



**ANNUAL REPORT**

**OF**

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

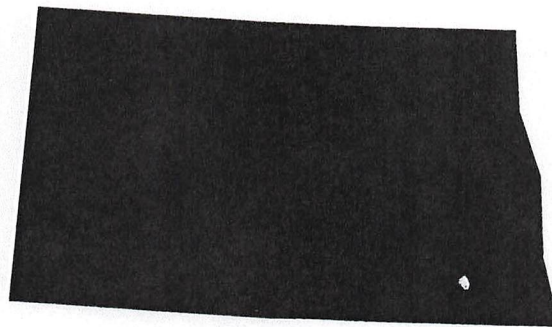
**TO THE**

**NORTH DAKOTA PUBLIC SERVICE COMMISSION**

**FOR THE YEAR ENDING**

**DECEMBER 31, 2012**

**North Dakota Jurisdiction**  
**Natural Gas Utility**



**2012**

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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>2012</u>	<u>2011</u>
1 Operating Income from Gas Operations (G-2):	\$3,719	\$4,172
2 Average Regulated Rate Base (G-3):	\$40,626	\$41,871
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	9.15%	9.96%
4 Weighted Cost of Debt (G-4):	2.61%	2.88%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	52.78%	52.67%
7 Return on Equity (ROE):	12.40%	13.45%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2012</u>	<u>2011</u>
8 Operating Income from Gas Operations:	\$3,719	\$4,172
9 Impact of weather on Mcf Sales:	(1,874,374)	(54,074)
10 Impact of weather on Gas Operating Income :	(\$339)	(\$29)
11 Weather-Normalized Operating Income:	\$4,058	\$4,201
12 Average Regulated Rate Base:	\$40,626	\$41,871
13 Weather-Normal Rate of Return on Rate Base (ROR):	9.99%	10.03%
14 Weather-Normalized Return on Equity (ROE):	13.98%	13.58%

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

(Dollars In Thousands)

**II. OPERATING INCOME**

<u>Line</u>	<u>Item</u>	<u>2012</u> <u>Total NSP</u>	<u>2012*</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2011</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<b><u>Operating Revenues:</u></b>						
1	Residential	250,871	9,179	3.7%	25,160	-63.52%
2	Firm C & I	128,896	6,691	5.2%	28,549	-76.56%
3	Interruptible C & I	<u>47,277</u>	<u>1,354</u>	<u>2.9%</u>	<u>9,670</u>	<u>-86.00%</u>
4	Total Retail	427,044	17,225	4.0%	63,379	-72.82%
5	Interdepartmental Generation	608	0	0.0%	0	0.00%
6	Transportation	10,102	221	2.2%	172	28.22%
7	Other	<u>4,259</u>	<u>430</u>	<u>10.1%</u>	<u>372</u>	<u>15.48%</u>
8	Total Revenues:	442,012	17,876	4.0%	63,923	-72.03%
<b><u>Operating Expenses:</u></b>						
9	Production	262,194	427	0.2%	46,486	-99.08%
10	Transmission	1,680	176	10.5%	147	19.73%
11	Distribution	30,797	3,209	10.4%	3,277	-2.08%
12	Customer Billing	13,334	1,512	11.3%	1,624	-6.90%
13	Customer Service	11,273	234	2.1%	261	-10.34%
14	Sales & Marketing	57	0	0.0%	12	-100.00%
15	Admin. & General	20,175	2,022	10.0%	1,910	5.86%
16	Depreciation & Amortizations	38,724	3,503	9.0%	3,428	2.19%
17	Property Taxes	19,676	1,138	5.8%	907	25.47%
18	Payroll & Other Taxes	2,424	243	10.0%	228	6.58%
19	Income Taxes	4,596	936	20.4%	1,079	-13.25%
20	Deferred Income Taxes	<u>7,170</u>	<u>757</u>	<u>10.6%</u>	<u>392</u>	<u>93.11%</u>
21	Total Expenses:	412,101	14,157	3.4%	59,751	-76.31%
22	Regulated Operating Income	29,912	3,719	12.4%	4,172	-10.84%

\*Fuel expense and revenue has been removed per request from ND PUC staff

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

(Dollars In Thousands)

**III. AVERAGE RATE BASE**

<u>Line</u>	<u>Item</u>	<u>2012</u> <u>Total NSP</u>	<u>2012</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2011</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	1,080,049	99,797	9.2%	97,491	2.4%
2	Accumulated Depreciation	<u>524,636</u>	<u>49,892</u>	<u>9.5%</u>	<u>47,625</u>	<u>4.8%</u>
3	Net Plant in Service	555,413	49,905	9.0%	49,866	4.7%
4	Plant Held for Future Use			*	0	*
5	Construct Work in Progress	2,470	377	15.3%	38	892.1%
6	Materials and Supplies	1,099	109	9.9%	95	14.7%
7	Fuel Stocks	37,330	3,865	10.4%	4,635	-16.6%
8	Prepayments & Other	990	(436)	-44.0%	(377)	15.6%
9	Customer Deposits	(1,151)	(115)	10.0%	(113)	1.8%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base 1	(6,888)	(703)	10.2%	(664)	5.9%
12	Accum. Deferred Taxes	<u>(138,675)</u>	<u>(12,376)</u>	<u>8.9%</u>	<u>(11,609)</u>	<u>6.6%</u>
13	Total Other Rate Base	(104,825)	(9,279)	8.9%	(7,995)	16.1%
14	Total Average Rate Base	450,588	40,626	9.0%	41,871	-3.0%

<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**

**2012 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	\$3,360,934	45.38%	5.71%	2.59%
2	Short-Term Debt	<u>\$136,000</u>	<u>1.84%</u>	<u>0.98%</u>	<u>0.02%</u>
3	Total Debt	\$3,496,934	47.22%	6.69%	2.61%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$3,908,649</u>	<u>52.78%</u>	<u>12.40%</u>	6.54%
6	Total Equity	\$3,908,649	52.78%		
7	Total Capital	\$7,405,583	100.00%		9.15%

**2012 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	\$3,360,934	45.38%	5.71%	2.59%
2	Short-Term Debt	<u>\$136,000</u>	<u>1.84%</u>	<u>0.98%</u>	<u>0.02%</u>
3	Total Debt	\$3,496,934	47.22%	6.69%	2.61%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$3,908,649</u>	<u>52.78%</u>	<u>13.98%</u>	7.38%
6	Total Equity	\$3,908,649	52.78%		
7	Total Capital	\$7,405,583	100.00%		9.99%

**Xcel Energy**  
**Natural Gas Utility - State of North Dakota**  
**2012 Demand Side Management Activity Report**

<b>2012 Results</b>			
<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	30	na	\$21,003
Furnace/Boiler Rebates	502	6,476	\$66,086
Water Heater Rebates	38	80	\$4,162
Efficiency Showerheads	<u>3,356</u>	<u>7,383</u>	<u>\$32,231</u>
Totals	<u>3,926</u>	<u>13,939</u>	<u>\$123,482</u>

<b>Test Year Projections*</b>			
<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>

\* Case No. PU-06-525

**Notes:**

The Heating System Rebate, Water Heater Rebate and Home Energy Audit programs were marketed through a variety of channels in 2012. A new approach implemented during the year was the electronic newsletter to ND residential customers who have either natural gas (only) or both natural gas and electric services. The newsletter was emailed to more than 16,000 customers in August and 22% of the recipients opened it up. Other marketing efforts included a spring home show, sports arena advertising, and trade newsletters. Trade relations continues to be the strongest marketing tactic for these programs. The Home Energy Audit requests were very low in 2012 and due in part to a warmer winter in the early part of the year. This program will be marketed heavily in 2013 using direct mail.

# 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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
14	Residential	41,815	40,736	40,047	39,498	38,985
15	Firm C & I	7,195	7,074	6,892	6,763	6,658
16	Interruptible C & I	<u>115</u>	<u>118</u>	<u>118</u>	<u>120</u>	<u>122</u>
17	Total Retail	49,125	47,928	47,057	46,381	45,765
18	Transportation	1	2	2	2	2
<u>Line</u>	<u>Mcf Sales</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
19	Residential	2,779	3,062	2,948	3,219	3,206
20	Firm C & I	3,778	4,081	3,849	4,034	4,158
21	Interruptible C & I	<u>1,895</u>	<u>1,883</u>	<u>1,737</u>	<u>1,903</u>	<u>1,833</u>
22	Total Retail	8,452	9,026	8,534	9,155	9,197
23	Transportation	885	1,090	1,155	1,108	1,254
24	Ave. Retail \$/mcf	\$2.04	\$7.02	\$7.32	\$7.91	\$10.32
25	Ave. Res. Mo. Usage (ccf)	55	63	61	68	69
26	Ave. Res. Monthly Bill	\$18.29	\$51.47	\$52.25	\$57.36	\$76.69

**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	7,356,944	26,916,044
2	Public Service of Colorado	Electric and Gas Utility	5,460	7,179
3	Southwestern Public Service	Electric Utility	2,012	962
4	United Power and Land	Real estate holdings	-	54
5	Eloigne Company	Affordable housing investment program	-	1,220
6	Xcel Energy Services	Xcel Energy Inc. service company	15,886,741	-
7	e'Prime	Engineering services	-	-
			<u>23,251,156</u>	<u>26,925,459</u>

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.	700,842	952,566	92.2092%	7.7908%	6.3320%	9.9502%	Common
PSCo	86,227	113,381	100.0%	0.0%	6.3320%	0.0%	Electric
SPS	31,778	15,191	100.0%	0.0%	6.3320%	0.0%	Electric
UP&L	-	819	92.2092%	7.7908%	6.3320%	9.9502%	Common
Eloigne	-	18,443	92.2092%	7.7908%	6.3320%	9.9502%	Common
XES	240,202,796	-	92.2092%	7.7908%	6.3320%	9.9502%	Common
e'Prime	-	-	100.0%	0.0%	6.3320%	0.0%	Electric
	<b>241,021,643</b>	<b>1,100,400</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>	
Utility Labor Allocator	92.9310%	7.0690%	<u>Design Day</u>	10.2008%
Customers North Dakota Jurisdictional	6.3320%	9.9502%		
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. Method</u>	<u>ND Alloc %</u>
<b>Electric Inter change Agreement dollars</b>							
<b>Revenues</b>				<b>Expenses</b>			
	195,624,441	11,268,689	Fixed	45,205,562	2,815,136	<b>Demand</b>	5.756%
	210,611,539	12,582,154	Variable	20,220,356	1,208,499	<b>Energy</b>	6.230%
	42,632,106	2,369,473	Transmission	59,918,260	3,218,010	<b>Demand</b>	5.756%
<b>Electric Total</b>	<b>448,868,086</b>	<b>26,220,316</b>		<b>125,344,178</b>	<b>7,241,645</b>		
<b>Gas SCADA Agreement</b>							
SCADA	98,213	17,714					