

Re: Newfoundland Power 2013/2014 General Rate Application
 Re: 10-K Excerpts Pertaining to Competition

In relation to the Cost of Capital Witnesses who are expected to testify next week, the Consumer Advocate wishes to file the enclosed extracts from the below listed companies' 10-K filings. In an effort to make this filing easier to follow and use at the hearing, we have numbered the pages consecutively from 1 to 14.

Page No.

AGL Resources	-pp. 12 and 21 of 216 of 10-K for Fiscal Year ended December 31, 2011	1,2
Alliant Energy Corporation	-p. 15 of 311 of 10-K for Fiscal Year ended December 31, 2011	3
Atmos Energy	-p. 27 of 215 of 10-K for Fiscal Year ended September 30, 2011	4
Integrus	-p. 12 of 191 of 10-K for Fiscal Year ended December 31, 2010	5
Northwest Natural Gas	-p. 16 of 157 of 10-K for Fiscal Year ended December 31, 2011	6
Piedmont Natural Gas	-p. 9 of 136 of 10-K for Fiscal Year ended October 31, 2011	7
Southern Company	-p. 20 of 683 of 10-K for Fiscal Year ended December 31, 2011	8
Vectren	-p. 17 of 137 of 10-K for Fiscal Year ended December 31, 2011	9
WGL Holdings Inc.	-p. 16 of 174 of 10-K for Fiscal Year ended September 30, 2011	10
Wisconsin Energy Corp	-p. 49 of 232 of 10-K for Fiscal Year ended December 31, 2011	11
Xcel Energy	-pp. 39, 142, 143 of 162 of 10-K for Fiscal Year ended December 31, 2011	12,13,14

AGL Resumes

(1)

Competition and Customer Demand

All of our utilities face competition from other energy products. Our principal competition is from electric utilities and oil and propane providers serving the residential and commercial markets throughout our service areas. Additionally, the potential displacement or replacement of natural gas appliances with electric appliances is a competitive factor.

Competition for space heating and general household and small commercial energy needs generally occurs at the initial installation phase when the customer or builder makes decisions as to which types of equipment to install. Customers generally continue to use the chosen energy source for the life of the equipment. Customer demand for natural gas could be affected by numerous factors, including:

- changes in the availability or price of natural gas and other forms of energy
- general economic conditions
- energy conservation
- legislation and regulations
- the capability to convert from natural gas to alternative fuels
- weather
- new commercial construction and
- new housing starts.

Over the last two years there has been some improvement in the economic conditions within the areas we serve. However, there continue to be high rates of unemployment and depressed housing markets with high inventories, significantly reduced new home construction and a slow-down in new commercial development. As a result, we have experienced slight customer losses in our distribution operations segment. Excluding Nicor Gas, our year-over-year consolidated utility customer gain rate was 0.1% in 2011, compared to a loss rate of (0.1)% for 2010. We anticipate overall competition and customer trends in 2012 to be similar to our 2011 results. For the full year 2011 the customer count of Nicor Gas increased by 0.4% compared to 0.2% for 2010.

We continue to mitigate the effects of the current economic conditions on our business through our use of a variety of targeted marketing programs designed to attract new customers and to retain existing customers. These efforts include working to add residential customers, multifamily complexes and commercial customers who use natural gas for purposes other than space heating, as well as evaluating and launching new natural gas related programs, products and services to enhance customer growth, mitigate customer attrition and increase operating revenues.

The natural gas related programs generally emphasize natural gas as the fuel of choice for customers and seek to expand the use of natural gas through a variety of promotional activities. In addition, we partner with numerous third-party entities such as builders, realtors, plumbers, mechanical contractors, architects and engineers to market the benefits of natural gas appliances and to identify potential retention options early in the process for those customers who might consider converting to alternative fuels.

We work with regulators and state agencies in each of our jurisdictions to educate customers throughout the year about energy costs in advance of the Heating Season, and to ensure that those customers qualifying for the Low Income Home Energy Assistance Program and other similar programs receive any needed assistance. We expect to continue this focus for the foreseeable future. We have also worked with the Virginia Commission, the Tennessee Authority and the New Jersey BPU to educate our customers about energy efficiency and conservation and to provide rebates and other incentives for the purchase of high-efficiency natural gas-fueled equipment. Additionally, we provide rebates and other incentives to our Nicor Gas customers through similar energy efficiency plans.

Sources of Natural Gas Supply

We purchase natural gas supplies in the open market by contracting with producers and marketers. We also purchase transportation and storage services from interstate pipelines that are regulated by the FERC. When firm pipeline services are temporarily not needed, we may release the services in the secondary market under FERC-approved capacity release provisions, with proceeds reducing the cost of natural gas charged to customers for most of our utilities. Peak-use requirements are met through utilization of company-owned storage facilities, pipeline transportation capacity, purchased storage services and other supply sources, arranged by either our transportation customers or us. We have been able to obtain sufficient supplies of natural gas to meet customer requirements. We believe natural gas supply and pipeline capacity will be sufficiently available to meet market demands in the foreseeable future.

(1)

AGL Resources

2

We also collect monthly service fees and customer late payment fees. We evaluate the combination of these two retail price components to ensure such pricing is structured to cover related retail customer costs, such as bad debt expense, customer service and billing, and lost and unaccounted-for gas, and to provide a reasonable profit, as well as being competitive to attract new customers and maintain market share.

Through our commercial operations we optimize storage and transportation assets and effectively manage commodity risk, which enables our energy solutions businesses to maintain competitive retail prices and operating margin. Through hedging transactions, we manage exposures arising from changing commodity prices by using natural gas storage transactions to capture operating margin from natural gas pricing differences that occur over time.

SouthStar, a joint venture currently owned 85% by us and 15% by Piedmont, markets natural gas and related services to retail customers on an unregulated basis, primarily in Georgia under the trade name Georgia Natural Gas. SouthStar also serves retail customers in Ohio, Florida and New York. We have no contractual rights to acquire Piedmont's remaining 15% ownership interests.

SouthStar is governed by an executive committee, which is comprised of six members, three representatives from AGL Resources and three representatives from Piedmont. Under the joint venture agreement, all significant management decisions require the unanimous approval of the SouthStar executive committee; accordingly, our 85% financial interest is considered to be noncontrolling. We record the earnings allocated to Piedmont as a noncontrolling interest in our Consolidated Statements of Income, and we record Piedmont's portion of SouthStar's capital as a noncontrolling interest in our Consolidated Statements of Financial Position.

SouthStar's operations are sensitive to seasonal weather, natural gas prices, customer growth and consumption patterns similar to those affecting our utility operations. SouthStar's retail pricing strategies and the use of a variety of hedging strategies, such as the use of futures, options, swaps, weather derivative instruments and other risk management tools, help to ensure retail customer costs are covered to mitigate the potential effect of these issues and commodity price risk on its operations. For more information on SouthStar's energy marketing and risk management activities, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Commodity Price Risk."

Nicor Solutions offers its residential and small commercial customers, primarily in the Nicor Gas service territory, energy-related products that provide for natural gas price stability and utility bill management. These products mitigate and/or eliminate the risks to customers of colder than normal weather and/or changes in natural gas prices. Nicor Advanced Energy is certified by the Illinois Commission as an Alternate Gas Supplier, authorizing it to be a non-utility marketer of natural gas for residential and small commercial customers. Nicor Advanced Energy presently operates in northern Illinois, offering customers an alternative to the utility as its natural gas supplier.

Our retail operations businesses also provide warranty protection solutions to customers through Nicor Services. Such services include a gas line repair plan and a heating, ventilation, and air conditioning repair and maintenance plan, whereby we, in return for a predetermined monthly amount collected from customers, provide repair and maintenance per the contracted terms. In addition, we also provide customer move connection services for utilities. Our retail operations businesses primarily provide warranty protection solutions to customers in Illinois and Ohio under the Nicor National brand.

Competition Our retail operations business competes with other energy marketers to provide natural gas and related services to customers in Georgia, Illinois, Ohio, New York and the Southeast. In the Georgia market, SouthStar operates as Georgia Natural Gas and is the largest of eleven Marketers, with average customers of approximately 495,000 over the last three years and market share of approximately 33%.

In recent years, increased competition and the heavy promotion of fixed price plans by SouthStar's competitors has resulted in increased pressure on retail natural gas margins. In response to these market conditions SouthStar's residential and commercial customers have been migrating to fixed price plans, which, combined with increased competition from other Marketers, has impacted SouthStar's customer growth as well as margins.

In addition, similar to our natural gas utilities, our retail operations businesses face competition based on customer preferences for natural gas compared to other energy products, primarily electricity, and the comparative prices of those products. Natural gas price volatility in the wholesale natural gas commodity market has also contributed to an increase in competition for residential and commercial customers. We continue to use a variety of targeted marketing programs to attract new customers and to retain existing customers. In October 2011, Georgia Natural Gas was named the exclusive natural gas partner for the Delta Air Lines Inc. Delta SkyMiles Program in Georgia. This is a long-term partnership and we expect it will help retain current customers as well as attract new customers from other Marketers in Georgia.

2

Alliant Energy Corporation

(3)

Table of Contents

The percentage of electric utility revenues regulated by the IUB, PSCW, MPUC and FERC were as follows:

	IPL			WPL		
	2011	2010	2009	2011	2010	2009
IUB	90%	91%	90%	—	—	—
PSCW	—	—	—	85%	84%	80%
MPUC	6%	5%	5%	—	—	—
FERC	4%	4%	5%	15%	16%	20%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Customers - The number of electric customers and communities served at Dec. 31, 2011 was as follows:

	Retail Customers	Wholesale Customers	Other Customers	Total Customers	Communities Served
IPL	525,770	9	1,372	527,151	752
WPL	456,637	21	2,236	458,894	606
	<u>982,407</u>	<u>30</u>	<u>3,608</u>	<u>986,045</u>	<u>1,358</u>

IPL and WPL provide electric utility service to a diversified base of retail customers in several industries, with the largest concentrations in the food manufacturing, chemical (including ethanol) and paper industries. IPL's retail customers in the above table are billed under base rates established by the IUB or MPUC that include recovery of and a return on investments in electric infrastructure and recovery of purchased electric capacity costs and other costs required to serve customers. Prior to 2011, electric transmission service expenses were recovered from IPL's retail electric customers in Iowa through changes in base rates. Effective February 2011, electric transmission service expenses were removed from base rates and billed to IPL's Iowa retail electric customers through a transmission cost rider. This new cost recovery mechanism provides for subsequent adjustments to electric rates charged to Iowa electric retail customers for changes in electric transmission service expenses. IPL's electric production fuel and energy purchases costs are recovered pursuant to fuel adjustment clauses. WPL's retail customers in the above table are billed under base rates established by the PSCW that include recovery of and a return on investments in electric infrastructure and recovery of electric production fuel and purchased energy costs, purchased electric capacity costs, electric transmission service costs and other costs required to serve customers. Effective Jan. 1, 2011, WPL defers electric production fuel and energy purchases costs that exceed or fall below established fuel monitoring ranges through a new electric fuel cost recovery mechanism. WPL's recovery of deferred electric production fuel and energy purchases costs is restricted if it earns in excess of its authorized return on common equity. Refer to "Rate Matters" in MDA for discussion of a potential retail electric rate filing by WPL in 2012.

Wholesale customers in the above table, which primarily consist of municipalities and rural electric cooperatives, are billed under wholesale service agreements. These agreements include standardized pricing mechanisms that are detailed in tariffs approved by FERC through wholesale rate case proceedings. The tariffs include an annual true-up process for actual costs incurred. A significant majority of IPL's and WPL's wholesale service agreements have terms that end after 2017.

In addition, IPL and WPL have bulk power customers, included in "Other customers" in the above table, that are billed according to negotiated, long-term customer-specific contracts, pursuant to FERC-approved tariffs.

Seasonality - Electric sales are seasonal to some extent with the annual peak normally occurring in the summer months due to air conditioning requirements. In 2011, the maximum peak hour demands were as follows:

	Alliant Energy	IPL	WPL
MW	5,734	3,131	2,761
Date	July 18	Aug. 2	July 20

Competition - Retail electric customers in Iowa, Wisconsin and Minnesota currently do not have the ability to choose their electric supplier. However, IPL and WPL attempt to attract new customers into their service territories in an effort to keep energy rates low for all. Although electric service in Iowa, Wisconsin and Minnesota is regulated, IPL and WPL still face competition from self-generation by large industrial customers, alternative energy sources, and petitions to municipalize (Iowa) as well as service territory expansions by municipal utilities through annexations (Wisconsin). Refer to "Rate Matters - Other - Economic Development Program" in MDA for discussion of the PSCW's approval of an economic development program to attract and retain industrial customers in WPL's service territory.

(3)

Table of Contents

Atmos

(4)

Other Regulation

Each of our natural gas distribution divisions is regulated by various state or local public utility authorities. We are also subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of our gas distribution facilities. In addition, our distribution operations are also subject to various state and federal laws regulating environmental matters. From time to time we receive inquiries regarding various environmental matters. We believe that our properties and operations substantially comply with, and are operated in substantial conformity with, applicable safety and environmental statutes and regulations. There are no administrative or judicial proceedings arising under environmental quality statutes pending or known to be contemplated by governmental agencies which would have a material adverse effect on us or our operations. Our environmental claims have arisen primarily from former manufactured gas plant sites in Tennessee, Iowa and Missouri.

The Federal Energy Regulatory Commission (FERC) allows, pursuant to Section 311 of the Natural Gas Policy Act, gas transportation services through our Atmos Pipeline — Texas assets “on behalf of” interstate pipelines or local distribution companies served by interstate pipelines, without subjecting these assets to the jurisdiction of the FERC. Additionally, the FERC has regulatory authority over the sale of natural gas in the wholesale gas market and the use and release of interstate pipeline and storage capacity, as well as authority to detect and prevent market manipulation and to enforce compliance with FERC’s other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. We have taken what we believe are the necessary and appropriate steps to comply with these regulations.

Competition

Although our natural gas distribution operations are not currently in significant direct competition with any other distributors of natural gas to residential and commercial customers within our service areas, we do compete with other natural gas suppliers and suppliers of alternative fuels for sales to industrial customers. We compete in all aspects of our business with alternative energy sources, including, in particular, electricity. Electric utilities offer electricity as a rival energy source and compete for the space heating, water heating and cooking markets. Promotional incentives, improved equipment efficiencies and promotional rates all contribute to the acceptability of electrical equipment. The principal means to compete against alternative fuels is lower prices, and natural gas historically has maintained its price advantage in the residential, commercial and industrial markets.

Our regulated transmission and storage operations historically have faced limited competition from other existing intrastate pipelines and gas marketers seeking to provide or arrange transportation, storage and other services for customers. However, in the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Within our nonregulated operations, AEM competes with other natural gas marketers to provide natural gas management and other related services primarily to smaller customers requiring higher levels of balancing, scheduling and other related management services. AEM has experienced increased competition in recent years primarily from investment banks and major integrated oil and natural gas companies who offer lower cost, basic services. The increased competition has reduced margins most notably on its high-volume accounts.

Employees

At September 30, 2011, we had 4,949 employees, consisting of 4,817 employees in our regulated operations and 132 employees in our nonregulated operations.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports, and amendments to those reports, and other forms that we file with or furnish to the Securities and Exchange Commission (SEC) are available free of charge at our website, www.atmosenergy.com, under

(4)

IntegrYS

(5)

PGL utilizes its company-owned storage and transmission assets as a natural gas hub, which consists of providing wholesale transportation and storage services in interstate commerce. This activity is regulated by the FERC. Revenues collected for use of the natural gas hub are credited to retail customers in rates.

All of IntegrYS Energy Group's natural gas utility subsidiaries are required to provide service and grant credit (with applicable deposit requirements) to customers within their service territories. The utilities are generally precluded from discontinuing service to residential customers who do not pay their bills during winter moratorium months. Federal government and certain state governments have legislation that provides for a limited amount of funding for assistance to low-income energy users, including customers of the utilities.

See Note 24, "Regulatory Environment," for more information regarding rate cases, decoupling mechanisms, and bad debt recovery mechanisms in place at the regulated natural gas utilities.

Other Matters

Seasonality

The natural gas throughput of IntegrYS Energy Group's regulated natural gas utilities generally follows a seasonal pattern because the heating requirements of customers are temperature driven. Specifically, customers typically use more natural gas during the winter months. During 2010, the regulated natural gas utility segment recorded approximately 69% of its revenues in January, February, March, November, and December.

Competition

Although the natural gas retail rates of IntegrYS Energy Group's regulated natural gas utilities are regulated by various commissions, the utilities still face competition from other entities and forms of energy in varying degrees, particularly for large commercial and industrial customers who have the ability to switch between natural gas and alternate fuels. Due to the volatility of energy commodity prices, IntegrYS Energy Group has seen customers with dual fuel capability switch to alternate fuels for short periods of time, then switch back to natural gas as market rates change.

Natural gas transportation service and interruptible natural gas sales are offered to enable customers to better manage their energy costs. Transportation customers purchase natural gas directly from third-party natural gas suppliers and utilize IntegrYS Energy Group's natural gas utilities' distribution systems to transport the natural gas to their facilities. The natural gas utilities still earn a distribution charge for transporting the natural gas for these customers. The loss of revenue associated with the cost of natural gas now purchased from the third-party suppliers has no impact on the natural gas utilities' net income, as it is a pass-through cost to customers. Additionally, some customers have elected to purchase their natural gas directly from one of IntegrYS Energy Group's natural gas utility entities on an interruptible basis, as a means to reduce their costs. Customers continue to switch between firm system supply, interruptible system supply, and transportation service each year as the economics and service options change.

Working Capital Requirements

The working capital needs of IntegrYS Energy Group's regulated natural gas utility operations vary significantly over time due to volatility in levels of natural gas inventories and the price of natural gas. IntegrYS Energy Group's regulated natural gas utilities' working capital needs are met by cash generated from operations and debt (both long-term and short-term). The seasonality of natural gas revenues causes the timing of cash collections to be concentrated from January through June. A portion of the winter natural gas supply needs is typically purchased and stored from April through November. Also, planned capital spending on the natural gas distribution facilities is concentrated in April through November. Because of these timing differences, the cash flow from customers is typically supplemented

(5)

Northwest Natural Gas

6

Table of ContentsCost Recovery

Mechanisms for gas cost recovery are designed to be fair and to balance the interests of our customers and shareholders. In general, utility rates are designed to recover the cost of, but not earn a return on, the gas commodity sold. We attempt to minimize risks associated with gas cost recovery through:

- re-setting customer rates annually for changes in forecasted gas costs and recovery of customer deferrals of prior year's actual versus forecasted gas costs (see Part II, Item 7., "Results of Operations—Regulatory Matters—Rate Mechanisms—Purchased Gas Adjustment");
- aligning customer and shareholder interests, such as through the use of our PGA incentive sharing mechanism, weather normalization, conservation, and gas storage sharing mechanisms (see Part II, Item 7., "Results of Operations—Regulatory Matters"); and
- periodic review of regulatory deferrals with state regulatory commissions and key customer groups.

Customers

At year-end 2011, we had approximately 680,000 utility customers, consisting of approximately 616,000 residential, 63,000 commercial and 1,000 industrial customers. Approximately 90 percent of our utility customers are located in Oregon, and 10 percent are located in Washington. Industries we serve include: pulp, paper and other forest products; the manufacture of electronic, electrochemical and electrometallurgical products; the processing of farm and food products; the production of various mineral products; metal fabrication and casting; the production of machine tools, machinery and textiles; the manufacture of asphalt, concrete and rubber; printing and publishing; nurseries; government and educational institutions; and electric generation. No individual customer or industry accounts for a significant portion of our utility revenues.

Competition and MarketingCompetition with Other Energy Products

We have no direct competition in our service area from other natural gas distributors. However, for residential customers we compete primarily with electricity, fuel oil, propane and renewable energy providers. We also compete with electricity, fuel oil and renewable energy for commercial applications. In the industrial market, we compete with all forms of energy, including competition from third-party sellers of natural gas commodity. Competition among energy suppliers is based on price, efficiency, reliability, performance, market conditions, technology, legislative policy, and environmental impact. Whether or not we provide the gas supplies to serve our transportation-eligible customers, our net margins are not materially affected because we generally do not make any margin on the commodity sold to our utility customers (see "Industrial Markets," below and "Regulation and Rates" above).

Residential and Commercial Markets

The relatively low market saturation of natural gas in residential single-family dwellings in our service territory, estimated at less than 60 percent, and our operating convenience and environmental advantage over fuel oil, provides the potential for continuing growth from residential and commercial conversions. In 2011, the net increase in residential customers was 5,072 primarily from single- and multi-family new construction, and from the conversion of existing homes from oil, electric and propane. The net increase of all new customers added in 2011 was 5,546. This represents a 12-month growth rate of 0.8 percent, which is down slightly from 2010 and well below historical growth rates due to the slow economic recovery and weak job market.

On an annual basis, residential and commercial customers typically account for about 55 to 60 percent of our utility's total volumes delivered and about 85 to 90 percent of gross operating revenues, while industrial customers account for about 40 to 45 percent of volumes and about 10 percent of gross operating revenues. The remaining gross operating revenues are derived from miscellaneous services and other regulatory revenues.

6

Piedmont

7

Table of Contents

We continue to work toward a business model that positions us for long-term success in a lower carbon energy economy with a focus on future growth opportunities that support new clean energy technologies. We are seeking opportunities for regulatory innovation and strategic alliances to advance our customers' interests in energy conservation, efficiency and environmental stewardship. We are executing a plan to build more compressed natural gas (CNG) fueling stations in our service area for use by our own vehicle fleet as well as third party use and the general public. Currently, approximately 11% of our vehicle fleet uses CNG. We have five CNG fueling stations, and we plan to construct four more. Within two years, we anticipate that up to 33% of our fleet will be capable of using CNG.

During the year ended October 31, 2011, approximately 5% of our margin (operating revenues less cost of gas) was generated from deliveries to industrial or large commercial customers that have the capability to burn a fuel other than natural gas. The alternative fuels are primarily fuel oil and propane and, to a much lesser extent, coal or wood. Our ability to maintain or increase deliveries of gas to these customers depends on a number of factors, including weather conditions, governmental regulations, the price of gas from suppliers, availability and the price of alternate fuels. Under FERC policies, certain large volume customers located in proximity to the interstate pipelines delivering gas to us could bypass us and take delivery of gas directly from the pipeline or from a third party connecting with the pipeline. During the fiscal year ended October 31, 2011, no bypass occurred. The future level of bypass activity cannot be predicted.

As noted above, many of our industrial customers are capable of burning a fuel other than natural gas, with fuel oil being the most prevalent energy alternative. Our ability to maintain industrial market share is largely dependent on price. The relationship between supply and demand has the greatest impact on the price of natural gas. The price of oil depends upon a number of factors beyond our control, including the relationship between worldwide supply and demand and the policies of foreign and domestic governments and organizations, as well as the value of the US dollar versus other currencies. Our liquidity could be impacted, either positively or negatively, as a result of alternate fuel decisions made by industrial customers.

The regulated utility also competes with other energy products, such as electricity and propane, in the residential and small commercial customer markets. The most significant product competition is with electricity for space heating, water heating and cooking. There are four major electric companies within our service areas. We believe that the consumer's preference for natural gas is influenced by such factors as price, value, availability, environmental attributes, comfort, convenience, reliability and energy efficiency. The direct use of natural gas in homes and businesses is the most efficient and cost effective use of natural gas and lowers the carbon footprint of those premises in our market area.

During the year ended October 31, 2011, our largest revenue generating customer contributed \$49.5 million, or 3%, of total operating revenues. Our largest margin generating customer contributed \$15.6 million, or 3% of total margin.

Our costs for research and development are not material and are primarily limited to natural gas industry-sponsored research projects.

(8)

Table of Contents

Southern Company

Index to Financial Statements

municipalities, entitled by federal statute to preference in the purchase of power from SEPA, quantities of power equivalent to the amounts of power allocated to them by SEPA from certain United States government hydroelectric projects.

Pursuant to the 1956 Utility Act, the Mississippi PSC issued "Grandfather Certificates" of public convenience and necessity to Mississippi Power and to six distribution rural cooperatives operating in southeastern Mississippi, then served in whole or in part by Mississippi Power, authorizing them to distribute electricity in certain specified geographically described areas of the state. The six cooperatives serve approximately 325,000 retail customers in a certificated area of approximately 10,300 square miles. In areas included in a "Grandfather Certificate," the utility holding such certificate may, without further certification, extend its lines up to five miles; other extensions within that area by such utility, or by other utilities, may not be made except upon a showing of, and a grant of a certificate of, public convenience and necessity. Areas included in such a certificate which are subsequently annexed to municipalities may continue to be served by the holder of the certificate, irrespective of whether it has a franchise in the annexing municipality. On the other hand, the holder of the municipal franchise may not extend service into such newly annexed area without authorization by the Mississippi PSC.

Competition

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the early primary agents of change was the Energy Policy Act of 1992 which allowed IPPs to access a utility's transmission network in order to sell electricity to other utilities.

The competition for retail energy sales among competing suppliers of energy is influenced by various factors, including price, availability, technological advancements, service, and reliability. These factors are, in turn, affected by, among other influences, regulatory, political, and environmental considerations, taxation, and supply.

The retail service rights of all electric suppliers in the State of Georgia are regulated by the Territorial Electric Service Act of 1973. Pursuant to the provisions of this Act, all areas within existing municipal limits were assigned to the primary electric supplier therein. Areas outside of such municipal limits were either to be assigned or to be declared open for customer choice of supplier by action of the Georgia PSC pursuant to standards set forth in this Act. Consistent with such standards, the Georgia PSC has assigned substantially all of the land area in the state to a supplier. Notwithstanding such assignments, this Act provides that any new customer locating outside of 1973 municipal limits and having a connected load of at least 900 KWs may exercise a one-time choice for the life of the premises to receive electric service from the supplier of its choice.

Generally, the traditional operating companies have experienced, and expect to continue to experience, competition in their respective retail service territories in varying degrees as the result of self-generation (as described below) by customers and other factors.

Southern Power competes with investor owned utilities, IPPs, and others for wholesale energy sales primarily in the Southeastern U.S. wholesale market. The needs of this market are driven by the demands of end users in the Southeast and the generation available. Southern Power's success in wholesale energy sales is influenced by various factors including reliability and availability of Southern Power's plants, availability of transmission to serve the demand, price, and Southern Power's ability to contain costs.

Alabama Power currently has cogeneration contracts in effect with nine industrial customers. Under the terms of these contracts, Alabama Power purchases excess generation of such companies. During 2011, Alabama Power purchased approximately 115 million KWHs from such companies at a cost of \$5 million.

Georgia Power currently has contracts in effect with 10 small power producers whereby Georgia Power purchases their excess generation. During 2011, Georgia Power purchased 18 million KWHs from such companies at a cost of \$0.6 million. Georgia Power also has PPAs for electricity with two cogeneration facilities. Payments are subject to reductions for failure to meet minimum capacity output. During 2011, Georgia Power purchased 261 million KWHs at a cost of \$26 million from these facilities.

(8)

Vectren

9

Table of Contents

The current outlook of both Standard and Poor's and Moody's is stable and both categorize the ratings of the above securities as investment grade. A security rating is not a recommendation to buy, sell, or hold securities. The rating is subject to revision or withdrawal at any time, and each rating should be evaluated independently of any other rating. Standard and Poor's and Moody's lowest level investment grade rating is BBB- and Baa3, respectively.

If the rating agencies downgrade the Company's credit ratings, particularly below investment grade, or initiate negative outlooks thereon, or withdraw Vectren's ratings or, in each case, the ratings of its subsidiaries, it may significantly limit Vectren's access to the debt capital markets and the commercial paper market, and the Company's borrowing costs would increase. In addition, Vectren would likely be required to pay a higher interest rate in future financings, and its potential pool of investors and funding sources would likely decrease. Finally, there is no assurance that the Company will have access to the equity capital markets to obtain financing when necessary or desirable.

Utility Operating Risks

Vectren's gas and electric utility sales are concentrated in the Midwest.

The operations of the Company's regulated utilities are concentrated in central and southern Indiana and west central Ohio and are therefore impacted by changes in the Midwest economy in general and changes in particular industries concentrated in the Midwest. These industries include automotive assembly, parts and accessories; feed, flour and grain processing; metal castings; aluminum products; polycarbonate resin (Lexan®) and plastic products; gypsum products; electrical equipment, metal specialties, glass, steel finishing, pharmaceutical and nutritional products; gasoline and oil products; ethanol and coal mining.

Vectren's regulated utilities operate in an increasingly competitive industry, which may affect its future earnings.

The utility industry has been undergoing structural change for several years, resulting in increasing competitive pressure faced by electric and gas utility companies. Increased competition may create greater risks to the stability of Vectren's earnings generally and may in the future reduce its earnings from retail electric and gas sales. Currently, several states, including Ohio, have passed legislation that allows customers to choose their electricity supplier in a competitive market. Indiana has not enacted such legislation. Ohio regulation also provides for choice of commodity providers for all gas customers. In 2003, the Company implemented this choice for its gas customers in Ohio and is currently in the second of the three phase process to exit the merchant function in its Ohio service territory. The state of Indiana has not adopted any regulation requiring gas choice in the Company's Indiana service territories; however, the Company operates under approved tariffs permitting certain industrial and commercial large volume customers to choose their commodity supplier. Vectren cannot provide any assurance that increased competition or other changes in legislation, regulation or policies will not have a material adverse effect on its business, financial condition or results of operations.

A significant portion of Vectren's electric utility sales are space heating and cooling. Accordingly, its operating results may fluctuate with variability of weather.

Vectren's electric utility sales are sensitive to variations in weather conditions. The Company forecasts utility sales on the basis of normal weather. Since Vectren does not have a weather-normalization mechanism for its electric operations, significant variations from normal weather could have a material impact on its earnings. However, the impact of weather on the gas operations in the Company's Indiana territories has been significantly mitigated through the implementation in 2005 of a normal temperature adjustment mechanism. Additionally, the implementation of a straight fixed variable rate design in a January 2009 PUCO order mitigates most weather risk related to Ohio residential gas sales.

Vectren's utilities are exposed to increasing regulation, including environmental and pipeline safety regulation.

Vectren's utilities are subject to regulation by federal, state, and local regulatory authorities and are exposed to public policy decisions that may negatively impact the Company's earnings. In particular, Vectren is subject to regulation by the FERC, the NERC, the EPA, the IURC, the PUCO, and the DOT. These authorities regulate many aspects of its transmission and distribution operations, including construction and maintenance of facilities, operations, and safety, and its gas marketing operations involving title passage, reliability standards, and future adequacy. In addition, these regulatory agencies approve its utility-related debt and equity issuances, regulate the rates that Vectren's utilities can charge customers, the rate of return that Vectren's utilities are authorized to earn, and its ability to timely recover gas and fuel costs. Further, there are consumer advocates and other parties which may intervene in regulatory proceedings and affect regulatory outcomes.

9

WGL Holdings

10

Table of Contents

WGL Holdings, Inc.
Washington Gas Light Company
 Part I
 Item 1. Business (continued)

Gas continues to attract the majority of the new residential construction market in its service territory, and consumers' continuing preference for natural gas allows Washington Gas to maintain a strong market presence. The following table lists the increase in the number of active customer meters by jurisdiction and major rate class for the year ended September 30, 2011.

New Customer Meters by Area

	Residential	Commercial and Interruptible	Group Meter Apartments
Maryland	4,421	376	6
Virginia	3,556	302	20
District of Columbia	1,083	99	5
Total	9,060	777	31

In the interruptible market, fuel oil is the prevalent energy alternative to natural gas. Washington Gas' success in this market depends largely on the relationship between natural gas and oil prices. The supply of natural gas primarily is derived from domestic sources, and the relationship between supply and demand generally has the greatest impact on natural gas prices. Since the source of a large portion of oil comes from foreign countries, political events and foreign currency conversion rates can influence oil supplies and prices to domestic consumers.

RETAIL ENERGY-MARKETING SEGMENT**Description**

WGEServices competes with regulated utilities and other non-utility third party marketers to sell natural gas and/or electricity directly to residential, commercial and industrial customers in Maryland, Virginia, Delaware, Pennsylvania and the District of Columbia. WGEServices contracts for its supply needs and resells natural gas and electricity with the objective of earning a profit through competitively priced contracts with end-users. These commodities are delivered to retail customers through the distribution systems owned by regulated utilities such as Washington Gas or other unaffiliated natural gas or electric utilities. Washington Gas delivers the majority of natural gas sold by WGEServices, and unaffiliated electric utilities deliver all of the electricity sold. Additionally, WGEServices bills its customers through the billing services of the regulated utilities that deliver its commodities as well as directly through its own billing capabilities. WGEServices is also expanding its renewable energy offerings. WGEServices owns multiple solar photovoltaic (Solar PV) power generating systems and does not own or operate any natural gas or electric generation, production, transmission or distribution assets.

At September 30, 2011, and 2010, respectively, WGEServices served approximately 172,000 and 161,000 residential, commercial and industrial natural gas customer accounts and approximately 183,000 and 155,000 residential, commercial and industrial electricity customer accounts located in Maryland, Virginia, Delaware, Pennsylvania and the District of Columbia. This increase is primarily attributable to the success of WGEServices' customer acquisition programs and its expansion into the Pennsylvania electricity and natural gas markets. WGEServices is not dependent on a single customer or concentration of customers such that the loss of any one or more of such customers would have a significant adverse effect on its business.

Factors critical to the success of the retail energy-marketing segment include: (i) managing the market risk of the difference between the sales price committed to customers under sales contracts and the cost of natural gas and electricity needed to satisfy these sales commitments; (ii) managing credit risks associated with customers and suppliers; (iii) having sufficient deliverability of natural gas and electric supplies and transportation to serve the demand of its customers which can be affected by the ability of natural gas producers, pipeline gatherers,

Wisconsin Energy Corp.

(11)

ITEM 1A. RISK FACTORS - (Cont'd)

2011 Form 10-K

Failure to attract and retain an appropriately qualified workforce could adversely impact our results of operations.

Events such as an aging workforce without appropriate replacements may lead to operating challenges or increased costs. These operating challenges include lack of resources, loss of knowledge and a lengthy time period associated with skill development. Failure to hire and obtain replacement employees, including the ability to transfer significant internal historical knowledge and expertise to the new employees, may adversely affect our ability to manage and operate our business. If we are unable to successfully attract and retain an appropriately qualified workforce, our results of operations could be adversely affected.

The use of derivative contracts could result in financial losses.

We use derivative instruments such as swaps, options, futures and forwards to manage commodity and, to a much lesser extent, interest rate exposures. We could recognize financial losses as a result of volatility in the market value of these contracts or if a counterparty fails to perform. These risks are managed through risk management policies, which might not work as planned and cannot entirely eliminate the risks associated with these activities. In addition, although the hedging programs of Wisconsin Electric and Wisconsin Gas must be approved by the PSCW, derivative contracts entered into for hedging purposes might not offset the underlying exposure being hedged as expected, resulting in financial losses. In the absence of actively quoted market prices and pricing information from external sources, the value of these financial instruments can involve management's judgment or use of estimates. Changes in the underlying assumptions or use of alternative valuation methods could affect the value of the reported fair value of these contracts.

The Dodd-Frank Act could impact our use of over-the-counter (OTC) derivatives. Regulations to implement the Dodd-Frank Act could impose additional requirements on the use of OTC derivatives, which could affect both the use and cost of OTC derivatives. The impact, if any, cannot be determined until the regulations are finalized.

Our revenues could be negatively impacted by competitive activity in the wholesale electricity markets.

FERC rules related to transmission are designed to facilitate competition in the wholesale electricity markets among regulated utilities, non-utility generators, wholesale power marketers and brokers by providing greater flexibility and more choices to wholesale customers, including initiatives designed to encourage the integration of renewable sources of supply. In addition, along with transactions contemplating physical delivery of energy, futures contracts and derivatives are traded on various commodities exchanges. We currently cannot predict the impact of these developments or the effect of changes in levels of wholesale supply and demand, which are driven by factors beyond our control.

Restructuring in the regulated energy industry could have a negative impact on our business.

The regulated energy industry continues to experience significant structural changes. Increased competition in the retail and wholesale markets, which may result from restructuring efforts, could have a significant adverse financial impact on us. It is uncertain when retail access might be implemented in Wisconsin; however, Michigan has adopted retail choice which allows customers to choose their own electric generation supplier. Although competition and customer switching to alternative suppliers in our service territories in Michigan has been limited, the additional competitive pressures resulting from retail access could lead to a loss of customers and our incurring stranded costs.

FERC continues to support the existing RTOs that affect the structure of the wholesale market within those RTOs. In connection with its status as a FERC approved RTO, MISO implemented bid-based energy markets that are part of the MISO Energy Markets. The MISO Energy Markets rules require that all market participants submit day-ahead and/or real-time bids and offers for energy at locations across the MISO region. MISO then calculates the most efficient solution for all of the bids and offers made into the market that day and establishes a Locational Marginal Price (LMP) that reflects the market price for energy. As a participant in the MISO Energy Markets, we are required to follow MISO's instructions when dispatching generating units to support MISO's responsibility for maintaining stability of the transmission system. MISO also implemented an Ancillary Services Market for operating reserves

(11)

Xcel Energy

(12)

Table of Contents*We must rely on cash from our subsidiaries to make dividend payments.*

We are a holding company and our investments in our subsidiaries are our primary assets. Substantially all of our operations are conducted by our subsidiaries. Consequently, our operating cash flow and our ability to service our indebtedness and pay dividends depends upon the operating cash flows of our subsidiaries and the payment of funds by them to us in the form of dividends. Our subsidiaries are separate legal entities that have no obligation to pay any amounts due pursuant to our obligations or to make any funds available for that purpose or for dividends on our common stock, whether by dividends or otherwise. In addition, each subsidiary's ability to pay dividends to us depends on any statutory and/or contractual restrictions that may be applicable to such subsidiary, which may include requirements to maintain minimum levels of equity ratios, working capital or assets. Also, our utility subsidiaries are regulated by various state utility commissions, which generally possess broad powers to ensure that the needs of the utility customers are being met.

If our utility subsidiaries were to cease making dividend payments, our ability to pay dividends on our common stock or otherwise meet our financial obligations could be adversely affected.

Operational Risks*We are subject to commodity risks and other risks associated with energy markets and energy production.*

We engage in wholesale sales and purchases of electric capacity, energy and energy-related products and are subject to market supply and commodity price risk. Commodity price changes can affect the value of our commodity trading derivatives. We mark certain derivatives to estimated fair market value on a daily basis (mark-to-market accounting), which may cause earnings volatility. Actual settlements can vary significantly from these estimates, and significant changes from the assumptions underlying our fair value estimates could cause significant earnings variability.

If we encounter market supply shortages or our suppliers are otherwise unable to meet their contractual obligations, we may be unable to fulfill our contractual obligations to our retail, wholesale and other customers at previously authorized or anticipated costs. Any such disruption, if significant, could cause us to seek alternative supply services at potentially higher costs or suffer increased liability for unfulfilled contractual obligations. Any significantly higher energy or fuel costs relative to corresponding sales commitments would have a negative impact on our cash flows and could potentially result in economic losses. Potential market supply shortages may not be fully resolved through alternative supply sources and such interruptions may cause short-term disruptions in our ability to provide electric and/or natural gas services to our customers. The impact of these cost and reliability issues vary in magnitude for each operating subsidiary depending upon unique operating conditions such as generation fuels mix, availability of water for cooling, availability of fuel transportation, electric generation capacity, transmission, etc.

Our subsidiary, NSP-Minnesota, is subject to the risks of nuclear generation.

NSP-Minnesota's two nuclear stations, Prairie Island and Monticello, subject it to the risks of nuclear generation, which include:

- The risks associated with use of radioactive material in the production of energy, the management, handling, storage and disposal of these radioactive materials and the current lack of a long-term disposal solution for radioactive materials;
- Limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with nuclear operations; and
- Uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of licensed lives.

The NRC has authority to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Revised NRC safety requirements could necessitate substantial capital expenditures or a substantial increase in operating expenses at NSP-Minnesota's nuclear plants. In addition, the Institute for Nuclear Power Operations reviews NSP-Minnesota's nuclear operations and nuclear generation facilities. Compliance with the Institute for Nuclear Power Operations' recommendations could result in substantial capital expenditures or a substantial increase in operating expenses.

13

Table of Contents**Nuclear Insurance**

NSP-Minnesota's public liability for claims resulting from any nuclear incident is limited to \$12.6 billion under the Price-Anderson amendment to the Atomic Energy Act. NSP-Minnesota has secured \$375 million of coverage for its public liability exposure with a pool of insurance companies. The remaining \$12.2 billion of exposure is funded by the Secondary Financial Protection Program, available from assessments by the federal government in case of a nuclear accident. NSP-Minnesota is subject to assessments of up to \$117.5 million per reactor per accident for each of its three licensed reactors, to be applied for public liability arising from a nuclear incident at any licensed nuclear facility in the United States. The maximum funding requirement is \$17.5 million per reactor during any one year. These maximum assessment amounts are both subject to inflation adjustment by the NRC and state premium taxes. The NRC's last adjustment was effective April 2010.

NSP-Minnesota purchases insurance for property damage and site decontamination cleanup costs from Nuclear Electric Insurance Ltd. (NEIL). The coverage limits are \$2.25 billion for each of NSP-Minnesota's two nuclear plant sites. NEIL also provides business interruption insurance coverage, including the cost of replacement power obtained during certain prolonged accidental outages of nuclear generating units. Premiums are expensed over the policy term. All companies insured with NEIL are subject to retroactive premium adjustments if losses exceed accumulated reserve funds. Capital has been accumulated in the reserve funds of NEIL to the extent that NSP-Minnesota would have no exposure for retroactive premium assessments in case of a single incident under the business interruption and the property damage insurance coverage. However, in each calendar year, NSP-Minnesota could be subject to maximum assessments of approximately \$15.7 million for business interruption insurance and \$33.6 million for property damage insurance if losses exceed accumulated reserve funds.

Legal Contingencies

Lawsuits and claims arise in the normal course of business. Management, after consultation with legal counsel, has recorded an estimate of the probable cost of settlement or other disposition. The ultimate outcome of these matters cannot presently be determined. Accordingly, the ultimate resolution of these matters could have a material effect on Xcel Energy's financial position and results of operations.

Environmental Litigation

State of Connecticut vs. Xcel Energy Inc. et al. — In July 2004, the attorneys general of eight states and New York City, as well as several environmental groups, filed lawsuits in U.S. District Court for the Southern District of New York against the following utilities, including Xcel Energy, to force reductions in CO₂ emissions: American Electric Power Co., Southern Co., Cinergy Corp. (merged into Duke Energy Corporation) and Tennessee Valley Authority. The lawsuits alleged that CO₂ emitted by each company is a public nuisance and asked the court to order each utility to cap and reduce its CO₂ emissions. The lawsuits did not demand monetary damages. In December 2011, the U.S. District Court entered an order dismissing this lawsuit, bringing a close to this litigation.

Native Village of Kivalina vs. Xcel Energy Inc. et al. — In February 2008, the City and Native Village of Kivalina, Alaska, filed a lawsuit in U.S. District Court for the Northern District of California against Xcel Energy and 23 other utility, oil, gas and coal companies. Plaintiffs claim that defendants' emission of CO₂ and other GHGs contribute to global warming, which is harming their village. Xcel Energy believes the claims asserted in this lawsuit are without merit and joined with other utility defendants in filing a motion to dismiss in June 2008. In October 2009, the U.S. District Court dismissed the lawsuit on constitutional grounds. In November 2009, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. In November 2011, oral arguments were presented. It is unknown when the Ninth Circuit will render a final opinion. The amount of damages claimed by plaintiffs is unknown, but likely includes the cost of relocating the village of Kivalina. Plaintiffs' alleged relocation is estimated to cost between \$95 million to \$400 million. While Xcel Energy believes the likelihood of loss is remote, given the nature of this case and any surrounding uncertainty, it may have a material impact on Xcel Energy's consolidated results of operations, cash flows or financial position. No accrual has been recorded for this matter.

Comer vs. Xcel Energy Inc. et al. — On May 27, 2011, less than a year after their initial lawsuit was dismissed, plaintiffs in this purported class action lawsuit filed a second lawsuit against more than 85 utility, oil, chemical and coal companies in U.S. District Court in Mississippi. The complaint alleges defendants' CO₂ emissions intensified the strength of Hurricane Katrina and increased the damage plaintiffs purportedly sustained to their property. Plaintiffs base their claims on public and private nuisance, trespass and negligence. Among the defendants named in the complaint are Xcel Energy Inc., SPS, PSCo, NSP-Wisconsin and NSP-Minnesota. The amount of damages claimed by plaintiffs is unknown. The defendants, including Xcel Energy Inc., believe this lawsuit is without merit and have filed a motion to dismiss the lawsuit. It is uncertain when the court will rule on this motion. While Xcel Energy believes the likelihood of loss is remote, given the nature of this case and any surrounding uncertainty, it may have a material impact on Xcel Energy's consolidated results of operations, cash flows or financial position. No accrual has been recorded for this matter.

13

14

Table of Contents**Employment, Tort and Commercial Litigation**

Stone & Webster, Inc. vs. PSCo— In July 2009, Stone & Webster, Inc. (Shaw) filed a complaint against PSCo in State District Court in Denver, Colo. for damages allegedly arising out of its construction work on the Comanche Unit 3 coal-fired plant. Shaw, a contractor retained to perform certain engineering, procurement and construction work on Comanche Unit 3, alleged, among other things, that PSCo mismanaged the construction of Comanche Unit 3. Shaw further claimed that this alleged mismanagement caused delays and damages. The complaint also alleged that Xcel Energy Inc. and related entities guaranteed Shaw \$10 million in future profits under the terms of a 2003 settlement agreement. In total, Shaw sought approximately \$144 million in damages.

In August 2009, PSCo filed an answer and counterclaim denying the allegations in the complaint and alleging that Shaw failed to discharge its contractual obligations and caused delays, and that PSCo is entitled to liquidated damages and excess costs incurred of approximately \$82 million.

Following a November 2010 jury trial and subsequent appeal, in November 2011, a confidential settlement was reached dismissing all actions. This settlement did not have a material effect on Xcel Energy's consolidated results of operations, cash flows or financial position.

Merricourt Wind Project Litigation— On April 1, 2011, NSP-Minnesota terminated its agreements with enXco Development Corporation (enXco) for the development of a 150 MW wind project in southeastern North Dakota. NSP-Minnesota's decision to terminate the agreements was based in large part on the adverse impact this project could have on endangered or threatened species protected by federal law and the uncertainty in cost and timing in mitigating this impact. NSP-Minnesota also terminated the agreements due to enXco's nonperformance of certain other conditions, including failure to obtain a Certificate of Site Compatibility and the failure to close on the contracts by an agreed upon date of March 31, 2011. As a result, NSP-Minnesota recorded a \$101 million deposit in the first quarter 2011, which was collected in April 2011. On May 5, 2011, NSP-Minnesota filed a declaratory judgment action in U.S. District Court in Minnesota to obtain a determination that it acted properly in terminating the agreements. On that same day, enXco also filed a separate lawsuit in the same court seeking, among other things, in excess of \$240 million for an alleged breach of contract. NSP-Minnesota believes enXco's lawsuit is without merit and has filed a motion to dismiss. On Sept. 16, 2011, the U.S. District Court denied the motion to dismiss. The trial is set to begin in late 2012 or early 2013. While Xcel Energy believes the likelihood of loss is remote, given the nature of this case and any surrounding uncertainty, it may have a material impact on Xcel Energy's consolidated results of operations, cash flows or financial position. No accrual has been recorded for this matter.

Other Contingencies

See Note 12 for further discussion.

14. Nuclear Obligations

Fuel Disposal— NSP-Minnesota is responsible for temporarily storing used or spent nuclear fuel from its nuclear plants. The DOE is responsible for permanently storing spent fuel from NSP-Minnesota's nuclear plants as well as from other U.S. nuclear plants. NSP-Minnesota has funded its portion of the DOE's permanent disposal program since 1981. The fuel disposal fees are based on a charge of 0.1 cent per KWh sold to customers from nuclear generation. Fuel expense includes the DOE fuel disposal assessments of approximately \$11 million in 2011, \$13 million in 2010 and \$12 million in 2009. In total, NSP-Minnesota had paid approximately \$422.3 million to the DOE through Dec. 31, 2011. The Nuclear Waste Policy Act of 1982 required the DOE to begin accepting spent nuclear fuel no later than Jan. 31, 1998. NSP-Minnesota and other utilities have commenced lawsuits against the DOE to recover damages caused by the DOE's failure to meet its statutory and contractual obligations. In 2011, NSP-Minnesota received from the DOE pursuant to a Settlement with the DOE, an initial payment of approximately \$100 million to cover damages through the end of 2008. As of Dec. 31, 2011, NSP-Minnesota has recorded the payment as restricted cash and a regulatory liability.

NSP-Minnesota has its own temporary on-site storage facilities for spent fuel at its Monticello and Prairie Island nuclear plants, which consist of storage pools and dry cask facilities at both sites. The amount of spent fuel storage capacity currently authorized by the NRC and the MPUC will allow NSP-Minnesota to continue operation of its Prairie Island nuclear plant until the end of its renewed licenses terms in 2033 for Unit 1 and 2034 for Unit 2 and its Monticello nuclear plant until the end of its renewed operating license in 2030. Other alternatives for spent fuel storage are being investigated until a DOE facility is available, including pursuing the establishment of a private facility for interim storage of spent nuclear fuel as part of a consortium of electric utilities.

14