Direct Testimony and Schedules
Daniel J. Connoy

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___(DJC-1)

Gas Operations

January 30, 2026

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Schedules

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Daniel J. Connoy. I am the Director, Gas Engineering for Xcel Energy Services Inc. (XES), the service company affiliate of Northern States Power Company (Xcel Energy, NSP, or the Company), a Minnesota corporation and an operating company subsidiary of Xcel Energy Inc. that provides natural gas service in North Dakota.

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have a Bachelor of Science degree in Civil Engineering from North Dakota State University. I have been employed by XES since 2007. Throughout my career, I have held positions of increasing responsibility in the areas of gas operations, gas design, gas engineering, and gas compliance. I was promoted to my current position in March of 2023. In my current role, I oversee the Company's engineering support for our gas operating groups within Xcel Energy's gas utility operating companies, including NSP. This engineering support includes engineering design, creation of procedures, design standardization incorporating best practices and improving efficiency, escalated operations assistance, and technical guidance for gas metering. A description of my qualifications, duties, and responsibilities is provided as Exhibit___(DJC-1), Schedule 1.

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

A. The purpose of my Direct Testimony is to provide technical support for the revenue requirement attributable to the Gas Operations and other gas system investments that are drivers of this rate case, including investments at the

Company's three gas peaking plants (the Peaking Plants).[1] I introduce the Gas Operations functions, describe how our integrated gas system serves our North Dakota customers, and describe major investments that significantly contribute to the need for this rate case. I also present the operations and maintenance costs (O&M) for Gas Operations and our Peaking Plants, which have increased since our last natural gas rate case[2] largely as a result of a forecasted increase in damage prevention costs, increased in-house technical expertise at the Peaking Plants, and increased transportation costs.

Q. WHAT ARE THE MAJOR GAS SYSTEM INVESTMENTS DRIVING THE NEED FOR THIS RATE CASE?

A. The Company has made substantial capital investments in its natural gas system since the 2024 Rate Case. The major investments include routine projects necessary to serve new business within our growing North Dakota service territory, projects to increase the capacity of our distribution system so that we can continue to be able to safely and reliably serve all our customers under even extremely cold weather conditions, improvements to the Company's Peaking Plants, investments in the reliability and safety of our system, and mandatory relocation projects. Specific major investments, which I discuss in this testimony, include significant reliability projects in Fargo and Grand Forks, and fire safety and other improvements to the Company's Peaking Plants.

Q. HOW HAVE YOU ORGANIZED YOUR TESTIMONY?

A. My testimony is organized into the following sections:

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[1] Company witness Michele A. Kietzman discusses other capital additions included in the revenue requirement.

[2] (Case No. PU-23-367 using a 2024 test year) (2024 Rate Case).

- *Section I* – Introduction
- *Section II* – Gas Utility Overview
- *Section III* – Capital Additions
- *Section IV* – Gas O&M Expenses

II. GAS UTILITY OVERVIEW

A. North Dakota Gas Operations

Q. PLEASE PROVIDE AN OVERVIEW OF NSP'S GAS OPERATIONS IN NORTH DAKOTA.

A. NSP provides natural gas sales and transportation service to more than approximately 66,000 residential, commercial, and industrial customers in North Dakota in the cities of Fargo, West Fargo, Grand Forks, and several surrounding communities. We operate distribution facilities to serve our North Dakota customers in three counties within the state. This includes approximately 1,200 miles of gas distribution mains and over 65,000 gas service lines as well as regulator stations and other supporting infrastructure. The Company provides natural gas utility services in North Dakota as part of the overall NSP gas system, which is operated as an integrated retail natural gas procurement and delivery system that serves the Company's gas customers in portions of both North Dakota and Minnesota.

Q. WHAT ARE THE PRIMARY GAS OPERATIONS FUNCTIONS?

A. Gas Operations provides most major functions necessary to deliver natural gas from upstream interstate pipelines to the customer's meter and ensures public safety through compliance with state and federal pipeline safety and other applicable regulations. These functions include planning, engineering, design, locating, construction, operations and maintenance, metering, and emergency response. Gas Operations also coordinates with communities to relocate our facilities when necessary for municipal projects like water and sewer projects. Previously, Gas Operations managed our Peaking Plants in the Twin Cities; however, that function has now been transferred to the Energy Supply organization. Regardless of that internal reorganization, the Peaking Plants are an important part of the Company's overall natural gas procurement and delivery system reliability, and I present their capital additions and test year O&M expenses in this testimony.

Q. WHAT ARE SOME OF THE SIGNIFICANT CHANGES TO THE COMPANY'S GAS SYSTEM AND BUSINESS SINCE THE 2024 RATE CASE?

A. As the Company articulated in two prior gas rate cases, and as further discussed in the Direct Testimony of Company witness John M. Goodenough, the Company has continued to see customer growth in North Dakota. Customer growth has been at a rate of approximately two percent per year through 2024 and continues, though at a somewhat lower rate. The Company makes new business investments each year to serve those additional customers and has made reliability investments so that it will have sufficient capacity to continue to safely and reliably serve all its customers.

The Company also has continued to invest in routine system improvements and has undertaken long-term initiatives focused on enhancing system safety and integrity with capital investments consistent with federal and state regulations. In particular, NSP has made investments in updating the fire suppression systems at our gas Peaking Plants.

Q. YOU MENTIONED REGULATIONS AS ONE FACTOR DRIVING CAPITAL INVESTMENTS IN THE GAS SYSTEM. PLEASE DESCRIBE THE REGULATIONS TO WHICH YOU ARE REFERRING.

A. Between 2007 and 2022, the federal government enacted new laws and issued new regulations governing natural gas pipeline safety. In summary, the final DIMP (Distribution Integrity Management Program) rule was published by the Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) in 2009, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 was signed into law in early 2012, and the Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2020 was enacted in late 2020. The Company responded to these regulatory developments by, among other things, implementing its DIMP program, establishing a separate gas business unit to increase the focus on public safety for its gas distribution and transmission systems, and, beginning in 2022, making annual, programmatic investments in renewing aging mains and service pipe. To comply with these and other regulations and promote public safety, the Company makes prudent investments each year in its natural gas infrastructure.

Q. DOES NORTH DAKOTA PLAY A ROLE IN REGULATING NATURAL GAS PIPELINES?

A. Yes. In North Dakota, the Commission oversees pipeline safety and has generally adopted the federal regulations, including those outlined above. In addition, the Commission also oversees and regulates one-call excavation damage prevention rules, ensuring public safety through the proper marking of underground facilities.

In making the necessary investments, the Company works to maintain alignment with applicable regulatory requirements and industry best practices while seeking to appropriately manage costs.

B. The NSP Gas System

Q. PLEASE DESCRIBE THE NSP GAS SYSTEM THAT SERVES NORTH DAKOTA.

A. The overall NSP gas system consists of upstream pipelines, storage facilities, and the Peaking Plants that the Company uses to deliver natural gas to our local distribution systems in North Dakota and Minnesota. The Company makes unified purchasing, storage, and transportation decisions for its customers in the two states. Because of efficiencies of scale and the variety of tools and options it has, the Company is able to keep overall gas purchasing and transportation costs lower than they would be if those functions were separate for each jurisdiction. Each year, NSP conducts an annual gas supply planning process, which includes a review of the costs and prudence of its various supply options.

Where possible, NSP distribution system costs are directly assigned. Other costs related to serving customers in both states are allocated between the states as described by Company witness Charles R. Henckler and reflected in the allocation manual, which is attached to Company witness Henckler's Direct Testimony as Exhibit___(CRH-1), Schedule 11.

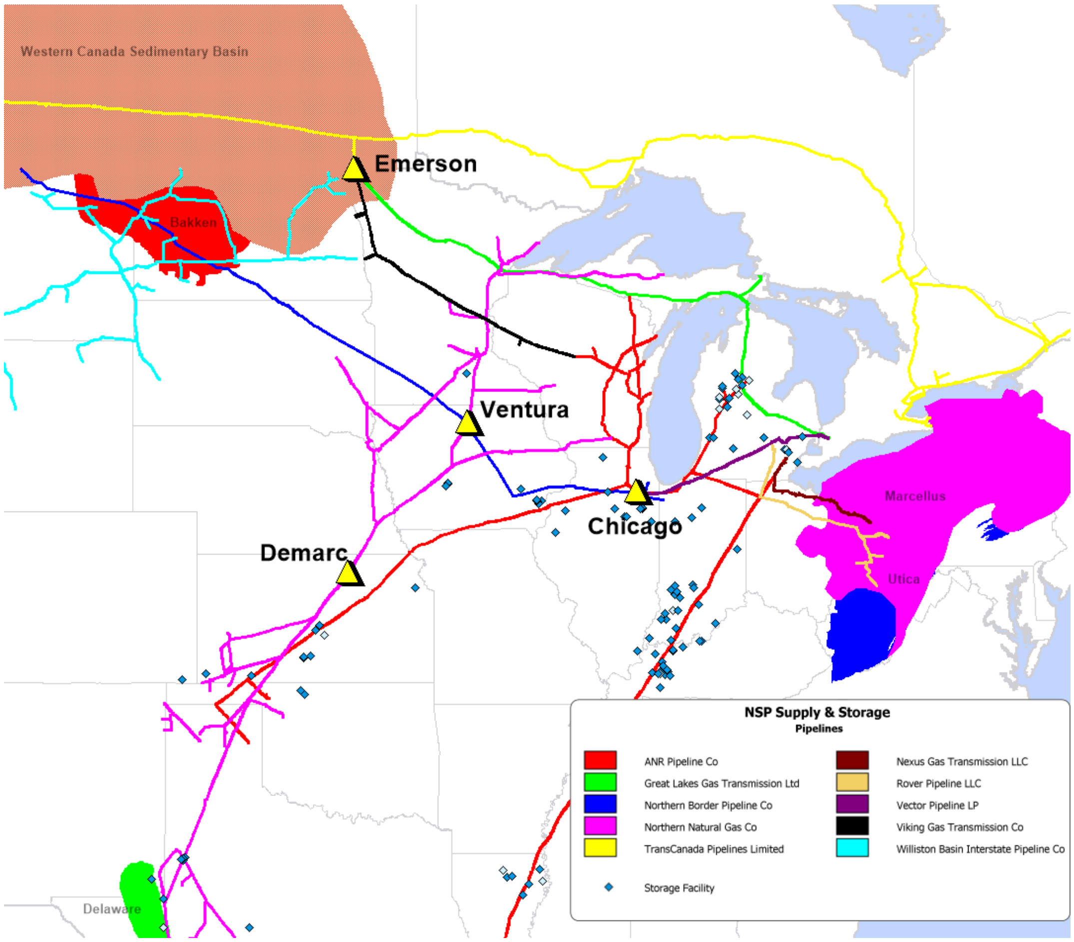
Q. HOW DOES NSP PROCURE NATURAL GAS TO SERVE ITS CUSTOMERS IN NORTH DAKOTA?

A. As I noted above, NSP has a unified approach to purchasing, storing, and transporting natural gas for NSP gas customers, including those in North

Dakota. This enables efficiencies of scale, which lowers costs for all our natural gas retail customers. The natural gas the Company purchases is transported by interstate pipelines to our distribution systems, including our systems in the Fargo and Grand Forks areas.

Specifically, NSP purchases the natural gas that it provides to customers in North Dakota and Minnesota through a combination of baseload contracts and daily spot market purchases at four different market hubs: the Ventura Hub, the Demarcation Hub, the Emerson Hub, and the Chicago Hub. This diversity in purchasing locations provides the Company with flexibility. If prices are higher at a particular hub, NSP can respond by shifting some of its purchasing to other hubs, and so the Company can keep gas costs lower than they would otherwise be because it has multiple purchasing options. Natural gas from the Bakken formation is transported through the Northern Border Pipeline Company (Northern Border) system to the Ventura Hub located in Hancock County, Iowa, which is where Xcel Energy purchases most of the natural gas that it gets from the Bakken formation. The Demarcation Hub is located north of Clifton, Kansas, and at that location the Company purchases natural gas which generally comes from the Southwestern United States. Natural gas from Canada is available at the hub in Emerson, Manitoba, and the Company also purchases natural gas at the Chicago Hub. Figure 1 below shows the interstate pipelines serving the NSP gas system, as well as the location of the hubs from which the Company purchases natural gas for our customers.

Figure 1
NSP Supply and Storage



Q. CAN YOU PROVIDE MORE EXPLANATION REGARDING HOW PURCHASED NATURAL GAS IS TRANSPORTED TO THE COMPANY'S NORTH DAKOTA CUSTOMERS?

A. Yes. The Company's North Dakota natural gas distribution systems are connected directly to two interstate pipeline systems: Viking Gas Transmission Company (Viking) and WBI Energy Transmission Inc. (WBI). These are non-affiliated pipelines regulated by the Federal Energy Regulatory Commission (FERC). There is only limited capacity for the Company on the current WBI pipeline. The Company has more capacity on Viking, which offers the most economic transportation options for our North Dakota customers.

The Company's integrated system also utilizes upstream transportation services on several other interstate pipelines, as shown in Figure 1. For example, the Company uses upstream transportation and underground storage services on several interstate gas pipelines that connect to Viking to serve its North Dakota customers, including those owned by Northern Natural Gas Company, ANR Pipeline Company, Great Lakes Gas Transportation Limited, and Northern Border (as discussed above).

Q. WBI IS CURRENTLY DEVELOPING AN ADDITIONAL PIPELINE FROM THE BAKKEN TO EASTERN NORTH DAKOTA. HOW DO YOU EXPECT THAT PROJECT TO IMPACT THE COMPANY'S APPROACH TO SUPPLYING ITS NATURAL GAS CUSTOMERS?

A. The Company has been very supportive of WBI's development of the new pipeline. NSP anticipates that the pipeline would be the key source of natural gas for the combustion turbine electric generation facility that the Company proposes to locate near the Bison substation. The proposed pipeline could also be a valuable resource to meet future growth needs in the Fargo area. However, NSP does not anticipate displacing our existing transportation portfolio with the new pipeline as a significant transportation resource for our North Dakota natural gas customers. NSP does not believe replacing the transportation capacity on Viking that is used to supply North Dakota customers with capacity on the new pipeline would benefit our customers. Viking has lower transportation costs than the anticipated costs for the new pipeline, and that difference in transmission costs more than offsets the potential lower cost of

Bakken natural gas. For this reason, NSP expects to continue to use its transportation rights on Viking to help keep down the overall cost of gas for our customers.

Q. ARE THERE BENEFITS TO THE COMPANY'S NATURAL GAS CUSTOMERS THAT THE COMPANY EXPECTS FROM THE NEW PIPELINE?

A. Yes. Natural gas transportation pipeline capacity is generally constrained in the United States, and that is particularly true in our region. If growth in eastern North Dakota continues over the long term, the addition of another transportation pipeline serving the region would provide greater flexibility in the future.

Q. IN ADDITION TO THE INTERSTATE PIPELINES, IS THERE OTHER INFRASTRUCTURE THAT SUPPORTS OPERATIONS OF THE NSP GAS SYSTEM?

A. Yes. The Company also uses underground storage services available on several interstate pipelines and storage service providers, as well as the Company's Peaking Plants. The Peaking Plants provide capacity during peak periods, and the Company uses them and contracted storage services to reduce the amount of gas it purchases when daily spot market prices are high.

Q. PLEASE DESCRIBE THE STORAGE FACILITIES UTILIZED BY THE COMPANY.

A. As shown in Figure 1 above, there are upstream underground natural gas storage facilities for which the Company contracts to provide flexible withdrawal capability to respond to varying system demand. These storage facilities are located in Michigan, Kansas, and Iowa. The Company purchases and stores supply when pricing is optimal (primarily during the low-use summer months), so it can rely on this lower-cost supply when customer demand ramps up during cold weather. This underground storage provides flexibility, allowing the Company to respond to customer demand fluctuations outside of contracted supply purchases without having to solely rely on spot market purchases where pricing can be more volatile. As Figure 1 also indicates, the Viking pipeline is important to connect our service areas in North Dakota to the upstream pipelines that provide access to the storage.

Q. PLEASE DESCRIBE THE COMPANY'S PEAKING PLANTS.

A. NSP owns and operates three above-ground peak shaving facilities located in Minnesota: the Wescott Liquefied Natural Gas (LNG) plant and the Sibley and Maplewood Propane Air plants. The Wescott plant was built in the 1970s and the Sibley and Maplewood plants were built in the 1950s. These plants store liquefied natural gas (Wescott) or liquid propane gas (Sibley and Maplewood) that can be vaporized and ultimately injected into the system to help meet firm customer requirements on the coldest winter days. The Peaking Plants are specifically used on a limited basis to supply gas when weather approaches Design Day conditions.[3] They are a peak capacity resource and, therefore, reduce the amount of upstream transportation capacity the Company holds, and gas the Company might otherwise have to purchase during high price periods.

Q. HOW DO THE PEAKING PLANTS AND UPSTREAM STORAGE BENEFIT CUSTOMERS IN NORTH DAKOTA?

A. The Company purchases the natural gas for storage and the propane and LNG for the Peaking Plants during non-winter months, when prices are relatively low. NSP discharges gas from storage throughout the winter, which reduces the

[3] Design Day temperature is based on the 1-in-30-year low temperature in a given area. It is an industry standard probabilistic modeling approach. Based on historical weather temperature data, there is a 1-in-30 probability of experiencing a Design Day temperature in any given heating season.

amount of gas purchased at higher winter prices, and, as I discussed above, operates the plants during limited periods approaching Design Day conditions, when prices are high. Both storage and the Peaking Plants allow NSP to keep the overall cost of natural gas lower than it would otherwise be while having enough capacity to meet our customers' peak needs. They are both part of the Company's overall portfolio of tools used to ensure there is sufficient winter capacity and manage the cost of gas. Our North Dakota customers benefit because the amounts they pay for the natural gas they use is lower than it would otherwise be if the Company did not have its contracted storage resources and gas Peaking Plants.

Q. GIVEN THE BENEFITS OF STORAGE, IS THE COMPANY ADDING ANY STORAGE CAPACITY?

A. The Company has been actively exploring obtaining additional contracted storage; however, existing storage services in our region are fully subscribed and NSP has not yet been able to obtain more storage.

Q. IF THE COMPANY DID NOT HAVE THE THREE PEAKING PLANTS, WHAT WOULD BE AN ALTERNATIVE SOURCE OF CAPACITY?

A. If NSP did not have the Wescott, Sibley, and Maplewood plants, the only other viable option for providing an equivalent amount of physical capacity for peak periods would be to construct and contract for additional firm transportation and storage service. The Company does not have a current estimate for the cost of an equivalent capacity resource;[4] however, NSP is generally aware that such

[4] In its 2022 rate case, the Company presented a $60-70 million rough estimate for acquiring an additional 246,000 Dth of firm transportation capacity on Northern Natural Gas (Northern) pipeline that would require new facilities to be constructed. At this point, that estimate is outdated.

transportation and storage would be significantly more expensive for customers than continuing to use the Peaking Plants. A recent transaction in which the Company unsuccessfully bid for a smaller quantity of storage capacity provides some indicative pricing. In that instance, ANR Pipeline Company proposed a project to provide additional access to its underground storage facilities in Michigan at the Ventura Hub via Northern Border. The proposal included up to 75,000 Dth per day of storage withdrawal capability and firm transportation rights. The proposed capacity is equal to approximately half (48 percent) of the Company's Wescott LNG facility, or approximately 30 percent of the combined deliverability of our Peaking Plants. At the then effective tariff rates, the proposed service would have cost approximately $14 million per year. This figure does not include the additional transportation that would be required to deliver such gas to the system to replace the Peaking Plants. The bidding process resulted in 100 percent of the project capacity being awarded to another party.

Q. HOW ELSE DOES THE COMPANY CONTROL GAS COSTS AND ENSURE IT HAS SUFFICIENT GAS TO MEET PEAK DEMAND?

A. One of the Company's key focuses in this area is to determine the appropriate amount of gas to purchase using baseload contracts. If too little gas is purchased using baseload contracts, the Company must make more spot market purchases than is ideal. Conversely, the Company does not want to over purchase baseload contract gas, as doing so can result in unutilized gas left on the pipeline, or gas left in storage, which results in the Company paying financial penalties to pipeline companies. Accordingly, NSP carefully forecasts its customers' needs and seeks to determine the optimal base contract purchase amounts. NSP also uses financial hedging to mitigate the potential impacts of peak pricing.

Q. IN SUMMARY, HOW DOES OPERATION OF THE BROADER NSP GAS SYSTEM BENEFIT THE COMPANY'S NORTH DAKOTA CUSTOMERS?

A. Our North Dakota customers benefit from the size and geographic diversity of the NSP system. We serve approximately 564,000 customers in Minnesota and North Dakota (approximately 66,000 in North Dakota). Our customers benefit from efficiencies of scale and because the geographic area where the customers are located is sufficiently large so as not to be fully coincident. The Company also has access to a diversity of market centers, supply points, storage facilities, and the Peaking Plants. This combination of resources gives us multiple ways to manage costs and ensure reliability, which would not be the case if they were served by separate, stand-alone North Dakota and Minnesota gas purchasing and transportation systems.

Q. PLEASE DISCUSS THE RELIABILITY BENEFITS THE SYSTEM PROVIDES.

A. Upstream interstate transportation, contracted underground storage facilities, and Company-owned, above-ground Peaking Plants across the NSP system provide value with respect to system reliability and safety for our North Dakota customers. The Company's diversity of assets helps protect North Dakota customers against harmful gas outages (loss of heat) during periods of below zero temperatures in the event of natural disasters or even emergencies such as the January 25, 2014, TransCanada natural gas pipeline explosion and resulting fire in western Canada.

III. CAPITAL ADDITIONS

Q. WHAT TYPES OF CAPITAL INVESTMENTS DOES THE COMPANY MAKE IN ITS GAS INFRASTRUCTURE?

A. Our capital investments include both routine investments and larger, discrete projects, and generally fall into five categories:

<u>New Business</u>: The Company must serve new customers who request gas service within its service territory under its tariff rules. When there is no existing connection to the customer's property, the Company must establish or update customer records and make capital investments to install new service lines, meters, and other infrastructure needed to extend service to the residential, commercial, or industrial property.

<u>Relocations</u>: On occasion, the Company must move existing infrastructure to meet federal, state, and/or local requirements. This includes relocating facilities required by a governing authority, or that are in direct conflict with street expansions within public rights-of-way. The Company must invest capital to achieve these relocations and re-establish service via infrastructure at a different location.

<u>Peaking Plants</u>: As I discussed above, the Company has three gas Peaking Plants – one LNG plant (Wescott) and two propane plants (Sibley and Maplewood). The Company has made capital investments at all three plants, which I discuss below, including, in 2025, material investments in the fire protection systems at Sibley and Maplewood.

<u>Reliability</u>: To maintain a reliable system, the Company must be sure it has the capacity to serve all its firm customers on a peak design hour. The peak design hour reflects temperature extremes of -37°F for Fargo and -40°F for Grand Forks. Reliability investments include programs to add system capacity, renewal of obsolete assets, and the Meter Module Replacement Program, which is necessary to ensure we can continue to accurately meter gas. This category includes DIMP projects, the annual and programmatic replacement of aging mains and service pipe, and the replacement of problematic pipe types; those investments promote public safety and are carried out, consistent with the regulatory requirements I discussed above.

Safety: To maintain the safety of the natural gas system, the Company requires certain expenses outside of other programmatic and asset replacement activities such as the DIMP investments in the Reliability category that I discussed above. These activities are tied directly to investing in a safe system such as capital investments associated with providing locates for Company assets, the addition of tools to maintain the system and detect gas, and the relocation of meters located inside buildings to outside locations.

A. Overview of 2024 to 2026 Gas Infrastructure Investments

Q. PLEASE PROVIDE AN OVERVIEW OF THE GAS OPERATIONS AND PEAKING PLANT CAPITAL ADDITIONS FROM 2024 TO 2026.

A. Table 1 below reflects the Gas Operations capital additions (i.e., infrastructure placed in service) from 2024 to 2025 and expected 2026 capital additions. As can be seen, the most significant categories of investment are in Peaking Plants, Reliability, and New Business. The Peaking Plant investments materially increased in 2025, as compared to 2024. The Company made significant fire detection and suppression investments in 2025 and carried out a control center project at the Wescott plant, and I discuss those projects further in the section below. With the completion of those larger projects, NSP has only limited Peaking Plant investments planned for 2026. New Business fluctuated some, with a reduction in 2025 and a forecasted partial rebound in 2026. Actual New Business investment levels vary based on the number and nature of our new customers, and the Company's level of forecasted New Business investments is based on a combination of historic trends and information on customer applications.

Q. WHAT ABOUT RELIABILITY INVESTMENTS?

A. NSP's level of reliability investments was stable between 2024 and 2025 and will decrease in 2026. The Company must make significant investments in this category each year to be able to safely and reliably serve our customers, which is why this is such a significant category of investments. The reduction in 2026 investments, as compared to earlier years, is the result of fewer large, discrete capacity projects in 2026 and the near completion of the Company's meter module replacement project.

Table 1
2024-2026 Gas Capital Additions (Millions)
State of North Dakota

ND Gas Additions	2024 Actuals	Adjusted 2025 Forecast	Adjusted 2026 Test Year
New Business	$14.1	$7.4	$10.9
Plants	$3.6	$15.4	$2.3
Reliability	$18.7	$18.4	$16.3
Relocations	($0.5)[5]	$2.6	$2.3
Safety	$0.8	$0.5	$0.8
Total	**$36.7**	**$44.3**	**$32.7**

[5] The net 2024 Relocations figure is relatively small because it includes a credit received for relocation work carried out as a result of the Fargo-Moorhead Flood Diversion Project.

Q. DO THE 2026 CAPITAL ADDITIONS IN TABLE 1 REFLECT THE FORECAST USED TO PREPARE THE REVENUE REQUIREMENT FOR THIS RATE CASE?

A. No. The Company used its July 2025 forecast to determine the revenue requirement for this rate case. A version of Table 1 that is consistent with that July 2025 forecast and the revenue requirement is attached to my testimony as Exhibit___(DCJ-1), Schedule 2. However, as the Company prepared testimony for this filing, it determined that it is now expecting less Reliability investment in 2026 than it had earlier forecasted. As Company witness Henckler explains, the Company is planning to update its revenue requirement accordingly in the next round of testimony. Table 1 above reflects the Company's current forecast for 2026 capital additions; however, the updated figures provided in future testimony may differ.

Q. WHY IS THE COMPANY NOW EXPECTING TO MAKE FEWER RELIABILITY INVESTMENTS IN 2026 THAN IT EARLIER FORECASTED?

A. There are a variety of causes for the change in expected 2026 Reliability capital additions. As the Company refined its engineering and estimating work on some projects, it was able to find savings and reduce the budgets for those projects, including by reducing earlier budgeted contingency amounts. Essentially, our estimates decreased as they became more precise. In other instances, the Company re-evaluated project need and timing in light of the overall capital budget and the need to balance investment in this area against others. As a result, NSP decided that it could appropriately postpone some projects to later years.

Q. ARE THERE ANY OTHER FACTORS IMPACTING THE AMOUNT OF EXPECTED 2026 RELIABILITY INVESTMENT?

A. Yes. One significant project, the Fargo High Pressure OPP & CV project, which I discuss further below, was completed in late 2025, which was ahead of schedule. This change shifted those capital additions from 2026 to 2025.

Q. DO THE AMOUNTS IN TABLE 1 INCLUDE BOTH LARGE AND SMALL INVESTMENTS?

A. Yes. Table 1 reflects both larger, discrete projects and what the Company refers to as "routines." Routine investments are smaller projects grouped together by type. To take the most significant example, every year the Company installs many gas services to connect to new North Dakota customers. These investments get grouped together in a jurisdictional "Gas New Services" routine. Routines projects are typically completed the same year they are started. Table 2 below shows the 2024 to 2026 investment levels for the largest routines. The New Business routines are the most significant, and account for much of the investment in that category. Reliability routines include projects which promote public safety, such as renewals due to leaks or third-party damages, or main reinforcement projects to provide additional capacity to the system.

Table 2
2024-2026 Routine Capital Investments (Millions)
State of North Dakota

Capital Category	Routine Description	2024 Actuals	2025 Forecast	2026 Test Year
New Business	ND - Gas New Services Routine	$4.4	$3.3	$4.1
New Business	ND - Gas New Mains Routine	$3.2	$2.0	$4.1
New Business	ND - Gas Meter Routine	$0.8	$0.6	$2.0
Reliability	ND - Gas Main Renewal Routine	$1.1	$1.8	$1.8
Reliability	ND - Gas Main Reinforcements Routine	$0.3	$0.7	$0.5
Relocations	ND - Gas Main Relocations Routine	$3.4	$1.0	$2.3
Reliability	ND - Gas Service Renewal Routine	$1.1	$1.2	$0.9

Q. WHAT WERE THE PRIMARY GAS INFRASTRUCTURE CAPITAL ADDITIONS IN 2024 AND 2025?

A. As can be seen in Table 1 above, in 2024 and 2025 the Company made its most significant capital additions in the Peaking Plant, New Business, and Reliability categories. Safety investments are important and must be made every year to protect the public and comply with legal and regulatory requirements but were relatively limited when compared to other categories of work. Table 3 below lists the most significant discrete 2025 capital additions for Gas Operations and the Peaking Plants.

Table 3
2025 Gas Operations and Peaking Plants Major Capital Projects (Millions)
State of North Dakota

Capital Category	Project Name	2025 Forecast
Plants	Wescott Control Room	$3.2
Plants	Sibley Fire Detection and Suppression	$5.3
Plants	Maplewood Fire Detection and Suppression	$5.4
Reliability	Fargo High Pressure OPP & CV	$8.0

Q. PLEASE DISCUSS THE CAPITAL INVESTMENTS FORECASTED FOR THE COMPANY'S 2026 TEST YEAR AND HOW THOSE DIFFER FROM 2025.

A. The major capital investments forecasted for 2026 are New Business projects, much of which are encompassed in the New Business routines shown in Table 2, and Reliability projects to add capacity and help ensure reliable service in the Fargo and Grand Forks regions. Table 4 below lists the major, discrete capital projects in the Company's forecast for 2026.

Table 4
2026 Gas Operations Major Capital Projects ($ millions)
State of North Dakota

Capital Category	Project Name	2026 Test Year
Reliability	HBFG System Reinforcement	$2.2
Reliability	R-4715 HP Pipeline	$6.9

Q. WILL YOU BE PROVIDING MORE DETAILED DESCRIPTIONS OF THE COMPANY'S CAPITAL ADDITIONS?

A. Yes. While in this section I discuss the general trends in capital additions, in the following section I provide more detailed information, including the most significant discrete projects and certain significant routines.

Q. DO YOU HAVE ANY OTHER COMMENTS ON THE CAPITAL INVESTMENTS THE COMPANY HAS MADE?

A. Yes. Below, I discuss the investments the Company has made and the factors driving those investments, including capacity needs and increased numbers of customers. However, NSP has also had to increase the amounts it invests because of increased costs of investments, including increased for external labor, materials, and equipment. For example, the costs of 2-inch polyethylene pipe, a common material used in Gas Operations projects, has been increasing by approximately four percent per year in recent years. The prices of other materials have been increasing at similar rates, and that is in addition to the increased external labor and equipment costs.

B. Gas Infrastructure Investments by Category

1. New Business

Q. PLEASE SUMMARIZE THE COMPANY'S NEW BUSINESS PROJECT INVESTMENTS.

A. New customer business projects include the costs of providing and installing mains, service lines, meters, and other infrastructure necessary to connect a new customer to the Company's natural gas system. Budgeted capital additions include routine work, consisting of new customer additions based on forecasted customer growth, and planned larger, discrete projects that are in excess of $0.3 million. Routine spending on new business generally involves smaller customer connection work and typically the investment is justified by the revenue generated from the new business. From time to time, however, the Company must make larger investments in the system because of new demand in its service territory or a larger commercial customer.

Q. PLEASE DESCRIBE THE NEW BUSINESS PROJECTS CONTRIBUTING TO THE NEED FOR THIS RATE CASE.

A. As Company witness Goodenough explains in his testimony, NSP has had an approximately 2 percent average annual change in the number of customers from 2019 to 2024 and is forecasted to have a 1.4 percent average annual increase in the 2024 to 2026 time period. This growth is driven by the Commercial and Industrial and Residential customer classes and is slightly offset by decreases in the number of Interruptible customers.

As can be seen from Table 1 and 2 above, most of the New Business investment is routine investments in new meters, new mains, and new services. These are the investments that are needed to serve the numbers of new customers.

In the Fargo area, the Company carried out the Sauvageau Main project. This involved extending a main to serve an existing customer at a new location. The customer was relocated as a result of the Fargo-Moorhead Flood Diversion

Project; the Flood Diversion Authority requested the work and is partially reimbursing the Company for the cost of the project. The Sauvageau project cost approximately $1.96 million, with the authority reimbursing the Company for approximately $0.7 million The reimbursement costs for this project were identified as a least cost option to serve this specific customer on the opposite side of the diversion channel. The amounts above that least cost option, the portion that was not reimbursed, represent the upsizing of the new main for future needs. The Company took advantage of the opportunity to construct a main under the channel and have some of the costs reimbursed by the Authority. It will be significantly more expensive in the long run if the Company has to add that capacity later in an entirely separate project for which there would be no reimbursement.

2. Peaking Plants

Q. WHAT SIGNIFICANT INVESTMENTS HAS THE COMPANY MADE IN THE PEAKING PLANTS?

A. Routine investments in the Peaking Plants have been relatively minimal; however, the Company has made significant discrete investments. In particular, as I referenced earlier, the Company has now upgraded the fire suppression systems at all three plants. The Wescott and Maplewood projects were discussed in the prior rate case, and the Sibley and Maplewood projects are relevant for this rate case.

Q. PLEASE EXPLAIN WHY THESE PROJECTS WERE NEEDED.

A. The fire suppression upgrades were made to bring the Peaking Plants into compliance with the United States Department of Transportation Pipeline Safety Regulations, including National Fire Protection Association (NFPA) codes and standards incorporated by reference (IBR), which govern the fire detection and suppression systems at the Peaking Plants. The plants are decades old. The new fire suppression systems were installed to ensure reliable and safe operation into the future. The work was based on an evaluation carried out in 2021 by a nationally recognized expert in system engineering for fire suppression and detection systems and code compliance and also involved consultation with local fire chiefs. Table 5 below summarizes the fire suppression upgrades at the three plants.

Table 5
Gas Plants – Fire Detection/Suppression Capital Additions
State of North Dakota Gas Jurisdiction ($ millions)

Capital Additions – ND Jurisdiction	2024 Actuals	2025 Forecast	2026 Test Year
Wescott	$2.3	($0.2)	$0.0
Maplewood	$0.0	$5.4	$0.0
Sibley	$0.0	$5.3	$0.0

Q PLEASE PROVIDE AN UPDATE ON THE STATUS OF THE WORK.

A. The Wescott projects were completed and in-serviced in 2024 and work at Maplewood was completed in 2025 and in-serviced late in the year. The work at the Sibley plant was substantially complete by mid-January. and the plant is expected to be partially in service by the end of January and fully in service by mid-February.

Q DID THE COMPANY MAKE ANY OTHER SIGNIFICANT PLANT CAPITAL ADDITIONS IN 2024 AND 2025?

A. Yes. The Company installed a new control room at the Wescott plant that was brought into service in 2025. This project addresses a safety issue that was identified in 2021 due to the proximity of the existing control room to equipment that could create a safety risk to operators in the event of a catastrophic failure. In addition to the new control room, the project also included adding a new training room for plant operators, office space for Peaking Plant personnel and leadership, and shop space for the maintenance department. This project was completed in 2025 and represents capital additions of $3.2 million on a jurisdictional basis.

Q WHAT SIGNIFICANT DISCRETE PROJECTS DOES THE COMPANY PLAN TO COMPLETE IN 2026?

A. The planned, discrete 2026 Peaking Plant projects are relatively small in size compared to the investments made between 2022 and 2025. They include replacing the Water Ethylene Glycol (WEG) Skid at the Wescott Plant, overhauling Gas Turbine 101 at Wescott, and replacing the roof on the administrative building at Wescott. The WEG skid was installed in 1974 and after more than 50 years it is near the end of its useful life. It provides heating and cooling to several plant components and oil cooling to three compressor units at the plant. NSP plans to keep the current skid in operation while building a new one in a different location at the plant. The Company plans to complete the work before the 2026-2027 heating season. On a jurisdictional basis, it is a $0.5 million capital addition. NSP is having Gas Turbine 101 overhauled in accordance with the manufacturer's recommendation to overhaul every eight years or 25,000 hours of operation. This project is a $0.4 million capital addition on a North Dakota jurisdictional basis. Finally, the administration building was constructed in 1972 and still has its original roof. The Company has had repairs carried out on multiple occasions to address leaks. However, soft locations were identified in the roof during recent inspections, and the Company determined that it is now appropriate to carry out a complete roof replacement. On a North Dakota jurisdictional basis, the roof replacement is a $0.2 million capital addition.

Q HOW DO THESE INVESTMENTS IN THE PEAKING PLANTS BENEFIT NORTH DAKOTA CUSTOMERS?

A. As I discussed above, the Peaking Plants are important capacity resources that can be used during the very coldest days. Those operations save North Dakota customers money by reducing the overall cost of the gas they purchase. After decades, the Company needed to make material investments in order to keep the plants safely ready for operation. Without them, the Company would need to purchase more gas at peak spot market prices or spend substantial amounts for an equivalent amount of storage, both of which would lead to increased costs for our customers in both North Dakota and Minnesota.

3. Reliability

Q. WHAT RELIABILITY WORK IS THE COMPANY UNDERTAKING?

A. The reliability category includes the Meter Module Replacement Program and several discrete projects in the Fargo and Grand Forks areas, along with significant routine investments, including DIMP projects.

Q. WHAT ARE THE COMPANY'S DIMP INVESTMENTS?

A. DIMP projects address our aging gas infrastructure's structural integrity by renewing infrastructure to help ensure a safer gas system that will reduce the likelihood of incidents within the community. The Company's DIMP work is focused on removing gas infrastructure materials identified as having a higher risk of failure (e.g., bare steel or vintage plastic) and replacing them with modern materials.

Q. WHAT IS THE METER MODULE REPLACEMENT PROGRAM?

A. In 2023, the Company began the Meter Module Replacement Program, through which it is replacing nearly all of the meter modules in its service territory. The existing modules are equipped with automated meter reading (AMR) technology. NSP earlier expected to complete the overall project by the end of 2025, but some installations will continue into 2026. The Company is replacing the existing equipment with modules that enable drive-by meter reading. In some cases, the module and the entire existing vintage meter will need to be replaced. The new modules are owned by the Company. Therefore, once they are installed, the Company will perform drive-by meter reading and will phase out meter reading currently performed by its third-party AMR provider. NSP had to carry out this project because its existing AMR provider is not willing to continue its services. The Company made $6.3 million in investments in the program in 2024, $2.1 million in 2025, and expects to have minimal carryover in 2026.

Q. WHAT IS THE STATUS OF THE METER MODULE REPLACEMENT PROJECT?

A. The Company is very close to completion. The bulk of the modules were replaced by year-end 2025, and NSP estimates that only approximately 1,400 modules (out of 63,160) will remain to be replaced in 2026. For complete meter replacements, the Company estimates that 80 out of 3,672 will remain to be replaced in 2026. Overall, the Company has completed approximately 98 percent of the replacements.

Q. PLEASE DESCRIBE THE DISCRETE RELIABILITY CAPITAL INVESTMENTS.

A. The Company has made and is making some significant Reliability investments in the Fargo and Grand Forks areas. They are the R-4715 HP Pipeline project in Grand Forks, the HBFG System Reinforcement project in Fargo, and the Fargo High-Pressure OPP & CV project. These projects are adding capacity to the distribution systems to help ensure the Company is able to safely and reliably serve customers in those areas under Design Day conditions.

Q. WHAT IS THE R-4715 HP PIPELINE PROJECT?

A. This project involves installing approximately 2,100 feet of 12-inch steel high pressure gas pipeline to replace existing steel 6-inch pipeline running west from the Grand Forks TBS. With the larger pipeline, the Company will have more capacity on that section of the system, which reduces a risk the Company had identified of not having sufficient capacity to fully serve approximately 2,800 existing downstream customers during Design Day conditions. The new pipeline also mitigates against the risk of having to inject compressed natural gas or take other actions to maintain sufficient pressure. The project is a $6.90 million capital addition.

Q. PLEASE DISCUSS THE HBFG SYSTEM REINFORCEMENT PROJECT.

A. NSP is installing approximately 16,892 feet of 6-inch PE pipeline along 100th Avenue South from the west side of I-29 to near the intersection of 100th Avenue South and University Drive South. It is also installing approximately 2,500 feet of 2-inch main along 25th Street South from the intersection of 100th Avenue South and 25th Street to an existing main on 25th Street South. The distribution system in that area is projected to have insufficient capacity under design day conditions by the winter of 2026-2027. There has been significant growth in the area, and more is expected, including a 3.5 square mile undeveloped parcel that will be served by the new 6-inch line. The project would also help maintain pressure and allow for the possibility of another connection in the Horris, North Dakota area.[6] This project is a $2.20 million capital addition.

Q. PLEASE EXPLAIN THE FARGO HIGH PRESSURE OPP & CV PROJECT.

A. In the Company's prior gas rate case, Company witness Alicia E. Berger introduced this project, which involves installing over-pressure protection (OPP) upstream of an existing regulator station (R4314). The project also includes adding a control valve (CV) to improve entitlement balancing and reduce the need for bypass callouts. In general terms, the project increases the capacity of the line, which allows the Company to continue to provide safe and reliable service to customers in the area. This overall project, which was completed in the fourth quarter of 2025, is $8.2 million in capital additions.

4. *Safety*

Q. PLEASE DISCUSS THE SAFETY PROJECTS FOR 2024 TO 2026.

A. As I noted above, the Safety investments are not particularly significant in scope. However, the Company continues to make investments each year, as required, including investing in the Inside Meter Move Out program.

Q. WHAT IS THE INSIDE METER MOVE OUT PROGRAM?

A. Through the Inside Meter Move Out program, the Company is moving most of the gas meters still located inside of customer premises to outside locations and replace the existing facilities with new meters, connections, and regulators.

[6] HBFG refers to the gas distribution system in the Horris area.

As we described in the prior two gas rate cases, this is an important safety improvement as it ensures accessibility to meters as required by federal code and allows the Company to more efficiently perform routine required inspection and maintenance of these meters without having to coordinate access or inconvenience the customer. Additionally, moving the meters to outside locations reduces the risk of gas accumulating in a confined space, where there are more sources of ignition.

We have determined that there are over 470 meters located inside customers' premises in the state of North Dakota that can be moved outside. The Company completed $0.4 million in 2024 capital addition, forecasts $0.1 million in 2025 capital additions, and forecasts $0.3 million in 2026 capital additions. The Company anticipates the project will be completed by 2028. Unfortunately, the Inside Meter Move Out Program was delayed as a result of supply chain challenges.

Q. WHAT OTHER INVESTMENTS HAS THE COMPANY MADE IN THE SAFETY OF ITS GAS INFRASTRUCTURE?

A. As I discussed above, the Company has made significant investments to update fire safety systems at its Peaking Plants. Those projects are in the "Plants" category but are aimed at improving safety. Similarly, our DIMP investments are in the "Reliability" category. More generally, the Company focuses on safety in all our gas system investments, including through careful engineering and prudent and industry standard practices for management of our work and that of our contractors.

5. Relocation

Q. PLEASE SUMMARIZE MANDATORY RELOCATION INVESTMENTS.

A. Mandatory relocation investments are projects the Company is required to carry out to move existing infrastructure to meet federal, state, or local requirements. This includes relocating facilities for safety-related work required by a governing authority, or that are in direct conflict with street expansions within public rights-of-way. The individual relocation projects in this case are not particularly significant and are mainly included in routines; however, I will provide an example to illustrate this type of investment.

Q. WHAT IS YOUR EXAMPLE?

A. The City of Fargo is carrying out a public works project to fully reconstruct a portion of Hickory Street. NSP has gas lines located under the existing roadbed that conflict with that work. The Company will remove the existing line and install approximately 4,700 feet of 2-inch PE pipe in a location outside of the roadbed, but within the public right-of-way.

IV. GAS O&M EXPENDITURES

Q. WHAT DO YOU ADDRESS IN THIS SECTION OF YOUR TESTIMONY?

A. I provide an overview of the types of O&M expenses for Gas Operations and the Company's Peaking Plants. I also present 2022 to 2026 O&M expenditures for Gas Operations including key drivers and trends.

A. Types of Gas Operations O&M Expenses

Q. FOR WHAT TYPES OF ACTIVITIES DOES GAS OPERATIONS INCUR O&M EXPENSES?

A. Gas Operations incurs O&M expenses across various areas that are related to numerous activities to support the gas system. Similarly, Energy Supply incurs expenses related to operating and supporting the three plants. Federal and State codes also require robust inspection and maintenance programs for gas utilities, the majority of which result in O&M expenditures. NSP also performs emergency response activities and carries out requested underground locates, as required by North Dakota law. The Company's damage prevention program makes substantial use of outside vendors to carry out those locates. Further, integrity management programs at times add O&M costs to mitigate system risks. Examples include ongoing health and condition assessments for gas pipelines, as well as accelerated leak surveys for known problematic distribution pipe types under renewal programs. Other types of O&M expenses include internal and contract labor, materials, transportation, and other expenses such as facilities costs and licensing fees. These O&M costs are related to the day-to-day operations of our gas system as we continue to provide safe, reliable service to our customers.

Q. HOW ARE O&M EXPENDITURES ALLOCATED?

A. Similar to capital additions, O&M expenses are direct assigned to the North Dakota jurisdiction to the extent they are solely serving that jurisdiction. For example, damage prevention costs are direct assigned to the area where the work is completed. Accordingly, costs to locate underground gas infrastructure in North Dakota are assigned fully to the North Dakota jurisdiction. That said, certain Gas Operations O&M expenses are incurred on a Company-wide basis – for example, management costs, environmental services, planning, and certain engineering functions. Similarly, costs for the Peaking Plants are incurred on a Company-wide basis. These Company-wide O&M expenses are allocated to the

North Dakota jurisdiction using the allocation methodology discussed by Company witness Henckler.

B. Gas O&M 2024-2026

Q. WHAT HAS BEEN THE GAS O&M SPENDING SINCE THE COMPANY'S LAST NORTH DAKOTA RATE CASE?

A. Table 6 below shows the North Dakota Distribution O&M expenses, including actual expenditures through 2024, and the forecasted O&M expenses for 2025 and the 2026 test year.

Table 6
Gas Operations Distribution O&M 2022-2026 ($ millions)
State of North Dakota

2022 Actuals	2023 Actuals	2024 Actuals	2025 Forecast	2026 Test Year
6.0	6.0	6.6	5.9	7.5

Q. WHAT DOES TABLE 6 INDICATE REGARDING GAS OPERATIONS AND PEAKING PLANT O&M EXPENSES OVER TIME?

A. Table 6 illustrates that the Company was able to keep Gas Operations O&M expense relatively stable between 2022 and 2025 despite an inflationary environment. This was due to the Company's ongoing efforts to increase efficiency and manage O&M expenditures for customers' benefit. However, NSP is forecasting increased O&M expenses in 2026.

Q. WHY IS THE COMPANY FORECASTING INCREASED 2026 O&M COSTS?

A. The increase in forecast for the 2026 O&M costs is related to a forecasted increase in cost for the damage prevention vendor in the region. The forecasted number includes an anticipated increase for the fall of 2025 awarding process.[7] There are also increases over historical levels for the Peaking Plants resulting from the insourcing of technical expertise. Inflationary pressure has also played a role, particularly with respect to transportation costs. Finally, the difference between 2025 and the 2026 forecast is partially the result of 2025 costs being somewhat below the Company's normal spending in recent years.

V. CONCLUSION

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

[7] The Company was more successful in negotiating these contracts than was expected when the July 2025 forecast was prepared and, like the changes in capital additions, expects to reflect that in an adjusted revenue requirement in its next round of testimony.

Statement of Qualifications

Daniel Connoy

I received a Bachelor of Science degree, with a major in Civil Engineering from North Dakota State University in 2007. In 2012, I received my Professional Engineering license and am currently an active PE in Minnesota.

My current position with Xcel Energy Services Inc. is Director, Gas Operations Engineering. In that role, I am responsible for oversight of the company's engineering support to the natural gas operating groups. This support includes engineering design, procedure creation, design standardization, escalated operations support, and gas metering support. These responsibilities are the same for all Xcel Energy's gas utility operating companies (Northern States Power Company – Minnesota, Northern States Power Company – Wisconsin, Public Service Company of Colorado, and Southwestern Public Service Company.)

Prior to my role, I worked in natural gas Operations, Design, Engineering and Compliance departments within Xcel Energy.

ND Gas Additions	2024 Actuals	Initial 2025 Forecast	Initial 2026 Test Year
New Business	$14.12	$7.37	$10.92
Plants	$3.64	$15.39	$2.32
Reliability	$18.68	$10.36	$38.03
Relocations	-$0.53	$2.64	$2.32
Safety	$0.78	$0.54	$0.84
Total	**$36.69**	**$36.30**	**$54.43**

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
Daniel J. Connoy

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.

Daniel J. Connoy

Subscribed and sworn to before me, this 29th day of January, 2026.

Notary Public
My Commission Expires: 5.14.26

ASHLEY HURWITZ
Notary Public
State of Colorado
Notary ID # 20184020500
My Commission Expires 05-14-2026