Xcel Energy

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February 20, 2008

- VIA ELECTRONIC FILING -

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
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RE: 2006 AAA– ELECTRIC REPORT
SUPPLEMENTAL FILING
DOCKET NO. E, G999/AA-06-1208

Dear Dr. Haar:

Pursuant to the Commission's February 6, 2008 Order in this docket, Northern States Power Company ("Xcel Energy" or the "Company"), a Minnesota corporation submits this Supplement. The Company filed the attached with our annual Contract Demand filing on November 1, 2007 as Docket Number G002/M-07-1395. The November Contract Demand filing included discussion of inter-class allocation of Producer Demand and Storage Costs, along with various specific requirements discussed in the February 6, 2008 Order.

We have served copies on the Department of Commerce, the Office of the Attorney General – Residential Utilities Division, and 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,

Amy A. Liberkowski

AMY A. LIBERKOWSKI
MANAGER, PRICING AND PLANNING

Enclosures
c: Service List

ATTACHMENT 4

Northern States Power Company, a Minnesota Corporation and wholly owned subsidiary of Xcel Energy Inc.
Gas Operations

Information provided in response to Department Recommendation in Docket No. E,G999/AA-06-1208 to discuss alternative methods for the classification and billing of demand costs.

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Information provided in response to Department Recommendation in Docket No. E,G999/AA-06-1208 to discuss alternative methods for the classification and billing of demand costs.

In the Department comments dated October 19, 2007 regarding Xcel Energy's AAA filing, Docket No. G002/AA-06-1208, the Department recommended that the Commission require each gas utility in their 2007-2008 Demand Entitlement filing to:

- Provide its unique set of facts in determining whether it is reasonable to classify Producer Demand and Storage costs as commodity or demand costs;
- Clarify which customer classes are to be assigned related costs;
- Provide a detailed explanation of its rationale for its proposal; and
- Provide a rate impact analysis for all affected customer classes based on the utility's currently approved method of classifying and billing Producer Demand and Storage costs, together with a similar comparison of classifying and billing Producer Demand and Storage costs as commodity costs.

<u>Summary</u>

The Company believes that interruptible sales customers receive some benefit from certain expenses that have historically been allocated on demand, including a portion of storage costs as well as balancing expense. However, the Company does not believe interruptible sales customers receive any benefit from the producer demand expense in our portfolio. Our producer demand expense is attributable to a Viking citygate peaking contract that was done in lieu of acquiring additional annual or heating season interstate pipeline firm transportation service.

Interruptible sales customers provide system value by agreeing to curtail their gas usage when requested by the Company, usually during very cold weather or peak day conditions when gas supplies may be limited. Therefore, the Company does not believe any pipeline transportation demand costs or producer demand costs (a.k.a. supplier reservation costs) should be assigned to the interruptible sales customers. However, the interruptible sales customers are receiving the benefits of both storage and pipeline balancing services on non-design days; therefore the Company believes a portion of these costs could be recovered from interruptible sales customers. Therefore, Xcel Energy proposes on a prospective basis, to assign an annual volumetric charge of $0.0129/dth and a winter volumetric charge of $0.1060/dth to all interruptible gas sales customers on Xcel Energy's system. Based on the Company's 2007-2008 sales forecast, approximately $837,000 in demand costs will be paid for by the interruptible sales customers. The costs allocated to interruptible sales customers will result in lower rates for firm gas customers. Xcel Energy's proposal to assign a portion of demand costs to interruptible sales customers is further detailed below.

Specifics of Xcel Energy Proposal

Xcel Energy's proposal utilizes actual demand costs filed in the November 2007 PGA filing. The first category of demand charges that Xcel Energy proposes to assign to interruptible sales customers is underground storage costs. Storage costs are classified into two categories: deliverability demand charges which determine the amount of peak day deliverability that can be withdrawn in the winter; and capacity demand charges which are placed on the entire cycle quantity of gas that can be stored. Since interruptible sales customers would not receive any gas out of storage on a design day, as their service would be curtailed, Xcel Energy does not believe that interruptible sales customers should be allocated any storage deliverability demand charges. Interruptible sales customers do receive the benefit of gas in storage as reflected in their monthly weighted average cost of gas (WACOG); therefore, Xcel Energy believes a portion of capacity demand charges should be allocated to interruptible sales customers.

In Attachment 4, Schedule 1, Xcel Energy proposes to take the annual cost of storage capacity demand charges for all storage facilities including Northern's Firm Deferred Delivery ("FDD"), ANR Storage Company, and ANR Pipeline Company storage, divided by budgeted heating season sales to determine a per Dth cost to be paid for on all gas commodity sales (firm and interruptible) during the five winter months of November through March. Of the total $5.2 million in storage capacity demand charges, approximately $687,000 or 13 percent will be charged to the interruptible sales customers under our proposal.

The second category of demand charges that Xcel Energy proposes to assign to interruptible sales customers is pipeline balancing costs. Since Xcel Energy balances both firm and interruptible sales customer requirements on a daily basis on both Northern and Viking, Xcel Energy believes that a portion of the interstate pipeline balancing service demand charges should be allocated to interruptible sales customers. In **Attachment 4, Schedule 1**, Xcel Energy proposes to take the annual demand costs of pipeline balancing services divided by the budgeted annual sales to determine a per Dth costs to be paid for on all gas commodity sales on an annual basis. Of the total $891,000 in pipeline balancing demand charges, approximately $150,000 or 17% will be allocated to the interruptible sales customers under our proposal.

An example of how this allocation would appear in the Company's monthly PGA filing is included on line 27 of **Attachment 4, Schedule 2**. The impact of this proposal on both firm and interruptible sales customer bills is shown on **Attachment 4, Schedule 3.**

In addition, based on the Department's recommendation, the Company has also provided the rate impact analysis for all affected customer classes if all Producer Demand and Storage costs were allocated as commodity costs, shown on **Attachment 4, Schedule 4**. The Company does not believe there is appropriate rationale to allocate all Producer Demand and Storage costs on our system as commodity costs, and recommends the specific proposal discussed above.

Northern States Power Company, a Minnesota corporation
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DEMAND CHARGE ALLOCATION TO INTERRUPTIBLE CUSTOMER CLASS
Company Recommendation

1. Allocation of Storage Capacity Demand Charges

	Annual Cost	Total Winter Sales	Cost per Dth	Total Interruptible Winter Sales	Total Winter Cost to Interruptible Customers	12-Month Cost	Winter-Month Cost
NNG:FDD	$4,489,060.58	48,637,199	$0.0923	6,476,350	$597,746.79		$597,746.79
ANR	$376,055.38	48,637,199	$0.0077	6,476,350	$50,074.15		$50,074.15
ANRS	$292,206.35	48,637,199	$0.0060	6,476,350	$38,909.12		$38,909.12
	$5,157,322.31		**$0.1060**		**$686,730.06**		**$686,730.06**
					13%		

2. Allocation of Pipeline Balancing Charges

	Annual Cost	Total Annual Sales	Cost per Dth	Total Interruptible Annual Sales	Total Annual Cost to Interruptible Customers	12-Month Cost	Winter-Month Cost
NNG:SMS	$801,804.00	69,049,569	$0.0116	11,628,525	$135,030.50	$135,030.50	
VGT:OBA	$88,800.00	69,049,569	$0.0013	11,628,525	$14,954.66	$14,954.66	
	$890,604.00		**$0.0129**		**$149,985.16**	**$149,985.16**	
					17%		

Total **$836,715.23**

Attachment 4
Schedule 1

Northern States Power Company, a Minnesota corporation
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Attachement 4
Schedule 2

DERIVATION OF CURRENT PGA COSTS - WITH SOME DEMAND COSTS MOVED TO COMMODITY

November 2007 - Projected Costs (Actual prices will be determined Nov.1, 2007)*

PROPOSED

		Annual Cost	Winter Cost	Total
	Demand Cost (Res, Sm & Lg Commercial Firm)			
1.	MN & ND Total Demand	$22,306,100	$27,458,220	
2.	Less Demand Charge Allocation to Commodity	$149,985	$686,730	
3.	MN & ND Total Demand Adjusted	$22,156,115	$26,771,490	
4.	x Minnesota Design Day Ratio (2007 Demand Entitlement Filing)	88.79%	88.79%	
5.	Annual System Demand Allocation to MN	$19,672,414	$23,770,406	
6.	Grand Forks Total Demand	$275,226	$369,376	
7.	x Minnesota Allocator (2007 Demand Entitlement Filing)	14.80%	14.80%	
8.	Annual Grand Forks Demand Allocation to MN	$40,733	$54,668	
9.	Fargo Base Total Demand	$226,748	$107,735	
10.	x Minnesota Allocator (2007 Demand Entitlement Filing)	21.75%	21.75%	
11.	Annual Fargo Demand Allocation to MN	$49,318	$23,432	
12.	Minnesota Total Demand (5 + 8 + 11)	$19,762,465	$23,848,506	
13.	MN State Design Day (2007 Demand Entitlement Filing)	683,716	683,716	
14.	- Small & Large Demand Billed Dkt (2007 Demand Entitlement Filing)	20,938	20,938	
15.	Non-Demand Billed Design Day Dkt (13-14)	662,778	662,778	
16.	Non-Demand Billed Allocation (12 x 15 / 13)	$19,157,263	$23,118,173	
17.	Demand Billed Cost Allocation (12-16)	$605,202	$730,333	
18.	MN Annual / Seasonal Firm Therm Sales (2004 Rate Case)	551,314,240	406,801,350	
19.	Demand Unit Cost $/Therm (16 / 18)	$0.03475	$0.05683	$0.09158
20.	Demand Cost True-up - Residential (Page 4) Oct-May			$0.00000
21.	Demand Cost True-up - Commercial (Page 4) Oct-May			$0.00000
22.	Total Demnd Rate - Residential (19 +20)			$0.09158
23.	Total Demnd Rate -Commercial (19 + 21)			$0.09158
	Demand Cost (Demand Billed)			
24.	Cost Allocated to Demand Billed (17)	$605,202	$730,333	$1,335,535
25.	/ Annual Contract Billing Demand (2007 Demand Entitlement Filing)			2,512,560
26.	Monthly Commercial Demand Billed Demand Rate			$0.53154
	Commodity Costs			Monthly Cost
27.	NNG Annual/Best Effort/Viking/WBI/Xcel Pk Shv			$56,362,929
28.	Storage Commodity per docket G-002/M-05-865			$267,516
29.	Demand Charge Allocation to Commodity - Annual (Line 2-Annual / 12-months)			$12,499
30.	Demand Charge Allocation to Commodity - Winter (Line 2-Winter / 5-months)			$137,346
31.	Total Monthly Commodity Costs			$56,780,290
32.	x MN Portion of Monthly Retail Sales			88.06%
33.	MN Portion of Monthly Commodity Costs			$50,000,723
34.	MN Budgeted Calendar Month Retail Therm Sales			75,866,935
35.	Commodity Unit Cost $/Therm (33 / 34)			$0.65906
	Total Gas Cost per Therm			
36.	Residential (22 + 35)			$0.75064
37.	Small & Large Commercial (23 + 35)			$0.75064
38.	Small & Large Demand Billed - Demand (26)			$0.53154
39.	Small & Large Demand Billed - Commodity; All Interruptible (35)			$0.65906

*Commodity costs are projected and for illustrative purposed only.

Northern States Power Company, a Minnesota corporation
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COMPARISON OF ALLOCATION METHODOLOGY FOR CERTAIN DEMAND COSTS
Company Recommendation

Attachement 4
Schedule 3

Class	Typical Annual Usage (dkt)	Typical Annual Bill With Current Demand/Commodity Allocation	Typical Annual Bill With Modified Demand/Commodity Allocation	Difference	Percent of Current
Residential	91	$923.85	$923.87	$0.02	0.003%
Small Commercial Firm	309	$2,900.19	$2,900.26	$0.07	0.003%
Large Commercial Firm	1,684	$14,899.44	$14,899.80	$0.35	0.002%
Small Commercial Demand Billed		$67,356.61	$67,369.85	$13.25	0.02%
Demand Usage	59				
Commodity Usage	8,045				
Large Commercial Demand Billed		$191,034.72	$191,067.91	$33.19	0.02%
Demand Usage	177				
Commodity Usage	22,886				
Small Interruptible	8,036	$62,085.05	$62,184.25	$99.21	0.16%
Medium Interruptible	50,152	$357,446.06	$357,913.90	$467.84	0.13%
Large Interruptible	720,870	$5,068,291.24	$5,075,529.95	$7,238.71	0.14%

Northern States Power Company, a Minnesota corporation
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DEMAND CHARGE ALLOCATION TO INTERRUPTIBLE CUSTOMER CLASS

100% Storage and Producer Demand as Commodity Method

1. Allocation of Storage Capacity and Deliverability Demand Charges

	Annual Cost	Total Winter Sales	Cost per Dth	Total Interruptible Winter Sales	Total Winter Cost to Interruptible Customers	12-Month Cost	Winter-Month Cost
FDD Capacity	$8,978,643.62	48,637,199	$0.1846	6,476,350	$1,195,563.15		$1,195,563.15
ANR	$746,988.35	48,637,199	$0.0154	6,476,350	$99,466.22		$99,466.22
ANRS	$732,754.44	48,637,199	$0.0151	6,476,350	$97,570.88		$97,570.88
	$10,458,386.41		**$0.2150**		**$1,392,600.25**		**$1,392,600.25**
					13%		

2. Allocation of Producer Demand Charges

	Annual Cost	Total Annual Sales	Cost per Dth	Total Interruptible Annual Sales	Total Annual Cost to Interruptible Customers	12-Month Cost	Winter-Month Cost
VGT	$1,357,800.00	69,049,569	$0.0197	11,628,525	$228,664.88		$228,664.88
NNG	$40,950.00	69,049,569	$0.0006	11,628,525	$6,896.32		$6,896.32
	$1,398,750.00		**$0.0203**		**$235,561.20**		**$235,561.20**
					17%		
Total							**$1,628,161.45**

Northern States Power Company, a Minnesota corporation
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COMPARISON OF ALLOCATION METHODOLOGY FOR CERTAIN DEMAND COSTS
100% Storage and Producer Demand as Commodity Method

Class	Typical Annual Usage (dkt)	Typical Annual Bill With Current Demand/Commodity Allocation	Typical Annual Bill With Modified Demand/Commodity Allocation	Difference	Percent of Current
Residential	91	$923.85	$924.08	$0.23	0.03%
Small Commercial Firm	309	$2,900.19	$2,900.97	$0.78	0.03%
Large Commercial Firm	1,684	$14,899.44	$14,903.57	$4.13	0.03%
Small Commercial Demand Billed		$67,356.61	$67,387.34	$30.74	0.05%
Demand Usage	59				
Commodity Usage	8,045				
Large Commercial Demand Billed		$191,034.72	$191,115.37	$80.65	0.04%
Demand Usage	177				
Commodity Usage	22,886				
Small Interruptible	8,036	$62,085.05	$62,292.24	$207.19	0.33%
Medium Interruptible	50,152	$357,446.06	$358,379.44	$933.38	0.26%
Large Interruptible	720,870	$5,068,291.24	$5,082,929.60	$14,638.36	0.29%

CERTIFICATE OF SERVICE

I, Nancy A. Haley, hereby certify that I have this day served copies or summaries 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.E,G999/AA-06-1208; G002/M-07-1395

Dated this 20th day of February 2008

Northern States Power Company, a Minnesota Corporation and wholly owned subsidiary of Xcel Energy
Gas Operations – State of Minnesota
Notice of report Availability
Docket G002/06-1268 8-31-2007

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In the Matter of Xcel Energy Petition for Approval
of Changes in Contract Demand Entitlements

G002/M-07-1395

1/9/2008

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