

Northern States Power Company  
South Dakota Electric Jurisdiction  
2021 Historic Test Year

### Employee Expense Adjustment

The employee expense adjustment accounts for employee expense that appear inconsistent with the guidelines in our employee expense policy, or have been identified as generally not being needed for the provision of utility service.

**Northern States Power Company  
South Dakota Electric Jurisdiction  
2021 Historic Test Year**

**Employee Expense Adjustment**

| Line No. |   | NSPM SD Electric Retail |                 |
|----------|---|-------------------------|-----------------|
|          |   | Dec - 2021              |                 |
| 1        | <b>Expenses</b>   |                         |                 |
| 2        | Operating Expenses:   |                         |                 |
| 3        | Fuel & Purchased Energy Total                                     |                         |                 |
| 4        | Production Total  |                         |                 |
| 5        | Regional Markets  |                         |                 |
| 6        | Transmission IA   |                         |                 |
| 7        | Transmission  |                         |                 |
| 8        | Distribution  |                         |                 |
| 9        | Customer Accounting   |                         |                 |
| 10       | Customer Service & Information                                    |                         |                 |
| 11       | Sales, Econ Dvlp & Other  |                         |                 |
| 12       | <u>Administrative &amp; General</u>                               |                         | (10,331)        |
| 13       | <b>Total Operating Expenses</b>                                   |                         | <b>(10,331)</b> |
| 14       |   |                         |                 |
| 15       | <b>Total Taxes</b>  |                         |                 |
| 16       | Total Taxes Other than Income                                     |                         |                 |
| 17       | Total Federal and State Income Taxes                              |                         | 2,969           |
| 18       | <b>Total Taxes</b>  |                         | <b>2,969</b>    |
| 19       |   |                         |                 |
| 20       | <b>Total Operating Revenues</b>                                   |                         |                 |
| 21       | <b>Total Expenses</b>   |                         | <b>(7,362)</b>  |
| 22       |   |                         |                 |
| 23       | AFDC Debt   |                         |                 |
| 24       | AFDC Equity   |                         |                 |
| 25       |   |                         |                 |
| 26       | <b>Net Income</b>   |                         | <b>7,362</b>    |
| 27       |   |                         |                 |
| 28       | <b>Rate of Return (ROR)</b>                                       |                         |                 |
| 29       | Total Operating Income  |                         | 7,362           |
| 30       | <u>Total Rate Base</u>  |                         | -               |
| 31       | <b>ROR (Operating Income / Rate Base)</b>                         |                         |                 |
| 32       |   |                         |                 |
| 33       | <b>Return on Equity (ROE)</b>                                     |                         |                 |
| 34       | Net Operating Income  |                         | 7,362           |
| 35       | Debt Interest (Rate Base * Weighted Cost of Debt)                 |                         |                 |
| 36       | Earnings Available for Common                                     |                         | 7,362           |
| 37       | <u>Equity Rate Base (Rate Base * Equity Ratio)</u>                |                         | -               |
| 38       | <b>ROE (earnings for Common / Equity)</b>                         |                         |                 |
| 39       |   |                         |                 |
| 40       | <b>Revenue Deficiency</b>   |                         |                 |
| 41       | Required Operating Income (Rate Base * Required Return)           |                         |                 |
| 42       | <u>Net Operating Income</u>                                       |                         | 7,362           |
| 43       | <b>Operating Income Deficiency</b>                                |                         | <b>(7,362)</b>  |
| 44       |   |                         |                 |
| 45       | Revenue Conversion Factor (1/(1-Composite Tax Rate))              |                         | 1.403351        |
| 46       | <b>Revenue Deficiency (Income Deficiency * Conversion Factor)</b> |                         | <b>(10,331)</b> |

**Northern States Power Company  
South Dakota Electric Jurisdiction  
2021 Historic Test Year**

**Employee Expense Adjustment**

| State of South Dakota Electric Jurisdiction<br>Employee Expenses | 2010<br>Actual                       | 2011<br>Actual                       | 2013<br>Actual                       | 3-Year Average<br>Filed HTY<br>% Adjustment<br>(2010, 2011<br>& 2013) | 2017<br>Actual         | 2018<br>Actual         | 2019<br>Actual         | 3-Year Average<br>Pre-COVID-19<br>% Adjustment<br>(2017, 2018<br>& 2019) | 2020<br>Actual     | Proposed<br>2021 HTY<br>(Adjustment<br>Est. -1.2% of 2021<br>Actual) |
|--|--------------------------------------|--------------------------------------|--------------------------------------|---|------------------------|------------------------|------------------------|--|--------------------|--|
| Total  | 1,185,497                            | 1,257,904                            | 1,335,235                            |   | 1,081,952              | 1,154,037              | 1,294,861              |  | 775,573            | 860,928  |
| Historical Adjustment  | (24,912)                             | (7,451)                              | (7,499)                              |   | (10,548)               | (10,350)               | (19,891)               |  | (9,154)            | (10,331)   |
| % Historical Adjustment  | -2.10%                               | -0.59%                               | -0.56%                               | -1.09%  | -0.97%                 | -0.90%                 | -1.54%                 | -1.14%   | -1.18%             |  |
| <b>2021 HTY % Adjustment Factor</b>                              |                                      |                                      |                                      |   |                        |                        |                        |  |                    | <b>-1.20%</b>  |
|  | Docket No.<br>EL11-019<br>(2010 HTY) | Docket No.<br>EL12-046<br>(2011 HTY) | Docket No.<br>EL14-058<br>(2013 HTY) |   | 2017<br>(pre-COVID-19) | 2018<br>(pre-COVID-19) | 2019<br>(pre-COVID-19) |  | 2020<br>(COVID-19) | 2021<br>(COVID-19)   |

2010 - 2019 Concur/SumTotal adjustments are based on manual search of 70 keywords.

2020 and 2021 employee expense-related expenditures were significantly reduced due to the COVID-19 travel restrictions. Review of 2021 SumTotal employee expense transactions is not available.

The estimated 2021 HTY adjustment amount is calculated as -1.2% of the aggregate South Dakota jurisdictional actual expense amount of the employee expense-related Cost Elements.