

ROE = 6.39%
Deficiency \$000s = \$13,542
% Increase 8.00%
Required ROE = 10.25%

Docket No. EL14-____
Exhibit____(CRB-1), Schedule 12
Cover Page

**Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2013 Pro Forma with Alternative Infrastructure Rider**

Summary Reports

June 1, 2014

Line No.	NSPM - 01 Rate Base Schedule	Total	SD Electric	Other
1	Plant Investment	15,735,909	967,374	14,768,535
2	<u>Depreciation Reserve</u>	<u>7,318,584</u>	<u>448,110</u>	<u>6,870,474</u>
3	Net Utility Plant	8,417,325	519,264	7,898,060
4	CWIP	-	-	-
5				
6	Accumulated Deferred Taxes	2,053,759	128,448	1,925,311
7	DTA - NOL Average Balance	(205,412)	(12,965)	(192,447)
8	DTA - State Tax Credit Average Balance	(320)	-	(320)
9	<u>DTA - Federal Tax Credit Average Balance</u>	<u>(2,681)</u>	<u>(157)</u>	<u>(2,524)</u>
10	Total Accumulated Deferred Taxes	1,845,345	115,325	1,730,020
11				
12	Cash Working Capital	(109,812)	(5,327)	(104,486)
13	Materials and Supplies	138,074	8,432	129,642
14	Fuel Inventory	86,478	5,069	81,409
15	Non-plant Assets and Liabilities	26,226	1,458	24,769
16	Customer Advances	(5,616)	(1,487)	(4,128)
17	Customer Deposits	(2,920)	(178)	(2,742)
18	Prepays and Other	121,324	6,821	114,503
19	<u>Regulatory Amortizations</u>	<u>4,792</u>	<u>4,792</u>	<u>-</u>
20	Total Other RB Items	258,547	19,579	238,968
21				
22	Total Rate Base	6,830,527	423,519	6,407,008

Line No.	NSPM - 02 Income Statement Schedule	Total	SD Electric	Other
1	Operating Revenues			
2	Retail	3,287,629	195,850	3,091,778
4	Interdepartmental	680	-	680
5	<u>Other Operating Rev - Non-Retail</u>	<u>713,949</u>	<u>43,826</u>	<u>670,123</u>
6	Total Operating Revenues	4,002,258	239,676	3,762,582
7				
8	Expenses			
9	Operating Expenses:			
10	Fuel	1,293,690	75,091	1,218,599
11	Deferred Fuel	(261)	(15)	(246)
12	Variable IA Production Fuel	20,676	1,212	19,464
13	<u>Purchased Energy - Windsourse</u>	<u>5,576</u>	<u>-</u>	<u>5,576</u>
14	Fuel & Purchased Energy Total	1,319,681	76,288	1,243,393
15	Production - Fixed	415,324	25,368	389,956
16	Production - Fixed IA Investment	47,843	2,922	44,920
17	Production - Variable	131,426	7,703	123,722
18	Production - Purchased Demand	165,858	10,131	155,728
19	<u>Production - Other</u>	<u>2,793</u>	<u>929</u>	<u>1,864</u>
20	Production Total	763,243	47,053	716,190
21	Regional Markets	10,856	663	10,193
22	Transmission IA	68,398	4,178	64,221
23	Transmission	173,295	8,099	165,195
24	Distribution	120,833	7,794	113,039
25	Customer Accounting	55,250	3,789	51,462
26	Customer Service & Information	84,843	1,226	83,616
27	Sales, Econ Dvlp & Other	99	51	48
28	<u>Administrative & General</u>	<u>235,257</u>	<u>15,347</u>	<u>219,910</u>
29	Total Operating Expenses	2,831,755	164,487	2,667,268
30				
31	Depreciation	435,071	27,371	407,700
32	Amortization	25,951	741	25,210
33				
34	Taxes:			
35	Property Taxes	188,415	9,922	178,494
36	ITC Amortization	(1,493)	(70)	(1,423)
37	Deferred Taxes	181,023	13,566	167,457
38	Deferred Taxes - NOL	53,360	1,560	51,800
39	Less Deferred State Tax Credits	(640)	-	(640)
40	<u>Less Deferred Federal Tax Credits</u>	<u>(5,362)</u>	<u>(314)</u>	<u>(5,048)</u>
41	Deferred Income Tax & ITC	226,888	14,741	212,146
42	Payroll & Other Taxes	33,585	2,049	31,536
43	Total Taxes Other Than Income	448,889	26,712	422,176
44	Total State & Federal Income Taxes	(103,465)	(4,037)	(99,428)
45				
46	Total Taxes	345,424	22,675	322,748
47	Total Expenses	3,638,201	215,275	3,422,926
48	Total Operating Income	364,057	24,401	339,656
49				
50	AFDC Debt	-	-	-
51	AFDC Equity	-	-	-
52				
53	Net Income	364,057	24,401	339,656

Line No.	NSPM - 03 Income Tax Schedule	Total	SD Electric	Other
1	<u>Income Before Taxes</u>			
2	Total Operating Revenues	4,002,258	239,676	3,762,582
3	less: Total Operating Expenses	2,831,755	164,487	2,667,268
4	Book Depreciation	435,071	27,371	407,700
5	Amortization	25,951	741	25,210
6	<u>Taxes Other than Income</u>	<u>448,889</u>	<u>26,712</u>	<u>422,176</u>
7	Total Before Tax Book Income	260,592	20,364	240,228
8				
9	<u>Tax Additions</u>			
10	Book Depreciation	435,071	27,371	407,700
11	Deferred Income Taxes and ITC	226,888	14,741	212,146
12	Nuclear Fuel Burn (ex D&D)	108,436	6,623	101,813
13	Nuclear Outage Accounting	71,482	4,283	67,200
14	Avoided Tax Interest	17,438	530	16,908
15	<u>Other Book Additions</u>	<u>-</u>	<u>-</u>	<u>-</u>
16	Total Tax Additions	859,315	53,548	805,767
17				
18	<u>Tax Deductions</u>			
19	Total Rate Base	6,830,527	423,519	6,407,008
20	Weighted Cost of Debt	2.32%	2.32%	2.32%
21	Debt Interest Expense (Line 19 x Line 20)	158,468	9,826	148,643
22	Nuclear Outage Accounting	115,611	6,939	108,672
23	Tax Depreciation and Removals	911,200	61,469	849,731
24	Federal Sec 199 Production Deduction	162	-	162
25	NOL Generated	(49,508)	(7,771)	(41,738)
26	NOL Utilization	179,936	11,579	168,357
27	<u>Other Tax / Book Timing Differences</u>	<u>56,487</u>	<u>3,406</u>	<u>53,081</u>
28	Total Tax Deductions	1,372,355	85,447	1,286,908
29				
30				
31	<u>State Taxes</u>			
32	State Taxable Income	(252,447)	(11,534)	(240,913)
33	State Income Tax Rate	9.21%		9.65%
34	State Taxes before Credits (Line 31 x Line 32)	(23,243)	-	(23,243)
35	Less State Tax Credits	(640)	-	(640)
36	<u>Deferred State Tax Credits due to NOL</u>	<u>640</u>	<u>-</u>	<u>640</u>
37	Total State Income Taxes	(23,243)	-	(23,243)
38				
39	<u>Federal Taxes</u>			
40	Federal Taxable Income	(229,204)	(11,534)	(217,670)
41	Federal Income Tax Rate	35.00%	35.00%	35.00%
42	Federal Tax before Credits (Line 39 x Line 40)	(80,221)	(4,037)	(76,184)
43	Less Federal Tax Credits	(5,362)	(314)	(5,048)
44	<u>Deferred Federal Tax Credits due to NOL</u>	<u>5,362</u>	<u>314</u>	<u>5,048</u>
45	Total Federal Income Taxes	(80,221)	(4,037)	(76,184)
46				
47	Total Taxes			
48	Total Federal and State Income Taxes	(103,465)	(4,037)	(99,428)

Line No.	NSPM - 04 Revenue Deficiency Schedule	Total			SD Electric			Other		
		Rate	Ratio	Wtd Cost	Rate	Ratio	Wtd Cost	Rate	Ratio	Wtd Cost
1	Weighted Cost of Capital									
2										
3	Long Term Debt	5.04%	46.14%	2.32%	5.04%	46.14%	2.32%	5.04%	46.14%	2.32%
5	Common Equity	10.25%	53.86%	<u>5.52%</u>	10.25%	53.86%	<u>5.52%</u>	10.25%	53.86%	<u>5.52%</u>
15	Required Rate Of Return			7.84%			7.84%			7.84%
16										
17	Composite Income Tax Rate									
18	State Tax Rate			9.21%						9.65%
19	Federal Statutory Tax Rate			35.00%			35.00%			35.00%
20	<u>Federal Effective Tax Rate</u>			<u>31.78%</u>			<u>35.00%</u>			<u>31.62%</u>
21	Composite Tax Rate			40.98%			35.00%			41.27%
22										
23	Rate of Return (ROR)									
24	Total Operating Income			364,057			24,401			339,656
25	<u>Total Rate Base</u>			<u>6,830,527</u>			<u>423,519</u>			<u>6,407,008</u>
26	ROR (Operating Income / Rate Base)			5.33%			5.76%			5.30%
27										
28	Return on Equity (ROE)									
29	Total Operating Income			364,057			24,401			339,656
30	Debt Interest (Rate Base * Weighted Cost of Debt)			(158,468)			(9,826)			(148,643)
31	Earnings Available for Common			205,589			14,576			191,013
32	<u>Equity Rate Base (Rate Base * Equity Ratio)</u>			<u>3,678,922</u>			<u>228,107</u>			<u>3,450,815</u>
33	ROE (earnings for Common/Equity Rate Base)			5.59%			6.39%			5.54%
34										
35	Revenue Deficiency									
36	Required Operating Income (Rate Base * Required Return)			535,513			33,204			502,309
37	<u>Total Operating Income</u>			<u>364,057</u>			<u>24,401</u>			<u>339,656</u>
38	Operating Income Deficiency			171,456			8,803			162,654
39										
40	<u>Revenue Conversion Factor (1/(1-Composite Tax Rate))</u>			<u>1.6940</u>			<u>1.5385</u>			<u>1.7024</u>
41	Revenue Deficiency (Income Deficiency * Conversion Factor)			290,449			13,542			276,907
42										
43	Total Revenue Requirements									
44	Total Retail Revenues			3,288,309			195,850			3,092,459
45	Revenue Deficiency			290,449			13,542			276,907
46	Total Revenue Requirements			3,578,758			209,393			3,369,365

Line No.	NSPM - 05 Summary Cash Working Capital	Lead/Lag Days	Total		SD Electric		Other	
			Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days
1	Fuel Expenses							
2	Coal and Rail Transport	18.84	269,840	5,083,777	15,816	297,981	254,023	4,785,797
3	Gas for Generation	37.99	145,354	5,521,995	8,520	323,666	136,834	5,198,329
4	Oil	20.08	3,001	60,265	176	3,532	2,825	56,733
5	Nuclear and EOL		98,089	-	5,724	-	92,365	-
6	Nuclear Disposal	76.00	10,347	786,362	632	48,031	9,715	738,331
7	Subtotal Fuel Expenses		526,631	11,452,400	30,868	673,210	495,763	10,779,189
8								
9	Purchased Power							
10	Purchases	33.47	364,848	12,211,454	21,693	726,081	343,154	11,485,373
11	Interchange	38.25	136,917	5,237,069	8,312	317,930	128,605	4,919,139
12	SubTotal Purchased Power		501,765	17,448,524	30,005	1,044,011	471,759	16,404,513
13								
14	Labor and Related							
15	Regular Payroll	11.70	415,126	4,856,975	26,583	311,016	388,543	4,545,959
16	Incentive	256.50	21,524	5,520,902	1,416	363,242	20,108	5,157,660
17	Pension and Benefits	32.86	91,648	3,011,546	5,664	186,128	85,984	2,825,418
18	SubTotal Labor and Related		528,298	13,389,423	33,663	860,386	494,635	12,529,037
19								
20	All Other Operating Expenses							
21	Property taxes	355.77	188,415	67,032,571	9,922	3,529,887	178,494	63,502,684
22	Employer's Payroll Taxes	34.65	33,585	1,163,731	2,049	71,002	31,536	1,092,728
23	Gross Earnings Tax		-	-	-	-	-	-
24	Federal Income Tax	38.75	(80,221)	(3,108,579)	(4,037)	(156,436)	(76,184)	(2,952,144)
25	State Income Tax	31.00	(23,243)	(720,544)	-	-	(23,243)	(720,544)
26	State Sales Tax Customer Billings		-	-	-	-	-	-
27	Total Expenses		2,950,291	159,457,820	172,421	8,918,724	2,777,870	150,539,096
28	Net Annual Expense			436,871		24,435		412,436
29								
30	Revenues							
31	Retail Revenue	41.01	3,290,742	134,953,335	198,964	8,159,501	3,091,778	126,793,834
32	Late Payment		5,825	-	372	-	5,453	-
33	Interdepartmental		680	-	-	-	680	-
34	Misc Services	41.01	3,095	126,944	307	12,610	2,788	114,334
35	CIP Incentive		(15,045)	-	-	-	(15,045)	-
36	Rentals	(31.99)	4,148	(132,700)	253	(8,089)	3,895	(124,611)
37	Interchange	38.25	466,597	17,847,347	27,964	1,069,613	438,634	16,777,733
38	Sales for Resale	37.67	62,037	2,336,936	4,567	172,054	57,470	2,164,883
39	Retail Rev Lag Days	37.67	7,043	265,325	(1,504)	(56,649)	8,547	321,974
40	MISO	14.00	7,360	103,040	(683)	(9,568)	8,043	112,608
41	Wholesale Lag Days	37.67	154,287	5,811,984	9,436	355,456	144,851	5,456,528
42	Total Revenues		3,986,770	161,312,210	239,676	9,694,927	3,747,094	151,617,283
43								
44	Net Annual Amount			441,951		26,561		415,390
45	Expense/Revenue Factor			0.74		0.72		0.74
46	Allocated Revenue Amount			327,058		19,108		307,950
47	Net Cash Working Capital			(109,812)		(5,327)		(104,486)