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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-20-441.¹

¹ 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,



DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION/FINANCE

cc: Victor Schock
Adam Renfandt

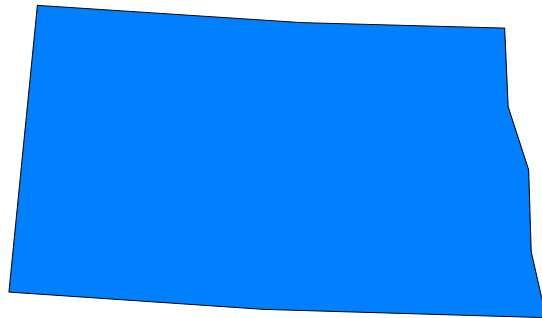
Enclosures

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

FOR THE YEAR ENDING

DECEMBER 31, 2021

Electric Utility
North Dakota Jurisdiction



2021

filed May 2, 2022

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Northern States Power Company
Electric Utility - North Dakota

(Dollars In Thousands)

I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2021</u>	<u>2020</u>
1 Operating Income from Electric Operations (E-2):	\$51,213	\$45,208
2 Average Regulated Rate Base (E-3):	\$636,340	\$613,105
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	8.05%	7.37%
4 Weighted Cost of Debt (E-4):	1.95%	2.05%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	52.75%	52.62%
7 Return on Equity (ROE):	11.56%	10.12%

<u>ROE, Normalized for Weather Impact</u>	<u>2021</u>	<u>2020 *</u>
8 Operating Income from Electric Operations:	\$46,388	\$44,353
9 Average Regulated Rate Base (E-3):	660,497	613,191
10 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.02%	7.23%
11 Weighted Cost of Debt (E-4):	1.95%	2.05%
12 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
% of Equity in Capital Structure (E-4):	52.75%	52.62%
13 Weather-Normalized Return on Equity (ROE):	9.62%	9.85%

* The weather normalization in 2020 was limited to a single adjustment to weather normalize revenue

Northern States Power Company
Electric Utility - North Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	2021 Total NSP	2021 Act N.D. Juris.	2021 W/N N.D. Juris.	2020 W/N * N.D. Juris.	Annual Change
<u>Operating Revenues:</u>						
1	Residential	1,483,270	90,859	89,908	79,815	12.6%
2	Small Comm. & Ind.	1,607,413	103,401	103,401	90,264	14.6%
3	Large Comm. & Ind.	709,763	31,217	31,217	25,043	24.7%
4	Public Street & Highway Ltg	25,238	1,649	1,649	1,618	1.9%
5	Other Sales to Publ Auth	<u>9,933</u>	<u>1,528</u>	<u>1,528</u>	<u>1,460</u>	<u>4.7%</u>
	Total Retail	3,835,616	228,654	227,703	198,199	14.9%
6	Interdepartmental	404	0	0	0	*
7	Sales for Resale	291,393	18,702	18,932	7,547	150.9%
8	Interchange Agreement	495,873	30,450	31,588	27,231	16.0%
9	Other	<u>267,127</u>	<u>16,379</u>	<u>17,162</u>	<u>17,811</u>	<u>-3.6%</u>
10	Total Revenues:	4,890,413	294,186	295,384	250,787	17.8%
<u>Operating Expenses:</u>						
11	Fuel & Purchased Energy	1,414,019	86,934	88,042	59,316	48.4%
12	Production	653,944	39,117	41,039	41,167	-0.3%
13	Transmission	400,593	23,865	25,182	22,002	14.5%
14	Distribution	115,243	6,262	6,262	5,650	10.8%
15	Customer Billing	68,959	3,976	3,976	3,787	5.0%
16	Customer Service	130,325	238	238	240	-0.9%
17	Sales & Marketing	2,899	179	179	151	18.4%
18	Admin. & General	255,003	16,439	17,009	16,909	0.6%
19	Depreciation & Amortization	808,083	56,698	58,350	46,758	24.8%
20	Property Taxes	199,111	10,314	10,785	10,506	2.7%
21	Payroll & Other Taxes	30,520	1,919	1,972	1,882	4.8%
22	Income Taxes	16,192	2,372	108	2,276	-95.2%
23	Deferred Income Taxes & ITC	<u>(53,407)</u>	<u>(5,340)</u>	<u>(4,146)</u>	<u>(4,211)</u>	<u>-1.5%</u>
24	Total Expenses:	4,041,484	242,973	248,997	206,434	20.6%
25	Regulated Operating Income	848,929	51,213	46,388	44,353	4.6%

* The weather normalization in 2020 was limited to a single adjustment to weather normalize revenue

Northern States Power Company
Electric Utility - North Dakota

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	<u>2021</u> <u>Total NSP</u>	<u>2021</u> <u>N.D. Juris.</u>	<u>2021 W/N</u> <u>N.D. Juris.</u>	<u>2020 W/N**</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	24,154,804	1,403,756	1,459,160	1,348,792	8.2%
2	Accumulated Depreciation	11,223,193	647,959	676,550	619,287	9.2%
3	Net Plant in Service	12,931,611	755,796	782,610	729,505	7.3%
4	Plant Held for Future Use	0	0	0	0	*
5	Construct Work in Progress	51,978	3,202	3,285	2,536	29.5%
6	Materials and Supplies	178,303	10,651	11,203	10,761	4.1%
7	Fuel Stocks	73,077	4,690	4,748	6,097	-22.1%
8	Prepayments & Other Rate Base	399,847	7,518	7,945	10,367	-23.4%
9	Customer Deposits	(27,311)	(45)	(45)	(67)	-31.9%
10	Cash Working Capital	0	0	0	0	*
11	Other Rate Base *	48,957	490	490	3,822	-87.2%
12	Accum. Deferred Taxes	(2,557,928)	(145,963)	(149,738)	(149,831)	-0.1%
13	Total Other Rate Base	(1,833,077)	(119,457)	(122,113)	(116,314)	5.0%
14	Total Average Rate Base	11,098,534	636,340	660,497	613,191	7.7%

* 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.

** The weather normalization in 2020 was limited to a single adjustment to weather normalize revenue

Northern States Power Company

Electric Utility - North Dakota

(Dollars In Thousands)

IV. COST OF CAPITAL

2021 Actual

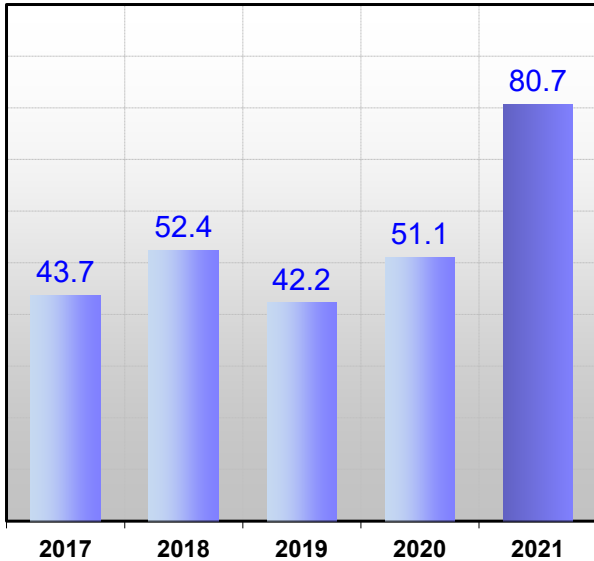
<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt	\$6,564,656	47.15%	4.14%	1.95%
2	Short-Term Debt	\$14,167	0.10%	1.72%	0.00%
3	Total Debt	\$6,578,823	47.25%	4.13%	1.95%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$7,345,317	52.75%	11.56%	6.10%
6	Total Equity	\$7,345,317	52.75%		
7	Total Capital	\$13,924,140	100.00%		8.05%

2021 Normalized

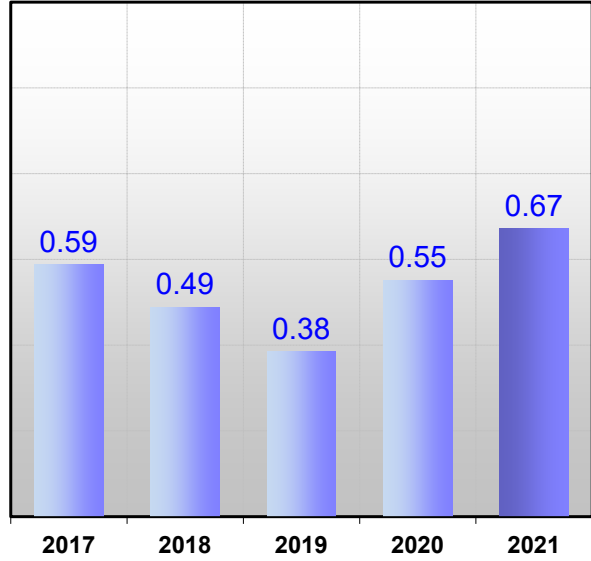
<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt	\$6,564,656	47.15%	4.14%	1.95%
9	Short-Term Debt	\$14,167	0.10%	1.72%	0.00%
10	Total Debt	\$6,578,823	47.25%	4.13%	1.95%
11	Preferred Stock	\$0	0.00%		0.00%
12	Common Equity	\$7,345,317	52.75%	9.62%	5.07%
13	Total Equity	\$7,345,317	52.75%		
14	Total Capital	\$13,924,140	100.00%		7.02%

I. RELIABILITY - KEY PERFORMANCE INDICATORS

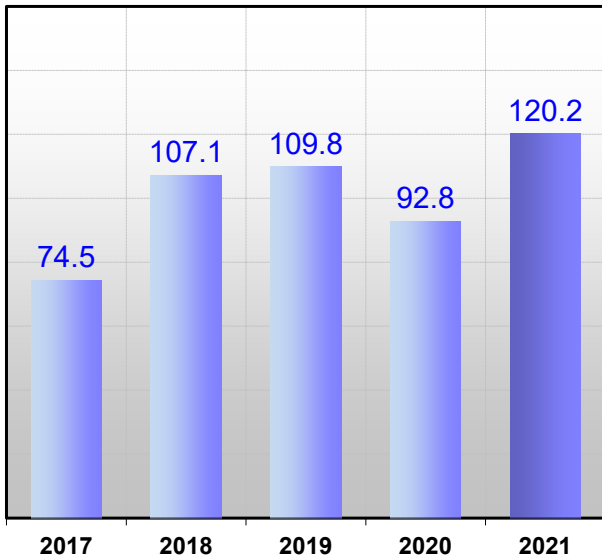
SAIDI - System Average Interruption Duration Index
 (Average Total Minutes Interrupted Per Customer)



SAIFI - System Average Interruption Frequency Index
 (Average Number of Interruptions per Customer)



CAIDI - Customer Average Interruption Duration Index
 (Average Duration (mln.) of Customer Interruptions)



Key Performance Indicator Supporting Data

	(1) SCI	(2) CMO	(3) Cust	(2)/(3)	(1)/(3)	(2)/(1)
Jan	5,846	954,255	93,498	10.21	0.06	163.23
Feb	311	28,041	93,684	0.30	0.00	90.16
Mar	3,192	536,901	93,951	5.71	0.03	168.20
Apr	1,981	272,307	94,007	2.90	0.02	137.46
May	8,171	574,882	93,872	6.12	0.09	70.36
Jun	13,735	1,368,960	93,720	14.61	0.15	99.67
yyy	6,675	1,164,899	93,844	12.41	0.07	174.52
Aug	5,709	728,769	93,968	7.76	0.06	127.65
Sep	12,327	1,150,537	94,064	12.23	0.13	93.33
Oct	1,821	158,717	94,133	1.69	0.02	87.16
Nov	570	81,565	94,224	0.87	0.01	143.10
Dec	<u>2,666</u>	<u>554,737</u>	<u>94,335</u>	<u>5.88</u>	<u>0.03</u>	<u>208.08</u>
	63,004	7,574,571	93,942	80.68	0.67	120.22

SCI = Sustained customer interruptions
 CMO = Customer minutes out
 Cust = # of customers (meters)

Note: Results reflect all system levels of sustained (> 5 minutes) interruptions occurring within the state of North Dakota. Customer counts are meter-based. Normalization calculations are consistent with IEEE Standard 1366 and use a rolling 5 year history of North Dakota interruption data. The following number of "Major Event Days" were excluded in the normalization process for each of the past 5 years: 2021 - 1 day; 2020 - 3 days; 2019 - 2 days; 2018 - 1 day; 2017 - 2 days. See Page E-6 for 2021 Major Event Day detail.

Northern States Power Company
Electric Utility - North Dakota

(Dollars In Thousands)

II. RELIABILITY PERFORMANCE - Major Event Day Detail

2021 MED Exclusion Summary

Date	Customer Interruptions	Customer Minutes	June Cust. Count	SAIFI impact	SAIDI impact	MED (SAIDI) Threshold
6/5/2021	1,475	778,633	93,720	0.02	8.31	7.00

Main Driver

Transmission level event, Unknown cause	1,462	775,676	0.02	0.00
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All Outages on MED exclusion day

Begin Time	Cause	Area Office	SCI	CMO	SAIFI impact	SAIDI impact	Feeder	Level	Duration (Minutes)	Weather
6/5/21 5:00 PM	Unknown Cause Under Invest	06_Grand_Forks_ND	226	321,372	0.00	3.43	MAY001	Transmission Line/System	1,422	Extreme Heat/Humidity
6/5/21 5:00 PM	Unknown Cause Under Invest	06_Grand_Forks_ND	200	284,400	0.00	3.03	MAY003	Transmission Line/System	1,422	Extreme Heat/Humidity
6/5/21 5:00 PM	Unknown Cause Under Invest	06_Grand_Forks_ND	551	90,364	0.01	0.96	MAY031	Transmission Line/System	164	Extreme Heat/Humidity
6/5/21 5:00 PM	Unknown Cause Under Invest	06_Grand_Forks_ND	485	79,540	0.01	0.85	MAY032	Transmission Line/System	164	Extreme Heat/Humidity
6/5/21 5:53 PM	Overloaded Transformer	07_Minot_ND	12	2,736	0.00	0.03	SOR081	Overhead Transformer	228	Extreme Heat/Humidity
6/5/21 6:01 PM	Overloaded Transformer	07_Minot_ND	1	221	0.00	0.00	SOR081	Overhead Transformer	221	Extreme Heat/Humidity
			1,475	778,633	0.02	8.31				

Northern States Power Company

Electric Utility - North Dakota

I. SALES AND CUSTOMER DATA

Electric Utility (N. D. Jurisdiction)

<u>Line</u>	<u>Customers (@ Dec)</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
1	Residential	81,743	81,223	81,321	81,023	80,985	80,623
2	Small C & I	12,907	12,788	12,823	12,826	12,753	12,746
3	Large C & I	24	24	24	23	23	24
4	PSHL/OSPA	<u>405</u>	<u>403</u>	<u>415</u>	<u>406</u>	<u>391</u>	<u>375</u>
5	Total Retail	95,079	94,438	94,583	94,278	94,152	93,768
<u>Line</u>	<u>Mwh Sales</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
6	Residential	766,051	779,212	782,123	794,324	753,332	744,260
7	Small C & I	980,490	977,092	1,030,730	1,070,766	1,061,226	1,077,523
8	Large C & I	358,702	342,142	370,487	371,963	365,348	362,964
9	PSHL/OSPA	<u>27,289</u>	<u>29,223</u>	<u>29,831</u>	<u>28,025</u>	<u>27,578</u>	<u>27,992</u>
10	Total Retail	2,132,532	2,127,669	2,213,171	2,265,078	2,207,484	2,212,739
11	Ave. ¢/Kwh	10.72¢	9.32¢	9.00¢	9.30¢	9.43¢	9.28¢
12	Ave. Res. Mo. Usage (kwh)	781	799	801	817	775	769
13	Ave. Res. Monthly Bill	\$92.63	\$81.89	\$80.76	\$84.98	\$81.98	\$80.49

Northern States Power Company

Electric Utility - North Dakota

II. AFFILIATED TRANSACTION SUMMARY

			North Dakota Jurisdiction Electric and Gas Totals (1)	
Affiliate Name	Services Rendered	Expense (2)	Revenue (3)	
1	NSP Wisconsin	Electric and Gas Utility	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
			94,498,578	130,859,539

Notes:

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

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

III. AFFILIATED TRANSACTION ALLOCATION DETAIL

	<u>Total Expense</u>	<u>Total Revenue</u>	<u>Elec %</u>	<u>Gas %</u>	<u>ND Elec % (Customers)</u>	<u>ND Gas % (Customers)</u>
NSP Wisconsin	\$ 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%

* Allocations noted on this page have been refined to normalize weather-based variances in monthly peak-day demand and mWh energy.