

April 24, 2020

Steve Kahl  
Director of Administration/Executive Secretary  
North Dakota Public Service Commission  
State Capitol  
600 East Boulevard, Dept. 408  
Bismarck, ND 58505-0408

**RE: In the Matter of the Application For Authorization To Track Financial Effects Of COVID-19 And Record And Defer Such Financial Effects Into A Regulatory Asset Case No. PU-20-\_\_\_\_\_**

Dear Mr. Kahl:

Enclosed for filing is a Joint Application on behalf of Montana-Dakota Utilities Co., Xcel Energy, and Otter Tail Power Company for authorization to track financial effects of the COVID-19 pandemic and record and defer such effects as a regulatory asset.

Inquiries regarding this filing may be directed to the following company representatives:

Tamie A. Aberle  
Director of Regulatory  
Affairs  
Montana-Dakota Utilities  
Co.  
400 North Fourth Street  
Bismarck, ND 58501  
tamie.aberle@mdu.com

Pete Beithon  
Manager, Regulatory  
Recovery  
215 S Cascade St  
Fergus Falls, MN 56537  
pbeithon@otpc.com

David H. Sederquist  
Senior Consultant,  
Regulation and Finance  
Xcel Energy  
2302 Great Northern Drive  
Fargo, ND 58102  
dave.sederquist@xcelenergy.com

- 1 PU-20-220 Filed 04/24/2020 Pages: 10  
Application to track and defer costs incurred resulting from COVID-19 pandemic  
Northern States Power Company
- 1 PU-20-192 Filed 04/24/2020 Pages: 10  
Application to track and defer costs incurred resulting from COVID-19 pandemic  
Northern States Power Company

Mr. Kahl  
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An electronic copy of this filing is being sent to ndpsc@nd.gov. An original and seven copies are being sent by U.S. mail.

Sincerely,



Tamie A. Aberle



Peter J. Beithon



David H. Sederquist

cjh  
Enclosures  
By electronic filing and U.S. mail

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

In the Matter of the Application For Authorization )  
To Track Financial Effects Of COVID-19 And ) Case No. PU-20-\_\_\_\_\_  
Record And Defer Such Financial Effects Into A )  
Regulatory Asset )

**INTRODUCTION**

Montana-Dakota Utilities Co., Northern States Power Company d/b/a Xcel Energy, and Otter Tail Power Company (“Applicants”), respectfully request that the North Dakota Public Service Commission (“Commission”) authorize each of the Applicants to track, defer, and record as a regulatory asset, incremental costs incurred by each Applicant resulting from the COVID-19 pandemic.

**APPLICATION**

In support of this application made pursuant to N.D.C.C. Title 49, the Applicants provide the following:

1. Montana-Dakota Utilities Co. (Montana-Dakota) is a Delaware corporation duly authorized to do business in the State of North Dakota as a foreign corporation and doing business in the State of North Dakota as a public utility subject to the jurisdiction of and regulation by the North Dakota Public Service Commission (Commission) under Title 49, North Dakota Century Code, as amended<sup>1</sup>. Montana-Dakota provides electric service to approximately 93,000 electric customers and 110,900 gas customers in North Dakota.

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<sup>1</sup> Montana-Dakota's Certificate of Incorporation and amendments thereto have been previously filed with the Commission under Case No. PU-08-710 and such Certificate and Amendments are hereby incorporated by reference as though fully set forth herein.

2. Northern States Power Company is a Minnesota corporation duly authorized to conduct business in the State of North Dakota as a foreign corporation. The Company conducts business in the State of North Dakota as a public utility subject to the jurisdiction and regulation of the Commission pursuant to Title 49 of the North Dakota Century Code.<sup>2</sup> Northern States Power Company presently serves approximately 95,000 retail electric customers in and around Fargo, Grand Forks, and Minot, North Dakota, and 50,000 natural gas customers in Fargo and Grand Forks.

3. Otter Tail Power Company is a Minnesota corporation duly authorized to conduct business in the State of North Dakota as a public utility subject to the jurisdiction and regulation of the Commission pursuant to Title 49 of the North Dakota Century Code. Otter Tail presently serves approximately 57,000 customers in North Dakota.

4. The COVID-19 pandemic presents our country and our State with unprecedented circumstances, due to the ease of transmission of the virus, the devastating health impacts it can have on persons contracting the virus, and the socioeconomic impacts the pandemic is having on society at large. On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 a pandemic. On March 13, 2020 North Dakota Governor Doug Burgum declared a state of emergency and issued Executive Order 2020-03. Also, on March 13, 2020, President Trump declared the COVID-19 pandemic a national emergency.

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<sup>2</sup> Northern States Power Company's Certificate of Incorporation with amendments and Certificate of Authority were filed with the Commission on September 30, 2009, and October 12, 2009, respectively, in Case No. PU-09-664. Current Certificates of Good Standing issued by the North Dakota and Minnesota Secretaries of State were filed in the same case and are incorporated herein by reference.

Subsequent Executive Orders from Governor Burgum have refined guidance to the public concerning response to and limiting exposure from this pandemic.

5. On March 19, 2020, Governor Burgum issued Executive Order 2020-06, in order to “limit the movement of individuals in the State and control the occupancy and use of buildings and premises, as well as non-essential congregate settings to respond to the threats to public health and safety, in response to the COVID-19 crisis. Executive Order 2020-06.2 was issued on April 1, 2020 extending restrictions for businesses and state facilities through April 20, 2020 and Executive Order 2020-06.3 was issued on April 15, 2020 extending restrictions for businesses and State facilities through April 30, 2020. As of this filing, it is unclear if the restrictions will be extended again and, if so, for how long. However, the impact of the pandemic on the Applicants and our customers is expected to continue beyond the April 30, 2020 expiration of Executive Order 2020-06.3.

6. As operators of critical utility services, the Applicants’ utmost priority remains the continuous provision of safe, reliable, and affordable services to our customers in these uncertain times. To do so, the Applicants are undertaking extraordinary actions in a manner consistent with State and Federal public health guidance and directives, such as the Executive Orders and incurring extra costs outside of the usual course of business. Due to these unforeseen and unprecedented events, and in expectation that ongoing and continued pandemic-related actions will be needed to ensure continued safe and reliable service during and after this pandemic, the Applicants respectfully file this Application, seeking Commission authorization for each of the Applicants to track incremental expenses incurred as a result of COVID-19, defer such expenses, and record those expenses into a regulatory asset.

7. The Commission may authorize deferred accounting of unusual and non-recurring financial impacts that were not contemplated at the time current rates were established.<sup>3</sup> By doing so, the Commission allows a utility to designate unusual and infrequent expenses as regulatory assets that may be amortized over future accounting periods. The Commission has allowed deferred accounting when the amounts are sufficiently large that they could accelerate the timing of a rate case.<sup>4</sup>

8. A number of state commissions have issued orders authorizing deferred accounting for expenses associated with COVID-19, or are otherwise exploring this issue, including the Public Service Commission of Wisconsin, the Public Utilities Commission of Texas, the Railroad Commission of Texas, the Public Service Commission of Wyoming, the Public Utilities Commission of Nevada, the Arkansas Public Service Commission, the Public Service Commission of Maryland, and the Public Service Commission of Mississippi.<sup>5</sup>

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<sup>3</sup> ND Admin. Code § 69-09-05.1-03 adopting the accounting practices set forth in the Uniform System of Accounts (USOA) prescribed by the Federal Energy Regulatory Commission, as set forth in 18 U.S.C. § 101; also N.D.C.C. § 49-05-16.

<sup>4</sup> See *Re Montana-Dakota Utilities Company, a Division of MDU Resource Group, Inc.* Case No PU-399-92-564, Findings of Fact, Conclusions of Law and Order (March 24, 1993); and *Northern States Power Company* Case No PU-17-271, Order (June 27, 2018).

<sup>5</sup> See Wisconsin Public Service Commission, Docket No. 5-AF-105 (authorizing utilities to track costs and defer expenditures incurred in response to COVID-19 crisis for potential future cost recovery); Public Utility Commission of Texas, Docket Nos. 50664 and 50703 (among other things, authorizing rider to address COVID-19 related expenses subject to future prudence review); Railroad Commission of Texas, Notice of Authorization for Regulatory Asset Accounting for Gas Utilities Affected by the COVID-19 Outbreak issued on April 8, 2020; Public Service Commission of Wyoming, Docket No. 90000-151-XO-20 (Record No. 15474) (allowing utilities to apply for deferred accounting order to allow for potential future recovery of costs and lost revenue through rates, subject to application and prudence review) and see subsequent orders approving specific utility requests (Docket No. 20003-192-EA-20, Docket No. 30026-22-GA-20 and Docket No. 20000-581-EA-20); Public Utilities Commission of Nevada, Emergency Order related to utility service and COVID-19, Docket No. 20-03021 (directing all rate-regulated jurisdictional utilities to track costs associated with utilities' efforts to accommodate customers during COVID-19 pandemic); Arkansas Public Service Commission, Docket No. 20-012-A: In the Matter of Administrative Orders Relating to the COVID-19 State of Emergency Order No. 1; Public Service Commission of Maryland Case No. 9639: State of Emergency and Public Health Emergency in the State of Maryland due to COVID-19 Order No. 89542; Public Service Commission of Mississippi, Docket No. 2018-AD-141, Order Authorizing Utility Response and Accounting for COVID-19. The National Association of Regulatory Utility

9. The State of North Dakota and world at large are currently responding to the unexpected and unprecedented COVID-19 pandemic, with federal, state, and local officials issuing new social-distancing directives and guidance on a near-daily basis. In the face of these unprecedented and challenging times, the Applicants submit that good cause exists for the Commission to authorize each utility to track, record, and defer COVID-19 related expenses in electric and natural gas regulatory assets, as these costs are unusual, unforeseeable, and may be large enough to have a significant financial impact on each utility.

10. As further detailed below, the Applicants request by this filing the authority to track incremental costs incurred as a result of COVID-19, allowing the Commission and interested parties to evaluate the recoverability of those costs and other associated impacts in future proceedings separately brought by each utility. While the Commission, utilities, and our customers have not before faced circumstances such as the current pandemic, the Applicants believe the current pandemic may have economic impacts on utility operations significant enough to warrant deferred accounting.

11. The Applicants are closely monitoring the spread of COVID-19 and the impacts to their regulated utility operations as well as taking necessary precautions to limit the spread of the coronavirus and protect the health and safety of their employees, customers, and the general public. Each utility has implemented practices and procedures in accordance with

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Commissioners has a national tracker available at <https://www.naruc.org/compilation-of-covid-19-news-resources/state-response-tracker/>.

their business continuity plans and federal, state, and local social distancing guidelines. These include but are not limited to implementing technology in order to enable larger portions of their workforce to work from home, supporting employees in alignment with self-quarantine guidance, and as necessary, providing additional personal protective equipment to employees, staggering crew start times, limiting transfer of employees between work locations, prohibiting visitors to critical operational facilities, establishing additional cleaning and sanitizing protocols for vehicles and work areas, and further measures.

12. These and other actions of the Applicants to respond to the pandemic have financial impacts. The Applicants expect that the suspension of disconnections and the deterioration in the general economy may lead to a significant increase in arrearages and uncollectible expense in the future. The Applicants also anticipate increases in administrative and financing costs associated with arrearages and uncollectible expenses, an increased need for outside services, and additional purchases of tools, materials, and supplies, among other things. The individual Applicants may also experience reduced revenue due to a reduction in utility service usage as businesses are idled, various industries are impacted, and other macroeconomic conditions affect consumer activity. Therefore, individual Applicants may also track revenue impacts resulting from changes in demand or energy consumption. While these impacts cannot currently be predicted with precision, given the unprecedented nature of the COVID-19 public health emergency, they may be substantial.

13. By this filing, the Applicants request Commission approval to track incremental costs incurred since Governor Burgum's establishment of the state of emergency on March 13,

2020, incurred as a result of COVID-19 and authorize deferral of such costs, allowing the utilities to record those expenses into a regulatory asset. The Commission's acceptance of this Application would allow each utility the ability to request recovery of these costs in a subsequent proceeding. In that proceeding, if brought by the utility, the Commission will be able to evaluate the recoverability of those costs and other associated issues.

### **CONCLUSION**

While the Applicants' businesses, service territories, customer bases, and other characteristics may differ, each of them provides critical energy services to North Dakota residents and businesses. The Applicants fully appreciate and accept their responsibilities during the ongoing state of emergency and remain committed to meeting North Dakota's energy needs during these uncertain and unprecedented times. As the Applicants work to meet these responsibilities, however, the COVID-19 pandemic is creating significant socioeconomic impacts, which in turn can have both operational and financial impacts on the Applicants. Affording Applicants the ability to track and defer these financial impacts and record them as a regulatory asset for possible future recovery will best position the Applicants to continue meeting their responsibilities, while maintaining their financial health in providing safe, reliable service. At the same time, the Commission will retain full authority to review and render appropriate judgement on the recoverability of these expenses if and when any of the Applicants request such recovery in a future proceeding. For these reasons, the Applicants respectfully request Commission approval of this Application.

Submitted April 24, 2020



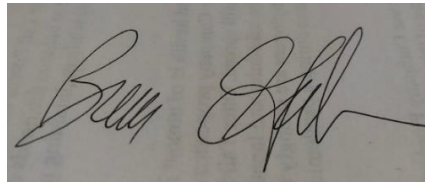
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Garret Senger  
Executive Vice President,  
Regulatory Affairs, Customer  
Service and Administration  
Montana-Dakota Utilities Co.



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Greg Chamberlain  
Regional Vice President, Regulatory  
and Government Affairs  
Northern States Power Company



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Bruce Gerhardson  
Vice President Regulatory Affairs  
Otter Tail Power Company