

**Minnesota Public Utilities Commission**  
*Staff Briefing Papers*

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**Meeting Date:** May 21, 2015 ..... **Agenda Item #5**

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**Company:** Northern States Power Company (Xcel)

**Docket No.** G-002/M-14-540  
In the Matter of the Petition of Northern States Power Company for Modifications to the Interruptible Service Tariffs

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**Issues:** Should the Commission approve Northern States Power Company’s (Xcel) compliance filings pursuant to the Commission’s October 17, 2014 Order requiring: 1) interruptible service tariff modifications (filed October 27, 2014), and 2) proposed language on Xcel’s disconnection policies and procedures for interruptible customers’ using unauthorized gas (filed November 17, 2014)?

**Staff:** Bob Brill ..... 651-201-2242

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***Relevant Documents***

Xcel’s Initial Petition ..... June 27, 2014  
Department of Commerce (Department) Comments ..... August 4, 2014  
Xcel’s Reply Comments ..... August 14, 2014  
Commission Order ..... October 17, 2014  
Xcel’s Compliance Filing – Interruptible Service tariff Modifications ..... October 27, 2014  
Xcel’s Compliance Filing – Disconnection Policies and Procedures ..... November 17, 2014  
Department Comments ..... January 27, 2015  
Xcel’s Reply Comments ..... February 26, 2015  
Department Letter Addressing Xcel’s Reply Comments ..... March 24, 2015  
Xcel’s Supplemental Reply Comments ..... March 31, 2015

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The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

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## Statement of the Issues

Should the Commission approve Northern States Power Company's (Xcel) compliance filings pursuant to the Commission's October 17, 2014 Order requiring: 1) interruptible service tariff modifications (filed October 27, 2014), and 2) proposed language on Xcel's disconnection policies and procedures for interruptible customers' using unauthorized gas (filed November 17, 2014)?

## Introduction

Pursuant to the Commission's October 17, 2014 Order, Xcel made its compliance filings addressing the Order requirements. First, on October 27, 2014, Xcel provided updated tariff sheets reflecting the approved change in the unauthorized gas consumption penalty from \$1 per therm to \$5 per therm and further included the approved tariff language changes for unauthorized consumption of gas. Second, on November 17, 2014, Xcel submitted its proposal for policies, procedures, and tariff language for the disconnection of interruptible customers and discontinuation of interruptible service for unauthorized gas consumption during curtailment periods.

The Department and Xcel exchanged several rounds of *Comments*, after which the Department recommended<sup>1</sup> to the Commission that it would accept Xcel's tariff modifications,<sup>2</sup> with a minor Department modification and with the understanding that further modification may be required through either the 2014 AAA Report (Docket No. 14-580) or a separate docket that Xcel may initiate later this year.<sup>3</sup>

PUC staff generally agrees with the Department's recommendation, but does provide additional comments.

## Background

On June 27, 2014, Xcel filed a *Petition* with the Commission requesting modification of its interruptible gas service tariff. Xcel made this filing in response to unauthorized gas use by many interruptible customers during the 2013-2014 heating season.

On August 4, 2014, the Department filed *Comments* responding to Xcel's *Petition*. The Department generally agreed with Xcel's proposal but recommended additional clarifying language and updates to other parts of the tariff.

The Department further recommended that Xcel provide its proposal on its current policies and procedures for its disconnection of service for unauthorized gas consumption and submit its draft tariff that illustrates this policy. If a current policy was not in place, the Department recommended that the Commission require Xcel to examine this issue in greater detail and make

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<sup>1</sup> See the Department's Reply Comments dated March 24, 2015.

<sup>2</sup> Made in Xcel's compliance filing dated November 17, 2014 and in its Reply Comments dated February 26, 2016.

<sup>3</sup> See the Department's March 24, 2015 *Reply Letter* responding to Xcel's February 27, 2015 *Reply Comments*.

a compliance filing in this docket within 30 days of the Commission's Order, reflecting its proposal for policies and procedures for the disconnection of interruptible service for unauthorized gas consumption.

In its August 14, 2014 *Reply Comments*, Xcel agreed to the tariff language modifications recommended by the Department and indicated that it does not currently have procedures and policies in place to deal with unauthorized gas use of interruptible customers during curtailment periods. Xcel stated that it would provide a policy, procedures, and tariff language discussion in a compliance filing.

On October 17, 2014, the Commission issued its Order adopting and approving the Department's recommendations and requiring Xcel to make a compliance filing within 30 days reflecting its policies, procedures, and tariff language for service disconnection for unauthorized gas consumption during curtailment periods.

On October 27, 2014, Xcel filed its revised tariff sheets approved in the Commission's October 17, 2014 Order. On November 17, 2014, Xcel filed its required compliance filing stating its proposed policies, procedures, and tariff language for service disconnection for unauthorized gas consumption by interruptible customers during curtailment periods.

On January 27, 2015, the Department filed its *Comments*.

On February 26, 2015, Xcel filed its *Reply Comments*.

On March 24, 2015, the Department filed its *Reply Letter*.

On March 31, 2015, Xcel filed its *Supplemental Reply Comments*.

## **Xcel Energy ("Xcel"), doing business as Northern States Power Company**

### **Xcel's Compliance Filings**

#### October 27, 2014 Compliance Filing

Xcel's initial petition<sup>4</sup> stated that the 2013-2014 heating season was marked by extreme weather conditions and pipeline incidents that raised significant concerns about maintaining firm customer reliability caused by interruptible customer unauthorized gas consumption during curtailment periods. Xcel proposed changes in its Interruptible Service tariffs to address these concerns.

On October 27, 2014, Xcel made the first of two required compliance filings. Xcel's first compliance filing updated the penalty charge from \$1 per therm to \$5 per therm pursuant to the Commission's October, 17, 2014 Order. Further, Xcel updated its tariff to include the following language on every appropriate tariff sheet:<sup>5</sup>

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<sup>4</sup> Dated June 27, 2014.

<sup>5</sup> Minnesota Gas Rate Book – MPUC No. 2:

Sheet No. 5-4.1, revision 4

Sheet No. 5-33, revision 1

Sheet No. 5-8, revision 5

Sheet No. 5-54, revision 6

*The payment of a penalty shall not, under any circumstances, be considered as giving the customer the right to take unauthorized gas. Nor shall such payment be considered to exclude or limit any other remedies available to the Company, including, but not limited to, shutting off customer's supply of gas in the event of customer's failure to curtail, interrupt, or restrict the use thereof when requested by Company to do so.*

*An interruptible customer's unauthorized use of gas during an interruption is a breach of the terms of service. Xcel Energy reserves the right to discontinue service for such unauthorized use of gas and/or move noncompliant customers to a different rate class. If an interruptible customer's service is reconnected following a breach of the terms of service or unauthorized use of gas, the customer will reimburse the company for the cost of reconnection.*

#### November 17, 2014 Compliance Filing

In Xcel's second compliance filing, dated November 17, 2014, Attachment A contains Xcel's proposed policies and procedures for disconnection; referred to as Xcel's MissionMode and Curtailment. Attachment B contains the process flow chart that shows the internal steps involved in disconnecting an interruptible customer for unauthorized gas consumption; reflected as a flow chart of Xcel's procedures. Attachment C contains Xcel's proposed tariff sheets.<sup>6</sup>

#### **Xcel's Reply Comments**

On February 26, 2015, Xcel filed its *Reply Comments* to the Department's January 27, 2015 *Comments*. Xcel's *Reply Comments* addressed the following:

##### **A. Disconnection Procedures**

Xcel stated that it has used the Department's recommended language<sup>7</sup> as reflected in Attachment A with certain modifications. Xcel further clarified the Department's tariff language for two system conditions:<sup>8</sup>

1. Curtailment Situations – when reached, interruptible customers are notified to curtail usage.
2. System Critical Conditions – when reached, Xcel will implement procedures to disconnect non-curtailing interruptible customers.

Please see Attachment B of Xcel's February 26 *Reply Comments* for a copy of Xcel's proposed Clarification Tariff Language in response to the Department's recommendation.<sup>9</sup>

Sheet No. 5-12, revision 5

Sheet No. 6-24, revision 3

Sheet No. 5-19, revision 6

Sheet No. 7-11, revision 4

Sheet No. 5-26, revision 6

Sheet No. 7-20, revision 4

Sheet No. 5-27, revision 1

<sup>6</sup> See Xcel's compliance filing dated November 17, 2014 which reflects Attachment A, B, and C.

<sup>7</sup> See the Department's January 27, 2015 *Comments*.

<sup>8</sup> See the February 26, 2015 Xcel *Reply Comments*, pp. 1 – 2.

<sup>9</sup> Minnesota Gas Rate Book – MPUC No. 2, Tariff Section 6.2 – Curtailment of Company's Retail Supply.

## **B. Curtailment Notification Procedures and Timing**

The Department original recommendations included procedures and timing used to notify customers of temporary service discontinuance. Xcel proposed to add the following tariff language:<sup>10</sup>

*Curtailment notifications will be made to customer-provided notification devices (phone, email, text message, fax, or pager) a minimum of one hour prior to the curtailment start. Notifications identifying the end of the curtailment period will be made to interruptible gas customers in the same manner.*

## **C. Conversion of Customer from Interruptible to Firm Service Procedures**

The Department's *Comments* recommended Xcel add the following tariff language:

*More than one instance of failure to curtail within one year will result in a transfer of the customer from its current interruptible rate class to a firm rate class.*

Xcel stated that it had not had an opportunity to fully assess the impacts on its customers and its system health or educate its customers regarding this proposed process change. To permit a complete evaluation of this proposed modification and customer education regarding this proposal, Xcel recommended an alternative proposal – to make a filing later this year that addresses a procedure to move customers from interruptible to firm service. Xcel wished to explore what the proposed Department alternative would mean to its system and customers, which includes the following:

- what are the appropriate triggers to begin the process to move a customer from interruptible to firm service;
- what are the steps to monitor, trigger, and perform a move;
- how long does it take to move a customer (system load issues);
- how long will a customer have to stay on firm service (tariffs currently state that a Commercial Demand Billed customer must give a 12-month notice before changing rates, but there is no change notice requirement for Commercial Firm customers); and
- how do possible timing issues in moving a customer to firm service affect when a customer can request to be moved back to interruptible service.

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<sup>10</sup> Minnesota Gas Rate Book – MPUC No. 2, Tariff Sections: 1) 5.0, Revised Sheet No. 4; 2) 5.0, Revised Sheet No. 6.1; 3) 5.0, Revised Sheet No. 10; 4) 5.0, Revised No. 23; 5) 5.0, Revised Sheet No. 29; 6) 6.0, Revised Sheet No. 24; and 7) 6.0, Revised Sheet No. 26.

## Xcel's Supplemental Reply Comments

On March 31, 2015, Xcel filed its *Supplemental Reply Comments* responding to the Department's March 24, 2015 *Reply Letter*. In its *Supplemental Reply Comments*, Xcel agreed with the Department's *Reply Letter* recommendations.

Xcel agreed to:

1. include the term e.g. in front of the list of notification devices so as not to limit the devices that can be used; and
2. address its concerns regarding the conversion of interruptible customers to firm service for failure to comply with Xcel curtailment orders in Xcel's *Reply Comments*, in Docket No. G-999/AA-14-580, the 2013-2014 Annual Automatic Adjustment of Charges (AAA) Report.

## Department of Commerce ("Department")

### Department Comments

On January 27, 2015, the Department filed its *Comments* on Xcel's compliance filings. The Department analysis focused on two areas: Xcel's new tariff sheets (filed October 27, 2014) and Xcel's proposed tariff language for interruptible service disconnection for unauthorized gas consumption during curtailment periods (filed November 17, 2014).

The Department reviewed Xcel's October 27, 2014 compliance filing and confirmed that Xcel's tariff book has been correctly updated and was in compliance with the Commission's Order.

The Department also reviewed Xcel's November 17, 2014 compliance filing and determined that Xcel's proposal appeared to be reasonable, but had concerns about whether Xcel's proposed practices and procedures were sufficiently clear for customers and enforceable. The Department believed that Xcel's tariff language proposal fell short of providing an effective customer communication tool.

The Department recommended that Xcel keep its policy and procedure document and accompanying flow chart<sup>11</sup> for internal use, and provide a description of the procedures, in layman's terms, that Xcel will follow when faced with critical conditions and curtailment situations. The Department provided example tariff language in its *Comments*,<sup>12</sup> see Attachment A below. Further, the Department recommended that Xcel include in its tariff a description that fully explains the procedures Xcel follows when it contacts interruptible customers including how and when Xcel contacts interruptible customers during curtailment periods.

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<sup>11</sup> Provided by Xcel in its November 17, 2014 compliance filing.

<sup>12</sup> See the Department's January 27, 2015 *Comments*, Attachment A.

## Department's Reply Letter

On March 24, 2015, the Department filed its *Reply Letter* in response to Xcel's February 26, 2015 *Reply Comments*. The Department reviewed Xcel's response and raised two concerns over Xcel's proposed tariff:

1. The Department did not want to limit Xcel's proposed notification platforms to what is currently available because it is conceivable other methods could be invented in the future that would be more efficient in notifying customers of curtailment conditions. The Department suggested that Xcel add the term e.g., to the beginning of the parenthetical list of notification devices. The revised tariff provision would be:

*Curtailment notifications will be made to customer-provided notification devices (e.g. phone, email, text message, fax, or pager) a minimum of one hour prior to the curtailment start. Notifications identifying the end of the curtailment period will be made to interruptible gas customers in the same manner.*

By adding this minor modification to its tariff sheets, the Department stated Xcel would not be required to make an additional tariff filing if a new notification platform is developed in the future.

2. The Department reviewed Xcel's request to analyze the system impacts of converting an interruptible customer to firm service; where the Commission would require Xcel to perform its system analysis, but allow Xcel additional time to assess the system impacts and then require Xcel to make a subsequent filing within this docket.

The Department analysis noted that its goal was to create a consistent if not uniform policy across all Minnesota (MN) gas utilities regarding unauthorized gas consumption by interruptible customers during curtailment periods.

The Department noted that it will address this issue in its Review of the 2014 Annual Automatic Adjustment (2014 AAA) Reports, in Docket No. 14-580, filed on May 5, 2015. The Department believes that the additional information collected and analyzed by Xcel could be pertinent and helpful to the discussion about the administration of interruptible service in the 2014 AAA Reports docket.

## PUC Staff Comment

The Department recommended<sup>13</sup> that the Commission accept Xcel's tariff modifications, with the minor modification of adding e.g. to the beginning of the parenthetical list of notification devices in Xcel's proposed language, as discussed above, with the understanding that further modification may be required through either the 2014 AAA docket or a separate docket that Xcel may initiate later this year. In its March 31, 2015 *Supplemental Reply Comments*, Xcel agreed to make this tariff language modification.

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<sup>13</sup> See the Department's March 24, 2015 *Reply Letter*.



PUC staff appreciates the work of both Xcel and the Department in developing the appropriate tariff language for the disconnection of interruptible service for unauthorized gas consumption. PUC staff generally agrees with the Department's March 24, 2015 recommendations, but does have the following concern. The Department proposed in its January 27, 2015 *Comments* that Xcel's tariff language should include a phrase on the customer conversion from interruptible to firm service for unauthorized use of gas during curtailment periods.

Department's tariff language proposal:

***More than one instance of failure to curtail within one year will result in a transfer of the customer from its current interruptible rate class to a firm rate class.***

In its *Reply Comments*,<sup>14</sup> Xcel indicated that it was not in agreement with this part of the Department's proposal. Xcel stated that it needed more time to fully analyze the system impacts of such a proposal by performing certain system analysis and study the system impacts before making its final tariff language proposal, see above discussion.

The Department stated that it wishes to develop common tariff language for all MN natural gas utilities' interruptible service issues through *Comments* in Docket No. 14-580, the 2014 AAA Reports docket.<sup>15</sup> Xcel agreed to the Department's proposal and will address its concerns about the conversion of interruptible customers to firm service for taking unauthorized gas in its Docket No. 14-580 *Reply Comments*.

PUC staff believes that while the Department's common tariff language does have merit, it ***may be*** difficult to develop common tariff language because of the different system operations of each MN natural gas utility. Annually, each utility develops its gas supply portfolio based on its projected firm service requirements for the upcoming heating season. If a utility would be required to convert an interruptible customer to firm service after one incident of unauthorized gas consumption during a curtailment period, the utility may not have enough flexibility on its system to adequately provide service to its firm customers during peak day conditions.

Each utility calculates its needs for interstate pipeline capacity (*demand entitlements*) based on its system's design day firm requirements, which include a reserve margin to offset unexpected operational fluctuations. The utility's annual projected firm requirement does not include any interruptible customers that could be converted to firm service. In order to fulfil its firm requirements after an interruptible customer is converted to firm service and the utility's reserve margin is reduced, the utility may be challenged to meet its obligations during peak-day conditions. The reserve margin may not be sufficient to serve interruptible customers that have been converted to firm service on a system design day. PUC staff believes that caution should be used in developing tariff language that converts an interruptible customer to firm service during the winter heating season.

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<sup>14</sup> Dated February 26, 2015

<sup>15</sup> The Department's *Comments* were filed on May 5, 2015.

A possible alternative might be to require the conversion from interruptible service to firm at the utility's next contract year date of November 1, thus giving the utility the ability to adjust its design day requirements to cover the conversion.

#### Time Constraints of Filing the Utility's Reply Comments in Docket No. 14-580

On May 5, 2015, the Department filed its Review of the 2014 AAA Reports *Comments*, in Docket No. 14-580. PUC staff believes the gas utilities should be allowed enough time to file *Reply Comments* such that each gas utility has sufficient time to evaluate the impact of the Department's recommendation on its system operations.<sup>16</sup> Any Department proposed tariff language would need to be evaluated by each utility to assess the operational impacts on its system. PUC staff further believes that each utility's system impact may be different and could lead to a conclusion that common or uniform language could be problematic.

### **Decision Alternatives**

1. Approve the Department's March 24, 2015 recommendations accepting Xcel's tariff modifications, with the minor modification of adding *e.g.* to the beginning of the parenthetical list of notification devices in Xcel's proposed tariff language, with the understanding that further modification may be required through the review of the 2014 AAA Reports, in Docket No. 14-580, or in a separate docket that Xcel may initiate later this year.
2. Do not approve the Department's March 24, 2015 recommendations accepting Xcel's tariff modifications.

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<sup>16</sup> Staff notes that in previous years, in the dockets involving the Annual Automatic Adjustment reports, parties have frequently asked for and received extensions of the comment period deadlines.

Attachment A  
Page 1 of 1

**Department Supplied Tariff Language  
Docket No. 14-540**

**MINNESOTA GAS RATE BOOK – MPUC NO. 2  
GENERAL RULES AND REGULATIONS (Continued)**

Section No. 6 Original Sheet No. 27

**6.2 CURTAILMENT OF COMPANY’S RETAIL SUPPLY (Continued)**

Policies and Procedures-Disconnection of Service for Unauthorized Gas Consumption

Once the Company’s delivery system has reached a critical condition requiring customers on Rate Codes [INSERT CODES HERE] to curtail, interrupt, or otherwise restrict (partially or totally) use of gas, the Company will notify customer [INSERT HOW AND WHEN NOTIFICATION HAPPENS].

Once the critical period begins, the Company will query customers’ meter data to identify any customers failing to curtail, interrupt, or otherwise restrict usage. Should current meter data be unavailable, crews will be dispatched to check meters in order of highest to lowest estimated usage.

Company’s Customer Account Representatives shall call customers initially failing to curtail to ensure customer is aware that a curtailment has been implemented and that continued use will result in customer’s meter being locked. If unauthorized use continues, crews will be dispatched (if not already on site) to lock the meter.

Once system curtailment is released, crews will be dispatched to unlock meters.

***More than one instance of failure to curtail within one year will result in a transfer of the customer from its current interruptible rate class to a firm rate class.***