



Surrebuttal Testimony
Christopher J. Barthol

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___(CJB-3)

Class Cost of Service Study and Rate Design

May 6, 2022

Table of Contents

I.	Introduction	1
II.	Response to the Advocacy Staff of the North Dakota Public Service Commission	2
III.	Response to the American Association of Retired Persons (AARP)	5
IV.	Conclusion	8

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Christopher J. Barthol. I am a Principal Pricing Analyst.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

A. Yes. I filed Direct and Rebuttal Testimony on behalf of Northern States Power Company, a Minnesota corporation (NSP, Xcel Energy, or the Company). NSP is a wholly owned subsidiary of Xcel Energy Inc.

Q. DID ANY OTHER PARTIES PROVIDE SURREBUTTAL TESTIMONY REGARDING THE COMPANY'S PROPOSED CCOSS, PROPOSED REVENUE APPORTIONMENT, AND PROPOSED CLASS RATE DESIGN?

A. Yes. The following witnesses provided testimony related to the Company's proposed CCOSS, proposed revenue apportionment, and/or proposed class rate design:

- Mr. Karl R. Pavlovic, who submitted testimony on behalf of the Advocacy Staff of the North Dakota Public Service Commission (Commission); and,
- Mr. William H. Malcolm, who submitted testimony on behalf of the American Association of Retired Persons (AARP).

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

A. The purpose of my Surrebuttal Testimony is to respond to the Surrebuttal Testimony of the witnesses listed above regarding the Company's proposed CCOSS, proposed revenue apportionment and proposed class rate design.

1 Q. HOW IS YOUR SURREBUTTAL TESTIMONY ORGANIZED?

2 A. I present the remainder of my Surrebuttal Testimony in the sections as outlined
3 below:

- 4 • Response to the Advocacy Staff of the North Dakota Public Service
5 Commission; and
 - 6 • Response to American Association of Retired Persons (AARP).
- 7

8 **II. RESPONSE TO THE ADVOCACY STAFF OF THE NORTH**
9 **DAKOTA PUBLIC SERVICE COMMISSION**

10

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

12 A. In this section, I respond to the Surrebuttal Testimony of Advocacy Staff
13 regarding the Company's proposed classification and allocation of distribution
14 mains costs and allocation of Transmission and Regulator Stations costs.

15

16 Q. PLEASE SUMMARIZE THE SURREBUTTAL TESTIMONY OF ADVOCACY STAFF
17 REGARDING CLASSIFICATION OF DISTRIBUTION MAINS COSTS.

18 A. Mr. Pavlovic continues to object to the Company classifying distribution mains
19 costs (FERC Account 376) as both demand- and customer-related. He asserts
20 that these facilities should be classified only as demand-related and allocated to
21 class based on class Design Day demand levels.

22

23 Q. DOES THE COMPANY AGREE WITH ADVOCACY STAFF ON THE CLASSIFICATION
24 AND ALLOCATION OF DISTRIBUTION MAINS COSTS?

25 A. No. Mr. Pavlovic claims on Page 7, lines 1-3 of his Surrebuttal Testimony:
26 Minimum size customer classification of NSP's mains would be
27 consistent with the principle of cost causation only if NSP were to

1 provide empirical evidence that some portion of its mains costs varied
2 directly with the number of customers served.
3

4 Q. DID THE COMPANY PROVIDE ANY EVIDENCE THAT A PORTION OF
5 DISTRIBUTION MAINS COSTS DO NOT VARY DIRECTLY WITH CAPACITY?

6 A. Yes. In my Rebuttal Testimony I provided an example of trenching costs,
7 associated with the construction of distribution mains, which do not fluctuate
8 with capacity. This trenching example shows that not all distribution main costs
9 are associated with capacity and therefore there are at least some main-related
10 costs that should be classified as customer-related. Further, I am unaware of
11 any other natural gas utility in the Upper Midwest Region that classifies 100
12 percent of their distribution mains costs as demand-related.
13

14 Q. IS THE CLASSIFICATION AND ALLOCATION OF DISTRIBUTION MAINS OFTEN A
15 DISPUTED ISSUE IN RATE CASES?

16 A. Yes. I agree that the classification and allocation of distribution mains are often
17 disputed and that portions of these costs can be ambiguous when determining
18 whether they are customer- or demand-related. However, this ambiguity of
19 distribution mains cost is the purpose for conducting a Minimum System Study.
20 The Company does not believe that these costs should be classified as 100
21 percent demand-related, nor should they be classified as 100 percent customer-
22 related. Therefore, we have elected to conduct the same type of Minimum
23 System Study that the Company has utilized for almost two decades in order to
24 derive the demand- and customer-related costs associated with distribution
25 mains. This study yielded the demand- and customer-related cost split first
26 proposed in my Direct Testimony.
27

1 Q. PLEASE SUMMARIZE THE SURREBUTTAL TESTIMONY OF ADVOCACY STAFF
2 REGARDING ALLOCATION OF TRANSMISSION AND REGULATOR STATIONS.

3 A. Mr. Pavlovic continues to advocate for a Design Day allocator when assigning
4 Transmission and Regulator Stations.

5

6 Q. DO YOU AGREE WITH MR. PAVLOVIC THAT TRANSMISSION AND REGULATOR
7 STATIONS COSTS SHOULD BE ALLOCATED WITH A DESIGN DAY ALLOCATOR?

8 A. No. As I mentioned in my Rebuttal Testimony, Transmission and Regulator
9 Stations costs should be allocated to customer class based on an Average and
10 Peak allocator in order to recognize that this equipment is built to serve two
11 different functions: (1) to deliver gas all year round to all customers and (2) to
12 meet peak day capacity needs for firm customers.

13

14 Q. IS IT FAIR TO ALLOCATE TRANSMISSION AND REGULATOR STATIONS COSTS TO
15 ONLY THE RESIDENTIAL AND COMMERCIAL FIRM CLASS?

16 A. No. As I also mentioned in my Rebuttal Testimony, this equipment is used to
17 deliver gas to all customers including the Interruptible class. Therefore, a
18 portion of these costs should be allocated with average daily sales and the
19 remaining portion of costs associated with meeting peak day capacity should
20 only be allocated to firm customers, as they currently are and have been for
21 almost two decades.

22

23 Q. MR. PAVLOVIC CLAIMS THAT THE COMPANY DID NOT RESPOND TO SEVERAL
24 DATA REQUESTS. DID THE COMPANY RESPOND TO THOSE DATA REQUESTS?

25 A. Yes. The Company submitted a response to Data Request Set 5 a week early,
26 on April 15, 2022, by uploading these responses to Annotate.

27

1 S&F charge and (2) Xcel Energy has also proposed a Revenue Decoupling
2 Adjustment (RDA).

3
4 Q. WHAT WOULD THE PROPOSED S&F CHARGE BE IN COLORADO IF XCEL ENERGY
5 PROPOSED TO RECOVER ALL FIXED COSTS THROUGH THAT CHARGE?

6 A. Mr. Steven W. Wishart states on page 26, lines 16-17, of his Direct Testimony:

7 Under straight fixed/variable pricing, where all fixed costs are
8 included in the S&F charge, the Residential monthly S&F charge
9 would be over \$31 per month.

10
11 Q. WHAT OTHER RATE DESIGN PROPOSALS HAS XCEL ENERGY MADE IN ITS
12 COLORADO RATE CASE?

13 A. Xcel Energy is also proposing a Revenue Decoupling Adjustment (RDA) in
14 Colorado. If approved, this mechanism would remove the link between the
15 Company's revenue and sales to customers. Essentially, it removes the
16 Company's throughput incentive to increase sales in order to recover fixed costs
17 through a volumetric charge.

18
19 Q. DOES A THROUGHPUT INCENTIVE EXIST FOR THE RESIDENTIAL CLASS WITH
20 THE COMPANY'S PROPOSAL IN NORTH DAKOTA?

21 A. No. A throughput incentive does not exist for the Residential class because the
22 Company is proposing to recover its fixed costs through a fixed Delivery
23 Services charge. As I mentioned in my Rebuttal Testimony, the Company's
24 proposed fixed Delivery Services charge is the simplest form of decoupling, as
25 it fully breaks the link between gas usage and revenues.

26
27 Q. IS IT MORE DIFFICULT FOR CUSTOMERS TO SAVE ON BILLS WITH THE COMPANY'S
28 PROPOSED FIXED DELIVERY SERVICES CHARGE?

1 A. No. As I mentioned in my Rebuttal Testimony, under the Company's current
2 and proposed rate design, customers can still lower their energy bill by reducing
3 their natural gas consumption, as the volumetric Cost of Gas charges (based on
4 the commodity cost of gas) accounts for 70 to 80 percent of the typical winter
5 bill. Mr. Malcolm even states on Page 4, lines 8-10 of his Surrebuttal Testimony:

6 With the rising cost of natural gas, the current rate design provides a
7 better incentive to see substantial savings by reducing gas usage.
8

9 The Company agrees that under the current rate design, customers can still save
10 on their bills by reducing their natural gas usage.
11

12 Q. IF THE COMPANY WERE TO MAINTAIN THE RESIDENTIAL DELIVERY SERVICES
13 CHARGE AT \$18.48, WOULD THEY HAVE TO IMPLEMENT A VOLUMETRIC CHARGE
14 FOR THESE CUSTOMERS?

15 A. Yes. The Company would have to implement a volumetric charge for the
16 Residential class in order to recover the proposed revenue increase for these
17 customers.
18

19 Q. DOES THE COMPANY BELIEVE THAT A VOLUMETRIC CHARGE SENDS THE
20 APPROPRIATE COSTS SIGNALS TO CUSTOMERS?

21 A. No. The Company's proposal more accurately reflects cost causation since the
22 Company's costs recovered through the Delivery Services charge are generally
23 fixed, not something the Company can conserve and are not seasonally variable.
24 Using a volumetric charge to recover part of these fixed costs sends the
25 inappropriate cost signals to customers.
26

27 Q. WHY SHOULD THE COMMISSION REJECT AARP'S PROPOSAL AND ADOPT THE
28 COMPANY'S?

1 A. The Company stands by its proposal and believes the Commission should reject
2 AARP's proposal and adopt the Company's because: (1) it is efficient and
3 beneficial to residential customers because it provides for more stable bills
4 throughout the year by avoiding scenarios where a customer would overpay for
5 natural gas delivery services during the winter season and underpay during the
6 summer, (2) sends better economic signals to customers who request natural
7 gas service only as a backup energy source, thereby increasing the Company's
8 purchased demand costs without any corresponding increases in firm usage
9 thereby creating higher costs for firm natural gas customers on the system, (3)
10 Residential distribution service costs are relatively fixed and the proposed fixed
11 Delivery Services charge matches the fixed nature of these costs, (4) removes
12 any disincentive for the Company to promote conservation, and (5) provides
13 for a more efficient regulatory process as I outlined in my Rebuttal Testimony.
14

15 VI. CONCLUSION

16

17 Q. PLEASE BRIEFLY SUMMARIZE YOUR TESTIMONY.

18 A. The Company stands by its classification and allocation methodologies for
19 assigning distribution mains and Transmission and Regulator Stations costs to
20 rate classes. These methodologies are well-established by the Commission in
21 past rate cases and most accurately reflect the reasons these costs are incurred.
22 Further, the Company continues to support its fixed Delivery Services charge
23 for the Residential class. Any alternative cost classification, cost allocation, rate
24 design, and revenue apportionment approaches should be rejected.
25

26 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?


27 A. Yes, it does.

1 STATE OF NORTH DAKOTA
2 BEFORE THE
3 PUBLIC SERVICE COMMISSION
4
5

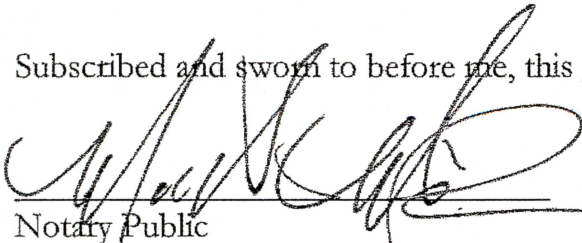
6 In the Matter of the Application of)
7 Northern States Power Company for Authority)
8 To Increase Rates for Natural Gas Service) Case No. PU-21-381
9 In North Dakota)

10
11
12
13 **AFFIDAVIT OF**
14 **Christopher J. Barthol**
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 Christopher J. Barthol
27
28
29

30 Subscribed and sworn to before me, this 3 day of May, 2022.
31
32

33 
34 _____
35 Notary Public
36 My Commission Expires: 