

Northern States Power Company, a Minnesota Corporation
Recommended Capital Structure and Cost Rates
for Ratemaking Purposes
at December 31, 2021

| <u>Type Of Capital</u> | <u>Ratios (1)</u> | <u>Cost Rate</u> | <u>Weighted Cost Rate</u> |
|------------------------|-------------------|------------------|-------------------------------|
| Long-Term Debt | 46.99% | 4.14% (1) | 1.95% |
| Common Equity | <u>53.01%</u> | 10.75% (2) | <u>5.70%</u> |
| Total | <u>100.00%</u> | | <u>7.65%</u> |

Notes:

(1) Company-provided.

(2) From page 2 of this Schedule.

Northern States Power Company, a Minnesota Corporation
Brief Summary of Common Equity Cost Rate

| <u>Line No.</u> | <u>Principal Methods</u> | <u>Proxy Group of Twelve Electric Companies</u> |
|-----------------|-----------------------------------------------------------------------------|---------------------------------------------------------|
| 1. | Discounted Cash Flow Model (DCF) (1) | 8.76% |
| 2. | Risk Premium Model (RPM) (2) | 11.43% |
| 3. | Capital Asset Pricing Model (CAPM) (3) | 11.12% |
| 4. | Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4) | <u>12.40%</u> |
| 5. | Indicated Range of Common Equity Cost Rates | <u><u>10.08% - 11.08%</u></u> |
| 6. | Business Risk Adjustment (5) | 0.25% |
| 7. | Credit Risk Adjustment (6) | -0.19% |
| 8. | Flotation Cost Adjustment (7) | <u>0.11%</u> |
| 9. | Indicated Range of Common Equity Cost Rates after Adjustment | <u><u>10.25% - 11.25%</u></u> |
| 10. | Recommended Common Equity Cost Rate | <u><u>10.75%</u></u> |

- Notes:
- (1) From page 1 of Schedule 5.
 - (2) From page 1 of Schedule 6.
 - (3) From page 1 of Schedule 7.
 - (4) From page 1 of Schedule 9.
 - (5) Adjustment to reflect the Company's greater business risk relative to the Utility Proxy Group as detailed in Mr. D'Ascendis' direct testimony.
 - (6) Company-specific risk adjustment to reflect NSP's lower risk due to a higher long-term issuer rating relative to the average Utility Proxy Group company as detailed in Mr. D'Ascendis' direct testimony.
 - (7) From Schedule 11.