



414 Nicollet Mall
Minneapolis, MN 55401

June 23, 2016

—Via Electronic Filing—

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: REPLY COMMENTS
COMPETITIVE RESPONSE RIDER REVISION & REVISED SERVICE
AGREEMENT WITH GERDAU
DOCKET NO. E002/M-16-420

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits this Reply to the Comments of the Minnesota Department of Commerce, Division of Energy Resources received on June 13, 2016. We appreciate the Department's thorough review of our petition and recommendation for approval of the revised agreement with Gerdau Ameristeel US, Inc. and our proposed revision to the Competitive Response Rider (CRR) tariff. The revised agreement with Gerdau implements changes to the discount they receive under the CRR tariff. This revised discount structure will provide Gerdau the opportunity to achieve the discount anticipated under the original agreement approved in 2012.

In addition to recommending approval of the revised agreement and tariff, the Department also recommended that the Commission:

Find that Gerdau's St. Paul facility is experiencing exigent financial circumstances and exempt Gerdau from any interim rate increases proposed in NSP's current rate case (Docket No. E002/GR-15-826).

While a decision exempting a single customer from interim rates outside of a rate case proceeding would be unusual, the Company does not object to this treatment here. If the Commission determines this treatment is appropriate, we will refund the interim rate amount Gerdau has paid to date and exempt them from interim

rates going forward. This exemption would be demonstrated in the interim rate refund petition that the Company will file at the conclusion of the current rate case.

We appreciate the Department's recommendation for approval of our proposed revision to the CRR tariff and our revised agreement with Gerdau. In our petition, we requested an effective date of the revised discount of January 1, 2016, or in the alternative, April 29, 2016 (the date of execution of the agreement). As proposed in our filing, once we receive the Commission's Order approving the revised agreement, we will apply the revised discount to Gerdau's usage retroactively as of the effective date approved by the Commission. In addition, if the Commission approves the revised agreement, the Company will propose an adjustment in the current rate case to reflect recovery of the revised CRR discount for Gerdau.

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 Amber Hedlund at amber.r.hedlund@xcelenergy.com or (612) 337-2268 or me at amy.a.liberkowski@xcelenergy.com or (612) 330-6613 if you have any questions regarding this filing.

Sincerely,

/s/

AMY A. LIBERKOWSKI
MANAGER, REGULATORY ANALYSIS

c: Service List

CERTIFICATE OF SERVICE

I, Carl Cronin, 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 No. E002/M-16-420

Dated this 23rd day of June 2016

/s/

Carl Cronin
Regulatory Administrator

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