

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**Northern States Power Company  
2023 Natural Gas Rate Increase Application**

**Case No. PU-23-367  
OAH No. 20240006**

**APPLICANT'S PROPOSED  
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER**

**September 16, 2024**

**Appearances**

Zeviel T. Simpser, Attorney, Dorsey & Whitney LLP, 50 South 6th Street, Suite 1500, Minneapolis, Minnesota 55402, 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, 871 Tuxedo Boulevard, St. Louis, Missouri, 63119-2044, 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 December 29, 2023, Northern States Power Company (NSP) filed with the Commission a Notice of Change in Rates for Natural Gas Service, requesting a \$8.463 million or 9.40 percent retail revenue increase for its provision of retail natural gas service in North Dakota. NSP concurrently presented a proposed class cost of service study (CCOSS), revenue apportionment, and rate design.

Also on December 29, 2023, NSP filed an interim rate increase for natural gas service.

At its regular meeting on January 24, 2024, the Commission suspended NSP's tariffs and rates.

On February 12, 2024, Commission Advocacy staff filed comments regarding NSP's proposed interim rate increase.

On February 21, 2024, the Commission approved NSP's proposed interim rates to be effective for service rendered on or after March 1, 2024.

On May 29, 2024, AARP filed a Petition to Intervene, which was granted by the Administrative Law Judge (ALJ) on July 19, 2024.

On July 1, 2024, AARP filed Direct Testimony in which it disagreed with the Company's method for classifying distribution main costs. AARP also objected to the Company's proposal regarding the amount of the Delivery Services Charge for residential class customers.

On July 1, 2024, Advocacy Staff filed Direct Testimony identifying proposed adjustments to NSP's rate request and recommending a total rate increase of 6.344 million or 7.013 percent. Advocacy Staff also objected to aspects of the Company's CCOSS, revenue apportionment, and rate design. In particular, Advocacy Staff disagreed with the Company with regard to the classification of distribution main costs.

On July 8, 2024, the Commission issued a Notice of Public Input Sessions and Public Hearing, indicating that it would conduct public input sessions on July 29, 2024, and a public hearing on September 3, 2024. The Notice provided that the following issues would be considered at the hearing:

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 services and convenience of the public in North Dakota?
4. What rates and charges 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 undue discrimination?

Prior to the public hearing, NSP, Advocacy Staff, and AARP negotiated a potential settlement in good faith. As a result, on August 14, 2024, NSP, Advocacy Staff, and AARP filed with the Commission a settlement agreement reflecting the Parties' negotiated agreement on revenue requirements, CCOSS, revenue apportionment, and rate design. The Parties agree that implementation of the terms of the Settlement will accomplish the goal of ensuring just and reasonable rates for NSP's provision of retail natural gas service

to its North Dakota customers. The settlement also recognizes and reflects the positions of all parties to this Case and the Company's need for additional revenue to have an opportunity to earn a reasonable rate of return on the capital invested to serve North Dakota customers.

The Commission held the public hearing, as noticed, on September 3, 2024, in the Commission Hearing Room, State Capitol, 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. The Settlement Agreement proposes an overall test year revenue requirement of \$97.337 million, representing a revenue requirement increase of \$7.348 million or 8.2 percent from the current revenue requirement. This agreed upon amount represents a decrease of \$1.115 million from the increase originally sought by NSP (\$8.463 million, or 9.40 percent).
3. The Settlement Agreement arrived at this revenue requirement by making seven (7) specific adjustments:
  - a. Reducing ROE 30 bps to 9.90 percent (\$349,000);
  - b. Removing Flood Mitigation Project (\$296,000);
  - c. Settlement O&M Adjustment (\$179,000);
  - d. Remove Short Term CWIP (\$63,000);
  - e. Remove Long-Term Incentives, Charitable Donations, Organizational Dues, Economic Development, Staff Recognition, Advertising (\$121,000);
  - f. True-up to actual Rate Case Expenses (estimated at \$100,000); and
  - g. Secondary Calculations (including Payroll Tax and Bad Debt) (\$7,000).
4. The Settlement Agreement includes an agreed-upon return on equity (ROE) of 9.90 percent, which is 0.30 percentage points lower than the ROE initially proposed by NSP in its Direct Testimony.

5. The Settlement Agreement provides that NSP's actual capital structure of 52.50 percent common equity, 47.38 percent long-term debt, and 0.12 percent short-term debt is reasonable and appropriate.
6. The Settlement Agreement provides that NSP's fixed monthly Delivery Service Charge for residential customers will be maintained at the current fixed monthly Delivery System Charge of \$22.25, representing a decrease of 11 percent from the Company's initial requested amount of \$25.
7. The Settlement Agreement proposes acceptance of NSP's proposed addition of a new volumetric Distribution Charge for residential class customers, for which NSP will calculate the amount based on the agreed-upon revenue requirement, revenue apportionment, and Delivery Services Charge amount.
8. The Settlement Agreement proposes a class revenue apportionment that assigns a 9.0 percent rate increase to the Residential class, a 7.3 percent increase to the Commercial Firm class, an 8.0 percent increase to the Small Interruptible class, and an 8.9 percent increase to the Large Interruptible class, compared to the overall agreed-upon rate increase of 8.2 percent. The Parties to the Settlement Agreement expressly do not agree on any allocation method or underlying methodology used to develop the agreed upon revenue apportionment.
9. The Settlement Agreement requires NSP to, in its next gas rate case, file a class cost of service study utilizing the "Basic Service Method," as described by AARP's witness in this proceeding, but expressly does not require NSP to support or endorse the methodologies of such study.
10. The Settlement Agreement accepts that all NSP proposals not explicitly addressed therein shall be implemented as proposed by NSP, provided that they shall not be precedential in nature.
11. Because the agreed-upon rate increase for 2024 is lower than the interim rate increase that went into effect on March 1, 2024, the Settlement Agreement provides for an interim rate refund for North Dakota customers, which is expected to be issued beginning approximately 30-60 days from implementation of final rates.
12. NSP, Advocacy Staff, and AARP provided testimony in support of the Settlement Agreement.
13. The Commission finds that that the Settlement Agreement will result in just and reasonable rates without undue discrimination and preferential treatment.

From the foregoing Findings of Fact, the commission makes the following:

### **Conclusions of Law**

1. The Commission has jurisdiction in these proceedings.
2. The Settlement Agreement provides 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.
3. The rates proposed by the Settlement Agreement are designed to result in a basis of charge to customers that are just and reasonable and without discrimination.
4. The Commission finds the Settlement Agreement is reasonable and provides just and reasonable resolution to all pending issues in this matter.

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

### **Order**

The Commission Orders:

1. The Settlement Agreement, a copy of which is attached to this Order, is adopted and approved in its entirety.
2. NSP shall file, for Commission approval, compliance rate schedules consistent with this Order within thirty (30) days.
3. NSP shall issue an interim rate refund to its customers as provided for in the Settlement Agreement.

### **PUBLIC SERVICE COMMISSION**

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**Julie Fedorchak**  
**Commissioner**

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**Randy Christmann**  
**Chair**

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**Sheri Haugen-Hoffart**  
**Commissioner**