

# Memorandum

To: Commissioners Christmann, Haugen-Hoffart, and Kringstad

From: Chris Hanson, Public Utility Analyst

Date: Novembre 26, 2025

Re: Northern States Power Company, 2024 Gas Operations Annual Report  
Case No. PU-25-175

Northern States Power Company (NSP) provided gas service to approximately 65,017 customers in North Dakota in 2024. In Case No. PU-21-381, the Commission authorized a return on equity (ROE) of 9.8% after weather normalization for NSP's gas operations with an earnings-sharing mechanism of 50% refund to customers above 9.8% ROE and 100% above 10.25% ROE.

Staff reviewed NSP's North Dakota gas operations annual report for 2024. The average cost of gas across customer class in 2024 was \$3.25 per Dekatherm, a decrease of approximately 35% from 2023. Average use across customer class in 2024 increased by approximately 3% from 2023. NSP reports an ROE of 6.86% from its regulated natural gas earnings in 2024. After normalizing for weather, the result is an ROE of 7.99% for 2024 and no refund obligation to customers.

Given that no over-earnings were reported, staff recommends the Commission close the case.

Attached are staff generated summaries of NSP's ND natural gas earnings since 2013.

Attachment 1 – Return Calculation

Attachment 2 – Return on Equity Chart

Attachment 3 – Net Operating Income

C: Alex Nisbet, NSP

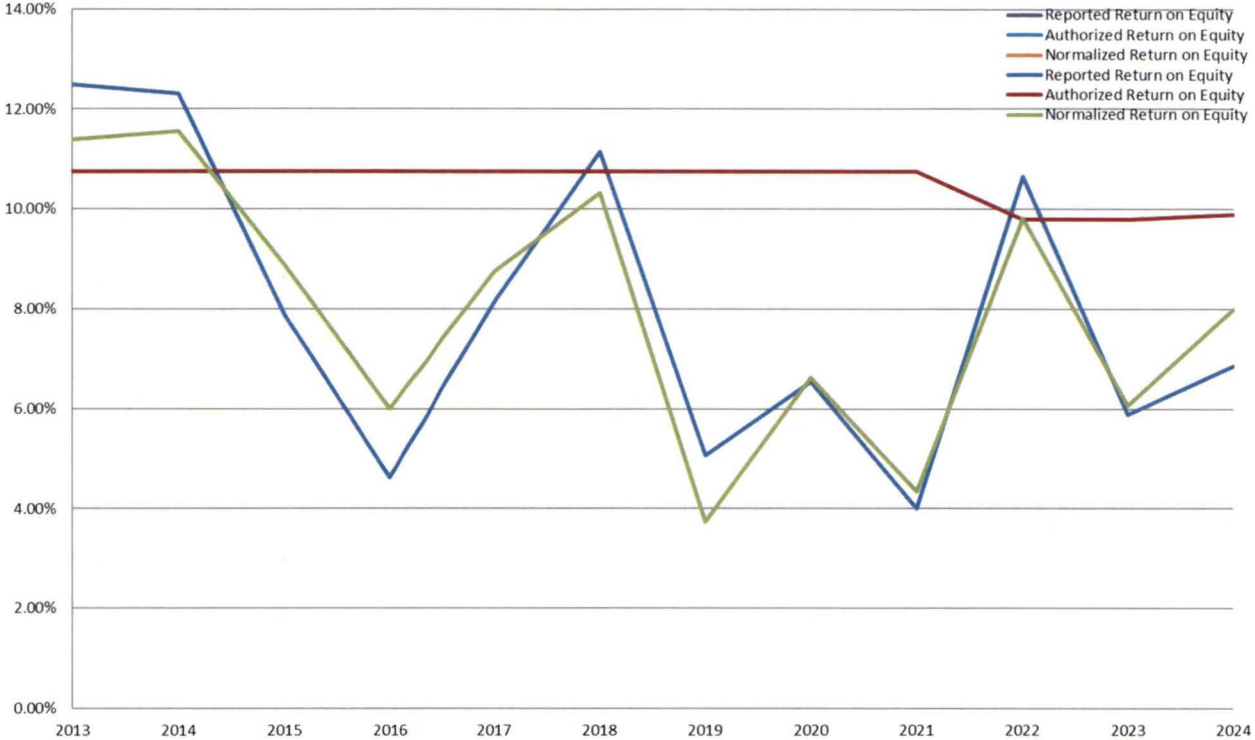
Northern States Power Company  
Gas Utility - North Dakota  
Return Calculation  
(Dollars In Thousands)

Attachment 1

Line	Return	Deficiency	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1	Rate Base		\$43,432	\$48,341	\$50,287	\$52,816	\$54,993	\$60,336	\$67,654	\$76,166	\$108,525	\$120,724	\$143,121	\$172,136
2	Rate of Return Required		7.95%	7.92%	7.92%	7.87%	7.85%	7.82%	7.79%	7.71%	7.62%	7.14%	7.22%	7.33%
3	Return Required		\$3,453	\$3,827	\$3,983	\$4,158	\$4,316	\$4,718	\$5,271	\$5,872	\$8,274	\$8,623	\$10,332	\$12,622
4	Return Earned		3,851	4,224	3,219	2,456	3,561	4,841	3,235	4,186	4,412	9,159	7,392	9,871
5	Return Deficiency/(Excess)		(\$398)	(\$397)	\$764	\$1,702	\$755	(\$123)	\$2,036	\$1,687	\$3,862	(\$536)	\$2,940	\$2,751
6	Tax Factor		1.6220	1.6115	1.6078	1.6041	1.5985	1.3228	1.3228	1.3228	1.3228	1.3228	1.3228	1.3228
7	Rev. Deficiency/(Excess)		(\$645)	(\$639)	\$1,228	\$2,730	\$1,207	(\$163)	\$2,693	\$2,231	\$5,109	(\$708)	\$3,889	\$3,639
<u>Return on Equity Calculation</u>														
10	Net Operating Income		\$ 3,851	\$ 4,224	\$ 3,219	\$ 2,456	\$ 3,561	\$ 4,841	\$ 3,235	\$ 4,186	\$ 4,412	\$ 9,159	\$ 7,392	\$ 9,871
11	Rate Base		43,432	48,341	50,287	52,816	54,993	60,336	67,654	76,166	108,525	120,724	143,121	172,136
12	Rate of Return on Rate Base		8.87%	8.74%	6.40%	4.65%	6.48%	8.02%	4.78%	5.50%	4.07%	7.59%	5.16%	5.73%
13	Less: Cost of Debt		2.29%	2.23%	2.25%	2.22%	2.20%	2.14%	2.10%	2.05%	1.95%	1.99%	2.07%	2.14%
14	Return Available for Common		6.58%	6.50%	4.15%	2.43%	4.27%	5.88%	2.69%	3.44%	2.11%	5.60%	3.09%	3.60%
15	Common Equity Percentage		52.67%	52.87%	52.75%	52.61%	52.54%	52.83%	52.98%	52.62%	52.75%	52.62%	52.54%	52.48%
16	Return on Equity (ROE)		12.49%	12.30%	7.87%	4.63%	8.14%	11.14%	5.06%	6.55%	4.00%	10.64%	5.89%	6.86%
<u>Weather Normalized ROE</u>														
17	Net Operating Income		\$ 3,851	\$ 4,224	\$ 3,219	\$ 2,456	\$ 3,561	\$ 4,841	\$ 3,235	\$ 4,186	\$ 4,412	\$ 9,159	\$ 7,392	\$ 9,871
18	Impact of Weather		(251)	(186)	260	376	178	(259)	(475)	31	192	(532)	132	1,028
19	Weather-Normalized NOI		\$3,600	\$4,038	\$3,479	\$2,832	\$3,739	\$4,582	\$2,761	\$4,217	\$4,604	\$8,627	\$7,524	\$10,899
20	Weather Adjusted ROE		11.39%	11.57%	8.85%	5.98%	8.75%	10.32%	3.74%	6.63%	4.35%	9.81%	6.07%	7.99%

Return on Equity

Attachment 2



Northern States Power Company  
Gas Utility - North Dakota  
Net Operating Income  
(Dollars In Thousands)

Attachment 3

<u>Line</u>	<u>Operating Revenues</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
1	Residential	\$9,385	\$9,686	\$10,024	\$10,327	\$10,582	\$10,754	\$11,055	\$11,319	\$12,032	\$13,515	\$14,596	\$17,690
2	Firm C & I	7,951	8,464	7,986	7,824	8,561	9,328	9,951	9,976	10,545	12,624	13,327	15,270
3	Interruptible C & I	1,524	1,732	1,603	1,511	1,595	1,976	1,984	1,443	1,614	2,303	2,220	2,250
4	Transportation/Other	547	923	635	705	624	622	604	747	1,290	3,021	2,435	2,556
5	Total Revenues	\$ 19,407	\$ 20,805	\$ 20,248	\$ 20,367	\$ 21,362	\$ 22,680	\$ 23,594	\$ 23,485	\$ 25,481	\$ 31,463	\$ 32,578	\$ 37,766
	<u>Expenses</u>												
6	Production	\$ 474	\$ 655	\$ 177	\$ 723	\$ 407	\$ 2,281	\$ 2,451	\$ 2,027	\$ 2,467	\$ 1,630	\$ 2,542	\$ 2,239
7	Gross Margins	\$ 18,933	\$ 20,150	\$ 20,071	\$ 19,644	\$ 20,955	\$ 20,399	\$ 21,143	\$ 21,458	\$ 23,014	\$ 29,833	\$ 30,036	\$ 35,527
8	Transmission	229	228	444	321	348	329	307	316	193	143	191	262
9	Distribution	3,732	4,065	4,675	5,135	4,347	4,408	5,997	5,263	5,533	5,260	5,381	6,061
10	Customer Billing	1,493	1,543	1,527	1,162	1,140	1,129	1,225	1,320	1,426	1,441	1,691	1,533
11	Customer Service	262	271	270	133	161	160	214	183	228	140	277	283
12	Sales & Marketing	6	-	-	-	-	-	1	5	4	10	7	6
13	Admin. & General	2,135	2,216	2,334	2,483	2,772	2,839	3,230	2,829	3,153	3,172	3,935	3,799
14	Depreciation	3,589	4,312	4,982	5,404	5,383	4,296	4,644	5,073	6,103	6,529	7,786	9,068
15	Property Taxes	1,002	916	937	1,099	1,067	1,063	1,302	1,190	1,243	1,490	1,828	2,035
16	Franchise & Payroll Taxes	260	250	271	620	291	266	430	367	382	339	441	448
17	Inc. Taxes (Cur. & Def.)	2,374	2,125	1,412	831	1,885	1,068	558	726	337	2,150	1,107	2,161
18	Total Expenses	\$ 15,556	\$ 16,581	\$ 17,029	\$ 17,911	\$ 17,801	\$ 17,839	\$ 20,359	\$ 19,299	\$ 21,069	\$ 22,304	\$ 25,186	\$ 27,895
19	Net Operating Income	\$ 3,851	\$ 4,224	\$ 3,219	\$ 2,456	\$ 3,561	\$ 4,841	\$ 3,235	\$ 4,186	\$ 4,412	\$ 9,159	\$ 7,392	\$ 9,871