

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

In the Matter of Northern States Power
Company's Natural Gas Rate Increase
Application

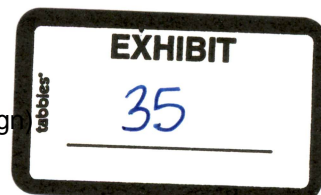
Case No. PU-21-381

**SETTLEMENT AGREEMENT (CLASS COST OF SERVICE, REVENUE
APPORTIONMENT, AND RATE DESIGN)**

This Settlement Agreement (Settlement) is entered into this day, May 27, 2022, by and between the North Dakota Public Service Commission Advocacy Staff (Advocacy Staff) and Northern States Power Company (Xcel Energy or the Company)(each a Party, and collectively, the Parties). This Settlement will result in just and reasonable rates for the Company's retail natural gas operations in North Dakota for 2022. Through this Settlement, the Parties have resolved all issues in the above captioned Case relating to the Company's class cost of service study (CCOSS), revenue apportionment, and rate design. The Parties will file a separate Settlement Agreement resolving all revenue requirement issues on a date even herewith.

PRELIMINARY STATEMENT

On September 2, 2021, the Company filed its Notice of Change in Rates for Natural Gas Service in the above-captioned Case. The Company prepared a CCOSS, which it testified was prepared using the same methodology that the Company used in its last natural gas rate case (Case No. PU-06-525). Additionally, the Company noted in Direct Testimony that it was not proposing any material changes to its existing straight fixed



variable (SFV) rate design for North Dakota, although the Company did request an increase in the fixed monthly Delivery Services Charge for residential customers from \$18.48 to \$24.48. On March 1, 2022, Advocacy Staff and intervenor AARP filed Direct Testimony taking issue with certain aspects of the Company's CCOSS, revenue apportionment, and rate design. Specifically, Advocacy Staff objected to the Company's methods for classifying distribution mains costs and allocating transmission and regulator station costs, arguing that this resulted in an over-allocation of these costs to the Residential rate class. AARP testified that the Company's proposed Residential rate increase of 15.0 percent was too high, and also objected to the Company's proposed increase to the residential Delivery Services Charge.

The Company, Advocacy Staff, and intervenor AARP all negotiated a potential settlement in good faith. Recognizing the positions of all parties to this Case, and in particular the concerns raised in testimony regarding impacts of the Company's proposed revenue apportionment and rate design on the Residential rate class, the Parties have conferred and agreed to this Settlement.

The revenue apportionment and rate design agreed to in this Settlement reflect the efforts of the Parties to ensure just and reasonable rates for the Company's provision of retail natural gas service to its North Dakota customers. The Parties agree that the implementation of the terms of this Settlement will accomplish that goal.

SETTLEMENT TERMS

The Parties agree to the provisions provided below:

I. RATE DESIGN AND REVENUE APPORTIONMENT

The Parties agree that the Company's existing SFV rate design results in just and reasonable rates for North Dakota residential customers. The Parties further agree that

the Company's fixed monthly Delivery Services Charge for residential customers will be \$22.25, a decrease of 9.1 percent from the Company's original requested amount of \$24.48.

In further recognition of the concerns raised regarding potential impacts on the Residential rate class, with respect to revenue apportionment the Parties agree on class revenue increases as shown in Table 2 below.

Table 2 – Settlement Revenue Apportionment (in thousands)

Customer Class	Current Revenues	Proposed Increase	Percent Increase
Residential	\$26,797	\$2,344	8.75%
Commercial Firm	\$31,902	\$2,150	6.74%
Interruptible	\$8,604	\$580	6.74%
Total	\$67,303	\$5,074	7.54%

The Company will file compliance tariff pages setting forth the revised natural gas rates and tariffs provided by this Settlement Agreement within at least thirty (30) days of the date of approval of this Settlement.

II. OTHER TERMS AND CONDITIONS

A. Basis of Settlement

It is agreed that this Settlement is a negotiated settlement agreement subject to approval by the Commission. This Settlement does not establish any principle or precedent or adopt or recommend any specific type or amount of expense or rate base for this or any future proceeding.

B. Effect of the Settlement Negotiations

It is understood and agreed that all offers of settlement and discussions related to this Settlement are privileged and may not be used in any manner in connection with proceedings in this Case or otherwise, except as provided by law. In the event the Commission does not approve this Settlement, it shall not constitute part of the record in this proceeding and no part thereof may be used by any Party for any purpose in this case or in any other.

C. Applicability and Scope

This Settlement shall be binding on the Parties and their successors, assigns, agents, and representatives. Consistent with the Commission's settlement guidelines, this Settlement does not set policy or overturn precedent. This Settlement shall not in any respect constitute an agreement, admission or determination by any of the Parties as to the merits of any specific allegation or contention made by the Parties in this proceeding.

D. Effective Date

This Settlement shall be binding on the Parties upon the date it is executed by all Parties; provided that this Settlement shall be effective on the date of the Commission Order approving this Settlement. The revised rates and tariff agreed to by this Settlement shall be effective as specified herein.

E. Modification

If a Commission Order modifies or conditions approval of this Settlement, it shall be deemed terminated if any Party files a letter with the Commission within three (3) business days of the date of such Order stating that a condition or modification to the Settlement is unacceptable to such party.

F. Mutual Support

Each of the Parties shall support – and not oppose – this Settlement before the Commission.

G. Counterparts

This Settlement may be executed in counterparts with each signature making up the whole.

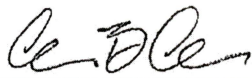
CONCLUSION

The Parties have agreed to the forgoing terms to resolve all outstanding issues in the above-captioned Case. These terms are a result of negotiations between the Parties, are in the public interest, and will result in just and reasonable rates for natural gas service. For these reasons, the Parties urge the Commission to approve this Settlement.

[SIGNATURE PAGES FOLLOW]

Dated this 27th day of May 2022.

Northern States Power Company,
A Minnesota corporation

By: 
Its: President

[NSP SIGNATURE PAGE TO SETTLEMENT CASE NO. PU-21-381]

Dated this 27 day of May 2022.

Northern Dakota Public Service Commission Staff

By:  _____

Its: Advocacy Staff Attorney

[ADVOCACY STAFF SIGNATURE PAGE TO SETTLEMENT
CASE NO. PU-21-381]