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June 8, 2015

VIA E-FILING

Mr. Daniel P. Wolf
Minnesota Public Utilities Commission
121 7th Place Street, Suite 350
St. Paul, MN 55101

Re: In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota
Docket No. E-002/GR-13-868
OAH Docket No. 68-2500-31182

Dear Mr. Wolf:

On behalf of the Xcel Large Industrials,[1] we submit the following brief reply to the filing submitted on May 28, 2015, by the Minnesota Department of Commerce - Division of Energy (the "Department") Resources regarding Xcel Energy's compliance filing (the "Department's May 28 Comment"). In particular, XLI objects to the recommendation in the Department's May 28 Comment to significantly deviate from cost of service in allocating Xcel Energy's revenue requirement. XLI is hesitant to raise such an objection in the absence of a solicitation of comment from the Minnesota Public Utilities Commission (the "Commission"). Nonetheless, XLI feels compelled to respond to the information contained in the Department's May 28 Comment.

On May 8, 2015, the Commission issued its Findings of Fact, Conclusions of Law, and Order in the above referenced docket (the "Order"). In the Order, the Commission directed Xcel to rerun the class cost of service study ("CCOSS") to reflect the Commission's revenue requirement decisions and the apportion the revenue requirement as follows:

- Set the commercial and industrial ("C&I") non-demand class apportionment at cost;

[1] Flint Hills Resources, LP; Gerdau Ameristeel US Inc.; Unimin Corporation; and USG Interiors, Inc. (collectively, the "Xcel Large Industrials" or "XLI").

- Move the residential class 75% closer to cost, unless the revised CCOSS shows the residential class is above cost, in which case the residential class should be set at cost;

- Maintain the current level of lighting class revenues; and

- Recover the remaining revenue requirement from the C&I demand class.[2]

In explaining this decision, the Commission asserted that it "believes that the classes can reasonably be set at--or significantly closer to--their CCOSS-indicated cost. But, in the interest of protecting against rate shock from a possibly significant and sudden increase, any upward adjustment to the Residential class will be limited to 75% of the difference between that class's updated present revenue figure and its revised CCOSS-indicated cost."[3]

The Order is ambiguous, which has resulted in two interpretations that are currently before the Commission. Xcel Energy has proffered a reasonable interpretation to achieve what appears to be the Commission's intent, namely to set rates closer to (but not at) cost, based upon the revised CCOSS. The Department's interpretation, on the other hand, focuses on limited language contained in the Order and would essentially ignore the revised CCOSS. This distinction is evidenced by the tables below, which are reproduced from the Department's May 28 Comment.[4]

Table 1: Comparison of Apportionment of Revenue Responsibility

Class	Revised Current	Revised CCOSS	Xcel Proposed Apportion	PUC Methodology	Xcel % Increase	PUC % Increase
Residential	$1,023,121	$1,087,369	$1,086,489	$1,071,307	6.19%	4.71%
Non-Demand	$108,086	$113,601	$113,601	$113,601	5.10%	5.10%
C&I Demand	$1,669,134	$1,767,681	$1,768,031	$1,783,213	5.93%	6.83%
Lighting	$26,319	$25,789	$26,319	$26,319	0.00%	0.00%
Total	$2,826,660	$2,994,440	$2,994,440	$2,994,440	5.94%	5.94%

[2] *The Order*, pg. 84.
[3] *The Order*, pg. 84.
[4] *The Department's May 28 Comment*, pg. 13-14.

Table 2: Apportionment as a Percent of Total Income

Class	Revised Current	Revised CCOSS	Xcel Proposed Apportion	PUC Methodology
Residential	36.20%	36.31%	36.28%	35.78%
Non-Demand	3.82%	3.79%	3.79%	3.79%
C&I Demand	59.05%	59.03%	59.04%	59.55%
Lighting	0.93%	0.86%	0.88%	0.88%
Total	100.00%	100.00%	100.00%	100.00%

Notwithstanding the fact that no witness disputed Mr. Pollock's testimony regarding the increasingly uncompetitive rates of NSP's C&I Demand class,[5] evidence that the Commission roundly ignored without basis or comment in reaching its CCOSS, revenue allocation, and rate design decisions generally, the Department's recommendation to exacerbate the subsidy by over $16 million is disappointing.

To be sure, XLI disputes the Order's resolution of issues surrounding Xcel Energy's CCOSS and sincerely hopes the parties can continue the discussion for a more fair and supportable resolution in Xcel Energy's upcoming rate case. In any event, Tables 1 and 2 above are instructive in demonstrating why the Department's proposal is unreasonable.

As reflected in Table 2 above, the percentage of total revenues collected from the C&I demand class, as compared to total revenues, should be trending downward while the percentage of total revenues collected from the residential class, as compared to total revenues, should be trending upward. The Department appears to be ignoring this evidence. According to Table 1 above, the average retail increase is 5.94%. The Department recommends that the C&I demand class receive a 6.83% increase (significantly greater than average) while suggesting that the residential class receive a 4.71% increase (significantly below average). This is not "significantly closer to cost" as the Order states is possible. The Department's recommendation on revenue allocation is instead undeniably moving away from cost of service. The resulting subsidy that would be received by the residential class under the Department's recommended revenue allocation is approximately $16.062 million.

[5] Ex. 263, Pollock Surrebuttal at 31:11-13.

XLI respectfully requests that the Commission reject the Department's recommendation on revenue allocation and adopt Xcel Energy's interpretation of the Order in reaching a decision on approving Xcel Energy's compliance filing.

Very truly yours,

Stoel Rives LLP

/s/ Andrew P. Moratzka

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