



414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

June 30, 2009

--Via Electronic Filing--

Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 East Capitol Avenue
Pierre, SD 57501

RE: 2009 REPORT OF NORTHERN STATES POWER COMPANY ON MEETING THE
RENEWABLE, RECYCLED AND CONSERVED ENERGY OBJECTIVE

Dear Ms. Van Gerpen:

In accordance with South Dakota Codified Laws 49-34A-105, Northern States Power Company, a Minnesota corporation ("Xcel Energy" or the "Company") hereby submits its 2009 report on meeting the state's renewable, recycled and conserved energy objective.

If there are questions regarding information contained in the report, please feel free to contact me at (605) 339-8350, Kari Chilcott-Clark at 303-571-6905 or Jim Alders at (612) 330-6732.

SINCERELY,

A handwritten signature in black ink, appearing to read 'J. Wilcox'.

JAMES C. WILCOX
Manager, Government & Regulatory Affairs

ENCLOSURES

**STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE 2009 REPORT OF
NORTHERN STATES POWER COMPANY, A
MINNESOTA CORPORATION ON
PROGRESS TOWARDS MEETING THE
RENEWABLE, RECYCLED AND
CONSERVED ENERGY OBJECTIVE

COMPLIANCE REPORT

OVERVIEW

Pursuant to South Dakota Codified Laws (“SDCL”) Chapter 49-34A, Northern States Power Company, a Minnesota corporation (“Xcel Energy”, “NSP-M” or the “Company”) respectfully submits this renewable energy objective (“REO”) compliance report to the South Dakota Public Utilities Commission (“Commission”). We include as part of this report information regarding the management of renewable energy credits (“RECs”) going forward and a proposal for assigning and valuing RECs when and if we find we are in an over or under compliance situation in our various jurisdictions.

Based on using the energy allocator applicable to South Dakota, we have determined that the share of system wide renewable resources allocable to South Dakota is 242,723 megawatt-hours. This represents the energy we provided to our customers in 2008 that was generated at facilities using renewable fuels and technology¹. After restricting the renewable energy from

¹ SDCL 49-34A-94. defines renewable electricity and recycled energy as electricity generated from facilities using one or more of the following sources:

- (1) Wind that uses wind as the source of energy to produce electricity;
- (2) Solar that uses the sun as the source of energy to produce electricity;
- (3) Hydroelectric that uses water as the source of energy to produce electricity;
- (4) Hydrogen that is generated from one of the sources listed in this section;
- (5) Biomass that uses agricultural crops and agricultural wastes and residues, wood and wood wastes and residues, animal and other degradable organic wastes, municipal solid waste, or landfill gas as the fuel to produce electricity;
- (6) Geothermal that uses energy contained in heat that continuously flows outward from the earth as the source of energy to produce electricity; and
- (7) Recycled energy systems that produce electricity from currently unused waste heat resulting

hydro resources to only those with an in-service date on or after July 1, 2008 and adjusting energy consumption as provided in Chapter 49-34A-103 our South Dakota REO renewable energy percentage is about 11%. Attachment A details this calculation. Please note that no RECs have been retired to date for South Dakota REO compliance.

- Attachment B provides a compliance report that includes the following information as requested by the Commission:
 - Retail Sales (MWh) - Total & SD-based
 - Generation Capacity Owned (MW) - Total & SD-based by technology*
 - Renewable Generation Capacity Owned (MW) - Total & SD-based by technology*
 - Renewable Generation with RECs retired for SD (MWh) - Total & SD-based by technology*
 - Renewable Generation with RECs retired for other states/purposes (MWh) - Total & SD-based by technology*
 - Conserved Energy (MWh) and Capacity (MW)

*As defined in SDCL 49-34A-94

South Dakota's renewables statute establishes a goal or objective of providing 10% of the energy used from renewables by 2015. There are no intermediate milestones between now and 2015 in statute. Figure 1 following illustrates our estimate of RECs allocated to South Dakota compared to South Dakota's REO. We have portrayed the REO as requiring no REC retirements until 2015. If the Commission believes we should recognize intermediate milestones we can certainly adjust REC management accordingly.

from combustion or other processes and which do not use an additional combustion process. The term does not include any system whose primary purpose is the generation of electricity.

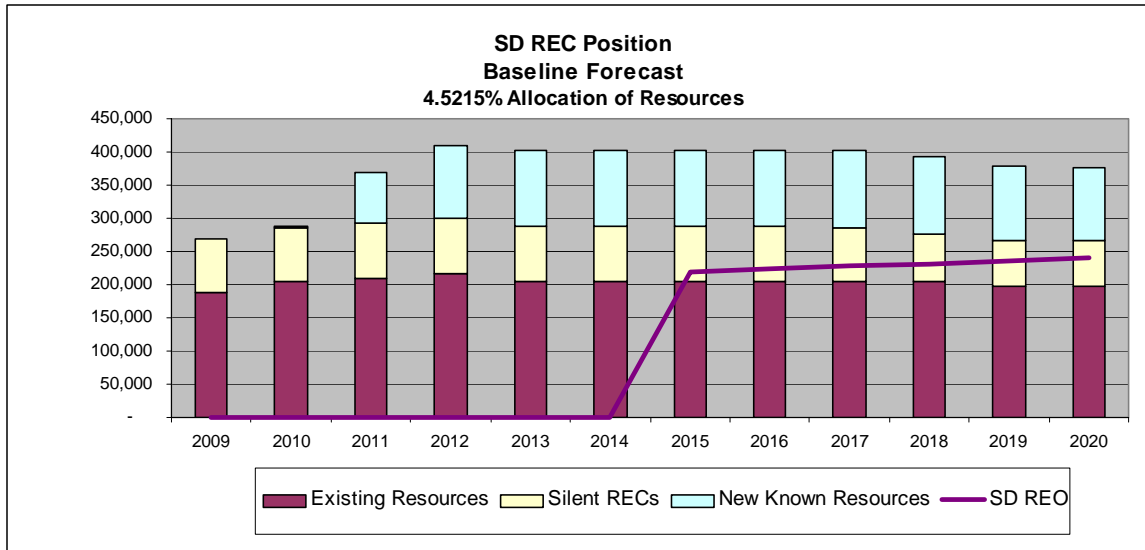


Figure 1. SD REC Position²

Challenges or barriers

As requested in SDCL 49-34A-105, Xcel Energy offers its perspective on the challenges and barriers we presently see facing the development of renewable, recycled, and conserved energy in South Dakota:

- *Transmission Construction Lead Time.* The best wind resource areas in our service territory do not always have the transmission infrastructure necessarily to support wind generation. Xcel Energy transmission initiatives presently underway (e.g. “CAPX”) will substantially improve transmission capabilities, and we continue to work with the Midwest ISO and other stakeholders on the development of additional future transmission projects.
- *Midwest ISO Interconnection Queue.* To date, the Midwest ISO queue process has proven to be very slow in providing interconnections to wind projects. The Company has led the way in proposing queue reforms that are aimed at making more timely interconnection service available. These queue reforms are currently being implemented, but it will take a year or more to see if these changes will produce the desired results.

² Figure 1. - Note that this calculation also includes RECs from power purchase agreements signed prior to the establishment of renewable tracking. Thus the agreements are silent as to ownership of RECs. It is the Company’s position that the RECs are an integral part of the purchase and can be used for our compliance purposes. The seller does not agree at this point and negotiations continue.

- *Wind Turbine Costs and Availability.* Throughout the world, demand for the most economic wind turbines has been at an all-time high recently. This has caused the price of turbines to increase more than other equipment. However, with the recent downturn in the global economy, demand has moderated and these price increases appear to be easing to some degree.

Renewable Energy Credits

The Company plans and operates our generation and transmission facilities as an integrated system in the most cost effective way possible to the benefit of all customers across the five state jurisdictions we serve. The costs of this integrated system are spread across our entire customer base. As a result, South Dakota customers pay for 4.5215% of the cost of the integrated generation system including renewables based generation.

A regional reporting system called the Midwest Renewable Energy Tracking System (“M-RETS”) has been established to track RECs for compliance with state renewable energy requirements or objectives in the region. One REC is created with the production of one megawatt-hour of electricity at a generating facility that qualifies as renewable based generation. RECs are retired to demonstrate compliance with renewable energy standards and objectives. Some states allow RECs to be bought and sold so that they can be applied to compliance independently of the energy originally produced.

Because customers have paid for renewable energy we believe they should receive the value that may be obtained for any associated environmental attributes such as RECs under an appropriate regulatory scheme. We are developing a plan to manage RECs taking into consideration factors such as the need to comply with future federal requirements as well as the ability to convert RECs into revenue on behalf of our customers. We will share the proposals included in this report with all of our jurisdictions; provide a status report by the end of the third quarter; determine if a consensus on a unified approach can be obtained and make the necessary tariff changes to return value to customers by the end of this year. Because RECs have very limited value in the Upper Midwest at this time, we do not believe that there is any disadvantage to South Dakota customers from this brief delay.

The issues related to assignment of REC revenue are made more complex than traditional cost assignment among the jurisdictions that make up the integrated

NSP system as REC values are currently a function of legislation that is unique to each state. Nonetheless, our approach will assure that jurisdictions continue to maintain the benefits of an integrated system while at the same time recognizing some of the differences in law that, in this limited circumstance, make distribution of REC revenues more directly assigned than simply apportioned.

In the sections that follow we provide more background on renewable energy production and discuss some of the issues and complexities we are exploring as we develop our REC management plans. Specifically, we will address:

- how we expect differences in jurisdictional requirements to impact system-wide planning for resources;
- our approach for determining compliance with the Objective; and
- two alternative approaches for returning REC revenues to our customers and the filings that may be required to effectuate either approach.

We look forward to consulting with the Commission and providing updates as our effort unfolds.

SYSTEM PLANNING AND REC ALLOCATION

Integrated System

Xcel Energy Inc. provides electric service to customers in five states in the Upper Midwest, through two operating companies: Northern States Power Company, a Minnesota corporation (NSP-M), and Northern States Power Company, a Wisconsin corporation (NSP-W), often referred to as the NSP System or NSP. The NSP System is operated as an integrated generation and transmission system. This integrated system provides benefits to our retail customers in these five states (North Dakota, South Dakota, Minnesota, Wisconsin and Michigan) and our wholesale customers subject to Federal Energy Regulatory Commission (“FERC”) jurisdiction because the integrated regional system is able to reduce the cost of services as economies of scale result from integrated dispatch of generating units and use of the transmission system. This integrated system also provides for increased reliability due to the diverse and dispersed set of resources on the system.

Since the generation and transmission system operates as an integrated whole, to the benefit of all our customers, the capital and operating costs of all the generating and transmission components of the integrated system are borne on an integrated basis by all of our customers across the five jurisdictions NSP-M and NSP-W serve, first through cost allocation between NSP-M and NSP-W under the Interchange Agreement, and then allocation to jurisdiction (*e.g.*, North Dakota, Minnesota, South Dakota, wholesale requirements).

Renewable Based Generation

One component of our fleet of generating resources that serves all customers is renewable based generation. Renewables based generation generally relies on wind, water, solar radiation and biomass as fuel. In recent years, each of our states adopted policies³ designed to advance the development of renewable energy generation. These policies vary among the states, including the amount of energy required, the types of renewables that qualify, and whether the policy is a mandate or an objective. Since our fleet of generation is operated as a single integrated system, NSP plans and acquires renewables to achieve the most cost-effective system in a manner that is consistent with the various requirements.

In 2008, approximately 5.4 million megawatt hours of the electric energy we provided to retail customers on the NSP System came from renewables: 3.3 million megawatt hours from wind turbines, 750,000 megawatt hours from hydro generation smaller than 60 MW in size, and 1.3 million megawatt hours from biomass resources including waste to energy facilities. By 2025, the sum of current state policies will require renewables supplying approximately 12 million megawatt hours, approximately 25 percent of the energy our customers will use.⁴

The allocation factors used to spread the cost of renewable based generation across our entire customer base in the five states we serve are established in regulatory proceedings. The factors result in approximately 75 percent of costs allocated to Minnesota customers, 5 percent to North Dakota customers, 5 percent to South Dakota customers, 15 percent to Wisconsin customers and less than 1 percent to Michigan customers. In this way, all of our customers pay a proportionate share of our system energy and capacity costs and share equally in the benefits of operating a large, integrated system.

³ These state policies spawned a variety of terms that cover mandates or goals and include renewable portfolio standard (“RPS”), renewable energy standard (“RES”) or renewable energy objective (“REO”).

⁴ All of the calculations in this paragraph include silent RECs.

Renewable Energy Standards and Objectives

As noted previously, the NSP operating companies, provide retail electric service in five states, and offers a system mix of energy supply to several wholesale customers within those states. The renewable energy mandates and objectives of each jurisdiction served are listed below.

Minnesota

Minnesota's Renewable Energy Standard ("RES") (Minn. Stat. § 216B.1691) requires NSP-M to obtain 30% of the energy we supply to customers from renewable generation sources by 2020, with interim threshold requirements or milestones of 15% by 2010, 18% by 2012 and 25% by 2016.

Wisconsin

Wisconsin's Renewable Portfolio Standard ("RPS") (Wis. Stat. § 196.378) requires NSP-W to obtain 12.85% of the energy we supply to customers from renewable generation sources by 2015 and establishes an interim threshold or milestone of 8.85% of retail sales be supplied from renewable sources by 2010.

North Dakota

North Dakota's REO (ND Century Code 49-02-24 et seq.) calls for electric utilities to pursue the non-mandatory goal of serving 10% of retail sales from renewable generation sources by 2015.

South Dakota

South Dakota's REO (SDCL § 49-34A-101 et seq.) calls for electric utilities to pursue the non-mandatory goal of serving 10% of retail sales from renewable generation sources by 2015, subject to a reasonableness and cost effectiveness evaluation.

Michigan

Michigan's Clean, Renewable, and Efficient Energy Act ("CREEA") (2008 Mich. Public Acts. 295) requires NSP-W to obtain 10 percent of retail sales from renewable generation sources by 2015. Any new renewable generation to be used to satisfy this mandate must be located in the NSP-W operating company footprint.

Renewable Energy Compliance

All RECs subject to state renewable energy requirements⁵ are registered in M-RETS and compliance is demonstrated by “retiring” a REC in M-RETS. For example, pursuant to rules established by the Minnesota Public Utilities Commission (“MPUC”), to comply with our 2008 RES requirement, we “retired” 327,810 RECs by placing them in a 2008 Minnesota RES retirement sub-account in M-RETS. There are approximately 2.8 million 2008 RECs registered in M-RETS that remain unused or active. Since we cannot register the PPAs that are silent on REC ownership, the number of RECs remaining does not include silent RECs.

Rules have also been set in the Minnesota, Wisconsin and Michigan jurisdictions that give RECs a “shelf life” or a set period of time the REC can be used for compliance. For example, a REC can be used to comply with Minnesota’s RES or Wisconsin’s RPS in the year it is generated or in any of four subsequent years. Thus, in Minnesota or Wisconsin, a REC generated in 2008 can be used to comply with the requirements in 2008, 2009, 2010, 2011, or 2012. Michigan rules provide for a 3-year shelf life meaning a REC created in 2008 must be retired for compliance by 2011.

Additionally, most states will allow RECs reported and tracked in M-RETS, or in one of the other regional REC tracking systems to be used to demonstrate compliance with renewable portfolio (energy) standards. Thus, a utility does not necessarily have to generate all of the needed renewable energy needed to comply with these requirements. RECs created and tracked in M-RETS, or other regional systems can be purchased and used to comply.

M-RETS and RECs do not substitute for renewable energy production. Instead, they operate as a mechanism that allows a utility to affectively manage the acquisition of renewables based generation. In a given window of time (four years in Minnesota and Wisconsin) RECs can be bought or sold or banked to smooth out the incremental, stair-step nature of generation additions.

REC Jurisdictional Allocations

NSP believes that until a REC is retired to demonstrate compliance or bought or sold in the market, it remains an indivisible part of the renewable energy it

⁵ Minnesota (October 9, 2007 order in Docket No. E-999/CI-04-1616), Wisconsin (March 26, 2007 contract between Commission and APX for M-RETS) and North Dakota (June 4, 2008 order in Case No. PU-07-318) have established registration in M-RETS requirements. Neither South Dakota or Michigan have established rules yet. Michigan is currently looking at which regional system it is going to require participation in.

represents. From an accounting perspective, since South Dakota customers pay approximately 5% of NSP System costs, their contribution accounts for about 5% of the cost of renewable energy on the system including whatever value may be associated with the RECs associated with that energy. If a REC is immediately “retired” to demonstrate compliance, there is no additional value. If a REC is bought or sold, its value is the price of the transaction.

In recognition of the principal that RECs remain with the associated energy until used, Xcel Energy has set up jurisdictional accounts in M-RETS and allocated RECs to each jurisdiction in proportion to jurisdictional cost allocations. These are not “retirement” accounts, but rather, holding accounts for unused, active RECs before they are applied to compliance or sold. We began recognizing these allocated, “jurisdictional”, active RECs in annual compliance reports in all jurisdictions this year.

RECS MANAGEMENT

Figure 1 illustrated that there are considerable number of RECs in Xcel Energy’s South Dakota account beyond those needed to meet South Dakota’s REO policies and we anticipate that will remain the case as the result of our REC allocation approach. This REC position allows us to explore the opportunity to sell RECs in the market. Since the cost of the energy the RECs are associated with is paid for by South Dakota customers, we also believe it is appropriate to compensate these customers for the value of the RECs. We will also be looking for ways to maximize REC revenues from wholesale sales in some of our jurisdictions.

The first step in RECs management is to determine a value for RECs. If an adequate market exists we propose to establish the value of RECS by selling “jurisdictional” RECs into the market. Conceptually, we would also purchase market RECs to meet compliance in other jurisdictions if necessary. The associated revenue or value would be credited to South Dakota customers since they paid for the energy and associated renewable attributes.

We have not yet established a detailed plan for the management of RECs since the development of such a plan involves considerable complexity and is dependent on assumptions such as the potential of future renewable legislation in our jurisdictions and at the federal level, the amount of banking allowed, and the likely acquisition plan for renewable energy. Thus, we are: investigating whether the market for RECs in the Upper Midwest is adequately developed to rely on or whether the market will not occur until a federal standard is adopted;

examining strategies for complying with potential federal renewable energy standards at various requirement levels; and assessing how a REC management strategy might interact with our renewables acquisition plans.

At the end of this review, we will propose a plan to optimize the benefits of RECs for customers. To do so we need to develop a plan that effectively manages each jurisdiction's REC portfolio and considers the timing of the magnitude, frequency and allocation of REC transactions. We currently believe that centralized trading of RECs, similar to centralized wholesale sales activity may be the most cost-effective means of monetizing REC value.

Jurisdictional Transfers

We believe that, depending on the ultimate system resources selected, it may become necessary, for jurisdictions with lower renewable energy requirements to transfer system generated RECs to jurisdictions with higher requirements to minimize the overall costs of renewables to all customers on the integrated NSP System. We believe that the best way to accomplish this from a regulatory perspective is to develop a transfer pricing model that takes into account both the value of the resource to the system and the value of the REC. Because transfers are not anticipated for several years, we do not propose a mechanism today, but will report on when the need for potential transfers may be needed and propose a transfer pricing mechanism for approval in all of our states in advance of that time.

Options for Crediting REC Revenues

There are two primary approaches to returning REC revenues to customers being considered. The first is to credit these revenues through the Fuel Clause Adjustment ("FCA"). The second would be to use revenues from the sale of RECs and apply the revenue as an offset to the plant in service costs of future renewable investments. This approach could be applied to all or a portion of REC sales.

1. FCA Treatment

Because RECs are a function of renewable energy produced (either through Company owned investments or more predominately through purchased energy costs) one appropriate method of returning credits to customers is through the FCA. The timing, amount and margin on the sale of RECs will be difficult to predict and our experience in non-Midwest markets to date indicates that prices are volatile and difficult to estimate. As such, a credit to the FCA that reflects both the nature of the value of the REC faces the same difficulties of estimation as other FCA costs.

If the FCA credit is the approach elected, we believe that we will need to seek a waiver of the FCA rules and modify or FCA tariff. Attachment C provides an illustrative example of the FCA tariff language that may be needed.

In addition, Xcel Energy will need to establish accounting policies for a centrally managed pool of RECs to allocate the revenues to each jurisdiction from sales made during a year. We would anticipate truing up all revenues to each jurisdiction's share of "excess RECs", those above the level needed to comply with a standard or objective, rather than selling different jurisdiction's shares separately. Our experience is that significant REC sales can essentially eliminate a market for a time period, and determining which jurisdiction came first, could ultimately lead to jurisdictional inequities.

2. Reduction of future rate base

Given the difficulties identified in managing a REC portfolio by jurisdiction, an alternative approach that we believe may offer significant long run value to our customers would be to "reinvest" RECs as a reduction in the cost of future renewable energy development rather than apply sales revenue as a customer credit at the time of REC sales. Such an approach to RECs management could alleviate complexity since we plan and develop our system as an integrated whole. It would require some proxy for any jurisdictional mismatches that may occur, but these, could for example be addressed by adding renewables in jurisdictions rather than through more complex cost allocations and revenue assignment issues. Or this approach could be used for a baseline level of REC transactions and amounts above this could be treated as a credit.

While both approaches have unique challenges in terms of best meeting the needs of all of our jurisdictions we believe it is appropriate to take the remainder of the year to work through these issues with all of our state regulators and determine if a consensus for future action can be reached. We plan to discuss these issues with staff in each of our jurisdictions in coming weeks and months and will provide at least one progress by the end of the third quarter.

**South Dakota Renewable Energy Objective
2008 Status Report**

(Banked RECs)

<u>NSP Company Renewables</u>	<u>Renewable MWH</u>	<u>"Silent" REC MWH¹</u>	<u>Total Renewable MWH</u>
1 Wind	2,436,520	880,638	3,317,158
2 Other Hydro	651,649	96,712	748,361
3 Biomass	291,680	572,463	864,143
4 RDF	<u>223,055</u>	<u>215,426</u>	<u>438,481</u>
5 Total System	3,602,904	1,765,239	5,368,143

Allocation Factor: 2008 Net Energy Requirements

	<u>Req. (MWh)</u>	
6 MN	33,646,181	74.2784%
7 SD	2,048,141	4.5215%
8 ND	2,396,029	5.2896%
9 NSPW	<u>7,207,035</u>	15.9105%
10 NSP System	45,297,385	

2008 REO Reporting

11% of net energy requirements that is SD retail:	4.5215%	L7
12 SD renewable energy allocation:	242,723	L5 x L11
13 Remove Old Hydro (per SD REO):	<u>(33,837)</u>	L2 x L11
14 SD REO qualifying renewable energy:	208,885	
15 SD retail sales:	1,942,545	FERC Form 1
16 Remove SD Old Hydro allocation (per SD REO):	<u>(33,837)</u>	L2 x L11
17 SD REO retail sales:	1,908,708	
18 SD REO qualifying renewable energy percentage banked: ²	<u>10.9%</u>	(L14/L17)
19 RECs retired for 2008 REO Compliance	0	

¹ "Silent" RECs are related to renewable energy purchases initiated prior to the renewable energy credits market. There is uncertainty regarding whether the credits can be claimed by the energy purchaser or whether they reside fully with the owner.

² The SD REO does not require the retirement of RECs until 2015. Renewable Energy generated in years 2008 through 2014 is planned to be banked for future retirement and for the benefit of South Dakota customers.

Please provide a value in each of the boxes below with an "X" in it.

Company:
Northern States Power

Calendar Year 2008 RREO Report	Value	Comments
Retail Sales		
Total - All States (MWh)	42,563,508	
SD (MWh)	1,942,545	
Generation Capacity Owned/Purchased¹		
Total - All States (MW)	11,667	
SD (MW)	445	
Renewable Generation Capacity Owned/Purchased		
As of 12/31/2008; Includes capacity from PPAs silent on REC ownership ²		
Total - All States (MW)		
Wind	1,214	Includes capacity for Windsource program
Solar	-	
New Hydro	-	
Old Hydro	281	
Hydrogen	-	
Biomass/RDF/Landfill Gas	304	Capacity from all steam turbines is presented for mixed fuel plants; only the renewable generation creates RECs
Geothermal	-	
Recycled	-	
Total - All States (MW)	1,799	
SD (MW)		
Wind	54	
Solar	0	
New Hydro	0	
Old Hydro	0	
Hydrogen	0	
Biomass/RDF/Landfill Gas	0	
Geothermal	0	
Recycled	0	
Total SD (MW)	54	
Renewable Energy Credits Retired for SD		
Total - Generated In All States (MWh)		
Wind	0	
Solar	0	
New Hydro	0	
Old Hydro	0	
Hydrogen	0	
Biomass/RDF/Landfill Gas	0	
Geothermal	0	
Recycled	0	
Total - All States (MWh)	0	
Generated in SD (MWh)		
Wind	0	
Solar	0	
New Hydro	0	
Old Hydro	0	
Hydrogen	0	
Biomass/RDF/Landfill Gas	0	
Geothermal	0	
Recycled	0	
Total SD (MWh)	0	
Renewable Energy Credits Retired for Other States³		
Total - Generated In All States (MWh)		
Wind	432,586	
Solar	-	
New Hydro	-	
Old Hydro	120,950	
Hydrogen	-	
Biomass/RDF/Landfill Gas	142,270	
Geothermal	-	
Recycled	-	
Total - All States (MWh)	695,806	
Generated In SD (MWh)		
Wind	15,401	
Solar	-	
New Hydro	-	
Old Hydro	-	
Hydrogen	-	
Biomass	-	
Geothermal	-	
Recycled	-	
Total SD (MWh)	15,401	
Conserved Energy & Capacity		
Conserved Energy (MWh)		
Total - All States	549,892	
SD	5	
Conserved Capacity (MW)		
Total - All States	0.365	
SD	177	

Footnotes:

¹ Includes owned generation (nameplate capacity) and purchased generation (contracted summer capacity)

² "Silent" RECs are related to renewable energy purchases initiated prior to the renewable energy credits market. There is uncertainty regarding whether the credits can be claimed by the energy purchaser or whether they reside fully with the owner.

³ RECs present demonstrate RECs retired for WI RPS and MN RES compliance. It does not include RECs retired on behalf of WI Wholesale Customers

Northern States Power Company, a Minnesota corporation
 Minneapolis, Minnesota 55401

SOUTH DAKOTA ELECTRIC RATE BOOK - SDPUC NO. 2

FUEL CLAUSE RIDER

Section No. 5
 4th Revised Sheet No. 64
 Cancelling 3rd Revised Sheet No. 64

There shall be added to or deducted from the net monthly bill \$0.00001 per kilowatt-hour for each \$0.00001 increase above or decrease below \$0.01092 in the fuel cost per kilowatt-hour sales.

The fuel cost shall be the sum of the following for the most recent two month period plus unrecovered (or less over recovered) prior cumulative energy costs:

1. The fossil and nuclear fuel consumed in the Company's generating stations as recorded in Accounts 151 and 518.
2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges, when such energy is purchased on an economic dispatch basis. Account 555 includes hedging program gains, losses and transaction costs related to system supply, pursuant to Docket No. EL99-021.
3. The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in (2) above, less
4. The fuel related costs recovered through intersystem sales.
5. Net costs or revenues recorded in Accounts 456, 501 and 555 (and other appropriate accounts as determined by the Commission) linked to the Company's load serving obligation, associated with participation in wholesale electric energy and ancillary service markets operated by Regional Transmission Organizations, Independent System Operators or similar entities that have received Federal Energy Regulatory Commission approval to operate the energy markets.
6. Any credits for the sale or transfer of Renewable Energy Credits allocated to the South Dakota jurisdiction.

N
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The kilowatt-hour sales shall be all kilowatt-hours sold excluding intersystem sales for the same period.

A carrying charge or credit will be included in the determination of monthly fuel adjustment factors. Said charge or credit will be determined by applying one-twelfth of the overall rate of return granted by the South Dakota Public Utilities Commission in the most recent rate decision to the recorded balance of deferred fuel cost as of the end of the month immediately preceding the fuel adjustment factor determination.

Date Filed:

By: David M. Sparby

Effective Date:

President and CEO of Northern States Power Company, a Minnesota corporation

Docket No. EL09-

Order Date: