



**ANNUAL REPORT**

**OF**

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

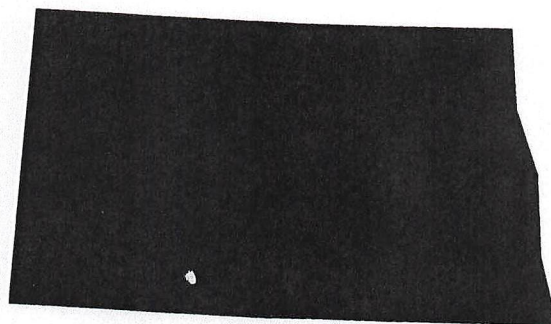
**TO THE**

**NORTH DAKOTA PUBLIC SERVICE COMMISSION**

**FOR THE YEAR ENDING**

**DECEMBER 31, 2012**

**North Dakota Jurisdiction**  
**Electric Utility**



**2012**

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# Northern States Power Company

## Electric 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 Electric Operations (E-2):	\$24,371	\$24,952
2 Average Regulated Rate Base (E-3):	\$338,666	\$322,995
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.20%	7.73%
4 Weighted Cost of Debt (E-4):	2.61%	2.88%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	52.78%	52.67%
7 <b>Return on Equity (ROE):</b>	<b>8.69%</b>	<b>9.20%</b>

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2012</u>	<u>2011</u>
8 Operating Income from Electric Operations:	\$24,371	\$24,952
9 Impact of weather on Mwh Sales:	(24,994)	9,730
10 Impact of weather on Electric Operating Income: <sup>1</sup>	(\$407)	\$254
11 Weather-Normalized Operating Income:	\$24,778	\$24,698
12 Average Regulated Rate Base:	\$338,666	\$322,995
13 Weather-Normal Rate of Return on Rate Base (ROR):	7.32%	7.65%
14 <b>Weather-Normalized Return on Equity (ROE):</b>	<b>8.92%</b>	<b>9.05%</b>

<sup>1</sup> Beginning in 2012 the weather impact estimate includes a demand component in addition to sales.

**Northern States Power Company**  
**Electric 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	1,166,495	69,329	5.9%	68,744	0.8%
2	Small Comm. & Ind.	1,326,542	85,328	6.3%	83,167	2.6%
3	Large Comm. & Ind.	633,557	22,301	3.4%	21,516	3.6%
4	Public Street & Highway Ltg	26,142	1,540	6.2%	1,616	-4.7%
5	Other Sales to Publ Auth	<u>8,330</u>	<u>1,159</u>	<u>15.0%</u>	<u>1,246</u>	<u>-7.0%</u>
	Total Retail	3,161,066	179,657	5.6%	176,290	1.9%
6	Interdepartmental	532	0	0.0%	0	*
7	Sales for Resale	74,264	4,511	6.1%	4,497	0.3%
8	Interchange Agreement	449,958	26,898	5.8%	26,283	2.3%
9	Other	<u>112,083</u>	<u>8,540</u>	<u>6.1%</u>	<u>6,814</u>	<u>25.3%</u>
10	Total Revenues:	<u>3,797,903</u>	<u>219,606</u>	<u>5.8%</u>	<u>213,884</u>	<u>2.7%</u>
<b><u>Operating Expenses:</u></b>						
11	Fuel & Purchased Energy	1,242,746	77,805	6.3%	76,040	2.3%
12	Production	727,894	42,550	5.8%	43,220	-1.6%
13	Transmission	210,577	12,309	5.8%	11,219	9.7%
14	Distribution	111,134	6,387	5.7%	6,737	-5.2%
15	Customer Billing	53,705	4,128	7.7%	4,411	-6.4%
16	Customer Service	103,566	370	0.4%	489	-24.3%
17	Sales & Marketing	68	2	2.9%	135	-98.5%
18	Admin. & General	222,349	12,969	5.8%	11,770	10.2%
19	Depreciation & Amortization	384,321	20,400	5.3%	17,885	14.1%
20	Property Taxes	151,204	6,690	4.4%	5,881	13.8%
21	Payroll & Other Taxes	31,462	1,866	5.9%	1,820	2.5%
22	Income Taxes	0	0	*	(1,111)	-100.0%
23	Deferred Income Taxes & ITC	<u>156,513</u>	<u>9,759</u>	<u>6.2%</u>	<u>10,436</u>	<u>-6.5%</u>
24	Total Expenses:	<u>3,395,539</u>	<u>195,235</u>	<u>5.7%</u>	<u>188,932</u>	<u>3.3%</u>
25	<b>Regulated Operating Income</b>	<b>402,364</b>	<b>24,371</b>	<b>6.1%</b>	<b>24,952</b>	<b>-2.3%</b>

**Northern States Power Company**  
**Electric 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	14,347,235	780,660	5.4%	742,545	5.1%
2	Accumulated Depreciation	<u>6,821,974</u>	<u>379,380</u>	<u>5.6%</u>	<u>364,662</u>	<u>4.0%</u>
3	Net Plant in Service	7,525,261	401,280	5.3%	377,883	6.2%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	51,931	2,936	5.7%	657	346.9%
6	Materials and Supplies	128,683	7,471	5.8%	7,213	3.6%
7	Fuel Stocks	90,424	5,634	6.2%	5,454	3.3%
8	Prepayments & Other Rate Base	82,396	4,830	5.9%	3,833	26.0%
9	Customer Deposits	(3,188)	(29)	0.9%	(15)	93.3%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base <sup>1</sup>	(63,118)	(3,776)	6.0%	(3,903)	-3.3%
12	Accum. Deferred Taxes	<u>(1,679,223)</u>	<u>(79,680)</u>	<u>4.7%</u>	<u>(68,127)</u>	<u>17.0%</u>
13	Total Other Rate Base	(1,392,095)	(62,614)	4.5%	(54,888)	14.1%
14	Total Average Rate Base	6,133,166	338,666	5.5%	322,995	4.9%

<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**  
**Electric 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	\$136,000	1.84%	0.98%	0.02%
3	Total Debt	\$3,496,934	47.22%	5.52%	2.61%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$3,908,649	52.78%	8.69%	4.59%
6	Total Equity	\$3,908,649	52.78%		
7	Total Capital	\$7,405,583	100.00%		7.20%

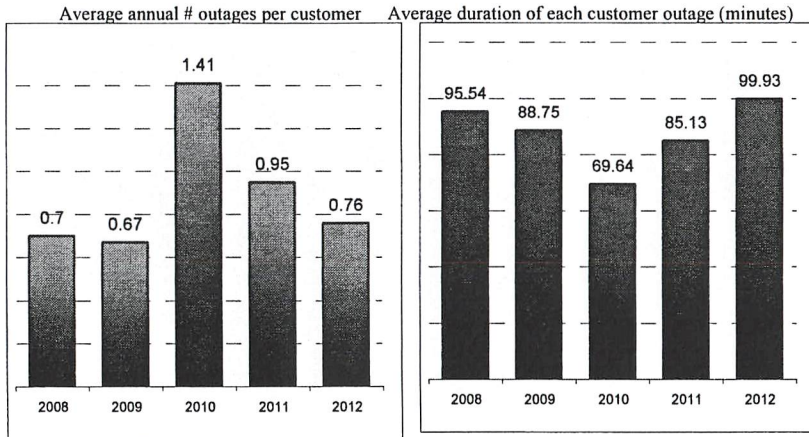
**2012 Normalized**

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt	\$3,360,934	45.38%	5.71%	2.59%
9	Short-Term Debt	\$136,000	1.84%	0.98%	0.02%
10	Total Debt	3,496,934	47.22%	5.52%	2.61%
11	Preferred Stock	\$0	0.00%		0.00%
12	Common Equity	\$3,908,649	52.78%	8.92%	4.71%
13	Total Equity	\$3,908,649	52.78%		
14	Total Capital	\$7,405,583	100.00%		7.32%

**Xcel Energy  
Annual Reliability Report  
Outage Frequency and Duration Indices**

**System Avg Interruption Frequency Index (SAIFI)**

**Customer Avg Interruption Duration Index (CAIDI)**



Input Section		
	Normalized SAIFI	Normalized CAIDI
2008	0.70	95.5
2009	0.67	88.8
2010	1.41	69.6
2011	0.95	85.1
2012	0.76	99.9

**SAIFI - Largest Five Substations**

	2008	2009	2010	2011	2012	5 Yr. Avg
Souris (Mnt)	0.58	0.48	0.29	0.88	0.36	0.52
Gateway (GF)	0.61	0.18	0.68	0.78	0.59	0.57
Cass County (Fgo)	0.44	0.58	0.67	0.82	0.71	0.64
Nordic (GF)	0.58	0.57	2.52	0.88	1.01	1.11
Red River (Fgo)	0.97	1.03	1.96	1.02	0.70	1.14

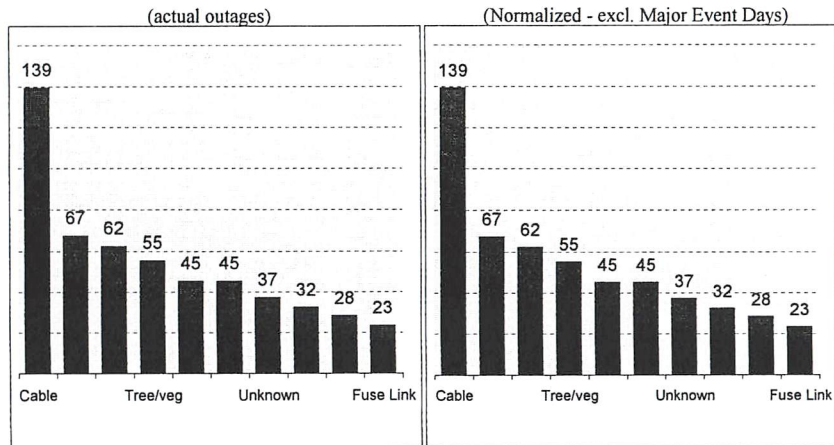
**CAIDI - Largest Five Substations**

	2008	2009	2010	2011	2012	5 Yr. Avg
Souris (Mnt)	66.7	61.0	82.7	71.2	105.8	77.5
Red River (Fgo)	94.0	81.4	70.3	73.8	110.1	85.9
Nordic (GF)	102.2	97.0	61.8	95.7	74.1	86.2
Gateway (GF)	113.7	122.1	47.9	109.1	89.1	96.4
Cass County (Fgo)	101.6	90.8	115.2	103.3	78.6	97.9

Data reflects outages lasting 5 minutes or longer. There were no Major Event Days in 2012 to normalize.

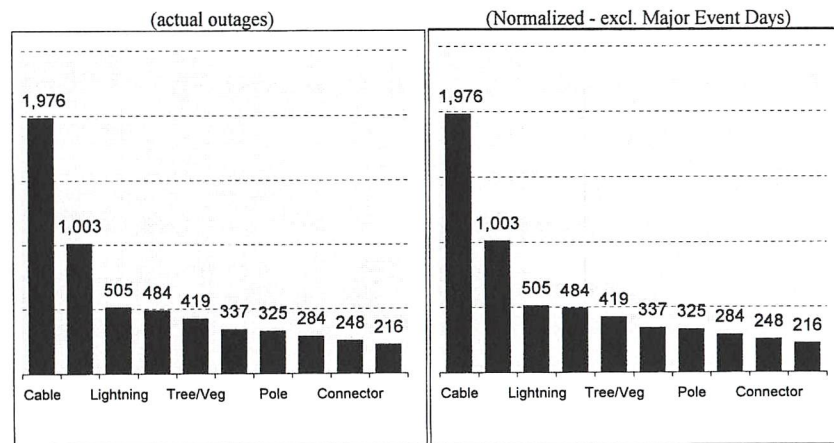
Xcel Energy  
Annual Reliability Report  
Most Common Outage Causes

Top 10 Outage Causes



Input Section		
	Actual Events	Excl MEDs
1	Cable	139
2	Intentional	67
3	Animal	62
4	Tree/veg	55
5	Connector	45
6	Public Dar	45
7	Unknown	37
8	Overload	32
9	Transform	28
10	Fuse Link	23

Top 10 Causes of Lengthy or Wide-spread Interruptions  
(measured in customer-minutes without power - 000's)



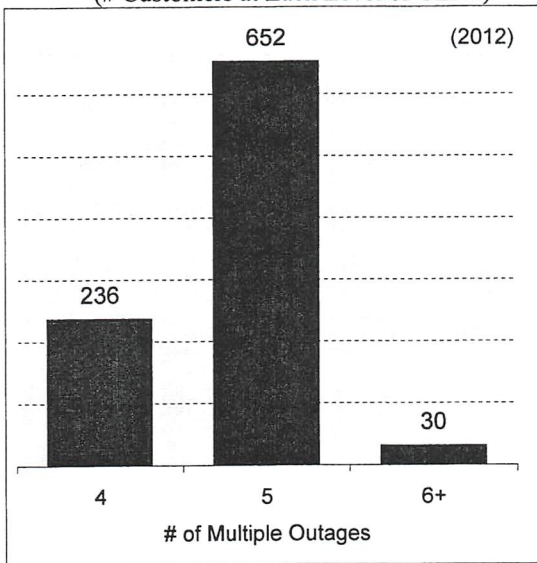
Input Section		
	Actual CMO	Excl MEDs
1	Cable	1,976
2	Intentional	1,003
3	Lightning	505
4	Relay	484
5	Tree/Veg	419
6	Public Dar	337
7	Pole	325
8	Insulator	284
9	Connector	248
10	Conduct C	216

Note: Date reflects outages lasting 5 minutes or longer.

**Xcel Energy  
Annual Reliability Report  
CEMI, Feeder Outages, and Underground Cable Failures**

**Customers Experiencing Multiple Interruptions  
(CEMI)**

(# Customers at Each Level of CEMI)

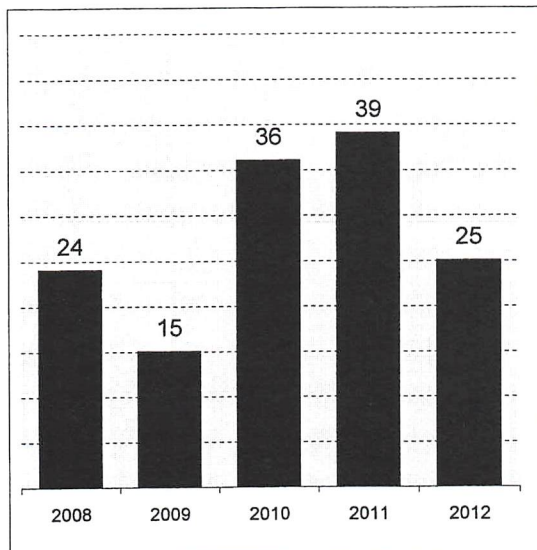


**Annual CEMI Credit Results**

Year w > 3 interr.	Customers	CEMI Credits
2012	918	none
2013		
2014		
2015		

Input Section	
CEMI Outages	CEMI Cust
4	236
5	652
6+	30

**Feeder-Level Outages**



**Underground Cable Failures**

Year	UG Cable Failures
2010	137
2011	149
2012	139
2013	
2014	
2015	

Input Section	
Fdr lvl outages	Fdrs
2008	24
2009	15
2010	36
2011	39
2012	25

(reflects primary, secondary cable failures)

Data reflects outages lasting 5 minutes or longer; Major Event Days and public damage events excluded.

Xcel Energy  
Electric Utility – State of North Dakota  
2013 Reliability Plan Summary

**Overhead Line Upgrades - \$1,522,000**

Xcel Energy's 2013 capital budget includes about \$1,522,000 to upgrade its electric overhead system in North Dakota. These improvements include replacing failed devices, installing upgrades necessary to the backbone system to serve new customers, and improvements to enhance reliability. Included in this effort is funding for our Reliability Exception Monitoring System ("REMS") program. This computer-based system initiates an engineering review of a part of our system by flagging any device that has tripped more than twice in a rolling 12 month period. Following such a review, corrective actions are identified and implemented where appropriate.

**Underground Cable Upgrade - \$903,000**

In 2013, Xcel Energy plans to spend about \$903,000 in capital funds to upgrade its underground cable system in North Dakota. A little over half of these expenditures will include replacing cables that have failed but are not fit to be repaired and returned to service. They also include cables that may have experienced multiple failures in the past but for which repairs still present a viable remedy. Projects will involve the installation of additional backbone system capacity to serve new load or relieve load on existing facilities.

In addition, these funds reflect Xcel Energy's continued efforts to proactively locate and remove non-jacketed 500 MCM cable remaining on our system. This project reflects one of several Settlement commitments from Case No.'s PU-10-657 and PU-11-55. The company plans to spend about \$450,000 in 2013 on this project. The total program has been extended from its initial 3 year term (2012 – 2014) to a 4 year project, and the expenditure budget increased from \$750,000 to \$1,700,000, using funds available from the Company's Intelliteam project.

**Distribution Pole Testing - \$47,000**

Xcel Energy's 2013 pole replacement plan includes an operating and maintenance expense budget of \$47,000 for testing wood distribution poles in North Dakota. The testing methodology conforms to a scientific procedure that is utilized throughout the industry. It includes a visual check and test of remaining pole strength. If a pole is identified as having strength characteristics below acceptable standards, the pole is scheduled for replacement or reinforcement. The expense budget for this program is subject to ongoing adjustments based on the Company's overall financial situation throughout the plan year.

# Northern States Power Company

## Supporting Information - North Dakota

### I. Sales and Customer Data

#### Electric 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>
1	Residential	77,231	76,126	76,319	75,608	75,036
2	Small C & I	12,182	12,033	12,078	11,989	11,895
3	Large C & I	21	20	20	19	22
4	PSHL/OSPA	<u>322</u>	<u>280</u>	<u>284</u>	<u>283</u>	<u>280</u>
5	Total Retail	89,756	88,459	88,701	87,899	87,233
<u>Line</u>	<u>Mwh Sales</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
6	Residential	758,810	776,125	769,024	794,420	761,934
7	Small C & I	1,069,443	1,085,821	1,057,747	1,116,612	1,093,952
8	Large C & I	349,595	350,764	349,581	310,239	328,203
9	PSHL/OSPA	<u>29,553</u>	<u>29,790</u>	<u>29,528</u>	<u>25,354</u>	<u>26,057</u>
10	Total Retail	2,207,401	2,242,500	2,205,880	2,246,625	2,210,146
11	Ave. $\phi$ /Kwh	8.10	7.85	7.24	7.10	7.33
12	Ave. Res. Monthly Usage (kwh)	819	850	840	876	846
13	Ave. Res. Monthly Bill	\$74.46	\$75.16	\$68.32	\$69.96	\$69.19

**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>Expenses</b>			
Revenues	195,624,441	11,259,947	Fixed	45,205,562	2,601,987	<b>Demand</b>	5.756%
	210,611,539	13,121,520	Variable	20,220,356	1,259,769	<b>Energy</b>	6.230%
	42,632,106	2,453,861	Transmission	59,918,260	3,448,835	<b>Demand</b>	5.756%
<b>Electric Total</b>	<b>448,868,086</b>	<b>26,835,329</b>		<b>125,344,178</b>	<b>7,310,591</b>		
<b>Gas SCADA Agreement</b>							
SCADA	98,213	17,714					