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November 10, 2021

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

Re: REVISED ANNUAL REPORT OF 2020 REGULATED EARNINGS (ELECTRIC)
CASE NO. PU-21-160

Dear Mr. Kahl:

Attached is a revised electronic version of Xcel Energy's Annual Report of 2020 regulated earnings for our electric operations in North Dakota. One paper original and three hardcopies of each report will also be filed by mail under this cover letter.

This revised report reflects our recent discussions and understanding with Commission Staff regarding the 2020 treatment of 22 wind and solar generation resources which have been disallowed for recovery through the Fuel Clause Rider (FCR). Specifically, this earnings report excludes all costs of these projects over and above the average system fuel costs allowed by the Commission as well as any wholesale revenues received in the MISO market for the energy produced by these resources.

See Attachment A to this submission for a list of the disputed resources and the case numbers associated with their disallowance.

North Dakota 2020 Electric Earnings

The Company's restated regulated electric earnings for 2020 show a non-weather-normalized Return on Equity (ROE) of 10.12 percent, a 31 basis point increase compared to the 9.81 percent non-weather-normalized ROE filed in the original May 1, 2021 report. This also reflects an increase in jurisdictional earnings compared to the Company's 2019 ROE of 9.43 percent.

After normalizing out the favorable impact of weather on electric sales in 2020, electric ROE for the year was 9.85 percent, a 31 basis point increase compared to the weather-normalized 9.54 percent reported in the original May 1, 2021 report. This also reflects an increase in the weather-normalized 9.03 percent ROE in 2019.

2020 Refund Obligation

The Company's authorized ROE for electric is currently 10.25 percent, approved February 26, 2014 in Case No. PU-12-813. The Settlement in Case No. PU-18-155, however, specifies that in the event NSP's annual weather normalized earnings during either of fiscal years 2019 or 2020 exceed a ROE of 9.85 percent, NSP will refund to customers 100 percent of the weather-normalized revenue contributing to the excess earnings.

This revised report indicates the Company's weather-normalized regulated electric earnings in 2020 slightly exceeded the earnings share threshold of 9.85 percent established. The revenue requirement related to this excess, and the refund due customers, is \$25,584.

Refund Process Options

From a practical standpoint, this refund amount is too small to cost-effectively issue to customers on a single billing line item (the amount would likely be less than 1¢ on a typical residential bill). Therefore, we respectfully request the Commission to approve two different options for the Company to use to issue the refund:

- 1) approve a variance from the current Fuel Adjustment Clause rules to allow the Company to process the refund as a credit in a future monthly FCR filing, and
- 2) approve combining the earnings share refund with the proceeds from the next Dept. of Energy spent fuel payment, should the Company be able to schedule the DOE credit in its upcoming billing refund queue within the next 90 days.

Being able to use either approach would allow the Company to process the small earnings share refund in the quickest and most efficient manner.

Please contact me if you have any questions or comments.

Sincerely,



DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION/FINANCE

cc: Victor Schock
Adam Renfandt

Enclosures

Power Purchase Agreements Excluded from North Dakota Fuel Cost Rider

I. Per the Terms of the Negotiated Agreement (PU-12-813), Eff. March 9, 2016

Community Based Energy Development (CBED) Wind

1. Jeffers Wind 20, LLC (50 MW)¹
2. Big Blue (36 MW)
3. Community Wind South (Zephyr) (30 MW)
4. Ridgewind Power Partners LLC (25 MW)
5. Adams Wind Generations (20 MW)
6. Danielson Wind Farms (20 MW)
7. Ewington Energy Systems LLC (20 MW)
8. Grant County Wind, LLC (20 MW)
9. North Community Turbines (15 MW)²
10. North Wind Turbines (15 MW)²
11. Valley View Transmission (10 MW)
12. Uilk Wind Farm (4.5 MW)
13. Hilltop Power (2.0 MW)
14. Winona County Wind (1.5 MW)
15. Woodstock Municipal Wind, LLC (0.8 MW)

Solar Contracts

16. Outland/Slayton Solar (2.0 MW)
17. Best Power - St. Johns (0.4 MW)

II. Per the Terms of the Negotiated Agreement (PU-12-813) Impacting FCR Recovery of Future, Smaller (<50 MW) PPAs

Solar Contracts

1. Dragonfly Solar (0.8 MW) (voluntarily excluded from FCR recovery by Co.)
2. School Sisters of Notre Dame (0.8 MW) (specifically, PU-16-458)

III. Per the Terms of Specific ADP Orders (\geq 50 MW) (PU-14-810, PU-15-95)

Solar Contracts

1. Aurora Solar (100 MW)
2. North Star Solar (100 MW)
3. Marshall Solar, LLC (62.25 MW)

¹ PPA no longer in effect; repowered as NSP-owned 44 MW “Jeffers” wind facility in 2020

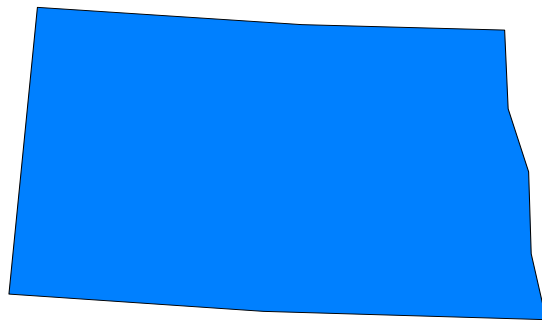
² PPA no longer in effect; repowered as part of NSP-owned 30 MW “Community Wind North” wind facility in 2020

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

FOR THE YEAR ENDING

DECEMBER 31, 2020

Electric Utility
North Dakota Jurisdiction



2020

Revised 11/10/21

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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>Refiled 2020</u>	<u>Refiled 2019</u>
1 Operating Income from Electric Operations (E-2):	\$45,208	\$41,771
2 Average Regulated Rate Base (E-3):	\$613,105	\$588,620
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.37%	7.10%
4 Weighted Cost of Debt (E-4):	2.05%	2.10%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	52.62%	52.98%
7 Return on Equity (ROE):	10.12%	9.43%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2020</u>	<u>2019</u>
8 Operating Income from Electric Operations:	\$45,208	\$41,771
9 Impact of weather on Mwh Sales:	15,469	31,895
10 Impact of weather on Electric Operating Income: ¹	\$855	\$1,249
11 Weather-Normalized Operating Income:	\$44,353	\$40,522
12 Average Regulated Rate Base:	\$613,290	\$588,840
13 Weather-Normal Rate of Return on Rate Base (ROR):	7.23%	6.88%
14 Weather-Normalized Return on Equity (ROE):	9.85%	9.03%

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>2020</u> <u>Total NSP</u>	<u>Refiled</u> <u>2020</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>Refiled</u> <u>2019</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<u>Operating Revenues:</u>						
1	Residential	1,416,300	80,947	5.7%	78,813	2.7%
2	Small Comm. & Ind.	1,421,052	90,264	6.4%	91,850	-1.7%
3	Large Comm. & Ind.	612,634	25,043	4.1%	25,578	-2.1%
4	Public Street & Highway Ltg	24,934	1,618	6.5%	1,584	2.2%
5	Other Sales to Publ Auth	9,351	1,460	15.6%	1,453	0.4%
	Total Retail	3,484,271	199,331	5.7%	199,279	0.0%
6	Interdepartmental	689	0	0.0%	0	*
7	Sales for Resale	104,927	7,547	7.2%	10,090	-25.2%
8	Interchange Agreement	434,345	27,231	6.3%	28,885	-5.7%
9	Other	316,874	17,811	5.6%	17,253	3.2%
10	Total Revenues:	4,341,105	251,919	5.8%	255,507	-1.4%
<u>Operating Expenses:</u>						
11	Fuel & Purchased Energy	1,091,489	59,316	5.4%	68,132	-12.9%
12	Production	669,883	41,167	6.1%	42,673	-3.5%
13	Transmission	360,248	22,002	6.1%	24,202	-9.1%
14	Distribution	101,577	5,650	5.6%	6,528	-13.4%
15	Customer Billing	87,205	3,787	4.3%	3,379	12.1%
16	Customer Service	106,182	240	0.2%	425	-43.4%
17	Sales & Marketing	2,433	151	6.2%	3	5079.0%
18	Admin. & General	243,139	16,909	7.0%	15,129	11.8%
19	Depreciation & Amortization	607,202	46,758	7.7%	38,069	22.8%
20	Property Taxes	196,799	10,506	5.3%	11,096	-5.3%
21	Payroll & Other Taxes	29,631	1,882	6.3%	2,019	-6.8%
22	Income Taxes	33,304	2,578	7.7%	355	627.0%
23	Deferred Income Taxes & ITC	(19,462)	(4,237)	21.8%	1,725	-345.6%
24	Total Expenses:	3,509,630	206,710	5.9%	213,736	-3.3%
25	Regulated Operating Income	831,475	45,208	5.4%	41,771	8.2%

Northern States Power Company
Electric Utility - North Dakota

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	2020 <u>Total NSP</u>	Refiled 2020 <u>N.D. Juris.</u>	<u>N. D. %</u>	Refiled 2019 <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	22,768,193	1,348,792	5.9%	1,299,860	3.8%
2	Accumulated Depreciation	10,529,421	619,287	5.9%	593,415	4.4%
3	Net Plant in Service	12,238,772	729,505	6.0%	706,444	3.3%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	39,461	2,536	6.4%	3,888	-34.8%
6	Materials and Supplies	175,911	10,761	6.1%	10,932	-1.6%
7	Fuel Stocks	93,160	6,097	6.5%	5,601	8.9%
8	Prepayments & Other Rate Base	314,988	10,367	3.3%	10,823	-4.2%
9	Customer Deposits	(34,782)	(67)	0.2%	(78)	-14.2%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base ¹	53,475	3,822	7.1%	7,233	-47.2%
12	Accum. Deferred Taxes	(2,607,787)	(149,918)	5.7%	(156,225)	-4.0%
13	Total Other Rate Base	(1,965,574)	(116,401)	5.9%	(117,825)	-1.2%
14	Total Average Rate Base	10,273,197	613,105	6.0%	588,620	4.2%

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.

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Electric 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%	10.11%	5.32%
6	Total Equity	\$6,383,561	52.62%		
7	Total Capital	\$12,131,762	100.00%		7.37%

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%
12	Common Equity	\$6,383,561	52.62%	9.84%	5.18%
13	Total Equity	\$6,383,561	52.62%		
14	Total Capital	\$12,131,762	100.00%		7.23%

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
1	Residential	81,223	81,321	81,023	80,985	80,623
2	Small C & I	12,788	12,823	12,826	12,753	12,746
3	Large C & I	24	24	23	23	24
4	PSHL/OSPA	<u>403</u>	<u>415</u>	<u>406</u>	<u>391</u>	<u>375</u>
5	Total Retail	94,438	94,583	94,278	94,152	93,768
<u>Line</u>	<u>Mwh Sales</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
6	Residential	779,212	782,123	794,324	753,332	744,260
7	Small C & I	977,092	1,030,730	1,070,766	1,061,226	1,077,523
8	Large C & I	342,142	370,487	371,963	365,348	362,964
9	PSHL/OSPA	<u>29,223</u>	<u>29,831</u>	<u>28,025</u>	<u>27,578</u>	<u>27,992</u>
10	Total Retail	2,127,669	2,213,171	2,265,078	2,207,484	2,212,739
11	Ave. ¢/Kwh	9.37¢	9.00¢	9.30¢	9.43¢	9.28¢
12	Ave. Res. Mo. Usage (kwh)	799	801	817	775	769
13	Ave. Res. Monthly Bill	\$83.05	\$80.76	\$84.98	\$81.98	\$80.49

Northern States Power Company

Electric 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
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	\$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%