

1 **I. Introduction**

2 **Q. Please state your name.**

3 A. My name is Bradley Cebulko.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the founder of CEB Energy Consulting and a Partner at Current Energy Group. At
6 both CEB Energy Consulting and Current Energy Group, I provide technical, economic, and
7 policy analysis to public interest organizations who participate in public utility commission
8 proceedings. I have been retained by AARP in this proceeding.

9 **Q. Did you provide Direct Testimony on behalf of AARP in this case on July 1, 2024?**

10 A. Yes.

11 **Q. What is the purpose of this testimony?**

12 A. The purpose of this testimony is to provide support for approval of the Settlement
13 Agreement (“Settlement”) filed on August 14, 2024 in this docket, and to explain why I
14 believe that this Settlement is in the public interest.

15 **Q. On what issues did you testify in your Direct Testimony?**

16 A. In my direct testimony, I provide analysis and recommendations on issues related to the
17 Company’s Class Cost of Service Study (CCOSS) and rate design.

18 **Q. Will you please summarize your testimony and recommendations on the
19 appropriate cost of service methodology?**

20 A. Yes. I recommended that the Commission reject the Company’s CCOSS Study because
21 the Company’s use of the Minimum System methodology results in an over-classification of

1 costs to residential customers. I testified that the Minimum System method is based on
2 hypothetical, counterfactual that is not real, cannot be real, and is not based on actual system
3 characteristics.¹ The Minimum System method implies that adding an additional customer to
4 the system does not require the Company to incrementally add another distribution main or
5 increase the size of the main. That is not the case.

6 In its place, I recommended that the Commission direct the Company to use a Basic
7 Service method for classifying distribution mains as 100 percent demand costs. Demand
8 costs are the fixed costs that the utility incurs to be ready to provide service. I testified that
9 the Basic Service approach is more reasonable because it better reflects cost causation. That
10 is, the Basic Service approach reflects how the system is actually designed (i.e., distribution
11 mains are designed to meet peak demand).

12 **Q. Did any other party submit testimony supporting the designation of distribution**
13 **mains as 100% demand related?**

14 A. Yes. In Direct Testimony, Staff witness Karl Pavlovic recommended that the
15 Commission:

- 16 • Direct the Company to classify distribution mains as wholly demand-related with no
17 customer-related component. consistent with the CCOSS' classification of
18 transmission plant and regulator stations as only demand-related.

¹ Direct Testimony of Bradley Cebulko, p. 3.

- 1 • Direct that NSP’s distribution mains costs be allocated using NSP’s Average and
2 Peak, consistent with the CCOSS’ allocation of transmission plant and regulator
3 stations.
- 4 • Direct that NSP derives class tariff rates from class revenue requirements based on
5 NSP’s CCOSS without minimum-size classification and allocation of NSP’s
6 distribution mains.

7 **Q. What was the Company’s proposed revenue increase for residential customers in**
8 **Direct testimony?**

9 A. In its initial filing, the Company stated that its CCOSS indicated customers should
10 receive a 24.53% revenue increase, but proposed a 12.5% increase for residential customers.
11 For reference, the Company proposed an overall 9.4% increase to its revenue.

12 **Q. What is the settlement revenue apportionment allocated to residential customers?**

13 A. The settlement would increase the revenue from customers by 9.0%. The Company
14 would increase overall revenue by 8.2%.

15 **Q. Does the Settlement Agreement resolve the parties’ policy differences with respects**
16 **to the appropriate CCOSS for Xcel?**

17 A. No. A settlement requires each party to compromise. AARP’s supports the Settlement
18 Agreement in this case in its entirety, but does not endorse any specific policy position
19 related to the appropriate CCOSS and revenue apportionment. The Company agreed to
20 reduce its requested revenue increase to residential customers from 12.5% to 9.0%. Further,
21 as part of the compromise for reaching settlement, the Company agreed to file a CCOSS

1 using the Basic Service method, which assigns 100 percent of distribution mains as demand-
2 related, as I described in testimony. The Company will be under no obligation to support a
3 CCOSS using the Basic Service method. However, as I testified, there are several recognized
4 methods for classifying distribution costs, although not all are created equal and not all are
5 equally appropriate. Nevertheless, each has its own underlying theory that has tradeoffs
6 between customer classes. I find that it is in the public interest for the Company to put forth
7 at least two customer cost of service studies for better informing the Commission as it makes
8 it deliberations in its next rate case.

9 **Q. Will you please summarize your testimony on the residential fixed monthly Delivery**
10 **Services Charge?**

11 A. Yes. On Direct, I recommended that the Commission first reject the Company's proposed
12 increase to the fixed monthly Delivery Services Charge from \$22.25 to \$25.00, and instead,
13 set the charge to \$15.00/month. I testified that the Company's basic customer charge is more
14 than twice as high as all but one gas utility outside North Dakota, and more than twice as
15 high as NSP's sister Xcel companies in Minnesota and Colorado. I further testified that high
16 customer basic customer charges shift costs from high usage to low usage customers who are
17 also more likely to be lower income. Moreover, I testified that a high basic customer charge
18 discourages the efficient use of the gas delivery system because it reduces a customer's
19 ability to control their energy bill relative to a lower usage customer charge.

20 **Q. What is the fixed monthly Delivery Service Charge proposal in the Settlement**
21 **Agreement?**

22 A. The settlement agreement maintains the residential monthly charge at \$22.25.

1 **Q. Do you find that the settlement of the residential fixed monthly charge is**
2 **reasonable?**

3 A. As I said previously, a settlement requires each party to compromise. AARP is agreeing
4 to the Settlement in its entirety. I continue to have strong reservations about the Company's
5 already extraordinarily high residential fixed monthly charge. Although imperfect, by not
6 increasing the customer charge, this Settlement does not exacerbate the existing problem.

7 **Q. Does this conclude your testimony?**

8 A. It does, thank you.

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Northern States Power Company)
2024 Natural Gas Rate Increase)**

Case No. PU-23-367

CERTIFICATE OF SERVICE

I hereby certify that the original and seven (7) copies of the Settlement Testimony of Bradley Cebulko on Behalf of AARP and Certificate of Service were hand delivered/mailed/emailed, on this 23rd day of August, 2024 to the following:

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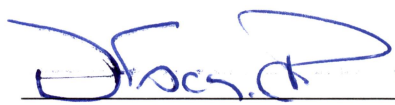
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