

Direct Testimony and Schedules  
Christopher A. Arend

Before the Minnesota Public Utilities Commission  
State of Minnesota

In the Matter of the Application of Northern States Power Company  
for Authority to Increase Rates for Electric Service in Minnesota

Docket No. E002/GR-21-630  
Exhibit\_\_\_(CAA-1)

**Property Taxes**

October 25, 2021

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1 **I. INTRODUCTION**

2  
3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is Christopher A. Arend. I am the Senior Director of Tax Services  
5 for Xcel Energy Services Inc. (XES), the service company affiliate of Northern  
6 States Power Company – Minnesota (NSPM or the Company) and an operating  
7 company of Xcel Energy Inc. (Xcel Energy).

8  
9 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

10 A. I have over 27 years of corporate tax experience, including serving as Senior  
11 Director of Tax Services for XES. In my current position, I oversee and manage  
12 tax planning and defense responsibilities associated with XES’s income,  
13 property and sales taxes. A summary of my qualifications and experience is  
14 provided as Exhibit\_\_\_(CAA-1), Schedule 1.

15  
16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

17 A. I provide the Company’s annual property tax expense forecasts for purposes of  
18 determining electric revenue requirements and final rates in this proceeding.  
19 Specifically, I discuss our overall forecast methodology and the inputs we used  
20 to develop the forecasts in each year. I also provide a discussion of how  
21 property taxes were treated in our 2016 Multi-Year Rate Plan (MYRP), Docket  
22 No. E002/GR-15-826, how they should be treated in this case, and historical  
23 information related to our property taxes.

24  
25 Q. BEFORE TURNING TO FORECAST DETAILS, PLEASE DISCUSS WHAT YOU BELIEVE  
26 THE GOAL IS IN DETERMINING THE APPROPRIATE LEVEL OF PROPERTY TAXES  
27 TO INCLUDE IN RATES.

1 A. Property taxes are a necessary cost of providing service to our customers. While  
2 property taxes may fluctuate due to changes dictated by the Minnesota  
3 Department of Revenue (DOR) and changes in tax rates at the local level,  
4 increases in our property taxes are largely due to investments in our system. As  
5 such, we believe rates should be set to allow the Company to recover this cost  
6 of service and, at the same time, to ensure customers pay only actual property  
7 taxes incurred.

8  
9 Q. HOW DO YOU PROPOSE TO ENSURE THAT CUSTOMERS ONLY PAY PROPERTY  
10 TAXES THAT ARE ACTUALLY INCURRED?

11 A. While we are requesting that the Commission approve these forecasted amounts  
12 for inclusion in rates, we are also proposing a true-up mechanism that will  
13 ensure customers pay only property taxes that are actually incurred. In our 2016  
14 MYRP, our 2020 True-Up Mechanisms Petition,<sup>1</sup> and our 2021 True-Up  
15 Mechanisms Petition,<sup>2</sup> we used the same mechanism, and we were able to reflect  
16 the lower actual property tax amounts through an interim rate refund and lower  
17 final rates. We believe this worked well in the past and are proposing similar  
18 treatment of property taxes in this case. I provide further detail about what  
19 occurred and how property taxes were treated in our 2016 MYRP in Section III  
20 of my testimony.

21  
22 Q. WHAT ARE THE COMPANY’S FORECASTED PROPERTY TAX EXPENSE AMOUNTS  
23 FOR THE MULTI-YEAR RATE PLAN PERIOD?

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<sup>1</sup> See *In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of True-Up Mechanisms*, Docket No. E002/M-19-688.

<sup>2</sup> See *In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of 2021 True-Up Mechanisms*, Docket No. E002/M-20-743.

1 A. Our 2022-2024 NSPM (Total Company)<sup>3</sup> property tax forecasts, by state taxing  
 2 jurisdiction, are shown in Table 1 below. For comparison purposes, Table 1  
 3 also shows our actual 2020 property taxes and our current 2021 forecast. Table  
 4 1 also provides this information at the Minnesota electric jurisdictional level.  
 5 Company witness Mr. Benjamin C. Halama provides support for the State of  
 6 Minnesota Electric Jurisdiction property tax expense amounts, including how  
 7 the NSPM (Total Company) property tax expense is appropriately allocated to  
 8 the relevant regulatory jurisdictions. Detailed calculations of the NSPM (Total  
 9 Company) property tax expense for 2020-2024 are provided in  
 10 Exhibit\_\_\_(CAA-1), Schedules 2 through 6.

11  
 12 **Table 1**  
 13 **Forecasted Property Tax Expense**  
 14 **(\$ Millions)**

15 <b>Component</b>	<b>2020 Actual</b>	<b>2021 Forecast</b>	<b>2022 Forecast</b>	<b>2023 Forecast</b>	<b>2024 Forecast</b>
16 Minnesota Taxing Jurisdiction	\$204.1	\$214.2	\$235.5	\$249.7	\$268.7
17 North Dakota Taxing Jurisdiction	\$7.0	\$6.9	\$7.4	\$7.8	\$8.4
18 South Dakota Taxing Jurisdiction	\$4.5	\$5.0	\$5.8	\$6.4	\$7.0
19 Iowa Taxing Jurisdiction	\$0	\$0	\$0.2	\$0.4	\$0.7
20 NSPM (Total Company)	\$215.6	\$226.1	\$248.9	\$264.3	\$284.8
21 State of Minnesota Electric Jurisdiction	\$157.1	164.8	181.6	192.5	207.1

22  
 23  
 24 Since the State of Minnesota taxes for the electric and gas utilities account for  
 25 over 94 percent of the NSPM (Total Company) property taxes, the discussion

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<sup>3</sup> NSPM (Total Company) refers to Northern States Power Company-Minnesota that provides service to electric and gas customers in Minnesota, North Dakota, and South Dakota.

1 in my testimony focuses on the Minnesota taxing jurisdiction. However,  
2 consistent with prior rate cases, the Company is seeking recovery of its total  
3 property tax expense for NSPM (i.e., taxes paid to Minnesota, North Dakota,  
4 South Dakota, and Iowa). In addition, unless noted otherwise, the numbers I  
5 provide are for both our electric and gas utilities, consistent with how we  
6 estimate property taxes for financial statement purposes.

7  
8 Q. WERE THESE FORECASTED AMOUNTS DEVELOPED USING THE SAME APPROACH  
9 THAT THE COMPANY USED IN PRIOR RATE CASE FILINGS?

10 A. Yes, our overall forecasting approach is the same, and we are using similar data  
11 inputs for the variables in our property tax forecast calculation. Specifically, our  
12 forecasts in this case reflect the most recent actual Minnesota DOR valuation  
13 inputs, which were finalized in August 2021.

14  
15 Q. PLEASE DESCRIBE HOW APPLICATION OF THE MOST RECENT ACTUAL  
16 MINNESOTA DOR VALUATION INPUTS IMPACTED THE COMPANY'S  
17 FORECASTED PROPERTY TAX EXPENSE IN THIS CASE.

18 A. While the DOR's final valuation is not guaranteed from year to year, the  
19 valuation inputs are understood and are reasonably predictable. As a result, we  
20 believe that forecasting property taxes using the actual DOR valuation inputs  
21 received in 2021 is appropriate.

22  
23 I discuss the DOR valuation inputs further in Section II.B. of my testimony. In  
24 addition, I provide analysis of our property tax forecasts and a historical analysis  
25 of our property taxes in Section III.

1 Q. WHAT WAS THE COMMISSION’S DECISION RELATED TO PROPERTY TAXES IN THE  
2 COMPANY’S 2016 MYRP?

3 A. In the Company’s 2016 MYRP, Docket No. E002/GR-15-826, the  
4 Commission approved \$163.1 million in property taxes for 2016-2019, of which  
5 \$151.6 was included in base rates and the remaining \$11.5 was included in  
6 various riders. The Commission also approved a true-up mechanism for the  
7 portion of property taxes included in base rates; the Company was required to  
8 make an annual compliance filing to show actual property taxes and a refund or  
9 payment to customers based on the difference between the projected property  
10 tax and the actual property tax for the respective year. Property taxes related to  
11 riders have been trued up through separate rider proceedings.

12  
13 Q. HOW DO THE 2022-2024 FORECASTED PROPERTY TAX AMOUNTS COMPARE  
14 WITH THE LEVEL OF PROPERTY TAXES APPROVED BY THE COMMISSION AND  
15 INCLUDED IN RATES?

16 A. Tables 2 and 3 below make two comparisons. First, Table 2 shows the property  
17 tax expense currently included in rates for 2020 and 2021 (subject to true-up)  
18 compared to the State of Minnesota Electric Jurisdiction 2022-2024 forecasted  
19 amounts. In Section III of my testimony, I discuss our true-ups in past years  
20 and the reasons for such true-ups.

21  
22 **Table 2**  
23 **State of Minnesota Electric Jurisdiction Property Tax Expense**  
24 **(\$ Millions)**

	<b>2020 In Rates</b>	<b>2021 In Rates</b>	<b>2022 Forecast</b>	<b>2023 Forecast</b>	<b>2024 Forecast</b>
Property Tax Expense	\$155.8	162.8	\$181.6	\$192.5	\$207.1
Increase over Previous Year		\$7.0	\$18.8	\$10.9	\$14.6

1 Second, Table 3 shows our 2022-2024 forecasts compared to 2020 actuals and  
2 our current 2021 forecasted amount. Compared to our current 2021 forecast,  
3 the increase in forecasted property tax expense in 2022 is \$16.8 million on a  
4 State of Minnesota Electric Jurisdiction basis. As shown in Exhibit\_\_\_(CAA-  
5 1), Schedule 7, the Minnesota taxing jurisdiction accounts for virtually all of the  
6 year-to-year increases in property taxes.

7  
8 **Table 3**  
9 **State of Minnesota Electric Jurisdiction Property Tax Expense**  
10 **(\$ Millions)**

	<b>2020 Actual</b>	<b>2021 Forecast</b>	<b>2022 Forecast</b>	<b>2023 Forecast</b>	<b>2024 Forecast</b>
Property Tax Expense	\$157.1	164.8	\$181.6	\$192.5	207.1
Increase over Previous Year		\$7.7	\$16.8	\$10.9	\$14.6

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12  
13  
14  
15  
16 I discuss the drivers behind these changes in property tax expense in Section  
17 III, below.

18  
19 Q. IS THE COMPANY SEEKING TO RECOVER PROPERTY TAXES AS PART OF ITS  
20 MULTI-YEAR RATE PLAN PROPOSAL?

21 A. Yes. Mr. Halama has incorporated the 2022 forecasted amount into the 2022  
22 revenue requirements, and he has incorporated the 2023 and 2024 forecasted  
23 amounts into the multi-year rate plan revenue requirements. As I mentioned  
24 earlier, we also propose an annual compliance filing and true-up that would  
25 allow rates to reflect actual property taxes for each year.



1 Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED TRUE-UP MECHANISM.  
2 A. Given the expected procedural schedule for this case, our 2022, 2023, and 2024  
3 rates would include forecasted property tax amounts, since these final bills are  
4 not anticipated to be received during the case. For instance, our 2022 final bill  
5 will be received in March-April 2023. As a result, we propose to continue  
6 submitting annual compliance filings that show actual property taxes for 2022,  
7 2023, and 2024 once they are finalized. Any over-recovery could be refunded,  
8 or any under-recovery could be charged, through an appropriate mechanism at  
9 that time. I discuss our proposal for an annual compliance filing and true-up  
10 more specifically in Section II below, where I present the property tax  
11 information timeline in more detail.

12  
13 Q. IF SUCH A SYMMETRICAL TRUE-UP IS NOT ADOPTED, WHAT DO YOU  
14 RECOMMEND?

15 A. For the reasons discussed in detail in my testimony, I believe a symmetrical true-  
16 up is reasonable and fair to both customers and the Company. However, if the  
17 Commission does not agree with that approach, I believe the forecasted  
18 property tax levels I have presented should be used for the purpose of setting  
19 rates. These forecasts represent the most accurate information available at this  
20 time regarding the Company’s future property tax expense.

21  
22 Q. HOW IS THE REMAINDER OF YOUR DIRECT TESTIMONY ORGANIZED?

23 A. I present the remainder of my testimony in the following sections:

- 24 • *Section II*: Property Tax Expense Forecasts;
- 25 • *Section III*: Forecast Analysis; and
- 26 • *Section IV*: Conclusion.



1 A second appraisal method used by the DOR is referred to as the income  
2 indicator of value. The basic calculation divides the Company's net operating  
3 income by a weighted average cost of capital.

4  
5 Next, the DOR applies weightings to the cost and income indicators of value.  
6 For example, in 2021 the DOR applied a 14 percent weight to the cost method  
7 and 86 percent to the income method in determining the value of NSPM's  
8 electric system. The result of this calculation is the total system unit value.

9  
10 Allocators, based on plant and revenue, are then applied to the total system unit  
11 value to determine the Minnesota portion of the total system unit value, which  
12 is referred to as the Minnesota-allocated value.

13  
14 Next, the Minnesota-allocated value is reduced by deductions and exclusions to  
15 value, such as pollution control and wind production property, to determine the  
16 apportionable market value. This is the value that is apportioned to the various  
17 Minnesota taxing jurisdictions that NSPM operates in. An example of this  
18 calculation is provided in Schedules 2 through 6, which show detailed calculations  
19 of the NSPM (Total Company) property tax expense for 2020-2024.

20  
21 Q. PLEASE DESCRIBE HOW WIND ENERGY PROPERTY IS TAXED IN MINNESOTA.

22 A. Minnesota Statutes § 272.029 explains how wind energy conversion property is  
23 taxed in the state. The wind energy conversion system is exempt from the  
24 valuation of a company's utility operating property and is, instead, taxed based  
25 on production using a rate of 0.12 cents per kilowatt-hour of electricity  
26 produced by the system. This tax is included in our NSPM (Total Company)  
27 property tax forecasts as seen in Schedules 2 through 6.

1 Q. PLEASE DESCRIBE HOW UTILITY PROPERTY IS VALUED IN NORTH DAKOTA,  
2 SOUTH DAKOTA, AND IOWA.

3 A. North Dakota and South Dakota use a method similar to the method used by  
4 Minnesota to value utility property. North Dakota Century Code § 57-06-14  
5 explains how utility property is valued in that state. Additional information  
6 related to the North Dakota property tax system can be found in Chapter 57-  
7 06 of the North Dakota Century Code.

8

9 South Dakota Codified Laws § 10-35-10.1 explains how utility property is  
10 valued in that state. Additional information related to the South Dakota  
11 property tax system can be found in Chapter 10-35 of the South Dakota  
12 Codified Laws.

13

14 In Iowa, the Company only owns wind generation assets and as in many states,  
15 that type of property is subject to a separate property tax valuation method.  
16 Under Iowa Code § 427B.26, wind generation property is subject to a specific  
17 percentage of original cost.

18

19 Q. DOES THE COMPANY HAVE ANY PLANT OR PORTION OF PLANT THAT IS NON-  
20 REGULATED? IF YES, HOW IS THE NON-REGULATED PLANT HANDLED FOR  
21 PROPERTY TAXES?

22 A. Yes, the Company owns a steam line that connects the Sherco generation plant  
23 to an adjacent Liberty Paper facility. This steam line is non-regulated property.  
24 There are no property taxes corresponding to this non-regulated steam line  
25 because it is not treated as taxable property by either the DOR or local taxing  
26 jurisdictions. The steam line falls outside the definition of “operating property”  
27 and is therefore not subject to valuation by the DOR for property tax purposes.

1 The steam line is also not included in the calculation of local property taxes,  
2 because it is personal property, not real estate. Thus, there are no property taxes  
3 corresponding to this non-regulated steam line.  
4

5 Q. PLEASE DESCRIBE THE DOR'S ASSESSMENT AND APPEAL PROCESS.

6 A. The DOR typically presents an initial assessment to the Company by early July,  
7 and we have 30 days from the date the initial assessment is received to request  
8 an administrative appeal with the DOR. While a settlement for less than the  
9 initially assessed value is not guaranteed, the Company pursues an appeal if it is  
10 in the best interest of its customers.  
11

12 Q. GIVEN THIS PROCESS, HOW DOES THE COMPANY FORECAST ITS PROPERTY  
13 TAXES?

14 A. We forecast property taxes based on the same key variables used in prior rate  
15 cases, such as investments, DOR valuation inputs, and effective tax rate. We  
16 also propose to update our property tax forecasts to incorporate actual  
17 information on an annual basis via the true-up mechanism. As I noted earlier,  
18 we propose to continue the annual compliance filing showing actual property  
19 taxes once finalized. Consistent with the current process approved in the  
20 Company's last rate case, this would be submitted by July 1 of each year showing  
21 the actual property taxes paid for the prior year based on receipt of the final bill.  
22

23 Q. HAS THE COMPANY EVER RECEIVED A REFUND OF ANY PROPERTY TAX  
24 PAYMENTS AFTER RECEIPT OF A FINAL BILL?

25 A. The Company has not received a refund to my knowledge. This is because the  
26 valuation is normally finalized prior to the receipt of the final bill.

1 Q. WHAT INPUTS DID THE COMPANY USE TO DEVELOP ITS 2022 PROPERTY TAX  
2 FORECAST?

3 A. Our current 2022 property tax forecast is based on the data shown in Table 4  
4 below.

5

6

**Table 4**

7

**Inputs to 2022 Property Tax Forecast**

8

Category	Variable	Data Inputs
Investments	Plant	Projected December 31, 2021 Plant Balances
	Net Operating Income	Actual 2019 & 2020 and Projected 2021 Net Operating Income
DOR Valuation Inputs	DOR Capitalization Rates	Actual 2021 DOR Capitalization Rates (Received April 2021)
	DOR Weighting of Indicators of Value	Actual 2021 DOR Weighting (Received August 2021)
Effective Tax Rate	Local Tax Rates	2020 Effective Rate (Received March and April 2021)

14

15

16  
17 Q. DID THE COMPANY USE THE SAME VARIABLES LISTED IN TABLE 4 IN ITS 2016  
18 MYRP AND 2019 AND 2020 RATE CASE APPLICATIONS?

19 A. Yes. We used the same variables in our 2016 MYRP and 2019 and 2020 rate  
20 case applications.

21

22 Q. ARE THE DATA INPUTS IN TABLE 4 THE MOST APPROPRIATE TO USE IN  
23 FORECASTING THE 2022 PROPERTY TAX EXPENSE?

24 A. Yes. The information in Table 4 above represents the most current information  
25 available at this time and results in a reasonable and sound forecast of the 2022  
26 property tax expense.

1 Q. IN THIS CASE, YOU PROVIDE PROPERTY TAX FORECASTS FOR 2023 AND 2024 AS  
2 WELL. WHICH OF THE DATA INPUTS CHANGE IN THE FORECAST CALCULATION  
3 FOR THOSE YEARS?

4 A. The only data inputs that change in forecasting property taxes for 2023 and  
5 2024 are the investment forecast components. We update these inputs because  
6 we have projected plant balances and net operating income projections for 2023  
7 and 2024, and it is reasonable to update our forecast to include that information.

8

9 The 2023 and 2024 forecasts, however, use the same DOR valuation inputs and  
10 effective tax rate shown in Table 4 above. The DOR and local taxing authorities  
11 control these variables and can make different decisions that affect these inputs  
12 every year. As such, we do not forecast these inputs. We believe using the most  
13 recent, actual information available at this time, as shown in Table 4 above, is  
14 appropriate for our 2023 and 2024 forecasts.

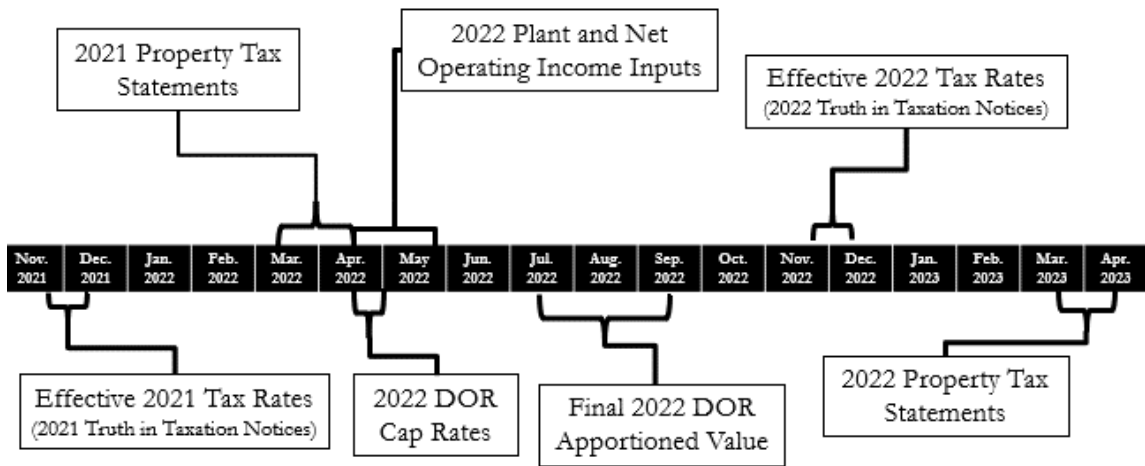
15

16 Q. YOU MENTIONED EARLIER THAT THE COMPANY UPDATES ITS INTERNAL  
17 PROPERTY TAX FORECASTS AS VARIOUS INFORMATION IS RECEIVED DURING THE  
18 YEAR. WHEN DOES THE COMPANY TYPICALLY RECEIVE SUCH INFORMATION?

19 A. Figure 1 below shows when we expect to receive information regarding our  
20 2022 property taxes in 2022 and 2023. This schedule is the same every year, so  
21 can be applied to information we will receive related to 2023 and 2024 property  
22 taxes, as well.

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**Figure 1**  
**Property Tax Timeline**



Q. PLEASE EXPLAIN HOW THE COMPANY PROPOSES TO UPDATE ITS PROPERTY TAX FORECASTS IN THIS CASE.

A. We propose to submit updated information in an annual filing once property taxes for a given year are final. For example, our first update would be filed after we receive 2022 property tax statements in the spring of 2023. That filing would include final property tax amounts for 2022, because we would have the updated actual 2022 DOR valuation inputs and actual effective tax rate at that time. We would file our next update after we receive final 2023 property tax information in the spring of 2024. A similar update schedule would be used for subsequent years.

Q. GIVEN THE PROCEDURAL TIMELINE FOR THIS CASE, WHAT LEVEL OF PROPERTY TAXES WOULD BE INCLUDED IN RATES FOR 2022, 2023 AND 2024?

A. The level of property taxes included in rates for 2022, 2023 and 2024 depends on when the record closes in this case but would use the forecasted property taxes based on the most recent data inputs available at that time. Those



1 forecasted amounts would be trued up after final property tax information is  
2 received.

3  
4 Q. PLEASE EXPLAIN HOW YOUR PROPOSAL FOR AN ANNUAL COMPLIANCE FILING  
5 AND TRUE-UP MECHANISM WOULD WORK FOR 2022, 2023, AND 2024 PROPERTY  
6 TAXES.

7 A. We propose to submit annual compliance filings that will show actual property  
8 taxes for 2022, 2023, and 2024 after we receive final property tax statements in  
9 the spring of the following years. Our compliance filings would show actual  
10 property taxes compared to the amount included in rates for the respective year.  
11 Any over-recovery could be refunded – or symmetrically, any under-recovery  
12 could be charged – through an appropriate mechanism at that time.

13  
14 Q. WHY DO YOU BELIEVE A TRUE-UP MECHANISM IS APPROPRIATE IN THIS CASE?

15 A. Given that this is a multi-year rate case, there is still uncertainty about the finality  
16 of DOR valuations and the local tax rates each year, especially for the plan years  
17 of 2023 and 2024. As a result, final property taxes could be higher or lower  
18 than our forecasts. Thus, we believe a symmetrical true-up mechanism is  
19 appropriate in this case. A true-up mechanism that reflects actual property taxes  
20 in a given year – either higher or lower than what is approved for inclusion in  
21 rates – allows the Company to recover this cost of providing service and at the  
22 same time ensures customers only pay actual property tax amounts for a given  
23 year.

1       **B.     Data Inputs**

2     Q.   WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?

3     A.   In this section of my testimony, I discuss the different data inputs that were  
4       used to determine the Company's 2022-2024 property tax forecasts.

5  
6               1.     *Plant*

7     Q.   WHAT PLANT DATA DID THE COMPANY USE IN ITS 2022-2024 PROPERTY TAX  
8       FORECASTS?

9     A.   Our current 2022 property tax forecast is based upon our current projection of  
10       December 31, 2021 plant balances. The Company's final 2022 property tax  
11       expense will be based on the final December 31, 2021 plant balances. Similarly,  
12       the 2023 and 2024 property tax forecasts are based upon our current projections  
13       of December 31, 2022 and 2023 plant balances, respectively, and final property  
14       taxes for those years will be based on the final plant balances as of December  
15       31 each year.

16  
17               2.     *Net Operating Income*

18    Q.   WHAT NET OPERATING INCOME DATA DID THE COMPANY USE IN ITS 2022- 2024  
19       PROPERTY TAX FORECASTS?

20    A.   Our current 2022 property tax forecast is based upon actual 2019 and 2020 net  
21       operating income and our current projection of 2021 net operating income. The  
22       Company's final 2022 property tax expense will be based upon actual 2019,  
23       2020, and 2021 net operating income. The calculation method for net operating  
24       income is dictated by the DOR. The DOR used a three-year weighted average  
25       method for 2021 property taxes, and we use this same three-year weighted  
26       method in our 2022-2024 property tax forecasts.

1 Our 2023 net operating income is based on actual 2020 and projected 2021 and  
2 2022 net operating income. Final 2023 net operating income will be based on  
3 actual 2020, 2021, and 2022 net operating income.

4  
5 Following the same process, 2024 net operating income is based on projected  
6 2021, 2022, and 2023 net operating income. Final 2024 net operating income  
7 will be based on actual 2021, 2022, and 2023 net operating income.

8  
9 *3. DOR Capitalization Rates*

10 Q. WHAT DOR CAPITALIZATION RATES DID THE COMPANY USE IN ITS 2022-2024  
11 PROPERTY TAX FORECASTS?

12 A. Our 2022-2024 property tax forecasts are based on the most recent actual  
13 information available, which are the actual DOR capitalization rates we received  
14 in 2021. Final property taxes will be based on the DOR's final capitalization  
15 rates for each year.

16  
17 *4. DOR Weighting of Cost and Income Indicators of Value*

18 Q. WHAT WEIGHTING OF THE COST AND INCOME INDICATORS OF VALUE DID THE  
19 COMPANY USE IN ITS 2022-2024 PROPERTY TAX FORECASTS?

20 A. Our 2022-2024 property tax forecasts are based on the most recent actual  
21 information available, which are the actual DOR weightings of the cost and  
22 income indicators of value we received in 2021. Final property taxes will be  
23 based on the DOR's weightings for each specific year.

24  
25 While the DOR reviews and may adjust these weightings every year, and prior  
26 years' weightings do not dictate the DOR's decision in any year, we believe using  
27 the most recent weightings provides a reasonable property tax forecast. We also

1 believe use of the 2021 actual weightings of the cost and income indicators of  
2 value is appropriate because it is the most recent actual information available.

3  
4 *5. Local Tax Rates*

5 Q. WHAT LOCAL TAX RATES DID THE COMPANY USE IN ITS 2022-2024 PROPERTY  
6 TAX FORECAST?

7 A. Our current forecast of the 2022-2024 property tax expense is based upon 2020  
8 local tax rates. The local tax rates are mathematically converted into an effective  
9 tax rate as provided in Exhibit\_\_\_(CAA-1), Schedule 8. This is the most  
10 accurate recent tax rate data available at this time. Specifically, the resulting 2.95  
11 percent effective tax rate used in our forecasts is based upon 2020 final tax  
12 statements received in March and April 2021. This tax rate was used to calculate  
13 the 2020 Minnesota property tax as well as the 2021 forecasted property tax, as  
14 shown in Exhibit\_\_\_(CAA-1), Schedule 9. Final 2022-2024 property taxes will  
15 be based on the final statements received in March or April of the following  
16 year.

17  
18 **III. FORECAST ANALYSIS**

19  
20 Q. WHAT IS DRIVING THE INCREASE IN 2022 MINNESOTA PROPERTY TAXES FROM  
21 THE 2021 LEVELS?

22 A. As described above, the Company's property tax expense is a function of three  
23 primary variables: (1) investments; (2) DOR valuation inputs; and (3) local  
24 property tax rates. The increase in our forecasted 2022 Minnesota taxing  
25 jurisdiction property tax expense is driven primarily by the first variable, i.e., our  
26 investments in system-wide assets. For example, our 2022 property tax forecast  
27 includes over \$900 million in additional property and over \$54 million in

1 additional net operating income as compared to the 2021 property tax forecast.  
2 Exhibit\_\_\_(CAA-1), Schedule 10 compares our 2022 forecast to 2021 property  
3 tax expense.

4  
5 Q. WHAT IS DRIVING THE INCREASE IN 2023 AND 2024 MINNESOTA PROPERTY  
6 TAXES?

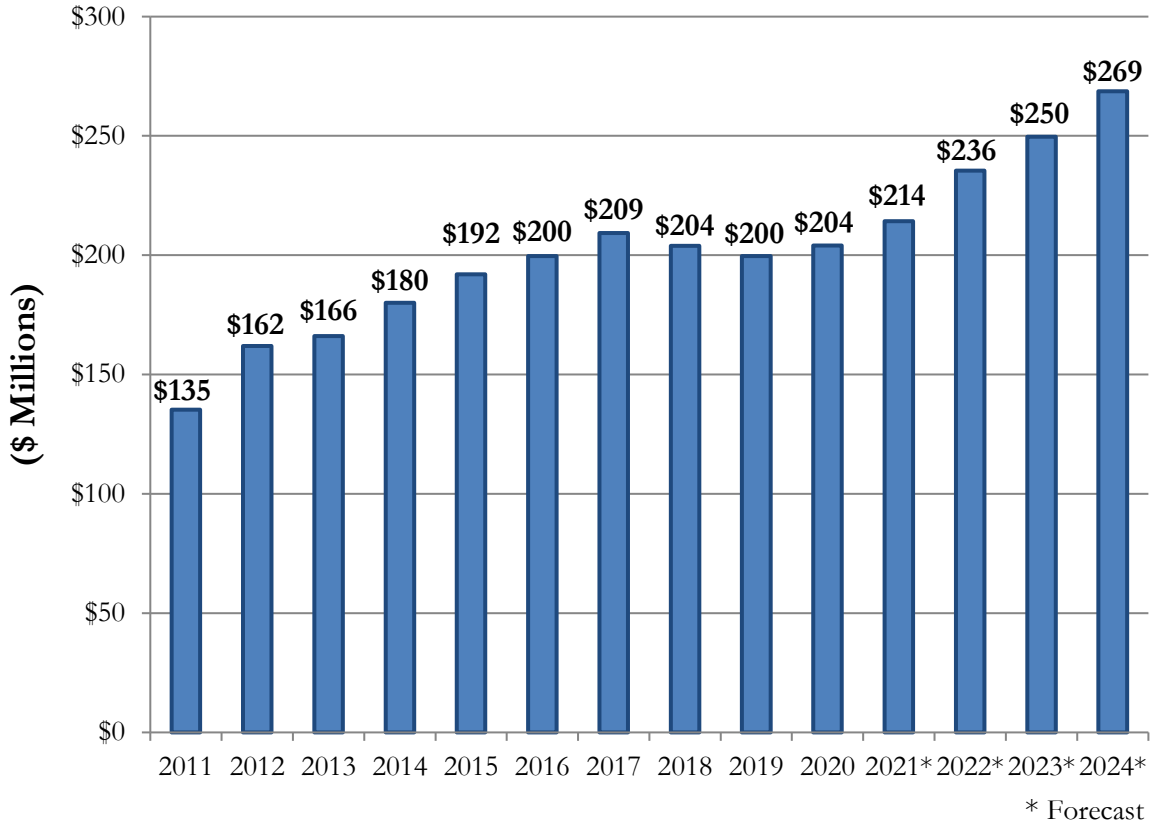
7 A. Like the change between 2021 and 2022, the increase in 2023 and 2024 property  
8 taxes is driven by the Company's investments in system-wide assets.  
9 Exhibit\_\_\_(CAA-1), Schedules 11 and 12 show how our additional investments  
10 impact the 2023-2024 forecasts.

11  
12 Q. ARE THE FORECASTED INCREASES IN 2022-2024 MINNESOTA PROPERTY TAXES  
13 CONSISTENT WITH PAST INCREASES IN MINNESOTA PROPERTY TAXES?

14 A. Yes. As Minnesota taxes account for over 94 percent of our NSPM (Total  
15 Company) property taxes, Figure 2 below shows NSPM property taxes for the  
16 Minnesota taxing jurisdiction for 2011 through 2024. As shown, property taxes  
17 have increased each year since 2011, except for 2018 and 2019. The 2018  
18 property tax is slightly lower than 2017 due to more favorable weightings by the  
19 DOR for the cost and income indicators of value. The 2019 property tax is  
20 slightly lower than 2018 due to a small decrease in the tax rate.

1 **Figure 2**

2 **NSPM Minnesota Taxing Jurisdiction Electric and Gas Property Taxes**



18 Exhibit\_\_\_(CAA-1), Schedule 7 shows the Company’s property taxes since  
19 2011.

20

21 Q. WHAT IS DRIVING THE INCREASES IN THE NORTH DAKOTA AND SOUTH  
22 DAKOTA PROPERTY TAXES INCLUDED IN THE COMPANY’S FORECASTS?

23 A. Similar to Minnesota, the property tax increases in North Dakota and South  
24 Dakota are driven by the investment variable.

25

26 Q. WHAT DID THE COMMISSION APPROVE WITH RESPECT TO PROPERTY TAX IN THE  
27 2016 MYRP?

1 A. The Commission approved \$163.1 million in property taxes for 2016-2019, of  
2 which \$151.6 million was included in base rates and the remaining \$11.5 million  
3 was included in various riders.<sup>4</sup> The Commission also approved a true-up  
4 mechanism if the amount on the final property tax statements for any of these  
5 years was more or less than the amount included in base rates. In that case, we  
6 would make annual adjustments for the difference (on a State of Minnesota  
7 Electric Jurisdiction basis). This property tax true-up was extended through  
8 2021 as part of the Commission's approval of the Company's 2021 True-Up  
9 Mechanisms Petition.<sup>5</sup> As previously stated, property taxes related to riders are  
10 trued up through separate rider proceedings.

11  
12 Q. WHAT WERE THE RESULTS OF THE BASE RATE TRUE-UP MECHANISM FOR EACH  
13 YEAR?

14 A. Our 2016 property taxes were included in the rate case settlement that was  
15 adopted by the Commission, eliminating the need for a true-up filing for 2016.

16  
17 For 2017, 2018, and 2019 property taxes, the Company trued up these years  
18 based on the final amounts shown on the Minnesota, North Dakota, and South  
19 Dakota property tax statements, which on a State of Minnesota Electric  
20 Jurisdiction basis for base rates, were less than the \$151.6 million reflected in  
21 base rates. The decreases from the forecast provided in the 2016 MYRP to the  
22 final property tax statements were primarily due to favorable valuation

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<sup>4</sup> *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E002/GR-15-826, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 14, 34 (June 12, 2017); FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATIONS at 47-48 (March 1, 2017).

<sup>5</sup> *See In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of 2021 True-Up Mechanisms*, Docket No. E002/M-20-743, ORDER APPROVING TRUE-UPS WITH MODIFICATIONS AND REQUIRING XCEL TO WITHDRAW ITS NOTICE OF CHANGE IN RATES AND INTERIM RATE PETITION at 15 (April 2, 2021).

1 settlements and decreases in the tax rate. The property tax reductions for 2017,  
2 2018, and 2019 were refunded to customers through the annual true-up process.

3  
4 Final 2020 property taxes shown on the Minnesota, North Dakota, and South  
5 Dakota property tax statements received in February through April 2021 were  
6 \$155.8 million on a State of Minnesota Electric Jurisdiction basis for base rates,  
7 or \$12.3 million (or 8.1 percent) less than the \$151.6 million reflected in base  
8 rates. The decrease from the forecast provided in the last rate case to the final  
9 property tax statements was due to a favorable valuation settlement and a lower  
10 tax rate that led to a reduced tax.<sup>6</sup>

11  
12 Final 2021 property tax statements for Minnesota, North Dakota, and South  
13 Dakota will not be available until February through April 2022.

#### 14 15 **IV. CONCLUSION**

16  
17 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

18 A. The forecasted 2022, 2023, and 2024 NSPM (Total Company) property tax  
19 expense is \$248.9 million, \$264.3 million, and \$284.8 million, respectively, the  
20 allocation of which to the appropriate regulatory jurisdictions will be discussed  
21 by Mr. Halama. Forecasted property taxes for all operating jurisdictions are  
22 increasing due to ongoing system investments and represent a continuation of  
23 recent increases.

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<sup>6</sup> As of the date of filing this testimony, the Commission's decision in Docket No. E002/M-19-688 (the Company's 2020 True-Up Mechanisms Petition) regarding the Company's proposed amount and timing of property tax true-up was still pending.



1 Our forecasts in this case reflect the most recently available data inputs for some  
2 variables, namely the DOR valuation inputs and local tax rates received in 2021.  
3 We believe using the 2021 DOR valuation inputs and local tax rates results in  
4 accurate forecasts.

5  
6 The Company is seeking recovery of property taxes as part of its multi-year rate  
7 plan, with rates that include forecasted property tax amounts. The Company is  
8 also proposing to continue the annual compliance filing and true-up mechanism  
9 that reflects actual property taxes in a given year for all operating jurisdictions.  
10 This approach would allow the Company to recover this cost of providing  
11 service and at the same time ensure that customers only pay actual property tax  
12 amounts for a given year.

13  
14 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

15 A. Yes, it does.

## Statement of Qualifications

### Christopher A. Arend

#### Responsibilities

As an Accountant, I performed various payroll and invoice processing tasks.

As a Tax Analyst and Senior Tax Analyst, I prepared federal and state income tax returns and performed other compliance and accounting functions related to income taxes.

As a Tax Manager and Tax Director, I oversaw income tax compliance and accounting responsibilities and performed income and property tax planning and defense functions.

As Senior Director, Tax Services, I oversee and manage the tax planning, policy and defense responsibilities associated with Xcel Energy's income, property and sales/use taxes.

#### Experience

1991–1993	Northern States Power Company	Accountant
1993–2000	Northern States Power Company	Tax Analyst/Sr. Tax Analyst
2000–2014	Xcel Energy Inc.	Tax Manager/Tax Director
2014–Present	Xcel Energy Inc.	Senior Director, Tax Services

#### Education

2000	Master of Business–Taxation	University of Minnesota
1991	Bachelor of Science–Accounting	Minnesota State University–Mankato

**NSPM Total Company Property Taxes**

	2020	
	Electric	Gas
<b>System Unit Value Calculation</b>		
Plant In Service, 12/31/19	19,984,117,546	1,634,367,461
CWIP, 12/31/19	523,405,463	53,912,533
Depreciation, 12/31/19	(8,076,755,155)	(690,368,701)
<b>Cost Indicator of Value</b>	<b>A</b> <u><u>\$12,430,767,854</u></u>	<u><u>\$997,911,293</u></u>
<b>Income Indicator</b>		
2017 NOI x 25%	158,578,501	10,367,732
2018 NOI x 35%	220,347,988	17,321,626
2019 NOI x 40%	277,086,180	21,860,300
NOI to Capitalize	\$656,012,669	\$49,549,658
Capitalization Rate	6.40%	7.07%
<b>Income Indicator of Value</b>	<b>B</b> <u><u>\$10,250,197,957</u></u>	<u><u>\$700,843,823</u></u>
<b>Apply Weightings</b>		
Cost Indicator	0.0% / 100.0%	7.0% / 93.0%
Income Indicator	\$0	\$69,853,800
<b>Total System Unit Value</b>	<b>C</b> <u><u>\$10,250,198,000</u></u>	<u><u>\$651,784,800</u></u>
<b>Allocation of System Value</b>		
MN Plant in Service	18,193,498,972	1,540,344,028
System Plant in Service	20,507,523,009	1,688,279,994
Plant Ratio x 90%-Elec / x 75%-Gas	79.85%	68.43%
MN Gross Revenue	3,946,918,373	506,370,653
System Gross Revenue	4,495,412,265	577,083,424
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.94%
MN Allocated Value Percentage	88.63%	90.37%
<b>MN Allocated Value</b>	<b>D</b> <u><u>\$9,084,750,500</u></u>	<u><u>\$652,144,800</u></u>
Net Depreciable Excludables	2,619,042,842	88,516,284
Non-Depreciable Excludables	989,825,685	10,641,017
Subtotal	3,608,868,527	99,157,301
Ratio - System Unit Value / Cost Indicator	82.46%	72.31%
<b>Deductions to MN Allocated Value</b>	<u><u>\$2,975,873,000</u></u>	<u><u>\$71,700,600</u></u>
Sliding Scale Market Value Exclusion	201,018,300	0
<b>Deduct/Excl to MN Allocated Value</b>	<b>E</b> <u><u>\$3,176,891,300</u></u>	<u><u>\$71,700,600</u></u>
<b>Apportionable Market Value</b>	<u><u>\$5,899,282,100</u></u>	<u><u>\$580,000,000</u></u>
Effective Tax Rate	2.93%	2.93%
<b>Forecasted Property Tax - Elec &amp; Gas</b>	<b>\$172,697,354</b>	<b>\$16,979,094</b>
Rounded	<u><u>\$172,692,000</u></u>	<u><u>\$16,980,000</u></u>
Locally Assessed	10,128,000	996,000
Wind Production	3,324,000	
Solar Production		
<b>Total Property Tax</b>	<b>\$186,144,000</b>	<b>\$17,976,000</b>
<b>Total MN Property Tax</b>		<b>204,120,000</b>
North Dakota & South Dakota Property Tax		\$11,466,000
<b>Total NSPM Forecasted Property Tax</b>		<b>\$215,586,000</b>

**Support for the Calculation of Minnesota Apportionable Market Value**

- A** Minn. R. 8100.0300, subp. 3 describes in part the cost indicator of value as:  
*The cost factor to be considered in the utility valuation formula is the original cost less depreciation of the system plant, plus the cost of improvements to the system plant, plus the original cost of all types of construction work in progress that are installed by the assessment date, plus the cost of property held for future use, plus the cost of contributions in aid of construction.*
- B** Minn. R. 8100.0300, subp. 4, explains the process for calculating the income indicator of value:  
*The income indicator of value is estimated by weighting the capitalized net operating earnings of the utility company for the most recent three years as follows: most recent year, 40 percent; previous year, 35 percent; and final year, 25 percent. Utilities may request the removal of nonrecurring items of income or expense. The commissioner must determine if removal of the item is appropriate. The net income is capitalized by applying a capitalization rate that is computed by using the band of investment method. This method considers:*
- A. the capital structure of utilities;*
  - B. the cost of debt or interest rate;*
  - C. the yield on preferred stock of utilities;*
  - D. the yield on common stock of utilities; and*
  - E. the risk-free rate, relative risk, and risk premiums for public utility companies.*
- Capitalization rates are computed each year for electric companies, gas distribution companies, natural gas transmission systems, and fluid pipeline companies. The rates are recalculated each year using the method described in this subpart.*
- Minn. R. 8100.0100, subp. 9 defines net operating earnings as follows:  
*Net operating earnings" means earnings from the system plant of the utility after the deduction of operating expenses, depreciation, and taxes, but before any deduction for interest.*
- Minn. R. 8100.0100, subp. 5, defines capitalization rate as:  
*"Capitalization rate" means the relationship of income to capital investment or value, expressed as a percentage.*
- C** Minn. R. 8100.0300, subp. 5, explains the process for calculating the system unit value:  
*The unit value of the utility company is equal to the total of the weighted indicators of value. The total weighting must equal 100 percent. The default weightings of the indicators are: market indicator, 0 percent; cost indicator, 50 percent; income indicator, 50 percent.*
- D** Minn. R. 8100.0400, subp. 2, explains the process for calculating the allocation of electric value attributable to Minnesota:  
*The original cost of the utility property located in Minnesota divided by the total original cost of the property in all states of operation is weighted at 90 percent. Gross revenue derived from operations in Minnesota divided by gross operations revenue from all states is weighted at ten percent.*
- Minn. R. 8100.0400, subp. 3, explains the process for calculating the allocation of gas value attributable to Minnesota:  
*The allocation of value of gas distribution companies must be made considering the same factors as are used to determine the allocation of value of electric companies. The weight given to the original cost factor is 75 percent, and gross revenue is weighted 25 percent.*
- E** Minn. R. 8100.0500, subp. 1, explains the process for adjusting the valuation performed under Rule 8100.0300:  
*After the Minnesota portion of the unit value of the utility company, except for electric cooperatives, is determined, any property which is non-formula-assessed or which is exempt from ad valorem tax, is deducted from the Minnesota portion of the unit value. Only that qualifying property located within the state of Minnesota may be excluded.*
- Minn. R. 8100.0500, subp. 2, describes the types of property excluded from the valuation performed under Rule 8100.0300:  
*The following properties are valued by the local or county assessor and, therefore, the formula provided herein for the valuation of utility property is not applicable to such property:*
- A. land;*
  - B. nonoperating property; and*
  - C. rights-of-way*
- Minn. R. 8100.0500, subp. 3, further explains the calculation of deduction to Minnesota value:  
*The Minnesota portion of the unit value is reduced by the value included in the unit value of the company for land, rights-of-way, nonoperating property, and exempt property. This amount is calculated by determining the ratio of the unit value computed in part 8100.0300, subpart 5, to the cost less depreciation allowed in part 8100.0300, subpart 3. This ratio is multiplied by the cost less depreciation of the property to be deducted.*

**NSPM Total Company Property Taxes**

	2021 Forecast	
	Electric	Gas
<b>System Unit Value Calculation</b>		
Plant In Service, 12/31/20	21,531,561,260	1,757,901,175
CWIP, 12/31/20	523,405,463	53,912,533
Depreciation, 12/31/20	(8,604,143,178)	(717,143,075)
<b>Cost Indicator of Value</b>	<b>A</b> <u>\$13,450,823,545</u>	<u>\$1,094,670,633</u>
<b>Income Indicator</b>		
2018 NOI x 25%	157,391,420	12,372,590
2019 NOI x 35%	242,450,408	19,127,763
2020 NOI x 40%	301,261,442	17,428,410
NOI to Capitalize	\$701,103,270	\$48,928,762
Capitalization Rate	6.34%	6.63%
<b>Income Indicator of Value</b>	<b>B</b> <u>\$11,058,411,194</u>	<u>\$737,990,380</u>
<b>Apply Weightings</b>		
Cost Indicator	14.0% / 86.0%	14.0% / 86.0%
Income Indicator	\$1,883,115,300	\$153,253,900
<b>Total System Unit Value</b>	<b>C</b> <u>\$11,393,348,900</u>	<u>\$787,925,600</u>
<b>Allocation of System Value</b>		
MN Plant in Service	19,322,782,474	1,652,757,263
System Plant in Service	22,054,966,723	1,811,813,708
Plant Ratio x 90%-Elec / x 75%-Gas	78.85%	68.42%
MN Gross Revenue	3,908,092,695	440,452,585
System Gross Revenue	4,449,179,237	501,722,023
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.95%
MN Allocated Value Percentage	87.63%	90.36%
<b>MN Allocated Value</b>	<b>D</b> <u>\$9,984,514,600</u>	<u>\$711,992,500</u>
Net Depreciable Excludables	3,045,146,985	93,788,780
Non-Depreciable Excludables	1,327,321,582	18,788,729
Subtotal	4,372,468,567	112,577,508
Ratio - System Unit Value / Cost Indicator	84.70%	71.98%
<b>Deductions to MN Allocated Value</b>	<u>\$3,703,643,800</u>	<u>\$81,031,400</u>
Sliding Scale Market Value Exclusion	213,500,000	0
<b>Deduct/Excl to MN Allocated Value</b>	<b>E</b> <u>\$3,917,143,800</u>	<u>\$81,031,400</u>
<b>Apportionable Market Value</b>	<u>\$6,066,500,000</u>	<u>\$630,000,000</u>
Effective Tax Rate	2.95%	2.95%
<b>Forecasted Property Tax - Elec &amp; Gas</b>	<b>\$178,961,750</b>	<b>\$18,585,000</b>
Rounded	\$178,956,000	\$18,588,000
Locally Assessed	10,152,000	1,056,000
Wind Production	5,448,000	
Solar Production		
<b>Total Property Tax</b>	<b>\$194,556,000</b>	<b>\$19,644,000</b>
<b>Total MN Property Tax</b>		<b>214,200,000</b>
North Dakota & South Dakota Property Tax		\$11,916,000
<b>Total NSPM Forecasted Property Tax</b>		<b>\$226,116,000</b>

**Support for the Calculation of Minnesota Apportionable Market Value**

- A** Minn. R. 8100.0300, subp. 3 describes in part the cost indicator of value as:  
*The cost factor to be considered in the utility valuation formula is the original cost less depreciation of the system plant, plus the cost of improvements to the system plant, plus the original cost of all types of construction work in progress that are installed by the assessment date, plus the cost of property held for future use, plus the cost of contributions in aid of construction.*
- B** Minn. R. 8100.0300, subp. 4, explains the process for calculating the income indicator of value:  
*The income indicator of value is estimated by weighting the capitalized net operating earnings of the utility company for the most recent three years as follows: most recent year, 40 percent; previous year, 35 percent; and final year, 25 percent. Utilities may request the removal of nonrecurring items of income or expense. The commissioner must determine if removal of the item is appropriate. The net income is capitalized by applying a capitalization rate that is computed by using the band of investment method. This method considers:*
- A. the capital structure of utilities;*
  - B. the cost of debt or interest rate;*
  - C. the yield on preferred stock of utilities;*
  - D. the yield on common stock of utilities; and*
  - E. the risk-free rate, relative risk, and risk premiums for public utility companies.*
- Capitalization rates are computed each year for electric companies, gas distribution companies, natural gas transmission systems, and fluid pipeline companies. The rates are recalculated each year using the method described in this subpart.*
- Minn. R. 8100.0100, subp. 9 defines net operating earnings as follows:  
*Net operating earnings" means earnings from the system plant of the utility after the deduction of operating expenses, depreciation, and taxes, but before any deduction for interest.*
- Minn. R. 8100.0100, subp. 5, defines capitalization rate as:  
*"Capitalization rate" means the relationship of income to capital investment or value, expressed as a percentage.*
- C** Minn. R. 8100.0300, subp. 5, explains the process for calculating the system unit value:  
*The unit value of the utility company is equal to the total of the weighted indicators of value. The total weighting must equal 100 percent. The default weightings of the indicators are: market indicator, 0 percent; cost indicator, 50 percent; income indicator, 50 percent.*
- D** Minn. R. 8100.0400, subp. 2, explains the process for calculating the allocation of electric value attributable to Minnesota:  
*The original cost of the utility property located in Minnesota divided by the total original cost of the property in all states of operation is weighted at 90 percent. Gross revenue derived from operations in Minnesota divided by gross operations revenue from all states is weighted at ten percent.*
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*The allocation of value of gas distribution companies must be made considering the same factors as are used to determine the allocation of value of electric companies. The weight given to the original cost factor is 75 percent, and gross revenue is weighted 25 percent.*
- E** Minn. R. 8100.0500, subp. 1, explains the process for adjusting the valuation performed under Rule 8100.0300:  
*After the Minnesota portion of the unit value of the utility company, except for electric cooperatives, is determined, any property which is non-formula-assessed or which is exempt from ad valorem tax, is deducted from the Minnesota portion of the unit value. Only that qualifying property located within the state of Minnesota may be excluded.*
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- A. land;*
  - B. nonoperating property; and*
  - C. rights-of-way*
- Minn. R. 8100.0500, subp. 3, further explains the calculation of deduction to Minnesota value:  
*The Minnesota portion of the unit value is reduced by the value included in the unit value of the company for land, rights-of-way, nonoperating property, and exempt property. This amount is calculated by determining the ratio of the unit value computed in part 8100.0300, subpart 5, to the cost less depreciation allowed in part 8100.0300, subpart 3. This ratio is multiplied by the cost less depreciation of the property to be deducted.*

**NSPM Total Company Property Taxes**

	2022 Forecast	
	Electric	Gas
<b>System Unit Value Calculation</b>		
Plant In Service, 12/31/21 Forecast	23,215,868,662	1,982,991,208
CWIP, 12/31/21 Forecast	523,405,463	53,912,533
Depreciation, 12/31/21 Forecast	(9,352,298,643)	(757,284,329)
<b>Cost Indicator of Value</b>	<b>A</b> <u>\$14,386,975,482</u>	<u>\$1,279,619,411</u>
<b>Income Indicator</b>		
2019 NOI x 25%	173,178,863	13,662,688
2020 NOI x 35%	263,603,762	15,249,858
2021 Estimated NOI x 40%	318,028,800	18,154,000
NOI to Capitalize	\$754,811,424	\$47,066,546
Capitalization Rate	6.34%	6.63%
<b>Income Indicator of Value</b>	<b>B</b> <u>\$11,905,542,971</u>	<u>\$709,902,657</u>
<b>Apply Weightings</b>		
Cost Indicator	14.0% / 86.0%	14.0% / 86.0%
Income Indicator	\$2,014,176,600	\$179,146,700
<b>Total System Unit Value</b>	<b>C</b> <u>\$12,252,943,600</u>	<u>\$789,663,000</u>
<b>Allocation of System Value</b>		
MN Plant in Service	20,438,760,892	1,842,531,097
System Plant in Service	23,739,274,125	2,036,903,741
Plant Ratio x 90%-Elec / x 75%-Gas	77.49%	67.84%
MN Gross Revenue	3,908,092,695	440,452,585
System Gross Revenue	4,449,179,237	501,722,023
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.95%
MN Allocated Value Percentage	86.27%	89.79%
<b>MN Allocated Value</b>	<b>D</b> <u>\$10,570,736,000</u>	<u>\$709,039,400</u>
Net Depreciable Excludables	3,605,508,629	111,039,657
Non-Depreciable Excludables	595,380,488	18,137,647
Subtotal	4,200,889,117	129,177,304
Ratio - System Unit Value / Cost Indicator	85.17%	61.71%
<b>Deductions to MN Allocated Value</b>	<u>\$3,577,767,800</u>	<u>\$79,716,300</u>
Sliding Scale Market Value Exclusion	213,500,000	0
<b>Deduct/Excl to MN Allocated Value</b>	<b>E</b> <u>\$3,791,267,800</u>	<u>\$79,716,300</u>
<b>Apportionable Market Value</b>	<u>\$6,779,468,200</u>	<u>\$629,323,100</u>
Effective Tax Rate	2.95%	2.95%
<b>Forecasted Property Tax - Elec &amp; Gas</b>	<b>\$199,994,312</b>	<b>\$18,565,031</b>
Rounded	\$199,992,000	\$18,564,000
Locally Assessed	10,260,000	948,000
Wind Production	5,748,000	
Solar Production	0	
<b>Total Property Tax</b>	<b>\$216,000,000</b>	<b>\$19,512,000</b>
<b>Total MN Property Tax</b>		<b>235,512,000</b>
North Dakota & South Dakota Property Tax		\$13,413,000
<b>Total NSPM Forecasted Property Tax</b>		<b>\$248,925,000</b>

**Support for the Calculation of Minnesota Apportionable Market Value**

- A** Minn. R. 8100.0300, subp. 3 describes in part the cost indicator of value as:  
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*The income indicator of value is estimated by weighting the capitalized net operating earnings of the utility company for the most recent three years as follows: most recent year, 40 percent; previous year, 35 percent; and final year, 25 percent. Utilities may request the removal of nonrecurring items of income or expense. The commissioner must determine if removal of the item is appropriate. The net income is capitalized by applying a capitalization rate that is computed by using the band of investment method. This method considers:*
- A. the capital structure of utilities;*
  - B. the cost of debt or interest rate;*
  - C. the yield on preferred stock of utilities;*
  - D. the yield on common stock of utilities; and*
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- C** Minn. R. 8100.0300, subp. 5, explains the process for calculating the system unit value:  
*The unit value of the utility company is equal to the total of the weighted indicators of value. The total weighting must equal 100 percent. The default weightings of the indicators are: market indicator, 0 percent; cost indicator, 50 percent; income indicator, 50 percent.*
- D** Minn. R. 8100.0400, subp. 2, explains the process for calculating the allocation of electric value attributable to Minnesota:  
*The original cost of the utility property located in Minnesota divided by the total original cost of the property in all states of operation is weighted at 90 percent. Gross revenue derived from operations in Minnesota divided by gross operations revenue from all states is weighted at ten percent.*
- Minn. R. 8100.0400, subp. 3, explains the process for calculating the allocation of gas value attributable to Minnesota:  
*The allocation of value of gas distribution companies must be made considering the same factors as are used to determine the allocation of value of electric companies. The weight given to the original cost factor is 75 percent, and gross revenue is weighted 25 percent.*
- E** Minn. R. 8100.0500, subp. 1, explains the process for adjusting the valuation performed under Rule 8100.0300:  
*After the Minnesota portion of the unit value of the utility company, except for electric cooperatives, is determined, any property which is non-formula-assessed or which is exempt from ad valorem tax, is deducted from the Minnesota portion of the unit value. Only that qualifying property located within the state of Minnesota may be excluded.*
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  - C. rights-of-way*
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*The Minnesota portion of the unit value is reduced by the value included in the unit value of the company for land, rights-of-way, nonoperating property, and exempt property. This amount is calculated by determining the ratio of the unit value computed in part 8100.0300, subpart 5, to the cost less depreciation allowed in part 8100.0300, subpart 3. This ratio is multiplied by the cost less depreciation of the property to be deducted.*



**NSPM Total Company Property Taxes**

	2023 Forecast	
	Electric	Gas
<b>System Unit Value Calculation</b>		
Plant In Service, 12/31/22 Forecast	23,628,597,743	2,135,086,852
CWIP, 12/31/22 Forecast	1,352,851,152	73,563,359
Depreciation, 12/31/22 Forecast	(9,463,372,888)	(819,042,224)
<b>Cost Indicator of Value</b>	<b>A</b> <u><u>\$15,518,076,007</u></u>	<u><u>\$1,389,607,987</u></u>
<b>Income Indicator</b>		
2020 NOI x 25%	188,288,401	10,892,756
2021 Estimated NOI x 35%	278,275,200	15,884,750
2022 Estimated NOI x 40%	334,707,200	19,106,000
NOI to Capitalize	\$801,270,801	\$45,883,506
Capitalization Rate	6.34%	6.63%
<b>Income Indicator of Value</b>	<b>B</b> <u><u>\$12,638,340,714</u></u>	<u><u>\$692,058,914</u></u>
<b>Apply Weightings</b>		
Cost Indicator	14.0% / 86.0%	14.0% / 86.0%
Income Indicator	\$2,172,530,600	\$194,545,100
<b>Total System Unit Value</b>	<b>C</b> <u><u>\$13,041,503,600</u></u>	<u><u>\$789,715,800</u></u>
<b>Allocation of System Value</b>		
MN Plant in Service	21,553,694,935	1,998,431,364
System Plant in Service	24,981,448,895	2,208,650,210
Plant Ratio x 90%-Elec / x 75%-Gas	77.65%	67.86%
MN Gross Revenue	3,908,092,695	440,452,585
System Gross Revenue	4,449,179,237	501,722,023
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.95%
MN Allocated Value Percentage	86.43%	89.81%
<b>MN Allocated Value</b>	<b>D</b> <u><u>\$11,272,394,000</u></u>	<u><u>\$709,232,400</u></u>
Net Depreciable Excludables	3,757,517,535	121,925,405
Non-Depreciable Excludables	793,824,174	10,635,886
Subtotal	4,551,341,709	132,561,291
Ratio - System Unit Value / Cost Indicator	84.04%	56.83%
<b>Deductions to MN Allocated Value</b>	<u><u>\$3,824,980,600</u></u>	<u><u>\$75,334,700</u></u>
Sliding Scale Market Value Exclusion	213,500,000	0
<b>Deduct/Excl to MN Allocated Value</b>	<b>E</b> <u><u>\$4,038,480,600</u></u>	<u><u>\$75,334,700</u></u>
<b>Apportionable Market Value</b>	<u><u>\$7,233,913,400</u></u>	<u><u>\$633,897,700</u></u>
Effective Tax Rate	2.95%	2.95%
<b>Forecasted Property Tax - Elec &amp; Gas</b>	<b>\$213,400,445</b>	<b>\$18,699,982</b>
Rounded	\$213,396,000	\$18,696,000
Locally Assessed	10,308,000	900,000
Wind Production	6,216,000	
Solar Production	156,000	
<b>Total Property Tax</b>	<b><u><u>\$230,076,000</u></u></b>	<b><u><u>\$19,596,000</u></u></b>
<b>Total MN Property Tax</b>		<b>249,672,000</b>
Iowa, North Dakota & South Dakota Property Tax		\$14,658,000
<b>Total NSPM Forecasted Property Tax</b>		<b>\$264,330,000</b>

**Support for the Calculation of Minnesota Apportionable Market Value**

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*The cost factor to be considered in the utility valuation formula is the original cost less depreciation of the system plant, plus the cost of improvements to the system plant, plus the original cost of all types of construction work in progress that are installed by the assessment date, plus the cost of property held for future use, plus the cost of contributions in aid of construction.*
- B** Minn. R. 8100.0300, subp. 4, explains the process for calculating the income indicator of value:  
*The income indicator of value is estimated by weighting the capitalized net operating earnings of the utility company for the most recent three years as follows: most recent year, 40 percent; previous year, 35 percent; and final year, 25 percent. Utilities may request the removal of nonrecurring items of income or expense. The commissioner must determine if removal of the item is appropriate. The net income is capitalized by applying a capitalization rate that is computed by using the band of investment method. This method considers:*
- A. the capital structure of utilities;*
  - B. the cost of debt or interest rate;*
  - C. the yield on preferred stock of utilities;*
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**NSPM Total Company Property Taxes**

	2024 Forecast	
	Electric	Gas
<b>System Unit Value Calculation</b>		
Plant In Service, 12/31/23 Forecast	24,356,870,104	2,290,296,234
CWIP, 12/31/23 Forecast	2,096,773,684	86,833,353
Depreciation, 12/31/23 Forecast	(10,124,933,208)	(904,386,233)
<b>Cost Indicator of Value</b>	<b>A</b> <u><u>\$16,328,710,580</u></u>	<u><u>\$1,472,743,354</u></u>
<b>Income Indicator</b>		
2021 Estimated NOI x 25%	198,768,000	11,346,250
2022 Estimated NOI x 35%	292,868,800	16,717,750
2023 Estimated NOI x 40%	362,564,000	20,696,000
NOI to Capitalize	\$854,200,800	\$48,760,000
Capitalization Rate	6.34%	6.63%
<b>Income Indicator of Value</b>	<b>B</b> <u><u>\$13,473,198,738</u></u>	<u><u>\$735,444,947</u></u>
<b>Apply Weightings</b>		
Cost Indicator	14.0% / 86.0%	14.0% / 86.0%
Income Indicator	\$2,286,019,500	\$206,184,100
<b>Total System Unit Value</b>	<b>C</b> <u><u>\$13,872,970,400</u></u>	<u><u>\$838,666,800</u></u>
<b>Allocation of System Value</b>		
MN Plant in Service	22,871,698,005	2,149,757,424
System Plant in Service	26,453,643,789	2,377,129,587
Plant Ratio x 90%-Elec / x 75%-Gas	77.81%	67.83%
MN Gross Revenue	3,908,092,695	440,452,585
System Gross Revenue	4,449,179,237	501,722,023
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.95%
MN Allocated Value Percentage	86.60%	89.77%
<b>MN Allocated Value</b>	<b>D</b> <u><u>\$12,013,636,400</u></u>	<u><u>\$752,898,900</u></u>
Net Depreciable Excludables	3,973,038,832	129,464,776
Non-Depreciable Excludables	712,479,571	7,869,145
Subtotal	4,685,518,403	137,333,921
Ratio - System Unit Value / Cost Indicator	84.96%	56.95%
<b>Deductions to MN Allocated Value</b>	<u><u>\$3,980,844,500</u></u>	<u><u>\$78,206,000</u></u>
Sliding Scale Market Value Exclusion	213,500,000	0
<b>Deduct/Excl to MN Allocated Value</b>	<b>E</b> <u><u>\$4,194,344,500</u></u>	<u><u>\$78,206,000</u></u>
<b>Apportionable Market Value</b>	<u><u>\$7,819,291,900</u></u>	<u><u>\$674,692,900</u></u>
Effective Tax Rate	2.95%	2.95%
<b>Forecasted Property Tax - Elec &amp; Gas</b>	<b>\$230,669,111</b>	<b>\$19,903,441</b>
Rounded	\$230,664,000	\$19,908,000
Locally Assessed	10,320,000	888,000
Wind Production	6,216,000	
Solar Production	756,000	
<b>Total Property Tax</b>	<b><u><u>\$247,956,000</u></u></b>	<b><u><u>\$20,796,000</u></u></b>
<b>Total MN Property Tax</b>		<b>268,752,000</b>
Iowa, North Dakota & South Dakota Property Tax		\$16,071,000
<b>Total NSPM Forecasted Property Tax</b>		<b>\$284,823,000</b>

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**Property Taxes from 2011-2024**

<b>Property Tax Expense</b>										
(\$ millions)										
	A	B	C	D	A + B + C + D	E	F	G	H	F - G + H
<b>Year</b>	<b>Minnesota</b>	<b>North Dakota</b>	<b>South Dakota</b>	<b>Iowa</b>	<b>Total NSPM</b>	<b>NSPM Electric</b>	<b>Minnesota Electric Jurisdiction</b>	<b>Included in Base Rates</b>	<b>Recovered in Riders</b>	<b>True-Up</b>
2011	\$135	\$3	\$3	\$0	\$141	\$124	\$101	\$100	\$0	N/A
2012	\$162	\$3	\$3	\$0	\$168	\$152	\$125	\$101	\$1	N/A
2013	\$166	\$3	\$3	\$0	\$172	\$153	\$123	\$138	\$1	N/A
2014	\$180	\$3	\$3	\$0	\$186	\$167	\$134	\$133	\$1	N/A
2015	\$193	\$3	\$4	\$0	\$200	\$178	\$141	\$137	\$1	N/A
2016	\$200	\$5	\$4	\$0	\$209	\$194	\$153	\$137	\$11	N/A
2017	\$209	\$5	\$4	\$0	\$218	\$199	\$157	\$152	\$12	(\$7)
2018	\$204	\$6	\$4	\$0	\$214	\$198	\$156	\$152	\$13	(\$9)
2019	\$200	\$7	\$4	\$0	\$211	\$194	\$153	\$152	\$14	(\$13)
2020	\$204	\$7	\$5	\$0	\$216	\$203	\$149	\$152	\$16	(\$8)
2021E Initial Filing	\$214	\$7	\$5	\$0	\$226	\$217	\$158	\$170	\$1	\$0
2022E Initial Filing	\$236	\$7	\$6	\$0	\$249	\$229	\$167	\$178	\$3	\$0
2023E Initial Filing	\$250	\$8	\$6	\$0	\$264	\$243	\$177	\$189	\$3	\$0
2024E Initial Filing	\$269	\$8	\$7	\$1	\$285	\$243	\$177	\$189	\$3	\$0

\* Property tax true-up started with the prior rate case for 2017-2019. 2016 was included with the rate case settlement.

**Minnesota Property Taxes By County for 2020 and Tax Rate Calculation  
(\$s)**

COUNTY	Truth-in-Taxation Notices			Property Tax Statements		
	Total Taxes	Total Value	Blended Rate	Total Taxes	Total Value	Blended Rate
Anoka	2,813,012	90,934,100	3.09%	2,813,653	91,002,200	3.09%
Becker	81,246	3,428,000	2.37%	79,050	3,428,000	2.31%
Beltrami	60,668	2,108,700	2.88%	87,392	3,026,000	2.89%
Benton	1,264,770	37,596,500	3.36%	1,344,360	39,362,500	3.42%
Blue Earth	2,601,382	93,064,900	2.80%	2,724,214	97,070,600	2.81%
Brown	214,658	8,320,100	2.58%	217,666	8,423,700	2.58%
Carver	2,312,624	74,446,400	3.11%	2,535,846	81,680,100	3.10%
Cass	98,456	4,086,800	2.41%	234,512	10,620,000	2.21%
Chippewa	1,278,958	34,436,200	3.71%	1,226,250	35,639,600	3.44%
Chisago	3,181,708	93,736,100	3.39%	3,500,504	102,895,600	3.40%
Clay	500,184	22,484,300	2.22%	549,214	24,021,000	2.29%
Crow Wing	552,400	22,188,700	2.49%	550,344	22,188,700	2.48%
Cottonwood	-	-	0.00%	13,686	508,900	2.69%
Dakota	14,865,440	506,967,900	2.93%	13,824,953	471,632,700	2.93%
Dodge	314,898	10,877,300	2.90%	468,507	13,709,600	3.42%
Douglas	521,690	20,200,300	2.58%	522,414	20,217,800	2.58%
Faribault	26,024	832,600	3.13%	25,062	865,700	2.89%
Freeborn	24,458	719,700	3.40%	36,754	1,096,500	3.35%
Goodhue	28,091,200	961,473,200	2.92%	27,747,809	965,613,900	2.87%
Grant	97,186	4,080,100	2.38%	96,844	4,080,100	2.37%
Hennepin	35,226,977	1,089,891,400	3.23%	36,236,838	1,099,374,100	3.30%
Houston	139,272	3,823,200	3.64%	167,359	4,312,800	3.88%
Hubbard	53,136	2,078,800	2.56%	52,548	2,078,800	2.53%
Isanti	103,156	3,439,400	3.00%	102,894	3,439,400	2.99%
Itasca	114,430	3,828,300	2.99%	253,960	8,005,400	3.17%
Jackson	619,416	28,507,100	2.17%	620,328	28,507,100	2.18%
Kandiyohi	514,592	15,155,500	3.40%	572,892	17,096,600	3.35%
Koochiching	50,532	1,960,700	2.58%	305,032	11,165,700	2.73%
Lac qui Parle	-	-	0.00%	816	59,700	1.37%
Lake of the Woods	-	-	0.00%	162,722	5,227,100	3.11%
Le Sueur	628,700	20,865,400	3.01%	664,340	22,067,900	3.01%
Lincoln	1,198,618	52,533,400	2.28%	1,234,756	52,874,800	2.34%
Lyon	1,535,782	62,793,700	2.45%	1,555,092	63,447,400	2.45%
Martin	50,880	2,571,200	1.98%	198,682	8,383,800	2.37%
McLeod	599,824	11,558,700	5.19%	405,507	12,550,100	3.23%
Meeke	232,716	6,858,400	3.39%	220,032	6,587,600	3.34%
Morrison	12,784	438,700	2.91%	11,108	386,600	2.87%
Mower	324,262	12,402,000	2.61%	325,468	12,402,000	2.62%
Murray	769,440	39,961,600	1.93%	783,812	40,776,000	1.92%
Nicollet	538,408	18,139,500	2.97%	505,428	16,702,800	3.03%
Nobles	1,339,900	60,236,800	2.22%	1,336,464	60,243,300	2.22%
Norman	11,994	535,800	2.24%	13,192	596,600	2.21%
Olmsted	765,448	26,167,700	2.93%	744,743	26,530,200	2.81%
Otter Tail	325,638	13,468,500	2.42%	326,814	13,468,500	2.43%
Pine	204,188	6,904,800	2.96%	203,840	6,904,800	2.95%
Pipestone	477,986	15,945,000	3.00%	491,162	16,619,600	2.96%
Polk	79,372	4,604,600	1.72%	79,276	4,604,600	1.72%
Pope	272,478	9,102,900	2.99%	312,676	10,857,400	2.88%
Ramsey	23,970,682	688,378,200	3.48%	24,240,500	692,269,600	3.50%
Redwood	626,240	27,623,200	2.27%	641,876	28,352,000	2.26%
Renville	1,123,546	39,901,300	2.82%	1,135,584	40,479,700	2.81%
Rice	1,990,520	63,803,600	3.12%	2,085,016	67,388,500	3.09%
Rock	35,050	1,755,900	2.00%	35,572	1,779,700	2.00%
Roseau	452,878	15,139,700	2.99%	563,230	18,515,900	3.04%
Saint Louis	978,954	32,256,200	3.03%	989,110	32,415,500	3.05%
Scott	3,702,616	124,747,000	2.97%	3,742,596	125,752,400	2.98%
Sherburne	14,038,754	517,896,300	2.71%	14,180,196	520,978,100	2.72%
Sibley	1,312,390	46,157,100	2.84%	1,330,382	46,662,800	2.85%
Stearns	4,730,334	150,981,600	3.13%	5,154,728	164,315,600	3.14%
Steele	19,888	681,700	2.92%	58,352	1,754,300	3.33%
Todd	156,624	5,232,000	2.99%	159,040	5,356,100	2.97%
Wabasha	737,028	25,689,500	2.87%	835,417	29,018,600	2.88%
Waseca	537,074	14,976,300	3.59%	656,634	17,801,100	3.69%
Washington	16,495,646	573,249,600	2.88%	15,978,904	549,718,000	2.91%
Watsonwan	284,670	10,576,700	2.69%	299,291	10,890,200	2.75%
Wilkin	122,132	4,652,500	2.63%	123,032	4,693,600	2.62%
Winona	990,238	34,621,900	2.86%	1,042,607	37,591,900	2.77%
Wright	20,372,724	887,203,200	2.30%	20,553,585	893,159,100	2.30%
Yellow Medicine	490,142	19,678,500	2.49%	511,918	20,587,000	2.49%
Subtotal	198,259,021	6,790,957,000	2.92%	200,804,386	6,861,833,600	2.93%
Wind Tax				3,327,022		
Total MN Tax				204,131,408		
North & South Dakota Property Tax				11,469,577		
Total NSPM Property Tax				215,600,986		

**NSPM Total Company Property Taxes**

	2020		2021 Forecast		2020 vs. 2021		
	Electric	Gas	Electric	Gas	Electric	Gas	
<b>System Unit Value Calculation</b>							
Plant In Service, 12/31	19,984,117,546	1,634,367,461	21,531,561,260	1,757,901,175	1,547,443,714	123,533,714	
CWIP, 12/31	523,405,463	53,912,533	523,405,463	53,912,533	0	0	
Depreciation, 12/31	(8,076,755,155)	(690,368,701)	(8,604,143,178)	(717,143,075)	(527,388,024)	(26,774,374)	
<b>Cost Indicator of Value</b>	<b>A</b>	<b>\$12,430,767,854</b>	<b>\$997,911,293</b>	<b>\$13,450,823,545</b>	<b>\$1,094,670,633</b>	<b>\$1,020,055,690</b>	<b>\$96,759,340</b>
<b>Income Indicator</b>							
Year 1 NOI x 25%	158,578,501	10,367,732	157,391,420	12,372,590	(1,187,081)	2,004,858	
Year 2 NOI x 35%	220,347,988	17,321,626	242,450,408	19,127,763	22,102,420	1,806,137	
Year 3 NOI x 40%	277,086,180	21,860,300	301,261,442	17,428,410	24,175,262	(4,431,891)	
NOI to Capitalize	\$656,012,669	\$49,549,658	\$701,103,270	\$48,928,762	\$45,090,600	-\$620,896	
Capitalization Rate	6.40%	7.07%	6.34%	6.63%	-0.06%	-0.44%	
<b>Income Indicator of Value</b>	<b>B</b>	<b>\$10,250,197,957</b>	<b>\$700,843,823</b>	<b>\$11,058,411,194</b>	<b>\$737,990,380</b>	<b>\$808,213,237</b>	<b>\$37,146,557</b>
<b>Apply Weightings</b>							
	0.0% / 100.0%	7.0% / 93.0%	14.0% / 86.0%	14.0% / 86.0%			
Cost Indicator	\$0	\$69,853,800	\$1,883,115,300	\$153,253,900	\$1,883,115,300	\$83,400,100	
Income Indicator	\$10,250,198,000	\$651,784,800	\$9,510,233,600	\$634,671,700	-\$739,964,400	-\$17,113,100	
<b>Total System Unit Value</b>	<b>C</b>	<b>\$10,250,198,000</b>	<b>\$721,638,600</b>	<b>\$11,393,348,900</b>	<b>\$787,925,600</b>	<b>\$1,143,150,900</b>	<b>\$66,287,000</b>
<b>Allocation of System Value</b>							
MN Plant in Service	18,193,498,972	1,540,344,028	19,322,782,474	1,652,757,263	1,129,283,502	112,413,235	
System Plant in Service	20,507,523,009	1,688,279,994	22,054,966,723	1,811,813,708	1,547,443,714	123,533,714	
Plant Ratio x 90%-Elec / x 75%-Gas	79.85%	68.43%	78.85%	68.42%	-1.00%	-0.01%	
MN Gross Revenue	3,946,918,373	506,370,653	3,908,092,695	440,452,585	(38,825,678)	(65,918,068)	
System Gross Revenue	4,495,412,265	577,083,424	4,449,179,237	501,722,023	(46,233,028)	(75,361,401)	
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.94%	8.78%	21.95%	0.00%	0.01%	
MN Allocated Value Percentage	88.63%	90.37%	87.63%	90.36%	-1.00%	-0.01%	
<b>MN Allocated Value</b>	<b>D</b>	<b>\$9,084,750,500</b>	<b>\$652,144,800</b>	<b>\$9,984,514,600</b>	<b>\$711,992,500</b>	<b>\$899,764,100</b>	<b>\$59,847,700</b>
Net Depreciable Excludables	2,619,042,842	88,516,284	3,045,146,985	93,788,780	426,104,143	5,272,495	
Non-Depreciable Excludables	989,825,685	10,641,017	1,327,321,582	18,788,729	337,495,897	8,147,712	
Subtotal	3,608,868,527	99,157,301	4,372,468,567	112,577,508	763,600,040	13,420,207	
Ratio - System Unit Value / Cost Indicator	82.46%	72.31%	84.70%	71.98%	2.24%	-0.33%	
<b>Deductions to MN Allocated Value</b>	<b>E</b>	<b>\$2,975,873,000</b>	<b>\$71,700,600</b>	<b>\$3,703,643,800</b>	<b>\$81,031,400</b>	<b>\$727,770,800</b>	<b>\$9,330,800</b>
Sliding Scale Market Value Exclusion	201,018,300	0	213,500,000	0	12,481,700	0	
<b>Deduct/Excl to MN Allocated Value</b>	<b>\$3,176,891,300</b>	<b>\$71,700,600</b>	<b>\$3,917,143,800</b>	<b>\$81,031,400</b>	<b>\$740,252,500</b>	<b>\$9,330,800</b>	
<b>Apportionable Market Value</b>	<b>\$5,899,282,100</b>	<b>\$580,000,000</b>	<b>\$6,066,500,000</b>	<b>\$630,000,000</b>	<b>\$167,217,900</b>	<b>\$50,000,000</b>	
Effective Tax Rate	2.93%	2.93%	2.95%	2.95%	0.02%	0.02%	
<b>Forecasted Property Tax - Elec &amp; Gas</b>	<b>\$172,697,354</b>	<b>\$16,979,094</b>	<b>\$178,961,750</b>	<b>\$18,585,000</b>	<b>\$6,264,396</b>	<b>\$1,605,906</b>	
Rounded	\$172,692,000	\$16,980,000	\$178,956,000	\$18,588,000	\$6,264,000	\$1,608,000	
Locally Assessed	10,128,000	996,000	10,152,000	1,056,000	24,000	60,000	
Wind Production	3,324,000		5,448,000		2,124,000		
Solar Production	0		0		0		
<b>Total Property Tax</b>	<b>\$186,144,000</b>	<b>\$17,976,000</b>	<b>\$194,556,000</b>	<b>\$19,644,000</b>	<b>\$8,412,000</b>	<b>\$1,668,000</b>	
<b>Total MN Property Tax</b>		<b>204,120,000</b>		<b>214,200,000</b>		<b>10,080,000</b>	
North Dakota & South Dakota Property Tax		\$11,466,000		\$11,916,000		\$450,000	
<b>Total NSPM Forecasted Property Tax</b>		<b>\$215,586,000</b>		<b>\$226,116,000</b>		<b>\$10,530,000</b>	

**Support for the Calculation of Minnesota Apportionable Market Value**

- A** Minn. R. 8100.0300, subp. 3 describes in part the cost indicator of value as:  
*The cost factor to be considered in the utility valuation formula is the original cost less depreciation of the system plant, plus the cost of improvements to the system plant, plus the original cost of all types of construction work in progress that are installed by the assessment date, plus the cost of property held for future use, plus the cost of contributions in aid of construction.*
- B** Minn. R. 8100.0300, subp. 4, explains the process for calculating the income indicator of value:  
*The income indicator of value is estimated by weighting the capitalized net operating earnings of the utility company for the most recent three years as follows: most recent year, 40 percent; previous year, 35 percent; and final year, 25 percent. Utilities may request the removal of nonrecurring items of income or expense. The commissioner must determine if removal of the item is appropriate. The net income is capitalized by applying a capitalization rate that is computed by using the band of investment method. This method considers:*
- A. the capital structure of utilities;*
  - B. the cost of debt or interest rate;*
  - C. the yield on preferred stock of utilities;*
  - D. the yield on common stock of utilities; and*
  - E. the risk-free rate, relative risk, and risk premiums for public utility companies.*
- Capitalization rates are computed each year for electric companies, gas distribution companies, natural gas transmission systems, and fluid pipeline companies. The rates are recalculated each year using the method described in this subpart.*
- Minn. R. 8100.0100, subp. 9 defines net operating earnings as follows:  
*Net operating earnings" means earnings from the system plant of the utility after the deduction of operating expenses, depreciation, and taxes, but before any deduction for interest.*
- Minn. R. 8100.0100, subp. 5, defines capitalization rate as:  
*"Capitalization rate" means the relationship of income to capital investment or value, expressed as a percentage.*
- C** Minn. R. 8100.0300, subp. 5, explains the process for calculating the system unit value:  
*The unit value of the utility company is equal to the total of the weighted indicators of value. The total weighting must equal 100 percent. The default weightings of the indicators are: market indicator, 0 percent; cost indicator, 50 percent; income indicator, 50 percent.*
- D** Minn. R. 8100.0400, subp. 2, explains the process for calculating the allocation of electric value attributable to Minnesota:  
*The original cost of the utility property located in Minnesota divided by the total original cost of the property in all states of operation is weighted at 90 percent. Gross revenue derived from operations in Minnesota divided by gross operations revenue from all states is weighted at ten percent.*
- Minn. R. 8100.0400, subp. 3, explains the process for calculating the allocation of gas value attributable to Minnesota:  
*The allocation of value of gas distribution companies must be made considering the same factors as are used to determine the allocation of value of electric companies. The weight given to the original cost factor is 75 percent, and gross revenue is weighted 25 percent.*
- E** Minn. R. 8100.0500, subp. 1, explains the process for adjusting the valuation performed under Rule 8100.0300:  
*After the Minnesota portion of the unit value of the utility company, except for electric cooperatives, is determined, any property which is non-formula-assessed or which is exempt from ad valorem tax, is deducted from the Minnesota portion of the unit value. Only that qualifying property located within the state of Minnesota may be excluded.*
- Minn. R. 8100.0500, subp. 2, describes the types of property excluded from the valuation performed under Rule 8100.0300:  
*The following properties are valued by the local or county assessor and, therefore, the formula provided herein for the valuation of utility property is not applicable to such property:*
- A. land;*
  - B. nonoperating property; and*
  - C. rights-of-way*
- Minn. R. 8100.0500, subp. 3, further explains the calculation of deduction to Minnesota value:  
*The Minnesota portion of the unit value is reduced by the value included in the unit value of the company for land, rights-of-way, nonoperating property, and exempt property. This amount is calculated by determining the ratio of the unit value computed in part 8100.0300, subpart 5, to the cost less depreciation allowed in part 8100.0300, subpart 3. This ratio is multiplied by the cost less depreciation of the property to be deducted.*



**NSPM Total Company Property Taxes**

	2021 Forecast		2022 Forecast		2021 vs. 2022		
	Electric	Gas	Electric	Gas	Electric	Gas	
<b>System Unit Value Calculation</b>							
Plant In Service, 12/31	21,531,561,260	1,757,901,175	23,215,868,662	1,982,991,208	1,684,307,402	225,090,033	
CWIP, 12/31	523,405,463	53,912,533	523,405,463	53,912,533	0	0	
Depreciation, 12/31	(8,604,143,178)	(717,143,075)	(9,352,298,643)	(757,284,329)	(748,155,465)	(40,141,254)	
<b>Cost Indicator of Value</b>	<b>A</b>	<b>\$13,450,823,545</b>	<b>\$1,094,670,633</b>	<b>\$14,386,975,482</b>	<b>\$1,279,619,411</b>	<b>\$936,151,937</b>	<b>\$184,948,778</b>
<b>Income Indicator</b>							
Year 1 NOI x 25%	157,391,420	12,372,590	173,178,863	13,662,688	15,787,443	1,290,098	
Year 2 NOI x 35%	242,450,408	19,127,763	263,603,762	15,249,858	21,153,354	(3,877,904)	
Year 3 NOI x 40%	301,261,442	17,428,410	318,028,800	18,154,000	16,767,358	725,590	
NOI to Capitalize	\$701,103,270	\$48,928,762	\$754,811,424	\$47,066,546	\$53,708,155	-\$1,862,216	
Capitalization Rate	6.34%	6.63%	6.34%	6.63%	0.00%	0.00%	
<b>Income Indicator of Value</b>	<b>B</b>	<b>\$11,058,411,194</b>	<b>\$737,990,380</b>	<b>\$11,905,542,971</b>	<b>\$709,902,657</b>	<b>\$847,131,777</b>	<b>-\$28,087,723</b>
<b>Apply Weightings</b>							
Cost Indicator	14.0% / 86.0%	14.0% / 86.0%	14.0% / 86.0%	14.0% / 86.0%			
Income Indicator	\$1,883,115,300	\$153,253,900	\$2,014,176,600	\$179,146,700	\$131,061,300	\$25,892,800	
<b>Total System Unit Value</b>	<b>C</b>	<b>\$11,393,348,900</b>	<b>\$787,925,600</b>	<b>\$12,252,943,600</b>	<b>\$789,663,000</b>	<b>\$859,594,700</b>	<b>\$1,737,400</b>
<b>Allocation of System Value</b>							
MN Plant in Service	19,322,782,474	1,652,757,263	20,438,760,892	1,842,531,097	1,115,978,418	189,773,833	
System Plant in Service	22,054,966,723	1,811,813,708	23,739,274,125	2,036,903,741	1,684,307,402	225,090,033	
Plant Ratio x 90%-Elec / x 75%-Gas	78.85%	68.42%	77.49%	67.84%	-1.36%	-0.57%	
MN Gross Revenue	3,908,092,695	440,452,585	3,908,092,695	440,452,585	0	0	
System Gross Revenue	4,449,179,237	501,722,023	4,449,179,237	501,722,023	0	0	
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.95%	8.78%	21.95%	0.00%	0.00%	
MN Allocated Value Percentage	87.63%	90.36%	86.27%	89.79%	-1.36%	-0.57%	
<b>MN Allocated Value</b>	<b>D</b>	<b>\$9,984,514,600</b>	<b>\$711,992,500</b>	<b>\$10,570,736,000</b>	<b>\$709,039,400</b>	<b>\$586,221,400</b>	<b>-\$2,953,100</b>
Net Depreciable Excludables	3,045,146,985	93,788,780	3,605,508,629	111,039,657	560,361,644	17,250,877	
Non-Depreciable Excludables	1,327,321,582	18,788,729	595,380,488	18,137,647	(731,941,094)	(651,081)	
Subtotal	4,372,468,567	112,577,508	4,200,889,117	129,177,304	(171,579,450)	16,599,796	
Ratio - System Unit Value / Cost Indicator	84.70%	71.98%	85.17%	61.71%	0.46%	-10.27%	
<b>Deductions to MN Allocated Value</b>	<b>E</b>	<b>\$3,703,643,800</b>	<b>\$81,031,400</b>	<b>\$3,577,767,800</b>	<b>\$79,716,300</b>	<b>-\$125,876,000</b>	<b>-\$1,315,100</b>
Sliding Scale Market Value Exclusion	213,500,000	0	213,500,000	0	0	0	
<b>Deduct/Excl to MN Allocated Value</b>	<b>\$3,917,143,800</b>	<b>\$81,031,400</b>	<b>\$3,791,267,800</b>	<b>\$79,716,300</b>	<b>-\$125,876,000</b>	<b>-\$1,315,100</b>	
<b>Apportionable Market Value</b>	<b>\$6,066,500,000</b>	<b>\$630,000,000</b>	<b>\$6,779,468,200</b>	<b>\$629,323,100</b>	<b>\$712,968,200</b>	<b>-\$676,900</b>	
Effective Tax Rate	2.95%	2.95%	2.95%	2.95%	0.00%	0.00%	
<b>Forecasted Property Tax - Elec &amp; Gas</b>	<b>\$178,961,750</b>	<b>\$18,585,000</b>	<b>\$199,994,312</b>	<b>\$18,565,031</b>	<b>\$21,032,562</b>	<b>-\$19,969</b>	
Rounded	\$178,956,000	\$18,588,000	\$199,992,000	\$18,564,000	\$21,036,000	-\$24,000	
Locally Assessed	10,152,000	1,056,000	10,260,000	948,000	108,000	(108,000)	
Wind Production	5,448,000		5,748,000		300,000		
Solar Production	0		0		0		
<b>Total Property Tax</b>	<b>\$194,556,000</b>	<b>\$19,644,000</b>	<b>\$216,000,000</b>	<b>\$19,512,000</b>	<b>\$21,444,000</b>	<b>(\$132,000)</b>	
<b>Total MN Property Tax</b>		<b>214,200,000</b>		<b>235,512,000</b>		<b>21,312,000</b>	
North Dakota & South Dakota Property Tax		\$11,916,000		\$13,413,000		\$1,497,000	
<b>Total NSPM Forecasted Property Tax</b>		<b>\$226,116,000</b>		<b>\$248,925,000</b>		<b>\$22,809,000</b>	

**Support for the Calculation of Minnesota Apportionable Market Value**

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*The cost factor to be considered in the utility valuation formula is the original cost less depreciation of the system plant, plus the cost of improvements to the system plant, plus the original cost of all types of construction work in progress that are installed by the assessment date, plus the cost of property held for future use, plus the cost of contributions in aid of construction.*
- B** Minn. R. 8100.0300, subp. 4, explains the process for calculating the income indicator of value:  
*The income indicator of value is estimated by weighting the capitalized net operating earnings of the utility company for the most recent three years as follows: most recent year, 40 percent; previous year, 35 percent; and final year, 25 percent. Utilities may request the removal of nonrecurring items of income or expense. The commissioner must determine if removal of the item is appropriate. The net income is capitalized by applying a capitalization rate that is computed by using the band of investment method. This method considers:*
- A. the capital structure of utilities;*
  - B. the cost of debt or interest rate;*
  - C. the yield on preferred stock of utilities;*
  - D. the yield on common stock of utilities; and*
  - E. the risk-free rate, relative risk, and risk premiums for public utility companies.*
- Capitalization rates are computed each year for electric companies, gas distribution companies, natural gas transmission systems, and fluid pipeline companies. The rates are recalculated each year using the method described in this subpart.*
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*Net operating earnings" means earnings from the system plant of the utility after the deduction of operating expenses, depreciation, and taxes, but before any deduction for interest.*
- Minn. R. 8100.0100, subp. 5, defines capitalization rate as:  
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*The unit value of the utility company is equal to the total of the weighted indicators of value. The total weighting must equal 100 percent. The default weightings of the indicators are: market indicator, 0 percent; cost indicator, 50 percent; income indicator, 50 percent.*
- D** Minn. R. 8100.0400, subp. 2, explains the process for calculating the allocation of electric value attributable to Minnesota:  
*The original cost of the utility property located in Minnesota divided by the total original cost of the property in all states of operation is weighted at 90 percent. Gross revenue derived from operations in Minnesota divided by gross operations revenue from all states is weighted at ten percent.*
- Minn. R. 8100.0400, subp. 3, explains the process for calculating the allocation of gas value attributable to Minnesota:  
*The allocation of value of gas distribution companies must be made considering the same factors as are used to determine the allocation of value of electric companies. The weight given to the original cost factor is 75 percent, and gross revenue is weighted 25 percent.*
- E** Minn. R. 8100.0500, subp. 1, explains the process for adjusting the valuation performed under Rule 8100.0300:  
*After the Minnesota portion of the unit value of the utility company, except for electric cooperatives, is determined, any property which is non-formula-assessed or which is exempt from ad valorem tax, is deducted from the Minnesota portion of the unit value. Only that qualifying property located within the state of Minnesota may be excluded.*
- Minn. R. 8100.0500, subp. 2, describes the types of property excluded from the valuation performed under Rule 8100.0300:  
*The following properties are valued by the local or county assessor and, therefore, the formula provided herein for the valuation of utility property is not applicable to such property:*
- A. land;*
  - B. nonoperating property; and*
  - C. rights-of-way*
- Minn. R. 8100.0500, subp. 3, further explains the calculation of deduction to Minnesota value:  
*The Minnesota portion of the unit value is reduced by the value included in the unit value of the company for land, rights-of-way, nonoperating property, and exempt property. This amount is calculated by determining the ratio of the unit value computed in part 8100.0300, subpart 5, to the cost less depreciation allowed in part 8100.0300, subpart 3. This ratio is multiplied by the cost less depreciation of the property to be deducted.*

**NSPM Total Company Property Taxes**

	2022 Forecast		2023 Forecast		2022 vs. 2023		
	Electric	Gas	Electric	Gas	Electric	Gas	
<b>System Unit Value Calculation</b>							
Plant In Service, 12/31	23,215,868,662	1,982,991,208	23,628,597,743	2,135,086,852	412,729,082	152,095,644	
CWIP, 12/31	523,405,463	53,912,533	1,352,851,152	73,563,359	829,445,689	19,650,826	
Depreciation, 12/31	(9,352,298,643)	(757,284,329)	(9,463,372,888)	(819,042,224)	(111,074,245)	(61,757,894)	
<b>Cost Indicator of Value</b>	<b>A</b>	<b>\$14,386,975,482</b>	<b>\$1,279,619,411</b>	<b>\$15,518,076,007</b>	<b>\$1,389,607,987</b>	<b>\$1,131,100,526</b>	<b>\$109,988,575</b>
<b>Income Indicator</b>							
Year 1 NOI x 25%	173,178,863	13,662,688	188,288,401	10,892,756	15,109,539	(2,769,932)	
Year 2 NOI x 35%	263,603,762	15,249,858	278,275,200	15,884,750	14,671,438	634,892	
Year 3 NOI x 40%	318,028,800	18,154,000	334,707,200	19,106,000	16,678,400	952,000	
NOI to Capitalize	\$754,811,424	\$47,066,546	\$801,270,801	\$45,883,506	\$46,459,377	-\$1,183,040	
Capitalization Rate	6.34%	6.63%	6.34%	6.63%	0.00%	0.00%	
<b>Income Indicator of Value</b>	<b>B</b>	<b>\$11,905,542,971</b>	<b>\$709,902,657</b>	<b>\$12,638,340,714</b>	<b>\$692,058,914</b>	<b>\$732,797,743</b>	<b>-\$17,843,743</b>
<b>Apply Weightings</b>							
Cost Indicator	14.0% / 86.0%	14.0% / 86.0%	14.0% / 86.0%	14.0% / 86.0%			
Income Indicator	\$2,014,176,600	\$179,146,700	\$2,172,530,600	\$194,545,100	\$158,354,000	\$15,398,400	
<b>Total System Unit Value</b>	<b>C</b>	<b>\$12,252,943,600</b>	<b>\$789,663,000</b>	<b>\$13,041,503,600</b>	<b>\$789,715,800</b>	<b>\$788,560,000</b>	<b>\$52,800</b>
<b>Allocation of System Value</b>							
MN Plant in Service	20,438,760,892	1,842,531,097	21,553,694,935	1,998,431,364	1,114,934,043	155,900,267	
System Plant in Service	23,739,274,125	2,036,903,741	24,981,448,895	2,208,650,210	1,242,174,770	171,746,470	
Plant Ratio x 90%-Elec / x 75%-Gas	77.49%	67.84%	77.65%	67.86%	0.16%	0.02%	
MN Gross Revenue	3,908,092,695	440,452,585	3,908,092,695	440,452,585	0	0	
System Gross Revenue	4,449,179,237	501,722,023	4,449,179,237	501,722,023	0	0	
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.95%	8.78%	21.95%	0.00%	0.00%	
MN Allocated Value Percentage	86.27%	89.79%	86.43%	89.81%	0.16%	0.02%	
<b>MN Allocated Value</b>	<b>D</b>	<b>\$10,570,736,000</b>	<b>\$709,039,400</b>	<b>\$11,272,394,000</b>	<b>\$709,232,400</b>	<b>\$701,658,000</b>	<b>\$193,000</b>
Net Depreciable Excludables	3,605,508,629	111,039,657	3,757,517,535	121,925,405	152,008,906	10,885,749	
Non-Depreciable Excludables	595,380,488	18,137,647	793,824,174	10,635,886	198,443,686	(7,501,762)	
Subtotal	4,200,889,117	129,177,304	4,551,341,709	132,561,291	350,452,592	3,383,987	
Ratio - System Unit Value / Cost Indicator	85.17%	61.71%	84.04%	56.83%	-1.13%	-4.88%	
<b>Deductions to MN Allocated Value</b>	<b>E</b>	<b>\$3,577,767,800</b>	<b>\$79,716,300</b>	<b>\$3,824,980,600</b>	<b>\$75,334,700</b>	<b>\$247,212,800</b>	<b>-\$4,381,600</b>
Sliding Scale Market Value Exclusion	213,500,000	0	213,500,000	0	0	0	
<b>Deduct/Excl to MN Allocated Value</b>	<b>\$3,791,267,800</b>	<b>\$79,716,300</b>	<b>\$4,038,480,600</b>	<b>\$75,334,700</b>	<b>\$247,212,800</b>	<b>-\$4,381,600</b>	
<b>Apportionable Market Value</b>	<b>\$6,779,468,200</b>	<b>\$629,323,100</b>	<b>\$7,233,913,400</b>	<b>\$633,897,700</b>	<b>\$454,445,200</b>	<b>\$4,574,600</b>	
Effective Tax Rate	2.95%	2.95%	2.95%	2.95%	0.00%	0.00%	
<b>Forecasted Property Tax - Elec &amp; Gas</b>	<b>\$199,994,312</b>	<b>\$18,565,031</b>	<b>\$213,400,445</b>	<b>\$18,699,982</b>	<b>\$13,406,133</b>	<b>\$134,951</b>	
Rounded	\$199,992,000	\$18,564,000	\$213,396,000	\$18,696,000	\$13,404,000	\$132,000	
Locally Assessed	10,260,000	948,000	10,308,000	900,000	48,000	(48,000)	
Wind Production	5,748,000		6,216,000		468,000		
Solar Production	0		156,000		156,000		
<b>Total Property Tax</b>	<b>\$216,000,000</b>	<b>\$19,512,000</b>	<b>\$230,076,000</b>	<b>\$19,596,000</b>	<b>\$14,076,000</b>	<b>\$84,000</b>	
<b>Total MN Property Tax</b>		<b>235,512,000</b>		<b>249,672,000</b>		<b>14,160,000</b>	
North Dakota & South Dakota Property Tax		\$13,413,000		\$14,658,000		\$1,245,000	
<b>Total NSPM Forecasted Property Tax</b>		<b>\$248,925,000</b>		<b>\$264,330,000</b>		<b>\$15,405,000</b>	

**Support for the Calculation of Minnesota Apportionable Market Value**

- A** Minn. R. 8100.0300, subp. 3 describes in part the cost indicator of value as:  
*The cost factor to be considered in the utility valuation formula is the original cost less depreciation of the system plant, plus the cost of improvements to the system plant, plus the original cost of all types of construction work in progress that are installed by the assessment date, plus the cost of property held for future use, plus the cost of contributions in aid of construction.*
- B** Minn. R. 8100.0300, subp. 4, explains the process for calculating the income indicator of value:  
*The income indicator of value is estimated by weighting the capitalized net operating earnings of the utility company for the most recent three years as follows: most recent year, 40 percent; previous year, 35 percent; and final year, 25 percent. Utilities may request the removal of nonrecurring items of income or expense. The commissioner must determine if removal of the item is appropriate. The net income is capitalized by applying a capitalization rate that is computed by using the band of investment method. This method considers:*
- A. the capital structure of utilities;*
  - B. the cost of debt or interest rate;*
  - C. the yield on preferred stock of utilities;*
  - D. the yield on common stock of utilities; and*
  - E. the risk-free rate, relative risk, and risk premiums for public utility companies.*
- Capitalization rates are computed each year for electric companies, gas distribution companies, natural gas transmission systems, and fluid pipeline companies. The rates are recalculated each year using the method described in this subpart.*
- Minn. R. 8100.0100, subp. 9 defines net operating earnings as follows:  
*Net operating earnings" means earnings from the system plant of the utility after the deduction of operating expenses, depreciation, and taxes, but before any deduction for interest.*
- Minn. R. 8100.0100, subp. 5, defines capitalization rate as:  
*"Capitalization rate" means the relationship of income to capital investment or value, expressed as a percentage.*
- C** Minn. R. 8100.0300, subp. 5, explains the process for calculating the system unit value:  
*The unit value of the utility company is equal to the total of the weighted indicators of value. The total weighting must equal 100 percent. The default weightings of the indicators are: market indicator, 0 percent; cost indicator, 50 percent; income indicator, 50 percent.*
- D** Minn. R. 8100.0400, subp. 2, explains the process for calculating the allocation of electric value attributable to Minnesota:  
*The original cost of the utility property located in Minnesota divided by the total original cost of the property in all states of operation is weighted at 90 percent. Gross revenue derived from operations in Minnesota divided by gross operations revenue from all states is weighted at ten percent.*
- Minn. R. 8100.0400, subp. 3, explains the process for calculating the allocation of gas value attributable to Minnesota:  
*The allocation of value of gas distribution companies must be made considering the same factors as are used to determine the allocation of value of electric companies. The weight given to the original cost factor is 75 percent, and gross revenue is weighted 25 percent.*
- E** Minn. R. 8100.0500, subp. 1, explains the process for adjusting the valuation performed under Rule 8100.0300:  
*After the Minnesota portion of the unit value of the utility company, except for electric cooperatives, is determined, any property which is non-formula-assessed or which is exempt from ad valorem tax, is deducted from the Minnesota portion of the unit value. Only that qualifying property located within the state of Minnesota may be excluded.*
- Minn. R. 8100.0500, subp. 2, describes the types of property excluded from the valuation performed under Rule 8100.0300:  
*The following properties are valued by the local or county assessor and, therefore, the formula provided herein for the valuation of utility property is not applicable to such property:*
- A. land;*
  - B. nonoperating property; and*
  - C. rights-of-way*
- Minn. R. 8100.0500, subp. 3, further explains the calculation of deduction to Minnesota value:  
*The Minnesota portion of the unit value is reduced by the value included in the unit value of the company for land, rights-of-way, nonoperating property, and exempt property. This amount is calculated by determining the ratio of the unit value computed in part 8100.0300, subpart 5, to the cost less depreciation allowed in part 8100.0300, subpart 3. This ratio is multiplied by the cost less depreciation of the property to be deducted.*

**NSPM Total Company Property Taxes**

	2023 Forecast		2024 Forecast		2023 vs. 2024		
	Electric	Gas	Electric	Gas	Electric	Gas	
<b>System Unit Value Calculation</b>							
Plant In Service, 12/31	23,628,597,743	2,135,086,852	24,356,870,104	2,290,296,234	728,272,361	155,209,382	
CWIP, 12/31	1,352,851,152	73,563,359	2,096,773,684	86,833,353	743,922,533	13,269,994	
Depreciation, 12/31	(9,463,372,888)	(819,042,224)	(10,124,933,208)	(904,386,233)	(661,560,320)	(85,344,009)	
<b>Cost Indicator of Value</b>	<b>A</b>	<b>\$15,518,076,007</b>	<b>\$1,389,607,987</b>	<b>\$16,328,710,580</b>	<b>\$1,472,743,354</b>	<b>\$810,634,573</b>	<b>\$83,135,368</b>
<b>Income Indicator</b>							
Year 1 NOI x 25%	188,288,401	10,892,756	198,768,000	11,346,250	10,479,599	453,494	
Year 2 NOI x 35%	278,275,200	15,884,750	292,868,800	16,717,750	14,593,600	833,000	
Year 3 NOI x 40%	334,707,200	19,106,000	362,564,000	20,696,000	27,856,800	1,590,000	
NOI to Capitalize	\$801,270,801	\$45,883,506	\$854,200,800	\$48,760,000	\$52,929,999	\$2,876,494	
Capitalization Rate	6.34%	6.63%	6.34%	6.63%	0.00%	0.00%	
<b>Income Indicator of Value</b>	<b>B</b>	<b>\$12,638,340,714</b>	<b>\$692,058,914</b>	<b>\$13,473,198,738</b>	<b>\$735,444,947</b>	<b>\$834,858,024</b>	<b>\$43,386,033</b>
<b>Apply Weightings</b>							
Cost Indicator	14.0% / 86.0%	14.0% / 86.0%	14.0% / 86.0%	14.0% / 86.0%			
Income Indicator	\$2,172,530,600	\$194,545,100	\$2,286,019,500	\$206,184,100	\$113,488,900	\$11,639,000	
<b>Total System Unit Value</b>	<b>C</b>	<b>\$13,041,503,600</b>	<b>\$789,715,800</b>	<b>\$13,872,970,400</b>	<b>\$838,666,800</b>	<b>\$831,466,800</b>	<b>\$48,951,000</b>
<b>Allocation of System Value</b>							
MN Plant in Service	21,553,694,935	1,998,431,364	22,871,698,005	2,149,757,424	1,318,003,070	151,326,060	
System Plant in Service	24,981,448,895	2,208,650,210	26,453,643,789	2,377,129,587	1,472,194,893	168,479,376	
Plant Ratio x 90%-Elec / x 75%-Gas	77.65%	67.86%	77.81%	67.83%	0.16%	-0.04%	
MN Gross Revenue	3,908,092,695	440,452,585	3,908,092,695	440,452,585	0	0	
System Gross Revenue	4,449,179,237	501,722,023	4,449,179,237	501,722,023	0	0	
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.95%	8.78%	21.95%	0.00%	0.00%	
MN Allocated Value Percentage	86.43%	89.81%	86.60%	89.77%	0.16%	-0.04%	
<b>MN Allocated Value</b>	<b>D</b>	<b>\$11,272,394,000</b>	<b>\$709,232,400</b>	<b>\$12,013,636,400</b>	<b>\$752,898,900</b>	<b>\$741,242,400</b>	<b>\$43,666,500</b>
Net Depreciable Excludables	3,757,517,535	121,925,405	3,973,038,832	129,464,776	215,521,297	7,539,371	
Non-Depreciable Excludables	793,824,174	10,635,886	712,479,571	7,869,145	(81,344,602)	(2,766,741)	
Subtotal	4,551,341,709	132,561,291	4,685,518,403	137,333,921	134,176,695	4,772,630	
Ratio - System Unit Value / Cost Indicator	84.04%	56.83%	84.96%	56.95%	0.92%	0.12%	
<b>Deductions to MN Allocated Value</b>	<b>E</b>	<b>\$3,824,980,600</b>	<b>\$75,334,700</b>	<b>\$3,980,844,500</b>	<b>\$78,206,000</b>	<b>\$155,863,900</b>	<b>\$2,871,300</b>
Sliding Scale Market Value Exclusion	213,500,000	0	213,500,000	0	0	0	
<b>Deduct/Excl to MN Allocated Value</b>	<b>\$4,038,480,600</b>	<b>\$75,334,700</b>	<b>\$4,194,344,500</b>	<b>\$78,206,000</b>	<b>\$155,863,900</b>	<b>\$2,871,300</b>	
<b>Apportionable Market Value</b>	<b>\$7,233,913,400</b>	<b>\$633,897,700</b>	<b>\$7,819,291,900</b>	<b>\$674,692,900</b>	<b>\$585,378,500</b>	<b>\$40,795,200</b>	
Effective Tax Rate	2.95%	2.95%	2.95%	2.95%	0.00%	0.00%	
<b>Forecasted Property Tax - Elec &amp; Gas</b>	<b>\$213,400,445</b>	<b>\$18,699,982</b>	<b>\$230,669,111</b>	<b>\$19,903,441</b>	<b>\$17,268,666</b>	<b>\$1,203,458</b>	
Rounded	\$213,396,000	\$18,696,000	\$230,664,000	\$19,908,000	\$17,268,000	\$1,212,000	
Locally Assessed	10,308,000	900,000	10,320,000	888,000	12,000	(12,000)	
Wind Production	6,216,000		6,216,000		0		
Solar Production	156,000		756,000		600,000		
<b>Total Property Tax</b>	<b>\$230,076,000</b>	<b>\$19,596,000</b>	<b>\$247,956,000</b>	<b>\$20,796,000</b>	<b>\$17,880,000</b>	<b>\$1,200,000</b>	
<b>Total MN Property Tax</b>		<b>249,672,000</b>		<b>268,752,000</b>		<b>19,080,000</b>	
North Dakota & South Dakota Property Tax		\$14,658,000		\$16,071,000		\$1,413,000	
<b>Total NSPM Forecasted Property Tax</b>		<b>\$264,330,000</b>		<b>\$284,823,000</b>		<b>\$20,493,000</b>	

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- Minn. R. 8100.0500, subp. 3, further explains the calculation of deduction to Minnesota value:  
*The Minnesota portion of the unit value is reduced by the value included in the unit value of the company for land, rights-of-way, nonoperating property, and exempt property. This amount is calculated by determining the ratio of the unit value computed in part 8100.0300, subpart 5, to the cost less depreciation allowed in part 8100.0300, subpart 3. This ratio is multiplied by the cost less depreciation of the property to be deducted.*