

Memorandum

To: Commissioners Julie Fedorchak, Randy Christmann, and Brian Kroshus

From: Adam Renfandt

Date: September 2, 2021

Re: Northern States Power Company (NSP), 2020 Gas, Annual Report

Case No. PU-21-159

In Case No. PU-06-525, the Commission authorized a return on equity (ROE) of 10.75%.

Staff reviewed NSP's North Dakota gas annual report for 2020. NSP's ROE was approximately 6.55% in 2020, and its under-earnings was approximately \$2.22 million.

Excluding 2018, NSP's ND gas operation's reported 2020 ROE has been below its authorized ROE since 2015. Therefore, Staff recommends the Commission close the case.

Attached are staff generated summaries of NSP ND natural gas earnings since 2010.

Attachment 1 – Return Calculation

Attachment 2 – Return on Equity Chart

Attachment 3 – Net Operating Income

c: Dave Sederquist, NSP

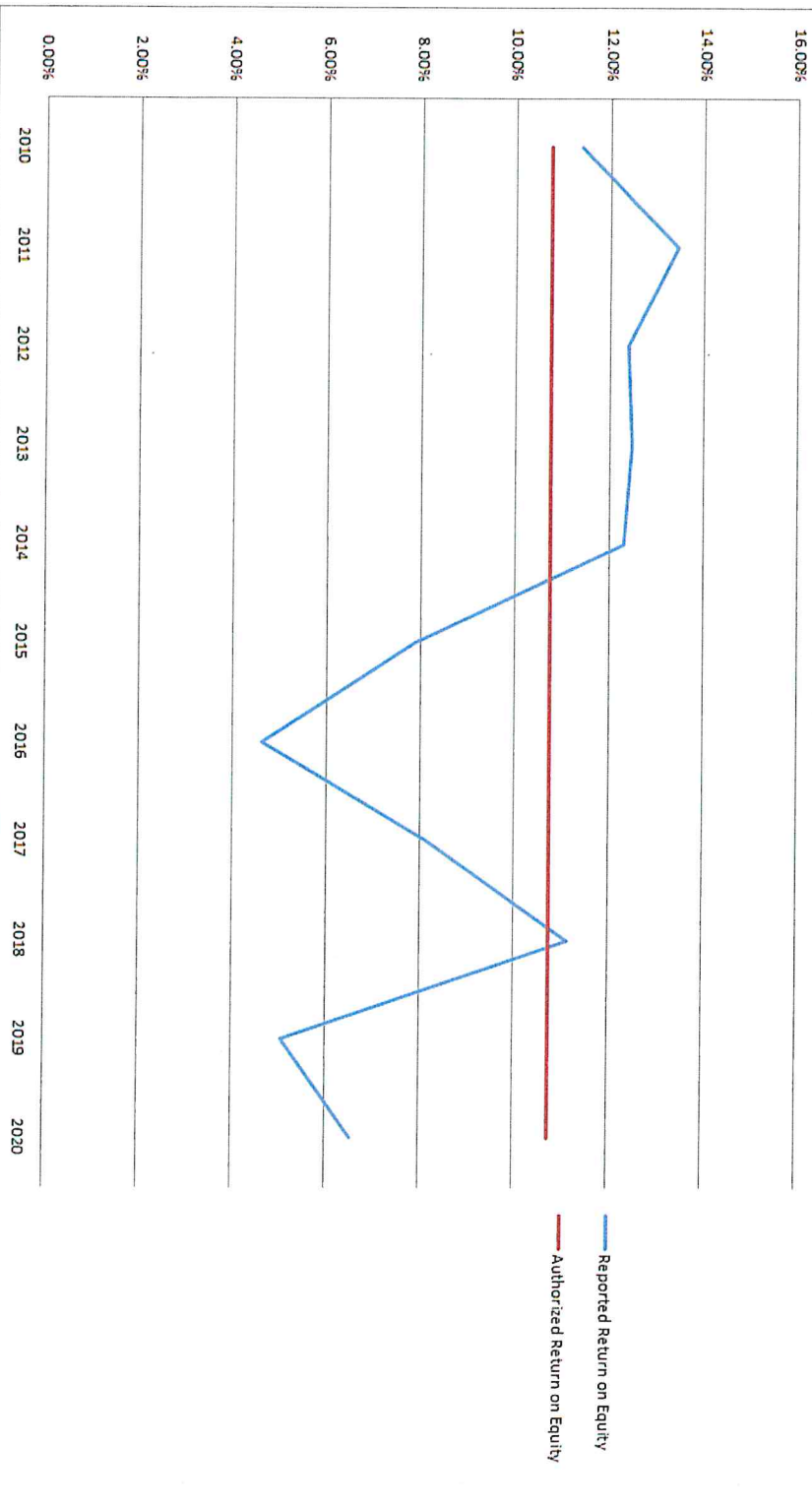
Northern States Power Company
 Gas Utility - North Dakota
 Return Calculation
 (Dollars In Thousands)

Attachment 1

Line	Return Deficiency	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Rate Base	\$41,301	\$41,871	\$40,626	\$43,432	\$48,341	\$50,287	\$52,816	\$54,993	\$60,336	\$67,654	\$76,166
2	Rate of Return Required	8.58%	8.55%	8.28%	7.95%	7.92%	7.92%	7.87%	7.85%	7.82%	7.79%	7.71%
3	Return Required	\$3,543	\$3,578	\$3,365	\$3,453	\$3,827	\$3,983	\$4,158	\$4,316	\$4,718	\$5,271	\$5,872
4	Return Earned	3,679	4,172	3,719	3,851	4,224	3,219	2,456	3,561	4,841	3,235	4,186
5	Return Deficiency/(Excess)	(\$136)	(\$594)	(\$354)	(\$398)	(\$397)	\$764	\$1,702	\$755	(\$123)	\$2,036	\$1,687
6	Tax Factor	1.6437	1.6220	1.6220	1.6220	1.6115	1.6078	1.6041	1.5985	1.3228	1.3228	1.3228
7	Rev. Deficiency/(Excess)	(\$224)	(\$963)	(\$574)	(\$645)	(\$639)	\$1,228	\$2,730	\$1,207	(\$163)	\$2,693	\$2,231
Return on Equity Calculation												
10	Net Operating Income	\$ 3,679	\$ 4,172	\$ 3,719	\$ 3,851	\$ 4,224	\$ 3,219	\$ 2,456	\$ 3,561	\$ 4,841	\$ 3,235	\$ 4,186
11	Rate Base	41,301	41,871	40,626	43,432	48,341	50,287	52,816	54,993	60,336	67,654	76,166
12	Rate of Return on Rate Base	8.91%	9.96%	9.15%	8.87%	8.74%	6.40%	4.65%	6.48%	8.02%	4.78%	5.50%
13	Less: Cost of Debt	2.99%	2.88%	2.61%	2.29%	2.23%	2.25%	2.22%	2.20%	2.14%	2.10%	2.05%
14	Return Available for Common	5.92%	7.08%	6.54%	6.58%	6.50%	4.15%	2.43%	4.27%	5.89%	2.69%	3.44%
15	Common Equity Percentage	52.00%	52.67%	52.78%	52.67%	52.87%	52.75%	52.61%	52.54%	52.83%	52.98%	52.62%
16	Return on Equity (ROE)	11.38%	13.44%	12.40%	12.49%	12.30%	7.87%	4.63%	8.14%	11.14%	5.05%	6.55%

Return on Equity

Attachment 2



Northern States Power Company
 Gas Utility - North Dakota
 Net Operating Income
 (Dollars In Thousands)

Attachment 3

Line	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Line Operating Revenues											
1 Residential	\$25,110	\$25,160	\$9,179	\$9,385	\$9,686	\$10,024	\$10,327	\$10,582	\$10,754	\$11,055	\$11,319
2 Firm C & I	\$27,965	\$28,549	\$6,691	\$7,951	\$8,464	\$7,986	\$7,824	\$8,561	\$9,328	\$9,951	\$9,976
3 Interruptible C & I	\$9,356	\$9,670	\$1,354	\$1,524	\$1,732	\$1,603	\$1,511	\$1,595	\$1,976	\$1,984	\$1,443
4 Transportation/Other	\$885	\$544	\$651	\$547	\$923	\$635	\$705	\$624	\$622	\$604	\$747
5 Total Revenues	\$63,316	\$63,923	\$17,876	\$19,407	\$20,805	\$20,248	\$20,367	\$21,362	\$22,680	\$23,594	\$23,485
Expenses											
6 Production	46,076	46,486	427	474	655	177	723	407	2,281	2,451	2,027
7 Gross Margins	\$ 17,240	\$ 17,437	\$ 17,449	\$ 18,933	\$ 20,150	\$ 20,071	\$ 19,644	\$ 20,955	\$ 20,399	\$ 21,143	\$ 21,458
8 Transmission	177	147	176	229	228	444	321	348	329	307	316
9 Distribution	3,484	3,277	3,209	3,732	4,065	4,675	5,135	4,347	4,408	5,997	5,263
10 Customer Billing	1,610	1,624	1,512	1,493	1,543	1,527	1,162	1,140	1,129	1,225	1,320
11 Customer Service	255	261	234	262	271	270	133	161	160	214	183
12 Sales & Marketing	14	12	0	6	0	0	0	0	0	1	5
13 Admin. & General	1,948	1,910	2,022	2,135	2,216	2,334	2,483	2,772	2,839	3,230	2,829
14 Depreciation	3,317	3,428	3,503	3,589	4,312	4,982	5,404	5,383	4,296	4,644	5,073
15 Property Taxes	1,080	907	1,138	1,002	916	937	1,099	1,067	1,063	1,302	1,190
16 Franchise & Payroll Taxes	245	228	243	260	250	271	620	291	266	430	367
17 Inc. Taxes (Cur. & Def.)	\$ 1,431	\$ 1,471	\$ 1,693	\$ 2,374	\$ 2,125	\$ 1,412	\$ 831	\$ 1,885	\$ 1,068	\$ 558	\$ 726
18 Total Expenses	\$ 59,637	\$ 59,751	\$ 14,157	\$ 15,556	\$ 16,581	\$ 17,029	\$ 17,911	\$ 17,801	\$ 17,839	\$ 20,359	\$ 19,299
19 Net Operating Income	\$ 3,679	\$ 4,172	\$ 3,719	\$ 3,851	\$ 4,224	\$ 3,219	\$ 2,456	\$ 3,561	\$ 4,841	\$ 3,235	\$ 4,186

Removed cost of gas from calculations beginning in 2012