

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Northern States Power Company
2021 Natural Gas Rate Increase
Application**

Case No. PU-21-381

ORDER ON INTERIM RATES

October 20, 2021

Preliminary Statement

On September 2, 2021, Northern States Power Company (NSP), doing business as Xcel Energy, filed with the Commission an increase in rates for natural gas service.

On September 2, 2021, NSP also filed an interim rate increase for natural gas service.

On October 6, 2021, Commission Advocacy Staff filed comments regarding NSP's proposed interim rate increase.

On October 12, 2021, NSP filed a response to the comments of Advocacy Staff with a proposal to reduce the interim rate increase.

Discussion

NSP's September 2, 2021, filing set forth a rate increase based on revenue requirements for a projected 2022 test year. The rate change would result in an increase in annual revenue for the 2022 test year of \$7.1 million, or a 10.5% increase in annual revenue.

A company filing for a rate increase is entitled to an interim rate increase under North Dakota Century Code section 49-05-06(2). The interim rate increase must meet certain criteria including: the same rate of return on common equity authorized by the Commission in the public utility's most recent rate proceeding; rate base and expense items the same in nature and kind allowed by the Commission in its most recent rate proceeding and; no change in the existing rate design.

NSP's September 2, 2021, interim rate filing is an increase in annual revenue of \$8.245 million, subject to refund, to be effective November 1, 2021.

The higher deficiency for interim rate purposes than that requested by NSP in the 2022 test year is the result of including the expense of amortized Fargo manufactured gas plant (MGP) remediation costs. The inclusion of Fargo MGP remediation costs in

interim rates is consistent with the Settlement Agreement in Case No. PU-18-156. Upon implementation of final rates, consistent with the Settlement Agreement in Case No. PU-18-156, NSP will recover Fargo MGP remediation costs through the Cost of Gas Rider. The different rate treatment for Fargo MGP remediation costs in interim rates and in final rates accounts for the lower deficiency in the 2022 test year.

In its October 6, 2021, comments, Advocacy Staff recommends that the amortization of the Fargo MGP costs be removed from interim rates, stating that it would be a better interpretation of North Dakota Century Code section 49-05-06(2) and would be less burdensome on customers.

NSP's October 12, 2021, response agrees with Advocacy Staff's recommendation and NSP is revising its interim rate filing. Removing the amortization of the Fargo MGP costs lowers the interim rates by \$1.255 million. As a result, NSP's revised interim rate filing is an increase in annual revenue of \$6.99 million or a 10.39% increase in annual revenue, subject to refund, to be effective November 1, 2021.

Advocacy Staff states that NSP's revised interim increase complies with North Dakota Century Code section 49-05-06(2) and should be approved for service rendered on or after November 1, 2021.

The Commission finds that NSP's revised interim increase complies with North Dakota Century Code section 49-05-06(2).

In the event the interim rate amounts collected by NSP are more than final rates approved by the Commission, NSP is required to refund the excess under North Dakota Century Code section 49-05-06(4), including interest at a rate to be determined by the Commission.

Order

The Commission orders:

1. The revised request of Northern States Power Company, doing business as Xcel Energy, for interim rates to increase annual revenue collections by \$6.99 million as filed on October 12, 2021, is approved.
2. The recovery of Fargo MGP remediation costs will be excluded from interim rates and the Company will suspend the current amortization of MGP costs during the pendency of this case. The Commission-approved MGP amortization costs will be included in the Cost of Gas Rider once final rates are implemented, as provided for by the Commission's November 8, 2018, Order on Settlement in Case No. PU-18-156.

3. Interim rates are effective for service rendered on or after November 1, 2021.

PUBLIC SERVICE COMMISSION


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Commissioner


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