

STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

Susan E. Wefald
Kevin Cramer
Tony Clark

President
Commissioner
Commissioner

IN THE MATTER OF THE APPLICATION OF)
NORTHERN STATES POWER COMPANY, A)
MINNESOTA CORPORATION, FOR)
AUTHORITY TO INCREASE, RATES FOR)
ELECTRIC SERVICE IN NORTH DAKOTA)

Case No. PU-07-____

**ALTERNATIVE PETITION FOR
INTERIM RATES**

A. Introduction

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”) operating in North Dakota, hereby submits to the North Dakota Public Service Commission (the “Commission”) this Alternative Petition for Interim Rates (the “Petition”) for its North Dakota retail electric customers, pursuant to N.D. Cent. Code §49-05-06. The Company respectfully requests that the Commission authorize, on an interim basis, rate relief of \$17,183,000 or 11.49 percent to be effective February 5, 2008.

B. Effective Date

The date of the submission of this Petition is December 7, 2008. The Petition is submitted as part of the Company’s Notice of Change in Rates for Electric Service (the “Notice”). Pursuant to N.D. Cent. Code § 49-05-06, Xcel Energy requests that, should the Commission suspend the operation of the general rate schedules that accompany the Notice, the proposed interim rates be made effective on February 5, 2008. N.D. Cent. Code § 49-05-06, subd. 2, provides that if interim rates are requested, the Commission “shall order that the interim rates take effect no later than

sixty (60) days after the initial filing date and without a public hearing.” If the interim rate amounts are in excess of the final rates approved by the Commission, the interim rates will be subject to refund plus reasonable interest at a rate to be determined by the Commission.

C. Description and Need for Interim Rates

Xcel Energy is entitled to interim rate relief based on the Notice and its supporting schedules along with the supporting schedules attached to this Petition. The proposed interim rate increase applies to all of Xcel Energy’s retail electric customers in the State of North Dakota. Interim rates are needed because the increased cost of service reflected in the Company’s general rate Notice will be incurred before July 7, 2008, the anticipated effective date of the general rate increase assuming the Commission suspends the rates filed with the Notice. Without interim rate relief, Xcel Energy would be unable to recover these increased costs of service while the rates were suspended.

Schedules attached to this filing support the interim revenue deficiency of \$17,183,000 for Xcel Energy’s North Dakota electric utility operation. As required by N.D. Cent. Code § 49-05-06 and indicated in Schedules 2 and 4, Xcel Energy has removed from the interim rate request the recovery of costs that are not of the same nature and kind as allowed in the most recent electric rate proceeding (Case No. PU-400-92-399).

In addition, the return on equity requested for interim rates for Xcel Energy is 11.5 percent, which is the last Commission-authorized return on equity, ordered in Case No. PU-400-92-399.

The test year for Xcel Energy’s general electric Notice and this Alternative Petition for Interim Rates is the calendar year ending December 31, 2008. The revenue requirement study in the general rate Notice shows an annual deficiency in revenue of

\$20,535,000 or 13.95 percent under present rates. Present rates, as referred to in this Petition, are the rates authorized by the Commission in its final order in Case No. PU-400-92-399. Xcel energy is requesting an interim rate adjustment that would increase Xcel Energy’s test year revenues (exclusive of separately collected revenues related to franchise fees or gross earnings taxes imposed by local governmental units) by \$17,183,000 or a 11.49 percent increase of present retail electric revenues.

D. Interim Rate Schedules

The following rate schedules are proposed to be effective on an interim basis on February 5, 2008:

<u>Schedule</u>	<u>Sheet No.</u>
• Residential Service	5-1
• Residential Time of Day Service	5-2
• Residential Service – Underground	5-4
• Residential Time of Day Service – Underground	5-5
• Energy-Controlled Service (Non-Demand Metered)	5-7
• Limited Off-Peak Service	5-9
• Automatic Protective Lighting Service	5-13
• Small General Service	5-19
• Small General Time of Day Service	5-21
• Direct Current Service (Closed)	5-24
• General Service	5-25
• General Time of Day Service	5-28
• Peak-Controlled Service	5-32
• Peak-Controlled Time of Day Service	5-37
• Energy-Controlled Service	5-44
• Street Lighting Service (Leased Equipment)	5-59
• Street Lighting Service (Purchased Equipment) (Closed)	5-62
• Street Lighting Service – Metered (Purchased Equipment)	5-63
• Small Municipal Pumping Service	5-67
• Municipal Pumping Service	5-68
• Fire and Civil Defense Siren Service	5-70

- Residential Controlled Air Conditioning and Water Heating Rider 5-78
- Commercial and Industrial Air Conditioning Rider 5-80
- Standby Service Rider 5-82

The rate schedules containing proposed interim rates are included along with this Petition as Interim Rate Schedules 7 and 8 (legislative and regular formats, respectively). No change has been made in the existing rate design for purposes of establishing interim rates. A uniform percentage increase that would provide an additional \$17,183,000 on an annualized basis, in base rate revenues currently being recovered from each customer class would be applied.

E. Supporting Schedules and Workpapers

The following interim rate schedules are included in support of this Interim Rate petition:

Schedule 1: Revenue deficiency summary;

Schedule 2: Operating income;

Schedule 3: Rate base;

Schedule 4: Summary of capitalization and cost of capital;

Schedule 5: Jurisdictional cost of service study;

Schedule 6: Interim rate increase percent;

Schedule 7: Rate tariffs – legislative (red-line) format (Volume 2)

Schedule 8: Rate tariffs – regular format (Volume 2)

Pursuant to N.D. Cent. Code § 49-05-06, subd. 2, the adjustments reflected in the above schedules exclude any items that are not of the same nature and kind as those

allowed in the Commission order in Case No. PU-400-92-399. The rate of return on equity filed in the general Notice is the same as the 11.5 percent authorized level in the most recent traditional rate case (Case No PU-400-92-399) and lower than the baseline return on equity allowed in the PLUS performance-based regulation plan approved by the Commission (Case No. PU-400-00-195), so no adjustment to the cost of equity was necessary for setting interim rates.

F. Interim Bills

Xcel Energy proposes to include informative rate folders in customer bills beginning on February 5th and add an informational memo directly on customer bills to communicate to customers that their bill reflects an increase associated with the interim rate request.

G. Surety for Refund

Pursuant to N.D. Cent. Code § 49-05-06, subd. 3, the Company respectfully requests that the Commission not require a bond to secure any projected refund. The statute makes such a requirement discretionary. Xcel Energy submits as part of this Petition an Agreement and Undertaking regarding the Company's commitment to refund any interim rates determined by the Commission to be unreasonable. These commitments are sufficient to secure any required refund.


H. Conclusion

Xcel Energy hereby submits this Alternative Petition for Interim Rates. If the Commission suspends the operation of the general rate schedules listed in the Notice under N.D. Cent. Code § 49-05-06, the Company respectfully requests that the Alternative Petition for Interim Rates be promptly considered and accepted by the Commission, so that interim rate schedules can be effective on February 5, 2008.

Interim revenues would be subject to refund pending final Commission action on the general rate increase Notice.

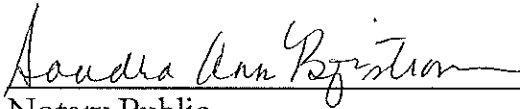
Dated: December 7, 2007

Respectfully submitted,

By: 

Kent T. Larson
Regional Vice President, North
Northern States Power Company, a Minnesota corporation

Subscribed and sworn to before me this
6th day of December, 2007


Notary Public



STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

Susan E. Wefald
Kevin Cramer
Tony Clark

President
Commissioner
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IN THE MATTER OF THE APPLICATION OF)
NORTHERN STATES POWER COMPANY, A)
MINNESOTA CORPORATION, FOR)
AUTHORITY TO INCREASE RATES FOR)
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Case No. PU-07-____

**AGREEMENT AND
UNDERTAKING**

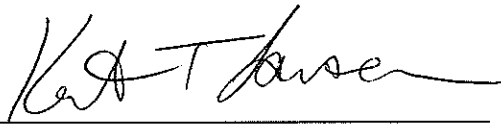
Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”) operating in North Dakota, in conjunction with the Notice of Change in Rates for Electric Service filed with the North Dakota Public Service Commission (the “Commission”) makes the following unqualified agreement concerning refunding any portion of the increase in rates determined by the Commission to be unreasonable.

Pursuant to North Dakota Century Code § 49-05-06, subd. 4, Xcel Energy hereby agrees and undertakes to refund to its customers in North Dakota the amount, if any, collected during the interim rate period in excess of final rates, plus interest at the current rate as determined by the Commission, computed from the effective date of the interim rates through the date of refund.

In addition, Xcel Energy agrees to keep such records of sales and billings under the proposed interim rates as will be necessary to compute any potential refund.

This Agreement and Undertaking is made pursuant to authority granted by the Board of Directors of the Company.

Dated: December 7, 2007

By: 

Kent T. Larson
Vice President
Northern States Power Company, a Minnesota corporation

Northern States Power Company, a Minnesota corporation
Electric Utility - State of North Dakota
2008 Test Year
Revenue Deficiency Summary - Interim Rate Petition
(\$000's)

Case No. PU-07-_____
Exhibit____(Interim Rate Petition)
Schedule 1, Page 1 of 1

Line No.	Description	General Rate Application	Change	Interim Rate Petition
1	Average Rate Base	\$242,100	\$29	\$242,129
2	Total Available for Return	\$9,794	\$2,040	\$11,834
3	Overall Rate of Return (Line 2 / Line 1)	4.05%	0.84%	4.89%
4	Required Rate of Return	9.20%	0.00%	9.20%
5	Operating Income Requirement (Line 1 x Line 4)	\$22,273	\$3	\$22,276
6	Income Deficiency (Line 5 - Line 2)	\$12,479	(\$2,037)	\$10,442
7	Gross Revenue Conversion Factor	1.645550	0	1.645550
8	Revenue Deficiency (Line 6 x Line 7)	\$20,535	(\$3,353)	\$17,183
9	Proposed Increase to Other Service Charges	-	-	-
10	Deficiency Recovered by Retail Rate Increase	\$20,535	(\$3,353)	\$17,183
11	Retail Related Revenue Under Present Rates	\$147,179	\$2,371	\$149,550
12	Percentage Increase to Retail (Line 10 / Line 11)	13.95%	-2.46%	11.49%

Northern States Power Company, a Minnesota corporation
 Electric Utility - State of North Dakota
 2008 Test Year
 Operating Income - Interim Rate Petition
 (\$000's)

Case No. PU-07-_____
 Exhibit_____(Interim Rate Petition)
 Schedule 2, Page 1 of 3

Line No.	Description	General Rate Application Present Rates	Asset Based Margin Rate Payer	Asset Based Margin Stockholder	Non-Asset Based Margin Rate Payer	Non-Asset Based Margin Stockholder	MISO Shd. 16 & 17 Recovery in Base Rates
Operating Revenues							
1	Retail	\$147,179	\$1,800		\$39		\$532
2	Weather Impact Net Margin Adjustment	0					
3	Other Operating	39,525		\$318		\$221	
4	Gross Earnings Tax	0					
5	Total Operating Revenues	\$186,704	\$1,800	\$318	\$39	\$221	\$532
Expenses							
Operating Expenses:							
6	Fuel and Purchased Power	\$79,015					
7	Power Production	40,491					
8	Transmission	7,992					
9	Distribution	5,655					
10	Customer Accounting	4,343					
11	Customer Service & Information	369					
12	Administrative & General	10,399					
13	Sales, Econ Dvlp & Other	2					
14	Total Operating Expenses	\$148,264					
15	Depreciation	\$19,160					
16	Amortization	\$460					
Taxes:							
17	Property	\$5,763					
18	Gross Earnings	0					
19	Deferred Income Tax & ITC	1,738					
20	Federal & State Income Tax	214	706	125	15	87	209
21	Payroll & Other	1,310					
22	Total Taxes	\$9,025	\$706	\$125	\$15	\$87	\$209
23	Total Expenses	\$176,910	\$706	\$125	\$15	\$87	\$209
24	AFUDC	\$0					
25	Total Operating Income	\$9,795	\$1,094	\$193	\$24	\$134	\$323

Note: Revenues reflect calendar month sales

Northern States Power Company, a Minnes
 Electric Utility - State of North Dakota
 2008 Test Year
 Operating Income - Interim Rate Petition
 (\$000's)

Case No. PU-07-_____
 Exhibit_____(Interim Rate Petition)
 Schedule 2, Page 2 of 3

Line No.	Description	Removal of Charitable Contributions	Private Fuel Storage	Renewable Development Fund Amortization	Tax Effect of Rate Base CWC Adjstmnt	Interim Rate Petition Present Rates
Operating Revenues						
1	Retail					
2	Weather Impact Net Margin Adjustment					\$149,550
3	Other Operating					0
4	Gross Earnings Tax					40,064
5	Total Operating Revenues					<u>0</u> \$189,614
Expenses						
Operating Expenses:						
6	Fuel and Purchased Power					\$79,015
7	Power Production					40,491
8	Transmission					7,992
9	Distribution					5,655
10	Customer Accounting					4,343
11	Customer Service & Information					369
12	Administrative & General	(\$86)				10,313
13	Sales, Econ Dvlp & Other					2
14	Total Operating Expenses	<u>(\$86)</u>				<u>\$148,178</u>
15	Depreciation					\$19,160
16	Amortization		(\$190)	(\$170)		\$100
Taxes:						
17	Property					\$5,763
18	Gross Earnings					0
19	Deferred Income Tax & ITC					1,738
20	Federal & State Income Tax	34	74	66	1	1,531
21	Payroll & Other					1,310
22	Total Taxes	<u>\$34</u>	<u>\$74</u>	<u>\$66</u>	<u>\$1</u>	<u>\$10,342</u>
23	Total Expenses	<u>(\$52)</u>	<u>(\$115)</u>	<u>(\$104)</u>	<u>\$1</u>	<u>\$177,780</u>
24	AFUDC					\$0
25	Total Operating Income	<u>\$52</u>	<u>\$115</u>	<u>\$105</u>	<u>(\$1)</u>	<u>\$11,834</u>

Note: Revenues reflect calendar month sales

Northern States Power Company, a Minnesota corporation
 Electric Utility - State of North Dakota
 2008 Test Year
 Operating Income with Proposed Increase - Interim Rate Petition
 (000's)

Case No. PU-07-_____
 Exhibit____(Interim Rate Petition)
 Schedule 2, Page 3 of 3

<u>Line No.</u>	<u>Description</u>	<u>Interim Rate Petition Present Rates</u>	<u>Interim Rate Increase</u>	<u>Interim Rate Petition Proposed Rates</u>
<u>Operating Revenues</u>				
1	Retail	\$149,550	\$17,183	\$166,733
2	Weather Impact Net Margin Adjustment	0		0
3	Other Operating	40,064	-	40,064
4	Gross Earnings Tax	0		0
5	Total Operating Revenues	\$189,614	\$17,183	\$206,797
<u>Expenses</u>				
Operating Expenses:				
6	Fuel and Purchased Power	\$79,015		\$79,015
7	Power Production	40,491		40,491
8	Transmission	7,992		7,992
9	Distribution	5,655		5,655
10	Customer Accounting	4,343		4,343
11	Customer Service & Information	369		369
12	Administrative & General	10,313		10,313
13	Sales, Econ Dvlp & Other	2		2
14	Total Operating Expenses	\$148,178	\$0	\$148,178
15	Depreciation	\$19,160	\$0	\$19,160
16	Amortization	\$100		\$100
Taxes:				
17	Property	\$5,763		\$5,763
18	Gross Earnings	0		0
19	Deferred Income Tax & ITC	1,738		1,738
20	Federal & State Income Tax	1,531	6,741	8,272
21	Payroll & Other	1,310		1,310
22	Total Taxes	\$10,342	\$6,741	\$17,083
23	Total Expenses	\$177,780	\$6,741	\$184,521
24	AFUDC	\$0	\$0	\$0
25	Total Operating Income	\$11,834	\$10,442	\$22,276

Note: Revenues reflect calendar month sales.

Northern States Power Company, a Minnesota corporation
Electric Utility - State of North Dakota
2008 Test Year
Rate Base - Interim Rate Petition
(\$000's)

Case No. PU-07-_____
Exhibit____(Interim Rate Petition)
Schedule 3, Page 1 of 1

Line No.	Description	General Rate Application Present Rates	Cash Working Capital	Interim Rate Petition Present Rates
1	Utility Plant in Service	\$607,339		\$607,339
2	Less: Reserve for Depreciation	\$333,166		\$333,166
3	Net Utility Plant in Service	\$274,173		\$274,173
4	Utility Plant Held for Future Use	\$0		\$0
5	Construction Work in Progress	\$4,802		\$4,802
6	Less: Accumulated Deferred Income Taxes	\$40,717		\$40,717
7	Cash Working Capital	\$1,136	\$29	\$1,165
Other Rate Base Items				
8	Materials and Supplies	\$5,412		\$5,412
9	Fuel Inventory	2,358		2,358
10	Non-Plant Assets & Liabilities	(6,928)		(6,928)
11	Prepayments and Other Working Capital	1,864		1,864
12	Total Other Rate Base Items	\$2,706		\$2,706
13	Total Average Rate Base	\$242,100	\$29	\$242,129

Northern States Power Company, a Minnesota corporation
Electric Utility - State of North Dakota
2008 Test Year
Summary of Capitalization and Cost of Capital - Interim Rate Petition
(\$000's)

Case No. PU-07-_____
 Exhibit____(Interim Rate Petition)
 Schedule 4, Page 1 of 1

Capitalization:	Amount /1	Percent of Total	Cost of	Weighted Cost
	(A)	Capitalization	Capital	of Capital
		(B)	(C)	(D)
<u>PROPOSED TEST YEAR YEAR 2008</u>				
Long-Term Debt	\$2,725,414	45.6100%	6.79%	3.1000%
Short-Term Debt	\$156,627	2.6200%	5.74%	0.1500%
Long-Term and Short-Term Debt	\$2,882,041	48.2300%	6.74%	3.2500%
Net Common Equity	\$3,093,868	51.7700%	11.50%	5.9500%
Total Capitalization	\$5,975,909	100.00%		9.2000%

/1 All are average balances; long term and short term debt based on 12 month averages, common equity based on thirteen month balances.

ROE = 3.16%
Deficiency = \$17,183
% Increase = 11.49%
Required ROE = 11.50%

Case No. PU-07-_____
Exhibit____(Interim Rate Petition)
Schedule 5, Page 1 of 6

Northern States Power Company, a Minnesota corporation
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Budget - INTERIM RATES

Summary Reports

November 28, 2007

Northern States Power Company, a Minnesota corporation
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Budget - INTERIM RATES

Case No. PU-07-_____
 Exhibit____(Interim Rate Petition)
 Schedule 5, Page 2 of 6

(Dollars in Thousands)

Rate Base Summary

	Total Company Electric			North Dakota Retail Electric			All Other		
	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>
1 Plant Investment	10,486,491	11,699,172	11,092,832	572,054	642,623	607,339	9,914,437	11,056,549	10,485,493
2 Depreciation Reserve	<u>(5,821,431)</u>	<u>(6,216,224)</u>	<u>(6,018,828)</u>	<u>(322,262)</u>	<u>(344,069)</u>	<u>(333,166)</u>	<u>(5,499,169)</u>	<u>(5,872,155)</u>	<u>(5,685,662)</u>
3 Net Utility Plant	4,665,060	5,482,948	5,074,004	249,792	298,554	274,173	4,415,268	5,184,394	4,799,831
4 C.W.I.P.	471,316	244,824	358,070	5,117	4,487	4,802	466,199	240,338	353,268
5 Accumulated Deferred Taxes	(759,615)	(788,332)	(773,974)	(39,716)	(41,717)	(40,717)	(719,899)	(746,615)	(733,257)
Other Rate Base:									
6 Cash Working Capital	12,369	12,369	12,369	1,165	1,165	1,165	11,203	11,203	11,203
7 Materials & Supplies	92,681	92,681	92,681	5,412	5,412	5,412	87,269	87,269	87,269
8 Fuel Inventory	40,111	40,111	40,111	2,358	2,358	2,358	37,753	37,753	37,753
9 Non-Plant Assets & Liab	(115,650)	(118,027)	(116,839)	(6,856)	(6,999)	(6,928)	(108,794)	(111,028)	(109,911)
10 Prepays & Other	30,355	30,355	30,355	1,864	1,864	1,864	28,491	28,491	28,491
11 Total Rate Base	4,436,627	4,996,929	4,716,777	219,136	265,124	242,129	4,217,490	4,731,805	4,474,647

Northern States Power Company, a Minnesota corporation
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Budget - INTERIM RATES

(Dollars in Thousands)

Case No. PU-07-_____
Exhibit_____(Interim Rate Petition)
Schedule 5, Page 3 of 6

Income Statement Summary

	<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>	
<u>Operating Revenues</u>				
1	Retail	2,879,484	149,550	2,729,934
2	CIP Adjustment to Program Costs	0	0	0
3	Interdepartmental	434	0	434
4	Other Operating	726,170	40,064	686,106
5	Gross Earnings Tax	0	0	0
6	Total Operating Revenues	3,606,088	189,614	3,416,474
<u>Expenses</u>				
Operating Expenses:				
7	Fuel & Purchased Energy	1,344,010	79,015	1,264,995
8	Power Production	686,183	40,491	645,692
9	Transmission	138,216	7,992	130,224
10	Distribution	110,071	5,655	104,416
11	Customer Accounting	59,420	4,343	55,077
12	Customer Service & Information	60,501	369	60,133
13	Sales, Econ Dvlp & Other	138	2	136
14	Administrative & General	161,406	10,313	151,093
15	Total Operating Expenses	2,559,944	148,178	2,411,766
16	Depreciation	365,768	19,160	346,608
17	Amortization	27,153	100	27,053
Taxes:				
18	Property	105,494	5,763	99,731
19	Gross Earnings	0	0	0
20	Deferred Income Tax & ITC	64,161	1,738	62,423
21	State & Federal Income (see Page 3)	87,588	1,531	86,058
22	Payroll & Other	21,401	1,310	20,091
23	Total Taxes	278,645	10,342	268,303
24	Total Expenses	3,231,509	177,780	3,053,729
25	AFUDC	0	0	0
26	Total Operating Income	374,579	11,834	362,745

Northern States Power Company, a Minnesota corporation
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Budget - INTERIM RATES

(Dollars in Thousands)

Case No. PU-07-_____
Exhibit_____(Interim Rate Petition)
Schedule 5, Page 4 of 6

Income Tax Summary

	<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>	
<u>Income Before Taxes</u>				
1	Total Operating Revenues	3,606,088	189,614	3,416,474
2	less: Total Operating Expenses	(2,559,944)	(148,178)	(2,411,766)
3	Book Depreciation & Amortization	(392,921)	(19,260)	(373,661)
4	Taxes (Other Than Current Income)	(191,056)	(8,811)	(182,245)
5	Total Before Tax Book Income	462,167	13,364	448,803
<u>Tax Additions</u>				
6	Book Depreciation	365,768	19,160	346,608
7	Nuclear Fuel Book Burn	69,384	4,012	65,372
8	Nuclear Fuel Disposal	12,473	721	11,752
9	Book Depreciation Cleared To Operating	0	0	0
10	Deferred Income Taxes & ITC	64,161	1,738	62,423
11	Book Amortizations	0	0	0
12	Connection Fees	0	0	0
13	Avoided Tax Interest	59,766	3,412	56,354
14	Tax Capitalized Leases	0	0	0
15	Meals & Entertainment	528	32	496
16	TBT Net Expense	0	0	0
17	Total Tax Additions	572,080	29,075	543,005
<u>Tax Deductions</u>				
18	Tax Depreciation & Removal Expense	665,489	30,605	634,884
19	Debt Interest Expense	153,295	7,869	145,426
20	Mfg Production Deduct/Production Tax Credit	5,093	310	4,783
21	Other Tax/Book Timing Differences	(4,082)	(246)	(3,836)
22	Net Preferred Stock Deduction	0	0	0
23	Total Tax Deductions	819,795	38,538	776,474
24	State Taxable Income	214,452	3,901	210,550
25	State Income Tax Rate	8.99%	6.51%	N/A
26	Total State Income Taxes	19,277	254	19,023
27	Federal Taxable Income	195,175	3,648	191,527
28	Federal Income Tax Rate	35.00%	35.00%	35.00%
29	Total Federal Income Taxes	68,311	1,277	67,034
30	Total Federal & State Income Taxes	87,588	1,531	86,058

Northern States Power Company, a Minnesota corporation
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Budget - INTERIM RATES

Case No. PU-07-_____
 Exhibit_____(Interim Rate Petition)
 Schedule 5, Page 5 of 6

Revenue Requirement & Return Summary

(Dollars in Thousands)

	<u>Capital Structure</u>	<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>	<u>Composite Income Tax Rates</u>	
1	Long Term Debt	6.7900%	45.6100%	3.1000%	State of North Dakota Tax rate	6.50%
2	Short Term Debt	5.7400%	2.6200%	0.1500%	Federal Statutory Tax rate	35.00%
3	Preferred Stock	0.0000%	0.0000%	0.0000%	Federal Effective Tax Rate (1-State Rate * Fed Rate)	32.73%
4	Common Equity	11.5000%	51.7700%	5.9500%	Total North Dakota Composite Tax Rate	39.23%
5	Required Rate of Return			9.2000%	Total Corporate Composite Tax Rate	40.84%

		<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
<u>Rate of Return (ROR)</u>				
6	Total Operating Income	374,579	11,834	362,745
7	Total Average Rate Base	<u>4,716,777</u>	<u>242,129</u>	<u>4,474,647</u>
8	ROR (Operating Income / Rate Base)	7.94%	4.89%	8.11%

<u>Return on Equity (ROE)</u>				
9	Total Operating Income	374,579	11,834	362,745
10	Debt Interest (Rate Base * Weighted Debt Cost)	(153,295)	(7,869)	(145,426)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	<u>0</u>	<u>0</u>	<u>0</u>
12	Earnings Available for Common	221,284	3,965	217,319
13	Equity Rate Base (Rate Base * Equity Ratio)	<u>2,441,875</u>	<u>125,350</u>	<u>2,316,525</u>
14	ROE (Earnings for Common / Equity Rate Base)	9.06%	3.16%	9.38%

<u>Revenue Deficiency</u>				
15	Require Operating Income (Rate Base * Required Return)	433,943	22,276	411,668
16	Operating Income	<u>374,579</u>	<u>11,834</u>	<u>362,745</u>
17	Operating Income Deficiency	59,365	10,442	48,923
18	Revenue Conversion Factor (1/(1-Composite Tax Rate))	<u>1.69041</u>	<u>1.64555</u>	<u>N/A</u>
19	Revenue Deficiency (Income Deficiency * Conversion Factor)	100,351	17,183	83,169

<u>Total Retail Revenue Requirements</u>				
20	Retail Related Revenues	2,879,918	149,550	2,730,368
21	Revenue Deficiency	<u>100,351</u>	<u>17,183</u>	<u>83,169</u>
22	Total Retail Revenue Requirements	2,980,269	166,733	2,813,537

23	<u>Percentage Increase (Decrease)</u>	3.48%	11.49%	3.05%
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(Dollars in Thousands)

Rate Base Detail - Cash Working Capital

Expenses	Lead Days	Total Company Electric		ND Retail Electric		All Other				
		Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days			
Fuel Expenses										
1	Coal & Rail Transport	24.78	367,060	9,095,753	21,579	534,739	345,481	8,561,014		
2	Gas for Generation	41.90	139,412	5,841,374	8,196	343,414	131,216	5,497,960		
3	Oil	14.13	7,092	100,215	417	5,892	6,675	94,324		
4	Nuclear & EOL	0.00	80,062	0	4,707	0	75,355	0		
5	Nuclear Disposal	76.38	<u>12,473</u>	<u>952,688</u>	<u>721</u>	<u>55,070</u>	<u>11,752</u>	<u>897,618</u>		
6			606,100	15,990,030	35,620	939,115	570,480	15,050,915		
Purchased Power										
7	Purchases	24.62	989,971	24,373,094	57,960	1,426,977	932,011	22,946,117		
8	Interchange	38.21	<u>103,226</u>	<u>3,944,260</u>	<u>5,991</u>	<u>228,902</u>	<u>97,235</u>	<u>3,715,358</u>		
			1,093,197	28,317,353	63,951	1,655,879	1,029,246	26,661,475		
Labor & Related Costs										
9	Regular Payroll	12.82	244,810	3,138,461	14,763	189,258	230,047	2,949,204		
10	Incentive Compensation	255.13	11,547	2,945,961	683	174,224	10,864	2,771,736		
11	Pension & Benefits	28.34	<u>41,928</u>	<u>1,188,248</u>	<u>2,613</u>	<u>74,046</u>	<u>39,316</u>	<u>1,114,202</u>		
12	Subtotal Labor & Related		298,285	7,272,670	18,058	437,528	280,227	6,835,142		
14	All Other Operating Expenses	42.34	562,362	23,810,407	30,549	1,293,447	531,813	22,516,960		
15	Property Tax	353.01	105,494	37,240,437	5,763	2,034,397	99,731	35,206,040		
16	Employer's Payroll Taxes	26.83	21,401	574,194	1,310	35,149	20,091	539,045		
17	Gross Earnings Tax	55.01	39,086	2,150,121	2,081	114,476	37,005	2,035,645		
18	Federal Income Tax	36.50	68,311	2,493,355	1,277	46,598	67,034	2,446,757		
19	State Income Tax	36.50	19,277	703,619	254	9,267	19,023	694,352		
20	State Sales Tax Customer Billings	51.86	110,642	5,737,894	0	0	110,642	5,737,894		
21	Total Expenses	<u>42.50</u>	2,924,156	<u>124,290,081</u>	<u>41.33</u>	158,863	<u>6,565,856</u>	<u>42.57</u>	2,765,293	<u>117,724,225</u>
22	Net Annual Expense Amount			<u>340,521</u>		<u>17,989</u>			<u>322,532</u>	
Revenues										
23	Computer Billing	100.00%	45.45	2,879,484	130,872,548	149,550	6,797,048	2,729,934	124,075,500	
24	Hand Billed	0.00%	45.45	0	0	0	0	0	0	
25	Retail Revenue Adjustments		45.45	0	0	0	0	0	0	
26	Interdepartmental		0.00	434	0	0	0	434	0	
27	Late Payment		0.00	7,252	0	245	0	7,007	0	
28	Connect and Trouble Charges		45.45	2,217	100,763	173	7,863	2,044	92,900	
29	CIP Incentive		0.00	0	0	0	0	0	0	
30	Rentals		34.28	4,630	158,716	251	8,604	4,379	150,112	
31	Interchange Revenues		38.21	388,380	14,840,000	22,648	865,380	365,732	13,974,620	
32	Sales for Resale		39.63	255,650	10,131,410	12,919	511,980	242,731	9,619,430	
33	Production Associated Revenues		39.63	6,382	252,919	375	14,861	6,007	238,057	
34	MISO		39.63	36,762	1,456,878	2,125	84,214	34,637	1,372,664	
35	Point to Point Firm		39.63	4,680	185,468	271	10,740	4,409	174,729	
36	Services & Facilities		39.63	8,621	341,650	493	19,538	8,128	322,113	
37	Ancillary		39.63	6,223	246,617	360	14,267	5,863	232,351	
38	Distribution Associated Revenues		45.45	1,986	90,264	0	0	1,986	90,264	
39	Other		45.45	5,367	243,930	320	14,544	5,047	229,386	
40	JOA - Rev fr/to PSC		39.63	(1,980)	(78,467)	(116)	(4,597)	(1,864)	(73,870)	
41	(blank)		0.00	0	0	0	0	0	0	
42	(blank)		0.00	0	0	0	0	0	0	
43	(blank)		0.00	0	0	0	0	0	0	
44	Total Revenues	<u>44.05</u>	3,606,088	<u>158,842,695</u>	<u>44.01</u>	189,614	<u>8,344,441</u>	<u>44.05</u>	3,416,474	<u>150,498,255</u>
45	Net Annual Amount			<u>435,185</u>		<u>22,861</u>			<u>412,324</u>	
46	Expense / Revenue Factor			0.810894146		0.837823457				
47	Allocated Revenue Amount			<u>352,889</u>		<u>19,154</u>				
48	Net Cash Working Capital	Page 1 - Line 6		<u>12,369</u>		<u>1,165</u>			<u>11,203</u>	

Interim Rate Adjustment = **14.96%**

SUMMARY OF CUSTOMERS, SALES, AND REVENUES - INTERIM

Service Schedule	Average Customers	MWH Sales			Revenues (\$1,000's)								
		Summer	Winter	Annual	Present			Interim			Base Increase		
					Base	Fuel*	Total	Base	Fuel*	Total	Amount	Percent	
Residential													
Residential	73,205	230,742	541,505	772,247	45,994	12,086	58,079	52,875	12,086	64,961	6,882	14.96%	
Residential TOD	18	121	383	504	25	8	33	28	8	36	4	14.96%	
Load Management	312	2,480	4,703	7,183	230	112	342	264	112	376	34	14.96%	
Res Total	73,535	233,343	546,591	779,934	46,248	12,206	58,454	53,168	12,206	65,374	6,920	14.96%	
C&I - Non-Demand													
Small General	8,089	43,884	87,062	130,945	8,130	2,049	10,179	9,346	2,049	11,396	1,216	14.96%	
Small General TOD	464	1,342	2,663	4,005	277	63	340	319	63	381	41	14.96%	
Load Management	73	760	1,508	2,268	70	35	106	81	35	116	11	14.96%	
C&I N-D Total	8,627	45,986	91,233	137,219	8,477	2,147	10,625	9,746	2,147	11,893	1,268	14.96%	
C&I - Demand													
General	2,939	209,561	415,103	624,664	33,181	9,776	42,957	38,146	9,776	47,922	4,965	14.96%	
General TOD	164	68,937	135,467	204,405	8,613	3,199	11,812	9,901	3,199	13,100	1,289	14.96%	
Peak-Controlled	74	18,323	36,351	54,674	2,667	856	3,523	3,066	856	3,922	399	14.96%	
Peak-Controlled TOD	14	50,671	98,399	149,069	5,555	2,333	7,888	6,386	2,333	8,719	831	14.96%	
Energy-Controlled	97	80,044	157,437	237,481	7,785	3,717	11,501	8,950	3,717	12,666	1,165	14.96%	
C&I Dmd Total	3,289	427,535	842,757	1,270,293	57,800	19,880	77,681	66,449	19,880	86,329	8,648	14.96%	
C&I Total	11,915	473,521	933,990	1,407,511	66,278	22,028	88,305	76,195	22,028	98,222	9,917	14.96%	
Public Authorities													
Small Mun Pumping	79	277	528	805	48	13	61	55	13	68	7	14.96%	
Municipal Pumping	79	3,772	7,184	10,956	657	171	829	756	171	927	98	14.96%	
Siren Service	24	0	0	0	1	0	1	2	0	2	0	14.96%	
PA Total	182	4,049	7,712	11,761	707	184	891	812	184	996	106	14.96%	
Lighting													
Leased		653	1,754	2,408	449	38	487	516	38	554	67	14.96%	
Purchased		3,248	8,721	11,969	724	187	912	833	187	1,020	108	14.96%	
Metered	12	121	366	487	21	8	28	24	8	32	3	14.96%	
Protective		1,046	2,808	3,854	414	60	474	476	60	536	62	14.96%	
Lighting Total	12	5,069	13,649	18,717	1,608	293	1,901	1,848	293	2,141	241	14.96%	
Total Retail	85,645	715,982	1,501,942	2,217,924	114,840	34,711	149,550	132,023	34,711	166,733	17,183	14.96%	

* Fuel is Test Year 2008 Fuel Adjustment revenue