

Memorandum

To: Commissioners Brian Kroshus, Julie Fedorchak, and Randy Christmann

From: Adam Renfandt

Date: May 3, 2019

Re: Northern States Power Company 2017 Electric Annual Report

Case No. PU-18-188

I recommend the Commission close the above captioned case, which is Northern States Power Company's (NSP) North Dakota annual electric report filing for 2017. I will include a motion to close the case on the May 15, 2019 consent agenda.

NSP provides electric service to about 94,152 customers in North Dakota. Staff has reviewed the company's annual report filing for 2017. The company's return on equity (ROE) was 10.52% in 2017, which is up from 9.14% in 2016. Compared to the year prior, North Dakota contributed less to NSP's system load, which lowered the allocated portion of energy and transmission costs. When considering the impact of weather, the ROE would have been 10.91% in 2017. The Commission authorized an ROE of 10.25% for 2016 and 2017 in the most recent rate case (case no. PU-12-813). Assuming no weather normalization, the company earned approximately \$1.24M over their authorized return in 2017. However,

When normalized for weather, the company over-earned by approximately \$2.98M, and per the First Revised Negotiated Agreement in case no. PU-12-813, NSP refunded this amount. Since NSP refunded the full amount of 2017 weather-normalized over-earnings, staff recommends the Commission close the above captioned case.

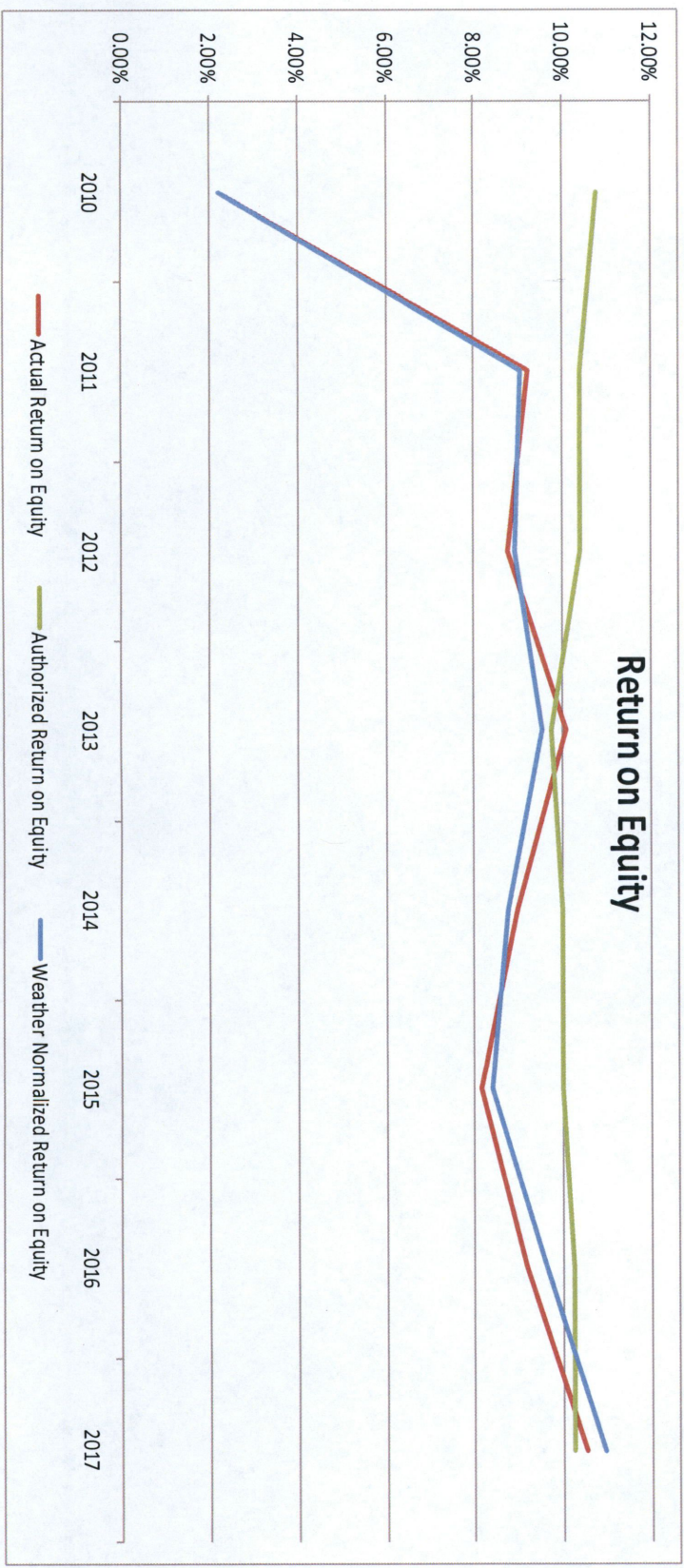
Attached are staff generated summaries of NSP's ND electric earnings since 2010.

Attachment 1 – Return Calculation

Attachment 2 – Net Operating Income

c: David Sederquist

Description	2010	2011	2012	2013	2014	2015	2016	2017
Rate Base	\$ 282,316	\$ 322,995	\$ 338,666	\$ 388,195	\$ 453,401	\$ 514,809	\$ 540,927	\$ 539,153
Rate of Return Allowed	8.58%	8.36%	8.10%	7.42%	7.52%	7.52%	7.61%	7.59%
Return Allowed (Line 1 x Line2)	\$ 24,215	\$ 27,006	\$ 27,427	\$ 28,818	\$ 34,100	\$ 38,734	\$ 41,161	\$ 40,901
Return Earned (non-weather normalized)	11,664	24,952	24,536	29,471	31,670	33,713	38,025	41,670
Return Deficiency (Excess)	\$ 12,551	\$ 2,054	\$ 2,891	\$ (653)	\$ 2,430	\$ 5,021	\$ 3,136	\$ (769)
Tax Factor	1.644	1.622	1.622	1.612	1.612	1.608	1.608	1.608
Revenue Deficiency (Excess) - non-weather normalized	\$ 20,633	\$ 3,331	\$ 4,689	\$ (1,052)	\$ 3,916	\$ 8,073	\$ 5,041	\$ (1,237)



Northern States Power Company

Attachment 2

Electric Utility - North Dakota
 Net Operating Income
 (Dollars in Thousands)

Description	2010	2011	2012	2013	2014	2015	2016	2017
Residential	\$ 61,131	\$ 68,744	\$ 69,329	\$ 81,128	\$ 81,066	\$ 82,172	\$ 78,298	\$ 80,013
Small Commercial & Industrial	72,918	83,167	85,328	96,704	98,244	101,810	98,996	99,278
Large Commercial & Industrial	19,074	21,516	22,301	23,654	24,600	27,904	26,257	26,996
Other ¹	43,697	40,457	42,928	48,572	53,987	54,781	54,157	54,802
Total Revenues	\$ 196,820	\$ 213,884	\$ 219,886	\$ 250,058	\$ 257,897	\$ 266,667	\$ 257,708	\$ 261,089
Fuel & Prod. Expense	127,106	119,260	120,355	134,307	134,955	127,077	115,476	112,791
Gross Margins	\$ 69,714	\$ 94,624	\$ 99,531	\$ 115,751	\$ 122,942	\$ 139,590	\$ 142,232	\$ 148,298
Transmission Expense	9,725	11,219	12,309	14,921	17,224	19,777	21,953	21,833
Distribution Expense	5,779	6,737	6,387	6,784	6,727	6,319	6,886	6,201
Customer Billing	4,394	4,411	4,128	4,121	4,300	4,198	3,307	3,319
Customer Service	262	489	370	348	439	425	68	321
Sales & Marketing ³	151	135	2	1	0	0	0	0
Admin. & General ⁴	12,374	11,770	12,969	15,576	14,664	15,462	15,380	16,077
Depreciation	15,981	17,885	20,400	22,295	25,265	32,204	33,004	35,910
% of Plant in Service	2.37%	2.41%	2.61%	2.55%	2.58%	2.97%	2.91%	3.12%
Property Taxes	5,585	5,881	6,690	7,917	8,727	9,404	10,367	10,117
% of Plant in Service	0.83%	0.79%	0.86%	0.91%	0.89%	0.87%	0.91%	0.88%
Other General Taxes ²	1,731	1,820	1,866	2,081	2,055	2,014	1,875	1,941
Income Tax Expense	2,068	9,325	9,874	12,236	11,871	16,074	11,367	10,909
% of Income before Income Tax	15.06%	27.20%	28.70%	29.34%	27.26%	32.29%	23.01%	20.75%
Net Operating Income	\$ 11,664	\$ 24,952	\$ 24,536	\$ 29,471	\$ 31,670	\$ 33,713	\$ 38,025	\$ 41,670

¹ Includes primarily public street & highway lighting, sales to public authorities, interchange billings, other electric operating revenues.
² Includes gross earnings taxes (franchise fees) and payroll taxes.
³ Includes economic development, demand side management and conservation incentive programs.
⁴ Includes other miscellaneous expenses and SFAS amortization.