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May 4, 2022

—VIA ELECTRONIC FILING AND U.S. MAIL—

Steven M. Kahl, Executive Director  
North Dakota Public Service Commission, Dept. 408  
State Capitol, 600 E. Boulevard  
Bismarck, ND 58504-0480

**RE: IMPLEMENTATION OF A COMPETITIVE RESPONSE RIDER TARIFF**  
**Case No. PU-22-\_\_\_**

Dear Mr. Kahl:

Northern States Power Company, doing business as Xcel Energy, hereby submits to the North Dakota Public Service Commission this petition for approval of a new electric rider tariff. This tariff, called the Competitive Response Rider (CRR), would create a new rate mechanism that would benefit the state of North Dakota, our customers, and the Company by enabling existing large commercial and industrial (C&I) customers to more cost effectively expand their businesses, and by attracting other prospective large C&I customers to the state.

The CRR outlines the general terms for enabling the Company to negotiate discounted rates and specific electric service agreement (ESA) terms with C&I customers that can meet the qualifying minimum loads.

If you have any questions about this tariff proposal, please do not hesitate to contact me.

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  
PUBLIC SERVICE COMMISSION

Julie Fedorchak	Chair
Randy Christmann	Commissioner
Sheri Haugen-Hoffart	Commissioner

IN THE MATTER OF THE PETITION OF  
NORTHERN STATES POWER COMPANY  
FOR APPROVAL OF A COMPETITIVE  
RESPONSE RIDER

CASE NO. PU-22-\_\_\_\_

**PETITION**

### **INTRODUCTION**

Pursuant to ND Century Code 49-05-05, Northern States Power Company, doing business as Xcel Energy, submits to the North Dakota Public Service Commission this Petition for approval of a *Competitive Response Rider* (CRR) along with the associated miscellaneous tariff changes to the General Rules and Regulations section of its North Dakota Electric Rate Book.

If approved, this petition would create a new rate mechanism that would benefit the state of North Dakota by enabling the Company to better respond to competitive options that some of its largest current and/or prospective commercial and industrial (C&I) customers may be offered, particularly those options outside of North Dakota. As a result, the CRR can help existing customers more cost-effectively expand their businesses, and potentially attract new C&I customers to the state. The CRR outlines the general terms under which the Company may negotiate specific electric service agreement (ESA) terms with existing or future demand-metered C&I customers with a minimum load of 2 MW or 10 MW, respectively, which will make expanding or developing new C&I facilities in the state more attractive.

## **I. GENERAL FILING INFORMATION**

Pursuant to § 69-02-02-04 of the Commission's Rules of Practice and Procedure, the following information is provided.

### **A. Utility Employee Responsible for Filing**

David H. Sederquist  
Sr. Regulatory and Financial Consultant  
2302 Great Northern Drive  
PO Box 2747  
Fargo, ND 58108-2747  
(701) 241-8632

We request that all communications regarding this proceeding, including data requests, also be directed to:

Lynnette Sweet  
Regulatory Administrator  
Xcel Energy  
414 Nicollet Mall – 401, 7<sup>th</sup> Floor  
Minneapolis, MN 55401  
[Regulatory.Records@xcelenergy.com](mailto:Regulatory.Records@xcelenergy.com)

### **B. Date of Filing and Proposed Effective Date**

This petition is being filed May 4, 2022. Xcel Energy requests the miscellaneous tariff changes be effective upon Commission approval.

## **II. DESCRIPTION OF THE FILING**

### **A. Background**

In recent years, the Company has been approached by several large C&I customers in various states interested in bringing their business operations to, or expanding their operations in, the Company's service territory. The Company's current rate offerings in North Dakota do not allow the additional flexibility needed to compete with other electric service providers or help ensure these existing or potential customers don't locate their new loads in other locations or other states. Xcel Energy believes that a CRR in North Dakota will provide added incentive for such companies to choose to build new or expand existing facilities in the state.

It is our belief that existing customers with loads of at least 2 MW and new loads of at least 10 MW generally have access to meaningful energy alternatives and will respond to the availability of customer-specific rates. Electric power represents a significant operating cost for most of these customers. A primary purpose of the CRR is to provide the Company with another tool to meet or beat customers' competitive alternatives.

## **B. Benefits of the CRR Offering**

The proposed CRR will reinforce the Company's large commercial and industrial customer-retention and growth efforts, produce additional margins to offset future revenue deficiencies, and lead to continued investment and job growth for the communities we serve. By offering more competitive rates, the Company can broaden the overall sales base in the long-term, thus keeping rates lower for all customers. Further, there are other economic benefits associated with competitive electricity rates. For example, lower operating costs (of which energy is one) allow businesses to invest and create jobs, ultimately to the benefit of all our customers. Also, healthy businesses contribute to local tax revenues in their communities and act as catalysts for business growth throughout the broader economy.

## **C. General Description of the Proposed CRR**

With the CRR, both existing and prospective large C&I customers could potentially receive discounts on their total demand and/or energy charges. We often compete for both existing and new customers, so the tariff is structured in a way that gives the Company more flexibility to meet other offers.

## **D. Customer Protections**

Any discount offered under the CRR is conditioned upon Commission approval. The Commission must approve, modify, or reject any CRR rate proposal, which is consistent with its authority to establish just and reasonable rates and its duty to protect all customers. We expect the regulatory review of any agreement under the CRR will be thorough, thereby protecting all customers' interests. In addition, the application process, including adding an affidavit requirement, is designed in a way that fosters a completely transparent and thorough review process. The Commission will have the opportunity to review the reasons why a discount was needed to address this competition. Customers are also protected as the Company retains discretion to only enter into those agreements that make economic sense. Finally, the minimum load requirements are set at a high level, and so the population of eligible customers is

small. We believe these restrictions will limit the use of the CRR to only those situations that have merit, which will both protect customers and minimize any unnecessary regulatory burden.

## **E. Implementation of the CRR**

We propose using a standard Application and Affidavit, to help customers gather and provide the information the Commission and stakeholders need to evaluate the reasonableness of any CRR discounts. Information related to demand and energy, effective competition, and competitive market conditions provided in support of this Application are trade secrets of the Applicant and will be marked Trade Secret pursuant to North Dakota law and the rules of the Commission. We will also monitor actual billed demand to assure that the minimum load requirements are being met. If the customer load falls below the required minimum, the Company will have the right to revoke the discount.

The proposed tariff is designed to provide basic guidelines for the design of customer-specific rates that would protect other customers while still allowing the Company more flexibility to meet the specific needs of a customer with other competitive options. Different aspects of the rate design can be adjusted depending on a customer's load profile. In addition, discounts will only be applied to base rate components.

To satisfy that the rate being provided under the CRR recovers at least the incremental cost of providing service during the term of the ESA, Xcel Energy will perform an incremental cost analysis. The purpose of the incremental cost analysis is to make sure the projected revenues from the new or added load exceed the incremental costs of providing service to the expanding or new customer, including the cost of any additional capacity to be added while the rate is in effect and any applicable on-peak or off-peak differential. This will ensure that other customers will not be responsible for any added costs the Company incurs to serve the customer receiving the CRR rate.

While the analysis will be tailored to consider the factors specific to each customer's needs and negotiated ESA, we expect that the incremental cost analysis will include components such as incremental energy costs, incremental capacity costs, jurisdictional cost allocation increase, and a net increase in MISO costs.

- a. *Incremental energy costs* will be derived from the hourly locational marginal price (LMP) forecast. For a utility that is a participant in the MISO market, hourly LMP is a reasonable representation of marginal price, because all loads clear and are settled through the market at hourly load zone LMPs.

- b. Incremental capacity costs are calculated consistent with the Company’s established formula for calculating incremental capacity. This methodology is consistent with the approach used in the incremental cost analyses in the Company’s Business Incentive and Sustainability Rider in its Minnesota jurisdiction. Dollar values are calculated as the product of the incremental capacity cost per kW and the peak loads.
- c. Jurisdictional cost allocation increases would reflect the changes in revenue requirement allocated to the North Dakota Electric Jurisdiction if additional loads are added in North Dakota. The Company’s twelve monthly coincident peak demands by jurisdiction are used to develop the cost causative jurisdictional allocators for primarily electric production and transmission expenses and investment. A significant change in peak demand in one jurisdiction would shift the cost allocations between jurisdictions.
- d. MISO costs in the analysis will take into account factors such as decreased transmission revenue due to a decreased Network Rate such that retail customers would pick up a larger share of NSP’s Revenue Requirement; increased ancillary expenses driven by the increased load; increased administration expenses due to the increased load; increased transmission expansion plan expenses also due to the increased load; and reserve margin increase due to the increased load. These items would relate to how significant the customer’s new load is expected to be.
- e. Total incremental transmission costs include the incremental transmission revenue requirement to serve the new load.

**F. Proposed Tariff Sheets**

The following proposed tariff sheets are included in this petition. Attachment A (legislative version) and Attachment B (non-legislative version) show in detail the revised Tables of Contents and the new Competitive Response Rider.

Contents of Attachments A (legislative) and B (non-legislative):

Description	Sheet #	Revision #
ND Rate Book Table of Contents	1-2	9th
Rate Schedules Table of Contents	5-TOC-2	11th
Competitive Response Rider	5-84	4th
Competitive Response Rider (2 <sup>nd</sup> page)	5-85	4th

## CONCLUSION

The Company respectfully requests the Commission approve its proposed Competitive Response Rider. If approved, the CRR would become a new rate tool that would economically benefit North Dakota and help keep our rates low for all Xcel Energy customers in the state by enabling the Company to better respond to other competitive options offered to some of our existing and/or prospective large C&I customers, particularly those options outside of North Dakota. As a result, the CRR can help existing customers to more cost-effectively expand their businesses and potentially attract new C&I customers to the state.

Dated: May 4, 2022

Northern States Power Company

# Legislative

**NORTH DAKOTA ELECTRIC RATE BOOK - NDPSO NO. 2**

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~~8th~~<sup>9th</sup> Revised Sheet No. 2

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Date Filed:	<del>03-26-21</del> <u>05-04-22</u>	By: Christopher B. Clark	Effective Date:	<del>10-01-21</del>
		President, Northern States Power Company, a Minnesota corporation		
Case No.	<del>PU-20-441</del> <u>PU-22-</u>		Order Date:	<del>08-18-21</del>

**NORTH DAKOTA ELECTRIC RATE BOOK – NDPSO NO. 2**

**RATE SCHEDULES**

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~~10<sup>th</sup>~~ 11<sup>th</sup> Revised Sheet No. TOC-2

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Date Filed: ~~10-04-21~~05-04-22

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Case No. ~~PU-21-396~~PU-22-

Order Date: ~~02-23-22~~

**COMPETITIVE RESPONSE RIDER**

Section No. 5  
~~3<sup>rd</sup>~~ 4<sup>th</sup> Sheet No. 84

**CANCELED**

**AVAILABILITY**

The Competitive Response Rider (CRR) is available, at Company's discretion, to 1) any existing demand-metered commercial and industrial customer with a minimum load of 2 MW and the ability to obtain its energy requirements from an alternate electric supplier, or 2) any prospective demand-metered commercial and industrial customer with a projected minimum initial load of 10 MW and the ability to locate its facilities outside the Company's service territory. This Rider will require a written electric service agreement (ESA) between the Company and the customer

**RATE**

Standard service rates and provisions apply, including controllable service provisions, except that under this Rider demand charges and/or energy charges may be reduced for qualifying customers, as described below.

**TERMS AND CONDITIONS OF SERVICE**

1. The required minimum load served under the CRR is 2 MW for existing customers and 10 MW for prospective customers. Customer must provide Company with data and written assurances of their ability to meet certain load requirements described herein. Company will request the Commission to treat as trade secret any information provided to the Commission that meets the requirements for such protection.
2. Customer must execute an ESA, or amend its existing ESA, with the Company to include:
  - a. The size of the load served under this Rider.
  - b. The term of service under this Rider, which must be at least one year and no longer than seven years for existing customers and ten years for new customers, beginning on the date the customer begins taking service under this Rider.
  - c. The rate being provided under this Rider, which must recover at least the incremental cost of providing service during the term of the ESA, including any applicable on-peak or off-peak differential. The ESA must also include an annual minimum charge to fully recover distribution costs.
  - d. The effective date of the rate, which must be at least 60 days after the date upon which the Company files its petition for Commission approval of the ESA.
3. Any rate offered under this Rider shall not be available for any month in which the load served under this Rider falls below the required minimum load level.

If a customer receives a discount under the CRR, the Company is allowed to seek recovery, in a future general rate case, of the difference between the applicable commercial and industrial tariffed rate and the rate applied under this Rider to any of their existing load.

(Continued on Sheet No. 5-85)

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Effective Date:

President, Northern States Power Company, a Minnesota corporation

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Northern States Power Company, a Minnesota corporation  
Minneapolis, Minnesota 55401

**NORTH DAKOTA ELECTRIC RATE BOOK – NDPSC NO. 2**

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**COMPETITIVE RESPONSE RIDER (Continued)**

Section No. 5  
~~3rd~~<sup>4th</sup> Sheet No. 85

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**CANCELED**

**REGULATORY REVIEW**

The Commission has the authority to approve, modify, or reject a rate under this Rider. If the Commission approves the rate, it is effective as agreed to by the Company and customer. If the rate is modified by the Commission, the Commission shall issue an order modifying the rate subject to the approval of the Company and the customer. Each party has ten days in which to reject the proposed modification. If no party rejects the proposed modifications, the Commission's order becomes final. The Commission shall accept or reject the modified version within 30 days. If the Commission rejects the rate, it shall issue an order indicating the reasons for the rejection.

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## **Non-Legislative**

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**NORTH DAKOTA ELECTRIC RATE BOOK – NDPSO NO. 2**

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**COMPETITIVE RESPONSE RIDER**

Section No. 5  
4th Sheet No. 84

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**AVAILABILITY**

The Competitive Response Rider (CRR) is available, at Company's discretion, to 1) any existing demand-metered commercial and industrial customer with a minimum load of 2 MW and the ability to obtain its energy requirements from an alternate electric supplier, or 2) any prospective demand-metered commercial and industrial customer with a projected minimum initial load of 10 MW and the ability to locate its facilities outside the Company's service territory. This Rider will require a written electric service agreement (ESA) between the Company and the customer

**RATE**

Standard service rates and provisions apply, including controllable service provisions, except that under this Rider demand charges and/or energy charges may be reduced for qualifying customers, as described below.

**TERMS AND CONDITIONS OF SERVICE**

1. The required minimum load served under the CRR is 2 MW for existing customers and 10 MW for prospective customers. Customer must provide Company with data and written assurances of their ability to meet certain load requirements described herein. Company will request the Commission to treat as trade secret any information provided to the Commission that meets the requirements for such protection.
2. Customer must execute an ESA, or amend its existing ESA, with the Company to include:
  - a. The size of the load served under this Rider.
  - b. The term of service under this Rider, which must be at least one year and no longer than seven years for existing customers and ten years for new customers, beginning on the date the customer begins taking service under this Rider.
  - c. The rate being provided under this Rider, which must recover at least the incremental cost of providing service during the term of the ESA, including any applicable on-peak or off-peak differential. The ESA must also include an annual minimum charge to fully recover distribution costs.
  - d. The effective date of the rate, which must be at least 60 days after the date upon which the Company files its petition for Commission approval of the ESA.
3. Any rate offered under this Rider shall not be available for any month in which the load served under this Rider falls below the required minimum load level.

If a customer receives a discount under the CRR, the Company is allowed to seek recovery, in a future general rate case, of the difference between the applicable commercial and industrial tariffed rate and the rate applied under this Rider to any of their existing load.

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(Continued on Sheet No. 5-85)

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Minneapolis, Minnesota 55401

**NORTH DAKOTA ELECTRIC RATE BOOK – NDPSC NO. 2**

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**COMPETITIVE RESPONSE RIDER (Continued)**

Section No. 5  
4th Sheet No. 85

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**REGULATORY REVIEW**

The Commission has the authority to approve, modify, or reject a rate under this Rider. If the Commission approves the rate, it is effective as agreed to by the Company and customer. If the rate is modified by the Commission, the Commission shall issue an order modifying the rate subject to the approval of the Company and the customer. Each party has ten days in which to reject the proposed modification. If no party rejects the proposed modifications, the Commission's order becomes final. The Commission shall accept or reject the modified version within 30 days. If the Commission rejects the rate, it shall issue an order indicating the reasons for the rejection.

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