

## Memorandum

To: Darrell Nitschke

From: Mike Diller, Director of Economic Regulation

MRD

Date: April 21, 2014

Re: Response to Northern States Power Company's Compliance Filing  
Case No. PU-12-813

On February 26, 2014, the commission issued its Order Adopting Settlement relating to NSP's rate increase application. The Settlement Agreement provides for rate increases of 4.9% each year for 2013-2015 followed by a rate freeze in 2016. The significant increases are due primarily to large investments being made by NSP to upgrade and build new transmission and generation facilities. The Settlement Agreement requires that the rate design be consistent with the Company's originally proposed class revenue increases and that all residential classes be charged a \$14 per month customer charge.

On April 4, 2014, NSP filed its Revised Compliance Filing establishing new rates for the various customer classes resulting in an overall increase of slightly more than 10% to reflect both the 2013 and 2014 rate increases. The total increase is slightly more than two 4.9% increases due to the compounding of rates. The filing also establishes a transmission cost recovery rider tariff to allow for additional cost recovery of transmission costs not included in the Settlement Agreement. Any use of the tariff will require that an application be made by NSP and approved by the commission. Last, the compliance filing reiterates the refund method and calculation approved by the commission when the Settlement Agreement was adopted. A typical residential customer can expect a bill credit of about \$19 in June, 2014.

Attachment 11 of the Revised Compliance Filing describes the impact of the rate increase to typical customers of the various customer classes.

Staff believes the Revised Compliance Filing satisfies the Settlement Agreement and the commission's Order. Staff recommends approval.

cc: Dave Sederquist