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November 8, 2006

Illona A. Jeffcoat-Sacco, Executive Secretary
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

RE: DEPT. OF ENERGY URANIUM ENRICHMENT REFUND

Dear Ms. Jeffcoat-Sacco:

Enclosed are an original and seven copies of a refund petition for proceeds received as the result of a settlement related to overpayments for uranium enrichment services performed by the Department of Energy ("DOE")

The net refund to North Dakota electric ratepayers is approximately \$79,300, and Northern States Power Company, d/b/a Xcel Energy is seeking to pass this benefit to customers through the Fuel Clause Adjustment mechanism.

Let me know if you have any questions or comments regarding this Notice.

Sincerely,

A handwritten signature in blue ink that reads 'David H. Sederquist'.

DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION & FINANCE
NORTHERN STATES POWER CO. D/B/A XCEL ENERGY

Enclosures

STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

Anthony T. Clark
Susan E. Wefald
Kevin Cramer

President
Commissioner
Commissioner

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY
D/B/A XCEL ENERGY FOR APPROVAL OF
A REFUND OF A DOE SETTLEMENT

CASE NO. PU-06-___

PETITION

INTRODUCTION

Pursuant to ND Century Code 49-02-03 Northern States Power Company d/b/a Xcel Energy (“Xcel Energy” or the “Company”) petitions the North Dakota Public Service Commission (the “Commission”) for approval of a refund to customers of proceeds received as the result of a settlement related to overpayments for uranium enrichment services performed by the Department of Energy (“DOE”). The Company requests that the net amount (proceeds less the legal fees incurred in pursuit of the settlement) be returned to customers through the fuel clause adjustment.

GENERAL FILING INFORMATION

Xcel Energy provides the following information.

A. Name, Address, and Telephone Number of Utility

Northern States Power Company d/b/a Xcel Energy
2302 Great Northern Drive
Fargo, North Dakota 58102
(701) 241-8604

B. Name, Address, and Telephone Number of Utility Attorney

Christopher B. Clark
Assistant General Counsel
Xcel Energy Services, Inc.
414 Nicollet Mall 5th Floor
Minneapolis, Minnesota 55401
(612) 215-4593

C. Date Modified Rates Proposed to Take Effect

As described further below, the Company proposes that this refund be implemented as soon as possible. Xcel Energy respectfully requests the Commission to issue an Order in this case in time for the refund to be returned to customers, based on their kWh usage, via the February 2007 FCA factor.

D. Utility Employee Responsible for Filing

David H. Sederquist
Sr. Consultant, Regulation/Finance, Xcel Energy
2302 Great Northern Drive
Fargo, North Dakota 58102
(701) 241-8632

DESCRIPTION AND PURPOSE OF FILING

A. Background

On February 15, 2006, Xcel Energy, jointly with 12 other Plaintiffs (collectively the “Plaintiffs”) and represented by the law firm of Pillsbury Winthrop Shaw Pittman LLP (“Plaintiffs’ attorneys”), entered into a Settlement Agreement with the United States in Case No. 01-592C (the “Case”) in the United States Court of Federal Claims. A copy of the Settlement Agreement is provided as Attachment A to this Petition.

The Plaintiffs’ claim was that the Department of Energy overcharged them for uranium enrichment services. The Settlement Agreement resolved all claims without further trial or adjudication. The Plaintiffs offered to settle the Case in exchange for a payment by the United States in the amount of \$27.5 million, including interest. The payment was made to the Plaintiffs’ attorneys for disbursement to the Plaintiffs, with each party to pay their own costs, attorneys’ fees, and expenses.

In late April of 2006, Xcel Energy received its prorated portion (\$1,587,794) of the overall Settlement proceeds, of which the estimated amount allocable to the North Dakota

jurisdiction is \$95,700 (see Attachment B). As stated above, Xcel Energy was responsible to pay its own costs, attorneys' fees, and expenses of which approximately \$16,399 will be allocated to North Dakota (also shown on Attachment B). We respectfully request that the outside counsel fees be netted against the settlement amount so that approximately \$79,301 can be returned to North Dakota customers.

The Company believes the most appropriate and cost-effective method of refunding the net amount to customers would be to credit the North Dakota portion of the proceeds to FERC account 518, nuclear fuel expense, and reflect the related legal expenses on line 26 (Special Adjustment) of the monthly North Dakota electric fuel adjustment filing.

It is Xcel Energy's position that it is proper to reduce the amount of the credit returned to customers by the outside legal fees incurred to gain the amount agreed to in the Settlement with the Department of Energy. It would not have been possible to achieve this benefit and pass along this amount to customers if the Company had not incurred the outside legal fees necessary to join the Case and be a party to the Settlement Agreement.

B. Credit to Customers

1. Fuel Clause Adjustment

Xcel Energy proposes to return the net refund amount to electric retail customers using the fuel clause adjustment. As discussed above, the basis for the amount received by Xcel Energy as a result of the settlement agreement agreed to by all parties was the overpayment for uranium enrichment services. Enriched uranium is the base for the nuclear fuel used to power the Company's nuclear generating facilities.

In general, nuclear fuel is purchased after having undergone uranium enrichment and is accounted for on the balance sheet in various utility plant asset accounts during its lifecycle. As the nuclear energy is consumed through the generation process, the amortization of the net cost of nuclear fuel assemblies used in the production of energy is accounted for by debiting FERC Account 518, nuclear fuel expense. Costs recorded in FERC Account 518 are included in the monthly calculation of the fuel clause adjustment.

The period of time over which the overcharges allegedly occurred was approximately 1986 through 1993.¹ Nuclear fuel purchased for use in electric generation for this time period has already been consumed, expensed, and paid for by electric customers when they paid their monthly electric bills through the combination of electric base rates and the monthly fuel clause adjustment.

¹ The Company cannot specifically identify the time frame since three separate situations are alleged to have occurred in the Plaintiff's case, involving three different time periods, and the settlement agreement does not identify the basis for the settlement amount. Therefore, the Company can only use the general period of time over which all three situations occurred – 1986 through 1993.

Because customers have previously paid for the overcharged nuclear fuel through the FCA, the Company believes that this net refund should also be returned to customers through the FCA.

The amount of the refund returned to electric retail customers in the State of North Dakota, if credited to customers through the FCA, will be approximately \$79,301. This jurisdictional estimate was calculated using an electric sales allocator from the Company's 2006 budgeted monthly sales forecast for the four-month period from February through May. Attachment B to this Petition shows the calculation of the estimated North Dakota electric retail jurisdictional portion of the Settlement amount and outside legal fees. The actual amounts will be determined by fuel clause calculations using actual data for the months the refund is passed through to customers.

2. *Accounting*

As stated above, the Company proposes to credit the overpayment for uranium enrichment services, net of outside legal fees, to customer's bills using the FCA. In order to accomplish this, the Company proposes to record the total company proceeds of \$1.6 million received from the settlement agreement as a credit to system nuclear fuel expense. The North Dakota portion of the expenses incurred for outside legal fees – \$16,399 – would be recovered through the monthly FCA line 26 Special Adjustment provision in February 2007.

Specifically, the Company proposes to do the following:

- In December 2006, debit FERC account 242 (miscellaneous current and accrued liabilities) and credit FERC account 518 (nuclear fuel expense) by the \$1.6 million refund amount. Because FERC account 518 is included as a system fuel account in the calculation of the fuel clause adjustment, the credit would be reflected as a reduction of actual nuclear fuel expense included in the calculation of the fuel clause adjustment for February through May 2007 and thus returned to customers based on their kWh usage during those months.
- Because the legal costs were not recorded in FERC 518 as a nuclear fuel cost and included in the average fuel cost calculation in the FCA, a unique recovery factor will need to be calculated for each state (ND, SD, MN) by dividing the respective jurisdictional portion of the total outside legal expense by the forecasted jurisdictional sales for the given FCA month. This factor will be placed on line 26 (Special Adjustment) of the February FCA filing in North Dakota. If necessary, a true-up factor can be implemented in a future month(s) to ensure recovery is accurate.

The fuel clause adjustment is the most appropriate and cost-effective method to return the net proceeds from the Settlement to North Dakota ratepayers. Since nuclear fuel expense is recovered from customers through a combination of base rates and the FCA, use of the

FCA would return the credit to customers in a manner consistent with how they were charged originally.

The Company believes that requiring a formal refund would delay the refund and impose an excessive burden on the Company by requiring the Company to incur additional resources to develop and implement a customer specific bill credit, when the fuel clause adjustment is capable of returning the credits in a manner similar to the original charges.

The Company believes that granting a netting of the outside legal fees against the settlement proceeds would not adversely affect the public interest because the proceeds resulting from the legal pursuit of the Settlement will be passed on to ratepayers as well.

CONCLUSION

Xcel Energy respectfully requests approval to return an estimated \$79,301 to the Company's North Dakota electric retail ratepayers. The amount reflects the State of North Dakota retail portion of proceeds received as the result of a Settlement reached with the United States, net of the outside legal fees incurred in pursuit of the Settlement. The Company believes that the requested credit to customers will result in a benefit to electric ratepayers and is consistent with the Commission's policies and prior orders regarding similar requests.

Dated: November 8, 2006

Northern States Power Company
d/b/a Xcel Energy

By: 

DAVID H. SEDERQUIST
Sr. Regulatory and Financial Consultant

SETTLEMENT AGREEMENT

This is a Settlement Agreement between the United States (the "Defendant"), and Arizona Public Service Company, Calvert Cliffs Nuclear Power Plant, Inc., Consumers Energy Company, EURATOM Supply Agency, FirstEnergy Nuclear Operating Company (on behalf of itself and the claim it acquired from plaintiff GPU Nuclear, Inc.), Nebraska Public Power District, Northern States Power Company d/b/a/ XCEL Energy, PSEG Nuclear LLC, Rochester Gas and Electric Corporation, Southern California Edison Company, STP Nuclear Operating Company, E.On Kraft Sverige (formerly Sydsvenska Varmekraftaktiebolaget) and Union Electric Company d/b/a AmerenUE (collectively "Plaintiffs"), the Plaintiffs in Case No. 01-592C ("the Case") in the United States Court of Federal Claims. For the purpose of disposing of Plaintiffs' claims, without any further judicial proceedings and without there being any further trial or adjudication of any issue of law or fact, and without constituting an admission of liability on the part of Plaintiffs or the Defendant, and for no other purpose, the parties stipulate and agree as follows:

1. Plaintiffs allege the Department of Energy overcharged them for uranium enrichment services.
2. The parties hereto entered into negotiations designed to resolve amicably Plaintiffs' claims without further trial or adjudication. Plaintiffs have offered to settle the Case in exchange for a payment by the United States in the amount of \$27,500,000.00, inclusive of any interest, payable in trust to Plaintiffs' attorneys for disbursement to Plaintiffs, with each party to bear its own costs, attorney fees, and expenses.

3. The offer has been accepted on behalf of the Attorney General of the United States.

4. Upon satisfaction of the terms set forth in paragraph 2, the Plaintiffs agree to join with the United States in stipulating to the dismissal of the Case with prejudice.

5. Upon satisfaction of the terms set forth in paragraph 2, Plaintiffs release, waive, and abandon all claims against the United States, its political subdivisions, its officers, agents, and employees, arising out of or related to the contracts at issue or otherwise involved in the Case, regardless of whether such claims were included in the complaint, including but not limited to any claims for costs, expenses, attorney fees, compensatory damages, and exemplary damages; provided that nothing in this Settlement Agreement shall release, waive or abandon any claims against the United States Enrichment Corporation, as the transferee of the contracts at issue in the Case, arising on or after July 1, 1993.

6. This Settlement Agreement is in no way related to or concerned with income or other taxes for which Plaintiffs are now liable or may become liable in the future as a result of this Settlement Agreement.

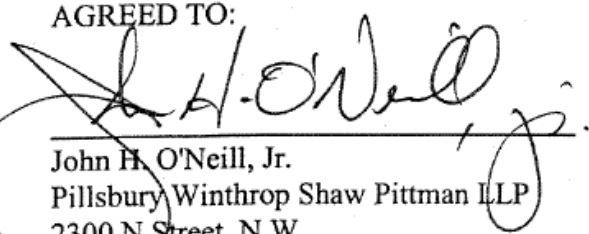
7. Plaintiffs warrant and represent that no other action or suit with respect to their claims advanced in the Case are pending or will be filed in or submitted to any other court, administrative agency, or legislative body. They further warrant and represent that they have made no assignment or transfer of all or any part of their rights arising out of or relating to the claims advanced in the Case. Should there be now or in the future any violation of these warranties and representations, any amount paid by the United States pursuant to this Settlement Agreement shall be refunded promptly by Plaintiffs, together with interest thereon at the rates provided in 41 U.S.C. § 611, computed from the date the United States makes payment.

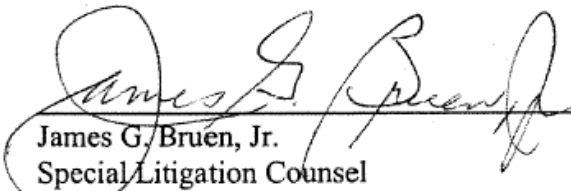
8. This Settlement Agreement is for the purpose of settling the Case, and for no other purpose. Accordingly, this Settlement Agreement shall not bind the parties, nor shall it be cited or otherwise referred to, in any proceedings, whether judicial or administrative in nature, in which the parties or counsel for the parties have or may acquire an interest, except as is necessary to effect the terms of this Settlement Agreement or to provide information to any regulatory body with jurisdiction over any Plaintiff(s).

9. Plaintiffs' counsel represents that he has been and is authorized to enter into this Settlement Agreement on behalf of Plaintiffs.

10. This document constitutes a complete integration of the agreement between the parties and supercedes any and all prior oral or written representations, understandings or agreements among or between them.

AGREED TO:


John H. O'Neill, Jr.
Pillsbury Winthrop Shaw Pittman LLP
2300 N Street, N.W.
Washington, D.C. 20037
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Attorney for Defendant

DATED: February 15, 2006

DATED: 2/15/06

**Northern States Power Co. d/b/a Xcel Energy
Electric Utility - State of North Dakota
Dept. of Energy Settlement (overpayment of uranium enrichment services)**

<u>Item</u>	<u>NSP (MN Co.) Amount</u>	<u>Energy ND Allocator¹</u>	<u>Jurisdiction Amount²</u>
DOE Settlement Proceeds	\$1,587,794	6.0272%	\$95,700
Legal Fees, Expenses	(\$272,081)	6.0272%	(\$16,399)
Net Refund	<u>\$1,315,713</u>		<u>\$79,301</u>

Monthly impact to typical residential customer using 850 kWh

February	(\$0.05)	(reflects flow-through of all legal fees in Feb.)
March	(\$0.12)	
April	(\$0.12)	
May	(\$0.12)	

¹ Reflects 2007 budget sales for February -May. Actual allocation of settlement proceeds will be based on actual sales used in the FCA calculation.

<u>2007 mWh Sales</u>	<u>NSP (MN Co.)</u>	<u>ND Jurisdiction</u>	<u>ND Allocation</u>
Feb	2,847,139	188,360	
Mar	2,836,467	177,328	
Apr	2,695,536	149,463	
May	2,800,263	158,656	
Total	11,179,405	673,807	6.0272%

² Estimated ND impact. Actual jurisdictional settlement proceeds will be determined by actual calculation and application of the Fuel Clause Adjustment (FCA) in Feb - May 2007.