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May 9, 2011

RECEIVED

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

MAY 06 2011

PUBLIC SERVICE COMMISSION

Re: 2010 REPORT OF REGULATED EARNINGS FOR XCEL ENERGY'S
NORTH DAKOTA ELECTRIC AND NATURAL GAS OPERATIONS

Dear Mr. Nitschke:

Enclosed are eight bound copies of Xcel Energy's Annual Report of 2010 regulated electric and natural gas earnings in North Dakota. An electronic version of this report was emailed on May 6 as well.

Please contact me if you have any questions or comments.

Sincerely,

DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION/FINANCE

Enclosures

1 **PU-11-147** Filed: 5/6/2011 Pages: 10
2010 report of regulated electric earnings - North Dakota

Northern States Power Company
David Sederquist, Sr. Consultant

ANNUAL REPORT

OF

**NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION**

TO THE

NORTH DAKOTA PUBLIC SERVICE COMMISSION

FOR THE YEAR ENDING
DECEMBER 31, 2010

North Dakota Jurisdiction
Electric and Natural Gas Utilities



2010

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
V.	Reliability Performance	E-5
VI.	Reliability of Top Substations	E-6
VII.	Reliability Summary	E-7

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
V.	Demand Side Management	G-5

Supporting Information

I.	Sales, Customer Data	S-1
II.	Elec & Gas Affiliated Transactions	S-2
III.	Elec & Gas Affiliated Transactions	S-3

Northern States Power Company

Electric Utility - North Dakota

(Dollars In Thousands)

I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)¹</u>	<u>2010</u>	<u>2009</u>
1 Operating Income from Electric Operations (E-2):	\$11,664	\$21,709
2 Average Regulated Rate Base (E-3):	\$282,316	\$264,909
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	4.13%	8.19%
4 Weighted Cost of Debt (E-4):	2.99%	3.06%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	51.99%	52.23%
7 Return on Equity (ROE):	2.20%	9.83%

<u>ROE, Normalized for Weather Impact on Sales¹</u>	<u>2010</u>	<u>2009</u>
8 Operating Income from Electric Operations:	\$11,664	\$21,709
9 Impact of weather on Mwh Sales:	(2,517)	7,352
10 Impact of weather on Electric Operating Income :	\$2	(\$456)
11 Weather-Normalized Operating Income:	\$11,662	\$22,165
12 Average Regulated Rate Base:	\$282,316	\$264,909
13 Weather-Normal Rate of Return on Rate Base (ROR):	4.13%	8.37%
14 Weather-Normalized Return on Equity (ROE):	2.19%	10.16%

¹ Reported Actual and weather-normalized Returns on Equity (ROE) reflect a one time deferred fuel expense write-off of \$11,125,000. Adjusting for this item would result in an actual ROE of 6.81%.

Northern States Power Company

Electric Utility - North Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2010</u> <u>Total NSP</u>	<u>2010</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2009</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<u>Operating Revenues:</u>						
1	Residential	1,091,313	61,131	5.8%	63,471	-3.7%
2	Small Comm. & Ind.	1,234,448	72,918	6.2%	76,388	-4.5%
3	Large Comm. & Ind.	624,462	19,074	2.8%	17,424	9.5%
4	Public Street & Highway Ltg	24,748	1,452	5.9%	1,453	-0.1%
5	Other Sales to Publ Auth	<u>8,458</u>	<u>1,097</u>	<u>9.9%</u>	<u>838</u>	<u>30.8%</u>
	Total Retail	2,983,429	155,671	5.3%	159,574	-2.4%
6	Interdepartmental	417	0	0.0%	0	*
7	Sales for Resale	204,835	11,295	4.0%	8,155	38.5%
8	Interchange Agreement	416,076	24,210	5.5%	22,941	5.5%
9	Other	<u>103,265</u>	<u>5,644</u>	<u>5.6%</u>	<u>5,745</u>	<u>-1.8%</u>
10	Total Revenues:	<u>3,708,022</u>	<u>196,820</u>	<u>5.3%</u>	<u>196,416</u>	<u>0.2%</u>
<u>Operating Expenses:</u>						
11	Fuel & Purchased Energy	1,328,234	86,548	6.5%	72,993	18.6%
12	Production	717,081	40,558	5.7%	38,429	5.5%
13	Transmission	174,351	9,725	5.6%	9,301	4.6%
14	Distribution	109,899	5,779	5.3%	5,612	3.0%
15	Customer Billing	58,762	4,394	7.5%	4,583	-4.1%
16	Customer Service	79,140	262	0.3%	280	-6.4%
17	Sales & Marketing	332	151	45.5%	50	202.0%
18	Admin. & General	203,310	12,374	6.1%	12,070	2.5%
19	Depreciation & Amortization	331,995	15,981	4.8%	14,892	7.3%
20	Property Taxes	116,166	5,585	4.8%	5,065	10.3%
21	Payroll & Other Taxes	29,044	1,731	6.0%	1,743	-0.7%
22	Income Taxes	(915)	0	0.0%	1,727	-100.0%
23	Deferred Income Taxes & ITC	<u>138,424</u>	<u>2,068</u>	<u>1.5%</u>	<u>7,962</u>	<u>-74.0%</u>
24	Total Expenses:	<u>3,285,823</u>	<u>185,156</u>	<u>5.6%</u>	<u>174,707</u>	<u>6.0%</u>
25	Regulated Operating Income	<u>422,199</u>	<u>11,664</u>	<u>2.8%</u>	<u>21,709</u>	<u>-46.3%</u>

Northern States Power Company
Electric Utility - North Dakota

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u> <u>Item</u>	<u>2010</u> <u>Total NSP</u>	<u>2010</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2009</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1 Plant in Service	12,722,342	673,626	5.3%	636,654	5.8%
2 Accumulated Depreciation	<u>6,245,875</u>	<u>339,921</u>	<u>5.4%</u>	<u>332,388</u>	<u>2.3%</u>
3 Net Plant in Service	6,476,467	333,705	5.2%	304,266	9.7%
4 Plant Held for Future Use	0	0	*	0	*
5 Construct Work in Progress	16,425	900	5.5%	8,224	-89.1%
6 Materials and Supplies	111,130	6,283	5.7%	5,770	8.9%
7 Fuel Stocks	86,048	5,234	6.1%	6,119	-14.5%
8 Prepayments & Other Rate Base	64,841	4,379	6.8%	3,771	16.1%
9 Customer Deposits	(2,617)	(166)	6.3%	(108)	53.7%
10 Cash Working Capital	0	0	*	0	*
11 Other Rate Base ¹	(107,540)	(6,232)	5.8%	(7,157)	-12.9%
12 Accum. Deferred Taxes	<u>(1,220,754)</u>	<u>(61,787)</u>	<u>5.1%</u>	<u>(55,976)</u>	<u>10.4%</u>
13 Total Other Rate Base	(1,052,467)	(51,389)	4.9%	(39,357)	30.6%
14 Total Average Rate Base	5,424,000	282,316	5.2%	264,909	6.6%

¹ 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.

Northern States Power Company

Electric Utility - North Dakota

(Dollars In Thousands)

IV. COST OF CAPITAL

2010 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	\$3,097,147	47.24%	6.31%	2.98%
2	Short-Term Debt	<u>\$50,250</u>	<u>0.77%</u>	<u>0.92%</u>	<u>0.01%</u>
3	Total Debt	\$3,147,397	48.01%	6.22%	2.99%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$3,408,561</u>	<u>51.99%</u>	2.20%	1.14%
6	Total Equity	\$3,408,561	51.99%		
7	Total Capital	\$6,555,958	100.00%		4.13%

2010 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	\$3,097,147	47.24%	6.31%	2.98%
9	Short-Term Debt	<u>\$50,250</u>	<u>0.77%</u>	<u>0.92%</u>	<u>0.01%</u>
10	Total Debt	3,147,397	48.01%	6.22%	2.99%
11	Preferred Stock	\$0	0.00%		0.00%
12	Common Equity	<u>\$3,408,561</u>	<u>51.99%</u>	2.19%	1.14%
13	Total Equity	\$3,408,561	51.99%		
14	Total Capital	\$6,555,958	100.00%		4.13%

**Northern States Power Company
 Electric Utility - State of North Dakota
 Reliability Performance - Overall ND System
 2010 Results - Normalized**

System Average Interruption Frequency Index (SAIFI)
 (Average # of interruptions per customer)

YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	0.03	0.05	0.11	0.27	0.40	0.52	0.66	0.85	0.91	1.17	1.18	1.20
2009	0.01	0.02	0.08	0.08	0.22	0.29	0.41	0.50	0.56	0.59	0.61	0.68
2008	0.07	0.08	0.12	0.13	0.20	0.42	0.51	0.57	0.60	0.63	0.65	0.67
2007	0.01	0.12	0.20	0.24	0.30	0.39	0.46	0.57	0.60	0.70	0.83	0.89
2006	0.03	0.13	0.20	0.22	0.27	0.35	0.47	0.52	0.57	0.59	0.61	0.62

1r average: 0.81

Customer Average Interruption Duration Index (CAIDI)
 (Average # of minutes per interruption per customer)

YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	62.31	75.37	76.59	65.55	75.47	68.26	70.26	64.04	65.33	59.37	59.60	62.81
2009	141.42	108.13	92.63	98.62	74.15	77.99	80.97	90.76	87.11	89.57	90.36	91.55
2008	87.71	86.67	74.52	78.01	75.68	85.68	88.08	92.20	94.42	95.44	94.63	95.60
2007	79.15	110.87	106.52	102.84	94.13	97.55	93.78	91.86	93.05	85.42	77.65	77.59
2006	88.27	55.17	68.05	67.34	68.78	69.27	74.42	76.10	75.15	76.72	76.59	76.95

1r average: 80.90

**Northern States Power Company
 Electric Utility - State of North Dakota
 Reliability Performance - 5 Largest Substations
 2010 Results - Normalized**

System Average Interruption Frequency Index (SAIFI)
 (Average # of interruptions per customer)

	Cass County Sub (Fgo)	Red River Sub (Fgo)	Gateway Sub (GF)	Nordic Sub (GF)	Souris Sub (Minot)
2010	0.46	1.68	0.68	2.27	0.29
2009	0.72	0.96	0.19	0.55	0.49
2008	0.34	0.88	0.67	0.57	0.58
2007	0.29	1.12	2.36	0.25	0.72
2006	0.36	0.60	1.51	0.37	0.42
5 year average:	0.43	1.05	1.08	0.80	0.50

Customer Average Interruption Duration Index (CAIDI)
 (Average # of minutes per interruption per customer)

	Cass County Sub (Fgo)	Red River Sub (Fgo)	Gateway Sub (GF)	Nordic Sub (GF)	Souris Sub (Minot)
2010	127.11	58.18	44.28	61.94	76.52
2009	87.6	87.8	96.0	86.9	58.0
2008	143.2	96.7	100.6	85.4	62.8
2007	126.3	78.0	76.2	96.5	63.4
2006	123.42	91.46	50.50	96.35	68.84
5 year average:	121.51	82.42	73.51	85.42	65.92

Northern States Power Company
Electric Utility – State of North Dakota
2011 Reliability Plan Summary

Underground Cable Upgrade - \$677,000

In 2011, Xcel Energy plans to spend about \$677,000 in capital funds to upgrade its underground cable system in North Dakota. These improvements include replacing cables that have failed and are not fit to be repaired and returned to service, as well as cables that may have experienced multiple failures in the past but for which repairs still present a viable remedy. Projects will also involve the installation of additional backbone system capacity to serve new load or relieve load on existing facilities.

Overhead Upgrade - \$470,000

Xcel Energy's 2011 capital budget includes about \$470,000 to upgrade its overhead system in North Dakota. These improvements include replacing failed devices, installing upgrades necessary to the backbone system to serve new customers, and installing upgrades necessary to solve reliability issues. Included in this effort is funding for our Reliability Exception Monitoring System ("REMS") program. This system initiates an investigation by flagging when a device has tripped more than twice in a rolling 12 month period. Following an investigation, corrective actions are identified and implemented where appropriate.

Distribution Pole Testing - \$73,000

Xcel Energy's 2011 pole replacement plan includes an operating and maintenance expense budget of \$73,000 for testing wood distribution poles in North Dakota. The testing methodology conforms to a scientific procedure that is utilized throughout the industry. It includes a visual check and test of remaining pole strength. If a pole is identified as having strength characteristics below acceptable standards, the pole is scheduled for replacement or reinforcement. The expense budget for this program is subject to ongoing adjustments based on the Company's overall financial situation throughout the plan year.