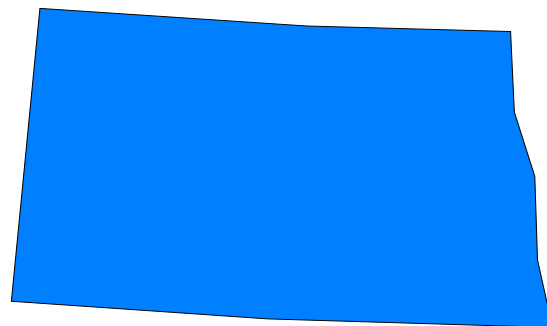


**ANNUAL REPORT**  
**OF**  
**NORTHERN STATES POWER COMPANY**  
**(A MINNESOTA CORPORATION)**  
**TO THE**  
**NORTH DAKOTA PUBLIC SERVICE COMMISSION**

**FOR THE YEAR ENDING**  
**DECEMBER 31, 2018**

**Electric Utility**  
**North Dakota Jurisdiction**



**2018**

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# Northern States Power Company

## Electric Utility - North Dakota

(Dollars In Thousands)

### I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2018</u>	<u>2017</u>
1 Operating Income from Electric Operations (E-2):	\$40,942	\$41,670
2 Average Regulated Rate Base (E-3):	\$536,767	\$539,153
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.63%	7.73%
4 Weighted Cost of Debt (E-4):	2.14%	2.20%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	52.83%	52.54%
7 <b>Return on Equity (ROE):</b>	<b>10.39%</b>	<b>10.52%</b>

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2018</u>	<u>2017</u>
8 Operating Income from Electric Operations:	\$40,942	\$41,670
9 Impact of weather on Mwh Sales:	30,390	(30,418)
10 Impact of weather on Electric Operating Income: <sup>1</sup>	\$1,288	(\$1,079)
11 Weather-Normalized Operating Income:	\$39,654	\$42,749
12 Average Regulated Rate Base:	\$537,021	\$538,778
13 Weather-Normal Rate of Return on Rate Base (ROR):	7.38%	7.93%
14 <b>Weather-Normalized Return on Equity (ROE):</b>	<b>9.93%</b>	<b>10.91%</b>

<sup>1</sup> The weather impact estimate reflects adjustments to both electric demand and sales

# Northern States Power Company

## Electric Utility - North Dakota

(Dollars In Thousands)

### II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2018</u> <u>Total NSP</u>	<u>2018</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2017</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<b><u>Operating Revenues:</u></b>						
1	Residential	1,428,986	82,625	5.8%	80,013	3.3%
2	Small Comm. & Ind.	1,569,974	98,195	6.3%	99,278	-1.1%
3	Large Comm. & Ind.	713,274	26,829	3.8%	26,996	-0.6%
4	Public Street & Highway Ltg	27,353	1,635	6.0%	1,625	0.6%
5	Other Sales to Publ Auth	<u>9,984</u>	<u>1,326</u>	<u>13.3%</u>	<u>1,356</u>	<u>-2.3%</u>
	Total Retail	3,749,571	210,610	5.6%	209,268	0.6%
6	Interdepartmental	690	0	0.0%	0	*
7	Sales for Resale	128,053	8,347	6.5%	5,462	52.8%
8	Interchange Agreement	468,896	28,441	6.1%	29,853	-4.7%
9	Other <sup>1</sup>	<u>110,115</u>	<u>4,125</u>	<u>3.7%</u>	<u>16,506</u>	<u>-75.0%</u>
10	Total Revenues:	<u>4,457,324</u>	<u>251,523</u>	<u>5.6%</u>	<u>261,089</u>	<u>-3.7%</u>
<b><u>Operating Expenses:</u></b>						
11	Fuel & Purchased Energy	1,234,975	72,387	5.9%	69,341	4.4%
12	Production	695,189	40,947	5.9%	43,450	-5.8%
13	Transmission	359,550	20,811	5.8%	21,833	-4.7%
14	Distribution	121,896	6,671	5.5%	6,201	7.6%
15	Customer Billing	55,787	3,380	6.1%	3,319	1.9%
16	Customer Service	103,266	261	0.3%	321	-18.6%
17	Sales & Marketing	96	0	0.0%	0	*
18	Admin. & General	253,193	15,966	6.3%	16,077	-0.7%
19	Depreciation & Amortization	665,475	36,600	5.5%	35,910	1.9%
20	Property Taxes	208,876	9,813	4.7%	10,117	-3.0%
21	Payroll & Other Taxes	31,437	1,933	6.1%	1,941	-0.4%
22	Income Taxes	1,111	0	0.0%	0	*
23	Deferred Income Taxes & ITC	<u>28,984</u>	<u>1,812</u>	<u>6.3%</u>	<u>10,909</u>	<u>-83.4%</u>
24	Total Expenses:	<u>3,759,835</u>	<u>210,581</u>	<u>5.6%</u>	<u>219,419</u>	<u>-4.0%</u>
25	<b>Regulated Operating Income</b>	<b>697,489</b>	<b>40,942</b>	<b>5.9%</b>	<b>41,670</b>	<b>-1.7%</b>

<sup>1</sup> Other Operating revenue includes a \$9.7 million dollar reduction reflecting a future refund of the 2018 savings from the federal Tax Cuts and Jobs act of 2017

**Northern States Power Company**  
**Electric Utility - North Dakota**

(Dollars In Thousands)

**III. AVERAGE RATE BASE**

<u>Line</u>	<u>Item</u>	<u>2018</u> <u>Total NSP</u>	<u>2018</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2017</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	20,638,020	1,168,795	5.7%	1,151,095	1.5%
2	Accumulated Depreciation	<u>9,312,713</u>	<u>521,490</u>	<u>5.6%</u>	<u>504,071</u>	<u>3.5%</u>
3	Net Plant in Service	11,325,307	647,305	5.7%	647,024	0.0%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	69,882	4,395	6.3%	3,054	43.9%
6	Materials and Supplies	191,665	11,152	5.8%	12,754	-12.6%
7	Fuel Stocks	78,920	5,107	6.5%	5,902	-13.5%
8	Prepayments & Other Rate Base	168,547	8,496	5.0%	5,255	61.7%
9	Customer Deposits	(73,141)	(91)	0.1%	(98)	-7.3%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base <sup>1</sup>	64,955	5,063	7.8%	2,817	79.7%
12	Accum. Deferred Taxes	<u>(2,622,062)</u>	<u>(144,660)</u>	<u>5.5%</u>	<u>(137,555)</u>	<u>5.2%</u>
13	Total Other Rate Base	(2,121,234)	(110,538)	5.2%	(107,871)	2.5%
14	<b>Total Average Rate Base</b>	<b>9,204,073</b>	<b>536,767</b>	<b>5.8%</b>	<b>539,153</b>	<b>-0.4%</b>

<sup>1</sup> Includes deferred assets and liabilities such as accrued vacations, post-retirement medical benefits (FASB 106), post-employment benefits (FASB 112), unfunded pension liability, environmental cleanup, severance accrual, etc.

# Northern States Power Company

## Electric Utility - North Dakota

(Dollars In Thousands)

### IV. COST OF CAPITAL

#### 2018 Actual

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt	\$4,888,050	46.49%	4.56%	2.12%
2	Short-Term Debt	<u>\$71,550</u>	<u>0.68%</u>	<u>2.97%</u>	<u>0.02%</u>
3	Total Debt	\$4,959,600	47.17%	4.54%	2.14%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$5,554,691</u>	<u>52.83%</u>	10.39%	5.49%
6	Total Equity	\$5,554,691	52.83%		
7	Total Capital	\$10,514,291	100.00%		7.63%

#### 2018 Normalized

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt	\$4,888,050	46.49%	4.56%	2.12%
9	Short-Term Debt	<u>\$71,550</u>	<u>0.68%</u>	<u>2.97%</u>	<u>0.02%</u>
10	Total Debt	\$4,959,600	47.17%	4.54%	2.14%
11	Preferred Stock	\$0	0.00%		0.00%
12	Common Equity	<u>\$5,554,691</u>	<u>52.83%</u>	9.93%	5.24%
13	Total Equity	\$5,554,691	52.83%		
14	Total Capital	\$10,514,291	100.00%		7.38%

# Northern States Power Company

## Electric Utility - North Dakota

### I. SALES AND CUSTOMER DATA

#### Electric Utility (N. D. Jurisdiction)

<u>Line</u>	<u>Customers (@ Dec)</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
1	Residential	81,023	80,985	80,623	80,245	79,206
2	Small C & I	12,826	12,753	12,746	12,705	12,475
3	Large C & I	23	23	24	22	18
4	PSHL/OSPA	<u>406</u>	<u>391</u>	<u>375</u>	<u>351</u>	<u>342</u>
5	Total Retail	94,278	94,152	93,768	93,323	92,041
<u>Line</u>	<u>Mwh Sales</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
6	Residential	794,324	753,332	744,260	770,530	818,018
7	Small C & I	1,070,766	1,061,226	1,077,523	1,099,372	1,117,581
8	Large C & I	371,963	365,348	362,964	349,571	335,058
9	PSHL/OSPA	<u>28,025</u>	<u>27,578</u>	<u>27,992</u>	<u>28,450</u>	<u>29,944</u>
10	Total Retail	2,265,078	2,207,484	2,212,739	2,247,923	2,300,601
11	Ave. ¢/Kwh	9.30¢	9.43¢	9.28¢	9.59¢	9.08¢
12	Ave. Res. Mo. Usage (kwh)	817	775	769	800	861
13	Ave. Res. Monthly Bill	\$84.98	\$81.98	\$80.49	\$85.59	\$86.01

# Northern States Power Company Electric Utility - North Dakota

## II. AFFILIATED TRANSACTION SUMMARY

			<b>North Dakota Jurisdiction Electric and Gas Totals (1)</b>	
<b>Affiliate Name</b>	<b>Services Rendered</b>	<b>Expense (2)</b>	<b>Revenue (3)</b>	
1	NSP Wisconsin	Electric and Gas Utility	9,304,623	29,778,107
2	Public Service of Colorado	Electric and Gas Utility	6,740	12,692
3	Southwestern Public Service	Electric Utility	1,293	2,252
4	Hayden Joint Venture	Electric Utility	-	-
5	Xcel Energy Services	Xcel Energy Inc. Service Company	122,719,774	94,999,446
6	Xcel Energy, Inc.	Engineering services	(21,802,419)	200
			<b>110,230,011</b>	<b>124,792,697</b>

### Notes:

- (1) The amounts allocated to North Dakota electric and gas jurisdictions represent an estimate based on an overall allocation factor applied to the revenues and expenses for each affiliate. To derive the actual amounts by jurisdiction would require an allocation of each transaction by account number and would require significant analysis and expense to perform.
- (2) Expense to North Dakota electric and gas jurisdictions. Revenue to affiliate for services provided to NSP (MN)
- (3) Revenue to North Dakota electric and gas jurisdictions. Expense to the affiliate for services provided to the affiliate by NSP (MN).

# Northern States Power Company Electric Utility - North Dakota

## III. AFFILIATED TRANSACTION ALLOCATION DETAIL

	<u>Total Expense</u>	<u>Total Revenue</u>	<u>Elec %</u>	<u>Gas %</u>	<u>ND Elec % (Customers)</u>	<u>ND Gas % (Customers)</u>
NSP Wisconsin	\$ 826,225	\$ 15,578,848	91.9548%	8.0452%	6.3720%	11.0371%
PSCo	105,783	199,187	100.0000%	0.0000%	6.3720%	0.0000%
SPS	20,293	35,335	100.0000%	0.0000%	6.3720%	0.0000%
Hayden Joint Venture	0	0				
XES	1,818,793,762	1,407,958,910	91.9548%	8.0452%	6.3720%	11.0371%
XEI	(342,159,747)	3,136	100.0000%	0.0000%	6.3720%	0.0000%
	<u>\$ 1,477,586,316</u>	<u>\$ 1,423,775,416</u>				

### Notes:

#### Allocation of Revenues & Expenses between NSP Minnesota and Affiliates

Common Allocation Method: Labor

	<u>Electric</u>	<u>Gas</u>		
Utility Labor Allocator	91.9548%	8.0452%	Load Dispatch	11.4327%
ND Jur. Customer Allocator	6.3720%	11.0371%	Design Day	12.4345%

Factor Formula: ((Util Elec)\*ND Jur Ele)+((Util Gas)\*ND Jur Gas) = 6.7473%

#### Affiliated Transactions between Minnesota and Wisconsin (Interchange Agreement)

	<u>Total Revenue</u>	<u>ND Alloc.</u>	<u>Total Expense</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
Fixed	\$220,810,971	\$12,780,539	\$44,821,290	\$2,594,256	Demand	5.7880%
Variable	\$190,423,065	\$12,323,419	\$16,271,338	\$1,053,016	Energy	6.4716%
Transmission	\$62,491,775	\$3,617,024	\$96,779,594	\$5,601,603	Demand	5.7880%
Electric Total	\$473,725,811	\$28,720,982	\$157,872,222	\$9,248,875		

#### Gas SCADA Agreement

	<u>Total Rev</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
SCADA	52,227	5,971	Load Dispatch	11.4327%