



414 Nicollet Mall
Minneapolis, Minnesota 55401

January 15, 2016

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
Dept. 408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

RE: NEGOTIATED AGREEMENT: EXTENSION OF RTF FILING
DEADLINE AND RATE CASE MORATORIUM

CASE NOS. PU-12-813, *et. al.*

Dear Mr. Nitschke:

At the December 15, 2015 hearing in the above referenced matters, the Commission inquired into extending: (1) the deadline by which NSP must file a proposal for a “Resource Treatment Framework” (RTF), from January 1, 2017 to January 1, 2018; and (2) the rate case moratorium proposed in our pending Negotiated Agreement, from December 31, 2017 to December 31, 2018. At hearing, NSP agreed that it could extend the RTF filing deadline but requested additional time to make a determination regarding an extension of the rate case moratorium through 2018. NSP has reviewed its financial forecasts and this letter provides a response to the Commission inquiry regarding timing.

As the Commission is aware, our most recent rate case resulted in a Settlement which provided for a four-year rate plan, with rates being set at an established percentage in 2013, 2014, and 2015, and a rate moratorium in 2016. The Negotiated Agreement pending before the Commission proposes to extend this moratorium an additional year, through 2017. Consequently, if the Negotiated Agreement in its current form is adopted, NSP would be prohibited from raising base rates (either on an interim or final basis) until after December 31, 2017.

NSP has analyzed the request to extend this rate moratorium and – based on our current forecasts, the amount of time that will have elapsed between general rate

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cases, and the investments we have made or intend to make to keep the NSP System safe and reliable – has determined that it cannot commit to not seek rate relief beyond its current commitment of December 31, 2017. Therefore, the Company is unable to extend the current rate case moratorium through 2018. While this does not mean that NSP has made a decision to file a 2018 test year rate case, NSP's current financial forecasts indicate that rising costs of service and continued investments in its system *may* require rate relief prior to 2019.

We recognize the Commission's interest in extending the rate moratorium to coincide with an extension of time to file, review, and approve an RTF. Additionally, the Commission expressed some interest in extending the RTF development timeline to better coincide with development of State Implementation Plans to comply with the Clean Power Plan so that all relevant information could be taken into account in the development of an RTF. NSP continues to believe that there is value in extending the RTF filing date to January 1, 2018 (and an expected implementation date of January 1, 2019) consistent with the expected timing of development of State Implementation Plans.

That said, we recognize that the Commission may not want to allow for the additional time without NSP's ability to extend the rate case moratorium. In that event, we believe we can still develop a robust RTF by January 1, 2017. We look forward to discussing this issue more thoroughly with Staff and respectfully request additional direction from the Commission at work session on this matter or future informal hearings on this issue.

Please feel free to contact me at (612)215-4663 or Alison.Archer@xcelenergy.com should the Commission have any questions or concerns.

SINCERELY,

/s/

ALISON C. ARCHER
ASSISTANT GENERAL COUNSEL

cc: ALJ Mann
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