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June 29, 2022

—VIA EMAIL & U.S. MAIL—

Mr. Steven M. Kahl, Executive Director  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 58505-0480

RE: PROPOSED FINDINGS  
CASE NO. PU-21-381 (NATURAL GAS RATE REQUEST)

Dear Mr. Kahl:

Northern States Power Company, doing business as Xcel Energy, hereby submits Proposed Findings of Fact, Conclusions of Law, and Order in the above referenced Case. These Proposed Findings were requested by Judge Hogan at the June 1 hearings on this matter.

We appreciate the constructive hearings on the proposed settlements in this matter and are hopeful that these Proposed Findings will assist the Commission in its deliberations on this rate case. Further, Xcel Energy would like to take this opportunity to briefly address certain issues discussed by the Commission at its June 16 Work Session. We believe these clarifications may be helpful to the Commission as it considers its decision in this case.

**Natural Gas Conservation Promotion:** Xcel Energy has several programs used to promote gas conservation: high efficiency furnace/boiler rebates, water heater rebates, low cost home energy audits, and free efficiency showerheads. The Commission approved these programs in Case No. PU-06-525. Through 2021, the Company has spent over \$1.8 million in North Dakota on promoting natural gas conservation among its customers.<sup>1</sup>

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<sup>1</sup> See page G-5 of the Annual Report of Earnings for the Company's natural gas operations.

**Residential Fixed Charges for Apartment Buildings:** Natural gas service is generally provided to apartment buildings through a commercial firm service rate (with a single commercial basic service charge) that building owners typically allocate to and recover from apartment dwellers through their apartment lease charges. Natural gas service pipes and meters are rarely, if ever, installed for each apartment unit in such a facility, nor is each unit charged a separate residential delivery services rate by the Company.

**The Relationship Between Low Income and Low Gas Use Customers:** The record in this case supports a finding that natural gas usage of the Company's low income customers is similar to that of the rest of the customer base.<sup>2</sup> Further, the record in this case supports the notion that it is best not to use a volumetric rate to charge low income customers the most during the winter for their fixed delivery services costs, when gas commodity charges are also at their highest.<sup>3</sup>

**Residential Bill Clarity:** The record in this case supports the proposition that using a single, consistent charge for delivery services matches costs and revenues as closely as possible and "...makes natural gas rates more transparent and understandable as customers know what that cost will be each month and the monthly impact of proposed increases are transparent."<sup>4</sup> Further, customers benefit from the simple and clear distinction on their energy bills of the costs of the natural gas they consume and the costs to deliver the gas to their homes.<sup>5</sup>

Xcel Energy appreciates the opportunity to provide its Proposed Findings and offer clarity to certain issues that were discussed at the June 16<sup>th</sup> Work Session. Please contact me if you have any questions about this information or would like any additional follow-up. Thank you.

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<sup>2</sup> Rebuttal Testimony of Mr. Christopher Barthol, p. 13.

<sup>3</sup> *Id.* at p. 14.

<sup>4</sup> Direct Testimony of Mr. Christopher Barthol, p. 35.

<sup>5</sup> Rebuttal Testimony Of Mr. Christopher Barthol, p. 16.

SINCERELY,



DAVID H. SEDERQUIST  
SR. CONSULTANT, REGULATION & FINANCE

cc: Jack Schuh  
Vic Schock  
John Coffman, AARP  
Bill Malcolm, AARP

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**Northern States Power Company  
2022 Natural Gas Rate Increase  
Application**

**Case No. PU-21-381**

**APPLICANT'S PROPOSED**

**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER**

**July 29, 2022**

**Appearances**

Commissioners Julie Fedorchak, Randy Christmann, and Sheri Haugen-Hoffart.

Zeviel T. Simpser, Attorney, Dorsey & Whitney LLP, 50 South 6th Street, Suite 1500, Minneapolis, Minnesota 55402, and Matthew B. Harris, Lead Assistant General Counsel, Xcel Energy Services Inc., 414 Nicollet Mall, Minneapolis, Minnesota 55401, on behalf of Northern States Power Company, a Minnesota corporation.

Brian Johnson, Special Assistant Attorney General, 600 East Boulevard Avenue, Department 408, Bismarck, North Dakota 58505-0060, on behalf of Public Service Commission Advocacy Staff.

John M. Schuh, General Counsel, Public Service Commission, 600 East Boulevard Avenue, Department 408, Bismarck, North Dakota 58505-0480, on behalf of Public Service Commission Advisory Staff.

John B. Coffman, John B. Coffman LLC, 871 Tuxedo Boulevard, St. Louis, Missouri, 63119-2044, and David A. Tschider, Tschider and Smith, 418 East Rosser Avenue, Suite 200, Bismarck, North Dakota 58501-4046, on behalf of Intervenor AARP

Hope L. Hogan, Administrative Law Judge, Office of Administrative Hearings, 2911 North 14th Street, Suite 303, Bismarck, North Dakota 58503, as Administrative Law Judge.

**Preliminary Statement**

On September 2, 2021, Northern States Power Company (NSP) filed with the North Dakota Public Service Commission (Commission) a Notice of Change in Rates for Natural Gas Service, requesting a \$7.059 million or 10.49 percent retail revenue increase for its provision of retail natural gas service in North Dakota. The Notice was

filed with revised tariffs and supported by direct testimony and exhibits. NSP concurrently submitted an Alternative Petition for Interim Rates, requesting an interim rate increase of \$8.245 million, or 12.25 percent, to be effective on November 1, 2021.

On October 12, 2021, NSP filed revised interim rate schedules and interim tariffs, in response to an October 6, 2021 letter from Commission Advocacy Staff. The revised interim rate schedules provided for an interim rate increase of \$6.990 million, or 10.39 percent.

At its regular meeting on September 22, 2021, the Commission suspended NSP's tariffs and rates. Then, on October 20, 2021, the Commission approved the Company's proposed revised interim rates to be effective for service rendered on or after November 1, 2021.

On December 15, 2021, the Commission issued a Notice of Public Input Sessions indicating that two public input sessions would take place on February 2, 2022, and that members of the public could participate in person, telephonically, or by submitting written public input.

On February 2, 2022, the Commission conducted the public input sessions as noticed.

On February 9, 2022, AARP filed a Petition to Intervene, which was granted by the Administrative Law Judge on February 15, 2022.

On March 1, 2022, Advocacy Staff filed Direct Testimony identifying proposed adjustments to NSP's rate request and recommending a total rate increase of \$2.990 million or 4.44 percent. On the same day AARP filed Direct Testimony providing its proposals.

On April 1, 2022, NSP revised its request in Rebuttal Testimony to reflect a \$5.993 million or 8.9 percent retail revenue increase.

On April 28, 2022, the Commission issued a Notice of Public Hearing indicating that it would conduct a public hearing beginning on June 1, 2022. The Notice indicated that the issues to be considered at the hearing were:

1. What is the value of NSP's property, used and useful, for the service and convenience of the public in North Dakota?
2. What is NSP's rate of return on its property, used and useful, for the service and convenience of the public in North Dakota?
3. What is a just and reasonable rate of return on NSP's property, used and useful, for the service and convenience of the public in North Dakota?
4. What rates and changes are necessary to provide a just and reasonable rate of return on NSP's property, used and useful, for the service and convenience of the public in North Dakota?

5. Are NSP's rate schedules designed in such a manner that they result in a basis of charge to its customers that is just and reasonable without discrimination?

Prior to the Hearing, settlement discussions were held between the Parties. As a result, on May 27, 2022, NSP and Advocacy Staff filed with the Commission (1) the Revenue Requirements Settlement Agreement, and (2) the Rate Design Settlement Agreement (Settlement Agreements). NSP also filed Supplemental Testimony in support of the Settlement Agreements, which indicated that AARP does not oppose the Revenue Requirements Settlement Agreement.

On May 31, 2022, AARP filed an Objection to Non-Unanimous Settlement Agreement, objecting to the Rate Design Settlement Agreement but not opposing the Revenue Requirements Settlement Agreement.

The Commission held the public hearing, as noticed, on June 1, 2022, in the Commission Hearing Room, State Capitol, 600 E. Boulevard Avenue, 12<sup>th</sup> Floor, Bismarck, North Dakota 58505.

Having allowed all interested persons an opportunity to be heard and having heard and considered all testimony and evidence presented, the Commission makes the following:

### **Findings of Fact**

1. NSP is an investor-owned electric utility headquartered in Minneapolis, Minnesota, authorized to provide public utility service in North Dakota under the regulatory jurisdiction of the Commission.
2. In the State of North Dakota, NSP serves retail natural gas customers in and around Fargo, West Fargo, and Grand Forks.
3. The Revenue Requirements Settlement Agreement proposes an overall increase in NSP's natural gas rates for retail customers of \$5.074 million, or 7.5 percent. This agreed-upon amount represents a decrease of \$1.985 million from the \$7.059 million, or 10.5 percent, increase originally sought by NSP.
4. The Revenue Requirements Settlement Agreement includes an agreed-upon return on equity (ROE) of 9.80 percent. Recognizing that the agreed-to rates may be in effect past 2022, the Parties agreed in the Revenue Requirements Settlement Agreement to an earnings-sharing mechanism whereby NSP will refund to customers 50 percent of revenues contributing to weather-normalized earnings above 9.80 percent ROE up to 10.25 percent ROE, and will refund to customers 100 percent of revenues contributing the weather-normalized earnings over 10.25 percent ROE.

5. The proposed earnings sharing mechanism provides that NSP will refund money to customers if the weather-normalized ROE exceeds 9.80 percent in future years, but the mechanism does not provide additional revenue should the ROE fail to achieve any level. Thus, the Revenue Requirements Settlement Agreement is structured such that NSP bears the risk of under-earning while customers receive the benefit in the event NSP earns more than (on a weather-normalized basis) its authorized ROE.

6. As the agreed-upon base rate increase is lower than the interim rate increase, the Revenue Requirements Settlement Agreement provides for an interim rate refund. The Revenue Requirements Settlement Agreement provides that refunds are expected to be issued to customers beginning approximately 30 to 60 days from the implementation of final rates.

7. The Revenue Requirements Settlement Agreement acknowledges that the Settlement Agreement in Case No. PU-18-156 provides that, upon implementation of new base rates following this rate case, the annual \$1.25 million Fargo manufactured gas project (MGP) remediation amortization expense will be recovered via the Cost of Gas (COG) Rider until the remaining deferred balance has been fully amortized.

8. Both NSP and Advocacy Staff testified in support of the Revenue Requirements Settlement Agreement at the Hearing. NSP noted that it has made capital investments since its last rate case, filed in 2006, that have resulted in an increase of more than \$75 million to its North Dakota rate base, so it is in need of additional revenue to continue to provide safe and reliable service to customers.

9. The Rate Design Settlement Agreement proposes that NSP retain its existing straight fixed variable rate design, and that the fixed monthly Delivery Services Charge for residential customers will be \$22.25, a decrease of 9.1 percent from NSP's original requested amount of \$24.48.

10. NSP and Advocacy Staff testified that NSP's existing rate design ensures that customers pay the actual costs to serve them, and thus eliminates intra-class subsidization of low-volume customers by high-volume customers, and also mitigates the need for frequent rate cases. NSP further testified that its rate design helps moderate bills throughout the year by increasing the share of the bill that is not affected by variability in weather and usage, while also retaining a strong incentive to conserve since gas costs comprise the vast majority of the winter bill.

11. The Rate Design Settlement Agreement proposes a class revenue apportionment that would assign a 8.75 percent rate increase to the Residential class, and a 6.74 percent increase to the Commercial Firm and Interruptible classes, compared to the overall agreed-upon rate increase of 7.54 percent.

12. NSP testified that it is reasonable to apply a larger percent increase to the Residential class, because the Test Year Class Cost of Service Study showed that the

Residential class needed to generate 33.72 percent more revenues to match the costs to serve.

13. Intervenor AARP testified that the fixed monthly Delivery Services Charge for residential service should remain at its current level of \$18.48, and that any revenue increase for residential customers should be collected through a volumetric distribution charge based on usage. AARP further testified that the Residential class should receive the system average revenue increase, meaning all classes should be increased by the agreed-upon increase of 7.54 percent.

14. In recognition of the concerns of AARP, the proposed class revenue apportionment in the Rate Design Settlement Agreement mitigates impacts to the Residential class by bringing the cost increase for the Residential class closer to the overall average increase for all classes. The Rate Design Settlement Agreement also proposes a smaller increase to the fixed Delivery Services Charge than NSP initially requested.

### **Conclusions of Law**

1. The Commission has jurisdiction in this matter.
2. The Commission has authority to adopt the Revenue Requirements Settlement Agreement and the Rate Design Settlement Agreements
3. The Commission finds that the Settlement Agreements are reasonable and provide a reasonable resolution to all pending issues in this matter.
4. The rates proposed in the Settlement Agreements are necessary to provide a just and reasonable rate of return on NSP's property, used and useful, for the service and convenience of the public in North Dakota.
5. The rates proposed by the Settlement Agreements are designed to result in a basis of charge to customers that is just and reasonable without discrimination.
- 6.

From the foregoing Findings of Fact and Conclusions of Law, the Commission issues the following:

### **Order**

1. The Settlement Agreements, copies of which are attached to this Order, are adopted and approved in their entirety
2. NSP shall file compliance tariff pages setting forth the revised natural gas rates and tariffs within at least thirty (30) days of this Order.

3. NSP shall issue an interim rate refund to its customers as provided for in the Revenue Requirements Settlement Agreement.

4. Upon implementation of the revised natural gas rates, the annual \$1.25 million Fargo manufactured gas project (MGP) remediation amortization expense will be recovered via the Cost of Gas (COG) Rider until the remaining deferred balance has been fully amortized.

**PUBLIC SERVICE COMMISSION**

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**Randy Christmann  
Commissioner**

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**Julie Fedorchak  
Chair**

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**Sheri Haugen-Hoffart  
Commissioner**

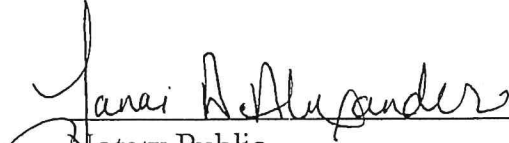


<p>Brian Johnson  Special Assistant Attorney General  North Dakota Public Service  Commission  600 E. Boulevard Ave., Dept. 408  Bismarck, ND 58505-0060</p>	<p>John B. Coffman, Esq.  John B. Coffman, LLC  871 Tuxedo Blvd.  St. Louis, MO 63119-2044</p>
<p>David A. Tschider, Esq.  Tschider and Smith Law  2005 N. Kavaney Drive, Suite 100  Bismarck, ND 58501</p>	<p>Adam Renfandt  North Dakota Public Service  Commission  600 E. Boulevard Ave., Dept. 408  Bismarck, ND 58505-0480</p>
<p>Victor Schock  North Dakota Public Service  Commission  600 E. Boulevard Ave., Dept. 408  Bismarck, ND 58505-0480</p>	

  
Tom Carlson

Subscribed and sworn to before me this 5th day of July, 2022.



  
Notary Public  
Hennepin County, Minnesota