EXHIBIT
PENGAD 800-631-6989
21A

Rebuttal Testimony and Schedules
Anne E. Heuer

Before the North Dakota Public Service Commission
State of North Dakota

In the Matter of the Application of Northern States Power Company, a Minnesota Corporation

For Authority to Increase Rates for Electric Utility Service in North Dakota

Case No. PU-07-776
Exhibit 21a

Overall Revenue Requirements
Rate Base
Income Statement

June 13, 2008

Table of Contents

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Anne E. Heuer. My business address is 414 Nicollet Mall, Minneapolis, Minnesota 55401.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Manager of Revenue Analysis for Xcel Energy Services Inc.

Q. HAVE YOU PREVIOUSLY FILED DIRECT TESTIMONY AND SCHEDULES IN THIS PROCEEDING?

A. Yes. I have previously provided Direct Testimony and Schedules on behalf of Northern States Power Company, a Minnesota corporation ("Xcel Energy" or the "Company"), operating in North Dakota.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY AND SCHEDULES?

A. The purpose of my Rebuttal Testimony and Schedules is to:

- Respond to several issues raised by Charles W. King and Michael J. Majoros, Jr. on behalf of the Advocacy Staff (the "Staff") of the North Dakota Public Service Commission (the "Commission"), including (Pole Inspection and Replacement Program, Asset Based and Non-Asset Based Trading Margins, MISO Schedule 16 and 17 Costs, Nuclear Refueling Outage Costs, Private Nuclear Fuel Storage, Renewable Development Fund Expenses, Charitable Contributions, Incentive Compensation, and Income Taxes);
- Correct an inadvertent error to the allocation of chemical costs used during the pollution control process at the Allen S. King Generating Plant;

- Provide our calculations of the impact of the recommendations of Mr. King and Mr. Majoros on our revenue requirement, correcting certain estimates and calculations of the adjustments offered by Mr. Majoros in his Testimony; and
- Provide the updated revenue deficiency recommended by the Company for adoption in this case.

Other Xcel Energy witnesses will respond to each of the other issues raised by Mr. King and Mr. Majoros.

Q. HOW IS YOUR REBUTTAL TESTIMONY ORGANIZED?

A. I first present the Company's response to nine substantive issues raised by Mr. King and Mr. Majoros. I then correct the allocation of costs related to chemicals used during the pollution control process at the Allen S. King Plant. I next present the actual, corrected revenue requirement impacts of Mr. King and Mr. Majoros' various recommendations, so that the Commission has an accurate record for consideration in this proceeding. Finally, I summarize the overall revenue deficiency recommended by the Company, reflecting the changes offered in my Rebuttal Testimony.

II. FINANCIAL RECOMMENDATIONS

A. Pole Inspection and Replacement and Cable Replacement

Q. WHAT DID MR. MAJOROS RECOMMEND REGARDING THE COMPANY'S POLE INSPECTION AND REPLACEMENT AND CABLE REPLACEMENT PROGRAMS?

A. Mr. Majoros recommends accounting for the costs of these programs in a way that does not reflect the purposes for which the costs are incurred, in that the expenses (and capitalized costs) of pole and cable *replacement* (i.e. installation) be charged to the reserve for *removal*. He did not challenge the reasonableness of either these programs or the test-year level of costs, but his accounting proposal would have a significant effect on the revenue requirements associated with these programs.

Q. WHAT IS YOUR UNDERSTANDING OF THE EFFECT OF THAT PROPOSAL?

A. Mr. Majoros' proposal would record the costs of investments in new facilities, such as power line poles and new distribution cable, as depreciation reserve, a cost category that reflects the costs of eventually removing a facility from service at the end of its useful life. The net impact on the revenue requirement due to this accounting change is approximately ~~$160,000.~~ $128,000 ah

Q. WHAT IS THE COMPANY'S POSITION REGARDING THIS RECOMMENDATION?

A. I believe that Mr. Majoros' recommendation is inconsistent with sound accounting practices and does not accurately reflect the differences between removal and replacement of our equipment.

Q. WHY IS THIS RECOMMENDATION INCONSISTENT WITH SOUND ACCOUNTING PRACTICES?

A. This recommendation is inconsistent with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts, which prescribe the recording of investments and expenses in accounts that reflect each cost's nature and type. Sections of the FERC Uniform System of Accounts read as follows:

101 Electric plant in service

A. This account *shall include the original cost* of electric plant, included in accounts 301 to 399, prescribed herein, owned and used by the utility in the electric utility operations, and *having an expectation of life in service of more than one year from the date of installation*, including such property owned by the utility but held by nominees.

108 Accumulated provision for depreciation of electric utility plant

B. *At the time of retirement of depreciable electric utility plant, the account shall be charged with the book cost of the property retired and the cost of removal* and shall be credited with the salvage value and any other amounts recovered, such as insurance. ……

E. *The utility is restricted in its use of the accumulated provision for depreciation to the purposes set forth above.* (Emphasis added).

The costs associated with new poles and cable, such as the costs reflected in our Pole and Cable Replacement Programs, are for new equipment that will provide service to our customers over its useful life. As such, the FERC Uniform System of Accounts would require that such investments be recorded in the appropriate property account, and depreciated over their expected useful lives, rather than reflected in the depreciation reserve. Costs appropriate for including in depreciation reserve are the costs of actually removing a facility from service, not the costs of the replacement equipment itself.

Q. YOU STATED THAT THIS RECOMMENDATION ALSO DOES NOT ACCURATELY REFLECT THE DIFFERENCES BETWEEN REMOVAL AND REPLACEMENT OF EQUIPMENT. PLEASE ELABORATE.

A. Yes. Accounting treatment always stems from the type of costs incurred. In this case, *removal* of poles and cable addresses the costs and function of removing the *current* poles and cables that have been used for prior delivery of energy. Such costs would be appropriately accounted for in depreciation reserve. The Pole and Cable Replacement programs, however, address the separate function of actually *replacing* the removed poles and cables with new equipment. Without replacement, there would be no poles and cable *for future delivery* of energy to customers.

Q. WHAT, THEN, IS YOUR RECOMMENDATION REGARDING MR. MAJOROS' PROPOSAL REGARDING THE POLE AND CABLE REPLACEMENT PROGRAMS?

A. I recommend that the Commission not accept his recommendation and instead continue to use the accounting as prescribed in the FERC Uniform System of Accounts to record the costs of these programs. Our proposed adjustments, as shown in Exhibit ___(AEH-1) Schedule 5, page 3 of 4, reflect the appropriate adjustments to account for the addition of costs related to these two programs.

B. Asset Based and Non-Asset Based Trading Margins

Q. PLEASE SUMMARIZE MR. MAJOROS' RECOMMENDATIONS REGARDING WHOLESALE MARGINS, AS CLARIFIED BY STAFF.

A. Mr. Majoros recommends that 100 percent of the margins derived from asset-based and non asset-based sales be returned to ratepayers through the fuel clause adjustment mechanism ("FCA").

Q. PLEASE COMMENT ON MR. MAJOROS' RECOMMENDATION REGARDING MARGINS DERIVED FROM ASSET-BASED AND NON ASSET-BASED SALES.

A. In his Direct Testimony in this proceeding, Company witness Allen Krug proposed shareholder retention of 15 percent the margins derived from asset based sales and 85 percent of the margins from non asset-based sales. He made these recommendations to more closely align the interests of shareholders and ratepayers as we participate in the wholesale market. Mr. Krug, in his Rebuttal

Testimony, addresses the concerns raised by Mr. Majoros and continues to support the Company's original position on this issue.

Q. ARE ANY ADJUSTMENTS NEEDED TO REFLECT MR. KRUG'S REBUTTAL POSITION?

A. No additional adjustments are required to reflect Mr. Krug's Rebuttal position because the Company's initial proposal had removed these items from base rate consideration to be used as a reduction to fuel expense through the FCA.

Q. MR. MAJOROS INDICATES THAT THE COMPANY'S ADJUSTMENTS TO FCA REVENUES TO IMPLEMENT THE SHARING OF TRADING MARGINS ARE NOT NECESSARY. DO YOU AGREE?

A. No. Those adjustments are necessary to return the test-year level of trading margins to customers through the FCA, even if the Commission accepts Mr. Majoros' position regarding the margins that should be provided to ratepayers. If these adjustments are not made, margins will be returned twice, once through the FCA and again as a component of base rates.

Q. DO YOU BELIEVE THAT THE COMPANY'S PROPOSAL IS CONSISTENT WITH THE STAFF'S INTENT TO NOT CONSIDER THESE MARGINS IN SETTING BASE RATES?

A. Yes. We sought clarification on the Staff's recommended treatment of trading margins through discovery, and understand that it is Staff's intent to flow trading margins back to customers through the FCA, as we proposed. Thus, my schedules reflect the test-year level of trading margins removed from other revenues used to reduce the base rate deficiency. This transfer results in a $2,378,000 higher base rate revenue deficiency than recommended by Mr. Majoros.

C. MISO Schedule 16 and 17 Costs

Q. WHAT DID MR. MAJOROS RECOMMEND WITH RESPECT TO MISO SCHEDULE 16 AND 17 COSTS?

A. Mr. Majoros recommends that these costs not be moved into base rates, as we proposed. As such, he decreased the base rate revenue requirement by $532,000.

Q. WHAT IS THE COMPANY'S POSITION REGARDING THIS RECOMMENDATION?

A. We believe that either base rates or the FCA can provide a reasonable means of recovering these costs. Thus, the Company accepts Mr. Majoros' recommendation. To fully reflect the impacts of this recommendation, however, FCA revenues need to increase by an equivalent amount as the base rate decrease. Exhibit ___(AEH-2) Schedule 5, page 2 of 2 reflects this adjustment.

Q. HOW DOES THIS CHANGE IN POSITION IMPACT CUSTOMERS?

A. Rather than having a fixed amount built into base rates, FCA treatment will insure that actual costs incurred by the Company will be charged customers.

D. Nuclear Refueling Outage Costs

Q. WHAT DOES MR. MAJOROS RECOMMEND WITH RESPECT TO THE LEVEL OF NUCLEAR REFUELING OUTAGE EXPENSES TO BE INCLUDED IN THE TEST YEAR?

A. Mr. Majoros recommends that the Company's nuclear fuel outage expenses be reduced from $2,492,407 to $811,935. Mr. Majoros characterizes this as the actual 2008 expense level stemming from the Commission's approval of our request for accounting treatment of these costs (in its Order Changing Accounting Treatment in Case No. PU-07-774), but it is really the first year, *partial* amortization level, which does not reflect either the direct costs or the amortized costs of all three nuclear units.

Q. DO YOU AGREE WITH HIS RECOMMENDATION?

A. No. I do not agree with this recommendation because I do not believe that the $811,935 first-year amortization expense under the newly approved accounting method for these costs offers a representative cost level, which should be used for the purpose of setting rates. Actual "direct" costs incurred in the test year are budgeted to be approximately $2.5 million (for the North Dakota jurisdiction), while we project the ongoing annual amortization cost level will reach approximately $2.3 million (when all three nuclear units undergo outages whose costs are recorded under the new method). Since one of the objectives of setting rates based on a test year is to establish a reasonable and normal cost level for reflection in rates, using only the first-year of the amortization of $811,935 would significantly understate the true representative annual level of these outage costs because this amortization level does not reflect the costs of all three nuclear units.

Q. PLEASE GIVE SOME BACKGROUND ON THE HISTORY OF THE COMPANY'S REQUEST TO CHANGE ACCOUNTING.

A. On December 7, 2007, the Company petitioned the Commission for authorization to change the accounting method for costs associated with routine nuclear refueling outages from the direct expense method to the deferral-and-amortization method in Case No. PU-07-774. On February 13, 2008, the Commission approved the Company's change of accounting request in its Order Changing Accounting Treatment.

Q. DID THE COMMISSION'S ORDER CHANGING ACCOUNTING TREATMENT REQUIRE THE USE OF THE FIRST-YEAR AMORTIZATION COST LEVEL IN THIS CASE?

A. No. That Order specified that the issue of the appropriate cost level to be used in this rate case would be determined in this proceeding, and was not addressed by the decision to approve the accounting method change.

Q. WHY DOES THE COMPANY BELIEVE THIS CHANGE OF ACCOUNTING WAS APPROPRIATE?

A. We believe that the deferral-and-amortization method of accounting for nuclear refueling costs is superior to the direct-expense method and should be adopted for use in ratemaking in North Dakota and offers benefits for all stakeholders. Key reasons in support of the deferral-and-amortization method include:

- It levels the costs over time, facilitating the appropriate reflection of normalized cost levels;
- It appropriately spreads the costs over the period that customers receive the benefits of the expenses; and
- It better matches revenues with expenses.

As discussed in detail in our petition in Case No. PU-07-774, the direct-expense method formerly used to account for nuclear refueling outage costs reflects the costs as expense on the Company's books and records in the month incurred. Generally speaking, it is unusual to have periodic costs of this magnitude (over $20 million) incurred in a single month. In addition, further exacerbating this situation, the number of refueling outages occurring in a year fluctuates. By contrast, the deferral-and-amortization method will smooth these swings by spreading costs over the period in which the benefit occurs (the period between refueling outages for each unit).

Q. DOES THE COMPANY HAVE AN ALTERNATIVE RECOMMENDATION?

A. Yes. The Company recommends that a normal amortized expense level be used, which reflects the future annual level of refueling outage costs for all three nuclear units, as they would be treated under the deferral-and-amortization method. The result is an annual amortized expense of $2,319,262 (included in the Company's Nuclear Refueling Outage Accounting Petition), which is $173,145 less than the test year expense of $2,492,407.

Q. WHY IS THIS THE APPROPRIATE LEVEL TO INCLUDE IN THE TEST YEAR?

A. We believe the proposed amortization level of $2,319,262[1], is the appropriate level to be used for setting future rates in this case because it reflects the normal, annualized level of our amortization expenses. In setting test year expense levels, it is important to set costs consistent with the future time period final rates will be in effect.

Q. WOULD THE FIRST YEAR AMORTIZATION LEVEL MEET THIS STANDARD?

A. No. As discussed in detail in our petition in Case No. PU-07-774, the first year $811,935 amortization level would not reflect the ongoing amortization expense levels, but rather the amortization amount at its lowest, start-up level, which does not include costs for all three nuclear units. With the change of accounting, the first year's amortization expense (2008) reflects only a partial year (9 months) level for the amortization associated with Prairie Island Unit 1, a partial year (3

[1] Please see the Company's December 5, 2007 petition in Docket No. PU-07-774, page 11, line 1. Supporting calculations can be found in the Company's petition seeking Trade Secret Protection dated December 5, 2007, Schedule E, *Amortization of Reload O&M Costs.*

months) level for the amortization associated with Prairie Island Unit 2, and no amortization expense for the Monticello plant.

Q. HOW DOES THIS COMPARE TO NORMAL LEVELS OF EXPENSES?

A. As rates are set for 2009 and beyond, all three nuclear units will be recording amortization expenses on a much more stable basis, which is the intended purpose for adopting the amortization accounting method. As such, it is appropriate to set rates based on a level which includes a normal amount for all three units, rather than a level that only includes a partial, first year amortization level.

Q. WHAT IS THE EFFECT ON THE COMPANY'S REVENUE REQIREMENT?

A. The Company is proposing to reduce our filed revenue requirement by $173,145 to reflect the annualized amortization expense referenced above.

Q. ARE THERE OTHER REASONABLE APPROACHES TO DETERMINING A NORMAL AND REPRESENTATIVE LEVEL OF AMORTIZED COSTS FOR NUCLEAR FUEL OUTAGES?

A. Yes. There are other ways to develop a level of normal amortized costs for nuclear fuel outages that would be reasonable and representative of ongoing cost levels. The Company is open to further refinement and discussion of those costs.

E. Private Nuclear Fuel Storage

Q. WHAT DOES MR. MAJOROS RECOMMEND WITH RESPECT TO PRIVATE NUCLEAR FUEL STORAGE EXPENSES?

A. Mr. Majoros recommends that the Company's private nuclear fuel outage expenses be reduced by $190,000 because "the [Commission] has not approved the project"[2] and because of his understanding that "the project is stalled."[3]

Q. DOES HE OFFER ANY EVIDENCE THAT THE COSTS WERE INACCURATELY DETERMINED OR IMPRUDENTLY INCURRED?

A. No.

Q. DO YOU AGREE WITH HIS RECOMMENDATION?

A. No. Whether the project is stalled or not has no bearing on whether the costs are legitimate and prudently incurred. The operation of nuclear generating facilities provides substantial cost advantages to customers, including customers in North Dakota. Operating nuclear generating facilities leads to costs, including the costs of long-term storage of spent nuclear fuel.

Q. WERE THE COMPANY'S EFFORTS TO IMPLEMENT PRIVATE NUCLEAR FUEL STORAGE APPROPRIATE?

A. Yes. The Company's efforts to take initiative to find a solution to that problem were appropriate. As Mr. Charles Bomberger explained in his Direct Testimony, temporary storage of spent fuel on site at Prairie Island was limited, and the Company implemented a strategy to pursue permanent storage. The Company took a proactive approach to preserve the advantages provided by low cost nuclear generation. While those efforts have not been completed, there is no basis to conclude that any inappropriate or imprudent costs have been incurred by the Company to resolve this extremely complex and important issue. As a

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[2] Majoros Direct Testimony at 23.

[3] Id.

result, the recovery of those costs should not rest on having obtained advance approval to incur those costs, particularly when such a requirement would be imposed on an "after the fact" basis.

F. Renewable Development Fund Expenses

Q. WHAT DOES MR. MAJOROS RECOMMEND WITH RESPECT TO RENEWABLE DEVELOPMENT FUND EXPENSES?

A. Mr. Majoros recommends that the Company's Renewable Development Fund ("RDF") expenses in the amount of ~~$265,000~~ $170,000 each be disallowed because: "The RDF is a Minnesota program and expenditure. It should not be charged to North Dakota customers."[4]

Q. DO YOU AGREE WITH HIS RECOMMENDATION?

A. No. In order to continue to operate the Prairie Island Nuclear Generating Facility, which required on-site interim nuclear fuel storage, the Company was required to provide funding of an RDF. The total annual funding of the RDF in relation to casks located at our Prairie Island Nuclear Plant is $16 million. The operation of the nuclear plants provides substantial cost savings to all of our customers, including customers in North Dakota, but saving substantial costs may also require the Company to incur some costs, in this case the RDF. Legislation passed in 2007 will also require the Company to provide funding of $350,000 per cask located at our Monticello Nuclear Plant[5]. We expect to be required to fund $3.5 million related to Monticello casks in 2008.

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[4] Majoros Direct Testimony at 23.

[5] The RDF funding requirements are included in Minn. Stat. 116C.779, subd.1, (b).

Q. WHAT WOULD BE THE EFFECT IF THE COMPANY REFUSED TO PROVIDE THE RDF?

A. If the Company refused to provide that funding, the operation of the nuclear generating facilities would be impossible, and the Company would be required to replace approximately 1,670 MW of capacity, of which the North Dakota share is 82 MW. It seems obvious that the difference between the ongoing costs of nuclear generation and the replacement costs would greatly exceed the ~~$265,000~~ $170,000 ach of RDF costs.

Q. DOES THE REVENUE REQUIREMENT INCLUDE ALL RDF EXPENSES?

A. No. The test year includes ~~$265,000~~ $170,000 ach in RDF expenses, representing the North Dakota allocated share of the energy production ("EP") grant payments and a portion of the RDF administrative costs (prorated based on target funding for energy production grants versus research and development ("R&D") grants in the 3rd RDF Funding Cycle Request for Proposal). The test year does not include expenditures related to R&D and Renewable Energy Production Incentives, which are born directly by Minnesota electric retail customers.

Q. HAVE FUNDED PARTICIPANTS IN THE RDF BEEN RESTRICTED TO MINNESOTA ENTITIES?

A. No. In fact, nine grants from the RDF have been awarded to North Dakota based projects out of 70 grants awarded. These nine projects consist on eight R&D grants totaling $6.7 million and one EP grant award of $2 million, which the prospective recipient has since chosen to decline. North Dakota based R&D grants comprise approximately 20 percent of the total R&D grants awarded. Please note, as I stated earlier, that R&D project expenditures are born entirely by Minnesota electric customers, even though the State of North Dakota derives the economic benefit of these projects. Please see Exhibit___ (AEH-2) Schedule 1 for additional detail on grant awards to North Dakota based projects.

G. Charitable Contributions

Q. WHAT DID MR. MAJOROS RECOMMEND WITH RESPECT TO CHARITABLE CONTRIBUTIONS?

A. Mr. Majoros recommended that the Company's proposal be rejected, suggesting that the Commission's allowance of recovery of a portion of these contributions "may have slipped through in previous gas cases."[6]

Q. WHAT IS THE COMPANY'S POSITION REGARDING THIS RECOMMENDATION?

A. The Company continues to recommend allowing recovery of a portion of these costs as a sound approach that the Commission should apply in this case.

Q. WHAT IS THE AMOUNT OF RECOVERY THAT THE COMPANY IS SEEKING IN THIS CASE?

A. The Company is seeking recovery of $86,000 in charitable contributions in our 2008 test year. This amount is 50 percent of the total amount the Company contributes to charities and institutions associated with the electric service territory in the North Dakota jurisdiction.

Q. WHO HAVE RECEIVED FUNDING BY THE COMPANY?

A. As stated above, Xcel Energy contributes to various charities and institutions associated with the electric service territory in the North Dakota jurisdiction. I have included as Exhibit___(AEH-2) Schedule 2 the list of organizations to

[6] Majoros Direct Testimony at 22-23

which the Company contributed during 2006, the basis for our 2008 test year adjustment.

H. Incentive Compensation

Q. WHAT DID MR. MAJOROS RECOMMEND REGARDING INCENTIVE COMPENSATION?

A. He recommended that the Company's incentive compensation adjustment be reduced "to reflect the 15 percent of base pay limit established in NSP's last Minnesota Order."[7]

Q. DO YOU AGREE WITH HIS RECOMMENDATION?

A. No. In the Company's last general electric rate case in Minnesota, the Minnesota Public Utilities Commission ("MPUC") adopted a limit based on 25 percent of base pay,[8] not the 15 percent assumed by Mr. Majoros. The Company has proposed the same 25 percent limit be applied in this proceeding as was adopted by the MPUC. A limit based on 25 percent of base pay is appropriate for all of the reasons explained by Mr. Marvin McDaniel in his Direct Testimony. This is also consistent with the treatment accepted in the NDPSC settlement agreement in the Company's most recent North Dakota Gas Case No. PU-06-525.

Q. IS MR. MAJOROS' COMPUTATION OF THE EFFECT OF CHANGING FROM A 25 PERCENT LIMIT TO A 15 PERCENT LIMIT CORRECT?

A. No. Based on our calculations, if the Company were to adjust the case to limit incentive compensation recovery to 15 percent of base pay, an additional

[7] Majoros Direct Testimony at 24.

[8] Docket No. E002/GR-05-1428 Order Dated September 1, 2006 at page 18 states in part "The Commission concurs with, accepts and adopts the ALJ's recommendation on this issue, which was to cap individual incentive payments at 25% of an employee's base salary…".

expense reduction of $34,000 would be necessary, not the additional reduction of $142,000 suggested by Mr. Majoros. I have included the calculation used to derive the $34,000 reduction as Exhibit___(AEH-2) Schedule 3.

I. Income Taxes

Q. DID MR. MAJOROS RECOMMEND ANY ADJUSTMENT TO THE METHOD USED BY THE COMPANY TO CALCULATE ITS INCOME TAX EXPENSE?

A. No. Mr. Majoros did not recommend any adjustment to the method used by the Company to calculate its income tax expense, but he did recommend that the Commission "consider placing NSP on alert" that the Commission may consider "the consolidated tax issue in the next rate case."[9]

Q. WHAT IS THE COMPANY'S RECOMMENDATION?

A. Mr. Majoros has provided no basis for the Commission to consider any change in its long-standing practice of using the stand-alone method to determine income taxes, which is part of the fundamental regulatory policy of maintaining separation of regulated and unregulated expenses. Thus, there is no basis to increase the number of issues and complexity of a future rate case.

J. Allen S. King Chemical Cost Adjustment

Q. WHAT ADJUSTMENT ARE YOU PROPOSING RELATED TO THE ALLEN S. KING CHEMICAL COSTS?

A. In the process of reviewing our original submission, it was discovered that the allocation of Allen S. King chemical costs to our North Dakota jurisdiction

[9] Majoros Direct Testimony at 8

inadvertently included an amount that should have been assigned to the Minnesota jurisdiction. I have made an adjustment that reduces North Dakota expense by $321,594 to reflect the reallocation of these costs. My calculation is set forth on Exhibit (AEH-2)___Schedule 9.

III. QUANTIFICATION OF STAFF POSITION

A. Refuse Derived Fuel Generation

Q. WHAT DOES MR. KING RECOMMEND WITH RESPECT TO REFUSE DERIVED FUEL EXPENSES?

A. Mr. King recommends that the Company's investment in refuse-derived energy is responsive to Minnesota mandates, should be charged to Minnesota ratepayers and, therefore, should be disallowed.

Q. WHAT IS THE COMPANY'S POSITION WITH REGARDS TO HIS RECOMMENDATION?

A. The Company opposes Mr. King's recommendations for the reasons explained by Ms. Engelking.

Q. IF THE COMMISSION ADOPTED MR. KING'S RECOMMENDATION, IS MR. MAJOROS' CALCULATION OF THE EFFECTS OF THAT RECOMMENDATION CORRECT?

A. No. Although the source of Mr. Majoros' calculation is the Company's response to Information Request No. 3-4 in which we quantify the revenue requirements for the refuse-derived (garbage) fuel resources that are included in the 2008 test year, this calculation does not include the cost of either replacement energy or capacity lost because this generation source would not be available to meet customer demand for electricity. Even if the Commission accepted Mr. King's recommendation, the revenue requirement should include the cost of replacement energy and lost capacity.

B. Depreciation

Q. WHAT DOES MR. KING RECOMMEND WITH RESPECT TO DEPRECIATION EXPENSES?

A. Mr. King recommends that the North Dakota depreciation expense be reduced from $19,345,000 to $15,292,000 or by $4,053,000. Mr. King's schedules, however, calculate a new North Dakota accrual of $15,230,000 or a reduction of $4,115,000.

Q. WHAT IS THE COMPANY'S POSITION WITH REGARDS TO HIS RECOMMENDATION?

A. The Company opposes Mr. King's recommendation for the reasons explained by Mr. Jeffrey Robinson.

Q. IF THE COMMISSION ADOPTED MR. KING'S RECOMMENDATION, IS MR. MAJOROS' CALCULATION OF THE EFFECTS OF THAT RECOMMENDATION CORRECT?

A. No. Mr. Majoros' calculation does not consider the deferred income tax effect of a reduction in book depreciation as well as the effect of accumulated deferred income taxes associated with a reduction in the accumulated reserve for depreciation.

Q. HAVE YOU MADE A CALCULATION THAT CORRECTS SOME OF THESE OMISSIONS?

A. Yes. Mr. Majoros adjusts the average accumulated reserve for depreciation by $2,058,000 ($4,115,000 divided by 2), but does not recognize the resulting increase in the average accumulated deferred income taxes of $807,000 ($1,614,000 divided by 2). The net result is an overall decrease in rate base of $1,251,000 rather than the $2,058,000 suggested by Mr. Majoros. With respect to the income statement, Mr. Majoros' adjustments show a decrease in depreciation expense of $4,115,000 and an increase in Federal and State income tax of $1,614,000, resulting in a decrease in total expense of $2,501,000. My calculation shows that rather than there being an increase in State and Federal income tax expense, there is actually an increase in deferred income tax expense of $1,614,000 resulting when depreciation expense is decreased by $4,115,000, and a decrease in State and Federal income tax expense of $16,000 resulting from the decrease in rate base. This change results in a Total Expense decrease of $2,517,000, rather than the decrease of $2,501,000 suggested by Mr. Majoros.

C. Allen S. King Generating Plant

Q. WHAT DOES MR. KING RECOMMEND WITH RESPECT TO THE ALLEN S. KING GENERATING FACILITY?

A. Mr. King recommends that the costs of the rehabilitation be deducted from the Company's revenue requirement.

Q. WHAT IS THE COMPANY'S POSITION WITH REGARDS TO HIS RECOMMENDATION?

A. The Company opposes Mr. King's recommendation for the reasons explained by Ms. Engelking.

Q. IF THE COMMISSION ADOPTED MR. KING'S RECOMMENDATION, IS MR. KING'S CALCULATION OF THE EFFECTS OF THAT RECOMMENDATION CORRECT?

A. No. There are a number of computational and numerical corrections needed in Mr. King's calculation, including:

- Estimating the amount of plant investment the Company has included in its 2008 test year based on the Company's May 3, 2002 estimate for this project escalated to 2008 using the Handy-Whitman Index ($674 million), rather than using the amount directly included in the test year ($477 million);
- Estimating the amount of net plant investment for this single project included in the test year based on a reserve ratio. It is inappropriate to apply a reserve ratio for the entire plant to the new plant investment as suggested by Mr. King, assuming that the entire plant will include accumulated depreciation not related to the new investment. In addition, Mr. King's reserve ratio is calculated from information related to the Allen S. King Plant included in the Company's response to NDPSC IR 2-144 and shown on Exhibit___(CWK-7) Schedule 2, page 1 of 1. Derivation of this ratio was based on two numerical transpositions from this schedule, specifically, plant in service (column c) and the reserve balance (column e) for the Allen S. King Plant;
- Not considering accumulated deferred income taxes in the calculation of rate base or recognizing deferred tax expense and State and Federal income tax expense as separate items on the income statement;
- Estimating the amount of depreciation expense included in the test year based on the estimated plant investment described above; and
- Using the North Dakota jurisdictional demand allocator excluding the impact of the Interchange Agreement billings to NSP-Wisconsin. Mr. King should have used a composite demand allocator of 4.88 percent rather than the 5.34 percent he used in the calculation of his adjustment.

Q. HAVE YOU MADE A CALCULATION THAT CORRECTS FOR THE ISSUES RAISED ABOVE?

A. Yes. My calculation, as shown on Exhibit___(AEH-2), Schedule 4, page 1 of 2, shows that the revenue requirement included in the test year associated with the rehabilitation of the Allen S. King Plant is $3,363,000.

D. High Bridge Generating Plant

Q. WHAT DOES MR. KING RECOMMEND WITH RESPECT TO THE HIGH BRIDGE GENERATING FACILITY?

A. Mr. King recommends that, "Since the plant is apparently needed, its costs should be allowed, but at the level suggested in the alternative plan set forth in Exhibit___(CWK-2)."[10]

Q. WHAT IS THE COMPANY'S POSITION WITH REGARDS TO HIS RECOMMENDATION?

A. The Company opposes Mr. King's recommendations for the reasons explained by Ms. Engelking.

Q. IF THE COMMISSION ADOPTED MR. KING'S RECOMMENDATION, IS MR. KING'S CALCULATION OF THE EFFECTS OF THAT RECOMMENDATION CORRECT?

A. No. There are a number of issues with the approach Mr. King took in his calculations, including:

- Estimating the capital cost included in the 2008 test year for the High Bridge Plant by escalating the capital cost included in the MERP Proposal ($515 million--$394 multiplied by the escalator 1.3085 calculated using the Handy-

[10] King Direct Testimony at 8.

Whitman Index) rather than using the actual test year amount ($369.5 million);

- Making an error in copying the capital cost of the High Bridge Alternative Plan ($71 million rather than the $77 million Mr. King includes in Exhibit___(CWK-4));
- Failing to recognize that the amount of plant in service included in the test year as the average of beginning of year and end of year, not the ending balance;
- Not considering a reduction in plant in service by the average reserve for depreciation balance as well as accumulated deferred income taxes;
- Using the North Dakota jurisdictional demand allocator unadjusted for billings to NSP-Wisconsin through the Interchange Agreement (5.34 percent) versus adjusting the demand allocator to consider the effect of Interchange Agreement billings to NSP-Wisconsin (4.88 percent);
- Using a full year of depreciation expense rather than recognizing only 7 and one half months of expense based on the May 2008 High Bridge in-service date;
- Not recognizing deferred tax expense as well as State and Federal Income Taxes in the determination of Total Operating Income; and
- Not recognizing the cost of replacement energy and capacity lost because the Alternate Proposal did not included the increase in capacity and energy included in the selected MERP proposal.

Q. HAVE YOU MADE A CALCULATION THAT CORRECTS SOME OF THE ISSUES STATED ABOVE?

A. Yes. My calculation, as shown on Exhibit___(AEH-2), Schedule 4, page 2 of 2 shows that, using Mr. King's assumptions, the difference between the selected High Bridge proposal and an estimate of the alternate proposal is $1,102,000.

E. Grand Meadow Wind Farm and Wind-Related Transmission

Q. WHAT DOES MR. KING RECOMMEND WITH RESPECT TO THE GRAND MEADOW WIND FACILITY AND WIND-RELATED TRANSMISSION FACILITIES?

A. Mr. King states that he is "told that capacity factors and the resulting cost of energy on a kWh basis in North Dakota is about 25 percent lower than those of Minnesota wind farms."[11] Therefore, he recommends that 25 percent of the revenue requirements for the Grand Meadow Wind Farm as well as wind-related transmission investments included in the 2008 test year be disallowed.

Q. WHAT IS THE COMPANY'S POSITION WITH REGARDS TO HIS RECOMMENDATION?

A. The Company opposes Mr. King's recommendation for the reasons explained by Ms. Engelking.

Q. IF THE COMMISSION ADOPTED MR. KING'S RECOMMENDATION, IS MR. KING'S CALCULATION OF THE EFFECTS OF THAT RECOMMENDATION CORRECT?

A. No. Although the source of Mr. King's calculation is the Company's response to Information Request No. 3-4 in which we quantify the revenue requirements for the Grand Meadow Wind Farm and wind-related transmission investments included in the 2008 test year, this calculation does not include the cost of replacement energy lost because the Grand Meadow Wind Farm is adjusted to generate 25 percent less energy to meet customer energy requirements.

[11] King Direct Testimony at 13.

F. Minnesota Mercury Emission Reduction Act Costs

Q. WHAT DOES MR. KING RECOMMEND WITH RESPECT TO THE MINNESOTA MERCURY EMISSION REDUCTION ACT ("MMRA") COSTS?

A. Mr. King recommends that the costs of compliance with the MMRA be deducted from the Company's revenue requirement.

Q. WHAT IS THE COMPANY'S POSITION WITH REGARDS TO HIS RECOMMENDATION?

A. The Company opposes Mr. King's recommendation for the reasons explained by Ms. Engelking.

Q. IF THE COMMISSION ADOPTED MR. KING'S RECOMMENDATION, IS MR. KING'S CALCULATION OF THE EFFECTS OF THAT RECOMMENDATION CORRECT?

A. Yes. The source of Mr. King's calculation is the Company's response to Information Request No. 3-4 in which we quantify the revenue requirements for compliance with the MMRA included in the 2008 test year

G. Effect on Return on Equity ("ROE")

Q. HAVE YOU ESTIMATED THE CUMULATIVE EFFECT OF THE RECOMMENDATIONS OF MR. KING AND MR. MAJOROS ON THE COMPANY'S ROE IN NORTH DAKOTA?

A. Yes, Exhibit___(AEH-2), Schedule 8, reflects the recalculation of the vast majority of these changes. While time has not allowed me to make a precise calculation of the cumulative effect of the recommendations made by Mr. King and Mr. Majoros, my estimate is that these calculations will lead to a reduction of approximately $13.3 million in the Company's proposed revenue requirement.

That reduction in revenue will reduce the Company's earnings by approximately $8.1 million. The effect of an $8.1 million reduction in earnings is to reduce the effective ROE from the 10.75 percent that has been stipulated by the Staff and the Company to 4.33 percent, a level that is clearly detrimental to the continued health of the Company's utility operations in North Dakota. Mr. Kent Larson will further discuss this issue.

Q. HAVE YOU ESTIMATED THE ONGOING EFFECT OF THE RECOMMENDATIONS BY MR. KING AND MR. MAJOROS REGARDING COMPANY INVESTMENTS?

A. Yes. In addition to an immediate impact in this case, the disallowances of major investments recommended by Mr. King and Mr. Majoros related to the Company's Allen S. King and High Bridge generating plants could be expected to have ongoing impacts over the lives of the disallowed investments, unless reversed by the Commission in a future case. Absent such a reversal, I have estimated that the ongoing effect would be to reduce effective earnings from the Company's North Dakota electric business by approximately $3 million each year over the next 30 years, which is equivalent to an over 22 percent reduction in the required return to shareholders. Such an ongoing reduction of earnings would compound the detrimental effect on the financial health and viability of the Company's North Dakota electric utility operations. Mr. Kent Larson will further discuss this issue.

H. Cumulative Effect of Company's Adjustments

Q. WHAT IS THE CUMULATIVE EFFECT OF THE ADJUSTMENTS AGREED TO BY THE COMPANY?

A. The cumulative effect of the adjustments agreed to are included on Exhibit___(AEH-2), Schedule 6. Based on these adjustments the Company's proposed revenue deficiency is $17,946,000. This is supported by a revised cost of service provided in Exhibit___(AEH-2), Schedule 7. A bridge schedule reflecting the various proposed Rebuttal adjustments has also been included as Exhibit___(AEH-2), Schedule 5.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes it does.

STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

In the Matter of the Application of Northern)
States Power Company, a Minnesota Corporation)
For Authority to Increase Rates for Electric Service) Case No. PU-07-776
in North Dakota)

AFFIDAVIT OF
Anne E. Heuer

I, the undersigned, being duly sworn, depose and say that the foregoing is the Rebuttal Testimony of the undersigned, and that such Rebuttal Testimony and the exhibits or schedules sponsored by me to the best of my knowledge, information and belief, are true, correct, accurate and complete, and I hereby adopt said testimony as if given by me in formal hearing, under oath.

Anne E. Heuer

Subscribed and sworn to before me, this 13 day of June, 2008.

Notary Public

NANCY A. HALEY
NOTARY PUBLIC • MINNESOTA
MY COMMISSION EXPIRES
JANUARY 31, 2010

Use of RDF Funding in North Dakota

Energy Production Projects (EP)

Cycle	Total Projects	North Dakota Projects	% ND Projects	Total Awarded	North Dakota Awards	% ND EP Awards
1	8	0	0%	$9,782,835	$0	0%
2 (*)	11	0	0%	$23,415,901	$0	0%
3 (**)	5	1	20%	$8,218,402	$2,000,000	24%
Total EP	**24**	**1**	**4%**	**$41,417,138**	**$2,000,000**	**5%**

Research/Development Projects (RD)

Cycle	Total Projects	North Dakota Projects	% ND Projects	Total Awarded	North Dakota Awards	% ND RD Awards
1	11	3	27%	$6,247,566	$1,754,620	28%
2	18	1	6%	$12,804,466	$999,995	8%
3	17	4	24%	$14,397,817	$3,969,277	28%
Total RD	**46**	**8**	**17%**	**$33,449,849**	**$6,723,892**	**20%**
Grand Total	**70**	**9**	**13%**	**$74,866,987**	**$8,723,892**	**12%**

Project Detail

Grant	Grantee	Award	Cycle	Type
BB-09	University of North Dakota - Cofiring	$444,478	1	Biomass
BB-12	University of North Dakota - SCR Performance	$60,000	1	Biomass
CB-08	University of North Dakota - SOFC	$1,250,142	1	Biomass
RD-34	University of Florida (***)	$999,995	2	Biomass
RD3 - 63	Community Power Corporation (****)	$999,926	3	Biomass
RD3 - 66	University of North Dakota	$999,065	3	Biomass
RD3 - 68	University of North Dakota	$970,558	3	Biomass
RD3 - 71	University of North Dakota	$999,728	3	Biomass

(*) Includes $10 M Awarded to Excelsior Energy by the MPUC

(**) American Crystal Sugar Company was awarded $2 M. Since the award, ACSC has chosen to decline the RDF grant to pursue other uses of the planned methane production at the plant.

(***) Project includes two Fargo based engineering consultants for American Crystal Sugar Corporation, Moorhead, MN, which is the project host for the demonstration.

(****) Project includes 6 months of testing at Federal Machine, West Fargo, ND.

RDF AWARDS
North Dakota Project Descriptions

Cycle 1

Research/Development Projects:
University of North Dakota, Grand Forks, ND, Impacts of Biomass Cofiring on the Operation of a Next-Generation Power System, $444,478.
University of North Dakota, Grand Forks, ND, Biomass Impacts of SCR Performance, $60,000.
University of North Dakota, Grand Forks, ND, Development and Testing of an Solid Oxide Fuel Cell Gasification System, $1,250,142.

Cycle 2

Research/Development Projects:
University of Florida and American Crystal Sugar East Grand Forks, Minn., to research the conversion of biomass into energy and compost through sequential batch anaerobic composting, $999,995. This project was sponsored by the Prairie Island Indian Community.

Cycle 3

Energy Production Projects:
American Crystal Sugar Co., Moorhead, Minn., to design, develop and construct a 3-megawatt electricity cogeneration plant utilizing methane, which currently is produced as a result of sugar beet processing. The cogeneration facility will be integrated with the company's current biogas collection system, $2 million.

Research/Development Projects:
Community Power Corp., Littleton, Colo., to adapt current proven modular biopower technology to produce and demonstrate a biomass/natural gas hybrid (dual fuel) power generation system. The system will integrate with on-site electrical and thermal loads to deliver electricity and heat, $999,926.

University of North Dakota, Grand Forks, N.D., to demonstrate the performance of a mobile integrated indirect wet biomass liquefaction system gasifier at one-fourth commercial scale, $999,065.

University of North Dakota, Grand Forks, N.D., to test and develop a novel biotechnology additive to convert biomass into biogas, $970,558.

University of North Dakota, Grand Forks, N.D., to develop an economical biomass power system by combining previous bench scale work in thermally integrated gasification systems with developmental work on a low-Btu gas turbine, $999,728.

Northern States Power Company, a Minnesota Corporation
Charitable Contributions / Donations

ELECTRIC	ND 2005 Actual	ND 2006 Actual	ND 2007 Actual	ND 2008 Budget
Corporate Contributions				
Community Grants	$ 24,536	$ 29,606	$29,343	
Previous Commitments				
Total Corporate Contributions	$ 24,536	$ 29,606	$29,343	$37,036
Focus Area Grants				
General Ledget Total				
Arts & Culture	$ 34,004	$ 25,178	$ 25,139	
Community Deveopment	$ 34,646	$ 33,432	$31,808	
Education	$ 31,671	$ 4,812	$ 27,788	
Total Focus Area Grants	$ 100,320	$ 63,423	$ 84,734	$ 90,531
Matching Gifts Program				
Environmental	$ 3,334	$ -	$ 13,528	
Misc. Foundation				
Volunteer Energy		$ 2,986	$ 1,000	
United Way	$ 20,546	$ 21,188	$ 22,530	
Dollars for Doing	$ 1,167	$ 970	$ 1,002	
Not for Profit 501c3	$ 2,250	$ 4,333	$ 2,410	
Higher Education	$ 6,739	$ 31,840	$ 3,003	
Total Matching Grants	$ 34,036	$ 61,317	$ 43,473	$ 38,119
Total Electric	**$ 158,892**	**$ 154,346**	**$ 157,550**	**$ 165,686**
Donations Non-Corp	$ 30,197	$ 52,930	$ 83,079	$ 6,409
50% Electric Inclusion	**$ 94,545**	**$ 103,638**	**$120,315**	**$86,048**

Northern States Power Company, a Minnesota Corporation
State of North Dakota
Year Ended 12/31/2006

Case No. PU-07-776
Exhibit ___ (AEH-2)
Schedule 2, Page 2 of 8

CORPORATE CONTRIBUTIONS	City	State	Total ND Amount		ND Electric	
Community Grants						
Fellowship of Christian Athletes	Bismarck	ND	500	N	331	Contribution to sponsor Fall Festival 2006
Buffalo Historical Society, Inc.	Buffalo	ND	100	N	66	Contribution
North Dakota Community Foundation	Casselton	ND	250	N	166	Contribution to Casselton Community Endowment Fund
American National Red Cross	Fargo	ND	1,000	N	662	Contribution to local operating
Cullen Childrens Foundation	Fargo	ND	1,000	N	662	Contribution to Cullen Children's Foundation in conjunction with the Celebrity Weekend, July 21-22, 2006
Fargo Public Library	Fargo	ND	2,000	N	1,324	Contribution to Library
Fargo Theatre Management Corp	Fargo	ND	1,000	N	662	Contribution
FirstLink	Fargo	ND	500	N	331	Contribution to Holiday Clearing Bureau
FM Rotary Foundation	Fargo	ND	1,000	N	662	Contribution to the building of an Easy-Access Playground in Lindenwood Park
Hospice of the Red River Valley	Fargo	ND	1,670	N	1,106	Contribution
Lutheran Social Services of North Dakota	Fargo	ND	230	N	152	Sponsor Daily Bread Chefs' Gala
Make-A-Wish Foundation of North Dakota	Fargo	ND	600	N	397	Sponsor Make-A-Wish Gala on Sept 8
North Dakota 4-H foundation, Inc.	Fargo	ND	250	N	166	contribution
North Dakota Caring Foundation Inc.	Fargo	ND	1,000	N	662	Contribution to Caring for Children
North Dakota JCI Foundation	Fargo	ND	100	N	66	Sponsor Jaycees "Community Halloween"
Rape & Abuse Crisis Center	Fargo	ND	1,000	N	662	Contribution to Operations
Red River Zoological Society	Fargo	ND	250	N	166	Share-the-care contribution to the zoo
Sisters of the Presentation of the Blessed Virgin Mary	Fargo	ND	1,000	N	662	Contribution
Altru Health Foundation	Grand Forks	ND	5,000	N	3,310	To support Altru Health Foundation.
Community Foundation of Grand Forks, East Grand Forks and Region	Grand Forks	ND	1,500	N	993	To support the Women's Fund and the Patchwork of Possibilites project, which will help promote self-sufficiency for girls & women & the disadvantaged.
North Dakota Special Olympics Inc.	Grand Forks	ND	1,000	N	662	Silver Sponsorship for State Summer Games
University of North Dakota Foundation	Grand Forks	ND	5,000	N	3,310	To support UND's scholarship program, focused in the math & sciences areas.
MSU Foundation	Mayville	ND	500	N	331	To support Mayville State University scholarship fund.
American National Red Cross d/b/a American Red Cross Mid-Dakota Chapter	Minot	ND	500	E	500	Funding to provide educational classes and also provide emergency/disaster assistance for the Minot area.
Carnegie Association	Minot	ND	300	E	300	To support varied educational and artistic opportunities for all ages and all abilities
Companions for Children	Minot	ND	500	E	500	Funding to provide mentors to children from single parent homes.
Domestic Violence Prevention Foundation	Minot	ND	500	E	500	Funding to provide shelter and assistance to those in an abusive/crisis situation
Minot Park Foundation	Minot	ND	5,000	E	5,000	Funding for Medal of Honor Memorial that will recognize all ND Medal of Honor recipients
Minot Symphony Association Inc	Minot	ND	1,000	E	1,000	Support for Children's Concert for 1200+ regional grade school children will be able to attend an orchestra concert free of charge.
Minot Vocational Adjustment Workshop	Minot	ND	350	E	350	Funding to assist mentally challenged individuals become self-sufficient.
Minot Young Mens Christian Association	Minot	ND	2,000	E	2,000	Funding for youth programing for less fortunate youth otherwise unable to participate
Minot Young Mens Christian Association	Minot	ND	500	E	500	Funding to support the Wild West Rodeo for Special Kids. Kids with limitations have the opportunity to participate in a rodeo who would otherwise never have that opportunity.
Minot Young Mens Christian Association	Minot	ND	500	E	500	Funding to support the Wild West Rodeo for Special Kids. Kids with limitations have the opportunity to participate in a rodeo who would otherwise never have that opportunity.
Salvation Army	Minot	ND	350	E	350	Funding for homeless and providing shelter, food and clothing for less fortunate
Blessed Giannas Home Inc.	Minto	ND	400	N	265	Contribution to operations
Citizens Scholarship Foundation of America	West Fargo	ND	500	N	331	Sponsor scholarship
			38,850		**29,606**	

CORPORATE CONTRIBUTIONS	City	State	Total ND Amount		ND Electric	
FOCUS AREA GRANTS						
Arts & Culture						
Fargo-Moorhead Opera Company	Fargo	ND	1,000	N	662	Fargo-Moorhead Opera requests a $3,000 grant for a two-part music education program during the 2006-2007 academic year. The first part of the plan is to present the youth opera "The Three Little Pigs" to Fargo-Moorhead students in grades K-3. The second p
Future Builders in support of Trollwood Performing Arts School	Fargo	ND	5,000	N	3,310	Future Builders in support of Trollwood Performing Arts School would like to request $10,000 for the Students At Risk (STAR) program. The STAR program's basic premise is that involvement in the arts—in a structured and caring environment—is not only a vi
Northern Prairie Performing Arts	Fargo	ND	2,000	N	1,324	FMCT requests a $10,000 grant from Xcel Energy Foundation to support its accessibility programming which includes reducing ticket prices of its school matinee and touring performances, and providing free admission to "Preview Night" performances for child
Park District of the City of Fargo	Fargo	ND	3,000	N	1,986	The Fargo Park District Department of Cultural Activities would like to request $5,000 to fund free and low-cost arts and cultural programs for youth, special needs youth and adults, and minority citizens in the Fargo Moorhead metro community.
Plains Art Museum	Fargo	ND	5,000	N	3,310	This is a renewal request for support of our free Kid Quest events. For the 2006-2007 season, we are doubling the amount of Kid Quest sessions from 6 to 12.
Red River Human Services Foundation	Fargo	ND	1,000	N	662	Support from the Xcel Energy grant would allow us to continue to create extraordinary cultural art experiences that educate, challenge and inspire people with developmental disabilities.
Friends of First Night Greater Grand Forks	Grand Forks	ND	1,000	N	662	The purpose of this request is to secure funding to provide an affordable New Year's Eve event that fosters appreciation of visual arts, performing arts and cultural activities through a community, family-oriented, alcohol-free and smoke-free setting.
Grand Cities Children's Choir	Grand Forks	ND	1,000	N	662	To fund an informational, community building, and social gathering for women associated with the Grand Cities Children's Choir and to award scholarships for those students unable to afford Choir tuition.
Minot Area Council of the Arts Inc.	Minot	ND	1,200	E	1,200	The Minot Area Council of the Arts requests funds for the expansion and development of the Arts in the Parks free outdoor summer concert series. Each of the 29 season concerts features a performance and a visual arts display and demonstration. Funding wi
Minot Art Association	Minot	ND	1,200	E	1,200	Expansion of our Gallery-on-Wheels and Youth Arts Month programs
Minot Community Foundation	Minot	ND	5,000	E	5,000	To support the Educational and Cultural mission of Fur Traders Rendezvous at the North Dakota State Fair.
Norsk Høstfest Association	Minot	ND	5,200	E	5,200	Funding maintains and enhances the educational outreach programs of Norsk Høstfest known as Høstfest in the Schools and Scandinavian Youth Camp, both of which are designed to reach children who otherwise might not be exposed to lessons of the heritage so
			31,600		25,178	

Northern States Power Company, a Minnesota Corporation
State of North Dakota
Year Ended 12/31/2006

Case No. PU-07-776
Exhibit ___ (AEH-2)
Schedule 2, Page 4 of 8

CORPORATE CONTRIBUTIONS	City	State	Total ND Amount		ND Electric	
Community Development						
Fargo-Moorhead Family YMCA	Fargo	ND	4,300	N	2,847	To continue to fund childcare scholarships at all FM area YMCA childcare sites. Scholarships are offered to those families in need in order to help achieve a system-wide goal of building strong families, strong communities, and assisting parent to become
Southeastern North Dakota Community Action Agency	Fargo	ND	13,200	N	8,739	The purpose of this project is to provide personalized energy education and conservation information and materials to low-income households served by Xcel Energy residing in apartments in large multi-unit structures in the communities served by Xcel Energ
Community Violence Intervention Center	Grand Forks	ND	5,000	N	3,310	The Community Violence Intervention Center requests support of CVIC Abuse and Rape Crisis Program's Hope Transitional Housing and Self-Sufficiency Services, which provide accessible housing for people with special needs, increase rental opportunities and
Red River Valley Community Action	Grand Forks	ND	7,000	N	4,634	Funds are requested to assist Red River Valley Community Action to provide energy conservation for low and moderate income residents. This program is designed to inform and instruct customers on energy conservation methods and materials.
Red River Valley Habitat for Humanity	Grand Forks	ND	1,000	N	662	Funds received will be used to finish construction of current building of Habitat home located at 512 Oak St.
Energy Share of North Dakota	Jamestown	ND	20,000	N	13,240	To provide a source of funds to help fixed and low-income persons in North Dakota who have energy related emergencies and have no other options available to them.
			50,500		**33,432**	
Education						
NORTH DAKOTA STATE UNIVERSITY ALUMNI ASSOCIATION	FARGO	ND	35	N	23	
NORTH DAKOTA STATE UNIVERSITY DEVELOPMENT FOUNDATION	FARGO	ND	3,560	N	2,357	
UNIVERSITY OF NORTH DAKOTA	GRAND FORKS	ND	35	N	23	
UNIVERSITY OF NORTH DAKOTA FOUNDATION	GRAND FORKS	ND	3,186	N	2,109	
MINOT STATE UNIVERSITY DEVELOPMENT FOUNDATION	MINOT	ND	300	E	300	
			7,116		**4,812**	

Northern States Power Company, a Minnesota Corporation
State of North Dakota
Year Ended 12/31/2006

CORPORATE CONTRIBUTIONS	City	State	Total ND Amount		ND Electric
Matching Gifts Program					
Volunteer Energy					
American Cancer Society - Fargo ND	Fargo	ND	1,000	N	662
UNITED WAY OF CASS-CLAY	FARGO	ND	1,000	N	662
American Heart Association - ND	Jamestewn	ND	1,000	N	662
YMCA Minot	Minot	ND	1,000	E	1,000
			4,000		2,986
United Way					
Cass-Clay United Way	FARGO	ND	18,905	N	12,515
Grand Forks United Way	GRAND FORKS	ND	3,754	N	2,485
Souris Valley United Way	MINOT	ND	6,108	E	6,108
Richland-Wilkin United Way	Wahpeton	ND	120	N	79
			28,887		21,188
Dollars for Doing					
NORTH DAKOTA SPECIAL OLYMPICS INC	Fargo	ND	210	N	139
MINOT HOCKEY BOOSTERS INC	MINOT	ND	500	E	500
Thompson Rural Fire Protection Dist	Thompson	ND	500	N	331
			1,210		970
Not for Profit 501c3					
American Cancer Society - Bismarch ND	BISMARCK	ND	100	N	66
THE GODS CHILD PROJECT NORTH CENTRAL	BISMARCK	ND	500	N	331
American Cancer Society - Fargo ND	Fargo	ND	1,940	N	1,284
BOY SCOUTS OF AMERICA COUNCIL	FARGO	ND	25	N	17
FARGO-MOORHEAD FAMILY YMCA	FARGO	ND	800	N	530
HOSPICE OF THE RED RIVER VALLEY	FARGO	ND	30	N	20
PRAIRIE PUBLIC BROADCASTING INC	FARGO	ND	50	N	33
UNITED WAY OF CASS-CLAY	FARGO	ND	1,000	N	662
ALTRU HEALTH FOUNDATION	GRAND FORKS	ND	100	N	66
NORTH DAKOTA MUSEUM OF ART	GRAND FORKS	ND	100	N	66
NORTHLANDS RESCUE MISSION INC	GRAND FORKS	ND	100	N	66
American Heart Association - ND	Jamestown	ND	25	N	17
ANNE CARLSEN CENTER FOR CHILDREN	JAMESTOWN	ND	30	N	20
BOY SCOUTS OF AMERICA - Minot ND	Minot	ND	50	E	50
DAKOTA BOYS RANCH FOUNDATION	MINOT	ND	25	E	25
DOMESTIC VIOLENCE PREVENTION FOUNDATION	MINOT	ND	30	E	30
NORTHWEST NORTH DAKOTA GIRL SCOUT FOUNDATION	MINOT	ND	50	E	50
YMCA Minot	Minot	ND	1,000	E	1,000
			5,955		4,333

CORPORATE CONTRIBUTIONS	City	State	Total ND Amount		ND Electric	
Higher Education						
Bismarck State College Foundation	Bismarck	ND	1,000	N	662	Bismarck State College Foundation requests scholarship dollars to fund the Xcel Energy Scholarship program for the 2006-07 academic year. These scholarships would enable deserving and qualified students enrolled in the online Power Plant Technology (PWRP), Process Plant Technology (PROP) and Electrical Transmission Systems Technology (ETST) programs at Bismarck State College (BSC) to prepare for future careers in the energy industry. These online energy technology programs work with students across the nation, preparing to fill a critical shortage of trained workers in the energy industry over the next decade.
Boy Scouts of America, Northern Lights Council	Fargo	ND	2,000	N	1,324	The purpose of this request is to provide scholarship support to youth who wish to participate in the Scouting program. The Northern Lights Council, Boy Scouts of America provides an age appropriate comprehensive educational program for students to build character, learn to take responsibility and develop personal fitness. The Northern Lights Council, Boy Scouts of America partners with local educators, businesses and community organizations to offer Scouting programs.
Fargo Public Schools Development Foundation	Fargo	ND	2,500	N	1,655	The FPS Development Foundation requests $2,500 to provide innovative math and science grants to FPS teachers and schools. There continues to be an emphasis on the need for students to consider a career in science and math in order for American companies to remain competitive on a global basis. Providing these grants to FPS teachers and schools, not only challenges teachers to use new instructive techniques, but provide students with learning opportunities that will spark and stimulate their interest in math and science.
North Dakota State University Development Foundation	Fargo	ND	16,000	N	10,592	North Dakota State University's College of Engineering & Architecture prepares students to use their Math and Science acumen to design the future. We are requesting funds to support Xcel Energy named student scholarships for engineering students($15,000) and also to support the engineering students' solar car entry in the Formula Sun Grand Prix anc the American Solar Challenge. ($1,000).
Grand Forks Public Schools	Grand Forks	ND	3,000	N	1,986	The Junior Achievement Program teaches economics and the value of the free enterprise system to over 2300 elementary school students in 16 area schools in the Grand Forks area. The goal is to make our students more workforce ready and realize the important connection of education to their future success in the working world. Over 120 educators and 130 community and business volunteers partner to deliver the program.
University of North Dakota Foundation	Grand Forks	ND	10,000	N	6,620	Provide scholarships to University of North Dakota students, with an emphasis given on math, science, technology and engineering. The beneficiaries of this project are current UND students in science, math, technology and engineering. For many students, a scholarship can make a difference between attending college or not being able to pursue a degree at all due to limited resources. These are Xcel Energy named scholarships.
Girls Scouts of Northwest North Dakota	Minot	ND	1,000	E	1,000	This grant will allow continued program development of the six weeks of summer camp. This camp is open to members as well as non-members of Girl Scouts providing opportunities for youth that would not otherwise have the opportunity to attend an educational camp. Scholarships are also provided for youth to attend this camp. The girls will earn badges pertaining to math, science, environment, financial literacy as well as other areas.
Minot Community Foundation	Minot	ND	2,000	E	2,000	To help continue to provide the Junior Achievement program in the Minot area. The JA program helps students to understand and grasp economics and the free enterprise system.

Northern States Power Company, a Minnesota Corporation
State of North Dakota
Year Ended 12/31/2006

CORPORATE CONTRIBUTIONS	City	State	Total ND Amount		ND Electric	
						(1) To provide additional professional development for area educators on service learning and encourage the integration of such projects which involve participation and partnership among, students, educators, business, nonprofit entities, and community members in our area. (2) To enhance the career development program by funding a motivational speaker for 9th & 10th grade students and offering all 9th grade students career sessions hosted by local professionals addressing the knowledge and skills needed to effectively compete in the job
Minot Public Schools	Minot	ND	2,000	E	2,000	market in their respective career fields.
						Requesting funding to support student scholarships in the sum of $4,000. These Xcel Energy scholarships will greatly assist students pursuing careers in science, mathematics, technical and/or environmental areas of study. Scholarships allow many students to pursue
Minot State University Development Foundation	Minot	ND	4,000	E	4,000	a more technical area of study.
			43,500		31,840	

CORPORATE CONTRIBUTIONS	City	State	Total ND Amount	ND Electric
State of North Dakota Management Donations				
Name				
AMERICAN HEART ASSOCATION: 200			110	100
AMERICAN RED CROSS: SPONSORSHI			200	182
DOWNTOWN LEADERSHIP GROUP: 200			500	455
EASTER SEALS GOODWILL: 2006 CO			200	182
IAAP RED RIVER CHAPTER: SPONSO			200	182
I HELP INC: SPONSORSHIP OF HOR			125	114
MARCH OF DIMES SPONSORSHIP			250	228
MINOT AM LEGION SPONSORSHIP GI			175	159
Minot Area Safety Assoc; Dues			100	91
Minot High After Graduation Co			75	68
MINOT MUSIC BOOSTERS SCHOLARSH			75	68
MINOT PS SPONSORSHIP			200	200
Minot State Beaver Boosters; M			550	501
MSUM ALUMNI FOUNDATION: SPONSO			500	455
National Council for Public Pr			750	683
NDSU Research & Technology Par			38,500	35,035
NDSU SAE; Sponsor			2,000	1,820
North Dakota League of Cities;			1,000	910
NORTH DAKOTA MUSEUM OF ART: PA			1,000	910
Northern Lights Council 429 -			1,250	1,138
Northern Lights Council - Spon			500	455
Our Redeemer's Christian Schoo			125	114
Pheasants Forever; Sponsor Ann			250	228
Red River Valley Community Act			620	564
Senior All-Night Party; Sponso			200	182
Talent Productions; Caricature			1,050	956
TAUBE MUSEUM OF ART: 06/30/06;			200	182
Taube Museum of Art; Sponsorsh			200	182
The Heritage Singers; Sponsors			50	46
UND Foundation; Sponsorship of			2,500	2,275
United Way of Cas-Clay - Kick-			2,500	2,275
Ward County Treasurer; Sponsor			250	228
Washington Elementary School;			100	91
West Fargo COC; Sponsor Annual			300	273
Women of Distinction YWCA - 20			100	91
Zion Lutheran Church; Sponsors			100	91
GRAND FORKS/ CATS INCR SPONSO			1,000	910
GRAND FORKS/ PLAQUES & ENGRAV			40	36
GRAND FORKS/UNDERWRITE BGEA PU			300	273
			58,145	**52,930**
TOTAL CONTRIBUTIONS			**269,763**	**207,276**
For 50% INCLUSION (2006 Acutals)				**103,638**

0

Incentive Compensation Adjustment

Comparison of Excluding 25% of Base Pay to Excluding 15% of Base Pay

			Initial Filing	Recommended by Staff
	2008 Budget Amounts for NSP	**NSP Electric**	**North Dakota Electric Jurisdiction less amount over 25%**	**North Dakota Electric Jurisdiction less amount over 15%**
Total Identified in Base Data as Incentive	19,191,434	17,478,349	1,006,508	1,006,508
Less Lobbying Amount not includable (FERC 426)	(45,320)	(41,409)	(1,258)	(1,258)
Incentive Net of Lobbying	19,146,114	17,436,940	1,005,250	1,005,250
Less Long Term Plan	(4,751,115)	(4,384,719)	(233,739)	(233,739)
Less Other Bonuses/Incentives	(739,500)	(739,500)	(43,475)	(43,475)
Less Amount Over % of Base Pay	**(1,508,166)**	**(1,344,053)**	**(45,151)**	**(79,243)**
Net Amount of Base Incentive to be included in rates	**12,147,333**	**10,968,668**	**682,885**	**648,793**
Total Adjustment to Incentive with 15% Exclusion	**(6,998,781)**	**(6,468,272)**		**(356,457)**
Total Adjustment to Incentive with 25% Exclusion	**(6,349,945)**	**(5,890,040)**	**(322,365)**	
Change from Amount in Original Filing Adjustment	**(648,836)**	**(578,232)**	-	**$ (34,092)**

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of North Dakota

Case No. PU-07-776
Exhibit ___ (AEH-2)
Schedule 4, Page 1 of 3

King-Prod	Dec-2007	Jan-2008	Feb-2008	Mar-2008	Apr-2008	May-2008	Jun-2008	Jul-2008	Aug-2008	Sep-2008	Oct-2008	Nov-2008	Dec-2008
Rate Base													
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	477,403,752	477,403,752	477,403,752	477,403,752	477,403,752	477,403,752	477,403,752	477,403,752	477,403,752	477,403,752	477,403,752	477,403,752	477,403,752
Less Book Depreciation Reserve	5,467,202	6,489,770	7,512,339	8,534,907	9,557,475	10,580,044	11,602,612	12,625,180	13,647,749	14,670,317	15,692,886	16,715,454	17,738,022
Less Accum Deferred Taxes	(2,114,362)	(1,362,252)	(610,141)	141,969	894,080	1,646,190	2,398,301	3,150,411	3,902,522	4,654,632	5,406,742	6,158,853	6,910,963
End Of Month Rate Base	474,050,912	472,276,234	470,501,555	468,726,876	466,952,197	465,177,518	463,402,839	461,628,161	459,853,482	458,078,803	456,304,124	454,529,445	452,754,767
Average Rate Base (BOM/EOM)	474,886,436	473,163,573	471,388,894	469,614,215	467,839,537	466,064,858	464,290,179	462,515,500	460,740,821	458,966,142	457,191,464	455,416,785	453,642,106
Calculation of Return													
Plus Debt Return	1,325,725	1,320,915	1,315,961	1,311,006	1,306,052	1,301,098	1,296,143	1,291,189	1,286,235	1,281,280	1,276,326	1,271,372	1,266,418
Plus Equity Return	2,109,287	2,101,635	2,093,752	2,085,870	2,077,987	2,070,105	2,062,222	2,054,340	2,046,457	2,038,575	2,030,692	2,022,810	2,014,927
Total Return	3,435,012	3,422,550	3,409,713	3,396,876	3,384,039	3,371,202	3,358,366	3,345,529	3,332,692	3,319,855	3,307,018	3,294,181	3,281,345
Income Statement Items													
Plus Avoided Property Taxes	0	(28,250)	(28,250)	(28,250)	(28,250)	(28,250)	(28,250)	(28,250)	(28,250)	(28,250)	(28,250)	(28,250)	(28,250)
Plus Property Taxes	0	257,455	257,455	257,455	257,455	257,455	257,455	257,455	257,455	257,455	257,455	257,455	257,455
Plus Book Depreciation	1,022,360	1,022,568	1,022,568	1,022,568	1,022,568	1,022,568	1,022,568	1,022,568	1,022,568	1,022,568	1,022,568	1,022,568	1,022,568
Plus Deferred Taxes	798,687	752,110	752,110	752,110	752,110	752,110	752,110	752,110	752,110	752,110	752,110	752,110	752,110
Plus Current Taxes	611,702	638,415	633,747	629,078	624,410	619,741	615,073	610,404	605,736	601,068	596,399	591,731	587,062
Total Income Statement Expense	2,432,749	2,642,299	2,637,631	2,632,962	2,628,294	2,623,625	2,618,957	2,614,289	2,609,620	2,604,952	2,600,283	2,595,615	2,590,946
Total Revenue Requirements	5,867,761	6,064,849	6,047,344	6,029,839	6,012,333	5,994,828	5,977,323	5,959,817	5,942,312	5,924,807	5,907,301	5,889,796	5,872,291
Jurisdictional Revenue Requirement	279,458	296,099	295,245	294,390	293,535	292,681	291,826	290,972	290,117	289,262	288,408	287,553	286,698
Tax Depreciation	2,912,213	2,798,372	2,798,372	2,798,372	2,798,372	2,798,372	2,798,372	2,798,372	2,798,372	2,798,372	2,798,372	2,798,372	2,798,372
CPI	0	0	0	0	0	0	0	0	0	0	0	0	0
Manufacturer Prod Deduct	83,169	88,785	88,135	87,486	86,837	86,188	85,539	84,889	84,240	83,591	82,942	82,292	81,643
Removal of Old Plant	0	0	0	0	0	0	0	0	0	0	0	0	0

	BOY	EOY	Average	ND Only
Rate Base				
Plus Plant In-Service	477,403,752	477,403,752	477,403,752	23,307,913
Less Book Depreciation Reserve	5,467,202	17,738,022	11,602,612	566,465
Less Accum Deferred Taxes	(2,114,362)	6,910,963	2,398,301	117,090
End Of Month Rate Base	474,050,912	452,754,767	463,402,839	22,624,358

	2008 Annual	ND Only
Average Rate Base (BOY/EOY)	463,402,839	22,624,358
Calculation of Return		
Plus Debt Return	15,523,995	757,916
Plus Equity Return	24,699,371	1,205,878
Total Return	40,223,366	1,963,794
Income Statement Items		
Plus Book Depreciation	12,270,820	599,089
Plus Deferred Taxes	9,025,326	440,636
Plus Current Taxes	7,352,864	358,983
Total Income Statement Expense	28,649,010	1,398,708
Total Revenue Requirements	68,872,377	3,362,503
Interchange Demand	84.4383%	
Jusirdiction Demand	5.7820%	
Interchangeed Composite Allocator	4.8822%	
Jurisdictional Revenue Requirement	3,362,503	
Tax Depreciation	33,580,463	
CPI	0	
Manufacturer Prod Deduct	1,022,567	
Removal of Old Plant	0	
State of ND Composite Tax Rate	39.225%	

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of North Dakota

High Bridge-Prod

	Dec-2007	Jan-2008	Feb-2008	Mar-2008	Apr-2008	May-2008	Jun-2008	Jul-2008	Aug-2008	Sep-2008	Oct-2008	Nov-2008	Dec-2008
Rate Base													
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	0	0	0	0	0	361,136,670	364,208,687	365,651,778	367,678,463	368,171,235	368,617,071	369,062,907	369,508,709
Less Book Depreciation Reserve	0	0	0	0	0	0	0	1,040,943	2,091,604	3,150,548	4,215,547	5,286,423	6,363,101
Less Accum Deferred Taxes	(3,198,556)	(3,147,343)	(3,095,255)	(3,073,673)	(3,024,505)	(2,808,024)	(2,167,091)	(614,967)	907,544	2,430,399	3,942,724	5,435,892	6,934,907
End Of Month Rate Base	3,198,556	3,147,343	3,095,255	3,073,673	3,024,505	363,944,694	366,375,778	365,225,802	364,679,315	362,590,287	360,458,800	358,340,592	356,210,701
Average Rate Base (BOM/EOM)	3,148,114	3,172,950	3,121,299	3,084,464	3,049,089	183,484,600	365,160,236	365,800,790	364,952,558	363,634,801	361,524,544	359,399,696	357,275,647
Calculation of Return													
Plus Debt Return	8,788	8,858	8,714	8,611	8,512	512,228	1,019,406	1,021,194	1,018,826	1,015,147	1,009,256	1,003,324	997,395
Plus Equity Return	13,983	14,093	13,864	13,700	13,543	814,977	1,621,920	1,624,765	1,620,998	1,615,145	1,605,772	1,596,334	1,586,899
Total Return	22,771	22,951	22,577	22,311	22,055	1,327,205	2,641,326	2,645,959	2,639,824	2,630,292	2,615,028	2,599,658	2,584,294
Income Statement Items													
Plus Avoided Property Taxes	0	(80,417)	(80,417)	(80,417)	(80,417)	(80,417)	(80,417)	(80,417)	(80,417)	(80,417)	(80,417)	(80,417)	(80,417)
Plus Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Book Depreciation	0	0	0	0	0	0	0	1,040,943	1,050,660	1,058,945	1,064,999	1,070,876	1,076,677
Plus Deferred Taxes	(100,885)	51,213	52,089	21,582	49,167	216,481	640,933	1,552,124	1,522,511	1,522,855	1,512,324	1,493,168	1,499,015
Plus Current Taxes	650,022	500,573	516,430	558,201	554,068	598,044	411,807	(334,437)	(310,947)	(314,432)	(310,748)	(299,710)	(310,120)
Total Income Statement Expense	549,137	471,369	488,102	499,366	522,818	734,108	972,323	2,178,213	2,181,808	2,186,951	2,186,158	2,183,917	2,185,156
Total Revenue Requirements	571,909	494,320	510,679	521,677	544,873	2,061,313	3,613,649	4,824,173	4,821,632	4,817,242	4,801,185	4,783,575	4,769,450
Jurisdictional Revenue Requirement	27,238	24,134	24,932	25,469	26,602	100,638	176,426	235,527	235,403	235,188	234,405	233,545	232,855
Tax Depreciation	0	0	0	0	0	0	0	2,977,555	2,997,822	3,003,982	3,011,412	3,022,558	3,044,848
CPI	1,641,273	1,677,839	1,728,447	1,775,678	1,835,212	938,317	2,538	7	0	0	0	0	0
Manufacturer Prod Deduct	88,379	69,615	71,820	77,629	77,055	83,170	57,270	(46,510)	(43,244)	(43,728)	(43,216)	(41,681)	(43,129)
Removal of Old Plant	472,469	897,945	922,425	868,458	962,398	959,998	1,570,070	1,804,970	1,721,370	1,723,870	1,696,370	1,643,870	1,641,370

	TY HB ND				ALT HB ND	Adjusted ND
	BOY	EOY	Average	ND Only	ND Only	ND Only
Rate Base						
Plus Plant In-Service	0	369,508,709	184,754,355	9,020,119	2,267,878	6,752,241
Less Book Depreciation Reserve	0	6,363,101	3,181,550	155,330	94,495	60,835
Less Accum Deferred Taxes	(3,198,556)	6,934,907	1,868,175	91,208	7,719	83,489
End Of Month Rate Base	3,198,556	356,210,701	179,704,629	8,773,580	2,165,664	6,607,916

	2008 Annual	ND Only	Alt Plan ND	Adjustment ND
Average Rate Base (BOY/EOY)	179,704,629	8,773,580	2,165,664	6,607,916
Calculation of Return				
Plus Debt Return	6,020,105	293,915	72,550	221,365
Plus Equity Return	9,578,257	467,632	115,430	352,202
Total Return	15,598,362	761,547	187,980	573,567
Income Statement Items				
Plus Book Depreciation	6,363,101	310,661	188,990	121,671
Plus Deferred Taxes	10,133,463	494,738	15,438	479,300
Plus Current Taxes	(395,951)	(19,331)	53,412	(72,743)
Total Income Statement Expense	16,100,613	786,068	257,840	528,228
Total Revenue Requirements	31,698,974	1,547,614	445,820	1,101,795
Interchange Demand	84.4383%			
Jusirdiction Demand	5.7820%			
Interchangeed Composite Allocator	4.8822%			
Jurisdictional Revenue Requirement	1,547,614			
Tax Depreciation	18,058,177			
CPI	7,958,038			
Manufacturer Prod Deduct	175,052			
Removal of Old Plant	16,413,114			
State of ND Composite Tax Rate	39.225%			

See HB Alt tab for details

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of North Dakota

Case No. PU-07-776
Exhibit ___ (AEH-2)
Schedule 4, Page 3 of 3

High Bridge-Prod Alt

	Dec-2007	Jan-2008	Feb-2008	Mar-2008	Apr-2008	May-2008	Jun-2008	Jul-2008	Aug-2008	Sep-2008	Oct-2008	Nov-2008	Dec-2008
Rate Base													
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	0	0	0	0	0	92,903,500	92,903,500	92,903,500	92,903,500	92,903,500	92,903,500	92,903,500	92,903,500
Less Book Depreciation Reserve	0	0	0	0	0	258,065	774,196	1,290,326	1,806,457	2,322,588	2,838,718	3,354,849	3,870,979
Less Accum Deferred Taxes	0	0	0	0	0	131,755	158,105	184,456	210,807	237,158	263,509	289,860	316,211
End Of Month Rate Base	0	0	0	0	0	92,513,680	91,971,199	91,428,717	90,886,236	90,343,754	89,801,273	89,258,791	88,716,310
Average Rate Base (BOM/EOM)	0	0	0	0	0	46,256,840	92,242,439	91,699,958	91,157,476	90,614,995	90,072,514	89,530,032	88,987,551
Calculation of Return													
Plus Debt Return	0	0	0	0	0	129,134	257,510	255,996	254,481	252,967	251,452	249,938	248,424
Plus Equity Return	0	0	0	0	0	205,457	409,710	407,301	404,891	402,482	400,072	397,663	395,253
Total Return	0	0	0	0	0	334,591	667,220	663,296	659,372	655,448	651,525	647,601	643,677
Income Statement Items													
Plus Avoided Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Book Depreciation	0	0	0	0	0	258,065	516,131	516,131	516,131	516,131	516,131	516,131	516,131
Plus Deferred Taxes	0	0	0	0	0	131,755	26,351	26,351	26,351	26,351	26,351	26,351	26,351
Plus Current Taxes	0	0	0	0	0	8,665	220,049	218,622	217,195	215,768	214,341	212,914	211,487
Total Income Statement Expense	0	0	0	0	0	398,485	762,530	761,103	759,676	758,249	756,822	755,395	753,968
Total Revenue Requirements	0	0	0	0	0	733,076	1,429,751	1,424,400	1,419,049	1,413,698	1,408,347	1,402,996	1,397,645
Jurisdictional Revenue Requirement	0	0	0	0	0	35,790	69,804	69,542	69,281	69,020	68,759	68,497	68,236
Tax Depreciation	0	0	0	0	0	580,647	580,647	580,647	580,647	580,647	580,647	580,647	580,647
CPI	0	0	0	0	0	0	0	0	0	0	0	0	0
Manufacturer Prod Deduct	0	0	0	0	0	1,205	30,602	30,404	30,205	30,007	29,808	29,610	29,412
Removal of Old Plant	0	0	0	0	0	0	0	0	0	0	0	0	0

	BOY	EOY	Average	ND Only
Rate Base				
Plus Plant In-Service	0	92,903,500	46,451,750	2,267,878
Less Book Depreciation Reserve	0	3,870,979	1,935,490	94,495
Less Accum Deferred Taxes	0	316,211	158,105	7,719
End Of Month Rate Base	0	88,716,310	44,358,155	2,165,664

	2008 Annual	ND Only
Average Rate Base (BOY/EOY)	44,358,155	2,165,664
Calculation of Return		
Plus Debt Return	1,485,998	72,550
Plus Equity Return	2,364,290	115,430
Total Return	3,850,288	187,980
Income Statement Items		
Plus Book Depreciation	3,870,979	188,990
Plus Deferred Taxes	316,211	15,438
Plus Current Taxes	1,094,009	53,412
Total Income Statement Expense	5,281,199	257,840
Total Revenue Requirements	9,131,487	445,820
Interchange Demand	84.4383%	
Jusirdiction Demand	5.7820%	
Interchangeed Composite Allocator	4.8822%	
Jurisdictional Revenue Requirement	445,820	

Tax Depreciation	4,645,175
CPI	0
Manufacturer Prod Deduct	211,254
Removal of Old Plant	0
State of ND Composite Tax Rate	39.225%

Construction Cost:

In May 2002 Filing (2001 $s)	$ 71,000,000
Inflation Factor (2001-2008)	1.3085
2008 EOY Plant In Service	$ 92,903,500

Assumptions:

In Service Date	May-08
Book Life	15 years
Tax Life	15 years

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of North Dakota
RATE BASE SCHEDULES
RATE BASE ADJUSTMENT SCHEDULES
2008 Unadjusted Test Year versus 2008 Adjusted Test Year
($000's)

Case No. PU-07-776
Exhibit ___ (AEH-2)
Schedule 5, Page 1 of 2

Line No.	Description	Initial Petition (1)	Income Statement (2)	Rebuttal Position (3)
	Electric Plant as Booked			
1	Production	$356,704		$356,704
2	Transmission	$87,557		$87,557
3	Distribution	$124,202		$124,202
4	General	$14,538		$14,538
5	Common	$24,338		$24,338
6	TBT Investment	$0		$0
7	TOTAL Utility Plant in Service	$607,339		$607,339
	Reserve for Depreciation			
8	Production	$234,339		$234,339
9	Transmission	$29,941		$29,941
10	Distribution	$48,239		$48,239
11	General	$6,955		$6,955
12	Common	$13,692		$13,692
13	TOTAL Reserve for Depreciation	$333,166		$333,166
	Net Utility Plant in Service			
14	Production	$122,365		$122,365
15	Transmission	$57,616		$57,616
16	Distribution	$75,964		$75,964
17	General	$7,583		$7,583
18	Common	$10,646		$10,646
19	TBT Investment	$0		$0
20	Net Utility Plant in Service	$274,173		$274,173
21	Utility Plant Held for Future Use	$0		$0
22	Construction Work in Progress	$4,802		$4,802
23	Less: Accumulated Deferred Income Taxes	$40,717		$40,717
24	Cash Working Capital	$1,136	$8	1,144
	Other Rate Base Items:			
25	Materials and Supplies	$5,412		$5,412
26	Fuel Inventory	$2,358		$2,358
27	Non-Plant Assets & Liabilities	($6,928)		($6,928)
28	Prepayments	$1,127		$1,127
32	Customer Advances	($60)		($60)
33	Other Working Capital	$797		$797
34	Total Other Rate Base Items	$2,706	$0	$2,706
35	Total Average Rate Base	$242,100	$8	$242,108

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of North Dakota
OPERATING INCOME STATEMENT SCHEDULES
OPERATING INCOME STATEMENT ADJUSTMENT SCHEDULES
2008 Unadjusted Test Year versus 2008 Adjusted Test Year
($000's)

Case No. PU-07-776
Exhibit ___ (AEH-2)
Schedule 5, Page 2 of 2

Line No.	Description	Initial Petition	MISO Sch 16 & 17 Margin Adj 1	Nuclear Refueling Outage Change of Accounting 2	Allen S King Chemical Cost Correction 3	Cost of Debt 4	CWC 5	Rebuttal Position (1)
	Operating Revenues							
1	Retail	$147,179	$532					$147,711
2	CIP Revenue Adjustment	0						$0
3	Interdepartmental	0						$0
4	Other Operating	39,525						$39,525
5	Gross Earnings Tax	0						$0
6	**Total Operating Revenues**	$186,704	$532	$0	$0	$0	$0	$187,236
	Expenses							
	Operating Expenses:							
7	Fuel & Purchased Energy	$79,015						$79,015
8	Power Production	40,491		(173)	(322)			$39,996
9	Transmission	7,992						$7,992
10	Distribution	5,655						$5,655
11	Customer Accounting	4,343						$4,343
12	Customer Service & Information	369						$369
13	Sales, Econ Dvlp & Other	2						$2
14	Administrative & General	10,399						$10,399
15	Amortization	460						$460
16	Total Operating Expenses	$148,725	$0	($173)	($322)	$0	$0	$148,230
17	Depreciation	$19,160						$19,160
	Taxes:							
18	Property	$5,763						$5,763
19	Gross Earnings	0						$0
20	Deferred Income Tax & ITC	1,738						$1,738
21	Federal & State Income Tax	214	209	68	126	19	(0)	$636
22	Payroll & Other	1,310						$1,310
23	Total Taxes	$9,025	$209	$68	$126	$19	($0)	$9,447
24	**Total Expenses**	$176,910	$209	($105)	($195)	$19	($0)	$176,837
25	Allowance for Funds Used During Construction	$0				$0	$0	$0
26	**Total Operating Income**	$9,794	$323	$105	$195	($19)	$0	$10,399

Note: (1) Electric Utility - North Dakota Jurisdiction

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of North Dakota
Revenue Deficiency Summary
($000's)

Case No. PU-07-776
Exhibit ___ (AEH-2)
Schedule 6, Page 1 of 1

Line	Description	Initial Petition	Company Proposed Adjustments	Rebuttal Position
1	Average Rate Base	$242,100	$8	$242,108
2	Operating Income (Before AFUDC)	$9,794	$605	$10,399
3	Allowance for Funds Used During Construction	$0	$0	0
4	Total Available for Return (Line 2 + Line 3 + Rounding)	$9,794	$605	$10,399
5	Overall Rate of Return (Line 4 / Line 1)	4.05%	0.25%	4.30%
6	Required Rate of Return	9.20%	-0.40%	8.80%
7	Operating Income Requirement (Line 1 x Line 6)	$22,273	($968)	$21,306
8	Income Deficiency (Line 7 - Line 6)	$12,479	($1,573)	$10,906
9	Gross Revenue Conversion Factor	1.64555	0.00000	1.64555
10	Revenue Deficiency (Line 8 x Line 9)	$20,535	($2,589)	$17,946
11	Retail Related Revenue Under Present Rates	$147,179	$532	$147,711
13	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	13.95%	-1.80%	12.15%

ROE = 2.06%
Deficiency = $17,946
% Increase = 12.15%
Required ROE = 10.75%

Northern States Power Company (MN)
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Rebuttal

Summary Reports

June 13, 2008

Northern States Power Company (MN)
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Rebuttal
(Dollars in Thousands)

Rate Base Summary

		Total Company Electric			North Dakota Retail Electric			All Other		
		Beginning Balance	Ending Balance	Average Balance	Beginning Balance	Ending Balance	Average Balance	Beginning Balance	Ending Balance	Average Balance
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	(5,821,431)	(6,216,224)	(6,018,828)	(322,262)	(344,069)	(333,166)	(5,499,169)	(5,872,155)	(5,685,662)
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	12,347	12,347	12,347	1,144	1,144	1,144	11,202	11,202	11,202
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	Prepaids & Other	30,355	30,355	30,355	1,864	1,864	1,864	28,491	28,491	28,491
11	**Total Rate Base**	**4,436,604**	**4,996,907**	**4,716,755**	**219,115**	**265,103**	**242,108**	**4,217,489**	**4,731,804**	**4,474,646**

Northern States Power Company (MN)
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Rebuttal
(Dollars in Thousands)

Income Statement Summary

		Total Company Electric	ND Retail Electric	All Other
	Operating Revenues			
1	Retail	2,877,113	147,711	2,729,402
2	CIP Adjustment to Program Costs	0	0	0
3	Interdepartmental	434	0	434
4	Other Operating	725,631	39,525	686,106
5	Gross Earnings Tax	0	0	0
6	**Total Operating Revenues**	**3,603,178**	**187,236**	**3,415,942**
	Expenses			
	Operating Expenses:			
7	Fuel & Purchased Energy	1,344,010	79,015	1,264,995
8	Power Production	686,183	39,996	646,186
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	161,492	10,399	151,093
15	Total Operating Expenses	2,560,030	147,770	2,412,260
16	Depreciation	365,768	19,160	346,608
17	Amortization	27,513	460	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)	86,603	636	85,967
22	Payroll & Other	21,401	1,310	20,091
23	Total Taxes	277,659	9,447	268,212
24	**Total Expenses**	**3,230,970**	**176,837**	**3,054,133**
25	AFUDC	0	0	0
26	**Total Operating Income**	**372,208**	**10,399**	**361,809**

Northern States Power Company (MN)
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Rebuttal
(Dollars in Thousands)

Income Tax Summary

		Total Company Electric	ND Retail Electric	All Other
	Income Before Taxes			
1	Total Operating Revenues	3,603,178	187,236	3,415,942
2	less: Total Operating Expenses	(2,560,030)	(147,770)	(2,412,260)
3	Book Depreciation & Amortization	(393,281)	(19,620)	(373,661)
4	Taxes (Other Than Current Income)	(191,056)	(8,811)	(182,245)
5	**Total Before Tax Book Income**	**458,811**	**11,035**	**447,776**
	Tax Additions			
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**
	Tax Deductions			
18	Tax Depreciation & Removal Expense	665,489	30,605	634,884
19	Debt Interest Expense	152,351	7,820	144,531
20	Man Prod Ded / Prod 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**	**818,851**	**38,489**	**775,579**
24	**State Taxable Income**	**212,040**	**1,621**	**210,419**
25	State Income Tax Rate	8.99%	6.51%	N/A
26	**Total State Income Taxes**	**19,060**	**106**	**18,955**
27	**Federal Taxable Income**	**192,979**	**1,516**	**191,464**
28	Federal Income Tax Rate	35.00%	35.00%	35.00%
29	**Total Federal Income Taxes**	**67,543**	**530**	**67,012**
30	**Total Federal & State Income Taxes**	86,603	636	85,967

Northern States Power Company (MN)
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Rebuttal
(Dollars in Thousands)

Case No. PU-07-776
Exhibit ___ (AEH-2)
Schedule 7, Page 5 of 6

Revenue Requirement & Return Summary

	Capital Structure	Rate	Ratio	Weighted Cost
1	Long Term Debt	6.7600%	45.6100%	3.0800%
2	Short Term Debt	5.7400%	2.6200%	0.1500%
3	Preferred Stock	0.0000%	0.0000%	0.0000%
4	Common Equity	10.7500%	51.7700%	5.5700%
5	**Required Rate of Return**			**8.8000%**

Composite Income Tax Rates		
State of North Dakota Tax rate		6.50%
Federal Statutory Tax rate	35.00%	
Federal Effective Tax Rate (1-State Rate * Fed Rate)		32.73%
Total North Dakota Composite Tax Rate		**39.23%**
Total Corporate Composite Tax Rate		**40.84%**

		Total Company Electric	ND Retail Electric	All Other
	Rate of Return (ROR)			
6	Total Operating Income	372,208	10,399	361,809
7	Total Average Rate Base	4,716,755	242,108	4,474,646
8	**ROR (Operating Income / Rate Base)**	**7.89%**	**4.30%**	**8.09%**
	Return on Equity (ROE)			
9	Total Operating Income	372,208	10,399	361,809
10	Debt Interest (Rate Base * Weighted Debt Cost)	(152,351)	(7,820)	(144,531)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	0	0	0
12	Earnings Available for Common	219,857	2,579	217,278
13	Equity Rate Base (Rate Base * Equity Ratio)	2,441,864	125,339	2,316,524
14	**ROE (Earnings for Common / Equity Rate Base)**	**9.00%**	**2.06%**	**9.38%**
	Revenue Deficiency			
15	Require Operating Income (Rate Base * Required Return)	415,074	21,306	393,769
16	Operating Income	372,208	10,399	361,809
17	Operating Income Deficiency	42,867	10,906	31,960
18	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.69041	1.64555	N/A
19	**Revenue Deficiency (Income Deficiency * Conversion Fac**	**72,463**	**17,946**	**54,517**
	Total Retail Revenue Requirements			
20	Retail Related Revenues	2,877,547	147,711	2,729,836
21	Revenue Deficiency	72,463	17,946	54,517
22	**Total Retail Revenue Requirements**	**2,950,010**	**165,657**	**2,784,353**
23	**Percentage Increase (Decrease)**	**2.52%**	**12.15%**	**2.00%**

Northern States Power Company (MN)
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2008 Rebuttal
(Dollars In Thousands)

Rate Base Detail - Cash Working Capital

			Total Company Electric			ND Retail Electric			All Other	
	Expenses									
	Includable Expenses	**Lead Days**	**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	12,473	952,688		721	55,070		11,752	897,618
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	103,226	3,944,260		5,991	228,902		97,235	3,715,358
			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	41,928	1,188,248		2,613	74,046		39,316	1,114,202
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	562,448	23,814,050		30,140	1,276,143		532,308	22,537,907
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	67,543	2,465,311		530	19,363		67,012	2,445,948
19	State Income Tax	36.50	19,060	695,705		106	3,851		18,955	691,854
20	State Sales Tax Customer Billings	51.86	110,642	5,737,894		0	0		110,642	5,737,894
21	Total Expenses	42.51	2,923,257	124,257,766	41.36	157,560	6,515,901	42.57	2,765,697	117,741,865
22	**Net Annual Expense Amount**			340,432			17,852			322,580
	Revenues	**Lag Days**	**Dollars**	**Dollar x Days**		**Dollars**	**Dollar x Days**		**Dollars**	**Dollar x Days**
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	(2,371)	(107,762)		(1,839)	(83,583)		(532)	(24,179)
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	255,111	10,110,049		12,380	490,619		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	245,617		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	44.05	3,603,178	158,713,573	44.01	187,236	8,239,498	44.05	3,415,942	150,474,075
45	Net Annual Amount			434,832			22,574			412,258
46	Expense / Revenue Factor			0.81129951			0.841503833			
47	**Allocated Revenue Amount**			352,779			18,996			
48	**Net Cash Working Capital**	Page 1 - Line 6		12,347			1,144			11,202

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of North Dakota
STAFF Adjustments to
Revenue Deficiency Summary
($000's)

Case No. PU-07-776
Exhibit ___ (AEH-2) CORRECTED
Schedule 8, Page 1 of 5

Line	Description		Initial Petition		Company Rebuttal Position		Corrected Staff Adjusted
1	Average Rate Base	$	242,100	$	242,108	$	243,917
2	Operating Income (Before AFUDC)	$	9,794	$	10,399	$	15,146
3	Allowance for Funds Used During Construction	$	-	$	-	$	-
4	Total Available for Return (Line 2 + Line 3 + Rounding)	$	9,794	$	10,399	$	15,146
5	Overall Rate of Return (Line 4 / Line 1)		4.05%		4.30%		6.21%
6	Required Rate of Return		9.20%		8.80%		8.80%
7	Operating Income Requirement (Line 1 x Line 6)	$	22,273	$	21,306	$	21,465
8	Income Deficiency (Line 7 - Line 4)	$	12,479	$	10,906	$	6,318
9	Gross Revenue Conversion Factor		1.64555		1.64555		1.64555
10	Revenue Deficiency (Line 8 x Line 9)	$	20,535	$	17,946	$	10,397
11	King Revenue Req. Adjustments					$	(770) 1/
12	Net Deficiency before AS King & High Bridge					$	9,627
13	AS King revenue Requirement Adjustment (see Exhibit ___(AEH-2), Schedule 3					$	(3,363)
14	High Bridge Revenue Requirement Adjustment (see Exhibit ___(AEH-2), Schedule 3					$	(1,548)
15	Estimated Staff Recommended Deficiency (as corrected)					$	4,717
16	Retail Related Revenue Under Present Rates	$	147,179	$	147,711	$	147,711
17	Percentage Increase Needed in Overall Revenue (Deficiency/Revenues)		13.95%		12.15%		3.19%

1/	Remove Mercury Emissions Cost (corrected)	$	(438)
	Remove Refuse Derived Energy		(173)
	Remove 25% Grand Meadow		(79)
	Remove 25% Transmission to Wind Farms		(80)
	Total	$	(770)

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of North Dakota
Rate Base Schedules
Rate Base Adjustment Schedules
2008 Unadjusted Test Year versus 2008 Recalculated Staff Position
($000's)

Case No. PU-07-776
Exhibit ___ (AEH-2) CORRECTED
Schedule 8, Page 2 of 5

Line No.	Description	Initial Petition Rate Base (A)	Reverse Pole Inspection & Replacement Program RB-1	Reverse Cable Replacement Program RB-2	Charge Pole & Cable Replacements to Acc. Dep. RB-3	Adjust Cash Working Capital RB-4	King's Depreciation Rate Adjustment RB-7	Amortize Cost of Removal Over 10 years RB-8	Corrected Staff Adjusted
	Electric Plant as Booked								
1	Production	$356,704							$356,704
2	Transmission	$87,557							$87,557
3	Distribution	$124,202	($92)	($250)	$0			$0	$123,860
4	General	$14,538							$14,538
5	Common	$24,338							$24,338
6	TBT Investment	$0							$0
7	TOTAL Utility Plant in Service	$607,339	($92)	($250)	$0	$0	$0	$0	$606,997
	Reserve for Depreciation								
8	Production	$234,339					($1,830)	($919)	$231,591
9	Transmission	$29,941					($37)		$29,904
10	Distribution	$48,239	($2)	($3)	($342)		($191)		$47,701
11	General	$6,955							$6,955
12	Common	$13,692							$13,692
13	TOTAL Reserve for Depreciation	$333,166	($2)	($3)	($342)	$0	($2,058)	($919)	$329,843
	Net Utility Plant in Service								
14	Production	$122,365	$0	$0	$0	$0	$1,830	$919	$125,113
15	Transmission	$57,616	$0	$0	$0	$0	$37	$0	$57,653
16	Distribution	$75,964	($91)	($247)	$342	$0	$191	$0	$76,159
17	General	$7,583	$0	$0	$0	$0	$0	$0	$7,583
18	Common	$10,646	$0	$0	$0	$0	$0	$0	$10,646
19	TBT Investment	$0							$0
20	Net Utility Plant in Service	$274,173	($91)	($247)	$342	$0	$2,058	$919	$277,154
21	Utility Plant Held for Future Use	$0							$0
22	Construction Work in Progress	$4,802							$4,802
23	Less: Accumulated Deferred Income Taxes	$40,717	($1)	($3)			$807	$360	$41,881
24	Cash Working Capital	$1,136							$1,136
	Other Rate Base Items:								
25	Materials and Supplies	$5,412							$5,412
26	Fuel Inventory	$2,358							$2,358
27	Non-Plant Assets & Liabilities	($6,928)							($6,928)
28	Prepayments	$1,127							$1,127
29	Customer Advances	($60)							($60)
30	Other Working Capital	$797							$797
31	Total Other Rate Base Items	$2,706	$0	$0	$0	$0	$0	$0	$2,706
32	Total Average Rate Base	$242,100	($90)	($244)	$342	$0	$1,251	$558	$243,917

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of North Dakota
OPERATING INCOME STATEMENT SCHEDULES
OPERATING INCOME STATEMENT ADJUSTMENT SCHEDULES
2008 Unadjusted Test Year versus 2008 Adjusted Test Year
($000's)

Line No.	Description	Initial Petition Income Stmt	Settlement ROR Change OI-1	Reverse Asset Based Trading-Ratepayer sharing OI-2	Reverse Asset Based Trading-Shareholder sharing OI-3	Reverse Non-Asset Based Trading-Ratepayer sharing OI-4	Reverse Non-Asset Based Trading-Shareholder sharing OI-5
	Operating Revenues						
1	Retail	$147,179		$0		$0	
2	CIP Revenue Adjustment	0					
3	Interdepartmental	0					
4	Other Operating	39,525			$0		$0
5	Gross Earnings Tax	0					
6	**Total Operating Revenues**	$186,704	$0	$0	$0	$0	$0
	Expenses						
	Operating Expenses:						
7	Fuel & Purchased Energy	$79,015					
8	Power Production	40,491					
9	Transmission	7,992					
10	Distribution	5,655					
11	Customer Accounting	4,343					
12	Customer Service & Information	369					
13	Sales, Econ Dvlp & Other	2					
14	Administrative & General	10,399					
15	Amortization	460					
16	Total Operating Expenses	$148,726	$0	$0	$0	$0	$0
17	Depreciation	$19,160					
	Taxes:						
18	Property	$5,763					
19	Gross Earnings	0					
20	Deferred Income Tax & ITC	1,738					
21	Federal & State Income Tax	214	0	0	0	0	0
22	Payroll & Other	1,310					
23	Total Taxes	$9,025	$0	$0	$0	$0	$0
24	**Total Expenses**	$176,910	($1)	($1)	($1)	($1)	($1)
25	Allowance for Funds Used During Construction	$0					
26	**Total Operating Income**	$9,794	$1	$1	$1	$1	$1

Northern States Power Company, a Minnesota Co
Electric Utility - State of North Dakota
OPERATING INCOME STATEMENT SCHEDULES
OPERATING INCOME STATEMENT ADJUSTMENT SCHEDU
2008 Unadjusted Test Year versus 2008 Adjusted Test Year
($000's)

Line No.	Description	Reverse MISO Sch 16 & 17 Margin Adj OI-6	Charitable Contributions OI-7	RDF Amortization OI-8	Private Fuel Storage OI-9	Normalize Nuclear Refueling Costs OI-10	Charge Pole & Cable Replacement Programs to Non-legal OI-11
	Operating Revenues						
1	Retail	$532					
2	CIP Revenue Adjustment						
3	Interdepartmental						
4	Other Operating						
5	Gross Earnings Tax						
6	**Total Operating Revenues**	**$532**	**$0**	**$0**	**$0**	**$0**	**$0**
	Expenses						
	Operating Expenses:						
7	Fuel & Purchased Energy					**($1,680)**	
8	Power Production						
9	Transmission						
10	Distribution						(117)
11	Customer Accounting						
12	Customer Service & Information						
13	Sales, Econ Dvlp & Other						
14	Administrative & General		(86)				
15	Amortization			(170)	(190)		
16	Total Operating Expenses	**$0**	**($86)**	**($170)**	**($190)**	**($1,680)**	**($117)**
17	Depreciation						($9)
	Taxes:						
18	Property						
19	Gross Earnings						
20	Deferred Income Tax & ITC						(7)
21	Federal & State Income Tax	209	34	67	75	659	56
22	Payroll & Other						
23	Total Taxes	**$209**	**$34**	**$67**	**$75**	**$659**	**$49**
24	**Total Expenses**	**$208**	**($53)**	**($104)**	**($116)**	**($1,021)**	**($78)**
25	Allowance for Funds Used During Construction						
26	**Total Operating Income**	**$324**	**$53**	**$104**	**$116**	**$1,021**	**$78**

($000's)

Line No.	Description	Reduce Executive Compensation OI-12	King Depreciation Rates OI-13	Amortize Cost of Removal Reg. Liab. over 10 years 1/ OI-14	CWC 15	Corrected Staff Adjusted
	Operating Revenues					
1	Retail					$147,711
2	CIP Revenue Adjustment					$0
3	Interdepartmental					$0
4	Other Operating					$39,525
5	Gross Earnings Tax					0
6	**Total Operating Revenues**	$0	$0	$0	$0	$187,236
	Expenses					
	Operating Expenses:					
7	Fuel & Purchased Energy					$77,335
8	Power Production					$40,491
9	Transmission					$7,992
10	Distribution					$5,538
11	Customer Accounting					$4,343
12	Customer Service & Information					$369
13	Sales, Econ Dvlp & Other					$2
14	Administrative & General	(34)				$10,279
15	Amortization			0		100
16	Total Operating Expenses	($34)	$0	$0	$0	$146,449
17	Depreciation		($4,115)	($1,837)		$13,199
	Taxes:					
18	Property					$5,763
19	Gross Earnings					$0
20	Deferred Income Tax & ITC		1,614	721		$4,066
21	Federal & State Income Tax	13	(16)	(7)	0	$1,303
22	Payroll & Other					1,310
23	Total Taxes	$13	$1,598	$714	$0	$12,442
24	**Total Expenses**	($21)	($2,517)	($1,124)	($1)	$172,090
25	Allowance for Funds Used During Construction	$0		$0	$0	$0
26	**Total Operating Income**	$21	$2,517	$1,124	$1	$15,146

A S King Plant Chemical Cost Adjustment

		Jurisdictional Amounts			
AS King Plant Chemical Costs for 2008 Budget	5,273,600				
Wisconsin Interchange Agreement Revenue Portion	(820,662)	(715,144)	(47,451)	(42,335)	(15,732)
Reflect in Expense Wisconsin Company Expense recovered through the Interchange Agreement	820,662	715,144	47,451	42,335	15,732
Jurisdictional Allocation of Non-Minnesota Expense	497,738	-	223,829	199,700	74,210
Total Test Year Amount to Reflect MN Deferral (25%)	**1,318,400**	**715,144**	**271,279**	**242,035**	**89,942**
Amount Reflected in Test Year Data	**1,318,400**	**-**	**592,873**	**528,962**	**196,565**
Adjustment to Expense	**-**	**715,144**	**(321,594)**	**(286,927)**	**(106,623)**

Xcel Energy
2008 Budget Allocations

		2008 Budget	
Customers (Electric)			
	MN	88.0585%	
	ND	6.2241%	
	SD	5.7164%	
	WHLSL	0.0010%	
		100.0000%	
Customers (Gas)			
	MN	90.6021%	
	ND	9.3979%	
		100.0000%	
Electric E10 (Energy)			
	MN	86.8696%	
	ND	5.8790%	
	SD	5.0980%	
	WHLSL	2.1534%	
		100.0000%	
Electric D10 (Demand)			
	MN	87.1423%	
	ND	5.7820%	44.97%
	SD	5.1587%	40.12%
	WHLSL	1.9170%	14.91%
		100.0000%	12.8577%
36 mth Demand Allocator			
	MN	84.4383%	
	WI	15.5617%	
		100.0000%	
Gas D10 (Design Day)			
	MN	88.7867%	
	ND	11.2133%	
		100.0000%	
Gas D11 (Load Dispatch)			
	MN	89.0260%	
	ND	10.9740%	
		100.0000%	