

ROE = 5.90%
Deficiency \$000s = \$15,600
% Increase 7.97%
Required ROE = 10.25%

Docket No. EL14-058
Interim Rates, Attachment 3
Cover Page

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

Summary Reports

June 1, 2014

Line No.	NSPM - 01 Rate Base Schedule	Total	SD Electric	Other
1	Plant Investment	15,915,384	977,990	14,937,395
2	<u>Depreciation Reserve</u>	<u>7,318,794</u>	<u>448,120</u>	<u>6,870,673</u>
3	Net Utility Plant	8,596,591	529,869	8,066,721
4	CWIP	-	-	-
5				
6	Accumulated Deferred Taxes	2,081,546	130,087	1,951,459
7	DTA - NOL Average Balance	(228,509)	(12,614)	(215,895)
8	DTA - State Tax Credit Average Balance	(320)	-	(320)
9	<u>DTA - Federal Tax Credit Average Balance</u>	<u>(4,501)</u>	<u>(1,977)</u>	<u>(2,524)</u>
10	Total Accumulated Deferred Taxes	1,848,217	115,496	1,732,721
11				
12	Cash Working Capital	(123,296)	(6,038)	(117,258)
13	Materials and Supplies	138,074	8,432	129,642
14	Fuel Inventory	86,478	5,069	81,409
15	Non-plant Assets and Liabilities	26,226	1,458	24,769
16	Customer Advances	(5,616)	(1,487)	(4,128)
17	Customer Deposits	(2,920)	(178)	(2,742)
18	Prepays and Other	121,324	6,821	114,503
19	<u>Regulatory Amortizations</u>	<u>4,792</u>	<u>4,792</u>	<u>-</u>
20	Total Other RB Items	245,064	18,868	226,196
21				
22	Total Rate Base	6,993,438	433,242	6,560,196

Line No.	NSPM - 02 Income Statement Schedule	Total	SD Electric	Other
1	<u>Operating Revenues</u>			
2	Retail	3,287,629	195,850	3,091,778
3	Interdepartmental	680	-	680
4	<u>Other Operating Rev - Non-Retail</u>	<u>721,811</u>	<u>44,306</u>	<u>677,505</u>
5	Total Operating Revenues	4,010,120	240,156	3,769,963
6				
7	<u>Expenses</u>			
8	Operating Expenses:			
9	Fuel	1,293,690	75,091	1,218,599
10	Deferred Fuel	(261)	(15)	(246)
11	Variable IA Production Fuel	20,676	1,212	19,464
12	<u>Purchased Energy - Windsourse</u>	<u>5,576</u>	<u>-</u>	<u>5,576</u>
13	Fuel & Purchased Energy Total	1,319,681	76,288	1,243,393
14	Production - Fixed	415,324	25,368	389,956
15	Production - Fixed IA Investment	47,843	2,922	44,920
16	Production - Variable	131,426	7,703	123,722
17	Production - Purchased Demand	165,858	10,131	155,728
18	<u>Production - Other</u>	<u>2,793</u>	<u>929</u>	<u>1,864</u>
19	Production Total	763,243	47,053	716,190
20	Regional Markets	10,856	663	10,193
21	Transmission IA	68,398	4,178	64,221
22	Transmission	173,295	8,099	165,195
23	Distribution	120,833	7,794	113,039
24	Customer Accounting	55,250	3,789	51,462
25	Customer Service & Information	84,843	1,226	83,616
26	Sales, Econ Dvlp & Other	99	51	48
27	<u>Administrative & General</u>	<u>235,257</u>	<u>15,347</u>	<u>219,910</u>
28	Total Operating Expenses	2,831,755	164,487	2,667,268
29				
30	Depreciation	443,523	27,874	415,650
31	Amortization	25,951	741	25,210
32				
33	<u>Taxes:</u>			
34	Property Taxes	203,822	10,739	193,084
35	ITC Amortization	(1,493)	(70)	(1,423)
36	Deferred Taxes	238,489	16,960	221,530
37	Deferred Taxes - NOL	3,528	(1,377)	4,905
38	Less Deferred State Tax Credits	(640)	-	(640)
39	<u>Less Deferred Federal Tax Credits</u>	<u>(5,362)</u>	<u>(314)</u>	<u>(5,048)</u>
40	Deferred Income Tax & ITC	234,522	15,198	219,324
41	Payroll & Other Taxes	33,585	2,049	31,536
42	Total Taxes Other Than Income	471,929	27,985	443,944
43	Total State & Federal Income Taxes	(118,316)	(4,757)	(113,558)
44				
45	Total Taxes	353,614	23,228	330,385
46	Total Expenses	3,654,843	216,330	3,438,513
47	Total Operating Income	355,277	23,826	331,451
48				
49	AFDC Debt	-	-	-
50	AFDC Equity	-	-	-
51				
52	Net Income	355,277	23,826	331,451

Line No.	NSPM - 03 Income Tax Schedule	Total	SD Electric	Other
1	<u>Income Before Taxes</u>			
2	Total Operating Revenues	4,010,120	240,156	3,769,963
3	less: Total Operating Expenses	2,831,755	164,487	2,667,268
4	Book Depreciation	443,523	27,874	415,650
5	Amortization	25,951	741	25,210
6	<u>Taxes Other than Income</u>	<u>471,929</u>	<u>27,985</u>	<u>443,944</u>
7	Total Before Tax Book Income	236,961	19,069	217,892
8				
9	<u>Tax Additions</u>			
10	Book Depreciation	443,523	27,874	415,650
11	Deferred Income Taxes and ITC	234,522	15,198	219,324
12	Nuclear Fuel Burn (ex D&D)	108,436	6,623	101,813
13	Nuclear Outage Accounting	71,482	4,283	67,200
14	Avoided Tax Interest	19,773	669	19,104
15	<u>Other Book Additions</u>	<u>-</u>	<u>-</u>	<u>-</u>
16	Total Tax Additions	877,736	54,646	823,090
17				
18	<u>Tax Deductions</u>			
19	Total Rate Base	6,993,438	433,242	6,560,196
20	Weighted Cost of Debt	2.32%	2.32%	2.32%
21	Debt Interest Expense (Line 19 x Line 20)	162,248	10,051	152,197
22	Nuclear Outage Accounting	115,611	6,939	108,672
23	Tax Depreciation and Removals	1,060,555	70,292	990,264
24	Federal Sec 199 Production Deduction	162	-	162
25	NOL Generated	(164,958)	(14,959)	(150,000)
26	NOL Utilization	173,444	11,579	161,865
27	<u>Other Tax / Book Timing Differences</u>	<u>56,487</u>	<u>3,406</u>	<u>53,081</u>
28	Total Tax Deductions	1,403,548	87,307	1,316,241
29				
30				
31	<u>State Taxes</u>			
32	State Taxable Income	(288,851)	(13,592)	(275,259)
33	State Income Tax Rate	9.17%		9.62%
34	State Taxes before Credits (Line 31 x Line 32)	(26,489)	-	(26,489)
35	Less State Tax Credits	(640)	-	(640)
36	<u>Deferred State Tax Credits due to NOL</u>	<u>640</u>	<u>-</u>	<u>640</u>
37	Total State Income Taxes	(26,489)	-	(26,489)
38				
39	<u>Federal Taxes</u>			
40	Federal Taxable Income	(262,362)	(13,592)	(248,770)
41	Federal Income Tax Rate	35.00%	35.00%	35.00%
42	Federal Tax before Credits (Line 39 x Line 40)	(91,827)	(4,757)	(87,069)
43	Less Federal Tax Credits	(5,362)	(314)	(5,048)
44	<u>Deferred Federal Tax Credits due to NOL</u>	<u>5,362</u>	<u>314</u>	<u>5,048</u>
45	Total Federal Income Taxes	(91,827)	(4,757)	(87,069)
46				
47	Total Taxes			
48	Total Federal and State Income Taxes	(118,316)	(4,757)	(113,558)

Line No.	NSPM - 04 Revenue Deficiency Schedule	Total			SD Electric			Other		
		Rate	Ratio	Wtd Cost	Rate	Ratio	Wtd Cost	Rate	Ratio	Wtd Cost
1	Weighted Cost of Capital									
2										
3	Long Term Debt	5.04%	46.14%	2.32%	5.04%	46.14%	2.32%	5.04%	46.14%	2.32%
4	Common Equity	10.25%	53.86%	<u>5.52%</u>	10.25%	53.86%	<u>5.52%</u>	10.25%	53.86%	<u>5.52%</u>
5										
6	Required Rate Of Return			7.84%			7.84%			7.84%
7										
8	Composite Income Tax Rate									
9	State Tax Rate			9.17%						9.62%
10	Federal Statutory Tax Rate			35.00%			35.00%			35.00%
11	<u>Federal Effective Tax Rate</u>			<u>31.79%</u>			<u>35.00%</u>			<u>31.63%</u>
12	Composite Tax Rate			40.96%			35.00%			41.26%
13										
14	Rate of Return (ROR)									
15	Total Operating Income			355,277			23,826			331,451
16	<u>Total Rate Base</u>			<u>6,993,438</u>			<u>433,242</u>			<u>6,560,196</u>
17	ROR (Operating Income / Rate Base)			5.08%			5.50%			5.05%
18										
19	Return on Equity (ROE)									
20	Total Operating Income			355,277			23,826			331,451
21	Debt Interest (Rate Base * Weighted Cost of Debt)			(162,248)			(10,051)			(152,197)
22	Earnings Available for Common			193,029			13,775			179,254
23	<u>Equity Rate Base (Rate Base * Equity Ratio)</u>			<u>3,766,666</u>			<u>233,344</u>			<u>3,533,322</u>
24	ROE (earnings for Common/Equity Rate Base)			5.12%			5.90%			5.07%
25										
26	Revenue Deficiency									
27	Required Operating Income (Rate Base * Required Return)			548,286			33,966			514,319
28	<u>Total Operating Income</u>			<u>355,277</u>			<u>23,826</u>			<u>331,451</u>
29	Operating Income Deficiency			193,009			10,140			182,869
30										
31	<u>Revenue Conversion Factor (1/(1-Composite Tax Rate))</u>			<u>1.6935</u>			<u>1.5385</u>			<u>1.7021</u>
32	Revenue Deficiency (Income Deficiency * Conversion Factor)			326,852			15,600			311,252
33										
34	Total Revenue Requirements									
35	Total Retail Revenues			3,288,309			195,850			3,092,459
36	Revenue Deficiency			326,852			15,600			311,252
37	Total Revenue Requirements			3,615,162			211,451			3,403,711

Line No.	NSPM - 05 Summary Cash Working Capital	Lead/Lag	Total		SD Electric		Other	
		Days	Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days
1	Fuel Expenses							
2	Coal and Rail Transport	18.84	269,840	5,083,777	15,816	297,981	254,023	4,785,797
3	Gas for Generation	37.99	145,354	5,521,995	8,520	323,666	136,834	5,198,329
4	Oil	20.08	3,001	60,265	176	3,532	2,825	56,733
5	Nuclear and EOL		98,089	-	5,724	-	92,365	-
6	Nuclear Disposal	76.00	10,347	786,362	632	48,031	9,715	738,331
7	Subtotal Fuel Expenses		526,631	11,452,400	30,868	673,210	495,763	10,779,189
8								
9	Purchased Power							
10	Purchases	33.47	364,848	12,211,454	21,693	726,081	343,154	11,485,373
11	Interchange	38.25	136,917	5,237,069	8,312	317,930	128,605	4,919,139
12	SubTotal Purchased Power		501,765	17,448,524	30,005	1,044,011	471,759	16,404,513
13								
14	Labor and Related							
15	Regular Payroll	11.70	415,126	4,856,975	26,583	311,016	388,543	4,545,959
16	Incentive	256.50	21,524	5,520,902	1,416	363,242	20,108	5,157,660
17	Pension and Benefits	32.86	91,648	3,011,546	5,664	186,128	85,984	2,825,418
18	SubTotal Labor and Related		528,298	13,389,423	33,663	860,386	494,635	12,529,037
19								
20	All Other Operating Expenses							
21	Property taxes	355.77	203,822	72,513,920	10,739	3,820,488	193,084	68,693,431
22	Employer's Payroll Taxes	34.65	33,585	1,163,731	2,049	71,002	31,536	1,092,728
23	Gross Earnings Tax		-	-	-	-	-	-
24	Federal Income Tax	38.75	(91,827)	(3,558,282)	(4,757)	(184,344)	(87,069)	(3,373,938)
25	State Income Tax	31.00	(26,489)	(821,162)	-	-	(26,489)	(821,162)
26	State Sales Tax Customer Billings		-	-	-	-	-	-
27	Total Expenses		2,950,847	164,388,847	172,518	9,181,417	2,778,329	155,207,430
28	Net Annual Expense			450,380		25,155		425,226
29								
30	Revenues							
31	Retail Revenue	41.01	3,290,742	134,953,335	198,964	8,159,501	3,091,778	126,793,834
32	Late Payment		5,825	-	372	-	5,453	-
33	Interdepartmental		680	-	-	-	680	-
34	Misc Services	41.01	3,095	126,944	307	12,610	2,788	114,334
35	CIP Incentive		(15,045)	-	-	-	(15,045)	-
36	Rentals	(31.99)	4,148	(132,700)	253	(8,089)	3,895	(124,611)
37	Interchange	38.25	474,459	18,148,060	28,444	1,087,981	446,015	17,060,079
38	Sales for Resale	37.67	62,037	2,336,936	4,567	172,054	57,470	2,164,883
39	Retail Rev Lag Days	37.67	7,043	265,325	(1,504)	(56,649)	8,547	321,974
40	MISO	14.00	7,360	103,040	(683)	(9,568)	8,043	112,608
41	Wholesale Lag Days	37.67	154,287	5,811,984	9,436	355,456	144,851	5,456,528
42	Total Revenues		3,994,632	161,612,923	240,156	9,713,295	3,754,476	151,899,629
43								
44	Net Annual Amount			442,775		26,611,766.12		416,163
45	Expense/Revenue Factor			0.74		0.72		0.74
46	Allocated Revenue Amount			327,085		19,117		307,968
47	Net Cash Working Capital			(123,296)		(6,038)		(117,258)