



Public Service Commission

State of North Dakota

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June 15, 2017

Darrell Nitschke
Executive Director
ND Public Service Commission
600 E. Boulevard Ave. Dept. 408
Bismarck, ND 58505-0480

Re: PU-12-813
Northern States Power Company
2013 Electric Rate Increase
Application

Dear Mr. Nitschke:

Enclosed is a copy of the Settlement Agreement to be filed in the above captioned proceedings.

Best Regards,

John Schuh
Legal Counsel

Enclosure

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- 167 PU-13-708 Filed 06/15/2017 Pages: 5
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- 189 PU-13-195 Filed 06/15/2017 Pages: 5
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Settlement Agreement

STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

Application of Northern States Power
Company d/b/a Xcel Energy for
Authority to Increase Rates for Electric
Service in North Dakota

Case No. PU-12-813

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between the North Dakota Public Service Commission Advocacy Staff ("Staff") and Northern States Power Company, a Minnesota Corporation, d/b/a Xcel Energy (collectively, the "Parties"). The Settlement addresses Staff concerns regarding the scheduled expiration after 2016 of a bill credit program for customers experiencing multiple electric interruptions during a single calendar year.

BACKGROUND

As part of a Settlement Agreement to resolve all issues in Case No. PU-10-657, et. al., the Company developed and implemented a "Reliability Performance Plan" (RPP) which included, among other provisions, the establishment of a \$50 bill credit for "Customers Experiencing Multiple Interruptions" (CEMI). The CEMI credit is issued annually to customers experiencing four or more qualifying¹ electric interruptions within a given calendar year. The initially approved RPP, including the CEMI credit, was to be in effect for 2013, 2014, and 2015. In February 2014 a Settlement Agreement was reached in Xcel Energy's general rate application in Case No. PU-12-813 which extended the RPP (and CEMI credit) one additional year, to include 2016. In March 2016, the First Revised Negotiated Agreement in Case No. PU-12-813, ET. AL., extended the rate case moratorium agreed to in the February 2014 Settlement Agreement through 2017 but this settlement did not address the CEMI credit.

¹ Includes sustained outages (i.e., longer than 5 minutes) not caused by storms or other events defined as "Major Event Days", or by public damage of utility infrastructure.

In its May 2017 review of the Company's 2016 Annual Report of earnings, operating statistics, and reliability performance, Staff highlighted the following findings in a May 5, 2017 memorandum to the Commission:

- the Company's SAIFI (average annual number of outages per customer) result was less than 1 (0.91) in 2016, but still the highest result in the past five years;
- Data for the five largest substations indicated that 2016 SAIFI for the Red River substation in Fargo was the highest in the past five years;
- Underground cable failure is still the major cause of outages, and that while the number of failures has generally been lower than it was in 2013, the annual frequency has not dropped significantly;
- The SAIDI (actual total time the typical customer was out of power) result in 2016 (83 minutes) was the highest during the 4 year RPP term;
- The CEMI credits issued by the Company in 2016 (\$22,350) were the lowest since the beginning of the credit program in 2013; and
- The Company is continuing its proactive efforts to improve reliability as described in its Reliability Plan Summary included in the report.

In the memorandum Staff also addressed the scheduled expiration of the RPP after 2016 and recommended that the Commission extend the requirement to issue CEMI credits to customers. Staff noted that in 2017 the Company would still be in the process of removing all of its poorer performing, unjacketed 500 MCM underground cable, failures of which have caused outages. Staff contended that, in general, outages are inconveniences for customers and the CEMI credit provides some recognition of this. Staff also stated that the CEMI credits also helped to demonstrate that the Commission is continuing to monitor the Company's electric outage performance.

TERMS

A. Reliability Provisions

The Parties agree that continuation of the RPP in 2017 has merit given the Company's current reliability improvement initiatives, which include: completing its 500 MCM cable removal effort, expanding the use of Intelliteam automation, mitigating the occurrence of pole fires, and enhancing its distribution system lightning protection. In addition, extension of the RPP is consistent with the 2016 Negotiated Agreement's extension of other aspects of the 2014 Settlement Agreement . Specifically, the Parties agree to:

1. extend the CEMI credit program one year, to include 2017;

2. maintain the financial incentive in 2017 to achieve a North Dakota SAIDI result below 57 minutes;
3. continue the current format for the Company to report reliability performance in its 2017 Annual Report;² and
4. revisit further extension of the RPP and/or CEMI credits into 2018 after the Company reports its 2017 reliability results to the Commission.

B. Effective Date

This Settlement is effective on the date of the Commission Order approving the Settlement Agreement, and is applicable to the 2017 calendar year.

C. Scope

Consistent with the Commission's settlement guidelines, this Settlement does not set policy or overturn precedent. It does not in any respect constitute an agreement, admission, or determination by any of the Parties as to the merits of any specific allegation or contention made by the Parties in this proceeding. It does not establish any principle or precedent for this or any future proceeding.

D. Commission Modification

It is agreed that this Settlement Agreement is subject to approval by the Commission. If the Commission Order modifies or conditions approval of the Settlement Agreement either Party who deems the modification or condition unacceptable may terminate the Settlement Agreement by filing a letter with the Commission within three (3) business days of the Order stating the reasons for termination.

CONCLUSION

The Parties have agreed to the forgoing terms to resolve the issues put forth by Staff relating to the Company's reliability efforts and execute the recommendation to extend its CEMI credit program. These terms are a result of discussions between the Parties, are in the public interest, and will result in a reasonable reliability improvement program in 2017. For these reasons, the Parties urge the Commission to approve this Settlement Agreement.

[Signature page to Settlement Agreement Follows]

² As part of this commitment, the Company will continue to report available reliability-based survey results from its JD Power surveys.

Dated this 13th day of June 2017

Northern States Power Company
A Minnesota Corporation

By: Laura McCarten
Laura McCarten
Regional Vice President

Dated this 15th day of June 2017

North Dakota Public Service Commission Staff

By: [Signature]
John M. Schuh
Counsel to the Commission

[Signature page to Settlement Agreement]