

September 12, 2014

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Supplemental Response Letter of the Minnesota Department of Commerce**  
**Division of Energy Resources**  
Docket No. G002/M-14-583

Dear Dr. Haar:

On September 8, 2014, Northern States Power Company, doing business as Xcel Energy, (Xcel or the Applicant) submitted its second round of *Reply Comments* (Supplemental Reply Comments) in this docket. These Supplemental Reply Comments were in response to the August 27, 2014 Response to Reply Comments filed by the Minnesota Department of Commerce, Division of Energy Resources (Department). The Department provides its final response and recommendation below.

The sole issue remaining in dispute between the Department and the Company is how the Company's tariff should be modified to allow for recovery of capacity entitlement contract costs via the NAS Rider. In its response to the Company's Reply Comments the Department recommended that the Commission allow the tariff to be revised to allow for recovery of capacity entitlement contract costs through the NAS Ride for only the towns affected by this docket. Xcel prefers a more generic modification to the tariff that allows for use of the NAS Rider in recovering capacity entitlement contract costs in any community for which those contract costs are included in the cost of extending new natural gas service.

Xcel supports its preference by noting that even with the generic tariff language regarding capacity entitlement contract costs it prefers, it will still be required to petition for and receive Commission approval of any new NAS Riders. Further, Xcel anticipates that there are very few service extension projects on the horizon that would not require the use of third-party contracts. Finally, Xcel argues that absent the generic language, it would be difficult to propose new projects when the Company is uncertain as to whether NAS Rider recovery will be allowed.

After considering Xcel's arguments, the Department concludes that the generic revision to the tariff supported by Xcel would be acceptable. As Xcel points out in its Supplemental Reply Comments, all new NAS Riders must receive Commission approval so whether to allow

inclusion of capacity entitlement contract costs in the NAS will be evaluated for each proposed NAS. By approving the generic tariff revision, the Commission avoids having to modify that section of Xcel's tariff for each new NAS Rider that includes capacity entitlement contract costs but is still able to review the contract and other costs as part of each NAS Rider petition that the Company files.

Finally, the Department addresses the Company's assertion that "Communities need to know definitively what the costs will be..." It should be emphasized to communities that there is never certainty regarding the customer surcharge amount(s) related to a project until the Commission makes its decision.

The Department recommends that the Commission approve the Petition as filed, with the exception of reducing the Barnesville residential class surcharge to \$23.99, to which Xcel agreed in its August 18, 2014 Reply Comments. In addition, the Department recommends that the Commission modify the tariff language contained in Section 5, Sheet 49 of Xcel's Minnesota Gas Rate Book—MPUC No. 2 as proposed in Xcel's September 8, 2014 Supplemental Reply Comments. The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ LAURA B. OTIS  
Rates Analyst  
651-539-1828

LBO/ja

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Supplemental Response Letter**

**Docket No. G002/M-14-583**

Dated this 12<sup>th</sup> day of September 2014

**/s/Sharon Ferguson**

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