



414 Nicollet Mall
Minneapolis, MN 55401

September 8, 2014

—Via Electronic Filing—

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: REPLY COMMENTS
REQUEST FOR NEW AREA SURCHARGE
DOCKET NO. G002/M-14-583

Dear Dr. Haar:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Reply to the August 27, 2014 Comments of the Minnesota Department of Commerce – Division of Energy Resources on our Petition for Approval of New Area Surcharge (NAS) Riders for the cities of Barnesville, Holdingford, Pillager, and surrounding areas.

Pursuant to Minn. Stat. §216.17, subd. 3, we have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on all parties on the attached service list. Please contact Pamela Gibbs at pamela.k.gibbs@xcelenergy.com or (612) 330-2889 or me at paul.lehman@xcelenergy.com or (612) 330-7529 if you have any questions regarding this filing.

Sincerely,

/s/

PAUL J LEHMAN
MANAGER
REGULATORY COMPLIANCE AND FILINGS

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David Boyd	Commissioner
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY
FOR APPROVAL OF NEW AREA
SURCHARGE RIDERS FOR BARNESVILLE,
HOLDINGFORD, AND PILLAGER

DOCKET No. G002/M-14-583

REPLY COMMENTS

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Reply to the August 27, 2014 Response Comments of the Minnesota Department of Commerce – Division of Energy Resources on our Petition for Approval of New Area Surcharge (NAS) Riders for the cities of Barnesville, Holdingford, Pillager, and surrounding areas.

We thank the Department for their additional review of our petition and appreciate their recommendation for approval of our NAS Riders. In this reply to their Response Comments we address their remaining concerns with our proposed tariff modification.

REPLY

The Department states in its Response Comments that it:

...continues to have reservations regarding the use of the NAS in cases in which another entity constructs the transmission line that will serve the new area and enters into a transportation agreement with the Company.

In addressing this concern, the Department proposes that:

If this approach is used for other service extensions in the future, the Department feels it

would be best if the approach is evaluated, and the tariff potentially amended, on a case-by-case basis.

While we understand the Department's concerns, we prefer that the tariff language modification not be project specific and only be done on a case-by-case basis. Given our work this year investigating gas service extension projects, we believe that there will be very few service extension projects that will be economically viable without a third party (such as Greater Minnesota Transmission) building and owning the transmission pipeline to the new distribution areas that the Company will own.

In order to determine if it would be appropriate to file for a NAS Rider, we must discuss service extension projects with communities to determine their interest in the project. Communities need to know definitively what the costs will be to customers when making their decision. It would be difficult to propose new projects when we are not reasonably certain that the NAS Rider recovery method will be allowed. If the community is not interested in taking natural gas service from the Company with the estimated customer costs included in the proposal to the community, it is not productive to file an NAS Rider petition.

Our revision to the Department's proposed tariff modification recommendation is as follows:

Operating Expenses. Operating expenses includes provisions for transmission and distribution system operation and maintenance expenses, and provisions to cover customer accounting expenses such as meter reading, customer accounting and collection. Property taxes are also included as a component of operating expenses. ~~All~~ Components of operating expense herein are driven by the amount of plant in service additions needed to extend service. Capacity entitlements contracted only for the purpose of extending service may also be included. (Column 3).

We acknowledge the Department's discomfort with including capacity entitlement contracts in the NAS Rider rate. This type of cost was certainly not contemplated when the rider was created 20 years ago and does not fit neatly into the existing NAS tariff. The Department's concern that transportation service providers would move cost overruns associated with a current project to a future contract is speculative. In the case of GMT and GMG it is our understanding that all service extension costs that are included in the project specific 15 year contracts, and cost overruns (if any), would be covered by GMT/GMT so that potential future outcome is not a concern for the agreements here. Moreover, GMT is an intrastate pipeline whose rates and

services are regulated by the Commission, so the Commission has the authority to consider any inter-project cost shifting proposals. As with all transportation service contracts, the Company will negotiate to get the best terms we can for our customers. Unlike interstate entitlements, the GMT intrastate transportation services were purchased to deliver gas to discrete project specific areas. We continue to believe that the NAS Rider is the appropriate way to recover the service extension costs.

In addition, we are aware that the Legislature is looking at what it can do to help bring natural gas service to rural Minnesota. We are following the progress of the discussions and realize that their actions could affect how we will be able to recover costs of future service extension projects.

CONCLUSION

The Company continues to support our NAS Riders as filed, with the exception of changing the Barnesville residential class surcharge to \$23.99 as recommended by the Department and modifying some tariff language as we have proposed above.

Dated: September 8, 2014

Northern States Power Company

CERTIFICATE OF SERVICE

I, SaGonna T. Thompson, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

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

xx electronic filing

Docket Nos. G002/M-14-583
New Area Surcharge Riders for Barnesville,
Holdingsford and Pillager

Dated this 8th day of September 2014

/s/

SaGonna T. Thompson
Regulatory Administrator

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