

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 reconcile its 2012)
electric energy optimization costs and revenues, and)
for related approvals.)

Case No. U-17284

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 reconcile its 2012)
gas energy optimization costs and revenues, and)
for related approvals.)

Case No. U-17291

At the July 29, 2013 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. John D. Quackenbush, Chairman
Hon. Greg R. White, Commissioner
Hon. Sally A. Talberg, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On April 30, 2013, Northern States Power Company, a Wisconsin corporation and wholly owned subsidiary of Xcel Energy Inc. (NSP-W), filed an application, with supporting testimony and exhibits, seeking approval of its electric and gas energy optimization (EO) annual report and reconciliation of costs and revenues pursuant to 2008 PA 295 for the 12-month period ended December 31, 2012.

A prehearing conference was held on June 5, 2013, before Administrative Law Judge Dennis W. Mack. The Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that: (i) the 2012 payment of \$344,006 to the independent energy optimization program administrator satisfies the requirements of MCL 460.1091(1); (ii) the proposed reconciliation of 2012 EO revenues and costs should be approved, reflecting an underrecovery of \$60,381 through December 31, 2012, for gas and electric service, and should be reflected as the beginning balance for NSP-W's 2013 EO costs and reconciliation; and (iii) the new surcharges set forth on Attachment 1 to the settlement agreement should be effective on and after August 1, 2013.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. The 2012 payment of \$344,006 to the independent energy optimization program administrator satisfies the requirements of MCL 460.1091(1).
- C. The proposed reconciliation of 2012 energy optimization revenues and costs is approved, reflecting a net underrecovery of \$60,381 through December 31, 2012 for gas and electric service, which shall be reflected as the beginning balance for Northern States Power Company's 2013 energy optimization costs and reconciliation.
- D. The proposed revised energy optimization surcharges set forth in Attachment 1 to the settlement agreement are approved for bills rendered on and after August 1, 2013.

E. Within 30 days of this order, Northern States Power Company shall file with the Commission tariff sheets substantially similar to Attachment 1 to the settlement agreement.

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

John D. Quackenbush, Chairman

Greg R. White, Commissioner

Sally A. Talberg, Commissioner

By its action of July 29, 2013.

Mary Jo Kunkle, Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
NORTHERN STATES POWER COMPANY,) Case No. U-17284
a Wisconsin corporation and wholly owned subsidiary of Xcel)
Energy Inc., for authority to reconcile its 2012 electric energy)
optimization costs and revenues, and for related approvals.)

In the matter of the application of)
NORTHERN STATES POWER COMPANY,) Case No. U-17291
a Wisconsin corporation and wholly owned subsidiary of Xcel)
Energy Inc., for authority to reconcile its 2012 gas energy)
optimization costs and revenues, and for related approvals.)

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 the Practice and Procedure Before the Commission, 2000 AC, R 460.17333, Northern States Power Company, a Wisconsin corporation, (hereafter “NSP-W”) and the Michigan Public Service Commission Staff (“Staff”), hereby agree as follows:

1. On April 30, 2013, NSP-W filed with the Michigan Public Service Commission (“Commission”) its Application, along with the testimony and exhibits of its witness John R. Ness, seeking approval of its electric and gas Energy Optimization (“EO”) annual report and reconciliation of costs and revenues pursuant to 2008 PA 295 for the 12 month period ended December 31, 2012.

2. On May 9, 2013, the Commission's Executive Secretary issued a joint Notice of Hearing in Case Nos. U-17284 and U-17291 directing NSP-W to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its Michigan service area and to intervenors in Case No. U-16740. The Commission further directed NSP-W to publish the Notice of Hearing in daily newspapers of general circulation throughout its Michigan service area. Complying with the directives, NSP-W filed with the Commission the requisite affidavit of mailing and proof of publication on June 3, 2013.

3. On June 5, 2013, Administrative Law Judge ("ALJ") Dennis W. Mack presided over a prehearing conference in this matter. Staff entered its Appearance. There were no intervenors. ALJ Mack granted the motion to consolidate Case Nos. U-17284 and U-17291.

4. Subsequent to the prehearing conference, the parties have engaged in audit procedures and settlement discussions and, as a result, have reached agreement on all of the issues in this case. The parties to this Settlement Agreement agree as follows:

- a. The 2012 payments for electric and gas totaled \$344,006, to the Independent Energy Optimization Program Administrator satisfy the payment requirements set forth in MCL 460.1091(1).
- b. The proposed reconciliation of 2012 Energy Optimization revenues and payments should be approved and results in a net underrecovery of \$60,381, through December 31, 2012, with respect to gas service and electric service. The total net under-recovery for both gas and electric for the 2012 reconciliation period of \$60,381 is inclusive of the 2011 under-recovery and interest through December 2012, should be reflected as the

beginning balance for NSP-W's 2013 Energy Optimization costs and reconciliation.

- c. The proposed revised Energy Optimization surcharges incorporated into the tariff sheets attached hereto as Attachment 1, should be approved for bills rendered on and after August 1, 2013.

5. All of the signatories are of the opinion that this Settlement Agreement is reasonable, in the public interest and will aid the expeditious conclusion of this case.

6. This Settlement Agreement is intended to be 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 does not constitute precedent in any other case or proceeding. Without limiting the generality of the foregoing, this Settlement Agreement shall not constitute *res judicata* or collateral estoppel as to any issue. Neither the parties to the settlement nor the Commission shall use this Settlement Agreement or the order approving it, as precedent in any case or proceeding; provided however, reference to Paragraph 4 may be made to enforce or implement the provisions thereof in subsequent Energy Optimization proceedings.

8. The parties waive Section 81 of the APA of 1969, as amended, MCL 24.281, as it applies to this proceeding, if the Commission approves this settlement agreement without modification.

NORTHERN STATES POWER COMPANY,
A Wisconsin Corporation

Sherri A.

Digitally signed by: Sherri A. Wellman
DN: CN = Sherri A. Wellman C = AD O
= MillerCanfield
Date: 2013.07.19 09:05:10 -04'00'

Dated: July 19, 2013

By: Wellman

Its Attorney
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK and STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, Michigan 48933
(517) 487-2070

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: July 19, 2013

By: _____

Its Attorney
Amit T. Singh (P75492)
Assistant Attorney General
Public Service Division
6520 Mercantile Way, Suite 1
Lansing MI 48911
(517) 241-6680

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M. P. S. C. No. 2 – Electric

NORTHERN STATES POWER COMPANY, Cancels

3rd Revised

Sheet No. D-3.1

2nd Revised

Sheet No. D-3.1

a Wisconsin corporation

(To implement new EOP surcharge factors approved in Case U-17284)

**ENERGY OPTIMIZATION PROGRAM CLAUSE
ENERGY OPTIMIZATION SURCHARGES**

- A) The Energy Optimization Program Clause permits, pursuant to Section 91(4) of 2008 PA 295, the adjustment of distribution rates, via the application of an Energy Optimization Surcharge, to allow recovery of the energy optimization alternative compliance payment made by the Company in compliance with Section 91(1) of 2008 PA 295.
- B) An annual Energy Optimization Program reconciliation shall be conducted.
- C) The approved Energy Optimization Surcharges are shown below.

| Rate Schedule | Energy Optimization Surcharge |
|---|--------------------------------------|
| Residential Service MR-1 | \$ 0.0025 / kWh |
| Residential Time-of-Day Service MR-2 | \$ 0.0025 / kWh |
| Automatic Outdoor Lighting Service MOL-1 | \$ 0.27 / lamp |
| Small Commercial Service MSC-1 | \$ 2.95 / meter |
| Small General Time-of-Day Service MST-1 | \$ 2.95 / meter |
| Commercial Industrial General Service MCI-1 | \$ 29.75 / meter |
| Large Industrial Service MI-1 | \$ 160.00 / meter |
| Peak Controlled Time-of-Day Service MPC-1 | |
| Secondary | \$ 160.00 / meter |
| Primary | \$ 160.00 / meter |
| Transmission Transformed | \$ 1900.00 / meter |
| Transmission Untransformed | \$ 160.00 / meter |
| Peak Controlled General Service MPC-2 | \$ 29.75 / meter |
| Street Lighting MSL-1 | \$ 0.27 / lamp |
| Non-metered LED lighting MSL-2 | \$ 0.27 / lamp |
| Optional Off-Peak Service MOP-1 | \$ 0.0025 / kWh |
| Municipal Pumping Service MPA-1 | \$ 2.95 / meter |

Issued, _____ 2013 by
M.E. Stoering
President & CEO
Eau Claire, Wisconsin

Effective: for bills rendered on or after
August 1, 2014
Issued Under Authority of the
Michigan Public Service Commission
Dated _____ 2013
In Case No. U-17284

SECTION D
ENERGY OPTIMIZATION PROGRAM CLAUSE
ENERGY OPTIMIZATION SURCHARGES

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- B) An annual Energy Optimization Program reconciliation shall be conducted.
- C) The approved Energy Optimization Surcharges are shown below.

| Rate Schedule | Energy Optimization Surcharge |
|---|--------------------------------------|
| Residential Service - 301 | \$ 0.017 / therm |
| Commercial and Industrial General Service - 302 | \$ 5.02 / meter |
| Commercial and Industrial General Service - 304 | \$ 468.79 / meter |
| Commercial and Industrial Interruptible Use - 303 | \$ 86.39 / meter |
| Commercial and Industrial Transportation Service | \$ 5.02 / meter |

Issued _____, 2013 by

M.E. Stoering

President & CEO

Eau Claire, Wisconsin

Effective: for bills rendered on and after August 1, 2013

Issued Under Authority of the Michigan Public Service Commission

Dated _____, 2013

In Case No. U-17291