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May 1, 2007

Illona A. Jeffcoat-Sacco, Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 58505-0480

Re: XCEL ENERGY 2006 REPORT OF REGULATED EARNINGS FOR ITS NORTH DAKOTA  
ELECTRIC AND NATURAL GAS OPERATIONS

Dear Ms. Jeffcoat-Sacco:

Attached is an electronic version of Xcel Energy's Annual Report of 2006 regulated electric and natural gas earnings in North Dakota.

Eight bound copies of this report are being sent to the Commission as well. Thank you for allowing us extra time to print and deliver these hardcopies.

Please contact me if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads 'David H. Sederquist'.

DAVID H. SEDERQUIST  
SR. CONSULTANT, REGULATION/FINANCE

Enclosures

**2006**

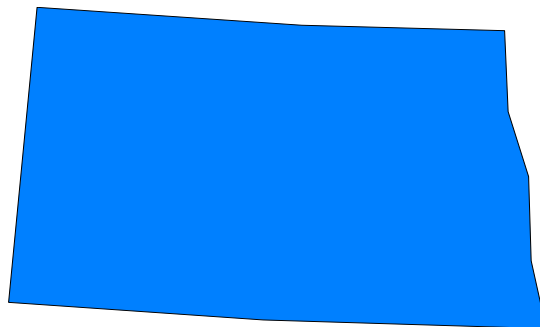
**ANNUAL REPORT**

**Of**

**Northern States Power Company,  
A Minnesota Corporation and Wholly Owned Subsidiary of  
Xcel Energy Inc.**

**To the  
North Dakota Public Service Commission**

**For the year ending  
December 31, 2006**



**State of North Dakota  
Electric and Natural Gas Utilities**

# CONTENTS

## Electric Utility

I.	Return on Equity	E-1
II.	Operating Income	E-2
III.	Average Rate Base	E-3
IV.	Cost of Capital	E-4

## Natural Gas Utility

I.	Return on Equity	G-1
II.	Operating Income	G-2
III.	Average Rate Base	G-3
IV.	Cost of Capital	G-4

## Supporting Information

I.	Sales, Customer Data	S-1
II.	Affiliated Transactions Summary	S-2
III.	Affiliated Transactions Detail	S-3

# Xcel Energy

## Electric Utility - North Dakota

(Dollars In Thousands)

### I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2006</u>	<u>2005</u>
1 Operating Income from Electric Operations (E-2):	\$14,396	\$17,103
2 Average Regulated Rate Base (E-3):	\$187,518	\$175,625
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.68%	9.74%
4 Weighted Cost of Debt (E-4):	3.28%	3.43%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	51.59%	50.61%
7 Return on Equity (ROE):	8.52%	12.46%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2006</u>	<u>2005</u>
8 Operating Income from Electric Operations:	\$14,396	\$17,103
9 Impact of weather on Mwh Sales:	(14,727)	(7,478)
10 Impact of weather on Electric Operating Income :	(\$317)	(\$166)
11 Weather-Normalized Operating Income:	\$14,713	\$17,269
12 Average Regulated Rate Base:	\$187,518	\$175,625
13 Weather-Normal Rate of Return on Rate Base (ROR):	7.85%	9.83%
14 Weather-Normalized Return on Equity (ROE):	8.85%	12.65%

# Xcel Energy

## Electric Utility - North Dakota

(Dollars In Thousands)

### II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<b>2006</b> <u>Total NSP</u>	<b>2006</b> <u>N.D. Juris.</u>	<u>N. D. %</u>	<b>2005</b> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<b><u>Operating Revenues:</u></b>						
1	Residential	919,552	53,651	5.8%	53,167	0.9%
2	Small Comm. & Ind.	1,076,789	65,847	6.0%	64,265	2.5%
3	Large Comm. & Ind.	564,308	17,036	2.6%	14,687	16.0%
4	Other <sup>1</sup>	788,885	44,512	5.2%	40,887	8.9%
5	Total Revenues:	3,349,532	181,046	5.4%	173,006	4.6%
<b><u>Operating Expenses:</u></b>						
6	Production	1,883,843	107,776	5.7%	100,289	7.5%
7	Transmission	111,279	6,621	5.9%	5,922	11.8%
8	Distribution	99,304	4,792	4.8%	4,127	16.1%
9	Customer Billing	63,782	4,677	7.3%	4,194	11.5%
10	Customer Service	58,768	271	0.5%	296	-8.4%
11	Sales & Marketing	162	4	2.5%	12	-66.7%
12	Admin. & General	165,473	10,520	6.4%	9,649	9.0%
13	Depreciation & Amortization	383,347	19,533	5.1%	18,821	3.8%
14	Property Taxes	100,783	5,607	5.6%	4,999	12.2%
15	Other General Taxes <sup>2</sup>	18,551	1,105	6.0%	1,076	2.7%
16	Income Taxes	140,345	5,793	4.1%	7,102	-18.4%
17	Deferred Income Taxes & ITC	3,433	(49)	-1.4%	(583)	-91.6%
18	Total Expenses:	3,029,070	166,650	5.5%	155,904	6.9%
19	Regulated Operating Income	320,462	14,396	4.5%	17,103	-15.8%

<sup>1</sup> Includes primarily public street & highway lighting, sales to public authorities, interchange billings, other electric operating revenues.

<sup>2</sup> Includes gross earnings taxes (franchise fees) and payroll taxes.

# Xcel Energy

## Electric Utility - North Dakota

(Dollars In Thousands)

### III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	<b>2006</b> <u>Total NSP</u>	<b>2006</b> <u>N.D. Juris.</u>	<u>N. D. %</u>	<b>2005</b> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	9,505,284	536,552	5.6%	508,946	5.4%
2	Accumulated Depreciation	<u>5,502,542</u>	<u>317,207</u>	<u>5.8%</u>	<u>301,660</u>	<u>5.2%</u>
3	Net Plant in Service	4,002,742	219,345	5.5%	207,286	5.8%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	67,280	3,675	5.5%	1,766	108.1%
6	Materials and Supplies	92,531	5,639	6.1%	5,509	2.4%
7	Fuel Stocks	35,202	2,052	5.8%	1,696	21.0%
8	Prepayments & Other Rate Base	19,201	1,177	6.1%	1,009	16.7%
9	Customer Deposits	(902)	(57)	6.3%	(55)	3.6%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base <sup>1</sup>	(114,209)	(6,990)	6.1%	(6,233)	12.1%
12	Accum. Deferred Taxes	<u>(703,137)</u>	<u>(37,323)</u>	<u>5.3%</u>	<u>(35,353)</u>	<u>5.6%</u>
13	Total Other Rate Base	(604,034)	(31,827)	5.3%	(31,661)	0.5%
14	<b>Total Average Rate Base</b>	<b>3,398,708</b>	<b>187,518</b>	<b>5.5%</b>	<b>175,625</b>	<b>6.8%</b>

<sup>1</sup> Includes deferred assets and liabilities such as accrued vacations, post-retirement medical benefits (FASB 106), post employment benefits (FASB 112), unfunded pension liability, environmental cleanup, severance accrual, etc.

# Xcel Energy

## Electric Utility - North Dakota

(Dollars In Thousands)

### IV. COST OF CAPITAL

#### 2006 Actual

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt	\$2,247,016	47.58%	6.83%	3.24%
2	Short-Term Debt	\$39,446	0.84%	4.61%	0.04%
3	Total Debt	\$2,286,462	48.41%	6.77%	3.28%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$2,436,487	51.59%	8.52%	4.40%
6	Total Equity	\$2,436,487	51.59%		
7	Total Capital	\$4,722,949	100.00%		7.68%

#### 2006 Normalized

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt	\$2,247,014	47.58%	6.83%	3.24%
9	Short-Term Debt	\$39,446	0.84%	4.61%	0.04%
10	Total Debt	2,286,460	48.41%	6.77%	3.28%
11	Preferred Stock	\$0	0.00%		0.00%
12	Common Equity	\$2,436,489	51.59%	8.86%	4.57%
13	Total Equity	\$2,436,489	51.59%		
14	Total Capital	\$4,722,949	100.00%		7.85%

# Xcel Energy

## Natural Gas Utility - North Dakota

(Dollars In Thousands)

### I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2006</u>	<u>2005</u>
1 Operating Income from Natural Gas Operations (G-2):	\$2,880	\$2,637
2 Average Regulated Rate Base (G-3):	\$43,882	\$41,545
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	6.56%	6.35%
4 Weighted Cost of Debt (G-4):	3.44%	3.60%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	49.36%	48.14%
7 Return on Equity (ROE):	6.33%	5.71%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2006</u>	<u>2005</u>
8 Operating Income from Natural Gas Operations:	\$2,880	\$2,637
9 Impact of weather on Mcf Sales:	(\$766,233)	(\$316,881)
10 Impact of weather on Natural Gas Operating Income :	(\$263)	(\$220)
11 Weather-Normalized Operating Income:	\$3,143	\$2,857
12 Average Regulated Rate Base:	\$43,882	\$41,545
13 Weather-Normal Rate of Return on Rate Base (ROR):	7.16%	6.88%
14 Weather-Normalized Return on Equity (ROE):	7.54%	6.81%

# Xcel Energy

## Natural Gas Utility - North Dakota

(Dollars In Thousands)

### II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2006</u> <u>Total NSP</u>	<u>2006</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2005</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<b><u>Operating Revenues:</u></b>						
1	Residential	394,204	30,323	7.7%	34,056	-11.0%
2	Firm C & I	225,616	33,965	15.1%	36,071	-5.8%
3	Interruptible C & I	109,776	14,658	13.4%	15,533	-5.6%
4	Transportation/Other	24,109	503	2.1%	996	-49.5%
5	Total Revenues:	753,704	79,448	10.5%	86,657	-8.3%
<b><u>Operating Expenses:</u></b>						
6	Production	603,987	65,431	10.8%	73,690	-11.2%
7	Transmission	999	109	10.9%	78	39.7%
8	Distribution	25,977	2,256	8.7%	1,953	15.5%
9	Customer Billing	16,713	1,709	10.2%	1,398	22.2%
10	Customer Service	7,102	227	3.2%	177	28.2%
11	Sales & Marketing	37	0	0.0%	35	-100.0%
12	Admin. & General	18,946	1,804	9.5%	1,610	12.0%
13	Depreciation & Amortizations	31,602	2,787	8.8%	2,818	-1.1%
14	Property Taxes	13,557	1,179	8.7%	1,066	10.6%
15	Other General Taxes <sup>1</sup>	2,187	195	8.9%	187	4.3%
16	Income Taxes	5,204	825	15.9%	625	32.0%
17	Deferred Income Taxes	1,045	46	4.4%	383	-88.0%
18	Total Expenses:	727,357	76,568	10.5%	84,020	-8.9%
19	Regulated Operating Income	26,347	2,880	10.9%	2,637	9.2%

<sup>1</sup> Includes gross earnings taxes (franchise fees) and payroll taxes.

# Xcel Energy

## Natural Gas Utility - North Dakota

(Dollars In Thousands)

### III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	<u>2006</u> <u>Total NSP</u>	<u>2006</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2005</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	895,148	80,014	8.9%	77,976	2.6%
2	Accumulated Depreciation	393,544	35,696	9.1%	34,493	3.5%
3	Net Plant in Service	501,604	44,318	8.8%	43,483	1.9%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	1,540	81	5.3%	85	-4.7%
6	Materials and Supplies	1,726	161	9.3%	151	6.6%
7	Natural Gas Storage	61,570	6,633	10.8%	5,621	18.0%
8	Prepayments & Other	6,778	866	12.8%	123	604.1%
9	Customer Deposits	(309)	(29)	9.4%	(18)	61.1%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base <sup>1</sup>	(12,942)	(1,166)	9.0%	(1,033)	12.9%
12	Accum. Deferred Taxes	(79,255)	(6,982)	8.8%	(6,867)	1.7%
13	Total Other Rate Base	(20,892)	(436)	2.1%	(1,938)	-77.5%
14	<b>Total Average Rate Base</b>	<b>480,712</b>	<b>43,882</b>	<b>9.1%</b>	<b>41,545</b>	<b>5.6%</b>

<sup>1</sup> Includes deferred assets and liabilities such as accrued vacations, post-retirement medical benefits (FASB 106), post employment benefits (FASB 112), unfunded pension liability, deferred gas costs, severance accrual, etc.

# Xcel Energy Natural Gas Utility - North Dakota

(Dollars In Thousands)

## IV. COST OF CAPITAL

### 2006 Actual

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt	\$2,352,336	49.81%	6.83%	3.40%
2	Short-Term Debt	\$39,446	0.84%	4.61%	0.04%
3	Total Debt	\$2,391,782	50.64%	6.79%	3.44%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$2,331,167	49.36%	6.31%	3.12%
6	Total Equity	\$2,331,167	49.36%		
7	Total Capital	\$4,722,949	100.00%		6.56%

### 2006 Normalized

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt	\$2,352,336	49.81%	6.83%	3.39%
2	Short-Term Debt	\$39,446	0.84%	4.61%	0.04%
3	Total Debt	\$2,391,782	50.64%	6.77%	3.43%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$2,331,167	49.36%	7.56%	3.73%
6	Total Equity	\$2,331,167	49.36%		
7	Total Capital	\$4,722,949	100.00%		7.16%

# Xcel Energy

## Supporting Information - North Dakota

### I. SALES AND CUSTOMER DATA

#### Electric Utility (N. D. Jurisdiction)

<u>Line</u>	<u>Customers (@ Dec)</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
1	Residential	73,151	71,794	74,058	73,521	73,119
2	Small C & I	11,656	11,511	11,768	11,611	11,504
3	Large C & I	23	23	25	25	21
4	PSHL/OSPA	271	277	281	278	273
5	Total Retail	85,101	83,605	86,132	85,435	84,917
<u>Line</u>	<u>Mwh Sales</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
6	Residential	733,006	734,205	719,108	745,836	737,573
7	Small C & I	1,029,866	1,004,308	971,972	976,706	965,437
8	Large C & I	360,130	314,688	357,654	323,157	319,618
9	PSHL/OSPA	26,474	25,275	24,627	24,350	24,724
10	Total Retail	2,149,476	2,078,476	2,073,361	2,070,049	2,047,352
11	Ave. ¢/Kwh	6.46	6.45	5.69	5.50	5.44
12	Ave. Res. Mo. Usage (kwh)	835	852	809	845	841
13	Ave. Res. Monthly Bill	\$61.12	\$61.71	\$52.66	\$52.79	\$50.04

#### Natural Gas Utility (N. D. Jurisdiction)

<u>Line</u>	<u>Customers (@ Dec)</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
14	Residential	37,301	36,233	35,731	34,327	33,214
15	Firm C & I	6,356	6,166	6,231	6,094	5,991
16	Interruptible C & I	129	132	133	133	127
17	Total Retail	43,786	42,531	42,095	40,554	39,332
18	Transportation					
<u>Line</u>	<u>Mcf Sales</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
19	Residential	2,579	2,909	2,975	3,032	2,930
20	Firm C & I	3,238	3,384	3,507	3,606	3,967
21	Interruptible C & I	1,790	1,830	1,878	1,834	1,625
22	Total Retail	7,607	8,123	8,360	8,472	8,522
23	Transportation	1,093	1,218	1,105	985	1,005
24	Ave. Retail \$/therm	\$1.04	\$1.06	\$0.85	\$0.78	\$0.57
25	Ave. Res. Mo. Usage (ccf)	58	67	69	74	74
26	Ave. Res. Monthly Bill	\$67.74	\$78.33	\$65.34	\$68.01	\$47.86

# Xcel Energy

## Supporting Information - North Dakota

### II. AFFILIATED TRANSACTIONS SUMMARY

Line #	Affiliate Name	General Description of Services Rendered &/or Supplied	Portion Allocated to North Dakota Jurisdiction Electric and Gas Totals (1)	
			Expense (2)	Revenue (3)
1	Northern States Power Company (Wis.)	Electric and Gas Utility	\$5,910,981	\$18,309,147
2	Public Service of Colorado	Electric and Gas Utility	\$1,139	\$13,808
3	Southwestern Public Service	Electric Utility	\$2,425	\$645
4	United Power and Land	Real estate holdings	\$0	\$454
5	Eloigne Company	Affordable housing investment program	\$0	\$2,779
9	Xcel Energy Services	Xcel Energy Inc. service company	\$14,849,198	\$0
10	Nuclear Mgmt Company	Regional nuclear facilities management	\$18,397,740	\$4
11	e'Prime	Engineering services	\$1,938	\$0

- (1) The amounts allocated to North Dakota electric and gas jurisdictions represent an estimate based on an overall allocation factor applied to all of the revenues and expenses for each affiliate. To derive the actual amounts by jurisdiction would require an allocation by transaction by account number and would require significant analysis and expense to perform.
- (2) Expense to North Dakota electric and gas jurisdictions. Revenue to affiliate for services provided to NSP (Mn) by affiliate
- (3) Revenue to North Dakota electric and gas jurisdictions. Expense to the affiliate for services provided to the affiliate by NSP (MN).

# Xcel Energy

## Supporting Information - North Dakota

### III. AFFILIATED TRANSACTIONS DETAIL

#### Documentation of Affiliated Transactions Allocated to North Dakota

	<u>Total Expense</u>	<u>Total Revenue</u>	<u>Elec %</u>	<u>Gas %</u>	<u>Customers ND Elec%</u>	<u>Customers ND Gas%</u>	<u>Allocation Used (1)</u>
NSP Wis.	\$405,230	\$894,734	90.0857%	9.9143%	6.2662%	9.3256%	Common
PSCo	\$18,184	\$220,358	100.0%	0.0%	6.2662%	0.0%	Electric
SPS	\$38,701	\$10,297	100.0%	0.0%	6.2662%	0.0%	Electric
UP&L	\$0	\$6,918	90.0857%	9.9143%	6.2662%	9.3256%	Common
Eloigne	\$0	\$42,305	90.0857%	9.9143%	6.2662%	9.3256%	Common
XES	\$226,031,745	\$0	90.0857%	9.9143%	6.2662%	9.3256%	Common
Nuclear Mgmt Co.	\$293,602,821	\$65	100.0%	0.0%	6.2662%	0.0%	Electric
ePrime	\$30,931	\$0	100.0%	0.0%	6.2662%	0.0%	Electric
	\$520,127,612	\$1,174,678					

#### (1) Allocation of Revenues & Expenses between NSP Minnesota and Affiliates

Common Allocation Methodology is Labor	<u>Electric</u>	<u>Gas</u>	<u>Load Dispatch</u>	
Utility Labor Allocator	90.0857%	9.9143%	<u>Design Day</u>	10.8916%
<b>Customers North Dakota Jurisdictional</b>	6.2662%	9.3256%		10.8009%

Factor Formula: ((Util Elec)\*ND Jur Ele)+((Util Gas)\*ND Jur Gas) = 6.5695%

#### (2) Affiliated Transactions between Minnesota and Wisconsin

	<u>Total</u>	<u>ND Alloc.</u>		<u>Total</u>	<u>ND Alloc.</u>	<u>Alloc. Method</u>	<u>ND Alloc %</u>
<b>Electric Inter change Agreement dollars</b>				<b>Expenses</b>			
<b>Revenues ***</b>	\$127,927,715	\$7,610,804	Fixed	\$36,999,367	\$2,201,203	<b>Demand</b>	5.949%
	\$158,669,470	\$9,248,050	Variable	\$24,342,215	\$1,418,786	<b>Energy</b>	5.829%
	\$22,748,188	\$1,353,358	Transmission	\$38,061,108	\$2,264,370	<b>Demand</b>	5.949%
Total	\$309,345,373	\$18,212,212		\$99,402,691	\$5,884,359		
<b>Gas</b>	SCADA	\$350,327	\$38,156	** Does not include \$11,203,188 of decom-missioning			