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May 1, 2015

Darrell Nitschke, Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 58505-0480



Re: 2014 REPORT OF REGULATED EARNINGS FOR XCEL ENERGY'S  
NORTH DAKOTA ELECTRIC AND NATURAL GAS OPERATIONS

Dear Mr. Nitschke:

Attached is an electronic version of Xcel Energy's Annual Report of 2014 regulated electric and natural gas earnings in North Dakota. Also included for your reference are the 2014 Shareholder's Annual Report and a copy of Northern States Power Company-Minnesota's 2014 FERC Form 1.

One original and two copies of this report will be sent by mail under this cover letter to the Commission as well.

Please contact me if you have any questions or comments.

Sincerely,

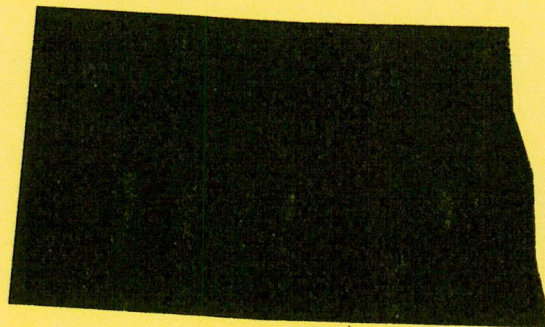
DAVID H. SEDERQUIST  
SR. CONSULTANT, REGULATION/FINANCE

c: Mike Diller

Enclosures

**ANNUAL REPORT**  
**OF**  
**NORTHERN STATES POWER COMPANY**  
**(A MINNESOTA CORPORATION)**  
**TO THE**  
**NORTH DAKOTA PUBLIC SERVICE COMMISSION**  
**FOR THE YEAR ENDING**  
**DECEMBER 31, 2014**

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



**2014**

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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>2014</u>	<u>2013</u>
1 Operating Income from Gas Operations (G-2):	\$4,224	\$3,851
2 Average Regulated Rate Base (G-3):	\$48,341	\$43,432
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	8.74%	8.87%
4 Weighted Cost of Debt (G-4):	2.23%	2.29%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	52.87%	52.67%
7 <b>Return on Equity (ROE):</b>	<b>12.31%</b>	<b>12.49%</b>

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2014</u>	<u>2013</u>
8 Operating Income from Gas Operations:	\$4,224	\$3,851
9 Impact of weather on Mcf Sales:	534,448	686,199
10 Impact of weather on Gas Operating Income :	\$186	\$251
11 Weather-Normalized Operating Income:	\$4,038	\$3,600
12 Average Regulated Rate Base:	\$48,341	\$43,432
13 Weather-Normal Rate of Return on Rate Base (ROR):	8.34%	8.29%
14 <b>Weather-Normalized Return on Equity (ROE):</b>	<b>11.56%</b>	<b>11.39%</b>

# Northern States Power Company Natural Gas Utility - North Dakota

(Dollars In Thousands)

## II. OPERATING INCOME

<u>Line Item</u>	<u>2014 Total NSP</u>	<u>2014* N.D. Juris.</u>	<u>N. D. %</u>	<u>2013 N.D. Juris.</u>	<u>Annual Change</u>
<b><u>Operating Revenues:</u></b>					
1 Residential	139,737	9,686	6.9%	9,385	3.21%
2 Firm C & I	58,591	8,464	14.4%	7,951	6.45%
3 Interruptible C & I	<u>13,088</u>	<u>1,732</u>	<u>13.2%</u>	1,524	<u>13.61%</u>
4 Total Retail	211,415	19,881	9.4%	18,860	5.42%
5 Interdepartmental Generation	175	0	0.0%	0	0.00%
6 Transportation	8,782	372	4.2%	167	122.36%
7 Other	<u>8,399</u>	<u>551</u>	<u>6.6%</u>	<u>380</u>	<u>45.21%</u>
8 Total Revenues:	<u>228,772</u>	<u>20,804</u>	<u>9.1%</u>	<u>19,407</u>	<u>7.20%</u>
<b><u>Operating Expenses:</u></b>					
9 Production	5,923	655	11.1%	474	38.12%
10 Transmission	2,037	228	11.2%	229	-0.58%
11 Distribution	31,539	4,065	12.9%	3,732	8.93%
12 Customer Billing	13,275	1,543	11.6%	1,493	3.36%
13 Customer Service	18,836	271	1.4%	262	3.67%
14 Sales & Marketing	11	0	0.9%	6	0.00%
15 Admin. & General	21,977	2,216	10.1%	2,135	3.77%
16 Depreciation & Amortizations	44,583	4,312	9.7%	3,589	20.12%
17 Property Taxes	19,240	916	4.8%	1,002	-8.60%
18 Payroll & Other Taxes	2,557	250	9.8%	260	-3.75%
19 Income Taxes	0	0	0.0%	626	-100.00%
20 Deferred Income Taxes	<u>23,061</u>	<u>2,125</u>	<u>9.2%</u>	<u>1,748</u>	<u>21.58%</u>
21 Total Expenses:	<u>183,039</u>	<u>16,580</u>	<u>9.1%</u>	<u>15,556</u>	<u>6.58%</u>
22 Regulated Operating Income	<u>45,733</u>	<u>4,224</u>	<u>9.2%</u>	<u>3,850</u>	<u>9.69%</u>

\*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>	<u>2014 Total NSP</u>	<u>2014 N.D. Juris.</u>	<u>N. D. %</u>	<u>2013 N.D. Juris.</u>	<u>Annual Change</u>
1	Plant in Service	1,182,130	114,394	9.7%	104,689	9.3%
2	Accumulated Depreciation	<u>568,113</u>	<u>54,890</u>	<u>9.7%</u>	<u>51,340</u>	<u>6.9%</u>
3	Net Plant in Service	614,017	59,503	9.7%	53,349	11.5%
4	Plant Held for Future Use			*	0	*
5	Construct Work in Progress	3,425	325	9.5%	452	-28.2%
6	Materials and Supplies	1,280	132	10.3%	114	16.5%
7	Fuel Stocks	37,222	4,149	11.1%	4,053	2.4%
8	Prepayments & Other	(69)	(541)	781.8%	(449)	20.5%
9	Customer Deposits	(968)	(100)	10.3%	(102)	-2.1%
10	Cash Working Capital	0	0	*	0	*
11	Other Rate Base 1	22	1	5.8%	(323)	-100.4%
12	Accum. Deferred Taxes	<u>(164,525)</u>	<u>(15,129)</u>	<u>9.2%</u>	<u>(13,662)</u>	<u>10.7%</u>
13	Total Other Rate Base	(123,613)	(11,163)	9.0%	(9,917)	12.6%
14	<b>Total Average Rate Base</b>	<b>490,404</b>	<b>48,341</b>	<b>9.9%</b>	<b>43,432</b>	<b>11.3%</b>

<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.

All percentages calculated on whole numbers

# Northern States Power Company Natural Gas Utility - North Dakota

(Dollars In Thousands)

## IV. COST OF CAPITAL

### 2014 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	\$4,002,684	45.47%	4.89%	2.22%
2	Short-Term Debt	<u>\$146,333</u>	<u>1.66%</u>	<u>0.65%</u>	<u>0.01%</u>
3	Total Debt	\$4,149,017	47.13%	5.54%	2.23%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$4,653,572</u>	<u>52.87%</u>	<u>12.31%</u>	6.50%
6	Total Equity	\$4,653,572	52.87%		
7	Total Capital	\$8,802,589	100.00%		8.74%

### 2014 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	\$4,002,684	45.47%	4.89%	2.22%
2	Short-Term Debt	<u>\$146,333</u>	<u>1.66%</u>	<u>0.65%</u>	<u>0.01%</u>
3	Total Debt	\$4,149,017	47.13%	5.54%	2.23%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$4,653,572</u>	<u>52.87%</u>	<u>11.56%</u>	6.11%
6	Total Equity	\$4,653,572	52.87%		
7	Total Capital	\$8,802,589	100.00%		8.34%

**Xcel Energy**  
**Natural Gas Utility - State of North Dakota**  
**2014 Demand Side Management Activity Report**

<b>2014 Results</b>			
<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	80	na	\$32,022
Furnace/Boiler Rebates	745	12,326	\$96,951
Water Heater Rebates	27	141	\$4,000
Efficiency Showerheads	<u>757</u>	<u>1,100</u>	<u>\$7,038</u>
Totals	<u>1,609</u>	<u>13,567</u>	<u>\$140,011</u>

<b>Test Year Projections*(Goals)</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>

**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 2014. Xcel Energy continued its promotional focus on Home Energy Audits as it did in 2013, and the response was similar. Extreme weather conditions during the winter 2014 contributed to the Heating System Rebate program's high performance. Direct mail, trade newsletters, bill messaging, and sports arena advertising continue to be the primary tactics used to reach customers for all of the programs. As in the past, trade relations is the strongest marketing tactic for these programs.

\* Per Settlement in Case No. PU-06-525

# 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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
14	Residential	44,569	43,100	41,815	40,736	40,047
15	Firm C & I	7,670	7,397	7,195	7,074	6,892
16	Interruptible C & I	<u>110</u>	<u>118</u>	<u>115</u>	<u>118</u>	<u>118</u>
17	Total Retail	52,349	50,615	49,125	47,928	47,057
18	Transportation	1	1	2	2	2
<u>Line</u>	<u>Mcf Sales</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
19	Residential	3,852	3,660	2,779	3,062	2,948
20	Firm C & I	5,303	4,902	3,778	4,081	3,849
21	Interruptible C & I	<u>2,370</u>	<u>2,158</u>	<u>1,895</u>	<u>1,883</u>	<u>1,737</u>
22	Total Retail	11,524	10,720	8,452	9,026	8,534
23	Transportation	782	947	885	1,090	1,155
<u>Line</u>	<u>Retail Revenues</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
24	Revenue excluding Cost of Gas	19,881	18,860	17,225	63,379	62,431
25	Cost of Gas	<u>66,931</u>	<u>47,119</u>	<u>35,286</u>	<u>included</u>	<u>included</u>
26	Total Revenues	86,812	65,978	52,511	63,379	62,431
27	Ave. Retail \$/mcf	\$7.53	\$6.15	\$6.21	\$7.02	\$7.32
28	Ave. Res. Mo. Usage (ccf)	72	71	55	63	61
29	Ave. Res. Monthly Bill	\$61.24	\$50.17	\$42.93	\$51.47	\$52.25

# Northern States Power Company Electric Utility - North Dakota

## II. AFFILIATED TRANSACTION SUMMARY

			<b>North Dakota Jurisdiction Electric and Gas Totals (1)</b>	
<b>Affiliate Name</b>	<b>Services Rendered</b>		<b>Expense (2)</b>	<b>Revenue (3)</b>
1	NSP Wisconsin	Electric and Gas Utility	9,248,901	31,707,511
2	Public Service of Colorado	Electric and Gas Utility	4,961	20,102
3	Southwestern Public Service	Electric Utility	930	3,380
4	Hayden Joint Venture	Electric Utility	-	152
5	Xcel Energy Services	Xcel Energy Inc. Service Company	84,061,214	55,963,055
6	Xcel Energy, Inc.	Engineering services	10,708,267	-
			104,024,273	87,694,200

### 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 Wisconsin	620,425	19,070,216	92.1480%	7.8520%	6.3908%	10.3422%
PSCo	77,629	314,550	100.0000%	0.0000%	6.3908%	0.0000%
SPS	14,559	52,894	100.0000%	0.0000%	6.3908%	0.0000%
Hayden Joint V	-	2,371	100.0000%	0.0000%	6.3908%	0.0000%
XES	1,254,445,783	835,136,859	92.1480%	7.8520%	6.3908%	10.3422%
XEI	167,557,531	-	100.0000%	0.0000%	6.3908%	0.0000%
	<u>\$1,422,715,928</u>	<u>\$854,576,890</u>				

### Notes:

#### Allocation of Revenues & Expenses between NSP Minnesota and Affiliates

Common Allocation Method: Labor

	<u>Electric</u>	<u>Gas</u>		
Utility Labor Allocator	92.1480%	7.8520%	Load Dispatch	11.1726%
ND Jur. Customer Allocator	6.3908%	10.3422%	Design Day	11.0438%

Factor Formula: ((Util Elec)\*ND Jur Ele)+((Util Gas)\*ND Jur Gas) = 6.7011%

#### 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	\$229,487,573	\$14,487,092	\$47,367,936	\$2,990,243	Demand	6.3128%
Variable	\$208,187,681	\$13,604,440	\$21,335,007	\$1,394,179	Energy	6.5347%
Transmission	\$36,866,599	\$2,327,315	\$76,398,802	\$4,822,904	Demand	6.3128%
Electric Total	\$474,541,853	\$30,418,847	\$145,101,746	\$9,207,325		

#### Gas SCADA Agreement

	<u>Total Rev</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
SCADA	96,284	10,757	Load Dispatch	11.1726%