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BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF)	DOCKET NO. EL04-015
NORTHERN STATES POWER COMPANY)	
d/b/a XCEL ENERGY FOR APPROVAL TO)	SETTLEMENT AGREEMENT
INCLUDE RENEWABLE DEVELOPMENT)	BETWEEN XCEL ENERGY
FUND COSTS IN THE ELECTRIC FUEL)	<u>AND COMMISSION STAFF</u>
ADJUSTMENT CLAUSE)	

This Settlement Agreement is made and entered into by and between Northern States Power Company d/b/a/ Xcel Energy (“Company”) and the Staff of the Public Utilities Commission (“Commission Staff” or “Staff”).

On May 6, 2004, the Company filed a petition to include renewable development costs in the electric fuel adjustment clause, resulting in this docket. The renewable development fund is a commitment made by the Company to establish enough “dry casks” at its Prairie Island Nuclear Generating Plant to operate the units to the end of their licenses (ending in 2013 and 2014). This fund is specified in Minnesota Statute 116C.779 (Funding for Renewable Development). The statute requires the Company to “transfer to a renewable development account \$16 Million annually each year the plant is in operation, and \$7.5 Million each year the plant is not in operation” while the casks remain on site.

The Company asserts:

- that this expense is necessary to secure the continued low-cost operation of the Prairie Island facility;
- that the Company operates an integrated electrical power system from which customers in several states including South Dakota benefit;
- that it is normal and customary for the Company to allocate system wide expenses to the various states;
- that SDCL 49-34A-25 permits public utilities to automatically adjust rate schedules to reflect changes in the cost of purchased energy, and changes in the delivered costs of fuel consumed in the generation of electricity;
- and that this is a reasonable and efficient methodology for recovering the expenses of this commitment. Certainly, disposal of spent fuel is one of the “costs [the statute is plural] of fuel used in the generation of electricity... .”

A settlement conference in this matter was held on October 14, 2004. As a result of the settlement conference and subsequent discussions, the parties have agreed as follows, subject to the conditions set forth in this Settlement Agreement, including acceptance of this Agreement in its entirety and without change, omission or condition by the Commission (which modification would be unacceptable to either party) and with the understanding that each term of the Agreement is in consideration and support of every other term:

ARTICLE I.

WIND POWER COMMITMENT TO SOUTH DAKOTA

It is agreed that, if the Commission approves this Settlement Agreement, the Company by December 31, 2007, shall contract with one or more wind power developers to purchase the output of 50 MW of wind derived electrical power from generating machines located within the State of South Dakota.

In exchange for this commitment, the Staff agrees that cost recovery through the fuel clause mechanism of the renewable development fund expenditures that are awarded to renewable energy production projects (not research projects) and those affiliated program administrative expenses should be permitted as requested by the petition in this docket . (Exhibit A of this agreement depicts a forecast of what those expenses are expected to be. Exhibit B of this agreement depicts the effect of this program on a typical residential customer.) Only expenses incurred from 2004 until the time of implementation of new Xcel Energy rates following the next rate case will be allowed under this agreement. Further, this matter will be reconsidered at the time of the next rate case.

Should the Company be unable to contract to purchase this wind power located in South Dakota by the date and in the quantity stated above, all moneys collected through the fuel clause mechanism for the renewable development program will be refunded to the Company's South Dakota customers under terms and conditions approved by the Commission and this agreement will become null and void.

ARTICLE II

CONDITIONS

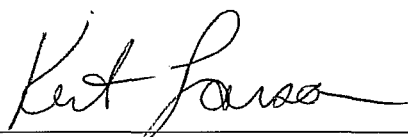
1. This Settlement Agreement does not in any respect constitute an admission by the Company or Staff that any allegation or contention in these proceedings is true or valid.
2. The making of this Settlement Agreement establishes no precedent and does not foreclose the Company or Staff from making any contention in any other proceeding or investigation, except for the commitments stated in Article I above.
3. Approval of this Settlement Agreement by the Commission does not in any respect constitute a determination by the Commission as to the merits of any allegations or contentions made in this proceeding, and the Company shall not be prejudiced or foreclosed from filing any new proceeding.
4. The Settlement Agreement is expressly conditioned upon the Commission's acceptance of all the provisions thereof, without change, omission or condition (which modification would be unacceptable to either party).
5. The discussions between the Company and Staff which produced this Settlement Agreement have been conducted with the customary understanding

that all offers of settlement and discussions relating thereto are and shall be privileged, shall be without prejudice to any other position of any participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding or otherwise.

6. This Settlement Agreement includes all terms of settlement and is submitted on the condition that in the event the Commission does not by order accept it in its entirety, this Settlement agreement is deemed withdrawn and does not constitute any part of the record in this proceeding or any other proceeding nor shall it be used for any other purpose.
7. If approved by the Commission, the Settlement Agreement will be binding upon the parties hereto, upon their successors, assigns, agents and representatives, and upon the Commission or any successor agency.
8. It is understood that Staff enters into this Settlement Agreement for the benefit of the retail electric customers of the Company in the State of South Dakota.

This Settlement Agreement is entered into this 8th day of April, 2005, by and between the Company and Staff by their respective agents who represent that they are fully authorized to do so on behalf of their principals.

NORTHERN STATES POWER COMPANY d/b/a XCEL ENERGY:

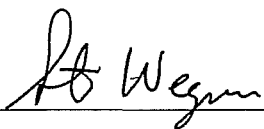


Kent Larson, Vice President

date

4/8/05

STAFF OF THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:



Steve Wegman, Staff Analyst

date

April 5 2005