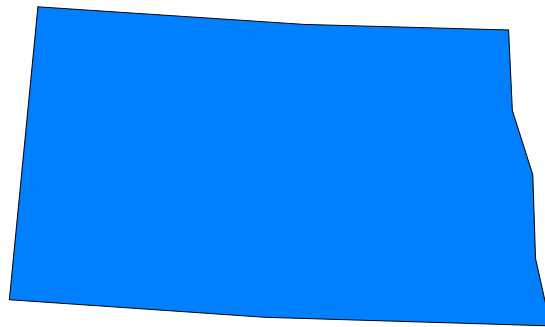


ANNUAL REPORT
OF
NORTHERN STATES POWER COMPANY
(A MINNESOTA CORPORATION)
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

FOR THE YEAR ENDING
DECEMBER 31, 2018

Natural Gas Utility
North Dakota Jurisdiction



2018

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Northern States Power Company

Natural Gas 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 Gas Operations (G-2):	\$4,841	\$3,560
2 Average Regulated Rate Base (G-3):	\$60,336	\$54,994
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	8.02%	6.47%
4 Weighted Cost of Debt (G-4):	2.14%	2.20%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	52.83%	52.54%
7 Return on Equity (ROE):	11.14%	8.13%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2018</u>	<u>2017</u>
8 Operating Income from Gas Operations:	\$4,841	\$3,560
9 Impact of weather on Mcf Sales:	595,337	(501,440)
10 Impact of weather on Gas Operating Income :	\$259	(\$178)
11 Weather-Normalized Operating Income:	\$4,582	\$3,738
12 Average Regulated Rate Base:	\$60,336	\$54,994
13 Weather-Normal Rate of Return on Rate Base (ROR):	7.59%	6.80%
14 Weather-Normalized Return on Equity (ROE):	10.32%	8.75%

**Northern States Power Company
Natural Gas Utility - North Dakota**

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2018 Total NSP</u>	<u>2018 N.D. Juris.</u>	<u>N. D. %</u>	<u>2017 N.D. Juris.</u>	<u>Annual Change</u>
<u>Operating Revenues:</u>						
1	Residential	152,550	10,754	7.0%	10,582	1.6%
2	Firm C & I	58,565	9,328	15.9%	8,561	9.0%
3	Interruptible C & I	<u>12,700</u>	<u>1,976</u>	<u>15.6%</u>	<u>1,595</u>	<u>23.9%</u>
4	Total Retail	223,815	22,058	9.9%	20,738	6.4%
5	Interdepartmental Generation	143	0	0.0%	0	0.0%
6	Transportation	11,115	159	1.4%	168	-5.3%
7	Other	<u>1,964</u>	<u>463</u>	<u>23.6%</u>	<u>456</u>	<u>1.5%</u>
8	Total Revenues:	<u>237,037</u>	<u>22,680</u>	<u>9.6%</u>	<u>21,362</u>	<u>6.2%</u>
<u>Operating Expenses:</u>						
9	Production ¹	11,462	2,281	19.9%	407	460.2%
10	Transmission	2,059	329	16.0%	348	-5.4%
11	Distribution	38,893	4,408	11.3%	4,347	1.4%
12	Customer Billing	12,451	1,129	9.1%	1,140	-1.0%
13	Customer Service	19,272	160	0.8%	161	-0.4%
14	Sales & Marketing	(5)	0	0.0%	0	0.0%
15	Admin. & General	26,633	2,839	10.7%	2,772	2.4%
16	Depreciation & Amortizations	40,468	4,296	10.6%	5,383	-20.2%
17	Property Taxes	16,460	1,063	6.5%	1,067	-0.3%
18	Payroll & Other Taxes	2,766	266	9.6%	291	-8.5%
19	Income Taxes	6,961	696	0.0%	328	0.0%
20	Deferred Income Taxes	<u>4,720</u>	<u>372</u>	<u>7.9%</u>	<u>1,557</u>	<u>-76.1%</u>
21	Total Expenses:	<u>182,140</u>	<u>17,839</u>	<u>9.8%</u>	<u>17,802</u>	<u>0.2%</u>
22	Regulated Operating Income	54,897	4,841	8.8%	3,560	36.0%

Note: Gas commodity costs and revenues have been removed per prior request from NDPSC staff

¹ Production expense includes a \$1.25 million dollar amortization of the Fargo MGP site deferral reflecting the 2018 savings from the federal Tax Cuts and Jobs act of 2017

Northern States Power Company
Natural Gas 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	1,459,596	146,522	10.0%	137,011	6.9%
2	Accumulated Depreciation	661,983	68,288	10.3%	64,823	5.3%
3	Net Plant in Service	797,613	78,234	9.8%	72,189	8.4%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	11,943	980	8.2%	510	92.2%
6	Materials and Supplies	1,256	139	11.0%	133	4.1%
7	Fuel Stocks	22,612	2,632	11.6%	3,120	-15.7%
8	Prepayments & Other	(478)	(1,121)	234.8%	(1,030)	8.9%
9	Customer Deposits	(497)	(55)	11.0%	(58)	-5.7%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base ¹	(4,779)	(701)	14.7%	(1,360)	-48.5%
12	Accum. Deferred Taxes	(205,546)	(19,772)	9.6%	(18,510)	6.8%
13	Total Other Rate Base	(175,489)	(17,898)	10.2%	(17,195)	4.1%
14	Total Average Rate Base	622,124	60,336	9.7%	54,994	9.7%

¹ 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

Natural Gas Utility - North Dakota

(Dollars In Thousands)

IV. COST OF CAPITAL

<u>2018 Actual</u>					
<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>	11.14%	5.88%
6	Total Equity	\$5,554,691	52.83%		
7	Total Capital	\$10,514,291	100.00%		8.02%

<u>2018 Normalized</u>					
<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%	0.00%
12	Common Equity	<u>\$5,554,691</u>	<u>52.83%</u>	10.32%	5.45%
13	Total Equity	\$5,554,691	52.83%		
14	Total Capital	\$10,514,291	100.00%		7.59%

Xcel Energy
Natural Gas Utility - State of North Dakota
2018 Demand Side Management Activity Report

2018 Results

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	31	na	\$13,681
Furnace/Boiler Rebates	727	12,390	\$118,063
Water Heater Rebates	19	117	\$5,876
Efficiency Showerheads	<u>97</u>	<u>190</u>	<u>\$980</u>
Totals	<u>874</u>	<u>12,697</u>	<u>\$138,600</u>

Annual Target*

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expense</u>
Home Energy Audits	55	na	\$26,084
Furnace/Boiler Rebates	725	11,673	\$104,500
Water Heater Rebates	30	153	\$4,020
Efficiency Showerheads	<u>200</u>	<u>446</u>	<u>\$3,656</u>
Totals	<u>1,010</u>	<u>12,272</u>	<u>\$138,260</u>

Notes:

The 2018 North Dakota residential program achieved natural gas savings above goal while spending was on target. The majority of programs achieved higher participation than in 2017. The largest program, Heating System Rebates, saw an 18% increase in equipment rebates compared to 2017, lifting the overall portfolio's Dkt savings to 103% of goal. Home Energy Audits were over 60% higher than 2017, and Water Heating Rebates were also up slightly. The High Efficiency Showerhead program participation managed to keep overall DSM spending near target. Except for High Efficiency Showerheads, which are targeted directly, the programs were marketed primarily through Xcel Energy bill "onserts" which reach all of the Company's residential natural gas customers. This tactic is reasonably cost-effective and helps to build awareness. Additional marketing tactics included the cross-marketing of programs via the trade partner

* Annual budget per Settlement in Case No. PU-06-525.

Northern States Power Company

Supporting Information - North Dakota

I. SALES AND CUSTOMER DATA

Natural Gas 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	49,120	48,110	47,130	45,846	44,569
2	Firm C & I	8,568	8,405	8,235	7,974	7,670
3	Interruptible C & I	<u>90</u>	<u>93</u>	<u>108</u>	<u>108</u>	<u>110</u>
4	Total Retail	57,778	56,608	55,473	53,928	52,349
5	Transportation	1	1	1	1	1
	<u>Mcf Sales</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
6	Residential	4,028	3,522	3,091	3,281	3,852
7	Firm C & I	5,737	5,113	4,524	4,760	5,303
8	Interruptible C & I	<u>2,701</u>	<u>2,367</u>	<u>2,218</u>	<u>2,040</u>	<u>2,370</u>
9	Total Retail	12,466	11,001	9,834	10,081	11,524
10	Transportation	893	839	751	710	782
	<u>Retail Revenues</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<i>Distribution Services</i>					
11	Residential	10,754	10,582	10,327	10,024	9,686
12	Firm C & I	9,328	8,561	7,824	7,986	8,464
13	Interruptible C & I	<u>1,976</u>	<u>1,595</u>	<u>1,511</u>	<u>1,603</u>	<u>1,732</u>
14	Total Distribution Svcs	22,058	20,738	19,662	19,613	19,881
	<i>Gas Cost Recovery</i>					
15	Residential	16,112	13,852	10,902	14,988	23,069
16	Firm C & I	22,911	19,998	15,848	21,608	31,628
17	Interruptible C & I	<u>8,665</u>	<u>7,265</u>	<u>6,250</u>	<u>7,502</u>	<u>12,234</u>
18	Total Gas Cost Recovery	<u>47,688</u>	<u>41,116</u>	<u>33,000</u>	<u>44,098</u>	<u>66,931</u>
19	Total Revenues	<u>69,746</u>	<u>61,854</u>	<u>52,663</u>	<u>63,711</u>	<u>86,812</u>
20	Ave. Retail \$/mcf	\$5.59	\$5.62	\$5.36	\$6.32	\$7.53
21	Ave. Res. Mo. Usage (ccf)	68	61	55	60	72
22	Ave. Res. Monthly Bill	\$45.58	\$42.32	\$37.54	\$45.46	\$61.24

Northern States Power Company Gas Utility - North Dakota

II. AFFILIATED TRANSACTION SUMMARY

			North Dakota Jurisdiction Electric and Gas Totals (1)	
Affiliate Name	Services Rendered	Expense (2)	Revenue (3)	
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
			110,230,011	124,792,697

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
Gas 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	(342,159,748)	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	<u>\$473,725,811</u>	<u>\$28,720,982</u>	<u>\$157,872,222</u>	<u>\$9,248,875</u>		

Gas SCADA Agreement

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