



Direct Testimony and Schedules  
Greg P. Chamberlain

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-\_\_\_\_  
Exhibit\_\_\_\_(GPC-1)

**Policy**

September 1, 2021

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2  
3 **I. INTRODUCTION**

4 Q. PLEASE STATE YOUR NAME, OCCUPATION AND JOB RESPONSIBILITIES.

5 A. My name is Greg P. Chamberlain. I am the Regional Vice President for  
6 Northern States Power Company, a Minnesota corporation (NSP, Xcel Energy  
7 or the Company) operating in North Dakota. In this role, I am responsible for  
8 state government relations and regulatory filings with the utility commissions in  
9 Minnesota, North Dakota, and South Dakota, including proceedings related to  
10 rates, resource planning, and service quality filings.

11 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

12 A. I joined Xcel Energy in 2000 and since that time have held various positions in  
13 the Company, including in the Transmission and Energy Supply business areas  
14 where I worked prior to serving as Regional Vice President for Government  
15 and Community Relations, which was the position I held before moving to my  
16 current role. While serving as Director of Transmission Portfolio Delivery for  
17 the Company, I was responsible for the engineering, project management,  
18 project controls, and permitting of a \$4 billion electric transmission capital  
19 portfolio across 10 states. In addition, I acted as Xcel Energy's management  
20 committee representative on each of the four CapX2020 projects. As General  
21 Manager of Power Generation, I was responsible for the operation of the  
22 Company's non-nuclear fleet of power plants in the upper Midwest. I have a  
23 Master of Business Administration degree from the University of Minnesota's  
24 Carlson School of Management and a Bachelor of Science degree in Chemical  
25 Engineering from Purdue University. Exhibit\_\_\_(GPC-1), Schedule 1  
26 summarizes my qualifications.

1 Q. FOR WHOM ARE YOU TESTIFYING?

2 A. I am testifying on behalf of Xcel Energy.

3

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

5 A. I am presenting the Company's overall rate case to the Commission. My  
6 testimony provides an overview of our Application, summarizes the need for a  
7 general natural gas rate increase, explains key developments since the  
8 Company's last North Dakota rate case, and introduces the Company-  
9 sponsored witnesses.

10

11 Q. PLEASE DESCRIBE HOW YOUR TESTIMONY IS ORGANIZED.

12 A. I present my testimony in the following sections:

- 13 • Case Overview;
- 14 • Company Overview;
- 15 • Key Developments Since the Company's Last Rate Case;
- 16 • Rate Case Components;
- 17 • Proposed Changes to Rate Recovery; and
- 18 • Introduction of Company Witnesses

19

20 Q. WHAT IS THE COMPANY FILING IN SUPPORT OF ITS APPLICATION?

21 A. In addition to our Application, we are filing testimony, exhibits, and work  
22 papers in support of our request. We reviewed all North Dakota Public Service  
23 Commission Rules and Orders from previous electric rate cases and other  
24 dockets to ensure we have complied with the Commission's requirements. My  
25 Exhibit\_\_\_(GPC-1), Schedule 2 lists the relevant Commission directives, the  
26 action the Company has taken to address each directive, and the location in our  
27 Application of the Company's response.

1 **II. CASE OVERVIEW**

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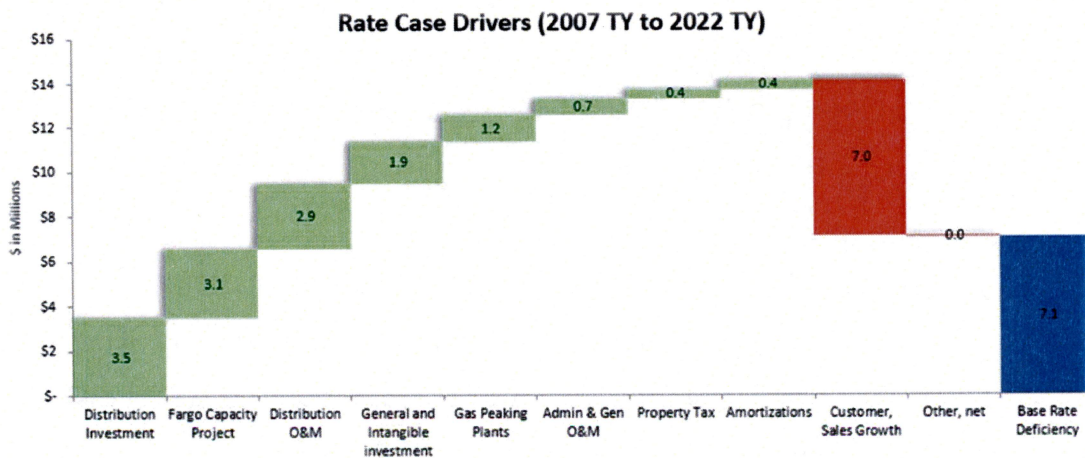
- Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST IN THIS PROCEEDING.
- A. In this case, Xcel Energy seeks authority from the Commission to increase our retail natural gas base rate revenues by approximately \$7.1 million, or 10.49 percent. We base this request on a 2022 future test year as allowed by North Dakota law. The test year revenue requirement reflects a Return on Equity (ROE) of 10.50 percent and an overall Rate of Return (ROR) of 7.45 percent. Under our proposal, a typical residential customer would see a monthly bill increase of about \$5.80 per month.
- Q. WHEN WAS THE COMPANY'S LAST NATURAL GAS BASE RATE CASE?
- A. The Company's last natural gas base rate case was filed 15 years ago and used a 2007 future test year (Case No. PU-06-525). While we have seen increased costs from our ongoing capital investments and higher O&M expenses over the years, increasing revenue from customer and sales growth has been able to offset a portion of those increased costs. In addition, the passage of the Tax Cuts and Jobs Act of 2017 (TCJA) has helped to forestall a rate increase application in recent years, with the Commission's approval to apply those savings toward offsetting the costs of remediating a former manufactured gas plant site in Fargo, North Dakota.
- Q. WHY IS THE COMPANY SEEKING A RATE INCREASE AT THIS TIME?
- A. In 2021, the Company is making a significant capital addition to meet the needs of rapid growth in the Fargo and West Fargo area with its largest gas distribution capacity expansion project ever in North Dakota. Xcel Energy is also refurbishing the three natural gas peaking plants on the NSP system that help

1 support reliable natural gas service during extreme cold temperatures and times  
 2 of high gas demand. These important reliability investments, which drive about  
 3 60 percent of our request in this case, along with new information technology  
 4 investments, are the primary drivers for a base rate adjustment at this time.

5  
 6 In addition to these primary drivers, and as I mentioned, over the last decade  
 7 and a half, the Company has continued to invest significantly in its North  
 8 Dakota distribution system to meet robust growth, including both routine  
 9 capital investments and larger projects, as discussed by Company witness Ms.  
 10 Joni H. Zich in her Direct Testimony. O&M expenses have also increased  
 11 during this period, due in large part to customer growth as well as inflation.

12  
 13 Figure 1, below, identifies the key categories of costs driving our current  
 14 revenue deficiency compared to current rates (*i.e.*, those established using a 2007  
 15 test year).

16  
 17 **Figure 1**



1 Q. WHAT KINDS OF INVESTMENTS COMPRISE THE DISTRIBUTION DRIVERS SHOWN  
2 IN FIGURE 1?

3 A. The capital investments in our distribution system are described further in Ms.  
4 Zich's Direct Testimony. However, to summarize, these investments relate to:  
5 a) safety-related work, such as renewing mains and pipes or moving gas meters  
6 outdoors, b) improved reliability, such as capacity increases and routine asset  
7 health investments, c) serving new customers, including installing new service  
8 lines and meters, and d) mandatory infrastructure relocations in response to  
9 requirements of governmental authorities.

10

11 Q. PLEASE BRIEFLY DESCRIBE THE FARGO CAPACITY PROJECT.

12 A. As I previously mentioned, the Company is constructing a new gas distribution  
13 main to increase the capacity of its distribution system in the Fargo and West  
14 Fargo area. The expansion is needed because of customer growth in the area.  
15 I discuss this project later in my Direct Testimony, and Ms. Zich discusses this  
16 project in depth in her Direct Testimony.

17

18 Q. WHAT IS THE INCREASE IN DISTRIBUTION O&M COSTS?

19 A. Ms. Zich provides more context, but in general terms the Company's gas  
20 distribution operations and maintenance costs have increased over the past 15  
21 years as a result of both the growth in customers and inflation. Through  
22 improvements in efficiency, we have been able to partially, but not fully, offset  
23 those increasing expenses.

24

25 Q. WHAT ARE THE GENERAL AND INTANGIBLE INVESTMENTS CONTRIBUTING TO  
26 THIS RATE REQUEST?

27 A. The investments in this category consist mainly of information technology (IT)

1 investments. The largest IT investments made since our last gas rate case  
2 include new General Ledger (GL) and Work and Asset Management (WAM)  
3 software systems in 2015-2017. I discuss these investments further below, and  
4 they are also discussed by Company witness Ms. Laurie J. Wold in her Direct  
5 Testimony.

6  
7 Q. WHAT INVESTMENTS ARE BEING MADE TO THE COMPANY'S GAS PEAKING  
8 PLANTS?

9 A. The Company is refurbishing its three peaking plants to maintain operational  
10 reliability during periods of peak demand and to extend their service lives. The  
11 facilities include one liquid natural gas (LNG) peaking plant and two propane  
12 peaking plants. The plants provide additional capacity to the overall system  
13 during peak events by vaporizing LNG or propane to create additional gas for  
14 customer use. I address these plants and these projects further below, and Ms.  
15 Zich discusses them in greater depth in her Direct Testimony.

16  
17 Q. PLEASE DESCRIBE THE CUSTOMER, SALES GROWTH DEPICTED IN FIGURE 1.

18 A. Over the past 15 years, the Company has experienced significant growth in the  
19 number of North Dakota gas customers, primarily due to the low cost of natural  
20 gas and strong economic activity in our Fargo, West Fargo, and Grand Forks  
21 service areas. Unlike our electric service area, which is limited by the state's  
22 territorial integrity law, Xcel Energy is able to grow its gas business as these  
23 communities grow. This strong growth has contributed to increased revenues.  
24 I should also mention that the Company's residential straight fixed/variable  
25 (SFV) rate design, which was approved in 2005, has been effective in providing  
26 additional revenue from customer growth that, in turn, has supported the  
27 increased investments and costs necessary to serve those customers.

1 Q. WHAT HAVE BEEN XCEL ENERGY'S NORTH DAKOTA GAS EARNINGS IN RECENT  
2 YEARS?

3 A. In 2019, our weather-normalized jurisdictional gas return on equity was 3.74  
4 percent; for 2020, it was 6.63 percent. Absent a rate increase, the forecasted  
5 return in 2022 is 2.33 percent. With these types of returns, we must seek  
6 additional revenue relief.

7

8 Q. DOES THIS RATE CASE REFLECT THE IMPACT OF THE TCJA?

9 A. Yes. The rate case cost of service reflects the provisions of the TCJA including  
10 the change in the corporate tax rate from 35 percent to 21 percent. This rate  
11 case also implements certain provisions of the Settlement Agreement in Case  
12 No. PU-18-156, which addressed the impact of the TCJA and the former Fargo  
13 manufactured gas plant (MGP) remediation on the Company's rates.

14

15 Q. WHAT DID THE SETTLEMENT PROVIDE WITH REGARD TO THE INITIAL USE OF  
16 SAVINGS RESULTING FROM THE TCJA?

17 A. Under Section 2 of the Settlement Agreement, it was agreed that beginning in  
18 2018, the Company would retain the \$1.25 million annual TCJA savings  
19 attributable to its natural gas operations and at the same time start amortizing  
20 \$1.25 million annually of the deferred costs resulting from the remediation of  
21 the former MGP located in Fargo.

22

23 Q. DID THE APPROVED TCJA SETTLEMENT CONTAIN ANY REQUIREMENTS WITH  
24 REGARD TO THIS RATE CASE?

25 A. Yes, the parties agreed that the TCJA savings would be fully reflected in the  
26 applicable test year in the next (and subsequent) rate case(s). The settlement  
27 also stated that, upon implementation of new base rates following the next case,

1 recovery of the remaining, pro-rated portion of the annual \$1.25 million MGP  
2 amortization for the test year would be recovered via the Cost of Gas (COG)  
3 Rider. The annual \$1.25 million amortization for all future years would continue  
4 to be recovered through the COG Rider until the MGP remediation deferral  
5 was fully amortized. This results in an increase of approximately 66 cents to an  
6 average residential customer's monthly bill.

7  
8 Accordingly, the 2022 test year in this filing reflects the TCJA savings, and the  
9 Company anticipates moving the cost of the MGP amortization to the COG  
10 Rider once new base rates go into effect. Therefore, the MGP amortization is  
11 not included in the calculation of the revenue requirement. Company witness  
12 Mr. Benjamin C. Halama discusses this further in his Direct Testimony.

13  
14 **III. COMPANY OVERVIEW**

15  
16 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

17 A. In this section, I provide a broad overview of how the Company provides  
18 natural gas to its customers in North Dakota.

19  
20 Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF XCEL ENERGY INC.'S NATURAL  
21 GAS UTILITIES IN THE MIDWEST.

22 A. Xcel Energy Inc. is one of the largest retail gas providers in the upper Midwest.  
23 The Company provides natural gas utility services in portions of North Dakota  
24 and Minnesota, and our affiliate NSP-Wisconsin provides natural gas utility  
25 services in portions of Wisconsin and Michigan.

1 Q. COULD YOU PLEASE DESCRIBE NSP'S NATURAL GAS UTILITY BUSINESS?

2 A. Yes. The Company serves approximately 530,000 natural gas customers in  
3 North Dakota and Minnesota. Of those, about 60,000 are customers located in  
4 North Dakota in the cities of Fargo, Grand Forks, and several surrounding  
5 communities, including West Fargo, Mapleton, Buffalo, Casselton, Emerado,  
6 Horace, Oriska, Prairie Rose, Reille's Acres, Riverside, Tower City, Thompson,  
7 and Wild Rice. NSP has approximately 1,100 miles of distribution mains in  
8 North Dakota, along with compressor stations, regulator stations, and other  
9 supporting infrastructure located in the state.

10

11 Q. HOW MUCH NATURAL GAS IS USED BY NSP'S NORTH DAKOTA CUSTOMERS?

12 A. For 2022, the Company is projecting that its North Dakota customers will use  
13 14,027,905 thousand cubic feet (MCF) of natural gas; however, actual  
14 consumption will obviously depend on the weather. That represents  
15 approximately 10.8 percent of NSP's total gas sales forecasted in Minnesota and  
16 North Dakota for the year. In the extreme cold weather conditions, the  
17 Company uses a "Design Day" to design the peak capacity of its system; this is  
18 explained in Ms. Zich's Direct Testimony. NSP projects North Dakota  
19 customers contribution to the Company's peak capacity will be 12.66 percent  
20 of the total for both states.

21

22 Q. HOW DOES THE COMPANY ALLOCATE SYSTEM COSTS AMONG AND BETWEEN  
23 JURISDICTIONS?

24 A. The Company directly assigns many natural gas costs to particular state  
25 jurisdictions. For example, capital and O&M costs for portions of the  
26 distribution system that only serve customers in North Dakota are directly  
27 assigned to North Dakota. For those costs incurred by areas of the Company

1 to support operations in both North Dakota and Minnesota, the Company uses  
2 a variety of allocation factors, which are discussed by Mr. Halama. The  
3 Company's allocation methodologies in this Application are consistent with past  
4 practices, and have been accepted by regulators in North Dakota and  
5 Minnesota. These methodologies are set forth in the Company's Cost  
6 Assignment and Allocation Manual (CAAM), which is Schedule 12 to Mr.  
7 Halama's testimony.

8  
9 Q. WHERE DOES THE COMPANY PURCHASE THE NATURAL GAS IT PROVIDES TO  
10 CUSTOMERS?

11 A. The Company purchases the natural gas that it provides to customers in North  
12 Dakota and Minnesota at four different hubs: the Ventura Hub (located in  
13 Hancock County, Iowa), the Demarcation Hub (located north of Clifton,  
14 Kansas), the Emerson Hub (located in Emerson, Manitoba, Canada), and the  
15 Chicago Hub (located in Chicago, Illinois). The Company purchases natural  
16 gas from different areas of the United States and Canada at these hubs, including  
17 natural gas from the Bakken formation, which is purchased at the Ventura Hub  
18 in Iowa. Ms. Zich provides additional detail in her Direct Testimony.

19  
20 Q. WHAT STORAGE CAPACITY DOES THE COMPANY HAVE?

21 A. As Ms. Zich discusses, we have natural gas storage areas in Michigan, Iowa, and  
22 Kansas. Primarily, these are used as a hedge against the high costs of gas  
23 purchased on the spot markets during winter. When the Company uses gas  
24 from storage, the particular gas molecules moved out of storage may not end  
25 up in North Dakota; however, North Dakota customers benefit from our  
26 hedging because of our combined gas purchasing and transportation for NSP

1 customers. In addition to storage, the Company has its three gas peaking  
2 facilities that I discussed earlier.

3

4 Q. HOW DOES NATURAL GAS MAKE ITS WAY TO RETAIL CUSTOMERS?

5 A. The gas passes through one or more interstate pipelines before making its way  
6 to the Company's gas distribution systems in Minnesota and North Dakota.  
7 The Company's North Dakota natural gas distribution systems are directly  
8 connected to two interstate pipeline system: Viking Gas Transmission Company  
9 (Viking) and Williston Basin Interstate Pipeline Company (WBI). Those  
10 pipelines are non-affiliated pipelines regulated by the Federal Energy Regulatory  
11 Commission (FERC). In addition, the Company uses other Canadian and  
12 interstate pipelines for upstream transportation and storage, as Ms. Zich  
13 discusses in her Direct Testimony.

14

15 Q. WHY DOES THE COMPANY PURCHASE NATURAL GAS FROM THE BAKKEN AT A  
16 LOCATION IN IOWA?

17 A. Market locations for the purchase and delivery of natural gas are driven, in part,  
18 by the capacity and location of pipelines and other infrastructure. The Northern  
19 Border Pipeline passes through the Williston Basin and connects with the  
20 Viking system at the Ventura Hub in Iowa. The Northern Border Pipeline and  
21 Viking systems have the necessary capacity to get gas from the Bakken to Xcel  
22 Energy's distribution system. While the WBI directly connects the Company's  
23 distribution system in North Dakota to the Bakken and the Company uses all  
24 the WBI capacity available to it, the Company does not have enough WBI  
25 capacity to transmit natural gas to customers in sufficient quantities. As a  
26 practical matter, therefore, the vast majority of the natural gas the Company  
27 supplies to customers in North Dakota is transported using Viking.

1 Q. IS NSP'S GAS SYSTEM AN "INTEGRATED" SYSTEM?

2 A. Although NSP's gas system in North Dakota and Minnesota is not an integrated  
3 NSP system in the same manner as its electric utility system, NSP carries out  
4 capacity planning, purchasing and transportation decision-making, and other  
5 support functions on a unified basis for its service areas in both states.

6

7 Q. HOW DO NSP'S GAS RATES IN NORTH DAKOTA COMPARE TO THOSE OFFERED  
8 BY OTHER UTILITIES IN THE REGION?

9 A. Our North Dakota gas customers benefit from Xcel Energy's unified  
10 purchasing and transportation decisions for the larger overall NSP gas system,  
11 and these benefits are reflected in the low rates we have been able to charge  
12 when compared to peers in the region. Figures 2 and 3 below use 2019 data  
13 from the American Gas Association to compare average residential natural gas  
14 monthly bills and average residential natural gas rates (\$/dekatherm) with other  
15 natural gas providers in North Dakota, Minnesota, South Dakota, Wisconsin,  
16 and Iowa. The Company's North Dakota natural gas costs are depicted in  
17 green, and those of peer utilities are shown in blue on both tables.

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Figure 2  
Average Residential Natural Gas Rates (\$/dekatherm) (2019)

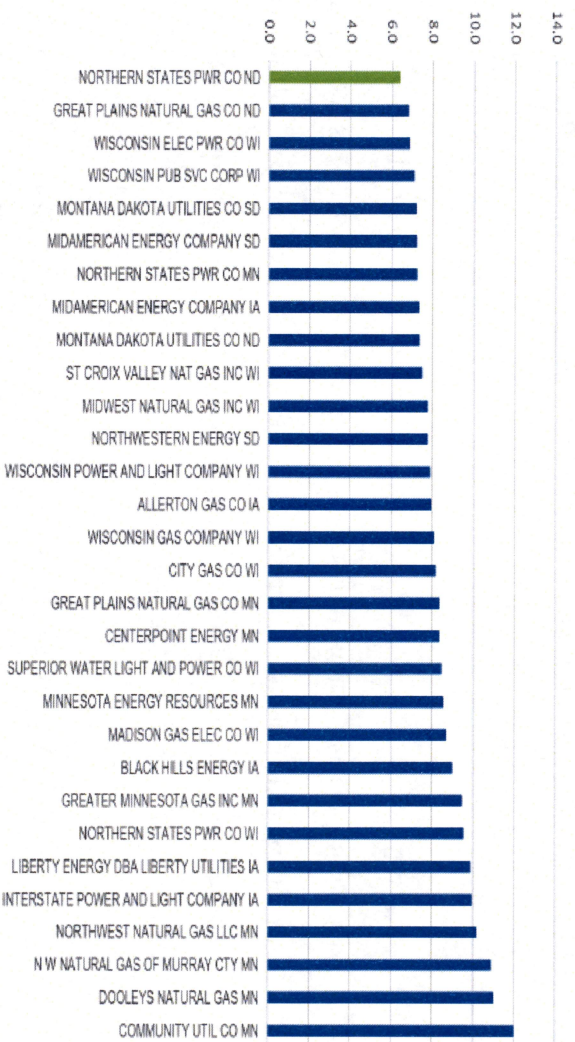
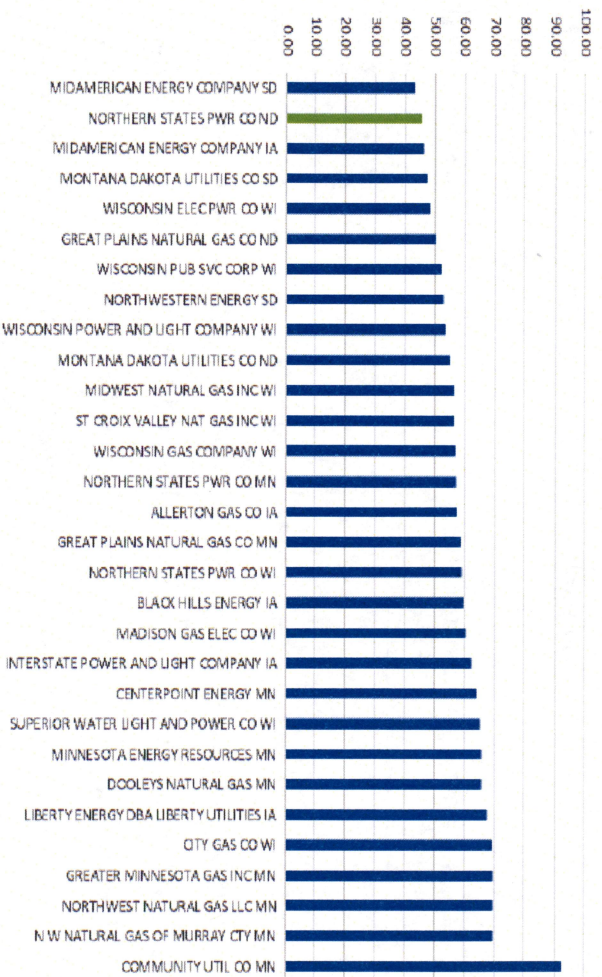


Figure 3  
Average Residential Natural Gas Monthly Bills (2019)



1 Both tables show that Xcel Energy's North Dakota customers benefit from  
2 some of the most favorable pricing in the region. Only one utility, located in  
3 South Dakota, had a lower average residential monthly bill in 2019, and no  
4 utility had more favorable natural gas rates.

5  
6 Q. HOW WILL THE COMPANY'S RATES COMPARE WITH THOSE OF OTHER GAS  
7 UTILITIES IN THE REGION IF ITS RATE INCREASE APPLICATION IS GRANTED?

8 A. Our proposed increase for residential customers is \$5.80 per month, which,  
9 assuming no other utilities increase rates, would still position NSP's North  
10 Dakota bills within the top quintile (6th of 30) for utilities with the lowest bills.

11  
12 **IV. KEY DEVELOPMENTS SINCE**  
13 **THE COMPANY'S LAST RATE CASE**

14  
15 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

16 A. In this section of my testimony, I discuss material developments since the  
17 conclusion of the Company's last rate case. In particular, I discuss the Fargo  
18 Capacity Project, the refurbishment of the Company's gas peaking plants, our  
19 investments in information technology, our customer and sales growth, and our  
20 increased O&M expenses.

21  
22 Q. WHAT TRENDS HAS THE COMPANY SEEN IN CUSTOMER AND SALES GROWTH?

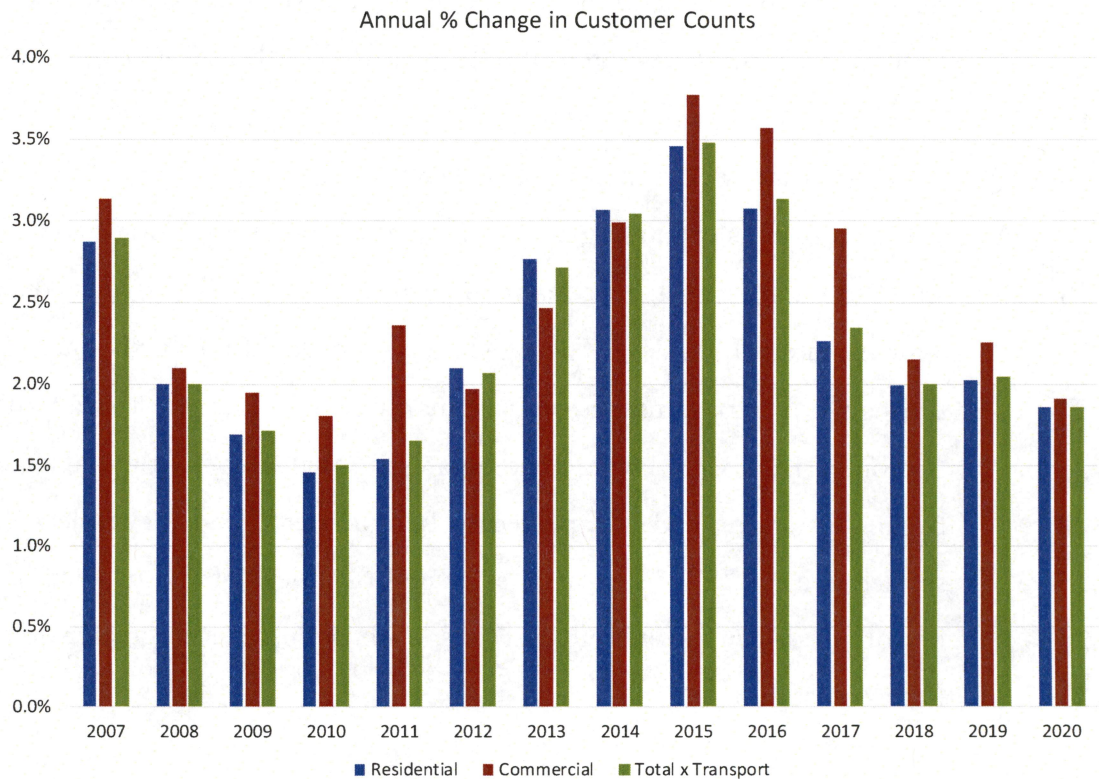
23 A. We have seen significant customer growth over the past several years in North  
24 Dakota. Between December 2007 and December 2020, our total number of  
25 North Dakota customers grew from 44,827 to 59,952, an increase of over 33  
26 percent. Similarly, after normalizing for weather, our total retail gas sales in  
27 North Dakota have increased an average of 2.5 percent per year during the same

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period. Company witness Ms. Jannell E. Marks provides further information regarding our sales and customer growth in her Direct Testimony.

As I mentioned previously, the growth in customers coupled with the Company's residential SFV rate structure have resulted in steady revenue increases since 2007 to offset a large portion of our increased costs, which has contributed to the Company's ability to go for an extended period without seeking new rates. Figure 4 below depicts the annual percentage growth in customer counts, by class, from 2007 to 2020.

**Figure 4**  
**Customer Growth**



1 Q. WHAT IS DRIVING THE GROWTH?

2 A. Much of the growth in North Dakota results from the healthy economies and  
3 construction of new housing within the Company's eastern North Dakota  
4 service territory, particularly in the Fargo and West Fargo area. Natural gas  
5 from Xcel Energy is an attractive heating option for new housing because it is  
6 clean-burning, convenient, low-cost, and because customers do not need onsite  
7 storage as they would for fuel oil, propane, or wood. Customers also do not  
8 have to pre-purchase fuel as they do with some other heating options. There  
9 has also been some gradual service area growth by Xcel Energy as gas  
10 distributions mains have been extended over the years.

11

12 Q. WHAT LEVEL OF CAPITAL INVESTMENTS HAS THE COMPANY MADE SINCE 2007?

13 A. Xcel Energy has made capital investments since our last rate case that result in  
14 an increase of \$78.6 million to the Company's North Dakota rate base.

15

16 Q. WHAT IS THE FARGO CAPACITY PROJECT?

17 A. The Company is expanding the capacity of its distribution system in the Fargo  
18 and West Fargo area by constructing a 12-inch pipeline over a distance of  
19 approximately 4.5 miles. The pipeline runs mainly in a north-south direction  
20 through both communities, and primarily in the southwest quadrant of the  
21 combined metro area where the greatest growth is occurring. Construction  
22 began this spring and is expected to be completed and the project placed in  
23 service late in 2021. I provide a general overview of the project, as it is an  
24 important driver for the rate case; Ms. Zich discusses it in greater detail in her  
25 Direct Testimony.

1 Q. WHY DID THE COMPANY DECIDE TO BUILD THIS NEW DISTRIBUTION PIPELINE?

2 A. Xcel Energy is building this new distribution main in response to customer  
3 growth. As I mentioned previously, we have been experiencing growth in our  
4 customer base in the Fargo/West Fargo area as a result of new residential  
5 construction. With that growth, there is obviously a greater demand for natural  
6 gas. Our analyses of the system showed that it would be necessary to construct  
7 this new main to accommodate that increased demand. After the extreme cold  
8 in 2019, the need for the project was even more evident and we determined,  
9 based on analysis performed in 2019, that it should be completed prior to the  
10 2021/2022 winter heating season.

11

12 Q. PLEASE DESCRIBE THE INVESTMENTS AT THE PEAKING PLANTS.

13 A. As Ms. Zich discusses in her Direct Testimony, a liquefaction compressor was  
14 replaced at the Westcott LNG plant in 2013, and a new air compressor system  
15 was installed at the Sibley LPG plant in 2016. Then, in late 2020, when  
16 conducting the annual testing of equipment in preparation for winter  
17 operations, the Company determined that additional refurbishment and  
18 upgrades were required. Additional evaluation continued into early 2021. As a  
19 result, the Company is making investments in projects that include safety  
20 improvements, replacements of aging equipment, and updated control systems,  
21 with projects going into service 2021 and 2022.

22

23 Q. HOW DO THESE INVESTMENTS AT THESE PLANTS BENEFIT NORTH DAKOTA  
24 CUSTOMERS?

25 A. The investments are necessary to allow the plants to operate safely and reliably,  
26 benefitting all NSP customers by providing key additional gas availability on the  
27 coldest days of the year. The refurbished plants will provide needed flexibility

1 and optionality when gas is most needed on the system, generally on the very  
2 coldest winter days (those approaching the maximum cold for which the system  
3 was designed). The gas supplied by the plants provides additional overall system  
4 capacity so that purchased gas can be directed to where it is most needed,  
5 including to North Dakota.  
6

7 Q. PLEASE DESCRIBE THE INVESTMENTS IN INFORMATION TECHNOLOGY.

8 A The Company's general and intangible capital investments are another category  
9 of significant capital investment. With the passage of time, the Company's prior  
10 software systems became outdated, and we invested in upgraded and integrated  
11 software to more efficiently manage our business. As Ms. Wold explains in her  
12 Direct Testimony, the largest investments were upgrades to the Company's GL  
13 and WAM software systems.  
14

15 Q. WHAT OTHER CAPITAL INVESTMENTS ARE CONTRIBUTING TO THE REVENUE  
16 REQUIREMENT?

17 A. The single largest category of capital investments are distribution capital costs.  
18 As Ms. Zich explains in her Direct Testimony, distribution capital projects  
19 include safety improvements, reliability improvements, new customer business,  
20 and mandatory improvements. In order to keep the system operating safely and  
21 reliably, some capital investment is needed every year. Investments have also  
22 been made to comply with regulations promulgated by the federal Pipeline and  
23 Hazardous Materials Safety Administration. Capital additions are also made to  
24 the system to hook up to new customers, and some distribution mains have to  
25 be re-routed in response to government-driven changes in the physical  
26 infrastructure, including street expansions.

1 Q. HOW ARE INCREASES IN O&M COSTS CONTRIBUTING TO THE REVENUE  
2 REQUIREMENT?

3 A. As Mr. Halama indicates in his Direct Testimony, increased operating expenses  
4 do contribute to the revenue deficiency. Ms. Zich provides insight into the  
5 nature of those increased expenses in her Direct Testimony. The growth of the  
6 Company's customer base has resulted in higher O&M expenses, and the  
7 Company is also experiencing increased labor costs and increased damage  
8 prevention costs.

9

10

## V. RATE CASE COMPONENTS

11

### A. Test Year

12  
13 Q. WHAT INFORMATION IS THE COMPANY PROVIDING TO SUPPORT ITS 2022 TEST  
14 YEAR IN THIS CASE?

15 A. Consistent with N.D.C.C. § 49-05-4.1, the Company includes the following in  
16 this Application to substantiate its 2022 test year:

17 a. A comparison of forecast data to historical period data to demonstrate  
18 the reliability and accuracy of the utility's forecast, including a  
19 comparison of the prior years' forecast or budgeted data to actual data  
20 for those periods, is provided in Mr. Halama's Direct Testimony.

21

22 b. A statement that the public utility's forecast is reasonable, reliable, and  
23 was made in good faith and that all basic assumptions used in making or  
24 supporting the forecast are reasonable, evaluated, identified, and justified  
25 to allow the commission to test the appropriateness of the forecast is  
26 provided in Mr. Halama's Direct Testimony.

1 c. A statement that the accounting treatment that has been applied to  
2 anticipate events and transactions in the forecast is the same as the  
3 accounting treatment to be applied in recording the events once they  
4 have occurred is provided in Mr. Halama's Direct Testimony.

5  
6 **B. Rate of Return**

7 Q. WHAT RATES OF RETURN IS THE COMPANY PROPOSING IN THIS APPLICATION?

8 A. Our proposed revenue requirement reflects an overall rate of return (ROR) on  
9 investment of 7.45 percent, based on an average common equity ratio of 52.54  
10 percent and an ROE of 10.50 percent. Company witness Mr. Dylan W.  
11 D'Ascendis provides a detailed analysis of the appropriate overall ROR and  
12 ROE for the Company.

13  
14 **C. Revenue Requirements**

15 Q. WHAT BASE RATE REVENUE REQUIREMENT IS THE COMPANY PROPOSING IN  
16 THIS RATE CASE?

17 A. The Company is proposing a revenue requirement of \$74.362 million. The  
18 revenue deficiency sought in this rate case is \$7.059 million or 10.49 percent.

19  
20 **D. Rate Design**

21 Q. PLEASE DESCRIBE YOUR PROPOSED RATE DESIGN FOR THIS CASE.

22 A. We are not proposing any material changes to the current rate design, as the  
23 Company's SFV rate design has worked well for our residential customers in  
24 North Dakota. Company witness Mr. Christopher J. Barthol discusses rate  
25 design further and identifies the minor proposed rate design changes in his  
26 Direct Testimony.

1 Q. CAN YOU DESCRIBE THE RATE DESIGN IN BROAD TERMS?

2 A. Yes. Mr. Barthol will provide additional detail; however, I can generally describe  
3 the rate structure. Residential customers pay a fixed monthly "Delivery Services  
4 Charge," which is currently \$18.48. The charge would increase to \$24.28 under  
5 the Company's proposal in this case. In addition, customers also pay for their  
6 commodity gas through the COG Rider. The direct cost paid for gas has thus  
7 been separated out from other costs.

8  
9 For their part, commercial and industrial customers pay a fixed monthly Basic  
10 Services Charge, a Distribution Charge that varies depending on the quantity of  
11 gas delivered, and a COG Rider Charge for the cost of the gas itself. The current  
12 and proposed amounts of the charges are provided by Mr. Barthol in his Direct  
13 Testimony. This rate structure accounts for the greater variability in gas  
14 consumption among and between commercial and industrial customers, and the  
15 extent to which distribution capacity costs vary based on such differences.  
16 Commercial and industrial customers also have the choice between firm service  
17 and interruptible service. Customers who opt for interruptible service have  
18 lower distribution charges and pay less for gas, but do have somewhat higher  
19 basic service charges.

20  
21 **VI. PROPOSED CHANGES TO RATE RECOVERY**

22  
23 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?

24 A. In this section of my Direct Testimony, I discuss the Company's proposed  
25 changes to certain ratemaking items related to employee compensation and  
26 benefits and charitable donation and association dues.

1 Q. IS THE COMPANY SEEKING TO MAKE ANY CHANGES TO RATE RECOVERY  
2 ASSOCIATED WITH HUMAN RESOURCES AND EMPLOYEE COMPENSATION?

3 A. Yes, we are seeking to adjust recovery in rates for the Long-Term Incentive  
4 program (LTI).

5

6 Q. WHAT IS LTI?

7 A. LTI is an incentive program that is available to our more senior and executive  
8 level employees; less than five percent of exempt and non-bargaining employees  
9 are eligible for LTI. LTI is intended to incentivize these senior employees to  
10 effectively manage the Company towards its overall corporate goals and in the  
11 best interest of our customers and shareholders. As its name implies, LTI  
12 provides a long-term incentive to these Company leaders through the grant of  
13 Xcel Energy Inc. equity. The employees who receive an LTI grant tend to be those  
14 who have a higher level of influence in the Company's direction and strategy,  
15 and also are employees who are in positions that can be expensive and time-  
16 consuming to fill. The LTI program helps retain these key employees and is  
17 necessary for Xcel Energy to remain competitive in the labor market.

18

19 Q. WHAT PERFORMANCE COMPONENTS ARE ASSOCIATED WITH LTI?

20 A. LTI can be earned through achievement of metrics tied to overall corporate  
21 goals. LTI can be earned via three separate components: 1) environmental  
22 performance, 2) total shareholder return, and 3) time-based LTI.

23

24 Q. WHAT IS THE COMPANY'S PROPOSAL FOR HOW LTI SHOULD BE ADDRESSED IN  
25 THIS RATE CASE?

26 A. The Company is proposing that it be allowed to recover the environmental and  
27 time-based portion of its LTI expenses. Environmental LTI is the portion of

1 the LTI program tied into the achievement of the Company's environmental  
2 goals. The technologies implemented by Xcel Energy will result in efficiencies,  
3 allow for a lower cost of capital, and remove fuel costs, in addition to  
4 environmental benefits and other benefits. Time-based LTI is the portion of  
5 the LTI program tied to the length of key employees' service with the Company.  
6 Customers benefit from the Company's ability to retain the institutional  
7 knowledge and capabilities of key employees.

8  
9 Q. WHY IS IT REASONABLE FOR THE COSTS OF THESE LTI COMPONENTS TO BE  
10 RECOVERED IN RATES?

11 A. These components for earning LTI are key to effective management of the  
12 Company, consistent with key customer-focused goals of environmental  
13 excellence and efficient management, and are necessary for the retention of key,  
14 senior leaders. The environmental LTI goal also supports environmental, social  
15 and governance (ESG) initiatives. Through the use of LTI, retaining these key  
16 employees ultimately benefits our customers. Mr. Halama discusses the impacts  
17 on the rate case of allowing for rate recovery of LTI.

18  
19 Q. WHAT CHANGES IS THE COMPANY SEEKING WITH REGARD TO CHARITABLE  
20 CONTRIBUTIONS AND CHAMBER OF COMMERCE DUES?

21 A. The Company is proposing that it be allowed to recover 100 percent of the cost  
22 of membership dues for the Greater North Dakota Chamber of Commerce.  
23 Such dues are a common business expense. Moreover, participation in the  
24 Chamber of Commerce can facilitate important discussions between Xcel  
25 Energy and other members of the North Dakota business community,  
26 including industrial and commercial clients, to the benefit of the Company and  
27 its customers.

1 The Company also proposes that cost recovery of 50 percent of charitable  
2 contributions benefitting North Dakota be allowed. Charitable contributions  
3 are a normal and expected expense for a business, particularly for a corporation  
4 of Xcel Energy's size and prominence in the community, and the Company's  
5 request is moderate in that it only encompasses half the cost of those donations  
6 that directly benefit North Dakota. For a limited set of contributions—  
7 donations made to North Dakota state and local economic development  
8 entities—the Company is seeking to recover 100 percent of costs.

9  
10 Mr. Halama discusses the rate impact of these changes in this Direct Testimony.  
11 The impact on rates of the Company's proposal will be quite modest, and these  
12 dues and contributions benefit North Dakota.

## 13 14 VII. INTRODUCTION OF COMPANY WITNESSES

15  
16 Q. WHO ARE THE WITNESSES FOR THE COMPANY IN THIS PROCEEDING?

17 A. In addition to my Policy Testimony, the Company sponsors the following  
18 witnesses:

- 19 • *Benjamin C. Halama*, who sponsors the overall revenue requirement for  
20 the rate case. Mr. Halama sponsors the schedules supporting our income  
21 statement, rate base, revenue deficiency, and jurisdictional allocations.
- 22 • *Dylan D'Ascendis*, of ScottMadden, Inc., who sponsors testimony on the  
23 ROE and ROR, including capital structure and cost of capital.
- 24 • *Jannell E. Marks*, who sponsors testimony regarding the Company's sales  
25 forecast.
- 26 • *Joni H. Zich*, who sponsors testimony regarding the Company's Gas  
27 Operations, including capital investments and O&M expenditures.



## Statement of Qualifications

**Greg P. Chamberlain**

**Vice President for Regulatory and Government Affairs  
Northern States Power Company - Minnesota**

Greg Chamberlain is Xcel Energy's Regional Vice President for Regulatory and Government Affairs. He is responsible for state government relations and regulatory filings with the utility commissions in Minnesota, North Dakota and South Dakota.

He previously served as Regional Vice President for Government and Community Relations for the Company, overseeing state and local government relations for Minnesota, North Dakota, and South Dakota.

Prior to that, Chamberlain served as General Manager of Power Generation, where he was responsible for the operations of the Company's fleet of 13 power plants across Minnesota, Wisconsin, and South Dakota.

As Director of Transmission Portfolio Delivery for the Company, Chamberlain was responsible for the engineering, project management, project controls and permitting of a \$4 billion electric transmission capital portfolio across 10 states. In addition, he acted as Xcel Energy's management committee representative on each of four CapX2020 projects. CapX2020 is a joint initiative of 11 transmission-owning utilities in Minnesota and the surrounding region, investing \$2 billion to expand the electric transmission grid to ensure continued reliable and affordable service.

Chamberlain joined Xcel Energy in 2000 as a market segment manager with responsibility for marketing power and ancillary services in newly deregulated markets, and then joined the Transmission organization in 2006.

Before joining Xcel Energy, Chamberlain spent five years at Suez leading energy, water and chemical outsourcing initiatives in a variety of heavy industries. Prior to that role, he spent nine years at Hercules, Inc., now part of Ashland Chemical.

Chamberlain earned a Master of Business Administration degree from the University of Minnesota - Carlson School of Management and a Bachelor of Science degree in chemical engineering from Purdue University. He serves on the boards of directors of Catholic Charities of St. Paul and Minneapolis and the Boy Scouts of America Northern Star Council.

**FILING REQUIREMENT COMPLIANCE TABLE**

Application of Northern States Power Company for )  
 Authority to Increase Rates for Natural Gas Service in ) Case No. PU-21-\_\_\_\_  
 North Dakota )  
 )

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
<b>N.D.C.C. 49-05-04.                      Application for increase                      of rates – Information                      required – Fee.</b>	Any public utility requesting an increase in its rates above the maximum approved or prescribed by the commission shall furnish the commission:	
	1. The original cost of all its property.	Consistent with Commission precedent, <sup>1</sup> the Company is providing capital roll-forward reports from 2007-2020 and 2021-2022. See Laurie Wold, Exhibit____ (LJW-1), Schedules 2, 3.
	2. The date of the acquisition of said property.	See above.
	3. The amount of money invested in said property.	See above.
	4. The amount of stock outstanding.	Dylan D'Ascendis, Exhibit____(DWD-1), Schedule 2.
	5. The amount of bonds outstanding against said property.	Dylan D'Ascendis, Exhibit____(DWD-1), Schedule 2.
	6. All books, papers, and memoranda of the utility showing the financial condition thereof.	Volume 3, Test Year Work Papers.
	7. Its total monthly salaries and wage expense for such time as the commission may request.	Volume 3, Test Year Work Papers.
	8. An itemized statement of its expenditures.	Volume 3, Test Year Work Papers.
	9. The details of its profit and loss account.	Volume 3, Test Year Work Papers.
10. All other books, papers, vouchers, and accounts which the commission shall ask to have produced as evidence at the hearing.	N/A. See Volume 3, Test Year Work Papers.	

<sup>1</sup> See PU-12-813, NSP Test Year Workpapers, Sec. III, Tab P3.B; PU-17-398, Otter Tail Power Rate Base Schedule B-3; PU-20-379, Montana-Dakota Utilities Co. Workpapers, Statement B-1.

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
	<p>11. An application fee in the amount of one hundred seventy-five thousand dollars. Upon request of the commission and with the approval of the emergency commission, the applicant shall pay such additional fees as are reasonably necessary for completion of the application process by the commission. The commission shall pay the expenses of investigating a rate increase application under this section from the application fee paid by the public utility in accordance with section 49-02-02. The commission may waive or reduce the fee.</p>	<p>Application Cover Letter.</p> <p>The application fee is being sent to the Commission under separate cover.</p>

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
<p><b>N.D.C.C. 49-05-04.1.</b>  <b>Test year – Public utility rate filings.</b></p>	<p>1. A public utility, at its option, may use any one of the following twelve-month periods as its test year for rate filings with the commission:</p>	
	<p>a. A historical test year, which may be either the latest twelve-month period for which actual data is available at the time of filing new schedules or the latest calendar or fiscal year for which actual data is available at the time of filing new schedules.</p>	N/A
	<p>b. A current test year, which is any consecutive twelve-month period ending not later than twelve months after the date new schedules are filed. A public utility selecting a current test year also shall file data for the twelve-month period immediately preceding the current test year selected and that period is the “historical period” for the public utility.</p>	N/A
	<p>c. A future test year, which is any consecutive twelve-month period ending no later than twenty-four months after the date new schedules are filed. A public utility selecting a future test year must file data for the twelve consecutive months immediately preceding the future test year and that period is the “current period” for the public utility.</p>	Benjamin Halama, Exhibit____(BCH-1), Section III.A, Schedule 3A, 3B.
	<p>2. A public utility selecting a current or future test year shall present the following information:</p>	
	<p>a. A comparison of forecast data to historical period data to demonstrate the reliability and accuracy of the utility's forecast including a comparison of the prior years' forecast or budgeted data to actual data for those periods.</p>	Benjamin Halama, Exhibit____(BCH-1), Section III.A, Schedule 10.

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
	b. A statement that the public utility's forecast is reasonable, reliable, and was made in good faith and that all basic assumptions used in making or supporting the forecast are reasonable, evaluated, identified, and justified to allow the commission to test the appropriateness of the forecast.	Benjamin Halama, Exhibit____(BCH-1), Section III.A.
	c. A statement that the accounting treatment that has been applied to anticipated events and transactions in the forecast is the same as the accounting treatment to be applied in recording the events once they have occurred.	Benjamin Halama, Exhibit____(BCH-1), Section III.A.
N.D.C.C. 49-05-04.1. Test year – Public utility rate filings. (cont.)	3. The public utility may update its filing for material changes as actual data becomes available up to thirty days before the hearing. Except for good cause shown, a public utility may not submit more than one updated filing before the hearing. In the absence of an updated filing by the public utility, the commission may require a public utility to update its filing when the commission staff introduces evidence that a material change has occurred.	N/A
	4. A public utility may propose estimated or calculated adjustments to the selected historical or current test year for all known and measurable changes in operating results as measured in the test year. The adjustments must be made in the same context and format as the information was provided in the original filing. The adjustments may reflect material changes in plant investment, operating revenues, expenses, and capital structure if the changes occurred during the selected historical or current test year or are reasonably certain to occur subsequent to the selected test year within twelve months from the date of the rate filing.	N/A

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
N.D.C.C. 49-05-05. Changes in tariff rates — Notice to commission — Filing fee.	No change shall be made by any public utility in any tariffs, rates, joint rates, fares, tolls, schedules, classifications, or service which have been filed and published by any public utility, except after thirty days' notice to the commission. The notice shall state plainly the changes proposed and except for services must be accompanied by a fifty dollar filing fee.	Notice of Change in Rates for Gas Service, Sections I, II.C.
N.D.C.C. 49-05-06(2) [Interim Rates]	2. Notwithstanding that the commission may suspend a filing and order a hearing, a public utility may file for interim rate relief as part of its general rate increase application and filing. If interim rates are requested, the commission shall order that the interim rate schedule take effect no later than sixty days after the initial filing date and without a public hearing. The interim rate schedule must be calculated using the proposed test year cost of capital, rate base, and expenses, except that the schedule must include:	
	a. A rate of return on common equity for the public utility equal to that authorized by the commission in the public utility's most recent rate proceeding;	Alternative Petition for Interim Rates, Section III.  10.75 percent ROE per Case No. PU-06-525, Settlement Agreement, p.6, (4/24/2007), as amended (5/9/2007).
	b. Rate base or expense items the same in nature and kind as those allowed by a currently effective commission order in the public utility's most recent rate proceeding; and	Alternative Petition for Interim Rates, Section III.
	c. No change in existing rate design.	Alternative Petition for Interim Rates, Section IV.

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
	3. In ordering an interim rate schedule, the commission may require a bond to secure any projected refund required by subsection 4. The terms of the bond, including the amount and surety, are subject to the commission's approval.	N/A
	4. As ordered by the commission, the utility shall promptly refund to persons entitled thereto all interim rate amounts collected by the public utility in excess of the final rates approved by the commission plus reasonable interest at a rate to be determined by the commission.	N/A
N.D.A.C. 69-02-02-04. Application.	An application is a proceeding seeking some right, privilege, or authorization which the commission may give under statutory or other authority administered by it.	
	1. <b>Contents.</b> Applications must be in writing and must:	Notice of Change in Rates for Gas Service.
	a. Set forth the full name and post-office address of the applicant;	Notice of Change in Rates for Gas Service, Section II.A.
	b. State clearly and concisely the authorization or permission sought; and	Notice of Change in Rates for Gas Service, Section I.
	c. Cite by appropriate reference the statutory provision or other authority under which the commission authorization or permission is sought.	Notice of Change in Rates for Gas Service, Section I.
	2. <b>Number of copies.</b> An original and seven copies of an application must be filed.	Application Cover Letter.
	3. <b>Articles of incorporation or partnership agreement.</b>	Notice of Change in Rates for Gas Service, Section II.D.
	a. Corporations. If the applicant is a corporation, a certified copy of its articles of incorporation must be annexed to the application. An original certificate of good standing must also be filed.	N/A
b. Partnerships. If the applicant is a partnership, the partnership agreement and any fictitious name certificate must be filed.	N/A	

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
	c. If the applicant's articles of incorporation or partnership agreement have already been filed with the commission in some prior proceeding, it is sufficient if this fact is stated in the application and reference is made to the case number and number of the prior proceeding.	The Company's articles of incorporation were filed in the Corporate Documents Case No. PU-09-664 on September 30, 2009, and certificates of good standing filed on January 8, 2021.
	4. Financial statement. Whenever the commission requires the filing of a financial statement by any utility, the applicant shall file consolidated financial statements for the most recent fiscal year using generally accepted accounting principles [sic] or, if applicable, accounting standards required by federal regulatory jurisdictions. Each financial statement must include:	Benjamin Halama, Exhibit____(BCH-1), Schedule 11.
	a. A balance sheet of the form and style usually followed in the industry.	Benjamin Halama, Exhibit____(BCH-1), Schedule 5.
	b. An income statement of the form and style usually followed in the industry.	Benjamin Halama, Exhibit____(BCH-1), Schedule 6.
	c. If available, an independent accountant's financial opinion.	N/A
	d. Any other information requested by the commission.	N/A

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
N.D.A.C. 69-02-04-01. Notice.	<p>[...]                      An electric, gas, or telecommunications public utility shall provide individual customer notice as required below by billing insert, newsletter, or other appropriate method approved by the commission. The notice must indicate the place and date of the commencement of any hearing, informal hearing, or public input session that has been ordered by the commission, and that the public is invited to attend. Subject to the power of the commission to modify its contents and when applicable, the notice must include a summary sheet describing the absolute dollar and percentage impact of any proposed rate or price changes by the various classes of services offered by the utility and must include a list of the utility's business office locations where the proposed rate or price schedules and a comparison of present and proposed rates or prices can be examined by the public. The notice must also contain in bold type the following statement when applicable: The rate changes described in this notice have been requested by (specific utility).</p>	<p>Notice of Change in Rates for Gas Service, Section III.</p>
	<p>For electric and gas utilities, individual customer notice is required for an application for approval of a rate increase, purchase or sale, merger, or acquisition filed by the utility, and applications by the utility for alternative regulation. For electric and gas utilities, the commission may require the utility to provide individual customer notice to potentially affected customers in other rate proceedings, complaint cases, advance determination of prudence cases, and fuel and purchased gas adjustment proceedings.</p>	<p>Notice of Change in Rates for Gas Service, Section III.</p>

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
	[...] The individual customer notices required by this section are separate from and in addition to any other customer notices required by law or rule, unless the commission authorizes the utility to satisfy multiple notice requirements with one notice.	Notice of Change in Rates for Gas Service, Section III.
<b>N.D.A.C. 69-09-01-26</b>	Each rate filing shall stipulate the classification of service and application thereto, date effective, and the particular rate to be superseded. The filing shall be accompanied by a statement showing the reasons for making the filing and the estimated amount of annual revenue affected, based upon the previous year's business.	Notice of Change in Rates for Gas Service, Sections I, IV.
<b>N.D.A.C. 69-09-01-29(2)</b>	Any expenditure by the utility for institutional, promotional, or political advertising shall be excluded from operating expenses in the cost of service determination for ratemaking purposes.	Benjamin Halama, Exhibit____(BCH-1), Schedules 4, 6,  Volume 3, Test Year Work Papers.
<b>N.D.A.C. 69-09-01-29(3)</b>	Advertising expenditures which are reasonable in amount and which are not [institutional, promotional, or political advertising] may be included as operating expenses in the cost of service determination for ratemaking purposes.	Benjamin Halama, Exhibit____(BCH-1), Schedules 4, 6,  Volume 3, Test Year Work Papers.

RATE CASE COMPLIANCE ITEMS		
Case No.	Required Information	Section and Page of Application
<b>PU-06-525</b> <b>2006 Natural Gas</b> <b>Rate Case</b> ORDER ADOPTING SETTLEMENT (6/13/2007), Order Point 4	NSP shall track DSM expenditures and report the results in its annual report to the Commission. Any accumulated differences from the amount allowed in the test year will be considered in NSP's next rate case proceeding.	The Company has complied with this requirement. <i>See</i> , 2020 Annual Report PU-21-159 (4/30/2021), 2019 Annual Report, PU-20-198 (5/1/2020), 2018 Annual Report, PU-19-177 (5/1/2019), 2017 Annual Report, PU-18-189 (5/23/2018), 2016 Annual Report, PU-17-185 (5/1/2017), 2015 Annual Report, PU-16-195 (5/2/2016), 2014 Annual Report, PU-14-747 (5/1/2015), 2013 Annual Report, PU-14-404 (6/18/2014), 2012 Annual Report, PU-13-208 (5/1/2013), 2011 Annual Report, PU-12-351 (6/20/2012), 2010 Annual Report, PU-11-148 (5/6/2011), 2009 Annual Report, PU-10-152 (5/3/2010), 2008 Annual Report, PU-09-192 (5/5/2009).
<b>PU-06-525 2006</b> <b>Natural Gas Rate</b> <b>Case, Settlement</b> <b>Agreement</b> (4/24/2007), as amended (5/9/2007), p.6	The Parties agree that a 10.75% ROE will be used for purposes of determining interim rates in the Company's next natural gas rate case.	Alternative Petition for Interim Rates, Section III.
<b>PU-06-525 2006</b> <b>Natural Gas Rate</b> <b>Case, Settlement</b> <b>Agreement</b> (4/24/2007), as amended (5/9/2007), p.9	It is agreed that the NSP(MN Co.) operating company capital structure will be used for purposes of determining interim rates in the Company's next natural gas rate case.	Alternative Petition for Interim Rates, Schedule 4.

RATE CASE COMPLIANCE ITEMS		
Case No.	Required Information	Section and Page of Application
<p><b>PU-06-525 2006 Natural Gas Rate Case, Settlement Agreement</b> (4/24/2007), as amended (5/9/2007), p. 10</p>	<p>The Parties agree to, and recommend the Commission approve, three changes to Large Commercial Interruptible Transportation Service tariff. The first is to allow for nominations in the final a.m. cycle on Northern Natural Gas Company. The second is to shorten the nomination deadline from two hours to 10 minutes prior to the standardization nominate deadlines. These changes to the nomination terms will provide transportation customers additional ability to ensure that their nominations match their expected usage and provide them greater opportunity to react to an unanticipated change in usage. The final change is to clarify the language regarding the calculation of Monthly Undertake/Overtake charges to ensure the calculation is based upon the amount of natural gas actually delivered on the customer's behalf by the upstream pipeline. This change makes the tariff language more understandable to Customers. The tariffs filed in compliance will also reflect the more accurate legal name Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc.</p>	<p>Compliance tariff filed in PU-06-525 (filed: 6/13/2007).</p>

RATE CASE COMPLIANCE ITEMS		
Case No.	Required Information	Section and Page of Application
<b>PU-06-525 2006 Natural Gas Rate Case, Settlement Agreement</b> (4/24/2007), as amended (5/9/2007), amendment p. 1-2	<p>The Parties agree to, and recommend the Commission approve, the following regulatory treatment for net retirements. First, the Company shall continue to recover the estimated net present value of the cost of retirement over the useful life of an asset. Second, for regulatory purposes, the Company shall continue to include all retirements as part of accumulated depreciation, which in turn results in an offset to rate base equal to the amount of the accumulated depreciation. Should, at any future date, there be change in regulation or other event that would result in a change in the above-described process, the Company agrees to work with the Commission to ensure that any accumulated depreciation amounts for retirement purposes are considered and appropriately addressed as part of that change.</p>	<p>Laurie Wold, Exhibit____ (LJW-1), Section III.</p>

OTHER COMPLIANCE ITEMS		
Case No.	Required Information	Section and Page of Application
<b>PU-08-627 AMR Module Malfunction, Metering / Billing External Review;</b> Mar 2, 2009 Proposal for Resolution, Proposal Section A.1.c. pg. 4.	<p>To date, the Company and Cellnet have incurred various costs associated with the AMR module failures and remediation. The Company commits to not seek recovery of these costs in any future natural gas rate case.</p>	<p>The Company is making no request with regard to costs associated with the AMR module failures and remediation.</p>
<b>PU-08-627 AMR Module Malfunction, Metering / Billing External Review;</b> Mar 2, 2009 Proposal for Resolution, Proposal Section C.1.a. pg. 9.	<p>The Company agreed not to seek recovery from its customers of any replacement costs for the impacted modules and do not expect to be billed by Cellnet for these costs due to the terms of a current change order negotiated with Cellnet.</p>	<p>The Company is making no request with regard to replacement costs for the impacted modules.</p>

OTHER COMPLIANCE ITEMS		
Case No.	Required Information	Section and Page of Application
<b>PU-17-490</b> <b>TCJA</b> ORDER INITIATING INVESTIGATION (01/10/18)	An investigation is initiated to determine the effect of the Tax Reform signed by President Trump on Dec. 22, 2017 beginning Jan. 1, 2017 by applying regulatory accounting treatment, use of regulatory assets and liability accounts for Commission consideration. Submit to the Commission by 2-15-18 the impacts with supporting calculations in comments regarding the appropriate regulatory accounting treatment.	Compliance filing in Case No. PU-17-490 (02/15/18)  Greg Chamberlain, Exhibit____(GPC-1), Section II,  Benjamin Halama, Exhibit____(BCH-1), Section II.A.
<b>PU-18-156</b> <b>Federal Tax Reform Effects – Gas Utility Rates</b> ORDER APPROVING SETTLEMENT AGREEMENT (11/8/18)	1. <i>Amortization of MGP Clean-up Costs</i> - Applicant will begin to amortize deferred Fargo MGP remediation costs, beginning in the current year (2018), at a rate of \$1.25 million per year. The Company will continue to recognize this annual expense each year until the regulatory asset has been fully recovered. The Parties agree that the final amount of MGP remediation costs attributable to North Dakota and subject to the amortization described in this section must be filed with the Commission within 90 days of completion of all remediation work. The amount is subject to the review, potential adjustment, and approval of the Commission for purposes of determining the recoverable portion.	Greg Chamberlain, Exhibit____(GPC-1), Section II;  Benjamin Halama, Exhibit____(BCH-1), Section II.A.

OTHER COMPLIANCE ITEMS		
Case No.	Required Information	Section and Page of Application
<p><b>PU-18-156</b>  <b>Federal Tax Reform Effects – Gas Utility Rates</b>                      ORDER APPROVING SETTLEMENT AGREEMENT                      (11/8/18)</p>	<p><i>Retention of TCJA Savings</i> -Until the completion of a future rate proceeding, the Applicant’s natural gas base rates in North Dakota will not be reduced to reflect the impact of the TCJA, and as such the Company will initially retain the TCJA savings attributable to its natural gas operations in the state. Therefore, beginning in 2018 the savings will offset the annual amortization of remediation costs, thereby reducing the balance of the deferred MGP costs that the Company will ultimately propose to recover in rates.</p>	<p>Greg Chamberlain, Exhibit__(GPC-1), Section II.</p>
<p><b>PU-18-156</b>  <b>Federal Tax Reform Effects – Gas Utility Rates</b>                      ORDER APPROVING SETTLEMENT AGREEMENT                      (11/8/18)</p>	<p><i>TCJA Savings To Reduce Future Base Rates</i> Applicant may file a natural gas base rate application at any time if it determines that its costs of providing natural gas service are not being adequately recovered. The Parties also agree that if and when the Company files its next general natural gas base rate application, all TCJA savings will be fully reflected in the applicable Test Year, thereby reducing the overall Test Year revenue requirement and corresponding rate increase request. For all general base rate applications filed thereafter, TCJA impacts will continue to be reflected in the corresponding rate case Test Years.</p>	<p>Benjamin Halama, Exhibit__(BCH-1), Section V.D, Schedule 3A.</p>

OTHER COMPLIANCE ITEMS		
Case No.	Required Information	Section and Page of Application
PU-18-156 Federal Tax Reform Effects – Gas Utility Rates ORDER APPROVING SETTLEMENT AGREEMENT (11/8/18)	<p><i>Future Recovery of MGP                      Through the Cost of Gas Rider</i></p> <p>–upon implementation of new commission-approved base rates following a future natural gas base rate proceeding, recovery of the remaining, pro-rated portion of the annual \$1.25 million amortization in the calendar year new base rates take effect will be effected through the Cost Of Gas (COG) Rider. For all subsequent years, recovery of the annual \$1.25 million amortization will continue to be achieved through the COG Rider until the allowed balance of MGP remediation costs has been fully amortized; no portion of the \$1.25 million annual amortization will be included in a future rate case Test Year for purposes of setting base rates. This will reduce the level of remediation costs that may be requested in future rate proceedings. Consistent with the Commissions’ past decision on the Grand Forks MGP remediation cost in case PU-400-00-521, the Applicant will not receive a shareholder return on the Fargo MGP remediation costs. Advocacy staff agrees, however, that given the remediation costs and length of time over which the recovery will take place, a return approximating the Company's related debt costs is appropriate, subject to future Commission guidance. The Commission will make a determination of all recoverable costs, including debt costs, after the project is completed.</p>	Greg Chamberlain, Exhibit____(GPC-1), Section II; Benjamin Halama, Exhibit____(BCH-1), Section II.A.

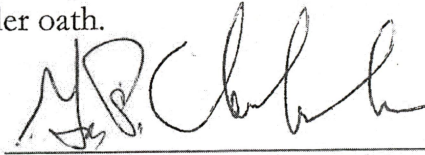
OTHER COMPLIANCE ITEMS		
Case No.	Required Information	Section and Page of Application
<b>PU-18-156</b> <b>Federal Tax Reform</b> <b>Effects – Gas Utility</b> <b>Rates</b> ORDER APPROVING SETTLEMENT AGREEMENT (11/8/18)	<i>Amortize Excess Accumulated                      Deferred Income Taxes                      (ADIT)</i> – all excess protected and plant-related ADIT and Net Operating Loss ADIT will be amortized over the remaining book life of the Company’s plant using the Average Rate Assumption Method (ARAM). All unprotected, non-plant-related excess ADIT will be amortized over a three-year period, commencing January 1, 2018 and ending December 31, 2020.	Benjamin Halama, Exhibit____(BCH-1), Sections IV.C, VII.C, Schedules 4-6.  Volume 3, Test Year Work Papers.

1 STATE OF NORTH DAKOTA  
2 BEFORE THE  
3 PUBLIC SERVICE COMMISSION  
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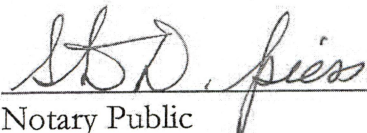
6 In the Matter of the Application of )  
7 Northern States Power Company for Authority )  
8 To Increase Rates for Natural Gas Service ) Case No. PU-21-\_\_\_\_  
9 In North Dakota )

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11  
12  
13 AFFIDAVIT OF  
14 Greg P. Chamberlain  
15  
16

17 I, the undersigned, being duly sworn, depose and say that the foregoing is the  
18 Direct Testimony of the undersigned, and that such Direct 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.

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23  
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25 \_\_\_\_\_  
26 Greg P. Chamberlain  
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30 Subscribed and sworn to before me, this 18 day of August, 2021.

31  
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33 \_\_\_\_\_  
34 Notary Public  
35 My Commission Expires: 1/31/25  
36

