

## Staff Briefing Papers

Meeting Date July 30, 2020 Agenda Item No. \*3

Company Northern States Power Company, d/b/a Xcel Energy  
(Xcel Energy)

Docket No. **G-002/M-19-498**

**In the Matter of the Petition of Northern States Power Company for Approval of Changes in Contract Demand Entitlements**

Issues Should the Commission accept Xcel Energy’s proposed demand entitlement levels and cost changes and approve Xcel request to implement through Purchased Gas Adjustment, changes in its interstate pipeline transportation, storage entitlements and other demand-related contracts for 2019-2020 heating season?

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 **Relevant Documents**

**Date**

Xcel Energy – Initial Filing for 2019-2020 Demand Entitlements	August 2, 2019
Department of Commerce – Comments	October 3, 2019
Xcel Energy - Reply Comments	October 14, 2019
Xcel Energy - Supplemental Comments	November 1, 2019
Department of Commerce – Reply to Supplemental Comments	April 15, 2020

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## Table of Contents

I.	Statement of the Issues .....	1
II.	Introduction .....	1
III.	Background .....	2
IV.	Minnesota Rules .....	2
V.	Parties' Comments.....	2
A.	Xcel Energy.....	2
1.	Change in Design Day.....	3
2.	Change in Capacity Resources used to meet Design Day Requirements .....	3
3.	Change in Jurisdictional Allocations .....	4
4.	Change in Supply Reservation Fees .....	4
5.	Reserve Margin Information.....	4
B.	The Department.....	4
1.	Proposed Design Day .....	4
2.	Demand Entitlement Levels.....	6
3.	Proposed Reserve Margin.....	7
4.	Jurisdictional Allocations .....	8
5.	Supplier Reservation Fees.....	8
6.	Purchased Gas Adjustment Cost Recovery Proposal.....	8
7.	Department Recommendation.....	12
VI.	Staff Comment .....	12
VII.	Decision Alternatives .....	12

## I. Statement of the Issues

Should the Commission accept Xcel Energy's proposed demand entitlement levels and cost changes and approve Xcel Energy request to implement through Purchased Gas Adjustment, changes in its interstate pipeline transportation, storage entitlements and other demand-related contracts for 2019-2020 heating season?

## II. Introduction

Northern States Power Company, d/b/a Xcel Energy (Xcel Energy) entered into various natural gas supply and interstate pipeline contracts to provide natural gas to its customers in both its Minnesota and North Dakota services areas. On August 2, 2019 Xcel Energy filed its demand entitlement petition with the Minnesota Public Utilities Commission (Commission) requesting approval to recover certain costs and capacity changes related to its interstate pipeline transportation entitlements, supplier reservation fees and other demand related charges.<sup>1</sup>

Demand entitlements essentially refers to reservations charges paid by the Local Distribution Company (LDC) to an interstate natural gas pipeline to reserve pipeline capacity used for storing and transporting natural gas supply for delivery to the company's system and contract charges related to the LDC procuring the gas supply.

Xcel Energy seeks Commission approval to allow it to implement through its monthly Purchased Gas Adjustment (PGA) cost recovery mechanism, changes in its interstate pipeline transportation, storage entitlements and other demand-related contracts for 2019-2020 heating season for its Minnesota customers and make the plan effective November 1, 2019.

Xcel Energy updates its natural gas transportation, storage entitlements, and supply contracts on an annual basis, as a way of ensuring it has access to enough capacity to cover the anticipated peak demand of their natural gas customers. To determine the amount required, Xcel Energy used its forecast of customer needs under Design Day (DD) conditions. Xcel Energy projects increase in Minnesota Design Day requirements of 7,955<sup>2</sup> Dekatherms (Dth) and demand-related costs (as updated in supplementary filing of November 1, 2019) of \$14,515,677 for 2019-2020 heating season.

Xcel Energy has interstate pipeline contract demand entitlements with different companies, namely Northern Natural Gas Company, Viking Gas Transmission Company, Great Lakes Gas Transmission Company, ANR Pipeline Company, and WBI Energy Transmission.<sup>3</sup>

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<sup>1</sup> Xcel's Petition, p.1.

<sup>2</sup> Ibid.

<sup>3</sup> The Department, Comments, p.1.

### III. Background

On August 2, 2019, Xcel Energy, in Docket G-002/M-19-478, filed a request for Commission approval of change in contract demand entitlements and to allow implementation through the Purchased Gas Adjustment (PGA), changes in its interstate pipeline transportation, storage entitlements and other demand-related contracts for 2019-2020 heating season.

On October 3, 2019, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments, reserving final recommendation to the Commission until after Xcel Energy files its November 2019 supplement or update to its demand entitlement proposal.

On October 14, 2020, Xcel Energy filed reply comments.

On November 1, 2019, Xcel Energy submitted supplemental information that shows the final demand entitlement volumes and costs that would be charged to ratepayers.

On April 15, 2020, the Department submitted its response to Xcel Energy's November 1, 2019 Supplemental Filing and recommends that the Commission accept the Company's proposed level of demand entitlements and allow Xcel Energy to recover the associated demand costs, subject to adjustment through the monthly Purchased Gas Adjustment (PGA) effective November 1, 2019 and January 1, 2020 respectively.

### IV. Minnesota Rules

Minn. Stat. § 216B.16, Subd.7, and Minnesota Rule, part 7825.2910, subp. 2 require gas utilities to make a filing whenever there is a change to its demand-related entitlement services provided by a supplier or transporter of natural gas.

The Purchased Gas Adjustment is a mechanism employed by a regulated natural gas utility to recover its cost of energy. Minn. Rules 7825.2390 through 7825.2920, allows regulated gas and electric utilities to adjust rates on a monthly basis to reflect charges in cost of energy delivered to customers based upon cost authorized by the Commission in the utility's most recent general rate case.

### V. Parties' Comments

#### A. Xcel Energy

Xcel Energy requests rate adjustments through its PGA, to reflect changes in its firm pipeline demand entitlement levels as described below. Xcel Energy's request reflects a change in Design Day (DD) forecast from the 2018-2019 heating season, which Xcel Energy describes in Attachment 1, Page 3 to the petition.

Xcel Energy requests that the following adjustments be made through the PGA to reflect changes in its firm pipeline demand entitlement levels:

1. Increase Minnesota jurisdictional design-day (DD) capacity increase of 7,955 dekatherms per day (Dth/day), about 1.08% (7,955 Dth/735,741 Dth).
2. Change the capacity resources used to meet the design-day requirements and increase the amount of capacity resources (total entitlements) for Minnesota by 11,475 Dth/day or 1.47% (11,475 Dth/779,864 Dth).
3. Increase the reserve margin from 6.00% to 6.41% for Minnesota.
4. Increase the jurisdictional allocation to Minnesota instead of than North Dakota to 87.57% from 87.51% to reflect usage patterns and
5. Change recovery of Supply Reservation fees.

According to Xcel Energy these proposed changes to its demand entitlements overall would increase costs from all source systems by approximately \$15,628,761, as disclosed in Attachments 1 and 2 to the Petition. Xcel Energy also notes that capacity increases are related to reliability needs across its entire system and that the cost increases are due to not only the capacity increases on NNG, but also the increased cost of contracts already owned and negotiated by Xcel Energy for NNG, VGT, ANR, and WBI and decreased costs for GLT.

Further, Xcel Energy states that there is an increase in the reserve margin, from 6.00% to 6.41%, due to the increase in entitlements relative to the increased design-day consumption. Xcel Energy also stated that the “reserve margin is appropriate given the need to balance the uncertainty of: (a) experiencing DD conditions; (b) actual consumer demand during DD conditions; and (c) the need to protect against the potential loss of a source of firm natural gas supply.”<sup>4</sup>

### **1. Change in Design Day**

Xcel Energy forecasted firm customer count in its Minnesota region increased by 4,304 customers, from 461,078 forecasted for the 2018-2019 heating season to 465,382 forecasted for the 2019-2020 heating season. This projection contributes to an increase in DD requirements in Minnesota region of 7,955 Dekatherms (Dth), from 735,741 to 743,696.<sup>5</sup>

### **2. Change in Capacity Resources used to meet Design Day Requirements**

Xcel Energy notes in the petition that changes in resources used to meet DD customer requirements, including pipeline entitlements and storage supplier system may take effect at different times in the heating season depending on service by any of its five suppliers - Northern Natural Gas Company, Viking Gas Transmission Company, Great Lakes Gas Transmission Company, ANR Pipeline Company, WBI Energy Transmission. The amount of capacity resources, that is, total entitlements, increased by 11,475 Dth/day for Minnesota region.

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<sup>4</sup> Xcel Energy’s Petition, Attachment 1. pp. 9 of 10 and 10 of 10.

<sup>5</sup> Xcel Energy’s Petition, p. 5.

### **3. Change in Jurisdictional Allocations**

Xcel Energy updated its jurisdictional allocation to reflect the latest DD forecast. The DD allocation factor increased slightly for the Minnesota State jurisdiction from 87.51 percent in 2018-2019 heating season to 87.57 percent. Xcel Energy believes that change in DD is small and only affects the allocation of entitlements between the Minnesota and North Dakota retail natural gas jurisdictions.

### **4. Change in Supply Reservation Fees**

Xcel Energy updated the Supply Reservation Fees in the petition, which increased by \$111,882. See Attachment 1 Schedule 2, p.1.

### **5. Reserve Margin Information**

Xcel Energy proposed change in its capacity reserve margin would increase it to 6.4 percent for the 2019-2020 heating season, an increase from 6.0 percent in 2018-2019 heating season. Discussed in Attachment 1, section C and Attachment 2, Schedule 1, Page 3 of 3 of the Petition.

## **B. The Department**

The Department conducted a review and analysis of Xcel Energy's request as shown below in five areas (design day requirements, overall demand entitlement levels, reserve margin, jurisdictional allocation, supplier reservation fees) and including PGA cost proposals.

Further the Department notes that there are two interstate pipeline rate cases ongoing at the Federal Energy Regulatory Commission (FERC), concerning Northern Natural Gas Company (NNG) and the Viking Gas Transmission Company and very likely this will result in changes that impact instant case. Therefore the Department recommends that in November 1, 2019 Supplementary filing, and/or update that Xcel Energy provide, not only the costs to Xcel Energy of the Northern changes both at FERC rates in effect beginning November 1, 2019 but also at the expected rates beginning January 1, 2020 for all the capacity that Xcel Energy has contracted with NNG<sup>6</sup>.

### **1. Proposed Design Day**

The Department notes that Xcel Energy projects an increase of 4,304 customers for 2019-2020 heating seasons in the Minnesota jurisdiction, which represents a change from the 2018-2019 figure of 461,078 to 465,382 for 2019-2020 heating season. Thus, this projected increase in customer base would increase the design-day requirements for Minnesota by 7,955 Dth.

Also, the Department observed that Xcel Energy uses two forecast methodologies to estimate its design-day requirement for the 2019-2020 heating season, namely the Actual Peak Use-per-Customer Design Day (UPC DD) and the Average Monthly Design Day (Avg. Monthly DD).

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<sup>6</sup> The Department's Comments, pp.7-11.

Department opines that this is consistent with Xcel Energy's approach since 2004-2005 demand entitlement filing. The Department assesses the foundations of the methodologies below.

The UPC DD method employs a use-per-customer number of 1.57393 Dth/day to estimate the design day demand forecast, based on the actual use per customer on Thursday, January 29, 2004, which was a day for which only firm customers were on the system (See Petition's Attachment 1, Schedule 3, page 2 of 2). Xcel Energy multiplied the 1.57393 Dth/day value by estimates of total firm customers in all of Xcel Energy's service areas and added the contracted billing demand for Small and Large Demand Billed Customers to arrive at the total expected design-day demand for the Xcel Energy system. Thus, unlike the Avg. Monthly DD method, 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 located.

According to the Department, Xcel Energy's analysis using the UPC DD and the Avg. Monthly DD resulted in an equivalent total expected design-day demand for the Xcel Energy system.<sup>7</sup> If either cold temperatures or differences in results compared with the Avg. Monthly DD method indicate that the 1.57393 Dth/day peak-day use-per customer volume is out of date, the Company indicated that it will adjust the volume, whenever this occur.

The Department notes the Avg. Monthly DD method is a statistical method that uses linear regression analysis to estimate design-day demand. Xcel Energy performs a separate regression on each demand area for both residential and commercial customers<sup>8</sup> These separate demand areas have their own specific usage characteristics based on the input data; as such, 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. Xcel Energy's service areas were unchanged from the 2016-2017 heating season to the 2017-2018 heating season; therefore, any changes in the aggregate forecast numbers using the Average Monthly DD method are related to typical growth dynamics and data turnover (Xcel Energy used the 62 most recent months of data in its analysis), and to the usage characteristics of customers in a given demand area.

The Department concludes overall that Xcel Energy's forecast methodology is acceptable and agrees with Xcel Energy that it should continue to use the two methods to develop its design-day estimate and updating the UPC DD method when appropriate.

Further, the Department notes that Xcel Energy projected Minnesota and North Dakota DD requirements will increase by 8,540 Dth/day to 849,248 Dth/day in the 2019-2020 heating season, or a 1.0% increase. Xcel Energy's forecast of its Minnesota design-day requirements is 743,696 Dth/day, an increase of 7,955 Dth/day, or an increase of 1.1%. In addition, the forecasted North Dakota usage for 2019-2020 is 105,553 Dth/day, an increase of 585 Dth/day, or a 0.6% increase from the 2018-2019 heating season.

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<sup>7</sup> The Department's Comments, p. 3.

<sup>8</sup> The Department's Comments, p.4.

According to the Department the bigger rate of increase in forecasted Minnesota gas consumption indicates that the proportion of design-day responsibility on the Xcel Energy system shifted to Minnesota from North Dakota, after some years of the reverse trend. This invariably shows the consumption allocator for Minnesota for the 2018-2019 heating season has gone up to 87.57%, from 87.51% during the previous heating season. Thus, Department agrees with Xcel Energy's description of its forecasting techniques of its DD levels as being performed properly.<sup>9</sup>

## 2. Demand Entitlement Levels

The Department notes that Xcel Energy's petition proposed changes in the resources used to enable DD customer requirement. Overall, Xcel Energy's system firm supply entitlements, which include entitlements for Minnesota and North Dakota, increased from 891,171 Dth/day to 903,665 Dth/day, or 1.4%. Of all the Xcel Energy's resource supply companies, NNG which is the major source of demand related increase total cost of \$15,628,761. NNG tariffs projected to be in effect on January 1, 2020 represent 90% of total demand related increase. Vikings tariff rates would also be in effect on January 1, but the Department defers further discussion to PGA Recovery section.

There was no change to Great Lakes Gas Transmission (GLT) firm capacity entitlement and hence no change to contract quantity, however, the Department requests Xcel Energy clarify the effective and expiration dates of GLT contract. In Xcel Energy's October 14, 2020 reply comments, Xcel Energy expressed gratitude for the Department's general understanding of the Great Lakes Gas Transmission contracts and indicated that it consolidated three contracts with Great Lakes Gas Transmission into the renewal of two contracts for one-year terms each. The contract consolidation and the renewals are effective April 1, 2020 with an expiration of March 31, 2021. The original effective date of the agreements was April 1, 2019 resulting in a two-year term, when including the renewal period. The Department, accordingly, expressed appreciation for Xcel Energy's clarification, in the Department's April 15, 2020 response to Xcel Energy's Supplementary filing.

Also, there was a small addition to capacity on the ANR Pipeline pursuant to the ANR Pipeline tariff. In addition, Xcel Energy stated that one firm transportation agreement with ANR Pipeline was renewed for five years at the maximum tariff rate. The Department notes that Xcel Energy stated that it renewed one firm transportation agreement, which provides 66,500 Dth/day of transportation capacity upstream of our Viking entitlements, for five years at the maximum tariff rate. Additionally, the Department notes that there were changes to the contract prices as a result of a settlement of WBI's rate case at FERC<sup>10</sup> that resulted in increased rates from the previously effective FERC rates.

Apart from the implementation of proposed NNG and VGT rates that are subject to refund, the Department analyzed changes in DD entitlement resources and concludes that each change seems reasonable at this time to serve firm customers on a peak day.

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<sup>9</sup> Id., at 6.

<sup>10</sup> The Department's Comments, p. 11.



Further, Xcel Energy, in its Supplementary filing provided update to supplier entitlement changes. Originally Xcel Energy had planned to purchase 10,794 Dekatherms (Dth) per day of delivered supply from a producer/marketer on Viking. The Company acquired a delivered supply agreement for 11,000 Dth per day of capacity. The acquired capacity as part of the delivered supply agreement is 206 Dth per day more than what the Company anticipated at the time it filed its Petition. However, the Company stated that this was due to contracting in round numbers. The changes are provided in detail in the Company's Supplemental Attachments 1 and 2.

The Department notes that in a second supplier entitlement update, Xcel Energy indicated that one of its large interruptible customers in Grand Forks had a failure of its backup system and needed to move to firm service. Upon inquiry by the Department, Xcel Energy responded as thus:

- Gas used to serve the customer historically enters the distribution system from the Grand Forks TBS on the Viking Gas Transmission (Viking) system.
- The customer's move to firm sales service does not change the TBS from which gas will enter into the distribution system.
- The configuration of the distribution system or its supply point will not change as a result of the customer's service choice.

The Department believes Xcel Energy's proposed supplier entitlement changes are reasonable.

### **3. Proposed Reserve Margin**

The Department notes that Xcel Energy's proposed design-day reserve margin in Minnesota is 6.41% for 2019-2020, this is an increase from the 6.00% in 2018-2019. As the Company stated, the reserve margin serves to protect against the loss of a firm gas-supply source and the risk of actual consumer demand exceeding the design day. Xcel Energy holds that its proposed reserve margin of 47,643 Dth/day, as shown in further detail in Department Attachment 1, is appropriate to meet its design-day needs.

Xcel Energy filed Supplementary update on November 1, 2020, the net change to the Company's reserve margin is an increase of 12,969 Dth/day<sup>11</sup> on a Minnesota-jurisdictional basis, resulting in a reserve margin of 6.61%. This reflects an increase in the reserve margin compared to the 2018-2019 heating season's reserve margin of 6.00%.

The Department opines that Xcel Energy's proposed reserve margin is within the 5-7 percent range threshold for deciding whether a given reserve margin is reasonable. Therefore, Department holds in its initial comments and in its response to Xcel Energy's Supplementary update that the 2019-2020 reserve margin is not unreasonable.<sup>12</sup>

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<sup>11</sup> The Department's Response Comment to Xcel Energy's Supplementary filing, p. 6.

<sup>12</sup> Xcel Energy's Comments, p. 13.

#### **4. Jurisdictional Allocations**

The 2019-2020 heating season jurisdictional allocation factor, which is used to allocate new peak capacity to Minnesota and North Dakota, remained within 0.50 percentage points of the projection for the prior heating season. The allocation factor is derived by dividing the design-day forecasted demand for Minnesota (743,696 Dth/day) by the same demand for the Company's system (849,248 Dth/day). The Avg. Monthly DD results are used to update the allocation factor, which increased from 87.51% to 87.57%.<sup>13</sup>

A locational change of a handful of customers in one state or the other can change the total numbers upon which the allocation factor is based and therefore change the allocation between the states. Small annual changes in the allocation factor are almost inevitable. Again, such changes are typically not significant.

The Department concludes that Xcel Energy's proposed jurisdictional allocation change is reasonable.

#### **5. Supplier Reservation Fees**

According to Xcel Energy, its Supplier Reservation fees have changed. The resulting net change is an increase of \$111,882 annually based on the proposed addition of 5,394 Dth/day year-over-year. Each of the supplier contracts is listed in the Trade Secret version of the Company's Petition.

According to the Department, each individual contract was reviewed, and it believes Xcel energy's proposal appears reasonable.

#### **6. Purchased Gas Adjustment Cost Recovery Proposal**

Xcel proposed to reflect the costs associated with the demand entitlements changes through the PGA charges effective November 1, 2019. The demand entitlements charges represent costs which the Xcel firm customers will pay. In the Petition Xcel compares July 2019 PGA costs to the currently proposed November 2019 PGA costs for several customers classes<sup>14</sup> (Residential, Small Commercial, Large Commercial, etc.) The resulting per-Dekatherm (Dth) cost changes related strictly to changes in demand costs have the following annual rate effects and are reflected in figure 1 below.

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<sup>13</sup> Xcel Energy's Petition Attachment 1, pp. 6-7.

<sup>14</sup> Id., at Attachment 2 schedule 2.

**Figure 1: Per Dekatherm Changes – PGA Cost Recovery to Implement – November 1, 2019**

Customer Class	Last Month PGA July 2019 (1)	Est PGA Nov 2019 with Proposed Demand Entitle Changes (2)	Demand Cost/Dth (\$)  (3) =  (2-1)	Average Annual Usage Dth  (4)	Change From Last Month (\$)  (5) = (4*3)
Residential	\$0.8393	\$1.0118	\$0.1725	87	\$15.00
Small Commercial	\$0.8492	\$1.0344	\$0.1852	284	52.60
Large Commercial	\$0.8263	\$0.9928	\$0.0054	1463	243,58
Interruptible (SML)	0.00	0.00	0.00	0	0.00

\*Adapted from Xcel's Petition, Attachment 2 schedule 2, page 1 of 4.

- Annual demand costs increase by \$0.1725/Dth, or approximately \$15.00 more annually, for the average Residential customer consuming 87 Dth annually;
- Annual demand costs increase by \$0.1852/Dth, or approximately \$52.60 more annually, for the average Small Commercial customer consuming 284 Dth annually;
- Annual demand costs increase of \$0.1665/Dth, or approximately \$243.53 more annually, for the average Large Commercial customer consuming 1,463 Dth annually; and
- No Change in annual demand costs for the average Small Interruptible, Medium Interruptible, and Large Interruptible customers. These customer classes are not allocated demand costs under the current cost allocation plan.

The Department expressed concern upon review of the above proposal and stated that the proposal is not reasonable. The Department asked Xcel to provide updated information on the cost of NNG and Viking changes at FERC authorized rates in effect beginning November 1, 2019 and January 1, 2020 for all pipeline capacity and to compare this to October PGA instead of July PGA.<sup>15</sup>

Xcel Energy in its November 1, 2019 Update addressed the Department's concern about the Company's purchased gas adjustment cost recovery proposal, and the final pipeline and supply entitlements for the 2019-2020 heating season.

For residential customers in particular, Xcel provided the following comparison of rates that are part of a customers' bill for the last month (Oct. 2019) before the change in demand

<sup>15</sup> Department's Comments, p.14.

entitlement, November 2019 and January 2020 (the month that new interstate pipeline rates were to go into effect subject to refund).

Xcel's Revised Attachment 2, Schedule 2 Page 1 Of 4 compares the October 2019 PGA costs to the November 2019 PGA costs for several customer classes. The resulting cost changes, related strictly to changes in demand costs, have the following annual rate effects, and as depicted in figure 2 below:<sup>16</sup>

**Figure 2: Per Dekatherm Changes – PGA Cost Recovery – November 1, 2019**

Customer Class	Last Month PGA Oct 2019 (1)	Est PGA Nov 2019 with Proposed Demand Entitle Changes (2)	Demand Cost/Dth (\$) (3) = (2-1)	Average Annual Usage Dth (4)	Change from Last Month (\$) (5) = (4*3)
Residential	\$0.8041	\$0.8095	\$0.0054	87	\$0.47
Small Commercial	\$0.8204	\$0.8258	\$0.0054	284	1.53
Large Commercial	\$0.7904	\$0.7958	\$0.0054	1463	7.90
Interruptible (SML)	0.00	0.00	0.00	0	0.00

\*Adapted from Petition Revised Attachment 2 schedule 2

- Annual demand costs increase by \$0.0054/Dth, or approximately \$0.47 annually, for the average Residential customer consuming 87 Dth annually;
- Annual demand costs increase by \$0.0054/Dth, or approximately \$1.53 annually, for the average Small Commercial customer consuming 284 Dth annually;
- Annual demand costs increase by \$0.0054/Dth, or approximately \$7.90 annually, for the average Large Commercial customer consuming 1,463 Dth annually; and
- No Change in annual demand costs for the average Small Interruptible, Medium Interruptible, and Large Interruptible customers. These customer classes are not allocated demand costs under the current cost allocation plan.

Additionally, Xcel Energy's Revised Attachment 2, Schedule 2, effective January 2020, compares the October 2019 PGA costs to the January 2020 PGA costs for several customer classes. The resulting cost changes, related strictly to changes in demand costs, have the following annual rate effect, and as depicted in figure 3:<sup>17</sup>

<sup>16</sup> Xcel's Petition Revised Attachment 2 schedule 2.

<sup>17</sup> The Department's Response Comments to Xcel Energy's Supplementary Filing, p. 5

**Figure 3: Per Dekatherm Changes – PGA Cost Recovery – January 2020**

Customer Class	Last Month PGA Oct 2019 (1)	Est PGA Jan 2020 with Proposed Demand Entitle Changes (2)	Demand Cost/Dth (\$)  (3) =  (2-1)	Average Annual Usage Dth  (4)	Change from Last Month (\$)  (5) = (4*3)
Residential	\$0.8041	\$1.0117	\$0.2076	87	\$18.05
Small Commercial	\$0.8204	\$1.0343	\$0.2139	284	60.75
Large Commercial	\$0.7904	\$0.9928	\$0.2024	1463	296.04
Interruptible (SML)	0.00	0.00	0.00	0	0.00

- Annual demand costs increase by \$0.2076/Dth, or approximately \$18.05 annually, for the average Residential customer consuming 87 Dth annually;
- Annual demand costs increase by \$0.2139/Dth, or approximately \$60.75 annually, for the average Small Commercial customer consuming 284 Dth annually;
- Annual demand costs increase by \$0.2024/Dth, or approximately \$296.04 annually, for the average Large Commercial customer consuming 1,463 Dth annually; and
- No Change in annual demand costs for the average Small Interruptible, Medium Interruptible, and Large Interruptible customers. These customer classes are not allocated demand costs under the current cost allocation plan.

With respect to the two interstate pipeline rate cases at FERC, the Department said

On March 19, 2020, FERC Trial Staff filed their Comments on Viking’s Stipulation and Offer of Settlement and as of this filing, the matter is now awaiting FERC action. (See Department Attachment 3 for portions of the settlement document).

On December 16, 2019, the Chief Administrative Law Judge at FERC in NNG’s FERC rate case in FERC Docket No. RP19-1353 issued an Order of Chief Judge Terminating Settlement Procedures and thus, NNG’s rate case at FERC is still ongoing. (See Department Attachment 3).

The bill impacts described above relate solely to changes in demand cost and are based on the demand data provided by the Company. As a result of the above Viking and NNG cases at FERC, the demand rates implemented January 1, 2020 are subject to refund and the outcome of the FERC hearings. As a result, the demand costs will be subject to a possible future adjustment through the PGA and reflected in the Company’s Annual Automatic Adjustment (AAA) Report filed in compliance with Minnesota Rules 7825.2390 through 7825.2920. Thus, based on

its review, the Department concludes that the Company's proposal appears to be reasonable.

After the Department submitted its comments, the Northern Natural Gas rate case settled. The NNG rate case settlement has been certified by the ALJ and is pending FERC approval.

## **7. Department Recommendation**

The Department recommends the Commission approve Xcel Energy's proposed level of demand entitlements as amended by its Supplemental Filing. The Department also recommends the Commission allow Xcel Energy to recover associated demand costs through the monthly Purchased Gas Adjustment effective November 1, 2019 and January 1, 2020 respectively.

## **VI. Staff Comment**

Staff reviewed Xcel Energy's petition and the supplementary information update to the petition. Staff appreciates the Department's thorough review and analysis in covering all relevant issues in this docket. Staff agrees with the Department's conclusions and recommendations.

## **VII. Decision Alternatives**

### **Should the Commission accept Xcel Energy's proposed demand entitlement levels?**

1. Approve Xcel Energy's proposed level of demand entitlements as amended by its Supplemental Filing, (DOC, Xcel Energy), or
2. Do not approve Xcel Energy's demand entitlement levels.

### **Should the Commission allow Xcel Energy to recover demand entitlements related costs through Purchased Gas Adjustment effective November 1, 2019 and January 1, 2020, respectively?**

3. Allow Xcel Energy to recover associated demand costs through the monthly Purchased Gas Adjustment effective November 1, 2019 and January 1, 2020 respectively. (DOC, Xcel Energy), or
4. Do not allow.