



414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

January 3, 2007

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Dear Ms. Van Gerpen:

RE: Filing Pursuant to SDPUC Cogeneration and Small Power Production
Order, Docket No. F-3365

Pursuant to the above referenced docket, Northern States Power, a Minnesota corporation and wholly owned subsidiary of Xcel Energy ("Xcel Energy" or "the Company") hereby submits for Commission approval the revised rate sheets for the Occasional Delivery Energy Service and Time of Delivery Energy Service. The enclosed tariffs are essentially consistent with those the Commission approved in its December 17, 2004 Order (Docket No. EL04-030). In Attachment 1 are the supporting work papers to illustrate the derivation of these proposed rates.

The proposed Occasional Delivery Energy Service rate sheet is revised to reflect a 25 cents per month higher metering charge and 2.62 cents per kWh increase in energy payment. The energy payment is based on the Company's 2007 avoided energy cost estimate. The proposed Time of Delivery Energy Service rate sheet is revised to reflect a comparable 25 cents per month increase in metering charge. Similarly, energy and capacity payments are also revised to reflect the Company's 2007 avoided costs projection. The Company requests the Commission approve the proposed rate sheets.

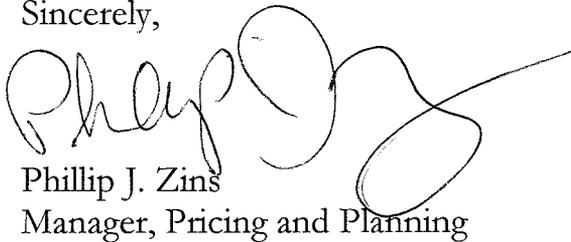
Xcel Energy notes that the statutory changes to the Public Utility Regulatory Policy Act of 1978 ("PUPRA") contained in the Energy Policy Act of 2005 ("EPAct 2005"),¹ the Federal Energy Regulatory Commission ("FERC") adoption

¹ Pub. L. No. 109-58, Sec. 1253, 119 Stat. 594 (2005).

of a Small Generation Interconnection Procedure and standard form Small Generation Interconnection Agreement in FERC Order No. 2006,² and recent FERC rules governing the mandatory purchase obligation under EPAct 2005, may affect future development of QF's in Minnesota and either encourage or discourage cogeneration and small power production. Since FERC recently issued its final rule implement the EPAct 2005 changes to PURPA,³ the ultimate impact is not known at this time.

If anyone has any questions, please call me at 612-330-6128.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip J. Zins". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Phillip J. Zins
Manager, Pricing and Planning

c. Jim Wilcox

enclosures

² *Standardization of Small Generation Interconnection Agreements and Procedures*, Order No. 2006, 70 Fed. Reg. 34,189 (June 13, 2005); 111 FERC ¶ 61,220 (2005); *order on reh.*, Order No. 2006-A, 116 FERC ¶ 61,046 (2006).

³ *New PURPA Section 210(m) Regulations Applicable to Small Power Production and Cogeneration Facilities*, Order No. 668, Docket No. RM06-10-000, (Oct. 20, 2006). FERC interpreted Section 210(m) to require elimination of utilities' QF purchase obligation in wholesale markets that meet specific criteria, including the Midwest ISO "Day 2" market. FERC established rebuttable presumptions regarding market access for QFs larger than 20 MW and smaller than 20 MW. To terminate a mandatory QF purchase obligation, a utility must file for FERC authorization. The new rules are effective 60 days after publication in the Federal Register.

OCCASIONAL DELIVERY ENERGY SERVICE
RATE CODE E50

Section No. 9
5th Revised Sheet No. 2
Canceling 4th Revised Sheet No. 2

AVAILABILITY

Available to any small qualifying facility (SQF) for the delivery of small amounts of energy.

RATE

Metering Charge for Single Phase Service per Month	\$3.75	I
Payment Schedule for Energy Delivered to Company		
Energy Payment per kWh	\$0.0503	I

TERMS AND CONDITIONS OF SERVICE

1. Electric service provided by Company to customer at the same site shall be billed in accordance with the appropriate retail electric tariff.
2. Compensation for energy delivered to Company is limited to payment for a maximum 2,000 kWh delivered per month. Delivery of energy to Company in excess of this limit will be uncompensated.
3. The minimum contracted term of service is 12 months.
4. Interconnection charges will be assessed by the Company on an individual basis for all costs associated with addition to or modification of Company facilities to accommodate the SQF. The monthly metering charge recovers the cost of the additional metering equipment and the associated billing, operating, and maintenance expenses. The net interconnection charge recovers those costs incurred for equipment and expenses in excess of metering equipment and expenses. At the option of the SQF, the net interconnection charge will be a single payment or will be a monthly payment. The calculations of such charges are described in Subdivision 1, DEFINITIONS, in this section.
5. Payments are subject to the adjustment provided in Fuel Clause Rider.

Date Filed: 01-03-07

By: Cynthia L. Leshner

Effective Date:

President and CEO of Northern States Power Company

Docket No.

Order Date:

TIME OF DELIVERY ENERGY SERVICE
RATE CODE E52

Section No. 9
5th Revised Sheet No. 3
Canceling 4th Revised Sheet No. 3

AVAILABILITY

Available to any small qualifying facility (SQF).

RATE

Metering Charge for Single Phase Service per Month	\$4.75	I
Payment Schedule for Energy Delivered to Company		
On Peak Energy Payment per kWh	\$0.0682	I
Off Peak Energy Payment per kWh	\$0.0406	I
Capacity Payment for Firm Power per On Peak kWh	\$0.0079	I

FUEL CLAUSE

Payments subject to the adjustment provided for in Fuel Clause Rider.

DETERMINATION OF FIRM POWER

The SQF will have supplied firm power if during the billing period an on peak capacity factor of at least 65% was achieved. The calculation of the on peak capacity factor will be as follows:

The average on peak period metered capacity delivered to the Company for the on peak period of the billing period divided by the greatest 15 minute metered capacity delivered for the on peak period of the same billing period expressed in percent and rounded to the nearest whole percent. If the percent calculated is 65 or greater, capacity payment will be made. If the percent calculated is less than 65, capacity payment will not be made.

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President and CEO of Northern States Power Company

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Derivation of Metering Costs - State of South Dakota

OCCASIONAL DELIVERY ENERGY SERVICE

STANDARD KWH METER

Single Phase

(1) Installed Cost	\$438.11
(2) L.A.R.R.	12.73%
(3) Levelized Cost (1)*(2)	\$55.76
(4) Accounting Expenses \$/Cust/Yr	\$27.62
(5) Total Annual (3)+(4)	\$83.39
(6) Total Monthly (5)/12	\$6.95

Proposed	\$3.75
Current	\$3.50

TIME OF DELIVERY ENERGY SERVICE

TOD KW/KWH METER

Single Phase

(7) Installed Cost	\$261.25
(8) Levelized Cost (7)*(2)	\$33.25
(9) Total Annual (8)+(4)	\$60.88
(10) Total Monthly	\$5.07

Proposed	\$4.75
Current	\$4.50

Source:

(1)(7) Data provided by NSP Metering Dept.

(2) Based on cost of capital on page 4

(4) Based on NSP ECCOSS Workpapers (Docket No. EL92-016) escalated to 2004 level.

Derivation of Energy Payments - State of South Dakota

OCCASIONAL DELIVERY ENERGY SERVICE	
	Annual Average
(1) Estimated System Average Incremental Energy Costs for 2007 (¢/kWh)	4.65
(2) Energy Loss Factors	0.9241
(3) Estimated System Average Incremental Energy Costs Adjusted for Losses (1)/(2)	5.03

TIME OF DAY PURCHASE SERVICE		
	Annual On Peak	Annual Off Peak
(1) Estimated System Average Incremental Energy Costs for 2007 (¢/kWh)	6.25	3.76
(2) Energy Loss Factors	0.9170	0.9279
(3) Estimated System Average Incremental Energy Costs Adjusted for Losses(1)/(2)	6.82	4.06

Sources:
 Incremental Energy Cost Data provided by Xcel Energy's Risk Management department

**Northern States Power, a Minnesota Corporation and
Wholly Owned Subsidiary of Xcel Energy
Electric Operations - State of South Dakota
COGENERATION AND SMALL POWER PRODUCTION FILING**

Calculation of Net Annual Avoided Capacity Costs

(1) Completed Cost of Planned C.T. Unit (2007 \$)	\$464 /kW
(2) Inflation Net of Technical Progress	2.40%
(3) Average Service Life	30 Years
(4) Discount Rate (After Tax)	7.85%
Calculation of Marginal Capital Carry Charge Rate	
(5) Present Value of Revenue Requirements	\$531 /kW
(6) Annuity Factor Adjustment for Inflation **	0.06904
(7) Present Value of Revenue Requirements Adjusted for Inflation (5)*(6)	\$36.66
(8) Marginal Capital Carrying Charge Rate (7)/(1)	0.07901
(9) First Year Revenue Requirement (1)*(8)	\$36.66 /kW (2007 \$)
(10) Present Value at 7.85% for 0 years	\$36.66 /kW
(11) Present Value of Average Annual Fuel Savings	\$0.00 /kW
(12) Annual Avoided Capacity Cost (10)-(11)	\$36.66 /kW
(13) Adjusted for 15% Reserve Margin (12)*1.15	\$42.16 /kW
(14) Plus \$20.63/kW Fixed O & M (2007 \$) (13)+20.63	\$62.79 /kW
(15) Adjusted for Losses (14)/0.9041	\$69.45 /kW
(16) NET ANNUAL AVOIDED CAPACITY COST	\$69.45 /kW
(17) Net Annual Avoided Capacity Cost Average Over All Hours (16)*100/8760	0.79 cents/kWh

** $AC = K \cdot (1+j)^{t-1} \cdot [1 / (1 - (1+j)^n / (1+r)^n)]$
Where AC = Annual Charge in year t
t = Year (=1)
K = Total Present Value Cost of Original Investment
r = Discount Rate (Overall Marginal Cost of Capital) (7.85%)
j = Inflation Rate Net of Technology Progress (2.40%)
n = Expected Service Life of Investment (30 Years)

Northern States Power, a Minnesota Corporation and
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 Electric Operations - State of South Dakota
 COGENERATION AND SMALL POWER PRODUCTION FILING

Marginal Cost of Capital

<i>(Before Tax)</i>	Capitalization Ratio (%)	Cost (%)	Weighted (%)
Debt	49.39%	6.95%	3.430%
Preferred Equity	0.00%	0.00%	0.000%
Common Equity	50.61%	11.40% *	5.770%
Weighted Average	100.00%		9.200%

* Common Equity is Commission settled return in case no. EL92-016

<i>(After Tax)</i>	Capitalization Ratio (%)	Cost (%)	Weighted (%)
Debt	49.39%	6.95%	2.075%
Preferred Equity	0.00%	0.00%	0.000%
Common Equity	50.61%	11.40% *	5.770%
Weighted Average	100.00%		7.845%

* Common Equity is Commission settled return in case no. EL92-016

Source:

Information provided by Revenue Analysis department