



2302 Great Northern Drive
Fargo, ND 58102

May 8, 2024

—Via Electronic Mail and U.S. Mail—

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

RE: APPLICATION FOR ACCOUNTING TREATMENT
FOR A GAS PIPELINE INTERIM RATE REFUND
CASE NO. PU-24-____

Dear Mr. Kahl:

Northern States Power Company, doing business as Xcel Energy, respectfully submits the enclosed Application for approval to apply the North Dakota jurisdictional allocation of a refund from Northern Natural Gas Company, one of its interstate natural gas transmission suppliers, to partially offset the deferred costs of remediating the site of the former manufactured gas plant (MGP) located in Fargo, North Dakota.

In previous dockets, the Commission has approved similar accounting treatment for the natural gas utility savings resulting from the Tax Cuts and Jobs Act and the gain from the Company's sale of two LP storage tanks at its Wescott facility. These actions provided an efficient and expedient way to further reduce the amount of remediation costs recoverable from our natural gas customers.

Please contact me at alex.j.nisbet@xcelenergy.com if you have any questions regarding this filing.

Sincerely,

/s/

ALEX J. NISBET
REGULATORY POLICY SPECIALIST

Enclosure
cc: Victor Schock

1 PU-24-187 Filed 05/08/2024 Pages: 5
Accounting Treatment for a Gas Pipeline Interim Rate Refund
Northern States Power Company
Alex Nisbet, Reg. Policy Specialist

STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

IN THE MATTER OF REQUEST FOR
ACCOUNTING TREATMENT FOR A GAS
PIPELINE INTERIM RATE REFUND

CASE NO. PU-24-____

APPLICATION

INTRODUCTION

Northern States Power Company, a Minnesota corporation doing business as Xcel Energy, (Xcel Energy, or the Company) recently received a refund of \$4,295,139 from Northern Natural Gas Company, one of its interstate natural gas transmission suppliers. The Company hereby submits this Application for approval to apply the North Dakota jurisdictional allocation of the refund, approximately \$550,000, to partially offset the deferred costs of remediating the site of the former manufactured gas plant (MGP) located in Fargo, North Dakota.

The Commission approved similar accounting treatment for the natural gas utility savings resulting from the Tax Cuts and Jobs Act (TCJA) in its November 8, 2018 Order on Settlement in Case No. PU-18-156. In addition, in Case No. PU-19-103, the Commission approved the application of the gain from the Company's sale of two LP storage tanks at its Wescott facility to Flint Hills Resources, LLC to the deferred Fargo MGP remediation costs. These previous actions provided an efficient and expedient way to further reduce the amount of remediation costs recoverable from our natural gas customers.

I. GENERAL FILING INFORMATION

Pursuant to Section 69-02-02-04 of the North Dakota Administrative Code, the following information is provided:

A. Contact information for utility making the filing

Ian M. Dobson
Lead Assistant General Counsel
Xcel Energy Services Inc.
414 Nicollet Mall – 401, 8th Floor
Minneapolis, MN 55401

ian.m.dobson@xcelenergy.com

Alex J. Nisbet
Regulatory Policy Specialist
Xcel Energy
2302 Great Northern Drive
PO Box 2747
Fargo, ND 58108-2747
alex.j.nisbet@xcelenergy.com

We request that all communications regarding this proceeding, including data requests, also be directed to:

Christine Schwartz
Regulatory Administrator
Xcel Energy
414 Nicollet Mall – 401, 7th Floor
Minneapolis, MN 55401
regulatory.records@xcelenergy.com

II. NORTHERN NATURAL GAS REFUND

Northern Natural Gas (Northern) is an interstate natural gas pipeline company. Xcel Energy contracts with Northern to transport natural gas to the NSPM local distribution system, and costs are recovered from Xcel Energy’s natural gas customers in North Dakota and Minnesota through the monthly Cost of Gas (COG) and Purchase Gas Adjustment, respectively. In July 2022, Northern filed a rate case¹ with the Federal Energy Regulatory Commission (FERC) to increase their tariffed natural gas transportation rates. Northern implemented an interim rate increase from January 1, 2023 through April 30, 2023. Ultimately, final rates were agreed to in a multi-party settlement and implemented on May 1, 2023. The rates were approved by FERC in the fall of 2023.

On October 4, 2023, Xcel Energy received a refund of approximately \$4.3 million for Minnesota and North Dakota natural gas service from Northern for the difference between interim and final rates. Of this amount, approximately \$550,000 is attributable to the North Dakota jurisdiction, as shown in Table 1 below using the Company’s Design Day allocator.

Table 1 – ND Allocation of Refund

Item	Amount
Refund Amount	\$4,295,139
2023 Design Day Allocator (rounded)	12.79 %
North Dakota Refund Allocation	\$549,264

Typically, the Company would propose to pass these refunds on to customers via a credit to the cost of gas or a one-time bill credit. However, the Company sees another opportunity with this refund to further reduce the deferral balance of Fargo MGP remediation costs in a manner similar to two previous requests approved by the Commission. Such treatment of the refund would reduce the eventual level of

¹ FERC Docket No. RP22-1033

amortization expense and/or period of amortization, and thereby the rate impact for our North Dakota natural gas customers.

III. PRIOR ORDERS ALLOWING CREDITS TO THE DEFERRAL

In Case No. PU-15-514, the Commission approved the Company's application for deferred accounting for the Fargo MGP remediation project. In that docket, the Company had been providing quarterly updates to the Commission on the progress of the remediation project. On October 27, 2021, the Company filed its last quarterly update reporting that remediation was complete and noting a final report would be submitted upon the sale of the property.

In the Commission's Order on its investigation into the effects of the TCJA for the Company's natural gas utility (Case No. PU-18-156), a settlement between the Company and its advocacy staff was approved whereby the TCJA benefits, quantified as \$1,250,000 per year, are to be credited annually to the Fargo MGP remediation cost balance until implementation of final rates in the Company's next base rate case, at which time the \$1,250,000 in tax-related savings will be incorporated into base rates and the approved MGP amortization will then be included in the COG Rider until the deferral is fully recovered.

Similarly, in Case No. PU-19-103, the Company was allowed to apply the North Dakota portion, or \$649,000, of the one-time gain on sale of assets at its Wescott LP storage facility toward the Fargo MGP remediation project, further reducing the amount of remediation costs that will ultimately be recovered from customers².

IV. REQUEST TO CREDIT THIS REFUND AGAINST MGP COSTS

With this submittal, the Company respectfully requests the Commission approve our proposal to apply the Northern Natural Gas refund of \$549,264, plus monthly interest equal to the three month treasury bill rate from the time received by the Company until Commission approval, toward the costs of remediating the Fargo MGP.

The Fargo MGP deferred balance as of March 31, 2024 was \$2,678,161. The Company is recovering \$1.25 million a year through the COG Rider, indicating slightly more than 2 years remaining. The Company believes applying the Northern refund to the MGP deferral is the preferable approach since it further reduces the MGP deferral amount. This approach also has the benefit of avoiding billing complexities and the administrative effort to execute a relatively small one-time bill

² The Company acknowledges that the final amount of MGP remediation costs subject to amortization and the term of recovery will be established after review and approval by the Commission.

credit (less than \$5 for the typical residential customer) for customers who are already benefitting from some of the lowest natural gas prices in the past 20 years.

V. REQUEST FOR WAIVER OF COST OF GAS TARIFF PROVISION

The Company's COG Rider tariff (Sheet No 5-20.1, 3. Refunds) states that refunds from wholesale natural gas suppliers that result in an average refund of less than \$5.00 per customer are to be refunded through the COG Rider on the same basis as previously charged:

...Refunds will be made to each customer class on the same basis as previously charged to customers. If a supplier refund cannot be accurately distributed to customers because of seasonal usage patterns, then upon Commission approval, refunding may be delayed for a period of up to 12 months. The Company shall add interest monthly to the unrefunded balance at a rate equal to the three-month treasury bill rate as published monthly by the Federal Reserve Board.

To apply the Northern refund as an offset to the deferred MGP costs, the Company respectfully requests the Commission approve a one-time waiver of this COG Rider refund provision and the Commission's Automatic Adjustment Clause rules (69-09-01-30.8).

CONCLUSION

Xcel Energy respectfully requests that the Commission approve the Company's proposal to apply \$549,264, the North Dakota jurisdictional share of the interim rate refund of gas transmission pipeline costs from Northern Natural Gas to the deferred cost balance of remediating the Fargo MGP site. To enable this transaction, the Company requests Commission approval of a one-time waiver of the COG tariff provision relating to wholesale supplier refunds. This approach would efficiently provide long-term benefits to customers by further reducing the amount of the MGP remediation costs subject to recovery from customers.