



414 Nicollet Mall
Minneapolis, MN 55401

February 13, 2012

—VIA ELECTRONIC FILING—

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

RE: REPLY
CONTRACT DEMAND ENTITLEMENTS
DOCKET NO. G002/M-11-1076

Dear Dr. Haar:

Enclosed for filing is the Reply of Northern States Power Company in response to the Department's comments of February 2, 2012 pertaining to the Contract Demand Entitlement filing.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list.

Please contact Amy Liberkowski at amy.a.liberkowski@xcelenergy.com or 612-330-6613 if you have any questions regarding this filing.

Sincerely,

/s/

AMY LIBERKOWSKI
MANAGER, REGULATORY PRICING

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Phyllis Reha	Commissioner
Betsy Wergin	Commissioner

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

DOCKET No. G002/M-11-1076

REPLY

INTRODUCTION

Northern States Power Company doing business as Xcel Energy submits to the Minnesota Public Utilities Commission these Reply Comments in response to the Department's February 2, 2012 *Comments* in the above-referenced Docket.

REPLY

We appreciate the Comments from the Department and their recommendation of approval to implement our 2011-2012 Heating Season Supply Plan effective November 1, 2011, for customers served with natural gas in the State of Minnesota.

The Department requested additional explanation of three issues in our Contract Demand filing. We address their specific issues below.

1. *The Department requests that Xcel explain why it used only 60 data points and state whether it has plans to increase the number of data points in subsequent years' demand entitlement filings.*

We noted the Department's concern that our design-day regressions contained only 60 data points instead of 70. We further realized that the number of data points in previous design-day regressions have increased by 12 each successive year, with 58 such data points used in our 2010 Petition for Approval of Changes in Contract Demand Entitlements, Docket No. G002/M-10-1163. The reason 60 data points were used instead of 70, is that we prefer to use whole years of data for our design-day

regressions. Since there are only 10 months of data available for 2005 because of a new customer database implementation in February 2005, that year was removed from the regressions entirely and years 2006 through 2010 were used. Accordingly, 60 data points is our preferred amount to use in design-day regressions as referenced in the Department's comments on April 15, 2011 pertaining to Docket No. G002/M-10-1163.

In light of the Department's concern, we re-calculated our design-day by service area using 70 data points and compared it to the original design-day using only 60 data points. The timeframes were March 2005 through December 2010 and January 2006 through December 2010, for the 70 and 60 data points respectively. Attachment 1 shows the results of the comparison. Using 70 data points only changes the Minnesota and North Dakota design-day totals by 2 dekatherms for the 2012 forecast, while all service area changes were below 0.5 percent.

Furthermore, our analysis showed that 33 of the 42 design-day regressions conducted, or 80 percent, had better R-squares when 60 data points were used as opposed to 70 data points. Attachment 2 shows the results of the R-square comparison. Instances where the R-square is higher using 60 data points are bolded. In general, R-squares that are higher when using 70 data points are confined to areas where customer counts are quite low. The only exception would be the residential regression for Grand Forks-ND which has a negligible change in R-square.

Given that our analysis indicates using 70 data points in its design-day regressions does not yield any significant impacts, and in fact, lowers R-square coefficients for most design-day regressions, we believe using 60 data points is the preferred method for calculating its design-day. We prefer to use a rolling 60-month timeframe for subsequent years' demand entitlement filings.

2. *Does Xcel Energy have any concerns about rate shock for the interruptible customers?*

While our proposal to allocate certain demand costs to interruptible is a significant increase in costs, we do not believe that the increase to interruptible customers will create rate shock. A typical interruptible customer will see an increase to its annual bill of approximately 1.2 – 1.4 percent. In our original proposal to assign some demand costs to interruptible customers included in our 2007 – 2008 Demand Entitlement filing, we proposed to prospectively implement the change so that interruptible customers could see the price prior to taking service. A retroactive change to November 1, 2011 would cause the interruptible true up factor to increase on September 1, 2012 in addition to the impact of implementing the proposal. A

prospective implementation, for the month after Commission approval, would limit that impact.

3. *The Department recommends that the Commission request, on a going-forward basis, that Xcel Energy file its annual demand entitlement filing by August 1.*

We are willing to file our annual demand entitlement filing by August 1 in the future.

CONCLUSION

We appreciate the opportunity to provide these Reply Comments, and to clarify the effective date on the proposal to allocate a portion of certain demand costs to interruptible customers. We agree with the Department's recommendation to approve our proposed demand entitlements and to file future filings by August 1.

Dated: February 13, 2012.

Northern States Power Company,
a Minnesota corporation

RESPECTFULLY SUBMITTED,

/s/

BY: _____

AMY LIBERKOWSKI
MANAGER, REGULATORY ADMINISTRATION

DESIGN DAY BY SERVICE AREA

Reply Comments

Attachment 1

DESIGN DAY MMBTU DEMAND BY AREA	70 Data Points	60 Data Points	Difference	% Difference
Area	2012 FORECAST	2012 FORECAST	2012 FORECAST	2013 FORECAST
METRO	503,347	503,334	(13)	0.00%
BRAINERD	18,470	18,458	(12)	-0.07%
MAINLINE	25,825	25,818	(7)	-0.03%
MAINLINE-WELCOME	2,544	2,544	(0)	-0.01%
WILLMAR	12,361	12,356	(5)	-0.04%
PAYNESVILLE	69,958	69,986	29	0.04%
VGT-CHISAGO	3,583	3,598	15	0.43%
WATKINS	8,790	8,790	(0)	0.00%
TOMAH	24,374	24,342	(32)	-0.13%
RED WING	12,236	12,251	15	0.12%
GRAND FORKS MN	4,364	4,357	(8)	-0.17%
FARGO MN	16,440	16,461	21	0.13%
MN STATE	702,292	702,294	2	0.00%
GRAND FORKS ND	25,551	25,541	(10)	-0.04%
FARGO ND	56,669	56,680	11	0.02%
WBI ND	1,380	1,377	(3)	-0.25%
ND STATE	83,600	83,598	(2)	0.00%
TOTAL NSP MN	785,892	785,892	-	0.00%

R-SQUARE BY SERVICE AREA AND CLASS

Reply Comments

Attachment 2

Page 1 of 2

Division/Region	Customer Counts	70 Data Points R-Square	60 Data Points R-Square	Difference R-Square
METRO				
Total Residential	287,586	0.9855	0.9859	0.0003
Total Small Commercial	15,985	0.9726	0.9740	0.0014
Total Large Commercial	5,338	0.9771	0.9788	0.0018

BRAINERD				
Total Residential	13,886	0.9830	0.9831	0.0001
Total Small Commercial	1,087	0.9208	0.9261	0.0053
Total Large Commercial	115	0.8546	0.8488	-0.0058

MAINLINE				
Total Residential	13,613	0.9705	0.9760	0.0056
Total Small Commercial	1,156	0.9326	0.9390	0.0064
Total Large Commercial	290	0.9169	0.9261	0.0092

MAINLINE-WELCOME				
Total Residential	2,053	0.9753	0.9757	0.0004
Total Small Commercial	116	0.6631	0.6458	-0.0173
Total Large Commercial	13	0.6174	0.6088	-0.0086

WILLMAR				
Total Residential	9,254	0.9838	0.9851	0.0013
Total Small Commercial	688	0.9574	0.9558	-0.0015
Total Large Commercial	59	0.7724	0.8122	0.0399

PAYNESVILLE				
Total Residential	36,175	0.9854	0.9867	0.0013
Total Small Commercial	3,652	0.9794	0.9804	0.0010
Total Large Commercial	927	0.9753	0.9746	-0.0008

VGT-CHISAGO				
Total Residential	2,949	0.9831	0.9835	0.0004
Total Small Commercial	167	0.9116	0.9311	0.0195
Total Large Commercial	8	0.6551	0.6893	0.0342

DESIGN DAY BY SERVICE AREA

Reply Comments

Attachment 2

Page 2 of 2

Division/Region	Customer Counts	70 Data Points R-Square	60 Data Points R-Square	Difference R-Square
WATKINS				
Total Residential	6,830	0.9824	0.9832	0.0008
Total Small Commercial	235	0.8951	0.8941	-0.0010
Total Large Commercial	37	0.7567	0.7321	-0.0246

TOMAH				
Total Residential	13,696	0.9804	0.9808	0.0004
Total Small Commercial	1,281	0.9512	0.9526	0.0015
Total Large Commercial	301	0.9608	0.9635	0.0027

RED WING				
Total Residential	6,749	0.9778	0.9815	0.0036
Total Small Commercial	580	0.8471	0.8680	0.0209
Total Large Commercial	136	0.9212	0.9225	0.0012

GRAND FORKS MN				
Total Residential	2,563	0.9782	0.9788	0.0005
Total Small Commercial	252	0.9496	0.9501	0.0005
Total Large Commercial	45	0.9397	0.9424	0.0027

FARGO MN				
Total Residential	10,016	0.9727	0.9739	0.0013
Total Small Commercial	898	0.9517	0.9523	0.0005
Total Large Commercial	191	0.9607	0.9617	0.0010

GRAND FORKS ND				
Total Residential	12,469	0.9843	0.9840	-0.0004
Total Small Commercial	1,916	0.9793	0.9810	0.0016

FARGO ND				
Total Residential	27,471	0.9789	0.9800	0.0011
Total Small Commercial	4,926	0.9827	0.9828	0.0000

WBI ND				
Total Residential	836	0.9474	0.9495	0.0021
Total Small Commercial	137	0.9014	0.8963	-0.0051

CERTIFICATE OF SERVICE

I, Lindsey Didion, hereby certify that I have this day served copies 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-11-1076

Dated this 13th day of February 2012

/s/

Lindsey Didion

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