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May 15, 2009

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

—Via Electronic Filing—

RE: REPLY COMMENTS
CHANGES IN CONTRACT DEMAND ENTITLEMENTS
DOCKET NO. G002/M-08-1315

Dear Dr. Haar:

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”) submits these Reply Comments to the Minnesota Public Utilities Commission (the “Commission”) in the above-referenced matter.

Portions of this filing contain trade secret data as defined by Minn. Stat. §13.37(1)(b). The portions of our filing marked “Trade Secret” contain information that derives independent economic value from not being generally known or readily ascertainable by others who could obtain a financial advantage from its use. Based on its economic value, the Company maintains this information as a trade secret.

Copies of this filing have been served on the Office of the Attorney General – Residential Utilities Division and the public version has been served on all other parties on the attached service list. Please call me at (612)-330-6613 if you have any questions regarding this filing.

Sincerely,

/s/

AMY LIBERKOWSKI
MANAGER, PRICING & PLANNING

ENCLOSURES

c: Service List

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STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

David Boyd	Chair
J. Dennis O'Brien	Commissioner
Thomas Pugh	Commissioner
Phyllis Reha	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF A REQUEST BY
NORTHERN STATES POWER COMPANY, A
MINNESOTA CORPORATION, FOR
APPROVAL OF CHANGES IN CONTRACT
DEMAND ENTITLEMENTS

DOCKET NO. G002/M-08-1315

REPLY COMMENTS

INTRODUCTION

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”) submits to the Minnesota Public Utilities Commission (the “Commission”) this Reply to the comments of the Minnesota Office of Energy Security (“OES”) in the above-referenced matter. In our Reply, we address the following issues raised by the OES:

- A) How the realignment of customers within demand areas, described in our Petition, affected our forecasts and allocations;
- B) Comparison of actual customer counts to forecasted customer counts for November 2007 – October 2008;
- C) Additional cost information regarding alternatives to the changes in supplier reservation fees; and
- D) Additional information about the return of capacity charges associated with the delayed Fargo lateral project that were included with the November and December 2008 Purchased Gas Adjustment (“PGA”).

REPLY

A. Impact of Realignment of Customers

As the OES noted in their Comments in this docket, our design-day totals for MN and ND moved opposite of the customer counts for each area when comparing the 2007-2008 and the 2008-2009 design-day calculations. Our petition described the process we undertook to realign customers to better align demand with the deliverable capacity used to serve each demand area. The realignment caused our usage forecasts to move in the opposite direction of our respective customer forecasts due to the fact that we changed the heating degree days (“HDD”) measure for the Fargo/Grand Forks demand areas.

In order to achieve more accurate results, we used Fargo HDD for the Fargo/Grand Forks demand areas in the 2008-2009 design day regression analysis, whereas in the 2007-2008 regression analysis, Minneapolis/St. Paul HDD were used for these areas. It is important to note that if the Company used Fargo HDD in the 2007-2008 design-day regressions for Fargo/Grand Forks demand areas, the design-day allocations and customer counts would have moved in the same direction from year to year when compared to the 2008-2009 design-day. The results are demonstrated in the tables below:

Table 1: 2007 – 2008 Original Calculations

	<u>Forecasted Number of Customers</u>			<u>Design Day Use By Customer Class (Dth)</u>		
	<u>MN</u>	<u>ND</u>	<u>Total</u>	<u>MN</u>	<u>ND</u>	<u>Total</u>
	Residential	398,691	38,134	436,825	445,383	40,694
Commercial	32,682	6,455	39,137	217,396	45,656	263,052
Industrial	130	0	130	20,938	0	20,938
Total	431,503	44,589	476,092	683,717	86,350	770,067

Table 2: 2007 – 2008 Revised Calculations

Using Fargo HDD for Fargo/Grand Forks demand areas

	<u>Forecasted Number of Customers</u>			<u>Design Day Use By Customer Class (Dth)</u>		
	<u>MN</u>	<u>ND</u>	<u>Total</u>	<u>MN</u>	<u>ND</u>	<u>Total</u>
	Residential	398,691	38,134	436,825	450,723	37,171
Commercial	32,682	6,455	39,137	219,762	41,473	261,236
Industrial	130	0	130	20,938	0	20,938
Total	431,503	44,589	476,092	691,423	78,644	770,067

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Table 3: 2008 – 2009 Calculations

	<u>Forecasted Number of</u>			<u>Design Day Use By Customer</u>		
	<u>Customers</u>			<u>Class (Dth)</u>		
	<u>MN</u>	<u>ND</u>	<u>Total</u>	<u>MN</u>	<u>ND</u>	<u>Total</u>
Residential	396,214	39,222	435,436	448,944	39,064	488,009
Commercial	32,513	6,653	39,166	216,268	42,712	258,980
Industrial	125	0	125	19,793	0	19,793
Total	428,852	45,875	474,727	685,005	81,777	766,782

**Table 4: 2008 – 2009 Calculations More (Less)
Than 2007 – 2008 Revised Calculations**

	<u>Forecasted Number of</u>			<u>Design Day Use By Customer</u>		
	<u>Customers</u>			<u>Class (Dth)</u>		
	<u>MN</u>	<u>ND</u>	<u>Total</u>	<u>MN</u>	<u>ND</u>	<u>Total</u>
Residential	(2,477)	1,088	(1,389)	(1,778)	1,893	115
Commercial	(169)	198	29	(3,495)	1,239	(2,255)
Industrial	(5)	0	(5)	(1,145)	0	(1,145)
Total	(2,651)	1,286	(1,365)	(6,418)	3,133	(3,285)

Thus, as demonstrated above, the unusual situation in which customer and usage forecasts moved in opposite directions was caused by using the Minneapolis/St. Paul HDD measure for the Fargo/Grand Forks demand areas in 2007-2008 and then a more accurate Fargo HDD measure for those areas in 2008-2009.

Also, as can be seen by comparing the forecasted number of customers with the actual customer count as shown in Attachment A, the 2008-2009 forecasted number of customers is an increase over the actual customer count for 2007-2008.

B. Comparison of Forecasted to Actual Customer Count

As mentioned in our original petition, the number of Minnesota customers forecasted for January 2009 was a reduction from the previous year's forecast of customers for January 2008, but an increase from actual customers in January 2008.

The 2008 Minnesota customer forecast was prepared in March 2007, and included 2% growth based on an average annual growth rate of 2% over the previous 5 years. The actual customer additions were much lower than predicted.

Minnesota housing stock growth slowed to 0.9% in 2007, and we believe the slowdown in the housing market is the primary reason for reduced customer growth in Minnesota, and the reason the actual customer counts were lower than forecast.

We captured this slowdown in the 2009 forecast because we started the forecast with the lower actual customer counts, and our growth trend was reduced to 1%. While our forecast of 428,852 Minnesota customers in January 2009 is lower than the forecast of 431,503 Minnesota customers in January 2008, the number of actual customers in January 2008 was only 424,591, which was incorporated into the January 2009 forecast.

Please see Attachment A for a comparison of forecast and actual customers by state for the last two years.

C. Cost of Supplier Reservation Fees

As we described in our petition, the increase in the cost of supplier reservation fees resulted from the acquisition of four new peaking contracts. We provide details below, as requested by the OES, regarding the costs of alternative service.

We entered into two new peaking contracts on the Viking Gas Transmission Company (“Viking”) pipeline. The first agreement, which was executed in August 2007, was with **[TRADE SECRET BEGINS**

TRADE SECRET ENDS] to be delivered to Xcel Energy city gates when called upon by Xcel Energy. **[TRADE SECRET BEGINS**

TRADE SECRET ENDS].

The two alternatives to this transaction were: **[TRADE SECRET BEGINS**

TRADE SECRET ENDS]

The third and fourth contracts were two new Emerson peaking supply agreements. During the RFP process only one supplier submitted a bid for Emerson peaking gas. The bid was for **[TRADE SECRET BEGINS**

TRADE SECRET ENDS]. We rejected that bid and solicited additional bids outside of the RFP process and contracted for the following Emerson peaking agreements: **[TRADE SECRET BEGINS**

TRADE SECRET ENDS]

As demonstrated above, the four new peaking contracts were the lowest cost alternatives.

D. Fargo Lateral Return of Capacity Costs Recovered in November and December 2008

As mentioned in our December 30, 2008 amended petition, the Company provisionally included the cost of the incremental firm Viking capacity in the monthly PGA effective November 1, 2008, the start of the 2008 - 2009 heating season. In Minnesota, the charges included \$128,640 for the Fargo Lateral project in the November 2008 and December 2008 PGA calculations for a total of \$257,280. We projected the amount to be returned to a typical Minnesota residential customer in the natural gas true-up to be \$0.84.

We had not originally intended to include interest with the return of the charges in the natural gas true up, as we considered it a usual part of the cost of gas calculations. However, we agree that it is unusual for a contract to be cancelled during the mid-season, and therefore do not oppose the OES recommendation to include interest.

We propose to use the same interest calculation methodology we have used for other refunds. As an illustrative example, Attachment B calculates the interest based on the amount of the Fargo Lateral demand contract included in the PGA and a constant interest rate going forward. With these assumptions, the interest will be about \$6,400. Due to the small size of the interest amount, we propose to include the interest credit in our next natural gas true-up (allocated to class on the demand allocator).

CONCLUSION

We appreciate the thorough analysis of the OES, believe that the information we have provided addresses their concerns, and respectfully request Commission approval of our 2008-2009 Contract Demand Entitlements petition. Please contact me at (612) 330-6613 if you have questions or need additional information.

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Dated: May 15, 2009

Northern States Power Company,
a Minnesota corporation

RESPECTFULLY SUBMITTED,

By: /s/
AMY LIBERKOWSKI
MANAGER, PRICING AND PLANNING

Northern States Power Company, a Minnesota corporation
 State of Minnesota
 Natural Gas Operations
 COMPARISON OF FORECAST TO ACTUAL CUSTOMER COUNTS

Docket No. G002/M-08-1315
 Reply Comments
 Attachment A

2007 - 2008 Contract Demand Entitlement filing

Based on January 2008

Minnesota	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>
Residential	398,691	392,175	-6,516
Commercial	32,682	32,289	-393
<u>Industrial</u>	<u>130</u>	<u>127</u>	<u>-3</u>
Total	431,503	424,591	-6,912

North Dakota	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>
Residential	38,134	38,222	88
Commercial	6,455	6,530	75
<u>Industrial</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	44,589	44,752	163

Total System	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>
Residential	436,825	430,397	-6,428
Commercial	39,137	38,819	-318
<u>Industrial</u>	<u>130</u>	<u>127</u>	<u>-3</u>
Total	476,092	469,343	-6,749

2008 - 2009 Contract Demand Entitlement filing

Based on January 2009

Minnesota	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>
Residential	396,214	396,548	334
Commercial	32,513	32,823	310
<u>Industrial</u>	<u>125</u>	<u>127</u>	<u>2</u>
Total	428,852	429,498	646

North Dakota	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>
Residential	39,222	38,979	-243
Commercial	6,653	6,658	5
<u>Industrial</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	45,875	45,637	-238

Total System	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>
Residential	435,436	435,527	91
Commercial	39,166	39,481	315
<u>Industrial</u>	<u>125</u>	<u>127</u>	<u>2</u>
Total	474,727	475,135	408

Northern States Power Company, a Minnesota corporation
 State of Minnesota
 Natural Gas Operations
 DETERMINATION OF REFUND INTEREST

Docket No. G002/M-08-1315
 Reply Comments
 Attachment B

<u>Revenue Month</u>	<u>Beginning Balance</u>	<u>Addition to Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Number of Days</u>	<u>Annual Interest Rate (1,2)</u>	<u>Monthly Interest</u>	<u>Compound Interest</u>	<u>Total Interest</u>
Nov-08	\$0	\$128,640	\$128,640	\$64,320	30	4.00%	\$211		\$211
Dec-08	\$128,640	\$128,640	\$257,280	\$192,960	31	3.61%	\$592		\$592
Jan-09	\$257,280	\$0	\$257,280	\$257,280	31	3.25%	\$710		\$710
Feb-09	\$257,280	\$0	\$257,280	\$257,280	28	3.25%	\$641		\$641
Mar-09	\$257,280	\$0	\$257,280	\$257,280	31	3.25%	\$710		\$710
Apr-09	\$257,280	\$0	\$257,280	\$257,280	30	3.25%	\$687		\$687
May-09	\$257,280	\$0	\$257,280	\$257,280	31	3.25%	\$710		\$710
Jun-09	\$257,280	\$0	\$257,280	\$257,280	30	3.25%	\$687		\$687
Jul-09	\$257,280	\$0	\$257,280	\$257,280	31	3.25%	\$710		\$710
Aug-09	\$257,280	\$0	\$257,280	\$257,280	31	3.25%	\$710		\$710
Ending Balance			\$257,280						\$6,370
Total Principal and Interest			\$263,650						

- (1) Prime Rate of interest from the Federal Reserve Statistical Release H15 - Bank Prime Loan - Monthly
 (2) Actual rates do not yet exist for May-2009 through August-2009. We are using the April-2009 rate for illustrative purposes.

CERTIFICATE OF SERVICE

I, Josie Oxley, 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. **G002/M-08-1315**

Dated this 15th day of May 2009

/s/

Josie Oxley
Administrative Assistant

In the Matter of Northern States Power d/b/a Xcel
Energy's Contract Demand entitlement Changes

G002/M-08-1315

4-2-2009

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