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May 18, 2021

—Via Electronic Filing and U.S. Mail—

Steven M. Kahl, Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

RE: EXTREME COLD WEATHER EVENT INVESTIGATION (NATURAL GAS)
INFORMAL HEARING-FOLLOW-UP (CASE NOS. PU-21-102 AND PU-21-9)

Dear Mr. Kahl:

Northern States Power Company (NSPM), doing business as Xcel Energy, herewith submits to the North Dakota Public Service Commission a revised Cost of Gas True-up mitigation proposal and additional information requested at the May 5, 2021 Informal Hearing regarding the impacts of the extreme cold weather events of February 2021 on our natural gas business.

REVISED COST OF GAS ANNUAL TRUE-UP MITIGATION PROPOSAL

The February Extreme Weather Event resulted in an estimated \$247 million incremental increase in purchased natural gas costs for NSPM during the 5-day period from February 13-17. Of this amount, approximately \$32.5 million impacted our North Dakota gas customers.

The aggregate impact of various weather-related events in February was unprecedented as was the resulting increase in natural gas costs. To help mitigate the future bill impacts of these costs, the Company proposed temporary modifications to its annual Cost of Gas (COG) true-up mechanism in its April 9, 2021 report to the Commission on the February event. The modifications proposed at that time were intended to moderate the impact of the 2020-2021 COG true-up by extending the true-up recovery period, utilizing separate winter and summer true-up factors whereby the winter true-up rate would be half of the summer rate. And, as is the case with the current COG true-up mechanism, the Company will not be including a carrying charge on the true-up balance during the recovery period.

After engaging with the Commission and staff at the May 5, 2021 Informal Hearing on these cases, the Company modeled some alternative mitigation methods to better address some of the Commission’s concerns about extending the recovery period and utilizing a seasonal rate design.

With this application the Company requests the Commission approve the Company’s recommended 14 month seasonal rate true-up mitigation proposal for firm customers whereby winter true-up rates are 50 percent of the summer true-up rate (i.e., the *14 Mo/50% Seasonal* method) and for all interruptible service customers a 14 month non-seasonal rate method (i.e., the true-up rate stays the same in all 14 months).¹

The Company has also provided information on a rate alternative for firm customers whereby winter true-up rates are 25 percent of the summer true-up rate (i.e., the *14 Mo/25% Seasonal* method). While either of the seasonal methods would be effective for firm customers, the Company recommends the *14 Mo/50% Seasonal* method because a) it helps to mitigate the true-up impact in the high use winter heating months without moving too much cost into the non-heating months, and b) it generally avoids creating unusual bill impacts during the “shoulder” months, particularly for high use customers. That said, we further discuss both of the seasonal options below for the commission’s consideration.

A. The 14 Month/50% Seasonal Proposal

As mentioned above, the *14 Mo/50% Seasonal* option would mitigate the February weather impact on natural gas bills for firm customers by initiating the annual true-up mechanism 2 months earlier than normal (on July 1 instead of Sept. 1), thereby extending the true-up recovery timeframe to 14 months. Additionally, the *14 Mo/50% Seasonal* option further mitigates the impact of the February weather by implementing winter (Nov. – Mar.) true-up rates that are set at half of what the true-up rates would be during the summer months (Apr. – Oct.). This true-up rate design would help to dampen bill impacts in the winter season when customer natural gas usage is significantly higher due to heating loads. Table 1 below provides an estimate of the proposed COG true-up rates by customer class using the *14 Mo/50% Seasonal* method for firm customers and a 14 month non-seasonal rate for interruptible customers.

¹ Since there is not as pronounced of a seasonal difference (winter vs. summer) in natural gas usage for interruptible customers as there is for firm gas customers, the need to mitigate impacts during the winter season is not as compelling.

**Table 1: Proposed ND COG True-up Rates
14 Month/50% Seasonal Proposal for Firm Customers and
14 month non-seasonal rate for Interruptible**

Customer Class	Feb. 2021 under-recovery- (Millions)	July 2021-August 2022 Summer Use (Therms)	July 2021-August 2022 Winter Use (Therms)	July 2021-August 2022 Summer Rate (per therm)	July 2021-August 2022 Winter Rate (per therm)
Residential	\$12.4	9,282,111	31,153,156	\$0.49838	\$0.24919
Comm & Industrial	\$17.2	18,200,042	42,308,912	\$0.43761	\$0.21881
Interruptible	\$2.9	27,721,946		\$0.10424	
Total	\$32.5	128,666,167			

Note: Winter months include Nov-Mar; summer months include Apr-Oct.

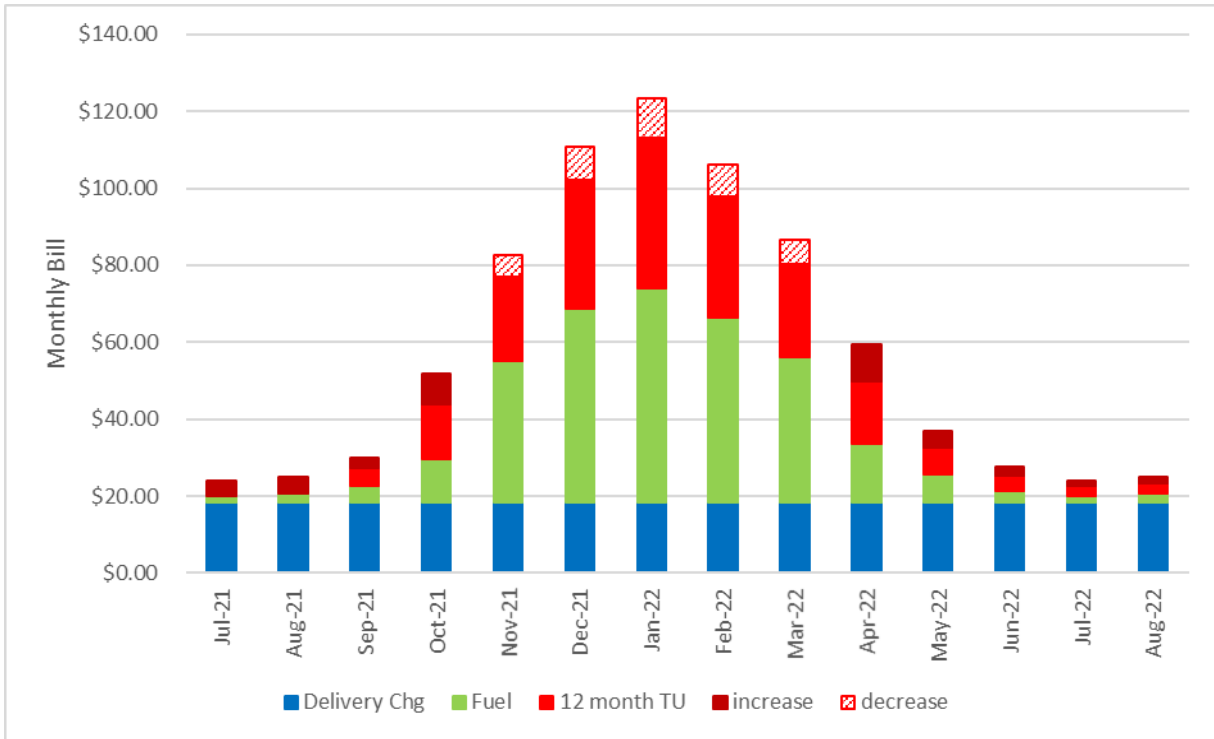
As shown in Table 2 below, residential customers would see an estimated average monthly bill increase of about \$17, with a summer average of approximately \$10 and winter average of \$30. This seasonal rate structure mitigates the January bill impact by approximately \$10.00 compared to the traditional 12 month true-up. The monthly true-up impact would vary by month, however, with a range of between \$4.00 to \$39.00 for the typical residential customer, depending on the level of usage and the seasonal rate in effect.

**Table 2: Estimated Average Monthly Bill Impacts
14 Mo/50% Seasonal Proposal for Firm Customers and
14 month non-seasonal rate for Interruptible**

Customer Class	14-Mo. Avg Use per Cust. (therms)	Average Mo. Bill	Avg Mo. Summer Bill Impact	Avg Mo. Winter Bill Impact
Residential	56	\$38	\$10	\$30
Commercial & Industrial	477	\$245	\$98	\$204
Small Interruptible	6,987	\$2,409	\$516	\$1,110
Large Interruptible	66,762	\$19,352	\$6,263	\$8,213

Figure 1 below shows the impact on residential bills of the 14 Mo/50% Seasonal methodology, specifically the decreases in winter bills and increases in summer bills compared to the traditional 12 month true-up method.

**Figure 1: Residential Bill Impacts by Month
14 Month/50% Seasonal Proposal**



Should the Commission approve the *14 Mo/50% Seasonal* true-up method, the corresponding true-up rates for the estimated under-recovery during the July 2020 – June 2021 natural gas year would go into effect on July 1, 2021. Rates would then be adjusted slightly on September 1, 2021 in the COG True-up filing to reflect the *actual* under-recovery during the July 2020 - June 2021 natural gas year, less what had already been recovered in July and August. The difference between the July 1 true-up rates and the September 1 adjusted true-up rates are expected to be very small.

B. The 14 Month/25% Seasonal Proposal

As with the preferred *14 Mo/50% Seasonal* method, the *14 Mo/25% Seasonal* option would also help mitigate the February weather impact on natural gas bills by initiating the annual true-up mechanism 2 months earlier than normal (again, on July 1 instead of Sept. 1) which would extend the true-up recovery timeframe to 14 months. But the *14 Mo/25% Seasonal* option goes further to moderate the impact of the true-up during the high-use winter months with its greater seasonal rate differential. This is accomplished by implementing winter season (Nov. – Mar.) true-up rates that are *one fourth* (25%) of what the true-up rates would be during the summer months (Apr. – Oct.). This true-up rate design further decreases true-up

bill impacts in the winter season when customer natural gas usage is significantly higher due to heating loads.

Table 3 below provides an estimate of the proposed COG true-up rates using the *14 Mo/25% Seasonal* method.

**Table 3: Proposed ND COG True-up Rates
14 Month/25% Seasonal Proposal for Firm Customers and
14 month non-seasonal rate for Interruptible**

Customer Class	February 2021 under-recovery- (Millions)	July 2021-August 2022 Summer Use (Therms)	July 2021-August 2022 Winter Use (Therms)	July 2021-August 2022 Summer Rate (per therm)	July 2021-August 2022 Winter Rate (per therm)
Residential	\$12.4	9,282,111	31,153,156	\$0.72577	\$0.18144
Comm & Industrial	\$17.2	18,200,042	42,308,912	\$0.59846	\$0.14961
Interruptible	\$2.9	27,721,946		\$0.10424	
Total	\$32.5	128,666,167			

Note: Winter months include Nov-Mar; summer months include Apr-Oct.

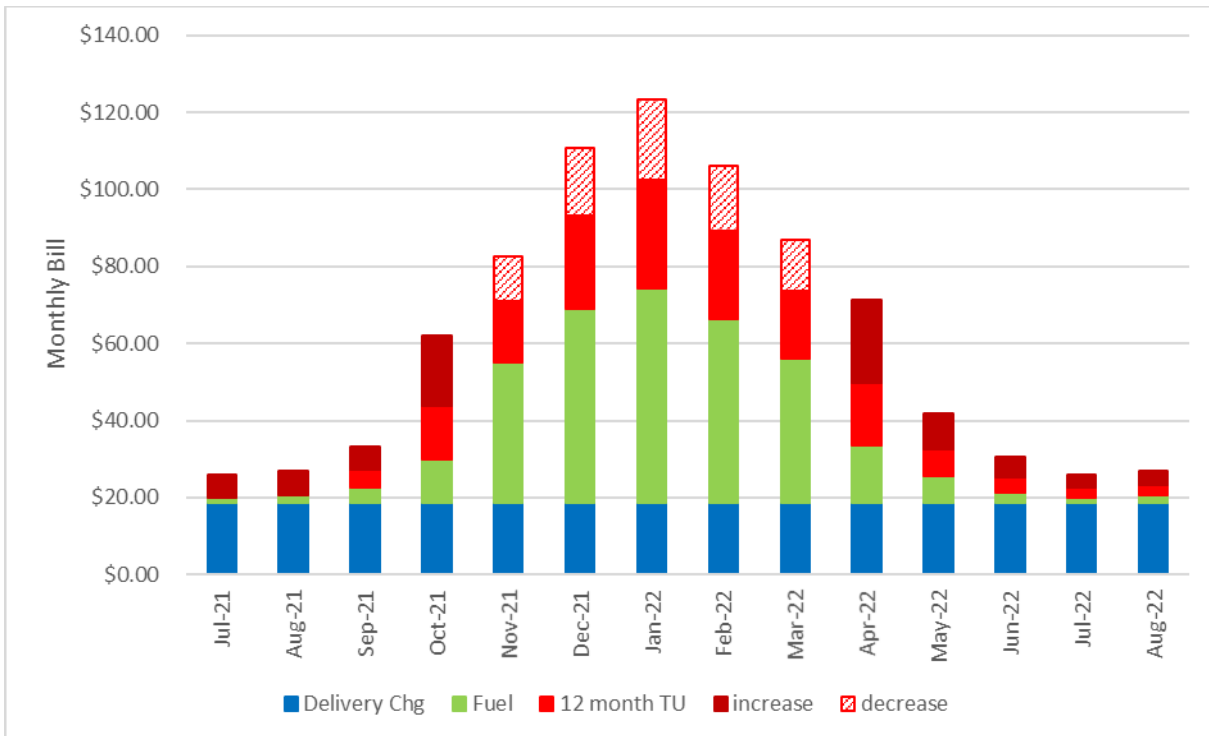
As shown in Table 4, residential customers would see an estimated average monthly bill increase of about \$17, with a summer average of approximately \$15 and winter average of \$22. This seasonal rate structure mitigates the January bill impact by about \$21.00 compared to the traditional 12 month true-up mechanism. The COG true-up impact would vary by month, with a range between \$6.00 to \$38.00 depending on the level of usage and the true-up rate in effect.

**Table 4: Estimated Average Monthly Bill Impacts
14 Mo/25% Seasonal Proposal for Firm Customers and
14 month non-seasonal rate for Interruptible**

Customer Class	14-Month Avg. Use per Cust. (therms)	Average Mo. Bill	Avg. Mo. Summer Bill Increase	Avg. Mo. Winter Bill Increase
Residential	56	\$38	\$15	\$22
Commercial & Industrial	477	\$245	\$134	\$140
Small Interruptible	6,987	\$2,409	\$516	\$1,110
Large Interruptible	66,762	\$19,352	\$6,263	\$8,213

Figure 2 below shows the impact on residential bills of the 14 Mo/25% Seasonal methodology, specifically the decreases in winter bills and increases in summer bills compared to the traditional 12 month true-up method.

**Figure 2: Residential Bill Impacts by Month
14 Mo/25% Seasonal Proposal**



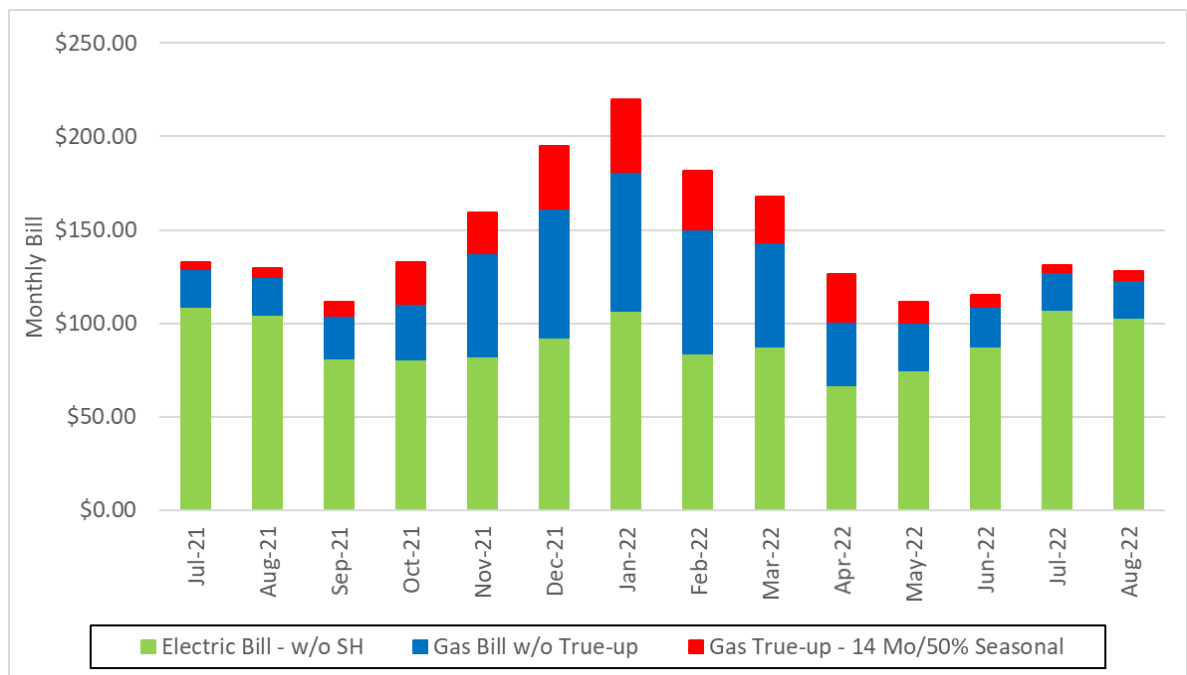
As with the 14 Mo/50% Seasonal method, should the Commission approve the 14 Mo/25% Seasonal true-up method, the corresponding true-up rates for the

estimated under-recovery during the July 2020 – June 2021 natural gas year would go into effect on July 1, 2021. Rates would then be adjusted slightly on September 1, 2021 in the COG true-up filing to reflect the *actual* under-recovery during the July 2020 - June 2021 natural gas year, less what had already been recovered in July and August. Again, the difference between the July 1 true-up rates and the September 1 adjusted true-up rates is expected to be very small.

C. Specific Commission Concerns

The Commission expressed some concern at the May 5th hearing about shifting “too much” of the COG true-up impact to the summer months for combination electric and natural gas customers, thereby adding costs to already high electric bills driven by air conditioning use. Our analysis shows that residential electric use, on average, does not exhibit the significant seasonal swings as does natural gas use, and therefore the true-up recovery we are proposing in the recommended *14 Mo/50% Seasonal* method would not appear to create an overly burdensome bill impact during the summer. See Figure 3 below for the estimated total bills of a typical residential combination electric and natural gas customer including the impacts of our proposed *14 Mo/50% Seasonal* true-up methodology.

Figure 3: Average Residential Bills for Customers with Both Electric and Natural Gas Service Including the *14 Mo/50% Seasonal* Proposal Impacts



There was also some concern expressed during the Informal Hearing regarding the impacts to customers residing in mobile homes. The Company looked at data on our mobile home customers² in North Dakota and their typical usage (See Table 5). While the use per square foot of living space is generally higher for these customers than the average for all other residential customers, the average monthly use is actually a bit lower than the average for the residential class.

Table 5: Mobile Home Customers and Energy Usage

Dwelling	Avg. Mo. Elec Use (kWh)	# of Elec Customers	Avg. Mo. Gas Use (therm)	# of Gas Customers
Mobile Home	661	42	55	37
Other	683	111,864	62	59,588
Total	683	111,906	62	59,625

OTHER REQUESTED INFORMATION

A. MPUC Oversight of Natural Gas Demand, Supply, and Cost

During the Commission’s informal hearing, the Commission was interested in learning more about the regulatory filings the Company makes with the Minnesota Public Utilities Commission (MPUC) to provide information on how the Company plans its natural gas supply and capacity for each heating season.

MPUC oversight of the Company’s natural gas operations broadly includes review of both the Company’s purchases of natural gas for customers and the Company’s capacity to provide customers with gas on peak days. There are two key filings made each year, as discussed below.

1. *Contract Demand Entitlements*

In the Upper Midwest, customer demand for natural gas varies widely throughout the gas year (July to June of the following calendar year). For example, in September 2019 the Company delivered 5.8 million Dth of natural gas in North Dakota and Minnesota. In January 2020, the Company delivered 18.3 million Dth of natural gas (approximately 3 times the September total).

² The type of residence is not consistently tracked in the Company’s billing system. Table 5 contains data on customer accounts noted as mobile home trailers.

The demand for natural gas also varies significantly within a given month. For example, on February 11, 2021, the Company delivered 742 thousand Dth of natural gas; by contrast on February 27, 2021, the Company delivered 330 thousand Dth of natural gas (approximately 45 percent of that delivered on February 11, the highest demand day for the month).

Costs associated with the reservation and use of inter- and intra-state pipeline capacity are reviewed by the MPUC in the Company's annual Contract Demand (CD) Entitlements filing. Planning for capacity to serve natural gas customers starts by calculating the "Design Day" which essentially reflects the pipeline capacity needed to meet the highest anticipated firm load for a 24-hour-day under significant weather conditions. While the Design Day is an important requirement for planning purposes, Design Day conditions are not experienced very often. In fact, the Company has not experienced Design Day conditions since 1996. The Company's planned Design Day conditions are when the average between the high and low daily temperatures across all our operational areas is -26 degrees Fahrenheit.

In the CD Entitlements filing, the Company updates its Design Day demand and provides in detail the contracts it has with inter- and intra-state pipelines (e.g., Northern Natural Gas, Viking Gas Transmission, and WBI) and storage facilities. These contracts reserve adequate space on the pipeline systems and in storage facilities to deliver natural gas to our customers under Design Day conditions throughout the communities in which we provide natural gas.

2. Annual Automatic Adjustment of Charges

The Company also provides various reporting requirements to the MPUC in its Annual Automatic Adjustment (AAA) of Charges, filed concurrently with the Purchased Gas Adjustment True-up filing on or about September 1 each year. This filing contains comprehensive reporting on various items, including natural gas procurement and dispatching policies, actions taken to minimize costs, hedging analysis, information on the Company's variances from Minn. Rules, as well as actual natural gas costs and recovery revenues.

As is the case in North Dakota, the Company also files in Minnesota its monthly forecast of natural gas supply and pipeline capacity costs and the corresponding monthly gas cost recovery rates. In Minnesota, the mechanism for recovering natural gas costs is referred to as the Purchased Gas Adjustment (PGA) rider. The Company typically files the PGA rates in Minnesota and the Cost of Gas (COG) rider rates in North Dakota on the second-to-last business day prior to the month in which the rates become effective. Actual costs are then reported in the

Company's annual PGA and COG true-up filings, which are filed in Minnesota and North Dakota, respectively, on September 1.

B. Cost of Pipeline Storage

On May 5th the Commission asked for more details on the costs of storage gas. Pipeline storage is an important component of our natural gas supply strategy. Storage provides operational flexibility every day of the winter while also providing cost certainty and supply security on days when additional supply is needed due to meet colder temperatures and other operational factors. The average cost of pipeline storage included in our customers' rates amounts to \$0.019 per therm for the reservation of the storage capacity and \$0.035 per therm for the variable costs of buying the supply and using the storage facilities. Together, these costs represent about 8 percent of the overall average annual rate for an average residential customer.

CONCLUSION

Xcel Energy respectfully requests the Commission approve the Company's recommended *14 Mo/50% Seasonal* COG true-up mitigation proposal for firm customers, and its 14 month non-seasonal true-up rate design proposal for its interruptible customers as described in this filing. The Company's proposal mitigates the bill impact of the COG true-up by extending the true-up period, and shifting more of the true-up recovery from firm customers to the low-use, low-bill summer months.

Should the Commission prefer to shift more of the COG true-up recovery to the summer months for the Company's firm gas customers, the Company respectfully requests the Commission approve the *14 Mo/25% Seasonal* method.

Xcel Energy would like to make the Commission aware that there are currently investigations being conducted in many different forums to determine whether there may have been price gouging or gas market manipulation during the February Extreme Weather Event. These investigations will likely take months to conduct, but if such activities are discovered to have occurred and the Company receives any recompense as a result of these investigations, we will immediately seek Commission approval to issue the allocable portion of those proceeds to our North Dakota natural gas customers. The Company will provide an update on these investigations in its next COG true-up filing due September 1, 2021.

The Company also recognizes that some of its large commercial and industrial customers may exercise the option to move from retail natural gas sales service to transportation service. Transportation service customers contract for gas supplies

separate from NSPM's gas system supply, and therefore do not pay the Company's COG rates (and by extension, the COG true-up rates). Given the substantial costs incurred for natural gas in February, the Company proposes to monitor the movement of customers, if any, from natural gas sales service to transportation service after February 2021, and ensure those customers are billed for their portion of the COG true-up for the approved 2020-21 COG true-up timeframe.

As the Commission considers the COG true-up mitigation methods proposed in this filing, it is worth noting again, that NSPM's electric customers will not see an increase in costs as a result of the February Extreme Weather Event. In fact, due to offsetting energy sales within the MISO market, the Company netted a \$1.7 million fuel expense savings for its North Dakota electric customers, as described in our April 9 filing in this case.

If you have any questions, please feel free to contact me at (701) 371-5256.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive, flowing style.

DAVID H. SEDERQUIST
SENIOR REGULATORY CONSULTANT