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May 1, 2009

-VIA E-MAIL & U.S. MAIL-

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

Re: COMMENTS
FEDERAL 2007 ENERGY INDEPENDENCE AND SECURITY ACT STANDARDS
DOCKET NO. PU-09-20

Dear Mr. Nitschke:

Northern States Power Company, a Minnesota Corporation operating in North Dakota ("Xcel Energy" or "Company"), respectfully submits these comments to the North Dakota Public Service Commission ("Commission") in regards to the Commission investigation into the Federal 2007 Energy Independence and Security Act ("EISA") Standards in the docket noted above.

An original and ten copies of the application are enclosed. An electronic copy of this filing has been sent to the Commission as well.

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

Sincerely,

A handwritten signature in blue ink that reads 'David H. Sederquist'.

DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION & FINANCE

Enclosures

**STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION

DOCKET No. PU-09-20

IN THE MATTER OF THE PUBLIC
SERVICE COMMISSION FEDERAL 2007
EISA STANDARDS INVESTIGATION

Northern States Power Company, a Minnesota Corporation operating in North Dakota (“Xcel Energy” or the “Company”), respectfully submits these comments to the North Dakota Public Service Commission (the “Commission”) in regards to the Commission investigation into the Federal 2007 Energy Independence and Security Act (“EISA”) Standards.

INTRODUCTION

On December 19, 2007 EISA was enacted. The EISA amends the Public Utility Regulatory Policies Act of 1978 (“PURPA”) to require each state regulatory authority to consider adopting the following suggested energy policy standards:

- Section 532 of the EISA amends PURPA Section 111(d) to require that states conduct an investigation and issue a decision whether to adopt two new electric policy standards regarding (1) integrated resource planning and (2) rate design modifications to promote energy efficiency investments;
- Section 532 also amends PURPA Section 303(b) to require consideration of two natural gas policy standards regarding (1) energy efficiency and (2) rate design modifications to promote energy efficiency investments;
- Section 1307 requires consideration of two new PURPA electric policy standards regarding (1) consideration of smart grid investments and (2) smart grid information; and
- Section 374 is a stand-alone provision that requires each state regulatory authority to establish a standard that provides that an owner or operator of a waste energy recovery project identified on the Registry of Recoverable Waste Energy Sources that generates net excess power shall be eligible to benefit from one of several rate options. Similar to the other provisions, the state regulatory authority may make a determination that it is not appropriate to adopt such a standard pursuant to authority under otherwise applicable State law.

The Company believes that with the exception of Smart Grid investments, aspects of the EISA Standards have already been addressed in North Dakota through laws, administrative rules and Commission proceedings and orders.

OVERVIEW

In our comments to follow, we will briefly discuss the current status of existing standards as compared to the proposed federal standards and indicate why we believe the Commission does not need to adopt additional standards. In the case of Smart Grid, we will explain why it is too early in the process to set further standards. Our comments are organized as follows:

- A. Section 532 – PURPA 111(d) Amendments
 - 1. Electric integrated resource planning;
 - 2. Electric rate design modifications to promote energy efficiency investments;
- B. Section 532 – PURPA 303(b) Amendments
 - 1. Natural gas energy efficiency standards;
 - 2. Natural gas rate design modifications to promote energy efficiency;
- C. Section 1307 – PURPA 111(d) Amendments
 - 1. Consideration of Smart Grid investments;
 - 2. Smart Grid information; and
- D. Section 374 – Industrial Waste Energy.

DESCRIPTION OF THE APPLICANT

Xcel Energy is a Minnesota corporation duly authorized to conduct business in the State of North Dakota as a public utility subject to the jurisdiction and regulation of the Commission pursuant to Title 49 of the North Dakota Century Code. The full name and address of the Company is:

Northern States Power Company,
a Minnesota corporation
414 Nicollet Mall
Minneapolis, Minnesota 55401

The Company also operates in North Dakota from the following address:

Xcel Energy
2302 Great Northern Drive
Fargo, ND 58102

Xcel Energy's Certificate of Incorporation and amendments were filed with the Commission on May 31, 2001 and are incorporated herein by reference.

Xcel Energy has service territory in three upper Midwest states including North Dakota. NSP-WI has service territory in Wisconsin and Michigan. The Company presently serves approximately 87,000 retail electric customers in and around Fargo, Grand Forks, and Minot, North Dakota. Xcel Energy owns approximately 250 miles of transmission lines and 12 substations in North Dakota.

A. SECTION 532 PURPA § 111(D) AMENDMENTS

1. Electric Integrated Resource Planning ("IRP")

The EISA standard states that state commissions should consider and make a specific determination on whether implementation of energy efficiency resources should be integrated into resource plans and if policies should be adopted regarding the establishment of cost-effective energy efficiency as a priority resource.

Xcel Energy has been developing resource plans for the NSP system approximately every two years since the mid-1990's. These plans have all included energy efficiency programs as an integral part of meeting future energy and demand needs. In fact, in our most recent resource plan covering the 2008 through 2022 planning period, the Company has proposed to reduce energy consumption by approximately 5,740 GWhs and demand by 1,880 MW during the planning period.

As a result of our most recent rate case settlement, we will also be submitting resource planning information more specific to North Dakota requirements on July 1 of this year. In the future, we will file North Dakota versions of our system resource plan in conjunction with our bi-annual resource planning process in the state of Minnesota.

The EISA Standards Manual¹ states on page 38 that "State commissions and utilities that have an IRP process already in place, like the general process just described, would most likely already meet the requirements of the standard."

¹ Reference Manual and Procedures for Implementation of the "PURPA Standards" in the Energy Independence and Security Act of 2007, August 11, 2008. Sponsored by American Public Power Association, Edison Electric Institute,

Under section 3.1.3, Page 41 of the EISA Standards Manual, parameters are discussed regarding how to evaluate energy efficiency technologies and programs as part of the integrated resource planning process. The EISA Standards Manual references the California Standard Practices Manual (“CSPM”) and the "widely used" cost benefit analyses. The Company currently uses the four tests referenced in the CSPM when we review our programs for cost effectiveness. In addition, the Total Resource Cost Test (“TRC”) discussed on page 43 is the test we use most for the best "gauge" of consideration within our plans. At this time, the Commission has approved three load management programs:

- Residential Saver's Switch
- Business Saver's Switch
- Peak & Energy Controlled Rates

We will continue to evaluate various programs that may be available for cost-effectiveness in future resource plans and seek approval to incorporate those that are shown to be cost effective.

In summary, we believe that it is not necessary for the Commission to adopt standards in regards to the integration of energy efficiency into the resource planning process.

2. *Electric Rate Design Modifications to promote energy efficiency*

The EISA standard contains a list of six policy options that state commissions should consider to ensure that rates charged by any electric utility 1) align utility incentives with the delivery of cost effective energy efficiency, and 2) promote energy efficiency investments. They include:

1. removing the throughput and other disincentives to energy efficiency,
2. providing utility incentives for the successful management of energy efficiency programs,
3. including energy efficiency as one of the goals of a balanced retail rate design approach,
4. adopting rate designs encouraging energy efficiency for each customer class,
5. allowing timely recovery of energy efficiency related costs, and

National Association of Regulatory Utility Commissioners, National Rural Electric Cooperative Association and prepared by Kenneth Rose and Mike Murphy. As stated in the preface, the “manual is intended to be used as an aid to state commissions and utilities as they consider the federal standards that are part of the EISA”.

6. offering home energy audits, demand response programs, publicizing benefits of home energy efficiency improvements, and educating consumers about federal and state incentives and energy efficiency affordability programs.

The Company has various tariffs in place that encourage energy efficiency, including:

- time of day rates,
- seasonal rates,
- limited off peak service,
- customer buy back program,
- real time pricing,
- an off season rider, and
- standby service.

In addition, charging energy costs through a fuel cost rider versus base rates provides customers with a better price signal than having energy costs recovered through base rates which are only updated in a general rate case.

The Commission may want to consider further the issue of aligning utility incentives with energy efficiency. One of the most commonly discussed techniques for accomplishing this is decoupling. Our current residential natural gas rate design is a simplified and pure form of decoupling as it is designed to recover fixed costs through the fixed monthly Delivery Services Charge thereby leaving the Company indifferent to the amount of natural gas customers purchase. Thus the Company is not disadvantaged in sponsoring or promoting energy efficiency programs. We would not be opposed to the Commission giving further consideration to similar or other mechanisms for our electric service that remove the adverse financial impacts of promoting energy efficiency.

The Company sees rate design as an evolving process and will continue to explore rate design issues in future rate cases. However, in summary, we do not believe the Commission needs to adopt further rate design standards to promote electric energy efficiency at this time.

B. SECTION 532 –PURPA § 303 (B) AMENDMENTS

1. Natural Gas Energy Efficiency Standards

The natural gas energy efficiency standards discussed in the EISA are similar to the electric IRP standards. While our natural gas supply planning process positions our purchasing strategies to meet customer needs in the most cost effective manner

possible, we currently do not file with regulators an integrated resource plan for natural gas in the same manner as we do for electricity.

We use the same methodologies to evaluate the effectiveness of our natural gas energy efficiency programs that we do for our electric programs. The Commission has approved four cost-effective natural gas energy efficiency programs for Xcel Energy including:

- home energy audits,
- furnace and boiler rebates,
- water heater rebates, and
- energy efficient showerheads.

We believe the natural gas energy efficiency standards are currently being met through our natural gas supply planning processes and our evaluation of energy efficiency programs that are already in place.

2. Natural Gas Rate Design Modifications to promote energy efficiency

Similar to the electric standards, the EISA states that rates charged by a natural gas utility shall align utility incentives with the deployment of cost-effective energy efficiency and outlines several policy options a state regulatory authority should consider with respect to rate design.

The Company has a cost of gas rider and a residential natural gas rate structure that promotes energy efficiency. The cost of gas rider is a separate line item on the bill that comprises approximately 60 to 80 percent of the total bill and helps customers make informed decisions about their use of natural gas and the costs that will result. The current residential rate structure provides a simplified and pure decoupling methodology in its fixed monthly Delivery Services charge. This charge does not change with decreases in natural gas usage, thereby preserving the proper price signal and eliminating all financial disincentives of promoting energy efficiency for the Company. Thus, we do not believe there is a need for the Commission to establish further rate design standards to promote natural gas energy efficiency.

C. SECTION 1307 – PURPA § 111(D) AMENDMENTS

1. Smart Grid Investment

Section 1307 of the EISA directs each state to require, prior to undertaking investments in nonadvanced grid technologies, that electric utilities demonstrate that they considered an investment in a qualified smart grid system, based on total costs,

cost-effectiveness, improved reliability, security, system performance, and societal benefit.

We do not believe it is appropriate to establish such a requirement at this time. As discussed in the EISA Standards Manual, this standard “would require the utility to come into the state commission to demonstrate in advance the prudence of each and every investment in traditional grid technologies. This could prove highly costly and burdensome to both utilities and commission staff.” The Commission is required to consider the standard but we recommend the Commission decline to adopt it at this time.

As the Commission is aware, Public Service Company of Colorado, a Colorado corporation and a subsidiary of Xcel Energy Inc., is currently in the process of building the nation’s first fully integrated smart grid in Boulder, Colorado, a project we call SmartGridCity™. It is the densest concentration of smart grid technologies in a single location to date. For over a year, we have been working with a consortium of smart grid technology vendors to assist us and provide guidance, products and services to design and deploy our version of a smart grid. In March 2008, we chose Boulder, Colorado, to be the location of SmartGridCity™.

Construction began in May and today crews are nearly done installing a high-speed communication network and sensing equipment on the distribution network. About 15,000 smart meters are installed at homes, with an additional 10,000 smart meters available for installation at customers’ request. Crews are also in the process of installing 300 commercial and industrial meters. The Company will begin marketing in-home energy control devices to customers very soon. By mid-summer 2009, SmartGridCity™ will utilize distributed generation, advanced monitoring, energy storage, smart substations and in-home energy control devices.

As we are in the process of testing a number of smart grid elements and features, we have not reached the point at which we can evaluate them for possible large-scale implementation. As we envision it, a smart grid involves the entire energy pathway from generation to transmission and distribution to the customer, and we are consciously striving to remain open to all potential smart grid technologies at all points in the energy pathway.

We believe that more information will need to be gathered on the costs involved in developing and implementing smart grid systems (however such systems are eventually defined) before recommending the adoption of this standard.

2. Smart Grid Information

Section 1307 of the EISA also requires that electricity purchasers be provided direct access to information from their electricity provider. To the extent practicable, the information must include information on prices, usage and sources, and that purchasers be able to access their own information through the Internet and on other means elected by the utility for Smart Grid applications.

Currently we provide customers with both pricing and usage information in their monthly billing statements. We also provide brochures in customer bills annually or when prices change that inform customers of the billing components and prices. In terms of the sources of energy provided to customers, we have this information on our website at:

http://www.xcelenergy.com/COMPANY/ABOUT_ENERGY_AND_RATES/Power%20Generation/Pages/Power_Generation.aspx

In February we provided information to customers in regards to our Infosmart tool that residential customers can use on-line to analyze their usage, calculate how much of the bill is for space heating, water heating, lighting and more. Customers can also get further information from the online energysmart library. We have a similar tool for commercial customers called Infowise. We are also planning to add an on-line account management tool to our website that will be rolled out in stages. The first stage that we hope to have available yet this year will allow customers access to their individual account balances online. Future additions will allow customers to see historical usage information and create graphs of their usage online as well as perform their own online energy audits. These features will provide us with further information as to how the general population will use smart grid information.

Accordingly, the Company already provides much of the information outlined under the EISA and we continue to implement additional methods for facilitating customer access to information regarding energy use and additional standards are not necessary at this time.

D. SECTION 374 – INDUSTRIAL WASTE ENERGY

Section 374 of the EISA provides a standard for utilities to consider regarding incentives for recovery, use, and prevention of industrial waste energy. If adopted as proposed, this standard requires that not later than 180 days from the receipt of a request from a project sponsor or owner or operator, a state regulatory authority must provide public notice and hold a hearing respecting its standard for sales of excess power and make a determination whether it is appropriate to implement the standard to carry out the purposes of section 374. The standard for sales of excess power

provides that an owner or operator of a waste energy recovery project identified on the Registry of Recoverable Waste Energy Resources and that generates net excess power shall be eligible to benefit from one of several options for sales. Section 374(a)(3) provides that a state regulatory authority may make a determination that it is not appropriate to adopt any standard pursuant to authority under otherwise applicable State law.

Currently in North Dakota, we have a standard price for energy we buy from customers for projects under 100 KW in size. All projects above this size are served at negotiated prices. Our interconnection guidelines are posted on our website. Customers are free to call the Company for further information as to how to interconnect and sell energy back to the Company.

As a result, we believe that there are already sufficient means in place for customers to provide waste energy and be compensated for providing this energy. Rather than establishing specific standards for this subset of customers, if the Commission believes there is further study warranted, we should first investigate the extent to which such energy may be available. If there is enough of this resource available that would require a different treatment than that currently afforded to customers and developers, the Commission should look at the establishment of standards after the investigation is complete.

COMMUNICATIONS AND SERVICE LIST

We respectfully request that the following persons be placed on the Commission's official service list for all official communications in this case:

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CONCLUSION

The Company appreciates this opportunity to provide feedback regarding whether or not there is a need to implement EISA Standards in North Dakota. As we discussed, we believe that North Dakota already has the laws, administrative rules and Commission processes in place to ensure appropriate standards are met. Due to the newness of smart grid technologies, standards in this regard have not yet been established in North Dakota. However, as previously discussed, we are at an early stage of investigation and testing with regard to which features and functionalities make sense for smart grid systems. We believe there needs to be further evolution of smart grid systems, costs, etc. before Commissions can establish more specific smart grid policies.

Dated: May 1, 2009
Northern States Power Company,
a Minnesota Corporation

RESPECTFULLY SUBMITTED,



DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION AND FINANCE