

Rebuttal Testimony  
Christopher J. Barthol

Before the North Dakota Public Service Commission  
State of North Dakota

In the Matter of the Application of Northern States Power Company  
For Authority to Increase Rates for Natural Gas Service in North Dakota

Case No. PU-21-381  
Exhibit\_\_\_(CJB-2)

**Class Cost of Service Study and Rate Design**

April 1, 2022

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1 **I. INTRODUCTION**

2  
3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is Christopher J. Barthol. I am a Principal Pricing Analyst.

5  
6 Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

7 A. Yes. I filed Direct Testimony on behalf of Northern States Power Company, a  
8 Minnesota corporation (NSP, Xcel Energy, or the Company). NSP is a wholly  
9 owned subsidiary of Xcel Energy Inc. My Direct Testimony presented the  
10 Company's proposed Class Cost of Service Study (CCOSS), proposed revenue  
11 apportionment and proposed class rate design.

12  
13 Q. DID ANY OTHER PARTIES PROVIDE DIRECT TESTIMONY REGARDING THE  
14 COMPANY'S PROPOSED CCOSS, PROPOSED REVENUE APPORTIONMENT AND  
15 PROPOSED CLASS RATE DESIGN?

16 A. Yes. The following witnesses provided testimony related to the Company's  
17 proposed CCOSS, proposed revenue apportionment, and/or proposed class  
18 rate design:

- 19 • Mr. Karl R. Pavlovic, who submitted testimony on behalf of the Advocacy  
20 Staff of the North Dakota Public Service Commission (Commission); and,
- 21 • Mr. William H. Malcolm, who submitted testimony on behalf of the  
22 American Association of Retired Persons (AARP).

23  
24 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

25 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony  
26 of the witnesses listed above regarding the Company's proposed CCOSS,  
27 proposed revenue apportionment and proposed class rate design.

1 Q. HOW IS YOUR REBUTTAL TESTIMONY ORGANIZED?

2 A. I present the remainder of my Rebuttal Testimony in the sections as outlined  
3 below:

- 4 • Classification and Allocation of Distribution Mains;
- 5 • Allocation of Transmission and Regulator Stations;
- 6 • Residential Revenue Apportionment; and,
- 7 • Residential Delivery Services Charge.

8

9 **II. CLASSIFICATION AND ALLOCATION OF DISTRIBUTION**

10 **MAINS**

11

12 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR REBUTTAL TESTIMONY?

13 A. In this section, I respond to the Direct Testimony of Advocacy Staff and AARP  
14 regarding the Company's proposed classification of distribution mains costs as  
15 both demand- and customer-related

16

17 Q. PLEASE SUMMARIZE THE DIRECT TESTIMONY OF THE OTHER PARTIES  
18 REGARDING CLASSIFICATION OF DISTRIBUTION MAINS COSTS.

19 A. Mr. Pavlovic objects to the Company classifying distribution mains costs  
20 (FERC account 376) as both demand- and customer-related. He asserts that  
21 these facilities should be classified only as demand-related and allocated to class  
22 based on class Design Day demand levels.

23

24 Mr. Malcolm makes no recommendations regarding the classification of  
25 distribution mains. Mr. Malcolm's only recommendation regarding the  
26 classification of costs relates to metering, customer service, and billing costs.

1 Q. WHAT DOES MR. PAVLOVIC CLAIM WITH REGARD TO CLASSIFYING  
2 DISTRIBUTION MAINS COSTS AS BOTH CUSTOMER- AND DEMAND-RELATED?

3 A. On page 8, lines 9-13 of his Direct Testimony, Mr. Pavlovic states:

4 The NARUC manual noted in 1989, the date of publication, that  
5 the minimum size main theory was controversial. While this  
6 method of distribution mains classification was once, but no  
7 longer is, widespread among gas distribution facilities, there is,  
8 from the perspective of cost causation, no theoretical or practical  
9 justification for minimum size mains classification.  
10

11 Q. WHAT DOES THE NARUC GAS DISTRIBUTION RATE DESIGN MANUAL STATE  
12 IN REGARD TO CLASSIFYING DISTRIBUTION MAINS?

13 A. On page 22 of the NARUC Gas Distribution Rate Design Manual, it specifically  
14 states:

15 One argument for inclusion of distribution related items in the  
16 customer cost classification is the "zero or minimum size main  
17 theory." This theory assumes that there is a zero or minimum  
18 size main necessary to connect the customer to the system and  
19 thus affords the customer an opportunity to take service if he so  
20 desires.  
21

22 Q. IS IT ACCEPTED IN OTHER STATES THAT DISTRIBUTION MAIN COSTS SHOULD BE  
23 CLASSIFIED AS BOTH CUSTOMER- AND DEMAND-RELATED VIA A MINIMUM  
24 SYSTEM STUDY?

25 A. Yes. With respect to the regional and state prevalence of the classification,  
26 commissions in Minnesota and Wisconsin have accepted the customer- and  
27 demand-related components of distribution main costs since the 1990s.  
28 Further, the Commission has accepted the Company utilizing a minimum  
29 system study to classify and allocate distribution main costs in North Dakota  
30 for almost two decades.

1 Q. WHAT IS THE PURPOSE OF CLASSIFYING DISTRIBUTION MAINS AS BOTH  
2 CUSTOMER- AND DEMAND-RELATED?

3 A. The purpose of this classification is to allocate costs according to cost causation.  
4 The customer-related portion of the distribution system is that portion that  
5 simply makes service available to the customer. The costs a utility incurs to  
6 connect customers to distribution mains without regard to a customer's usage  
7 are reasonably classified as customer-related and allocated based on number of  
8 customers.

9

10 The capacity-related cost component of the distribution system – that is, those  
11 costs that are not customer-related because they are not affected by the number  
12 of customers served – has cost causation based on customer demand for natural  
13 gas above the minimum customer-related level of costs. These demand-related  
14 distribution main costs are associated with plant designed, installed, and  
15 operated to deliver gas all year to all customers and meet Design Day demand.  
16 Therefore, these costs should be split into two components: Average Capacity  
17 and Excess Capacity costs. In order to separate these costs into these two  
18 components we apply the system load factor to the remaining costs not  
19 allocated on customers. The Average Capacity costs are allocated to class based  
20 on sales (including transportation sales), and the Excess Capacity costs are  
21 allocated on Excess Design Day (which is calculated by taking the difference  
22 between a class's Design Day Demand and Average Daily Sales).

23

24 Q. ARE ALL COSTS DRIVEN BY CAPACITY?

25 A. No. There are costs incurred regardless of customer size that should be  
26 allocated to all customer classes.

1 Q. CAN YOU PLEASE PROVIDE A REAL-WORLD EXAMPLE OF A DISTRIBUTION MAIN  
2 COST THAT IS NOT DRIVEN BY CAPACITY?

3 A. Yes. A good example is the cost of trenching necessary to install any size main.  
4 All underground installations require the digging of the trench in which to place  
5 the main. The cost of trenching is generally the same no matter if the trench is  
6 for a 6 inch, 8 inch, or 12 inch gas main. Because *all* main installations require  
7 this cost, it is driven by the need for the main regardless of the capacity and is,  
8 therefore, not capacity-driven. In the event a deeper trench needed to be dug  
9 for a very large diameter main, an unlikely outcome, the difference between a  
10 normal trench and the deeper trench would be a capacity-driven cost since it is  
11 a cost incurred to accommodate the larger capacity.

12

13 Q. IS IT APPROPRIATE TO CLASSIFY AND ALLOCATE ALL DISTRIBUTION COSTS AS  
14 DEMAND-RELATED?

15 A. No. It ignores the well-established tenet that the simple addition of customers  
16 is also a significant determinant of distribution mains costs, thus at least a  
17 portion of these costs should be considered customer-related pursuant to cost  
18 causation principles. As we previously explained, a couple of examples of  
19 customer-related costs include engineering and design costs based on the  
20 number of customers to be served off the new main and upsizing pipelines  
21 upstream of the new distribution main to accommodate the addition of the new  
22 customers.

23

24 Further, the utilization of a Design Day allocator allocates the costs of  
25 distribution mains only to the Residential and Commercial Firm classes. This  
26 does not make sense since Interruptible customers also utilize distribution  
27 mains and the Company incurs the same types of costs to connect them as it

1 does Residential or Commercial Firm customers. The Design Day allocator is  
2 more appropriate to allocate costs such as production and storage which are  
3 utilized to meet Design Day conditions when interruptible classes are being  
4 curtailed.

5  
6 **III. ALLOCATION OF TRANSMISSION AND REGULATOR**  
7 **STATIONS**  
8

9 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR REBUTTAL TESTIMONY?

10 A. In this section, I address Mr. Pavlovic's proposed allocation of Transmission  
11 and Regulator Station costs using a Design Day demand allocator.

12  
13 Q. WHAT DOES MR. PAVLOVIC PROPOSE WITH REGARD TO ALLOCATING  
14 TRANSMISSION AND REGULATOR STATION COSTS?

15 A. Mr. Pavlovic objects to the Company allocating Transmission (FERC accounts  
16 365-371) and Regulator Station (FERC accounts 374-375 and 378-379) costs  
17 using an Average and Peak allocator. Mr. Pavlovic proposes that Transmission  
18 and Regulator Station costs be allocated with a Design Day demand allocator.

19  
20 Q. HOW DID THE COMPANY PROPOSE TO ALLOCATE TRANSMISSION AND  
21 REGULATOR STATION COSTS?

22 A. As I noted in my Direct Testimony, per page 24 of the NARUC manual, I  
23 classified transmission and regulator stations as demand-related and allocated  
24 these costs using an Average and Peak allocator, which is calculated from each  
25 class's portion of mains costs not allocated based on customer counts. This has  
26 been a longstanding practice for the Company in North Dakota.

1 Q. IS THE AVERAGE AND PEAK METHOD ACCEPTED IN OTHER STATE  
2 JURISDICTIONS FOR ALLOCATING TRANSMISSION AND REGULATOR STATIONS TO  
3 CLASS?

4 A. Yes. As is the case with the classification and allocation of distribution mains  
5 costs, commissions in Minnesota and Wisconsin have accepted utilizing an  
6 Average and Peak allocator for allocating transmission and regulator stations  
7 costs to class. As is the case for allocating demand-related distribution mains  
8 costs, these costs should be allocated utilizing an Average and Peak allocator in  
9 order to recognize that transmission and regulator stations are built to serve two  
10 different functions: (1) to deliver gas all year round to all customers and (2) to  
11 meet peak day capacity needs for firm customers.

12

13 Q. IS IT APPROPRIATE TO ALLOCATE TRANSMISSION AND REGULATOR STATIONS  
14 WITH A DESIGN DAY ALLOCATOR AS PROPOSED BY MR. PAVLOVIC?

15 A. No. As I explained earlier, a Design Day allocator is more appropriate for  
16 allocating costs related to investments utilized to meet Design Day conditions  
17 when interruptible classes are being curtailed. For example, production and  
18 storage costs are incurred to provide the incremental capacity needed to meet  
19 Design Day needs. Consequently, these costs are appropriate to allocate on a  
20 Design Day basis. In fact, utilizing a Design Day allocator for transmission and  
21 regulator stations violate the fundamental principle of cost causation because a  
22 Design Day allocator does not allocate any cost to the interruptible classes even  
23 though interruptible customers also incur costs associated with transmission  
24 and regulator stations.

1                   **IV. RESIDENTIAL REVENUE APPORTIONMENT**

2  
3    Q.   WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

4    A.   In this section, I respond to Mr. Malcolm’s argument that the Residential rate  
5       increase of 15 percent is too high, and his assertion that there is no reasonable  
6       justification for the residential class to pay a higher percentage of cost increases  
7       than other classes.

8  
9    Q.   DOES MR. MALCOLM PROVIDE ANY RATIONALE AS TO WHY THE RESIDENTIAL  
10       CLASS SHOULD NOT RECEIVE A PERCENT RATE INCREASE THAT IS HIGHER THAN  
11       THE OTHER CLASSES?

12   A.   Not really.  Again, Mr. Malcolm simply states that he sees no reasonable  
13       justification for the Residential class’s percent rate increase to be higher than  
14       other customer classes.  He points out that Residential customers with lower  
15       average monthly usage, such as 10 and 40 therms, would experience higher  
16       percentage rate increases of 26 and 18 percent, respectively.

17  
18   Q.   IS IT REASONABLE TO ASSIGN THE RESIDENTIAL CLASS A LARGER PERCENTAGE  
19       INCREASE THAN THE OTHER CLASSES?

20   A.   Yes, a larger percentage increase for residential is appropriate if residential  
21       revenues are more deficient (relative to the costs to serve) than other customer  
22       classes.  As I explained in my direct testimony, it is reasonable to give the  
23       residential class a larger increase than the other classes, in particular because the  
24       Test Year CCOSS shows that the Residential class needs to generate 33.72  
25       percent more revenues to match the costs to serve.  My proposal moderates  
26       that increase to the Residential class by only assigning them a 15 percent rate  
27       increase, less than half of what is indicated in the CCOSS and only a little higher

1 than the overall requested increase of 12.35 percent. The proposed increase  
2 will move the Residential class revenues closer to costs while mitigating billing  
3 impacts.

#### 4 **V. RESIDENTIAL DELIVERY SERVICES CHARGE**

6  
7 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

8 A. In this section, I respond to the recommendation of AARP regarding the  
9 Company's CCOSS and rate design.

10  
11 Q. WHAT RECOMMENDATIONS DOES MR. MALCOLM MAKE REGARDING THE  
12 CCOSS?

13 A. Mr. Malcolm proposes that the monthly customer charge only recover the costs  
14 of metering, customer service, and billing functions. He also suggests that the  
15 Commission should not rely on a single cost study without balancing it against  
16 other ratemaking principles such as gradualism, public acceptance, and  
17 conservation.

18  
19 Q. WHAT IS THE COMPANY'S RESPONSE TO MR. MALCOLM'S RECOMMENDATION  
20 RELATED TO THE CCOSS?

21 A. As I've already discussed, the Company believes it is appropriate to allocate  
22 other costs outside of metering, customer service, and billing as customer-  
23 related. For example, all of the costs of service pipe and a portion of  
24 distribution mains costs should be allocated as customer-related for the reasons  
25 I described previously. Allocating the capacity-related costs of distribution  
26 mains to the customer charge rather than the volumetric rate provides the  
27 benefits of a simpler and seasonally moderating rate structure for Residential

1 customers. The Company has had the same type of rate design in place for its  
2 Residential gas customers for nearly two decades and its similarity to other rates  
3 such as internet service, garbage collection, and streaming services has resulted  
4 in broad acceptance by the public. Finally, with over 70 percent of the  
5 Residential bill still comprised of the commodity cost of natural gas, there  
6 remains a very strong incentive for customer conservation.

7  
8 Q. WHAT RECOMMENDATIONS DID MR. MALCOLM MAKE WITH RESPECT TO THE  
9 COMPANY'S PROPOSED RATE DESIGN?

10 A. Mr. Malcolm objects to the Company proposing to increase the Residential  
11 Delivery Services charge from \$18.48 to \$24.28 and recommends that the  
12 Company reduce the charge to \$12.00.

13  
14 Q. WHAT IS MR. MALCOLM'S REASONING FOR REDUCING THE RESIDENTIAL  
15 DELIVERY SERVICES CHARGE?

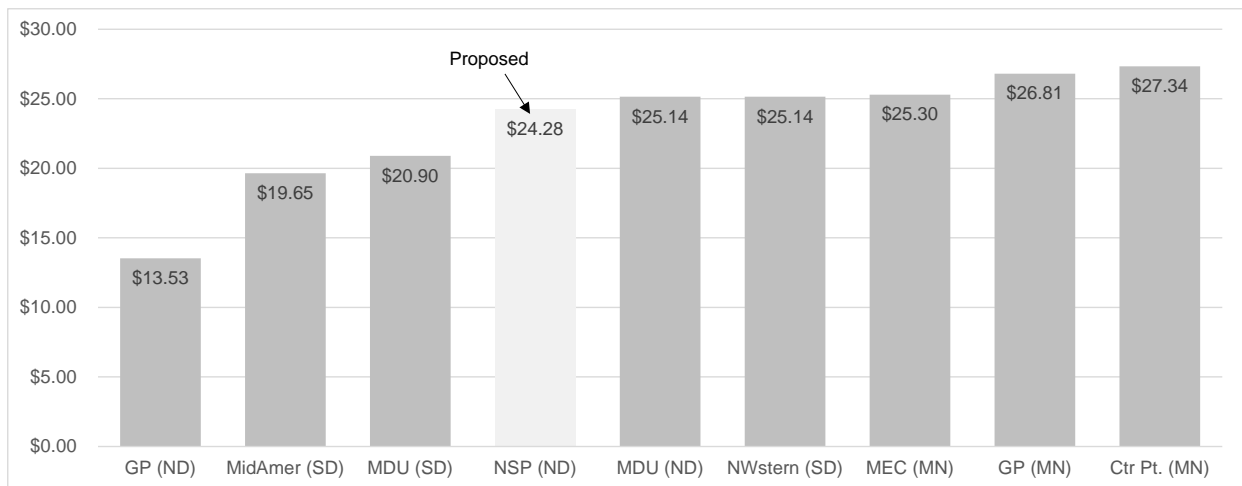
16 A. Mr. Malcolm provides the following reasons for decreasing the Residential  
17 Delivery Services charge:

- 18 • The Company's proposed Residential Delivery Services charge is high  
19 compared to other utilities;
- 20 • Higher fixed charges reduce customer incentives to conserve natural gas  
21 usage because the volumetric rate is lower, thereby reducing the savings from  
22 using less energy; and
- 23 • It disadvantages "older consumers who use less energy."

24  
25 Q. DO YOU AGREE WITH MR. MALCOLM THAT THE COMPANY'S PROPOSED  
26 RESIDENTIAL DELIVERY SERVICES CHARGE IS MUCH HIGHER THAN THE FIXED  
27 MONTHLY CHARGES OF OTHER UTILITIES?

1 A. Mr. Malcolm is not comparing consistent impacts when he compares *only* the  
 2 fixed monthly charges of utilities with different Residential rate designs. In  
 3 other words, a utility using only a fixed Delivery Services charge to recover all  
 4 distribution service-related costs will most certainly have a higher fixed monthly  
 5 charge than a utility that employs both a fixed monthly charge *and* a volumetric  
 6 charge to recover distribution service-related costs. A better comparison would  
 7 be the total fixed and volumetric charges that a customer pays each month for  
 8 distribution services. Figure 1 below shows what the distribution service  
 9 charges would be at various Midwestern utilities for a Residential gas customer  
 10 using 64 therms per month (the average usage for an NSP gas customer in  
 11 North Dakota). Even NSP's proposed fixed Delivery Services charge in this  
 12 case of \$24.28 per month is lower than the current total distribution service-  
 13 related charges at most of the other utilities.

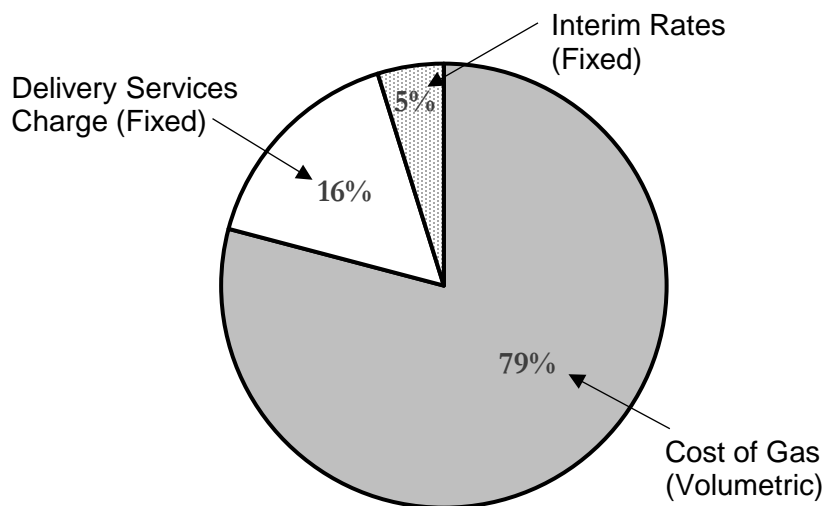
14  
 15 **Figure 1**  
 16 **Residential Average Monthly Non-Gas Bill**  
 17 **Distribution Service Charges Only - Excludes Cost of Gas**



1 Q. DO YOU AGREE WITH MR. MALCOLM THAT THE COMPANY'S PROPOSED  
2 DELIVERY SERVICES CHARGE MAKES IT MORE DIFFICULT FOR CUSTOMERS TO  
3 CONTROL THEIR ENERGY BILL, BURDENS CUSTOMERS WHO USE LESS ENERGY,  
4 AND DISCOURAGES ENERGY CONSERVATION?

5 A. No. Under the Company's current and proposed rate design, customers can  
6 still lower their energy bill by reducing their natural gas consumption, as the  
7 volumetric Cost of Gas charges (based on the commodity cost of gas) accounts  
8 for 70 to 80 percent of the typical winter bill. Figure 2 shows the breakdown  
9 of bills forecasted for this winter.

10  
11 **Figure 2**  
12 **Average Residential Winter Bill**  
13 **(November 2021-March 2022)**



14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24 Q. DO YOU AGREE WITH MR. MALCOLM THAT THE COMPANY'S PROPOSED  
25 RESIDENTIAL DELIVERY SERVICES CHARGE BURDENS OLDER CONSUMERS WHO  
26 USE LESS ENERGY?

1 A. The Company’s residential Delivery Services charge recognizes that the costs to  
2 provide Residential customers access to our distribution system (i.e., the costs  
3 for service pipe, metering, billing support, etc.) is essentially the same for each  
4 residential gas customer. That means the charges for distribution services  
5 should generally be the same for each residential customer. To establish rates  
6 otherwise would unfairly burden certain customers and benefit others based on  
7 usage differences.

8  
9 Moreover, Mr. Malcolm appears to share the common misperception that  
10 customers who are elderly or lower income are low gas users. In fact, there is  
11 little evidence to suggest that age and/or personal income level has a predictive  
12 relationship to natural gas usage. While the Company does not have data on  
13 the age of our customers or their retirement status, the Company does have data  
14 on customers who qualify for energy-assistance programs based on their lower  
15 income levels. It is reasonable to assume many of these customers are elderly  
16 and on fixed incomes. Many of these customers dwell in older, poorly  
17 constructed homes or apartments that are not as well insulated and that have  
18 older, less efficient appliances. The data indicates that these lower-income  
19 customers use natural gas at levels similar to usage levels for non-qualifying  
20 customers, indicating that many elderly customers do not, in fact, use less gas  
21 and therefore are not disproportionately impacted by a fixed Delivery Services  
22 rate design. On the contrary, a fixed monthly Delivery Services charge helps to  
23 protect these customers from subsidizing the distribution costs of customers in  
24 newer, more energy efficient homes.

25  
26 Finally, as I mentioned above, even under the Company’s current and proposed  
27 rate design, Residential customers who consume less natural gas still enjoy

1 significant savings on their overall gas service bill when they conserve energy  
2 and reduce their cost of gas charges, by far the largest portion of their bill.

3  
4 Q. WHY SHOULD THE COMMISSION CONTINUE TO APPROVE THE COMPANY'S  
5 RESIDENTIAL GAS RATE DESIGN?

6 A. The Company's current and proposed Residential rate design is fair and  
7 reasonable and has many benefits. First, it more accurately reflects cost  
8 causation since the Company's costs recovered through the Delivery Services  
9 charge are generally fixed, not something the Company can conserve and are  
10 not seasonally variable. Using a volumetric charge to recover part of these fixed  
11 costs sends the appropriate cost signals to customers.

12  
13 Q. DOES THE COMPANY'S PROPOSAL PROVIDE BILL STABILITY WITHIN A GIVEN  
14 YEAR?

15 A. Yes. The Company's rate design is efficient and beneficial to residential  
16 customers because it avoids having customers overpay for natural gas delivery  
17 services during the winter heating season and underpay during the summer. It  
18 also sends better economic signals to customers who request natural gas service  
19 only as a backup energy source, thereby increasing the Company's purchased  
20 gas demand costs without any corresponding increases in firm usage thereby  
21 creating higher costs for firm natural gas customers on the system. Finally, this  
22 rate design matches revenue with the largely fixed and relatively uniform  
23 Residential distribution services costs.

24  
25 The Company's proposal helps moderate winter bills since about 20 to 30  
26 percent of the total winter bill would not be affected by variability in weather  
27 and usage. When a volumetric rate is used to recover distribution costs, the

1 typical Residential monthly distribution service charges (fixed plus volumetric)  
2 can vary significantly – from as low as \$10 per month in the summer to over  
3 \$40 in the winter – even though the costs to serve each Residential customer do  
4 not vary during the year.

5  
6 Q. WHY DOESN'T THE COMPANY IMPLEMENT A DECOUPLING MECHANISM TO  
7 BETTER ALIGN DISTRIBUTION SERVICE REVENUES WITH COSTS?

8 A. The Company's fixed Delivery Services charge is the simplest form of  
9 decoupling, as it fully breaks the link between gas usage and revenues without  
10 any complicated decoupling mechanisms which are typically 1) difficult to  
11 explain to customers, 2) have a variable impact on bills (both positive and  
12 negative), 3) potentially costly to program into a billing system, and 4)  
13 burdensome to administer and maintain. Continuing with the currently  
14 successful rate design will ensure our bills are simpler to understand with a single  
15 charge for "Delivery Services" instead of multiple separate and confusing  
16 charges (a monthly basic service charge, a volumetric distribution charge, and a  
17 revenue stabilization mechanism charge or credit).

18  
19 Q. WHAT OTHER BENEFITS DOES THE FIXED DELIVERY SERVICES CHARGE OFFER?

20 A. Customers may also experience enhanced satisfaction under the Company's  
21 proposal. For instance, it mitigates the impact of quarterly or annual billing  
22 true-ups for customers who have subscribed to our Budget Helper Plan  
23 programs because less of the bill is affected by the variations in gas usage caused  
24 by both weather and wholesale gas costs. It may also generate fewer consumer  
25 complaints over the long term for both the Commission and the Company  
26 compared to other more complicated revenue stabilization approaches that may  
27 be much harder to understand and can change up or down each month.

1 Q. ARE THERE OTHER WAYS THE COMPANY’S FIXED DELIVERY SERVICES CHARGE  
2 IS BENEFICIAL TO CUSTOMERS?

3 A. Yes. The Company’s fixed charge informs consumers about the service they  
4 are paying for by clearly distinguishing the costs related to 1) the natural gas  
5 commodity they consume and 2) the local delivery, metering, and billing for the  
6 gas from wholesale suppliers to their homes or businesses. This rate design also  
7 facilitates better consumer understanding of the “fixed cost” nature of the local  
8 delivery system versus the variable cost attributes of purchased gas. Residential  
9 consumers will also better understand the part of their bill that the Company is  
10 responsible for and that the state Commission regulates. The Company’s  
11 proposal also aligns with increasing customer familiarity and acceptance of fixed  
12 monthly bills for various services such as cell phone service and garbage pick-  
13 up services. These services all share a common trait with the Company’s local  
14 gas distribution service to residential customers: homogeneous service and  
15 predictable, fixed costs.

16

17 Q. HOW DOES THE COMPANY’S RATE DESIGN IMPACT THE COMPANY’S  
18 WILLINGNESS TO PROMOTE ENERGY CONSERVATION?

19 A. The Company’s rate design ensures the Company is not financially harmed from  
20 lost sales for promoting natural gas conservation among its Residential  
21 customers. In other words, there are no disincentives for the Company to  
22 promote conservation since distribution revenues are not adversely impacted by  
23 declines in customer usage. Also, the fixed Delivery Services charge avoids  
24 frustration among customers seeking to conserve gas usage who could  
25 eventually incur true-up charges through a revenue stabilization mechanism  
26 instead. These customers could, ultimately, see increasing bill adjustments  
27 (through the stabilization mechanism surcharge) necessary to offset the

1 Company's lost revenues due to lower usage. The Company's proposal also  
2 recognizes that consumer conservation efforts may reduce total monthly usage  
3 but not necessarily their peak usage (i.e., their furnace may run less often during  
4 the day, but still at the same rate during the coldest period). This means  
5 conservation efforts may not result in reduced distribution infrastructure costs,  
6 and therefore a fixed fee is the appropriate price signal for recovering such  
7 "non-conservable" costs. Also, our current and proposed rate design maintains  
8 a strong incentive for customers to seek ways to conserve energy since, in cold-  
9 weather states, roughly 70 to 80 percent of each residential winter bill (the Cost  
10 of Gas component) would still be driven by usage.

11  
12 Q. DOES THE COMPANY'S PROPOSAL PROVIDE FOR A MORE EFFICIENT  
13 REGULATORY PROCESS?

14 A. Yes. The Company's proposal follows its current rate design which has been  
15 approved for almost two decades and results in a more efficient regulatory  
16 process. For instance, the length of time between rate cases is extended since  
17 regulated distribution operations are not subject to the revenue erosion caused  
18 by a decline in natural gas use per customer, or the addition of natural gas service  
19 for non-heating low-use items, such as a gas stove or grill, a gas fireplace, or as  
20 a back-up heat source for an electric forced air system. The Company's  
21 proposal also moderates annual variability in a utility's regulated natural gas  
22 business that can be caused by abnormal weather swings, thereby improving the  
23 Commission's ability to review and assess reported revenues and regulated  
24 earnings. It also reduces the uncertainty in Residential revenue forecasts  
25 reflected in rate case Test Years since one of the least predictable elements (i.e.,  
26 gas usage per customer) is removed in the development of the distribution  
27 revenue forecast.

1 **VI. CONCLUSION**

2

3 Q. PLEASE BRIEFLY SUMMARIZE YOUR TESTIMONY.

4 A. The methods the Company has used for classifying and allocating distribution  
5 mains, transmission, and regulator station costs are well-established methods  
6 accepted by the Commission in past rate cases and most accurately reflect the  
7 reasons these costs are incurred. Further, the Company continues to support  
8 its revenue apportionment indicated by the CCOSS and its current rate design  
9 structure, which has been in place for almost twenty years and reflects the nature  
10 of the fixed costs the Company incurs. Any alternative cost classification, cost  
11 allocation, rate design, and revenue apportionment approaches should be  
12 rejected.

13

14 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

15 A. Yes, it does.

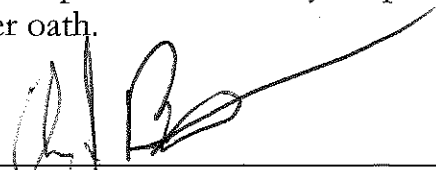
1 STATE OF NORTH DAKOTA  
2 BEFORE THE  
3 PUBLIC SERVICE COMMISSION  
4  
5

6 In the Matter of the Application of )  
7 Northern States Power Company for Authority )  
8 To Increase Rates for Natural Gas Service )  
9 In North Dakota )

Case No. PU-21-381

10  
11  
12  
13 **AFFIDAVIT OF**  
14 **Christopher J. Barthol**  
15  
16

17 I, the undersigned, being duly sworn, depose and say that the foregoing is the  
18 Rebuttal Testimony of the undersigned, and that such Rebuttal Testimony and the  
19 exhibits or schedules sponsored by me to the best of my knowledge, information  
20 and belief, are true, correct, accurate and complete, and I hereby adopt said testimony  
21 as if given by me in formal hearing, under oath.  
22

23   
24 \_\_\_\_\_  
25 Christopher J. Barthol  
26  
27

28  
29  
30 Subscribed and sworn to before me, this 30 day of March, 2022.  
31

32   
33 \_\_\_\_\_  
34 Notary Public

35 My Commission Expires:  
36

