

SUMMARY OF EXHIBIT Q INFORMATION

The attached materials provide information requested at the January 23, 2014 hearing related to:

1. the proposed Transmission Cost Recovery (TCR) Rider,
2. Renewable Energy Recovery (RER) Rider, and
3. resulting impacts of these Riders combined with Base Rates.

Additionally included in this Exhibit Q is the modified set of previously filed workpapers showing the effect of updated rate rider project information and incorporating all operating revenue to account for MISO revenue credits addressed through the TCR. These modified workpapers also correct an error discovered in the revenue requirement shown for the Pleasant Valley project in 2015 and 2016 in Workpaper – 1 (Capital Drivers). These work papers are included in Exhibit Q to provide further clarification of the TCR and RER calculations. Each of the components of Exhibit Q is described further below.

ATTACHMENT A

Attachment A shows the separation of the new TCR and RER rate riders from base rate recovery. The Settlement revenue calculations assumed that only the CapX2020 projects would be recovered through the TCR Rider and the Border Winds project would be recovered through the RER Rider since these are the projects which have been reviewed by the Commission. Attachment A, Lines 13 and 14 include these amounts for the years 2014 through 2016.

Attachment A also includes an accounting of all costs (i.e., revenue requirements) and revenues assumed in the 2013 test year and for the 2014 to 2016 forecast, assuming the provisions of the Settlement Agreement are adopted. The net costs and net revenues are shown for 2013 through 2016 on Attachment A, Lines 22 and 23. This reconciliation substantiates the Settlement rate plan, and shows the risk the Company bears for recovery of restacked costs in 2016.

Please note that Exhibit 41, Schedule 2 (Sederquist Supplemental) provides a high-level estimate of our expected TCR revenue for the CapX2020 Group 1 Projects. This estimate was derived through a preliminary calculation of the proportion of overall transmission revenue requirements represented by the CapX2020 Group 1 Projects in each of the years of the rate plan. The TCR calculations provided in Exhibit Q, Attachment B are a more refined projection utilizing our proposed TCR mechanism and our most recent forecasts of transmission projects.

ATTACHMENT B

Attachment B provides two views of transmission projects qualifying for TCR Rider recovery under North Dakota statute and their associated revenue requirements. The Settlement assumed TCR recovery of only the CapX2020 projects (shown in the first section of columns), as these are projects for which the North Dakota Commission has provided advance prudency approval. The second section of columns shows the revenue requirement for additional material projects that would qualify for TCR Rider recovery as per statute. We recognize, however, that the projects ultimately included in the TCR are subject to future approval by the Commission.

Rider recovery would include the capital revenue requirements and associated property taxes for the TCR projects listed as well as the revenues net of expenses associated with projects regionally shared across the Midwest ISO (such as MVP and Baseline Reliability projects). The property taxes for each project and the revenue net of expense for regionally shared projects are included on Attachment B, Page 1.

It should be noted that the filed 2013 Test Year included some costs proposed to be included in the TCR rider going forward. To eliminate any double recovery, revenue collected through the TCR Rider is reduced by the amount already included in the 2013 Test Year and built into base rates. Assuming that the CapX2020 projects are the only projects recovered through the TCR Rider, approximately \$1.6 million is already included in the 2013 Test Year. For the complete list of TCR eligible projects, the amount included in the 2013 Test Year is approximately \$1.8 million. Attachment B, Page 2, Line c shows how these amounts would be excluded from any TCR recovery. Updating for these amounts results in lower revenues in 2014 than was reflected in the Company's Settlement projections for the TCR, and a little higher revenue in 2016.

UPDATED SETTLEMENT WORKPAPERS-CORRECTED

The Exhibit Q - Corrected Settlement Workpapers show the exclusion of the rate rider projects in both Workpaper-1 (Rate Base Revenue Requirements) and Workpaper-2 (Capital additions and Capital Expenditures). Workpaper-3 (Operation and Maintenance Drivers) has been updated to include all O&M costs excluding property taxes, to facilitate easier reconciliation to costs shown in Mr. Sederquist's Schedule 2, as well as to account for future MISO costs that had been reflected in base rates but are currently proposed to be recovered and credited through the TCR. As noted above, a correction has been made to the revenue requirement calculation for the Pleasant Valley Wind project (See Workpaper-1).

**PUBLIC DOCUMENT:
TRADE SECRET INFORMATION EXCISED**

Northern States Power Company
State of North Dakota - Electric Utility
Amounts in millions

Case No. PU-12-813
Exhibit Q
Attachment A

		Amount Levels				
		2011	2013	2014	2015	2016
<u>BASE RATES</u>						
		[TRADE SECRET BEGINS				
Costs						
1	Capital-related (Exh Q, Workpaper 1)	\$55.0	\$61.4			
2	Less: TCR-related capital (Exh Q, WP 1)					
3	Less: RER-related capital (Exh Q, WP 1)					
4	Operating Expenses (Exh Q, WP 3)	77.2	85.5			
5	Property Taxes (Sederquist Sch 2)	5.9	8.1			
6	Less: DOE Settlement Proceeds		(3.9)			
7	Less: Other Non-Retail Net Margins	(18.1)	(22.8)			
8	<u>Total Costs (recoverable in Base Rates)</u>	<u>\$120.0</u>	<u>\$128.4</u>			
Revenues						
9	Retail Revenues (Sederquist Sch 2)	\$120.0	\$120.8			
10	Settlement Revenues (5-5-5-0)		9.1			
11	Interim not collected Jan-Feb 2013		(1.2)			
12	<u>Total Base Rate Revenues</u>	<u>\$120.0</u>	<u>\$128.8</u>			
<u>RIDERS</u>						
Costs						
13	TCR-related capital (Attachment B, line a)					
14	RER-related capital (Sederquist Sch 2)					
15	<u>Total Costs (recoverable in new Riders)</u>					
Revenues						
16	TCR (Attachment B, line a)					
17	CREDIT: Net TCR-related MISO shared revenues (Att B, line b)					
18	CREDIT: TCR Rev Req already in 2013 TY (Att B, line c)					
19	RER (Exh Q, WP 1)					
20	<u>Renewable PPA Restacking (Sederquist Sch 2)</u>					
21	<u>Total Rider Revenues</u>	-	-			
22	Total costs (Line 8 + Line 15)	\$120.0	\$128.4			
23	Total revenues (Line 12 + Line 21)	\$120.0	\$128.8			

TRADE SECRET ENDS]

ESTIMATED PROJECTIONS

North Dakota Estimated Transmission Cost Recovery (TCR)

[TRADE SECRET BEGINS

		CAPX2020 ONLY			TCR Qualifying Projects		
		2014	2015	2016	2014	2015	2016
CAPX2020 - Brookings							
CAPX2020 - Fargo							
CAPX2020 - La Crosse Local							
CAPX2020 - La Crosse MISO							
CAPX2020 - La Crosse MISO - WI							
Sioux Falls Northern							
Chaska - Hwy 212 Conversion							
Minn Valley							
Maple River - Red River							
Big Stone - Brookings							
Lake Marion - Burnsville							
Maple Lake - Annandale							
Glencoe - Waconia							
Bluff Creek - Westgate							
Scott Cty 345 kV Expansion							
Wilson Substation Conversion							
Kohlman Lake-Goose Lake 2nd ckt							
Prairie Sub Expansion							
Black Dog - Savage							
Chisago 2nd Transformer Addition							
Franklin Transformer							
Cass County SUB Expansion							
New Prague Area							
ELR - Breakers - NSPM							
ELR - Relay - NSPM							
Transmission Projects - Subtotal	(a)						
PLUS: Net MISO Shared Expense / (Revenue)							
MISO - 26 & 26(a)	(b)						
Transmission Projects - net of MISO							
LESS: Test Year Base Rate Adjustments							
Capital Revenue Requirements							
MISO Shared Expenses							
Property Taxes							
TY Base Rate - Subtotal	(c)						
Revenue Requirements - Total	= (a)+(b)-(c)						

TRADE SECRET ENDS]

Northern States Power Company
 Electric Utility - State of North Dakota
 ND TCR Projects in the 2013 test year
 (000's)

Case No. PU-12-813
 Exhibit Q
 Attachment B, Page 2 of 2

Rate Analysis	CAPX2020 ONLY		TCR Qualifying Projects	
	Total Company	ND Jurisdiction	Total Company	ND Jurisdiction
Plant Investment	139,764	7,145	165,189	8,445
Depreciation Reserve	1,607	82	1,839	94
CWIP	311,950	15,947	340,922	17,428
Remove CWIP	(311,950)	(15,947)	(340,922)	(17,428)
Accumulated Deferred Taxes	19,709	1,008	24,038	1,229
Average Rate Base	118,448	6,055	139,312	7,122
Debt Return	2,760	141	3,246	166
Equity Return	6,065	310	7,133	365
Current Income Tax Requirement	(12,878)	(658)	(18,415)	(941)
Book Depreciation	1,329	68	1,695	87
Annual Deferred Tax	23,973	1,226	31,436	1,607
ITC Flow Thru	-	-	-	-
Tax Depreciation & Removal Expense	70,098	3,584	89,783	4,590
AFUDC Expenditure	24,570	1,256	27,144	1,388
Remove AFUDC	(24,570)	(1,256)	(27,144)	(1,388)
Avoided Tax Interest	18,028	922	19,913	1,018
Capital Revenue Requirements	21,249	1,086	25,095	1,283
Property Taxes	1,123	57	1,196	61
MISO Shared Expenses		456		456
Total Revenue Requirements	22,372	1,600	26,291	1,800

Capital Structure	Rate	Ratio	Weighted Cost
Long Term Debt	5.1400%	44.9600%	2.3100%
Short Term Debt	0.7500%	2.4800%	0.0200%
Preferred Stock	0.0000%	0.0000%	0.0000%
Common Equity	9.7500%	52.5600%	5.1200%
Required Rate of Return			7.4500%
PT Rate		1.8590%	
Tax Rate (ND)	38.3480%		
ND Jur Demand after IA		5.1121%	