MINNESOTA DEPARTMENT OF COMMERCE

85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
mn.gov/commerce/
651.539.1500 FAX 651.539.1547
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March 4, 2014

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

RE: **Supplemental Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G002/M-13-663

Dear Dr. Haar:

Attached are the *Supplemental Comments* of the Minnesota Department of Commerce, Division of Energy Resources (DOC or Department) in response to the *Reply Comments* and *Supplemental Filing* submitted in the following matter:

> Petition of Northern States Power Company, d/b/a Xcel Energy (Xcel or Company), for Approval of Changes in Contract Demand Entitlements.

The *Supplemental Filing* was submitted on November 22, 2013 by:

> Paul J. Lehman
> Manager, Regulatory Compliance and Filings
> Xcel Energy
> 414 Nicollet Mall—7th Floor
> Minneapolis, MN 55401

To ensure that the record is complete in this docket, the Department provides the following response to Xcel's November 22, 2013 *Supplemental Filing*. The Department recommends that the Commission accept the Company's peak-day analysis, accept the Company's proposed level of demand entitlement, and allow Xcel to recover associated demand costs through the monthly Purchased Gas Adjustment (PGA) effective November 1, 2013, subject to clarification by the Company regarding the calculation of the demand cost impacts in its *Supplemental Filing*. The Department also recommends that Xcel provide clarifying information as noted in the body of these comments.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ ADAM J. HEINEN
Rates Analyst

AJH/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. G002/M-13-663

I. BACKGROUND

On August 1, 2013, Northern States Power Company, d/b/a Xcel Energy (Xcel or the Company) submitted to the Minnesota Public Utilities Commission (Commission) its annual demand entitlement filing (*Petition*) for the 2013-2014 heating season. On August 29, 2013, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed *Comments* in response to the Company's *Petition*. In its *Comments*, the Department supported the Company's *Petition* and recommended that the Commission approve the Company's proposed cost recovery and demand entitlement levels, subject to possible adjustment in the Company's November 1, 2013 supplemental filing. The Department also recommended that the Company provide additional clarifying information in its *Reply Comments*.

On September 9, 2013, the Company filed its *Reply Comments* clarifying concerns raised by the Department in its *Comments*.

On November 22, 2013, Xcel made its *Supplemental Filing* which shows the final demand entitlement volumes and costs that will be charged to ratepayers. The Department responds to the *Supplemental Filing* and the Company's *Reply Comments* below.

II. THE DEPARTMENT'S RESPONSE TO XCEL'S *SUPPLEMENTAL FILING* AND *REPLY COMMENTS*

A. RESPONSE TO REPLY COMMENTS

In its *Comments*, the Department requested that Xcel provide clarifying information regarding customer counts during the 2012-2013 heating season, whether the Company has considered daily, regression based, design-day analysis to estimate peak load, and whether the Company believes the current peak-day planning definition should be maintained beyond the 20-year time horizon.

1. Customer Counts

In terms of customer counts during the 2012-2013 heating season, the Company stated that the customer count figure represents the data that was used in the design-day analysis and it does not represent actual customer counts from that heating season. Xcel also provided a reference to an attachment in its initial petition which states that these customer counts were projected. The Department appreciates the clarification by Xcel and does not have additional comment at this time.

2. Daily Design-Day Method

In regards to consideration of a daily, as opposed to monthly, design-day analysis, Xcel stated that it has not proposed to use a daily analysis because it believes its current approach is more reasonable. The Company referred to the Department's discussion which noted that use of daily data requires an estimation of interruptible usage, which is difficult, and is not required when using the average monthly design-day approach. Further, Xcel noted that its current models produce strong statistical results; therefore, the Company concluded that its current design-day analysis is reasonable. The Department believes the Company's response is reasonable and reiterates that it inquired about Xcel's consideration of other design-day methods to get a better idea of whether the Company keeps apprised of other methods that may be more suitable for design-day estimation. Based on the Company's response, the Department does not have additional comments on this topic at this time.

3. Peak-Day Definition

The Company's analysis in *Reply Comments* concluded by discussing the peak-day definition and design-day planning metric that Xcel uses to forecast peak demand. The Company stated that it currently uses system characteristics occurring on January 29, 2004 as the basis for its design-day planning and, since this date has occurred within the past 20 years, as opposed to the prior peak day in 1995-96. Xcel stated that it does not intend to modify its approach and that this day was not only the day with the highest throughput but is also the peak day in the past 20 years:

> The Company currently utilizes a use per customer of 1.57393 Dth which was observed January 29, 2004. This metric has been used

> for at least the last eight years in design day planning and there are presently no plans to change at this point. The system design day total is the product of the use per customer and the total number of firm customers. Because the usage on January 29, 2004 is also the highest value in the past 20 years, the Company's current peak day definition or using the coldest day in the last 20 years yields the same result.

The Department's June 15, 2005 *Comments* in Docket No. G002/M-04-1735 regarding Xcel's demand entitlement filing subsequent to January 29, 2004 confirms this fact:

> The Company states that it will continue to calculate both methods and will consider the results in determining future design-day needs. To ensure reliability for the 2004-2005 heating season, Xcel Energy determined its design-day requirements for its combined Minnesota and North Dakota system using the higher average projection of 1.6092 Dth per customer from the "Actual Peak UPC DD" method. Because the Company used its previous "Avg. Monthly DD" method to allocate the design-day requirement among regions and states, the projected Minnesota design-day requirement of 1.60912 Dth per customer. While the Department may have calculated the comparison method somewhat differently than Xcel Energy's "Actual Peak UPC DD" calculation, the Department agrees that it is reasonable to compare the design-day requirements calculated using Xcel Energy's usual "Avg. Monthly DD" method to actual peak day experience.

The Department agrees with Xcel that using the information from January 29, 2004 within Xcel's method to estimate its peak day is appropriate.

4. Other Clarifications

Xcel noted two corrections to the Department's *Comments*. First, the Company increased its contract for delivery at Chisago, MN by 3,812 Dth/day, rather than decreased capacity. Second, Xcel's Minnesota-only reserve margin is 42,390 Dth/day rather than 47,639 Dth/day, which represents the entire Minnesota Company. The Department agrees and appreciates those corrections.

B. RESPONSE TO SUPPLEMENTAL FILING

In its *Supplemental Filing*, Xcel provided updated schedules that detail the final demand costs that are charged to ratepayers. The Company did not make changes to the total entitlement levels that were proposed in the initial filing. The only change in demand cost proposed by the Company relates to changes in how pipeline balancing charges and storage capacity to interruptible customers are accounted for in response to the Commission's November 14, 2013 *Order* in Docket No. G999/AA-12-756. The change in cost allocation implemented by Xcel has the effect of moving some demand cost to the commodity portion of the Purchased Gas Adjustment, which means that interruptible customers, which receive benefit from these services, will share in the costs of these services going forward.

DOC Attachment 2, included in its *Comments*, details the cost impacts of the Company's original demand entitlement filing. In Schedule 1 of its *Supplemental Filing*, Xcel provided schedules which detail the cost impacts of the Company's change in the allocation of balancing and storage costs between firm and interruptible customers. The Company's revised demand entitlement proposal would result in the following annual rate impacts, compared to the initial proposal, by rate class:

- Annual bill decrease of $1.25, or approximately 1.37 percent, for the average Residential customer consuming 85 Mcf annually;
- Annual bill decrease of $4.09, or approximately 1.37 percent, for the average Small Commercial customer consuming 284 Mcf annually;
- Annual bill decrease of $21.07, or approximately 1.37 percent, for the average Large Commercial customer consuming 1,463 Mcf annually;
- Annual bill decrease of $52.38, or approximately 1.20 percent, for the average Small Demand Billed customer consuming 744 Mcf annually;
- Annual bill decrease of $147.84, or approximately 1.20 percent, for the average Large Demand Billed customer consuming 2,100 Mcf annually;
- Annual bill increase of $705.57 for the average Small Volume Interruptible customer consuming 7,686 Mcf annually;
- Annual bill increase of $6,966.79 for the average Medium Volume Interruptible customer consuming 75,891 Mcf annually; and
- Annual bill increase of $46,489.54 for the average Large Volume Interruptible customer consuming 506,422 Mcf annually.

The bill impacts described above relate solely to changes in demand cost and are based on the difference between demand data provided by the Company in its *Supplemental Filing*, Schedule 1, Page 2 of 4, and Schedule 1, Page 3 of 4. The Department notes that the bill impacts that it calculates (*See* DOC Attachment S-1) do not agree with the dollar impacts shown by the Company in its *Supplemental Filing*, Schedule 1, Page 4 of 4; therefore, the Department recommends that Xcel fully explain how it derived the figures in its *Supplemental Filing*, Schedule 1, Page 4 of 4. Based on its analysis, the Department recommends that the Commission allow the recovery of demand costs associated with Xcel's proposed demand entitlement levels effective November 1, 2013, subject to clarification by the Company regarding the calculation of the demand cost impacts in its *Supplemental Filing*.

III. THE DEPARTMENT'S RECOMMENDATIONS

The Department recommends that the Commission:

- Approve Xcel's proposed level of demand entitlements as proposed in its initial petition; and
- Approve Xcel's allocation of balancing service and storage costs such that they correspond with the Commission's November 14, 2013 *Order* in Docket No. G999/AA-12-756; and
- Allow Xcel to recover associated demand costs through the monthly Purchased Gas Adjustment effective November 1, 2013, subject to clarification by the Company regarding the calculation of the demand cost impacts in its Supplemental Filing.

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DOC Bill Impact Analysis

DOC Bill Impact Analysis						
Rate Class	**Demand Rate (No Allocation to Interruptible) Per Mcf**	**Demand Rate (Allocation to Interruptible) Per Mcf**	**Difference**	**Average Consumption (Mcf)***	**Rate Impact ($)**	**Percentage Difference**
Residential	$1.0529	$1.0385	($0.0144)	85	($1.22)	-1.37%
Small Commercial Firm	$1.0484	$1.0340	($0.0144)	284	($4.09)	-1.37%
Large Commercial Firm	$1.0484	$1.0340	($0.0144)	1,463	($21.07)	-1.37%
Small Commercial Demand Billed	$5.8636	$5.7932	($0.0704)	744	($52.38)	-1.20%
Large Commercial Demand Billed	$5.8636	$5.7932	($0.0704)	2,100	($147.84)	-1.20%
Small Volume Interruptible	$0.0000	$0.0918	$0.0918	7,686	$705.57	#DIV/0!
Medium Volume Interruptible	$0.0000	$0.0918	$0.0918	75,891	$6,966.79	#DIV/0!
Large Volume Interruptible	$0.0000	$0.0918	$0.0918	506,422	$46,489.54	#DIV/0!

* Consumption amounts are the same as those used in DOC Attachment 2 in the Department's August 29, 2013 *Comments* .

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Supplemental Comments

Docket No. G002/M-13-663

Dated this **4th** day of **March 2014**

/s/Sharon Ferguson

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_13-663_13-663
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.	202 S. Main Street Le Sueur, MN 56058	Electronic Service	No	OFF_SL_13-663_13-663
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_13-663_13-663
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_13-663_13-663
Gail	Baranko	gail.baranko@xcelenergy.com	Xcel Energy	414 Nicollet Mall7th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_13-663_13-663
William A.	Blazar	bblazar@mnchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Electronic Service	No	OFF_SL_13-663_13-663
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	Suite 4800 90 S 7th St Minneapolis, MN 55402-4129	Electronic Service	No	OFF_SL_13-663_13-663
Robert S.	Carney, Jr.			4232 Colfax Ave. S. Minneapolis, MN 55409	Paper Service	No	OFF_SL_13-663_13-663
George	Crocker	gwillc@nawo.org	North American Water Office	PO Box 174 Lake Elmo, MN 55042	Electronic Service	No	OFF_SL_13-663_13-663
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-663_13-663

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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_13-663_13-663
Rebecca	Eilers	rebecca.d.eilers@xcelenergy.com	Xcel Energy	414 Nicollet Mall, 7th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_13-663_13-663
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_13-663_13-663
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Paper Service	No	OFF_SL_13-663_13-663
Benjamin	Gerber	bgerber@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_13-663_13-663
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_13-663_13-663
Lloyd	Grooms	lgrooms@winthrop.com	Winthrop and Weinstine	Suite 3500 225 South Sixth Street Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_13-663_13-663
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_13-663_13-663
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_13-663_13-663

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Richard	Haubensak	RICHARD.HAUBENSAK@CONSTELLATION.COM	Constellation New Energy Gas	Suite 200 12120 Port Grace Boulevard La Vista, NE 68128	Electronic Service	No	OFF_SL_13-663_13-663
Annete	Henkel	mui@mnutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	OFF_SL_13-663_13-663
Sandra	Hofstetter	N/A	MN Chamber of Commerce	7261 County Road H Fremont, WI 54940-9317	Paper Service	No	OFF_SL_13-663_13-663
Eric	Jensen	ejensen@iwla.org	Izaak Walton League of America	Suite 202 1619 Dayton Avenue St. Paul, MN 55104	Electronic Service	No	OFF_SL_13-663_13-663
Paula N.	Johnson	PaulaJohnson@alliantenergy.com	Interstate Power and Light Company	200 First Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_13-663_13-663
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	90 South 7th Street Suite #4800 Minneapolis, MN 554024129	Electronic Service	No	OFF_SL_13-663_13-663
Nancy	Kelly	bademailnancyk@eurekarecycling.org	Eureka Recycling	2828 Kennedy Street NE Minneapolis, MN 55413	Paper Service	No	OFF_SL_13-663_13-663
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-663_13-663
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_13-663_13-663
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_13-663_13-663

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Eric	Lipman	eric.lipman@state.mn.us	Office of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Electronic Service	Yes	OFF_SL_13-663_13-663
Matthew P	Loftus	matthew.p.loftus@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_13-663_13-663
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_13-663_13-663
Mary	Martinka	mary.a.martinka@xcelenergy.com	Xcel Energy Inc	414 Nicollet Mall 7th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_13-663_13-663
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_13-663_13-663
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-663_13-663
David W.	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	Suite 300 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-663_13-663
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_13-663_13-663
Joseph V.	Plumbo		Local Union 23, I.B.E.W.	932 Payne Avenue St. Paul, MN 55130	Paper Service	No	OFF_SL_13-663_13-663
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_13-663_13-663

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Paper Service	No	OFF_SL_13-663_13-663
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-663_13-663
SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_13-663_13-663
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_13-663_13-663