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May 25, 2018

—VIA EMAIL & U.S. MAIL—

Mr. Darrell Nitschke  
Director of Administration and Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 58505-0480

RE: 2017 RELIABILITY PERFORMANCE PLAN AWARD - UPDATE  
CASE NO. PU-18-112

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy and operating in North Dakota, submits to the North Dakota Public Service Commission this update to its March 7, 2018 notification. In that petition, the Company informed the Commission of its achievement, in 2017, of a financial award provided for in the *Reliability Performance Plan* (RPP) the Company operated under from 2013-2017.

The award resulted from the Company's attainment of the RPP excellence threshold for annual outage duration performance, as measured by the System Average Interruption Duration Index (SAIDI). In its March 7 notification, the Company had projected that the amount of the award would be \$1.5 million, based on the Company's expectation that its official North Dakota electric earnings in 2017 would be sufficiently lower than the currently authorized 10.25 percent Return on Equity (ROE).

This week Xcel Energy completed and filed its annual report of jurisdictional regulated earnings for its electric operations in North Dakota. The report indicated that in 2017 the Company achieved an actual ROE of 10.52 percent, and a weather-normalized ROE of 10.91 percent.

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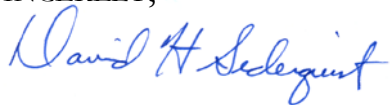
Under the provisions of the RPP, there is a financial award ranging from \$250,000 to \$1,500,000 for meeting or exceeding the SAIDI excellence threshold of 57.0 minutes. A base incentive amount of \$250,000 was to be awarded in any year the Company achieved the SAIDI threshold, regardless of its actual regulated earnings for the year. This base incentive amount, however, is increased one dollar for every dollar that the Company's actual revenues for the plan year were *deficient* (i.e., resulting in an ROE below the authorized level), capped at a maximum award of \$1,500,000. At the time of its March 7 reward notification, the Company had not completed its official 2017 earnings report and was projecting an ROE of between 8.0 and 9.0 percent, based primarily on historical earnings trends and the impact of the rate freeze in effect during 2017.

While Xcel Energy did in fact achieve the award threshold in 2017 with a SAIDI result of 43.7 minutes, the Company's actual ROE was 10.52 percent, or 0.27 percent *higher* than the authorized level of 10.25 percent. Thus, there was no revenue shortfall in 2017, and so the RPP award is limited to the base amount of \$250,000.

The Commission may recall that in its March 7 filing, the Company had proposed to net the RPP award with two Dept. of Energy (DOE) payments (one received in November 2017 with the credit pending before the PSC, and one to be received in late 2018) for damages resulting from the DOE's inability to provide permanent storage of spent nuclear fuel. For efficiency, the Company continues to recommend that the RPP award of \$250,000 be netted against the pending \$788,140 DOE payment customer credit to be issued this year, thereby avoiding multiple billing adjustments.

The Company looks forward to the June 13 Informal Hearing scheduled by the Commission to review the RPP award and proposed recovery. Until then, please don't hesitate to contact Cynthia Harrington at (612) 330-5953 or me if you have any questions regarding this filing. Thank you.

SINCERELY,



DAVID H. SEDERQUIST  
SR. CONSULTANT, REGULATION & FINANCE

cc: Victor Schock