

April 30, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 300
St. Paul, Minnesota 55101

RE: Letter from the Minnesota Department of Commerce, Division of Energy Resources (the Department) regarding Northern States Power Company, doing business as Xcel Energy's Petition for Approval of a Statement of Work Agreement for Non-Standard Distribution Facilities
Docket No. E002/M-15-328

Dear Mr. Wolf:

On April 2, 2015, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed a petition for approval of its Statement of Work Agreement for Non-Standard Distribution Facilities (SOW). According to Xcel, the SOW is to be used by the Company and municipalities for the removal or installation of non-standard distribution facilities when the municipality chooses to pay for the incremental additional cost of the non-standard distribution facilities rather than use the City Requested Facilities Surcharge tariff (CRFS) procedure.

Xcel stated that when a municipality directs the Company to remove or install non-standard distribution facilities (such as underground lines), the municipality has two options to pay the Company for the incremental project costs caused by the more expensive, non-standard facility: (1) give notice to the Company that the city elects the CRFS procedure or (2) make a cash payment to the Company for the incremental amount (over and above costs that would have been incurred for a standard facility), in conjunction with actual project construction.

Xcel stated that its proposed SOW will only be used by the Company and a municipality under the cash payment option number (2). Xcel stated that the SOW is not applicable to the CRFS because the municipality is choosing to pay for the incremental additional cost rather than having it paid by Company customers within the municipality.

According to Xcel, the SOW modifies existing practices between the Company and Municipalities as follows:

- Provides for a 50 percent down payment rather than a 100 percent payment of the Company-estimated amount;
- Requires change order notifications during the project; provides for Company updates on actual project costs compared to estimates;

- Provides for final cost details when the remaining payment is due from the municipality; and
- Establishes a dispute resolution process.

Xcel noted that the SOW only relates to the form of municipal payment; there will be no increase in net revenue for the Company, nor will there be any impact on ratepayers.

Xcel stated that the SOW was proposed by the Suburban Rate Authority (SRA) on behalf of its members and would be applicable to all municipal customers of the Company that choose the direct payment option. Xcel stated that, after discussions with the SRA and various revisions, the proposed SOW is supported by both the SRA and the Company.

The Department reviewed Xcel's filing and supports the SOW. As a result, the Department recommends that the Commission approve Xcel's proposed SOW and related tariffs as shown in Attachment A of the petition.

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

Sincerely,

/s/ MARK JOHNSON
Financial Analyst

/lt

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
Letter**

Docket No. E002/M-15-328

Dated this 30th day of April 2015

/s/Sharon Ferguson

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