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May 9, 2007

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

**VIA ELECTRONIC FILING
AND FEDERAL EXPRESS**

Re: Application of Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc. for Authority to Increase Rates for Natural Gas Service in North Dakota
Case No. PU-06-525

Dear Ms. Jeffcoat-Sacco:

Attached are an original and seven (7) copies of the fully executed Amendment to the Settlement Agreement between Northern States Power Company (the "Company"), a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc., and the North Dakota Public Service Commission (the "Commission") advisory staff ("Staff") previously filed in the above-referenced proceeding.

The Company respectfully requests that the Commission approve both the Settlement Agreement and this Amendment and representatives of the Company will be available to explain these amendments at the May 11, 2007 hearing on this matter. Please contact me or David Sederquist at (701) 241-8632 with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Megan J. Hertzler'.

Megan J Hertzler
Assistant General Counsel

Encls.

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

Application of Northern States Power Company,
a Minnesota corporation and wholly owned subsidiary
of Xcel Energy Inc., for Authority to Increase Rates
for Natural Gas Service in North Dakota

Case No. PU-06-525

AMENDMENT TO SETTLEMENT AGREEMENT

A Settlement Agreement was entered on April 23, 2007, by and between the North Dakota Public Service Commission advisory staff (“Staff”) and Northern States Power Company (“Xcel Energy” or the “Company”), a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc., (collectively, the “Parties”). This Amendment to Settlement Agreement addresses an additional issue that arose after the Settlement Agreement had been executed, and also corrects an error related to the amount of unrecovered Manufactured Gas Plant remediation costs to include in rate base.

1. To address the issues raised by Staff witness Mr. Michael Majoros concerning net salvage, the Settlement Agreement is amended to add the following paragraph.

The Parties agree to, and recommend the Commission approve, the following regulatory treatment for net retirements. First, the Company shall continue to recover the estimated net present value of the cost of retirement over the useful life of an asset. Second, for regulatory purposes, the Company shall continue to include all retirements as part of accumulated depreciation, which in turn results in an offset to rate base equal to the amount of the accumulated depreciation. Should, at any future date, there be change in regulation or other

event that would result in a change in the above-described process, the Company agrees to work with the Commission to ensure that any accumulated depreciation amounts for retirement purposes are considered and appropriately addressed as part of that change.

2. To correct an error discovered related to inclusion of the of the Manufactured Gas Plant the Settlement Agreement is amended as follows:

The Parties agree to, and recommend the Commission approve, an additional reduction to the revenue requirement of \$126,000 to correct for an error discovered in the calculation of the amount of unrecovered Manufactured Gas Plant (“MGP”) remediation costs to be included in rate base. As amended, the test year average rate base amount is reduced to a level that equals \$45,627,000, which includes \$427,000 related to the remaining balance of the unamortized MGP remediation costs.

The Parties further propose that this reduction in the revenue requirement result in the following revenue allocations.

- Total residential test year revenues would increase \$1,240,903 or approximately 3.4% percent;
- Commercial firm service revenues would increase \$799,058 or 2.0% percent; and
- Interruptible service revenues would increase \$125,625 or 0.8% percent overall.

This information amends the information shown on Schedules B, C, D, E and

F to the original settlement. Updated schedules are attached to this Amendment.

The Company shall file compliance tariff pages setting forth the revised gas rates and tariffs provided by the Settlement Agreement and this Amendment at least 30 days prior to the effective date.

Dated this 9th day of May 2007.

Northern States Power Company,
A Minnesota corporation and wholly owned subsidiary of Xcel Energy
Inc.

By: Scott M. Wilensky
Scott M. Wilensky
Vice President, Government and Regulatory Affairs

Dated this 9th day of May 2007.

Northern Dakota Public Service Commission Staff

By: Annette M. Bendish
Annette M. Bendish
Counsel to the Commission

Xcel Energy
Natural Gas Utility - State of North Dakota
Settlement Agreement Revenue Deficiency Summary (2007 Test Year)
 (000's)

<u>Line</u>	<u>Description</u>	<u>Amount</u>	
1	Average Rate Base	\$45,627	
2	Operating Income	\$2,778	
3	Rate of Return	6.09%	line 2 / line 1
4	Required Rate of Return	8.96%	
5	Required Operating Income	\$4,088	line 1 x line 4
6	Operating Income Deficiency	\$1,311	line 5 - line 2
7	Gross Revenue Conversion Factor	1.65426	
8	Unadj. Revenue Deficiency	\$2,168	line 6 x line 7
9	COG methodology decrease	\$0	
10	Net Revenue Deficiency	\$2,168	
11	Increase percentage	2.3%	

2007 Capital Structure	<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>
Long Term Debt	7.0820%	46.4100%	3.2900%
Short Term Debt	5.8100%	2.0000%	0.1200%
Preferred Stock	0.0000%	0.0000%	0.0000%
Common Equity	10.7500%	51.5900%	5.5500%
Required Rate of Return			8.9600%

Xcel Energy
 Natural Gas Utility - State of North Dakota
 Settlement Agreement Revenue Apportionment

Rate Code	Avg Cust.	Dkt Sales	Revenue		Increase	
			Present	Proposed	Amount	%

Firm Service

Residential	401	37,064	3,065,892	\$36,128,428	\$37,369,331	\$1,240,903	3.4%
Commercial and Industrial	410	<u>6,383</u>	<u>3,676,490</u>	<u>\$40,309,437</u>	<u>\$41,108,495</u>	<u>\$799,058</u>	<u>2.0%</u>
Total Firm Service		43,447	6,742,382	\$76,437,865	\$78,477,826	\$2,039,961	2.7%

Interruptible Service

Small C&I	404	112	655,964	\$6,116,733	\$6,186,265	\$69,532	1.1%
Large C&I/Neg. Transp.	405	<u>22</u>	<u>2,455,956</u>	<u>\$10,490,283</u>	<u>\$10,546,375</u>	<u>\$56,093</u>	<u>0.5%</u>
Total Interruptible Service		134	3,111,920	\$16,607,015	\$16,732,640	\$125,625	0.8%

Total Retail		<u>43,581</u>	<u>9,854,302</u>	<u>\$93,044,880</u>	<u>\$95,210,465</u>	<u>\$2,165,586</u>	<u>2.3%</u>
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Other Gas Revenues

Connection Charge				\$58,000	\$58,000	\$0	0.0%
Late Payment Charge				\$104,000	\$106,392	\$2,392	2.3%
NSF Check Charge				\$5,000	\$5,000	\$0	0.0%
Other sales				<u>\$165,000</u>	<u>\$165,000</u>	<u>\$0</u>	<u>0.0%</u>

Total Other Gas Revenues				<u>\$332,000</u>	<u>\$334,392</u>	<u>\$2,392</u>	<u>0.7%</u>
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Total Retail Sales and Other Revenues				<u>\$93,376,880</u>	<u>\$95,544,857</u>	<u>\$2,167,978</u>	<u>2.3%</u>
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Xcel Energy
Natural Gas Utility - State of North Dakota
Settlement Agreement Present and Proposed Rates

	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Residential Firm Service</u>		
Delivery Services Charge	\$15.69 / Month	\$18.48 / Month
Cost of Gas	\$0.94713 /Therm	\$0.94713 /Therm
MGP amortization	\$0.00365 /Therm	\$0.00365 /Therm
<u>C&I Firm Service</u>		
Basic Service Charge	\$20.00 /Month	\$30.00 /Month
Distribution Charge	\$0.10710 /Therm	\$0.10800 /Therm
Cost of Gas	\$0.94401 /Therm	\$0.94401 /Therm
MGP amortization	\$0.00365 /Therm	\$0.00365 /Therm
<u>Small C&I Interruptible Service</u>		
Basic Service Charge	\$75.00 /Month	\$75.00 /Month
Distribution Charge	\$0.07740 /Therm	\$0.08800 /Therm
Cost of Gas	\$0.83606 /Therm	\$0.83606 /Therm
MGP amortization	\$0.00365 /Therm	\$0.00365 /Therm
<u>Large C&I Interruptible Service</u>		
Basic Service Charge	\$275.00 /Month	\$275.00 /Month
Distribution Charge	\$0.04632 /Therm	\$0.05120 /Therm
Cost of Gas	\$0.83606 /Therm	\$0.83606 /Therm
MGP amortization	\$0.00365 /Therm	\$0.00365 /Therm

Xcel Energy**Natural Gas Utility - State of North Dakota****Settlement Agreement Comparison of CCOSS Deficiency and Proposed Rates**

(000's)

	(1)	(2)	(3)	(4)	(5)
Customer Class		Present Revenues	Revenue Deficiency Indicated by CCOSS	Total Effect Of Proposed Rates	Difference Between CCOSS Revenue Deficiency and Proposed Rates
Residential	\$ increase	\$36,128	\$4,301	\$1,241	\$3,060
	% increase		11.9%	3.4%	8.5%
Commercial	\$ increase	\$40,309	(\$912)	\$799	(\$1,711)
	% increase		-2.3%	2.0%	-4.2%
Interruptible Service (Small Volume)	\$ increase	\$6,117	(\$368)	\$70	(\$438)
	% increase		-6.0%	1.1%	-7.2%
Interruptible Service (Large Volume)	\$ increase	\$10,490	(\$220)	\$56	(\$276)
	% increase		-2.1%	0.5%	-2.6%
Other Revenues	\$ increase	\$332		\$2	
	% increase				
Total	\$ increase	\$93,377	\$2,801	\$2,168	\$633
	% increase		3.0%	2.3%	0.7%

Rate Design - Class Impact by Rate Component

Customer Class		(1)	(2)	(3)	(4)
		Present Revenues	Overall Impacts of Proposed Rates		
			Delivery / Basic Service Charges	Distribution Charges	Total Effect of All Changes
Residential	\$ increase	\$36,128	\$1,241	\$0	\$1,241
	% increase		3.4%	0.0%	3.4%
Commercial	\$ increase	\$40,309	\$766	\$33	\$799
	% increase		1.9%	0.1%	2.0%
Small Interruptible	\$ increase	\$6,117	\$0	\$70	\$70
	% increase		0.0%	1.1%	1.1%
Large Interruptible	\$ increase	\$10,490	\$0	\$56	\$56
	% increase		0.0%	0.5%	0.5%
Total	\$ increase	\$93,045	\$2,007	\$159	\$2,166
	% increase		2.2%	0.2%	2.3%

Xcel Energy
Natural Gas Utility - State of North Dakota
Settlement Agreement Monthly Bills Using Present and Proposed Rates

RESIDENTIAL FIRM SERVICE

Use (Therms)	Bill Amount (Present)	Bill Amount (Proposed)	Increase	Percent
0	\$15.69	\$18.48	\$2.79	17.8%
10	\$25.34	\$28.13	\$2.79	11.0%
20	\$35.00	\$37.79	\$2.79	8.0%
30	\$44.65	\$47.44	\$2.79	6.2%
40	\$54.30	\$57.09	\$2.79	5.1%
50	\$63.96	\$66.75	\$2.79	4.4%
75	\$88.09	\$90.88	\$2.79	3.2%
100	\$112.22	\$115.01	\$2.79	2.5%
200	\$208.75	\$211.54	\$2.79	1.3%
300	\$305.29	\$308.08	\$2.79	0.9%
500	\$498.35	\$501.14	\$2.79	0.6%

COMMERCIAL & INDUSTRIAL FIRM SERVICE

Use (Therms)	Bill Amount (Present)	Bill Amount (Proposed)	Increase	Percent
0	\$20.00	\$30.00	\$10.00	50.0%
50	\$73.62	\$83.67	\$10.05	13.6%
100	\$127.24	\$137.33	\$10.09	7.9%
250	\$288.10	\$298.33	\$10.23	3.5%
500	\$556.21	\$566.66	\$10.45	1.9%
750	\$824.31	\$834.99	\$10.68	1.3%
1000	\$1,092.42	\$1,103.32	\$10.90	1.0%
3000	\$3,237.25	\$3,249.95	\$12.70	0.4%
5000	\$5,382.09	\$5,396.59	\$14.50	0.3%
7500	\$8,063.13	\$8,079.88	\$16.75	0.2%
10000	\$10,744.18	\$10,763.18	\$19.00	0.2%

Xcel Energy
Natural Gas Utility - State of North Dakota
Comparison of Monthly Bills Using Present and Proposed Rates

SMALL VOLUME INTERRUPTIBLE SERVICE

Use (Therms)	Bill Amount (Present)	Bill Amount (Proposed)	Increase	Percent
1000	\$992.11	\$1,002.71	\$10.60	1.1%
3000	\$2,826.34	\$2,858.14	\$31.80	1.1%
5000	\$4,660.57	\$4,713.57	\$53.00	1.1%
7500	\$6,953.35	\$7,032.85	\$79.50	1.1%
10000	\$9,246.13	\$9,352.13	\$106.00	1.1%

LARGE VOLUME INTERRUPTIBLE SERVICE

Use (Therms)	Bill Amount (Present)	Bill Amount (Proposed)	Increase	Percent
1000	\$1,161.03	\$1,165.91	\$4.88	0.4%
3000	\$2,933.10	\$2,947.74	\$14.64	0.5%
5000	\$4,705.17	\$4,729.57	\$24.40	0.5%
7500	\$6,920.25	\$6,956.85	\$36.60	0.5%
10000	\$9,135.33	\$9,184.13	\$48.80	0.5%