



Natural Gas Rate Case Public Input Session



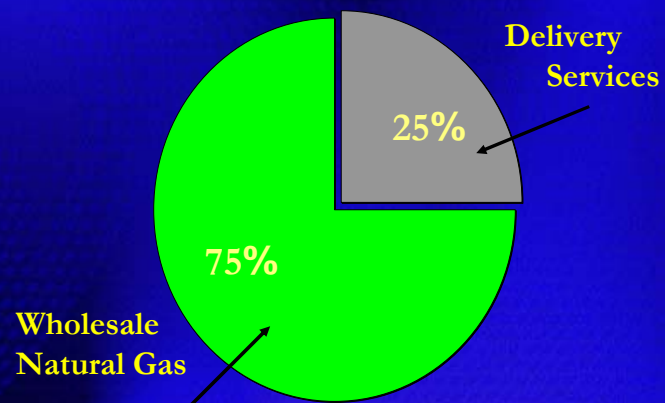
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Topics

- Understanding your natural gas bill
- How do Xcel Energy's rates compare?
- Why is an increase needed?
- How will it impact my bill?
- Helping you manage your energy bill
- Questions

Your natural gas bill has two types of cost



Wholesale natural gas costs

- Comprised of purchased natural gas and its transportation to our distribution system
- Wellhead prices deregulated by Congress in the 1980s
- Prices change monthly, and we pass costs through to retail customers on a dollar-for-dollar basis (Xcel Energy makes no profit)
- Public Service Commission does not regulate wholesale prices, but they monitor Xcel Energy's purchasing practices

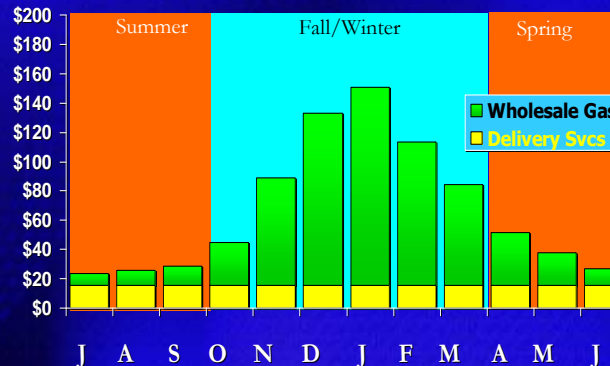
Local natural gas delivery services

- Delivery of gas to homes and businesses through local distribution system
- Includes costs of pipes, meters, billing services, and customer service systems
- This is the service Xcel Energy provides
- Rates regulated by the Public Service Commission, and do not change outside of a rate proceeding



Monthly average natural gas bill pattern

(residential)

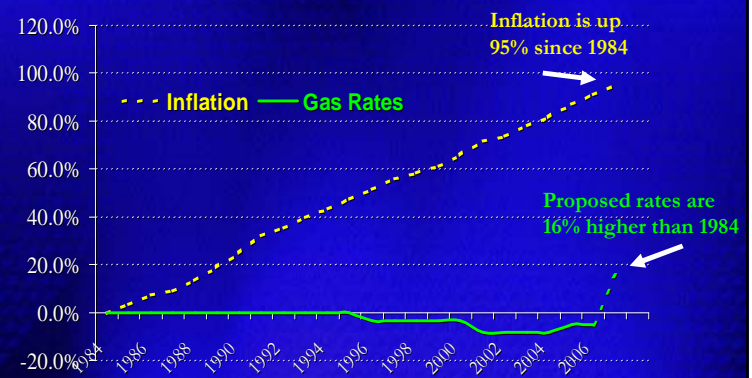


Today's delivery charges are less than 1984

Average ND residential monthly delivery charge

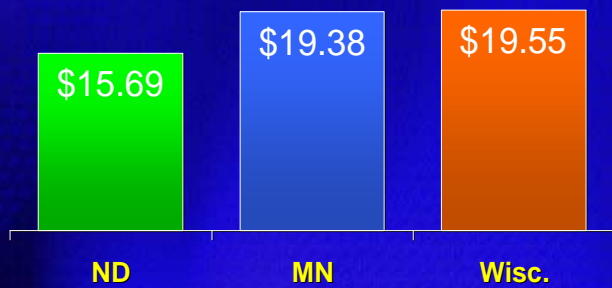


Delivery charge increases vs. inflation



Current charges in NSP states

Average residential monthly delivery charge



Assumes 70 therms/mo.

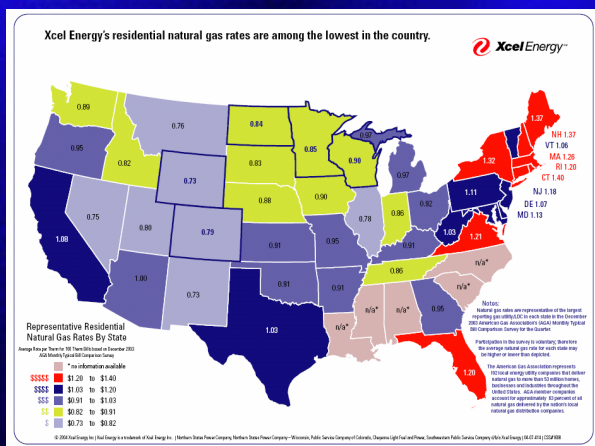
Proposed ND charge vs. NSP states

Average residential monthly delivery charge



Assumes 70 therms/mo.

ND natural gas rates compare well



Earning the allowed return on equity

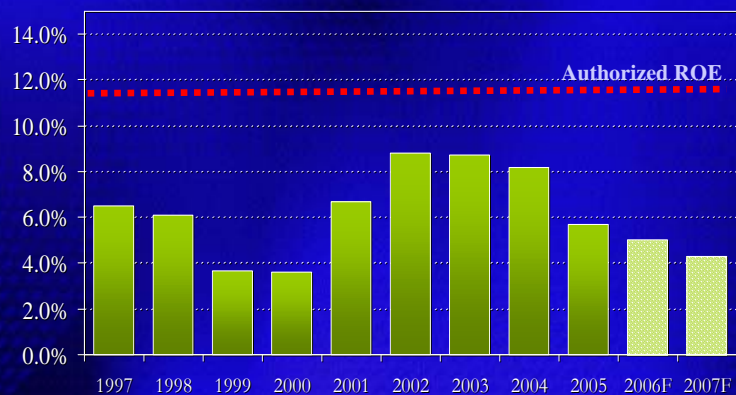
Regulators allow utilities to earn a certain percent (return) of their investment (equity) in each state

$$\text{ROE} = \text{return on equity}$$

Allowed earnings (ROE) in ND 11.5%

2005 Xcel Energy earnings in ND 5.7%

ND natural gas earnings below authorized



Previous natural gas rate cases in ND

<u>Year</u>	<u>Revenue impact</u>	<u>Case</u>
2005	\$745,000 increase	PU-04-578
2001	\$500,000 increase	PU-400-00-521
1996	\$486,000 decrease	PU-400-95-559

Our current rate proposal

Annual revenue increase:	\$2.8 million
Effective:	Summer, 2007
Interim rate increase:	\$2.2 million
Effective:	Feb. 13, 2007

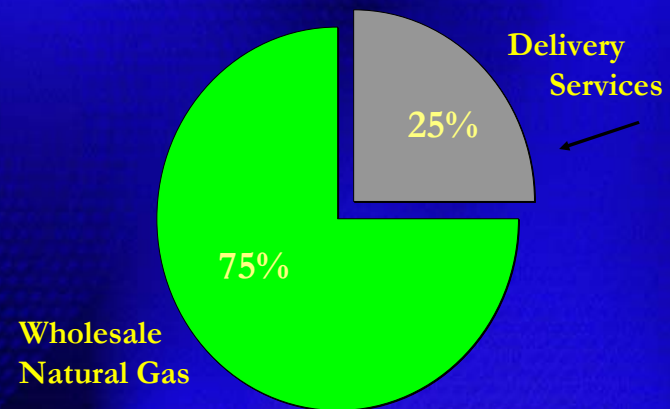
Why a new rate case?

- \$3.9 million of new investment in ND natural gas distribution infrastructure to meet growth and maintain reliability and safety
- Increases in operating and maintenance costs:
 - ✓ Inflation and wage increases
 - ✓ Under-allocation of costs to ND natural gas operations since the merger
 - ✓ Recover costs of new conservation programs being proposed
- Commercial natural gas sales have languished

Distribution revenue growth

(000)	<u>2004 TY</u>	<u>2007TY</u>	<u>Diff</u>
Residential	\$6,506	\$6,978	\$473
Commercial			
Firm	\$5,544	\$5,468	(\$76)
Interruptible	\$1,347	\$1,344	(\$3)
Total	\$13,397	\$13,791	\$394

Rate case only affects the delivery charges



Impact of filed increase

	<u>Mo. Bill Impact</u>	<u>% Bill incr.</u>
Residential	\$3.51	4.3%
Commercial Firm	\$14.51	2.8%
Small Interruptible	\$51.74	0.7%
<u>Large Interruptible</u>	<u>\$465.85</u>	<u>0.5%</u>
Total		3.0%

Proposed conservation programs

- Discounted home energy audits
- Furnace rebates
- Water heater rebates
- Free low flow showerheads

Programs are for residential customers only

Other strategies to reduce high bills

- Offer “average monthly payment” program
- Arrange flexible payment schedules
- Refer customers to energy assistance
- Contribute to “Energy Share”
- Help fund energy audit program provided free to income-qualified customers
- Programmable thermostat rebate partnership
- Provide printed conservation materials and on-line tools

Procedural schedule

- January 24 – Informal hearing (interim)
- February 8 – Public input session
- February 13 – Interim rates in effect
- March 20 – Public input session
- May 24-25 – Technical hearings
- mid-July – Order issued
- August – Final rates in effect

Summary

- Most of your bill is comprised of market-sensitive wholesale natural gas costs. Xcel Energy does not profit from these charges
- Our local natural gas delivery charges are lower today than they were in 1984
- Even with the proposed increase, our delivery charges have changed well below inflation since 1984
- This increase will allow the company to recover its costs of serving customers and restore our opportunity to earn a fair and reasonable return on equity
- We are committed to helping our customers manage natural gas bills through energy assistance contributions, payment options, and conservation



Proposed delivery rates vs. inflation

Change from 1984-2005

