



**Northern States Power Company,
a Minnesota corporation
Before the
Minnesota Public Utilities Commission**

Application for Authority to
Increase Electric Rates in Minnesota
Docket No. E002/GR-15-0826

November 2, 2015

Volume 6B

Budget Documentation

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Budget Documentation

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VARIANCE EXPLANATIONS

Summary Report 1
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

Electric O&M, Customer & Sales, & A&G Expenses - Summary of 2016 Budget versus 2014 Actual

	<u>2014 Actual</u>	<u>2016 Budget</u>	<u>Change</u>	<u>Change %</u>
Production and Power Supply Expenses	\$ 579,366,227	\$ 570,661,681	\$ (8,704,546)	-1.5%
Transmission Expenses	\$ 121,902,950	\$ 159,537,644	\$ 37,634,694	30.9%
Regional Market Expenses	\$ 275,862	\$ 831,938	\$ 556,076	201.6%
Distribution Expenses	\$ 121,168,813	\$ 125,169,469	\$ 4,000,657	3.3%
Total Electric Functional O&M	\$ 822,713,851	\$ 856,200,732	\$ 33,486,881	4.1%
 Total Customer & Sales Expense	 \$ 61,291,836	 \$ 61,412,307	 \$ 120,471	 0.2%
Total Administrative & General Expenses	\$ 251,912,549	\$ 257,129,016	\$ 5,216,467	2.1%
Total Customer & Sales & Administrative & General	\$ 313,204,385	\$ 318,541,323	\$ 5,336,938	1.7%
 Total	 \$ 1,135,918,236	 \$ 1,174,742,055	 \$ 38,823,819	 3.4%

Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

	2014 Actual	2016 Budget	Change	% Change	Ref #
Steam Power Generation					
500 Operation Supervision & Engineering	5,232,228	7,490,079	2,257,851	43.2%	1
501 Steam Generation Fuel	200,556	41,607	(158,949)	-79.3%	
502 Steam Expenses	19,636,138	22,714,927	3,078,788	15.7%	2
503 Steam from Other Sources	-	-	-	0.0%	
504 Steam Transferred-Cr.	-	-	-	0.0%	
505 Electric Expenses	4,912,845	1,403,263	(3,509,582)	-71.4%	3
506 Misc. Steam Power Expenses	21,405,795	21,339,286	(66,510)	-0.3%	
507 Rents	2,889,343	3,436,780	547,437	18.9%	4
508 Steam Oper Supplies & Expense	-	-	-	0.0%	
509 Allowances	-	-	-	0.0%	
510 Maintenance Supervision & Engineering	2,884,282	2,008,848	(875,434)	-30.4%	5
511 Maintenance of Structures	8,080,768	2,784,311	(5,296,457)	-65.5%	6
512 Maintenance of Boiler Plant	41,795,530	39,704,208	(2,091,322)	-5.0%	7
513 Maintenance of Electric Plant	7,713,149	4,931,682	(2,781,466)	-36.1%	8
514 Maintenance of Misc. Steam Plant	15,094,294	18,325,365	3,231,071	21.4%	9
515 Steam Maintenance of Steam Prod Plant	-	-	-	0.0%	
Total Steam Power Generation Expenses	129,844,928	124,180,356	(5,664,572)	-4.4%	
Nuclear Power Generation					
517 Nuclear Operation Supervision & Engineering	83,284,140	75,571,512	(7,712,628)	-9.3%	10
519 Nuclear Coolants & Water	8,334,095	8,938,619	604,524	7.3%	11
520 Nuclear Steam Expense	51,321,186	51,127,449	(193,737)	-0.4%	12
523 Nuclear Electric Expense	3,438,776	2,234,575	(1,204,202)	-35.0%	13
524 Nuclear Power Misc Exp	140,169,883	145,807,328	5,637,445	4.0%	14
525 Nuclear Gen Rents	10,473,975	12,762,554	2,288,579	21.9%	15
528 Nuclear Maintenance Super & Eng	12,742,279	6,183,520	(6,558,760)	-51.5%	16
529 Nuclear Maintenance of Structures	646,661	9,368	(637,293)	-98.6%	17
530 Nuclear Maintenance of React Plant Equip	39,220,988	48,934,011	9,713,023	24.8%	18
531 Nuclear Maintenance of Electric Plant	19,309,350	13,522,861	(5,786,488)	-30.0%	19
532 Nuclear Maintenance of Misc Nuclear Plant	40,951,887	25,463,010	(15,488,877)	-37.8%	20
Total Nuclear Power Generation Expenses	409,893,219	390,554,808	(19,338,412)	-4.7%	
Hydraulic Power Generation					
535 Operation Supervision & Engineering	1,600	36,374	34,774	2173.3%	
536 Water for Power	-	-	-	0.0%	
537 Hydraulic Expenses	1,249	472	(777)	-62.2%	
538 Electric Expenses	194,687	12,000	(182,687)	-93.8%	
539 Misc. Hydraulic Power Generation Expenses	144,847	285,298	140,451	97.0%	
540 Rents	21,450	22,085	635	3.0%	
541 Maintenance of Supervision & Engineering	22,674	5,509	(17,165)	-75.7%	
542 Maintenance of Structures	122,787	22,000	(100,787)	-82.1%	
543 Maintenance of Reservoirs, Dams, & Waterways	107,611	22,000	(85,611)	-79.6%	
544 Maintenance of Electric Plant	37,579	88,144	50,564	134.6%	
545 Maintenance of Misc. Hydraulic Plant	1,643	59,713	58,071	3535.4%	
Total Hydraulic Power Generation Expenses	656,126	553,596	(102,531)	-15.6%	
Other Power Generation					
546 Operation Supervision & Engineering	1,152,385	2,179,760	1,027,375	89.2%	21
547 Other Operation Fuel	(461)	-	461	-100.0%	
548 Generation Expenses	7,034,203	7,705,895	671,692	9.5%	22
549 Misc. Other Power Generation Expenses	6,215,817	16,296,608	10,080,791	162.2%	23
550 Rents	1,191,121	1,451,085	259,964	21.8%	
551 Maintenance Supervision & Engineering	633,108	310,346	(322,762)	-51.0%	
552 Maintenance of Structures	3,903,252	3,242,151	(661,101)	-16.9%	24
553 Maintenance of Generating & Electric Plant	11,816,311	17,225,836	5,409,525	45.8%	25
554 Maintenance of Misc. Other Power Generation Plant	2,370,029	1,866,543	(503,486)	-21.2%	26
Total Other Power Generation Expenses	34,315,765	50,278,225	15,962,459	46.5%	
Other Power Supply Expenses					
556 System Control & Load Dispatching	1,339,885	1,100,394	(239,491)	-17.9%	27
557 Other Expenses	3,316,304	3,994,303	678,000	20.4%	28
Total Other Power Supply Expenses	4,656,188	5,094,697	438,509	9.4%	
Total Power Production Expenses	579,366,227	570,661,681	(8,704,546)	-1.5%	

Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

	2014 Actual	2016 Budget	Change	% Change	Ref #
Transmission Expenses					
560 Operation Supervision & Engineering	9,454,015	8,653,907	(800,108)	-8.5%	29
561 Load Dispatching	-	-	-	0.0%	
561.1 Load Dispatch-Reliability	52,216	48,011	(4,204)	-8.1%	
561.2 Load Dispatch-Monitor and Operate Transmission System	6,039,176	6,994,767	955,591	15.8%	30
561.3 Load Dispatch-Transmission Service & Scheduling	48,570	25,715	(22,855)	-47.1%	
561.4 Scheduling, System control & Dispatching Services	-	-	-	0.0%	
561.5 Reliability, Planning, and Standard Development	503,377	926,982	423,605	84.2%	31
561.6 Transmission Service Studies	120	38,085	37,966	31698.9%	
561.7 Generation Interconnection Studies	406,950	242,501	(164,449)	-40.4%	32
561.8 Rel/Plan/Standards Development Services	1,974,994	2,159,160	184,166	9.3%	33
562 Station Expenses	1,370,580	1,869,816	499,236	36.4%	34
563 Overhead Lines Expense	2,902,019	2,467,151	(434,868)	-15.0%	35
564 Underground Lines Expense	10,331	804	(9,527)	-92.2%	
565 Transmission of Electricity by Others	13	-	(13)	-100.0%	
566 Misc. Transmission Expenses	81,274,531	117,130,556	35,856,025	44.1%	36
567 Rents	2,214,599	2,356,712	142,113	6.4%	
568 Maintenance Supervision & Engineering	128,951	122,444	(6,507)	-5.0%	
569 Maintenance of Structures	-	-	-	0.0%	
570 Maintenance of Station Equipment	6,663,585	7,715,399	1,051,814	15.8%	37
571 Maintenance of Overhead Lines	8,504,553	8,544,818	40,265	0.5%	
572 Maintenance of Underground Lines	186,883	219,019	32,136	17.2%	
573 Maintenance of Misc. Transmission Plant	167,488	21,797	(145,690)	-87.0%	
Total Transmission Expenses	121,902,950	159,537,644	37,634,694	30.9%	
Regional Market Expenses					
575.1 Operation Supervision	182,346	207,941	25,595	14.0%	
575.2 Day-Ahead & Real-Time Market Admin	50,292	386,397	336,106	668.3%	38
575.3 Transmission Rights Market Admin	-	-	-	0.0%	
575.5 Ancillary Serv Mkt Admin	6,658	180,876	174,218	2616.6%	
575.6 Mkt Monitoring/Compliance	21,544	39,058	17,514	81.3%	
575.7 Market Administration Monitoring & Compl Srvc	-	-	-	0.0%	
575.8 Rents	15,022	17,666	2,644	17.6%	
Total Regional Market Expenses	275,862	831,938	556,076	201.6%	
Distribution Expenses					
580 Operation Supervision & Engineering	10,863,731	10,095,196	(768,535)	-7.1%	39
581 Load Dispatching	6,591,431	7,645,232	1,053,801	16.0%	40
582 Station Expenses	2,359,426	3,020,231	660,805	28.0%	41
583 Overhead Lines Expense	650,070	1,722,617	1,072,546	165.0%	42
584 Underground Lines Expense	5,048,209	7,003,743	1,955,534	38.7%	43
585 Street Lighting & Signal System Expenses	1,942,074	1,825,055	(117,019)	-6.0%	
586 Meter Expenses	2,433,924	3,220,186	786,262	32.3%	44
587 Customer Installations Expenses	3,140,227	4,102,902	962,675	30.7%	45
588 Misc. Expenses	15,307,226	18,086,878	2,779,652	18.2%	46
589 Rents	3,788,499	4,267,658	479,159	12.6%	47
590 Maintenance Supervision & Engineering	471,625	439,486	(32,139)	-6.8%	
591 Maintenance of Structures	9	-	(9)	-100.0%	
592 Maintenance of Station Equipment	8,814,861	8,061,380	(753,481)	-8.5%	48
593 Maintenance of Overhead Lines	42,460,734	39,080,420	(3,380,313)	-8.0%	49
594 Maintenance of Underground Lines	12,600,803	12,939,279	338,475	2.7%	
595 Maintenance of Line Transformers	3,098,907	2,595,297	(503,610)	-16.3%	50
596 Maintenance of Street Lighting & Signal Systems	1,495,473	909,230	(586,243)	-39.2%	51
597 Maintenance of Meters	84,838	153,910	69,072	81.4%	
598 Maintenance of Misc. Distribution Plant	16,744	770	(15,974)	-95.4%	
Total Distribution Expenses	121,168,813	125,169,469	4,000,657	3.3%	
Total Electric Functional O&M	822,713,851	856,200,732	33,486,881	4.1%	

Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
500	Operation Supervision & Engineering	
	Labor: Overall, Energy Supply labor is down by (\$2.6M), with 2 years of merit increases offset by reduced headcount at coal plants (Black Dog 3&4 is the largest driver). On a FERC basis, increases in accounts 500,506,546, 548, and 553 are offset by decreases in accounts 505,510, 511, and 512.	1,258
	Inventory write-offs for the entire region budgeted in 2016 in FERC 500. Actual spending in 2014 occurred in other FERC accounts (506,514,549,554).	546
	Consulting costs at AS King (2016 costs budgeted in FERC 500, while 2014 actuals costs hit FERC accounts 511 and 512 based on the nature of the work planned).	420
	Other	34
1	Total 500 Operation Supervision & Engineering	2,258
502	Steam Expenses	
	Sherco environmental fees are higher in 2016 due to the extended outage at Unit 2 in 2012-2013. Since fees are based on emission output of the two previous years, 2014 costs were lower based on the partial years of operation in 2012 and 2013; as opposed to 2016, which will be based on full years of operation in 2014 and 2015.	3,046
	Increased chemical usage at Sherco due to no scheduled 2016 overhaul at Sherco 3 and new emissions control equipment installed in 2015 at Sherco 1 & 2.	2,222
	Reduced chemical usage at AS King, offset by increases in FERC 514.	(3,844)
	Labor: Labor Increases (primarily 2 years of 3% merit increases) at all plants but Black Dog.	3,212
	Cessation of Coal operations at Black Dog in April 2015.	(2,900)
	Contract outside vendor and material costs primarily at Sherco and A.S. King plants increased based on the nature of the work planned.	853
	Other	490
2	Total 502 Steam Expenses	3,079
505	Electric Expenses	
	Labor: Overall, Energy Supply labor is down by (\$2.6M), with 2 years of 3% merit increases offset by reduced headcount at coal plants (Black Dog 3&4 is the largest driver). On a FERC basis, increases in 500,506,546, 548, and 553 are offset by decreases in 505,510, 511, and 512	(3,604)
	Other	94
3	Total 505 Electric Expenses	(3,510)
507	Rents	
	Rent increases are driven by the 401 Nicollet building, but also impacted by shifts between the various Rent FERCs based on shifts in labor costs across the organization	547
4	Total 507 Rents	547
510	Maintenance Supervision & Engineering	
	Labor: Overall, Energy Supply labor is down by (\$2.6M), with 2 years of 3% merit increases offset by reduced headcount at coal plants (Black Dog 3&4 is the largest driver). On a FERC basis, increases in accounts 500,506,546, 548, and 553 are offset by decreases in accounts 505,510, 511, and 512.	(506)
	Other - lower contractor costs at King, Sherco and Pit Eng and Tech Support group	(369)
5	Total 510 Maintenance Supervision & Engineering	(875)

Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
511	Maintenance of Structures	
	Labor: Overall, Energy Supply labor is down by (\$2.6M), with 2 years of 3% merit increases offset by reduced headcount at coal plants (Black Dog 3&4 is the largest driver). On a FERC basis, increases in accounts 500,506,546, 548, and 553 are offset by decreases in accounts 505,510, 511, and 512.	(2,935)
	AS King: Lower non-labor costs driven by the major outage in 2014 (partially offset by increases in FERC 500 based on the nature of the work completed between periods).	(1,263)
	Black Dog: Lower non-labor costs (primarily contractors and materials) driven by the shutdown of coal units.	(665)
	Other	(433)
6	Total 511 Maintenance of Structures	(5,296)
512	Maintenance of Boiler Plant	
	Labor: Overall, Energy Supply labor is down by (\$2.6M), with 2 years of 3% merit increases offset by reduced headcount at coal plants (Black Dog 3&4 is the largest driver). On a FERC basis, increases in account 500,506,546, 548, and 553 are offset by decreases in accounts 505,510, 511, and 512.	(2,523)
	Sherco: Sherco 2 outage budgeted in 2016 (partially offset by decreases in FERC accounts 513 and 514).	5,532
	AS King: Lower non-labor costs driven by the major outage in 2014 (partially offset by decreases in FERC 500 and 502, based on the nature of the work completed between periods).	(1,999)
	Black Dog: Lower non-labor costs driven by the shutdown of coal units.	(1,106)
	Red Wing: Lower non-labor costs driven by a larger overhaul in 2014 than in 2016.	(1,440)
	Other	(555)
7	Total 512 of Boiler Plant	(2,091)
513	Maintenance of Electric Plant	
	AS King reductions (labor, chemicals, and materials).	(951)
	Black Dog reductions (labor, contractors, materials and chemicals).	(543)
	Sherco: Sherco 2 outage budgeted in 2016 is higher than the Unit 3 outage 2014 (offset by increase in FERC 512).	(1,392)
	Other	105
8	Total 513 Maintenance of Electric Plant	(2,781)
514	Maintenance of Misc. Steam Plant	
	Chemical costs of \$4,945 at the A.S. King plant were budgeted to FERC 514. However, the 2014 actual chemical costs of \$3,844 were recorded in FERC 502. The higher costs at A.S. King are driven by shorter periods of plant shut down time that results from a planned six week outage rather than a fourteen week outage that occurred in 2014.	4,945
	Materials expenses at the Sherco plant are reduced (\$1,478) in 2016 due to 2014 spend on staging materials in preparation for the Unit 1 overhaul in 2015.	(1,478)
	Black Dog: Lower non-labor costs driven by the shutdown of coal units.	(296)
	Red Wing: Lower non-labor costs driven by a larger overhaul in 2014 than in 2016.	(311)
	Other	371
9	Total 514 Maintenance of Misc. Steam Plant	3,231

**Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric**

**FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual**

Ref #	Electric O&M	Variance
517	Nuc Oper Super & Eng	
	Nuclear Generation non-outage cost decreased (\$5,653K) primarily due to forced outages in 2014 of \$5,256K. Contract Services increased in 2014 for unanticipated forced outages and regulatory inspection work (\$6,566K). This is partially offset by sales tax refund credits recorded to O&M in 2014 within Nuclear Generation \$848K. These are now reflected as an exemption at the time materials are purchased. Reduced employee expenses also contribute to the underrun.	(5,653)
	Benefits were reduced (\$1,898K) due to lower annual incentive costs resulting from the 2016 budget reflecting 100% target levels vs. 2014 actuals being accrued at higher than target levels (\$949K) and reduced restricted stock units (\$868K).	(1,898)
	Higher nuclear outage amortization expenses of \$133K in the 2016 budget as compared to 2014 actual costs. Lower amortization is reflected in various other nuclear FERC accounts. (2016 budget amortization \$6,643K versus 2014 amortization \$6,510K).	133
	Other	(295)
10	Total 517 Nuc Oper Super & Eng	(7,713)
519	Nuclear Coolants & Water	
	Nuclear generation non-outage cost increase of \$1,100K is primarily due to increased labor of \$700K resulting from increased headcount to fully staff the plants and merit increases in 2015 and 2016. In addition, non-outage materials cost increased at the Prairie Island plant \$351K.	1,100
	Lower nuclear outage amortization expenses of (\$495K) in the 2016 budget as compared to 2014 actual costs. Most of the decrease in amortization is due to the larger scope of the 2013 Prairie Island #2 and Monticello outages, which were amortized in 2014. (2016 budget amortization \$813K versus 2014 amortization \$1,308K).	(495)
11	Total 519 Nuclear Coolants & Water	605
520	Nuclear Steam Expenses	
	Nuclear Generation non-outage cost increased \$3,666K primarily due to labor cost increases of \$3,562. The increased labor costs are due to the 2014 Operator Licensing Class labor being included in Operations Support FERC 523 until the class graduated. Once the class graduated the expenses were moved to Shift Operations FERC 520 \$1,017K. Also the 2016 Shift Operations Budget is reflected in FERC 520, but 2014 actual costs went to FERC 520, 523, 530 and 532.	3,666
	Lower nuclear outage amortization expenses of (\$3,743K) in the 2016 budget as compared to 2014 actual costs. The lower outage amortization cost is due to the 2013 Prairie Island #2 and Monticello outage (amortized in 2014) being of a larger scale than their respective 2015 outages (amortized in 2016). (2016 budget amortization \$7,873K versus 2014 amortization \$11,616K).	(3,743)
	Other	(117)
12	Total 520 Nuclear Steam Expenses	(194)
523	Nuclear Electric Expense	
	Nuclear Generation non-outage cost decreased (\$1,255K). Expenses related to the 2014 Operator Licensing Class were included in FERC 523 until such time of class graduation. The 2016 class expenses have been budgeted in FERC 520 (\$1,017K).	(1,255)
	Other	51
13	Total 523 Nuclear Electric Expense	(1,204)

**Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric**

**FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual**

Ref #	Electric O&M	Variance
524	Miscellaneous Nuclear Power Expenses	
	Nuclear Generation non-outage cost increased \$10,112K. Contract Services costs increased \$3,441 primarily due to the increase in security costs and net forced outage and regulatory inspection costs. Amounts budgeted in FERC 524 and the actual costs came in to FERC accounts 517, 520, 524, 530 and 532. Regulatory fees increased \$3,544K. This increase is driven by the \$2,500K budgeted payments that are required to be made to the PI tribal community. The actual payments in 2014 were \$1,450K and were included in FERC 928. They have shifted to FERC 524 in the 2016 budget and the amount has also increased by \$1,050K due to a new agreement. In addition, FEMA/state emergency preparedness fees have increased from 2014 to 2016. Finally, labor costs have increased \$2,571K due to increased headcount to full staffing levels and 3% merit increases in 2015 and 2016.	10,112
	Business System costs were reduced by (\$624K). The decrease was driven by lower contract labor costs for application delivery and reduced software purchases partly offset by additional software maintenance costs.	(624)
	Lower nuclear outage amortization expenses of (\$3,976K) in the 2016 budget as compared to 2014 actual costs. Most of the decrease in amortization is due to the larger scope of the 2013 Prairie Island #2 and Monticello outages, which were amortized in 2014. (2016 budget amortization \$3,139K versus 2014 amortization \$7,115K).	(3,976)
	Other	125
14	Total 524 Miscellaneous Nuclear Power Expenses	5,637
525	Nuclear Generation Rents	
	Rent increases are driven by the 401 Nicollet building, but also impacted by shifts between the various Rent FERCs based on shifts in labor costs across the organization.	2,268
	Other	21
15	Total 525 Rents	2,289
528	Nuc Maint Super & Eng	
	Nuclear non-outage costs decreased (\$360K) primarily due to reduced labor costs budgeted to this FERC account.	(360)
	Lower nuclear outage amortization expenses of (\$6,195K) in the 2016 budget as compared to 2014 actual costs. Most of the decrease in amortization is due to the larger scope of the 2013 Prairie Island #2 and Monticello outages, which were amortized in 2014. (2016 budget amortization \$2,476K versus 2014 amortization \$8,672K).	(6,195)
	Other	(4)
16	Total Nuc Maint Super & Eng	(6,559)
529	Nuclear Maint of Structures	
	Nuclear Generation non-outage cost decreased (\$466K) due to no material expenses budget within this FERC account in 2016.	(466)
	Lower nuclear outage amortization expenses of (\$171K) in the 2016 budget as compared to 2014 actual costs. Most of the decrease in amortization is due to the larger scope of the 2013 Prairie Island #2 and Monticello outages, which were amortized in 2014. (2016 budget amortization \$9K versus 2014 amortization \$181K).	(171)
17	Total 529 Nuclear Maint of Structures	(637)
530	Nuclear Mtc of React Plt Equip	
	Nuclear Generation non-outage cost increased \$2,174K due to budgeting mechanical maintenance material costs and labor costs in FERC 530 while the 2014 actual costs were recorded to other FERC accounts based on the type of work. The increase in FERC 530 is offset by decreases in FERC accounts 531 and 532.	2,174
	Higher nuclear outage amortization expenses of \$7,540K in the 2016 budget as compared to 2014 actual costs. Offsetting the higher amortization in this FEC account are lower costs amortization costs reflected in various other nuclear FERC accounts. (2016 budget amortization \$27,401K versus 2014 amortization \$19,862).	7,540
	Other	(1)
18	Total 530 Nuclear Mtc of React Plt Equip	9,713

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2016 Budget vs. 2014 Actual
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NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
531	Nuclear Maint of Elect Plant	
	Nuclear Generation non-outage cost decreased (\$1,886K) due to budgeting mechanical maintenance material costs and labor costs in FERC 530 while the 2014 actual costs were recorded to other FERC accounts based on the type of work. The decrease in FERC 531 is offset by the increase in FERC 530. In addition, non-outage material costs in FERC 531 were reduced due to increased cooling tower and pump work done in 2014.	(1,886)
	Lower nuclear outage amortization expenses of (\$3,858K) in the 2016 budget as compared to 2014 actual costs. Most of the decrease in amortization is due to the larger scope of the 2013 Prairie Island #2 and Monticello outages, which were amortized in 2014. (2016 budget amortization \$6,909K versus 2014 amortization \$10,768K).	(3,858)
	Other	(42)
19	Total 531 Nuclear Mtc of Elect Plant	(5,786)
532	Nuclear Mtc of Misc Nuc Plant	
	Nuclear Generation non-outage cost decreased (\$7,144K) primarily due to forced outages in 2014 of \$5,410K. Contract Services decreased (\$1,486K) and labor decreased (\$3,228K) primarily related to the unanticipated force outages and regulatory inspection work in 2014. Materials costs also decreased (\$2,262K) primarily related to the unanticipated force outages and regulatory inspection work in 2014. In addition, Mechanical Maintenance materials are budgeted in FERC 530. Actuals come through to the proper FERC based on the type of work. This decrease in FERC 532 is primarily offset by decreases in FERC 530.	(7,144)
	Lower nuclear outage amortization expenses of (\$8,352K) in the 2016 budget as compared to 2014 actual costs. Most of the decrease in amortization is due to the larger scope of the 2013 Prairie Island #2 and Monticello outages, which were amortized in 2014. (2016 budget amortization \$14,308K versus 2014 amortization \$22,660K).	(8,352)
	Other	7
20	Total 532 Nuclear Mtc of Misc Nuc Plant	(15,489)
546	Operation Supervision & Engineering	
	Labor: Overall, Energy Supply labor is down by (\$2.6M), with 2 years of 3% merit increases offset by reduced headcount at coal plants (Black Dog 3&4 is the largest driver). On a FERC basis, increases in accounts 500,506,546, 548, and 553 are offset by decreases in accounts 505,510, 511, and 512.	1,076
	Other	(49)
21	Total 546 Operation Supervision & Engineering	1,027
548	Generation Expenses	
	Labor: Overall, Energy Supply labor is down by (\$2.6M), with 2 years of 3% merit increases offset by reduced headcount at coal plants (Black Dog 3&4 is the largest driver). On a FERC basis, increases in accounts 500,506,546, 548, and 553 are offset by decreases in accounts 505,510, 511, and 512.	1,998
	Lower wind materials costs which are offset in FERC 553. These are FERC shifts related to the end of the Nobles warranty period.	(900)
	Shift of non-labor costs between FERCs 548 and 549 at High Bridge based on nature of work completed.	(408)
	Other	(18)
22	Total 548 Total Generation Expenses	672
549	Misc. Other Power Generation Expenses	
	Increased wind maintenance and easement costs related to Pleasant Valley (operational end of 2015), Borders (operational at the end of 2015) and Courtenay (operational 2016) wind farms.	8,796
	Riverside - shift of non-labor costs between FERCs 549, 552 and 553 based on nature of work between periods. Overall non-labor costs for this plant are down (\$217K) across all FERC accounts.	676
	Shift of non-labor costs between FERC accounts 548 and 549 at High Bridge based on nature of work completed.	444
	Other	165
23	Total 549 Misc. Other Power Generation Expenses	10,081

Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
552	Maintenance of Structures	
	Riverside - shift of non-labor costs between FERC accounts 549, 552 and 553 based on nature of work between periods. Overall non-labor costs for this plant are down (\$217K) across all FERC accounts.	(394)
	Other	(267)
24	Total 552 Maintenance of Structures	(661)
553	Maintenance of Generating & Electric Plant	
	Increased wind maintenance costs related to Pleasant Valley and Borders wind farms becoming operational at the end of 2015. Nobles warranty period expires at the end of 2014 so higher material maintenance costs.	6,308
	Labor: Overall, Energy Supply labor is down by (\$2.6M), with 2 years of 3% merit increases offset by reduced headcount at coal plants (Black Dog 3&4 is the largest driver). On a FERC basis, Energy Supply labor costs within this FERC account 553 have increased \$1,261K. Increases in accounts 500,506,546, 548, and 553 are offset by decreases in accounts 505,510, 511, and 512.	1,261
	Change in non-labor at the Angus Anson plant due to change in scope of overhauls between years, as well as non-labor work plan (\$1,200K).	(1,200)
	Riverside - shift of non-labor costs between FERC accounts 549, 552 and 553 based on nature of work between periods. Overall non-labor costs for this plant are down (\$217K) across all FERC accounts.	(831)
	Other	(128)
25	Total 553 Maintenance of Generating & Electric Plant	5,410
554	Maintenance of Misc. Other Power Generation Plant	
	Energy Supply reflects a (\$505K) decrease in budgeted costs. The decrease is due to a shift in the scope of work at Grand Meadows and Nobles wind farms of (\$633K). Offsets are included in FERC accounts 549 and 553.	(633)
	Other	130
26	Total 554 Maintenance of Misc. Other Power Generation Plant	(503)
556	System Control and Load Dispatching	
	The decrease is due to reduced Commercial Operations labor costs for Energy Trading.	(229)
	Other	(10)
27	Total 556 System Control and Load Dispatching	(239)
557	Other Expenses	
	The supplemental incentive plan costs for the trading group within Commercial Operations were are higher in 2014 actual relative to the 2016 budget. The plan fluctuates due to trading margins. Supplemental incentive plan costs are excluded from the filing.	989
	The Chief Administrative Office costs decreased due to reduced consulting costs associated with resource planning.	(138)
	Other	(173)
28	Total 557 Other Expenses	678
560	Operation Supervision & Engineering	
	Transmission System Operations costs decreased \$800K due primarily to lower contractor costs driven by the completion of system protection engineering compliance activities in 2014 (\$1,215K), and shifting budgeted 2016 work scope expenses to FERC account 570 - Transmission Maintenance of Station Equipment \$496K.	(800)
29	Total 560 Operation Supervision & Engineering	(800)

**Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric**

**FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual**

Ref #	Electric O&M	Variance
	561.2 Load Dispatch-Monitor and Operate Transmission System	
	Increased Business Systems costs related to contractual increases on existing software agreements, increased demand due to enterprise system upgrades and replacement projects requiring software maintenance to support the systems used for monitoring and operating the transmission system.	1,049
	Other	(93)
30	Total 561.2 Load Dispatch-Monitor and Operate Transmission System	956
	561.5 Reliability, Planning, and Standard Development	
	Transmission labor costs increased due primarily to support studies, policy requirements and system protection. Additional consulting and travel costs for FERC Order 1000 requirements for regional planning and inter-regional planning and competition. This increase is partially offset by reductions in other FERC accounts.	353
	Other	71
31	Total 561.5 Reliability, Planning, and Standard Development	424
	561.7 Generation Interconnection Studies	
	Transmission consulting costs decreased (\$227K) due to anticipated reduction of Generation Interconnection study related costs. Transmission labor cost in this account increased \$58K due primarily to two years of annual 3% merit increases.	(169)
	Other	5
32	Total 561.7 Generation Interconnection Studies	(164)
	561.8 Reliability, Planning and Standards Development Services	
	The variance is driven by increased regulatory assessment fees associated with NERC and MRO.	184
33	Total 561.8 Reliability, Planning and Standards Development Services	184
	562 Station Expenses	
	Increased Transmission labor \$221K and consulting \$155K due to substation compliance maintenance requirements. This increase is partially offset by reductions in other FERC accounts.	376
	Other	123
34	Total 562 Station Expenses	499
	563 Overhead Lines Expense	
	The transmission area costs decreased (\$519K) for transmission construction contractor costs. Transmission labor cost in this account increased \$98K due primarily to two years of annual 3% merit increases. This reduction partially offsets increased expenses within FERC 562.	(421)
	Other	(14)
35	Total 563 Overhead Lines Expense	(435)
	566 Misc. Transmission Expenses	
	Transmission Interchange expense - increased costs driven primarily by the in-servicing of significant transmission investment in NSPW.	35,189
	Maintenance work plan items increase to ensure on-going maintenance schedule is preserved.	667
36	Total 566 Misc. Transmission Expenses	35,856

Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
570	Maintenance of Station Equipment	
	The Transmission business area cost increased \$816K. EUC Contracting increased \$300K for maintenance of substation equipment. Substation labor, overtime per diem and contractor costs increased for additional cost due to system expansion to maintain NERC compliance on the bulk electric system; increased apprenticeship program to ensure compliance on expanding system and to perpetuate the knowledge of highly skilled Relay Technicians \$500K.	816
	Distribution Operations labor increased for better alignment of work performed.	231
	Other	5
37	Total 570 Maintenance of Station Equipment	1,052
575.2	Day-Ahead & Real-Time Market Admin	
	Merit increase and incremental headcount for Commercial (Power) Operations real time traders.	300
	Other	36
38	Total 575.2 Day-Ahead and Real-Time Market Admin	336
580	Operation Supervision & Engineering	
	Distribution Operations costs decreased (\$340K). The decrease is due primarily to incremental materials costs in 2014 for small tools and one-time purchases for engineering (\$750K), partially offset by increased labor cost due to two years of annual 3% merit increases, \$250K.	(340)
	Transmission Substation Operations and Maintenance costs decreased (\$453K). Labor costs are reduced due primarily to shifting 2016 costs to various other FERC accounts (\$280K). Consulting costs are reduced due primarily by completion of system protection engineering compliance activities in 2014 (\$235K).	(453)
	Other	24
39	Total 580 Operation Supervision & Engineering	(769)
581	Load Dispatching	
	Distribution Operations cost increased \$564K. The overall increase is due primarily to annual labor merit increases and filling vacant positions \$612K.	564
	Business Systems cost increased by \$ 487K. The overall increase is due primarily to two years of annual labor merit increases \$182K, contractual labor increases \$202K and hardware and software maintenance cost increases \$115K.	487
	Other	3
40	Total 581 Load Dispatching	1,054
582	Station Expenses	
	Transmission substation maintenance labor costs increased \$770K due to two years of annual 3% merit increases, filling of vacant positions and to shifting from FERC 592 due to work scope changes.	770
	Other	(109)
41	Total 582 Station Expenses	661
583	Overhead Lines Expense	
	Incremental increase for the Pole Inspection Program that identifies priority 1 and priority 2 poles for potential replacements (contractor costs).	900
	Incremental increase for transformer change-outs.	200
	Other	(27)
42	Total 583 Overhead Lines Expense	1,073

Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
	584 Underground Lines Expense	
	Gas System contractor costs increased due primarily to vendor price increases and increased damage prevention ticket volume assumptions.	1,128
	Distribution Operations and Gas Systems labor costs increased due primarily to two years of 3% annual merit increases, and filling vacant positions.	394
	Distribution Operations materials costs increased due primarily increased underground maintenance work.	240
	Other	194
43	Total 584 Underground Lines Expense	1,956
	586 Meter Expenses	
	The Distribution Operations costs increased \$400K for incremental new meter sets based on new business assumptions. Labor costs increased \$584K due primarily to two years of 3% annual merit increases and filling vacant positions.	984
	Other	(198)
44	Total 586 Meter Expenses	786
	587 Customer Installations Expenses	
	2014 Reversal of CIAC credit adjustment between revenue and capital booked incorrectly against O&M.	435
	Labor increase driven by 3% annual merit increases in 2015 and 2016 and filling vacant positions.	632
	Other	(104)
45	Total 587 Customer Installations Expenses	963
	588 Misc. Expenses	
	The increase is due to a shift, from FERC 593 Maintenance of Overhead Lines, of contractor costs for Pole Replacements based on a formal pole inspection program which programmatically identifies poles in need of replacement, \$2,200K.	2,200
	Fleet costs increased \$592K due to increased base rates driven by fuel, maintenance and materials due to the nature of the business.	592
	Other	(12)
46	Total 588 Misc. Expenses	2,780
	589 Rents	
	Rent increases are driven by the 401 Nicollet building, but also impacted by shifts between the various Rent FERC accounts based on shifts in labor costs across the organization.	479
47	Total 589 Rents	479
	592 Maintenance of Station Equipment	
	Distribution Operations labor cost decreased due primarily to shifting from various FERC accounts due to work scope changes.	(285)
	Transmission Substation Operations and Maintenance costs decreased (\$325K), net of Substation Construction intercompany billing credits to FERC 592. The net cost reduction is due primarily to shifting of costs to various other FERC accounts due to work scope changes.	(325)
	Other	(143)
48	Total 592 Maintenance of Station Equipment	(753)

Functional FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
593	Maintenance of Overhead Lines	
	The decrease is due to reduced Vegetation Management contractor costs based on budget assumptions and cycle plans, (\$1,200K).	(1,200)
	Contractor costs for Pole Replacements are reduced due to a shift from this account to FERC 588 Miscellaneous Distribution Expenses (2,200K).	(2,200)
	Other	20
49	Total 593 Maintenance of Overhead Lines	(3,380)
595	Maintenance of Line Transformers	
	Distribution Operations costs decreased (\$355K). Labor costs decreased (\$133K) due shifting to other FERC accounts based on work scope changes. Materials costs decreased (\$185K) due to expected reduction of corrective maintenance due to increased preventive maintenance.	(355)
	Transmission Field Operations costs decreased (\$146K) due to reduction of materials due to expected reduction of corrective maintenance due to increased preventive maintenance.	(146)
	Other	(3)
50	Total 595 Maintenance of Line Transformers	(504)
596	Maintenance of Street Lighting & Signal Systems	
	Distribution Operations costs decreased based on expected reduction in contract outside vendor costs for street light maintenance.	(570)
	Other	(16)
51	Total 596 Maintenance of Street Lighting & Signal Systems	(586)

Customer, Sales, and Administrative and General FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

	2014 Actual	2016 Budget	Change	% Change	Ref #
Customer Accounts Expenses					
901 Supervision	148,797	136,706	(12,091)	-8.1%	
902 Meter Reading Expenses	18,585,668	19,428,127	842,460	4.5%	1
903 Customer Records & Collection Expenses	25,068,497	25,612,808	544,312	2.2%	2
904 Uncollectible Accounts	14,244,378	13,498,727	(745,650)	-5.2%	3
905 Misc. Customer Accounts Expenses	30	30	(0)	-0.6%	
Total Customer Accounts Expenses	58,047,369	58,676,399	629,030	1.1%	
Customer Service & Informational Expenses					
907 Supervision	-	-	-	0.0%	
908 Customer Assistance Expenses	2,163,696	1,680,964	(482,733)	-22.3%	4
909 Informational & Instructional Expenses	1,071,761	1,047,765	(23,996)	-2.2%	
910 Misc. Customer Service & Informational Expenses	-	-	-	0.0%	
Total Customer Service & Info Expenses	3,235,457	2,728,729	(506,728)	-15.7%	
Sales Expenses					
911 Supervision	-	-	-	0.0%	
912 Demonstrating & Selling Expenses	9,009	7,179	(1,830)	-20.3%	
913 Advertising Expenses	-	-	-	0.0%	
916 Misc. Sales Expenses	-	-	-	0.0%	
Total Sales Expenses	9,009	7,179	(1,830)	-20.3%	
Total Customer & Sales Expenses	61,291,836	61,412,307	120,471	0.2%	
Administrative and General Expenses					
920 Administrative & General Salaries	66,302,481	69,383,272	3,080,791	4.6%	5
921 Office Supplies & Expenses	52,446,695	55,429,063	2,982,368	5.7%	6
922 Administrative Expenses Transferred-Credit	(34,406,201)	(46,107,105)	(11,700,904)	34.0%	7
923 Outside Services Employed	23,331,471	24,224,677	893,206	3.8%	8
924 Property Insurance	9,627,603	10,242,630	615,027	6.4%	9
925 Injuries & Damages	15,419,073	15,137,013	(282,060)	-1.8%	10
926 Employee Pension & Benefits	80,239,021	84,277,422	4,038,401	5.0%	11
927 Franchise Requirements	-	-	-	0.0%	
928 Regulatory Commission Expenses	10,366,416	6,150,298	(4,216,118)	-40.7%	12
929 Duplicate Charges-Credit	(4,257,282)	(4,986,149)	(728,867)	17.1%	13
930.1 General Advertising Expenses	3,518,540	3,267,330	(251,210)	-7.1%	14
930.2 Misc. General Expenses	3,566,735	3,565,202	(1,534)	0.0%	
931 Rents	24,328,446	34,757,248	10,428,801	42.9%	15
935 Maintenance of General Plant	1,429,551	1,788,116	358,565	25.1%	16
Total Administrative and General Expenses	251,912,549	257,129,016	5,216,467	2.1%	
Total Customer & Sales and A&G Expenses	313,204,385	318,541,323	5,336,938	1.7%	

Customer, Sales, and Administrative and General FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
902	Meter Reading Expenses	
	Customer Care costs increased \$741K with \$500K of the change due to a decrease in expected O&M credits from CellNet as a result of anticipated improvement in CellNet's automated meter reading capabilities. In addition, a \$500K increase in outside services due to anticipated 1.5% rate escalator in the CellNet contract for automated meter reading each year from 2014. These increases were offset by (\$250K) decrease in labor from the anticipated reduction of 1 seasonal meter reader from March-September 2016 and 3 meter readers reduction in 2016 due to Cellnet automation.	741
	Business System costs increased due to Enterprise Generation Language support costs as the project goes live Q1 2016.	131
	Other	(30)
1	Total 902 Meter Reading Expenses	842
903	Customer Records and Collection Expenses	
	Business System costs increased \$375K primarily due to increased labor costs in the account management group.	375
	Customer Care labor costs increased \$503K primarily in the contact center area.	503
	Customer Care Billing Services postage cost reduction.	(193)
	Benefit costs decreased \$113K due to lower budgeted incentives in 2016 than the 2014 actual costs.	(113)
	Other	(28)
2	Total 903 Customer Records and Collection Expenses	544
904	Uncollectible Accounts	
	The decrease is due to the decrease in the commodity bad debt expense to billed commodity revenue percentage used in the 2016 budget, which was 0.37% as compared to 0.39% in 2014. The anticipated 0.01% ratio year over year improvement from 2014 is based on various collection initiatives. This decrease is partially offset by a \$0.2M increase in commodity bad debt expense due to increased billed commodity revenues (\$4.268B) used in the 2016 budget, compared to \$4.2B in 2014.	(746)
3	Total 904 Uncollectible Accounts	(746)
908	Customer Assistance Expenses	
	The decrease is due to Strategic Communications contractor and consulting costs being budgeted in FERC 923 based on the nature of the work being performed rather than FERC 908.	(200)
	There is a (\$288K) reduction in marketing costs due to a shift to FERC 923 based on the nature of the work.	(288)
	Other	5
4	Total 908 Customer Assistance Expenses	(483)
920	Administrative & General Salaries	
	Benefit costs decreased (\$1,565K) between 2014 and the 2016 budget for the following reasons: Higher performance share plan costs of \$1,600K, offset by lower restricted stock unit costs of (\$1,100K) and lower annual incentive costs of (\$2,100). The AIP decrease is mainly due to budgeting at 100% of target level in 2016 vs. accruing a higher than target level in 2014.	(1,565)
	Utilities and Corporate Services labor costs increase \$2,100K primarily due to 3% annual merit increases in 2015 and 2016, as well as filling open positions. This increase also includes higher labor costs of \$216K associated with in-sourcing Business System project managers.	2,100
	Financial Operations cost increase of \$1,200K is driven primarily by annual merit increases of 3% in 2015 and 2016, operating company shifts, and filling vacant positions (which were unusually high in 2014). Additional resources were also added for the general ledger replacement project.	1,200
	General Counsel cost increased \$850K due to annual merit increases of 3% in 2015 and 2016, as well as an updated work force plan which includes additional in-house labor over 2014 staffing levels (partially offset by lower contractor and consulting costs in FERC 923 Outside Services).	850
	Higher costs associated with in-sourcing Business Systems project managers.	216
	Other	280
5	Total 920 Administrative & General Salaries	3,081

Customer, Sales, and Administrative and General FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
921	Office Supplies & Expenses	
	Business Systems costs increased \$2,846K. - The increase was driven by costs for support, maintenance, and servers for the new general ledger system; partially offset by IBM fixed management fees ending in September 2015.	2,846
	Corporate Other costs increased \$495K due primarily to a 2014 credit for BMO credit card accrual which accounts for timing differences in expensing employee credit card charges to each business area which is not budgeted.	495
	HR and Employee Services costs increased \$126K due to additional CIP background screening which is now required every 7 years for all employees, as well as shifting years for bargaining contract renegotiation.	126
	Marketing costs decreased (\$675K) due to a realignment of expenses for planned programs. The cost decrease is offset by an increase in FERC 923.	(675)
	An increased focus on NSPM economic development added \$146K.	146
	Other	44
6	Total 921 Office Supplies & Expenses	2,982
922	Administrative Expenses Transferred-Credit	
	Corporate Other costs increased \$2,865K due to reduced Miscellaneous O&M credits to offset the A&G expenses allowable per contract that are billed to 3rd party partners for the CapX 2020 project.	2,865
	Business Systems costs included in FERC 931 increased by \$9.2M from 2014 actuals to the 2016 budget primarily in total Xcel Energy network equipment capital additions. The capital additions in this asset class are primarily tied to replacing our aging infrastructure and enhancing our communication capabilities. Because many of the capital additions are assets of NSPM, NSPM electric is also receiving a larger credit in FERC 922 of (\$13.7M) which offsets the FERC 931 cost increase. The net change related to network shared assets is actually a \$4.5K decrease from 2014 actuals to the 2016 budget.	(13,700)
	Facilities shared asset credit increased (\$943K) primarily due to the addition of the new 401 Nicollet building starting in 2016. Offsets are included in FERC 931.	(943)
	Other	77
7	Total 922 Administrative Expenses Transferred-Credit	(11,701)
923	Outside Services Employed	
	Business Systems and Operation Services costs increased \$2.6M due to additional consulting associated with the Productivity Through Technology (PTT) project.	2,600
	General Counsel cost decreased (\$1,530) The decrease is primarily due to increased staffing reflected in FERC account 920. In addition, the decrease is due to less expense associated with employee and corporate related matters, FCC licensing, general contract reviews, real estate, and litigation.	(1,530)
	Other	(177)
8	Total 923 Outside Services Employed	893
924	Property Insurance	
	Increase is primarily related to nuclear property insurance; which is partially offset by reductions due to an accumulated surplus in the captive program, as well as operating company shifts based upon loss history.	615
9	Total 924 Property Insurance	615
925	Injuries and Damages	
	Liability insurance costs have decreased (\$1.0M). The decrease is partially offset by higher workers compensation costs of \$645K.	(355)
	Other	73
10	Total 925 Injuries and Damages	(282)
926	Employee Pension & Benefits	
	Benefits costs increased \$4,038K. The increase is mainly due to higher active healthcare \$4,066K, and 401(k) match costs \$674K, FAS 88 settlement expense in 2016 budget vs. none in 2014 \$537K, FAS 112 long-term disability \$392K offset by lower retiree medical costs (\$1,670K).	3,999
	Other	39
11	Total 926 Employee Pension & Benefits	4,038

Customer, Sales, and Administrative and General FERC Variance Explanations
2016 Budget vs. 2014 Actual
Operating and Maintenance by FERC Account
NSP-MN Electric

FERC-Based Electric O&M Analysis
2016 Budget versus 2014 Actual

Ref #	Electric O&M	Variance
928	Regulatory Commission Expenses	
	Financial Operations costs have decreased (\$2,755K). The change is caused primarily by 2014 rate case expense write-offs of (\$2,984K) for Minnesota and (\$138K) for North Dakota. No write-off expenses are included in the 2016 budget. In addition, regulatory fees are expected to increase \$370K.	(2,755)
	Nuclear Generation decreased (\$1,450K). Payments to the Mdewakanton Dakota Tribal Council at Prairie Island related to on-site spent fuel storage have shifted from FERC 928 to FERC 524. 2014 actual cost of \$1,450K were posted to FERC 928. 2016 budgeted cost of \$2,500K reflected in FERC 524 also reflect an increase of \$1,050K.	(1,450)
	Other	(11)
12	Total 928 Regulatory Commission Expenses	(4,216)
929	Duplicate Charges-Credit	
	Corporate Other cost decreased (\$729K) due to increased company use credits for utility service used by company owned facilities.	(729)
13	Total 929 Duplicate Charges-Credit	(729)
930.1	General Advertising Expenses	
	Corporate Secretary Communications costs decreased (\$500K). This decrease is due to reduced brand/image advertising. This is partially offset increased brand sponsorship cost \$228K.	(272)
	Other	21
14	Total 930.1 General Advertising Expenses	(251)
931	Rents	
	Business Systems shared asset costs included in FERC 931 increased by \$9.2M. The increase is primarily due to an increase in total Xcel Energy network equipment capital additions. The capital additions in this asset class are primarily tied to replacing our aging infrastructure and enhancing our communication capabilities. Because much of the capital additions are assets of NSPM, NSPM electric is also receiving a larger credit in FERC 922 which offsets the FERC 931 increase. The net change related to network equipment shared assets is actually a (\$4.5M) decrease from 2014 actuals to the 2016 budget.	9,200
	Rent increases of \$1.4M are also driven by the new 401 Nicollet building as well as associated facility O&M costs. The costs are also impacted by shifts between the various Rent FERC accounts based on shifts in labor costs across the organization. This increase is partially offset by Shared Asset credits reflected in FERC 922.	1,400
	Other	(171)
15	Total 931 Rents	10,429
935	Maintenance of General Plant	
	The 2016 cost increase is due to increased scheduled Corporate Aviation maintenance expense \$96K, increased facility security-related maintenance expense \$184K.	280
	Other	79
16	Total 935 Maintenance of General Plant	359

Supporting Schedules

The following budget schedules are included for each business area:

Schedule 1 – Analysis of Billings

This schedule summarizes business area total operating and maintenance expenses by Operating Company direct billed, Service Company direct billed, and Service Company allocated charges. The purpose of this schedule is to provide a breakdown of the amount of budgeted operating and maintenance expenses of each business area that originated in the operating company, the amount directly assigned to the operating company from the Service Company, and the amount that was assigned to the operating company from the Service Company through an allocation. Note: The Service Company total on Schedule 1 equals the NSPM total from Schedule 2, Service Company Billings.

Schedule 2 – Service Company Billings Only

This schedule summarizes the amount of billings from each business area that manages Service Company costs to NSPM and the other Xcel Energy subsidiaries. This schedule is intended to provide the amount of budgeted billings from each business area that manages Service Company costs, how much of those costs are billed to each Xcel Energy utility legal entity, and the amount billed to other non-regulated subsidiaries of Xcel Energy. Note: The NSPM total from Schedule 2, Service Company Billings, equals the Service Company total on Schedule 1.

Schedule 3 – NSPM O&M by Object Account (All Utilities)

The purpose of this schedule is to provide a comparison of actual operating and maintenance expenses recorded in 2014 by cost object account to the 2016 expense budget for the total NSPM Company and by business area. Comparisons of the 2017 expense budget to the 2016 expense budget, as well as the 2018 expense budget to the 2017 expense budget are also included. This schedule summarizes and compares the operating and maintenance expenses by cost object account for the total NSPM Company, combining the costs of all utilities. For each of the annual period comparisons, the first report set aggregates the expenses over all business areas. The second report set provides this comparison separated and subtotaled for each business area, including the grand total amount for the NSPM Company.

Schedule 3A – NSPM O&M by Object Account (By Utility)

This schedule summarizes and compares the 2014 actual and 2016 budget operating and maintenance expenses by cost object account for the total NSPM Company separately by each utility (e.g. electric, gas, and non-utility). The first report set aggregates the expenses over all business areas. The second report set provides this comparison separated and subtotaled for each business area, including the NSPM Company utility subtotals, followed by the grand total amount for the NSPM Company. Comparisons of the 2017 expense budget to the 2016 expense budget, as well as the 2018 expense budget to the 2017 expense budget are also included.

Supporting Schedules (continued)**Schedule 4 – NSPM O&M by FERC Account (All Utilities)**

The purpose of this schedule is to provide a comparison of actual operating and maintenance expenses recorded in 2014 by FERC account to the 2016 expense budget for the total NSPM Company and by business area. Comparisons of the 2017 expense budget to the 2016 expense budget, as well as the 2018 expense budget to the 2017 expense budget are also included. This schedule summarizes and compares the operating and maintenance expenses by FERC account for the total NSPM Company, combining the costs of all utilities. For each of the annual period comparisons, the first report set aggregates the expenses over all business areas. The second report set provides this comparison separated and subtotaled for each business area, including the grand total amount for the NSPM Company.

Schedule 4A – NSPM O&M by FERC Account (By Utility)

This schedule summarizes and compares the 2014 actual and 2016 budget operating and maintenance expenses by FERC account for the total NSPM Company separately by each utility (e.g. electric, gas, and non-utility). The first report set aggregates the expenses over all business areas. The second report set provides this comparison separated and subtotaled for each business area, including the NSPM Company utility subtotals, followed by the grand total amount for the NSPM Company. Comparisons of the 2017 expense budget to the 2016 expense budget, as well as the 2018 expense budget to the 2017 expense budget are also included.

Schedule 5 – NSPM 2016, 2017 and 2018 Annual Capital Budgets (All Utilities)

The purpose of this schedule is to provide a listing of the NSPM capital projects by business area and the amounts that are included in the 2016, 2017 and 2018 capital expenditure budgets. This schedule is not applicable for all business areas. If a business area has no capital expenditures budgeted within an annual period, there is no Schedule 5 included.

Schedule 5A – NSPM 2016, 2017 and 2018 Annual Capital Budgets (By Utility)

This schedule categorizes NSPM capital expenditures by utility (e.g. electric, gas, and common), by business area and the amounts that are included in the 2016, 2017 and 2018 capital expenditure budgets. This schedule is not applicable for all business areas. If a business area has no capital expenditures budgeted within an annual period, there is no Schedule 5A included.

Analysis of Billings - 2016 Budget Schedule 1

Northern States Power - MN (\$000's)

Business Area	Op Co Direct	Svc Co Direct	Svc Co Alloc	Svc Co Subtotal	Total
Benefits & Loadings	93,554	14,538	30,062	44,600	138,154
Chief Executive Officer	0	372	1,990	2,362	2,362
Corp Secretary & Exec Svcs	965	953	9,114	10,067	11,033
Corporate Other	104,624	0	0	0	104,624
Distribution Operations	118,706	1,660	1,919	3,579	122,284
Energy Supply	149,375	12,932	3,622	16,554	165,929
Financial Operations	23,268	4,698	22,726	27,424	50,692
Gas Systems	32,298	1,989	247	2,236	34,533
General Counsel	4,563	2,836	7,122	9,958	14,521
Nuclear Amortz & Other	24,235	0	0	0	24,235
Nuclear Generation Bus Area	326,841	0	0	0	326,841
Operations Services	49,661	4,115	22,005	26,119	75,781
Transmission	30,427	7,444	5,290	12,734	43,161
Utilities & Corp Services	7,791	29,865	123,488	153,354	161,145
Total	\$ 966,308	\$ 81,402	\$ 227,585	\$ 308,986	\$ 1,275,294

Analysis of Billings - 2017 Budget **Schedule 1**

Northern States Power - MN (\$000's)

Business Area	Op Co Direct	Svc Co Direct	Svc Co Alloc	Svc Co Subtotal	Total
Benefits & Loadings	95,668	13,805	30,262	44,068	139,736
Chief Executive Officer	0	379	2,026	2,405	2,405
Corp Secretary & Exec Svcs	965	978	9,213	10,191	11,156
Corporate Other	107,190	0	0	0	107,190
Distribution Operations	120,413	1,692	1,960	3,652	124,065
Energy Supply	156,401	13,175	3,582	16,757	173,157
Financial Operations	25,072	4,772	23,302	28,074	53,146
Gas Systems	34,545	2,026	253	2,279	36,825
General Counsel	4,009	2,950	7,456	10,406	14,415
Nuclear Amortz & Other	(18,430)	0	0	0	(18,430)
Nuclear Generation Bus Area	373,017	0	0	0	373,017
Operations Services	50,282	4,187	20,924	25,112	75,393
Transmission	30,747	7,399	5,462	12,860	43,608
Utilities & Corp Services	5,101	30,488	129,651	160,139	165,240
Total	\$ 984,980	\$ 81,852	\$ 234,091	\$ 315,943	\$ 1,300,923

Analysis of Billings - 2018 Budget **Schedule 1**

Northern States Power - MN (\$000's)

Business Area	Op Co Direct	Svc Co Direct	Svc Co Alloc	Svc Co Subtotal	Total
Benefits & Loadings	98,015	13,924	30,537	44,461	142,476
Chief Executive Officer	0	388	2,063	2,451	2,451
Corp Secretary & Exec Svcs	1,002	1,002	9,411	10,413	11,415
Corporate Other	112,894	0	0	0	112,894
Distribution Operations	120,230	1,826	2,006	3,832	124,062
Energy Supply	168,524	13,552	(4,878)	8,673	177,197
Financial Operations	26,110	4,903	23,945	28,849	54,958
Gas Systems	34,277	2,084	259	2,344	36,620
General Counsel	4,009	3,074	7,545	10,619	14,628
Nuclear Amortz & Other	19,342	0	0	0	19,342
Nuclear Generation Bus Area	338,790	0	0	0	338,790
Operations Services	50,422	4,255	18,586	22,842	73,264
Transmission	30,809	7,662	5,567	13,229	44,038
Utilities & Corp Services	8,207	30,885	132,055	162,940	171,147
Total	\$ 1,012,632	\$ 83,555	\$ 227,096	\$ 310,651	\$ 1,323,282

Service Company Billings Only - 2016 Budget **Schedule 2**

Northern States Power - MN (\$000's)

Business Area	NSP - MN	Other Subs	Grand Total
Benefits & Loadings	44,600	65,483	110,083
Chief Executive Officer	2,362	3,060	5,421
Corp Secretary & Exec Svcs	10,067	14,129	24,196
Corporate Other	0	0	0
Distribution Operations	3,579	4,768	8,346
Energy Supply	16,554	25,064	41,618
Financial Operations	27,424	40,281	67,705
Gas Systems	2,236	4,071	6,307
General Counsel	9,958	14,477	24,435
Nuclear Amortz & Other	0	0	0
Nuclear Generation Bus Area	0	0	0
Operations Services	26,119	45,168	71,287
Transmission	12,734	19,717	32,451
Utilities & Corp Services	153,354	190,796	344,150
Total	\$ 308,986	\$ 427,013	\$ 736,000

Service Company Billings Only - 2017 Budget Schedule 2

Northern States Power - MN (\$000's)

Business Area	NSP - MN	Other Subs	Grand Total
Benefits & Loadings	44,068	64,713	108,781
Chief Executive Officer	2,405	3,116	5,521
Corp Secretary & Exec Svcs	10,191	14,298	24,488
Corporate Other	0	0	0
Distribution Operations	3,652	4,862	8,514
Energy Supply	16,757	25,026	41,782
Financial Operations	28,074	41,146	69,220
Gas Systems	2,279	4,124	6,404
General Counsel	10,406	14,733	25,140
Nuclear Amortz & Other	0	0	0
Nuclear Generation Bus Area	0	0	0
Operations Services	25,112	43,201	68,313
Transmission	12,860	19,909	32,769
Utilities & Corp Services	160,139	200,809	360,949
Total	\$ 315,943	\$ 435,937	\$ 751,880

Service Company Billings Only - 2018 Budget **Schedule 2**

Northern States Power - MN (\$000's)

Business Area	NSP - MN	Other Subs	Grand Total
Benefits & Loadings	44,461	65,282	109,743
Chief Executive Officer	2,451	3,174	5,625
Corp Secretary & Exec Svcs	10,413	14,607	25,020
Corporate Other	0	0	0
Distribution Operations	3,832	4,982	8,814
Energy Supply	8,673	24,689	33,362
Financial Operations	28,849	42,219	71,067
Gas Systems	2,344	4,240	6,583
General Counsel	10,619	15,053	25,672
Nuclear Amortz & Other	0	0	0
Nuclear Generation Bus Area	0	0	0
Operations Services	22,842	39,335	62,177
Transmission	13,229	20,234	33,463
Utilities & Corp Services	162,940	204,048	366,988
Total	\$ 310,651	\$ 437,864	\$ 748,514

NSP-MN
Schedule 3 - O&M by Object Account
2014 Actual vs. 2016 Budget
Total Company - All Utilities
(\$000's)

Account	2014 Actual	2016 Budget	Variance	% Variance
711100 Company Labor	557,294	564,542	7,247	1.3%
712100 Non-Company Labor	31,953	31,292	(661)	-2.1%
713000 Consulting/Prof Svcs-Other	55,885	61,204	5,319	9.5%
713005 NMC Consult & Professnl Fees	(119)	0	119	-100.0%
713050 Contract LT Outside Vendor	115,948	133,368	17,420	15.0%
713053 Cntrct Outside Vend-DC&M	0	0	0	NA
713055 Outside Svcs-Cust Care	26,501	25,669	(833)	-3.1%
713100 Consulting/Prof Svcs-Legal	4,181	4,425	244	5.8%
713101 Partner Invoicing - CapX-O&M	53	180	127	238.5%
713120 Consult/Legal - Regulatory	3,302	1,451	(1,851)	-56.1%
713150 Consulting/Prof Svcs-Acctg	3,326	3,585	258	7.8%
713250 RTO Trans Stud Exp FERC 561.8	0	0	0	NA
714000 Materials	73,057	60,879	(12,178)	-16.7%
714000.90 Materials-S3	(2,156)	(1,450)	706	-32.8%
714050 M&S Inventory Adj-Obsolete Mat	80	200	120	148.9%
714070 Chemicals - Other Chemicals	945	2,038	1,093	115.7%
714075 Chemicals - Lime	3,859	5,349	1,490	38.6%
714080 Chemicals - Mercury Sorbent	323	1,255	931	288.1%
714082 Chemicals - Ammonia	3,311	3,600	289	8.7%
714084 Chemicals - Sulfuric Acid	842	725	(116)	-13.8%
714100 Print/Copy-Other	1,297	663	(633)	-48.8%
714100.90 Print/Copy-Other-S3	(1)	0	1	-100.0%
714200 Print/Copy-SEC Filings	86	55	(31)	-36.0%
714300 Legal-Other	34	170	136	407.0%
714500 Equipment Maintenance	1,349	1,924	575	42.6%
714501 Equip Maint-Cust Care	128	144	15	12.0%
715100 IT Hardware Maintenance	728	1,347	619	85.1%
715200 IT Hardware Purchases	524	326	(199)	-37.9%
715300 Software Purchases	3,214	1,012	(2,202)	-68.5%
715400 Software - term lic purch	910	2,535	1,625	178.6%
715500 Software Maintenance	16,300	20,509	4,209	25.8%
715600 Personal Communication Devices	1,790	2,116	326	18.2%
715700 Network Services	440	348	(92)	-20.9%
715710 Network Voice	4,830	4,674	(156)	-3.2%
715720 Network Data	4,648	5,086	438	9.4%
715730 Network Telecom	6,338	6,838	500	7.9%
715740 Network Radio/Pgr/MW	2,054	2,157	103	5.0%
715800 Mainframe Services	925	925	1	0.1%
715810 Distributed Systems Services	11,727	12,125	398	3.4%
715820 App Dev & Maint	11,479	12,084	605	5.3%
715830 Project Office	1,300	0	(1,300)	-100.0%
715900 Software - ASP	865	979	114	13.2%
721000 Employee Expenses	19,722	18,578	(1,144)	-5.8%
721500 Office Supplies	1,165	1,290	125	10.7%
721500.90 Office Supplies - S3	(15)	(5)	10	-63.5%
721700 Workforce Admin Expense	764	852	87	11.4%
721750 Recog - Employee Engagement	0	0	0	NA
721750.90 Recog - Employee Engagement	0	0	0	NA

NSP-MN
Schedule 3 - O&M by Object Account
2014 Actual vs. 2016 Budget
Total Company - All Utilities
(\$000's)

Account	2014 Actual	2016 Budget	Variance	% Variance
721800 Safety Recognition	672	885	213	31.7%
721800.90 Safety Recognition S-3	(14)	(35)	(21)	147.1%
721810 Life Events/Career Events	31	29	(2)	-5.9%
721810.90 Life Events/Career Events	(0)	0	0	-100.0%
721850 Employee Performance Recogntn	750	560	(190)	-25.3%
721850.90 Employee Performance Recogn S3	(3)	0	3	-100.0%
721851 Non-Recoverable Recognition	107	0	(107)	-100.0%
721851.90 Non-Recoverable Recognition	(0)	0	0	-100.0%
722000 Transportation Fleet Cost	16,299	16,835	536	3.3%
722000.90 Transportation Fleet Cost	(82)	(55)	27	-32.5%
723020 Facility Costs	698	556	(142)	-20.3%
723030 Utility Costs	5,722	5,036	(686)	-12.0%
723050 Uncollectible Accounts	16,946	16,162	(785)	-4.6%
723100 Rents	36,161	43,471	7,309	20.2%
723400 Postage	6,603	6,320	(283)	-4.3%
723410 Cust Billing Srvcs to Other	(0)	(0)	(0)	100.0%
723480 Injuries & Damages	73	100	27	36.1%
723500 Insurance Premiums	23,524	23,012	(513)	-2.2%
723700 Advertising	5,868	5,629	(238)	-4.1%
723800 Donations, Dues and Fees	64,129	67,841	3,712	5.8%
723900 Environmental Reserves	(2)	0	2	-100.0%
724020 Trans Interchange Expense	76,399	111,588	35,189	46.1%
724040 Nuclear Outage Cost Amort	88,800	69,733	(19,067)	-21.5%
724050 Meter/Transf Install-O&M Crdts	(11,943)	(12,970)	(1,027)	8.6%
724095 Miscellaneous O&M Credits	(16,249)	(11,450)	4,799	-29.5%
724200 Rebates	16	20	4	26.6%
724220 Non-Recover Const Waiver-Gas	9	10	1	8.9%
724500 Shared Asset Costs	17,185	27,840	10,655	62.0%
724510 Shared Assets-Owning Co Cr	(29,137)	(44,994)	(15,857)	54.4%
725000 Other	(49,786)	(48,062)	1,725	-3.5%
725005 Online Information Services	1,877	1,846	(30)	-1.6%
725005.90 Online Information Servi	(0)	0	0	-100.0%
725100 Operating Co. Overheads	311	340	30	9.5%
Grand Total	1,226,153	1,275,294	49,141	4.0%