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May 1, 2020

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

Re: 2019 REPORTS OF REGULATED EARNINGS FOR XCEL ENERGY'S  
NORTH DAKOTA ELECTRIC AND NATURAL GAS OPERATIONS

Dear Mr. Kahl:

Attached are electronic versions of Xcel Energy's Annual Reports of 2019 regulated earnings for our electric and natural gas operations in North Dakota. Also included for your reference are the 2019 Shareholder's Annual Report and a copy of Northern States Power Company—Minnesota's (NSPM's) 2019 FERC Form 1. One original and three 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 2019 resulted in a Return on Equity (ROE) of 10.27 percent. This reflects a decrease in jurisdictional earnings compared to the 10.39 percent reported for 2018. The Company's authorized ROE for electric is 10.25 percent, approved February 26, 2014 in Case No. PU-12-813.

Normalizing for favorable weather, electric ROE in 2019 was 9.86 percent, compared to 9.93 percent in 2018.

### **North Dakota Natural Gas Earnings**

The Company's regulated natural gas earnings in 2019 resulted in an ROE of 5.06 percent. This reflects a decrease in jurisdictional earnings compared to the 11.14 percent reported for 2018. 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 2019 was 3.74 percent, which was lower than 2018 normalized ROE of 10.32 percent.

Please contact me if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style with a large initial 'D'.

DAVID H. SEDERQUIST  
SR. CONSULTANT, REGULATION/FINANCE

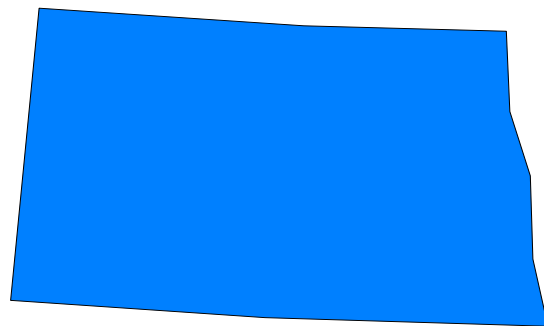
c: Patrick Fahn

Enclosures

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

**FOR THE YEAR ENDING**  
**DECEMBER 31, 2019**

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



**2019**

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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>2019</u>	<u>2018</u>
1 Operating Income from Electric Operations (E-2):	\$44,315	\$40,942
2 Average Regulated Rate Base (E-3):	\$587,833	\$536,767
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.54%	7.63%
4 Weighted Cost of Debt (E-4):	2.10%	2.14%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	52.98%	52.83%
7 <b>Return on Equity (ROE):</b>	<b>10.27%</b>	<b>10.39%</b>

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2019</u>	<u>2018</u>
8 Operating Income from Electric Operations:	\$44,315	\$40,942
9 Impact of weather on Mwh Sales:	31,895	30,390
10 Impact of weather on Electric Operating Income: <sup>1</sup>	\$1,249	\$1,288
11 Weather-Normalized Operating Income:	\$43,066	\$39,654
12 Average Regulated Rate Base:	\$588,053	\$537,021
13 Weather-Normal Rate of Return on Rate Base (ROR):	7.32%	7.38%
14 <b>Weather-Normalized Return on Equity (ROE):</b>	<b>9.86%</b>	<b>9.93%</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>2019</u> <u>Total NSP</u>	<u>2019</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2018</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<b><u>Operating Revenues:</u></b>						
1	Residential	1,336,572	78,813	5.9%	82,625	-4.6%
2	Small Comm. & Ind.	1,506,837	91,850	6.1%	98,195	-6.5%
3	Large Comm. & Ind.	668,113	25,578	3.8%	26,829	-4.7%
4	Public Street & Highway Ltg	24,563	1,584	6.4%	1,635	-3.1%
5	Other Sales to Publ Auth	<u>9,799</u>	<u>1,453</u>	<u>14.8%</u>	<u>1,326</u>	<u>9.6%</u>
	Total Retail	3,545,884	199,279	5.6%	210,610	-5.4%
6	Interdepartmental	588	0	0.0%	0	*
7	Sales for Resale	153,048	10,090	6.6%	8,347	20.9%
8	Interchange Agreement	452,582	28,885	6.4%	28,441	1.6%
9	Other <sup>1</sup>	<u>233,496</u>	<u>17,253</u>	<u>7.4%</u>	<u>4,124</u>	<u>318.4%</u>
10	Total Revenues:	<u>4,385,597</u>	<u>255,507</u>	<u>5.8%</u>	<u>251,523</u>	<u>1.6%</u>
<b><u>Operating Expenses:</u></b>						
11	Fuel & Purchased Energy	1,134,048	64,623	5.7%	72,387	-10.7%
12	Production	679,424	42,673	6.3%	40,947	4.2%
13	Transmission	386,719	24,202	6.3%	20,811	16.3%
14	Distribution	121,114	6,528	5.4%	6,671	-2.1%
15	Customer Billing	56,953	3,379	5.9%	3,380	-0.1%
16	Customer Service	111,747	425	0.4%	261	62.5%
17	Sales & Marketing	138	3	2.1%	0	*
18	Admin. & General	234,476	15,129	6.5%	15,966	-5.2%
19	Depreciation & Amortization	583,267	38,069	6.5%	36,600	4.0%
20	Property Taxes	209,316	11,096	5.3%	9,813	13.1%
21	Payroll & Other Taxes	31,373	2,019	6.4%	1,933	4.5%
22	Income Taxes	48,758	419	0.9%	0	*
23	Deferred Income Taxes & ITC	<u>(1,666)</u>	<u>2,626</u>	<u>-157.6%</u>	<u>1,812</u>	<u>44.9%</u>
24	Total Expenses:	<u>3,595,667</u>	<u>211,192</u>	<u>5.9%</u>	<u>210,581</u>	<u>0.3%</u>
25	<b>Regulated Operating Income</b>	<b>789,930</b>	<b>44,315</b>	<b>5.6%</b>	<b>40,942</b>	<b>8.2%</b>

<sup>1</sup> Other Operating revenue in 2018 was reduced by a \$9.7 million refund of the 2018 tax 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>2019</u> <u>Total NSP</u>	<u>2019</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2018</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	21,587,294	1,299,860	6.0%	1,168,795	11.2%
2	Accumulated Depreciation	9,908,027	593,415	6.0%	521,490	13.8%
3	Net Plant in Service	11,679,267	706,444	6.0%	647,305	9.1%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	57,513	3,888	6.8%	4,395	-11.5%
6	Materials and Supplies	174,554	10,932	6.3%	11,152	-2.0%
7	Fuel Stocks	84,959	5,601	6.6%	5,107	9.7%
8	Prepayments & Other Rate Base	170,133	10,823	6.4%	8,496	27.4%
9	Customer Deposits	(50,105)	(78)	0.2%	(91)	-14.5%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base <sup>1</sup>	100,463	7,233	7.2%	5,063	42.9%
12	Accum. Deferred Taxes	(2,642,733)	(157,012)	5.9%	(144,660)	8.5%
13	Total Other Rate Base	(2,105,216)	(118,612)	5.6%	(110,538)	7.3%
14	Total Average Rate Base	9,574,051	587,833	6.1%	536,767	9.5%

<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

#### 2019 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	\$5,088,961	46.08%	4.49%	2.07%
2	Short-Term Debt	<u>\$104,333</u>	<u>0.94%</u>	<u>2.78%</u>	<u>0.03%</u>
3	Total Debt	\$5,193,294	47.02%	4.47%	2.10%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$5,851,437</u>	<u>52.98%</u>	<u>10.27%</u>	5.44%
6	Total Equity	\$5,851,437	52.98%		
7	<b>Total Capital</b>	<b>\$11,044,731</b>	<b>100.00%</b>		<b>7.54%</b>

#### 2019 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	\$5,088,961	46.08%	4.49%	2.07%
9	Short-Term Debt	<u>\$104,333</u>	<u>0.94%</u>	<u>2.78%</u>	<u>0.03%</u>
10	Total Debt	\$5,193,294	47.02%	4.46%	2.09%
11	Preferred Stock	\$0	0.00%		0.00%
12	Common Equity	<u>\$5,851,437</u>	<u>52.98%</u>	<u>9.86%</u>	5.23%
13	Total Equity	\$5,851,437	52.98%		
14	<b>Total Capital</b>	<b>\$11,044,731</b>	<b>100.00%</b>		<b>7.32%</b>

# 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
1	Residential	81,321	81,023	80,985	80,623	80,245
2	Small C & I	12,823	12,826	12,753	12,746	12,705
3	Large C & I	24	23	23	24	22
4	PSHL/OSPA	<u>415</u>	<u>406</u>	<u>391</u>	<u>375</u>	<u>351</u>
5	Total Retail	94,583	94,278	94,152	93,768	93,323
<u>Line</u>	<u>Mwh Sales</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
6	Residential	782,123	794,324	753,332	744,260	770,530
7	Small C & I	1,030,730	1,070,766	1,061,226	1,077,523	1,099,372
8	Large C & I	370,487	371,963	365,348	362,964	349,571
9	PSHL/OSPA	<u>29,831</u>	<u>28,025</u>	<u>27,578</u>	<u>27,992</u>	<u>28,450</u>
10	Total Retail	2,213,171	2,265,078	2,207,484	2,212,739	2,247,923
11	Ave. ¢/Kwh	9.00¢	9.30¢	9.43¢	9.28¢	9.59¢
12	Ave. Res. Mo. Usage (kwh)	801	817	775	769	800
13	Ave. Res. Monthly Bill	\$80.76	\$84.98	\$81.98	\$80.49	\$85.59

# 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	11,120,249	30,513,891
2	Public Service of Colorado	Electric and Gas Utility	3,855	32,255
3	Southwestern Public Service	Electric Utility	630	4,374
4	Xcel Energy Services	Xcel Energy Inc. Service Company	97,645,517	103,982,113
5	Xcel Energy, Inc.	Engineering services	22,570,896	29,565,142
			<b>131,341,147</b>	<b>164,097,775</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	\$ 225,251	\$ 18,901,379	91.5376%	8.4624%	6.3364%	11.1398%
PSCo	60,846	509,037	100.0000%	0.0000%	6.3364%	0.0000%
SPS	9,935	69,024	100.0000%	0.0000%	6.3364%	0.0000%
XES	1,448,127,126	1,542,101,714	91.5376%	8.4624%	6.3364%	11.1398%
XEI	356,210,093	466,592,100	100.0000%	0.0000%	6.3364%	0.0000%
	<u>\$ 1,804,633,251</u>	<u>\$ 2,028,173,254</u>				

#### Notes:

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

Common Allocation Method: Labor

	<u>Electric</u>	<u>Gas</u>		
Utility Labor Allocator	91.5376%	8.4624%	Load Dispatch	11.2078%
ND Jur. Customer Allocator	6.3364%	11.1398%	Design Day	12.4857%

Factor Formula: ((Util Elec)\*ND Jur Ele)+((Util Gas)\*ND Jur Gas) = 6.7429%

#### 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	<b>\$228,292,713</b>	\$14,287,471	<b>\$45,143,188</b>	\$2,825,241	Demand	6.2584%
Variable	<b>\$167,768,943</b>	\$11,060,335	<b>\$15,321,966</b>	\$1,010,116	Energy	6.5926%
Transmission	<b>\$61,350,084</b>	\$3,839,534	<b>\$116,159,129</b>	\$7,269,703	Demand	6.2584%
Electric Total	\$457,411,740	\$29,187,340	\$176,624,283	\$11,105,060		

#### Gas SCADA Agreement

	<u>Total Rev</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
SCADA	<b>464,433</b>	52,053	Load Dispatch	11.2078%