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February 22, 2010

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

PUBLIC SERVICE COMMISSION

RE: **Cellnet Dispute Resolution**
Docket No. G002/CI-08-871

Dear Dr. Haar:

On December 18, 2009 and January 11, 2010, and pursuant to an Order of the Minnesota Public Utilities Commission (Commission) dated October 26, 2009, in the above referenced docket, Northern States Power Company, a Minnesota corporation (Xcel or the Company) submitted filings summarizing its dispute resolution with Cellnet.

On December 29, 2009, the Office of Energy Security (OES) filed a Response indicating that we would prefer to consider related financial issues regarding Xcel's proposed disposition of any proceeds from the Settlement Agreement between the Company and Cellnet in the context of Xcel's pending natural gas rate case (Docket no. G002/GR-09-1153). The OES made this recommendation in part because Xcel filed testimony in its rate case specifically addressing the Cellnet issue.

On January 29, 2010, Xcel submitted a letter to the Commission requesting that the terms of the Company's dispute resolution with Cellnet be addressed within the instant proceeding rather than in Xcel's pending rate case. Xcel also clarified the different issues to be resolved in the rate-case proceeding and the instant proceeding. Xcel also stated that "depending on the Commission's decision, the resolution of this issue in this Docket could impact the rate case proceeding. In that event, we will make any adjustments in the rate case that may result from the Commission's determination in this docket."

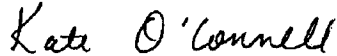
The OES appreciates Xcel's clarification and acknowledges that the Commission's October 26, 2009 Order in this docket requires Xcel to file a report summarizing the results of the dispute resolution with Cellnet for Commission review and approval. The Order also directs Xcel to include testimony in its next rate case to demonstrate that no costs related to Docket No. G002/CI-08-871 are collected from ratepayers. The OES believes that reserving our right to address this issue if needed in the rate case does not preclude Docket No. G002/CI-08-871 from being concluded or resolved by the Commission.

79 PU-08-627 Filed: 2/24/2010 Pages: 5
MN Docket - Letter from MN OES Recommending
Approval of Xcel's Proposal

Xcel's proposed settlement with Cellnet is intended to resolve the financial dispute between Cellnet and Xcel, as a result of the financial effects on Xcel due to the circumstances identified in this proceeding. The settlement seems to be intended to minimize the chance of a recurrence through tools such as meter testing. Certainly, the responsibility for ensuring that the meters work properly rests firmly with Xcel.

Regarding the bill credit from Cellnet to Xcel, the OES recommends that the Commission approve Xcel's proposal with the caveat that Xcel's rates in the rate case may be adjusted if needed to ensure that ratepayers are not harmed due to the series of transactions related to this issue.

Sincerely,



/s/ KATE O'CONNELL

Supervisor, Energy Regulation and Planning

KO/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, 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 Office of Energy Security
Letter - Cellnet Dispute Resolution**

Docket No. G002/CI-08-871

Dated this 22nd day of February, 2010

/s/Sharon Ferguson

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