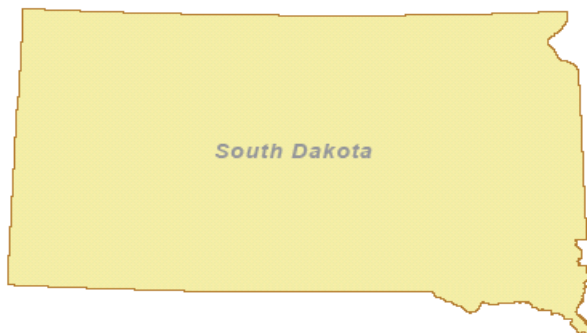


**ANNUAL REPORT  
OF  
JURISDICTIONAL EARNINGS  
BY  
NORTHERN STATES POWER COMPANY,  
A MINNESOTA CORPORATION  
TO THE  
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**FOR THE YEAR ENDING  
DECEMBER 31, 2011**

**South Dakota Jurisdiction  
Electric Utility**



**2011**

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## Electric Utility

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**Northern States Power Company**  
**Electric Utility - South Dakota**  
(Dollars In Thousands)

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**I. RETURN ON EQUITY (ROE)**

<u>Actual Return on Equity (ROE)</u>	<u>2011</u>	<u>2010</u>
1 Operating Income from Electric Operations (E-2):	\$18,043	\$13,697
2 Average Regulated Rate Base (E-3):	\$355,130	\$300,635
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	5.08%	4.56%
4 Weighted Cost of Debt (E-4):	2.88%	3.01%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	52.89%	52.48%
7 <b>Return on Equity (ROE):</b>	<b>4.16%</b>	<b>2.95%</b>

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2011</u>	<u>2010</u>
8 Operating Income from Electric Operations:	\$18,043	\$13,697
9 Impact of weather on Mwh Sales:	13,194	14,307
10 Impact of weather on Electric Operating Income :	\$484	\$482
11 Weather-Normalized Operating Income:	\$17,559	\$13,215
12 Average Regulated Rate Base:	\$355,130	\$300,635
13 Weather-Normal Rate of Return on Rate Base (ROR):	4.94%	4.40%
14 <b>Weather-Normalized Return on Equity (ROE):</b>	<b>3.90%</b>	<b>2.64%</b>

**Northern States Power Company  
Electric Utility - South Dakota**

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(Dollars In Thousands)

**II. OPERATING INCOME**

<u>Line</u>	<u>Item</u>	<u>2011 Total NSP</u>	<u>2011 S.D. Juris.</u>	<u>2010 S.D. Juris.</u>	<u>Annual Change</u>
<b><u>Operating Revenues:</u></b>					
1	Residential	1,142,370	68,487	66,538	2.9%
2	Small Comm. & Ind.	1,273,405	71,630	69,597	2.9%
3	Large Comm. & Ind.	661,865	20,428	19,637	4.0%
4	Public Street & Highway Ltg	25,590	1,312	1,176	11.6%
5	Other Sales to Publ Auth	<u>8,665</u>	<u>3</u>	<u>3</u>	0.8%
	Total Retail	3,111,896	161,860	156,951	3.1%
6	Interdepartmental	548	0	0	*
7	Sales for Resale	70,337	3,892	10,393	-62.6%
8	Interchange Agreement	439,429	25,123	23,286	7.9%
9	Other	<u>123,831</u>	<u>6,964</u>	<u>5,656</u>	<u>23.1%</u>
10	Total Revenues:	<u>3,746,042</u>	<u>197,839</u>	<u>196,286</u>	<u>0.8%</u>
<b><u>Operating Expenses:</u></b>					
11	Production	1,964,923	111,760	120,240	-7.1%
12	Transmission	195,079	11,258	9,757	15.4%
13	Distribution	112,987	6,927	6,533	6.0%
14	Customer Billing	59,289	3,918	3,996	-2.0%
15	Customer Service	115,749	436	424	2.8%
16	Sales & Marketing	254	52	53	-1.9%
17	Admin. & General	189,964	11,128	11,978	-7.1%
18	Depreciation & Amortization	369,015	22,260	19,093	16.6%
19	Property Taxes	123,651	5,701	5,560	2.5%
20	Other General Taxes <sup>1</sup>	30,956	1,846	1,670	10.5%
21	Income Taxes	2,939	0	0	*
22	Deferred Income Taxes & ITC	<u>148,165</u>	<u>4,510</u>	<u>3,285</u>	<u>37.3%</u>
23	Total Expenses:	<u>3,312,971</u>	<u>179,796</u>	<u>182,589</u>	<u>-1.5%</u>
24	<b>Regulated Operating Income</b>	<b>433,071</b>	<b>18,043</b>	<b>13,697</b>	<b>31.7%</b>

<sup>1</sup> Includes payroll taxes.

**Northern States Power Company**  
**Electric Utility - South Dakota**  
(Dollars In Thousands)

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**III. AVERAGE RATE BASE**

<u>Line</u>	<u>Item</u>	<u>2011<sup>2</sup></u> <u>Total NSP</u>	<u>2011<sup>2</sup></u> <u>S.D. Juris.</u>	<u>2010<sup>2</sup></u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
1	Plant in Service	13,638,357	797,885	714,371	11.7%
2	Accumulated Depreciation	6,704,495	390,459	362,969	7.6%
3	Net Plant in Service	6,933,862	407,426	351,402	15.9%
4	Plant Held for Future Use	0	0	0	*
5	Construct Work in Progress	0	0	0	*
6	Materials and Supplies	124,370	7,206	6,260	15.1%
7	Fuel Stocks	87,684	4,958	4,816	2.9%
8	Prepayments & Other Rate Base	88,394	9,874	10,011	-1.4%
9	Customer Deposits	(3,338)	(201)	(156)	28.8%
10	Cash Working Capital	0	0	0	*
11	Other Rate Base 1	(10,225)	(713)	(2,603)	-72.6%
12	Accum. Deferred Taxes	(1,365,094)	(73,420)	(69,095)	6.3%
13	Total Other Rate Base	(1,078,209)	(52,296)	(50,767)	3.0%
14	<b>Total Average Rate Base</b>	<b>5,855,653</b>	<b>355,130</b>	<b>300,635</b>	<b>18.1%</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

# Northern States Power Company Electric Utility - South Dakota

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(Dollars In Thousands)

## IV. COST OF CAPITAL

### 2011 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 <sup>1</sup>	\$3,286,352	47.11%	6.12%	2.88%
2	Short-Term Debt	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$3,286,352	47.11%	6.12%	2.88%
4	Preferred Stock <sup>2</sup>	\$0	0.00%	0.00%	0.00%
5	Common Equity <sup>2</sup>	\$3,690,284	52.89%	4.16%	2.20%
6	Total Equity	\$3,690,284	52.89%		
7	Total Capital	\$6,976,636	100.00%		5.08%

### 2011 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 <sup>1</sup>	\$3,286,352	47.11%	6.12%	2.88%
9	Short-Term Debt	\$0	0.00%	0.00%	0.00%
10	Total Debt	3,286,352	47.11%	6.12%	2.88%
11	Preferred Stock <sup>2</sup>	\$0	0.00%		0.00%
12	Common Equity <sup>2</sup>	\$3,690,284	52.89%	3.90%	2.06%
13	Total Equity	\$3,690,284	52.89%		
14	Total Capital	\$6,976,636	100.00%		4.94%

<sup>1</sup> Long-term debt is a 13 month average

<sup>2</sup> Preferred stock and common stock are 13 month averages

# PUBLIC DOCUMENT: TRADE SECRET DATA EXCISED

## Northern States Power Company Electric Utility - South Dakota

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(Dollars In Thousands)

### V. REQUIRED RATE OF RETURN

#### 2011 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 <sup>1</sup>				
2	Short-Term Debt				
3	Total Debt				
4	Preferred Stock <sup>2</sup>				
5	Common Equity <sup>2</sup>				
6	Total Equity				
7	Total Capital				
		[TRADE SECRET ENDS]			

<sup>1</sup> Long-term debt is a 13 month average

<sup>2</sup> 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)

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## VI. REVENUE DEFICIENCY

2011 Based on authorized ROE

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<u>Line</u>	<u>Item</u>	<u>Actual</u> <u>2011</u> <u>S.D. Juris.</u>	<u>Weather</u> <u>Normalized</u> <u>2011</u> <u>S.D. Juris.</u>
		[TRADE SECRET BEGINS]	
	<b><u>Revenue Deficiency</u></b>		
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 ( $1/(1-\text{Composite Tax Rate})$ )	_____	_____
7	<b>Revenue Deficiency (Income Deficiency * Conversion Factor)</b>		

TRADE SECRET ENDS]