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February 15, 2021

VIA U. S. AND ELECTRONIC MAIL

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

RE: APPLICATION OF WHOLESALE NATURAL GAS REFUND TO FARGO
MANUFACTURED GAS PLANT DEFERRAL
CASE NO. PU-21-____

Dear Mr. Kahl:

Northern States Power Company, doing business as Xcel Energy, respectfully submits the enclosed Petition for approval to apply the North Dakota jurisdictional allocation of a refund from Northern Natural Gas Company, one of its interstate natural gas transmission suppliers, to partially offset the deferred costs of remediating the site of the former manufactured gas plant (MGP) located in Fargo, North Dakota.

In previous dockets, the Commission has approved similar accounting treatment for the savings resulting from the Tax Cuts and Jobs Act as well as the gain from the Company's sale of two LP storage tanks. These actions provided an efficient and expedient way to reduce the amount of remediation costs recoverable from our natural gas customers.

Please feel free to contact me at (701) 241-8632 or dave.sederquist@xcelenergy.com should you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'David H. Sederquist'.

DAVID H. SEDERQUIST SR.
REGULATORY/FINANCIAL CONSULTANT

STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

Julie Fedorchak	Chair
Randy Christmann	Commissioner
Brian Kroshus	Commissioner

IN THE MATTER OF AN APPLICATION
TO CREDIT A PURCHASED GAS REFUND
FROM NORTHERN NATURAL GAS COMPANY
AGAINST THE FARGO MANUFACTURED GAS
PLANT REMEDIATION DEFERRAL

CASE No. PU-21-____

PETITION

INTRODUCTION

Northern States Power Company, a Minnesota corporation doing business as Xcel Energy, (Xcel Energy, or the Company) recently received a refund of \$4,433,059.54 from Northern Natural Gas Company, one of its interstate natural gas transmission suppliers. The Company hereby submits this Petition for approval to apply the North Dakota jurisdictional allocation of the refund to partially offset the deferred costs of remediating the site of the former manufactured gas plant (MGP) located in Fargo, North Dakota.

The Commission approved similar accounting treatment for the natural gas utility savings resulting from the Tax Cuts and Jobs Act (TCJA) in its November 8, 2018 Order on Settlement in Case No. PU-18-156. In addition, in Case No. PU-19-103, the Commission approved the application of the gain from the Company's sale of two LP storage tanks at its Wescott facility to Flint Hills Resources, LLC to the deferred Fargo MGP remediation costs. These previous actions provided an efficient and expedient way to further reduce the amount of remediation costs recoverable from our natural gas customers.

I. GENERAL FILING INFORMATION

Pursuant to § 69-02-02-04 of the Commission's Rules of Practice and Procedure, the following information is provided:

Full Name and Post Office Address of the Applicant:

Xcel Energy
2302 Great Northern Drive
Fargo, ND 58102

We also request the following person be placed on the Commission's service list for all communications in this case:

David H. Sederquist, Sr. Regulatory Consultant
2302 Great Northern Drive
Fargo, ND 58102
dave.sederquist@xcelenergy.com or (612) 330-606

Lynnette Sweet, Regulatory Administrator
414 Nicollet Mall (401-7th Floor)
Minneapolis, Minnesota 55401
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II. NORTHERN NATURAL GAS REFUND

Northern Natural Gas (Northern) is an interstate natural gas pipeline company. Xcel Energy contracts with Northern to transport natural gas to the NSPM local distribution system, and costs are recovered from Xcel Energy's natural gas customers in North Dakota and Minnesota through the monthly Cost of Gas (COG) and Purchase Gas Adjustment, respectively. In July 2019, Northern filed a rate case with the Federal Energy Regulatory Commission (FERC) to increase their tariffed natural gas transportation rates. Northern implemented an interim rate increase from January 2020 through April 2020. Ultimately, final rates were agreed to in a multi-party settlement and implemented on May 1, 2020. The rates were approved by FERC in the fall of 2020.

On October 23, 2020, Xcel Energy received a refund of \$4,433,059.54 for Minnesota and North Dakota natural gas service from Northern for the difference between interim and final rates. Of this amount, \$551,029 is attributable to the North Dakota jurisdiction, as shown in Table 1 below using the Company's Design Day allocator.

Table 1 – ND Allocation of Refund

Item	Amount
Refund Amount	\$4,433,060
2020 Design Day Allocator	12.43 %
North Dakota Refund Allocation	\$551,029

Typically, the Company would propose to pass these refunds on to customers via a credit to the cost of gas or a one-time bill credit. However, the Company sees another opportunity with this refund to further “buy down” the deferral balance of Fargo MGP remediation costs in a manner similar to two previous requests approved by the Commission. Such treatment of the refund would reduce the eventual level of amortization expense and/or period of amortization, and thereby the rate impact for our North Dakota natural gas customers.

III. PRIOR ORDERS ALLOWING CREDITS TO THE DEFERRAL

In Case No. PU-15-514, the Commission approved the Company’s application for deferred accounting for the Fargo MGP remediation project. In that docket, the Company has been providing quarterly updates to the Commission on the progress of the remediation project.

In the Commission’s Order on its investigation into the effects of the TCJA for the Company’s natural gas utility (Case No. PU-18-156), a settlement between the Company and its advocacy staff was approved whereby the TCJA benefits, quantified as \$1,250,000 per year, are to be credited annually to the Fargo MGP remediation cost balance until implementation of final rates in the Company’s next base rate case, at which time the \$1,250,000 in tax-related savings will be incorporated into base rates and the approved MGP amortization will then be included in the COG Rider until the deferral is fully recovered.

Similarly, in Case No. PU-19-103, the Company was allowed to apply the North Dakota portion, or \$649,000, of the one-time gain on sale of assets at its Wescott LP storage facility toward the Fargo MGP remediation project, further reducing the amount of remediation costs that will ultimately be recovered from customers¹.

¹ The Company acknowledges that the final amount of MGP remediation costs subject to amortization and the term of recovery will be established after review and approval by the Commission.

IV. REQUEST TO CREDIT THIS REFUND AGAINST MGP COSTS

With this submittal, the Company respectfully requests the Commission approve our proposal to apply the Northern Natural Gas refund of \$551,029, plus monthly interest equal to the three month treasury bill rate from the time received by the Company until Commission approval, toward the costs of remediating the Fargo MGP.

The Fargo MGP deferred balance (currently just under \$10 million) represents a sizable expense for our natural gas customers, and may ultimately take several years to amortize and recover in rates. The Company believes applying the the Northern Natural refund – and potentially future credits² – to the MGP deferral is the preferable approach to passing these benefits to customers because it immediately reduces the MGP deferral amount, and ultimately mitigates rate impacts and/or shortens the amortization period. This approach also has the benefit of avoiding billing complexities and the administrative effort to execute a relatively small one-time bill credit (less than \$5 for the typical residential customer) for customers who are already benefitting from some of the lowest natural gas prices in the past 20 years.

With this approach, the accounting would be as follows: the North Dakota refund amount would be credited to the MGP deferral in Account 182.3 (Other Regulatory Assets), and the same amount debited against Account 735 (Miscellaneous Production Expenses). The entry would not impact current rates.

V. REQUEST FOR WAIVER OF COST OF GAS TARIFF PROVISION

The Company's Cost of Gas Rider (COG) tariff (Sheet No 5-20.1, 3. Refunds) states that refunds from wholesale natural gas suppliers that result in an average refund of less than \$5.00 per customer are to be refunded through the COG Rider on the same basis as previously charged:

...Refunds will be made to each customer class on the same basis as previously charged to customers. If a supplier refund cannot be accurately distributed to customers because of seasonal usage patterns, then upon Commission approval, refunding may be delayed for a period of up to 12 months. The Company shall add

² To the extent the Company receives any credits in the future and believes they would be appropriate to apply to the MGP balance, we will propose similar treatment to what is being requested here.

interest monthly to the unrefunded balance at a rate equal to the three-month treasury bill rate as published monthly by the Federal Reserve Board.

To apply the NNG refund as an offset to the deferred MGP costs, the Company respectfully requests the Commission approve a one-time waiver of this COG Rider refund provision and the Commission's Automatic Adjustment Clause rules (69-09-01-30.8).

CONCLUSION

Xcel Energy respectfully requests that the Commission approve the Company's proposal to apply \$551,029, the North Dakota jurisdictional share of the interim rate refund of gas transmission pipeline costs from Northern Natural Gas, to the deferred cost balance of remediating the Fargo MGP site. To enable this transaction, the Company requests Commission approval of a one-time waiver of the COG tariff provision relating to wholesale supplier refunds. This approach would efficiently provide long-term benefits to customers by further reducing the amount of the MGP remediation costs subject to recovery from customers.

Dated: February 15, 2021

Northern States Power Company

By: 

DAVID H. SEDERQUIST
SR. REGULATORY CONSULTANT
XCEL ENERGY (NORTH DAKOTA)