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Minneapolis, Minnesota 55401-1993

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PUBLIC SERVICE COMMISSION

September 30, 2008

Gloria A. Geiger, Interim Director
North Dakota Public Service Commission, Dept. 408
600 E Blvd Ave.
Bismarck, ND 58505-0480

Re: October 2008 Fuel Clause Adjustment

Dear Ms. Geiger:

Northern States Power Company, a Minnesota corporation operating in North Dakota hereby submits electric fuel clause adjustment (FCA) for October 2008.

The average cost of fuel reflected in this adjustment was 3.199¢ per kWh, which was 0.205¢ higher than last month.

Combined with the recovery provision adjustment, the net adjustment to base fuel rates is 2.172¢ per kWh. The estimated FCA impact to the monthly electric bill of a residential customer using 750 kWh is approximately \$16.29, or \$0.38 less than previous month.

MISO DAY 2 IMPLEMENTATION

This filing includes our reporting of the Midwest Independent System Operator (“MISO”) charges under the Day 2 Market. Pursuant to the Commission’s Order (Docket No. PU-05-147) dated April 6, 2005, Xcel Energy is authorized to recover on an interim basis, subject to refund, the MISO Day 2 costs. In compliance with this Order and the required “net” accounting of Day 2 costs and revenues, we have included in the October FCA, the net MISO Day 2 costs for August 2008 as recorded in Account 555. The MISO Day 2 cost recovery included in this October FCA is \$30,471,482, which is the net of many items. Pursuant to the above mentioned Order, the Company also provides in Exhibit 1, which contains more detailed records supporting the calculation of the MISO costs included.

Attached is the calculation of the October FCA, as well as a statistical summary of energy sources and costs, compared to the previous month.

If you have any questions regarding the information contained in this filing, please contact Dave Sederquist in Fargo at 701-241-8632.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip J. Zins". The signature is fluid and cursive, with a prominent loop at the end.

Phillip J. Zins
Manager, Pricing and Planning

Enclosures (2)
CC: David H. Sederquist

Northern States Power Company, A Minnesota Corporation
Generation Fuel and Purchased Power Costs Per KWH (May-2008 - Aug-2008)
North Dakota Retail - Applied in Billing Month of Oct-2008

	<u>May-2008</u>	<u>Jun-2008</u>	<u>Jul-2008</u>	<u>Aug-2008</u>	<u>Four Month Total</u>
<u>Fuel and Purchased Power Costs</u>	(A)	(B)	(C)	(D)	(E)
1 Account 151 - Fossil Fuel	\$45,285,053	\$36,303,612	\$51,288,373	\$43,578,094	\$176,455,132
2 Account 518 - Nuclear Fuel *	\$7,082,079	\$6,842,550	\$6,971,571	\$6,788,724	\$27,684,924
3 Account 555 - Purchased Power ¹	\$47,707,320	\$52,684,053	\$63,199,299	\$54,140,218	\$217,730,890
Account 555 - MISO Day 2 Charges	\$8,859,746	\$18,929,444	\$33,077,597	\$30,471,482	\$91,338,269
4 Financial Instruments	\$0	\$0	\$0	\$0	\$0
5 Total System Costs	\$108,934,198	\$114,759,659	\$154,536,840	\$134,978,518	\$513,209,215
6 Less Fuel Cost of InterSystem Sales	<u>(\$13,922,662)</u>	<u>(\$10,502,330)</u>	<u>(\$10,093,238)</u>	<u>(\$12,267,698)</u>	<u>(\$46,785,928)</u>
7 Net System Costs	<u>\$95,011,536</u>	<u>\$104,257,329</u>	<u>\$144,443,602</u>	<u>\$122,710,820</u>	<u>\$466,423,287</u>
<u>Mwh Sales</u>					
8 Total NSP System Retail	3,099,500	3,315,234	3,856,396	3,823,218	14,094,348
9 Non-Gen Muni's/Load Pattern	<u>114,606</u>	<u>115,734</u>	<u>122,454</u>	<u>134,714</u>	<u>487,508</u>
10 Total NSP System Mwh Sales	<u>3,214,106</u>	<u>3,430,968</u>	<u>3,978,850</u>	<u>3,957,932</u>	<u>14,581,856</u>
11 NSP-ND Retail Mwh Sales	160,152	160,919	168,308	182,946	672,325

Average Unit Cost of Fuel and Purchased Power

12 Fuel Cost per Kwh for NSP System ²	<u>2.956¢</u>	<u>3.039¢</u>	<u>3.630¢</u>	<u>3.100¢</u>	<u>3.199¢</u>
13 Base Fuel Cost included in rates					<u>1.092¢</u>
14 Fuel Cost in excess of Base Fuel Cost	[12E - 13E]				<u>2.107¢</u>

Oct-2008 Recovery Provision Calculation

15 Aug-2008 Actual cost per Kwh:	3.100¢	[12D]
16 Aug-2008 Expenses recovered per Kwh:	<u>2.935¢</u>	[Aug-2008 12E]
17 Aug-2008 Unrecovered expenses per Kwh:	<u>0.165¢</u>	[line 15 - line 16]
18 Prior Unrecovered Expenses:	\$186,062	[Aug-2008 line 21]
19 Prior Expenses recovered in Aug-2008	\$47,566	[11D X Aug-2008 line 22]
20 Aug-2008 Unrecovered Expenses:	<u>\$301,861</u>	[11D X line 17]
21 Balance of Unrecovered Expenses	\$440,357	[line 18 - line 19 + line 20]
22 Recovery Provision adjustment per Kwh:	<u>0.065¢</u>	[line 21 / 11E]

Oct-2008 Fuel Clause Adjustment Factor

23 Fuel cost adjustment per Kwh:	2.107¢	[14E]
24 Recovery provision adjustment per Kwh:	<u>0.065¢</u>	[line 22]
25 Total Fuel Clause Adjustment per Kwh:	<u>2.172¢</u>	[line 23 + line 24]
26 Special Adjustment	<u>0.000¢</u>	
27 Adjusted Fuel Clause Factor	<u>2.172¢</u>	[line 25 + line 26]

Notes:

¹ Excludes demand-related expenses

² Line 7 divided by line 10

Northern States Power Company, A Minnesota Corporation

Electric Operations - State of North Dakota

FUEL CLAUSE ADJUSTMENT (FCA) COMPARISON -

Prior Month Compared to Current Month FCA

	<u>FCA Application</u>		<u>Comparison</u>		<u>Generation Type by Percent</u>		
	Sep-2008	Oct-2008	Differ- ence	Percent Change	FCA Application Sep-2008	Oct-2008	Differ- ence
** COSTS (Millions) **							
1 Fossil	\$165.0	\$176.5	\$11.5	7.0%	34.7%	34.4%	-0.3%
2 Nuclear	\$27.8	\$27.7	(\$0.1)	-0.2%	5.8%	5.4%	-0.4%
3 Purchases	\$202.4	\$217.7	\$15.3	7.6%	42.6%	42.4%	-0.2%
MISO 2 related Purchases	\$80.5	\$91.3	\$10.9	13.5%	16.9%	17.8%	0.9%
4 Total System Costs	475.6	513.2	\$37.6	7.9%	100.0%	100.0%	0.0%
3 Intersystem Sales	\$50.4	\$46.8	(\$3.6)	-7.1%	10.6%	9.1%	-1.5%
6 Net System Costs	\$425.2	\$466.4	\$41.2	9.7%	89.4%	90.9%	1.5%
7							
8 ** GWH OUTPUT **							
9 Fossil	6,622	6,887	265	4.0%	44.8%	38.6%	-6.2%
10 Nuclear	4,734	4,712	(22)	-0.5%	32.1%	26.4%	-5.7%
11 Purchases	5,181	5,697	516	10.0%	35.1%	31.9%	-3.2%
12 Hydro & Other	439	373	(66)	-15.0%	3.0%	2.1%	-0.9%
13 Net Interchange	(2,206)	170	2,376	107.7%	-14.9%	1.0%	15.9%
14 Total Output	14,770	17,839	3,069	20.8%	100.0%	100.0%	0.0%
15 Intersystem Sales	1,731	1,597	(134)	-7.7%	11.7%	9.0%	-2.7%
16 Native Requirement	13,039	16,242	3,203	24.6%	88.3%	91.0%	2.7%
17							
18 ** COST per KWH OUTPUT (¢) **							
19 Fossil	2.491	2.562	0.071	2.8%			
20 Nuclear	0.586	0.588	0.001	0.2%			
21 Purchases	3.906	3.822	-0.085	-2.2%			
22 Total System Costs	3.220	2.877	-0.343	-10.7%			
23 Intersystem Sales	2.910	2.930	0.020	0.7%			
24 Net System Costs	3.261	2.872	-0.389	-11.9%			
25							
26							
27 TOTAL SYSTEM GWH SALES	14,204	14,582	378	2.7%			
28							
29 COST per KWH SALES (¢)	2.994	3.199	0.205	6.8%			
30							
31 RECOVERY PROV (¢ / KWH)	0.320	0.065	-0.255				
32 REFUND	0.000	0	0.000				
33 TOTAL FCA IMPACT (¢ / KWH)	3.314	3.264	-0.050	-1.5%			

BILL IMPACT (\$'s)

Calculations:

[4] = [1]+[2]+[3]	[21] = [3] / [11]
[6] = [4] - [5]	[22] = [4] / [14]
[14] = [9]+...+[13]	[23] = [5] / [15]
[16] = [14] - [15]	[24] = [6] / [16]
[19] = [1] / [9]	[29] = [6] / [27]
[20] = [2] / [10]	[33] = [29]+[31]

kWh	Change from Previous Month
100	(\$0.05)
250	(\$0.13)
500	(\$0.25)
750	(\$0.38)
1,000	(\$0.50)

Northern States Power Company, A Minnesota Corporation
MISO DAY 2 MARKET SETTLEMENT BY CATEGORIES

Exhibit 1
 Page 1 of 1

		System	Intersystem	Retail
August 2008 Actual				
Energy and Loss Charges				
1 a	Day-Ahead Asset Energy Amount - Energy Component (1)	\$ 48,795,301.35	\$ 7,197,755.71	\$ 55,993,057.06
1 c	Day-Ahead Asset Energy Amount - Loss Component (1)	\$ 5,678,344.14	\$ -	\$ 5,678,344.14
3	Day-Ahead Financial Bilateral Transaction Loss Amount	\$ 18,984.19	\$ -	\$ 18,984.19
5 a	Day-Ahead Non-Asset Energy Amount - Energy Component (1)	\$ (39,944,740.17)	\$ -	\$ (39,944,740.17)
5 c	Day-Ahead Non-Asset Energy Amount - Loss Component (1)	\$ 3,995,682.91	\$ -	\$ 3,995,682.91
7	Day-Ahead Losses Rebate on Carve-Out Grandfathered Agreements	\$ -	\$ -	\$ -
9	Day-Ahead Losses Rebate on Option B Grandfathered Agreements	\$ -	\$ -	\$ -
13 a	Real-Time Asset Energy Amount - Energy Component (1)	\$ 4,764,141.63	\$ 1,201,380.07	\$ 5,965,521.70
13 c	Real-Time Asset Energy Amount - Loss Component (1)	\$ 30,121.26	\$ -	\$ 30,121.26
14	Real-Time Distribution of Losses Amount	\$ (3,467,815.42)	\$ -	\$ (3,467,815.42)
16	Real-Time Financial Bilateral Transaction Loss Amount	\$ -	\$ -	\$ -
18	Real-Time Losses Rebate on Carve-Out Grandfathered Agreements	\$ -	\$ -	\$ -
21	Real-time Net inadvertent Distribution	\$ 11,200.73	\$ -	\$ 11,200.73
22 a	Real-Time Non-Asset Energy Amount - Energy Component (1)	\$ (62,101.86)	\$ -	\$ (62,101.86)
22 c	Real-Time Non-Asset Energy Amount - Loss Component (1)	\$ 16,391.78	\$ -	\$ 16,391.78
Congestion Related Charges				
1 b	Day-Ahead Asset Energy Amount - Congestion Component (1)	\$ (1,330,190.65)	\$ -	\$ (1,330,190.65)
2	Day-Ahead Financial Bilateral Transmission Congestion Amount	\$ (450.18)	\$ -	\$ (450.18)
5 b	Day-Ahead Non-Asset Energy Amount - Congestion Component (1)	\$ 2,498,236.88	\$ -	\$ 2,498,236.88
6	Day-Ahead Congestion Rebate on Carve-Out Grandfathered Agreements	\$ -	\$ -	\$ -
8	Day-Ahead Congestion Rebate on Option B Grandfathered Agreements	\$ -	\$ -	\$ -
13 b	Real-Time Asset Energy Amount - Congestion Component (1)	\$ 138,631.39	\$ -	\$ 138,631.39
15	Real-Time Financial Bilateral Transaction Congestion Amount	\$ -	\$ -	\$ -
17	Real-Time Congestion Rebate on Carve-Out Grandfathered Agreements	\$ -	\$ -	\$ -
22 b	Real-Time Non-Asset Energy Amount - Congestion Component (1)	\$ 32,780.45	\$ -	\$ 32,780.45
FTR Related Charges				
28	Financial Transmission Rights Hourly Allocation Amount	\$ (693,544.29)	\$ -	\$ (693,544.29)
30	Financial Transmission Rights Monthly Allocation Amount	\$ (137,479.91)	\$ -	\$ (137,479.91)
31	Financial Transmission Rights Transaction Amount	\$ 53,650.00	\$ -	\$ 53,650.00
32	Financial Transmission Rights Yearly Allocation Amount	\$ -	\$ -	\$ -
Uplift Charges				
23	Real-Time Revenue Neutrality Uplift Amount	\$ 904,161.75	\$ -	\$ 904,161.75
Revenue Sufficiency Guarantee (RSG) Charges				
10	Day-Ahead Revenue Sufficiency Guarantee Distribution Amount	\$ 59,019.99	\$ -	\$ 59,019.99
11	Day-Ahead Revenue Sufficiency Guarantee Make Whole Payment Amount	\$ (51,705.00)	\$ -	\$ (51,705.00)
24	Real-Time Revenue Sufficiency Guarantee First Pass Distribution Amount	\$ 320,766.83	\$ -	\$ 320,766.83
25	Real-Time Revenue Sufficiency Guarantee Make Whole Payment Amount	\$ (1,206,327.04)	\$ 98,840.34	\$ (1,107,486.70)
Market Administration Charges				
4	Day-Ahead Market Administration Amount	\$ 539,912.71	\$ (10,062.03)	\$ 529,850.68
19	Real-Time Market Administration Amount	\$ 34,169.82	\$ (1,739.36)	\$ 32,430.46
29	Financial Transmission Rights Market Administration Amount	\$ 96,505.67	\$ -	\$ 96,505.67
Virtual Energy Charges				
12	Day-Ahead Virtual Energy Amount	\$ -	\$ -	\$ -
27	Real-Time Virtual Energy Amount	\$ -	\$ -	\$ -
Other MISO Charges				
20	Real-Time Miscellaneous Amount	\$ 875,505.84	\$ -	\$ 875,505.84
26	Real-Time Uninstructed Deviation Amount	\$ 15,987.35	\$ 165.41	\$ 16,152.76
TOTAL MISO CHARGES		\$ 21,985,142.15	\$ 8,486,340.14	\$ 30,471,482.29