



Surrebuttal Testimony
Allen D. Krug

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____(ADK-2)

Policy

May 6, 2022

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1
2
3 **I. INTRODUCTION**

4 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

5 A. My name is Allen D. Krug. I am Associate Vice President, State Regulatory
6 Policy for Northern States Power Company – Minnesota (NSP or Xcel Energy
7 or the Company).

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

9 A. Yes. I took my colleague Mr. Greg P. Chamberlain's place as the Company's
10 Policy witness for the remainder of this Case, adopted his Direct Testimony as
11 if it were my own, and submitted Rebuttal Testimony.

12
13 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

14 A. I summarize the Company's response to the Surrebuttal Testimony filed on
15 behalf of the Advocacy Staff of the North Dakota Public Service Commission
16 (Advocacy Staff) by PCMG and Associates Inc. (Staff's Consultants) as well as
17 the Surrebuttal Testimony filed by Mr. William H. Malcolm on behalf of
18 intervenor the American Association of Retired Persons (AARP). I also
19 introduce the other Company witnesses sponsoring Surrebuttal Testimony.

20
21 Q. WHAT IS YOUR OVERALL ASSESSMENT OF THE SURREBUTTAL TESTIMONY
22 FILED BY ADVOCACY STAFF AND AARP?

23 A. Staff's Consultants and AARP mostly reiterated their prior positions as stated
24 in their Direct Testimony. Advocacy Staff witness Mr. Dante Mugrace accepted
25 some of the Company's corrections to his adjustments in his Surrebuttal
26 Testimony, but he stood by his controversial use of a three-year average to
27 adjust certain of the Company's operations and maintenance (O&M) expenses.

1 Advocacy Staff witness Dr. Marlon Griffing updated his return on equity
2 analysis with more recent information while also updating his weighting
3 methodology, resulting in a slightly higher ROE recommendation than in Direct
4 Testimony, but his recommendation remains below the level that is reasonable
5 for the Company. Advocacy Staff witness Mr. Karl Pavlovic and AARP witness
6 Mr. Malcolm did not change any of their positions from Direct Testimony.

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

9 A. In my Surrebuttal Testimony, I address the key issues addressed in the
10 surrebuttal testimony of Staff's Consultants and AARP that remain in dispute,
11 namely:

- 12 • Mr. Mugrace's recommendations regarding adjustments to the
13 Company's O&M expenses in the future test year using historical
14 averages;
- 15 • The ROE recommendations of Staff's Consultants and AARP; and
- 16 • The appropriateness of the Company's rate design and certain cost
17 allocation methods used in Company's proposed Class Cost of Service
18 Study (CCOSS).

19
20 Q. PLEASE DESCRIBE HOW YOUR TESTIMONY IS ORGANIZED.

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

- 22 • Summary of Surrebuttal Position;
- 23 • Revenue Requirement;
- 24 • Return on Equity;
- 25 • CCOSS and Rate Design;
- 26 • Presentation of Surrebuttal Witnesses; and
- 27 • Conclusion.

1 The Company believes there is general agreement with Advocacy Staff on the
2 Company's current rate design, and in particular the fixed customer charge that
3 AARP witness Mr. Malcolm takes issue with. However, the Company disagrees
4 with Staff's consultants regarding the classification and allocation of distribution
5 mains costs, as described further in the Surrebuttal Testimony of Mr. Barthol.
6 These costs should not be classified as either 100 percent demand-related or
7 100 percent customer-related, and the Company followed the same approach it
8 has used for almost two decades.

9 10 **III. REVENUE REQUIREMENT**

11
12 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

13 A. In this section, I provide the Company's response to the Surrebuttal Testimony
14 of Advocacy Staff witness Mr. Mugrace with respect to the Company's overall
15 revenue requirement. Specifically, I address Mr. Mugrace's adjustment of the
16 Company's non-labor and labor O&M expenses using two different
17 methodologies, why this approach is outcome determinative, and why neither
18 methodology results in a credible representation of the Company's actual cost
19 of service.

20
21 Q. DID MR. MUGRACE ACCEPT ANY OF THE COMPANY'S RECOMMENDED
22 ADJUSTMENTS FROM REBUTTAL?

23 A. Yes. As discussed further by Mr. Halama, Mr. Mugrace accepted several
24 adjustments to his Direct Testimony proposed by the Company, including the
25 Company's significant revenue requirement reduction due to the completion of
26 the Fargo Capacity Project early and under budget.

27

1 Q. WHAT DID MR. MUGRACE RECOMMEND WITH RESPECT TO O&M EXPENSES IN
2 SURREBUTTAL TESTIMONY?

3 A. Mr. Mugrace stands by his approach of using a historical three-year average to
4 adjust certain categories of non-labor O&M expenses in the test year. Mr.
5 Mugrace argues that his adjustments mostly reflect those O&M expenses that
6 vary from year to year, not those that have been stable and consistent.
7 Consistent with his Direct Testimony, Mr. Mugrace proposes to adjust the
8 Company's *labor* O&M expenses using an entirely unrelated methodology, by
9 applying a vacancy rate derived from historic averages.

10
11 Q. WHAT IS MR. MUGRACE'S JUSTIFICATION FOR HIS HISTORICAL AVERAGING
12 APPROACH?

13 A. Mr. Mugrace argues that costs change from year to year, and that one of the
14 goals of rate setting is to provide for "gradualism" so ratepayers won't be
15 impacted by sudden increases or decreases in the Company's costs. He argues
16 that one-time costs or abnormal cost distributions may increase or reduce costs
17 in a particular year "and is a good reason for spreading out one-time costs over
18 time to provide rate stability for customers,"¹ and he points out that the
19 COVID-19 pandemic makes it even more appropriate to "smooth out" costs
20 so that "customers are not greatly impacted by increased expenses."²

21
22 Q. ARE THESE LEGITIMATE REASONS TO ADJUST THE COMPANY'S COST OF SERVICE
23 USING A HISTORICAL AVERAGE?

24 A. No. As I noted in my Rebuttal Testimony, it may be appropriate in limited
25 circumstances to use a historical average approach for particular line items in

¹ Mugrace Surreb. 4:19-21.

² Mugrace Surreb. 6:1-5.

1 order to, for example, address a specific anomaly in the test year. But Mr.
2 Mugrace adjusts entire categories of O&M expenses based on historical
3 averages without adequately demonstrating that there are any sudden increases
4 or one-time costs that would justify such an approach. In fact, on an overall
5 basis, the Company's proposed 2022 test year O&M expense is below the 2019
6 – 2021 three-year average. I discuss this issue further below. It appears Mr.
7 Mugrace's determination of the Company's revenue requirement is not designed
8 to reflect the Company's actual costs and provide the Company with an
9 opportunity to recover them, but instead is simply a blunt attempt to slash the
10 Company's requested rate increase.

11
12 Q. DOES MR. MUGRACE ACKNOWLEDGE THAT HIS ADJUSTMENTS DO NOT RESULT
13 IN A GOOD REPRESENTATION OF THE COMPANY'S TEST YEAR COSTS OF
14 SERVICE?

15 A. Yes. But Mr. Mugrace argues generally that "the Company should not expect to
16 recover all of its costs during the test year."³ Instead, he states that "[t]he
17 Company is given the opportunity to recover costs, not a guarantee of full
18 recovery."⁴

19
20 Q. IS THE COMPANY REQUESTING A GUARANTEE OF FULL RECOVERY, AS MR.
21 MUGRACE SUGGESTS?

22 A. No. The Company is requesting a reasonable opportunity to recover its costs
23 of providing service.

24

³ Mugrace Surreb. 4:22-23.

⁴ Mugrace Surreb. 6:14-15.

1 Q. DO YOU AGREE WITH MR. MUGRACE THAT “THE COMPANY SHOULD NOT
2 EXPECT TO RECOVER ALL OF ITS COSTS DURING THE TEST YEAR”?

3 A. No. It is a fundamental principle of ratemaking that the utility is entitled to
4 recover its cost of service plus a reasonable rate of return in exchange for the
5 obligation to serve. Mr. Mugrace’s statement that the Company should not
6 expect to recover all of its costs during the test year – even if it prudently
7 manages its business – appears to be in direct conflict with his statement that
8 the utility is given the opportunity to recover its costs. It is unclear to me how
9 a Company could be given the opportunity to recover its costs without an
10 expectation that it would be able to recover them.

11
12 Q. DO MR. MUGRACE’S RECOMMENDED ADJUSTMENTS TO O&M EXPENSES
13 PROVIDE THE COMPANY WITH THE OPPORTUNITY TO RECOVER ITS COSTS?

14 A. No. Mr. Mugrace’s bifurcating of labor and non-labor O&M costs and the
15 application of inconsistent historical averaging approaches to each non-labor
16 cost category predetermines the outcome of his analysis and is inconsistent with
17 the Company’s right to choose a future test year. As I noted above, the
18 Company’s requested rate increase is driven largely by capital investments the
19 Company has made over the last 15 years to address growth and ensure
20 reliability, the prudence of which has not been questioned. However, in what
21 appears to be nothing more than an effort to reduce the Company’s proposed
22 rate increase, Mr. Mugrace proposes an arbitrary methodology which by its very
23 nature denies the Company the opportunity to recover its actual costs of service.

24
25 Q. PLEASE EXPLAIN THE PROBLEM WITH BIFURCATING LABOR AND NON-LABOR
26 O&M COSTS AND APPLYING TWO DIFFERENT ADJUSTMENT METHODOLOGIES.

27 A. As an initial matter, in preparing its annual O&M budgets the Company’s
28 primary focus is on *total* O&M costs. The split between labor and non-labor

1 O&M costs is much less significant. There are various factors which can affect
2 this split during a given fiscal year, and the Company focuses on managing to
3 the total planned O&M budget.

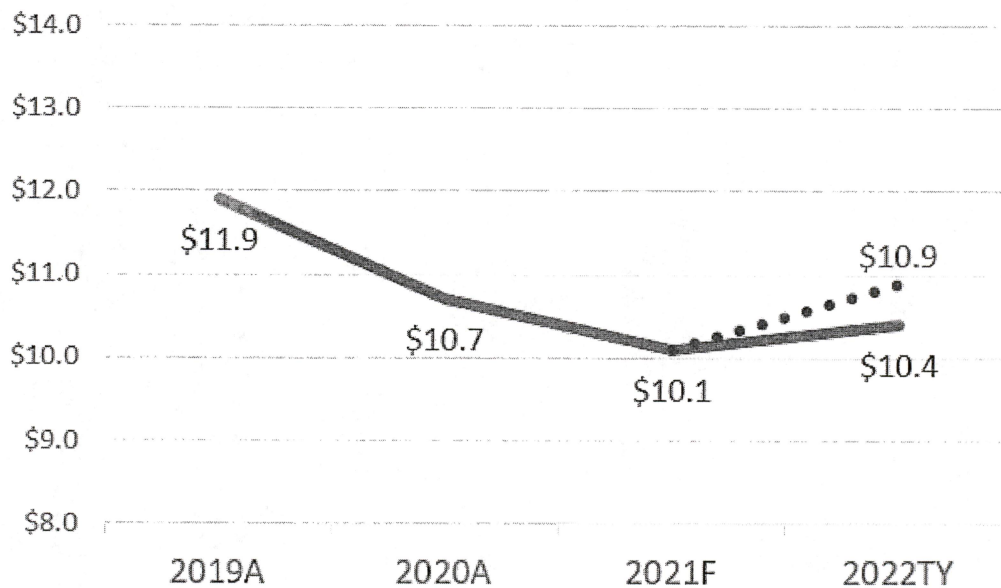
4
5 I note that historical data indicates that there is generally an inverse relationship
6 between these two categories—if the Company outsources more work to third
7 party contractors in a particular year, its non-labor O&M costs rise while its
8 labor costs fall. This is precisely what has happened in recent years—non-labor
9 O&M costs have risen while labor costs have fallen.

10
11 In using two different methodologies to propose adjustments to the Company's
12 overall O&M expense, Mr. Mugrace suggests that a reasonable test year of
13 O&M expense is about \$9.0 million. However, he provides no explanation for
14 why primarily rising cost components should be averaged while falling costs
15 should not. Were Mr. Mugrace to have applied his approach to *total* O&M
16 expense rather than only certain categories of non-labor O&M, the Company's
17 proposed test year total O&M expense would actually be below the 2019-2021
18 three-year average (represented by the dotted line), as shown in Figure 1 below.

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Figure 1
Application of Historical Averaging Method to Total O&M
(With 2021 Forecasted Bridge Year – in Millions)



14 Q. WHAT DOES FIGURE 1 SHOW?

15 A. Figure 1 shows the Company's total O&M expense falling over the 2019-2021
16 period, including 2019 and 2020 actuals and the February 2021 forecast of 2021.
17 Thus, if Mr. Mugrace's three-year historical averaging approach were applied to
18 Total O&M expense, it would result in an *upward* adjustment of about \$0.5
19 million in the 2022 test year.

20
21 Q. DOES THE COMPANY HAVE 2021 ACTUAL O&M COSTS AVAILABLE?

22 A. Yes. The Company's 2021 actual O&M expense was finalized during the
23 pendency of this Case. Figure 2 shows the same three-year total O&M expense
24 look, but with the 2021 actuals instead of the 2021 forecast.

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Figure 2
Application of Historical Averaging Method to Total O&M
(With 2021 Actuals – in Millions)



15 Q. WHAT DOES FIGURE 2 SHOW?

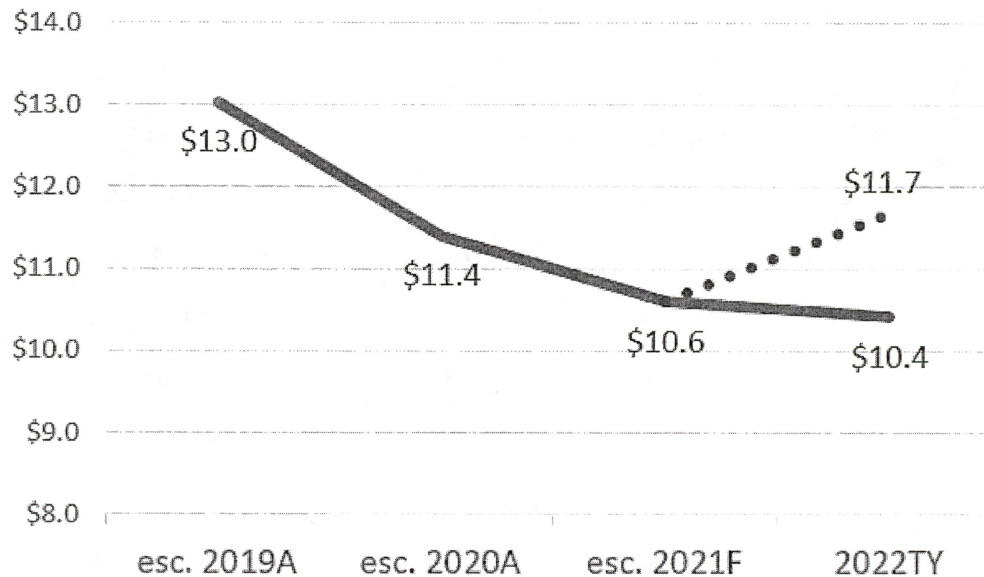
16 A. Figure 2 shows that were actual 2021 O&M expense factored into the historical
17 average, the result of applying Mr. Mugrace's three-year historical average to
18 Total O&M expense would be an upward adjustment to the 2022 test year
19 O&M of about \$1.1 million.

21 Q. WHY WAS THE COMPANY'S 2021 ACTUAL O&M EXPENSE SO FAR ABOVE THE
22 FORECASTED LEVEL?

23 A. This discrepancy can largely be attributed to the impacts of inflationary trends
24 in the economy and a tight labor market. These two overall economic trends
25 combined to increase the Company's labor O&M expense above the forecasted
26 level. Factoring inflation more broadly into a review of the Company's historical
27 expenses further increases this difference. Figure 3 below demonstrates that
28 were the 2019-2021 total O&M expenses escalated to 2022 dollars, the

1 Company's 2022 Test Year O&M reflects a continued reduction in costs on an
2 inflation-adjusted basis.

3
4 **Figure 3**
5 **Application of Historical Averaging Method to Total O&M**
6 **(Inflation Adjusted in Millions)**



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18 Q. WHAT ELSE DOES FIGURE 3 SHOW?

19 A. In addition to the downward trend of total O&M costs when adjusted for
20 inflation, Figure 3 shows that applying Mr. Mugrace's three-year historical
21 averaging adjustment to the Company's inflation-adjusted total O&M would
22 result in an upward adjustment of the 2022 test year O&M of about \$1.3 million.

23
24 Q. OVERALL, WHAT DO FIGURES 1-3 DEMONSTRATE?

25 A. Figures 1-3 above demonstrate that Mr. Mugrace's bifurcation of labor and non-
26 labor O&M and application of a historical three-year averaging of only certain
27 non-labor costs is flawed and leads to a misrepresentation of the reasonableness
28 of our Test Year O&M expense. His method is arbitrary and appears to have

1 been done in order to “cherry-pick” only those categories of non-labor costs
2 that are expected to increase in the test year. While the Company generally does
3 not support ratemaking using historical averages, Figures 1-3 demonstrate that
4 if this averaging approach were applied to all O&M costs as a “reasonableness
5 check” of the Test Year forecast, it certainly supports the Company’s test year
6 number and suggests it might be conservative.

7
8 Q. WHAT CONCLUSIONS SHOULD THE COMMISSION DRAW FROM THIS ANALYSIS?

9 A. Figures 1-3 demonstrate that the Company’s proposed 2022 test year overall
10 O&M budget is well within the range of reasonableness and that Mr. Mugrace’s
11 proposed test year O&M is not. If the Commission were to approve Mr.
12 Mugrace’s recommendation, it is very likely rates will not be set at a level that
13 allows the Company a reasonable opportunity to recover its actual costs.

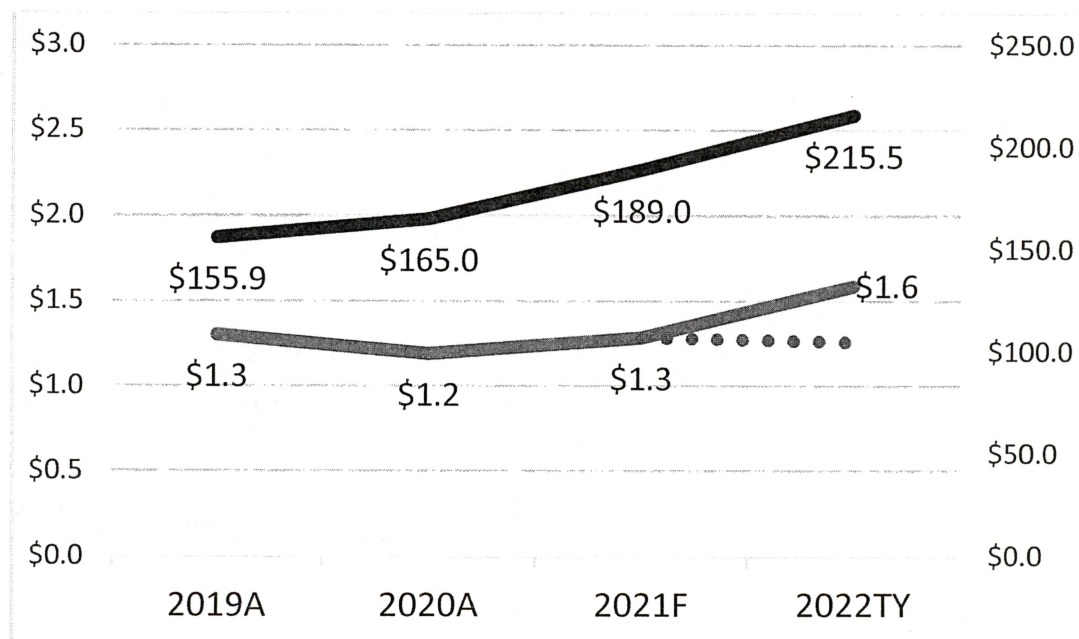
14
15 Q. ARE THERE OTHER EXAMPLES OF WHY MR. MUGRACE’S HISTORICAL
16 AVERAGING APPROACH IS FLAWED?

17 A. Yes. Mr. Mugrace’s proposed adjustment to the Company’s property tax
18 expense based on a three-year historical average demonstrates how Mr.
19 Mugrace’s approach does not provide the Company the opportunity to recover
20 its actual costs. As I discussed in my Rebuttal Testimony, the Company recently
21 completed the construction of a new 12-inch gas distribution main in Fargo, at
22 a capital cost of approximately \$20 million. The Fargo Capacity Project, as it is
23 called, represents a significant increase to rate base, with a corresponding impact
24 on our property tax expense in 2022 now that the Project has been placed in
25 service. However, Mr. Mugrace’s approach of averaging Property Tax expense
26 over the 2019-2021 period means that the property tax impact of the Fargo
27 Capacity Project, along with other new investment, would be removed from the
28 Company’s cost of service. Given that the Project is completed, its property tax

1 impact should be reflected in the 2022 test year that the Company should have
 2 the opportunity to recover.

3
 4 Figure 4 below shows the Company's increasing Plant investment over the
 5 2019-2022 period, and the corresponding impact on Property Taxes. Utilizing
 6 the historical average of 2019-2021 property taxes, as Mr. Mugrace does, results
 7 in a downward adjustment of Property Tax expense of \$328,818, even though
 8 the Company's rate base and tax liability have increased.

9
 10 **Figure 4**
 11 **Plant Investment and Property Taxes (Millions)**



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 23
 24 Q. IN ADDITION TO THE BIFURCATION ISSUE, ARE THERE OTHER FLAWS WITH MR.
 25 MUGRACE'S LABOR ADJUSTMENT?

26 A. Yes. Mr. Mugrace's Labor adjustment represents double-counting, because the
 27 Company's Test Year budget already includes a labor attrition rate of 4 percent
 28 on productive labor, based on historical attrition and vacancy rates. Mr.

1 Mugrace acknowledged this in his Surrebuttal Testimony but stood by his
2 adjustment on the basis that the Company had not provided sufficient analysis
3 to demonstrate that the attrition rate was incorporated into the 2022 cost of
4 service. Company witness Mr. Halama provides this analysis in his Surrebuttal
5 Testimony and therefore Mr. Mugrace's proposed Labor adjustment is
6 duplicative.

7
8 Q. PLEASE SUMMARIZE THE COMPANY'S SURREBUTTAL POSITION REGARDING THE
9 O&M ADJUSTMENTS PROPOSED BY MR. MUGRACE.

10 A. Neither Staff's Consultants nor AARP dispute that the Company has not
11 increased its base rates for a very long time—the Company's last gas general
12 rate case was 15 years ago. However, using historical average O&M expenses
13 based on aberrant pandemic years to determine the Company's Test Year
14 costs—rather than actual budgeted and forecasted values—results in an overall
15 revenue requirement and natural gas rates that do not reflect the Company's
16 costs of service and thus does not give the Company the opportunity to recover
17 those costs. If the Commission is concerned about setting rates that may be too
18 high, the Company is willing to accept an earnings share arrangement whereby
19 earnings above the Company's authorized ROE would be shared or refunded
20 to customers, as discussed in my Rebuttal Testimony. Under such a mechanism,
21 if the Company is in fact over-projecting its costs of service, customers would
22 be protected.

23
24 **IV. RETURN ON EQUITY**

25
26 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

27 A. In this section, I respond to the Surrebuttal Testimony of Advocacy Staff
28 witness Dr. Griffing and AARP witness Mr. Malcolm with respect to ROE.

1

2 Q. WHAT DID ADVOCACY STAFF AND AARP RECOMMEND IN SURREBUTTAL
3 TESTIMONY WITH RESPECT TO ROE?

4 A. Dr. Griffing updated his ROE analysis by accepting some recommendations of
5 Company witness Mr. D'Ascendis and by inputting new market data into his
6 models. Based on his updated analysis, Dr. Griffing recommends an ROE of
7 9.54 percent for the Company. As Mr. D'ascendis discusses in his Surrebuttal
8 Testimony, Dr. Griffing's adjusted ROE resulted in a 9.66 return on equity
9 percentage prior to his additional adjustment to the model. By adjusting the
10 weighting, Dr. Griffing forced his overall ROE down from the 9.66 percent that
11 would have been his recommendation based solely on updated economic data.
12 Mr. Malcom argues that there is no reason the Company should receive a 10.50
13 percent ROE in North Dakota, given that another Xcel Energy operating
14 company, Public Service Company of Colorado, recently agreed to a 9.2 percent
15 ROE in its gas rate case and a 9.3 percent ROE in its electric rate case.

16
17 Q. DOES THE COMPANY AGREE WITH THESE RECOMMENDATIONS?

18 A. No. As described further by Company witness Mr. D'Ascendis, Dr. Griffing
19 did not fundamentally change his analysis from his Direct Testimony, therefore
20 the Company disagrees with his recommended ROEs largely for the same
21 reasons as described in our Rebuttal Testimony. Both Dr. Griffing and Mr.
22 Malcolm base at least a portion of their analysis on the authorized ROEs of gas
23 utilities in other jurisdictions. However, as Mr. D'Ascendis notes, authorized
24 ROEs are a lagging indicator of investor-required returns and, as a result, cannot
25 reflect investor-required returns, particularly in the current dynamic and
26 inflationary economic environment. In fact, both Dr. Griffing's and Mr.
27 D'Ascendis's ROE recommendations have increased during the pendency of
28 this case due to these economic conditions. As a result of this and for the other

1 reasons described by Mr. D'Ascendis, the Company stands by its recommended
2 ROE of 10.50%.

3
4 Q. PLEASE ELABORATE.

5 A. A utility's authorized ROE is a function of its performance in the jurisdiction
6 and the Company's performance in North Dakota has been stellar. Our safety
7 record has been excellent. And we have kept costs low—the Company has not
8 raised rates in 15 years, and our rates remain the lowest among gas investor-
9 owned utilities (IOU). The Company's currently authorized ROE of 10.75
10 percent is a reflection of this performance, and given this performance and the
11 overall inflationary pressures in the economy discussed by Mr. D'Ascendis, the
12 Company believes our proposed 10.5 ROE is just and reasonable.

13
14 **V. CLASS COST OF SERVICE STUDY AND RATE DESIGN**

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

17 A. In this section, I respond to the Surrebuttal Testimony of Advocacy Staff
18 witness Mr. Pavlovic and AARP witness Mr. Malcolm regarding issues relating
19 to the Company's CCOSS and rate design.

20
21 Q. PLEASE SUMMARIZE ADVOCACY STAFF'S SURREBUTTAL TESTIMONY
22 REGARDING THE CCOSS.

23 A. Mr. Pavlovic stands behind his prior testimony regarding the Company's
24 classification and allocation of distribution mains costs. Specifically, Mr.
25 Pavlovic objects to the Company's use of the minimum size main theory for
26 classification of distribution mains and for classifying a portion of the
27 distribution mains costs as customer-related, rather than as demand-related. He
28 also stands by his argument that the Company erred in using the average and

1 peak demand method to allocate transmission, regulation station, and mains
2 costs, and also that these costs should not be allocated to interruptible
3 customers.

4

5 Q. WHAT IS THE COMPANY'S RESPONSE?

6 A. The Company acknowledges that classification and allocation of distribution
7 mains is often a disputed issue in natural gas rate cases. However, the Company
8 does not believe that these costs should be classified as 100 percent demand-
9 related or 100 percent customer-related. Instead, the Company utilized the same
10 type of Minimum System Study that we have used for almost two decades in
11 order to derive the demand- and customer-related costs associated with
12 distribution mains.

13

14 Q. PLEASE SUMMARIZE AARP'S SURREBUTTAL TESTIMONY REGARDING THE
15 COMPANY'S RATE DESIGN.

16 A. Mr. Malcolm recommends that the customer charge be kept at its current level
17 of \$18.48 per month, arguing that maintaining it at its current level gives
18 customers more control over their bills. Mr. Malcolm disagrees with the
19 Company that the Company's current rate design better matches revenues and
20 costs, provides bill stability, and is easier for customers to understand, noting
21 that customers who want bill stability can enroll in budget billing.

22

23 Q. WHAT IS THE COMPANY'S RESPONSE?

24 A. The Company's straight fixed variable (SFV) rate design for residential
25 customers has many benefits, not the least of which is that it better matches
26 revenues with costs, thereby mitigating the need for frequent rate cases. The
27 fact that the Company has not requested a rate case in 15 years is largely a
28 function of this rate design, which appropriately matches revenue growth with

1 system growth. Avoiding frequent rate increases mitigates impacts to customers
2 and creates regulatory efficiencies. Although we are proposing to increase the
3 customer charge, the increase is still below the rate of inflation since 2007, and
4 our distribution charges are within the range of reasonableness, particularly in
5 relation to other IOUs in North Dakota and the region.
6

7 VI. PRESENTATION OF SURREBUTTAL WITNESSES

8

9 Q. PLEASE INTRODUCE THE COMPANY'S SURREBUTTAL WITNESSES.

10 A. In addition to my Policy Surrebuttal Testimony, the Company sponsors the
11 following witnesses:

- 12 • *Mr. Benjamin C. Halama*, who responds to recommended financial
13 adjustments and addresses the Company's overall revenue requirement;
- 14 • *Mr. Dylan D'Ascendis*, of ScottMadden, Inc., who responds to Staff's
15 Consultants' and AARP's recommendations regarding the appropriate
16 return on equity; and
- 17 • *Mr. Christopher J. Barthol*, who responds to recommendations regarding
18 our Class Cost of Service Study and Rate Design.
19

1
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3 **VII. CONCLUSION**

4 Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.

5 A. Overall, my Surrebuttal Testimony demonstrates that the Company's requested
6 ROE and revenue requirement will result in just and reasonable rates for our
7 North Dakota customers. As a result, the Company requests that the
8 Commission accept the Company's requested ROE and proposed test year
9 revenue requirement, and reject the adjustments to O&M expenses proposed
10 by Staff's Consultants. The Commission should follow traditional ratemaking
11 practices and North Dakota law by using Xcel Energy's forecast for the future
12 2022 Test Year, the accuracy of which has not been seriously disputed. We
13 expect the overall inflationary trend to further increase the Company's cost of
14 service, but to the extent the Commission is concerned about the Company
15 over-earning, we would be amenable to an earnings-sharing mechanism.

16 The Commission's Notice of Public Hearing for this Case lists one of the issues
17 to be considered as "[w]hat rates and charges are necessary to provide a just and
18 reasonable rate of return on NSP's property..." The Company has
19 demonstrated that its proposed rates are just and reasonable—our natural gas
20 rates in North Dakota have been among the lowest in the Midwest, and we have
21 not requested a rate increase in over 15 years. No parties dispute that this rate
22 case is necessary. The Company simply asks that it be given a reasonable
23 opportunity to recover its full cost of service.

24
25 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

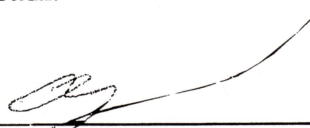
26 A. Yes.

1 STATE OF NORTH DAKOTA
2 BEFORE THE
3 PUBLIC SERVICE COMMISSION
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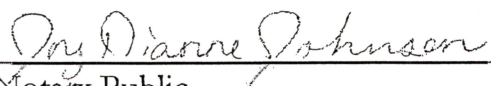
6 In the Matter of the Application of)
7 Northern States Power Company for Authority)
8 To Increase Rates for Natural Gas Service) Case No. PU-21-381
9 In North Dakota)

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13 **AFFIDAVIT OF**
14 **Allen D. Krug**
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 _____
26 Allen D. Krug
27

28
29
30 Subscribed and sworn to before me, this 6th day of May, 2022.
31

32
33 
34 _____
35 Notary Public
36 My Commission Expires:

