



2302 Great N. Drive
Fargo, North Dakota 58102
(701) 371-5256
dave.sederquist@xcelenergy.com

November 18, 2020

VIA U. S. AND ELECTRONIC MAIL

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

Re: 2019 REPORT OF REGULATED ELECTRIC EARNINGS - REVISED
CASE NO. PU-20-185

Dear Mr. Kahl:

Attached is a revised electronic version of Xcel Energy's 2019 *Annual Report of Regulated Electric Earnings* in North Dakota. One original and three paper copies of the report will be sent by mail under this cover letter to the Commission.

On October 26, 2020, the Company filed a letter in Case No. PU-18-155 and the above referenced case. As explained in the letter, in response to Staff questions regarding our proposed earning share refund of 2019 electric earnings we discovered that the North Dakota allocable costs – about \$3.5 million - of all solar power purchase agreements (PPAs) were inadvertently omitted from jurisdictional Production Expense in 2019. The impact of the omission was to overstate actual Return on Equity (ROE) in North Dakota by 84 basis points (0.84 percent) and weather-normalized ROE by 83 basis points (0.83 percent).

The table below summarizes the originally reported 2019 ROEs (both actual and normalized for favorable weather) and the revised 2019 ROEs (both actual and normalized for favorable weather).

Regulated Electric Earnings	Actual ROE	W/N ROE
Original 2019 Report	10.27%	9.86%
Revised 2019 Report	9.43%	9.03%

This revised *2019 Annual Report of Regulated Electric Earnings* confirms that the Company's weather-normalized ROE of 9.03 percent in North Dakota falls below the earnings share threshold of 9.85 percent, as indicated in our October 26th letter.

Please contact me if you have any questions or comments about the revised earnings reports.

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

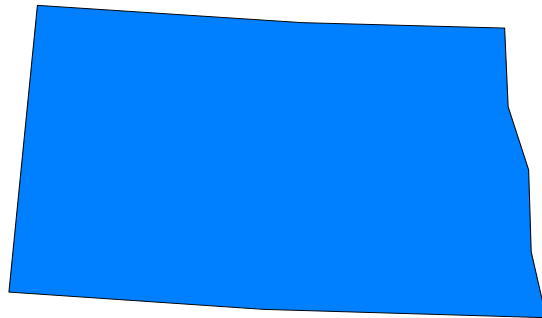
cc: Patrick Fahn
Vic Schock
Adam Renfandt

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
Revised (11/18/20)

CONTENTS

	Page
<u>Financial</u>	
I. Return on Equity	E-1
II. Operating Income	E-2
III. Average Rate Base	E-3
IV. Cost of Capital	E-4
<u>Supporting Information</u>	
I. Electric Sales, Customer Data	S-1
II. Affiliated Transaction Summary	S-2
III. Affiliated Transactions (Allocations)	S-3

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):	\$41,771	\$40,942
2 Average Regulated Rate Base (E-3):	\$588,620	\$536,767
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.10%	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 Return on Equity (ROE):	9.43%	10.39%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2019</u>	<u>2018</u>
8 Operating Income from Electric Operations:	\$41,771	\$40,942
9 Impact of weather on Mwh Sales:	31,895	30,390
10 Impact of weather on Electric Operating Income: ¹	\$1,249	\$1,288
11 Weather-Normalized Operating Income:	\$40,522	\$39,654
12 Average Regulated Rate Base:	\$588,840	\$537,021
13 Weather-Normal Rate of Return on Rate Base (ROR):	6.88%	7.38%
14 Weather-Normalized Return on Equity (ROE):	9.03%	9.93%

¹ 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>
<u>Operating Revenues:</u>						
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 ¹	<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>
<u>Operating Expenses:</u>						
11	Fuel & Purchased Energy	1,134,048	68,132	6.0%	72,387	-5.9%
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	47,370	355	0.7%	0	*
23	Deferred Income Taxes & ITC	<u>272</u>	<u>1,725</u>	<u>634.2%</u>	<u>1,812</u>	<u>-4.8%</u>
24	Total Expenses:	<u>3,596,217</u>	<u>213,736</u>	<u>5.9%</u>	<u>210,581</u>	<u>1.5%</u>
25	Regulated Operating Income	789,380	41,771	5.3%	40,942	2.0%

¹ 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
Refiling

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	<u>2019 Total NSP</u>	<u>2019 N.D. Juris.</u>	<u>N. D. %</u>	<u>2018 N.D. Juris.</u>	<u>Annual 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 ¹	100,463	7,233	7.2%	5,063	42.9%
12	Accum. Deferred Taxes	(2,640,298)	(156,225)	5.9%	(144,660)	8.0%
13	Total Other Rate Base	(2,102,780)	(117,825)	5.6%	(110,538)	6.6%
14	Total Average Rate Base	9,576,487	588,620	6.1%	536,767	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

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>	9.43%	5.00%
6	Total Equity	\$5,851,437	52.98%		
7	Total Capital	\$11,044,731	100.00%		7.10%

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>	9.03%	4.79%
13	Total Equity	\$5,851,437	52.98%		
14	Total Capital	\$11,044,731	100.00%		6.88%

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

			North Dakota Jurisdiction Electric and Gas Totals (1)	
			Expense (2)	Revenue (3)
Affiliate Name	Services Rendered			
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
			131,341,147	164,097,775

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	\$228,292,713	\$14,287,471	\$45,143,188	\$2,825,241	Demand	6.2584%
Variable	\$167,768,943	\$11,060,335	\$15,321,966	\$1,010,116	Energy	6.5926%
Transmission	\$61,350,084	\$3,839,534	\$116,159,129	\$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	464,433	52,053	Load Dispatch	11.2078%