

December 4, 2009

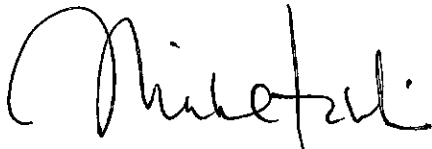
Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 7th Place East
St. Paul, MN 55101-2147

Re: **In the Matter of Xcel Energy's Petition for Approval of 2010 Transmission Cost Recovery (TCR), Project Eligibility, TCR Rate Factors, and 2009 True-up.**
Docket No. E-002/M-09-1048

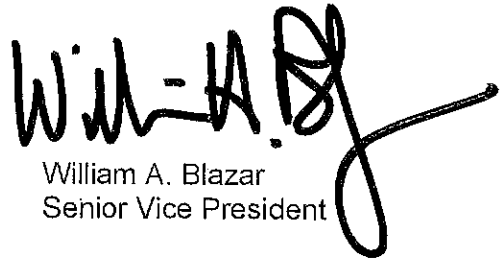
Dear Dr. Haar:

The Minnesota Chamber of Commerce ("Chamber"), on behalf of its over 2,400 member companies respectfully submits these comments in response to Xcel Energy's September 3, 2009 petition for approval.

Sincerely,



Michael A. Franklin
Director, Energy Policy



William A. Blazar
Senior Vice President

C: Service List

Introduction

The Minnesota Chamber of Commerce ("Chamber") appreciates the opportunity to comment on petition filing made by Xcel Energy, ("Xcel" or "Company") to the Minnesota Public Utilities Commission ("Commission") requesting approval of a Transmission Cost Recovery Rider Including the Proposed 2010 Transmission Factor ("TCR Rider").

Xcel seeks to increase its TCR Rider by about \$1 million to \$15,600,000 on January 1, 2010, to recover costs for four new transmission projects and two new transmission projects related to renewable energy generation projects. The new projects include several CAPX projects, including the Company's planned ownership share of the Fargo, Brookings, La Crosse and Bemidji lines. Further, Attachment 9 to the filing appears to indicate that next year's rider may be \$28 million. Xcel plans for Project 12 (\$500 million), Project 15 (\$100 million) and Project 17 (\$9.3 million) to begin construction in 2010.

These are significant cost increases, and in light of our concerns raised in the recently completed Xcel Rate Case and other dockets, we believe the Commission should order Xcel to recover costs associated with the new transmission projects based on a 100% demand allocation.

Concerns of High Load Factor Customers

Our primary concern with Xcel's TCR Rider is the intra-class rate design and recovery methodology, as raised in the recently concluded Xcel Rate Case¹. Specifically, Xcel proposed to recover costs within the classes based 100% on energy. In that case, we stated that intra-class subsidies will only become more acute as the rider grows. We can not afford the unjustified burden that the current methodology will

create. The companies compete globally and market conditions prohibit them from passing costs along to their customers, particularly now.

The TCR rider's significance will grow as Xcel seeks recovery of its portion of the CAPX 2020 project; some of which is included in its 2010 rider request², and even greater costs are in the queue for next year. In our rate case brief, we noted that Xcel correctly assigns the costs among jurisdictions and classes based on demand. However within classes, it allocates costs on an inappropriate energy-only basis. This method sends incorrect and distorted price signals within the C&I classes. While relatively small in 2008, the costs are greater today and will only grow in significance in the coming months and years. High load factor customers will continue to be penalized by paying disproportionately for new transmission facilities.

Xcel explained that its energy-only allocation is based on administrative ease. We noted that other utilities (Otter Tail Power in its Renewable Cost Rider³ and Minnesota Power in its TCR⁴) have allocated these intra-class costs based on demand, demonstrating that relying on cost causation is more appropriate, and not necessarily complex or burdensome.

2009 Xcel Rate Case Order

In its October 23, 2009 Xcel Rate Case⁵ order, the Commission noted the Chamber's concerns about the growing significance of riders in general, and the TCR in

¹ MPUC Docket E-002/GR-08-1065, In the Matter of the Application of Northern States Power Company, a Minnesota corporation, for Authority to Increase Rates for Electric Service in Minnesota.

² Petition and Compliance Filing, p.2"

³ MPUC Docket No. E-017/M-08-1529, In the Matter of Otter Tail Power Company Renewable Resource Cost Recover Rider and 2009 Cost Recovery Factor (settlement filed).

⁴ MPUC Docket No. E-017/M-08-1176, In the Matter of Minnesota Power's Request for Approval of its 2009 Rate Adjustment Mechanism under its Transmission Cost Recovery Rider (settlement approved)

⁵ MPUC Docket E-002/GR-08-1065, In the Matter of the Application of Northern States Power Company, a Minnesota corporation, for Authority to Increase Rates for Electric Service in Minnesota. pp.64-66

particular. The Commission also stated its concern about making riders more complicated than necessary, because utilities recover only a (growing) fraction of their costs through riders. The ALJ also acknowledged this concern, and suggested that the Commission revisit the issue as the size of the balance grows⁶. In its order, the commission stated that, "it may eventually become appropriate to develop a demand-based charge for the Transmission Cost Rider if significantly higher levels of costs are to go through that rider⁷." Moreover, we suggest that because the costs are increasingly higher, the time to develop a demand-based charge for the TCR is now.

Conclusion and Request to Commission

The costs included in Xcel's TCR are already significant and will only become more so. As such, they should be allocated within customer classes based on cost and causation principles so that high load factor customers are not penalized. We encourage the commission to order Xcel to recover C&I charges based 100% on demand rather than 100% on energy for the reasons stated above, as well as in the 2009 rate case. Other utilities are using the method we suggest and are doing so without an unreasonable administrative burden. As such, we urge the commission to reject Xcel's proposal and order the company to recover charges from the C&I class based 100% on demand.

⁶ Id. Findings of Fact, Conclusions, and Recommendation of the Administrative Law Judge, Conclusion 297

⁷ Id. At p.66