

**Revised June 1st, 2014  
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  
Electric Utility**



**2013**

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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>2013</u>	<u>2012</u>
1 Operating Income from Electric Operations (E-2):	\$29,471	\$24,371
2 Average Regulated Rate Base (E-3):	\$387,936	\$338,666
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	7.60%	7.20%
4 Weighted Cost of Debt (E-4):	2.29%	2.61%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	52.67%	52.78%
7 <b>Return on Equity (ROE):</b>	<b>10.08%</b>	<b>8.69%</b>

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2013</u>	<u>2012</u>
8 Operating Income from Electric Operations:	\$29,471	\$24,371
9 Impact of weather on Mwh Sales:	36,729	(24,994)
10 Impact of weather on Electric Operating Income: <sup>1</sup>	\$1,071	(\$407)
11 Weather-Normalized Operating Income:	\$28,400	\$24,778
12 Average Regulated Rate Base:	\$388,309	\$338,666
13 Weather-Normal Rate of Return on Rate Base (ROR):	7.31%	7.32%
14 <b>Weather-Normalized Return on Equity (ROE):</b>	<b>9.54%</b>	<b>8.92%</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>2013</u> <u>Total NSP</u>	<u>2013</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2012</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<b><u>Operating Revenues:</u></b>						
1	Residential	1,244,881	81,128	6.5%	69,329	17.0%
2	Small Comm. & Ind.	1,410,310	96,704	6.9%	85,328	13.3%
3	Large Comm. & Ind.	687,036	23,654	3.4%	22,301	6.1%
4	Public Street & Highway Ltg	27,207	1,648	6.1%	1,540	7.0%
5	Other Sales to Publ Auth	<u>9,008</u>	<u>1,378</u>	<u>15.3%</u>	<u>1,159</u>	<u>18.9%</u>
	Total Retail	3,378,442	204,512	6.1%	179,657	13.8%
6	Interdepartmental	680	0	0.0%	0	*
7	Sales for Resale	60,935	5,022	8.2%	4,511	11.3%
8	Interchange Agreement	458,633	28,858	6.3%	26,898	7.3%
9	Other	<u>132,082</u>	<u>11,666</u>	<u>8.8%</u>	<u>8,540</u>	<u>36.6%</u>
10	Total Revenues:	<u>4,030,772</u>	<u>250,058</u>	<u>6.2%</u>	<u>219,606</u>	<u>13.9%</u>
<b><u>Operating Expenses:</u></b>						
11	Fuel & Purchased Energy	1,330,028	86,068	6.5%	77,805	10.6%
12	Production	771,776	48,239	6.3%	42,550	13.4%
13	Transmission	244,340	14,921	6.1%	12,309	21.2%
14	Distribution	121,107	6,784	5.6%	6,387	6.2%
15	Customer Billing	55,250	4,121	7.5%	4,128	-0.2%
16	Customer Service	84,610	348	0.4%	370	-5.9%
17	Sales & Marketing	98	1	1.1%	2	-45.4%
18	Admin. & General	234,383	15,576	6.6%	12,969	20.1%
19	Depreciation & Amortization	398,144	22,295	5.6%	20,400	9.3%
20	Property Taxes	153,142	7,917	5.2%	6,690	18.3%
21	Payroll & Other Taxes	33,585	2,081	6.2%	1,866	11.5%
22	Income Taxes	76	0	0.0%	0	*
23	Deferred Income Taxes & ITC	<u>152,564</u>	<u>12,236</u>	<u>8.0%</u>	<u>9,759</u>	<u>25.4%</u>
24	Total Expenses:	<u>3,579,104</u>	<u>220,587</u>	<u>6.2%</u>	<u>195,235</u>	<u>13.0%</u>
25	<b>Regulated Operating Income</b>	<b>451,668</b>	<b>29,471</b>	<b>6.5%</b>	<b>24,371</b>	<b>20.9%</b>

Percentage calculations based on whole numbers

**Northern States Power Company**  
**Electric Utility - North Dakota**

(Dollars In Thousands)

**III. AVERAGE RATE BASE**

<u>Line</u>	<u>Item</u>	<u>2013</u> <u>Total NSP</u>	<u>2013</u> <u>N.D. Juris.</u>	<u>N. D. %</u>	<u>2012</u> <u>N.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	15,261,358	873,044	5.7%	780,660	11.8%
2	Accumulated Depreciation	7,101,622	412,555	5.8%	379,380	8.7%
3	Net Plant in Service	8,159,736	460,489	5.6%	401,280	14.8%
4	Plant Held for Future Use	0	0	*	0	*
5	Construct Work in Progress	28,853	1,765	6.1%	2,936	-39.9%
6	Materials and Supplies	138,074	8,461	6.1%	7,471	13.3%
7	Fuel Stocks	86,478	5,620	6.5%	5,634	-0.3%
8	Prepayments & Other Rate Base	125,706	7,504	6.0%	4,830	55.4%
9	Customer Deposits	(2,920)	(186)	6.4%	(29)	540.8%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base <sup>1</sup>	(42,768)	(2,826)	6.6%	(3,776)	-25.2%
12	Accum. Deferred Taxes	(1,708,866)	(92,891)	5.4%	(79,680)	16.6%
13	Total Other Rate Base	(1,375,443)	(72,553)	5.3%	(62,614)	15.9%
14	Total Average Rate Base	6,784,293	387,936	5.7%	338,666	14.5%

<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.

Percentage calculations based on whole numbers

# Northern States Power Company

## Electric Utility - North Dakota

(Dollars In Thousands)

### IV. COST OF CAPITAL

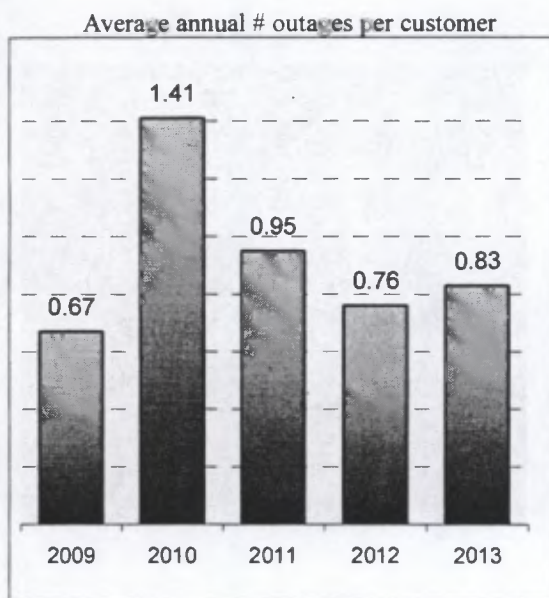
<u>2013 Actual</u>					
<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt	\$3,667,427	45.37%	5.01%	2.27%
2	Short-Term Debt	\$158,167	1.96%	0.77%	0.02%
3	Total Debt	\$3,825,594	47.33%	4.83%	2.29%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	\$4,257,356	52.67%	10.08%	5.31%
6	Total Equity	\$4,257,356	52.67%		
7	Total Capital	\$8,082,950	100.00%		7.60%

<u>2013 Normalized</u>					
<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt	\$3,667,427	45.37%	5.01%	2.27%
9	Short-Term Debt	\$158,167	1.96%	0.77%	0.02%
10	Total Debt	3,825,594	47.33%	4.83%	2.29%
11	Preferred Stock	\$0	0.00%		0.00%
12	Common Equity	\$4,257,356	52.67%	9.54%	5.02%
13	Total Equity	\$4,257,356	52.67%		
14	Total Capital	\$8,082,950	100.00%		7.31%

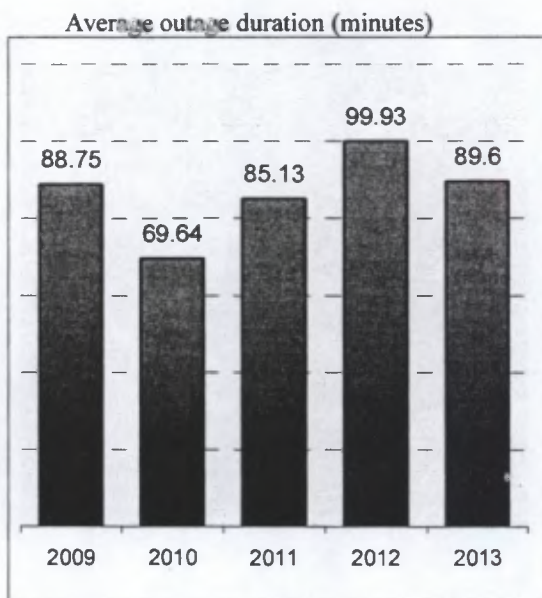
**Northern States Power Company  
Electric Utility - North Dakota**

**V. OUTAGE FREQUENCY AND DURATION INDICES**

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



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



**SAIFI - Largest Five Substations**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>5 Yr. Avg</u>
Gateway (GF)	0.18	0.68	0.78	0.59	0.54	0.55
Souris (Mnt)	0.48	0.29	0.88	0.36	1.08	0.62
Cass County (Fgo)	0.58	0.67	0.82	0.71	0.90	0.73
Nordic (GF)	0.57	2.52	0.88	1.01	0.58	1.11
Red River (Fgo)	1.03	1.96	1.02	0.70	0.86	1.11

**CAIDI - Largest Five Substations**

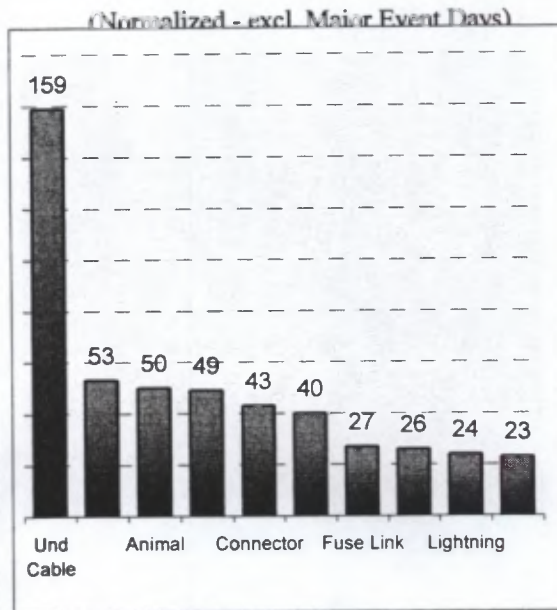
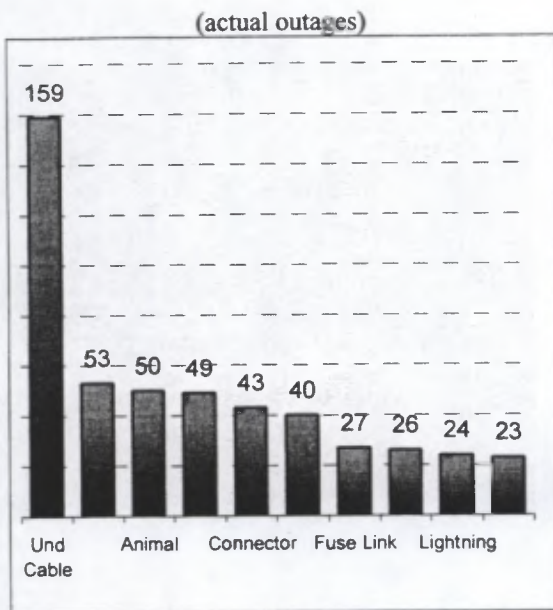
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>5 Yr. Avg</u>
Souris (Mnt)	61.0	82.7	71.2	105.8	72.4	78.6
Red River (Fgo)	81.4	70.3	73.8	110.1	88.7	84.9
Nordic (GF)	97.0	61.8	95.7	74.1	104.7	86.7
Gateway (GF)	122.1	47.9	109.1	89.1	100.3	93.7
Cass County (Fgo)	90.8	115.2	103.3	78.6	109.3	99.4

Data reflects outages lasting 5 minutes or longer. There were no Major Event Days in 2013 to normalize.

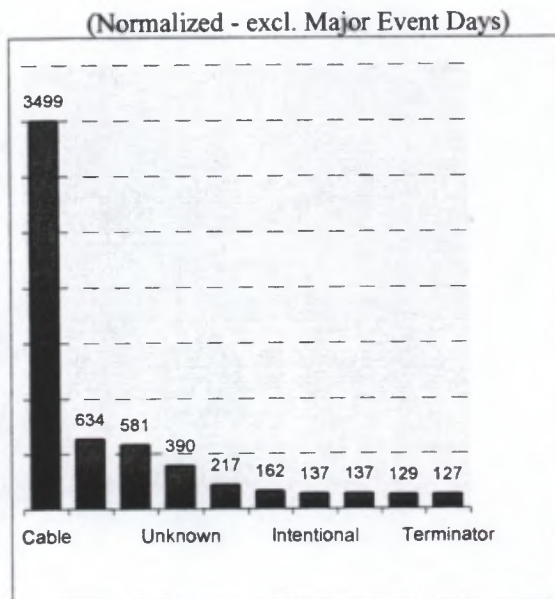
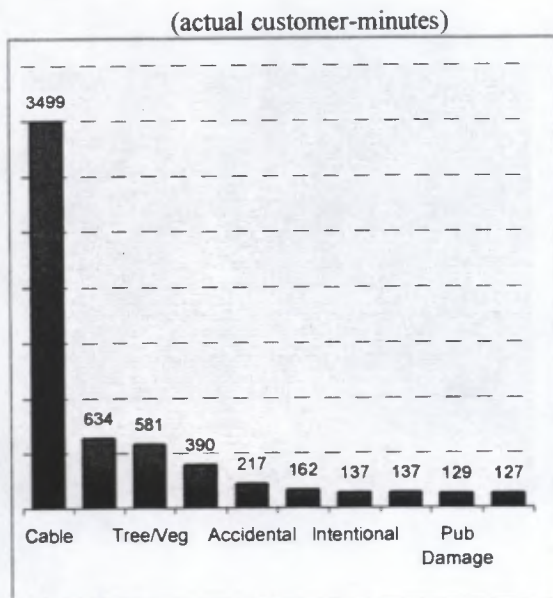
**Northern States Power Company  
Electric Utility - North Dakota**

**VI. MOST COMMON OUTAGE CAUSES**

**Top 10 Outage Causes**



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

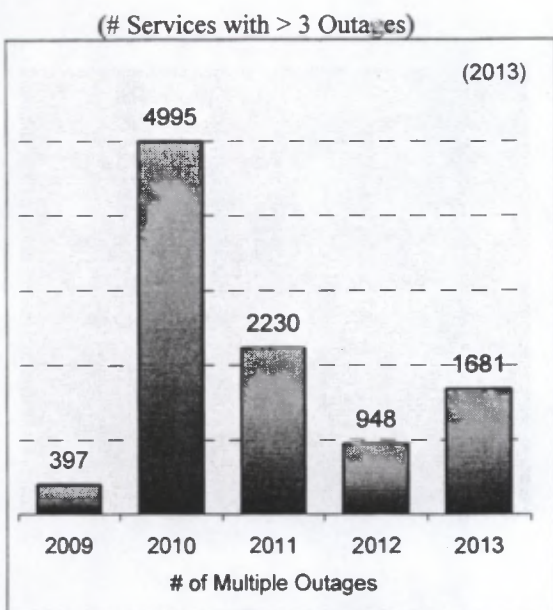


Note: Date reflects outages lasting 5 minutes or longer.

**Northern States Power Company  
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**VII. CEMI, FEEDER OUTAGES, AND UNDERGROUND CABLE FAILURES**

**Customers Experiencing Multiple Interruptions  
(CEMI)**



Note: Pre-2013 CEMI counts are approximations.

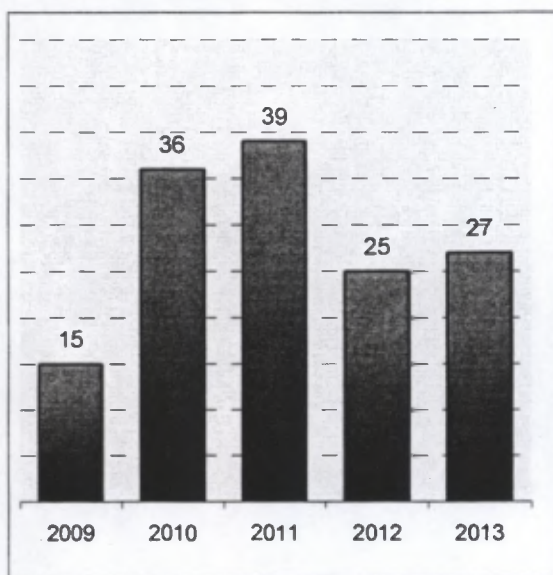
**Breakdown of 2013 CEMI Levels**

# Outages	Count
4	1,320
5	235
6+	126
	1,681

**CEMI Credits Issued**

2013	\$84,050
2014	
2015	
2016	

**Feeder-Level Outages**



**Underground Cable Failures**

Year	UG Cable Failures
2009	134
2010	137
2011	147
2012	139
2013	159

(reflects primary, secondary cable failures)

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

**Northern States Power Company  
Electric Utility - North Dakota**

**VIII. RELIABILITY PERFORMANCE PLAN RESULTS**

**A. SAIDI (System Average Interruption Duration Index)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1 Excellence Threshold (minutes):	57.0			
2 Actual SAIDI Result (minutes):	74.3			
3 Base Award:	\$0			
4 Authorized Return on Equity:	9.75%			
5 Actual Return on Equity:	9.17%			
6 Revenue Deficiency:	\$1,956,582			
<b>7 Final SAIDI Award:</b>	<b>\$0</b>			

**B. CEMI (Customers Experiencing Multiple Interruptions)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
8 # Customers receiving credits:	1,651			
<b>9 Total CEMI Payout:</b>	<b>\$84,050</b>			

**C. Reliability Satisfaction Survey**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
10 % Customers Rating "Positive" (6-10):	97%			
11 % Customers Rating "Excellent" (8-10):	86%			

**Northern States Power Company  
Electric Utility - North Dakota**

**IX. 2014 RELIABILITY PLAN SUMMARY**

**Overhead Line Upgrades - \$1,725,000**

Xcel Energy's 2014 capital budget includes about \$1,725,000 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. Large projects for this year include additional circuits in our Grand Forks and Fargo service territories. We will also be finishing the 2 year Cass County substation project that we started last year.

**Underground Cable Upgrade - \$900,000**

In 2013, Xcel Energy plans to spend about \$900,000 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 2014 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 - \$266,000**

Xcel Energy's 2013 pole replacement plan includes an operating and maintenance expense budget of \$266,000 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  
Electric Utility - North Dakota**

**I. SALES AND CUSTOMER DATA**

**Electric Utility (N. D. Jurisdiction)**

Line	Customers (@ Dec)	2013	2012	2011	2010	2009
1	Residential	78,156	77,231	76,126	76,319	75,608
2	Small C & I	12,317	12,182	12,033	12,078	11,989
3	Large C & I	20	21	20	20	19
4	PSHL/OSPA	330	322	280	284	283
5	Total Retail	90,823	89,756	88,459	88,701	87,899
Line	Mwh Sales	2013	2012	2011	2010	2009
6	Residential	827,062	758,810	776,125	769,024	794,420
7	Small C & I	1,108,370	1,069,443	1,085,821	1,057,747	1,116,612
8	Large C & I	335,530	349,595	350,764	349,581	310,239
9	PSHL/OSPA	30,582	29,553	29,790	29,528	25,354
10	Total Retail	2,301,544	2,207,401	2,242,500	2,205,880	2,246,625
11	Ave. ¢/Kwh	8.86¢	8.10¢	7.85¢	7.24¢	7.10¢
12	Ave. Res. Mo. Usage (kwh)	882	819	850	840	876
13	Ave. Res. Monthly Bill	\$86.26	\$74.46	\$75.16	\$68.32	\$69.96

# 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 Xcel Energy, Inc.	Engineering services	3,029,176	-
		<u>103,263,836</u>	<u>99,207,603</u>

### 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	\$47,590,388	\$0	100.0%	0.0%	6.3651%	10.1365%
	<u>\$1,429,056,742</u>	<u>\$1,064,145,974</u>				

### 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	\$36,789,427	\$2,246,546	\$68,398,469	\$4,176,753	Demand	6.1065%
Electric Total	<u>\$452,572,580</u>	<u>\$28,488,196</u>	<u>\$136,916,849</u>	<u>\$8,441,856</u>		

#### 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%