



2302 Gr. N. Drive
Fargo, ND 58102

May 10, 2011

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
Department 408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

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

CASE NO. PU-10-657 (2011)

CASE NO. PU-11-55 (2012)

Dear Mr. Nitschke:

On April 8, 2011, Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”), submitted a letter to the North Dakota Public Service Commission (the “Commission”) regarding our termination of the Merricourt Wind Project (“Merricourt Project”). As part of that letter, we committed to provide an update by May 20, 2011 of the impact of the termination on our pending electric rate case. Therefore, the purpose of this letter is to provide the Merricourt Project termination adjustment to the Company’s current electric rate application, which is pending in the above-referenced dockets.

With the termination of the Merricourt Project, the adjusted base (*i.e.*, nonfuel) rate increase becomes \$17.990 million or 10.94 percent, effective for electric service on and after February 18, 2011. This represents about a \$1.783 million decrease from our original request for 2011 of \$19.773 million (12.02 percent).

For the 2012 step increase, the termination modifies our requested increase to \$2.374 million or 1.44 percent. This is a \$1.852 million reduction from our original request of \$4.226 million (2.57 percent). In total, for both 2011 and the 2012 step increase, the adjusted overall increase in base rates sought is \$20.364 million or 12.38 percent, effective January 1, 2012. In total, the effect of terminating the Merricourt Project is a \$3.635 million

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Northern States Power Company

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reduction from the original proposal of \$23.999 million (14.59 percent) as shown in the table below.

Test Year	Original (millions)	%	Revised (millions)	%	Change (millions)
2011	\$19.773	12.02	\$17.990	10.94	(\$1.783)
2012	<u>\$4.226</u>	<u>2.57</u>	<u>\$2.374</u>	<u>1.44</u>	<u>(\$1.852)</u>
Total	\$23.999	14.59	\$20.364	12.38	(\$3.635)

Enclosed with this letter are the following supporting schedules from the Direct Testimony of Mr. John M. Felling, revised to reflect updates related to the termination of the Merricourt Project:

- JMF-1, Schedule 5A - Rate Base Bridge Schedule
- JMF-1, Schedule 5B - Income Statement Bridge Schedule
- JMF-1, Schedule 7 - Summary of Revenue Requirements
- JMF-1, Schedule 8A - 2011 Cost of Service
- JMF-1, Schedule 8B - 2012 Step Cost of Service

In light of the Merricourt Project termination adjustment, our revised estimate of the monthly bill impact of our rate application for the average residential (non-space heating) electric customer using 750 kWh is \$6.96 compared to the \$7.59 monthly increase in our original application.

You may direct any questions regarding this update to me at (701) 241-8632 or Matthew Loftus (612) 215-4501.

Sincerely,



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

Enclosures

Line No.	Description	Budget Adjustments						
		Data Corrections	Plant Related					
		Unadjusted (1)	Transmission CAPX2020 (2)	Bonus Tax Depreciation (3)	Wind to Battery ITC (4)	Nuclear Production Monticello (5)	Nuclear Production MUR Pl (6)	Transmission Interconnect Agreement (7)
1	Electric Plant as Booked							
1	Production	\$478,047			\$0	\$260	\$209	
2	Transmission	\$112,610	(\$1,140)					(\$89)
3	Distribution	\$125,117						
4	General	\$20,607						
5	Common	\$27,598						
6	TOTAL Utility Plant in Service	\$763,976	(\$1,140)	\$0	\$0	\$260	\$209	(\$89)
	Reserve for Depreciation							
7	Production	\$251,781				\$4	\$12	
8	Transmission	\$34,886	(\$1)					(\$1)
9	Distribution	\$57,862						
10	General	\$8,419						
11	Common	\$17,390						
12	TOTAL Reserve for Depreciation	\$370,138	(\$1)	\$0	\$0	\$4	\$12	(\$1)
	Net Utility Plant in Service							
13	Production	\$226,266				\$256	\$197	
14	Transmission	\$77,724	(\$1,139)					(\$88)
15	Distribution	\$67,455						
18	General	\$12,188						
17	Common	\$10,208						
18	Net Utility Plant in Service	\$393,838	(\$1,139)	\$0	\$0	\$256	\$197	(\$88)
19	Utility Plant Held for Future Use	\$0						
20	Construction Work in Progress	\$2,100						
21	Less: Accumulated Deferred Income Taxes	\$72,101	(\$24)	\$7,231	(\$8)	\$2	\$64	(\$19)
22	Cash Working Capital	\$1,772						
	Other Rate Base Items:							
23	Materials and Supplies	\$6,186						
24	Fuel Inventory	\$5,674						
25	Non-Plant Assets & Liabilities	(\$6,173)						
26	Prepayments	\$1,018						
27	Nuclear Outage Amortization	\$2,712						
28	Customer Advances	(\$1)						
29	Customer Deposits	(\$131)						
30	Other Working Capital	\$426						
31	Total Other Rate Base Items	\$9,711	\$0	\$0	\$0	\$0	\$0	\$0
32	Total Average Rate Base	\$335,320	(\$1,115)	(\$7,231)	\$8	\$254	\$133	(\$70)

Line No.	Description	Rate Case Adjustments Plant Related					Income Statement CWC (13)	Proposed 2011 Test Year (14)
		Steam Production Black Dog 3 & 4 (8)	Prairie Island Life Extension (9)	Steam Production Net Salvage (10)	Other Production Net Salvage (11)	Remove Merricourt (12)		
1	Electric Plant as Booked							
2	Production					(\$10,501)		\$468,014
3	Transmission					(\$437)		\$110,945
4	Distribution							\$125,117
5	General							\$20,607
6	Common							\$27,596
6	TOTAL Utility Plant in Service	\$0	\$0	\$0	\$0	(\$10,938)	\$0	\$752,278
7	Reserve for Depreciation							
8	Production	(\$264)	(\$26)	\$263	\$33	(\$57)		\$251,748
9	Transmission					(\$2)		\$34,883
10	Distribution							\$57,662
11	General							\$8,419
12	Common							\$17,390
12	TOTAL Reserve for Depreciation	(\$264)	(\$26)	\$263	\$33	(\$59)	\$0	\$370,100
13	Net Utility Plant in Service							
14	Production	\$264	\$26	(\$263)	(\$33)	(\$10,444)		\$216,268
15	Transmission					(\$435)		\$76,062
16	Distribution							\$67,455
17	General							\$12,188
18	Common							\$10,206
18	Net Utility Plant in Service	\$264	\$26	(\$263)	(\$33)	(\$10,879)	\$0	\$382,178
19	Utility Plant Held for Future Use							\$0
20	Construction Work in Progress							\$2,100
21	Less: Accumulated Deferred Income Taxes	\$108	\$10	(\$101)	(\$13)	(\$775)		\$78,577
22	Cash Working Capital						\$310	\$2,082
23	Other Rate Base Items:							
24	Materials and Supplies							\$6,186
25	Fuel Inventory							\$5,674
26	Non-Plant Assets & Liabilities							(\$6,173)
27	Prepayments							\$1,018
28	Nuclear Outage Amortization							\$2,712
29	Customer Advances							(\$1)
30	Customer Deposits							(\$131)
30	Other Working Capital							\$426
31	Total Other Rate Base Items	\$0	\$0	\$0	\$0	\$0	\$0	\$9,711
32	Total Average Rate Base	\$156	\$16	(\$163)	(\$20)	(\$10,104)	\$310	\$317,494

Northern States Power Company, a Minnesota corporation
 Electric Utility - State of North Dakota
RATE BASE SCHEDULES
RATE BASE ADJUSTMENT SCHEDULES
 2011 Unadjusted Test Year versus Final Adjusted Test Year
 (\$000's)

Case No. PU-10-657 & PU-11-55
 Exhibit JMF-1) Schedule 5a
 Revised May 9, 2011
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Line No.	Description	Proposed 2011 Test Year (14)	Known and Measurable Adjustments				Income Statement CWC (19)	Final Proposed With 2012 Step (20)
			Merricourt (15)	Nuclear Production Monticello - LCM/EPU (16)	2011 Transmission Plant Annualization (17)	Nuclear Outage Amortization (18)		
1	Electric Plant as Booked							
1	Production	\$488,014	\$0	\$6,971			\$474,985	
2	Transmission	\$110,945			\$4,209		\$115,154	
3	Distribution	\$125,117					\$125,117	
4	General	\$20,607					\$20,607	
5	Common	\$27,596					\$27,596	
6	TOTAL Utility Plant in Service	\$752,278	\$0	\$6,971	\$4,209	\$0	\$763,458	
7	Reserve for Depreciation							
7	Production	\$251,746	\$0	(\$864)			\$250,882	
8	Transmission	\$34,883			\$869		\$35,752	
9	Distribution	\$57,662					\$57,662	
10	General	\$8,419					\$8,419	
11	Common	\$17,390					\$17,390	
12	TOTAL Reserve for Depreciation	\$370,100	\$0	(\$864)	\$869	\$0	\$370,105	
13	Net Utility Plant in Service							
13	Production	\$216,268	\$0	\$7,835			\$224,103	
14	Transmission	\$76,062			\$3,340		\$79,402	
15	Distribution	\$67,455					\$67,455	
16	General	\$12,188					\$12,188	
17	Common	\$10,206					\$10,206	
18	Net Utility Plant in Service	\$382,178	\$0	\$7,835	\$3,340	\$0	\$393,353	
19	Utility Plant Held for Future Use	\$0					\$0	
20	Construction Work in Progress	\$2,100					\$2,100	
21	Less: Accumulated Deferred Income Taxes	\$78,577	\$0	\$736	\$677	\$268	\$80,259	
22	Cash Working Capital	\$2,082					(\$214) \$1,868	
23	Other Rate Base Items:							
23	Materials and Supplies	\$6,186					\$6,186	
24	Fuel Inventory	\$5,674					\$5,674	
25	Non-Plant Assets & Liabilities	(\$6,173)					(\$6,173)	
26	Prepayments	\$1,018					\$1,018	
27	Nuclear Outage Amortization	\$2,712				\$657	\$3,368	
28	Customer Advances	(\$1)					(\$1)	
29	Customer Deposits	(\$131)					(\$131)	
30	Other Working Capital	\$428					\$428	
31	Total Other Rate Base Items	\$9,711	\$0	\$0	\$0	\$657	\$0 \$10,367	
32	Total Average Rate Base	\$317,494	\$0	\$7,097	\$2,663	\$389	(\$214) \$327,429	

Northern States Power Company, a Minnesota corporation
 Electric Utility - State of North Dakota
 INCOME STATEMENT SCHEDULES
 INCOME STATEMENT ADJUSTMENT SCHEDULES

Case No. PU-10-657 & PU-11-55
 Exhibit (JMF-1) Schedule 5b
 Revised May 9, 2011
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2011 Unadjusted Test Year versus 2011 Adjusted Test Year
 (\$000's)

Line No.	Description	Data Corrections				Budget Adjustments				
		Unadjusted (1)	SMMPA Worker Comp Billing (2)	Transmission Charges to Proper Subledgers (3)	Transmission CAPX2020 (4)	Bonus Tax Depreciation (5)	Wind to Battery ITC (6)	Nuclear Production Monticello (7)	Nuclear Production MUR PI (8)	Transmission Interconnect Agreement (9)
Operating Revenues										
1	Retail	\$164,504	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Asset & Non Asset Margin Sharing									
3	Interdepartmental									
4	Other Operating	43,423	0	0	0	0	0	0	0	0
5	Gross Earnings Tax									
6	Total Operating Revenues	\$207,927	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenses										
Operating Expenses:										
7	Fuel & Purchased Energy	\$81,392	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Power Production	\$43,062	\$0	(\$78)	\$0	\$0	\$0	\$0	\$0	\$0
9	Transmission	\$11,387	\$0	\$90	\$0	\$0	\$0	\$0	\$0	\$0
10	Distribution	\$6,275	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Customer Accounting	\$4,385	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	Customer Service & Information	\$548	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	Sales, Econ Dvlp & Other	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Administrative & General	\$14,014	\$7	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	Total Operating Expenses	\$161,065	\$7	\$12	\$0	\$0	\$0	\$0	\$0	\$0
16	Depreciation	\$17,665	\$0	\$0	(\$2)	\$0	\$0	\$7	\$14	(\$1)
17	Amortization	\$7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes:										
18	Property	\$5,653	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Gross Earnings									
20	Deferred Income Tax & ITC	\$12,369	\$0	\$0	(\$47)	\$485	(\$7)	\$4	(\$97)	(\$3)
21	Federal & State Income Tax	(\$7,816)	(\$3)	(\$5)	\$60	(\$374)	\$3	(\$4)	\$82	\$3
22	Payroll & Other	\$1,815	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Total Taxes	\$12,021	(\$3)	(\$5)	\$13	\$111	(\$4)	(\$0)	(\$15)	\$0
24	Total Expenses	\$190,758	\$4	\$7	\$11	\$111	(\$4)	\$7	(\$1)	(\$1)
25	Allowance for Funds Used During Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Operating Income	\$17,169	(\$4)	(\$7)	(\$11)	(\$111)	\$4	(\$7)	\$1	\$1
Calculation of Revenue Requirements										
27	Rate Base	\$335,320	\$0	\$0	(\$1,115)	(\$7,231)	\$8	\$254	\$133	(\$70)
28	Required Operating Income	\$29,307	\$0	\$0	(\$98)	(\$636)	\$1	\$22	\$12	(\$6)
29	Operating Income	\$17,169	(\$4)	(\$7)	(\$11)	(\$111)	\$4	(\$7)	\$1	\$1
30	Revenue Deficiency	\$12,138	\$4	\$7	(\$87)	(\$525)	(\$4)	\$29	\$11	(\$7)
31	Revenue Requirements	\$19,972	\$7	\$12	(\$143)	(\$664)	(\$6)	\$48	\$17	(\$11)
Calculation of Income Taxes										
32	Operating Revenue	\$207,927	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
33	- Operating Exp	\$161,065	\$7	\$12	\$0	\$0	\$0	\$0	\$0	\$0
34	- Amortizations	\$7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35	- Taxes oth than Inc	\$7,468	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36	Operating Income before Adjs	\$39,387	(\$7)	(\$12)	\$0	\$0	\$0	\$0	\$0	\$0
37	Additions to Income	\$12,572	\$0	\$0	\$4	\$0	\$0	\$23	(\$18)	(\$3)
38	Deduct from Income	\$58,708	\$0	\$0	(\$114)	\$1,187	(\$7)	\$25	(\$231)	(\$9)
39	Debt Synchronization	\$9,490	\$0	\$0	(\$36)	(\$234)	\$0	\$8	\$4	(\$2)
40	State Taxable Income	(\$16,239)	(\$7)	(\$12)	\$154	(\$953)	\$7	(\$10)	\$209	\$8
41	State Income Tax before Credits	(\$1,056)	(\$0)	(\$1)	\$10	(\$62)	\$0	(\$1)	\$14	\$1
42	State Tax Credits	\$41	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
43	Federal Taxable Income	(\$15,142)	(\$7)	(\$11)	\$144	(\$891)	\$6	(\$10)	\$195	\$8
44	Fed Income Tax before Credits	(\$5,300)	(\$2)	(\$4)	\$50	(\$312)	\$2	(\$3)	\$68	\$3
45	Federal Tax Credits	\$1,420	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
46	Income Tax	(\$7,816)	(\$3)	(\$5)	\$60	(\$374)	\$3	(\$4)	\$82	\$3

Northern States Power Company, a Minnesota corporation
 Electric Utility - State of North Dakota
 INCOME STATEMENT SCHEDULES
 INCOME STATEMENT ADJUSTMENT SCHEDULES

Case No. PU-10-657 & PU-11-65
 Exhibit (JMF-1) Schedule 5b
 Revised May 9, 2011
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2011 Unadjusted Test Year versus 2011 Adjusted Test Year
 (\$000's)

Line No.	Description	Budget Adjustments						Traditional Adjustments				
		Transmission Tree Trimming (LIDAR) (10)	Bad Debt (11)	Qwest Pole Replacement (12)	Joint Zonal Rate Update (13)	Nuclear Fees (14)	Mercury Sorbent Reduction at Sherco 3 (15)	Economic Development (16)	Advertising (17)	Association Dues (18)	Donations (19)	Interest on Customer Deposits (20)
Operating Revenues												
1	Retail	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2	Asset & Non Asset Margin Sharing											
3	Interdepartmental											
4	Other Operating	0	0	0	(3)	0	0	0	0	0	0	
5	Gross Earnings Tax											
6	Total Operating Revenues	\$0	\$0	\$0	(\$3)	\$0	\$0	\$0	\$0	\$0	\$0	
Expenses												
Operating Expenses:												
7	Fuel & Purchased Energy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
8	Power Production	\$0	\$0	\$0	\$0	(\$83)	(\$52)	\$0	\$0	\$0	\$0	
9	Transmission	(\$10)	\$0	\$0	(\$46)	\$0	\$0	\$0	\$0	\$0	\$0	
10	Distribution	\$0	\$0	\$18	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
11	Customer Accounting	\$0	(\$46)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
12	Customer Service & Information	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
13	Sales, Econ Dvlp & Other	\$0	\$0	\$0	\$0	\$0	\$0	\$64	\$0	\$0	\$0	
14	Administrative & General	\$0	\$0	\$0	\$0	\$0	\$0	(\$214)	(\$3)	\$132	\$1	
15	Total Operating Expenses	(\$10)	(\$46)	\$18	(\$46)	(\$83)	(\$52)	\$64	(\$214)	(\$3)	\$132	
16	Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
17	Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Taxes:												
18	Property	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
19	Gross Earnings											
20	Deferred Income Tax & ITC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
21	Federal & State Income Tax	\$4	\$18	(\$7)	\$17	\$33	\$20	(\$25)	\$84	\$1	(\$52)	
22	Payroll & Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
23	Total Taxes	\$4	\$18	(\$7)	\$17	\$33	\$20	(\$25)	\$84	\$1	(\$52)	
24	Total Expenses	(\$6)	(\$28)	\$11	(\$29)	(\$50)	(\$32)	\$39	(\$130)	(\$2)	\$80	
25	Allowance for Funds Used During Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
26	Total Operating Income	\$6	\$28	(\$11)	\$26	\$50	\$32	(\$39)	\$130	\$2	(\$80)	
Calculation of Revenue Requirements												
27	Rate Base	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
28	Required Operating Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
29	Operating Income	\$6	\$28	(\$11)	\$26	\$50	\$32	(\$39)	\$130	\$2	(\$80)	
30	Revenue Deficiency	(\$6)	(\$28)	\$11	(\$26)	(\$50)	(\$32)	\$39	(\$130)	(\$2)	\$80	
31	Revenue Requirements	(\$10)	(\$46)	\$18	(\$43)	(\$83)	(\$52)	\$64	(\$214)	(\$3)	\$132	
Calculation of Income Taxes												
32	Operating Revenue	\$0	\$0	\$0	(\$3)	\$0	\$0	\$0	\$0	\$0	\$0	
33	- Operating Exp	(\$10)	(\$46)	\$18	(\$46)	(\$83)	(\$52)	\$64	(\$214)	(\$3)	\$132	
34	- Amortizations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
35	- Taxes oth than inc	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
36	Operating Income before Adjs	\$10	\$46	(\$18)	\$43	\$83	\$52	(\$64)	\$214	\$3	(\$132)	
37	Additions to Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
38	Deduct from Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
39	Debt Synchronization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
40	State Taxable Income	\$10	\$46	(\$18)	\$43	\$83	\$52	(\$64)	\$214	\$3	(\$132)	
41	State Income Tax before Credits	\$1	\$3	(\$1)	\$3	\$5	\$3	(\$4)	\$14	\$0	(\$9)	
42	State Tax Credits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
43	Federal Taxable Income	\$9	\$43	(\$17)	\$40	\$78	\$49	(\$60)	\$200	\$3	(\$123)	
44	Fed Income Tax before Credits	\$3	\$15	(\$6)	\$14	\$27	\$17	(\$21)	\$70	\$1	(\$43)	
45	Federal Tax Credits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
46	Income Tax	\$4	\$18	(\$7)	\$17	\$33	\$20	(\$25)	\$84	\$1	(\$52)	

2011 Unadjusted Test Year versus 2011 Adjusted Test Year
 (\$000's)

Line No.	Description	Rate Case Adjustments								
		Plant Related				Non-Plant Related				
		Steam Production Black Dog 3 & 4 (21)	Prairie Island Life Extension (22)	Steam Production Net Salvage (23)	Other Production Net Salvage (24)	Asset & Non-Asset Margin Sharing (25)	Wholesale Billing (26)	Incentive Pay (27)	Expense for Vacated Buildings (28)	Aviation (29)
Operating Revenues										
1	Retail	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Asset & Non Asset Margin Sharing									
3	Interdepartmental									
4	Other Operating	0	0	0	0	(975)	0	0	0	0
5	Gross Earnings Tax									
6	Total Operating Revenues	\$0	\$0	\$0	\$0	(\$975)	\$0	\$0	\$0	\$0
Expenses										
Operating Expenses:										
7	Fuel & Purchased Energy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Power Production	\$0	\$0	\$0	\$0	\$0	\$0	(\$5)	\$0	\$0
9	Transmission	\$0	\$0	\$0	\$0	\$0	\$0	(\$2)	\$0	\$0
10	Distribution	\$0	\$0	\$0	\$0	\$0	\$0	(\$1)	\$0	\$0
11	Customer Accounting	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	Customer Service & Information	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	Sales, Econ Dvlp & Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Administrative & General	\$0	\$0	\$0	\$0	\$0	(\$11)	(\$513)	(\$16)	(\$49)
15	Total Operating Expenses	\$0	\$0	\$0	\$0	\$0	(\$11)	(\$513)	(\$24)	(\$49)
16	Depreciation	(\$527)	(\$51)	\$526	\$66	\$0	\$0	\$0	\$0	\$0
17	Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes:										
18	Property	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Gross Earnings									
20	Deferred Income Tax & ITC	\$215	\$20	(\$201)	(\$26)	\$0	\$0	\$0	\$0	\$0
21	Federal & State Income Tax	(\$2)	(\$0)	\$2	\$0	(\$382)	\$4	\$201	\$9	\$19
22	Payroll & Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Total Taxes	\$213	\$20	(\$199)	(\$26)	(\$382)	\$4	\$201	\$9	\$19
24	Total Expenses	(\$314)	(\$31)	\$327	\$40	(\$382)	(\$7)	(\$312)	(\$15)	(\$30)
25	Allowance for Funds Used During Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Operating Income	\$314	\$31	(\$327)	(\$40)	(\$593)	\$7	\$312	\$15	\$30
Calculation of Revenue Requirements										
27	Rate Base	\$156	\$16	(\$163)	(\$20)	\$0	\$0	\$0	\$0	\$0
28	Required Operating Income	\$14	\$1	(\$14)	(\$2)	\$0	\$0	\$0	\$0	\$0
29	Operating Income	\$314	\$31	(\$327)	(\$40)	(\$593)	\$7	\$312	\$15	\$30
30	Revenue Deficiency	(\$300)	(\$30)	\$313	\$38	\$593	(\$7)	(\$312)	(\$15)	(\$30)
31	Revenue Requirements	(\$494)	(\$49)	\$515	\$83	\$975	(\$11)	(\$513)	(\$24)	(\$49)
Calculation of Income Taxes										
32	Operating Revenue	\$0	\$0	\$0	\$0	(\$975)	\$0	\$0	\$0	\$0
33	- Operating Exp	\$0	\$0	\$0	\$0	\$0	(\$11)	(\$513)	(\$24)	(\$49)
34	- Amortizations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35	- Taxes oth than Inc	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36	Operating Income before Adjs	\$0	\$0	\$0	\$0	(\$975)	\$11	\$513	\$24	\$49
37	Additions to Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
38	Deduct from Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
39	Debt Synchronization	\$5	\$1	(\$5)	(\$1)	\$0	\$0	\$0	\$0	\$0
40	State Taxable Income	(\$5)	(\$1)	\$5	\$1	(\$975)	\$11	\$513	\$24	\$49
41	State Income Tax before Credits	(\$0)	(\$0)	\$0	\$0	(\$63)	\$1	\$33	\$2	\$3
42	State Tax Credits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
43	Federal Taxable Income	(\$5)	(\$0)	\$5	\$1	(\$912)	\$10	\$480	\$22	\$46
44	Fed Income Tax before Credits	(\$2)	(\$0)	\$2	\$0	(\$319)	\$4	\$168	\$8	\$16
45	Federal Tax Credits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
46	Income Tax	(\$2)	(\$0)	\$2	\$0	(\$382)	\$4	\$201	\$9	\$19

2011 Unadjusted Test Year versus 2011 Adjusted Test Year
 (\$000's)

Line No.	Description	Amortizations							Proposed 2011 Test Year (38)
		2008 Private Fuel Storage (31)	2011 Rate Case (32)	2011 Emissions Credit (33)	2011 DSM (34)	Remove Merricourt (35)	Chg in Cost of Capital (36)	Income Statement CWC (37)	
Operating Revenues									
1	Retail	\$0	\$0	\$0	\$0	\$0			\$164,504
2	Asset & Non Asset Margin Sharing								\$0
3	Interdepartmental								\$0
4	Other Operating	0	0	0	0	0			\$42,445
5	Gross Earnings Tax								\$0
6	Total Operating Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$206,949
Expenses									
Operating Expenses:									
7	Fuel & Purchased Energy	\$0	\$0	\$0	\$0	\$0			\$81,392
8	Power Production	\$0	\$0	\$0	\$0	\$0			\$42,844
9	Transmission	\$0	\$0	\$0	\$0	(\$72)			\$11,347
10	Distribution	\$0	\$0	\$0	\$0	\$0			\$6,292
11	Customer Accounting	\$0	\$0	\$0	\$0	\$0			\$4,339
12	Customer Service & Information	\$0	\$0	\$0	\$0	\$0			\$548
13	Sales, Econ Dvlp & Other	\$0	\$0	\$0	\$0	\$0			\$66
14	Administrative & General	\$0	\$0	\$0	\$0	\$0			\$13,322
15	Total Operating Expenses	\$0	\$0	\$0	\$0	(\$72)	\$0	\$0	\$180,150
16	Depreciation	\$0	\$0	\$0	\$0	(\$118)			\$17,579
17	Amortization	\$190	\$281	(\$130)	\$226	\$0			\$574
Taxes:									
18	Property	\$0	\$0	\$0	\$0	\$0			\$5,653
19	Gross Earnings								
20	Deferred Income Tax & ITC	\$0	\$0	\$0	\$0	(\$1,572)			\$11,140
21	Federal & State Income Tax	(\$75)	(\$110)	\$51	(\$89)	\$1,576	(\$28)	(\$4)	(\$6,777)
22	Payroll & Other	\$0	\$0	\$0	\$0	\$0			\$1,815
23	Total Taxes	(\$75)	(\$110)	\$51	(\$89)	\$4	(\$28)	(\$4)	\$11,831
24	Total Expenses	\$115	\$171	(\$79)	\$137	(\$186)	(\$28)	(\$4)	\$190,134
25	Allowance for Funds Used During Construction	\$0	\$0	\$0	\$0	\$0			\$0
26	Total Operating Income	(\$115)	(\$171)	\$79	(\$137)	\$186	\$28	\$4	\$16,815
Calculation of Revenue Requirements									
27	Rate Base	\$0	\$0	\$0	\$0	(\$10,104)	\$0	\$310	\$317,494
28	Required Operating Income	\$0	\$0	\$0	\$0	(\$889)	\$11	\$27	\$27,749
29	Operating Income	(\$115)	(\$171)	\$79	(\$137)	\$186	\$28	\$4	\$16,815
30	Revenue Deficiency	\$115	\$171	(\$79)	\$137	(\$1,075)	(\$17)	\$23	\$10,934
31	Revenue Requirements	\$190	\$281	(\$130)	\$226	(\$1,769)	(\$28)	\$38	\$17,990
Calculation of Income Taxes									
32	Operating Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$206,949
33	- Operating Exp	\$0	\$0	\$0	\$0	(\$72)	\$0	\$0	\$160,150
34	- Amortizations	\$190	\$281	(\$130)	\$226	\$0	\$0	\$0	\$574
35	- Taxes oth than Inc	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,468
36	Operating Income before Adjs	(\$190)	(\$281)	\$130	(\$226)	\$72	\$0	\$0	\$38,757
37	Additions to Income	\$0	\$0	\$0	\$0	(\$545)	\$0	\$0	\$12,033
38	Deduct from Income	\$0	\$0	\$0	\$0	(\$4,184)	\$0	\$0	\$55,395
39	Debt Synchronization	\$0	\$0	\$0	\$0	(\$326)	\$71	\$10	\$8,985
40	State Taxable Income	(\$190)	(\$281)	\$130	(\$226)	\$4,017	(\$71)	(\$10)	(\$13,590)
41	State Income Tax before Credits	(\$12)	(\$18)	\$8	(\$15)	\$261	(\$5)	(\$1)	(\$883)
42	State Tax Credits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$41
43	Federal Taxable Income	(\$178)	(\$283)	\$122	(\$211)	\$3,756	(\$67)	(\$9)	(\$12,666)
44	Fed Income Tax before Credits	(\$62)	(\$92)	\$43	(\$74)	\$1,315	(\$23)	(\$3)	(\$4,433)
45	Federal Tax Credits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,420
46	Income Tax	(\$75)	(\$110)	\$51	(\$89)	\$1,576	(\$28)	(\$4)	(\$6,777)

2011 Unadjusted Test Year versus 2011 Adjusted Test Year
 (\$000's)

Line No.	Description	Proposed 2011 Test Year (38)	Known and Measurable Nuclear 2011				Chg in Cost of Capital (43)	Income Statement CWC (44)	Final Adjusted w/2012 Step (45)
			Merricourt (39)	Production Monticello - LCM/EPU (40)	Transmission Plant Annualization (41)	Nuclear Outage Amortization (42)			
Operating Revenues									
1	Retail	\$164,504	\$0	\$0	\$0	\$0		\$164,504	
2	Asset & Non Asset Margin Sharing	\$0						\$0	
3	Interdepartmental	\$0	\$0	\$0	\$0	\$0		\$0	
4	Other Operating	\$42,445	\$0	\$0	\$0	\$0		\$42,445	
5	Gross Earnings Tax	\$0						\$0	
6	Total Operating Revenues	\$206,949	\$0	\$0	\$0	\$0	\$0	\$206,949	
Expenses									
Operating Expenses:									
7	Fuel & Purchased Energy	\$81,392	\$0	\$0	\$0	\$0		\$81,392	
8	Power Production	\$42,844	\$0	\$0	\$0	\$271		\$43,115	
9	Transmission	\$11,347	\$0	\$0	\$0	\$0		\$11,347	
10	Distribution	\$6,292	\$0	\$0	\$0	\$0		\$6,292	
11	Customer Accounting	\$4,339	\$0	\$0	\$0	\$0		\$4,339	
12	Customer Service & Information	\$548	\$0	\$0	\$0	\$0		\$548	
13	Sales, Econ Dvlp & Other	\$66	\$0	\$0	\$0	\$0		\$66	
14	Administrative & General	\$13,322	\$0	\$0	\$0	\$0		\$13,322	
15	Total Operating Expenses	\$160,150	\$0	\$0	\$0	\$271	\$0	\$160,421	
16	Depreciation	\$17,579	\$0	\$704	\$86	\$0		\$18,369	
17	Amortization	\$574	\$0	\$0	\$0	\$0		\$574	
Taxes:									
18	Property	\$5,653	\$0	\$159	\$99	\$0		\$5,911	
19	Gross Earnings							\$0	
20	Deferred Income Tax & ITC	\$11,140	\$0	(\$1,131)		\$297		\$10,306	
21	Federal & State Income Tax	(\$6,777)	\$0	\$574	(\$106)	(\$396)	\$18	(\$6,686)	
22	Payroll & Other	\$1,815	\$0	\$0	\$0	\$0		\$1,815	
23	Total Taxes	\$11,831	\$0	(\$398)	(\$7)	(\$99)	\$16	\$11,344	
24	Total Expenses	\$190,134	\$0	\$306	\$79	\$172	\$16	\$190,708	
25	Allowance for Funds Used During Construction	\$0	\$0	\$0	\$0	\$0		\$0	
26	Total Operating Income	\$16,815	\$0	(\$306)	(\$79)	(\$172)	(\$16)	\$16,241	
Calculation of Revenue Requirements									
27	Rate Base	\$317,494	\$0	\$7,097	\$2,663	\$389	\$0	(\$214)	\$327,429
28	Required Operating Income	\$27,749	\$0	\$625	\$234	\$34	(\$6)	(\$19)	\$28,617
29	Operating Income	\$16,815	\$0	(\$306)	(\$79)	(\$172)	(\$18)	(\$3)	\$16,241
30	Revenue Deficiency	\$10,934	\$0	\$930	\$313	\$206	\$10	(\$16)	\$12,376
31	Revenue Requirements	\$17,990	\$0	\$1,531	\$515	\$338	\$16	(\$27)	\$20,364
Calculation of Income Taxes									
32	Operating Revenue	\$206,949	\$0	\$0	\$0	\$0	\$0	\$0	\$206,949
33	- Operating Exp	\$160,150	\$0	\$0	\$0	\$271	\$0	\$0	\$160,421
34	- Amortizations	\$574	\$0	\$0	\$0	\$0	\$0	\$0	\$574
35	- Taxes oth than Inc	\$7,468	\$0	\$159	\$99	\$0	\$0	\$0	\$7,726
36	Operating income before Adjs	\$38,757	\$0	(\$159)	(\$99)	(\$271)	\$0	\$0	\$38,228
37	Additions to income	\$12,033	\$0	(\$453)	\$0	\$271	\$0	\$0	\$11,851
38	Deduct from income	\$55,395	\$0	(\$2,304)	\$86	\$998	\$0	\$0	\$54,175
39	Debt Synchronization	\$8,985	\$0	\$229	\$86	\$13	(\$40)	(\$7)	\$9,266
40	State Taxable Income	(\$13,590)	\$0	\$1,463	(\$271)	(\$1,011)	\$40	\$7	(\$13,362)
41	State Income Tax before Credits	(\$883)	\$0	\$95	(\$18)	(\$66)	\$3	\$0	(\$869)
42	State Tax Credits	\$41	\$0	\$0	\$0	\$0	\$0	\$0	\$41
43	Federal Taxable Income	(\$12,668)	\$0	\$1,368	(\$253)	(\$945)	\$37	\$6	(\$12,453)
44	Fed income Tax before Credits	(\$4,433)	\$0	\$479	(\$89)	(\$331)	\$13	\$2	(\$4,358)
45	Federal Tax Credits	\$1,420	\$0	\$0	\$0	\$0	\$0	\$0	\$1,420
46	Income Tax	(\$6,777)	\$0	\$574	(\$106)	(\$396)	\$18	\$3	(\$6,686)

Northern States Power Company, a Minnesota corporation
 Electric Utility - State of North Dakota
 SUMMARY OF REVENUE REQUIREMENTS
 Test Year Ending December 31, 2011
 (\$000's)

Case No. PU-10-657 & PU-11-55
 Exhibit (JMF-1) Schedule 7
 Revised May 9, 2011
 Page 1 of 1

<u>Line</u>	<u>Description</u>	<u>Adjusted Proposed Test Year 2011</u>	<u>Final Proposed With 2012 Step</u>
1	Average Rate Base	\$317,494	\$327,429
2	Operating Income (Before AFUDC)	\$16,815	\$16,241
3	Allowance for Funds Used During Construction	\$0	\$0
4	Total Available for Return (Line 2 + Line 3 + Rounding)	\$16,815	\$16,241
5	Overall Rate of Return (Line 4 / Line 1)	5.30%	4.96%
6	Required Rate of Return	8.74%	8.74%
7	Operating Income Requirement (Line 1 x Line 6)	\$27,749	\$28,617
8	Income Deficiency (Line 7 - Line 4)	\$10,934	\$12,377
9	Gross Revenue Conversion Factor	1.64541	1.64541
10	Revenue Deficiency (Line 8 x Line 9)	\$17,991	\$20,365
11	Retail Related Revenue Under Present Rates	\$164,504	\$164,504
13	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	10.94%	12.38%

ROE = 4.69%
Deficiency = \$17,990
% Increase = 10.94%
Required ROE = 11.25%

Case No. PU-10-657 & PU-11-55

Exhibit__(JMF-1) Schedule 8a

Revised May 9, 2011

Page 1 of 6

Northern States Power Company, a Minnesota Corporation
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
2011 Test Year Adj for Merricourt

Summary Reports

May 9, 2011

Northern States Power Company, a Minnesota Corporation
Electric Utility - North Dakota Retail Jurisdiction

Cost Revised May 9, 2011

2011 Test Year Adj for Merricourt

(Dollars in Thousands)

Case No. PU-10-657 & PU-11-55

Exhibit ___(JMF-1) Schedule 8a

Revised May 9, 2011

Page 2 of 6

Rate Base Summary

	Total Company Electric			ND 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	12,961,679	14,334,477	13,648,078	712,931	791,624	752,278	12,248,748	13,542,853	12,895,800
2 Depreciation Reserve	<u>(6,422,757)</u>	<u>(6,779,294)</u>	<u>(6,601,026)</u>	<u>(360,611)</u>	<u>(379,589)</u>	<u>(370,100)</u>	<u>(6,062,146)</u>	<u>(6,399,705)</u>	<u>(6,230,926)</u>
3 Net Utility Plant	6,538,922	7,555,183	7,047,052	352,320	412,035	382,178	6,186,602	7,143,148	6,664,874
4 C.W.I.P.	38,545	26,653	32,599	2,501	1,698	2,100	36,044	24,955	30,499
5 Accumulated Deferred Taxes	(1,308,721)	(1,517,904)	(1,413,313)	(72,163)	(84,990)	(78,577)	(1,236,558)	(1,432,914)	(1,334,736)
Other Rate Base:									
6 Cash Working Capital	20,907	20,907	20,907	2,082	2,082	2,082	18,825	18,825	18,825
7 Materials & Supplies	105,544	105,544	105,544	6,186	6,186	6,186	99,358	99,358	99,358
8 Fuel Inventory	90,609	90,609	90,609	5,674	5,674	5,674	84,935	84,935	84,935
9 Non-Plant Assets & Liab	(113,973)	(91,197)	(102,585)	(6,866)	(5,480)	(6,173)	(107,107)	(85,717)	(96,412)
10 Prepays & Other	62,822	69,020	65,921	3,849	4,198	4,024	58,973	64,822	61,897
11 Total Rate Base	5,434,655	6,258,815	5,846,734	293,583	341,403	317,494	5,141,072	5,917,412	5,529,240

Northern States Power Company, a Minnesota Corporation
Electric Utility - North Dakota Retail Jurisdiction

Cost Revised May 9, 2011

2011 Test Year Adj for Merricourt

(Dollars in Thousands)

Case No. PU-10-657 & PU-11-55

Exhibit (JMF-1) Schedule 8a

Revised May 9, 2011

Page 3 of 6

Income Statement Summary

	<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
<u>Operating Revenues</u>			
1 Retail	3,034,853	164,504	2,870,349
2 CIP Adjustment to Program Costs	0	-	0
3 Interdepartmental	607	-	607
4 Other Operating	717,960	42,445	675,515
5 Gross Earnings Tax	0	-	0
6 Total Operating Revenues	3,753,420	206,949	3,546,471
<u>Expenses</u>			
Operating Expenses:			
7 Fuel & Purchased Energy	1,309,223	81,392	1,227,831
8 Power Production	728,867	42,844	686,023
9 Transmission	195,275	11,347	183,928
10 Distribution	105,263	6,292	98,971
11 Customer Accounting	61,413	4,339	57,074
12 Customer Service & Information	87,277	548	86,729
13 Sales, Econ Dvlp & Other	268	66	202
14 Administrative & General	205,270	13,322	191,948
15 Total Operating Expenses	2,692,856	160,150	2,532,706
16 Depreciation	343,491	17,579	325,912
17 Amortization	15,949	574	15,375
Taxes:			
18 Property	115,650	5,653	109,997
19 Gross Earnings	0	-	0
20 Deferred Income Tax & ITC	181,172	11,140	170,032
21 State & Federal Income (see Page 3)	(3,000)	(6,777)	(32,003)
22 Payroll & Other	30,033	1,815	28,218
23 Total Taxes	288,075	11,831	276,244
24 Total Expenses	3,340,370	190,134	3,150,237
25 AFUDC	0	-	0
26 Total Operating Income	413,050	16,815	396,234

Income Tax Summary

	<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
Income Before Taxes			
1 Total Operating Revenues	3,753,420	206,949	3,546,471
2 less: Total Operating Expenses	(2,692,856)	(160,150)	(2,532,706)
3 Book Depreciation & Amortization	(359,440)	(18,153)	(341,287)
4 Taxes (Other Than Current Income)	(326,855)	(18,608)	(308,247)
5 Total Before Tax Book Income	374,269	10,038	364,231
Tax Additions			
6 Book Depreciation	343,491	17,579	325,912
7 Deferred Income Taxes & ITC	181,172	11,140	170,032
8 Nuclear Fuel Burn (ex D&D)	111,477	6,478	104,999
9 Nuclear Outage Accounting	59,245	3,580	55,665
10 Avoided Tax Interest	34,779	1,975	32,804
11 Open Line	0	0	0
12 Open Line	0	0	0
13 Open Line	0	0	0
14 Open Line	0	0	0
15 Open Line	0	0	0
16 Other Book Additions	0	0	0
17 Total Tax Additions	730,164	40,752	689,412
Tax Deductions			
18 Debt Interest Expense	165,463	8,985	156,477
19 Tax Depreciation & Removal	952,706	53,949	898,757
20 Manufacture Production Deduction	0	0	0
21 Open	0	0	0
22 Open	0	0	0
23 Open	0	0	0
24 Other Tax/Book Timing Differences	23,807	1,446	22,361
25 Net Preferred Stock Deduction	0	0	0
26 Total Tax Deductions	1,141,976	64,380	1,077,595
27 State Taxable Income	(37,542)	(13,590)	(23,952)
28 State Income Tax Rate	9.03%	6.50%	N/A
29 State Taxes before Credits	(3,389)	(883)	(2,505)
30 State Credits	1,180	41	1,139
31 Total State Income Taxes	(4,569)	(924)	(3,644)
32 Federal Taxable Income	(32,974)	(12,666)	(20,308)
33 Federal Income Tax Rate	35.00%	35.00%	35.00%
34 Federal Tax before Credits	(11,541)	(4,433)	(7,108)
35 Federal Tax Credits	22,671	1,420	21,251
36 Total Federal Income Taxes	(34,212)	(5,853)	(28,359)
37 Total Federal & State Income Taxes	(38,780)	(6,777)	(32,003)

Revenue Requirement & Return Summary

(Dollars in Thousands)

<u>Capital Structure</u>		<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>	<u>Composite Income Tax Rates</u>	
1	Long Term Debt	6.0700%	46.3000%	2.8100%	State of North Dakota Tax rate	6.50%
2	Short Term Debt	2.0600%	1.1400%	0.0200%	Federal Statutory Tax rate	35.00%
3	Preferred Stock	0.0000%	0.0000%	0.0000%	Federal Effective Tax Rate (1-State Rate*Fed Rate)	32.73%
4	Common Equity	11.2500%	52.5600%	5.9100%	Total North Dakota Composite Tax Rate	39.23%
5	Required Rate of Return			8.7400%	Total Corporate Composite Tax Rate	40.87%

<u>Rate of Return (ROR)</u>		<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
6	Total Operating Income	413,050	16,815	396,234
7	Total Average Rate Base	5,846,734	317,494	5,529,240
8	ROR (Operating Income / Rate Base)	7.06%	5.30%	7.17%

<u>Return on Equity (ROE)</u>		<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
9	Total Operating Income	413,050	16,815	396,234
10	Debt Interest (Rate Base * Weighted Debt Cost)	(165,463)	(8,985)	(156,477)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	0	0	0
12	Earnings Available for Common	247,587	7,830	239,757
13	Equity Rate Base (Rate Base * Equity Ratio)	3,073,043	166,875	2,906,168
14	ROE (Earnings for Common / Equity Rate Base)	8.06%	4.69%	8.25%

<u>Revenue Deficiency</u>		<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
15	Require Operating Income (Rate Base * Required Return)	511,005	27,749	483,256
16	Operating Income	413,050	16,815	396,234
17	Operating Income Deficiency	97,955	10,934	87,021
18	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.69110	1.64541	N/A
19	Revenue Deficiency (Income Deficiency * Conversion Factor)	165,652	17,990	147,662

<u>Total Retail Revenue Requirements</u>		<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
20	Retail Related Revenues	3,035,460	164,504	2,870,956
21	Revenue Deficiency	165,652	17,990	147,662
22	Total Retail Revenue Requirements	3,201,112	182,494	3,018,618
23	Percentage Increase (Decrease)	5.46%	10.94%	5.14%

Rate Base Detail - Cash Working Capital

Expenses	Lead Days	Total Company Electric		ND Retail Electric		All Other		
		Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days	
Fuel Expenses								
1	Coal & Rail Transport	21.08	353,157	7,444,550	22,115	466,184	331,042	6,978,365
2	Gas for Generation	38.45	180,884	6,954,990	11,327	435,523	169,557	6,519,467
3	Oil	22.51	683	15,374	43	968	640	14,406
4	Nuclear & EOL	0.00	111,499	0	6,982	0	104,517	0
5	Nuclear Disposal	76.00	<u>11,164</u>	<u>848,464</u>	<u>649</u>	<u>49,324</u>	<u>10,515</u>	<u>799,140</u>
6			657,387	15,263,378	41,116	951,999	616,271	14,311,378
Purchased Power								
7	Purchases	28.12	894,154	25,143,610	54,286	1,526,522	839,868	23,617,088
8	Interchange	38.21	<u>119,793</u>	<u>4,577,291</u>	<u>7,047</u>	<u>269,266</u>	<u>112,746</u>	<u>4,308,025</u>
			1,013,947	29,720,901	61,333	1,795,788	952,614	27,925,113
Labor & Related Costs								
9	Regular Payroll	12.31	367,828	4,527,963	22,236	273,725	345,592	4,254,238
10	Incentive Compensation	255.05	21,732	5,542,747	1,329	338,961	20,403	5,203,785
11	Pension & Benefits	19.20	<u>79,160</u>	<u>1,519,872</u>	<u>4,828</u>	<u>92,698</u>	<u>74,332</u>	<u>1,427,174</u>
12	Subtotal Labor & Related		468,720	11,590,581	28,393	705,384	440,327	10,885,197
13								
14	All Other Operating Expenses	35.01	552,802	19,353,595	29,308	1,026,073	523,494	18,327,522
15	Property Tax	356.72	115,650	41,254,668	5,653	2,016,538	109,997	39,238,130
16	Employer's Payroll Taxes	26.56	30,033	797,676	1,815	48,206	28,218	749,470
17	Gross Earnings Tax	41.48	0	0	0	0	0	0
18	Federal Income Tax	37.75	(34,212)	(1,291,498)	(5,853)	(220,951)	(28,359)	(1,070,547)
19	State Income Tax	37.75	(4,569)	(172,464)	(924)	(34,894)	(3,644)	(137,570)
20	State Sales Tax Customer Billings	35.73	138,595	4,951,999	0	0	138,595	4,951,999
21	Total Expenses	<u>41.34</u>	2,938,353	<u>121,468,837</u>	<u>160,841</u>	<u>6,288,144</u>	<u>41.47</u>	<u>2,777,513</u>
22	Net Annual Expense Amount			<u>332,791</u>		<u>17,228</u>		<u>315,564</u>
Revenues								
23	Computer Billing	100.00%	45.45	3,034,853	137,942,263	164,504	7,477,151	2,870,349
24	Hand Billed	0.00%	43.07	0	0	0	0	0
25	Retail Revenue Adjustments	0.00	0	0	0	0	0	0
26	Interdepartmental	0.00	607	0	0	607	0	0
27	Late Payment	0.00	5,490	0	355	0	5,135	0
28	Connect and Trouble Charges	42.85	2,261	96,888	243	10,413	2,018	86,475
29	CIP Incentive	0.00	0	0	0	0	0	0
30	Rentals	114.17	4,032	460,333	255	29,113	3,777	431,220
31	Interchange Revenues	38.21	446,657	17,066,764	26,889	1,027,429	419,768	16,039,335
32	Sales for Resale	37.10	148,783	5,519,849	9,166	340,059	139,617	5,179,791
33	Production Associated Revenues	37.10	6,436	238,776	403	14,951	6,033	223,824
34	MISO	14.00	13,342	186,788	775	10,850	12,567	175,938
35	Point to Point Firm	37.10	59,851	2,213,052	3,466	128,589	56,185	2,084,464
36	Services & Facilities	37.10	8,828	327,519	507	18,810	8,321	308,709
37	Ancillary	37.10	23,148	858,791	1,345	49,900	21,803	808,891
38	Distribution Associated Revenues	42.85	1,872	80,219	0	0	1,872	80,219
39	Other	42.85	2,356	100,959	(652)	(27,940)	3,008	128,899
40	JCA - Rev fr/to PSC	37.10	(4,896)	(181,642)	(307)	(11,390)	(4,589)	(170,252)
41	(blank)	0.00	0	0	0	0	0	0
42	(blank)	0.00	0	0	0	0	0	0
43	(blank)	0.00	0	0	0	0	0	0
44	Total Revenues	<u>43.94</u>	3,753,420	<u>164,910,560</u>	<u>206,949</u>	<u>9,067,935</u>	<u>43.94</u>	<u>3,546,471</u>
45	Net Annual Amount			<u>451,810</u>		<u>24,844</u>		<u>426,966</u>
46	Expense / Revenue Factor			0.7828		0.7772		
47	Allocated Revenue Amount			<u>353,698</u>		<u>19,308</u>		
48	Net Cash Working Capital			<u>20,907</u>		<u>2,081</u>		<u>18,826</u>

ROE = 4.05%
Deficiency = \$20,364
% Increase = 12.38%
Required ROE = 11.25%

Case No. PU-10-657 & PU-11-55

Exhibit__(JMF-1) Schedule 8b

Revised May 9, 2011

Page 1 of 6

Northern States Power Company, a Minnesota Corporation
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
Final Proposed with 2012 Step Adj for Merricourt

Summary Reports

May 9, 2011

Northern States Power Company, a Minnesota Corporation
Electric Utility - North Dakota Retail Jurisdiction
Cost of Service Study
Final Proposed with 2012 Step Adj for Merricourt

(Dollars in Thousands)

Case No. PU-10-657 & PU-11-55
Exhibit ___(JMF-1) Schedule 8b
Revised May 9, 2011
Page 2 of 6

Rate Base Summary

	Total Company Electric			ND Retail Electric			All Other		
	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>
1 Plant Investment	13,205,280	14,339,231	13,772,256	731,050	795,865	763,458	12,474,230	13,543,366	13,008,798
2 Depreciation Reserve	(6,377,573)	(6,796,485)	(6,587,029)	(358,804)	(381,406)	(370,105)	(6,018,769)	(6,415,079)	(6,216,924)
3 Net Utility Plant	6,827,707	7,542,746	7,185,227	372,246	414,459	393,353	6,455,461	7,128,287	6,791,874
4 C.W.I.P.	38,545	26,653	32,599	2,501	1,698	2,100	36,044	24,955	30,499
5 Accumulated Deferred Taxes	(1,331,817)	(1,521,541)	(1,426,679)	(74,263)	(86,255)	(80,259)	(1,257,554)	(1,435,286)	(1,346,420)
Other Rate Base:									
6 Cash Working Capital	18,822	18,822	18,822	1,868	1,868	1,868	16,954	16,954	16,954
7 Materials & Supplies	105,544	105,544	105,544	6,186	6,186	6,186	99,358	99,358	99,358
8 Fuel Inventory	90,609	90,609	90,609	5,674	5,674	5,674	84,935	84,935	84,935
9 Non-Plant Assets & Liab	(113,973)	(91,197)	(102,585)	(6,866)	(5,480)	(6,173)	(107,107)	(85,717)	(96,412)
10 Prepays & Other	62,822	69,020	65,921	4,142	5,218	4,680	58,680	63,802	61,241
11 Total Rate Base	5,698,259	6,240,656	5,969,458	311,488	343,368	327,429	5,386,771	5,897,288	5,642,029

Income Statement Summary

	<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
<u>Operating Revenues</u>			
1 Retail	3,034,853	164,504	2,870,349
2 CIP Adjustment to Program Costs	0	-	0
3 Interdepartmental	607	-	607
4 Other Operating	717,960	42,445	675,515
5 Gross Earnings Tax	0	-	0
6 Total Operating Revenues	3,753,420	206,949	3,546,471
<u>Expenses</u>			
Operating Expenses:			
7 Fuel & Purchased Energy	1,309,223	81,392	1,227,831
8 Power Production	728,867	43,115	685,752
9 Transmission	195,275	11,347	183,928
10 Distribution	105,263	6,292	98,971
11 Customer Accounting	61,413	4,339	57,074
12 Customer Service & Information	87,277	548	86,729
13 Sales, Econ Dvlp & Other	268	66	202
14 Administrative & General	205,270	13,322	191,948
15 Total Operating Expenses	2,692,856	160,421	2,532,435
16 Depreciation	356,330	18,369	337,961
17 Amortization	15,949	574	15,375
Taxes:			
18 Property	117,651	5,911	111,740
19 Gross Earnings	0	-	0
20 Deferred Income Tax & ITC	193,522	10,306	183,216
21 State & Federal Income (see Page 3)	(60,599)	(6,688)	(53,911)
22 Payroll & Other	30,033	1,815	28,218
23 Total Taxes	280,607	11,344	269,263
24 Total Expenses	3,345,742	190,708	3,155,034
25 AFUDC	0	-	0
26 Total Operating Income	407,678	16,241	391,437

Income Tax Summary

	<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
Income Before Taxes			
1 Total Operating Revenues	3,753,420	206,949	3,546,471
2 less: Total Operating Expenses	(2,692,856)	(160,421)	(2,532,435)
3 Book Depreciation & Amortization	(372,279)	(18,943)	(353,336)
4 Taxes (Other Than Current Income)	(341,206)	(18,032)	(323,174)
5 Total Before Tax Book Income	347,079	9,553	337,526
Tax Additions			
6 Book Depreciation	356,330	18,369	337,961
7 Deferred Income Taxes & ITC	193,522	10,306	183,216
8 Nuclear Fuel Burn (ex D&D)	111,477	6,478	104,999
9 Nuclear Outage Accounting	59,245	3,851	55,394
10 Avoided Tax Interest	26,389	1,522	24,867
11 Open Line	0	0	0
12 Open Line	0	0	0
13 Open Line	0	0	0
14 Open Line	0	0	0
15 Open Line	0	0	0
16 Other Book Additions	0	0	0
17 Total Tax Additions	746,963	40,526	706,437
Tax Deductions			
18 Debt Interest Expense	168,936	9,266	159,669
19 Tax Depreciation & Removal	992,230	52,729	939,501
20 Manufacture Production Deduction	0	0	0
21 Open	0	0	0
22 Open	0	0	0
23 Open	0	0	0
24 Other Tax/Book Timing Differences	23,807	1,446	22,361
25 Net Preferred Stock Deduction	0	0	0
26 Total Tax Deductions	1,184,973	63,441	1,121,531
27 State Taxable Income	(90,931)	(13,362)	(77,568)
28 State Income Tax Rate	9.03%	6.50%	N/A
29 State Taxes before Credits	(8,207)	(869)	(7,339)
30 State Credits	1,180	41	1,139
31 Total State Income Taxes	(9,387)	(910)	(8,478)
32 Federal Taxable Income	(81,543)	(12,453)	(69,090)
33 Federal Income Tax Rate	35.00%	35.00%	35.00%
34 Federal Tax before Credits	(28,540)	(4,358)	(24,182)
35 Federal Tax Credits	22,671	1,420	21,251
36 Total Federal Income Taxes	(51,211)	(5,778)	(45,433)
37 Total Federal & State Income Taxes	(60,599)	(6,688)	(53,911)

Revenue Requirement & Return Summary

(Dollars in Thousands)

<u>Capital Structure</u>		<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>	<u>Composite Income Tax Rates</u>	
1	Long Term Debt	6.0700%	46.3000%	2.8100%	State of North Dakota Tax rate	6.50%
2	Short Term Debt	2.0600%	1.1400%	0.0200%	Federal Statutory Tax rate	35.00%
3	Preferred Stock	0.0000%	0.0000%	0.0000%	Federal Effective Tax Rate (1-State Rate*Fed Rate)	<u>32.73%</u>
4	Common Equity	11.2500%	52.5600%	5.9100%	Total North Dakota Composite Tax Rate	39.23%
5	Required Rate of Return			8.7400%	Total Corporate Composite Tax Rate	40.87%

<u>Rate of Return (ROR)</u>		<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
6	Total Operating Income	407,678	16,241	391,437
7	Total Average Rate Base	<u>5,969,458</u>	<u>327,429</u>	<u>5,642,029</u>
8	ROR (Operating Income / Rate Base)	6.83%	4.96%	6.94%

<u>Return on Equity (ROE)</u>		<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
9	Total Operating Income	407,678	16,241	391,437
10	Debt Interest (Rate Base * Weighted Debt Cost)	(168,936)	(9,266)	(159,669)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	<u>0</u>	<u>0</u>	<u>0</u>
12	Earnings Available for Common	238,742	6,975	231,767
13	Equity Rate Base (Rate Base * Equity Ratio)	<u>3,137,547</u>	<u>172,097</u>	<u>2,965,450</u>
14	ROE (Earnings for Common / Equity Rate Base)	7.61%	4.05%	7.82%

<u>Revenue Deficiency</u>		<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
15	Require Operating Income (Rate Base * Required Return)	521,731	28,617	493,113
16	Operating Income	<u>407,678</u>	<u>16,241</u>	<u>391,437</u>
17	Operating Income Deficiency	114,053	12,376	101,677
18	Revenue Conversion Factor (1/(1-Composite Tax Rate))	<u>1.69110</u>	<u>1.64541</u>	<u>N/A</u>
19	Revenue Deficiency (Income Deficiency * Conversion Factor)	192,875	20,364	172,511

<u>Total Retail Revenue Requirements</u>		<u>Total Company Electric</u>	<u>ND Retail Electric</u>	<u>All Other</u>
20	Retail Related Revenues	3,035,460	164,504	2,870,956
21	Revenue Deficiency	<u>192,875</u>	<u>20,364</u>	<u>172,511</u>
22	Total Retail Revenue Requirements	3,228,335	184,868	3,043,467

23	Percentage Increase (Decrease)	6.35%	12.38%	6.01%
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Rate Base Detail - Cash Working Capital

Expenses	Lead Days	Total Company Electric		ND Retail Electric		All Other			
		Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days		
Fuel Expenses									
1	Coal & Rail Transport	21.08	353,157	7,444,550	22,115	466,184	331,042	6,978,365	
2	Gas for Generation	38.45	180,884	6,954,990	11,327	435,523	169,557	6,519,467	
3	Oil	22.51	683	15,374	43	968	640	14,406	
4	Nuclear & EOL	0.00	111,499	0	6,982	0	104,517	0	
5	Nuclear Disposal	76.00	<u>11,164</u>	<u>848,464</u>	<u>649</u>	<u>49,324</u>	<u>10,515</u>	<u>799,140</u>	
6			657,387	15,263,378	41,116	951,999	616,271	14,311,378	
Purchased Power									
7	Purchases	28.12	894,154	25,143,610	54,286	1,526,522	839,868	23,617,088	
8	Interchange	38.21	<u>119,793</u>	<u>4,577,291</u>	<u>7,047</u>	<u>269,266</u>	<u>112,746</u>	<u>4,308,025</u>	
			1,013,947	29,720,901	61,333	1,795,788	952,614	27,925,113	
Labor & Related Costs									
9	Regular Payroll	12.31	367,828	4,527,963	22,236	273,725	345,592	4,254,238	
10	Incentive Compensation	255.05	21,732	5,542,747	1,329	338,961	20,403	5,203,785	
11	Pension & Benefits	19.20	<u>79,160</u>	<u>1,519,872</u>	<u>4,828</u>	<u>92,698</u>	<u>74,332</u>	<u>1,427,174</u>	
12	Subtotal Labor & Related		468,720	11,590,581	28,393	705,384	440,327	10,885,197	
13									
14	All Other Operating Expenses	35.01	552,802	19,353,595	29,579	1,035,561	523,223	18,318,034	
15	Property Tax	356.72	117,651	41,968,465	5,911	2,108,572	111,740	39,859,893	
16	Employer's Payroll Taxes	26.56	30,033	797,676	1,815	48,206	28,218	749,470	
17	Gross Earnings Tax	41.48	0	0	0	0	0	0	
18	Federal Income Tax	37.75	(51,211)	(1,933,219)	(5,778)	(218,136)	(45,433)	(1,715,083)	
19	State Income Tax	37.75	(9,387)	(354,374)	(910)	(34,335)	(8,478)	(320,039)	
20	State Sales Tax Customer Billings	35.73	138,595	4,951,999	0	0	138,595	4,951,999	
21	Total Expenses	<u>41.58</u>	2,918,536	<u>121,359,002</u>	<u>39.60</u>	161,459	<u>6,393,039</u>	<u>41.70</u>	2,757,077
22	Net Annual Expense Amount			<u>332,490</u>			<u>17,515</u>		<u>314,975</u>
Revenues									
23	Computer Billing	100.00%	45.45	3,034,853	137,942,263	164,504	7,477,151	2,870,349	130,465,112
24	Hand Billed	0.00%	43.07	0	0	0	0	0	0
25	Retail Revenue Adjustments	0.00	0	0	0	0	0	0	0
26	Interdepartmental	0.00	607	0	0	0	607	0	0
27	Late Payment	0.00	5,490	0	355	0	5,135	0	0
28	Connect and Trouble Charges	42.85	2,261	96,888	243	10,413	2,018	86,475	0
29	CIP Incentive	0.00	0	0	0	0	0	0	0
30	Rentals	114.17	4,032	460,333	255	29,113	3,777	431,220	0
31	Interchange Revenues	38.21	446,657	17,066,764	26,889	1,027,429	419,768	16,039,335	0
32	Sales for Resale	37.10	148,783	5,519,849	9,166	340,059	139,617	5,179,791	0
33	Production Associated Revenues	37.10	6,436	238,776	403	14,951	6,033	223,824	0
34	MISO	14.00	13,342	186,788	775	10,850	12,567	175,938	0
35	Point to Point Firm	37.10	59,651	2,213,052	3,466	128,589	56,185	2,084,464	0
36	Services & Facilities	37.10	8,828	327,519	507	18,810	8,321	308,709	0
37	Ancillary	37.10	23,148	858,791	1,345	49,900	21,803	808,891	0
38	Distribution Associated Revenues	42.85	1,872	80,219	0	0	1,872	80,219	0
39	Other	42.85	2,356	100,959	(652)	(27,940)	3,008	128,899	0
40	JCA - Rev fr/to PSC	37.10	(4,896)	(181,642)	(307)	(11,390)	(4,589)	(170,252)	0
41	(blank)	0.00	0	0	0	0	0	0	0
42	(blank)	0.00	0	0	0	0	0	0	0
43	(blank)	0.00	0	0	0	0	0	0	0
44	Total Revenues	<u>43.94</u>	3,753,420	<u>164,910,560</u>	<u>43.82</u>	206,949	<u>9,067,935</u>	<u>43.94</u>	3,546,471
45	Net Annual Amount			<u>451,810</u>			<u>24,844</u>		<u>426,966</u>
46	Expense / Revenue Factor			0.7776			0.7802		
47	Allocated Revenue Amount			<u>351,312</u>			<u>19,383</u>		
48	Net Cash Working Capital			<u>18,922</u>			<u>1,868</u>		<u>16,955</u>