

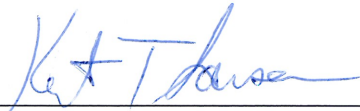
STATE OF NORTH DAKOTA  
BEFORE THE  
PUBLIC SERVICE COMMISSION

In the Matter of the Application by )  
Northern States Power Company, a )  
Minnesota corporation and wholly owned )  
subsidiary of Xcel Energy Inc. for Authority )  
to Increase Rates for Natural Gas Service in )  
North Dakota )

Case No. PU-06-\_\_\_\_

**AFFIDAVIT OF  
Kent T. Larson**

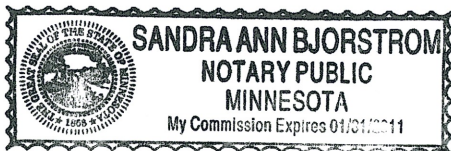
I, the undersigned, being first duly sworn, on oath depose and say that I am Vice-President for Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc. (the "Company"), the applicant herein; that I have read the foregoing Notice of Change in Rates For Natural Gas Service and the Alternative Petition For Interim Rates and that I believe all statements therein to be true and correct; and that said filings are submitted and signed on behalf of said Company with the consent and authority of the Company.



Kent T. Larson

Subscribed and sworn to before me, this 13 day of December, 2006.

  
Notary Public



STATE OF NORTH DAKOTA  
BEFORE THE  
PUBLIC SERVICE COMMISSION

Tony Clark  
Susan E. Wefald  
Kevin Cramer

President  
Commissioner  
Commissioner

IN THE MATTER OF THE APPLICATION  
BY NORTHERN STATES POWER  
COMPANY, A MINNESOTA  
CORPORATION AND WHOLLY OWNED  
SUBSIDIARY OF XCEL ENERGY INC. FOR  
AUTHORITY TO INCREASE RATES FOR  
NATURAL GAS SERVICE IN NORTH  
DAKOTA

CASE NO. PU-06-\_\_\_\_

**NOTICE OF CHANGE IN RATES FOR  
NATURAL GAS SERVICE**

**I. INTRODUCTION**

Pursuant to N.D. Cent. Code § 49-05-05 and N.D. Admin. Code §69-09-01-26, Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc. (“Xcel Energy” or the “Company”) hereby provides notice to the North Dakota Public Service Commission (“NDPSC” or the “Commission”) of the Company’s intent to change natural gas service rates and tariffs contained in the Company’s North Dakota Gas Rate Book effective January 14, 2007, thirty (30) days after the date of this Notice. However, if the Commission suspends the proposed revised rates and tariffs within 30 days of this notice of rate change, the Company respectfully requests that the Commission issue an order granting interim rate relief effective February 13, 2007, without a hearing, pursuant to N.D. Cent. Code. § 49-05-06, subd. 2. A separate Alternative Petition for Interim Rates is submitted with this notice.

The rate and tariff changes would result in an annual increase of natural

gas revenues of \$2,801,000, or 3.0 percent, effective for natural gas service on and after January 14, 2007, or upon final approval if the rates are suspended and interim rates approved. The test year for the proposed increase is 2007.

The rates and tariffs being revised are provided behind the Tariff Tab, and consists of the amended tariffs in “legislative” and regular formats, respectively. These tariff changes are supported by the Direct Testimony of Mr. Donald Dahl. The proposed rates would affect the Company’s service to all of its approximately 43,600 retail natural gas customers in the State of North Dakota.

A. Need for Rate Increase

The revenue deficiency is largely a result of increases in operating and maintenance expenses, and investment-related costs driven by the Company’s additional investment in the natural gas distribution system in North Dakota since the last general natural gas rate application using a 2004 test year (Case No. PU-400-04-578). These cost increases cannot be offset on a sustained basis by customer or sales growth. Mr. Jeffery Robinson discusses the primary changes in cost in his Direct Testimony.

This rate increase is needed so the Company has the opportunity to earn a reasonable return on equity (“ROE”) for its North Dakota natural gas operations. The Commission’s most recent ROE authorization was issued in Case No. PU-400-00-521, when the Commission ordered an authorized ROE of 11.5 percent. A settlement was approved in the Company’s most recent natural gas rate application (Case No. PU-400-04-578); however, it did not specify an authorized ROE. The Direct Testimony of Dr. Karl McDermott filed with this Notice supports an ROE of 11.3%.

C. Proposed Cost Allocation and Rate Design

Schedule 2 provide an estimate of the number of customers whose cost of service will be affected and the proposed annual increase or decrease in revenues by class. The Company allocated the rate increase among customer classes to reduce the interclass subsidies that exist in current rates. The proposed rates will more accurately recover the costs of service from the customers causing those costs to be incurred. Mr. Donald Dahl discusses further the objectives that guided the Company's proposed rate design in his Direct Testimony.

The proposed rate changes, effective January 14, 2007, if not suspended, do not affect recovery of the delivered cost of purchased commodity natural gas, which is separately reflected in retail rates through the Cost of Gas adjustment provisions of the Company's North Dakota Gas Rate Book.

E. The Proposed Rate Change Would Serve the Public Interest

Because the rate increase would allow the Company to recover its reasonable cost of service while minimizing both the subsidies between classes and the percentage increase to any customer class, the proposed rate increase does not unreasonably discriminate between the Company's customers or customer classes, and does not violate any Commission laws or rules. The proposed rates would thus serve the public interest and should be effective January 14, 2007, as proposed; in the alternative, the Commission should allow the Company to implement interim rates effective February 13, 2007, until final base rates are placed into effect.

## II. REQUIRED FILING INFORMATION

### A. Name and Address of Applicant

Pursuant to the Commission's "How to File" guidelines, the name and address of the public utility submitting this Notice is:

Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc.  
414 Nicollet Mall – 5<sup>th</sup> Floor  
Minneapolis, Minnesota 55401  
Attn: Kent T. Larson  
Vice President

Northern States Power Company is a Minnesota corporation and is a wholly-owned subsidiary of Xcel Energy Inc., a registered holding company created by merger on August 18, 2000.<sup>1</sup> The North Dakota division office of Xcel Energy is located at:

Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc.  
2302 Great Northern Drive  
Fargo, North Dakota 58102  
Attn: David H. Sederquist  
Sr. Consultant, Regulation & Finance  
Phone: (701) 241-8632  
Fax: (701) 241-8682  
Email: dave.sederquist@xcelenergy.com

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<sup>1</sup> See FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER, Case Nos. PU-400-99-418 and PU-400-98-246 (Amended Order dated May 12, 2000).

In addition, the Company requests the following counsel be placed on the Commission's official service list for this proceeding:

Megan J Hertzler  
Assistant General Counsel  
Xcel Energy Services Inc.  
414 Nicollet Mall, 5<sup>th</sup> Floor  
Minneapolis, MN 55401  
Phone: (612) 215 4589  
Fax: (612) 215-4544  
Email: [megan.hertzler@xcelenergy.com](mailto:megan.hertzler@xcelenergy.com)

B. Proposed Rates and Tariffs

Pursuant to N.D. Cent. Code § 49-05-05 and N.D. Admin. Code § 69-09-01-26, the Company is submitting the following schedules as part of this Notice:

- Schedule 1 shows the determination of the projected revenue deficiency for the 2007 rate case test year;
- Schedule 2 shows the number of customers by class, the proposed revenue apportionment for each customer class, and the projected miscellaneous revenues for the test year;
- Schedule 3 provides a summary comparison of the proposed retail rates to the Company's present rates;
- Schedule 4 provides an estimation of the anticipated impact of the increase on monthly customer bills at various usage levels;
- Schedule 5 is a summary of the Jurisdictional Cost of Service Study, which shows the test year rate base, operating income, revenue requirement and deficiency, and other related information;
- Schedule 6 is a summary list of the tariff sheets proposed to be changed;

- Schedules 7 and 8 show the proposed tariffs both legislative and regular formats, respectively;
- The Alternative Petition For Interim Rates, with rates becoming effective February 13, 2007, and subject to refund pending the final order in this case.

C. Filing Fee and Verification

Pursuant to N.D. Cent. Code § 49-05-05, Xcel Energy has prepaid the filing fee of \$50.00 through its periodic regulatory fee payments to the Commission. Also enclosed is the sworn affidavit of Kent T. Larson verifying the correctness of the Notice, proposed rate and tariff changes, and supporting schedules.

### **III. NOTICE TO AFFECTED CUSTOMERS**

N.D. Admin. Code § 69-09-01-20.2 requires a notice to natural gas customers not later than thirty days after filing an increase in rates. In compliance with this requirement, the Company will include a customer information notice in bills to be issued to natural gas customers in North Dakota on and after January 14, 2007, if the rate increase is not suspended. The customer information notice would be distributed for one billing cycle and would describe the reasons for the rate changes and the rate impact information required by N.D. Admin. Code § 69-09-01-20.2. It would also provide information on how to contact the Company or the Commission with questions or comments about the changes. The Company would provide a sample notice for review prior to mailing in customer bills, if the Commission so desires.

If the Commission suspends the proposed increase within 30 days and issues an order allowing the Company to place the interim electric rate increase in

effect on February 13, 2007, subject to refund, the Company would include a customer information notice in bills to be issued to electric customers in North Dakota on and after February 13, 2007. Again, the customer information notice would be distributed for one billing cycle, would describe the reasons for the interim rate change, the rate impact of the change and would provide information on how to contact the Company or the Commission with questions or comments about the changes. The Company would provide a sample notice for review prior to mailing in customer bills, if the Commission so desires.

#### **IV. PROPOSED PROCEDURES**

Pursuant to N.D. Cent. Code § 49-05-05, the Company respectfully requests that the Commission allow the proposed rate and tariff changes shown in Schedules 6 and 7 to be placed into effect January 14, 2007, without suspension or hearing. This Notice and schedules thereto fully satisfy the requirements for a Notice of Rate Changes effective January 14, 2007, subject to the Commission's authority to thereafter prospectively change such rates and tariffs through a final order under N. D. Cent. Code § 49-05-06 if the Commission formally investigates the change.

The Company has included Direct Testimony in support of this Notice. The Company is also receptive to working with Commission Staff to promptly resolve the proceeding through an information and settlement process similar to that used for the 2004 natural gas rate increase in Case No. PU-400-04-578.

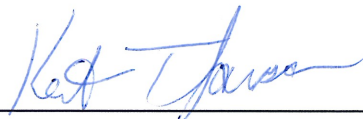
#### **V. CONCLUSION**

For the foregoing reasons, Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc. provides notice to

the North Dakota Public Service Commission of new natural gas rates and tariffs to be effective January 14, 2007, pursuant to N. D. Cent. Code § 49-05-05 and N.D. Admin. Code §69-09-01-26. If the Commission suspends the proposed revised rates and tariffs within 30 days of this notice of rate change, the Company requests that the Commission issue an order allowing the Company's proposed Interim Rates to be effective February 13, 2007, subject to refund, pursuant to N.D. Cent. Code § 49-05-06, subd. 2 (see Alternative Petition for Interim Rates submitted with this filing).

Please direct any questions regarding this Notice of Change in Rates for natural gas Service and/or the Alternative Petition For Interim Rates to Mr. Dave Sederquist at (701) 241-8632 or Ms. Megan Hertzler at (612) 215-4589.

Respectfully Submitted,

By:  \_\_\_\_\_

Kent T. Larson  
Vice-President  
Northern States Power Company d/b/a Xcel Energy

Date: December 15, 2006