



414 Nicollet Mall
Minneapolis, Minnesota 55401

June 13, 2014

—Via Electronic Filing—

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

RE: REPLY COMMENTS
GAS AFFORDABILITY PROGRAM
DOCKET NO. G002/GR-06-1429

Dear Dr. Haar:

Northern States Power Company, doing business as Xcel Energy, has reviewed the May 29, 2014 Comments of the Department of Commerce, Division of Energy Resources in this proceeding and provides this Reply.

We appreciate the Department's thorough review of our 2013 GAP Annual Report and Supplements, and the Department's willingness to work with us to find a solution to reducing the size of our Tracker balance.

The Department has proposed that we suspend our GAP surcharge and make a compliance filing with the 2014 year-end updated Tracker balance by January 31, 2015, and include a proposal for either continuing to suspend the surcharge or reinstate the surcharge at that time.

We agree with the Department that we should suspend the GAP surcharge. However, we believe that a time certain for reinstating the surcharge is in the best interest of our customers, and would be administratively and procedurally efficient. If we were to continue the suspension without a time certain, there is a risk that:

- The program may become under-funded;
- Customers may experience several ups and downs in the surcharge, and thus their rates; and
- The additional Company filing that would need to be submitted, reviewed, and considered by the Commission before the GAP surcharge would be reinstated would create uncertainty of sufficient funding being collected for the program.

With that being said, we propose the following alternative to the Department's procedural recommendation for the surcharge suspension:

Suspend the surcharge from August 2014 through December 2014, reinstating the surcharge as of January 1, 2015. We estimate this option would result in an approximate \$630,000 reduction in surcharge revenue. We would file an informational compliance filing by January 31, 2015, including the current Tracker balanced as of December 31, 2014. In our March 31, 2015 annual filing, we would include our recommendation of whether we believe another surcharge suspension is necessary. We think this would be more meaningful as data from most of the winter would be available.

We believe this approach directly addresses the over collection issues with the GAP surcharge while still assuring the program has sufficient revenue collection to fund the GAP program. This differs from the Department's recommendation, as we understand it, in that it provides certainty as to the timeframe for the surcharge suspension thus better defining the impact on the Tracker balance. The Department's procedural framework for the surcharge suspension would result in the following:

Suspend the surcharge from August 2014 through an uncertain reinstatement date. We would submit the requested compliance filing by January 31, 2015 to be followed by a review and comment period before the Commission would rule on our request for reinstatement of the surcharge. This would mean that the surcharge would remain suspended through at least March 31, 2015, potentially reinstating the surcharge as of April 1, 2015. We estimate this timing would result in an approximate \$1.8 million reduction in surcharge revenue.

The effects of these two approaches as compared to no surcharge suspension on the GAP tracker balance are illustrated in Attachment A. We provide an analysis of each approach at our proposed level of disbursements to GAP participants and, acknowledging that it has often been challenging to meet our disbursement goal, at a 3-year average actual disbursement level. The analysis assumes normal weather. A summary is below.

Table 1: Projected GAP Tracker Balance
(Over)Under Funded, per \$000

	<u>May</u> <u>2014</u>	<u>December</u> <u>2014</u>	<u>December</u> <u>2015</u>	<u>Change</u> <u>May 2014 to</u> <u>Dec. 2014</u>	<u>Change</u> <u>May 2014 to</u> <u>Dec. 2015</u>
<u>Projected Disbursement Level</u>					
Status Quo	(\$2,628)	(\$1,748)	(\$577)	(\$879)	(\$2,051)
Xcel Energy Recommendation	(\$2,628)	(\$1,119)	\$52	(\$1,509)	(\$2,680)
Delayed Reinstatement	(\$2,628)	(\$1,119)	\$1,225	(\$1,509)	(\$3,853)
<u>3-year Average Disbursement Level</u>					
Status Quo	(\$2,628)	(\$2,008)	(\$1,933)	(\$620)	(\$695)
Xcel Energy Recommendation	(\$2,628)	(\$1,379)	(\$1,303)	(\$1,249)	(\$1,324)
Delayed Reinstatement	(\$2,628)	(\$1,379)	(\$130)	(\$1,249)	(\$2,497)

We note that one of our concerns with following the delayed reinstatement approach would be the ability to maintain a positive program funding level. As shown in the above table and on Attachment A, the delayed reinstatement approach at Projected Disbursement Levels would leave the GAP Tracker under funded by approximately \$1,225,000 at the end of 2015. This is an outcome that we believe is not in the best interest of our customers or the GAP program. Even at the 3-year Average Disbursement Level for the delayed reinstatement the GAP Tracker would only be over funded by approximately \$130,000. We collect over 50 percent of GAP surcharge revenue in January - March. Suspending the surcharge in those months has a very large effect on the Tracker balance.

We provide as Attachment B an updated schedule of GAP surcharge revenue that we originally provided as Attachment A in our May 19, 2014 Supplemental filing. A table that totals the impacts on surcharge revenue from a suspended surcharge for different timeframes has been added to the schedule. A schedule of monthly disbursements to GAP participants is provided as Attachment C. We note that at the end of May our Tracker balance was approximately \$2,628,000, which is a reduction of approximately \$110,000 from the April balance.

We appreciate the opportunity to work together to determine the appropriate solution to our elevated Tracker balance in an efficient and transparent manner that maintains appropriate program funding for participants.

Pursuant to Minn. Stat. § 216.17, subd. 3, we have electronically filed this document and served copies on all parties on the attached service list.

Please contact me at paul.lehman@xcelenergy.com or (612) 330-7529 if you require any additional information.

SINCERELY,

/s/

PAUL J LEHMAN
MANAGER, REGULATORY COMPLIANCE AND FILINGS

Enclosures
c: Service List

Northern States Power Company
 Gas Affordability Program
Projected GAP Tracker Balance
 (Over)Under Funded

Docket No. G002/M-06-1429
 2013 Annual Report - Reply Comments
 Attachment A, Page 1 of 1

2014 Projected Annual Disbursements: \$2,831,417
 2015 Projected Annual Disbursements: \$3,426,017

3-year Average Level of Annual Disbursements (2011 - 2013): \$2,380,000
 3-year Average Level Average Monthly Disbursements: \$198,333

Level of Disbursements:	Status Quo Surcharge Not Suspended		Xcel Energy Recommendation Surcharge Suspended Aug 2014 - Dec 2014		Delayed Reinstatement Surcharge Suspended Aug 2014 - Mar 2015	
	<u>Projected</u>	<u>4-year Average</u>	<u>Projected</u>	<u>4-year Average</u>	<u>Projected</u>	<u>4-year Average</u>
Tracker end of May14	(\$2,627,716)	(\$2,627,716)	(\$2,627,716)	(\$2,627,716)	(\$2,627,716)	(\$2,627,716)
	Over funded	Over funded	Over funded	Over funded	Over funded	Over funded
Jun14-Jul14 Surcharge Revenue	(\$110,263)	(\$110,263)	(\$110,263)	(\$110,263)	(\$110,263)	(\$110,263)
Jun14-Jul14 Disbursements	\$404,693	\$396,667	\$404,693	\$396,667	\$404,693	\$396,667
Tracker end of Jul14	(\$2,333,286)	(\$2,341,312)	(\$2,333,286)	(\$2,341,312)	(\$2,333,286)	(\$2,341,312)
Aug14-Dec14 Surcharge Revenue	(\$629,331)	(\$629,331)	\$0	\$0	\$0	\$0
Aug14-Dec14 Disbursements	\$1,214,194	\$991,667	\$1,214,194	\$991,667	\$1,214,194	\$991,667
Tracker end of Dec14	(\$1,748,423)	(\$1,978,977)	(\$1,119,092)	(\$1,349,645)	(\$1,119,092)	(\$1,349,645)
Jan15-Mar15 Surcharge Revenue	(\$1,172,873)	(\$1,172,873)	(\$1,172,873)	(\$1,172,873)	\$0	\$0
Jan15-Mar15 Disbursements	\$812,862	\$595,000	\$812,862	\$595,000	\$812,862	\$595,000
Tracker end of Mar15	(\$2,108,434)	(\$2,556,850)	(\$1,479,103)	(\$1,927,519)	(\$306,230)	(\$754,645)
Apr15-Dec15 Surcharge Revenue	(\$1,081,654)	(\$1,081,654)	(\$1,081,654)	(\$1,081,654)	(\$1,081,654)	(\$1,081,654)
Apr15-Dec15 Disbursements	\$2,613,155	\$1,785,000	\$2,613,155	\$1,785,000	\$2,613,155	\$1,785,000
Tracker end of Dec15	(\$576,933)	(\$1,853,504)	\$52,398	(\$1,224,173)	\$1,225,271	(\$51,300)
	Over funded	Over funded	Under funded	Over funded	Under funded	Over funded

Sources

Starting Tracker Balance GAP Tracker
 Surcharge Revenue Attachment B or \$0 if suspended
 Disbursements Projected scenario - Attachment C. 3-year Average scenario - \$194,167 times the number of months.
 Tracker Balances Sum of preceding 3 lines

	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Total 2014	
<u>Actual</u>														
Usage (thm)	135,678,737	110,966,440	111,037,620	67,516,596	38,923,399								YTD	464,122,792
GAP revenue	\$542,714	\$443,856	\$444,128	\$270,050	\$155,677								YTD	\$1,856,426
<u>Forecast</u>														
Usage (thm)	111,749,330	91,620,370	89,197,632	56,060,899	31,252,265	17,409,347	10,156,372	10,582,602	10,725,327	21,279,144	36,189,318	78,556,399		564,779,005
GAP revenue	\$446,997	\$366,481	\$356,791	\$224,244	\$125,009	\$69,637	\$40,625	\$42,330	\$42,901	\$85,117	\$144,757	\$314,226		\$2,259,116
	\$0.00400 /thm													
<u>Actual More(Less) than Forecast</u>														
Usage (thm)	23,929,407	19,346,070	21,839,988	11,455,696	7,671,135									84,242,296
GAP revenue	\$95,717	\$77,374	\$87,338	\$45,807	\$30,668									\$336,904

	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Total 2015
<u>Forecast</u>													
Usage (thm)	108,204,196	95,481,377	89,532,724	55,283,875	30,438,477	17,519,625	9,705,786	10,219,793	10,389,944	20,430,011	37,658,669	78,767,349	563,631,826
GAP revenue	\$432,817	\$381,926	\$358,131	\$221,136	\$121,754	\$70,078	\$38,823	\$40,879	\$41,560	\$81,720	\$150,635	\$315,069	\$2,254,527
	\$0.00400 /thm												

<u>Surcharge suspended during these months</u>	<u>Forgo collecting</u>	
Aug14-Dec14	\$629,331	Our Proposal
Aug14-Jan15	\$1,062,148	
Aug14-Feb15	\$1,444,073	
Aug14-Mar15	\$1,802,204	
Aug14-Apr15	\$2,023,340	
Aug14-May15	\$2,145,094	
Aug14-Jun15	\$2,215,172	

Northern States Power Company
Gas Affordability Program
Disbursements to GAP Participants
Projected unless noted as actual

Docket No. G002/M-06-1429
2013 Annual Report - Reply Comments
Attachment C, Page 1 of 1

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	Actual \$199,324	Actual \$121,932	Actual \$350,532	Actual \$273,808	Actual \$266,934	\$195,517	\$209,176	\$217,151	\$210,933	\$285,930	\$223,655	\$276,525	\$2,831,417
2015	\$241,182	\$147,537	\$424,143	\$331,308	\$322,991	\$236,577	\$253,103	\$262,753	\$255,229	\$345,976	\$270,623	\$334,595	\$3,426,017

CERTIFICATE OF SERVICE

I, Theresa Sarafolean, 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/GR-06-1429

Dated this 13th day of June 2014

/s/

Theresa Sarafolean

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_6-1429_1
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_6-1429_1
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_6-1429_1
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.	202 S. Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_6-1429_1
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	Suite 4800 90 S 7th St Minneapolis, MN 55402-4129	Electronic Service	No	OFF_SL_6-1429_1
Robert S.	Carney, Jr.			4232 Colfax Ave. S. Minneapolis, MN 55409	Paper Service	No	OFF_SL_6-1429_1
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	No	OFF_SL_6-1429_1
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_6-1429_1
Elizabeth	Goodpaster	bgoodpaster@mncenter.org	MN Center for Environmental Advocacy	Suite 206 26 East Exchange Street St. Paul, MN 551011667	Electronic Service	No	OFF_SL_6-1429_1
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_6-1429_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Annete	Henkel	mui@mutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St. Paul, MN 55101	Electronic Service	No	OFF_SL_6-1429_1
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue St. Paul, MN 55130	Electronic Service	No	OFF_SL_6-1429_1
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	90 South 7th Street Suite #4800 Minneapolis, MN 554024129	Electronic Service	No	OFF_SL_6-1429_1
Paula	Johnson	paulajohnson@alliantenergy.com	Alliant Energy-Interstate Power and Light Company	P.O. Box 351 200 First Street, SE Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_6-1429_1
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc.	202 South Main Street P.O. Box 68 Le Sueur, MN 56058	Electronic Service	No	OFF_SL_6-1429_1
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_6-1429_1
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_6-1429_1
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_6-1429_1
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc.	PO Box 68 202 South Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_6-1429_1
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_6-1429_1
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_6-1429_1