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June 1, 2010

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:

Pursuant to Dockets EL07-007 – transmission cost recovery rider, EL07-026 – environmental measures cost recovery rider and EL09-009 – the recent rate case, Xcel Energy hereby submits its annual report of jurisdictional earnings.

If anyone has any questions, please call me at 339-8350

Sincerely,

A handwritten signature in black ink that reads 'J Wilcox'.

Jim Wilcox

ANNUAL REPORT
OF
JURISDICTIONAL EARNINGS
BY
NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION
TO THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

FOR THE YEAR ENDING

DECEMBER 31, 2009

South Dakota Jurisdiction
Electric Utility



2009

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Electric Utility

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Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2009</u>	<u>2008</u>
1 Operating Income from Electric Operations (E-2):	\$13,632	\$16,085
2 Average Regulated Rate Base (E-3):	\$279,376	\$240,758
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	4.88%	6.68%
4 Weighted Cost of Debt (E-4):	3.09%	3.23%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	52.94%	51.43%
7 Return on Equity (ROE):	3.38%	6.71%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2009</u>	<u>2008</u>
8 Operating Income from Electric Operations:	\$13,632	\$16,085
9 Impact of weather on Mwh Sales:	(47,019)	(16,413)
10 Impact of weather on Electric Operating Income :	(\$1,259)	(\$592)
11 Weather-Normalized Operating Income:	\$14,891	\$16,677
12 Average Regulated Rate Base:	\$279,376	\$240,758
13 Weather-Normal Rate of Return on Rate Base (ROR):	5.33%	6.93%
14 Weather-Normalized Return on Equity (ROE):	4.23%	7.19%

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2009</u> <u>Total NSP</u>	<u>2009</u> <u>S.D. Juris.</u>	<u>2008</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<u>Operating Revenues:</u>					
1	Residential	1,006,379	58,656	58,628	0.0%
2	Small Comm. & Ind.	1,151,934	63,781	65,732	-3.0%
3	Large Comm. & Ind.	588,058	18,170	21,444	-15.3%
4	Other ¹	699,747	34,974	37,579	-6.9%
5	Total Revenues:	3,446,118	175,581	183,384	-4.3%
<u>Operating Expenses:</u>					
6	Production	1,829,207	99,911	108,383	-7.8%
7	Transmission	160,634	8,725	7,551	15.5%
8	Distribution	102,530	5,828	5,917	-1.5%
9	Customer Billing	60,986	4,088	4,212	-2.9%
10	Customer Service	60,889	342	415	-17.6%
11	Sales & Marketing	294	54	53	1.9%
12	Admin. & General	195,438	11,796	9,809	20.3%
13	Depreciation & Amortization	357,239	21,413	20,275	5.6%
14	Property Taxes	102,902	4,744	4,436	6.9%
15	Other General Taxes ²	29,006	1,628	1,381	17.9%
16	Income Taxes	23,973	(3,350)	(258)	1198.4%
17	Deferred Income Taxes & ITC	136,086	6,770	5,125	32.1%
18	Total Expenses:	3,059,183	161,949	167,299	-3.2%
19	Regulated Operating Income	386,935	13,632	16,085	-15.3%

¹ Includes primarily public street & highway lighting, sales to public authorities, interchange billings, other electric operating revenues.

² Includes payroll taxes.

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u> <u>Item</u>	2009 <u>Total NSP</u>	2009² <u>S.D. Juris.</u>	2008³ <u>S.D. Juris.</u>	Annual Change
1 Plant in Service	11,870,405	655,697	589,212	11.3%
2 Accumulated Depreciation	6,084,829	331,882	312,270	6.3%
3 Net Plant in Service	5,785,576	323,815	276,942	16.9%
4 Plant Held for Future Use	0	0	0	*
5 Construct Work in Progress	0	0	0	*
6 Materials and Supplies	100,549	5,411	4,944	9.4%
7 Fuel Stocks	99,614	5,434	5,879	-7.6%
8 Prepayments & Other Rate Base	56,209	7,978	6,296	26.7%
9 Customer Deposits	(1,715)	(102)	(63)	61.9%
10 Cash Working Capital	0	0	0	*
11 Other Rate Base ¹	(45,099)	(2,476)	(2,637)	-6.1%
12 Accum. Deferred Taxes	(1,039,093)	(60,684)	(50,603)	19.9%
13 Total Other Rate Base	(829,535)	(44,439)	(36,184)	22.8%
14 Total Average Rate Base	4,956,041	279,376	240,758	16.0%

¹ Includes deferred assets and liabilities such as accrued vacations, post-retirement medical benefits (FASB 106), post employment benefits (FASB 112), unfunded pension liability, environmental cleanup, severance accrual, etc.

² 2009 rate base is based on an average of beginning-of-year and end-of-year balances.

³ 2008 average rate base is based on 13 monthly averages. This convention was used because of the close proximity of this report to the general rate case.

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

IV. COST OF CAPITAL

2009 Actual

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt ¹	\$2,867,517	47.06%	6.56%	3.09%
2	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$2,867,517	47.06%	6.56%	3.09%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$3,225,395	52.94%	3.38%	1.79%
6	Total Equity	\$3,225,395	52.94%		
7	Total Capital	\$6,092,912	100.00%		4.88%

2009 Normalized

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt ¹	\$2,867,517	47.06%	6.56%	3.10%
9	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
10	Total Debt	2,867,517	47.06%	6.58%	3.10%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	\$3,225,395	52.94%	4.23%	2.23%
13	Total Equity	\$3,225,395	52.94%		
14	Total Capital	\$6,092,912	100.00%		5.33%

¹ Long-term and short-term debt are 12 month averages

² Preferred stock and common stock are 13 month averages

Northern States Power Company Electric Utility - South Dakota

(Dollars In Thousands)

V. REQUIRED RATE OF RETURN

2009 Based on 11.25% ROE

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt ¹	\$2,867,517	47.06%	6.56%	3.09%
2	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$2,867,517	47.06%	6.57%	3.09%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$3,225,395	52.94%	11.25%	5.96%
6	Total Equity	\$3,225,395	52.94%		
7	Total Capital	\$6,092,912	100.00%		9.05%

2009 Based on 9.5% ROE

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt ¹	\$2,867,517	47.06%	6.56%	3.09%
9	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
10	Total Debt	2,867,517	47.06%	6.57%	3.09%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	\$3,225,395	52.94%	9.50%	5.03%
13	Total Equity	\$3,225,395	52.94%		
14	Total Capital	\$6,092,912	100.00%		8.12%

¹ Long-term and short-term debt are 12 month averages

² Preferred stock and common stock are 13 month averages

Northern States Power Company
Electric Utility - South Dakota

(Dollars In Thousands)

VI. REVENUE DEFICIENCY

2009 Based on 11.25% ROE

<u>Line</u>	<u>Item</u>	Actual 2009 S.D. Juris.	Weather Normalized 2009 S.D. Juris.
	<u>Revenue Deficiency</u>		
1	Total Operating Income	13,632	14,891
2	Total Average Rate Base	279,376	279,376
3	Require Operating Income (Rate Base * Required Return)	25,284	25,284
4	Operating Income	13,632	14,891
5	Operating Income Deficiency	11,652	10,393
6	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.53846	1.53846
7	Revenue Deficiency (Income Deficiency * Conversion Factor)	17,924	15,990

2009 Based on 9.5% ROE

<u>Line</u>	<u>Item</u>	Actual 2009 S.D. Juris.	Weather Normalized 2009 S.D. Juris.
	<u>Revenue Deficiency</u>		
8	Total Operating Income	13,632	14,891
9	Total Average Rate Base	279,376	279,376
10	Require Operating Income (Rate Base * Required Return)	22,685	22,685
11	Operating Income	13,632	14,891
12	Operating Income Deficiency	9,053	7,794
13	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.53846	1.53846
14	Revenue Deficiency (Income Deficiency * Conversion Factor)	13,927	11,992

ROE = 3.38%
Deficiency = \$17,926
% Increase = 12.65%
Required ROE = 11.25%

ADDENDUM

Page 1 of 5

Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2009 Actuals

With Retail Revenues

May 25, 2010

Northern States Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2009 Actuals

(Dollars in Thousands)

Rate Base Summary

	Total Company Electric			SD 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	11,512,058	12,228,752	11,870,405	635,929	675,464	655,697	10,876,129	11,553,288	11,214,708
2 Depreciation Reserve	<u>(5,965,775)</u>	<u>(6,203,883)</u>	<u>(6,084,829)</u>	<u>(324,570)</u>	<u>(339,193)</u>	<u>(331,882)</u>	<u>(5,641,205)</u>	<u>(5,864,690)</u>	<u>(5,752,947)</u>
3 Net Utility Plant	5,546,283	6,024,869	5,785,576	311,359	336,271	323,815	5,234,924	5,688,598	5,461,761
4 C.W.I.P.	0	0	0	0	0	0	0	0	0
5 Accumulated Deferred Taxes	(969,643)	(1,108,542)	(1,039,093)	(57,236)	(64,131)	(60,684)	(912,407)	(1,044,411)	(978,409)
Other Rate Base:									
6 Cash Working Capital	0	0	0	0	0	0	0	0	0
7 Materials & Supplies	100,549	100,549	100,549	5,411	5,411	5,411	95,138	95,138	95,138
8 Fuel Inventory	99,614	99,614	99,614	5,434	5,434	5,434	94,180	94,180	94,180
9 Non-Plant Assets & Liab	(46,698)	(43,500)	(45,099)	(2,562)	(2,389)	(2,476)	(44,136)	(41,111)	(42,623)
10 Prepays & Other	44,331	64,657	54,494	7,307	8,444	7,876	37,024	56,213	46,618
11 Total Rate Base	4,774,436	5,137,647	4,956,041	269,713	289,040	279,376	4,504,723	4,848,607	4,676,665

Income Statement Summary

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
<u>Operating Revenues</u>			
1 Retail	2,778,353	141,734	2,636,619
2 CIP Adjustment to Program Costs	0	-	0
3 Interdepartmental	414	-	414
4 Other Operating	667,351	33,847	633,504
5 Gross Earnings Tax	0	-	0
6 Total Operating Revenues	3,446,118	175,581	3,270,537
<u>Expenses</u>			
Operating Expenses:			
7 Fuel & Purchased Energy	1,161,186	64,164	1,097,022
8 Power Production	668,021	35,747	632,274
9 Transmission	160,634	8,725	151,909
10 Distribution	102,530	5,828	96,702
11 Customer Accounting	60,986	4,088	56,898
12 Customer Service & Information	60,889	342	60,547
13 Sales, Econ Dvlp & Other	294	54	240
14 Administrative & General	195,438	11,796	183,642
15 Total Operating Expenses	2,409,978	130,744	2,279,234
16 Depreciation	315,504	20,400	295,104
17 Amortization	41,735	1,013	40,722
Taxes:			
18 Property	102,902	4,744	98,158
19 Gross Earnings	0	-	0
20 Deferred Income Tax & ITC	136,086	6,770	129,316
21 State & Federal Income (see Page 3)	23,973	(3,350)	27,322
22 Payroll & Other	29,006	1,628	27,378
23 Total Taxes	291,967	9,792	282,174
24 Total Expenses	3,059,183	161,949	2,897,234
25 AFUDC	0	-	0
26 Total Operating Income	386,935	13,632	373,303

(Dollars in Thousands)

Income Tax Summary

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
<u>Income Before Taxes</u>			
1 Total Operating Revenues	3,446,118	175,581	3,270,537
2 less: Total Operating Expenses	(2,409,978)	(130,744)	(2,279,234)
3 Book Depreciation & Amortization	(357,239)	(21,413)	(335,826)
4 Taxes (Other Than Current Income)	(267,994)	(13,142)	(254,852)
5 Total Before Tax Book Income	410,907	10,282	400,625
<u>Tax Additions</u>			
6 Book Depreciation	315,504	20,400	295,104
7 Deferred Income Taxes & ITC	136,086	6,770	129,316
8 Nuclear Fuel Burn (ex D&D)	92,085	4,902	87,183
9 Nuclear Outage Accounting	35,729	2,103	33,626
10 Avoided Tax Interest	28,858	1,513	27,345
11 Config Mgmt	57	57	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	608,319	35,745	572,574
<u>Tax Deductions</u>			
18 Debt Interest Expense	153,142	8,633	144,509
19 Tax Depreciation & Removal	768,367	44,620	723,747
20 Manufacture Production Deduction	1,342	83	1,259
21 Open	0	0	0
22 Open	0	0	0
23 Open	0	0	0
24 Other Tax/Book Timing Differences	14,842	873	13,969
25 Net Preferred Stock Deduction	0	0	0
26 Total Tax Deductions	937,693	54,209	883,484
27 State Taxable Income	81,533	(8,182)	89,715
28 State Income Tax Rate	9.00%	0.00%	N/A
29 State Taxes before Credits	7,342	0	7,342
30 State Credits	531	0	531
31 Total State Income Taxes	6,811	0	6,811
32 Federal Taxable Income	74,723	(8,182)	82,904
33 Federal Income Tax Rate	35.00%	35.00%	35.00%
34 Federal Tax before Credits	26,153	(2,864)	29,017
35 Federal Tax Credits	8,991	486	8,505
36 Total Federal Income Taxes	17,162	(3,350)	20,512
37 Total Federal & State Income Taxes	23,973	(3,350)	27,322

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	6.5621%	47.0632%	3.0900%	State of South Dakota Tax rate	0.00%
2	Short Term Debt	0.0000%	0.0000%	0.0000%	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>35.00%</u>
4	Common Equity	11.2500%	52.9368%	5.9600%	Total South Dakota Composite Tax Rate	35.00%
5	Required Rate of Return			9.0500%	Total Corporate Composite Tax Rate	40.85%

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
<u>Rate of Return (ROR)</u>			
6	Total Operating Income	386,935	13,632
7	Total Average Rate Base	<u>4,956,041</u>	<u>279,376</u>
8	ROR (Operating Income / Rate Base)	7.81%	4.88%

<u>Return on Equity (ROE)</u>			
9	Total Operating Income	386,935	13,632
10	Debt Interest (Rate Base * Weighted Debt Cost)	(153,142)	(8,633)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	<u>0</u>	<u>0</u>
12	Earnings Available for Common	233,793	4,999
13	Equity Rate Base (Rate Base * Equity Ratio)	<u>2,623,570</u>	<u>147,893</u>
14	ROE (Earnings for Common / Equity Rate Base)	8.91%	3.38%

<u>Revenue Deficiency</u>			
15	Require Operating Income (Rate Base * Required Return)	448,522	25,284
16	Operating Income	<u>386,935</u>	<u>13,632</u>
17	Operating Income Deficiency	61,587	11,652
18	Revenue Conversion Factor (1/(1-Composite Tax Rate)	<u>1.69070</u>	<u>1.53846</u>
19	Revenue Deficiency (Income Deficiency * Conversion F	104,126	17,926

<u>Total Retail Revenue Requirements</u>			
20	Retail Related Revenues	2,778,767	141,734
21	Revenue Deficiency	<u>104,126</u>	<u>17,926</u>
22	Total Retail Revenue Requirements	2,882,893	159,660

23	<u>Percentage Increase (Decrease)</u>	3.75%	12.65%	3.27%
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