

**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, 2019**

**South Dakota Jurisdiction**  
**Electric Utility**



**2019**

# **CONTENTS**

## **Electric Utility**

<b>I.</b>	<b>Return on Equity</b>	<b>E-1</b>
<b>II.</b>	<b>Operating Income</b>	<b>E-2</b>
<b>III.</b>	<b>Average Rate Base</b>	<b>E-3</b>
<b>IV.</b>	<b>Cost of Capital</b>	<b>E-4</b>
<b>V.</b>	<b>Required Rate of Return</b>	<b>E-5</b>
<b>VI.</b>	<b>Revenue Deficiency</b>	<b>E-6</b>
	<b>Addendum</b>	<b>E-7</b>

# Northern States Power Company

## Electric Utility - South Dakota

(Dollars In Thousands)

### I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2019</u>	<u>2018</u>
1 Operating Income from Electric Operations (E-2):	\$48,070	\$40,662
2 Average Regulated Rate Base (E-3):	\$682,959	\$655,575
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.04%	6.20%
4 Weighted Cost of Debt (E-4):	2.09%	2.14%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	53.56%	53.19%
7 <b>Return on Equity (ROE):</b>	<b>9.24%</b>	<b>7.64%</b>

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2019</u>	<u>2018</u>
8 Operating Income from Electric Operations:	\$48,070	\$40,662
9 Impact of weather on Mwh Sales:	30,027	53,290
10 Impact of weather on Electric Operating Income :	\$1,699	\$2,907
11 Weather-Normalized Operating Income:	\$46,371	\$37,756
12 Average Regulated Rate Base:	\$683,257	\$656,146
13 Weather-Normal Rate of Return on Rate Base (ROR):	6.79%	5.75%
14 <b>Weather-Normalized Return on Equity (ROE):</b>	<b>8.77%</b>	<b>6.79%</b>

# Northern States Power Company

## Electric Utility - South Dakota

(Dollars In Thousands)

### II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2019</u> <u>Total NSP</u>	<u>2019</u> <u>S.D. Juris.</u>	<u>2018</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<b><u>Operating Revenues:</u></b>					
1	Residential	1,336,572	92,851	88,809	4.6%
2	Small Comm. & Ind.	1,506,837	94,529	93,548	1.0%
3	Large Comm. & Ind.	668,113	30,604	27,134	12.8%
4	Public Street & Highway Ltg	24,563	1,752	1,717	2.0%
5	Other Sales to Publ Auth	<u>9,799</u>	<u>3</u>	<u>3</u>	0.3%
	Total Retail	3,545,884	219,738	211,211	4.0%
6	Interdepartmental	588	0	0	*
7	Sales for Resale	153,048	10,025	8,177	22.6%
8	Interchange Agreement	452,582	30,010	30,278	-0.9%
9	Other	<u>228,205</u>	<u>16,804</u>	<u>17,325</u>	<u>-3.0%</u>
10	Total Revenues:	4,380,307	276,576	266,990	3.6%
<b><u>Operating Expenses:</u></b>					
11	Production	1,813,472	109,630	116,391	-5.8%
12	Transmission	386,719	25,826	23,457	10.1%
13	Distribution	121,114	7,296	7,199	1.4%
14	Customer Billing	56,953	3,321	3,296	0.7%
15	Customer Service	141,360	1,287	432	197.6%
16	Sales & Marketing	138	53	50	5.9%
17	Admin. & General	236,409	15,798	17,403	-9.2%
18	Depreciation & Amortization	618,307	48,974	44,901	9.1%
19	Property Taxes	209,316	11,451	11,242	1.9%
20	Other General Taxes <sup>1</sup>	31,373	2,093	2,056	1.8%
21	Income Taxes	26,202	309	0	*
22	Deferred Income Taxes & ITC	<u>(13,448)</u>	<u>2,467</u>	<u>(100)</u>	<u>-2562.6%</u>
23	Total Expenses:	3,627,914	228,506	226,328	1.0%
24	<b>Regulated Operating Income</b>	<b>752,393</b>	<b>48,070</b>	<b>40,662</b>	<b>18.2%</b>

<sup>1</sup> 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>2019<sup>2</sup></u> <u>Total NSP</u>	<u>2019<sup>2</sup></u> <u>S.D. Juris.</u>	<u>2018<sup>2</sup></u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1 Plant in Service	21,404,271	1,484,482	1,396,726	6.3%
2 Accumulated Depreciation	<u>10,217,985</u>	<u>675,887</u>	<u>620,325</u>	<u>9.0%</u>
3 Net Plant in Service	11,186,286	808,594	776,401	4.1%
4 Plant Held for Future Use	0	0	0	*
5 Construct Work in Progress	0	0	0	*
6 Materials and Supplies	174,554	11,632	12,490	-6.9%
7 Fuel Stocks	84,959	5,565	5,019	10.9%
8 Prepayments & Other Rate Base	135,047	10,726	18,701	-42.6%
9 Customer Deposits	(50,105)	(79)	(91)	-13.4%
10 Cash Working Capital	0	0	0	*
11 Other Rate Base <sup>1</sup>	100,490	7,637	5,577	36.9%
12 Accum. Deferred Taxes	<u>(2,547,151)</u>	<u>(161,117)</u>	<u>(162,521)</u>	<u>-0.9%</u>
13 Total Other Rate Base	(2,102,206)	(125,635)	(120,826)	4.0%
14 <b>Total Average Rate Base</b>	<b>9,084,080</b>	<b>682,959</b>	<b>655,575</b>	<b>4.2%</b>

<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, severance accrual, etc.

<sup>2</sup> Average rate base is based on 13 monthly averages.

# Northern States Power Company

## Electric Utility - South Dakota

(Dollars In Thousands)

### IV. COST OF CAPITAL

#### 2019 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 <sup>1</sup>	\$5,073,747	46.44%	4.49%	2.09%
2	Short-Term Debt	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
3	Total Debt	\$5,073,747	46.44%	4.49%	2.09%
4	Preferred Stock <sup>2</sup>	\$0	0.00%	0.00%	0.00%
5	Common Equity <sup>2</sup>	<u>\$5,851,437</u>	<u>53.56%</u>	9.24%	4.95%
6	Total Equity	\$5,851,437	53.56%		
7	Total Capital	\$10,925,184	100.00%		7.04%

#### 2019 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 <sup>1</sup>	\$5,073,747	46.44%	4.49%	2.09%
9	Short-Term Debt	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
10	Total Debt	5,073,747	46.44%	4.48%	2.09%
11	Preferred Stock <sup>2</sup>	\$0	0.00%		0.00%
12	Common Equity <sup>2</sup>	<u>\$5,851,437</u>	<u>53.56%</u>	8.77%	4.70%
13	Total Equity	\$5,851,437	53.56%		
14	Total Capital	\$10,925,184	100.00%		6.79%

<sup>1</sup> Long-term debt is a 13 month average

<sup>2</sup> Preferred stock and common stock are 13 month averages

**PUBLIC DOCUMENT  
CONFIDENTIAL DATA EXCISED**

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

(Dollars In Thousands)

**V. REQUIRED RATE OF RETURN**

2019 Based on authorized ROE

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>	
		[PROTECTED DATA BEGINS				
1	Long-Term Debt <sup>1</sup>					
2	Short-Term Debt					
3	Total Debt					
4	Preferred Stock <sup>2</sup>					
5	Common Equity <sup>2</sup>					
6	Total Equity					
7	Total Capital					
					PROTECTED DATA ENDS]	

<sup>1</sup> Long-term debt is a 13 month average

<sup>2</sup> Preferred stock and common stock are 13 month averages

<sup>3</sup> Confidential per Settlement in Docket EL14-058

**Northern States Power Company**  
**Electric Utility - South Dakota**  
(Dollars In Thousands)

**VI. REVENUE DEFICIENCY**

<b>2019 Based on authorized ROE</b>		<b>Actual</b>	<b>Weather</b>
<b>Line</b>	<b>Item</b>	<b>2019</b>	<b>Normalized</b>
		<b><u>S.D. Juris.</u></b>	<b><u>S.D. Juris.</u></b>
	<b><u>Revenue Deficiency</u></b>	<b>[PROTECTED DATA BEGINS]</b>	
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	<b>Revenue Deficiency</b> (Income Deficiency * Conversion Factor)		
		<b>PROTECTED DATA ENDS]</b>	



**ROE = 9.24%**

**ADDENDUM**

**Page 1 of 5**

**Northern States Power Company (SD)  
Electric Utility - South Dakota Retail Jurisdiction  
Cost of Service Study  
2019 Actuals**

**Summary Reports**

**June 1, 2020**

**Northern States Power Company (SD)**  
**Electric Utility - South Dakota Retail Jurisdiction**  
**Cost of Service Study**  
**2019 Actuals**  
(Dollars in Thousands)

**Rate Base Summary**

Line No.	NSPM - 01 Rate Base Schedule	Total	SD Electric	Other
1	Plant Investment	21,404,271	1,484,482	19,919,789
2	Depreciation Reserve	10,217,985	675,887	9,542,098
3	Net Utility Plant	<b>11,186,286</b>	<b>808,594</b>	<b>10,377,692</b>
4	CWIP	0	0	0
5	Accumulated Deferred Taxes	2,911,565	207,365	2,704,200
6	DTA - NOL Average Balance	(25,633)	(24,274)	(1,358)
7	DTA - State Tax Credit Average Balance	(827)	(272)	(555)
8	<u>DTA - Federal Tax Credit Average Balance</u>	<u>(337,955)</u>	<u>(21,702)</u>	<u>(316,253)</u>
9	Total Accumulated Deferred Income Taxes	2,547,151	161,117	2,386,034
10	Materials and Supplies	174,554	11,632	162,921
11	Fuel Inventory	84,959	5,565	79,394
12	Non-plant Assets and Liabilities	100,490	7,637	92,853
13	Customer Advances	(10,116)	(1,517)	(8,599)
14	Customer Deposits	(50,105)	(79)	(50,026)
15	Prepays and Other	83,793	5,533	78,260
16	<u>Regulatory Amortizations</u>	<u>61,370</u>	<u>6,710</u>	<u>54,660</u>
17	Total Other RB Items	<b>444,945</b>	<b>35,482</b>	<b>409,463</b>
18	<b>Total Rate Base</b>	<b>9,084,080</b>	<b>682,959</b>	<b>8,401,121</b>

Income Statement Summary

Line No.	NSPM - 02 Income Statement Schedule	Total	SD Electric	Other
1	<b><u>Operating Revenues</u></b>			
2	Retail	3,503,883	219,493	3,284,389
3	Interdepartmental	588	0	588
4	Transportation	0	0	0
5	Other Operating Rev - Non-Retail	<u>875,837</u>	<u>57,083</u>	<u>818,754</u>
6	<b>Total Operating Revenues</b>	<b>4,380,307</b>	<b>276,576</b>	<b>4,103,731</b>
7				
8	<b><u>Expenses</u></b>			
9	Operating Expenses:			
10	Fuel	1,112,278	63,831	1,048,447
11	Deferred Fuel	4,200	26	4,173
12	Variable IA Production Fuel	10,246	684	9,562
13	<u>Purchased Energy - Windsource</u>	<u>7,324</u>	<u>0</u>	<u>7,324</u>
14	Fuel & Purchased Energy Total	1,134,048	64,542	1,069,506
15	Production - Fixed	481,655	31,881	449,774
16	Production - Fixed IA Investment	0	0	0
17	Production - Fixed IA O&M	45,143	3,015	42,128
18	Production - Variable	9,449	631	8,818
19	Production - Variable IA O&M	5,076	339	4,737
20	Production - Purchased Demand	<u>127,450</u>	<u>8,512</u>	<u>118,939</u>
21	Production Total	668,773	44,377	624,396
22	Regional Markets	10,651	711	9,940
23	Transmission IA	116,159	7,757	108,402
24	Transmission	270,559	18,069	252,491
25	Distribution	121,114	7,296	113,817
26	Customer Accounting	56,953	3,321	53,632
27	Customer Service & Information	141,360	1,287	140,073
28	Sales, Econ Dvlp & Other	138	53	85
29	Administrative & General	<u>236,409</u>	<u>15,798</u>	<u>220,610</u>
30	<b>Total Operating Expenses</b>	<b>2,756,164</b>	<b>163,212</b>	<b>2,592,952</b>
31				
32	Depreciation	693,173	47,528	645,645
33	Amortization	(74,866)	1,447	(76,313)
34				
35	<b><u>Taxes:</u></b>			
36	Property Taxes	209,316	11,451	197,866
37	ITC Amortization	(1,366)	(73)	(1,292)
38	<b>Deferred Taxes</b>	<b>(9,333)</b>	<b>11</b>	<b>(9,344)</b>
39	Deferred Taxes - NOL	(4,903)	6,608	(11,511)
40	<b>Less Deferred State Tax Credits</b>	<b>(1,189)</b>	<b>(79)</b>	<b>(1,110)</b>
41	<b>Less Deferred Federal Tax Credits</b>	<b><u>3,342</u></b>	<b><u>(4,000)</u></b>	<b><u>7,342</u></b>
42	Deferred Income Tax & ITC	(13,448)	2,467	(15,915)
43	<b>Payroll &amp; Other Taxes</b>	<b>31,373</b>	<b>2,093</b>	<b>29,279</b>
44	Total Taxes Other Than Income	<b>227,241</b>	<b>16,011</b>	<b>211,230</b>
45	Total State & Federal Income Taxes	<b>26,202</b>	<b>309</b>	<b>25,894</b>
46				
47	Total Taxes	<b>253,443</b>	<b>16,319</b>	<b>237,124</b>
48	Total Expenses	<b>3,627,914</b>	<b>228,506</b>	<b>3,399,408</b>
49	Total Operating Income	<b>752,393</b>	<b>48,070</b>	<b>704,323</b>
50		0	0	0
51	AFDC Debt	0	0	0
52	AFDC Equity	0	0	0
53		0	0	0
54	<b>Net Income</b>	<b>752,393</b>	<b>48,070</b>	<b>704,323</b>

**Income Tax Summary**

Line No.	NSPM - 03 Income Tax Schedule	Total	SD Electric	Other
1	<b><u>Income Before Taxes</u></b>			
2	Total Operating Revenues	4,380,307	276,576	4,103,731
3	less: Total Operating Expenses	2,756,164	163,212	2,592,952
4	Book Depreciation	693,173	47,528	645,645
5	Amortization	(74,866)	1,447	(76,313)
6	Taxes Other than Income	<u>227,241</u>	<u>16,011</u>	<u>211,230</u>
7	<b>Total Before Tax Book Income</b>	<b>778,595</b>	<b>48,379</b>	<b>730,216</b>
8				
9	<b><u>Tax Additions</u></b>			
10	Book Depreciation	693,173	47,528	645,645
11	Deferred Income Taxes and ITC	(13,448)	2,467	(15,915)
12	Nuclear Fuel Burn (ex D&D)	118,969	7,945	111,024
13	Nuclear Outage Accounting	50,627	3,351	47,276
14	Avoided Tax Interest	28,445	1,772	26,673
15	Other Book Additions	<u>2,696</u>	<u>153</u>	<u>2,542</u>
16	Total Tax Additions	<b>880,461</b>	<b>63,216</b>	<b>817,245</b>
17				
18	Tax Deductions			
19	Total Rate Base	9,081,875	682,744	8,399,131
20	Weighted Cost of Debt	2.09%	2.09%	2.09%
21	Debt Interest Expense (Line 19 x Line 20)	189,857	14,274	175,583
22	Nuclear Outage Accounting	60,745	4,018	56,727
23	Tax Depreciation and Removals	911,385	62,941	848,444
24	NOL Utilized / (Generated)	(17,443)	23,508	(40,951)
25	Other Tax / Book Timing Differences	<u>15,752</u>	<u>977</u>	<u>14,775</u>
26	Total Tax Deductions	<b>1,160,296</b>	<b>105,718</b>	<b>1,054,579</b>
<hr/>				
1				
2	State Taxes			
3	State Taxable Income	498,760	5,877	492,883
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	498,760	5,877	492,883
12	Federal Income Tax Rate	21.00%	21.00%	21.00%
13	Federal Tax before Credits (Line 39 x Line 40)	104,740	1,234	103,505
14	Less Federal Tax Credits	(78,537)	(926)	(77,612)
15	Deferred Federal Tax Credits due to NOL			
16	Total Federal Income Taxes	26,202	309	25,894
17				
18	Total Taxes			
19	<b>Total Federal and State Income Taxes</b>	<b>26,202</b>	<b>309</b>	<b>25,894</b>

PUBLIC DOCUMENT  
CONFIDENTIAL DATA EXCISED

Northern States Power Company (SD)  
Electric Utility - South Dakota Retail Jurisdiction  
Cost of Service Study  
2019 Actuals  
(Dollars in Thousands)

ADDENDUM  
Page 5 of 5

Revenue Requirement & Return Summary

Line No.	NSPM - 04 Revenue Deficiency Schedule	Total	SD Electric	Other
1	<b>Weighted Cost of Capital</b>			
2	Active Rates and Ratios Version	Proposed	Proposed	Proposed
3	Cost of Short Term Debt	[PROTECTED DATA 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	<b>Required Rate Of Return</b>			
17				PROTECTED DATA ENDS]
18	<b>Composite Income Tax Rate</b>			
19	State Tax Rate			
20	Federal Statutory Tax Rate	21.00%	21.00%	21.00%
21	Federal Effective Tax Rate	21.00%	21.00%	21.00%
22	<b>Composite Tax Rate</b>	21.00%	21.00%	21.00%
23				
24	<b>Rate of Return (ROR)</b>			
25	Total Operating Income	752,393	48,070	704,323
26	Total Rate Base	<u>9,084,080</u>	<u>682,959</u>	<u>8,401,121</u>
27	<b>ROR (Operating Income / Rate Base)</b>	<b>8.28%</b>	<b>7.04%</b>	<b>8.38%</b>
28				
29	<b>Return on Equity (ROE)</b>			
30	Total Operating Income	752,393	48,070	704,323
31	Debt Interest (Rate Base * Weighted Cost of Debt)	(189,857)	(14,274)	(175,583)
32	Earnings Available for Common	562,536	33,797	528,739
33	Equity Rate Base (Rate Base * Equity Ratio)	<u>4,865,433</u>	<u>365,793</u>	<u>4,499,640</u>
34	<b>ROE (earnings for Common/Equity Rate Base)</b>	<b>11.56%</b>	<b>9.24%</b>	<b>11.75%</b>
35				
36	<b>Revenue Deficiency</b>			
37	Required Operating Income (Rate Base * Required Return)	639,519	48,080	591,439
38	<u>Total Operating Income</u>	<u>752,393</u>	<u>48,070</u>	<u>704,323</u>
39	Operating Income Deficiency	(112,874)	10	(112,884)
40				
41	<u>Revenue Conversion Factor ( 1/(1-Composite Tax Rate) )</u>	<u>1.265823</u>	<u>1.265823</u>	<u>1.265823</u>
42	<b>Revenue Deficiency (Income Deficiency * Conversion Factor)</b>	<b>(142,878)</b>	<b>13</b>	<b>(142,891)</b>
43				
44	<b>Total Revenue Requirements</b>			
45	Total Retail Revenues	3,504,470	219,493	3,284,977
46	Revenue Deficiency	(142,878)	13	(142,891)
47	<b>Total Revenue Requirements</b>	<b>3,361,592</b>	<b>219,506</b>	<b>3,142,086</b>