

Direct Testimony and Schedules
Benjamin C. Halama

Before the North Dakota Public Service Commission
State of North Dakota

In the Matter of the Application of Northern States Power Company
for Authority to Increase Rates for Gas Service in North Dakota

Case No. PU-21____
Exhibit____(BCH-1)

Overall Revenue Requirements
Rate Base
Income Statement

September 1, 2021

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1 **I. INTRODUCTION**

2
3 Q. PLEASE STATE YOUR NAME AND TITLE.

4 A. My name is Benjamin C. Halama. I am Manager of Revenue Analysis for Xcel
5 Energy Services Inc. (XES or the Service Company), the service company for
6 Xcel Energy, Inc., and its operating company subsidiaries.

7
8 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

9 A. I have over six years of experience at XES, supporting Northern States Power
10 Company, a Minnesota corporation, (NSP or the Company), doing business as
11 Xcel Energy in the areas of regulatory accounting, financial operations, and
12 revenue requirements. In my current role, I am responsible for the
13 development of jurisdictional revenue requirements for all NSP jurisdictions.
14 My resume is provided as Exhibit___(BCH-1), Schedule 1.

15
16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

17 A. I support the Company’s financial data and our requests for a general base rate
18 increase and interim rate increase for the State of North Dakota retail gas
19 jurisdiction, specifically:

- 20 • the overall retail revenue requirement of \$74.362 million and base rate
21 revenue deficiency of \$7.059 million, determined by the cost of service
22 for the 2022 test year; and
- 23 • the interim increase of \$8.245 million as discussed in our Alternative
24 Petition for Interim Rates.

25
26 I relied on and incorporated information provided by other witnesses in this
27 proceeding to develop many of the test year revenue requirement adjustments

1 discussed in my testimony. My testimony includes several schedules with
2 financial information related to the 2022 test year revenue requirements and
3 deficiency. These schedules were prepared by me or under my supervision.
4 Exhibit___(BCH-1), Schedule 2 provides an index of the schedules to my
5 testimony.

6
7 Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

8 A. The remainder of my testimony is organized into the following sections:

- 9 • Section II Case Overview
- 10 • Section III Supporting Information
- 11 • Section IV Rate Base
- 12 • Section V Income Statement
- 13 • Section VI Utility and Jurisdictional Allocations
- 14 • Section VII Annual Adjustments to the Test Year
- 15 • Section VIII Compliance Matters
- 16 • Section IX Conclusion

17
18 **II. CASE OVERVIEW**

19
20 **A. Test-Year Revenue Requirements and Deficiency**

21 Q. WHAT IS THE AMOUNT OF THE TEST YEAR REVENUE REQUIREMENT FOR THE
22 COMPANY'S GAS OPERATIONS IN ITS NORTH DAKOTA JURISDICTION?

23 A. The 2022 test year jurisdictional retail revenue requirement for North Dakota
24 gas utility operations is \$74.362 million based on forecasted average rate base
25 and projected net operating income for the calendar year 2022 test year, based
26 on a 7.45 percent overall Rate of Return (ROR) recommended by Company
27 Witness Mr. Dylan W. D'Ascendis in his Direct Testimony.

1 Q. WHAT IS THE AMOUNT OF THE REVENUE DEFICIENCY FOR THE TEST YEAR?

2 A. The base rate revenue deficiency for the test year is \$7.059 million. A summary
3 of the base rate revenue deficiency for 2022 is shown in Exhibit___(BCH-1),
4 Schedule 7. Schedule 7 is a comparison of the jurisdictional revenue
5 requirement amount for the test year with the forecasted revenues for the same
6 period under present rates, which were approved by the Commission in Case
7 No. PU-06-525. The level of North Dakota retail gas rates must be increased
8 by this amount in 2022 for the Company to have an opportunity to earn an
9 overall return on rate base of 7.45 percent as shown in Exhibit___(BCH-1),
10 Schedule 3A.

11

12 Q. HOW DID YOU CALCULATE THE DEFICIENCY?

13 A. The 2022 revenue requirements for this filing are calculated by including all
14 revenues and costs at the proposed capital structure, as well as any federal and
15 state credits earned on a total company basis, then allocating those components
16 to North Dakota based on the allocation methods discussed in Section VI. This
17 produces an all-in revenue requirement for the North Dakota jurisdiction,
18 except for the manufactured gas plant (MGP) amortization which has been
19 removed from the 2022 test year Cost of Service Study (COSS) and moved to
20 the Cost of Gas (COG) rider consistent with the Commission approved
21 Settlement in Case No. PU-18-156 Tax Cuts and Jobs Act (TCJA) Settlement.
22 In the TCJA settlement it was agreed no portion of the \$1.25M MGP
23 amortization will be included in the Company's test year following approval of
24 the settlement, and that instead the costs of the MGP amortization would be
25 recovered in the COG Rider. Consequently, recovery of the remaining, pro-
26 rated portion of the annual \$1.25 million amortization in the calendar year new
27 base rates take effect will be effectuated through the Cost of Gas (COG) Rider.

1 Q. IS THIS WHY THE COMPANY'S ALTERNATIVE PETITION FOR INTERIM RATES
2 REQUESTED AN AMOUNT HIGHER THAN WHAT IS BEING SUPPORTED BY YOUR
3 COSS?

4 A. Yes. The TCJA Settlement provided that the Company may recover the
5 approximately \$1.25 million annual MGP amortization in base rates until its
6 next rate case, at which time the recovery should be moved to the COG Rider.
7 Consequently, the Company's interim rate request includes the costs of the
8 MGP because the TCJA Settlement only allows the transfer of the MGP costs
9 to the COG Rider once rates approved in the rate case following the TCJA
10 Settlement go into effect. Should the Commission prefer the Company move
11 the MGP amortization costs to the COG Rider upon implementation of interim
12 rates, the Company will do so.

13

14 Q. DID YOU PREPARE A COST OF SERVICE STUDY THAT SUPPORTS THE REVENUE
15 REQUIREMENT AMOUNT AND REVENUE DEFICIENCY FOR THE TEST YEAR?

16 A. Yes. Under my direction, a cost of service study was prepared.
17 Exhibit___(BCH-1), Schedule 3A contains a copy of the jurisdictional cost of
18 service study (JCOSS) for the test year.

19

20 Q. WHAT IS THE BASIS FOR THE COMPANY'S CAPITAL STRUCTURE AND WHAT ARE
21 THE VARIOUS COMPONENTS?

22 A. The capital structure employed in this case represents the Company's 2022
23 budgeted amounts. The costs and ratios associated with this capital structure
24 are found in Exhibit___(BCH-1), Schedule 3A, and are as follows:

	<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>
Long Term Debt	4.10%	47.03%	1.93%
Short Term Debt	1.09%	0.43%	0.00%
Common Equity	10.50%	52.54%	<u>5.52%</u>
Weighted Cost			7.45%

Mr. D'Ascendis discusses the Company's capital structure in further detail in his Direct Testimony.

B. Case Drivers

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. I discuss the drivers of this rate case when compared to existing rates. I first discuss capital related cost drivers, then amortizations driving the test year revenue requirement, then tax related cost drivers, then operation and maintenance (O&M) related cost drivers, and conclude with other margin related drivers.

Q. WHAT IS YOUR COMPARISON YEAR IN DESCRIBING COST CHANGES?

A. Consistent with the analysis provided in prior rate cases, my explanation of the key deficiency cost drivers uses a comparison to the Commission ordered results from our last gas rate case (Case No. PU-06-525), which used a test year based on the 2007 budget. I will refer to the comparison year as the 2007 test year.

Q. WHAT ARE THE MAJOR DRIVERS OF THE COMPANY'S NEED FOR RATE RELIEF?

A. A summary of the cost elements to which the revenue deficiency can be attributed is provided in Exhibit____(BCH-1), Schedule 9. The major cost elements driving the revenue deficiency are identified in Table 1 below.

Table 1
Net Deficiency (\$ in millions)

	Increase (Decrease) 2022 TY to 2007 TY
Capital and Capital Related	\$9.2
Amortizations	0.4
Taxes	0.9
Operating Expense	3.6
Other Margin Impacts (sales and customer growth)	(7.2)
Total Net Incremental Deficiency	\$7.1

1) *Capital Related Cost Drivers*

- Q. PLEASE DESCRIBE THE REVENUE REQUIREMENT IMPACT FOR THE PRINCIPAL CHANGES IN CAPITAL AND CAPITAL RELATED COSTS.
- A. Table 2 below compares the 2022 test year revenue requirements with the revenue requirements for the 2007 test year, by category, for capital plant related costs as shown on Schedule 9, Detailed Case Drivers.

Table 2
Capital and Capital Related Revenue Requirements Changes
(\$ in millions)

	Increase (Decrease) 2022 TY to 2007 TY
Distribution Systems	\$6.6
General and Intangible	1.9
Gas Peaking	1.2
Transmission	0.1
Other Rate Base	(0.5)
TOTAL Capital and Capital Related	\$9.2

1 Q. PLEASE IDENTIFY THE PRINCIPAL CHANGES IN DISTRIBUTION CAPITAL COSTS.

2 A. The 2022 test year revenue requirements include a \$6.6 million increase due to
3 the Distribution business unit's capital investments in North Dakota compared
4 to the 2007 test year. This increase is due to capital investments relating to
5 safety and reliability work, new customer business, and mandatory relocations.
6 Another large driver is the Fargo – West Fargo Project, which drove \$3.1M of
7 the \$6.6M change in revenue requirements from distribution capital. Additional
8 information regarding distribution's capital investments is provided in the
9 Direct Testimony of Company Witness Ms. Joni H. Zich.

10

11 Q. PLEASE IDENTIFY THE PRINCIPAL CHANGES IN GENERAL AND INTANGIBLE
12 CAPITAL COSTS.

13 A. The 2022 test year revenue requirements include a \$1.9 million increase due to
14 our investments in capital projects classified as General and Intangible
15 compared to the 2007 test year. This increase is mainly driven by investments
16 in replacing aging information technology (IT), including the Company's
17 investments in its new General Ledger and Work and Asset Management
18 programs. Company Witness Ms. Laurie J. Wold discusses these technology
19 investments further in her Direct Testimony.

20

21 Q. PLEASE IDENTIFY THE PRINCIPAL CHANGES IN GAS PEAKING CAPITAL COSTS.

22 A. The 2022 test year revenue requirements include a \$1.2 million increase due to
23 our investments in capital projects for our Gas Peaking facilities compared to
24 the 2007 test year. Ms. Zich discusses these investments further in her Direct
25 Testimony.

1 2) *Amortizations*

2 Q. PLEASE DESCRIBE THE PRINCIPAL CHANGES IN AMORTIZATIONS.

3 A. The test year revenue requirements include a \$0.4 million increase related to
4 amortizations compared to the 2007 test year. This increase is primarily due to
5 the Rate Case Expense amortization.

6
7 3) *Taxes*

8 Q. PLEASE DESCRIBE THE PRINCIPAL CHANGES IN PROPERTY TAXES.

9 A. The test year revenue requirements includes a \$0.4 million increase in property
10 taxes compared to the 2007 test year. This is driven by a general overall increase
11 in North Dakota property tax valuations along with a shift in the North Dakota
12 allocation percentage between electric and gas as the gas distribution plant
13 percentage increased for the test year due to the Fargo capacity project going
14 into service at the end of 2021.

15
16 4) *Operating and Maintenance Expenses (O&M)*

17 Q. PLEASE DESCRIBE THE PRINCIPAL CHANGES IN OPERATING AND MAINTENANCE
18 EXPENSES.

19 A. Table 3 below compares the 2022 test year revenue requirements with the
20 revenue requirements for the 2007 test year, by category, for operating expenses
21 as shown on Schedule 9, Detailed Case Drivers.

1 **Table 3**

2 **O&M Expense Changes (\$ in millions)**

3

	Increase (Decrease) 2022 TY to 2007 TY
Distribution Systems	2.9
Admin & General	0.7
Transmission	0.3
Gas Production and Storage	(0.1)
Customer Accounting / Info / Service	(0.2)
TOTAL O&M	\$3.6

4

5

6

7

8

9

10

11 Q. WHAT ARE THE REASONS FOR THE INCREASE IN DISTRIBUTION SYSTEMS
12 OPERATING EXPENSE?

13 A. The 2022 test year revenue requirements include a \$2.9 million increase in
14 distribution operating expenses compared to the 2007 test year. As Ms. Zich
15 notes, the Company has added 16,075 new gas services since 2007 and
16 approximately 267 miles of new gas distribution mains in North Dakota.
17 Distribution operating expenses are needed to maintain and operate the system
18 and as the system has grown so have those expenses. The increase also results
19 from inflation. Additional information regarding distribution O&M is
20 discussed by Ms. Zich.

21

22 Q. WHAT ARE THE REASONS FOR THE INCREASE IN ADMINISTRATIVE AND
23 GENERAL (A&G) EXPENSE?

24 A. The 2022 test year revenue requirements include a \$0.7 million increase in A&G
25 expense compared to the 2007 test year. The increase, when compared to 2007,
26 is primarily driven by the O&M associated with our investments in new
27 information technology by our Business Systems business area, and an increase
28 in employee benefits due to higher active healthcare costs. The IT costs are

1 related to the SAP implementation, application development & maintenance
2 services, increased software and hardware licensing, and maintenance to
3 support the capital assets built as a result of business demands.

4
5 *5) Other Margin*

6 Q. PLEASE DESCRIBE THE REVENUE REQUIREMENT IMPACT FOR THE PRINCIPAL
7 CHANGES IN OTHER MARGIN.

8 A. Table 4 below compares the 2022 test year revenue requirements with the
9 revenue requirements for the 2007 test year, by category, for other margin as
10 shown on Schedule 9, Detailed Case Drivers.¹

11
12 **Table 4**
13 **Net Deficiency (\$ in millions)**

14

	Increase (Decrease) 2022 TY to 2007 TY
Sales Change	(\$7.0)
Other	(0.1)
TOTAL Other Margin Impacts	(\$7.2)

15
16
17
18

19
20 Q. PLEASE DESCRIBE HOW CHANGES IN REVENUE IMPACT THE COMPANY'S
21 REVENUE REQUIREMENTS.

22 A. Since 2007, the Company's total number of natural gas customers in North
23 Dakota has increased by 34 percent. Company Witness Ms. Jannell Marks
24 supports the Company's customer growth, sales data, and sales forecast in her

¹ It may appear that the total in Table 4 is not the sum of the Sales Change and Other figures. However, that is due to rounding.

1 direct testimony. Customer and sales growth over the last 15 years has resulted
2 in the increased revenue shown on Table 4 above.

3
4 Q. ARE THE FUNCTIONAL CLASS CATEGORIES OF OPERATING EXPENSE
5 COMPARABLE BETWEEN THE 2022 TEST YEAR FORECAST AND THOSE
6 CONTAINED IN 2007 RATE CASE TEST YEAR?

7 A. Yes. Both categorizations conform to the Federal Energy Regulatory
8 Commission (FERC) Uniform System of Accounts.

9
10 **III. SUPPORTING INFORMATION**

11
12 Q. WHAT TOPICS DO YOU DISCUSS IN THIS SECTION OF YOUR TESTIMONY?

13 A. In this section I provide information related to data provided in our application,
14 the selection of the test year, and the jurisdictional cost of service study.

15
16 **A. Data Provided and Selection of Test Year**

17 Q. PLEASE DEFINE THE FISCAL PERIODS FOR WHICH FINANCIAL DATA IS PROVIDED
18 IN THIS PROCEEDING.

19 A. Financial data is provided for the most recent fiscal year (calendar year 2020),
20 the current year (calendar year 2021 – forecasted from January 31, 2021), and
21 the test year (calendar year 2022). Financial data for the most recent fiscal year,
22 the current year, and the test year are adjusted for traditional regulatory
23 adjustments (*e.g.*, advertising expenses, association dues, etc.).

24
25 Q. WHY DID THE COMPANY PROPOSE CALENDAR YEAR 2022 FOR THE TEST YEAR
26 FOR THIS PROCEEDING?

27 A. Calendar year 2022 was selected as the test year because it uses the most recent

1 available budget information and is a reasonable representation of the costs and
2 expenses the Company will incur when interim and final rates take effect.

3
4 Q. DOES THE 2022 FUTURE TEST YEAR MEET THE COMMISSION'S REQUIREMENTS?

5 A. Yes. The use of a future test year is permitted by North Dakota Century Code
6 (N.D.C.C.) § 49-05-04.1(1), which allows a utility to select a future test year.
7 N.D.C.C. § 49-05-04.1(2) then requires the Company to present:

- 8 a) a comparison of forecast data to historical period data to demonstrate
9 the reliability and accuracy of the utility's forecast, including a
10 comparison of the prior years' forecast or budgeted data to actual data
11 for those periods;
- 12 b) a statement that the test-year budget data is reasonable, reliable, and made
13 in good faith; and all basic assumptions used in making or supporting the
14 forecast are reasonable, evaluated, identified, and justified to allow the
15 Commission to test the appropriateness of the forecast; and
- 16 c) the accounting treatment applied to anticipated events and transactions
17 in the budget is the same as the accounting treatment to be applied in
18 recording the events once they have occurred.

19
20 Schedule 10 to my Direct Testimony provides a comparison of past budgets to
21 actual costs from 2018-2020 in compliance with the first requirement of this
22 statute. The 2022 Company budget data, after the adjustments I discuss below,
23 is a reasonable representation of the costs and expenses the Company will incur
24 to provide gas service in the State of North Dakota and complies with N.D.C.C.
25 § 49-05-04.1(2). Thus, the 2022 test-year data is reasonable, reliable and made
26 in good faith, and is appropriate for setting rates in this proceeding. In addition,
27 the accounting treatment applied to anticipated events and transactions in the
28 budget is the same as the accounting treatment applied in recording the events,

1 once they have occurred.

2
3 Q. N.D.C.C. § 49-05-04.1(2)(c) REQUIRES A UTILITY TO FILE CERTAIN FINANCIAL
4 DATA FOR COMPARISON WITH THE TEST YEAR DATA. IS THE COMPANY
5 COMPLYING WITH THIS REQUIREMENT?

6 A. Yes. Exhibit____(BCH-1), Schedule 3C is the Company’s 2020 actual JCOSS
7 study. This information, providing the most recent calendar year of actual data,
8 is consistent with the approach we took in our last
9 two gas rate cases (Case No. PU-06-525 and Case No. PU-04-578), and with
10 the financial statements in our May 1, 2021 jurisdictional annual report filed
11 with the Commission in Case No. PU-21-159. Exhibit____(BCH-1), Schedule
12 3B provides the same information in comparison to the 2021 current year as
13 required by the N.D.C.C.

14
15 **B. Jurisdictional Cost of Service Study**

16 Q. PLEASE DESCRIBE THE COMPONENTS OF THE JCOSS FOR THE 2021 TEST YEAR.

17 A. The complete JCOSS for 2022 is provided in Exhibit____(BCH-1), Schedule 3A,
18 2022 Test Year COSS and includes all the adjustments discussed in my Direct
19 Testimony. The JCOSS includes the following financial data input sections for
20 both total Company and the North Dakota Jurisdiction: (i) capital structure; (ii)
21 cost of capital; (iii) income tax rates; (iv) rate base; (v) income statement; (vi)
22 income tax calculations; and (vii) cash working capital computation.

23
24 Q. PLEASE DESCRIBE THE JURISDICTIONAL COST OF SERVICE SCHEDULES.

25 A. The JCOSS summary for the 2022 test year is included in Schedule 3A:

- 26 • The “Rate Base Summary” for total Company gas operations and the
27 North Dakota jurisdiction is shown on Schedule 3A, Page 1.

- An “Income Statement Summary” for total Company gas operations and the North Dakota jurisdiction is shown on Schedule 3A, Page 2.
- The “Income Tax Summary” for total Company gas operations and the North Dakota jurisdiction is shown on Schedule 3A, Page 3. The schedule shows adjustments to book income necessary to determine state and federal taxable income. The federal and state income tax calculations are carried back to the income statement on Schedule 3A, Page 2.
- The “Revenue Requirement Summary” for total Company gas operations and the North Dakota jurisdiction is shown on Schedule 3A, Page 4. Specifically, the schedule shows: (i) the earned overall rate of return on rate base; (ii) the earned return on equity (ROE); (iii) the base rate revenue deficiency that needs to be recovered to enable North Dakota jurisdiction gas operations to earn the requested ROE; and (iv) the total revenue requirements.
- The computation of cash working capital is shown on Exhibit___(BCH-1), Schedule 8 and is carried back to the rate base on Schedule 3A, Page 1.

Q. ARE THE REVENUE CONVERSION FACTOR CALCULATION AND THE NORTH DAKOTA COMPOSITE INCOME TAX RATES INCLUDED IN THIS FILING?

A. Yes. The revenue conversion factor is the incremental amount of gross revenue required to generate an additional dollar of operating income. See Table 5 below for the revenue conversion factor calculation.

Table 5

Revenue Conversion Factor Calculation

Gross Revenue Factor =	$1 / (1 - \text{Federal and ND Income Tax})$
	$1 / (1 - 0.24405)$
	1.32284

1 Q. WHAT FEDERAL CORPORATE TAX RATE WAS USED TO CALCULATE THE REVENUE
2 CONVERSION FACTOR?

3 A. Pursuant to the TCJA signed by President Trump on December 22, 2017, the
4 Company has used a federal corporate tax rate of 21 percent in the calculation
5 of the revenue conversion factor. The revenue conversion factor and
6 composite income tax rates are included in Schedule 3A, Page 1.

7
8 Q. PLEASE EXPLAIN HOW THE INTEREST DEDUCTION FOR DETERMINING TAXABLE
9 INCOME IS CALCULATED.

10 A. The interest deduction applicable to the income tax calculation is the result of
11 a calculation commonly referred to as “interest synchronization.” The amount
12 of interest deducted for income tax purposes is the weighted cost of debt capital
13 multiplied by the average rate base.

14
15 Q. DESCRIBE THE SCHEDULE IN YOUR EXHIBITS THAT IS RELATED TO THE INCOME
16 STATEMENT.

17 A. Exhibit___(BCH-1), Schedule 11 consists of comparative income statements
18 for the test year. Schedule 11, Page 1 is a comparative income statement for the
19 2022 test year, showing the income effect of present authorized rates and
20 proposed rates. This comparative income statement was prepared from the
21 results of the JCOSS and includes the revenue deficiency in the North Dakota
22 Jurisdiction gas utility operations. Schedule 11, Page 2 shows a gas utility
23 comparative income statement for the North Dakota jurisdiction and total
24 Company for the 2022 test year, before and after making test period
25 adjustments.

1 **IV. RATE BASE COMPONENTS**

2
3 Q. PLEASE EXPLAIN WHAT RATE BASE REPRESENTS.

4 A. Rate base primarily reflects the capital investment made by a utility in plant,
5 equipment, materials, supplies, and other assets necessary for the provision of
6 utility service, reduced by accumulated depreciation and non-investor sources
7 of capital, such as deferred taxes.

8
9 Q. PLEASE IDENTIFY THE MAJOR COMPONENTS OF THE PROJECTED TEST YEAR
10 RATE BASE.

11 A. The test year rate base is generally composed of the following major items,
12 which will be described in further detail later in my testimony:

- 13 • Net Utility Plant;
- 14 • Short-term Construction Work in Progress (CWIP);
- 15 • Accumulated Deferred Income Taxes (ADIT); and
- 16 • Other Rate Base Items.

17
18 Q. PLEASE DESCRIBE THE SCHEDULES IN YOUR TESTIMONY THAT ARE RELATED TO
19 THE TEST YEAR AVERAGE INVESTMENT IN RATE BASE.

20 A. Exhibit___(BCH-1), Schedule 15, Page 1 of 3, shows a detailed statement of
21 the Average Rate Base by component for the 2022 test year. Schedule 15, Page
22 2 of 3, is a comparative statement of the 2022 Test Year Average Rate Base for
23 the North Dakota jurisdiction and total Company, before and after making
24 proposed test period adjustments. Schedule 15, page 3 of 3 provides detailed
25 information on CWIP and ADIT for the total Company and North Dakota
26 jurisdiction. Exhibit___(BCH-1), Schedule 3C, Page 1 shows the Company's
27 actual 2020 Average Rate Base as provided in the May 1, 2021 jurisdictional

1 annual report to the Commission. The annual jurisdictional report rate base
2 provided in Schedule 3C has been modified to include the proposed ROE, cash
3 working capital, and an adjustment to include the cost of gas. These
4 modifications were made consistent with past practice to align with the 2022
5 test year cost of service.

6
7 **A. Net Utility Plant**

8 Q. WHAT DOES NET UTILITY PLANT REPRESENT?

9 A. Net utility plant represents the Company's investment in plant and equipment
10 that is used and useful in providing retail gas service to its customers, net of
11 accumulated depreciation and amortization.

12
13 Q. PLEASE EXPLAIN THE METHOD USED TO CALCULATE NET UTILITY PLANT
14 INVESTMENT IN THIS CASE.

15 A. The net utility plant is included in rate base at depreciated original cost reflecting
16 the simple average of projected net plant balances at the beginning and end of
17 the test year. Such treatment is consistent with the method employed in our
18 most recent North Dakota gas rate case.

19
20 Q. WHAT HISTORICAL BASE DID THE COMPANY RELY ON AS A STARTING POINT TO
21 DEVELOP THE PROJECTED NET PLANT BALANCES FOR THE BEGINNING OF THE
22 TEST YEAR?

23 A. The historical base used was the Company's actual net investment (Plant In
24 Service less Accumulated Depreciation) on the books and records of the
25 Company as of January 31, 2021. The budget projections for February through
26 December 2021 were then applied to the January 31, 2021 balance to arrive at a
27 beginning test year net plant balance.

1 Q. ON WHAT BASIS WERE NET PLANT BALANCES PROJECTED FOR THE END OF THE
2 TEST YEAR?

3 A. The ending net plant balances were determined by applying the data contained
4 in the 2022 capital budget to the above-described beginning test year balances,
5 adjusted for plant additions, retirements, depreciation, salvage and removal
6 costs projected to occur during the test year. The net plant balance in rate base
7 reflects the simple average of projected net plant balances at the beginning and
8 end of the 2022 test year. Such treatment is consistent with the method
9 employed in the Company's most recent gas rate case.

10

11 Q. WHAT WAS THE AVERAGE NET UTILITY PLANT INCLUDED IN THE TEST YEAR
12 RATE BASE?

13 A. The average net utility plant included in the test year rate base is \$139.882
14 million, provided in Schedule 3A, Page 1. As shown on this schedule, the
15 average net utility plant is comprised of an average plant balance of \$222.855
16 million minus an average depreciation reserve of \$82.973 million.

17

18 **B. Construction Work in Progress (CWIP)**

19 Q. HAS CWIP BEEN INCLUDED IN THE TEST-YEAR RATE BASE?

20 A. Yes. However, the only CWIP that is included in rate base are costs related to
21 projects of a short duration (any capital project that is deemed routine and
22 finishes work within a month) that do not accrue Allowance for Funds Used
23 During Construction (AFUDC). I note the identification of short term CWIP
24 ensures that no CWIP is recovered in base rates. Thus, there is no AFUDC
25 offset added to operating income. The rate base amount reflects a simple
26 average of projected short-term CWIP beginning and ending test year balances.
27 This is consistent with the method employed in our last North Dakota gas rate
28 case and matches the use of an average rate base.

1 Q. HOW WERE THE TEST YEAR BEGINNING AND ENDING CWIP BALANCES
2 DETERMINED?

3 A. The beginning test year balance for CWIP was the January 31, 2021 actual
4 balance. Construction expenditures, and transfers to Plant In-Service during
5 the remaining months of 2021 were netted against the January 31, 2021 balance
6 to derive a beginning test year balance. The beginning test year CWIP balance
7 was adjusted to reflect projected construction expenditures, and transfers to
8 Plant In-Service during the 2022 test year to obtain the ending test year CWIP
9 balance. These projections were developed from the Company's 2022 capital
10 budget.

11

12 Q. WHAT WAS THE LEVEL OF SHORT-TERM CWIP INCLUDED IN THE TEST YEAR
13 RATE BASE?

14 A. As shown in Schedule 3A, Page 1, the average short-term CWIP included in
15 rate base was \$0.188 million.

16

17 **C. Accumulated Deferred Income Taxes (ADIT)**

18 Q. PLEASE DESCRIBE ACCUMULATED DEFERRED INCOME TAXES.

19 A. Inter-period differences exist between the book and taxable income treatment
20 of certain accounting transactions. These differences typically originate in one
21 period and reverse in one or more subsequent periods. For utilities, the largest
22 such timing difference typically is the extent to which accelerated income tax
23 depreciation exceeds book depreciation during the early years of an asset's
24 service life. ADIT represents the cumulative net deferred tax amounts that have
25 been allowed and recovered in rates in previous periods.

26

27 Q. WHY IS ADIT DEDUCTED IN ARRIVING AT TOTAL RATE BASE?

28 A. To the extent income taxes recovered in rates are deferred for later payment,

1 they represent a prepayment by customers, a non-investor source of funds. The
2 average projected ADIT balance is deducted in arriving at total rate base to
3 recognize such funds are available for corporate use between the time they are
4 collected in rates and ultimately remitted to the respective taxing authorities.

5
6 Q. WHAT AMOUNT OF ADIT WAS DEDUCTED IN THE PROJECTED TEST YEAR RATE
7 BASE?

8 A. As shown on Schedule 3A, Page 1, \$19.783 million was deducted. This amount
9 reflects a simple average of the projected beginning and ending 2022 test year
10 ADIT balances and incorporates Internal Revenue Service (IRS) tax regulations.
11 Specifically, Sec. 1.167(l) of the tax code defines a pro-rated schedule for the
12 extent average accumulated deferred income taxes can be used to reduce rate
13 base to comply with the tax normalization requirements of the Code when
14 forecast information is used to set rates.

15
16 Q. HOW DID THE FEDERAL TAX CUT AND JOBS ACT (TCJA) AFFECT THE PROPOSED
17 ADIT IN RATE BASE?

18 A. The Commission's adoption of the Settlement in Case No. PU-18-156 requires
19 the Company to amortize its excess plant-related ADIT using the Average Rate
20 Assumption Method (ARAM), and amortize unprotected, excess non-plant-
21 related ADIT over a three-year period. Consistent with this requirement, the
22 Company is amortizing the excess plant related ADIT using ARAM. The excess
23 non-plant-related ADIT was amortized as ordered over three years and ended
24 in 2020, therefore no impact remains in the 2022 test year.

25
26 **D. Other Rate Base**

27 Q. PLEASE SUMMARIZE THE ITEMS YOU HAVE INCLUDED IN OTHER RATE BASE.

28 A. Other Rate Base is comprised primarily of what is referred to as Working

1 Capital. It also includes certain unamortized balances that are the result of
2 specific ratemaking amortizations as discussed later in my testimony.

3
4 Q. PLEASE EXPLAIN WHAT WORKING CAPITAL REPRESENTS.

5 A. Working Capital is the average investment in excess of net utility plant provided
6 by investors that is required to provide day-to-day utility service. It includes
7 items such as materials and supplies, fuel inventory, prepayments, and various
8 non-plant assets and liabilities. The net cash requirements, also referred to as
9 Cash Working Capital, is a separate line item on various schedules.

10
11 Q. HOW HAVE TEST YEAR MATERIALS AND SUPPLIES AND FUEL INVENTORY
12 REQUIREMENTS BEEN CALCULATED?

13 A. The Materials and Supplies and Fuel Inventory amounts shown on Schedule
14 3A, Page 1, are based on the thirteen-month average balances projected during
15 the test year. Materials and Supplies average balance included in the test year
16 rate base equals \$0.150 million. The test year average rate base amount for Fuel
17 Inventory is \$2.098 million.

18
19 Q. HOW HAVE THE TEST YEAR NON-PLANT ASSETS & LIABILITIES BEEN
20 DETERMINED?

21 A. These balances as shown on Schedule 3A, Page 1, represent the 2022 calendar
22 year estimate of these balances. Any book/tax timing differences associated
23 with these items have been reflected in the determination of current and
24 deferred income tax provision and ADIT balances previously discussed. This
25 group is primarily composed of assets that increase test year rate base by \$1.463
26 million.

1 Q. HOW HAVE THE TEST YEAR PREPAYMENTS AND OTHER WORKING CAPITAL
2 ITEMS BEEN DETERMINED?

3 A. Prepayments and Other Working Capital, such as customer advances and
4 deposits, are based on the actual thirteen-month average balances during the
5 period ended December 31, 2020, as a proxy for the test year. The unamortized
6 balances included in this section are based on the amortization schedules as
7 described later in my testimony. The net impact of these various items increases
8 the test year rate base by \$0.523 million as shown on Schedule 3A, Page 1.

9

10 Q. HOW HAVE TEST YEAR REGULATORY AMORTIZATIONS BEEN CALCULATED?

11 A. The rate base amount reflects a simple average of beginning and ending test
12 year balances.

13

14 Q. HOW HAVE THE TEST YEAR CASH WORKING CAPITAL REQUIREMENTS BEEN
15 DETERMINED?

16 A. Cash Working Capital requirements have been determined by applying the
17 results of a comprehensive lead/lag study to the projected test year revenues
18 and expenses.

19

20 Q. HAVE THE COMPONENTS OF THE TEST YEAR CASH WORKING CAPITAL BEEN
21 CALCULATED CONSISTENT WITH METHODS USED IN THE MOST RECENT NORTH
22 DAKOTA GAS RATE CASE?

23 A. Yes.

24

25 Q. PLEASE BRIEFLY EXPLAIN HOW A LEAD/LAG STUDY MEASURES CASH WORKING
26 CAPITAL.

27 A. A lead/lag study is a detailed analysis of the time periods involved in the utility's
28 receipt and disbursement of funds. The study measures the difference in days

1 between the date services to a customer are rendered and the revenues for that
2 service are received, and the date the costs of rendering the services are incurred
3 until the related disbursements are actually made.

4
5 Q. HAS THE COMPANY'S LEAD/LAG STUDY BEEN UPDATED SINCE ITS LAST NORTH
6 DAKOTA GAS RATE CASE?

7 A. Yes. The Company has updated the study for the calculation of expense lead
8 days and revenue lag days for the twelve months ending December 31,
9 2020. The methodology for calculating the lead/lag days is consistent with the
10 methodology used in the Company's prior electric and gas regulatory
11 filings. The results of the updated lead/lag study for gas operations were
12 incorporated into the North Dakota jurisdiction cash working capital rate base
13 component as shown on Schedule 3A, Page 1.

14
15 Q. WHAT IS THE TEST YEAR CASH WORKING CAPITAL AMOUNT?

16 A. The amount included in the average rate base is a positive \$0.648 million. The
17 detailed components and calculations associated with this amount are
18 summarized in Schedule 8.

19
20 Q. WHAT IS INDICATED BY THE POSITIVE CASH WORKING CAPITAL AMOUNT?

21 A. Positive cash working capital indicates overall revenue collections occur later
22 than the date when the associated costs of service are paid. In the Company's
23 circumstance, Retail Revenue collections comprise the largest source of cash
24 working capital, being offset by Operating Expenses, Fuel Expense and
25 Property Taxes. The positive cash working capital increases rate base to
26 compensate for funds to meet cash working capital requirements.

1 Q. IS THE 2022 TEST YEAR RATE BASE FOR THE COMPANY'S NORTH DAKOTA
2 JURISDICTION GAS OPERATIONS REASONABLE FOR PURPOSES OF DETERMINING
3 FINAL RATES IN THIS PROCEEDING?

4 A. Yes. The test year rate base was developed on sound ratemaking principles in a
5 manner similar to prior Company North Dakota gas rate cases.
6

7 V. INCOME STATEMENT

8 A. Revenues

9
10 Q. WAS THE IMPACT OF WEATHER ON PROJECTED SALES AND CUSTOMER GROWTH
11 FOR THE TEST YEAR RECOGNIZED IN THE TEST YEAR REVENUE REQUIREMENT?

12 A. Yes. Test year retail sales levels assume normal weather. Customer counts are
13 forecasted as described by Ms. Marks.
14

15 Q. DO RETAIL OPERATING REVENUES REFLECT THE PROJECTED LEVEL OF
16 UNBILLED SALES VOLUMES IN THE TEST YEAR FORECAST?

17 A. Yes. As Ms. Marks explains, the projected level of unbilled sales is incorporated
18 into the retail sales forecast on a calendar-month basis. This eliminates the need
19 to reconcile billing-month sales to calendar-month sales by recording unbilled
20 revenues.
21

22 Q. HAVE YOU CONSIDERED OTHER OPERATING REVENUES AS AN OFFSET TO THE
23 RETAIL REVENUE REQUIREMENT?

24 A. Yes. The test year includes items such as revenues from specific tariff charges
25 including service activation fees, late payment fees, and others. In areas where
26 the Company did not budget for the collection of these other operating
27 revenues, a representative level was determined and included in revenues in the
28 cost of service study.

1 **B. Operating and Maintenance Expenses**

2 Q. WHAT O&M COSTS IS THE COMPANY BUDGETING FOR IN THE TEST YEAR?

3 A. The test year cost of service represents all of the Company’s forecasted O&M
4 expenses directly assigned or allocated to the North Dakota gas utility; the bulk
5 of these costs are the O&M expenses incurred by our gas operations function.
6 In her Direct Testimony, Ms. Zich presents the budgeted O&M costs for gas
7 operations. As she notes, while costs have unsurprisingly increased since 2007,
8 the Company has kept O&M expenditures relatively level in recent years and is
9 forecasting a decrease for 2022. The allocation of these costs to the gas utility
10 and then to the North Dakota jurisdiction is addressed in Section VI of my
11 Direct Testimony.

12
13 **C. Depreciation Expense**

14 Q. WHAT DEPRECIATION EXPENSE IS USED IN THIS PROCEEDING.

15 A. In her Direct Testimony, Ms. Wold presents the test year depreciation expense.
16 As she notes, the Company is proposing a reduction of approximately \$19,000
17 for the North Dakota jurisdiction.

18
19 **D. Taxes**

20 Q. WHAT TAX EXPENSES ARE INCLUDED IN THE 2022 TEST YEAR INCOME
21 STATEMENT?

22 A. We have line items for Property Tax; Income Taxes including Deferred Income
23 Tax; Investment Tax Credits and Federal and State Income Tax; and Payroll
24 Tax. The State and Federal income taxes are calculated in Exhibit____(BCH-1),
25 Schedule 3A, 2022 Test Year Cost of Service Study, Page 3.

1 Q. HOW ARE INCOME TAXES DETERMINED FOR THE JURISDICTION?

2 A. Income taxes are determined based on total before tax book income, tax
3 additions, and deductions which determine deferred income taxes and the
4 resulting taxable income that is used to calculate federal and state income taxes.
5 The federal income tax rate reflects the 21 percent rate effective January 1, 2018
6 with the enactment of the TCJA. The utilization or generation of net operating
7 losses or tax credits impact both deferred income taxes and federal and state
8 income taxes, which I will discuss in more detail below.

9

10 Q. PLEASE SUMMARIZE THE RATEMAKING TREATMENT OF NET OPERATING
11 LOSSES (NOLs).

12 A. A NOL is created when taxable deductions exceed taxable revenue; when this
13 occurs, the excess deductions are carried forward to future periods. NOLs
14 require an adjustment that offsets the part of the ADIT rate base reduction that
15 is associated with the accelerated depreciation deductions. That adjustment is
16 needed to keep the Company's rate base consistent with the income tax
17 deductions that the Company has been able to use. Keeping a balance of rate
18 base reductions resulting from the ADIT and the use of accelerated depreciation
19 is required under federal income tax law as part of "normalization" for both
20 accounting and ratemaking.

21 The Company continues to give back to retail customers annually the revenue
22 requirement benefit associated with the utilization of tax deductions carried
23 forward from prior periods. The timing of utilization and the carry-forward
24 balances associated with unused deductions will continue to change over time
25 as the Company's revenue and deduction levels change.

1 Q. PLEASE EXPLAIN HOW THE COMPANY DETERMINES WHETHER DEFERRED TAX
2 ASSETS (DTAs) ARE CREATED OR CONSUMED.

3 A. The calculation of income taxes determines whether DTAs are created or
4 consumed. After the calculated income tax expense is reduced for allowed
5 NOL deductions, the remaining deductions are “carried forward” and can be
6 used to reduce taxes in future years. To the extent the calculated income tax
7 expense is negative depreciation deductions, are reversed, carried forward, and
8 are available for utilization in a future period. This reversal creates a reduction
9 to deferred tax expense, resulting in the creation of a DTA.

10

11 In future periods, to the extent the calculated income tax expense is positive,
12 depreciation deductions that were carried forward are utilized to reduce the
13 income tax expense by 80 percent for depreciation deductions. This utilization
14 creates an increase in deferred tax expense, reducing the balance of the DTA.
15 Once all depreciation deductions previously carried forward are utilized, the
16 Company will have returned to a positive tax position. This is normal NOL
17 accounting.

18

19 For the purpose of determining the NOL, these income tax calculations are
20 done on an all-inclusive jurisdictional cost of service basis in which rider
21 revenues are included with non-rider revenues and investments. This approach
22 determines the extent to which the Company’s Gas Utility North Dakota retail
23 jurisdiction is in a tax loss position or in a position to utilize deductions carried
24 forward from previous periods. This approach ensures that any reduction in
25 revenue requirements resulting from the utilization of deductions carried
26 forward from prior periods is returned to customers as soon as it is available in
27 the form of a reduction to base rates.

1 These balances related to deductions are reported in the Company's May 1
2 Jurisdictional Annual Reports, including the most recent May 1, 2021
3 Jurisdictional Annual Report. By having these annual determinations made on
4 an all-in basis, the JCOSS includes actual data for both rider recovery and base
5 rate recovery. Any change in rider recovery by the Commission will be
6 incorporated in this process.

7
8 Q. DO THE DTAs AFFECT THE 2022 TEST YEAR REVENUE REQUIREMENTS?

9 A. Yes. The Company's 2022 test year COSS includes a revenue requirement
10 increase associated with the depreciation deductions to be carried forward based
11 on the Company's 2022 test year COSS. An accounting for the balances carried
12 forward to the 2022 test year COSS, as well as the documented calculations
13 supporting this revenue requirement increase, can be found in Volume 3,
14 Workpapers, Section VIII Adjustments, Tab A20 Net Operating Loss.

15
16 It should be noted that any change in the revenues, expenses, or capital structure
17 will cause the income tax calculation to be changed. This could in turn affect
18 the timing of the DTAs being generated or consumed and added to or removed
19 from rate base.

20
21 Q. HOW WILL THE RATES SET IN THIS CASE AFFECT THE UTILIZATION OF DTAs IN
22 FUTURE TEST YEARS?

23 A. The utilization of DTAs is based on taxable income for the Company's North
24 Dakota Gas Retail jurisdiction. Taxable income is determined by total revenues
25 less total deductions. Once base rates are set in this case for the 2022 test year,
26 they will remain in place until changed in another gas rate case.

1 **E. AFUDC**

2 Q. WHAT IS AFUDC?

3 A. As previously noted, AFUDC is the cost of financing during the period a capital
4 investment is constructed. Once an asset is placed in service, the total cost to
5 construct, including accumulated AFUDC, is recovered through depreciation
6 expense.

7
8 **VI. UTILITY AND JURISDICTIONAL ALLOCATIONS**

9
10 Q. PLEASE DESCRIBE THE METHODS USED TO ALLOCATE COSTS TO THE
11 COMPANY'S GAS UTILITY OPERATIONS.

12 A. The 2022 test year includes both costs incurred directly by the Company's gas
13 operating business and costs assigned or allocated by the Service Company for
14 corporate functions (*e.g.*, accounting, human resources, law, etc.). The Service
15 Company cost allocation and billing process is subject to FERC jurisdiction and
16 authorization under a Utility Services Agreement between the Service Company
17 and the Company.

18
19 Cost allocation and assignment principles have not changed since our last North
20 Dakota gas rate case. O&M cost assignments and allocations are also consistent
21 with the Company's recent North Dakota electric rate case filed on November
22 6, 2020 (Case No. PU-20-441). Non-O&M costs include such items as book
23 depreciation expense, deferred income taxes, and property taxes. All of the
24 investments common to the electric and natural gas utilities, and their related
25 costs (*e.g.*, software or other common investments and expenses), are evaluated
26 as to whether the cost should be direct assigned to electric or natural gas; or
27 allocated based on appropriate allocators such as: Customers, Customer Bills,
28 Transportation Studies, or the three factor general allocator (the average of

1 Revenue Ratio, Employee Ratio, and Asset Ratio).

2
3 Additional information regarding this process and the reason for selecting a
4 particular allocator is also included in the Cost Assignment and Allocation
5 Manual (CAAM) which I have included as Exhibit____(BCH-1), Schedule 12.
6 There have not been any changes since the last gas rate case that would
7 significantly impact the percentage of costs that are assigned to North Dakota.
8

9 Q. PLEASE DESCRIBE THE METHODS USED TO ALLOCATE COSTS FOR THE
10 COMPANY'S GAS UTILITY OPERATIONS IN NORTH DAKOTA.

11 A. O&M cost assignments and allocations are summarized on Exhibit____(BCH-
12 1), Schedule 13. The expense budgets relied upon to develop test-year income
13 statement items were generally prepared on a functional basis (*i.e.*, Production,
14 Transmission, Distribution, Customer Accounts, Customer Information, Sales,
15 Administrative and General). These functional amounts are directly assigned to
16 North Dakota jurisdiction gas operations or allocated to the gas operations
17 based on cost causation.
18

19 Q. PLEASE EXPLAIN THE PROCESS FOR ASSIGNING THE COMPANY'S INVESTMENT
20 IN GAS PLANT TO THE NORTH DAKOTA JURISDICTION.

21 A. A summary and description of the allocation factors used to allocate capital
22 related items to the North Dakota jurisdictional gas operations income
23 statement and rate base is contained in Exhibit____(BCH-1), Schedule 14. Plant
24 investments are accounted for in the manner prescribed by the FERC Uniform
25 System of Accounts. Detailed records are maintained on a functional basis (*e.g.*,
26 Production, Transmission, Distribution). The capital budgets, from which the
27 projected plant balances in rate base were developed, are also prepared on a
28 functional basis. These functional amounts are assigned to the appropriate

1 jurisdiction directly or allocated based on the use of such assets in providing gas
2 service in a particular jurisdiction and the underlying elements of cost causation.
3 Customer count, design day, and load dispatch are three of the allocators used
4 when costs cannot be directly assigned.

5
6 Q. HOW WERE THE DISTRIBUTION INVESTMENT AMOUNTS ASSIGNED TO THE
7 NORTH DAKOTA JURISDICTION?

8 A. The Company's gas distribution plant investment amounts have been directly
9 assigned, when possible, based upon the jurisdiction(s) served by each of the
10 individual distribution facilities. Therefore, North Dakota distribution
11 investments are generally assigned directly to North Dakota. However, if
12 Distribution Investments include components that are common or general
13 plant in nature they are allocated based on their functional class, consistent with
14 the CAAM.

15
16 Q. WHAT IS A "DESIGN DAY?"

17 A. Ms. Zich describes design day in her Direct Testimony as does Mr. Chamberlain.
18 The design day allocation method uses the jurisdictional specific design day
19 demands to assign costs to the jurisdictional customer group on a basis of gas
20 service needs that cause the need for these facilities and supplies.

21 22 **VII. ANNUAL ADJUSTMENTS TO THE TEST YEAR**

23
24 Q. WHAT TOPICS DO YOU ADDRESS IN THIS SECTION OF YOUR TESTIMONY?

25 A. In this section of my testimony, I explain adjustments that affect our proposed
26 2022 test year forecast revenue requirement. These adjustments were identified
27 during our review of the budget and preparation for this case. An individual
28 adjustment may be related to a previous Commission Order, reflect

1 Commission policy or traditional ratemaking treatment, or may be proposed to
2 address a situation particular to this rate case. In this section, I provide details
3 related to each adjustment and explain why each is necessary in order to present
4 a representative level of rate base or costs in the test year forecast.

5
6 Q. PLEASE DESCRIBE THE TYPES OF ADJUSTMENTS MADE TO THE 2022 TEST YEAR.

7 A. I present traditional adjustments consistent with treatment in prior cases and
8 existing Commission Policy Statements (Precedential Adjustments) and rate
9 case adjustments related to this particular case (Rate Case Adjustments). Next,
10 I explain the various amortizations affecting the test year (Amortizations), and
11 a group of adjustments that are the result of secondary dynamic calculations in
12 the cost of service model (Secondary COS Calculations) and certain adjustments
13 that may be necessary for Rebuttal Testimony in this proceeding.

14
15 Q. PLEASE LIST THE 2022 TEST YEAR ADJUSTMENTS.

16 A. The following adjustments were made to rate base and the income statement
17 where applicable. Rate base adjustments are shown on Exhibit___(BCH-1),
18 Schedule 5, 2022 Test Year Bridge Schedule - Rate Base, and income statement
19 (revenue requirement) adjustments are shown on Exhibit___(BCH-1),
20 Schedule 6, 2022 Test Year Bridge Schedule - Income Statement. Column 1 of
21 the Rate Base bridge schedule shows the 2022 unadjusted rate base by each
22 component of rate base. Each adjustment to rate base is contained within a
23 column that shows its effect on each rate base component. Likewise, Column
24 1 of the Income Statement bridge schedule shows the 2022 unadjusted income
25 statement by each component of the income statement. As with rate base, each
26 adjustment to the income statement is contained within a column that shows
27 its effect on each income statement component. In addition, the Income
28 Statement bridge schedule shows the impact of each rate base and income

1 statement adjustment on the revenue requirement. Exhibit____(BCH-1),
2 Schedule 4, List of Adjustments, provides adjustment amounts for the 2022 test
3 year.

4
5 Rate Case Adjustments

- 6 1) Aviation
- 7 2) Depreciation Study: Remaining Life
- 8 3) Depreciation Study: TD&G
- 9 4) Dues: Chamber of Commerce
- 10 5) Economic Development Donations
- 11 6) Foundation and Other Donations
- 12 7) Long Term Incentive (LTI) Compensation

13
14 Amortizations

- 15 8) Income Tax Tracker Amortization
- 16 9) NOL Tax Reform ADIT ARAM Amortization
- 17 10) Rate Case Expense Amortization

18
19 Secondary Cost of Service Calculations

- 20 11) ADIT Pro-Rate – IRS Required
- 21 12) Cash Working Capital Adjustment
- 22 13) Change in Cost of Capital
- 23 14) Net Operating Loss

24
25 Each of these adjustments is discussed in more detail in this section of my
26 testimony.

1 Q. IS THE 2022 O&M EXPENSE FORECAST FOR THE COMPANY'S GAS UTILITY
2 OPERATIONS AN ACCURATE AND RELIABLE PROJECTION?

3 A. Yes. With the adjustments I previously described, it is an accurate and reliable
4 projection on which to base this rate request.

5

6 **A. Precedential Adjustments**

7 Q. PLEASE LIST THE PRECEDENTIAL TEST YEAR ADJUSTMENTS INCLUDED IN THE
8 REVENUE REQUIREMENT CALCULATION.

9 A. Exhibit__(BCH-1), Schedule 4, List of Adjustments, provides a list of
10 Precedential Adjustments and their associated revenue requirement impact,
11 based on past rate case precedent for the 2022 test year.

12

13 Q. HOW DOES THE COMPANY PROVIDE SUPPORT FOR THESE PRECEDENTIAL
14 ADJUSTMENTS?

15 A. Treatment of these precedential adjustments has not changed from the
16 Commission's Order in the Company's previous completed gas rate cases. As
17 such, the Company has provided the adjustments themselves in Schedules to
18 my Direct Testimony, and support for these adjustments, including a detailed
19 description of each adjustment and supporting materials, in the workpapers
20 identified in Exhibit__(BCH-1), Schedule 4, List of Adjustments. This
21 organization is intended to facilitate the review of and full support for each
22 adjustment within the identified workpaper.

1 **B. Rate Case Adjustments**

2 1) *Aviation*

3 Q. PLEASE DESCRIBE THE AVIATION ADJUSTMENT.

4 A. The Aviation adjustment removes 100 percent of the aviation-related costs to
5 the North Dakota gas jurisdiction. The aviation costs are related to the
6 operation of two Xcel Energy corporate aircraft for use by Company personnel.

7
8 This adjustment impacts the 2022 test year revenue requirements by the
9 amounts shown on:

- 10 • Schedule 5, page 1, row 45, column 7,
- 11 • Schedule 6, page 1, row 39, column 7,
- 12 • Schedule 4, page 1, row 11, column 5
- 13 • Volume 3, Section VIII Adjustments, Tab A7.

14
15 2) *Depreciation Study: Remaining Life*

16 Q. PLEASE DESCRIBE THE PRODUCTION DEPRECIATION STUDY ADJUSTMENT TO
17 RATE BASE.

18 A. This adjustment updates the 2022 test year to include the impact of the
19 Company's 2020 Dismantling Study related to production and also includes a
20 life extension related to major projects at Wescott, Sibley and Maplewood. This
21 adjustment is further supported by Ms. Wold in her Direct Testimony.

22
23 This adjustment impacts the 2022 test year revenue requirements by the
24 amounts shown on:

- 25 • Schedule 5, page 1, row 45, column 8,
- 26 • Schedule 6, page 1, row 39, column 8,
- 27 • Schedule 4, page 1, row 12, column 5

- Volume 3, Section VIII Adjustments, Tab A8.

3) *Depreciation Study - Transmission, Distribution, and General*

Q. PLEASE DESCRIBE THE DEPRECIATION STUDY ADJUSTMENT TO RATE BASE.

A. This adjustment updates the 2022 test year to include the impact of the Company's 2017 Depreciation Study related to TD&G. This adjustment is further supported by Ms. Wold in her Direct Testimony. This adjustment impacts the 2022 test year revenue requirements by the amounts shown on:

- Schedule 5, page 1, row 45, column 9,
- Schedule 6, page 1, row 39, column 9,
- Schedule 4, page 1, row 13, column 5
- Volume 3, Section VIII Adjustments, Tab A9.

4) *Dues: Chamber of Commerce*

Q. DOES THE COMPANY'S REQUEST INCLUDE RECOVERY OF ASSOCIATION DUES PAID TO CHAMBERS OF COMMERCE?

A. Yes. The Company has included membership dues paid to various Chambers of Commerce in North Dakota in the 2022 test year. Chambers of Commerce provide an essential link between the Company and the communities it serves, allowing for improved utility service. Because membership in these organizations provides benefits to all utility customers, recovery of membership dues paid to Chambers of Commerce is appropriate. Chamber of Commerce dues are initially recorded below the line; thus, an adjustment is necessary to include Chamber of Commerce dues in test year costs.

This adjustment impacts the 2022 test year revenue requirements by the amounts shown on:

1 6) *Foundation and Other Donations*

2 Q. PLEASE DESCRIBE THE CHARITABLE CONTRIBUTION ADJUSTMENT.

3 A. The Company is proposing to include 50 percent of corporate charitable
4 contributions benefiting the State of North Dakota in the test year. An analysis
5 was performed on contribution details to ensure that only amounts contributed
6 to charities and institutions that could be associated with the Company’s North
7 Dakota jurisdiction were included in the cost of service.

8
9 This adjustment impacts the 2022 test year revenue requirements by the
10 amounts shown on:

- 11 • Schedule 5, page 1, row 45, column 12,
- 12 • Schedule 6, page 1, row 39, column 12,
- 13 • Schedule 4, page 1, row 16, column 5
- 14 • Volume 3, Section VIII Adjustments, Tab A12.

15
16 7) *Long Term Incentive (LTI) Compensation*

17 Q. WHAT ADJUSTMENTS HAVE YOU MADE TO THE INCENTIVE COMPENSATION
18 EXPENSE INCLUDED IN THE UNADJUSTED TEST YEAR?

19 A. The test year adjustment reflects the budgeted costs for time based and
20 environmental long-term incentive compensation. Company Witness Mr. Greg
21 Chamberlain supports this adjustment in his Direct Testimony.

22
23 Q. WHAT IS THE IMPACT OF THE INCENTIVE COMPENSATION ADJUSTMENT ON THE
24 TEST YEAR?

25 A. This adjustment impacts the 2022 test year revenue requirements by the
26 amounts shown on:

- 27 • Schedule 5, page 1, row 45, column 13,

- 1 • Schedule 6, page 1, row 39, column 13,
- 2 • Schedule 4, page 1, rows 17-18, column 5
- 3 • Volume 3, Section VIII Adjustments, Tab A13-14.

4

5 **C. Amortizations**

6 8) *Income Tax Tracker Amortization*

7 Q. PLEASE DESCRIBE THE INCOME TAX TRACKER AMORTIZATION.

8 A. The Company has concluded tax audits with the IRS and the Minnesota
9 Department of Revenue for tax years ended 2010 through 2016. As a result of
10 the audits, the Company paid tax and interest on the disputed amounts. We
11 propose to collect this amount over the three years consistent with rate case
12 expenses.

13

14 This adjustment impacts the 2022 test year revenue requirements by the
15 amounts shown on:

- 16 • Schedule 5, page 1, row 45, column 14,
- 17 • Schedule 6, page 1, row 39, column 14,
- 18 • Schedule 4, page 1, row 21, column 5
- 19 • Volume 3, Section VIII Adjustments, Tab A15.

20

21 9) *NOL Tax Reform Regulatory Amortization*

22 Q. PLEASE DESCRIBE THE NOL TAX REFORM REGULATORY AMORTIZATION.

23 A. The Commission’s Order in Case No. PU-18-156 approved the Company’s
24 proposed amortization level included in the TCJA refund calculation. This is
25 being amortized over 23 years.

1 This adjustment impacts the 2022 test year revenue requirements by the
2 amounts shown on:

- 3 • Schedule 5, page 1, row 45, column 15,
- 4 • Schedule 6, page 1, row 39, column 15,
- 5 • Schedule 4, page 1, row 22, column 5
- 6 • Volume 3, Section VIII Adjustments, Tab A16.

7
8 *10) Rate Case Expense Amortization*

9 Q. PLEASE DESCRIBE THE 2022 RATE CASE EXPENSES AMORTIZATION.

10 A. The Company requests approval of \$1.224 million of projected direct expenses
11 associated with this rate case docket and a three-year amortization period. This
12 results in an annual amortization amount of \$408 thousand. A three-year
13 amortization period is consistent with our requested amortization period for
14 other amortizations in the rate case.

15
16 This adjustment impacts the 2022 test year revenue requirements by the
17 amounts shown on:

- 18 • Schedule 5, page 1, row 45, column 16,
- 19 • Schedule 6, page 1, row 39, column 16,
- 20 • Schedule 4, page 1, row 23, column 5
- 21 • Volume 3, Section VIII Adjustments, Tab A17.

1 **D. Secondary Cost of Service Calculations**

2 11) *ADIT Prorate – IRS Required*

3 Q. PLEASE DESCRIBE THE ADIT PRORATE ADJUSTMENT THAT IS REQUIRED BY THE
4 IRS AND INCLUDED IN THESE SECONDARY CALCULATIONS.

5 A. In general, the IRS tax regulations in Sec. 1.167(l) define a prorated schedule
6 for the extent average accumulated deferred income taxes can be used to reduce
7 rate base to comply with the tax normalization requirements of the Code when
8 forecast information is used to set rates. Given that the Company’s filing
9 utilizes forecast test year data, this condition applies. This has been supported
10 by a number of Private Letter Rulings (PLRs) issued by the IRS.

11
12 This secondary calculation limits the ADIT deduction from rate base by
13 applying the IRS defined prorate method to only the forecast entries to this
14 balance.

15
16 This adjustment impacts the 2022 test year revenue requirements by the
17 amounts shown on:

- 18 • Schedule 5, page 1, row 45, column 17,
- 19 • Schedule 6, page 1, row 39, column 17,
- 20 • Schedule 4, page 1, row 26, column 5
- 21 • Volume 3, Section VIII Adjustments, Tab A18.

22
23 12) *Cash Working Capital Adjustment*

24 Q. PLEASE DESCRIBE THE CASH WORKING CAPITAL ADJUSTMENT BEING MADE AS
25 A SECONDARY CALCULATION.

26 A. As discussed earlier in Section IV.E, Other Rate Base, the Company has
27 incorporated a secondary calculation to apply the various revenue lead days and

1 expense lag days to the various income statement components to result in the
2 appropriate cash working capital rate base adjustment.

3
4 This adjustment impacts the 2022 test year revenue requirements by the
5 amounts shown on:

- 6 • Schedule 5, page 1, row 45, column 18,
- 7 • Schedule 6, page 1, row 39, column 18,
- 8 • Schedule 4, page 1, row 27, column 5
- 9 • Volume 3, Section VIII Adjustments, Tab A19.

10
11 *13) Change in the Cost of Capital*

12 Q. PLEASE DESCRIBE THE IMPACT OF THE CHANGE IN THE COST OF CAPITAL
13 ADJUSTMENT.

14 A. The revenue requirements associated with the above adjustments described in
15 this section of my testimony are calculated using the approved cost of capital in
16 our last rate case. We calculate the revenue requirement impact of each
17 adjustment at our currently authorized overall ROR of 8.96 percent (which
18 includes the currently authorized ROE of 10.75 percent) so that changes in the
19 overall cost of capital that occur during the duration of the rate case do not
20 affect the revenue requirements for each adjustment. The change in cost of
21 capital adjustment reflects the impact of the change in the approved ROR (8.96
22 percent) and proposed ROR (7.45 percent with a 10.50 percent ROE) for all of
23 the rate base and income statement adjustments.

24
25 This adjustment impacts the 2022 test year revenue requirements by the
26 amounts shown on:

- 27 • Schedule 5, page 1, row 45, column 19,

- Schedule 6, page 1, row 39, column 19,
- Volume 3, Section VIII Adjustments, Tab A21.

14) *Net Operating Loss*

Q. PLEASE DESCRIBE THE COMPANY'S NET OPERATING LOSS POSITION.

A. The Company's income tax determination was in a NOL position in 2022; however, in final validation of the NOL, the Company identified an adjustment that was inadvertently excluded from the 2022 test year COSS. If this adjustment were correctly included in the 2022 test year COSS there would be no NOL DTA, please see proposed rebuttal adjustment below.

NOLs, unused tax credits, and the associated ratemaking treatment are discussed in detail earlier in my testimony in Section V.D, Taxes.

Q. IS THE COMPANY PROPOSING AN ADJUSTMENT TO BASE RATES RELATED TO NOLs IN THIS CASE?

A. Yes. The Company currently has a NOL DTA in the 2022 test year. As noted previously in my testimony, any changes in the revenues, expenses, or capital structure will cause the income tax calculation to be changed. This could, in turn, affect the timing of the DTAs being generated and added to rate base.

This adjustment impacts the 2022 test year revenue requirements by the amounts shown on:

- Schedule 5, page 1, row 45, column 20,
- Schedule 6, page 1, row 39, column 20,
- Schedule 4, page 1, row 28, column 5
- Volume 3, Section VIII Adjustments, Tab A20.

1 **E. Rebuttal Adjustments**

2 Q. WHAT INFORMATION DO YOU PROVIDE IN THIS SECTION?

3 A. In this section, I provide details related to two adjustments we identified during
4 our final quality assurance reviews performed just prior to this filing. These
5 adjustments reflect small changes we believe are necessary but that we identified
6 after we finalized our cost of service and rate design. Therefore, we were not
7 able to incorporate these adjustments into the COSS due to timing constraints.
8 We propose to incorporate these adjustments into the 2022 test year revenue
9 requirement when we file Rebuttal Testimony.

10
11 15) *Net Operating Loss*

12 Q. PLEASE DESCRIBE THE REBUTTAL ADJUSTMENT RELATED TO THE NET
13 OPERATING LOSS.

14 A. When completing a final validation on the NOL amounts in the COSS, we
15 identified that an adjustment to the NOL was inadvertently excluded from the
16 2022 test year COSS. This change will decrease the overall deficiency. Our
17 interim rate petition has been corrected to include the correct NOL adjustment,
18 and we will correct the rate case adjustment in Rebuttal Testimony for final
19 rates.

20
21 16) *Depreciation Study – Transmission, Distribution and General*

22 Q. PLEASE DESCRIBE THE REBUTTAL ADJUSTMENT RELATED TO DEPRECIATION
23 STUDY – TRANSMISSION, DISTRIBUTION AND GENERAL.

24 A. When completing a final validation of the depreciation expense in the COSS,
25 we identified that a depreciation adjustment of approximately \$55 thousand is
26 needed for the 2022 test year COSS adjustment noted in section VII above.

1 This change will decrease the overall deficiency and we will correct the rate case
2 adjustment in Rebuttal Testimony for final rates.

3
4 **VIII. COMPLIANCE MATTERS**

5
6 Q. DID YOU REVIEW PRIOR COMMISSION ORDERS AS PART OF THE DEVELOPMENT
7 OF THE TEST-YEAR REVENUE REQUIREMENT?

8 A. Yes. I describe below the various Commission Orders that were reviewed and
9 addressed in preparing the test year. I discussed required adjustments related
10 to each of these items earlier in my testimony. The Filing Requirements
11 Compliance Table included in the testimony of Mr. Chamberlain,
12 Exhibit___(GPC-1), Schedule 2, documents how our rate case filing includes
13 information submitted in compliance with these prior Commission orders.

14
15 1) *Long Term Incentive*

16 Portions of Long-term incentive have been excluded from the test year as part
17 of our incentive adjustment, which is discussed in Section VII of my testimony.
18 However, as discussed in the Direct Testimony of Mr. Chamberlain, the
19 Company is requesting recovery of the “environmental” and “time base”
20 portion of its Long-Term Incentive Plan. I discuss the inclusion of these costs
21 in our request above.

22
23 The Company has removed all expenses associated with the Company’s
24 Supplemental Executive Retirement Plan (SERP) from its base data, which is
25 consistent with prior Commission practice.

Resume of Benjamin C. Halama

**Manager of Revenue Analysis
Revenue Requirements–North**

**Xcel Energy Services Inc.
414 Nicollet Mall
Minneapolis, MN 55401**

Current Responsibilities

Since September 2018, I have worked as Manager of the Revenue Requirements–North department. In this position, I prepare and present cost of service studies, revenue requirement determinations, and jurisdictional annual reports for the electric and gas operations of Northern States Power Company to the North Dakota Public Service Commission, the Minnesota Public Utilities Commission, and the South Dakota Public Utilities Commission, and the Federal Energy Regulatory Commission.

Employment History

Xcel Energy – Minneapolis, MN

- Manager of Revenue Requirements–North, September 2018 to Present
- Manager Utility Accounting, May 2015 to August 2018

Target Corporation – Minneapolis, MN

- Manager of Inventory Accounting, 2014-2015
- Lead Analyst Financial Reporting, 2013-2014
- Supervisor Sales Accounting and Operations, 2011-2013

Copeland Buhl and Company – Wayzata, MN

- Accounting Supervisor, 2007-2011
- Senior Accountant, 2004-2007
- Staff Accountant, 2002-2004

Education

University of Wisconsin at Eau Claire, May 2002
Bachelor of Science in Accounting

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	2022 Test Year		
	Total	ND Gas	Other
Composite Income Tax Rate			
State Tax Rate	4.31%	4.31%	4.31%
Federal Statutory Tax Rate	21.00%	21.00%	21.00%
Federal Effective Tax Rate	20.09%	20.09%	20.09%
Composite Tax Rate	24.40%	24.40%	24.40%
Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.322837	1.322837	1.322837
Weighted Cost of Capital			
Active Rates and Ratios Version	Proposed	Proposed	Proposed
Cost of Short Term Debt	1.09%	1.09%	1.09%
Cost of Long Term Debt	4.10%	4.10%	4.10%
Cost of Common Equity	10.50%	10.50%	10.50%
Ratio of Short Term Debt	0.43%	0.43%	0.43%
Ratio of Long Term Debt	47.03%	47.03%	47.03%
Ratio of Common Equity	52.54%	52.54%	52.54%
Weighted Cost of STD			
Weighted Cost of LTD	1.93%	1.93%	1.93%
Weighted Cost of Debt	1.93%	1.93%	1.93%
Weighted Cost of Equity	5.52%	5.52%	5.52%
Required Rate of Return	7.45%	7.45%	7.45%
Rate Base			
Plant Investment	2,025,108	222,855	1,802,253
Depreciation Reserve	793,837	82,973	710,864
Net Utility Plant	1,231,271	139,882	1,091,389
CWIP	3,373	188	3,186
Accumulated Deferred Taxes	219,895	19,875	200,020
DTA - NOL Average Balance	(975)	(93)	(882)
DTA - Federal Tax Credit Average Balance	=	=	=
Total Accum Deferred Taxes	218,920	19,783	199,138
Cash Working Capital	(5,183)	648	(5,830)
Materials and Supplies	1,331	150	1,181
Fuel Inventory	17,532	2,098	15,434
Non-plant Assets and Liabilities	12,975	1,463	11,512
Customer Advances	(1,566)	(1,340)	(226)
Customer Deposits	(374)	(42)	(331)
Prepays and Other	4,603	523	4,080
Regulatory Amortizations	440	440	=
Total Other Rate Base Items	29,758	3,940	25,818
Total Rate Base	1,045,482	124,227	921,255
Operating Revenues			
Retail	567,419	67,303	500,117
Interdepartmental			
Other Operating Rev - Non-Retail	6,315	550	5,764
Total Operating Revenues	573,734	67,853	505,881

Expenses			
Operating Expenses:			
Purchased Gas	318,027	43,934	274,093
Gas Production & Storage	5,020	635	4,385
Gas Transmission	3,294	387	2,908
Gas Distribution	41,033	5,129	35,904
Customer Accounting	14,801	1,613	13,188
Customer Service & Information	17,425	149	17,276
Sales, Econ Dvlp & Other	(30)	10	(40)
<u>Administrative & General</u>	<u>24,291</u>	<u>2,508</u>	<u>21,783</u>
Total Operating Expenses	423,862	54,365	369,497
Depreciation	59,720	6,892	52,829
Amortization	667	440	227
Taxes:			
Property Taxes	23,188	1,587	21,600
ITC Amortization	(107)	(0)	(107)
Deferred Taxes	3,505	551	2,954
Deferred Taxes - NOL			
Less State Tax Credits deferred			
Less Federal Tax Credits deferred			
Deferred Income Tax & ITC	3,399	551	2,848
Payroll & Other Taxes	2,937	263	2,674
Total Taxes Other Than Income	29,523	2,401	27,122
Income Before Taxes			
Total Operating Revenues	573,734	67,853	505,881
less: Total Operating Expenses	423,862	54,365	369,497
Book Depreciation	59,720	6,892	52,829
Amortization	667	440	227
<u>Taxes Other than Income</u>	<u>29,523</u>	<u>2,401</u>	<u>27,122</u>
Total Before Tax Book Income	59,961	3,755	56,206
Tax Additions			
Book Depreciation	59,720	6,892	52,829
Deferred Income Taxes and ITC	3,399	551	2,848
Nuclear Fuel Burn (ex. D&D)			
Nuclear Outage Accounting			
Avoided Tax Interest	917	30	887
<u>Other Book Additions</u>	<u>23</u>	<u>23</u>	<u>-</u>
Total Tax Additions	64,059	7,495	56,564
Tax Deductions			
Total Rate Base	1,045,482	124,227	921,255
Weighted Cost of Debt	<u>1.93%</u>	<u>1.93%</u>	<u>1.93%</u>
Debt Interest Expense	20,178	2,398	17,780
Nuclear Outage Accounting			
Tax Depreciation and Removals	79,550	9,612	69,938
NOL Utilized / (Generated)			
<u>Other Tax / Book Timing Differences</u>	<u>(791)</u>	<u>(88)</u>	<u>(703)</u>
Total Tax Deductions	98,936	11,921	87,015

State Taxes			
State Taxable Income	25,084	(671)	25,755
State Income Tax Rate	4.31%	4.31%	4.31%
State Taxes before Credits	1,081	(29)	1,110
Less State Tax Credits applied	-	-	-
Total State Income Taxes	1,081	(29)	1,110
Federal Taxes			
Federal Sec 199 Production Deduction			
Federal Taxable Income	24,003	(642)	24,645
Federal Income Tax Rate	21.00%	21.00%	21.00%
Federal Tax before Credits	5,041	(135)	5,175
Less Federal Tax Credits	-	-	-
Total Federal Income Taxes	5,041	(135)	5,175
Total Taxes			
Total Taxes Other than Income	29,523	2,401	27,122
Total Federal and State Income Taxes	6,122	(164)	6,285
Total Taxes	35,645	2,237	33,408
Total Operating Revenues	573,734	67,853	505,881
Total Expenses	519,894	63,934	455,960
AFDC Debt			
AFDC Equity			
Net Income			
	53,840	3,919	49,921
Rate of Return (ROR)			
Total Operating Income	53,840	3,919	49,921
Total Rate Base	1,045,482	124,227	921,255
ROR (Operating Income / Rate Base)	5.15%	3.15%	5.42%
Return on Equity (ROE)			
Net Operating Income	53,840	3,919	49,921
Debt Interest (Rate Base * Weighted Cost of Debt)	(20,178)	(2,398)	(17,780)
Earnings Available for Common	33,662	1,521	32,141
Equity Rate Base (Rate Base * Equity Ratio)	549,296	65,269	484,027
ROE (earnings for Common / Equity)	6.13%	2.33%	6.64%
Revenue Deficiency			
Required Operating Income (Rate Base * Required Return)	77,888	9,255	68,633
Net Operating Income	53,840	3,919	49,921
Operating Income Deficiency	24,049	5,336	18,713
Revenue Conversion Factor (1/(1--Composite Tax Rate))	1.322837	1.322837	1.322837
Revenue Deficiency (Income Deficiency * Conversion Factor)	31,813	7,059	24,754
Total Revenue Requirements			
Total Retail Revenues	567,419	67,303	500,117
Revenue Deficiency	31,813	7,059	24,754
Total Revenue Requirements	599,232	74,362	524,870

	2022 Test Year		
	Total	ND Gas	Other
<u>Composite Income Tax Rate</u>			
State Tax Rate	4.31%	4.31%	4.31%
Federal Statutory Tax Rate	21.00%	21.00%	21.00%
<u>Federal Effective Tax Rate</u>	<u>20.09%</u>	<u>20.09%</u>	<u>20.09%</u>
Composite Tax Rate	24.40%	24.40%	24.40%
Revenue Conversion Factor (1/(1--Composite Tax Rate))	1.322837	1.322837	1.322837
<u>Weighted Cost of Capital</u>			
Active Rates and Ratios Version	Proposed	Proposed	Proposed
Cost of Short Term Debt	1.09%	1.09%	1.09%
Cost of Long Term Debt	4.10%	4.10%	4.10%
Cost of Common Equity	10.50%	10.50%	10.50%
Ratio of Short Term Debt	0.43%	0.43%	0.43%
Ratio of Long Term Debt	47.03%	47.03%	47.03%
Ratio of Common Equity	52.54%	52.54%	52.54%
Weighted Cost of STD			
Weighted Cost of LTD	1.93%	1.93%	1.93%
Weighted Cost of Debt	1.93%	1.93%	1.93%
<u>Weighted Cost of Equity</u>	<u>5.52%</u>	<u>5.52%</u>	<u>5.52%</u>
Required Rate of Return	7.45%	7.45%	7.45%
<u>Rate Base</u>			
Plant Investment	2,025,107,830	222,855,036	1,802,252,794
<u>Depreciation Reserve</u>	<u>793,837,280</u>	<u>82,973,232</u>	<u>710,864,048</u>
Net Utility Plant	1,231,270,550	139,881,804	1,091,388,746
CWIP	3,373,466	187,814	3,185,651
Accumulated Deferred Taxes	219,895,011	19,875,439	200,019,572
DTA - NOL Average Balance	(974,702)	(92,777)	(881,925)
DTA - Federal Tax Credit Average Balance	=	=	=
Total Accum Deferred Taxes	218,920,309	19,782,662	199,137,646
Cash Working Capital	(5,182,865)	647,632	(5,830,497)
Materials and Supplies	1,330,855	150,216	1,180,639
Fuel Inventory	17,532,034	2,097,717	15,434,317
Non-plant Assets and Liabilities	12,974,752	1,463,103	11,511,649
Customer Advances	(1,566,205)	(1,339,728)	(226,477)
Customer Deposits	(373,600)	(42,169)	(331,431)
Prepays and Other	4,602,522	522,645	4,079,878
<u>Regulatory Amortizations</u>	<u>440,429</u>	<u>440,429</u>	=
Total Other Rate Base Items	29,757,922	3,939,845	25,818,077
Total Rate Base	1,045,481,629	124,226,801	921,254,828
<u>Operating Revenues</u>			
Retail	567,419,397	67,302,687	500,116,710
Interdepartmental			
<u>Other Operating Rev - Non-Retail</u>	<u>6,314,619</u>	<u>550,384</u>	<u>5,764,236</u>
Total Operating Revenues	573,734,016	67,853,071	505,880,946

Expenses

Operating Expenses:

Purchased Gas	318,027,429	43,934,429	274,093,000
Gas Production & Storage	5,020,448	635,473	4,384,974
Gas Transmission	3,294,193	386,692	2,907,501
Gas Distribution	41,033,422	5,129,381	35,904,041
Customer Accounting	14,800,524	1,612,721	13,187,803
Customer Service & Information	17,425,042	149,389	17,275,653
Sales, Econ Dvlp & Other	(29,913)	9,737	(39,650)
<u>Administrative & General</u>	<u>24,291,107</u>	<u>2,507,656</u>	<u>21,783,451</u>
Total Operating Expenses	423,862,252	54,365,479	369,496,772

Depreciation	59,720,314	6,891,642	52,828,672
Amortization	666,927	439,980	226,948

Taxes:

Property Taxes	23,187,600	1,587,442	21,600,158
ITC Amortization	(106,825)	(127)	(106,698)
Deferred Taxes	3,505,450	550,983	2,954,467
Deferred Taxes - NOL			
Less State Tax Credits deferred			
Less Federal Tax Credits deferred			
Deferred Income Tax & ITC	3,398,625	550,856	2,847,769
Payroll & Other Taxes	2,937,009	262,844	2,674,165
Total Taxes Other Than Income	29,523,234	2,401,142	27,122,092

Income Before Taxes

Total Operating Revenues	573,734,016	67,853,071	505,880,946
less: Total Operating Expenses	423,862,252	54,365,479	369,496,772
Book Depreciation	59,720,314	6,891,642	52,828,672
Amortization	666,927	439,980	226,948
<u>Taxes Other than Income</u>	<u>29,523,234</u>	<u>2,401,142</u>	<u>27,122,092</u>
Total Before Tax Book Income	59,961,289	3,754,828	56,206,461

Tax Additions

Book Depreciation	59,720,314	6,891,642	52,828,672
Deferred Income Taxes and ITC	3,398,625	550,856	2,847,769
Nuclear Fuel Burn (ex. D&D)			
Nuclear Outage Accounting			
Avoided Tax Interest	917,323	29,871	887,452
<u>Other Book Additions</u>	<u>22,547</u>	<u>22,547</u>	<u>-</u>
Total Tax Additions	64,058,809	7,494,917	56,563,893

Tax Deductions

Total Rate Base	1,045,481,629	124,226,801	921,254,828
Weighted Cost of Debt	1.93%	1.93%	1.93%
Debt Interest Expense	20,177,795	2,397,577	17,780,218
Nuclear Outage Accounting			
Tax Depreciation and Removals	79,549,610	9,611,703	69,937,907
NOL Utilized / (Generated)			
<u>Other Tax / Book Timing Differences</u>	<u>(791,207)</u>	<u>(88,383)</u>	<u>(702,824)</u>
Total Tax Deductions	98,936,198	11,920,897	87,015,301

State Taxes			
State Taxable Income	25,083,900	(671,153)	25,755,053
State Income Tax Rate	<u>4.31%</u>	<u>4.31%</u>	<u>4.31%</u>
State Taxes before Credits	1,081,116	(28,927)	1,110,043
<u>Less State Tax Credits applied</u>	-	-	-
Total State Income Taxes	1,081,116	(28,927)	1,110,043
Federal Taxes			
Federal Sec 199 Production Deduction			
Federal Taxable Income	24,002,784	(642,226)	24,645,010
Federal Income Tax Rate	<u>21.00%</u>	<u>21.00%</u>	<u>21.00%</u>
Federal Tax before Credits	5,040,585	(134,867)	5,175,452
<u>Less Federal Tax Credits</u>	-	-	-
Total Federal Income Taxes	5,040,585	(134,867)	5,175,452
Total Taxes			
Total Taxes Other than Income	29,523,234	2,401,142	27,122,092
Total Federal and State Income Taxes	6,121,701	(163,794)	6,285,495
Total Taxes	35,644,935	2,237,348	33,407,587
Total Operating Revenues	573,734,016	67,853,071	505,880,946
Total Expenses	519,894,428	63,934,449	455,959,979
AFDC Debt			
AFDC Equity			
Net Income	53,839,588	3,918,622	49,920,966
Rate of Return (ROR)			
Total Operating Income	53,839,588	3,918,622	49,920,966
<u>Total Rate Base</u>	<u>1,045,481,629</u>	<u>124,226,801</u>	<u>921,254,828</u>
ROR (Operating Income / Rate Base)	5.15%	3.15%	5.42%
Return on Equity (ROE)			
Net Operating Income	53,839,588	3,918,622	49,920,966
Debt Interest (Rate Base * Weighted Cost of Debt)	(20,177,795)	(2,397,577)	(17,780,218)
Earnings Available for Common	33,661,793	1,521,045	32,140,748
<u>Equity Rate Base (Rate Base * Equity Ratio)</u>	<u>549,296,048</u>	<u>65,268,761</u>	<u>484,027,287</u>
ROE (earnings for Common / Equity)	6.13%	2.33%	6.64%
Revenue Deficiency			
Required Operating Income (Rate Base * Required Return)	77,888,381	9,254,897	68,633,485
<u>Net Operating Income</u>	<u>53,839,588</u>	<u>3,918,622</u>	<u>49,920,966</u>
Operating Income Deficiency	24,048,793	5,336,275	18,712,518
Revenue Conversion Factor (1/(1--Composite Tax Rate))	1.322837	1.322837	1.322837
Revenue Deficiency (Income Deficiency * Conversion Factor)	31,812,635	7,059,022	24,753,613
Total Revenue Requirements			
Total Retail Revenues	567,419,397	67,302,687	500,116,710
<u>Revenue Deficiency</u>	<u>31,812,635</u>	<u>7,059,022</u>	<u>24,753,613</u>
Total Revenue Requirements	599,232,032	74,361,709	524,870,323

	Dec - 2021		
	Total	ND Gas	Other
Composite Income Tax Rate			
State Tax Rate	4.31%	4.31%	4.31%
Federal Statutory Tax Rate	21.00%	21.00%	21.00%
Federal Effective Tax Rate	20.09%	20.09%	20.09%
Composite Tax Rate	24.40%	24.40%	24.40%
Revenue Conversion Factor (1/(1--Composite Tax Rate))	1.322837	1.322837	1.322837
Weighted Cost of Capital			
Active Rates and Ratios Version	Proposed	Proposed	Proposed
Cost of Short Term Debt	1.31%	1.31%	1.31%
Cost of Long Term Debt	4.13%	4.13%	4.13%
Cost of Common Equity	10.50%	10.50%	10.50%
Ratio of Short Term Debt	0.26%	0.26%	0.26%
Ratio of Long Term Debt	47.22%	47.22%	47.22%
Ratio of Common Equity	52.52%	52.52%	52.52%
Weighted Cost of STD			
Weighted Cost of LTD	1.95%	1.95%	1.95%
Weighted Cost of Debt	1.95%	1.95%	1.95%
Weighted Cost of Equity	5.51%	5.51%	5.51%
Required Rate of Return	7.46%	7.46%	7.46%
Rate Base			
Plant Investment	1,841,635	192,588	1,649,047
Depreciation Reserve	747,702	77,919	669,783
Net Utility Plant	1,093,933	114,670	979,263
CWIP	4,480	406	4,074
Accumulated Deferred Taxes	217,339	19,572	197,767
DTA - NOL Average Balance	(975)	(93)	(882)
DTA - Federal Tax Credit Average Balance	=	=	=
Total Accum Deferred Taxes	216,365	19,479	196,885
Cash Working Capital	(4,738)	820	(5,558)
Materials and Supplies	1,331	150	1,181
Fuel Inventory	17,532	2,098	15,434
Non-plant Assets and Liabilities	10,605	1,181	9,424
Customer Advances	(1,566)	(1,340)	(226)
Customer Deposits	(374)	(42)	(331)
Prepays and Other	4,603	523	4,080
Regulatory Amortizations	454	454	=
Total Other Rate Base Items	27,846	3,844	24,002
Total Rate Base	909,895	99,440	810,455
Operating Revenues			
Retail	546,372	65,612	480,760
Interdepartmental			
Other Operating Rev - Non-Retail	6,962	538	6,424
Total Operating Revenues	553,334	66,150	487,184

Expenses			
Operating Expenses:			
Purchased Gas	308,977	43,059	265,918
Gas Production & Storage	5,555	705	4,850
Gas Transmission	3,220	378	2,842
Gas Distribution	40,317	5,234	35,082
Customer Accounting	13,499	1,293	12,206
Customer Service & Information	15,479	150	15,330
Sales, Econ Dvlp & Other	(32)	10	(42)
<u>Administrative & General</u>	<u>22,104</u>	<u>2,314</u>	<u>19,790</u>
Total Operating Expenses	409,119	53,142	355,977
Depreciation	58,043	6,306	51,738
Amortization	23	23	
Taxes:			
Property Taxes	21,671	1,284	20,387
ITC Amortization	(107)	(0)	(107)
Deferred Taxes	1,804	98	1,706
Deferred Taxes - NOL			
Less State Tax Credits deferred			
Less Federal Tax Credits deferred			
Deferred Income Tax & ITC	1,698	98	1,600
Payroll & Other Taxes	2,866	271	2,595
Total Taxes Other Than Income	26,234	1,653	24,581
Income Before Taxes			
Total Operating Revenues	553,334	66,150	487,184
less: Total Operating Expenses	409,119	53,142	355,977
Book Depreciation	58,043	6,306	51,738
Amortization	23	23	
<u>Taxes Other than Income</u>	<u>26,234</u>	<u>1,653</u>	<u>24,581</u>
Total Before Tax Book Income	59,915	5,026	54,889
Tax Additions			
Book Depreciation	58,043	6,306	51,738
Deferred Income Taxes and ITC	1,698	98	1,600
Nuclear Fuel Burn (ex. D&D)			
Nuclear Outage Accounting			
Avoided Tax Interest	1,118	348	769
<u>Other Book Additions</u>	<u>23</u>	<u>23</u>	-
Total Tax Additions	60,881	6,775	54,107
Tax Deductions			
Total Rate Base	909,895	99,440	810,455
Weighted Cost of Debt	<u>1.95%</u>	<u>1.95%</u>	<u>1.95%</u>
Debt Interest Expense	17,743	1,939	15,804
Nuclear Outage Accounting			
Tax Depreciation and Removals	70,464	7,265	63,199
NOL Utilized / (Generated)			
<u>Other Tax / Book Timing Differences</u>	<u>1,496</u>	<u>196</u>	<u>1,300</u>
Total Tax Deductions	89,703	9,400	80,303

State Taxes			
State Taxable Income	31,093	2,401	28,692
State Income Tax Rate	4.31%	4.31%	4.31%
State Taxes before Credits	1,340	103	1,237
Less State Tax Credits applied	-	-	-
Total State Income Taxes	1,340	103	1,237
Federal Taxes			
Federal Sec 199 Production Deduction			
Federal Taxable Income	29,753	2,297	27,456
Federal Income Tax Rate	21.00%	21.00%	21.00%
Federal Tax before Credits	6,248	482	5,766
Less Federal Tax Credits	-	-	-
Total Federal Income Taxes	6,248	482	5,766
Total Taxes			
Total Taxes Other than Income	26,234	1,653	24,581
Total Federal and State Income Taxes	7,588	586	7,002
Total Taxes	33,822	2,239	31,584
Total Operating Revenues	553,334	66,150	487,184
Total Expenses	501,007	61,710	439,298
AFDC Debt			
AFDC Equity			
Net Income	52,327	4,440	47,886
Rate of Return (ROR)			
Total Operating Income	52,327	4,440	47,886
Total Rate Base	909,895	99,440	810,455
ROR (Operating Income / Rate Base)	5.75%	4.47%	5.91%
Return on Equity (ROE)			
Net Operating Income	52,327	4,440	47,886
Debt Interest (Rate Base * Weighted Cost of Debt)	(17,743)	(1,939)	(15,804)
Earnings Available for Common	34,584	2,501	32,083
Equity Rate Base (Rate Base * Equity Ratio)	477,877	52,226	425,651
ROE (earnings for Common / Equity)	7.24%	4.79%	7.54%
Revenue Deficiency			
Required Operating Income (Rate Base * Required Return)	67,878	7,418	60,460
Net Operating Income	52,327	4,440	47,886
Operating Income Deficiency	15,551	2,978	12,573
Revenue Conversion Factor (1/(1--Composite Tax Rate))	1.322837	1.322837	1.322837
Revenue Deficiency (Income Deficiency * Conversion Factor)	20,572	3,939	16,633
Total Revenue Requirements			
Total Retail Revenues	546,372	65,612	480,760
Revenue Deficiency	20,572	3,939	16,633
Total Revenue Requirements	566,944	69,551	497,393

	Dec - 2021		
	Total	ND Gas	Other
<u>Composite Income Tax Rate</u>			
State Tax Rate	4.31%	4.31%	4.31%
Federal Statutory Tax Rate	21.00%	21.00%	21.00%
<u>Federal Effective Tax Rate</u>	<u>20.09%</u>	<u>20.09%</u>	<u>20.09%</u>
Composite Tax Rate	24.40%	24.40%	24.40%
Revenue Conversion Factor (1/(1--Composite Tax Rate))	1.322837	1.322837	1.322837
<u>Weighted Cost of Capital</u>			
Active Rates and Ratios Version	Proposed	Proposed	Proposed
Cost of Short Term Debt	1.31%	1.31%	1.31%
Cost of Long Term Debt	4.13%	4.13%	4.13%
Cost of Common Equity	10.50%	10.50%	10.50%
Ratio of Short Term Debt	0.26%	0.26%	0.26%
Ratio of Long Term Debt	47.22%	47.22%	47.22%
Ratio of Common Equity	52.52%	52.52%	52.52%
Weighted Cost of STD			
Weighted Cost of LTD	1.95%	1.95%	1.95%
Weighted Cost of Debt	1.95%	1.95%	1.95%
<u>Weighted Cost of Equity</u>	<u>5.51%</u>	<u>5.51%</u>	<u>5.51%</u>
Required Rate of Return	7.46%	7.46%	7.46%
<u>Rate Base</u>			
Plant Investment	1,841,635,203	192,588,443	1,649,046,759
<u>Depreciation Reserve</u>	<u>747,701,825</u>	<u>77,918,565</u>	<u>669,783,260</u>
Net Utility Plant	1,093,933,378	114,669,879	979,263,499
CWIP	4,480,089	405,704	4,074,385
Accumulated Deferred Taxes	217,339,219	19,572,101	197,767,118
DTA - NOL Average Balance	(974,702)	(92,777)	(881,925)
DTA - Federal Tax Credit Average Balance	=	=	=
Total Accum Deferred Taxes	216,364,517	19,479,324	196,885,193
Cash Working Capital	(4,737,869)	820,488	(5,558,357)
Materials and Supplies	1,330,855	150,216	1,180,639
Fuel Inventory	17,532,034	2,097,717	15,434,317
Non-plant Assets and Liabilities	10,604,966	1,181,387	9,423,579
Customer Advances	(1,566,205)	(1,339,728)	(226,477)
Customer Deposits	(373,600)	(42,169)	(331,431)
Prepays and Other	4,602,522	522,645	4,079,878
<u>Regulatory Amortizations</u>	<u>453,659</u>	<u>453,659</u>	=
Total Other Rate Base Items	27,846,363	3,844,215	24,002,147
Total Rate Base	909,895,313	99,440,474	810,454,839
<u>Operating Revenues</u>			
Retail	546,372,430	65,612,229	480,760,200
Interdepartmental			
<u>Other Operating Rev - Non-Retail</u>	<u>6,961,717</u>	<u>537,816</u>	<u>6,423,901</u>
Total Operating Revenues	553,334,147	66,150,045	487,184,101

Expenses

Operating Expenses:

Purchased Gas	308,977,465	43,059,348	265,918,117
Gas Production & Storage	5,555,131	704,910	4,850,221
Gas Transmission	3,220,247	378,012	2,842,235
Gas Distribution	40,316,629	5,234,227	35,082,402
Customer Accounting	13,498,772	1,292,816	12,205,956
Customer Service & Information	15,479,232	149,603	15,329,630
Sales, Econ Dvlp & Other	(32,040)	10,022	(42,062)
<u>Administrative & General</u>	<u>22,103,601</u>	<u>2,313,554</u>	<u>19,790,047</u>
Total Operating Expenses	409,119,038	53,142,492	355,976,546

Depreciation	58,043,267	6,305,723	51,737,544
Amortization	22,547	22,547	

Taxes:

Property Taxes	21,670,800	1,283,706	20,387,094
ITC Amortization	(106,826)	(127)	(106,699)
Deferred Taxes	1,804,462	98,219	1,706,243
Deferred Taxes - NOL			
Less State Tax Credits deferred			
Less Federal Tax Credits deferred			
Deferred Income Tax & ITC	1,697,636	98,092	1,599,544
Payroll & Other Taxes	2,865,746	271,173	2,594,573
Total Taxes Other Than Income	26,234,182	1,652,971	24,581,211

Income Before Taxes

Total Operating Revenues	553,334,147	66,150,045	487,184,101
less: Total Operating Expenses	409,119,038	53,142,492	355,976,546
Book Depreciation	58,043,267	6,305,723	51,737,544
Amortization	22,547	22,547	
<u>Taxes Other than Income</u>	<u>26,234,182</u>	<u>1,652,971</u>	<u>24,581,211</u>
Total Before Tax Book Income	59,915,112	5,026,312	54,888,800

Tax Additions

Book Depreciation	58,043,267	6,305,723	51,737,544
Deferred Income Taxes and ITC	1,697,636	98,092	1,599,544
Nuclear Fuel Burn (ex. D&D)			
Nuclear Outage Accounting			
Avoided Tax Interest	1,117,750	348,324	769,426
<u>Other Book Additions</u>	<u>22,547</u>	<u>22,547</u>	<u>-</u>
Total Tax Additions	60,881,200	6,774,686	54,106,514

Tax Deductions

Total Rate Base	909,895,313	99,440,474	810,454,839
Weighted Cost of Debt	1.95%	1.95%	1.95%
Debt Interest Expense	17,742,959	1,939,089	15,803,869
Nuclear Outage Accounting			
Tax Depreciation and Removals	70,463,939	7,264,607	63,199,333
NOL Utilized / (Generated)			
<u>Other Tax / Book Timing Differences</u>	<u>1,496,178</u>	<u>196,421</u>	<u>1,299,757</u>
Total Tax Deductions	89,703,076	9,400,117	80,302,959

State Taxes			
State Taxable Income	31,093,237	2,400,881	28,692,355
State Income Tax Rate	<u>4.31%</u>	<u>4.31%</u>	<u>4.31%</u>
State Taxes before Credits	1,340,118	103,478	1,236,641
<u>Less State Tax Credits applied</u>	-	-	-
Total State Income Taxes	1,340,118	103,478	1,236,641
Federal Taxes			
Federal Sec 199 Production Deduction			
Federal Taxable Income	29,753,118	2,297,403	27,455,715
Federal Income Tax Rate	<u>21.00%</u>	<u>21.00%</u>	<u>21.00%</u>
Federal Tax before Credits	6,248,155	482,455	5,765,700
<u>Less Federal Tax Credits</u>	-	-	-
Total Federal Income Taxes	6,248,155	482,455	5,765,700
Total Taxes			
Total Taxes Other than Income	26,234,182	1,652,971	24,581,211
Total Federal and State Income Taxes	7,588,273	585,933	7,002,341
Total Taxes	33,822,455	2,238,904	31,583,552
Total Operating Revenues	553,334,147	66,150,045	487,184,101
Total Expenses	501,007,307	61,709,666	439,297,642
AFDC Debt			
AFDC Equity			
Net Income	52,326,839	4,440,379	47,886,460
Rate of Return (ROR)			
Total Operating Income	52,326,839	4,440,379	47,886,460
<u>Total Rate Base</u>	<u>909,895,313</u>	<u>99,440,474</u>	<u>810,454,839</u>
ROR (Operating Income / Rate Base)	5.75%	4.47%	5.91%
Return on Equity (ROE)			
Net Operating Income	52,326,839	4,440,379	47,886,460
Debt Interest (Rate Base * Weighted Cost of Debt)	(17,742,959)	(1,939,089)	(15,803,869)
Earnings Available for Common	34,583,880	2,501,290	32,082,590
<u>Equity Rate Base (Rate Base * Equity Ratio)</u>	<u>477,877,018</u>	<u>52,226,137</u>	<u>425,650,881</u>
ROE (earnings for Common / Equity)	7.24%	4.79%	7.54%
Revenue Deficiency			
Required Operating Income (Rate Base * Required Return)	67,878,190	7,418,259	60,459,931
<u>Net Operating Income</u>	<u>52,326,839</u>	<u>4,440,379</u>	<u>47,886,460</u>
Operating Income Deficiency	15,551,351	2,977,880	12,573,471
Revenue Conversion Factor (1/(1--Composite Tax Rate))	1.322837	1.322837	1.322837
Revenue Deficiency (Income Deficiency * Conversion Factor)	20,571,904	3,939,250	16,632,654
Total Revenue Requirements			
Total Retail Revenues	546,372,430	65,612,229	480,760,200
<u>Revenue Deficiency</u>	<u>20,571,904</u>	<u>3,939,250</u>	<u>16,632,654</u>
Total Revenue Requirements	566,944,333	69,551,479	497,392,854

	2020 Actual Year		
	Total	ND Gas	Other
Composite Income Tax Rate			
State Tax Rate	4.31%	4.31%	4.31%
Federal Statutory Tax Rate	21.00%	21.00%	21.00%
Federal Effective Tax Rate	20.09%	20.09%	20.09%
Composite Tax Rate	24.40%	24.40%	24.40%
Revenue Conversion Factor (1/(1--Composite Tax Rate))	1.322837	1.322837	1.322837
Weighted Cost of Capital			
Active Rates and Ratios Version	Proposed	Proposed	Proposed
Cost of Short Term Debt	5.35%	5.35%	5.35%
Cost of Long Term Debt	4.33%	4.33%	4.33%
Cost of Common Equity	10.50%	10.50%	10.50%
Ratio of Short Term Debt	0.16%	0.16%	0.16%
Ratio of Long Term Debt	47.22%	47.22%	47.22%
Ratio of Common Equity	52.62%	52.62%	52.62%
Weighted Cost of STD	0.01%	0.01%	0.01%
Weighted Cost of LTD	2.04%	2.04%	2.04%
Weighted Cost of Debt	2.05%	2.05%	2.05%
Weighted Cost of Equity	5.53%	5.53%	5.53%
Required Rate of Return	7.58%	7.58%	7.58%
Rate Base			
Plant Investment	1,678,747	164,958	1,513,788
Depreciation Reserve	710,191	73,432	636,759
Net Utility Plant	968,555	91,526	877,029
CWIP	4,987	461	4,526
Accumulated Deferred Taxes	222,991	19,764	203,227
DTA - NOL Average Balance			
DTA - Federal Tax Credit Average Balance	=	=	=
Total Accum Deferred Taxes	222,991	19,764	203,227
Cash Working Capital	(9,930)	(152)	(9,778)
Materials and Supplies	1,331	149	1,182
Fuel Inventory	17,532	2,014	15,518
Non-plant Assets and Liabilities	38,359	2,135	36,224
Customer Advances	(1,566)	(1,340)	(226)
Customer Deposits	(372)	(42)	(330)
Prepays and Other	4,597	519	4,078
Regulatory Amortizations	462	462	=
Total Other Rate Base Items	50,413	3,746	46,667
Total Rate Base	800,964	75,968	724,995
Operating Revenues			
Retail	496,453	60,327	436,126
Interdepartmental			
Other Operating Rev - Non-Retail	9,349	398	8,950
Total Operating Revenues	505,802	60,725	445,076

	2020 Actual Year		
	Total	ND Gas	Other
Expenses			
Operating Expenses:			
Purchased Gas	268,967	37,200	231,767
Gas Production & Storage	6,073	777	5,296
Gas Transmission	2,814	316	2,498
Gas Distribution	40,107	5,263	34,843
Customer Accounting	13,867	1,320	12,547
Customer Service & Information	15,762	183	15,579
Sales, Econ Dvlp & Other	41	5	37
<u>Administrative & General</u>	<u>24,299</u>	<u>2,829</u>	<u>21,470</u>
Total Operating Expenses	371,930	47,892	324,038
Depreciation	47,859	5,050	42,809
Amortization	2,898	23	2,875
Taxes:			
Property Taxes	19,083	1,190	17,892
ITC Amortization	(107)	(0)	(107)
Deferred Taxes	3,282	323	2,960
Deferred Taxes - NOL	(1,949)	(186)	(1,764)
Less State Tax Credits deferred			
Less Federal Tax Credits deferred			
Deferred Income Tax & ITC	1,226	137	1,089
Payroll & Other Taxes	2,751	367	2,384
Total Taxes Other Than Income	23,060	1,695	21,365
Income Before Taxes			
Total Operating Revenues	505,802	60,725	445,076
less: Total Operating Expenses	371,930	47,892	324,038
Book Depreciation	47,859	5,050	42,809
Amortization	2,898	23	2,875
<u>Taxes Other than Income</u>	<u>23,060</u>	<u>1,695</u>	<u>21,365</u>
Total Before Tax Book Income	60,055	6,066	53,989
Tax Additions			
Book Depreciation	47,859	5,050	42,809
Deferred Income Taxes and ITC	1,226	137	1,089
Nuclear Fuel Burn (ex. D&D)			
Nuclear Outage Accounting			
Avoided Tax Interest	1,894	50	1,844
<u>Other Book Additions</u>	<u>23</u>	<u>23</u>	-
Total Tax Additions	51,002	5,260	45,742
Tax Deductions			
Total Rate Base	800,964	75,968	724,995
Weighted Cost of Debt	0.00%	0.00%	0.00%
Debt Interest Expense	16,420	1,557	14,862
Nuclear Outage Accounting			
Tax Depreciation and Removals	68,617	6,329	62,288
NOL Utilized / (Generated)	(6,962)	(663)	(6,299)
<u>Other Tax / Book Timing Differences</u>	<u>(2,262)</u>	<u>393</u>	<u>(2,655)</u>
Total Tax Deductions	75,813	7,617	68,196

	2020 Actual Year		
	Total	ND Gas	Other
State Taxes			
State Taxable Income	35,244	3,708	31,536
State Income Tax Rate	0.00%	0.00%	0.00%
State Taxes before Credits	1,519	160	1,359
Less State Tax Credits applied	-	-	-
Total State Income Taxes	1,519	160	1,359
Federal Taxes			
Federal Sec 199 Production Deduction			
Federal Taxable Income	33,725	3,548	30,176
Federal Income Tax Rate	0.02%	0.02%	0.02%
Federal Tax before Credits	7,082	745	6,337
Less Federal Tax Credits	-	-	-
Total Federal Income Taxes	7,082	745	6,337
Total Taxes			
Total Taxes Other than Income	23,060	1,695	21,365
Total Federal and State Income Taxes	8,601	905	7,696
Total Taxes	31,661	2,600	29,062
Total Operating Revenues	505,802	60,725	445,076
Total Expenses	454,348	55,565	398,783
AFDC Debt			
AFDC Equity			
Net Income	51,454	5,161	46,293
Rate of Return (ROR)			
Total Operating Income	51,454	5,161	46,293
Total Rate Base	800,964	75,968	724,995
ROR (Operating Income / Rate Base)	6.42%	6.79%	6.39%
Return on Equity (ROE)			
Net Operating Income	51,454	5,161	46,293
Debt Interest (Rate Base * Weighted Cost of Debt)	(16,420)	(1,557)	(14,862)
Earnings Available for Common	35,034	3,603	31,431
Equity Rate Base (Rate Base * Equity Ratio)	421,467	39,975	381,493
ROE (earnings for Common / Equity)	8.31%	9.01%	8.24%
Revenue Deficiency			
Required Operating Income (Rate Base * Required Return)	60,713	5,758	54,955
Net Operating Income	51,454	5,161	46,293
Operating Income Deficiency	9,259	598	8,662
Revenue Conversion Factor (1/(1--Composite Tax Rate))	1.322837	1.322837	1.322837
Revenue Deficiency (Income Deficiency * Conversion Factor)	12,249	791	11,458
Total Revenue Requirements			
Total Retail Revenues	496,453	60,327	436,126
Revenue Deficiency	12,249	791	11,458
Total Revenue Requirements	508,701	61,117	447,584

	2020 Actual Year		
	Total	ND Gas	Other
<u>Composite Income Tax Rate</u>			
State Tax Rate	4.31%	4.31%	4.31%
Federal Statutory Tax Rate	21.00%	21.00%	21.00%
<u>Federal Effective Tax Rate</u>	<u>20.09%</u>	<u>20.09%</u>	<u>20.09%</u>
Composite Tax Rate	24.40%	24.40%	24.40%
Revenue Conversion Factor (1/(1--Composite	1.322837	1.322837	1.322837
<u>Weighted Cost of Capital</u>			
Active Rates and Ratios Version	Proposed	Proposed	Proposed
Cost of Short Term Debt	5.35%	5.35%	5.35%
Cost of Long Term Debt	4.33%	4.33%	4.33%
Cost of Common Equity	10.50%	10.50%	10.50%
Ratio of Short Term Debt	0.16%	0.16%	0.16%
Ratio of Long Term Debt	47.22%	47.22%	47.22%
Ratio of Common Equity	52.62%	52.62%	52.62%
Weighted Cost of STD	0.01%	0.01%	0.01%
Weighted Cost of LTD	2.04%	2.04%	2.04%
Weighted Cost of Debt	2.05%	2.05%	2.05%
<u>Weighted Cost of Equity</u>	<u>5.53%</u>	<u>5.53%</u>	<u>5.53%</u>
Required Rate of Return	7.58%	7.58%	7.58%
<u>Rate Base</u>			
Plant Investment	1,678,746,503	164,958,180	1,513,788,323
<u>Depreciation Reserve</u>	<u>710,191,257</u>	<u>73,432,430</u>	<u>636,758,826</u>
Net Utility Plant	968,555,246	91,525,750	877,029,497
CWIP	4,987,088	460,992	4,526,095
Accumulated Deferred Taxes	222,991,225	19,764,054	203,227,171
DTA - NOL Average Balance			
DTA - Federal Tax Credit Average Balance	=	=	=
Total Accum Deferred Taxes	222,991,225	19,764,054	203,227,171
Cash Working Capital	(9,929,796)	(152,236)	(9,777,560)
Materials and Supplies	1,330,855	149,271	1,181,584
Fuel Inventory	17,532,034	2,014,040	15,517,994
Non-plant Assets and Liabilities	38,358,801	2,135,148	36,223,653
Customer Advances	(1,566,205)	(1,339,728)	(226,477)
Customer Deposits	(371,949)	(41,718)	(330,230)
Prepays and Other	4,596,671	518,586	4,078,085
<u>Regulatory Amortizations</u>	<u>462,230</u>	<u>462,230</u>	=
Total Other Rate Base Items	50,412,642	3,745,593	46,667,049
Total Rate Base	800,963,751	75,968,282	724,995,470
<u>Operating Revenues</u>			
Retail	496,452,744	60,326,778	436,125,966
Interdepartmental			
<u>Other Operating Rev - Non-Retail</u>	<u>9,348,779</u>	<u>398,476</u>	<u>8,950,303</u>
Total Operating Revenues	505,801,523	60,725,254	445,076,269

	2020 Actual Year		
	Total	ND Gas	Other
<u>Expenses</u>			
Operating Expenses:			
Purchased Gas	268,967,302	37,199,970	231,767,332
Gas Production & Storage	6,073,209	776,825	5,296,384
Gas Transmission	2,813,716	315,750	2,497,967
Gas Distribution	40,106,670	5,263,347	34,843,323
Customer Accounting	13,867,111	1,319,712	12,547,399
Customer Service & Information	15,761,638	183,007	15,578,631
Sales, Econ Dvlp & Other	41,266	4,626	36,640
<u>Administrative & General</u>	<u>24,298,782</u>	<u>2,828,940</u>	<u>21,469,842</u>
Total Operating Expenses	371,929,695	47,892,177	324,037,518
Depreciation	47,858,725	5,050,122	42,808,603
Amortization	2,897,879	22,547	2,875,332
<u>Taxes:</u>			
Property Taxes	19,082,733	1,190,489	17,892,244
ITC Amortization	(106,823)	(124)	(106,699)
Deferred Taxes	3,282,401	322,871	2,959,530
Deferred Taxes - NOL	(1,949,405)	(185,554)	(1,763,850)
Less State Tax Credits deferred			
Less Federal Tax Credits deferred			
Deferred Income Tax & ITC	1,226,173	137,192	1,088,981
Payroll & Other Taxes	2,751,323	367,079	2,384,244
Total Taxes Other Than Income	23,060,229	1,694,760	21,365,469
<u>Income Before Taxes</u>			
Total Operating Revenues	505,801,523	60,725,254	445,076,269
less: Total Operating Expenses	371,929,695	47,892,177	324,037,518
Book Depreciation	47,858,725	5,050,122	42,808,603
Amortization	2,897,879	22,547	2,875,332
<u>Taxes Other than Income</u>	<u>23,060,229</u>	<u>1,694,760</u>	<u>21,365,469</u>
Total Before Tax Book Income	60,054,995	6,065,648	53,989,347
<u>Tax Additions</u>			
Book Depreciation	47,858,725	5,050,122	42,808,603
Deferred Income Taxes and ITC	1,226,173	137,192	1,088,981
Nuclear Fuel Burn (ex. D&D)			
Nuclear Outage Accounting			
Avoided Tax Interest	1,894,247	49,847	1,844,400
<u>Other Book Additions</u>	<u>22,547</u>	<u>22,547</u>	-
Total Tax Additions	51,001,692	5,259,708	45,741,984
<u>Tax Deductions</u>			
Total Rate Base	800,963,751	75,968,282	724,995,470
Weighted Cost of Debt	<u>2.05%</u>	<u>2.05%</u>	<u>2.05%</u>
Debt Interest Expense	16,419,757	1,557,350	14,862,407
Nuclear Outage Accounting			
Tax Depreciation and Removals	68,617,201	6,329,195	62,288,007
NOL Utilized / (Generated)	(6,961,886)	(662,668)	(6,299,218)
<u>Other Tax / Book Timing Differences</u>	<u>(2,262,206)</u>	<u>393,216</u>	<u>(2,655,422)</u>
Total Tax Deductions	75,812,866	7,617,093	68,195,773

	2020 Actual Year		
	Total	ND Gas	Other
State Taxes			
State Taxable Income	35,243,822	3,708,264	31,535,558
State Income Tax Rate	<u>4.31%</u>	<u>4.31%</u>	<u>4.31%</u>
State Taxes before Credits	1,519,009	159,826	1,359,183
<u>Less State Tax Credits applied</u>	-	-	-
Total State Income Taxes	1,519,009	159,826	1,359,183
Federal Taxes			
Federal Sec 199 Production Deduction			
Federal Taxable Income	33,724,813	3,548,438	30,176,375
Federal Income Tax Rate	<u>21.00%</u>	<u>21.00%</u>	<u>21.00%</u>
Federal Tax before Credits	7,082,211	745,172	6,337,039
<u>Less Federal Tax Credits</u>	-	-	-
Total Federal Income Taxes	7,082,211	745,172	6,337,039
Total Taxes			
Total Taxes Other than Income	23,060,229	1,694,760	21,365,469
Total Federal and State Income Taxes	8,601,219	904,998	7,696,221
Total Taxes	31,661,448	2,599,758	29,061,691
Total Operating Revenues	505,801,523	60,725,254	445,076,269
Total Expenses	454,347,747	55,564,604	398,783,143
AFDC Debt			
AFDC Equity			
Net Income	51,453,776	5,160,650	46,293,126
Rate of Return (ROR)			
Total Operating Income	51,453,776	5,160,650	46,293,126
Total Rate Base	<u>800,963,751</u>	<u>75,968,282</u>	<u>724,995,470</u>
ROR (Operating Income / Rate Base)	6.42%	6.79%	6.39%
Return on Equity (ROE)			
Net Operating Income	51,453,776	5,160,650	46,293,126
Debt Interest (Rate Base * Weighted Cost of I	(16,419,757)	(1,557,350)	(14,862,407)
Earnings Available for Common	35,034,019	3,603,300	31,430,719
Equity Rate Base (Rate Base * Equity Ratio)	<u>421,467,126</u>	<u>39,974,510</u>	<u>381,492,616</u>
ROE (earnings for Common / Equity)	8.31%	9.01%	8.24%
Revenue Deficiency			
Required Operating Income (Rate Base * Requ	60,713,052	5,758,396	54,954,657
Net Operating Income	51,453,776	5,160,650	46,293,126
Operating Income Deficiency	9,259,276	597,746	8,661,531
Revenue Conversion Factor (1/(1--Composite	1.322837	1.322837	1.322837
Revenue Deficiency (Income Deficiency *	12,248,514	790,720	11,457,794
Total Revenue Requirements			
Total Retail Revenues	496,452,744	60,326,778	436,125,966
Revenue Deficiency	<u>12,248,514</u>	<u>790,720</u>	<u>11,457,794</u>
Total Revenue Requirements	508,701,258	61,117,498	447,583,760

2022 Test Year

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(1) Line No.	(2) Record Category	(3) Report Label	(4) Record Type	ND Gas	Workpaper Reference
				2022 Test Year	
1	Unadjusted	Unadjusted	Total Unadjusted	6,628	
2					
3	Precedential	Precedential Adjustments	NSPM-Advertising (Trad)	(69)	A1
4	Precedential	Precedential Adjustments	NSPM-Assn Dues (Trad)	(0)	A2
5	Precedential	Precedential Adjustments	NSPM-Customer Deposits - A&G Expense (Trad)	1	A3
6	Precedential	Precedential Adjustments	NSPM-Incentive Pay	(17)	A4
7	Precedential	Precedential Adjustments	NSPM-Incentive Pay_Remove Long Term	(97)	A5
8	Precedential	Precedential Adjustments	NSPM-Pension Non-Qual SERP Removal	(3)	A6
9	Precedential		Sub-Total Precedential	(186)	
10					
11	Adjustment	Aviation	NSPM-Aviation	(22)	A7
12	Adjustment	Depreciation Study: Remaining Life	NSPM-ND Gas Remaining Life	(29)	A8
13	Adjustment	Depreciation Study: TD&G	NSPM-ND Gas Depreciation Study TD&G	67	A9
14	Adjustment	Dues: Chamber of Commerce	NSPM-Chamber of Commerce Dues	2	A10
15	Adjustment	Economic Development Donations	NSPM-Econ Dev Donations	7	A11
16	Adjustment	Foundation and Other Donations	NSPM-Donations	6	A12
17	Adjustment	Incentive Compensation	NSPM-Incentive Pay_Environmental LTI	17	A13
18	Adjustment	Incentive Compensation	NSPM-Incentive Pay_Time Based LTI	11	A14
19	Adjustment		Sub-Total Adjustment	59	
20					
21	Amortization	Income Tax Tracker	NSPM-ND Gas Income Tax Tracker Amortization	11	A15
22	Amortization	NOL ADIT ARAM	NSPM-NOL Tax Reform ADIT ARAM	68	A16
23	Amortization	Rate Case Expenses	NSPM-Amortization Rate Case Expense	408	A17
24	Amortization		Sub-Total Amortization	488	
25					
26	Secondary Calculations	ADIT Prorate for IRS	NSPM-ADIT Prorate for IRS	2	A18
27	Secondary Calculations	Cash Working Capital	NSPM-Cash Working Capital	60	A19
28	Secondary Calculations	Net Operating Loss	NSPM-NOL/Credits/199	9	A20
29	Secondary Calculations		Sub-Total Secondary Calculations	70	
30					
31			Total Revenue Deficiency	7,059	

State of North Dakota Gas Jurisdiction
2022 Test Year
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(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Record Category	Report Label	Record Type	ND Gas	Workpaper
				2022 Test Year	Reference
1	Precedential	Precedential Adjustments	NSPM-Advertising (Trad)	(68.9)	WP-A1
2	Precedential	Precedential Adjustments	NSPM-Assn Dues (Trad)	(0.1)	WP-A2
3	Precedential	Precedential Adjustments	NSPM-Customer Deposits - A&G Expense (Trad)	0.7	WP-A3
4	Precedential	Precedential Adjustments	NSPM-Incentive Pay	(17.0)	WP-A4
5	Precedential	Precedential Adjustments	NSPM-Incentive Pay_Remove Long Term	(97.3)	WP-A5
6	Precedential	Precedential Adjustments	NSPM-Pension Non-Qual SERP Removal	(3.0)	WP-A6
			Sub-Total Precedential	(186)	

(1)	(2)	(3)	(4)	
Line No.	Record Type NSPM pointer to Record Category of Record Type	Record Type Report Label of Record Type	Record Type	Dec - 2022
1	Base	Unadjusted	Base OM	10,195,269
2	Base	Unadjusted	Base Plant	17,176,609
3	Base	Unadjusted	Base Plant Maplewood	269,264
4	Base	Unadjusted	Base Plant ND Programmatic Service Replacement	78,163
5	Base	Unadjusted	Base Plant ND Renew Aldyl-A & Steel	63,023
6	Base	Unadjusted	Base Plant Sibley	177,279
7	Base	Unadjusted	Base Plant Wescott	129,614
8	Base	Unadjusted	NSPM-Connect Smart	(3,011)
9	Base	Unadjusted	NSPM-Customer Advances	(123,684)
10	Base	Unadjusted	NSPM-Customer Deposits	(3,893)
11	Base	Unadjusted	NSPM-Exclude CWIP and AFDC for Dakotas	(105,808)
12	Base	Unadjusted	NSPM-Gas Cost Alignment	(924,716)
13	Base	Unadjusted	NSPM-Gas Cost PGA Recoverable	44,859,145
14	Base	Unadjusted	NSPM-Gas Distribution Jurisdictional Reallocation	662,388
15	Base	Unadjusted	NSPM-Gas Revenue	(23,368,258)
16	Base	Unadjusted	NSPM-Gas Revenue Fuel	(43,934,429)
17	Base	Unadjusted	NSPM-Gas Revenue Other	(547,372)
18	Base	Unadjusted	NSPM-M&S_PrePays	217,299
19	Base	Unadjusted	NSPM-Misc Debits & Credits	38,483
20	Base	Unadjusted	NSPM-Non-Plant	112,716
21	Base	Unadjusted	NSPM-Non-Plant Tax Reform Excess ADIT ND	
22	Base	Unadjusted	NSPM-Property Taxes	1,587,442
23	Base	Unadjusted	NSPM-Tax Timing & Credits	(4,355)
24	Base	Unadjusted	NSPM-Transportation Book to Tax Depr	76,390
27	Precedential	Precedential Adjustments	NSPM-Advertising (Trad)	(68,856)
28	Precedential	Precedential Adjustments	NSPM-Assn Dues (Trad)	(61)
29	Precedential	Precedential Adjustments	NSPM-Customer Deposits - A&G Expense (Trad)	676
30	Precedential	Precedential Adjustments	NSPM-Incentive Pay	(17,013)
31	Precedential	Precedential Adjustments	NSPM-Incentive Pay_Remove Long Term	(97,348)
32	Precedential	Precedential Adjustments	NSPM-Pension Non-Qual SERP Removal	(3,027)
35	Adjustment	Aviation	NSPM-Aviation	(22,003)
36	Adjustment	Depreciation Study: Remaining Life	NSPM-ND Gas Remaining Life	(29,295)
37	Adjustment	Depreciation Study: TD&G	NSPM-ND Gas Depreciation Study TD&G	66,520
38	Adjustment	Dues: Chamber of Commerce	NSPM-Chamber of Commerce Dues	2,221
39	Adjustment	Economic Development Donations	NSPM-Econ Dev Donations	7,382
40	Adjustment	Foundation and Other Donations	NSPM-Donations	6,226
41	Adjustment	Incentive Compensation	NSPM-Incentive Pay_Environmental LTI	17,060
42	Adjustment	Incentive Compensation	NSPM-Incentive Pay_Time Based LTI	10,979
45	Amortization	Income Tax Tracker	NSPM-ND Gas Income Tax Tracker Amortization	11,468
46	Amortization	NOL ADIT ARAM	NSPM-NOL Tax Reform ADIT ARAM	68,336
47	Amortization	Rate Case Expenses	NSPM-Amortization Rate Case Expense	408,115
50	Secondary Calculations	ADIT Prorate for IRS	NSPM-ADIT Prorate for IRS	1,729
51	Secondary Calculations	Cash Working Capital	NSPM-Cash Working Capital	59,790
52	Secondary Calculations	Net Operating Loss	NSPM-NOL/Credits/199	8,565
				7,059,022

2022 Test Year

Line No.	Report Line	Bridge - Unadjustment				Precedential	Adjustment							Amortization			Secondary Calculations				Total	
		Unadjusted	ADIT Prorate for IRS	Cash Working Capital	Net Operating Loss	Unadjusted at Last Authorized	Precedential Adjustments	Aviation	Depreciation Study: Remaining Life	Depreciation Study: TD&G	Dues: Chamber of Commerce	Economic Development Donations	Foundation and Other Donations	Incentive Compensation	Income Tax Tracker	NOL ADIT ARAM	Rate Case Expenses	ADIT Prorate for IRS	Cash Working Capital	Change in Cost of Capital		Net Operating Loss
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
							WP A1-A6	WP A7	WP A8	WP A9	WP A10	WP A11	WP A12	WP A13-A14	WP A15	WP A16	WP A17	WP A18	WP A19	WP A21	WP A20	
1	Plant as booked																					
2	Gas Manufactured Plant	5,340				5,340																5,340
3	Gas Storage	9,341				9,341																9,341
4	Gas Transmission	3,909				3,909																3,909
5	Gas Distribution	181,046				181,046																181,046
6	General	11,871				11,871																11,871
7	Common	11,348				11,348																11,348
8	Total Utility Plant in Service	222,855				222,855																222,855
9																						
10	Reserve for Depreciation																					
11	Gas Manufactured Plant	2,420				2,420			(45)													2,375
12	Gas Storage	8,010				8,010			29													8,040
13	Gas Transmission	1,683				1,683				3												1,686
14	Gas Distribution	59,581				59,581				50												59,632
15	General	5,559				5,559				47												5,606
16	Common	5,619				5,619				17												5,636
17	Total Reserve for Depreciation	82,872				82,872			(16)	117												82,973
18																						
19	Net Utility Plant																					
20	Gas Manufactured Plant	2,920				2,920			45													2,966
21	Gas Storage	1,330				1,330			(29)													1,301
22	Gas Transmission	2,226				2,226				(3)												2,223
23	Gas Distribution	121,464				121,464				(50)												121,414
24	General	6,313				6,313				(47)												6,266
25	Common	5,729				5,729				(17)												5,712
26	Net Utility Plant in Service	139,983				139,983			16	(117)												139,882
27																						
28	Utility Plant Held for Future Use																					
29																						
30	Construction Work in Progress	188				188																188
31																						
32	Less: Accumulated Deferred Income Taxes	19,923	(19)		(93)	19,811			4	(33)								0				19,783
33																						
34	Other Rate Base Items																					
35	Cash Working Capital			536		536													112			648
36	Materials and Supplies	150				150																150
37	Fuel Inventory	2,098				2,098																2,098
38	Non Plant Assets and Liabilities	1,463				1,463																1,463
39	Customer Advances	(1,340)				(1,340)																(1,340)
40	Customer Deposits	(42)				(42)																(42)
41	Prepayments	523				523																523
42	Regulatory Amortizations														23	417						440
43	Total Other Rate Base	2,852		536		3,388									23	417				112		3,940
44																						
45	Total Average Rate Base	123,100	19	536	93	123,748			11	(84)					23	417		(0)		112		124,227

2022 Test Year

Line No.	Report Line	Bridge - Unadjusted				Precedential	Adjustment							Amortization			Secondary Calculations				Total	
		Unadjusted	ADIT Prorate for IRS	Cash Working Capital	Net Operating Loss	Unadjusted at Last Authorized	Precedential Adjustments	Aviation	Depreciation Study: Remaining Life	Depreciation Study: TD&G	Dues: Chamber of Commerce	Economic Development Donations	Foundation and Other Donations	Incentive Compensation	Income Tax Tracker	NOL ADIT ARAM	Rate Case Expenses	ADIT Prorate for IRS	Cash Working Capital	Change in Cost of Capital		Net Operating Loss
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
							WP A1-A6	WP A7	WP A8	WP A9	WP A10	WP A11	WP A12	WP A13-A14	WP A15	WP A16	WP A17	WP A18	WP A19	WP A21	WP A20	
1	Operating Revenues																					
2	Retail Revenue	67,303				67,303																67,303
3	Other Operating	550				550																550
4	Total Revenue	67,853				67,853																67,853
5																						
6	Expenses																					
7	Operating Expenses																					
8	Fuel & Purchased Energy	43,934				43,934																43,934
9	Gas Production and Storage	635				635																635
10	Gas Transmission	387				387																387
11	Gas Distribution	5,129				5,129																5,129
12	Customer Accounting	1,613				1,613																1,613
13	Customer Service and Information	189				189	(40)															149
14	Sales, Econ Dev, & Other	2				2					7											10
15	Administrative and General	2,639				2,639	(146)	(22)			2		6	28								2,508
16	Total Operating Expenses	54,529				54,529	(186)	(22)			2	7	6	28								54,365
17																						
18	Depreciation	6,845				6,845			(32)	78												6,892
19	Amortization														9	23	408					440
20																						
21	Taxes																					
22	Property	1,587				1,587																1,587
23	Deferred Income Tax and ITC	564				564			9	(22)												551
24	Federal and State Income Tax	(541)	(0)	(4)	(1)	(547)	45	5	(0)	1	(1)	(2)	(2)	(7)	(2)	(3)	(100)	0	(1)	449		(164)
25	Payroll and Other	263				263		(0)														263
26	Total Taxes	1,873	(0)	(4)	(1)	1,868	45	5	9	(21)	(1)	(2)	(2)	(7)	(2)	(3)	(100)	0	(1)	449		2,237
27																						
28	Total Expenses	63,248	(0)	(4)	(1)	63,242	(140)	(17)	(23)	57	2	6	5	21	7	19	309	0	(1)	449		63,934
29																						
30	Allowance for Funds Used During Construction																					
31	Net Income	4,605	0	4	1	4,611	140	17	23	(57)	(2)	(6)	(5)	(21)	(7)	(19)	(309)	(0)	1	(449)		3,919
32																						
33																						
34	Calculation of Revenue Requirements																					
35	Rate Base	123,100	19	536	93	123,748			11	(84)					23	417		(0)		112		124,227
36	Required Operating Income	11,030	2	48	8	11,088			1	(8)					2	37		(0)	10	(1,876)		9,255
37	Operating Income	4,605	0	4	1	4,611	140	17	23	(57)	(2)	(6)	(5)	(21)	(7)	(19)	(309)	(0)	1	(449)		3,919
38	Income Deficiency	6,424	2	44	8	6,477	(140)	(17)	(22)	49	2	6	5	21	9	56	309	(0)	9	(1,427)		5,336
39	Revenue Deficiency	8,498	2	58	10	8,568	(186)	(22)	(29)	65	2	7	6	28	12	75	408	(0)	12	(1,888)		7,059

2022 Test Year

Line No.	Report Line	Bridge - Unadjusted				Precedential	Adjustment							Amortization			Secondary Calculations				Total
		Unadjusted	ADIT Prorate for IRS	Cash Working Capital	Net Operating Loss	Unadjusted at Last Authorized	Precedential Adjustments	Aviation	Depreciation Study: Remaining Life	Depreciation Study: TD&G	Dues: Chamber of Commerce	Economic Development Donations	Foundation and Other Donations	Incentive Compensation	Income Tax Tracker	NOL ADIT ARAM	Rate Case Expenses	ADIT Prorate for IRS	Cash Working Capital	Change in Cost of Capital	
40																					
41	Calculation of Income Taxes																				
42	Operating Revenue	67,853				67,853															67,853
43	-Operating Expense	54,529				54,529	(186)	(22)		2	7	6	28								54,365
44	-Amortization													9	23	408					440
45	-Taxes Other than Income	2,414				2,414		(0)	9	(22)											2,401
46	Operating Income Before Adjs	10,910				10,910	186	22	(9)	22	(2)	(7)	(6)	(28)	(9)	(23)	(408)				10,646
47	Additions to Income	594				594			9	(22)						23					603
48	Deductions from Income	9,523				9,523															9,523
49	Debt Synchronization	4,198	1	18	3	4,220			0	(3)							(0)	4	(1,839)		2,398
50	State Taxable Income	(2,218)	(1)	(18)	(3)	(2,240)	186	22	(0)	3	(2)	(7)	(6)	(28)	(10)	(14)	(408)	0	(4)	1,839	(671)
51	State Income Tax Before Credits	(96)	(0)	(1)	(0)	(97)	8	1	(0)	0	(0)	(0)	(0)	(1)	(0)	(1)	(18)	0	(0)	79	(29)
52	State Tax Credits																				
53	Federal Tax Deductions																				
54	Federal Taxable Income	(2,122)	(1)	(17)	(3)	(2,143)	178	21	(0)	3	(2)	(7)	(6)	(27)	(10)	(14)	(391)	0	(4)	1,759	(642)
55	Federal Income Tax Before Credits	(446)	(0)	(4)	(1)	(450)	37	4	(0)	1	(0)	(1)	(1)	(6)	(2)	(3)	(82)	0	(1)	369	(135)
56	Federal Tax Credits																				
57	Total Income Taxes	(541)	(0)	(4)	(1)	(547)	45	5	(0)	1	(1)	(2)	(2)	(7)	(2)	(3)	(100)	0	(1)	449	(164)

Northern States Power Company
 Gas Utility - State of North Dakota
 SUMMARY OF REVENUE REQUIREMENTS
 Test Year Ending December 31, 2022
 (\$000's)

Case No. PU-21-_____
 Exhibit____(BCH-1), Schedule 7
 Page 1 of 1

<u>Line</u>	<u>Description</u>	Adjusted Proposed Test Year <u>2022</u>
1	Average Rate Base	\$124,227
2	Operating Income (Before AFUDC)	\$3,919
3	Allowance for Funds Used During Construction	\$0
4	Total Available for Return (Line 2 + Line 3 + Rounding)	\$3,919
5	Overall Rate of Return (Line 4 / Line 1)	3.15%
6	Required Rate of Return	7.45%
7	Operating Income Requirement (Line 1 x Line 6)	\$9,255
8	Income Deficiency (Line 7 - Line 4)	\$5,336
9	Gross Revenue Conversion Factor	1.32284
10	Revenue Deficiency (Line 8 x Line 9)	\$7,059
11	Retail Related Revenue Under Present Rates	\$67,303
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	10.49%

Line No.	Summary Cash Working Capital	Lead/Lag Days	Total		ND Gas		Other	
			Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days
1	Fuel Expenses							
2	Gas for Generation	39.09	114,329	4,469,103	14,442	564,555	99,886	3,904,548
3	Subtotal Fuel Expenses		114,329	4,469,103	14,442	564,555	99,886	3,904,548
4								
5	Labor and Related							
6	Regular Payroll	11.89	35,651	423,886	3,409	40,535	32,241	383,351
7	Incentive	246.18	331	81,560	37	9,206	294	72,354
8	Pension and Benefits	37.25	7,247	269,936	647	24,088	6,600	245,848
9	SubTotal Labor and Related		43,229	775,382	4,093	73,829	39,135	701,554
10								
11	All Other Operating Expenses	22.74	267,555	6,084,204	37,080	843,195	230,475	5,241,009
12	Property taxes	357.82	23,188	8,296,987	1,587	568,019	21,600	7,728,968
13	Employer's Payroll Taxes	31.64	2,937	92,927	263	8,316	2,674	84,611
14	Gross Earnings Tax	38.90	10,074	391,874	1,214	47,220	8,860	344,653
15	Federal Income Tax	37.00	4,789	177,208	(386)	(14,284)	5,175	191,492
16	State Income Tax	37.00	1,027	38,008	(83)	(3,064)	1,110	41,072
17	State Sales Tax Customer Billings	-	21,808	994,668			21,808	994,668
18	Total Expenses	A	488,935	21,320,361	58,211	2,087,786	430,725	19,232,575
19	Net Annual Expense		43.61	58,412	35.87	5,720	44.65	52,692
20								
21	Revenues							
22	Retail Revenue	40.30	567,419	22,867,002	67,303	2,712,298	500,117	20,154,703
23	Late Payment	-	1,499		155		1,344	
24	Interdepartmental	-						
25	Misc Services	40.30	552	22,250	118	4,766	434	17,484
26	CIP Incentive	-						
27	Rentals	(50.12)	2,905	(145,588)	211	(10,552)	2,694	(135,036)
28	Interchange	-						
29	Sales for Resale	-						
30	Retail Rev Lag Days	40.30	832	33,540			832	33,540
31	MISO	-						
32	Wholesale Lag Days	-						
33	Total Revenues	B	573,208	22,777,204	67,787	2,706,513	505,421	20,070,691
34	Net Annual Amount		39.74	62,403	39.93	7,415	39.71	54,988
47	Expense/Revenue Factor	C = A/B				85.87%		
48	Allocated Revenue Amount	D = B * C				<u>6,368</u>		
49	Net Cash Working Capital	E = D - A				648		

DETAILED CASE DRIVERS

Test Year Drivers - Revenue Requirements
 Amounts in millions

	Increase (Decrease) 2022 TY to 2007 TY
Capital Related	
Distribution Systems	6.6
General and Intangible	1.9
Gas Peaking	1.2
Transmission	0.1
DTA (Federal Credits & NOL)	0.0
Other Rate Base	(0.5)
TOTAL Capital Related	9.2
Amortizations	0.4
Taxes	
Taxes - Other	0.5
Property Tax	0.4
Payroll Tax	0.0
TOTAL Taxes	0.9
Operating Expense	
Distribution Systems	2.9
Admin & Gen	0.7
Transmission	0.3
Gas Production and Storage	(0.1)
Customer Accounting / Info / Service	(0.2)
TOTAL O&M	3.6
Other Margin Impacts	
Customer, Sales Growth	(7.0)
Other	(0.1)
TOTAL Other Margin Impacts	(7.2)
TOTAL Net Incremental Deficiency	7.1

Budgeting Accuracy

NSPM Total Company Actual versus Budget Capital Expenditures (\$millions)

Year	Budget Amount	Actual Amount	\$ Variance	% Variance
2020	\$2,043	\$1,954	(\$89)	-4.36%
2019*	\$2,133	\$1,471	(\$662)	-31.03%
2018	\$1,374	\$1,334	(\$40)	-2.93%
Three-Year Total	\$5,550	\$4,758	(\$791)	-14.26%

* 2019 variance due to timing of in-servicing Crowned Ridge, Jeffers, Community Wind North, Blazing Star I and II and Freeborn wind projects due to permitting delays and in-service date changes. All projects have now been placed in service.

NSPM Total Company Actual versus Budget O&M (\$millions)

Year	Budget Amount	Actual Amount	\$ Variance	% Variance
2020	\$1,217	\$1,191	(\$26)	-2.12%
2019	\$1,194	\$1,203	\$9	0.73%
2018	\$1,205	\$1,223	\$18	1.53%
Three-Year Total	\$3,616	\$3,617	\$1	0.04%

NSPM Gas Utility Actual versus Budget O&M (\$millions)

Year	Budget Amount	Actual Amount	\$ Variance	% Variance
2020	\$94	\$90	(\$4)	-4.67%
2019	\$88	\$94	\$6	6.46%
2018	\$87	\$97	\$10	11.45%
Three-Year Total	\$270	\$281	\$11	4.17%

OPERATING REVENUES, OPERATING EXPENSE,
 TOTAL AVAILABLE FOR RETURN WITH PRESENT AND FINAL RATES
 (000's)

Line No.	Description	Test Year Ending 12/31/2022 Present Rates	Final Increase	Test Year Ending 12/31/2022 Final Rates
		(A)	(B)	(C) = (B) + (A)
<u>Operating Revenues</u>				
1	Retail	\$67,303	\$7,059	\$74,362
2	Interdepartmental	0		0
3	Other Operating	550		550
4	Gross Earnings Tax	0		0
5	Total Operating Revenues	\$67,853	\$7,059	\$74,913
<u>Expenses</u>				
Operating Expenses:				
6	Purchased Gas	\$43,934		\$43,934
7	Gas Production & Storage	635		635
8	Gas Transmission	387		387
9	Gas Distribution	5,129		5,129
10	Customer Accounting	1,613		1,613
11	Customer Service & Information	149		149
12	Sales, Econ Dvlp & Other	10		10
13	Administrative & General	2,508		2,508
14	Total Operating Expenses	\$54,365	\$0	\$54,365
15	Depreciation	\$6,892		\$6,892
16	Amortizations	440		440
Taxes:				
17	Property	\$1,587		\$1,587
18	Gross Earnings	0		0
19	Deferred Income Tax & ITC	551		551
20	Federal & State Income Tax	(164)	1,723	1,559
21	Payroll & Other	263		263
22	Total Taxes	\$2,237	\$1,723	\$3,960
23	Total Expenses	\$63,934	\$1,723	\$65,657
24	AFUDC	\$0	\$0	\$0
25	Total Operating Income	\$3,919	\$5,336	\$9,255

Statement of Operating Income
 (000's)

Line No.	Description	2022	Adjustments	2022
		Test Year Unadjusted (A)		Test Year Adjusted (C) = (B) + (A)
<u>Operating Revenues</u>				
1	Retail	\$67,303	\$0	\$67,303
2	Interdepartmental	0	0	0
3	Other Operating	550	0	550
4	Gross Earnings Tax	0	0	0
5	Total Operating Revenues	\$67,853	\$0	\$67,853
<u>Expenses</u>				
Operating Expenses:				
6	Purchased Gas	\$43,934	\$0	\$43,934
7	Gas Production & Storage	635	0	635
8	Gas Transmission	387	0	387
9	Gas Distribution	5,129	0	5,129
10	Customer Accounting	1,613	0	1,613
11	Customer Service & Information	189	(40)	149
12	Sales, Econ Dvlp & Other	2	7	10
13	Administrative & General	2,639	(131)	2,508
14	Total Operating Expenses	\$54,529	(\$163)	\$54,365
15	Depreciation	\$6,845	\$46	\$6,892
16	Amortizations	\$0	\$440	\$440
Taxes:				
17	Property	\$1,587	\$0	\$1,587
18	Gross Earnings	0	0	0
19	Deferred Income Tax & ITC	564	(13)	551
20	Federal & State Income Tax	(547)	383	(164)
21	Payroll & Other	263	(0)	263
22	Total Taxes	\$1,868	\$370	\$2,237
23	Total Expenses	\$63,242	\$692	\$63,934
24	Allowance for Funds Used During Construction	\$0	\$0	\$0
25	Total Operating Income	\$4,611	(\$692)	\$3,919

OPERATING REVENUES, OPERATING EXPENSE,
 TOTAL AVAILABLE FOR RETURN WITH PRESENT AND FINAL RATES
 (000's)

Line No.	Description	Current Ending 12/31/2021 Present Rates (A)	Final Increase (B)	Current Ending 12/31/2021 Final Rates (C) = (B) + (A)
<u>Operating Revenues</u>				
1	Retail	\$65,612	\$3,939	\$69,551
2	Interdepartmental	\$0		0
3	Other Operating	\$538		538
4	Gross Earnings Tax	\$0		0
5	Total Operating Revenues	<u>\$66,150</u>	<u>\$3,939</u>	<u>\$70,090</u>
<u>Expenses</u>				
Operating Expenses:				
6	Purchased Gas	\$43,059		\$43,059
7	Gas Production & Storage	\$705		705
8	Gas Transmission	\$378		378
9	Gas Distribution	\$5,234		5,234
10	Customer Accounting	\$1,293		1,293
11	Customer Service & Information	\$150		150
12	Sales, Econ Dvlp & Other	\$10		10
13	Administrative & General	\$2,314		2,314
14	Total Operating Expenses	<u>\$53,142</u>	<u>\$0</u>	<u>\$53,142</u>
15	Depreciation	\$6,306		\$6,306
16	Amortizations	\$23		23
Taxes:				
17	Property	\$1,284		\$1,284
18	Gross Earnings	\$0		0
19	Deferred Income Tax & ITC	\$98		98
20	Federal & State Income Tax	\$586	961	1,547
21	Payroll & Other	\$271		271
22	Total Taxes	<u>\$2,239</u>	<u>\$961</u>	<u>\$3,200</u>
23	Total Expenses	\$61,710	\$961	\$62,671
24	AFUDC	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
25	Total Operating Income	<u><u>\$4,440</u></u>	<u><u>\$2,978</u></u>	<u><u>\$7,418</u></u>

Statement of Operating Income
 (000's)

Line No.	Description	2021	Adjustments	2021
		Bridge Year Unadjusted		Bridge Year Adjusted
		(H)	(I)	(J)
	<u>Operating Revenues</u>			(Col F + G)
1	Retail	\$65,612	\$0	\$65,612
2	Interdepartmental	0	0	0
3	Other Operating	538	0	538
4	Gross Earnings Tax	0	0	0
5	Total Operating Revenues	\$66,150	\$0	\$66,150
	<u>Expenses</u>			
	Operating Expenses:			
6	Purchased Gas	\$43,059	\$0	\$43,059
7	Gas Production & Storage	809	(104)	705
8	Gas Transmission	378	0	378
9	Gas Distribution	5,234	(0)	5,234
10	Customer Accounting	1,293	0	1,293
11	Customer Service & Information	186	(37)	150
12	Sales, Econ Dvlp & Other	2	8	10
13	Administrative & General	2,432	(118)	2,314
14	Total Operating Expenses	\$53,394	(\$251)	\$53,142
15	Depreciation	\$6,228	\$78	\$6,306
16	Amortizations	\$0	\$23	\$23
	Taxes:			
17	Property	\$1,284	\$0	\$1,284
18	Gross Earnings	0	0	0
19	Deferred Income Tax & ITC	120	(22)	98
20	Federal & State Income Tax	175	411	586
21	Payroll & Other	271	(0)	271
22	Total Taxes	\$1,850	\$389	\$2,239
23	Total Expenses	\$61,471	\$239	\$61,710
24	Allowance for Funds Used During Construction	\$0	\$0	\$0
25	Total Operating Income	\$4,679	(\$239)	\$4,440

OPERATING REVENUES, OPERATING EXPENSE,
 TOTAL AVAILABLE FOR RETURN WITH PRESENT AND FINAL RATES
 (000's)

Line No.	Description	Actual Year Ending 12/31/20 Present Rates	Final Increase	Actual Year Ending 12/31/20 Final Rates
		(A)	(B)	(C) = (B) + (A)
<u>Operating Revenues</u>				
1	Retail	\$60,327	\$791	\$61,117
2	Interdepartmental	\$0		0
3	Other Operating	\$398		398
4	Gross Earnings Tax	\$0		0
5	Total Operating Revenues	\$60,725	\$791	\$61,517
<u>Expenses</u>				
Operating Expenses:				
6	Purchased Gas	\$37,200		\$37,200
7	Gas Production & Storage	\$777		777
8	Gas Transmission	\$316		316
9	Gas Distribution	\$5,263		5,263
10	Customer Accounting	\$1,320		1,320
11	Customer Service & Information	\$183		183
12	Sales, Econ Dvlp & Other	\$5		5
13	Administrative & General	\$2,829		2,829
14	Total Operating Expenses	\$47,892	\$0	\$47,892
15	Depreciation	\$5,050		\$5,050
16	Amortizations	\$23		23
Taxes:				
17	Property	\$1,190		\$1,190
18	Gross Earnings	\$0		0
19	Deferred Income Tax & ITC	\$137		137
20	Federal & State Income Tax	\$905	193	1,098
21	Payroll & Other	\$367		367
22	Total Taxes	\$2,600	\$193	\$2,793
23	Total Expenses	\$55,565	\$193	\$55,758
24	AFUDC	\$0	\$0	\$0
25	Total Operating Income	\$5,161	\$598	\$5,758

Statement of Operating Income
 (000's)

Line No.	Description	2020		2020
		Actual Year Unadjusted (H)	Adjustments (I)	Actual Year Adjusted (J) (Col F + G)
<u>Operating Revenues</u>				
1	Retail	\$60,327	\$0	\$60,327
2	Interdepartmental	0	0	0
3	Other Operating	398	0	398
4	Gross Earnings Tax	0	0	0
5	Total Operating Revenues	\$60,725	\$0	\$60,725
<u>Expenses</u>				
Operating Expenses:				
6	Purchased Gas	\$37,200	\$0	\$37,200
7	Gas Production & Storage	2,027	(1,250)	777
8	Gas Transmission	316	0	316
9	Gas Distribution	5,263	0	5,263
10	Customer Accounting	1,320	0	1,320
11	Customer Service & Information	183	(0)	183
12	Sales, Econ Dvlp & Other	5	0	5
13	Administrative & General	3,117	(288)	2,829
14	Total Operating Expenses	\$49,430	(\$1,538)	\$47,892
15	Depreciation	\$5,050	\$0	\$5,050
16	Amortizations	\$0	\$23	\$23
Taxes:				
17	Property	\$1,190	\$0	\$1,190
18	Gross Earnings	0	0	0
19	Deferred Income Tax & ITC	323	(186)	137
20	Federal & State Income Tax	370	535	905
21	Payroll & Other	367	(0)	367
22	Total Taxes	\$2,250	\$349	\$2,600
23	Total Expenses	\$56,731	(\$1,166)	\$55,565
24	Allowance for Funds Used During Construction	\$0	\$0	\$0
25	Total Operating Income	\$3,995	\$1,166	\$5,161

Northern States Power Company

Cost Assignment and Allocation Manual

September 2020

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I. INTRODUCTION

This Cost Assignment and Allocation Manual (“CAAM”) was developed to specify the procedures that Northern States Power Company, a Minnesota corporation (“NSPM” or the “Company”) follows in assigning and allocating costs among utility departments (electric and gas), among regulated services and non-regulated business activities and among jurisdictions.

NSPM was incorporated in 2000 under the laws of Minnesota and is a wholly owned operating utility subsidiary of Xcel Energy Inc. (“Xcel Energy” or the “Parent”). Xcel Energy was initially established as a registered holding company under the Public Utility Holding Company Act of 1935 (“PUHCA 1935”), with oversight by the Securities and Exchange Commission (“SEC”). On August 8, 2005, the Energy Policy Act of 2005 was signed into law. This repealed PUHCA 1935 and enacted the Public Utility Holding Company Act of 2005 (“PUHCA 2005”), which became effective on February 8, 2006. Responsibility for oversight of public utility holding companies was transferred from the SEC to the Federal Energy Regulatory Commission (“FERC”) as a result of the Energy Policy Act of 2005.

NSPM conducts business in Minnesota, North Dakota, and South Dakota and has electric operations in all three states including the generation, purchase, transmission, distribution, and sale of electricity. NSPM also purchases, transports, distributes, and sells natural gas to retail customers and transports customer-owned natural gas in Minnesota and North Dakota.

NSPM owns the following direct subsidiaries: United Power and Land Company, which holds real estate; and NSP Nuclear Corporation.

As a member of a holding company system, NSPM receives administrative, management, environmental, and other support services from Xcel Energy Services Inc. (“XES” or the “Service Company”), a centralized service company. The Service Company provides services to Xcel Energy and its subsidiaries, at cost, pursuant to service agreements. The service agreement between NSPM and XES, including all amendments to the original Service Agreement, have been submitted to, and approved by, the Minnesota Public Utilities Commission (“Commission”). The cost allocation methodologies under which XES costs are assigned and allocated are set forth in that Commission approved service agreement, and while those allocation methodologies are not the subject of this NSPM CAAM, they are referenced in several sections herein.

The Service Company is referenced in the CAAM for the following reasons:

- The Service Company is listed as an affiliate company in the Transaction with Affiliates section for the services it provides to NSPM.
- The Service Company and all other companies in the Xcel Energy holding company system of companies are included in the Corporate Organization section to provide a listing of all affiliates of NSPM.
- The Service Company is referenced in the Cost Assignment and Allocation Process section because this section covers processes that may cross multiple legal entities.

The NSPM CAAM contains the following sections:

- Introduction (Section I)
- Corporate Organization (Section II)
- Description of Services (Section III)
- Transactions with Affiliates (Section IV)
- Cost Assignment and Allocation Process (Section V)
- Utility Allocations (Section VI)
- Non-regulated Business Activity Allocations (Sections VII)
- Jurisdictional Allocations (Section VIII)

DEFINITIONS

Abbreviations or Acronyms

The following abbreviations or acronyms are used within the CAAM document:

A&G	Administrative and general
AFUDC	Allowance for funds used during construction
ACC	Allocating cost center
CAAM	Cost Assignment and Allocation Manual
CIP	Conservation improvement program
Commission	Minnesota Public Utilities Commission
FERC	Federal Energy Regulatory Commission
FICA	Federal Insurance Contributions Act
FUTA	Federal Unemployment Tax Act
GAAP	Generally Accepted Accounting Principals
HR	Human Resources
IT	Information Technology
NSPM or the Company	Norther States Power Company, a Minnesota corporation
NSPW	Northern States Power Company, a Wisconsin corporation
NSP System	The electric production and transmission system of NSPM and NSPW operated on an integrated basis and managed by NSPM
O&M	Operating and maintenance
PSCo	Public Service Company of Colorado, a Colorado corporation
PUCHA 1935	Public Utility Holding Company Act of 1935
PUCHA 2005	Public Utility Holding Company Act of 2005
RTU	Remote terminal unit
SAP	SAP general ledger and work and asset management system
SCADA	Supervisory control and data acquisition
SEC	Securities and Exchange Commission
SKF	Statistical key figure
SPS	Southwestern Public Service Company, a New Mexico corporation
SUTA	State Unemployment Tax Authority
Utility subsidiaries or operating companies	NSPM, NSPW, PSCo, and SPS
UMP	Utility money pool
Xcel Energy or the Parent	Xcel Energy Inc. and its subsidiaries
XES or the Service Company	Xcel Energy Services Inc.

Terms

The following terms are used within the CAAM document:

Accounts Payable – the payment and reporting department of XES.

A&G – includes activity in FERC accounts 920-935, Administrative and General Expenses.

ACC – an organizational unit that collects cost to be allocated using the allocation ratios or factors included in the SKF.

Assessment – the process used by the accounting system to allocate costs from an ACC to the receiving cost element.

Cost Element – an organizational unit to SAP that is used to track costs in the accounting system as they move through the various processing steps.

Customer Accounting Costs – includes activity in FERC accounts 901-903, Customer Accounts Expenses; FERC accounts 906-910, Customer Service and Informational Expenses; and FERC accounts 911-917, Sales Expenses.

Final Cost Center – final cost center defined by business function, company code, and profit center.

Home Cost Center – captures only labor and payroll postings and maps to HR departments.

Internal Order – internal orders are accounting mechanisms used to track expenses associated with certain projects or functions.

Non-Operations and Maintenance Allocations – allocations designed to apportion expenses recorded in accounts other than O&M to electric, gas, thermal and nonutility. The non-O&M costs apportioned include depreciation, payroll taxes, miscellaneous service revenues, amortization expenses, etc.

O&M – includes activity in FERC accounts 500-935 with the exception of the following FERC accounts: 501, Fuel; 901-903, Customer Accounts Expenses; 906-910, Customer Service and Informational Expenses; 911-917, Sales Expenses; and 920-935, Administrative and General Expenses.

Profit Center – SAP data element that identifies the jurisdiction or joint venture owner of revenues and expenses.

Receiving Cost Element – a cost element that receives costs when a settlement or assessment process is run.

Segment – represents electric, gas, thermal, joint venture, or other and is derived by SAP from profit center and cost center.

SKF – the method by which the allocation ratios and factors are organized in the accounting system and linked to ACCs to facilitate the performance of the assessment process to allocate charges.

Supply Chain – the supply chain department of XES.

Work Breakdown Structure – structure used to group all aspects or phases of a given project or organizational group and render them easily reportable.

II. CORPORATE ORGANIZATION

OVERVIEW OF COMPANY SYSTEM

Xcel Energy Inc., a Minnesota corporation, is a registered holding company. Xcel Energy directly owns the utility subsidiaries that serve electric, natural gas, thermal, and propane customers in eight mid-western and western states including portions of Colorado, Michigan, Minnesota, New Mexico, North Dakota, South Dakota, Texas and Wisconsin. These four utility subsidiaries are Northern States Power Company, a Minnesota corporation (“NSPM”); Northern States Power Company, a Wisconsin corporation (“NSPW”); Public Service Company of Colorado, a Colorado corporation (“PSCo”); and Southwestern Public Service Company, a New Mexico corporation (“SPS”). Along with the utility subsidiaries, the transmission-only subsidiaries, Xcel Energy Southwest Transmission Company, LLC (“XEST”), Xcel Energy Transmission Development Company, LLC (“XETD”), and Xcel Energy West Transmission Company, LLC (“XEW”); WYCO Development LLC (“WYCO”), a joint venture with CIG to develop and lease natural gas pipelines, storage, and compression facilities; WestGas InterState, Inc. (“WGI”), an interstate natural gas pipeline company comprise the regulated utility operations. Xcel Energy’s significant non-regulated subsidiaries are Eloigne Company; Capital Services, LLC; and Nicollet Holdings Company, LLC.

Xcel Energy owns the following additional direct subsidiaries, some of which are intermediate holding companies with additional subsidiaries: Xcel Energy Wholesale Group Inc., Xcel Energy Markets Holdings Inc., Xcel Energy International Inc., Xcel Energy Ventures Inc., Xcel Energy Retail Holdings Inc., Xcel Energy Communications Group Inc., , Xcel Energy WYCO Inc., Xcel Energy Transmission Holding Company, LLC, Xcel Energy Venture Holdings, Inc., Nicollet Holdings Company, LLC, and Xcel Energy Services Inc. Xcel Energy and its subsidiaries collectively are referred to as Xcel Energy Inc., and many do business under the Xcel Energy name. See the following pages for a complete legal entity organizational listing for Xcel Energy Inc. and its subsidiaries.

LIST OF REGULATED & NON-REGULATED AFFILIATES (as of June 30, 2019)

Xcel Energy Inc.

- Northern States Power Company, a Minnesota corporation
 - NSP Nuclear Corporation
 - Private Fuel Storage LLC
 - United Power and Land Company
- Northern States Power Company, a Wisconsin corporation
 - Chippewa and Flambeau Improvement Company
 - Clearwater Investments, Inc.
 - Shoe Factory Holding LLC
 - NSP Lands, Inc.
- Public Service Company of Colorado, a Colorado corporation**
 - 1480 Welton, Inc.
 - Beeman Irrigating Ditch and Milling Company
 - Consolidated Extension Canal Company

East Boulder Ditch Company
Fisher Ditch Company
Gardeners Mutual Ditch Company
Green and Clear Lakes Company
Hillcrest Ditch and Reservoir Company
Las Animas Consolidated Canal Company
P.S.R. Investments, Inc.
United Water Company
Southwestern Public Service Company, a New Mexico corporation
Nicollet Holdings Company, LLC
Capital Services, LLC
Nicollet Project Holdings, LLC
Nicollet Projects I, LLC
Betcher CSG LLC
Foreman's Hill CSG LLC
Grimm CSG LLC
Heyer CSG LLC
Huneke CSG LLC
Johnson I CSG LLC
Johnson II CSG LLC
Krause CSG LLC
RJC I CSG LLC
RJC II CSG LLC
Scandia CSG LLC
School Sisters CSG LLC
Webster CSG LLC
Nicollet Projects II, LLC
WestGas InterState, Inc.
Xcel Energy Foundation
Xcel Energy Communications Group Inc.
Seren Innovations, Inc.
Xcel Energy International Inc.*
Xcel Energy Markets Holdings Inc.
e prime, inc.*
Young Gas Storage Company Ltd.
Xcel Energy Retail Holdings Inc.
Xcel Energy Performance Contracting Inc.
Reddy Kilowatt Corporation
Xcel Energy Services Inc.
Xcel Energy Transmission Holding Company, LLC
Xcel Energy Southwest Transmission Company, LLC
Xcel Energy Transmission Development Company, LLC
Xcel Energy Acorn Transmission, LLC
Xcel Energy Birch Transmission, LLC
Xcel Energy West Transmission Company, LLC
Xcel Energy Venture Holdings, Inc.
Energy Impact Fund Investment LLC
Xcel Energy Investments, LLC

Xcel Energy Ventures Inc.
Eloigne Company
Bemidji Townhouse LP
Chaska Brickstone LP
Crown Ridge Apartments LP
Cottage Court LP
Dakotah Pioneer LP
Edenvale Family Housing LP
Fairview Ridge LP
Farmington Family Housing LP
Farmington Townhome LP
Hearthstone Village LP
J&D 14-93 LP
Lauring Green LP
Links Lane LP
Lyndale Avenue Townhomes LP
Mahtomedi Woodland LP
Mankato Townhomes LLP
Marvin Garden LP
Moorhead Townhomes LP
Park Rapids Townhomes LP
Rochester Townhome LP
Rushford Housing LP
Safe Haven Homes, LLC
Shade Tree Apartments LP
Shakopee Boulder Ridge LP
Shenandoah Woods LP
Sioux Falls Partners LP
St. Cloud Housing LP
Tower Terrace LP
Xcel Energy Wholesale Group Inc.*
Quixx Corporation*
Quixx Carolina, Inc.*
Quixxlin Corp.*
Xcel Energy WYCO Inc.
WYCO Development, LLC

* Company is being classified in discontinued operations.

** Minority-ownership ditch and water companies have been excluded.

III. DESCRIPTION OF SERVICES

OVERVIEW

This section provides a description of NSPM's regulated services and non-regulated business activities. Each description identifies the types of costs associated with the service or business activity, and identifies the business area or department which offers the service.

REGULATED SERVICES

ELECTRIC UTILITY

Electric – Residential

Residential electric service represents the provision of electric service to residential customers within the NSPM service territory. Costs associated with this service relate to the generation or purchase and delivery of electricity through Company-owned transmission and distribution facilities, primarily fuel or purchased power costs, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Electric Utility.

Electric – Commercial and Industrial

Commercial and industrial electric service represents the provision of electric service to commercial and industrial customers within the NSPM service territory. Costs associated with this service relate to the generation or purchase and delivery of electricity through Company-owned transmission and distribution facilities, primarily fuel or purchased power costs, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Electric Utility.

Electric – Street Lighting

Street lighting electric service represents the provision of electric service to public authorities for lighting streets, highways, parks and other public places, or for traffic or other signal system service through Company-owned or customer-owned lighting equipment. Costs associated with this service relate to the generation or purchase and delivery of electricity through Company-owned transmission and distribution facilities, primarily fuel or purchased power costs, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Electric Utility.

Electric – Other Sales to Public Authorities

Other sales to public authorities' electric service represent the provision of electric service to public authorities under special agreements or contracts. Costs associated with this service relate to the generation or purchase and delivery of electricity through Company-owned transmission and distribution facilities, primarily fuel or purchased power costs, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Electric Utility.

Electric - Resale

Resale electric service represents the provision of electric service to NSPM wholesale customers or public authorities for resale to end-user customers or to power marketers. Costs associated with this service relate to the generation or purchase and delivery of electricity through Company-owned transmission and distribution facilities, or through facilities owned by third parties, primarily fuel or purchased power costs, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Electric Utility.

Electric - Interdepartmental

Interdepartmental electric service represents the provision of electric service to NSPM company facilities at tariff rates. Costs associated with providing this service relate to the generation or purchase and delivery of electricity through Company-owned transmission and distribution facilities, primarily fuel or purchased power costs, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Electric Utility.

Off-System Electric Sales

NSPM sells electricity not required to serve its native load to off-system customers. Costs related to this activity can include fuel and purchased power costs. The revenues associated with these sales reside in FERC account 447, Sales for Resale-Electric. The costs related to this activity reside in FERC accounts 501, Fuel-Steam Generation; 555, Purchased Power; and 565, Transmission of Electricity by Others. In addition, the Company may allocate production O&M and transmission costs based on a percentage of overall sales relative to the type of off-system sales. These costs reside within the NSPM Electric Utility.

OTHER ELECTRIC OPERATING REVENUE

Rent from Electric Property

Rent from electric property results from the leasing of NSPM owned utility property not currently utilized for the provision of regulated services to non-affiliated third parties. Costs related to this service are primarily A&G costs associated with customer billings, as well as rental contract renewals. The revenue associated with the rentals resides in FERC account 454, Rent from Electric Property.

Interchange Agreement

The electric production and transmission costs of the entire NSP System are shared by NSP-Minnesota and NSP-Wisconsin. A FERC-approved Interchange Agreement between the two companies provides for the sharing of all generation and transmission costs of the NSP System based upon demand and energy ratios reflecting usage by the respective companies. The costs associated with this agreement reside in FERC account 557, Other Power Supply Expenses; and FERC 565, Transmission of Electricity by Others. The revenues reside in FERC account 456.1, Revenue from Transmission of Electricity of Others.

Joint Operating Agreement

The Joint Operating Agreement is a margin sharing agreement associated with proprietary energy trading activities. Revenues are recorded in FERC 456, Other Electric Revenues.

Miscellaneous Electric Revenue

In addition to the services detailed above, there are various activities that cannot be accounted for elsewhere, such as utility locating services, scrap metal sales, WindSource, customer connections, and refuse derived fuel incentive. These revenues are recorded in FERC account 456, Other Electric Revenues.

GAS UTILITY

Gas - Residential

Residential gas service represents the provision of natural gas service to residential customers within the NSPM service territory. Costs associated with this service relate to the purchase and delivery of gas through Company-owned facilities, primarily purchased gas, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Gas Utility.

Gas – Commercial and Industrial

Commercial and industrial gas service represents the provision of natural gas service to commercial and industrial customers within the NSPM service territory. Costs associated with this service relate to the purchase and delivery of gas through Company-owned facilities, primarily purchased gas, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Gas Utility. The table below shows the various rate classes within commercial and industrial gas services.

Rate Class	Maximum Requirements – Daily Therms	Maximum Requirements – Annual Therms
Small commercial	Less than 500	Less than 6,000
Large commercial	Less than 500	Greater than 6,000
Small demand billed commercial*	Less than 500	
Large demand billed commercial*	Greater than 500	

* Upstream demand costs are billed based on the highest one-day usage in the customer's history.

Gas – Interruptible

Interruptible gas service represents the provision of natural gas service to interruptible customers within the NSPM service territory. Interruptible service is subject to curtailment when either additional upstream pipeline or local distribution capacity is needed to ensure service to firm customers. Costs associated with this service relate to the purchase and delivery of gas through Company-owned facilities, primarily purchased gas, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Gas Utility. The table below shows the various rate classes within interruptible gas service.

Rate Class	Maximum Requirements – Daily Therms
Small interruptible	Less than 2,000
Medium interruptible	Greater than 2,000 and less than 50,000
Large interruptible	Greater than 50,000

Gas – Large Firm Transportation

Large firm gas transportation service represents the provision of gas delivery service on behalf of end-use customers, third-party suppliers or marketers whereby NSPM transports gas owned by others over NSPM's gas pipeline system. Costs associated with this service primarily include the facilities O&M and depreciation costs and A&G costs. These costs reside within the NSPM Gas Utility.

Gas – Interruptible Transportation

Interruptible gas transportation service represents the provision of gas delivery service on behalf of end-use customers, third-party suppliers or marketers whereby NSPM transports gas owned by others over NSPM's gas pipeline system. Interruptible transportation gas service is subject to curtailment when either additional upstream pipeline or the local distribution capacity is needed to ensure service to firm customers. Costs associated with this service primarily include the facilities O&M and depreciation costs and A&G costs. These costs reside within the NSPM Gas Utility.

Gas – Negotiated Transportation

Negotiated firm and interruptible gas transportation service (bypass customers) represents the provision of gas delivery service on behalf of end-use customers, third-party suppliers or marketers whereby NSPM transports gas owned by others over NSPM's gas pipeline system. Interruptible transportation gas service is subject to curtailment when either additional upstream pipeline or the local distribution capacity is needed to ensure service to firm customers. Costs associated with this service primarily include the facilities O&M and depreciation costs and A&G costs. These costs reside within the NSPM Gas Utility.

Gas – Interdepartmental

Interdepartmental gas service represents the provision of natural gas service or gas transportation service to NSPM company facilities at tariff rates. Costs associated with providing this service relate to the purchase and delivery of gas through NSPM owned facilities, primarily purchased gas, facilities O&M and depreciation costs, and A&G costs. These costs reside within the NSPM Gas Utility.

Gas – Limited Firm

Standby gas service represents on-system back-up propane service for interruptible service customers. Costs associated with this service primarily include propane purchases and the facilities O&M. These costs reside within the NSPM Gas Utility.

Gas – Daily Balancing Service

Daily balancing gas service represents a service to transportation customers that allows them to remedy deviations between nominated and delivered gas and gas consumed by the transportation customer. Costs associated with this service primarily include upstream pipeline costs. These costs reside within the NSPM Gas Utility.

OTHER GAS REVENUE

Miscellaneous Gas Revenue

Various services are provided that cannot be accounted for elsewhere such as propane transportation charges and bundled sales. These revenues are recorded in FERC account 495, Other Gas Revenues.

COMMON ELECTRIC AND GAS REVENUE

Late Payments Fees/Miscellaneous Service Revenues

Revenues from the additional charges imposed because of customers failure to pay their bill by specified due date are recorded into FERC account 450, Electric Forfeited Discounts; and FERC account 487, Gas Forfeited Discounts. Miscellaneous customer related revenue, such as service connections and returned check charges, are recorded in FERC account 451, Miscellaneous Electric Service Revenue; and FERC account 488, Miscellaneous Gas Service Revenues.

CIP Incentives

The CIP Incentive is a mechanism established by an April 7, 2000 Order of the Commission that provides utilities with an incentive to increase cost-effective utility investment in conservation improvement programs beyond the spending levels required by Minnesota Statute. The revenues associated with the CIP incentives are identified by unique accounts and are recorded in FERC account 456, Other Electric Revenues; and FERC 495, Other Gas Revenues. An adjustment is made to remove these revenues from our cost of service study and they do not impact our revenue requirements.

ConnectSmart

NSPM provides a service for customers moving into or across the region to set up utility service and other subscription services to their homes (e.g., newspaper, local and long-distance telephone, cable TV, etc.). NSPM, through its call center, receives telephone requests for this service, and sends these requests, for a fee, to AllConnect (a third-party contractor) for the coordination of installation of services. Costs related to this activity include direct charges for labor, materials and outside services associated with the service provided. In addition, payroll taxes, lost time, facilities, workers' compensation, incentive, pension, and benefit costs are allocated based on labor dollars, and labor-related overhead and a corporate residual overhead are applied to nonregulated business activities. The revenues and costs associated with this service are identified by unique accounts, and are recorded in FERC 417, Revenues from Nonutility Operations; and FERC 417.1, Expenses from Nonutility Operations. For rate making purposes, in the event this service experiences revenues in excess of direct expenses, an adjustment is made to credit the net impact in FERC 456, Other Electric Operating Revenues, to reflect the benefit of this service to the utility customers.

Hazardous Waste Disposal

NSPM has a Hazardous Waste consolidation facility at Chestnut Service Center in Minneapolis, Minnesota. The facility accepts and consolidates hazardous and specially-regulated waste materials from generating assets, service centers, substations, office buildings, and field operations projects in both NSPM and NSPW service territories. This facility ensures the wastes are properly characterized aggregated and consolidated at approved, permanent and appropriately licensed waste disposal facilities. This facility is also the central collection point for any PCB contaminated electrical equipment.

NON-REGULATED BUSINESS ACTIVITIES

The following business activities have been approved by the Commission as non-regulated business activities. Detailed descriptions of each of the non-regulated business activities are provided in this section.

HomeSmart

Xcel Energy HomeSmart offers resources for the repair, replacement and maintenance of major appliances and systems in customers' homes. This includes service plans to cover certain appliances, sewer and plumbing issues; heating, ventilating and air conditioning (HVAC) systems; replacement assistance coverage; and preventive maintenance. HomeSmart also sells and installs HVAC systems and water heaters. Costs related to these activities include direct charges for labor, equipment, materials, and outside services associated with the services provided. In addition, payroll taxes, lost time, and pension and benefit costs are allocated based on labor dollars, and a labor related overhead and a corporate residual overhead are applied to non-regulated business activities. (Please refer to Section VII of the CAAM for more information.) The revenues and costs associated with HomeSmart are identified by unique accounts and are recorded in FERC 417, Revenues from Nonutility Operations; and FERC 417.1, Expenses from Nonutility Operations.

Customer Owned Street Lighting Maintenance

NSPM supplies maintenance services for communities that own their own street light systems. Maintenance service for customer owned street light systems is limited to the fixture service only; and ranges from full fixture service to partial fixture service where the customer provides the material necessary to repair the street light. The customer is responsible for all other repairs and replacements under the "Non-regulated Customer Owned Street Maintenance" service. Costs related to this activity include labor and materials associated with the service provided. In addition, payroll taxes, lost time, and pension and benefit costs are allocated based on labor dollars, and a labor related overhead and a corporate residual overhead are applied to non-regulated business activities. The revenues and costs associated with this service are identified by unique accounts and are recorded in FERC 417, Revenues from Nonutility Operations; and FERC 417.1, Expenses from Nonutility Operations. See Docket E-002/M-92-614 for the Commission order to treat this service as non-regulated.

Sherco Steam Sales to Liberty Paper Inc.

NSPM supplies steam from the Sherburne County Generating Station to Liberty Paper, Inc. ("LPI") in order to meet LPI's thermal energy needs. Costs related to this activity include labor and materials associated with the service provided. In addition, payroll taxes, lost time, and pension and benefit costs are allocated based on labor dollars, and a labor-related overhead is applied to nonregulated business activities. The revenues and costs associated with this service are identified by unique accounts, and are recorded in FERC 417, Revenues from Nonutility Operations; and FERC 417.1, Expenses from Nonutility Operations which are excluded for ratemaking purposes. See Docket E002/M-93-1253 for the Commission order to treat this service as non-regulated. In addition to steam services, LPI takes electric and natural gas services from NSPM which are tariffed services provided at tariffed rates.

InfoWise GX Meter

InfoWise GX Meter is an energy management reporting solution with customized data for businesses to help manage and control their energy use. This product consists of unique interactive reports with detailed information, including both consumption and demand levels, to help the customer pinpoint and analyze their facility's energy use. By analyzing past energy use, this product can help drive company green strategies while helping customize a strategic business plan for facility managers, as well as deliver a bill estimator tool that keeps track of budgets and identifies cost saving opportunities. Costs related to this activity include direct charges for labor, materials and outside services associated with the service provided. In addition, payroll taxes, lost time, facilities, workers' compensation, incentive and pension and benefits are allocated based on labor dollars, and a labor-related overhead and a corporate residual overhead are applied to nonregulated business activities. The revenues and costs associated with this service are identified by unique SAP Cost Centers, and are recorded in FERC accounts 417, Revenues from Nonutility Operations, and 417.1, Expenses from Non-utility Operations.

IV. TRANSACTIONS WITH AFFILIATES

OVERVIEW

NSPM directly incurs and pays for the majority of its costs, there are, however, services provided to NSPM by other affiliates within the Xcel Energy system of companies. In addition, NSPM provides a limited amount of operations, maintenance, and management advisory services to its affiliates. NSPM has numerous Affiliated Interest Agreements that have been approved by the Commission.

The sections below separately detail the nature and terms of transactions for services and asset transfers provided by NSPM to its affiliates, as well as services and asset transfers provided to NSPM by each of its affiliates. This section includes descriptions of affiliate transactions only and does not include convenience payments.

The cost allocation methodologies under which the Service Company costs are assigned and allocated are set forth in the service agreement, and while they are not the subject of this NSPM CAAM, they are included in this section to provide as complete a picture as possible of all affiliate transactions. The NSPM Service Agreement is reviewed and filed annually with the Commission. The last filing was approved in Docket E,G002/AI-19-371 on July 10, 2019. NSPM's affiliate transactions consist primarily of transactions with the Service Company for administrative, management, accounting, legal, engineering, environmental, and other support services.

Terms of Transactions

Tariff Rate – the price charged to customers under applicable tariffs on file with federal or state regulatory commissions. Tariff rates are used for transactions with affiliates involving the provision of regulated services.

Fully Distributed Cost – the term fully distributed cost means that transactions billed include all direct and indirect costs, including overheads. Affiliate transactions billed by NSPM include labor related overheads and a working capital fee when appropriate. This method of assigning and allocating costs to these affiliate transactions ensures that the payments to or by NSPM are reasonable and have not resulted in any ratepayer subsidization. In the table below, fully distributed cost may also refer to a price established in a separate Affiliated Interest Agreement.

NSPM applies a labor related overhead to services provided by NSPM to affiliates and also applies a working capital fee on services NSPM provides to non-NSPM company affiliates. Both the labor related overhead and the working capital fees are discussed in Section VII.

The remainder of this section is detailed by affiliate. Affiliates may be listed under the "Services Provided by NSPM to Affiliates" section and/or the "Services Provided by Affiliates to NSPM" section. The details relating to the nature, frequency, and terms of the affiliate transactions are itemized for NSPM and each affiliate.

SERVICES PROVIDED BY NSPM TO AFFILIATES

Nature of Transactions

Terms

NSPW

O&M – production, decommissioning, and transmission costs associated with the Interchange Agreement (FERC Docket No. ER15-1575-000).

Fully distributed cost

SCADA and Gas Dispatch – sharing of SCADA costs in accordance with Docket G-002/AI-94-831.

Fully distributed cost

Materials and Supplies – materials and supplies, including any associated freight, purchase loadings, and warehouse loadings.

Fully distributed cost

Miscellaneous – miscellaneous other charges, including labor, associated loadings, and lease costs.

Fully distributed cost

PSCo

Materials and Supplies – materials and supplies, including any associated freight, purchase loadings, and warehouse loadings.

Fully distributed cost

Joint Operating Agreement – margin sharing associated with proprietary energy trading activities.

Fully distributed cost

Miscellaneous – miscellaneous other charges, including labor, associated loadings, and lease costs.

Fully distributed cost

SPS

Materials and Supplies – materials and supplies, and any associated freight, purchase loadings, and warehouse loadings.

Fully distributed cost

Joint Operating Agreement – margin sharing associated with proprietary energy trading activities.

Fully distributed cost

Miscellaneous – miscellaneous other charges, including labor and associated loadings and lease costs.

Fully distributed cost

Xcel Energy Inc.

Miscellaneous - miscellaneous other charges, including 401(k) match and a dividend on common stock.

Fully distributed cost

SERVICES PROVIDED BY AFFILIATES TO NSPMNature of TransactionsTermsXcel Energy Services Inc.

*Executive Management Services** – represents charges for executive management services, including, but not limited to, officers of Xcel Energy.

Fully distributed cost

*Investor Relations** – provides communications to investors and the financial community. Coordinates the transfer agent and shareholder record keeping functions and plans the annual shareholder meeting.

Fully distributed cost

*Internal Audit & Risk** – reviews internal controls and procedures to ensure assets are safeguarded and transactions are properly authorized and recorded. Evaluates contract risks and trading risks.

Fully distributed cost

*Legal** – provides legal services related to labor and employment law, litigation, contracts, rates and regulation, environmental matters, real estate, and other legal matters.

Fully distributed cost

*Claims Services** – provides claims services related to casualty, public, and company claims.

Fully distributed cost

*Corporate Communications** – provides corporate communications, speech writing, and coordinates media services. Provides advertising and branding development for the companies within the Xcel Energy system. Manages and tracks all charitable contributions made on behalf of the Xcel Energy system.

Fully distributed cost

*Employee Communications** – develops and distributes communications to employees.

Fully distributed cost

*Corporate Strategy & Business Development** – facilitates development of corporate strategy and prepares strategic plans, monitors corporate performance, and evaluates

Fully distributed cost

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business opportunities. Develops and facilitates process improvements.

*Government Affairs** – monitors, reviews and researches government legislation.

Fully distributed cost

*Facilities & Real Estate** – operates and maintains office buildings and service centers. Procures real estate and administers real estate leases. Administers contracts to provide security, housekeeping and maintenance services for such facilities. Procures office furniture and equipment.

Fully distributed cost

*Facilities Administrative Services** – includes but is not limited to the functions of mail delivery, duplicating, and records management.

Fully distributed cost

*Supply Chain** – includes contract negotiations, development and management of supplier relationships and acquisition of goods and services. Also includes inventory planning and forecasting, ordering, accounting, and database management. Warehousing services includes receiving, storing, issuing, shipping, returns, and distribution of material and parts.

Fully distributed cost

*Supply Chain Special Programs** – develops and implements special programs utilized across Xcel Energy such as procurement cards, travel services, and compliance with corporate MWBE (minority women business expenditures) program goals.

Fully distributed cost

*Human Resources** – establishes and administers policies related to employment, compensation, and benefits. Maintains HR computer system, the tuition reimbursement plan, and diversity program. Coordinates the bargaining strategy and labor agreements with union employees. Provides technical and professional development training and general HR support services.

Fully distributed cost

*Finance & Treasury** – coordinates activities related to securities issuances, including maintaining relationships with financial institutions, cash management, investing activities, and monitoring the capital markets. Performs financial and economic analysis.

Fully distributed cost

*Accounting, Financial Reporting & Taxes** – maintains financial books and records. Prepares financial and statistical reports, tax filings, and ensures compliance with the applicable laws and regulations. Maintains the

Fully distributed cost

Cost Assignment and Allocation Manual (CAAM)

accounting systems. Coordinates the budgeting process.

*Payment & Reporting** – processes payments to vendors and prepares statistical reports.

Fully distributed cost

*Receipts Processing** – processes payments received from customers of the operating companies and affiliates.

Fully distributed cost

*Payroll** – processes payroll including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting, and compliance reports.

Fully distributed cost

*Rates & Regulation** – determines the operating companies' regulatory strategy, revenue requirements, and rates for retail and wholesale customers. Coordinates the regulatory compliance requirements and maintains relationships with the regulatory bodies.

Fully distributed cost

*Energy Supply Engineering and Environmental** – provides engineering services to the generation business. Establishes policies and procedures for compliance with environmental laws and regulations. Researches emerging environmental issues and monitors compliance with environmental requirements. Oversees environmental cleanup projects.

Fully distributed cost

*Energy Supply Business Resources** – provides performance, specialists, and analytical services to the operating companies generation facilities.

Fully distributed cost

*Energy Markets Regulated Trading & Marketing** – provides electric trading services to the operating companies electric generation systems including load management, system optimization, and resource acquisition.

Fully distributed cost

*Energy Markets-Fuel Procurement** – purchases fuel for operating companies electric generation systems (excluding nuclear).

Fully distributed cost

*Energy Delivery Marketing** – develops new business opportunities and markets the products and services for the Delivery business unit.

Fully distributed cost

*Energy Delivery Construction, Operations & Maintenance** – constructs, maintains, and operates electric and gas delivery systems.

Fully distributed cost

*Energy Delivery Engineering/Design** – provides engineering

Fully distributed cost

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and design services in support of capacity planning, construction, operations, and materials standards.

*Marketing & Sales** – provides marketing and sales services for the operating companies and affiliates for their electric and natural gas customers including strategic planning, segment identification, business analysis, sales planning, and customer service.

Fully distributed cost

*Customer Service** – provides service activities to retail and wholesale customers. These services include meter reading, customer billing, call center, and credit and collections.

Fully distributed cost

*Aviation Services** – provides aviation and travel services to employees.

Fully distributed cost

*Fleet** – oversees the Utility subsidiaries Fleet Services business unit.

Fully distributed cost

*Business Systems** – provides basic information technology services such as: application management, voice and data network operations and management, customer support services, problem management services, security administration, and systems management. In addition, Business Systems acts as a single point of contact for delivery of all information technology services to Xcel Energy. Business Systems partner with vendors to ensure the delivery of benchmarking, continuous improvement, and leadership around strategic initiatives and key developments in the marketplace.

Fully distributed cost

** Corporate Governance activities within this service function will be allocated using the average of the revenue ratio with intercompany dividends assigned to Xcel Energy Inc., full time equivalent hours including overtime, and the total assets ratio including Xcel Energy Inc.'s per book assets.*

V. COST ASSIGNMENT AND ALLOCATION PROCESS

OVERVIEW

This section of the CAAM provides an overview of the cost assignment and allocation principles of NSPM and the accounting processes within the monthly accounting close and within the general ledger, including both system generated processes and manual processes, used to assign and allocate costs between the regulated services and the non-regulated business activities of NSPM. Each major step of the accounting process is identified in the following paragraphs and will be explained in conjunction with the process flowchart of this section. Each major step results in costs being either directly assigned or allocated to regulated services and non-regulated business activities. The result of applying these principles is that each company, utility, jurisdiction and non-regulated business activity pays the full cost for any service provided to support their respective operations.

Many of the assignment and allocation processes occur in the Service Company or are administered by Service Company personnel. As noted in the Introduction, the Service Company provides services “at cost” to the Utility subsidiaries and affiliate companies.

The processes discussed in this section are integral to the financial books and records of NSPM and are included to provide a comprehensive picture.

COST ASSIGNMENT AND ALLOCATION PRINCIPLES

NSPM applies the following cost assignment and allocation principles. The cost assignment and allocation approach is a fully distributed costing method as approved by the Commission in NSPM’s electric and gas rates cases (E002/GR-92-1185, G002/GR-92-1186 and G002/GR-97-1606) and the Commission September 28, 1994 Order in Docket G, E-999/CI-90-1008.

The hierarchical cost assignment and allocation principles are:

- I. Tariffed rate shall be used to value tariffed services provided.
- II. Costs shall be directly assigned to either regulated or non-regulated business activities whenever possible.
- III. Costs that cannot be directly assigned to either regulated or non-regulated activities or jurisdictions will be described as common costs. Common costs shall be grouped into homogeneous cost categories designed to facilitate the proper allocation of costs between regulated and non-regulated activities or jurisdictions in accordance with the following principles:
 - a. Cost causation. All activities or jurisdictions that cause the cost to be incurred shall be allocated a portion of that cost. Direct assignment of a cost is preferred to the extent that the cost can be traced to the specific activity or jurisdiction.
 - b. Variability. If the fully distributed cost study indicates a direct correlation exists between a change and the incurrence of a cost and cost causation, that cost shall be allocated based upon that relationship.

- c. Traceability. A cost may be allocated using a measure that has a logical or observable correlation to all the activities or jurisdictions that cause the cost to be incurred.
 - d. Benefit. All activities or jurisdictions that benefit from a cost shall be allocated a portion of that cost.
- IV. Residual. The residual of costs left after either direct or indirect assignment or allocation shall be allocated based upon an appropriate general allocator as defined in this CAAM.
- V. Whenever neither direct or indirect measures of cost causation can be found, the cost category shall be allocated based upon a general allocator.

A significant portion of NSPM's costs are incurred directly by NSPM. These costs are directly assigned or allocated based on the above principles to utilities, jurisdictions, and to non-regulated business activities. Utility allocations are described in Section VII and jurisdictional allocations are described in Section IX.

ACCOUNTING PROCESSES

The flowchart in this section provides a high-level overview of the major steps in the monthly accounting close process and the systems used to generate the financial books and records of NSPM. Several steps within the process have allocations imbedded within and are included to provide as much information as possible to promote an understanding of where direct assignment or allocations can occur.

Feeder Systems (Addendum A, Flowchart Item 1)

The monthly close process initially starts with the collection of accounting information from feeder systems as identified in Item 1 on the flowchart. Feeder systems gather accounting transactions on a daily, weekly or monthly basis and 'feed,' or pass, those accounting transactions to the general ledger within SAP.

SAP General Ledger System Processing (Addendum A, Flowchart Item 2)

Journal entries to record monthly transactions such as interest accruals, amortizations, cash transactions, receivables setup, etc., are entered directly into SAP using the SAP journal entry input screens. These journal entries also include the journal entries to record overheads on non-regulated business activities (see Section VII).

Once all the transactions from the processes identified above are recorded in SAP, there are multiple processing steps within SAP, including settlements and assessments. These processes affect regulated services and non-regulated business activities and are detailed separately on the following pages.

Settlements and Assessments (Addendum A, Flowchart Item 3)

All costs identified as billable are processed using the settlement and/or assessment processes of the SAP system. These processes bill transactions from the legal entity that performed the service to the legal entity that received or is responsible for the service. This process captures:

- Service Company direct and allocated billings of all its costs to affiliated interests;
- Direct billings between a utility subsidiary and an affiliated interest other than the Service Company which are often referred to as intercompany charges or billings; and
- Direct billings between business areas within a legal entity.

For example, the settlements process will settle Service Company labor to the affiliated company if the labor is a direct charge or it will send the charges to an ACC if the charge is to be allocated. The assessment process will then clear the ACC by allocating the charges using an approved method of allocation to the legal entities to which the employee is providing services along with the appropriate labor and labor-related overheads. Transactions between affiliates (excluding XES) are direct charges, as are charges from one business area to another business area (for example, charges from the Distribution Operations business area to the Energy Supply business area). After the settlements and assessment processes are completed, all costs reside on the books of the legal entity ultimately responsible for the charge in the appropriate FERC account.

Business View (Addendum A Flowchart Item 4)

The business view of the SAP general ledger provides a GAAP view of the accounting transactions necessary to prepare SEC financial statements and other GAAP financial reports as well as the information necessary for the business areas to manage the business.

FERC Account Data Prior to Utility and Non-Regulated Allocations (Addendum A Flowchart Item 5)

At the same time that the business view is available, the pre-allocated FERC view of the SAP general ledger is available. The following utility allocations and non-regulated allocations are necessary for common costs to be allocated to the gas, electric, and non-regulated businesses.

Utility Allocations and Non-regulated Allocations (Addendum A, Flowchart Item 6)

NSPM's costs are directly assigned or allocated to electric, gas, or non-regulated business activities whenever possible. When charges can't be directly assigned, they are charged as common and then allocated to the electric and gas utilities using utility allocations. Common utility costs are grouped into two categories: (1) O&M utility allocations and (2) rate base and non-O&M utility allocations. These allocations are performed monthly within the SAP system and are described in Section VII.

In addition to the costs directly assigned to the non-regulated business activities from the Service Company and within NSPM, the non-regulated business activities are charged with a labor related overhead and an allocation of corporate costs. See Section VIII for additional information related to non-regulated business activities.

All costs that can be directly assigned or allocated to the electric or gas utility operations or to the non-regulated business activities are appropriately accounted for in the books and records of NSPM before jurisdictional allocations occur. A study is performed annually, and as required for rate case filing purposes, to identify all rate base and non-O&M costs that are common among the jurisdictions of NSPM (Minnesota, North Dakota, and South Dakota). These costs are then allocated among the jurisdictions according to the allocations described in Section IX.

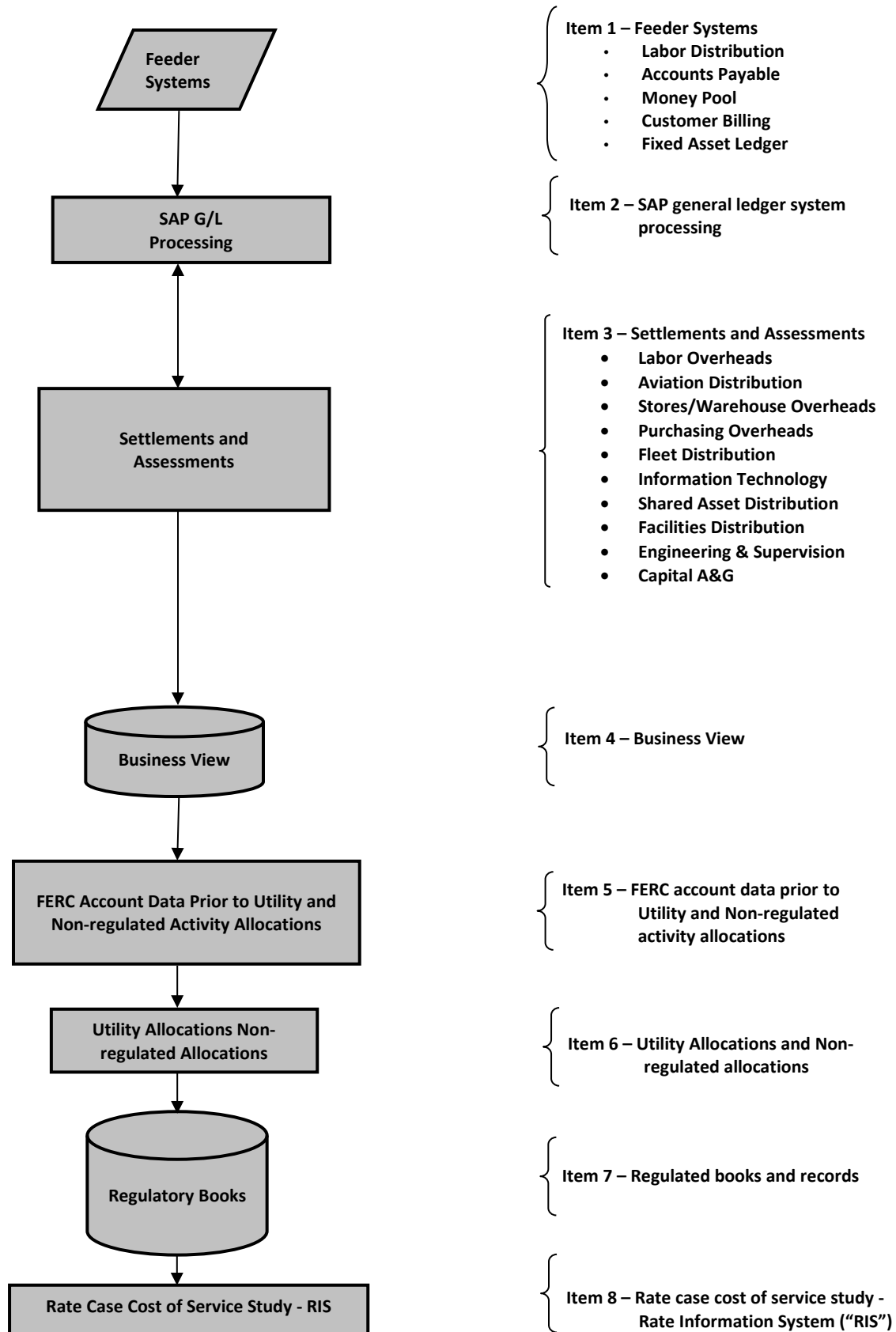
Regulatory Books and Records (Addendum A Flowchart Item 7)

After all the above processes are complete, the result is the FERC financial books and records of NSPM.

Rate Case Cost of Service Study (Addendum A Flowchart Item 8)

The FERC books and records are the starting point for the preparation of a cost of service study that will be used in a gas or electric rate case filing.

ADDENDUM A - PROCESS FLOWCHART



Feeder and Overhead System Detail

LABOR DISTRIBUTION

Description: Wages and salaries of employees engaged in work on behalf of regulated services and non-regulated activities are assigned or allocated based on positive time reporting through the labor distribution system. Positive time reporting requires each employee to report the hours worked for each day using one-tenth of an hour or greater increments, while providing for aggregation of time when appropriate. Under this method, employees' time is reported on the basis of accounting codes related to specific operating utility companies or affiliates and/or functional services.

Provider of Service: Service Company
Operating companies or affiliates

User of Service: Operating companies or affiliates, including utility operations, jurisdictions, and non-regulated activities within an operating company.

Method of Allocation: All bi-weekly and semi-monthly employees' labor expenses are recorded by company personnel on time sheets and entered into the time reporting system, which feeds into the labor distribution system. The employee submitting the time sheet is responsible for coding the internal order numbers to charge the appropriate operating companies or affiliates, business function (e.g., capital, operations, maintenance, clearing, purchasing and/or warehousing, etc.) and regulated or non-regulated operations.

Time must be completed and submitted for review and approval by certain cut-off dates established by the Payroll Department. The employee's supervisor or manager is responsible for reviewing and approving all time entries and verifying that the employee is using the correct accounting.

The labor distribution system used for bi-weekly employees includes the distribution of actual paid and accrued labor dollars/hours to the internal order number charged based on the hours worked. Accrual of payroll is to facilitate the recording of labor costs on a calendar month basis. This includes any reversal of the prior month's accrual. The charge of labor dollars for semi-monthly employees to internal order numbers is based on a distribution of the monthly salary of the employee.

LABOR OVERHEADS

Description: Employee labor overhead costs are captured in the following categories:

Benefit employees:

- Non-productive labor costs (vacation, sick, holiday, etc.)
- Pension and Insurance (401k match, retirement related consulting, active healthcare, life and LTD insurance premiums, miscellaneous benefit programs and LTD benefits for former or inactive employees before retirement, as well as the service cost portion of qualified pension, non-qualified pension and retiree healthcare)
- Benefits Non-Service (non-service cost portion of qualified pension, non-qualified pension and retiree healthcare)
- Workers compensation (FAS 112 actuarial cost and insurance premiums)
- Incentives (Incentives are a labor overhead for Service Company, PSCo, and SPS. Incentives for NSPM and NSPW are charged directly to FERC accounts 920 and 517).
- Payroll taxes (FICA, FUTA, SUTA)
- Labor and expense of the Human Resource Service Center

Non-Benefit employees:

- Payroll taxes (FICA, FUTA, SUTA)
- Workers compensation

Provider of Service: Service Company
Operating companies or affiliates

User of Service: Operating companies or affiliates, including utility operations, jurisdictions, and non-regulated activities within an operating company.

Method of Allocation: Labor overheads are allocated within a legal entity by calculating a separate loading rate for each cost category identified in the "Description" section above.

For each legal entity and each category, the costs are allocated based on a single-factor formula that is comprised of total estimated costs for the category divided by total estimated productive labor costs.

Legal entity specific rates for each category are applied to productive labor charges as appropriate for each resource type. Labor loadings applied to labor charges follow the labor charges. For example, Service Company labor overheads follow Service Company labor and NSPM labor overheads follow NSPM labor.

AVIATION DISTRIBUTION

Description:	The Aviation Services department in the Service Company is responsible for managing and operating the two corporate leased aircraft used by the Xcel Energy. Costs include: pilot salaries including labor overheads, O&M costs, lease costs, and A&G costs associated with managing the Aviation Services department.
Provider of Service:	Service Company
User of Service:	Service Company, operating companies or affiliates, including utility operations, jurisdictions, and non-regulated activities within an operating company.
Method of Allocation:	Aviation costs are allocated using the average of the Revenue Ratio with intercompany dividends assigned to Xcel Energy Inc., Full Time Equivalent Hours Including Overtime, and the Total Assets Ratio including Xcel Energy Inc.'s per book assets. Any spousal use of the aircraft must be approved and is billed to Xcel Energy Inc.

STORES/WAREHOUSE OVERHEAD

Description:	Inventory warehousing costs, including labor, supervision, materials and supplies are allocated through pools to the business areas as an overhead on materials and supplies as materials and supplies are issued from/returned to a storeroom or warehouse.
Provider of Service:	Service Company Operating companies
User of Service:	Operating companies or affiliates, including utility operations, jurisdictions, and non-regulated activities within an operating company.
Method of Allocation:	<p>The overhead costs for inventory items as noted above and associated adjustments are accumulated within the Supply Chain warehouse ACC's. These accumulated overhead costs are allocated to material issuances/returns from the storeroom.</p> <p>Costs are collected in ACC's on the Service Company and Operating Companies; then cleared using a warehouse overhead loading based on a costing sheet, cost element and AP document type criterion.</p>

PURCHASING OVERHEAD

Description:	The Supply Chain organization in the Service Company has the responsibility for distributing the corporate purchasing and contract services costs to the functional area(s) of the operating companies or affiliates along with the cost of the materials and supplies ordered. Purchasing costs are made up of activities such as developing requisitions, contracts and purchase orders to procure materials and services and manage supplier relationships, negotiating complex procurement agreements/contracts for strategic supplier partnerships and service contracts, monitoring supplier performance, and managing purchase records, supplier qualification records, supplier diversity program, and support, maintenance, and performance monitoring of key applications and metrics used throughout the purchasing process.
Provider of Service:	Service Company Operating companies
User of Service:	Service Company, operating companies and affiliates, including utility operations, jurisdictions, and non-regulated business activities within an operating company.
Method of Allocation:	Costs are collected in ACC's on the Service Company and the operating companies and cleared using an overhead loading based on costing sheet, cost element, and AP document type criterion.

FLEET DISTRIBUTION

Description:	<p>The Fleet Services department in the Service Company is responsible for managing the fleet assets owned by the operating companies. Fleet assets are vehicle units that are organized into fleet work centers, which group together vehicles similar in nature for a specific business function within an Operating Company. .</p> <p>The SAP Work Manager records the utilization of our fleet assets and allocates the cost to the business areas of operating companies and affiliates for the costs of using vehicles or associated equipment using fleet activity rates based on work centers.</p> <p>Fleet costs included in the calculation of the monthly billing rate include: licensing taxes and fees, lease costs, material and labor costs for maintenance and repair, fuel, labor loadings, and overhead for overall management of the Fleet Services department that includes labor, facilities, insurance, utilities, computers, phones, and office supplies.</p>
Provider of Service:	Service Company Operating companies
User of Service:	Service Company, operating companies or affiliates, including utility operations, jurisdictions and non-regulated business activities within an operating company.
Method of Allocation:	Costs are collected in ACC's on the Service Company and operating companies which are cleared using an overhead fleet rate based on the weighted vehicle type to the respective business area.

INFORMATION TECHNOLOGY

Description: The Business Systems organization in the Service Company is responsible for managing the corporate IT assets and services of Xcel Energy. Business Systems bills out O&M and capital costs related to Xcel Energy's corporate IT equipment and services incurred internally, as well as costs incurred through third party vendors. Costs include system O&M, desktop services, phone service, servers, infrastructure costs, software, software licensing, system design and implementation, labor and labor overheads, etc.

Provider of Service: Service Company

User of Service: Service Company, operating companies, or affiliates, including utility operations, jurisdictions and non-regulated activities within an operating company.

Method of Allocation: IT costs are charged through several different methods.

Costs are charged directly to the operating companies, affiliates, jurisdictions or non-regulated activities on the invoice, timesheet, expense report or other source document to the company(ies) benefiting from the service whenever possible.

If costs cannot be charged directly to an operating company, affiliate, jurisdiction or non-regulated activity, the costs are charged to the appropriate Service Company indirect ACC that will assign the costs using a cost causative method to the companies benefiting from the system, application, or service.

For costs that can be identified as benefiting a particular service function, those services would be charged to a Service Company indirect ACC using the approved allocation factor for that business area.

If an indirect ACC cannot be identified that would assign costs in a cost causative method, a new indirect ACC will be created. However, if the project will be in-serviced within one year and if O&M costs will be less than \$250,000 in total for the project, an internal order will be used to assign costs using a cost causative method to the companies benefiting from the system, application, or service.

ACCOUNTS PAYABLE

Description: The Payment and Reporting Department (Accounts Payable), in the Service Company, processes several types of documents for payment on behalf of the operating companies and affiliates. Accounts Payable uses SAP to process invoice payments associated with purchase orders, contracts, requests for payment (non-purchase orders, non-contract invoices) and employee payments, including per diem charges, suggestion system award payments and employee expense reimbursements.

The charges for goods, materials and services, which post directly to the general ledger of each operating company and affiliate, differ for each type of document.

Provider of Service: Service Company

User of Service: Service Company, operating companies and affiliates, including utility operations, jurisdictions, and non-regulated activities within an operating company.

Method of Allocation: Within each operating company and affiliate, charges are directly assigned whenever possible. Charges may be distributed to multiple business functions or business areas based on the accounting code(s) on each document. If necessary, costs may be allocated using any surrogate measure that has a logical or observable correlation to the charges in the quantities sold, the services that caused the cost to be incurred or that benefited from the cost. The following are examples of some of the logical or observable correlations used to allocate costs contained on Accounts Payable documents:

- Quantity (units, count, etc.)
- Measurement or size (length, space, columnar inch, etc.)
- Volume (barrels, gallons, liters, etc.)
- Weight (ounce, pound, ton, etc.)
- Hours (hours of professional or contract services)
- Labor dollars (charge is in the same proportion as the labor hours of the department)
- Number of customers, meters, employees, etc.
- Revenue dollars
- Plant in service
- Square footage

SHARED ASSETS DISTRIBUTION

Description:	Shared assets are defined as capitalized assets that are owned by one legal entity but are used for the benefit of multiple entities. This would include land structures and improvements, office furniture and equipment, computer and communication equipment, and some software systems that are used by employees in the performance of their jobs.
Provider of Service:	Operating companies or affiliates
User of Service:	Service Company, operating companies and affiliates
Method of Allocation:	All allocations are billed through the Service Company and charged to a Service Company internal order that will assign the costs using a cost causative method to the companies benefiting shared assets. For IT related assets, the costs will be charged to the system application or service internal order. For facility assets, the costs will be charged to the respective Service Company facilities ACC that will assign the costs following employee labor.

FACILITIES DISTRIBUTION

Description:	<p>Facilities costs are assigned or allocated to the functional areas of operating companies and other affiliates who benefit from the use of the facilities. Depending on whether a building is used by one utility company or is a “shared” building, i.e., building used by employees of more than one operating company or affiliate, facility costs may include:</p> <p>Single-utility facility: The administrative property services labor and non-labor costs, utility expenses, maintenance costs for structures and systems, pro-rated share of property taxes (for owned buildings), and the rent and occupancy expenses (for leased buildings).</p> <p>Shared facility: Administrative property services labor and non-labor costs, utilities expenses, and the maintenance costs for structures and systems are captured. If the building is leased, the rent is included. If the building is owned, the carrying costs of the shared assets, such as the depreciation and a return on rate base, are included in the facilities’ cost.</p> <p>The Property Services department is responsible for the owned and leased facility.</p>
Provider of Service:	Service Company or operating companies
User of Service:	Service Company, operating companies, and affiliates
Method of Allocation:	<p>Costs for a single-utility facility are accumulated in the ACC of the company benefitting from the use of the building and are then allocated to functional FERC rent accounts based on the most recent quarter’s labor charges.</p> <p>Costs related to a shared facility, i.e., buildings used by employees of more than one operating company or affiliate, are first accumulated in ACC’s specific to the shared facility and then distributed to each operating company and affiliate based upon the most recent quarter’s labor for the specific employees located in each facility. Once costs are assigned to the appropriate company, they are then allocated to the functional FERC rent accounts based on the most recent quarter’s labor charges.</p>

MONEY POOL

Description: Through the Utility Money Pool (“UMP”), temporary surplus funds of Xcel Energy are available for short-term loans to other operating companies with cash needs.

Provider of Service: Service Company

User of Service: PSCo, NSPM, SPS

Method of Allocation: An operating company can borrow from, and make loans to, the UMP, which is administered at cost by the Service Company. In addition, the holding company can deposit surplus funds into the UMP but cannot borrow from the UMP. Interest income or expense is charged or credited, as appropriate, to the UMP participants.

All charges are directly billed from the Service Company to the appropriate operating company.

NSPM petitioned for and received approval on the use of a UMP in Docket No. AI-04-100.

CUSTOMER BILLING

Description:	NSPM bills customers for electric, gas, propane, and miscellaneous non-regulated activities through the customer billing system.
Provider of Service:	Operating companies
User of Service:	Operating companies, including utility operations, jurisdictions, and non-regulated activities.
Method of Allocation:	<p>Costs related to customer billing are direct charged to specific operating companies whenever possible.</p> <p>When costs cannot be directly assigned to a specific operating company, they are allocated based on the number of customers.</p> <p>Non-regulated activities that use the customer billing system are allocated a customer accounting overhead based on revenue dollars. See Section VII.</p>

ENGINEERING AND SUPERVISION (“E&S”) OVERHEAD

Description: E&S costs are capitalized as construction overheads. E&S overheads are applied where it is not practical to direct charge the pay and expense of the engineers, surveyors, draftsmen, inspectors, first line management, and their assistants to construction. NSPM uses the E&S overhead allocation to charge these expenses to capital projects.

Provider of Service: Operating companies and Service Company

User of Service: Operating companies.

Method of Allocation: Costs related to E&S are gathered in an ACC separately by functional class and utility (production, transmission, and distribution). The ACC’s are fully allocated on a monthly basis to clear the balances to zero. These costs are sent to the fixed asset ledger and then are allocated to each eligible capital internal order based on current month charges and the calculated rate.

The fixed asset ledger tracks all capital projects and work order expenditures for Xcel Energy on a life-to-date basis. Once expenditures are recorded on the books of the appropriate legal entity, the fixed asset ledger system generates the overhead allocations, and if appropriate, AFUDC, which are then applied to the individual internal orders. In addition, the fixed asset ledger calculates monthly depreciation by legal entity and handles the transfer of work orders from FERC account 107, Construction Work in Progress; to FERC account 106, Completed Construction-Not Unitized; to FERC account 101, Utility Plant in Service. The transfer of non-utility costs is within FERC account 121, Non-Utility Property using sub accounts.

CAPITAL A&G

Description:	A&G costs are capitalized as construction overheads. The overhead relates to all the personnel in the administrative office that work on construction to assure its continued operation but are not direct to any one project. A prime example is the payroll analyst whose responsibility it is to assure the construction labor receives its payroll checks. Because it is inefficient for these employees to direct charge all the work orders an overhead process is used to facilitate charging the capital work orders.
Provider of Service:	Operating companies and Service Company
User of Service:	Operating companies.
Method of Allocation:	Each operating company performs an A&G study every other year to review the time employees in certain administrative departments spend on capital work. A percent of payroll for these employees, based on the A&G study results is charged to an overhead allocating cost center, one-twelfth each month. The overhead cost center is allocated to each work order based on current month charges.

VI. UTILITY ALLOCATIONS

OVERVIEW

NSPM's costs are directly assigned or allocated to electric, gas, or non-regulated activities whenever possible or charged as common and then allocated to the electric and gas utilities using utility allocations. Common utility costs are grouped into two categories: (1) O&M utility allocations and (2) rate base and non-O&M utility allocations. The O&M utility allocations are processed monthly within SAP and are explained below. The common rate base and non-O&M utility allocations are completed as part of an annual study and for rate case filing purposes which are explained below.

O&M UTILITY ALLOCATIONS

Introduction

Common O&M utility allocations are applied to common costs that are recorded in A&G (FERC accounts 920-935), customer accounting, and customer information and sales (FERC accounts 901-917). Table A in this section lists the NSPM allocation methodology applied to each FERC account or range of FERC accounts.

Methodology

NSPM uses the following methods to allocate common O&M costs. These methods were developed to achieve the most cost causative relationship that each FERC account or range of FERC accounts has with electric and gas utility operations. The allocators used are as follows:

Customer Allocator

The customer allocator is used to allocate common utility costs in FERC accounts 901-903, and the non-commodity bad debt portion of FERC 904 and 905-917 among electric and gas operations. The allocation is based on the customer bill counts for the electric and gas utilities. The allocator used in the current year is developed based on the previous years' actual customer bill count.

Revenue Allocator

The revenue allocator is used to allocate common utility costs for commodity bad debt, recorded in FERC account 904, among electric and gas operations. The allocation is based on a rolling four-year average of actual electric and gas revenues. The allocator in the current year is developed based on the four previous years' actual operating revenues from the corporate income statement.

Three-Factor Allocator

The three-factor allocator is used to allocate common utility costs in FERC account ranges 920-924 and 927-935 among electric and gas utilities. The allocation is based on the weighted average of operating revenue, plant in service, and supervised O&M. The allocator used in the current year is developed based on the previous years' actual operating revenue, plant in service and supervised O&M.

Labor Allocator

The labor allocator is used to allocate common utility costs in FERC accounts 925-926 to the electric and gas departments. The allocation is based on operating labor for the electric and gas utilities. The allocator used in the current year is developed based on the previous years' actual operating labor.

RATE BASE AND NON-O&M UTILITY ALLOCATIONS

Introduction

A study is performed annually, and for rate case filing purposes, to identify all rate base and non-O&M costs that are common among the utility operations of NSPM in order to allocate them to the electric and gas utilities.

Methodology

NSPM uses the following methodology to allocate common rate base and non-O&M costs. These allocation factors were developed to achieve the most cost causative methodology based on the pool of costs being allocated. Table B in this section lists the methodology applied to specific pools of costs. The allocators used are as follows:

Three-Factor Allocator

The allocation is based on the weighted average of operating revenue, plant in service, and supervised O&M. The allocator used in the current year is developed based on the previous years' actual operating revenue, plant in service and supervised O&M.

Computer Software Study

A composite allocator is used to allocate common computer software rate base (plant) and non-O&M (plant related) costs among electric and gas utilities. Software assets and related costs are presented in a cost of service study using a single amount. A study of all computer software is done to determine how each individual software asset that is part of the single amount should be allocated. All individual allocations are summarized to create a single composite allocation that is then applied to the summarized computer software plant and plant related costs.

Transportation Study

Individual allocators are used to allocate common transportation rate base (plant) and non-O&M (plant related) costs among electric and gas utilities. Transportation assets are reviewed to determine where vehicles are used and allocation factors are developed.

Table A – O&M Utility Allocations

FERC Account	Allocation Method	Basis for Allocation Selection
901-917 (excluding commodity bad debt in FERC 904)	Customer Allocator	Customer bill counts are a reasonable methodology to use to allocate common customer accounting and customer information and sales costs recorded in FERC accounts 901-917 because these costs are customer related costs, e.g., credit and collection, customer accounting, bad debt, etc.
904 (commodity bad debt portion)	Revenue Allocator	A revenue allocator is a reasonable methodology to allocate commodity bad debt because these costs have a cost-causative relationship to uncollectible utility revenues.
920-924	Three-factor Allocator	A three-factor allocation is reasonable because there is no single allocator that could provide a cost-causative link. A three-factor allocator that measures three distinct aspects of the Company and results in an overall fair assignment of costs to the electric and gas utilities is used and is based on equally weighting operating revenue, plant in service and supervised O&M.
925-926	Labor Allocator	A labor allocation is reasonable because the costs recorded in these accounts are injuries and damages and pension and benefit costs. These costs have a cost-causative relationship with labor.
927-935	Three-factor Allocator	A three-factor allocation is reasonable because there is no single allocator that could provide a cost causative link. A three-factor allocator that measures three distinct aspects of the Company and results in an overall fair assignment of costs to the electric and gas utilities is used and is based on equally weighting operating revenue, plant in service and supervised O&M.

Table B – Rate Base and Non-O&M Utility Allocations

Utility	Functional Class	Pool of Costs	Allocation Methodology
Electric			Direct Assignment
Gas			Direct Assignment
Common	26/Common Intangible Plant	Computer Software	Computer Software Study
Common	31/Common General Plant	General Furniture & Equipment	Three-Factor Allocation
Common	31/Common General Plant	Electric Distribution – Mass – MN	Direct Assignment to Electric
Common	31/Common General Plant	Electric Distribution – ND	Direct Assignment to Electric
Common	31/Common General Plant	Electric Distribution – MN	Direct Assignment to Electric
Common	31/Common General Plant	Electric Distribution Vaults	Direct Assignment to Electric
Common	31/Common General Plant	Allen S King Plant	Direct Assignment to Electric
Common	31/Common General Plant	Electric Transmission Line – MN	Direct Assignment to Electric
Common	31/Common General Plant	Electric Transmission Substation – MN	Direct Assignment to Electric
Common	31/Common General Plant	Gas Distribution – MN	Direct Assignment to Gas
Common	31/Common General Plant	General Tools and Other Equipment	Three-Factor Allocation
Common	31/Common General Plant	Office, Service & Other Bldgs – MN	Three-Factor Allocation
Common	31/Common General Plant	Office, Service & Other Bldgs – ND	Three-Factor Allocation
Common	31/Common General Plant	Office, Service & Other Bldgs – SD	Three-Factor Allocation
Common	31/Common General Plant	Software – Minnesota	Three-Factor Allocation
Common	31/Common General Plant	Transportation Equipment – MN	Transportation Study
Common	31/Common General Plant	Transportation Equipment – MN	Transportation Study
Common	31/Common General Plant	Transportation Equipment – SD	Transportation Study
Common	31/Common General Plant	Prairie Island	Direct Assignment to Electric
Common	31/Common General Plant	Inver Hills – Prod Other	Direct Assignment to Electric
Common	31/Common General Plant	Big Oaks Rec Area	Three-Factor Allocation
Common	31/Common General Plant	Black Dog	Direct Assignment to Electric
Common	31/Common General Plant	High Bridge	Direct Assignment to Electric
Common	31/Common General Plant	Riverside	Direct Assignment to Electric
Common	31/Common General Plant	Sherco	Direct Assignment to Electric
Common	31/Common General Plant	Gas Prod – Wescott – MN	Direct Assignment to Gas
Common	31/Common General Plant	General Tools and Other Equipment	Three-Factor Allocation
Common	31/Common General Plant	General Plant – MN	Three-Factor Allocation
Common	31/Common General Plant	General Plant – SD	Three-Factor Allocation
Common	31/Common General Plant	General Plant – ND	Three-Factor Allocation

VII. NON-REGULATED ACTIVITY ALLOCATIONS

INTRODUCTION

The purpose of this section is to detail the methods of assigning and allocating costs between the regulated services and the non-regulated activities of NSPM.

NSPM follows the same approach for all types of costs for its fully distributed costing method. As discussed earlier in the CAAM, NSPM's method was approved by the Commission in its electric and gas rate cases (E002-GR-92-1185, G002-GR-92-1186 and G002/GR-97-1606) and the Commission's September 28, 1994 Order in Docket No. G,E-999/CI-90-1008.

The Commission established the following hierarchical cost assignment and allocation principles in Docket No. G,E-999/CI-90- 1008:

1. Tariffed rate shall be used to value tariffed services provided to non-regulated activities.
2. Costs shall be directly assigned to either regulated or non-regulated activities whenever possible.
3. Costs that cannot be directly assigned are common costs, which shall be grouped into homogenous cost categories. Each cost category shall be allocated based on direct analysis of the origin of the costs whenever possible. If direct analysis is not possible, common costs shall be allocated based upon an indirect cost causation.
4. Whenever neither direct or indirect measures of cost causation can be found, the cost category shall be allocated based upon a general allocator.

This process accomplishes the proper separation of costs between NSPM's regulated utility business and non-regulated activities. Each activity that could be considered as being outside of NSPM's electric and gas business is reviewed for regulated/non-regulated treatment. If the activity is approved to be treated as a non-regulated operation, the non-regulated cost allocation process is followed.

There are limited situations where an activity that would be in the public interest could not be pursued if a fully distributed costing approach was followed. In such circumstances, NSPM has filed, and will continue to file, any deviation from a fully distributed costing process on a project-specific basis. Any existing exceptions have been filed and approved by the Commission.

Evaluation Process

NSPM's approach to fully distributed costing includes the following steps of analysis: business profile, direct charging, labor overheads, cost causation allocation, labor related overhead, and corporate residual allocation. Non-NSPM affiliates are charged a working capital fee as discussed in Section IV.

Business Profile

The allocation process begins by reviewing each non-regulated activity for the services NSPM's utility business will be providing to the non-regulated activity.

Direct Charging (Addresses Principle #2)

Cross charges between NSPM service providers and non-regulated activities are reviewed with the business. Any process, project, or service performed for the direct benefit of a non-regulated activity is directly charged to the non-regulated activity. The business area providing service to the non-regulated activity communicates the anticipated level of service and how much the service will cost.

Labor charges are directly assigned to the non-regulated activity within the budgeting process, generally based on historical charges and taking into consideration known changes. The non-labor charges are directly charged. This process enables charging for all service that will be provided.

Cost Causation Allocations (Addresses Principle #3)

If no direct charge has been established for a service expected to be provided, a cost causation allocation is developed. Direct charging is preferred. However, if a service is expected to be provided and was not budgeted as a direct charge, an estimate of the cost of the service is made and allocated to the non-regulated business. An example of this would be, when a service is being provided, but it is at such a minimal level that it would be very difficult or cost prohibitive to charge on a direct basis.

Overhead Costs (Addresses Principle #4)

The overhead allocation factors capture indirect costs associated with providing services to non-regulated activities.

NSPM currently uses a labor overhead rate developed by reviewing the expenses incurred in support of employee related activities (such as employee programs, employee relations, training, employment, compensation and benefits program development costs, diversity, safety), office equipment needs, and supervision of the service provider. The labor overhead is applied to fully loaded labor. The labor related overhead is applied to non-regulated services wholly contained within NSPM and affiliate or third party transactions.

For non-regulated services wholly contained within NSPM, a portion of NSPM's corporation costs are allocated based on a two-factor formula that takes into consideration the relative size of the non-regulated business by using number of employees and revenues.

Working Capital Fee (Addresses Principle #3)

The working capital fee is applied to non-NSPM affiliates. The fee is based on the current Prime Rate and is reviewed and updated quarterly. This fee is to compensate the regulated business for the cost of working capital used by affiliates.

VIII. JURISDICTIONAL ALLOCATIONS

INTRODUCTION

NSPM's methods for assigning and allocating common O&M costs, plant and plant related, and other rate base investment to jurisdictions is intended to distribute costs in a manner that most closely reflects the benefit received from the expenditure. Accurately stating the assigned and allocated costs of the Company, as they relate to causation of the costs, is a fundamental part of creating a fair distribution of those costs to jurisdiction.

NSPM uses three methods to assign and allocate O&M expense, plant and plant related, and other rate base investment to jurisdiction:

1. direct assignment based on FERC account and location,
2. allocate based on cost causation, and
3. allocate based on a default allocator.

Determination of the assignment and allocation of costs to jurisdiction is an annual process designed to identify the jurisdiction(s) that receive the benefit from the cost or investment. During the review, the three methods stated above are used to ensure that the appropriate jurisdiction(s) is assigned or allocated the cost. It is NSPM's primary goal to direct assign or allocate based on cost causation as often as possible, and allocate based on a default as little as possible.

The first step in assigning costs and investments to a jurisdiction is to identify all costs that can be directly assigned to a jurisdiction (Minnesota, North Dakota or South Dakota), based on the location where work is being performed. For O&M expense, the SAP general ledger account has a location indicator (Profit Center) and a FERC account number associated with it and these are used to determine the appropriate jurisdiction(s) for assigning costs. The individual business areas determine and maintain the appropriate values for these codes based on the type of work being performed and which customers benefit from it. For plant investment data, the PowerPlan system's functional class ID, state code and the function that it is serving are used to determine the appropriate jurisdictions to assign costs for plant, plant related and other rate base costs.

Direct Assignment Based on FERC Account and Location

The first method NSPM uses is to direct assign costs whenever possible. For example, the distribution portion of an electric substation (that which is assigned to a distribution FERC account function) and is located in the Twin Cities metro area can be directly assigned to the Minnesota jurisdiction based on location as it directly serves only customers in Minnesota. In addition, all gas transmission and distribution property are directly assigned to the jurisdiction based on where the property is located as defined within the PowerPlan system. The Capital Asset Accounting organization maintains the capitalized property data.

An O&M example of direct assignment (expense) would be either electric or gas special meter reading done in the Twin Cities metro area (assigned to a distribution FERC account). The meters read are for customers in the State of Minnesota; therefore, the related costs are directly assigned to the Minnesota jurisdiction.

All regulatory expenses specific to a jurisdiction are directly assigned to that jurisdiction. For example, indirect assessments charged to NSPM, from the Minnesota Department of Commerce and the Commission, are directly assigned to the Minnesota jurisdiction.

Allocation Based on Cost Causal Relationship

The second method NSPM uses identifies all investments and costs that can be assigned to jurisdiction based on a causal relationship, and allocates these costs using the most cost causal allocation method. Examples of electric and gas analyses are as follows:

Electric

NSPM operates an integrated electric transmission system that transports electricity to NSPM's distribution system that in turn, supplies electricity to all of NSPM's customers. The transmission system is built to meet the demand created by serving its customers and, therefore, NSPM uses a coincident peak transmission demand taken from twelve consecutive months that constitute a calendar year method, to allocate transmission investment to all of its jurisdictions. All of the expense and plant investment, assigned to transmission function, exists to support NSPM's infrastructure, is fixed in nature and is assigned to jurisdiction based on transmission demand.

The cost causation allocators used for electric production expense or plant investment is a twelve-month coincident peak demand or energy, depending on the type of expense or plant investment. If the expense is variable in nature, energy is used to make the assignment to jurisdiction. If it is determined that the expense or plant investment exists to support NSPM's infrastructure and is fixed in nature, the demand allocator is used to make the assignment to jurisdiction.

Gas

From a supply standpoint, for example, NSPM operates its gas distribution system as a single unit. NSPM purchases natural gas, pipeline delivery capacity, and transmission of gas purchased to meet its customers' requirements on a system-wide basis. In addition, NSPM also operates propane-air (LPG) peak shaving facilities and liquefied natural gas (LNG) peaking facilities to meet firm demand in excess of natural gas daily pipeline entitlement for the benefit of the entire NSPM system. Because these types of costs support the entire operating company system, it is not possible to direct assign them to a specific jurisdiction. For this example, the O&M production and storage functions are allocated to jurisdiction based on the type of expense within the FERC account number. The transmission function is allocated based on the gas load dispatch allocator that is a combination of the design day firm demand allocator and total annual throughput. For plant investment, all production and storage facilities are allocated based on the gas design day allocator related to the design day firm demand.

Electric & Gas

Cost and investment in support of NSPM's distribution, customer accounting, and customer information & sales are more easily identified by state based on the location or where the work is being performed, or they can be allocated to jurisdiction using customers as a basis. In cases where services are provided and serve all regional customers, a regional allocator is developed which reflects the number of customers served in Minnesota and North Dakota or Minnesota and South Dakota, depending on the region. This represents a causal relationship between costs incurred in those regions and the assignment of costs to jurisdiction. Locating services performed in the Fargo area is an example of these types of costs. Locating services are performed for customers on both sides of the Minnesota/North Dakota border and are, therefore allocated to jurisdiction based on the number of year-end average customers in the North Dakota Region, which includes Fargo, Moorhead, Grand Forks, East Grand Forks and Minot.

Allocation Based on a Default Allocator

Allocation of common and general investment or A&G expense: costs and investment that cannot be assigned to jurisdiction using either direct assignment or allocation based on cost causation as described above are allocated to jurisdiction using a default allocator.

Common and General Plant Investment

The default allocator for electric plant investment is determined by the function that it serves. Common and general plant that serves production uses a twelve-month coincident peak demand allocator to allocate costs to jurisdiction. Plant serving transmission uses a twelve-month coincident peak transmission demand allocator to allocate costs to jurisdiction. For plant serving distribution, the number of year-end average customers is used to allocate costs to jurisdiction.

For Gas plant a default allocator is also determined by the function that it serves. For general and common plant, a year-end average customer allocator is used as the default. If the investment function has been determined to be gas production related, then the default jurisdictional allocator used in the production allocator is gas design day.

Administrative and General Expenses

When assigning or allocating A&G expenses to jurisdiction, a cost causative allocator is used if a functional relationship is easily established. In other instances, Electric A&G costs are allocated to jurisdiction using an equally weighted two-factor allocator based on electric plant in service and electric O&M expense (excluding A&G). The two factor allocator is developed by first calculating a three part historical ratio of plant investment directly serving production, transmission or distribution and a three part historical ratio of O&M expenses assigned to FERC accounts that are either production, transmission or directly serve customers (distribution, customer accounting, customer information or sales). These two ratios are then averaged to develop an equally weighted production, transmission and distribution ratio. This resulting three part ratio is then multiplied times the jurisdictional O&M default allocation ratios. The electric production portion is allocated to jurisdiction using a twelve-month coincident peak demand allocator; the transmission portion using the transmission demand allocator; and the customer portion is allocated using twelve-month end-of-year customers. The final step is to add the three sets of jurisdictional ratios together to form the two factor jurisdictional allocator used to allocate electric A&G costs supporting corporate functions.

Gas A&G expenses are allocated to jurisdiction using the appropriate customer allocation as a default allocator, based on the SAP account location indicator (profit center).

A more detailed description of each allocation type and method of allocation, including examples of why the allocation was chosen to assign costs to jurisdiction is included below. Table C in this section lists the methodology applied to specific pools of costs.

ALLOCATION METHODS

GAS & ELECTRIC

Allocation: Direct Assigned

This allocation type is used to assign all expenses that are determined to be directly assignable to a jurisdiction (Minnesota, North Dakota, and South Dakota).

Allocation: Direct Assigned: State of Minnesota

This allocation type is used for all expenses that are determined to be for the direct benefit or in direct support of the Minnesota jurisdiction. The types of costs direct assigned include: direct and indirect assessments related to one of Minnesota's regulatory bodies, legal department expense budgeted in support of Minnesota, economic development activities in the state of Minnesota, facilities expenses in support of the distribution business unit in the state of Minnesota, delivery system operation and maintenance costs in the Twin Cities metro area, Northwest and Southeast regions and automated energy system (AES) expenses.

Allocation: Direct Assigned: State of North Dakota

This allocation type is used for all expenses that are determined to be for the direct benefit or in direct support of the state of North Dakota jurisdiction. The types of costs direct assigned include: regulatory development activities based out of the North Dakota regional offices, direct and indirect assessments related to the North Dakota regulatory bodies, legal department expenses budgeted in support of North Dakota, economic development activities performed directly for North Dakota and work performed in the Minot area for the sole benefit of North Dakota customers.

Allocation: Direct Assigned: State of South Dakota

This allocation type is used for all expenses that are determined to be for the direct benefit or in direct support of the state of South Dakota jurisdiction. The types of costs direct assigned include: direct and indirect assessments related to the South Dakota regulatory bodies, legal department expenses budgeted in support of South Dakota, economic development activities performed directly for South Dakota.

Allocation: Customers - Year-End Average - (Electric or Gas)

This allocation type is used to assign expenses where there is a cost causative relationship between the number of electric and gas utility NSP customers in a particular area and the service provided. This allocator is based on year-end average customer by utility.

Allocation: Customers Year-End Average Minnesota Co. MN/ND/SD

This allocation type is used to assign costs to all of Minnesota Company's jurisdictions (Minnesota, North Dakota, and South Dakota) when the work performed benefits all of the company's customers equally. This is the default allocator that is used for the electric and gas distribution, customer accounting, customer information, sales, and A&G FERC accounts.

This is also the gas utility A&G corporate function default allocator type.

Allocation: Customers Year End Average Minnesota/North Dakota

This allocation type is used to assign costs to both the North Dakota and Minnesota jurisdictions based on customers in the entire North Dakota region. This includes customers in Fargo, Moorhead, Grand Forks, East Grand Forks and Minot service areas. This method is the default allocator for O&M expenses associated with general ledger accounts where the SAP profit center designates support for Minnesota/North Dakota.

Allocation: Customers Year End Average Minnesota/South Dakota

This allocation type is used to assign costs to both the South Dakota and Minnesota jurisdictions based on customers in the entire South Dakota region. This method is the default allocator for O&M expenses associated with general ledger accounts where the SAP profit center designates support for Minnesota/South Dakota.

Allocation: Study Jurisdictional Budget Transmission

This allocation is used for all budgeted plant investment that is determined to be for the direct benefit or in direct support of transmission. It is a historical allocator based on the plant investment that has been direct assigned to jurisdiction based on its state location.

Allocation: Study Jurisdictional Budget Distribution

This allocation is used for all budgeted plant investment that is determined to be for the direct benefit or in direct support of Distribution. It is a historical allocator based on the plant investment that has been direct assigned to jurisdiction based on its state location.

ELECTRIC UTILITY ONLY

Allocation: Energy

Fuel and fuel-related items are assigned to jurisdiction based on the energy allocator because of the direct correlation of customer sales and the level of fuel consumed. These items include all fuel, purchased energy, interchange agreement energy, and variable production expenses.

Allocation: Demand Prod (Coincident Peak)

The 12 coincident peak (CP) demand production allocator is used to assign fixed capacity related expenses, plant, and plant related items to jurisdiction. Other expenses allocated to jurisdiction based on demand include: fixed production expenses, purchased power demand expense, interchange agreement demand charges and regulatory expenses not directly related to one of NSPM's jurisdictions. Also, any A&G costs that are directly in support of production are allocated using this method.

Allocation: Demand Tran (Coincident Peak)

The 12 CP demand transmission allocator is used to assign transmission FERC Accounts in support of NSPM's jurisdictions. Also, any A&G costs that are directly in support of transmission are allocated using this method.

Allocation: Two-Factor Allocator (A&G Only)

Expressed as an equally weighted factor based on electric plant in service and electric O&M expense (excluding A&G); the two-factor allocator is used to allocate electric A&G costs when there is not a direct or cost causative method available. Generally, all corporate electric A&G costs are allocated using this method.

GAS UTILITY ONLY

Allocation: Retail Revenues Cost of Gas Recovery - Demand, Commodity and Purchased Gas Adjustment True-up Study

Retail revenues include components for the recovery of costs associated with product and delivery of product to the service area. Such costs include capacity or entitlement costs, pipeline transportation costs, commodity costs and costs of alternative gas (LPG or LNG) supplied during times of firm peak demand. Regulations provide for the automatic adjustment of billing rates for price changes and the annual true up of the cost of gas incurred. Demand, commodity, and purchased gas adjustment are components of the retail revenues cost of gas recovery study. The portion of total NSPM cost of gas included in retail revenues that the Minnesota jurisdiction represents is also applied to total Minnesota company cost of gas expense accounts to achieve revenue neutrality for revenue requirements consideration.

Allocation: Design Demand Day

Expressed as a percentage, design demand day is the ratio of the Minnesota jurisdiction firm peak demand volume to the total NSPM firm peak demand volume that could occur on the distribution system on a day considered to be the most severe weather conditions that can be experienced.

Allocation: Load Dispatch

Expressed as a percentage, load dispatch is a combination of the Minnesota jurisdiction design demand day and the Minnesota jurisdiction total retail sales and transportation throughput each weighted equally.

Allocation: Limited Firm and Standby Services Study

Expressed as a percentage, limited firm and standby services, in revenues, is the ratio of Minnesota jurisdiction availability charges and volumetric charges to the total NSPM system; in costs, it is the ratio of Minnesota jurisdiction volumetric product costs to the total NSPM program product costs.

Cost Assignment and Allocation Manual (CAAM)

Selection Criteria *							
Sub-Business Unit	Plant Function	Functional Class ID / Description	Location	Functional Use	Utility	Jurisdiction	Allocation Methodology
Budget							
Electric Transmission	Common & General	29 / Electric General Plant			Electric	MN/ND/SD/WH SL	Electric - Demand Tran (Coincident Peak)
Electric Transmission	Common & General	31 / Common General Plant			Electric	MN/ND/SD/WH SL	Electric - Demand Tran (Coincident Peak)
Electric Distribution	Distribution	6 / Electric Distribution Plant	Minnesota		Electric	MN	Direct Assigned - State of Minnesota
Electric Distribution	Distribution	6 / Electric Distribution Plant	North Dakota		Electric	ND	Direct Assigned - State of North Dakota
Electric Distribution	Distribution	6 / Electric Distribution Plant	South Dakota		Electric	SD	Direct Assigned - State of South Dakota
Electric Distribution	Distribution	6 / Electric Distribution Plant	Wholesale		Electric	WHSL	Direct Assigned - Wholesale Full Requirements
Production	Distribution	6 / Distribution Generation Step-up		PEAK	Electric	MN/ND/SD/WH SL	Electric - Demand Prod (Coincident Peak)
Electric Transmission	Distribution	6 / Distribution Serving Transmission		TBULK	Electric	MN/ND/SD/WH SL	Electric - Demand Tran (Coincident Peak)
Electric Distribution	Common & General	24 / Electric Intangible Plant			Electric	MN/ND/SD/WH SL	Customer Year End Average - Electric Minnesota Company MN/ND/SD/WHSL
Electric Distribution	Common & General	26 / Common Intangible Plant			Electric	MN/ND/SD/WH SL	Customer Year End Average - Electric Minnesota Company MN/ND/SD/WHSL
Electric Distribution	Common & General	29 / Electric General Plant			Electric	MN/ND/SD/WH SL	Customer Year End Average - Electric Minnesota Company MN/ND/SD/WHSL
Electric Distribution	Common & General	31 / Common General Plant			Electric	MN/ND/SD/WH SL	Customer Year End Average - Electric Minnesota Company MN/ND/SD/WHSL
Gas	Production	7 / Gas Manufactured Production Plant			Gas	MN/ND	Gas - Design Demand Day
Gas	Storage	9 / Gas Underground Storage Plant			Gas	MN/ND	Gas - Design Demand Day
Gas	Transmission	10 / Gas Transmission Plant			Gas	MN	Direct Assigned – State Of Minnesota
Gas	Transmission	10 / Gas Transmission Plant			Gas	ND	Direct Assigned – State of North Dakota
Gas	Distribution	11 / Gas Distribution Plant			Gas	MN	Direct Assigned – State of Minnesota
Gas	Distribution	11 / Gas Distribution Plant			Gas	ND	Direct Assigned – State of North Dakota
Gas	Common & General	25 / Gas Intangible Plant			Gas	MN/ND	Gas - Design Demand Day
Gas	Common & General	26 / Common Intangible Plant			Gas	MN/ND	Gas - Design Demand Day
Gas	Common & General	30 / Gas General Plant			Gas	MN/ND	Gas - Design Demand Day
Gas	Common & General	31 / Common General Plant			Gas	MN/ND	Gas - Design Demand Day

Cost Assignment and Allocation Manual (CAAM)

Selection Criteria *							
Sub-Business Unit	Plant Function	Functional Class ID / Description	Location	Functional Use	Utility	Jurisdiction	Allocation Methodology
Budget							
Gas	Common & General	25 / Gas Intangible Plant			Gas	MN/ND	Customer Year End Average - Gas Minnesota Company MN/ND
Gas	Common & General	26 / Common Intangible Plant			Gas	MN/ND	Customer Year End Average - Gas Minnesota Company MN/ND
Gas	Common & General	30 / Gas General Plant			Gas	MN/ND	Customer Year End Average - Gas Minnesota Company MN/ND
Gas	Common & General	31 / Common General Plant			Gas	MN/ND	Customer Year End Average - Gas Minnesota Company MN/ND
Gas	Common & General	34 / Gas Other Storage Plant			Gas	MN/ND	Gas - Design Demand Day

* All items under the Selection Criteria must be met before this allocation takes place.

Line		
No.	Description	Allocation Basis
	The allocation factors on this page were used to determine North Dakota jurisdictional O&M expense amounts for all of the years presented in these schedules.	
1	Production	Design Day Demand
2	Transmission	Load Dispatch
3	Distribution	Customers/Direct Assigned
4	Customer Accounting	Customers
5	Customer Service & Information	Customers
6	Sales, Econ Dvlp & Other	Customers
7	Administrative & General	Customers

Northern States Power Company
 Gas Utility - State of North Dakota
 Operating Income Jurisdictional Allocation Factors
OPERATING INCOME JURISDICTIONAL ALLOCATION FACTORS

Test Year 2022			
Line Allocation No. <u>Factor</u>	<u>Total</u> Utility	North Dakota <u>Jurisdiction</u>	Allocation <u>Factor</u>
1 Design Day Demand	871,493	110,311	12.6577%
2 Design Day Demand	871,493	110,311	12.6577%
MCF	129,654,267	14,027,905	10.8195%
Load Dispatch			11.7386%
3 Customers	540,349	60,991	11.2872%

Line No.	Description	Allocation Basis
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The allocation factors on this page were used to determine North Dakota jurisdictional rate base amounts for all of the years presented in these schedules.

The following allocation factors are used to compute North Dakota jurisdictional amounts for Plant-in-Service, Accumulated Depreciation, Accumulated Deferred Income Tax and Construction Work in Progress:

1	Production (LPG Production)	Design Day Demand
2	Storage (LNG Storage)	Design Day Demand
3	General Production Other	Design Day Demand Customers
4	Common Production Other	Design Day Demand Customers

In addition, the following allocation factors are used to compute North Dakota jurisdictional amounts:

5	Other Rate Base: Materials & Supplies Gas in Storage Gas in Storage-Underground Non-Plant Assets & Liabilities Prepayments	Customers Design Day Demand Load Dispatch Customers and Load Dispatch Customers
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Test Year 2022

<u>Line No.</u>	<u>Allocation Factor</u>	<u>Total Utility</u>	<u>North Dakota Jurisdiction</u>	<u>Allocation Factor</u>
1	Design Day Demand	871,493	110,311	12.6577%
2	Design Day Demand	871,493	110,311	12.6577%
	MCF	129,654,267	14,027,905	10.8195%
	Load Dispatch			11.7386%
3	Customers	540,349	60,991	11.2872%

**Northern States Power Company
Gas Utility - State of North Dakota
Average Rate Base
(\$000's)**

Case No. PU-21-____
Exhibit ____ (BCH-1), Schedule 15
Page 1 of 3

Line No.	Description	Proposed 2022 Test Year Average Rate Base (A)
	Electric Plant as Booked	
1	Production	\$5,340
2	Transmission	3,909
3	Distribution	181,046
4	Gas Storage	9,341
5	General	14,757
6	Common	8,463
7	TOTAL Utility Plant in Service	<u>\$222,855</u>
	Reserve for Depreciation	
8	Production	\$2,375
9	Transmission	\$1,686
10	Distribution	\$59,632
11	Gas Storage	\$8,040
12	General	\$6,357
13	Common	\$4,884
14	TOTAL Reserve for Depreciation	<u>\$82,973</u>
	Net Utility Plant in Service	
15	Production	\$2,966
16	Transmission	\$2,223
17	Distribution	\$121,414
18	Gas Storage	\$1,301
19	General	\$8,399
20	Common	\$3,579
21	Net Utility Plant in Service	<u>\$139,882</u>
22	Utility Plant Held for Future Use	\$0
23	Construction Work in Progress	\$188
24	Less: Accumulated Deferred Income Taxes	\$19,783
25	Cash Working Capital	\$648
	Other Rate Base Items:	
26	Materials and Supplies	\$150
27	Fuel Inventory	2,098
28	Non-Plant Assets & Liabilities	1,463
29	Customer Advances	(1,340)
30	Customer Deposits	(42)
31	Prepays and Other	523
32	Regulatory Amortizations	440
33	Total Other Rate Base Items	<u>\$3,292</u>
34	Total Average Rate Base	<u><u>\$124,227</u></u>

**Northern States Power Company
Gas Utility - State of North Dakota
Comparison of Detail Rate Base
(\$000's)**

Case No. PU-21-____
Exhibit ____ (BCH-1), Schedule 15
Page 2 of 3

		Proposed Test Year 2022					
Line No.	Description	Total Utility			North Dakota Jurisdiction		
		Unadjusted (A)	Adjustments (B)	Proposed (C) (A) + (B)	Unadjusted (D)	Adjustments (E)	Proposed (F) (D) + (E)
	Electric Plant as Booked						
1	Production	\$42,191	\$0	\$42,191	\$5,340	\$0	\$5,340
2	Transmission	133,059	(4,345)	128,713	3,909	0	3,909
3	Distribution	1,574,698	0	1,574,698	181,046	0	181,046
4	Gas Storage	73,795	0	73,795	9,341	0	9,341
5	General	130,736	0	130,736	14,757	0	14,757
6	Common	74,975	0	74,975	8,463	0	8,463
7	TOTAL Utility Plant in Service	<u>\$2,029,453</u>	<u>(\$4,345)</u>	<u>\$2,025,108</u>	<u>\$222,855</u>	<u>\$0</u>	<u>\$222,855</u>
	Reserve for Depreciation						
8	Production	\$19,119	(\$359)	\$18,760	\$2,420	(\$45)	\$2,375
9	Transmission	30,594	(247)	30,347	1,683	3	\$1,686
10	Distribution	581,569	50	581,619	59,581	50	59,632
11	Gas Storage	63,284	233	63,517	8,010	29	8,040
12	General	55,717	607	56,323	6,289	68	6,357
13	Common	43,307	(37)	43,271	4,888	(4)	4,884
14	TOTAL Reserve for Depreciation	<u>\$793,590</u>	<u>\$247</u>	<u>\$793,837</u>	<u>\$82,872</u>	<u>\$101</u>	<u>\$82,973</u>
	Net Utility Plant in Service						
15	Production	\$23,071	\$359	\$23,430	\$2,920	\$45	\$2,966
16	Transmission	102,465	(4,099)	98,366	2,226	(3)	\$2,223
17	Distribution	993,129	(50)	993,079	121,464	(50)	121,414
18	Gas Storage	10,511	(233)	10,278	1,330	(29)	1,301
19	General	75,020	(607)	74,413	8,468	(68)	8,399
20	Common	31,667	37	31,704	3,574	4	3,579
21	Net Utility Plant in Service	<u>\$1,235,863</u>	<u>(\$4,593)</u>	<u>\$1,231,271</u>	<u>\$139,983</u>	<u>(\$101)</u>	<u>\$139,882</u>
22	Utility Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0
23	Construction Work in Progress	\$3,373	\$0	\$3,373	\$188	\$0	\$188
24	Less: Accumulated Deferred Income T	\$219,402	(\$482)	\$218,920	\$19,811	(\$28)	\$19,783
25	Cash Working Capital	(\$5,740)	\$558	(\$5,183)	\$536	\$112	\$648
	Other Rate Base Items:						
26	Materials and Supplies	\$1,331	\$0	\$1,331	\$150	\$0	\$150
27	Fuel Inventory	17,532	0	17,532	2,098	0	2,098
28	Non-Plant Assets & Liabilities	12,975	0	12,975	1,463	0	1,463
29	Customer Advances	(1,566)	0	(1,566)	(1,340)	0	(1,340)
30	Customer Deposits	(374)	0	(374)	(42)	0	(42)
31	Prepays and Other	4,603	0	4,603	523	0	523
32	Regulatory Amortizations	0	440	440	0	440	440
33	Total Other Rate Base Items	<u>\$34,500</u>	<u>\$440</u>	<u>\$34,941</u>	<u>\$2,852</u>	<u>\$440</u>	<u>\$3,292</u>
34	Total Average Rate Base	<u><u>\$1,048,594</u></u>	<u><u>(\$3,113)</u></u>	<u><u>\$1,045,482</u></u>	<u><u>\$123,748</u></u>	<u><u>\$479</u></u>	<u><u>\$124,227</u></u>

Northern States Power Company
Gas Utility - State of North Dakota
COMPARISON OF DETAILED RATE BASE COMPONENTS
Test Year Ending December 31, 2022
(\$000's)

Case No. PU-21-____
Exhibit ____ (BCH-1), Schedule 15
Page 3 of 3

Proposed Test Year 2022							
Line No. Description	Total Utility			North Dakota Jurisdiction			
	Unadjusted (A)	Adjustments (B)	Adjusted (C) (A) + (B)	Unadjusted (D)	Adjustments (E)	Adjusted (F) (D) + (E)	
	Construction Work in Progress						
1	Production	\$33	\$0	\$33	\$4	\$0	\$4
2	Transmission	95	0	95	0	0	0
3	Distribution	2,294	0	2,294	74	0	74
4	Gas Storage	33		33	4	0	4
5	General	606	0	606	70	0	70
6	Common	312	0	312	35	0	35
7	TOTAL Construction Work In Progress	\$3,373	\$0	\$3,373	\$188	\$0	\$188

Proposed Test Year 2022							
Line No. Description	Total Utility			North Dakota Jurisdiction			
	Unadjusted (A)	Adjustments (B)	Adjusted (C) (A) + (B)	Unadjusted (D)	Adjustments (E)	Adjusted (F) (D) + (E)	
	Accumulated Deferred Income Taxes						
8	Production	(\$605)	\$93	(\$512)	(\$77)	\$12	(\$65)
9	Transmission	21,467	(345)	21,122	718	(1)	717
10	Distribution	183,218	(14)	183,204	17,469	(14)	17,455
11	Gas Storage	(3,286)	(61)	(3,346)	(416)	(8)	(424)
12	General	11,213	(166)	11,046	1,266	(19)	1,247
13	Common	5,535	10	5,545	625	1	626
14	Net Operating Loss (NOL)	(975)	0	(975)	(93)	0	(93)
15	Non-Plant Related	2,837	0	2,837	319	0	319
16	TOTAL Accum Deferred Income Taxes	\$219,402	(\$482)	\$218,920	\$19,811	(\$28)	\$19,783

1 STATE OF NORTH DAKOTA
2 BEFORE THE
3 PUBLIC SERVICE COMMISSION
4

5
6 In the Matter of the Application of)
7 Northern States Power Company for Authority)
8 To Increase Rates for Natural Gas Service) Case No. PU-21-____
9 In North Dakota)

10
11
12
13 AFFIDAVIT OF
14 Benjamin C. Halama
15

16
17 I, the undersigned, being duly sworn, depose and say that the foregoing is the
18 Direct Testimony of the undersigned, and that such Direct Testimony and the
19 exhibits or schedules sponsored by me to the best of my knowledge, information
20 and belief, are true, correct, accurate and complete, and I hereby adopt said testimony
21 as if given by me in formal hearing, under oath.

22
23 
24
25 Benjamin C. Halama
26

27
28
29
30 Subscribed and sworn to before me, this 19 day of August, 2021.

31
32 
33
34 Notary Public
35 My Commission Expires: 1/31/25
36