**STATE OF NORTH DAKOTA**
**PUBLIC SERVICE COMMISSION**

**Northern States Power Company**
**Cost of Gas 2021**
**Tariff Monthly Adjustments**

**Case No. PU-21-9**

# ORDER

**October 21, 2021**

## Preliminary Statement

On May 18, 2021, Northern States Power Company (NSP) filed an application for a variance of North Dakota Administrative Code section 69-09-02-39, Automatic Adjustment Clauses for its cost of gas true-up. The variance would extend the time for recovery of an under-collected balance of the cost of gas adjustment from normal 12-month true-up period for each year's under- or over-collected gas costs to a 24-months true-up period from July 1, 2021, through August 31, 2023. The requested variance would allow for an increase in the cost of gas rate to allow for a 24-month amortization of the under-collected gas costs incurred during the cold weather experienced across most of the country in February 2021.

On June 29, 2021, the Commission adopted an Order waiving the relevant provisions of North Dakota Administrative Code section 69-09-02-39 and approving a 15-month amortization of the under-collected balance of the cost of gas adjustment, from July 1, 2021, through September 30, 2022.

On September 15, 2021, NSP filed with the Commission a request to amend the June 29, 2021, Order to allow a change of the 15-month amortization to a 24-month amortization, to mitigate the combined impact on North Dakota gas customers' bills of the February 2021 gas cost charges and the NSP's recently filed natural gas base rate increase request in Case No. PU-21-381.

On September 22, 2021, the Commission issued a Notice of Opportunity for Hearing (Notice), which provided until October 18, 2021, for receiving written comments and hearing requests. No requests for hearing or comments were received.

The Notice identified the issue to be considered in this matter is the appropriate time of recovery for the under-collected balance of the cost of gas adjustment.

On October 21, 2021, the Commission discussed the matter with NSP and Commission Staff during an Informal Hearing.

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Order (With Concurring Opinion and Dissent Opinion)
Public Service Commission

## Discussion

The Commission's June 29, 2021, Order approved a 15-month amortization (July 1, 2021, through September 30, 2022) of certain costs of purchased gas incurred during the cold weather experienced across most of the country in February 2021. The monthly billing impact to a residential customer using 798 therms over the 15 months is approximately $15.70.

The 15-month amortization resulted in the following cost of gas charges for July 1, 2021, through September 30, 2022:

| Customer Class | July 2021 - October 2021 | November 2021- April 2022 | May 2022- September 2022 |
|---|---|---|---|
| Residential) | $0.76822/therm | $0.19205/therm | $0.76822/therm |
| Commercial & Industrial | $0.27153/therm | $0.27153/therm | $0.27153/therm |
| Interruptible | $0.10735/therm | $0.10735/therm | $0.10735/therm |

NSP requests the Commission amend its June 29, 2021, Order to allow for a 24-month amortization (July 1, 2021, through June 30, 2023) of the under-collected gas costs incurred during the cold weather experienced in February 2021. The monthly billing impact to a residential customer using 1530 therms over the 24 months is approximately $9.78.

A 24-month amortization would result in the following cost of gas charges for July 1, 2021, through June 30, 2023.

| Customer Class | July 2021 -October 2021 | November 2021- April 2022 | May 2022- October 2022 | November 2022 – April 2023 | May 2023- June 2023 |
|---|---|---|---|---|---|
| Residential | $0.76822 /therm | $0.09318 /therm | $0.37272 /therm | $0.09318 /therm | $0.37272 /therm |
| Commercial & Industrial | $0.27153 /therm | $0.13410 /therm | $0.13410 /therm | $0.13410 /therm | $0.13410 /therm |
| Interruptible | $0.10735 /therm | $0.05740 /therm | $0.05740 /therm | $0.05740 /therm | $0.05740 /therm |

Due to the potential for inequities within certain customer classes, NSP continues to propose a rate that does not vary for commercial, industrial, and interruptible customers for November 1, 2021, through June 30, 2023.

Having considered this matter the Commission finds that it is appropriate to mitigate the combined impact on North Dakota gas customers' bills of both the February gas cost charges and the Company's recently filed base rate request (Case No. PU-21-381) by amortizing the under-collected gas costs incurred during the cold weather experienced in February 2021 over 24 months rather than 15 months.

## Order

The Commission Orders:

1. The Commission's June 29, 2021, Order in this proceeding is amended to allow for a 24-month amortization, from July 1, 2021, through June 30, 2023, of the under-collected gas costs incurred during the cold weather experienced in February 2021.

2. Northern States Power Company's proposed rate change is just and reasonable.

3. Northern States Power Company's rate change is effective for gas service rendered on and after November 1, 2021, as detailed in its September 15, 2021, filing.

**PUBLIC SERVICE COMMISSION**

"Nay"

| | | |
|---|---|---|
| **Randy Christmann**<br>**Commissioner** | **Julie Fedorchak**<br>**Chair** | **Brian Kroshus**<br>**Commissioner** |

**Concurring Opinion – Commissioner Brian Kroshus – Case 21-9**

My concurring opinion to support lengthening the recovery period from the previously approved 15 months to 24 months for fuel cost recovery associated with the February, 2021 weather event in case number 21-9, is in recognition of the unique economic hardship many low-income households and businesses continue to experience currently.

For low and fixed-income households living from paycheck to paycheck, lessening monthly natural gas utility bills through the implementation of a longer recovery period will help mitigate the impact higher projected energy costs this coming winter will have.

For businesses, spreading fuel cost recovery that in many instances totals thousands of dollars in additional, unexpected monthly expense as a result of the February, 2021 event, provides meaningful relief as they work to regain their financial footing. It in effect reduces the need to obtain larger operating loans and proportionately higher principal and interest payments.

While the economy continues to gradually improve, business owners in North Dakota currently face strong inflationary headwinds across virtually every segment of their operation on the heels of a pandemic-induced slowdown the previous 18 months.

Their requests related to the time period for fuel cost recovery as a result of the February price spike have been consistent – spread related true-up costs over a longer time period so they can avoid alternative measures including layoffs and hiring freezes, which are moves that would be damaging to their business, local community and the overall state economy.

Risks associated with a longer recovery period, from 15 to 24 months, are minimal and, in comparison, significantly smaller than other rate-related decisions the commission routinely makes, many of which total in the hundreds of millions of dollars and have collection periods of 25 years or more.

Virtually every resource and rate-making decision made by the commission comes with some degree of risk to ratepayers. The fuel-cost recovery mechanism approved on 10-21-2021 does not extend beyond widely accepted risk parameters on which the commission bases decisions.

If another unprecedented event should occur in the approved 24-month recovery period, the commission has an array of mechanisms within its authority and at its disposal, including a talented staff, capable of addressing and countering any future black swan events.

Ultimately, I remain confident in the commission's capacity to protect ratepayers in both short and long-term and in our ability to effectively address unexpected market events having significant financial consequences to ratepayers, should they occur.

Finally, state, regional and national organizations responsible for regulating energy distribution, whether electric or natural gas, are currently making corrective changes as a result of the February events, using lessons learned, to effectively avoid a repeat occurrence.

It's incumbent upon the commission to listen to those we serve. The message from the business community in particular has been clear, understandable and reasonable – spread the additional fuel cost recovery related to the February price spike over a longer period of time -- which the approved order for case 21-9 achieves.

Brian Kroshus, Commissioner

# DISSENT

## Commissioner Randy Christmann

**October 21, 2021**

**Northern States Power Company**
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NSP's request to further extend its cost of gas true-up to twenty-four months should be denied. While some relief can be gained by extending the true-up period into the summer of 2023, that extension carries enormous risk for the customers.

The normal true-up period for cost of gas is twelve months. Some years this true-up increases bills for twelve months, and sometimes it decreases them. This year, the PSC has already extended the true-up period to fifteen months because the amount of the true-up is much larger than normal and gas prices during the true-up period are expected to be higher than we have seen in the last few years.

This case is further complicated by the fact that since approval of the fifteen month true-up, NSP has filed for a general gas rate increase which will further drive up customer bills during the 2021-22 heating season, and most likely beyond.

The need for this large true-up for NSP for the 2020-21 heating season is not primarily the result of cyclical seasonal gas prices. It is primarily the result of a few days in February when the central part of the continent sustained a cold snap and wind was very light. Until the last few years the natural gas system would likely have met the demand for gas with very little problem.

However, in recent years, the move to non-dispatchable, renewable electric generation has caused coal and nuclear plants around the country to close, requiring the electric grid to add natural gas generation as a back-up for times when the renewables are not producing. For a few days in February we saw electric generators bidding against gas distribution companies in a way that drove the short term gas price up exponentially. Gas distribution companies such as NSP had no choice but to pay those absurd "market" prices or fail their customers.

The country is continuing to add large amounts of renewable electric generation. That continues to drive coal plants out of business, which means the wind must be backed up by additional natural gas electric generation. At the same time, needed expansion of the natural gas distribution system is not happening quickly enough.

While weather and natural gas prices are difficult to predict for any one winter, the undeniable fact is that events like we saw in February where short term gas prices spike exponentially are increasingly likely as the country moves away from coal.

A normal twelve month true-up, or in this case fifteen months, allows these situations to be spread out to minimize the impact but prevents pancaking multiple years that could be devastating to customers. Increasing the true-up to twenty-four months pushes 2021 costs into the summer of 2023. If similar or even worse natural gas price spikes occur during the 2021-22 heating season, the true-up for that will be piled onto the true-up for 2020-21 during the 2022-23 season. Piling the consequences on top of each other has the very realistic potential of devastating customers in the future.

It should also be noted that a fundamental part of utility regulation is allocating costs, to the extent possible, to their beneficiaries. NSP adds numerous new gas customers each month. By the time a 24 month true-up ends in the summer of 2023, there will be far too many customers paying the true-up for gas that exclusively benefitted customers in February of 2021. This is not a good allocation model.

With full understanding of the impact of this true-up, and great empathy for the customers struggling to pay it, I cannot agree with adding the possibility of compounding this true-up with a future true-up that could very realistically be as large or larger.

Randy Christmann

Randy Christmann, Commissioner