



I/M/O the Application of the Northern States Power Company  
For Authority to Increase Rates for Electric Service in North Dakota

Case No. PU-12-813

Opening Statement

My name is Dante Mugrace. I am a Senior Consultant with the Economic and Management Consulting Firm of Snavely-King Majoros and Associates, Inc. Our Offices is located in Landover MD. I am appearing on behalf of the Advocacy Staff of the North Dakota Public Service Commission. I have provided testimony with respect to the Company, Northern States Power Company's, Revenue Requirement for its Electric Service operations in North Dakota.

My approach in calculating the recommended revenue requirement is based upon the use of a three year historical average (2010, 2011, and 2012, for the Company's Other Operating Revenues and its Operating Expenses. The use of a three year average provides for:

- A normalized level of its Other Operating Revenues which takes into consideration the variations and fluctuations occurring year to year, and operating cycle to operating cycle, and provides for a smoothing of Other Operating Revenues going forward.
- A normalized level of Operating Expenses which takes into consideration the variations and fluctuations occurring year to year, and operating cycle to operating cycle, and provides for a smoothing of expenses going forward.
- The results of a three year historical average approach provides the basis to set a foundational level related to the Company's Other Operating Revenues and Operating Expenses instead of the Company's 2013, fully forecasted test approach for its financial data. The main factor for the use of a three year historical average is that the Company does not produce interim or semi-annual financial statements. It is therefore difficult to test whether the Company's projections are comparable and reliable with known actual results. I also have taken into consideration and made

recommendations regarding the Company's forecasted and individual 2013 adjustments to its Other Operating Revenues and its Operating Expenses.

- For the setting of the Company's Retail Operating Revenues I've relied on the Company's Notice (Schedule 2) which the Company has projected total MWH Sales of 2,270,721. Based upon Company data requests (ND-PSC 5-025, which shows 5 months of usage as of May 2013 and annualized at 2,436,000 MWH) it is clear that MWH Sales have increased since the Company filed its Rate Case proceeding in December 2012. I have used a percentage factor of a 1.54% increase as described in my testimony to set projected MWH Sales in 2013 along with an historical average of three years of Kwh costs at 7.68 cents to compute my recommended Sales Revenues of \$177,077,000.

My approach to the Company's proposed Rate Base is the use of the Company as filed 2012 Earnings Report for the North Dakota Jurisdiction, which shows the Plant in Service Average Balance. I've taken into account the Company's various proposed and forecasted adjustments expected to occur in 2013 as shown on Company Exhibit AEH-1 Schedule 5 I have also taken into account and have accepted the Company's various data responses with regard to its North Dakota Jurisdictional capital additions for 2013 and applied the Company's allocation factor applicable to the North Dakota Operations to compute a projected capital plant addition balance that is expected to be placed in service for 2013.

Based upon this approach, my recommendation is a Rate Base balance of \$326,528,000 and a Rate of Return as recommended by Witness Charles King, of 7.138% which calculates to a Utility Operating Income of \$23,307,000. The recommended ratemaking components calculates to an overall revenue requirement decrease of \$9,999,000, as opposed to the Company's revenue requirement increase of \$14,884,000 as calculated by Company Witness Ms. Heuer in her Rebuttal Testimony.

I have relied on the testimony of Michael Majoros regarding the recommended Depreciation Expense to include in my revenue requirement calculation and on the testimony of Dr. Karl Pavlovic regarding the various

jurisdictional allocators to the Company's Rate Base Components and certain of the Company's Operating Expenses.