division of energy resources
Minnesota Department of Commerce

85 7th Place East, Suite 500, St. Paul, MN 55101-2198
Main: 651.539.1500
Fax: 651.539.1549

mn.gov/commerce/energy

November 18, 2013

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E,G002/S-13-983

Dear Dr. Haar:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC) in the following matter:

> Northern States Power Company's Request For Approval of its 2014 Capital Structure Prior to Issuing Securities.

The petition was filed on October 28, 2013 by:

> George E. Tyson, II
> Vice President and Treasurer
> Xcel Energy Services
> 414 Nicollet Mall, 4th Floor
> Minneapolis, MN 55401

The DOC recommends **approval** and is available to answer any questions the Commission may have.

Sincerely,

/s/ EILON AMIT
Financial Analyst

EA/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE,
DIVISION OF ENERGY RESOURCES

DOCKET NO. E,G002/S-13-983

I. SUMMARY OF NORTHERN STATES POWER'S PROPOSAL

On October 28, 2013, Northern States Power Company (NSP-MN or the Company) petitioned the Minnesota Public Utilities Commission (Commission) for approval of its proposed 2014 capital structure (2013 Petition). The Company is seeking:

- Approval of its proposed 2014 capital structure and total capitalization;
- Continuation of the ability to issue securities within the approved capital structure ranges;
- Approval of the 2014 Capital Structure to remain valid until the Commission issues an Order approving NSP-MN's 2015 capital structure;
- Continuation of flexibility to use risk-management instruments to reduce the cost of capital;
- Continuation of the variance of Minnesota Rules part 7825.1000, subpart 6 to allow NSP-MN to treat borrowings under multi-year credit agreements as short-term debt; and
- Approval to have discretion to enter into financing to replace outstanding long-term debt instruments with less expensive securities, and to enter into tax-exempt financing for pollution control construction programs.

II. DETAILS OF NSP-MN'S PROPOSAL

NSP-MN requests approval of its estimated 2014 capital structure. The Company estimates that its capital structure on December 31, 2014 will be:

Northern States Power Company
2014 Proposed Capital Structure
(Amounts in millions of dollars)
December 31, 2014 (Estimated)

	Amount	Percent
Common Equity	$4,699	52.30%
Long-Term Debt	$4,190	46.70%
5-Year Credit Facility	$0	0.0%
Short-Term Debt	$90	1.00%
Total Capitalization	$8,978	100.0%
Contingency	$522	
Total with Contingency	$9,500	

The Company also presented a maximum capital structure for December 31, 2014 in its filing. That capital structure is:

Northern States Power Company
2014 Maximum Capital Structure
(Amounts in millions of dollars)
December 31, 2014 (Estimated)

	Amount	Percent
Common Equity	$4,709	51.0%
Long-Term Debt	$4,190	45.4%
Borrowings Under 5-Year Credit Facility	0	0.0%
Short-Term Debt	$333	3.6%
Total Capitalization	$9,232	100.0%
Contingency	$268	
Total with Contingency	$9,500	

NSP-MN's proposed capital structure is limited to the Minnesota operating utility and the following wholly-owned first-tier subsidiaries:

- United Power & Land Company (UP&L), which owns real estate (primarily land); and

- NSP Nuclear Corporation, which is the parent holding company for NSP-MN's Nuclear Management Company.

Specific provisions for which the Company seeks approval include:

- A total capitalization of $9,500 million, including a contingency of $522 million; (total of $8,978 million without the contingency);
- A total capitalization contingency of $522 million, approximately 5.8 percent of the proposed total capitalization of $8,978 million;
- A range of ±10 percent around the proposed 2014 year-end common equity ratio of 52.3 percent, resulting in an equity range of 47.07 percent to 57.53 percent;
- A limit on short-term debt, not to exceed 15 percent of the total capitalization;
- A continuation of the variance allowing NSP-MN to enter into a multi-year credit agreement under which any direct borrowings made by the Company would be counted as short-term debt;
- The flexibility to issue common equity, and long- and short-term debt provided that the Company remains within the approved total capitalization and short-term debt and equity ranges or does not exceed them for a period of more than 60 days;
- Continued permission to use risk management instruments that qualify for hedge accounting treatment under the Financial Accounting Standards Board's Accounting Standards Codification 815 (ASC No. 815), to manage price, duration or interest-rate risk on securities; and
- Approval of the requested 2014 capital structure until issuance of an Order approving NSP-MN's 2015 capital structure.

NSP-MN also set forth its planned securities activity in 2014. NSP-MN's statements about its plans include:

- *Equity*. In 2014, NSP-MN expects total equity infusions from its parent company, Xcel Energy, Inc. (Xcel) of approximately $59 million to maintain the Company's target equity ratio range proposed above.
- *Long-term debt.* The forecasted year-end 2014 long-term debt ratio is 46.7 percent and includes a $300 million debt issuance.[1] The proceeds of this new debt issuance will be used to repay short-term debt, retire maturing long-term debt, fund NSP-MN's

[1] The Company estimates long-term debt issuance of up to $300 million in 2014.

utility construction program, refinance higher cost long-term debt and for other general corporation purposes. Attachment H of the Company's filing provides details of the Company's 2013-2014 sources of funds and the Company's capital requirements. (DOC Attachment No. 3)

- *Short-term debt.* NSP-MN plans to issue short-term debt in an amount not to exceed 15 percent of total capitalization to provide funds for NSP-MN utility operations, investments in the utility money pool, interim financing for NSP-MN construction expenditures, and loans to NSP-MN's wholly-owned subsidiary NSP Nuclear Corporation.

III. DOC ANALYSIS

The Department's review indicates that NSP-MN has provided all the information required by Minn. Rules 7825.1000 – 7825.1500.

Also, Minn. Stat. §216B.49, subd. 3 states that:

> It shall be unlawful for any public utility organized under the laws of this state to offer or sell any security or, if organized under the laws of any other state or foreign country, to subject property in this state to an encumbrance for the purpose of securing the payment of any indebtedness unless the security issuance of the public utility shall first be approved by the commission.

Further, Minn. Stat. §216B.49, subd. 4 states in part that:

> If the commission shall find that the proposed security issuance is reasonable and proper and in the public interest and will not be detrimental to the interests of the consumers and patrons affected thereby, the commission shall by written order grant its permission for the proposed public financing.

Based on the above statutes, the DOC discusses the reasonableness of both NSP-MN's projected capital structures and its request to allow the issuance of various securities.

A. CAPITAL STRUCTURE

To check the reasonableness of NSP-MN's capital structures, the DOC compared the equity ratios in the Company's capital structures with the average equity ratio of electric utilities that are risk-comparable to NSP-MN. The 2012 average equity ratio for publicly traded electric utilities with bond ratings from A- to BBB[2] was 49.69 percent (Attachment 1).[3] Their 2012

[2] NSP-MN's bond rating is A-.

average debt ratio was 49.75 percent (Attachment 1). The DOC notes that the Company's proposed equity ratios of 52.3 and 51.0 percent, respectively, under its proposed and maximum capital structures are higher than the group's average equity ratio, and its debt ratios are lower than the group's average debt ratio. Therefore, the proposed NSP-MN capital structures do not raise concerns about equity ratios that are too low to ensure the financial health of the Company.

Based on the above analysis, the DOC concludes that NSP-MN's proposed 2014 capital structures are appropriate.

B. CONTINGENCIES

1. Common Equity Ratio

NSP requests a ±10 percent contingency range around the requested common equity ratio. This range is as follows:

	Estimated Contingency Range		
	Average	Low	High
Common Equity	52.3%	47.07%	57.53%

The DOC concludes that this range is reasonable because it provides the Company with adequate financial flexibility, keeps NSP-MN on sound financial footing and allows the Commission sufficient oversight. The Company has also identified planned equity infusions from Xcel that will keep the common equity ratio within the proposed range.

2. Short-Term Debt and Total Capitalization

a. Short-term debt

NSP-MN requests a contingency to issue short-term debt not to exceed 15 percent of total capitalization at any time while the 2014 capital structure is in effect. This request for flexibility is consistent with the flexibility allowed by the Commission for the Company's 2013 capital structure. The DOC concludes that the 15 percent cap would allow the Company needed and reasonable flexibility given short-term fluctuations in the Company's revenues and expenditures.

b. Total capitalization

The proposed total capitalization of $9,500 million includes a contingency amount of $522 million, or about 5.8 percent of the total capitalization. This proposed contingency would allow flexibility in the Company's funding of utility construction and unforeseen business or financial conditions that might develop during the year. In addition, the contingency is needed because, during a refinancing, both the new and old debt issues may be outstanding temporarily beyond the 60-day window that NSP-MN is allowed. Based on the above discussion, the DOC

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[3] Source: Compustat Data for Standard & Poor's Research Insight, October, 2013.

concludes that NSP-MN's request for contingency of $522 million for total capitalization is reasonable.

C. CONTINUANCE OF THE VARIANCE FOR MULTI-YEAR CREDIT AGREEMENT

NSP-MN was granted a variance to Minnesota Rules part 7825.1000, subpart 6 in the 2005 Capital Structure Order[4] allowing the Company to treat borrowings under a multi-year credit facility as captured in the short-term debt authorization of up to 15 percent of total capitalization. The Commission also granted the Company a continuation of this variance in its 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 Capital Structure Orders. The variance was granted with the provision that the Company report on its use of multi-year credit facilities. The Company includes that report as Attachment C of its Petition (DOC Attachment No. 2).

NSP-MN states that it entered into a four-year revolving credit facility for $500 million on March 17, 2011 (March 2011 Agreement). It replaced a $500 million, five-year credit facility that was signed by the Company in December 2006. The upsizing of the credit facility was exercised to receive more favorable fees and interest rates. As provided for in the March 2011 Agreement, on July 27, 2012 the Company amended and extended the initial Agreement. The Amended Agreement includes no substantive changes to the terms of the March 2011 Agreement, but it includes lower credit fees. The Amended Agreement terminates on July 27, 2017 and allows the Company to extend its life and increase its amount. The DOC discusses these transactions further below.

1. Frequency of Use and Amounts Borrowed

Attachment C of the Company's filing (DOC Attachment No. 2) shows that the Company borrowed no money from this facility over the period 2010 through August of 2013.

2. Rates and Financing Costs

As indicated earlier, the Company did not borrow any money from its credit facility for the period 2010 through August 2013. The credit facility's fees as a percentage of the credit line were 0.23 percent in 2011, 0.25 percent in 2012 and 0.23 percent in 2013. Based on the credit facility's low fees, the explanation of the benefits of the credit facility as provided by NSP-MN in its Attachment C (DOC Attachment No. 2) and the detailed discussion of the benefits of the credit facility in the DOC comments in Docket No. E,G002/S-09-1161, the DOC concludes that the credit facility costs are reasonable.

3. Intended Uses of Financing

The current five-year revolving credit facility is used primarily for commercial paper back-up but can also provide for direct borrowings from the banks which support the credit agreement.

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[4] Docket No. E,G002/S-04-1794.

In addition, letters of credit may be issued using the revolving credit facility as a liquidity back-up.

For the period 2009 through August 2013, it was cheaper for NSP-MN to borrow short-term debt from its money pool or directly from financial institutions. However, the credit facility is needed as an insurance instrument for periods in which the financial markets are tight and there is lack of liquidity in the short-term debt markets (2008 for example).

4. Continuation of the Variance to Minn. Rule Part 7825.1000, Subpart 6

The Company asserts in its 2013 Petition that the requested variance meets the three-part test for variance as provided for by Commission rules under Minn. Rule 7829.3200. The three parts of the test are:

a. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;

b. Granting the variance would not adversely affect the public interest; and

c. Granting the variance would not conflict with standards imposed by law.

The Company supports its assertion as follows:

1. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule

As discussed in the Company's Attachment C, the Company's request involves the use of a multi-year credit facility as if it were short-term debt. If this variance is not allowed, the burden is that such direct borrowings under a multi-year credit facility would not be available, unless the Commission allows greater flexibility with regard to long-term debt. Because the purposes and manner in which these funds will be used resemble traditional use of short-term securities, the Company concludes that any borrowing from the multi-year credit facility should be counted with the short-term debt and should be subject to the 15 percent limit. Without the ability to use these facilities, an additional consequence may be an unfavorable reaction by credit rating agencies that view these as enhanced liquidity structures without which fewer financing options would exist. An unfavorable reaction by credit rating agencies could lead to increased financing costs and fees.

2. Granting the variance would not adversely affect the public interest

The Commission retains oversight over these types of issues through annual capital structure filings, which set the 15 percent limit, the equity ratio, and the equity ratio ranges. These parameters assure that the Company will continue to have a capital structure that meets the public interest. In addition, these instruments allow the Company to lock in liquidity and fee structures for several years, which is also in the public interest.

3. *Granting the variance would not conflict with standards imposed by law*

This variance would not conflict with law.

The Company believes the continued granting of the variance is appropriate. Because the intended use of such facilities is to meet short-term funding requirements, the Company believes that granting this variance offers the most direct and consistent way of addressing this issue.

The DOC concludes that the years of experience with the multi-year facility confirms, to date, the assertions of the Company. The DOC analyzed the benefits of granting the Company's requested variance in detail in a previous capital structure petition (Docket No. E,G002/S-09-1161). In its earlier analysis, the DOC concluded that the variance met the three conditions required under Minn. Rule 7829.3200. Further information regarding the Company's use of the credit facility confirms that conclusion. Thus, the DOC concludes that its analysis of the requested variance in the Company's prior capital structure petition remains valid for the Company's current request for a variance as well. Therefore, the DOC recommends that the Commission authorize a continuation of the variance.

D. FLEXIBILITY TO ISSUE SECURITIES

As discussed earlier in these comments, NSP-MN expects the following security issuances in 2013:

- $59 million equity infusion from its parent company, Xcel Energy, Inc.;
- $300 million of long-term debt; and
- short-term debt, not to exceed 15 percent of total capitalization.

The proceeds from these issuances will be used to repay short-term debt, fund NSP-MN's Utility Construction Program, invest in the utility money pool, make short-term loans to NSP-MN's Nuclear Corporation, and for other general corporation purposes.

The Company's planned issuances would allow it to maintain an appropriate capital structure and to finance its expected expenditures as described in the Company's Attachment N. Therefore, the Department concludes that the Company's expected issuances of securities are reasonable.

E. ADDITIONAL FIILNG REQUIREMENTS

1. *Commission Order in Docket No. E,G999/CI-08-1416*

On May 12, 2009, the Commission issued an "Order Augmenting Information Required in Connection with Securities Issuances and Annual Capital Structure Filings" (Docket No. E,G999/CI-08-1416). Points 1 and 3 of the Order state, respectively:

> 1. In addition to the information currently provided, the utilities' annual capital structure filings shall include an exhibit providing a general projection of capital needs, projected expenditures, anticipated sources, and anticipated timing, with the understanding that such exhibit is not intended to require dollar-for-dollar on the uses identified in the exhibit or to limit issuances to project-specific financing. The exhibit need not list short-term, recurring security issuances.
>
> 3. Starting with the utilities' next annual capital structure filings, the utilities shall include a report of actual issuances and uses of the funds from the prior year. The report will be for information purposes only and need not cover short-term, recurring security issuances.

a. Point 1

NSP-MN's Attachment N (DOC Attachment No. 4) provides the general projections of capital needs and expenditures as required by Point 1 of the Commission's May 12 Order. NSP-MN projects an approximately $1,086.8 million investment in 2014, which includes nuclear projects, energy supply, transmission projects and distribution system improvements. Xcel's Attachment H (DOC Attachment No. 3) provides the estimated funding sources of equity, long-term debt, short-term debt and internal funds (retained earnings financing). Attachment N provides projections of NSP-MN's expenditures over the period 2014 through 2018 (DOC Attachment No. 4).

Based on the above discussion and its review of Xcel's petition, the DOC concludes that Xcel's petition complies with the requirements of Point 1 of the Commission's May 2009 Order.

b. Point 3

Regarding Point 3 of the Commission's May 12, 2009 Order, the Company summarizes its issuance activities in 2012 as follows (DOC Attachment No. 3):

- Equity Infusion: $215 million;
- Long-Term Debt: $800 million; and
- Short-term debt/Internal Funds: $649.5 million

The proceeds from the equity infusion, the long-term debt, the short-term debt and the internal funds were to maintain an appropriate capital structure, to finance the Company's investments in 2012, and to refinance outstanding long-term debt.

A comparison between the actual and projected 2012 uses is provided in the Company's Attachment N. As noted earlier, Attachment H (DOC Attachment No. 3) provides the Company's actual issuances in 2012.

For 2012, the Company received equity infusion of $215 million and issued $800 million of long-term debt (Issuance date: August 13, 2012. Issuance terms: $300 million with 10-year maturity at 2.15% interest rate and $500 million with 30-year maturity at 3.4% interest rate). The proceeds from the loan were used to retire existing more expensive long-term debt and to pay outstanding short-term debt.

The Company's Attachment N also provides a comparison of projected versus actual expenditures for 2012. Expenditures are divided into five general categories: Energy Supply, Nuclear, Distribution, Transmission and Other. The only significant deviation from Projected Expenditure is for the Nuclear category. The Company projected 2012 expenditures of $408.9 million, as compared to actual expenditures of $310.0 million in 2012 (24.16 percent reduction). The Company explains that the main reason for the decline in the actual expenditure for nuclear was the cancellation of the EPU component of the Prairie Island Uprate Project. The Department concludes that the Company's explanation is reasonable.

Based on its review of NSP-MN's petition, the DOC concludes that the Company's petition complies with Point 3 of the Commission's May 12, 2009 Order.

2. Commission Order in Docket No. E,G002/S-09-1161

On January 15, 2010, the Commission issued an Order in NSP-MN's petition for approval of its capital structure for issuance of securities. Point 2 of the Commission's Order states:

> The Company shall develop and use in its next annual securities filing, a schedule showing, for various time periods, the planned investment for each project.

The Company's 2013 Petition includes Attachment N, which shows NSP-MN's projected investment by project for each of the years 2014 through 2018. Based on its review of the Company's Attachment N, the DOC concludes that the Company's filing complies with the requirements of Point 2 of the Commission's January 15, 2010 Order in Docket No. E,G002/S-09-1161.

F. PERMISSION TO USE RISK-MANAGEMENT INSTRUMENTS

The Company requests that the Commission continue to allow the Company to use risk-management instruments when appropriate to manage price, duration, or interest-rate risk on securities. The DOC concludes that it is reasonable to allow the Company the flexibility to use these instruments provided that they are consistent with the goal of ensuring that costs are reasonable. The Company's use of the instruments should also be consistent with NSP-MN's corporate risk-management policy and required officer approvals. Only instruments that qualify for hedge accounting treatment under ASC No. 815 should be considered.

IV. RECOMMENDATIONS

The DOC recommends that the Commission take the following actions regarding NSP's capital structure petition:

- Approve NSP-MN's requested 2014 capital structure; this approval to be in effect until the 2015 Capital Structure Order is issued.

- Approve a ±10 percent range around NSP-MN's common equity ratio of 52.3 percent (i.e., a range of 47.07 to 57.53 percent).

- Approve NSP-MN's short-term debt issuance not to exceed 15 percent of total capitalization at any time while the 2014 Capital Structure is in effect.

- Approve NSP-MN's total capitalization contingency of $522 million (i.e., a total capitalization of $9,500 million, including the $522 million).

- Continue the variance authorizing NSP-MN to enter into multi-year credit agreements and issue associated notes thereunder, but require NSP-MN to also continue to report on its use of such facilities, including:

    - how often they are used,
    - the amount involved,
    - rates and financing costs, and
    - the intended uses of the financing.

- Approve NSP-MN's request to issue securities provided that the Company remain within the contingency ranges or does not exceed them for more than 60 days.

- Require NSP-MN to obtain the Commission's preapproval of any issuance expected to result in the Company remaining outside the contingency ranges for more than 60 days.

- Approve NSP-MN's flexibility to use risk-management instruments that qualify for hedge accounting treatment under ASC No. 815.

- Require, in its next capital structure filing, NSP-MN to include an exhibit providing a general projection of capital needs, projected expenditures, anticipated sources, and anticipated timing, with the understanding that such exhibit is not intended to require dollar-for-dollar on the uses identified in the exhibit or to limit issuances to project-specific financing. The exhibit need not list short-term, recurring security issuances.

- Require, in its next annual capital structure filing, NSP-MN to include a report of actual issuances and uses of the funds from the prior year. The report will be for information purposes only and need not cover short-term recurring security issuances.

- Require, within 20 days of each non-recurring security issuance, NSP-MN to file for informational purposes only an after-the-fact report providing the following information: 1) the type of security issued; 2) the total amount issued; 3) the purpose of the issuance; 4) the issuance cost associated with the security issuance; and 5) the total cost of the security issuance, including details such as interest rate or cost per share of common equity issued.

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ELECTRIC COMPARISON GROUP

RISK REPORT

Company	SIC Code	Stock Ticker Symbol	Most Recent BETA	Standard Deviation	S&P Debt Rating	Debt Raio	Equity Ratio
ALLETE INC	4931	ALE	0.752	0.058	BBB+	43.74	56.26
ALLIANT ENERGY CORP	4931	LNT	0.444	0.054	A-	48.42	48.40
AVISTA CORP	4931	AVA	0.745	0.061	BBB	50.38	49.08
CENTERPOINT ENERGY INC	4931	CNP	0.601	0.066	A-	66.02	33.98
CONSOLIDATED EDISON INC	4931	ED	0.193	0.042	A-	45.89	54.12
DUKE ENERGY CORP	4931	DUK	0.337	0.039	BBB+	46.97	52.86
INTEGRYS ENERGY GROUP INC	4931	TEG	0.872	0.077	A-	38.57	60.41
NORTHWESTERN CORP	4931	NWE	0.688	0.06	BBB	53.78	46.22
OGE ENERGY CORP	4931	OGE	0.72	0.058	A-	48.11	49.28
PG&E CORP	4931	PCG	0.181	0.041	BBB	48.44	50.59
PUBLIC SERVICE ENTRP GRP INC	4931	PEG	0.37	0.056	BBB+	38.28	61.72
SCANA CORP	4931	SCG	0.491	0.047	BBB+	54.37	45.63
TECO ENERGY INC	4931	TE	0.816	0.07	BBB+	56.47	43.53
WESTAR ENERGY INC	4931	WR	0.547	0.048	BBB	51.55	48.33
WISCONSIN ENERGY CORP	4931	WEC	0.246	0.041	A-	51.67	47.98
XCEL ENERGY INC	4931	XEL	0.312	0.042	A-	53.34	46.66
Average						49.75	49.69

Source: Compustat Database October 2013.

NSP-MN 2014 Annual Capital Structure Filing
Report on Use of Multi-year Credit Facilities

Background

NSP-MN's current multi-year $500 million credit agreement dated July 27, 2012 is a result of amending and extending the prior March 17, 2011 agreement to achieve more favorable terms and lower credit fees, a benefit to NSP-MN customers. The July 2012 Agreement terminates July 27, 2017, and it provides the ability to extend the life or upsize the amount of the facility.

The Commission first issued a variance allowing multi-year credit agreements to be treated as short-term debt in its March 15, 2005 ORDER IN THE MATTER OF NORTHERN STATES POWER COMPANY'S REQUEST FOR APPROVAL OF ITS 2005 CAPITAL STRUCTURE in Docket No. E,G002/S-04-1794 (the 2005 Capital Structure Order). The 2005 Capital Structure Order, and the subsequent capital structure orders, in exchange for allowing multi-year agreements to be treated as short-term debt, required the Company to report on the use of such facilities. Under the current requirements in the 2013 Capital Structure Order, this report needs to include: how often they are used, the amount involved, the rates and financing costs, and the intended uses of the financing.

The Intended Use and How Often the Facility is Used

The current 5-year revolving credit facility will continue to be used primarily for commercial paper back-up but can also provide for direct borrowings from the banks which directly support the credit agreement. The credit agreement also serves as liquidity back-up for letters of credit the Company may issue. Please see Attachment C, Page 3 for direct borrowings under the credit facility during the last 3 years. As shown on Page 3, there were no direct borrowings under the multi-year credit facility between January 2011 and August 2013. During this time the Company utilized its commercial paper program. The last time the Company borrowed directly from the banks that support the credit agreement was in November 2008 and December 2008 due to the lack of liquidity in the short-term debt markets.

The Company no longer provides short-term liquidity to NSP-Wisconsin as NSP-Wisconsin initiated its own commercial paper program in March 2011. Prior to that time, the Company provided short term liquidity and NSP-Wisconsin shared a portion of the fees associated with the Company's credit agreement. On Page 3, only the fees related to NSP-MN are shown. The fees allocated to NSP-Wisconsin prior to March 2011 are excluded.

Amount Involved, Rates and Financing Costs

See Attachment C, page 3 for this information.

Advantages of Multi-Year Credit Facilities

Some advantages of the current multi-year facility include:

- Up front fees are amortized over multiple years, rather than 12 months (as with the 364-day facility).
- Reduces potential increased costs associated with roll-over risk. By locking in favorable borrowing rates and commitment fees for multiple years, the Company avoids the risk of market conditions on an annual basis.
- Most multi-year facilities have options to increase the size or extend the maturity, allowing for financing flexibility through the credit facility term.
- The Company can terminate the facility prior to its maturity and re-syndicate if even more favorable market pricing exists.

NSPMN 2014 Annual Capital Structure Filing
Report on Use of Multi-year Credit Facility - Direct Borrowings
January 2011 to August 2013

Note: There have been no direct bank borrowings under the multi-year credit facility since December of 2008.

2011	Credit Facility 1/	Avg. Direct Borrowings) 2/	Interest-only Rate %	Monthly Interest Expense $	Monthly Credit Facility Fees 3/	Monthly Cost Amortization 4/	Total Interest + Fee + Amort.
January	382,200,000	$0	0.000%	$0	$19,475	$16,597	$36,072
February	382,200,000	$0	0.000%	$0	$17,600	$16,597	$34,197
March	441,100,000	$0	0.000%	$0	$40,984	$26,111	$67,095
April	500,000,000	$0	0.000%	$0	$61,643	$43,473	$105,116
May	500,000,000	$0	0.000%	$0	$63,664	$45,533	$109,197
June	500,000,000	$0	0.000%	$0	$61,610	$44,105	$105,715
July	500,000,000	$0	0.000%	$0	$63,664	$45,533	$109,197
August	500,000,000	$0	0.000%	$0	$63,664	$45,533	$109,197
September	500,000,000	$0	0.000%	$0	$61,610	$46,527	$108,137
October	500,000,000	$0	0.000%	$0	$63,664	$45,533	$109,197
November	500,000,000	$0	0.000%	$0	$61,610	$44,105	$105,715
December	500,000,000	$0	0.000%	$0	$63,643	$45,533	$109,176
Weighted Average			0.000%				
Total				$0	$642,830	$465,181	$1,108,011
			Weighted Average Rate on Borrowings		**Fees as % of Aggregate Credit Line**		
2011 Cost	**475,458,333**		**0.000%**		**0.23%**	475,458,333 **/5**	

2012	Credit Facility 1/	Avg. Direct Borrowings) 2/	Interest-only Rate %	Monthly Interest Expense $	Monthly Credit Facility Fees 3/	Monthly Cost Amortization 4/	Total Interest + Fee + Amort.
January	500,000,000	$0	0.000%	$0	$63,591	$45,534	$109,125
February	500,000,000	$0	0.000%	$0	$59,488	$42,677	$102,165
March	500,000,000	$0	0.000%	$0	$63,591	$45,534	$109,125
April	500,000,000	$0	0.000%	$0	$61,540	$44,106	$105,646
May	500,000,000	$0	0.000%	$0	$63,516	$45,534	$109,050
June	500,000,000	$0	0.000%	$0	$61,414	$44,105	$105,519
July	500,000,000	$0	0.000%	$0	$61,755	$45,209	$106,964
August	500,000,000	$0	0.000%	$0	$52,884	$43,524	$96,408
September	500,000,000	$0	0.000%	$0	$51,178	$43,298	$94,476
October	500,000,000	$0	0.000%	$0	$52,884	$44,677	$97,561
November	500,000,000	$0	0.000%	$0	$51,053	$43,306	$94,359
December	500,000,000	$0	0.000%	$0	$52,722	$44,678	$97,400
Weighted Average			0.000%				
Total				$0	$695,614	$532,184	$1,227,798
			Weighted Average Rate on Borrowings		**Fees as % of Aggregate Credit Line**		
2012 Cost	**500,000,000**		**0.000%**		**0.25%**	500,000,000 **/5**	

2013	Credit Facility 1/	Avg. Direct Borrowings) 2/	Interest-only Rate %	Monthly Interest Expense $	Monthly Credit Facility Fees 3/	Monthly Cost Amortization 4/	Total Interest + Fee + Amort.
January	500,000,000	$0	0.000%	$0	$52,722	$44,678	$97,400
February	500,000,000	$0	0.000%	$0	$47,620	$40,563	$88,183
March	500,000,000	$0	0.000%	$0	$52,635	$42,524	$95,159
April	500,000,000	$0	0.000%	$0	$50,024	$41,152	$91,176
May	500,000,000	$0	0.000%	$0	$51,542	$42,524	$94,066
June	500,000,000	$0	0.000%	$0	$50,506	$41,152	$91,658
July	500,000,000	$0	0.000%	$0	$52,620	$43,774	$96,394
August	500,000,000	$0	0.000%	$0	$52,539	$43,774	$96,313
September	500,000,000						
October	500,000,000						
November	500,000,000						
December	500,000,000						
Weighted Average			0.000%				
Total				$0	$410,210	$340,139	$750,349
			Weighted Average Rate on Borrowings		**Fees as % of Aggregate Credit Line**		
2013 Cost	**500,000,000**		**0.000%**		**0.23%**	500,000,000 **/5 & 6/**	
					If Sept added change formula		

1/ Credit facilities in place include the December 14, 2006 5-year Agreement to Mid-March 2011, the March 17, 2011 4-year Agreement through July 26, 2012 and the July 27, 2012 5-year agreement from July 27, 2012 until current. Credit facilities are resyndicated due to expiration or amended terms.

2/ Avg. Direct Borrowings are the average of daily outstanding direct borrowings under the credit facility.

3/ Credit Facility Fees for NSPM only. Beginning January 1, 2008, a portion of facility fees were allocated to NSPW based on a $100 million Wisconsin Public Service Commission approved maximum short-term debt borrowing level. On March 17, 2011 NSPW executed their own credit facility. On March 25, 2011 NSPW implemented their own commercial paper program and no longer borrows from NSPM.

4/ Actual credit facility fees recorded on NSPM's books include amortization of one-time up-front fees, and ongoing annual administrative fees.

5/ The 2011 fees are calculated on an average balance of approximately $475.5 million. This balance reflects adjustments during Jan. through March 2011 for the $100M carve out dedicated to NSPW and the removal on April 13, 2009 of the Lehman Brothers commitment of $17.8M.
In March 2011, NSPM resyndicated a new facility for $500M and NSPW executed its own $150M facility. Both were amended/extended in July 2012.

6/ 2013 fees as % of aggregate credit line have been pro-rated for the entire year.

NORTHERN STATES POWER COMPANY - MINNESOTA

2014 Capital Structure Financing Assumptions
($ in Thousands)

	Jul-Dec 2013	Jan-Dec 2014	
Sources:			
Financings: Long Term			
Equity Infusions	$153,000	$59,000	
Long-Term Debt Issuances	$0	$300,000	a)
Subtotal	$153,000	$359,000	
Uses:			
Retirements/Redemptions			
Long-Term Debt	$0	$0	
Subtotal	$0	$0	
Net Financings			
Equity Infusions	$153,000	$59,000	b)
Long-Term Debt	$0	$300,000	
Total	$153,000	$359,000	
Uses:			
2014 Utility Capital Requirements		Millions	c)
Energy Supply		$115.8	
Nuclear		$311.9	
Distribution		$232.0	
Transmission		$336.3	
Other		$90.8	
Total-NSP Minnesota		$1,086.8	
Short-Term Debt/Internal Funds		$728	d)

(a) The Company forecasts a bond issue in 2nd Quarter 2014 of up to $300 million.
(b) To maintain target capital structure ratios, the Company receives planned equity infusions from its parent company, Xcel Energy Inc.
(c) 2nd qtr 2013 Budget Information (greater detail provided in Attachment N).
(d) Capital expenditures will be financed with a combination of the $359 million net financings, and $728 million short-term debt/internal funds.
Please see Attachment M for monthly forecast source and use, and Attachment N for capital expenditure detail.

Issuance and Use of Funds from the Prior Year (2012)

Comments:

1) In 2012 the Company issued $800 million of FMBs.

2) The Company received $215 million in equity from its parent during 2012. This equity is used to re-balance the capital structure to maintain its target equity ratio, repay short term debt and fund utility capital expenditures.

3) The Company retired $646.9 million of long-term debt in 2012.
4) The Company spent approximately $1.1 billion on capital expenditures in 2012.
5) The Company used approximately $750 million internal funds/short-term debt to help finance capital expenditures.

$Millions **Financings**		**2012 Year**
Issuance: Long Term Financings		
1)	Long-Term Debt Issuances	$800.0
2)	Equity Infusions	$215.0
	Subtotal	$1,015.0
Use: Retirements/Redemptions		
3)	Long-Term Debt	$646.9
Net Financings		**$368.1**
Utility Capital Requirements		
Energy Supply		$115.6
Nuclear		$310.0
Distribution		$214.4
Transmission		$305.5
Other		$72.1
4)	Total-NSP Minnesota	$1,017.6
5)	**Short-Term Debt/Internal Funds**	**$649.5**

Planned Investments (Excluding AFUDC)

$Millions	2012				2013					
Project	2012 Year-End Estimate (a)	2012 Year-End Actuals	2012 Variance		2013 Projection as filed (a)	2013 YTD Actual Through August 31st	2013 Sept Thru Year-End Estimate	2013 Year End Estimate (May Fcst)	2013 Variance	
Energy Supply – Total	**113.7**	**115.6**	**1.9**		**105.4**	**67.0**	**51.0**	**118.0**	**12.6**	
Wind Generation										
+ Nobles (Wind Generation)	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	
+ Merricourt (Wind Generation)	0.0	0.0	0.0		0.0	-0.6	0.0	-0.6	-0.6	
- Sherco environmental	0.0	1.4	1.4		0.0	0.0	0.2	0.2	0.2	
- Black Dog repowering	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	
- Black Dog site remediation	1.1	0.9	-0.2		1.9	0.8	1.1	1.9	0.0	
- Other Energy Supply	112.6	113.4	0.8		103.5	66.8	49.7	116.5	13.0	
Nuclear - Total	**408.9**	**310.0**	**-98.8**		**533.4**	**340.4**	**221.7**	**562.1**	**28.7**	
- Prairie Island Unit 2 Generator Replacement	45.2	41.8	-3.4		156.4	45.6	112.7	158.3	1.9	
- Prairie Island Extended Power Uprate & LCM	24.5	28.8	4.3		86.0	21.6	8.7	30.3	-55.7	(d)
- Monticello Extended Power Uprate & LCM	48.7	47.0	-1.6		72.3	152.1	-10.1	142.1	69.8	(e)
- Nuclear fuel	142.2	142.4	0.2		94.9	57.8	34.6	92.4	-2.5	
- Other nuclear	148.2	50.0	-98.2	(b)	123.8	63.3	75.7	139.0	15.2	
Distribution – Total	**211.9**	**214.4**	**2.5**		**228.5**	**180.1**	**53.5**	**233.6**	**5.1**	
Gas	48.5	48.0	-0.5		46.5	34.3	17.3	51.6	5.1	
Electric	163.5	166.4	2.9		182.0	145.8	36.2	182.0	0.0	
Transmission – Total	**313.5**	**305.5**	**-8.0**		**505.5**	**250.3**	**224.1**	**474.4**	**-31.1**	
+ CapX 2020	185.9	166.6	-19.3	(c)	332.6	165.5	161.0	326.5	-6.1	
+ MN 2016 RES	0.0	0.8	0.8		0.0	0.0	0.0	0.0	0.0	
+ Big Stone-Brookings 345 kv Line	0.0	2.5	2.5		0.0	0.0	0.6	0.6	0.6	
+ South West Twin Cities	10.8	12.7	1.9		15.0	8.1	3.4	11.5	-3.5	
- other transmission	116.8	122.9	6.1		157.9	76.7	59.1	135.9	-22.0	(f)
Other	**69.7**	**72.1**	**2.4**		**69.0**	**52.6**	**45.1**	**97.7**	**28.7**	(g)
Total – NSP-Minnesota	**1,117.6**	**1,017.6**	**-100.0**	(d)	**1,441.9**	**890.4**	**595.4**	**1,485.8**	**43.9**	(h)

2012 Variance Comments

(a) 2012 year end estimate as filed in Petition dated October 26, 2012, Docket No. E,G-002/S-12-1164
b) Other nuclear underrun versus forecast of $98.2M is driven primarily by prior year spend that was written off when the EPU component of the Prairie Island Life Cycle Mgmt & Extended power Uprate project was cancelled.
(c) Lower CapX 2020 spend versus the estimate is driven by permitting delays on the CapX LaCrosse project and re-routing delays on the Fargo project
(d) Actual capital expenditures in 2012 were approximately 10% less than year-end estimates due primarily to the P.I writeoff and CAPX delays

2013 Variance Comments

(d) The extended power uprate (EPU) component of the Prairie Island LCM & EPU project was cancelled last fall
(e) Monticello Extended Power Uprate (EPU) project is above forecast but expects to be refunded on a number of invoices (negative balance)
(f) Underrun vs. forecast due to permitting delays on the Highway 212 conversion, Hollydale projects and cancellation of St Cloud project due to fire at Verso Paper Mill
(g) Other project increases of $28.7M are driven primarily by Business Systems projects to replace aging systems and support productivity initiatives
(h) Forecasted capital expenditures for 2013 are approximately $44M, or 3% above the original estimate due primarily to overruns on the Monti EPU and Business Systems investment; partially offset by the cancellation of the P.I. LCM and EPU project and lower transmission spend.

Planned Investments (Excluding AFUDC)

$Millions	2014 - 2018					
Project	Forecast as of September 2013					
	2014 (a)	2014	2015	2016	2017	2018
Energy Supply – Total	**102.2**	**115.8**	**706.8**	**96.2**	**96.6**	**101.0**
- Sherco	0.0	0.0	0.0	0.0	0.0	1.5
- Black Dog site remediation	1.9	3.4	8.2	7.4	7.4	8.2
- Wind		35.0	611.0	0.0	0.0	0.0
- Other Energy Supply	100.3	77.4	87.6	88.8	89.2	91.3
Nuclear - Total	**352.2**	**311.9**	**280.4**	**279.4**	**251.0**	**142.2**
- Prairie Island Unit 2 Generator Replacement	2.6	4.2	0.0	0.0	0.0	0.0
- Prairie Island Extended Power Uprate & LCM	70.0	18.4	50.9	17.4	0.0	0.0
- Monticello Extended Power Uprate & LCM	0.0	0.0	0.0	0.0	0.0	0.0
- Nuclear fuel	152.3	137.6	98.1	133.1	137.2	73.0
- Other nuclear	127.3	151.7	131.4	128.9	113.7	69.2
Distribution – Total	**226.8**	**232.0**	**263.6**	**272.1**	**280.7**	**283.0**
Gas	46.7	54.6	67.0	66.0	72.4	71.3
Electric	180.1	177.4	196.6	206.1	208.3	211.7
Transmission – Total	**396.7**	**336.3**	**240.5**	**181.5**	**186.5**	**219.5**
+ CapX 2020	246.2	185.0	89.6	2.4	0.0	0.0
+ Midtown-Hiawatha Project	12.4	12.3	0.1	0.0	0.0	0.0
+ Sioux Falls Northern 115kV Loop	14.0	14.0	2.8	0.0	0.0	0.0
+ Big Stone-Brookings 345 kv Line	3.2	3.6	3.3	56.9	24.5	0.0
+ South West Twin Cities	14.3	10.4	2.2	0.0	0.0	0.0
- other transmission	120.6	111.0	142.5	122.2	162.0	219.5
Other	**59.3**	**90.8**	**78.4**	**86.0**	**63.7**	**61.4**
Total – NSP-Minnesota	**1,137.2**	**1,086.8**	**1,569.8**	**915.2**	**878.5**	**807.2**

(a) 2014 as filed in Docket No. E,G002/S-12-1164, Attachment N, Page 2 of 2.

2014 Key Variances from 2014 Estimate in Docket No. E,G002/S-11-1058

1) The 2014 estimate above of $1,086.8 million is approximately $50 million lower than the$1,137.2 million forecast in Docket No. E, G002/S-8-12-1164
2) Two additional wind projects were added to the budget since the previous filing: Pleasant Valley and Borders
3) The Extended Power Uprate component of the EPU/LCM project at Prairie Island has been cancelled since the previous filing
4) The reduced forecast for CapX 2020 spend is driven by a lower cost estimate on the CapX Brookings project and a shift in the ownership percentages between NSPM and NSPW.

The forecast includes certain assumptions on project timing and approvals. As a result the forecast may change from time to time and actual results may vary from this forecast.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. E,G002/S-13-983

Dated this **18th** day of **November, 2013**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-983_S-13-983
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_13-983_S-13-983
Alison C	Archer	alison.c.archer@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_13-983_S-13-983
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-983_S-13-983
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	Suite 4800 90 S 7th St Minneapolis, MN 55402-4129	Electronic Service	No	OFF_SL_13-983_S-13-983
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-983_S-13-983
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	No	OFF_SL_13-983_S-13-983
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_13-983_S-13-983
Lloyd	Grooms	lgrooms@winthrop.com	Winthrop and Weinstine	Suite 3500 225 South Sixth Street Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_13-983_S-13-983
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_13-983_S-13-983

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-983_S-13-983
Sandra	Hofstetter	N/A	MN Chamber of Commerce	7261 County Road H Fremont, WI 54940-9317	Paper Service	No	OFF_SL_13-983_S-13-983
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_13-983_S-13-983
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	90 South 7th Street Suite #4800 Minneapolis, MN 554024129	Electronic Service	No	OFF_SL_13-983_S-13-983
Mark J.	Kaufman	mkaufman@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South Burnsville, MN 55337	Electronic Service	No	OFF_SL_13-983_S-13-983
Thomas G.	Koehler	N/A	Local Union #160, IBEW	2909 Anthony Ln Minneapolis, MN 55418-3238	Paper Service	No	OFF_SL_13-983_S-13-983
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-983_S-13-983
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_13-983_S-13-983
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_13-983_S-13-983
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_13-983_S-13-983

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-983_S-13-983
David W.	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	Suite 300 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-983_S-13-983
Joseph V.	Plumbo		Local Union 23, I.B.E.W.	932 Payne Avenue St. Paul, MN 55130	Paper Service	No	OFF_SL_13-983_S-13-983
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_13-983_S-13-983
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	OFF_SL_13-983_S-13-983
Ron	Spangler, Jr.	rlspangler@otpco.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_13-983_S-13-983
Byron E.	Starns	byron.starns@leonard.com	Leonard Street and Deinard	150 South 5th Street Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-983_S-13-983
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-983_S-13-983
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_13-983_S-13-983
SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_13-983_S-13-983

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_13-983_S-13-983