# Northern States Power Company
# d/b/a Xcel Energy
# Cost of Capital

| | A | | B | | C |
|---|---|---|---|---|---|
| | Proportion | | Cost | | Weighted Cost |
| 1 Short-term Debt | 4.70% | | 5.81% | | 0.27% |
| 2 Long-term Debt | 50.89% | | 7.08% | | 3.60% |
| 3 Preferred Stock | 0.79% | | 4.04% | | 0.03% |
| 4 Common Equity | 43.62% | | 9.56% | | 4.17% |
| 5 Total | 100.00% | | | | **8.08%** |

# Northern States Power Company - Xcel Energy Inc.
## Capital Structure
(Dollars in Thousands)

| | | A | B | C | D | E |
|---|---|---|---|---|---|---|
| | **NSP - 2007 Budget** | Per Company | Preferred Stock Adjustment | 2000 Debt Adjustment | Adjusted | % |
| 1 | Short-term Debt | 103,459 | | | 103,459 | 2.00% |
| 2 | Long-term Debt | 2,395,290 | | 200,000 | 2,595,290 | 50.28% |
| | | | | | - | |
| 3 | Preferred Stock | | 104,980 | | 104,980 | 2.03% |
| | | | | | - | |
| 4 | Common Stockholders' Equity | 2,662,768 | (104,980) | (200,000) | 2,357,788 | 45.68% |
| 5 | Total Capital | 5,161,517 | | | 5,161,517 | 100.00% |

| | **Xcel - December 31, 2006** | Amount | | % |
|---|---|---|---|---|
| 6 | Short-term Debt | | 626,300 | 4.70% |
| 7 | Current Portion of Long-term Debt | 336,411 | | |
| 8 | Long-term Debt | 6,449,638 | | |
| 9 | Total Long-term Debt | | 6,786,049 | 50.89% |
| 10 | Preferred Stock | | 104,980 | 0.79% |
| 11 | Common Stockholders' Equity | | 5,816,822 | 43.62% |
| 12 | Total Capital | | 13,334,151 | 100.00% |

Exhibit _____(CWK-1)
Schedule 3

# Major Gas Utility Companies
# 2006 Revenues by Source

| | | | 2006 Revenues ($millions) | | | | | 2006 Revenues Percent | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Regulated | | Non-Regulated | Total | | Regulated | | Non-Regulated | Total | Selected |
| | | | Electric | Gas | | | | Electric | Gas | | | |
| 1 | Xcel Energy | | 7,608.0 | 2,156.0 | 76.3 | 9,840.3 | | 77.3% | 21.9% | 0.8% | 100.0% | x |
| | | | | | | | | | | | | |
| 2 | AGL Resources | ATG | | 2,621.0 | | 2,621.0 | | | 100.0% | | 100.0% | x |
| 3 | Atmos Energy | ATO | | 3,649.9 | 2,502.6 | 6,152.5 | | | 59.3% | 40.7% | 100.0% | x |
| 4 | Energen Corp. | EGN | | 663.4 | 730.5 | 1,393.9 | | | 47.6% | 52.4% | 100.0% | |
| 5 | Laclede Group | LG | | 1,141.0 | 856.5 | 1,997.5 | | | 57.1% | 42.9% | 100.0% | x |
| 6 | New Jersey Resources | NJR | | 1,138.8 | 2,160.8 | 3,299.6 | | | 34.5% | 65.5% | 100.0% | |
| 7 | Nicor, Inc. | GAS | | 2,452.3 | 507.7 | 2,960.0 | | | 82.8% | 17.2% | 100.0% | x |
| 8 | NiSource Inc. | NI | 1,299.2 | 4,189.3 | 2,001.5 | 7,490.0 | | 17.3% | 55.9% | 26.7% | 100.0% | x |
| 9 | Northwest Natural Gas * | NWN | | 327.3 | 12.9 | 340.2 | | | 96.2% | 3.8% | 100.0% | x |
| 10 | Piedmont Natural Gas | PNY | | 1,579.7 | 344.9 | 1,924.6 | | | 82.1% | 17.9% | 100.0% | x |
| 11 | SCANA Corp. | SCG | 1,877.0 | 1,257.0 | 1,429.0 | 4,563.0 | | 41.1% | 27.5% | 31.3% | 100.0% | x |
| 12 | Sempra Energy | SRE | 2,136.0 | 4,763.0 | 4,862.0 | 11,761.0 | | 18.2% | 40.5% | 41.3% | 100.0% | x |
| 13 | Southern Union | SUG | | 1,245.9 | 1,094.2 | 2,340.1 | | | 53.2% | 46.8% | 100.0% | x |
| 14 | South Jersey Industries | SJI | | 602.0 | 329.4 | 931.4 | | | 64.6% | 35.4% | 100.0% | x |
| 15 | Southwest Gas Corp. | SWX | | 1,727.4 | 297.4 | 2,024.8 | | | 85.3% | 14.7% | 100.0% | x |
| 16 | UGI Corp | UGI | 98.0 | 724.0 | 4,399.0 | 5,221.0 | | 1.9% | 13.9% | 84.3% | 100.0% | |
| 17 | Vectren Corp | VVC | 422.2 | 1,232.5 | 386.9 | 2,041.6 | | 20.7% | 60.4% | 19.0% | 100.0% | x |
| 18 | WGL Holdings | WGL | | 1,622.5 | 1,015.4 | 2,637.9 | | | 61.5% | 38.5% | 100.0% | x |

Source: Companies' SEC Forms 10K, 2006

*Net operating revenues

# Gas Utility Comparison Group
## Capital Structures, December 31, 2006

| | Company Name | Ticker | LT Debt* | Preferred Stock | Common Equity | Total | % Equity |
|---|---|---|---|---|---|---|---|
| 1 | Xcel Energy | XEL | $ 6,786.0 | $ 105.0 | $ 5,816.8 | $ 12,707.9 | 45.8% |
| 2 | AGL Resources | ATG | 1,662.0 | | 1,609.0 | 3,271.0 | 49.2% |
| 3 | Atmos Energy | ATO | 2,183.5 | | 1,648.1 | 3,831.6 | 43.0% |
| 4 | Laclede Group, Inc. | LG | 395.6 | 0.8 | 402.6 | 799.0 | 50.4% |
| 5 | Nicor, Inc. | GAS | 498.1 | | 872.6 | 1,370.7 | 63.7% |
| 6 | NiSource | NI | 5,239.5 | | 5,013.6 | 10,253.1 | 48.9% |
| 7 | Northwest Natural Gas Co. | NWN | 546.5 | | 599.5 | 1,146.0 | 52.3% |
| 8 | Piedmont Natural Gas Co. | PNY | 825.0 | | 882.9 | 1,707.9 | 51.7% |
| 9 | SCANA Corp. | SCG | 3,110.0 | 106.0 | 2,846.0 | 6,062.0 | 46.9% |
| 10 | Sempra Energy | SRE | 5,206.0 | 179.0 | 7,511.0 | 12,896.0 | 58.2% |
| 11 | Southern Union | SUG | 3,150.7 | | 2,050.4 | 5,201.1 | 39.4% |
| 12 | South Jersey Industries, Inc. | SJI | 358.0 | | 443.0 | 801.1 | 55.3% |
| 13 | Southwest Gas Corp. | SWX | 1,386.4 | | 901.4 | 2,287.8 | 39.4% |
| 14 | Vectren Corp. | VVC | 1,232.2 | | 1,174.2 | 2,406.4 | 48.8% |
| 15 | WGL Holdings, Inc. | WGL | 637.1 | 28.2 | 921.8 | 1,587.1 | 58.1% |
| 16 | Average | | | | | | 50.1% |

Source: GR-2007-0003, McShane Workpaper G-3 and companies's Form 10-K for 2005.

* Includes current maturities

# Gas Utility Comparison Group
# "Classic" Discounted Cash Flow Analysis

| | | | A | B | C | D | E | | F | G | H | I |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2007 Dividend | 2008 Dividend | Weighted Dividend | 60 Day Price | Dividend Yield | | Earnings Growth Forecast | | | DCF Indication |
| | | | Value Line | Value Line | .67A+ .33B | Yahoo Finance | C/D | | Value Line | I/B/E/S | Average Avg F&G | E+H |
| | Company Name | Ticker | | | | | | | | | | |
| 1 | Xcel Energy | XEL | $ 0.93 | n.a. | $ 0.93 | $ 23.94 | 3.9% | | 6.0% | 5.6% | 5.8% | 9.7% |
| | | | | | | | | | | | | |
| 2 | AGL Resources | ATG | $ 1.64 | $ 1.64 | $ 1.64 | $ 41.72 | 3.9% | | 3.5% | 4.1% | 3.8% | 7.7% |
| 3 | Atmos Energy | ATO | $ 1.28 | $ 1.30 | $ 1.29 | $ 31.77 | 4.0% | | 5.0% | 6.2% | 5.6% | 9.6% |
| 4 | Laclede Group, Inc. | LG | $ 1.45 | $ 1.49 | $ 1.46 | $ 30.90 | 4.7% | | 2.0% | 3.0% | 2.5% | 7.2% |
| 5 | Nicor, Inc. | GAS | $ 1.90 | $ 1.90 | $ 1.90 | $ 47.35 | 4.0% | | 4.0% | 1.5% | 2.8% | 6.8% |
| 6 | NiSource | NI | $ 0.92 | $ 0.92 | $ 0.92 | $ 24.21 | 3.8% | | 5.5% | 3.3% | 4.4% | 8.2% |
| 7 | Northwest Natural Gas Co. | NWN | $ 1.44 | $ 1.50 | $ 1.46 | $ 44.49 | 3.2% | | 7.0% | 4.9% | 5.9% | 9.2% |
| 8 | Piedmont Natural Gas Co. | PNY | $ 0.99 | $ 1.03 | $ 1.00 | $ 26.12 | 3.8% | | 3.0% | 5.1% | 4.1% | 7.8% |
| 9 | SCANA Corp. | SCG | $ 1.76 | $ 1.82 | $ 1.78 | $ 42.31 | 4.2% | | 3.0% | 4.7% | 3.8% | 8.0% |
| 10 | Sempra Energy | SRE | $ 1.24 | n.a. | $ 1.24 | $ 60.68 | 2.0% | | 5.5% | 5.9% | 5.7% | 7.7% |
| 11 | Southern Union | SUG | $ 0.44 | $ 0.48 | $ 0.45 | $ 29.35 | 1.5% | | 7.8% | 7.5% | 7.7% | 9.1% |
| 12 | South Jersey Industries, Inc. | SJI | $ 0.98 | $ 1.05 | $ 1.00 | $ 35.82 | 2.7% | | 9.5% | 6.8% | 8.1% | 10.9% |
| 13 | Southwest Gas Corp. | SWX | $ 0.86 | $ 0.86 | $ 0.86 | $ 38.28 | 2.2% | | 8.0% | 3.0% | 5.5% | 7.7% |
| 14 | Vectren Corp. | VVC | $ 1.27 | $ 1.31 | $ 1.28 | $ 28.26 | 4.5% | | 3.0% | 5.0% | 4.0% | 8.5% |
| 15 | WGL Holdings, Inc. | WGL | $ 1.38 | $ 1.42 | $ 1.39 | $ 31.56 | 4.4% | | 1.0% | 3.5% | 2.3% | 6.6% |
| | | | | | | | | | | | | |
| 16 | Average | | | | | | 3.53% | | | | 4.79% | **8.32%** |

# Gas Distribution Company Peer Group
## Book Value Growth DCF Formulation

| | | | A | B | C | D | E | F | G | H | J | K |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2009-11 Earnings per Share | 2009-11 Dividend | Earnings Retention "B" | 2009-11 Book Value | 2009-11 Return on Book Value "r" | %Retained Return "B-r" | "s*v" Factor | Sustainable Growth | Dividend Yield | DCF Return Indication |
| | Source | | ValueLine | Value Line | 1-(B/A) | Value Line | A/D | C*E | page 2 | F+G | CWK-2 | H+J |
| 1 | Xcel Energy | XEL | 1.75 | 1.10 | 0.37 | 16.25 | 10.8% | 4.0% | 0.3% | 4.3% | 3.9% | 8.2% |
| | | | | | | | | | 0.0% | | | |
| 2 | AGL Resources | ATG | 3.10 | 1.80 | 0.42 | 22.50 | 13.8% | 5.8% | 0.8% | 6.6% | 3.9% | 10.6% |
| 3 | Atmos Energy | ATO | 2.50 | 1.35 | 0.46 | 25.20 | 9.9% | 4.6% | 2.7% | 7.3% | 4.0% | 11.3% |
| 4 | Laclede Group, Inc. | LG | 2.35 | 1.60 | 0.32 | 24.50 | 9.6% | 3.1% | 2.7% | 5.7% | 4.7% | 10.4% |
| 5 | Nicor, Inc. | GAS | 2.90 | 2.00 | 0.31 | 24.10 | 12.0% | 3.7% | 0.4% | 4.1% | 4.0% | 8.1% |
| 6 | NiSource | NI | 1.75 | 1.00 | 0.43 | 22.00 | 8.0% | 3.4% | 0.1% | 3.5% | 3.8% | 7.3% |
| 7 | Northwest Natural Gas C | NWN | 2.95 | 1.80 | 0.39 | 25.85 | 11.4% | 4.4% | 1.7% | 6.2% | 3.2% | 9.4% |
| 8 | Piedmont Natural Gas Co | PNY | 1.55 | 1.15 | 0.26 | 13.40 | 11.6% | 3.0% | 1.1% | 4.0% | 3.8% | 7.8% |
| 9 | SCANA Corp. | SCG | 3.25 | 2.00 | 0.38 | 30.00 | 10.8% | 4.2% | 0.0% | 4.2% | 4.2% | 8.3% |
| 10 | Sempra Energy | SRE | 4.75 | 1.36 | 0.71 | 40.50 | 11.7% | 8.4% | 0.7% | 9.1% | 2.0% | 11.2% |
| 11 | Southern Union | SUG | 2.50 | 0.56 | 0.78 | 23.65 | 10.6% | 8.2% | 2.1% | 10.3% | 1.5% | 11.8% |
| 12 | South Jersey Industries, I | SJI | 3.30 | 1.20 | 0.64 | 18.55 | 17.8% | 11.3% | 1.9% | 13.3% | 2.7% | 16.0% |
| 13 | Southwest Gas Corp. | SWX | 2.60 | 0.90 | 0.65 | 25.25 | 10.3% | 6.7% | 2.6% | 9.3% | 2.2% | 11.5% |
| 14 | Vectren Corp. | VVC | 2.00 | 1.43 | 0.29 | 18.25 | 11.0% | 3.1% | 0.88% | 4.0% | 4.5% | 8.5% |
| 15 | WGL Holdings, Inc. | WGL | 2.20 | 1.45 | 0.34 | 22.00 | 10.0% | 3.4% | 0.04% | 3.5% | 4.4% | 7.8% |
| | | | | | | | | | | | | |
| 16 | Average | | | | | | | | | 6.4% | 3.5% | **9.9%** |

Source: Value Line Investments Survey

**Gas Distribution Company Peer Group**
**Book Value Growth DCF Formulation**

| | | | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2007 | 2007 | Market/ | Shares Outstanding | | | |
| | Company Name | Ticker | Market Value | Book Value | Book Ratio | 2007 (millions) | 2009-11 (millions) | Annual % Increase | s*v Factor |
| | | | | | | | | | |
| 1 | Xcel Energy | XEL | $ 23.94 | 14.4 | 1.662517 | 427 | 433 | 0.47% | 0.31% |
| | | | $ - | | | | | | |
| 2 | AGL Resources | ATG | $ 41.72 | 20.95 | 1.991283 | 78 | 80 | 0.85% | 0.85% |
| 3 | Atmos Energy | ATO | $ 31.77 | 22.45 | 1.415134 | 89.5 | 107 | 6.52% | 2.71% |
| 4 | Laclede Group, Inc. | LG | $ 30.90 | 20.7 | 1.492696 | 21.5 | 25 | 5.43% | 2.67% |
| 5 | Nicor, Inc. | GAS | $ 47.35 | 20.5 | 2.309826 | 44.6 | 45 | 0.30% | 0.39% |
| 6 | NiSource | NI | $ 24.21 | 18.95 | 1.277635 | 274 | 276 | 0.24% | 0.07% |
| 7 | Northwest Natural Gas Co. | NWN | $ 44.49 | 22.7 | 1.960101 | 27.5 | 29 | 1.82% | 1.75% |
| 8 | Piedmont Natural Gas Co. | PNY | $ 26.12 | 12 | 2.176408 | 73.8 | 71.8 | -0.90% | 1.06% |
| 9 | SCANA Corp. | SCG | $ 42.31 | 25.3 | 1.672426 | 117 | 117 | 0.00% | 0.00% |
| 10 | Sempra Energy | SRE | $ 60.68 | 30.6 | 1.982999 | 265 | 271 | 0.75% | 0.74% |
| 11 | Southern Union | SUG | $ 29.35 | 16.65 | 1.762949 | 122 | 132 | 2.73% | 2.08% |
| 12 | South Jersey Industries, Inc. | SJI | $ 35.82 | 16.05 | 2.231717 | 29.6 | 31 | 1.58% | 1.94% |
| 13 | Southwest Gas Corp. | SWX | $ 38.28 | 22.1 | 1.732181 | 43 | 47.5 | 3.49% | 2.55% |
| 14 | Vectren Corp. | VVC | $ 28.26 | 16.3 | 1.733786 | 78.2 | 81 | 1.19% | 0.88% |
| 15 | WGL Holdings, Inc. | WGL | $ 31.56 | 18.9 | 1.669904 | 48.91 | 49 | 0.06% | 0.04% |
| | | | | | | | | | |
| 16 | Average | | | | | | | | 1.20% |

Source: Value Line Investment Survey

# Gas Utility Comparison Group
## Selected Utility Beta and Safety Values, June 2006

| | Company Name | Ticker | beta<br>Thomson | Value Line | | Average |
|---|---|---|---|---|---|---|
| 1 | Xcel Energy | XEL | 0.63 | 0.90 | | 0.76 |
| | | | | | | |
| 2 | AGL Resources | ATG | 0.85 | 0.95 | | 0.90 |
| 3 | Atmos Energy | ATO | 0.70 | 0.80 | | 0.75 |
| 4 | Laclede Group, Inc. | LG | 1.11 | 0.85 | | 0.98 |
| 5 | Nicor, Inc. | GAS | 0.82 | 1.30 | | 1.06 |
| 6 | NiSource | NI | 0.53 | 0.95 | | 0.74 |
| 7 | Northwest Natural Gas Co. | NWN | 0.97 | 0.75 | | 0.86 |
| 8 | Piedmont Natural Gas Co. | PNY | 0.83 | 0.80 | | 0.81 |
| 9 | SCANA Corp. | SCG | 0.69 | 0.85 | | 0.77 |
| 10 | Sempra Energy | SRE | 0.93 | 1.10 | | 1.01 |
| 11 | Southern Union | SUG | 0.90 | 1.05 | | 0.97 |
| 12 | South Jersey Industries, Inc. | SJI | 1.23 | 0.70 | | 0.96 |
| 13 | Southwest Gas Corp. | SWX | 1.03 | 0.85 | | 0.94 |
| 14 | Vectren Corp. | VVC | 0.79 | 0.95 | | 0.87 |
| 15 | WGL Holdings, Inc. | WGL | 0.95 | 0.85 | | 0.90 |
| | | | | | | |
| 16 | Average | | | | | **0.89** |

# Gas Utilitiy Comparison Group
# Capital Asset Pricing Model

| | | A | B |
|---|---|---|---|
| Market Return - DCF | | | |
| 1 | Median Dividend Yield, Next 12 Months | Value Line | 1.70% |
| 2 | Appreciation Potential 3-5 years, 1700 Stocks | Value Line | 40% |
| 3 | Annual Appreciation Potential | $(1+\text{Ln } 2)^{.25}$ | 8.8% |
| 4 | Total Market Return | Ln 1 + Ln 3 | 10.48% |
| Risk-Free Rate | | | |
| 5 | 30-year US Treasury Bond Yield, April 13, 2007 | federalreserve.gov | 4.92% |
| Current Market Risk Premium | | | |
| 6 | Market Return less Treasury Bond Yield | Ln 4-Ln 5 | 5.56% |
| 7 | Average beta, Comparison Company Group | Schedule 7 | 0.89 |
| 8 | Risk Premium for Comparison Company Groups | Ln 6 * Ln 7 | 4.94% |
| 9 | CAPM Rate of Return | Ln 5 + Ln 8 | **9.86%** |
| 10 | Xcel beta | Schedule 7 | 0.76 |
| 11 | Xcel Risk Premium | Ln 6 * Ln 10 | 4.24% |
| 12 | Xcel CAPM Rate of Return | Ln 5 + Ln 11 | **9.16%** |

# Gas Utility Rate Case Decisions
# Allowed Returns on Equity

| | Number of Decisions | | High | | Low | | Average |
|---|---|---|---|---|---|---|---|
| **2005** | | | | | | | |
| Q1 | 2 | | 11.00% | | 10.30% | | 10.65% |
| Q2 | 4 | | 11.00% | | 10.00% | | 10.54% |
| Q3 | 5 | | 11.50% | | 9.45% | | 10.47% |
| Q4 | 14 | | 11.35% | | 9.70% | | 10.40% |
| **Year** | **26** | | **11.50%** | | **9.45%** | | **10.46%** |
| **2006** | | | | | | | |
| Q1 | 6 | | 11.20% | | 9.50% | | 10.63% |
| Q2 | 2 | | 10.60% | | 10.40% | | 10.50% |
| Q3 | 3 | | 11.00% | | 9.60% | | 10.45% |
| Q4 | 4 | | 11.00% | | 9.71% | | 10.13% |
| **Year** | **15** | | **11.20%** | | **9.50%** | | **10.44%** |

Source: Regulatory Research Associates,"Regulatory Focus"
January 30, 2007

Exhibit_____(CWK-1)
Schedule 10

# Xcel Energy, Inc.
## Stock Flotation Costs
(Thousands of Dollars)

| | | Source | Date of Issue | Underwriting Discounts & Commissions | Estimated Company Expenses | Total Flotation Costs |
|---|---|---|---|---|---|---|
| 1 | Stock Sale | KAM-1, Sch 11 | 9/23/1997 | $ 6,114 | $ 1,688 | $ 7,801 |
| 2 | Stock Sale | KAM-1, Sch 11 | 9/29/1997 | 545 | 374 | 919 |
| 3 | Stock Sale | KAM-1, Sch 11 | 2/25/2002 | 14,900 | 9,000 | 23,900 |
| 4 | 10 Year Flotation Costs | Sum Lns 1-3 | | | | $ 32,620 |
| 5 | Annualized Flotation Costs | Ln 4/10 | | | | $ 3,262 |
| 6 | Xcel Common Equity | 2006 10-K | | | | $ 5,816,822 |
| 7 | Flotation Cost/Equity | Ln 5/Ln 6 | | | | 0.06% |