

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, 2014

South Dakota Jurisdiction
Electric Utility



2014

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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>2014</u>	<u>2013</u>
1 Operating Income from Electric Operations (E-2):	\$25,515	\$26,477
2 Average Regulated Rate Base (E-3):	\$474,326	\$408,374
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	5.38%	6.48%
4 Weighted Cost of Debt (E-4):	2.27%	2.32%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	53.86%	53.86%
7 Return on Equity (ROE):	5.77%	7.73%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2014</u>	<u>2013</u>
8 Operating Income from Electric Operations:	\$25,515	\$26,477
9 Impact of weather on Mwh Sales:	(15,958)	25,169
10 Impact of weather on Electric Operating Income :	(\$789)	\$965
11 Weather-Normalized Operating Income:	\$26,304	\$25,512
12 Average Regulated Rate Base:	\$474,052	\$408,710
13 Weather-Normal Rate of Return on Rate Base (ROR):	5.55%	6.24%
14 Weather-Normalized Return on Equity (ROE):	6.09%	7.28%

Northern States Power Company
Electric Utility - South Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2014</u> <u>Total NSP</u>	<u>2014</u> <u>S.D. Juris.</u>	<u>2013</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
	<u>Operating Revenues:</u>				
1	Residential	1,202,369	83,330	84,086	-0.9%
2	Small Comm. & Ind.	1,452,343	90,704	88,331	2.7%
3	Large Comm. & Ind.	673,360	26,460	25,428	4.1%
4	Public Street & Highway Ltg	26,331	1,627	1,575	3.3%
5	Other Sales to Publ Auth	<u>8,964</u>	<u>3</u>	<u>3</u>	0.0%
	Total Retail	3,363,367	202,124	199,423	1.4%
6	Interdepartmental	937	0	0	*
7	Sales for Resale	137,882	8,173	3,896	109.8%
8	Interchange Agreement	467,779	28,325	27,107	4.5%
9	Other	<u>229,216</u>	<u>13,441</u>	<u>10,078</u>	<u>33.4%</u>
10	Total Revenues:	<u>4,199,181</u>	<u>252,063</u>	<u>240,504</u>	<u>4.8%</u>
	<u>Operating Expenses:</u>				
11	Production	2,151,939	129,324	124,638	3.8%
12	Transmission	272,849	16,804	14,964	12.3%
13	Distribution	117,778	8,077	8,068	0.1%
14	Customer Billing	58,047	4,083	3,789	7.8%
15	Customer Service	124,281	1,206	1,226	-1.6%
16	Sales & Marketing	89	50	51	-2.0%
17	Admin. & General	237,021	15,342	14,620	4.9%
18	Depreciation & Amortization	484,553	31,515	24,855	26.8%
19	Property Taxes	168,087	9,010	8,183	10.1%
20	Other General Taxes ¹	32,138	2,009	2,053	-2.1%
21	Income Taxes	0	0	0	*
22	Deferred Income Taxes & ITC	<u>133,731</u>	<u>9,127</u>	<u>11,580</u>	<u>-21.2%</u>
23	Total Expenses:	<u>3,780,513</u>	<u>226,547</u>	<u>214,027</u>	<u>5.8%</u>
24	Regulated Operating Income	418,668	25,515	26,477	-3.6%

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>	2014 ² <u>Total NSP</u>	2014 ² <u>S.D. Juris.</u>	2013 ² <u>S.D. Juris.</u>	<u>Annual Change</u>
1	Plant in Service	16,273,231	1,028,001	931,718	10.3%
2	Accumulated Depreciation	7,601,365	467,611	442,997	5.6%
3	Net Plant in Service	8,671,865	560,391	488,721	14.7%
4	Plant Held for Future Use	0	0	0	*
5	Construct Work in Progress	0	0	0	*
6	Materials and Supplies	147,257	9,068	8,453	7.3%
7	Fuel Stocks	72,740	4,311	5,053	-14.7%
8	Prepayments & Other Rate Base	106,883	9,305	10,850	-14.2%
9	Customer Deposits	(5,827)	(172)	(178)	-3.4%
10	Cash Working Capital	0	0	0	*
11	Other Rate Base ¹	71,781	4,282	1,461	193.1%
12	Accum. Deferred Taxes	(1,836,344)	(112,859)	(105,986)	6.5%
13	Total Other Rate Base	(1,443,510)	(86,065)	(80,347)	7.1%
14	Total Average Rate Base	7,228,355	474,326	408,374	16.1%

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.

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

IV. COST OF CAPITAL

2014 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	\$3,987,299	46.14%	4.91%	2.27%
2	Short-Term Debt	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$3,987,299	46.14%	4.91%	2.27%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$4,653,572	53.86%	5.77%	3.11%
6	Total Equity	\$4,653,572	53.86%		
7	Total Capital	\$8,640,871	100.00%		5.38%

2014 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	\$3,987,299	46.14%	4.91%	2.27%
9	Short-Term Debt	\$0	0.00%	0.00%	0.00%
10	Total Debt	3,987,299	46.14%	4.91%	2.27%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	\$4,653,572	53.86%	6.09%	3.28%
13	Total Equity	\$4,653,572	53.86%		
14	Total Capital	\$8,640,871	100.00%		5.55%

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

2014 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 EL12-046

PUBLIC DOCUMENT: TRADE SECRET DATA EXCISED

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

VI. REVENUE DEFICIENCY

<u>2014 Based on authorized ROE</u>		Actual	Weather
<u>Line</u>	<u>Item</u>	2014	Normalized
		<u>S.D. Juris.</u>	<u>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 ($1/(1-\text{Composite Tax Rate})$)	_____	_____
7	Revenue Deficiency (Income Deficiency * Conversion Factor)		
		TRADE SECRET ENDS]	

ROE = 5.77%

ADDENDUM

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**Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2014 Actuals**

Summary Reports

June 1, 2015

Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2014 Actuals
(Dollars in Thousands)

Rate Base Summary

Line No.	NSPM - 01 Rate Base Schedule	Total	SD Electric	Other
1	Plant Investment	16,273,231	1,028,001	15,245,229
2	Depreciation Reserve	<u>7,601,365</u>	<u>467,611</u>	<u>7,133,755</u>
3	Net Utility Plant	8,671,865	560,391	8,111,475
4	CWIP	(0)	0	(0)
5	Accumulated Deferred Taxes	2,183,389	143,866	2,039,523
6	DTA - NOL Average Balance	(253,941)	(27,984)	(225,956)
7	DTA - State Tax Credit Average Balance	(279)	0	(279)
8	<u>DTA - Federal Tax Credit Average Balance</u>	<u>(92,825)</u>	<u>(3,023)</u>	<u>(89,801)</u>
9	Total Accumulated Deferred Income Taxes	1,836,344	112,859	1,723,486
10	Materials and Supplies	147,257	9,068	138,189
11	Fuel Inventory	72,740	4,310	68,430
12	Non-plant Assets and Liabilities	71,781	4,282	67,499
13	Customer Advances	(7,601)	(2,340)	(5,261)
14	Customer Deposits	(5,827)	(172)	(5,655)
15	Prepays and Other	109,457	6,618	102,838
16	<u>Regulatory Amortizations</u>	<u>5,027</u>	<u>5,027</u>	<u>0</u>
17	Total Other RB Items	392,833	26,794	366,040
18	Total Rate Base	<u>7,228,355</u>	<u>474,326</u>	<u>6,754,029</u>

Income Statement Summary

Line No.	NSPM - 02 Income Statement Schedule	Total	SD Electric	Other
1	<u>Operating Revenues</u>			
2	Retail	3,364,304	202,124	3,162,180
3	Interdepartmental	0	0	0
4	Transportation	0	0	0
5	Other Operating Rev - Non-Retail	<u>834,877</u>	<u>49,938</u>	<u>784,938</u>
6	Total Operating Revenues	4,199,181	252,063	3,947,118
7				
8	<u>Expenses</u>			
9	Operating Expenses:			
10	Fuel	1,307,865	77,503	1,230,362
11	Deferred Fuel	28,904	1,713	27,191
12	Variable IA Production Fuel	6,757	400	6,357
13	<u>Purchased Energy - Windsource</u>	<u>7,088</u>	<u>0</u>	<u>7,088</u>
14	Fuel & Purchased Energy Total	1,350,614	79,616	1,270,998
15	Production - Fixed	449,606	27,690	421,916
16	Production - Fixed IA Investment	47,368	2,917	44,451
17	Production - Variable	129,652	7,683	121,969
18	Production - Purchased Demand	169,366	10,431	158,935
19	<u>Production - Other</u>	<u>(3,204)</u>	<u>461</u>	<u>(3,666)</u>
20	Production Total	792,788	49,183	743,605
21	Regional Markets	8,537	526	8,011
22	Transmission IA	76,399	4,705	71,694
23	Transmission	196,450	12,099	184,351
24	Distribution	117,778	8,077	109,701
25	Customer Accounting	58,047	4,083	53,964
26	Customer Service & Information	124,281	1,206	123,076
27	Sales, Econ Dvlp & Other	89	50	39
28	Administrative & General	237,020	15,342	221,678
29	Total Operating Expenses	2,962,003	174,887	2,787,117
30				
31	Depreciation	467,686	29,303	438,383
32	Amortization	16,867	2,212	14,656
33				
34	<u>Taxes:</u>			
35	Property Taxes	168,087	9,010	159,076
36	ITC Amortization	(1,458)	(69)	(1,388)
37	Deferred Taxes	184,931	14,968	169,963
38	Deferred Taxes - NOL	(19,142)	(3,992)	(15,150)
39	Less Deferred State Tax Credits	(559)	0	(559)
40	Less Deferred Federal Tax Credits	(30,041)	(1,780)	(28,261)
41	Deferred Income Tax & ITC	133,731	9,127	124,605
42	Payroll & Other Taxes	32,138	2,009	30,129
43	Total Taxes Other Than Income	333,956	20,146	313,810
44	Total State & Federal Income Taxes	(0)	(0)	(0)
45				
46	Total Taxes	333,956	20,146	313,810
47	Total Expenses	3,780,513	226,547	3,553,965
48	Total Operating Income	418,668	25,515	393,153
49		0	0	0
50	AFDC Debt	0	0	0
51	AFDC Equity	0	0	0
52		0	0	0
53	Net Income	418,668	25,515	393,153

Income Tax Summary

Line No.	NSPM - 03 Income Tax Schedule	Total	SD Electric	Other
1	<u>Income Before Taxes</u>			
2	Total Operating Revenues	4,199,181	252,063	3,947,118
3	less: Total Operating Expenses	2,962,003	174,887	2,787,117
4	Book Depreciation	467,686	29,303	438,383
5	Amortization	16,867	2,212	14,656
6	<u>Taxes Other than Income</u>	<u>333,956</u>	<u>20,146</u>	<u>313,810</u>
7	Total Before Tax Book Income	418,668	25,515	393,153
8				
9	<u>Tax Additions</u>			
10	Book Depreciation	467,686	29,303	438,383
11	Deferred Income Taxes and ITC	133,731	9,127	124,605
12	Nuclear Fuel Burn (ex D&D)	119,412	7,354	112,058
13	Nuclear Outage Accounting	88,800	5,378	83,423
14	Avoided Tax Interest	25,322	1,716	23,606
15	Other Book Additions	239	0	239
16	Total Tax Additions	835,190	52,878	782,312
17				
18	Tax Deductions			
19	Total Rate Base	7,228,355	474,326	6,754,029
20	Weighted Cost of Debt	4.50%	2.27%	2.23%
21	Debt Interest Expense (Line 19 x Line 20)	161,382	10,767	150,615
22	Nuclear Outage Accounting	48,234	2,910	45,323
23	Tax Depreciation and Removals	1,059,812	72,510	987,302
24	NOL Generated	(52,100)	(9,782)	(42,318)
25	NOL Utilization	5,199	0	5,199
26	Other Tax / Book Timing Differences	31,332	1,987	29,344
27	Total Tax Deductions	1,253,858	78,393	1,175,465
28				
<hr/>				
1				
2	State Taxes			
3	State Taxable Income	(0)	(0)	(0)
4	State Income Tax Rate	4.53%	0.00%	4.53%
5	State Taxes before Credits (Line 31 x Line 32)	(0)	0	(0)
6	Less State Tax Credits	(559)	0	(559)
7	Deferred State Tax Credits due to NOL	559	0	559
8	Total State Income Taxes	(0)	0	(0)
9				
10	Federal Taxes			
11	Federal Taxable Income	(0)	(0)	(0)
12	Federal Income Tax Rate	70.00%	35.00%	35.00%
13	Federal Tax before Credits (Line 39 x Line 40)	(0)	(0)	(0)
14	Less Federal Tax Credits	(30,041)	(1,780)	(28,261)
15	Deferred Federal Tax Credits due to NOL	30,041	1,780	28,261
16	Total Federal Income Taxes	(0)	(0)	(0)
17				
18	Total Taxes			
19	Total Federal and State Income Taxes	(0)	(0)	(0)

PUBLIC DOCUMENT: TRADE SECRET DATA EXCISED

Northern States Power Company (SD)
 Electric Utility - South Dakota Retail Jurisdiction
 Cost of Service Study
 2014 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	<u>Weighted Cost of Equity</u>			
16	Required Rate Of Return			
17				TRADE SECRET ENDS]
18	Composite Income Tax Rate			
19	State Tax Rate			4.53%
20	Federal Statutory Tax Rate	35.00%	35.00%	35.00%
21	Federal Effective Tax Rate	35.00%	35.00%	33.42%
22	Composite Tax Rate	35.00%	35.00%	37.95%
23				
24	Rate of Return (ROR)			
25	Total Operating Income	418,668	25,515	393,153
26	Total Rate Base	7,228,355	474,326	6,754,029
27	ROR (Operating Income / Rate Base)	5.79%	5.38%	5.82%
28				
29	Return on Equity (ROE)			
30	Total Operating Income	418,668	25,515	393,153
31	Debt Interest (Rate Base * Weighted Cost of Debt)	(161,382)	(10,767)	(150,615)
32	Earnings Available for Common	257,286	14,748	242,538
33	Equity Rate Base (Rate Base * Equity Ratio)	3,826,327	255,472	3,570,855
34	ROE (earnings for Common/Equity Rate Base)	6.72%	5.77%	6.79%
35				
36	Revenue Deficiency			
37	Required Operating Income (Rate Base * Required Return)	532,813	34,389	498,424
38	<u>Total Operating Income</u>	418,668	25,515	393,153
39	Operating Income Deficiency	114,144	8,874	105,271
40				
41	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.5385	1.5385	1.6115
42	Revenue Deficiency (Income Deficiency * Conversion Factor)	192,992	13,652	179,341
43				
44	Total Revenue Requirements			
45	Total Retail Revenues	3,364,304	202,124	3,162,180
46	Revenue Deficiency	192,992	13,652	179,341
47	Total Revenue Requirements	3,557,297	215,776	3,341,521