



2302 Great Northern Drive  
P O Box 2747  
Fargo, ND 58108-2747  
(701) 241-8632  
dave.sederquist@xcelenergy.com

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

**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**

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**Northern States Power Company**  
**Natural Gas Utility - North Dakota**

(Dollars In Thousands)

**I. RETURN ON EQUITY (ROE)**

<b><u>Actual Return on Equity (ROE)</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
1 Operating Income from Gas Operations (G-2):	\$3,678	\$3,238
2 Average Regulated Rate Base (G-3):	\$41,301	\$42,186
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	8.91%	7.67%
4 Weighted Cost of Debt (G-4):	2.99%	3.06%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	51.99%	52.23%
7 <b>Return on Equity (ROE):</b>	<b>11.38%</b>	<b>8.83%</b>

<b><u>ROE, Normalized for Weather Impact on Sales</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
8 Operating Income from Gas Operations:	\$3,678	\$3,238
9 Impact of weather on Mcf Sales:	(502,968)	361,008
10 Impact of weather on Gas Operating Income :	(\$83)	\$126
11 Weather-Normalized Operating Income:	\$3,761	\$3,112
12 Average Regulated Rate Base:	\$41,301	\$42,186
13 Weather-Normal Rate of Return on Rate Base (ROR):	9.11%	7.38%
14 <b>Weather-Normalized Return on Equity (ROE):</b>	<b>11.76%</b>	<b>8.27%</b>

# Northern States Power Company

## Natural Gas Utility - North Dakota

(Dollars In Thousands)

### II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	2010 <u>Total NSP</u>	2010 <u>N.D. Juris.</u>	<u>N. D. %</u>	2009 <u>N.D. Juris.</u>	<u>Annual Change</u>
<b><u>Operating Revenues:</u></b>						
1	Residential	319,385	25,110	7.9%	27,189	-7.65%
2	Firm C & I	177,594	27,965	15.7%	32,043	-12.73%
3	Interruptible C & I	<u>81,349</u>	<u>9,356</u>	<u>11.5%</u>	<u>11,172</u>	<u>-16.26%</u>
4	Total Retail	578,329	62,431	10.8%	70,404	-11.32%
5	Interdepartmental Generation	4,377	0	0.0%	0	0.00%
6	Transportation	8,675	512	5.9%	198	158.75%
7	Other	<u>4,391</u>	<u>373</u>	<u>8.5%</u>	<u>160</u>	<u>133.33%</u>
8	Total Revenues:	<u>595,771</u>	<u>63,316</u>	<u>10.6%</u>	<u>70,762</u>	<u>-10.52%</u>
<b><u>Operating Expenses:</u></b>						
9	Production	412,685	46,076	11.2%	54,705	-15.77%
10	Transmission	1,698	177	10.4%	121	46.28%
11	Distribution	29,506	3,484	11.8%	3,528	-1.25%
12	Customer Billing	14,521	1,610	11.1%	1,715	-6.12%
13	Customer Service	12,930	255	2.0%	234	8.97%
14	Sales & Marketing	49	14	28.6%	4	250.00%
15	Admin. & General	19,402	1,948	10.0%	1,898	2.63%
16	Depreciation & Amortizations	36,841	3,317	9.0%	3,141	5.60%
17	Property Taxes	15,117	1,080	7.1%	940	14.89%
18	Payroll & Other Taxes	2,420	245	10.1%	248	-1.21%
19	Income Taxes	9,738	789	8.1%	840	-6.07%
20	Deferred Income Taxes	<u>4,675</u>	<u>642</u>	<u>13.7%</u>	<u>150</u>	<u>328.00%</u>
21	Total Expenses:	<u>559,583</u>	<u>59,638</u>	<u>10.7%</u>	<u>67,524</u>	<u>-11.68%</u>
22	Regulated Operating Income	<u>36,189</u>	<u>3,678</u>	<u>10.2%</u>	<u>3,238</u>	<u>13.60%</u>

# Northern States Power Company

## Natural Gas Utility - North Dakota

(Dollars In Thousands)

### III. AVERAGE RATE BASE

<u>Line Item</u>	<u>2010 Total NSP</u>	<u>2010 N.D. Juris.</u>	<u>N. D. %</u>	<u>2009 N.D. Juris.</u>	<u>Annual Change</u>
1 Plant in Service	1,031,067	94,379	9.2%	88,978	6.1%
2 Accumulated Depreciation	<u>478,183</u>	<u>45,234</u>	<u>9.5%</u>	<u>41,381</u>	<u>9.3%</u>
3 Net Plant in Service	552,884	49,145	8.9%	47,597	4.7%
4 Plant Held for Future Use			*	0	*
5 Construct Work in Progress	1,412	353	25.0%	698	-49.4%
6 Materials and Supplies	1,016	99	9.7%	110	-10.0%
7 Fuel Stocks	42,419	4,423	10.4%	4,919	-10.1%
8 Prepayments & Other	411	(36)	-8.8%	180	-120.0%
9 Customer Deposits	(901)	(88)	9.8%	(57)	54.4%
10 Cash Working Capital	0	0	*	0	*
11 Other Rate Base 1	(9,196)	(896)	9.7%	(991)	-9.6%
12 Accum. Deferred Taxes	<u>(114,516)</u>	<u>(11,699)</u>	<u>10.2%</u>	<u>(10,270)</u>	<u>13.9%</u>
13 Total Other Rate Base	(79,355)	(7,844)	9.9%	(5,411)	45.0%
14 <b>Total Average Rate Base</b>	<b>473,529</b>	<b>41,301</b>	<b>8.7%</b>	<b>42,186</b>	<b>-2.1%</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.

# Northern States Power Company

## Natural Gas 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%	7.23%	2.99%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$3,408,561</u>	<u>51.99%</u>	11.38%	5.92%
6	Total Equity	\$3,408,561	51.99%		
7	Total Capital	\$6,555,958	100.00%		8.91%

#### 2009 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	\$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%	7.23%	2.99%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$3,408,561</u>	<u>51.99%</u>	11.76%	6.12%
6	Total Equity	\$3,408,561	51.99%		
7	Total Capital	\$6,555,958	100.00%		9.11%

**Northern States Power Company**  
**Natural Gas Utility - State of North Dakota**  
**2010 Demand Side Management Activity Report**

**2010 Results**

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	92		\$43,725
Furnace/Boiler Rebates	675	8,721	\$72,548
Water Heater Rebates	42	89	\$5,109
Efficiency Showerheads	2,761	6,074	\$19,904
Totals	<u>3,570</u>	<u>14,884</u>	<u>\$141,286</u>

**2007 Test Year Projections**

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expense</u>
Home Energy Audits	300		\$60,260
Furnace/Boiler Rebates	500	6,460	\$61,000
Water Heater Rebates	30	54	\$3,000
Efficiency Showerheads	2,000	3,940	\$14,000
Totals	<u>2,830</u>	<u>10,454</u>	<u>\$138,260</u>

Notes:

Furnace/Boiler and Water Heating rebate programs exceeded goal in 2010 due in part to additional cash rebates customers could receive through American Recovery and Reinvestment Act funds administered by the Company. The ARRA program created more awareness among customers and trade partners. Although additional marketing was conducted, Home Energy Audits were about one third of TY projections. This may be due in part to residents in our ND territory already having acquired new equipment, insulation, and weatherization as a result of flood-related reconstruction. Additionally, the program was quite popular in the first year (2008), so many residents have already participated. In general the cost per audit amount increased due to: the training of a new auditor in ND, the addition of Combustion Appliance Zone (CAZ) testing (for safety purposes) on homes that have atmospherically vented appliances, and additional promotional dollars spent.

# Northern States Power Company

## Supporting Information - North Dakota

### I. Sales and Customer Data

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

Line	Customers (@ Dec)	2010	2009	2008	2007	2006
1	Residential	76,319	75,608	75,036	74,094	73,151
2	Small C & I	12,078	11,989	11,895	11,821	11,656
3	Large C & I	20	19	22	21	23
4	PSHL/OSPA	284	283	280	273	271
5	Total Retail	88,701	87,899	87,233	86,209	85,101
Line	Mwh Sales	2010	2009	2008	2007	2006
6	Residential	769,024	794,420	761,934	761,356	733,006
7	Small C & I	1,057,747	1,116,612	1,093,952	1,067,116	1,029,866
8	Large C & I	349,581	310,239	328,203	358,129	360,130
9	PSHL/OSPA	29,528	25,354	26,057	26,858	26,474
10	Total Retail	2,205,880	2,246,625	2,210,146	2,213,459	2,149,476
11	Ave. $\phi$ /Kwh	7.06	7.10	7.33	6.59	6.46
12	Ave. Res. Monthly Usage (kwh)	840	876	846	856	835
13	Ave. Res. Monthly Bill	\$66.75	\$69.96	\$69.19	\$62.40	\$61.12

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

Line	Customers (@ Dec)	2010	2009	2008	2007	2006
14	Residential	40,047	39,498	38,985	38,185	37,301
15	Firm C & I	6,892	6,763	6,658	6,514	6,356
16	Interruptible C & I	118	120	122	126	129
17	Total Retail	47,057	46,381	45,765	44,825	43,786
18	Transportation	2	2	2	2	2
Line	Mcf Sales	2010	2009	2008	2007	2006
19	Residential	2,948	3,219	3,206	3,052	2,579
20	Firm C & I	3,849	4,034	4,158	3,880	3,238
21	Interruptible C & I	1,737	1,903	1,833	1,905	1,790
22	Total Retail	8,534	9,155	9,197	8,838	7,607
23	Transportation	1,155	1,108	1,254	1,081	1,093
24	Ave. Retail \$/mcf	\$7.32	\$7.91	\$10.32	\$9.67	\$7.84
25	Ave. Res. Mo. Usage (ccf)	61	68	69	67	58
26	Ave. Res. Monthly Bill	\$52.25	\$57.36	\$76.69	\$71.77	\$67.74

**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	6,636,335	24,278,104
2	Public Service of Colorado	Electric and Gas Utility	4,076	6,027
3	Southwestern Public Service	Electric Utility	76	865
4	United Power and Land	Real estate holdings	-	-
5	Eloigne Company	Affordable housing investment program	-	-
6	Xcel Energy Services	Xcel Energy Inc. service company	16,234,479	-
7	e'Prime	Engineering services	-	-

**Notes:**

- (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).
- (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 Summary**

	<u>Total</u> <u>Expense</u>	<u>Total</u> <u>Revenue</u>	<u>Elec %</u>	<u>Gas %</u>	<u>(Customers)</u> <u>ND Elec%</u>	<u>(Customers)</u> <u>ND Gas%</u>	<u>Allocation</u> <u>Used (1)</u>
NSP							
Wis.	652,943	1,822,324	92.7700%	7.2300%	6.3437%	9.7205%	Common
PSCo	64,256	95,015	100.0%	0.0%	6.3437%	0.0%	Electric
SPS	1,198	13,641	100.0%	0.0%	6.3437%	0.0%	Electric
UP&L	-	-	92.7700%	7.2300%	6.3437%	9.7205%	Common
Eloigne	-	-	92.7700%	7.2300%	6.3437%	9.7205%	Common
XES	246,430,880	-	92.7700%	7.2300%	6.3437%	9.7205%	Common
e'Prime	-	-	100.0%	0.0%	6.3437%	0.0%	Electric
	<b>247,149,277</b>	<b>1,930,980</b>					

**(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>	10.4223%
Utility Labor Allocator	92.7700%	7.2300%	<u>Design Day</u>	10.4435%
Customers North Dakota Jurisdictional	6.3437%	9.7205%		
Factor Formula: ((Util Elec)*ND Jur Ele)+((Util Gas)*ND Jur Gas) =			6.5878%	

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

	<u>Total</u>	<u>ND Alloc.</u>		<u>Total</u>	<u>ND Alloc.</u>	<u>Alloc.</u> <u>Method</u>	<u>ND</u> <u>Alloc %</u>
<b>Electric Inter change Agreement dollars</b>				<b>Expenses</b>			
Revenues	176,605,349	9,850,870	Fixed	47,316,912	2,639,290	<b>Demand</b>	5.578%
	198,428,561	12,069,814	Variable	20,907,313	1,271,729	<b>Energy</b>	6.083%
	39,807,574	2,220,427	Transmission	48,088,000	2,682,301	<b>Demand</b>	5.578%
<b>Electric Total</b>	<b>414,841,484</b>	<b>24,141,110</b>		<b>116,312,224</b>	<b>6,593,320</b>		
<b>Gas SCADA Agreement</b>							
SCADA	162,547	16,941					