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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'.

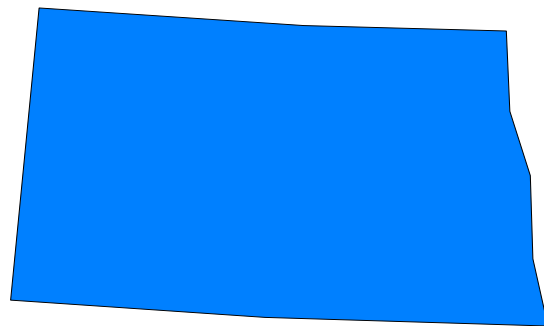
DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION/FINANCE

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

Natural Gas Utility
North Dakota Jurisdiction



2019

CONTENTS

	Page
<u>Financial</u>	
I. Return on Equity	G-1
II. Operating Income	G-2
III. Average Rate Base	G-3
IV. Cost of Capital	G-4
<u>Conservation</u>	
V. Demand Side Management Activity	G-5
<u>Supporting Information</u>	
I. Natural Gas Sales, Customer Data	S-1
II. Affiliated Transaction Summary	S-2
III. Affiliated Transactions (Allocations)	S-3

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>2019</u>	<u>2018</u>
1 Operating Income from Gas Operations (G-2):	\$3,235	\$4,841
2 Average Regulated Rate Base (G-3):	\$67,654	\$60,336
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	4.78%	8.02%
4 Weighted Cost of Debt (G-4):	2.10%	2.14%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	52.98%	52.83%
7 Return on Equity (ROE):	5.06%	11.14%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2019</u>	<u>2018</u>
8 Operating Income from Gas Operations:	\$3,235	\$4,841
9 Impact of weather on Mcf Sales:	1,092,071	595,337
10 Impact of weather on Gas Operating Income :	\$474	\$259
11 Weather-Normalized Operating Income:	\$2,760	\$4,582
12 Average Regulated Rate Base:	\$67,654	\$60,336
13 Weather-Normal Rate of Return on Rate Base (ROR):	4.08%	7.59%
14 Weather-Normalized Return on Equity (ROE):	3.74%	10.32%

Northern States Power Company
Natural Gas 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					
1	Residential	157,318	11,055	7.0%	10,754	2.8%
2	Firm C & I	57,514	9,951	17.3%	9,328	6.7%
3	Interruptible C & I	<u>12,251</u>	<u>1,984</u>	<u>16.2%</u>	<u>1,976</u>	<u>0.4%</u>
4	Total Retail	227,083	22,990	10.1%	22,058	4.2%
5	Interdepartmental Generation	121	0	0.0%	0	0.0%
6	Transportation	11,267	198	1.8%	159	24.5%
7	Other	<u>2,970</u>	<u>406</u>	<u>13.7%</u>	<u>463</u>	<u>-12.4%</u>
8	Total Revenues:	<u>241,441</u>	<u>23,594</u>	<u>9.8%</u>	<u>22,680</u>	<u>4.0%</u>
	<u>Operating Expenses:</u>					
9	Production ²	8,743	2,451	28.0%	2,281	7.5%
10	Transmission	(995)	307	-30.8%	329	-6.8%
11	Distribution	41,943	5,997	14.3%	4,408	36.0%
12	Customer Billing	12,896	1,225	9.5%	1,129	8.5%
13	Customer Service	13,603	214	1.6%	160	33.3%
14	Sales & Marketing	8	1	10.6%	0	0.0%
15	Admin. & General	26,769	3,230	12.1%	2,839	13.8%
16	Depreciation & Amortizations	45,024	4,644	10.3%	4,296	8.1%
17	Property Taxes	17,739	1,302	7.3%	1,063	22.4%
18	Payroll & Other Taxes	2,821	430	15.2%	266	61.3%
19	Income Taxes	8,704	1,049	0.0%	696	0.0%
20	Deferred Income Taxes	<u>5,761</u>	<u>(491)</u>	<u>-8.5%</u>	<u>372</u>	<u>-232.0%</u>
21	Total Expenses:	<u>183,015</u>	<u>20,359</u>	<u>11.1%</u>	<u>17,839</u>	<u>14.1%</u>
22	Regulated Operating Income	58,425	3,235	5.5%	4,841	-33.2%

¹ Revenues exclude natural gas commodity cost recovery, per prior NDPSC staff directive.

² Production expense excludes natural gas commodity costs, and includes a \$1.25 million amortization of the deferred Fargo MGP remediation costs.

Northern States Power Company
Natural Gas 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	1,569,897	155,867	9.9%	146,522	6.4%
2	Accumulated Depreciation	<u>688,572</u>	<u>70,961</u>	<u>10.3%</u>	<u>68,288</u>	<u>3.9%</u>
3	Net Plant in Service	881,325	84,906	9.6%	78,234	8.5%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	8,615	617	7.2%	980	-37.1%
6	Materials and Supplies	1,272	142	11.1%	139	2.2%
7	Fuel Stocks	19,925	2,290	11.5%	2,632	-13.0%
8	Prepayments & Other	(211)	(1,154)	547.9%	(1,121)	2.9%
9	Customer Deposits	(429)	(48)	11.1%	(55)	-13.0%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base ¹	4,796	893	18.6%	(701)	-227.4%
12	Accum. Deferred Taxes	<u>(211,071)</u>	<u>(19,991)</u>	<u>9.5%</u>	<u>(19,772)</u>	<u>1.1%</u>
13	Total Other Rate Base	(177,103)	(17,252)	9.7%	(17,898)	-3.6%
14	Total Average Rate Base	704,222	67,654	9.6%	60,336	12.1%

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>2019 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	\$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>5.06%</u>	2.68%
6	Total Equity	\$5,851,437	52.98%		
7	Total Capital	\$11,044,731	100.00%		4.78%

<u>2019 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	\$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%	4.47%	2.10%
11	Preferred Stock	\$0	0.00%	0.00%	0.00%
12	Common Equity	<u>\$5,851,437</u>	<u>52.98%</u>	<u>3.74%</u>	1.98%
13	Total Equity	\$5,851,437	52.98%		
14	Total Capital	\$11,044,731	100.00%		4.08%

Xcel Energy
Natural Gas Utility - State of North Dakota
2019 Demand Side Management Activity Report

2019 Results

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	28	na	\$11,709
Furnace/Boiler Rebates	920	16,239	\$103,356
Water Heater Rebates	44	308	\$10,910
Efficiency Showerheads	205	390	\$3,248
Totals	<u>1,197</u>	<u>16,936</u>	<u>\$129,223</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	200	446	\$3,656
Totals	<u>1,010</u>	<u>12,272</u>	<u>\$138,260</u>

Notes:

North Dakota residential natural gas programs performed well in 2019 with dekatherm savings exceeding goal, spend near target amounts, and the majority of programs achieving higher participation than the previous year. The largest program, Heating System Rebates saw a 27% increase in the number of equipment rebates compared to 2018, which helped push the portfolio's natural gas savings to 138% of goal. The Home Energy Audit program reached approximately the same number of 2018 participants. The Water Heating Rebates and High Efficient Showerheads more than doubled from the previous year. Except for High Efficiency Showerheads which is a targeted direct outreach effort, the programs were marketed primarily through Xcel Energy bill "onserts" which reach all of the company's residential natural gas customers in North Dakota. This tactic is very reasonably priced and helps to build continued awareness. Additional marketing actions included the cross-marketing of programs via a trade partner newsletter and an advertising campaign during the 3rd and 4th quarters.

* Per Settlement in Case No. PU-06-525. In 2017, program participation and energy savings goals within the portfolio were adjusted while the overall portfolio costs were held at or near the Test Year expense of \$138,260. The new program goals reflected more closely the historical performance and customer participation. Thus, the \$138,260 Test Year budget was redistributed among the four programs to more appropriately align their respective budgets with more realistic participant goals.

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
1	Residential	49,993	49,120	48,110	47,130	45,846
2	Firm C & I	8,789	8,568	8,405	8,235	7,974
3	Interruptible C & I	<u>89</u>	<u>90</u>	<u>93</u>	<u>108</u>	<u>108</u>
4	Total Retail	58,871	57,778	56,608	55,473	53,928
5	Transportation	1	1	1	1	1
	<u>Mcf Sales</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
6	Residential	4,320	4,028	3,522	3,091	3,281
7	Firm C & I	6,244	5,737	5,113	4,524	4,760
8	Interruptible C & I	<u>2,901</u>	<u>2,701</u>	<u>2,367</u>	<u>2,218</u>	<u>2,040</u>
9	Total Retail	13,465	12,466	11,001	9,834	10,081
10	Transportation	987	893	839	751	710
	<u>Retail Revenues</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<i>Distribution Services</i>					
11	Residential	11,055	10,754	10,582	10,327	10,024
12	Firm C & I	9,951	9,328	8,561	7,824	7,986
13	Interruptible C & I	<u>1,984</u>	<u>1,976</u>	<u>1,595</u>	<u>1,511</u>	<u>1,603</u>
14	Total Distribution Svcs	22,990	22,058	20,738	19,662	19,613
	<i>Gas Cost Recovery</i>					
15	Residential	15,970	16,112	13,852	10,902	14,988
16	Firm C & I	22,917	22,911	19,998	15,848	21,608
17	Interruptible C & I	<u>8,280</u>	<u>8,665</u>	<u>7,265</u>	<u>6,250</u>	<u>7,502</u>
18	Total Gas Cost Recovery	<u>47,167</u>	<u>47,688</u>	<u>41,116</u>	<u>33,000</u>	<u>44,098</u>
19	Total Revenues	<u>70,157</u>	<u>69,746</u>	<u>61,854</u>	<u>52,663</u>	<u>63,711</u>
20	Ave. Retail \$/mcf	\$5.21	\$5.59	\$5.62	\$5.36	\$6.32
21	Ave. Res. Mo. Usage (ccf)	72	68	61	55	60
22	Ave. Res. Monthly Bill	\$45.05	\$45.58	\$42.32	\$37.54	\$45.46

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	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
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	\$ 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%