Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	04/13/2012	End of 2011/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	13,597,349,035	12,169,200,840
3	Construction Work in Progress (107)	200-201	641,719,320	698,119,696
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		14,239,068,355	12,867,320,536
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	5,822,335,633	5,626,522,601
6	Net Utility Plant (Enter Total of line 4 less 5)		8,416,732,722	7,240,797,935
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	86,509,310	132,940,023
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		29,517,136	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		493,135,096	437,832,743
10	Spent Nuclear Fuel (120.4)		1,330,137,424	1,266,923,752
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	1,641,947,651	1,541,045,878
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		297,351,315	296,650,640
14	Net Utility Plant (Enter Total of lines 6 and 13)		8,714,084,037	7,537,448,575
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		7,576,491	7,556,420
19	(Less) Accum. Prov. for Depr. and Amort. (122)		5,958,352	5,575,504
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	2,416,936	2,563,147
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		21,107,075	15,439,022
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		1,336,430,519	1,350,629,552
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		80,689,048	101,175,044
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	82,564
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		1,442,261,717	1,471,870,245
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		10,997,949	13,254,653
36	Special Deposits (132-134)		95,287,073	276,908
37	Working Fund (135)		137,510	135,070
38	Temporary Cash Investments (136)		14,889,685	24,888,257
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		295,463,717	299,467,596
41	Other Accounts Receivable (143)		38,295,584	30,596,895
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		23,003,922	20,995,628
43	Notes Receivable from Associated Companies (145)		0	37,000,000
44	Accounts Receivable from Assoc. Companies (146)		21,122,644	30,569,736
45	Fuel Stock (151)	227	118,006,157	99,661,052
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	124,168,433	122,606,133
49	Merchandise (155)	227	757,033	58,985
50	Other Materials and Supplies (156)	227	35,064	40,724
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	0	0

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Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	04/13/2012	End of 2011/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	0	0
55	Gas Stored Underground - Current (164.1)		49,285,703	47,893,315
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		9,595,267	9,912,319
57	Prepayments (165)		43,192,286	36,513,706
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		0	0
60	Rents Receivable (172)		667,422	649,983
61	Accrued Utility Revenues (173)		231,303,498	249,393,596
62	Miscellaneous Current and Accrued Assets (174)		2,026,547	2,438,129
63	Derivative Instrument Assets (175)		132,113,306	140,997,793
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		80,689,048	101,175,044
65	Derivative Instrument Assets - Hedges (176)		92,979	151,580
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	82,564
67	Total Current and Accrued Assets (Lines 34 through 66)		1,083,744,887	1,024,253,194
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		25,215,264	27,240,671
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	2,246,221,301	2,072,481,079
73	Prelim. Survey and Investigation Charges (Electric) (183)		3,908,975	2,405,106
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		0	0
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	61,149,846	48,071,330
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		18,976,877	21,087,520
82	Accumulated Deferred Income Taxes (190)	234	684,518,110	531,619,462
83	Unrecovered Purchased Gas Costs (191)		16,023,974	17,382,112
84	Total Deferred Debits (lines 69 through 83)		3,056,014,347	2,720,287,280
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		14,296,104,988	12,753,859,294

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Northern States Power Company (Minnesota)	(1) X An Original (2) _ A Resubmission	04/13/2012	2011/Q4

FOOTNOTE DATA

Schedule Page: 110 Line No.: 57 Column: c

Prepayments (Account No. 165). The Form 1 reports prepayments at the total Company level, at the beginning of the year and at the end of the year. The Company uses the average of the beginning of the year and the end of the year prepayments balance in the formula. In addition, since prepayments are reported in the Form 1 at the total Company level, they are allocated to the electric utility based on the ratio of electric net plant to the sum of electric and gas net plant as reported in the Form 1, page 200. The formula allocates the electric prepayments to the transmission function using a gross plant allocator.

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	04/13/2012	end of 2011/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	10,000	10,000
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		2,366,391,435	2,241,386,617
7	Other Paid-In Capital (208-211)	253	0	0
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	1,375,302,423	1,254,367,532
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	-2,575,677	-2,429,466
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-14,352,147	2,833,964
16	Total Proprietary Capital (lines 2 through 15)		3,724,776,034	3,496,168,647
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	3,346,900,000	3,346,900,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	7,537	32,507
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		8,010,098	9,020,293
24	Total Long-Term Debt (lines 18 through 23)		3,338,897,439	3,337,912,214
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		3,783,075	3,783,075
29	Accumulated Provision for Pensions and Benefits (228.3)		382,499,000	320,000,000
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		69,746,223	3,386,789
32	Long-Term Portion of Derivative Instrument Liabilities		184,190,470	197,771,358
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		1,581,896,392	875,361,423
35	Total Other Noncurrent Liabilities (lines 26 through 34)		2,222,115,160	1,400,302,645
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		26,000,000	0
38	Accounts Payable (232)		349,356,589	409,570,608
39	Notes Payable to Associated Companies (233)		66,740,000	1,780,000
40	Accounts Payable to Associated Companies (234)		47,550,534	61,752,745
41	Customer Deposits (235)		4,546,835	4,473,789
42	Taxes Accrued (236)	262-263	165,321,438	146,786,440
43	Interest Accrued (237)		68,361,544	66,640,990
44	Dividends Declared (238)		58,054,127	58,372,102
45	Matured Long-Term Debt (239)		0	0

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Northern States Power Company (Minnesota)	(1) [x] An Original (2) [ ] A Resubmission	04/13/2012	end of 2011/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		15,774,606	13,822,275
48	Miscellaneous Current and Accrued Liabilities (242)		17,867,098	7,591,720
49	Obligations Under Capital Leases-Current (243)		0	0
50	Derivative Instrument Liabilities (244)		221,851,885	225,081,993
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		184,190,470	197,771,358
52	Derivative Instrument Liabilities - Hedges (245)		28,119,290	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		885,353,476	798,101,304
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		3,128,142	2,928,927
57	Accumulated Deferred Investment Tax Credits (255)	266-267	31,743,304	34,437,315
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	226,808,263	234,316,518
60	Other Regulatory Liabilities (254)	278	1,506,232,595	1,423,834,866
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	32,705,819	25,250,851
63	Accum. Deferred Income Taxes-Other Property (282)		2,173,415,978	1,890,341,294
64	Accum. Deferred Income Taxes-Other (283)		150,928,778	110,264,713
65	Total Deferred Credits (lines 56 through 64)		4,124,962,879	3,721,374,484
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		14,296,104,988	12,753,859,294

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	04/13/2012	End of 2011/Q4

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Northern States Power Company (Minnesota)	(1) X An Original (2) _ A Resubmission	04/13/2012	2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Business and System of Accounts — NSP-Minnesota is principally engaged in the regulated generation, purchase, transmission, distribution and sale of electricity and in the regulated purchase, transportation, distribution and sale of natural gas. NSP-Minnesota is subject to regulation by the Federal Energy Regulatory Commission (FERC) and state utility commissions.

Basis of Accounting — The accompanying financial statements were prepared in accordance with the accounting requirements of the FERC as set forth in the Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP:

- Current maturities of long-term debt are included as long-term debt, while GAAP requires such maturities to be classified as current liabilities.
- Accumulated deferred income taxes are shown as long-term assets and liabilities at their gross amounts in the FERC presentation, in contrast to the GAAP presentation as net current or long-term assets and liabilities.
- Regulatory assets and liabilities are classified as current and noncurrent for GAAP, while the FERC classifies all regulatory assets and liabilities as noncurrent deferred debits and credits, respectively.
- Unrecognized tax benefits are recorded for temporary adjustments in accounts established for accumulated deferred income taxes in the FERC presentation, in contrast to the GAAP presentation as taxes accrued and noncurrent other liabilities.
- Removal costs for future removal obligations are classified as accumulated depreciation on the utility plant in the FERC presentation and as regulatory liabilities in the GAAP presentation.
- For certain capital projects where there is recovery of a return on construction work in progress (CWIP), certain amounts of allowance for funds used during construction (AFUDC) are not recognized in CWIP for GAAP, while for the FERC presentation, they are recorded in CWIP but the benefit is deferred as a deferred liability and amortized over the life of the property as a reduction of costs.
- Certain commodity trading purchases and sales transactions are presented gross as expenses and revenues for the FERC presentation; however the net margin is reported as net sales for the GAAP presentation.
- Various expenses such as donations, lobbying, and other non-regulatory expenses are presented as other income deductions for the FERC presentation and reported as operating expenses for the GAAP presentation.
- Income tax expense is shown as a component of operating expense in the FERC presentation, in contrast to the GAAP presentation as a below-the-line deduction from operating income.
- Wholly-owned subsidiaries are reported using the equity method of accounting in the FERC presentation and are required to be consolidated for GAAP.

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NOTES TO FINANCIAL STATEMENTS (Continued)

If GAAP were followed, these financial statement line items would have values greater/(lesser) than those shown by the FERC presentation of:

(Thousands of Dollars)		
Balance Sheet:		
Net utility plant	$	268,750
Current assets		141,753
Current liabilities		674,103
Other long-term assets		(2,151,397)
Long-term debt and other long-term liabilities		(2,414,996)
Statement of Income:		
Operating revenues	$	(4,960)
Operating expenses		(185,793)
Other income and deductions		10,826
Statement of Cash Flows:		
Cash provided by operating activities	$	87
Cash used in investing activities		(237)
Cash used in financing activities		1

Use of Estimates — In recording transactions and balances resulting from business operations, NSP-Minnesota uses estimates based on the best information available. Estimates are used for such items as plant depreciable lives, asset retirement obligations (AROs), decommissioning, regulatory assets and liabilities, tax provisions, uncollectible amounts, environmental costs, unbilled revenues, jurisdictional fuel and energy cost allocations and actuarially determined benefit costs. The recorded estimates are revised when better information becomes available or when actual amounts can be determined. Those revisions can affect operating results.

Regulatory Accounting — NSP-Minnesota accounts for certain income and expense items in accordance with accounting guidance for regulated operations. Under this guidance:

- Certain costs, which would otherwise be charged to expense or other comprehensive income (OCI), are deferred as regulatory assets based on the expected ability to recover the costs in future rates; and
- Certain credits, which would otherwise be reflected as income, are deferred as regulatory liabilities based on the expectation the amounts will be returned to customers in future rates, or because the amounts were collected in rates prior to the costs being incurred.

Estimates of recovering deferred costs and returning deferred credits are based on specific ratemaking decisions or precedent for each item. Regulatory assets and liabilities are amortized consistent with the treatment in the rate setting process.

If restructuring or other changes in the regulatory environment occur, NSP-Minnesota may no longer be eligible to apply this accounting treatment, and may be required to eliminate such regulatory assets and liabilities from its balance sheet. Such changes could have a material effect on NSP-Minnesota's financial condition, results of operations and cash flows in the period the write-offs are recorded. See Note 12 for further discussion of regulatory assets and liabilities.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Revenue Recognition — Revenues related to the sale of energy are generally recorded when service is rendered or energy is delivered to customers. However, the determination of the energy sales to individual customers is based on the reading of their meter, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is recognized. NSP-Minnesota presents its revenues net of any excise or other fiduciary-type taxes or fees.

NSP-Minnesota participates in Midwest Independent Transmission System Operator, Inc (MISO). The revenues and charges from MISO related to serving retail and wholesale electric customers are recorded based upon our evaluation of each hour as to whether we are a net seller or a net buyer based upon the total volumes. The real real time and day-ahead market are each evaluated separately. If NSP-Minnesota is a net seller the transactions are recorded on a net basis in electric revenues. If NSP-Minnesota is a net buyer the transactions are recorded on a net basis in cost of sales.

NSP-Minnesota has various rate-adjustment mechanisms in place that currently provide for the recovery of natural gas and electric fuel costs, as well as purchased energy costs. These cost-adjustment tariffs may increase or decrease the level of costs recovered through base rates and are revised periodically for any difference between the total amount collected under the clauses and the recoverable costs incurred. Where applicable, under governing state regulatory commission rate orders, fuel cost over-recoveries (the excess of fuel revenue billed to customers over fuel costs incurred) are deferred as regulatory liabilities and under-recoveries (the excess of fuel costs incurred over fuel revenues billed to customers) are deferred as regulatory assets.

Conservation Programs — NSP-Minnesota has implemented programs in its retail jurisdictions to assist customers in conserving energy and reducing peak demand on the electric and natural gas systems. These programs include, but are not limited to, commercial process efficiency and lighting updates, and residential rebates for participation in air conditioning interruption and energy-efficient appliances.

The costs incurred for conservation improvement programs (CIP) are deferred if it is probable that future revenue, in an amount at least equal to the deferred amount, will be provided to permit recovery of the previously incurred cost, rather than to provide for expected future amounts of similar programs. For incentive programs designed to allow adjustments of future rates for recovery of lost margins and/or conservation performance incentives, recorded revenues are limited to those amounts expected to be collected within 24 months following the end of the annual period in which they are earned.

NSP-Minnesota's CIP program costs are recovered through a combination of base rate revenue and rider mechanisms. The revenue billed to customers recovers incurred costs for conservation programs and also incentive amounts that are designed to encourage NSP-Minnesota's achievement of energy conservation goals and to compensate for related lost sales margin. NSP-Minnesota recognizes regulatory assets to reflect the amount of costs or earned incentives that have not yet been collected from customers.

Property, Plant and Equipment and Depreciation — Property, plant and equipment is stated at original cost. The cost of plant includes direct labor and materials, contracted work, overhead costs and applicable interest expense. The cost of plant retired is charged to accumulated depreciation and amortization. Significant additions or improvements extending asset lives are capitalized, while repairs and maintenance costs are charged to expense as incurred. Maintenance and replacement of items determined to be less than units of property are charged to operating expenses as incurred. Planned major maintenance activities are charged to operating expense unless the cost represents the acquisition of an additional unit of property or the replacement of an existing unit of property. Property, plant and equipment also includes costs associated with property held for future use. The depreciable lives of certain plant assets are reviewed annually and revised, if appropriate. Property, plant and equipment is tested for impairment when it is determined that the carrying value of the assets may not be recoverable.

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NOTES TO FINANCIAL STATEMENTS (Continued)

NSP-Minnesota records depreciation expense related to its plant using the straight-line method over the plant's useful life. Actuarial and semi-actuarial life studies are performed on a periodic basis and submitted to the state and federal commissions for review. Upon acceptance by the various commissions, the resulting lives and net salvage rates are used to calculate depreciation. Depreciation expense, expressed as a percentage of average depreciable property, for the years ended Dec. 31, 2011 and 2010 was 3.2 percent and 3.4 percent, respectively.

Leases — NSP-Minnesota evaluates a variety of contracts for lease classification at inception, including purchased power agreements and rental arrangements for office space, vehicles, and equipment. Contracts determined to contain a lease because of per unit pricing that is other than fixed or market price, terms regarding the use of a particular asset, and other factors are evaluated further to determine if the arrangement is a capital lease. See Note 10 for further discussion of leases.

AFUDC — AFUDC represents the cost of capital used to finance utility construction activity. AFUDC is computed by applying a composite pretax rate to qualified CWIP. The amount of AFUDC capitalized as a utility construction cost is credited to nonoperating income (for equity capital) and interest charges (for debt capital). AFUDC amounts capitalized are included in NSP-Minnesota's rate base for establishing utility service rates. In addition to construction-related amounts, cost of capital also is recorded to reflect returns on capital used to finance conservation programs in Minnesota.

Generally AFUDC costs are recovered from customers as the related property is depreciated. However, in some cases, including for certain wind and transmission projects, the Minnesota Public Utilities Commission (MPUC) has approved a more current recovery of financing costs associated with large capital projects, through various riders, resulting in a lower recognition of AFUDC.

AROs — NSP-Minnesota accounts for AROs under accounting guidance that requires a liability for the fair value of an ARO to be recognized in the period in which it is incurred if it can be reasonably estimated, with the offsetting associated asset retirement costs capitalized as a long-lived asset. The liability is generally increased over time by applying the interest method of accretion, and the capitalized costs are depreciated over the useful life of the long-lived asset. Changes resulting from revisions to the timing or amount of expected asset retirement cash flows are recognized as an increase or a decrease in the ARO. The recording of the obligation for regulated operations has no income statement impact due to the deferral of the amounts through the establishment of a regulatory asset and recovery in rates. NSP-Minnesota also recovers through rates asset retirement obligations and related capitalized costs. See Note 10 for further discussion of AROs.

Nuclear Decommissioning – Nuclear decommissioning studies estimate NSP-Minnesota's ultimate costs of decommissioning its nuclear power plants and are performed at least every three years and submitted to the MPUC for approval. NSP-Minnesota filed its most recent triennial nuclear decommissioning studies with the MPUC in December 2011. These studies reflect NSP-Minnesota's plans, under the current operating licenses, for prompt dismantlement of the Monticello and Prairie Island facilities. These studies assume that NSP-Minnesota will be storing spent fuel on site pending removal to a United States government facility.

For rate making purposes, NSP-Minnesota recovers the total decommissioning costs related to its nuclear power plants, including operating costs associated with spent fuel, over each facility's expected service life based on the triennial decommissioning studies filed with the MPUC. The costs are initially determined in nominal amounts prior to escalation adjustments, then future periods' costs are escalated using decommissioning-specific cost escalators and finally discounted using risk-free interest rates. See Note 11 for further discussion of the approved nuclear decommissioning obligation.

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For financial reporting purposes, NSP-Minnesota recognizes decommissioning liabilities, excluding future operating costs associated with spent fuel, in accordance with accounting guidance that requires a liability for the fair value of an ARO to be recognized in the period in which it is incurred. In accordance with regulatory accounting, any difference between expense recognized for financial reporting purposes and the amount recovered in rates is reported as a regulatory asset or liability. Costs are initially determined in nominal amounts prior to escalation adjustments, then future periods' costs are escalated using decommissioning-specific cost escalators and then discounted using weighted-average credit-adjusted risk-free interest rates.

Restricted funds for the payment of future decommissioning expenditures for NSP-Minnesota's nuclear facilities are included in the nuclear decommissioning fund on the balance sheets. See Note 8 for further discussion of the nuclear decommissioning fund.

Nuclear Fuel Expense — Nuclear fuel expense, which is recorded as NSP-Minnesota's nuclear generating plants use fuel, includes the cost of fuel used in the current period (including AFUDC), as well as future disposal costs of spent nuclear fuel and costs associated with the end-of-life fuel segments.

Nuclear Refueling Outage Costs —NSP-Minnesota uses a deferral and amortization method for nuclear refueling operation and maintenance (O&M) costs. This method amortizes refueling outage costs over the period between refueling outages consistent with how the costs are recovered ratably in electric rates.

Income Taxes — NSP-Minnesota accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. NSP-Minnesota defers income taxes for all temporary differences between pretax financial and taxable income, and between the book and tax bases of assets and liabilities. NSP-Minnesota uses the tax rates that are scheduled to be in effect when the temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In making such a determination, all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations, is considered.

Due to the effects of past regulatory practices, when deferred taxes were not required to be recorded, the reversal of some temporary differences are accounted for as current income tax expense. Investment tax credits are deferred and their benefits amortized over the book depreciable lives of the related property. Utility rate regulation also has resulted in the recognition of certain regulatory assets and liabilities related to income taxes, which are summarized in Note 12.

NSP-Minnesota follows the applicable accounting guidance to measure and disclose uncertain tax positions that it has taken or expects to take in its income tax returns. NSP-Minnesota recognizes a tax position in its financial statements when it is more likely than not that the position will be sustained upon examination based on the technical merits of the position. Recognition of changes in uncertain tax positions are reflected as a component of income tax.

Interest and penalties are recorded separately to their respective line items in the statements of income.

Xcel Energy Inc. and its subsidiaries, including NSP-Minnesota, file consolidated federal income tax returns as well as combined or separate state income tax returns. Federal income taxes paid by Xcel Energy Inc., as parent of the Xcel Energy consolidated group, are allocated to Xcel Energy Inc.'s subsidiaries based on separate company computations of tax. A similar allocation is made for state income taxes paid by Xcel Energy Inc. in connection with combined state filings. Xcel Energy Inc. also allocates its own income tax benefits to its direct subsidiaries based on the relative positive tax liabilities of the subsidiaries.

See Note 6 for further discussion of income taxes.

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Types of and Accounting for Derivative Instruments — NSP-Minnesota uses derivative instruments in connection with its interest rate, utility commodity price, vehicle fuel price, short-term wholesale and commodity trading activities, including forward contracts, futures, swaps and options. All derivative instruments not designated and qualifying for the normal purchases and normal sales exception, as defined by the accounting guidance for derivatives and hedging, are recorded on the balance sheets at fair value as derivative instruments. This includes certain instruments used to mitigate market risk for the utility operations and all instruments related to the commodity trading operations. The classification of changes in fair value for those derivative instruments is dependent on the designation of a qualifying hedging relationship. Changes in fair value of derivative instruments not designated in a qualifying hedging relationship are reflected in current earnings or as a regulatory asset or liability. The classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms.

Gains or losses on hedging transactions for the sale of energy or energy-related products are primarily recorded as a component of revenue; hedging transactions for fuel used in energy generation are recorded as a component of fuel costs; hedging transactions for natural gas purchased for resale are recorded as a component of natural gas costs; hedging transactions for vehicle fuel costs are recorded as a component of capital projects or O&M costs; and interest rate hedging transactions are recorded as a component of interest expense. NSP-Minnesota is allowed to recover in electric or natural gas rates the costs of certain financial instruments purchased to reduce commodity cost volatility.

Cash Flow Hedges — Certain qualifying hedging relationships are designated as a hedge of a forecasted transaction or future cash flow (cash flow hedge). Changes in the fair value of a derivative designated as a cash flow hedge, to the extent effective are included in OCI, or deferred as a regulatory asset or liability based on recovery mechanisms until earnings are affected by the hedged transaction.

Normal Purchases and Normal Sales — NSP-Minnesota enters into contracts for the purchase and sale of commodities for use in its business operations. Derivatives and hedging accounting guidance requires a company to evaluate these contracts to determine whether the contracts are derivatives. Certain contracts that meet the definition of a derivative may be exempted from derivative accounting as normal purchases or normal sales.

NSP-Minnesota evaluates all of its contracts at inception to determine if they are derivatives and if they meet the normal purchases and normal sales designation requirements. None of the contracts entered into within the commodity trading operations qualify for a normal purchases and normal sales designation.

See Note 8 for further discussion of NSP-Minnesota's risk management and derivative activities.

Commodity Trading Operations — Pursuant to the joint operating agreement approved by the FERC, some of NSP-Minnesota's commodity trading margins are apportioned to PSCo and SPS. Commodity trading activities are not associated with energy produced from NSP-Minnesota's generation assets or energy and capacity purchased to serve native load. Commodity trading contracts are recorded at fair market value and commodity trading results include the impact of all margin-sharing mechanisms. See Note 8 for further discussion.

Fair Value Measurements — NSP-Minnesota presents cash equivalents, interest rate derivatives, commodity derivatives and nuclear decommissioning fund assets at estimated fair values in its financial statements. Cash equivalents are recorded at cost plus accrued interest; money market funds are measured using quoted net asset values. For interest rate derivatives, quoted prices based primarily on observable market interest rate curves are used as a primary input to establish fair value. For commodity derivatives, the most observable inputs available are generally used to determine the fair value of each contract. In the absence of a quoted price for an identical contract in an active market, NSP-Minnesota may use quoted prices for similar contracts or internally prepared valuation models to determine fair value. For the nuclear decommissioning fund, published trading data and pricing models, generally using the most observable inputs available, are utilized to estimate fair value for each class of security. For further information, see Note 8.

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Cash and Cash Equivalents — NSP-Minnesota considers investments in certain instruments, including commercial paper and money market funds, with a remaining maturity of three months or less at the time of purchase, to be cash equivalents.

Accounts Receivable and Allowance for Bad Debts — Accounts receivable are stated at the actual billed amount net of an allowance for bad debts. NSP-Minnesota establishes an allowance for uncollectible receivables based on a policy that reflects its expected exposure to the credit risk of customers.

Inventory — All inventory is recorded at average cost.

Renewable Energy Credits (RECs) — RECs are marketable environmental commodities that represent proof that energy was generated from eligible renewable energy sources. RECs are awarded upon delivery of the associated energy and can be bought and sold. RECs are typically used as a form of measurement of compliance to renewable portfolio standards enacted by those states that are encouraging construction and consumption from renewable energy sources, but can also be sold separately from the energy produced. Currently, NSP-Minnesota acquires RECs from the generation or purchase of renewable power.

When RECs are acquired in the course of generation or purchased as a result of meeting load obligations, they are recorded as inventory at cost. The cost of RECs that are utilized for compliance purposes is recorded as electric fuel and purchased power expense.

Sales of RECs that are acquired in the course of generation or purchased as a result of meeting load obligations are recorded in electric utility operating revenues on a gross basis. The cost of these RECs, related transaction costs, and amounts credited to customers under margin-sharing mechanisms are recorded in electric fuel and purchased power expense. RECs acquired for trading purposes are recorded as other investments and are also recorded at cost. The sales of RECs for trading purposes are recorded in electric utility operating revenues, net of the cost of the RECs, transaction costs, and amounts credited to customers under margin-sharing mechanisms.

Emission Allowances — Emission allowances, including the annual sulfur dioxide (SO_2) and nitrogen oxide (NOx) emission allowance entitlement received at no cost from the United States Environmental Protection Agency (EPA), are recorded at cost plus associated broker commission fees. NSP-Minnesota follows the inventory accounting model for all emission allowances. The sales of emission allowances are included in electric utility operating revenues and the operating activities section of the statements of cash flows.

Environmental Costs — Environmental costs are recorded when it is probable NSP-Minnesota is liable for the costs and the liability can be reasonably estimated. Costs are deferred as a regulatory asset if it is probable that the costs will be recovered from customers in future rates. Otherwise, the costs are expensed. If an environmental expense is related to facilities currently in use, such as emission-control equipment, the cost is capitalized and depreciated over the life of the plant.

Estimated remediation costs, excluding inflationary increases, are recorded. The estimates are based on experience, an assessment of the current situation and the technology currently available for use in the remediation. The recorded costs are regularly adjusted as estimates are revised and remediation proceeds. If other participating potentially responsible parties (PRPs) exist and acknowledge their potential involvement with a site, costs are estimated and recorded only for NSP-Minnesota's expected share of the cost. Any future costs of restoring sites where operation may extend indefinitely are treated as a capitalized cost of plant retirement. The depreciation expense levels recoverable in rates include a provision for removal expenses, which may include final remediation costs.

See Note 10 for further discussion of environmental costs.

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Benefit Plans and Other Postretirement Benefits — NSP-Minnesota maintains pension and postretirement benefit plans for eligible employees. Recognizing the cost of providing benefits and measuring the projected benefit obligation of these plans under applicable accounting guidance requires management to make various assumptions and estimates.

Based on regulatory recovery mechanisms, certain unrecognized actuarial gains and losses and unrecognized prior service costs or credits are recorded as regulatory assets and liabilities, rather than OCI.

See Note 7 for further discussion of benefit plans and other postretirement benefits.

Guarantees — NSP-Minnesota recognizes, upon issuance or modification of a guarantee, a liability for the fair market value of the obligation that has been assumed in issuing the guarantee. This liability includes consideration of specific triggering events and other conditions which may modify the ongoing obligation to perform under the guarantee.

The obligation recognized is reduced over the term of the guarantee as NSP-Minnesota is released from risk under the guarantee. See Note 10 for specific details of issued guarantees.

Subsequent Events — Management has evaluated the impact of events occurring after Dec. 31, 2011 up to Feb. 27, 2012, the date NSP-Minnesota's GAAP financial statements were issued. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

2. Accounting Pronouncements

Recently Adopted

Multiemployer Plans — In September 2011, the Financial Accounting Standards Board (FASB) issued *Multiemployer Plans (Subtopic 715-80) — Disclosures about an Employer's Participation in a Multiemployer Plan (Accounting Standards Update (ASU) No. 2011-09)*, which updates the Codification to require certain disclosures about an entity's involvement with multiemployer pension and other postretirement benefit plans. These updates do not affect recognition and measurement guidance for an employer's participation in multiemployer plans, but rather require additional disclosure such as the nature of multiemployer plans and the employer's participation, contributions to the plans and details regarding any significant plans. These updates to the Codification are effective for annual periods ending after Dec. 15, 2011. NSP-Minnesota implemented the annual disclosure guidance effective Jan. 1, 2011, and the implementation did not have a material impact on its financial statements. For further information and required disclosures, see Note 7.

Recently Issued

Fair Value Measurement — In May 2011, the FASB issued *Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (ASU No. 2011-04)*, which provides additional guidance for fair value measurements. These updates to the Codification include clarifications regarding existing fair value measurement principles and disclosure requirements, and also specific new guidance for items such as measurement of instruments classified within stockholders' equity. These updates to the Codification are effective for interim and annual periods beginning after Dec. 15, 2011. NSP-Minnesota does not expect the implementation of this guidance to have a material impact on its financial statements.

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Comprehensive Income — In June 2011, the FASB issued *Comprehensive Income (Topic 220) — Presentation of Comprehensive Income (ASU No. 2011-05)*, which updates the Codification to require the presentation of the components of net income, the components of OCI and total comprehensive income in either a single continuous statement of comprehensive income or in two separate, but consecutive statements of net income and comprehensive income. These updates do not affect the items reported in OCI or the guidance for reclassifying such items to net income. These updates to the Codification are effective for interim and annual periods beginning after Dec. 15, 2011. NSP-Minnesota does not expect the implementation of this presentation guidance to have a material impact on its financial statements.

Balance Sheet Offsetting — In December 2011, the FASB issued *Balance Sheet (Topic 210) — Disclosures about Offsetting Assets and Liabilities (ASU No. 2011-11)*, which updates the Codification to require disclosures regarding netting arrangements in agreements underlying derivatives, certain financial instruments and related collateral amounts, and the extent to which an entity's financial statement presentation policies related to netting arrangements impact amounts recorded to the financial statements. These updates to the disclosure requirements of the Codification do not affect the presentation of amounts in the balance sheets, and are effective for annual reporting periods beginning on or after Jan. 1, 2013, and interim periods within those periods. NSP-Minnesota does not expect the implementation of this disclosure guidance to have a material impact on its financial statements.

3. Investments Accounted for by the Equity Method

In accordance with FERC regulations, NSP-Minnesota's investment in and income from all of its wholly owned subsidiaries are presented using the equity method of accounting. Subsidiaries accounted for under the equity method include:

Name	Geographic Area	Economic Interest
United Power and Land Co.	United States	100%
NSP Nuclear Corp.	United States	100%

Summarized Financial Information of Unconsolidated Investees:

Summarized financial information for all equity-method subsidiaries and projects, including interests owned by NSP-Minnesota was as follows:

(Thousands of dollars)

Financial Position

	Dec. 31, 2011	Dec. 31, 2010
Current assets	$ 1,808	$ 1,973
Other assets	984	931
Total assets	$ 2,792	$ 2,904
Current liabilities	$ 375	$ 341
Other liabilities	-	-
Equity	2,417	2,563
Total liabilities and equity	$ 2,792	$ 2,904

Results of Operations

	Twelve Months Ended Dec. 31, 2011
Operating revenues	$ 16
Operating income	4
Net loss	(146)

	Twelve Months Ended Dec. 31, 2010
Operating revenues	$ 16
Operating loss	(3)
Net loss	(151)

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4. Borrowings and Other Financing Instruments

Short-Term Borrowings

Commercial Paper — NSP-Minnesota meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under its credit facility. Commercial paper outstanding for NSP-Minnesota was as follows:

(Amounts in Millions, Except Interest Rates)	Twelve Months Ended Dec. 31, 2011	Twelve Months Ended Dec. 31, 2010
Borrowing limit	$ 500	$ 482
Amount outstanding at period end	26	-
Average amount outstanding	7	35
Maximum amount outstanding	80	389
Weighted average interest rate, computed on a daily basis	0.34 %	0.37 %
Weighted average interest rate at end of period	0.45	N/A

Credit Facilities — In order to use its commercial paper program to fulfill short-term funding needs, NSP-Minnesota must have a revolving credit facility in place at least equal to the amount of its commercial paper borrowing limit and cannot issue commercial paper in an aggregate amount exceeding available capacity under the credit agreement.

During 2011, NSP-Minnesota executed a new four-year credit agreement. The total size of the credit facility is $500 million and terminates in March 2015. NSP-Minnesota has the right to request an extension of the revolving termination date for two additional one-year periods, subject to majority bank group approval.

The credit facility provides short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings. Other features of NSP-Minnesota's credit facility include:

- The credit facility may be increased by up to $100 million.
- The credit facility has a financial covenant requiring that NSP-Minnesota's debt-to-total capitalization ratio be less than or equal to 65 percent. NSP-Minnesota was in compliance as its debt-to-total capitalization ratio was 48 percent at Dec. 31, 2011. If NSP-Minnesota does not comply with the covenant, an event of default may be declared, and if not remedied, any outstanding amounts due under the facility can be declared due by the lender.
- The credit facility has a cross-default provision that provides NSP-Minnesota will be in default on its borrowings under the facility if NSP-Minnesota or any of its subsidiaries whose total assets exceed 15 percent of NSP-Minnesota's consolidated total assets, default on certain indebtedness in an aggregate principal amount exceeding $75 million.
- The interest rates under the line of credit are based on the Eurodollar rate or an alternate base rate, plus a borrowing margin of 0 to 200 basis points per year based on the applicable credit ratings.
- The commitment fees, also based on applicable long-term credit ratings, are calculated on the unused portion of the line of credit at a range of 10 to 35 basis points per year.
- NSP-Wisconsin's intercompany borrowing arrangement with NSP-Minnesota was subsequently terminated.

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At Dec. 31, 2011, NSP-Minnesota had the following committed credit facility available (in millions):

Credit Facility	Drawn [(a)]	Available
$ 500.0	$ 33.7	$ 466.3

(a) Includes outstanding commercial paper and letters of credit.

All credit facility bank borrowings, outstanding letters of credit and outstanding commercial paper reduce the available capacity under the credit facility. NSP-Minnesota had no direct advances on the credit facility outstanding at Dec. 31, 2011 and 2010.

Letters of Credit — NSP-Minnesota uses letters of credit, generally with terms of one-year, to provide financial guarantees for certain operating obligations. At Dec. 31, 2011 and 2010, there were $7.7 million and $5.3 million of letters of credit outstanding, respectively, under the credit facility. An additional $1.1 million of letters of credit not issued under the credit facility were outstanding at Dec. 31, 2011 and 2010, respectively. The contract amounts of these letters of credit approximate their fair value and are subject to fees determined in the marketplace.

Money Pool — Xcel Energy Inc. and its utility subsidiaries have established a money pool arrangement that allows for short-term investments in and borrowings between the utility subsidiaries. Xcel Energy Inc. may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in Xcel Energy Inc. Money pool borrowings outstanding for NSP-Minnesota were as follows:

(Amounts in Millions, Except Interest Rates)	Twelve Months Ended Dec. 31, 2011	Twelve Months Ended Dec. 31, 2010
Borrowing limit	$ 250	$ 250
Amount outstanding at period end	65	-
Average amount outstanding	17	18
Maximum amount outstanding	80	142
Weighted average interest rate, computed on a daily basis	0.34 %	0.37 %
Weighted average interest rate at end of period	0.35	N/A

Long-Term Borrowings and Other Financing Instruments

Generally, all real and personal property of NSP-Minnesota is subject to the lien of its first mortgage indenture. Additionally, debt premiums, discounts and expenses are amortized over the life of the related debt. The premiums, discounts and expenses associated with refinanced debt are deferred and amortized over the life of the related new issuance, in accordance with regulatory guidelines.

In August 2010, NSP-Minnesota issued $250 million of 1.95 percent first mortgage bonds, due Aug. 15, 2015 and $250 million of 4.85 percent first mortgage bonds, due Aug. 15, 2040.

During the next five years, NSP-Minnesota has long-term debt maturities of $450 million and $250 million due in 2012 and 2015, respectively. NSP-Minnesota plans to refinance the current portion of long-term debt coming due in 2012.

Deferred Financing Costs — Deferred debits include deferred financing costs of approximately $25.2 million and $27.2 million, net of amortization, at Dec. 31, 2011 and 2010, respectively. NSP-Minnesota is amortizing these financing costs over the remaining maturity periods of the related debt.

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Dividend and Other Capital-Restrictions — NSP-Minnesota's dividends are subject to the FERC's jurisdiction under the Federal Power Act, which prohibits the payment of dividends out of capital accounts; payment of dividends is allowed out of retained earnings only.

NSP-Minnesota's first mortgage indenture places certain restrictions on the amount of cash dividends it can pay to Xcel Energy Inc., the holder of its common stock. Even with these restrictions, NSP-Minnesota could have paid more than $1.1 billion in additional cash dividends on common stock at Dec. 31, 2010, or $1.2 billion at Dec. 31, 2011.

NSP-Minnesota's state regulatory commissions indirectly limit the amount of dividends NSP-Minnesota can pay to Xcel Energy Inc. by requiring an equity-to-total capitalization ratio between 47.07 percent and 57.53 percent. NSP-Minnesota's equity-to-total capitalization ratio was 52.1 percent at Dec. 31, 2011. Total capitalization for NSP-Minnesota cannot exceed $8.25 billion.

5. Joint Ownership of Generation and Transmission Facilities

Following are the investments by NSP-Minnesota in jointly owned generation and transmission facilities and the related ownership percentages as of Dec. 31, 2011:

(Thousands of Dollars)	Plant in Service	Accumulated Depreciation (a)	Construction Work in Progress	Ownership %
Electric Generation:				
Sherco Unit 3	$ 565,832	$ 358,907	$ 3,731	59.0 %
Sherco Common Facilities Units 1, 2 and 3	138,790	82,229	531	80.0
Sherco Substation	4,790	2,621	-	59.0
Electric Transmission:				
Grand Meadow Line and Substation	11,204	855	-	50.0
CapX2020	57,856	8,899	74,404	49.6
Total	$ 778,472	$ 453,511	$ 78,666	

(a) Plant removal cost is not included.

NSP-Minnesota has approximately 500 megawatts (MW) of jointly owned generating capacity. NSP-Minnesota's share of operating expenses and construction expenditures are included in the applicable utility accounts. Each of the respective owners is responsible for providing its own financing.

NSP-Minnesota is part owner of Sherco Unit 3, an 860 MW, coal-fueled electric generating unit. NSP-Minnesota is the operating agent under the joint ownership agreement. In November 2011, Sherco Unit 3 experienced a significant failure of its turbine, generator, and exciter systems. The facility was immediately shut down and isolated for investigation of the cause of the failure, which is still uncertain. It is unknown when Sherco Unit 3 will recommence operations. NSP-Minnesota maintains insurance policies for the entire unit, inclusive of the other joint owner's proportionate share. Replacement and repair of damaged systems, and other significant costs of the failure in excess of a $1.5 million deductible are expected to be recovered through these insurance policies. For its proportionate share of possible expenditures in excess of insurance recoveries for components of the jointly owned facility, NSP-Minnesota will recognize additions to property, plant and equipment and O&M. Sherco Units 1 and 2, wholly owned by NSP-Minnesota, continue to operate.

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6. Income Taxes

Medicare Part D Subsidy Reimbursements — In March 2010, the Patient Protection and Affordable Care Act was signed into law. The law includes provisions to generate tax revenue to help offset the cost of the new legislation. One of these provisions reduces the deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D coverage, beginning in 2013. Based on this provision, NSP-Minnesota became subject to additional taxes and was required to reverse previously recorded tax benefits in the period of enactment. NSP-Minnesota expensed approximately $3.3 million of previously recognized tax benefits relating to Medicare Part D subsidies during the first quarter of 2010. NSP-Minnesota does not expect the $3.3 million of additional tax expense to recur in future periods.

Federal Audit — NSP-Minnesota is a member of the Xcel Energy affiliated group that files a consolidated federal income tax return. The statute of limitations applicable to Xcel Energy's 2007 federal income tax return expired in September 2011. The statute of limitations applicable to Xcel Energy's 2008 federal income tax return expires in September 2012. The Internal Revenue Service (IRS) commenced an examination of tax years 2008 and 2009 in the third quarter of 2010. In December 2011, Xcel Energy finalized the Revenue Agent Report and signed the Waiver of Assessment for tax years 2008 and 2009. The total assessment for these tax years was $1.4 million, including tax and interest.

State Audits — NSP-Minnesota is a member of the Xcel Energy affiliated group that files consolidated state income tax returns. As of Dec. 31, 2011, NSP-Minnesota's earliest open tax year that is subject to examination by state taxing authorities under applicable statutes of limitations is 2007. As of Dec. 31, 2011, there were no state income tax audits in progress.

Unrecognized Tax Benefits — The unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual effective tax rate (ETR). In addition, the unrecognized tax benefit balance includes temporary tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the ETR but would accelerate the payment of cash to the taxing authority to an earlier period.

Uncertainty in Income Taxes — The FERC has not fully adopted ASC 740. Accordingly, NSP-Minnesota has recorded its unrecognized tax benefits for temporary adjustments, including net operating loss and tax credit carryforwards, in accounts established for accumulated deferred income taxes.

A reconciliation of the amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	Dec. 31, 2011	Dec. 31, 2010
Unrecognized tax benefit - Permanent tax positions	$ 3.3	$ 4.0
Unrecognized tax benefit - Temporary tax positions	13.4	18.5
Unrecognized tax benefit balance	$ 16.7	$ 22.5

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	2011	2010
Balance at Jan. 1	$ 22.5	$ 12.5
Additions based on tax positions related to the current year	6.5	7.3
Reductions based on tax positions related to the current year	(0.8)	(0.3)
Additions for tax positions of prior years	4.9	3.5
Reductions for tax positions of prior years	(0.9)	(0.5)
Settlements with taxing authorities	(15.5)	-
Balance at Dec. 31	$ 16.7	$ 22.5

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The unrecognized tax benefit amounts were reduced by the tax benefits associated with net operating losses (NOL) and tax credit carryforwards. The amounts of tax benefits associated with NOL and tax credit carryfowards are as follows:

(Millions of Dollars)	Dec. 31, 2011	Dec. 31, 2010
NOL and tax credit carryforwards	$ (18.1)	$ (11.0)

The decrease in the unrecognized tax benefit balance of $5.8 million in 2011 was due to the resolution of certain federal audit matters, partially offset by an increase due to the addition of uncertain tax positions related to current and prior years' activity. NSP-Minnesota's amount of unrecognized tax benefits could change in the next 12 months as the IRS and state audits resume. At this time, due to the uncertain nature of the audit process, it is not reasonably possible to estimate an overall range of possible change. However, NSP-Minnesota does not anticipate total unrecognized tax benefits will significantly change within the next 12 months.

The payable for interest related to unrecognized tax benefits is offset by the interest benefit associated with NOL and tax credit carryforwards. A reconciliation of the beginning and ending amount of the payable for interest related to unrecognized tax benefits is as follows:

(Millions of Dollars)	2011	2010
Payable for interest related to unrecognized tax benefits at Jan. 1	$ (0.9)	$ (0.3)
Interest income (expense) related to unrecognized tax benefits	1.1	(0.6)
Receivable (payable) for interest related to unrecognized tax benefits at Dec. 31	$ 0.2	$ (0.9)

No amounts were accrued for penalties related to unrecognized tax benefits as of Dec. 31, 2011 or 2010.

Other Income Tax Matters — NOL amounts represent the amount of the tax loss that is carried forward and tax credits represent the deferred tax asset. NOL and tax credit carryforwards as of Dec. 31 were as follows:

(Millions of Dollars)	2011	2010
Federal NOL carryforward	$ 607.2	$ 426.6
Federal tax credit carryforwards	63.6	39.4
State tax credit carryforwards, net of federal detriment	1.9	2.1

The federal carryforward periods expire between 2021 and 2031. The state carryforward periods expire between 2017 and 2024.

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Total income tax expense from operations differs from the amount computed by applying the statutory federal income tax rate to income before income tax expense. The following reconciles such differences for the years ending Dec. 31:

	2011	2010
Federal statutory rate	35.0 %	35.0 %
Increases (decreases) in tax from:		
State income taxes, net of federal income tax benefit	7.2	9.2
Previously recognized Medicare Part D subsidies	0.1	0.7
Tax credits recognized, net of federal income tax expense	(5.0)	(3.1)
Regulatory differences — utility plant items	(1.8)	(2.0)
Change in unrecognized tax benefits	(0.1)	0.3
Resolution of income tax audits and other	-	(0.2)
Other, net	(0.2)	(0.1)
Effective income tax rate	35.2 %	39.8 %

The components of income tax expense for the years ending Dec. 31 were:

(Thousands of Dollars)	2011	2010
Current federal tax expense (benefit)	$ 8,082	$ (87,550)
Current state tax expense	3,055	18,889
Current change in unrecognized tax (benefit) expense	(633)	1,273
Current tax credits	-	(944)
Deferred federal tax expense	152,862	215,967
Deferred state tax expense	55,683	47,017
Deferred tax credits	(24,600)	(10,660)
Deferred investment tax credits	(2,694)	(2,697)
Total income tax expense	$ 191,755	$ 181,295

The components of deferred income tax expense for the years ending Dec. 31 were:

(Thousands of Dollars)	2011	2010
Deferred tax expense excluding items below	$ 178,295	$ 296,570
Amortization and adjustments to deferred income taxes on income tax regulatory assets and liabilities	(6,191)	(43,471)
Tax benefit (expense) allocated to other comprehensive income and other	11,841	(775)
Deferred tax expense	$ 183,945	$ 252,324

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The components of the net deferred tax liability at Dec. 31 were:

(Thousands of Dollars)	2011	2010
Deferred tax liabilities:		
Difference between book and tax bases of property	$ 2,174,831	$ 1,889,367
Regulatory assets	126,954	122,634
Other	55,265	13,856
Total deferred tax liabilities	$ 2,357,050	$ 2,025,857
Deferred tax assets:		
Differences between book and tax bases of property	$ 269,713	$ 236,805
NOL carryforward	211,161	151,964
Tax credit carryforward	65,499	41,497
Employee benefits	59,659	54,727
Rate refund	29,499	2,290
Deferred investment tax credits	14,096	15,043
Regulatory liabilities	12,196	17,480
Other	22,695	11,814
Total deferred tax assets	$ 684,518	$ 531,620
Net deferred tax liability	$ 1,672,532	$ 1,494,237

7. Benefit Plans and Other Postretirement Benefits

Consistent with the process for rate recovery of pension and postretirement benefits for its employees, NSP-Minnesota accounts for its participation in, and related costs of, pension and other postretirement benefit plans sponsored by Xcel Energy Inc. as multiple employer plans. NSP-Minnesota is responsible for its share of cash contributions, plan costs and obligations and is entitled to its share of plan assets; accordingly, NSP-Minnesota accounts for it's pro rata share of these plans, including pension expense and contributions, resulting in accounting consistent with that of a single employer plan exclusively for NSP-Minnesota employees.

Xcel Energy, which includes NSP-Minnesota, offers various benefit plans to its employees. Approximately 61 percent of employees that receive benefits are represented by several local labor unions under several collective-bargaining agreements. At Dec. 31, 2011, NSP-Minnesota had 2,033 covered under a collective-bargaining agreement, which expires at the end of 2013. NSP-Minnesota also had an additional 228 nuclear operation bargaining employees covered under several collective-bargaining agreements, which expire at various dates in 2012 and 2013.

The plans invest in various instruments which are disclosed under the accounting guidance for fair value measurements which establishes a hierarchal framework for disclosing the observability of the inputs utilized in measuring fair value. The three levels in the hierarchy and examples of each level are as follows:

> Level 1 — Quoted prices are available in active markets for identical assets as of the reporting date. The types of assets included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as common stocks listed by the New York Stock Exchange.

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Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets included in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using highly observable inputs, such as corporate bonds with pricing based on market interest rate curves and recent trades of similarly rated securities.

Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets included in Level 3 are those with inputs requiring significant management judgment or estimation, such as private equity investments and real estate investments, for which the measurement of net asset value requires significant use of unobservable inputs when determining the fair value of the underlying fund investments, including equity in non-publicly traded entities and real estate properties.

Pension Benefits

Xcel Energy, which includes NSP-Minnesota, has several noncontributory, defined benefit pension plans that cover almost all employees. Benefits are based on a combination of years of service, the employee's average pay and social security benefits. Xcel Energy Inc.'s and NSP-Minnesota's policy is to fully fund into an external trust the actuarially determined pension costs recognized for ratemaking and financial reporting purposes, subject to the limitations of applicable employee benefit and tax laws.

Xcel Energy Inc. and NSP-Minnesota base the investment-return assumption on expected long-term performance for each of the investment types included in the pension asset portfolio and consider the actual historical returns achieved by its asset portfolio over the past 20-year or longer period, as well as the long-term return levels projected and recommended by investment experts. The pension cost determination assumes a forecasted mix of investment types over the long term. Investment returns in 2011 were below the assumed level of 8.00 percent. Investment returns in 2010 were above the assumed level of 8.00 percent. Xcel Energy Inc. and NSP-Minnesota continually review the pension assumptions. In 2012, NSP-Minnesota's estimated investment-return assumption is 7.50 percent.

The assets are invested in a portfolio according to Xcel Energy Inc.'s and NSP-Minnesota's return, liquidity and diversification objectives to provide a source of funding for plan obligations and minimize the necessity of contributions to the plan, within appropriate levels of risk. The principal mechanism for achieving these objectives is the projected allocation of assets to selected asset classes, given the long-term risk, return, and liquidity characteristics of each particular asset class. There were no significant concentrations of risk in any particular industry, index, or entity; however, as NSP-Minnesota has experienced in recent years, unusual market volatility can impact even well-diversified portfolios and significantly affect the return levels achieved by pension assets in any year.

The following table presents the target pension asset allocations for NSP-Minnesota:

	2011	2010
Domestic and international equity securities	31 %	31 %
Long-duration fixed income securities	26	28
Short-to-intermediate term fixed income securities	14	12
Alternative investments	26	22
Cash	3	7
Total	100 %	100 %

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The ongoing investment strategy is based on plan-specific investment recommendations that seek to minimize potential investment and interest rate risk as a plan's funded status increases over time. The investment recommendations result in a greater percentage of long-duration fixed income securities being allocated to specific plans having relatively higher funded status ratios, and a greater percentage of growth assets being allocated to plans having relatively lower funded status ratios. The aggregate projected asset allocation presented in the table above for the master pension trust results from the plan-specific strategies.

Pension Plan Assets

The following tables present, for each of the fair value hierarchy levels, NSP-Minnesota's pension plan assets that are measured at fair value as of Dec. 31, 2011 and 2010:

	Dec. 31, 2011			
(Thousands of Dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 42,644	$ -	$ -	$ 42,644
Derivatives	-	1,914	-	1,914
Government securities	-	48,925	-	48,925
Corporate bonds	-	164,355	-	164,355
Asset-backed securities	-	-	10,188	10,188
Mortgage-backed securities	-	-	24,413	24,413
Common stock	23,844	-	-	23,844
Private equity investments	-	-	54,499	54,499
Commingled funds	-	416,599	-	416,599
Real estate	-	-	12,967	12,967
Securities lending collateral obligation and other	-	(16,819)	-	(16,819)
Total	$ 66,488	$ 614,974	$ 102,067	$ 783,529

	Dec. 31, 2010			
(Thousands of Dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 72,568	$ -	$ -	$ 72,568
Derivatives	-	2,662	-	2,662
Government securities	-	43,596	-	43,596
Corporate bonds	-	170,520	-	170,520
Asset-backed securities	-	-	8,771	8,771
Mortgage-backed securities	-	-	38,403	38,403
Common stock	44,239	-	-	44,239
Private equity investments	-	-	43,027	43,027
Commingled funds	-	371,122	-	371,122
Real estate	-	-	24,041	24,041
Securities lending collateral obligation and other	-	(26,095)	-	(26,095)
Total	$ 116,807	$ 561,805	$ 114,242	$ 792,854

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The following tables present the changes in NSP-Minnesota's Level 3 pension plan assets for the years ended Dec. 31, 2011 and 2010:

(Thousands of Dollars)	Jan. 1, 2011	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchases, Issuances, and Settlements, Net	Dec. 31, 2011
Asset-backed securities	$ 8,771	$ 781	$ (805)	$ 1,441	$ 10,188
Mortgage-backed securities	38,403	355	(1,894)	(12,451)	24,413
Real estate	24,041	(219)	6,416	(17,271)	12,967
Private equity investments	43,027	1,354	4,196	5,922	54,499
Total	$ 114,242	$ 2,271	$ 7,913	$ (22,359)	$ 102,067

(Thousands of Dollars)	Jan. 1, 2010	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchases, Issuances, and Settlements, Net	Dec. 31, 2010
Asset-backed securities	$ 15,473	$ 1,109	$ (910)	$ (6,901)	$ 8,771
Mortgage-backed securities	47,823	4,539	(4,634)	(9,325)	38,403
Real estate	21,630	(13)	2,182	242	24,041
Private equity investments	26,622	(355)	5,269	11,491	43,027
Total	$ 111,548	$ 5,280	$ 1,907	$ (4,493)	$ 114,242

Benefit Obligations — A comparison of the actuarially computed pension benefit obligation and plan assets for NSP-Minnesota is presented in the following table:

(Thousands of Dollars)	2011	2010
Accumulated Benefit Obligation at Dec. 31	$ 976,227	$ 926,227
Change in Projected Benefit Obligation:		
Obligation at Jan. 1	$ 989,277	$ 926,684
Service cost	28,016	26,736
Interest cost	51,946	53,929
Plan amendments	-	14,484
Actuarial loss	59,195	60,307
Benefit payments	(96,840)	(92,863)
Obligation at Dec. 31	$ 1,031,594	$ 989,277
Change in Fair Value of Plan Assets:		
Fair value of plan assets at Jan. 1	$ 792,854	$ 768,997
Actual return on plan assets	46,140	96,538
Employer contributions	41,375	20,182
Benefit payments	(96,840)	(92,863)
Fair value of plan assets at Dec. 31	$ 783,529	$ 792,854
Funded Status of Plans at Dec. 31:		
Funded status [(a)]	$ (248,065)	$ (196,423)

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(Thousands of Dollars)	2011	2010
NSP-Minnesota Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost:		
Net loss	$ 611,409	$ 552,849
Prior service cost	24,085	37,254
Total	$ 635,494	$ 590,103
Amounts Related to the Funded Status of the Plans Have Been Recorded as Follows Based Upon Expected Recovery in Rates:		
Other regulatory assets	$ 635,494	$ 590,103
Measurement date	Dec. 31, 2011	Dec. 31, 2010

(a) Amounts are recognized in noncurrent liabilities on NSP-Minnesota's balance sheet.

(Thousands of Dollars)	2011	2010
Significant Assumptions Used to Measure Benefit Obligations:		
Discount rate for year-end valuation	5.00 %	5.50 %
Expected average long-term increase in compensation level	4.00	4.00
Mortality table	RP 2000	RP 2000

Cash Flows — Cash funding requirements can be impacted by changes to actuarial assumptions, actual asset levels and other calculations prescribed by the funding requirements of income tax and other pension-related regulations. These regulations did not require cash funding for 2010 for Xcel Energy's pension plans. Required contributions were made in 2011 and 2012 to meet minimum funding requirements.

The Pension Protection Act changed the minimum funding requirements for defined benefit pension plans beginning in 2008. The following are the pension funding contributions, both voluntary and required, made by Xcel Energy for 2010 through 2012:

- In January 2012, contributions of $190.5 million were made across four of Xcel Energy's pension plans, of which $79.3 million was attributable to NSP-Minnesota;
- In 2011, contributions of $137.3 million were made across three of Xcel Energy's pension plans, of which $41.4 million was attributable to NSP-Minnesota;
- In 2010, contributions of $34 million were made to the Xcel Energy Pension Plan, of which $20.2 million was attributable to NSP-Minnesota.
- For future years, we anticipate contributions will be made as necessary.

Plan Amendments — No amendments occurred during 2011 to the Xcel Energy pension plans.

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Benefit Costs — The components of NSP-Minnesota's net periodic pension cost were:

(Thousands of Dollars)	2011	2010
Service cost	$ 28,016	$ 26,736
Interest cost	51,946	53,929
Expected return on plan assets	(74,241)	(76,611)
Amortization of prior service cost	13,169	11,726
Amortization of net loss	28,736	17,728
Net periodic pension cost	$ 47,626	$ 33,508
Costs not recognized due to effects of regulation	(34,898)	(27,027)
Net benefit cost recognized for financial reporting	$ 12,728	$ 6,481
Significant Assumptions Used to Measure Costs:		
Discount rate	5.50 %	6.00 %
Expected average long-term increase in compensation level	4.00	4.00
Expected average long-term rate of return on assets	8.00	8.00

In addition to the benefit costs in the table above, for the pension plans sponsored by Xcel Energy, Inc., costs are allocated to NSP-Minnesota based on Xcel Energy Services Inc. employees' labor costs. Pension costs include an expected return impact for the current year that may differ from actual investment performance in the plan. The return assumption used for 2012 pension cost calculations will be 7.50 percent. The cost calculation uses a market-related valuation of pension assets. Xcel Energy, including NSP-Minnesota, uses a calculated value method to determine the market-related value of the plan assets. The market-related value begins with the fair market value of assets as of the beginning of the year. The market-related value is determined by adjusting the fair market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return on the market-related value) during each of the previous five years at the rate of 20 percent per year. As these differences between actual investment returns and the expected investment returns are incorporated into the market-related value, the differences are recognized over the expected average remaining years of service for active employees.

Defined Contribution Plans

Xcel Energy, which includes NSP-Minnesota, maintains 401(k) and other defined contribution plans that cover substantially all employees. The contributions for NSP-Minnesota were approximately $8.6 and $8.8 million in 2011 and 2010, respectively.

Postretirement Health Care Benefits

Xcel Energy, which includes NSP-Minnesota, has a contributory health and welfare benefit plan that provides health care and death benefits to certain Xcel Energy retirees. The former NSP discontinued contributing toward health care benefits for nonbargaining employees retiring after 1998 and for bargaining employees of NSP-Minnesota and NSP-Wisconsin who retired after 1999.

In 1993, Xcel Energy Inc. and NSP-Minnesota adopted accounting guidance regarding other non-pension postretirement benefits and elected to amortize the unrecognized accumulated postretirement benefit obligation (APBO) on a straight-line basis over 20 years.

Regulatory agencies for nearly all retail and wholesale utility customers have allowed rate recovery of accrued postretirement benefit costs.

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Plan Assets — Certain state agencies that regulate Xcel Energy Inc.'s utility subsidiaries also have issued guidelines related to the funding of postretirement benefit costs. Also, a portion of the assets contributed on behalf of non-bargaining retirees has been funded into a sub-account of the pension plans. These assets are invested in a manner consistent with the investment strategy for the pension plan.

Xcel Energy Inc. and NSP-Minnesota base investment-return assumption for the postretirement health care fund assets on expected long-term performance for each of the investment types included in the asset portfolio. The assets are invested in a portfolio according to Xcel Energy Inc.'s and NSP-Minnesota's return, correlation, liquidity and diversification objectives to provide a source of funding for plan obligations and minimize the necessity of contributions to the plan, within appropriate levels of risk. The principal mechanism for achieving these objectives is the projected allocation of assets to selected asset classes, given the long-term risk, return, and liquidity characteristics of each particular asset class. There were no significant concentrations of risk in any particular industry, index, or entity. Investment-return volatility is not considered to be a material factor in postretirement health care costs.

The following tables present, for each of the fair value hierarchy levels, NSP-Minnesota's postretirement benefit plan assets that are measured at fair value as of Dec. 31, 2011 and 2010:

	Dec. 31, 2011			
(Thousands of Dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 882	$ -	$ -	$ 882
Derivatives	-	203	-	203
Government securities	-	1,007	-	1,007
Corporate bonds	-	939	-	939
Asset-backed securities	-	-	119	119
Mortgage-backed securities	-	-	415	415
Preferred stock	-	6	-	6
Commingled funds	-	3,091	-	3,091
Securities lending collateral obligation and other	-	(169)	-	(169)
Total	$ 882	$ 5,077	$ 534	$ 6,493

	Dec. 31, 2010			
(Thousands of Dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 2,711	$ -	$ -	$ 2,711
Derivatives	-	248	-	248
Government securities	-	62	-	62
Corporate bonds	-	1,288	-	1,288
Asset-backed securities	-	-	47	47
Mortgage-backed securities	-	-	350	350
Preferred stock	-	9	-	9
Commingled funds	-	1,874	-	1,874
Securities lending collateral obligation and other	-	1,087	-	1,087
Total	$ 2,711	$ 4,568	$ 397	$ 7,676

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The following tables present the changes in NSP-Minnesota's Level 3 postretirement benefit plan assets for the years ended Dec. 31, 2011 and 2010:

(Thousands of Dollars)	Jan. 1, 2011	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchases, Issuances, and Settlements, Net	Dec. 31, 2011
Asset-backed securities	$ 47	$ -	$ (15)	$ 87	$ 119
Mortgage-backed securities	350	(26)	41	50	415

(Thousands of Dollars)	Jan. 1, 2010	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchases, Issuances, and Settlements, Net	Dec. 31, 2010
Asset-backed securities	$ 232	$ (5)	$ 26	$ (206)	$ 47
Mortgage-backed securities	1,319	(17)	131	(1,083)	350

Benefit Obligations — A comparison of the actuarially computed benefit obligation and plan assets for NSP-Minnesota is presented in the following table:

(Thousands of Dollars)	2011	2010
Change in Projected Benefit Obligation:		
Obligation at Jan. 1	$ 134,996	$ 135,434
Service cost	87	72
Interest cost	7,372	7,956
Medicare subsidy reimbursements	739	1,338
Early retiree reimbursement program proceeds shared with retirees	2,120	-
Plan participants' contributions	5,997	5,460
Actuarial loss	14,295	3,965
Benefit payments	(19,563)	(19,229)
Obligation at Dec. 31	$ 146,043	$ 134,996

(Thousands of Dollars)	2011	2010
Change in Fair Value of Plan Assets:		
Fair value of plan assets at Jan. 1	$ 7,676	$ 10,777
Actual (loss) return on plan assets	(69)	831
Plan participants' contributions	5,997	5,460
Employer contributions	12,452	9,837
Benefit payments	(19,563)	(19,229)
Fair value of plan assets at Dec. 31	$ 6,493	$ 7,676
Funded Status of Plans at Dec. 31:		
Funded status	$ (139,550)	$ (127,320)
Current assets	332	-
Current liabilities	(5,448)	(3,743)
Noncurrent liabilities	(134,434)	(123,577)
Net postretirement amounts recognized on consolidated balance sheets	$ (139,550)	$ (127,320)

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(Thousands of Dollars)	2011	2010
NSP-Minnesota Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost:		
Net loss	$ 64,473	$ 51,208
Prior service credit	(918)	(1,035)
Transition obligation	1,381	2,727
Total	$ 64,936	$ 52,900
Amounts Related to the Funded Status of the Plans Have Been Recorded as Follows Based Upon Expected Recovery in Rates:		
Other regulatory assets	$ 61,109	$ 49,725
Deferred Income taxes	1,561	1,298
Net-of-tax accumulated comprehensive income	2,266	1,877
Total	$ 64,936	$ 52,900
Measurement date	Dec. 31, 2011	Dec. 31, 2010
Significant Assumptions Used to Measure Benefit Obligations:		
Discount rate for year-end valuation	5.00 %	5.50 %
Mortality table	RP 2000	RP 2000
Health care costs trend rate - initial	6.31 %	6.50 %

Effective Dec. 31, 2011, the ultimate trend assumption remained unchanged at 5.0 percent. The period until the ultimate rate is reached remained unchanged at eight years. Xcel Energy and NSP-Minnesota base the medical trend assumption on the long-term cost inflation expected in the health care market, considering the levels projected and recommended by industry experts, as well as recent actual medical cost increases experienced by the retiree medical plan.

A 1-percent change in the assumed health care cost trend rate would have the following effects on NSP-Minnesota:

	One Percentage Point	
(Thousands of Dollars)	Increase	Decrease
APBO	$ 14,985	$ (12,256)
Service and interest components	890	(708)

Cash Flows — The postretirement health care plans have no funding requirements under income tax and other retirement-related regulations other than fulfilling benefit payment obligations, when claims are presented and approved under the plans. Additional cash funding requirements are prescribed by certain state and federal rate regulatory authorities, as discussed previously. Xcel Energy, which includes NSP-Minnesota, contributed $49.0 million and $48.4 million during 2011 and 2010, of which $12.5 million and $9.8 million were attributable to NSP-Minnesota. Xcel Energy expects to contribute approximately $39.1 million during 2012, of which $12.0 million is attributable to NSP-Minnesota.

Plan Amendments — No amendments affecting NSP-Minnesota occurred during 2011 to the Xcel Energy health and welfare benefit plan.

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Benefit Costs — The components of NSP-Minnesota's net periodic postretirement benefit cost were:

(Thousands of Dollars)	2011	2010
Service cost	$ 87	$ 72
Interest cost	7,372	7,956
Expected return on plan assets	(576)	(809)
Amortization of transition obligation	1,346	1,346
Amortization of prior service cost	(117)	(117)
Amortization of net loss	2,348	2,195
Net periodic postretirement benefit cost	$ 10,460	$ 10,643
Significant Assumptions Used to Measure Costs:		
Discount rate	5.50 %	6.00 %
Expected average long-term rate of return on assets (before tax)	7.50	7.50

In addition to the benefit costs in the table above, for the postretirement health care plans sponsored by Xcel Energy Inc., costs are allocated to NSP-Minnesota based on Xcel Energy Services Inc. employees' labor costs.

Projected Benefit Payments

The following table lists NSP-Minnesota's projected benefit payments for the pension and postretirement benefit plans:

(Thousands of Dollars)	Projected Pension Benefit Payments	Gross Projected Postretirement Health Care Benefit Payments	Expected Medicare Part D Subsidies	Net Projected Postretirement Health Care Benefit Payments
2012	$ 100,930	$ 13,079	$ 1,137	$ 11,942
2013	98,095	13,123	1,200	11,923
2014	98,565	13,091	1,261	11,830
2015	96,641	13,066	1,317	11,749
2016	97,865	12,988	1,371	11,617
2017-2021	457,351	60,296	7,344	52,952

Multiemployer Plans

NSP-Minnesota contributes to several union multiemployer pension and other postretirement benefit plans, none of which are individually significant. These plans provide pension and postretirement health care benefits to certain union employees, including electrical workers, boilermakers, and other construction and facilities workers who may perform services for more than one employer during a given period and do not participate in the NSP-Minnesota sponsored pension and postretirement health care plans. Contributing to these types of plans creates risk that differs from providing benefits under NSP-Minnesota sponsored plans, in that if another participating employer ceases to contribute to a multiemployer plan, additional unfunded obligations may need to be funded over time by remaining participating employers.

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Contributions to multiemployer plans were as follows for the years ended Dec. 31, 2011 and 2010. There were no significant changes to the nature or magnitude of the participation of NSP-Minnesota in multiemployer plans for the years presented:

(Thousands of Dollars)	2011	2010
Multiemployer plan contributions:		
Pension	$ 17,811	$ 13,461
Other postretirement benefits	336	153
Total	$ 18,147	$ 13,614

8. Fair Value of Financial Assets and Liabilities

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires certain disclosures about assets and liabilities measured at fair value. A hierarchal framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance. The three levels in the hierarchy are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices.

Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, or priced with discounted cash flow or option pricing models using highly observable inputs.

Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those valued with models requiring significant management judgment or estimation.

Specific valuation methods include the following:

Cash equivalents — The fair values of cash equivalents are generally based on cost plus accrued interest; money market funds are measured using quoted net asset values.

Investments in equity securities and other funds — Equity securities are valued using quoted prices in active markets. The fair values for commingled funds, international equity funds, private equity investments and real estate investments are measured using net asset values, which take into consideration the value of underlying fund investments, as well as the other accrued assets and liabilities of a fund, in order to determine a per share market value. The investments in commingled funds and international equity funds may be redeemed for net asset value. Private equity investments require approval of the fund for any unscheduled redemption, and such redemptions may be approved or denied by the fund at its sole discretion. Unscheduled distributions from real estate investments may be redeemed with proper notice; however, withdrawals from real estate investments may be delayed or discounted as a result of fund illiquidity. Given the limited observability of inputs to the valuation of the underlying fund investments of the private equity and real estate investments, fair value measurements for private equity and real estate investments have been assigned a Level 3.

Investments in debt securities — Debt securities are primarily priced using recent trades and observable spreads from benchmark interest rates for similar securities, except for asset-backed and mortgage-backed securities, which also require significant, subjective risk-based adjustments to the interest rate used to discount expected future cash flows, which include estimated principal prepayments. Therefore, fair value measurements for asset-backed and mortgage-backed securities have been assigned a Level 3.

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Interest rate derivatives — The fair value of interest rate derivatives are based on broker quotes utilizing current market interest rate forecasts.

Commodity derivatives — The methods utilized to measure the fair value of commodity derivatives include the use of forward prices and volatilities to value commodity forwards and options. Levels are assigned to these fair value measurements based on the significance of the use of subjective forward price and volatility forecasts for commodities and delivery locations with limited observability, or the significance of contractual settlements that extend to periods beyond those readily observable on active exchanges or quoted by brokers. Electric commodity derivatives include financial transmission rights (FTRs), for which fair value is determined using complex predictive models and inputs including forward commodity prices as well as subjective forecasts of retail and wholesale demand, generation and resulting transmission system congestion. Given the limited observability of management's forecasts for several of these inputs, fair value measurements for FTRs have been assigned a Level 3.

NSP-Minnesota continuously monitors the creditworthiness of the counterparties to its commodity derivative contracts and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Given this assessment, as well as an assessment of the impact of NSP-Minnesota's own credit risk when determining the fair value of commodity derivative liabilities, the impact of considering credit risk was immaterial to the fair value of commodity derivative assets and liabilities presented in the balance sheets.

Non-Derivative Instruments Fair Value Measurements

The Nuclear Regulatory Commission (NRC) requires NSP-Minnesota to maintain a portfolio of investments to fund the costs of decommissioning its nuclear generating plants. Together with all accumulated earnings or losses, the assets of the nuclear decommissioning fund are legally restricted for the purpose of decommissioning the Monticello and Prairie Island nuclear generating plants. The fund contains cash equivalents, debt securities, equity securities, and other investments - all classified as available-for-sale. NSP-Minnesota plans to reinvest matured securities until decommissioning begins.

NSP-Minnesota recognizes the costs of funding the decommissioning of its nuclear generating plants over the lives of the plants, assuming rate recovery of all costs. Given the purpose and legal restrictions on the use of nuclear decommissioning fund assets, realized and unrealized gains on fund investments over the life of the fund are deferred as an offset of NSP-Minnesota's regulatory asset for nuclear decommissioning costs. Consequently, any realized and unrealized gains and losses on securities in the nuclear decommissioning fund, including any other-than-temporary impairments, are deferred as a component of the regulatory asset for nuclear decommissioning.

Unrealized gains for the nuclear decommissioning fund were \$79.8 million and \$82.5 million at Dec. 31, 2011 and 2010, respectively, and unrealized losses and amounts recorded as other-than-temporary impairments were \$87.5 million and \$65.2 million at Dec. 31, 2011 and 2010, respectively.

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The following tables present the cost and fair value of NSP-Minnesota's non-derivative instruments with recurring fair value measurements, in the nuclear decommissioning fund, at Dec. 31, 2011 and 2010:

	Dec. 31, 2011				
		Fair Value			
(Thousands of Dollars)	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Nuclear decommissioning fund					
Cash equivalents	$ 26,123	$ 7,103	$ 19,020	$ -	$ 26,123
Commingled funds	320,798	-	311,105	-	311,105
International equity funds	63,781	-	58,508	-	58,508
Private equity investments	9,203	-	-	9,203	9,203
Real estate	24,768	-	-	26,395	26,395
Debt securities:					
Government securities	116,490	-	117,256	-	117,256
U.S. corporate bonds	187,083	-	193,516	-	193,516
International corporate bonds	35,198	-	35,804	-	35,804
Municipal bonds	60,469	-	64,731	-	64,731
Asset-backed securities	16,516	-	-	16,501	16,501
Mortgage-backed securities	75,627	-	-	78,664	78,664
Equity securities:					
Common stock	408,122	398,625	-	-	398,625
Total	$ 1,344,178	$ 405,728	$ 799,940	$ 130,763	$ 1,336,431

	Dec. 31, 2010				
		Fair Value			
(Thousands of Dollars)	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Nuclear decommissioning fund					
Cash equivalents	$ 83,837	$ 76,281	$ 7,556	$ -	$ 83,837
Commingled funds	131,000	-	133,080	-	133,080
International equity funds	54,561	-	58,584	-	58,584
Debt securities:					
Government securities	146,473	-	146,654	-	146,654
U.S. corporate bonds	279,028	-	288,304	-	288,304
International corporate bonds	1,233	-	1,581	-	1,581
Municipal bonds	100,277	-	97,557	-	97,557
Asset-backed securities	32,558	-	-	33,174	33,174
Mortgage-backed securities	68,072	-	-	72,589	72,589
Equity securities:					
Common stock	436,334	435,270	-	-	435,270
Total	$ 1,333,373	$ 511,551	$ 733,316	$ 105,763	$ 1,350,630

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The following tables present the changes in Level 3 nuclear decommissioning fund investments:

(Thousands of Dollars)	Jan. 1, 2011	Purchases	Settlements	Gains (Losses) Recognized as Regulatory Assets and Liabilities	Dec. 31, 2011
Asset-backed securities	$ 33,174	$ 16,518	$ (32,560)	$ (631)	$ 16,501
Mortgage-backed securities	72,589	168,688	(161,134)	(1,479)	78,664
Real estate	-	24,768	-	1,627	26,395
Private equity investments	-	9,203	-	-	9,203
Total	$ 105,763	$ 219,177	$ (193,694)	$ (483)	$ 130,763

(Thousands of Dollars)	Jan. 1, 2010	Purchases	Settlements	Gains Recognized as Regulatory Assets and Liabilities	Dec. 31, 2010
Asset-backed securities	$ 11,918	$ 38,871	$ (17,878)	$ 263	$ 33,174
Mortgage-backed securities	81,189	63,497	(75,701)	3,604	72,589
Total	$ 93,107	$ 102,368	$ (93,579)	$ 3,867	$ 105,763

The following table summarizes the final contractual maturity dates of the debt securities in the nuclear decommissioning fund, by asset class at Dec. 31, 2011:

	Final Contractual Maturity				
(Thousands of Dollars)	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years	Total
Government securities	$ 113,179	$ -	$ 4,077	$ -	$ 117,256
U.S. corporate bonds	304	35,437	139,880	17,895	193,516
International corporate bonds	-	8,454	23,501	3,849	35,804
Municipal bonds	-	-	40,585	24,146	64,731
Asset-backed securities	-	9,907	6,594	-	16,501
Mortgage-backed securities	-	1,731	1,041	75,892	78,664
Debt securities	$ 113,483	$ 55,529	$ 215,678	$ 121,782	$ 506,472

Derivative Instruments Fair Value Measurements

NSP-Minnesota enters into derivative instruments, including forward contracts, futures, swaps and options, for trading purposes and to reduce risk in connection with changes in interest rates, utility commodity prices and vehicle fuel prices, as well as variances in forecasted weather.

Interest Rate Derivatives — NSP-Minnesota enters into various instruments that effectively fix the interest payments on certain floating rate debt obligations or effectively fix the yield or price on a specified benchmark interest rate for an anticipated debt issuance for a specific period. These derivative instruments are generally designated as cash flow hedges for accounting purposes.

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At Dec. 31, 2011, accumulated OCI related to interest rate derivatives included $0.1 million of net gains expected to be reclassified into earnings during the next 12 months as the related hedged interest rate transactions impact earnings.

At Dec. 31, 2011, NSP-Minnesota had unsettled interest rate swaps outstanding with a total notional amount of $225 million. These interest rate swaps were designated as hedges, and as such, changes in fair value are recorded to OCI.

Short-Term Wholesale and Commodity Trading Risk — NSP-Minnesota conducts various short-term wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy and energy-related instruments. NSP-Minnesota's risk management policy allows management to conduct these activities within guidelines and limitations as approved by its risk management committee, which is made up of management personnel not directly involved in the activities governed by this policy.

Commodity Derivatives — NSP-Minnesota enters into derivative instruments to manage variability of future cash flows from changes in commodity prices in its electric and natural gas operations, as well as for trading purposes. This could include the purchase or sale of energy or energy-related products, natural gas to generate electric energy, gas for resale, and vehicle fuel.

At Dec. 31, 2011, NSP-Minnesota had various vehicle fuel related contracts designated as cash flow hedges extending through December 2014. NSP-Minnesota also enters into derivative instruments that mitigate commodity price risk on behalf of electric and natural gas customers but are not designated as qualifying hedging transactions. Changes in the fair value of non-trading commodity derivative instruments are recorded in OCI or deferred as a regulatory asset or liability. The classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms. NSP-Minnesota recorded immaterial amounts to income related to the ineffectiveness of cash flow hedges for the years ended Dec. 31, 2011 and 2010.

At Dec. 31, 2011, accumulated OCI related to commodity derivative cash flow hedges included $0.1 million of net gains expected to be reclassified into earnings during the next 12 months as the hedged transactions occur.

Additionally, NSP-Minnesota enters into commodity derivative instruments for trading purposes not directly related to commodity price risks associated with serving its electric and natural gas customers. Changes in the fair value of these commodity derivatives are recorded in electric operating revenue, net of amounts credited to customers under margin-sharing mechanisms.

The following table details the gross notional amounts of commodity forwards, options, and FTRs at Dec. 31, 2011 and 2010:

(Amounts in Thousands) [a][b]	Dec. 31, 2011	Dec. 31, 2010
Megawatt hours of electricity	37,522	44,376
Million British thermal units of natural gas	7,290	14,100
Gallons of vehicle fuel	330	440

(a) Amounts are not reflective of net positions in the underlying commodities.
(b) Notional amounts for options are also included on a gross basis, but are weighted for the probability of exercise.

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Financial Impact of Qualifying Cash Flow Hedges — The impact of qualifying interest rate and vehicle fuel cash flow hedges on NSP-Minnesota's accumulated OCI, included in the statements of common stockholder's equity and comprehensive income, is detailed in the following table:

(Thousands of Dollars)	2011	2010
Accumulated other comprehensive income related to cash flow hedges at Jan. 1	$ 4,977	$ 3,941
After-tax net unrealized losses related to derivatives accounted for as hedges	(16,578)	(80)
After-tax net realized (gains) losses on derivative transactions reclassified into earnings	(128)	1,116
Accumulated other comprehensive (loss) income related to cash flow hedges at Dec. 31	$ (11,729)	$ 4,977

NSP-Minnesota had no derivative instruments designated as fair value hedges during the years ended Dec. 31, 2011 and 2010.

The following tables detail the impact of derivative activity during the years ended Dec. 31, 2011 and 2010, on OCI, regulatory assets and liabilities, and income:

	Dec. 31, 2011				
	Fair Value Changes Recognized During the Period in:		Pre-Tax Amounts Reclassified into Income During the Period from:		
(Thousands of Dollars)	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	Pre-Tax Gains Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ (28,119)	$ -	$ (109) [(a)]	$ -	$ -
Vehicle fuel and other commodity	119	-	(113) [(e)]	-	-
Total	$ (28,000)	$ -	$ (222)	$ -	$ -
Other derivative instruments					
Trading commodity	$ -	$ -	$ -	$ -	$ 6,330 [(b)]
Electric commodity	-	49,818	-	(40,492) [(c)]	-
Natural gas commodity	-	(22,581)	-	18,021 [(d)]	-
Total	$ -	$ 27,237	$ -	$ (22,471)	$ 6,330

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	Dec. 31, 2010				
	Fair Value Changes Recognized During the Period in:		Pre-Tax Amounts Reclassified into Income During the Period from:		
(Thousands of Dollars)	Accumulated Other Comprehensive Income	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Income	Regulatory Assets and (Liabilities)	Pre-Tax Gains Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ -	$ -	$ (108) [(a)]	$ -	$ -
Vehicle fuel and other commodity	(137)	-	1,998 [(e)]	-	-
Total	$ (137)	$ -	$ 1,890	$ -	$ -
Other derivative instruments					
Trading commodity	$ -	$ -	$ -	$ -	$ 12,061 [(b)]
Electric commodity	-	3,969	-	(21,840) [(c)]	-
Natural gas commodity	-	(18,655)	-	9,111 [(d)]	-
Total	$ -	$ (14,686)	$ -	$ (12,729)	$ 12,061

(a) Recorded to interest charges.

(b) Recorded to electric operating revenues. Portions of these gains and losses are shared with electric customers through margin-sharing mechanisms and deducted from gross revenue, as appropriate.

(c) Recorded to electric fuel and purchased power; these derivative settlement gains and losses are shared with electric customers through fuel and purchased energy cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.

(d) Recorded to cost of natural gas sold and transported; these derivatives settlement gains and losses are shared with natural gas customers through purchased natural gas cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.

(e) Recorded to O&M expenses.

Credit Related Contingent Features — Contract provisions of the derivative instruments that NSP-Minnesota enters into may require the posting of collateral or settlement of the contracts for various reasons, including if NSP-Minnesota is unable to maintain its credit ratings. If the credit ratings for NSP-Minnesota were downgraded below investment grade, contracts underlying $1.4 million of derivative liabilities in a gross liability position at Dec. 31, 2011 would have required NSP-Minnesota to post collateral or settle applicable contracts, which would have resulted in payments to counterparties of $0.1 million. If the credit ratings for NSP-Minnesota were downgraded below investment grade, no contracts underlying NSP-Minnesota's derivative liabilities at Dec. 31, 2010 would have required the posting of collateral or contract settlement.

Certain of NSP-Minnesota's derivative instruments are also subject to contract provisions that contain adequate assurance clauses. These provisions allow counterparties to seek performance assurance, including cash collateral, in the event that NSP-Minnesota's ability to fulfill its contractual obligations is reasonably expected to be impaired. As of Dec. 31, 2011 and 2010, NSP-Minnesota had no collateral posted related to adequate assurance clauses in derivative contracts.

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Recurring Fair Value Measurements — The following table presents, for each of the hierarchy levels, NSP-Minnesota's derivative assets and liabilities that are measured at fair value on a recurring basis at Dec. 31, 2011:

	Dec. 31, 2011					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Current derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 93	$ -	$ 93	$ -	$ 93
Other derivative instruments:						
Trading commodity	-	26,133	-	26,133	(9,679)	16,454
Electric commodity	-	-	13,333	13,333	(1,471)	11,862
Total current derivative assets	$ -	$ 26,226	$ 13,333	$ 39,559	$ (11,150)	28,409
Purchased power agreements [a]						23,108
Current derivative instruments						$ 51,517
Noncurrent derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 59	$ -	$ 59	$ (59)	$ -
Other derivative instruments:						
Trading commodity	-	28,307	-	28,307	(2,234)	26,073
Total noncurrent derivative assets	$ -	$ 28,366	$ -	$ 28,366	$ (2,293)	26,073
Purchased power agreements [a]						54,616
Noncurrent derivative instruments						$ 80,689
Current derivative liabilities						
Derivatives designated as cash flow hedges:						
Interest rate	$ -	$ 28,119	$ -	$ 28,119	$ -	$ 28,119
Other derivative instruments:						
Trading commodity	-	21,816	-	21,816	(11,647)	10,169
Electric commodity	-	698	916	1,614	(1,471)	143
Natural gas commodity	-	13,499	-	13,499	-	13,499
Total current derivative liabilities	$ -	$ 64,132	$ 916	$ 65,048	$ (13,118)	51,930
Purchased power agreements [a]						13,851
Current derivative instruments						$ 65,781
Noncurrent derivative liabilities						
Other derivative instruments:						
Trading commodity	$ -	$ 13,464	$ -	$ 13,464	$ (2,293)	$ 11,171
Total noncurrent derivative liabilities	$ -	$ 13,464	$ -	$ 13,464	$ (2,293)	11,171
Purchased power agreements [a]						173,019
Noncurrent derivative instruments						$ 184,190

(a) In 2003, as a result of implementing new guidance on the normal purchase exception for derivative accounting, NSP-Minnesota began recording several long-term purchased power agreements at fair value due to accounting requirements related to underlying price adjustments. As these purchases are recovered through normal regulatory recovery mechanisms in the respective jurisdictions, the changes in fair value for these contracts were offset by regulatory assets and liabilities. During 2006, NSP-Minnesota qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) The accounting guidance for derivatives and hedging permits the netting of receivables and payables for derivatives and related collateral amounts when a legally enforceable master netting agreement exists between NSP-Minnesota and a counterparty. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract.

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The following tables present, for each of the hierarchy levels, NSP-Minnesota's derivative assets and liabilities that are measured at fair value on a recurring basis at Dec. 31, 2010:

	Dec. 31, 2010					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Current derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 70	$ -	$ 70	$ -	$ 70
Other derivative instruments:						
Trading commodity	487	31,253	-	31,740	(18,719)	13,021
Electric commodity	-	-	3,619	3,619	(1,226)	2,393
Natural gas commodity	-	187	-	187	(187)	-
Total current derivative assets	$ 487	$ 31,510	$ 3,619	$ 35,616	$ (20,132)	15,484
Purchased power agreements [a]						24,408
Current derivative instruments						$ 39,892
Noncurrent derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 83	$ -	$ 83	$ -	$ 83
Other derivative instruments:						
Trading commodity	-	25,850	-	25,850	(2,477)	23,373
Natural gas commodity	-	125	-	125	(48)	77
Total noncurrent derivative assets	$ -	$ 26,058	$ -	$ 26,058	$ (2,525)	23,533
Purchased power agreements [a]						77,725
Noncurrent derivative instruments						$ 101,258
Current derivative liabilities						
Other derivative instruments:						
Trading commodity	$ 392	$ 25,416	$ -	$ 25,808	$ (21,337)	$ 4,471
Electric commodity	-	-	1,227	1,227	(1,227)	-
Natural gas commodity	20	9,156	-	9,176	(187)	8,989
Total current derivative liabilities	$ 412	$ 34,572	$ 1,227	$ 36,211	$ (22,751)	13,460
Purchased power agreements [a]						13,851
Current derivative instruments						$ 27,311

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	Dec. 31, 2010					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Noncurrent derivative liabilities						
Other derivative instruments:						
Trading commodity	$ -	$ 13,351	$ -	$ 13,351	$ (2,478)	$ 10,873
Natural gas commodity	-	75	-	75	(48)	27
Total noncurrent derivative liabilities	$ -	$ 13,426	$ -	$ 13,426	$ (2,526)	10,900
Purchased power agreements [a]						186,871
Noncurrent derivative instruments						$ 197,771

(a) In 2003, as a result of implementing new guidance on the normal purchase exception for derivative accounting, NSP-Minnesota began recording several long-term purchased power agreements at fair value due to accounting requirements related to underlying price adjustments. As these purchases are recovered through normal regulatory recovery mechanisms in the respective jurisdictions, the changes in fair value for these contracts were offset by regulatory assets and liabilities. During 2006, NSP-Minnesota qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) The accounting guidance for derivatives and hedging permits the netting of receivables and payables for derivatives and related collateral amounts when a legally enforceable master netting agreement exists between NSP-Minnesota and a counterparty. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract.

The following table presents the changes in Level 3 commodity derivatives for the years ended Dec. 31, 2011 and 2010:

	Year Ended Dec. 31	
(Thousands of Dollars)	2011	2010
Balance at Jan. 1	$ 2,392	$ 27,237
Purchases	33,609	10,948
Settlements	(36,552)	(24,960)
Transfers out of Level 3	-	(11,638)
Net transactions recorded during the period:		
Gains recognized in earnings [a]	66	4,719
Gains (losses) recognized as regulatory assets and liabilities	12,902	(3,914)
Balance at Dec. 31	$ 12,417	$ 2,392

(a) These amounts relate to commodity derivatives held at the end of the period.

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NSP-Minnesota recognizes transfers between levels as of the beginning of each period. There were no transfers of amounts between levels for the year ended Dec. 31, 2011. The following table presents the transfers that occurred from Level 3 to Level 2 during the year ended Dec. 31, 2010:

(Thousands of Dollars)	Year Ended Dec. 31, 2010
Trading commodity derivatives not designated as cash flow hedges:	
Current assets	$ 5,384
Noncurrent assets	21,450
Current liabilities	(2,851)
Noncurrent liabilities	(12,345)
Total	$ 11,638

There were no transfers of amounts from Level 2 to Level 3, or any transfers to or from Level 1 for the year ended Dec. 31, 2010. The transfer of amounts from Level 3 to Level 2 in the year ended Dec. 31, 2010 was due to the valuation of certain long-term derivative contracts for which observable commodity pricing forecasts became a more significant input during the period.

Fair Value of Long-Term Debt

As of Dec. 31, 2011 and 2010, other financial instruments for which the carrying amount did not equal fair value were as follows:

	2011		2010	
(Thousands of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	$ 3,338,897	$ 4,066,367	$ 3,337,912	$ 3,673,214

The fair value of NSP-Minnesota's long-term debt is estimated based on the quoted market prices for the same or similar issues, or the current rates for debt of the same remaining maturities and credit quality. The fair value estimates presented are based on information available to management as of Dec. 31, 2011 and 2010. These fair value estimates have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair values may differ significantly.

9. Rate Matters

NSP-Minnesota

Pending Regulatory Proceedings — MPUC

Base Rate

NSP-Minnesota - Minnesota Electric Rate Case — In November 2010, NSP-Minnesota filed a request with the MPUC to increase electric rates in Minnesota for 2011 by approximately $150 million, or an increase of 5.62 percent and an additional increase of $48.3 million, or 1.81 percent in 2012. The rate filing was based on a 2011 forecast test year and included a requested return of equity (ROE) of 11.25 percent, an electric rate base of approximately $5.6 billion and an equity ratio of 52.56 percent. The MPUC approved an interim rate increase of $123 million, subject to refund, effective Jan. 2, 2011.

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In June 2011, NSP-Minnesota revised its requested rate increase to $122.8 million, reflecting a revised ROE of 10.85 percent and other adjustments. The Division of Energy Resources (DOER) revised its recommended rate increase to approximately $84.7 million in 2011 and an additional rate increase of $34 million in 2012, reflecting an ROE of 10.37 percent. The primary differences between the NSP-Minnesota requested rate increase and the DOER updated recommendation were associated with ROE and compensation related issues.

In August 2011, NSP-Minnesota submitted supplemental testimony, revising its requested rate increase to approximately $122 million for 2011 and a 2012 step increase of approximately $29 million. The revisions were due to delays in the Monticello nuclear plant extended power uprate.

In November 2011, NSP-Minnesota reached a settlement agreement with the Xcel Large Industrials, the Minnesota Chamber of Commerce, the Commercial Group and Verso Paper Corp., which settled all financial issues and several rate design issues between the signing parties. The settlement includes a rate increase of approximately $58.0 million in 2011 and an incremental rate increase of $14.8 million in 2012 based on an ROE of 10.37 percent. The settlement agreement reflects a reduction to depreciation expense and NSP-Minnesota's rate request by $30 million with an additional adjustment of $7.5 million related to employee compensation. The settlement also provides NSP-Minnesota the ability to seek deferred accounting for incremental property tax increases associated with electric and natural gas businesses in 2012, which is currently projected to increase by approximately $28 million. NSP-Minnesota also agreed to not file an electric rate case prior to Nov. 1, 2012, provided that both the settlement and the property tax filing are approved by the MPUC. NSP-Minnesota has recorded a provision for revenue subject to refund of approximately $67.4 million for 2011 and has reduced depreciation expense by $30 million.

In February 2012, the administrative law judge (ALJ) recommended MPUC approval of the settlement agreement. In addition, NSP-Minnesota filed to reduce the interim rate request to $72.8 million to align with the settlement agreement. A decision is expected by the MPUC in the first half of 2012.

Pending Regulatory Proceedings — North Dakota Public Service Commission (NDPSC)

NSP-Minnesota – North Dakota Electric Rate Case — In December 2010, NSP-Minnesota filed a request with the NDPSC to increase 2011 electric rates in North Dakota by approximately $19.8 million, or an increase of 12 percent in 2011 and a step increase of $4.2 million, or 2.6 percent in 2012. The rate filing is based on a 2011 forecast test year and includes a requested ROE of 11.25 percent, an electric rate base of approximately $328 million and an equity ratio of 52.56 percent.

The NDPSC approved an interim rate increase of approximately $17.4 million, subject to refund, effective Feb. 18, 2011. NSP-Minnesota has recorded a provision for revenue subject to refund of approximately $2.4 million for 2011. The interim rates will remain in effect until the NDPSC makes its final decision on the case.

In May 2011, NSP-Minnesota revised its rate request to approximately $18.0 million, or an increase of 11 percent, for 2011 and $2.4 million, or 1.4 percent, for the additional step increase in 2012, due to the termination of the Merricourt wind project.

In September 2011, NSP-Minnesota reached a settlement with the NDPSC Advocacy Staff. If approved by the NDPSC, the settlement would result in a rate increase of $13.7 million in 2011 and an additional step increase of $2.0 million in 2012, based on a 10.4 percent ROE and black box settlement for all other issues. To address 2011 sales coming in below test year projections, the settlement includes a true-up to 2012 non-fuel revenues plus the settlement rate increase.

An NDPSC decision is expected in March 2012.

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Pending Regulatory Proceedings — South Dakota Public Utilities Commission (SDPUC)

NSP-Minnesota – South Dakota Electric Rate Case — In June 2011, NSP-Minnesota filed a request with the SDPUC to increase South Dakota electric rates by $14.6 million annually, effective in 2012. The proposed increase included $0.7 million in revenues currently recovered through automatic recovery mechanisms. The request is based on a 2010 historic test year adjusted for known and measurable changes, a requested ROE of 11 percent, a rate base of $323.4 million and an equity ratio of 52.48 percent. NSP-Minnesota also requested approval of a nuclear cost recovery rider to recover the actual investment cost of the Monticello nuclear plant life cycle management and extended power uprate project that is not reflected in the test year.

As a result of delays in the rate case process, interim rates of $12.7 million were implemented Jan. 2, 2012. A final decision is expected in the first half of 2012.

Electric, Purchased Gas and Resource Adjustment Incentive Clauses

NSP-Minnesota has several retail adjustment clauses that recover fuel, purchased energy, other resource costs, lost margins and/or performance incentives, which are generally recovered concurrently through riders and base rates. At Dec. 31, 2011, pending adjustment clauses, which contain amounts related to incentive programs were as follows:

CIP Rider — CIP expenses are recovered through base rates and a rider that is adjusted annually. Under the 2010 electric CIP rider request approved by the MPUC in October 2010, NSP-Minnesota recovered $84.4 million through the rider during November 2010 to December 2011. This is in addition to $60.9 million recovered through base rates. During December 2010 to December 2011, NSP-Minnesota recovered $27.4 million through the natural gas CIP rider approved in November 2010. This is in addition to $4.4 million recovered in base rates.

In January 2012, the MPUC approved NSP-Minnesota's annual electric rider petition requesting recovery of $74.7 million of electric CIP expenses and financial incentives to be recovered during February 2012 through December 2012. In December 2011, the MPUC approved NSP-Minnesota's annual gas rider petition requesting $10.6 million of natural gas CIP expenses and financial incentives to be recovered during January 2012 through December 2012. This proposed recovery through the riders is in addition to an estimated $48.3 million and $3.8 million through electric and gas base rates, respectively.

10. Commitments and Contingent Liabilities

Commitments

Capital Commitments — NSP-Minnesota has made commitments in connection with a portion of its projected capital expenditures. NSP-Minnesota's capital commitments primarily relate to the following major projects:

Nuclear Lifecycle Management and Extended Power Uprates — NSP-Minnesota is pursuing improvements to make sure the plants operate safely until the end of their extended licensed life and is making capacity increases of the Monticello and Prairie Island generating plants that could total up to approximately 188 MW. The MPUC approved the certificate of need (CON) for the extended power uprate for Monticello in 2008. The license amendment application was filed with the NRC in November 2008, but a concern was raised by the Advisory Committee on Reactor Safeguards related to containment pressure associated with pump performance. In October 2011, the Advisory Committee recommended that all licensing actions that credit the use of containment accident pressure be suspended until the causes and risks of Japan's Fukushima incident are better understood. NSP-Minnesota has rescheduled the remaining equipment changes needed to complete the Monticello power uprate projects during the planned spring 2013 refueling outage.

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The MPUC approved an extended power uprate for the Prairie Island Units in 2009. Analysis of recent extended power uprate submittals to the NRC concluded that significant additional design work beyond current schedule and cost plan estimates are now being required to submit a successful application. As a result, NSP-Minnesota is completing an economic and new project design analysis to determine project impacts and anticipates submitting a Change in Circumstances filing with the MPUC in the first quarter of 2012.

CapX2020 — CapX2020 is an alliance of electric cooperatives, municipals and investor-owned utilities in the upper Midwest, including Xcel Energy that have proposed several groups of transmission projects to be complete by 2020. Group 1 project investments consist of four transmission lines. Major construction began in 2010 on the Group 1 transmission lines with an expected completion date in 2015. NSP System's investment depends on the routes and configurations approved by affected state commissions. The remainder of the costs will be born by other utilities in the upper Midwest.

Fuel Contracts — NSP-Minnesota has contracts providing for the purchase and delivery of a significant portion of its current coal, nuclear fuel and natural gas requirements. These contracts expire in various years between 2012 and 2028. In addition, NSP-Minnesota is required to pay additional amounts depending on actual quantities shipped under these agreements. NSP-Minnesota's risk of loss, in the form of increased costs from market price changes in fuel, is mitigated through the cost-rate adjustment mechanisms, which provide for pass-through of most fuel, storage and transportation costs to customers.

The estimated minimum purchases for NSP-Minnesota under these contracts as of Dec. 31, 2011, are as follows:

(Millions of Dollars)	Dec. 31, 2011
Coal [a]	$ 1,548
Nuclear fuel [a]	1,546
Natural gas supply	23
Natural gas storage and transportation [a]	833

(a) Includes amounts allocated to NSP-Wisconsin through intercompany charges.

Estimated coal requirements at Dec. 31, 2011 have been adjusted to account for Sherco Unit 3, which was shut down in November 2011 after experiencing a significant failure of its turbine, generator and exciter systems. It is uncertain when Sherco Unit 3 will recommence operations. See Note 5 for further discussion.

Purchased Power Agreements — NSP-Minnesota has entered into agreements with other utilities and energy suppliers for purchased power to meet system load and energy requirements, replace generation from company-owned units under maintenance or during outages, and meet operating reserve obligations.

NSP-Minnesota has various pay-for-performance contracts with expiration dates through 2033. In general, these contracts provide for energy payments based on actual power taken under the contracts, as well as capacity payments. Capacity payments are typically contingent on the independent power producing entity meeting certain contract obligations, including plant availability requirements. Certain contractual payments are adjusted based on market indices; however, the effects of price adjustments are mitigated through purchased energy cost recovery mechanisms.

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Included in electric fuel and purchased power expenses for purchased power agreements were payments for capacity of $106.8 and $109.3 million in 2011 and 2010. At Dec. 31, 2011, the estimated future payments for capacity that NSP-Minnesota is obligated to purchase, subject to availability, are as follows:

(Millions of Dollars)		
2012	$	106.1
2013		108.4
2014		110.7
2015		83.4
2016		57.4
Thereafter		171.8
Total [(a)]	$	637.8

(a) Includes amounts allocated to NSP-Wisconsin through intercompany charges.

Leases — NSP-Minnesota leases a variety of equipment and facilities used in the normal course of business. These leases, primarily for office space, railcars, generating facilities, trucks, aircraft, cars and power-operated equipment, are accounted for as operating leases. Total expenses under operating lease obligations were approximately $72.9 million and $73.0 million for 2011 and 2010, respectively. These expenses include payments for capacity recorded to electric fuel and purchased power expenses for purchase power agreements accounted for as operating leases of $58.2 million and $57.1 million in 2011 and 2010, respectively.

Included in the future commitments under operating leases are estimated future payments under purchased power agreements that have been accounted for as operating leases in accordance with the applicable accounting guidance. Future commitments under operating leases are:

(Millions of Dollars)		Other Operating Leases		Purchased Power Agreement Operating Leases [(a) (b)]		Total Operating Leases
2012	$	8.2	$	55.0	$	63.2
2013		7.0		55.9		62.9
2014		6.2		56.8		63.0
2015		5.3		57.8		63.1
2016		3.6		58.7		62.3
Thereafter		19.9		557.6		577.5

(a) Amounts do not include purchased power agreements accounted for as other commitments, which are recorded to O&M as executed.

(b) Purchased power agreement operating leases contractually expire through 2025.

Guarantees and Indemnifications

In connection with the acquisition of the 201 MW Nobles wind project, NSP-Minnesota agreed to indemnify the seller for losses arising out of a breach of certain representations and warranties. NSP-Minnesota's indemnification obligation is capped at $20 million, in the aggregate. The indemnification obligation expires in March 2013. NSP-Minnesota has not recorded a liability related to this indemnity and it has no assets held as collateral related to this agreement at Dec. 31, 2011.

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Environmental Contingencies

NSP-Minnesota has been or is currently involved with the cleanup of contamination from certain hazardous substances at several sites. In many situations, NSP-Minnesota believes it will recover some portion of these costs through insurance claims. Additionally, where applicable, NSP-Minnesota is pursuing, or intends to pursue, recovery from other PRPs and through the regulated rate process. New and changing federal and state environmental mandates can also create added financial liabilities for NSP-Minnesota, which are normally recovered through the regulated rate process. To the extent any costs are not recovered through the options listed above, NSP-Minnesota would be required to recognize an expense.

Site Remediation — The Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other comparable federal and state environmental laws impose liability, without regard to the legality of the original conduct, on certain classes of persons where hazardous substances or other regulated materials have been released to the environment. NSP-Minnesota may sometimes pay all or a portion of the cost to remediate sites where past activities of NSP-Minnesota or other parties have caused environmental contamination. Environmental contingencies could arise from various situations, including sites of former manufactured gas plants (MGPs) operated by NSP-Minnesota, its predecessors, or other entities; and third-party sites, such as landfills, for which NSP-Minnesota is alleged to be a PRP that sent hazardous materials and wastes to that site.

MGP Sites — NSP-Minnesota is currently involved in investigating and/or remediating several MGP sites where hazardous or other regulated materials may have been deposited. NSP-Minnesota has identified 3 sites, where former MGP activities have or may have resulted in actual site contamination and are under current investigation and/or remediation. At some or all of these MGP sites, there are other parties that may have responsibility for some portion of any ultimate remediation that may be conducted. NSP-Minnesota anticipates that the majority of the remediation at these sites will continue through at least 2014. For these sites, NSP-Minnesota had accrued $0.1 million and $0.3 million at Dec. 31, 2011 and Dec. 31, 2010, respectively. There may be insurance recovery and/or recovery from other PRPs that will offset any costs actually incurred at these sites. NSP-Minnesota anticipates that any amounts actually spent will be fully recovered from customers.

Asbestos Removal — Some of NSP-Minnesota's facilities contain asbestos. Most asbestos will remain undisturbed until the facilities that contain it are demolished or removed. NSP-Minnesota has recorded an estimate for final removal of the asbestos as an ARO. See additional discussion of AROs below. It may be necessary to remove some asbestos to perform maintenance or make improvements to other equipment. The cost of removing asbestos as part of other work is not expected to be material and is recorded as incurred as operating expenses for maintenance projects, capital expenditures for construction projects or removal costs for demolition projects.

Other Environmental Requirements

EPA Greenhouse Gas (GHG) Regulation — In December 2009, the EPA issued its "endangerment" finding that GHG emissions pose a threat to public health and welfare. In January 2011, new EPA permitting requirements became effective for GHG emissions of new and modified large stationary sources, which are applicable to the construction of new power plants or power plant modifications that increase emissions above a certain threshold. NSP-Minnesota is unable to determine what the cost of compliance with these new EPA requirements will be as it is not clear whether these requirements will apply to futures changes at NSP-Minnesota's power plants.

GHG New Source Performance Standard Proposal — The EPA plans to propose GHG regulations applicable to emissions from new and existing power plants under the Clean Air Act (CAA). The EPA had planned to release its proposal in September 2011, but has delayed it without establishing a new proposal date.

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Cross-State Air Pollution Rule (CSAPR) — In July 2011, the EPA issued its CSAPR to address long range transport of particulate matter and ozone by requiring reductions in SO_2 and NOx from utilities located in the eastern half of the U.S., including Minnesota. The CSAPR sets more stringent requirements than the proposed Clear Air Transport Rule. The rule also creates an emissions trading program. NSP-Minnesota intends to comply by reducing emissions and/or purchasing allowances.

On Dec. 30, 2011, the U.S. Court of Appeals for the D.C. Circuit issued a stay of the CSAPR, pending completion of judicial review. The Court is expected to hear the case in April 2012. NSP-Minnesota anticipates that the court may rule on the challenges to the CSAPR in the second half of 2012. It is not known at this time whether the CSAPR will be upheld, reversed or will require modifications pursuant to a future Court decision.

If the CSAPR is upheld and unmodified, NSP-Minnesota would likely utilize a combination of emissions reductions through upgrades to its existing SO_2 control technology at NSP-Minnesota's Sherco plant, which is estimated to cost a total of $10 million through 2014, and system operating changes to the Black Dog and the Sherco plants. If available, NSP-Minnesota would also consider allowance purchases. In addition, NSP-Minnesota has filed a petition for reconsideration with the EPA and a petition for review of the CSAPR with the U.S. Court of Appeals for the D.C. Circuit seeking the allocation of additional emission allowances to NSP-Minnesota. NSP-Minnesota contends that the EPA's method of allocating allowances arbitrarily resulted in fewer allowances for its Riverside and High Bridge plants than should have been awarded to reflect their operations during the baseline period, which included coal-fired operations prior to their conversion to natural gas. If successful, additional allowances would reduce NSP-Minnesota's costs to comply with the reductions that may be imposed by the CSAPR.

Clean Air Interstate Rule (CAIR) — In 2005, the EPA issued the CAIR to further regulate SO_2 and NOx emissions. The CAIR does not currently apply in Minnesota because the Court specifically found that the EPA had not adequately justified the application of the CAIR to Minnesota. In granting the stay of the CSAPR, the Court specifically noted that the CAIR would remain in place during its pending review of the CSAPR.

Electric Generating Unit (EGU) Mercury and Air Toxics Standards (MATS) Rule — In December 2011, the EPA issued the final EGU MATS rule to replace the proposed EGU Maximum Achievable Control Technology rule. The EGU MATS rule sets emission limits for acid gases, mercury and other hazardous air pollutants and will require coal-fired utility facilities greater than 25 MW to demonstrate compliance within three to four years. NSP-Minnesota believes these costs would be recoverable through regulatory mechanisms and it does not expect a material impact on its results of operations, financial position or cash flows.

Minnesota Mercury Legislation — Under the 2006 mercury legislation, NSP-Minnesota installed sorbent control systems at the Sherco Unit 3 and A.S. King generating plants, with project costs collected through the mercury cost recovery (MCR) rider in 2010. Subsequently, in the 2010 Minnesota electric rate case, the costs of these projects were moved into base rates as part of the interim rates effective Jan. 2, 2011. NSP-Minnesota has also obtained MPUC approval to install mercury controls on Sherco Units 1 and 2 by the end of 2014.

For Sherco Units 1 and 2, NSP-Minnesota has incurred $1.5 million in study costs to date and spent $0.6 million through Dec. 31, 2011 for testing and studying of technologies. At Dec. 31, 2011, the estimated annual testing and study cost is $0.5 million. NSP-Minnesota projects installation costs of $12.0 million for the mercury controls on the units and O&M expense of $10.0 million per year beginning in 2014. NSP-Minnesota believes these costs would be recoverable through regulatory mechanisms.

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Regional Haze Rules — In December 2009, the Minnesota Pollution Control Agency (MPCA) Citizens Board approved the Regional Haze state implementation plan (SIP), which has been submitted to the EPA for approval. The MPCA selected the best available retrofit technology (BART) controls for Sherco Units 1 and 2 to improve visibility in the national parks. The MPCA concluded selective catalytic reductions (SCR) should not be required because the minor visibility benefits derived from SCRs do not outweigh the substantial costs. The MPCA's BART controls for Sherco Units 1 and 2 consist of combustion controls for NOx and scrubber upgrades for SO_2. The combustion controls have been installed on Sherco Units 1 and 2, and the scrubber upgrades are scheduled to be installed by 2015. At this time, the estimated cost for meeting the BART and other CAA requirements is approximately $50 million of which $20 million has already been spent on projects to reduce NOx emissions on Sherco Units 1 and 2. NSP-Minnesota anticipates that all costs associated with BART compliance will be fully recoverable.

In June 2011, the EPA provided comments to the MPCA on the SIP, stating the EPA's preliminary review indicates that SCR controls should be added to Sherco Units 1 and 2. The MPCA has since proposed that the CSAPR should be considered BART for EGUs and the EPA has proposed that states be allowed to find that CSAPR compliance meets BART requirements for EGUs, and specifically that Minnesota's proposal to find the CSAPR to meet BART requirements should be approved, if finalized by the state. It is not yet known what the final requirements will be. NSP-Minnesota does not expect that a finding that the CSAPR meets BART requirements would result in changes to the control equipment plans described above, and has requested that the MPCA retain its 2009 BART determination.

In October 2009, the United States Department of the Interior certified that a portion of the visibility impairment in Voyageurs and Isle Royale National Parks is reasonably attributable to emissions from NSP-Minnesota's Sherco Units 1 and 2. The EPA is required to make its own determination as to whether Sherco Units 1 and 2 cause or contribute to visibility impairment and, if so, whether the level of controls proposed by the MPCA is appropriate. In its Jan. 25, 2012 notice concerning its review of Minnesota's Regional Haze SIP, the EPA noted that it plans to issue a separate notice on the issue of BART for Sherco Units 1 and 2 under the Reasonably Attributable Visibility Impairment (RAVI) program. It is not yet known when the EPA will publish a proposal under RAVI, or what that proposal will entail.

Federal Clean Water Act (CWA) Section 316 (b) — The federal CWA requires the EPA to regulate cooling water intake structures to assure that these structures reflect the best technology available for minimizing adverse environmental impacts to aquatic species. In April 2011, the EPA published the proposed rule that sets prescriptive standards for minimization of aquatic species impingement, but leaves entrainment reduction requirements at the discretion of the permit writer and the regional EPA office. NSP-Minnesota provided comments to the proposed rule, which is expected to be finalized in late 2012. Due to the uncertainty of the final regulatory requirements, it is not possible to provide an accurate estimate of the overall cost of this rulemaking at this time.

As part of NSP-Minnesota's 2009 CWA permit renewal for the Black Dog plant, the MPCA required the submission of a plan for compliance with the CWA. The compliance plan was submitted for MPCA review and approval in April 2010. The MPCA is currently reviewing the proposal in consultation with the EPA.

Proposed Coal Ash Regulation — NSP-Minnesota's operations generate hazardous wastes that are subject to the Federal Resource Recovery and Conservation Act and comparable state laws that impose detailed requirements for handling, storage, treatment and disposal of hazardous waste. In June 2010, the EPA published a proposed rule seeking comment on whether to regulate coal combustion byproducts (coal ash) as hazardous or nonhazardous waste. Coal ash is currently exempt from hazardous waste regulation. If the EPA ultimately issues a final rule under which coal ash is regulated as hazardous waste, NSP-Minnesota's costs associated with the management and disposal of coal ash would significantly increase and the beneficial reuse of coal ash would be negatively impacted. The EPA has not announced a planned date for a final rule. The timing, scope and potential cost of any final rule that might be implemented are not determinable at this time.

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NSP-Minnesota Notice of Violation (NOV) — In June 2011, NSP-Minnesota received an NOV from the EPA alleging violations of the New Source Review (NSR) requirements of the CAA at the Sherco plant and Black Dog plant in Minnesota. The NOV specifically alleges that various maintenance, repair and replacement projects undertaken at the plants in the mid 2000s should have required a permit under the NSR process. NSP-Minnesota believes it has acted in full compliance with the CAA and NSR process. NSP-Minnesota also believes that the projects identified in the NOV fit within the routine maintenance, repair and replacement exemption contained within the NSR regulations or are otherwise not subject to the NSR requirements. NSP-Minnesota disagrees with the assertions contained in the NOV and intends to vigorously defend its position. It is not known whether any costs would be incurred as a result of this NOV.

Asset Retirement Obligations

Recorded AROs — AROs have been recorded for plant related to nuclear production, steam production, wind production, electric transmission and distribution, gas transmission and distribution and office buildings. The steam production obligation includes asbestos, ash containment facilities, and radiation sources. The asbestos recognition associated with the steam production includes certain plants at NSP-Minnesota. NSP-Minnesota also recorded asbestos recognition for its general office building. Generally, this asbestos abatement removal obligation originated in 1973 with the CAA, which applied to the demolition of buildings or removal of equipment containing asbestos that can become airborne on removal. AROs also have been recorded for NSP-Minnesota steam production related to ash-containment facilities such as bottom ash ponds, evaporation ponds and solid waste landfills and the origination dates were the in-service date of the various facilities. Additional AROs have been recorded for NSP-Minnesota steam production plant related to radiation sources in equipment used to monitor the flow of coal, lime and other materials through feeders.

NSP-Minnesota recognized AROs for the retirement costs of natural gas mains and for the removal of electric transmission and distribution equipment. The electric transmission and distribution ARO consists of many small potential obligations associated with PCBs, mineral oil, storage tanks, treated poles, lithium batteries, mercury and street lighting lamps. These electric and natural gas assets have many in-service dates for which it is difficult to assign the obligation to a particular year. Therefore, the obligation was measured using an average service life.

For the nuclear assets, the AROs associated with the decommissioning of the NSP-Minnesota nuclear generating plants, Monticello and Prairie Island, originated with the in-service date of the facility. See Note 11 for further discussion of nuclear obligations.

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A reconciliation of the beginning and ending aggregate carrying amounts of NSP-Minnesota's AROs is shown in the table below for the years ended Dec. 31, 2011 and 2010, respectively:

(Thousands of Dollars)	Beginning Balance Jan. 1, 2011	Liabilities Recognized	Liabilities Settled	Accretion	Revisions to Prior Estimates	Ending Balance Dec. 31, 2011
Electric plant						
Steam production asbestos	$ 10,041	$ -	$ -	$ 438	$ -	$ 10,479
Steam production ash containment	12,814	-	-	508	17,667	30,989
Steam production radiation sources	37	-	-	3	2	42
Nuclear production decommissioning	809,474	-	-	57,641	615,626 [(a)]	1,482,741
Wind production	38,553	-	-	1,962	-	40,515
Electric transmission and distribution	3,087	-	-	153	12,460	15,700
Natural gas plant						
Gas transmission and distribution	278	-	-	17	-	295
Common and other property						
Common general plant asbestos	1,077	-	-	58	-	1,135
Total liability	$ 875,361	$ -	$ -	$ 60,780	$ 645,755	$ 1,581,896

(a) The increase is primarily due to the completion of NSP-Minnesota's triennial nuclear decommissioning study, which reflects an increase in the estimated cost of retirement, increase in the escalation rates for each nuclear unit and a decrease in the discount rate used to calculate the net present value of the future cash flows.

The fair value of NSP-Minnesota's legally restricted assets, for purposes of settling the nuclear ARO, was $1.3 billion as of Dec. 31, 2011, including external nuclear decommissioning investment funds and internally funded amounts.

In 2011, NSP-Minnesota incurred revisions for nuclear decommissioning, radiation sources, ash-containment facilities and electric transmission and distribution asset retirement obligations due to revised estimates and end of life dates.

(Thousands of Dollars)	Beginning Balance Jan. 1, 2010	Liabilities Recognized	Liabilities Settled	Accretion	Revisions to Prior Estimates	Ending Balance Dec. 31, 2010
Electric plant						
Steam production asbestos	$ 16,776	$ 3,771	$ (2,330)	$ 858	$ (9,034)	$ 10,041
Steam production ash containment	12,547	-	-	611	(344)	12,814
Steam production radiation sources	57	-	-	3	(23)	37
Nuclear production decommissioning	758,923	-	-	50,551	-	809,474
Wind production	7,751	25,671	-	592	4,539	38,553
Electric transmission and distribution	140	-	-	7	2,940	3,087
Natural gas plant						
Gas transmission and distribution	261	-	-	17	-	278
Common and other property						
Common general plant asbestos	1,021	-	-	56	-	1,077
Total liability	$ 797,476	$ 29,442	$ (2,330)	$ 52,695	$ (1,922)	$ 875,361

Name of Respondent Northern States Power Company (Minnesota)	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) 04/13/2012	Year/Period of Report 2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

The fair value of NSP-Minnesota's legally restricted assets, for purposes of settling the nuclear ARO, was $1.4 billion as of Dec. 31, 2010, including external nuclear decommissioning investment funds and internally funded amounts.

In 2010, NSP-Minnesota incurred revisions for asbestos, radiation sources, wind turbines, ash-containment facilities and electric transmission and distribution asset retirement obligations due to revised estimates and end of life dates.

Nuclear Insurance

NSP-Minnesota's public liability for claims resulting from any nuclear incident is limited to $12.6 billion under the Price-Anderson amendment to the Atomic Energy Act. NSP-Minnesota has secured $375 million of coverage for its public liability exposure with a pool of insurance companies. The remaining $12.2 billion of exposure is funded by the Secondary Financial Protection Program, available from assessments by the federal government in case of a nuclear accident. NSP-Minnesota is subject to assessments of up to $117.5 million per reactor per accident for each of its three licensed reactors, to be applied for public liability arising from a nuclear incident at any licensed nuclear facility in the United States. The maximum funding requirement is $17.5 million per reactor during any one year. These maximum assessment amounts are both subject to inflation adjustment by the NRC and state premium taxes. The NRC's last adjustment was effective April 2010.

NSP-Minnesota purchases insurance for property damage and site decontamination cleanup costs from Nuclear Electric Insurance Ltd. (NEIL). The coverage limits are $2.25 billion for each of NSP-Minnesota's two nuclear plant sites. NEIL also provides business interruption insurance coverage, including the cost of replacement power obtained during certain prolonged accidental outages of nuclear generating units. Premiums are expensed over the policy term. All companies insured with NEIL are subject to retroactive premium adjustments if losses exceed accumulated reserve funds. Capital has been accumulated in the reserve funds of NEIL to the extent that NSP-Minnesota would have no exposure for retroactive premium assessments in case of a single incident under the business interruption and the property damage insurance coverage. However, in each calendar year, NSP-Minnesota could be subject to maximum assessments of approximately $15.7 million for business interruption insurance and $33.6 million for property damage insurance if losses exceed accumulated reserve funds.

Legal Contingencies

Lawsuits and claims arise in the normal course of business. Management, after consultation with legal counsel, has recorded an estimate of the probable cost of settlement or other disposition. The ultimate outcome of these matters cannot presently be determined. Accordingly, the ultimate resolution of these matters could have a material effect on NSP-Minnesota's financial position and results of operations.

Environmental Litigation

State of Connecticut vs. Xcel Energy Inc. et al. — In July 2004, the attorneys general of eight states and New York City, as well as several environmental groups, filed lawsuits in U.S. District Court for the Southern District of New York against the following utilities, including Xcel Energy Inc., the parent company of NSP-Minnesota, to force reductions in carbon dioxide (CO_2)emissions: American Electric Power Co., Southern Co., Cinergy Corp. (merged into Duke Energy Corporation) and Tennessee Valley Authority. The lawsuits alleged that CO_2 emitted by each company is a public nuisance and asked the court to order each utility to cap and reduce its CO_2 emissions. The lawsuits did not demand monetary damages. In December 2011, the U.S. District Court entered an order dismissing this lawsuit, bringing a close to this litigation.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Native Village of Kivalina vs. Xcel Energy Inc. et al. — In February 2008, the City and Native Village of Kivalina, Alaska, filed a lawsuit in U.S. District Court for the Northern District of California against Xcel Energy Inc., the parent company of NSP-Minnesota, and 23 other utility, oil, gas and coal companies. Plaintiffs claim that defendants' emission of CO_2 and other GHGs contribute to global warming, which is harming their village. Xcel Energy Inc. believes the claims asserted in this lawsuit are without merit and joined with other utility defendants in filing a motion to dismiss in June 2008. In October 2009, the U.S. District Court dismissed the lawsuit on constitutional grounds. In November 2009, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. In November 2011, oral arguments were presented. It is unknown when the Ninth Circuit will render a final opinion. The amount of damages claimed by plaintiffs is unknown, but likely includes the cost of relocating the village of Kivalina. Plaintiffs' alleged relocation is estimated to cost between $95 million to $400 million. While Xcel Energy Inc. believes the likelihood of loss is remote, given the nature of this case and any surrounding uncertainty, it may have a material impact on NSP-Minnesota's results of operations, cash flows or financial position. No accrual has been recorded for this matter.

Comer vs. Xcel Energy Inc. et al. — On May 27, 2011, less than a year after their initial lawsuit was dismissed, plaintiffs in this purported class action lawsuit filed a second lawsuit against more than 85 utility, oil, chemical and coal companies in U.S. District Court in Mississippi. The complaint alleges defendants' CO_2 emissions intensified the strength of Hurricane Katrina and increased the damage plaintiffs purportedly sustained to their property. Plaintiffs base their claims on public and private nuisance, trespass and negligence. Among the defendants named in the complaint are Xcel Energy Inc., SPS, PSCo, NSP-Wisconsin and NSP-Minnesota. The amount of damages claimed by plaintiffs is unknown. The defendants, including Xcel Energy Inc., believe this lawsuit is without merit and have filed a motion to dismiss the lawsuit. It is uncertain when the court will rule on this motion. While Xcel Energy Inc. believes the likelihood of loss is remote, given the nature of this case and any surrounding uncertainty, it may have a material impact on NSP-Minnesota's results of operations, cash flows or financial position. No accrual has been recorded for this matter.

Employment, Tort and Commercial Litigation

Merricourt Wind Project Litigation — On April 1, 2011, NSP-Minnesota terminated its agreements with enXco Development Corp. (enXco) for the development of a 150 MW wind project in southeastern North Dakota. NSP-Minnesota's decision to terminate the agreements was based in large part on the adverse impact this project could have on endangered or threatened species protected by federal law and the uncertainty in cost and timing in mitigating this impact. NSP-Minnesota also terminated the agreements due to enXco's nonperformance of certain other conditions, including failure to obtain a Certificate of Site Compatibility and the failure to close on the contracts by an agreed upon date of March 31, 2011. As a result, NSP-Minnesota recorded a $101 million deposit in the first quarter 2011, which was collected in April 2011. On May 5, 2011, NSP-Minnesota filed a declaratory judgment action in U.S. District Court in Minnesota to obtain a determination that it acted properly in terminating the agreements. On that same day, enXco also filed a separate lawsuit in the same court seeking, among other things, in excess of $240 million for an alleged breach of contract. NSP-Minnesota believes enXco's lawsuit is without merit and has filed a motion to dismiss. On Sept. 16, 2011, the U.S. District Court denied the motion to dismiss. The trial is set to begin in late 2012 or early 2013. While NSP-Minnesota believes the likelihood of loss is remote, given the nature of this case and any surrounding uncertainty, it may have a material impact on NSP-Minnesota's results of operations, cash flows or financial position. No accrual has been recorded for this matter.

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Northern States Power Company (Minnesota)	(1) X An Original (2) _ A Resubmission	(Mo, Da, Yr) 04/13/2012	2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Other Contingencies

See Note 9 for further discussion.

11. Nuclear Obligations

Fuel Disposal — NSP-Minnesota is responsible for temporarily storing used or spent nuclear fuel from its nuclear plants. The United States Department of Energy (DOE) is responsible for permanently storing spent fuel from NSP-Minnesota's nuclear plants as well as from other U.S. nuclear plants. NSP-Minnesota has funded its portion of the DOE's permanent disposal program since 1981. The fuel disposal fees are based on a charge of 0.1 cent per kilowatt hour sold to customers from nuclear generation. Fuel expense includes the DOE fuel disposal assessments of approximately $11 million and $13 million in 2011 and 2010, respectively. In total, NSP-Minnesota had paid approximately $422.3 million to the DOE through Dec. 31, 2011. The Nuclear Waste Policy Act of 1982 required the DOE to begin accepting spent nuclear fuel no later than Jan. 31, 1998. NSP-Minnesota and other utilities have commenced lawsuits against the DOE to recover damages caused by the DOE's failure to meet its statutory and contractual obligations. In 2011, NSP-Minnesota received from the DOE pursuant to a settlement with the DOE, an initial payment of approximately $100 million to cover damages through the end of 2008. As of Dec. 31, 2011, NSP-Minnesota has recorded the payment as restricted cash and a regulatory liability.

NSP-Minnesota has its own temporary on-site storage facilities for spent fuel at its Monticello and Prairie Island nuclear plants, which consist of storage pools and dry cask facilities at both sites. The amount of spent fuel storage capacity currently authorized by the NRC and the MPUC will allow NSP-Minnesota to continue operation of its Prairie Island nuclear plant until the end of its renewed licenses terms in 2033 for Unit 1 and 2034 for Unit 2 and its Monticello nuclear plant until the end of its renewed operating license in 2030. Other alternatives for spent fuel storage are being investigated until a DOE facility is available, including pursuing the establishment of a private facility for interim storage of spent nuclear fuel as part of a consortium of electric utilities.

Regulatory Plant Decommissioning Recovery — Decommissioning of NSP-Minnesota's nuclear facilities is planned for the period from cessation of operations through at least 2067, assuming the prompt dismantlement method. NSP-Minnesota is currently recording the regulatory costs for decommissioning over the MPUC-approved cost-recovery period and including the accruals in a regulatory liability account. The total decommissioning cost obligation is recorded as an ARO in accordance with the applicable accounting guidance.

Monticello received its initial operating license in 1970 and began commercial operation in 1971. With its renewed operating license and CON for spent fuel capacity to support 20 years of extended operation, Monticello can operate until 2030. The Monticello 20-year depreciation life extension until September 2030 was granted by the MPUC in 2007. Construction of the Monticello dry-cask storage facility is complete, and 10 of the 30 canisters authorized have been filled and placed in the facility.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Prairie Island Units 1 and 2 received their initial operating license and began commercial operations in 1973 and 1974. In April 2008, NSP-Minnesota filed an application with the NRC to renew the operating license of its two nuclear reactors at Prairie Island that allowed for operation for an additional 20 years until 2033 and 2034, respectively. The NRC approved Prairie Island's license renewal application in 2011. Based on the NRC approval, a full life extension for Prairie Island's depreciation life was approved by the MPUC in September 2011, bringing the depreciation remaining life in line with the NRC approved operating license. The Prairie Island dry-cask storage facility currently stores 29 casks, with MPUC approval for the use of 35 additional casks, to support operations until the end of the renewed operating licenses in 2033 and 2034.

The total obligation for decommissioning currently is expected to be funded 100 percent by the external decommissioning trust fund, as approved by the MPUC, when decommissioning commences. The MPUC last approved NSP-Minnesota's nuclear decommissioning study request in October 2009, using 2008 cost data. An updated nuclear decommissioning study was submitted to the MPUC in both November and December 2011. Due to new state statute requirements, five decommissioning scenarios were presented, which each reflected a different timeline for the removal of spent nuclear fuel from the sites. A decision on this filing is expected either in late 2012 or the beginning of 2013.

Consistent with cost-recovery in utility customer rates, NSP-Minnesota previously recorded annual decommissioning accruals based on periodic site-specific cost studies and a presumed level of dedicated funding. Cost studies quantify decommissioning costs in current dollars. The most recent study, which resulted in an authorization of no funding, presumes that costs will escalate in the future at a rate of 2.89 percent per year. The total estimated decommissioning costs that will ultimately be paid, net of income earned by the external decommissioning trust fund, is currently being accrued using an annuity approach over the approved plant-recovery period. This annuity approach uses an assumed rate of return on funding, which is currently 6.3 percent, net of tax. The net unrealized gain or loss on nuclear decommissioning investments is deferred as a regulatory asset or liability respectively.

The external funds are held in trust and in escrow. The portion in escrow is subject to refund if approved by the various commissions. The MPUC authorized the return of funds associated with the Monticello plant for the Minnesota retail jurisdictions in 2009, with refunds made on customers' bills in 2010. An amount of approximately $5.9 million was also withdrawn from the Monticello plant portion of the escrow fund in March 2010 in preparation for a refund to Wisconsin and Michigan retail customers. The funds have not yet been refunded as of Dec. 31, 2011, and the timing of the refunds will be determined in future rate cases in each jurisdiction.

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NOTES TO FINANCIAL STATEMENTS (Continued)

At Dec. 31, 2011, NSP-Minnesota recorded and recovered in rates cumulative decommissioning expense of $1.3 billion. The following table summarizes the funded status of NSP-Minnesota's decommissioning obligation based on approved regulatory recovery parameters from the most recently approved decommissioning study. Xcel Energy believes future decommissioning cost expense, if necessary, will continue to be recovered in customer rates. These amounts are not those recorded in the financial statements for the ARO.

	Regulatory Basis	
(Thousands of Dollars)	**2011**	**2010**
Estimated decommissioning cost obligation (2008 dollars)	$ 2,308,196	$ 2,308,196
Effect of escalating costs (to 2011 and 2010 dollars, respectively, at 2.89 percent per year)	205,960	135,342
Estimated decommissioning cost obligation (in current dollars)	2,514,156	2,443,538
Effect of escalating costs to payment date (2.89 percent per year)	2,602,207	2,672,825
Estimated future decommissioning costs (undiscounted)	5,116,363	5,116,363
Effect of discounting obligation (using risk-free interest rate)	(3,187,914)	(3,856,516)
Discounted decommissioning cost obligation	1,928,449	1,259,847
Assets held in external decommissioning trust	1,336,431	1,350,630
Underfunding (overfunding) of external decommissioning fund compared to the discounted decommissioning obligation	$ 592,018	$ (90,783)

Decommissioning expenses recognized as a result of regulation include the following components:

(Thousands of Dollars)	**2011**	**2010**
Annual decommissioning recorded as depreciation expense: [(a)]		
Externally funded	$ -	$ 934
Internally funded (including interest costs)	(456)	(777)
Net decommissioning expense recorded	$ (456)	$ 157

(a) Decommissioning expense does not include depreciation of the capitalized nuclear asset retirement costs.

Reductions to expense for internally-funded portions in 2011 and 2010 are a direct result of the 2008 decommissioning study jurisdictional allocation and 100 percent external funding approval, effectively unwinding the remaining internal fund over the previously licensed operating life of the unit (2010 for Monticello, 2013 for Prairie Island Unit 1 and 2014 for Prairie Island Unit 2). The 2008 nuclear decommissioning filing approved in 2009 has been used for the regulatory presentation.

12. Regulatory Assets and Liabilities

NSP-Minnesota's financial statements are prepared in accordance with the applicable accounting guidance, as discussed in Note 1. Under this guidance, regulatory assets and liabilities are created for amounts that regulators may allow to be collected, or may require to be paid back to customers in future electric and natural gas rates. Any portion of the business that is not rate regulated cannot establish regulatory assets and liabilities. If changes in the utility industry or the business of NSP-Minnesota no longer allow for the application of regulatory accounting guidance under GAAP, NSP-Minnesota would be required to recognize the write-off of regulatory assets and liabilities in net income or OCI.

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NOTES TO FINANCIAL STATEMENTS (Continued)

The components of regulatory assets and liabilities shown on the balance sheets of NSP-Minnesota at Dec. 31, 2011 and 2010 are:

(Thousands of Dollars)	2011	2010
Regulatory Assets		
Asset retirement recovery	$ 1,452,065	$ 1,409,847
Pension and employee benefit obligations [(a)]	333,096	241,462
Recoverable deferred taxes on AFUDC recorded in plant [(b)]	166,457	150,857
Contract valuation adjustments [(c)]	131,901	107,526
Nuclear outage costs	49,175	40,988
Renewable and environmental initiative costs [(b)]	30,004	35,633
Conservation programs [(d)]	19,713	33,311
Purchased power contracts costs	30,905	25,915
Unrealized losses on nuclear decommissioning trust investments	10,255	-
Other	22,650	26,942
Total regulatory assets	$ 2,246,221	$ 2,072,481
Regulatory Liabilities		
Pre-ARO decommissioning expense	$ 1,325,380	$ 1,308,673
DOE Settlement	71,560	-
Deferred income tax adjustments	31,518	29,814
Investment tax credit deferrals	23,802	25,438
Contract valuation adjustments [(c)]	20,976	2,393
Over recovered electric commodity costs	10,582	14,517
Unrealized gains on nuclear decommissioning trust investments	-	12,370
Other	22,415	30,630
Total regulatory liabilities	$ 1,506,233	$ 1,423,835

(a) Includes $365.2 million and $400.2 million for the regulatory recognition of pension expense at Dec. 31, 2011 and 2010, respectively. These amounts are offset by $1.8 million of regulatory assets related to the non-qualified pension plan of which $0.2 million is included in the current asset at Dec. 31, 2011 and 2010.
(b) Earns a return on investment in the ratemaking process. These amounts are amortized consistent with recovery in rates.
(c) Includes the fair value of certain long-term purchase power agreements used to meet energy capacity requirements and valuation adjustments on natural gas commodity purchases.
(d) Includes over- or under-recovered costs for conservation programs as well as incentives allowed in certain jurisdictions.

13. Related Party Transactions

Xcel Energy Services Inc. provides management, administrative and other services for the subsidiaries of Xcel Energy Inc., including NSP-Minnesota. The services are provided and billed to each subsidiary in accordance with service agreements executed by each subsidiary. NSP-Minnesota uses the services provided by Xcel Energy Services Inc. whenever possible. Costs are charged directly to the subsidiary and are allocated if they cannot be directly assigned.

Xcel Energy Inc., NSP-Minnesota, PSCo and SPS have established a utility money pool arrangement. See Note 4 for further discussion.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Additionally, during 2010, NSP-Wisconsin obtained short-term borrowings from NSP-Minnesota at NSP-Minnesota's average daily interest rate, including the cost of NSP-Minnesota's compensating balance requirements. The borrowing arrangement terminated in the first quarter 2011. At Dec. 31, 2010, NSP-Minnesota had notes receivable outstanding from NSP-Wisconsin in the amount of $37.0 million.

The electric production and transmission costs of the entire NSP System are shared by NSP-Minnesota and NSP-Wisconsin. The Interchange Agreement provides for the sharing of all costs of generation and transmission facilities of the system, including capital costs.

The table below contains significant affiliate transactions among the companies and related parties including billings under the Interchange Agreement for the years ended Dec. 31:

(Thousands of Dollars)	2011	2010
Operating revenues:		
Electric	$ 440,519	$ 416,076
Gas	98	163
Operating expenses:		
Purchased power	68,379	68,224
Transmission expense	55,955	48,088
Other operating expenses — paid to Xcel Energy Services Inc.	351,460	338,666
Interest expense	182	167
Interest income	76	53

Accounts receivable and payable with affiliates at Dec. 31 were:

	2011		2010	
(Thousands of Dollars)	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
NSP-Wisconsin	$ 18,003	$ -	$ 26,864	$ -
PSCo	-	11,623	-	6,674
SPS	-	1,314	-	1,610
Other subsidiaries of Xcel Energy Inc.	3,120	34,614	3,706	53,469
	$ 21,123	$ 47,551	$ 30,570	$ 61,753

14. Supplementary Cash Flow Data

(Thousands of Dollars)	2011	2010
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	$ (181,110)	$ (172,454)
Cash (paid) received for income taxes, net	(15,920)	82,479
Supplemental disclosure of non-cash investing transactions:		
Property, plant and equipment additions in accounts payable	$ 35,058	$ 59,836

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Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	05/25/2012	End of 2012/Q1

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	13,599,370,895	13,597,349,035
3	Construction Work in Progress (107)	200-201	756,075,254	641,719,320
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		14,355,446,149	14,239,068,355
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	5,852,233,841	5,822,335,633
6	Net Utility Plant (Enter Total of line 4 less 5)		8,503,212,308	8,416,732,722
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	185,011,613	86,509,310
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		54,464,818	29,517,136
9	Nuclear Fuel Assemblies in Reactor (120.3)		493,176,341	493,135,096
10	Spent Nuclear Fuel (120.4)		1,330,137,424	1,330,137,424
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	1,667,947,873	1,641,947,651
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		394,842,323	297,351,315
14	Net Utility Plant (Enter Total of lines 6 and 13)		8,898,054,631	8,714,084,037
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		7,492,151	7,576,491
19	(Less) Accum. Prov. for Depr. and Amort. (122)		6,062,455	5,958,352
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	2,494,661	2,416,936
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		23,595,555	21,107,075
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		1,409,505,423	1,336,430,519
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		77,616,234	80,689,048
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		1,514,641,569	1,442,261,717
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		30,954,647	10,997,949
36	Special Deposits (132-134)		9,055,293	95,287,073
37	Working Fund (135)		137,510	137,510
38	Temporary Cash Investments (136)		17,455,284	14,889,685
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		297,252,675	295,463,717
41	Other Accounts Receivable (143)		46,272,321	38,295,584
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		23,072,351	23,003,922
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		22,678,175	21,122,644
45	Fuel Stock (151)	227	87,043,720	118,006,157
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	126,749,924	124,168,433
49	Merchandise (155)	227	1,180,418	757,033
50	Other Materials and Supplies (156)	227	15,819	35,064
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	0	0

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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	0	0
55	Gas Stored Underground - Current (164.1)		10,217,400	49,285,703
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		9,241,505	9,595,267
57	Prepayments (165)		73,834,090	43,192,286
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		22,658	0
60	Rents Receivable (172)		1,053,617	667,422
61	Accrued Utility Revenues (173)		167,816,815	231,303,498
62	Miscellaneous Current and Accrued Assets (174)		2,102,338	2,026,547
63	Derivative Instrument Assets (175)		126,043,945	132,113,306
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		77,616,234	80,689,048
65	Derivative Instrument Assets - Hedges (176)		293,332	92,979
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		928,732,901	1,083,744,887
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		24,707,743	25,215,264
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	2,265,743,434	2,246,221,301
73	Prelim. Survey and Investigation Charges (Electric) (183)		3,863,221	3,908,975
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		328,090	0
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	87,831,914	61,149,846
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		18,579,905	18,976,877
82	Accumulated Deferred Income Taxes (190)	234	661,960,800	684,518,110
83	Unrecovered Purchased Gas Costs (191)		10,943,440	16,023,974
84	Total Deferred Debits (lines 69 through 83)		3,073,958,547	3,056,014,347
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		14,415,387,648	14,296,104,988

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	05/25/2012	end of 2012/Q1

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	10,000	10,000
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		2,466,391,435	2,366,391,435
7	Other Paid-In Capital (208-211)	253	0	0
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	1,394,283,329	1,375,302,423
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	-2,597,952	-2,575,677
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-1,922,904	-14,352,147
16	Total Proprietary Capital (lines 2 through 15)		3,856,163,908	3,724,776,034
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	3,346,900,000	3,346,900,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	7,537	7,537
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		7,758,241	8,010,098
24	Total Long-Term Debt (lines 18 through 23)		3,339,149,296	3,338,897,439
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		3,783,075	3,783,075
29	Accumulated Provision for Pensions and Benefits (228.3)		305,155,403	382,499,000
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		81,421,834	69,746,223
32	Long-Term Portion of Derivative Instrument Liabilities		183,476,397	184,190,470
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		1,591,275,071	1,581,896,392
35	Total Other Noncurrent Liabilities (lines 26 through 34)		2,165,111,780	2,222,115,160
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		28,000,000	26,000,000
38	Accounts Payable (232)		381,437,581	349,356,589
39	Notes Payable to Associated Companies (233)		42,740,000	66,740,000
40	Accounts Payable to Associated Companies (234)		46,648,827	47,550,534
41	Customer Deposits (235)		4,418,863	4,546,835
42	Taxes Accrued (236)	262-263	195,346,282	165,321,438
43	Interest Accrued (237)		40,167,142	68,361,544
44	Dividends Declared (238)		58,027,320	58,054,127
45	Matured Long-Term Debt (239)		0	0

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	05/25/2012	end of 2012/Q1

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		10,902,935	15,774,606
48	Miscellaneous Current and Accrued Liabilities (242)		17,960,937	17,867,098
49	Obligations Under Capital Leases-Current (243)		0	0
50	Derivative Instrument Liabilities (244)		210,599,618	221,851,885
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		183,476,397	184,190,470
52	Derivative Instrument Liabilities - Hedges (245)		7,511,378	28,119,290
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		860,284,486	885,353,476
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		3,251,979	3,128,142
57	Accumulated Deferred Investment Tax Credits (255)	266-267	31,395,810	31,743,304
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	243,563,286	226,808,263
60	Other Regulatory Liabilities (254)	278	1,489,015,825	1,506,232,595
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	33,791,787	32,705,819
63	Accum. Deferred Income Taxes-Other Property (282)		2,238,473,285	2,173,415,978
64	Accum. Deferred Income Taxes-Other (283)		155,186,206	150,928,778
65	Total Deferred Credits (lines 56 through 64)		4,194,678,178	4,124,962,879
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		14,415,387,648	14,296,104,988

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	05/25/2012	End of 2012/Q1

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Northern States Power Company (Minnesota)	(1) X An Original (2) _ A Resubmission	05/25/2012	2012/Q1

NOTES TO FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies

The significant accounting policies set forth in Note 1 to the financial statements in the Northern States Power Company, a Minnesota corporation (NSP-Minnesota) Annual Report on Federal Energy Regulatory Commission (FERC) Form 1 for the year ended Dec. 31, 2011, appropriately represent, in all material respects, the current status of accounting policies and are incorporated herein by reference.

Business — NSP-Minnesota is principally engaged in the generation, purchase, transmission, distribution and sale of electricity and in the purchase, transportation, distribution and sale of natural gas. NSP-Minnesota is subject to regulation by the FERC and state utility commissions.

Basis of Accounting — The accompanying financial statements were prepared in accordance with the accounting requirements of the FERC as set forth in the Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP:

- Current maturities of long-term debt are included as long-term debt, while GAAP requires such maturities to be classified as current liabilities.
- Accumulated deferred income taxes are shown as long-term assets and liabilities at their gross amounts in the FERC presentation, in contrast to the GAAP presentation as net current or long-term assets and liabilities.
- Regulatory assets and liabilities are classified as current and noncurrent for GAAP, while the FERC requires all regulatory assets and liabilities to be classified as noncurrent deferred debits and credits, respectively.
- Unrecognized tax benefits are recorded for temporary adjustments in accounts established for accumulated deferred income taxes in the FERC presentation, in contrast to its GAAP presentation as taxes accrued and noncurrent other liabilities.
- Future removal costs recovered through rates are classified as accumulated depreciation on the utility plant in the FERC presentation and as regulatory liabilities in the GAAP presentation.
- For certain capital projects where there is recovery of a return on construction work in progress (CWIP), certain amounts of Allowance for Funds Used During Construction (AFUDC) are not included in CWIP for GAAP, while for the FERC presentation AFUDC is recorded in CWIP and the benefit is deferred as a liability and amortized over the life of the property as a reduction of costs.
- Certain commodity trading purchases and sales transactions are presented gross as expense and revenue for the FERC presentation, however, the margin is reported net for GAAP presentation.
- Various expenses such as donations, lobbying, and other non-regulatory expenses are presented as other income deductions for the FERC presentation and reported as operating expenses for GAAP presentation.
- Income tax expense is shown as a component of operating expense in the FERC presentation, in contrast to its GAAP presentation as a below-the-line deduction from operating income.
- Wholly-owned subsidiaries are reported using the equity method of accounting in the FERC presentation, but are required to be consolidated for GAAP.

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NOTES TO FINANCIAL STATEMENTS (Continued)

If GAAP were followed, these financial statement line items would have values greater/(lesser) than those shown in accordance with the FERC accounting requirements of:

(Thousands of Dollars)		
Balance Sheet:		
Net utility plant	$	273,019
Current assets		146,922
Current liabilities		613,602
Other long-term assets		(2,176,503)
Long-term debt and other long-term liabilities		(2,370,162)
Statement of Income:		
Operating revenues	$	604
Operating expenses		(30,398)
Other income and deductions		(12,711)
Statement of Cash Flows:		
Cash provided by operating activities	$	(83)
Cash used in investing activities		102
Cash provided by financing activities		-

Subsequent Events — Management has evaluated the impact of events occurring after March 31, 2012 through April 30, 2012, the date NSP-Minnesota's GAAP financial statements were issued. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

2. Accounting Pronouncements

Recently Adopted

Fair Value Measurement — In May 2011, the Financial Accounting Standards Board (FASB) issued *Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (Accounting Standards Update (ASU) No. 2011-04)*, which provides clarifications regarding existing fair value measurement principles and disclosure requirements, and also specific new guidance for items such as measurement of instruments classified within stockholders' equity. These requirements were effective for interim and annual periods beginning after Dec. 15, 2011. NSP-Minnesota implemented the accounting and disclosure guidance effective Jan. 1, 2012, and the implementation did not have a material impact on its financial statements. For required fair value measurement disclosures, see Note 7.

Comprehensive Income — In June 2011, the FASB issued *Comprehensive Income (Topic 220) — Presentation of Comprehensive Income (ASU No. 2011-05)*, which requires the presentation of the components of net income, the components of other comprehensive income (OCI) and total comprehensive income in either a single continuous financial statement of comprehensive income or in two separate, but consecutive financial statements of net income and comprehensive income. These updates do not affect the items reported in OCI or the guidance for reclassifying such items to net income. These requirements were effective for interim and annual periods beginning after Dec. 15, 2011. NSP-Minnesota implemented the financial statement presentation guidance effective Jan. 1, 2012.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Recently Issued

Balance Sheet Offsetting — In December 2011, the FASB issued *Balance Sheet (Topic 210) — Disclosures about Offsetting Assets and Liabilities (ASU No. 2011-11)*, which requires disclosures regarding netting arrangements in agreements underlying derivatives, certain financial instruments and related collateral amounts, and the extent to which an entity's financial statement presentation policies related to netting arrangements impact amounts recorded to the financial statements. These disclosure requirements do not affect the presentation of amounts in the balance sheets, and are effective for annual reporting periods beginning on or after Jan. 1, 2013, and interim periods within those periods. NSP-Minnesota does not expect the implementation of this disclosure guidance to have a material impact on its financial statements.

3. Income Taxes

Except to the extent noted below, the circumstances set forth in Note 6 to the financial statements included in the NSP-Minnesota Annual Report on FERC Form 1 for the year ended Dec. 31, 2011 appropriately represent, in all material respects, the current status of other income tax matters, and are incorporated herein by reference.

Federal Audit — NSP-Minnesota is a member of the Xcel Energy affiliated group that files a consolidated federal income tax return. The statute of limitations applicable to Xcel Energy's 2007 federal income tax return expired in September 2011. The statute of limitations applicable to Xcel Energy's 2008 federal income tax return expires in September 2012.

State Audits — NSP-Minnesota is a member of the Xcel Energy affiliated group that files consolidated state income tax returns. As of March 31, 2012, NSP-Minnesota's earliest open tax year that is subject to examination by state taxing authorities under applicable statutes of limitations is 2007. As of March 31, 2012, there were no state income tax audits in progress.

Unrecognized Tax Benefits — The unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual effective tax rate (ETR). In addition, the unrecognized tax benefit balance includes temporary tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the ETR but would accelerate the payment of cash to the taxing authority to an earlier period.

A reconciliation of the amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	March 31, 2012	Dec. 31, 2011
Unrecognized tax benefit — Permanent tax positions	$ 3.3	$ 3.3
Unrecognized tax benefit — Temporary tax positions	13.2	13.4
Unrecognized tax benefit balance	$ 16.5	$ 16.7

The unrecognized tax benefit balance was reduced by the tax benefits associated with net operating loss (NOL) and tax credit carryforwards. The amounts of tax benefits associated with NOL and tax credit carryforwards are as follows:

(Millions of Dollars)	March 31, 2012	Dec. 31, 2011
NOL and tax credit carryforwards	$ (17.2)	$ (18.1)

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NOTES TO FINANCIAL STATEMENTS (Continued)

NSP-Minnesota's amount of unrecognized tax benefits could change in the next 12 months as the Internal Revenue Service and state audits resume. At this time, due to the uncertain nature of the audit process, it is not reasonably possible to estimate an overall range of possible change.

The payable for interest related to unrecognized tax benefits is partially offset by the interest benefit associated with NOL and tax credit carryforwards. The receivable and payable for interest related to unrecognized tax benefits at March 31, 2012 and Dec. 31, 2011, respectively, were not material. No amounts were accrued for penalties related to unrecognized tax benefits as of March 31, 2012 or Dec. 31, 2011.

Federal Tax Loss Carryback Claims — NSP-Minnesota completed an analysis in the first quarter of 2012 on the eligibility of certain expenses that qualified for an extended carryback beyond the typical two-year carryback period. As a result of a higher tax rate in prior years, NSP-Minnesota recognized a discrete tax benefit of approximately $15 million.

4. Rate Matters

Except to the extent noted below, the circumstances set forth in Note 9 to the financial statements included in the NSP-Minnesota Annual Report on FERC Form 1 for the year ended Dec. 31, 2011 appropriately represent, in all material respects, the current status of other rate matters, and are incorporated herein by reference.

Pending and Recently Concluded Regulatory Proceedings — Minnesota Public Utilities Commission (MPUC)

Minnesota Electric Rate Case — In November 2010, NSP-Minnesota filed a request with the MPUC to increase electric rates in Minnesota for 2011 by approximately $150 million, or an increase of 5.62 percent, and an additional increase of $48.3 million, or 1.81 percent, in 2012. The rate filing was based on a 2011 forecast test year, a requested return on equity (ROE) of 11.25 percent, an electric rate base of $5.6 billion and an equity ratio of 52.56 percent. The MPUC approved an interim rate increase of $123 million, subject to refund, effective Jan. 2, 2011. In August 2011, NSP-Minnesota submitted supplemental testimony, revising its requested rate increase to approximately $122 million for 2011 and an additional increase of approximately $29 million in 2012.

In November 2011, NSP-Minnesota reached a settlement agreement with various parties, which resolved all financial issues and several rate design issues. The settlement agreement includes:

- A rate increase of approximately $58 million in 2011 and an incremental rate increase of $14.8 million in 2012 based on an ROE of 10.37 percent and an equity ratio of 52.56 percent.
- A reduction to depreciation expense and NSP-Minnesota's rate request by $30 million.
- The ability for NSP-Minnesota to seek deferred accounting for incremental property tax increases associated with electric and natural gas businesses in 2012.
- The stipulation that NSP-Minnesota will not file an electric rate case prior to Nov. 1, 2012, provided that both the settlement agreement and the property tax filing are approved by the MPUC.

In February 2012, NSP-Minnesota filed to reduce the interim rate request to $72.8 million to align with the settlement agreement. On March 29, 2012, the MPUC approved the settlement and a written order is pending. As of March 31, 2012 and Dec. 31, 2011, NSP-Minnesota recorded a provision for revenue subject to refund of approximately $78 million and $67 million, respectively, to align with the settlement agreement.

Name of Respondent Northern States Power Company (Minnesota)	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) 05/25/2012	Year/Period of Report 2012/Q1

NOTES TO FINANCIAL STATEMENTS (Continued)

Minnesota Property Tax Deferral Request — As part of the settlement agreement in the Minnesota electric rate case, the settling parties acknowledged that NSP-Minnesota would be filing a petition seeking deferred accounting for 2012 property tax expense in excess of the level approved in the rate case. The settling parties waived any right to object to the petition, but reserved the right to review and comment on the petition. In December 2011, NSP-Minnesota filed the petition to request deferral of approximately $28 million of incremental 2012 property taxes that will not be recovered in base rates. The estimate of 2012 incremental property taxes has been subsequently revised to approximately $24 million.

In April 2012, the Minnesota Department of Commerce (DOC) filed comments on the petition. The DOC concluded that NSP-Minnesota had not made a reasonable case for deferred accounting and recommended that the MPUC deny NSP-Minnesota's request to defer incremental 2012 property taxes and also opposed the proposed rider mechanism. The Xcel Large Industrials and the Minnesota Chamber of Commerce filed comments in support of the deferred accounting treatment as preferable to a rider mechanism, with the understanding that all costs will be reviewed in NSP-Minnesota's next rate case. Until the MPUC rules on the issue, NSP-Minnesota will continue to expense the incremental property taxes. An MPUC decision is expected in the second quarter of 2012.

Recently Concluded Regulatory Proceedings — North Dakota Public Service Commission (NDPSC)

North Dakota Electric Rate Case — In December 2010, NSP-Minnesota filed a request with the NDPSC to increase 2011 electric rates in North Dakota by approximately $19.8 million, or an increase of 12 percent, and a step increase of $4.2 million, or 2.6 percent, in 2012. The rate filing was based on a 2011 forecast test year and included a requested ROE of 11.25 percent, an electric rate base of approximately $328 million and an equity ratio of 52.56 percent. The NDPSC approved an interim rate increase of approximately $17.4 million, subject to refund, effective Feb. 18, 2011.

In May 2011, NSP-Minnesota revised its rate request to approximately $18.0 million, or an increase of 11 percent, for 2011 and $2.4 million, or 1.4 percent, for the additional step increase in 2012.

In September 2011, NSP-Minnesota reached a settlement with the NDPSC Advocacy Staff, which provided for a rate increase of $13.7 million in 2011 and an additional step increase of $2.0 million in 2012, based on a 10.4 percent ROE and black box settlement for all other issues. To address 2012 sales coming in below forecast revenue projections, the settlement includes a true-up to 2012 non-fuel revenues plus the settlement rate increase. In February 2012, the NDPSC approved the settlement agreement.

Pending Regulatory Proceedings — South Dakota Public Utilities Commission (SDPUC)

South Dakota Electric Rate Case — In June 2011, NSP-Minnesota filed a request with the SDPUC to increase South Dakota electric rates by $14.6 million annually, effective in 2012. The proposed increase included $0.7 million in revenues currently recovered through automatic recovery mechanisms. The request is based on a 2010 historic test year adjusted for known and measurable changes, a requested ROE of 11 percent, a rate base of $323.4 million and an equity ratio of 52.48 percent. NSP-Minnesota also requested approval of a nuclear cost recovery rider to recover the actual investment cost of the Monticello nuclear plant life cycle management and extended power uprate project that is not reflected in the test year. On Jan. 2, 2012, interim rates of $12.7 million were implemented.

In April 2012, the SDPUC Staff filed their direct testimony, which recommended an ROE of approximately 9 percent (ranging from 8.5 percent to 9.5 percent) and a lower cost of debt than the request (6.02 percent compared to the original request of 6.13 percent). The Staff also recommended disallowance of the Nobles wind project costs unless the SDPUC determines there is energy value in which case the Staff's recommendation would be to disallow a portion of the costs. NSP-Minnesota's rebuttal testimony is due by April 27, 2012 and a final SDPUC decision is expected in the summer of 2012.

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NOTES TO FINANCIAL STATEMENTS (Continued)

5. Commitments and Contingencies

Except as noted below and in Note 4 to the financial statements in this Quarterly Report on FERC Form 3, the circumstances set forth in Notes 9, 10 and 11 to the financial statements in the NSP-Minnesota Annual Report on FERC Form 1 for the year ended Dec. 31, 2011, appropriately represent, in all material respects, the current status of commitments and contingent liabilities, including those regarding public liability for claims resulting from any nuclear incident and are incorporated herein by reference. The following include commitments, contingencies and unresolved contingencies that are material to NSP-Minnesota's financial position.

Guarantees and Indemnifications

In connection with the acquisition of the 201 megawatts (MW) Nobles wind project in 2011, NSP-Minnesota agreed to indemnify the seller for losses arising out of a breach of certain representations and warranties. NSP-Minnesota's indemnification obligation is capped at $20 million, in the aggregate. The indemnification obligation expires in March 2013. NSP-Minnesota has not recorded a liability related to this indemnity and it has no assets held as collateral related to this agreement at March 31, 2012.

Environmental Contingencies

Other Environmental Requirements

Greenhouse Gas (GHG) New Source Performance Standard Proposal (NSPS) and Emission Guideline for Existing Sources — The U.S. Environmental Protection Agency (EPA) plans to propose GHG regulations applicable to emissions from new and existing power plants under the Clean Air Act (CAA). In April 2012, the EPA proposed a GHG NSPS for newly constructed power plants. The proposal requires that carbon dioxide (CO_2) emission rates be equal to those achieved by a natural gas combined cycle plant, even if the plant is coal-fired. The EPA also proposed that NSPS not apply to modified or reconstructed existing power plants and noted that, pursuant to its general NSPS regulations, installation of control equipment on existing plants would not constitute a "modification" to those plants under the NSPS program. It is not possible to evaluate the impact of this regulation until its final requirements are known. It is not known when the EPA will propose standards for existing sources.

Cross-State Air Pollution Rule (CSAPR) — In July 2011, the EPA issued its CSAPR to address long range transport of particulate matter and ozone by requiring reductions in sulfur dioxide (SO_2) and nitrogen oxide (NOx) from utilities located in the eastern half of the United States, including Minnesota. The CSAPR sets more stringent requirements than the proposed Clean Air Transport Rule. The rule also creates an emissions trading program.

On Dec. 30, 2011, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) issued a stay of the CSAPR, pending completion of judicial review. Oral arguments in the case were held in April 2012 and it is anticipated the D.C. Circuit will rule on the challenges to the CSAPR in the second half of 2012. It is not known at this time whether the CSAPR will be upheld, reversed or will require modifications pursuant to a future D.C. Circuit decision.

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NOTES TO FINANCIAL STATEMENTS (Continued)

If the CSAPR is upheld and unmodified, NSP-Minnesota would likely utilize a combination of emissions reductions through upgrades to its existing SO_2 control technology at NSP-Minnesota's Sherco plant, which is estimated to cost a total of $10 million through 2014, and system operating changes to the Black Dog and the Sherco plants. If available, NSP-Minnesota would also consider allowance purchases. In addition, NSP-Minnesota has filed a petition for reconsideration with the EPA and a petition for review of the CSAPR with the D.C. Circuit seeking the allocation of additional emission allowances to NSP-Minnesota. NSP-Minnesota contends that the EPA's method of allocating allowances arbitrarily resulted in fewer allowances for its Riverside and High Bridge plants than should have been awarded to reflect their operations during the baseline period, which included coal-fired operations prior to their conversion to natural gas. On April 23, 2012, NSP-Minnesota appealed to the D.C. Circuit on a final rule that the EPA issued that made changes to certain allowance allocations under CSAPR, seeking to secure additional allocations for its Riverside and High Bridge plants. If successful, additional allowances would reduce NSP-Minnesota's costs to comply with the CSAPR.

Electric Generating Unit (EGU) Mercury and Air Toxics Standards (MATS) Rule — The final EGU MATS rule became effective April 2012. The EGU MATS rule sets emission limits for acid gases, mercury and other hazardous air pollutants and requires coal-fired utility facilities greater than 25 MW to demonstrate compliance within three to four years of the effective date. NSP-Minnesota believes these costs will be recoverable through regulatory mechanisms and does not expect a material impact on results of operations, financial position or cash flows.

Regional Haze Rules — In 2005, the EPA finalized amendments to its regional haze rules regarding provisions that require the installation and operation of emission controls, known as best available retrofit technology (BART), for industrial facilities emitting air pollutants that reduce visibility in certain national parks and wilderness areas throughout the United States. NSP-Minnesota generating facilities will be subject to BART requirements. Individual states are required to identify the facilities located in their states that will have to reduce SO_2, NOx and particulate matter emissions under BART and then set emissions limits for those facilities.

In December 2009, the Minnesota Pollution Control Agency (MPCA) approved the Regional Haze state implementation plan (SIP), which has been submitted to the EPA for approval. The MPCA selected the BART controls for Sherco Units 1 and 2 to improve visibility in the national parks. The MPCA concluded Selective Catalytic Reduction (SCR) should not be required because the minor visibility benefits derived from SCRs do not outweigh the substantial costs. The MPCA's BART controls for Sherco Units 1 and 2 consist of combustion controls for NOx and scrubber upgrades for SO_2. The combustion controls have been installed on Sherco Units 1 and 2, and the scrubber upgrades are scheduled to be installed by 2015. At this time, the estimated cost for meeting the BART and other CAA requirements is approximately $50 million, of which $20 million has already been spent on projects to reduce NOx emissions on Sherco Units 1 and 2. NSP-Minnesota anticipates that all costs associated with BART compliance will be fully recoverable.

In June 2011, the EPA provided comments to the MPCA on the SIP, stating that the EPA's preliminary review indicates that SCR controls should be added to Sherco Units 1 and 2. The MPCA has since proposed that the CSAPR should be considered BART for EGUs and the EPA has proposed that states be allowed to find that CSAPR compliance meets BART requirements for EGUs, and specifically that Minnesota's proposal to find the CSAPR to meet BART requirements should be approved, if finalized by the state.

On April 24, 2012, the MPCA approved a supplement to the 2009 Regional Haze SIP finding that CSAPR meets BART for EGUs in Minnesota. The supplement also made a source-specific BART determination for Sherco Units 1 and 2 that requires installation of the combustion controls for NOx and scrubber upgrades for SO_2 by January 2015. This SIP supplement will be forwarded to the EPA for approval, and it is anticipated that the EPA will make a decision in May 2012.

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In addition to the Regional Haze rules identified in the EPA's visibility program, and addressed in the MPCA's SIP discussed above, there are other visibility rules related to a program called the Reasonably Attributable Visibility Impairment (RAVI) program. In October 2009, the U.S. Department of the Interior certified that a portion of the visibility impairment in Voyageurs and Isle Royale National Parks is reasonably attributable to emissions from NSP-Minnesota's Sherco Units 1 and 2. The EPA is required to make its own determination as to whether Sherco Units 1 and 2 cause or contribute to RAVI and, if so, whether the level of controls required by the MPCA is appropriate. The EPA plans to issue a separate notice on the issue of BART for Sherco Units 1 and 2 under the RAVI program. It is not yet known when the EPA will publish a proposal under RAVI, or what that proposal will entail.

Legal Contingencies

Lawsuits and claims arise in the normal course of business. Management, after consultation with legal counsel, has recorded an estimate of the probable cost of settlement or other disposition. The ultimate outcome of these matters cannot presently be determined. Accordingly, the ultimate resolution of these matters could have a material effect on NSP-Minnesota's financial position, results of operations, and cash flows.

Environmental Litigation

Native Village of Kivalina vs. Xcel Energy Inc. et al. — In February 2008, the City and Native Village of Kivalina, Alaska, filed a lawsuit in U.S. District Court for the Northern District of California against Xcel Energy Inc., the parent company of NSP-Minnesota, and 23 other utility, oil, gas and coal companies. Plaintiffs claim that defendants' emission of CO_2 and other GHGs contribute to global warming, which is harming their village. Xcel Energy Inc. believes the claims asserted in this lawsuit are without merit and joined with other utility defendants in filing a motion to dismiss in June 2008. In October 2009, the U.S. District Court dismissed the lawsuit on constitutional grounds. In November 2009, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. In November 2011, oral arguments were presented. It is unknown when the Ninth Circuit will render a final opinion. The amount of damages claimed by plaintiffs is unknown, but likely includes the cost of relocating the village of Kivalina. Plaintiffs' alleged relocation is estimated to cost between $95 million to $400 million. While Xcel Energy Inc. believes the likelihood of loss is remote, given the nature of this case and any surrounding uncertainty, it could potentially have a material impact on NSP-Minnesota's results of operations, cash flows or financial position. No accrual has been recorded for this matter.

Comer vs. Xcel Energy Inc. et al. — In May 2011, less than a year after their initial lawsuit was dismissed, plaintiffs in this purported class action lawsuit filed a second lawsuit against more than 85 utility, oil, chemical and coal companies in U.S. District Court in Mississippi. The complaint alleges defendants' CO_2 emissions intensified the strength of Hurricane Katrina and increased the damage plaintiffs purportedly sustained to their property. Plaintiffs base their claims on public and private nuisance, trespass and negligence. Among the defendants named in the complaint are Xcel Energy Inc., SPS, PSCo, NSP-Wisconsin and NSP-Minnesota. The amount of damages claimed by plaintiffs is unknown. The defendants, including Xcel Energy Inc., believe this lawsuit is without merit and filed a motion to dismiss the lawsuit. On March 20, 2012, the U.S. District Court granted this motion for dismissal. In April 2012, plaintiffs appealed this decision to the U.S. Court of Appeals for the Fifth Circuit. While Xcel Energy Inc. believes the likelihood of loss is remote, given the nature of this case and any surrounding uncertainty, it could potentially have a material impact on NSP-Minnesota's results of operations, cash flows or financial position. No accrual has been recorded for this matter.

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Employment, Tort and Commercial Litigation

Merricourt Wind Project Litigation — In April 2011, NSP-Minnesota terminated its agreements with enXco Development Corporation (enXco) for the development of a 150 MW wind project in southeastern North Dakota. NSP-Minnesota's decision to terminate the agreements was based in large part on the adverse impact this project could have on endangered or threatened species protected by federal law and the uncertainty in cost and timing in mitigating this impact. NSP-Minnesota also terminated the agreements due to enXco's nonperformance of certain other conditions, including failure to obtain a Certificate of Site Compatibility and the failure to close on the contracts by an agreed upon date of March 31, 2011. As a result, NSP-Minnesota recorded a $101 million deposit in the first quarter of 2011, which was collected in April 2011. In May 2011, NSP-Minnesota filed a declaratory judgment action in U.S. District Court in Minnesota to obtain a determination that it acted properly in terminating the agreements and enXco also filed a separate lawsuit in the same court seeking, among other things, in excess of $240 million for an alleged breach of contract. NSP-Minnesota believes enXco's lawsuit is without merit and has filed a motion to dismiss. In September 2011, the U.S. District Court denied the motion to dismiss. The trial is set to begin in late 2012 or early 2013. While NSP-Minnesota believes the likelihood of loss is remote, given the nature of this case and any surrounding uncertainty, it could potentially have a material impact on NSP-Minnesota's results of operations, cash flows or financial position. No accrual has been recorded for this matter.

6. Borrowings and Other Financing Instruments

Commercial Paper — NSP-Minnesota meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under its credit facility. The following table presents commercial paper outstanding for NSP-Minnesota:

(Amounts in Millions, Except Interest Rates)	Three Months Ended March 31, 2012	Twelve Months Ended Dec. 31, 2011
Borrowing limit	$ 500	$ 500
Amount outstanding at period end	28	26
Average amount outstanding	23	7
Maximum amount outstanding	72	80
Weighted average interest rate, computed on a daily basis	0.40 %	0.34 %
Weighted average interest rate at period end	0.41	0.45

Credit Facility — In order to use its commercial paper program to fulfill short-term funding needs, NSP-Minnesota must have a revolving credit facility in place at least equal to the amount of its commercial paper borrowing limit and cannot issue commercial paper in an amount exceeding available capacity under the credit agreement. The line of credit provides short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings.

At March 31, 2012, NSP-Minnesota had the following committed credit facility available (in millions of dollars):

Credit Facility	Drawn [(a)]	Available
$ 500.0	$ 35.7	$ 464.3

(a) Includes outstanding commercial paper and letters of credit.

All credit facility bank borrowings, outstanding letters of credit and outstanding commercial paper reduce the available capacity under the credit facility. NSP-Minnesota had no direct advances on the credit facility outstanding at March 31, 2012 and Dec. 31, 2011.

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Letters of Credit — NSP-Minnesota uses letters of credit, generally with terms of one-year, to provide financial guarantees for certain operating obligations. At March 31, 2012 and Dec. 31, 2011, there were $7.7 million of letters of credit outstanding under the credit facility. An additional $1.1 million of letters of credit not issued under the credit facility were outstanding at March 31, 2012 and Dec. 31, 2011, respectively. The contract amounts of these letters of credit approximate their fair value and are subject to fees determined in the marketplace.

Money Pool — Xcel Energy Inc. and its utility subsidiaries have established a money pool arrangement that allows for short-term investments in and borrowings between the utility subsidiaries. Xcel Energy Inc. may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in Xcel Energy Inc. The following table presents money pool borrowings for NSP-Minnesota:

(Amounts in Millions, Except Interest Rates)	Three Months Ended March 31, 2012	Twelve Months Ended Dec. 31, 2011
Borrowing limit	$ 250	$ 250
Amount outstanding at period end	41	65
Average amount outstanding	29	17
Maximum amount outstanding	80	80
Weighted average interest rate, computed on a daily basis	0.31 %	0.34 %
Weighted average interest rate at period end	0.33	0.35

7. Fair Value of Financial Assets and Liabilities

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires certain disclosures about assets and liabilities measured at fair value. A hierarchal framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance. The three levels in the hierarchy are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices.

Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, or priced with discounted cash flow or option pricing models using highly observable inputs.

Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those valued with models requiring significant management judgment or estimation.

Specific valuation methods include the following:

Cash equivalents — The fair values of cash equivalents are generally based on cost plus accrued interest; money market funds are measured using quoted net asset values.

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Investments in equity securities and other funds — Equity securities are valued using quoted prices in active markets. The fair values for commingled funds, international equity funds, private equity investments and real estate investments are measured using net asset values, which take into consideration the value of underlying fund investments, as well as the other accrued assets and liabilities of a fund, in order to determine a per share market value. The investments in commingled funds and international equity funds may be redeemed for net asset value. Private equity investments require approval of the fund for any unscheduled redemption, and such redemptions may be approved or denied by the fund at its sole discretion. Unscheduled distributions from real estate investments may be redeemed with proper notice; however, withdrawals from real estate investments may be delayed or discounted as a result of fund illiquidity. Based on NSP-Minnesota's evaluation of its ability to redeem private equity and real estate investments, fair value measurements for private equity and real estate investments have been assigned a Level 3.

Investments in debt securities — Fair values for debt securities are determined by a third party pricing service using recent trades and observable spreads from benchmark interest rates for similar securities, except for asset-backed and mortgage-backed securities, for which the third party service may also consider additional, more subjective inputs. Since the impact of the use of these less observable inputs can be significant to the valuation of asset-backed and mortgage-backed securities, fair value measurements for these instruments have been assigned a Level 3. Inputs that may be considered in the valuation of asset-backed and mortgage-backed securities in conjunction with pricing of similar securities in active markets include the use of risk-based discounting and estimated prepayments in a discounted cash flow model. When these additional inputs and models are utilized, increases in the risk-adjusted discount rates and decreases in the assumed principal prepayment rates each have the impact of reducing reported fair values for these instruments.

Interest rate derivatives — The fair value of interest rate derivatives are based on broker quotes utilizing market interest rate curves.

Commodity derivatives — The methods used to measure the fair value of commodity derivative forwards and options utilize forward prices and volatilities, as well as pricing adjustments for specific delivery locations, and are generally assigned a Level 2. When contractual settlements extend to periods beyond those readily observable on active exchanges or quoted by brokers, the significance of the use of less observable forecasts of long-term forward prices and volatilities on a valuation is evaluated, and may result in Level 3 classification.

Electric commodity derivatives held by NSP-Minnesota include financial transmission rights (FTRs) purchased from Midwest Independent Transmission System Operator, Inc. (MISO). FTRs purchased from MISO are financial instruments that entitle the holder to one year of monthly revenues or charges based on transmission congestion across a given transmission path. The value of an FTR is derived from, and designed to offset, the cost of that energy congestion, which is caused by overall transmission load and other transmission constraints. Congestion is also influenced by the operating schedules of power plants and the consumption of electricity pertinent to a given transmission path. Unplanned plant outages, scheduled plant maintenance, changes in the relative costs of fuels used in generation, weather and overall changes in demand for electricity can each impact the operating schedules of the power plants on the transmission grid and the value of an FTR. NSP-Minnesota's valuation process for FTRs utilizes complex iterative modeling to predict the impacts of forecasted changes in these drivers of transmission system congestion on the historical pricing of FTR purchases.

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If forecasted costs of electric transmission congestion increase or decrease for a given FTR path, the value of that particular FTR instrument will likewise increase or decrease. Given the limited observability of management's forecasts for several of the inputs to this complex valuation model – including expected plant operating schedules and retail and wholesale demand, fair value measurements for FTRs have been assigned a Level 3. Monthly FTR settlements are included in the fuel clause adjustment, and therefore changes in the fair value of the yet to be settled portions of FTRs are deferred as a regulatory asset or liability. Given this regulatory treatment and the limited magnitude of NSP-Minnesota's FTRs relative to its electric utility operations, the numerous unobservable quantitative inputs to the complex model used for valuation of FTRs are insignificant to the financial statements of NSP-Minnesota.

NSP-Minnesota continuously monitors the creditworthiness of the counterparties to its commodity derivative contracts and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Given this assessment, as well as an assessment of the impact of NSP-Minnesota's own credit risk when determining the fair value of commodity derivative liabilities, the impact of considering credit risk was immaterial to the fair value of commodity derivative assets and liabilities presented in the balance sheets.

Non-Derivative Instruments Fair Value Measurements

The Nuclear Regulatory Commission (NRC) requires NSP-Minnesota to maintain a portfolio of investments to fund the costs of decommissioning its nuclear generating plants. Together with all accumulated earnings or losses, the assets of the nuclear decommissioning fund are legally restricted for the purpose of decommissioning the Monticello and Prairie Island nuclear generating plants. The fund contains cash equivalents, debt securities, equity securities, and other investments — all classified as available-for-sale securities under the applicable accounting guidance. NSP-Minnesota plans to reinvest proceeds from matured securities until decommissioning begins.

NSP-Minnesota recognizes the costs of funding the decommissioning of its nuclear generating plants over the lives of the plants, assuming rate recovery of all costs. Given the purpose and legal restrictions on the use of nuclear decommissioning fund assets, realized and unrealized gains on fund investments over the life of the fund are deferred as an offset of NSP-Minnesota's regulatory asset for nuclear decommissioning costs. Consequently, any realized and unrealized gains and losses on securities in the nuclear decommissioning fund, including any other-than-temporary impairments, are deferred as a component of the regulatory asset for nuclear decommissioning.

Unrealized gains for the nuclear decommissioning fund were $117.1 million and $79.8 million at March 31, 2012 and Dec. 31, 2011, respectively, and unrealized losses and amounts recorded as other-than-temporary impairments were $65.7 million and $87.5 million at March 31, 2012 and Dec. 31, 2011, respectively.

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The following tables present the cost and fair value of NSP-Minnesota's non-derivative instruments with recurring fair value measurements in the nuclear decommissioning fund investments at March 31, 2012 and Dec. 31, 2011:

	March 31, 2012				
		Fair Value			
(Thousands of Dollars)	Cost	Level 1	Level 2	Level 3	Total
Nuclear decommissioning fund					
Cash equivalents	$ 12,383	$ 8,023	$ 4,360	$ -	$ 12,383
Commingled funds	374,523	-	371,078	-	371,078
International equity funds	65,712	-	67,183	-	67,183
Private equity investments	19,358	-	-	20,068	20,068
Real estate	26,265	-	-	27,905	27,905
Debt securities:					
Government securities	131,152	-	131,401	-	131,401
U.S. corporate bonds	156,602	-	163,851	-	163,851
International corporate bonds	25,187	-	26,351	-	26,351
Municipal bonds	53,895	-	56,862	-	56,862
Asset-backed securities	16,515	-	-	16,547	16,547
Mortgage-backed securities	65,803	-	-	68,671	68,671
Equity securities:					
Common stock	410,729	447,205	-	-	447,205
Total	$ 1,358,124	$ 455,228	$ 821,086	$ 133,191	$ 1,409,505

	Dec. 31, 2011				
		Fair Value			
(Thousands of Dollars)	Cost	Level 1	Level 2	Level 3	Total
Nuclear decommissioning fund					
Cash equivalents	$ 26,123	$ 7,103	$ 19,020	$ -	$ 26,123
Commingled funds	320,798	-	311,105	-	311,105
International equity funds	63,781	-	58,508	-	58,508
Private equity investments	9,203	-	-	9,203	9,203
Real estate	24,768	-	-	26,395	26,395
Debt securities:					
Government securities	116,490	-	117,256	-	117,256
U.S. corporate bonds	187,083	-	193,516	-	193,516
International corporate bonds	35,198	-	35,804	-	35,804
Municipal bonds	60,469	-	64,731	-	64,731
Asset-backed securities	16,516	-	-	16,501	16,501
Mortgage-backed securities	75,627	-	-	78,664	78,664
Equity securities:					
Common stock	408,122	398,625	-	-	398,625
Total	$ 1,344,178	$ 405,728	$ 799,940	$ 130,763	$ 1,336,431

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The following tables present the changes in Level 3 nuclear decommissioning fund investments for the three months ended March 31, 2012 and 2011:

(Thousands of Dollars)	Jan. 1, 2012	Purchases	Settlements	Gains (Losses) Recognized as Regulatory Assets and Liabilities	March 31, 2012
Asset-backed securities	$ 16,501	$ -	$ (1)	$ 47	$ 16,547
Mortgage-backed securities	78,664	6,904	(16,728)	(169)	68,671
Real estate	26,395	1,636	(1,766)	1,640	27,905
Private equity investments	9,203	10,155	-	710	20,068
Total	$ 130,763	$ 18,695	$ (18,495)	$ 2,228	$ 133,191

(Thousands of Dollars)	Jan. 1, 2011	Purchases	Settlements	Losses Recognized as Regulatory Assets	March 31, 2011
Asset-backed securities	$ 33,174	$ 756	$ (7,910)	$ -	$ 26,020
Mortgage-backed securities	72,589	46,113	(19,873)	(462)	98,367
Total	$ 105,763	$ 46,869	$ (27,783)	$ (462)	$ 124,387

The following table summarizes the final contractual maturity dates of the debt securities in the nuclear decommissioning fund, by asset class at March 31, 2012:

	Final Contractual Maturity				
(Thousands of Dollars)	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years	Total
Government securities	$ 113,004	$ 701	$ 17,696	$ -	$ 131,401
U.S. corporate bonds	-	37,556	112,103	14,192	163,851
Foreign securities	-	8,162	18,186	3	26,351
Municipal bonds	-	-	27,039	29,823	56,862
Asset-backed securities	-	13,269	3,278	-	16,547
Mortgage-backed securities	-	-	959	67,712	68,671
Debt securities	$ 113,004	$ 59,688	$ 179,261	$ 111,730	$ 463,683

Derivative Instruments Fair Value Measurements

NSP-Minnesota enters into derivative instruments, including forward contracts, futures, swaps and options, for trading purposes and to reduce risk in connection with changes in interest rates, utility commodity prices, vehicle fuel prices, as well as variances in forecasted weather.

Interest Rate Derivatives — NSP-Minnesota enters into various instruments that effectively fix the interest payments on certain floating rate debt obligations or effectively fix the yield or price on a specified benchmark interest rate for an anticipated debt issuance for a specific period. These derivative instruments are generally designated as cash flow hedges for accounting purposes.

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At March 31, 2012, accumulated OCI related to interest rate derivatives included $0.1 million of net gains expected to be reclassified into earnings during the next 12 months as the related hedged interest rate transactions impact earnings.

At March 31, 2012, NSP-Minnesota had unsettled interest rate swaps outstanding with a total notional amount of $225 million. These interest rate swaps were designated as hedges, and as such, changes in fair value are recorded to OCI.

Short-Term Wholesale and Commodity Trading Risk — NSP-Minnesota conducts various short-term wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy and energy-related products. NSP-Minnesota's risk management policy allows management to conduct these activities within guidelines and limitations as approved by its risk management committee, which is made up of management personnel not directly involved in the activities governed by the policy.

Commodity Derivatives — NSP-Minnesota enters into derivative instruments to manage variability of future cash flows from changes in commodity prices in its electric and natural gas operations, as well as for trading purposes. This could include the purchase or sale of energy or energy-related products, natural gas to generate electric energy, gas for resale, and vehicle fuel.

At March 31, 2012, NSP-Minnesota had vehicle fuel contracts designated as cash flow hedges extending through December 2014. NSP-Minnesota also enters into derivative instruments that mitigate commodity price risk on behalf of electric and natural gas customers but are not designated as qualifying hedging transactions. Changes in the fair value of non-trading commodity derivative instruments are recorded in OCI or deferred as a regulatory asset or liability. The classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms. NSP-Minnesota recorded immaterial amounts to income related to the ineffectiveness of cash flow hedges for the three months ended March 31, 2012 and 2011.

At March 31, 2012, accumulated OCI related to commodity derivative cash flow hedges included $0.1 million of net gains expected to be reclassified into earnings during the next 12 months as the hedged transactions occur.

Additionally, NSP-Minnesota enters into commodity derivative instruments for trading purposes not directly related to commodity price risks associated with serving its electric and natural gas customers. Changes in the fair value of these commodity derivatives are recorded in electric operating revenue, net of amounts credited to customers under margin-sharing mechanisms.

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The following table details the gross notional amounts of commodity forwards, options, and FTRs at March 31, 2012 and Dec. 31, 2011:

(Amounts in Thousands) [(a)(b)]	March 31, 2012	Dec. 31, 2011
Megawatt hours (MWh) of electricity	22,332	37,522
MMBtu of natural gas	-	7,290
Gallons of vehicle fuel	303	330

(a) Amounts are not reflective of net positions in the underlying commodities.
(b) Notional amounts for options are also included on a gross basis, but are weighted for the probability of exercise.

The following tables detail the impact of derivative activity during the three months ended March 31, 2012 and 2011, on OCI, regulatory assets and liabilities, and income:

	Three Months Ended March 31, 2012				
	Fair Value Changes Recognized During the Period in:		Pre-Tax Amounts Reclassified into Income During the Period from:		
(Thousands of Dollars)	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	Pre-Tax Gains Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ 20,787	$ -	$ (27) [(a)]	$ -	$ -
Vehicle fuel and other commodity	103	-	(28) [(e)]	-	-
Total	$ 20,890	$ -	$ (55)	$ -	$ -
Other derivative instruments					
Trading commodity	$ -	$ -	$ -	$ -	$ 1,723 [(b)]
Electric commodity	-	1,582	-	(7,972) [(c)]	-
Natural gas commodity	-	(2,660)	-	16,158 [(d)]	-
Total	$ -	$ (1,078)	$ -	$ 8,186	$ 1,723

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	Three Months Ended March 31, 2011				
	Fair Value Changes Recognized During the Period in:		Pre-Tax Amounts Reclassified into Income During the Period from:		
(Thousands of Dollars)	Accumulated Other Comprehensive Income	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Income	Regulatory Assets and (Liabilities)	Pre-Tax Gains Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ -	$ -	$ (27) (a)	$ -	$ -
Vehicle fuel and other commodity	213	-	(22) (e)	-	-
Total	$ 213	$ -	$ (49)	$ -	$ -
Other derivative instruments					
Trading commodity	$ -	$ -	$ -	$ -	$ 5,355 (b)
Electric commodity	-	8,846	-	(8,888) (c)	-
Natural gas commodity	-	(2,018)	-	10,928 (d)	-
Total	$ -	$ 6,828	$ -	$ 2,040	$ 5,355

(a) Recorded to interest charges.
(b) Recorded to electric operating revenues. Portions of these gains and losses are shared with electric customers through margin-sharing mechanisms and deducted from gross revenue, as appropriate.
(c) Recorded to electric fuel and purchased power; these derivative settlement gains and losses are shared with electric customers through fuel and purchased energy cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.
(d) Recorded to cost of natural gas sold and transported; these derivative settlement gains and losses are shared with natural gas customers through purchased natural gas cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.
(e) Recorded to operating expenses.

NSP-Minnesota had no derivative instruments designated as fair value hedges during the three months ended March 31, 2012 and 2011. Therefore, no gains or losses from fair value hedges or related hedged transactions were recognized for these periods.

Credit Related Contingent Features — Contract provisions of the derivative instruments that NSP-Minnesota enters into may require the posting of collateral or settlement of the contracts for various reasons, including if NSP-Minnesota is unable to maintain its credit ratings. If the credit ratings for NSP-Minnesota were downgraded below investment grade, contracts underlying $4.6 million and $1.4 million of derivative instruments in a gross liability position at March 31, 2012 and Dec. 31, 2011, respectively, would have required NSP-Minnesota to post collateral or settle applicable contracts, which would have resulted in payments to counterparties of $0.8 million and $0.1 million, respectively. At March 31, 2012 and Dec. 31, 2011, there was no collateral posted on these specific contracts.

Certain of NSP-Minnesota's derivative instruments are also subject to contract provisions that contain adequate assurance clauses. These provisions allow counterparties to seek performance assurance, including cash collateral, in the event that NSP-Minnesota's ability to fulfill its contractual obligations is reasonably expected to be impaired. NSP-Minnesota had no collateral posted related to adequate assurance clauses in derivative contracts as of March 31, 2012 and Dec. 31, 2011.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Recurring Fair Value Measurements — The following table presents, for each of the hierarchy levels, NSP-Minnesota's derivative assets and liabilities that are measured at fair value on a recurring basis at March 31, 2012:

	March 31, 2012					
	Fair Value					
(Thousands of Dollars)	**Level 1**	**Level 2**	**Level 3**	**Fair Value Total**	**Counterparty Netting [b]**	**Total**
Current derivative assets						
Derivatives designated as cash flow hedges:						
Interest rate	$ -	$ 179	$ -	$ 179	$ -	$ 179
Vehicle fuel and other commodity	-	114	-	114	-	114
Other derivative instruments:						
Trading commodity	-	32,363	-	32,363	(12,373)	19,990
Electric commodity	-	-	5,898	5,898	(570)	5,328
Total current derivative assets	$ -	$ 32,656	$ 5,898	$ 38,554	$ (12,943)	25,611
Purchased power agreements [a]						23,110
Current derivative instruments						$ 48,721
Noncurrent derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 115	$ -	$ 115	$ (115)	$ -
Other derivative instruments:						
Trading commodity	-	31,459	-	31,459	(2,681)	28,778
Total noncurrent derivative assets	$ -	$ 31,574	$ -	$ 31,574	$ (2,796)	28,778
Purchased power agreements [a]						48,838
Noncurrent derivative instruments						$ 77,616
Current derivative liabilities						
Derivatives designated as cash flow hedges:						
Interest rate	$ -	$ 7,511	$ -	$ 7,511	$ -	$ 7,511
Other derivative instruments:						
Trading commodity	-	27,481	4	27,485	(14,213)	13,272
Electric commodity	-	-	570	570	(570)	-
Total current derivative liabilities	$ -	$ 34,992	$ 574	$ 35,566	$ (14,783)	20,783
Purchased power agreements [a]						13,852
Current derivative instruments						$ 34,635
Noncurrent derivative liabilities						
Other derivative instruments:						
Trading commodity	$ -	$ 16,716	$ -	$ 16,716	$ (2,797)	$ 13,919
Total noncurrent derivative liabilities	$ -	$ 16,716	$ -	$ 16,716	$ (2,797)	13,919
Purchased power agreements [a]						169,557
Noncurrent derivative instruments						$ 183,476

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NOTES TO FINANCIAL STATEMENTS (Continued)

(a) In 2003, as a result of implementing new guidance on the normal purchase exception for derivative accounting, NSP-Minnesota began recording several long-term purchased power agreements at fair value due to accounting requirements related to underlying price adjustments. As these purchases are recovered through normal regulatory recovery mechanisms in the respective jurisdictions, the changes in fair value for these contracts were offset by regulatory assets and liabilities. During 2006, NSP-Minnesota qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) The accounting guidance for derivatives and hedging permits the netting of receivables and payables for derivatives and related collateral amounts when a legally enforceable master netting agreement exists between NSP-Minnesota and a counterparty. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract.

The following tables present, for each of the hierarchy levels, NSP-Minnesota's derivative assets and liabilities that are measured at fair value on a recurring basis at Dec. 31, 2011:

	Dec. 31, 2011					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Current derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 93	$ -	$ 93	$ -	$ 93
Other derivative instruments:						
Trading commodity	-	26,133	-	26,133	(9,679)	16,454
Electric commodity	-	-	13,333	13,333	(1,471)	11,862
Total current derivative assets	$ -	$ 26,226	$ 13,333	$ 39,559	$ (11,150)	28,409
Purchased power agreements [a]						23,108
Current derivative instruments						$ 51,517
Noncurrent derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 59	$ -	$ 59	$ (59)	$ -
Other derivative instruments:						
Trading commodity	-	28,307	-	28,307	(2,234)	26,073
Total noncurrent derivative assets	$ -	$ 28,366	$ -	$ 28,366	$ (2,293)	26,073
Purchased power agreements [a]						54,616
Noncurrent derivative instruments						$ 80,689
Current derivative liabilities						
Derivatives designated as cash flow hedges:						
Interest rate	$ -	$ 28,119	$ -	$ 28,119	$ -	$ 28,119
Other derivative instruments:						
Trading commodity	-	21,816	-	21,816	(11,647)	10,169
Electric commodity	-	698	916	1,614	(1,471)	143
Natural gas commodity	-	13,499	-	13,499	-	13,499
Total current derivative liabilities	$ -	$ 64,132	$ 916	$ 65,048	$ (13,118)	51,930
Purchased power agreements [a]						13,851
Current derivative instruments						$ 65,781

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NOTES TO FINANCIAL STATEMENTS (Continued)

	Dec. 31, 2011					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Noncurrent derivative liabilities						
Other derivative instruments:						
Trading commodity	$ -	$ 13,464	$ -	$ 13,464	$ (2,293)	$ 11,171
Total noncurrent derivative liabilities	$ -	$ 13,464	$ -	$ 13,464	$ (2,293)	11,171
Purchased power agreements [a]						173,019
Noncurrent derivative instruments						$ 184,190

(a) In 2003, as a result of implementing new guidance on the normal purchase exception for derivative accounting, NSP-Minnesota began recording several long-term purchased power agreements at fair value due to accounting requirements related to underlying price adjustments. As these purchases are recovered through normal regulatory recovery mechanisms in the respective jurisdictions, the changes in fair value for these contracts were offset by regulatory assets and liabilities. During 2006, NSP-Minnesota qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) The accounting guidance for derivatives and hedging permits the netting of receivables and payables for derivatives and related collateral amounts when a legally enforceable master netting agreement exists between NSP-Minnesota and a counterparty. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract.

The following table presents the changes in Level 3 commodity derivatives for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31	
(Thousands of Dollars)	2012	2011
Balance at Jan. 1	$ 12,417	$ 2,392
Settlements	(8,884)	(7,790)
Net transactions recorded during the period:		
(Losses) gains recognized in earnings [a]	(9)	68
Gains recognized as regulatory liabilities	1,800	7,662
Balance at March 31	$ 5,324	$ 2,332

(a) These amounts relate to commodity derivatives held at the end of the period.

NSP-Minnesota recognizes transfers between levels as of the beginning of each period. There were no transfers of amounts between levels for the three months ended March 31, 2012 and 2011.

Fair Value of Long-Term Debt

As of March 31, 2012 and Dec. 31, 2011, other financial instruments for which the carrying amount did not equal fair value were as follows:

	March 31, 2012		Dec. 31, 2011	
(Thousands of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	$ 3,339,149	$ 3,942,691	$ 3,338,897	$ 4,066,367

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NOTES TO FINANCIAL STATEMENTS (Continued)

The fair value of NSP-Minnesota's long-term debt is estimated based on recent trades and observable spreads from benchmark interest rates for similar securities. The fair value estimates are based on information available to management as of March 31, 2012 and Dec. 31, 2011, and given the observability of the inputs to these estimates, the fair values presented for long-term debt have been assigned a Level 2. These fair value estimates have not been comprehensively revalued for purposes of these financial statements since those dates and current estimates of fair values may differ significantly.

8. Benefit Plans and Other Postretirement Benefits

Components of Net Periodic Benefit Cost

	Three Months Ended March 31			
	2012	2011	2012	2011
(Thousands of Dollars)	Pension Benefits		Postretirement Health Care Benefits	
Service cost	$ 7,370	$ 5,993	$ 24	$ 21
Interest cost	12,309	12,930	1,751	1,775
Expected return on plan assets	(16,822)	(18,593)	(110)	(144)
Amortization of transition obligation	-	-	337	337
Amortization of prior service cost (credit)	2,955	3,292	(29)	(29)
Amortization of net loss	9,869	6,661	749	567
Net periodic benefit cost	15,681	10,283	2,722	2,527
Costs not recognized due to the effects of regulation	(8,058)	(7,310)	-	-
Net benefit cost recognized for financial reporting	$ 7,623	$ 2,973	$ 2,722	$ 2,527

In January 2012, contributions of $190.5 million were made across four of Xcel Energy's pension plans, of which $79.3 million was attributable to NSP-Minnesota. Xcel Energy does not expect additional pension contributions during 2012.

9. Supplementary Cash Flow Data

	Three Months Ended March 31	
(Thousands of Dollars)	2012	2011
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	$ (76,528)	$ (70,875)
Cash paid for income taxes, net	(8,203)	(4,003)
Supplemental disclosure of non-cash investing transactions:		
Property, plant and equipment additions in accounts payable	$ 129,499	$ 11,365