Direct Testimony and Schedules
Scott S. Hults

Before the Minnesota Public Utilities Commission
State of Minnesota

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

Docket No. G002/GR-23-413
Exhibit___(SSH-1)

Gas Service Policy and Extensions

November 1, 2023

Table of Contents

I.	Introduction	1
II.	Background on Gas Service and Main Extensions	3
III.	Compliance Requirements	6
	A. Interruptible Service Tariff	7
	B. Docket No. G999/CI-90-563 Compliance	16
	1. Extension Policy	16
	2. Tariff Compliance Review	20
	3. Request for Discontinuation of Compliance Requirements in 1995 Order	26
	C. Docket Nos. G002/GR-04-1511 and G002/09-1153 Compliance	26
	1. Unusual Construction Charges	27
	2. Joint Trenching Practice	27
	3. Waiver of CIAC in Competitive Situations	28
IV.	Proposed Tariff Revisions	30
V.	Conclusion	35

Schedules

Resume	Schedule 1
Economic Curtailment Proposal – Illustrative Analysis	Schedule 2
CIAC Audit Results: Service Extensions for 2021/2022	Schedule 3
CIAC Audit Results: Main Extensions for 2021/2022	Schedule 4

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Scott S. Hults. I am the Manager of Commercial and Industrial Account Management for Northern States Power Company – Minnesota (NSPM or the Company), d/b/a Xcel Energy.

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have been in my current role as the Manager of Commercial and Industrial Account Management since 2010. I am responsible for the Minnesota and North Dakota gas business development group within Account Management. My current responsibilities include developing and implementing new growth policies, investment analysis and approval processes for new customers, and general oversight and budgeting related to new gas business investments. In addition, I support large gas customer services in Account Management including interruptible, large firm, and large transportation customer offerings. Prior to 2010, I served for four years as the Director, New Business Development. During this time, I was responsible for gas business development, service policy, and the builders' call line. My resume is included as Exhibit___(SSH-1), Schedule 1.

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

A. The purpose of my testimony is to propose changes to the Company's Interruptible Service Rate Schedule and Interruptible Service Agreement in compliance with requirements stemming from the Minnesota Public Utilities Commission (Commission) investigation into the impacts of severe weather in February 2021 (Docket No. G999/GR-21-135). Proposed tariff revisions are found on Sheet Nos. 5-10, 5-10.1, 5-13, 7-10, and 7-11. I also discuss several compliance requirements related to the Company's gas service extension policies arising from various proceedings before the Commission. Prior to addressing these compliance requirements, I provide a brief background related to gas service extensions and main extensions. My testimony also discusses two proposed tariff revisions in Section 6, General Rules and Regulations, providing additional language with respect to safety and clarifications for customers. I also propose minor updates and corrections to four forms included in Section 7, Contract and Agreement Forms. Finally, I propose cancellation of one rate schedule under which no customers will take service as of November 1, 2023. The proposed changes are found on the following tariff sheets:

- Customer's Piping and Equipment, Sheet No. 6-16.2;
- Natural Gas Service Agreement – Residential Firm Service, Sheet Nos. 7-2 and 7-3;
- Natural Gas Service Agreement – Commercial and Industrial Service, Sheet Nos. 7-6 and 7-7.1;
- Gas Main Refundable Deposit Agreement, Sheet Nos. 7-38 and 7-40;
- Minimum Burn Agreement, Sheet No. 7-42; and
- Small Volume Flex Interruptible Transportation of Customer Owned Gas (Closed), Sheet Nos. 5-29 through 5-33.

Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

A. The remainder of my testimony is organized as follows:

- *Section II*: Background on Gas Service and Main Extensions
- *Section III*: Compliance Requirements

- *Section IV:* Proposed Tariff Revisions
- *Section V*: Conclusion

II. BACKGROUND ON GAS SERVICE AND MAIN EXTENSIONS

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

A. As many of the compliance items I discuss below relate to gas service extensions, in this section of my testimony, I will provide brief background information regarding these types of extensions.

Q. WHAT ARE GAS SERVICE EXTENSIONS?

A. Gas service extensions are mains and service additions that extend the Company's natural gas infrastructure to new customers that have requested service. A gas main is a pipe that serves more than one customer, while a gas service extension typically connects to the gas main and goes directly to a gas meter. The gas meter is the terminus of the Company's gas utility facilities and the point at which customer piping begins.

Q. WHEN ARE GAS SERVICE EXTENSIONS NECESSARY?

A. Gas service extensions are necessary whenever the Company's current infrastructure is not adequate to serve the natural gas requirements of a new or existing natural gas customer.

Q. HOW DOES THE COMPANY DETERMINE WHETHER OR NOT A CUSTOMER IS REQUIRED TO PAY A CONTRIBUTION IN AID OF CONSTRUCTION (CIAC) RELATED TO THE CONSTRUCTION OF A GAS MAIN OR SERVICE EXTENSION?

A. This process is set forth in greater detail in our tariff but, generally speaking, for shorter main extension projects for Residential customers that will use natural gas as their primary heat source, the free footage allowance would apply (80 feet of main and 75 feet of service), such that no CIAC would be owed by the customer. For longer main extensions to Residential customers, the Residential Extension Model (REM) would be used to determine the amount of CIAC owed. The REM is designed to calculate the total revenue requirement for each year of the book service life of the project and is addressed in Gas Rate Book Section No. 6 (General Rules and Regulations) on Sheet No. 18.01, Section 5.3 (Residential Main Extension Policy). For Commercial customers, the Company performs an economic feasibility study for the gas main or service line extension. If the cost for the gas main or service extension is greater than the expected revenue from the Commercial customer, then the Company charges the customer CIAC for the installation costs that exceed the break-even point. This is described in more detail in Gas Rate Book Section No. 6 on Sheet No. 17.1, Section 5.2 (Commercial and Industrial Service and Main Extension Policy).

Q. HAS THE FREE FOOTAGE ALLOWANCE FOR RESIDENTIAL CUSTOMERS BEEN UPDATED RECENTLY?

A. Yes. As part of the Settlement Agreement in our most recent gas rate case (Settlement Agreement),[1] the Company agreed to reduce the Residential free footage allowance for main line extensions from 100 feet to 80 feet, while maintaining the 75-foot allowance for new service extensions. The

[1] *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy's Petition for Authority to Increase Natural Gas Rates in Minnesota,* Docket No. G002/GR-21-678, COMPREHENSIVE AND UNANIMOUS SETTLEMENT AGREEMENT at 7 (October 4, 2022).

Settlement Agreement also provided that further exploration of the Company's main and service line extension policies would be addressed in the Future of Gas Docket.[2] In approving the Settlement Agreement, the Commission's Ordering language confirmed that the Future of Gas Docket is the appropriate forum for further discussion of free footage allowances:

> The Commission's acceptance of the settlement in its entirety reflects no judgment on the merits of reducing free footage allowances generally and shall have no effect on the further exploration of line-extension policies in the Future of Gas Docket. The Commission reiterates its language from the CenterPoint rate case that the Future of Gas Docket "provides an appropriate forum for evaluating the parties' request to pursue these matters on an industry-wide basis."[3]

Q. IS THE COMPANY ADDRESSING ANY CHANGES TO THE FREE FOOTAGE ALLOWANCE IN THIS CURRENT RATE CASE?

A. No. In light of the Commission's direction that the Future of Gas Docket is the appropriate forum, the Company is not addressing free footage allowance changes in this rate case.

---

[2] *In the Matter of the Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals,* Docket No. G999/CI-21-565.

[3] *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy's Petition for Authority to Increase Natural Gas Rates in Minnesota,* Docket No. G002/GR-21-678, ORDER ACCEPTING AGREEMENT AND SETTING RATES AND UPDATING BASE COST OF GAS at 9 (April 13, 2023).

III. COMPLIANCE REQUIREMENTS

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

A. In this section of my testimony, I address compliance requirements that arose from the following Commission proceedings:

- Docket No. G999/CI-21-135: *In the Matter of a Commission Investigation into the Impact of Severe Weather in February 2021 on Impacted Minnesota Natural Gas Utilities and Customers.*

- Docket No. G999/CI-90-563: *In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota.*

- Docket No. G002/GR-04-1511: *In the Matter of an Application by Northern States Power d/b/a Xcel Energy for Authority to Increase Rates for Natural Gas Service in the State of Minnesota.*

- Docket No. G002/GR-09-1153: *In the Matter of the Application of Northern States Power Company, a Minnesota Corporation, for Authority to Increase Rates for Natural Gas Service in Minnesota.*

- Docket No. G002/GR-06-1429: *In the Matter of the Application of Northern States Power Company, a Minnesota Corporation and Wholly-Owned Subsidiary of Xcel Energy, Inc., for Authority to Increase Rates for Natural Gas Service in Minnesota.*

A. Interruptible Service Tariff

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

A. In this section of my testimony, I describe the Company's proposed updates to its interruptible service tariffs in compliance with the Commission's Order dated February 17, 2023 in Docket No. G999/CI-21-135. That proceeding addressed the impacts of severe weather and unprecedented market conditions in February 2021 on natural gas prices and Minnesota utilities and customers. Among other things, the Commission Order requires:

> No later than its next rate case, each gas utility in this docket shall update its existing interruptible tariffs to ensure customers understand the possibility of economic interruptions and propose new or alternative interruptible tariffs that include additional economic curtailment provisions that could protect the system from future price spikes.[4]

Below, I provide a brief background of the events and Commission proceedings that initiated the tariff updates, and I present the Company's proposed changes to its Interruptible Service Rate Schedule and Interruptible Service Agreement.

Q. CAN YOU PROVIDE A BRIEF BACKGROUND OF THE FEBRUARY 2021 WEATHER EVENT AND RESULTING COMMISSION INVESTIGATION INTO ITS IMPACTS?

A. Yes. In February 2021, there was a cold weather event, eventually named Winter Storm Uri (February Extreme Weather Event), which caused extreme

---

[4] *In the Matter of a Commission Investigation into the Impact of Severe Weather in February 2021 on impacted Minnesota Natural Gas Utilities and Customers*, Docket No. G999/CI-21-135, ORDER REQUIRING ACTIONS TO MITIGATE IMPACTS FROM FUTURE NATURAL GAS PRICE SPIKES, SETTING FILING REQUIREMENTS, AND INITIATING A PROCEEDING TO ESTABLISH GAS RESOURCE PLANNING REQUIREMENTS (Gas Cost Investigation Order), Order Point 2 (February 17, 2023).

cold through much of the central United States. This caused a substantial increase in demand for natural gas, and at the same time supply disruptions in some regions decreased the country's natural gas supply availability. As a result, there was a short-term, unprecedented increase in natural gas prices. Minnesota's regulated utilities, including NSPM, maintained continuous service to customers throughout the February Extreme Weather Event, but incurred high costs for purchasing gas on the daily spot market to serve customers. These circumstances prompted the Commission to open Docket No. G999/CI-21-135 to investigate utilities' actions and costs incurred during the price spike and the impacts of those costs to Minnesota customers (Gas Cost Investigation). A wide range of issues was addressed in that proceeding, including topics related to natural gas costs, gas procurement plans, and tariffs.

Q. WHAT ISSUES RELATED TO UTILITIES' INTERRUPTIBLE TARIFFS WERE ADDRESSED IN THE GAS COST INVESTIGATION?

A. At a high level, the Gas Cost Investigation addressed questions about whether utilities should have curtailed service to interruptible customers during the February Extreme Weather Event based on the extreme rise in daily spot market prices during that period, and whether that would have reduced demand and mitigated cost increases for Minnesota customers. However, prior to the February Extreme Weather Event utilities had only curtailed customers under their interruptible tariffs for reliability purposes – that is, during peak conditions based on capacity on the pipeline system or the local distribution system – and not for high gas prices. As such, the Gas Cost Investigation explored the potential for economic curtailment under interruptible service tariffs.

Q. DID THE UTILITIES PROPOSE LANGUAGE IN THE GAS COST INVESTIGATION THAT COULD BE ADDED TO THE INTERRUPTIBLE SERVICE TARIFFS TO PROVIDE FOR ECONOMIC CURTAILMENT?

A. Yes. The affected gas utilities[5] jointly proposed a two-part test that would set a "trigger" level above which gas index prices would be deemed high enough to prompt potential curtailment of interruptible customers. However, the Commission found that it would not be appropriate to strictly tie curtailment decisions to the same price thresholds. Rather, the Commission determined that the gas utilities' existing tariffs confer broad authority to curtail interruptible customers when the utility deems it appropriate, and do not preclude curtailment for economic purposes.[6] The Commission also determined that each utility should update its interruptible tariffs to ensure customers understand the possibility of curtailment for economic reasons, and propose new or alternative interruptible tariffs that include economic curtailment provisions.[7] The Company's interruptible service tariff proposal in this case complies with the Commission's directive.

Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSAL WITH RESPECT TO ITS INTERRUPTIBLE SERVICE TARIFFS TO COMPLY WITH THE COMMISSION'S ORDER.

A. The Company proposes to modify its existing Interruptible Service Rate Schedule and Agreement as described below. This proposal is applicable to the Company's interruptible sales customers, but not to our interruptible transportation customers, for whom the Company does not purchase natural gas to supply service.

---

[5] The affected gas utilities include NSPM, CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas, Minnesota Energy Resources Corporation, and Great Plains Natural Gas Co.

[6] Gas Cost Investigation Order at 8-9.

- **Tiered Interruptible Service.** The Company proposes to establish two tiers of interruptible service, allowing customers to elect service under Tier I or Tier II. Tier I Interruptible Customers shall be subject to curtailment whenever the Company determines that the supply or capacity of the natural gas system is at risk. Tier II Interruptible Customers shall be subject to curtailment whenever the Company determines that the supply or capacity of the natural gas system is at risk and/or during economic events.
- **Interruptible Service Discount.** The distribution rates for Tier I Interruptible Customers will remain at a similar level of discount from firm distribution rates as in the current interruptible tariff; the Company is proposing a further discount to distribution rates for Tier II Interruptible Customers to reflect that Tier II Interruptible Customers are subject to additional curtailment during economic events.
- **Interruptible Service Agreement.** The Company proposes revisions to the Interruptible Service Agreement to reflect the modifications described above.

Q. WHY IS THE COMPANY PROPOSING TWO TIERS OF INTERRUPTIBLE SERVICE?

A. The primary purpose of having an interruptible class of customers is to have customers that the Company can call on to curtail their gas use when the supply or capacity of the natural gas system is at risk. By curtailing these customers, the Company is able to ensure that it is able to provide uninterrupted service to all of its firm customers. As a result, the proposed Tier I Interruptible Customers are those customers that the Company will call

[7] Gas Cost Investigation Order at 9.

on to curtail during supply or capacity events to address system concerns. These Tier I Interruptible Customers will be curtailed under similar system circumstances as the Company's current interruptible customers.

The proposed Tier II class, which provides for economic curtailments as well as system and capacity curtailments, is tailored to those customers that have the ability to accommodate more frequent curtailments. It is important that the Company be allowed to curtail these Tier II Interruptible Customers for both supply and capacity issues as well as economic reasons, as this preserves the Company's ability to use both classes of interruptible customers to maintain system reliability.

The Company is also proposing additional language to ensure that all interruptible customers understand the potential for curtailment during extraordinary economic events. Extraordinary economic events are circumstances that the Company reasonably foresees or experiences that are similar to those that occurred during Winter Storm Uri.

Table 1 below details what rate services are eligible for each type of curtailment.

Table 1
Interruptible Service Curtailment Types

	Reason For Curtailment		
	Capacity or Supply Issues	Economic	Extraordinary Economic Event
Interruptible – Tier I	X		X
Interruptible – Tier II	X	X	X

Proposed revisions reflecting these changes to the Interruptible Service Rate Schedule and Agreement are found on Sheet Nos. 5-10 and 7-10.

Q. WHAT ARE THE PROPOSED TIER I AND TIER II INTERRUPTIBLE SERVICE RATES?

A. In this rate case, distribution rates for Tier I Interruptible Customers are proposed such that, on average, the total bill discounts from firm service will remain at similar levels as they are today. The Company is proposing a discount of 10 percent off of the corresponding Tier I distribution rates for Tier II Interruptible Customers, to reflect that Tier II customers are also subject to curtailment during economic events. The proposed rates are found on Sheet No. 5-10.1. The Company arrived at this rate considering a discount level that would compensate Tier II Interruptible Customers for the risk of a larger number of curtailments and at the same time considering the potential benefits and costs of the program to other customers. The Company's analysis around estimated impacts of the program to customers is discussed further below, and Exhibit___(SSH-1), Schedule 2 provides a summary of the analysis.

Q. WHAT ARE THE COMPANY'S ASSUMPTIONS ABOUT POTENTIAL CUSTOMER INTEREST IN INTERRUPTIBLE SERVICE UNDER THE COMPANY'S TIER II PROPOSAL?

A. The Company has had informal discussions with some of its current interruptible customers to gauge the level of interest in interruptible service explicitly including curtailments for economic events. However, it is difficult to predict how many customers will opt into this new service. Ultimately, whether a customer elects to take interruptible service under Tier II will be based on a customer's assessment of the final approved tariff (terms, conditions, and rates) and how the new option may impact their business.

That said, in developing its proposal, the Company made certain assumptions about service under the Tier II rate. For purposes of an initial illustrative analysis, the Company assumed that approximately 50 percent of the Company's current interruptible customers would be on Tier II rates. The analysis also assumed 60 percent curtailment compliance as a conservative estimate of the reduction in gas consumption during a curtailment event.

Q. WHAT WERE THE COMPANY'S ASSUMPTIONS AROUND GAS COST SAVINGS DURING ECONOMIC CURTAILMENTS?

A. As an illustrative example, the Company assumed a reduction to purchases on the natural gas spot market over two days of curtailment. The gas cost savings were calculated as the purchased gas volume reduction multiplied by a natural gas spot market price of $35 per dekatherm (Dth). While curtailments may reduce the amount of spot market natural gas that the Company purchases, a company's ability to reduce spot market purchases during a curtailment period may be limited due to the timing of trading on the daily spot market and the timing of curtailments. Our illustrative analysis assumes two days of curtailment as a baseline to provide an estimate of benefits that may be realized during economic curtailment.

Q. PLEASE PROVIDE A SUMMARY OF THE COMPANY'S ANALYSIS OF THE IMPACTS OF THE COMPANY'S ECONOMIC CURTAILMENT RATE PROPOSAL.

A. Based on the assumptions discussed above, the Company determined the total estimated annual cost of the discount for Tier II Interruptible Customers.

These costs are borne by the Company's retail customer base. The Company calculated that the impact of this discount to a typical Residential customer would be approximately $0.80 per year. The Company also calculated the estimated cost savings from two days of curtailment due to estimated reduced spot market purchases based on the assumptions discussed above. The Company calculated the expected savings passed on to a typical Residential customer would be approximately $0.80. Schedule 2 provides a summary of the Company's analysis.

Q. IS THE COMPANY PLANNING TO OBTAIN CUSTOMER FEEDBACK ON THE INTERRUPTIBLE SERVICE RATE PROPOSAL PRESENTED IN THIS CASE?

A. Yes. As I discussed, the Company has already informally discussed a new service offering to explicitly include curtailments for economic events with current interruptible customers to gauge the level of interest in this offering. To gather additional feedback and to further gauge customer interest on this proposal, the Company is planning to survey its customers currently on interruptible tariff services to obtain feedback on the Tier II interruptible service proposal. The Company believes obtaining this customer feedback, along with intervenor input via testimony during the course of this case, will allow the Company to further refine assumptions about customer interest in the rate, which will inform development of final rates in this case. The Company plans to provide information on these survey results in Rebuttal Testimony.

Q. ONCE FINAL INTERRUPTIBLE TARIFFS ARE APPROVED BY THE COMMISSION, HOW WOULD THE COMPANY PROCEED?

A. The Company proposes that the new tariff language would be effective with final rates in this case. Customers would be placed on the Tier I rate service at that time, which is consistent with their interruptible service today. Any existing interruptible customer beyond the one-year minimum term requirement for interruptible service could contact the Company to opt into service as a Tier II Interruptible Customer.

The Company also proposes new language in the Interruptible Service Rate Schedule and Agreement to set forth term requirements related to switching from Tier I to Tier II service, or vice versa. For customers switching to a new service, the new service agreement shall be in effect for a term of not less than one year starting from the date of execution of the new agreement. Proposed revisions related to the term of service are found on Sheet Nos. 5-13 and 7-11.

Q. HOW WOULD THE COMPANY INTRODUCE CUSTOMERS TO THE AVAILABILITY OF THE NEW RATE OPTION?

A. The timing of availability of the new interruptible service rates for customers will depend on the timing of approval of final rates in this rate case. The Company's winter season meetings typically are held for interruptible customers in October each year, and webinars are also conducted in conjunction with these. The Company anticipates providing information to interruptible customers during the October, 2024 meeting, but also through other channels such as targeted emails to interruptible customers and during periodic meetings with account managers.

Q. IS THE COMPANY PROPOSING ANY OTHER REVISIONS TO THE INTERRUPTIBLE SERVICE RATE SCHEDULE AND AGREEMENT?

A. Yes. Unrelated to the economic curtailment proposal discussed above, the Company proposes new language in the Interruptible Service Rate Schedule and Agreement to clarify customer requirements for returning to firm services upon a request for termination of interruptible service. The existing tariff language explains that, under the terms of the agreement, after the minimum one-year term, interruptible customers may terminate interruptible service upon 30 days' written notice to the Company. The Company's proposed new language would clarify that, due to system configuration and limitations of the Company's extension rules and regulation, a customer's request to return to firm service may be delayed and result in additional costs to be borne by the customer. The Company believes the proposed new language will provide clarity to customers who opt to terminate interruptible service and the requirements related to returning to firm service. The proposed revisions are found on Sheet Nos. 5-13 and 7-11.

B. Docket No. G999/CI-90-563 Compliance

1. Extension Policy

Q. PLEASE DESCRIBE THE COMPLIANCE REQUIREMENTS THAT AROSE FROM DOCKET NO. G999/CI-90-563.

A. On pages 6 and 7 of its Order dated March 31, 1995 in the above-referenced docket, the Commission required all gas utilities to perform a review of their service extension policies and tariffs for consistency in terms of service, the fairness of refund provisions, and the consideration of possible customer financing.[8] In particular, the Commission required reviews to be performed in

[8] *See In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota*, Docket No. G999/CI-90-563, ORDER TERMINATING INVESTIGATION AND CLOSING DOCKET at 6-7 (March 31, 1995).

all future gas rate cases and set forth six specific questions for utilities to answer. Below are those six questions and the Company's responses.

Q. COMMISSION QUESTION 1 ASKS: "SHOULD THE 'FREE' FOOTAGE ALLOWANCE OR SERVICE EXTENSION ALLOWANCE INCLUDE THE MAJORITY OF ALL NEW EXTENSIONS WITH ONLY THE EXTREMELY LONG EXTENSIONS REQUIRING A CUSTOMER CONTRIBUTION-IN-AID-OF-CONSTRUCTION ("CIAC")?" PLEASE RESPOND.

A. Yes, the majority of extensions should be "free" (that is, no CIAC). The Commission determined in Docket No. G999/CI-90-563 that, as a general policy, customers should receive some amount of service and main extensions without a CIAC, but that it would be left to future rate cases as to how best to implement that policy. It has been the Company's practice, approved by the Commission in the last five natural gas rate cases and in Docket No. G002/C-06-155,[9] to use service and main extension policies that allow the majority of new customers to receive service without a CIAC. For instance, Residential customers are provided 75 feet of service line extension without CIAC. This policy provides a number of customer benefits without unduly burdening existing customers. First, it treats new customers in a manner consistent with the treatment provided to past customers. Second, the addition of new customers benefits existing customers, because it allows common costs to be shared across a larger customer base. Third, it benefits the new customers by providing them with affordable access to natural gas service.

---

[9] *In the Matter of a Formal Complaint Against Xcel Energy and Request for Investigation by Linwood Township,* Docket No. G002/C-06-155.

Q. COMMISSION QUESTION 2 ASKS: "HOW SHOULD THE LDC [LOCAL DISTRIBUTION COMPANY] DETERMINE THE ECONOMIC FEASIBILITY OF SERVICE EXTENSION PROJECTS AND WHETHER THE EXCESS FOOTAGE CHARGES ARE COLLECTED?" PLEASE RESPOND.

A. The tariff should provide for connection without a CIAC where the expected revenue from a new Commercial or Industrial customer will exceed the cost of the extension to the local distribution company (LDC) serving the customer within a reasonable period of time. For Residential customers, the amount of free footage allowance should reflect past practice, allowing consistent treatment between existing and new Residential customers. The terms of the Company's approved extension tariff provide a reasonable balance between connection without a charge and recovery of excessive costs.

Q. COMMISSION QUESTION 3 ASKS: "SHOULD THE LDC'S SERVICE EXTENSION POLICY BE TARIFFED IN NUMBER OF FEET WITHOUT CONSIDERATION TO VARYING CONSTRUCTION COSTS AMONGST PROJECTS OR SHOULD THE ALLOWANCE BE TARIFFED AS A TOTAL DOLLAR AMOUNT PER CUSTOMER?" PLEASE RESPOND.

A. The Company interprets this question to relate to our residential service extensions. A free footage allowance is appropriate in residential applications, where the customer usage and construction costs are very similar. The footage allowance is a simple approach that is easily understood by customers, and it offers consistency with many other Minnesota gas utilities' extension tariffs. The Company proposes to maintain the residential service footage allowance at 75 feet and the main footage allowance at 80 feet, as currently outlined in our tariff. When a customer has conditions that require "Unusual Construction" such as boring, preferred meter location, or gopher pipe, new customers do pay for these incrementally incurred costs at the time of installation. See Section II above for additional discussion.

Q. COMMISSION QUESTION 4 ASKS: "IS THE LDC'S EXTENSION CHARGE REFUND POLICY APPROPRIATE?" PLEASE RESPOND.

A. Yes, it is appropriate. The Company refunds CIAC main payments when other new customers are served by the main within five years from the initial CIAC payment. The Company finds this to be a reasonable and sufficient time to allow most new developments that benefit from the main to be completed.

Q. COMMISSION QUESTION 5 ASKS: "SHOULD CUSTOMERS BE ALLOWED TO RUN THEIR OWN SERVICE LINE FROM THE STREET TO THE HOUSE (OR USE AN INDEPENDENT CONTRACTOR) IF IT WOULD BE LESS EXPENSIVE THAN HAVING THE UTILITY CONSTRUCT THE LINE?"

A. No, customers should not be allowed to do this. In order to maintain the safety and quality standards of the natural gas system, it is important that only the Company or its assigned contractors perform this type of work. There are strict operator qualifications that are required for installation, maintenance, and operation of natural gas distribution systems. The safe operation and maintenance of Company-owned facilities requires that work on the natural gas system be performed by qualified technicians that complete the necessary training and have the requisite certifications.

Q. COMMISSION QUESTION 6 ASKS: "SHOULD THE LDC BE REQUIRED TO OFFER ITS CUSTOMERS FINANCING FOR SERVICE EXTENSION CHARGES?"

A. No, it should not be required to offer customers financing for service extension charges. The Company did arrange to have a third party offer financing previously for Residential customers; however, there were very few inquiries, so the arrangement ended. There also has been limited interest from Commercial customers, who generally already have access to financing options. Therefore, the Company has not identified such a need, particularly since for most new construction projects, natural gas service costs are typically a small portion of the overall investment. If the market conditions change such that there is customer interest in such financing, the Company would evaluate establishing a new arrangement or offering.

2. Tariff Compliance Review

Q. WERE THERE ANY OTHER COMPLIANCE ITEMS THAT CAME OUT OF THE COMMISSION'S March 31, 1995 ORDER IN DOCKET NO. G999/CI-90-563?

A. Yes. In addition to the six above-enumerated questions in Docket No. G999/CI-90-563, the Commission expressed concerns about the impact of service extension-related additions on the Company's rate base. The Commission requested that in future natural gas rate cases, the Department investigate each company's service extension-related additions to rate base to make sure that: (1) LDCs are applying their tariffs correctly and consistently, (2) they are appropriately cost and load justified, and (3) wasteful additions to plant and facilities are not allowed into rate base.[10]

Q. PLEASE ADDRESS THE COMMISSION'S FIRST CONCERN AND EXPLAIN WHETHER THE COMPANY HAS CORRECTLY AND CONSISTENTLY APPLIED ITS EXTENSION TARIFF.

---

[10] *See In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota*, Docket No. G999/CI-90-563, ORDER TERMINATING INVESTIGATION AND CLOSING DOCKET at 7 (March 31, 1995).

A. To determine whether the Company correctly and consistently applied its extension tariffs, studies were conducted under my direction to examine service and main extension projects constructed during the 2021-2022 time period.

Q. PLEASE DESCRIBE THE COMPANY'S ANALYSIS OF ITS SERVICE AND MAIN EXTENSION PROJECTS.

A. The Company examined service and main extensions for January 2021 through December 2022. The studies were developed with a methodology similar to that used in the Company's last two natural gas rate cases (Docket Nos. G002/GR-09-1153 and G002/GR-21-678). This approach involved first establishing the total population of service and main extension projects during the noted periods, as included in Table 2 below.

Table 2
Total Population of Service and Main Extensions (2021-2022)

Service Extension Total Projects	Main Extensions Total Projects
9,804	197

Q. WHAT WAS THE NEXT STEP IN THE ANALYSIS?

A. The next step was to determine samples of projects. A sample was selected from each of the service and main project populations for the above-noted timeframes. The decision to draw samples for testing was based on the central limit theorem[11] and a desire to maintain a reasonable confidence level at a reasonable cost. The sample sizes each were in excess of 30 projects, the acceptable minimum under the central limit theorem. We believe this sampling approach provides a supportable conclusion regarding the test population and is consistent with previous sampling methodologies utilized in the Company's previous two rate cases.

Samples of service extension projects were determined by stratifying the population of service extension projects by cost. For 2021, a sample of 64 was created by selecting the top eight projects by cost, then choosing a random selection of 56 projects across eight cost strata. For 2022, a sample of 59 was created by selecting the top five projects by cost, then choosing a random selection of 54 projects across eight cost strata.

Similarly, samples of main projects were determined by stratifying the population of main projects by cost. For 2021, a sample of 40 main projects was determined by selecting the top eight projects by cost, then choosing a random selection of 32 projects across four cost strata. For 2022, a sample of 31 main projects was determined by selecting the top three projects by cost, then choosing a random selection of 28 projects across three cost strata.

[11] "According to the central limit theorem, for large sample sizes (typically, 30 is a reasonable minimum size), the distribution sample mean tends to be normally distributed, almost independently of the shape of the original population." (Guy, Dan M., D.R. Carmichael, and O. Ray Whittington. Audit Sampling: An Introduction. Fifth Edition. New York: John Wiley & Sons, Inc., 2001 at 97.)

Q. AFTER THE SAMPLES WERE SELECTED, WHAT WAS THE NEXT STEP?

A. For each project included in the service extension samples, we reviewed all documentation, including service orders, construction drawings, and work orders, to determine whether the service extension tariff was applied correctly for the 2021-2022 period. Where CIAC was identified, we also confirmed that it was correctly charged and collected from customers.

For each project included in the main extension samples, we reviewed the documentation to determine if the cost justification tariff was accurately applied from January 2021 through December 2022 for commercial projects. For residential service projects, we determined if the footage allowance from January 2021 through December 2022 was accurately applied. Where CIAC was identified, we also confirmed that it was collected from customers.

Q. BASED ON THIS ANALYSIS, WHAT AMOUNT OF CIAC DID THE COMPANY DETERMINE WAS UNCOLLECTED FOR SERVICE EXTENSIONS FOR 2021 AND 2022?

A. The amount of CIAC not collected (or for which records were not available) for 2021-2022 service extensions totaled $23,611.13, or 1.09 percent of the total CIAC owed for that period. Exhibit___(SSH-1), Schedule 3 summarizes the results of the service extension study.

Q. BASED ON THIS ANALYSIS, WHAT AMOUNT OF CIAC DID THE COMPANY DETERMINE WAS UNCOLLECTED FOR MAIN EXTENSIONS FOR 2021 AND 2022?

A. The amount of CIAC not collected (or for which records were not available) for 2021-2022 main extensions totaled $4,945.66, or 1.07 percent of the total CIAC owed for that period. Exhibit___(SSH-1), Schedule 4 summarizes the results of the main extension study.

Q. ARE THERE ANY OTHER COMPLIANCE REQUIREMENTS RELATED TO CIAC THAT YOU ADDRESS?

A. Yes. Order Point 10 of the Commission's September 10, 2007 Order in Docket No G002/GR-06-1429 relates to the Company's tariff, Section 6, General Rules and Regulations, Section 5.1, Extension Policy, Sheet 6-17, which provides that the Company shall waive CIAC of $5.00 or less, and that the Company cannot at any time recover these costs from existing customers. The Company reviewed waiver of CIAC fees of $5.00 or less, and found these waivers totaled $17.50 for 2022. Details related to this total amount are included in Schedule 3.

Q. IS THE COMPANY PROPOSING ANY ADJUSTMENT TO RATE BASE FOR THESE UNCOLLECTED CIAC AMOUNTS?

A. Yes. Company witness Benjamin C. Halama makes an adjustment to rate base for the above-noted uncollected CIAC amounts for 2021-2022 service and main extensions and the waived CIAC of $5.00 or less for 2022, as noted in his Direct Testimony.

Q. WHAT DO YOU CONCLUDE BASED ON THIS ANALYSIS?

A. I conclude the Company has correctly and consistently applied its extension tariff and that, for nearly all of our service and main extensions, CIAC was properly charged and collected.

Q. THE SECOND CONCERN EXPRESSED BY THE COMMISSION IN DOCKET NO. G999/CI-90-563 WAS WHETHER THE EXTENSION TARIFFS ARE APPROPRIATELY COST AND LOAD JUSTIFIED. PLEASE RESPOND.

A. As a result of the Company's 2004 natural gas rate case in Docket No. G002/GR-04-1511, the Commission approved changes to the existing extension tariffs to ensure appropriate cost and load justification for Commercial and Industrial customers. In addition, the Residential main extension tariff was changed from a cost justification formula to a footage allowance, and the cost per foot of excess service footage was updated to reflect current costs. In addition, in the Company's compliance filing in Docket No. G002/C-06-155, the Residential main extension tariff provides the opportunity for unjustified projects (those requiring more than 100 feet of main, and as of August 1, 2023 from Docket No. G002/GR-21-678 projects requiring more than 80 feet of main) to be installed if a customer contribution is made as determined by the application of the REM.

Q. THE FINAL CONCERN EXPRESSED BY THE COMMISSION IN DOCKET NO. G999/CI-90-563 WAS WHETHER WASTEFUL ADDITIONS TO PLANT AND FACILITIES ARE ALLOWED INTO RATE BASE. PLEASE EXPLAIN WHY THE COMPANY'S ADDITIONS TO PLANT AND FACILITIES ARE REASONABLE.

A. The Company abides by its Commission-approved tariff related to all service and main extensions to ensure that all additions to plant and facilities are reasonable. The Company evaluates all new service and main extensions based on the requirements outlined in its tariff and, when required, performs an economic feasibility study. To the extent that CIAC is required, the Company assesses CIAC to the customer.

3. Request for Discontinuation of Compliance Requirements in 1995 Order

Q. IS THE COMPANY MAKING ANY PROPOSALS WITH RESPECT TO THE REQUIREMENTS IN THE COMMISSION'S MARCH 31, 1995 ORDER IN DOCKET NO. G999/CI-90-563?

A. Yes. The Company requests that the Commission determine in this case that the following will not be required in future rate cases: (1) a response to the six questions addressed above; (2) discussion of whether the extension tariffs are appropriately cost and load justified; and (3) discussion of whether there are any wasteful additions included in rate base. The Company makes this request because these requirements stem from a 1995 Commission Order, and since then, the Company has provided largely the same information in a number of rate cases, including the Company's most recent gas rate case. Additionally, consistent with Commission direction, further exploration of main and service line extension policies will be addressed in the Future of Gas Docket (Docket No. G999/CI-21-565), as I discussed earlier in my testimony. The Company would continue to comply with the requirement for analysis to identify any uncollected CIAC amounts.

C. Docket Nos. G002/GR-04-1511 and G002/GR-09-1153 Compliance

Q. WHAT ARE THE COMPLIANCE REQUIREMENTS STEMMING FROM DOCKET NOS. G002/GR-04-1511 AND G002/GR-09-1153 THAT YOU ADDRESS IN THIS SECTION?

A. In Docket No. G002/GR-04-1511, the Company agreed to retain records of unusual construction charges and unusual winter construction charges. Subsequently, the Commission's Order in the Company's 2009 gas rate case (Docket No. G002/GR-09-1153) adopted the Administrative Law Judge's Report, Finding 307, which recommended the Company be required to continue tracking information relating to unusual construction charges, as well as joint trenching practice and the waiver of CIAC in competitive situations. This information was required to be tracked in advance of the Company's next natural gas rate case, which was our most recent gas rate case (Docket No. G002/21-678). An extension of these requirements was not specifically addressed in our most recent gas rate case, but we again address each of these requirements below for completeness.

1. Unusual Construction Charges

Q. PLEASE DESCRIBE THE TRACKING REQUIREMENTS RELATED TO UNUSUAL CONSTRUCTION CHARGES AND UNUSUAL WINTER CONSTRUCTION CHARGES.

A. In Docket No. G002/GR-04-1511, the Company agreed to retain records of unusual construction charges and unusual winter construction charges. We continue to track data for each unusual construction charge as contained in each project Work Order. Data for joint trench residential developments is provided by vendors by way of a winter construction form. Charges are billed to the developer and recorded on a tracking spreadsheet along with payment confirmation. Data for non-joint trench underground residential developments is identified by Charge Code, Debtor ID, and Contract in the CRS billing system, and queries of the data for a given timeframe list the transactions by invoice number. Individual entries can be reviewed in the CRS system to determine charges.

2. Joint Trenching Practice

Q. PLEASE DESCRIBE THE TRACKING REQUIREMENTS RELATED TO JOINT TRENCHING.

A. In Docket No. G002/GR-06-1429, the Company agreed to show that it revised its natural gas extension records to clearly indicate when a joint trench or utility corridor was used for joint electric and natural gas extension projects. The Company was also required to provide reports for two years demonstrating compliance with the joint trenching provisions contained in Section 6, subsection 5.4 of NSPM's Gas Rate Book.[12] This requirement was extended in the Company's 2009 gas rate case (Docket No. G002/GR-09-1153). We continue to track data for joint electric and natural gas extension projects as part of each project Work Order. The Company uses an enterprise Work and Asset management system (SAP) integrated with a Geospatial Information System (GIS) to track joint trench locations as work is being completed in the field. Costs associated with this work are captured via work order documentation and data associated with the work order record. An audit of the CIAC aspect of the joint trench data has also been conducted and is discussed earlier in my testimony. This process and corresponding technology allow us to confirm the data required to meet this requirement is complete.

3. Waiver of CIAC in Competitive Situations

Q. NSPM'S TARIFF REQUIRES THE COMPANY TO MAKE A RATE BASE ADJUSTMENT IF IT WAIVED THE COLLECTION OF OTHERWISE APPLICABLE CIAC AS A RESULT OF A PROMOTION. DID THE COMPANY INVESTIGATE WHETHER SUCH A PROMOTION OCCURRED?

A. Yes. We have investigated this and determined the Company has not offered

[12] *In the Matter of the Application of Northern States Power Company, a Minnesota Corporation and Wholly-Owned Subsidiary of Xcel Energy, Inc., for Authority to Increase Rates for Natural Gas Service in Minnesota,* Docket No. G002/GR-06-1429, COMPLIANCE FILING – GAS RATE CASE, JOINT TRENCH (February 26, 2010 and March 5, 2009).

such promotions since the Commission's September 19, 2018 Order in Docket No. G999/CI-17-499. In that Order, the Commission decided that "natural gas utilities are prohibited from offering cash or noncash promotional incentives on a prospective basis."[13] Before this decision, when the Company was competing with another utility for the right to provide natural gas service, we used promotional funds to pay for the CIAC amount otherwise owed by the customer. The promotional funds paid reduced the investment recorded to rate base in the same manner as CIAC payments. More specifically, these payments were charged to the account entitled "Non-Recovery Construction Waiver Gas Funds," a below-the-line account, and none of the waiver costs were charged to customers.

Q. HAS THE COMPANY COMPLIED WITH THE COMMISSION'S 2018 ORDER AGAINST PROMOTIONAL INCENTIVES?

A. Yes. The Company has not offered promotional funds to customers since the Commission's 2018 Order.[14] The Company has also complied with the Commission's September 19, 2018 Order by removing its Competitive Agreement from its Gas Rate Book. Only grandfathered agreements that contained promotional funds provisions executed prior to the Commission's 2018 Order have been charged to the account entitled "Non-Recovery Construction Waiver Gas Funds."

---

[13] *In the Matter of a Commission Investigation into Parameters for Competing Among Natural Gas Utilities Involving Duplication of Facilities and Use of Promotional Incentives and Other Payments*, Docket No. G999/CI-17-499, ORDER ADOPTING STANDARDS GOVERNING COMPETITION AMONG NATURAL GAS UTILITIES at 11 (September 19, 2018).

[14] *Ibid.*, ORDER DISMISSING COMPLAINT, SUSPENDING TARIFF, AND SOLICITING COMMENT at 9 (April 10, 2018).

IV. PROPOSED TARIFF REVISIONS

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

A. In this section of my testimony, I discuss proposed tariff revisions in Section 6, General Rules and Regulations, which include additional language with respect to safety and technical requirements to provide clear, upfront information for customers. I also propose minor updates and corrections to several forms included in Section 7, Contract and Agreement Forms.

Q. WHAT TARIFF REVISIONS IS THE COMPANY PROPOSING RELATED TO ADDITIONAL LANGUAGE WITH RESPECT TO SAFETY AND FURTHER CLARIFICATIONS FOR CUSTOMERS?

A. The Company is proposing to add two paragraphs to Section 6, General Rules and Regulations, Section 4.2, Customer's Piping and Equipment, as follows:

> **Delivery Pressures.** Typical delivery pressure is between 6"-7" w.c.[15] depending on service territory. Delivery pressures higher than the typical delivery pressures is considered an elevated delivery pressure. In circumstances that require elevated delivery pressure it is the responsibility of the customer or customer representative to install the appropriate fuel line protections and accept responsibility for confirming their fuel line and appliances are fit for the requested delivery pressure and assume liability for failing to comply with this requirement.

> **Maintenance, Relocation, Abandonment.** Customer agrees to maintain the utility clearance requirements over and around all Xcel Energy underground service facilities after installation. Customer agrees to pay the cost of relocating any portion of Xcel Energy's

---

[15] The abbreviation w.c. stands for water column; inches of water column is a unit of pressure.

> facilities made to accommodate customer needs or required because of alterations to the property which includes any altering of grade, additions to structures, installations of patios, decks, gardens, sidewalks, curbing, paving, blacktop, sod, landscaping, or any other condition which makes maintenance of Xcel Energy's facilities impracticable (this is a safety issue as well). Customer will not enclose or build over the gas service and/or meter at any time. Customer must maintain the proper clearance requirements set forth by the Xcel Energy Standards and Use Manual. In the event alterations to the property are needed that may affect utility services provided by Xcel Energy including load (electric) and/or delivery pressures (gas), Customer agrees to initiate a building and remodeling request prior to any alterations.

Q. WHY IS THE COMPANY PROPOSING TO ADD THESE PARAGRAPHS TO THE CUSTOMER'S PIPING AND EQUIPMENT SECTION OF THE TARIFF?

A. These paragraphs reflect safety and technical requirements consistent with pipeline safety and gas standards, and requirements that are already available to customers on the Company's website or in agreement forms in our current tariff book. Even though the information may be available on the Company's website or in service agreements in our tariff, we believe customers may first look for this type of information in the General Rules and Regulations section of our tariff, and may not review details on the website prior to planning or undertaking construction projects that must comply with these requirements. By providing this information upfront and clearly stating the expectations in the General Rules and Regulations, Customer Piping and Equipment section of the Company's tariff, customers have a clear point of reference for these safety standards and requirements.

Q. CAN YOU FURTHER DISCUSS THE INFORMATION PROVIDED IN THE PROPOSED PARAGRAPH ON DELIVERY PRESSURES?

A. Yes. The delivery pressure provided simply clarifies that this is the typical, standard delivery pressure for the majority of our customers. Because customers are able to request service at a higher delivery pressure, the paragraph then provides information relative to customer responsibility for ensuring installation of appropriate fuel line protections and confirming appliances are fit for the requested delivery pressure. This additional paragraph provides clear, upfront information on these important safety requirements and customer responsibilities.

Q. CAN YOU FURTHER DISCUSS THE INFORMATION PROVIDED IN THE PROPOSED PARAGRAPH ON MAINTENANCE, RELOCATION, AND ABANDONMENT?

A. Yes. The information in the paragraph on maintenance, relocation, and abandonment is related to clearance requirements that must be maintained for all gas service facilities and meters, and customer responsibility for the costs of relocating any of the facilities as may be required due to customer-initiated construction projects on a customer's property. This information is currently found in the Company's gas service agreements, such as the Natural Gas Service Agreement – Residential Firm Service, which includes a paragraph on maintenance, relocation, and abandonment on Gas Rate Book Sheet No. 7-3. Specific clearance requirements are found in the Xcel Energy Installation Utility Standards manual available on the Company's website.[16]

For the tariff edits discussed above, see Gas Rate Book Sheet No. 16.2 included in Volume 2D of the rate case application.

---

[16] The standards manual is available at: Xcel-Energy-Standard-For-Electric-Installation-and-Use.pdf (xcelenergy.com), and a link to the manual can also be found on the Xcel Energy Builders webpage at: Construction and Meter Installation | Building and Remodeling | Partner Resources | Xcel Energy.

Q. WHAT TARIFF REVISIONS IS THE COMPANY PROPOSING RELATED TO FORMS INCLUDED IN SECTION 7, CONTRACT AND AGREEMENT FORMS?

A. The Company is proposing minor updates and corrections to the following forms in Section 7, Contract and Agreement Forms:

- Natural Gas Service Agreement – Residential Firm Service;
- Natural Gas Service Agreement – Commercial and Industrial Service;
- Gas Main Refundable Deposit Agreement; and
- Minimum Burn Agreement.

The proposed changes to these forms include removing individual Company employee names from signature blocks, correcting typographical errors, and referencing other sections of the tariff or referring to our standards manuals on the Company's website.

Referring to the standards manuals on the Company's website, rather than including specific requirement details in the tariff sheets, promotes efficiencies because when standards are updated, those changes will not require corresponding requests for changes to tariff sheets. In this way, customers are always directed to the most current standards. One example of this type of revision is provided below and can be found on the proposed revised Gas Rate Book Sheet No. 7-2:

> (4) the ground elevation along the route will ~~not be above or more than four inches below the final grade~~ meet final grade specifications found in the Xcel Energy Standards and Use Manual.

For the tariff edits discussed above, see Gas Rate Book Sheet Nos. 7-2, 7-3, 7-6, 7-7.1, 7-38, 7-40, and 7-42 included in Volume 2D of the rate case application.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSAL TO CANCEL ONE RATE SCHEDULE THAT YOU NOTED EARLIER.

A. The Company proposes to cancel our Small Volume Flex Interruptible Transportation of Customer Owned Gas (Closed) rate service. This rate service was created as a result of the Company's merger with Western Gas Utilities, Inc. (Western) in Docket No. G002/PA-99-1268. At the time of the merger, Western had two customers on a small interruptible flexible transportation rate, and their bills were projected to increase substantially after the merger. The Commission's January 10, 2000 Order in that proceeding authorized the Company to determine whether a tariff existed that would provide these two customers an economical and competitive gas rate. If none existed, then the Order prescribed:

> If no NSP gas tariff would provide service at or below their total cost under the existing Western Flexible Transportation tariff, NSP shall file the current Western Flexible Transport tariff to be part of the NSP Gas Rate Book. The tariff would be available to the two customers, but closed to any new customers. Once the two customers convert to service under an existing NSP gas tariff, leave NSP service, or at the time of the next NSP gas rate case, the closed class tariff may be deleted from the NSP Gas Rate Book upon Commission review of an NSP request for such action.[17]

---

[17] *In the Matter of a Request for Approval of the Acquisition of the Stock of Natrogas, Incorporated (Natrogas), a Merger of Northern States Power Company (NSP) and Western Gas Utilities, Inc. (Western), and Related Affiliated Interest Agreements,* Docket No. G002/PA-99-1268, ORDER APPROVING MERGER SUBJECT TO CONDITIONS, Order Point 2 (January 10, 2000).

One customer has remained on this rate, but has moved to a different rate service effective November 1, 2023. Therefore, the Company proposes to cancel this tariff.

See Gas Rate Book Sheet Nos. 5-29 through 5-33 included in Volume 2D of the rate case application.

V. CONCLUSION

Q. CAN YOU SUMMARIZE THE RECOMMENDATION YOU MAKE IN YOUR DIRECT TESTIMONY?

A. Yes. For the reasons discussed above, I recommend that the Commission approve the Company's proposal with respect to its interruptible service tariffs, and that the Commission approve the proposed revisions to other tariffs as described above.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.

SCOTT S. HULTS
Manager, Gas Business Development/Account Management - Xcel Energy
825 Rice Street, Saint Paul, Minnesota 55117

Current Responsibilities (July 2010 to present)
Responsible for the Minnesota and North Dakota gas business development group within Account Management. Develop and implement new growth policies, investment analysis, approval processes, and general oversight of spending related to new gas business investments. In addition, I support large gas customer services in Account Management including interruptible, large firm, and large transportation customer offerings.

Previous Employment (Xcel Energy-Northern States Power Company)
Director, New Business Development 2006-2010
Manager, Gas Supply & Federal Regulatory Affairs 1999-2006
Gas Supply Consultant 1992-1998
Industrial Gas Sales Engineer II 1989-1992
Industrial Gas Sales Engineer I 1988-1989

Education
Augustana College, B.A. Interdepartmental Math and Physics
South Dakota State University, B.S. Mechanical Engineering
University of St. Thomas, Master of Business Administration-Management
University of Minnesota, Carlson School of Management, MMI

Previous Testimony
National Energy Board of Canada, Export License Application GH-4-95
Minnesota Public Utilities Commission, Docket No. G002/GR-97-1606
Federal Energy Regulatory Commission, Docket No. RP00-107-003, et al.
Minnesota Public Utilities Commission, Docket No. G002/GR-09-1153
Minnesota Public Utilities Commission, Docket No. G002/GR-21-678

Professional Associations
American Society of Mechanical Engineers
Association of Energy Engineers

Economic Curtailment Proposal - Illustrative Analysis

Percentage of Interruptible Customers on Tier II Service	50%
Discount from Tier I Interruptible Distribution Rate	10%
Percent Tier II Economic Curtailment Compliance	60%
Spot Market Commodity Cost of Gas during Curtailment $/dth	$35.00
Economic Curtailment Duration (Number of Days)	2

	small	med & large	Total
Tier I and Tier II Annual Sales (dth)	1,243,581	6,759,531	
Interruptible Distribution Rate	0.205463	0.139803	
Annual Discounted Revenues by Class	**$127,755**	**$472,503**	**$600,257**
Customers Receiving Discount	78	39	
Average Monthly Discount per Interruptible Customer	$136	$999	
Average Total Monthly Bill	$3,659	$32,511	
Tier II % Bill Discount Compared to Tier I	3.7%	3.1%	

Residential Cost Impact of Discount	
Residential TY24 Proposed Revenue	$403,929,903
Total TY24 Proposed Revenue	$676,832,068
Estimated Residential Share of Increase	59.68%
Total Annual Discount	$600,257
Residential Class Impact	$358,231
Residential Annual Cost Impact - Per Customer	$0.79

Residential Theoretical Benefit of Lower Gas Costs Due to Curtailment	curtailed dth	Gas Cost Savings	Feb 2024 Sales w curtailment dth	Gas Cost Savings	Residential Customers	Gas Cost Savings Per Res Customer
Residential			7,575,975	$370,308	453,981	$0.82
Commercial Firm			4,227,862	$206,655		
Demand Billed			376,690	$18,412		
Small Interruptible	3,210	$112,356	201,944	$9,871		
Medium & Large Interruptible	15,401	$539,050	944,368	$46,160		
Total	18,612	$651,405	13,326,839	$651,405		

Customer Contribution-in-Aid-of Construction (CIAC) Audit Results
Service Extensions: 2021/2022

	A	B
Population	**No. of Projects**	**Total Cost**
Stratum #1 (projects $0-$500)	1,952	$ 506,177
Stratum #2 (projects $500-$1,000)	2,421	$ 1,789,186
Stratum #3 (projects $1,000-$2,000)	2,988	$ 4,269,449
Stratum #4 (projects $2,000-$3,000)	1,055	$ 2,561,104
Stratum #5 (projects $3,000-$4,000)	507	$ 1,752,870
Stratum #6 (projects $4,000-$6,000)	440	$ 2,119,133
Stratum #7 (projects $6,000-$10,000)	295	$ 2,233,089
Stratum #8 (projects $10,000-$25,000)	130	$ 1,702,393
Stratum #9 (projects greater than $25,000)	16	$ 1,318,886
Total Service Projects	9,804	$ 18,252,289

	C	D	E	F	G	H	I=G÷D	J=H÷D
Sample	**No. of Projects**	**Sample Cost**	**CIAC Identified**	**CIAC Billed/Collected**	**CIAC Not Collected**	**CIAC Over-Collected**	**% of CIAC Not Collected**	**% of CIAC Over-Collected**
Stratum #1 (projects $0-$500)	15	$ 4,449	$ 1,434	$ 1,434	$ -	$ -	0.00%	0.00%
Stratum #2 (projects $500-$1,000)	24	$ 17,160	$ 3,154	$ 3,052	$ 102	$ -	1.14%	0.00%
Stratum #3 (projects $1,000-$2,000)	22	$ 30,568	$ 2,579	$ 1,732	$ 847	$ -	6.32%	0.00%
Stratum #4 (projects $2,000-$3,000)	15	$ 36,270	$ 15,426	$ 15,426	$ -	$ -	0.00%	0.00%
Stratum #5 (projects $3,000-$4,000)	6	$ 20,794	$ 3,265	$ 3,265	$ -	$ -	0.00%	0.00%
Stratum #6 (projects $4,000-$6,000)	5	$ 23,387	$ 3,849	$ 3,569	$ 280	$ -	1.92%	0.00%
Stratum #7 (projects $6,000-$10,000)	7	$ 55,114	$ 2,400	$ 2,663	$ -	$ 263	0.00%	0.68%
Stratum #8 (projects $10,000-$25,000)	16	$ 278,469	$ 39,941	$ 39,941	$ -	$ -	0.00%	0.00%
Stratum #9 (projects greater than $25,000)	13	$ 483,695	$ 40,715	$ 42,050	$ -	$ 1,335	0.00%	0.49%
TOTAL Adjustment for Service Projects	123	$ 949,909	$ 112,763	$ 113,131	$ 1,229	$ 1,597	9.38%	1.16%

sample cost % of CIAC (E÷D) 11.87%

1.09% CIAC not collected (G÷E)

Cost of service ext	$ 18,252,289	
assumed CIAC %	11.87%	
assumed extrapolated CIAC	$ 2,166,710	
assumed CIAC % not collected	1.09%	
assumed extrapolated CIAC not collected	$ 23,611.13	
Waiver of CIAC fees less than $5.00	$ 17.50	(5 occurrences x $3.50) *
	$ 23,628.63	**Rate Base Reduction**

* Note: See page 24 of Exhibit___(SHH-1), Hults Direct. Pursuant to MPUC Order Point 10, September 10, 2007, Docket No. G002/GR-06-1429, the Company reviewed waivers of CIAC fees of $5.00 or less, resulting in waivers totaling $17.50 in rate base reduction.

Northern States Power Company
State of Minnesota - Gas Utility

Customer Contribution-in-Aid-of-Construction (CIAC) Audit Results
Main Extensions: 2021/2022

	A	B
Population	**No. of Projects**	**Total Cost**
Stratum #1-#4 (projects $0 up to $150,000)	186	$ 4,552,161
Stratum #5 (projects greater than $150,000)	11	$ 2,697,497
Total Main Projects	197	$ 7,249,658

	C	D	E	F	G	H	I=G÷D	J=H÷D
Sample	**No. of Projects**	**Sample Cost**	**CIAC Identified**	**CIAC Billed/Collected**	**CIAC Not Collected**	**CIAC Over-Collected**	**% CIAC Not Collected**	**% of CIAC Over-Collected**
Stratum #1-#4 (projects $0 up to $150,000)	63	$ 1,711,200	$ 186,842	$ 184,342	$ 2,500	$ -	1.38%	0.00%
Stratum #5 (projects greater than $150,000)	8	$ 1,953,454	$ 45,750	$ 45,750	$ -	$ -	0.00%	0.00%
TOTAL Adjustment for Main Projects	71	$ 3,664,653	$ 232,592	$ 230,092	$ 2,500	$ -	1.38%	0.00%

sample cost % of CIAC (E÷D)		6.35%	1.07%	CIAC not collected (G÷E)
Cost of Main ext	$	7,249,658		
assumed CIAC %		6.35%		
assumed extrapolated CIAC	$	460,128		
assumed CIAC % not collected		1.07%		
assumed extrapolated CIAC not collected	**$**	**4,945.66**	Rate Base Reduction	