EXHIBIT
NSP-34

Northern+States+Power+Co.+-+MN 10-K 12/31/2012

Section 1: 10-K (NORTHERN STATES POWER COMPANY 10-K 12-31-2012)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-31387

NORTHERN STATES POWER COMPANY

(Exact name of registrant as specified in its charter)

Minnesota	41-1967505
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

414 Nicollet Mall, Minneapolis, Minnesota 55401
(Address of principal executive offices)

Registrant's telephone number, including area code: 612-330-5500

Securities registered pursuant to Section 12(b) of the Act: None

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Exhibit NSP-34 from Aug. 27, 28, & 29, 2013 formal hearing
Northern States Power Company

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 and Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting

NSP-MINNESOTA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share and per share data)

	Dec. 31 2012	Dec. 31 2011
Assets		
Current assets		
Cash and cash equivalents	$ 28,842	$ 26,005
Restricted cash	-	95,287
Accounts receivable, net	325,143	314,577
Accounts receivable from affiliates	26,660	18,033
Accrued unbilled revenues	229,664	231,303
Inventories	260,758	301,848
Regulatory assets	156,223	141,709
Derivative instruments	56,232	51,517
Prepayments and other	94,019	45,219
Total current assets	1,177,541	1,225,498
Property, plant and equipment, net	9,546,968	8,982,834
Other assets		
Nuclear decommissioning fund and other investments	1,514,156	1,357,538
Regulatory assets	1,039,675	872,014
Derivative instruments	66,480	80,689
Other	56,438	36,638
Total other assets	2,676,749	2,346,879
Total assets	$ 13,401,258	$ 12,555,211
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	$ 2	$ 450,000
Short-term debt	221,000	26,000
Borrowings under utility money pool arrangement	-	65,000
Accounts payable	367,021	322,979
Accounts payable to affiliates	69,739	47,651
Taxes accrued	175,929	158,319
Accrued interest	58,135	68,362
Dividend payable to parent	58,757	58,054
Derivative instruments	20,117	65,781
Regulatory liabilities	53,159	132,574
Other	102,915	164,736
Total current liabilities	1,126,774	1,559,456
Deferred credits and other liabilities		
Deferred income taxes	1,944,910	1,666,005
Deferred investment tax credits	30,304	31,743
Asset retirement obligations	1,655,402	1,581,896
Regulatory liabilities	432,471	439,029
Pension and employee benefit obligations	422,496	413,755
Derivative instruments	174,471	184,190
Other	89,423	65,464
Total deferred credits and other liabilities	4,749,477	4,382,082
Commitments and contingencies		
Capitalization		
Long-term debt	3,488,638	2,888,897
Common stock – 5,000,000 shares authorized of $0.01 par value; 1,000,000 shares outstanding at Dec. 31, 2012 and 2011	10	10
Additional paid in capital	2,581,501	2,366,391
Retained earnings	1,478,057	1,372,727
Accumulated other comprehensive loss	(23,199)	(14,352)
Total common stockholder's equity	4,036,369	3,724,776
Total liabilities and equity	$ 13,401,258	$ 12,555,211

See Notes to Consolidated Financial Statements

NSP-Minnesota Notice of Violation (NOV) — In 2011, NSP-Minnesota received an NOV from the EPA alleging violations of the New Source Review (NSR) requirements of the CAA at the Sherco plant and Black Dog plant in Minnesota. The NOV alleges that various maintenance, repair and replacement projects at the plants in the mid 2000s should have required a permit under the NSR process. NSP-Minnesota believes it has acted in full compliance with the CAA and NSR process. NSP-Minnesota also believes that the projects identified in the NOV fit within the routine maintenance, repair and replacement exemption contained within the NSR regulations or are otherwise not subject to the NSR requirements. NSP-Minnesota disagrees with the assertions contained in the NOV and intends to vigorously defend its position. It is not known whether any costs would be incurred as a result of this NOV.

Asset Retirement Obligations

Recorded AROs — AROs have been recorded for plant related to nuclear production, steam production, wind production, electric transmission and distribution, natural gas transmission and distribution and office buildings. The steam production obligation includes asbestos, ash containment facilities, radiation sources and decommissioning. The asbestos recognition associated with the steam production includes certain plants. NSP-Minnesota also recorded asbestos recognition for its general office building. This asbestos abatement removal obligation originated in 1973 with the CAA, which applied to the demolition of buildings or removal of equipment containing asbestos that can become airborne on removal. AROs also have been recorded for NSP-Minnesota steam production related to ash-containment facilities such as bottom ash ponds, evaporation ponds and solid waste landfills. The origination dates on the ARO recognition for ash-containment facilities at steam plants was the in-service date of the various facilities. Additional AROs have been recorded for NSP-Minnesota steam production plant related to radiation sources in equipment used to monitor the flow of coal, lime and other materials through feeders. NSP-Minnesota has also recorded AROs for the retirement and removal of assets at certain wind production facilities for which the land is leased and removal is required by contract, with the origination dates being the in-service date of the various facilities.

NSP-Minnesota has recognized AROs for the retirement costs of natural gas mains and for the removal of electric transmission and distribution equipment, which consists of many small potential obligations associated with PCBs, mineral oil, storage tanks, treated poles, lithium batteries, mercury and street lighting lamps. These electric and natural gas assets have numerous in-service dates for which it is difficult to assign the obligation to a particular year. Therefore, the obligation was measured using an average service life.

For the nuclear assets, the AROs associated with the decommissioning of the NSP-Minnesota nuclear generating plants, Monticello and Prairie Island, originated with the in-service date of the facility. See Note 12 for further discussion of nuclear obligations.

A reconciliation of NSP-Minnesota's AROs is shown in the tables below for the years ended Dec. 31, 2012 and 2011, respectively:

(Thousands of Dollars)	Beginning Balance Jan. 1, 2012	Accretion	Revisions to Prior Estimates	Ending Balance Dec. 31, 2012 (a)
Electric plant				
Steam production asbestos	$ 10,479	$ 459	$ 1,851	$ 12,789
Steam production ash containment	30,989	1,065	15,872	47,926
Steam production radiation sources	42	3	-	45
Nuclear production decommissioning	1,482,741	75,301	(11,684)	1,546,358
Wind production	40,515	2,068	(9,647)	32,936
Electric transmission and distribution	15,700	570	(2,432)	13,838
Natural gas plant				
Gas transmission and distribution	295	18	-	313
Common and other property				
Common general plant asbestos	1,135	62	-	1,197
Total liability	$ 1,581,896	$ 79,546	$ (6,040)	$ 1,655,402

(a) There were no new ARO liabilities recognized or settled during the 12 months ended Dec. 31, 2012.

The aggregate fair value of NSP-Minnesota's legally restricted assets, for purposes of funding future nuclear decommissioning, was $1.5 billion as of Dec. 31, 2012, consisting of external investment funds.

In 2012, NSP-Minnesota incurred revisions for nuclear decommissioning, asbestos, ash-containment facilities, wind facilities and electric transmission and distribution AROs due to revised estimated cash flows.

(Thousands of Dollars)	Beginning Balance Jan. 1, 2011	Accretion	Revisions to Prior Estimates	Ending Balance Dec. 31, 2011 (a)
Electric plant				
Steam production asbestos	$ 10,041	$ 438	$ -	$ 10,479
Steam production ash containment	12,814	508	17,667	30,989
Steam production radiation sources	37	3	2	42
Nuclear production decommissioning	809,474	57,641	615,626(b)	1,482,741
Wind production	38,553	1,962	-	40,515
Electric transmission and distribution	3,087	153	12,460	15,700
Natural gas plant				
Gas transmission and distribution	278	17	-	295
Common and other property				
Common general plant asbestos	1,077	58	-	1,135
Total liability	$ 875,361	$ 60,780	$ 645,755	$ 1,581,896

(a) There were no new ARO liabilities recognized or settled during the 12 months ended Dec. 31, 2011.

(b) The increase is primarily due to the completion of NSP-Minnesota's triennial nuclear decommissioning study, which reflects an increase in the estimated cost of retirement, increase in the escalation rates for each nuclear unit and a decrease in the discount rate used to calculate the net present value of the future cash flows.

The aggregate fair value of NSP-Minnesota's legally restricted assets, for purposes of funding future nuclear decommissioning, was $1.3 billion as of Dec. 31, 2011, including external and internal investment funds.

In 2011, NSP-Minnesota incurred revisions for nuclear decommissioning, radiation sources, ash-containment facilities and electric transmission and distribution AROs due to revised estimated cash flows.

Removal Costs — NSP-Minnesota records a regulatory liability for the plant removal costs of steam and other generation, transmission and distribution facilities. Generally, the accrual of future non-ARO removal obligations is not required. However, long-standing ratemaking practices approved by applicable state and federal regulatory commissions have allowed provisions for such costs in historical depreciation rates. These removal costs have accumulated over a number of years based on varying rates as authorized by the appropriate regulatory entities. Given the long time periods over which the amounts were accrued and the changing of rates over time, NSP-Minnesota has estimated the amount of removal costs accumulated through historic depreciation expense based on current factors used in the existing depreciation rates. Removal costs as of Dec. 31, 2012 and 2011 were $377 million and $382 million, respectively.

Nuclear Insurance

NSP-Minnesota's public liability for claims resulting from any nuclear incident is limited to $12.6 billion under the Price-Anderson amendment to the Atomic Energy Act. NSP-Minnesota has secured $375 million of coverage for its public liability exposure with a pool of insurance companies. The remaining $12.2 billion of exposure is funded by the Secondary Financial Protection Program, available from assessments by the federal government in case of a nuclear accident. NSP-Minnesota is subject to assessments of up to $117.5 million per reactor per accident for each of its three licensed reactors, to be applied for public liability arising from a nuclear incident at any licensed nuclear facility in the United States. The maximum funding requirement is $17.5 million per reactor during any one year. These maximum assessment amounts are both subject to inflation adjustment by the NRC and state premium taxes. The NRC's last adjustment was effective April 2010.

NSP-Minnesota purchases insurance for property damage and site decontamination cleanup costs from Nuclear Electric Insurance Ltd. (NEIL). The coverage limits are $2.25 billion for each of NSP-Minnesota's two nuclear plant sites. NEIL also provides business interruption insurance coverage, including the cost of replacement power obtained during certain prolonged accidental outages of nuclear generating units. Premiums are expensed over the policy term. All companies insured with NEIL are subject to retroactive premium adjustments if losses exceed accumulated reserve funds. Capital has been accumulated in the reserve funds of NEIL to the extent that NSP-Minnesota would have no exposure for retroactive premium assessments in case of a single incident under the business interruption and the property damage insurance coverage. However, in each calendar year, NSP-Minnesota could be subject to maximum assessments of approximately $16.5 million for business interruption insurance and $35.8 million for property damage insurance if losses exceed accumulated reserve funds.

The components of regulatory liabilities shown on the consolidated balance sheets of NSP-Minnesota at Dec. 31, 2012 and 2011 are:

correct $

(Thousands of Dollars)	See Note(s)	Remaining Amortization Period	Dec. 31, 2012 Current	Dec. 31, 2012 Noncurrent	Dec. 31, 2011 Current	Dec. 31, 2011 Noncurrent
Regulatory Liabilities						
Plant removal costs	1, 11	Plant lives	$ -	$ 377,107	$ -	$ 382,089
DOE Settlement	11	One to two years	17,071	1,131	80,249	-
Deferred income tax adjustment	1, 6	Various	-	29,715	-	31,518
Conservation programs (b)	1	Less than one year	1,823	-	5,382	-
Investment tax credit deferrals	1, 6	Various	-	22,821	-	23,802
Contract valuation adjustments (a)	1, 9	Term of related contract	25,139	-	20,976	-
Deferred electric energy costs	1	Less than one year	6,424	-	10,582	-
Renewable resources and environmental initiatives	10, 11	Less than one year	256	-	4,358	-
Other		Various	2,446	1,697	11,027	1,620
Total regulatory liabilities			$ 53,159	$ 432,471	$ 132,574	$ 439,029

(a) Includes the fair value of certain long-term purchase power agreements used to meet energy capacity requirements and valuation adjustments on natural gas commodity purchases.

(b) Includes costs for conservation programs, as well as incentives allowed in certain jurisdictions.

At Dec. 31, 2012, approximately $115 million of NSP-Minnesota's regulatory assets represented past expenditures not currently earning a return. This amount primarily includes Prairie Island EPU costs and recoverable purchased natural gas costs.

14. Segments and Related Information

Operating results from the regulated electric utility and regulated natural gas utility are each separately and regularly reviewed by NSP-Minnesota's chief operating decision maker. NSP-Minnesota evaluates performance based on profit or loss generated from the product or service provided. These segments are managed separately because the revenue streams are dependent upon regulated rate recovery, which is separately determined for each reportable segment.

NSP-Minnesota has the following reportable segments: regulated electric utility, regulated natural gas utility and all other.

- NSP-Minnesota's regulated electric utility segment generates electricity which is transmitted and distributed in Minnesota, North Dakota and South Dakota. In addition, this segment includes sales for resale and provides wholesale transmission service to various entities in the United States. Regulated electric utility also includes NSP-Minnesota's commodity trading operations.

- NSP-Minnesota's regulated natural gas utility segment transports, stores and distributes natural gas in portions of Minnesota and North Dakota.

- Revenues from operating segments not included above are below the necessary quantitative thresholds and are therefore included in the all other category. Those primarily include appliance repair services, nonutility real estate activities and revenues associated with processing solid waste into refuse-derived fuel.

Asset and capital expenditure information is not provided for NSP-Minnesota's reportable segments because as an integrated electric and natural gas utility, NSP-Minnesota operates significant assets that are not dedicated to a specific business segment, and reporting assets and capital expenditures by business segment would require arbitrary and potentially misleading allocations which may not necessarily reflect the assets that would be required for the operation of the business segments on a stand-alone basis.

To report income from continuing operations for regulated electric and regulated natural gas utility segments, the majority of costs are directly assigned to each segment. However, some costs, such as common depreciation, common O&M expenses and interest expense are allocated based on cost causation allocators. A general allocator is used for certain general and administrative expenses, including office supplies, rent, property insurance and general advertising.

The accounting policies of the segments are the same as those described in Note 1.