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PUBLIC SERVICE COMMISSION

ANNUAL REPORT

OF

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

TO THE

NORTH DAKOTA PUBLIC SERVICE COMMISSION

FOR THE YEAR ENDING

DECEMBER 31, 2011

North Dakota Jurisdiction

Natural Gas Utility



2011

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PU-12-351 Filed: 6/20/2012 Pages: 10
2011 report of regulated natural gas earnings

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Natural Gas Utility

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Northern States Power Company Natural Gas Utility - North Dakota

(Dollars In Thousands)

I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2011</u>	<u>2010</u>
1 Operating Income from Gas Operations (G-2):	\$4,172	\$3,678
2 Average Regulated Rate Base (G-3):	\$41,871	\$41,301
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	9.96%	8.91%
4 Weighted Cost of Debt (G-4):	2.88%	2.99%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	52.67%	51.99%
7 Return on Equity (ROE):	13.45%	11.38%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2011</u>	<u>2010</u>
8 Operating Income from Gas Operations:	\$4,172	\$3,678
9 Impact of weather on Mcf Sales:	(54,074)	(502,968)
10 Impact of weather on Gas Operating Income :	(\$29)	(\$83)
11 Weather-Normalized Operating Income:	\$4,201	\$3,761
12 Average Regulated Rate Base:	\$41,871	\$41,301
13 Weather-Normal Rate of Return on Rate Base (ROR):	10.03%	9.11%
14 Weather-Normalized Return on Equity (ROE):	13.58%	11.76%

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

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2011 Total NSP</u>	<u>2011 N.D. Juris.</u>	<u>N. D. %</u>	<u>2010 N.D. Juris.</u>	<u>Annual Change</u>
<u>Operating Revenues:</u>						
1	Residential	326,983	25,160	7.7%	25,110	0.20%
2	Firm C & I	184,359	28,549	15.5%	27,965	2.09%
3	Interruptible C & I	<u>81,899</u>	<u>9,670</u>	<u>11.8%</u>	<u>9,356</u>	<u>3.36%</u>
4	Total Retail	593,241	63,379	10.7%	62,431	1.52%
5	Interdepartmental Generation	535	0	0.0%	0	0.00%
6	Transportation	9,862	172	1.7%	512	-66.34%
7	Other	<u>3,994</u>	<u>372</u>	<u>9.3%</u>	<u>373</u>	<u>-0.25%</u>
8	Total Revenues:	<u>607,633</u>	<u>63,923</u>	<u>10.5%</u>	<u>63,316</u>	<u>0.96%</u>
<u>Operating Expenses:</u>						
9	Production	402,393	46,486	11.6%	46,076	0.89%
10	Transmission	1,391	147	10.6%	177	-16.95%
11	Distribution	31,074	3,277	10.5%	3,484	-5.94%
12	Customer Billing	14,426	1,624	11.3%	1,610	0.87%
13	Customer Service	27,878	261	0.9%	255	2.35%
14	Sales & Marketing	35	12	34.3%	14	-14.29%
15	Admin. & General	19,627	1,910	9.7%	1,948	-1.95%
16	Depreciation & Amortizations	38,167	3,428	9.0%	3,317	3.35%
17	Property Taxes	15,800	907	5.7%	1,080	-16.02%
18	Payroll & Other Taxes	2,494	228	9.1%	245	-6.94%
19	Income Taxes	4,823	1,079	22.4%	789	36.76%
20	Deferred Income Taxes	<u>10,944</u>	<u>392</u>	<u>3.6%</u>	<u>642</u>	<u>-38.94%</u>
21	Total Expenses:	<u>569,053</u>	<u>59,751</u>	<u>10.5%</u>	<u>59,638</u>	<u>0.19%</u>
22	Regulated Operating Income	<u>38,581</u>	<u>4,172</u>	<u>10.8%</u>	<u>3,678</u>	<u>13.41%</u>

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

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line Item</u>	<u>2011 Total NSP</u>	<u>2011 N.D. Juris.</u>	<u>N. D. %</u>	<u>2010 N.D. Juris.</u>	<u>Annual Change</u>
1 Plant in Service	1,061,069	97,491	9.2%	94,379	3.3%
2 Accumulated Depreciation	<u>506,560</u>	<u>47,625</u>	<u>9.4%</u>	<u>45,234</u>	<u>5.3%</u>
3 Net Plant in Service	554,509	49,866	9.0%	49,145	4.7%
4 Plant Held for Future Use			*	0	*
5 Construct Work in Progress	351	38	10.8%	353	-89.2%
6 Materials and Supplies	967	95	9.8%	99	-4.0%
7 Fuel Stocks	43,909	4,635	10.6%	4,423	4.8%
8 Prepayments & Other	512	(377)	-73.6%	(36)	947.2%
9 Customer Deposits	(1,151)	(113)	9.8%	(88)	28.4%
10 Cash Working Capital	0	0	*	0	*
11 Other Rate Base 1	(6,656)	(664)	10.0%	(896)	-25.9%
12 Accum. Deferred Taxes	<u>(128,647)</u>	<u>(11,609)</u>	<u>9.0%</u>	<u>(11,699)</u>	<u>-0.8%</u>
13 Total Other Rate Base	(90,715)	(7,995)	8.8%	(7,844)	1.9%
14 Total Average Rate Base	463,794	41,871	9.0%	41,301	1.4%

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
Natural Gas Utility - North Dakota

(Dollars In Thousands)

IV. COST OF CAPITAL

2011 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	\$3,286,351	46.90%	6.12%	2.87%
2	Short-Term Debt	<u>\$30,167</u>	<u>0.43%</u>	<u>3.06%</u>	<u>0.01%</u>
3	Total Debt	\$3,316,518	47.33%	9.18%	2.88%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$3,690,284</u>	<u>52.67%</u>	13.45%	7.08%
6	Total Equity	\$3,690,284	52.67%		
7	Total Capital	\$7,006,802	100.00%		9.96%

2011 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	\$3,286,351	46.90%	6.12%	2.87%
2	Short-Term Debt	<u>\$30,167</u>	<u>0.43%</u>	<u>3.06%</u>	<u>0.01%</u>
3	Total Debt	\$3,316,518	47.33%	9.18%	2.88%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$3,690,284</u>	<u>52.67%</u>	13.58%	7.15%
6	Total Equity	\$3,690,284	52.67%		
7	Total Capital	\$7,006,802	100.00%		10.03%

Xcel Energy
Natural Gas Utility - State of North Dakota
2011 Demand Side Management Activity Report

2011 Results

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	62	na	\$23,615
Furnace/Boiler Rebates	828	10,698	\$100,354
Water Heater Rebates	53	112	\$5,605
Efficiency Showerheads	<u>3,167</u>	<u>6,967</u>	<u>\$25,157</u>
Totals	<u>4,110</u>	<u>17,777</u>	<u>\$154,731</u>

Test Year Projections*

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

Notes:

Furnace/Boiler and Water Heating rebates exceeded goal in 2011 due to additional activity generated by American Recovery and Reinvestment Act funds administered by the Company. The ARRA program created more awareness among customers and trade partners. Since Home Energy Audit requests tend to follow unusually warm or cold weather, audit requests and completions were strong during the first 6 months as a result of the colder 2010/2011 winter. However, that early success balanced out the second half of the year, where audits fell off due to the warm fall and mild winter. In 2011, we completed development of a ND Home Energy Audit brochure. It featured a sign up card (as a business reply card) which offered an easy and convenient way for customer to sign up for an audit. This card will also be used as a promotional item at community events and through future direct mail campaigns.

Northern States Power Company

Supporting Information - North Dakota

I. Sales and Customer Data

Gas Utility (N. D. Jurisdiction)

<u>Line</u>	<u>Customers (@ Dec)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
14	Residential	40,736	40,047	39,498	38,985	38,185
15	Firm C & I	7,074	6,892	6,763	6,658	6,514
16	Interruptible C & I	<u>118</u>	<u>118</u>	<u>120</u>	<u>122</u>	<u>126</u>
17	Total Retail	47,928	47,057	46,381	45,765	44,825
18	Transportation	1	2	2	2	2
<u>Line</u>	<u>Mcf Sales</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
19	Residential	3,062	2,948	3,219	3,206	3,052
20	Firm C & I	4,081	3,849	4,034	4,158	3,880
21	Interruptible C & I	<u>1,883</u>	<u>1,737</u>	<u>1,903</u>	<u>1,833</u>	<u>1,905</u>
22	Total Retail	9,026	8,534	9,155	9,197	8,838
23	Transportation	1,090	1,155	1,108	1,254	1,081
24	Ave. Retail \$/mcf	\$7.02	\$7.32	\$7.91	\$10.32	\$9.67
25	Ave. Res. Mo. Usage (ccf)	63	61	68	69	67
26	Ave. Res. Monthly Bill	\$51.47	\$52.25	\$57.36	\$76.69	\$71.77

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	7,276,846	26,320,435
2	Public Service of Colorado	Electric and Gas Utility	2,849	16,814
3	Southwestern Public Service	Electric Utility	1,714	4,427
4	United Power and Land	Real estate holdings	-	-
5	Eloigne Company	Affordable housing investment program	-	-
6	Xcel Energy Services	Xcel Energy Inc. service company	16,420,741	-
7	e'Prime	Engineering services	-	-
			23702150.21	26341676.8

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 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.	538,857	1,374,186	92.8654%	7.1346%	6.2805%	9.8133%	Common
PSCo	45,368	267,718	100.0%	0.0%	6.2805%	0.0%	Electric
SPS	27,288	70,492	100.0%	0.0%	6.2805%	0.0%	Electric
UP&L	-	-	92.8654%	7.1346%	6.2805%	9.8133%	Common
Eloigne	-	-	92.8654%	7.1346%	6.2805%	9.8133%	Common
XES	251,367,962	-	92.8654%	7.1346%	6.2805%	9.8133%	Common
e'Prime	-	-	100.0%	0.0%	6.2805%	0.0%	Electric
	251,979,475	1,712,396					

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

	<u>Electric</u>	<u>Gas</u>	<u>Load Dispatch</u>	
Common Allocation Methodology is Labor				10.5580%
Utility Labor Allocator	92.8654%	7.1346%	Design Day	10.5613%
Customers North Dakota Jurisdictional	6.2805%	9.8133%		
Factor Formula: ((Util Elec)*ND Jur Ele)+((Util Gas)*ND Jur Gas) =				6.5326%

(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>
Electric Inter change Agreement dollars				Expenses			
Revenues	195,939,717	11,268,689	Fixed	48,949,521	2,815,136	Demand	5.751%
	202,288,680	12,582,154	Variable	19,429,562	1,208,499	Energy	6.220%
	41,200,349	2,369,473	Transmission	55,954,687	3,218,010	Demand	5.751%
Electric Total	439,428,745	26,220,316		124,333,770	7,241,645		
Gas SCADA Agreement							
SCADA	98,031	10,350					