

Rebuttal Testimony and Schedule  
Richard L. Derryberry

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\_\_\_(RLD-1)

**Gas Supply Planning and Purchasing**

April 1, 2022

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## Schedule

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2

3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

4 A. My name is Richard L. Derryberry. My business address is 1800 Larimer Street,  
5 Suite 1000, Denver, CO 80202.

6

7 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

8 A. I am employed by Xcel Energy Services Inc. (XES), which is the service  
9 company subsidiary of Xcel Energy Inc. XES is a wholly owned subsidiary of  
10 Xcel Energy Inc. and provides an array of support services to Northern States  
11 Power Company d/b/a Xcel Energy (Xcel Energy or Company) and the other  
12 utility operating company subsidiaries of Xcel Energy Inc. My title is Director,  
13 Gas Supply and Planning. I am responsible for developing and overseeing the  
14 execution of the Company's gas supply plan.

15

16 Q. FOR WHOM ARE YOU TESTIFYING?

17 A. I am testifying on behalf of Northern States Power Company, a Minnesota  
18 corporation (Xcel Energy or the Company).

19

20 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

21 A. I have over 30 years of experience in the energy industry, including the past nine  
22 years with the Company where I am responsible for natural gas resource  
23 planning and supply. A statement of my qualifications and experience is  
24 provided as Exhibit\_\_\_(RLD-1), Schedule 1.

25

26 Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?

27 A. No, I did not.

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

2 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony  
3 of Mr. William H. Malcolm filed on behalf of intervenors the American  
4 Association of Retired Persons (AARP), and address issues relating to gas  
5 supply and operations that were raised at the Commission's February 24, 2022  
6 Work Session for this Case.

7

8 The Company regularly undertakes evaluations of its gas supply and hedging  
9 strategies. If the Commission would like to have more insight into that process,  
10 the Company is happy to provide it in this case or anytime in the future, perhaps  
11 as part of the Commission's oversight of the Company's annual Cost of Gas  
12 true-up filing. Given that the Company's gas procurement practices have been  
13 raised by AARP and Commissioners in this Case, my Rebuttal Testimony  
14 provides an overview of the Company's gas supply strategies and methods.

15

## 16 II. NATURAL GAS PLANNING AND SUPPLY

17

18 Q. WHAT DID AARP RECOMMEND WITH RESPECT TO THE COMPANY'S COST OF  
19 GAS?

20 A. Mr. Malcolm recommends the Commission open an investigation to require the  
21 Company and other gas companies to improve hedging of their natural gas  
22 purchases to lock in prices, in light of the costs incurred by the Company to  
23 purchase gas on the spot market during Winter Storm Uri in February 2021. He  
24 recommends that the Commission review the Company's gas hedging proposal  
25 for approval going forward and require the Company to better notify customers  
26 to voluntarily reduce gas usage during times of shortage, or develop programs  
27 to pay customers to reduce or interrupt gas usage. I note that the Company  
28 regularly engages in conservation messaging on how customers can help reduce

1 their natural gas bills. The Company also offers discounted home energy  
2 audits and gas furnace and water heater rebates. Finally, the Company has  
3 interruptible service options with reduced rates for commercial and industrial  
4 customers who choose to participate and have a backup supply source.

5  
6 Q. PLEASE PROVIDE A BRIEF OVERVIEW OF WINTER STORM URI.

7 A. On February 13-17, 2021, Winter Storm Uri unleashed cold weather over most  
8 of the United States. Demand for natural gas was high<sup>1</sup> and “freeze offs” of  
9 natural gas supply sources in the southwestern U.S. caused supplies nationwide  
10 to drop 17 percent over Presidents’ Day weekend. Daily prices over the same  
11 period reached unprecedented levels, averaging \$188/dekatherm (Dth) while  
12 reaching a high of \$400/Dth at the Ventura, Iowa Hub, for example. For  
13 comparison, natural gas prices at the beginning of February—and even in the  
14 days immediately preceding February 12—were below \$3/Dth. Utilities across  
15 the country experienced unprecedentedly high prices during the event. The  
16 Company was able to maintain uninterrupted service to all firm customers  
17 during these challenging and uncertain conditions, but the costs associated with  
18 procuring the natural gas to do so were significant.

19  
20 Q. DID THE COMMISSION OPEN AN INVESTIGATION INTO THE IMPACTS OF  
21 WINTER STORM URI?

22 A. Yes. On March 3, 2021, the Commission initiated an investigation into the  
23 impacts and rate treatment for public utility customers related to the extreme  
24 weather events surrounding Uri (Case No. PU-21-102). As the Company noted  
25 in that case, we incurred approximately \$32.5 million in incremental costs for

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<sup>1</sup> In response the Company curtailed its interruptible customers who are Commercial and Industrial customers that receive a discount on their natural gas service in exchange for their willingness to curtail when requested by the Company.

1 natural gas purchases on behalf of our North Dakota customers due to the  
2 spike in prices over February 13-17, 2021.

3  
4 Q. HOW DOES THE COMPANY PREPARE FOR THE WINTER HEATING SEASON AND  
5 POTENTIAL EXTREME WEATHER EVENTS?

6 A. At a very high level, the Company prepares for each heating season by first  
7 ensuring we have adequate distribution service to get natural gas to our  
8 customers. Second, we make sure the Company holds adequate firm  
9 transportation and storage capacity on connected interstate pipelines to deliver  
10 natural gas to our distribution system to meet our customers' projected design  
11 day requirements. Third, we make sure our supply of natural gas is adequately  
12 diversified.

13  
14 Q. DOES THE COMPANY ENGAGE IN LONG-TERM SYSTEM PLANNING AS WELL?

15 A. Yes. Annually, outside of the heating season, the Company performs long-term  
16 system planning for the Company's transmission and distribution pipelines  
17 within its service regions. The Company plan is updated to include changes in  
18 operating conditions and forecasted customer growth on the system. The  
19 capacity planning process evaluates increased demand by modeling potential  
20 system constraints at times of peak capacity needs and analyzing potential  
21 operational solutions to provide reliable service to our firm customers. Based  
22 on the results of these system modeling efforts, the Company determines which  
23 areas of the system are likely to experience low pressure and develops mitigation  
24 measures, both short- and long-term, such as bypassing regulator stations at  
25 certain temperatures, siting temporary compressed natural gas facilities or  
26 designing and making permanent system modifications.

- 1 Q. HOW DOES THE COMPANY DETERMINE ITS PROJECTED GAS NEEDS?
- 2 A. Each year, my team updates and prepares the Company’s “Design Day”  
3 projections, or the projected maximum firm customer requirements on the  
4 coldest day in the past 30 years. We then review our interstate transportation  
5 portfolio to ensure adequate pipeline capacity to get natural gas to the  
6 Company’s distribution system on a Design Day. The Company’s Design Day  
7 plans and interstate transportation and storage contracts with interstate natural  
8 gas pipeline and storage companies are reviewed and approved by the  
9 Minnesota Public Utilities Commission in the context of our Contract Demand  
10 Entitlements filings in Minnesota. If helpful to the Commission, we would be  
11 happy to submit a summary of our Design Day plans and contracts with natural  
12 gas suppliers with our Cost of Gas True-up filing each September.
- 13
- 14 Q. YOU PREVIOUSLY MENTIONED DIVERSIFICATION OF NATURAL GAS SUPPLY.  
15 CAN YOU PLEASE DESCRIBE HOW YOU PLAN FOR THE HEATING SEASON AND  
16 EXTREME WEATHER THROUGH DIVERSIFICATION?
- 17 A. Yes, we diversify our natural gas purchases by accessing a regionally diverse  
18 portfolio to reduce the impact of supply losses or price spikes at a single point  
19 by buying longer- and shorter-term gas supply agreements, utilizing interstate  
20 pipeline storage services, and using financial hedging to mitigate some of the  
21 risk of increases in monthly natural gas prices over time.
- 22
- 23 Q. HOW DOES THE COMPANY USE ITS PURCHASES OF NATURAL GAS AND GAS  
24 FUTURES TO PREPARE FOR THE WINTER AND POTENTIAL WEATHER EVENTS?
- 25 A. The Company takes several steps to purchase and store gas for the winter  
26 heating season. First, the Company makes baseload gas purchases during the  
27 summer for the coming heating season, and in the week prior to the beginning  
28 of each month with a target of meeting projected minimum load each month.

1 These purchases are made at the “First of Month” (FOM) price, which is  
2 constant each day of the month. Storage supply, which has a known price based  
3 on when it was purchased and stored, is utilized to manage variances in day-to-  
4 day loads. This locked-in supply provides a physical hedge for the winter  
5 months.

6  
7 Q. DOES THE COMPANY MAKE DAILY PURCHASES OF NATURAL GAS?

8 A. Yes. On colder days when demand exceeds the Company’s baseload purchases  
9 and storage, the Company makes daily spot purchases at the average reported  
10 price for gas sold that day and at that location (commonly referred to as the  
11 “index price”). The daily quantities required vary based on projected demand,  
12 but the advantage of daily purchases is that they reduce the risk of procuring  
13 excess, unused gas, which may lead to higher costs. While it certainly was not  
14 true during Winter Storm Uri, recent trends have indicated that—more often  
15 than not—daily prices are below FOM gas prices and therefore often lower  
16 costs for customers.

17  
18 Q. DOES THE COMPANY UTILIZE NATURAL GAS STORAGE?

19 A. Yes. The Company utilizes upstream underground natural gas storage facilities  
20 on several interstate pipelines, as discussed in Company witness Ms. Joni H.  
21 Zich’s Direct Testimony. The Company purchases and stores supply when  
22 pricing is optimal (primarily during the low-use summer months), thus being  
23 able to rely on this lower-cost supply when customer demand ramps up during  
24 cold weather. Underground storage is the Company's primary tool for serving  
25 variable needs over the winter months.

26  
27 Q. ARE THERE OTHER MEASURES THE COMPANY TAKES TO HEDGE AGAINST  
28 POTENTIAL INCREASES IN GAS PRICES?

1 A. Yes, each year the Company creates a Gas Price Volatility Mitigation Plan  
2 wherein we decide how much of our expected winter supply to hedge  
3 financially. The Company currently has a target to financially hedge 25 percent  
4 of projected winter usage. Financial hedges are based on the first-of-the-month  
5 price of gas. The hedges that the Company holds protect against longer-term  
6 price increases, rather than daily price spikes. In general, financial hedging  
7 products that provide protection against daily price spikes are limited and  
8 prohibitively expensive.

9  
10 Q. IN LIGHT OF THE ABOVE, IS A COMMISSION INVESTIGATION INTO THE  
11 COMPANY'S GAS CONTRACTING AND HEDGING PRACTICES NECESSARY?

12 A. I don't believe so. The Commission recently completed an investigation into  
13 the impacts of Winter Storm Uri, in which the Company provided substantial  
14 information regarding our gas contracting and hedging practices. The Company  
15 already uses all of the practical contracting and hedging tools available to us as  
16 described above to ensure sufficient gas supply. Increasing baseload gas,  
17 storage, and/or hedging may provide some incremental protection against  
18 future gas spikes, but doing so would result in significant annual cost increases  
19 to customers.

20  
21 Q. ARE THERE OTHER OPPORTUNITIES FOR GAS SUPPLY WITHIN NORTH DAKOTA  
22 IN THE NEAR FUTURE?

23 A. Yes, the Company is aware the development of a new pipeline is being explored  
24 which would bring Bakken area gas supplies to eastern North Dakota. It is  
25 difficult to predict what would be such a pipeline's ultimate impact on prices or  
26 area supply. Speculating on potential impacts, the project could provide the  
27 Company with additional regional diversity of gas supplies. The Company is  
28 currently evaluating how it may support this project or other similar projects.

1 **III. CONCLUSION**

2

3 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

4 A. The commodity cost for natural gas makes up two-thirds or more of our natural  
5 gas customers' bills. The Company works diligently to ensure we provide  
6 reliable and affordable natural gas service to our customers. If it would be  
7 helpful to the Commission, we are happy to provide more insight into these  
8 planning processes within the context of the annual Cost of Gas filings.

9

10 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

11 A. Yes.

**Statement of Qualifications**  
**Richard L. Derryberry**  
**Director, Gas Supply and Planning**

I have been employed by Xcel Energy since 2012, in the areas of gas resource planning and gas supply. In my current role as Director of Gas Supply and Planning, I am responsible for Xcel Energy's gas supply planning and procurement for LDC and Generation needs and the planning, acquisition, and management of the necessary pipeline transportation and storage resources to fully serve gas supply needs.

I have submitted testimony in numerous proceedings: in Federal Energy Regulatory Commission Docket Nos. RP05-422, RP08-426, RP10-1398, RP12-479, RP13-185, and RP19-59; in Michigan Public Service Commission Case Nos. U-17134, U-17335, U-17694, U-17944, U-18155, U-18415, U-20241, U-20547, and U-20820; in Minnesota Public Utilities Commission Docket No. G002/CI-21-610, and in Public Utilities Commission of Colorado Proceeding N. 22A-0033G.

**EMPLOYMENT**

2021–present	Director, Gas Supply and Resource Planning
2012–2021	Manager, Gas Resource Planning
2009–2012	Director of Rates, El Paso Corporation
2005–2009	Director of Regulatory Affairs, El Paso Corporation
1995–2005	Manager of Tariffs, El Paso Corporation
1990–1995	Administrator of Certificates, El Paso Corporation

**EDUCATION**

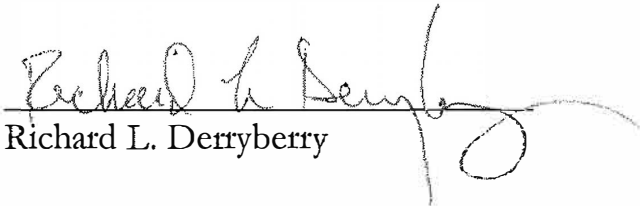
Bachelor of Arts in Government – University of Texas at Austin  
Master of Business Administration – University of Texas at Austin

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

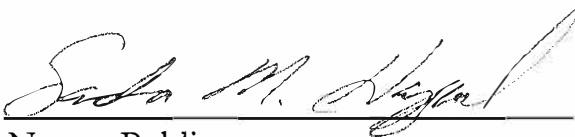
5  
6 In the Matter of the Application of )  
7 Northern States Power Company for Authority )  
8 To Increase Rates for Natural Gas Service ) Case No. PU-21-381  
9 In North Dakota )  
10

11  
12  
13 **AFFIDAVIT OF**  
14 **Richard L. Derryberry**  
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 Richard L. Derryberry  
26  
27  
28  
29

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

32   
33

34 Notary Public  
35 My Commission Expires:  
36

**SANDRA M HAGGARD**  
**NOTARY PUBLIC**  
**STATE OF COLORADO**  
**NOTARY ID 20134059807**  
**MY COMMISSION EXPIRES FEBRUARY 18, 2026**