

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Northern States Power Company
2011 Electric Rate Increase
Application**

Case No. PU-10-657

**Northern States Power Company
2012 Electric Rate Increase
Application**

Case No. PU-11-55

**Northern States Power Company
Customer Credit- DOE Settlement
Application**

Case No. PU-11-557

AFFIDAVIT OF SERVICE BY CERTIFIED AND REGULAR MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Cara DeSaye deposes and says that:

she is over the age of 18 years and not a party to this action, and, on the **17th** day of **December, 2012**, she deposited in the United States Mail, at Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and containing a photocopy of:

Order on Settlement

The envelope was addressed as follows:

Zeviel Simpser
Briggs and Morgan
2200 IDS Center
80 South 8th Street
Minneapolis MN 55402-2157

Cert. No. 7012 1640 0002 4652 4837

Cara DeSaye further deposes and says that on the **17th** day of **December, 2012**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope by regular mail, with postage fully prepaid, securely sealed, containing a photocopy of the same:

117 PU-11-557 Filed 12/17/2012 Pages: 5
Affidavit of service cert. & reg. mail- Order on
Settlement
Public Service Commission

198 PU-10-657 Filed 12/17/2012
Pages: 5
Affidavit of service cert. & reg. mail-
Order on Settlement

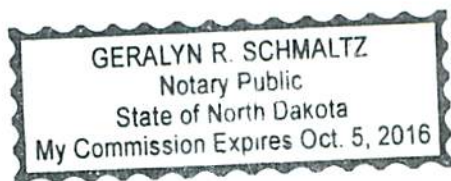
173 PU-11-55 Filed 12/17/2012 Pages: 5
Affidavit of service cert. & reg. mail- Order on
Settlement
Public Service Commission

Each address shown is the respective addressee's last reasonably ascertainable post office address.

David Sederquist
Northern States Power Company
PO Box 2747
Fargo ND 58108-2747

Subscribed and sworn to before me
this 17th day of **December, 2012.**

SEAL



Cara Debye

Gerald R. Schmalz
Notary Public

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Northern States Power Company
2011 Electric Rate Increase
Application**

Case No. PU-10-657

**Northern States Power Company
2012 Electric Rate Increase
Application**

Case No. PU-11-55

**Northern States Power Company
Customer Credit – DOE Settlement
Application**

Case No. PU-11-557

ORDER ON SETTLEMENT

December 12, 2012

Appearances

Commissioners Brian P. Kalk, Kevin Cramer, and Bonny M. Fetch.

Zeviel Simpser, Attorney at Law, Briggs and Morgan, P.A., 80 South Eighth Street, Minneapolis Minnesota 55402 attorneys for Northern States Power Company.

Mark E. Gruman, Legal Counsel, Public Service Commission, State Capitol, 600 East Boulevard Avenue, Bismarck, North Dakota 58505, representing Public Service Commission Advocacy Staff.

Illona A. Jeffcoat-Sacco, General Counsel, Public Service Commission, 600 E. Boulevard Avenue, Dept. 408, Bismarck, North Dakota 58505, attorney for the Public Service Commission.

Al Wahl, Administrative Law Judge, Office of Administrative Hearings, 2911 North 14th Street — Suite 303, Bismarck, ND 58503, as Procedural Hearing Officer.

Preliminary Statement

On December 20, 2010, Northern States Power Company (NSP) filed with the North Dakota Public Service Commission (Commission) an increase in annual base revenues for electric utility service for 2011, Case Number PU-10-657. NSP also filed an increase in annual base revenues for electric utility service for 2012, Case No. PU-11-55.

171 PU-11-55 Filed: 12/12/2012 Pages: 3
Order on Settlement

196 PU-10-657 Filed: 12/12/2012 Pages: 3
Order on Settlement

116 PU-11-557 Filed: 12/12/2012 Pages: 3
Order on Settlement

On August 11, 2011, NSP filed with the Commission a petition for approval of a credit mechanism to refund approximately \$4.7 million received by NSP pursuant to a settlement with the United States regarding the Department of Energy's partial breach of its contract to take spent nuclear fuel beginning January 31, 1998, Case No. PU-11-557.

In its February 29, 2012 Order on Settlement, the Commission ordered that NSP file a plan for performance-based regulation with metrics to measure and evaluate system reliability, including rate of return incentives/penalties to improve North Dakota service reliability.

On June 1, 2012, NSP filed a Reliability Performance Plan (RPP) proposal which provides an incentive for reducing outages; a bill credit of \$50 payable to customers experiencing more than 3 outages in a year, excluding major events such as storm outages; and customer survey reporting requirements.

On August 13, 2012 the Commission issued a Notice of Hearing on September 25, 2012 at 8:30 a.m. in the Commission Hearing Room, State Capitol, 12th Floor, Bismarck, North Dakota concerning NSP's RPP proposal. The issue in this proceeding is whether the proposal is reasonable and prudent and in the best interest of customers. The hearing was held as scheduled.

On October 12, 2012, NSP filed a Settlement Agreement (Settlement) reached between NSP and Commission Advocacy Staff. The Settlement is intended to resolve contested issues regarding NSP's proposed RPP.

On October 31, 2012, the Commission issued a Notice of Opportunity for Hearing providing until December 3, 2012 for comments and requests for hearing. The issue to be considered is whether the Settlement Agreement should be approved and adopted by the Commission. No comments or requests for hearing were received. The Notice stated the Commission may make a decision without hearing.

Discussion

The RPP proposal contains three elements. The first element is a reliability threshold and related financial award for overall reliability performance as measured by the System Average Interruption Duration Index (SAIDI). SAIDI is an indicator that measures the total amount of time in minutes, on average, that each customer is out of electric service during a year. SAIDI is affected by both the number of electric outages and the time it takes to restore power to customers. SAIDI reflects outages greater than 5 minutes in length excluding outages caused by storms and outages caused by statistically outlying events and major event days (MEDs) that generate unusually high customer outage minutes. A lower SAIDI number reflects fewer minutes, on average, that a customer is out of electric service in the plan year. The Institute of Electrical Energy Engineers Standard 1366-2003 would be used to identify MEDs.

NSP testified that setting the SAIDI threshold is more art than science and that the performance threshold should be at a level that is both difficult and possible to obtain.

NSP will provide to the Commission, in each plan year, documentation of all outage days excluded for purposes of normalizing SAIDI results. NSP and Advocacy Staff agree to discuss the appropriateness of excluding any outage day questioned or contested by Staff.

The second element of NSP's RPP proposal is compensation, in the form of annual one-time \$50 bill credits, to customers experiencing multiple service interruptions in a year.

The third element of NSP's RPP proposal is measurement and reporting to the Commission of customer perceptions of NSP's reliability as measured by an annual reliability-focused customer survey.

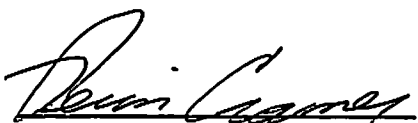
The Commission finds the provisions of the Settlement Agreement filed October 12, 2012 are reasonable and appropriate.

Having allowed all interested persons an opportunity to be heard and having heard, reviewed and considered all testimony and evidence presented, the Commission makes the following:

Order

1. The Settlement Agreement filed with the Commission on October 12, 2012, a copy of which is attached to this Order, is made a part of this Order and is APPROVED.
2. NSP shall file compliance tariffs consistent with this Order and the Settlement Agreement at least 30 days prior to the effective date of the tariffs.

PUBLIC SERVICE COMMISSION



Kevin Cramer
Commissioner



Brian P. Kalk
Chairman



Bonny M. Fetch
Commissioner