



414 Nicollet Mall
Minneapolis, MN 55401

May 18, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

—Via Electronic Filing—

Re: CORRECTION - REPLY COMMENTS
2015/2016 NATURAL GAS CIP ADJUSTMENT FACTOR
DOCKET NO. G002/M-15-321

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this brief Reply to the Comments of the Minnesota Department of Commerce, Division of Energy Resources on our Petition for approval of a gas Conservation Improvement Program (CIP) Adjustment Factor. Please note this is a correction to our filing earlier today to correct an error in the certificate of service used.

REPLY

We appreciate and agree with the Department's recommendation to approve the 2014 gas CIP Tracker activity as filed and CIP financial incentives of \$5,781,193 for our 2014 DSM performance. Below we provide additional responses regarding the gas CIP Adjustment Factor and the decision to book the 2013 financial incentive in January 2015.

A. 2015/2016 Gas CIP Adjustment Factor

We provide, as Attachment A, an update of the 2015/2016 gas CIP Adjustment Factor incorporating changes since our April 1 Petition, which includes:

- Actual Tracker activity through April 2015

To reduce the Tracker to approximately \$0 by the end of September 2016, we propose a revised CIP Adjustment Factor of **\$0.20902** per Dth. The actual projected end-of-month balance for September 2016 is \$286, the positive balance closest to zero given the digit limitations of our billing system.

B. Decision to Book 2013 Incentive in January, 2015

We appreciate the Department's request to gain clarity around the decision to book the 2013 Incentive in January 2015. Upon request of the Department, we provide as Attachment B, the effect on the gas CIP Adjustment Factor of booking the 2013 Incentive in December 2014 and an explanation as to why the Company decided to book this incentive in January

C. Conclusion

We thank the Department for their thoughtful review of our Petition. Upon receiving the Commission Order, we agree to file a compliance filing within 10 days of the issue date of the Order which will include any necessary calculations, updated tariff sheets and an updated bill message referencing the approved rate and effective date.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact Chris Barthol at christopher.barthol@xcelenergy.com or (612)-321-3237 or me at shawn.m.white@xcelenergy.com or (612)-330-6096 if you have any questions regarding this filing.

Sincerely,

/s/

SHAWN WHITE
MANAGER
DSM REGULATORY STRATEGY AND PLANNING

Enclosures
c: Service List

**Northern States Power Company
a Minnesota corporation
2015-2016 CIP Adjustment Factor Calculation**

The CIP Adjustment Factor, or Conservation Cost Recovery Adjustment (CCRA), calculation has been updated using actual data through April 2015. The calculation assumes Commission approval in September 2015 of the 2014 financial incentive, the CIP Tracker, and the CCRA with an effective date of October 1, 2015. We have calculated the CCRA to achieve a near \$0 balance by September 30, 2016.

As in the past, Xcel Energy will include a message referencing the change in the CIP Adjustment Factor in customers' bills. In the event that Commission approval of the proposed adjustment is delayed beyond September 21, 2015 (in order to implement the rate change by October 1), the Company will continue to apply the current CIP Adjustment of \$0.0862 per Dth up to the first cycle of the first full billing period following Commission approval of a revised factor.

Calculation of Revised Gas CIP Adjustment Factor

Forecasted beginning balance (Oct 2015)	\$1,605,044
Approved expenditures (Oct 2015 - Sept 2016)	\$14,026,236
Forecasted 2015 incentive	\$3,670,701
Less forecasted CCRC recovery (Oct 2015 - Sept 2016)	\$2,646,693
Forecasted Sept 30, 2016 balance	\$16,655,287

(1) Forecasted September 30, 2016 Gas CIP Tracker Balance	\$16,655,287
<u>(2) Forecasted Gas Sales in Dth (Oct 2015 - Sept 2016)</u>	<u>73,747,738</u>
(3) Recalculated Gas CIP Adjustment Rate = (1) / (2)	\$0.22584/Dth

The above calculated balance does not include carrying charges. To include carrying charges, we used the CIP Trackers to calculate the optimal rate of **\$0.20902 per Dth**, which results in a \$286 end-of-month balance for September 2016. This is the positive balance closest to zero that we can model, given the digit limitations in our billing system. The updated 2015 and 2016 Gas CIP Trackers are shown below.

2015 Gas CIP Tracker Forecast
Actual and Forecasted 2015 CIP Tracker balance.

Northern States Power Company, a Minnesota corporation													
State of Minnesota - Gas Utility													
DSM Cost Recovery and Incentive Mechanism													
Tracker and Balance (\$)													
2015 Forecast													
EXPENSES	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Forecast	Jun Forecast	Jul Forecast	Aug Forecast	Sept Forecast	Oct Forecast	Nov Forecast	Dec Forecast	Total
1. Balance	(\$12,398,883)	(\$7,191,916)	(\$7,542,730)	(\$7,697,479)	(\$7,335,239)	(\$7,088,720)	(\$6,347,864)	(\$5,571,228)	(\$4,955,475)	\$1,605,044	\$1,751,993	\$865,590	14,579,255
2. CIP Program Expenditures	1,420,128	1,437,830	1,054,076	1,017,624	810,546	1,060,469	1,068,816	924,452	1,105,980	1,241,393	1,169,098	2,268,843	11,198,129
3. 2013/14 Performance Incentive	5,416,936								5,781,193				
4. Total Expenses (Line 1 + 2 + 3)	(5,561,819)	(5,754,086)	(6,488,655)	(6,679,856)	(6,524,693)	(6,008,251)	(5,279,048)	(4,646,776)	1,831,698	2,846,437	2,921,091	3,134,433	
RECOVERY													
5. CCRC Rate (\$/Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524
6. CCRC Cost Recovery	613,517	673,276	454,375	245,559	203,592	126,612	108,901	115,289	123,701	219,606	412,127	585,955	3,882,511
7. CIP Adjustment Factor Rate (\$/Dth)	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642
8. CIP Adjustment Factor Recovery	1,011,835	1,110,392	749,371	404,985	335,772	208,813	179,604	190,140	204,012	875,994	1,643,945	2,337,335	9,252,198
9. Total Recovery (Line 6 + 8)	1,625,352	1,783,668	1,203,746	650,544	539,364	335,426	288,505	305,429	327,714	1,095,600	2,066,072	2,923,290	13,134,709
10. Rate Refund	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9)	(7,187,171)	(7,537,754)	(7,692,401)	(7,330,399)	(7,064,056)	(6,343,676)	(5,567,553)	(4,952,205)	(4,603,985)	(1,750,837)	(865,019)	(211,143)	
12. Accum Deferred Tax (Line 11 * 41.37%)	(2,973,333)	(3,118,369)	(3,182,346)	(3,032,586)	(2,922,400)	(2,624,379)	(2,303,297)	(2,048,727)	(1,663,568)	(724,321)	(357,858)	(87,350)	
13. Net Investment (Line 11-12)	(4,213,838)	(4,419,385)	(4,510,055)	(4,297,813)	(4,141,656)	(3,719,297)	(3,264,256)	(2,903,478)	(2,630,416)	(1,026,516)	(507,161)	(123,793)	
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(4,745)	(4,976)	(5,078)	(4,839)	(4,664)	(4,188)	(3,676)	(3,269)	(2,859)	(1,156)	(571)	(139)	(32,510)
15. End of Month Balance (Line 11-14)	(7,191,916)	(7,542,730)	(7,697,479)	(7,335,239)	(7,068,720)	(6,347,864)	(5,571,228)	(4,955,475)	1,805,044	1,751,993	865,590	211,282	

2016 Gas CIP Tracker Forecast

Forecasted 2016 CIP Tracker balance, assuming we receive cost recovery at the proposed Adjustment Factor.

Northern States Power Company, a Minnesota corporation State of Minnesota - Gas Utility DSM Cost Recovery and Incentive Mechanism Tracker and Balance (\$) 2016 Forecast									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
EXPENSES									
1. Balance	\$211,282	(\$2,574,370)	(\$4,171,162)	(\$5,292,151)	(\$5,516,820)	(\$5,618,963)	(\$5,082,298)	(\$4,576,972)	(\$4,193,203)
2. CIP Program Expenditures	622,987	1,303,026	1,177,757	1,272,868	810,546	1,060,469	1,068,816	924,452	1,105,980
3. 2015 Performance Incentive									3,670,701
4. Total Expenses (Line 1 + 2 + 3)	834,269	(1,271,344)	(2,993,404)	(4,019,283)	(4,706,274)	(4,558,493)	(4,013,482)	(3,652,520)	583,478
RECOVERY									
5. CCRC Rate (\$/Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524
6. CCRC Cost Recovery	682,900	580,699	460,070	299,442	182,200	104,321	112,343	107,822	116,897
7. CIP Adjustment Factor Rate (\$/Dth)	0.20902	0.20902	0.20902	0.20902	0.20902	0.20902	0.20902	0.20902	0.20902
8. CIP Adjustment Factor Recovery	2,724,041	2,316,367	1,835,186	1,194,454	726,782	416,130	448,128	430,095	466,295
9. Total Recovery (Line 6 + 8)	3,406,940	2,897,066	2,295,255	1,493,897	908,982	520,452	560,470	537,917	583,192
10. Rate Refund	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9)	(2,572,671)	(4,168,410)	(5,288,660)	(5,513,180)	(5,615,256)	(5,078,945)	(4,573,952)	(4,190,437)	286
12. Accum. Deferred Tax (Line 11 * 41.37%)	(1,064,314)	(1,724,471)	(2,187,919)	(2,280,803)	(2,323,031)	(2,101,160)	(1,892,244)	(1,733,584)	118
13. Net Investment (Line 11-12)	(1,508,357)	(2,443,939)	(3,100,741)	(3,232,377)	(3,292,224)	(2,977,785)	(2,681,708)	(2,456,853)	167
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(1,698)	(2,752)	(3,491)	(3,640)	(3,707)	(3,353)	(3,020)	(2,766)	0
15. End of Month Balance (Line 11+14)	(2,574,370)	(4,171,162)	(5,292,151)	(5,516,820)	(5,618,963)	(5,082,298)	(4,576,972)	(4,193,203)	286

**Northern States Power Company,
a Minnesota corporation
Decision to Book 2013 Incentive in January, 2015**

Historically, it has been the Company's practice to book the financial incentive in the month following the Commission's approval of the CIP adjustment factor. For instance, in the Commission's order on Nov. 25, 2013 in Docket G002/M-13-248, the Commission approved the 2013/2014 Conservation Improvement Program Adjustment Factor with an effective date of December 1, 2013. Due to this decision occurring in late November, the Company booked the incentive in December of that year.

In Docket No. G002/M-14-288, the Commission approved the CIP adjustment factor on December 17, 2014 with an effective date of January 1, 2015. Therefore, the Company has decided to book the 2013 incentive in January 2015 for this filing.

The table below illustrates the impact of booking the 2013 financial incentive in December 2014.

Calculation of Natural Gas CIP Adjustment Factor with 2013 Incentive Booked in December 2014

Forecasted beginning balance (Oct 2015)	\$1,635,407
Approved expenditures (Oct 2015 - Sept 2016)	\$14,026,236
Forecasted 2015 incentive	\$3,670,701
Less forecasted CCRC recovery (Oct 2015 - Sept 2016)	\$2,646,693
Forecasted Sept 30, 2016 balance	\$16,685,651

(1) Forecasted September 30, 2016 Gas CIP Tracker Balance	\$16,685,651
(2) Forecasted Gas Sales in Dth (Oct 2015 - Sept 2016)	73,747,738
(3) Recalculated Gas CIP Adjustment Rate = (1) / (2)	\$0.22625/Dth

The above calculated balance does not include carrying charges. To include carrying charges, we used the CIP Trackers to calculate the optimal rate of **\$0.20943 per Dth**, which results in a \$495 end-of-month balance for September 2016. This rate is higher than when the incentive is booked in January 2015, because customers would be paying more in carrying charges with the incentive being booked a month earlier.