

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chair
Edward A. Garvey	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner
Phyllis A. Reha	Commissioner

In the Matter of a Request by Northern States Power Company d/b/a Xcel Energy to Extend its Existing Experimental Real Time Pricing Pilot Service and for Approval of a New Real Time Pricing Service Tariff

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DOCKET NO. E-002/M-00-1513

DOCKET NO. E-002/M-01-387

In the Matter of a Petition of Northern States Power d/b/a Xcel Energy to Extend the Availability Period of its Experimental Real Time Pricing Service and Approval of a New Real Time Pricing Service Tariff

ORDER PERMITTING WITHDRAWAL OF TARIFF, AND EXTENDING CURRENT REAL TIME PRICING PROGRAM

PROCEDURAL HISTORY

On December 26, 1996, the Commission granted the petition of Northern States Power Company now d/b/a Xcel Energy (Xcel or the Company) to initiate an experimental Real-Time Pricing (RTP) service for two years.¹ The Commission extended Xcel's RTP service on November 20, 1998 and January 8, 2001.²

¹ *In the Matter of a Request for Approval by Northern States Power Company of an Experimental Real-Time Pricing Service*, Docket No. E-002/M-96-1321, summary Order.

² *In the Matter of a Request by Northern States Power Company for an Extension of Experimental Real-Time Pricing Service*, Docket No. E-002/M-98-1431, summary Order (November 20, 1998); *In the Matter of a Petition of Northern States Power Company d/b/a Xcel Energy to Extend the Availability Period of its Experimental Real-Time Pricing Service*, Docket No. E-002/M-00-1513 (*Current RTP Service Docket*), ORDER GRANTING EXTENSION UNTIL JUNE 29, 2001 AND REQUIRING REPORTING BY FEBRUARY 28, 2001 (January 8, 2001).

The January 8 Order, in Docket No. E-002/M-00-1513, extended Xcel's existing RTP service until June 29, 2001, and directed Xcel to work with the Department of Commerce (DOC) and the Office of the Attorney General's Residential and Small Business Utilities Division (OAG-RUD) to develop a report on the existing RTP service. The report was to address whether the RTP service had met Xcel's goals, and discuss potential revisions to the service.

On February 28, 2001, Xcel filed the RTP report. The report addressed shortcomings in the existing RTP service, and contained Xcel's plans for a new RTP service.

On March 21, 2001, Xcel asked to extend its existing RTP service through the end of the year. Xcel also proposed a new RTP service offering to be offered beginning July 1, 2001, initiating Docket No. E-002/M-01-387.³

On April 25, 2001, the Commission received comments from the Department, OAG-RUD, International Paper (a recipient of RTP service) and the Metropolitan Council (a potential recipient of RTP service). The Department, International Paper and the Metropolitan Council recommended various changes to the RTP proposal.

On May 10 and July 11, 2001, Xcel replied to these comments. Xcel opposed many of the changes proposed by the commentors.

On July 23, 2001, the Commission extended Xcel's RTP service through 2001 for existing RTP customers, but closed it to new customers. And the Commission deferred consideration of the new RTP service.⁴

The matter of Xcel's new RTP proposal came before the Commission on September 20, 2001. At that time Xcel asked to withdraw its proposal, and to extend its current RTP service for another two years. No party opposed this request.

FINDINGS AND CONCLUSIONS

I. Background

The Commission has previously expressed an interest in RTP service as a reasonable means for an efficient electric utility to operate.

³*In the Matter of a Petition of Northern States Power d/b/a Xcel Energy to Extend the Availability Period of its Experimental Real Time Pricing Service and Approval of a New Real Time Pricing Service Tariff (New RTP Service Docket).*

⁴*Current RTP Service Docket, New RTP Service Docket, ORDER EXTENDING THE EXISTING REAL-TIME PRICING SERVICE UNTIL DECEMBER 31, 2001 AND CLOSING THE EXISTING SERVICE TO NEW CUSTOMERS.*

The cost of supplying electricity varies throughout the day, due to changes in demand, contract obligations, system reliability concerns, and fluctuations in the spot market. For example, a cost-conscious electric utility will tend to use its most efficient electric generators or cheapest supply contracts as much as possible. But as demand increases, the utility must rely on ever more costly sources of supply, resulting in a higher average cost per unit of output.

At some point, the cost the utility bears to produce an additional unit of electricity will exceed the value of that electricity to a customer. Some customers may be willing to reduce their electric consumption at times of high electricity cost if they 1) know about the current cost of electricity, and 2) bear that cost. This customer response can benefit society at large by conserving fuel, reducing pollution, and reducing the costs that a utility passes on to all ratepayers.

This cost information can be conveyed through a Real-Time Pricing mechanism. If a utility can transmit timely signals about its cost of electricity, and the customer will change its consumption patterns in response to those costs, then efficiencies can be achieved. For these reasons, the Commission has encouraged Xcel to develop RTP service, and to improve upon it.

II. Xcel's withdrawal

Xcel now proposes to withdraw its new RTP proposal. The software it used for its pilot program did not perform as expected. Xcel argues that the administrative burdens of launching a new service are too great to expend on a service mired in controversy. Xcel wants to be assured that, if customers reject the new service, it demonstrates that they did not want the service and not that they feared administrative problems. Additionally, Xcel doubts that it now has sufficient time to subscribe new customers and switch over old customers to the new service before the old RTP service expires.

In lieu of initiating its new proposal, Xcel proposes extending the operation of its current RTP service for another two years. The two-year extension would provide current RTP customers with a degree of predictability regarding their electric bills and consumption patterns. As noted above, no party expressed opposition to Xcel's withdrawal.

III. Commission action

While the Commission regrets any delay in the improvement of services offered to customers, it will accept Xcel's request to withdraw its proposal. Nothing in the current docket precludes Xcel from proposing a revised RTP service at any time, in addition to its current RTP service. Additionally, the Commission notes that the issues relevant to these dockets may also be addressed in a pending Commission investigation, *In the Matter of an Investigation into Using Rate Design to Achieve the Demand-side Management Goals of Xcel Energy*, Docket No. E-002/CI-01-1024.

On the basis of the record before it, including the agreement of the parties, the Commission will accept Xcel's withdrawal. In lieu of approving a new service, the Commission will extend Xcel's service for current RTP customers through the end of 2003. And, as the Commission decided in its July 23, 2001 Order, Xcel may not subscribe new customers to its RTP service.

ORDER

1. Xcel may withdraw its new RTP proposal.
2. Xcel's existing RTP service shall be extended through the end of 2003.
3. Xcel's existing RTP Service shall be closed to new customers but will remain available for customers currently receiving the service.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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