

**STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY, A
MINNESOTA CORPORATION AND WHOLLY
OWNED SUBSIDIARY OF XCEL ENERGY
TO DISCONTINUE ITS CUSTOMER
BUYBACK PROGRAM

**PETITION
TO DISCONTINUE CUSTOMER
BUYBACK PROGRAM**

DOCKET NO. _____

I. INTRODUCTION

Pursuant to ARSD, Section 20:10:13:26, Northern States Power Company, a Minnesota corporation operating in South Dakota (“Xcel Energy” or the “Company”) petitions the South Dakota Public Utilities Commission (the “Commission”) for an Order approving the discontinuation of the Customer Buyback Program.

II. BACKGROUND

The Buyback program was originally developed in response to extreme weather. On May 1, 2000 the Company filed with the Commission the proposed initial Customer Buyback Program tariff under Docket No. EL00-013. On April 22, 2002, the Company petitioned a tariff modification that expanded the pool of participating customers by reducing the minimum Committed Load Reduction (CLR) from 1 MW to 500 kW. On June 19, 2002, the Commission approved the Company’s proposal under Docket No. EL02-007. On May 27, 2003, the Company filed proposed revisions to the Customer Buyback tariff under docket No. EL00-013. The Commission approved our request that the tariff be permanently enabled thus eliminating the renewal process. The Commission approved the request and issued an Order dated July 14, 2003.

The Program was developed to create an additional source of load relief, which could be quickly obtained from a relatively small number of large industrial customers. This load relief was intended to be an ad hoc, voluntary, market-price-driven which would supplement the load relief obtained from the Company’s standard interruptible service tariffs.

Through the Buyback program, pre-qualified customers were offered an incentive to voluntarily shed load that would otherwise be firm. In exchange for shedding load,

participating customers were offered payments per MWh, based on wholesale market prices.

The Company expected that Buyback offers would be made only under relatively rare circumstances where all available generation and standard interruptible load shedding options had been exhausted, and where the system load conditions remained critical and additional purchased power from the wholesale market was unavailable or available only at a very high cost.

Unlike the Company's standard interruptible rate programs, which provide for regular seasonal load interruptions and are designed to avoid system capacity-planning reserves (and associated costs), the Buyback program was intended to provide additional, ad hoc load relief, from a small number of customers. The Company would initiate the program only if it expected to face emergency load conditions and/or extremely high wholesale energy costs, and only after all generation and standard interruptible load had been dispatched.

1. Name and address of the public utility;

Jim Wilcox
Northern States Power Company
500 West Russell Street
Sioux Falls, South Dakota 57104
(605) 339-8350

2. Section and sheet number of tariff schedule;

Xcel Energy proposes to discontinue the Customer Buyback Program tariff sheets as follows:

Section 8 2nd Revised Sheet No. 13

Section 8 2nd Revised Sheet No. 14

Section 8 2nd Revised Sheet No. 15

3. Reason for the change;

Within a few years after the program's inception in 2000, the Company found it unnecessary to resort to its use and, in fact, it was last used in 2001. The voluntary customer base has declined over this period. Currently no customers in South Dakota participate in this program. There have been sufficient wholesale energy resources available in the larger, more diversified MISO wholesale energy market. MISO market prices under the MISO Day 2 and Ancillary Service markets have been low relative to what retail customers seem to require in order to induce them to voluntarily

curtail otherwise firm loads. As the MISO Day 2 and ASM markets continue to evolve and broaden the potential need to utilize this Customer Buyback Program to mitigate risk has been diminished.

The Program's standard form agreements allow for Buyback program participation to be terminated at any time by the Company or a participating customer upon written notice.

4. Appearance of Counsel

The Company will be represented in this proceeding by the following counsel upon whom all pleadings, documents and other filings should be served:

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Conclusion

The Company appreciates the Commission granting approval for the Company to implement this program over the past 11 years. The Company has gained valuable experience with utilizing emergency load reduction actions to prudently manage risks for our customers.

Northern States Power Company
a Minnesota corporation doing
business in South Dakota



By: _____
JAMES C. WILCOX
Manager, Government & Regulatory Affairs