



414 Nicollet Mall  
Minneapolis, Minnesota 55401

September 12, 2008

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

—Via Electronic Filing—

RE: REPLY COMMENTS  
CHANGES IN CONTRACT DEMAND ENTITLEMENTS  
DOCKET NO. G002/M-07-1395

Dear Dr. Haar:

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”), has reviewed the August 21, 2008 Comments from the Minnesota Office of Energy Security (“OES”) in this proceeding and provides the attached Reply.

We appreciate the OES recommendation that the Minnesota Public Utilities Commission (the “Commission”) approve our proposed demand entitlement changes and our proposed recovery of associated costs. In our attached Reply, we provide further information, as requested by the OES, about the differences in increases in customer growth in Minnesota and North Dakota. We also respectfully request that the Commission approve our proposal and approve an effective date of November 1, 2008 for the allocation of some demand costs to interruptible customers.

Copies of this filing have been served on the Office of the Attorney General – Residential Utilities Division and the parties in the attached service list.

Please contact me at (612) 330-6089 if you have questions or need any additional information.

Sincerely,

/s/

SCOTT SCHEFFER  
REGULATORY CASE SPECIALIST

Enclosure

c: Service List

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

David Boyd	Chair
J. Dennis O'Brien	Commissioner
Thomas Pugh	Commissioner
Phyllis Reha	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF A PETITION BY  
NORTHERN STATES POWER COMPANY FOR  
APPROVAL OF CHANGES IN CONTRACT  
DEMAND ENTITLEMENTS

DOCKET NO. G002/M-07-1395

**REPLY**

**INTRODUCTION**

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”) submits to the Minnesota Public Utilities Commission (the “Commission”) this reply to the comments of the Minnesota Office of Energy Security (“OES”) in the above-referenced matter.

In its comments, OES recommends approving Xcel Energy’s proposed:

- increase in Demand Day demand;
- changes in resources necessary to meet Design Day demand;
- increase in Design Day reserve margin;
- changes in the Design Day jurisdictional allocation factors;
- changes in supplier reservation fees;
- Purchased Gas Adjustment (“PGA”) recovery of the costs associated with the requested changes, effective November 1, 2007; and
- method for allocating some demand costs to interruptible customers.

We appreciate the OES recommended approval and thorough review of our proposal. The OES also requested that we provide further information in our reply about the differences in increases in customer growth in the Minnesota and North Dakota natural gas jurisdictions. We provide the requested information below. We also take this opportunity to clarify when the allocation of some demand costs to interruptible customers should take effect.

## REPLY

### A. Customer Growth Rates in Minnesota and North Dakota

Historically, the Company's North Dakota gas jurisdiction experienced stronger customer growth than in Minnesota. Using actual January customer counts from 2000-2008, the number of North Dakota residential natural gas customers grew at an average annual rate of 2.6% while commercial customers grew at 2.4%. During this timeframe, the number of Minnesota residential and commercial natural gas customers grew at 1.9% and 1.4%, respectively. Because the historical growth rates differ by state, different forecast modeling techniques have been used to best fit the historical data for each state. The customer forecast models used in 2007 to develop the customer forecast for Minnesota and North Dakota used the following independent variables along with historical data to determine the growth rates in the forecast:

1. *Residential*

The Minnesota residential customer forecast is developed using a regression model driven by a forecast of Minnesota population growth. The forecast appears to have been a little high, with actuals coming in approximately 2% below forecast in 2008. The North Dakota residential customer forecast is developed using an exponential smoothing model, so the only input is the historical data for the customer counts. This model is performing very well, with actual growth in customer counts coming in approximately 0.5% below forecast.

2. *Small Commercial*

The Minnesota Small Commercial customer forecast uses a regression model driven by the forecast of MN residential customers. As with residential, the actuals are coming in approximately 2% below forecast in 2008. The North Dakota small commercial forecast is a regression model driven by a forecast of North Dakota nonmanufacturing employment. Actuals are coming in approximately 2% above forecast in 2008.

3. *Large Commercial*

The Minnesota Large Commercial customer forecast uses a regression model driven by the forecast of Small Commercial customers. This model is

performing very well, with actuals coming in approximately 0.2% above forecast in 2008. The Company's North Dakota gas service territory has no Large Commercial firm customers.

All other classes use the actual customer counts at the end of the last year of available historical data for the forecast value with no increase or decrease over the forecast period.

**B. Effective Date of Proposal to Allocate Certain Demand Costs to Interruptible Customers**

The OES recommended approval of our proposal to allocate certain demand costs to interruptible customers. We recommend this proposal become effective on November 1, 2008, which will correspond with the timing of the 2008 Contract Demand Entitlements filing. Since the change will cause a reallocation of costs between customer classes, the Company believes the change should be made prospectively after a Commission decision to approve the change.

**CONCLUSION**

Xcel Energy appreciates the OES recommendation to approve our proposed changes in contract demand entitlements. We believe the information provided in this Reply addresses the OES request for additional information. We respectfully request that the Commission approve our proposal and approve an effective date of November 1, 2008 for the allocation of some demand costs to interruptible customers.

Dated: September 12, 2008

Northern States Power Company,  
a Minnesota corporation

RESPECTFULLY SUBMITTED,

BY:  /S/  
AMY A. LIBERKOWSKI  
MANAGER, PRICING AND PLANNING

**CERTIFICATE OF SERVICE**

I, James Erickson, 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. G002/M-07-1395**

Dated this 12th day of September, 2008.

/s/ \_\_\_\_\_  
James Erickson

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

G002/M-07-1395

9/12/2008 PUC

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