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February 10, 2010

**PUBLIC DOCUMENT- TRADE SECRET  
DATA HAS BEEN EXCISED**

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
350 Metro Square Building  
121 7th Place East  
St. Paul, Minnesota 55101-2147

RE: **PUBLIC Comments of the Minnesota Office of Energy Security**  
Docket No. G002/M-09-1287

Dear Dr. Haar:

Attached are the PUBLIC *Comments* of the Minnesota Office of Energy Security (OES) in the following matter:

Petition of Northern States Power Company, a Minnesota Corporation (Xcel or the Company), for Approval of Changes in Contract Demand Entitlements.

The petition was filed on November 2, 2009. The petitioner on behalf of Xcel is:

Allen D. Krug  
Managing Director, Government and Regulatory Affairs  
Xcel Energy Services Inc.  
414 Nicollet Mall--7th Floor  
Minneapolis, MN 55401  
612-330-6270

The OES recommends that the Commission **withhold approval** at this time of Xcel's petition for changes in demand entitlements until the Company provides in reply comments additional information requested by the OES. The OES will review Xcel's reply comments and provide final comments to the Commission.

The OES is available to answer any questions the Commission may have.

Sincerely,

/s/ MARLON GRIFFING  
Financial Analyst

MG/sm  
Attachment



**PUBLIC DOCUMENT**

**BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

**PUBLIC COMMENTS OF THE  
MINNESOTA OFFICE OF ENERGY SECURITY**

**DOCKET NO. G002/M-09-1287**

**I. SUMMARY OF XCEL ENERGY'S REQUEST**

Pursuant to Minnesota Statute § 216B.16, subd. 7, and Minnesota Rules 7825.2910, subpart 2, 7825.3100, subpart 9 and 7825.3200, Northern States Power Company, a Minnesota Corporation (Xcel or the Company), filed a demand entitlement petition (Petition) on November 2, 2009.

In its Petition, Xcel requests approval from the Minnesota Public Utilities Commission (Commission) to implement its proposed 2009-2010 Natural Gas Heating Season Supply Plan effective November 1, 2009. The Company requests that adjustments in firm contract demand entitlements provisionally included in the Company's purchased gas adjustment (PGA) be effective that same date. Xcel requests changes in its firm pipeline demand entitlement levels<sup>1</sup> as follows:

- increase its total Design-Day requirement by 9,482 dekatherms (Dth);
- increase the resources used to meet the Design-Day requirement;
- increase its reserve margin by 15,796 Dth;
- change the Jurisdictional Allocations between Minnesota and North Dakota to reflect usage patterns; and
- change its Supply Reservation fees.

Xcel also requests approval to recover certain Producer Demand and Storage costs in the Company's monthly PGA, effective with the November 1, 2009 billings. The proposal is a carryover of a plan first presented in the Company's 2007-2008 demand-entitlement filing,

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<sup>1</sup> The entitlement levels discussed in Xcel's system filing are the combined entitlements for the Company's Minnesota and North Dakota jurisdictions. Minnesota's portion of the entitlements is the total combined entitlements times the Minnesota allocation factor discussed below. The OES has included OES Attachment 1, which shows the effect of the demand entitlement changes in the Minnesota jurisdiction.

Docket No. G002/M-07-1395 (2007-2008 Demand Entitlement). The proposal reflects Xcel's assessment of which demand-entitlement costs associated with transportation capacity and third-party supply reservation levels should be assigned to interruptible customers.

Finally, Xcel has provided a summary of hedging transactions in place for the 2009-2010 heating season in response to reporting requirements established in the Commission's May 27, 2008 Order in Docket No. G002/M-08-46.

## II. OES ANALYSIS OF XCEL'S REQUEST

The Minnesota Office of Energy Security's (OES) analysis of the Company's request includes a description and an evaluation of the Company's demand-entitlement petition and the amendment. The OES separately discusses each part of the Company's request. Based on its investigation, the OES concludes that the Company's proposed 2009-2010 demand entitlement level is appropriate.

### A. XCEL'S PROPOSED DESIGN-DAY LEVELS

#### 1. Xcel's Customer Base

Xcel made minor modifications to its service areas from the 2008-2009 heating season to the 2009-2010 heating season. The Company combined the very small Metro West and very large Metro East service areas into one Metro service area.<sup>2</sup> In addition, Xcel split off a discrete block of customers from the Paynesville service area to create a new Brainerd service area.<sup>3</sup> Otherwise, Xcel's service areas each cover the same geographic area in 2009-2010 as they did the previous heating season.

#### 2. Xcel Forecast

The Company applies two forecast methodologies to arrive at its estimate of its Design Day requirement forecast for 2009-2010. One is the Actual Peak Use per Customer Design Day (UPC DD), while the other is the Average Monthly Design Day (Avg. Monthly DD). The Company has employed these techniques in its last several demand entitlement filings. In its analysis of Xcel's forecast methods, the OES assesses the impact that the aforementioned changes in service areas have on the estimates as well as the foundations of the methodologies.

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<sup>2</sup> The 2008-2009 forecast for Metro West was 127 customers and peak-day consumption of 207 Dth. The forecast for Metro East for the same period was 305,581 customers and 494,441 Dth. The instant filing states that the customer forecast for the Metro service area is 306,957 customers and 502,239 Dth.

<sup>3</sup> Paynesville had 53,151 customers and peak-day consumption of 84,380 Dth in the 2008-2009 forecast. The revised 2009-2010 Paynesville service area forecasts 39,967 customers and peak-day demand of 67,461 Dth, while the new Brainerd service area customer estimate is 14,263 and the peak-day demand estimate is 17,588 Dth. When the 2009-2010 values for the two service areas are summed, the customer prediction is 54,230 and the peak-day demand forecast is 85,049 Dth. These summed values are consistent with the forecasted values for Paynesville in 2008-2009,

*a. Actual Peak Use per Customer Design Day*

The UPC DD method employs a use-per-customer number of 1.57393 Dth to find the Design Day demand forecast. The Company derives this value from usage data on Thursday, January 29, 2004, the coldest day in recent years. The OES notes that this usage value has been used by the Company in demand entitlement dockets subsequent to 2004. The 1.57393 value is multiplied by estimates of total customers to arrive at the total expected Design-Day demand for the Xcel system. Thus, the way customers are distributed among service areas does not affect the aggregate forecasts produced by the UPC DD method because the total number of customers and the resulting total volume is unchanged no matter where the customers are assigned.

*b. Average Monthly Design Day*

The Avg. Monthly DD method is a statistical method that uses linear regression to estimate Design-Day demand. Because Xcel has performed regression analyses on each demand area for both residential and commercial customers, the coefficients used to estimate use per customer vary from service area to service area. Consequently, the shifting of customers among demand areas can affect the aggregate forecasts produced by the Avg. Monthly DD method.

The OES notes that folding the Metro West service area into the Metro East service area has no effect on the forecasting outcome. The degree days input factor of 91 for the Avg. Monthly DD method was the same for the two service areas in the 2008-2009 forecast. That degree-day value is also the input factor in the 2009-2010 forecast.

However, breaking off part of the 2008-2009 Paynesville service area to form a Brainerd service area does affect the forecast produced by the Avg. Monthly DD method. The degree days input for Paynesville is 94, while the Brainerd value is 91 degree days. Thus, the customers in the 2009-2010 Brainerd service area produce a forecast amount that is smaller than would have been produced if they had remained in an unaltered Paynesville service area. The OES notes that the forecast for the Brainerd customers is quite likely more accurate than the previous year's forecast for this group since the degree-day value more closely matches experience in the area.

The OES conducted informal telephone conversations with the Xcel to discuss the magnitude of the change that partitioning the 2008-2009 Paynesville service area had on the forecast. The Company stated that the forecast for the 2009-2010 Brainerd service area is 522 Dth smaller than it would have been if the degree days input used in the Avg. Monthly DD method had remained at 94 instead of declining to 91. The Company's representatives further explained that since the Avg. Monthly DD method's role in forecasting is to apportion the aggregate predicted Design Day demand among the service areas, that the Design Day total demand is unaffected. Rather, the 522 Dth decline for the Brainerd service area is spread among the other service areas with the value assigned to a given service area depending upon a that service area's share of the total demand as derived from the Avg. Monthly DD method.

*c. Average Monthly Design Day Reliability*

Xcel Energy notes that only 46 months of data are available as inputs for the Avg. Monthly DD method. The Company states that this number of data points is less than the 60 months it would prefer to use as data points in its statistical analysis. However, structural revisions to the Company's demand-area regions in 2005 (described in its 2008-2009 Demand Entitlement filing and different from the changes in the current filing) mean that the data for the service areas are consistent only back to that year. The OES notes that Xcel has been increasing the data points each year in its Demand Entitlement filings and expects that the Company will get to 60 data points in the 2011-2012 filing.

The Company, therefore, points to the R-squared values for customer groups within the various service areas as a way evaluating the reliability of the forecasts. The R-squared value is a measure of how well a particular model and its inputs "explains" the outcome of a regression. The OES agrees that the R-squared value is a good, though imperfect, standard for measuring the reliability of a particular forecast.

Xcel applies the Avg. Monthly DD method to the Residential and Commercial customer classes for the 15 service areas to which the Company provides natural gas. Twelve of these service areas are in Minnesota and three in North Dakota. Thus, there are 24 R-squared values in Minnesota and six R-squared values in North Dakota, for a total of 30.

Of the 30 R-squared values reported for the customer classes, 23 values are 95 percent or greater. The 95 percent threshold is often used in statistical evaluation. A value that high typically indicates that a particular model has performed well in explaining the outcome of a regression that has been run using the model and a given set of inputs for variables in the model. Hence, for 23 of the customer classes the forecast value yielded is quite reliable. Nineteen of these 23 predictions are in Minnesota service areas.

Of the seven cases in the Xcel system where the R-squared values drop below the 95-percent threshold, one is for the residential class of customers and six are for the commercial class of customers. Five of the commercial class R-squared values less than 95 percent are in Minnesota.

The customer counts in two of these Minnesota service area customer groups are small (142 and 130), which means outliers in the populations can have large impacts on the regression analyses and their explanatory value. Yet, these two customer groups have R-squared values that exceed 85 percent. These values are high enough to indicate the forecasts for these commercial customers have quite high explanatory value.

Meanwhile, the R-squared values for the commercial classes in three other Minnesota service areas lie between 92.0 percent and 94.6 percent. So, too, do the two R-squared values for North Dakota service areas that do not meet the 95 percent standard. These scores still suggest that the Avg. Monthly DD method produces an acceptable forecast, provided that other aspects of the regression analysis are acceptable. The OES's review of Xcel's forecast method indicates that the analysis is acceptable.

The OES recommends that the Company continue to use the two methods to develop its Design-Day estimate. The OES also expects that Xcel Energy will continue to increase the number of data points in the Avg. Monthly DD method as they become available (the 46 data points in the instant docket are an increase from the 34 data points included in the 2008-2009 Demand Entitlement).

### *3. Xcel's Forecasts*

Xcel projects that its system (Minnesota and North Dakota) Design-Day requirement will increase by 8,692 Dth to 775,474 Dth in the 2009-2010 heating season. The percentage increase is 1.1 percent. The Company's forecast of its Minnesota Design-Day requirement increases by 9,482 Dth to 694,487 Dth, an increase of 1.4 percent. The OES notes that the effect of Xcel's proposal to increase the Minnesota jurisdiction's Design-Day requirement by more than the increase in the Xcel system's Design-Day requirement is to shift Design-Day responsibility from North Dakota to Minnesota.

Xcel's customer forecast shows the number of Minnesota customers increasing by 4,846, from 428,852 in the 2008-2009 forecast to 433,698 in the 2009-2010 forecast, a 1.1 percent increase. Furthermore, the North Dakota customer count is forecasted to increase 0.6 percent to 46,143 in 2009-2010, up from 45,875 in 2008-2009. On the other hand, the forecasted usage for North Dakota for 2009-2010 is 80,987 Dth, 1.0 percent less than the 81,777 predicted for 2008-2009.

The OES notes that an increasing customer number and a decreasing usage number are not necessarily inconsistent. The trend in natural-gas consumption per customer has been downward. With the changes in customer numbers and usage volumes both being small in percentage terms, although in opposite directions, the OES concludes that the Xcel forecast method is picking up this trend, and that there is no reason to doubt the usefulness of the forecast.

According to the petition, the consumption allocator for Minnesota for 2009-2010 is 89.56 percent, up slightly from 89.34 percent the year before. This movement is consistent with the increase in usage forecasted for Minnesota and the decline in usage forecasted for North Dakota in the Xcel system.

The OES concludes that all aspects of Xcel's forecasting of Design-Day levels are performed appropriately.

### *B. CHANGES IN XCEL ENERGY'S DESIGN-DAY RESOURCES*

Xcel Energy's filing reflects changes in the resources used to meet its Design Day customer requirements. In addition to letting certain capacity contracts expire in favor of new capacity contracts, the Company has made adjustments to its resources in connection with its Fargo lateral construction project.

1. *Northern Natural Gas Company Entitlements*

The majority of Xcel's firm pipeline transportation contracts are with Northern Natural Gas (Northern). Most of these contracts were put in place in 2007 and run through 2017. The mix of base and variable contracts Xcel negotiated at that time fit the Company's needs. In this filing, the Company elected to let 10,084 Dth of winter capacity expire at the end of the 2008-2009 heating season. To replace this capacity and to meet increased peak-day demand requirements for customers served by Northern, Xcel exercised two 10,000 Dth annual capacity growth options included in its Northern contract. One contract provides for additional capacity from Chisago to the Hugo Town Border Station, while the other contract increases capacity from Ventura to the Lake Elmo Town Border Station.

Xcel states that the unit prices of the new contracts are much lower than the unit price of the expired contract. Thus, the Company declares, the new contracts enable Xcel to meet growing needs at a lower cost per Dth. The OES concurs with this assertion.

2. *Viking Gas Entitlements*

On the Viking side of its network, Xcel makes several changes in its contracts. All of the modifications are associated with the Fargo lateral project. This expansion of the Company's capabilities, which Xcel had anticipated having in service for the 2008-2009 heating season, was put into service on October 14, 2009.

Xcel let a contract for 820 Dth expire in March 2009. This capacity was acquired specifically to address concerns about system reliability in the Fargo area for the 2008-2009 heating season when the lateral project was delayed. The Company also let 12,000 Dth of firm capacity contracts expire on October 31, 2009. These contracts were for backhaul from Chisago to the Fargo lateral.

The Company had three options to pay for the Fargo lateral project. One of these was to purchase additional entitlement from Viking under the terms of a Cost-Based Precedent Agreement.<sup>4</sup> Xcel found this option attractive because it allowed the Company to address concerns about its ability to meet the peak hourly load requirements for firm customers in the Fargo area. Xcel's analysis of the 2007-2008 and 2008-2009 heating seasons, when the Fargo lateral project was not complete, indicated that had the temperature reached the Design Day value of -33 degrees Fahrenheit that the Company would have faced hourly and daily capacity shortfalls for firm customers.

The volume of firm entitlement that Xcel is purchasing from Viking is established by a formula negotiated by the Company and Viking as part of the Cost-Based Precedent Agreement. The preliminary figure is 89,263 Dth, which is based on the Fargo lateral's estimated cost of \$14,690,000 as of the initial service date of October 14, 2009. According to a provision in the Precedent Agreement, on February 11, 2010, which is 120 days after the in-service date of the

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<sup>4</sup> The other options were to pay Viking a "Contribution in Aid of Construction," or a separately stated reservation charge.

Fargo lateral construction, Viking will provide Xcel with the final actual cost and the final firm entitlement volume will be established by true-up. Xcel states that it will file an update to the instant docket and adjust its PGA with a March 1, 2010 effective date when the actual firm entitlement level is known.

Of the firm entitlement purchased by Xcel under the Precedent Agreement with Viking, only 57,178 Dth will need to be delivered to the Fargo area to deal with the Design Day capacity concerns identified by Xcel. The excess Dth purchased by the Company under the Precedent Agreement, some 32,000 Dth as of the instant filing, will be put to use by Xcel to facilitate exercising an option to realign 36,316 Dth of maximum rate south-end-receipt-capacity to Chisago and receive a discounted rate.

Furthermore, Xcel states that after exercising the realignment option, a one-time opportunity, it can put in place another agreement in which it can increase its entitlement capacity at discount rates by up to 5 percent annually in its St. Cloud and Hugo areas. The Company asserts in the filing that it has the need for additional entitlement at the two sites, especially St. Cloud, and the terms offered are a reasonable, inexpensive way to increase its firm capacity.

Xcel's proposal involves both Chisago and Chicago, as explained on page 7 of the filing:

To effectuate both the one-time Northern Chisago realignment discount option and the St. Cloud and Hugo growth option, we need the ability to deliver gas to Chisago. We cannot do this directly, due to the unavailability of liquid trading points in this area. We will acquire the gas in Chicago, IL, at the liquid Joliet Hub, transport it on ANR to Marshfield, and backhaul it on Viking to Chisago. Chisago is not a liquid trading point, therefore, purchasing gas at this point is not a viable option. The only way to deliver gas to Chisago on a reliable basis is to hold upstream transportation and deliver the gas to that point. Since Viking is sold out on a forward haul basis, the most economical way to deliver gas to Chisago is to backhaul the gas from Marshfield, which is the interconnect between Viking and ANR Pipeline. Marshfield is also not a liquid trading point and purchasing gas at this point is also not a viable option. The only way to deliver gas to Marshfield on a reliable basis is to acquire the gas in Chicago, IL, at the liquid Joliet Hub and transport the gas acquired there on ANR to Marshfield.

In other words, Xcel explains why its options for delivering the natural gas after purchasing it in metropolitan Chicago are limited. Thus, the Company will transport the gas from Chicago to Marshfield, Minnesota, on the ANR pipeline, then backhaul it via Viking to Chisago.

The Company analyzed the economics of the realigning the maximum rate south-end-receipt-capacity to Chisago and contracting for up to 5 percent growth in additional entitlement for St. Cloud and Hugo. Compared with the current arrangements for serving these areas, the costs to



customers are lower. The estimated savings starts at \$616,319 in 2010-2011 and rises to \$1,427,451 by 2012-2013, where it remains through the 2016-2017 heating season.

The modifications that Xcel is proposing in its Northern entitlements are reasonable. As for the Viking entitlements expansion, the OES requests below that the Company expand its discussion of how the addition relates to its reserve margin, both for 2009-2010 and subsequent years. Moreover, the OES reserves the right to review the final economics of the Precedent Agreement Xcel has with Viking for the Fargo lateral project, which the Company has indicated it will submit after February 11, 2010. Thus, the OES will withhold judgment of the Viking proposal.

*C. CHANGE IN XCEL ENERGY'S RESERVE MARGIN*

Xcel proposes to increase its projected Design Day reserve margin in Minnesota from 6.9 percent in 2008-2009 to 7.7 percent in 2009-2010. See OES Attachment 1. Xcel states that it bases its reserve margin on the firm resources necessary to meet projected firm customer demand plus the capability of either the largest pump at its Wescott facility used to vaporize LNG or at its St. Paul metro propane-air peak-shaving plant. The capacity decision reflects Xcel's assessment of the most economical method of adding capacity to meet demand beyond the forecasted Design Day demand. The reserve margin balances ensuring reliability of supply on days of extreme cold weather with the likelihood of experiencing Design Day conditions.

Xcel states that its proposed reserve margin in Minnesota of 53,779 Dth represents the most practical combination of available resources to meet its Design Day needs. The Company states that the most economical method of adding capacity often involves adding increments that do not precisely match expected changes in demand. The Company does not explicitly say so, but presumably this statement refers to its addition of 89,263 Dth of capacity due to completion of the Fargo lateral project. As noted previously, the magnitude of the entitlement addition is driven by the cost of the Fargo lateral project rather than strictly by Xcel's current needs.

In any case, Xcel's reserve margin exceeds the top end of the 5-7 percent range that serves as a rule of thumb in deciding whether a given margin is reasonable. The Company seems to imply in its statement about additional increments not necessarily matching expected demand that the opportunity the new capacity from the Fargo lateral project presents for the Company to exercise its realignment option with Viking is too good to pass up even though the additional entitlement is more than the Company might need for the 2009-2010 heating season. Xcel's financial analysis of the transaction supports this view.

The OES invites the Company to augment its support for its 7.7 percent reserve margin in reply comments. The Company should confirm whether the Viking addition associated with the Fargo lateral is what it has in mind when it refers to added increments not matching expected demand. Moreover, the Company should discuss whether it expects demand growth, all other things equal, to reduce its reserve margin in subsequent heating seasons. The OES will review this information and submit additional comments subsequently. Therefore, the OES withholds a recommendation for the Company's reserve margin at this time until the Company has submitted reply comments.

*D. CHANGES IN XCEL ENERGY'S JURISDICTIONAL ALLOCATIONS*

*1. Increase in Minnesota Jurisdiction Allocation Factor*

The previously noted increase in forecasted Minnesota usage and forecasted decrease in North Dakota usage is reflected in the new Minnesota Jurisdictional Allocation Factor. The factor is calculated by dividing the Design Day forecasted demand for Minnesota (748,267 Dth) by the same demand for the Company's system (835,492 Dth). The increase in the Minnesota demand forecast means that Minnesota's share of the forecasted demand entitlement increases slightly. The Avg. Monthly DD results are used to update the allocation factor, which rose from 89.34 percent to 89.56 percent.

*2. Decrease in Minnesota Grand Forks Area Jurisdiction Allocation Factor*

The allocation factor for East Grand Forks, Minnesota, for Design Day demand in the Grand Forks Area Jurisdiction increased slightly from 14.37 percent to 14.67 percent. The increase is a result of the Design Day forecasted demand for East Grand Forks increasing while the Design Day forecasted demand for the rest of the territory served by the Grand Forks area transmission-looping project decreased.

*3. Minnesota Fargo Area Jurisdiction Allocation Factor*

Xcel proposes to stop assigning a distinct Design-Day allocation factor for its operations in its Fargo Area. The Company asserts that the expanded Fargo lateral has system-wide benefits, as described above. The former allocator made sense, Xcel states, when a contract associated with a several-years-old Fargo area looping project was in place. That contract expired on October 31, 2009, and is being replaced by the entitlement addition associated with the Fargo lateral expansion. Thus, the Company reasons, it is appropriate to apply the general system allocator to Fargo costs. The Company has removed a separate Fargo allocator from its PGA calculations in keeping with this proposal. The OES concludes that eliminating the Fargo Area Allocation Factor is reasonable because Minnesota customers served by the Chisago realignment made possible by the Fargo lateral project's completion are benefitting from the project.

*E. CHANGES IN XCEL'S SUPPLIER RESERVATION FEES*

Xcel notes that its Supplier Reservation fees have changed. **[TRADE SECRET DATA HAS BEEN EXCISED]** The new expense level reflects updated prices of the firm gas supply reservations.

*F. XCEL'S PLANNED USE OF HEATING-SEASON FINANCIAL INSTRUMENTS*

In compliance with reporting requirements of the Commission's Order in Docket No. G002/M-08-46, Xcel includes a table summarizing the Company's hedging transactions for the 2009-2010 heating season. See Xcel Attachment 3. The OES learned from informal telephone conversations with Xcel that the information in the table is not sufficient to determine the cost to the company of each transaction. Therefore, the portion of the total dollars shown for each transaction that relate to the Company's \$32 million cap on hedging costs cannot be determined,

contrary to statements in Xcel's filing. The OES invites Xcel to explain in reply comments the limits of using information filed in November to analyze the cost of employing financial instruments for hedging purposes in a heating season that runs from November to March.

*G. XCEL'S PGA COST RECOVERY PROPOSAL*

Xcel proposes to reflect the costs associated with the revised demand entitlements in the amended petition in the PGA effective with November 1, 2009 billing cycles. The OES concludes that this effective date is reasonable because it reflects when its various supply and demand contracts for the 2009-2010 Heating Season demand entitlement take effect.

*H. XCEL ENERGY'S PROPOSAL TO ASSIGN DEMAND COSTS TO INTERRUPTIBLE CUSTOMERS*

Xcel Energy states that interruptible sales customers are receiving the benefits of storage and balancing services on non-Design Days. Thus, a portion of these costs could justifiably be recovered from these customers. The Company, therefore, developed a proposal to make such an assignment of costs on a prospective basis and presented it in Comments in the Company's 2007-2008 Demand Entitlement filing. Commission action in that docket is pending, as it is in the Company's 2008-2009 Demand Entitlement filing, where the Company repeated the proposal it included the prior year.

The OES concluded in Comments dated October 7, 2008 that Xcel's proposal represents a systematic approach to determining when interruptible customers benefit from the services associated with demand costs. Therefore, the OES concluded that the proposal is reasonable. The OES position on the matter is unchanged in the current docket.

**III. CONCLUSIONS AND RECOMMENDATIONS**

Overall, the OES supports Xcel's proposals in its petition and appreciates the analysis provided by the Company. The OES recognizes that Xcel Energy's Design-Day demand levels and the demand entitlement resources that support that demand level change periodically. The revisions reflect changes in usage patterns, contract prices, and so forth. The OES believes that the proposed changes associated with the completed Fargo lateral project reflect such changes. However, to ensure, fully, that Xcel's proposal is reasonable, the OES requests that Xcel provide more detail as to how the project has affected the Company's reserve margin and what could happen to the reserve margin, all other factors equal, in subsequent heating seasons. Therefore, the OES requests that Xcel provide further information, in reply comments, regarding the Fargo lateral entitlement addition and the one-time Chisago realignment and the changes it allows in the St. Cloud and Hugo areas. As noted previously, the OES reserves the right to examine the final economics of the Fargo lateral Precedent Agreement Xcel has made with Viking following its true-up on February 11, 2010. Xcel states it will file information about the finalized agreement. Further, the OES requests that Xcel provide information in reply comments regarding the cost of financial instruments in hedging transactions.

Thus, while the OES's analysis to date indicates that the Company's proposal is reasonable, the OES recommends that the Commission withhold approval of Xcel's petition for approval of its demand entitlement changes until the requested information is supplied. The OES will comment on Xcel's information subsequent to the Company's reply comments.

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**Docket No. G002/M-09-1287**  
**Demand Entitlement Analysis--Minnesota Jurisdiction\***

**Northern States Power Company d/b/a Xcel Energy**

Heating Season	Number of Firm Customers			Design-Day Requirement			Total Entitlement Plus Peak S		
	(1) Number of Customers	(2) Change from Previous Year	(3) % Change From Previous Year	(4) Design Day (Dth)	(5) Change from Previous Year	(6) % Change From Previous Year	(7) Total Design-Day Capacity (Dth)	(8) Change from Previous Year	% C Pre
2009-2010**	433,698	4,846	1.13%	694,487	9,482	1.38%	748,267	15,976	
2008-2009**	428,852	(2,651)	-0.61%	685,005	1,288	0.19%	732,291	10,785	
2007-2008**	431,503	7,088	1.67%	683,717	5,984	0.88%	721,506	25,249	
2006-2007	424,415	2,845	0.67%	677,733	6,887	1.03%	696,257	4,568	
2005-2006	421,570	10,584	2.58%	670,846	21,191	3.26%	691,689	16,569	
2004-2005	410,986	9,353	2.33%	649,655	46,187	7.65%	675,120	31,805	
2003-2004	401,633	5,826	1.47%	603,468	(4,388)	-0.72%	643,315	1,040	
2002-2003	395,807	10,913	2.84%	607,856	3,383	0.56%	642,275	1,928	
2001-2002	384,894			604,473			640,347		

Average: 1.56%

1.84%

**Firm Peak-Day Sendout**

Heating Season	(11) Firm Peak-Day Sendout (Dth)	(12) Change from Previous Year	(13) % Change From Previous Year	(14) Excess per Customer [(7) - (4)]/(1)	(15) Design Day per Customer (4)/(1)	(16) Entitlement per Customer (7)/(1)	(17) Peak-Day Set Customer (1)
2008-2009	601,425	15,551	2.65%	0.1103	1.5973	1.7076	1.4024
2007-2008	585,874	16,911	2.97%	0.0876	1.5845	1.6721	1.3578
2006-2007	568,963	31,303	5.82%	0.0436	1.5969	1.6405	1.3406
2005-2006	537,660	286	0.05%	0.0494	1.5913	1.6407	1.2754
2004-2005	537,374	(23,876)	-4.25%	0.0620	1.5807	1.6427	1.3075
2003-2004	561,250	26,865	5.03%	0.0992	1.5025	1.6017	1.3974
2002-2003	534,385	57,882	12.15%	0.0870	1.5357	1.6227	1.3501
2001-2002	476,503			0.0932		1.6637	
<b>Average</b>			3.49%	0.0790	1.5699	1.6353	1.3473

\*-Some numbers may differ from Xcel Attachments due to rounding

\*\*-Reflects the UPC DD method.

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Office of Energy Security  
Public Comments**

**Docket No. G002/M-09-1287**

Dated this **10<sup>th</sup>** day of **February, 2010**

**/s/Sharon Ferguson**

Service List Name	First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret
OFF_SL_9-1287_09-1287	Andrew	Moratzka	apm@mcmlaw.com	Mackall, Crouse and Moore	1400 AT&T Tower 901 Marquette Ave Minneapolis, MN 55402	Paper Service	No
OFF_SL_9-1287_09-1287	Annete	Henkel	mui@mnuutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Paper Service	No
OFF_SL_9-1287_09-1287	Bill	Bullard		South Dakota Public Utilities Commiss	Capitol Building Pierre, SD 575015070	Paper Service	No
OFF_SL_9-1287_09-1287	Bob	Bridges	bob.bridges@versopaper.com	Verso Paper	100 East Sartell Street  Sartell, MN 56377	Paper Service	No
OFF_SL_9-1287_09-1287	Brian	Elliott		Clean Water Action Alliance	326 Hennepin Ave. E. Minneapolis, MN 55414	Paper Service	No
OFF_SL_9-1287_09-1287	Burl W.	Haar	burl.haar@state.mn.us	MN Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes
OFF_SL_9-1287_09-1287	Catarina	Zuber		Avant Energy Services	Suite 300 200 South Sixth Street Minneapolis, MN 55402	Paper Service	No
OFF_SL_9-1287_09-1287	Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No
OFF_SL_9-1287_09-1287	David W.	Niles		Avant Energy Services	Suite 300 200 South Sixth Street Minneapolis, MN 55402	Paper Service	No
OFF_SL_9-1287_09-1287	Elizabeth	Goodpaster	bgoodpaster@mncenter.org	MN Center for Environmental Advocacy	Suite 206 26 East Exchange Street St. Paul, MN 551011667	Paper Service	No
OFF_SL_9-1287_09-1287	George	Crocker	gwillc@nawo.org	North American Water Office	PO Box 174  Lake Elmo, MN 55042	Paper Service	No

Service List Name	First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret
OFF_SL_9-1287_09-1287	James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	Suite 2300 150 South Fifth Street Minneapolis, MN 55402	Paper Service	No
OFF_SL_9-1287_09-1287	James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Paper Service	No
OFF_SL_9-1287_09-1287	James R.	Talcott		Northern Natural Gas Company	1111 South 103rd Street Omaha, NE 68124	Paper Service	No
OFF_SL_9-1287_09-1287	Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Paper Service	No
OFF_SL_9-1287_09-1287	Jeffrey A.	Daugherty	jeffrey-daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave Minneapolis, MN 55402	Paper Service	No
OFF_SL_9-1287_09-1287	John	Bailey	bailey@ilsr.org	Institute For Local Self-Reliance	1313 5th St SE Ste 303 Minneapolis, MN 55414	Electronic Service	No
OFF_SL_9-1287_09-1287	John	Lindell	agorud.ecf@state.mn.us	OAG-RUD	900 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes
OFF_SL_9-1287_09-1287	John	Moir	N/A	City of Minneapolis	City Hall Rm 301 M 350 South 5th Street Minneapolis, MN 55415-1376	Paper Service	No
OFF_SL_9-1287_09-1287	Joseph V.	Plumbo		Local Union 23, I.B.E.W.	932 Payne Avenue  St. Paul, MN 55130	Paper Service	No
OFF_SL_9-1287_09-1287	Julia	Anderson	Julia.Anderson@state.mn.us	MN Office Of The Attorney General	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes
OFF_SL_9-1287_09-1287	Kathleen D.	Sheehy	kathleen.sheehy@state.mn.us	Office Of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Paper Service	Yes



Service List Name	First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret
OFF_SL_9-1287_09-1287	Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No
OFF_SL_9-1287_09-1287	Leslie	Davis		Earth Protector, Inc.	PO Box 11688 Minneapolis, MN 554110688	Paper Service	No
OFF_SL_9-1287_09-1287	Lisa	Veith		City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Paper Service	No
OFF_SL_9-1287_09-1287	Lloyd W.	Grooms	lgrooms@winthrop.com	Winthrop & Weinstine	Suite 3500 225 South Sixth Street Minneapolis, MN 554024629	Paper Service	No
OFF_SL_9-1287_09-1287	Matthew P	Loftus	N/A	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Paper Service	Yes
OFF_SL_9-1287_09-1287	Michael	Sarafolean	MSarafolean@gerdauameristeel.com	Gerdau Ameristeel US, Inc.	4221 W Boy Scout Blvd Ste 600 Tampa, FL 33607	Paper Service	No
OFF_SL_9-1287_09-1287	Michael	Franklin	mfranklin@mncchamber.com	Minnesota Chamber Of Commerce	400 Robert Street North Suite 1500 St. Paul, MN 55101	Paper Service	No
OFF_SL_9-1287_09-1287	Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center80 South 8th Street Minneapolis, MN 55402	Electronic Service	No
OFF_SL_9-1287_09-1287	Michael	Loeffler		Northern Natural Gas Co.	CORP HQ, 714 1111 So. 103rd Street Omaha, NE 681241000	Paper Service	No
OFF_SL_9-1287_09-1287	Michael	Bradley	bradley@moss-barnett.com	Moss & Barnett	4800 Wells Fargo Ctr 90 S 7th St Minneapolis, MN 55402-4129	Paper Service	No

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OFF_SL_9-1287_09-1287	Peter G.	Mikhail	pmikhail@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Paper Service	No
OFF_SL_9-1287_09-1287	Richard	Johnson	johnsonr@moss-barnett.com	Moss & Barnett	4800 Wells Fargo Center90 South Seventh Street  Minneapolis, MN 55402	Paper Service	No
OFF_SL_9-1287_09-1287	Richard	Savelkoul	rsavelkoul@felhaber.com	Felhaber, Larson, Fenlon & Vogt, P.A.	444 Cedar St Ste 2100 St. Paul, MN 55101-2136	Paper Service	No
OFF_SL_9-1287_09-1287	Robert S	Lee	RSL@MCMLAW.COM	Mackall Crouse & Moore Law Offices	1400 AT&T Tower 901 Marquette Ave Minneapolis, MN 554022859	Paper Service	No
OFF_SL_9-1287_09-1287	Robert S.	Carney, Jr.			4232 Colfax Ave. S. Minneapolis, MN 55409	Paper Service	No
OFF_SL_9-1287_09-1287	Roger	Boehner	lorenbrft@aol.com		6511 Humboldt Avenue N., #210 Brooklyn Center, MN 55430	Paper Service	No
OFF_SL_9-1287_09-1287	SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	Yes
OFF_SL_9-1287_09-1287	Sandra	Hofstetter	N/A	MN Chamber of Commerce	1140 Mary Hill Cir. Hartland, WI 53029-8009	Paper Service	No
OFF_SL_9-1287_09-1287	Sharon	Ferguson	sharon.ferguson@state.mn.us	State of MN - DOC	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	Yes
OFF_SL_9-1287_09-1287	Steven	Bosacker		City of Minneapolis	City Hall, Room 301M 350 South Fifth Street Minneapolis, MN 554151376	Paper Service	No

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OFF_SL_9-1287_09-1287	Tim	Barth		Marathon Petroleum Company	P.O. Box 3128 Houston, TX 77253	Paper Service	No
OFF_SL_9-1287_09-1287	Todd J.	Guerrero	tguerrero@fredlaw.com	Fredrikson & Byron, P.A.	Suite 4000 200 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No
OFF_SL_9-1287_09-1287	Wade	Worthy	lwworthy@marathonoil.com	Marathon Petroleum Company LLC	PO Box 3128 Houston, TX 77253	Paper Service	No
OFF_SL_9-1287_09-1287	William	Grant	bgrant@iwa.org	Izaak Walton League, Midwest Office	1619 Dayton Ave Ste 202 St. Paul, MN 551046206	Paper Service	No
OFF_SL_9-1287_09-1287	William A.	Blazar	bbblazar@mnchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Paper Service	No