



414 Nicollet Mall
Minneapolis, MN 55401

March 3, 2021

—Via Electronic Filing—

Mr. Steven M. Kahl, Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept. 0408
600 East Boulevard
Bismarck, ND 58505-0480

RE: ELECTRIC RATE CASE UPDATE
CASE NO. PU-20-441

Dear Mr. Kahl:

I write to call the Commission's and parties' attention to an error the Company made in calculating the revenue requirement deficiency in the Company's pending electric general rate case (Case No. PU-20-441). Specifically, due to inadvertently including certain expenses related to gas demand twice, the revenue requirement deficiency for the 2021 test year and proposed 2021 interim rates were overstated by approximately \$3 million. We apologize for this error and for the impact it has had on our customers through interim rates.

Below, we discuss the underlying cause of this duplication, how it was discovered, and why it was not evident during the Company's data validation processes. Additionally, we discuss our plan for updating interim rates and refunding amounts we have over-collected to date, how we will update our rate case data and testimony, and the actions the Company will take to improve our processes in future rate-case applications.

I. Gas Demand Expense Duplication

In preparing to account for a future earnings test, the Company undertook work to reconcile our jurisdictional forecast data with the budget data included in the rate case and discovered a deviation. In exploring the cause of this deviation, we determined that the rate case data included an additional "Gas Demand Cost" line item. This line item specifically relates to costs associated with the reservation of firm transportation and storage capacity for our natural gas generating units. Although we have reconciliation processes that are designed to identify and correct

any duplication when we are preparing rate cases, they unfortunately did not catch this specific instance.

The result of this expense duplication is that the North Dakota Electric revenue requirement deficiency for 2021 was overstated by just over \$3 million, and the net deficiency for 2021 should have been \$19.2 million rather than \$22.2 million. With the correction, the interim rate increase for 2021 should have been \$13.3 million rather than \$16.4 million.

Table 1 below shows how the correction impacts our 2021 revenue deficiency.

Table 1 – Adjusted 2021 Revenue Deficiency

	2021 ND Electric Revenue Deficiency		
	As filed	Correction	Revised
Fuel & Purchased Energy	56,396,304	(3,045,438)	53,350,866
Other O&M	93,477,323		93,477,323
Depreciation & Amortization	60,775,375		60,775,375
Taxes	7,813,923	(4,227)	7,809,695
Non-retail revenue	(39,560,473)		(39,560,473)
Required Return	49,741,469	(17,312)	49,724,157
Total Revenue Requirements	228,643,921	(3,066,977)	225,598,483
Total Retail Revenues	206,416,272		206,416,272
Revenue Deficiency	22,227,649	(3,066,977)	19,160,672

II. Updating Interim Rates and Refunding Customers

Our primary objective at this time is to update the interim rates we are collecting from customers and to refund any amounts we have over-collected in the first few months of 2021 as quickly as possible. To do so, we commit to filing an updated interim rate request and refund plan by March 12. This time is necessary to determine the steps necessary to make this correction quickly while ensuring we will be able to refund the appropriate amount of interim charges.

This request will require Commission approval, and we expect the Commission will want time to thoroughly review it. In order to avoid rushing the Commission to a decision while also balancing the need to provide refunds and adjust interim rates for our customers as quickly as possible, we will develop our refund plan

prior to regulatory approval, making any adjustments that are needed following a Commission decision. This will allow us to implement the lower interim charge relatively quickly. We are hopeful the interim rate factor can be corrected as soon as possible within the April/May timeframe, but more work is needed to determine the best way to refund interim charges. At the same time, we will work with Commission Staff to determine the appropriate path for updating our rate case data and testimony.

III. Future Process Changes

Finally, we are reviewing our internal processes for preparing rate case data to ensure a similar error does not occur in the future. Although we believe this was a unique occurrence, it merits a full reassessment of our validation procedures, and we commit to conducting that review and reporting to the Commission on improvements we will be making.

We are thankful that we were able to discover this error and correct it after collecting only two months of interim rates from North Dakota customers. That said, it reveals the need for process improvements to avoid similar issues in the future, and we will take the steps needed to make those improvements.

Please contact me at greg.p.chamberlain@xcelenergy.com or Dave Sederquist at dave.sederquist@xcelenergy.com if you have any questions regarding this filing.

Sincerely,

/s/

GREG P. CHAMBERLAIN
REGIONAL VICE PRESIDENT, REGULATORY & GOVERNMENT AFFAIRS

- cc: Via Email
- Hope Hogan
 - David Tschider
 - John Coffman
 - Julie Clark
 - Mitchell Armstrong
 - Jack Schuh
 - Brian Johnson
 - John Hamre
 - Zev Simpser
 - David Sederquist