

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, 2018

South Dakota Jurisdiction
Electric Utility



2018

CONTENTS

Electric Utility

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

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2018</u>	<u>2017</u>
1 Operating Income from Electric Operations (E-2):	\$40,662	\$38,547
2 Average Regulated Rate Base (E-3):	\$655,575	\$650,347
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	6.20%	5.93%
4 Weighted Cost of Debt (E-4):	2.14%	2.21%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	53.19%	53.08%
7 Return on Equity (ROE):	7.64%	7.00%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2018</u>	<u>2017</u>
8 Operating Income from Electric Operations:	\$40,662	\$38,547
9 Impact of weather on Mwh Sales:	53,290	4,966
10 Impact of weather on Electric Operating Income :	\$2,907	\$303
11 Weather-Normalized Operating Income:	\$37,756	\$38,243
12 Average Regulated Rate Base:	\$656,146	\$650,452
13 Weather-Normal Rate of Return on Rate Base (ROR):	5.75%	5.88%
14 Weather-Normalized Return on Equity (ROE):	6.79%	6.91%

Northern States Power Company
Electric Utility - South Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2018</u> <u>Total NSP</u>	<u>2018</u> <u>S.D. Juris.</u>	<u>2017</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
	<u>Operating Revenues:</u>				
1	Residential	1,428,986	88,809	89,837	-1.1%
2	Small Comm. & Ind.	1,569,974	93,548	96,473	-3.0%
3	Large Comm. & Ind.	713,274	27,134	29,275	-7.3%
4	Public Street & Highway Ltg	27,353	1,717	1,812	-5.3%
5	Other Sales to Publ Auth	<u>9,984</u>	<u>3</u>	<u>3</u>	0.3%
	Total Retail	3,749,571	211,211	217,400	-2.8%
6	Interdepartmental	690	0	0	*
7	Sales for Resale	125,750	8,177	5,006	63.3%
8	Interchange Agreement	468,896	30,278	31,453	-3.7%
9	Other	<u>114,034</u>	<u>17,325</u>	<u>17,088</u>	<u>1.4%</u>
10	Total Revenues:	<u>4,458,940</u>	<u>266,990</u>	<u>270,947</u>	<u>-1.5%</u>
	<u>Operating Expenses:</u>				
11	Production	1,930,164	116,391	114,780	1.4%
12	Transmission	359,550	23,457	24,241	-3.2%
13	Distribution	121,896	7,199	6,834	5.3%
14	Customer Billing	55,787	3,296	3,113	5.9%
15	Customer Service	147,368	432	1,273	-66.0%
16	Sales & Marketing	96	50	50	-0.5%
17	Admin. & General	255,111	17,403	17,382	0.1%
18	Depreciation & Amortization	688,248	44,901	44,448	1.0%
19	Property Taxes	208,876	11,242	11,533	-2.5%
20	Other General Taxes ¹	31,437	2,056	2,042	0.7%
21	Income Taxes	0	0	0	*
22	Deferred Income Taxes & ITC	<u>5,233</u>	<u>(100)</u>	<u>6,705</u>	<u>-101.5%</u>
23	Total Expenses:	<u>3,803,766</u>	<u>226,328</u>	<u>232,401</u>	<u>-2.6%</u>
24	Regulated Operating Income	655,174	40,662	38,547	5.5%

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>2018²</u> <u>Total NSP</u>	<u>2018²</u> <u>S.D. Juris.</u>	<u>2017²</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1 Plant in Service	20,517,702	1,396,726	1,360,171	2.7%
2 Accumulated Depreciation	<u>9,564,532</u>	<u>620,325</u>	<u>595,007</u>	<u>4.3%</u>
3 Net Plant in Service	10,953,170	776,401	765,164	1.5%
4 Plant Held for Future Use	0	0	0	*
5 Construct Work in Progress	0	0	0	*
6 Materials and Supplies	191,665	12,490	14,082	-11.3%
7 Fuel Stocks	78,920	5,019	5,727	-12.4%
8 Prepayments & Other Rate Base	118,372	18,701	7,095	163.6%
9 Customer Deposits	(73,141)	(91)	(97)	-6.1%
10 Cash Working Capital	0	0	0	*
11 Other Rate Base ¹	65,031	5,577	3,065	81.9%
12 Accum. Deferred Taxes	<u>(2,542,584)</u>	<u>(162,521)</u>	<u>(144,690)</u>	<u>12.3%</u>
13 Total Other Rate Base	(2,161,736)	(120,826)	(114,818)	5.2%
14 Total Average Rate Base	8,791,434	655,575	650,347	0.8%

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

2018 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	\$4,887,742	46.81%	4.56%	2.14%
2	Short-Term Debt	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
3	Total Debt	\$4,887,742	46.81%	4.56%	2.14%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	<u>\$5,554,691</u>	<u>53.19%</u>	7.64%	4.06%
6	Total Equity	\$5,554,691	53.19%		
7	Total Capital	\$10,442,433	100.00%		6.20%

2018 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	\$4,887,742	46.81%	4.56%	2.14%
9	Short-Term Debt	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
10	Total Debt	4,887,742	46.81%	4.56%	2.14%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	<u>\$5,554,691</u>	<u>53.19%</u>	6.79%	3.61%
13	Total Equity	\$5,554,691	53.19%		
14	Total Capital	\$10,442,433	100.00%		5.75%

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>2018 Based on authorized ROE</u>						
<u>Line</u>	<u>Item</u>	[PROTECTED DATA BEGINS			<u>Weighted</u>	
		<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					

PROTECTED DATA 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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Northern States Power Company
Electric Utility - South Dakota

(Dollars In Thousands)

VI. REVENUE DEFICIENCY

2018 Based on authorized ROE

<u>Line</u>	<u>Item</u>	Actual 2018 <u>S.D. Juris.</u>	Weather Normalized 2018 <u>S.D. Juris.</u>
	<u>Revenue Deficiency</u>	[PROTECTED DATA 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)		
		PROTECTED DATA ENDS]	

ROE = 7.64%

ADDENDUM

Page 1 of 5

**Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2018 Actuals**

Summary Reports

June 1, 2019

Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2018 Actuals
(Dollars in Thousands)

Rate Base Summary

Line No.	NSPM - 01 Rate Base Schedule	<u>Total</u>	<u>SD Electric</u>	<u>Other</u>
1	Plant Investment	20,517,702	1,396,726	19,120,976
2	Depreciation Reserve	9,564,532	620,325	8,944,206
3	Net Utility Plant	10,953,170	776,401	10,176,769
4	CWIP	0	0	0
5	Accumulated Deferred Taxes	2,933,158	205,174	2,727,984
6	DTA - NOL Average Balance	(71,397)	(25,200)	(46,197)
7	DTA - State Tax Credit Average Balance	(3,301)	(138)	(3,163)
8	<u>DTA - Federal Tax Credit Average Balance</u>	<u>(315,876)</u>	<u>(17,315)</u>	<u>(298,561)</u>
9	Total Accumulated Deferred Income Taxes	2,542,584	162,521	2,380,063
10	Materials and Supplies	191,665	12,490	179,175
11	Fuel Inventory	78,920	5,019	73,901
12	Non-plant Assets and Liabilities	65,031	5,577	59,454
13	Customer Advances	(12,320)	(2,166)	(10,153)
14	Customer Deposits	(73,141)	(91)	(73,050)
15	Prepays and Other	74,795	4,824	69,971
16	<u>Regulatory Amortizations</u>	<u>55,897</u>	<u>16,043</u>	<u>39,854</u>
17	Total Other RB Items	380,848	41,696	339,153
18	Total Rate Base	8,791,434	655,575	8,135,859

Income Statement Summary

Line No. NSPM - 02 Income Statement Schedule	Total	SD Electric	Other	
1	<u>Operating Revenues</u>			
2	Retail	3,605,140	211,456	3,393,685
3	Interdepartmental	692	0	692
4	Transportation	0	0	0
5	Other Operating Rev - Non-Retail	<u>853,108</u>	<u>55,534</u>	<u>797,573</u>
6	Total Operating Revenues	4,458,940	266,990	4,191,950
7				
8	<u>Expenses</u>			
9	Operating Expenses:			
10	Fuel	1,214,695	70,275	1,144,420
11	Deferred Fuel	16,519	1,051	15,469
12	Variable IA Production Fuel	10,403	679	9,725
13	<u>Purchased Energy - Windsource</u>	<u>5,891</u>	<u>0</u>	<u>5,891</u>
14	Fuel & Purchased Energy Total	1,247,509	72,004	1,175,505
15	Production - Fixed	510,327	33,131	477,196
16	Production - Fixed IA Investment	0	0	0
17	Production - Fixed IA O&M	44,821	2,924	41,897
18	Production - Variable	8,184	526	7,659
19	Production - Variable IA O&M	5,868	383	5,485
20	Production - Purchased Demand	115,177	7,514	107,663
21	<u>Production - Other</u>	<u>(12,534)</u>	<u>(797)</u>	<u>(11,737)</u>
22	Production Total	671,844	43,681	628,163
23	Regional Markets	10,811	705	10,106
24	Transmission IA	96,780	6,314	90,466
25	Transmission	262,770	17,143	245,627
26	Distribution	121,896	7,199	114,698
27	Customer Accounting	55,787	3,296	52,491
28	Customer Service & Information	147,368	432	146,936
29	Sales, Econ Dvlp & Other	96	50	46
30	Administrative & General	<u>255,111</u>	<u>17,403</u>	<u>237,707</u>
31	Total Operating Expenses	2,869,972	168,228	2,701,744
32				
33	Depreciation	656,355	44,142	612,213
34	Amortization	31,893	759	31,134
35				
36	<u>Taxes:</u>			
37	Property Taxes	208,876	11,242	197,634
38	ITC Amortization	(1,366)	(72)	(1,294)
39	Deferred Taxes	(28,701)	(980)	(27,721)
40	Deferred Taxes - NOL	95,930	5,816	90,114
41	Less Deferred State Tax Credits	(1,374)	(90)	(1,284)
42	Less Deferred Federal Tax Credits	(59,256)	(4,775)	(54,481)
43	Deferred Income Tax & ITC	5,233	(100)	5,333
44	Payroll & Other Taxes	31,437	2,056	29,381
45	Total Taxes Other Than Income	245,546	13,198	232,348
46	Total State & Federal Income Taxes	(0)	(0)	(0)
47				
48	Total Taxes	245,546	13,198	232,348
49	Total Expenses	3,803,766	226,328	3,577,438
50	Total Operating Income	655,174	40,662	614,512
51		0	0	0
52	AFDC Debt	0	0	0
53	AFDC Equity	0	0	0
54		0	0	0
55	Net Income	655,174	40,662	614,512

Income Tax Summary

Line No.	NSPM - 03 Income Tax Schedule	Total	SD Electric	Other
1	<u>Income Before Taxes</u>			
2	Total Operating Revenues	4,458,940	266,990	4,191,950
3	less: Total Operating Expenses	2,869,972	168,228	2,701,744
4	Book Depreciation	656,355	44,142	612,213
5	Amortization	31,893	759	31,134
6	<u>Taxes Other than Income</u>	<u>245,546</u>	<u>13,198</u>	<u>232,348</u>
7	Total Before Tax Book Income	655,174	40,662	614,512
8				
9	<u>Tax Additions</u>			
10	Book Depreciation	656,355	44,142	612,213
11	Deferred Income Taxes and ITC	5,233	(100)	5,333
12	Nuclear Fuel Burn (ex D&D)	121,889	7,952	113,937
13	Nuclear Outage Accounting	53,180	3,431	49,749
14	Avoided Tax Interest	14,155	942	13,214
15	Other Book Additions	<u>2,696</u>	<u>153</u>	<u>2,542</u>
16	Total Tax Additions	853,507	56,520	796,988
17				
18	Tax Deductions			
19	Total Rate Base	8,791,434	655,575	8,135,859
20	Weighted Cost of Debt	2.14%	2.14%	2.14%
21	Debt Interest Expense (Line 19 x Line 20)	188,137	14,029	174,107
22	Nuclear Outage Accounting	34,362	2,217	32,145
23	Tax Depreciation and Removals	829,332	58,328	771,004
24	NOL Utilized / (Generated)	340,969	20,671	320,298
25	Other Tax / Book Timing Differences	<u>40,545</u>	<u>1,936</u>	<u>38,609</u>
26	Total Tax Deductions	1,433,345	97,182	1,336,163

1				
2	State Taxes			
3	State Taxable Income	75,337	(0)	75,337
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	75,337	(0)	75,337
12	Federal Income Tax Rate	21.00%	21.00%	21.00%
13	Federal Tax before Credits (Line 39 x Line 40)	15,821	(0)	15,821
14	Less Federal Tax Credits	<u>(15,821)</u>		<u>(15,821)</u>
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
2018 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	Weighted Cost of Capital			
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	Required Rate Of Return			PROTECTED DATA ENDS]
17				
18	Composite Income Tax Rate			
19	State Tax Rate			
20	Federal Statutory Tax Rate	21.00%	21.00%	21.00%
21	Federal Effective Tax Rate	<u>21.00%</u>	<u>21.00%</u>	<u>21.00%</u>
22	Composite Tax Rate	21.00%	21.00%	21.00%
23				
24	Rate of Return (ROR)			
25	Total Operating Income	655,174	40,662	614,512
26	Total Rate Base	<u>8,791,434</u>	<u>655,575</u>	<u>8,135,859</u>
27	ROR (Operating Income / Rate Base)	7.45%	6.20%	7.55%
28				
29	Return on Equity (ROE)			
30	Total Operating Income	655,174	40,662	614,512
31	Debt Interest (Rate Base * Weighted Cost of Debt)	(188,137)	(14,029)	(174,107)
32	Earnings Available for Common	467,037	26,633	440,405
33	Equity Rate Base (Rate Base * Equity Ratio)	<u>4,676,164</u>	<u>348,700</u>	<u>4,327,464</u>
34	ROE (earnings for Common/Equity Rate Base)	9.99%	7.64%	10.18%
35				
36	Revenue Deficiency			
37	Required Operating Income (Rate Base * Required Return)	620,675	46,284	574,392
38	<u>Total Operating Income</u>	<u>655,174</u>	<u>40,662</u>	<u>614,512</u>
39	Operating Income Deficiency	(34,499)	5,621	(40,120)
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	Revenue Deficiency (Income Deficiency * Conversion Factor)	(43,669)	7,116	(50,785)
43				
44	Total Revenue Requirements			
45	Total Retail Revenues	3,605,833	211,456	3,394,377
46	Revenue Deficiency	(43,669)	7,116	(50,785)
47	Total Revenue Requirements	3,562,163	218,571	3,343,592