

CONCURRING OPINION

Commissioner Susan E. Wefald

June 13, 2007

**Northern States Power Company
Natural Gas Rate Increase
Application**

Case No. PU-06-525

I concur with this rate case decision, however, I do not agree with the concept that for residential customers, all of the customer costs are placed in a Delivery Services Charge. I also do not agree with the calculation of the percentage of the rate increase included in the Order Adopting Settlement. Xcel Energy is not receiving a rate increase of 2.3% (see page 2). They are receiving an increase of approximately \$2,168,000 that will increase Xcel Energy income by 15.6%.

Prior to two years ago, Xcel Energy had a Basic Service Charge and a Distribution Charge for residential customers, which added together reflected the total of non-gas charges. Under this method, all residential customers paid the same Basic Service Charge, but Distribution Charges were based on gas usage of the customers (cents per dekatherm of gas used). In my dissenting opinion dated June 1, 2005 I noted, "All customers who use 828 therms or less of gas a year will pay more," for customer costs through a single Delivery Services Charge and noted that "one half of Xcel customers use 828 therms or less a year."

This is still true. The residential customer who uses a small amount of gas each month now pays the same Delivery Services Charge as the customer who uses large amounts of gas. This means that as the Delivery Services Charge increases it becomes a larger and larger percentage of the small user's bill.

What is wrong with this method? There are legitimate distribution costs that relate to volumetric usage of natural gas. Many states limit the costs included in the Basic Service Charge to costs that vary with the number of customers, such as metering costs and billing costs and exclude costs that relate to gas mains and the distribution systems. These costs are considered distribution related because they vary based on gas usage.


What are the advantages of a Delivery Services Charge? The company has a set amount of money they can count on each month, rather than their income varying based on customer usage of natural gas. This is important to the company because

people are using less natural gas these days. With commodity prices of natural gas increasing substantially, people are finding ways to conserve on natural gas.

It is interesting that only residential customers are billed using a "Delivery Services Charge." All other customer groups are billed using a Basic Service Charge and a Distribution Charge. If this is a good idea, it seems as if it should be a good idea for all customer groups.

Decoupling profits from sales does give Xcel Energy an incentive not to encourage more gas usage to receive more income. However, this rate case settlement gives \$135,000 of rate payer money to Xcel Energy to encourage people to conserve on gas usage, so apparently the original decoupling was not enough incentive.

I also do not agree with the calculation of the percentage of the rate increase included in the Order Adopting Settlement. Xcel Energy is not receiving a rate increase of 2.3% (see page 2). They are receiving an increase of approximately \$2,168,000 that will increase Xcel Energy income by 15.6%. 2.3% is the amount of increase a customer will see in relationship to their total bill which includes the cost of natural gas. However, the company does not receive any net income from natural gas costs, since the actual cost for natural gas is recovered dollar for dollar from the consumer. Therefore, the only source of income comes from increases in the Delivery Services Charge for residential customers, and the Basic Service Charge and Distribution Charges for other customers. Therefore, Xcel's actual increase in income is 15.6%.



Susan E. Wefald, Commissioner