



2302 Great N. Drive
Fargo, North Dakota 58402

January 25, 2012

–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: REQUEST TO CANCEL CUSTOMER BUYBACK PROGRAM TARIFFS
CASE NO. PU-400-00-217 and PU-400-02-251

Dear Mr. Nitschke:

Northern States Power Company has discontinued its Customer Buyback Program and respectfully submits to the North Dakota Public Service Commission this Request to cancel the Customer Buyback Tariffs included in its North Dakota Electric Rate Book.

If there are questions regarding the information contained in the enclosed request, please feel free to contact me at (701) 241-8632.

Sincerely,

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

DAVID SEDERQUIST
SR. REGULATORY CONSULTANT

Enclosures

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

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY
TO REPORT ON ITS CUSTOMER
BUYBACK PROGRAM AND CANCEL ITS
CUSTOMER BUYBACK TARIFF

CASE NO. PU-_____

I. INTRODUCTION

Northern States Power Company (“Xcel Energy” or the “Company”) submits this final annual report regarding its Customer Buyback Program tariff, authorized by the North Dakota Public Service Commission in Case Nos. PU-400-00-217 and PU-400-02-251. The Company is discontinuing this Buyback program and we seek Commission authorization to cancel the corresponding tariffs.

For the tenth consecutive year there was no customer Buyback program activity in 2011. The reason for recent inactivity with this program is primarily due to the fact that unlike earlier years, there are now more wholesale energy resources available from the MISO energy market. As a result, Xcel Energy has made the decision to discontinue the Buyback program. The Company discusses its conclusion further in this filing, and respectfully requests the Commission approve its request to cancel the Buyback tariffs included in our North Dakota Electric Rate Book.

II. DESCRIPTION OF THE APPLICANT

Xcel Energy is a Minnesota corporation duly authorized to do business in the State of North Dakota as a foreign corporation. The Company conducts 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 NDCC. 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:

Northern States Power Company,
a Minnesota corporation
2302 Great Northern Drive
Fargo, ND 58102

The Company's Certificate of Incorporation and amendments were filed with the Commission on September 30, 2009 and are incorporated herein by reference.

Xcel Energy has service territory in five upper Midwest states including North Dakota. The Company presently serves approximately 89,000 retail electric customers in and around Fargo, Grand Forks and Minot, North Dakota. The Company owns just over 250 miles of transmission lines and 14 substations in North Dakota.

III. BACKGROUND OF CUSTOMER BUYBACK PROGRAM

The Buyback program was originally developed in response to extreme weather during the summer of 1999 that resulted in a very tight energy supply market and corresponding wholesale energy market price surge. The Program was developed to create an additional source of load relief, which could be quickly obtained from a relatively small number of large industrial customers. This load relief was intended to be an ad hoc, voluntary, market-price-driven, which would supplement the load relief obtained from the Company's standard interruptible service tariffs.

Through the Buyback program, pre-qualified customers were offered an incentive to voluntarily shed load that would otherwise be firm. In exchange for shedding load, participating customers were offered payments per MWh, based on wholesale market prices.

The Company expected that Buyback offers would be made only under relatively rare circumstances where all available generation and standard interruptible load shedding options had been exhausted, and where the system load conditions remained critical and additional purchased power from the wholesale market was unavailable or available only at a very high cost.

Unlike the Company's standard interruptible rate programs, which provide for regular seasonal load interruptions and are designed to avoid system capacity-planning reserves (and associated costs), the Buyback program was intended to provide

additional, ad hoc load relief, from a small number of customers. The Company would initiate the program only if it expected to face emergency load conditions and/or extremely high wholesale energy costs, and only after all generation and standard interruptible load had been dispatched.

Within a few years after the program's inception in 1999, the Company found it unnecessary to resort to its use and, in fact, it was last used in 2001. Furthermore, the voluntary customer base has declined over this period. The Company currently has a total of only 4 North Dakota participants, who represent just 7.6 MW of potential load relief. Total potential load relief for this program in all states was just 27 MW. This compares to more than 1,000 MW of standard interruptible load the system and this much larger standard interruptible rate program has grown over this same time period.

Subsequent to its last use in 2001, it has not been necessary to exercise the Buyback program because there have been sufficient wholesale energy resources available in the larger, more diversified MISO wholesale energy market. Also, MISO market prices under the MISO Day 2 and Ancillary Services markets have been low relative to what retail customers seem to require in order to induce them to voluntarily curtail otherwise firm loads. Further, as the MISO markets evolve, the Company expects this more comprehensive risk management option to continue to develop.

As a result we propose to discontinue the Buyback program cancel the following tariff sheets:

Section 5 Original Sheet No 52

Section 7 Original Sheet No. 9

Section 7 Original Sheet No. 10

Section 7 Original Sheet No. 11

The Program's standard form agreements allow for Buyback program participation to be terminated at any time by the Company or a participating customer upon written notice.

IV. 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:

Phillip J. Zins
Manager, Pricing and Planning

Matthew Loftus
Assistant General Counsel

Xcel Energy
414 Nicollet Mall, 7th Floor
Minneapolis, MN 55401

Xcel Energy
414 Nicollet Mall, 5th Floor
Minneapolis, MN 55401

David H. Sederquist
Sr. Consultant, Regulation & Finance
Xcel Energy
2302 Great Northern Drive
Fargo, ND 58102

SaGonna Thompson
Records Specialist
Xcel Energy
414 Nicollet Mall, 7th Floor
Minneapolis, MN 55401

V. CONCLUSION

Xcel Energy requests the Commission approve the cancellation of the Customer Buyback Program tariffs in the North Dakota Electric Rate Book, effective March 1, 2012, or as soon as the Commission is able to issue an Order.

Dated: January 25, 2012

Northern States Power Company

Respectfully Submitted,

Phil Zins
Manager, Pricing and Planning

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NORTH DAKOTA ELECTRIC RATE BOOK - NDPSO NO. 2

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Date Filed: ~~12-07-07~~⁰¹⁻²⁵⁻¹² By: ~~David M. Sparby~~^{Judy M. Poferl} Effective Date: ~~03-01-09~~
President and CEO of Northern States Power Company, a Minnesota corporation
Case No. ~~PU-07-776~~¹²⁻ Order Date: ~~12-31-08~~

NORTH DAKOTA ELECTRIC RATE BOOK – NDPSC NO. 2

CONTRACTS

Section No. 7

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NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2

CUSTOMER BUYBACK PROGRAM

Section No. 7

~~Original~~ Sheet No. 9

~~Relocated from NDPSC No. 1 Sheet No. N/A~~

ENABLING AGREEMENT

NORTH DAKOTA ELECTRIC

This Agreement ("Agreement") is entered into this _____ day of _____, 20____, by and between Customer and Northern States Power Company (Company), and provides the general terms, conditions, and administrative structure necessary to participate in the Customer Energy Buyback Service ("Service"). The Service provides for Company power purchases from Customer. Agreement is effective until cancelled by written notice from Customer or Company.

CUSTOMER INFORMATION

Organization:	_____	Account Number:	_____
Contact:	_____	Telephone:	_____

Company and Customer agree to the following descriptions, procedures, terms, and conditions as parties to this Program:

PURPOSE

The Service provides Company with an additional power purchase resource to more efficiently manage system requirements during extraordinary periods, and Customer the option of receiving pricing associated with energy supply markets during such periods. Completion of this Enabling Agreement qualifies Customer to submit an offer to participate in any Energy Buyback Period specified by Company. Under this Agreement, Company has the option, but not the obligation, to accept any offer by Customer.

ENERGY BUYBACK PERIOD

The time period during which Company agrees to purchase energy from Customer.

ENERGY BUYBACK NOTIFICATION

Customer will receive advance notice of Company interest in scheduling an Energy Buyback Period using this Service. Notice may (1) include a purchase price offer or (2) request a selling price offer from Customer. Company will endeavor to notify Customer at the same time other qualified customers are notified.

CANCELED

(Continued on Sheet No. 7-10)

Date Filed:	40-26-07 <u>01-25-12</u>	By:	David M. Sparby <u>Judy M. Pofert</u>	Effective Date:	12-01-07-
			President and CEO of Northern States Power Company, a Minnesota corporation		
Case No.	PU-07-74012-			Order Date:	11-21-07-

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NORTH DAKOTA ELECTRIC RATE BOOK – MPUC NO. 2

CUSTOMER BUYBACK PROGRAM (Continued)

Section No. 7

~~Original~~ Sheet No. 10

~~Relocated from NDPSC No. 1 Sheet No. N/A~~

CUSTOMER OFFERS

~~Customer agrees that all offers to participate in an Energy Buyback Period will include (1) a fixed selling price bid per Megawatt Hour and (2) a Committed Load Reduction (CLR) as defined in this Agreement. Customer may revise or retract an offer if Company is notified no later than four hours before start of the buyback period, unless a specific alternate time is included in a Company notification of a buyback period.~~

ACCEPTANCE OF OFFERS

~~Company reserves the right to accept, refuse, or counter-offer any Customer offer. Customer may accept, refuse, or counter-offer any Company offer. Company will normally accept offers expected to minimize energy supply costs.~~

COMMITTED LOAD REDUCTION (CLR)

~~The CLR is the load reduction Customer agrees to provide for the entire buyback period, relative to the Reference Load Profile (RLP) as defined in this Agreement. Customer agrees to provide the CLR specified in a buyback offer that is accepted by Company. The CLR must be 500 kilowatt (kW) or greater, and rounded to the nearest 10 kW for CLR less than 1 Megawatt (MW) and one-tenth of a MW for CLR 1MW or more.~~

REFERENCE LOAD PROFILE (RLP)

~~Company determines a RLP for each buyback period. The RLP is generally developed by load interval from the five-day rolling average of uninterrupted, non-holiday weekday integrated loads for the period ending the day before a buyback period. The rolling average will exclude days not representative of load characteristics expected during the buyback period, with such days solely determined by Company.~~

~~Controllable Service Limit: Company has existing controllable electric retail service options that define a Predetermined Demand Level as the maximum allowable load during control periods. If Customer receives this type of controllable service from Company, the RLP may not exceed their Predetermined Demand Level for load intervals that occur during an applicable control period.~~

PURCHASE QUANTITY

~~Customer energy purchased by Company will be based on the difference between actual loads and the RLP during the Buyback Period, rounded to the nearest 10 kW for CLR less than 1 MW and one-tenth of a MW for CLR 1 MW or more. Energy will be determined from the sum of such differences using integrated load intervals for each hour of the buyback period. Purchase Quantity will be adjusted for each interval to exclude:~~

- ~~1. All energy if the actual load reduction is less than 50 percent of the CLR, and~~
- ~~2. Energy corresponding to an actual load reduction greater than 120 percent of the CLR.~~

CANCELED

(Continued on Sheet No. 7-11)

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CUSTOMER BUYBACK PROGRAM (Continued)

Section No. 7
~~1st Revised~~Original Sheet No. 11

CUSTOMER COMPENSATION

~~Company will determine compensation by applying the selling price to the Purchase Quantity. Company will determine whether to compensate Customer through a bill credit or a separate payment.~~

COMMUNICATION REQUIREMENTS

~~Customer agrees to use Company-specified communication requirements and procedures when submitting any offer to Company. These requirements may include specific computer software and electronic communication procedures.~~

METERING REQUIREMENTS

~~Company approved metering equipment capable of providing load interval information is required for Program participation. Customer agrees to pay for the additional cost of such metering when not provided in conjunction with an existing retail electric service.~~

LIABILITY

~~Company and Customer agree that Company has no liability for indirect, special, incidental, or consequential loss or damages to Customer, including but not limited to Customer's operations, site, production output, or other claims by the Customer as a result of this Agreement.~~

PROVISION OF ANCILLARY SERVICES

~~Company and Customer agree that Service participation does not represent any form of Customer self-provision of ancillary services that may be included in any retail electric service provided to Customer.~~

DISPUTE RESOLUTION

~~Company and Customer agree that any disputes pursuant to this agreement shall be settled by arbitration under the terms and provisions of the American Arbitration Association.~~

APPROVAL SIGNATURES

~~NORTHERN STATES POWER COMPANY~~

~~CUSTOMER _____~~

~~By _____~~

~~By _____~~

~~Title _____~~

~~Title _____~~

~~Signature _____~~

~~Signature _____~~

CANCELED

~~Issued: 6-24-02~~

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Minneapolis, Minnesota 55401

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NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2

CUSTOMER BUYBACK PROGRAM

Section No. 7
1st Revised Sheet No. 9

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(Continued on Sheet No. 7-10)

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Minneapolis, Minnesota 55401

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NORTH DAKOTA ELECTRIC RATE BOOK – MPUC NO. 2

CUSTOMER BUYBACK PROGRAM (Continued)

Section No. 7
1st Revised Sheet No. 10

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(Continued on Sheet No. 7-11)

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Minneapolis, Minnesota 55401

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CUSTOMER BUYBACK PROGRAM (Continued)

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1st Revised Sheet No. 11

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