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March 24, 2016

–Via Electronic Filing–

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

**Re: Customer Response to Energy Rate Savings Tariff Waiver Petition
Case No. PU-15-172**

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, submits this informational letter to the Commission explaining the results of the Company's one-time waiver of the cancellation and change requirements for our Energy Rate Savings (ERS) program including the Peak Controlled Service and Peak Controlled Time of Day (TOD) Service tariffs, as well as the Energy Controlled Service Rider. Our waiver request was filed on April 14, 2015 in the above referenced docket, and Staff agreed that it was appropriate to provide customers an option to review their service under these programs in light of the Company's recent efforts to more accurately assess its load control capabilities. We also include a brief summary of our January 19, 2016 test of our ERS customers' ability to meet their contractual demands during the winter season.

BACKGROUND

The Peak Controlled tariffs allow us to call control events for system peaking or emergency conditions that require participating customers to control their loads in return for a discounted rate. These tariffs provide customers with two options:

- The Tier 1 option offers the customer the largest discount as it allows the Company to control up to 150 hours per year, with a ten-year initial contract and a three-year cancellation notice requirement.
- The Tier 2 option, with its smaller discount, allows load control up to 80 hours per year, with a five-year initial contract and a six-month cancellation notice requirement.

Additionally, the Tier 1 Energy Controlled Service Rider is available to Peak Controlled TOD Service customers who have selected the Tier 1 option. This rider allows 300 annual control hours, which includes times of high energy costs.

In our waiver proposal, we offered participating customers the opportunity to take advantage of a one-time waiver of certain cancellation charges related to their controllable service contract. Customers had from July 1 to December 31, 2015 to act on this offer.

The intent of the waiver was to provide customers an opportunity to review their operations and make decisions about their continued program participation. Our overall objective in the waiver offering was to more accurately assess the amount of demand response resources for registration with the Midcontinent Independent System Operator (MISO). We expect MISO to implement demand response more frequently as supply and demand conditions tighten reserves over the next several years. The timing of these controls by MISO could occur during both winter and summer peak conditions.

WAIVER IMPACT

Through a series of customer meetings, direct mail, emails, and one-on-one discussions, the Company provided information to customers regarding their contractual obligations to the program and the option to adjust their participation without a cancellation charge during the length of this waiver period. We have attached a copy of these communications in Attachment A to this response.

Prior to the waiver offer period, there were 157 participants in North Dakota under the ERS programs. These accounts represented about 57 MW of controllable load, as show in Table 1 below:

Table 1: Pre-Waiver ERS Participation

Rate Schedule	Participating Customers¹	System Peak Load Relief (kW)
Peak Controlled	70	6,000
Peak Controlled TOD	13	3,000
Energy Controlled Service Rider	74	48,000
Total	157	57,000

As a result of the waiver offering, 32 of the 157 participating controllable service contracts in North Dakota were changed. Of these 32 changes, 13 represented canceled contracts and 19 were reductions to the level of controllable demand made by increasing the contracted Predetermined Demand Level (PDL) representing the level of firm demand. These waiver-related customer changes resulted in a reduction in billed controllable demand of approximately 3.6 MW, summarized in Table 2 below.

¹ For purposes of this update, a “customer” refers to an actual electric service premise, irrespective of whether multiple premises are owned or managed by the same entity.

Table 2: One-Time Waiver Results

Rate Schedule	Waiver Response	Participation Change	Reduction in Billed Controllable Demand (kW)
Peak Controlled	Cancellation	13	1,579
Peak Controlled	Adjusted PDL	17	819
Peak Controlled TOD	Cancellation	0	0
Peak Controlled TOD	Adjusted PDL	2	1,225
Energy Controlled Rider	NA	0	0
Total		32	3,623

All but one of the 32 controllable service contracts that changed were with schools. This was not unexpected given that schools may be sensitive to both the frequency and seasonality of control events.

REVENUE IMPACT

We estimate that annual revenue will increase about \$161,000 as a result of the shift from controllable to firm service by ERS customers taking advantage of the one-time waiver. The increase is appropriate as it corresponds to additional firm service capacity requirements resulting from the reduction in controllable loads.

PEAK CONTROL TESTING

On January 19, 2016, shortly after the one-time waiver period ended, the Company conducted a one hour peak control test. The test was initiated to verify the available controllable load, particularly during the winter heating season.

Our preliminary analysis indicates that 38 customers were unable to control down to their contracted PDL.² As a result, our full controllable load capability was not achieved. This outcome was somewhat expected as this was our first peak control event during the winter heating season. However, we believe that our waiver communications and the process customers went through to review their loads and make adjustments helped inform our ERS participants about the program, thereby mitigating the number of customers who were unable to meet their control obligation during this winter test. We will continue to work with our customers as we assess our controllable load capability in the future. These steps will improve the viability and effectiveness of our ERS programs in managing system load.

² Customers who were unable to meet their contractual obligations incurred penalties as a result, as defined in the ERS tariffs.

CONCLUSION

We anticipate future changes in the use of demand response by MISO, including the potential for winter season control events. The one-time waiver provided us the opportunity to reacquaint and educate customers about how the programs are intended to work, and how they can better prepare for control events in the future, regardless of the timing of those events.

If there are questions, feel free to contact me at dave.sederquist@xcelenergy.com or (701) 241-8632.

Sincerely,



DAVID H. SEDERQUIST
SENIOR REGULATORY AND FINANCE CONSULTANT

Enclosures

We're offering meetings in May for participants in our Peak Control program.



Be sure to attend one of our information sessions to:

- Learn about new curtailment test events for the program
- Review the peak control notification system
- Find out how to avoid confusion and any penalties by meeting program requirements
- Receive MISO updated registration requirements

2015 Meeting Dates	Location Near You		Attend a Meeting
Tuesday, May 5	Sioux Falls, SD	ClubHouse Hotel & Suites	Check-in 7 a.m., Meeting 7:30 a.m.
Wednesday, May 6	Fargo, ND	Ramada Plaza & Suites	Check-in 7 a.m., Meeting 7:30 a.m.
Wednesday, May 6	Grand Forks, ND	Ramada Grand Forks	Check-in noon., Meeting 12:30 p.m.
Thursday, May 7	Minot, ND	Grand Hotel	Check-in 7 a.m., Meeting 7:30 a.m.
Wednesday, May 27	Minneapolis, MN	Minneapolis Marriott Northwest	Check-in 7 a.m., Meeting 7:30 a.m.
Thursday, May 28	West St. Paul, MN	Southview Country Club	Check-in 7 a.m., Meeting 7:30 a.m.

Please see registration site to determine if a web session is available.

To RSVP for an information session go to xcelenergymysvp.com/2015ERS.





414 Nicollet Mall
Minneapolis, MN 55401

Dear Facilities Manager,

Xcel Energy is pleased to provide you with the opportunity to take advantage of a **limited, one-time waiver of the cancellation charge for Peak Controlled Services**. This waiver, approved on July 1, 2015 for North Dakota customers, voids the cancellation charges as defined in your contract, and is **only available through December 31, 2015**. This would apply to contracts cancelled in whole or in part, and would result in a reduction in available load. The reduction in load would be accomplished by adjusting your Predetermined Demand Level.

We are offering this one-time waiver due to several adjustments within Midcontinent Independent System Operator's (MISO) process for Demand Response which have increased Xcel Energy's need for capacity assurance. Xcel Energy expects MISO to implement Demand Response more frequently as the supply and demand conditions tighten over the next several years. The timing of future controls and emergency conditions by MISO could occur during both winter and summer peak conditions.

We appreciate your participation in the Peak Controlled Services program, and hope that the program continues to benefit your business. However, if you think this one-time waiver may be appropriate for your organization, please reach out to your account manager, or call the Business Solutions Center at **1-800-481-4700** to discuss your specific needs.

Your Peak Controlled Services Team

From:
Sent:
To:
Subject: Peak Controlled Services: Important Participant Information

XCEL ENERGY SECURITY NOTICE: This email originated from an external sender. Exercise caution before clicking on any links or attachments and consider whether you know the sender. For more information please visit the Phishing page on XpressNET.



Important Participant Information for Peak Controlled Services

Dear %%First Name%%,

Xcel Energy is pleased to provide you with the opportunity to take advantage of a **limited, one-time waiver of the cancellation charge for Peak Controlled Services**. This waiver, approved on July 1, 2015 for North Dakota customers, voids the cancellation charges as defined in your contract, and is **only available through December 31, 2015**. This would apply to contracts cancelled in whole or in part, and would result in a reduction in available load. The reduction in load would be accomplished by adjusting your Predetermined Demand Level.

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We appreciate your participation in the Peak Controlled Services program, and hope that the program continues to benefit your business. However, if you

think this one-time waiver may be appropriate for your organization, please reach out to your account manager, or call or email the [Business Solutions Center](#) at **1-855-839-8862** to discuss your specific needs.

Sincerely,

Your Peak Controlled Services Team



You are receiving this email because you opted to receive information from Xcel Energy.
Please add email@XcelEnergy-EmailNews.com to your sender list.

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