

Supplemental Direct Testimony and Schedules
Benjamin C. Halama

Before the North Dakota Public Service Commission
State of North Dakota

In the Matter of the Application of Northern States Power Company
for Authority to Increase Rates for Electric Service in North Dakota

Case No. PU-20-441
Exhibit___(BCH-2)

Restated Revenue Requirements

March 26, 2021

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Schedules

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1 **I. INTRODUCTION**

2
3 Q. PLEASE STATE YOUR NAME AND TITLE.

4 A. My name is Benjamin C. Halama. I am Manager of Revenue Analysis for Xcel
5 Energy Services Inc. (XES or the Service Company), the service company for
6 Xcel Energy, Inc. and its operating company subsidiaries.

7
8 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

9 A. I am testifying on behalf of Northern States Power Company, a Minnesota
10 corporation (Xcel Energy or the Company), the applicant in this proceeding.

11
12 Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?

13 A. Yes. I am the same Benjamin C. Halama who filed Direct Testimony in this
14 proceeding.

15
16 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?

17 A. The purpose of my Supplemental Direct Testimony is to provide additional
18 information related to the gas demand cost duplication that was described in
19 the Company's March 3, 2021 update letter to the North Dakota Public Service
20 Commission (Commission) in this Case (Update Letter) and which is provided
21 as Exhibit____(BCH-2), Schedule 1. My Supplemental Direct Testimony
22 discusses the impact on our request for a general rate increase and interim rate
23 increase for the State of North Dakota retail electric jurisdiction.

24
25 Q. WHAT IS THE GAS DEMAND COST DUPLICATION?

26 A. As noted in the Update Letter, the Company inadvertently included certain
27 expenses related to gas demand (*i.e.*, firm gas transportation service) twice in
28 the development of the cost of service study (COSS).

1 Q. WHAT IS THE IMPACT OF THE GAS DEMAND COST DUPLICATION?

2 A. The duplication of these costs overstated the overall retail revenue requirement
3 and revenue deficiency for the 2021 test year. Specifically, after correcting for
4 the duplication, the Company's overall retail revenue requirement decreased
5 from \$228.644 million to \$225.613 million, and the revenue deficiency
6 decreased from \$22.228 million to \$19.197 million. There are additional
7 impacts to the cost of service which I describe further below.

8

9 Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

10 A. The remainder of my testimony is organized into the following sections:

- 11 • Section II Changes to the Company's Rate Request
- 12 • Section III Impact to Case Drivers
- 13 • Section IV Conclusion

14

15 II. CHANGES TO THE COMPANY'S RATE REQUEST

16

17 Q. HOW IS THE COMPANY CORRECTING THE COST OF SERVICE TO ACCOUNT FOR
18 THE GAS DEMAND DUPLICATION?

19 A. Gas demand costs of \$3.045 million were removed from the 2021 test year and
20 \$1.573 million from the 2020 current year. These changes resulted in small
21 impacts to secondary calculations such as income taxes, deferred tax assets, and
22 cash working capital. The total impact to the Company's revenue deficiency is
23 identified in Table 1, below.

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Table 1
Adjustments to Cost of Service (\$s)

| | 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 | 2,909 | 7,816,831 |
| Non-retail revenue | (39,560,473) | | (39,560,473) |
| Required Return | 49,741,469 | 11,914 | 49,753,383 |
| Total Revenue Requirements | 228,643,921 | (3,030,615) | 225,613,306 |
| Total Retail Revenues | 206,416,272 | | 206,416,272 |
| Revenue Deficiency | 22,227,649 | (3,030,615) | 19,197,034 |

- Q. IS THE COMPANY REVISING ITS RATE REQUEST IN LIGHT OF THIS?
- A. Yes. As I noted above, the impact of the gas demand duplication is that the Company's North Dakota retail revenue requirement decreased from \$228.644 million to \$225.613 million, and the revenue deficiency decreased from \$22.228 million, as originally proposed, to \$19.197 million. With this revision, the Company is updating its rate proposal to reflect the impacts to both the Jurisdictional Cost of Service Study and the Class Cost of Service Study. The Company is making no other changes to its rate request at this time.
- Q. HOW IS THE COMPANY UPDATING THE RECORD IN THIS CASE?
- A. In addition to my Supplemental Direct Testimony, the Company is filing Revised Direct Testimony of the following witnesses:
- Policy, Mr. Greg P. Chamberlain;

- 1 • Revenue Requirements, Mr. Benjamin C. Halama;
- 2 • Class Cost of Service, Mr. Michael A. Peppin; and
- 3 • Rate Design, Mr. Nicholas N. Paluck

4

5 The Revised Direct Testimonies of these Company Witnesses updates these
6 testimonies to account for the correction of the gas demand expense
7 duplication. In addition, the Company is also filing revised schedules for the
8 Jurisdictional Class Cost of Service and associated workpapers, as well as revised
9 tariff sheets. I provide as Exhibit___(BCH-2), Schedule 2 a list of the full set
10 of proposed tariffs reflecting changes in both legislative (redline) and clean
11 format as included in Volume 2 of the Company's 2021 Electric Rate Case
12 Update.

13

14 I note that the Revised Direct Testimony of Company Witness Mr. Greg
15 Chamberlain discusses the Company's overall rate request when the gas
16 duplication correction is included.

17

18 **III. IMPACT TO CASE DRIVERS**

19

20 Q. DOES THE CORRECTION FOR THE GAS DEMAND EXPENSE DUPLICATION IMPACT
21 THE UNDERLYING DRIVERS OF THE COMPANY'S RATE REQUEST?

22 A. Not materially. As I discuss above, the gas demand expense duplication was an
23 inadvertent doubling of a specific expense in the cost of service and,
24 consequently, correcting for it requires basically a one-for-one reduction in the
25 revenue deficiency with some minor adjustments to a few secondary
26 calculations. Therefore, there are no material changes to the Company's need
27 for rate relief and the reasons driving that need.

1 Q. HOW DID THE COMPANY DETERMINE THE DRIVERS FOR ITS RATE REQUEST?

2 A. As discussed by Mr. Chamberlain in his Direct and Revised Direct Testimonies,
3 the Company compared the 2021 test-year cost of service to the 2013 test year
4 from our previous electric rate case and to our 2019 Jurisdictional Annual
5 Report (JAR) filed on May 1, 2020 to provide two “baseline” views of the
6 Company’s changed costs. In light of the erroneous gas demand cost
7 duplication, the Company has updated these comparisons in the Revised Direct
8 Testimony of Mr. Chamberlain. To provide context around the impact of
9 correcting the test-year gas demand expenses, I discuss the changes to these
10 driver analyses below.

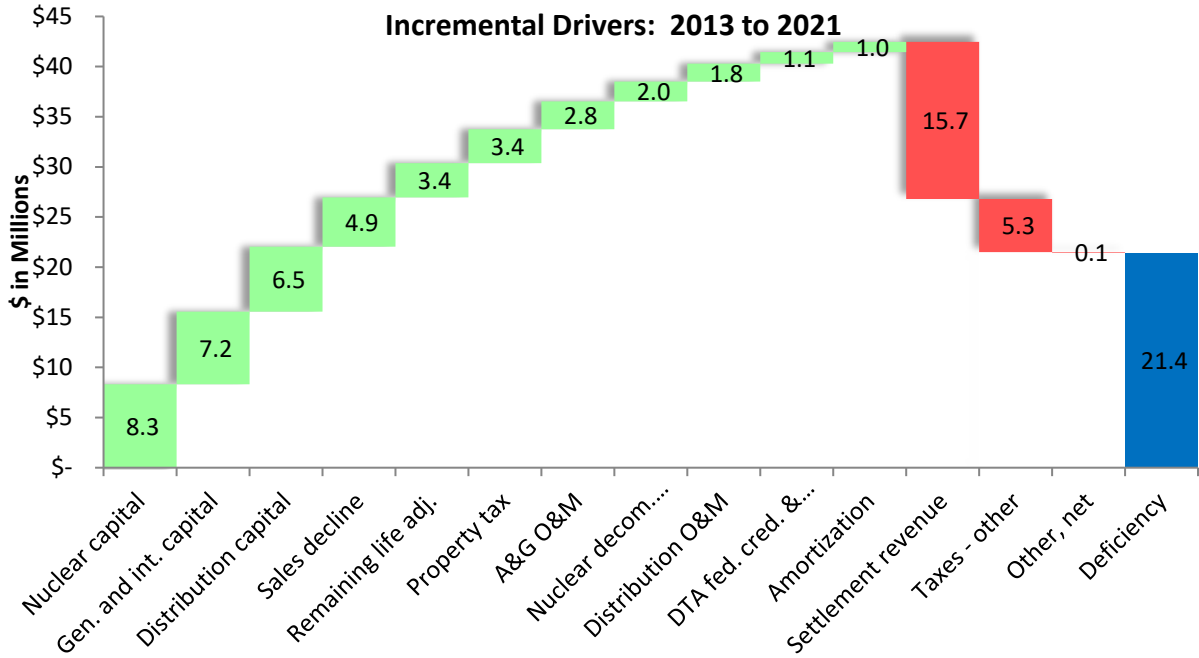
11

12 Q. PLEASE DESCRIBE THE CHANGES TO THE COMPANY’S CASE DRIVERS WHEN
13 COMPARING THE 2021 TEST YEAR TO THE 2013 TEST YEAR.

14 A. Figure 1 below, as originally filed in the Direct Testimony of Mr. Chamberlain,
15 is the “waterfall” chart used to summarize the primary categories of costs
16 driving the revenue deficiency when compared to currently approved rates (*i.e.*,
17 those established using a 2013 test year). Mr. Chamberlain discussed these
18 drivers in his Direct Testimony. Figure 2, below, as filed in the Revised Direct
19 Testimony of Mr. Chamberlain, shows the updated drivers after correcting for
20 the gas demand expense duplication. As shown in Figure 2, the incremental
21 deficiency is now \$18.4 million, which represents the *change* in the deficiency
22 between the 2013 and 2021 test years, and not the actual deficiency in the 2021
23 test year. Figure 2 demonstrates that all cost categories presented in Figure 1
24 remain unchanged in Figure 2 with the exception of “DTA fed. Cred. & NOL”
25 and “Other, net.”

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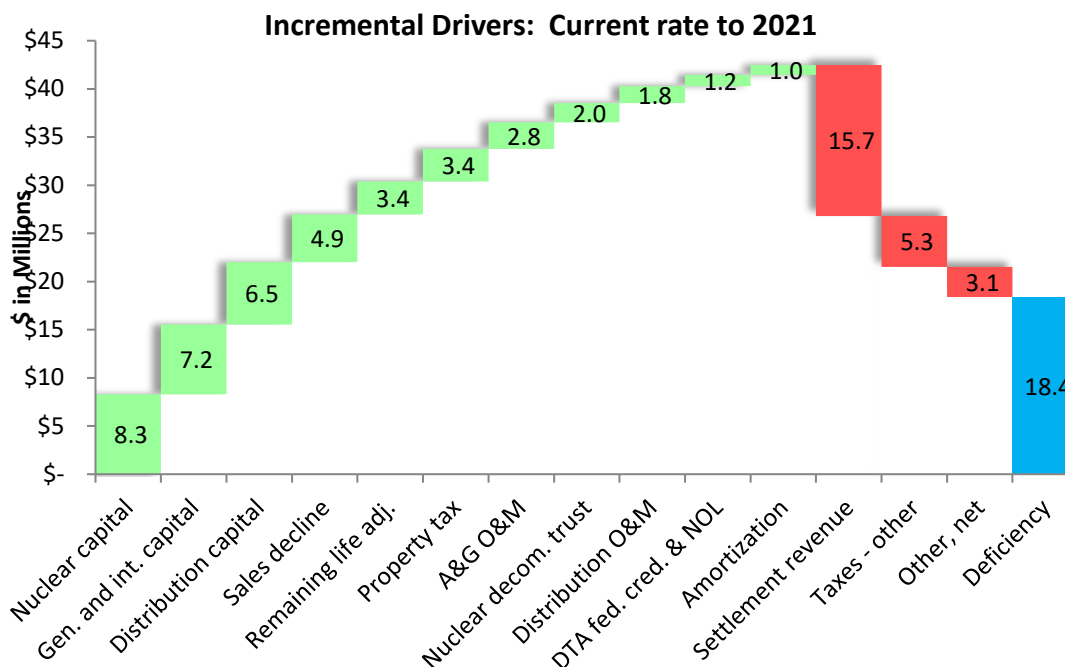
Figure 1



* Note: This figure compares the 2021 test year to the 2013 test year, which had a remaining deficiency of \$0.8 million. Therefore, the incremental deficiency above is different than the 2021 test-year deficiency.

Figure 2 below, updated for the changes described above, identifies the various categories of costs driving our revised revenue deficiency when compared to currently approved rates (i.e., those established using a 2013 test year).

Figure 2



* Note: This figure compares the 2021 test year to the 2013 test year, which had a remaining deficiency of \$0.8 million. Therefore, the incremental deficiency above is different than the 2021 test-year deficiency.

Q. PLEASE DESCRIBE THE CHANGES TO “DTA FED. CRED. & NOL”.

A. The \$100,000 change in “DTA fed. Cred. & NOL” is due to the tax implications of removing the duplicated expenses.

Q. PLEASE DESCRIBE THE CHANGES TO “OTHER, NET”.

A. The change in “Other, net” reflects the removal of the duplicated gas demand costs from this category. This results in changing the original “Other, net” driver of -\$100,000 (Figure 1) to a revised driver of -\$3.1 million (Figure 2). The revised “Other, Net” category is comprised of an increase of \$1.9 million in

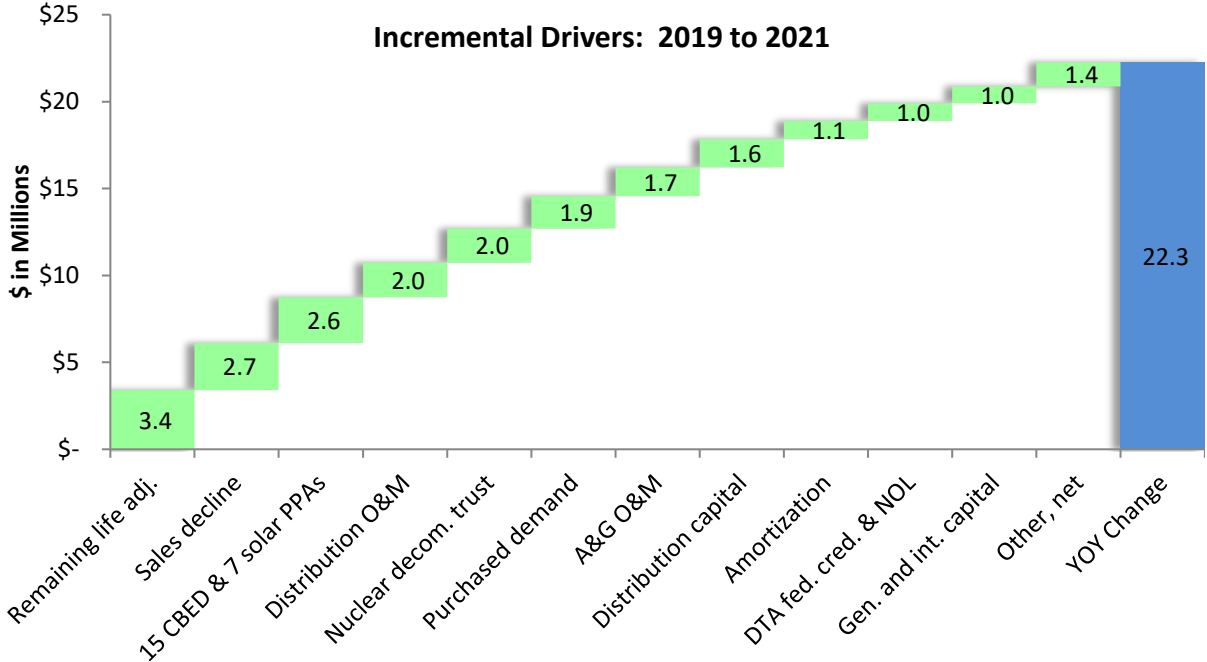
1 Interchange Agreement revenues from Northern States Power Company-
2 Wisconsin (NSPW) in 2021 compared to 2013. The Interchange Agreement
3 revenue increases are due to increased production rate base. Also included in
4 “Other, net” is an increase of \$0.6 million in revenues from municipalities who
5 provide combustible refuse for our refuse-derived fuel (RDF) power plants.
6

7 Q. PLEASE DESCRIBE THE CHANGES TO THE COMPANY’S CASE DRIVERS WHEN
8 COMPARING THE 2021 TEST YEAR TO THE 2019 JURISDICTIONAL ANNUAL
9 REPORT.

10 A. Figure 3 below, as originally filed in the Direct Testimony of Mr. Chamberlain,
11 identifies the various categories of costs driving the revenue deficiency when
12 compared to 2019 actual results. Figure 4 below, as filed in the Revised Direct
13 Testimony of Mr. Chamberlain, updates Figure 3 to account for the removal of
14 the duplicated gas demand expenses. Figure 4 shows the updated incremental
15 deficiency is now \$19.2 million. All cost categories presented in the corrected
16 Figure 4 remain unchanged from Figure 3 with the exception of “15 CBED &
17 7 Solar PPAs” and “Other, net.”

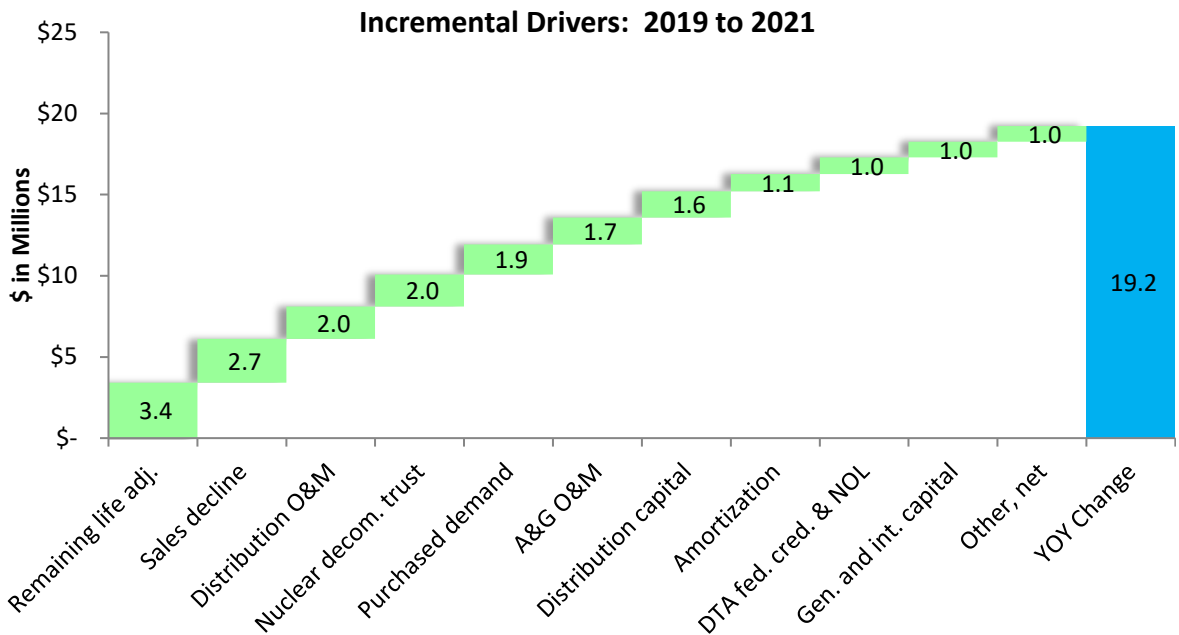
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Figure 3



* Note: This figure compares the 2021 test year to the 2019 actual year, which had a sufficiency of \$0.027 million. Therefore, the incremental deficiency above is different than the 2021 test- year deficiency.

Figure 4



* Note: This figure compares the 2021 test year to the 2019 actual year, which had a sufficiency of \$0.027 million. Therefore, the incremental deficiency above is different than the 2021 test- year deficiency.

1 Q. PLEASE DESCRIBE THE CHANGES TO “OTHER, NET” AND “15 CBED & 7 SOLAR
2 PPAS” DRIVERS.

3 A. The duplicated gas demand cost was previously reflected in the “Other, net”
4 driver category. By removing the duplication, this category is reduced by \$3.045
5 million. The remaining amount in the “Other, net” category in Figure 4 above
6 is primarily due to two items. First, our 2021 test-year cost of service includes
7 \$3.4 million of solar cost recovered in the Fuel Clause Rider (FCR). The solar
8 costs were not reflected in the 2019 Jurisdictional Annual Report filed on May
9 1, 2020; therefore, we have a variance when comparing the 2021 test year and
10 the 2019 actual year. Second, our 2021 test-year cost of service includes an
11 adjustment so that the FCR revenue and PPA costs related to the 15 CBED and
12 7 solar resources offset. No adjustment was made in the 2019 JAR filed on May
13 1, 2020 per the Revised Second Amended Settlement approved in February
14 2014 in Case No. PU-12-813; therefore, we have a \$2.623 million variance when
15 comparing the 2021 test year and the 2019 actual year. I have netted both of
16 these items in the “Other, net” category because they are not part of the
17 deficiency requested in this rate case but rather differences due to the
18 comparison of our 2021 test year as compared to the 2019 actual year.

19

20

IV. CONCLUSION

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22 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

23 A. Yes, it does.


1 STATE OF NORTH DAKOTA
2 BEFORE THE
3 PUBLIC SERVICE COMMISSION
4
5

6 In the Matter of the Application of Northern)
7 States Power Company, a Minnesota Corporation)
8 For Authority to Increase Rates for Electric Service)
9 in North Dakota)

Case No. PU-20-441
OAH File No. 20200422

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12
13 **AFFIDAVIT OF**
14 **Benjamin C. Halama**
15
16

17 I, the undersigned, being duly sworn, depose and say that the foregoing is the
18 Supplemental Direct Testimony of the undersigned, and that such Supplemental Direct
19 Testimony and the exhibits or schedules sponsored by me to the best of my knowledge,
20 information and belief, are true, correct, accurate and complete, and I hereby adopt said
21 testimony as if given by me in formal hearing, under oath.
22

23
24 
25 Benjamin C. Halama
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30 Subscribed and sworn to before me, this 22 day of March, 2021.
31

32 
33 _____
34 Notary Public
35 My Commission Expires: 1/31/2025
36





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

Proposed Tariffs: North Dakota Electric Rate Book - NDPSC No. 2

| | |
|----------------------------------|----------------------------------|
| Sheet No. 1-1, revision 3 | Sheet No. 5-39, revision 3 * |
| Sheet No. 1-2, revision 8 | Sheet No. 5-42, revision 4 |
| Sheet No. 1-D, revision 1 | Sheet No. 5-43, revision 4 |
| Sheet No. 3-1, revision 2 | Sheet No. 5-43.1, original sheet |
| Sheet No. 4-1, revision 1 | Sheet No. 5-53, revision 6 |
| Sheet No. 4-1.1, original sheet | Sheet No. 5-54, revision 6 |
| Sheet No. 4-1.2, original sheet | Sheet No. 5-55, revision 4 |
| Sheet No. 5-TOC-1, revision 6 | Sheet No. 5-56, revision 5 |
| Sheet No. 5-TOC-2, revision 8 | Sheet No. 5-57, revision 4 |
| Sheet No. 5-1, revision 9 | Sheet No. 5-59, revision 11 |
| Sheet No. 5-2, revision 9 | Sheet No. 5-60, revision 9 |
| Sheet No. 5-3, revision 4 * | Sheet No. 5-61, revision 6 |
| Sheet No. 5-7, revision 9 | Sheet No. 5-62, revision 9 * |
| Sheet No. 5-8, revision 4 | Sheet No. 5-63, revision 10 |
| Sheet No. 5-9, revision 9 | Sheet No. 5-64, revision 4 * |
| Sheet No. 5-10, revision 4 | Sheet No. 5-65, revision 4 * |
| Sheet No. 5-11, revision 3 | Sheet No. 5-66, revision 3 * |
| Sheet No. 5-12, revision 3 | Sheet No. 5-67, revision 9 |
| Sheet No. 5-13, revision 10 | Sheet No. 5-68, revision 9 |
| Sheet No. 5-14, revision 4 | Sheet No. 6-69, revision 3 * |
| Sheet No. 5-19, revision 9 | Sheet No. 5-70, revision 9 |
| Sheet No. 5-20, revision 4 | Sheet No. 5-76, revision 4 * |
| Sheet No. 5-21, revision 9 | Sheet No. 5-76.1, revision 4 |
| Sheet No. 5-22, revision 4 | Sheet No. 5-76.2, revision 5 * |
| Sheet No. 5-23, revision 4 | Sheet No. 5-77, revision 5 |
| Sheet No. 5-25, revision 9 | Sheet No. 5-78, revision 8 |
| Sheet No. 5-26, revision 3 | Sheet No. 5-80, revision 8 |
| Sheet No. 5-27, revision 3 | Sheet No. 5-80.1, revision 3 |
| Sheet No. 5-28, revision 9 | Sheet No. 5-81, revision 3 * |
| Sheet No. 5-29, revision 4 * | Sheet No. 5-82, revision 9 |
| Sheet No. 5-30, revision 3 | Sheet No. 5-82.1, revision 3 |
| Sheet No. 5-32, revision 9 | Sheet No. 5-83, revision 4 * |
| Sheet No. 5-33, revision 5 | Sheet No. 5-83.1, revision 2 * |
| Sheet No. 5-34, revision 3 * | Sheet No. 5-84, revision 3 |
| Sheet No. 5-36, revision 8 | Sheet No. 5-85, revision 3 |
| Sheet No. 5-36.1, original sheet | Sheet No. 5-86, revision 10 |
| Sheet No. 5-37, revision 5 | Sheet No. 5-87, revision 10 |
| Sheet No. 5-38, revision 5 * | Sheet No. 5-88, revision 9 |

- Shaded sheet numbers indicate a corrected sheet from the proposed tariffs submitted November 5, 2020.
- Asterisk (*) indicates no substantive change, but sheet is included to provide more complete sections of the tariff.

Proposed Tariffs: North Dakota Electric Rate Book - NDPSC No. 2

Sheet No. 5-89, revision 3
Sheet No. 5-90, revision 2 *
Sheet No. 6-TOC-1, revision 4
Sheet No. 6-TOC-2, revision 4
Sheet No. 6-1, revision 3
Sheet No. 6-1.1, original sheet
Sheet No. 6-2, revision 2
Sheet No. 6-4, revision 3
Sheet No. 6-8, revision 2
Sheet No. 6-9, revision 3
Sheet No. 6-10, revision 2
Sheet No. 6-11, revision 2
Sheet No. 6-13.1, revision 1
Sheet No. 6-15, revision 4
Sheet No. 6-16, revision 2
Sheet No. 6-17, revision 2
Sheet No. 6-18, revision 2
Sheet No. 6-19, revision 3
Sheet No. 6-20, revision 2
Sheet No. 6-21, revision 2
Sheet No. 6-25, revision 3
Sheet No. 6-26, revision 3
Sheet No. 6-27, revision 3
Sheet No. 6-30, revision 2
Sheet No. 6-31, revision 2
Sheet No. 6-34, revision 2
Sheet No. 6-35, revision 5
Sheet No. 6-38, revision 1
Sheet No. 9-10, revision 1
Sheet No. 9-12, revision 1

- Shaded sheet numbers indicate a corrected sheet from the proposed tariffs submitted November 5, 2020.
- Asterisk (*) indicates no substantive change, but sheet is included to provide more complete sections of the tariff.