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April 30, 2021

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

Re: 2020 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 2020 regulated earnings for our electric and natural gas operations in North Dakota. Also included for your reference are the 2020 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 2020 resulted in a Return on Equity (ROE) of 9.81 percent. This reflects an increase in jurisdictional earnings compared to the 9.43 percent reported for 2019. 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 2020 was 9.54 percent, compared to 9.03 percent in 2019.


North Dakota Natural Gas Earnings

The Company's regulated natural gas earnings in 2020 resulted in an ROE of 6.55 percent. This reflects an increase in jurisdictional earnings compared to the 5.06 percent reported for 2019. The Company's authorized ROE for natural gas is 10.75 percent, approved June 13, 2007 in Case No. PU-06-525.

Normalizing for unfavorable weather, natural gas ROE in 2020 was 6.63 percent, which was higher than 2019 normalized ROE of 3.74 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

cc: Patrick Fahn
Victor Schock
Adam Renfandt

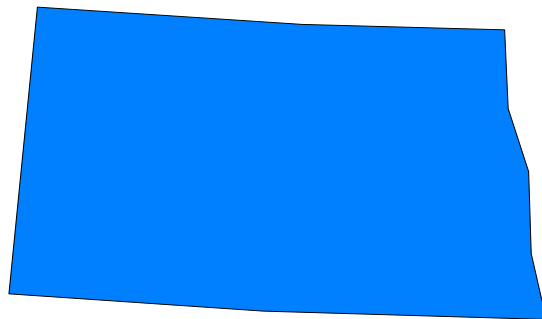
Enclosures

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

FOR THE YEAR ENDING

DECEMBER 31, 2020

Natural Gas Utility
North Dakota Jurisdiction



2020

filed 4/30/21

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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>2020</u>	<u>2019</u>
1 Operating Income from Gas Operations (G-2):	\$4,186	\$3,235
2 Average Regulated Rate Base (G-3):	\$76,166	\$67,654
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	5.50%	4.78%
4 Weighted Cost of Debt (G-4):	2.05%	2.10%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	52.62%	52.98%
7 Return on Equity (ROE):	6.55%	5.06%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2020</u>	<u>2019</u>
8 Operating Income from Gas Operations:	\$4,186	\$3,235
9 Impact of weather on Mcf Sales:	(52,781)	1,092,071
10 Impact of weather on Gas Operating Income :	(\$31)	\$474
11 Weather-Normalized Operating Income:	\$4,217	\$2,760
12 Average Regulated Rate Base:	\$76,166	\$67,654
13 Weather-Normal Rate of Return on Rate Base (ROR):	5.54%	4.08%
14 Weather-Normalized Return on Equity (ROE):	6.63%	3.74%

Northern States Power Company
Natural Gas Utility - North Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	2020 Total NSP	2020 N.D. Juris.	N. D. %	2019 N.D. Juris.	Annual Change
	<u>Operating Revenues</u>¹					
1	Residential	151,698	11,319	7.5%	11,055	2.4%
2	Firm C & I	53,784	9,976	18.5%	9,951	0.3%
3	Interruptible C & I	7,692	1,443	18.8%	1,984	-27.3%
4	Total Retail	213,175	22,738	10.7%	22,990	-1.1%
5	Interdepartmental Generation	97	0	0.0%	0	0.0%
6	Transportation	11,307	348	3.1%	198	76.4%
7	Other	9,349	398	4.3%	406	-1.8%
8	Total Revenues:	233,927	23,485	10.0%	23,594	-0.5%
	<u>Operating Expenses:</u>					
9	Production ²	7,323	2,027	27.7%	2,451	-17.3%
10	Transmission	2,814	316	11.2%	307	2.9%
11	Distribution	40,107	5,263	13.1%	5,997	-12.2%
12	Customer Billing	13,867	1,320	9.5%	1,225	7.7%
13	Customer Service	15,762	183	1.2%	214	-14.4%
14	Sales & Marketing	41	5	11.2%	1	0.0%
15	Admin. & General	24,299	2,829	11.6%	3,230	-12.4%
16	Depreciation & Amortizations	50,667	5,073	10.0%	4,644	9.2%
17	Property Taxes	19,083	1,190	6.2%	1,302	-8.5%
18	Payroll & Other Taxes	2,751	367	13.3%	430	-14.6%
19	Income Taxes	7,557	589	0.0%	1,049	0.0%
20	Deferred Income Taxes	1,226	137	11.2%	(491)	-128.0%
21	Total Expenses:	185,497	19,299	10.4%	20,359	-5.2%
22	Regulated Operating Income	48,430	4,186	8.6%	3,235	29.4%

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>	2020 <u>Total NSP</u>	2020 <u>N.D. Juris.</u>	<u>N. D. %</u>	2019 <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	1,678,747	164,958	9.8%	155,867	5.8%
2	Accumulated Depreciation	<u>710,191</u>	<u>73,432</u>	10.3%	<u>70,961</u>	<u>3.5%</u>
3	Net Plant in Service	968,555	91,526	9.4%	84,906	7.8%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	5,284	507	9.6%	617	-17.9%
6	Materials and Supplies	1,331	149	11.2%	142	5.4%
7	Fuel Stocks	17,532	2,014	11.5%	2,290	-12.0%
8	Prepayments & Other	3,030	(821)	-27.1%	(1,154)	-28.8%
9	Customer Deposits	(372)	(42)	11.2%	(48)	-12.6%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base ¹	38,821	2,597	6.7%	893	190.9%
12	Accum. Deferred Taxes	<u>(222,991)</u>	<u>(19,764)</u>	8.9%	<u>(19,991)</u>	<u>-1.1%</u>
13	Total Other Rate Base	(157,365)	(15,360)	9.8%	(17,252)	-11.0%
14	Total Average Rate Base	811,190	76,166	9.4%	67,654	12.6%

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

2020 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	\$5,728,284	47.22%	4.33%	2.04%
2	Short-Term Debt	\$19,917	0.16%	5.35%	0.01%
3	Total Debt	\$5,748,201	47.38%	4.33%	2.05%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$6,383,561	52.62%	6.55%	3.45%
6	Total Equity	\$6,383,561	52.62%		
7	Total Capital	\$12,131,762	100.00%		5.50%

2020 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	\$5,728,284	47.22%	4.33%	2.04%
9	Short-Term Debt	\$19,917	0.16%	5.35%	0.01%
10	Total Debt	\$5,748,201	47.38%	4.33%	2.05%
11	Preferred Stock	\$0	0.00%	0.00%	0.00%
12	Common Equity	\$6,383,561	52.62%	6.63%	3.48%
13	Total Equity	\$6,383,561	52.62%		
14	Total Capital	\$12,131,762	100.00%		5.54%

Xcel Energy
Natural Gas Utility - State of North Dakota
2020 Demand Side Management Activity Report

2020 Results

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	14	na	\$9,360
Furnace/Boiler Rebates	805	14,322	\$82,488
Water Heater Rebates	89	754	\$20,661
Efficiency Showerheads	-	-	\$0
Totals	<u>908</u>	<u>15,076</u>	<u>\$112,509</u>

Test Year Projections*

<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 North Dakota residential natural gas heating and water programs performed well in 2020 with dekatherm savings exceeding our annual target. The number of Home Energy Audits was below goal due primarily to challenges presented by the COVID-19 pandemic, with many customers not comfortable with an auditor entering their home. The Company did not conduct a direct-mail marketing campaign for the Showerhead program in 2020. Instead, programs were marketed primarily through 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

* 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
1	Residential	50,934	49,993	49,120	48,110	47,130
2	Firm C & I	8,932	8,789	8,568	8,405	8,235
3	Interruptible C & I	85	89	90	93	108
4	Total Retail	59,951	58,871	57,778	56,608	55,473
5	Transportation	1	1	1	1	1
	<u>Mcf Sales</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
6	Residential	3,953	4,320	4,028	3,522	3,091
7	Firm C & I	6,191	6,244	5,737	5,113	4,524
8	Interruptible C & I	2,120	2,901	2,701	2,367	2,218
9	Total Retail	12,264	13,465	12,466	11,001	9,834
10	Transportation	1,128	987	893	839	751
	<u>Retail Revenues</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<i>Distribution Services</i>					
11	Residential	\$11,319	11,055	10,754	10,582	10,327
12	Firm C & I	\$9,976	9,951	9,328	8,561	7,824
13	Interruptible C & I	\$1,443	1,984	1,976	1,595	1,511
14	Total Distribution Svcs	\$22,738	22,990	22,058	20,738	19,662
	<i>Gas Cost Recovery</i>					
15	Residential	\$12,600	15,970	16,112	13,852	10,902
16	Firm C & I	\$19,692	22,917	22,911	19,998	15,848
17	Interruptible C & I	\$4,909	8,280	8,665	7,265	6,250
18	Total Gas Cost Recovery	\$37,200	47,167	47,688	41,116	33,000
19	Total Revenues	\$59,938	70,157	69,746	61,854	52,663
20	Ave. Retail \$/mcf	\$4.89	\$5.21	\$5.59	\$5.62	\$5.36
21	Ave. Res. Mo. Usage (ccf)	65	72	68	61	55
22	Ave. Res. Monthly Bill	\$39.13	\$45.05	\$45.58	\$42.32	\$37.54

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	10,383,194	29,194,152
2	Public Service of Colorado	Electric and Gas Utility	(154,896)	(223,968)
3	Southwestern Public Service	Electric Utility	4,033	(108,098)
4	Xcel Energy Services	Xcel Energy Inc. Service Company	94,790,622	52,910,379
5	Xcel Energy, Inc.	Engineering services	33,198,135	25,645,093
			138,221,088	107,417,558

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	\$ 607,148	\$ 23,742,660	93.6423%	6.3577%	6.2802%	11.2162%
PSCo	(2,466,419)	(3,566,249)	100.0000%	0.0000%	6.2802%	0.0000%
SPS	64,220	(1,721,258)	100.0000%	0.0000%	6.2802%	0.0000%
XES	1,437,524,887	802,399,907	93.6423%	6.3577%	6.2802%	11.2162%
XEI	528,615,890	408,348,352	100.0000%	0.0000%	6.2802%	0.0000%
	<u>\$1,964,345,727</u>	<u>\$1,229,203,412</u>				

Notes:

Allocation of Revenues & Expenses between NSP Minnesota and Affiliates

Common Allocation Method: Labor

	<u>Electric</u>	<u>Gas</u>		
Utility Labor Allocator	93.6423%	6.3577%	Load Dispatch	11.2218%
ND Jur. Customer Allocator	6.2802%	11.2162%	Design Day	12.3013%

Factor Formula: ((Util Elec)*ND Jur Ele)+((Util Gas)*ND Jur Gas) = 6.5940%

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	\$223,594,481	\$13,656,033	\$43,628,471	\$2,664,609	Demand	6.1075%
Variable	\$160,740,529	\$10,520,146	\$15,468,274	\$1,012,368	Energy	6.5448%
Transmission	\$55,486,529	\$3,388,840	\$109,147,471	\$6,666,182	Demand	6.1075%
Electric Total	\$439,821,540	\$27,565,019	\$168,244,215	\$10,343,158		

Gas SCADA Agreement

	<u>Total Rev</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
SCADA	566,201	63,538	Load Dispatch	11.2218%