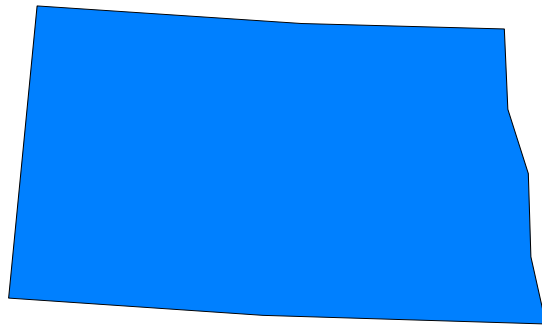


ANNUAL REPORT
OF
NORTHERN STATES POWER COMPANY
(A MINNESOTA CORPORATION)
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION
FOR THE YEAR ENDING
DECEMBER 31, 2013

North Dakota Jurisdiction
Natural Gas Utility



2013

CONTENTS

	Page
<u>Financial</u>	
I. Return on Equity	G-1
II. Operating Income	G-2
III. Average Rate Base	G-3
IV. Cost of Capital	G-4
<u>Conservation</u>	
V. Demand Side Management Activity	G-5
<u>Supporting Information</u>	
I. Natural Gas Sales, Customer Data	S-1
II. Affiliated Transaction Summary	S-2
III. Affiliated Transactions (Allocations)	S-3

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>2013</u>	<u>2012</u>
1 Operating Income from Gas Operations (G-2):	\$3,851	\$3,719
2 Average Regulated Rate Base (G-3):	\$43,432	\$40,626
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	8.87%	9.15%
4 Weighted Cost of Debt (G-4):	2.29%	2.61%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	52.67%	52.78%
7 Return on Equity (ROE):	12.49%	12.40%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2013</u>	<u>2012</u>
8 Operating Income from Gas Operations:	\$3,851	\$3,719
9 Impact of weather on Mcf Sales:	686,199	(1,874,374)
10 Impact of weather on Gas Operating Income :	\$251	(\$339)
11 Weather-Normalized Operating Income:	\$3,600	\$4,058
12 Average Regulated Rate Base:	\$43,432	\$40,626
13 Weather-Normal Rate of Return on Rate Base (ROR):	8.29%	9.99%
14 Weather-Normalized Return on Equity (ROE):	11.39%	13.98%

Northern States Power Company Natural Gas Utility - North Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	2013 Total NSP	2013* N.D. Juris.	N. D. %	2012 N.D. Juris.	Annual Change
<u>Operating Revenues:</u>						
1	Residential	133,375	9,385	7.0%	9,179	2.24%
2	Firm C & I	54,410	7,951	14.6%	6,691	18.83%
3	Interruptible C & I	11,792	1,524	12.9%	1,354	12.57%
4	Total Retail	199,577	18,860	9.4%	17,225	9.49%
5	Interdepartmental Generation	150	0	0.0%	0	0.00%
6	Transportation	9,786	167	1.7%	221	-24.39%
7	Other	3,561	380	10.7%	430	-11.67%
8	Total Revenues:	213,074	19,407	9.1%	17,876	8.56%
<u>Operating Expenses:</u>						
9	Production	4,325	474	11.0%	427	11.00%
10	Transmission	2,133	229	10.7%	176	30.05%
11	Distribution	32,030	3,732	11.7%	3,209	16.30%
12	Customer Billing	13,007	1,493	11.5%	1,512	-1.24%
13	Customer Service	17,005	262	1.5%	234	11.78%
14	Sales & Marketing	10	6	65.0%	0	0.00%
15	Admin. & General	22,191	2,135	9.6%	2,022	5.60%
16	Depreciation & Amortizations	40,405	3,589	8.9%	3,503	2.47%
17	Property Taxes	17,766	1,002	5.6%	1,138	-11.96%
18	Payroll & Other Taxes	2,615	260	9.9%	243	6.85%
19	Income Taxes	7,858	626	8.0%	936	-33.10%
20	Deferred Income Taxes	15,675	1,748	11.2%	757	130.91%
21	Total Expenses:	175,020	15,556	8.9%	14,157	9.88%
22	Regulated Operating Income	38,054	3,851	10.1%	3,719	3.55%

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

All percentage calculations based on whole numbers

Northern States Power Company

Natural Gas Utility - North Dakota

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	2013 <u>Total NSP</u>	2013 <u>N.D. Juris.</u>	<u>N. D. %</u>	2012 <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	1,114,698	104,689	9.4%	99,797	4.9%
2	Accumulated Depreciation	540,138	51,340	9.5%	49,892	2.9%
3	Net Plant in Service	574,560	53,349	9.3%	49,905	6.9%
4	Plant Held for Future Use			*	0	*
5	Construct Work in Progress	3,395	452	13.3%	377	20.0%
6	Materials and Supplies	1,122	114	10.1%	109	4.3%
7	Fuel Stocks	37,524	4,053	10.8%	3,865	4.9%
8	Prepayments & Other	639	(449)	-70.2%	(436)	2.9%
9	Customer Deposits	(1,009)	(102)	10.1%	(115)	-11.0%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base 1	(3,171)	(323)	10.2%	(703)	-54.1%
12	Accum. Deferred Taxes	(147,000)	(13,662)	9.3%	(12,376)	10.4%
13	Total Other Rate Base	(108,500)	(9,917)	9.1%	(9,279)	6.9%
14	Total Average Rate Base	466,060	43,432	9.3%	40,626	6.9%

¹ 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.

All percentages calculated on whole numbers

Northern States Power Company

Natural Gas Utility - North Dakota

(Dollars In Thousands)

IV. COST OF CAPITAL

2013 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	\$3,667,427	45.37%	5.01%	2.27%
2	Short-Term Debt	\$158,167	1.96%	0.77%	0.02%
3	Total Debt	\$3,825,594	47.33%	5.78%	2.29%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$4,257,356	52.67%	12.49%	6.58%
6	Total Equity	\$4,257,356	52.67%		
7	Total Capital	\$8,082,950	100.00%		8.87%

2013 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	\$3,667,427	45.37%	5.01%	2.27%
2	Short-Term Debt	\$158,167	1.96%	0.77%	0.02%
3	Total Debt	\$3,825,594	47.33%	5.78%	2.29%
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6	Total Equity	\$4,257,356	52.67%		
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Xcel Energy
Natural Gas Utility - State of North Dakota

V. DEMAND SIDE MANAGEMENT ACTIVITY

2013 Results			
<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	82	na	\$44,428
Furnace/Boiler Rebates	602	9,620	\$71,568
Water Heater Rebates	23	127	\$4,198
Efficiency Showerheads	<u>721</u>	<u>1,591</u>	<u>\$12,007</u>
Totals	<u>1,428</u>	<u>11,338</u>	<u>\$132,201</u>

2007 Test Year Projections*			
<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>

Notes:

Aside from Energy Efficient Showerheads, which has its own dedicated and seasonal campaign, the Heating System Rebate, Water Heater Rebate and Home Energy Audit programs were marketed through a variety of channels in 2013. Xcel Energy pushed heavily the awareness of Home Energy Audits, and the response was significantly higher than 2012. Extreme weather conditions also contributed to the Audit Program interest. Direct mail, trade newsletters, bill messaging, and sports arena advertising were the primary tactics used to reach customers for all of the programs. Trade relations continues to be the strongest marketing tactic for these programs.

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
14	Residential	43,100	41,815	40,736	40,047	39,498
15	Firm C & I	7,397	7,195	7,074	6,892	6,763
16	Interruptible C & I	118	115	118	118	120
17	Total Retail	50,615	49,125	47,928	47,057	46,381
18	Transportation	1	1	2	2	2
<u>Line</u>	<u>Mcf Sales</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
19	Residential	3,660	2,779	3,062	2,948	3,219
20	Firm C & I	4,902	3,778	4,081	3,849	4,034
21	Interruptible C & I	2,158	1,895	1,883	1,737	1,903
22	Total Retail	10,720	8,452	9,026	8,534	9,155
23	Transportation	947	885	1,090	1,155	1,108
24	Ave. Retail \$/mcf	\$1.76	\$2.04	\$7.02	\$7.32	\$7.91
25	Ave. Res. Mo. Usage (ccf)	71	55	63	61	68
26	Ave. Res. Monthly Bill	\$18.14	\$18.29	\$51.47	\$52.25	\$57.36

Northern States Power Company Electric Utility - North Dakota

II. AFFILIATED TRANSACTION SUMMARY

		<u>North Dakota Jurisdiction Electric and Gas Totals (1)</u>		
Affiliate Name	Services Rendered	Expense (2)	Revenue (3)	
1	NSP (Wis.)	Electric and Gas Utility	8,499,999	29,503,924
2	Public Service of Colorado	Electric and Gas Utility	26,552	70
3	Southwestern Public Service	Electric Utility	351	1,425
6	Xcel Energy Services	Xcel Energy Inc. service company	91,707,759	69,702,184
7	e'Prime	Engineering services	3,029,176	-
			103,263,836	99,207,603

Notes:

- (1) The amounts allocated to North Dakota electric and gas jurisdictions represent an estimate based on an overall allocation factor applied to the revenues and expenses for each affiliate. To derive the actual amounts by jurisdiction would require an allocation of each 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).

Northern States Power Company Electric Utility - North Dakota

III. AFFILIATED TRANSACTION ALLOCATION DETAIL

	<u>Total Expense</u>	<u>Total Revenue</u>	<u>Elec % (Labor)</u>	<u>Gas % (Labor)</u>	<u>ND Elec % (Customers)</u>	<u>ND Gas % (Customers)</u>
NSP Wis.	\$875,040	\$15,129,770	92.5869%	7.4131%	6.3651%	10.1365%
PSCo	\$417,144	\$1,098	100.0%	0.0%	6.3651%	10.1365%
SPS	\$5,508	\$22,393	100.0%	0.0%	6.3651%	10.1365%
XES	\$1,380,168,662	\$1,048,992,713	92.5869%	7.4131%	6.3651%	10.1365%
XEI	<u>\$47,590,388</u>	<u>\$0</u>	100.0%	0.0%	6.3651%	10.1365%
	\$1,429,056,742	\$1,064,145,974				

Notes:

Allocation of Revenues & Expenses between NSP Minnesota and Affiliates

Common Allocation Method: Labor

	<u>Electric</u>	<u>Gas</u>		
Utility Labor Allocator	92.5869%	7.4131%	Load Dispatch	10.7299%
ND Jur. Customer Allocator	6.3651%	10.1365%	Design Day	10.9577%

Factor Formula: ((Util Elec)*ND Jur Ele)+((Util Gas)*ND Jur Gas) = 6.6447%

Affiliated Transactions between Minnesota and Wisconsin (Interchange Agreement)

	<u>Total Revenue</u>	<u>ND Alloc.</u>	<u>Total Expense</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
Fixed	\$198,418,789	\$12,116,443	\$47,842,642	\$2,921,511	Demand	6.1065%
Variable	\$217,364,364	\$14,125,206	\$20,675,738	\$1,343,592	Energy	6.4984%
Transmission	<u>\$36,789,427</u>	<u>\$2,246,546</u>	<u>\$68,398,469</u>	<u>\$4,176,753</u>	Demand	6.1065%
Electric Total	\$452,572,580	\$28,488,196	\$136,916,849	\$8,441,856		

Gas SCADA Agreement

	<u>Total Rev</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
SCADA	96,959	10,404	Load Dispatch	10.7299%