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Xcel Energy

Data Request No. 1-2

Docket No.: GE20-002

Response To: South Dakota Public Utilities Commission

Requestor: Commission Staff

Date Received: May 8, 2020

Question:

Provide any accounting standards the utility must follow regarding deferred accounting treatment and likelihood of future cost recovery. Confirm the Company must determine cost recovery is probable and the Commission need not make a determination at this time regarding probable recovery, especially in light of the uncertainty regarding magnitude of the costs. Confirm that the Company acknowledges that the deferral accounting method and the resulting creation of a regulatory asset does not speak to the likelihood of any future cost recovery to be approved by the Commission.

Response:

Topic 980 *Regulated Operations* of FASB's Accounting Standards Codification allows a regulated entity to defer to a regulatory asset an incurred cost that would otherwise be expensed if it is probable that future revenue in an amount at least equal to the incurred cost will result from the inclusion of that cost in ratemaking.

The Company evaluates the amounts eligible for deferral each month. With respect to amounts deferred in previous periods, if the Company believes recovery of the deferred amount is no longer probable, the Company will write the regulatory asset off to expense.

The Company evaluates probability of recovery based on several factors such as regulatory commission guidance, past experience, or experience of a peer utility. The Company acknowledges that a deferral order does not preclude Commission review of any future cost recovery for reasonableness.

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