

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Northern States Power Company
Transmission Facility Cost Recovery (2017)
Rates**

Case No. PU-16-658

ORDER ON TRANSMISSION FACILITY COST RECOVERY RATES

December 14, 2016

Preliminary Statement

On September 30, 2016 Northern States Power Company (NSP or Company) filed an application for approval of its 2017 Transmission Cost Recovery Rider (TCR Rider) rate.

On October 19, 2016 the Commission issued a Notice of Opportunity for Hearing. A deadline of December 5, 2016 was set for comments and requests for a hearing. No comments or requests were received.

On November 30, 2016 the Commission held an informal hearing on NSP's request.

On December 5, 2016, the Company filed an update to its original filing to incorporate the effects of the Federal Energy Regulatory Commission order regarding the return on equity used in the transmission formula rates of Midcontinent Independent System Operator (MISO) transmission owners.

This filing was NSP's third annual update to its TCR Rider. The TCR Rider was first approved by Commission order on February 26, 2014 pursuant to North Dakota Century Code Section 49-05-04.3.

The annual update includes one new transmission project.

The original filing was an increase of \$1.3 million over the currently effective rate. The December 5, 2016 adds an additional \$584,029 to this increase amount for a revised increase of \$1.9 million. However, seeing that the revised amount only includes the effect of the return on equity (ROE) change from October 2016 through December 2017, the customers will see an additional increase as transmission owners provide refunds for November 2013 through February 2015 which will be reflected in the Company's fall 2017 filing for 2018.

The current rate is \$0.002340 per kilowatt-hour for all customer classes. The 2017 rate including the MISO ROE change will be \$0.003220 per kilowatt-hour. For the average residential customer using 750 kilowatt-hours, the increase will be \$0.66 per month, or \$2.42 as compared to the current billing of \$1.76.

On November 22, 2016 Commission Staff filed a memorandum in support of the Company's filing to include the effect of the ROE change.

Commissioners asked three questions during the Informal Hearing on November 30, 2016. The first question concerned the life of the CapX2020 projects. The Company responded that transmission lines have an average useful life of 68 years and substations have an average life of 63 years. The second question concerned the variability of the RECB expenses and revenues. The variability is driven by: forecast error; changes in load sharing ratios; changes in costs, expenses and in-service dates; and the relationship of transmission capital to overall capital spending. The last question concerned the costs that the Company would incur due to the MISO-SPP settlement. The costs of the settlement will be about \$50,000 per year to energy costs which will be reflected in the Fuel Cost Adjustment.

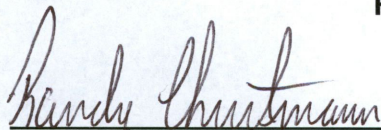
The December 5, 2016 proposed rate adjustments comply with the tariff and the incurred costs for new and modified electric transmission facilities are reasonable and prudent.

Order

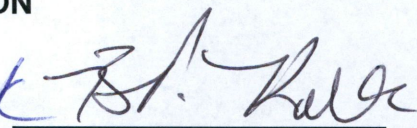
The Commission orders:

Northern States Power Company's request for a rate adjustment for its Transmission Facility Cost Recovery Rider is approved effective January 1, 2017.

PUBLIC SERVICE COMMISSION


Randy Christmann
Commissioner


Julie Fedorchak
Chairman


Brian P. Kalk
Commissioner