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May 1, 2019

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

Re: 2018 REPORTS OF REGULATED EARNINGS FOR XCEL ENERGY'S
NORTH DAKOTA ELECTRIC AND NATURAL GAS OPERATIONS

Dear Mr. Nitschke:

Attached are electronic versions of Xcel Energy's Annual Reports of 2018 regulated earnings for our electric and natural gas operations in North Dakota. Also included for your reference are the 2018 Shareholder's Annual Report and a copy of Northern States Power Company—Minnesota's (NSPM's) 2018 FERC Form 1. One original and two copies of each report will be sent by mail under this cover letter to the Commission.

North Dakota Electric Earnings

The Company's regulated electric earnings in 2018 resulted in a Return on Equity (ROE) of 10.39 percent. This reflects a slight decrease in jurisdictional earnings compared to the 10.52 percent reported for 2017. Lower electric margins were partially offset by a lower allocation of NSPM electric production and transmission costs due to a lower contribution from the North Dakota jurisdiction to the company's system-wide monthly electric peak demands.

Normalizing for favorable weather, electric ROE in 2018 was 9.93 percent, compared to 10.91% in 2017.

North Dakota Natural Gas Earnings

The Company's regulated natural gas earnings in 2018 resulted in an ROE of 11.14 percent. This reflects an increase in jurisdictional earnings compared to the 8.13 percent reported for 2017. The increase is due primarily to customer growth, colder weather, and lower depreciation expenses resulting from a general extension of gas

asset service lives in the most recently approved depreciation study. The Company's authorized ROE for natural gas is 10.75 percent, approved June 13, 2007 in Case No. PU-06-525.

Normalizing for favorable weather, natural gas ROE in 2018 was 10.32 percent, which was higher than 2017 normalized ROE of 8.75 percent, again as a result of sales growth and lower depreciation expense.

Additional Fargo Manufactured Gas Plant (MGP) Amortization

Per its November 19, 2015 proposal in Case No. PU-15-514¹, the Company agreed to expense a portion of the Fargo MGP deferral balance in the event it earned more than the authorized ROE during the remediation phase of the project. In the proposal, the agreed-to threshold was identified as 9.75 percent. Thus, the Company intends to expense \$242 thousand in MGP clean-up costs, reflecting the earnings excess in 2018. The amount will be in addition to the annual amortization of \$1.25 million.

Please contact me if you have any questions or comments.

Sincerely,



DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION/FINANCE

c: Patrick Fahn

Enclosures

¹ Approved by Commission motion on December 16, 2015