Second Supplemental Direct Testimony
Benjamin C. Halama

Before the North Dakota Public Service Commission
State of North Dakota

In the Matter of the Application of Northern States Power Company
for Authority to Increase Rates for Electric Service in North Dakota

Case No. PU-24-376
OAH File No. 20240494
Exhibit___(BCH-3)

Supplemental Testimony Supporting Settlement

November 20, 2025

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND TITLE.

A. My name is Benjamin C. Halama. I am Director of Revenue Analysis for Xcel Energy Services Inc., the service company for Xcel Energy Inc. and its operating company subsidiaries, including Northern States Power Company–Minnesota (NSP or the Company).

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS MATTER?

A. Yes. I provided Direct Testimony that was filed on December 2, 2024 and Supplemental Direct Testimony that was filed on May 9, 2025.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The Company, the North Dakota Public Service Commission Advocacy Staff (Advocacy Staff), and Walmart Inc. (Walmart) (collectively, the "Parties") have reached a Settlement Agreement that resolves all the issues in this case. The Settlement Agreement was filed with the North Dakota Public Service Commission (Commission) on November 19, 2025. The purpose of this Second Supplemental Testimony is to support the Settlement Agreement by explaining the adjustments to the Company's North Dakota jurisdictional electric utility operation retail revenue requirement agreed to by the Parties and the earnings sharing mechanism. I also briefly discuss the agreed-upon rate design.

Q. HOW DOES YOUR TESTIMONY DISCUSSING THE SETTLEMENT AGREEMENT RELATE TO COMPANY WITNESS'S ALLEN D. KRUG'S TESTIMONY?

A. Company witness Krug provides an overview of the Settlement Agreement, including the larger agreed-upon adjustments and the general structure of the earnings sharing mechanism. He also discusses policy issues related to the Settlement. In my testimony, I discuss all the adjustments, including those that Company witness Krug does not, and provide more details regarding the earnings sharing mechanism.

Q. PLEASE DESCRIBE HOW THE REMAINDER OF YOUR TESTIMONY IS ORGANIZED.

A. The rest of my testimony is organized in the following sections:

- Background;
- Adjustments;
- Earnings Share Mechanism and Jurisdictional Reporting; and
- Conclusion.

II. BACKGROUND

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. In this section I provide a general overview of the financial terms of the Settlement Agreement.

Q. PLEASE BRIEFLY SUMMARIZE THE POSITIONS THE PARTIES TOOK IN DIRECT TESTIMONY REGARDING THE REVENUE REQUIREMENT.

A. In its application and supporting direct testimony, the Company recommended a net increase in the 2025 test year revenue requirement of approximately $44.56 million. In his Direct Testimony, Advocacy Staff consultant Dante Mugrace recommended a net increase of $29.59 million; in addition, Advocacy Staff

Consultant Dr. Karl Pavlovic made some recommendations for other adjustments that he was not able to quantify. Walmart did not provide a revenue requirements recommendation. The Settlement Agreement provides for a revenue requirement of $254.01 million, which is a net increase of approximately $23.86 million. The agreed-upon increase is thus lower than Advocacy Staff witness Mugrace's recommendation, which reflects compromises on some issues raised, but not quantified by Dr. Pavlovic.

Q. IN GENERAL TERMS, HOW DID THE PARTIES ARRIVE AT THE SETTLEMENT AGREEMENT REVENUE REQUIREMENT?

A. The Parties started with the Company's recommended net revenue requirement increase and then made various adjustments to arrive at the agreed-upon amount. In some cases, the adjustments reflect another party's position on an issue. In others, the amount of the adjustment is a compromise.

Q. WHAT DOES THE SETTLEMENT AGREEMENT PROVIDE FOR WITH REGARD TO CAPITAL STRUCTURE AND RATE OF RETURN AND HOW DOES THAT COMPARE TO THE PARTIES' PROPOSALS?

A. The Parties agreed to a capital structure of 52.50 percent equity and 47.50 percent debt (46.71 percent long-term debt and 0.79 percent short-term debt), a return on equity of 9.80 percent, a cost of long-term debt of 4.51 percent, and a cost of short-term debt of 5.31 percent. Together, those result in a weighted average cost of capital of 7.30 percent. The capital structure and costs of debt are what the Company proposed. The return on equity is lower than the 10.30 proposed by the Company and higher than the 9.41 percent return on equity recommended by Advocacy Staff's consultant Maureen L. Reno.

Q. PLEASE BRIEFLY SUMMARIZE THE AGREED-UPON EARNINGS SHARE MECHANISM.

A. I discuss it in greater detail in Section IV below, but in general terms the parties agreed that for years 2025 and beyond the Company will return to customers 70 percent of weather normalized adjusted earnings exceeding 10.1 percent as calculated in the Company's annual jurisdictional reports filed with the Commission. The mechanism is to be in place for all calendar years before the Company's next rate case unless a future settlement or Commission Order states otherwise. The Settlement Agreement contains several specific provisions regarding the calculation of jurisdictional earnings, including some aimed at avoiding disputes that arose in connection with the earnings share mechanism agreed to in the settlement of the Company's prior electric rate case.

III. ADJUSTMENTS

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section, I go through the adjustments in the Settlement Agreement. Company witness Krug's testimony on this topic covers only the larger adjustments and related policy considerations. I discuss all the adjustments.

Q. YOU HAVE ALREADY INTRODUCED THE PARTIES' AGREEMENT WITH REGARD TO THE RATE OF RETURN, PLEASE DISCUSS THE ADJUSTMENT RESULTING FROM THOSE TERMS.

A. The agreed upon reduction in the rate of return from the 10.30 percent proposed by the Company to 9.80 percent results in a $2.73 million reduction to the test year revenue requirement.

Q. ARE THERE ANY RELATED TERMS YOU WOULD LIKE TO INTRODUCE?

A. NSP has agreed to notify the Commission should it seek to change the actual capital structure target to which it manages the Company and include in such notice the rationale for any such change. In addition, NSP has agreed that it would have the burden of proof if such a change required it to seek a change in capital structure for ratemaking purposes. The Company also agreed to use the agreed-upon cost of capital for its annual transmission and renewable resource rider filings, or any additional Commission-approved riders. However, for annual jurisdictional earnings reports, the Company is to use its actual capital structure and actual cost of debt.

Q. WHAT ADJUSTMENTS DID THE PARTIES AGREE TO WITH REGARD TO GENERATION RESOURCES?

A. Several terms of the Settlement Agreement with regard to generation resources do not result in adjustments, but the Parties' agreements with respect to the life of its nuclear generating fleet, Sherco Solar 1, 2, and 3, the Red Wing and Wilmarth refuse derived fuel plants, and the existing coal fleet all resulted in adjustments.

Q. PLEASE DESCRIBE THE ADJUSTMENT RELATED TO THE COMPANY'S NUCLEAR FLEET.

A. In its initial filing, the Company had proposed extending the depreciable life of its Monticello Nuclear Generating Station by 10 years for ratemaking purposes. Then, during the pendency of this case, the Company also obtained approval for the construction of additional spent fuel storage at its Prairie Island Nuclear Generating Station. In recognition of that development, the Parties have agreed to also extend the depreciable life of the Prairie Island Nuclear Generating

Station by 20 years. The changed depreciation results in a $4.02 million reduction to the test year revenue requirement and revised payments to the Nuclear Decommissioning Trust based on the changes result in a $2.25 million reduction to the test year revenue requirement.

Q. ARE THERE ANY OTHER NUCLEAR-RELATED TERMS YOU WOULD LIKE TO REFERENCE?

A. Yes. The Parties have agreed to remove the payments to the Prairie Island Indian Community which were the subject of Case No. PU-24-378. The Settlement does not address the prudence of such payments and the Company is free to seek recovery of them in a future proceeding. This results in a $517,000 reduction to the test year revenue requirement.

Q. WHAT ADJUSTMENTS DID THE PARTIES AGREE TO WITH REGARD TO SHERCO SOLAR 1, 2, AND 3?

A. The Settlement Agreement provides that Sherco Solar 1, 2, and 3 are disallowed as part of the 2025 test year, which results in a $3.13 million reduction to the test year revenue requirement. The same provision allows the Company to seek prospective recovery for Sherco Solar 1, 2, and 3 in a future rate case, but does not allow it to seek recovery for those (or other new solar projects) through the Renewable Energy Rider (RER) prior to the next rate case.

Q. PLEASE DESCRIBE THE ADJUSTMENT FOR THE RED WING AND WILMARTH REFUSE DERIVED FUEL PLANTS.

A. The Parties agreed that the depreciable lives of the plants will not be extended for ratemaking purposes. This adjustment increases the test year revenue requirement by $641,000.

Q. PLEASE INTRODUCE THE ADJUSTMENTS RELATED TO THE COMPANY'S COAL FLEET.

A. As Company witness Krug discusses in his testimony, the Parties agreed to a compromise in determining the 2025 test year revenue requirement that is designed to account for North Dakota's policy concern with regard to the Company's 2023 retirement of Unit 2 of the Sherburne County Generating Station (Sherco), planned 2026 retirement of Sherco Unit 1, planned 2030 retirement of Sherco Unit 3, and planned 2028 retirement of the Allen S. King Plant.

Q. WHAT ARE THE SPECIFIC AGREED-UPON ADJUSTMENTS?

A. The Parties agreed on two primary adjustments to have the 2025 test year revenue requirement reflect their compromise. The first adjustment is based on an agreement to keep the current, Commission-approved North Dakota depreciable lives of Sherco Units 1, 2, and 3, and King. This adjustment results in a $8.47 million reduction in the 2025 test year revenue requirement. The other adjustment, which is referred to in the Settlement Agreement as the "Coal Adder," is meant to reflect costs the Company could have incurred in the test year if it had not planned to retire the coal fleet earlier than their Commission-approved depreciable lives. The Coal Adder increases the 2025 test year revenue requirement by $5.0 million.

Q. PLEASE DISCUSS THE BASIS FOR THE COAL ADDER.

A. As the Settlement Agreement indicates, the Parties are not able to precisely determine the additional costs the Company would have incurred if the coal plants were being kept in service longer. The Parties discussed the issue and

arrived at an amount through negotiation that they agree is reasonable for purposes of the determining the 2025 test year revenue requirement.

Q. WHAT ARE THE TYPES OF ADDITIONAL COSTS THE COAL ADDER IS MEANT TO REFLECT?

A. If the Company were planning to keep the coal fleet in service for longer, it would have made previously budgeted capital additions that were canceled and would have also made further capital additions that were not yet budgeted. The Company also would have incurred higher test year O&M if it were still operating Sherco Unit 2 in 2025 and was operating the other plants consistent with Commission-approved North Dakota depreciable lives.

Q. DOES THE COAL ADDER FULLY REFLECT THOSE COSTS?

A. No. I stress that the Coal Adder is an amount negotiated between the Parties. The Company believes that, if the Company's coal fleet operated consistent with the Commission-approved North Dakota depreciable lives, the actual revenue requirement for the 2025 test year would be significantly more than that agreed to in the Settlement. However, for the purposes of Settlement, the Company agreed to the Coal Adder amount.

Q. WHAT IS THE NEXT CATEGORY OF ADJUSTMENTS?

A. The Parties also agreed to some timing-related adjustments. The first two involve capital investments that the Company included in its test year based on its then-current expectations, but that have since been postponed. These are the Sherco Battery Project and the Larimore substation, and the adjustment to remove their revenue requirements results in a $1.79 million adjustment.

Q. IS THERE ANOTHER TIMING-RELATED ADJUSTMENT?

A. Yes. The Company is installing an LTE project; however, the complete network will not be in place during the 2025 test year. Accordingly, the Parties have agreed to defer all capital-related and O&M expenses for the project until such time as all project elements are in service. This agreed-upon deferral is meant to work in the same way as the AGIS deferral agreed on in the settlement of the prior rate case. As with that AGIS deferral, all capital-related and O&M expenses for the project will be treated as if they were capital expenditures included in Construction Work In Process (CWIP) such that there will be an allowance for funds used during the deferral, similar to the treatment for Allowance for Funds Used During Construction (AFUDC). The result of this provision is an adjustment that reduces the 2025 test year revenue requirement by $378,000.

Q. YOU REFERENCED THE AGIS DEFERRAL. WHAT DID THE PARTIES AGREE TO WITH REGARD TO THAT DEFERRAL?

A. Advocacy Staff's consultants recommend that recovery of the amounts in the AGIS deferral be amortized over a 10-year period, which is a longer recovery period than the 5 years the Company had recommended in testimony. In the Settlement Agreement, the Parties agreed to the consultant's proposal, which reduces the test year revenue requirement by $380,000.

Q. DOES THE SETTLEMENT AGREEMENT INCLUDE A DETERMINATION ON THE PRUDENCE OF THE LTE PROJECT?

A. No. It expressly states that no such determination is made. The issue will be left to a future proceeding.

Q. DID THE PARTIES AGREE TO ANY O&M ADJUSTMENTS?

A. Yes. The Settlement agreement contains two groups of O&M adjustments. The first set are expressly applicable to both the 2025 test year revenue requirement and jurisdictional earnings reporting. They are association dues, Chamber of Commerce dues, Xcel Energy Foundation donations, LTI Environmental Incentive, LTI Time-Based Incentive, other incentive compensation, aviation expenses, and economic development expenses. In total, this set of agreed upon adjustments result in a $1.46 million reduction in the 2025 test year revenue requirement.

Q. WHAT IS THE OTHER SET OF O&M ADJUSTMENTS?

A. The Settlement Agreement does not provide that second set of agreed upon adjustments apply to jurisdictional earnings reporting; however, the Parties did agree to them for the purpose of reducing the test year revenue requirement. They are an O&M normalization, a reduction of inflation costs other than labor, customer service costs related to the Company's electric vehicle initiative, and CWIP. This set of adjustments represent a $1.24 million reduction in the 2025 test year revenue requirement.

Q. DOES THE SETTLEMENT AGREEMENT CONTAIN ANY ADJUSTMENTS BASED ON COMPANY CORRECTIONS?

A. Yes. The Company determined that its payroll tax amount should be recalculated. The Parties agreed to the resulting $93,000 reduction to the 2025 test year revenue requirement.

Q. ARE THERE SECONDARY CALCULATIONS?

A. Yes. Based on all the agreed-upon adjustments that I discussed above, secondary calculations had to be adjusted. Together, these resulted in a net $129,000 increase to the 2025 test year revenue requirement.

IV. EARNINGS-SHARING MECHANISM

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I describe the earnings-sharing mechanism the Parties agreed to in Section I.B of the Settlement Agreement. I describe the mechanism itself and then go on to discuss terms the Parties agreed to with regard to how the Company will calculate the underlying annual weather normalized jurisdictional earnings.

Q. AS A REMINDER, WHAT IS THE AGREED-UPON EARNINGS-SHARING MECHANISM?

A. The Parties agreed to a weather normalized adjusted earnings threshold of 10.1 percent return on equity. If in future years the Company's annual weather normalized adjusted earnings exceed that threshold, NSP is required to refund to customers 70 percent of the excess revenue. The mechanism is to be based on earnings as calculated in the Company's annual jurisdictional reports to the Commission and would be in place for all calendar years prior to the next rate case unless a future settlement or Commission order provides otherwise.

Q. WHAT AGREEMENTS DID THE PARTIES MAKE WITH REGARD TO CALCULATION OF JURISDICTIONAL EARNINGS?

A. Under the terms of the Settlement Agreement, the Company will use the established weather normalization method using regression analysis consistent with its latest forecast vintage. Those coefficients will be applied to the

difference between actual and normal weather while factoring in actual customer counts, with normal weather continuing to be defined as a 20-year historical average. The Company also agreed not to make any exogenous adjustments to its weather normalization like the "COVID Topside Adjustment" that I discussed in my Supplemental Direct Testimony. Additionally, the revenues from the Coal Adder will be excluded from reported jurisdictional revenues since there are no actual offsetting costs. The Company also agreed to use actual data for the purposes of calculating the demand allocator; however, the Company may file a request to weather normalize the demand allocator if the demand allocator in a given year materially deviates from the demand allocator used to set rates in this year, that deviation is due wholly or substantially to weather, and the deviation causes, in whole or in part, the Company to refund amounts under the earnings-sharing mechanism.

Q. ARE THERE OTHER SPECIFIC PROVISIONS REGARDING THE CALCULATION OF WEATHER NORMALIZED JURISDICTIONAL EARNINGS?

A. Yes. The Parties also agreed to some specific terms regarding generation resources that are not being recovered in rates, the "Unrecovered Resources." The list of current Unrecovered Resources is attached to the Settlement Agreement as Schedule 2. Going forward, Unrecovered Resources will also include any other generation resources put into service and for which the Company does not receive full rate recovery, including, but not limited to, resources for which the Company is barred from seeking cost recovery prior to the next rate case and resources for which the Company has not yet sought approval.

Q. WHAT ARE THE TERMS APPLICABLE TO UNRECOVERED RESOURCES?

A. First, the revenue requirement associated with such resources is to be excluded from the Company's cost of service. Second, 75 percent of all wholesale revenue from the MISO capacity and energy markets; and 100 percent of all other sources of revenue or value (such as tax credits) attributable to the Unrecovered Resources are also excluded from the Company's calculation of its jurisdictional earnings.

Q. HOW WILL UNRECOVERED RESOURCES BE CONSIDERED WHEN THE COMPANY CALCULATES ITS SYSTEM AVERAGE COST OF FUEL FOR THE FUEL COST RIDER?

A. The Parties agreed that when calculating the Fuel Cost Recovery (FCR) Rider, the Company will exclude the cost of the Disallowed Resources in the numerator and the MWh of energy from such resources in the denominator when performing the calculation (or will perform the mathematical equivalent). This results in these resources being excluded from fuel calculations while leaving the overall FCR mechanism untouched.

Q. HOW IS THE COMPANY TO CALCULATE WHAT PORTION OF REVENUE FROM CAPACITY MARKETS OR AUCTIONS ARE ATTRIBUTABLE TO THE UNRECOVERED RESOURCES?

A. The Company is to first calculate the North Dakota jurisdictional share of capacity revenue for the relevant planning year without making any adjustment to account for the Undisputed Resources. Then, the Company is to calculate what the jurisdictional share of capacity revenue would have been if the Unrecovered Resources were not part of the NSP System. The difference between the two is to be the capacity revenue from the Unrecovered Resources. This is the same methodology that I presented previously in my Supplemental Direct Testimony.

Q. YOU HAVE REFERENCED THE COVID TOPSIDE ADJUSTMENT AND THE COMPANY'S METHOD FOR CALCULATING REVENUES ATTRIBUTABLE TO RESOURCES NOT RECOVERED IN NORTH DAKOTA RATES. DID THE PARTIES REACH AGREEMENT ON THEIR EARLIER DISPUTES WITH REGARD TO THOSE TWO ISSUES?

A. Yes. The Company will issue a refund of $781,000 to North Dakota customers as part of the earnings sharing mechanism requirement for calendar years 2021 and 2022. This refund will be included with the interim rate refund I discuss below and consists of funds not earlier refunded because of the COVID topside adjustment. On the PRA revenue issue, the Parties agreed to the Company's position, which does not result in additional refund amounts.

Q. HOW IS THE ALLOCATION OF COSTS ACROSS JURISDICTIONS ADDRESSED IN THE SETTLEMENT?

A. The Company will continue to use actual, non-weather normalized, data to calculate the allocation of demand driven costs to the various jurisdictions served by the Company. However, the Settlement also recognizes that in some years significant fluctuations to the demand allocator have been due to weather and not some material change in the make-up of the system. To address this, the Settlement permits the Company to request that the Commission allow it to calculate the demand allocator on a weather normalized basis if weather is driving a material change in the demand allocator. The Company believes this "release valve" is necessary to help ensure rates are just and reasonable and that the Company has its legally required opportunity to earn its authorized rate of return.

V. RATE DESIGN, REFUND, AND OTHER ISSUES

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I discuss the rate design provisions of the Settlement Agreement, address the interim rate refund, and cover a few miscellaneous issues.

Q. WHAT DOES THE SETTLEMENT AGREEMENT PROVIDE WITH REGARD TO RATE DESIGN?

A. In Section II, the Settlement Provides for revenue apportionment among customer classes that reflects class percentages shares of the overall increase that are consistent with the Company's original proposed increases.

Q. ARE THERE OTHER RATE DESIGN ISSUES?

A. Yes. The Parties agreed to a $21.50 monthly fixed residential charge, as the Company proposed in direct testimony, and agreed to the Company's other proposed tariff changes. Under the Settlement Agreement, the Company will use its proposed rate design principles to develop the final rates and will make a tariff page compliance filing within 30 days of Commission approval of the Settlement Agreement.

Q. WILL THE COMPANY HAVE WITNESSES AVAILABLE AT THE HEARING TO ADDRESS THE CLASS COST OF SERVICE STUDY (CCOSS) AND RATE DESIGN, INCLUDING THE RATE DESIGN PROVISIONS OF THE SETTLEMENT AGREEMENT?

A. Yes. I have briefly summarized the Settlement Agreement rate design provisions, but rate design and CCOSS are not my areas of expertise. The Company plans to have Company witnesses Christopher J. Barthol and

Nicholas N. Paluck available at hearing to answer questions the Commission might have on those topics.

Q. WHAT DOES THE SETTLEMENT STATE WITH REGARD TO AN INTERIM RATE REFUND?

A. Because the agreed upon increase in base rates is lower than the interim rates, there must be a refund of interim rates. The Parties agreed to keep interim rates until final rates are in effect and to issue the refund following that implementation of final rates.

Q. WHAT OTHER TERMS FROM THE SETTLEMENT AGREEMENT DO YOU WISH TO HIGHLIGHT?

A. In Section III, the Parties agreed to keep the allocator used to allocate certain bulk system costs between jurisdictions. The allocator in question is the 12 CP allocator. In addition, the Settlement Agreement also allows the Company to recover the actual costs of the Border Winds and Pleasant Valley wind repowering projects through the renewable energy rider.

VI. CONCLUSION

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

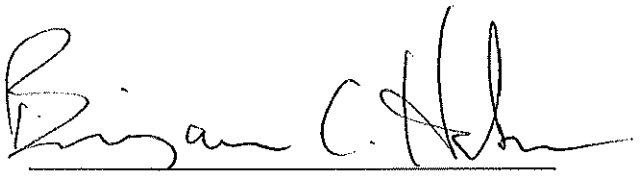
A. Yes, it does.

STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF NORTHERN STATES POWER COMPANY FOR AUTHORITY TO INCREASE RATES FOR ELECTRIC SERVICE IN NORTH DAKOTA	)))	Case No. PU-24-376 OAH File No. 20240494

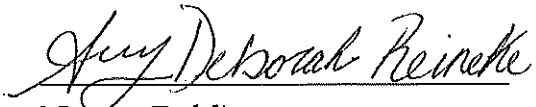
AFFIDAVIT OF
Benjamin C. Halama

I, the undersigned, being first duly sworn, depose and say that the foregoing is the Second Supplemental Direct Testimony Supporting Settlement of the undersigned, and that such Second Supplemental Direct Testimony Supporting Settlement to the best of my knowledge, information and belief is true, correct, accurate and complete, and I hereby adopt said testimony as if given by me in formal hearing, under oath.



Benjamin C. Halama

Subscribed and sworn to before me, this 12th day of November, 2025.



Notary Public
My Commission Expires: