



2302 Great Northern Drive
P O Box 2747
Fargo, ND 58108-2747
(701) 241-8632
dave.sederquist@xcelenergy.com

August 14, 2009

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

SUBJECT: Xcel Energy 2008 Natural Gas Earnings Sharing Refund

Dear Mr. Nitschke:

On May 4, 2009 Northern States Power Company, a Minnesota corporation ("Xcel Energy" or the "Company") reported to the Commission that its 2008 natural gas earnings in North Dakota, expressed as a return on equity ("ROE"), was 11.45 percent. Pursuant to the approved Settlement Agreement in the Company's most recent natural gas rate application (Case No. PU-06-525), the Company has determined that its natural gas customers are due a share of the 2008 earnings in excess of the authorized return on equity ("ROE"). This share is \$152,300, and we are prepared to move forward to implement a one-time refund plan.

The Company respectfully requests that the Commission approve the refund at its August 24th regular meeting. The Company will schedule implementation of the refund to commence within 60 days from the date of the Commission's order.

Refund

The earnings sharing agreement, as detailed in the Settlement Agreement, states:

The Parties agree to...an earnings sharing mechanism that will result in customer refunds if the Company's net income exceeds a 10.75 percent return on equity.

If the Company earns in excess of 10.75 percent ROE during the 2007, 2008, or 2009 calendar years, the Company will refund to customers revenues corresponding to earnings as shown below:

50% of earnings above 10.75% up to and including 11.25%

75% of earnings above 11.25%

Earnings sharing credits would be applied to customer accounts as soon as practical after July 1st, after the annual report of natural gas earnings for the given fiscal year has been filed with the Commission (typically on May 1st). A refund would be administered as a one-time bill credit.

We show in Attachment A to this submission the calculation of the refund amount based on the earnings thresholds in the Settlement Agreement as described above. The financial information supporting the determination of earnings was provided in the Company's annual report filed with the Commission on May 4, 2009.

Attachment B shows the estimated refund factor that is to be applied to the total charges each customer paid in 2008, and summarizes the various components of the overall refund. The final refund factor, which may deviate slightly from this estimate, won't be determined until the Company, at the time of implementation, recalculates the refund using the most up-to-date revenue data available (cancel and rebill activity occurring from the time of our refund estimation calculations can change the 2008 base revenue amounts slightly).

Note that the refund is determined using a uniform refund percentage applied to all customer classes, thereby retaining the existing rate design approved by the Commission in Case No. PU-06-525. To provide some perspective, applying the refund factor to the average annual residential natural gas bill results in an estimated average refund amount of just under \$1.50. Of course, individual customer refunds will depend on customer usage patterns and how long each customer was receiving service in 2008. The Company will also include with the refund an interest component for the eight month period from January through August 2009.

The refund, identified as a "Gas earnings refund," will appear as a one-time credit on customer bills, and will be accompanied by a brief message. Attachment C is a sample bill showing the refund presentation and related message.

We will provide the Commission with a final tally of the actual refunded amounts after the refund has been completed.

Please call me if you have any questions regarding these refund calculations or the implementation plan. Thank you.

Sincerely,



David H. Sederquist
Sr. Consultant, Regulation & Finance
Xcel Energy

Northern States Power Company, a Minnesota corporation
Natural Gas Utility - State of North Dakota
2008 Earnings Sharing Refund Calculation
(\$000's)

	ROE Threshold #1	ROE Threshold #2	2008 Reported ROE
1 ROE	10.75%	11.25%	11.45%
2 Equity Rate Base (line 12 x line 13)	<u>\$23,085</u>	<u>\$23,085</u>	<u>\$23,085</u>
3 Earnings available for Common (line 1 x line 2)	\$2,482	\$2,597	\$2,644
4 Add back Debt Interest (line 12 x line 14)	<u>\$1,478</u>	<u>\$1,478</u>	<u>\$1,478</u>
5 Operating Income (line 3 + line 4)	\$3,960	\$4,075	\$4,122
6 Operating Income above previous Threshold	\$0	\$115	\$47
7 Revenue Conversion Factor (1/line 15)	<u>1.64555</u>	<u>1.64555</u>	<u>1.64555</u>
8 Revenue impact (line 6 x line 7))	\$0	\$189	\$77
9 Sharing percent (per Settlement, Case No. PU-06-525)		50%	75%
10 Sharing amount		\$94.5	\$57.8
11 Total Customer Share			\$152.3

12 Rate Base	\$ 45,474
13 Common Equity ratio	50.7647%
14 Weighted Cost of Debt	3.25%
15 Composite Tax Rate	39.23%

**Northern States Power Company, a Minnesota corporation
Natural Gas Utility - State of North Dakota
2008 Earnings Sharing Refund Breakdown**

	2008 Base <u>Revenues</u> ¹	Refund <u>Factor</u> ²	Est. <u>Refund</u>	Est. <u>Interest</u> ³	Taxes, <u>City Fees</u>	Total <u>Refund</u>
1 Residential	\$36,239,151	0.16055%	\$58,182	\$1,263	\$583	\$60,028
2 C & I Firm	\$42,869,087	0.16055%	\$68,826	\$1,494	\$2,147	\$72,467
3 Interruptible	\$15,611,538	0.16055%	\$25,064	\$544	\$502	\$26,110
4 Transportation	<u>\$264,334</u>	0.16055%	<u>\$424</u>	<u>\$9</u>		
4 Total	\$94,984,111		\$152,497	\$3,309	\$3,232	\$158,605

1 Includes impacts of cancelled and rebilled bills through Aug. 2, 2009 that affect 2008 revenues

2 Final factor may be slightly different to account for updated 2008 base revenues at time of refund

3 Based on annual prime interest rate of 3.25% for 8 month period from 12/31/08 to 8/31/09, or 2.17%

Prime interest rates are from Federal Reserve Statistical Release H15 - Bank Prime Loan - Monthly

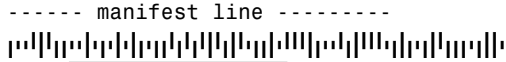
http://www.federalreserve.gov/releases/h15/data/Monthly/H15_PRIME_NA.txt



Northern States Power Company

Please Return This Portion With Your Payment.

Your Account Number	Date Due	Please Pay	Amount Enclosed
51-5233033-7	08/31/2009	\$154.79 Thank You!	



P.O. BOX 9477
MPLS, MN 55484-9477

1202 11TH AVE N
FARGO ND 58102-3535

51083109 52330337 0000001547900000015479

Detach and Retain This Portion For Your Records

Questions: Call 24 Hours 7 Days A Week

Please Call: (800) 895-4999 Fax: (800) 895-4949
Hearing Impaired: (800) 895-4949 (800) 895-2895
Español: (800) 687-8778

or write to us at:
Northern States Power Company
PO BOX 8
EAU CLAIRE WI 54702-0008

Billing Summary

Residential	
Previous Balance 07/01	\$141.74
Payment Received as of 08/04	\$141.74 CR
Gas earnings refund* 08/03	\$1.20 CR
Balance As Of 08/04	\$1.20 CR
Current Energy Charges 08/04	\$155.99
Total	\$154.79

Averages for Billing Period

	This Year	Last Year
Average Temperature	68*	71
Electric/kwh per Day	49.7	50.9
Cost per Day	\$4.29	\$4.73
Gas/therms per Day	0.0	0.0
Cost per Day	\$0.59	\$0.64

* 3 Degrees Colder

Current Charges

Electric Charges Usage Period: 07/01/09 to 08/02/09 Invoice # 283297503 Residential Service 32 Days Basic Service Chg \$9.00 Energy Charge Summer 1589 kWh @ \$0.055730 \$88.55 Fuel Cost Charge 1589 kWh @ \$0.023222 \$36.90 Subtotal \$134.45 City Fees @2.00% \$2.69 Total Amount \$137.14		Meter Reading Information Meter #000002111525 Total Energy-kWh Company Reading on 08/02 55592 Company Reading on 07/01 54003 Total Usage in 32 Days kWh 1589	
Gas Charges Usage Period: 07/01/09 to 08/02/09 Pressure Correction Adjustment 0 ccf x 1.1000 = 0.00 ccf Heat Content Adjustment 0.00 ccf x 1.0962 = 0 therms Invoice # 136946126 Residential Service 32 Days Delivery Services Chg \$18.48 Subtotal \$18.48 City Fees @2.00% \$0.37 Total Amount \$18.85		Meter Reading Information Meter #000000920551 Total CCF Company Reading on 08/02 3146 Company Reading on 07/01 3146 Total Usage in 32 Days ccf 0	
Other Charges Gas earnings refund* \$1.20 CR			

1202 11TH AVE N
FARGO, ND 58102-3535

Next Scheduled Meter Reading Date	Date Due	Please Pay
09/01/09	08/31/2009	\$154.79

See back of bill for more information.

Account #: 51-5233033-7

To avoid a late pay charge of 1% of the unpaid balance, payment of total amount must be received by due date.

Current Charges (continued)

*You are receiving a one-time refund due to 2008 natural gas earnings. Based on an agreement with the North Dakota Public Service Commission and Xcel Energy, earnings above an authorized level are shared with customers. Questions? Call 1-800-895-4999.

Want to save energy and money? Call us to schedule a home energy audit. Get personalized recommendations and answers to your questions - all for just \$35. Call 1-800-895-4999 or see xcelenergy.com for more information.

Your satisfaction is important to us! If you are having trouble understanding your bill, visit xcelenergy.com/MyBill for more information.

Thank you for your payment.

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RUSSELL FORSMAN
1202 11TH AVE N
FARGO, ND 58102-3535

Next Scheduled Meter Reading Date	Date Due	Please Pay
09/01/09	08/31/2009	\$154.79

See back of bill for more information.

Account #: 51-5233033-7

To avoid a late pay charge of 1% of the unpaid balance, payment of total amount must be received by due date.