

Direct Testimony and Schedules  
Allen D. Krug

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 Natural Gas Service in North Dakota

Case No. PU-26-\_\_\_\_  
Exhibit\_\_\_\_(ADK-1)

**Policy**

January 30, 2026

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1 **I. INTRODUCTION**

2

3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is Allen D. Krug. I am Associate Vice President, State Regulatory  
5 Policy for Northern States Power Company – Minnesota (NSP or Xcel Energy  
6 or the Company).

7

8 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

9 A. I have worked for Xcel Energy since 1998, initially as a Manager of Renewable  
10 Energy and Energy Contract Coordinator. I then served as a Regulatory  
11 Consultant for a number of years before becoming Regional Vice President,  
12 Regulatory Administration in 2008. I began my current position in 2013. Prior  
13 to joining the Company, I worked for over a decade at the Minnesota  
14 Department of Commerce, first as a Statistical Analyst and later as a Supervisor  
15 in the Electric Regulatory Unit. My statement of qualifications is provided as  
16 Exhibit\_\_\_\_(ADK-1), Schedule 1.

17

18 Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

19 A. In my current role, I develop regulatory strategy for NSP across South Dakota,  
20 North Dakota, and Minnesota.

21

22 Q. FOR WHOM ARE YOU TESTIFYING?

23 A. I am testifying on behalf of Xcel Energy.

24

25 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

26 A. I am presenting the Company’s overall rate case to the Commission. My  
27 testimony provides an overview of our Application, summarizes the need for a

1 general natural gas service rate increase, explains key developments since the  
2 Company's last North Dakota rate case, and introduces the Company-  
3 sponsored witnesses.

4  
5 Q. PLEASE DESCRIBE HOW YOUR TESTIMONY IS ORGANIZED.

6 A. I present my testimony in the following sections:

- 7 • Case Overview;
- 8 • Company Overview;
- 9 • Key Developments Since the Company's Last Rate Case;
- 10 • Rate of Return
- 11 • Rate Case Components;
- 12 • Proposed Changes to Rate Recovery; and
- 13 • Introduction of Company Witnesses

14  
15 Q. WHAT IS THE COMPANY FILING IN SUPPORT OF ITS APPLICATION?

16 A. In addition to our Application, we are filing testimony, exhibits, and work  
17 papers in support of our request. We reviewed all North Dakota Public Service  
18 Commission Rules and Orders from previous rate cases and other cases to  
19 ensure we have complied with the Commission's requirements. My  
20 Exhibit\_\_\_(ADK-1), Schedule 2 lists the relevant statutes, rules, and  
21 Commission directives, the action the Company has taken to address each  
22 directive, and the location in our Application of the Company's response.

23

1 **II. CASE OVERVIEW**

2  
3 Q. PLEASE SUMMARIZE THE COMPANY’S REQUEST IN THIS PROCEEDING.

4 A. In this case, Xcel Energy seeks authority from the Commission to increase our  
5 retail natural gas base rate revenues by approximately \$13.761 million, or 11.93  
6 percent. We base this request on a 2026 future test year as allowed by North  
7 Dakota law. The test year revenue requirement reflects a Return on Equity  
8 (ROE) of 10.85 percent and an overall Rate of Return (ROR) of 7.90 percent.  
9 Under our proposal, a typical residential customer would see a monthly bill  
10 increase of about \$10.11 per month.

11  
12 Q. WHEN WAS THE COMPANY’S LAST NATURAL GAS BASE RATE CASE?

13 A. The Company’s last natural gas base rate case was filed in December 2023 and  
14 used a 2024 future test year (Case No. PU-23-367).

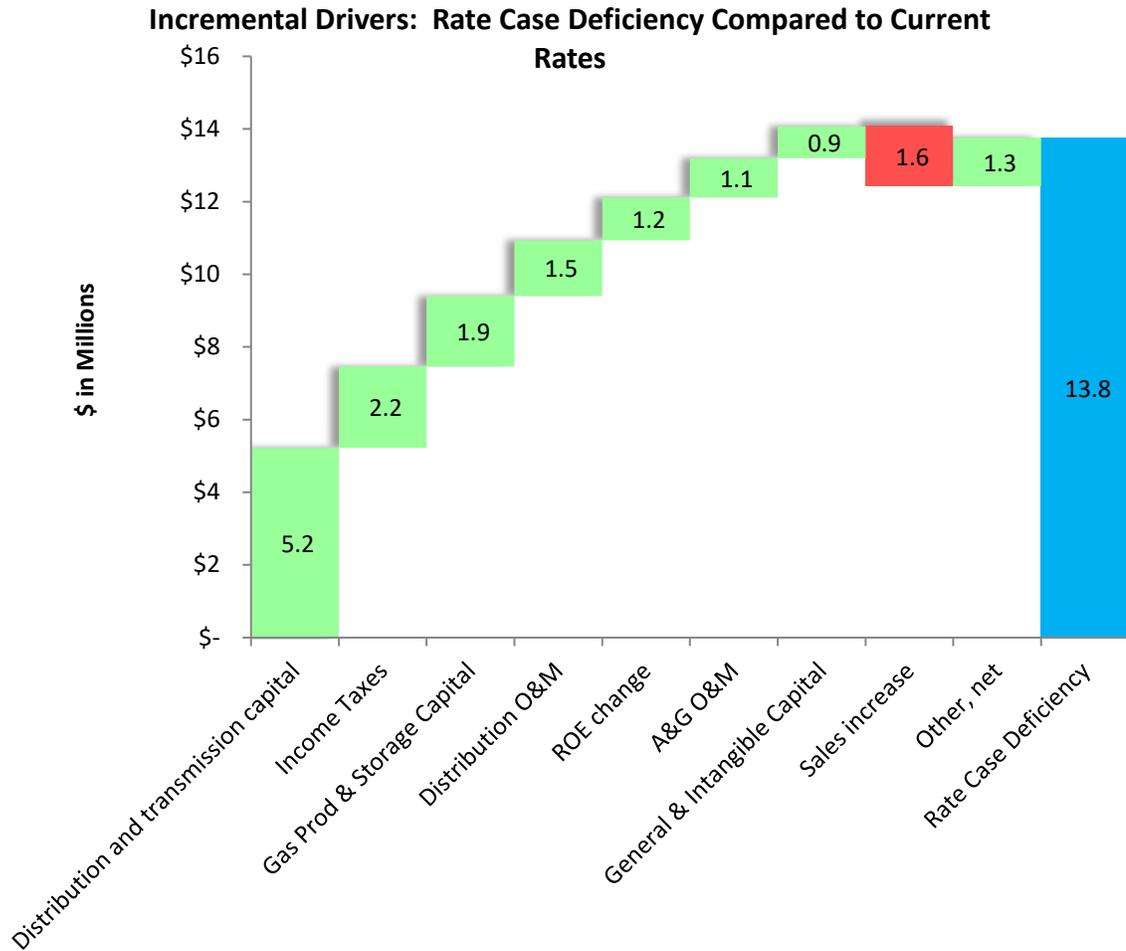
15  
16 Q. WHY IS THE COMPANY SEEKING A RATE INCREASE AT THIS TIME?

17 A. The Company is filing this rate case due to capital projects to improve safety  
18 and reliability, significant customer growth, particularly in the Fargo and Grand  
19 Forks areas, higher O&M and taxes, and the increasing cost of commodities.

20  
21 Figure 1, below, identifies the key categories of costs driving our current  
22 revenue deficiency compared to current rates (*i.e.*, those established using a 2026  
23 test year).

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**Figure 1**  
**Incremental Drivers**



20 Q. WHAT TYPES OF INVESTMENTS ARE DRIVING THE EXPENSES IN GAS  
21 PRODUCTION AND STORAGE AS SHOWN IN FIGURE 1?

22 A. The majority of these expenses come from investments in safety-related work  
23 and improvements to the Company's Peaking Plants. As discussed in greater  
24 depth in Company witness Daniel J. Connoy's testimony, the Peaking Plants are  
25 important capacity resources that can be used during the very coldest days to  
26 save North Dakota customers money by reducing the overall cost of the gas  
27 they purchase. The planned 2026 projects at the Peaking Plants will conclude  
28 the Company's multi-year refurbishment of the plants to maintain safe and

1 reliable operation during periods of peak demand. These discrete projects  
2 include significant updates to their fire safety systems in addition to multiple  
3 smaller projects.

4  
5 Q. WHAT KINDS OF INVESTMENTS COMPRISE THE DISTRIBUTION SYSTEM DRIVERS  
6 SHOWN IN FIGURE 1?

7 A. The capital investments in our distribution system are described in more detail  
8 in Company witness Connoy's Direct Testimony. To summarize, these  
9 investments include projects to safely and reliably serve new and existing  
10 customers, particularly in the Fargo and Grand Forks areas, and mandatory  
11 investments in infrastructure relocations in response to requirements of  
12 governmental authorities.

13  
14 Q. ARE THERE ANY INCREASED INCOME TAX DRIVERS?

15 A. Yes, the Company's current and deferred income tax increased due to the  
16 increase in rate base and total revenue requirement. A more detailed discussion  
17 of the Company's income tax requirements is addressed by Company witness  
18 Charles R. Henckler's testimony.

19  
20 Q. ARE THERE ANY GENERAL AND INTANGIBLE CAPITAL COSTS DRIVERS?

21 A. Yes. As discussed in Company witness Michele A. Kietzman's testimony, the  
22 Company has made capital investments in the Company's service centers,  
23 information technology, and fleet additions.

24  
25 Q. PLEASE DESCRIBE THE CUSTOMER SALES GROWTH.

26 A. Over the past couple years, the Company has experienced growth in the number  
27 of North Dakota gas customers, primarily due to continued residential growth

1 in the Fargo, West Fargo, and Grand Forks areas. Unlike our electric service  
2 area, which is limited by the state's territorial integrity law, Xcel Energy is able  
3 to grow its gas business as these communities grow.

4  
5 Q. WHAT HAVE BEEN XCEL ENERGY'S NORTH DAKOTA GAS EARNINGS IN RECENT  
6 YEARS?

7 A. In 2024, our weather-normalized jurisdictional gas return on equity was 8.00  
8 percent; for 2025, it is forecasted to be 6.93 percent. Absent a rate increase, the  
9 forecasted return in 2026 is 2.43 percent. With that level of projected return,  
10 the Company must seek additional revenue.

### 11 12 **III. COMPANY OVERVIEW**

13  
14 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

15 A. In this section, I provide a broad overview of how the Company provides  
16 natural gas to its customers in North Dakota.

17  
18 Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF XCEL ENERGY INC.'S NATURAL  
19 GAS UTILITIES IN THE MIDWEST.

20 A. Xcel Energy Inc. is one of the largest retail gas providers in the upper Midwest.  
21 The Company provides natural gas utility services in portions of North Dakota  
22 and Minnesota, and our affiliate Northern States Power Company – Wisconsin  
23 provides natural gas utility services in portions of Wisconsin and Michigan.

24  
25 Q. COULD YOU PLEASE DESCRIBE NSP'S NATURAL GAS UTILITY BUSINESS?

26 A. Yes. The Company serves approximately 564,000 natural gas customers in  
27 North Dakota and Minnesota. The Company projects an average of about

1 66,256 customers in North Dakota in 2026. About 91 percent of the Company's  
2 North Dakota customers are located in and around Fargo and Grand Forks,  
3 North Dakota. NSP has approximately 1,200 miles of distribution mains in  
4 North Dakota, along with compressor stations, regulator stations, and other  
5 supporting infrastructure located in the state.

6  
7 Q. HOW MUCH NATURAL GAS IS USED BY NSP'S NORTH DAKOTA CUSTOMERS?

8 A. For 2026, the Company is projecting that its North Dakota customers will use  
9 approximately 14,723,466 decatherms of natural gas; however, actual  
10 consumption will obviously depend on the weather. That represents  
11 approximately 10.71 percent of NSP's total gas sales forecasted in Minnesota  
12 and North Dakota for the year. In the extreme cold weather conditions, the  
13 Company uses a "Design Day" to design the peak capacity of its system; this is  
14 explained in Company witness Connoy's Direct Testimony. NSP projects  
15 North Dakota customers' contribution to the Company's 2026 peak capacity  
16 will be approximately 13.98 percent of the total for both states.

17  
18 Q. HOW DOES THE COMPANY ALLOCATE SYSTEM COSTS AMONG AND BETWEEN  
19 JURISDICTIONS?

20 A. The Company directly assigns many natural gas costs to particular state  
21 jurisdictions. For example, capital and O&M costs for portions of the  
22 distribution system that only serve customers in North Dakota are directly  
23 assigned to North Dakota. For those costs incurred by areas of the Company  
24 to support operations in both North Dakota and Minnesota, the Company uses  
25 a variety of allocation factors, which are discussed by Company witness  
26 Henckler. The Company's allocation methodologies in this Application are  
27 consistent with past practices and have been accepted by regulators in North

1 Dakota and Minnesota. These methodologies are set forth in the Company's  
2 Cost Assignment and Allocation Manual (CAAM), which is Schedule 11 to  
3 Company witness Henckler's Direct Testimony, Exhibit\_\_\_(CRH-1), Schedule  
4 11.

5  
6 Q. WHERE DOES THE COMPANY PURCHASE THE NATURAL GAS IT PROVIDES TO  
7 CUSTOMERS?

8 A. The Company purchases the natural gas that it provides to customers in North  
9 Dakota and Minnesota primarily at four different hubs: the Ventura Hub  
10 (located in Hancock County, Iowa), the Demarcation Hub (located north of  
11 Clifton, Kansas), the Emerson Hub (located in Emerson, Manitoba, Canada),  
12 and the Chicago Hub (located in Chicago, Illinois). The Company purchases  
13 natural gas from different areas of the United States and Canada at these hubs.  
14 Most of the Company's natural gas purchases from the Bakken formation are  
15 purchased at the Ventura Hub in Iowa. Company witness Connoy also discusses  
16 the Company's natural gas purchases in his Direct Testimony.

17  
18 Q. WHAT STORAGE CAPACITY DOES THE COMPANY HAVE?

19 A. As Company witness Connoy discusses, we hold contracts for natural gas  
20 storage in Michigan, Iowa, and Kansas. These are primarily used as a reliability  
21 tool to ensure customers have adequate gas supply each and every day.  
22 However, they also serve as a price hedge against the potentially higher costs of  
23 gas purchased on the spot markets during winter when demand is at its highest.  
24 When the Company uses gas from storage, the particular gas molecules moved  
25 out of storage may or may not end up in North Dakota, but the savings are  
26 reflected directly on North Dakota customers' bills because of our combined  
27 gas purchasing and transportation for NSP decreases our customers' cost of

1 gas. In addition to storage, the Company has three LNG and propane gas  
2 peaking facilities that I discussed earlier.

3  
4 Q. HOW DOES NATURAL GAS MAKE ITS WAY TO RETAIL CUSTOMERS?

5 A. The gas passes through one or more interstate pipelines before making its way  
6 to the Company's gas distribution systems in Minnesota and North Dakota.  
7 The Company's North Dakota natural gas distribution systems are directly  
8 connected to two interstate pipeline systems: Viking Gas Transmission  
9 Company (Viking) and WBI Energy (WBI). Those pipelines are non-affiliated  
10 pipelines regulated by the Federal Energy Regulatory Commission (FERC). In  
11 addition, the Company uses other Canadian and interstate pipelines for  
12 upstream transportation and storage, as Company witness Connoy discusses in  
13 his Direct Testimony.

14  
15 Q. WHY DOES THE COMPANY PURCHASE NATURAL GAS FROM THE BAKKEN AT A  
16 LOCATION IN IOWA?

17 A. Market locations for the purchase and delivery of natural gas are driven, in part,  
18 by the capacity and location of pipelines and other infrastructure to transport  
19 gas from production fields to customers. The Northern Border Pipeline  
20 transports gas production from the Bakken Basin and connects with the  
21 Northern Natural Gas Company (Northern) system at the Ventura Hub in  
22 Iowa. The Northern Border Pipeline and Northern systems have the necessary  
23 capacity to move gas from the Bakken to Xcel Energy's distribution system.  
24 While the WBI system directly connects the Company's distribution system in  
25 North Dakota to the Bakken and the Company uses all the WBI capacity  
26 available to it, the WBI system lacks adequate capacity to fully serve the  
27 Company's North Dakota customers. As a practical matter, therefore, the vast

1 majority of the natural gas the Company supplies to customers in North Dakota  
2 is transported using Viking to move gas from the Emerson Hub and from  
3 Minnesota pipeline connections.  
4

5 Q. DOES THE COMPANY EXPECT THE WBI'S DEVELOPMENT OF AN ADDITIONAL  
6 PIPELINE FROM THE BAKKEN TO EASTERN NORTH DAKOTA TO IMPACT THE  
7 COMPANY'S DISTRIBUTION SYSTEM?

8 A. As discussed in greater detail in Company witness Connoy's testimony, the  
9 Company is supportive of WBI's development of the new pipeline and  
10 anticipates that the pipeline would be the key source of natural gas for the  
11 combustion turbine electric generation facility that the Company proposes to  
12 locate near the Bison substation. The proposed pipeline could also be a valuable  
13 resource to meet future growth needs in the Fargo area. However, the Company  
14 does not currently anticipate displacing our current transportation portfolio  
15 because the transmission costs of using the pipeline WBI is developing  
16 significantly outweigh the lower cost of Bakken natural gas.  
17

18 Q. IS NSP'S GAS SYSTEM AN "INTEGRATED" SYSTEM?

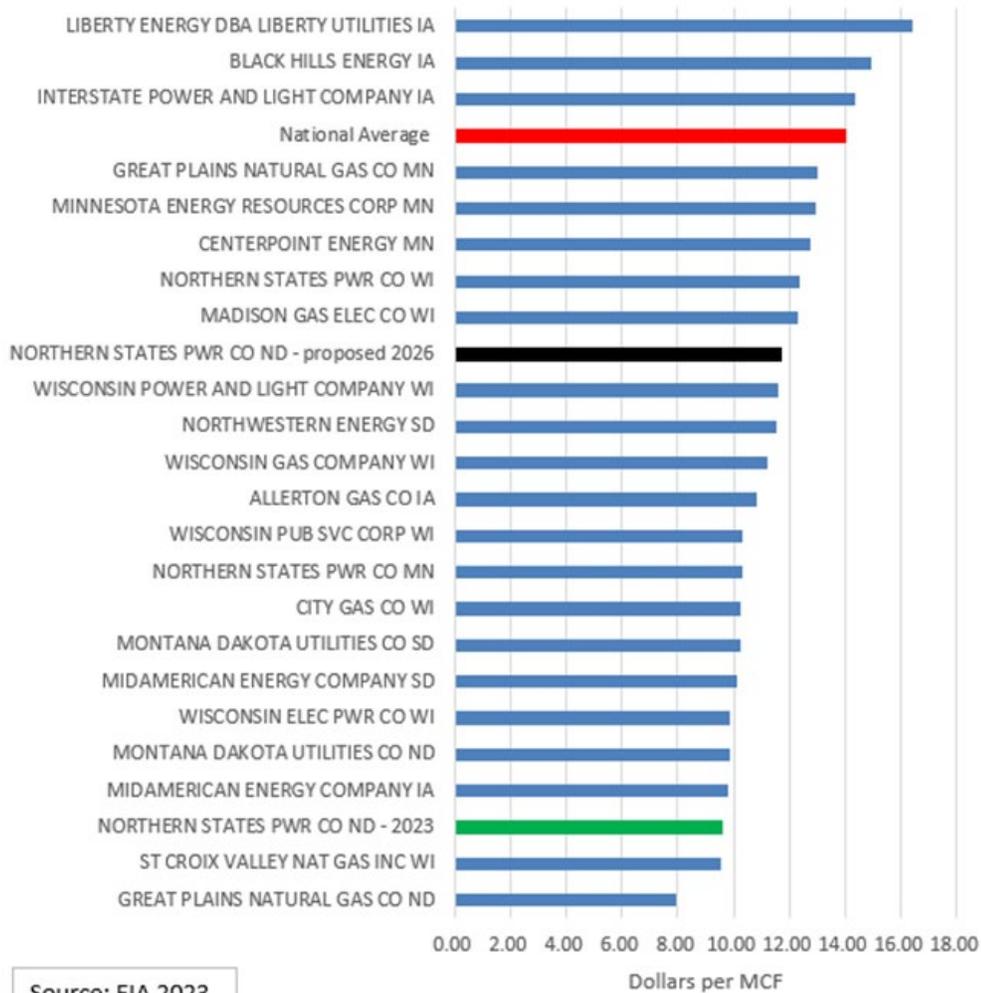
19 A. Although NSP's gas system in North Dakota and Minnesota is not an integrated  
20 NSP system in the same sense as its electric utility system, NSP carries out  
21 capacity planning, purchasing and transportation decision-making, and other  
22 support functions on a unified basis for its service areas in both states. North  
23 Dakota and Minnesota customers benefit from the economies of scale that  
24 result from this unified planning, purchasing, and decision-making.  
25

1 Q. HOW DO NSP'S GAS RATES IN NORTH DAKOTA COMPARE TO THOSE OFFERED  
2 BY OTHER UTILITIES IN THE REGION?

3 A. Our North Dakota gas customers benefit from Xcel Energy's unified  
4 purchasing and transportation decisions for the larger overall NSP gas system,  
5 and these benefits are reflected in the low rates we have been able to charge  
6 when compared to peers in the region. Figure 2 below uses 2023 data, which is  
7 the most recent available, from the American Gas Association to compare the  
8 Company's average monthly residential natural gas bills with the national  
9 average and those of other investor-owned natural gas utilities in North Dakota,  
10 Minnesota, South Dakota, Wisconsin, and Iowa. The Company's 2023 rate (the  
11 rate prior to the last rate case) is depicted in green, the national average in red,  
12 and those of peer utilities are shown in blue. To provide additional context, the  
13 Company's proposed 2026 Residential rate is shown in black.

14

1 **Figure 2**  
 2 **Comparison of Natural Gas Average Residential Rates**



20 The figure shows that Xcel Energy’s North Dakota customers benefit from bills  
 21 significantly below the national average and below those of many utilities in the  
 22 region.

23  
 24 Q. IS THE COMPANY’S PROPOSED 2026 RESIDENTIAL RATE COMPETITIVE?

25 A. Yes, the Company’s proposed Residential rate is competitive. Under our  
 26 proposal, the Residential Delivery Services Charge would increase by \$3.25 per  
 27 month to \$25.50 with a volumetric Residential Distribution Charge of \$0.18020  
 28 per therm. As a comparison, MDU’s basic service charge is \$25.08 on average

1 with a volumetric charge of \$0.525 per therm, which was established in its 2023  
2 rate case.

3  
4 **IV. KEY DEVELOPMENTS SINCE**  
5 **THE COMPANY'S LAST RATE CASE**  
6

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

8 A. In this section of my testimony, I discuss material developments since the  
9 conclusion of the Company's last rate case. In particular, I discuss customer and  
10 sales growth, capital investments in safety and reliability, and increases in O&M  
11 costs, and tax increases.

12  
13 Q. LET'S START WITH CUSTOMER AND SALES GROWTH. WHAT TRENDS HAS THE  
14 COMPANY SEEN IN THOSE AREAS?

15 A. Over the past five years, the total number of gas customers increased by 11  
16 percent or 6,208 new customers, representing an average annual growth rate of  
17 2.0 percent. The Company has experienced year-over-year growth for the last  
18 five years and anticipates continued new customer growth of 1.7 and 1.2 percent  
19 in 2025 and 2026 respectively. Residential sales increased 2.5 percent and  
20 Commercial Industrial sales increased 8.6 percent between 2019-2024. Sales for  
21 Residential and Commercial and Industrial customer classes are expected to  
22 increase in 2026 as well. Company witness John M. Goodenough provides  
23 further information regarding our sales and customer growth in his Direct  
24 Testimony.

25  
26 Q. WHAT IS DRIVING THE GROWTH?

27 A. As was the case in our prior natural gas rate case, much of the growth in North  
28 Dakota results from the healthy economies and construction of new housing

1 within the Company's eastern North Dakota service territory, particularly in the  
2 Fargo and West Fargo area. Natural gas from Xcel Energy is an attractive  
3 heating option for new housing because it is clean-burning, convenient, low-  
4 cost, and because customers do not need onsite storage as they would for fuel  
5 oil, propane, or wood. Customers also do not have to pre-purchase fuel as they  
6 do with some other heating options. There has also been some gradual service  
7 area growth by Xcel Energy as gas distributions mains have been extended over  
8 the years.

9  
10 Q. WHAT LEVEL OF CAPITAL INVESTMENTS HAS THE COMPANY MADE SINCE ITS  
11 LAST RATE CASE?

12 A. The Company placed into service capital additions totaling approximately  
13 \$633.2 million, or approximately \$77.9 million on a North Dakota gas  
14 jurisdictional basis, in 2023 and 2024. The Company forecasts capital additions  
15 of \$1.1 billion, \$98.1 million North Dakota jurisdictionalized, in 2025 and 2026.  
16 Company witness Kietzman discusses this in greater detail in her direct  
17 testimony.

18  
19 Q. AT THE BEGINNING OF YOUR TESTIMONY, YOU MENTIONED THE COMPANY'S  
20 PEAKING PLANTS. COULD YOU PROVIDE A BRIEF DESCRIPTION OF THE  
21 PEAKING PLANTS?

22 A. The Company owns and operates three above-ground peak shaving facilities  
23 located in Minnesota: the Wescott Liquefied Natural Gas (LNG) plant and the  
24 Sibley and Maplewood Propane Air plants. These plants are largely a capacity  
25 resource. They store liquefied natural gas or propane gas that can be vaporized  
26 and injected into the system to help meet firm customer requirements on the  
27 coldest winter days.

1 Q. WHAT ALTERNATIVES ARE THERE TO INVESTING IN THE PEAKING PLANTS?

2 A. The Peaking Plants provide significant capacity on the coldest days when  
3 demand is at its highest. As a peak capacity resource, they reduce the amount of  
4 gas the Company might otherwise have to purchase during high price period,  
5 ultimately saving North Dakota customer's money. Without the Peaking Plants,  
6 the Company would need to contract for additional storage, which would be  
7 significantly more expensive than continuing to use the Peaking Plants.  
8 Company witness Connoy discusses this in greater detail in his testimony.

9

10 Q. WHAT INVESTMENTS DID THE COMPANY MAKE IN THE PEAKING PLANTS?

11 A. As I noted above, the Company made significant safety investments by  
12 upgrading the fire suppression systems at the Sibley and Maplewood Peaking  
13 Plants. The fire suppression changes were made to bring the Peaking Plants into  
14 compliance with the United States Department of Transportation Pipeline  
15 Safety Regulations, including National Fire Protection Association (NFPA)  
16 codes and standards incorporated by reference (IBR), which govern the fire  
17 detection and suppression systems at the Peaking Plants. The plants are decades  
18 old and new fire suppression systems were necessary to continue to safely  
19 operate the plants in the future. The fire suppression system upgrades for the  
20 Peaking Plants are complete. Company witness Connoy discusses this in more  
21 detail in his Direct Testimony.

22

23 Q. IS THE COMPANY PLANNING ANY ADDITIONAL PROJECTS AT THE PEAKING  
24 PLANTS?

25 A. Given the significant work recently done on the Peaking Plants, the additional  
26 work identified for 2026 is comparatively small. The Company has three  
27 additional projects to complete at Wescott. The first project is replacing the 54-

1 year-old roof on the administrative building. The second is overhauling Gas  
2 Turbine 101 as recommended by the manufacturer in order to continue safe  
3 and reliable operation, and the third is replacing the 52-year -old Water Ethylene  
4 Glycol (WEG) Skid that was at the end of its life.

5  
6 Q. HOW DO INVESTMENTS AT THESE PLANTS BENEFIT NORTH DAKOTA  
7 CUSTOMERS?

8 A. The investments are necessary to allow the plants to operate safely and reliably.  
9 The plants provide critical reliability support when gas is most needed on the  
10 system, generally on the very coldest winter days (those approaching the  
11 maximum cold for which the systems in North Dakota and Minnesota were  
12 designed). The plants provide additional overall system supply when customer  
13 demand exceeds our contractual ability to buy and move gas from remote  
14 production areas. Secondly, the plants can provide more economic gas supply  
15 on those days where commodity gas price markets spike allowing the Company  
16 to reduce cost exposure to our North Dakota and Minnesota customers.  
17 Moreover, as I noted above, an alternative source of firm capacity would take  
18 years to develop and cost more.

19  
20 Q. HAVE THE CURRENT ECONOMIC CONDITIONS HAD AN ANY IMPACT?

21 A. Due to the historically high inflation and disruptions to supply chains, the cost  
22 of goods has increased. For example, as discussed in Company witness  
23 Connoy's testimony, the costs of common materials used in Gas Operations  
24 projects has been increasing by approximately four percent per year.  
25 Transportation costs have also increased because of inflationary pressures.

26

1 Q. DID THE COMPANY MAKE ANY CAPITAL INVESTMENTS TO SUPPORT SAFETY AND  
2 RELIABILITY?

3 A. Yes, as I discussed earlier, the Company invested in major capital projects  
4 including installing new pipelines to provide safe and reliable service to new  
5 customers, updating existing pipeline to provide additional capacity to meet  
6 current safety requirements, and installing new meters that will make meter  
7 reading safer by moving the meters outside of residences and allowing drive-by  
8 readings.

9

10 Q. HOW ARE INCREASES IN O&M COSTS CONTRIBUTING TO THE REVENUE  
11 REQUIREMENT?

12 A. As shown in Figure 1 above in Section II, there have been increases in O&M  
13 forecasts for 2026, including gas distribution O&M and administrative and  
14 general O&M. These increases in O&M costs are largely attributable to  
15 increased damage prevention costs and increased costs for in-house technical  
16 expertise at the Peaking Plants. As noted above, transportation costs have also  
17 increased.

18

19 Q. ARE THERE ANY OTHER KEY DEVELOPMENTS DRIVING THE NEED FOR A RATE  
20 INCREASE?

21 A. Yes, as mentioned above, higher income taxes are also a main driver. A more  
22 detailed discussion of the reasons for the Company's higher income-taxes can  
23 be found in Company witness Henckler's testimony.

24

1 **V. RATE OF RETURN**

2  
3 Q. ARE YOU OFFERING AN OPINION AS TO THE APPROPRIATE RATE OF RETURN?

4 A. No, I am not. In his Direct Testimony, Company witness Joshua C. Nowak is  
5 providing his opinion and analysis of the appropriate rate of return, including  
6 the return on equity. His recommended figure is then used by Company witness  
7 Henckler as an input for his calculation of the revenue requirement. I do not  
8 have the expertise to recommend a specific rate of return and am not doing so.  
9 Instead, I will generally discuss the importance of setting an appropriate rate of  
10 return and some current economic conditions relevant to the proposed return  
11 on equity and rate of return.

12  
13 Q. WHY IS IT IMPORTANT TO SET AN APPROPRIATE RATE OF RETURN?

14 A. As an initial matter, it is my understanding that the Company is legally entitled  
15 to an opportunity to earn an appropriate return. It is also sound public policy  
16 to set the right return on equity and rate of return. When the return on equity  
17 is set at a level that is not too low or too high, the Company is able to attract  
18 capital and cost-effectively make appropriate investments in serving its North  
19 Dakota customers. The Company's past investments have allowed us to provide  
20 reliable natural gas service at a reasonable price, and it is the interest of the  
21 Commission and our customers to incentivize such investments going forward.  
22 We need a rate of return that reflects current economic conditions to continue  
23 attracting capital and incentivizing investments at a suitable level. Moreover, an  
24 unreasonably low rate of return will also adversely impact our cost of debt.

25

1 Q. PLEASE DESCRIBE THE IMPACT AN UNREASONABLE RATE OF RETURN COULD  
2 HAVE ON THE COST OF DEBT?

3 A. Credit rating agencies and investors consider regulatory risk as one factor when  
4 evaluating the risks of purchasing and holding our debt. If the decisions of our  
5 state regulators are viewed unfavorably by credit rating agencies, the result could  
6 be an increased cost of borrowing, which would ultimately impact our cost of  
7 service.

8

9 Q. WHAT IS THE IMPACT OF CURRENT ECONOMIC CONDITIONS?

10 A. Company witness Nowak discusses the topic in his Direct Testimony,  
11 particularly with respect to return on equity. I will not repeat his testimony here,  
12 but I will note that the United States has been dealing with inflation at rates that  
13 have not been seen for decades, and even though it is down from its peak in  
14 2022, it still remains an issue. This inflation is relevant in a few different ways:  
15 (1) it contributes to an environment in which there is significant risk and  
16 volatility in the markets, which can lead investors to seek more of a risk  
17 premium; (2) rising costs can impede the ability of the Company to earn a  
18 reasonable rate of return; and (3) increases in the interest rates for governmental  
19 debt can impact investors' expectations for the rates of return they expect from  
20 other investments. In addition, current market conditions have increased the  
21 Company's short-term borrowing costs. As short-term borrowing is one  
22 component of the Company's overall capital structure, the higher cost of such  
23 debt has an impact on the overall rate of return.

24

1 **VI. RATE CASE COMPONENTS**

2

3 **A. Test Year**

4 Q. WHAT INFORMATION IS THE COMPANY PROVIDING TO SUPPORT ITS 2026 TEST  
5 YEAR IN THIS CASE?

6 A. Consistent with N.D.C.C. § 49-05-4.1, the Company includes the following in  
7 this Application to substantiate its 2026 test year:

8 a. A comparison of forecast data to historical period data to demonstrate  
9 the reliability and accuracy of the utility’s forecast, including a  
10 comparison of the prior years’ forecast or budgeted data to actual data  
11 for those periods, is provided in Company witness Henckler’s Direct  
12 Testimony.

13 b. A statement that the public utility’s forecast is reasonable, reliable, and  
14 was made in good faith and that all basic assumptions used in making or  
15 supporting the forecast are reasonable, evaluated, identified, and justified  
16 to allow the Commission to test the appropriateness of the forecast is  
17 provided in Company witness Henckler’s Direct Testimony.

18 c. A statement that the accounting treatment that has been applied to  
19 anticipate events and transactions in the forecast is the same as the  
20 accounting treatment to be applied in recording the events once they  
21 have occurred is provided in Company witness Henckler’s Direct  
22 Testimony.

23

1       **B.     Rate of Return**

2    Q.   WHAT RATES OF RETURN IS THE COMPANY PROPOSING IN THIS APPLICATION?

3    A.   Our proposed revenue requirement reflects an overall rate of return (ROR) on  
4       investment of 7.90 percent, based on an average common equity ratio of 52.50  
5       percent and an ROE of 10.85 percent. Company witness Nowak provides a  
6       detailed analysis of the appropriate overall ROR and ROE for the Company in  
7       his Direct Testimony.

8  
9       **C.     Revenue Requirements**

10   Q.   WHAT BASE RATE REVENUE REQUIREMENT IS THE COMPANY PROPOSING IN  
11       THIS RATE CASE?

12   A.   The Company is proposing a revenue requirement of \$129.154 million. The  
13       revenue deficiency sought in this rate case is \$13.761 million.

14  
15       **D.     Rate Design**

16   Q.   CAN YOU DESCRIBE THE PROPOSED RATE DESIGN AND THE COMPANY'S  
17       PROPOSED CHANGE IN BROAD TERMS?

18   A.   Yes. Company witness Martha E. Hoschmiller discusses rate design and  
19       provides additional detail; however, I can generally describe the rate structure.  
20       Residential customers currently pay a fixed monthly "Delivery Services  
21       Charge," which is \$22.25, and a volumetric "Distribution Charge" of 0.07400  
22       applied to their use during the billing period and pay for their commodity gas  
23       through the Cost of Gas (COG) Rider. The direct cost paid for gas has thus  
24       been separated out from other costs. The Company is proposing to increase the  
25       Residential Delivery Services Charge to \$25.50 and to increase the volumetric  
26       Residential Distribution Charge to \$0.18020 per therm.

27

1 For their part, commercial and industrial customers pay a fixed monthly Basic  
2 Services Charge, a Distribution Charge that varies depending on the quantity of  
3 gas delivered, and a COG Rider Charge for the cost of the gas itself. The current  
4 and proposed amounts of the charges are provided by Company witness  
5 Hoschmiller in her Direct Testimony. Commercial and industrial customers also  
6 have the choice between firm service and interruptible service. Customers who  
7 opt for interruptible service have lower distribution charges and pay less for gas  
8 but do have somewhat higher basic service charges.

9  
10 **VII. PROPOSED CHANGES TO RATE RECOVERY**

11  
12 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?

13 A. In this section of my Direct Testimony, I discuss the Company's proposed  
14 changes to certain ratemaking items related to employee compensation and  
15 benefits, charitable contributions, chamber of commerce, and economic  
16 development donations, and aviation expenses.

17  
18 Q. IS THE COMPANY SEEKING TO MAKE ANY CHANGES TO RATE RECOVERY  
19 ASSOCIATED WITH HUMAN RESOURCES AND EMPLOYEE COMPENSATION?

20 A. Yes, we are seeking to adjust recovery in rates for the Long-Term Incentive  
21 (LTI) program.

22  
23 Q. IS THE COMPANY ASKING FOR ANY OTHER TYPE OF INCENTIVE PAY?

24 A. The Company has also included costs for its Annual Incentive Pay Plan (AIP)  
25 capped at 25 percent of base salary as previously approved by the Commission  
26 in the Company's 2024 rate case.

27

1 Q. CAN YOU DESCRIBE THE COMPANY'S PROCESS FOR DETERMINING TOTAL  
2 COMPENSATION AND PAY MIX FOR ITS NON-UNION EMPLOYEES?

3 A. The Company undertakes a comprehensive evaluation process for each non-  
4 bargaining position using external market data from independent third-party  
5 compensation surveys and uses the 50th percentile (i.e., the median) as the basis  
6 to determine the appropriate total compensation and pay mix (the split between  
7 base pay and pay-at-risk components) at a competitive level. The cost of each  
8 of the components of the total compensation program reflects what would be  
9 offered and paid in the market for the same or similar jobs, which balances  
10 competitive compensation and affordability.

11

12 Q. WHAT IS THE IS THE ROLE OF INCENTIVE COMPENSATION?

13 A. Incentive compensation, also known as pay-at-risk, is a component of an  
14 employee's total compensation. Incentive compensation typically represents a  
15 smaller component of the total compensation package for most employees, and  
16 it is designed to align the focus and execution of key, strategic business goals. It  
17 is considered pay-at-risk because this form of compensation is not earned unless  
18 pre-established business goals are achieved. Therefore, higher-level roles have a  
19 larger portion of their total compensation as pay-at-risk. This approach and the  
20 established annual incentive target opportunity is based on the necessary  
21 competitive total cash compensation for each job as determined by independent  
22 third-party compensation survey data.

23

24 Q. WHAT IS LTI?

25 A. LTI is an incentive program that is available to our more senior and executive  
26 level employees; less than five percent of exempt and non-bargaining employees  
27 are eligible for LTI. LTI is intended to incentivize these senior employees to

1 effectively manage the Company towards its overall corporate goals and in the  
2 best interest of our customers and shareholders. As its name implies, LTI  
3 provides a long-term incentive to these Company leaders through the grant of  
4 Xcel Energy Inc. equity. The employees who receive an LTI grant tend to be those  
5 who have a higher level of influence in the Company's direction and strategy,  
6 and also are employees who are in positions that can be expensive and time-  
7 consuming to fill. The LTI program helps retain these key employees and is  
8 necessary for Xcel Energy to remain competitive in the labor market.

9  
10 Q. ARE LTI PROGRAMS COMMONLY USED IN THE INDUSTRY?

11 A. Yes. LTI programs are widely used compensation vehicles for both executives  
12 and non-executive employees. A 2024 WTW study (electric and gas utilities  
13 only) shows that 100 percent of the 53 utility companies submitting survey data  
14 provide LTI as a component of total compensation for executive roles and  
15 nearly 75 percent provided LTI to non-executive roles. A 2021 study identified  
16 LTI programs across 94 percent of over 420 publicly traded companies, and 74  
17 percent of those companies administer LTI using a combination of  
18 performance and time-based awards. Additionally, similar to AIP, which the  
19 Commission approved, LTI is pay-at-risk, and this component of total  
20 compensation lowers fixed costs.

21  
22 Q. WHAT PERFORMANCE COMPONENTS ARE ASSOCIATED WITH LTI?

23 A. LTI performance goals vary depending on the eligible employee. For executives,  
24 LTI can be earned via separate components: 1) environmental performance, 2)  
25 public safety, 3) time-based LTI; 4) total shareholder return modifier; and 5)  
26 financial earnings per share. For other non-executive eligible employees, only a  
27 time-based LTI is available.

1 Q. WHAT IS THE COMPANY'S PROPOSAL FOR HOW LTI SHOULD BE ADDRESSED IN  
2 THIS RATE CASE?

3 A. The Company is proposing that it be allowed to recover the environmental,  
4 safety, and time-based portion of its LTI expenses. The Company is not seeking  
5 any recovery for the shareholder or financial earnings components of LTI. The  
6 time-based LTI is the portion of the LTI program tied to the length of key  
7 employees' service with the Company. Customers benefit from the Company's  
8 ability to retain the institutional knowledge and capabilities of key employees.  
9 Environmental LTI is the portion of the LTI program tied into the achievement  
10 of the Company's environmental goals. The technologies implemented by Xcel  
11 Energy will result in efficiencies, allow for a lower cost of capital, and remove  
12 fuel costs, in addition to environmental and other benefits. The public safety  
13 goals include a Nuclear Operations Rating goal and a Wildfire Mitigation goal.  
14 The Nuclear Operations Rating goal is based on the public safety scoring of the  
15 World Association of Nuclear Operators Plant Industry Index and the Nuclear  
16 Regulatory Commission's Reactor Oversight Process. While this goal ties LTI  
17 compensation to our Nuclear Operations outcome, the efforts to maintain this  
18 level of operational excellence and safety will cascade across many of our  
19 operational areas of generation, transmission, and distribution of electric and  
20 gas services, ensuring safe and reliable service to customers. The Wildfire  
21 Mitigation goals are based on completion of specified measures in the wildfire  
22 mitigation plans filed with the public utilities' commissions. These goals are tied  
23 to energy system upgrades, hardening efforts, and advanced monitoring  
24 technologies to ensure stability, safety, and reliability of service to customers  
25 and updating safety protocols to halt service when emergent situations develop.  
26 Again, while these efforts tie market-based LTI compensation to specific goals,

1 similar operational excellence actions are being incorporated across the  
2 enterprise to better protect and serve customers.

3  
4 Q. HOW DOES THE TIME-BASED LTI BENEFIT CUSTOMERS?

5 A. The long-term retention of qualified employees benefits customers. Retaining  
6 experienced employees increases productivity and reduces costs associated with  
7 hiring and training new employees. Customers also benefit from having  
8 qualified employees who are able to provide a high-level of service due to their  
9 knowledge and experience garnered over many years.

10  
11 Q. DOES TIME-BASED LTI AND THE ASSOCIATED VESTING PERIODS HELP THE  
12 COMPANY RETAIN TALENT?

13 A. Yes. Based on a review of employees who received LTI grants as a portion of  
14 their market-based compensation over three consecutive years, over 96 percent  
15 of the employees remained with the Company through the three-year vesting  
16 period.

17  
18 Q. WHY IS IT REASONABLE FOR THE COSTS OF THESE LTI COMPONENTS TO BE  
19 RECOVERED IN RATES?

20 A. These components for earning LTI are key to effective management of the  
21 Company, consistent with key customer-focused goals of environmental  
22 excellence and efficient management, and are necessary for the retention of key,  
23 senior leaders. Through the use of LTI, retaining these key employees ultimately  
24 benefits our customers. Company witness Henckler discusses the impacts on  
25 the rate case of allowing for rate recovery of LTI.

26

1 Q. WHAT CHANGES IS THE COMPANY SEEKING WITH RESPECT TO AVIATION  
2 EXPENSES?

3 A. The Company is seeking 50 percent of the costs of its aviation expenses.  
4

5 Q. WHY DOES THE COMPANY HAVE AVIATION EXPENSES?

6 A. The Company serves customers and maintains facilities that are not reasonably  
7 accessible by commercial airlines. By providing its own aviation services,  
8 Company employees save significant travel time, allowing them to devote the  
9 saved time to substantive work.  
10

11 Q. WHAT AVIATION COSTS IS THE COMPANY SEEKING IN RATES?

12 A. The Company is seeking 50 percent of the allocated costs for aviation expenses.  
13

14 Q. WHY IS IT REASONABLE FOR THE COMPANY'S AVIATION EXPENSES TO BE  
15 RECOVERED IN RATES?

16 A. North Dakota is one of the jurisdictions to which the Company needs reliable  
17 transportation with limited commercial airline access. Company employees  
18 visiting North Dakota save significant time by flying on the Company plane  
19 rather than driving. Employees are also able to make better use of their travel  
20 time on a plane than they could in a vehicle because limited to no work can be  
21 conducted while driving. The Company is also requesting only 50 percent of the  
22 allocated aviation expenses for North Dakota, which is a very small portion of  
23 the expenses sought through rates.  
24

1 Q. WHAT CHANGES IS THE COMPANY SEEKING WITH REGARD TO CHARITABLE  
2 CONTRIBUTIONS AND CHAMBER OF COMMERCE DUES?

3 A. The Company is proposing that it be allowed to recover 100 percent of the cost  
4 of membership dues for the Greater North Dakota Chamber of Commerce.  
5 Such dues are a common business expense. Participation in the Chamber of  
6 Commerce can facilitate important discussions between Xcel Energy and other  
7 members of the North Dakota business community, including industrial and  
8 commercial clients, to the benefit of the Company and its customers.

9

10 The Company also proposes that cost recovery of 50 percent of charitable  
11 contributions (also referred to as economic development donations) benefitting  
12 North Dakota be allowed. Charitable contributions are a normal and expected  
13 expense for a business, particularly for a corporation of Xcel Energy's size and  
14 prominence in the community, and the Company's request is moderate in that  
15 it only encompasses half the cost of those donations that directly benefit North  
16 Dakota. For a limited set of contributions—donations made to North Dakota  
17 state and local economic development entities—the Company is seeking to  
18 recover 100 percent of costs.

19

20 Company witness Henckler provides the rate impact of these changes in his  
21 Direct Testimony and Schedules. The impact on rates of the Company's  
22 proposal will be quite modest, and these dues and contributions benefit North  
23 Dakota.

24

1 **VIII. INTRODUCTION OF COMPANY WITNESSES**

2  
3 Q. WHO ARE THE WITNESSES FOR THE COMPANY IN THIS PROCEEDING?

4 A. In addition to my Policy Testimony, the Company sponsors the following  
5 witnesses:

- 6 • *Charles R. Henckler*, who sponsors the overall revenue requirement for the  
7 rate case. Company witness Henckler sponsors the schedules supporting  
8 our income statement, rate base, revenue deficiency, and jurisdictional  
9 allocations.
- 10 • *Joshua C. Nowak*, of Concentric Energy Advisors, Inc. who sponsors  
11 testimony on the ROE and ROR, including capital structure and cost of  
12 capital.
- 13 • *John M. Goodenough*, who sponsors testimony regarding the Company's  
14 sales forecast.
- 15 • *Michele A. Kietzman*, who sponsors testimony regarding the Company's  
16 depreciation expenses, accumulated depreciation, and capital roll-  
17 forward.
- 18 • *Daniel J. Conroy*, who sponsors testimony regarding the Company's Gas  
19 Operations, including capital investments and O&M expenditures.
- 20 • *Christopher J. Barthol*, who sponsors testimony regarding our class cost of  
21 service study.
- 22 • *Martha E. Hoschmiller*, who sponsors testimony regarding rate design.

23  
24 Together, these witnesses provide the information and advocacy needed to  
25 evaluate and approve our Application.

1 **IX. CONCLUSION**

2

3 Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST TO THE COMMISSION.

4 A. We respectfully request that the Commission approve:

- 5 • Our requested rates that provide a net incremental revenue requirement  
6 increase of \$13.761 million;
- 7 • An overall ROR on investment of 7.90 percent, based on an average  
8 common equity ratio of 52.50 percent and an ROE of 10.85 percent; and
- 9 • Minor changes to our rate design.

10

11 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

12 A. Yes.

# Al Krug

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612-330-6270 (W)

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## *EDUCATION*

1980 University of California, Los Angeles  
MA, Economics

1978 Queens College, City University of New York  
BA, Economics

## *WORK EXPERIENCE*

2013-Present **Xcel Energy Services, Inc., Minneapolis MN**  
***Associate Vice President, State Regulatory Policy***

- Develop regulatory strategy for NSPM.

2008-2013 **Xcel Energy Services, Inc., Minneapolis MN**  
***Regional Vice President, Regulatory Administration***

- Coordinate regulatory compliance and strategy for NSPM.

2003-2008 **Xcel Energy Services, Inc., Denver, Colorado**  
***Regulatory Consultant***

- Develop regulatory strategy for Commercial Operations.
- Coordinate compliance activity.
- Coordinate internal and external audits of trading activity.

1998-2003 **Xcel Energy Services, Inc., Minneapolis, MN**  
***Manager Renewable Energy/Regulatory Contract Coordinator***

- Develop corporate strategies for renewable energy development.
- Represent Company at state regulatory and legislative proceedings regarding renewable energy issues.
- Negotiate purchased power contracts for renewable energy.
- Manage Energy Market's regulatory interactions with internal and external stakeholders

1994-1998

**Minnesota Department of Commerce, St. Paul, MN  
Supervisor, Electric Regulatory Unit**

- Manage regulatory staff to participate in state regulatory proceedings before the Minnesota Public Utilities Commission.
- Submit expert testimony in regulatory proceedings.
- Represent the Department of Commerce before the Minnesota legislature.

1982-1994

**Minnesota Department of Commerce, St. Paul, MN  
*Principal Statistical Analyst***

- Submit expert testimony in regulatory proceedings.
- Perform economic and statistical analysis to support regulatory and energy policy initiatives.

**FILING REQUIREMENT COMPLIANCE TABLE**

Application of Northern States Power )  
 Company for Authority to Increase Rates for ) Case No. PU-26-\_\_\_\_  
 Natural Gas Service in North Dakota )

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	Required Information	Section and Page of Application
<b>N.D.C.C. 49-05-04. Application for increase of rates – Information required – Fee.</b>	Any public utility requesting an increase in its rates above the maximum approved or prescribed by the commission shall furnish the commission:	
	1. The original cost of all its property.	Consistent with Commission precedent, <sup>1</sup> the Company is providing capital roll-forward and plant in service and reserve reports. <i>See</i> Michele A. Kietzman, Exhibit____(MAK-1), Schedules 2 & 3.
	2. The date of the acquisition of said property.	See above.
	3. The amount of money invested in said property.	See above.
	4. The amount of stock outstanding.	Joshua C. Nowak, Exhibit____(JCN-1) Schedule 11.
	5. The amount of bonds outstanding against said property.	Joshua C. Nowak, Exhibit____(JCN-1) Schedule 11.
	6. All books, papers, and memoranda of the utility showing the financial condition thereof.	Volume 3, Test Year Work Papers.

<sup>1</sup> *See* PU-12-813, NSP Test Year Workpapers, Sec. III, Tab P3.B; PU-17-398, Otter Tail Power Rate Base Schedule B-3; PU-20-379, Montana-Dakota Utilities Co. Workpapers, Statement B-1.

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
	7. Its total monthly salaries and wage expense for such time as the commission may request.	Volume 3, Test Year Work Papers.
	8. An itemized statement of its expenditures.	Volume 3, Test Year Work Papers.
	9. The details of its profit and loss account.	Volume 3, Test Year Work Papers.
	10. All other books, papers, vouchers, and accounts which the commission shall ask to have produced as evidence at the hearing.	N/A. <i>See</i> Volume 3, Test Year Work Papers.
	11. An application fee in the amount of one hundred seventy-five thousand dollars. Upon request of the commission and with the approval of the emergency commission, the applicant shall pay such additional fees as are reasonably necessary for completion of the application process by the commission. The commission shall pay the expenses of investigating a rate increase application under this section from the application fee paid by the public utility in accordance with section 49-02-02. The commission may waive or reduce the fee.	Application Cover Letter.  The application fee is being provided to the Commission with this filing.

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
<b>N.D.C.C. 49-05-04.1. Test year – Public utility rate filings.</b>	1. A public utility, at its option, may use any one of the following twelve-month periods as its test year for rate filings with the commission:	
	a. A historical test year, which may be either the latest twelve-month period for which actual data is available at the time of filing new schedules or the latest calendar or fiscal year for which actual data is available at the time of filing new schedules.	N/A
	b. A current test year, which is any consecutive twelve-month period ending not later than twelve months after the date new schedules are filed. A public utility selecting a current test year also shall file data for the twelve-month period immediately preceding the current test year selected and that period is the “historical period” for the public utility.	N/A

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
	<p>c. A future test year, which is any consecutive twelve-month period ending no later than twenty-four months after the date new schedules are filed. A public utility selecting a future test year must file data for the twelve consecutive months immediately preceding the future test year and that period is the “current period” for the public utility.</p>	<p>Charles R. Henckler,                      Exhibit__(CRH-1),                      Section III.B, Schedule 3.</p>

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
	2. A public utility selecting a current or future test year shall present the following information:	
	a. A comparison of forecast data to historical period data to demonstrate the reliability and accuracy of the utility's forecast including a comparison of the prior years' forecast or budgeted data to actual data for those periods.	Charles R. Henckler, Exhibit____(CRH-1), Section III.A, Schedule 9.
	b. A statement that the public utility's forecast is reasonable, reliable, and was made in good faith and that all basic assumptions used in making or supporting the forecast are reasonable, evaluated, identified, and justified to allow the commission to test the appropriateness of the forecast.	Charles R. Henckler, Exhibit____(CRH-1), Section III.A.
	c. A statement that the accounting treatment that has been applied to anticipated events and transactions in the forecast is the same as the accounting treatment to be applied in recording the events once they have occurred.	Charles R. Henckler, Exhibit____(CRH-1), Section III.A.

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
<b>N.D.C.C. 49-05-04.1. Test year – Public utility rate filings. (cont.)</b>	3. The public utility may update its filing for material changes as actual data becomes available up to thirty days before the hearing. Except for good cause shown, a public utility may not submit more than one updated filing before the hearing. In the absence of an updated filing by the public utility, the commission may require a public utility to update its filing when the commission staff introduces evidence that a material change has occurred.	N/A
	4. A public utility may propose estimated or calculated adjustments to the selected historical or current test year for all known and measurable changes in operating results as measured in the test year. The adjustments must be made in the same context and format as the information was provided in the original filing. The adjustments may reflect material changes in plant investment, operating revenues, expenses, and capital structure if the changes occurred during the selected historical or current	N/A

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
	test year or are reasonably certain to occur subsequent to the selected test year within twelve months from the date of the rate filing.	
<b>N.D.C.C. 49-05-05. Changes in tariff rates — Notice to commission — Filing fee.</b>	A change may be made by any public utility in any tariffs, rates, joint rates, fares, tolls, schedules, classifications, or service which have been filed and published by any public utility, except after thirty days' notice to the commission. The notice must state plainly the changes proposed.	Notice of Change in Rates for Gas Service, Sections I, II.
<b>N.D.C.C. 49-05-06(2) [Interim Rates]</b>	2. Notwithstanding that the commission may suspend a filing and order a hearing, a public utility may file for interim rate relief as part of its general rate increase application and filing. If interim rates are requested, the commission shall order that the interim rate schedule take effect no later than sixty days after the initial filing date and without a public hearing. The interim rate schedule must be calculated using the proposed test year cost of capital, rate base, and expenses, except that the schedule must include:	

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
	a. A rate of return on common equity for the public utility equal to that authorized by the commission in the public utility's most recent rate proceeding;	Alternative Petition for Interim Rates, Section III.  9.9 percent ROE per Case No. PU-23-367, Settlement Agreement, p.3 (08/14/2024).
	b. Rate base or expense items the same in nature and kind as those allowed by a currently effective commission order in the public utility's most recent rate proceeding; and	Alternative Petition for Interim Rates, Section III.
	c. No change in existing rate design.	Alternative Petition for Interim Rates, Section IV.
	3. In ordering an interim rate schedule, the commission may require a bond to secure any projected refund required by subsection 4. The terms of the bond, including the amount and surety, are subject to the commission's approval.	N/A
	4. As ordered by the commission, the utility shall promptly refund to persons entitled thereto all interim rate amounts collected by the public utility in excess of the final rates approved by the commission plus reasonable interest at a rate to be determined by the commission.	N/A

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
<b>N.D.A.C. 69-02-02-04. Application.</b>	An application is a proceeding seeking some right, privilege, or authorization which the commission may give under statutory or other authority administered by it.	
	1. <b>Contents.</b> Applications must be in writing and must:	Notice of Change in Rates for Gas Service.
	a. Set forth the full name and post-office address of the applicant;	Notice of Change in Rates for Gas Service, Section II.A.
	b. State clearly and concisely the authorization or permission sought; and	Notice of Change in Rates for Gas Service, Section I.
	c. Cite by appropriate reference the statutory provision or other authority under which the commission authorization or permission is sought.	Notice of Change in Rates for Gas Service, Section I.
	2. <b>Number of copies.</b> An original and seven copies of an application must be filed.	Application Cover Letter.
	3. <b>Articles of incorporation or partnership agreement.</b>	Notice of Change in Rates for Gas Service, Section II.D.
	a. Corporations. If the applicant is a corporation, a certified copy of its articles of incorporation must be annexed to the application. An original certificate of good standing must also be filed.	N/A

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
	b. Partnerships. If the applicant is a partnership, the partnership agreement and any fictitious name certificate must be filed.	N/A
	c. If the applicant's articles of incorporation or partnership agreement have already been filed with the commission in some prior proceeding, it is sufficient if this fact is stated in the application and reference is made to the case number and number of the prior proceeding.	The Company's articles of incorporation were filed in the Corporate Documents Case No. PU-09-664 on September 30, 2009, and certificates of good standing were filed on January 13, 2025.
	4. Financial statement. Whenever the commission requires the filing of a financial statement by any utility, the applicant shall file consolidated financial statements for the most recent fiscal year using generally accepted accounting principles [sic] or, if applicable, accounting standards required by federal regulatory jurisdictions. Each financial statement must include:	Charles R. Henckler, Exhibit__(CRH-1), Section III.B, Schedule 5.
	a. A balance sheet of the form and style usually followed in the industry.	Charles R. Henckler, Exhibit__(CRH-1), Schedule 7.
	b. An income statement of the form and style usually followed in the industry.	Charles R. Henckler, Exhibit__(CRH-1), Schedule 8.

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
	c. If available, an independent accountant's financial opinion.	N/A
	d. Any other information requested by the commission.	N/A
<b>N.D.A.C. 69-02-04-01. Notice.</b>	[...] An electric, gas, or telecommunications public utility shall provide individual customer notice as required below by billing insert, newsletter, or other appropriate method approved by the commission. The notice must indicate the place and date of the commencement of any hearing, informal hearing, or public input session that has been ordered by the commission, and that the public is invited to attend. Subject to the power of the commission to modify its contents and when applicable, the notice must include a summary sheet describing the absolute dollar and percentage impact of any proposed rate or price changes by the various classes of services offered by the utility and must include a list of the utility's business office locations where the	Notice of Change in Rates for Gas Service, Section III.

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
	<p>proposed rate or price schedules and a comparison of present and proposed rates or prices can be examined by the public. The notice must also contain in bold type the following statement when applicable: The rate changes described in this notice have been requested by (specific utility).</p>	
	<p>For electric and gas utilities, individual customer notice is required for an application for approval of a rate increase, purchase or sale, merger, or acquisition filed by the utility, and applications by the utility for alternative regulation. For electric and gas utilities, the commission may require the utility to provide individual customer notice to potentially affected customers in other rate proceedings, complaint cases, advance determination of prudence cases, and fuel and purchased gas adjustment proceedings.</p>	<p>Notice of Change in Rates for Gas Service, Section III.</p>

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
	[...] The individual customer notices required by this section are separate from and in addition to any other customer notices required by law or rule, unless the commission authorizes the utility to satisfy multiple notice requirements with one notice.	Notice of Change in Rates for Gas Service, Section III.
<b>N.D.A.C. 69-09-01-26</b>	Each rate filing shall stipulate the classification of service and application thereto, date effective, and the particular rate to be superseded. The filing shall be accompanied by a statement showing the reasons for making the filing and the estimated amount of annual revenue affected, based upon the previous year's business.	Notice of Change in Rates for Gas Service, Sections I, II.
<b>N.D.A.C. 69-09-01-29(2)</b>	Any expenditure by the utility for institutional, promotional, or political advertising shall be excluded from operating expenses in the cost of service determination for ratemaking purposes.	Charles R. Henckler, Exhibit____(CRH-1), Schedule 10.  Volume 3, Test Year Work Papers.

<b>RELEVANT FILING STATUTES AND REGULATIONS</b>		
<b>Statute/ Regulation</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
<b>N.D.A.C. 69-09-01-29(3)</b>	Advertising expenditures which are reasonable in amount and which are not [institutional, promotional, or political advertising] may be included as operating expenses in the cost of service determination for ratemaking purposes.	Charles R. Henckler, Exhibit____(CRH-1), Schedule 10.  Volume 3, Test Year Work Papers.

RATE CASE COMPLIANCE ITEMS		
Case No.	Required Information	Section and Page of Application
<b>PU-06-525</b> <b>2006 Natural Gas</b> <b>Rate Case</b> ORDER ADOPTING SETTLEMENT (6/13/2007), Order Point 4	NSP shall track DSM expenditures and report the results in its annual report to the Commission. Any accumulated differences from the amount allowed in the test year will be considered in NSP's next rate case proceeding.	The Company has complied with this requirement. <i>See</i> 2024 Annual Report PU-25-175 (05/1/2025),  2023 Annual Report PU-24-178 (05/01/2024),  2022 Annual Report PU-23-167 (05/01/2023),  2021 Annual Report PU-22-182 (05/02/2022),  2020 Annual Report PU-21-159 (4/30/2021),  2019 Annual Report, PU-20-198 (5/1/2020),  2018 Annual Report, PU-19-177 (5/1/2019),  2017 Annual Report, PU-18-189 (5/23/2018),  2016 Annual Report, PU-17-185 (5/1/2017),  2015 Annual Report, PU-16-195 (5/2/2016),  2014 Annual Report, PU-14-747 (5/1/2015),  2013 Annual Report, PU-14-404 (6/18/2014),

		<p>2012 Annual Report, PU-13-208 (5/1/2013),</p> <p>2011 Annual Report, PU-12-351 (6/20/2012),</p> <p>2010 Annual Report, PU-11-148 (5/6/2011),</p> <p>2009 Annual Report, PU-10-152 (5/3/2010),</p> <p>2008 Annual Report, PU-09-192 (5/5/2009).</p>
<p><b>PU-06-525 2006 Natural Gas Rate Case, Settlement Agreement</b>                  (4/24/2007), as amended (5/9/2007), amendment p. 1-2</p>	<p>The Parties agree to, and recommend the Commission approve, the following regulatory treatment for net retirements. First, the Company shall continue to recover the estimated net present value of the cost of retirement over the useful life of an asset. Second, for regulatory purposes, the Company shall continue to include all retirements as part of accumulated depreciation, which in turn results in an offset to rate base equal to the amount of the accumulated depreciation. Should, at any future date, there be change in regulation or other event</p>	<p>Michele A. Kietzman, Exhibit____ (MAK-1), Section III.B; Schedule 8.</p>

	<p>that would result in a change in the above-described process, the Company agrees to work with the Commission to ensure that any accumulated depreciation amounts for retirement purposes are considered and appropriately addressed as part of that change.</p>	
<p><b>PU-23-367 2024 Natural Gas Rate Case, Findings of Fact, Conclusions of Law and Order (11/7/2024)</b>                  Findings of Fact 9</p>	<p>The Settlement Agreement Requires NSP, in its next natural gas general rate case, to file a class cost of service study utilizing the Basic Service Method, as described by AARP’s witness in this proceeding, but does not require NSP to support or endorse the methodologies of such study.</p>	<p>Chris J. Barthol, Exhibit____ (CJB-1), Section II.C; Schedule 3.</p>
<p><b>PU-23-367 2024 Natural Gas Rate Case, Findings of Fact, Conclusions of Law and Order (11/7/2024)</b>                  Order Point 4</p>	<p>NSP shall study the impacts of increased volumetric charge in rate design on energy conservation and usage and provide an analysis in its next rate case application.</p>	<p>Martha E. Hoschmiller, Exhibit____ (MEH-1), Section VII.                  John M. Goodenough, Exhibit____ (JMG-1), Section II.</p>

<b>OTHER COMPLIANCE ITEMS</b>		
<b>Case No.</b>	<b>Required Information</b>	<b>Section and Page of Application</b>
<b>PU-18-156</b> <b>Federal Tax</b> <b>Reform Effects –</b> <b>Gas Utility Rates</b> ORDER APPROVING SETTLEMENT AGREEMENT (11/8/18)	<i><b>TCJA Savings To Reduce                      Future Base Rates</b></i> Applicant may file a natural gas base rate application at any time if it determines that its costs of providing natural gas service are not being adequately recovered. The Parties also agree that if and when the Company files its next general natural gas base rate application, all TCJA savings will be fully reflected in the applicable Test Year, thereby reducing the overall Test Year revenue requirement and corresponding rate increase request. For all general base rate applications filed thereafter, TCJA impacts will continue to be reflected in the corresponding rate case Test Years.	Charles R. Henckler, Exhibit____(CRH-1), Section V.D, Schedule 3.

STATE OF NORTH DAKOTA  
BEFORE THE  
PUBLIC SERVICE COMMISSION

NORTHERN STATES POWER COMPANY )  
2026 NATURAL GAS RATE INCREASE )  
APPLICATION )  
)  
)  
)

Case No. PU-26-\_\_\_\_

**AFFIDAVIT OF  
Allen D. Krug**

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



\_\_\_\_\_  
Allen D. Krug

Subscribed and sworn to before me, this 27 day of January, 2026.



Notary Public

My Commission Expires:

