

ANNUAL REPORT
OF
JURISDICTIONAL EARNINGS
BY
NORTHERN STATES POWER COMPANY,
doing business as Xcel Energy
TO THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

FOR THE YEAR ENDING
DECEMBER 31, 2017

South Dakota Jurisdiction
Electric Utility



2017

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Electric Utility

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Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2017</u>	<u>2016</u>
1 Operating Income from Electric Operations (E-2):	\$38,791	\$42,249
2 Average Regulated Rate Base (E-3):	\$650,262	\$589,109
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	5.97%	7.17%
4 Weighted Cost of Debt (E-4):	2.21%	2.23%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	53.08%	53.16%
7 Return on Equity (ROE):	7.07%	9.30%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2017</u>	<u>2016</u>
8 Operating Income from Electric Operations:	\$38,791	\$42,249
9 Impact of weather on Mwh Sales:	4,966	(19,030)
10 Impact of weather on Electric Operating Income :	\$303	\$12,093
11 Weather-Normalized Operating Income:	\$38,487	\$30,156
12 Average Regulated Rate Base:	\$650,367	\$540,618
13 Weather-Normal Rate of Return on Rate Base (ROR):	5.92%	5.58%
14 Weather-Normalized Return on Equity (ROE):	6.99%	6.30%

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Electric Utility - South Dakota

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II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2017</u> <u>Total NSP</u>	<u>2017</u> <u>S.D. Juris.</u>	<u>2016</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<u>Operating Revenues:</u>					
1	Residential	1,352,226	90,250	90,042	0.2%
2	Small Comm. & Ind.	1,541,292	96,473	95,626	0.9%
3	Large Comm. & Ind.	692,058	29,275	28,510	2.7%
4	Public Street & Highway Ltg	25,662	1,813	1,781	1.8%
5	Other Sales to Publ Auth	<u>9,688</u>	<u>3</u>	3	-1.6%
	Total Retail	3,620,926	217,814	215,962	0.9%
6	Interdepartmental	659	0	0	*
7	Sales for Resale	79,811	5,006	4,056	23.4%
8	Interchange Agreement	485,391	31,453	28,865	9.0%
9	Other	<u>274,340</u>	<u>17,088</u>	<u>17,039</u>	<u>0.3%</u>
10	Total Revenues:	<u>4,461,127</u>	<u>271,361</u>	<u>265,922</u>	<u>2.0%</u>
<u>Operating Expenses:</u>					
11	Production	1,849,877	114,780	112,475	2.0%
12	Transmission	366,682	24,241	21,654	11.9%
13	Distribution	110,677	6,834	7,158	-4.5%
14	Customer Billing	55,415	3,113	3,141	-0.9%
15	Customer Service	150,927	1,273	356	257.7%
16	Sales & Marketing	144	50	50	0.5%
17	Admin. & General	249,235	17,382	16,324	6.5%
18	Depreciation & Amortization	635,065	44,448	36,062	23.3%
19	Property Taxes	196,555	11,533	10,418	10.7%
20	Other General Taxes ¹	30,895	2,042	1,916	6.6%
21	Income Taxes	0	0	0	*
22	Deferred Income Taxes & ITC	<u>160,439</u>	<u>6,874</u>	<u>14,118</u>	<u>-51.3%</u>
23	Total Expenses:	<u>3,805,911</u>	<u>232,570</u>	<u>223,672</u>	<u>4.0%</u>
24	Regulated Operating Income	655,216	38,791	42,249	-8.2%

¹ Includes payroll taxes.

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	<u>2017²</u> <u>Total NSP</u>	<u>2017²</u> <u>S.D. Juris.</u>	<u>2016²</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	19,862,046	1,360,171	1,212,715	12.2%
2	Accumulated Depreciation	8,972,790	595,007	523,562	13.6%
3	Net Plant in Service	10,889,256	765,164	689,153	11.0%
4	Plant Held for Future Use	0	0	0	*
5	Construct Work in Progress	0	0	0	*
6	Materials and Supplies	213,433	14,082	12,689	11.0%
7	Fuel Stocks	91,319	5,727	5,588	2.5%
8	Prepayments & Other Rate Base	85,151	7,095	6,991	1.5%
9	Customer Deposits	(94,837)	(97)	(142)	-31.9%
10	Cash Working Capital	0	0	0	*
11	Other Rate Base ¹	23,636	3,065	4,712	-35.0%
12	Accum. Deferred Taxes	(2,376,932)	(144,775)	(129,882)	11.5%
13	Total Other Rate Base	(2,058,230)	(114,902)	(100,044)	14.9%
14	Total Average Rate Base	8,831,026	650,262	589,109	10.4%

¹ 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.

² Average rate base is based on 13 monthly averages.

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

IV. COST OF CAPITAL

2017 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 ¹	\$4,826,533	46.92%	4.71%	2.21%
2	Short-Term Debt	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$4,826,533	46.92%	4.71%	2.21%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$5,459,858	53.08%	7.07%	3.76%
6	Total Equity	\$5,459,858	53.08%		
7	Total Capital	\$10,286,391	100.00%		5.97%

2017 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 ¹	\$4,826,533	46.92%	4.71%	2.21%
9	Short-Term Debt	\$0	0.00%	0.00%	0.00%
10	Total Debt	\$4,826,533	46.92%	4.71%	2.21%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	\$5,459,858	53.08%	6.99%	3.71%
13	Total Equity	\$5,459,858	53.08%		
14	Total Capital	\$10,286,391	100.00%		5.92%

¹ Long-term debt is a 13 month average

² Preferred stock and common stock are 13 month averages

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Northern States Power Company
Electric Utility - South Dakota

(Dollars In Thousands)

V. REQUIRED RATE OF RETURN

<u>2017 Based on authorized ROE</u>						
<u>Line</u>	<u>Item</u>	[TRADE SECRET BEGINS			Weighted	
		<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Cost</u>	
1	Long-Term Debt ¹					
2	Short-Term Debt					
3	Total Debt					
4	Preferred Stock ²					
5	Common Equity ²					
6	Total Equity					
7	Total Capital					

]TRADE SECRET ENDS]

¹ Long-term debt is a 13 month average

² Preferred stock and common stock are 13 month averages

³ Confidential per Settlement in Docket EL14-058

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Electric Utility - South Dakota

(Dollars In Thousands)

VI. REVENUE DEFICIENCY

2017 Based on authorized ROE		Actual	Weather
Line	Item	2017	Normalized
		S.D. Juris.	S.D. Juris.
	Revenue Deficiency	[TRADE SECRET BEGINS]	
1	Total Operating Income		
2	Total Average Rate Base		
3	Require Operating Income (Rate Base * Required Return)		
4	Operating Income	_____	_____
5	Operating Income Deficiency	_____	_____
6	Revenue Conversion Factor (1/(1-Composite Tax Rate))	_____	_____
7	Revenue Deficiency (Income Deficiency * Conversion Factor)		
		TRADE SECRET ENDS]	

ROE = 7.07%

ADDENDUM

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**Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2017 Actuals**

Summary Reports

June 1, 2018

Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2017 Actuals
(Dollars in Thousands)

Rate Base Summary

Line No.	NSPM - 01 Rate Base Schedule	Total	SD Electric	Other
1	Plant Investment	19,862,046	1,360,171	18,501,875
2	Depreciation Reserve	<u>8,972,790</u>	<u>595,007</u>	<u>8,377,784</u>
3	Net Utility Plant	10,889,256	765,164	10,124,091
4	CWIP	0	0	0
5	Accumulated Deferred Taxes	2,838,454	198,391	2,640,063
6	DTA - NOL Average Balance	(215,195)	(41,266)	(173,929)
7	DTA - State Tax Credit Average Balance	(1,912)	(46)	(1,865)
8	<u>DTA - Federal Tax Credit Average Balance</u>	<u>(244,415)</u>	<u>(12,304)</u>	<u>(232,111)</u>
9	Total Accumulated Deferred Income Taxes	2,376,932	144,775	2,232,157
10	Materials and Supplies	213,433	14,082	199,351
11	Fuel Inventory	91,319	5,727	85,592
12	Non-plant Assets and Liabilities	23,636	3,065	20,571
13	Customer Advances	(11,538)	(2,490)	(9,048)
14	Customer Deposits	(94,837)	(97)	(94,740)
15	Prepays and Other	93,133	6,029	87,104
16	<u>Regulatory Amortizations</u>	<u>3,556</u>	<u>3,556</u>	<u>0</u>
17	Total Other RB Items	318,703	29,873	288,830
18	Total Rate Base	<u>8,831,026</u>	<u>650,262</u>	<u>8,180,764</u>

Income Statement Summary

Line No. NSPM - 02 Income Statement Schedule	Total	SD Electric	Other	
1	<u>Operating Revenues</u>			
2	Retail	3,620,927	217,814	3,403,114
3	Interdepartmental	658	0	658
4	Transportation	0	0	0
5	Other Operating Rev - Non-Retail	<u>839,542</u>	<u>53,547</u>	<u>785,995</u>
6	Total Operating Revenues	4,461,127	271,361	4,189,766
7				
8	<u>Expenses</u>			
9	Operating Expenses:			
10	Fuel	1,108,958	66,520	1,042,437
11	Deferred Fuel	0	0	0
12	Variable IA Production Fuel	13,161	870	12,291
13	<u>Purchased Energy - Windsource</u>	<u>6,074</u>	<u>0</u>	<u>6,074</u>
14	Fuel & Purchased Energy Total	1,128,192	67,390	1,060,802
15	Production - Fixed	507,702	33,246	474,456
16	Production - Fixed IA Investment	0	0	0
17	Production - Fixed IA O&M	48,539	3,209	45,330
18	Production - Variable	3,563	233	3,330
19	Production - Variable IA O&M	4,883,821	322,860	4,560,961
20	Production - Purchased Demand	146,830	9,707	137,124
21	<u>Production - Other</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
22	Production Total	711,517	46,717	664,800
23	Regional Markets	10,168	672	9,496
24	Transmission IA	110,624	7,313	103,311
25	Transmission	256,058	16,927	239,130
26	Distribution	110,677	6,834	103,842
27	Customer Accounting	55,415	3,113	52,302
28	Customer Service & Information	150,927	1,273	149,653
29	Sales, Econ Dvlp & Other	144	50	94
30	Administrative & General	<u>249,235</u>	<u>17,382</u>	<u>231,853</u>
31	Total Operating Expenses	2,782,957	167,673	2,615,284
32				
33	Depreciation	625,608	42,401	583,207
34	Amortization	9,457	2,047	7,409
35				
36	<u>Taxes:</u>			
37	Property Taxes	196,555	11,532	185,022
38	ITC Amortization	(1,455)	(74)	(1,381)
39	Deferred Taxes	140,963	10,822	130,141
40	Deferred Taxes - NOL	106,002	1,467	104,535
41	Less Deferred State Tax Credits	(1,404)	(93)	(1,311)
42	Less Deferred Federal Tax Credits	<u>(83,667)</u>	<u>(5,247)</u>	<u>(78,420)</u>
43	Deferred Income Tax & ITC	160,439	6,874	153,565
44	Payroll & Other Taxes	30,895	2,042	28,853
45	Total Taxes Other Than Income	387,889	20,449	367,440
46	Total State & Federal Income Taxes	(0)	0	(0)
47				
48	Total Taxes	387,889	20,449	367,440
49	Total Expenses	3,805,911	232,570	3,573,341
50	Total Operating Income	655,216	38,791	616,425
51		0	0	0
52	AFDC Debt	0	0	0
53	AFDC Equity	0	0	0
54		0	0	0
55	Net Income	655,216	38,791	616,425

Income Tax Summary

Line No.	NSPM - 03 Income Tax Schedule	Total	SD Electric	Other
1	<u>Income Before Taxes</u>			
2	Total Operating Revenues	4,461,127	271,361	4,189,766
3	less: Total Operating Expenses	2,782,957	167,673	2,615,284
4	Book Depreciation	625,608	42,401	583,207
5	Amortization	9,457	2,047	7,409
6	<u>Taxes Other than Income</u>	<u>387,889</u>	<u>20,449</u>	<u>367,440</u>
7	Total Before Tax Book Income	655,216	38,791	616,425
8				
9	<u>Tax Additions</u>			
10	Book Depreciation	625,608	42,401	583,207
11	Deferred Income Taxes and ITC	160,439	6,874	153,565
12	Nuclear Fuel Burn (ex D&D)	114,362	7,560	106,802
13	Nuclear Outage Accounting	62,922	4,064	58,858
14	Avoided Tax Interest	14,565	1,067	13,498
15	Other Book Additions	-	-	-
16	Total Tax Additions	977,896	61,967	915,929
17				
18	Tax Deductions			
19	Total Rate Base	8,831,026	650,262	8,180,764
20	Weighted Cost of Debt	0	0	0
21	Debt Interest Expense (Line 19 x Line 20)	195,166	14,371	180,795
22	Nuclear Outage Accounting	66,961	4,321	62,640
23	Tax Depreciation and Removals	1,072,598	75,488	997,110
24	NOL Generated	259,511	3,591	255,920
25	NOL Utilization			
26	Other Tax / Book Timing Differences	<u>38,876</u>	<u>2,987</u>	<u>35,890</u>
27	Total Tax Deductions	1,633,112	100,757	1,532,354

1				
2	State Taxes			
3	State Taxable Income	(0)	0	(0)
4	State Income Tax Rate		0.00%	
5	State Taxes before Credits (Line 31 x Line 32)		0	
6	Less State Tax Credits		0	
7	Deferred State Tax Credits due to NOL	-	<u>0</u>	-
8	Total State Income Taxes	-	-	-
9				
10	Federal Taxes			
11	Federal Taxable Income	(0)	(0)	(0)
12	Federal Income Tax Rate	35.00%	35.00%	35.00%
13	Federal Tax before Credits (Line 39 x Line 40)	(0)	0	(0)
14	Less Federal Tax Credits			
15	Deferred Federal Tax Credits due to NOL			
16	Total Federal Income Taxes	(0)	0	(0)
17				
18	Total Taxes			
19	Total Federal and State Income Taxes	(0)	0	(0)

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Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2017 Actuals
(Dollars in Thousands)

ADDENDUM
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Revenue Requirement & Return Summary

Line No.	NSPM - 04 Revenue Deficiency Schedule	Total	SD Electric	Other
1	Weighted Cost of Capital			
2	Active Rates and Ratios Version	Proposed	Proposed	Proposed
3	Cost of Short Term Debt	[TRADE SECRET BEGINS		
4	Cost of Long Term Debt			
5	Cost of Preferred Stock			
6	Cost of Common Equity			
7	Ratio of Short Term Debt			
8	Ratio of Long Term Debt			
9	Ratio of Preferred Stock			
10	Ratio of Common Equity			
11	Weighted Cost of STD			
12	Weighted Cost of LTD			
13	Weighted Cost of Debt			
14	Weighted Cost of Preferred Stock			
15	<u>Weighted Cost of Equity</u>			
16	Required Rate Of Return			
17				TRADE SECRET ENDS]
18	Composite Income Tax Rate			
19	State Tax Rate			
20	Federal Statutory Tax Rate	35.00%	35.00%	35.00%
21	Federal Effective Tax Rate	<u>35.00%</u>	<u>35.00%</u>	<u>35.00%</u>
22	Composite Tax Rate	35.00%	35.00%	35.00%
23				
24	Rate of Return (ROR)			
25	Total Operating Income	655,216	38,791	616,425
26	Total Rate Base	<u>8,831,026</u>	<u>650,262</u>	<u>8,180,764</u>
27	ROR (Operating Income / Rate Base)	7.42%	5.97%	7.54%
28				
29	Return on Equity (ROE)			
30	Total Operating Income	655,216	38,791	616,425
31	Debt Interest (Rate Base * Weighted Cost of Debt)	(195,166)	(14,371)	(180,795)
32	Earnings Available for Common	460,050	24,420	435,630
33	Equity Rate Base (Rate Base * Equity Ratio)	<u>4,687,509</u>	<u>345,159</u>	<u>4,342,350</u>
34	ROE (earnings for Common/Equity Rate Base)	9.81%	7.07%	10.03%
35				
36	Revenue Deficiency			
37	Required Operating Income (Rate Base * Required Return)	628,769	46,299	582,470
38	<u>Total Operating Income</u>	<u>655,216</u>	<u>38,791</u>	<u>616,425</u>
39	Operating Income Deficiency	(26,447)	7,508	(33,955)
40				
41	<u>Revenue Conversion Factor (1/(1-Composite Tax Rate))</u>	<u>1.538462</u>	<u>1.538462</u>	<u>1.538462</u>
42	Revenue Deficiency (Income Deficiency * Conversion Factor)	23,156	11,551	11,606
43				
44	Total Revenue Requirements			
45	Total Retail Revenues	3,621,585	217,814	3,403,771
46	Revenue Deficiency	23,156	11,551	11,606
47	Total Revenue Requirements	3,644,741	229,364	3,415,377