



2302 Great Northern Drive  
Fargo, ND 58802

May 1, 2023

– VIA ELECTRONIC MAIL AND U.S. MAIL –

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

Re: 2022 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 2022 regulated earnings for our electric and natural gas operations in North Dakota. Also included for your reference are the 2022 Shareholder's Annual Report and a copy of Northern States Power Company–Minnesota's (NSPM's) 2022 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 2022 resulted in a Return on Equity (ROE) of 11.74 percent. This reflects an increase in jurisdictional earnings compared to the 11.56 percent reported for 2021.

Normalizing the impact of weather, electric ROE in 2022 was 11.28 percent, compared to 9.62 percent in 2021. Per provisions of the Order on Settlement in Case No. PU-20-441, the Company is obligated to refund 100 percent of weather-normalized earnings in excess of a 9.75 percent ROE which results in a refund obligation of \$7,434,207. As further detailed below, the Company intends to work with Staff to develop and propose an efficient and timely refund plan in the coming months.

*Weather-Normalized Allocator Analysis for 2022, Planning Resource Auction (PRA) and Disallowed Resources*  
In 2022, weather-normalizing the demand allocator results in nearly the same allocation as the non-weather normalized allocator. We have used the non-weather normalized allocator for this filing.

Regarding the PRA revenues and the disallowed resources,<sup>1</sup> we will receive results for the 2023/2024 PRA auction on May 19. Those results will help inform further discussion with Staff. For the purposes of this filing, the PRA revenue for the disallowed resources was removed consistent with the treatment of the associated expenses.. Final resolution is subject to our continued discussion and we will amend the filing accordingly.

Once the results of the PRA are known, the Company will prepare a proposal for the treatment of the 2023 PRA revenues, normalization of the demand allocator on a forward-looking basis, and the treatment of the disallowed resources. We will work to reach a resolution of these issues by the end of June.

*North Dakota Electric Reliability Reporting*

In compliance with ND Century Code 49-05-19 and ND Administrative Code 69-09-02-06, this report also contains 2022 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 2022 resulted in an ROE of 10.64 percent. This reflects an increase in jurisdictional earnings compared to 4.01 percent reported in 2021.

Normalizing for weather, natural gas ROE in 2022 was 9.80 percent, which was higher than 2021 normalized ROE of 4.35 percent. The Company’s authorized weather-normalized ROE for natural gas is 9.80 percent, approved October 27, 2022 in Case No. PU-21-381, therefore no refund obligation exists.

Please contact me at [alex.j.nisbet@xcelenergy.com](mailto:alex.j.nisbet@xcelenergy.com) if you have any questions regarding this filing.

Sincerely,

/s/

ALEX NISBET  
REGULATORY POLICY SPECIALIST

cc: Victor Schock  
Adam Renfandt

Enclosures

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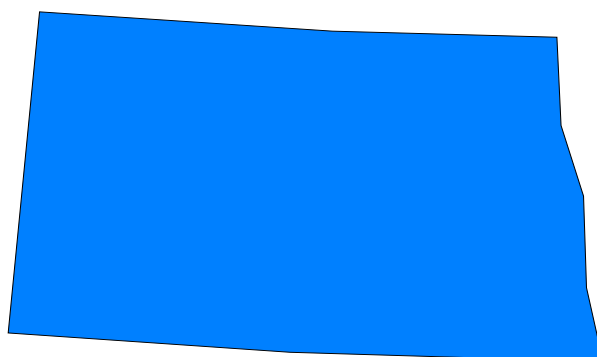
<sup>1</sup> Community Solar Gardens were not included as disallowed resources.

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

**FOR THE YEAR ENDING**

**DECEMBER 31, 2022**

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



**2022**

Filed May 1, 2023

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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>2022</u>	<u>2021</u>
1 Operating Income from Gas Operations (G-2):	\$9,159	\$4,412
2 Average Regulated Rate Base (G-3):	\$120,724	\$108,525
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.59%	4.07%
4 Weighted Cost of Debt (G-4):	1.99%	1.95%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	52.62%	52.75%
7 <b>Return on Equity (ROE):</b>	<b>10.64%</b>	<b>4.01%</b>

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2022</u>	<u>2021</u>
8 Operating Income from Gas Operations:	\$9,159	\$4,412
9 Impact of weather on Mcf Sales:	1,050,240	(468,725)
10 Impact of weather on Gas Operating Income :	\$532	(\$192)
11 Weather-Normalized Operating Income:	\$8,627	\$4,604
12 Average Regulated Rate Base:	\$120,724	\$108,488
13 Weather-Normal Rate of Return on Rate Base (ROR):	7.15%	4.24%
14 <b>Weather-Normalized Return on Equity (ROE):</b>	<b>9.80%</b>	<b>4.35%</b>

# Northern States Power Company Natural Gas Utility - North Dakota

(Dollars In Thousands)

## II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<b>2022</b> <u>Total NSP</u>	<b>2022</b> <u>N.D. Juris.</u>	<b>N. D. %</b>	<b>2021</b> <u>N.D. Juris.</u>	<b>Annual</b> <u>Change</u>
	<b><u>Operating Revenues<sup>1</sup></u></b>					
1	Residential	162,091	13,515	8.3%	12,032	12.3%
2	Firm C & I	79,421	12,624	15.9%	10,545	19.7%
3	Interruptible C & I	14,540	2,303	15.8%	1,614	42.7%
4	Total Retail	256,052	28,442	11.1%	24,191	17.6%
5	Interdepartmental Generation	304	0	0.0%	0	0.0%
6	Transportation	13,646	772	5.7%	1,067	-27.7%
7	Other	3,868	2,249	58.1%	223	907.8%
8	Total Revenues:	273,869	31,463	11.5%	25,481	23.5%
	<b><u>Operating Expenses:</u></b>					
9	Production <sup>2</sup>	10,223	1,630	15.9%	2,467	-33.9%
10	Transmission	1,164	143	12.3%	193	-25.8%
11	Distribution	41,017	5,260	12.8%	5,533	-4.9%
12	Customer Billing	13,350	1,441	10.8%	1,426	1.0%
13	Customer Service	25,008	140	0.6%	228	-38.3%
14	Sales & Marketing	68	10	15.0%	4	0.0%
15	Admin. & General	26,961	3,172	11.8%	3,153	0.6%
16	Depreciation & Amortizations	57,708	6,529	11.3%	6,103	7.0%
17	Property Taxes	21,259	1,490	7.0%	1,243	19.9%
18	Payroll & Other Taxes	2,920	339	11.6%	382	-11.2%
19	Income Taxes	12,430	1,013	0.0%	0	0.0%
20	Deferred Income Taxes	5,317	1,137	21.4%	337	237.3%
21	Total Expenses:	217,426	22,304	10.3%	21,069	5.9%
22	Regulated Operating Income	56,443	9,159	16.2%	4,412	107.6%

<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 \$0.36 million 2022 amortization for and a \$1.04 million 2021 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>2022</b> <u>Total NSP</u>	<b>2022</b> <u>N.D. Juris.</u>	<u>N. D. %</u>	<b>2021</b> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	2,029,719	216,080	10.6%	187,281	15.4%
2	Accumulated Depreciation	<u>779,468</u>	<u>82,880</u>	<u>10.6%</u>	<u>77,991</u>	<u>6.3%</u>
3	Net Plant in Service	1,250,251	133,200	10.7%	109,290	21.9%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	4,683	529	11.3%	599	-11.6%
6	Materials and Supplies	2,017	231	11.4%	175	32.1%
7	Fuel Stocks	50,382	6,202	12.3%	3,107	99.6%
8	Prepayments & Other	1,209	(1,161)	-96.0%	(1,044)	11.2%
9	Customer Deposits	(182)	(21)	11.4%	(29)	-28.2%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base <sup>1</sup>	12,476	2,423	19.4%	16,556	-85.4%
12	Accum. Deferred Taxes	<u>(225,109)</u>	<u>(20,679)</u>	<u>9.2%</u>	<u>(20,129)</u>	<u>2.7%</u>
13	Total Other Rate Base	(154,525)	(12,475)	8.1%	(765)	1531.1%
14	Total Average Rate Base	1,095,726	120,724	11.0%	108,525	11.2%

<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

#### 2022 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	\$6,840,843	47.16%	4.18%	1.97%
2	Short-Term Debt	\$31,917	0.22%	6.92%	0.02%
3	Total Debt	\$6,872,760	47.38%	4.19%	1.99%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$7,632,145	52.62%	10.64%	5.60%
6	Total Equity	\$7,632,145	52.62%		
7	Total Capital	\$14,504,905	100.00%		7.59%

#### 2022 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	\$6,840,843	47.16%	4.18%	1.97%
9	Short-Term Debt	\$31,917	0.22%	6.92%	0.02%
10	Total Debt	\$6,872,760	47.38%	4.19%	1.99%
11	Preferred Stock	\$0	0.00%	0.00%	0.00%
12	Common Equity	\$7,632,145	52.62%	9.80%	5.16%
13	Total Equity	\$7,632,145	52.62%		
14	Total Capital	\$14,504,905	100.00%		7.15%

**Xcel Energy**  
**Natural Gas Utility - State of North Dakota**  
**2022 Demand Side Management Activity Report**

**2022 Results**

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	8	na	\$4,526
Furnace/Boiler Rebates	823	14,757	\$77,905
Water Heater Rebates	131	1,165	\$49,690
Efficiency Showerheads	669	1,552	\$7,565
Totals	<u>1,631</u>	<u>17,474</u>	<u>\$139,686</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	200	446	\$3,656
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 2022 with dekatherm savings exceeding our annual targets. Home Energy Audit participation continues to lag. 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)

Line	Customers (@ Dec)	2022	2021	2020	2019	2018	2017	2016
1	Residential	53,385	52,247	50,934	49,993	49,120	48,110	47,130
2	Firm C & I	9,361	9,188	8,932	8,789	8,568	8,405	8,235
3	Interruptible C & I	80	84	85	89	90	93	108
4	Total Retail	62,826	61,519	59,951	58,871	57,778	56,608	55,473
5	Transportation	1	1	1	1	1	1	1
	<u>Mcf Sales</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
6	Residential	4,653	3,724	3,953	4,320	4,028	3,522	3,091
7	Firm C & I	7,219	5,994	6,191	6,244	5,737	5,113	4,524
8	Interruptible C & I	1,821	1,896	2,120	2,901	2,701	2,367	2,218
9	Total Retail	13,693	11,614	12,264	13,465	12,466	11,001	9,834
10	Transportation	1648	1,586	1,128	987	893	839	751
	<u>Retail Revenues</u>	<u>2022</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	\$13,515	\$12,032	11,319	11,055	10,754	10,582	10,327
12	Firm C & I	\$12,624	\$10,545	9,976	9,951	9,328	8,561	7,824
13	Interruptible C & I	\$2,303	\$1,614	1,443	1,984	1,976	1,595	1,511
14	Total Distribution Svcs	\$28,442	\$24,191	22,738	22,990	22,058	20,738	19,662
	<i>Gas Cost Recovery</i>							
15	Residential	\$37,499	\$19,941	\$12,600	15,970	16,112	13,852	10,902
16	Firm C & I	\$59,599	\$31,057	\$19,692	22,917	22,911	19,998	15,848
17	Interruptible C & I	\$13,018	\$8,163	\$4,909	8,280	8,665	7,265	6,250
18	Total Gas Cost Recovery	\$110,117	\$59,161	37,200	47,167	47,688	41,116	33,000
19	Total Revenues	\$138,558	\$83,352	59,938	70,157	69,746	61,854	52,663
20	Ave. Retail \$/mcf	\$10.12	\$7.18	\$4.89	\$5.21	\$5.59	\$5.62	\$5.36
21	Ave. Res. Mo. Usage (ccf)	73	59	65	72	68	61	55
22	Ave. Res. Monthly Bill	\$79.63	\$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	12,157,558	34,188,352
2	Public Service of Colorado	Electric and Gas Utility	305,222	(311,495)
3	Southwestern Public Service	Electric Utility	(710)	(202,392)
4	Xcel Energy Services	Xcel Energy Inc. Service Company	143,847,744	101,854,446
5	Xcel Energy, Inc.	Engineering services	7,845,457	34,740,852
			164,155,272	170,269,763

### 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	\$ (490,391)	\$ 32,103,513	93.6546%	6.3454%	6.2041%	11.4446%
PSCo	4,919,689	(5,020,799)	100.0000%	0.0000%	6.2041%	0.0000%
SPS	(11,442)	(3,262,228)	100.0000%	0.0000%	6.2041%	0.0000%
XES	2,200,640,531	1,558,210,196	93.6546%	6.3454%	6.2041%	11.4446%
XEI	126,456,004	559,966,025	100.0000%	0.0000%	6.2041%	0.0000%
	<u>\$2,331,514,391</u>	<u>\$2,141,996,707</u>				

### Notes:

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

Common Allocation Method: Labor

	<u>Electric</u>	<u>Gas</u>		
Utility Labor Allocator	93.6546%	6.3454%	Load Dispatch	12.2863%
ND Jur. Customer Allocator	6.2041%	11.4446%	Design Day	12.6077%

Factor Formula: ((Util Elec)\*ND Jur Ele)+((Util Gas)\*ND Jur Gas) = 6.5366%

#### 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	\$236,163,196	\$14,059,740	\$47,067,946	\$2,802,143	Demand	5.9534%
Variable	\$216,631,126	\$14,341,197	\$22,831,577	\$1,511,473	Energy	6.6201%
Transmission	\$61,002,657	\$3,631,732	\$132,294,095	\$7,875,997	Demand	5.9534%
Electric Total	\$513,796,979	\$32,032,669	\$202,193,618	\$12,189,613		

#### Gas SCADA Agreement

	<u>Total Rev</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
SCADA	465,516	57,195	Load Dispatch	12.2863%