



NATURAL GAS RATE MITIGATION PROPOSAL

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Informal Hearing, Case No. PU-21-9
October 21, 2021

Background

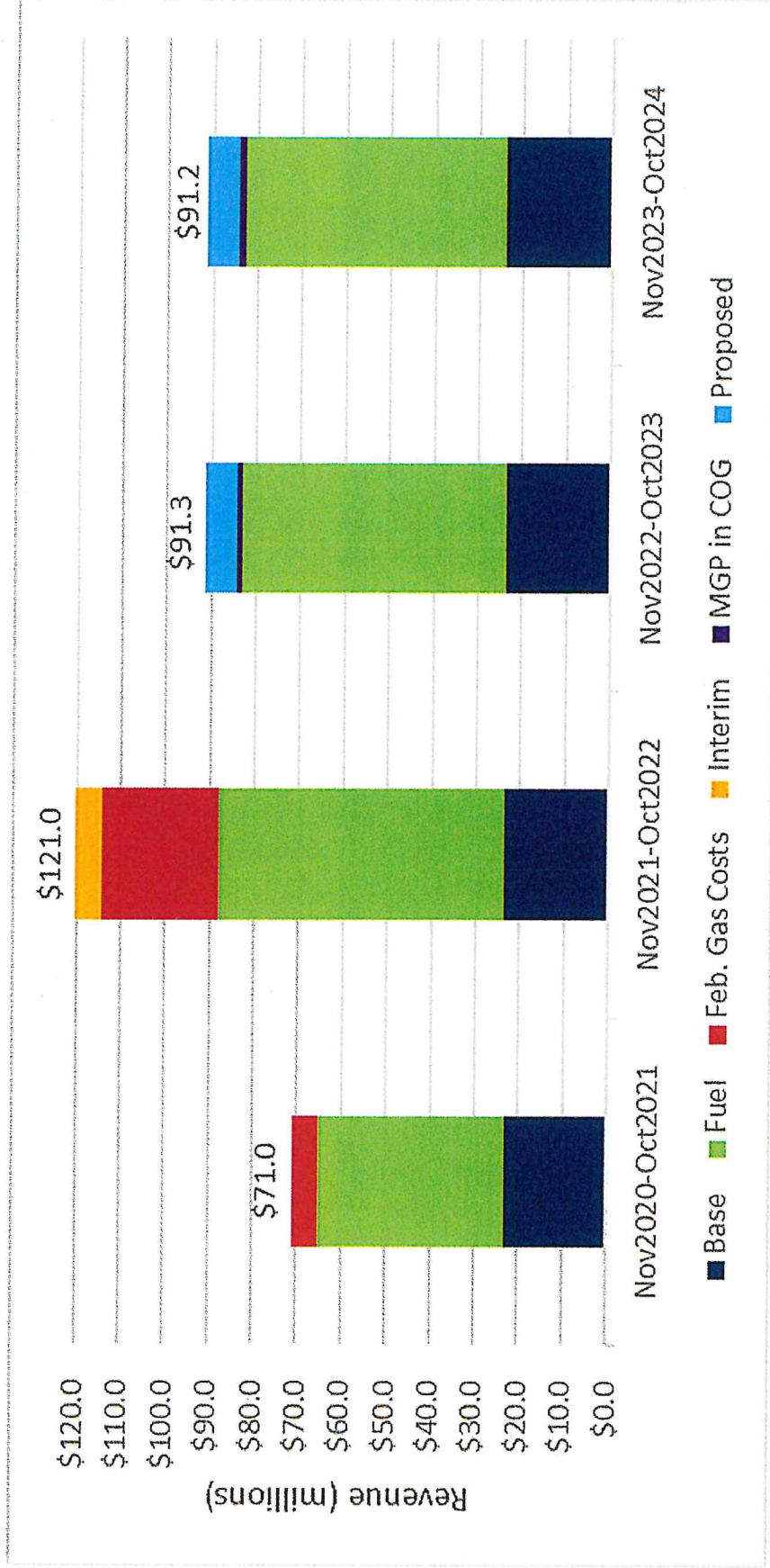
- Since the NDPSC Order approving a true-up mechanism for high February gas costs, there are new developments putting upward pressure on gas costs
 - Rising wholesale natural gas prices due to economic factors
 - NSP has filed a natural gas base rate application, with interim rates effective November 1st)
- The Company considered ways to reduce and even postpone its base rate application
- Decision was made to move forward on the case
 - The Company has not filed a natural gas rate increase in 15 years
 - A significant and needed distribution capacity project will go into service in 2022

Proposal

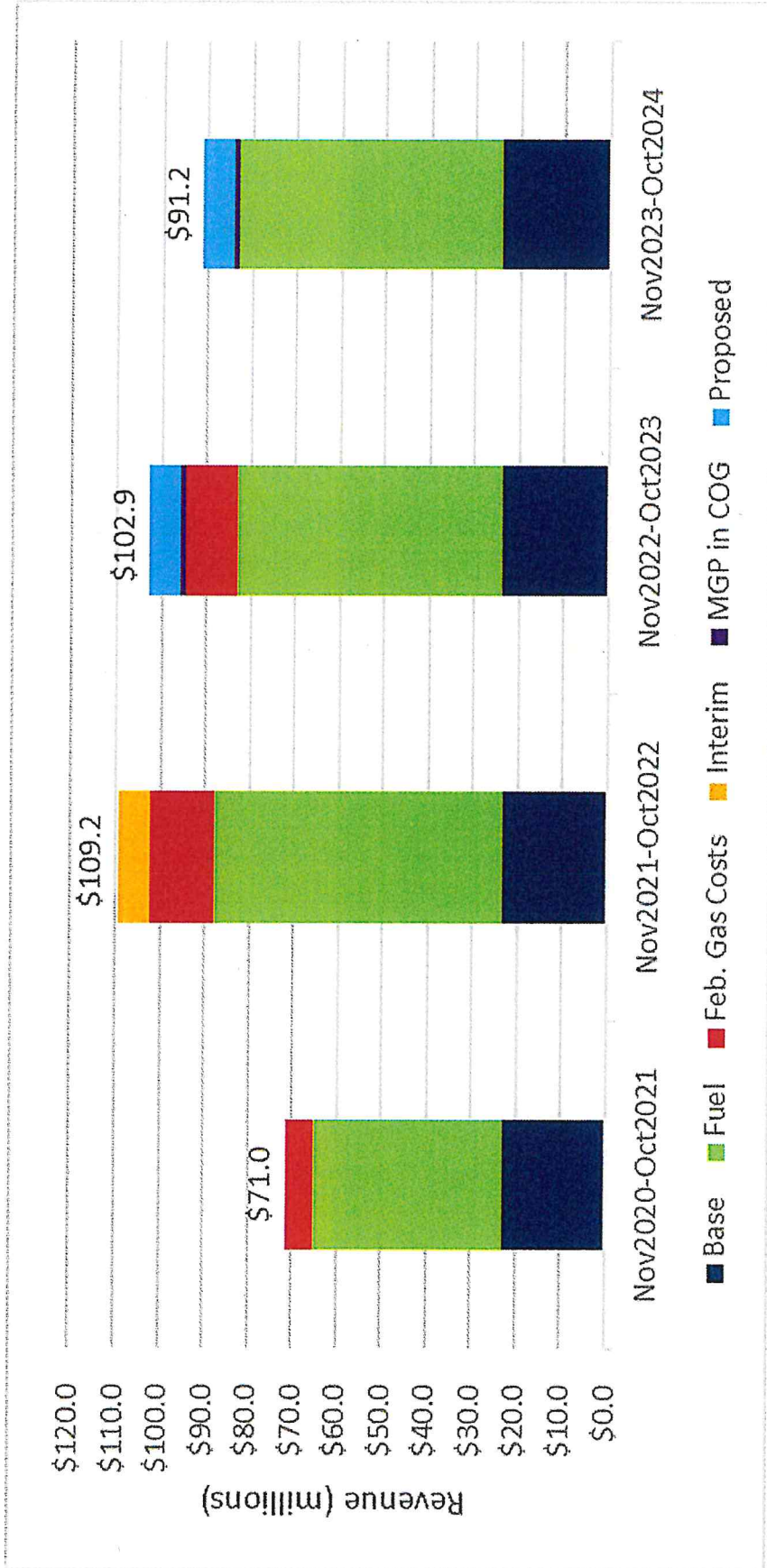
- Revise the February high gas cost true-up mechanism
 - Lengthen the recovery period from 15 months to 24 months
 - Recalibrate rates to recover remaining costs Nov. 1, 2021 through June 30, 2023
- This will result in an \$11.8 million reduction in rates during the next 12 months, more than offsetting the \$7.0 million interim rate increase¹
- Gas bills will be smoothed over the following two years as final base rates are approved and the February high gas cost true-up winds down
- Revising the February high gas cost true-up can be accomplished simply and quickly to reduce customer bill impact beginning Nov. 1.

¹ Company agreed with Staff recommendation to exclude recovery of MGP amortization expense from interim rates, reducing the interim increase from \$8.2M to \$7.0M.

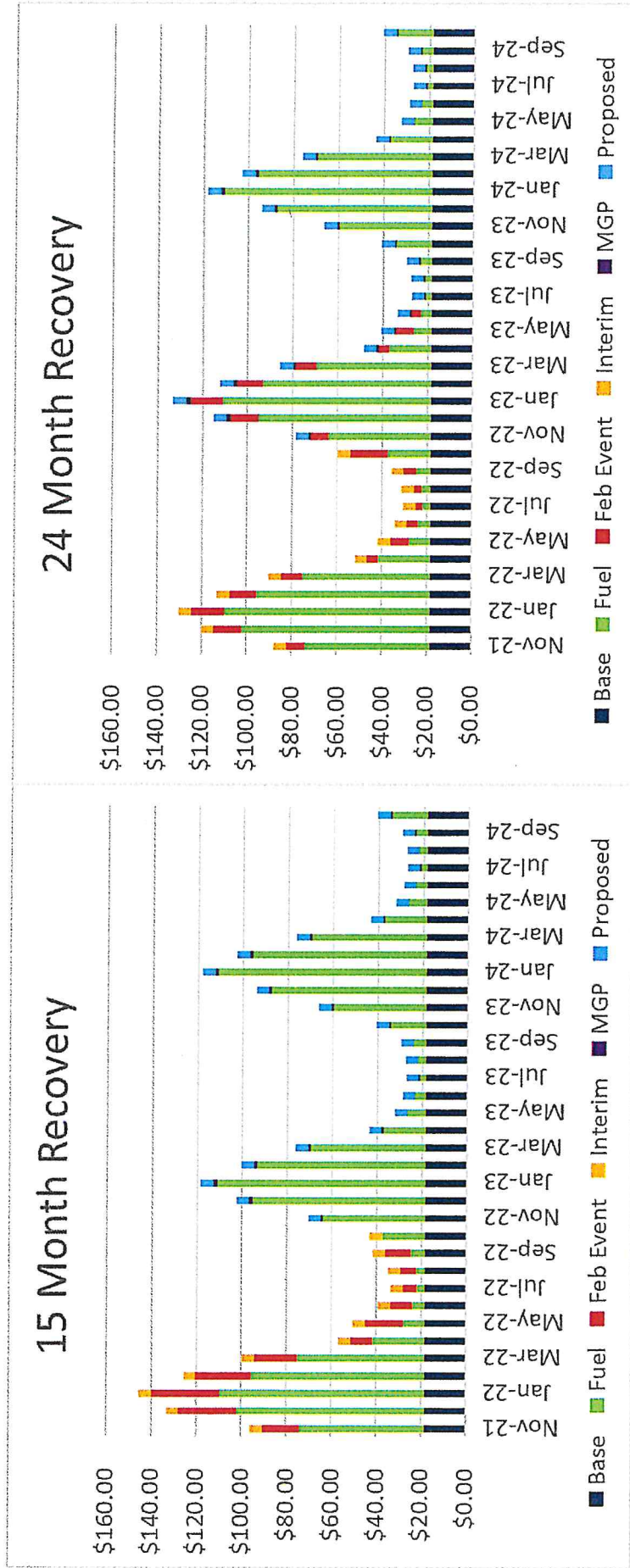
Yearly Revenue Pattern – Interim + 15 Month Recovery (\$M)



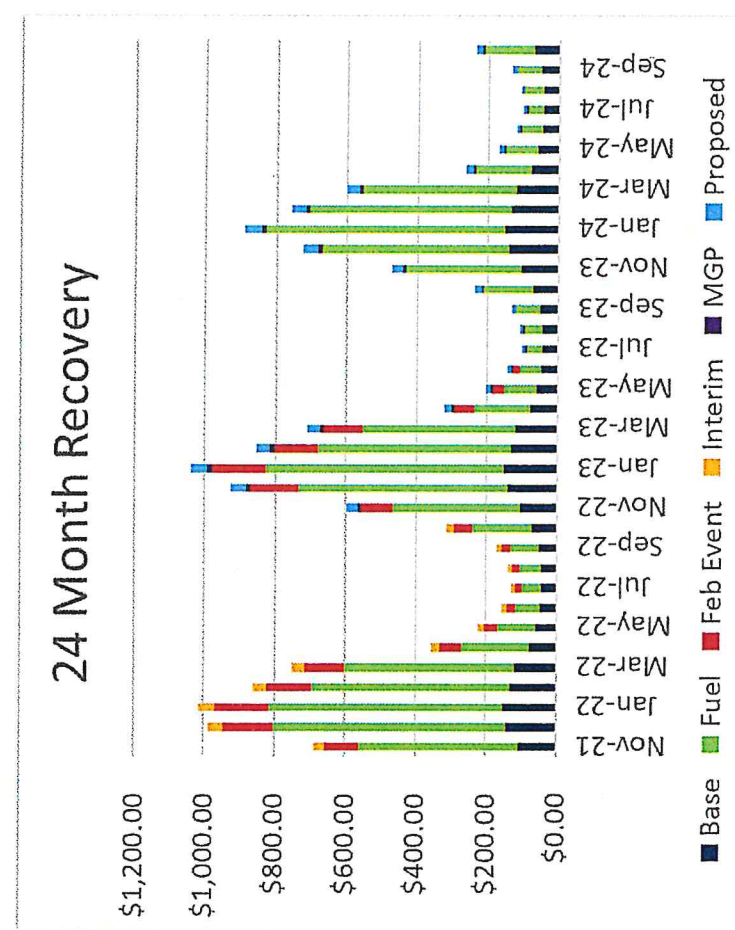
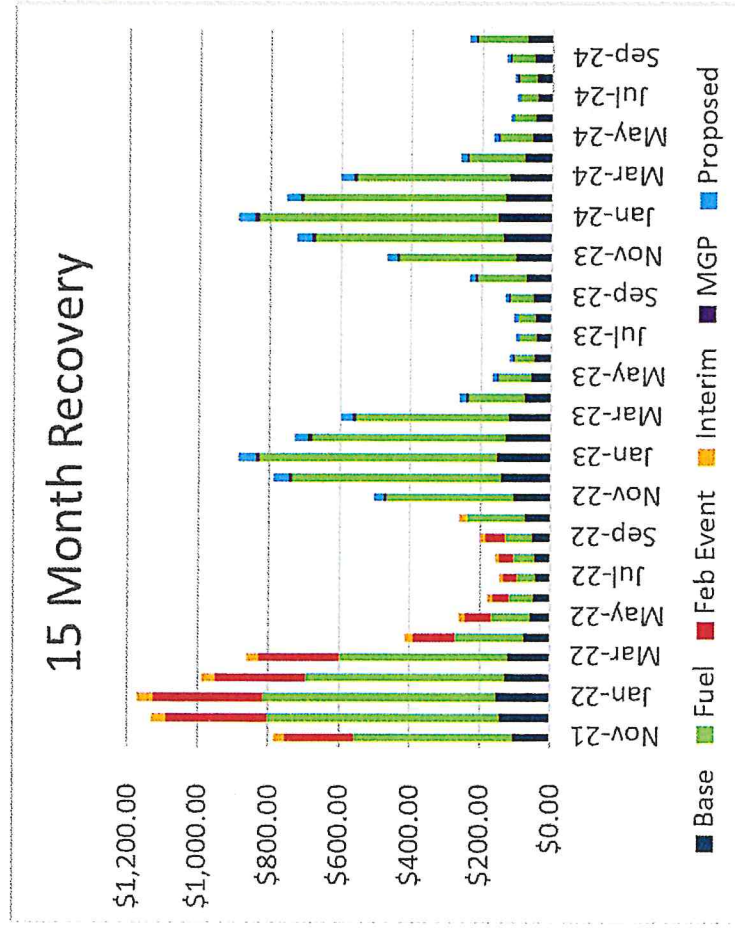
Yearly Revenue Pattern – 24 Month Mitigation Proposal (\$M)



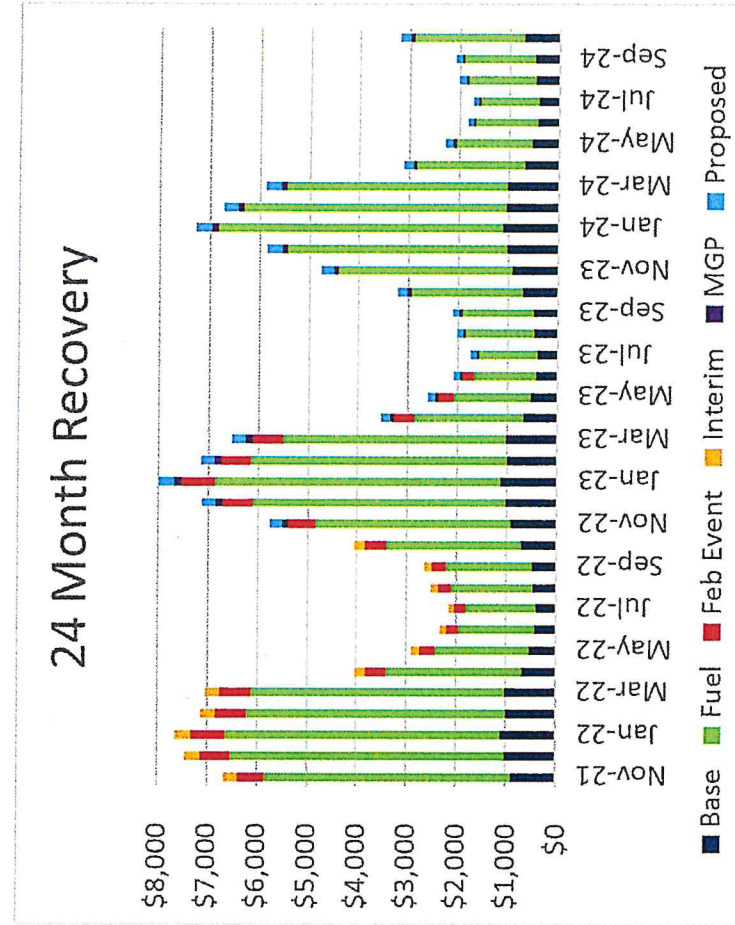
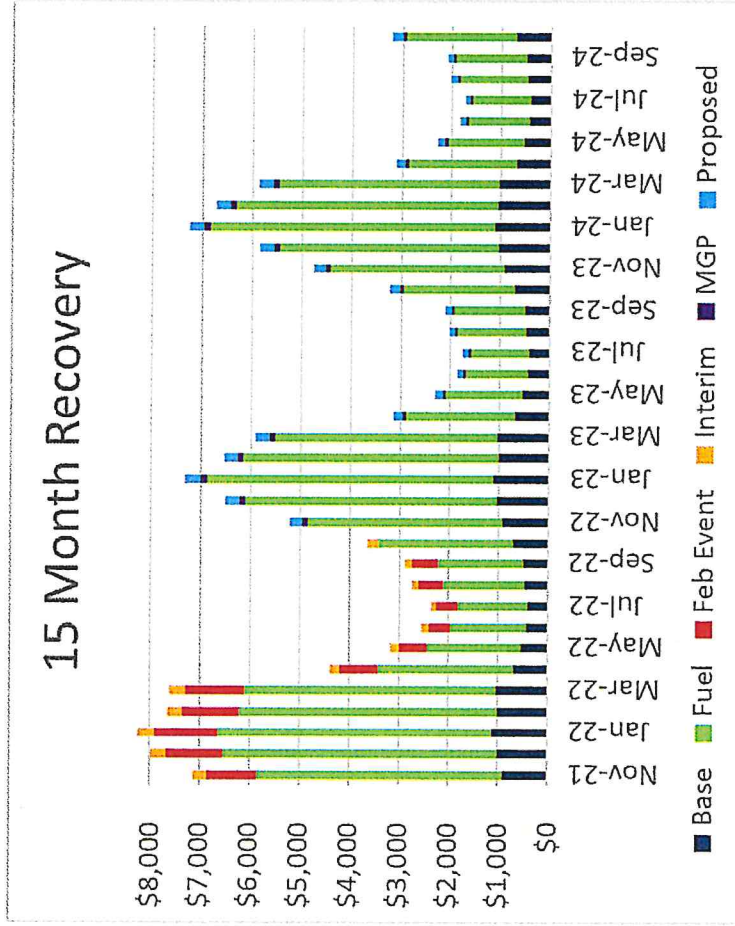
15 Month Vs. 24 Month – Residential Bill Impacts



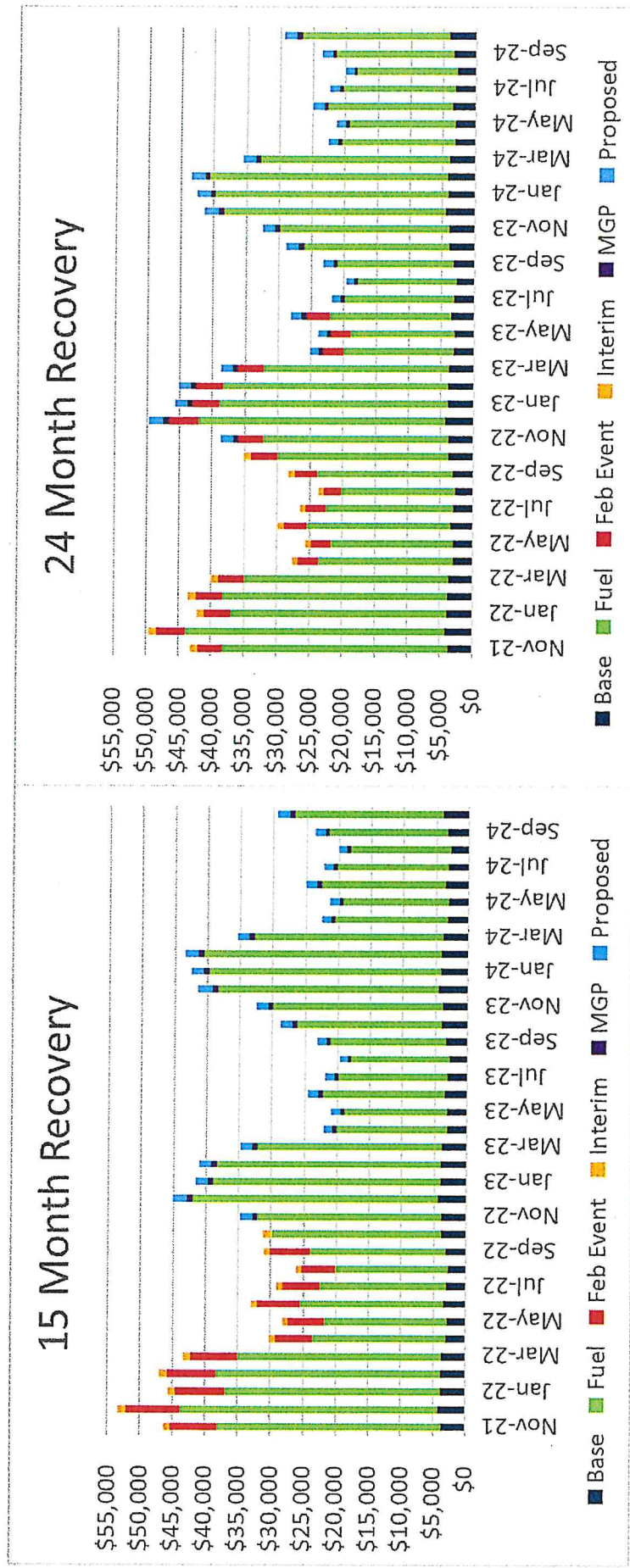
15 Month Vs. 24 Month – Commercial Firm Bill Impacts



15 Month Vs. 24 Month – Small Interruptible Bill Impacts



15 Month Vs. 24 Month – Large Interruptible Bill Impacts



Summary

- This proposal will reduce natural gas charges to consumers by \$11.8 million over the next 12 months, offsetting the \$7.0 million interim rate increase effective November 1st
- Gas bills will then moderately decline in 2023 and 2024 as the Feb. cost true-up ends and the pending rate case concludes
- This proposal can be implemented efficiently; new February gas cost true-up rates can be implemented November 1st if approval is granted by Oct. 27