

ANNUAL REPORT
OF
JURISDICTIONAL EARNINGS
BY
NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION
TO THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

FOR THE YEAR ENDING
DECEMBER 31, 2012

South Dakota Jurisdiction
Electric Utility



2012

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Electric Utility

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Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2012</u>	<u>2011</u>
1 Operating Income from Electric Operations (E-2):	\$21,037	\$18,043
2 Average Regulated Rate Base (E-3):	\$379,473	\$355,130
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	5.54%	5.08%
4 Weighted Cost of Debt (E-4):	2.65%	2.88%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	53.81%	52.89%
7 Return on Equity (ROE):	5.38%	4.16%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2012</u>	<u>2011</u>
8 Operating Income from Electric Operations:	\$21,037	\$18,043
9 Impact of weather on Mwh Sales:	27,388	13,194
10 Impact of weather on Electric Operating Income :	\$1,035	\$484
11 Weather-Normalized Operating Income:	\$20,002	\$17,559
12 Average Regulated Rate Base:	\$379,473	\$355,130
13 Weather-Normal Rate of Return on Rate Base (ROR):	5.27%	4.94%
14 Weather-Normalized Return on Equity (ROE):	4.86%	3.90%

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II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2012</u> <u>Total NSP</u>	<u>2012</u> <u>S.D. Juris.</u>	<u>2011</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<u>Operating Revenues:</u>					
1	Residential	1,166,495	74,152	68,487	8.3%
2	Small Comm. & Ind.	1,326,542	78,355	71,630	9.4%
3	Large Comm. & Ind.	633,557	22,548	20,428	10.4%
4	Public Street & Highway Ltg	26,142	1,378	1,312	5.0%
5	Other Sales to Publ Auth	<u>8,330</u>	<u>3</u>	<u>3</u>	13.8%
	Total Retail	3,161,066	176,436	161,860	9.0%
6	Interdepartmental	532	0	0	*
7	Sales for Resale	69,229	3,997	3,892	2.7%
8	Interchange Agreement	449,958	26,740	25,123	6.4%
9	Other	<u>117,118</u>	<u>7,390</u>	<u>6,964</u>	<u>6.1%</u>
10	Total Revenues:	<u>3,797,903</u>	<u>214,563</u>	<u>197,839</u>	<u>8.5%</u>
<u>Operating Expenses:</u>					
11	Production	1,970,640	116,522	111,760	4.3%
12	Transmission	210,577	12,953	11,258	15.1%
13	Distribution	111,134	6,949	6,927	0.3%
14	Customer Billing	53,705	3,596	3,918	-8.2%
15	Customer Service	103,566	1,005	436	130.5%
16	Sales & Marketing	68	2	52	-96.2%
17	Admin. & General	222,517	13,545	11,128	21.7%
18	Depreciation & Amortization	371,167	21,975	22,260	-1.3%
19	Property Taxes	151,204	7,313	5,701	28.3%
20	Other General Taxes ¹	31,462	1,941	1,846	5.1%
21	Income Taxes	0	0	0	*
22	Deferred Income Taxes & ITC	<u>169,718</u>	<u>7,725</u>	<u>4,510</u>	<u>71.3%</u>
23	Total Expenses:	<u>3,395,758</u>	<u>193,526</u>	<u>179,796</u>	<u>7.6%</u>
24	Regulated Operating Income	402,145	21,037	18,043	16.6%

¹ Includes payroll taxes.

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III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	2012 ² <u>Total NSP</u>	2012 ² <u>S.D. Juris.</u>	2011 ² <u>S.D. Juris.</u>	<u>Annual Change</u>
1	Plant in Service	14,348,575	873,550	797,885	9.5%
2	Accumulated Depreciation	6,968,216	423,062	390,459	8.3%
3	Net Plant in Service	7,380,359	450,488	407,426	10.6%
4	Plant Held for Future Use	0	0	0	*
5	Construct Work in Progress	0	0	0	*
6	Materials and Supplies	128,683	7,793	7,206	8.1%
7	Fuel Stocks	90,424	5,256	4,958	6.0%
8	Prepayments & Other Rate Base	89,284	9,465	9,874	-4.1%
9	Customer Deposits	(3,334)	(202)	(201)	0.5%
10	Cash Working Capital	0	0	0	*
11	Other Rate Base ¹	6,456	333	(713)	-146.7%
12	Accum. Deferred Taxes	(1,760,759)	(93,660)	(73,420)	27.6%
13	Total Other Rate Base	(1,449,246)	(71,015)	(52,296)	35.8%
14	Total Average Rate Base	5,931,113	379,473	355,130	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.

² Average rate base is based on 13 monthly averages. This convention was used because of the close proximity of this report to the general rate case.

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IV. COST OF CAPITAL

<u>2012 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 ¹	\$3,354,765	46.19%	5.74%	2.65%
2	Short-Term Debt	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$3,354,765	46.19%	5.74%	2.65%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$3,908,649	53.81%	5.38%	2.89%
6	Total Equity	\$3,908,649	53.81%		
7	Total Capital	\$7,263,414	100.00%		5.54%

<u>2012 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 ¹	\$3,354,765	46.19%	5.74%	2.65%
9	Short-Term Debt	\$0	0.00%	0.00%	0.00%
10	Total Debt	3,354,765	46.19%	5.74%	2.65%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	\$3,908,649	53.81%	4.86%	2.62%
13	Total Equity	\$3,908,649	53.81%		
14	Total Capital	\$7,263,414	100.00%		5.27%

¹ Long-term debt is a 13 month average

² Preferred stock and common stock are 13 month averages

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V. REQUIRED RATE OF RETURN

2012 Based on authorized ROE

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt ¹	\$3,354,765	46.19%	5.74%	2.65%
2	Short-Term Debt	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$3,354,765	46.19%	5.75%	2.65%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$3,908,649	53.81%	9.25% ³	4.98%
6	Total Equity	\$3,908,649	53.81%		
7	Total Capital	\$7,263,414	100.00%		7.63%

¹ Long-term debt is a 13 month average

² Preferred stock and common stock are 13 month averages

³ ROE approved in Docket EL11-019

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VI. REVENUE DEFICIENCY

2012 Based on authorized ROE		Actual	Weather
Line	Item	2012	Normalized
		<u>S.D. Juris.</u>	<u>S.D. Juris.</u>
	<u>Revenue Deficiency</u>		
1	Total Operating Income	21,037	20,002
2	Total Average Rate Base	379,473	379,834
3	Require Operating Income (Rate Base * Required Return)	28,954	28,981
4	Operating Income	<u>21,037</u>	<u>20,002</u>
5	Operating Income Deficiency	7,917	8,979
6	Revenue Conversion Factor (1/(1-Composite Tax Rate))	<u>1.53846</u>	<u>1.53846</u>
7	Revenue Deficiency (Income Deficiency * Conversion Factor)	12,180	13,814