

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Northern States Power Company
Tax Reform Effects - Electric Utility
Rates**

Case No. PU-18-155

NOTICE OF HEARING

December 21, 2018

A **public hearing** is scheduled to begin **March 20, 2018 at 9:00 a.m. CDT** in the Commission hearing room, State Capitol, 12th Floor, Bismarck, North Dakota 58505.

On January 10, 2018, in Case No. PU-17-490, the Commission opened an investigation into the effects of federal tax reform, H.R. 1, Tax Cuts and Jobs Bill Act of 2017 (TCJA), on North Dakota regulated utilities, and required jurisdictional utilities to file information on the impact, supporting calculations, and the appropriate regulatory accounting treatment.

On October 1, 2018, Public Service Commission Advocacy Staff (Advocacy Staff) filed a Settlement Agreement between NSP and Advocacy Staff, proposing to resolve the issue of how the benefits of the TCJA will be provided to NSP's electric customers.

The issue to be considered in this matter is whether the Settlement Agreement is just and reasonable and should be approved.

The Tax Cuts and Jobs Act of 2017 (TCJA) impacts NSP's cost of providing electric service, including a reduction in the income tax rate from 35 percent to 21 percent, the creation of plant (protected) excess deferred income taxes (EDIT), and the creation of non-plant (unprotected) EDIT. The net result of these TCJA impacts is a decrease in Xcel Energy's most recent Test Year cost of service equal to approximately \$9.6 million.

The Settlement Agreement provides that \$9,763,400 will be refunded to all NSP customers of record in 2018 within 90 days of approval. The refund will be made in a single bill credit or payment and will be allocated to customer classes based on each class' most recent revenue allocation approved by the Commission. NSP indicated it would not object if the Commission orders this refund prior to acting on the Settlement Agreement and the Commission has so ordered.

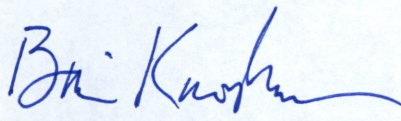
The Settlement Agreement provides that, in lieu of making additional TCJA-related refunds beyond 2018, NSP agrees to a base rate moratorium for 2019 and 2020. Specifically, NSP agrees not to file another general rate increase prior to November 1, 2020 with new rates not in effect prior to January 1, 2021. Additionally, in its next general rate case, NSP's Test Year costs of service would reflect the cost savings of the TCJA.

The Settlement Agreement provides that NSP's existing Renewable Energy Rider (RER) would be expanded to include Company-owned renewable energy resources located outside of North Dakota for which NSP has received an Advanced Determination of Prudence (ADP) from the Commission. Thus for ADPs granted for 1,850 MW of wind projects in Case Nos. PU-17-120 and PU-17-372, the Settlement Agreement provides that NSP could recover the costs of the owned wind investments (as well as other future company-owned renewable energy investments that receive an ADP from the Commission) in the RER as of their in-service date.

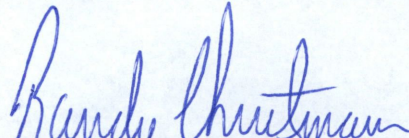
The Settlement Agreement establishes an earnings sharing mechanism during the 2019 and 2020 base rate moratorium. Specifically, in the event NSP's annual weather normalized earnings during either of fiscal years 2019 or 2020 exceed a Return on Equity (ROE) of 9.85 percent, NSP will refund to customers 100 percent of the weather-normalized revenue contributing to the excess earnings. Customers will not be charged for weather-normalized earnings below 9.85 percent.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400; or Relay North Dakota, 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials, please notify the Commission at least 24 hours in advance.

PUBLIC SERVICE COMMISSION



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