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May 2, 2022

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

Re: 2021 REPORTS OF REGULATED EARNINGS FOR XCEL ENERGY'S  
NORTH DAKOTA ELECTRIC AND NATURAL GAS OPERATIONS

Dear Mr. Kahl:

Attached are electronic versions of Xcel Energy's Annual Reports of 2021 regulated earnings for our electric and natural gas operations in North Dakota. Also included for your reference are the 2021 Shareholder's Annual Report and a copy of Northern States Power Company—Minnesota's (NSPM's) 2021 FERC Form 1. One original and three copies of each report will be sent by mail under this cover letter to the Commission.

### **North Dakota Electric Earnings**

The Company's regulated electric earnings in 2021 resulted in a Return on Equity (ROE) of 11.56 percent. This reflects an increase in jurisdictional earnings compared to the 10.12 percent reported for 2020.

Normalizing the impact of favorable weather, electric ROE in 2021 was 9.62 percent, compared to 9.85 percent in 2020. This result is generally in line with the Company's recently authorized ROE of 9.50 percent, approved August 18, 2021 in Case No. PU-20-441.<sup>1</sup>

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<sup>1</sup> The settlement adopted in this proceeding established an earnings-sharing mechanism providing for the return of 100 percent of weather-normalized electric earnings in excess of 9.75 percent ROE, to be in effect until the Company's next rate case test year (unless a future settlement determines otherwise).

### *Weather-Normalization Analysis*

We note that, in this filing, we have expanded our weather-normalization process. Historically, the Company normalized the impact of weather on electric sales and customer demand charges. We are now able to apply weather-normalization algorithms to the monthly peak demands of the NSP System and the coincident-peak demands of each state jurisdiction. This is an important improvement because these demands are instrumental in the development of jurisdictional allocators, such as the Demand Allocator which is used to determine North Dakota's share of a large portion of generation and transmission investments and costs. Through this enhanced weather-normalization process the Company is able to more accurately determine the impact of weather on our jurisdictional regulated earnings, thereby removing the related annual volatility in jurisdictional allocations of costs and investments and allowing us to report results that are more consistent and comparable to the Test Years in previous and future rate setting proceedings. Henceforth, we are implementing this change in each of our North Dakota, South Dakota, and Minnesota regulated annual reports.

To show the impact of this refinement on our revenues, expenses, operating income, and rate base items, we are providing revised formats of pages E-2 and E-3 which include a column for weather-normalized financial data for the current and prior year. We note that weather in 2021 had a significantly larger impact on the jurisdictional allocation of demand-related expenses and investments than it did on electric sales. While ROE was adjusted downward 24 basis points (to 11.34 percent) by the weather-normalization of electric sales, earnings were impacted an additional 170 basis points (to 9.62 percent) by the weather-normalization of coincident-peak demands and other related jurisdictional allocations.

### *North Dakota Electric Reliability Reporting*

In compliance with ND Century Code 49-05-19 and newly adopted amendments to Commission rule 69-09-02-06, this report also contains 2021 results for the required key electric reliability performance metrics as well as details of the "Major Event Day" excluded for purposes of normalizing those performance indicators for extreme outage events.

### **North Dakota Natural Gas Earnings**

The Company's regulated natural gas earnings in 2021 resulted in an ROE of 4.01 percent. This reflects a decrease in jurisdictional earnings compared to 6.55 percent reported in 2020. The Company's authorized ROE for natural gas is 10.75 percent, approved June 13, 2007 in Case No. PU-06-525 but the Company has been operating under an earnings cap of 9.75 percent since 2015 as part of an Agreement in Case No. PU-15-514.

Normalizing for warmer than normal weather, natural gas ROE in 2021 was 4.35 percent, which was lower than 2020 normalized ROE of 6.63 percent.

Please contact me if you have any questions or comments about our expanded electric weather-normalization analysis or other aspects of the enclosed reports.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style with a large initial 'D'.

DAVID H. SEDERQUIST  
SR. CONSULTANT, REGULATION/FINANCE

cc: Victor Schock  
Adam Renfandt

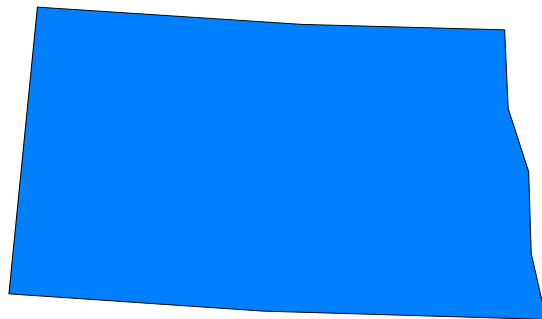
Enclosures

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

**FOR THE YEAR ENDING**

**DECEMBER 31, 2021**

**Natural Gas Utility**  
**North Dakota Jurisdiction**



**2021**

filed May 2, 2022

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# Northern States Power Company

## Natural Gas Utility - North Dakota

(Dollars In Thousands)

### I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2021</u>	<u>2020</u>			
1 Operating Income from Gas Operations (G-2):	\$4,412	\$4,186			
2 Average Regulated Rate Base (G-3):	\$108,525	\$76,166			
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	4.07%	5.50%			
4 Weighted Cost of Debt (G-4):	1.95%	2.05%			
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%			
6 % of Equity in Capital Structure (G-4):	52.75%	52.62%			
7 <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Return on Equity (ROE):</td><td>4.01%</td><td>6.55%</td></tr></table>	Return on Equity (ROE):	4.01%	6.55%		
Return on Equity (ROE):	4.01%	6.55%			

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2021</u>	<u>2020</u>			
8 Operating Income from Gas Operations:	\$4,412	\$4,186			
9 Impact of weather on Mcf Sales:	(468,725)	(52,781)			
10 Impact of weather on Gas Operating Income :	(\$192)	(\$31)			
11 Weather-Normalized Operating Income:	\$4,604	\$4,217			
12 Average Regulated Rate Base:	\$108,488	\$76,166			
13 Weather-Normal Rate of Return on Rate Base (ROR):	4.24%	5.54%			
14 <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Weather-Normalized Return on Equity (ROE):</td><td>4.35%</td><td>6.63%</td></tr></table>	Weather-Normalized Return on Equity (ROE):	4.35%	6.63%		
Weather-Normalized Return on Equity (ROE):	4.35%	6.63%			

**Northern States Power Company**  
**Natural Gas Utility - North Dakota**

(Dollars In Thousands)

**II. OPERATING INCOME**

<u>Line</u>	<u>Item</u>	<b>2021</b> <b>Total NSP</b>	<b>2021</b> <b>N.D. Juris.</b>	<b>N. D. %</b>	<b>2020</b> <b>N.D. Juris.</b>	<b>Annual</b> <b>Change</b>
	<b><u>Operating Revenues</u><sup>1</sup></b>					
1	Residential	142,429	12,032	8.4%	11,319	6.3%
2	Firm C & I	63,132	10,545	16.7%	9,976	5.7%
3	Interruptible C & I	11,290	1,614	14.3%	1,443	11.8%
4	Total Retail	216,850	24,191	11.2%	22,738	6.4%
5	Interdepartmental Generation	203	0	0.0%	0	0.0%
6	Transportation	15,951	1,067	6.7%	348	206.2%
7	Other	5,066	223	4.4%	398	-44.0%
8	Total Revenues:	238,071	25,481	10.7%	23,485	8.5%
	<b><u>Operating Expenses:</u></b>					
9	Production <sup>2</sup>	12,770	2,467	19.3%	2,027	21.7%
10	Transmission	1,699	193	11.3%	316	-39.0%
11	Distribution	41,086	5,533	13.5%	5,263	5.1%
12	Customer Billing	14,578	1,426	9.8%	1,320	8.1%
13	Customer Service	16,960	228	1.3%	183	24.3%
14	Sales & Marketing	38	4	11.3%	5	0.0%
15	Admin. & General	26,344	3,153	12.0%	2,829	11.4%
16	Depreciation & Amortizations	49,844	6,103	12.2%	5,073	20.3%
17	Property Taxes	20,277	1,243	6.1%	1,190	4.4%
18	Payroll & Other Taxes	3,065	382	12.5%	367	4.0%
19	Income Taxes	0	0	0.0%	589	0.0%
20	Deferred Income Taxes	6,421	337	5.2%	137	145.7%
21	Total Expenses:	193,080	21,069	10.9%	19,299	9.2%
22	<b>Regulated Operating Income</b>	<b>44,990</b>	<b>4,412</b>	<b>9.8%</b>	<b>4,186</b>	<b>5.4%</b>

<sup>1</sup> Revenues exclude natural gas commodity cost recovery, per prior NDPSC staff directive.

<sup>2</sup> Production expense excludes natural gas commodity costs, and includes a \$1.04 million amortization of the deferred Fargo MGP remediation costs.

**Northern States Power Company**  
**Natural Gas Utility - North Dakota**

(Dollars In Thousands)

**III. AVERAGE RATE BASE**

<u>Line</u>	<u>Item</u>	<b>2021</b> <u>Total NSP</u>	<b>2021</b> <u>N.D. Juris.</u>	<u>N. D. %</u>	<b>2020</b> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	1,832,312	187,281	10.2%	164,958	13.5%
2	Accumulated Depreciation	<u>739,622</u>	<u>77,991</u>	10.5%	<u>73,432</u>	<u>6.2%</u>
3	Net Plant in Service	1,092,691	109,290	10.0%	91,526	19.4%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	4,968	599	12.1%	507	18.2%
6	Materials and Supplies	1,540	175	11.3%	149	17.0%
7	Fuel Stocks	26,857	3,107	11.6%	2,014	54.3%
8	Prepayments & Other	1,176	(1,044)	-88.7%	(821)	27.1%
9	Customer Deposits	(255)	(29)	11.3%	(42)	-30.5%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base <sup>1</sup>	158,383	16,556	10.5%	2,597	537.4%
12	Accum. Deferred Taxes	<u>(227,446)</u>	<u>(20,129)</u>	8.8%	<u>(19,764)</u>	<u>1.8%</u>
13	Total Other Rate Base	(34,779)	(765)	2.2%	(15,360)	-95.0%
14	Total Average Rate Base	1,057,912	108,525	10.3%	76,166	42.5%

<sup>1</sup> Includes deferred assets and liabilities such as accrued vacations, post-retirement medical benefits (FASB 106), post-employment benefits (FASB 112), unfunded pension liability, environmental cleanup, severance accrual, etc.

# Northern States Power Company

## Natural Gas Utility - North Dakota

(Dollars In Thousands)

### IV. COST OF CAPITAL

#### 2021 Actual

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt	\$6,564,656	47.15%	4.14%	1.95%
2	Short-Term Debt	\$14,167	0.10%	1.72%	0.00%
3	Total Debt	\$6,578,823	47.25%	4.13%	1.95%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$7,345,317	52.75%	4.01%	2.12%
6	Total Equity	\$7,345,317	52.75%		
7	Total Capital	\$13,924,140	100.00%		4.07%

#### 2021 Normalized

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt	\$6,564,656	47.15%	4.14%	1.95%
9	Short-Term Debt	\$14,167	0.10%	1.72%	0.00%
10	Total Debt	\$6,578,823	47.25%	4.13%	1.95%
11	Preferred Stock	\$0	0.00%	0.00%	0.00%
12	Common Equity	\$7,345,317	52.75%	4.35%	2.29%
13	Total Equity	\$7,345,317	52.75%		
14	Total Capital	\$13,924,140	100.00%		4.24%

**Xcel Energy**  
**Natural Gas Utility - State of North Dakota**  
**2021 Demand Side Management Activity Report**

**2021 Results**

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	5	na	\$2,355
Furnace/Boiler Rebates	901	15,828	\$83,270
Water Heater Rebates	125	1,080	\$26,942
Efficiency Showerheads	<u>765</u>	<u>2,258</u>	<u>\$16,410</u>
Totals	<u>1,796</u>	<u>19,166</u>	<u>\$128,976</u>

**Test Year Projections\***

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expense</u>
Home Energy Audits	55	na	\$26,084
Furnace/Boiler Rebates	725	11,673	\$104,500
Water Heater Rebates	30	153	\$4,020
Efficiency Showerheads	<u>200</u>	<u>446</u>	<u>\$3,656</u>
Totals	<u>1,010</u>	<u>12,272</u>	<u>\$138,260</u>

**Notes:**

The North Dakota residential natural gas heating, water heating, and showerhead programs performed well in 2021 with dekatherm savings exceeding our annual targets. The few Home Energy Audits conducted in 2021 reflects continued caution relating to the COVID-19 pandemic. The budget underrun in the Audit program was largely offset by strong activity in the other programs, specifically water heater rebates and high-efficiency showerheads. Except for the showerhead program, which is a targeted direct outreach effort, DSM programs were marketed primarily through Xcel Energy bill "onserts" which reach all of the company's residential natural gas customers in North Dakota. This tactic is reasonably priced and helps to build continued awareness. Additional marketing actions included the cross-marketing of programs via a trade partner newsletter and an advertising campaign during the 3rd and 4th quarters.

\* Per Settlement in Case No. PU-06-525. Since then program and energy savings goals within the ND portfolio have been adjusted while holding total costs at or near the Test Year expense of \$138,260. These new goals reflect historical performance and customer participation. Thus, the \$138,260 Test Year budget was redistributed among the four programs to align their respective budgets and participant goals.

# Northern States Power Company

## Supporting Information - North Dakota

### I. SALES AND CUSTOMER DATA

#### Natural Gas Utility (N. D. Jurisdiction)

<u>Line</u>	<u>Customers (@ Dec)</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
1	Residential	52,247	50,934	49,993	49,120	48,110	47,130
2	Firm C & I	9,188	8,932	8,789	8,568	8,405	8,235
3	Interruptible C & I	84	85	89	90	93	108
4	Total Retail	61,519	59,951	58,871	57,778	56,608	55,473
5	Transportation	1	1	1	1	1	1
	<u>Mcf Sales</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
6	Residential	3,724	3,953	4,320	4,028	3,522	3,091
7	Firm C & I	5,994	6,191	6,244	5,737	5,113	4,524
8	Interruptible C & I	1,896	2,120	2,901	2,701	2,367	2,218
9	Total Retail	11,614	12,264	13,465	12,466	11,001	9,834
10	Transportation	1,586	1,128	987	893	839	751
	<u>Retail Revenues</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<i>Distribution Services</i>						
11	Residential	\$12,032	11,319	11,055	10,754	10,582	10,327
12	Firm C & I	\$10,545	9,976	9,951	9,328	8,561	7,824
13	Interruptible C & I	<u>\$1,614</u>	<u>1,443</u>	<u>1,984</u>	<u>1,976</u>	<u>1,595</u>	<u>1,511</u>
14	Total Distribution Svcs	\$24,191	22,738	22,990	22,058	20,738	19,662
	<i>Gas Cost Recovery</i>						
15	Residential	\$19,941	\$12,600	15,970	16,112	13,852	10,902
16	Firm C & I	\$31,057	\$19,692	22,917	22,911	19,998	15,848
17	Interruptible C & I	<u>\$8,163</u>	<u>\$4,909</u>	<u>8,280</u>	<u>8,665</u>	<u>7,265</u>	<u>6,250</u>
18	Total Gas Cost Recovery	<u>\$59,161</u>	<u>37,200</u>	<u>47,167</u>	<u>47,688</u>	<u>41,116</u>	<u>33,000</u>
19	Total Revenues	<u>\$83,352</u>	<u>59,938</u>	<u>70,157</u>	<u>69,746</u>	<u>61,854</u>	<u>52,663</u>
20	Ave. Retail \$/mcf	\$7.18	\$4.89	\$5.21	\$5.59	\$5.62	\$5.36
21	Ave. Res. Mo. Usage (ccf)	59	65	72	68	61	55
22	Ave. Res. Monthly Bill	\$51.00	\$39.13	\$45.05	\$45.58	\$42.32	\$37.54

# Northern States Power Company Gas Utility - North Dakota

## II. AFFILIATED TRANSACTION SUMMARY

			<b>North Dakota Jurisdiction Electric and Gas Totals (1)</b>	
<b>Affiliate Name</b>	<b>Services Rendered</b>	<b>Expense (2)</b>	<b>Revenue (3)</b>	
1	NSP Wisconsin	Electric and Gas Utility	11,928,104	33,511,029
2	Public Service of Colorado	Electric and Gas Utility	174,449	(1,254,301)
3	Southwestern Public Service	Electric Utility	427	(757,620)
4	Xcel Energy Services	Xcel Energy Inc. Service Company	122,649,273	72,528,795
5	Xcel Energy, Inc.	Engineering services	(40,253,675)	26,831,636
			<b>94,498,578</b>	<b>130,859,539</b>

### Notes:

- (1) The amounts allocated to North Dakota electric and gas jurisdictions represent an estimate based on an overall allocation factor applied to the revenues and expenses for each affiliate. To derive the actual amounts by jurisdiction would require an allocation of each transaction by account number and would require significant analysis and expense to perform.
- (2) Expense to North Dakota electric and gas jurisdictions. Revenue to affiliate for services provided to NSP (MN)
- (3) Revenue to North Dakota electric and gas jurisdictions. Expense to the affiliate for services provided to the affiliate by NSP (MN).

**Northern States Power Company  
Gas Utility - North Dakota**

**III. AFFILIATED TRANSACTION ALLOCATION DETAIL**

	<u>Total Expense</u>	<u>Total Revenue</u>	<u>Elec %</u>	<u>Gas %</u>	<u>ND Elec % (Customers)</u>	<u>ND Gas % (Customers)</u>
NSP Wisconsin	\$ 253,075	\$ 23,217,867	93.5946%	6.4054%	6.2301%	11.3465%
PSCo	2,800,094	(20,132,915)	100.0000%	0.0000%	6.2301%	0.0000%
SPS	6,848	(12,160,646)	100.0000%	0.0000%	6.2301%	0.0000%
XES	1,870,273,401	1,105,988,423	93.5946%	6.4054%	6.2301%	11.3465%
XEI	(646,116,027)	430,677,450	100.0000%	0.0000%	6.2301%	0.0000%
	<u>\$1,227,217,391</u>	<u>\$1,527,590,179</u>				

**Notes:**

**Allocation of Revenues & Expenses between NSP Minnesota and Affiliates**

Common Allocation Method: Labor

	<u>Electric</u>	<u>Gas</u>		
Utility Labor Allocator	93.5946%	6.4054%	Load Dispatch	11.3370%
ND Jur. Customer Allocator	6.2301%	11.3465%	Design Day	12.8232%

Factor Formula: ((Util Elec)\*ND Jur Ele)+((Util Gas)\*ND Jur Gas) = 6.5578%

**Affiliated Transactions between Minnesota and Wisconsin (Interchange Agreement)**

	<u>Total Revenue</u>	<u>ND Alloc.</u>	<u>Total Expense</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
Fixed	\$241,617,825	\$15,188,580	\$47,082,251	\$2,959,684	Demand	6.2862%
Variable	\$197,336,757	\$12,820,969	\$20,416,594	\$1,326,466	Energy	6.4970%
Transmission	\$62,383,262	\$3,921,537	\$121,303,129	\$7,625,357	Demand	6.2862%
Electric Total	\$501,337,845	\$31,931,086	\$188,801,975	\$11,911,508		

**Gas SCADA Agreement**

	<u>Total Rev</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
SCADA	505,917	57,356	Load Dispatch	11.3370%