

October 21, 2021

The Public Service Commission convened in the Commission Hearing Room, State Capitol, Bismarck, North Dakota, on October 21, 2021, 2:30 p.m. Present were Commissioners Fedorchak, Christmann and Kroshus.

Case No. PU-21-9
Northern States Power Company
Cost of Gas 2021
Tariff Monthly Adjustments

Mr. Kroshus: I move the Commission adopt the Order in Northern States Power Company, Cost of Gas 2021, Tariff Monthly Adjustments, Case No. PU-21-9.

Mr. Christmann: I second the motion.

Roll Call: Ms. Fedorchak votes "Aye."

Mr. Christmann votes "Nay."

Mr. Kroshus votes "Aye."

Concurring Opinion

Case No. PU-21-9
Northern States Power Company
Cost of Gas 2021
Tariff Monthly Adjustments

Concurring Opinion – Commissioner Brian Kroshus – Case 21-9

My concurring opinion to support lengthening the recovery period from the previously approved 15 months to 24 months for fuel cost recovery associated with the February, 2021 weather event in case number 21-9, is in recognition of the unique economic hardship many low-income households and businesses continue to experience currently.

For low and fixed-income households living from paycheck to paycheck, lessening monthly natural gas utility bills through the implementation of a longer recovery period will help mitigate the impact higher projected energy costs this coming winter will have.

For businesses, spreading fuel cost recovery that in many instances totals thousands of dollars in additional, unexpected monthly expense as a result of the February, 2021 event, provides meaningful relief as they work to regain their financial footing. It in effect reduces the need to obtain larger operating loans and proportionately higher principal and interest payments.

While the economy continues to gradually improve, business owners in North Dakota currently face strong inflationary headwinds across virtually every segment of their operation on the heels of a pandemic-induced slowdown the previous 18 months.

Their requests related to the time period for fuel cost recovery as a result of the February price spike have been consistent – spread related true-up costs over a longer time period so they can avoid alternative measures including layoffs and hiring freezes, which are

Concurring Opinion Continued

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moves that would be damaging to their business, local community and the overall state economy.

Risks associated with a longer recovery period, from 15 to 24 months, are minimal and, in comparison, significantly smaller than other rate-related decisions the commission routinely makes, many of which total in the hundreds of millions of dollars and have collection periods of 25 years or more.

Virtually every resource and rate-making decision made by the commission comes with some degree of risk to ratepayers. The fuel-cost recovery mechanism approved on 10-21-2021 does not extend beyond widely accepted risk parameters on which the commission bases decisions.

If another unprecedented event should occur in the approved 24-month recovery period, the commission has an array of mechanisms within its authority and at its disposal, including a talented staff, capable of addressing and countering any future black swan events.

Ultimately, I remain confident in the commission's capacity to protect ratepayers in both short and long-term and in our ability to effectively address unexpected market events having significant financial consequences to ratepayers, should they occur.

Finally, state, regional and national organizations responsible for regulating energy distribution, whether electric or natural gas, are currently making corrective changes as a result of the February events, using lessons learned, to effectively avoid a repeat occurrence.

It's incumbent upon the commission to listen to those we serve. The message from the business community in particular has been clear, understandable and reasonable – spread the additional fuel cost recovery related to the February price spike over a longer period of time -- which the approved order for case 21-9 achieves.



Brian Kroshus, Commissioner

Dissenting Opinion

Case No. PU-21-9
Northern States Power Company
Cost of Gas 2021
Tariff Monthly Adjustments

DISSENT
Commissioner Randy Christmann
October 21, 2021

NSP's request to further extend its cost of gas true-up to twenty-four months should be denied. While some relief can be gained by extending the true-up period into the summer of 2023, that extension carries enormous risk for the customers.

The normal true-up period for cost of gas is twelve months. Some years this true-up increases bills for twelve months, and sometimes it decreases them. This year, the PSC has already extended the true-up period to fifteen months because the amount of the true-up is much larger than normal and gas prices during the true-up period are expected to be higher than we have seen in the last few years.

This case is further complicated by the fact that since approval of the fifteen month true-up, NSP has filed for a general gas rate increase which will further drive up customer bills during the 2021-22 heating season, and most likely beyond.

The need for this large true-up for NSP for the 2020-21 heating season is not primarily the result of cyclical seasonal gas prices. It is primarily the result of a few days in February when the central part of the continent sustained a cold snap and wind was very light. Until the last few years the natural gas system would likely have met the demand for gas with very little problem.

However, in recent years, the move to non-dispatchable, renewable electric generation has caused coal and nuclear plants around the country to close, requiring the electric grid to add natural gas generation as a back-up for times when the renewables are not producing. For a few days in February we saw electric generators bidding against gas distribution companies in a way that drove the short term gas price up exponentially. Gas distribution companies such as NSP had no choice but to pay those absurd "market" prices or fail their customers.

The country is continuing to add large amounts of renewable electric generation. That continues to drive coal plants out of business, which means the wind must be backed up by additional natural gas electric

Dissenting Opinion Continued

Case No. PU-21-9
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generation. At the same time, needed expansion of the natural gas distribution system is not happening quickly enough.

While weather and natural gas prices are difficult to predict for any one winter, the undeniable fact is that events like we saw in February where short term gas prices spike exponentially are increasingly likely as the country moves away from coal.

A normal twelve month true-up, or in this case fifteen months, allows these situations to be spread out to minimize the impact but prevents pancaking multiple years that could be devastating to customers. Increasing the true-up to twenty-four months pushes 2021 costs into the summer of 2023. If similar or even worse natural gas price spikes occur during the 2021-22 heating season, the true-up for that will be piled onto the true-up for 2020-21 during the 2022-23 season. Piling the consequences on top of each other has the very realistic potential of devastating customers in the future.

It should also be noted that a fundamental part of utility regulation is allocating costs, to the extent possible, to their beneficiaries. NSP adds numerous new gas customers each month. By the time a 24 month true-up ends in the summer of 2023, there will be far too many customers paying the true-up for gas that exclusively benefitted customers in February of 2021. This is not a good allocation model.

With full understanding of the impact of this true-up, and great empathy for the customers struggling to pay it, I cannot agree with adding the possibility of compounding this true-up with a future true-up that could very realistically be as large or larger.


Randy Christmann, Commissioner

Case No. PU-21-360
Public Service Commission
Standards of Service - Electric
Rulemaking

Mr. Kroshus: I move the Commission adopt the Order Submitting Rules to Attorney General for an opinion as to legality in Public Service Commission, Standards of Service, Electric, Rulemaking, PSC Case No. PU-21-360.

Amend Section 69-09-02-06 Continuity of Service

Mr. Christmann: I second the motion.

Roll Call: All voting "Aye."

ATTEST

THE COMMISSION ADJOURNED AT 3:01 P.M.



Executive Secretary



JULIE FEDORCHAK, CHAIR