



2302 Great Northern Drive
P O Box 2747
Fargo, ND 58108-2747
(701) 241-8632
dave.sederquist@xcelenergy.com

April 26, 2007

**VIA ELECTRONIC FILING AND
FEDERAL EXPRESS**

Illona A. Jeffcoat-Sacco, Executive Secretary
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

Re: Application of Northern States Power Company, a Minnesota corporation
and wholly owned subsidiary of Xcel Energy Inc. for Authority to Increase
Rates for Natural Gas Service in North Dakota
Case No. PU-06-525

Dear Ms. Jeffcoat-Sacco:

On April 24, 2007, we filed a Settlement Agreement by and between the North Dakota Public Service Commission advisory staff and Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc. Inadvertently omitted from that filing were Schedules A through G to the Settlement Agreement. Those Schedules are enclosed with this filing.

In addition, there was a typographical error on page 2 of the Settlement Agreement. In the second paragraph of that page, the second to last sentence has been revised to provide the correct, and lower, change in residential rates. A revised page 2 has also been included in this mailing.

I apologize for any inconvenience these oversights may have caused.

Please call me if you have any questions. Thank you.

Sincerely,

A handwritten signature in cursive script that reads 'David H. Sederquist'.

David H. Sederquist
Sr. Consultant, Regulation & Finance
Northern States Power Co. d/b/a Xcel Energy

Xcel Energy
Natural Gas Utility - State of North Dakota
Settlement Agreement
Survey of Authorized ROEs

<u>State</u>	<u>Company</u>	<u>Order Date*</u>	<u>End of TY</u>	<u>Auth ROE</u>
Virginia	Virginia Nat. Gas Co.	7/24/2006	na	10.00%
New York	Coming Nat. Gas Corp.	5/22/2006	12/31/2005	10.00%
Nevada	Sierra Pacific Pwr Co.	4/27/2006	5/31/2005	10.60%
Colorado	CO Nat. Gas Inc.	3/1/2006	3/31/2005	12.00%
Wisconsin	Wisc. Elec Pwr Co.	1/26/2006	12/31/2006	11.20%
Wisconsin	Wisconsin Gas LLC	1/26/2006	12/31/2006	11.20%
Kentucky	The Union LH&P Co.	12/22/2005	9/30/2006	10.20%
Wisconsin	Wisconsin Pub Svc Corp.	12/22/2005	12/31/2006	11.00%
Maryland	Baltimore G&E	12/21/2005	7/31/2005	11.00%
California	Pacific G & E	12/15/2005	12/31/2006	11.35%
California	San Diego G&E	12/15/2005	12/31/2006	10.79%
Wisconsin	Madison Gas & Elec	12/12/2005	12/31/2006	11.00%
			Average:	<u>10.86%</u>

*Cases ordered after 12/1/05 with a test year of either 2005 or 2006.

Source: PUR Utility Regulatory News (Letter #3800, December 29, 2006)

Xcel Energy
Natural Gas Utility - State of North Dakota
Settlement Agreement Revenue Deficiency Summary (2007 Test Year)
 (000's)

<u>Line</u>	<u>Description</u>	<u>Amount</u>	
1	Average Rate Base	\$46,631	
2	Operating Income	\$2,791	
3	Rate of Return	5.99%	line 2 / line 1
4	Required Rate of Return	8.96%	
5	Required Operating Income	\$4,178	line 1 x line 4
6	Operating Income Deficiency	\$1,387	line 5 - line 2
7	Gross Revenue Conversion Factor	1.65426	
8	Unadj. Revenue Deficiency	\$2,294	line 6 x line 7
9	COG methodology decrease	\$0	
10	Net Revenue Deficiency	\$2,294	
11	Increase percentage	2.5%	

2007 Capital Structure	<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>
Long Term Debt	7.0820%	46.4100%	3.2900%
Short Term Debt	5.8100%	2.0000%	0.1200%
Preferred Stock	0.0000%	0.0000%	0.0000%
Common Equity	10.7500%	51.5900%	5.5500%
Required Rate of Return			8.9600%

Xcel Energy
Natural Gas Utility - State of North Dakota
Settlement Agreement Revenue Apportionment

	Rate Code	Avg Cust.	Dkt Sales	Revenue		Increase	
				Present	Proposed	Amount	%
<u>Firm Service</u>							
Residential	401	37,064	3,065,892	\$36,128,428	\$37,422,703	\$1,294,275	3.6%
Commercial and Industrial	410	<u>6,383</u>	<u>3,676,490</u>	<u>\$40,309,437</u>	<u>\$41,182,025</u>	<u>\$872,588</u>	<u>2.2%</u>
Total Firm Service		43,447	6,742,382	\$76,437,865	\$78,604,728	\$2,166,863	2.8%
<u>Interruptible Service</u>							
Small C&I	404	112	655,964	\$6,116,733	\$6,186,265	\$69,532	1.1%
Large C&I/Neg. Transp.	405	<u>22</u>	<u>2,455,956</u>	<u>\$10,490,283</u>	<u>\$10,545,226</u>	<u>\$54,943</u>	<u>0.5%</u>
Total Interruptible Service		134	3,111,920	\$16,607,015	\$16,731,490	\$124,475	0.7%
Total Retail		<u>43,581</u>	<u>9,854,302</u>	<u>\$93,044,880</u>	<u>\$95,336,218</u>	<u>\$2,291,338</u>	<u>2.5%</u>
<u>Other Gas Revenues</u>							
Connection Charge				\$58,000	\$58,000	\$0	0.0%
Late Payment Charge				\$104,000	\$106,600	\$2,600	2.5%
NSF Check Charge				\$5,000	\$5,000	\$0	0.0%
Other sales				<u>\$165,000</u>	<u>\$165,000</u>	<u>\$0</u>	<u>0.0%</u>
Total Other Gas Revenues				<u>\$332,000</u>	<u>\$334,600</u>	<u>\$2,600</u>	<u>0.8%</u>
Total Retail Sales and Other Revenues				<u>\$93,376,880</u>	<u>\$95,670,818</u>	<u>\$2,293,938</u>	<u>2.5%</u>

Xcel Energy
Natural Gas Utility - State of North Dakota
Settlement Agreement Present and Proposed Rates

	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Residential Firm Service</u>		
Delivery Services Charge	\$15.69 / Month	\$18.60 / Month
Cost of Gas	\$0.94713 /Therm	\$0.94713 /Therm
MGP amortization	\$0.00365 /Therm	\$0.00365 /Therm
<u>C&I Firm Service</u>		
Basic Service Charge	\$20.00 /Month	\$30.00 /Month
Distribution Charge	\$0.10710 /Therm	\$0.11000 /Therm
Cost of Gas	\$0.94401 /Therm	\$0.94401 /Therm
MGP amortization	\$0.00365 /Therm	\$0.00365 /Therm
<u>Small C&I Interruptible Service</u>		
Basic Service Charge	\$75.00 /Month	\$75.00 /Month
Distribution Charge	\$0.07740 /Therm	\$0.08800 /Therm
Cost of Gas	\$0.83606 /Therm	\$0.83606 /Therm
MGP amortization	\$0.00365 /Therm	\$0.00365 /Therm
<u>Large C&I Interruptible Service</u>		
Basic Service Charge	\$275.00 /Month	\$275.00 /Month
Distribution Charge	\$0.04632 /Therm	\$0.05110 /Therm
Cost of Gas	\$0.83606 /Therm	\$0.83606 /Therm
MGP amortization	\$0.00365 /Therm	\$0.00365 /Therm

Xcel Energy

Natural Gas Utility - State of North Dakota

Settlement Agreement Comparison of CCOSS Deficiency and Proposed Rates

(000's)

	(1)	(2)	(3)	(4)	(5)
Customer Class		Present Revenues	Revenue Deficiency Indicated by CCOSS	Total Effect Of Proposed Rates	Difference Between CCOSS Revenue Deficiency and Proposed Rates
Residential	\$ increase	\$36,128	\$4,301	\$1,294	\$3,007
	% increase		11.9%	3.6%	8.3%
Commercial	\$ increase	\$40,309	(\$912)	\$873	(\$1,785)
	% increase		-2.3%	2.2%	-4.4%
Interruptible Service (Small Volume)	\$ increase	\$6,117	(\$368)	\$70	(\$438)
	% increase		-6.0%	1.1%	-7.2%
Interruptible Service (Large Volume)	\$ increase	\$10,490	(\$220)	\$55	(\$275)
	% increase		-2.1%	0.5%	-2.6%
Other Revenues	\$ increase	\$332		\$3	
	% increase				
Total	\$ increase	\$93,377	\$2,801	\$2,294	\$507
	% increase		3.0%	2.5%	0.5%

Rate Design - Class Impact by Rate Component

Customer Class		(1) Present Revenues	(4) Overall Impacts of Proposed Rates		
			(2) Delivery / Basic Service Charges	(3) Distribution Charges	(4) Total Effect of All Changes
Residential	\$ increase	\$36,128	\$1,294	\$0	\$1,294
	% increase		3.6%	0.0%	3.6%
Commercial	\$ increase	\$40,309	\$766	\$107	\$873
	% increase		1.9%	0.3%	2.2%
Small Interruptible	\$ increase	\$6,117	\$0	\$70	\$70
	% increase		0.0%	1.1%	1.1%
Large Interruptible	\$ increase	\$10,490	\$0	\$55	\$55
	% increase		0.0%	0.5%	0.5%
Total	\$ increase	\$93,045	\$2,060	\$231	\$2,291
	% increase		2.2%	0.2%	2.5%

Xcel Energy
Natural Gas Utility - State of North Dakota
Settlement Agreement Monthly Bills Using Present and Proposed Rates

RESIDENTIAL FIRM SERVICE

<u>Use</u> <u>(Therms)</u>	<u>Bill Amount</u> <u>(Present)</u>	<u>Bill Amount</u> <u>(Proposed)</u>	<u>Increase</u>	<u>Percent</u>
0	\$15.69	\$18.60	\$2.91	18.5%
10	\$25.34	\$28.25	\$2.91	11.5%
20	\$35.00	\$37.91	\$2.91	8.3%
30	\$44.65	\$47.56	\$2.91	6.5%
40	\$54.30	\$57.21	\$2.91	5.4%
50	\$63.96	\$66.87	\$2.91	4.6%
75	\$88.09	\$91.00	\$2.91	3.3%
100	\$112.22	\$115.13	\$2.91	2.6%
200	\$208.75	\$211.66	\$2.91	1.4%
300	\$305.29	\$308.20	\$2.91	1.0%
500	\$498.35	\$501.26	\$2.91	0.6%

COMMERCIAL & INDUSTRIAL FIRM SERVICE

<u>Use</u> <u>(Therms)</u>	<u>Bill Amount</u> <u>(Present)</u>	<u>Bill Amount</u> <u>(Proposed)</u>	<u>Increase</u>	<u>Percent</u>
0	\$20.00	\$30.00	\$10.00	50.0%
50	\$73.62	\$83.77	\$10.15	13.8%
100	\$127.24	\$137.53	\$10.29	8.1%
250	\$288.10	\$298.83	\$10.73	3.7%
500	\$556.21	\$567.66	\$11.45	2.1%
750	\$824.31	\$836.49	\$12.18	1.5%
1000	\$1,092.42	\$1,105.32	\$12.90	1.2%
3000	\$3,237.25	\$3,255.95	\$18.70	0.6%
5000	\$5,382.09	\$5,406.59	\$24.50	0.5%
7500	\$8,063.13	\$8,094.88	\$31.75	0.4%
10000	\$10,744.18	\$10,783.18	\$39.00	0.4%

Xcel Energy
Natural Gas Utility - State of North Dakota
Comparison of Monthly Bills Using Present and Proposed Rates

SMALL VOLUME INTERRUPTIBLE SERVICE

<u>Use</u> <u>(Therms)</u>	<u>Bill Amount</u> <u>(Present)</u>	<u>Bill Amount</u> <u>(Proposed)</u>	<u>Increase</u>	<u>Percent</u>
1000	\$992.11	\$1,002.71	\$10.60	1.1%
3000	\$2,826.34	\$2,858.14	\$31.80	1.1%
5000	\$4,660.57	\$4,713.57	\$53.00	1.1%
7500	\$6,953.35	\$7,032.85	\$79.50	1.1%
10000	\$9,246.13	\$9,352.13	\$106.00	1.1%

LARGE VOLUME INTERRUPTIBLE SERVICE

<u>Use</u> <u>(Therms)</u>	<u>Bill Amount</u> <u>(Present)</u>	<u>Bill Amount</u> <u>(Proposed)</u>	<u>Increase</u>	<u>Percent</u>
1000	\$1,161.03	\$1,165.81	\$4.78	0.4%
3000	\$2,933.10	\$2,947.44	\$14.34	0.5%
5000	\$4,705.17	\$4,729.07	\$23.90	0.5%
7500	\$6,920.25	\$6,956.10	\$35.85	0.5%
10000	\$9,135.33	\$9,183.13	\$47.80	0.5%

Xcel Energy
Natural Gas Utility - State of North Dakota
Reinstatement of Previous Customer Allocation Method

The customer allocator is used to assign some costs to the electric and natural gas utilities that are common to both utility operations (certain customer accounting and service costs).

In the company's original rate application, the customer allocator was derived from customer count information from 2005, the most recent available fiscal year.

The allocator was developed by counting combination electric and natural gas customers as 1 electric and 1 natural gas customer. This was a change from the previous method of counting combination customers as 1/2 electric and 1/2 natural gas customer. The change was necessitated by the unavailability (at the time the rate case was being developed) of 2005 combination customer count data from the company's CRS billing system which was installed in the spring of 2005.

To determine the impact of the change on ND natural gas operations, the new methodology was compared to the previous allocation method utilizing 2004 customer data (as stated above, 2005 customer data was not available at the time in the format needed to use the previous method).

<u>Cust. Alloc. Method</u>	<u>Customer Data Year</u>	<u>Allocation Common Costs Factor</u>	<u>to Allocate</u>	<u>NSP Gas Portion</u>	<u>ND Portion</u>
New (1e and 1g)	2005	23.930%	\$65,503,377	\$15,674,958	\$1,618,426
Previous (1/2e and 1/2g)	2004	18.560%	\$65,503,377	\$12,157,427	<u>\$1,255,244</u>
Estimated Impact of the change in method on the Test Year:					\$363,182

In April, the company verified that it had developed a query program that was able to determine and report the number of combination customers from the billing system database. This allowed the Company to reinstate its previous method of counting combination customers as 1/2 electric, 1/2 natural gas. The program, along with the completion of the 2006 fiscal year, allowed the Company to utilize the most relevant customer data (2006) available to calculate the test year customer allocator.

The difference between the original allocation reflected in the test year and the reinstated allocator using more timely and relevant customer count data was determined as follows:

<u>Cust. Alloc. Method</u>	<u>Customer Data Year</u>	<u>Allocation Common Costs Factor</u>	<u>to Allocate</u>	<u>NSP Gas Portion</u>	<u>ND Portion</u>
New (1e and 1g)	2005	23.930%	\$65,503,377	\$15,674,958	\$1,618,426
Previous (1/2e and 1/2g)	2006	19.630%	\$65,503,377	\$12,858,313	<u>\$1,327,610</u>
Decrease in Test Year Deficiency due to Reinstating Previous Method:					\$290,816

The decrease in the Test Year revenue deficiency of \$290,816 is referenced in the "Terms of Settlement Agreement" section of the Settlement Agreement.