ABOUT THE SETTLEMENT?

1 A. Yes. I acknowledge that a four-year, mediated settlement of all revenue
2 requirement related issues among the Settling Parties, by providing for an overall
3 revenue result, is a first-time event in Minnesota. Many factors contributed to
4 this result and, as I will discuss below, the Commission can have confidence that
5 acceptance of the Settlement without modification will provide for just and
6 reasonable rates and will be in the public interest. The significant factors I would
7 highlight, and that I discuss further in my Rebuttal Testimony, include:

- 8 • From its inception, several facts positioned this case as one that lent itself
9 to a mediated or settled resolution. For example, the Company explicitly
10 chose not to re-litigate a number of issues previously resolved by the
11 Commission. In addition, much of the Company's need for a 2016
12 increase stemmed directly from prior dockets, such as the "bounce-back"
13 effect of the rate moderation mechanisms carried forward from our
14 previous rate case. Also, as noted in my Direct Testimony, the Company
15 proposed (and noticed) a five-year settlement offer, structured as a "rate
16 shape," or overall revenue resolution, similar to the Settlement. We also
17 articulated a process for pursuing mediation under Minnesota law by first
18 allowing for full discovery and a robust round of Direct Testimony from
19 intervening parties setting forth the potential issues. Building on these
20 facts, from the Company's perspective, this rate case was well-positioned
21 for settlement, and we appreciate that all parties were willing to engage in
22 a process that led to a productive mediation.²
- 23 • While the Settlement reflects the input of all parties who testified on
24 revenue requirements issues, it is largely informed by the

² The Energy Freedom Coalition of America (EFCA) was the only party that did not file Direct Testimony or participate in the mediation. EFCA informed the mediator that it did not intend to participate but that it would not object to any resolution of the issues achieved through the mediation. See Exhibit____(AHC-2), Schedule 2.

1 recommendations made by the Department of Commerce, resulting in a
2 significant reduction to the Company's proposed revenue requirements
3 over the next four years. The revenue increases provided for in the
4 Settlement will require the Company to transform how it manages its
5 business. As parties are aware, over the past several years, the Company
6 has submitted several rate cases as we have modernized our system in the
7 face of declining sales. While there are exceptions provided through
8 public policy riders, the four-year plan will primarily require the Company
9 to live within a fixed budget for an extended period.

- 10 • The Settlement is responsive to the concerns, demands and needs
11 expressed by the Department of Commerce and by a diverse group of
12 customers, including our industrial, commercial, low-income, and
13 municipal customers, with each of those interests represented by one or
14 more Settling Parties.
- 15 • The Settlement does not address rate design. This is important because
16 rate design is intensely policy based, and subject to much disagreement.
17 Stated differently, accomplishing the Settlement became more feasible by
18 focusing on revenue requirement related issues and recommendations,
19 while leaving the significant policy issues related to rate design for the
20 contested case process and Commission resolution.

21
22 Q. WHAT STANDARD SHOULD BE USED FOR DETERMINING WHETHER THE
23 SETTLEMENT SHOULD BE ADOPTED?

24 A. Ultimately, the Commission must be satisfied that the Settlement results in just
25 and reasonable rates.³ As part of that determination, the Commission will also

³ See Minn. Stat. 216B.16, subd. 6 and subd. 19 (c).

1 consider whether the Settlement is in the public interest and is supported by
2 substantial evidence.⁴

3
4 Q. AT A HIGH-LEVEL, WHY DOES THE COMPANY BELIEVE THE REVENUE INCREASES
5 AGREED TO IN THE SETTLEMENT ARE JUST, REASONABLE, AND IN THE PUBLIC
6 INTEREST?

7 A. The Settlement provides for three years of moderate revenue increases over its
8 four-year term, with no increase in 2018. More specifically, the Settlement allows
9 the Company to increase revenues by \$184.97 million or 6.1 percent through
10 2019 (based on use of the Department's Direct Testimony sales forecast as the
11 baseline), subject to sales true-ups. This amount is significantly less than what
12 the Company requested in its three-year proposed MYRP and less than half of
13 what the Company requested as part of its five-year offer. Also, our annual rate
14 increases under the Settlement are reasonable when compared to objective
15 macro-economic indicators, which Company witness Mr. Charles Burdick
16 addresses in his Rebuttal Testimony.

17
18 In addition to the significant revenue adjustment reflected in the Settlement, the
19 overall rate increases that would result from approval of the Settlement are
20 slightly lower, in total, than those resulting from Department's recommendations
21 in the covered years. By using the Department's overall revenue
22 recommendation for 2016-2019 as its foundation, the Settlement establishes total
23 revenues for these years at a level below that developed by the independent
24 government agency whose statutory mandate is to defend and advocate for the
25 public interest. Additionally, the Department is the only party who submitted a

⁴ See Minn. Stat. 216B.16, subd. 1(a).

1 full cost of service recommendation on the record. All other parties who made
2 recommendations regarding adjustments to the Company's proposed rate
3 request, with the lone exception of the OAG, have joined the Settlement and
4 support its rate increases as just, reasonable and consistent with their
5 recommendations.

6
7 Moreover, the Settlement implements state policy encouraging the settlement of
8 rate cases (Minn. Stat. § 216B.16, subd. 1a) and utilizes the significant flexibility
9 provided by the MYRP Statute to achieve a comprehensive revenue outcome.
10 Thus, the Settlement is fully supported by both Minnesota law and by the record
11 in this proceeding, as I address later in my testimony.

12
13 Given this, I believe that the Commission should adopt the Settlement as a just
14 and reasonable resolution to this rate case that is in the public interest.

15
16 Q. HOW IS YOUR REBUTTAL TESTIMONY ORGANIZED?

17 A. I present my testimony in the sections as outlined below:

- 18 • The Path to Settlement
- 19 • Key Terms of the Settlement
- 20 • Adoption of the Settlement Will Result in Just and Reasonable Rates
- 21 • Introduction of Rebuttal Witnesses
- 22 • Rebuttal to Office of the Attorney General

23 24 II. THE PATH TO SETTLEMENT

25
26 Q. FOR CONTEXT, WHAT RATE RELIEF DID THE COMPANY REQUEST?

1 A. As I described in my Direct Testimony, the Company requested approval of a
2 three-year MYRP with a total rate increase of \$297.1 million (\$194.6 million in
3 2016, \$52.1 million in 2017, and \$50.5 million in 2018). The Company also
4 confirmed a five-year MYRP alternative for settlement purposes which proposed
5 a \$382.1 million total rate increase (\$163.7 million in 2016, and \$54.6 million each
6 year for 2017-2020).

7
8 Q. WHAT ARE THE DRIVERS OF THE COMPANY'S RATE CASE?

9 A. As I explained in my Direct Testimony, the Company's overall revenue
10 deficiency for these years was driven by the 2016 revenue deficiency and a
11 significant portion of our 2016 request relates to items carried forward from our
12 last rate case. For example, the "bounce back" effect of the rate moderation
13 mechanisms used in our prior case contributes \$51.8 million, and the inclusion of
14 2015 capital projects that were not included in our 2015 step contributes \$49.6
15 million to our 2016 revenue deficiencies.

16
17 Additionally, capital investments in carbon free generation, core business
18 functions, and information technology systems, along with the current sales
19 environment, drove the filing of this case.

20
21 Q. DID THE COMPANY STRUCTURE ITS RATE REQUEST TO FACILITATE A POTENTIAL
22 SETTLEMENT?

23 A. Yes. As I explained in my Direct Testimony, the underlying philosophy we took
24 in structuring our rate request was to avoid litigating issues that have been
25 previously resolved by the Commission, and to build on the fact that we were
26 able to work with parties in our last case to narrow the number of contested
27 issues that came before the Commission. Additionally, the Company included

1 and noticed a five-year offer and described the tools that could be used to pursue
2 settlements, including formal mediation administered by the Office of
3 Administrative Hearing.
4

5 Q. PROCEDURALLY, HOW DID THE SETTTLING PARTIES REACH THE SETTLEMENT?

6 A. On May 27, 2016, the Company requested that a mediator from the Office of
7 Administrative Hearings be engaged to help the parties achieve settlement of this
8 rate case. The OAH informed all parties that ALJ Jeanne Cochran had been
9 assigned the mediator. With the exception of EFCA⁵, the parties agreed to
10 participate in three full days of mediation the week of July 18th. Several parties
11 continued their efforts following that week, and on August 2, 2016, ALJ Cochran
12 submitted a letter stating that an agreement in principle had been reached by
13 several parties. Over the next few days, the Settling Parties worked from their
14 agreement in principle to develop the Settlement, which was filed on August 16,
15 2016.
16

17 Q. AS YOU HAVE NOTED, THE SETTLEMENT PROVIDES FOR OVERALL REVENUE
18 NUMBERS FOR THE FOUR-YEAR TERM, BUT DOES NOT SPECIFY AN ISSUE-BY-ISSUE
19 RESOLUTION OF THE MATTERS RAISED BY INTERVENING PARTIES. WHY?

20 A. I believe the overall structure and nature of this Settlement is the only way the
21 Settling Parties could resolve all of the revenue requirement related issues
22 between them in this case. While I cannot discuss the specifics giving rise to the
23 Settlement due to the non-disclosure agreement signed by all parties to the
24 mediation, I note that ALJ Cochran did try different approaches and techniques
25 to bring the parties together. I would also note that past cases have included

⁵ Although EFCA did not actively participate in the mediation, it agreed to support any resolution emerging therefrom.

1 settlements that did not set forth a specific resolution of each issue. For
2 example, in the Company's 2010 rate case, Docket No. E-002/GR-10-971, the
3 Company and several parties resolved a group of issues, but noted that:

4 Because the Parties took different positions on issues, some of which are
5 conflicting, an agreement on individual specific adjustments that could be
6 used to calculate a revenue requirement was not always possible. From an
7 individual party standpoint, a Settlement that accepted one party's adjustment
8 in exchange for rejecting a second party's adjustment was not acceptable, and
9 acceptance of both adjustments, many of which are conflicting, is not
10 acceptable from the Company's perspective. Accordingly, the Settlement is
11 focused on achieving reasonable proposed final base rate revenue increases
12 for 2011 and 2012.⁶
13

14 In the end, the Settling Parties agreed to a similar resolution in this case, resulting
15 in overall base revenue increases that are just and reasonable.
16

17 **III. KEY TERMS OF THE SETTLEMENT**

18

19 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

20 A. The Company believes the Settlement is largely self-explanatory. With that being
21 said, there are several terms and provisions of the Settlement which benefit from
22 further explanation. In this section of my testimony, I will provide more depth
23 and context about the rate increase, and sales forecast true-up terms of the
24 Settlement, as well as explain how the Settlement resolves disputed issues in this
25 case.
26

27 Q. AT WHAT LEVEL DOES THE SETTLEMENT SET RATES FOR THE MYRP TERM?

⁶ *In the Matter of Xcel Energy's Application for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-10-971, Stipulation and Settlement Agreement (November 11, 2011).

- 1 A. The total agreed to rate increase over four years is 6.10 percent. Table 1, below,
2 identifies the dollar amount and percentage increases agreed to in the Settlement,
3 on an incremental and cumulative basis.

4 **Table 1**

5

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>TOTAL</i>
Incremental					
<i>Rate increase in dollars</i>	<i>\$74.99 M</i>	<i>\$59.86 M</i>	<i>--</i>	<i>\$50.12 M</i>	<i>\$184.97 M</i>
<i>Indicative percent increase</i>	<i>2.47%</i>	<i>1.97%</i>	<i>0.0%</i>	<i>1.65%</i>	<i>6.10%</i>
Cumulative					
<i>Rate increase in dollars</i>	<i>\$74.99 M</i>	<i>\$134.85 M</i>	<i>\$134.85 M</i>	<i>\$184.97 M</i>	
<i>Indicative percent increase</i>	<i>2.47%</i>	<i>4.44%</i>	<i>4.44%</i>	<i>6.10%</i>	

13

14 I note that the Settlement provides that the rate increases will be implemented on
15 a dollar amount and not a percentage basis. Additionally, the rate increases
16 identified in Table 1 are based on the sales forecast submitted by Department
17 witness Mr. Sachin Shah in Direct Testimony. However, the Settling Parties
18 agreed that final rates will be set using 2016 actual weather normalized sales, and
19 that sales for non-decoupled classes will be trued-up annually to actual, weather
20 normalized sales, subject to a three percent cap, in 2017, 2018 and 2019.

- 21
- 22 Q. WILL THE SALES TRUE-UP IMPACT THE AGREED-TO RATE INCREASES IN THE
23 SETTLEMENT?

- 24 A. It depends on our actual, weather normalized sales when compared to the
25 Department's sales forecast. Company witness Ms. Janell Marks provides eight
26 months of actual data for 2016, which shows lower sales to date than forecasted
27 by either the Company or Department, and Company witness Ms. Lisa Peterson

1 addresses the mechanics of the sales forecast true-up in greater depth. Ms.
2 Marks will provide an additional month of actual sales data and the estimated
3 financial impacts in her surrebuttal testimony.
4

5 Q. HAS THE COMMISSION PREVIOUSLY APPROVED THE USE OF A SALES FORECAST
6 TRUE-UP?

7 A. Yes, the Commission approved a similar true-up mechanism in our last rate case.
8 This allowed final rates to be set with the most accurate, and current sales
9 information available. With rate cases that take more than one year to resolve
10 and establish rates for a multi-year period, we will have actual sales information
11 during the plan, which means we do not have to rely on forecasts to set rates.
12

13 Q. HOW DOES THE SETTLEMENT RESOLVE CONTESTED ISSUES IN THIS RATE CASE?

14 A. The Settlement identifies each issue resolved as amongst the Settling Parties. By
15 resolving these issues, however, the Settlement does not provide a specified
16 resolution of each individual issue, and all of the Settling Parties may raise these
17 issues in other proceedings and in future rate cases. Said differently, the
18 Settlement provides a resolution to the specific adjustments proposed by each
19 party in aggregate through a final total rate agreement and other provisions that
20 work together as an integrated whole. This results in a comprehensive
21 compromise rather than a line-by-line review and resolution of issues. I note
22 that Company witness Mr. Charles R. Burdick specifically addresses how the
23 Settlement resolves the ROE issue.
24

25 Q. WHAT DO YOU MEAN BY COMPREHENSIVE COMPROMISE?

26 A. I mean that the Settlement is intended to be a complete resolution of all revenue
27 issues in the case. Because the Settlement is structured to work as a fully

1 integrated whole, with each section supporting the other to achieve a just,
2 reasonable, and balanced outcome, I encourage the Commission to adopt the
3 Settlement without amendment.

4
5 Q. WHICH PARTIES ENTERED INTO THE SETTLEMENT?

6 A. In addition to the Company, the following parties entered into the Settlement.
7 As noted above, I refer to these parties as the “Settling Parties”:

- 8 • Minnesota Department of Commerce (Department);
- 9 • Xcel Large Industrials (XLI);
- 10 • Minnesota Chamber of Commerce (MCC);
- 11 • Commercial Group;
- 12 • Suburban Rate Authority (SRA);
- 13 • City of Minneapolis (City);
- 14 • Industrial, Commercial, and Institutional customer group (ICI); and
- 15 • Energy CENTS Coalition (ECC).

16
17 Q. YOU MENTIONED THAT THE SETTLING PARTIES ARE “DIVERSE.” HOW SO?

18 A. The Settling Parties not only include the Company and the Department,
19 representing the broad public interest, they include advocates for our low-
20 income customers (ECC), industrial and commercial and small business
21 customers (XLI, Commercial Group, ICI and MCC), our suburban customers
22 (SRA) and the City of Minneapolis. As such, the Settling Parties collectively
23 represent members of each class of customers served by the Company, including
24 our most price-sensitive customers. The fact that each of these widely diverse
25 interests signed on to the Settlement demonstrates the reasonableness of the
26 resolution reached.

1 Q. WHICH PARTIES DID NOT SIGN THE SETTLEMENT?

2 A. Of the 12 active parties to this rate case, only three, the OAG, AARP, and CEOs
3 did not ultimately sign-on to the Settlement. Of the three non-settling parties,
4 neither the AARP nor CEOs submitted testimony on revenue or non-rate design
5 policy issues (aside from AARP's testimony that any MYRP should be limited to
6 a two year term) and therefore, their rate design focus fell outside the ultimate
7 scope of the Settlement.

8
9 Q: WILL THESE PARTIES HAVE AN OPPORTUNITY TO PROVIDE TESTIMONY ON THE
10 SETTLEMENT?

11 A: Yes. With the complete Settlement filed in August, all intervenors have been able
12 to conduct discovery and will have the opportunity to assess and comment on
13 Settlement on the record. The revised procedural schedule in the ALJ's
14 Amended Second Prehearing Order allows parties the opportunity to comment
15 on the Settlement in Rebuttal Testimony, as well as respond to Rebuttal
16 Testimony of other parties in Surrebuttal Testimony. In addition, the Settlement
17 will be addressed during the evidentiary hearing before the ALJ. This will allow
18 the ALJ to provide an assessment of the Settlement in his comprehensive report
19 for the Commission's consideration. In sum, the Company and other Settling
20 Parties will have developed a robust record demonstrating that the Settlement is
21 in the public interest and will result in just and reasonable rates.

22
23 **IV. ADOPTION OF THE SETTLEMENT WILL RESULT IN JUST AND**
24 **REASONABLE RATES**

25
26 Q. WHAT STANDARD SHOULD BE USED FOR DETERMINING WHETHER THE
27 SETTLEMENT SHOULD BE APPROVED?

1 A. The Settlement should be judged as to whether it meets the standard used by the
2 Commission in all rate cases, whether they are single year or multi-year rate cases
3 and whether they include a settlement, partial settlement or are fully litigated –
4 does the resolution reached result in just and reasonable rates. (Minn. Stat. §
5 216B.16, subd. 6 and subd. 19 (c)). The Commission also reviews rate case
6 settlements to determine if they are in the public interest and are supported by
7 substantial evidence (Minn. Stat. § 216B.16, subd. 1b.). I discuss each of these
8 below.

9
10 **A. Just and Reasonable Rates**

11 Q. DOES THE SETTLEMENT RESULT IN JUST AND REASONABLE RATES?

12 A. Yes and several factors support that conclusion.

13
14 From a financial perspective, the Settlement provides an overall rate increase
15 over the four years which is informed by, but lower than, the Department's
16 recommendation. The Department conducted extensive discovery and filed the
17 only full cost of service analysis of the Company's rate increase request, setting
18 forth a detailed analysis and recommended adjustments, and thus providing an
19 important benchmark for the Commission.

20
21 Additionally, as Mr. Burdick discusses in his Rebuttal testimony, our annual rate
22 increase under the Settlement are reasonable when compared to objective macro-
23 economic indicators. For example, the Consumer Price Index is expected to
24 increase 2.3 percent⁷ each year over the next four year period whereas our rates
25 will increase by 1.5 percent.

⁷ Based on the Compounded Annual Growth Rate (CAGR). See Exhibit____(CRB), Schedule 2.

1 In addition, the Settlement balances the Company's need for a certain amount of
2 rate increases with customer expectations that our rate increases get smaller over
3 time or stop altogether. The Company has agreed to a significant reduction
4 (\$195 million or 51%) to its proposed revenue requirement over the course of
5 the MYRP term compared to our initial request (3-year Plan + forecast) and
6 agreed to no increase in 2018 as part of the overall Settlement package. At the
7 same time, the Company will continue to fulfill its obligation to provide safe,
8 reliable and environmentally responsible service. Meeting that commitment
9 under the revenue increases provided by the Settlement will require the
10 Company to change the way in which it manages its costs. For both the
11 Company and customers, the sales true-up, discussed further below, furthers the
12 accomplishment of just and reasonable rates. If the Company experiences
13 increased sales in the non-decoupled classes from the levels set forth, customers
14 will see a refund. If sales for these classes decrease, the Company will still
15 receive the revenues necessary to maintain its safe, reliable and environmentally
16 responsible service.

17
18 Minnesota law also requires the Commission to assure that rates remain just and
19 reasonable during the term of any multi-year rate plan, including the four-year
20 MYRP provided for by the Settlement. The Settlement explicitly acknowledges
21 this.

22
23 Finally, I would note again that the Settlement was signed by a diverse group of
24 stakeholders including those represented by XLI, MCC, CG, ICI, Energy Cents
25 and SRA, who represent some of our most price sensitive customers, and the
26 Department, who represents the public interest generally.

1 Q. AS YOU NOTED ABOVE, THE COMPANY HAS AGREED TO RATE INCREASES THAT
2 ARE SIGNIFICANTLY LOWER THAN INITIALLY REQUESTED; WHY DID THE
3 COMPANY AGREE TO THESE REVENUE REQUIREMENT REDUCTIONS?

4 A. To reach any settlement agreement, there will always be compromises and trade-
5 offs. In our assessment, the Settlement revenue levels—coupled with the
6 benefits of the longer-term revenue certainty—result in a rate structure that can
7 support the Company’s business plan and goals over the MYRP term. In this
8 way, we believe the Settlement reflects a balanced resolution of the issues raised
9 in this case and will result in benefits to all parties and stakeholders.

10
11 Q. DOES THIS MEAN THE COMPANY’S INITIAL REQUEST OR FIVE-YEAR FORECASTS
12 ARE TOO HIGH?

13 A. No. Our initial request was based on the Company’s financial forecast, which we
14 believe is reasonable and accurate. As discussed in Company witness Mr.
15 Gregory J. Robinson’s Direct Testimony, we have historically overspent
16 compared to budget for both capital and O&M. As he testified, on average over
17 the past four years, our actual capital spending has exceeded budgets for the total
18 NSPM Company. This demonstrates that our capital budgets have been
19 reasonable – and in fact conservative – estimates of the capital spending
20 necessary to provide our customers with safe and reliable electric service.

21
22 Q. GIVEN THAT THE SETTLEMENT DOES NOT CONTAIN AN ISSUE-BY-ISSUE
23 RECONCILIATION OF ALL ISSUES, HOW CAN THE COMMISSION CONFIRM THAT THE
24 SETTLEMENT WILL RESULT IN JUST AND REASONABLE RATES?

25 A. While the settlement does not set forth an issue-by-issue consensus, parties to
26 the settlement were well aware of the disputed issues in the case. The overall
27 revenue adjustments agreed to by the Settling Parties reflect the contested issues

1 discussed by parties in their direct testimony in this proceeding and these
2 discussions are specifically cited in the Settlement. As discussed below, the total
3 revenue deficiency agreed to by the Settling Parties over the four years of the
4 Settlement is actually below the sum of all issues and the resulting revenue
5 deficiency recommended by the Department in its direct testimony in this
6 proceeding.

7
8 Q. HAVE OVERALL REVENUE SETTLEMENTS BEEN ACCEPTED AS A MEANS OF
9 SETTING JUST AND REASONABLE RATES?

10 A. Yes. Settlements of this type have been accepted throughout the country. Since
11 2010, at least fifteen states have approved these types of holistic settlements.
12 The approved settlements differ in many respects, but they are similar in the fact
13 that they resolve revenue issues on a holistic basis. I provide two examples
14 below.

15
16 In NSPM's sister company Public Service Company of Colorado's (PSCo) 2014
17 rate case, the parties "compromised on numerous issues relating to the
18 Company's cost of service... without the Settling Parties agreeing to any specific
19 adjustments or assigning values for these issues on an individual basis in the
20 development of settled rates."⁸

21
22 As another example, the Public Service Commission of Maryland has approved
23 settlements where the "terms of the settlement and total dollar amount of the

⁸ In the Matter of Advice Letter No. 1672 - Electric of Public Service Company of Colorado to Revise the General Rate Schedule Adjustment (GRSA) Rider Applicable to All Electric Base Rate Schedules and Revise the Transmission Cost Adjustment (TCA) to Remove Costs that Have Been Shifted to Base Rates to Become Effective July 18, 2014, Proceeding No. 14AL-0660E, Decision No. C15-0292, Decision: (1) Granting Joint Motion to Approve Settlement Agreement; (2) Granting Application to Decommission Plant; (3) Permanently Suspending Tariff Sheets; and (4) establishing Rates at ¶ 18 (Colo. Pub. Utils. Comm'n, February 24, 2015)

1 rate increase are not ascribed as specific elements or issues raised by the parties,
2 nor does the settlement bind any party in this or any other proceeding except as
3 specifically provided in the Agreement.”⁹
4

5 **B. Other Public Interest Considerations**

6 Q. YOU TESTIFIED THAT THE COMMISSION HAS ALSO REVIEWED SETTLEMENTS TO
7 DETERMINE IF THEY ARE IN THE PUBLIC INTEREST. IS THERE A UNIQUE ASPECT
8 OF THIS CASE THAT YOU BELIEVE SHOULD BE CONSIDERED AS THE COMMISSION
9 EVALUATES THE SETTLEMENT?

10 A. Yes. This case is the first time that the Commission is evaluating a settlement
11 since the passage of the MYRP Statute which, as I discuss in my Direct
12 Testimony, provides new tools for the Commission and parties in reaching the
13 end result of just and reasonable rates. While the MYRP Statute makes clear that
14 any MYRP must result in just and reasonable rates, it specifically contemplates
15 the use of escalators, formulas or forecasts, rather than requiring a multi-year rate
16 plan to perfectly mirror traditional cost of service ratemaking. In short, I believe
17 the MYRP Statute recognizes that just and reasonable rates can be achieved, and
18 the public interest served, through multiple paths.
19

20 Q. SO WHAT FACTORS IN ADDITION TO THE PROVISION OF JUST AND REASONABLE
21 RATES SUPPORT A CONCLUSION THAT THE SETTLEMENT IS IN THE PUBLIC
22 INTEREST?

23 A. A number of factors support such a conclusion, including: (1) the provision of
24 consumer protections and the preservation of Commission oversight and
25 authority; (2) the administrative efficiencies that the Settlement can bring; (3) the

⁹ In the Matter of the Application of Delmarva Power & Light Company for Adjustments to Its Retail Rates for the Distribution of Electric Energy, Case No. 9317, Order No. 85816, Proposed Order of Public Utility Law Judge at 9 (Md. Pub. Serv. Comm’n, July 30, 2013), (adopted as final Commission Order August 30, 2013 per statute).

1 predictability provided to both customers and the Company; (4) the fact that the
2 Commission retains its full quasi-legislative authority over rate design issues; (5)
3 that by setting rates for four years, the Settlement affords stakeholders and the
4 Commission the ability to focus strained resources on critical public policy issues;
5 and (6) consideration of the process through which the Settling Parties reached
6 this resolution and the detailed record developed to date.

7
8 Q. HOW DOES THE SETTLEMENT PROVIDE FOR CUSTOMER PROTECTIONS AND
9 ONGOING COMMISSION OVERSIGHT?

10 A. The Settlement relies on several existing mechanisms to provide customer
11 protections and Commission oversight, as well as providing for a sales true-up
12 for the Company's non-decoupled classes.

13
14 First, our Quality Service Plan (QSP) Tariff will help ensure that the Company
15 continues to provide quality service to our customers. Our QSP tariff is the
16 result of extensive negotiations with the Department of Commerce, Office of the
17 Attorney General and the Suburban Rate Authority and was approved by
18 Commission. The QSP tariff is penalty-based and tracks eight metrics including:
19 reliability, customer complaints, call response time, billing accuracy, and others.
20 The Commission has ongoing oversight of our QSP Tariff through our annual
21 reports. Additionally, we have worked hard to maintain—and have successfully
22 maintained—service quality in the past with similar rate case outcomes.

23
24 Second, Commission oversight of our fuel costs through the Annual Automatic
25 Adjustment dockets and fuel clause review provides visibility into the operations
26 and performance of our generation fleet.

1 Third, the Company will continue to file its annual jurisdictional reports to
2 provide information relating to its costs and earnings. These reports will provide
3 useful information to the Commission to fulfill its continuing oversight role to
4 examine the reasonableness of the Company's rates during the MYRP term as
5 provided for in the Settlement.

6
7 Last, the sales true up ensures that rates reflect the actual sales environment.
8 Accordingly, if sales should increase beyond current forecasts, the true-up
9 mechanisms will ensure that rates are lowered to reflect that sales environment.

10
11 Q. HOW DO YOU SEE THE SETTLEMENT AS PROVIDING FOR ADMINISTRATIVE
12 EFFICIENCY?

13 A. As I mentioned above, this is not a traditional single year rate case. Rather, this
14 is the first rate case under the new MYRP Statute and involved volumes of
15 detailed budget and forecast information as well as a five-year settlement offer
16 based on a formulaic revenue outcome. With that in mind, the Settlement
17 resolves all revenue requirements issues for four years and articulates a process
18 for implementation of the Settlement terms that is straightforward and easy to
19 administer.

20
21 Q. WHY DOES THIS SUPPORT A COMMISSION FINDING THAT THE SETTLEMENT IS IN
22 THE PUBLIC INTEREST?

23 A. By resolving the revenue requirements issues and providing for the
24 implementation of the rate increases and sales true-ups, the Settlement brings a
25 number of benefits. First, by resolving these issues for four years, the Settlement
26 provides predictability for customers and the Company. The Settlement also
27 means that the resources that might otherwise be devoted to yet another rate

1 case between now and 2020 can be devoted to other important policy issues
2 before the Commission, including resource planning, grid modernization,
3 distributed generation, and continued development of renewable energy
4 resources to name a few.

5
6 Q. HOW ELSE DOES THE COMPANY SEE THE SETTLEMENT AS BEING IN THE PUBLIC
7 INTEREST?

8 A. The Settlement represents a reasonable balance of the various interests involved
9 in this case. As such, the Settlement recognizes that regulatory outcomes should,
10 among other things, maintain the financial health of the Company to meet the
11 evolving expectations of our customers and stakeholders.

12
13 Q. HOW DOES THE SETTLEMENT BALANCE THE VARIOUS STAKEHOLDERS'
14 INTERESTS?

15 A. In my Direct Testimony, I outlined the Company's business plan which includes,
16 among other things, reducing carbon emissions at an affordable price and
17 meeting our customers' expectations by providing innovative solutions such as
18 Renewable*Connect and targeted discounts to customers facing unique
19 challenges or options, such as the recently approved modification to the
20 Competitive Response Rider for Gerdau Ameristeel U.S., Inc. By providing a
21 revenue outcome that is supported by the record and the Settling Parties, the
22 Company and our stakeholders will realize a four-year runway during which they
23 can work together to accomplish these and other goals.

24
25 Additionally, the Settlement provides all of our customers' certainty by locking in
26 a four-year plan with three years of modest rate increases and one year with no
27 rate increase.

1 Q. FINALLY, HOW DOES THE PROCESS THROUGH WHICH THE SETTling PARTIES
2 REACHED THE SETTLEMENT SUPPORT A CONCLUSION THAT ITS ADOPTION IS IN
3 THE PUBLIC INTEREST?

4 A. First, while the Settlement dealt with all of the revenue requirements issues
5 between the Settling Parties, it did not resolve the highly contested and policy-
6 driven rate design issues.

7
8 Second, Minnesota's ratemaking statute specifically encourages settlements. As I
9 discussed above, the Settlement in this case is a result of a formal mediation
10 process that was led by a mediator with significant experience in ratemaking in
11 Minnesota. Through her guidance and leadership we were able to achieve a
12 resolution of all revenue requirements issues with nearly all parties, and we did so
13 only after the parties had engaged in many months of discovery and filed their
14 Direct Testimonies. In the end, this Settlement was reached through an inclusive
15 process where all parties had to work together to compromise and reach a
16 settlement.

17
18 **C. The Record Support for the Settlement**

19 Q. WHAT RECORD SUPPORT IS THERE FOR THE STIPULATED RATE INCREASES?

20 A. First, I note that prior to the mediation, all of the parties recommendations as set
21 forth in Direct Testimony were reviewed and thus informed the settlement
22 discussions during mediation.

23
24 That said the Department was the only intervenor in this case to provide a
25 comprehensive revenue requirement recommendation. Ultimately, the Settling
26 Parties agreed that the Department's position represented an appropriate overall
27 revenue outcome that is reasonably representative of the costs to provide service.

1 This conclusion is reflected in the Settlement, which notes that the rate increases
2 are derived from the Department's recommendation in Direct Testimony
3 (Second Errata of Dale Lusti Direct Testimony, at Schedule DVL-9), modified to
4 address the LED street lighting issue.

5
6 Q. DOES THIS MEAN THE SETTLEMENT ADOPTS ALL OF THE DEPARTMENT'S
7 RECOMMENDED ADJUSTMENTS THAT WERE INCORPORATED INTO THEIR
8 REVENUE REQUIREMENT RECOMMENDATION IN DIRECT TESTIMONY?

9 A. No. As discussed above, the Settlement provides an overall revenue requirement
10 outcome but does not specify the resolution of any individual revenue
11 requirement issue or adjustment.

12
13 Q. ATTACHMENT 4 LISTS AS RESOLVED SPECIFIC RECOMMENDATIONS OF THE OAG
14 AND AARP, WHO DID NOT ENTER INTO THE SETTLEMENT. HOW DOES THE
15 RECORD SUPPORT THAT THESE ISSUES ARE ALSO RESOLVED BY THE SETTLEMENT?

16 A. Settling Parties reviewed all issues on the record and agreed that, with the
17 revenue requirements resolution and other terms of the Settlement, the
18 Settlement provides for just and reasonable rates, such that further litigation of
19 these issues in this case is not necessary. Thus, we entered into the Settlement
20 informed by the OAG's proposals in their Direct Testimony, even though they
21 chose not to join in the Settlement. Accordingly, the Settlement resolves the
22 issues raised by the OAG as amongst the Settling Parties. Because the OAG is
23 not a signatory to the Settlement, however, it is free (and has indicated its intent)
24 to continue to litigate the issues it raises. For informational purposes, I and
25 other Company witnesses provide rebuttal testimony to those issues.

1 **V. REBUTTAL TO OAG WITNESS LINDELL**

2

3 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

4 A. I respond to the assertions and recommendation made by OAG witness Mr.
5 John Lindell regarding the Company's management team.

6

7 Q. MR. LINDELL CONTENDS THAT THE COMPANY'S MANAGEMENT IS PRIMARILY
8 FOCUSED ON PROVIDING RETURNS TO THE COMPANY'S SHAREHOLDERS. DO YOU
9 AGREE WITH HIS CONTENTION?

10 A. No. Both the Company and its management team are focused on being the
11 preferred and trusted energy provider to our customers. There are several
12 components to this overarching Company vision. First, we must continue to
13 provide the safe and reliable service that our customers have come to expect and
14 demand. Second, we must control our costs without compromising either safety
15 or reliability, and we must drive efficiencies in our business so that we can keep
16 rates at a reasonable level. Third, we must adapt to the changing utility landscape
17 by enabling customer choice and providing increased access to the new services,
18 products, and technologies our customers want. Finally, we must continue along
19 our path of environmental stewardship so that we can provide the cleaner energy
20 our customers want and meet our obligations under the environmental and
21 policy goals established by the State of Minnesota and the federal government.

22

23 Q. DO SHAREHOLDER RETURNS PLAY A ROLE IN THIS VISION?

24 A. Yes. As described in the Direct Testimony of Company witness Mr. Brian Van
25 Abel, the Company's financial health—including its ability to provide a market-
26 based return to its investors—enables the Company to finance its investments
27 and operations at a reasonable cost. It also enables the Company to maintain its

1 credit ratings, which lowers the Company's borrowing costs. Together, these
2 benefits allow the Company to make the investments that are necessary to
3 continue providing safe and reliable service while reducing the overall costs of
4 those investments by reducing financing costs.

5
6 Q. DO YOU OPPOSE MR. LINDELL'S RECOMMENDATION THAT 100% OF MR.
7 FOWKE'S COMPENSATION AND 50% OF MR. CLARK'S COMPENSATION BE
8 EXCLUDED FROM RECOVERY IN THIS CASE?

9 A. I do. Before specifically responding to his recommendation, I would point out
10 that the Settlement is intended to resolve all revenue requirements issues.
11 Acceptance of the Settlement would mean that Mr. Lindell's recommendation
12 would be subsumed by the overall Settlement and need not be separately
13 addressed or decided. My Rebuttal Testimony is provided for informational
14 purposes and to demonstrate that, were it considered separately, Mr. Lindell's
15 recommendation should be rejected for multiple reasons.

16
17 First, I disagree that these Company leaders are either singularly or primarily
18 focused on increasing earnings. Both Mr. Fowke and Mr. Clark provide critical
19 leadership in all aspects of our business, including all of the components of the
20 Company's overarching vision I discussed previously. Second, the Company's
21 earnings and financial health do provide significant benefits to our customers by
22 enabling capital investments at reasonable financing costs. Additionally, as
23 discussed in the Direct Testimony of Company witness Ms. Ruth K. Lowenthal,
24 our compensation and benefit costs are necessary to attract, motivate, and retain
25 talented employees and leaders. Further, our total cash compensation levels are
26 in line with—or slightly below—the market. I therefore believe it is appropriate

1 that the Company recover the costs of Mr. Fowke and Mr. Clark's
2 compensation.

3
4 **VI. INTRODUCTION OF REBUTTAL WITNESSES**
5

6 Q. PLEASE INTRODUCE THE COMPANY WITNESSES SPONSORING REBUTTAL
7 TESTIMONY IN THIS PROCEEDING.

8 A. In addition to my Rebuttal Testimony addressing policy issues, the following
9 Company witnesses are providing Rebuttal Testimony:

- 10 • *Charles R. Burdick*, who also discusses the Settlement and responds to OAG
11 and AARP testimony regarding multi-year rate plans;
- 12 • *Lisa R. Peterson*, who discusses the sales true-up provided for in the Settlement
13 and responds to AARP testimony regarding the Company's decoupling
14 program;
- 15 • *Michael A. Peppin*, who responds to intervenor testimony on class cost of
16 service study issues;
- 17 • *Steven V. Huso*, who responds to intervenor testimony on rate design;
- 18 • *Anne E. Heuer*, who responds to certain revenue requirements testimony
19 provided by the OAG;
- 20 • *James M. Coyne*, of Concentric Energy Advisors, Inc. who responds to the cost
21 of equity testimony provided by the OAG;
- 22 • *Lisa H. Perkett*, who also responds to certain revenue requirements testimony
23 provided by the OAG;
- 24 • *Janelle E. Marks*, who provides 2106 actual weather normalized sales data
25 through August of 2016, for informational purposes;

- *Kelly A. Bloch*, who responds to intervenor testimony regarding the Company's minimum system study and zero-intercept analysis; and
- *Gary J. O'Hara*, who responds to OAG testimony on employee expenses.

VII. CONCLUSION

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.



414 Nicollet Mall
Minneapolis, MN 55401

August 16, 2016

The Honorable Jeffery Oxley
Minnesota Office of Administrative Hearings
600 North Robert Street
P.O. Box 64620
St. Paul, MN 55164-0620

—Via Electronic Filing—

Re: STIPULATION OF SETTLEMENT
AUTHORITY TO INCREASE ELECTRIC RATES
NORTHERN STATES POWER COMPANY
OAH DOCKET NO. 19-2500-33074
MPUC DOCKET NO. E002/GR-15-826

Dear Judge Oxley:

Northern States Power Company, doing business as Xcel Energy (the “Company”) submits the Stipulation of Settlement (“Settlement”), which includes several supporting Schedules, in the above noted docket.

This Settlement has been entered into by the Settling Parties, which includes the Company, the Minnesota Department of Commerce (“DOC”), the Xcel Energy Large Industrials (“XLI”), the Minnesota Chamber of Commerce (“MCC”), the Commercial Group, the Suburban Rate Authority (“SRA”), the City of Minneapolis (the “City”), the Industrial, Commercial, and Institutional customer group (“ICI”), and the Energy CENTS coalition (“ECC”).

As indicated by ALJ Cochran, in her capacity as mediator, the Settling Parties were able to resolve (1) all revenue requirements issues, (2) the issues related to a medical needs customer bill payment assistance program, and (3) the issues related to street lighting. The enclosed Settlement addresses these issues in a formal, written agreement amongst the parties. As appropriate, the Settling Parties will address the Settlement through the procedural schedule you ordered on August 5, 2016.

Northern States Power Company

Judge Oxley
August 16, 2016
Page 2 of 2

We note that we have enclosed signature pages for all parties with the exception of the City. The City is currently working through its process so that it can execute the agreement. We plan to file an executed signature page from the City next week.

A copy of this filing has been served on the Minnesota Department of Commerce, Division of Energy Resources, and the Office of Attorney General - Antitrust and Utilities Division and on all other parties on the attached service list. Please contact me at (612) 215-4663 if you have any questions regarding this matter.

Sincerely,

/s/

AAKASH H. CHANDARANA
REGIONAL V.P., RATES AND REGULATORY AFFAIRS
NORTHERN STATES POWER COMPANY, A MINNESOTA CORPORATION

Enclosures
cc: Service List

Northern States Power Company

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John A. Tuma	Commissioner
Matt Schuerger	Commissioner

In the Matter of the Application of
Northern States Power Company for
Authority to Increase Rates for Electric
Service in the State of Minnesota

MPUC DOCKET NO. E-002/GR-15-826
OAH DOCKET NO. 19-2500-33074

STIPULATION OF SETTLEMENT

This Stipulation of Settlement (this “Settlement”) is entered into as of August 15, 2016 (“Settlement Date”) by and among Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”), the Minnesota Department of Commerce (the “Department” or “DOC”), the Xcel Large Industrials (“XLI”), the Minnesota Chamber of Commerce (the “Chamber” or “MCC”), the Commercial Group, the Suburban Rate Authority (“SRA”), the City of Minneapolis (the “City”), the Industrial, Commercial and Institutional customer group (“ICI”), and the Energy CENTS coalition (“Energy CENTS” or ECC”) (each a “Settling Party”, and collectively, the “Settling Parties”) in the above referenced Docket (this “Proceeding” or “Rate Case”). The Settling Parties agree as follows:

I. OVERVIEW

A. Procedural Background.

On November 2, 2015, the Company filed a general electric rate case with the Minnesota Public Utilities Commission (“Commission”) for a three year multi-year rate plan that proposed a rate increase of \$194,612,000 or 6.4% over current rates in 2016; \$52,055,000 or an additional 1.7% over current rates in 2017; and \$50,466,000, or an additional 1.7% over current rates in 2018 (the “MYRP Request”). On a cumulative basis, the proposed rate increases would total \$297,133,000 or 9.8% over current rates. The Company also proposed a five-year multi-year rate plan as a stand-alone, separate alternative settlement offer, which would result in a cumulative 12.6% rate increase over current rates for those five years (the “MYRP Offer”).

On December 22, 2015, the Commission issued several orders that, collectively, and among other things: (1) accepted the Company’s rate case application as complete, (2)

Northern States Power Company

granted the Company's petition to implement an interim rate increase of \$163,670,000 or 5.5%, on an annualized basis, beginning January 1, 2016; and (3) referred the case to the Office of Administrative Hearings ("OAH") for a contested case proceeding.

On January 11, 2016, the Administrative Law Judge ("ALJ") issued its first prehearing order.

The Department is a Minnesota state agency that represents the public interest and is a party to this Proceeding.

The OAG is the Residential Utilities and Antitrust Division of the Office of the Minnesota Attorney General that represents the interest of residential and small business utility consumers and is a party to this Proceeding.

The Commercial Group, ECC, SRA, ICI, MCC, XLI, City of Minneapolis, the Clean Energy Organizations ("CEO"), the Energy Freedom Coalition of America ("EFCA"), and AARP (collectively with the DOC and OAG, the "Intervening Parties") were all granted intervening party status by the intervention deadline established in the first prehearing Order and are parties to this Proceeding.

On June 14, 2016, the Intervening Parties, with the exception of EFCA, filed direct testimony. The Department, OAG, Commercial Group, MCC, SRA and XLI are the only parties that offered recommendations proposing adjustments to the Company's revenue requirement. SRA's issue was confined to the issue of LED street lighting. All Intervening Parties that submitted direct testimony addressed, in some way or another, the Company's proposed rate design and class cost of service study.

Of the Settling Parties, only the Department provided a comprehensive recommendation on the Company's three-year MYRP Request, and five-year MYRP Offer.¹

On July 18, 19, and 22, 2016, Administrative Law Judge Jeanne Cochran of the OAH conducted a mediation that addressed revenue requirement and certain rate design issues. With the exception of the EFCA, which had previously notified ALJ Cochran and the parties that it would not be participating in the mediation and would not oppose any settlement reached, all Intervening Parties and the Company participated in the mediation.

¹ DOC Ex.____at DVL-9 (Second Errata dated July 14, 2016), line 44, which shows the DOC revenue requirements for each year, 2016-2020.

On August 2, 2016, ALJ Cochran informed ALJ Oxley that several, but not all, parties had reached an agreement in principle resolving (1) all revenue requirement issues, (2) issues related to a medical needs customer bill payment assistance program, and (3) the issues related to street lighting.

Through this Settlement, the Settling Parties hereby finalize and reduce to writing their agreement in principle.

B. Impact of Settlement.

The Settling Parties, through this Settlement, resolve all revenue requirements issues between them and support the rate increases set forth in Section II. B below, as well as the issues between them related to street lighting and the Company's proposed expanded low-income and medical needs customer assistance program. With the exception of the street lighting and customer assistance issues, this Settlement does not address class cost of service study or rate design matters. Rather, the Settling Parties agree that those issues will be resolved through the contested case process underway in this Proceeding, including through the submission of pre-filed written testimony, hearings and briefing, and no Settling Party waives the right to continue asserting positions on class cost of service study or rate design issues consistent with their respective direct testimonies.

The City joins in this Settlement for the sole purpose of supporting the resolution of the street lighting issues, as set forth in Section IV. The City takes no position on the other issues addressed in the Settlement, and expressly reserves for itself the right to contest all rate design issues aside from the street lighting issues addressed herein.

C. Standard of Review.

Minnesota law expressly encourages the settlement of "any or all issues" in general rate cases. *See* Minn. Stat. § 216B.16, subd. 1a. The Commission reviews a settlement in a general rate case proceeding to determine if it is in the public interest and is supported by substantial evidence. Minn. Stat. §216B.16, subd. 1b.

D. Application of the Standard of Review.

This Settlement is supported by substantial record evidence and is in the public interest. The Settlement provides a four-year MYRP that results in significantly lower rate increases than proposed by the Company – approximately a total four-year revenue deficiency of \$184.97 million compared to Xcel's requested \$379.62 million, a

Northern States Power Company

decrease of \$194.65 million, or 51.2 percent. The rate increases agreed to by the Settling Parties for this Proceeding are largely informed by the Department's direct testimony and the LED settlement as discussed below, while also reflecting a sales forecast true-up structure similar to the one approved by the Commission in the Company's most recent prior electric rate case (Docket No. E002/GR-13-868). These revenue requirement amounts will be further adjusted based on actual sales, as discussed further below.

The Settling Parties respectfully request the ALJ to include evaluation of this Settlement in the ALJ's Report to the Commission with a recommendation that this Settlement be approved in its entirety.

II. SETTLEMENT TERMS

The Settling Parties agree to the following terms for the purpose of this Settlement, addressing the revenue requirement and non-rate design policy related issues, the medical bill payment assistance program issue and the street lighting issue in this Proceeding. The Settling Parties further agree that the following terms are supported by the record in this Proceeding, are in the public interest, and result in just and reasonable rates for calendar years 2016, 2017, 2018, and 2019. The Settling Parties also agree that the following terms are intended to work in concert with each other as an integrated whole for the purposes of achieving an outcome in this Proceeding that is in the public interest and that will result in just and reasonable rates.

A. Term of Settlement.

Consistent with Minn. Stat. § 216B.16, subd. 19, which allows for an MYRP of up to five years, and the record in this Proceeding, the Parties agree that this Settlement shall adjust the Company's electric rates for a period of four years covering calendar years 2016, 2017, 2018, and 2019 ("Term").

Xcel Energy will not file a new general rate case for electric service prior to November 1, 2019. Xcel Energy also will not request that any interim rate and/or final rate adjustments as a result of filing a new general rate case for electric service be effective prior to January 1, 2020.

B. Rate Increases.

As part of a MYRP, Minnesota law permits a utility to propose up to a five-year period in which rates would be allowed to change according to the rate determinations made by the Commission. *See* Minn. Stat. § 216B.16, subd. 19.

Northern States Power Company

Consistent with Minnesota law, the record in this Proceeding and based on good faith negotiations, the Settling Parties agree that Xcel Energy's retail electric rate increase for the Term should be equal to the Department's recommendation as further described in this Section II.B. The Parties acknowledge that the Department is the only Intervening Party to submit a full recommendation on the Company's cost of service, and the Department's recommendation generally accommodates the various proposals and adjustments from all Intervening Parties that have been made on the record in this Proceeding.

The total agreed to rate increase over four years is 6.10 percent. The total revenue deficiency recommendation of the Department for years 2016-2019 is derived from data in the Second Errata of Dale Lusti Direct Testimony, at DVL-9, which is adjusted for the LED Street Lighting issue that is discussed in Section IV, below. The agreed to rate increases are provided in Table A, and are subject to the true-up provisions provided in Section II.C and D.²

Table A

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>TOTAL</i>
Incremental					
<i>Rate increase in dollars</i>	<i>\$74.99 M</i>	<i>\$59.86 M</i>	<i>--</i>	<i>\$50.12 M</i>	<i>\$184.97 M</i>
<i>Indicative percent increase</i>	<i>2.47%</i>	<i>1.97%</i>	<i>0.0%</i>	<i>1.65%</i>	<i>6.10%</i>
Cumulative					
<i>Rate increase in dollars</i>	<i>\$74.99 M</i>	<i>\$134.85 M</i>	<i>\$134.85 M</i>	<i>\$184.97 M</i>	
<i>Indicative percent increase</i>	<i>2.47%</i>	<i>4.44%</i>	<i>4.44%</i>	<i>6.10%</i>	

For administration of these provisions, the rate increases are agreed to be implemented on a dollar amount and not percentage basis, subject to all provisions in in this Settlement.

² Starting with Xcel's 2016 present rate revenue of \$3,034,093,000, the Department's Direct Testimony recommended incremental rate increases of 1.5 percent for 2016, 1.8 percent for 2017, -0.2 percent for 2018 and 3.1 percent for 2019, totaling 6.2 percent; using DOC Ex. ____ at DVL-9 (Second Errata dated July 14, 2016) line 44, DOC calculated deficiencies.

C. Rate Implementation Mechanics.

Minnesota law allows for multi-year rate plans as well as for a utility to change its rates provided, among other things, that notice is given to customers sixty (60) days before the change. *See* Minn. Stat. § 216B.16, subds. 1, 19. The Settling Parties acknowledge that this is the first multi-year rate plan that will require rate changes after the conclusion of the regulatory process. In recognition of this fact, the Settling Parties conclude that there is value in articulating how and when the Company will change rates over the four-year MYRP, in consideration of the current procedural schedule, and have set forth a schedule in the MYRP Rate Implementation Schedule provided as Attachment 1 to this Settlement.

D. Sales Forecast True-Up.

For purposes of this Settlement, the Settling Parties acknowledge that just and reasonable rates will result from setting final rates based on actual retail sales rather than through a sales forecast. For that reason, the Settling Parties agree that the following approach will resolve the contested sales forecast issues in this Proceeding: (1) weather normalized actual sales will be used to set final 2016 rates for all customer classes, consistent with the approach approved by the Commission in the Company's most recent prior rate case; (2) the Company will true-up weather normalized actual sales for non-decoupled classes, subject to a three percent cap, in 2017, 2018 and 2019; and (3) for all decoupled classes, in 2017, 2018 and 2019, the decoupling mechanism approved by the Commission in the Company's last rate case will be extended to match the term of this agreement, which will address any differences between forecasted and actual sales. As a result of using weather normalized actual sales to set final rates, the 2016 decoupling mechanism will only capture differences in revenue related to actual weather in 2016 and will continue to function as a full decoupling mechanism for the years 2017 through 2019, with 2016 as the base year. For the avoidance of doubt, the Settling Parties agree the sales forecast true-up will be implemented as set forth in the Sales Forecast True-Up Mechanics Schedule provided as Attachment 2 to this Settlement.

E. Return on Equity ("ROE") and Cost of Capital.

Consistent with the ROE ranges presented on the record, including those provided by the Settling Parties, and to ensure a balance between rate affordability, system reliability, and the Company's financial health, the Settling Parties agree and recommend that the Commission allow Xcel Energy to represent its authorized ROE as nine and two-tenths percent (9.20%) for settlement purposes in this rate case Proceeding. The Settling Parties agree and recommend that the Commission allow

Northern States Power Company

Xcel Energy to represent its authorized cost of capital components for settlement purposes in this rate case Proceeding as they are set forth in Attachment 5, which is the capital structure proposed by Xcel Energy in its initial filing (other than ROE).

F. Provisional Recovery of PI LCM Costs and Use of Nuclear Expert.

The Parties acknowledge that the Commission ordered that a record be developed regarding the Company's Prairie Island Life-Cycle Management ("LCM") costs and if such costs should be recovered in this Rate Case on a provisional basis until such time as the Commission can review their prudence. The Settling Parties further acknowledge that the Commission authorized the Department to retain a nuclear expert. The Settling Parties agree that there is neither a need for provisional/placeholder recovery nor any nuclear expert review as part of this Rate Case as the rate increases set forth in Table A are informed by the Department's recommendations, which include revenue requirement adjustments for the Company's Prairie Island LCM, as well as other nuclear capital projects. The Settling Parties agree that a nuclear expert will be used in the Company's next Integrated Resource Plan ("IRP") proceeding, in which the Settling Parties expect to examine the continued cost-effectiveness of the Company's nuclear fleet, and evaluate the Company's forward looking (i.e., 2020-2030's) capital expenditures and O&M expenses, with the understanding that Xcel will continue to bear the burden of proof to show the reasonableness of rate changes in future proceedings. While the Settling Parties appreciate that the Commission will determine the filing date for the Company's next IRP, the Settling Parties expect that proceeding to commence in early 2018. The Settling Parties understand that the Department may retain a nuclear expert to help facilitate its assessment and analysis of the Company's next IRP at the Department's initiative and that the costs of the expert will be paid for by the Company.

G. Riders.

The record reflects different recommendations regarding the Company's use of riders during a MYRP. The Settling Parties acknowledge that it is beneficial to address these recommendations as part of the Settlement. To that end, the Settling Parties agree that the Company may use only the riders identified in the MYRP Revenue Rider Schedule attached as Attachment 3. Furthermore, the Parties agree that the Company may retain the three CapX2020 transmission projects in the TCR Rider during the Term in lieu of rolling the projects into base rates at the conclusion of this Proceeding. The Company agrees that for its retail electric rates it will not use any rider not listed on the MYRP Revenue Rider Schedule during the Term. Any rider recovery during the Term will be in addition to the rate increases set forth in Table A.

Northern States Power Company

H. Interim Rate Refund.

As part of the overall resolution of issues set forth in this Settlement, the Settling Parties agree that the Company will apply its 2016 cost of long-term debt of four and eighty one hundredths percent (4.81%) to any interim rate refund ordered by the Commission.

I. Deferral of 2016 Property Taxes.

The Settling Parties agree that the Company will defer as a regulatory asset in 2016 the amount equal to the difference between the property tax expense approved for recovery in base rates by the Commission in the Company's last electric rate case and the Company's 2016 actual property tax expense. The deferral shall not exceed twenty-eight million dollars (\$28,000,000) or the deferral calculated using the Company's 2016 test year property tax expense.]The Company will amortize the deferred property tax expense evenly over a two-year period in 2018 and 2019.

This deferral is for accounting purposes only. The Company commits that the property-tax deferral will not impact the rate increases, by year or in total, provided for in this Settlement. Commission approval of this Settlement shall constitute approval of this deferral, without requiring a separate petition.

J. Resolved Issues.

For the avoidance of doubt, the Settling Parties acknowledge that it is beneficial to identify each contested issue on the record in this Proceeding that has been resolved by this Settlement, along with the record support for such resolution. To that end, the Settling Parties agree that the Resolved Issues Schedule provided as Attachment 4 provides such information. Consequently, the values provided in Attachment 5 shall be used in compliance filings in this Proceeding during the Term.

III. BILL PAY ASSISTANCE FOR CUSTOMERS WITH MEDICAL NEEDS

Consistent with the proposal from the ECC, which the Parties believe is appropriate, the Parties agree that Xcel Energy will develop and implement a customer bill payment assistance program exclusively for medical needs customers. The program will use the POWER ON program as a model and will incorporate the following: (1) providing an affordability credit in order to limit the percentage of household income that customers devote to electric costs; (2) providing an arrearage forgiveness component requiring customers to contribute a payment toward arrears (in addition to the affordability payment) in order to receive a matching monthly credit from the Company; (3) setting income eligibility for participation at 50 percent of the State Median Income (“SMI”) and, only if funds remain, allow customers at 60 percent SMI to enroll; (4) providing assistance on a first come/first served basis until the program budget is exhausted; (5) limiting administrative costs to no more than five percent of the annual budget; (6) incorporating reporting and program fund tracking requirements of the current POWER ON program; and (7) recovering program costs on the same basis as the POWER ON program. The Company will file this proposed program within one hundred and fifty (150) calendar days of the Commission’s final, appealable order in this proceeding.

IV. LED STREET LIGHTING

To resolve concerns raised by the City and SRA regarding the Company’s inclusion of costs attributable to LED street lighting in its rate request, the Company, SRA, and City agree as follows:

- (1) The revenue requirements related to all capital additions for Light Emitting Diode (“LED”) street lights will be removed from this rate case and the resulting changes to Xcel Energy’s overall revenue requirements will be used in setting final street lighting rates (“LED Capital Cost Removal”).
- (2) All LED street lighting installed shall be billed consistent with the Commission’s order in Docket No. M-15-920 and consistent with any final order in this rate case.
- (3) The revenue requirement reduction resulting from the LED Capital Cost Removal shall be reflected in final rates consistent with the rate design proposed by Xcel Energy or as otherwise may be ordered by the Commission.

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(4) All street lighting costs proposed by Xcel Energy in this proceeding, other than the LED Capital Cost Removal costs, will remain and be reflected in retail rates as allowed by the Commission pursuant to its final order.

(5) Xcel Energy will create a regulatory asset comprised of the revenue requirements directly related to any and all actual LED streetlight capital additions made of during the Term of the MYRP as defined in the Settlement (the “LED Deferral”). Xcel Energy is explicitly permitted to defer the LED Deferral during the term of years for which final rates will be set in this rate case. Xcel Energy agrees that the LED Deferral will accrue no carrying cost or similar time value additive before its next rate case.

(6) Any LED street lighting revenues collected during the Term of the MYRP shall be credited against the LED Deferral.

Xcel Energy estimates the impact of the LED Capital Cost Removal to be approximately \$860,000 on a revenue requirements basis for the 2016 test year. Xcel Energy further estimates that similar revenue requirement reductions will be realized in 2017, 2018, and 2019 and that this revenue requirement reduction shall be separate from and in addition to any other reduction in revenue requirements that applies to the street lighting class, either as a result of the revenue requirement settlement or other reductions ordered by the Commission in this case. The Company provides that the LED Deferral will not affect costs assigned to any other customer class.

The SRA and City of Minneapolis further agree not to contest Xcel Energy’s recovery of the LED Deferral in Xcel Energy’s next rate case subject to the terms of this paragraph. The LED Deferral shall be recognized and recovered as part of the test year of Xcel Energy’s next rate case and such recovery shall be solely from the street lighting class; provided, however, that the SRA and City of Minneapolis retain all rights to review and challenge Xcel Energy’s claimed actual LED costs and cost savings as they affect recovery from the street lighting class in the next rate case using the standards applicable to the utility’s recovery of a regulatory asset. The SRA and City of Minneapolis further retain all rights in the next rate case to challenge Xcel Energy’s proposals regarding the street lighting class cost of service, revenue apportionment and all other aspects of street lighting rates Xcel Energy may propose in its next rate case.

Consistent with this resolution, Xcel Energy shall maintain reasonably detailed records of LED costs and cost savings compared to HPS lighting derived from a) relamping of LEDs, b) LED service orders, c) LED effect on base rate energy and d) demand

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allocation; and shall provide all relevant LED cost and cost savings information on street lighting in the next rate case.

The City and SRA explicitly reserve their rights to oppose an increase in the residential customer charge or to challenge other issues directly related to rate design. Xcel Energy acknowledges that the SRA has not sponsored witnesses on any of the other settled issues included with this agreement and has not participated in negotiating the terms of settlement other than LED street lighting.

V. FUEL CLAUSE ADJUSTMENT

The Settling Parties agree that the issue of the Fuel Clause Adjustment (“FCA”) mechanism will be addressed, pursuant to the Commission’s June 2, 2016 Order, in Docket Nos. E999/CI-03-802, E999/AA-12-757, E999/AA-13-599, and E999/AA-14-579.

VI. GENERAL PROVISIONS

A. Confidentiality.

It is understood and agreed that all offers of settlement and discussions related to the mediation conducted by ALJ Cochran and to this Settlement are confidential and privileged and may not be used in any manner in connection with proceedings in this Rate Case or otherwise, except as provided by law. In the event the Commission does not approve this Settlement, this Settlement shall not constitute part of the record in this Proceeding and no part of it may be used by any party for any purpose in this case or in any other proceeding.

B. Complete Agreement.

This Settlement, along with any exhibits, appendices, schedules, and amendments hereto, encompasses the entire agreement of the Settling Parties, and supersedes all previous understandings and agreements between the Settling Parties, whether oral or written.

C. Acceptance of Settlement.

The Settling Parties agree that this Settlement has been entered into as a resolution of the issues between them in order to minimize litigation, regulatory costs, and controversy. The Settling Parties further agree that, unless expressly stated herein or in pre-filed testimony or other exhibits a part of the record, this Settlement may not represent the position, in total or on any individual issue, that the Settling Parties,

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individually or collectively, would have taken had the issues been fully litigated. Whether or not adopted by the Commission, this Settlement shall not be cited or otherwise used to imply what the Settling Parties' positions were, shall have no precedential effect in this or any other proceeding, and shall in no way prejudice the Settling Parties' rights to take different positions in the future.

This Settlement is expressly conditioned on its acceptance by the Commission in its entirety. If the Commission modifies this Settlement in a manner which creates a material adverse impact to any Settling Party, such Settling Party ("Withdrawing Party") shall have three (3) calendar days to notify the other Settling Parties and the Commission of its desire to withdraw from this Settlement. In such an event, (1) this Settlement shall be null and void and shall not constitute any part of the record in this Proceeding; (2) the Withdrawing Party shall simultaneously file a motion that this rate proceeding be referred back to the ALJ for contested case hearings upon all matters set forth in Attachment 4; and (3) the Settling Parties other than the Withdrawing Party shall timely file comments in support of the Withdrawing Party's request to refer this rate proceeding back to the ALJ. Should this Rate Case be referred back to the ALJ, the Settling Parties agree that all Settling Parties are free to argue their original positions.

D. Support and Defense of Settlement.

The Parties agree to support and defend this Settlement to the ALJ and the Commission, which includes fulfilling the obligations set forth in Section VI.C, and submitting oral and written testimony, and written briefs and comments in support of the Settlement.

E. Existing Law and Rights Remain Unchanged.

The Settling Parties acknowledge that Minnesota law authorizes the Commission, upon its own motion or upon petition of any party, to investigate and examine the reasonableness of the utility's rates under the plan, and adjust rates as necessary. *See* Minn. Stat. § 216B.16, subd. 19(e). The Settling Parties agree that this Settlement does not disturb or limit the Commission's legal authority to assure that rates remain just and reasonable during the Term.

F. Counterparts.

This Settlement Agreement may be executed in counterparts, all of which when taken together shall constitute the entire Settlement Agreement with respect to the issues addressed by this Agreement.

MYRP Rate Implementation Schedule Attachment 1

To implement the rate changes contemplated by this Settlement Agreement, the Settling Parties agree to the following:

A. Implementation of 2016 and 2017 Final Rates and Interim Rate Refund:

1. Given the procedural schedule in this Proceeding, and to ensure that final rates are just and reasonable, and consistent with the provisions of Sections II.B, II.C and II.D of this Settlement, the Settling Parties acknowledge and agree that:
 - a. The calculation of 2016 final rates will be performed utilizing 2016 actual weather normalized sales data. In addition, the full decoupling mechanism for decoupled classes will be implemented consistent with the Commission's orders regarding decoupling as discussed in D below.
 - b. The rate design ordered by the Commission in this Proceeding will be used to set 2017 final rates.
 - c. The interim rate refund will be calculated consistent with the methodology ordered by the Commission in the Company's most recent prior rate case (*i.e.*, 2016 and 2017 will be calculated as separate years), with the interest rate identified in Section II.H of the Settlement.
2. To implement 2016 final revenues, and 2017 final rates, the Settling Parties agree that:
 - a. Within 120 days of the Commission's final order in this Rate Case, not subject to rehearing or appeal, the Company shall make a compliance filing in this Proceeding ("Initial Compliance Filing") providing the following:
 - i. Actual 2016 weather normalized sales data for the entire year, including all documentation to allow for verification of sales and weather normalization.
 - ii. Calculation of 2016 final revenues pursuant to the terms of this Settlement, actual 2016 weather normalized sales data, and the adjustments for full decoupling for the decoupled classes as discussed in D below.
 - iii. Calculation of 2017 final rates pursuant to the terms of this Settlement utilizing the updated sales forecast submitted in its compliance filing. Revised Tariff sheets reflecting 2017 final rates.
 - b. The 2017 adjustments for full decoupling for the decoupled classes and the true-ups to actual sales for the non-decoupled classes, subject to the three percent cap, will be filed, as discussed in D below.
 - c. The Settling Parties may file comments to the Initial Compliance Filing; provided, however, that such comments are consistent with the agreement of the Settling Parties pursuant to this Settlement.

- d. 2016 final revenues, and 2017 final rates will be implemented consistent with the Commission's order on the Initial Compliance Filing.

B. Implementation of 2018 Final Rates:

The Settling Parties acknowledge and agree that consistent with this Settlement, there will be no changes to final rates in 2018. The 2018 adjustments for full decoupling for the decoupled classes and the true-ups to actual sales for the non-decoupled classes, subject to the three percent cap, will be filed, as discussed in D below.

C. Implementation of 2019 Final Rates:

1. Given the procedural schedule in this Proceeding, and to ensure that final rates are just and reasonable, and consistent with the provisions of Sections II.B and II.D of this Settlement, the Settling Parties acknowledge and agree that:
 - a. 2019 final rates will be calculated based on the 2016 weather normalized actual sales submitted by the Company in the Initial Compliance Filing, along with the adjustments for full decoupling for the decoupled classes and the true-ups to actual sales for the non-decoupled classes, subject to the three percent cap, as discussed in D below.
 - b. That the rate design ordered by the Commission in this Proceeding will be used to set 2019 final rates.
2. To implement 2019 final rates, the Settling Parties Agree that:
 - a. No later than October 1, 2018, the Company will make a compliance filing ("2019 Compliance Filing") providing the following:
 - i. Revised Tariff sheets reflecting 2019 final rates, and
 - ii. Proposed customer notice,
 - b. The 2019 adjustments for full decoupling for the decoupled classes and the true-ups to actual sales for the non-decoupled classes, subject to the three percent cap, will be filed, as discussed in D below.
 - c. The Settling Parties may file comments to the 2019 Compliance Filing; provided, however, that such comments are consistent with the agreement of the Settling Parties pursuant to this Settlement.
 - d. 2019 final rates shall be effective as of January 1, 2019.

D. Implementation of Sales True-Up for 2017, 2018, and 2019:

The Settling Parties acknowledge and agree that the Sales True-Up contemplated by Section II.D of this Settlement shall be calculated consistent with the methodology used in Xcel's prior rate case (Docket No. E002/GR-13-868). The Settling Parties further acknowledge and agree that the decoupled classes shall be treated consistent with the Commission's orders regarding decoupling. The Settling Parties also agree that the sales true-up for 2017, 2018, and 2019 for the non-decoupled classes shall be implemented as follows:

1. No later than February 15 of each year of the Term following the Commission's final order in this Proceeding, the Company shall make a compliance filing with the Commission ("True-Up Compliance Filing") providing:
 - a. Actual sales data for the preceding year.
 - b. Calculation of the true-up amount (either positive or negative) for the non-decoupled classes consistent with Attachment 2 of this Settlement ("Annual True-Up amount"), subject to a three percent cap on increases in rates for these customer classes.
2. The Settling Parties may file comments to True-Up Compliance Filing; provided, however, that such comments are consistent with the agreement of the Settling Parties pursuant to this Settlement.
3. The Annual True-Up Amount shall be collected or refunded, as the case may be, over the 12 month period beginning April 1 of the year following the True-Up Compliance Filing (the "Amortization Year").
 - a. By way of example, the 2017 true-up for non-decoupled classes shall be calculated in the 2018 True-Up Compliance Filing and collected or refunded beginning April 1, 2018 through March 31, 2019.
 - b. By way of example, the 2018 true-up for non-decoupled classes shall be calculated in the 2019 True-Up Compliance Filing and collected or refunded beginning April 1, 2019 through March 31, 2020.
 - c. By way of example, the 2019 true-up for non-decoupled classes shall be calculated in the 2020 True-Up Compliance Filing and collected or refunded beginning April 1, 2020 through March 31, 2021.

Sales Forecast True-up Mechanism Schedule Attachment 2

The Non-Decoupled sales true-up mechanism will operate on a similar timetable to the Company's approved Decoupling mechanism, and will apply to classes not covered by the existing decoupling mechanism. The timing of compliance filings related to the measurement of actual weather normalized sales to those in base rates for the non-decoupled classes, the implementation of refunds or surcharge, and the cap on surcharges will follow the Company's approved Decoupling program. The Decoupling mechanism will be extended through 2019, and due to the 2016 true-up of all classes to actual weather normalized results, will be limited in 2016 to differences in revenues due to actual weather.

Steps to calculate 2016 Revenues and 2017 Final Rates:

1. After 2016 actual State of Minnesota jurisdictional sales are available in January 2017, the Company will provide the actual 2016 customer counts, weather-normalized sales, and resulting revenues in a compliance filing consistent with the method used in Docket No. E002/GR-13-868. Revenues will be calculated using rates currently in effect, excluding the interim rate factor. The use of sales and customer counts at rate code detail will capture the increase in firm service sales and revenue from customers that canceled or reduced their interruptible service contracts using the 2015 cancellation charge waiver.
2. 2016 actual weather-normalized revenues for all classes will be compared to 2016 test year present revenues to determine the sales true-up adjustment, either upward or downward.
3. The sales true-up adjustment will be incorporated into the final 2016 revenue deficiency at the completion of the case. The agreed-to settlement revenues are in addition to the sales true-up adjustment.
4. 2017 final rates will be calculated using the final 2017 revenue requirement and 2016 actual weather-normalized sales for all classes.

Steps to calculate 2017 Non-Decoupled Sales True up:

5. After 2017 actual sales are available in January 2018, the Company will provide the actual 2017 customer counts, weather-normalized sales, and resulting revenues by class for all classes in a compliance filing consistent with the method used in Docket No. E002/GR-13-868. Revenues will be calculated using final rates.
6. 2017 actual weather-normalized revenues for non-decoupled classes will be compared by class to 2017 test year final present revenues to determine the 2017 sales true-up adjustments, either upward or downward.

If the 2017 revenues are greater than the approved plan year level, the difference will be deferred as a regulatory liability and refunded to customers. If the 2017 revenues are lower than the approved

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plan year level, the difference up to the cap will be deferred as a regulatory asset and collected from customers. The cap is measured as 3 percent of the 2017 compliance base revenue excluding fuel and riders. The refund or collections are measured by class, and the caps will be applied at the class level. A refund or surcharge factor will be calculated for each class based on the deferral amount and the current sales forecast. These factors will be placed on customer bills effective April 1, 2018 for 12 months.

The sales true-up mechanism for 2018 and 2019 would work in the same manner as 2017, and will include any over or under collection from the prior year's true up.

MYRP Revenue Rider Schedule*
Attachment 3

Rider	Tariff Sheet No.
Fuel Clause Rider	5-91
Conservation Improvement Program Adjustment Rider	5-92
Surcharge Rider	5-93
Franchise and Other City Fees	5-93.1
Interim Rate Surcharge Rider	5-94
Low Income Energy Discount Rider	5-95
Residential Controlled Air Conditioning and Water Heating Rider	5-97
Commercial and Industrial Controlled Air Conditioning Rider	5-99
Off Season Load Rider	5-100
Standby Service Rider	5-101
Supplemental Generation Service Rider	5-108
Tier 1 Energy Controlled Service Rider	5-115
Revenue Decoupling Mechanism Rider	5-117
Area Development Rider	5-119
Competitive Response Rider	5-122
Tier 1 Peak Controlled Short Notice Rider	5-126
City Requested Facilities Surcharge Rider	5-131
Voluntary Renewable and High-Efficiency Energy Purchase (Windsources Program) Rider	5-134
WAPA Bill Crediting Program Rider	5-135
Mercury Cost Recovery Rider	5-136
Environmental Improvement Rider	5-137
Business Incentive and Sustainability Rider	5-139
State Energy Policy Rate Rider .	5-142
Renewable Development Fund Rider	5-143
Transmission Cost Recovery Rider**	5-144
Renewable Energy Standard Rider	5-146

* Based on MN Electric Tariff Sheet Section 5, 12th Revised Sheet No. TOC-2

**The Transmission Cost Recovery Rider will include Grid Modernization projects

Issues Resolved For Settlement Purposes Attachment 4

Revenue Requirements and MYRP Issues

1. Overall Revenue Requirements

Direct Testimony:

Chandarana (Xcel), pp. 35-79

Heuer (Xcel), entire

Burdick (Xcel), entire

Lusti (DOC), entire including Second Errata

2. Return on Equity*

Direct Testimony:

Coyne (Xcel), entire

Addonizio (DOC), pp. 1-33, 44-70, and Errata

Lebens (OAG), entire

LaConte (XLI), entire

Chriss (CG), pp. 7-17

Maini (MCC), p. 13

3. Overall Cost of Capital*

Direct Testimony:

Van Abel (Xcel), entire

Addonizio (DOC), pp. 34-44, 69-70, and Errata

4. Indexed ROE, Earnings Test and Sharing Mechanism

Direct Testimony:

Chandarana (Xcel), pp. 76-77

Coyne (Xcel), pp. 43-46

LaConte (XLI), pp. 17-23

5. Sales Forecast and True-up

Direct Testimony:

Marks (Xcel), entire

Burdick, pp. 9, 27-28, 41, 44 (true-up)

Shah (DOC), entire

OAG and AARP do not join in the Settlement

* Indicates items on which the OAG filed Direct Testimony and continues to dispute

** Indicates items on which OAG and AARP filed Direct testimony and continue to dispute

6. Overall Operations and Maintenance (O&M) Expenses and Use of Escalators

Direct Testimony:

Burdick (Xcel), pp. 30-37
Ouanes (DOC), entire – Use of escalators
Lusti (DOC) Second Errata Schedule DVL-9
Maini (MCC), pp. 3-10

7. Energy Supply O&M Expenses

Direct Testimony:

Mills (Xcel), pp. 68-106
Campbell (DOC), pp. 35-41, 101-102

8. Nuclear Non-Outage O&M Expenses

Direct Testimony:

O'Conner (Xcel Energy, pp. 126-162
Campbell (DOC), pp. 41-45, 102-103

9. Prairie Island Life Cycle Management Capital Costs

Direct Testimony:

O'Connor Direct (Xcel), pp. 56-61, 70-80, 83-103, 110-117, 121-124
Clark Supplemental (Xcel), entire
O'Connor Supplemental (Xcel), entire
Reed Supplemental (Xcel), entire
Weatherby Supplemental (Xcel), entire
Campbell (DOC), pp. 83-96, 109-110
Lusti (DOC) Second Errata Schedule DVL-9

10. Prairie Island Spent Fuel Storage Capital Costs

Direct Testimony:

O'Connor Direct (Xcel), pp. 58-61, 116-118
Campbell (DOC), pp. 80-83, 109
Lusti (DOC) Second Errata Schedule DVL-9

11. Prairie Island Settlement Payments

Direct Testimony:

Heuer (Xcel), p. 106
Campbell (DOC), pp. 61-64, 106

12. Prairie Island Reactor Coolant Pump Seals

Direct Testimony:

Schedin (MCC), pp. 4-5

13. Monticello Spent Fuel Storage Capital Costs

Direct Testimony:

O'Connor Direct (Xcel), pp. 58-69, 118-120
Campbell (DOC), pp. 77-80, 108
Lusti (DOC) Second Errata Schedule DVL-9

14. Monticello Cask 16

Direct Testimony:

O'Connor Direct (Xcel), pp. 58-69
Campbell (DOC), pp. 71-77, 107-108
Schedin (MCC), pp. 3-4
Ramas (XLI), pp. 6-10

15. Accumulated Deferred Income Taxes (ADIT)

Direct Testimony:

Perkett (Xcel), pp. 50-56
Campbell (DOC), pp. 12-25, 98-99

16. North Dakota Investment Tax Credits and Research and Experimentation (R&E) Tax Credits

Direct Testimony:

Heuer (Xcel), pp. 135-137
Campbell (DOC), pp. 27-35, 100-101
Maini (MCC), pp. 15-17

17. Minnesota Research and Experimentation (R&E) Tax Credits

Direct Testimony:

Heuer (Xcel), pp. 135-137
Campbell (DOC), pp. 25-27, 100

18. Protecting Americans from Tax Hikes (PATH) Act of 2015

Direct Testimony:

Perkett (Xcel), pp. 51-52
Campbell (DOC), pp. 10-12, 97-98

19. Property Taxes and True-up

Direct Testimony:

Chapman (Xcel), entire
Lusti (DOC), pp. 26-28
Lusti (DOC) Second Errata Schedule DVL-9

20. Health and Welfare Expenses
Direct Testimony:
Lowenthal (Xcel), entire
Campbell (DOC), pp. 48-52, 104
21. Annual Incentive Plan Expenses
Direct Testimony:
Lusti (DOC), pp. 29-31
Lusti (DOC) Second Errata Schedule DVL-9
22. 401 Nicollet Mall Building
Direct Testimony:
Perkett (Xcel), pp. 20-21
Campbell (DOC), pp. 53-58, 105
23. Cost Allocations -- Transco amortization
Direct Testimony:
Heuer (Xcel), p. 94
Campbell (DOC), pp. 45-46, 103
24. Cost Allocations -- Service Company
Direct Testimony:
Campbell (DOC), pp. 46-48, 103
25. Depreciation – Update for Remaining Lives Docket
Direct Testimony:
Perkett (Xcel), pp. 29-39
Campbell (DOC), pp. 4-7, 96
Lusti (DOC) Second Errata Schedule DVL-9
26. Changes to In-Service Dates – Transmission Projects
Direct Testimony:
Lusti (DOC), pp. 22-24
Lusti (DOC) Second Errata Schedule DVL-9
27. Changes to In-Service Dates -- Prairie Island Fire Protection
Direct Testimony:
Campbell (DOC), pp. 64-71, 106-107

28. Changes to In-Service Dates -- Mankato Energy Center II

Direct Testimony:

Campbell (DOC), pp. 7-10, 97
Lusti (DOC) Second Errata Schedule DVL-9
Maini (MCC), pp. 13-14
Ramas (XLI), pp. 5-6

29. Reclassification of Interruptible Sales to Firm

Direct Testimony:

Peirce (DOC), pp. 21-26, 31-32

30. Non-Asset Based Trading

Direct Testimony:

Heuer (Xcel), pp. 89-90
Campbell (DOC), pp. 58-61, 105

31. Transmission Studies

Direct Testimony:

Lusti (DOC), p. 26
Lusti (DOC) Second Errata Schedule DVL-9

32. Courtenay Wind Land Lease

Direct Testimony:

Campbell (DOC), pp. 39-41, 102

33. 2017 Capital Forecast*

Direct Testimony:

Robinson (Xcel), pp. 27-30
Mills (Xcel), pp. 41-50
Benson (Xcel), pp. 76-86
Bloch (Xcel), pp. 42-61
O'Connor (Xcel), pp. 108-115
Harkness (Xcel), pp. 96-103
Lindell (OAG), pp. 23-25

34. Construction Work in Progress (CWIP)/Allowance for Funds Used During Construction (AFUDC)*

Direct Testimony:

Perkett (Xcel), pp. 8-9
Lindell (OAG), pp. 39-50
Chriss (CG), pp. 14-16

35. Business Systems – Productivity Through Technology (PTT) Expenses*

Direct Testimony:

Harkness (Xcel), pp. 61-95

Lee (OAG), pp. 19-20

Ramas (XLI), pp. 10-17

36. Employee Expenses*

Direct Testimony:

O'Hara (Xcel), entire

Lee (OAG), pp. 14-28

37. Executive Compensation*

Direct Testimony:

Lindell (OAG), p. 13

38. Revenues From Asset Based Sales*

Direct Testimony:

Lindell (OAG), p. 19

39. Other Revenues – Three Year Average

Direct Testimony:

Ramas (XLI), pp. 3-5

40. Interest Rate on Interim Rate Refund*

Direct Testimony:

Lindell (OAG), pp. 20-26

41. Depreciation Reserve Amortization*

Direct Testimony:

Chandarana (Xcel), pp. 35-37

Perkett (Xcel), pp. 43-47

Heuer (Xcel), pp. 11-12

Lindell (OAG), pp. 26-33

42. Wholesale Jurisdictional Allocation*

Direct Testimony:

Lindell (OAG), pp. 34-38

43. Nuclear Refueling Outage Accounting*
- Direct Testimony:
- Lindell (OAG), pp. 16-19, 54-56
44. Revenue Requirement for Fuel and Purchased Fuel*
- Direct Testimony:
- Lindell (OAG), pp. 56
45. MCC and EEI Dues (Lobbying)*
- Direct Testimony:
- Lindell (OAG), pp. 57
46. Rate Case Expense Amortization
- Direct Testimony:
- Heuer (Xcel), pp. 92-93
Lusti (DOC), pp. 24-26
Lusti (DOC) Second Errata Schedule DVL-9
47. Annual Compliance Filings on Cost of Debt and Capital Structure
- Direct Testimony:
- Addonizio (DOC), pp. 42-44, 69 and Errata
48. Interest Synchronization and Cash Working Capital
- Direct Testimony:
- Lusti (DOC), p. 32
49. Length of MYRP**
- Direct Testimony:
- Lindell (OAG), pp. 20-26
Nelson (OAG), pp. 3-13
Pollock (XLI), pp. 37-42
Maini (MCC), p. 2
Chriss (CG), pp. 7-13
Brockway (AARP), pp. 17-27
50. Performance Metrics*
- Direct Testimony:
- Chandarana (Xcel), pp. 55-57
Peirce (DOC), pp. 27-32
Nelson (OAG), pp. 3-13

51. Riders during MYRP

Direct Testimony:

Chandarana (Xcel), pp. 58-62
Heuer (Xcel), pp. 94-99
O'Connell (DOC), pp. 25-31, 33
Pollock (XLI), pp. 37-42
Maini (MCC) p. 15

52. Capital Projects True-Up

Direct Testimony:

Chandarana (Xcel), pp. 49-50
Burdick (Xcel), pp. 16-19, 42-43
Maini (MCC), pp. 10-13

53. Fuel Clause Adjustment (FCA)*

Direct Testimony:

O'Connell (DOC), pp. 6-33 (Issue is deferred)
Lindell (OAG), pp. 50-54

54. Decoupling During a MYRP

Direct Testimony:

Peterson (Xcel), entire
Davis (DOC), entire

Specific Rate Design and Other Issues

55. Low-Income/Medical Needs Discount Program

Direct Testimony:

Gersack (Xcel), pp. 35-37
Peirce (DOC), pp. 18-21
Marshall (ECC), pp. 4-11

56. LED Street Lighting

Direct Testimony:

Schedin (SRA, City), pp. 2-15

57. Billing Format Issues

Direct Testimony:

Schedin (MCC), pp. 28-29

58. Service Reliability (Non-Revenue Requirements)

Direct Testimony:

Schedin (MCC), pp. 11-17, 29-30

59. Key Performance Indicators and Incentives

Direct Testimony:

Schedin (MCC), pp. 6-8 Generation Performance

Schedin (MCC), pp. 8-11 Transmission Performance

60. Bill Documentation for Manual Bills

Direct Testimony:

Maini (MCC), pp. 50

Compliance Measurements Attachment 5

For reference in related filings purposes during the Term of the Settlement, the following values will be used.

1. Cost of Capital

The Settling Parties agree and recommend that the Commission allow Xcel Energy to represent its authorized cost of capital components as they are set forth in Attachment 5, which is the capital structure proposed by Xcel Energy in its initial filing (other than ROE), as follows:

	2016			2017		
	Rate	Ratio	Wtd Cost	Rate	Ratio	Wtd Cost
Short Term Debt	1.84%	1.26%	0.02%	3.57%	1.46%	0.05%
Long Term Debt	4.81%	46.24%	2.22%	4.81%	46.04%	2.21%
Common Equity	9.20%	52.50%	4.83%	9.20%	52.50%	4.83%
Total			7.07%			7.09%

	2018			2019		
	Rate	Ratio	Wtd Cost	Rate	Ratio	Wtd Cost
Short Term Debt	4.45%	1.09%	0.05%	4.31%	1.69%	0.07%
Long Term Debt	4.77%	46.41%	2.21%	4.75%	45.81%	2.18%
Common Equity	9.20%	52.50%	4.83%	9.20%	52.50%	4.83%
Total			7.09%			7.08%

Northern States Power Company

2. Non-Decoupled Revenue Growth

For each year of the Term, non-decoupled sales true-ups will be compared against these assumed growth levels based on the application Vol. 4B, Workpaper M4 and Lusti Direct, DVL-9 second errata, lines 41-42. For 2017 and 2018 the information is as follows:

\$000s, cumulative	2017	2018
Small C&I Growth	4,424	7,418
Large C&I Growth	403	2,571
OSPA Growth	-61	-73
TOTAL	4,766	9,916

The Company and Department agree to work cooperatively to develop the appropriate figures for 2019.

3. Net Operating Loss

The Company and Department agree to work cooperatively to develop the appropriate measures.

4. AIP recovery level

For annual AIP compliance reports, the following levels are understood to be recovered in rates for 2016-2019:

	2016	2017	2018	2019
AIP Recovery	\$19,393,351	\$19,978,122	\$20,589,135	\$21,291,285

5. All Other

Any difference to arrive at the Settlement outcome revenues will be shown as Other Revenue.

AGREED TO BY:



Aakash Chandarana
Regional Vice President,
Northern States Power Company d/b/a Xcel Energy

8/16/16
Date

Bill Grant
Deputy Commissioner,
Department of Commerce

Date

Andrew Moratzka
On behalf of Xcel Large Industrials

Date

Richard Savelkoul
On behalf of Minnesota Chamber of Commerce

Date

Alan Jenkins
On behalf of Commercial Group

Date

Peder Larson
On behalf of ICI Group


Date

Northern States Power Company

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Aakash Chandarana
Regional Vice President,
Northern States Power Company d/b/a Xcel Energy

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Deputy Commissioner,
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Northern States Power Company

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Regional Vice President,
Northern States Power Company d/b/a Xcel Energy

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Regional Vice President,
Northern States Power Company d/b/a Xcel Energy

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Bill Grant
Deputy Commissioner,
Department of Commerce

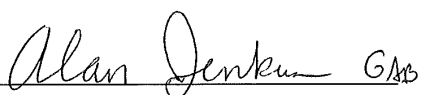
Date

Andrew Moratzka
On behalf of Xcel Large Industrials

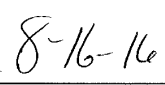
Date

Richard Savelkoul
On behalf of Minnesota Chamber of Commerce

Date



Alan Jenkins
On behalf of Commercial Group



Date

Peder Larson
On behalf of ICI Group

Date

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Aakash Chandarana
Regional Vice President,
Northern States Power Company d/b/a Xcel Energy

Date

Bill Grant
Deputy Commissioner,
Department of Commerce

Date

Andrew Moratzka
On behalf of Xcel Large Industrials

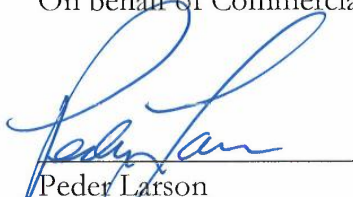
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Richard Savelkoul
On behalf of Minnesota Chamber of Commerce

Date

Alan Jenkins
On behalf of Commercial Group

Date



Peder Larson
On behalf of ICI Group

8-16-2016
Date

Pam Marshall

8/16/16

Pam Marshall
On behalf of Energy CENTS Coalition

Date

James Strommen
On behalf of Suburban Rate Authority

Date

Corey M. Conover

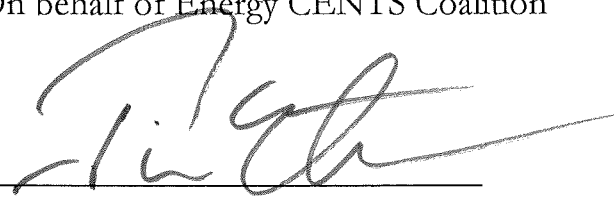
Corey Conover
On behalf of City of Minneapolis

8/31/2016

Date

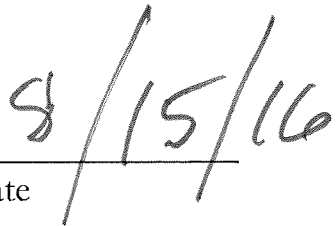
Northern States Power Company

Pam Marshall
On behalf of Energy CENTS Coalition



James Strommen
On behalf of Suburban Rate Authority

Date



Date

Corey Conover
On behalf of City of Minneapolis

Date

CERTIFICATE OF SERVICE

I, Carl Cronin, hereby certify that I have this day served copies or summaries of the foregoing document on the attached list(s) of persons.

xx by depositing a true and correct copy thereof, properly enveloped
with postage paid in the United States Mail at Minneapolis, Minnesota

or

xx electronic filing

Docket No. E002/GR-15-826
OAH Docket 19-2500-33074

Dated this 16th day of August 2016

/s/

Carl Cronin
Regulatory Administrator

Northern States Power Company

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Northern States Power Company

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KEYES, FOX & WIEDMAN^{LLP}

July 13, 2016

The Honorable Jeanne Cochran
Administrative Law Judge
600 North Robert Street
P.O. Box 64620
St. Paul, MN 55164-0620

VIA ELECTRONIC SERVICE

Re: *In the Matter of the Application of Northern States Power Company for Authority
to Increase Rates for Electric Service in the State of Minnesota*
PUC Docket No.: E-002/GR-15-826
OAH Docket No.: 19-2500-33074

Dear Judge Cochran,

The Energy Freedom Coalition of America (“EFCA”) has decided not to participate in the mediation and will not oppose any stipulation or settlement that is reached as a result. Please contact me if you have any questions or concerns.

Sincerely,

/s/ Jacob Schlesinger
Jacob Schlesinger
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JS/pj