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July 5, 2006

Patrick Fahn, Chief Engineer  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 58505-0480

RE: BILLING OF VACANT RENTAL PROPERTY APPLICATION  
CASE NO. PU-06-216

Dear Mr. Fahn:

Earlier this month we discussed the development of a procedural schedule for our Billing of Vacant Rental Property (BVRP) tariff application. Part of that discussion involved identifying an effective notification process so that property managers and tenants would have awareness of the proposed tariff and be able to offer comments if they wish at a future hearing. This letter outlines Xcel Energy's communication plan.

Assuming that the Commission will schedule an informal hearing sometime in September or October, Xcel Energy proposes to send notification letters in August to all property owners on our system to inform them of the BVRP petition and alert them of the opportunity to file comments and attend a Commission hearing. In addition, the Company would provide these property owners with BVRP flyers to post at their rental properties. The flyers would describe to tenants the proposed tariff and provide information on the hearing. Lastly, Xcel Energy intends on contacting some of the consumer advocacy agencies that assist tenants with housing arrangements and inform them of the tariff application.

The rationale for this approach as opposed to utilizing bill inserts can be summarized as follows:

1. The Company's bill insert schedule for the remaining months of 2006 is at maximum capacity. The company is able to handle up to 5 bill inserts per month per operating company (for NSP-MN Co., the limit applies to all of the inserts affecting the states of North Dakota, South Dakota, and Minnesota). Among the inserts scheduled for August and September are customer rate folders, energy assistance information, payment options, and energy efficient lighting, items which benefit all customers.

2. The lead time schedule for designing a bill insert is around 5 weeks prior to the billing month. To issue bill inserts in September, the information piece would need to be drafted by July 23, which does not provide much time to determine all necessary information to include regarding the Commission hearing.
3. The costs of implementing a bill insert to all customers is approximately 10 times the cost of mailing a targeted letter to the property managers on our system. The cost of a bill insert for this topic would cost between \$3,000 and \$3,500.
4. Inserting a folder in every bill would mean that approximately 95,000 customers would be receiving a piece that would only have relevance to a small fraction of those customers. Xcel Energy is concerned that this would have a desensitizing effect on customers to information provided in bill inserts.
5. The probability that the information will be read by property owners is highest if a customized letter is mailed to the owner. In many cases, energy bills are received and opened by office personnel who may not read or notice the information contained in a bill insert. In addition, the posting of a flyer at a rental building would afford tenants multiple opportunities to take note of the information (as they come and go) compared to the single opportunity when a bill is opened.

In summary, utilizing a customer-wide bill insert that only pertains to a small segment of our customers would not be very cost-effective or as successful in ensuring the affected parties receive notification. The Company is committed to informing consumers and property owners of the process being proposed for the billing of vacant rental property because we believe that a well-defined and clearly understood procedure will help to mitigate misunderstandings, unexpected billings, and confusion in the future.

Let me know if you have any other questions or comments regarding this approach.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style and is positioned to the right of a vertical line.

DAVID H. SEDERQUIST  
SR. CONSULTANT, REGULATION & FINANCE  
NORTHERN STATES POWER CO. D/B/A XCEL ENERGY