

**ROE = 5.38%**

**ADDENDUM**

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**Northern States Power Company (SD)  
Electric Utility - South Dakota Retail Jurisdiction  
Cost of Service Study  
2012 Actuals**

**Summary Reports**

**June 3, 2013**

**Northern States Power Company (SD)**  
**Electric Utility - South Dakota Retail Jurisdiction**  
**Cost of Service Study**  
**2012 Actuals**

(Dollars in Thousands)

**Rate Base Summary**

	<b>Total Company Electric</b>			<b>SD Retail Electric</b>			<b>All Other</b>		
	<b><u>Beginning Balance</u></b>	<b><u>Ending Balance</u></b>	<b><u>Average Balance</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Ending Balance</u></b>	<b><u>Average Balance</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Ending Balance</u></b>	<b><u>Average Balance</u></b>
1 Plant Investment	14,121,388	14,575,762	14,348,575	857,571	889,529	873,550	13,263,817	13,686,233	13,475,025
2 Depreciation Reserve	(6,843,134)	(7,093,298)	(6,968,216)	(415,369)	(430,754)	(423,062)	(6,427,765)	(6,662,544)	(6,545,154)
3 Net Utility Plant	7,278,254	7,482,464	7,380,359	442,202	458,775	450,488	6,836,052	7,023,689	6,929,871
4 C.W.I.P.	0	0	0	0	0	0	0	0	0
5 Accumulated Deferred Taxes	(1,657,764)	(1,863,754)	(1,760,759)	(88,781)	(98,540)	(93,660)	(1,568,983)	(1,765,214)	(1,667,099)
Other Rate Base:									
6 Cash Working Capital	0	0	0	0	0	0	0	0	0
7 Materials & Supplies	128,683	128,683	128,683	7,793	7,793	7,793	120,890	120,890	120,890
8 Fuel Inventory	90,424	90,424	90,424	5,256	5,256	5,256	85,168	85,168	85,168
9 Non-Plant Assets & Liab	44,175	(31,264)	6,456	2,678	(2,013)	333	41,497	(29,251)	6,123
10 Prepays & Other	71,197	100,703	85,950	8,389	10,137	9,263	62,808	90,566	76,687
<b>11 Total Rate Base</b>	<b>5,954,969</b>	<b>5,907,256</b>	<b>5,931,113</b>	<b>377,537</b>	<b>381,408</b>	<b>379,473</b>	<b>5,577,432</b>	<b>5,525,848</b>	<b>5,551,640</b>

Northern States Power Company (SD)  
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(Dollars in Thousands)

**Income Statement Summary**

	<b><u>Total Company Electric</u></b>	<b><u>SD Retail Electric</u></b>	<b><u>All Other</u></b>	
<b><u>Operating Revenues</u></b>				
1	Retail	3,124,045	176,435	2,947,610
2	CIP Adjustment to Program Costs	0	-	0
3	Interdepartmental	532	-	532
4	Other Operating	673,326	38,128	635,198
5	Gross Earnings Tax	0	-	0
6	<b>Total Operating Revenues</b>	<b>3,797,903</b>	<b>214,563</b>	<b>3,583,340</b>
<b><u>Expenses</u></b>				
Operating Expenses:				
7	Fuel & Purchased Energy	1,242,746	72,590	1,170,156
8	Power Production	727,894	43,932	683,962
9	Transmission	210,577	12,953	197,624
10	Distribution	111,134	6,949	104,185
11	Customer Accounting	53,705	3,596	50,109
12	Customer Service & Information	103,566	1,005	102,561
13	Sales, Econ Dvlp & Other	68	2	66
14	Administrative & General	222,517	13,545	208,972
15	<b>Total Operating Expenses</b>	<b>2,672,207</b>	<b>154,572</b>	<b>2,517,635</b>
16	Depreciation	351,275	21,582	329,693
17	Amortization	19,892	393	19,499
Taxes:				
18	Property	151,204	7,313	143,891
19	Gross Earnings	0	-	0
20	Deferred Income Tax & ITC	169,718	7,725	161,993
21	State & Federal Income (see Page 3)	0	0	(0)
22	Payroll & Other	31,462	1,941	29,521
23	<b>Total Taxes</b>	<b>352,384</b>	<b>16,979</b>	<b>335,405</b>
24	<b>Total Expenses</b>	<b>3,395,758</b>	<b>193,526</b>	<b>3,202,232</b>
25	AFUDC	0	-	0
26	<b>Total Operating Income</b>	<b>402,145</b>	<b>21,037</b>	<b>381,108</b>

(Dollars in Thousands)

Income Tax Summary

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
<b><u>Income Before Taxes</u></b>			
1 Total Operating Revenues	3,797,903	214,563	3,583,340
2 less: Total Operating Expenses	(2,672,207)	(154,572)	(2,517,635)
3 Book Depreciation & Amortization	(371,167)	(21,975)	(349,192)
4 Taxes (Other Than Current Income)	(352,384)	(16,979)	(335,405)
5 <b>Total Before Tax Book Income</b>	<b>402,145</b>	<b>21,037</b>	<b>381,108</b>
<b><u>Tax Additions</u></b>			
6 Book Depreciation	351,275	21,582	329,693
7 Deferred Income Taxes & ITC	169,718	7,725	161,993
8 Nuclear Fuel Burn (ex D&D)	114,221	6,919	107,302
9 Nuclear Outage Accounting	57,969	3,443	54,526
10 Avoided Tax Interest	30,012	1,826	28,186
11 Open Line	0	0	0
12 Open Line	0	0	0
13 Open Line	0	0	0
14 Open Line	0	0	0
15 Open Line	0	0	0
16 Other Book Additions	0	0	0
17 <b>Total Tax Additions</b>	<b>723,195</b>	<b>41,495</b>	<b>681,700</b>
<b><u>Tax Deductions</u></b>			
18 Debt Interest Expense	157,174	10,056	147,118
19 Tax Depreciation & Removal	1,047,898	57,427	990,471
20 Manufacture Production Deduction	0	0	0
21 Open	0	0	0
22 Open	0	0	0
23 Open	0	0	0
24 Other Tax/Book Timing Differences	(79,732)	(4,951)	(74,781)
25 Net Preferred Stock Deduction	0	0	0
26 <b>Total Tax Deductions</b>	<b>1,125,340</b>	<b>62,532</b>	<b>1,062,808</b>
27 <b>State Taxable Income</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
28 State Income Tax Rate	9.08%	0.00%	N/A
29 State Taxes before Credits	0	0	0
30 State Credits	0	0	0
31 <b>Total State Income Taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>
32 <b>Federal Taxable Income</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
33 Federal Income Tax Rate	35.00%	35.00%	35.00%
34 Federal Tax before Credits	0	0	(0)
35 Federal Tax Credits	0	0	0
36 <b>Total Federal Income Taxes</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
37 <b>Total Federal &amp; State Income Taxes</b>	<b>0</b>	<b>0</b>	<b>(0)</b>

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**Revenue Requirement & Return Summary**

(Dollars in Thousands)

	<u>Capital Structure</u>	<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>	<u>Composite Income Tax Rates</u>	
1	Long Term Debt	5.7395%	46.1872%	2.6500%	State of South Dakota Tax rate	0.00%
2	Short Term Debt	0.0000%	0.0000%	0.0000%	Federal Statutory Tax rate	35.00%
3	Preferred Stock	0.0000%	0.0000%	0.0000%	Federal Effective Tax Rate (1-State Rate*Fed Rate)	35.00%
4	Common Equity	9.2500%	53.8128%	4.9800%	<b>Total South Dakota Composite Tax Rate</b>	<b>35.00%</b>
5	<b>Required Rate of Return</b>			<b>7.6300%</b>	<b>Total Corporate Composite Tax Rate</b>	<b>40.90%</b>

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
<b><u>Rate of Return (ROR)</u></b>			
6	Total Operating Income	402,145	21,037
7	Total Average Rate Base	5,931,113	379,473
8	<b>ROR (Operating Income / Rate Base)</b>	<b>6.78%</b>	<b>5.54%</b>

<b><u>Return on Equity (ROE)</u></b>			
9	Total Operating Income	402,145	21,037
10	Debt Interest (Rate Base * Weighted Debt Cost)	(157,174)	(10,056)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	0	0
12	Earnings Available for Common	244,970	10,981
13	Equity Rate Base ( Rate Base * Equity Ratio)	3,191,698	204,205
14	<b>ROE (Earnings for Common / Equity Rate Base)</b>	<b>7.68%</b>	<b>5.38%</b>

<b><u>Revenue Deficiency</u></b>			
15	Require Operating Income (Rate Base * Required Return)	452,544	28,954
16	Operating Income	402,145	21,037
17	Operating Income Deficiency	50,399	7,917
18	Revenue Conversion Factor ( 1/(1-Composite Tax Rate) )	1.69207	1.53846
19	<b>Revenue Deficiency (Income Deficiency * Conversion Factor)</b>	<b>85,279</b>	<b>12,180</b>

<b><u>Total Retail Revenue Requirements</u></b>			
20	Retail Related Revenues	3,124,577	176,435
21	Revenue Deficiency	85,279	12,180
22	<b>Total Retail Revenue Requirements</b>	<b>3,209,856</b>	<b>188,615</b>
23	<b><u>Percentage Increase (Decrease)</u></b>	<b>2.73%</b>	<b>6.90%</b>