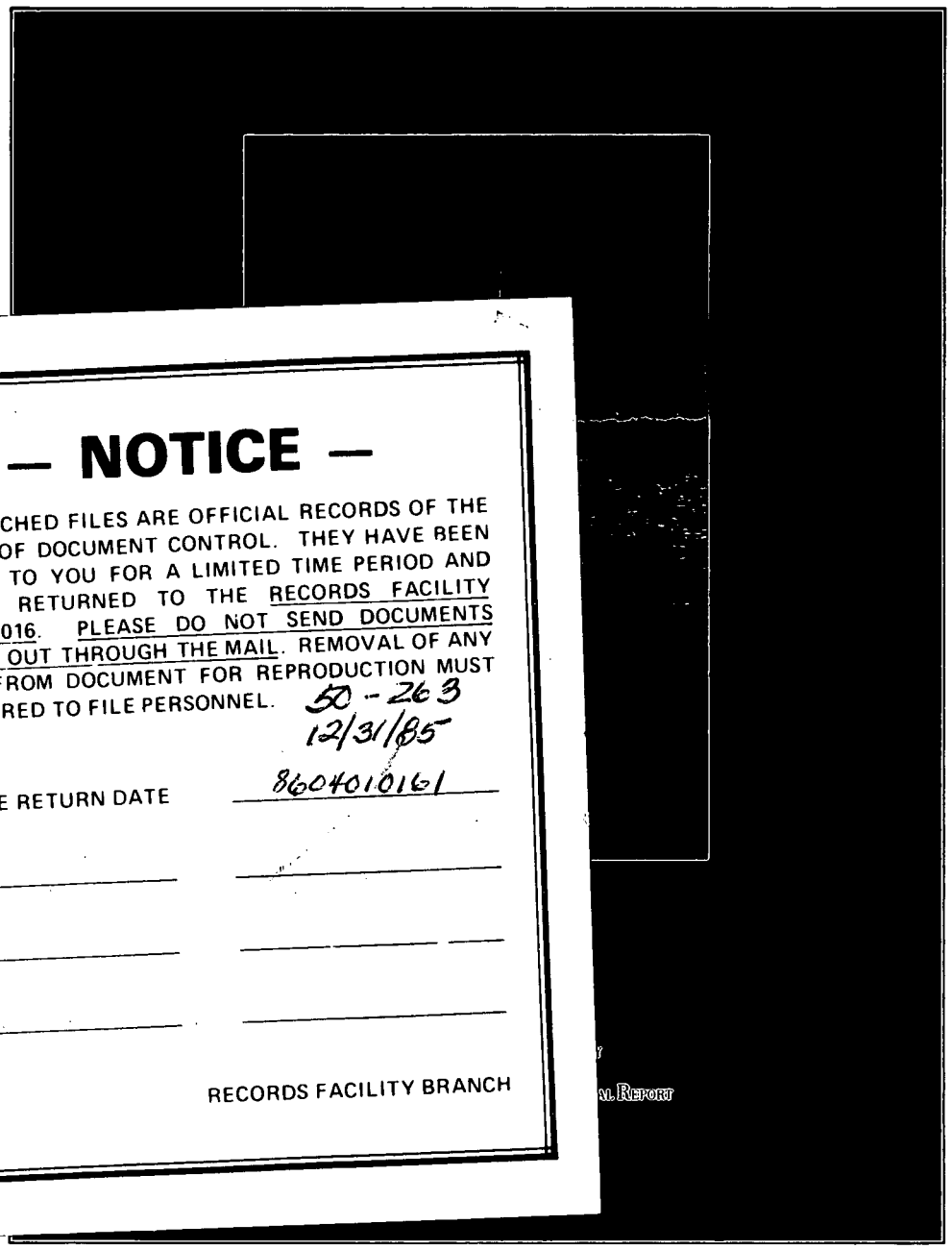
Northern States Power Company

Financial and Statistical Information

A Supplement to the 1985 Annual Report



NORTHERN STATES POWER COMPANY (MINNESOTA)
AND SUBSIDIARY COMPANIES

FINANCIAL AND STATISTICAL INFORMATION

A Supplement to the 1985 Annual Report to Shareholders

CONTENTS

*Reference to "NSP" means Northern States Power Company (Minnesota) and its subsidiary companies. Lake Superior District Power Company (LSDP) became a subsidiary of NSP in 1982. Unless otherwise indicated, all financial and statistical data since 1982 include LSDP.

**Revenues Snhject to Refund - Electric revenues for the year ended December 31, 1985, include $14,600,000 subject to refund. These revenues increased net income by $7,000,000 (23¢ per share). Gas revenues for the year ended December 31, 1985, include $6,900,000 subject to refund. These revenues increased net income by $3,300,000 (11¢ per share).

For further information relating to the contents of this report, please contact Harry W. Spell, Senior Vice President — Finance, Northern States Power Company, 414 Nicollet Mall, Minneapolis, MN 55401, or phone (612) 330-5774.

This report is for information purposes only, it is subject to correction and change without notice, and is not a representation, prospectus or circular in respect of any stock or security of any corporation and is not furnished in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued or with any preliminary negotiations for such sale.

MARCH 1986

FINANCIAL STATISTICS

	December 31						
	1985	1984	1983	1982	1981	1980	1975
Earnings per shr. on avg. shr.**	$ 5.93	$ 5.80	$ 5.60	$ 4.79	$ 3.89	$ 3.23	$ 2.95
Five year growth rates on earnings per share:							
End points**	12.9%	10.6%	10.6%	10.9%	5.8%	1.8%	4.1%
Least squares**	13.4%	13.3%	10.9%	8.7%	5.3%	3.4%	2.3%
Dividends declared per share	$ 3.45	$ 3.17	$ 2.905	$ 2.695	$ 2.525	$ 2.385	$ 1.862
Dividends in percent of earnings**	58.2%	54.7%	52.0%	56.4%	64.9%	73.6%	63.7%
Book value per share of common stock (at year end)**	$ 39.43	$ 36.81	$ 34.15	$ 31.46	$ 29.48	$ 28.12	$ 22.89
Shares of common stock (000s)							
Average for year	31 137	30 831	30 432	30 100	29 334	30 087	25 964
End of year	31 271	30 975	30 644	30 237	29 334	29 334	27 114
Percent of construction expenditures financed by internally generated funds (excluding AFC)**	60.5%	100.0%	100.0%	61.7%	66.4%	88.7%	78.0%
Capitalization*							
Common (including premium and retained earnings)	44.5%	45.1%	43.5%	40.5%	40.4%	40.8%	33.7%
Preferred (including premium)	7.9	8.6	9.2	9.5	10.3	11.0	12.5
First mortgage bonds	41.9	42.6	42.3	40.9	42.7	41.9	48.2
Guaranty agreements — pollution control financing	1.5	1.6	1.6	1.7	1.9	1.9	2.2
Miscellaneous long-term debt	1.9	1.1	1.2	.2	.2	.2	.2
Short-term debt	2.3	1.0	2.2	7.2	4.5	4.2	3.2
Total Debt	47.6	46.3	47.3	50.0	49.3	48.2	53.8
Total Capitalization	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest coverage							
Before taxes (excluding AFC)**	4.2	4.6	4.7	4.2	3.8	3.8	3.1
After taxes (excluding AFC)**	2.6	2.8	2.8	2.5	2.4	2.4	2.0
Interest and preferred dividend coverage							
After taxes (including AFC)**	2.7	2.8	2.6	2.4	2.2	2.2	1.9
Embedded cost of long-term debt	8.08%	7.98%	7.96%	8.06%	7.76%	7.00%	6.79%
Embedded cost of preferred stock	6.01%	6.01%	6.10%	6.12%	6.14%	6.15%	6.32%
Average plant investment per dollar of revenue	$ 2.71	$ 2.50	$ 2.45	$ 2.47	$ 2.77	$ 2.87	$ 3.62
Depreciation reserve in percent of depreciable plant	33.9%	34.6%	34.1%	32.7%	30.2%	29.1%	24.0%
Depreciation provision in percent of average depreciable plant	3.63%	3.55%	3.47%	3.55%	3.47%	3.46%	3.48%
Benefit employees (at year end)	7 414	7 347	7 207	7 261	7 045	6 965	6 345

AFC — Allowance for Funds Used During Construction.

*Includes long- and short-term debt and preferred stock with mandatory redemption due within one year.

**See notes on CONTENTS page.

SUMMARY INCOME STATEMENT

(Millions of dollars)

	1985	1984	1983	1982	1981
Operating Revenues					
Electric	$1 376.1	$1 362.6	$1 285.4	$1 178.2	$ 998.0
Gas	402.2	402.0	399.7	373.3	272.0
Telephone and Heating	10.4	11.0	10.7	9.4	10.9
Total**	1 788.7	1 775.6	1 695.8	1 560.9	1 280.9
Operating Expenses					
Fuel for Electric Generation	257.0	246.0	249.6	218.0	208.0
Purchased and Interchange Power	94.1	140.5	79.6	73.0	40.1
Gas Purchased for Resale	300.4	304.0	313.3	280.8	206.7
Administrative and General	126.6	116.7	112.0	107.5	86.4
Maintenance	139.7	134.1	105.4	108.4	91.8
Other Operation	189.7	171.3	156.5	155.1	131.3
Depreciation and Amortization	155.7	142.0	136.6	133.3	102.9
Property and General Taxes	124.4	123.6	116.9	107.7	97.5
Income Taxes (current and deferred)	127.1	132.8	164.4	128.9	98.1
Investment Tax Credit Adjustments — Net	25.4	21.4	9.1	19.3	20.1
Total	1 540.1	1 532.4	1 443.4	1 332.0	1 082.9
Operating Income	248.6	243.2	252.4	228.9	198.0
Other Income					
Allowance for Funds Used During Construction — debt and equity	41.8	34.3	20.1	19.7	15.1
Miscellaneous	11.8	5.8	7.8	3.2	2.1
Total	53.6	40.1	27.9	22.9	17.2
Total Income	302.2	283.3	280.3	251.8	215.2
Income Deductions and Nonoperating Taxes	7.6	3.7	4.4	3.6	6.8
Interest — excluding credit for debt portion of AFC	96.9	87.5	92.0	90.5	80.9
Net Income**	197.7	192.1	183.9	157.7	127.5
Preferred Stock Dividends	13.0	13.3	13.6	13.7	13.5
Earnings Availahle for Common Stock**	184.7	178.8	170.3	144.0	114.0
Common Dividends	107.5	97.8	88.5	81.2	74.1
Earnings Retained**	$ 77.2	$ 81.0	$ 81.8	$ 62.8	$ 39.9
Earuings Per Share on Average Shares**	$ 5.93	$ 5.80	$ 5.60	$ 4.79	$ 3.89

*Calculated on unrounded numbers. Growth rates calculated by least squares method.

**See notes on CONTENTS page.

		Annual Growth Rate*			Percent of Revenues*			
1980	1975	1 Year 1985/1984	5 Year 1985/1980	10 Year 1985/1975	1985	1984	1980	1975
$ 914.7	$566.0	1.0%	9.2%	9.6%	76.9%	76.8%	78.9%	83.8%
233.8	103.4	.1	12.0	16.4	22.5	22.6	20.2	15.3
10.6	6.0	(5.4)	.3	5.5	.6	.6	.9	.9
1 159.1	675.4	.7	9.7	10.8	100.0	100.0	100.0	100.0
203.9	98.2	4.5	5.3	9.0	14.4	13.9	17.6	14.5
36.5	29.6	(33.1)	27.8	23.3	5.2	7.9	3.2	4.4
172.9	60.6	(1.2)	12.2	19.4	16.8	17.1	14.9	9.0
72.7	34.7	8.6	11.6	14.8	7.1	12.4	12.5	12.5
88.8	43.3	10.7	9.9	11.8	7.8	1.4	1.3	1.1
115.2	62.3	4.2	10.1	11.8	10.6	9.9	10.0	7.1
114.2	69.5	9.6	7.5	8.1	8.7	8.0	9.9	10.3
92.5	73.6	.7	6.7	6.2	7.0	7.0	8.0	10.9
89.5	64.6	(4.3)	8.7	8.1	7.1	7.5	7.7	9.6
10.6	6.6	18.5	11.5	4.9	1.4	1.2	.9	1.0
996.8	543.0	.5	9.9	11.6	86.1	86.3	86.0	80.4
162.3	132.4	2.2	8.5	6.9	13.9	13.7	14.0	19.6
12.7	23.1	21.8	27.3	9.8	2.3	1.9	1.1	3.4
4.2	2.2	102.3	29.8	12.1	.6	.3	.4	.3
16.9	25.3	33.5	27.5	9.5	2.9	2.2	1.5	3.7
179.2	157.7	6.7	10.7	7.2	16.8	15.9	15.5	23.3
(.7)	1.1	103.2			.4	.2		.2
68.6	65.5	10.7	5.8	4.5	5.4	4.9	5.9	9.7
111.3	91.1	2.9	12.9	8.7	11.0	10.8	9.6	13.4
14.0	14.5	(1.7)	(1.2)	(1.2)	.7	.7	1.2	2.1
97.3	76.6	3.3	14.5	9.9	10.3	10.1	8.4	11.3
71.6	48.8	9.9	8.8	7.5	6.0	5.5	6.2	7.2
$ 25.7	$ 27.8	(4.7)	25.3	13.8	4.3%	4.6%	2.2%	4.1%
$ 3.23	$ 2.95	2.2	13.4	8.6				

BALANCE SHEET

	December 31				
	1985	1984	1983	1982	1981
			(Millions of dollars)		
ASSETS					
Utility plant	$4 653.8	$4 222.4	$3 922.8	$3 781.9	$3 471.6
Less accumulated provision for depreciation	1 461.8	1 329.4	1 223.4	1 115.5	955.3
Nuclear fuel	439.2	390.9	334.0	258.2	203.7
Less accumulated provision for amortization	288.6	237.7	292.8	244.6	203.4
Net utility plant	3 342.6	3 046.2	2 740.6	2 680.0	2 516.6
Construction funds	133.8	149.3	104.8		
Other property and invest. — net	118.0	118.2	127.3	122.7	15.4
Current assets					
Cash and temp. cash invest	12.3	9.0	15.3	3.3	2.9
Accounts receivable — net	210.7	168.6	164.3	139.5	129.8
Federal income tax refund receivable	7.0	17.0	11.0	32.0	
Material and supplies (average cost)					
Fuel	78.3	88.5	89.9	102.1	80.5
Other	51.6	47.3	42.3	41.7	36.2
Prepayments and other	30.3	28.7	23.9	19.2	15.6
Total current assets	390.2	359.1	346.7	337.8	265.0
Deferred debits					
Extraordinary property losses	12.5	19.4	27.8	36.2	43.8
Unamortized debt expense	12.6	11.1	10.3	7.8	8.0
Other	37.9	38.4	37.9	12.4	11.3
Total deferred debits	63.0	68.9	76.0	56.4	63.1
Total	$4 047.6	$3 741.7	$3 395.4	$3 196.9	$2 860.1
LIABILITIES					
Capitalization					
Common stock (incl. premium)	$ 539.2	$ 525.7	$ 513.2	$ 502.3	$ 493.6
Retained earnings	713.0	633.6	552.6	470.8	408.0
Treasury stock (at cost)	(19.2)	(19.2)	(19.3)	(21.8)	(36.8)
Total common stock equity	1 233.0	1 140.1	1 046.5	951.3	864.8
Cumulative preferred stock (incl. premium)					
Without mandatory redemption	208.5	208.5	208.5	208.5	205.5
With mandatory redemption (net of treasury shares at cost)	9.3	9.3	14.1	15.2	15.3
First mortgage bonds	1 158.9	1 075.6	1 018.0	960.0	913.7
Guaranty agreements — pollution control financing	39.9	39.9	39.9	39.9	39.9
Miscellaneous long-term debt	54.8	27.7	29.0	4.2	3.2
Unamortized premium (discount) on long-term debt	(1.1)	(.7)	(.7)	(.1)	
Total long-term debt	1 252.5	1 142.5	1 086.2	1 004.0	956.8
Total capitalization	2 703.3	2 500.4	2 355.3	2 179.0	2 042.4
Current liabilities					
Notes payable	49.1	25.1	32.1	168.5	75.7
Long-term debt and preferred stock with mandatory redemption due within one year	15.7	.8	20.8	2.3	21.5
Accounts payable	177.0	145.0	130.8	118.1	81.1
Nuclear fuel disposal cost payable		94.6			
Tyrone cancellation charges accrued					1.7
Salaries, wages and vacation pay accrued	20.6	18.3	16.3	14.8	12.7
Revenue refunds due customers	3.4	.3	.2	1.3	8.8
Taxes accrued	103.9	93.0	98.4	88.1	97.4
Interest accrued	21.9	20.7	20.8	21.9	22.5
Dividends declared	30.8	28.3	26.0	24.1	22.1
Other	1.4	.3	.5	1.7	.4
Total current liabilities	423.8	426.4	345.9	440.8	343.9
Deferred credits					
Accumulated deferred income taxes	663.7	576.8	476.5	360.8	345.3
Accumulated deferred investment tax credits	241.4	222.4	203.6	200.1	120.8
Other	15.4	15.7	14.1	16.2	7.7
Total deferred credits	920.5	814.9	694.2	577.1	473.8
Total	$4 047.6	$3 741.7	$3 395.4	$3 196.9	$2 860.1

STATEMENT OF CHANGES IN FINANCIAL POSITION

	December 31				
	1985	1984	1983	1982	1981
			(Millions of dollars)		
SOURCE OF FUNDS					
Funds from operations					
Net income	$197.7	$192.1	$183.9	$157.7	$127.5
Depreciation and other amortization	173.4	155.8	142.5	138.7	107.4
Nuclear fuel amortization	50.9	39.4	48.2	41.2	41.2
Deferred income taxes (including tax benefit transfers)	91.9	107.0	156.9	15.5	15.0
Investment tax credit adj. — net	19.0	18.8	3.5	79.3	17.2
Allowance for funds used during construction	(41.8)	(34.3)	(20.1)	(19.7)	(15.1)
Total	491.1	478.8	514.9	412.7	293.2
Issuance of notes and securities					
Notes payable	24.0			92.8	
Long-term debt	143.5	61.4	200.1	51.0	89.3
Common stock	13.6	12.4	11.0	8.7	
Treasury stock for LSDP acquisition				15.0	
Preferred stock from LSDP acquisition				3.0	
Total	181.1	73.8	211.1	170.5	89.3
Construction fund withdrawals	52.3	23.2			
Sale of Sherco 3 to co-owner		5.5	57.9		
TOTAL SOURCE OF FUNDS	$724.5	$581.3	$783.9	$583.2	$382.5
APPLICATION OF FUNDS					
Construction expenditures	$513.7	$401.0	$347.3	$291.0	$275.5
Allowance for funds used during construction	(41.8)	(34.3)	(20.1)	(19.7)	(15.1)
LSDP net utility plant acquired				43.6	
Tyrone abandonment					(7.9)
Construction funds held by trustee	36.8	67.7	104.8		
Repayment of notes payable		7.0	136.4		8.4
Retirement of long-term debt	33.2	5.1	22.7	3.7	22.5
Reclassification of nuclear fuel disposal cost		94.6			
Purchase of outstanding long-term debt			116.1		
Purchase of tax benefit transfer leases (net)			107.1	8.6	
Acquisition of preferred stock with mandatory redemption		4.8			.6
Preferred dividends	13.0	13.3	13.6	13.7	13.5
Common dividends	107.5	97.8	88.5	81.2	74.1
Increase (decrease) in working capital (excluding notes payable)	57.7	(75.1)	(32.6)	68.8	(3.2)
Other — net	4.4	(.6)	7.2	(6.2)	5.5
TOTAL APPLICATION OF FUNDS	$724.5	$581.3	$783.9	$583.2	$382.5
INCREASE (DECREASE) IN WORKING CAPITAL (excluding notes payable)					
Cash and temporary cash investments	$ 3.3	(6.3)	$ 12.0	$ .5	$ (11.1)
Accounts receivable — net	42.1	4.3	24.8	9.8	14.8
Federal income tax refund receivable	(10.0)	6.0	(21.0)	32.0	
Materials and supplies	(5.9)	3.6	(11.6)	27.0	(13.1)
Long-term debt and preferred stock with mandatory redemption due within one year	(14.9)	20.0	(18.5)	19.2	(21.5)
Accounts payable, Tyrone charges accrued and salaries, wages, etc	(34.3)	(16.2)	(14.2)	(37.4)	26.7
Revenue refunds due customers	(3.1)	(.1)	1.1	7.5	(8.8)
Income and other taxes accrued	(10.9)	5.4	(10.3)	9.3	11.5
Nuclear fuel disposal cost payable	94.6	(94.6)			
Other current assets and liabilities net	(3.2)	2.8	5.1	.9	(1.7)
TOTAL	$ 57.7	$ (75.1)	$ (32.6)	$ 68.8	$ (3.2)

CONSTRUCTION EXPENDITURES

Construction expenditures during 1985 were $513.7 million, including $48.3 million for nuclear fuel.

Construction expenditures, including nuclear fuel, for the five-year period 1986-1990 are estimated at $2.4 billion. By years, the expenditures are:

	1986	1987	1988	1989	1990	1986-1990 Total
			(Millions of dollars)			
Construction expenditures excluding nuclear fuel	$540	$450	$390	$410	$420	$2 210
Nuclear fuel expenditures	40	30	40	50	50	210
Total construction expenditures	$580	$480	$430	$460	$470	$2 420

GROSS ADDITIONS TO PROPERTY AND CONSTRUCTION EXPENDITURES

	1985	1984	1983	1982	1981
			(Millions of dollars)		
Gross additions to property					
Electric production	$292.4	$208.0	$115.3	$116.4	$100.0
Other electric	129.9	97.4	86.1	85.8	111.6
Nuclear fuel	48.3	56.9	75.9	54.5	40.1
Gas	19.1	14.4	12.1	16.5	22.4
Other utilities	18.0	22.3	18.9	19.8	8.8
Total	507.7	399.0	308.3	293.0	282.9
Non-utility property	7.4	2.7	45.6		
Less acquisition, salvage, etc.	1.4	.7	6.6	2.0	7.4
Construction expenditures	$513.7	$401.0	$347.3	$291.0	$275.5

The additions to utility plant and the retirements for the years 1981-1985 are summarized below:

	1985	1984	1983	1982	1981	Total 1981-1985
			(Millions of dollars)			
Balance at beginning of period	$4 613.3	$4 256.8	$4 040.1	$3 675.3	$3 427.9	$3 427.9
Gross additions	507.7	399.0	308.3	293.0	282.9	1 790.9
Retirements	(32.2)	(35.7)	(29.8)	(20.9)	(32.9)	(151.5)
Reimbursement from Sherco 3 co-owner		(5.5)	(57.9)			(63.4)
LSDP utility plant acquired				94.2		94.2
Adjustments	4.2	(1.3)	(3.9)	(1.5)	(2.6)	(5.1)
Balance at end of period	$5 093.0	$4 613.3	$4 256.8	$4 040.1	$3 675.3	$5 093.0

UTILITY PLANT AND DEPRECIATION RESERVES

	December 31				
	1985	1984	1983	1982	1981
			(Millions of dollars)		
UTILITY PLANT					
Electric					
Plant in service:					
Production	$1 902.0	$1 831.8	$1 671.5	$1 592.8	$1 509.0
Transmission	558.7	545.0	538.4	518.8	472.9
Distribution	1 093.3	1 024.8	968.9	918.8	834.0
General	107.8	79.4	73.1	66.4	54.4
Plant held for future use	1.6	1.5	1.1	.8	.9
Plant acquisition adjustment		.1	.1		
Plant purchased or sold		(.5)			(.5)
Plant leased to others	5.5	3.8	1.3	1.2	1.1
Construction work in progress	528.2	306.0	271.1	311.0	266.8
Nuclear fuel (including in process)	439.2	390.9	334.0	258.2	203.7
Total Electric	4 636.3	4 182.8	3 859.5	3 668.0	3 342.3
Gas					
Plant in service:					
Production	11.2	11.1	11.2	11.0	10.8
Storage	24.3	24.2	24.0	23.8	22.4
Transmission	14.1	13.6	13.2	13.1	12.2
Distribution	246.3	229.6	219.9	210.9	191.0
General	8.9	8.5	8.1	7.1	6.1
Construction work in progress	3.8	4.5	2.7	2.4	4.8
Total Gas	308.6	291.5	279.1	268.3	247.3
Telephone and Heating	28.8	26.4	26.5	25.9	25.8
Common	119.3	112.6	91.7	77.9	59.9
Total	$5 093.0	$4 613.3	$4 256.8	$4 040.1	$3 675.3
DEPRECIATION RESERVES					
Electric	$1 308.5	$1 186.7	$1 096.9	$1 001.1	$ 854.7
Nuclear fuel	288.6	237.7	292.8	244.6	203.4
Total Electric	1 597.1	1 424.4	1 389.7	1 245.7	1 058.1
Gas	113.6	104.3	95.5	86.8	77.5
Telephone and Heating	14.0	13.0	10.8	8.2	7.2
Common	25.7	25.4	20.2	19.4	15.9
Total	$1 750.4	$1 567.1	$1 516.2	$1 360.1	$1 158.7
NET UTILITY PLANT					
Electric	$3 039.2	$2 758.4	$2 469.8	$2 422.3	$2 284.2
Gas	195.0	187.2	183.6	181.5	169.8
Telephone and Heating	14.8	13.4	15.7	17.7	18.6
Common	93.6	87.2	71.5	58.5	44.0
Net Utility Plant	$3 342.6	$3 046.2	$2 740.6	$2 680.0	$2 516.6

DEPRECIATION POLICIES

DEPRECIATION FOR FINANCIAL REPORTING PURPOSES

For financial reporting purposes, depreciation is computed by applying the straight-line method to the estimated useful lives of various classes of property. Depreciation provisions, as a percentage of the average balance of depreciable property in service, were 3.63% in 1985, 3.55% in 1984 and 3.47% in 1983. The provision for decommissioning costs for the nuclear plants has been calculated by using an internal sinking-fund method which is designed to provide for full recovery of the costs.

Depreciation rates for the Minnesota Company are reviewed periodically and are certified by the Minnesota Public Utilities Commission (MPUC). For the Wisconsin Company and LSDP, the rates are periodically reviewed and certified by the Public Service Commission of Wisconsin (PSCW).

DEPRECIATION FOR INCOME TAX PURPOSES

For assets placed in service prior to 1981, accelerated amortization, liberalized depreciation, the Class Life System (including ADR lives) and ADR repair allowance were used for income tax purposes. For assets placed in service after December 31, 1980, the depreciation expense for income tax purposes is computed using the accelerated cost recovery system (ACRS) established by the Economic Recovery Tax Act of 1981 (ERTA) and the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On January 1, 1978, the Company began deferred accounting for the income tax effect of overhead costs capitalized but deducted currently for income tax purposes. This accounting was approved by the MPUC in a rate proceeding. As a result, income taxes are now deferred for substantially all book and tax timing differences. However, income tax expense is still currently affected by the reversal of amounts previously accounted for by the flow-through method. The provision for deferred income taxes was $91.1 million for 1985 compared with $106.5 million for 1984.

INVESTMENT TAX CREDIT

The investment tax credits allowed under ERTA and TEFRA reduced the federal income tax payable by $37.1 million for 1985 and $32.2 million for 1984. The investment tax credits on plant additions are deferred and amortized to income over the estimated lives of the related property.

POPULATION TRENDS

	Percent Increase (Decrease) in Population			
	1980-1985	1970-1980	1960-1970	1950-1960
States in which NSP has service				
Minnesota	2.9%	7.1%	11.5%	14.5%
Wisconsin	1.5	6.5	11.8	15.1
North Dakota	4.9	5.7	(2.3)	2.1
South Dakota	2.5	3.7	(2.2)	4.3
Michigan	(1.9)			
NSP Service Area				
(Counties in which NSP has service)	13.9*	(7.4)	12.9	15.1
Total United States	5.7	11.4	13.3	18.5

	Percent Increase (Decrease) in Population			
	1980-1985	1970-1980	1960-1970	1950-1960
Twin Cities Metropolitan Area				
City of Minneapolis	(2.4)	(17.4)	(10.0)	(7.5)
City of St. Paul	(.9)	(13.4)	(1.1)	.7
Suburban	12.9	(4.9)	55.9	115.7
Total	7.2	(8.7)	22.4	28.8
Other communities over 5000 population	12.2	12.7	17.8	17.0
Other communities under 5000 population and rural areas in counties served by NSP	41.2*	(22.4)	1.9	4.0
Total	13.9	(7.4)	12.9	15.1

Of the approximately 3.1 million people served by NSP, 57.4% are in the Twin Cities Metropolitan Area.

	1985	
	Estimated Population Served	Percent of Total
Twin Cities Metropolitan Area		
City of Minneapolis	362 000	11.7%
City of St. Paul	268 000	8.7
Suburban	1 141 000	37.0
Total	1 771 000	57.4
Other communities over 5000 population	684 000	22.2
Other communities under 5000 population and rural	630 000	20.4
Total	3 085 000	100.0%

*Large increase mainly due to addition of LSDP in 1982.

ELECTRIC AND GAS REVENUES AND SALES

	1985	1984	1983	1982	1981
Electric Operating Revennes (millions)					
Residential					
With space heating	$ 58.3	$ 53.6	$ 48.6	$ 43.9	$ 32.1
Without space heating	425.7	421.9	414.3	376.1	312.3
Small commercial and industrial	236.9	228.8	208.9	196.6	162.8
Large commercial and industrial	515.8	506.9	458.3	423.4	363.3
Street lighting and other	30.7	31.2	30.1	33.3	25.6
Total retail	1 267.4	1 242.4	1 160.2	1 073.3	896.1
Sales for resale	94.6	104.2	111.2	94.2	90.1
Miscellaneous	14.1	16.0	14.0	10.7	11.8
Total**	$1 376.1	$1 362.6	$1 285.4	$1 178.2	$ 998.0
Kilowatt-hour Sales (billions)					
Residential					
With space heating	1.1	1.0	.9	.9	.7
Without space heating	6.9	6.8	6.9	6.6	6.2
Small commercial and industrial	4.3	4.2	3.9	3.7	3.4
Large commercial and industrial	12.6	12.3	11.5	10.7	10.2
Street lighting and other	.5	.5	.5	.7	.6
Total retail	25.4	24.8	23.7	22.6	21.1
Sales for resale	4.2	3.9	4.6	4.2	4.7
Total	29.6	28.7	28.3	26.8	25.8
Gas Operating Revenues (millions)					
Residential					
With space heating	$ 195.7	$ 191.8	$ 184.7	$ 174.0	$ 120.8
Without space heating	3.8	4.3	3.9	3.7	
Commercial and industrial firm	119.0	120.1	116.1	111.5	74.6
Total firm	318.5	316.2	304.7	289.2	198.9
Commercial and industrial interruptible	81.6	82.8	92.1	80.9	70.3
Interdepartmental and miscellaneous	2.1	3.0	2.9	3.2	2.8
Total**	$ 402.2	$ 402.0	$ 399.7	$ 373.3	$ 272.0
Mcf Sales (millions)					
Residential					
With space heating	32.9	31.3	29.8	32.6	28.3
Without space heating	.5	.5	.5	.5	.6
Commercial and industrial firm	22.0	21.3	20.2	21.8	17.7
Total firm	55.4	53.1	50.5	54.9	46.6
Commercial and industrial interruptible	20.0	19.3	21.2	19.6	21.0
Interdepartmental	.1	.1	.1	.1	.1
Total	75.5	72.5	71.8	74.6	67.7

*Calculated on unrounded numbers. Growth rates calculated by least squares method.

**See notes on CONTENTS page.

		Anuual Growth Rate*			Perceut of Revenues*			
1980	1975	1 Year 1985/1984	5 Year 1985/1980	10 Year 1985/1975	1985	1984	1980	1975
$ 28.0	$ 8.1	8.8%	16.4%	23.1%	4.2%	3.9%	3.1%	1.4%
290.2	203.0	.9	8.7	8.5	31.0	31.0	31.7	35.9
149.9	102.4	3.6	10.1	9.7	17.2	16.8	16.4	18.1
330.3	193.7	1.8	9.9	11.0	37.5	37.2	36.1	34.2
22.2	16.6	(1.6)	6.3	7.3	2.2	2.3	2.4	2.9
820.6	523.8	2.0	9.7	10.1	92.1	91.2	89.7	92.5
87.2	38.5	(9.2)	2.9	5.4	6.9	7.6	9.5	6.8
6.9	3.7	(11.8)	14.5	18.9	1.0	1.2	.8	.7
$914.7	$566.0	1.0	9.2	9.6	100.0%	100.0%	100.0%	100.0%
.8	.3	8.8%	7.2%	12.9%	3.6%	3.4%	3.0%	1.5%
6.3	5.9	1.1	2.4	1.7	23.4	23.8	24.8	28.9
3.4	2.8	4.1	5.5	4.4	14.6	14.5	13.3	13.7
10.0	8.1	2.6	5.1	4.3	42.5	42.7	39.6	39.7
.5	.5	(6.1)	(3.5)	(.3)	1.7	1.8	2.2	2.5
21.0	17.6	2.6	4.3	3.7	85.8	86.2	82.9	86.3
4.4	2.8	6.7	(1.6)	(.2)	14.2	13.8	17.1	13.7
25.4	20.4	3.1	3.3	2.9	100.0%	100.0%	100.0%	100.0%
$108.9	$ 51.5	2.1%	13.3%	15.8%	48.7%	47.7%	46.6%	49.8%
2.9	2.4	(10.0)	6.1	5.3	1.0	1.1	1.2	2.3
62.1	24.3	(1.0)	14.4	19.4	29.5	29.9	26.6	23.5
173.9	78.2	.7	13.6	16.8	79.2	78.7	74.4	75.6
57.1	24.8	(1.5)	7.1	15.5	20.3	20.6	24.4	24.0
2.8	.4	(29.2)	(3.5)	11.3	.5	.7	1.2	.4
$233.8	$103.4	.1	12.0	16.4	100.0%	100.0%	100.0%	100.0%
30.5	31.1	5.0%	1.6%	.1%	43.6%	43.1%	43.0%	42.2%
.7	1.0	(9.6)	(7.5)	(7.7)	.6	.7	1.0	1.4
18.2	16.4	3.4	4.2	3.0	29.2	29.4	25.5	22.3
49.4	48.5	4.2	2.5	1.1	73.4	73.2	69.5	65.9
21.6	25.1	3.7	(1.6)	(1.3)	26.4	26.6	30.4	34.1
.1	.1	(1.1)	19.0	4.1	.2	.2	.1	
71.1	73.7	4.1	1.3	.4	100.0%	100.0%	100.0%	100.0%

DIVERSIFICATION OF ELECTRIC REVENUES FROM LARGE COMMERCIAL AND INDUSTRIAL CUSTOMERS

There is a broad diversity of businesses represented by the customers in the large commercial and industrial classification. The following data show how the revenues are distributed among the various types and classes of business and that no one group predominates.

CLASSIFICATION	1985		1984		1980	
	Amount (Millions)	Perceut of Total*	Amount (Millions)	Percent of Total*	Amount (Millions)	Percent of Total*
MANUFACTURING						
Durahle Goods						
Stone, Clay and Glass Products	$ 5.0	1.0%	$ 5.8	1.1%	$ 4.1	1.2%
Primary Metal Industries	16.2	3.1	18.9	3.7	14.4	4.4
Fabricated Metal Products	18.6	3.6	18.7	3.7	14.3	4.4
Machinery (Non-electric)	27.2	5.3	25.6	5.1	17.3	5.2
Electrical Machinery and Scientific Instruments	25.4	4.9	26.2	5.2	16.3	4.9
Miscellaneous	10.1	2.0	10.3	2.0	5.9	1.8
Total Durable Goods	102.5	19.9	105.5	20.8	72.3	21.9
Nondurahle Goods						
Food and Kindred Products						
Meat Products	4.7	.9	4.8	.9	3.3	1.0
Dairy Products	9.8	1.9	10.2	2.0	6.5	2.0
Grain Mill Products	11.7	2.3	11.5	2.3	8.1	2.4
Beverage Industries	6.5	1.3	5.9	1.2	3.8	1.2
Other Food Products	11.4	2.2	11.2	2.2	6.9	2.1
Total Food and Kindred Products	44.1	8.6	43.6	8.6	28.6	8.7
Paper and Allied Products	38.9	7.5	39.5	7.8	16.9	5.1
Printing and Publishing	11.1	2.2	10.6	2.1	7.1	2.1
Chemical and Allied Products	5.0	1.0	5.2	1.0	3.8	1.2
Petroleum Products	21.7	4.2	20.1	4.0	10.8	3.3
Plastic and Leather Products	1.1	.2	1.2	.2	1.5	.4
Rubber Products	15.9	3.0	15.7	3.1	9.0	2.7
Textiles	1.9	.4	2.0	.4	1.6	.5
Total Nondurable Goods	139.7	27.1	137.9	27.2	79.3	24.0
Total Manufacturing	242.2	47.0	243.4	48.0	151.6	45.9
NONMANUFACTURING						
Quarrying and Mining	3.0	.6	3.1	.6	4.0	1.2
Utility Services	30.3	5.9	28.7	5.6	14.8	4.5
Wholesale and Retail Trade	65.7	12.7	64.2	12.7	49.4	15.0
Office and Business Buildings	48.3	9.3	45.6	9.0	29.6	8.9
Services	95.1	18.4	90.6	17.9	60.4	18.3
Government	22.5	4.4	22.3	4.4	16.1	4.9
Miscellaneous	8.7	1.7	9.0	1.8	4.4	1.3
Total Nonmanufacturing	273.6	53.0	263.5	52.0	178.7	54.1
Total Large Commercial and Industrial**	$515.8	100.0%	$506.9	100.0%	$330.3	100.0%

*Calculated on unrounded numbers.

**See notes on CONTENTS page.

The diversification of business among the 6,049 customers in the large commercial and industrial revenue classification is further indicated by the fact that there were approximately only 370 customers whose billings exceeded $250,000 in 1985. Of these, approximately 170 were over $500,000.

The names of several large customers listed below suggest the wide variety of business in which they are engaged. Many nationally known firms that make their headquarters or that have operations in the NSP service territory are in this list.

Amoco Chemicals
Andersen Corporation
Archer Daniels Midland
Ashland Petroleum Company
Brown Printing Company

Burlington Northern Inc.
Cargill Inc.
Control Data Corporation
Country Club Market Inc.
Cray Research Inc.

The Dayton Hudson Corporation
Equitable Life Assurance Society
FMC Corp., Northern Ordnance Division
Flambeau Paper Corporation
G. Heileman Brewing Company

General Mills, Inc.
Holiday Inn
Honeymead Products Company
Honeywell, Inc.
J.C. Penney Co. Inc.

James River Dixie — Northern
John Morrell & Company
K-Mart, Div. of S.S. Kresge Inc.
Koch Refining Company
Lakehead Pipeline Co.

Land O'Lakes Inc.
Magnetic Peripherals Inc.
Midland Glass Company, Inc.
Minnesota Mining & Manufacturing Company
Northwest Airlines, Inc.

North Star Steel Company
Northwestern Bell Telephone Company
Onan Div. of Onan Corporation
Oxford Development Inc.
The Pillsbury Company

Pope & Talbot Inc.
Rahr Malting Company
Red Owl Stores, Inc.
Republic Airlines
Rosemount Inc.

Sears, Roebuck and Company
Simplot Financial Corporation
Sperry Corp.
Super Valu Stores Inc.
Target Stores Inc.

The Trane Company
Union Carbide Corp. — Linde
UniRoyal, Inc.
Waldorf Corporation
Williams Brothers Pipeline Company

ENERGY SOURCES AND PRODUCTION COSTS

Source	Requirements 1985 Kwh (Millions)	1985 Percent of Total*	1984 Kwh (Millions)	1984 Percent of Total*
Thermal generation				
Coal	12 408.2	39.3%	12 171.6	39.7%
Nuclear	11 572.5	36.6	8 328.5	27.2
Oil	5.0		11.6	
Other	109.0	.3	115.7	.4
Total Thermal	24 094.7	76.2	20 627.4	67.3
Hydro generation	1 200.1	3.8	1 061.6	3.4
Manitoba Hydro Electric Board	3 230.8	10.2	3 086.4	10.1
Purchased and interchange	3 086.5	9.8	5 881.1	19.2
Total	31 612.1	100.0%	30 656.5	100.0%

The seven largest generating plants in the NSP system (Sherburne County, Prairie Island, Allen S. King, Monticello, Black Dog, Riverside, and High Bridge) produced approximately 95 percent of the total NSP generation in 1985.

The trends in Btu per kilowatt-hour output and in fuel and production costs are indicated in the following tabulation:

Year	Btu per Kwh Output	Cost of Fuel Cents per Million Btu: Coal	Nuclear	Natural Gas	All Fuels	Production Costs Cents per Kwh Output: Thermal Fuel Only	Thermal Total	Hydro	Total Output
1985	10 681	145.1	50.4		99.8	1.067	1.728	.644	1.674
1984	10 871	147.5	53.2		109.7	1.192	1.875	.660	1.815
1983	10 803	145.8	49.4		98.0	1.059	1.556	.468	1.504
1982	10 872	133.4	44.5		91.6	.996	1.559	.494	1.506
1981	10 835	112.1	46.5		83.3	.903	1.334	.481	1.303
1980	10 895	103.8	43.5		79.0	.860	1.253	.448	1.226
1979	10 825	94.8	34.7		67.8	.734	1.032	.395	1.009
1978	10 833	76.2	30.6		60.2	.652	.903	.302	.882
1977	10 787	71.1	26.6	135.4	54.5	.588	.837	.306	.823
1976	11 057	71.9	23.9	83.9	53.5	.592	.849	.400	.833
1975	11 089	65.8	23.8	61.8	47.5	.527	.744	.235	.723

*Calculated on unrounded numbers.

GENERATING STATION STATISTICS

	Date Installed	July Capahility (Mw)	Ontput kwh (Millious) 1985	Ontput kwh (Millious) 1984	Btu per kwh output 1985	Btu per kwh output 1984
STEAM THERMAL PLANTS						
Fossil Fuel						
Sherburne County — Becker						
Unit #1	5-1-76	702.0	4 015.0	4 707.1	10 469	10 555
Unit #2	4-1-77	700.0	4 584.0	3 940.0	10 498	10 631
Total		1 402.0	8 599.0	8 647.1	10 479	10 593
Allen S. King — Oak Park Heights	1-31-68	560.0	2 608.6	1 836.1	9 991	10 178
Black Dog — Burnsville	1952-60	422.0	489.8	450.7	12 283	12 800
High Bridge — St. Paul	1942-59	347.0	186.0	246.5	13 853	14 650
Riverside — Minneapolis	1931-64	309.0	506.6	1 000.1	11 603	11 328
Six Other Plants		258.0	134.6	122.5	19 255	19 148
Total fossil fuel		3 298.0	12 524.6	12 303.0	10 637	10 838
Nuclear Fuel						
Prairie Island — Red Wing						
Unit #1	12-16-73	503.0	3 677.0	4 159.4	10 919	10 901
Unit #2	12-21-74	506.0	3 608.5	3 906.0	10 886	10 939
Total		1 009.0	7 285.5	8 065.4	10 903	10 879
Monticello — Monticello	6-30-71	538.0	4 287.0	263.1	10 397	11 647
Total nuclear fuel		1 547.0	11 572.5	8 328.5	10 715	10 904
Total steam thermal — 13 plants		4 845.0	24 097.1	20 631.5	10 675	10 864
OTHER THERMAL PLANTS — 9 plants		988.0	(2.4)	(4.1)	(a)	(a)
HYDRO PLANTS — 23 plants		223.9	1 200.1	1 061.6		
Total 45 Plants		6 056.9	25 294.8	21 689.0		

(a) Denotes either negative kwh or that the Btu per kwh has little or no meaning.

COMMON STOCK DATA

Year	Shareholders End of Year	Average Shares Outstanding (Thousands)	Earnings Per Average Share	Dividends Declared	Market Prices*		
					High	Low	Close
1948	34 856	9 505	$ .91	$ .70	9¼	7¾	8⅞
1949	49 959	9 625	1.19	.70	11⅛	8⅝	10⅞
1950	53 557	11 084	.94	.70	13	9½	10¼
1951	56 644	11 090	.85	.70	10⅞	9¾	10⅝
1952	59 432	11 669	1.06	.70	13¼	10⅝	12⅞
1953	59 858	12 199	1.10	.725	14¼	11⅞	13¾
1954	63 651	13 006	1.10	.80	16⅞	13¾	16⅜
1955	64 046	13 418	1.16	.825	18¼	16	17¾
1956	67 467	13 949	1.22	.90	18¼	16½	17⅛
1957	69 471	14 119	1.25	.90	17¾	13½	17
1958	69 658	14 269	1.30	1.00	22½	16⅝	22
1959	74 377	14 646	1.47	1.10	25¾	22⅛	24¼
1960	75 323	15 399	1.49	1.12	29¼	22⅝	28⅞
1961	74 938	15 422	1.55	1.18	38⅜	27½	34
1962	74 383	15 422	1.71	1.255	37¾	25⅛	35½
1963	73 829	15 422	1.79	1.34	38⅜	33½	36⅛
1964	73 245	15 437	1.90	1.40	41¼	33½	40⅜
1965	75 824	15 724	1.94	1.44	40¼	34⅝	35
1966	76 477	16 209	2.05	1.50	35⅞	27¾	33⅜
1967	76 050	16 212	2.11	1.56	34¾	28½	28¾
1968	77 110	16 212	2.13	1.60	33¾	27	30
1969	81 565	17 158	2.24	1.60	30⅞	22⅝	22⅞
1970	88 937	17 544	2.41	1.675	27⅜	21¾	26¾
1971	90 612	19 020	2.54	1.70	29¼	25	27¼
1972	93 166	19 751	2.75	1.768	31⅛	24½	30½
1973	96 138	21 289	2.61	1.836	31⅜	22½	25¼
1974	103 454	23 233	2.40	1.836	26⅜	15¼	16
1975	101 839	25 964	2.95	1.862	27¼	15⅞	26⅜
1976	102 333	28 319	2.93	1.94	30¼	23½	29½
1977	100 253	29 389	2.86	2.03	30½	26½	28¼
1978	101 389	29 712	3.39	2.135	28¼	23¼	23½
1979	100 857	30 270	3.51	2.25	25⅞	21⅜	22⅜
1980	98 821	30 087	3.23	2.385	25⅜	18	21½
1981	94 453	29 334	3.89	2.525	27	20	24⅛
1982	94 108	30 100	4.79	2.695	32½	23⅜	30
1983	90 642	30 432	5.60	2.905	40¾	29¾	38
1984	85 784	30 831	5.80	3.17	44¼	33⅝	41¾
1985	82 234	31 137	5.93**	3.45	54¾	41⅛	53

*The above table shows the reported price range, as published in the Wall Street Journal, of the Common Stock of the Company on the New York Stock Exchange through January 23, 1976, and for the New York Stock Exchange — Composite Transactions thereafter.

**See notes on CONTENTS page.

REVENUES AND RATES

NSP's 1985 revenues, excluding inter-system non-firm sales to other utilities, were subject to regulatory jurisdiction as follows:

	Percent of 1985 Revenues
Retail:	
Minnesota Public Utilities Commission (MPUC)	73.6%
Public Service Commission of Wisconsin (PSCW)	14.3
Public Service Commission of North Dakota (PSCND)	6.3
Public Utilities Commission of South Dakota (PUCSD)	2.7
Michigan Public Service Commission (MPSC)	.6
Sales for Resale — Wholesale:	
Federal Energy Regulatory Commission (FERC)	2.5
Total	100.0%

RATE INCREASES

Rate increases requested and granted in previous years were as follows:

Year	Requested	Granted
	(Millions of dollars)	
1980	$125.6	$ 96.0
1981	171.1	126.5
1982	12.6	12.0
1983	2.4	1.7
1984	0	0

The following table summarizes the status of the 1985 rate increase program.

	Annual Increase		Effect on 1985	
	Requested	Allowed	Revenues	Status
	(Millions of Dollars)			
Electric — Retail				
Minnesota	$121.7		$14.6	Order Expected 6/2/86
Wisconsin	11.1			Order Expected 3/11/86
LSDP	1.0			Order Expected 3/11/86
Electric — Wholesale				
Minnesota	2.9			Order Expected 7/1/86
Wisconsin	1.4	$ 1.3	0.8	Order Issued 9/27/85
Wisconsin	.6			Order Expected 4/15/86
Gas — Retail				
Minnesota	20.4	17.1	6.9	(Note A)
Wisconsin	.2			Order Expected 5/15/86
LSDP	.5			Order Expected 3/11/86
1985 Totals	$159.8	$18.4	$22.3	

Note A: On January 29, 1986, the MPUC voted to reverse its ruling of December 30, 1985, approving a gas rate increase of $17.1 million. The MPUC ordered the case dismissed and ordered NSP to return to customers the interim rates collected. (NSP intends to appeal this decision.) Gas revenues for the year ended December 31, 1985, include $6.9 million that is subject to refund pending the outcome of the appeal of the decision.

GENERAL

The Minnesota Company, the Wisconsin Company, and LSDP are subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Federal Power Act, as to certain activities, including wholesale rates for electric energy sold in interstate commerce. The Minnesota Company is subject to the jurisdiction of the Public Utilities Commissions of the states of Minnesota (MPUC) and South Dakota (PUCSD) and the Public Service Commission of North Dakota (PSCND) as to rates for retail sales within those states, including its rates, service and other aspects of the Company's operation. The MPUC also has jurisdiction over the issuance of certain securities. The Wisconsin Company and LSDP are subject to regulation by the Public Service Commission of Wisconsin (PSCW). LSDP is also subject to regulation by the Michigan Public Service Commission (MPSC).

Since the MPUC assumed jurisdiction of Minnesota electric and gas rates in 1975, several significant regulatory precedents have evolved. The MPUC has accepted the use of a forecast test year that corresponds to the period when rates are put in effect, subject to refund. The use of a forecast test year and interim rates minimize regulatory lag.

The MPUC must order interim rates upon 60 days' notice by the utility. The level of interim rates is set to allow the utility a return on equity equal to that granted in the last MPUC order for the utility, adjusted for updated expense and rate base items similar in nature to expenses and rate base items previously allowed. The MPUC must make a determination of the application within 10 months after filing. If the final determination does not permit the full amount of the interim rate, the utility must refund the excess revenue with interest.

Minnesota law allows Construction Work in Progress (CWIP) in a utility's rate base without including an Allowance for Funds Used During Construction (AFC) offset in revenues. The MPUC has exercised this option to a limited extent so that cash earnings are allowed on small and short-term projects that do not qualify for AFC. Other CWIP is allowed in rate base with offsetting AFC. For the calculation of AFC, the FERC formula on a net-of-tax basis is used. Application of the net-of-tax AFC rate to CWIP that qualifies for AFC gives the same result that would be obtained if a gross rate were used and the income tax effect were recorded as deferred taxes.

The MPUC accepts the normalization of income taxes for accelerated depreciation, investment tax credits and capitalized overhead costs. The Company, the Wisconsin Company and LSDP have filed and received orders from their regulatory authorities stating that the regulated utility rates placed in effect by the companies utilize full tax normalization with respect to Accelerated Cost Recovery System (ACRS) property. These orders are necessary to ensure that NSP qualifies for Economic Recovery Tax Act of 1981 tax benefits.

The PSCW has established an annual filing requirement for processing rate cases and monitoring utilities' rates. By June 1 of each year, the Wisconsin Company and LSDP must submit filings for calendar test years beginning the following January 1. The filing procedure and subsequent review allow the PSCW sufficient time to issue an order effective with the start of the test year.

The PSCW has changed its policy on rate base treatment of CWIP. A current return on CWIP (of up to 10% of the average rate base), is no longer allowed for all utilities. The PSCW now looks at each utility's cash position to determine an allowed return on CWIP.

Effective January 1, 1986, the Wisconsin Company began to serve LSDP's three wholesale communities. This change will eliminate duplicate filings with the FERC and consolidate wholesale transactions within the Wisconsin Company.

FUEL AND PURCHASED GAS ADJUSTMENT CLAUSES

The Company's wholesale and retail electric rate schedules provide for adjustments to billings and revenues for changes in the cost of fossil fuel, nuclear fuel, and purchased power. The lag in implementing the billing adjustment is approximately 60 days. On average, another 15 days pass before the adjustment is recorded as revenue.

The Company's retail gas rate schedules provide for adjustment to billings and revenues for changes in the cost of purchased gas. There is no lag in implementing the billing adjustment. On average, 15 days pass before the adjustment is recorded as revenue.

The 1983 Wisconsin Legislature eliminated the automatic retail electric fuel adjustment clause. The Wisconsin Company and LSDP will continue to use the clause until the current retail electric rate filing becomes effective, at which time the clause would be replaced by a limited-issue filing procedure.

Effective January 1, 1986, the Wisconsin Company wholesale fuel adjustment clause was modified. With the new clause, the Wisconsin Company calculates the fuel adjustment factor for the current month based on estimated fuel costs for that month. The estimated fuel cost is trued-up to actual the following month.

The Wisconsin Company and LSDP gas schedules include a purchased gas adjustment clause that provides for the inclusion of the current unit cost of gas.

LSDP's Michigan gas and retail electric rate schedules include Gas Cost Recovery Factors and Power Supply Cost Recovery Factors, which are based on twelve-month projections.

Northern States Power Company

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