



MICHAEL A. PEPPIN
CLASS COST OF SERVICE
EVIDENTIARY HEARING OPENING STATEMENT
Case No. PU-12-813

I'm employed by Xcel Energy as a Principal Pricing Analyst in the Regulatory Analysis Department.

The reason for my appearance today is that I am responsible for conducting the Class Cost of Service Studies for the Company's rate cases. In general, the purpose of a Class Cost of Service Study is to take detailed costs that have been allocated to a given jurisdiction, in this case North Dakota, and then allocate those costs to each customer class using Class allocation factors. The ultimate goal that we strive for in our Class Cost of Service Study is to identify and develop Class Cost Allocation factors that most accurately reflect what caused each cost to occur. For example, the cost of electric meters is directly driven by the number of customers in each customer class along with the average cost of meters for each customer class.

In general, the methods we used in our Class Cost of Service Study were the same methods that we've used for over 20 years with some minor revisions. Those revisions are detailed on pages 2 through 4 of my Direct Testimony.

The final results of the Class Cost of Service Study are then used by Company witness Mr. Steven Huso as a guide when designing retail rates.

We believe our CCOSS is an appropriate ratemaking tool because it is theoretically sound in that it:

- Properly recognizes that our investments in baseload generation provide benefits to all customers, particularly our energy-intensive customers and, therefore, it allocates production costs as partially capacity and partially energy driven.
- Accurately reflects the value of our peaking capacity, transmission and distribution facilities.
- Recognizes the differing impact that time usage patterns can have on the cost of service

In addition to the Class Cost of Service Study, my testimony supports a rate design change to our voltage discounts to better reflect cost, and a minor wording change to one of our tariffs.

Thank you