

Memo

To: Commissioners, Doug Bahr and Public Utility Division
From: Mike Diller
Date: January 25, 2008
Re: NSP's Interim Electric Rate Increase Request (PU-07-776)

NSP uses a 2008 projected test year to calculate its interim rate relief request of \$17.183 million in increased revenue collections or an overall increase in revenue collections of 11.5%.

Staff reviewed the commission's last rate case order (PU-400-92-399) and the Company's interim rate request for compliance with the laws and rules governing interim rate increases. The applicable section of law reads:

49-05-06. Hearing by commission on proposed change of rates.

- 2. Notwithstanding that the commission may suspend a filing and order a hearing, a public utility may file for interim rate relief as part of its general rate increase application and filing. If interim rates are requested, the commission shall order that the interim rate schedule take effect no later than sixty days after the initial filing date and without a public hearing. The interim rate schedule must be calculated using the proposed test year cost of capital, rate base, and expenses, except that the schedule must include:**
 - a. A rate of return on common equity for the public utility equal to that authorized by the commission in the public utility's most recent rate proceeding;**
 - b. Rate base or expense items the same in nature and kind as those allowed by a currently effective commission order in the public utility's most recent rate proceeding; and**
 - c. No change in existing rate design.**
- 3. In ordering an interim rate schedule, the commission may require a bond to secure any projected refund required by subsection 4. The terms of the bond, including the amount and surety, are subject to the commission's approval.**

- 4. As ordered by the commission, the utility shall promptly refund to persons entitled thereto all interim rate amounts collected by the public utility in excess of the final rates approved by the commission plus reasonable interest at a rate to be determined by the commission.**

According to the law, NSP interim rates are calculated using the Company's 2008 test year using the return on equity last authorized by the commission in 1993 of 11.5%. The rate base and expenses included in the interim rate calculation are the same in nature and kind allowed by the commission in NSP's last rate order. The company properly applies the interim rate increase of 14.96% across-the-board to all the non-gas rates of all customer classes resulting in no change to rate design and an overall increase in revenue collections of 11.5%.

Even though the commission may require a bond to ensure a refund in the event that the commission does not find in NSP's favor, staff believes the financial security of NSP is sufficient so as to not require a bond.

In summary, staff believes that NSP's interim rate request is in compliance with the rules and laws of the state and should be approved.