

ANNUAL REPORT
OF
JURISDICTIONAL EARNINGS
BY
NORTHERN STATES POWER COMPANY,
doing business as Xcel Energy
TO THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

FOR THE YEAR ENDING
DECEMBER 31, 2015

South Dakota Jurisdiction
Electric Utility



2015

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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>2015</u>	<u>2014</u>
1 Operating Income from Electric Operations (E-2):	\$29,393	\$25,515
2 Average Regulated Rate Base (E-3):	\$540,883	\$474,326
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	5.43%	5.38%
4 Weighted Cost of Debt (E-4):	2.26%	2.27%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	53.40%	53.86%
7 Return on Equity (ROE):	5.94%	5.77%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2015</u>	<u>2014</u>
8 Operating Income from Electric Operations:	\$29,393	\$25,515
9 Impact of weather on Mwh Sales:	(19,030)	(15,958)
10 Impact of weather on Electric Operating Income :	(\$763)	(\$789)
11 Weather-Normalized Operating Income:	\$30,156	\$26,304
12 Average Regulated Rate Base:	\$540,618	\$474,052
13 Weather-Normal Rate of Return on Rate Base (ROR):	5.58%	5.55%
14 Weather-Normalized Return on Equity (ROE):	6.21%	6.09%

Northern States Power Company
Electric Utility - South Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2015</u> <u>Total NSP</u>	<u>2015</u> <u>S.D. Juris.</u>	<u>2014</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<u>Operating Revenues:</u>					
1	Residential	1,234,203	84,071	83,330	0.9%
2	Small Comm. & Ind.	1,442,344	90,053	90,704	-0.7%
3	Large Comm. & Ind.	670,110	28,983	26,460	9.5%
4	Public Street & Highway Ltg	25,908	1,734	1,627	6.6%
5	Other Sales to Publ Auth	<u>8,422</u>	<u>3</u>	<u>3</u>	0.0%
	Total Retail	3,380,987	204,844	202,124	1.3%
6	Interdepartmental	791	0	0	*
7	Sales for Resale	118,691	7,150	8,173	-12.5%
8	Interchange Agreement	466,042	28,950	28,325	2.2%
9	Other	<u>246,882</u>	<u>13,902</u>	<u>13,441</u>	<u>3.4%</u>
10	Total Revenues:	<u>4,213,393</u>	<u>254,846</u>	<u>252,063</u>	<u>1.1%</u>
<u>Operating Expenses:</u>					
11	Production	1,964,593	121,049	129,324	-6.4%
12	Transmission	309,442	19,648	16,804	16.9%
13	Distribution	106,452	7,535	8,077	-6.7%
14	Customer Billing	55,350	4,003	4,083	-2.0%
15	Customer Service	114,178	1,315	1,206	9.0%
16	Sales & Marketing	91	50	50	0.0%
17	Admin. & General	232,318	15,680	15,342	2.2%
18	Depreciation & Amortization	532,975	34,294	31,515	8.8%
19	Property Taxes	177,790	10,290	9,010	14.2%
20	Other General Taxes ¹	31,362	2,000	2,009	-0.4%
21	Income Taxes	0	0	0	*
22	Deferred Income Taxes & ITC	<u>186,163</u>	<u>9,589</u>	<u>9,127</u>	<u>5.1%</u>
23	Total Expenses:	<u>3,710,714</u>	<u>225,453</u>	<u>226,547</u>	<u>-0.5%</u>
24	Regulated Operating Income	502,679	29,393	25,515	15.2%

¹ Includes payroll taxes.

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	2015 ² <u>Total NSP</u>	2015 ² <u>S.D. Juris.</u>	2014 ² <u>S.D. Juris.</u>	<u>Annual Change</u>
1	Plant in Service	17,475,691	1,144,437	1,028,001	11.3%
2	Accumulated Depreciation	8,089,954	510,293	467,611	9.1%
3	Net Plant in Service	9,385,737	634,144	560,391	13.2%
4	Plant Held for Future Use	0	0	0	*
5	Construct Work in Progress	0	0	0	*
6	Materials and Supplies	173,085	10,975	9,068	21.0%
7	Fuel Stocks	94,804	5,711	4,311	32.5%
8	Prepayments & Other Rate Base	110,473	8,828	9,305	-5.1%
9	Customer Deposits	(73,556)	(170)	(172)	-1.2%
10	Cash Working Capital	0	0	0	*
11	Other Rate Base ¹	69,208	4,320	4,282	0.9%
12	Accum. Deferred Taxes	(2,059,319)	(122,925)	(112,859)	8.9%
13	Total Other Rate Base	(1,685,305)	(93,261)	(86,065)	8.4%
14	Total Average Rate Base	7,700,432	540,883	474,326	14.0%

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.

² Average rate base is based on 13 monthly averages.

Northern States Power Company

Electric Utility - South 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 ¹	\$4,237,612	46.60%	4.86%	2.26%
2	Short-Term Debt	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$4,237,612	46.60%	4.86%	2.26%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$4,856,662	53.40%	5.94%	3.17%
6	Total Equity	\$4,856,662	53.40%		
7	Total Capital	\$9,094,274	100.00%		5.43%

2015 Normalized

<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	\$4,237,612	46.60%	4.86%	2.26%
9	Short-Term Debt	\$0	0.00%	0.00%	0.00%
10	Total Debt	4,237,612	46.60%	4.86%	2.26%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	\$4,856,662	53.40%	6.21%	3.32%
13	Total Equity	\$4,856,662	53.40%		
14	Total Capital	\$9,094,274	100.00%		5.58%

¹ Long-term debt is a 13 month average

² Preferred stock and common stock are 13 month averages

PUBLIC DOCUMENT: TRADE SECRET DATA EXCISED

Northern States Power Company Electric Utility - South Dakota

(Dollars In Thousands)

V. REQUIRED RATE OF RETURN

2015 Based on authorized ROE

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>	
		[TRADE SECRET BEGINS				
1	Long-Term Debt ¹					
2	Short-Term Debt					
3	Total Debt					
4	Preferred Stock ²					
5	Common Equity ²				3	
6	Total Equity					
7	Total Capital					
		TRADE SECRET ENDS]				

¹ Long-term debt is a 13 month average

² Preferred stock and common stock are 13 month averages

³ Confidential per Settlement in Docket EL14-058

PUBLIC DOCUMENT: TRADE SECRET DATA EXCISED

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

VI. REVENUE DEFICIENCY

<u>2015 Based on authorized ROE</u>			
<u>Line</u>	<u>Item</u>	<u>Actual 2015 S.D. Juris.</u>	<u>Weather Normalized 2015 S.D. Juris.</u>
	<u>Revenue Deficiency</u>		[TRADE SECRET BEGINS
1	Total Operating Income		
2	Total Average Rate Base		
3	Require Operating Income (Rate Base * Required Return)		
4	Operating Income	_____	_____
5	Operating Income Deficiency	_____	_____
6	Revenue Conversion Factor (1/(1-Composite Tax Rate))	_____	_____
7	Revenue Deficiency (Income Deficiency * Conversion Factor)		TRADE SECRET ENDS]

ROE = 5.94%

ADDENDUM

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**Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2015 Actuals**

Summary Reports

June 1, 2016

Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2015 Actuals
(Dollars in Thousands)

Rate Base Summary

Line No.	NSPM - 01 Rate Base Schedule	Total	SD Electric	Other
1	Plant Investment	17,475,691	1,144,437	16,331,254
2	Depreciation Reserve	<u>8,089,954</u>	<u>510,292</u>	<u>7,579,661</u>
3	Net Utility Plant	9,385,737	634,144	8,751,593
4	CWIP	(0)	0	(0)
5	Accumulated Deferred Taxes	2,451,099	165,004	2,286,095
6	DTA - NOL Average Balance	(267,291)	(37,212)	(230,080)
7	DTA - State Tax Credit Average Balance	(246)	0	(246)
8	<u>DTA - Federal Tax Credit Average Balance</u>	<u>(124,243)</u>	<u>(4,867)</u>	<u>(119,376)</u>
9	Total Accumulated Deferred Income Taxes	2,059,319	122,925	1,936,393
10	Materials and Supplies	173,085	10,975	162,111
11	Fuel Inventory	94,804	5,711	89,092
12	Non-plant Assets and Liabilities	69,208	4,320	64,888
13	Customer Advances	(8,882)	(2,584)	(6,298)
14	Customer Deposits	(73,556)	(170)	(73,386)
15	Prepays and Other	115,092	7,149	107,943
16	<u>Regulatory Amortizations</u>	<u>4,263</u>	<u>4,263</u>	<u>0</u>
17	Total Other RB Items	374,014	29,664	344,350
18	Total Rate Base	<u>7,700,432</u>	<u>540,883</u>	<u>7,159,549</u>

Income Statement Summary

Line No. NSPM - 02 Income Statement Schedule	Total	SD Electric	Other	
1	<u>Operating Revenues</u>			
2	Retail	3,380,987	204,844	3,176,144
3	Interdepartmental	791	0	791
4	Transportation	0	0	0
5	Other Operating Rev - Non-Retail	<u>831,615</u>	<u>50,003</u>	<u>781,612</u>
6	Total Operating Revenues	4,213,393	254,847	3,958,546
7				
8	<u>Expenses</u>			
9	Operating Expenses:			
10	Fuel	1,180,452	73,063	1,107,389
11	Deferred Fuel	(7,311)	(440)	(6,871)
12	Variable IA Production Fuel	1,807	109	1,698
13	<u>Purchased Energy - Windsource</u>	<u>5,310</u>	<u>0</u>	<u>5,310</u>
14	Fuel & Purchased Energy Total	1,180,257	72,731	1,107,526
15	Production - Fixed	426,715	27,094	399,621
16	Production - Fixed IA Investment	33,915	2,153	31,761
17	Production - Fixed IA O&M	19,060	1,210	17,849
18	Production - Variable	124,184	7,481	116,702
19	Production - Variable IA O&M	4,052,946	244,170	3,808,777
20	Production - Purchased Demand	166,261	10,557	155,704
21	<u>Production - Other</u>	<u>700</u>	<u>(1,022)</u>	<u>1,722</u>
22	Production Total	774,887	47,718	727,168
23	Regional Markets	9,449	600	8,849
24	Transmission IA	92,751	5,889	86,862
25	Transmission	216,691	13,759	202,932
26	Distribution	106,452	7,535	98,917
27	Customer Accounting	55,350	4,003	51,347
28	Customer Service & Information	114,178	1,315	112,863
29	Sales, Econ Dvlp & Other	91	50	41
30	Administrative & General	232,318	15,680	216,638
31	Total Operating Expenses	2,782,423	169,280	2,613,143
32				
33	Depreciation	519,165	34,785	484,379
34	Amortization	13,810	(491)	14,300
35				
36	<u>Taxes:</u>			
37	Property Taxes	177,790	10,290	167,500
38	ITC Amortization	(1,521)	(76)	(1,445)
39	Deferred Taxes	385,736	26,593	359,143
40	Deferred Taxes - NOL	(165,881)	(15,020)	(150,861)
41	Less Deferred State Tax Credits	(492)	0	(492)
42	Less Deferred Federal Tax Credits	(31,679)	(1,908)	(29,770)
43	Deferred Income Tax & ITC	186,163	9,589	176,575
44	Payroll & Other Taxes	31,362	2,000	29,362
45	Total Taxes Other Than Income	395,316	21,879	373,437
46	Total State & Federal Income Taxes	0	0	0
47				
48	Total Taxes	395,316	21,879	373,437
49	Total Expenses	3,710,714	225,453	3,485,260
50	Total Operating Income	502,679	29,393	473,286
51		0	0	0
52	AFDC Debt	0	0	0
53	AFDC Equity	0	0	0
54		0	0	0
55	Net Income	502,679	29,393	473,286

Income Tax Summary

Line No.	NSPM - 03 Income Tax Schedule	Total	SD Electric	Other
1	<u>Income Before Taxes</u>			
2	Total Operating Revenues	4,213,393	254,847	3,958,546
3	less: Total Operating Expenses	2,782,423	169,280	2,613,143
4	Book Depreciation	519,165	34,785	484,379
5	Amortization	13,810	(491)	14,300
6	<u>Taxes Other than Income</u>	<u>395,316</u>	<u>21,879</u>	<u>373,437</u>
7	Total Before Tax Book Income	502,679	29,393	473,286
8				
9	<u>Tax Additions</u>			
10	Book Depreciation	519,165	34,785	484,379
11	Deferred Income Taxes and ITC	186,163	9,589	176,575
12	Nuclear Fuel Burn (ex D&D)	106,424	6,757	99,667
13	Nuclear Outage Accounting	78,530	4,866	73,664
14	Avoided Tax Interest	17,651	1,513	16,138
15	Other Book Additions		0	
16	Total Tax Additions	907,934	57,511	850,423
17				
18	Tax Deductions			
19	Total Rate Base	7,700,432	540,883	7,159,549
20	Weighted Cost of Debt	2.26%	2.26%	2.26%
21	Debt Interest Expense (Line 19 x Line 20)	174,030	12,224	161,806
22	Nuclear Outage Accounting	92,743	5,752	86,991
23	Tax Depreciation and Removals	1,545,210	105,305	1,439,905
24	NOL Generated	(406,592)	(36,816)	(369,776)
25	Other Tax / Book Timing Differences	<u>5,221</u>	<u>439</u>	<u>4,783</u>
26	Total Tax Deductions	1,410,613	86,904	1,323,709
<hr/>				
1				
2	State Taxes			
3	State Taxable Income	(0)		(0)
4	State Income Tax Rate		0.00%	
5	State Taxes before Credits (Line 31 x Line 32)		0	
6	Less State Tax Credits	(492)	0	(492)
7	Deferred State Tax Credits due to NOL	<u>492</u>	<u>0</u>	<u>492</u>
8	Total State Income Taxes		0	
9				
10	Federal Taxes			
11	Federal Taxable Income	(0)		(0)
12	Federal Income Tax Rate	35.00%	35.00%	35.00%
13	Federal Tax before Credits (Line 39 x Line 40)	0		0
14	Less Federal Tax Credits	(31,679)	(1,908)	(29,770)
15	Deferred Federal Tax Credits due to NOL	31,679	1,908	29,770
16	Total Federal Income Taxes	0	0	0
17				
18	Total Taxes			
19	Total Federal and State Income Taxes	0	0	0

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Northern States Power Company (SD)
 Electric Utility - South Dakota Retail Jurisdiction
 Cost of Service Study
 2015 Actuals
 (Dollars in Thousands)

ADDENDUM
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Revenue Requirement & Return Summary

Line No.	NSPM - 04 Revenue Deficiency Schedule	Total	SD Electric	Other
1	Weighted Cost of Capital			
2	Active Rates and Ratios Version	Proposed	Proposed	Proposed
3	Cost of Short Term Debt	[TRADE SECRET BEGINS		
4	Cost of Long Term Debt			
5	Cost of Preferred Stock			
6	Cost of Common Equity			
7	Ratio of Short Term Debt			
8	Ratio of Long Term Debt			
9	Ratio of Preferred Stock			
10	Ratio of Common Equity			
11	Weighted Cost of STD			
12	Weighted Cost of LTD			
13	Weighted Cost of Debt			
14	Weighted Cost of Preferred Stock			
15	Weighted Cost of Equity			
16	Required Rate Of Return			
17				TRADE SECRET ENDS]
18	Composite Income Tax Rate			
19	State Tax Rate			
20	Federal Statutory Tax Rate	35.00%	35.00%	35.00%
21	Federal Effective Tax Rate	<u>35.00%</u>	<u>35.00%</u>	<u>35.00%</u>
22	Composite Tax Rate	35.00%	35.00%	35.00%
23				
24	Rate of Return (ROR)			
25	Total Operating Income	502,679	29,393	473,286
26	Total Rate Base	<u>7,700,432</u>	<u>540,883</u>	<u>7,159,549</u>
27	ROR (Operating Income / Rate Base)	6.53%	5.43%	6.61%
28				
29	Return on Equity (ROE)			
30	Total Operating Income	502,679	29,393	473,286
31	Debt Interest (Rate Base * Weighted Cost of Debt)	(174,030)	(12,224)	(161,806)
32	Earnings Available for Common	328,650	17,169	311,480
33	Equity Rate Base (Rate Base * Equity Ratio)	<u>4,112,031</u>	<u>288,831</u>	<u>3,823,199</u>
34	ROE (earnings for Common/Equity Rate Base)	7.99%	5.94%	8.15%
35				
36	Revenue Deficiency			
37	Required Operating Income (Rate Base * Required Return)	554,431	38,944	515,488
38	Total Operating Income	502,679	29,393	473,286
39	Operating Income Deficiency	51,752	9,550	42,201
40				
41	Revenue Conversion Factor (1/(1-Composite Tax Rate))	<u>1.5385</u>	<u>1.5385</u>	<u>1.5385</u>
42	Revenue Deficiency (Income Deficiency * Conversion Factor)	79,618	14,693	64,925
43				
44	Total Revenue Requirements			
45	Total Retail Revenues	3,381,778	204,844	3,176,934
46	Revenue Deficiency	79,618	14,693	64,925
47	Total Revenue Requirements	3,461,396	219,537	3,241,860