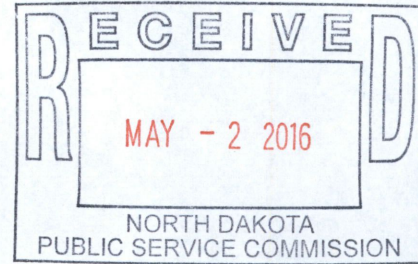




2302 Great Northern Drive
P O Box 2747
Fargo, ND 58108-2747
(701) 241-8632
dave.sederquist@xcelenergy.com

May 2, 2016

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



Re: 2015 REPORTS OF REGULATED EARNINGS FOR XCEL ENERGY'S
NORTH DAKOTA ELECTRIC AND NATURAL GAS OPERATIONS

Dear Mr. Nitschke:

Attached are electronic versions of Xcel Energy's Annual Reports of 2015 regulated earnings for our electric and natural gas operations in North Dakota. Also included for your reference are the 2015 Shareholder's Annual Report and a copy of Northern States Power Company-Minnesota's 2015 FERC Form 1.

One original and two copies of each of these reports 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, 2015

North Dakota Jurisdiction
Natural Gas Utility



2015

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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>2015</u>	<u>2014</u>
1 Operating Income from Gas Operations (G-2):	\$3,219	\$4,224
2 Average Regulated Rate Base (G-3):	\$50,287	\$48,341
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	6.40%	8.74%
4 Weighted Cost of Debt (G-4):	2.25%	2.23%
5 Weighted Cost of Preferred Stock (G-4):	0.00%	0.00%
6 % of Equity in Capital Structure (G-4):	52.76%	52.87%
7 Return on Equity (ROE):	7.87%	12.31%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2015</u>	<u>2014</u>
8 Operating Income from Gas Operations:	\$3,219	\$4,224
9 Impact of weather on Mcf Sales:	(1,524,738)	534,448
10 Impact of weather on Gas Operating Income :	(\$260)	\$186
11 Weather-Normalized Operating Income:	\$3,479	\$4,038
12 Average Regulated Rate Base:	\$50,197	\$48,341
13 Weather-Normal Rate of Return on Rate Base (ROR):	6.93%	8.34%
14 Weather-Normalized Return on Equity (ROE):	8.87%	11.56%

**Northern States Power Company
Natural Gas Utility - North Dakota**

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line Item</u>	<u>2015 Total NSP</u>	<u>2015* N.D. Juris.</u>	<u>N. D. %</u>	<u>2014 N.D. Juris.</u>	<u>Annual Change</u>
<u>Operating Revenues:</u>					
1 Residential	131,087	10,024	7.6%	9,686	3.49%
2 Firm C & I	54,844	7,986	14.6%	8,464	-5.65%
3 Interruptible C & I	<u>11,234</u>	<u>1,603</u>	<u>14.3%</u>	<u>1,732</u>	<u>-7.44%</u>
4 Total Retail	197,165	19,613	9.9%	19,881	-1.35%
5 Interdepartmental Generation	130	0	0.0%	0	0.00%
6 Transportation	9,764	130	1.3%	372	-64.93%
7 Other	<u>3,697</u>	<u>505</u>	<u>13.7%</u>	<u>551</u>	<u>-8.39%</u>
8 Total Revenues:	210,756	20,248	9.6%	20,804	-2.67%
<u>Operating Expenses:</u>					
9 Production	2,772	177	6.4%	655	-73.04%
10 Transmission	3,118	444	14.2%	228	95.05%
11 Distribution	36,197	4,675	12.9%	4,065	15.01%
12 Customer Billing	12,803	1,527	11.9%	1,543	-1.05%
13 Customer Service	7,675	270	3.5%	271	-0.47%
14 Sales & Marketing	4	0	1.2%	0	-48.45%
15 Admin. & General	22,148	2,334	10.5%	2,216	5.35%
16 Depreciation & Amortizations	54,421	4,982	9.2%	4,312	15.54%
17 Property Taxes	18,470	937	5.1%	916	2.34%
18 Payroll & Other Taxes	2,540	271	10.7%	250	8.29%
19 Income Taxes	3,496	0	0.0%	0	0.00%
20 Deferred Income Taxes	<u>11,798</u>	<u>1,412</u>	<u>12.0%</u>	<u>2,125</u>	<u>-33.54%</u>
21 Total Expenses:	175,442	17,029	9.7%	16,580	2.71%
22 Regulated Operating Income	35,314	3,219	9.1%	4,224	-23.79%

*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 Item</u>	<u>2015 Total NSP</u>	<u>2015 N.D. Juris.</u>	<u>N. D. %</u>	<u>2014 N.D. Juris.</u>	<u>Annual Change</u>
1 Plant in Service	1,255,902	124,575	9.9%	114,394	8.9%
2 Accumulated Depreciation	<u>601,191</u>	<u>59,074</u>	<u>9.8%</u>	<u>54,890</u>	<u>7.6%</u>
3 Net Plant in Service	654,711	65,501	10.0%	59,503	10.1%
4 Plant Held for Future Use			*	0	*
5 Construct Work in Progress	1,875	179	9.5%	325	-45.0%
6 Materials and Supplies	853	90	10.6%	132	-31.9%
7 Fuel Stocks	31,471	3,536	11.2%	4,149	-14.8%
8 Prepayments & Other	(222)	(686)	309.6%	(541)	26.9%
9 Customer Deposits	(949)	(100)	10.6%	(100)	0.2%
10 Cash Working Capital	0	0	*	0	*
11 Other Rate Base 1	(1,240)	(147)	11.8%	1	-11719.3%
12 Accum. Deferred Taxes	<u>(178,210)</u>	<u>(18,086)</u>	<u>10.1%</u>	<u>(15,129)</u>	<u>19.5%</u>
13 Total Other Rate Base	(146,422)	(15,214)	10.4%	(11,163)	36.3%
14 Total Average Rate Base	508,289	50,287	9.9%	48,341	4.0%

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

2015 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	\$4,248,830	46.15%	4.85%	2.24%
2	Short-Term Debt	<u>\$100,750</u>	<u>1.09%</u>	<u>0.93%</u>	<u>0.01%</u>
3	Total Debt	\$4,349,580	47.24%	5.78%	2.25%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$4,856,662</u>	<u>52.76%</u>	<u>7.87%</u>	4.15%
6	Total Equity	\$4,856,662	52.76%		
7	Total Capital	\$9,206,242	100.00%		6.40%

2015 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	\$4,248,830	46.15%	4.85%	2.24%
2	Short-Term Debt	<u>\$100,750</u>	<u>1.09%</u>	<u>0.93%</u>	<u>0.01%</u>
3	Total Debt	\$4,349,580	47.24%	5.78%	2.25%
4	Preferred Stock	\$0	0.00%	0.00%	0.00%
5	Common Equity	<u>\$4,856,662</u>	<u>52.76%</u>	<u>8.87%</u>	4.68%
6	Total Equity	\$4,856,662	52.76%		
7	Total Capital	\$9,206,242	100.00%		6.93%

Xcel Energy
Natural Gas Utility - State of North Dakota
2015 Demand Side Management Activity Report

2015 Results

<u>Program</u>	<u>Customers</u>	<u>Dkth Savings</u>	<u>Expenses</u>
Home Energy Audits	55	na	\$28,296
Furnace/Boiler Rebates	723	11,419	\$102,456
Water Heater Rebates	19	79	\$5,379
Efficiency Showerheads	170	374	\$4,107
Totals	<u>967</u>	<u>11,872</u>	<u>\$140,237</u>

Guiding Objective (2007 Test Year*)

<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	2,000	3,940	\$14,000
Totals	<u>2,830</u>	<u>10,454</u>	<u>\$138,260</u>

2015 ND Residential Gas Programs Summary

The Home Energy Audit program along with the prescriptive Heating System and Water Heating rebate programs were cross-marketed together in 2015 whenever possible to save on promotional dollars. The rebate programs also were promoted to the area trade via a newsletter, emails to participating HVAC installers, and through bill inserts to eligible customers. As Xcel Energy continues its efforts to enhance Home Energy Audit program awareness and promote sign-ups, this program proves more difficult to attract customers over time. Anecdotally, this past winter was less severe, and often Home Energy Audit programs are driven by seasonal extremes. The Heating System Rebate program performed well and was just slightly under 2014 achievement. We implemented a new marketing strategy for the Water Heating Rebate program with one area retailer willing to display program signage and information in its store. The program did not achieve as many successful applications as in the previous year, but the tactic is having a delayed reaction and providing promising results in early 2016. As in past years, we lowered our participant goal for the Energy Efficient Showerhead program to allow budget flexibility to support the popular Heating System Rebate program.

* 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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
14	Residential	45,846	44,569	43,100	41,815	40,736
15	Firm C & I	7,974	7,670	7,397	7,195	7,074
16	Interruptible C & I	<u>108</u>	<u>110</u>	<u>118</u>	<u>115</u>	<u>118</u>
17	Total Retail	53,928	52,349	50,615	49,125	47,928
18	Transportation	1	1	1	2	2
<u>Line</u>	<u>Mcf Sales</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
19	Residential	3,281	3,852	3,660	2,779	3,062
20	Firm C & I	4,760	5,303	4,902	3,778	4,081
21	Interruptible C & I	<u>2,040</u>	<u>2,370</u>	<u>2,158</u>	<u>1,895</u>	<u>1,883</u>
22	Total Retail	10,081	11,524	10,720	8,452	9,026
23	Transportation	710	782	947	885	1,090
<u>Line</u>	<u>Retail Revenues</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
24	Revenue excluding Cost of Gas	19,613	19,881	18,860	17,225	63,379
25	Cost of Gas	<u>44,098</u>	<u>66,931</u>	<u>47,119</u>	<u>35,286</u>	included ^a
26	Total Revenues	63,711	86,812	65,978	52,511	63,379
27	Ave. Retail \$/mcf	\$6.32	\$7.53	\$6.15	\$6.21	\$7.02
28	Ave. Res. Mo. Usage (ccf)	60	72	71	55	63
29	Ave. Res. Monthly Bill	\$45.46	\$61.24	\$50.17	\$42.93	\$51.47

(a) 2011 weather was the last year that the Company included the cost of gas in it's annual report to the North Dakota Public Service Commission.

**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 Wisconsin	Electric and Gas Utility	10,470,570	31,381,304		
2	Public Service of Colorado	Electric and Gas Utility	8,538	12,329		
3	Southwestern Public Service	Electric Utility	386	1,855		
4	Hayden Joint Venture	Electric Utility	-	-		
5	Xcel Energy Services	Xcel Energy Inc. Service Company	77,060,783	48,242,104		
6	Xcel Energy, Inc.	Engineering services	5,663,559	639		
			<u>93,203,835</u>	<u>79,638,231</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 Wisconsin	321,191	14,397,569	92.2367%	7.7633%	6.4239%	10.5733%
PSCo	132,907	191,919	100.0000%	0.0000%	6.4239%	0.0000%
SPS	6,003	28,871	100.0000%	0.0000%	6.4239%	0.0000%
Hayden Joint Venture	-	-	100.0000%	0.0000%	6.4239%	0.0000%
XES	1,142,313,010	715,118,392	92.2367%	7.7633%	6.4239%	10.5733%
XEI	88,163,876	9,942	100.0000%	0.0000%	6.4239%	0.0000%
	<u>\$1,230,936,986</u>	<u>\$729,746,693</u>				

Notes:

Allocation of Revenues & Expenses between NSP Minnesota and Affiliates

Common Allocation Method: Labor

	<u>Electric</u>	<u>Gas</u>		
Utility Labor Allocator	92.2367%	7.7633%	Load Dispatch	11.0931%
ND Jur. Customer Allocator	6.4239%	10.5733%	Design Day	11.5758%

Factor Formula: ((Util Elec)*ND Jur Ele)+((Util Gas)*ND Jur Gas) = 6.7460%

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	\$228,879,913	\$14,628,173	\$52,974,220	\$3,385,688	Demand	6.3912%
Variable	\$197,322,241	\$12,779,575	\$17,529,413	\$1,135,292	Energy	6.4765%
Transmission	\$46,896,539	\$2,997,252	\$92,751,312	\$5,927,922	Demand	6.3912%
Electric Total	\$473,098,693	\$30,405,000	\$163,254,944	\$10,448,903		

Gas SCADA Agreement

	<u>Total Rev</u>	<u>ND Alloc.</u>	<u>Alloc Method</u>	<u>ND Alloc %</u>
SCADA	45,433	5,040	Load Dispatch	11.0931%