



414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

June 30, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

—Via Electronic Filing—

Re: XCEL ENERGY ELECTRIC RATE CASE
COMPLIANCE – FINAL 2014 PROPERTY TAXES
DOCKET NO. E002/GR-13-868

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed information regarding actual 2014 property taxes reflected on property tax statements received the spring of 2015 and the associated Minnesota electric jurisdictional amount in compliance with our commitment in the above-referenced proceeding.¹

Total Company 2014 property taxes reflected on property tax statements were \$186.2 million. Attachment A to this filing provides a calculation of 2014 total Company property taxes based on data from the property tax statements. The reduction in property taxes shown on the property tax statements from the year-end estimate based on Truth in Taxation notices was due to a slight overall decrease in local tax rates. The year-end accrual estimate was based on a rounded, blended effective tax rate, whereas the amount shown in Attachment A reflects the aggregation of actual, jurisdiction-specific liabilities and tax rates. Attachment B provides supporting Minnesota property tax statement information itemized by county for 2013 and 2014. The Minnesota electric jurisdictional amount of \$133.9 million is shown in Attachment C.

At hearing, the Company agreed to the Department's proposed \$9 million reduction in 2014 property tax expense to \$141 million on a Minnesota electric jurisdictional basis, subject to a true-up capped at \$145 million.² In January 2015, the Company updated its 2014 test year property taxes to be \$137 million based on Truth in Taxation notices.³

¹ Ex. 117, Duevel Opening Statement at p. 1; Tr. Vol. 1 at pp. 136-137 (Duevel); Ex. 140, Heuer Opening Statement at pp. 5-6; Tr. Vol. 3 at pp. 143-145 (Heuer).

² Ex. 117, Duevel Opening Statement at p. 1; Tr. Vol. 1 at pp. 136-137 (Duevel).

³ Xcel Energy, Compliance Filing, Sales Actual Data and Property Tax Expense Update and Related Revenue Calculations, January 16, 2015, Docket No. E002/GR-13-868.

The reduction was primarily due to the lower effective tax rate indicated in the Truth in Taxation notices, with changes to market value exclusions also having a very minor impact. At the hearing, we also agreed with the Department that if the actual 2014 property taxes reflected on the property tax statements were less than the 2014 year-end amount, we would make ongoing annual refunds of the difference (on a Minnesota electric jurisdictional basis) until filing our next rate case.⁴

Actual 2014 property taxes on a jurisdictionalized basis are \$3.1 million less than the jurisdictionalized year-end estimate of 2014 property taxes. The Company proposes to incorporate the lower amount into the 2014 and 2015 revenue requirement calculations filed in compliance with the Commission's final decision in this proceeding. This will ensure that customers will receive the full benefit of the lower tax level through a slightly higher 2014 interim refund and through the setting of final rates. This will also eliminate the need for a separate property tax refund.

We believe that the 2014 property tax true-up recommended by the Administrative Law Judge and adopted by the Commission in its May 8, 2015 Order in this proceeding worked as it was designed. The interests of both the Company and its customers were satisfied, as the Company was able to recover its costs, and customer rates will be reduced to reflect final actual costs.

We have electronically filed this document with the Minnesota Public Utilities Commission, and notice of the filing has been served on the parties on the attached service list. Please contact Anne Heuer at Anne.E.Heuer@xcelenergy.com or (612) 330-6181 if there are any questions regarding this filing.

Sincerely,

/s/

GAIL A. BARANKO
MANAGER, REGULATORY PROJECT MANAGEMENT
NSPM REGULATORY

Enclosures
cc: Service List

⁴ Ex. 451, Lusti Opening Statement at 2.

Total Company Property Taxes

	2014 FTY		DOR Valuation 2014 FTY		12/31/2014 Accrual 2014 FTY		2015 Bills - Actual 2014 FTY		Change 12/31/14 Accrual v. 2015 Bills	
	Electric	Gas	Electric	Gas	Electric	Gas	Electric	Gas	Electric	Gas
SYSTEM UNIT VALUE CALCULATION										
Plant In Service, 12/31/13 Forecast	14,138,278,741	1,145,491,394	14,103,233,870	1,149,171,616	14,103,233,870	1,149,171,616	14,103,233,870	1,149,171,616	0	0
CWIP, 12/31/13 Forecast	1,034,395,612	16,703,381	1,013,157,039	11,564,833	1,013,157,039	11,564,833	1,013,157,039	11,564,833	0	0
Depreciation, 12/31/13 Forecast	(5,728,453,987)	(554,330,691)	(5,661,161,048)	(552,930,931)	(5,661,161,048)	(552,930,931)	(5,661,161,048)	(552,930,931)	0	0
Cost Indicator of Value	\$9,444,220,366	\$607,864,084	\$9,455,229,862	\$607,805,518	\$9,455,229,862	\$607,805,518	\$9,455,229,862	\$607,805,518	0	0
Income Indicator										
2011 NOI x 25%	116,728,618	10,353,986	114,277,088	10,353,986	114,277,088	10,353,986	114,277,088	10,353,986	0	0
2012 NOI x 35%	161,077,414	10,999,807	159,041,875	10,999,807	159,041,875	10,999,807	159,041,875	10,999,807	0	0
2013 Estimated NOI x 40%	192,440,800	12,938,800	186,782,982	16,564,962	186,782,982	16,564,962	186,782,982	16,564,962	0	0
NOI to Capitalize	\$470,246,832	\$34,292,593	\$460,101,945	\$37,918,754	\$460,101,945	\$37,918,754	\$460,101,945	\$37,918,754	0	0
Capitalization Rate	7.50%	6.90%	7.60%	7.00%	7.60%	7.00%	7.60%	7.00%	0	0
Income Indicator of Value	\$6,269,957,759	\$496,994,096	\$6,053,972,955	\$541,696,500	\$6,053,972,955	\$541,696,500	\$6,053,972,955	\$541,696,500	0	0
Apply Weightings										
Cost Indicator	50/50	50/50	35/65	50/50	35/65	50/50	35/65	50/50		
Income Indicator	\$4,722,110,183	\$303,932,042	3,309,330,500	303,902,800	3,309,330,500	303,902,800	3,309,330,500	303,902,800	0	0
Total System Unit Value	\$7,857,089,063	\$552,429,090	\$7,244,412,900	\$574,751,100	\$7,244,412,900	\$574,751,100	\$7,244,412,900	\$574,751,100	0	0
ALLOCATION OF SYSTEM VALUE										
MN Plant in Service	14,327,178,570	1,061,615,618	14,277,602,009	1,060,191,240	14,277,602,009	1,060,191,240	14,277,602,009	1,060,191,240	0	0
System Plant in Service	15,172,674,353	1,162,194,775	15,116,390,909	1,160,736,449	15,116,390,909	1,160,736,449	15,116,390,909	1,160,736,449	0	0
Plant Ratio x 90%-Elec / x 75%-Gas	84.9848%	68.5093%	85.0060%	68.5034%	85.0060%	68.5034%	85.0060%	68.5034%	0	0
MN Gross Revenue	3,502,566,434	424,365,350	3,584,672,917	530,219,565	3,584,672,917	530,219,565	3,584,672,917	530,219,565	0	0
System Gross Revenue	3,859,467,664	477,544,697	4,076,481,845	596,776,679	4,076,481,845	596,776,679	4,076,481,845	596,776,679	0	0
Revenue Ratio x 10%-Elec / x 25%-Gas	9.0753%	22.2160%	8.7936%	22.2118%	8.7936%	22.2118%	8.7936%	22.2118%	0	0
MN Allocated Value Percentage	94.0600%	90.7253%	93.8000%	90.7200%	93.8000%	90.7200%	93.8000%	90.7200%	0	0
MN Allocated Value	\$7,390,379,544	\$501,193,060	\$6,795,259,300	\$521,414,200	\$6,795,259,300	\$521,414,200	\$6,795,259,300	\$521,414,200	0	0
Depreciable Plant Deductions	2,101,779,707	51,490,398	1,907,141,099	52,720,953	1,907,141,099	52,720,953	1,907,141,099	52,720,953	0	0
Land	124,159,218	3,027,835	162,613,839	3,079,867	162,613,839	3,079,867	162,613,839	3,079,867	0	0
CWIP	775,056,840	5,922,602	406,944,347	8,053,725	406,944,347	8,053,725	406,944,347	8,053,725	0	0
Other - Held for Future Use	0	0	0	0	0	0	0	0	0	0
Subtotal	3,000,995,765	60,440,835	2,476,699,284	63,854,546	2,476,699,284	63,854,546	2,476,699,284	63,854,546	0	0
Ratio - System Unit Value / Cost Indicator	83.19%	90.88%	76.62%	94.56%	76.62%	94.56%	76.62%	94.56%	0	0
DEDUCTIONS TO MN ALLOCATED VALUE	\$2,496,528,377	\$54,928,631	\$1,897,647,000	\$60,380,900	\$1,897,647,000	\$60,380,900	\$1,897,647,000	\$60,380,900	0	0
Apportionable Market Value	4,893,851,167	446,264,429	4,897,612,300	461,033,300	4,897,612,300	461,033,300	4,897,612,300	461,033,300	0	0
Sliding Scale Market Value Exclusions			185,000,000		200,000,000		199,800,828		(199,172)	0
TOTAL ASSESSED VALUE	4,893,851,167	446,264,429	4,712,612,300	461,033,300	4,697,612,300	461,033,300	4,697,811,472	461,033,300	199,172	0
Effective Tax Rate	3.500%	3.500%	3.500%	3.500%	3.300%	3.300%	3.255%	3.255%	-0.045%	-0.045%
FORECASTED PROPERTY TAX - Elec & Gas	\$171,284,791	\$15,619,255	\$164,941,431	\$16,136,166	\$155,021,206	\$15,214,099	\$152,913,763	\$15,006,634	(2,107,442)	(207,465)
Rounded	\$171,300,000	\$15,600,000	\$164,900,000	\$16,100,000	\$155,000,000	\$15,200,000	\$152,913,763	\$15,006,634	(2,086,237)	(193,366)
Total Electric & Gas		\$186,900,000		\$181,000,000		\$170,200,000		\$167,920,397		(2,279,603)
Locally Assessed		\$11,600,000		\$11,600,000		\$11,600,000		\$10,646,450		(953,550)
Wind Production		\$1,200,000		\$1,200,000		\$1,200,000		\$1,329,684		129,684
TOTAL MINNESOTA FORECASTED PROPERTY TAX		\$199,700,000		\$193,800,000		\$183,000,000		\$179,896,531		(3,103,469)
North Dakota & South Dakota Property Tax		\$6,300,000		\$6,300,000		\$6,300,000		\$6,313,983		13,983
TOTAL NSPM FORECASTED PROPERTY TAX		\$206,000,000		\$200,100,000		\$189,300,000		\$186,210,514		(3,089,486)

Support for the Calculation of Minnesota Apportionable Market Value

- A** Minn. R. 8100.0300, subp. 3 describes in part the cost indicator of value as:

The cost factor to be considered in the utility valuation formula is the original cost less depreciation of the system plant, plus the cost of improvements to the system plant, plus the original cost of all types of construction work in progress that are installed by the assessment date, plus the cost of property held for future use, plus the cost of contributions in aid of construction.

- B** Minn. R. 8100.0300, subp. 4, explains the process for calculating the income indicator of value:

The income indicator of value is estimated by weighting the capitalized net operating earnings of the utility company for the most recent three years as follows: most recent year, 40 percent; previous year, 35 percent; and final year, 25 percent. Utilities may request the removal of nonrecurring items of income or expense. The commissioner must determine if removal of the item is appropriate. The net income is capitalized by applying a capitalization rate that is computed by using the band of investment method. This method considers:

- A. the capital structure of utilities;*
- B. the cost of debt or interest rate;*
- C. the yield on preferred stock of utilities;*
- D. the yield on common stock of utilities; and*
- E. the risk-free rate, relative risk, and risk premiums for public utility companies.*

Capitalization rates are computed each year for electric companies, gas distribution companies, natural gas transmission systems, and fluid pipeline companies. The rates are recalculated each year using the method described in this subpart.

Minn. R. 8100.0100, subp. 9 defines net operating earnings as follows:

"Net operating earnings" means earnings from the system plant of the utility after the deduction of operating expenses, depreciation, and taxes, but before any deduction for interest.

Minn. R. 8100.0100, subp. 5, defines capitalization rate as:

"Capitalization rate" means the relationship of income to capital investment or value, expressed as a percentage.

- C** Minn. R. 8100.0300, subp. 5, explains the process for calculating the system unit value:

The unit value of the utility company is equal to the total of the weighted indicators of value. The total weighting must equal 100 percent. The default weightings of the indicators are: market indicator, 0 percent; cost indicator, 50 percent; income indicator, 50 percent.

- D** Minn. R. 8100.0400, subp. 2, explains the process for calculating the allocation of electric value attributable to Minnesota:

The original cost of the utility property located in Minnesota divided by the total original cost of the property in all states of operation is weighted at 90 percent. Gross revenue derived from operations in Minnesota divided by gross operations revenue from all states is weighted at ten percent.

Minn. R. 8100.0400, subp. 3, explains the process for calculating the allocation of gas value attributable to Minnesota:

The allocation of value of gas distribution companies must be made considering the same factors as are used to determine the allocation of value of electric companies. The weight given to the original cost factor is 75 percent, and gross revenue is weighted 25 percent.

- E** Minn. R. 8100.0500, subp. 1, explains the process for adjusting the valuation performed under Rule 8100.0300:

After the Minnesota portion of the unit value of the utility company, except for electric cooperatives, is determined, any property which is non-formula-assessed or which is exempt from ad valorem tax, is deducted from the Minnesota portion of the unit value. Only that qualifying property located within the state of Minnesota may be excluded.

Minn. R. 8100.0500, subp. 2, describes the types of property excluded from the valuation performed under Rule 8100.0300:

The following properties are valued by the local or county assessor and, therefore, the formula provided herein for the valuation of utility property is not applicable to such property:

- A. land;*
- B. nonoperating property; and*
- C. rights-of-way*

Minn. R. 8100.0500, subp. 3, further explains the calculation of deduction to Minnesota value:

The Minnesota portion of the unit value is reduced by the value included in the unit value of the company for land, rights-of-way, nonoperating property, and exempt property. This amount is calculated by determining the ratio of the unit value computed in part 8100.0300, subpart 5, to the cost less depreciation allowed in part 8100.0300, subpart 3. This ratio is multiplied by the cost less depreciation of the property to be deducted.

Minnesota Property Taxes 2013

COUNTY	Truth-in-Taxation Notices			Property Tax Statements		
	Total Taxes	Total Value	Blended Rate	Total Taxes	Total Value	Blended Rate
Anoka	2,780,381	67,137,700	0.041	2,771,458	67,137,700	0.041
Becker	69,808	2,517,400	0.028	68,870	2,517,400	0.027
Beltrami	96,427	2,991,500	0.032	94,338	2,991,500	0.032
Benton	1,467,197	34,756,200	0.042	1,465,140	34,756,200	0.042
Blue Earth	2,139,351	74,761,300	0.029	2,224,040	74,761,300	0.030
Brown	171,281	4,952,500	0.035	169,929	4,952,500	0.034
Carver	1,647,335	42,517,300	0.039	1,657,258	42,517,300	0.039
Cass	190,897	7,786,400	0.025	244,704	9,806,300	0.025
Chippewa	984,496	28,106,900	0.035	976,138	28,106,900	0.035
Chisago	3,463,492	80,429,300	0.043	3,453,126	80,234,800	0.043
Clay	262,077	11,548,000	0.023	260,528	11,548,000	0.023
Crow Wing	479,927	17,130,500	0.028	476,947	17,130,500	0.028
Dakota	12,819,961	356,046,900	0.036	12,886,846	356,159,500	0.036
Dodge	384,668	10,264,000	0.037	374,026	10,264,000	0.036
Douglas	230,139	6,994,400	0.033	234,312	7,633,200	0.031
Faribault	14,853	546,000	0.027	14,757	546,000	0.027
Freeborn	29,599	802,600	0.037	28,332	802,600	0.035
Goodhue	16,156,107	543,202,800	0.030	16,066,431	543,515,600	0.030
Hennepin	35,392,624	831,908,700	0.043	35,095,903	831,908,700	0.042
Houston	150,218	3,337,900	0.045	133,258	3,337,900	0.040
Hubbard	53,326	1,968,700	0.027	52,776	1,968,700	0.027
Isanti	99,428	2,673,400	0.037	99,950	2,673,400	0.037
Itasca	194,241	6,689,600	0.029	242,062	7,949,500	0.030
Jackson	594,320	26,205,400	0.023	587,186	26,205,400	0.022
Kandiyohi	419,435	11,763,800	0.036	414,142	11,763,800	0.035
Koochiching	323,370	11,191,100	0.029	326,590	11,191,100	0.029
Lac qui Parle	1,002	45,300	0.022	852	45,300	0.019
Lake of the Woods	182,330	5,244,300	0.035	182,788	5,244,300	0.035
Le Sueur	458,913	15,731,200	0.029	457,150	15,731,200	0.029
Lincoln	750,710	31,996,300	0.023	745,102	31,996,300	0.023
Lyon	933,407	36,491,200	0.026	924,190	36,491,200	0.025
Martin	131,356	6,060,400	0.022	130,892	6,060,400	0.022
McLeod	272,567	7,000,800	0.039	273,085	7,000,800	0.039
Meeker	164,064	4,149,300	0.040	161,214	4,149,300	0.039
Morrison	8,588	274,100	0.031	8,548	274,100	0.031
Mower	214,813	9,531,600	0.023	213,436	9,531,600	0.022
Murray	788,922	37,197,700	0.021	778,294	37,197,700	0.021
Nicollet	418,667	13,507,900	0.031	422,637	13,507,900	0.031
Nobles	1,290,247	55,673,800	0.023	1,271,956	55,673,800	0.023
Norman	5,604	255,100	0.022	5,503	255,100	0.022
Olmstead	276,307	7,568,800	0.037	269,025	7,568,800	0.036
Pine	225,184	6,700,900	0.034	225,126	6,700,900	0.034
Pipestone	420,183	13,871,200	0.030	411,967	13,871,200	0.030
Polk	71,306	3,523,500	0.020	71,236	3,523,500	0.020
Pope	270,117	8,311,200	0.033	265,958	8,311,200	0.032
Ramsey	22,226,251	516,362,500	0.043	22,242,700	516,362,500	0.043
Redwood	91,502	2,864,300	0.032	87,424	2,864,300	0.031
Renville	701,737	24,781,600	0.028	690,411	24,781,600	0.028
Rice	1,927,402	53,620,800	0.036	1,972,150	53,620,800	0.037
Rock	37,633	1,632,600	0.023	36,770	1,632,600	0.023
Roseau	716,102	17,586,200	0.041	707,960	17,586,200	0.040
St. Louis	853,658	25,072,300	0.034	859,364	25,346,600	0.034
Scott	2,232,715	60,496,600	0.037	2,230,428	60,496,600	0.037
Sherburne	12,449,463	436,521,200	0.029	12,256,978	436,521,200	0.028
Sibley	282,063	7,110,300	0.040	276,826	7,112,200	0.039
Stearns	4,135,855	117,660,000	0.035	4,116,894	117,713,000	0.035
Steele	60,741	1,653,700	0.037	58,738	1,653,700	0.036
Todd	99,810	2,962,100	0.034	99,452	2,962,100	0.034
Wabasha	418,158	11,898,000	0.035	415,906	11,898,000	0.035
Waseca	447,883	15,155,000	0.030	498,077	15,190,000	0.033
Washington	15,435,457	438,712,000	0.035	15,402,160	439,793,900	0.035
Watsonwan	243,173	9,089,200	0.027	244,640	9,089,200	0.027
Wilkin	2,494	96,600	0.026	2,558	96,600	0.026
Winona	904,407	28,568,500	0.032	893,229	28,568,500	0.031
Wright	14,596,451	510,733,000	0.029	14,593,120	510,732,941	0.029
Yellow Medicine	134,096	5,028,100	0.027	129,476	5,028,100	0.026
Referendums Est	800,000			<i>Reflected above</i>		
Subtotal	166,296,296	4,738,969,500	0.0351	165,053,268	4,744,565,041	0.0348

Minnesota Property Taxes 2014

COUNTY	Truth-in-Taxation Notices			Property Tax Statements		
	Total Taxes	Total Value	Blended Rate	Total Taxes	Total Value	Blended Rate
Anoka	2,768,474	70,908,200	0.039	2,768,466	70,906,800	0.039
Becker	71,072	2,618,600	0.027	70,002	2,618,600	0.027
Beltrami	94,306	3,006,600	0.031	94,727	3,006,600	0.032
Benton	1,434,807	35,114,100	0.041	1,430,722	35,114,100	0.041
Blue Earth	2,249,768	77,861,200	0.029	2,256,325	77,861,200	0.029
Brown	223,928	7,324,500	0.031	187,609	7,324,500	0.026
Carver	1,847,165	50,031,200	0.037	1,834,244	50,031,200	0.037
Cass	245,932	9,918,500	0.025	246,146	9,918,500	0.025
Chippewa	1,042,028	30,523,700	0.034	1,039,926	30,523,700	0.034
Chisago	3,451,399	82,325,900	0.042	3,441,908	82,325,900	0.042
Clay	340,074	16,204,700	0.021	338,167	16,204,700	0.021
Crow Wing	486,044	17,427,600	0.028	484,324	17,427,600	0.028
Dakota	13,877,638	389,213,500	0.036	13,868,079	389,203,500	0.036
Dodge	404,990	10,472,900	0.039	404,854	10,431,100	0.039
Douglas	1,112,778	14,771,700	0.075	430,260	14,771,700	0.029
Faribault	17,702	613,300	0.029	17,707	613,300	0.029
Freeborn	30,009	829,300	0.036	29,578	829,300	0.036
Goodhue	20,524,150	719,984,200	0.029	20,533,673	719,650,600	0.029
Grant	51,414	2,096,400	0.025	53,730	2,096,400	0.026
Hennepin	35,713,665	887,723,600	0.040	35,632,031	882,971,700	0.040
Houston	138,097	3,428,700	0.040	137,358	3,428,700	0.040
Hubbard	53,712	1,993,900	0.027	53,970	1,993,900	0.027
Isanti	105,610	2,752,400	0.038	104,668	2,752,400	0.038
Itasca	243,455	7,965,500	0.031	243,740	7,965,500	0.031
Jackson	580,956	25,750,200	0.023	578,060	25,750,200	0.022
Kandiyohi	408,667	12,004,300	0.034	407,348	12,004,300	0.034
Koochiching	328,883	11,136,900	0.030	324,172	11,136,900	0.029
Lac qui Parle	886	47,100	0.019	816	47,100	0.017
Lake of the Woods	181,897	5,218,900	0.035	190,342	5,218,900	0.036
Le Sueur	483,321	16,628,500	0.029	483,572	16,628,500	0.029
Lincoln	703,320	32,473,900	0.022	691,170	32,473,900	0.021
Lyon	1,026,102	40,856,800	0.025	1,019,614	40,856,800	0.025
Martin	138,530	6,420,400	0.022	138,430	6,420,400	0.022
McLeod	312,853	8,805,200	0.036	308,970	8,805,200	0.035
Meeker	182,261	4,671,500	0.039	181,290	4,620,100	0.039
Morrison	8,990	279,500	0.032	8,988	279,500	0.032
Mower	217,332	9,831,600	0.022	223,740	9,831,600	0.023
Murray	722,508	37,244,900	0.019	719,596	37,244,900	0.019
Nicollet	428,243	13,879,900	0.031	427,293	13,879,900	0.031
Nobles	1,219,343	57,023,600	0.021	1,246,666	57,023,600	0.022
Norman	11,566	552,500	0.021	12,210	552,500	0.022
Olmstead	312,624	8,823,900	0.035	309,579	8,363,700	0.037
Otter Tail	228,500	6,920,400	0.033	193,540	6,920,400	0.028
Pine	225,486	6,615,400	0.034	224,826	6,615,400	0.034
Pipestone	383,733	13,764,000	0.028	381,256	13,764,000	0.028
Polk	62,714	3,601,100	0.017	62,704	3,601,100	0.017
Pope	277,983	8,639,200	0.032	280,570	8,639,200	0.032
Ramsey	22,163,573	539,801,600	0.041	22,344,745	539,801,600	0.041
Redwood	470,295	21,998,900	0.021	478,606	21,998,900	0.022
Renville	902,792	35,001,500	0.026	899,873	35,001,500	0.026
Rice	1,914,110	54,803,600	0.035	1,898,190	54,803,600	0.035
Rock	37,546	1,725,600	0.022	37,368	1,725,600	0.022
Roseau	708,856	17,479,500	0.041	709,521	17,479,500	0.041
St. Louis	972,176	28,484,700	0.034	968,888	28,484,700	0.034
Scott	3,044,900	87,310,100	0.035	3,041,068	87,310,100	0.035
Sherburne	12,339,713	456,198,800	0.027	12,299,272	456,161,400	0.027
Sibley	963,411	36,861,100	0.026	1,030,558	36,861,100	0.028
Stearns	4,595,251	131,552,500	0.035	4,599,144	131,552,500	0.035
Steele	32,050	909,900	0.035	31,140	909,900	0.034
Todd	134,636	3,955,600	0.034	130,838	3,957,400	0.033
Wabasha	393,071	11,016,600	0.036	393,325	10,858,200	0.036
Waseca	470,819	14,313,700	0.033	466,545	14,313,300	0.033
Washington	15,456,218	460,370,300	0.034	15,370,502	460,667,200	0.033
Watsonwan	262,446	9,675,500	0.027	262,384	9,675,500	0.027
Wilkin	56,315	2,405,500	0.023	56,478	2,405,500	0.023
Winona	879,006	28,267,200	0.031	892,460	28,267,200	0.032
Wright	18,520,868	769,883,100	0.024	18,496,770	769,883,100	0.024
Yellow Medicine	153,773	6,071,100	0.025	152,364	6,071,100	0.025
Referendums Est	500,000					
				<i>Reflected above</i>		
Subtotal	179,946,741	5,494,386,300	0.0328	178,677,005	5,488,838,500	0.0326
Wind	1,200,000			1,329,684		
Rounded Tax Rate Estimate	1,853,259			-		
Special Assessments & Co-Ownership				(110,158)		
Grand Total	183,000,000	5,494,386,300		179,896,531	5,488,838,500	

**Property Tax Adjustment
(\$s)**

Property Tax Baseline Comparison
Excluding Rate Case Adjustments

Minnesota Electric Jurisdiction (1)

	2014 Test Year Property Tax	2014 DOC Alternative Proposal	Column A Settlement Property Tax Adjustment	2014 Accrual Update	Column B Accrual Property Tax Adjustment	2015 Bills - Actual	Column C Bills Property Tax Adjustment	Sum of Column A,B & C Net Adjustment to Test Year Property Taxes
Electric Property Taxes								
1 Production	\$ 76,598,314	\$ 72,007,762	\$ (4,590,552)	\$ 60,658,359	\$ (11,349,403)	\$ 58,841,945	\$ (1,816,414)	\$ (17,756,368)
2 Transmission	25,629,413	\$ 24,093,437	\$ (1,535,976)	\$ 29,552,328	\$ 5,458,890	\$ 29,018,066	\$ (534,261)	\$ 3,388,653
3 Distribution	47,947,000	\$ 45,073,527	\$ (2,873,473)	\$ 46,775,000	\$ 1,701,473	\$ 45,159,479	\$ (1,615,521)	\$ (2,787,521)
4 Common	0	0	0	0	0	877,436	877,436	877,436
5 Total Electric	\$ 150,174,727	\$ 141,174,727	\$ (9,000,000)	\$ 136,985,687	\$ (4,189,040)	\$ 133,896,927	\$ (3,088,760)	\$ (16,277,800)
	From Page 3	From page 2		From page 4		From page 5		

Notes:

1 All numbers on this exhibit are net of Interchange Agreement billings to NSPW.

Property Tax DOC Alternative Proposal (\$9Mil Reduction)
(\$s)

	-----2014 Property Taxes Total-----				-----NSPM Jurisdiction Total-----					MN St * IA Alloc <-Rate Case Adjustments-->			2014 Total Base Rates 13
	2014 Total Minn 1	2014 Total No Dak 2	2014 Total So Dak 3	2014 Total NSPM 4	2014 Total Minn 5	2014 Total No Dak 6	2014 Total So Dak 7	2014 Total Wholesale 8	2014 Total NSPM 9	2014 Total MN St Net of IA 10	Brookings 11	Rate Rider Removal 12	
	Electric												
1 Production	96,124,958	0	737,955	96,862,913	84,922,525	5,950,482	5,989,906	0	96,862,913	72,007,762			72,007,762
2 Transmission	30,963,079	556,521	890,246	32,409,847	28,414,653	1,991,002	2,004,193	0	32,409,847	24,093,437	1,197,000	(2,161,000)	23,129,437
3 Distribution	45,073,527	1,432,000	1,568,000	48,073,527	45,073,527	1,432,000	1,568,000	0	48,073,527	45,073,527			45,073,527
4 Common	0	0	0	0	0	0	0	0	0	0			0
5 Total Electric	172,161,565	1,988,521	3,196,201	177,346,287	158,410,705	9,373,484	9,562,098	0	177,346,287	141,174,727	1,197,000	(2,161,000)	140,210,727
Gas													
6 Production	1,298,000	13,000	0	1,311,000	1,166,111	144,889	0	0	1,311,000				
7 Transmission	1,321,000	30,000	0	1,351,000	1,321,000	30,000	0	0	1,351,000				
8 Distribution	15,481,000	933,000	0	16,414,000	15,481,000	933,000	0	0	16,414,000				
9 Common	0	0	0	0	0	0	0	0	0				
10 Total Gas	18,100,000	976,000	0	19,076,000	17,968,111	1,107,889	0	0	19,076,000				
11 Total Operating	190,261,565	2,964,521	3,196,201	196,422,287	176,378,815	10,481,373	9,562,098	0	196,422,287				

Allocators:

NSPM Company Allocators

			-----NSPM Jurisdiction Allocators----->				
			Minn	No Dak	So Dak	Wholesale	TOTAL
Electric	Production	E12CP	87.6729%	6.1432%	6.1839%	0.0000%	100.0000%
	Transmission	E12CPT	87.6729%	6.1432%	6.1839%	0.0000%	100.0000%
Gas	Production	GDDAY	88.9482%	11.0518%			100.0000%

Interchange Agreement Demand Allocators

			-----Interchange Agreement Allocators----->		
			NSPM CO	NSPW CO	TOTAL
Electric	Production	36 month CP	84.7923%	15.2077%	100.0000%
	Transmission	36 month CP	84.7923%	15.2077%	100.0000%

**Property Tax Filed
(\$s)**

	-----2014 Property Taxes Total----->				-----NSPM Jurisdiction Total----->					MN St * IA Alloc <-Rate Case Adjustments->			2014 Total Base Rates 13
	2014 Total Minn 1	2014 Total No Dak 2	2014 Total So Dak 3	2014 Total NSPM 4	2014 Total Minn 5	2014 Total No Dak 6	2014 Total So Dak 7	2014 Total Wholesale 8	2014 Total NSPM 9	2014 Total MN St Net of IA (2) 10	Rate Brookings (3) 11	Rate Rider Removal 12	
Electric													
1 Production	102,253,000	0	785,000	103,038,000	90,336,403	6,329,830	6,371,767	0	103,038,000	76,598,314			76,598,314
2 Transmission	32,937,000	592,000	947,000	34,476,000	30,226,109	2,117,930	2,131,961	0	34,476,000	25,629,413	1,197,000	(2,161,000)	24,665,413
3 Distribution	47,947,000	1,432,000	1,568,000	50,947,000	47,947,000	1,432,000	1,568,000	0	50,947,000	47,947,000			47,947,000
4 Common	0	0	0	0	0	0	0	0	0	0			0
5 Total Electric	183,137,000	2,024,000	3,300,000	188,461,000	168,509,512	9,879,760	10,071,728	0	188,461,000	150,174,727	1,197,000	(2,161,000)	149,210,727
Gas													
6 Production	1,188,000	13,000	0	1,201,000	1,068,268	132,732	0	0	1,201,000				
7 Transmission	1,209,000	30,000	0	1,239,000	1,209,000	30,000	0	0	1,239,000				
8 Distribution	14,166,000	933,000	0	15,099,000	14,166,000	933,000	0	0	15,099,000				
9 Common	0	0	0	0	0	0	0	0	0				
10 Total Gas	16,563,000	976,000	0	17,539,000	16,443,268	1,095,732	0	0	17,539,000				
11 Total Operating	199,700,000	3,000,000	3,300,000	206,000,000 (1)	184,952,780	10,975,492	10,071,728	0	206,000,000				

Notes:

- (1) Ties to the Direct Testimony of Mr. James Duevel.
(2) NSPM Company property taxes for the production and transmission functions are shared with NSPW through the Interchange Agreement and recorded in Other Revenue.
To calculate the State of Minnesota jurisdiction property taxes net of billings to NSPW, we apply the 36-month coincident peak demand allocator to the State of Minnesota jurisdiction amounts.
(3) The Brookings rate case adjustment was included in the development of the 2014 Interchange Agreement budget revenues from NSPW. As a result, the property tax amount of \$1,015,000 in the rate case does not include an Interchange Agreement offset, as that amount had been included in Interchange Agreement revenues. The \$1,197,000 property tax amount for the Brookings project shown here represents the net amount of property tax and offsetting Interchange Agreement revenues from NSPW.

Allocators:

			-----NSPM Jurisdiction Allocators----->				
			Minn	No Dak	So Dak	Wholesale	TOTAL
NSPM Company Allocators							
Electric	Production	E12CP	87.6729%	6.1432%	6.1839%	0.0000%	100.0000%
	Transmission	E12CPT	87.6729%	6.1432%	6.1839%	0.0000%	100.0000%
			Minn	No Dak			TOTAL
Gas	Production	GDDAY	88.9482%	11.0518%			100.0000%
			-----Interchange Agreement Allocators----->			TOTAL	
			NSPM CO	NSPW CO			TOTAL
Electric	Production	36 month CP	84.7923%	15.2077%			100.0000%
	Transmission	36 month CP	84.7923%	15.2077%			100.0000%

Property Tax Update Accrual Calculation

(\$)

	-----2014 Property Taxes Total-----				-----NSPM Jurisdiction Total-----					MN St * IA Alloc 2014 Total MN St Net of IA	-<Rate Case Adjustments->		Update Accrual 2014 Total Base Rates
	2014	2014	2014	2014	2014	2014	2014	2014	2014		Brookings	Rate Rider Removal	
	Total	Total	Total	Total	Total	Total	Total	Total	Total				
	Minn	No Dak	So Dak	NSPM	Minn	No Dak	So Dak	Wholesale	NSPM				
1	2	3	4	5	6	7	8	9	10	11	12	13	
Electric													
1 Production	80,811,000	0	785,000	81,596,000	71,537,579	5,012,605	5,045,815	0	81,596,000	60,658,359			60,658,359
2 Transmission	38,214,000	592,000	947,000	39,753,000	34,852,608	2,442,106	2,458,286	0	39,753,000	29,552,328	1,197,000	(2,161,000)	28,588,328
3 Distribution	46,775,000	1,432,000	1,568,000	49,775,000	46,775,000	1,432,000	1,568,000	0	49,775,000	46,775,000			46,775,000
4 Common	0	0	0	0	0	0	0	0	0	0			0
5 Total Electric	165,800,000	2,024,000	3,300,000	171,124,000	153,165,187	8,886,712	9,072,101	0	171,124,000	136,985,687	1,197,000	(2,161,000)	136,021,687
Gas													
6 Production	1,124,000	13,000	0	1,137,000	1,011,341	125,659	0	0	1,137,000				
7 Transmission	1,183,000	30,000	0	1,213,000	1,183,000	30,000	0	0	1,213,000				
8 Distribution	14,893,000	933,000	0	15,826,000	14,893,000	933,000	0	0	15,826,000				
9 Common	0	0	0	0	0	0	0	0	0				
10 Total Gas	17,200,000	976,000	0	18,176,000	17,087,341	1,088,659	0	0	18,176,000				
11 Total Operating	183,000,000	3,000,000	3,300,000	189,300,000	170,252,528	9,975,371	9,072,101	0	189,300,000				

Allocators:

			-----NSPM Jurisdiction Allocators-----				
			Minn	No Dak	So Dak	Wholesale	TOTAL
<u>NSPM Company Allocators</u>							
Electric	Production	E12CP	87.6729%	6.1432%	6.1839%	0.0000%	100.0000%
	Transmission	E12CPT	87.6729%	6.1432%	6.1839%	0.0000%	100.0000%
			Minn	No Dak			TOTAL
Gas	Production	GDDAY	88.9482%	11.0518%			100.0000%
			-----Interchange Agreement Allocators-----			TOTAL	
			NSPM CO	NSPW CO			TOTAL
Electric	Production	36 month CP	84.7923%	15.2077%			100.0000%
	Transmission	36 month CP	84.7923%	15.2077%			100.0000%

Property Tax Update Bills Calculation

(\$s)

	-----2014 Property Taxes Total----->				-----NSPM Jurisdiction Total----->					MN St * IA Alloc 2014 Total MN St Net of IA	-<Rate Case Adjustments->		Update Accrual 2014 Total Base Rates
	2014 Total Minn 1	2014 Total No Dak 2	2014 Total So Dak 3	2014 Total NSPM 4	2014 Total Minn 5	2014 Total No Dak 6	2014 Total So Dak 7	2014 Total Wholesale 8	2014 Total NSPM 9		Brookings 11	Rate Rider Removal 12	
Electric													
1 Production	78,486,938	0	665,671	79,152,609	69,395,388	4,862,503	4,894,718	0	79,152,609	58,841,945			58,841,945
2 Transmission	37,346,065	718,234	970,027	39,034,326	34,222,525	2,397,957	2,413,844	0	39,034,326	29,018,066	1,197,000	(2,161,000)	28,054,066
3 Distribution	45,159,479	1,238,884	1,851,492	48,249,855	45,159,479	1,238,884	1,851,492	0	48,249,855	45,159,479			45,159,479
4 Common	922,094	59,491	0	981,585	877,436	50,126	54,023	0	981,585	877,436			877,436
5 Total Electric	161,914,576	2,016,609	3,487,190	167,418,374	149,654,828	8,549,470	9,214,077	0	167,418,374	133,896,927	1,197,000	(2,161,000)	132,932,927
Gas													
6 Production	1,165,696	9,676	0	1,175,372	1,045,472	129,900	0	0	1,175,372				
7 Transmission	1,226,884	22,080	0	1,248,964	1,226,884	22,080	0	0	1,248,964				
8 Distribution	15,445,469	773,402	0	16,218,871	15,445,469	773,402	0	0	16,218,871				
9 Common	77,906	5,026	0	82,932	78,816	4,116	0	0	82,932				
10 Total Gas	17,915,955	810,184	0	18,726,139	17,796,641	929,498	0	0	18,726,139				
11 Total Operating	179,830,531	2,826,793	3,487,190	186,144,514	167,451,469	9,478,968	9,214,077	0	186,144,514				
Common													
Non-Utility	66,000	0	0	66,000									Total Property Tax 186,210,514
Gen Off #7045	400,000	0	0	400,000									Less Non-Utility 66,000
Bal of Comm	600,000	64,517	0	664,517									Total Operating 186,144,514
	1,066,000	64,517	0	1,130,517									
Common w/o NU	1,000,000	64,517	0	1,064,517									

Allocators:

			-----NSPM Jurisdiction Allocators----->				
			Minn	No Dak	So Dak	Wholesale	TOTAL
NSPM Company Allocators							
Electric	Production	E12CP	87.6729%	6.1432%	6.1839%	0.0000%	100.0000%
	Transmission	E12CPT	87.6729%	6.1432%	6.1839%	0.0000%	100.0000%
Gas	Production	GDDAY	88.9482%	11.0518%			100.0000%
Interchange Agreement Demand Allocators							
Electric	Production	36 month CP	84.7923%	15.2077%			100.0000%
	Transmission	36 month CP	84.7923%	15.2077%			100.0000%
3 Factor Utility Allocator(Common)							
	Electric		92.2094%				
	Gas			7.7906%			100.0000%