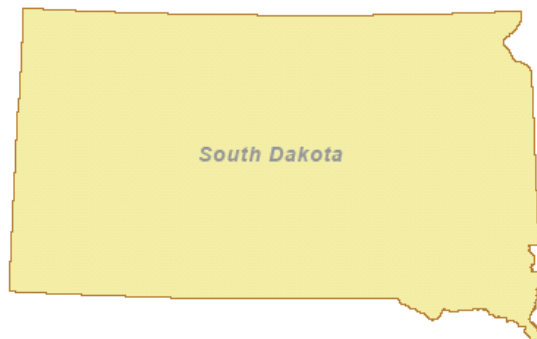


ANNUAL REPORT
OF
JURISDICTIONAL EARNINGS
BY
NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION
TO THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

FOR THE YEAR ENDING

DECEMBER 31, 2010

South Dakota Jurisdiction
Electric Utility



2010

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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>2010</u>	<u>2009</u>
1 Operating Income from Electric Operations (E-2):	\$13,697	\$13,632
2 Average Regulated Rate Base (E-3):	\$300,635	\$279,376
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	4.56%	4.88%
4 Weighted Cost of Debt (E-4):	3.01%	3.09%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	52.48%	52.94%
7 Return on Equity (ROE):	2.95%	3.38%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2010</u>	<u>2009</u>
8 Operating Income from Electric Operations:	\$13,697	\$13,632
9 Impact of weather on Mwh Sales:	14,307	(47,019)
10 Impact of weather on Electric Operating Income :	\$482	(\$1,259)
11 Weather-Normalized Operating Income:	\$13,215	\$14,891
12 Average Regulated Rate Base:	\$300,635	\$279,376
13 Weather-Normal Rate of Return on Rate Base (ROR):	4.40%	5.33%
14 Weather-Normalized Return on Equity (ROE):	2.64%	4.23%

Northern States Power Company
Electric Utility - South Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2010</u> <u>Total NSP</u>	<u>2010</u> <u>S.D. Juris.</u>	<u>2009</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
<u>Operating Revenues:</u>					
1	Residential	1,091,313	66,538	58,656	13.4%
2	Small Comm. & Ind.	1,234,448	69,597	63,781	9.1%
3	Large Comm. & Ind.	624,462	19,637	18,170	8.1%
4	Public Street & Highway Ltg	24,748	1,176	1,125	4.6%
5	Other Sales to Publ Auth	8,458	3	2	12.4%
	Total Retail	2,983,429	156,951	141,734	10.7%
6	Interdepartmental	417	0	0	*
7	Sales for Resale	204,835	10,393	7,242	43.5%
8	Interchange Agreement	416,076	23,286	20,952	11.1%
9	Other	103,265	5,656	5,653	0.1%
10	Total Revenues:	3,708,022	196,286	175,581	11.8%
<u>Operating Expenses:</u>					
11	Production	2,045,315	120,240	99,911	20.3%
12	Transmission	174,351	9,757	8,725	11.8%
13	Distribution	109,899	6,533	5,828	12.1%
14	Customer Billing	58,762	3,996	4,088	-2.3%
15	Customer Service	79,140	424	342	24.0%
16	Sales & Marketing	332	53	54	-1.9%
17	Admin. & General	203,428	11,978	11,796	1.5%
18	Depreciation & Amortization	360,052	19,093	21,413	-10.8%
19	Property Taxes	116,166	5,560	4,744	17.2%
20	Other General Taxes ¹	29,044	1,670	1,628	2.6%
21	Income Taxes	7,937	0	(3,350)	-100.0%
22	Deferred Income Taxes & ITC	145,440	3,285	6,770	-51.5%
23	Total Expenses:	3,329,866	182,589	161,949	12.7%
24	Regulated Operating Income	378,156	13,697	13,632	0.5%

¹ Includes payroll taxes.

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(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u>	<u>Item</u>	2010² <u>Total NSP</u>	2010³ <u>S.D. Juris.</u>	2009³ <u>S.D. Juris.</u>	Annual Change
1	Plant in Service	12,476,649	714,371	655,697	8.9%
2	Accumulated Depreciation	6,381,238	362,969	331,882	9.4%
3	Net Plant in Service	6,095,411	351,402	323,815	8.5%
4	Plant Held for Future Use	0	0	0	*
5	Construct Work in Progress	0	0	0	*
6	Materials and Supplies	111,130	6,260	5,411	15.7%
7	Fuel Stocks	86,048	4,816	5,434	-11.4%
8	Prepayments & Other Rate Base	83,480	10,011	7,978	25.5%
9	Customer Deposits	(2,617)	(156)	(102)	52.9%
10	Cash Working Capital	0	0	0	*
11	Other Rate Base ¹	(45,059)	(2,603)	(2,476)	5.1%
12	Accum. Deferred Taxes	(1,220,282)	(69,095)	(60,684)	13.9%
13	Total Other Rate Base	(987,300)	(50,767)	(44,439)	14.2%
14	Total Average Rate Base	5,108,111	300,635	279,376	7.6%

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 Rate base is based on an average of beginning-of-year and end-of-year balances.

³ 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

2010 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	\$3,086,733	47.52%	6.33%	3.01%
2	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$3,086,733	47.52%	6.33%	3.01%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$3,408,561	52.48%	2.95%	1.55%
6	Total Equity	\$3,408,561	52.48%		
7	Total Capital	\$6,495,294	100.00%		4.56%

2010 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	\$3,086,733	47.52%	6.33%	3.01%
9	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
10	Total Debt	3,086,733	47.52%	6.33%	3.01%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	\$3,408,561	52.48%	2.64%	1.39%
13	Total Equity	\$3,408,561	52.48%		
14	Total Capital	\$6,495,294	100.00%		4.40%

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

[BEGIN TRADE SECRET

2010 Based on authorized 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	Short-Term Debt ¹				
3	Total Debt				
4	Preferred Stock ²				
5	Common Equity ²				
6	Total Equity				
7	Total Capital				

END TRADE SECRET]

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
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VI. REVENUE DEFICIENCY

2010 Based on authorized ROE

[BEGIN TRADE SECRET
 Weather
 Normalized
 2010
S.D. Juris. S.D. Juris.

<u>Line</u>	<u>Item</u>	<u>Actual</u> 2010 <u>S.D. Juris.</u>	<u>Weather</u> Normalized 2010 <u>S.D. Juris.</u>
	<u>Revenue Deficiency</u>		
1	Total Operating Income		
2	Total Average Rate Base		
3	Require Operating Income (Rate Base * Required Return)		
4	Operating Income	_____	_____
5	Operating Income Deficiency		
6	Revenue Conversion Factor (1/(1-Composite Tax Rate))	_____	_____
7	Revenue Deficiency (Income Deficiency * Conversion Factor)		

END TRADE SECRET]