



Surrebuttal Testimony and Schedules
Benjamin C. Halama

Before the North Dakota Public Service Commission
State of North Dakota

In the Matter of the Application of Northern States Power Company
for Authority to Increase Rates for Natural Gas Service in North Dakota

Case No. PU-21-381
Exhibit___(BCH-3)

OVERALL REVENUE REQUIREMENTS

**Rate Base
Income Statement**

May 6, 2022

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I. INTRODUCTION

1

2

3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

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

6

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

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

12

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

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

22

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

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

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

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

6 A. Yes, they were.

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

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

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

17
18 **II. 2021 FINANCIAL RESULTS**

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

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

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

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

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

14
15 **B. Property Tax Adjustment**

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

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

24

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

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

13

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

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

1 \$60,000.

2

3

IX. CONCLUSION

4

5 Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.

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

11

12 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

13 A. Yes.

(1) (2) (3)
 2022 Test Year Attrition


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

1 STATE OF NORTH DAKOTA
2 BEFORE THE
3 PUBLIC SERVICE COMMISSION
4

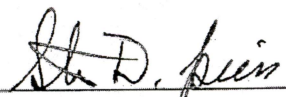
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7 Northern States Power Company for Authority)
8 To Increase Rates for Natural Gas Service) Case No. PU-21-381
9 In North Dakota)
10

11
12 AFFIDAVIT OF
13 Benjamin C. Halama
14

15
16
17 I, the undersigned, being duly sworn, depose and say that the foregoing is the
18 Surrebuttal Testimony of the undersigned, and that such Surrebuttal Testimony and
19 the exhibits or schedules sponsored by me to the best of my knowledge, information
20 and belief, are true, correct, accurate and complete, and I hereby adopt said testimony
21 as if given by me in formal hearing, under oath.
22

23 
24 _____
25 Benjamin C. Halama
26

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

32 
33 _____
34 Notary Public
35 My Commission Expires: 1/31/2025
36

