

CONCURRING OPINION
Commissioner Tony Clark

June 14, 2007

Northern States Power Company
Natural Gas Rate Increase
Application

Case No. PU-06-525

Because it has been raised as an issue for discussion I wish to address again the ongoing use of "decoupled" gas rates for Xcel's customers. This settlement confirms the continued use of this rate design. I believe this is in the best interest of North Dakota consumers and I am pleased to see it continued.

When this commission first approved the rate design, it was for sound economic and cost allocation reasons that continue to this day. It lessens unfair rate subsidization and helps mitigate the cost of utility bills in high-use gas months here on the northern plains. Without repeating previous concurrences I have authored, I only note this rationale is as true today as then.

What I will expound upon is how this issue of decoupling has taken-off as an issue of national interest. It is a trend that North Dakota can be proud of helping lead. Decoupling is repeatedly being raised in regulatory circles as an issue worthy for consideration. The reason? Because it is now becoming nationally recognized that this is as much an issue of environmental awareness and conservation as it is of sound economics. Environmental advocates have rightly noted that recovering fixed costs through volumetric charges creates the perverse incentive for utility companies to resist conservation. After all, if gas use declines, so does the utilities' revenue. The rate design we have adopted ensures that companies can recover their prudently incurred costs while becoming partners in conservation. This is critical because even a small drop in gas demand can have a disproportionate impact on the market cost of the gas itself. In an era of high natural gas prices the importance of this pro-conservation measure cannot be emphasized enough.


Tony Clark, Commissioner