

Supplemental Testimony and Schedules  
David M. Sparby

Before the North Dakota Public Service Commission  
State of North Dakota

In the Matter of the Application of Northern States Power Company  
for Authority to Increase Rates for Electric Service in North Dakota

Policy

January 15, 2014

Application of Northern States Power Company, a Minnesota  
Corporation, for Authority to Increase Rates for Electric Service  
in North Dakota

Case No. PU-12-813

Northern States Power Company  
Advanced Determination of Prudence  
Courtenay Wind Project Application

Case No. PU-13-706

Northern States Power Company  
Advance Determination of Prudence  
Odell Wind Project Application

Case No. PU-13-707

Northern States Power Company  
Advance Determination of Prudence  
Pleasant Valley Wind Project Application

Case No. PU-13-708

Northern State Power Company  
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Border Winds Project Application

Case No. PU-13-742

Northern State Power Company  
150 MW Border Winds Project  
Rolette County Public Convenience and Necessity

Case No. PU-13-743

Northern States Power Company  
Advance Determination of Prudence  
NG Generator Application

Case No. PU-13-194

Northern States Power Company  
Red River Valley NG Units 1 & 2  
Hankinson, ND Public Convenience and Necessity

Case No. PU-13-195

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79 PU-13-743 Filed: 1/23/2014 Pages: 23  
Exhibit NSP-40

80 PU-13-742 Filed: 1/23/2014 Pages: 23  
Exhibit NSP-40

79 PU-13-708 Filed: 1/23/2014 Pages: 23  
Exhibit NSP-40

79 PU-13-707 Filed: 1/23/2014 Pages: 23  
Exhibit NSP-40

79 PU-13-706 Filed: 1/23/2014 Pages: 23  
Exhibit NSP-40

194 PU-12-813 Filed: 1/23/2014 Pages: 23  
Exhibit NSP-40

## Table of Contents

|      |                                                |    |
|------|------------------------------------------------|----|
| I.   | Introduction                                   | 1  |
| II.  | Overview of Comprehensive Settlement           | 5  |
| III. | Our Commitment to North Dakota                 | 8  |
| IV.  | The Company's Multi-Jurisdictional Obligations | 10 |
| V.   | Financial Impacts of Settlement                | 15 |
| VI.  | Conclusion                                     | 18 |

## Schedules

Resume

Schedule 1

## I. INTRODUCTION

1

2

3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is David M. Sparby. I am Senior Vice President and Group  
5 President of Xcel Energy Inc. and President and Chief Executive Officer of  
6 Northern States Power Company (NSPM or the Company)

7

8 Q. PLEASE SUMMARIZE YOUR PROFESSIONAL QUALIFICATIONS?

9 A. I have over 33 years of experience in the energy industry, working in the  
10 legal, operations, financial, and regulatory areas of the business. In  
11 particular, I have participated in past North Dakota rate cases and regulatory  
12 proceedings before the North Dakota Public Service Commission.

13

14 In my current role, I am accountable for the overall operations and  
15 performance of the Company, with particular responsibility in the customer,  
16 community, regulatory, and legislative areas. My resume is included in  
17 Exhibit \_\_\_\_ (DMS-1), Schedule 1.

18

19 Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

20 A. No.

21

22 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

23 A. The purpose of my testimony is to support the Comprehensive Settlement  
24 of this proceeding, which the Company and Advocacy Staff submitted to the  
25 Commission on December 13, 2013 (Comprehensive Settlement or  
26 Settlement). In particular, my testimony explains our commitment to  
27 develop North Dakota generation and support North Dakota energy

1 policies; how the Settlement supports our multijurisdictional, integrated  
2 system, which benefits North Dakota customers; and the financial benefits  
3 of the Settlement.

4  
5 Q. PLEASE SUMMARIZE WHY YOU BELIEVE THE COMMISSION SHOULD ACCEPT  
6 THIS SETTLEMENT.

7 A. Through this Settlement, the Company has agreed to a resolution of this rate  
8 case that provides substantial benefits to our North Dakota customers that  
9 will continue for several years. The Company has conceded many or most  
10 of the rate case financial issues; agreed to undertake efforts to ensure that  
11 our North Dakota rates reflect an energy mix consistent with North Dakota  
12 energy policies; and accepted additional obligations to North Dakota  
13 customers that support additional regulatory oversight and promote North  
14 Dakota-based generation. Finally, the Settlement protects customers from  
15 both utility over earning and higher rate increases during the term of the  
16 plan.

17  
18 Under the Settlement, the ultimate rate increase for the 2013 test year is  
19 slightly more than 50 percent of our initial rate request, and leads to 2014  
20 and 2015 rate levels that are minimally sufficient to allow us an opportunity  
21 to recover our costs of service and provide an opportunity for us to earn a  
22 reasonable rate of return. We also provide rate relief through a base rate  
23 moratorium in 2016 regardless of our earning levels. Customers will receive  
24 a refund for 2013 and will share in any earnings above authorized levels in  
25 2014, 2015, and 2016.

26

1 The Settlement also contemplates continued use of the 12 CP demand  
2 allocator pending completion of a comprehensive study of various allocator  
3 options. We believe the concessions noted above, combined with the rate  
4 levels and structure set forth in the Settlement, provide fair and reasonable  
5 rates and substantial additional benefits to our customers while the study is  
6 being completed. Overall, the Settlement is designed to help ensure our  
7 North Dakota customers are paying reasonable rates that reflect their fair  
8 share of system costs.  
9

10 Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.

11 A. My testimony supports the Settlement developed jointly between the  
12 Company and Advocacy Staff and explains why we believe it is beneficial to  
13 our North Dakota customers.  
14

15 In particular, the Settlement:

- 16 • Offers reasonable, predictable rates for customers through 2016,  
17 with the added commitment that no new rate cases may be filed  
18 before November 1, 2016;  
19
- 20 • Shifts the risk of cost increases and under earning our allowed return  
21 to the Company, while protecting customers;  
22
- 23 • Allows our North Dakota customers to retain the benefits of our  
24 integrated system and pay rates that are consistent with North  
25 Dakota policy goals, while also encouraging North Dakota-based  
26 generation;  
27

- 1       • Provides needed support for the Company's present cycle of  
2       investment in its infrastructure, which is necessary to provide safe,  
3       reliable, and cost-effective service to our North Dakota customers;  
4       and  
5  
6       • Reflects and supports North Dakota energy policy.

7  
8       We appreciate Advocacy Staff's efforts to resolve the difficult issues in this  
9       rate case, and believe we have jointly developed a settlement that is beneficial  
10      to all of our North Dakota stakeholders.

11  
12   Q.   HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

13   A.   The remainder of my testimony is organized as follows:

- 14       • *Overview of Comprehensive Settlement*, where I provide an introduction to the  
15       terms and benefits of the Comprehensive Settlement.  
16  
17       • *Our Commitment to North Dakota*, where I describe our ongoing  
18       commitment to our customers in North Dakota, including a discussion  
19       of the activities we are undertaking or have agreed to undertake on behalf  
20       of North Dakota customers through the Comprehensive Settlement.  
21  
22       • *The Company's Multijurisdictional Obligations*, where I discuss the benefits of  
23       the Company's integrated system for our North Dakota customers, and  
24       outline how the Comprehensive Settlement supports those benefits.  
25

- *Financial Impacts of Settlement*, where I explain how the ratemaking approach in the Settlement benefits North Dakota customers financially, promotes rate predictability, and shifts risk to the Company.

## II. OVERVIEW OF COMPREHENSIVE SETTLEMENT

Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPREHENSIVE SETTLEMENT.

A. The Comprehensive Settlement utilizes a multi-faceted approach to establish rates in North Dakota that are just and reasonable, consistent with North Dakota energy policies, and supportive of the Company's investments on behalf of our customers. The Settlement addresses both specific ratemaking issues and broader policy considerations, while also developing a path toward development of North Dakota-based generation that is closer to the Company's existing loads in North Dakota.

Q. WHY DO YOU CONSIDER THIS SETTLEMENT TO BE "COMPREHENSIVE"?

A. The Settlement resolves the rates for the 2013 test year and for the years 2014, 2015, and 2016. It also resolves a number of previously-identified issues of importance to North Dakota customers. In doing so, the Settlement addresses a wide range of interrelated policy, reporting, and financial issues. The components of the Settlement are interdependent and designed to work in concert with each other, resulting in a comprehensive resolution that we believe will serve North Dakota customers well for several years to come.

Q. WHAT IS THE OVERALL RATE PLAN PROPOSED IN THE SETTLEMENT?

1 A. The Settlement addresses electric rates for the four years between 2013 and  
2 2016, employing a stable, predictable five percent base rate increase in each  
3 of the first three years with no increase in the fourth year. This proposal was  
4 designed jointly by the Company and Advocacy Staff to, in part, provide  
5 reasonable rate levels and predictability for customers. It also takes into  
6 account the support needed for the Company's present investment cycle,  
7 which is necessary to ensure the safety and reliability of our infrastructure,  
8 and structures electric rates in a manner that provides needed support for  
9 these investments on behalf of our customers.

10

11 In addition, the Settlement incorporates a reasonable Return on Equity  
12 (ROE) for each of the four years of the Settlement, as well as a 10 percent  
13 ROE for interim rates in our next electric rate case – which the parties agree  
14 could not be filed before November 1, 2016 (nor increase base rates before  
15 January 1, 2017). The ROE for each year of the Settlement term is set forth  
16 in Table 1 below:

17

18

**Table 1: Proposed Settlement ROEs 2013-2016**

| Year           | 2013  | 2014   | 2015   | 2016   |
|----------------|-------|--------|--------|--------|
| Increase       | 5.00% | 5.00%  | 5.00%  | 0.00%  |
| Authorized ROE | 9.75% | 10.00% | 10.00% | 10.25% |

19

20 The Settlement also provides protection for our customers if the Company  
21 over earns its allowed rate of return. If such an instance were to occur, the  
22 Settlement requires the Company to refund to customers 50 percent of its  
23 weather-normalized revenues above these ROEs. There is no symmetrical  
24 protection for the Company in the event we under earn our allowed ROEs.

25

1 Company witness Mr. David Sederquist provides additional detail regarding  
2 these aspects of the Settlement in his Supplemental Testimony.

3

4 Q. WHAT POLICY ISSUES DOES THE SETTLEMENT ADDRESS?

5 A. The Settlement addresses or establishes a framework to address a number of  
6 North Dakota policy issues, including:

- 7 • *North Dakota Energy Mix:* Establishes principles by which the  
8 Company's North Dakota rates will reflect a resource mix that is  
9 consistent with North Dakota energy policies;
- 10 • *North Dakota Generation:* Requires the Company to develop up to 400  
11 MW of thermal generation resources in North Dakota no later than  
12 2036, so long as it is cost-effective after taking into account the  
13 benefit of locating generation nearer to North Dakota loads; and
- 14 • *Demand Allocator:* The Company will conduct a thorough, long-term,  
15 comprehensive analysis of demand allocator methodologies, which  
16 will allow the Commission to make a robust comparison between the  
17 benefits and burdens of the available alternatives and ultimately  
18 choose an approach that reasonably reflects the costs incurred by our  
19 North Dakota customers.

20 Mr. Sederquist provides more detail regarding each of these Settlement  
21 provisions.

22

23 Q. DOES THE SETTLEMENT ALSO ADDRESS RELIABILITY CONSIDERATIONS FOR  
24 NORTH DAKOTA CUSTOMERS?

1 A. Yes. The Settlement continues our reliability initiatives and performance  
2 plan approved by the Commission in our last rate case.  
3

4 **III. OUR COMMITMENT TO NORTH DAKOTA**  
5

6 Q. PLEASE DESCRIBE THE COMPANY'S COMMITMENT TO ITS NORTH DAKOTA  
7 CUSTOMERS.

8 A. The Company is committed to providing safe and reliable service to our  
9 North Dakota customers in a cost-effective manner. To do so, it is critical  
10 to maintain, and at times upgrade, infrastructure to ensure it performs in a  
11 safe, reliable, and efficient manner. As a result, we have been, and remain, in  
12 a period of significant investment.  
13

14 Q. WHY HAS THE COMPANY CHOSEN TO INVEST IN ITS INFRASTRUCTURE AT  
15 THIS TIME?

16 A. As with virtually all machinery and equipment, it is critical to maintain and at  
17 times upgrade electric infrastructure to ensure it performs in a safe, reliable,  
18 and efficient manner. Recent key investments include extending the life of  
19 our nuclear plants, adding and upgrading other energy production facilities  
20 for our customers, and strengthening our transmission and distribution  
21 systems to provide a more resilient grid that is ready for and able to utilize  
22 new technologies. We are also investing in new facilities to better ensure our  
23 system is able to meet our customers' needs into the future. Such projects  
24 typically require planning, implementation, and investment of funds over a  
25 number of years. Mr. Sederquist explains these investments in more detail.  
26

1 Although we are crossing the peak of our current investment cycle, we do  
2 have some additional work to accomplish. While much of our major  
3 investment work at our nuclear facilities will near completion in 2014, many  
4 of our upgraded transmission facilities will come on line in 2015. Likewise,  
5 we must undertake regular refreshes of aging distribution equipment and  
6 business equipment such as our general ledger system and cyber security  
7 protections. Maintenance costs are incurred regularly, and costs continue to  
8 rise. All of these investments require additional revenues, as Mr. Sederquist  
9 further explains.

10  
11 We further understand that the Commission seeks to mitigate the cost of  
12 other states' energy policies on North Dakota customers, and wants the  
13 Company to acquire more of its energy from thermal generation located in  
14 North Dakota. We believe this Settlement addresses these goals in  
15 constructive, beneficial ways for our North Dakota customers.

16  
17 Q. HOW DOES THE SETTLEMENT ADDRESS THESE ISSUES?

18 A. The Settlement reflects our continued commitment to our customers. It  
19 includes a rate plan that is consistent with both the time and extent of our  
20 continuing investment cycle and the interests of our customers. The "5-5-5-  
21 0" plan – meaning a five percent rate increase in the three years from 2013  
22 to 2015, with no increase in 2016 – reflects a negotiated outcome that favors  
23 our customers' interests in predictable, modest rate increases while offering  
24 reasonable support for the Company's current investment cycle.

25  
26 Likewise, our agreement to structure rates to reflect an energy mix that is  
27 consistent with North Dakota energy policy is intended to focus our North

1 Dakota rates on North Dakota's energy policies. This is a significant change  
2 in approach to ratemaking, and will likely provide future cost-savings to our  
3 North Dakota customers that will be implemented in an orderly manner.  
4 Our commitment to build in North Dakota is further evidence of our efforts  
5 to balance the need for investments in our integrated system with the desire  
6 of the Commission for thermal generation in closer geographic proximity to  
7 our North Dakota load.  
8

9 Q. CAN YOU ELABORATE ON THE COMPANY'S COMMITMENTS REGARDING  
10 NORTH DAKOTA-BASED GENERATION?

11 A. Yes. Through the Settlement, we are committing to construct up to 400  
12 MW of dispatchable generation in North Dakota by 2036, consistent with  
13 prudent resource planning requirements. Mr. Sederquist further discusses  
14 this commitment. I note that the Company is currently developing 350 MW  
15 of wind production in North Dakota through the Border Winds and  
16 Courtenay projects. These projects have the benefit of capturing low-priced  
17 wind, as compared to higher-priced resources available when the Company  
18 had initially pursued its 200 MW commitment.  
19

20 Importantly, a Commission Order adopting the Settlement would give these  
21 commitments the force of law.  
22

#### 23 IV. THE COMPANY'S MULTIJURISDICTIONAL OBLIGATIONS 24

25 Q. HOW DO YOU BELIEVE THE COMPANY'S RESPONSIBILITIES TO OTHER  
26 JURISDICTIONS SHOULD AFFECT CONSIDERATION OF THE SETTLEMENT?

1 A. As noted in the Direct Testimony of Company witness Ms. Laura McCarten,  
2 the Company operates an integrated system, consisting of over 8,300 MW of  
3 generation capacity (including over 1,600 MW of nuclear capacity), many  
4 thousands of miles of transmission and distribution lines, and hundreds of  
5 substations serving customers in five states with a total load exceeding 9,000  
6 MW. North Dakota peak loads are approximately 400-450 MW. We believe  
7 that the customers of each state in our system benefit overall from this  
8 integration for many reasons. However, with these benefits come  
9 responsibilities to each of the states we serve, and it is the Company's job to  
10 balance our responsibilities when different states prioritize different energy  
11 issues. We believe the Settlement helps align North Dakota rates with North  
12 Dakota energy policies while balancing our obligations to customers in the  
13 other states within our integrated system.

14  
15 Q. IN WHAT WAYS DOES THE COMPANY'S INTEGRATED SYSTEM BENEFIT NORTH  
16 DAKOTA CUSTOMERS?

17 A. Operating an integrated system brings a number of benefits, by allowing the  
18 Company to:

- 19 • Own large baseload plants to capture economies of scale we could not  
20 create with smaller generation facilities or purchased power agreements  
21 (PPAs) alone;
- 22  
23 • Utilize a diverse mix of generation types and sources, including baseload,  
24 intermediate, and peaking facilities, PPAs, and energy exchanges, to  
25 control costs under a variety of conditions; and  
26  
27

- Employ our larger purchasing power to create economies of scale with material purchases and vendor contracts.

Q. PLEASE EXPLAIN FURTHER HOW NORTH DAKOTA CUSTOMERS BENEFIT FROM THE COMPANY'S ABILITY TO OWN LARGE BASELOAD UNITS?

A. Some of our most cost-effective energy comes from the baseload units we own and operate on behalf of our customers. Because our system is integrated and sufficiently large to support these facilities, we are able to employ them for the benefit of the jurisdictions we serve. As an example, the integrated system allows us to own and operate our nuclear facilities on behalf of North Dakota customers, which provides these customers with extremely cost-effective energy.

Q. WHY IS IT BENEFICIAL FOR THE COMPANY TO UTILIZE A DIVERSE MIX OF GENERATION RESOURCES?

A. In addition to the benefits of large baseload resources described above, the NSP integrated system also includes large intermediate resources, numerous peaking facilities, and a diverse mix of fuel types. Our intermediate units provide low cost power during on-peak periods. We also employ numerous peaking facilities so that customers will have a reliable energy supply. By owning over 31 peaking units, we can ensure sufficient reserve resources to safeguard system reliability.

Finally, as a result of the Company's size we are able to use a diverse fuel mix that protects our customers from risks associated with cost increases or scarcity of any one type of fuel.

1 Q. WHAT ARE SOME OF THE CHALLENGES OF OPERATING AN INTEGRATED  
2 MULTIJURISDICTIONAL SYSTEM?

3 A. It is our responsibility to meet the needs of each of our jurisdictions in a  
4 prudent, least-cost fashion – even when the energy policies of the  
5 jurisdictions do not fully match. In addition, we must appropriately  
6 determine and recover our system costs so that each jurisdiction pays its fair  
7 share.  
8

9 Q. HOW HAS THE COMPANY DETERMINED AND RECOVERED ITS SYSTEM COSTS?

10 A. We can directly assign most distribution costs because cost causation is clear,  
11 and we can allocate energy through usage because cost causation is largely  
12 discernible. A demand allocator is used for fixed production and  
13 transmission costs.  
14

15 Q. WHY IS A DEMAND ALLOCATOR IMPORTANT?

16 A. The demand allocator is intended to be a proxy for the impact of each  
17 jurisdiction's impact on system costs, allowing the Company to equitably  
18 recover its costs of service across multiple jurisdictions. Because a demand  
19 allocator relates to cost apportionment across jurisdictions, it is critical to  
20 our business to utilize an accurate allocation method.  
21

22 We have used a common demand allocator – 12 CP – to allocate costs  
23 between North Dakota, Minnesota, and South Dakota for almost 20 years.  
24 The Commission previously examined the efficacy of the 12 CP demand  
25 allocator as compared to the 1 CP, and concluded that the 12 CP allocator  
26 was the more appropriate approach. The care that was applied to the  
27 Commission's prior jurisdictional allocator decisions and the number of

1 years that it has been in use support taking a gradual approach to any  
2 changes.

3  
4 In addition, changing the demand allocator in one jurisdiction without  
5 detailed scrutiny of alternatives and the impacts of each option could upset  
6 the cost recovery balance between the states we serve, and deprive the  
7 Company of the opportunity to recover its costs of service. Mr. Sederquist  
8 further discusses this issue and the Settlement proposal to undertake a  
9 thorough study to address it.

10  
11 Q. HOW DOES THE SETTLEMENT ADDRESS THESE ISSUES FOR THE BENEFIT OF  
12 THE COMPANY'S NORTH DAKOTA CUSTOMERS?

13 A. The Settlement contemplates continued use of the 12 CP demand allocator  
14 until a comprehensive study of various allocator options can be completed.  
15 Although we believe the 12 CP demand allocator has served, and continues  
16 to serve, our customers well, we agree that a long-term comprehensive study  
17 of key facts and a comprehensive approach to reviewing the issue is  
18 appropriate. The Settlement further recognizes that the Commission will  
19 make its own decision regarding the most fair and accurate cost allocation  
20 method for North Dakota. This approach will benefit our North Dakota  
21 customers as well as the Company, as the Commission is not required to  
22 make a decision that would alter almost 20 years of history until all the facts  
23 are available and analyzed.

24  
25 Q. HOW DOES THE COMPANY MANAGE THE ENERGY POLICIES OF THE VARIOUS  
26 JURISDICTIONS IT SERVES?

1 A. The energy policy goals and requirements of the jurisdictions we serve have  
2 diverged increasingly in recent years. Different states place different value  
3 on renewable resources, and on the external effects of our resource  
4 decisions. Different jurisdictions also have different reporting and approval  
5 processes. We have traditionally managed our obligations on a case-by-case  
6 basis, striving to meet the expectations of each jurisdiction.

7  
8 Q. HOW DOES THE SETTLEMENT ADDRESS THESE DIFFERENCES?

9 A. The Settlement insulates North Dakota from the outcomes of energy  
10 policies in other states by creating an economic profile for a resource mix  
11 that is more consistent with North Dakota policies. This framework  
12 matches electric rates with North Dakota energy policies.

13

14 In addition, the Settlement provides a framework to drive construction of  
15 North Dakota-based generation. We do believe it is not in any of our  
16 customers' interests to build generation unless it is cost-effective. However,  
17 the Settlement "restack" of our energy mix for purposes of North Dakota  
18 rates coupled with our commitment to construct generation in North  
19 Dakota effectively requires us to include North Dakota-based generation  
20 options in our resource planning, and encourages construction of North  
21 Dakota-based generation so long as doing so makes economic sense.

22

## 23 V. FINANCIAL IMPACTS OF SETTLEMENT

24

25 Q. PLEASE DISCUSS THE OVERALL FINANCIAL GOAL OF THE SETTLEMENT.

26 A. The overall goal of the settlement is to establish just and reasonable rates.  
27 To achieve this goal, we believe the Settlement takes into consideration both

1 (i) our North Dakota customers' needs for cost-effective utility service, and  
2 (ii) the utility's need for an opportunity to recover its costs of serving  
3 customers while earning a reasonable rate of return on assets used and useful  
4 for serving our customers. The Settlement also incorporates features that  
5 favor customers' financial interests and protect customers from  
6 uncertainties, while the Company bears the risks of under earning its allowed  
7 ROE in any given year.  
8

9 Q. HOW DOES THE SETTLEMENT FAVOR THE FINANCIAL INTERESTS OF THE  
10 COMPANY'S NORTH DAKOTA CUSTOMERS?

11 A. Through this Settlement, the Company has agreed to make significant  
12 financial concessions while accepting a narrow window of opportunity to  
13 earn a reasonable ROE. Combined with the renewed focus on North  
14 Dakota energy policies, we believe the terms set forth in this Settlement  
15 allow our North Dakota customers to obtain energy at favorable rates.  
16

17 In particular, the financial aspects of the Settlement benefit our customers in  
18 several ways:

- 19 • The Settlement provides rate predictability for customers in each of the  
20 next years, while also establishing a favorable interim ROE in the  
21 Company's next rate case (no earlier than a 2017 test year);  
22
- 23 • The Company bears the risk of under earning its allowed ROE, even as  
24 we continue the current investment cycle on behalf of our customers;  
25 and  
26

- 1       • The Company must share any benefit of overearning equally with  
2       customers.

3  
4       As shown on Table 2 below and described in more detail by Mr. Sederquist,  
5       the Settlement not only incorporates reasonable ROEs for each year of the  
6       Settlement, but also impacts the Company's opportunity to earn the  
7       permitted ROE levels:

8  
9       **Table 2: Allowed vs. Projected ROEs for Settlement Period**

|                          | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--------------------------|-------------|-------------|-------------|-------------|
| Allowed ROE              | 9.75%       | 10.00%      | 10.00%      | 10.25%      |
| Projected Earned<br>ROE* | 9.86%       | 9.68%       | 10.04%      | 8.40%       |

10       \*Calculations of these ROEs are provided in Schedule 2 of Mr.  
11       Sederquist's Supplemental Testimony.

12  
13    Q.   HOW DOES THE SETTLEMENT OFFER RATE PREDICTABILITY TO THE  
14       COMPANY'S NORTH DAKOTA CUSTOMERS?

15    A.   The Settlement offers rate predictability in two separate but related ways.  
16       First, the Settlement establishes rates through 2016, giving our customers the  
17       ability to anticipate changes in their rates as needed. Second, the  
18       Settlement's rate increase structure is straightforward and easy to understand,  
19       which likewise enhances our customers' ability to plan for future rate  
20       changes. We have heard from our customers that predictability is important  
21       to their ability to develop financial plans; this Settlement achieves that  
22       objective for several years while placing the risk of cost increases or revenue  
23       losses wholly on the Company.

1  
2  
3 **VI. CONCLUSION**

4 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

5 A. The Settlement provides a resolution of the rate case and other long-  
6 standing issues that will present substantial benefits to our North Dakota  
7 customers for many years. The Settlement (i) includes a multi-year proposal  
8 that minimizes rate increases; (ii) establishes future North Dakota rates that  
9 reflect an energy mix consistent with North Dakota energy policies; and (iii)  
10 promotes North Dakota-based generation. The Settlement also requires a  
11 comprehensive study that will provide a sound and robust basis for the  
12 Commission to select a demand allocation method for the Company and our  
13 North Dakota customers. Finally, the Settlement provides predictable rate  
14 levels while the Company bears the financial risks during the term of the  
15 plan. For these reasons, I believe the Settlement provides significant overall  
16 benefits to our North Dakota customers.

17 Q. DOES THIS CONCLUDE YOUR PRE-FILED SUPPLEMENTAL TESTIMONY?

18 A. Yes, it does.  
19

STATE OF NORTH DAKOTA  
BEFORE THE  
NORTH DAKOTA PUBLIC SERVICE COMMISSION

APPLICATION OF NORTHERN STATES POWER  
COMPANY, A MINNESOTA CORPORATION, FOR  
AUTHORITY TO INCREASE RATES FOR  
ELECTRIC SERVICE IN NORTH DAKOTA

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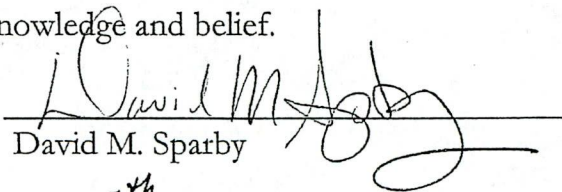
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CASE No. PU-13-195  
OAH FILE No. 20130459

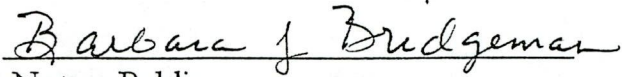
**VERIFICATION**

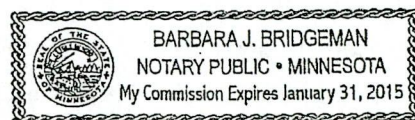
STATE OF MINNESOTA     )  
                                          ) ss.  
COUNTY OF HENNEPIN    )

David M. Sparby, being first duly sworn on oath, deposes and says that he is Senior Vice President and Group President of Xcel Energy Inc. and President and Chief Executive Officer of Northern States Power Company, d/b/a Xcel Energy, a Minnesota corporation, in the above captioned matters, that the supplemental testimony and schedules submitted in the above captioned matters under his name were prepared under his direction, that he knows the contents thereof, and that the same is true and correct to the best of his knowledge and belief.

  
David M. Sparby

Subscribed and sworn to before me this 15<sup>th</sup> day of January, 2014.

  
Notary Public  
My Commission Expires: January 31,  
2015



## DAVID M. SPARBY

### CAREER PROFILE

Xcel Energy Services Inc. and Northern States Power Company, Minnesota

|              |                                                                                                                          |
|--------------|--------------------------------------------------------------------------------------------------------------------------|
| 2013-Present | Senior Vice President and Group President, Xcel Energy Services Inc.<br>President and CEO, Northern States Power Company |
| 2011-2013    | Senior Vice President & Group President                                                                                  |
| 2009-2011    | Chief Financial Officer                                                                                                  |
| 2008-2009    | President and CEO NSP-Minnesota                                                                                          |
| 2007-2008    | Executive Vice President, Acting President and CEO NSP-Minnesota                                                         |
| 2000-2007    | Vice President, Government and Regulatory Affairs                                                                        |
| 1998-2000    | Vice President, Regulatory Affairs                                                                                       |
| 1992-1998    | General Manager, Regulatory Services                                                                                     |
| 1990-1992    | Director, Corporate Rates                                                                                                |
| 1988-1990    | Director, Gas Supply and Marketing                                                                                       |
| 1982-1988    | Attorney                                                                                                                 |

State of Minnesota, Office of the Attorney General  
1980 – 1982                      Special Assistant Attorney General

### CURRENT RESPONSIBILITIES

Responsibilities include the four utility operating companies: Northern States Power Minnesota, Northern States Power Wisconsin, Southwest Public Service Company Texas, and Public Service Company Colorado with particular emphasis on NSP - Minnesota.

The organization is responsible for improving customer satisfaction, meeting financial goals, legislative and regulatory operations and other functions.

### EDUCATION

College of St. Thomas – Masters in Business Administration  
William Mitchell College – LLB  
College of St. Scholastica – BA, History

### BUSINESS / INDUSTRY ACTIVITIES PAST AND PRESENT

- University of Colorado-Denver-Trustee Board Member
- William Mitchell College of Law-Trustee Board Member
- Minnesota Private College Council-Board Member
- Itasca Group
- Riverfront Cooperation Board Member
- MCCAG (Governor's Minnesota Climate Change Advisory Group)
- Metropolitan University Trustee
- IREE (Initiative for Renewable Energy and the Environment)
- Minnesota State Bar Association
- Ramsey County Bar Association
- Electric Edison Institute – Rate Research Committee
- Nuclear Waste Strategy Coalition (NWSC)