



**LAURA MCCARTEN**  
**POLICY**  
**EVIDENTIARY HEARING OPENING STATEMENT**  
Case No. PU-12-813

Commissioners Kalk, Christmann and Fedorchak, Judge Fetch and Commission Staff, good morning. I am Laura McCarten, Regional Vice President for Northern States Power Company. We appreciate the opportunity to come before the Commission today to explain our rate request and develop a full and thorough record on which the Commission can base its decision.

Our modified rate request seeks Commission approval for a \$14.9 million revenue requirement increase, based on updated financial information and a 10.25 percent return on equity. This rate request is necessary to support ongoing investments in our system to ensure safe and reliable electric service. These investments include life extensions for both our Prairie Island and Monticello nuclear power plants and a power uprate at Monticello. We are also seeking recovery of investments in our transmission and distribution systems. These investments are in our customers' interests, both in the near-term and long-term, as reliable electric service is one of the highest priorities for our customers and is a key factor in supporting economic growth.

We appreciate Advocacy Staff and the consultants' general support for the investments we are making. While Staff and their consultants do not agree on all aspects of our rate request, we are encouraged that the bulk of our request is not in dispute.

We recognize the cost impact these needed investments have on our customers, and we're eager to work with the Commission and Staff on ways to reduce, or mitigate,

this cost impact. To this end, I offered in my Rebuttal Testimony two proposals: first, the use of a (cost-smoothing mechanism) for our pension expense, and second, the use of a (capital step) to address future recovery of capital investments that we know we will be making. I also note that Commission approval of our proposed Transmission Cost Recovery Rider would help to mitigate the frequency of our general rate cases. I look forward to a full discussion of these possible mitigation mechanisms.

Although Staff and their consultants appear to support our system investments, we are concerned with the consultants' proposals to reverse long-standing ratemaking practices in North Dakota. We believe it is a better practice, is in the interests of our customers, and is consistent with current circumstances to use the ratemaking methodologies that this Commission has had in place for almost 20 years.

The most significant proposed change is the one to our (demand allocator.) As Company witness Scott Brockett will explain in more detail, using a 12 CP allocator remains the most appropriate jurisdictional allocation method for an integrated system such as ours, is consistent with standards of ratemaking and consistent with this Commission's precedent. The record supports the continuation of this method in this case.

We recognize the concerns of Staff and this Commission regarding the energy policy differences between states and how those differences may impact our North Dakota customers. We have been complying with our commitments to this Commission with respect to these issues and believe (we are making resource decisions that are prudent and are in the interests of all of our customers.) We will continue to meet these commitments to ensure the Commission's concerns are met while allowing the Company to recover its costs of service and earn a reasonable rate of return.

Other recommendations of Staff and their consultants relate to (costs that are not part of our rate request.) For example, Dr. Pavlovic recommends disallowance of further recovery in our Fuel Cost Rider of the costs of certain Power Purchase Agreements that have been in place for several years. Because these costs are recovered in the Fuel Cost Rider, they are by definition not part of base rates and so not part of our rate request. Should the Commission want to address recovery of the costs of these Power Purchase Agreements, the appropriate way to do so would be in a separate proceeding and on the basis of a complete record. We are willing to work with the Commission and Staff to ensure that the Commission has the timely opportunity to fully review the costs we would seek to recover through our Fuel Clause Rider.

Similarly, Staff's recommendation to disallow certain costs of new wind acquisitions should be addressed in their respective ADP Cases, as these projects are not part of this rate case.

Finally, I want to acknowledge the Commission's interest in and concerns with the new Minnesota (solar standards). I commit to you that we will make every effort to mitigate the impact of this Minnesota requirement on our North Dakota customers.

In summary, we appreciate the general agreement of the parties on the prudence of the necessary investments that are driving this case. However, the areas of disagreement are significant in terms of both importance and magnitude. We believe that application of long-standing ratemaking principles in North Dakota will result in an outcome that is fair, consistent with this Commission's precedent and with current circumstances, and that appropriately balances the interests of our customers and the Company. And, beyond this rate case, we look forward to a continued cooperative effort, working with the Staff and the Commission on the Fuel Clause Rider issue and other energy policy issues that could affect our North Dakota customers. Thank you.