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May 31, 2022

Via hand-delivery

Steve Kahl, Executive Secretary
North Dakota Public Service Commission
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Bismarck, ND 58505-0480

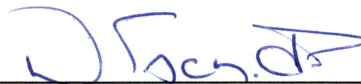
Re: Northern States Power Company, d/b/a Xcel Energy., Case No. **PU-21-381**

Attached are an original and 7 copies of **AARP'S OBJECTION TO NON-UNANIMOUS SETTLEMENT AGREEMENT ON CLASS COST OF SERVICE, REVENUE ALLOCATION, AND RATE DESIGN** in the above-referenced matter.

A copy of this filing has been served upon all parties of record. Please feel free to contact me or John Coffman with any questions or concerns at (573) 424-6779.

Sincerely,

TSCHIDER and SMITH



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Objection to Non-Unanimous Settlement Agreement

AARP

David Tschider

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

Northern States Power Company 2021) Case No. PU-21-381
Natural Gas Rate Increase Application)

**AARP’S OBJECTION TO NON-UNANIMOUS SETTLEMENT
ON CLASS COST OF SERVICE, REVENUE ALLOCATIONS, AND RATE DESIGN**

On Friday, May 27, 2022, Northern States Power (“NSP”, “Xcel”, or “Company”) and the Advocacy Staff of the Commission (“Staff”) jointly filed two settlement agreements¹ with the Commission, proposing to resolve the issues in this case.

AARP objects to the non-unanimous Settlement Agreement on Class Cost of Service, Revenue Allocations, and Rate Design (“Non-Unanimous Settlement on Rate Design”) on the grounds that this particular proposed settlement:

1) would move residential rates significantly away from cost of service, as shown in the Staff’s independent cost of service study², in that the Staff’s study shows that the residential share of revenue allocation should be increased by only 0.3%, much lower than any other customer class. Despite these findings, the Non-Unanimous Settlement on Rate Design would increase residential rates by 8.75%--a *higher* percentage than other customer classes would experience³, moving *away from the cost of service*, as shown by the Staff’s witness’ corrected study.

¹ AARP does not object to the Settlement Agreement on Revenue Requirement.

² The corrected class cost of service of Staff witness Mr. Karl Pavlovic. See Mr. Pavlovic’s Direct testimony at pp. 8-12, and his revised class cost of service recommendations in his Revised Surrebuttal, p. 11.

³ See Non-Unanimous Settlement on Rate Design, p. 3. Based on the class cost of service study performed by Staff witness Pavlovic, the residential class should experience only a 0.3% increase,

2) that the proposed settlement would unduly discriminate against the residential customer class,

3) that the proposed settlement would further discriminate against those residential customers who consume less than the average,

4) the proposed settlement is unjust, unreasonable, and extremely lopsided in its proposal for rate design, in that proposes one large fixed customer charge *with no "per therm" charge for the delivery of residential natural gas service*, and

5) furthermore, the proposed settlement is inconsistent with the rate design principle of *public acceptability*, and is contrary to the rate design goal of promoting *energy conservation*, because it would weaken the control that residential consumers have over their monthly natural gas bills.

The proposal to place 100% of any revenue increase that is due to the residential customer class into a fixed customer charge is not a balanced approach, and thus is not just and reasonable. It is an extreme approach that ignores evidence of proper cost allocations, placing *no significance* on the fact the much of residential cost of service is dependent upon energy demand. The approach of the proposed settlement is the most extremely disadvantageous approach possible for low usage gas customers. AARP advocates for bringing the current rate structure into a more balanced approach between fixed charges and volumetric charges for the delivery of natural gas to households.

Fairness requires that residential customers who cause more costs to be incurred should pay more than customers whose usage patterns result in lower costs for the class.

compared with much higher increases to other customer classes. The settlement would move rates in the opposite direction.

Moreover, the principle of economic efficiency requires that those customers should pay rates that reflect the increased costs associated with their increased consumption. Higher demands result in higher costs for the class and the principle of efficiency suggests that rate design should reflect which customers are responsible for that increased cost.

AARP urges the Commission to carefully review the evidence and adopt at least some compromise that moves rates back towards a more reasonable approach which gives low-usage customers some level of protection, fairly acknowledges the Staff expert's CCROSS data, and which gives customers more control over their monthly bills.

Moreover, as explained in the direct testimony of AARP witness William Malcom, NSP's current and proposed fixed monthly residential customer charge is far higher than any of the other Xcel regulated affiliates:⁴

NSP – North Dakota	\$18.48	<i>[Proposed -- \$22.25]</i>
NSP – Michigan	\$11.00	
NSP – Minnesota	\$ 9.00	
NSP – Wisconsin	\$14.00	
PSCo - Colorado	\$12.21	

The average of the fixed customer charges for every other Xcel affiliate is currently \$11.55. In this case, Xcel's proposed non-unanimous settlement would set the fixed charge for North Dakota customers at almost twice the average--**\$22.25**.⁵ AARP does

⁴ See Attachment 2 to the Surrebuttal testimony of Mr. William Malcolm (Company response to AARP Data Request 1-3).

⁵ Non-Unanimous Settlement on Rate Design, p. 3.

not believe that it is reasonable for North Dakota customers to be treated differently by such a degree, as compared to all of Xcel's other residential energy consumers.

WHEREFORE, AARP objects to the Settlement Agreement and respectfully recommends that the Commission not adopt it. Procedurally, the Settlement Agreement on Rate Design should only be treated merely as a change in position by the parties that signed it. After receiving all of the evidence in this case, AARP urges the Commission to adopt just and reasonable class revenue allocations and rate design for the residential customer class that would bring it into greater balance and fairness, and which give residential consumers greater control over their monthly natural gas bills.

Respectfully Submitted,

/s/ John B. Coffman

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CERTIFICATE OF SERVICE

I hereby certify that the original and seven (7) copies of the foregoing was hand delivered to the Secretary of the North Dakota Public Service Commission, with a complete copy thereof mailed to **all parties of record** on this 27th day of May, 2022.



David A. Tschider