

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\_\_\_(BCH-3)

**OVERALL REVENUE REQUIREMENTS**

**Rate Base  
Income Statement**

May 6, 2022

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## Schedule

2022 Mugrace Corrected Bridge Schedule	Schedule 1
2022 Test Year Attrition	Schedule 2

1 **I. INTRODUCTION**

2

3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is Benjamin C. Halama. I am Manager of Revenue Analysis for Xcel  
5 Energy Services Inc.

6

7 Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

8 A. Yes. I filed both Direct and Rebuttal Testimony on behalf of Northern States  
9 Power Company, a Minnesota corporation (Xcel Energy, NSP or Company)  
10 supporting the Company's financial data and request for a general and interim  
11 rate increase.

12

13 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

14 A. In my Surrebuttal Testimony and supporting schedules, I respond to certain  
15 financial adjustments recommended by Commission Advocacy Staff witness  
16 Mr. Dante Mugrace. While Mr. Mugrace accepted some of my corrections to  
17 his adjustments in his Surrebuttal Testimony, he did not change his position  
18 with respect to most of his recommended adjustments. I discussed my  
19 opposition to Mr. Mugrace's adjustments at length in my Rebuttal Testimony,  
20 and while I stand by the positions I took in Rebuttal Testimony, I do not restate  
21 each and every objection in my Surrebuttal Testimony.

22

23 Q. HAVE YOU CHANGED YOUR RECOMMENDATION FROM REBUTTAL TESTIMONY  
24 WITH RESPECT TO THE OVERALL REVENUE REQUIREMENT?

25 A. No. My Surrebuttal Testimony continues to support the Company's rebuttal  
26 position of a North Dakota jurisdictional gas utility operation overall retail

1 revenue requirement of \$73.295 million and revenue deficiency of \$5.993  
2 million.

3  
4 Q. WERE THE SCHEDULES PRESENTED WITH YOUR SURREBUTTAL TESTIMONY  
5 PREPARED BY YOU OR UNDER YOUR SUPERVISION?

6 A. Yes, they were.

7  
8 Q. WHAT ISSUES DO YOU ADDRESS IN YOUR SURREBUTTAL TESTIMONY?

9 A. The issues addressed in my Surrebuttal Testimony are:

- 10 • The Company's actual 2021 financial results, which are discussed further  
11 in the Surrebuttal Testimony of Company witness Mr. Al Krug;
- 12 • Mr. Mugrace's recommended adjustment to the Company's Labor  
13 operations and maintenance (O&M) expense in the 2022 cost of service  
14 study (COSS); and
- 15 • Mr. Mugrace's recommended adjustment to the Company's Property Tax  
16 expense in the 2022 test year COSS.

17  
18 **II. 2021 FINANCIAL RESULTS**

19  
20 Q. HAS THE COMPANY FILED ITS 2021 ACTUAL FINANCIAL RESULTS WITH THE  
21 COMMISSION?

22 A. Yes. The Company's 2021 actual financial statements were filed on May 2, 2022  
23 in Case No. PU-22-182. These results are the same actual 2021 results  
24 referenced in Mr. Krug's Surrebuttal Testimony. I note that, as Mr. Krug  
25 discusses, our 2021 O&M costs were higher than we had forecasted when we  
26 filed this case. This further supports the conservative nature of our test year  
27 O&M forecast.

1 **III. ADVOCACY STAFF ADJUSTMENTS**

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

4 A. In this section, I provide more context around certain adjustments  
5 recommended by Mr. Mugrace, specifically with respect to Labor and Property  
6 Tax expense.

7  
8 Q. DO YOU HAVE ANY CORRECTIONS TO MUGRACE'S TESTIMONY

9 A. Based on our review of Mr. Mugrace's surrebuttal testimony he accepts several  
10 of our adjustments, but his proposed revenue requirement does not reflect that.  
11 I provide the Company's corrections to Mr. Mugrace's proposed revenue  
12 requirement in BCH-3 Schedule 1, Line 86, Column 24. The corrections result  
13 in a decrease to Mr. Mugrace's revenue requirement of \$0.766 million to \$3.193  
14 million.

15  
16 **A. Labor Adjustment**

17 Q. WHAT ADJUSTMENT DOES MR. MUGRACE MAKE WITH RESPECT TO LABOR IN  
18 HIS SURREBUTTAL TESTIMONY?

19 A. Mr. Mugrace continues to recommend a vacancy rate removal from the  
20 Company's 2022 test year COSS. He argues that the Company has not provided  
21 sufficient evidence that it already includes a vacancy adjustment in budgeting.  
22 Mr. Mugrace's proposal results in a reduction of \$0.173 million.

23  
24 Q. WHAT IS YOUR RESPONSE TO MR. MUGRACE'S RECOMMENDED ADJUSTMENT?

25 A. As I noted in my Rebuttal Testimony, the Company's budgets already include  
26 an offset to labor in the 2022 test year COSS in the form of a four percent  
27 attrition rate. This offset amount was developed based on historical attrition

1 and other vacancy rates, and is consistent with the theory behind Mr. Mugrace's  
2 proposed adjustment. The application of this attrition rate to the Company's  
3 2022 test year budget is shown in BCH-3 Schedule 2, 2022 Test Year Attrition,  
4 Line 13. Schedule 2 is a detailed report showing our GAAP allocated budget  
5 from our general ledger prior to FERC account processing and shows total  
6 productive labor and the 4 percent negative adjustment representing the labor  
7 attrition on a total Company basis.

8  
9 Q. GIVEN THAT THE COMPANY ALREADY INCLUDES A LABOR ATTRITION RATE IN  
10 ITS BUDGETS, IS MR. MUGRACE'S ADJUSTMENT DUPLICATIVE?

11 A. Yes. The Company's attrition rate which is already included in our budgets is  
12 consistent with Mr. Mugrace's recommended adjustment, but to apply both  
13 would be duplicative.

14  
15 **B. Property Tax Adjustment**

16 Q. WHAT ADJUSTMENT DOES MR. MUGRACE RECOMMEND WITH RESPECT TO  
17 PROPERTY TAXES?

18 A. Consistent with his broader non-labor O&M adjustment that I discussed  
19 extensively in my Rebuttal Testimony, Mr. Mugrace recommends using a  
20 historical three-year average of property taxes to set the 2022 test year amount.  
21 Mr. Mugrace argues that historical averaging is appropriate given that property  
22 tax fluctuates from year to year. Mr. Mugrace's proposal results in a reduction  
23 of \$0.329 million.

24

1 Q. DO YOU AGREE WITH MR. MUGRACE'S PROPOSED ADJUSTMENT TO PROPERTY  
2 TAXES?

3 A. No. The Company's property tax calculation for the 2022 test year utilizes data  
4 on the amount of plant in service, consistent with the cost of service filed in  
5 this rate case. Use of a 3-year historical average of property taxes ignores the  
6 actual plant investments the Company has made in North Dakota, which form  
7 the basis of the property tax calculation. For example, the Fargo Capacity  
8 Project was placed in service in late 2021 and represents approximately 9  
9 percent of the Company's North Dakota plant investment. Because this Project  
10 is in service and will be incorporated in the property tax calculation, use of a  
11 historical average to determine the 2022 test year property tax amount is  
12 improper.

13

14 Q. HOW DID THE COMPANY FORECAST THE PROPERTY TAX AMOUNT FOR THE  
15 FARGO CAPACITY PROJECT?

16 A. The Company's 2022 test year forecast of property taxes assumed that the full  
17 budgeted amount for the Fargo Capacity Project would be placed in rate base.  
18 As I discussed in my Rebuttal Testimony, the Company adjusted our proposed  
19 test year revenue requirement down \$0.879 million to reflect the \$7.498 million  
20 in capital expenditure savings resulting from the Company's management of  
21 costs for the Fargo Capacity Project. However, to date, the Company has not  
22 flowed this adjustment forward into a reduction in the property tax amount for  
23 the 2022 test year. While we maintain that Mr. Mugrace's 3-year historical  
24 average adjustment is improper, we recognize that an adjustment to the  
25 property tax amount may be necessary given the decrease in rate base due to  
26 the Company's completion of the Fargo Capacity Project well under budget.  
27 This adjustment results in a reduction of property taxes of approximately

1       \$60,000.

2

3

### IX. CONCLUSION

4

5   Q.   PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.

6   A.   I continue to recommend the Commission determine an overall retail revenue  
7       requirement of \$73.295 million and a 2022 revenue deficiency of \$5.993 million  
8       for the Company's North Dakota jurisdictional gas operations, determined by  
9       the cost of service for the 2022 test year, subject only to a possible reduction of  
10      \$60,000 in property taxes.

11

12   Q.   DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

13   A.   Yes.

(1) Line No.	(2) NSPM - Bridge by Report Label	(3) As Filed	(11) Staff Adjustments and Corrections															(21) Secondary Calculations				(24) Total	
			(4) Dues: Chamber of Commerce	(5) Economic Development Donations	(6) Operation and Maintenance Expense	(7) Property Taxes	(8) Rate Case Expenses	(9) Income Tax Tracker	(10) Fargo Capacity Project	(11) IMMO Contingency	(12) Depreciation Study: TD&G	(13) Payroll Tax	(14) AGIS Capital	(15) LTI-Environmental	(16) Vacancy Rate	(17) Damage Prev	(18) Donations	(19) LTI-Time Based	(20) ADIT Prorate for IRS	(21) Change in Cost of Capital	(22) Cash Working Capital		(23) Net Operating Loss
1	Plant as booked																						
2	Gas Manufactured Plant	5,340																					5,340
3	Gas Storage	9,341																					9,341
4	Gas Transmission	3,909																					3,909
5	Gas Distribution	181,046							(7,337)	(4)													173,705
6	General	11,871																					11,871
7	Common	11,348																				(22)	11,326
8	Total Utility Plant in Service	222,855							(7,337)	(4)												(22)	215,492
9	Reserve for Depreciation																						
10	Gas Manufactured Plant	2,375																					2,375
11	Gas Storage	8,040																					8,040
12	Gas Transmission	1,686																					1,686
13	Gas Distribution	59,632							468	(0)													60,100
14	General	5,606									1												5,606
15	Common	5,636									(84)											(5)	5,547
16	Total Reserve for Depreciation	82,973							468	(0)	(83)											(5)	83,354
17	Net Utility Plant																						
18	Gas Manufactured Plant	2,966																					2,966
19	Gas Storage	1,301																					1,301
20	Gas Transmission	2,223																					2,223
21	Gas Distribution	121,414							(7,805)	(4)													113,605
22	General	6,266									(1)												6,265
23	Common	5,712									84											(17)	5,779
24	Net Utility Plant in Service	139,882							(7,805)	(4)	83											(17)	132,139
25	Utility Plant Held for Future Use																						
26	Construction Work in Progress	188																					188
27	Less: Accumulated Deferred Income Taxes	19,783							(266)	(0)	23											3	93
28	Other Rate Base Items																						
29	Cash Working Capital	648																					(515)
30	Materials and Supplies	150																					150
31	Fuel Inventory	2,098																					2,098
32	Non Plant Assets and Liabilities	1,463																					1,463
33	Customer Advances	(1,340)																					(1,340)
34	Customer Deposits	(42)																					(42)
35	Prepayments	523																					523
36	Regulatory Amortizations	440									(23)												417
37	Total Other Rate Base	3,940							(23)														(1,162)
38	Total Average Rate Base	124,227							(23)	(7,539)	(4)	60										(3)	(1,162)
39	Operating Revenues																						
40	Retail Revenue	67,303																					67,303
41	Other Operating	550																					550
42	Total Revenue	67,853																					67,853
43	Expenses																						
44	Operating Expenses																						
45	Purchased Gas	43,934																					43,934
46	Gas Production and Storage	635																					621
47	Gas Transmission	387																					339
48	Gas Distribution	5,129																					4,127
49	Customer Accounting	1,613																					1,295
50	Customer Service and Information	149																					161
51	Sales, Econ Dev, & Other	10																					2
52	Administrative and General	2,508																					2,411
53	Total Operating Expenses	54,365	(2)	(7)	(1,235)																		52,891
54	Depreciation	6,892																					6,669
55	Amortization	440																					273
56	Taxes																						
57	Property	1,587																					1,259
58	Deferred Income Tax and ITC	551																					465
59	Federal and State Income Tax	(164)	1	2	301	80	40	1	162	0	(0)	4	1	4	42	5	2	3	0		(6)	5	1
60	Payroll and Other	263																					248
61	Total Taxes	2,237	1	2	301	(249)	40	1	61	0	15	(11)	1	4	42	5	2	3	0		(6)	5	1
62	Total Expenses	63,934	(2)	(6)	(933)	(249)	(123)	(3)	(103)	(0)	(40)	(11)	(2)	(13)	(131)	(17)	(5)	(8)	0		(6)	5	1
63	Allowance for Funds Used During Construction																						
64	Net Income	3,919	2	6	933	249	123	3	103	0	40	11	2	13	131	17	5	8	(0)		6	(5)	(1)
65	Calculation of Revenue Requirements																						
66	Rate Base	124,227																					
67	Required Operating Income	9,255																					
68	Operating Income	3,919	2	6	933	249	123	3	103	0	40	11	2	13	131	17	5	8	(0)		6	(5)	(1)
69	Income Deficiency	5,336	(2)	(6)	(933)	(249)	(123)	(4)	(665)	(0)	(36)	(11)	(3)	(13)	(131)	(17)	(5)	(8)	(0)		(629)	(80)	(8)
70	Revenue Deficiency	7,059	(2)	(7)	(1,235)	(329)	(163)	(6)	(879)	(0)	(47)	(14)	(4)	(17)	(173)	(22)	(6)	(11)	(1)		(832)	(106)	(10)

(1)  
 2022 Test Year Attrition

(2)

(3)

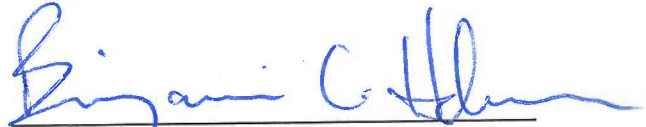
Line No.		2022 Test Year
1	Bud Prd Lbr BG GP 1	97,920,078
2	Bud Prd Lbr BG GP 2	43,646
3	Bud Prd Lbr BG GP 6	2,174,447
4	Bud Prd Lbr BG Nu G1	18,528,920
5	Bud Prd Lbr BG Nu G6	540,370
6	Bud Prd Lbr NBG Grp1	134,155,366
7	Bud Prd Lbr NBG Grp2	3,937,200
8	Bud Prd Lbr NBG Grp3	30,971
9	Bud Prd Lbr NBG Grp6	694,829
10	Bud Prd Lbr NBG NuG1	60,337,304
11	Bud Prd Lbr NBG NuG2	796,143
12	Bud Prd Lbr NBG NuG6	256,354
13	Budget Attrition	(12,776,624)
14		
15	<u>Recalculation</u>	
16	Total Productive Labor (sum lines 1-12)	319,415,628
17	Attrition Rate	-4.00%
18	Attrition Adjustment (line 16 * line 17)	(12,776,625)

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 Benjamin C. Halama  
15

16  
17 I, the undersigned, being duly sworn, depose and say that the foregoing is the  
18 Surrebuttal Testimony of the undersigned, and that such Surrebuttal Testimony and  
19 the 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 Benjamin C. Halama  
26

27  
28  
29  
30 Subscribed and sworn to before me, this 4 day of May, 2022.  
31

32  
33   
34 Notary Public

35 My Commission Expires: 1/31/2025  
36

