Direct Testimony and Schedules
Martha E. Hoschmiller

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___(MEH-1)

Rate Design

January 30, 2026

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Schedules

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND TITLE.

A. My name is Martha E. Hoschmiller. I am a Principal Pricing Analyst.

Q. FOR WHOM ARE YOU TESTIFYING?

A. I am testifying on behalf of Northern States Power Company, a Minnesota corporation (NSP, Xcel Energy, or the Company). NSP is a wholly owned subsidiary of Xcel Energy Inc.

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have 20 years of regulatory experience with the Company, including 13 years as a pricing analyst. I have worked on rate design, fuel clause and rider cost recovery, cost allocations, and other pricing functions for the utility operating subsidiaries of Xcel Energy Inc. I have a Bachelor of Arts in Mathematics from Grinnell College. A detailed statement of my qualifications and experience is provided in Exhibit___(MEH-1), Schedule 1.

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

A. The purpose of my testimony is to present the Company's proposed class revenue apportionment and proposed class rate design.

Q. PLEASE SUMMARIZE NSP'S RATE DESIGN PROPOSAL.

A. The Company proposes to increase the monthly Residential Delivery Services Charge by $3.25, from $22.25 to $25.50, and increase the volumetric Residential Distribution Charge by $0.10620 from $0.07400 to $0.18020 per therm. The Company also proposes to increase the Commercial and Industrial (C&I) Firm

Service Customer Charge from $35.00 to $40.00, and to increase the Distribution Charge for C&I Firm Service customers from $0.18654 to $0.26066 per therm. Finally, the Company proposes to increase the Small Interruptible Service Customer Charge from $125.00 to $130.00, and to increase the Distribution Charge for Small Interruptible Service from $0.14631 to $0.20321 per therm and for Large Interruptible Service from $0.11635 to $0.17048 per therm. This rate design will provide the Company a reasonable opportunity to earn its authorized rate of return while ensuring rates remain reasonable.

II. RATE DESIGN GOALS

Q. WHAT ARE THE COMPANY'S PRIMARY PRICING OBJECTIVES IN THE DESIGN OF NATURAL GAS RATES?

A. The primary natural gas rate design objectives are:

1) To collect total revenues sufficient to recover the Company's test year cost of service, including a reasonable return on investment;
2) To achieve fair and equitable rate levels that reflect the cost of providing service to each customer class, as supported by the Class Cost of Service Study (CCOSS);
3) To encourage efficient and economic energy use;
4) To moderate billing impacts, be understandable, and provide customer choices; and
5) To provide value-based pricing and service conditions, where needed, to allow the Company's natural gas services to be competitive with other energy sources.

III. REVENUE APPORTIONMENT

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

A. In this section, I discuss the test year revenues, the Company's North Dakota natural gas rate classes, the Company's class revenue apportionment proposal, and the overall class impacts of the proposed revenue apportionment.

A. Test Year Revenues

Q. WHAT ARE THE TEST YEAR REVENUES AT PRESENT AND PROPOSED RATES?

A. The 2026 test year revenues, applying present and proposed rates for the Company's North Dakota natural gas jurisdiction, are $115.393 million and $129.154 million, respectively. The $13.761 million difference between the two revenue levels is the base revenue deficiency described in Company witness Charles R. Henckler's Direct Testimony. Present rates refer to the rates authorized in the Company's last natural gas rate case, Case No. PU-23-367. The proposed base rates are designed to produce an increase in retail revenues of $13.708 million and other miscellaneous revenues of $0.054 million. Forecasted sales and transportation service volumes for the 2026 test year, provided by Company witness John M. Goodenough, were applied to both the present and proposed rates to obtain these test year revenues. Present and proposed revenues are shown as base, fuel, and total revenues.

B. NSP's Natural Gas Services

Q. WHAT GENERAL CATEGORIES OF SERVICE DOES THE COMPANY PROVIDE TO ITS NATURAL GAS CUSTOMERS IN NORTH DAKOTA?

A. The Company provides sales service and transportation service. Sales service can be thought of as the more traditional "bundled" gas utility service offering,

in that Xcel Energy procures wholesale natural gas for these customers, procures the interstate gas pipeline transportation, and distributes and resells the gas to these customers. Transportation service customers acquire their own gas supplies via an unregulated gas supplier and procure their own pipeline transportation to our town border station(s). The Company then delivers this third-party gas to the transportation customers' premises through the Company's gas distribution system.

Customers, whether sales or transportation, can take either firm or interruptible service. Firm service is typically not subject to curtailment and is priced to include the costs of providing this reliability. Service to customers taking interruptible service can be curtailed as needed to maintain system reliability and is priced to reflect both the lower degree of service and the competitive alternatives.

The vast majority of the Company's customers take firm, bundled sales service. Customers must meet certain eligibility criteria to qualify for and receive interruptible and/or transportation gas service.

Q. PLEASE PROVIDE A SUMMARY OF THE COMPANY'S SERVICES.

A. The Company's Services are summarized in Table 1 below:

Table 1
Company's Natural Gas Services by Class

Firm Sales
Residential
Commercial and Industrial
Interruptible Sales
Small Interruptible
Large Interruptible
Transportation
Large Firm Transportation
Large Interruptible Transportation

C. Revenue Requirement Apportionment

Q. HOW WAS THE PROPOSED REVENUE REQUIREMENT APPORTIONMENT DEVELOPED?

A. The CCOSS provided by Company witness Christopher J. Barthol was the starting point for the apportionment of the retail non-gas test year revenue requirement among the rate classes. As noted in Company witness Barthol's Direct Testimony, the CCOSS results indicate that customers under firm service should receive a rate increase, and the interruptible customers should receive a rate decrease.

The goal of setting rates to equal embedded costs of service must, however, be balanced with other goals, such as emphasizing value/competitive-based pricing for competitive services and moderating rate increases. My goal was to move toward the cost of service for each class, while moderating bill impacts for customers. Using the CCOSS as a guide, I propose more moderate increases among all of the rate classes than the CCOSS indicated, mitigating the impact for Residential customers while still moving Residential class rates closer to their actual costs of service than their current rates are. A summary page from the

CCOSS showing the difference between current revenues and costs is provided in Exhibit___(MEH-1), Schedule 4.

The CCOSS suggests that the Residential class would need to generate a 29.74 percent increase in revenues to match the costs to serve. My proposal moderates that with a 15.4 percent revenue increase for the Residential class. This increase is higher than the overall 11.9 percent revenue increase and moves the Residential class revenue 20 percent toward the full cost to serve the Residential class indicated in the CCOSS. Again, my objective is to moderate the impact to Residential customers while making progress toward recovering the costs of service indicated by the CCOSS. Moderating the billing impact on Residential customers in this way requires revenue increases to other classes which will result in revenues higher than their costs to serve. Specifically, I propose a 9.7 percent increase for the C&I Firm class and a 9.6 percent increase for the Interruptible classes, classes which the CCOSS indicates should receive a rate reduction. By moderating the Residential class increase and assigning some of the increase to other classes, the Company is levelizing the overall revenue requirement increases across its customer base, while still reflecting the overall comparative weighting indicated by the CCOSS results.

Q. WHY IS IT REASONABLE TO MITIGATE THE RATE INCREASE FOR RESIDENTIAL CUSTOMERS?

A. One of the objectives to consider in setting rates is to moderate the impact of CCOSS-based rate increases on any one customer class. A 15.4 percent rate increase for Residential customers is significantly higher than the rate increase on any other class. The revenue apportionment proposal continues to make

progress by moving the Residential class toward its full cost of service, but it does so at a pace to help mitigate rate shock to our Residential customers.

Q. DOES MITIGATING THE RATE INCREASE FOR RESIDENTIAL CUSTOMERS STILL LEAD TO REASONABLE RATES FOR OTHER CUSTOMER CLASSES?

A. Yes. To meet the Company's revenue requirement, lessening the rate increase for Residential customers necessarily means a higher-than-indicated rate increase for non-residential customers. However, the proposed rate increase for all other classes is still materially lower than the rate increase for Residential customers. The rate increases I propose for non-residential customers are also lower on a percentage basis than the overall rate increase needed to meet the Company's revenue requirement. This approach appropriately balances competing interests, while moving the Company's rates incrementally toward the embedded cost of service.

Also, I reviewed the apportionment to ensure that long-standing rate relationships between firm and interruptible rate classes, as well as between sales service and transportation rate classes were maintained. This step helps to ensure that proposed class apportionments are appropriate. For example, Interruptible rates must be set at a discount relative to firm rates to reflect that interruptible service customers do not contribute to Design Day costs. In addition, the Large Interruptible class Distribution Charge rates must be set at a discount relative to the Small Interruptible class to account for the economies of scale attendant to serving Large Interruptible customers. The resulting apportionment is provided in Exhibit___(MEH-1), Schedule 2. Schedule 4 contains a comparison by class of the proposed revenue increases to the revenue deficiencies indicated by the CCOSS.

Q. HOW ARE TRANSPORTATION CUSTOMERS TREATED IN THE APPORTIONMENT PROCESS?

A. Transportation customers are treated similarly to our sales customers, except they procure their own gas supply. In order to assign Transportation customers a similar non-gas responsibility, I combine the Large Interruptible Transportation customers with the Large Interruptible class and Large Firm Transportation customers with the C&I Firm class.

D. Overall Class Impacts

Q. PLEASE PROVIDE THE OVERALL CLASS IMPACTS OF THE COMPANY'S PROPOSED REVENUE APPORTIONMENT AND COMPARED TO THE CCOSS-INDICATED REVENUE APPORTIONMENT.

A. Table 2 provides the overall class impacts of the Company-proposed apportionment and compares it to the CCOSS-indicated apportionment.

Table 2
Revenue Apportionment

Customer Class	($000)		
	Present Revenues	**CCOSS Costs of Service**	**Proposed Revenue**
Residential	44,062	57,167	50,870
% increase		29.74%	15.45%
C&I Firm	62,068	64,305	68,082
% increase		3.17%	9.69%
Small & Large Interruptible	9,262	7,952	10,149
% increase		-14.15%	9.57%
Total Sales Service	**115,393**	**129,154**	**129,100**
% increase		**11.93%**	**11.88%**
Other Revenue Increase			54
Total	115,393	129,154	129,154
% increase		11.93%	11.93%

Q. PLEASE EXPLAIN THE DIFFERENCE IN TABLE 2 BETWEEN THE CCOSS COSTS OF SERVICE TOTAL OF $129.154 MILLION AND PROPOSED REVENUE TOTAL OF $129.100 MILLION.

A. The difference between the CCOSS total and Proposed Revenue total is attributed to the $0.054 million increase in late payment fees and winter construction charges, and the proposed revenue has been reduced by this amount to account for this increase in revenues.

IV. RATE DESIGN

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

A. In this section of my testimony, I discuss the Company's overall objectives in designing rates and present the proposed rates by class to collect the total revenue requirement.

Q. PLEASE DESCRIBE EXHIBIT___(MEH-1), SCHEDULES 2 THROUGH 6.

A. Schedule 2 summarizes the number of customers, therm sales by customer class, and revenues from present and proposed rates. It also displays the amount and percentage increases between present and proposed revenues. The overall revenue increase of 11.9 percent includes a proposed 15.4 percent increase in Residential Firm Service, a 9.7 percent increase for the C&I Firm Service class, and a 9.6 percent increase for Interruptible Service classes.

Schedule 3 contains a more detailed report of the billing units by customer class, the present and proposed rates, and the corresponding present and proposed revenues.

Schedule 4 provides the resulting class revenues under the proposed test year revenue requirement compared to the class revenue requirements as determined by the CCOSS.

Schedule 5 summarizes the present and proposed rates.

Schedule 6 contains a comparison of monthly bills at present and proposed rates by class and at different usage levels.

A. Revenue Recovery

Q. HOW ARE XCEL ENERGY'S CURRENT SALES RATES STRUCTURED?

A. The Company's current sales rates are structured as two-part rates. Customers are charged a fixed "Delivery Services Charge" (Residential) or "Customer Charge" (non-residential) and a volumetric "Distribution Charge" applied to their use during the billing period.

Q. ARE THERE ANY OTHER COSTS RECOVERED FROM SALES CUSTOMERS?

A. Yes, in addition to the fixed monthly charge and the volumetric Distribution Charge, the Company recovers the cost of wholesale natural gas purchases for delivery to sales customers through a Cost of Gas (COG) charge. The COG also includes the pipeline transportation and storage costs associated with the wholesale gas. Although the test year COG are included as part of this proceeding, the fundamental rate design issues in this proceeding relate to recovery of the Company's non-gas costs of providing distribution service to sales customers.

Q. DO YOU HAVE ANY SCHEDULES SUPPORTING THE COG?

A. Yes. Exhibit___(MEH-1), Schedule 7 contains a calculation of the COG used in Schedules 2, 3, and 5. This is a "snapshot" calculation from the Company's 2026 budget and is not necessarily indicative of the Company's current month COG factor.

Q. DO YOU PROPOSE ANY INCREASES TO THE RESIDENTIAL DELIVERY SERVICES CHARGE OR ANY CUSTOMER CHARGES?

A. Yes. The Company proposes an increase in the Residential Delivery Services Charge, C&I Firm Customer Charge, and Small Interruptible Customer Charge because the revenues generated by these charges are below the customer-driven costs of service in each of these customer classes as indicated by the CCOSS. To achieve the desired rate structure and revenue apportionment, the Company also proposes to increase the Distribution Charges for all classes.

B. Detailed Rate Design and Rate Impacts

1. Residential Service

Q. WHAT CHANGE IS XCEL ENERGY PROPOSING TO THE RESIDENTIAL CHARGES?

A. The Company is proposing a 20 percent movement toward cost for the Residential class. This includes an increase to the monthly Residential Delivery Services Charge from $22.25 to $25.50 and an increase to the Residential Distribution Charge from $0.07400 to $0.18020 per therm. If the revenue requirement increase authorized in this case is lower than requested, then the Company proposes to lower the proposed Distribution Charge to effect the change.

Q. WHAT ARE THE BENEFITS TO RESIDENTIAL CUSTOMERS OF SETTING THE DELIVERY SERVICES CHARGE AT THE PROPOSED LEVEL?

A. There are several benefits to Residential customers. First, the rate structure sends appropriate economic signals to customers. As indicated in the CCOSS, the majority of costs to service Residential customers are fixed, meaning they do not fluctuate with usage. Recovering costs through a fixed charge corresponds with the cost cause.

Secondly, it reduces intraclass subsidization. Distribution service costs for Residential customers are fairly uniform. A lower Delivery Services Charge and higher volumetric Distribution Charge would increase the amount that high-usage Residential customers subsidize low-usage Residential customers.

Third, bills are more stable because they fluctuate less between the high-usage winter months and low-usage summer months. In the winter, when weather is cold, customers use considerably more natural gas than in the summertime. Therefore, a higher Delivery Services Charge has the impact of spreading the cost uniformly over the year and lowers bills in the winter months when they are the highest.

Fourth, it makes changes to rates more transparent. Rate increases are not as visible to customers when implemented through a volumetric rate charge.

Q. WHY DID THE COMPANY SELECT $25.50 FOR THE PROPOSED DELIVERY SERVICES CHARGE?

A. We began by looking at the monthly per customer average of expenses indicated in the CCOSS.[1] For the Residential class, the customer-related expenses are $33.21 and total expenses are $46.43, which would support a Delivery Services charge around $33. Acknowledging that Residential rates will not be set at CCOSS indicated levels and looking for a moderated proposal, we looked at the ratio of customer-related expenses to total expenses – 72 percent for the residential class. At the proposed 20 percent movement to cost, an average Residential customer using 65 therms would pay approximately $37 in total base revenues per month. Using the CCOSS ratio of customer-related expenses to total expenses, 72 percent of $37 is $26.64.

We then looked at Montana-Dakota Utilities Residential gas rates. Effective December 1, 2024, the Basic Service Charge (the equivalent to our Delivery Services Charge) is $0.8244 per day, which is an average of just over $25 per month.[2] We also considered the request in my Direct Testimony in our last natural gas rate case of $25.00.[3]

We concluded that $25.00 to $26.50 was a reasonable range for the Delivery Service Charges. We chose $25.50 in the lower middle of the range.

Q. WHAT IS THE BILL IMPACT OF THIS PROPOSAL FOR THE RESIDENTIAL CLASS?

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[1] Exhibit ___(CJB-1), Schedule 2

[2] Montana-Dakota Utilities Co., State of North Dakota Gas Rate Schedule, NDPSC Volume 8, 2nd Revised Sheet No. 4

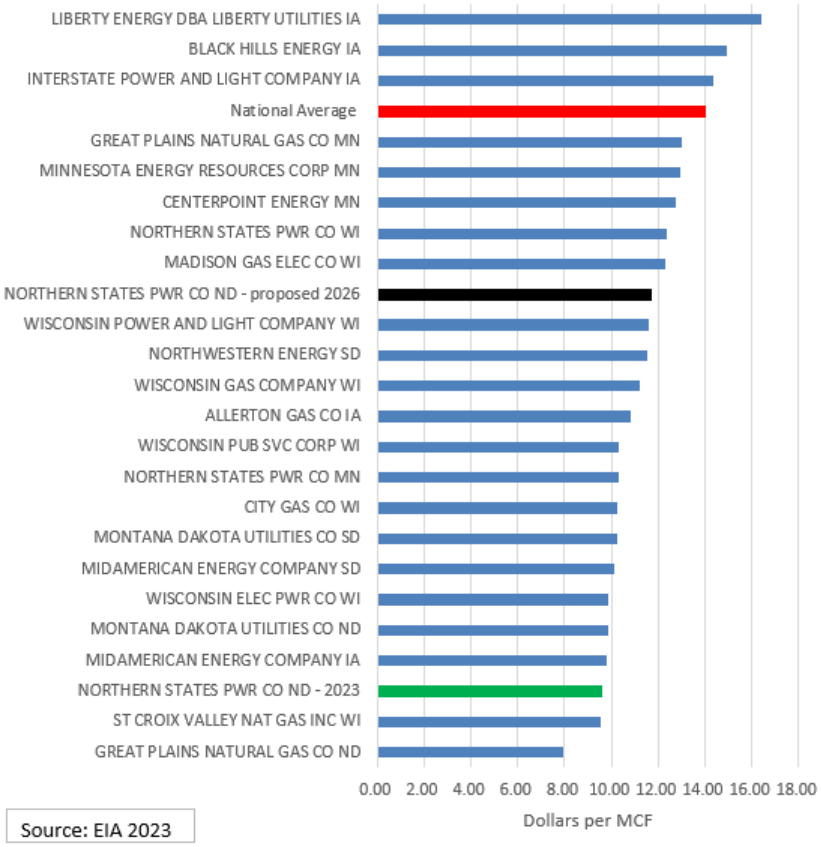
[3] *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Natural Gas Service in North Dakota*, Case No. PU-23-367, DIRECT TESTIMONY – RATE DESIGN (December 29, 2023).

A. A typical Residential customer using 65 therms per month will experience a $10.11 increase in their average monthly bill. A comparison of bills for various usage levels under present and proposed rates is shown on Schedule 6.

Q. HOW DO THE COMPANY'S RATES FOR THE RESIDENTIAL CLASS COMPARE TO OTHER NATURAL GAS UTILITIES'?

A. Figure 1 below provides a comparison of the Company's rates with other natural gas investor-owned distribution companies in the Midwest. The figure is based on 2023 data from the U.S. Energy Information Administration's (EIA). As of when this testimony went to print, EIA had not released the 2024 data. To give some context to our proposal, we have included where our proposed 2026 average Residential rate would fall in Figure 1. However, we note that the EIA data is from before the rates from our last natural gas rate case went into effect on January 1, 2025. It is reasonable to assume that some of the utilities in Figure 1 also completed general rate cases that raised their rates in the intervening time. One would also expect that all of the utilities had changes to their COG and actual usage that would impact their average Residential rate.

Figure 1
Comparison of Natural Gas Average Residential Rates



Source: EIA 2023

2. C&I Firm Service

Q. WHAT CHANGES ARE YOU PROPOSING TO THE C&I FIRM SERVICE RATES?

A. The current Customer Charge for the C&I Firm Service class is lower than the CCOSS average of customer-related expenses. I propose a moderate increase to the Customer Charge from $35 to $40 per month. I am also proposing an increase to the per therm Distribution Charge from $0.18654 to $0.26066 per therm.

3. Interruptible Sales Service

Q. WHAT CRITERIA WERE USED TO DESIGN THE COMPANY'S PROPOSED INTERRUPTIBLE GAS RATES?

A. The Company used two overall criteria to design the Interruptible gas rates. The first criterion provides that Interruptible rates should reflect the anticipated value of service to the customer. This requires that Interruptible rates be competitive with the cost of alternate fuels. The upper limit used for the Interruptible commodity pricing was the price of No. 2 fuel oil because most of these customers use No. 2 fuel oil as their primary alternate fuel. This criterion also requires a reasonable discount from firm prices because interruptible service is of lower value. If No. 2 fuel oil is priced higher than firm gas service, then the corresponding firm rates, less a reasonable discount, become the upper limits for Interruptible rates.

The second criterion applied to design Interruptible gas rates is that Interruptible customers should not be subsidized by other classes of service. Therefore, Interruptible rates should recover at least the Company's COG plus variable operating and maintenance expenses.

Q. HOW WERE THE INTERRUPTIBLE RATES DEVELOPED BASED ON THESE CRITERIA?

A. Xcel Energy is proposing an overall increase of 9.6 percent for the Interruptible Customer classes, which maintains a level of discount from firm service consistent with the discount in place today. The current Customer Charge for the Small Interruptible Service class is lower than the CCOSS average of customer-related expenses. Therefore, I am proposing to increase the Small Interruptible Customer Charge from $125 to $130 per month. The proposed Distribution Charge for the Small Interruptible Service class is an increase from $0.14631 to $0.20321 per therm. The proposed Distribution Charge for the

Large Interruptible Service class is an increase from $0.11635 to $0.17048 per therm.

Table 3 below illustrates the current and proposed level of discount between Firm and Interruptible Sales Service.

Table 3
Average Bill Comparison-Commercial Firm and Interruptible Classes

Class	Avg Usage (thm)	Avg Bill - Present Rates	Avg Bill - Proposed Rates
Commercial Firm	7,990	$6,229	$6,826
Small Interruptible	7,990	$4,819	$5,279
% Discount		23%	23%
Commercial Firm	51,059	$39,616	$43,406
Large Interruptible	51,059	$28,744	$31,508
% Discount		27%	27%

Q. WHY IS IT IMPORTANT TO HAVE INTERRUPTIBLE CUSTOMERS?

A. The willingness of Interruptible customers to trade firm service for a discount enhances system reliability and flexibility. In particular, since an Interruptible customer has agreed not to receive service at particular times, the Company's demand forecast can be reduced accordingly. This results in greater reliability, because the gas and pipeline capacity that would have ordinarily been needed to serve these customers can be used to serve other customers. This also reduces costs for all customers since the Company can now plan for less firm gas than would have otherwise been required.

Q. HOW DO THE INTERRUPTIBLE CLASSES REDUCE COSTS FOR ALL CUSTOMERS?

A. The Interruptible classes reduces costs for all customers in several ways. The throughput from these customers on our systems creates a higher load factor,

resulting in lower gas costs, which flow through the COG. In addition, if Interruptible customers switched to Firm service, the Company could need to make additional capital investments and capacity purchases to firm up service to these customers.

Q. WILL THE PROPOSED INTERRUPTIBLE RATES RECOVER MORE THAN THE COSTS IMPOSED BY THESE CLASSES?

A. Yes. The proposed Interruptible rates would recover $2.197 million above the CCOSS revenue requirement for these customers, thereby reducing the residual costs that must be recovered from firm customers.

4. Firm and Interruptible Transportation Service

Q. WHAT CHANGES ARE YOU PROPOSING FOR THE TRANSPORTATION RATES?

A. Transportation rates are the same as the corresponding sales rates, except that Transportation customers pay a slightly higher Customer Charge to reflect the additional customer-related cost of serving such customers. This approach ensures that we will be indifferent to the customer's choice of gas procurement (i.e., Xcel Energy sales gas or gas purchased from a third-party marketer). Therefore, my explanation of the proposed Customer Charges and Distribution Charges for sales customers also holds true for the corresponding Transportation rates. One nuance with the Transportation rates is that our Large Commercial Firm Transportation service customers pay a Distribution Demand Charge in addition to Customer and Distribution Energy Charges. This per therm Distribution Demand Charge is applied to these customers' monthly billed demand.

Our Large Commercial Interruptible Transportation Service and Large Commercial Firm Transportation service customers have rate ranges set with minimum and maximum rates with their actual rates negotiated within that given range. For our Large Commercial Interruptible Transportation Service customers, we propose to set the maximum Distribution Charge at $0.17048 per therm. This rate is set at the Distribution Charge for our Large Interruptible sales service class. For Large Commercial Firm Transportation service customers, we have increased the maximum Energy and Demand Charges by the same percentage increase to our C&I Firm sales service class' Distribution Charge. We are proposing to increase the maximum Energy and Demand Charges to $0.08383 and $1.68081 per therm, respectively. We are proposing to increase the minimum Energy and Demand Charges for Large Commercial Firm Transportation service customers to $0.01598 and $0.11409 per therm, respectively. This ensures that customers on this service will pay at least the average incremental cost to serve this class.

V. OTHER REVENUES

Q. HAVE YOU INCLUDED INCREASED OTHER REVENUES IN TOTAL REVENUES?

A. Yes. Other revenues have increased $53,560 for increasing late payment and winter construction charges as shown on page 1 of Schedule 2. This increase in revenues is shown with the increase in late payment charges on page 5, lines 14 and 15 of Company witness Barthol's Exhibit___(CJB-1), Schedule 2. It is also shown on Schedule 4. The proposed increase in these charges reduces the proposed increase in retail revenues.

VI. TARIFF CHANGES

Q. DOES THE COMPANY PROPOSE CHANGES TO ITS TARIFFS?

A. Yes. The Company is proposing tariff changes that correspond to the rate design proposed in my testimony. The proposed tariffs are included in legislative and non-legislative formats in Volume 2.

VII. IMPACT OF VOLUMETRIC CHARGE

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

A. In the Company's last natural gas rate case,[4] the Commission ordered "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." In this section, I address the compliance requirement from the pricing perspective.

Q. WHEN WAS THE VOLUMETRIC CHARGE EFFECTIVE?

A. The volumetric Distribution Charge was effective January 1, 2025. From July 2005 through December 2024, Residential Customers had a flat monthly Delivery Service Charge and no volumetric Distribution Charge.

Q. DO ANY OTHER WITNESS ADDRESS THIS REQUIREMENT?

A. Yes, Company witness Goodenough discussed in his Direct Testimony[5] that there was a decline in weather normalized Residential class sales from 2024 to

[4] *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-23-367, FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER at 5 (November 7, 2024).

[5] Exhibit___(JMG-1)

2025 but that a clear relationship between the usage decline and the increased Distribution Charge cannot be determined.

Q. HOW MUCH IS THE NEW VOLUMETRIC CHARGE?

A. The new volumetric Distribution Charge approved in the prior rate case is $0.07400 per therm.

Q. HOW DOES THE VOLUMETRIC CHARGE COMPARE TO THE COG AMOUNTS PAID BY CUSTOMERS?

A. The volumetric charge is significantly less than COG rate. In 2024, the weighted average annual COG rate was $0.393 per therm and that increased by $0.094 to $0.487 per therm in 2025.[6] The increase in natural gas costs alone was thus greater than the entirety of the new Residential volumetric Distribution Charge. Prior to the volumetric charge, Residential customers' monthly bills were already impacted by the amount of gas they use, and while the volumetric charge increased the extent to which that is true, the COG rate (and changes in it) remained more significant.

It is also noteworthy that the COG rate can change significantly from month to month, especially near the beginning and end of the heating season. During 2024 and 2025, the largest increase was $0.178 per therm from October 2025 to November 2025 and the largest decrease was $0.171 per therm from February 2024 to March 2024. Both are over twice the amount of the new volumetric Distribution Charge.

[6] The rates are round for readability. The full rates were $0.39329 in 2024 and $0.48743 in 2025.

Q. WHAT OTHER FACTORS CAN INFLUENCE CUSTOMER'S WN USAGE?

A. Weatherization programs, rebates, and tax incentives managed by the Company or federal, state, and local governments can impact residential energy usage.

Q. IS RESIDENTIAL NATURAL GAS USAGE GENERALLY CONSIDERED TO BE PRICE ELASTIC?

A. I am not an economist and have not studied this issue myself but am aware that the U.S. Energy Information Administration's (EIA) and the American Gas Association (AGA) have published reports that conclude that residential natural gas usage has an inelastic price response.

The EIA's January 2021 report "Price Elasticity for Energy Use in Buildings in the United States" defines price elasticity as follows:

> Price responses are considered to be elastic if the absolute value of the price elasticity is greater than one (the proportionate change in energy consumption is greater than the proportionate change in price). The absolute value of the price elasticity of energy is generally less than one, in other words, inelastic (the proportionate change in energy consumption is less than the proportionate change in price).

The EIA report goes on to show price elasticities for Residential natural gas use of negative 0.08 to negative 0.15 in the short run (one – three years) and negative 0.23 in the long run (30 years).

The AGA published the report "An Economic Analysis of Consumer Response

to Natural Gas Prices" in March 2007.[7] The study found price elasticities of negative 0.09 in the short run and negative 0.18 in the long run.

Q. WHAT IS YOUR CONCLUSION?

A. With only one year of data and multiple influences that can impact customer usage, I concur with Company witness Goodenough's conclusion that there is insufficient evidence to conclude that volumetric charges have meaningfully changed customer behavior around efficiency and conservation. The Company will continue to monitor.

VIII. CONCLUSION

Q. PLEASE BRIEFLY SUMMARIZE YOUR TESTIMONY.

A. The Company's CCOSS is an appropriate ratemaking tool in this case and was used to inform a class revenue apportionment that provides moderate movement toward the cost of service. The Company's proposed rates are reasonable, consistent with its rate design objectives, and improve customer equity. Finally, the Company has also proposed various reasonable changes to its tariffs.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

[7] AGA commissioned the report due to significant increases in natural gas prices and declining customer usage. Post Hurricane Katrina declines in production had pushed prices higher and fracking had not yet become an influence to lower prices. Declining customer usage was being driven by technological gains in appliance and home thermal shell efficiencies. Even with those conditions, the report concluded the price elasticities were very low.

STATEMENT OF QUALIFICATIONS

MARTHA E. HOSCHMILLER

OVERVIEW

My responsibilities at Xcel Energy include rate design conducted in support of the Company's rate cases and providing pricing function support and other related analyses for the utility operating subsidiaries of Xcel Energy.

PROFESSIONAL EXPERIENCE

Principal Pricing Analyst; Xcel Energy, NSPM	2022 – Present
Regulatory Case Specialist II; Xcel Energy, NSPM	2019 – 2022
Reliability Standards Analyst; Xcel Energy, Xcel Energy Services	2015 – 2019
Senior Pricing Analyst; Xcel Energy, NSPM	2008 – 2015
Pricing Analyst; Xcel Energy, NSPM	2005 – 2008
Project Coordinator; Xcel Energy, NSPM	2004 – 2005
Project Coordinator (contractor); Xcel Energy, NSPM	2001 – 2004

EDUCATIONAL EXPERIENCE

Grinnell College; BA Mathematics	1995

	Rate Code	Avg Cust.	Dkt Sales	Present Revenues			Proposed Revenue			Increase					
				Base	Fuel	Total	Base	Fuel	Total	Base	%	Fuel	%	Total	%
Firm Service															
Residential	401	56,088	4,350,125	$18,194,523	$25,867,914	$44,062,437	$25,001,778	$25,867,914	$50,869,692	$6,807,255	37.4%	$0	0.0%	$6,807,255	15.4%
Commercial and Industrial	410	10,106	8,672,380	$19,118,479	$42,949,309	$62,067,788	$25,132,601	$42,949,309	$68,081,910	$6,014,122	31.5%	$0	0.0%	$6,014,122	9.7%
Total Firm Service		66,194	13,022,505	$37,313,002	$68,817,223	$106,130,225	$50,134,379	$68,817,223	$118,951,602	$12,821,377	34.4%	$0	0.0%	$12,821,377	12.1%
Interruptible Service															
Small C&I	404	40	387,936	$628,280	$1,711,617	$2,339,897	$851,443	$1,711,617	$2,563,060	$223,163	35.5%	$0	0.0%	$223,163	9.5%
Large C&I	405	21	1,313,025	$1,515,740	$5,406,712	$6,922,452	$2,179,068	$5,406,712	$7,585,779	$663,327	43.8%	$0	0.0%	$663,327	9.6%
Total Interruptible Service		61	1,700,961	$2,144,020	$7,118,329	$9,262,349	$3,030,511	$7,118,329	$10,148,839	$886,491	41.3%	$0	0.0%	$886,491	9.6%
Total Sales Service		**66,256**	**14,723,466**	**$39,457,022**	**$75,935,552**	**$115,392,574**	**$53,164,890**	**$75,935,552**	**$129,100,442**	**$13,707,868**	**34.7%**	**$0**	**0.0%**	**$13,707,868**	**11.9%**
Other Gas Revenues															
Late Payment Revenue Increase									$29,539					$29,539	
Winter Construction									$24,020					$24,020	
Total Other Revenue									$53,560					$53,560	
Total Sales and Other Gas Revenues						**$115,392,574**			**$129,154,001**					**$13,761,427**	**11.9%**

Residential Service

	Units		Present		Proposed		Increase	
	Bills	Therms	Rate	Revenue	Rate	Revenue	Amount	Percent
Delivery Services Charge	673,053		$22.25	$14,975,431	$25.50	$17,162,853	$2,187,422	
Distribution Charge		43,501,250	$0.07400	$3,219,092	$0.18020	$7,838,925	$4,619,833	
Non-Fuel Subtotal				$18,194,523		$25,001,778	$6,807,255	37.4%
Cost of Gas Charge								
Summer (Apr-Oct)		9,218,747	$0.52527	$4,842,288	$0.52527	$4,842,288		
Winter (Nov-Mar)		34,282,503	$0.61330	$21,025,626	$0.61330	$21,025,626		
Total		43,501,250	$0.59465	$25,867,914	$0.59465	$25,867,914	$0	
Average Customers	56,088							
			Total	$44,062,437		$50,869,692	$6,807,255	15.4%

Commercial and Industrial Service

	Units		Present		Proposed		Increase	
	Bills	Therms	Rate	Revenue	Rate	Revenue	Amount	Percent
Basic Service Charge	121,277		$35.00	$4,244,706	$40.00	$4,851,093	$606,387	
Distribution Charge		86,723,798	$0.18654	$16,177,457	$0.26066	$22,605,425	$6,427,968	
Discount		13,762,985	($0.09472)	($1,303,685)	($0.16885)	($2,323,917)	($1,020,232)	
Non-Fuel Subtotal				$19,118,479		$25,132,601	$6,014,122	31.5%
Cost of Gas Charge								
Summer (Apr-Oct)		20,421,641	$0.52527	$10,726,779	$0.52527	$10,726,779		
Winter (Nov-Mar)		52,539,171	$0.61330	$32,222,530	$0.61330	$32,222,530		
Cost of Gas Charge		72,960,813	$0.58866	$42,949,309	$0.58866	$42,949,309	$0	
Average Customers	10,106							
			Total	$62,067,788		$68,081,910	$6,014,122	9.7%

Small Interruptible Service

	Units		Present		Proposed		Increase	
	Bills	Therms	Rate	Revenue	Rate	Revenue	Amount	Percent
Basic Service Charge	486		$125.00	$60,691	$130.00	$63,118	$2,428	
Distribution Charge		3,879,360	$0.14631	$567,589	$0.20321	$788,325	$220,736	
Non-Fuel Subtotal				$628,280		$851,443	$223,163	35.5%
Cost of Gas Charge		3,879,360	$0.44121	$1,711,617	$0.44121	$1,711,617	$0	
Average Customers	40							
			Total	$2,339,897		$2,563,060	$223,163	9.5%

Large Interruptible Service

	Units		Present		Proposed		Increase	
	Bills	Therms	Rate	Revenue	Rate	Revenue	Amount	Percent
Basic Service Charge	252		$275.00	$69,300	$275.00	$69,300	$0	
Distribution Charge		13,130,248	$0.11635	$1,527,704	$0.17048	$2,238,450	$710,745	
Discount		875,998	($0.09277)	($81,264)	($0.14690)	($128,682)	($47,418)	
Non-Fuel Subtotal				$1,515,740		$2,179,068	$663,327	43.8%
Cost of Gas Charge		12,254,251	$0.44121	$5,406,712	$0.44121	$5,406,712	$0	
Average Customers	21							
			Total	$6,922,452		$7,585,779	$663,327	9.6%

		(1)	(2)	(3)	(4)	(5)
Customer Class		**Present Revenues**	**Revenue Deficiency Indicated by CCOSS**	**Total Effect of Proposed Rates**	**Difference Between CCOSS Revenue Deficiency and Proposed Rates**
Residential	$ increase	$44,062	$13,105	$6,807	$6,298
	% increase		29.74%	15.4%	14.3%
Commercial	$ increase	$62,068	$1,967	$6,014	($4,047)
	% increase		3.17%	9.7%	-6.5%
Interruptible Service	$ increase	$2,340	($382)	$223	($606)
(Small Volume)	% increase		-16.35%	9.5%	-25.9%
Interruptible Service	$ increase	$6,922	($928)	$663	($1,591)
(Large Volume)	% increase		-13.41%	9.6%	-23.0%
Other Revenues	$ increase			$54	($54)
	% increase				
Total	$ increase	$115,393	$13,761	$13,761	$0
	% increase		11.9%	11.9%	0.0%

Rate Design - Class Impact by Rate Component

		(1)	(2)	(3)	(4)
Customer Class		**Present Revenues**	**Overall Impacts of Proposed Rates**		
			Delivery / Basic Service Charges	**Distribution Charges**	**Total Effect of All Changes**
Residential	$ increase	$44,062	$2,187	$4,620	$6,807
	% increase		5.0%	10.5%	15.4%
Commercial	$ increase	$62,068	$606	$5,408	$6,014
	% increase		1.0%	8.7%	9.7%
Small Interruptible	$ increase	$2,340	$2	$221	$223
	% increase		0.1%	9.4%	9.5%
Large Interruptible	$ increase	$6,922	$0	$663	$663
	% increase		0.0%	9.6%	9.6%
Total	$ increase	$115,393	$2,796	$10,912	$13,708
	% increase		2.4%	9.5%	11.9%

	Present Rates	Proposed Rates
Residential Firm Service		
Delivery Services Charge	$22.25 / Month	$25.50 / Month
Distribution Charge	$0.07400 /Therm	$0.18020 /Therm
Cost of Gas	$0.59465 /Therm	$0.59465 /Therm
C&I Firm Service		
Basic Service Charge	$35.00 /Month	$40.00 /Month
Distribution Charge	$0.18654 /Therm	$0.26066 /Therm
Cost of Gas	$0.58866 /Therm	$0.58866 /Therm
Small C&I Interruptible Service		
Basic Service Charge	$125.00 /Month	$130.00 /Month
Distribution Charge	$0.14631 /Therm	$0.20321 /Therm
Cost of Gas	$0.44121 /Therm	$0.44121 /Therm
Large C&I Interruptible Service		
Basic Service Charge	$275.00 /Month	$275.00 /Month
Distribution Charge	$0.11635 /Therm	$0.17048 /Therm
Cost of Gas	$0.44121 /Therm	$0.44121 /Therm

RESIDENTIAL FIRM SERVICE

Use (Therms)	Bill Amount Present	Bill Amount Proposed	Increase	Percent
0	$22.25	$25.50	$3.25	14.6%
10	$28.94	$33.25	$4.31	14.9%
20	$35.62	$41.00	$5.37	15.1%
30	$42.31	$48.75	$6.44	15.2%
40	$49.00	$56.49	$7.50	15.3%
50	$55.68	$64.24	$8.56	15.4%
65	$65.47	$75.58	$10.11	15.4%
75	$72.40	$83.61	$11.22	15.5%
100	$89.12	$102.99	$13.87	15.6%
200	$155.98	$180.47	$24.49	15.7%
300	$222.85	$257.96	$35.11	15.8%
500	$356.58	$412.93	$56.35	15.8%

COMMERCIAL & INDUSTRIAL FIRM SERVICE

Use (Therms)	Bill Amount Present	Bill Amount Proposed	Increase	Percent
0	$35.00	$40.00	$5.00	14.3%
50	$73.76	$82.47	$8.71	11.8%
100	$112.52	$124.93	$12.41	11.0%
250	$228.80	$252.33	$23.53	10.3%
500	$422.60	$464.66	$42.06	10.0%
715	$589.34	$647.34	$58.00	9.8%
750	$616.40	$676.99	$60.59	9.8%
1,000	$810.20	$889.32	$79.12	9.8%
3,000	$2,360.60	$2,587.96	$227.36	9.6%
5,000	$3,911.00	$4,286.60	$375.60	9.6%
7,500	$5,849.00	$6,409.90	$560.90	9.6%
10,000	$7,787.00	$8,533.20	$746.20	9.6%

SMALL VOLUME INTERRUPTIBLE SERVICE

Use (Therms)	Bill Amount Present	Bill Amount Proposed	Increase	Percent
1,000	$712.52	$774.42	$61.90	8.7%
3,000	$1,887.56	$2,063.26	$175.70	9.3%
5,000	$3,062.60	$3,352.10	$289.50	9.5%
7,500	$4,531.40	$4,963.15	$431.75	9.5%
7,990	$4,819.31	$5,278.94	$459.63	9.5%
10,000	$6,000.20	$6,574.20	$574.00	9.6%
20,000	$11,875.40	$13,018.40	$1,143.00	9.6%

LARGE VOLUME INTERRUPTIBLE SERVICE

Use (Therms)	Bill Amount Present	Bill Amount Proposed	Increase	Percent
1,000	$832.56	$886.69	$54.13	6.5%
3,000	$1,947.68	$2,110.07	$162.39	8.3%
5,000	$3,062.80	$3,333.45	$270.65	8.8%
7,500	$4,456.70	$4,862.68	$405.97	9.1%
10,000	$5,850.60	$6,391.90	$541.30	9.3%
50,000	$28,153.00	$30,859.50	$2,706.50	9.6%
52,104	$29,326.20	$32,146.59	$2,820.40	9.6%
100,000	$56,031.00	$61,444.00	$5,413.00	9.7%
150,000	$83,909.00	$92,028.50	$8,119.50	9.7%
200,000	$111,787.00	$122,613.00	$10,826.00	9.7%

Peak Day Demand Costs - Total **$17,432,865**

(1)	Twelve Month Peak Day Demand Costs	$9,789,118
(2)	Firm Demand Billing Units (therms)	116,462,062
(3)	Firm Demand Cost per Therm	$0.08405
(4)	Winter Peak Day Demand Costs	$7,643,747
(5)	Firm Demand Billing Units (therms)	86,821,674
(6)	Firm Demand Cost per Therm	$0.08804

Commodity Costs

Class	Class Commodity Cost	Commodity Cost per therm	Summer Total capacity & Commodity Cost per therm	Winter Total capacity & Commodity Cost per therm
Residential Firm	$19,193,236	$0.44121	$0.52527	$0.61330
Commercial Firm	$32,191,123	$0.44121	$0.52527	$0.61330
Small Interruptible	$1,711,617	$0.44121	$0.44121	$0.44121
Large Interruptible	$5,406,712	$0.44121	$0.44121	$0.44121
Transportation	$0			
TOTAL	**$58,502,687**	$0.44121		

Total Cost of Gas **$75,935,552**

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
Martha E. Hoschmiller

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.

Martha E. Hoschmiller

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

Notary Public
My Commission Expires:

Deanna Samuelson
Notary Public
Minnesota
My Commission Expires January 31, 2030