

Assigning Incremental Demand-Entitlement Costs to Minnesota and North Dakota

The Department conducted the following cost-allocation analysis to assess whether Xcel's proposed allocation of peak-demand costs between the Minnesota and North Dakota jurisdictions is reasonable. The analysis allocates all cost changes between Xcel's 2011 Demand Entitlements and 2012 Demand Entitlements filings to the Minnesota and North Dakota jurisdictions, including those costs for natural-gas entitlements that can serve either Minnesota or North Dakota depending on need. The outcome of the analysis is similar to the outcome yielded by Xcel's proposed jurisdiction cost-allocation factors, indicating that Xcel's proposed factors are reasonable.

Step 1:

Assign Xcel's 2011 total costs to the Minnesota and North Dakota jurisdictions using the 2011 Demand Entitlement Allocation Factors.

<u>Source</u>	<u>Total Cost</u>	<u>2011 Demand Entitlement Allocation Factors</u>	
Xcel 2012	Xcel 2011 Costs	\$56,478,448	
Sch. 1		MN Factor	ND Factor
P. 2 of 2		89.36%	10.64%
	<u>Total MN Cost</u>	<u>Total ND Cost</u>	
	MN Share of 2011 Costs	\$50,469,141	\$6,009,307
		ND Share of 2011 Costs	
	89.36% x Xcel 2011 Costs		10.64% x Xcel 2011 Costs

Step 2:

Incorporate proposed 2012 Contract Demand changes directly affecting the Minnesota and North Dakota jurisdictions.

<u>Source</u>	<u>Contract Demand Changes</u>			
Xcel Petition	MN 2012		ND 2012	
Supp. Att. 1	NNG TFX (Nov-March)	\$ 348,746	VGT FT-A (Dec-Feb)	\$ 37,255
	NNG TFX (Nov-March)	\$ (330,260)		\$ -
	NNG TFX (Apr-Oct)	\$ 183,112		\$ -
	NNG TFX (Apr-Oct)	\$ (173,405)		\$ -
	GLGT FT (Nov-Mar)	\$ 276,620		\$ -
	MN Total	\$ 304,813	ND Total	\$37,255

Step 3:
Incorporate proposed 2012 Supplier Entitlement changes directly affecting the Minnesota and North Dakota jurisdictions.

<u>Source</u>	<u>Supplier Changes</u>				
Xcel Petition	[TRADE SECRET BEGINS				
Supp. Att. 1	MN 2012		ND 2012		
	\$	-		\$	-
	\$	-		\$	-
	\$	-		\$	-
	\$	-		\$	-
	MN Total	\$ -		ND Total	\$ -
				TRADE SECRET ENDS]	

Step 4:
Net the proposed Contract Demand Changes in Step 2 and the proposed Supplier Changes in Step 3 to find 2012 Direct Cost Changes for the Minnesota and North Dakota jurisdictions.

MN Changes		ND Changes	
Contract Demand (Step 2)	\$ 304,813	Contract Demand (Step 2)	\$37,255
Supplier (Step 3)	(\$124,977)	Supplier (Step 3)	\$0.00
Change	\$179,836	Change	\$37,255

Step 5:
Add the direct cost changes from Step 4 to the 2011 costs from Step 1. The results are 2011 costs plus the costs of 2012 demand entitlement changes that Xcel is able to assign directly to the Minnesota or the North Dakota jurisdiction.

MN		ND	
2011 Cost (Step 1)	\$50,469,141	2011 Cost (Step 1)	\$6,009,307
2012 Direct Cost Changes (Step 4)	\$179,836	2012 Direct Cost Changes (Step 4)	\$37,255
MN 2012 Costs	\$50,648,978	ND 2012 Costs	\$6,046,562

Step 6:

Incorporate 2012 Xcel Upstream/System Supply (Upstream) cost changes for Contract Demand, Suppliers, and Miscellaneous items to find Upstream Cost Changes indirectly affecting Minnesota and North Dakota jurisdictions.

Upstream--Shared by MN and ND

<u>Source</u>	<u>Contract Demand Changes</u>	
	VGT FT-A (Dec-Feb)	\$ 172,211
Xcel Petition	ANR FTS (Jan - Dec)	\$ 579,528
Supp. Att. 1	ANR FTS (Jan - Dec)	\$ (899)
	ANR FSS (Jan - Dec)	\$ (2,130)
	ANR FSS (Jan - Dec)	\$ (2,158)
	Total	\$ 746,553

Supplier Changes

[TRADE SECRET BEGINS	
\$	-
\$	-
\$	-
Total	\$ -
TRADE SECRET ENDS]	

Miscellaneous Changes

Capacity Release* \$ 95,421

Miscellaneous Rate

Changes** \$ 50,606
\$ 146,027

Summary of Upstream Cost Changes

Contract Demand	\$ 746,553
Suppliers	\$ (468,650)
Miscellaneous	\$ 146,027
Upstream 2012 Cost	
Changes	\$ 423,930

Notes

* The demand entitlement volumes that were released in 2011 continue to be part of Xcel's demand entitlements in 2012. The one-time capacity releases reduced Xcel's 2011 costs, but if they are not added back, the Company's 2012 costs will be understated. Xcel enters the next year expecting to use these entitlements, not release them.

**These increases are adjustments in the rates charged under existing contracts that are allowed by the terms of the agreements.

Step 7:

Allocate Upstream 2012 Costs between the Minnesota and North Dakota jurisdictions by applying the 2012 Cost Allocation Factors.

Source	Upstream 2012 Cost Changes (Step 6)	Total Cost	2012 Demand Entitlement Allocation Factors	
			MN Factor	ND Factor
Xcel 2012 Sch. 1 P. 4 of 4		\$ 423,930	89.07%	10.93%
		<u>Total MN Cost</u>		<u>Total ND Cost</u>
	MN Share of 2012 Upstream Costs	\$377,595	ND Share of 2012 Upstream Costs	\$46,336
		89.07% x 2012 Upstream costs		10.93% x 2012 Upstream Costs

Step 8:

Add the 2012 costs from Step 5 to the allocated Upstream costs in Step 7. The results are 2011 costs plus 2012 costs assigned directly and indirectly to the Minnesota and North Dakota jurisdictions. One adjustment remains to arrive at 2012 demand entitlement costs.

MN		ND	
2012 Costs (Step 5)	\$50,648,978	2012 Costs (Step 5)	\$6,046,562
2012 Allocated Upstream Costs (Step 7)	\$377,595	2012 Allocated Upstream Costs (Step 7)	\$46,336
MN 2012 Total Allocated Cost	\$51,026,572	ND 2012 Total Allocated Cost	\$6,092,897

Step 9:
Calculate the differences between the 2011 and 2012 Allocation Factors for Minnesota and North Dakota.

<u>Source</u>					
Xcel 2012 CD	MN			ND	
Filing Att. 1 Sch.	2012 Allocation Factor	89.07%		2012 Allocation Factor	10.93%
1	2011 Allocation Factor	89.36%		2011 Allocation Factor	10.64%
	Difference	<u>-0.29%</u>		Difference	<u>0.29%</u>
		Subtract 2011 from 2012		Subtract 2011 from 2012	

Step 10:
Apply the Step 9 allocation factor differences to the 2011 costs in Step 1. This step adjusts the allocation of the 2011 costs, which were assigned to the MN and ND jurisdictions according to the 2011 allocation factors in Step 1. An adjustment is necessary to allocate these costs according to the 2012 cost allocation factors. Multiplying the 2011 base costs by the difference in the allocation factors yields the correct adjustment.

		Adjustment to 2011 Costs for 2012 Allocation Factors			
Reflects DOC Analysis	MN			ND	
	2011 Costs (Step 1)	\$56,478,448		2011 Costs (Step 1)	\$56,478,448
	Allocation Factor			Allocation Factor	
	Difference (Step 9)	<u>-0.29%</u>		Difference (Step 9)	<u>0.29%</u>
	MN Adjustment	<u>(\$163,788)</u>		ND Adjustment	<u>\$163,788</u>

Step 11:

Add the cost adjustments from Step 10 to the Minnesota and North Dakota 2012 Total Allocated costs from Step 8. The results are the 2012 Adjusted Total Net Costs for the jurisdictions.

	MN		ND	
Reflects DOC Analysis	2012 Total Net Cost (Step 8)	\$51,026,572	2012 Total Net Cost (Step 8)	\$6,092,897
	Allocation Factor Adjustment (Step 10)	(\$163,788)	Allocation Factor Adjustment (Step 10)	\$163,788
	MN 2012 Adjusted Total Net Cost	<u>\$50,862,785</u>	ND 2012 Adjusted Total Net Cost	<u>\$6,256,685</u>

Step 12:

A comparison of the jurisdictions' 2012 Adjusted Total Net Costs costs from Step 11 with the jurisdiction costs from Xcel's proposed allocation in its 2012 demand entitlement filing shows a difference of \$13,527, or 0.024 percent of the total Xcel costs of \$57,119,470. Given this small difference in the outcome of the two methods, the Department concludes that Xcel's proposed 2012 Demand Entitlements are allocated between the Minnesota and North Dakota jurisdictions according to cost-causation principles.

	Xcel 2012 Demand Entitlement Costs	\$57,119,470		
Reflects DOC Analysis	MN 2012 Adjusted Total Net Cost (Step 11)	\$50,862,785	ND 2012 Adjusted Total Net Cost (Step 11)	\$6,256,685
Xcel 2012 CD Filing Att. 2 Sch. 2	Xcel 2012 Demand Entitlement Cost Allocation	\$50,876,312	Xcel 2012 Demand Entitlement Cost Allocation	\$6,243,158
	Difference	<u>(\$13,527)</u>	Difference	<u>\$13,527</u>
	Difference as % of Xcel Total	0.024%		

**Department Allocation of Xcel 2012 Incremental
Demand-Entitlement Costs**

	Minnesota	North Dakota	Total	Source
Direct Costs	\$179,836	\$37,255	\$217,091	Department Attachment 2 Step 4
Share of Upstream/System Supply Costs	\$377,595	\$46,336	\$423,930	Department Attachment 2 Step 7
Adjustment for New Allocation Factors	(\$163,788)	\$163,788	-	Department Attachment 2 Step 10
Total	\$393,643	\$247,378	\$641,021	
Percentage of Total	61.41%	38.59%	100.00%	

**Xcel Allocation of Xcel 2012 Incremental
Demand-Entitlement Costs**

	Minnesota	North Dakota	Total	Source
2011 Costs	\$50,469,141	\$6,009,307	\$56,478,448	Department Attachment 2 Step 1
2012 Costs	\$50,876,312	\$6,243,158	\$57,119,470	Department Attachment 2 Step 12
Total	\$407,170	\$233,851	\$641,021	2012 Costs - 2011 Costs
Percentage of Total	63.52%	36.48%	100.00%	