

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Northern States Power Company  
Electric Rate Increase  
Application**

**Case No. PU-07-776**

**STAFF RESPONSE TO COMPLIANCE FILING**

**February 3, 2009**

On January 21, 2009, Northern States Power Company (NSP) filed tariff changes to comply with the Order of the commission dated December 31, 2008. The commission's Order adopted a Settlement Agreement permitting NSP to implement a rate change sufficient to provide a total annual revenue increase of \$12,785,000, which is expected to yield a net annual revenue increase of approximately \$10,855,000 when combined with projected off-system sales margin sharing. NSP's compliance tariffs provide a total annual revenue increase of \$12,785,000 (8.7%) effective for service rendered on or after March 1, 2009.

The Settlement Agreement indicates that NSP's rate increase is to be allocated equitably among the customer classes, as follows:

Residential	8.9%
Non-Demand Commercial	9.3%
Demand Commercial	8.6%

For a typical residential customer without electric space heat consuming 750 kWh per month, the billed amount will increase \$6.91 per month during the summer months of June through September and \$3.01 per month for the remainder of the year resulting in an overall average bill increase of \$4.31 per month. Attachment 9 of the compliance filing provides the estimated impact of the rate increase to the other rate classes at various usage levels.

It should be noted that NSP's customers will not notice the increased cost described above because interim rates were much higher during the last year. In addition, customers will also begin benefiting from the margins earned on intersystem sales.

The wholesale margin sharing arrangement agreed to in the settlement is implemented under the Fuel Cost Rider, Section No. 5, Sheet No. 76 of the tariffs. The margin sharing tariff requires that 85% of all asset based intersystem energy sales and ancillary services margins be credited to customers through the

Fuel Cost Rider. Similarly, the tariff requires that 50% of all non-asset based margins be credited to customers.

NSP's compliance filing describes numerous other rate design changes that were not challenged by Staff. The filing also includes a bill stuffer describing changes and announcing the new rates and an early estimation of \$6 million in refunds due customers for the difference between interim rates and the commission's Order. NSP will calculate the actual refund amount at the conclusion of the interim rate period to reflect actual sales volumes and file with the commission. As ordered, NSP must issue the refunds within 90 days of the implementation of final rates.

Staff believes that NSP's compliance filing satisfies the commission's Order and recommends approval.

Mike Diller