


Memo

To: Commissioners, Public Utility Division, Legal Division & Mitch Armstrong
From: Mike Diller 
Date: January 19, 2011
Re: NSP's Interim Electric Rate Increase Request (PU-10-657)

NSP filed for a rate increase on December 20, 2010. The Company uses a 2011 projected test year to calculate its interim rate relief request of \$17.355 million in increased revenue collections or an overall increase in revenue collections of 10.55%.

Staff reviewed the commission's last rate case order (PU-07-776) 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 last authorized return on equity of 10.75%. 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 has properly calculated the interim rate increase amount of \$17.355 million.

However, the revised tariffs are calculated based on an increase of \$17.389 million. The company will revise its filing to the proper increase amount of \$17.355 million before the end of this week. As a result, the interim tariff increase will be revised slightly downward from 16.75% to 16.71% to be applied across-the-board to all non-gas rates of all customer classes resulting in no change to rate design and an overall increase in revenue collections of 10.55%.

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, as revised, is in compliance with the rules and laws of the state and should be approved for use on or after February 18, 2011.