



BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

Northern States Power Company 2022) Case No. PU-21-381
Natural Gas Rate Increase Application)

**Surrebuttal Testimony of
WILLIAM H. MALCOLM**

**On behalf of
AARP**

April 21, 2022

1

Introduction

2 Q. Please state your name.

3 A. My name is William H. Malcolm.

4 Q. Are you the same person who submitted direct testimony?

5 A. Yes, I am.

6 Q. Please summarize your surrebuttal testimony?

7 A. My surrebuttal has a common theme: for utilities like Xcel that operate in multiple states,
8 it is important that the utility treat its customers consistently and fairly. There is no need to
9 have dramatically different policies and proposals in one state and not another. That is, if
10 Xcel agrees to a 9.3% return on common equity in its recent Xcel Colorado electric rate
11 case (and 9.2% in its gas case), it does not need to be authorized 10.5% in North Dakota.
12 Further, if Xcel agrees to a \$12 fixed charge in Colorado, it does not need a \$24 fixed
13 charge in North Dakota, even if Colorado has a variable distribution charge. We are asking
14 that the customer charge not be increased. Finally, AARP stands by its recommendation
15 that the PSC should investigate reforms to ensure that the problems (and costs) incurred in
16 February 2021 during Winter Storm Uri do not happen again. This could include a higher
17 percent of gas hedged, better communication from Xcel on the need to conserve, and other
18 reforms. AARP also stands by its recommendation that the residential rate increase not
19 exceed the system average. Finally, we support a customer focused public comment

1 hearing process that does not include a lengthy presentation by the requesting utility at the
2 outset.

3 Q. Does AARP support authorization of a 10.5% return on common equity (ROE) for Xcel?

4 A. No. Xcel has not yet responded to the revelation that it agreed to a 9.2% ROE in its
5 Colorado gas rate case (20AL-0049G). More recently, Xcel settled on 9.3% in its electric
6 rate case which was approved by the Colorado PUC on March 16, 2022 (Decision C22-
7 0178 in Case 21-AL-0317E), inflation notwithstanding. Accordingly, there is no reason the
8 company should receive 10.5% ROE in North Dakota. The utility provided a discovery
9 response to AARP, showing the authorized and requested ROEs for other Xcel affiliates.
10 For the Commission's information, I have attached it as Attachment 1 to my testimony.

11

12 Q. Should the customer charge in North Dakota be increased from \$18.48 per month to \$24.28
13 per month in North Dakota?

14 A. No it should remain at the current level. High fixed charges make controlling your energy
15 bill more difficult.

16

17 Q. Is AARP recommending a roll back of the customer charge to \$12?

18 A. No. AARP is recommending the customer charge be kept at its current level of \$18.48 per
19 month. I pointed out on page 6 of my direct testimony that Xcel is keeping the customer

1 charge at \$12 per month in its most recently filed gas rate case in Colorado (Docket 22AL-
2 0046G).

3 Q. Does AARP agree with the claimed benefits of a high fixed charge?

4 A. No. We continue to favor no change to the current customer charge in North Dakota,
5 notwithstanding the many purported benefits of a high customer charges, as described in
6 the rebuttal testimony of Xcel witness Barthol (page 9).

7 AARP favors a lower fixed charge because of the control it gives customers over their
8 energy bill. AARP believes that the current fixed charge, although it is currently very high
9 in comparison to other approved fixed charges around the country, because we believe it
10 strikes the right balance.

11 To see how the current and requested fixed customer charge in North Dakota compares to
12 other Xcel affiliates, please refer to Attachment 2 to this testimony, where an Xcel data
13 request response provides such a comparison.

14 Q. Did AARP recommend the customer charge be reduced to \$12 as is charged in Colorado?

15 A. No. Contrary to the statement of witness Barthol, we did not recommend such a reduction.
16 We recommended no change to the current customer charge of \$18.48. However, Xcel
17 ignored our reference to the Colorado natural gas rate case in which AARP agreed with the
18 utility's rationale for keeping the customer charge at \$12 per month. AARP is asking for
19 no change to the customer charge in North Dakota (\$18.48 per month) given these facts.

1 My direct testimony asked for no change to the current customer charge – not a rollback to
2 \$12 per month, as claimed in Xcel’s rebuttal.

3 Q. Do high customer charges help with bill stability?

4 A. No. Customers who want bill stability can enroll in budget billing (aka Budget Helper Plan)
5 where the customer pays a flat amount each month of the year.

6 Q. Are high customer charges easier for customers to understand (Barthol rebuttal page 15)?

7 A. No. What is difficult for consumers to understand is how they can owe Xcel \$24.28 before
8 they even turn on the stove or start your gas furnace. With the rising cost of natural gas,
9 the current rate design provides a better incentive to see substantial savings by reducing
10 gas usage.

11 Q. Does AARP still support an investigation into hedging and other reforms such as better
12 customer communications to avoid a repeat of the Winter Storm Uri problem where Xcel
13 incurred \$32.5 million in unexpected gas costs by buying off the high-priced gas spot
14 market?

15 A. Absolutely. While we are grateful to the PSC’s one day workshop in Docket PU-21-102,
16 groups that represent consumers – including AARP -- were not invited to comment. Better
17 communications by Xcel with customers urging voluntary conservation could have
18 possibly reduced the need to buy off the natural gas spot market as much during the period
19 February 13-17, 2021. Also, while Xcel apparently hedges some of its gas purchasing, that

1 number may need to increase to avoid a repeat of 2021. Xcel was one of the few utilities
2 that purchased large amounts of gas at the high-priced spot market. Accordingly, it is
3 worthwhile to take steps to ensure it does not happen again by looking at the best practices
4 that helped other utilities avoid such a predicament. AARP urges further investigation into
5 this matter given Xcel customers must pay a new multi-year surcharge on their gas bills to
6 recover these extraordinary February 2021 costs.

7 Q. Does AARP support giving residential customers the same rate increase as the average
8 increase?

9 A. Absolutely. The PSC should be mindful that class cost of service studies done by the utility
10 should be viewed with caution. In a perfect world, the PSC staff would do its own study.
11 This is because there are many subjective items in such studies. There is nothing wrong
12 with the PSC limiting the customer class increase to the system average due to gradualism
13 or other concerns.

14 Q. Does AARP still support reform of the public comment hearing process which currently
15 allows the applicant to give a lengthy presentation of their rate increase application
16 before taking public comments?

17 A. AARP participates in such forums around the country and North Dakota is the only state
18 that forces commenters to endure a lengthy presentation from the utility before being
19 allowed to comment. Customers are busy. They show up at public comment hearings to
20 make their views known after having heard about the rate increase. They should speak first.

1 There is no need to allow the utility 20 minutes or more at the beginning of such forums.
2 Instead, staff or the utility should give a brief 5-minute overview of the request and then
3 go immediately into comments. This is the process used in other states. The utility should
4 be there to answer questions, and/or speak last. Public comment hearings are just that: for
5 the public.

6 Q. Please summarize AARP's recommendations in this proceeding.

7 A. AARP supports no increase to the customer charge, a lowering of the requested ROE, an
8 investigation into hedging and other reforms to avoid a repeat of February 2021, and
9 changes to the public comment hearings to make them more customer focused. We also
10 ask that the residential increase be kept at the system average.

11 Q. Does this conclude your prepared testimony?

12 A. Yes, it does.

Attachment 1

- Not Public Document – Not For Public Disclosure
 Public Document – Not Public Data Has Been Excised
 Public Document

Xcel Energy

Data Request No. 1-2

Case No.: PU-21-381

Response To: American Association of Retired Persons

Requestor: John Coffman

Date Received: March 7, 2022

Question:

Please provide the current (and any proposed) returns on common equity (ROEs) authorized for all electric and natural gas service areas served by any Northern States Power Company or Xcel affiliate, including in the ROEs allowed by state regulatory jurisdictions in TX, CO, NM, WI, MN, SD, ND, NM, and MI.

Objection:

The Company objects to Data Request No. AARP1-2 as outside the scope of this Case and not relevant to the extent that it requests information regarding the ROEs for the electric operations of Xcel Energy Inc. operating companies. The ROEs for Xcel Energy's electric utilities are not a subject of this Case and are not relevant to the ROEs for Xcel Energy's gas operations in North Dakota or elsewhere.

Subject to and without waiving this objection, the Company responds as follows:

Response:

Table 1 below provides the authorized ROE for the natural gas operations of each of Xcel Energy's operating companies (the Company does not have natural gas service areas in Texas, New Mexico, or South Dakota).

Table 1: Authorized ROEs for Xcel Energy Inc. Gas Utilities

OpCo/State	Authorized ROEs	Proposed ROEs
NSP – North Dakota	10.75% (2007) ¹	10.50% (PU-21-441)
NSP – Michigan	10.00% (2017)	
NSP – Minnesota	10.09% (2010)	10.50% (G002/GR-21-678)
NSP – Wisconsin	9.80%, 10.00% (2021) ²	
PSCo - Colorado	9.20% (2021)	10.25% (Proc. No. 22AL-0046G)

Witness: Benjamin Halama
 Preparer: Shari Cardille
 Title: Principal Rate Analyst
 Department: Revenue Requirements
 Telephone: 612-330-1974
 Date: March 21, 2022

¹ A Settlement in Case No. PU-18-156, established an earnings sharing mechanism to issue refunds of all earnings exceeding a 9.85 percent ROE.

² The Wisconsin Public Service Commission approved authorized ROEs of 9.80 percent for 2022 and 10.00 percent for 2023 in Docket 4220-UR-125.

Attachment 2

- Not Public Document – Not For Public Disclosure
 Public Document – Not Public Data Has Been Excised
 Public Document

Xcel Energy

Data Request No. 1-3

Case No.: PU-21-381

Response To: American Association of Retired Persons

Requestor: John Coffman

Date Received: March 7, 2022

Question:

Please provide the approved residential customer charges (aka monthly nonbypassable fixed charges for residential customers, no matter the label) for all electric and natural gas service areas served by any Northern States Power Company or Xcel affiliate, including in the ROEs allowed by state regulatory jurisdictions in TX, CO, NM, WI, MN, SD, ND, NM, and MI. If such charges are calculated on a daily basis, please translate into an average monthly charge for residential customers.

Objection:

The Company objects to Data Request No. AARP1-3 as outside the scope of this Case and not relevant to the extent that it requests information regarding the approved residential customer charges for the electric operations of Xcel Energy Inc. operating companies. Xcel Energy's electric utilities are not a subject of this Case and are not relevant to the existing or proposed residential customer charges for Xcel Energy's gas operations in North Dakota or elsewhere.

Subject to and without waiving this objection, the Company responds as follows:

Response:

A comparison of only the residential customer charges in each of Xcel Energy's natural gas operations is an apples to oranges comparison because it fails to acknowledge the rate design differences approved in each state for the recovery of distribution service costs. Table 1 below shows both the fixed monthly customer charge and the volumetric charge for the residential class in each state¹.

Note that in North Dakota, residential customers pay the same amount each month for distribution services as there is no volumetric charge. In Xcel Energy's other

¹ Xcel Energy does not provide natural gas service in Texas, New Mexico, or South Dakota.

natural gas jurisdictions, a volumetric charge is used to recover most of the monthly distribution service costs. The last column in the table shows that the Company's overall gas distribution charges in North Dakota are currently lower than in the other states, assuming the North Dakota monthly average natural gas use of 64 therms.

Table 1
Residential Monthly Gas Distribution Charges
for Xcel Energy Inc. by State Jurisdiction

OpCo/State	Fixed. Customer Charge	Volumetric Rate (/Therm)	Total Mo. Distribution Charge (@ 64 Therms)
NSP – North Dakota	\$18.48	\$0.000000	\$18.48
NSP – Michigan	\$11.00	\$0.213880	\$24.69
NSP – Minnesota	\$9.00	\$0.175996	\$20.26
NSP – Wisconsin ²	\$14.00	\$0.381400	\$38.41
PSCo - Colorado	\$12.21	\$0.193940	\$24.62

Witness: Christopher Barthol
Preparer: Christopher Barthol
Title: Principal Pricing Analyst
Department: Regulatory Affairs
Telephone: 612-321-3237
Date: March 21, 2022

² NSPW's volumetric rate includes the temporary recovery of environmental liability costs associated with a Manufactured Gas EPA Superfund Site.

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

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

CERTIFICATE OF SERVICE

I hereby certify that the original and seven (7) copies, of the Surrebuttal Testimony of William Malcolm were hand delivered/mailed/emailed, on this 21st day of April, 2022 to the following:

Executive Secretary Public Service Commission
600 East Boulevard Avenue, Dept. 480
Bismarck, ND 58505-0480
ndpsc@nd.gov

I further certify that on the 21st day of April, 2022 a copy of the foregoing was hand delivered to:

Administrative Law Judge Hope L. Hogan

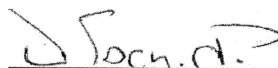
I further certify that on this 21st day of April, 2022, a copy of the foregoing were e-mailed to the following persons:

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