

Rebuttal Testimony
Nicholas N. Paluck

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___(NNP-2)

Rate Design

June 1, 2021

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1 **I. INTRODUCTION**

2

3 Q. PLEASE STATE YOUR NAME AND QUALIFICATIONS.

4 A. My name is Nicholas N. Paluck, and I am a Rate Consultant.

5

6 Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

7 A. Yes. I filed Direct Testimony on behalf of Northern States Power Company
8 regarding the Company's proposed rate-revenue analysis, the class-revenue
9 responsibility, rate design, proposed rate schedules, and tariffs.

10

11 Q. DID ANY INTERVENORS PROVIDE DIRECT TESTIMONY REGARDING CLASS-
12 REVENUE ANALYSIS?

13 A. Yes. Mr. Karl R. Pavlovic, who submitted testimony on behalf of the North
14 Dakota Public Service Commission Advocacy Staff, provides a distribution cost
15 allocation recommendation that differs from Company Witness Mr. Michael A.
16 Peppin's Class Cost of Service Study (CCOSS).

17

18 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

19 A. I reaffirm the use of Mr. Peppin's CCOSS as a basis for the class-revenue
20 responsibility and reject Mr. Pavlovic's recommendation to move from the
21 established Minimum System distribution cost allocation method to the
22 Demand Only cost allocation method.

1 **II. DISTRIBUTION COST ALLOCATION**

2

3 **A. Response to Witness Pavlovic**

4 Q. WHAT RECOMMENDATIONS DID MR. PAVLOVIC MAKE REGARDING THE
5 ALLOCATION OF FERC 364-368 ACCOUNT DISTRIBUTION COSTS?

6 A. Mr. Pavlovic recommended a Demand Only cost allocation method for FERC
7 364-368 distribution costs.

8

9 Q. IS A DEMAND ONLY COST ALLOCATION METHOD PROPOSED BY MR. PAVLOVIC
10 A REASONABLE ALLOCATION OF COST?

11 A. No. As Mr. Peppin describes in more detail, the Demand Only cost allocation
12 method fails to properly allocate cost caused by each customer class. For
13 example, a portion of the cost of poles used to serve Residential customers
14 would be allocated to the Commercial and Industrial customers. Therefore,
15 rates based on Mr. Pavlovic's Demand Only recommendation would not be just
16 and reasonable.

17

18 Q. WHICH ALLOCATION METHOD DO YOU SUPPORT FOR THE ALLOCATION OF
19 DISTRIBUTION COSTS?

20 A. I continue to support Mr. Peppin's use of the Minimum System method for the
21 allocation of distribution costs.

22

23 Q. WHY DOES THE MINIMUM SYSTEM METHOD PROPERLY ALLOCATE COST TO
24 CUSTOMER CLASSES?

25 A. As Mr. Peppin outlines, the Minimum System allocation method recognizes that
26 there are certain costs needed to serve each class of customers regardless of the

1 demand requirements. The Minimum System method thus properly allocates
2 cost caused by each customer class.

3

4 Q. DOES THE USE OF THE MINIMUM SYSTEM ALLOCATION METHOD RESULT IN
5 JUST AND REASONABLE RATES?

6 A. Yes. The Minimum System method allocates cost to each customer class that
7 causes the distribution cost. Since the class-revenue apportionment I proposed
8 in Direct Testimony was based on Mr. Peppin's Class Cost of Service Study, the
9 resulting rates are just and reasonable.

10

11

III. CONCLUSION

12

13 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

14 A. The Minimum System cost allocation method employed by Mr. Peppin properly
15 allocates distribution cost whereas the Demand Only allocation method
16 proposed by Mr. Pavlovic does not. Therefore, I continue to recommend the
17 class-revenue apportionment be based on the CCOSS presented in Mr. Peppin's
18 Direct Testimony.

19

20 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

21 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) Case No. PU-20-441
9 in North Dakota)

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13 **AFFIDAVIT OF**
14 **Nicholas N. Paluck**
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16

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

23 

24 _____
25 Nicholas N. Paluck
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30 Subscribed and sworn to before me, this 24 day of May, 2021.
31

32 

33 _____
34 Notary Public

35 My Commission Expires: 1/31/2025
36

