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Minneapolis, MN 55401

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September 1, 2020

—Via Electronic Filing—

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: NORTHERN STATES POWER COMPANY
NATURAL GAS OPERATION – STATE OF MINNESOTA
2020 ANNUAL AUTOMATIC ADJUSTMENT OF CHARGES REPORT - GAS
DOCKET NO. G999/AA-20-172

Dear Mr. Seuffert:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission its annual report pursuant to Minnesota Rules 7825.2800 to 7825.2840 governing the Automatic Adjustment of Charges. This report covers the Company's natural gas operations.

Various attachments to this filing contain information that Xcel Energy considers trade secret data. We provide justification for the identification of the data designated as Trade Secret in Attachment F of this filing.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies of the summary have been served on the parties on the attached service lists. Please contact me at (612) 330-7681 or lisa.r.peterson@xcelenergy.com, or Hui Chen at (612) 330-6749 or hui.chen@xcelenergy.com, if you have any questions regarding this filing.

Sincerely,

/s/

LISA PETERSON
MANAGER, REGULATORY ANALYSIS

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
Joseph Sullivan	Commissioner
John Tuma	Commissioner

IN THE MATTER OF NORTHERN STATES POWER COMPANY ANNUAL AUTOMATIC ADJUSTMENT OF CHARGES REPORT FOR ITS NATURAL GAS OPERATION	DOCKET NO. G999/AA-20-172 **ANNUAL REPORT**

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, hereby submits for filing the attached annual report required in Minnesota Public Utilities Commission Rules Parts 7825.2800 to 7825.2840 governing Annual Automatic Adjustment of Charges (AAA) for natural gas utilities, for the period July 1, 2019 to June 30, 2020.

I. SUMMARY OF FILING

Pursuant to Minn. Rule 7829, subp. 1, a one-paragraph summary of the filing accompanies this Report.

II. SERVICE ON OTHER PARTIES

Pursuant to Minn. Rule 7829.1300, subp. 2, the Company has served a copy of this Report on the Department of Commerce and the Office of the Attorney General – Antitrust and Utilities Division. A summary of the filing has been served on all parties on Xcel Energy's Annual Automatic Gas Adjustment Report service list pursuant to Rule 7825.2840. (See Attachment E).

III. GENERAL FILING INFORMATION

Pursuant to Minnesota Rules 7829.1300, Subp. 3, Xcel Energy provides the following required information.

A. Name, Address, and Telephone Number of Utility

Northern States Power Company
414 Nicollet Mall
Minneapolis, MN 55401
(612) 330-5500

B. Name, Address, and Telephone Number of Utility Attorney

James R. Denniston
Assistant General Counsel
Xcel Energy
414 Nicollet Mall, 401 - 8th Floor
Minneapolis, MN 55401
(612) 215-4656

C. Date of Filing and Date Modified Rates Take Effect

Consistent with the filing requirement in Minn. Rules 7825.2840, the date of this filing is September 1, 2020. The Company will implement the new natural gas purchased gas adjustment (PGA) true-up factors with rates in effect on and after September 1, 2020.

D. Statute Controlling Schedule for Processing the Filing

No statute establishes a schedule for processing this filing. The rules applicable to the report are Minn. Rules 7825.2800 through 7825.2840.

E. Utility Employee Responsible for Filing

Lisa Peterson
Manager, Regulatory Analysis
Xcel Energy
414 Nicollet Mall, 401 – 7th Floor
Minneapolis, MN 55401
(612) 330-7681

IV. DESCRIPTION OF FILING

This filing contains the annual reporting requirements specified in the following rule sections:

7825.2800	Annual Reports: Policies and Actions	Attachment A
7825.2810	Annual Reports: Automatic Adjustment Charges	Attachment B
7825.2820	Annual Auditor's Report	Attachment C
7825.2830	Annual One-Year Price Projection	Attachment D
7825.2840	Annual Notice of Reports Availability	Attachment E

In addition to the required schedules in Attachments A through E, we provide a brief discussion for each of the rules or their applicable subparts.

We have also included two additional attachments in the filing. Attachment F contains the justification for trade secret treatment of certain information contained in the filing. Attachment G contains information pertaining to various compliance filings required by the Commission in prior orders.

7825.2800 Annual Reports: Policies and Actions

Attachment A includes the following schedules and a brief summary of the topics listed in the rule.

Attachment A, Schedule 1	Procurement Policies
Attachment A, Schedule 2	Dispatching Policies and Procedures
Attachment A, Schedule 3	Actions Taken to Minimize Cost
Attachment A, Schedule 4	Conservation Policies
Attachment A, Schedule 5	Price Volatility Strategy

7825.2810 Annual Report: Automatic Adjustment of Charges

Attachment B contains a summary of the annual reporting (by month) of all natural gas automatic adjustment charges for each customer class for the prior year commencing July 1, 2019 and ending June 30, 2020. It includes the following schedules as set forth in Subpts. 1 and 2:

Subpt. 1
Attachment B, Schedule 1, Base Cost of Gas and Purchased Gas Adjustments ……………..…… (A/B)
Attachment B, Schedule 2, Billing Adjustment Amounts by Gas Suppliers Used to Bill Utility……......(C)
Attachment B, Schedule 3, Total Cost of Fuel or Gas Delivered to Customers ……………………... (D)
Attachment B, Schedule 3, Revenues Collected from Customers for Energy Delivered to Customers (E)
Attachment B, Schedule 4, Refunds Received from Gas Suppliers…………………………………... (F)
Attachment B, Schedule 4, Amount of Refunds to be Credited to Customers ……………………… (G)
Subpt. 2
Attachment B, Schedule 5, Additional Information from Gas Utilities ………………………………(G)

The base cost of gas rates in effect during the reporting period became effective through a Commission Order dated December 21, 2009, and were reaffirmed on April 29, 2011, in Docket Nos. G002/GR-09-1153 and G002/MR-09-1324.

7825.2820 Attachment C: Annual Auditor's Report

Attachment C contains the independent auditor's report evaluating the Company's accounting for automatic adjustments for the 12 months ending June 30, 2020. Deloitte and Touche LLP prepared this report. In addition, Attachment C contains the Company's letter of instruction to the independent auditor.

7825.2830 Attachment D: One-Year Projection Price Report

Attachment D contains a report that provides a brief statement of the Company's opinion regarding the impact of market forces on purchased natural gas costs for the coming year.

7825.2840 Attachment E: Annual Notice of Reports Availability

Minn. Rules part 7825.2840 requires utilities to provide notice of the availability of the reports defined in parts 7825.2800 to 7825.2830 to all interveners in the utility's two previous general rate cases. In compliance with this rule, the Company is providing notice to all interveners to the Company's 2006[1] and 2009[2] natural gas rate cases who have requested to remain on Company's service list. Xcel Energy's notice is submitted as Attachment E and includes the following schedules:

[1] Docket No. G002/GR-06-1429.
[2] Docket No. G002/GR-09-1153.

Attachment E, Schedule 1	Notice of Reports Availability
Attachment E, Schedule 2	Certificate of Service
Attachment E, Schedule 3	Service List, Including List of Interveners in Company's Previous Two Gas General Rate Cases in Minnesota who Have Requested to Remain on the Service List

V. OTHER SUBMITTALS

As noted earlier, we have included two additional attachments (F and G) that provide information that falls outside the requirements of the Commission's rules concerning the AAA.

Attachment F: Justification of Trade Secret Data Protection

Pursuant to Rule 7829.0500, the Company is requesting that certain parts of this report be considered trade secret information. In lieu of providing this information in the cover letter for the non-public version of the filing, the Company submits Attachment F as justification for this request.

Attachment G: Miscellaneous Compliance Reports

Attachment G contains responses related to various compliance reports required by Commission Orders issued in prior Company miscellaneous rate filings, annual purchased gas adjustment true-up filings (PGA True-up filings), and AAA Reports.

Purchased Gas Adjustment True-Up

The complete Company PGA True-Up required by Minnesota Rule 7825.2910, subp. 4, including supporting calculations and schedules, is being submitted under separate cover as requested by the Department.

VI. MISCELLANEOUS INFORMATION

A. Service List

Pursuant to Minnesota Rule 7829.0700, Xcel Energy requests that the following persons be placed on the Commission's official service list for this matter:

Lisa Peterson
Manager, Regulatory Analysis
Xcel Energy
414 Nicollet Mall, 401 - 7th Floor
Minneapolis, MN 55401
lisa.r.peterson@xcelenergy.com

Lynnette Sweet
Regulatory Administrator
Xcel Energy
414 Nicollet Mall, 401 - 7th Floor
Minneapolis, MN 55401
regulatory.records@xcelenergy.com

CONCLUSION

The Company submits this Annual Report for its natural gas operation relative to the Commission's rules regarding Automatic Adjustment of Charges.

Dated: September 1, 2020

Northern States Power Company

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
Joseph Sullivan	Commissioner
John Tuma	Commissioner

IN THE MATTER OF NORTHERN STATES POWER COMPANY ANNUAL AUTOMATIC ADJUSTMENT OF CHARGES REPORT FOR ITS NATURAL GAS OPERATION	DOCKET NO. G999/AA-20-172 **ANNUAL REPORT**

SUMMARY OF FILING

Please take notice that on September 1, 2020, Northern States Power Company, doing business as Xcel Energy, filed with the Minnesota Public Utilities Commission the annual report for its natural gas operation pursuant to the Commission's rules (Minn. R. Parts 7825.2800 to 7825.2840) regarding Automatic Adjustment of Charges. The Company also filed its annual Purchased Gas Adjustment (PGA) true-up. The revised PGA true-up factors will be provisionally reflected in the PGA effective September 1, 2020, subject to later Commission approval.

GAS PROCUREMENT

Our natural gas procurement policy is to secure and dispatch an economic mix of long- and short-term firm natural gas supplies consisting of the following resources:

- Firm baseload supplies;
- Firm swing supplies;
- Contract underground storage;
- Company-owned liquefied natural gas supplies for peak shaving; and
- Company-owned propane-air supplies for peak shaving.

We make decisions concerning sources of supply by carefully considering the cost, reliability, logistics, adequacy, and suitability of each source. As described below, the Company uses financial hedges to limit supply cost volatility. Our policy results in a market-based gas supply at a reasonable cost and a reserve margin consistent with system reliability requirements.

For the 2019-2020 heating season, we slightly increased our natural gas pipeline service portfolio to ensure we had sufficient capacity and reliable gas supplies available to serve our growing peak winter demand. We described changes in demand entitlements in our filings[1] in Docket No. G002/M-19-498.

We have contracts with Northern Natural Gas Company (Northern) under its various firm transportation rate schedules for storage and transportation of natural gas to our communities connected to the Northern system. We also have contracts with Viking Gas Transmission Company (Viking) under its Rate Schedule FT-A for transportation of gas supplies to customers in the Fargo/Moorhead and Grand Forks/East Grand Forks areas as well as Chisago, Isanti and Sherburne Counties in Minnesota for delivery into Northern. We have small contracts with WBI Energy Transmission, Inc. (WBI) under its Rate Schedule FT-1 for transportation of gas supplies to a few small communities west of Fargo. In addition, we contract for upstream storage and transportation capacity on ANR Pipeline Company (ANR) and storage on ANR Storage Company (ANRS) with transportation on Great Lakes Gas Transmission Limited Partnership (Great Lakes) for deliveries into Northern and Viking.

During the reporting period, we contracted with approximately 27 domestic and Canadian producers and marketers to purchase natural gas. We use firm and

[1] Petition submitted August 2, 2019 and Supplement submitted November 1, 2019.

interruptible transportation service on Northern, Viking, WBI, and the upstream pipelines to transport gas supply volumes to Xcel Energy service areas.

CHANGES IN GAS SUPPLY AND TRANSPORTATION AGREEMENTS

As a result of current peak winter demand and our supply and transportation contracts, we made, pursuant to Minnesota Rule 7825.2910, subp. 2, the changes, summarized below, to our 2019-2020 natural gas resource portfolio. These changes were filed with the Commission in Docket No. G002/M-19-498.

- **Changes to Entitlements on Northern, Great Lakes, ANR, ANRS and Viking**
  NSPM contracted for new firm entitlement on Northern to serve growth in the St Cloud, MN area as well as the Twin Cities.

  We renewed three contracts on Viking for additional five-year terms to continue to meet design day requirements. Addittionally, rather than acquire seasonal Viking capacity, we purchased equivalent delivered supply, providing capacity for our winter peaking needs and providing customer savings.

  We consolidated three Great Lakes agreements into the renewal of two contracts for an additional one-year term. These agreements provide access to gas stored in ANRS facilities in Michigan and provide regional diversity and additional reliability in meeting our design day supply needs. We also extended our ANRS contract for an additional year.

  Finally, we renewed one service agreement with ANR which provides upstream access to gas supplies from Chicago to our Viking entitlements.

- **New Firm Supply Contracts**
  We executed new gas supply agreements to replace expiring agreements and to serve the system requirements with reliable firm supplies.

PROPANE PROCUREMENT

We use propane for peak shaving. We procure wholesale supplies of propane from a reliable independent supplier.

GAS HEDGING

In Docket No. G002/M-19-703, the Commission approved our petition to extend the variance to allow recovery of the costs of financial instruments through the PGA clause through June 30, 2024 (*see* Order dated February 12, 2020).

Attachment A, Schedule 5 is the January 2019 hedge plan which was used to set the strategy for 2019-2020 (the reporting period). Attachment A, Schedule 5, page 6 represents the overall volume and monthly volumes we planned to hedge. Attachment G, Schedule 3 shows the transactions we executed.

DISPATCHING POLICY

Xcel Energy's policy is to dispatch natural gas supply in a manner that provides for the best long-term economics and system reliability. We accomplish this goal by using a mix of third-party natural gas supplies, underground natural gas storage, interstate gas pipeline balancing services, and our liquefied natural gas and propane-air peak-shaving facilities. We use Ventyx SENDOUT® model as part of our annual supply planning process. SENDOUT® uses a linear program algorithm along with network optimization to dispatch resources necessary to meet the physical and contractual capabilities of current and potential gas supply resources. In addition, the Gas Supply department evaluates the portfolio dispatch on a monthly and daily basis as monthly and daily prices change to determine the least cost dispatch while maintaining adequate inventories to meet the varied customer demand requirements.

DISPATCHING PROCEDURES

Xcel Energy's gas control dispatchers use an extensive supervisory control and data acquisition (SCADA) system that provides real time information on gas deliveries, gas flow rates, peaking plant output, and system pressures. Alarms notify the dispatcher of monitored variables that exceed or fall below pre-determined limits, indicating a problem or malfunction on the system. The dispatcher then takes corrective action to return the system to normal.

The SCADA system provides real-time send-out trending that allows the dispatcher to use the available daily gas supply to meet customer load requirements. We also use SCADA to assist with dispatching peak shaving operation and curtailment orders.

The dispatch office is located in St. Paul. This office has also performed the load dispatching for Northern States Power Company-Wisconsin (NSPW) for a number of years and the expenses of operating the dispatching office are shared equitably. The Commission order approving the SCADA Agreements between Northern States Power Company-Minnesota and NSPW was issued on December 5, 1995 in Docket No. G002/AI-94-831.

GENERAL BACKGROUND

Approximately 55 percent of the Company's retail natural gas revenues in Minnesota during the reporting period were related to purchased gas, storage and transportation costs paid to wholesale gas producers and marketers, pipelines and storage providers. Xcel Energy continued its efforts to minimize the wholesale gas costs to its retail customers through the following means:

- Xcel Energy's gas procurement policy is to give consideration to cost, reliability, logistics, adequacy, and suitability of each supply source. We also use financial hedges to mitigate wholesale cost volatility pursuant to our Gas Hedging Policy. The effect of this policy is a market-based, best-cost gas supply and a reasonable supply reserve margin consistent with system reliability requirements, while mitigating the effects of wholesale natural gas cost volatility. The Gas Hedging Policy for the 2019-2020 heating season is discussed in Attachment A, Schedule 5.

- Xcel Energy has developed supply and transportation options to increase negotiating leverage, contracted for firm physical deliverability (storage and transportation) to insure supply reliability, and is directly connected to three interstate gas pipelines, resulting in competitive transportation rates and access to multiple supply sources. We use gas optimization and accounting software to assist in planning and least cost dispatch. Specific information about this software is provided in Attachment A, Schedule 2.

- Xcel Energy actively pursued non-traditional gas supply activities (i.e., capacity releases, capacity sharing) to reduce jurisdictional system gas supply costs. Specific information regarding the capacity release activities is provided in Attachment G, Schedule 1.

- Xcel Energy has continued to actively and successfully represent the interests of its Minnesota natural gas customers before national regulatory agencies, both as an individual intervenor and through our membership in the American Gas Association (AGA), which actively represents its local distribution company (LDC) members in major policy proceedings (such as rulemakings).

A discussion of Xcel Energy's activities follows. Please note that in this section, references to the Commission refer to the Federal Energy Regulatory Commission (FERC), not the Minnesota Public Utilities Commission.

ACTIONS AFFECTING COST OR TERMS AND CONDITIONS OF SERVICE TAKEN TO MINIMIZE COST IN PROCEEDINGS OF NATURAL GAS PIPELINES

A number of the FERC dockets covered in this report have been active for quite some time and, consequently, have been discussed extensively in prior Company AAA reports and updates. Therefore, in this report we will primarily summarize the new proceedings we participated in during the July 1, 2019 to June 30, 2020 reporting period. In addition, Xcel Energy hereby incorporates Attachment A, Schedule 3 to its 2011 through 2019 AAA Reports by reference.

I. NORTHERN NATURAL GAS COMPANY (NORTHERN) PROCEEDINGS

The Company has intervened and participated in every Northern general rate case filed since 1970. We have also intervened in the significant Northern certificate and tariff filings since about 1970. In addition, we have filed expert testimony or presented alternatives to Northern's proposals in various dockets.

CP09-465: Certificate Application by Northern to Expand the Buffer Zone Around its Cunningham Storage Field

This Natural Gas Act of 1938 (NGA) section 7 certificate application, filed in September 2009, was discussed in detail in the Company's 2011-2019 AAA reports. The case involves Northern's effort to protect the gas in its Cunningham storage field in Kansas from migration by expanding the certificated protective boundary, or buffer zone, around the field by 14,240 acres (Extension Area).

On January 23, 2020, Northern submitted its annual report on all actions it had taken and an assessment of the results of those actions on preventing gas migration. Northern reported that the containment plan appears to continue to reduce the gas migration issue. Northern also reported on its progress in securing third-party wells and isolating them from the storage field. Northern reported that it identified six wells requiring work, and had to date successfully isolated four of them from the storage formation. Northern reported that they continue to negotiate for access and/or purchase of the two remaining wells.

On February 13, 2020, FERC Staff issued a letter accepting the report and continuing the requirement that Northern file an annual report describing compliance in the matter.

**RP19-59: Form 501-G Filing & Section 5 Rate Complaint &
RP19-1353: General Section 4 Rate Filing**

On October 11, 2018, Northern filed its FERC Form 501-G, in accordance with Commission Order 849. On January 16, 2019 the Commission issued an Order initiating a Section 5 rate investigation, and requiring Northern to file a Cost and Revenue Study by April 1, 2019. On June 25, 2019 NSP, among others, filed prepared direct testimony and exhibits. On July 1, 2019 Northern filed a general Section 4 rate case. This proceeding was discussed in the 2019 AAA.

On July 31, 2019, the Commission issued an order accepting Northern's section 4 filing, suspending the rates for the maximum five-months, to be effective January 1, 2020; rejected certain tariff changes to Northern Periodic Rate Adjustment for fuel, set certain tariff changes for technical conference, and all remaining issues for hearing. The section 4 proceeding and the section 5 proceeding were consolidated on September 19, 2019.

The technical conference was held on September 24, 2019 to address several proposed tariff modifications; including changes to how storage points are posted, open season postings, adding options to resolve prior-period adjustments, system balancing agreements, operational balancing agreements, and non-rate related changes to the Periodic Rate Adjustment. NSP filed comments opposing changes to the listing of storage points, open season posting requirements, and advocating for increased transparency with the change to system balancing agreements.

On December 31, 2019, the Commission issued an order on the technical conference. The Commission accepted Northern's proposed changes regarding listing of storage points, operational balancing agreements, and non-rate periodic rate adjustment changes. The Commission rejected Northern's proposal to limit information posted following the completion of an open season, and required the annual filing of an operational purchase and sales report to coincide with the approved changes to system balancing agreements, as NSP had proposed in comments.

On December 18, 2019, Northern filed to place interim rates into effect. These rates were approximately fifteen percent lower than Northern's filed rates. The rates were accepted by the Chief Judge on January 27, 2020 to be effective January 1, 2020.

On February 13, 2020, NSP filed Answering testimony in the case as members of the Xcel Operating Companies and the BMX group. Our testimony covered rate design, cost of service, billing determinants, and several of the tariff proposals not covered by the technical conference. In each instance our testimony argued that Northern's proposed rates were significantly higher than what was supported by the data. On March 27, 2020 Northern filed cross-answering testimony, and on May 1 filed their rebuttal testimony.

On May 18, 2020, following months of settlement conferences among all parties, a settlement in principle was reached. The settlement resolved all issues set for hearing, and resulted in a sixty-three percent rate decrease from Northern's filed rates, or an approximately twenty-eight percent increase from the previously effective rates. On May 20, Northern filed to implement the settlement rates on an interim basis pending the filing and acceptance of the final settlement agreement. The interim settlement rates were accepted by the Chief Judge on May 27, effective May 1, 2020. The final settlement agreement was filed with the Commission on June 19, 2020 and is currently awaiting Commission action.

II. ANR STORAGE COMPANY (ANRS) PROCEEDINGS

RP12-479/Case No. 16-1285/RP20-303: ANRS Petition for Declaratory Order Authorizing Market-Based Rates and Request for Expedited Action

On March 6, 2012, ANRS petitioned the Commission for a declaratory order authorizing ANRS to charge market-based rates. NSP protested the original petition request throughout the subsequent hearing process. On September 21, 2019, the US Court of Appeals remanded the case to FERC for further consideration. This proceeding was discussed at length in the 2012 through 2019 AAAs.

On September 26, 2019, FERC issued its order on remand to comply with the decision by the US Court of Appeals. The order reversed the Commission's previous decision and granted ANRS market based rate authority. On December 2, 2019 ANR filed to implement the change to market based rates effective January 1, 2020 providing that customers with current contracts at the maximum tariff rate could continue those agreements at that rate.

NSP protested several aspects of the implementation filing, mainly changes to the General Terms and Conditions related to lost gas, and potential liens. On December 31, 2019, the Commission issued an order accepting ANRS' tariff changes with several conditions to address NSP and other shippers' concerns. ANRS filed the appropriate changes on January 17, 2020 and the Commission accepted on January 30, 2020. NSP considers this matter to now be closed.

III. VIKING GAS TRANSMISSION (VIKING) PROCEEDINGS

RP19-1340: General Section 4 Rate Filing

On June 28, 2019, Viking filed a general Section 4 rate proceeding in compliance with the settlement of the previous rate case. Viking proposed an average rate increase of seven percent to shippers with contract terms greater than five years. This proceeding was discussed in the 2019 AAA.

On July 31, 2019, the Commission issued an order accepting the filing, suspending the rates for the maximum five-months, to be effective January 1, 2020 and set all issues raised in the proceeding for hearing. Viking, FERC Trial Staff, NSP and other parties participated in several settlement conferences in an effort to reach a fair settlement for all parties.

On December 20, 2019, Viking motioned to implement the filed rates effective January 1, which were accepted by the Chief Judge on January 10, 2020. In February 2020, all parties reached a settlement in principle which reduced Vikings rates by approximately twelve percent from the previously effective rates. Viking filed to implement the settlement rates on an interim basis, effective March 1, 2020 on February 19, 2020, which was accepted by the Chief Judge on February 21, 2020. The final settlement agreement was filed with the Commission on February 28, 2020 and was approved on July 1, 2020. Refunds for rates charged above the settled rates in January and February were provided to shippers on July invoices. NSP considers this matter to be closed.

IV. WBI TRANSMISSION (WBI) PROCEEDINGS

RP19-165: General Section 4 Rate Filing

On October 31, 2018, WBI filed a general Section 4 rate proceeding in compliance with a requirement in the settlement of the pipeline's previous rate proceeding. This proceeding was discussed in the 2019 AAA.

On May 20, 2019, all parties in the case reached a settlement-in-principle, reflecting rates of fifteen percent lower than the filed rates. The final settlement agreement was filed with the Commission on June 28, 2019, and was approved by the Commission on September 30, 2019. NSP considers this matter to be closed.

V. GENERAL RULEMAKINGS

RM18-11: Rate Changes Related to Federal Income Tax Rate

On July 18, 2018, the Commission issued its final rule in Order No. 849. The final rule required pipelines to file a new Form 501-G, which is an abbreviated cost and revenue study. This proceeding was discussed at length in the 2019 AAA.

With the approval of the settlement of the WBI and Viking rate cases (see above), the proceedings related to the two pipelines are now closed. Northern's tax related proceeding is currently awaiting Commission approval of the resulting dockets (see above). Finally, with the implementation of market based rates, ANRS is no longer a cost-based facility subject to Order 849. ANR's related filing was closed by the Commission in an August 10^{th} order. NSP now considers this matter to be closed.

CONSERVATION PROGRAM

Our conservation program is designed to help customers manage their energy use and preserve resources. In response to market needs and legal requirements, we have developed conservation and load management programs subject to regulation by the Department and the Commission. These programs provide opportunities for customers to save energy and money on their monthly utility bills.

We offer a comprehensive portfolio of programs that educates and assists customers in implementing conservation measures. The programs range from prescriptive and custom rebates for high efficiency equipment to energy audits for buildings and homes. By helping our customers conserve energy, we also reduce the annual gas supply purchasing needs and, as a result, decrease the pass-through cost to our customers. In some cases, our Conservation Improvement Program (CIP) portfolio may supplement or leverage other public or private programs and funds, such as Low Income Home Energy Assistance Program (LIHEAP) or tax credits.

Minnesota Statute § 216B.241 requires certain Minnesota utilities, including our gas operation, to invest in cost-effective conservation improvements through CIP. To achieve CIP goals, we adhere to the following principles:

- Comply with the gas energy savings goal requirements set forth in statute;
- Comply with the minimum gas CIP spending requirements set forth in statute;
- Work with the Department and the Commission to maximize energy savings (and thus customer bill savings) per CIP dollar the Company spends;
- Evaluate programs on the basis of cost-effectiveness of the total investment; and
- Balance the needs of all customers in the allocation of CIP resources.

We are also required to file with the Department, no more than every three years, a CIP Plan detailing our goals, budgets and cost-effectiveness analyses for the next planning cycle. A detailed description and analysis of our gas conservation policy and programs may be found in our 2020 CIP Extension Plan, which was approved by the Department on November 26, 2019.[1] The Company also filed our 2021-2023 CIP Triennial Plan on July 1, 2020, which is currently under consideration in Docket No. E,G002/CIP-20-473.

[1] Docket No. E,G002/CIP-16-115, filed with the Department on July 1, 2019.

By April 1 of each year, the Company is required to file with the Department an Annual Status Report, which details the cost-effectiveness and spending for the prior year's CIP program. Due to the impact of COVID-19, the Deputy Commissioner modified the filing schedule for the Annual Status Report to be on or before May 1, 2020. The Deputy Commissioner approved the Company's 2019 Electric and Gas CIP Status Report on August 6, 2020.[2]

Additionally, by April 1 of each year, the Company files for Commission authorization to adjust the CIP cost recovery factor included in the Resource Adjustment on customer bills to true-up prior calendar year recoveries with costs incurred. Our 2019 CIP gas cost recovery request (2020-2021 CIP Adjustment Factor) was approved by the Commission at their August 13, 2020 Agenda Meeting, and the Commission issued their Order on August 18, 2020.[3]

[2] Docket No. E,G002/CIP-16-115.08.
[3] Docket No. G002/M-20-403.

Gas Price Volatility Mitigation Plan
Northern States Power Company-Minnesota (LDC)
January 2019
Current and Forward Market Outlook

Natural gas prices were stable through the summer season of 2018 as a result of the lack of economic incentive to inject gas into storage, and strength in production. Despite increases in gas-fired power generation the market remained complacent about the potential for higher prices and focused instead on the growth in production volumes. At the end of October 2018, U.S. natural gas storage inventories were 3.2 trillion cubic feet (Tcf), 16% lower than both 2017 and the five-year average for the end of the injection season. Forward basis at hubs across the Midwest saw tremendous upward pressure as the region's storage deficit continued to linger at the end of October. Late-season injections pushed the Midwest's storage deficit to the five-year average to just 107 billion cubic feet (Bcf), down from as much as 165 Bcf during the summer months. However, an early arrival of winter led to substantial withdrawals from storage which widened the deficit again in the Midwest. Colder-than-normal weather across the entire country in November led to larger-than-average withdrawals and the reality of lower inventories became the dominant fundamental factor, overshadowing record production gains. Higher demand in the U.S. has been led by stronger heating and power generation, along with LNG and Mexican exports. U.S. demand from power generation is averaging nearly 25 Bcf/d, outpacing demand over the same period last year by 1.6 Bcf/d or nearly 7%.

According to the EIA, dry natural gas production in the United States averaged 86.9 billion cubic feet per day (Bcf/d) in October, up 8.5 Bcf/d from 2017 due to higher gas production out of multiple regions including the Permian, Haynesville, Marcellus and Utica basins. New takeaway capacity out of the Appalachia area has allowed larger volumes of supply to make its way to downstream markets in the upper Midwest and eastern Canada. Other infrastructure projects have also helped move gas to key demand centers. The EIA expects natural gas production will continue to rise in 2019 to an average of 89.6 Bcf/d, and despite low storage levels, the EIA still expects downward pressure to prices in 2019.

We are currently in a period of high volatility due to the concerns about low storage levels this winter. Natural gas implied volatility averaged 77% in November, the highest volatility in 17 years. Spot prices at the Northern Natural Gas Pipeline (NNG) Ventura locations have been trading above $4.00 since the middle of November, up over 45% since last year at this time, underscoring the continued need for a seasonal gas price volatility mitigation effort by the Company as set forth in the Gas Price Volatility Mitigation Plan (GPVM) for the Gas Department.

Definition of Volatility

This plan is titled "Gas Price Volatility Mitigation Plan," however it should be noted that the academic definition of the word volatility is not being used in the title or throughout this document. For purposes of this document, the "volatility" that the plan is mitigating against is sharp upward price movement only. It is assumed in this document that downward price "volatility" is considered beneficial to customers and therefore the plan does not specifically attempt to mitigate downward price volatility.

Price Volatility Mitigation Goals

The overall goal of the Company's Price Volatility Mitigation Plan is to reduce the exposure to and the magnitude of gas price spikes at a reasonable cost to Northern States Power Company – Minnesota's (NSPM) customers. The goal of the plan is not to attempt to outguess the market or to speculate on the future direction of energy prices. In the development and implementation of the plan, the Company realizes that the final result of the Company's efforts may be higher prices than purchasing all gas supply on the monthly spot market. However, the Company maintains that price volatility mitigation is important to protect the Company and its customers from the risk of paying very high gas prices due to unforeseeable market conditions or events.

The targeted hedge volume for NSPM's gas portfolio is approximately 50% normal requirements for the months of November 2019 through March 2020. The Company will use storage to hedge approximately 25% of the normal winter requirements and financial instruments to hedge the remaining 24%. Due to the limited amount of gas used in the summertime by the LDC customers, no summer volumes have been included in the seasonal hedging plan.

Budget

The proposed Annual Gas Hedging Budget for NSP gas sales customers shall be $5.2 million as approved in Docket No. G002/M-16-88. Docket No. G002/M-16-88 extends the hedge variance through June 30, 2020. The Annual Gas Hedging Budget is based on the Northern Natural Gas Ventura (NNG) At-the-Money call option premium for November through March of $0.38 per MMBtu times the proposed financial hedge quantity of 13.68 Bcf (discussed below). The Ventura November through March At-the-Money call option premium was determined by the lowest of three third-party quotes received by NSP on January 19, 2016.

Price Volatility Mitigation Long-Term Strategy

The ability to export natural gas, the potential increase in gas fired generation and future economic conditions create uncertainty and the potential for fundamental market changes leading to long term price increases. Therefore, the Company proposes to make a separate filing requesting approval of hedges beyond the upcoming winter season in a separate docket when it identifies such long-term (two to five years) hedging opportunities

The long-term price volatility mitigation strategy will focus on a time horizon of two to five years. This time horizon and corresponding strategy will allow customers to avoid a portion of the price risk related to significant increases in gas prices that may last for longer periods of time. The utilization of a long-term strategy will allow the Company to mitigate the effects of this type of price risk while allowing the seasonal strategy to mitigate the effects of the shorter-term, peak demand month price spikes.

Note: The settlement costs of any hedges entered into as part of the long-term plan will be counted against the annual budget for the heating season in which the hedges are settled.

Price Volatility Mitigation Seasonal Strategy

The purpose of the seasonal component of the strategy is to reduce the potential risk of short-term upsets in the wholesale gas markets and the resulting gas price spikes. The seasonal strategy will allow for gas prices to be hedged between the months of April 2019 through October 2019. This timeframe allows the Company to analyze market data regarding production trends, demand trends and storage inventory levels in making its hedging decisions. The seasonal nature of the strategy is intended to provide a desired level of price risk protection while maintaining a balance between market premiums and overall plan costs.

The overall hedge volumes and monthly volumes to be hedged are identified on the monthly volume schedule (Schedule PVM-1) of this document. To allow for a more cost-effective approach to the hedging activity, the targeted volume may be modified for any month to allow a more even volume to be hedged. A minimum monthly hedge volume of three contracts with a volume of no less than 5,000 MMBtu per day will be executed per month. Schedule PVM-1 incorporates a dollar cost averaging approach where the Company will layer in the volume over the planned implementation period. The layering approach spreads the timing risks of the hedging decision over the full plan horizon and ensures that the Company will not enter into all or a very large percentage of the hedged volume at the peak of the market.

The Company will use a mix of call options, costless collars, and put options to implement the financial component of the hedge plan. The $5.2 million budget for financial instruments will be managed by adjusting the strike prices of both the call and put options to ensure that settlement costs do not exceed the budgeted amount.

Implementation Strategy

In implementing the Company's Price Volatility Mitigation Plan, the Company will use its best judgment to select the days to complete the hedging activity. On the selected day(s) the

Company will complete the hedging transaction as identified in the Volume Schedule. In order to provide flexibility to deal with the timing of weather events at the beginning or end of a month, the Company may hedge the monthly volumes ten days before and ten days after the original targeted month.

Adjustment as a result of Counterparty Default

In the event that counterparty defaults on a hedged transaction, NSPM will apply the following guidelines in determining whether to leave the position open or to replace the position:

a) If the Company, as the result of a default by the counterparty, is required to pay the counterparty to settle a fixed-for-float swap or costless collar, the Company will replace the defaulted position with a new fixed-for-float swap for the same period and in the same quantity of the defaulted position.

b) If the Company, as the result of a default by the counterparty, receives none or only a portion of the positive benefit that would be due as a result of a positive mark on the defaulted hedged position, the Company will replace the hedge with the appropriate instrument for the current price level, provided that it has budget dollars available under the hedge plan. If no hedging dollars are available, the position will be left un-hedged. The available hedging dollars will be the difference between the approved budget for that particular Gas Purchase Year, less any option premiums paid in implementing that year's seasonal hedging strategy.

Conclusion

In conclusion, the overall goal of the program is to reduce the exposure to and magnitude of upward gas prices fluctuations for the 2019-20 heating season at a reasonable cost to NSPM's customers. To accomplish this, the Company is implementing a strategy that will protect approximately 50% of the winter requirements from significant exposure to gas price fluctuations. Also, in order to keep hedging costs within the maximum hedging budget for Northern States Power of $5.2 million, a mix of hedging instrument including costless collars, put options and call options will be utilized.

PUBLIC DOCUMENT
NOT PUBLIC DATA HAS BEEN EXCISED

PRICE VOLATILITY MITIGATION (PVM - 1)
Volume Schedule
2019-2020

	Volume Requirements	Storage	Hedge Plan	Total Vol Hedged	% Hedged
	[PROTECTED DATA BEGINS				
June					
July					
August					
September					
October					
November					
December					
January					
February					
March					
April					
May					
Winter Totals					

PROTECTED DATA ENDS]

Monthly Volumes (Seasonal Hedges)

	November	December	January	February	March	Total
	[PROTECTED DATA BEGINS					
April						
May						
June						
July						
August						
September						
October						
Total						

PROTECTED DATA ENDS]

Dth/Day (Seasonal Hedges)

	November	December	January	February	March	Total
	[PROTECTED DATA BEGINS					
April						
May						
June						
July						
August						
September						
October						

PROTECTED DATA ENDS]

Northern States Power Company
Gas Operations - State of Minnesota
HISTORY OF COMMISSION APPROVED BASE COSTS OF GAS AND APPLICABLE PGAs

Minnesota Rule 7825.2810
July 2019 - June 2020

		Residential			Commercial Firm			Demand Billed			
		Demand	Commodity	True-up	Demand	Commodity	True-up	Demand	Demand True-up	Commodity	Commodity True-up
Subp. 1.A.											
Commission Approved Base											
Cost of Gas per Therm	Summer	$0.04569	$0.55042		$0.04569	$0.54871		$0.59664		$0.53874	
effective 1/11/10 (1)	Winter	$0.10350	$0.55042		$0.10350	$0.54871		$0.59664		$0.53874	
Subp. 1.B.											
Billing Adjustments per Therm											
Begin Date											
7/1/2019		$0.00301	($0.34503)	($0.00533)	$0.00301	($0.34332)	($0.00097)	($0.02409)	($0.02296)	($0.33335)	$0.01195
8/1/2019		$0.00301	($0.34350)	($0.00533)	$0.00301	($0.34179)	($0.00097)	($0.02409)	($0.02296)	($0.33182)	$0.01195
9/1/2019		$0.00095	($0.35199)	$0.00122	$0.00095	($0.35028)	$0.00463	($0.02426)	($0.01494)	($0.34031)	$0.01640
10/1/2019		$0.00058	($0.34100)	$0.00122	$0.00030	($0.33929)	$0.00463	($0.02426)	($0.01494)	($0.32932)	$0.01640
11/1/2019		($0.01144)	($0.27363)	$0.00122	($0.01141)	($0.27192)	$0.00463	($0.02551)	($0.01494)	($0.26195)	$0.01640
12/1/2019		($0.01537)	($0.24996)	$0.00122	($0.01528)	($0.24825)	$0.00463	($0.02246)	($0.01494)	($0.23828)	$0.01640
1/1/2020		$0.00460	($0.28720)	$0.00122	$0.00491	($0.28549)	$0.00463	$0.11997	($0.01494)	($0.27552)	$0.01640
2/1/2020		$0.01472	($0.31912)	$0.00122	$0.01551	($0.31741)	$0.00463	$0.11148	($0.01494)	($0.30744)	$0.01640
3/1/2020		$0.01915	($0.33819)	$0.00122	$0.01915	($0.33648)	$0.00463	$0.09780	($0.01494)	($0.32651)	$0.01640
4/1/2020		$0.01998	($0.38142)	$0.00122	$0.02020	($0.37971)	$0.00463	$0.09780	($0.01494)	($0.36974)	$0.01640
5/1/2020		$0.02009	($0.35467)	$0.00122	$0.02009	($0.35296)	$0.00463	$0.09722	($0.01494)	($0.34299)	$0.01640
6/1/2020		$0.00387	($0.37533)	$0.00122	$0.00387	($0.37362)	$0.00463	$0.03696	($0.01494)	($0.36365)	$0.01640

(1) Approved in Docket Nos. G002/GR-09-1153 and G002/MR-09-1324

Minnesota Rule 7825.2810
July 2019 - June 2020

		Small Interruptible		Medium Interruptible		Large Interruptible	
		Commodity	True-up	Commodity	True-up	Commodity	True-up
Subp. 1.A.							
Commission Approved Base							
Cost of Gas per Therm	Summer	$0.54926		$0.54696		$0.55006	
effective 1/11/10 (1)	Winter	$0.54926		$0.54696		$0.55006	
Subp. 1.B.							
Billing Adjustments per Therm							
Begin Date							
7/1/2019		($0.34387)	$0.01583	($0.34157)	$0.02126	($0.34467)	$0.02126
8/1/2019		($0.34234)	$0.01583	($0.34004)	$0.02126	($0.34314)	$0.02126
9/1/2019		($0.35083)	$0.01259	($0.34853)	$0.02412	($0.35163)	$0.02412
10/1/2019		($0.33984)	$0.01259	($0.33754)	$0.02412	($0.34064)	$0.02412
11/1/2019		($0.27247)	$0.01259	($0.27017)	$0.02412	($0.27327)	$0.02412
12/1/2019		($0.24880)	$0.01259	($0.24650)	$0.02412	($0.24960)	$0.02412
1/1/2020		($0.28604)	$0.01259	($0.28374)	$0.02412	($0.28684)	$0.02412
2/1/2020		($0.31796)	$0.01259	($0.31566)	$0.02412	($0.31876)	$0.02412
3/1/2020		($0.33703)	$0.01259	($0.33473)	$0.02412	($0.33783)	$0.02412
4/1/2020		($0.38026)	$0.01259	($0.37796)	$0.02412	($0.38106)	$0.02412
5/1/2020		($0.35351)	$0.01259	($0.35121)	$0.02412	($0.35431)	$0.02412
6/1/2020		($0.37417)	$0.01259	($0.37187)	$0.02412	($0.37497)	$0.02412

(1) Approved in Docket Nos. G002/GR-09-1153 and G002/MR-09-1324

Summary of Pipeline Adjustments
Bills Paid July 2019 to June 2020
(for production months June '19-May '20)

Item	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total
ANR Pipeline													
Demand	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Commodity	-$887.36	$887.36	$0.00	-$608.97	$608.97	-$1,746.66	$1,746.66	$0.00	$0.00	-$72.94	$72.94	$0.00	$0.00
GLT Pipeline													
Demand	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Commodity	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Northern Natural Gas													
Demand	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Commodity	$4,642.84	-$6,969.60	$1,737.17	-$8,969.43	$18,173.11	-$8,179.65	-$356.45	$4,137.75	-$3,750.86	-$355.96	$17,694.14	-$17,856.09	-$53.03
Viking Gas Trans													
Demand	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Commodity	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Williston Basin Inter													
Demand	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Commodity	-$437.94	-$0.51	$0.00	-$0.31	-$147.04	$147.35	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	-$438.45

Summary of 3rd Party Adjustments
Bills Paid July 2019 to June 2020
(for production months June '19-May '20)

Item	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total
3rd Party Demand:													
Supplier A	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
3rd Party Commodity:													
Supplier	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

3rd Party Demand:
NOT APPLICABLE

3rd Party Commodity:
NOT APPLICABLE

Minnesota Rule 7825.2810
July 2019 - June 2020

	Total Gas Cost Incurred	Total Gas Cost Recovered	Recovery Balance Over (Under)	% Deviation
Commodity and Peak Shaving				
Residential	$86,883,476	$92,788,687	$5,905,212	6.80%
Small & Large Commercial Firm	$51,034,815	$54,295,356	$3,260,541	6.39%
Demand Billed	$6,892,676	$7,064,287	$171,611	2.49%
Small Interruptible	$4,943,615	$5,156,116	$212,501	4.30%
Medium & Large Interruptible	$20,299,911	$20,311,265	$11,354	0.06%
Total	$170,054,493	$179,615,711	$9,561,218	5.62%
Demand				
Residential	$35,063,608	$35,083,488	$19,880	0.06%
Small & Large Commercial Firm	$20,527,925	$20,537,436	$9,511	0.05%
Demand Billed	$2,041,346	$2,013,827	($27,518)	-1.35%
Small Interruptible	n/a	n/a	n/a	n/a
Large Interruptible	n/a	n/a	n/a	n/a
Total	$57,632,879	$57,634,751	$1,872	0.00%
Total	$227,687,372	$237,250,463	$9,563,090	4.20%

Northern States Power Company
Gas Operations - State of Minnesota
TOTAL COST OF GAS AND REVENUES RECOVERED
SUMMARY BY COST COMPONENT, BY MONTH

Minnesota Rule 7825.2810
July 2019 - June 2020

	2019						2020						
Expense	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Commodity & Peaking	$5,856,378	$4,729,879	$5,199,907	$5,064,401	$12,980,681	$24,052,176	$30,278,886	$28,610,530	$23,282,031	$15,277,690	$9,536,996	$5,184,938	$170,054,493
Demand	$2,819,844	$2,710,702	$2,694,007	$2,815,990	$2,807,144	$6,150,602	$6,159,314	$8,289,273	$8,304,157	$8,115,508	$3,547,885	$3,218,454	$57,632,879
Total	$8,676,222	$7,440,582	$7,893,915	$7,880,391	$15,787,825	$30,202,778	$36,438,199	$36,899,803	$31,586,188	$23,393,197	$13,084,881	$8,403,392	$227,687,372

	2019						2020						
Revenue	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Commodity & Peaking	$4,101,051	$3,776,774	$3,867,726	$7,930,058	$14,168,702	$29,525,595	$37,223,348	$27,735,916	$24,402,516	$14,399,113	$7,770,995	$4,713,918	$179,615,711
Demand	$782,715	$698,632	$683,704	$1,275,325	$3,679,803	$7,984,201	$11,209,648	$10,706,446	$11,309,819	$5,709,594	$2,386,682	$1,208,182	$57,634,751
Total	$4,883,765	$4,475,405	$4,551,431	$9,205,384	$17,848,505	$37,509,796	$48,432,995	$38,442,362	$35,712,336	$20,108,707	$10,157,677	$5,922,100	$237,250,463

	2019						2020						
(Over) Under	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Commodity & Peaking	$1,755,328	$953,106	$1,332,181	($2,865,658)	($1,188,021)	($5,473,419)	($6,944,462)	$874,614	($1,120,485)	$878,577	$1,766,001	$471,020	($9,561,218)
Demand	$2,037,129	$2,012,071	$2,010,303	$1,540,664	($872,659)	($1,833,599)	($5,050,334)	($2,417,173)	($3,005,663)	$2,405,913	$1,161,203	$2,010,272	($1,872)
Total	$3,792,457	$2,965,177	$3,342,484	($1,324,993)	($2,060,680)	($7,307,018)	($11,994,796)	($1,542,559)	($4,126,148)	$3,284,490	$2,927,204	$2,481,292	($9,563,090)

Demand Costs

Xcel Energy over-recovered demand costs by 0.00 percent, or $1,872, from July 2019 through June 2020. During this period, actual sales were approximately 0.77 percent higher than forecasted sales in the monthly PGA (forecasted sales defined by Minn. Rule 7825.2700, Subp. 5). The Company recovers transportation, storage, and supplier demand costs in retail commodity rates (e.g., all demand costs except those collected from demand-billed customers). Because PGA factors are calculated on a forecasted weather normalized basis each month, but collected on actual usage, Xcel Energy will typically under-recover demand costs during periods when actual customer usage is less than forecasted and over-recover when usage is greater.

The over-recovery was minimized by the Monthly Demand Cost True-up. The calculations for this mechanism are based on the difference between actual and forecasted sales data with a cap on the amount of the adjustment per month. As such, the mechanism calculation spreadsheet[1] shows that demand was over-recovered for the period due to cooler than normal weather during the period, causing actual sales to be more than forecasted sales. The Monthly Demand Cost True-up factor calculation has a cap on it that limits the amount that can be charged or credited. The Monthly Demand Cost True-up Mechanism charged an additional $844,561 of demand costs to customers during the 2019-2020 heating season. Without this mechanism the demand cost under-recovery would have been approximately 1.46 percent.

Demand Billed Demand Costs

Xcel Energy under-recovered demand costs from the demand billed customers by 1.35 percent, or about $27,518, from July 2019 through June 2020. The recovery was also affected by the difference between customer forecasted demand levels used in calculating the monthly PGA and actual demand billed demand levels that change as customers join and exit the demand billed customer class and as demand levels rise for some customers during the period.

Commodity Costs

Xcel Energy over-recovered commodity and peak-shaving costs by 5.71 percent, or $9,609,068 million, during the July 2019 through June 2020 period. The over-recovery is due to deviations between monthly forecasted price and actual wholesale

[1] Based on Calendar Month information provided in the 2019 True-up Filing, Schedule I, being filed concurrently with the Company's natural gas AAA report.

commodity gas prices. The price deviations between monthly price estimates and actual unit cost were the result of price volatility in the wholesale natural gas commodity market. On an average unit basis, the over-recovery is approximately 1.3 cents per therm. Because customer consumption varies by class from month to month and price deviation varies from month to month, individual classes had varying results.

Northern States Power Company, a Minnesota corporation
Gas Operations - State of Minnesota
PURCHASED GAS COST REFUND REPORT
Month Ending June 2020

Account #10.2349999	Year-To-Date
Balance From 2019 AAA Filing	$0
Plus:	
Total Pipeline Refunds	$0
Miscellanous Customer Cancel/Rebill	$0
Total Inflow	$0
Less	
Refunded via Bill Credit	$0
Write off balance	$0
Total Outflow	$0
ENDING REFUND ACCOUNT BALANCE	$0

ADDITIONAL REQUIRED INFORMATION

In accordance with Minn. Rule 7825.2810, subp. 2, Xcel Energy provides the following information.

I. PGA RULE VARIANCES

- **Financial Instrument Cost Recovery**

In an Order dated January 23, 2002, in Docket No. G002/M-01-1336, the Commission granted variances to Minn. Rules 7825.2400, 7825.2500 and 7825.2700 that allowed the Company to recover the costs of financial instruments through the Purchased Gas Adjustment for a period of two years. Subsequent extensions were granted as follows:

Docket No.	Order Date	Extended through
G002/M-03-1627	January 23, 2004	June 30, 2008
G002/M-08-46	May 27, 2008	June 30, 2012
G002/M-12-519	September 23, 2013	June 30, 2016
G002/M-16-88	April 22, 2016	June 30, 2020
G002/M-19-703	February 12, 2020	June 30, 2024

Additional compliance information regarding the Company's costs of financial instruments is included in Attachment G of this AAA report. Reasons supporting the granting of the variances are described in the above-listed filings.

- **Monthly Demand True-up Mechanism**

In Docket No. G002/M-03-843, in an Order dated June 11, 2004, the Commission granted a two-year variance to Minn. Rule 7825.2700, subp. 5 allowing the Company to true-up PGA demand costs monthly. Subsequent extensions were granted as follows:

Docket No.	Order Date	Extended through
G002/M-06-681	September 11, 2007	September 30, 2008
G002/M-08-456	September 2, 2008	September 30, 2011
G002/M-11-203	June 24, 2011	September 30, 2014
G002/M-14-171	July 28, 2014	September 30, 2017
G002/M-17-101	April 21, 2017	September 30, 2020
G002/M-20-282	August 3, 2020	September 30, 2023

Additional compliance information regarding the Company's monthly PGA Demand True-up is included in Attachment G of this AAA report. Reasons supporting the granting of the variances are described in the above-listed filings.

- **Storage-Related Ad Valorem Tax Recovery**

In Docket No. G002/M-15-149, in an Order dated October 21, 2015, the Commission granted a variance to Minn. Rule 7825.2400, subp. 12, allowing the Company to recover the 2009-2014 lump-sum assessed Kansas natural gas storage tax through the Purchase Gas Adjustment factor over a period of five years. In the same Order, the Commission granted a variance to Minn. Rule 7825.2400, subp. 12, allowing the Company to recover the current year's assessed Kansas natural gas storage tax through the Purchase Gas Adjustment for a period of one year.

The Commission granted a variance of one-year to Minn. Rule 7825.2400, subp. 12 to allow recovery in the Purchase Gas Adjustment of ad valorem taxes related to natural gas storage for retail natural gas operations, in the following dockets.

Docket No.	Order Date	Extended through
G002/M-15-149	October 21, 2015	November 1, 2016
G002/M-16-396	July 19, 2016	November 1, 2017
G002/M-17-510	November 1, 2017	November 1, 2018
G002/M-18-323	August 29, 2018	Collection of 2018 Tax
G002/M-18-631	February 6, 2019	Collection of 2021 Tax

Additional compliance information regarding the Company's lump sum and current year Kansas Tax expense and recovery is included in Attachment G of this AAA report. Reasons supporting the granting of the variances are described in the above-listed filings.

II. CHANGES IN CONTRACTED DEMAND

- On August 2, 2019, we filed a Petition seeking approval of our 2019-2020 Contract Demand Entitlement Plan in Docket No. G002/M-19-498. The Department of Commerce submitted Comments on October 3, 2019 and Response Comments on April 15, 2020. The Commission issued their Order on August 3, 2020 approving our petition.

- On August 1, 2020, the Company filed their Petition for Approval of Changes in Contract Demand Entitlements for the 2020-2021 Heating Season (Docket No. G002/M-20-633). We are awaiting Department comments.

III. CUSTOMER-OWNED GAS VOLUMES

Xcel Energy transported approximately 51.7 million dekatherms of gas for Minnesota transportation customers over the reporting period, or approximately 40.98 percent of total Minnesota throughput.

IV. GAS COST AND COST RECOVERY

See Attachment B, Schedule 3, Page 3-4.

Northern States Power Company, a Minnesota corporation

Schedule of Monthly and Annual Purchased Gas Cost Adjustment Factors of Northern States Power Company, a Minnesota corporation, for the period from July 1, 2019 to June 30, 2020, and Independent Accountants' Report

Deloitte.

Deloitte & Touche LLP
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USA

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Northern States Power Company, a Minnesota corporation

We have examined the accompanying Schedule of Monthly and Annual Purchased Gas Cost Adjustment Factors ("the Schedule") of Northern States Power Company, a Minnesota Corporation (the "Company"), for the period from July 1, 2019 to June 30, 2020, to determine whether it has been calculated in accordance with the Minnesota Public Utilities Commission (the "Commission") Rules 7825.2390 to 7825.3000 governing automatic adjustment of energy charges, and with the Purchased Gas Adjustment Rider and Dockets as defined on Sheet Nos. 5-40, 5-41, and 5-42 of the Minnesota Gas Rate Book. The Company's management is responsible for the Schedule. Our responsibility is to express an opinion on the Schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule is presented fairly, in all material respects, with the accounting for the Purchased Gas Adjustment (PGA) in accordance with the Commission's rules governing automatic adjustment of energy charges, and with the PGA Riders as defined in the Minnesota Gas Rate Book. An examination involves performing procedures to obtain evidence about the Schedule. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule for the period from July 1, 2019 to June 30, 2020, is calculated in accordance with the criteria established by the Commission rules 7825.2390 to 7825.3000 governing automatic adjustment of energy charges, and with the PGA Riders as defined on Sheet Nos. 5-40, 5-41, and 5-42 of the Minnesota Gas Rate Book, in all material respects.

This report is intended solely for the information and use of the Board of Directors of the Company and the Commission and is not intended to be and should not be used by anyone other than the specified parties.

Deloitte & Touche LLP

August 26, 2020

NORTHERN STATES POWER COMPANY, A MINNESOTA CORPORATION
SCHEDULE OF MONTHLY AND ANNUAL PURCHASED GAS ADJUSTMENT FACTORS
FOR THE PERIOD FROM JULY 1, 2019 TO JUNE 30, 2020
(DOLLARS PER THERM)

	State of Minnesota						
	Residential	Small & Large Commercial	Billed Commodity	Billed Demand	Small Interruptible	Medium Interruptible	Large Interruptible
July 1, 2019	($0.34735)	($0.34128)	($0.32140)	($0.04705)	($0.32804)	($0.32031)	($0.32341)
August 1, 2019	($0.34582)	($0.33975)	($0.31987)	($0.04705)	($0.32651)	($0.31878)	($0.32188)
September 1, 2019	($0.34982)	($0.34470)	($0.32391)	($0.03920)	($0.33824)	($0.32441)	($0.32751)
October 1, 2019	($0.33920)	($0.33436)	($0.31292)	($0.03920)	($0.32725)	($0.31342)	($0.31652)
November 1, 2019	($0.28385)	($0.27870)	($0.24555)	($0.04045)	($0.25988)	($0.24605)	($0.24915)
December 1, 2019	($0.26411)	($0.25890)	($0.22188)	($0.03740)	($0.23621)	($0.22238)	($0.22548)
January 1, 2020	($0.28138)	($0.27595)	($0.25912)	$0.10503	($0.27345)	($0.25962)	($0.26272)
February 1, 2020	($0.30318)	($0.29727)	($0.29104)	$0.09654	($0.30537)	($0.29154)	($0.29464)
March 1, 2020	($0.31782)	($0.31270)	($0.31011)	$0.08286	($0.32444)	($0.31061)	($0.31371)
April 1, 2020	($0.36022)	($0.35488)	($0.35334)	$0.08286	($0.36767)	($0.35384)	($0.35694)
May 1, 2020	($0.33336)	($0.32824)	($0.32659)	$0.08228	($0.34092)	($0.32709)	($0.33019)
June 1, 2020	($0.37024)	($0.36512)	($0.34725)	$0.02202	($0.36158)	($0.34775)	($0.35085)

	State of Minnesota					
	Residential	Small & Large Commercial	Billed Commodity	Billed Demand	Small Interruptible	Large Interruptible
Annual true-up filing June 30, 2020	($0.01509)	($0.01476)	($0.00495)	$0.00956	($0.01167)	($0.00114)

This Schedule of Monthly and Annual Purchased Gas Cost Adjustment Factors is based on the requirements of the Minnesota Public Utilities Commission Rules 7825.2390 to 7825.3000 governing automatic adjustment of energy charges (11332), and with the Purchased Gas Adjustment Rider and Dockets as defined on Sheet Nos. 5-40, 5-41, and 5-42 of the Minnesota Gas Rate Book (11310D).

414 Nicollet Mall
Minneapolis, Minnesota 55401

July 10, 2020

Nicole Hoium
Auditor
Deloitte and Touche LLP
50 South Sixth Street, Suite 2800
Minneapolis, MN 55402

Becca Birdsell
Auditor
Deloitte and Touche LLP
50 South Sixth Street, Suite 2800
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Tom Koppe
Auditor
Deloitte and Touche LLP
50 South Sixth Street, Suite 2800
Minneapolis, MN 55402

RE: XCEL ENERGY 2020 MINNESOTA AUTOMATIC ADJUSTMENT OF CHARGES REPORT (GAS OPERATIONS)

Dear Nicole, Becca and Tom:

With reference to our meeting on July 14th, I am sending this letter to notify Deloitte and Touche LLP, external auditor for Northern States Power Company, doing business as Xcel Energy, of certain requirements established by the Minnesota Public Utilities Commission for the upcoming natural gas Annual Automatic Adjustment of Charges Report and Purchased Gas Adjustment (PGA) true-up filing. The Company's 2020 natural gas AAA Report and PGA true-up must be filed with the MPUC and the Minnesota Department of Commerce by September 1, 2020.

Background on AAA Report/PGA True-up:

The Company's AAA Report, among other things, will provide detailed results of the Company's PGA clause (costs incurred and costs recovered, etc.) for the reporting period July 1, 2019 to June 30, 2020. The PGA true-up filing calculates the annual rate adjustments required to prospectively collect or refund any under- and/or over-recoveries of purchased commodity natural gas, pipeline transportation, upstream storage and other costs to provide dollar for dollar recovery from retail gas customers on an on-going basis. The DOC will then prepare a comprehensive analysis of the AAA reports filed by all regulated gas and electric utilities, and the MPUC will hold a meeting to review and act on the AAA Reports, PGA true-up filings, and DOC recommendations.

AAA Report Independent Audit Requirements

MPUC rules govern the automatic adjustment clauses for Minnesota natural gas utilities, AAA Reports and PGA true-up calculations, and are set forth in Minn. Rule 7825.2700 *et seq.* Minn. Rule 7825.2820 requires an annual independent auditor's report evaluating the utility's accounting for automatic adjustments for the reporting year.

In 1998 and 1999, the MPUC, by order, expanded the independent auditor reporting requirements for natural gas utilities, including Xcel Energy. In the orders in MPUC Docket Nos. G999/AA-97-1212 and G999/AA-98-1130, the Commission required natural gas utilities to:

1. Direct their independent auditors to include, as one of their procedures, an examination of any significant variations between purchase volumes (per invoices) and sales volumes per the general ledger sales journal;

2. Meet with their independent auditors prior to the auditor's examinations to review audit procedures and Minn. Rules, part 7825.2820. This is the purpose of our meeting on July 14th.

The Company intends to fully comply with the MPUC rules, including the supplemental requirements established in the MPUC orders. The assistance and cooperation of Deloitte and Touche LLP will, of course, be required to ensure this compliance.

Please do not hesitate to call me at 612-330-1925 with any questions.

Sincerely,

/s/

JENNIFER ROESLER
REGULATORY CASE SPECIALIST

c: Lisa Peterson

<u>Impact of Market Forces on Gas Costs for the Coming Year</u>

The July price forecasts for wholesale natural gas at Henry Hub for the 2020-2021 heating season as published by various energy industry analysts range from $2.71 per Dth to $2.93 per Dth. The basis adjustment to the regional price point (Ventura, Iowa), is approximately $0.52 per Dth, for a forecasted regional range of $3.23 per Dth to $3.45 per Dth, which is approximately 29 percent to 34 percent higher than last year's actual average index price of $2.28 per Dth.

Natural gas prices are expected to remain near the $2.73 to $3.00 level for the next several years. Weather patterns will dictate the volatility outside of this range. This year's cost of gas in storage is projected to be approximately 38 percent lower than the winter of 2019-2020. The EIA projects natural gas inventories to be 4.04 Bcf at the end of 2020 injection season, 8 percent higher than the five year average.

The U.S. Energy Information Administration (EIA) expects production to continue to decline for the remainder of 2020 in response to low crude oil prices and production curtailments. EIA also expects 2021 production to decline by 5.6% from 2020 levels.

U.S. consumption is estimated to be approximately 3% lower in 2020 than 2019 due to a warmer first quarter and a decrease in manufacturing due to the effects of COVID-19. EIA expects the industrial sector consumption to rise but as a whole consumptuion will decline in 2021 primarily due to a decline in natural gas consumption for power generation due to increased competion from renewable sources and coal.

As the heating season approaches, the price forecasts will continue to be refined. Changes in demand due to weather, production and national storage inventory levels, will all have an impact on winter prices.

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
Joseph Sullivan	Commissioner
John Tuma	Commissioner

IN THE MATTER OF NORTHERN STATES POWER COMPANY ANNUAL AUTOMATIC ADJUSTMENT OF CHARGES REPORT FOR ITS GAS OPERATION

DOCKET NO. G999/AA-20-172

NOTICE OF REPORT AVAILABILITY

On September 1, 2020, Northern States Power Company, doing business as Xcel Energy, filed its natural gas Annual Automatic Adjustment of Charges (AAA) report with the Minnesota Public Utilities Commission for the 12-month period ending June 30, 2020, in accordance with the following Commission Rules:

7825.2800	Annual Report: Policies and Actions
7825.2810	Annual Report: Automatic Adjustment Charges
7825.2820	Annual Auditor's Report
7825.2830	Annual Five-Year Projection

The aforementioned report is available for public inspection at the Commission offices, 121 East 7th Place, Suite 350, St. Paul, MN 55101 or upon written request to Xcel Energy at the following address:

Xcel Energy
Regulatory Administration
414 Nicollet Mall
Minneapolis, MN 55401

CERTIFICATE OF SERVICE

I, Paget Pengelly, 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 Nos. **G999/AA-20-172**
G999/AA-19-401
G002/GR-09-1153
G002/GR-06-1429

Dated this 1st day of September 2020

/s/

____
Paget Pengelly
Regulatory Administrator

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_20-172_AA-20-172
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.& Greater MN Transmission, LLC	1900 Cardinal Lane PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_20-172_AA-20-172
Melodee	Carlson Chang	melodee.carlsonchang@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-172_AA-20-172
Steven	Clay	Steven.Clay@CenterPointEnergy.com	CenterPoint Energy Minnesota Gas	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-172_AA-20-172
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-172_AA-20-172
Marie	Doyle	marie.doyle@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall P O Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_20-172_AA-20-172
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_20-172_AA-20-172
Brian	Gardow	bgardow@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_20-172_AA-20-172
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_20-172_AA-20-172
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_20-172_AA-20-172

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Lisa	Peterson	lisa.r.peterson@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_20-172_AA-20-172
Catherine	Phillips	Catherine.Phillips@wecenergygroup.com	Minnesota Energy Resources	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_20-172_AA-20-172
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_20-172_AA-20-172
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-172_AA-20-172
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Andrew	Sudbury	Andrew.Sudbury@CenterPointEnergy.com	CenterPoint Energy Minnesota Gas	505 Nicollet Mall PO Box 59038 Minneapolis, MN 55459-0038	Electronic Service	No	OFF_SL_20-172_AA-20-172
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_20-172_AA-20-172
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_20-172_AA-20-172
Donald	Wynia	donald.wynia@centerpointenergy.com	CenterPoint Energy	CenterPoint Energy 505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-172_AA-20-172

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_19-401_AA-19-401
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.& Greater MN Transmission, LLC	1900 Cardinal Lane PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-401_AA-19-401
Steven	Clay	Steven.Clay@CenterPointEnergy.com	CenterPoint Energy Minnesota Gas	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-401_AA-19-401
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-401_AA-19-401
Marie	Doyle	marie.doyle@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall P O Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_19-401_AA-19-401
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_19-401_AA-19-401
Brian	Gardow	bgardow@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-401_AA-19-401
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-401_AA-19-401
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-401_AA-19-401
Lisa	Peterson	lisa.r.peterson@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_19-401_AA-19-401

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Catherine	Phillips	Catherine.Phillips@wecenergygroup.com	Minnesota Energy Resources	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_19-401_AA-19-401
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-401_AA-19-401
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-401_AA-19-401
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Andrew	Sudbury	Andrew.Sudbury@CenterPointEnergy.com	CenterPoint Energy Minnesota Gas	505 Nicollet Mall PO Box 59038 Minneapolis, MN 55459-0038	Electronic Service	No	OFF_SL_19-401_AA-19-401
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_19-401_AA-19-401
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_19-401_AA-19-401
Donald	Wynia	donald.wynia@centerpointenergy.com	CenterPoint Energy	CenterPoint Energy 505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-401_AA-19-401

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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_6-1429_1
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.& Greater MN Transmission, LLC	1900 Cardinal Lane PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_6-1429_1
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Annete	Henkel	mui@mnutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	OFF_SL_6-1429_1
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Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_6-1429_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_6-1429_1
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_6-1429_1
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_6-1429_1
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_6-1429_1
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_6-1429_1
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James M	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	200 S 6th St Ste 470 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_6-1429_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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REQUEST FOR TRADE SECRET PROTECTION

Pursuant to Minn. Stat. § 13.37, trade secret information is defined in part as government data, including a compilation that: 1) was supplied by the affected individual or organization, 2) is subject to efforts by the individual or organization that are reasonable under the circumstances to maintain secrecy, and 3) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. The information on gas supplies and costs designated as Trade Secret Data of the Company's natural gas AAA report meets this definition for the following reasons:

1. Xcel Energy, the affected organization, is supplying the information.

2. Xcel Energy and Xcel Energy Services Inc. (XES), the service company for the Xcel Energy Inc. utility operating companies, make extensive efforts to maintain the secrecy of this information. This information is not available outside the Company except to other parties involved in contracts and to regulatory agencies under the confidentiality provisions of state or federal law, as evidenced by the non-disclosure provisions in the contracts. Xcel Energy also provides this information to state regulatory agencies in the AAA reports and in the monthly PGA filings only in the non-public trade secret versions of the reports.

3. The information designated as Trade Secret derives independent economic value, actual or potential, from not being generally known or being readily ascertainable in at least three ways. First, if suppliers know the terms of the Company's supply and transportation contracts, they may be able to use this knowledge to fashion bids to the Company. These bids may be competitive with existing contracts, but at a price higher than the best price the supplier would have otherwise offered but for the additional knowledge gained from access to this information. Second, suppliers will be reluctant to offer special favorable terms to Xcel Energy if they know other competitors or customers will gain knowledge of the terms and demand similar terms in the future. Third, competitors of Xcel Energy such as other LDCs also purchase their services. These competitors may be able to leverage knowledge of the Company's costs to gain similar terms or may offer slightly better prices to the supplier, denying Xcel Energy access to this gas or other service.

Any of these results would harm Xcel Energy and its retail natural gas customers in Minnesota. Because the Company competes for supplies, transportation, storage and other services in the wholesale market, disclosure would directly harm Xcel Energy by making its delivered supply cost less competitive. To the extent that the Company's supply costs rise, our retail natural gas customers would have to pay higher rates. This result would not serve the public interest.

For all of these reasons, the data included in various attachments in the AAA Report must be treated as Trade Secret information.

In its orders in Docket Nos. E,G999/AA-02-950 *et al.*,[1] the Commission stated that gas utilities shall limit the designation "trade secret" to words, numbers, or phrases that are actually trade secret and shall not designate entire paragraphs or pages which contain the trade secret words, numbers, or phrases. As described in Attachment G, in preparing this 2019-2020 AAA report, the Company has limited the trade secret data designation as provided in the Commission orders.

[1] Docket Nos. E,G999/AA-97-1212, E,G999/AA-03-1264, E,G999/AA-04-1279, E,G999/AA-05-1403, E,G999/AA-06-1208, E,G999/AA-07-1130 and E,G999/AA-08-1011.

COMPLIANCE REQUIREMENTS

Attachment G contains the Company's responses related to various compliance or reporting requirements established in prior Commission orders. The compliance requirements and the Company's responses are provided below.

I. DOCKET NO. G002/M-94-103

ORDER REGARDING TREATMENT OF REVENUES FROM NSP'S OFF-SYSTEM END-USER SALES PROGRAM (March 20, 1995).

Requirement

Return all past, present, and future capacity release revenue from all sources to firm customers using FERC Account 805.1.

Response

The Company's 2019-2020 annual PGA True-up filing (filed concurrently under separate cover) contains the Company's demand expenses by month; see Schedule H. These demand expenses have been reduced by the amount of capacity release revenues from general system releases on the electronic bulletin boards (EBBs) for the Company's upstream interstate pipelines plus "capacity release" revenues associated with Agency Gas services. Attachment G, Schedule 1, contains the amount of capacity release revenues from general system releases and Agency Gas service sales for the period.

II. DOCKET NO. E,G999/AA-97-1212

ORDER ACCEPTING ANNUAL AUTOMATIC ADJUSTMENT REPORTS (May 28, 1998).

Requirement

The gas utilities shall direct their independent auditors to include, as one of their procedures, an examination of any significant variations between purchase volumes (per invoices) and sale volumes per the general ledger sales journal.

Response

As required, Xcel Energy directed its independent auditor (Deloitte and Touche), as one of their procedures, to examine any significant variations between purchase volumes (per invoices) and sales volumes per the general ledger sales journal; see Attachment C, Schedule 2. Purchased volumes were 3.5 percent higher than sales volumes for the 2019-2020 true-up period.

On average, the Company would expect to experience fuel loss of approximately 2 percent and distribution losses of approximately 1 percent in a year. However, several factors can influence the annual variance between purchased volumes and sales volumes for a particular year. Since purchases are recorded on a calendar month basis, but customers are billed on multiple billing cycles throughout the month, there can be timing differences due to changes in customer usage, meters read, or weather. In this particular year, the Company attributes 1.3 percent of the variance to fuel loss and 2.2 percent to distribution losses.

III. Docket No. G002/M-98-1429

Order Approving Miscellaneous Tariff Change (March 5, 1999).

Requirement

Any "additional charges" monies received should be returned to ratepayers in the same way as penalties are currently handled. (Additional charges are defined as any charges to firm transportation customers who fail to curtail when their gas does not arrive at the town border station.)

Response

No firm transportation customers incurred "additional charges" for unauthorized use of gas. Therefore, the Company did not receive any "additional charges" monies during the 2019-2020 true-up period.

IV. Docket Nos. G002/M-01-1336, G002/M-03-1627, G002/M-08-46, E,G999/AA-06-1208, G002/M-12-519 and G002/M-16-88

Order Approving Variances To Recover Costs of Financial Instruments (January 23, 2002), Orders Extending Variances with Conditions (January 23, 2004 and May 27, 2008), Order Acting on Gas Utilities 2006 Automatic Adjustment Reports (February 6, 2008), Order Extending Variance with Conditions (September 23, 2013) and Order (April 22, 2016).

Requirement

In its Annual Automatic Adjustment of Charges (AAA) report, Xcel [Energy] shall include data on the relative benefits of price hedging contracts, including the average cost per dekatherm for natural gas purchased under financial instruments compared to the comparable monthly and daily spot index prices, as well as –

- a list of each hedging instrument entered into,
- the total volumes contracted for, for each instrument,

- the net gain or loss, including all transaction costs for each instrument in comparison to the appropriate monthly and daily spot prices, and
- a schedule of hedging costs like the one included on page two of Xcel [Energy]'s September 7, 2012 reply comments in this docket [Docket No. G002/M-12-519].

Xcel Energy shall include in future true-up reports detailed explanations of its hedging activities, including but not necessarily limited to, all applicable fees, gains or losses on commodity and net gains or losses on hedging.

Response:
Attachment G, Schedule 2 contains the Company's response to this requirement. The Company entered into 6 hedging transactions for the 2019-2020 heating season. The Company's strategy for purchasing financial instruments to mitigate wholesale commodity cost volatility during the 2019-2020 reporting period is described in detail in Attachment A, Schedule 5 of this filing. The hedge plan was executed in accordance with Docket No. G002/M-16-88. The written order was issued on April 22, 2016 extending the hedging variance through June 30, 2020.

As required in the Commission's Order on the Company's 2005-2006 AAA filing, Docket No. E,G999/AA-06-1208, the Company has included requested hedging detail in Schedule H of the True-up being submitted under separate cover.

Table 2 below is provided in a similar manner to our September 7, 2012 reply comments in Docket No. G002/M-12-519, per the fourth bullet point listed in the requirement above.

Table 2: Minnesota Hedging Costs

Hedge Year	NSPM - Hedged Volumes (Dth)	MN State Actual Costs[1]	MN State Cost Excluding Hedging[2]	Hedging Cost - MN State	MN State Hedge Cost/Dth[3]	MN State Cost as % of Annual
2007-2008	12,790,000	$576,571,051	$566,843,252	$9,727,799	$0.13	1.69%
2008-2009	13,960,000	$458,654,791	$443,825,881	$14,828,910	$0.21	3.23%
2009-2010	14,675,000	$312,671,414	$311,675,493	$995,921	$0.01	0.32%
2010-2011	14,235,000	$325,282,768	$308,084,365	$17,198,404	$0.24	5.29%
2011-2012	14,310,000	$225,568,004	$205,124,054	$20,443,950	$0.35	9.06%
2012-2013	4,530,000	$251,190,939	$251,190,939	$0	$0.00	0.00%
2013-2014	4,530,000	$430,082,253	$438,254,092	($8,171,840)	($0.10)	-1.90%
2014-2015	13,590,000	$293,231,053	$289,910,496	$3,320,557	$0.05	1.13%
2015-2016	11,850,000	$165,547,394	$160,868,283	$4,679,112	$0.07	2.83%
2016-2017	13,590,000	$204,075,061	$202,972,529	$1,102,532	$0.02	0.54%
2017-2018	13,590,000	$227,286,024	$,226,926,737	$359,287	$0.00	0.16%
2018-2019	13,590,000	$271,151,393	$272,590,506	($1,439,114)	($0.02)	-0.53%
2019-2020	13,230,000	$170,054,493	$167,336,240	$2,718,254	$0.04	1.60%

V. Docket Nos. E,G999/AA-02-950 and E,G999/AA-03-1264

Orders Acting on Gas Utilities' Annual Automatic Adjustment Reporting and Setting Further Requirements (August 7, 2003 and August 10, 2004).

Requirement

All gas utilities shall meet with their independent auditors to review the requirements of Minn. R. 7825.2820 and proposed auditing procedures before the auditors begin their work in preparation for the utilities' next annual automatic adjustment reports.

Response

We sent a letter to the Deloitte and Touche[4] audit team on July 10, 2020 including the audit requirements and procedures. On July 14, 2020, we met with personnel from Deloitte and Touche to review audit procedures and the requirements of Minn. R. 7825.2820 prior to the auditor's examination of the Company's natural gas AAA report. The letter to Deloitte and Touche and the Deloitte and Touche annual

[1] These costs consist of gas commodity and peak shaving (LNG, propane) commodity supply costs. These values do not include any demand charges associated with gas supply, transportation, or storage.

[2] These costs were calculated by subtracting the Minnesota state allocated jurisdictional share of hedging costs from the values in the "MN State Actual Costs" column.

[3] Cost per Dth for all volumes delivered, not the cost per Dth for the volume hedged.

[4] External auditor for Xcel Energy Inc.

auditors report required by Minn. Rule 7825.2820 are included as Attachment C, Schedules 1 and 2 to this report.

VI. Docket Nos. G002/M-03-843, G002/M-06-681, G002/M-08-456, G002/M-11-203, G002/M-14-171, G002/M-17-101 and G002/M-20-282

Orders Granting Temporary Variances Permitting Use of A Monthly Demand Cost True-Up Mechanism With Requirements (June 11, 2004, September 11, 2007, September 2, 2008, June 24, 2011 July 28, 2014, April 21, 2017, and August 3, 2020).

Requirement

Xcel [Energy] shall separately identify (by customer class) the monthly demand true-up revenues and summarize the following for each firm non-demand billed customer class in the Company's annual true-up filings:

- the annual demand cost recovery absent the adjustments;
- the total annual adjustment recovery; and
- the remaining current year demand cost recovery true-up balance.

Response

The orders in the referenced dockets granted variances to the PGA rules to allow the Company to implement a Monthly Demand Cost True-up Mechanism to true-up demand cost over- or under-recovery on a timelier basis. The Order in Docket No. G002/M-17-101 granted a three-year variance that will expire September 30, 2020. The Order retained existing reporting requirements. The Company requested another three-year extension to the variance to September 30, 2023 in Docket No. G002/M-20-282. On August 3, 2020 the Commission issued their order approving the extension. The order retained existing reporting requirements.

Detailed information required by the Commission's Orders is provided in Attachment B, Schedule 3 of this filing and is included on Schedule I of our 2019-2020 PGA True-up filing being submitted under separate cover.

VII. Last Ordered in Docket No. G999/AA-10-885

Order Accepting Gas Utilities' Automatic Adjustment Reports and True-up Proposals and Setting Further Requirements (April 3, 2012).

Requirement
All regulated gas utilities shall provide a specific justification for each piece of information designated as a trade secret in future annual reports and true-up filings. All companies shall limit the designation trade secret to words, numbers, or phrases that are actually trade secret, and none may designate entire paragraphs or pages which contain the trade secret words, numbers, or phrases.

Response
Attachment F of this filing contains the justification for Trade Secret protection of each piece of information claimed as Trade Secret Data in the Company's 2019-2020 natural gas AAA report and PGA true-up filing. As stated in Attachment F, the Company has limited the data designated as trade secret to the words, numbers, or phrases that are actually trade secret.

VIII. Docket Nos. E,G999/AA-08-1011 and G999/AA-14-580

Order Acting On Certain Gas Utilities' Annual Reports and True-Up Proposals and Setting Further Requirements (March 2, 2010)[5] and Order Accepting Gas Utilities' Annual Automatic Adjustment Reports and 2013-2014 True-Up Proposals and Setting Further Requirements (August 24, 2015).

Requirement
The Commission directs CenterPoint, Xcel [Energy], and MERC-PNG, and MERC-NMU to provide the OES with the following information about their hedging programs, beginning in fiscal-year 2010:

(a) A clearly defined and quantified description of the risk (i.e., catastrophic or other type of event) the companies are insuring against by implementing the hedging strategies. The Company shall include a clearly defined and quantified estimate of the probability of these events occurring.

(b) A quantitative analysis of the value of reducing price volatility and managing price risk (the cost and benefit of these programs to all customers and the companies) that includes:

[5] Items (d) and (e) were only required for one filing, but the Company was informally requested to continue them.

(1) A comparison of what actual low, average, and high usage customer bills (on a monthly basis) would have been with and without the use of the hedging strategies as implemented during the relevant time period.

(2) A comparison of what these customer bills would have been under budget billing, assuming normal gas usage for low, average, and high usage customers, and assuming catastrophically high prices.

(c) A quantitative definition of "catastrophically high prices" (in absolute and relative terms), and a bill analysis that shows how these prices would impact low, average and high usage customer bills.

(d) Require Xcel [Energy] to provide in its next Annual Automatic Adjustment filing a complete post-mortem review of its fiscal-year 2009 heating season natural gas purchasing strategy, including all information, data, and assumptions (in Microsoft Excel format where applicable) necessary to replicate this analysis.

(e) Require Xcel [Energy] to provide in its next Annual Automatic Adjustment filing a discussion of how the Company has chosen the level of acceptable volatility, and minimized the level of cost for this level of volatility.

<u>Response</u>

(a) The Company's hedging strategy is designed to insure against sharp upward price movements, which can be defined as monthly prices increasing over forward prices at the time the hedges were put in place. These price spikes can be caused by various events such as supply disruptions (i.e., pipeline issues or loss of production), and adverse weather events (i.e., hurricanes or colder than normal temperatures). These events do not need to occur in the region to have an effect on gas prices. For example, if the eastern part of the country is experiencing below normal temperatures, it drives prices higher in the Midwest due to the markets in the Midwest having to compete with the east for the natural gas. Due to the randomness of these types of events the Company cannot determine the probability of these types of events in a meaningful way.

(b) The Company's Gas Supply department used a Monte Carlo simulation to evaluate the appropriate levels of hedging. The study indicates that the expected portfolio cost decreases with each incremental volume interval hedged. These results are indicative that upward price movement is theoretically unlimited while downward price movements are capped at zero. The results of the study are included in Attachment G, Schedule 4.

(1) & (2) Billing Comparisons are shown in Attachment G, Schedule 5.

(c) For purposes of responding to this question, the Company has defined "catastrophically high prices" as prices at or above $4.19 per Dth during the winter months. This pricing level was derived by using the average of the highest November through March price from the previous five heating seasons. See Attachment G, Schedule 5 for bill analysis. During the 2019-2020 heating season, the Company did not experience daily spot prices above the catastrophically high during the period of November 1, 2019 through March 31, 2020. There were no adverse spot price spikes primarily due to mild temperatures and higher than normal storage inventory levels. Daily price spikes do not affect the Company's hedge program as the financial hedges are settled against first of month settlements.

(d) During the 2019-2020 heating season, the Company used a combination of "at-the-money" (ATM) and "out-of-the-money" (OTM) call options to implement the hedging program. These instruments were selected to limit the overall cost of the program. Attachment G, Schedule 4 provides an analysis of various hedging instruments impact on the portfolio cost of gas. A combination of instruments was selected as the premium costs of both allowed the company to maintain the approved hedge budget. The use of these instruments provides Customers with the opportunity to participate in downward price movement, while still providing upside protection from a catastrophic price spike.

The financial portion of our 2019-2020 hedging plan resulted in a net cost of $3,175,905 as compared to the approved hedging budget of $5.2 million. The post-mortem review as described in more detail below will compare the actual total system settlement costs incurred against alternative hedging strategies.

In our post-mortem review, we compared the Price Volatility Mitigation Plan that was implemented, which consisted of the purchase of ATM and OTM call options to a strategy that would have exclusively used "at-the-money" (ATM) call options and costless collars. The post-mortem review was limited to these three strategies as they are the only currently approved strategies in the Company's variance.

Table 3: Alternative Hedging Strategy Analysis

Strategy	Cost (in million $)	More(Less) than Actual Cost
Actual Strategy	$3.2	
ATM Call Options	$4.3	$1.1
Costless Collar Alternative	$1.8	$(1.4)

The strategy that was implemented resulted in a higher overall cost as compared to a strategy that would have used costless collars and lower cost compared to a strategy that would have used ATM call options exclusively. Attachment G, Schedule 3 contains the data used in the alternative hedging strategy analysis.

(e) The Company's hedge plan defines volatility as "the customer's exposure to sharp upward price movements." Our plan is designed to limit the customer's exposure to rising pricing while still allowing them to realize some of the benefits during periods of falling prices. This is achieved by setting the targeted hedge volume at 50% of the customer's normal winter requirements. This level of protection was selected to reduce customers' exposure to a sharp upward price movement to $0.50 per Dth for each one dollar change in the price of gas, while still providing customers the opportunity to participate in downward price movements. The Company designs its program so that the costs do not exceed the budget that was approved in Docket No. G002/M-19-703.

IX. DOCKET NO. E,G002/M-09-852

ORDER APPROVING PROGRAM, WITH MODIFICATIONS AND REQUIRING REPORT (February 18, 2010).

DOCKET NO. E,G002/M-15-618

ORDER (October 16, 2015)

Requirement

In the report on the Gas Utilization Program that Xcel Energy includes in the AAA report, the Company shall list each individual transaction showing quantities and cost, the specific accounting entries and a brief explanation of the transaction. In Docket No. E,G002/M-15-618, the Commission ordered:

1) approved Xcel's [Energy] Capacity Utilization Plan as a permanent program;

2) accepted Xcel's [Energy] agreement to report the two categories of capacity sharing transactions – those used to not curtail interruptible customers and other transactions that benefit the whole system;
3) accepted Xcel's [Energy] agreement to continue to report on the transactions related to the Capacity Utilization Plan annually in its annual automatic adjustment (AAA) Report and include both the gas and electric transactions; and
4) Directed Xcel [Energy] to meet with Commission staff and the Department to discuss the arrangements in effect between Xcel's [Energy] business units for the use of its transportation and storage contracts and how Xcel [Energy] ensures that the assignment and allocation of costs and credits reflects how each Xcel [Energy] business unit is actually using the interstate pipeline transportation capacity storage.

Response
The report showing quantities, costs, accounting entries, and an explanation for each individual transaction for the 2019-2020 true-up period is included as Attachment G, Schedule 6. Table 4 below summarizes the savings the LDC and NSP Generation recognized in the true-up period.

Table 4: Capacity Utilization Program – LDC & NSP Generation Savings

	LDC Approximate Savings	**NSP Generation Approximate Savings**
Capacity sharing transactions	$0	$0
Storage netting	$0	$0
Total	$0	$0

X. DOCKET NO. G999/AA-10-885

ORDER ACCEPTING GAS UTILITIES' AUTOMATIC ADJUSTMENT REPORTS AND TRUE-UP PROPOSALS AND SETTING FURTHER REQUIREMENTS (April 3, 2012)

Requirement
In future initial Annual Automatic Adjustment reports, in addition to all information currently required concerning gas-price hedging practices, all regulated gas utilities shall provide additional information on the embedded cost/benefit associated with physical hedges used in the procurement of gas supplies.

Response
We did not have any physical hedges used in the procurement of gas supplies.

XI. Docket No. G999/AA-10-885

Order Accepting Progress Reports and Meter Testing Plans (October 11, 2012).

Docket No. G999/AA-14-580

Review of the 2013-2014 Annual Automatic Adjustment Report (May 5, 2015)

Requirement
(a) All gas utility companies shall file, as part of their annual AAA reports, a schedule reflecting the contractor main strikes during the corresponding annual period billings to at-fault contractors. The Commission will require that the schedules reflect the date, party involved, repair cost amount, and gas lost amount for each incident. In Docket No. G999/AA-14-580, the Department recommended that all utilities total the gas costs in its Contractor Main Strikes Report and also provide the allocation of the gas costs credited to each class in its true-up of commodity costs.

(b) All gas utility companies shall file any updates regarding meter testing within an annual period in the AAA reports. Test metering reports were incorporated into the AAA report starting in 2012.

Response
(a) Included as Attachment G, Schedule 7 is our contractor main strike report, which includes total gas costs and the allocation of the gas costs credited to each class in its true-up of commodity costs.

(b) There were no changes regarding meter testing within the annual reporting period of July 1, 2019 and June 30, 2020.

XII. Docket Nos. G002/M-15-149, G002/M-16-396 and G002/M-17-510

Order Varying Minn. R. Part 7825.2400 and Requiring Filings (October 21, 2015), Order (July 19, 2016) and Order (November 1, 2017).

Requirement
(a) Xcel [Energy] shall list the Kansas natural gas storage tax costs and revenues as separate line items in the Annual Automatic Adjustment (AAA) and PGA true-up

reports as well as in true-up report Schedules C and D (page 1-2 of 4, and page 4 of 4).

(b) With its annual AAA and true-up reports, Xcel [Energy] shall submit a report detailing the total amount paid to Kansas and collected from ratepayers during the gas year.

Response

The Minnesota share of the Kansas natural gas storage-related ad valorem tax costs for the years 2009-2014 is $5,006,347, of which $1,004,045 was amortized for the July 2019 to June 2020 gas year. The total amount of tax recovered from Minnesota gas ratepayers for this lump sum tax assessment during the July 2019 to June 2020 gas year is $1,007,266.

The Company was assessed $751,484 in Kansas natural gas storage-related ad valorem tax costs in 2019, of which $645,245 was allocated to Minnesota. Table 5 below shows the 2019 estimated and actual tax, as well as the true-up by jurisdiction.

Table 5: Calendar Year 2019 Kansas Tax Expenses by Jurisdiction

	MN	ND	Total
2019 Estimated Tax in PGA	$593,153	$97,667	$690,819
2019 Actual Tax	$645,245	$106,239	$751,484
2019 Tax True-up to Actual Bill	$52,093	$8,572	$60,665

The annual Kansas tax expense is recorded on a current basis. However, because the PGA gas year captures 12-months of tax expense recorded during July – June period, it reflects a portion of the KS taxes assessed in 2019 and estimated for 2020. Using the 2019 tax level as a proxy for 2020, $725,443 was included in the PGA rate for the current natural gas AAA year. $623,037 was allocated to Minnesota. The current reporting period also includes a $52,093 increase in Kansas tax for Minnesota due to a true-up for 2019 actual billed tax. Table 6 below shows the Kansas tax expenses included in the 2019-2020 PGA True-up by jurisdiction.

Table 6: 2019-2020 Kansas Tax Expenses by Jurisdiction

	MN	ND	Total
2019-2020 Estimated Tax in PGA	$623,037	$102,407	$725,443
2019 Tax True-up	$52,093	$8,572	$60,665
Total 2019-2020 Tax in PGA True-up	$675,130	$110,979	$786,108

The total amount of tax collected from Minnesota gas ratepayers during the July 2019 to June 2020 gas year is $625,930. Table 7 below provides a line item summary of the Kansas natural gas storage-related ad valorem tax expenses and revenues. Additional details are provided on Schedules A, C and D (pages 1, 2, and 4) of the 2019-20 PGA true-up report filed concurrently.

Table 7: Kansas Tax Expenses and Recoveries in 2019-2020 PGA True-up State of Minnesota

	Prior Year 2018-2019 PGA True-up Balance	2009-2014 Lump Sum Amortization	Current Year 2019-2020	Total
Expense	$-290,526	$1,004,045	$675,129	$1,388,648
Revenue	$-272,341	$1,007,266	$625,930	$1,360,855
Over (Under) Recovery	$18,185	$3,221	$-49,199	$-27,793

Pursuant to the Commission's October 21, 2015 Order in Docket No. G002/M-15-149, the Company used a five-year amortization period to recover the 2009-2014 lump sum ad valorem tax. The total of $5,006,347 was amortized over the period of July 2015 through June 2020. The detailed amortization schedule is showed in Table 8.

Table 8: 2009-2014 Kansas Tax Lump Sum Ad Valorem Tax Amortization

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Total
July	$26,521.76	$27,554.39	$30,051.76	$29,486.77	$26,583.31	
August	$26,680.10	$26,090.52	$25,886.78	$24,212.23	$24,432.71	
September	$29,484.53	$30,380.43	$25,555.66	$25,864.45	$25,455.61	
October	$56,847.07	$57,699.29	$29,338.06	$29,753.17	$28,938.00	
November	$107,718.47	$106,451.52	$58,012.15	$56,541.16	$56,949.16	
December	$154,296.32	$155,741.65	$104,811.86	$106,450.75	$107,745.81	
January	$175,385.69	$175,119.38	$153,017.88	$159,864.29	$162,738.55	
February	$146,756.15	$148,200.22	$178,152.05	$179,265.52	$180,657.41	
March	$123,402.31	$125,772.65	$153,596.51	$153,546.01	$155,200.90	
April	$73,405.36	$71,279.34	$126,436.01	$125,829.85	$125,529.06	
May	$47,893.62	$46,859.22	$71,814.97	$69,633.09	$69,505.62	
June	$31,907.76	$30,051.76	$43,664.20	$40,017.73	$40,308.42	
Total	$1,000,299.14	$1,001,200.37	$1,000,337.90	$1,000,465.02	$1,004,044.57	$5,006,347.00

XIII. Docket No. G999/AA-17-394

Order Accepting Gas Utilities' Annual Automatic Adjustment Reports and 2016-2017 True-Up Proposals and Setting Further Requirements (February 27, 2019).

Requirement

Each utility shall provide, in the next three AAA reports (2017 – 2018), (2018 – 2019), and (2019 – 2020), the following information on unauthorized gas use for each customer that did not comply with a called interruption during the heating season:

a. The volume of gas consumed by the non-compliant customer during the curtailment period.
b. The specific commodity rate charged for the unauthorized gas used and how that rate is determined.
c. The financial penalty, if any, assessed by the company to the customer, including calculations in determining the penalty or penalties.
d. A discussion about utility communication with each customer regarding noncompliance with interruptions (excluding invoices).

Response

a-c. See Attachment G, Schedule 8.

d. We communicate with our interruptible customers in a variety of ways, including:

- Account Managers meet with our customers frequently to discuss the program, their responsibilities as a program participant and any program changes that may have occurred.
- Direct contact with customers regarding penalties and their impacts to customers. "Direct contact" could mean e-mail, phone conversations, or site visits. Meetings with customers are held for many reasons and we have an ongoing relationship with the customer; some as often as daily, or multiple times per day. Our discussions regarding gas penalties are to help customers understand the financial impact of using unauthorized gas during a curtailment and how that can quickly negate annual rate savings from being on the interruptible gas rate. We also explain the capacity constraints that unauthorized gas use can cause on our system.
- Offer a Limited Firm program to help customers who have difficulty curtailing (offer some insurance). This is typically offered at the start of the winter season. There is a capacity check we must evaluate to understand whether or not we can offer this option.

- Annual mailing to help customer ready themselves for the upcoming season in conjunction with gas curtailment events.
- Annual testing of our automated notification system to help customers prepare for the upcoming season.
- Gas Curtailment hotline number.

Some examples of those communications include the following:

1. Each October we host customer meetings in several cities throughout the service territories to discuss any changes to the Interruptible Gas programs, customer responsibilities, the system outlook for the upcoming season, and penalties for any unauthorized gas use.
2. In 2019 we reminded customers of the increase in the penalties as part of our annual fall mailing and also at the customer meetings held in October.
3. Xcel Energy sponsors a 24-hour curtailment hotline, which can help customers plan for gas curtailments.

XIV. DOCKET NO. E,G999/CI-19-160

ORDER APPROVING MODIFICATION OF CURTAILMENT PENALTIES AND TARIFFS AND REQUIRING REPORTS (November 6, 2019).

Requirement

Annually, in their September 1 AAA report filings, natural gas utilities must file complete analyses of circumstances when an interruptible customer fails to curtail twice, or a single noncompliant event is significant.

Response

See Attachment G, Schedule 9.

XV. DOCKET NOS. G999/AA-18-374 AND G002/AA-18-572

ORDER ACCEPTING GAS UTILITIES' ANNUAL AUTOMATIC ADJUSTMENT REPORTS AND 2017-2018 TRUE-UP PROPOSALS AND SETTING FURTHER REQUIREMENTS (November 13, 2019).

Requirement

The Commission will require Xcel [Energy] to calculate interest at the Prime Rate on the 2013-2017 prior period adjustment portion of the High Bridge allocation error and include it as a credit no later than its next AAA true-up filing (2020 AAA due September 1, 2020).

<u>Response</u>
The Company calculated interest of $589,692 for the 2013-2017 prior period adjustment portion of the High Bridge allocation error, based on the Prime Rate. This interest was included as a credit to customers in the December 2019 Purchased Gas Adjustment filed November 26, 2019 (Docket No. G002/AA-19-747). In the November 26, 2019 PGA filing, the interest calculation was provided as Attachment 1 and the credit was shown on Schedule A, page 3, line 20a, Credit for High Bridge Interest on Refund.

PUBLIC DOCUMENT
NOT PUBLIC DATA HAS BEEN EXCISED

Northern States Power Company
Gas Operations - State of Minnesota

Capacity Release Credits from Agency, General System, and Standby Service Sales

June 2019 - May 2020

Month	Agency	Agency	Shared Transport	Shared Transport	General System	General System
	[PROTECTED DATA BEGINS					
Jun-20						
Jul-20						
Aug-20						
Sep-20						
Oct-20						
Nov-20						
Dec-20						
Jan-20						
Feb-20						
Mar-20						
Apr-20						
May-20						
Total						

PROTECTED DATA ENDS]

PUBLIC DOCUMENT
NOT PUBLIC DATA HAS BEEN EXCISED

Transaction Date	Hedge Instrument	Production Month	Volume	Premium Paid	Call Strike Price	Put Strike Price	Monthly Index Price	Hedge Price	Net Gain/ (Loss)	Monthly Totals
[PROTECTED DATA BEGINS										
										PROTECTED DATA ENDS]
										$ (3,175,905.00)

PUBLIC DOCUMENT
NOT PUBLIC DATA HAS BEEN EXCISED

Positive values are costs, negative values are gains

										ACTUAL RESULTS			COMPARISON SCENARIOS					SAVINGS	
Possession Date	Start Date	End Date	Qty	Location	Call Strike	Option Type	Market Price on Trade Date	Avg ATM Market Price on Trade Date	Settlement Price	Premium Paid	ATM/OTM Calls Purchase Exersized	ATM/OTM Puts Purchase Exersized	ATM Premium Estimate	ATM/OTM Calls Purchase Exersized	ATM/OTM Puts Purchase Exersized	Call on Collar Exersized ($1 Premium)	Put on Collar Exersized ($0.50 Premium)	Actual Less Call Purchase	Actual Less Costless Collar ($1.00 Call/$0.50 Put)
November Total										$ 554,400	$ -	$ -	$ 819,180	$ (21,555)	$ -	$ -	$ -	$ (243,225)	$ 554,400
December Total										$ 694,478	$ (111,600)	$ -	$ 968,084	$ (353,726)	$ -	$ -	$ -	$ (31,481)	$ 582,878
January Total										$ 694,478	$ -	$ -	$ 968,084	$ -	$ -	$ -	$ 47,058	$ (273,606)	$ 647,420
February Total										$ 649,673	$ -	$ -	$ 905,627	$ -	$ -	$ -	$ 694,260	$ (255,954)	$ (44,587)
March Total										$ 694,478	$ -	$ -	$ 968,084	$ -	$ -	$ -	$ 1,071,360	$ (273,606)	$ (376,883)
WINTER TOTAL										**$ 3,287,505**	**$ (111,600)**	**$ -**	**$ 4,629,057**	**$ (375,281)**	**$ -**	**$ -**	**$ 1,812,678**	**$ (1,077,872)**	**$ 1,363,227**
[PROTECTED DATA BEGINS																			
																			PROTECTED DATA ENDS]
November Total										**$ 554,400**	**$ -**	**$ -**	**$ 819,180**	**$ (21,555)**	**$ -**	**$ -**	**$ -**	**$ (243,225)**	**$ 554,400**
[PROTECTED DATA BEGINS																			
																			PROTECTED DATA ENDS]
December Total										**$ 694,478**	**$ (111,600)**	**$ -**	**$ 968,084**	**$ (353,726)**	**$ -**	**$ -**	**$ -**	**$ (31,481)**	**$ 582,878**
[PROTECTED DATA BEGINS																			
																			PROTECTED DATA ENDS]
January Total										**$ 694,478**	**$ -**	**$ -**	**$ 968,084**	**$ -**	**$ -**	**$ -**	**$ 47,058**	**$ (273,606)**	**$ 647,420**
[PROTECTED DATA BEGINS																			
																			PROTECTED DATA ENDS]
February Total										**$ 649,673**	**$ -**	**$ -**	**$ 905,627**	**$ -**	**$ -**	**$ -**	**$ 694,260**	**$ (255,954)**	**$ (44,587)**
[PROTECTED DATA BEGINS																			
																			PROTECTED DATA ENDS]
March Total										**$ 694,478**	**$ -**	**$ -**	**$ 968,084**	**$ -**	**$ -**	**$ -**	**$ 1,071,360**	**$ (273,606)**	**$ (376,883)**

Analysis of Various Hedge Ratios for NSPM LDC

4/14/2020
Xcel Energy Gas Supply

Purpose: Determine an optimal percent of the LDC winter gas requirements to hedge during the preceding spring/summer, and the hedging strategy that is expected to yield the lowest overall system cost.

Methodology: Monte Carlo simulation model in Crystal Ball™ using a composite index of historical NNG Ventura, NNG Demarc and NYMEX forward and settlement price data.

Assumptions:

- For the purposes of the model, an average winter forward price for November 2020 through March 2021 using the composite index was used to capture possible price swings across the entire winter rather than by month. The composite index was calculated as the average of NNG Ventura, NNG Demarc and NYMEX forward and settlement prices for each month. These indices were weighted equally because NSPM purchases gas from each of these hubs in roughly equal proportions compared to the entire winter gas portfolio.
- To calculate the price distribution used in the model, the analysis assumed seven purchase dates during the summer months for the past seven years. Purchase dates were the 15th of each month, April through October, for the 2013-2014 through the 2019-2020 heating seasons. The distribution for expected price movement was based on the differences between the average first-of-month price and the average winter forward price for the heating season following each purchase date using the composite index. Finally, the average forward price for the upcoming winter season used in the model was based on ICE prices as of March 31, 2020.
- Expected consumption was kept static using the most recent LDC forecast of 63.64 Bcf for the 2020-2021 heating season, thus volumetric risk was not incorporated.
- For the target hedging level analysis, fixed-for float swaps are used to fix a portion of the portfolio gas cost in 5% increments from a minimum of 25% hedged (the currently contracted physical storage portfolio) to a maximum of 75% hedged. The maximum is based on practical limitations due to uncertainty in the demand forecast and desire to avoid potential long positions (overhedged).
- For the hedging strategy analysis, the target hedging level is set at 50% of winter requirements. Four hedging strategies are evaluated; 1) Fixed-for-float Swaps, 2) ATM call options, 3) OTM call options +$0.75/Dth, and 4) Costless Collars with an assumed skew of 2-to-1 (+$1.00/Dth ,- $0.50/Dth).

Section 1 – Market Volatility:
The base prices and volumes, as well as the standard deviation for the 2018-2019 heating season are shown below in *Table 1*:

	Avg Winter Fwd Price	Standard Deviation – Below Mean	Standard Deviation – Above Mean	Forecast Volume (Bcf)	Forecast Base Cost ($M)
2020-2021	$2.753	$0.532	$0.742	63.64	$175.20

After simulation, the average cost for the winter strip of gas (weighted by the monthly demand) is shown in *Figure 1*.

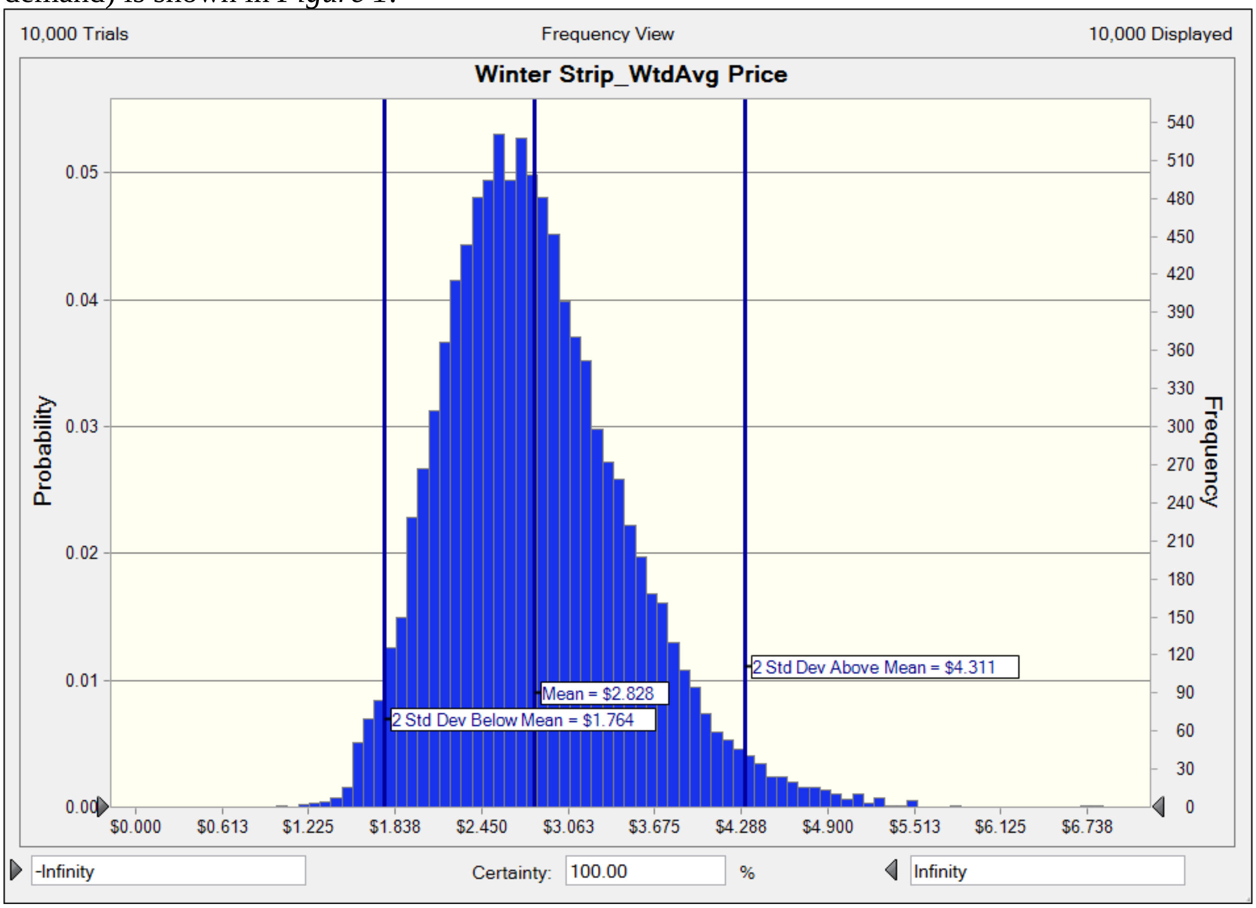

Figure 1

The simulation shows that the price of gas could settle as low as $1.041/Dth and as high as $6.773/Dth while the range we would expect with 95% confidence (2 standard deviations from the mean) is $1.764 to $4.311. The distribution is lognormal such that the average of all potential price outcomes, $2.828/Dth, is skewed to the right of the median $2.758 (forward) price of gas in the market. The extent to which we can expect prices to vary from the forward market price in the summer for the upcoming winter, or the volatility of the commodity, is 23%.

Section 2 – Target Hedging Level Results

As each increment of hedging is implemented (5% intervals), that portion of gas cost is fixed at the weighted average cost ($2.828/mmbtu) instead of coming from the distribution of expected prices in *Figure 1*. The mathematics can be visualized by imagining 100 of the distributions averaged together, then comparing that to averaging 75 of the distributions and 25 straight lines at the median $2.758 (for the case of going from unhedged to 25% hedged). Each increase in hedged volume is taking away one "risky" portion and replacing it with one "fixed" portion. A chart of the resulting distributions for total winter gas cost for various hedge ratios (0%, 25%, 50% and 75%) is shown in *Figure 2*.

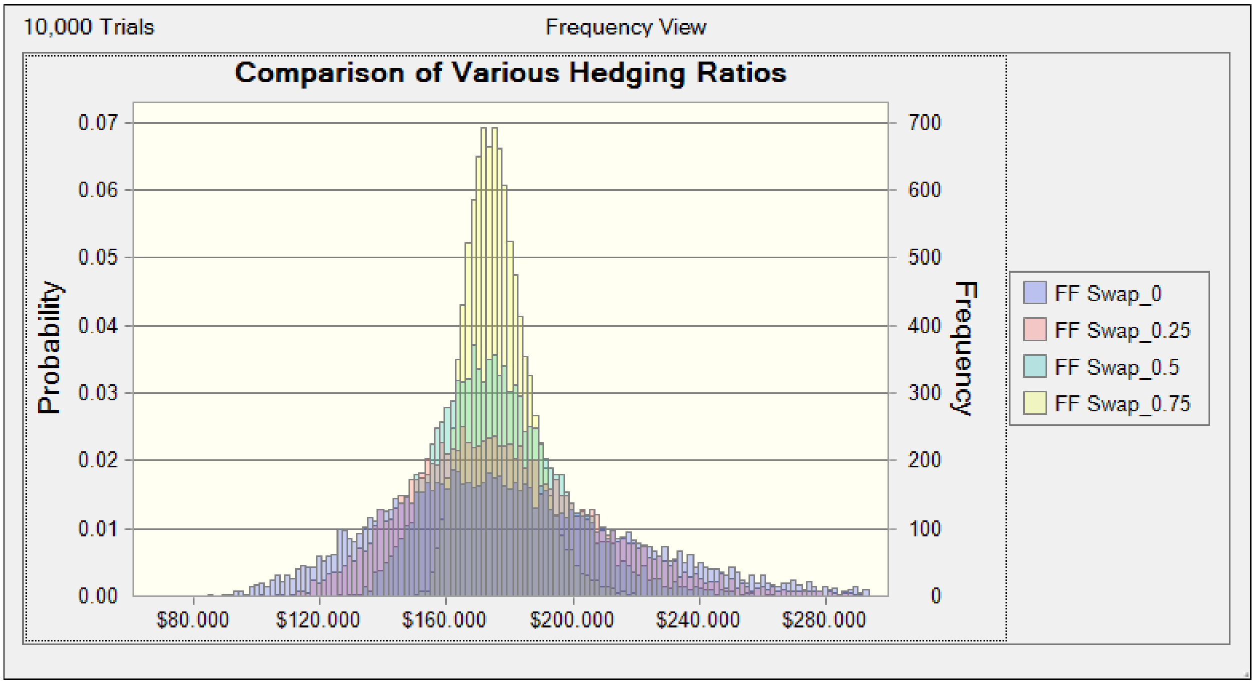

Figure 2

Table 2 shows the portfolio statistics for the various hedge percents. For each increment of hedging, a certain amount of potential benefit from falling prices (the difference in the shaded portions of *Figure 2* to the left of the median) is given up in exchange for a certain amount of reduction in risk from high prices (the shaded portion to the right of the median in *Figure 2*). <u>For every 5% increase in hedging, around $1.34 million is given up in potential benefit for every $1.82 million in reduced exposure, for a risk/reward ratio of around 1.35</u>. These results are linear - the amounts reduced/gained are the same for each increment of hedging above the 25% level.

		Unhedged	Hedge 25%	Hedge 30%	Hedge 35%	Hedge 40%	Hedge 45%	Hedge 50%	Hedge 55%	Hedge 60%	Hedge 65%	Hedge 70%	Hedge 75%
Mean	$M	179.96	178.77	178.53	178.29	178.06	177.82	177.58	177.34	177.10	176.87	176.63	176.39
Median	$M	175.49	175.41	175.40	175.39	175.37	175.36	175.34	175.33	175.31	175.30	175.28	175.27
Avg Cost for Draws Below Median	$M	**148.35**	**155.06**	**156.41**	**157.75**	**159.09**	**160.43**	**161.78**	**163.12**	**164.46**	**165.80**	**167.14**	**168.49**
Stdev of Cost (Draws Below Median)		18.76	14.07	13.13	12.19	11.26	10.32	9.38	8.44	7.50	6.57	5.63	4.69
Avg Cost for Draws Above Median	$M	**211.57**	**202.48**	**200.66**	**198.84**	**197.02**	**195.20**	**193.39**	**191.57**	**189.75**	**187.93**	**186.11**	**184.29**
Stdev of Cost (Draws Above Median)		30.60	22.95	21.42	19.89	18.36	16.83	15.30	13.77	12.24	10.71	9.18	7.65
Reduction in Benefit	$M		6.71	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
Reduction in Risk	$M		9.09	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82
Delta Benefit to Risk	$M		2.38	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Risk to Benefit Ratio			1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35

Table 2

Again, due to the lognormal shape of the price distribution the cost impact of prices above the median is greater than the impact of prices on the low side. Thus, the unhedged portfolio has an expected cost of $179.96 as compared to the 50% expectation of $175.49. For every higher increment of hedging, the expected value goes down, moving closer to the base price, ultimately converging at 100% hedged.

Hedging Strategy Results:

That analysis above looked only at swaps to evaluate the benefit of hedging in general. Next we evaluate the impact of specific hedging instruments on the portfolio cost of gas. Using the same distribution for natural gas prices from *Figure 1*, the cumulative probability of portfolio gas costs for the 50% of winter requirements hedged under each strategy is shown in *Figure 3*:

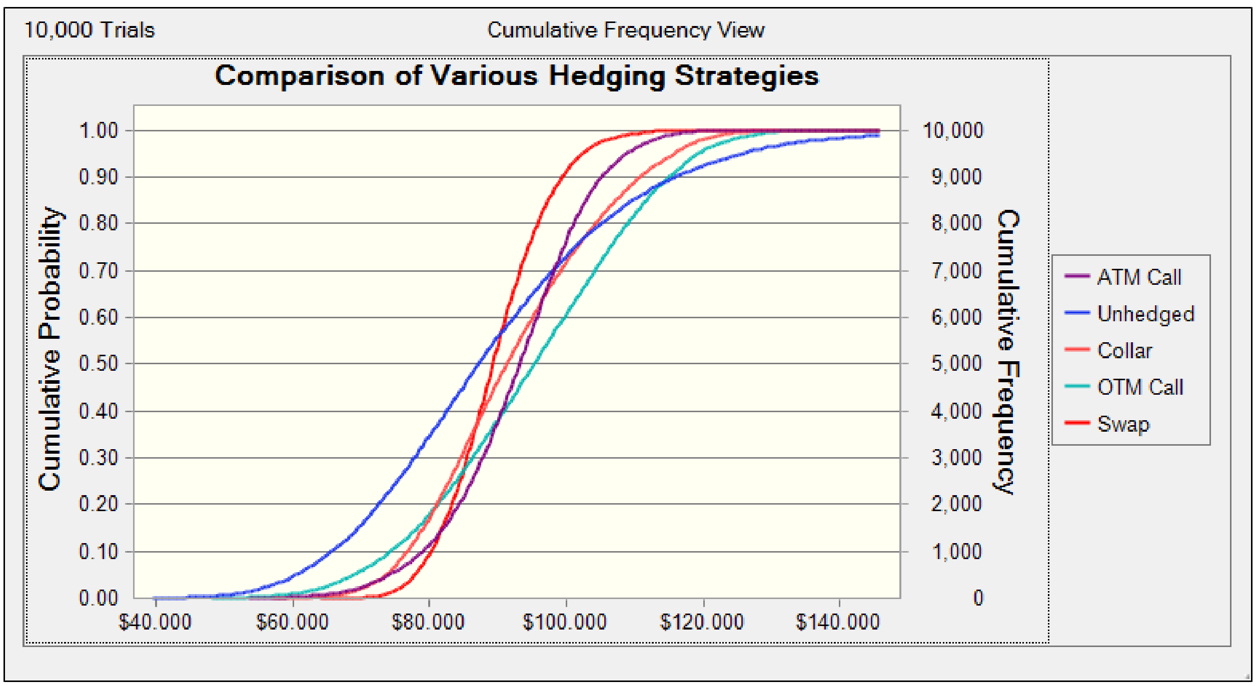

Figure 3

The extent to which the exposure to variability in gas costs is mitigated by each hedging strategy can be seen through the range of potential outcomes. As expected, the unhedged (blue) curve has the widest range of potential cost outcomes as the portfolio is exposed to the entire distribution of gas prices. The Swap (red) curve has the narrowest range of potential cost outcomes as the price of gas is fixed at the forward price at the time the hedge is executed. If the entire portfolio was hedged on the same day using swaps, the curve would be a vertical line, but because hedges are procured throughout the summer months, volatility in forward market prices from one trade date to the next introduces some variability in cost back into the portfolio. Other scenarios using Costless Collars, at the money (ATM) call options, and out of the money (OTM) call options are also shown.

Table 3 shows the average and median portfolio costs under each hedging scenario. Most hedged scenarios result in a lower average cost of gas over time given the skewed risk and impact of significant price spikes, but a higher expected (median) cost in any single year reflecting the "cost" of hedging. Based on model results, the Swap scenario has the lowest expected cost of all the hedged scenarios. This is primarily because of the higher volatility of other hedging instruments when compared to historical levels and higher option premiums as indicated by the higher costs of ATM and OTM call options. Volatility was estimated using the Black-Scholes Option Pricing Model along with option premium and strike price quotes gathered from a sampling of financial institutions offering natural gas hedging option instruments.

		Unhedged	ATM Call	Swap	OTM Call	Collar
Mean	$M	$89.942	$92.871	$89.787	$95.278	$92.868
Median	$M	$87.359	$93.449	$89.503	$95.505	$91.336

Table 3

Conclusion: Natural gas price volatility continues to be significant in today's market. Each increment of hedging results in a benefit in terms of reducing the expected portfolio cost. Further, this proportionately reduces more high gas price risk compared to the reduction in low gas price benefits. However, how much hedging is appropriate is a more subjective problem as utilities balance the need for reduced price volatility with the cost to hedge and desire to capture potential downward movement in prices. Also, the inherent uncertainty in the gas demand forecast due to atypical weather or economic conditions sets a practical upper limit on the amount that should be hedged. As such, a target hedging level of 50% of winter requirements strikes an appropriate balance between risk mitigation and program cost.

Although the unhedged scenario above projects lower estimated costs for the coming heating season when compared to other hedging scenarios, NSPM plans to hedge 50% of winter purchases because of price uncertainty risk. Under current market conditions, a hedge portfolio of primarily swaps can be expected to provide the lowest overall cost of gas across the wide range of potential price outcomes for the upcoming winter while maintaining the lowest amount of price risk for NSPM's gas customer base. However, actual hedging decisions may vary and will be based on market pricing at the time of execution.

Docket No. G999/AA-08-1011, Order Point 14:

b.1) A comparison of what actual low, average, and high usage customer bills (on a monthly basis) would have been with and without the use of the hedging strategies as implemented during the relevant time period.

b.2) A comparison of what these customer bills would have been under [Averaged Monthly Payment Plan], assuming normal gas usage for low, average, and high usage customers, and assuming catastrophically high prices.

c) ... a bill analysis that shows how [catastrophically high] prices would impact low, average and high usage customer bills.

	Average Monthly Bill			Total Annual
Minnesota Residential Average Use Customer Bill*	Winter	Summer	Annual True-up	Payment
b.1) 2019-2020 true-up year with hedging	$82.83	$25.09	$0.00	$589.75
b.1) 2019-2020 true-up year without hedging	$82.16	$25.08	$0.00	$586.38
c) Catastrophically High Prices with hedging	$107.45	$23.73	$0.00	$703.36
c) Catastrophically High Prices without hedging	$109.63	$24.02	$0.00	$716.27
b.2) 2019-2020 true-up year with hedging - AMP Plan	$51.76	$51.76	-$31.37	$589.75
b.2) 2019-2020 true-up year without hedging - AMP Plan	$51.76	$51.76	-$34.74	$586.38
b.2) Catastrophically High Prices with hedging - AMP Plan	$51.76	$51.76	$82.24	$703.36
b.2) Catastrophically High Prices without hedging - AMP Plan	$51.76	$51.76	$95.15	$716.27

	Average Monthly Bill			Total Annual
Minnesota Residential Low Use Customer Bill*	Winter	Summer	Annual True-up	Payment
b.1) 2019-2020 true-up year with hedging	$64.37	$21.07	$0.00	$469.31
b.1) 2019-2020 true-up year without hedging	$63.87	$21.06	$0.00	$466.79
c) Catastrophically High Prices with hedging	$82.84	$20.05	$0.00	$554.52
c) Catastrophically High Prices without hedging	$84.47	$20.27	$0.00	$564.20
b.2) 2019-2020 true-up year with hedging - AMP Plan	$41.07	$41.07	-$23.53	$469.31
b.2) 2019-2020 true-up year without hedging - AMP Plan	$41.07	$41.07	-$26.05	$466.79
b.2) Catastrophically High Prices with hedging - AMP Plan	$41.07	$41.07	$61.68	$554.52
b.2) Catastrophically High Prices without hedging - AMP Plan	$41.07	$41.07	$71.36	$564.20

	Average Monthly Bill			Total Annual
Minnesota Residential High Use Customer Bill*	Winter	Summer	Annual True-up	Payment
b.1) 2019-2020 true-up year with hedging	$101.28	$29.11	$0.00	$710.18
b.1) 2019-2020 true-up year without hedging	$100.45	$29.11	$0.00	$705.98
c) Catastrophically High Prices with hedging	$132.06	$27.42	$0.00	$852.21
c) Catastrophically High Prices without hedging	$134.78	$27.78	$0.00	$868.34
b.2) 2019-2020 true-up year with hedging - AMP Plan	$62.45	$62.45	-$39.22	$710.18
b.2) 2019-2020 true-up year without hedging - AMP Plan	$62.45	$62.45	-$43.42	$705.98
b.2) Catastrophically High Prices with hedging - AMP Plan	$62.45	$62.45	$102.81	$852.21
b.2) Catastrophically High Prices without hedging - AMP Plan	$62.45	$62.45	$118.94	$868.34

*The following definitions are used for the purposes of this example:
Average Use = MN Residential average non weather-normalized billing use per customer for July 2019 - June 2020.
Low Use = 75% of MN Residential average non weather-normalized billing use per customer for July 2019 - June 2020.
High Use = 125% of MN Residential average non weather-normalized billing use per customer for July 2019 - June 2020.

Shared Transport Capacity

Transportation Sharing was utilized to avoid overrun charges that would have been incurred when either the Generation or LDC usage exceeded its firm transportation capacity on Northern Natural Gas or on Viking Gas Transmission and either the LDC or Generation portfolios had unutilized firm transport capacity.

DATE	Pipeline	DELIVERED	VOLUME	NNG MAX TARIFF RATE	VGT MAX TARIFF RATE	GEN	LDC
						$ -	$ -
						(+Amt Due / -Amt Owed)	

-	GEN Shared Capacity
-	LDC Shared Capacity
-	

NNG and VGT Max Tariff rates were used for savings calculation.

Storage Diversion*

Storage Diversion was utilized to save counter-seasonal withdrawal or injection charges when one portfolio was injecting into storage and the other portfolio was withdrawing during the same Gas Day.

NO ACTIVITY

NSP GEN			NSP LDC		
GEN W/D	$/dth	Inj/WD Costs Avoided	LDC INJ	$/dth	LDC Inj/WD Costs Avoided
-	$0.0000	$0.00	-	$0.0000	$0.00

$0.00	
$ -	Sch H Summary - Rows: Transmission-Exchange Gas and Capacity Release - Internal
$0.00	

Damage Date	Excavator Name	Damage Amount Billed	Date Billed[1,2]	Gas Lost Amount[3]	Gas Lost Volume (MCF)
INCIDENTS THAT OCCURED DURING THE CURRENT TRUE-UP PERIOD AND WERE BILLED DURING THE CURRENT TRUE-UP PERIOD					
July					
7/3/2019	THOMAS AND SONS CONSTRUCTION	not billed yet		$61.27	31.027
7/8/2019	MNDOT	not billed yet		$51.53	26.094
7/24/2019	JACON LLC	not billed yet		$39.30	19.696
7/24/2019	TILLAGE EXCAVATION	not billed yet		$108.56	54.406
August					
8/6/2019	MATHIOWETZ	not billed yet		$568.49	285.085
8/6/2019	C&L EXCAVATING INC	not billed yet		$61.91	31.047
8/6/2019	ST PAUL REGIONAL WATER SERVICE	not billed yet		$52.80	26.478
8/8/2019	RHINO CONTRACTING INC	not billed yet		$13.26	6.629
8/8/2019	UNIVERSAL SERVICES	not billed yet		$114.60	56.878
8/20/2019	CROW RIVER CONSTRUCTION	not billed yet		$28.34	14.211
September					
9/3/2019	ROSTI CONSTRUCTION	not billed yet		$153.23	79.508
9/4/2019	NORTHDALE CONSTRUCTION CO IN	not billed yet		$0.00	UNK
9/6/2019	FRANKLIN TOWNSHIP	not billed yet		$4.68	2.451
9/10/2019	FITZGERALD EXCAVATING	not billed yet		$548.88	285.787
9/13/2019	ANDERSON BROTHERS CONSTRUCTIO	not billed yet		$72.16	37.832
9/18/2019	ALPINE ELECTRIC	not billed yet		$138.46	71.843
9/19/2019	NORTHDALE CONSTRUCTION CO INC	not billed yet		$89.87	46.634
9/19/2019	CASTREJON INC.	not billed yet		$86.33	44.794
9/26/2019	Q3 CONTRACTING	not billed yet		$31.57	16.553
October					
10/4/2019	STF SERVICES LLC	not billed yet		$36.13	17.911
10/8/2019	RIVER CITY ELECTRIC	not billed yet		$6.68	3.311
10/8/2019	R.P. SCHROEDER CONSTRUCTION	not billed yet		$95.53	47.352
10/10/2019	KUECHLE UNDERGROUND INC	not billed yet		$36.59	17.949
10/23/2019	MINNESOTA UTILITIES & EXCAVATIN	not billed yet		$0.00	UNK
10/24/2019	ALLSTATES PAVEMENT RECYCLING A	not billed yet		$636.82	312.419
10/30/2019	HOUGH INC. OF DETROIT LAKES	not billed yet		$25.86	12.772
Noverber					
11/4/2019	C&L EXCAVATING INC	not billed yet		$122.03	45.765
11/27/2019	VECTOR SIGN	not billed yet		$0.00	UNK
December					
NONE	N/A	N/A		N/A	N/A
January					
1/22/2020	MILLER BROTHERS EXCAVATING	not billed yet		$4.07	1.605
February					
NONE	N/A	N/A		N/A	N/A

Damage Date	Excavator Name	Damage Amount Billed	Date Billed[1,2]	Gas Lost Amount[3]	Gas Lost Volume (MCF)
March					
3/19/2020	NORTHERN DEWATERING INC.	not billed yet		$13.83	5.455
3/30/2020	ST PAUL WATER	not billed yet		$21.08	8.312
April					
4/15/2020	MICHELS PIPELINE	not billed yet		$84.24	51.213
4/27/2020	FARIBO PLUMBING AND HEATING	not billed yet		$4.49	2.759
May					
5/1/2020	FOREST LAKE CONTRACTING	not billed yet		$0.00	UNK
5/8/2020	R.L. LARSON EXC	not billed yet		$15.95	8.459
5/11/2020	HOMEOWNER	not billed yet		$90.33	47.408
5/12/2020	VANVICKLE EXCAVATING LLC	not billed yet		$23.81	12.625
5/13/2020	RIVER CITY ELECTRIC	not billed yet		$6.10	3.235
5/13/2020	CENTRAL MN CABLE	not billed yet		$41.89	22.215
5/22/2020	MINNERATH CONSTRUCTION	not billed yet		$48.61	25.777
June					
6/4/2020	CROWN UNDERGROUND LLC	not billed yet		$10.89	6.344
6/5/2020	TD&I CABLE	not billed yet		$16.46	9.687
6/6/2020	HOMEOWNER	not billed yet		$109.22	64.26
6/9/2020	JEANETTA & SONS EXCAVATING	not billed yet		$13.52	7.874
6/11/2020	FITZGERALD EXCAVATING	not billed yet		$0.00	UNK
6/16/2020	SAFETY SIGNS	not billed yet		$9.24	5.435
6/19/2020	FITZGERALD EXCAVATING	not billed yet		$64.64	37.768
Total for True-Up Period July 2019 to June 2020				**$3,763.25**	

Total Gas Lost Amount for the True-Up period July 2019 to June 2020 and Allocation to Class	
Residential	$1,538.53
Commercial Firm	$980.88
Demand Billed	$267.23
Small Interruptible	$118.56
Medium and Large Interruptil	$858.04
Total	**$3,763.25**

Footnotes

1 "No Bill" - damages for which the Company has chosen not to bill. The Company may choose not to bill when facilities are unlocatable, not mapped, mismapped, we have inadequate documentation, when facilties are only nicked, or when billing ourself.

2 "Not Billed Yet" - In general, it takes at least 2 months to bill for damages, but can take longer because of time to complete repairs and staffing to process the paperwork.

3 "Unable to calculate" - we do not have enough information to calclate the amount of gas lost. This can happen because field personnel did not capture enough information, the the contractor pinched over the line so it is unclear how long the line was blowing, or the hole was obstructed.

Northern States Power Company
Gas Operations - Minnesota State
UNAUTHORIZED GAS USAGE AND PENALTIES

Date Billed (1-2 days after usage)	Customer Name	Priority	Unauthorized Gas Used (thm)	Commodity Rate per Therm	Commodity Calculation (thm*rate)	Penalty per Therm	Financial Penalty Amount
	[PROTECTED DATA BEGINS						
3/5/2020		1B	10	0.091214	$0.91	$5.00	$50.00
	PROTECTED DATA ENDS]						
	Total		10.00		$0.91		$50.00

Analysis of Curtailment Non-Compliance

ORDER APPROVING MODIFICATION OF CURTAILMENT PENALTIES AND TARIFFS AND REQUIRING REPORTS (November 6, 2019), Order Point 2, Docket No. E,G999/CI-19-160.

Requirement

Annually, in their September 1 AAA report filings, natural gas utilities must file complete analyses of circumstances when an interruptible customer fails to curtail twice, or a single noncompliant event is significant.

Analysis

We did not have any customers who failed to curtail twice, or any significant noncompliant events during the July 1, 2019 to June 30, 2020 reporting period.