

STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)
NORTHERN STATES POWER COMPANY)
FOR AUTHORITY TO INCREASE RATES FOR)
ELECTRIC SERVICE IN NORTH DAKOTA)
)

Case No. PU-12-____

**ALTERNATIVE PETITION FOR
INTERIM RATES**

A. Introduction

Northern States Power Company, doing business as Xcel Energy (Xcel Energy or Company), hereby submits to the North Dakota Public Service Commission (Commission) this Alternative Petition for Interim Rates (Petition) for its North Dakota retail electric customers, pursuant to N.D. Cent. Code §49-05-06. The Company respectfully requests that the Commission authorize, on an interim basis, a rate increase of \$14.7 million, or 8.05 percent, to be effective February 16, 2013.

B. Effective Date

The date of the submission of this Petition is December 18, 2012. The Petition is submitted as part of the Company's Notice of Change in Rates for Electric Service (Notice). Pursuant to N.D. Cent. Code § 49-05-06, Xcel Energy requests that, should the Commission suspend the operation of the general rate schedules that accompany the Notice, the proposed interim rates be made effective on February 16, 2013. N.D. Cent. Code § 49-05-06, subd. 2, provides that if the change in final rates is suspended and interim rates are requested, the Commission "shall order that the interim rates take effect no later than sixty (60) days after the initial filing date and without a public hearing." If the interim rate amounts are in excess of the final rates approved by the Commission, the interim rates will be subject to refund plus reasonable interest at a rate to be determined by the Commission.

C. Description and Need for Interim Rates

Xcel Energy is entitled to interim rate relief based on the Notice and its supporting testimony and schedules along with the supporting schedules attached to this Petition. The proposed interim rate increase applies to all of Xcel Energy's approximately 88,000 retail electric customers in the State of North Dakota. Interim rates are needed because a significant portion of the increased cost of service reflected in the Company's general rate Notice will be incurred before July 18, 2013, the anticipated effective date of the general rate increase assuming the Commission suspends the rates filed with the Notice. Without interim rate relief, Xcel Energy would be unable to recover its increased costs of service while the rates were suspended.

Schedules attached to this filing support the interim revenue deficiency of \$14.7 million, or 8.05 percent, for the Company's North Dakota electric utility operation (exclusive of separately collected revenues related to franchise fees or gross earnings taxes imposed by local governmental units). As required by N.D. Cent. Code § 49-05-06 and as indicated in Schedules 2 and 3 accompanying this Petition, the Company has removed from the interim rate request the recovery of costs that are not of the same nature and kind as allowed in the Company's most recent electric rate proceeding (Case Nos. PU-10-657 and PU-11-55). For example, the Company has removed from the interim rate revenue requirement any changes in depreciation rates not previously approved by the Commission, incentive compensation in excess of 15 percent of base salary, long-term incentives as part of a Nuclear management retention program, and charitable contributions (although such costs were approved in a prior settlement). As explained by Ms. Anne E. Heuer, the Company updated one of its depreciation adjustments related to removal costs at Black Dog. That update will be included prior to the implementation of final rates. The removal costs

were not included in interim rates, which precludes the update from affecting the interim rate deficiency or the interim rate request.

In addition, pursuant to the settlement in Case Nos. PU-10-657 and PU-11-55, the return on equity (ROE) requested for interim rates is 10.4 percent, which is less than the ROE of 10.6 percent requested in the Notice.¹

Finally, the interim rate revenue requirement has been adjusted to reflect the effect of the other interim adjustments on cash working capital and on net operating losses.

The test year for the Company's Notice and this Alternative Petition for Interim Rates is the calendar year ending December 31, 2013. The revenue requirement study in the rate Notice shows an annual test year deficiency in revenue of \$16.9 million, or 9.25 percent, under present rates. Present rates, as referred to in this Petition, are the rates authorized by the Commission in its final order in Case Nos. PU-10-657 and PU-11-55.

D. Interim Rate Schedules

The following rate schedules are proposed to be effective on an interim basis on February 16, 2013, subject to refund:

<u>Schedule</u>	<u>Sheet</u> <u>No.</u>
• Residential Service	5-1
• Residential Time of Day Service	5-2
• Energy-Controlled Service (Non-Demand Metered)	5-7
• Limited Off-Peak Service	5-9
• Automatic Protective Lighting Service	5-13
• Small General Service	5-19
• Small General Time of Day Service	5-21
• General Service	5-25

¹ See Case No. PU-10-657, Second Revised Settlement Agreement dated December 23, 2011, p. 5.

• General Time of Day Service	5-28
• Peak-Controlled Service	5-32
• Peak-Controlled Time of Day Service	5-36
• Real Time Pricing Service	5-54
• Street Lighting Service (Leased Equipment)	5-59
• Street Lighting Service (Purchased Equipment)	5-60
• Street Lighting Service (Purchased Equipment) (Closed)	5-62
• Street Lighting Service – Metered (Purchased Equipment)	5-63
• Small Municipal Pumping Service	5-67
• Municipal Pumping Service	5-68
• Fire and Civil Defense Siren Service	5-70
• Residential Controlled Air Conditioning and Water Heating Rider	5-78
• Commercial and Industrial Air Conditioning Rider	5-80
• Standby Service Rider	5-82
• Interim Rate Surcharge Rider	5-91

The rate schedules containing proposed interim rates are provided in Volume 2 in legislative and regular formats. No change has been made in the existing rate design for purposes of establishing interim rates. A uniform percentage increase that would provide an additional \$14.704 million on an annualized basis, in base rate revenues currently being recovered from each customer class, would be applied. The actual percentage increase in interim base rates is 12.17 percent, higher than the overall bill increase of 8.05 percent, because the interim increase does not apply to fuel and purchased energy costs, which are not included in base rates.

E. Supporting Schedules and Workpapers

The following interim rate schedules are included in support of this Interim Rate petition:

Schedule 1: Interim revenue deficiency summary;

Schedule 2: Interim operating income bridge schedule and operating income summary under present and proposed interim rates;

Schedule 3: Interim rate base bridge schedule;

Schedule 4: Summary of interim capitalization and cost of capital;

Schedule 5: Interim jurisdictional cost of service study;

Schedule 6: Interim rate increase percent by customer class;

Interim Rate tariffs – legislative (red-line) format (Volume 2)

Interim Rate tariffs – regular format (Volume 2)

As noted, pursuant to N.D. Cent. Code § 49-05-06, subd. 2, the adjustments reflected in the above schedules exclude any items that are not of the same nature and kind as those allowed in the Commission orders in Case Nos. PU-07-776, PU-10-657 and PU-11-55.

F. Interim Bills/Customer Notice

Xcel Energy proposes to include informative rate folders in customer bills beginning on February 16, 2013, and add an informational memo directly on customer bills to communicate to customers that their bill reflects an increase associated with the interim rate request.

G. Surety for Refund

Pursuant to N.D. Cent. Code § 49-05-06, subd. 3, the Company respectfully requests that the Commission not require a bond to secure any projected refund. The statute makes such a requirement discretionary. Xcel Energy submits as part of this Petition an Agreement and Undertaking regarding the Company's commitment to refund any interim rates determined by the Commission to be in excess of final rates. These commitments are sufficient to secure any required refund.

H. Conclusion

Xcel Energy hereby submits this Alternative Petition for Interim Rates. If the Commission suspends the operation of the rate schedules listed in the Notice under N.D. Cent. Code § 49-05-06, the Company respectfully requests that the Alternative Petition for Interim Rates be promptly considered and accepted by the Commission, so that interim rate schedules can be effective on February 16, 2013, sixty days after filing. Interim revenues would be subject to refund pending final Commission action on the general rate increase Notice.

Dated: December 18, 2012

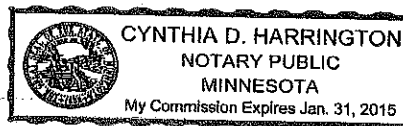
Respectfully submitted,

By: Laura McCarten

Laura McCarten
Regional Vice President
Northern States Power Company (Minnesota)

Subscribed and sworn to before me this
12th day of December, 2012

Cynthia D. Harrington
Notary Public



STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)
NORTHERN STATES POWER COMPANY FOR)
AUTHORITY TO INCREASE RATES FOR)
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)

Case No. PU-12-____

**AGREEMENT AND
UNDERTAKING**

Northern States Power Company, doing business as Xcel Energy (Xcel Energy or Company), in conjunction with the Alternative Petition for Interim Rates filed with the North Dakota Public Service Commission (Commission), makes the following unqualified agreement concerning refunding any portion of the interim rate increase in electric rates determined by the Commission to be in excess of final rates.

Pursuant to North Dakota Century Code § 49-05-06, subd. 4, Xcel Energy hereby agrees and undertakes to refund to its electric customers in North Dakota the amount, if any, collected during the interim rate period in excess of final rates, plus reasonable interest at the rate determined by the Commission, computed from the effective date of the interim rates through the date of refund.

In addition, Xcel Energy agrees to keep such records of sales and billings under the proposed interim rates as will be necessary to compute any potential refund.

This Agreement and Undertaking is made pursuant to authority granted by the Board of Directors of the Company.

Dated: December 12, 2012

By: Laura McCarter

Laura McCarter
Regional Vice President
Northern States Power Company (Minnesota)

Northern States Power Company
Electric Utility - State of North Dakota
2013 Test Year
Revenue Deficiency Summary - Interim Rate Petition
(\$000's)

Case No. PU-12-_____
Exhibit_____(Interim Rate Petition)
Schedule 1, Page 1 of 1

Line No.	Description	General Rate Application	Change	Interim Rate Petition
1	Average Rate Base	\$377,648	\$886	\$378,534
2	Total Available for Return	\$19,415	\$1,045	\$20,460
3	Overall Rate of Return (Line 2 / Line 1)	5.14%	0.27%	5.41%
4	Required Rate of Return	7.90%	-0.10%	7.80%
5	Operating Income Requirement (Line 1 x Line 4)	\$29,834	(\$309)	\$29,526
6	Income Deficiency (Line 5 - Line 2)	\$10,419	(\$1,354)	\$9,066
7	Gross Revenue Conversion Factor	1.62201	0	1.62201
8	Revenue Deficiency (Line 6 x Line 7)	\$16,900	(\$2,196)	\$14,704
9	Proposed Increase to Other Service Charges	-	-	-
10	Deficiency Recovered by Retail Rate Increase	\$16,900	(\$2,196)	\$14,704
11	Retail Related Revenue Under Present Rates	\$182,724	\$0	\$182,724
12	Percentage Increase to Retail (Line 10 / Line 11)	9.25%	-1.20%	8.05%

Northern States Power Company
Electric Utility - State of North Dakota
2013 Test Year
Operating Income - Interim Rate Petition
(\$000's)

Line No.	Description	General Rate Application Present Rates	Removal of Average Service Life Adj	Removal of Remaining Life Salvage	Removal of Black Dog Removal /Remediation Costs	Incentive Pay	Removal of Nuclear Long Term Retention	Removal of Charitable Contributions	Net Operating Loss	Tax Effect of Rate Base CWC Adjstmnt	Change in Capital Structure	Interim Rate Petition Present Rates
Operating Revenues												
1	Retail	\$182,724										\$182,724
2	Weather Impact Net Margin Adjustment	\$0										\$0
3	Other Operating	\$45,502										\$45,502
4	Total Operating Revenues	\$228,226	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$228,226
Expenses												
Operating Expenses:												
5	Fuel and Purchased Power	\$82,971										\$82,971
6	Power Production	\$46,221					(\$6)					\$46,215
7	Transmission	\$14,031										\$14,031
8	Distribution	\$6,763										\$6,763
9	Customer Accounting	\$4,286										\$4,286
10	Customer Service & Information	\$457										\$457
11	Sales, Econ Dvlp & Other	\$173										\$173
12	Administrative & General	\$14,822				(\$209)		(\$157)				\$14,456
13	Total Operating Expenses	\$169,724	\$0	\$0	\$0	(\$209)	(\$6)	(\$157)	\$0	\$0	\$0	\$169,352
14	Depreciation	\$22,563	(\$1,042)	\$254	(\$497)							\$21,278
15	Amortization	\$373										\$373
Taxes:												
16	Property	\$7,940										\$7,940
17	Deferred Income Tax & ITC	\$12,760	\$425	(\$104)	\$203				(\$754)			\$12,530
18	Federal & State Income Tax	(\$6,481)	(\$3)	\$1	(\$2)	\$80	\$2	\$60	\$703	(\$1)	\$2	(\$5,638)
19	Payroll & Other	\$1,931										\$1,931
20	Total Taxes	\$16,151	\$422	(\$103)	\$201	\$80	\$2	\$60	(\$51)	(\$1)	\$2	\$16,763
21	Total Expenses	\$208,811	(\$620)	\$151	(\$296)	(\$129)	(\$4)	(\$97)	(\$51)	(\$1)	\$2	\$207,766
22	AFUDC	\$0										\$0
23	Total Operating Income	\$19,415	\$620	(\$151)	\$296	\$129	\$4	\$97	\$51	\$1	(\$2)	\$20,460
Note: Revenues reflect calendar month sales												
Calculation of Revenue Requirements												
	Rate Base	\$377,648	\$309	(\$75)	\$147	\$0	\$0	\$0	\$377	\$129	\$0	\$378,534
	Required Operating Income	\$29,834	\$26	(\$6)	\$12	\$0	\$0	\$0	\$31	\$11	(\$381)	\$29,526
	Operating Income	\$19,415	\$620	(\$151)	\$296	\$129	\$4	\$97	\$51	\$1	(\$2)	\$20,460
	Operating Income Deficiency	\$10,419	(\$595)	\$144	(\$284)	(\$129)	(\$4)	(\$97)	(\$20)	\$9	(\$380)	\$9,066
	Revenue Deficiency	\$16,900	(\$965)	\$234	(\$460)	(\$209)	(\$6)	(\$157)	(\$32)	\$15	(\$617)	\$14,704
Calculation of Income Taxes												

Northern States Power Company, a Minnesota corporation
Electric Utility - State of North Dakota
2013 Test Year
Operating Income with Proposed Increase - Interim Rate Petition
(000's)

Case No. PU-12-_____
Exhibit____(Interim Rate Petition)
Schedule 2, Page 2 of 2

<u>Line No.</u>	<u>Description</u>	<u>Interim Rate Petition Present Rates</u>	<u>Interim Rate Increase</u>	<u>Interim Rate Petition Proposed Rates</u>
<u>Operating Revenues</u>				
1	Retail	\$182,724	\$14,704	\$197,428
2	Interdepartmental	\$0		\$0
3	Other Operating	\$45,502		\$45,502
4	Total Operating Revenues	\$228,226	\$14,704	\$242,930
<u>Expenses</u>				
Operating Expenses:				
5	Fuel and Purchased Power	\$82,971		\$82,971
6	Power Production	\$46,215		\$46,215
7	Transmission	\$14,031		\$14,031
8	Distribution	\$6,763		\$6,763
9	Customer Accounting	\$4,286		\$4,286
10	Customer Service & Information	\$457		\$457
11	Sales, Econ Dvlp & Other	\$173		\$173
12	Administrative & General	\$14,456		\$14,456
13	Total Operating Expenses	\$169,352	\$0	\$169,352
14	Depreciation	\$21,278	\$0	\$21,278
15	Amortization	\$373		\$373
Taxes:				
16	Property	\$7,940		\$7,940
17	Deferred Income Tax & ITC	\$12,530		\$12,530
18	Federal & State Income Tax	(\$5,638)	\$5,638	\$0
19	Payroll & Other	\$1,931		\$1,931
20	Total Taxes	\$16,763	\$5,638	\$22,401
21	Total Expenses	\$207,766	\$5,638	\$213,404
22	AFUDC	\$0	\$0	\$0
23	Total Operating Income	\$20,460	\$9,066	\$29,526

Note: Revenues reflect calendar month sales.

Northern States Power Company
Electric Utility - State of North Dakota
2013 Test Year
Rate Base - Interim Rate Petition
(\$000's)

Case No. PU-12-_____
 Exhibit____(Interim Rate Petition)
 Schedule 3, Page 1 of 1

<u>Line No.</u>	<u>Description</u>	<u>General Rate Application Present Rates</u>	<u>Removal of Average Service Life Adj</u>	<u>Removal of Remaining Life Salvage</u>	<u>Removal of Black Dog Removal /Remediation Costs</u>	<u>Net Operating Loss</u>	<u>Cash Working Capital</u>	<u>Interim Rate Petition Present Rates</u>
1	Utility Plant in Service	\$870,972						\$870,972
2	Less: Reserve for Depreciation	\$419,589	(\$521)	\$127	(\$249)			\$418,947
3	Net Utility Plant in Service	\$451,383	\$521	(\$127)	\$249	\$0		\$452,025
4	Utility Plant Held for Future Use	\$0						\$0
5	Construction Work in Progress	\$2,037						\$2,037
6	Less: Accumulated Deferred Income Taxes	\$92,784	\$212	(\$52)	\$102	(\$377)		\$92,669
7	Cash Working Capital	(\$926)					\$129	(\$797)
Other Rate Base Items								
8	Materials and Supplies	\$7,613						\$7,613
9	Fuel Inventory	\$5,899						\$5,899
10	Non-Plant Assets & Liabilities	(\$1,809)						(\$1,809)
11	Prepayments and Other Working Capital	\$6,235						\$6,235
12	Total Other Rate Base Items	\$17,938						\$17,938
13	Total Average Rate Base	\$377,648	\$309	(\$75)	\$147	\$377	\$129	\$378,534

Northern States Power Company
Electric Utility - State of North Dakota
2013 Test Year
Summary of Capitalization and Cost of Capital - Interim Rate Petition
(\$000's)

Case No. PU-12-_____
 Exhibit____(Interim Rate Petition)
 Schedule 4, Page 1 of 1

Capitalization:	Amount /1	Percent of Total	Cost of	Weighted Cost
	(A)	Capitalization	Capital	of Capital
		(B)	(C)	(D)
<u>PROPOSED TEST YEAR YEAR 2013</u>				
Long-Term Debt	\$3,667,701	44.9600%	5.14%	2.3100%
Short-Term Debt	<u>\$202,538</u>	<u>2.4800%</u>	0.75%	<u>0.0200%</u>
Long-Term and Short-Term Debt	\$3,870,239	47.4400%	4.91%	2.3300%
Net Common Equity	<u>\$4,288,643</u>	<u>52.5600%</u>	10.40%	<u>5.4700%</u>
Total Capitalization	<u><u>\$8,158,882</u></u>	<u><u>100.0000%</u></u>		<u><u>7.8000%</u></u>

/1 All are average balances; long term and short term debt based on 12 month averages, common equity based on thirteen month balances.

ROE = 5.85%
Deficiency = \$14,704
% Increase = 8.05%
Required ROE = 10.40%

Northern States Power Company
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
North Dakota Interim - 2013 Test Year

Summary Reports

Northern States Power Company
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
Proposed 2013 Interim

(Dollars in Thousands)

Rate Base Summary

	Total Company Electric			ND Retail Electric			All Other		
	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>
1 Plant Investment	\$14,512,422	\$15,975,443	\$15,243,933	\$827,530	\$914,414	\$870,972	\$13,684,892	\$15,061,029	\$14,372,961
2 Depreciation Reserve	<u>(\$7,025,573)</u>	<u>(\$7,403,082)</u>	<u>(\$7,214,328)</u>	<u>(\$407,853)</u>	<u>(\$430,041)</u>	<u>(\$418,947)</u>	<u>(\$6,617,720)</u>	<u>(\$6,973,041)</u>	<u>(\$6,795,381)</u>
3 Net Utility Plant	\$7,486,849	\$8,572,361	\$8,029,605	\$419,677	\$484,373	\$452,025	\$7,067,172	\$8,087,988	\$7,577,580
4 C.W.I.P.	\$35,107	\$31,610	\$33,359	\$2,163	\$1,912	\$2,037	\$32,944	\$29,698	\$31,322
5 Accumulated Deferred Taxes	(\$1,589,312)	(\$1,811,671)	(\$1,700,492)	(\$86,356)	(\$98,982)	(\$92,669)	(\$1,502,956)	(\$1,712,689)	(\$1,607,823)
Other Rate Base:									
6 Cash Working Capital	(\$43,378)	(\$43,378)	(\$43,378)	(\$797)	(\$797)	(\$797)	(\$42,580)	(\$42,580)	(\$42,580)
7 Materials & Supplies	\$125,754	\$125,754	\$125,754	\$7,613	\$7,613	\$7,613	\$118,141	\$118,141	\$118,141
8 Fuel Inventory	\$90,495	\$90,495	\$90,495	\$5,899	\$5,899	\$5,899	\$84,596	\$84,596	\$84,596
9 Non-Plant Assets & Liab	(\$46,907)	(\$12,429)	(\$29,668)	(\$2,860)	(\$758)	(\$1,809)	(\$44,047)	(\$11,671)	(\$27,859)
10 Prepaids & Other	\$91,497	\$108,869	\$100,183	\$5,704	\$6,766	\$6,235	\$85,793	\$102,103	\$93,948
11 Total Rate Base	\$6,150,105	\$7,061,611	\$6,605,858	\$351,042	\$406,026	\$378,534	\$5,799,063	\$6,655,585	\$6,227,325

Northern States Power Company
 Electric Utility - North Dakota Retail Jurisdiction
 Cost of Service Study
 Proposed 2013 Interim

(Dollars in Thousands)

Income Statement Summary

	<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>	
<u>Operating Revenues</u>				
1	Retail	\$3,049,972	\$182,724	\$2,867,248
2	CIP Adjustment to Program Costs			\$0
3	Interdepartmental	\$540	\$0	\$540
4	Other Operating	\$736,136	\$45,502	\$690,634
5	Gross Earnings Tax			\$0
6	Total Operating Revenues	\$3,786,648	\$228,226	\$3,558,422
<u>Expenses</u>				
Operating Expenses:				
7	Fuel & Purchased Energy	\$1,278,735	\$82,971	\$1,195,764
8	Power Production	\$755,428	\$46,215	\$709,213
9	Transmission	\$232,973	\$14,031	\$218,942
10	Distribution	\$110,834	\$6,763	\$104,071
11	Customer Accounting	\$57,725	\$4,286	\$53,439
12	Customer Service & Information	\$36,890	\$457	\$36,433
13	Sales, Econ Dvlp & Other	\$309	\$173	\$136
14	Administrative & General	\$225,988	\$14,456	\$211,532
15	Total Operating Expenses	\$2,698,882	\$169,352	\$2,529,530
16	Depreciation	\$373,048	\$21,278	\$351,770
17	Amortization	\$23,100	\$373	\$22,727
Taxes:				
18	Property	\$167,591	\$7,940	\$159,651
19	Gross Earnings	\$0	\$0	\$0
20	Deferred Income Tax & ITC	\$219,948	\$12,530	\$207,418
21	State & Federal Income (see Page 3)	(\$99,192)	(\$5,638)	(\$93,553)
22	Payroll & Other	\$31,388	\$1,931	\$29,457
23	Total Taxes	\$319,735	\$16,763	\$302,973
24	Total Expenses	\$3,414,765	\$207,766	\$3,207,000
25	AFUDC	\$0	\$0	\$0
26	Total Operating Income	\$371,883	\$20,460	\$351,422

Northern States Power Company
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
Proposed 2013 Interim

(Dollars in Thousands)

Income Tax Summary

	<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>	
<u>Income Before Taxes</u>				
1	Total Operating Revenues	\$3,786,648	\$228,226	\$3,558,422
2	less: Total Operating Expenses	(\$2,698,882)	(\$169,352)	(\$2,529,530)
3	Book Depreciation & Amortization	(\$396,148)	(\$21,651)	(\$374,497)
4	Taxes (Other Than Current Income)	(\$418,927)	(\$22,401)	(\$396,526)
5	Total Before Tax Book Income	\$272,691	\$14,822	\$257,869
<u>Tax Additions</u>				
6	Book Depreciation	\$373,048	\$21,278	\$351,770
7	Deferred Income Taxes & ITC	\$219,948	\$12,530	\$207,418
8	Nuclear Fuel Burn (ex D&D)	\$120,368	\$7,249	\$113,119
9	Nuclear Outage Accounting	\$74,486	\$4,664	\$69,822
10	Avoided Tax Interest	\$52,435	\$3,051	\$49,384
11	Open Line	\$0	\$0	\$0
12	Open Line	\$0	\$0	\$0
13	Open Line	\$0	\$0	\$0
14	Open Line	\$0	\$0	\$0
15	Open Line	\$0	\$0	\$0
16	Other Book Additions	\$0	\$0	\$0
17	Total Tax Additions	\$840,285	\$48,772	\$791,513
<u>Tax Deductions</u>				
18	Debt Interest Expense	\$153,916	\$8,820	\$145,097
19	Tax Depreciation & Removal	\$1,113,823	\$67,255	\$1,046,568
20	Manufacture Production Deduction	\$0	\$0	\$0
21	Open	\$0	\$0	\$0
22	Open	\$0	\$0	\$0
23	Open	\$0	\$0	\$0
24	Other Tax/Book Timing Differences	\$36,449	\$2,223	\$34,226
25	Net Preferred Stock Deduction	\$0	\$0	\$0
26	Total Tax Deductions	\$1,304,188	\$78,297	\$1,225,891
27	State Taxable Income	(\$191,212)	(\$14,703)	(\$176,509)
28	State Income Tax Rate	9.07%	5.15%	N/A
29	State Taxes before Credits	(\$17,334)	(\$757)	(\$16,577)
30	State Credits	\$0	\$0	\$0
31	Total State Income Taxes	(\$17,334)	(\$757)	(\$16,577)
32	Federal Taxable Income	(\$173,878)	(\$13,946)	(\$159,932)
33	Federal Income Tax Rate	35.00%	35.00%	35.00%
34	Federal Tax before Credits	(\$60,857)	(\$4,881)	(\$55,976)
35	Federal Tax Credits	\$21,000	\$0	\$21,000
36	Total Federal Income Taxes	(\$81,857)	(\$4,881)	(\$76,976)
37	Total Federal & State Income Taxes	(\$99,192)	(\$5,638)	(\$93,553)

Northern States Power Company
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
Proposed 2013 Interim

Revenue Requirement & Return Summary

(Dollars in Thousands)

	<u>Capital Structure</u>	<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>	<u>Composite Income Tax Rates</u>	
1	Long Term Debt	5.1400%	44.9600%	2.3100%	State of North Dakota Tax rate	5.15%
2	Short Term Debt	0.7500%	2.4800%	0.0200%	Federal Statutory Tax rate	35.00%
3	Preferred Stock	0.0000%	0.0000%	0.0000%	Federal Effective Tax Rate (1-State Rate*Fed Rate)	33.20%
4	Common Equity	10.4000%	52.5600%	5.4700%	Total North Dakota Composite Tax Rate	38.35%
5	Required Rate of Return			7.8000%	Total Corporate Composite Tax Rate	40.89%

	<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>	
<u>Rate of Return (ROR)</u>				
6	Total Operating Income	\$371,883	\$20,460	\$351,422
7	Total Average Rate Base	<u>\$6,605,858</u>	<u>\$378,534</u>	<u>\$6,227,325</u>
8	ROR (Operating Income / Rate Base)	5.63%	5.41%	5.64%

<u>Return on Equity (ROE)</u>				
9	Total Operating Income	\$371,883	\$20,460	\$351,422
10	Debt Interest (Rate Base * Weighted Debt Cost)	(\$153,916)	(\$8,820)	(\$145,097)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
12	Earnings Available for Common	\$217,966	\$11,640	\$206,326
13	Equity Rate Base (Rate Base * Equity Ratio)	<u>\$3,472,039</u>	<u>\$198,957</u>	<u>\$3,273,082</u>
14	ROE (Earnings for Common / Equity Rate Base)	6.28%	5.85%	6.30%

<u>Revenue Deficiency</u>				
15	Require Operating Income (Rate Base * Required Return)	\$515,257	\$29,526	\$485,731
16	Operating Income	<u>\$371,883</u>	<u>\$20,460</u>	<u>\$351,422</u>
17	Operating Income Deficiency	\$143,374	\$9,066	\$134,309
18	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.69184	1.62201	N/A
19	Revenue Deficiency (Income Deficiency * Conversion Factor)	\$242,566	\$14,704	\$227,862

<u>Total Retail Revenue Requirements</u>				
20	Retail Related Revenues	\$3,050,512	\$182,724	\$2,867,788
21	Revenue Deficiency	<u>\$242,566</u>	<u>\$14,704</u>	<u>\$227,862</u>
22	Total Retail Revenue Requirements	\$3,293,078	\$197,428	\$3,095,650

23	<u>Percentage Increase (Decrease)</u>	7.95%	8.05%	7.95%
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Northern States Power Company
 Electric Utility - North Dakota Retail Jurisdiction
 Cost of Service Study
 Proposed 2013 Interim

(Dollars in Thousands)

Rate Base Detail - Cash Working Capital

		<u>Total Company Electric</u>		<u>ND Retail Electric</u>		<u>All Other</u>		
<u>Expenses</u>		<u>Dollars</u>	<u>Dollar x Days</u>	<u>Dollars</u>	<u>Dollar x Days</u>	<u>Dollars</u>	<u>Dollar x Days</u>	
<u>Includable Expenses</u>	<u>Lead Days</u>							
<u>Fuel Expenses</u>								
1	Coal & Rail Transport	18.09	\$326,178	\$5,900,560	\$21,263	\$384,648	\$304,915	\$5,515,912
2	Gas for Generation	37.01	\$122,911	\$4,548,936	\$8,012	\$296,524	\$114,899	\$4,252,412
3	Oil	19.40	\$41	\$795	\$3	\$58	\$38	\$737
4	Nuclear & EOL	0.00	\$108,580	\$0	\$7,137	\$0	\$101,443	\$0
5	Nuclear Disposal	76.13	<u>\$11,787</u>	<u>\$897,344</u>	<u>\$710</u>	<u>\$54,052</u>	<u>\$11,077</u>	<u>\$843,292</u>
6			\$569,497	\$11,347,636	\$37,125	\$735,282	\$532,372	\$10,612,354
<u>Purchased Power</u>								
7	Purchases	33.09	\$796,126	\$26,343,809	\$50,896	\$1,684,149	\$745,230	\$24,659,661
8	Interchange	38.21	<u>\$133,505</u>	<u>\$5,101,226</u>	<u>\$8,143</u>	<u>\$311,144</u>	<u>\$125,362</u>	<u>\$4,790,082</u>
			\$929,631	\$31,445,035	\$59,039	\$1,995,293	\$870,592	\$29,449,743
<u>Labor & Related Costs</u>								
9	Regular Payroll	11.89	\$385,032	\$4,578,030	\$23,893	\$284,088	\$361,139	\$4,293,943
10	Incentive Compensation	252.18	\$21,503	\$5,422,627	\$1,397	\$352,295	\$20,106	\$5,070,331
11	Pension & Benefits	16.80	<u>\$93,851</u>	<u>\$1,576,697</u>	<u>\$5,843</u>	<u>\$98,162</u>	<u>\$88,008</u>	<u>\$1,478,534</u>
12	Subtotal Labor & Related		\$500,386	\$11,577,354	\$31,133	\$734,546	\$469,253	\$10,842,808
13								
14	All Other Operating Expenses	29.21	\$699,368	\$20,428,539	\$42,055	\$1,228,427	\$657,313	\$19,200,113
15	Property Tax	355.99	\$167,591	\$59,660,720	\$7,940	\$2,826,561	\$159,651	\$56,834,159
16	Employer's Payroll Taxes	28.44	\$31,388	\$892,675	\$1,931	\$54,918	\$29,457	\$837,757
17	Gross Earnings Tax	53.06	\$0	\$0	\$0	\$0	\$0	\$0
18	Federal Income Tax	36.75	(\$81,857)	(\$3,008,252)	(\$4,881)	(\$179,381)	(\$76,976)	(\$2,828,871)
19	State Income Tax	36.75	(\$17,334)	(\$637,039)	(\$757)	(\$27,832)	(\$16,577)	(\$609,207)
20	State Sales Tax Customer Billings	28.99	\$148,826	\$4,314,466	\$0	\$0	\$148,826	\$4,314,466
21	Total Expenses	46.15	\$2,947,495	\$136,021,133	\$173,585	\$7,367,812	\$2,773,911	\$128,653,321
22	Net Annual Expense Amount			\$372,661		\$20,186		\$352,475
<u>Revenues</u>								
		<u>Lag Days</u>	<u>Dollars</u>	<u>Dollar x Days</u>	<u>Dollars</u>	<u>Dollar x Days</u>	<u>Dollars</u>	<u>Dollar x Days</u>
23	Computer Billing	100.00%	\$3,049,972	\$125,902,844	\$182,724	\$7,542,847	\$2,867,248	\$118,359,997
24	Hand Billed	0.00%	\$0	\$0	\$0	\$0	\$0	\$0
25	Retail Revenue Adjustments	0.00	\$0	\$0	\$0	\$0	\$0	\$0
26	Interdepartmental	0.00	\$540	\$0	\$0	\$0	\$540	\$0
27	Late Payment	0.00	\$4,684	\$0	\$278	\$0	\$4,406	\$0
28	Connect and Trouble Charges	41.28	\$2,235	\$92,261	\$274	\$11,311	\$1,961	\$80,950
29	CIP Incentive	0.00	\$210	\$0	\$0	\$0	\$210	\$0
30	Rentals	-11.29	\$4,205	(\$47,474)	\$268	(\$3,026)	\$3,937	(\$44,449)
31	Interchange Revenues	38.21	\$441,961	\$16,887,330	\$27,615	\$1,055,169	\$414,346	\$15,832,161
32	Sales for Resale	41.06	\$141,870	\$5,825,182	\$9,115	\$374,262	\$132,755	\$5,450,920
33	Production Associated Revenues	41.06	\$6,459	\$265,207	\$421	\$17,286	\$6,038	\$247,920
34	MISO	14.00	\$1,659	\$23,226	\$100	\$1,400	\$1,559	\$21,826
35	Point to Point Firm	41.06	\$38,519	\$1,581,590	\$2,320	\$95,259	\$36,199	\$1,486,331
36	Services & Facilities	41.06	\$8,783	\$360,630	\$523	\$21,474	\$8,260	\$339,156
37	Ancillary	41.06	\$80,738	\$3,315,102	\$4,863	\$199,675	\$75,875	\$3,115,428
38	Distribution Associated Revenues	41.28	\$0	\$0	\$0	\$0	\$0	\$0
39	Other	41.28	\$10,489	\$432,986	\$95	\$3,922	\$10,394	\$429,064
40	JOA - Rev fr/to PSC	41.06	(\$5,676)	(\$233,057)	(\$370)	(\$15,192)	(\$5,306)	(\$217,864)
41	(blank)	0.00	\$0	\$0	\$0	\$0	\$0	\$0
42	(blank)	0.00	\$0	\$0	\$0	\$0	\$0	\$0
43	(blank)	0.00	\$0	\$0	\$0	\$0	\$0	\$0
44	Total Revenues	40.78	\$3,786,648	\$154,405,827	\$228,226	\$9,304,387	\$3,558,422	\$145,101,440
45	Net Annual Amount			\$423,030		\$25,491		\$397,538
46	Expense / Revenue Factor			0.7784		0.7606		
47	Allocated Revenue Amount			\$329,283		\$19,388		
48	Net Cash Working Capital	Page 1 - Line 6		(\$43,378)		(\$797)		(\$42,580)

Interim Rate Adj 12.17%

SALES AND REVENUE BY RATE SCHEDULE

Service Schedule	Average Customers	MWH Sales			Revenues (\$1,000's)							
					Summer		Winter		Annual		Increase	
		Summer	Winter	Annual	Present	Interim	Present	Interim	Present	Interim	Amount	Percent
Residential												
Residential	77,036	225,451	553,204	778,654	\$17,029	\$19,101	\$31,795	\$35,664	\$48,824	\$54,766	\$5,942	12.17%
Residential TOD	27	173	570	743	\$12	\$14	\$25	\$28	\$37	\$42	\$5	12.17%
Load Management	387	404	4,949	5,353	\$21	\$23	\$152	\$170	\$173	\$194	\$21	12.17%
Res Total	77,450	226,027	558,723	784,751	\$17,062	\$19,138	\$31,972	\$35,863	\$49,034	\$55,001	\$5,967	12.17%
C&I - Non-Demand												
Small General	8,162	35,456	83,447	118,902	\$2,665	\$2,990	\$4,955	\$5,557	\$7,620	\$8,547	\$927	12.17%
Small General TOD	473	1,180	2,597	3,777	\$112	\$125	\$188	\$211	\$300	\$336	\$36	12.17%
Load Management	86	197	2,050	2,247	\$10	\$11	\$62	\$69	\$72	\$81	\$9	12.17%
C&I N-D Total	8,721	36,832	88,094	124,926	\$2,787	\$3,126	\$5,204	\$5,838	\$7,991	\$8,964	\$973	12.17%
C&I - Demand												
General	3,202	231,445	448,673	680,119	\$14,631	\$16,412	\$22,453	\$25,185	\$37,083	\$41,597	\$4,513	12.17%
General TOD	170	72,232	135,955	208,187	\$3,462	\$3,883	\$5,372	\$6,025	\$8,833	\$9,908	\$1,075	12.17%
Peak-Controlled	74	13,979	35,923	49,902	\$759	\$851	\$1,741	\$1,953	\$2,500	\$2,804	\$304	12.17%
Peak-Controlled TO	15	38,208	83,336	121,544	\$1,559	\$1,749	\$2,925	\$3,281	\$4,484	\$5,030	\$546	12.17%
Energy-Controlled	89	94,689	174,331	269,019	\$3,110	\$3,489	\$5,546	\$6,221	\$8,656	\$9,709	\$1,053	12.17%
Real Time Pricing	0	0	0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
C&I Dmd Total	3,551	450,553	878,217	1,328,771	\$23,520	\$26,383	\$38,036	\$42,665	\$61,556	\$69,048	\$7,491	12.17%
C&I Total	12,272	487,386	966,311	1,453,697	\$26,308	\$29,509	\$43,240	\$48,503	\$69,548	\$78,012	\$8,464	12.17%
Public Authorities												
Small Mun Pumping	91	254	608	862	\$21	\$23	\$39	\$44	\$60	\$67	\$7	12.17%
Municipal Pumping	97	4,072	8,004	12,076	\$278	\$312	\$416	\$467	\$695	\$779	\$85	12.17%
Siren Service	0	0	0	0	\$0	\$0	\$1	\$1	\$1	\$1	\$0	12.17%
PA Total	187	4,326	8,612	12,938	\$299	\$336	\$456	\$512	\$755	\$847	\$92	12.17%
Lighting												
System Service	0	638	1,728	2,366	\$153	\$172	\$306	\$343	\$459	\$515	\$56	12.17%
Energy	0	3,322	8,995	12,317	\$222	\$248	\$443	\$497	\$665	\$745	\$81	12.17%
Metered Energy	76	430	1,165	1,596	\$17	\$19	\$45	\$50	\$62	\$69	\$7	12.17%
Protective Lighting	0	781	2,275	3,057	\$94	\$106	\$189	\$212	\$283	\$317	\$34	12.17%
Lighting Total	76	5,172	14,163	19,336	\$486	\$545	\$982	\$1,102	\$1,468	\$1,646	\$179	12.17%
Total Retail	89,985	722,911	1,547,810	2,270,721	\$44,154	\$49,528	\$76,651	\$85,979	\$120,805	\$135,507	\$14,702	12.17%
Other Rev Increase					\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Revenue	89,985	722,911	1,547,810	2,270,721	\$44,154	\$49,528	\$76,651	\$85,979	\$120,805	\$135,507	\$14,702	12.17%
Interdepartmental					\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Retail Related Rev	89,985	722,911	1,547,810	2,270,721	\$44,154	\$49,528	\$76,651	\$85,979	\$120,805	\$135,507	\$14,702	12.17%

Total Increase Target and Rounding Difference:

\$14,704

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Northern States Power Company
Electric Utility - North Dakota
Interim Rate Increase
Dollars in thousands (\$ 000's)

(1) Interim Revenue Deficiency	\$14,704
(2) Present Retail Revenue Under Present Rates	\$182,724
(3) less Fuel Cost Revenues	<u>\$61,919</u>
(4) Present Base Rate Revenue for Interim	\$120,805
(5) Interim Increase - % Retail Total Revenue - (1) / (2)	8.05%
(6) Interim Increase - % Retail Base Revenue - (1) / (4)	12.17%