

Xcel Energy
Natural Gas Utility - State of North Dakota

Jurisdictional Cost of Service Study
2007 Test Year
(\$000)

<u>Line</u>	<u>Company</u> <u>(a)</u>	<u>Staff</u> <u>(b)</u>	<u>Difference</u> <u>(c)=(b)-(a)</u>	
<u>2007 Capital Structure - Weighted Cost</u>				
1	Long Term Debt	3.29%	3.60%	0.31%
2	Short Term Debt	0.12%	0.27%	0.15%
3	Preferred Stock	0.00%	0.03%	0.03%
4	Common Equity	5.83%	4.17%	-1.66%
5	Required Rate of Return	9.24%	8.08%	-1.16%
6	<u>Common Equity Ratio</u>	51.59%	43.62%	-7.97%
7	<u>Total North Dakota Composite Tax Rate</u>	39.55%	39.55%	0.00%
<hr/> <u>North Dakota Retail Gas</u> <hr/>				
<u>Rate of Return (ROR)</u>				
8	Total Operating Income	2,616	3,008	392
9	Total Average Rate Base	46,631	46,311	(320)
10	ROR (Operating Income / Rate Base)	5.61%	6.50%	0.89%
<u>Return on Equity (ROE)</u>				
11	Total Operating Income	2,616	3,008	392
12	Debt Interest (Rate Base * Weighted Debt Cost)	(1,590)	(1,796)	(205)
13	Preferred Stock (Rate Base * Weighted Preferred Cost)	-	14.73	14.73
14	Earnings Available for Common	1,026	1,228	202
15	Equity Rate Base (Rate Base * Equity Ratio)	24,057	20,202	(3,854)
16	ROE (Earnings For Common / Equity Rate Base)	4.26%	6.08%	1.81%
<u>Revenue Deficiency</u>				
17	Required Operating Income (Rate Base * Required Return)	4,309	3,742	(567)
18	Operating Income	2,616	3,008	392
19	Operating Income Deficiency	1,693	733	(959)
20	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.65426	1.65426	0
21	Revenue Deficiency (Income Deficiency * Conversion Factor)	2,800	1,213	(1,587)
<u>Total Retail Revenue Requirements</u>				
22	Retail Related Revenues	93,044	93,192	148
23	Revenue Deficiency	2,800	1,213	(1,587)
24	Total Retail Revenue Requirements	95,844	94,405	(1,439)
25	<u>Percentage Increase (Decrease)</u>	3.01%	1.30%	-1.71%

Sources:

Col. (a) from Exhibit___(JCR-1), Schedule 8, page 5 of 6.
Col. (b), Lines 1-6 from Exhibit___(CWK-1), Schedule 1.
Col. (b), Lines 8, 9 and 22 from page 2.

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STATEMENT OF NET INCOME
REFLECTING STAFF ADJUSTMENTS
YEAR ENDED DECEMBER 31, 2007
(\$000)

Line No.	Description (1)	Company Request							
		2007 Adjusted (2)	Staff Adj. 1 MGP (3)	Staff Adj. 2 DSM (4)	Staff Alloc. Factors (5)	Staff Adj. 4 Back Billing (6)	Subtotal Staff Adjustments (7)	Total Staff Adjusted (8)	
Operating Revenues									
1	Retail	\$ 93,026				\$ 148	\$ 148	\$	\$ 93,174
2	Weather Impact Net Margin Adjustment	-							-
3	Interdepartmental & Transportation	18							18
4	Other Operating	332							332
5	Gross Earnings Tax	-							-
6	Total Operating Revenues	\$ 93,376	\$ -	\$ -	\$ -	\$ 148	\$ 148	\$ -	\$ 93,524
Expenses									
Operating Expenses									
7	Purchased Gas	\$ 78,890				\$ -	\$ -	\$ -	\$ 78,890
8	Other Production	729							729
9	Transmission	132							132
10	Distribution	2,207							2,207
11	Customer Accounting	1,830			(363)		(363)		1,467
12	Customer Service & Information	381		(138)			(138)		243
13	Administrative & General	1,687							1,687
14	Amortizations	50							50
15	Sales, Econ Dvlp & Other	-							-
16	Total Operating Expenses	\$ 85,906	\$ -	\$ (138)	\$ (363)	\$ -	\$ (501)	\$ -	\$ 85,405
17	Depreciation	2,816							2,816
Taxes									
18	Property	1,158							1,158
19	Gross Earnings	68							68
20	Deferred Income Tax & ITC	595		55	144	59	257		852
21	Federal & State Income Tax (39.55%)	217							217
22	Payroll & Other	2,038							2,038
23	Total Taxes	\$ -	\$ -	\$ 55	\$ 144	\$ 59	\$ 257	\$ -	\$ 2,295
24	Total Expenses	\$ 90,760	\$ -	\$ (83)	\$ (219)	\$ 59	\$ (244)	\$ -	\$ 90,516
25	Allowance for Funds Used During Construction	-							-
26	Total Operating Income	\$ 2,616	\$ -	\$ 83	\$ 219	\$ 89	\$ 392	\$ -	\$ 3,008
27	Revenue Conversion Factor		(1,65426)				(1,65426)		
28	Incremental Revenue Requirement		\$ -	\$ (138)	\$ (363)	\$ (148)	\$ (649)		\$ (649)
29	Average Rate Base	\$ 46,631	\$ (320)				\$ (320)	\$	\$ 46,311
30	Existing ROR	5.61%							6.50%
31	Staff ROR								8.08%

Sources:
Col. (2) from Exhibit (JCR-1), Schedule 5, page 2 of 2, 2007 Adjusted.
Cols. (3) - (6) from pages 3 - 6.

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Staff Adjustment No. 1
(\$000)

Adjustment to remove unamortized net plant balance and accumulated deferred income taxes related to MGP clean-up costs.

<u>Line</u>	<u>Description</u>	<u>Amount</u>
1	Net Plant	\$ 541
2	ADIT	<u>(221)</u>
3	Net Rate Base Reduction	<u>\$ 320</u>

Source: Company Workpaper P8-5 - See Exhibit____(MJM-5)

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Staff Adjustment No. 2
(\$000)

Adjustment to remove Company's proposed DSM program.

<u>Line</u>	<u>Description</u>	<u>DSM Expense Amount</u>
1	DSM Program	<u>\$ 138</u>
2	Adjustment No. 2 - Pre Tax	<u>\$ (138)</u>
3	Companies' Tax Conversion Factor	0.3955
4	Tax Effect (L. 2 x L. 3)	<u>\$ 55</u>
5	Adjustment No. 2 - Post-Tax	<u>\$ (83)</u>

Source: Exhibit___(JCR-1), Sch. 5, p. 2 of 2

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Staff Adjustment No. 3
(\$000)

Adjustment to remove impact of change to Company's common O&M allocation factors.

<u>Line</u>	<u>Description</u>	<u>Expense Amount</u>
1	Impact of change in common O&M allocation factors	<u>\$ 363</u>
2	Adjustment No. 3 - Pre Tax	<u><u>\$ (363)</u></u>
3	Companies' Tax Conversion Factor	0.3955
4	Tax Effect (L. 2 x L. 3)	<u>\$ 144</u>
5	Adjustment No. 3 - Post-Tax	<u><u>\$ (219)</u></u>

Source: Robinson Direct Testimony, page 22.

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Staff Adjustment No. 4
(\$000)

Adjustment to increase revenue for expected back billed revenues.

<u>Line</u>	<u>Description</u>	<u>Amount</u>
1	Back billed revenues	<u>\$ 148</u>
2	Adjustment No. 4 - Pre Tax	<u><u>\$ 148</u></u>
3	Companies' Tax Conversion Factor	0.3955
4	Tax Effect (L. 2 x L. 3)	<u>\$ 59</u>
5	Adjustment No. 4 - Post-Tax	<u><u>\$ 89</u></u>

Source: Response to Staff Information Request No. 4-1.