



NEWS RELEASE
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**PSC APPROVES SETTLEMENT AGREEMENT WITH
NORTHERN STATES POWER COMPANY (Xcel Energy)**

BISMARCK, ND – The North Dakota Public Service Commission (PSC) today approved a comprehensive settlement agreement with Northern States Power Company (Xcel Energy) that provides a multi-year revenue plan to complete major improvements to its generation, transmission and distribution system and addresses several persistent challenges between Xcel and North Dakota regulators.

The agreement solidifies the company’s commitment to build up to 400 megawatts (MW) of thermal generation in North Dakota, and provides a framework to remove from rates Minnesota-driven alternative energy projects that might not be prudent to North Dakota customers. This could reduce future costs to North Dakota customers by more than \$5 million.

As part of the four-year rate plan, Xcel customers will see a 4.9 percent increase over 2012 rates for each year through 2015 followed by a rate freeze in 2016. Xcel’s rate request is driven largely by its current investment cycle, which includes efforts to extend the lives and increase the capacity of its nuclear fleet, significantly invest in its transmission system, and to refresh and automate its distribution system.

“This agreement reduces Xcel’s original 2013 rate increase almost in half and limits future rate increases, which we know were coming, to the same level,” Commissioner Julie Fedorchak, who holds the economic regulation portfolio, said. “This provides rate certainty to North Dakota rate payers through the completion of Xcel’s system-wide upgrades that are needed to maintain reliable, affordable electric service. It’s a hedge for customers against additional cost increases and also requires the company to share any excess revenues should Xcel earn more than projected.”

Even with the rate increases, Xcel’s average rates in North Dakota are projected to remain among the lowest in the Midwest and approximately 15 percent lower than the national average through 2016. In 2016, Xcel Energy rates will have increased, on average, about 2.6 percent per year over the past 25 years.

“This case found the balance between ensuring fair rates for customers and continued reliability, improvements and appropriate resource mix for North Dakota customers,” Commissioner Brian Kalk said.

“This settlement relieves North Dakota rate payers of the costs of the company’s economic development donations, their charitable contributions and much of their employee incentive bonuses,”

Commissioner Randy Christmann said. “NSP’s investors will now be responsible for these costs, saving rate payers over \$2 million over these four years.”

The comprehensive settlement includes a number of additional significant elements including:

- Provides a refund to ratepayers for overpayment in 2013. (Customers have been paying an interim rate increase of 8.05%). The average customer refund will be approximately \$19. The average customer increase in 2014 over current rates will be \$1.20 per month.
- A third-party study of the longstanding formula used to allocate the generation and transmission costs of the entire system. The current allocation factor has been used for several decades and some analysts believe it may overcharge North Dakota customers for their contribution to the total system costs.
- A negotiating framework to review all the resources included in the company’s generation mix and to reconsider the prudence of those largely driven by Minnesota alternative energy mandates.
- A study for the creation of meaningful Time of Day rates for North Dakota customers. These rates provide an incentive to customers to save energy during peak hours of consumption and are being used successfully in other states to reduce overall energy consumption and limit the need to build new generation.
- Advanced Determination of Prudence for the 150 MW Border Winds project near Rolette, N.D. and the 200 MW Courtenay wind project near Jamestown.
- A variety of cost saving measures to reduce the revenue needs and the corresponding rate increases for North Dakota customers.

The North Dakota Public Service Commission is a constitutionally created state agency with authority to permit, site and regulate business activities in the state including electric and gas utilities, telecommunications companies, power plants, electric transmission lines, pipelines, railroads, grain elevators, auctioneers, commercial weighing devices, pipeline safety and coal mine reclamation. For more information, contact the Public Service Commission at (701) 328-2400 or www.psc.nd.gov.

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