Direct Testimony and Schedules
Allen D. Krug

Before the North Dakota Public Service Commission
State of North Dakota

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

Case No. PU-23-____
Exhibit___(ADK-1)

Policy

December 29, 2023

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Schedules

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

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

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

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

Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

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

Q. FOR WHOM ARE YOU TESTIFYING?

A. I am testifying on behalf of Xcel Energy.

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

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

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

Q. PLEASE DESCRIBE HOW YOUR TESTIMONY IS ORGANIZED.

A. I present my testimony in the following sections:

- Case Overview;
- Company Overview;
- Key Developments Since the Company's Last Rate Case;
- Rate Case Components;
- Proposed Changes to Rate Recovery; and
- Introduction of Company Witnesses

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

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

II. CASE OVERVIEW

Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST IN THIS PROCEEDING.

A. In this case, Xcel Energy seeks authority from the Commission to increase our retail natural gas base rate revenues by approximately $8.463 million, or 9.4

percent. We base this request on a 2024 future test year as allowed by North Dakota law. The test year revenue requirement reflects a Return on Equity (ROE) of 10.20 percent and an overall Rate of Return (ROR) of 7.52 percent. Under our proposal, a typical residential customer would see a monthly bill increase of about $6.75 per month.

Q. WHEN WAS THE COMPANY'S LAST NATURAL GAS BASE RATE CASE?

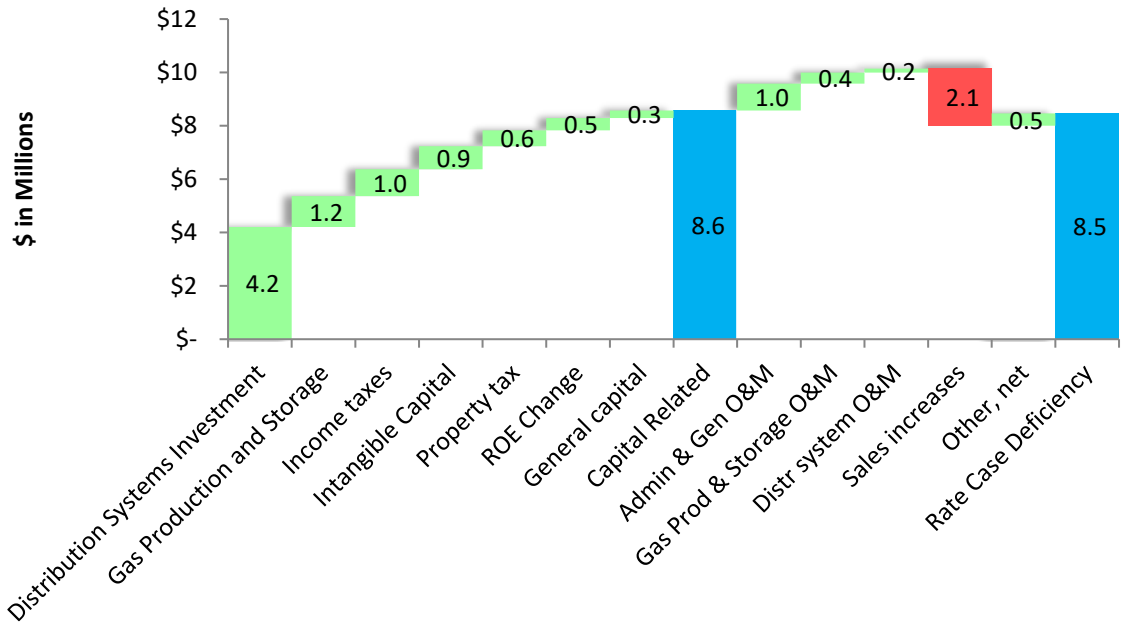
A. The Company's last natural gas base rate case was filed in September 2021 and used a 2022 future test year (Case No. PU-21-381).

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

A. The Company is filing this rate case due to material capital investments made since our last rate case, particularly investments in our gas system in North Dakota and investments in our peaking plants, which provide capacity benefits to the entire NSP gas system. General and intangible capital investments, including investments in information technology, fleet modernization, and improvements to the facilities the Company uses to operate our system are also contributing to the need for this rate case.

Figure 1, below, identifies the key categories of costs driving our current revenue deficiency compared to current rates (*i.e.*, those established using a 2022 test year).

Figure 1
Incremental Rate Case Drivers – Current Rates (2022 Rate Case) to 2024 Test Year



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

A. The capital investments in our distribution system are described in more detail in Company witness Alicia Berger's Direct Testimony. To summarize, these investments relate to: a) investments in serving new customers, including installing new service lines and meters; b) investments in improved reliability, such as capacity increases and the replacement of meter modules; c) safety-related work, including work required by federal regulations; and d) mandatory infrastructure relocations in response to requirements of governmental authorities.

Q. WHAT TYPES OF INVESTMENTS ARE INCLUDED IN GAS PRODUCTION AND STORAGE?

A. The Company is continuing its multi-year refurbishment of its three peaking plants to maintain operational reliability during periods of peak demand. The facilities include one liquid natural gas (LNG) peaking plant and two propane peaking plants. The plants provide additional capacity to the overall system during peak events by vaporizing LNG or propane to create additional gas for customer use. In 2023, the Company completed vaporization improvements for the Maplewood and Sibley plants discussed in the prior rate case and invested in the Inlet Meter Building project, which Company witness Berger discusses. In 2024, this work will include crucial improvements to fire suppression systems. I address these plants and projects further below, and Company witness Berger also discusses them in greater depth.

Q. WHAT ARE THE GENERAL CAPITAL AND INTANGIBLE CAPITAL INVESTMENTS CONTRIBUTING TO THIS RATE REQUEST?

A. The investments in these categories consist largely of investments in our fleet and supporting infrastructure, information technology (IT) investments, and improvements to the Company's facilities. I describe these investments further below and they are also briefly discussed by Company witness Allison M. Johnson as part of an overall discussion of capital additions.

Q. WHAT ARE THE INCREASED PROPERTY AND INCOME TAX DRIVERS?

A. The increase in property taxes is a result of the capital additions reflected in the other case drivers discussed above. Income tax increases are merely a function of increased capital investments and the related additional revenue.

Q. PLEASE DESCRIBE THE CUSTOMER, SALES GROWTH DEPICTED IN FIGURE 1.

A. Over the past couple years, the Company has experienced growth in the number of North Dakota gas customers, primarily due to continued residential growth in our Fargo, West Fargo, and Grand Forks service areas. Unlike our electric service area, which is limited by the state's territorial integrity law, Xcel Energy is able to grow its gas business as these communities grow. This growth has contributed to increased revenues.

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

A. In 2022, our weather-normalized jurisdictional gas return on equity was 9.80 percent; for 2023, it is forecasted to be 5.99 percent. Absent a rate increase, the forecasted return in 2024 is 2.95 percent. With that level of projected return, the Company must seek additional revenue.

III. COMPANY OVERVIEW

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

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

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

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

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

A. Yes. The Company serves approximately 533,000 natural gas customers in North Dakota and Minnesota. Of those, about 63,000 are customers located in North Dakota in the cities of Fargo, Grand Forks, and several surrounding communities, including West Fargo, Mapleton, Buffalo, Casselton, Emerado, Horace, Oriska, Prairie Rose, Reille's Acres, Riverside, Tower City, Thompson, and Wild Rice. NSP has approximately 1,150 miles of distribution mains in North Dakota, along with compressor stations, regulator stations, and other supporting infrastructure located in the state.

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

A. For 2024, the Company is projecting that its North Dakota customers will use approximately 14,300,000 thousand cubic feet (MCF) of natural gas; however, actual consumption will obviously depend on the weather. That represents approximately 10.77 percent of NSP's total gas sales forecasted in Minnesota and North Dakota for the year. In the extreme cold weather conditions, the Company uses a "Design Day" to design the peak capacity of its system; this is explained in Company witness Berger's Direct Testimony. NSP projects North Dakota customers' contribution to the Company's 2024 peak capacity will be approximately 13.20 percent of the total for both states.

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

A. The Company directly assigns many natural gas costs to particular state jurisdictions. For example, capital and O&M costs for portions of the distribution system that only serve customers in North Dakota are directly

assigned to North Dakota. For those costs incurred by areas of the Company to support operations in both North Dakota and Minnesota, the Company uses a variety of allocation factors, which are discussed by Company witness Benjamin C. Halama. The Company's allocation methodologies in this Application are consistent with past practices, and have been accepted by regulators in North Dakota and Minnesota. These methodologies are set forth in the Company's Cost Assignment and Allocation Manual (CAAM), which is Schedule 12 to Company witness Halama's Direct Testimony, Exhibit___(BCH-1), Schedule 12.

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

A. The Company purchases the natural gas that it provides to customers in North Dakota and Minnesota primarily at four different hubs: the Ventura Hub (located in Hancock County, Iowa), the Demarcation Hub (located north of Clifton, Kansas), the Emerson Hub (located in Emerson, Manitoba, Canada), and the Chicago Hub (located in Chicago, Illinois). The Company purchases natural gas from different areas of the United States and Canada at these hubs, including a significant portion of natural gas from the Bakken formation located primarily in North Dakota, which is purchased at the Ventura Hub in Iowa. Company witness Berger also discusses the Company's natural gas purchases in her Direct Testimony.

Q. WHAT STORAGE CAPACITY DOES THE COMPANY HAVE?

A. As Company witness Berger discusses, we hold contracts for natural gas storage in Michigan, Iowa, and Kansas. Primarily, these are used as a reliability tool to ensure customers have adequate gas supply each and every day. However, they

also serve as a price hedge against the potentially higher costs of gas purchased on the spot markets during winter. When the Company uses gas from storage, the particular gas molecules moved out of storage may not end up in North Dakota; however, North Dakota customers benefit from our hedging because of our combined gas purchasing and transportation for NSP customers. In addition to storage, the Company has three LNG and propane gas peaking facilities that I discussed earlier.

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

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

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

A. Market locations for the purchase and delivery of natural gas are driven, in part, by the capacity and location of pipelines and other infrastructure to transport gas from production fields to customers. The Northern Border Pipeline transports gas production from the Bakken Basin and connects with the Northern Natural Gas Company (Northern) system at the Ventura Hub in Iowa. The Northern Border Pipeline and Northern systems have the necessary

capacity to move gas from the Bakken to Xcel Energy's distribution system. While the WBI system directly connects the Company's distribution system in North Dakota to the Bakken and the Company uses all the WBI capacity available to it, the WBI system lacks adequate capacity to fully serve the Company's North Dakota customers. As a practical matter, therefore, the vast majority of the natural gas the Company supplies to customers in North Dakota is transported using Viking to move gas from the Emerson Hub and from Minnesota pipeline connections.

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

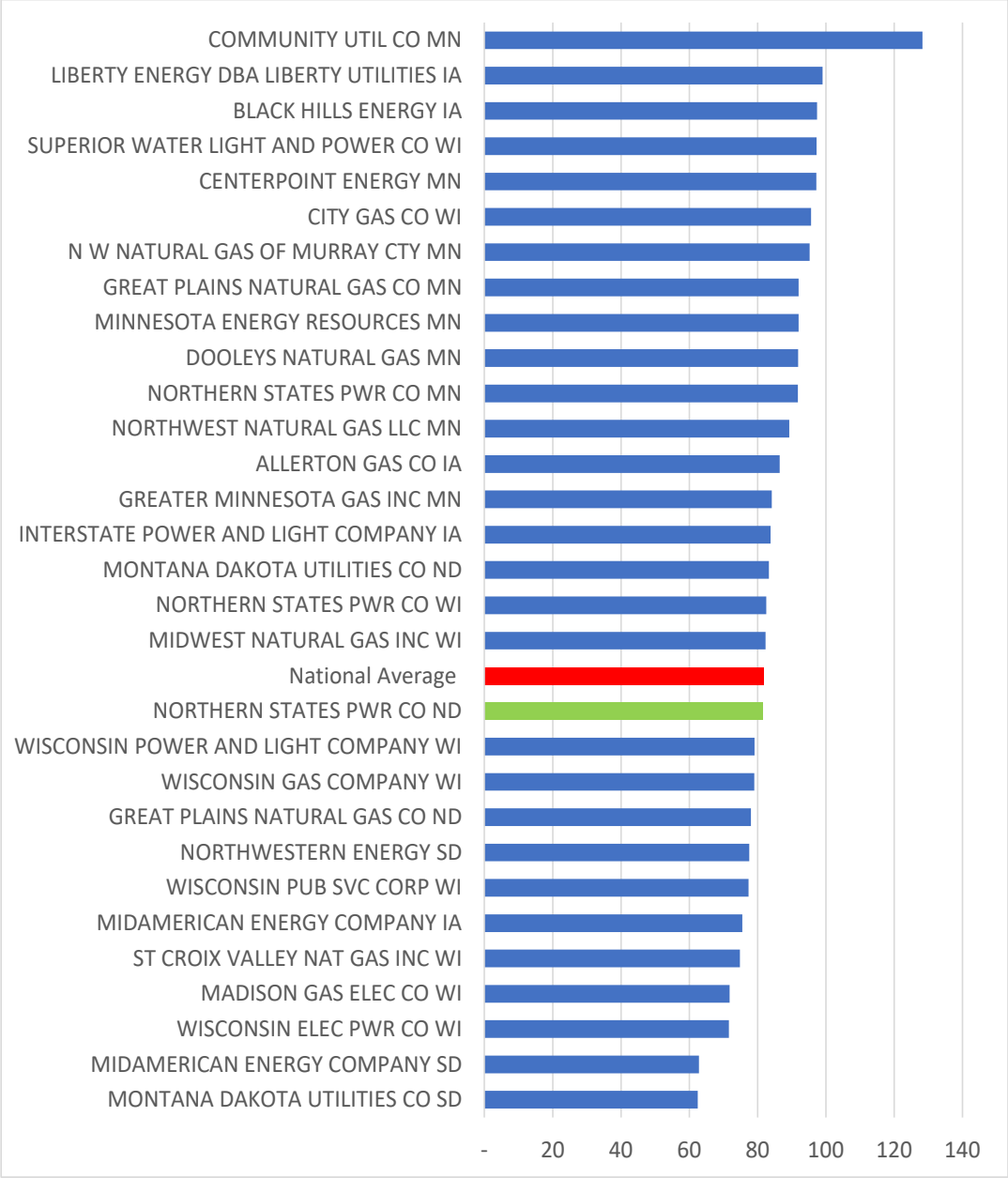
A. Although NSP's gas system in North Dakota and Minnesota is not an integrated NSP system in the same sense as its electric utility system, NSP carries out capacity planning, purchasing and transportation decision-making, and other support functions on a unified basis for its service areas in both states.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

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

A. Our North Dakota gas customers benefit from Xcel Energy's unified purchasing and transportation decisions for the larger overall NSP gas system, and these benefits are reflected in the low rates we have been able to charge when compared to peers in the region. Figure 2 below uses 2022 data from the American Gas Association to compare the Company's average monthly residential natural gas bills with the national average and those of other investor-owned natural gas utilities in North Dakota, Minnesota, South Dakota,

Wisconsin, and Iowa. The Company is depicted in green, the national average in red, and those of peer utilities are shown in blue.

Figure 2
2022 Average Residential Monthly Natural Gas Bills



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

Q. HOW WILL THE COMPANY'S RATES COMPARE WITH THOSE OF OTHER GAS UTILITIES IN THE REGION IF ITS RATE INCREASE APPLICATION IS GRANTED?

A. Under our proposal, the Delivery Services Charge would increase by $2.75 per month, and the average customer would have a distribution charge of $4.00. Together, assuming no other utilities increase rates, those increases would still position NSP's North Dakota bills within the range of our peer utilities in the region.

IV. KEY DEVELOPMENTS SINCE THE COMPANY'S LAST RATE CASE

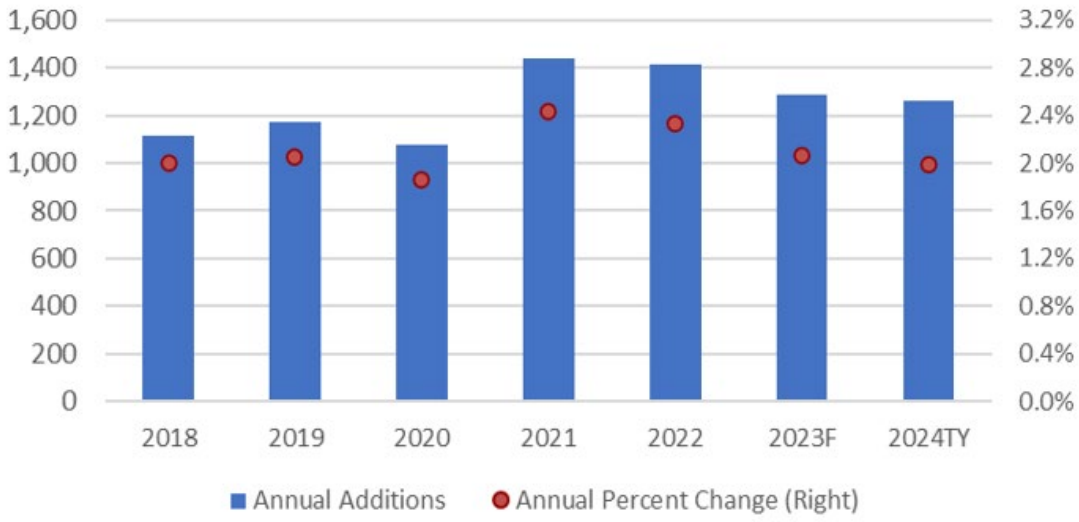
Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I discuss material developments since the conclusion of the Company's last rate case. In particular, I discuss customer and sales growth, investments in the equipment and gas facilities used to serve our customers in North Dakota, capital improvements to the Company's gas peaking plants, our investments in information technology, our fleet and property investments, and our customer and sales growth.

Q. WHAT TRENDS HAS THE COMPANY SEEN IN CUSTOMER AND SALES GROWTH?

A. We have seen customer growth over the past couple years in North Dakota that is consistent with recent trends. Customer growth has ranged from about 1,100 to 1,400 customers per year since 2018 and the forecast for 2023 and 2024 is to add between 1,250 and 1,300 customers per year. The growth rates in 2023 and 2024 are 2.1 percent and 2.0 percent, respectively, which is in line with the recent 5-year trend. Figure 3 below sets forth the percentage increase in customers by year and the number of new customers from 2018 through to the forecast for the 2024 test year. The Company expects total sales for the 2024 test year to be slightly higher than in 2022, with forecasted growth of 0.2 percent per year on average. Company witness John M. Goodenough provides further information regarding our sales and customer growth in his Direct Testimony.

Figure 3
Annual Customer Additions and Percent Growth, 2018-2024



Q. WHAT IS DRIVING THE GROWTH?

A. As was the case in our prior natural gas rate case, much of the growth in North Dakota results from the healthy economies and construction of new housing within the Company's eastern North Dakota service territory, particularly in the

Fargo and West Fargo area. Natural gas from Xcel Energy is an attractive heating option for new housing because it is clean-burning, convenient, low-cost, and because customers do not need onsite storage as they would for fuel oil, propane, or wood. Customers also do not have to pre-purchase fuel as they do with some other heating options. There has also been some gradual service area growth by Xcel Energy as gas distributions mains have been extended over the years.

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

A. Xcel Energy has made and is planning to make capital investments since our last rate case that result in an increase of $52.57 million to the Company's North Dakota rate base.

Q. PLEASE DESCRIBE THE INVESTMENTS THE COMPANY HAS MADE IN ITS NORTH DAKOTA GAS OPERATIONS.

A. Company witness Berger will discuss this in greater depth in her Direct Testimony, but I will provide a general overview. As I have noted above, investments in our North Dakota gas operations are the single most significant driver of this rate case. As Company witness Berger explains in her Direct Testimony, these projects include new customer business, reliability improvements, including the replacement of meter modules, safety improvements, and mandatory improvements. In order to keep the system operating safely and reliably, some capital investment is needed every year, including investments made to comply with regulations promulgated by the federal Pipeline and Hazardous Materials Safety Administration. Capital additions are made to the system to hook up to new customers, and some

distribution mains have to be re-routed in response to government-driven changes in the physical infrastructure, including the Fargo-Moorhead Flood Diversion Project and street improvement projects.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE PEAKING PLANTS.

A. The Company 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. These plants are largely a capacity resource. They store liquefied natural gas or propane gas that can be vaporized and injected into the system to help meet firm customer requirements on the coldest winter days.

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

A. The only reasonable alternative would be to obtain additional firm capacity on a gas pipeline; however, as Company witness Berger explains, that would require construction of new facilities on the pipeline in question, which would take years and would result in the Company paying approximately $60 to $70 million per year in charges for the resulting capacity. The investments in the peaking plants are a much more cost-effective source of firm capacity.

Q. WHAT INVESTMENTS IS THE COMPANY MAKING IN THE PEAKING PLANTS?

A. Company witness Berger discusses this in more detail in her Direct Testimony, but I will give a general overview. As I noted above, the Company is continuing a multi-year refurbishment of the plants. This has included discrete equipment replacement or refurbishment projects. The Company has also completed the vaporization improvements at two of the plants that were discussed in the prior rate case. In 2024, the Company plans to put into service fire detection and

suppression system upgrades at the Westcott and Maplewood plants. These upgrades are necessary for the continued safe operation of the decades-old plants.

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

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

Q. WHAT OTHER CAPITAL INVESTMENTS ARE CONTRIBUTING TO THE REVENUE REQUIREMENT?

A. The other significant categories are intangible capital investments and general capital investments. These consist of investments in the Company's information technology, including replacements of aging and outdated software systems and investments in newer systems to enhance our capabilities to efficiently manage our business, capital replacements to our fleet and fleet-related infrastructure, and property services and enterprise security investments.

Q. PLEASE BRIEFLY DESCRIBE FLEET ASSETS AND THE FUNCTION SERVED BY THE FLEET ORGANIZATION.

A. The fleet assets are the cars, trucks, trailers, and construction equipment, and supporting facilities such as garages and fuel depots that the Company uses to support its provision of safe and reliable service. The fleet organization is responsible for planning, procuring, maintaining, and retiring those assets. The construction, maintenance, and repair of the natural gas system necessitates regular travel, which in turn requires the use of vehicles. Because the Company must be in a position to swiftly and safely respond to emergencies, it is imperative that the Company's vehicles be safe and reliable. The Company also uses various different types of construction equipment to perform the regular work of maintaining the safety and reliability of our gas distribution system.

Q. WHAT TYPES OF FLEET INVESTMENTS ARE CONTRIBUTING TO THE NEED FOR THIS RATE CASE?

A. The most significant portions of the Company's fleet investments are asset replacements and additions made to the fleet to serve new business. NSP recently analyzed the cost of fleet ownership and determined that a somewhat younger fleet would produce a reduction in the total fleet ownership costs. As a result, the Company is making fleet replacements which will lower the average age of the fleet, increase reliability, and reduce fueling and maintenance expenses.

Q. YOU HAVE DESCRIBED THE REASON FOR FLEET REPLACEMENTS, BUT WHY IS THE COMPANY MAKING ADDITIONS TO ITS FLEET?

A. The Company is adding some additional fleet assets in response to business needs and to reduce expenses for renting certain vehicles. From 2020 to 2022,

the Company paused its fleet additions and studied use of the existing fleet to make sure existing vehicles are fully utilized. Based on that analysis, the Company determined that some additional vehicles are needed.

Q. OTHER THAN VEHICLE REPLACEMENTS AND ADDITIONS, WHAT OTHER TYPES OF FLEET CAPITAL INVESTMENTS IS THE COMPANY MAKING?

A. Those two categories are the largest portions of the fleet capital additions by a significant margin, but there are also some investments in the areas of fueling infrastructure and garage tools. The garage tools additions include the purchase and installation of cranes, air compressors, and other infrastructure at fleet service centers. The fueling infrastructure includes investments in charging infrastructure for electric vehicles.

Q. WHAT ARE THE PROPERTY SERVICES AND ENTERPRISE SECURITY CAPITAL ADDITIONS?

A. The additions in this area consist of investments in security infrastructure and additions to buildings and facilities.

Q. ARE THERE ANY PARTICULAR PROPERTY SERVICES OR ENTERPRISE SECURITY PROJECTS IN THE WORKS TO SPECIFICALLY IMPROVE SERVICE IN NORTH DAKOTA?

A. Yes. The initial phase of construction for our new Grand Forks Service Center is scheduled to begin in March 2024. The new service center, which is being built in response to growth in the Grand Forks area and which will also serve East Grand Forks, is an investment of just under $20 million on a Company-wide basis. However, it will not be in service in 2024 and is thus not contributing to the need for this rate case.

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

A. As shown in Figure 1 above in Section II, there have been minor increases in O&M, including gas distribution O&M and administrative and general O&M. However, the additional revenue from increased sales exceeds the additional O&M amounts. Accordingly, capital investments, and not O&M expenses, are the primary driver of the need for this rate case.

V. RATE OF RETURN

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

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

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

A. As an initial matter, it is my understanding that the Company is legally entitled to an opportunity to earn an appropriate return. It is also sound public policy to set the right return on equity and rate of return. When the return on equity is set at a level that is not too low or too high, the Company is able to attract capital and cost-effectively make appropriate investments in serving its North

Dakota customers. The Company's past investments have allowed us to provide reliable natural gas service at a reasonable price, and it is the interest of the Commission and our customers to incentivize such investments going forward. We need a rate of return that reflects current economic conditions to continue attracting capital and incentivizing investments at a suitable level. Moreover, an unreasonably low rate of return will also adversely impact our cost of debt.

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

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

Q. WHAT IS THE IMPACT OF CURRENT ECONOMIC CONDITIONS?

A. Company witness Nowak discusses the topic in his Direct Testimony, particularly with respect to return on equity. I will not repeat his testimony here. However, I will note that the United States has been dealing with inflation at rates that have not been seen for decades. This inflation is relevant in a few different ways: (1) it contributes to an environment in which there is significant risk and volatility in the markets, which can lead investors to seek more of a risk premium; (2) rising costs can impede the ability of the Company to earn a reasonable rate of return; and (3) increases in the interest rates for governmental debt can impact investors' expectations for the rates of return they expect from other investments. In addition, current market conditions have increased the Company's short-term borrowing costs. As short-term borrowing is one

component of the Company's overall capital structure, the higher cost of such debt has an impact on the overall rate of return.

VI. RATE CASE COMPONENTS

A. Test Year

Q. WHAT INFORMATION IS THE COMPANY PROVIDING TO SUPPORT ITS 2024 TEST YEAR IN THIS CASE?

A. Consistent with N.D.C.C. § 49-05-4.1, the Company includes the following in this Application to substantiate its 2024 test year:

a. A comparison of forecast data to historical period data to demonstrate the reliability and accuracy of the utility's forecast, including a comparison of the prior years' forecast or budgeted data to actual data for those periods, is provided in Company witness Halama's Direct Testimony.

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

c. A statement that the accounting treatment that has been applied to anticipate events and transactions in the forecast is the same as the accounting treatment to be applied in recording the events once they have occurred is provided in Company witness Halama's Direct Testimony.

B. Rate of Return

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

A. Our proposed revenue requirement reflects an overall rate of return (ROR) on investment of 7.52 percent, based on an average common equity ratio of 52.50 percent and an ROE of 10.20 percent. Company witness Nowak provides a detailed analysis of the appropriate overall ROR and ROE for the Company in his Direct Testimony.

C. Revenue Requirements

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

A. The Company is proposing a revenue requirement of $98.453 million. The revenue deficiency sought in this rate case is $8.463 million.

D. Rate Design

Q. PLEASE DESCRIBE YOUR PROPOSED RATE DESIGN FOR THIS CASE.

A. We are proposing a change to the current rate design for our residential customers. Company witness Martha E. Hoschmiller discusses rate design further and describes the Company's proposed change in her Direct Testimony.

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

A. Yes. Company witness Hoschmiller provides additional detail; however, I can generally describe the rate structure. Residential customers currently pay a fixed monthly "Delivery Services Charge," which is $22.25, and pay for their commodity gas through the Cost of Gas (COG) Rider. The direct cost paid for

gas has thus been separated out from other costs. The Company is proposing to increase the Delivery Services Charge to $25.00 and also to add a volumetric Distribution Charge that varies depending on the quantity of gas delivered. This new charge would be $0.06155 per therm.

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

Q. WHY IS THE COMPANY PROPOSING A CHANGE TO ITS RATE DESIGN FOR RESIDENTIAL CUSTOMERS?

A. The Company's current rate design has worked well for the Company and our North Dakota customers. However, some concern was expressed during the prior rate case regarding the residential rate design and the Company has determined that a change could be appropriate at this juncture.

VII. PROPOSED CHANGES TO RATE RECOVERY

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

A. In this section of my Direct Testimony, I discuss the Company's proposed changes to certain ratemaking items related to employee compensation and benefits and charitable donation and association dues.

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

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

Q. WHAT IS LTI?

A. LTI is an incentive program that is available to our more senior and executive level employees; less than five percent of exempt and non-bargaining employees are eligible for LTI. LTI is intended to incentivize these senior employees to effectively manage the Company towards its overall corporate goals and in the best interest of our customers and shareholders. As its name implies, LTI provides a long-term incentive to these Company leaders through the grant of Xcel Energy Inc. equity. The employees who receive an LTI grant tend be those who have a higher level of influence in the Company's direction and strategy, and also are employees who are in positions that can be expensive and time-consuming to fill. The LTI program helps retain these key employees and is necessary for Xcel Energy to remain competitive in the labor market.

Q WHAT PERFORMANCE COMPONENTS ARE ASSOCIATED WITH LTI?

A. LTI can be earned through achievement of metrics tied to overall corporate goals. LTI can be earned via three separate components: 1) environmental performance, 2) total shareholder return, and 3) time-based LTI.

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

A. The Company is proposing that it be allowed to recover the environmental and time-based portion of its LTI expenses. Environmental LTI is the portion of the LTI program tied into the achievement of the Company's environmental goals. The technologies implemented by Xcel Energy will result in efficiencies, allow for a lower cost of capital, and remove fuel costs, in addition to environmental and other benefits. Time-based LTI is the portion of the LTI program tied to the length of key employees' service with the Company. Customers benefit from the Company's ability to retain the institutional knowledge and capabilities of key employees.

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

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

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

A. The Company is proposing that it be allowed to recover 100 percent of the cost of membership dues for the Greater North Dakota Chamber of Commerce. Such dues are a common business expense. Moreover, participation in the Chamber of Commerce can facilitate important discussions between Xcel Energy and other members of the North Dakota business community,

including industrial and commercial clients, to the benefit of the Company and its customers.

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

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

VIII. INTRODUCTION OF COMPANY WITNESSES

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

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

- *Benjamin C. Halama,* who sponsors the overall revenue requirement for the rate case. Company witness Halama sponsors the schedules supporting our income statement, rate base, revenue deficiency, and jurisdictional allocations.

- *Joshua C. Nowak,* of Concentric Energy Advisors, Inc. who sponsors testimony on the ROE and ROR, including capital structure and cost of capital.
- *John M. Goodenough*, who sponsors testimony regarding the Company's sales forecast.
- *Allison M. Johnson,* who sponsors testimony regarding the Company's depreciation expenses, accumulated depreciation, and capital roll-forward.
- *Alicia E. Berger*, who sponsors testimony regarding the Company's Gas Operations, including capital investments and O&M expenditures.
- *Christopher J. Barthol*, who sponsors testimony regarding our class cost of service study.
- *Martha E. Hoschmiller*, who sponsors testimony regarding rate design.

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

IX. CONCLUSION

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

A. We respectfully request that the Commission approve:

- Our requested rates that provide a net incremental revenue requirement increase of $8.463 million;
- An overall ROR on investment of 7.52 percent, based on an average common equity ratio of 52.50 percent and an ROE of 10.20 percent; and
- Minor changes to our rate design.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Al Krug

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612-330-6270 (W)

EDUCATION

1980	University of California, Los Angeles MA, Economics
1978	Queens College, City University of New York BA, Economics

WORK EXPERIENCE

2013-Present

Xcel Energy Services, Inc., Minneapolis MN
Associate Vice President, State Regulatory Policy

- Develop regulatory strategy for NSPM.

2008-2013

Xcel Energy Services, Inc., Minneapolis MN
Regional Vice President, Regulatory Administration

- Coordinate regulatory compliance and strategy for NSPM.

2003-2008

Xcel Energy Services, Inc., Denver, Colorado
Regulatory Consultant

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

1998-2003

Xcel Energy Services, Inc., Minneapolis, MN
Manager Renewable Energy/Regulatory Contract Coordinator

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

1994-1998 **Minnesota Department of Commerce, St. Paul, MN**
Supervisor, Electric Regulatory Unit

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

1982-1994 **Minnesota Department of Commerce, St. Paul, MN**
Principal Statistical Analyst

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

FILING REQUIREMENT COMPLIANCE TABLE

Application of Northern States Power Company for Authority to Increase Rates for Natural Gas Service in North Dakota	)))	Case No. PU-23-____

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

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

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

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

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	**Required Information**	**Section and Page of Application**
	c. A future test year, which is any consecutive twelve-month period ending no later than twenty-four months after the date new schedules are filed. A public utility selecting a future test year must file data for the twelve consecutive months immediately preceding the future test year and that period is the "current period" for the public utility.	Benjamin Halama, Exhibit___(BCH-1), Section III.B, Schedule 3A, 3B.

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	**Required Information**	**Section and Page of Application**
	2. A public utility selecting a current or future test year shall present the following information:	
	a. A comparison of forecast data to historical period data to demonstrate the reliability and accuracy of the utility's forecast including a comparison of the prior years' forecast or budgeted data to actual data for those periods.	Benjamin Halama, Exhibit___(BCH-1), Section III.A, Schedule 10.
	b. A statement that the public utility's forecast is reasonable, reliable, and was made in good faith and that all basic assumptions used in making or supporting the forecast are reasonable, evaluated, identified, and justified to allow the commission to test the appropriateness of the forecast.	Benjamin Halama, Exhibit___(BCH-1), Section III.A.
	c. A statement that the accounting treatment that has been applied to anticipated events and transactions in the forecast is the same as the accounting treatment to be applied in recording the events once they have occurred.	Benjamin Halama, Exhibit___(BCH-1), Section III.A.

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

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

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	**Required Information**	**Section and Page of Application**
	a. A rate of return on common equity for the public utility equal to that authorized by the commission in the public utility's most recent rate proceeding;	Alternative Petition for Interim Rates, Section III. 9.8 percent ROE per Case No. PU-21-381, Settlement Agreement (Revenue Requirements), p.4 (5/27/2022).
	b. Rate base or expense items the same in nature and kind as those allowed by a currently effective commission order in the public utility's most recent rate proceeding; and	Alternative Petition for Interim Rates, Section III.
	c. No change in existing rate design.	Alternative Petition for Interim Rates, Section IV.
	3. In ordering an interim rate schedule, the commission may require a bond to secure any projected refund required by subsection 4. The terms of the bond, including the amount and surety, are subject to the commission's approval.	N/A
	4. As ordered by the commission, the utility shall promptly refund to persons entitled thereto all interim rate amounts collected by the public utility in excess of the final rates approved by the commission plus reasonable interest at a rate to be determined by the commission.	N/A

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

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	**Required Information**	**Section and Page of Application**
	b. Partnerships. If the applicant is a partnership, the partnership agreement and any fictitious name certificate must be filed.	N/A
	c. If the applicant's articles of incorporation or partnership agreement have already been filed with the commission in some prior proceeding, it is sufficient if this fact is stated in the application and reference is made to the case number and number of the prior proceeding.	The Company's articles of incorporation were filed in the Corporate Documents Case No. PU-09-664 on September 30, 2009, and certificates of good standing were filed on January 10, 2023.
	4. Financial statement. Whenever the commission requires the filing of a financial statement by any utility, the applicant shall file consolidated financial statements for the most recent fiscal year using generally accepted accounting principles [sic] or, if applicable, accounting standards required by federal regulatory jurisdictions. Each financial statement must include:	Benjamin Halama, Exhibit___(BCH-1), Schedule 11.
	a. A balance sheet of the form and style usually followed in the industry.	Benjamin Halama, Exhibit___(BCH-1), Schedule 5.
	b. An income statement of the form and style usually followed in the industry.	Benjamin Halama, Exhibit___(BCH-1), Schedule 6.

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

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

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	**Required Information**	**Section and Page of Application**
	[…] The individual customer notices required by this section are separate from and in addition to any other customer notices required by law or rule, unless the commission authorizes the utility to satisfy multiple notice requirements with one notice.	Notice of Change in Rates for Gas Service, Section III.
N.D.A.C. 69-09-01-26	Each rate filing shall stipulate the classification of service and application thereto, date effective, and the particular rate to be superseded. The filing shall be accompanied by a statement showing the reasons for making the filing and the estimated amount of annual revenue affected, based upon the previous year's business.	Notice of Change in Rates for Gas Service, Sections I, II.
N.D.A.C. 69-09-01-29(2)	Any expenditure by the utility for institutional, promotional, or political advertising shall be excluded from operating expenses in the cost of service determination for ratemaking purposes.	Benjamin Halama, Exhibit___(BCH-1), Schedule 4. Volume 3, Test Year Work Papers.

RELEVANT FILING STATUTES AND REGULATIONS		
Statute/ Regulation	**Required Information**	**Section and Page of Application**
N.D.A.C. 69-09-01-29(3)	Advertising expenditures which are reasonable in amount and which are not [institutional, promotional, or political advertising] may be included as operating expenses in the cost of service determination for ratemaking purposes.	Benjamin Halama, Exhibit___(BCH-1), Schedule 4. Volume 3, Test Year Work Papers.

RATE CASE COMPLIANCE ITEMS		
Case No.	**Required Information**	**Section and Page of Application**
PU-06-525 **2006 Natural Gas Rate Case** ORDER ADOPTING SETTLEMENT (6/13/2007), Order Point 4	NSP shall track DSM expenditures and report the results in its annual report to the Commission. Any accumulated differences from the amount allowed in the test year will be considered in NSP's next rate case proceeding.	The Company has complied with this requirement. *See* 2022 Annual Report PU-23-167 (05/1/2023), 2021 Annual Report PU-21-182 (05/02/2022), 2020 Annual Report PU-21-159 (4/30/2021), 2019 Annual Report, PU-20-198 (5/1/2020), 2018 Annual Report, PU-19-177 (5/1/2019), 2017 Annual Report, PU-18-189 (5/23/2018), 2016 Annual Report, PU-17-185 (5/1/2017), 2015 Annual Report, PU-16-195 (5/2/2016), 2014 Annual Report, PU-14-747 (5/1/2015), 2013 Annual Report, PU-14-404 (6/18/2014), 2012 Annual Report, PU-13-208 (5/1/2013), 2011 Annual Report, PU-12-351 (6/20/2012),

		2010 Annual Report, PU-11-148 (5/6/2011), 2009 Annual Report, PU-10-152 (5/3/2010), 2008 Annual Report, PU-09-192 (5/5/2009).
PU-06-525 2006 Natural Gas Rate Case, Settlement Agreement (4/24/2007), as amended (5/9/2007), amendment p. 1-2	The Parties agree to, and recommend the Commission approve, the following regulatory treatment for net retirements. First, the Company shall continue to recover the estimated net present value of the cost of retirement over the useful life of an asset. Second, for regulatory purposes, the Company shall continue to include all retirements as part of accumulated depreciation, which in tum results in an offset to rate base equal to the amount of the accumulated depreciation. Should, at any future date, there be change in regulation or other event that would result in a change in the above-described process, the Company agrees to work with the Commission to	Allison Johnson, Exhibit___ (AMJ-1), Section III; Schedules 5 & 6.

	ensure that any accumulated depreciation amounts for retirement purposes are considered and appropriately addressed as part of that change.	

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

STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

NORTHERN STATES POWER COMPANY 2024 NATURAL GAS RATE INCREASE APPLICATION	)))))	Case No. PU-23-___

AFFIDAVIT OF
Allen D. Krug

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

Allen D. Krug

Subscribed and sworn to before me, this 19th day of December, 2023.

Joy Dianne Johnson
Notary Public
My Commission Expires:

JOY DIANNE JOHNSON
NOTARY PUBLIC - MINNESOTA
MY COMMISSION EXPIRES 01/31/24