

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
NORTHERN STATES POWER COMPANY,)	
a Wisconsin Corporation, and wholly owned)	
subsidiary of Xcel Energy Inc., for authority to)	Case No. U-15705
implement a gas cost recovery plan and establish)	
gas cost recovery factors for the 12-month)	
period ending March 31, 2010.)	
_____)	

At the May 26, 2009 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 29, 2008, Northern States Power Company, a wholly owned subsidiary of Xcel Energy Inc. (NSP-W), filed an application, with supporting testimony and exhibits, requesting approval of its gas cost recovery (GCR) plan and factors for the 12-month period ending March 31, 2010.

A prehearing conference was held on February 19, 2009 before Administrative Law Judge James N. Rigas. NSP-W and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all the issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that NSP-W should be authorized to implement a maximum GCR factor of \$0.90730 per therm for

the months of April 2009 through March 2010. The parties further agree that NSP-W should be authorized to adjust its GCR factor on a quarterly basis, in accordance with the terms of the contingency mechanism described in Attachment 1 to the settlement agreement, which may operate to increase or decrease the GCR factor based upon future gas price fluctuations. The contingency mechanism contains a cap of \$3.00 per dekatherm that may be incorporated within the GCR factors due to changes in the New York Mercantile Exchange futures strip throughout the GCR period.

The parties agree that NSP-W's GCR plan and five-year forecast are reasonable and prudent based on information submitted in this case. Finally, the parties agree that reasonably and prudently incurred premiums on financial instruments and any corresponding gains and losses will be treated as part of the booked costs of gas for the purposes of the GCR clause.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. The 2009-2010 gas cost recovery plan, as filed, is approved.
- C. Northern States Power Company is authorized to incorporate into its rates a maximum gas cost recovery factor of \$0.90730 per therm for the months of April 2009 through March 2010.
- D. Northern States Power Company is authorized to adjust its gas cost recovery ceiling price on a quarterly basis in accordance with the terms of the contingency mechanism described in Attachment 1 to the settlement agreement.
- E. Northern States Power Company is authorized to treat as part of the booked cost of gas reasonably and prudently incurred premiums on financial instruments and the corresponding gains and losses.

F. Within 30 days of the date of this order, Northern States Power Company shall file with the Commission tariff sheets substantially similar to Attachment 1 of the settlement agreement attached as Exhibit A.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of May 26, 2009.

Mary Jo Kunkle, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of Northern States Power Company, a Wisconsin Corporation, and wholly owned subsidiary of Xcel Energy Inc. for authority to implement a gas cost recovery plan and establish gas cost recovery factors for the twelve-month period ending March 31, 2010. Case No. U-15705

SETTLEMENT AGREEMENT

As provided in § 78 of the Administrative Procedures Act of 1969 ("APA"), as amended, MCL 24.278, and Rule 333 of the Rules of Practice and Procedure Before the Commission, 2000 AC, R 460.17333, Northern States Power Company, a Wisconsin corporation, and wholly owned subsidiary of Xcel Energy Inc. ("NSP-W" or the "Company") and the Michigan Public Service Commission Staff ("Staff") hereby agree as follows:

1. On December 29, 2008, NSP-W filed with the Michigan Public Service Commission ("Commission") its Application, along with the testimony and exhibits of its witnesses, Donald R. Dahl and Joni H. Zich, seeking approval of a Gas Cost Recovery ("GCR") Plan and Factors for the 12-month period ending March 31, 2010, as well as a five-year forecast.

2. The Commission's Executive Secretary issued a Notice of Hearing dated January 20, 2009, directing NSP-W to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its Michigan gas service area. The Commission further directed NSP-W to publish the Notice of Hearing in daily newspapers of

general circulation throughout its Michigan gas service area. Complying with the directives, NSP-W filed the requisite Affidavit of Mailing and Proof of Publication with the Commission on February 3, 2009.

3. On February 19, 2009, Administrative Law Judge James N. Rigas presided over a prehearing conference in this matter, and Staff entered its appearance. No persons intervened.

4. Subsequently, the parties engaged in settlement discussions and successfully reached settlement on all contested issues. The parties agree as follows:

- a. NSP-W's GCR Plan for the 12-month period ending March 31, 2010, and the underlying decisions, are reasonable and prudent and in compliance with Act 304 and should be approved by the Commission.
- b. NSP-W should be authorized to implement maximum GCR factors of \$0.90730 per therm for the 12-month period ending March 31, 2010. NSP-W's tariff sheet, M.P.S.C. No. 3 – Gas, Sheet No. E-1.0, reflects the maximum GCR factors of \$0.90730 per therm and is attached hereto as Attachment 1.
- c. NSP-W should be authorized to adjust its maximum GCR factors each quarter according to its GCR Ceiling Price Adjustment (Contingency) Mechanism, as described at M.P.S.C. No. 3 – Gas, Sheet Nos. D-2.0 and D-3.0, attached hereto as Attachment 1.
- d. Reasonably and prudently incurred premiums on financial instruments and the corresponding gains and losses shall be treated as part of the booked costs of gas for purposes of the gas cost recovery clause. NSP-W shall report these gains or losses on separate lines as part of its 45-

day reports and its GCR reconciliation case filing. Premiums, gains and losses included in the cost of gas are those that are made in conformance with the gas hedging purchasing plans described herein and in NSP-W's filing in this case.

e. NSP-W's five-year forecast, based on current evidence, meets the statutory mandates of Act 304 and should be accepted for filing.

5. All of the signatories are of the opinion that this settlement agreement is reasonable and prudent and will aid the expeditious conclusion of this case.

6. This settlement agreement is intended for a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval. The parties agree not to appeal, challenge, or contest the Commission's Order accepting and approving this settlement agreement without modification. If the Commission does not accept the settlement agreement without modification, the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

7. This settlement agreement has been made for the sole and express purpose of settling this case, and all discussions relating hereto are and shall be privileged and shall not be used in any manner, or be admissible for any other purpose in connection with this proceeding or any other proceeding hereof. This settlement agreement, and the understandings reflected therein, does not constitute a precedent in any other case or proceeding, either in Michigan or otherwise, except as necessary to carry out its terms.

8. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281, providing that the Commission approves this settlement agreement without modification.

NORTHERN STATES POWER COMPANY,
A WISCONSIN CORPORATION,

Dated: May 7, 2009

By: _____

One of its Attorneys
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MICHIGAN PUBLIC SERVICE
COMMISSION STAFF

Dated: May __, 2009

By: _____

Its Attorney
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LALIB:179410.1\130017-00018

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
Northern States Power Company, a Wisconsin)
Corporation, and wholly owned subsidiary of)
Xcel Energy Inc. for authority to implement)
a gas cost recovery plan and establish gas cost)
recovery factors for the twelve-month period)
ending March 31, 2010.)
_____)

Case No. U-15705

ATTACHMENT 1

M. P. S. C. No. 2 – Gas
 NORTHERN STATES POWER COMPANY
 (To implement GCR factors in Case U-15455)

5th Revised Sheet No. D-1.0
 Canceled 4th Revised Sheet No. D-1.0

SECTION D
 GAS COST RECOVERY CLAUSE

GAS COST RECOVERY FACTORS

The following monthly gas cost recovery factors are authorized pursuant to Section B10, Gas Cost Recovery Clause:

	<u>Maximum Authorized Factor /therm</u>	<u>Actual Billed Factor /therm</u>
<u>First Quarter</u>		
<i>April 2009</i>	<i>\$0.90730</i>	\$ _____
<i>May 2009</i>	<i>\$0.90730</i>	\$ _____
<i>June 2009</i>	<i>\$0.90730</i>	\$ _____
<u>Second Quarter</u>		
<i>July 2009</i>	<i>\$0.90730</i>	\$ _____
<i>August 2009</i>	<i>\$0.90730</i>	\$ _____
<i>September 2009</i>	<i>\$0.90730</i>	\$ _____
<u>Third Quarter</u>		
<i>October 2009</i>	<i>\$0.90730</i>	\$ _____
<i>November 2009</i>	<i>\$0.90730</i>	\$ _____
<i>December 2009</i>	<i>\$0.90730</i>	\$ _____
<u>Fourth Quarter</u>		
<i>January 2010</i>	<i>\$0.90730</i>	\$ _____
<i>February 2010</i>	<i>\$0.90730</i>	\$ _____
<i>March 2010</i>	<i>\$0.90730</i>	\$ _____

(1) The maximum Gas Cost Recovery Factors shown above are subject to adjustment pursuant to the contingency mechanism. See Sheet No. D-2.0. The factors shown above are adjusted by the quarterly contingency mechanism.

(2) The Gas Cost Recovery factors shown above are the maximum authorized and the actual billed Gas Cost Recovery Factors the Company may charge (subject to the contingency mechanism adjustment). The Company will file a revised Sheet No. D-1.0 monthly or as necessary to reflect the factor to be billed the following month.

(3) The Company will file by December 30, 2009 for maximum Gas Cost Recovery Factors for April 2010 through March 2011. The Gas Cost Recovery Factor to be charged beginning April 2010 is authorized pursuant to §6(h)(9) of 1982 PA 304, as amended, MCL 460.6h et seq

Issued M.L. Swenson President Eau Claire, Wisconsin	Effective for bills rendered on and after the first billing cycle of the April 2009 billing month. Issued under authority of Michigan Public Service Commission in the order dated _____ in Case No. U-15705
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M. P. S. C. No. 2 – Gas
NORTHERN STATES POWER COMPANY
(To implement new GCR Ceiling Price Adjustment Mechanism approved in Case No. U-15705)

1st Revised
Original

Sheet No. D-2.0
Sheet No. D-2.0

GAS COST RECOVERY CLAUSE

GCR CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM

Pursuant to §6(h)(9) of 1982 PA 304, as amended, MCL 460.6h et seq., the maximum Gas Cost Recovery Factors on Sheet No. D-1.0 may be increased or decreased, on a quarterly basis, for the remaining months of such GCR Plan year, contingent upon NYMEX futures prices changing to a level different from that which was incorporated in the calculation of the Commission approved GCR ceiling prices.

At least fifteen days before the beginning of each quarter, the Company shall file with the Michigan Public Service Commission an updated Sheet No. D-1.0, if the contingency calculation results in an increase or decrease to the existing GCR factors. The filing shall include all supporting documents necessary to verify the GCR factor change, including a copy of the calculation and copies of the NYMEX futures price sheet, for the first five trading days of the month, such sheets being an authoritative source used by the gas industry, along with any additional information deemed necessary to verify the GCR factor increase. The filing shall be incorporated in the GCR Plan Case *U-15705*.

Calculation Methodology:

The GCR factors for each of the remaining months of the GCR Plan period shall be increased by ***\$0.00629*** per therm for every \$0.10 per MMBtu increase in the NYMEX natural gas futures contract prices using the table on Sheet D-3.0, where the Contingent GCR Ceiling price is based on the following formula:

$$\text{New Factor} = \text{Original Factor} + \text{Adjustment}$$

Definitions

New Factor = New maximum GCR factor (\$/MMBtu).

Adjustment = ***0.6291*** * (NYMEX Increase)

NYMEX Increase = (NYMEX Ave. Futures Price – NYMEX avg. base price)

NYMEX Avg. Futures Price - Simple average of the actual NYMEX monthly natural gas futures contract prices (in \$/MMBtu) for the remaining (n) months of the GCR Period based on the first five trading days:
$$\sum(\text{NYMEX futures price})_i / n.$$

NYMEX Avg. Base Price - Simple average of the actual NYMEX monthly natural gas futures contract prices (in \$/MMBtu) for the remaining (n) months of the GCR Period, as incorporated in the approved GCR Plan:
$$\sum(\text{NYMEX base price})_i / n.$$

(Continued on Sheet No. D-3.0)

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M.L. Swenson	Issued under authority of Michigan Public Service Commission in the order dated
President	_____ in Case No. U-15705
Eau Claire, Wisconsin	

M. P. S. C. No. 2 – Gas 2nd Revised Sheet No. D-3.0
 NORTHERN STATES POWER COMPANY Cancels 1st Revised Sheet No. D-3.0
 (To implement new GCR Ceiling Price Adjustment Mechanism approved in Case No. U-15705)

GAS COST RECOVERY CLAUSE
 (Continued from Sheet No. D-2.0)

GCR CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM (contd)

Definitions (contd)

<u>Quarters</u>	<u>(n)</u>	<u>Remaining Months</u>
1 st	12	(April 2009 – March 2010)
2 nd	9	(July 2009 – March 2010)
3 rd	6	(October 2009 – March 2010)
4 th	3	(January 2010 – March 2010)

Contingent GCR Ceiling Factors

				1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
GCR Plan filed Factor				\$0.90730	\$0.90730	\$0.90730	\$0.90730
NYMEX Ave Base Price				\$7.225	\$7.4362	\$7.713	\$8.003
Contingent GCR Ceiling Prices \$/therm							
Table for NYMEX Increases				Table for NYMEX Decreases			
NYMEX Increase	All Quarters	NYMEX Increase	All Quarters	NYMEX Decrease	All Quarters	NYMEX Decrease	All Quarters
< \$0.10	\$0.91045	< \$1.60	\$1.00481	< \$0.10	\$0.90415	< \$1.60	\$0.80979
< \$0.20	\$0.91674	< \$1.70	\$1.01110	< \$0.20	\$0.89786	< \$1.70	\$0.80350
< \$0.30	\$0.92303	< \$1.80	\$1.01739	< \$0.30	\$0.89157	< \$1.80	\$0.79721
< \$0.40	\$0.92932	< \$1.90	\$1.02368	< \$0.40	\$0.88528	< \$1.90	\$0.79092
< \$0.50	\$0.93561	< \$2.00	\$1.02997	< \$0.50	\$0.87899	< \$2.00	\$0.78463
< \$0.60	\$0.94190	< \$2.10	\$1.03627	< \$0.60	\$0.87270	< \$2.10	\$0.77833
< \$0.70	\$0.94819	< \$2.20	\$1.04256	< \$0.70	\$0.86641	< \$2.20	\$0.77204
< \$0.80	\$0.95448	< \$2.30	\$1.04885	< \$0.80	\$0.86012	< \$2.30	\$0.76575
< \$0.90	\$0.96077	< \$2.40	\$1.05514	< \$0.90	\$0.85383	< \$2.40	\$0.75946
< \$1.00	\$0.96706	< \$2.50	\$1.06143	< \$1.00	\$0.84754	< \$2.50	\$0.75317
< \$1.10	\$0.97336	< \$2.60	\$1.06772	< \$1.10	\$0.84124	< \$2.60	\$0.74688
< \$1.20	\$0.97965	< \$2.70	\$1.07401	< \$1.20	\$0.83495	< \$2.70	\$0.74059
< \$1.30	\$0.98594	< \$2.80	\$1.08030	< \$1.30	\$0.82866	< \$2.80	\$0.73430
< \$1.40	\$0.99223	< \$2.90	\$1.08659	< \$1.40	\$0.82237	< \$2.90	\$0.72801
< \$1.50	\$0.99852	< \$3.00	\$1.09288	< \$1.50	\$0.81608	< \$3.00	\$0.72172

(continued on Sheet D-4.0)

Issued

M.L. Swenson
 President
 Eau Claire, Wisconsin

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