Direct Testimony and Schedules
William T. Kowalowski

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 Natural Gas Service in Minnesota

Docket No. G002/GR-25-356
Exhibit___(WTK-1)

Property Taxes

October 31, 2025

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Schedules

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is William T. Kowalowski. I am a Senior Tax Planning Consultant in Tax Services for Xcel Energy Services Inc. (XES), the service company affiliate of Northern States Power Company – Minnesota (NSPM or the Company) and an operating company of Xcel Energy Inc. (Xcel Energy).

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have over 20 years of experience working in the property tax field, including serving as an appraiser and manager of Centrally Assessed Property for the State of Utah and Manager of State Assessed Property for the State of Colorado. In my current position, I coordinate property tax and related planning responsibilities across Xcel Energy operating company states. A summary of my qualifications and experience is provided as Exhibit___(WTK-1), Schedule 1.

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

A. I provide the Company's annual property tax expense forecast for the 2026 test year. Specifically, I discuss our overall forecast methodology and the inputs used to develop the forecast. I also provide support for the Company's request for a property tax true-up.

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

A. Property taxes are a necessary cost of providing service to our customers. While property taxes may fluctuate due to changes dictated by the Minnesota

Department of Revenue (DOR) and ever-changing tax rates at the local level, increases in our property taxes are largely due to investments in our system. As such, we believe rates should be set to allow the Company to recover this cost of service and, at the same time, to ensure customers pay only actual property taxes incurred.

Q. WHAT IS THE COMPANY'S FORECASTED PROPERTY TAX EXPENSE AMOUNT FOR THE TEST YEAR?

A. Our 2026 NSPM (Total Company)[1] property tax forecast, by state, is shown in Table 1 below. For comparison purposes, Table 1 also shows our actual 2024 property taxes and our current 2025 forecast. Table 1 also provides this information at the Minnesota gas jurisdictional level. Company witness Benjamin C. Halama provides support for the property tax expense amounts included in the 2026 test year, including how the NSPM (Total Company) property tax expense is appropriately allocated. Detailed calculations of the NSPM (Total Company) property tax expense for 2024-2026 are provided in Exhibit___(WTK-1), Schedules 2 through 4.

[1] Total Company or NSPM refers to Northern States Power Company-Minnesota that provides service to gas and electric customers in Minnesota, North Dakota, and South Dakota.

Table 1
Property Tax Expense
($ Millions)

Component	2024 Actual	2025 Forecast	2026 Test Year
Minnesota Tax (Total Company)	$206.0	$220.1	$246.0
North Dakota Tax (Total Company)	$8.6	$8.4	$8.7
South Dakota Tax (Total Company)	$6.2	$6.7	$7.0
Iowa Tax (Total Company)	$0.4	$0.6	$0.9
NSPM (Total Company)	**$221.1**	**$235.8**	**$262.6***
State of Minnesota Gas Jurisdiction	**$21.5**	**$25.5**	**$29.1**

* The 2026 test year forecast shown here is higher than in the Rebuttal Testimony I recently filed in the Company's multiyear electric rate case. The forecast shown above uses Company inputs based on 2025 data, consistent with the Company's figures throughout the rest of this rate case.

Since the State of Minnesota taxes for the gas and electric utilities account for over 93 percent of the NSPM (Total Company) property taxes, the discussion in my testimony focuses on Minnesota. However, consistent with prior rate cases, the Company is seeking recovery of its total property tax expense for NSPM (i.e., taxes paid to Minnesota, North Dakota, South Dakota, and Iowa), as adjusted as set forth in the Direct Testimony of Company witness Halama. In addition, unless noted otherwise, the numbers I provide are for both our gas and electric utilities, consistent with how we estimate property taxes for financial statement purposes.

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

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

- *Section II*: Property Tax Expense Forecasts;
- *Section III*: Forecast Analysis;

- *Section IV*: Proposed Property Tax True-Up; and
- *Section V*: Conclusion.

II. PROPERTY TAX EXPENSE FORECASTS

A. Forecast Methodology

Q PLEASE DESCRIBE HOW THE DOR DETERMINES A VALUE FOR THE COMPANY'S PROPERTY AND HOW THAT VALUE IS USED TO DETERMINE PROPERTY TAXES.

A. The first step in the property tax process is determining the market value of all the Company's property. In Minnesota, different types of utility property are valued differently. Utility operating property is valued by the DOR using the formulas set forth in Minnesota Rules part 8100.0300. Non-operating property owned by utilities (e.g., offices, garages, warehouses, land, etc.) is valued by local assessors using traditional valuation techniques. The DOR determines the value of the Company's overall system, determines how much of the Company's total system value is attributable to Minnesota, and then apportions that amount to each county. Counties add these DOR-apportioned values to the assessed values they have determined for non-operating property to arrive at our tax base for each parcel. Finally, the property tax rate for each taxing jurisdiction (i.e., county, city, school district, etc.) is applied to the value for each parcel to determine our property tax liability.

Q. PLEASE DESCRIBE THE DOR'S PROCESS FOR VALUING THE COMPANY'S OPERATING PROPERTY.

A. The DOR begins by determining the unit to value: gas, electric, or a combined unit. The DOR primarily uses two appraisal methodologies to establish the

system unit value for the Company's entire gas or electric system (i.e., including all the property in all the states in which the Company operates).

One appraisal method used by the DOR is referred to as the cost indicator of value, and it is calculated based on the net book value of the Company's property plus construction work in progress (CWIP).

The other appraisal method used by the DOR is referred to as the income indicator of value. The basic calculation of the income approach is that the Company's net operating income (NOI) is divided by a weighted average cost of capital (known as the capitalization rate or "Cap Rate").[2]

Next, the DOR reconciles the two approaches by applying weightings to the cost and income indicators of value. For example, in the 2024 initial assessment from the DOR for NSPM's gas system, the DOR applied 50 percent weight to the cost method and 50 percent to the income approach. The result of this calculation is the total system unit value.

The DOR then applies allocators, based on plant and revenue, to the total system unit value to determine the Minnesota portion of the total system unit value, which is referred to as the Minnesota-allocated value.

Finally, the DOR reduces the Minnesota-allocated value by deductions and exclusions, for property that is exempt (such as pollution control equipment) or locally assessed (such as land), to determine the apportionable market value.

[2] Under Minn. R. 8100.0300, the DOR may also utilize other approaches to value utility property, but it rarely relies on any approach other than the cost approach and the income approach.

This is the value that is apportioned to the various Minnesota taxing jurisdictions in which NSPM operates.

Schedule 2 to this testimony provides an example of the above-described calculation steps. This entire process is based on formulas and processes articulated in Minn. Rules Ch. 8100.

Q. PLEASE DESCRIBE HOW UTILITY PROPERTY IS VALUED IN NORTH DAKOTA AND SOUTH DAKOTA.

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

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

Q. PLEASE DESCRIBE THE DOR'S VALUATION AND ADMINISTRATIVE APPEAL PROCESS.

A. The DOR typically presents an initial valuation to the Company by early July, and we have 30 days from the date that initial valuation is received to request an administrative appeal with the DOR. In an administrative appeal, the utility files a request explaining the reasons why it disputes the DOR's valuation, and then the utility and the DOR have a conference in which they exchange views.

In most cases, the administrative appeal ends with the execution of a settlement agreement in which the DOR and the utility agree to a revised apportionable market value. The administrative appeal process is set forth in Minn. Stat. § 273.372, subds. 4 and 5.

Each year, the Company evaluates the initial valuation, the methodology used, and the appraisal inputs relied on by the DOR, and pursues an administrative appeal when it is in the best interest of its customers. While the administrative appeal process is not guaranteed to result in a favorable adjustment, the Company has consistently been successful in negotiating settlement values materially below the initially proposed valuations. However, the resulting agreement is a "black box" settlement; in other words, it is just a compromise, and it is not accompanied by or based on a revised valuation calculation. And the extent of the compromise reflected in the settlement varies somewhat from year to year, depending on the DOR's approach to each negotiation.

Q. GIVEN THIS PROCESS, HOW DID THE COMPANY FORECAST ITS PROPERTY TAXES FOR THE 2026 TEST YEAR?

A. Our forecast of property taxes is based on the same key variables that were used in prior rate cases: the Company's forecasted investments and net operating income, the most recently available versions of the DOR valuation inputs, and the most recently available overall effective tax rate.

Q. DOES THE COMPANY RECEIVE REFUNDS OF ANY PROPERTY TAX PAYMENTS AFTER RECEIPT OF A FINAL BILL?

A. Generally, no. Property tax is unlike income tax and sales tax where sometimes refunds or adjustments take years, after the relevant taxing period, to be

resolved. For property tax, the DOR's valuation is finalized months before the property tax bills are received. From time to time, there may be very small adjustments or refunds relating to a specific parcel of property.

Q. WHAT INPUTS DID THE COMPANY USE TO DEVELOP ITS 2026 PROPERTY TAX FORECAST?

A. Our current 2026 property tax forecast is based on the data inputs identified in Table 2 below.

Table 2
Inputs to 2026 Property Tax Forecast

Category	Variable	Data Inputs
Investments	Plant	Projected December 31, 2025 Plant Balances
	Net Operating Income	Actual 2023 & 2024 and Projected 2025 Net Operating Income
DOR Valuation Inputs	DOR Capitalization Rates	Actual 2025 DOR Capitalization Rates (Received May 2025)
	DOR Weighting of Indicators of Value	Implicit in the Actual 2025 DOR Settlement Agreement (Received August 2025)
Effective Tax Rate	Local Tax Rates	2024 Effective Rate (Calculated based on statements received March and April 2025)

Q. DID THE COMPANY USE THE SAME VARIABLES LISTED IN TABLE 2 TO PERFORM ITS FORECAST FOR THE COMPANY'S PREVIOUS TWO GAS RATE CASES?

A. Yes; our forecast methodology in this case is essentially the same as in the Company's prior two rate cases.. We also used the same variables in our recent electric rate cases.

Q. WHY ARE THE DATA INPUTS IN TABLE 2 THE MOST APPROPRIATE TO USE IN FORECASTING THE 2026 PROPERTY TAX EXPENSE?

A. The data inputs in Table 2 represent the most current and best information available at the time of filing the rate case. Use of these data inputs means that our forecast does not require speculation about future macroeconomic circumstances, while ensuring that the forecast is based on current data, circumstances, and market conditions. Accordingly, it results in the most reasonable and sound forecast of the 2026 property tax expense.

Q. HAS THE COMPANY CONSIDERED OTHER APPROACHES TO FORECASTING PROPERTY TAX EXPENSE?

A. Yes. It is important to remember that the Company has to forecast property tax expense for a given year many months before all of the variables for that year become known and final.

We have considered using projected future capitalization rates and local tax rates. Capitalization rates are influenced by external macroeconomic factors including interest rates and capital markets, and are created by the DOR using methodologies that may evolve from year to year. Local tax rates are influenced by numerous factors, including Counties' budget needs, inflation, and property values for all taxpayers. By their nature, all of these factors are very difficult to predict. In contrast, the methodology described herein is more reliable, because it does not require speculation about future macroeconomic circumstances. Moreover, our current methodology means that the forecasting process is consistent from one year to the next, so that each year's forecast can be compared to previous years' forecasts.

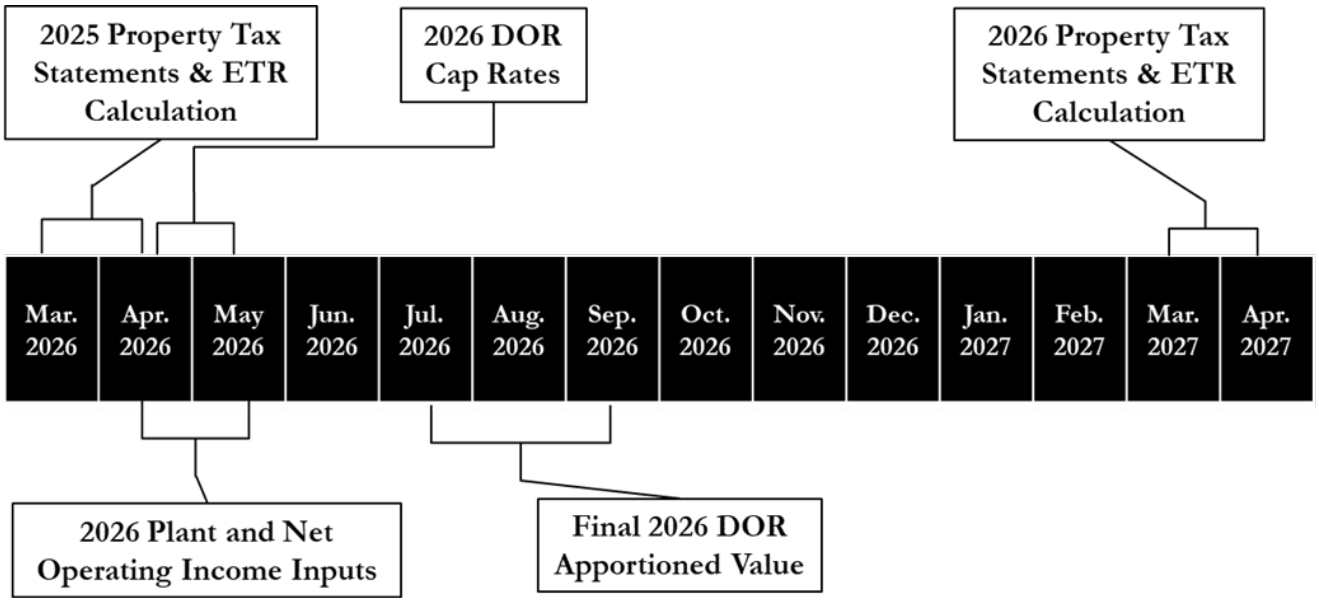
We have also considered using averages or trends derived from the Company's actual tax expense in previous years. We strongly believe that approach fails to

recognize that many important factors – the nuances of the DOR's valuation methodology, the effective local tax rate, macroeconomic circumstances, and the Company's performance and investments – typically vary from year to year, often in a complex manner. We have concluded that there is no clear trend or formula that can be reliably used to extrapolate property tax expense for an upcoming year from previous years' actual tax expense. Moreover, the use of an average can be skewed depending on which prior years are included in the group being averaged.

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

A. Figure 1 below shows when we expect to receive information regarding our 2026 property taxes.

Figure 1
Timeline for 2026 Property Tax Forecast



Q. PLEASE EXPLAIN HOW THE COMPANY PROPOSES TO UPDATE ITS 2026 PROPERTY TAX FORECAST?

A. Consistent with our proposal for a true-up, we propose to submit updated information as part of our July 1 Annual Report of Rate Case Approved True-Up Mechanisms once property taxes for a given year are final. For example, as to the 2026 forecast, we expect to receive the property tax statements in the spring of 2027 and would submit the filing thereafter.

B. Data Inputs

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

A. In this section of my testimony I discuss the different data inputs that were used to determine the Company's 2026 property tax forecast.

1. Plant

Q. WHAT PLANT DATA DID THE COMPANY USE IN ITS 2026 PROPERTY TAX FORECAST?

A. Our current 2026 property tax forecast is based upon our current projection of December 31, 2025 plant balances. The Company's final 2026 property tax expense will be based on the final December 31, 2025 plant balances.

2. Net Operating Income

Q. WHAT NET OPERATING INCOME DATA DID THE COMPANY USE IN ITS 2026 PROPERTY TAX FORECAST?

A. Our current 2026 property tax forecast is based upon actual 2023 and 2024 net operating income and our current projection of 2025 net operating income. The Company's final 2026 property tax expense will be based upon actual 2023, 2024, and 2025 net operating income. The DOR uses a three-year weighted

average method for determining the net operating income for use in the income indicator (as required by Minn. R. 8100.0300, subp. 4), and so we use the same three-year weighted average method in our forecast process.

3. DOR Capitalization Rate

Q. WHAT DOR CAPITALIZATION RATE DID THE COMPANY USE IN ITS 2026 PROPERTY TAX FORECAST?

A. Our 2026 property tax forecast is based on the most recent information available, which is the 2025 actual capitalization rates developed by the DOR for each industry. Final 2026 property taxes will be based on the DOR's final 2026 capitalization rates for each industry for each year.

4. DOR Weighting of Cost and Income Indicators of Value

Q. WHAT WEIGHTING OF THE COST AND INCOME INDICATORS OF VALUE DID THE COMPANY USE IN ITS 2026 PROPERTY TAX FORECAST?

A. Our 2026 property tax forecast is based on the most recent actual information available, which as to weightings is the effective weightings of the cost and income indicators of value that are implicit from the value to which we settled with the DOR in our administrative appeal in 2025. Final 2026 property taxes will be based on the DOR's weightings for 2026, which will likely be implicit in the administrative appeal settlement we anticipate reaching with the DOR in 2026.

While the DOR reviews, and may adjust, the weightings every year, we believe that using the most recent weightings, as implied from the most recent settlement with the DOR, provides the most reasonable property tax forecast. We also believe use of the implicit weightings of the cost and income indicators

of value, as derived from the settlement of the most recent administrative appeal, is appropriate because it is the most recent information available. As mentioned before, the settlement of the administrative appeal is a "black box" that does not specify which determinants of the initial valuation were modified. Using the implied weightings from the most recent settled value is a reasonable way to anticipate how the DOR will value the Company's property for the year being forecast. The assumption is that the DOR will consistently interpret inputs to valuation over time and therefore weigh the valuation approaches in the same way in the next year. Any other assumption about the DOR's weighting of the approaches would be conjecture and provide no reliable insight as to how the DOR would determine the Company's final valuation.

5. Local Tax Rates

Q. WHAT LOCAL TAX RATES DID THE COMPANY USE IN ITS 2026 PROPERTY TAX FORECAST?

A. Our current forecast of the 2026 property tax expense is based upon actual 2024 local tax rates. The local tax rates for each County, derived from tax statements we received in March and April 2025, are mathematically converted into an effective tax rate as provided in Exhibit___(WTK-1), Schedule 5. As shown on that schedule, the Company's actual effective local tax rate for Minnesota for 2024 (taxes paid in 2025) was 2.6515 percent. Because this is the most recent, and therefore the most accurate, tax rate data available, we use it (with a minor adjustment necessary to accommodate for minor year-to-year changes to property records, year-to-year changes in locally assessed taxes, rounding, and similar issues) in our 2026 test year forecast for NSPM – Gas property, as shown on Schedule 4. Final 2026 property taxes will be based on the final tax statements, which we expect will be received in March and April of 2027.

III. FORECAST ANALYSIS

Q. WHAT ARE THE DRIVERS OF THE COMPANY'S FORECASTED MINNESOTA PROPERTY TAXES FOR THE 2026 TEST YEAR AS COMPARED TO THE COMPANY'S ACTUAL 2024 PROPERTY TAX EXPENSE?

A. As described above, the Company's property tax expense is a function of three primary variables: (1) the Company's investments and income; (2) DOR-established valuation inputs (principally the Cap Rate and the weightings implied from the DOR's administrative appeal settlements); and (3) local property tax rates. It is easiest to look at the drivers by tracing these variables from 2024 through the 2025 forecast and then to the 2026 test year.

Exhibit___(WTK-1), Schedule 6 compares our 2025 forecast to 2024 actual property tax expense. It shows that our forecasted 2025 Minnesota property tax expense is increasing by approximately 6.9 percent compared to 2024. This is primarily driven by increases in plant and NOI. Plant increased 11.8 percent for electric and 11.58 percent for gas. The weighted average NOI used by the DOR increased 8.58 percent for electric and 35 percent for gas. These increases were slightly offset, for both electric and gas, by favorable changes in DOR-established inputs: the DOR's Cap Rates increased, and the weightings shifted from the Cost Approach toward the Income Approach. Both adjustments have the effect of lowering the 2025 value, all other things being equal. Lastly, the 2025 effective tax rate will not be determined until spring of 2026, therefore our 2025 forecast assumes the most recent actual rate from 2024.

Exhibit___(WTK-1), Schedule 7 compares our 2026 test year property tax expense forecast to our 2025 forecast. It shows an increase from about $235.8

million to about $262.6 million, or about 11.4 percent. The forecast for the 2026 test year uses the same DOR Cap Rates and other inputs as in 2025 (because there is no more current data to use). But the Company anticipates increases in its NOI and plant from 2025 to 2026. As the Cap Rates and tax rates are held constant, the increase reflected in the 2026 test year is the result of the Company's forecasted increases in plant in service and NOI.

Q. WHY DOES THE COMPANY'S FORECAST ASSUME THAT MINNESOTA PROPERTY TAX EXPENSE WILL INCREASE BY 11.4 PERCENT FROM 2025 TO 2026 WHEN IT ONLY INCREASED BY 6.9 PERCENT FROM 2024 TO 2025?

A. The increase from 2025 to 2026 is driven by the increase in the Company's property and income from 2025 to 2026. To make the 2025-2026 property tax forecast lower (closer to the 6.9 percent increase experienced from 2024 to 2025), one would have to assume that the Company's expected increase in property and income in 2026 would be offset by one or more of: (a) continued increases in the DOR's Cap Rate; (b) the DOR agreeing, in the settlement process, to place more weight on the Income Approach than they did in 2025; or (c) continued decreases in the effective local tax rate. There is no basis for these assumptions.

Q. HOW DOES THE FORECASTED 2026 MINNESOTA PROPERTY TAX EXPENSE COMPARE WITH PAST CHANGES IN MINNESOTA PROPERTY TAXES?

A. Figure 2 below shows NSPM (Total Company) property tax expense for Minnesota for the five years from 2022 through the 2026 test year forecast. Figure 3 below shows NSPM (Total Company) property tax expense for Minnesota for the ten years from 2017 through the 2026 test year forecast. Both figures show that in recent years the Company's property taxes have gone up

and down in no apparent pattern. Figures 2 and 3 show that the forecasted Minnesota 2026 property tax expense is expected to increase as compared to prior years.

Figure 2
NSPM (Total Company) Minnesota Gas and Electric Property Taxes
Five Year History

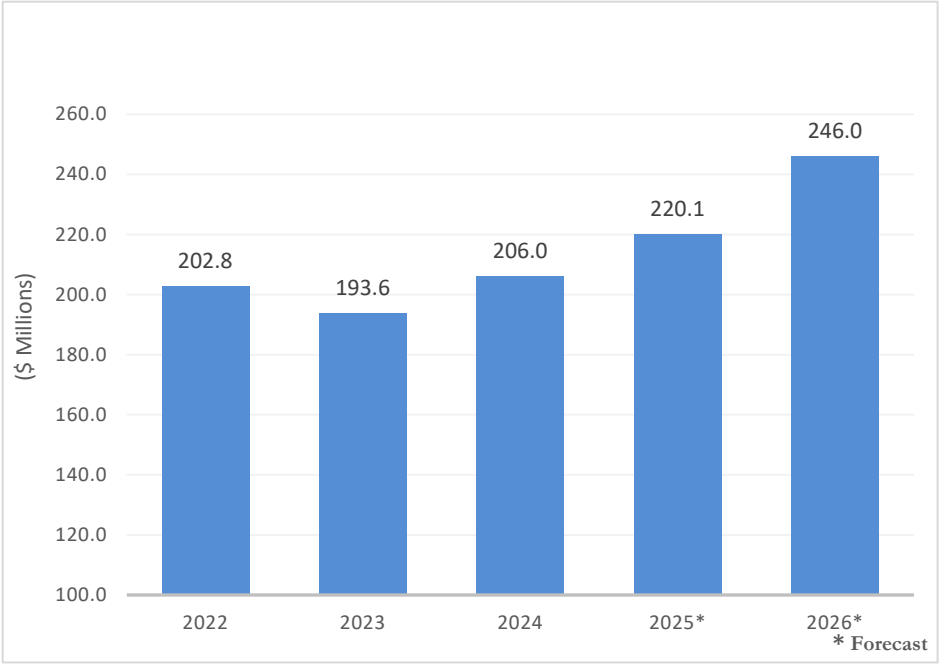
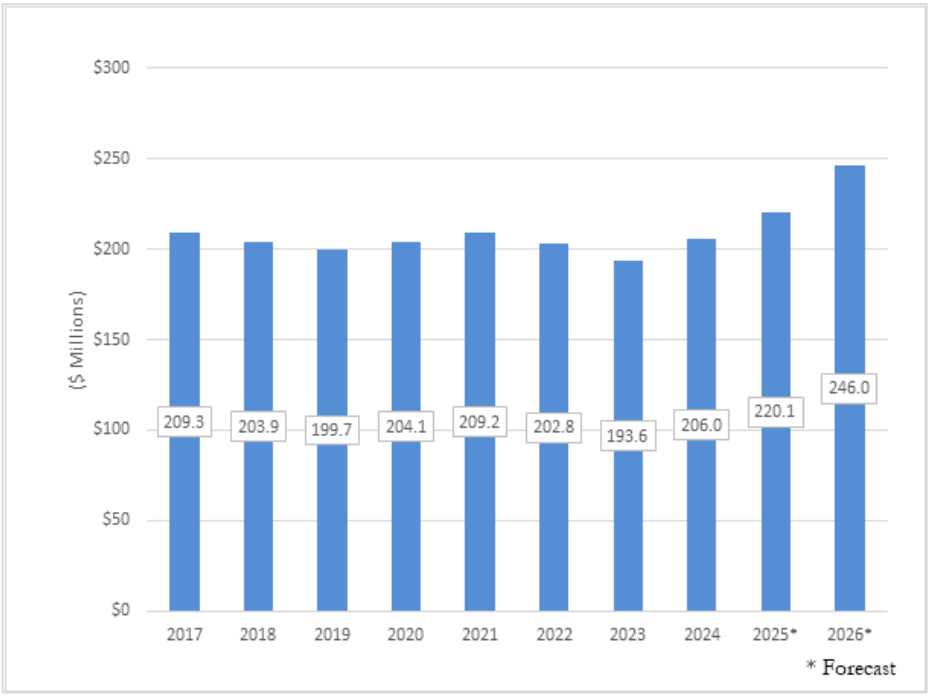


Figure 3
NSPM (Total Company) Minnesota Gas and Electric Property Taxes
Ten-Year History



Q. PLEASE PROVIDE MORE DETAIL ABOUT THE UPS AND DOWNS IN THE COMPANY'S TAXES IN THE YEARS SHOWN IN FIGURES 2 AND 3.

A. The amount of Minnesota tax each year is driven by the interplay between the DOR's Cap Rates, the DOR's weightings, the effective local tax rates, and changes in the Company's plant in service and NOI. Each of these variables changes from year to year, often in partially offsetting ways. This is illustrated by Figures 2 and 3.

For example, in 2022 and 2023, the effective local tax rate decreased, offsetting other variables and resulting in slight decreases in the total amount of tax expense. However, in 2024, the effective local tax rate increased, offsetting increases in the Cap Rate, and thus, the tax expense increased. Similar ups and

downs in the Cap Rate, the effective local tax rate, and the Department's willingness to adjust the weightings as part of the administrative appeal occurred in all the years shown, causing the taxes to go up and down in a manner that does not coalesce into a discernable trend. Figure 3 illustrates that these ups and downs, from which no trend is apparent, have been the case for quite a while.

Q. WHY IS IT REASONABLE THAT THE COMPANY'S FORECAST FOR 2026 REFLECTS AN INCREASE AS COMPARED TO THE PRIOR YEARS SHOWN IN FIGURES 2 AND 3?

A. Again, several of the inputs for 2026—the Cap Rate, the weightings, and the effective local tax rate—are not yet known. It would be highly speculative to assume an increase, or a decrease, in any of those variables. Accordingly, the Company's forecast 2026 holds those variables constant from the prior year, resulting in a forecasted tax increase based primarily on increases in plant and NOI.

In addition, nearly all of the inputs for 2025 are now all final, and the result is an increase in value from 2024. The effective local tax rate is the only input that isn't final, so unless there is a marked decrease in the effective local tax rate, the 2025 forecast will reflect an increase as compared to 2024. Therefore, it is reasonable to assume the resulting tax will increase from 2024 to 2025, and it is also reasonable for the 2026 forecast to be an increase over 2025.

Q. WHY DOES THE COMPANY NOT USE SOME SORT OF TREND OR AVERAGE TO DEVELOP ITS 2026 FORECAST?

A. Again, there is no clear trend discernable from the actual tax expense shown in Figures 2 and 3. Because the Company's plant and NOI generally increase each year, anyone who used a trend or average would be assuming that the Cap Rate,

the effective local tax rate, or other inputs would be consistently low so as to offset the increase in the plant or NOI. That assumption would be speculative. Rather than making assumptions about data that is not yet known, our forecast relies on facts and finalized numbers which are updated as they become available. And, ultimately any differences between the final tax figure and the forecast are resolved through the true-up process.

Q. HOW HAVE THE COMPANY'S NORTH DAKOTA AND SOUTH DAKOTA PROPERTY TAXES CHANGED OVER THE LAST FEW YEARS?

A. Similar to Minnesota, the property taxes in North Dakota and South Dakota have generally been increasing over the past few years, although more modestly than in Minnesota. These increases are driven by the investment and income variables.

IV. PROPERTY TAX TRUE-UP

Q. DOES THE COMPANY PROPOSE A PROPERTY TAX TRUE-UP MECHANISM IN THIS CASE?

A. Yes. In our previous gas rate case, a property tax true-up mechanism was approved as part of the settlement; also, an identical true-up mechanism has been in place for our electric utility for its last several rate cases. As the Administrative Law Judge (ALJ) in one of the Company's previous electric rate cases observed, the use of a true-up means that the 2026 test year forecast explained above functions as a "baseline" to be adjusted via the true-up process.[3]

[3] *In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, Minnesota Public Utilities Commission Docket No.

Q. WHY SHOULD A PROPERTY TAX TRUE-UP MECHANISM CONTINUE FOR THE COMPANY'S GAS UTILITY?

A. Even though our methodology for forecasting the Company's property tax expense is reasonable and effective, some factors affecting the property tax expense—particularly the DOR's Cap Rate, weightings, and local tax rates—are out of our control and are not fully predictable. As a result, final property taxes in any given year could be higher or lower than our forecasts. We believe a symmetrical true-up mechanism reflecting actual rates in each year—either higher or lower than what is approved in rates—allows the Company to recover this cost of providing service and at the same time ensures that customers only pay actual property tax amounts for a given year. As the ALJ in a previous electric rate case found, "The use of a true-up is reasonable because property tax expense has to be estimated many months before the actual amount is known, and because the property tax expense can vary from year to year depending on inputs that the Company cannot control."[4] Moreover, the true-up process that has been in place has worked well, in both the gas and the electric context.

V. CONCLUSION

Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

A. The forecasted 2026 test year NSPM (Total Company) property tax expense is $262.6 million ($29.1 million State of Minnesota Gas Jurisdiction). Our forecasts in this case are based on the most recently available data, which we believe results in a forecast for the 2026 test year that is as accurate as reasonably

E002/GR-21-630, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATIONS at ¶¶ 179, 359-372 (March 31, 2023) (2023 ALJ Decision).

[4] 2023 ALJ Decision, ¶ 178.

possible. Ultimately, continuation of the property tax true-up protects both customers and the Company from property tax variability that is outside the Company's control.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Statement of Qualifications

William T. Kowalowski

Responsibilities

As an Utility Tax Appraiser, I performed various tasks related to appraising public utility companies for property tax assessment.

As a Manager of Centrally Assessed Property, I supervised the annual assessment process of appraising utility companies related to property taxes for the State of Utah.

As a Manager of State Assessed Properties, I oversaw the annual assessment process of appraising utility companies related to property taxes for the State of Colorado.

As a Senior Tax Consultant, I perform tax planning, policy analysis, and related responsibilities associated with Xcel Energy's property taxes.

Experience

2003–2008	Utah State Tax Commission	Utility Tax Appraiser
2008–2015	Utah State Tax Commission	Manager Centrally Assessed
2015–2020	Colorado Department of Property	Manager State Assessed Prop
2020–Present	Xcel Energy Inc.	Sr. Tax Analyst, Tax Services

Education

1995	International Agricultural Economics	University of Wyoming
2012	Master of Business Administration	University of Phoenix

		2024 Electric	2024 Gas
System Unit Value Calculation			
Plant In Service, 12/31/23		24,804,317,124	2,359,361,878
CWIP, 12/31/23		1,024,680,250	75,962,694
Depreciation, 12/31/23		(9,639,287,044)	(827,969,051)
Cost Indicator of Value	**A**	16,189,710,331	1,607,355,521
Income Indicator			
2021 NOI x 25%		191,505,531	11,157,193
2022 NOI x 35%		294,963,466	22,559,784
2023 NOI x 40%		362,188,620	25,583,999
NOI to Capitalize		848,657,617	59,300,976
Capitalization Rate		8.27%	7.92%
Income Indicator of Value	**B**	10,261,881,709	748,749,691
Apply Weightings		31.6% / 68.4%	28.1% / 71.9%
Cost Indicator		5,118,603,600	451,459,600
Income Indicator		7,017,444,100	538,447,600
Total System Unit Value	**C**	**12,136,047,700**	**989,907,200**
Allocation of System Value			
MN Plant in Service		22,226,014,645	2,195,486,778
System Plant in Service		25,828,997,374	2,435,324,572
Plant Ratio x 90%-Elec / x 75%-Gas		77.45%	67.61%
MN Gross Revenue		4,546,329,918	658,451,240
System Gross Revenue		5,162,301,320	761,762,226
Revenue Ratio x 10%-Elec / x 25%-Gas		8.81%	21.61%
MN Allocated Value Percentage		86.26%	89.22%
MN Allocated Value	**D**	10,468,554,700	883,195,200
Net Depreciable Excludables		4,050,061,186	161,747,514
Non-Depreciable Excludables		1,242,825,490	30,223,240
Subtotal		5,292,886,675	191,970,754
Ratio - System Unit Value / Cost Indicator		74.96%	61.59%
Deductions to MN Allocated Value	**E**	3,967,547,900	118,234,800
Settled MN Apportionable Market Value*		6,500,000,000	765,000,000
Sliding Scale Market Value Exclusion		228,272,575	0
Taxable Market Value		6,271,727,425	765,000,000
Effective Tax Rate		2.64%	2.64%
Property Tax - Elec & Gas		**165,526,211**	**20,190,219**
Locally Assessed		12,380,545	1,510,129
Wind Production		6,340,195	
Solar Production		27,548	
Total Property Tax		**184,274,499**	**21,700,348**
Total MN Property Tax			**205,974,847**
North Dakota, South Dakota, & Iowa Property Tax			15,142,515
Total NSPM Property Tax			**221,117,363**

* The MN Apportionable Market Value is the actual settlement with the MNDOR in 2024.

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.

C

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.

	2025 Forecast Electric	Gas
System Unit Value Calculation		
Plant In Service, 12/31/24	27,525,850,778	2,642,200,479
CWIP, 12/31/24	1,000,394,659	43,840,266
Depreciation, 12/31/24	(10,426,709,417)	(892,547,802)
Cost Indicator of Value	18,099,536,020	1,793,492,943
Income Indicator		
2022 NOI x 25%	210,688,190	16,114,131
2023 NOI x 35%	316,915,043	22,385,999
2024 NOI x 40%	393,841,968	41,524,779
NOI to Capitalize	921,445,201	80,024,909
Capitalization Rate	8.34%	8.36%
Income Indicator of Value	11,048,503,611	957,235,754
Apply Weightings	30.2% / 69.8%	28.0% / 72.0%
Cost Indicator	5,472,268,000	502,714,300
Income Indicator	7,708,065,900	688,923,500
Total System Unit Value	**13,180,333,900**	**1,191,637,800**
Allocation of System Value		
MN Plant in Service	24,711,323,976	2,410,967,397
System Plant in Service	28,526,245,437	2,686,040,745
Plant Ratio x 90%-Elec / x 75%-Gas	77.96%	67.32%
MN Gross Revenue	4,245,115,432	570,932,293
System Gross Revenue	4,833,673,433	652,243,306
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.88%
MN Allocated Value Percentage	86.75%	89.20%
MN Allocated Value	11,433,457,700	1,062,974,000
Net Depreciable Excludables	4,532,357,136	183,426,991
Non-Depreciable Excludables	1,658,754,579	31,756,227
Subtotal	6,191,111,715	215,183,218
Ratio - System Unit Value / Cost Indicator	72.82%	66.44%
Deductions to MN Allocated Value	4,508,453,700	142,972,700
Settled MN Apportionable Market Value*	6,925,000,000	920,000,000
Sliding Scale Market Value Exclusion	259,680,972	0
Taxable Market Value	6,665,319,028	920,001,300
Effective Tax Rate	2.64%	2.64%
Forecasted Property Tax - Elec & Gas	**175,914,055**	**24,281,082**
Rounded	175,920,000	24,276,000
Locally Assessed	11,400,000	1,572,000
Wind Production	6,372,000	
Solar Production	588,000	
Total Property Tax	**194,280,000**	**25,848,000**
Total MN Property Tax		**220,128,000**
North Dakota, South Dakota, & Iowa Property Tax		15,714,000
Total NSPM Forecasted Property Tax		**235,842,000**

* The MN Apportionable Market Value is the actual settlement with the MNDOR in 2025.

	2026 Forecast Electric	Gas
System Unit Value Calculation		
Plant In Service, 12/31/25 Forecast	29,194,240,297	2,869,850,015
CWIP, 12/31/25 Forecast	1,865,644,586	45,492,515
Depreciation, 12/31/25 Forecast	(10,846,725,303)	(942,598,197)
Cost Indicator of Value	$20,213,159,580	$1,972,744,334
Income Indicator		
2023 NOI x 25%	226,367,888	15,989,999
2024 NOI x 35%	344,611,722	36,334,181
2025 Estimated NOI x 40%	417,767,600	44,364,800
NOI to Capitalize	$988,747,210	$96,688,981
Capitalization Rate	8.34%	8.36%
Income Indicator of Value	$11,855,482,132	$1,156,566,755
Apply Weightings	30.2% / 69.8%	28.0% / 72.0%
Cost Indicator	$6,111,307,300	$552,958,300
Income Indicator	$8,271,060,100	$832,382,200
Total System Unit Value	**$14,382,367,400**	**$1,385,340,500**
Allocation of System Value		
MN Plant in Service	27,097,122,795	2,618,441,895
System Plant in Service	31,059,884,883	2,915,342,530
Plant Ratio x 90%-Elec / x 75%-Gas	78.52%	67.36%
MN Gross Revenue	4,245,115,432	570,932,293
System Gross Revenue	4,833,673,433	652,243,306
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.88%
MN Allocated Value Percentage	87.30%	89.25%
MN Allocated Value	$12,555,773,500	$1,236,352,000
Net Depreciable Excludables	4,844,414,437	220,666,881
Non-Depreciable Excludables	1,922,574,692	27,100,798
Subtotal	6,766,989,129	247,767,679
Ratio - System Unit Value / Cost Indicator	71.15%	70.22%
Deductions to MN Allocated Value	$4,814,948,600	$173,992,400
MN Apportionable Market Value	$7,740,824,900	$1,062,359,600
Sliding Scale Market Value Exclusion	259,680,972	0
Taxable Market Value	$7,481,143,928	$1,062,359,600
Effective Tax Rate	2.64%	2.64%
Forecasted Property Tax - Elec & Gas	**$197,445,668**	**$28,038,266**
Rounded	$197,448,000	$28,044,000
Locally Assessed	11,364,000	1,608,000
Wind Production	6,228,000	
Solar Production	1,344,000	
Total Property Tax	**$216,384,000**	**$29,652,000**
Total MN Property Tax		**246,036,000**
North Dakota, South Dakota, & Iowa Property Tax		$16,578,000
Total NSPM Forecasted Property Tax		**$262,614,000**

Minnesota Property Taxes By County for 2024
($s)

COUNTY	Property Tax Statements Total Taxes	Total Value	Blended Rate
Anoka	3,133,709	115,643,500	2.71%
Becker	58,142	3,290,100	1.77%
Beltrami	81,600	3,426,800	2.38%
Benton	1,272,200	45,177,100	2.82%
Blue Earth	2,977,538	126,259,100	2.36%
Brown	169,499	8,414,300	2.01%
Carver	2,754,958	102,034,100	2.70%
Cass	261,636	15,019,800	1.74%
Chippewa	1,204,530	36,774,200	3.28%
Chisago	3,459,482	122,281,800	2.83%
Clay	768,646	36,436,500	2.11%
Crow Wing	13,210	527,400	2.50%
Cottonwood	751,694	41,084,000	1.83%
Dakota	14,391,155	547,205,200	2.63%
Dodge	603,138	24,623,400	2.45%
Douglas	485,812	22,694,100	2.14%
Faribault	95,052	5,052,800	1.88%
Freeborn	135,243	5,961,400	2.27%
Goodhue	26,060,681	989,191,200	2.63%
Grant	73,744	3,908,000	1.89%
Hennepin	37,343,328	1,213,433,300	3.08%
Houston	142,346	5,190,100	2.74%
Hubbard	40,234	2,026,000	1.99%
Isanti	134,148	5,785,000	2.32%
Itasca	241,516	9,368,900	2.58%
Jackson	302,914	18,094,900	1.67%
Kandiyohi	583,898	21,601,100	2.70%
Koochiching	401,866	14,932,400	2.69%
Lac qui Parle	866	70,100	1.24%
Lake of the Woods	205,953	7,467,800	2.76%
Le Sueur	790,378	31,893,100	2.48%
Lincoln	1,022,950	57,996,700	1.76%
Lyon	1,187,806	63,130,600	1.88%
Martin	116,028	5,661,400	2.05%
McLeod	523,961	20,798,400	2.52%
Meeker	299,102	13,533,900	2.21%
Morrison	23,930	882,000	2.71%
Mower	241,646	11,327,300	2.13%
Murray	616,944	41,952,400	1.47%
Nicollet	541,804	24,314,900	2.23%
Nobles	1,225,092	67,790,000	1.81%
Norman	13,544	875,300	1.55%
Olmstead	707,753	28,582,300	2.48%
Ottertail	251,394	12,892,100	1.95%
Pine	141,268	6,775,500	2.08%
Pipestone	595,356	29,742,600	2.00%
Polk	83,158	5,001,900	1.66%
Pope	367,354	17,948,100	2.05%
Ramsey	24,633,970	738,337,700	3.34%
Redwood	474,856	27,307,200	1.74%
Renville	950,136	47,446,000	2.00%
Rice	2,712,646	98,419,600	2.76%
Rock	281,838	16,762,500	1.68%
Roseau	506,444	19,956,700	2.54%
St. Louis	779,958	29,876,100	2.61%
Scott	3,653,018	142,634,600	2.56%
Sherburne	13,175,648	509,552,600	2.59%
Sibley	1,110,920	52,063,800	2.13%
Stearns	5,875,400	218,557,000	2.69%
Steele	157,418	5,975,600	2.63%
Todd	138,536	5,739,700	2.41%
Wabasha	993,218	41,759,500	2.38%
Waseca	587,151	22,062,300	2.66%
Washington	17,236,910	642,873,600	2.68%
Watonwan	277,229	13,135,300	2.11%
Wilkin	91,020	4,500,900	2.02%
Winona	1,223,458	47,792,000	2.56%
Wright	17,438,342	826,452,000	2.11%
Yellow Medicine	410,782	22,864,900	1.80%
Other Bills & Reimbursements			
Subtotal	199,607,103	7,528,142,500	2.6515%
Wind Tax	6,340,195		
Solar Tax	27,548		
Total MN Tax	205,974,847		
North & South Dakota Property Tax	14,746,516		
Iowa Property Tax Estimate	396,000		
Total NSPM Property Tax	221,117,362		

	2024		2025 Forecast		2024 vs. 2025		2024 vs. 2025		
	Electric	Gas	Electric	Gas	Electric	Gas	Electric	Gas	Combined
System Unit Value Calculation									
Plant In Service, 12/31	24,804,317,124	2,359,361,878	27,525,850,778	2,642,200,479	2,721,533,654	282,838,602			
CWIP, 12/31	1,024,680,250	75,962,694	1,000,394,659	43,840,266	(24,285,591)	(32,122,428)			
Depreciation, 12/31	(9,639,287,044)	(827,969,051)	(10,426,709,417)	(892,547,802)	(787,422,374)	(64,578,751)			
Cost Indicator of Value	16,189,710,331	1,607,355,521	18,099,536,020	1,793,492,943	1,909,825,689	186,137,423	11.80%	11.58%	11.78%
Income Indicator									
Year 1 NOI x 25%	191,505,531	11,157,193	210,688,190	16,114,131	19,182,659	4,956,938			
Year 2 NOI x 35%	294,963,466	22,559,784	316,915,043	22,385,999	21,951,576	(173,785)			
Year 3 NOI x 40%	362,188,620	25,583,999	393,841,968	41,524,779	31,653,348	15,940,780			
NOI to Capitalize	848,657,617	59,300,976	921,445,201	80,024,909	72,787,584	20,723,933			
Capitalization Rate	8.27%	7.92%	8.34%	8.36%	0.07%	0.44%	0.85%	5.56%	
Income Indicator of Value	10,261,881,709	748,749,691	11,048,503,611	957,235,754	786,621,902	208,486,062	7.67%	27.84%	
Apply Weightings	31.6% / 68.4%	28.1% / 71.9%	30.2% / 69.8%	28.0% / 72.0%					
Cost Indicator	5,118,603,600	451,459,600	5,472,268,000	502,714,300	353,664,400	51,254,700			
Income Indicator	7,017,444,100	538,447,600	7,708,065,900	688,923,500	690,621,800	150,475,900			
Total System Unit Value	**12,136,047,700**	**989,907,200**	**13,180,333,900**	**1,191,637,800**	**1,044,286,200**	**201,730,600**	8.60%	20.38%	9.49%
Allocation of System Value									
MN Plant in Service	22,226,014,645	2,195,486,778	24,711,323,976	2,410,967,397	2,485,309,331	215,480,618			
System Plant in Service	25,828,997,374	2,435,324,572	28,526,245,437	2,686,040,745	2,697,248,063	250,716,174			
Plant Ratio x 90%-Elec / x 75%-Gas	77.45%	67.61%	77.96%	67.32%	0.51%	-0.29%			
MN Gross Revenue	4,546,329,918	658,451,240	4,245,115,432	570,932,293	(301,214,486)	(87,518,947)			
System Gross Revenue	5,162,301,320	761,762,226	4,833,673,433	652,243,306	(328,627,887)	(109,518,920)			
Revenue Ratio x 10%-Elec / x 25%-Gas	8.81%	21.61%	8.78%	21.88%	-0.03%	0.27%			
MN Allocated Value Percentage	86.26%	89.22%	86.75%	89.20%	0.49%	-0.02%			
MN Allocated Value	10,468,554,700	883,195,200	11,433,457,700	1,062,974,000	964,903,000	179,778,800			
Net Depreciable Excludables	4,050,061,186	161,747,514	4,532,357,136	183,426,991	482,295,950	21,679,477			
Non-Depreciable Excludables	1,242,825,490	30,223,240	1,658,754,579	31,756,227	415,929,089	1,532,987			
Subtotal	5,292,886,675	191,970,754	6,191,111,715	215,183,218	898,225,039	23,212,464			
Ratio - System Unit Value / Cost Indicator	74.96%	61.59%	72.82%	66.44%	-2.14%	4.85%			
Deductions to MN Allocated Value	3,967,547,900	118,234,800	4,508,453,700	142,972,700	540,905,800	24,737,900			
Settled MN Apportionable Market Value*	6,500,000,000	765,000,000	6,925,000,000	920,000,000	425,000,000	155,000,000			
Sliding Scale Market Value Exclusion	228,272,575	0	259,680,972	0	31,408,397	0			
Taxable Market Value	6,271,727,425	765,000,000	6,665,319,028	920,001,300	393,591,603	155,001,300			
Effective Tax Rate	2.64%	2.64%	2.64%	2.64%	0.00%	0.00%			
Forecasted Property Tax - Elec & Gas	**165,526,211**	**20,190,219**	**175,914,055**	**24,281,082**	**10,387,844**	**4,090,863**			
Rounded	0	0	175,920,000	24,276,000	175,920,000	24,276,000			
Locally Assessed	12,380,545	1,510,129	11,400,000	1,572,000	(980,545)	61,871			
Wind Production	6,340,195		6,372,000		31,805				
Solar Production	27,548		588,000		560,452				
Total Property Tax	**184,274,499**	**21,700,348**	**194,280,000**	**25,848,000**	**10,005,501**	**4,147,652**			
Total MN Property Tax		**205,974,847**		**220,128,000**		**14,153,153**			6.87%
North Dakota, South Dakota, & Iowa Property Tax		15,142,515		15,714,000		571,485			
Total NSPM Forecasted Property Tax		**221,117,363**		**235,842,000**		**14,724,637**			6.66%

* The MN Apportionable Market Value is the actual settlement with the MNDOR in 2024 & 2025.

	2025 Forecast		2026 Forecast		2025 vs. 2026		2025 vs. 2026		
	Electric	Gas	Electric	Gas	Electric	Gas	Electric	Gas	Combined
System Unit Value Calculation									
Plant In Service, 12/31	27,525,850,778	2,642,200,479	29,194,240,297	2,869,850,015	1,668,389,519	227,649,536			
CWIP, 12/31	1,000,394,659	43,840,266	1,865,644,586	45,492,515	865,249,927	1,652,249			
Depreciation, 12/31	(10,426,709,417)	(892,547,802)	(10,846,725,303)	(942,598,197)	(420,015,885)	(50,050,395)			
Cost Indicator of Value	18,099,536,020	1,793,492,943	20,213,159,580	1,972,744,334	2,113,623,561	179,251,390	11.68%	9.99%	11.53%
Income Indicator									
Year 1 NOI x 25%	210,688,190	16,114,131	226,367,888	15,989,999	15,679,697	(124,132)			
Year 2 NOI x 35%	316,915,043	22,385,999	344,611,722	36,334,181	27,696,680	13,948,183			
Year 3 NOI x 40%	393,841,968	41,524,779	417,767,600	44,364,800	23,925,632	2,840,021			
NOI to Capitalize	921,445,201	80,024,909	988,747,210	96,688,981	67,302,009	16,664,072			
Capitalization Rate	8.34%	8.36%	8.34%	8.36%	0.00%	0.00%	0.00%	0.00%	
Income Indicator of Value	11,048,503,611	957,235,754	11,855,482,132	1,156,566,755	806,978,522	199,331,001	7.30%	20.82%	
Apply Weightings	30.2% / 69.8%	28.0% / 72.0%	30.2% / 69.8%	28.0% / 72.0%					
Cost Indicator	5,472,268,000	502,714,300	6,111,307,300	552,958,300	639,039,300	50,244,000			
Income Indicator	7,708,065,900	688,923,500	8,271,060,100	832,382,200	562,994,200	143,458,700			
Total System Unit Value	**13,180,333,900**	**1,191,637,800**	**14,382,367,400**	**1,385,340,500**	**1,202,033,500**	**193,702,700**	9.12%	16.26%	9.71%
Allocation of System Value									
MN Plant in Service	24,711,323,976	2,410,967,397	27,097,122,795	2,618,441,895	2,385,798,819	207,474,498			
System Plant in Service	28,526,245,437	2,686,040,745	31,059,884,883	2,915,342,530	2,533,639,446	229,301,785			
Plant Ratio x 90%-Elec / x 75%-Gas	77.96%	67.32%	78.52%	67.36%	0.55%	0.04%			
MN Gross Revenue	4,245,115,432	570,932,293	4,245,115,432	570,932,293	0	0			
System Gross Revenue	4,833,673,433	652,243,306	4,833,673,433	652,243,306	0	0			
Revenue Ratio x 10%-Elec / x 25%-Gas	8.78%	21.88%	8.78%	21.88%	0.00%	0.00%			
MN Allocated Value Percentage	86.75%	89.20%	87.30%	89.25%	0.55%	0.04%			
MN Allocated Value	11,433,457,700	1,062,974,000	12,555,773,500	1,236,352,000	1,122,315,800	173,378,000			
Net Depreciable Excludables	4,532,357,136	183,426,991	4,844,414,437	220,666,881	312,057,302	37,239,890			
Non-Depreciable Excludables	1,658,754,579	31,756,227	1,922,574,692	27,100,798	263,820,113	(4,655,429)			
Subtotal	6,191,111,715	215,183,218	6,766,989,129	247,767,679	575,877,415	32,584,461			
Ratio - System Unit Value / Cost Indicator	72.82%	66.44%	71.15%	70.22%	-1.67%	3.78%			
Deductions to MN Allocated Value	4,508,453,700	142,972,700	4,814,948,600	173,992,400	306,494,900	31,019,700			
MN Apportionable Market Value	6,925,000,000	920,000,000	7,740,824,900	1,062,359,600	815,824,900	142,359,600			
Sliding Scale Market Value Exclusion	259,680,972	0	259,680,972	0	0	0			
Taxable Market Value	6,665,319,028	920,001,300	7,481,143,928	1,062,359,600	815,824,900	142,358,300			
Effective Tax Rate	2.64%	2.64%	2.64%	2.64%	0.00%	0.00%			
Forecasted Property Tax - Elec & Gas	**175,914,055**	**24,281,082**	**197,445,668**	**28,038,266**	**21,531,612**	**3,757,183**			
Rounded	175,920,000	24,276,000	197,448,000	28,044,000	21,528,000	3,768,000			
Locally Assessed	11,400,000	1,572,000	11,364,000	1,608,000	(36,000)	36,000			
Wind Production	6,372,000		6,228,000		(144,000)				
Solar Production	588,000		1,344,000		756,000				
Total Property Tax	**194,280,000**	**25,848,000**	**216,384,000**	**29,652,000**	**22,104,000**	**3,804,000**			
Total MN Property Tax		**220,128,000**		**246,036,000**		**25,908,000**			11.77%
North Dakota, South Dakota, & Iowa Property Tax		15,714,000		16,578,000		864,000			
Total NSPM Forecasted Property Tax		**235,842,000**		**262,614,000**		**26,772,000**			11.35%