414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

December 31, 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: APPLICATION FOR APPROVAL OF A FUEL COST RIDER VARIANCE TO CREDIT CUSTOMERS FOR THE SALE OF RENEWABLE ENERGY CREDITS

Dear Ms. Van Gerpen:

Northern States Power Company, a Minnesota corporation ("Xcel Energy" or the "Company") hereby requests South Dakota Public Utilities Commission approval to implement a pilot program in South Dakota where the Company will sell, from time-to-time, excess renewable energy credits ("RECs") allocated to our South Dakota jurisdictional customers and then credit the applicable net proceeds back to those customers thereby reducing electric rates.

If there are questions regarding information contained in this filing, please feel free to contact me at (605) 339-8350.

SINCERELY,

JAMES C. WILCOX
MANAGER, GOVERNMENT & REGULATORY AFFAIRS

Enclosures

STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY, A MINNESOTA CORPORATION

DOCKET NO. EL09-____

PETITION FOR APPROVAL OF A FUEL CLAUSE RIDER VARIANCE TO CREDIT CUSTOMERS FOR THE SALE OF RENEWABLE ENERGY CREDITS

PETITION

INTRODUCTION

Pursuant to South Dakota Codified Laws ("SDCL") Chapter 49-34A, Northern States Power Company, a Minnesota corporation ("Xcel Energy", "NSP" or the "Company"), hereby provides to the South Dakota Public Utilities Commission ("Commission") this Petition to implement our proposal for a variance to the Company's Fuel Clause Rider tariff ("Fuel Clause Rider" or "FCR") to include as a Commission approved fuel incentive the ability for the Company to credit a portion of the proceeds obtained from the sale of Renewable Energy Credits ("REC") back to our customers through our Fuel Clause Rider tariff. This will allow for the revenues from these sales to be returned to customers in the most expeditious manner possible. Our proposed tariff change is in addition to any amendments to our tariff submitted as a result of our most recent rate proceeding before the Commission.

This petition is submitted pursuant to SDCL § 49-34A-12 (governing notice of tariff changes), § 49-34A-7 (governing utility accounting), and § 49-34A-25 (governing utility automatic adjustment provisions). The tariff revisions are proposed to be effective upon Commission approval of this Petition. The Company respectfully requests that the Commission approve the tariff revisions.

Pursuant to S.D. Admin. R. 20:10:13:26, Xcel energy provides the following information:

(1) Name and address of the public utility:

Northern States Power Company
500 West Russell Street
Sioux Falls, South Dakota 57104
(605) 339-8350

(2) Section and sheet number of tariff schedule:

Based on our currently effective tariff, Section 5, Third Revised Sheet - No. 64 will be affected by our proposal.

Pursuant to SDCL § 49-34A-12 and § 49-34A-2, the Company is submitting the following:

Attachment 1: Sheet No. 5-64, 4th Revision

Attachment 1 provides the changed FCR tariff sheet based on our currently effective tariff. Attachment 1 shows the change in both "legislative" format, with the new tariff provision underlined and the "non-legislative" format. Once approval has been received, we propose to add these changes to the then currently effective Fuel Clause Rider tariff and include these revisions in the Company's South Dakota Electric Rate Book on file with the Commission.

(3) Description of the change:

The Company is proposing to amend the Fuel Clause Rider in our South Dakota electric Rate Book – SDPUC No. 2 to include in the calculation of the fuel cost a credit to customers corresponding to 85% of the proceeds from the sale of RECs allocated to our South Dakota jurisdiction during the applicable time period. Our proposed tariff change is in addition to any amendments to our tariff submitted as a result of our most recent rate proceeding before the Commission.

(4) Reason for the change:

In recent years, each of the states in which we operate has adopted policies designed to advance the development of renewable energy. These policies vary

across states. Differences include, among other things: i) the amount of required renewable energy; ii) the types of renewable energy that qualify; and iii) whether the policy is an objective or requirement. Xcel Energy operates the NSP System on an integrated basis. This integrated system provides benefits to our customers in South Dakota and the other states that we serve because the integrated regional system is able to reduce the cost of service as economies of scale result from integrated dispatch of generating units and the coordinated use of the transmission system. This integrated system also provides for increased reliability due to the diversity and dispersed set of resources across the system. As part of operating the integrated NSP System, Xcel Energy plans to acquire the most cost-effective resources to meet all of our renewable requirements, similar to the way we plan and operate other aspects of our integrated electric generation and transmission system.

South Dakota lawmakers have implemented the Renewable, Recycled and Conserved Energy Objective ("South Dakota REO") encouraging electric utilities to pursue the objective of supplying at least 10 percent of retail sales from renewable generation sources by 2015. South Dakota law requires that Xcel Energy report annually to the Commission on the qualifying energy delivered and the RECs purchased and retired in South Dakota. Xcel Energy provided this information on our South Dakota REO compliance program in our 2009 REPORT ON PROGRESS TOWARDS MEETING THE RENEWABLE ENERGY AND RECYCLED ENERGY OBJECTIVE, June 30, 2009 ("2009 REO Report").

Because the South Dakota REO does not become effective until 2015, we currently have excess RECs available that are associated with our South Dakota jurisdictional customers. Because our South Dakota jurisdictional customers have paid for the renewable energy that generated these RECs, we believe it is appropriate to sell the excess RECs using the proceeds to lower electric rates for our South Dakota jurisdictional customers.

We have developed the following plan to return the value of these RECs back to our South Dakota customers. Our plan has the following four elements.

1. Jurisdictional Allocation of RECs. As described in our 2009 REO Report, we are allocating RECs among our various state jurisdictions in the same way renewable energy is allocated across our system, resulting in approximately four and one-half percent of the RECs allocated to South Dakota. Based on existing and contracted renewable resources,

this allocation results in about 250,000 RECs available this year with about 400,000 RECs annually by 2015.

2. Compliance with REO. We propose to demonstrate compliance with the South Dakota REO by retiring RECs from the pool of active RECs allocated to the South Dakota jurisdiction. Since the South Dakota REO establishes a goal for renewable energy of 10 percent of retail sales by 2015, we have assumed no RECs need to be retired for compliance purposes in the years prior to 2015.

3. Sale of Excess RECs. We propose to sell RECs allocated to South Dakota in excess of those needed for compliance. If the Commission concurs, we will strive to sell such RECs until they are needed for compliance in 2015. We note, however, that the market for RECs has not yet fully developed and consequently it is not clear how strong the demand for RECs will be or what the price of RECs will be.

4. Return Proceeds to Customers. We propose to return 85 percent of the applicable net revenue generated through REC sales to customers through a credit to the Fuel Clause Rider. We propose to retain 15 percent of the net revenue as an appropriate incentive to maximize the value of RECs in an immature market.

In addition to providing revenue to our South Dakota customers, there is an additional benefit to launching this program at this time. Specifically, the markets in which RECs will be bought and sold are in the early stage of development. Implementing this program will afford us the opportunity to gain experience in the emerging market for renewable attributes. We intend to evaluate the performance of this effort and work with the Commission to make adjustments, if necessary, and enhance the program, if appropriate. We propose to report the status of our efforts in our annual Report on Progress Towards Meeting the Renewable Energy and Recycled Energy Objective due by June 30th of each year.

A. Background on Renewable Energy Standards

Renewable energy mandates or objectives have been established in each jurisdiction we serve and are briefly listed below.

South Dakota
South Dakota's REO (S.D.C.L. § 49-34A-101 et seq.) establishes a state renewable and recycled energy objective that 10 percent of all electricity sold at retail within the state by the year 2015 be obtained from renewable energy and recycled energy sources, subject to a cost-effectiveness evaluation.

North Dakota
North Dakota's REO (N.D.C.C. § 49-02-28 et seq) establishes a state renewable and recycled energy objective that 10 percent of all electricity sold at retail within the state by the year 2015 be obtained from renewable energy and recycled energy sources, subject to a cost-effectiveness evaluation.

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

Wisconsin
Wisconsin's Renewable Portfolio Standard ("RPS") (Wis. Stat. § 196.378) requires NSP-W to obtain 12.89 percent of the energy we supply to customers from renewable generation sources by 2015 and establishes an interim threshold or milestone of 8.89 percent of retail sales be supplied from renewable sources by 2010.

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.

All generators creating RECs subject to state renewable energy requirements[1] are registered with a tracking system. With the exception of generation located

[1]South Dakota is a participant in M-RETs. In addition, other states have authorized utilities to track RECs through M-RETs: North Dakota (June 4, 2008 order in Case No. PU-07-318), Minnesota (October 9, 2007 order in Docket No. E-999/CI-04-1616) and Wisconsin (March 26, 2007 contract between Commission and

in Michigan, all RECs generated within the NSP system are currently created, tracked and retired in the Midwest Renewable Energy Tracking System ("M-RETS"). M-RETS tracks all renewable energy production that complies with any of the state renewable energy requirements or objectives within most of the Midwest Independent Transmission System Operator, Inc. ("MISO") footprint. Compliance with state renewable energy standards or objectives is demonstrated by "retiring" a REC produced by a renewable based generator that complies with that specific state's renewable energy standard or objective. Retirement of a REC is achieved by placing it in a "retirement" sub-account in the tracking system.

Some jurisdictions we operate in have established rules 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 Wisconsin's RPS in the year it is generated or in any of four subsequent years. Thus, in Wisconsin, a REC generated in 2008 can be used to comply with Wisconsin's requirements any time through 2012. Michigan's CREEA rules, on the other hand, provide for a 3-year shelf life meaning a REC created in 2008 must be retired for compliance no later than 2011.

Additionally, RECs created and tracked in M-RETS, or other regional systems, can be purchased and used to comply with utilities' state requirements. Thus, a utility does not necessarily have to generate all of the renewable energy needed to comply with these requirements. In a given window of time as set by the applicable jurisdiction, RECs can be bought or sold or banked to smooth out the incremental, stair-step nature of generation additions.

South Dakota's renewable energy objective establishes a <u>non-binding</u> goal for utilities to provide 10 percent of the retail energy sold to customers in the state from renewable generation by 2015. The statute does not establish any intermediate milestones and we believe there is no "shelf-life" restriction for each REC. Since the South Dakota REO is an objective or goal, we have portrayed our interpretation of its effect as shown in Figure 1. We interpret the statute to allow utilities to have until 2015 to meet the 10 percent goal, with no specific objective for the years prior to 2015. Starting in 2015 Figure 1 illustrates our estimate of the RECs necessary to achieve the Statute's 10 percent non-binding objective. While South Dakota's 'objective' is not mandatory, we have interpreted our obligation is to utilize or retire RECs

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APX for M-RETS) require registration in M-RETS for tracking and retiring RECs for compliance. Michigan has established a separate system, the Michigan Renewable Energy Certification System ("MIRECS").

allocated to South Dakota up to the 10 percent level. We welcome the Commission's feedback on this interpretation.

Figure 1

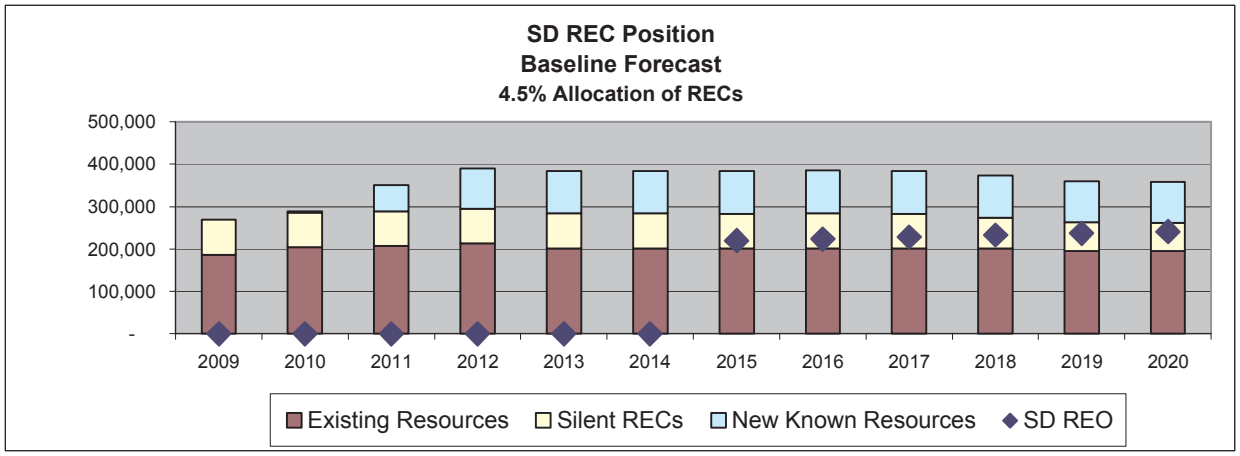

Figure 1 illustrates that the allocation process will result in more than enough RECs in South Dakota's accounts to comply with the South Dakota REO[2]. We have developed similar comparisons of allocated RECs and compliance requirements for each of our jurisdictions.

B. State Allocation of System RECs

As described in our 2009 REO Report, we are jurisdictionally allocating RECs in the same way renewable energy is allocated.[3] As described in these filings, renewable energy (and the related RECs) is allocated to our jurisdictions on an energy basis and each jurisdiction is allocated an amount that corresponds with its pro rata share of the energy requirements for that state. This allocation

[2] Figure 1 includes what we call "silent RECs". Several of our early power purchase contracts were silent about how RECs are to be treated. These contracts were entered into before the REC concept was established. A dispute has arisen as to the proper regulatory treatment of RECs when the power purchase contract is silent on the matter. We are working to resolve the matter and in any event do not believe that the amount of RECs in question will materially impact our South Dakota compliance program.

[3] Xcel Energy has made similar filings in North Dakota and Minnesota describing the uniform way in which renewable generation and RECs are allocated among jurisdictions. *See* 2009 REPORT OF NORTHERN STATES POWER COMPANY ON MEETING THE RENEWABLE, RECYCLED AND CONSERVED ENERGY OBJECTIVE, dated June 29, 2009 (North Dakota) and IN THE MATTER OF A RENEWABLE ENERGY CERTIFICATE RETIREMENT REPORT FOR COMPLIANCE YEAR 2008, dated June 1, 2009, MPUC Docket No. E-999/PR-09-287.

methodology resulted in approximately 4.5 percent of the integrated system being allocated to South Dakota in 2008.[4]

Renewable generation, which is a component of our fleet of generating resources, generally relies on wind, water, solar radiation and biomass as fuel. There is one REC associated with each megawatt-hour of renewable energy produced or purchased. RECs are used to demonstrate compliance with renewable energy requirements and goals or, when a utility has more than needed to comply, they can be sold in a secondary market. As described more fully in our 2009 REO Report, these RECs are allocated across the NSP System in the same proportion as we allocate our costs for energy to each jurisdiction. As described in the 2009 REO Report, this methodology resulted in us allocating approximately 250,000 vintage 2008 RECs to South Dakota. We anticipate the annual REC allocation to South Dakota to grow to approximately 400,000 by 2015, based on existing and contracted resources.

In recognition of the REC allocation across the NSP System, we have set up jurisdictional accounts in M-RETS for tracking each state's active allocated share. These are not "retirement" accounts or accounts demonstrating compliance. We began recognizing "jurisdictional" allocations of active RECs in annual compliance reports in all jurisdictions this year (reporting calendar year 2008).

C. Selling RECs

We propose to attempt to sell the RECs allocated to our South Dakota jurisdiction in excess of South Dakota's REO compliance requirements as we have portrayed them in Figure 1. However, the market for RECs produced in the Upper Midwest is still developing. Unlike electric energy sales, there is no established exchange or centralized market where buyers and sellers of RECs can make transactions. Instead, sellers of RECs must seek out buyers, or vice versa, and transact REC sales and purchases on a bi-lateral basis. The lack of a marketplace also prevents transparent pricing of RECs. Without an established

[4] The allocation method used across the integrated system ensures that all of our customers pay a proportionate share of our system costs and share equally in the benefits of operating a large, integrated system. Approximately 75% of the costs are allocated to Minnesota customers, a little more than 5 percent is allocated to North Dakota customers, about 15% is allocated to Wisconsin customers, and less than 1 percent is allocated to Michigan customers.

market or REC price transparency, buyers and sellers of RECs must expend considerable time and effort in order to obtain the best price possible.

The ability to affect the sale of RECs is further complicated by the fact that the attributes of each REC may differ according to specific state requirements (e.g., type, location of generation). RECs are generally divided into two separate categories: (a) compliance RECs and (b) voluntary RECs. Compliance RECs are those RECs that are used by their owner to comply with the various renewable energy standards and objectives of different states. Since the definition of "renewable energy" can vary from one jurisdiction to another, a compliance REC must represent the environmental attributes which are required to comply with a specific state's renewable energy requirement. Some states require that the renewable energy be produced in a certain area, making inter-regional sales of compliance RECs difficult. Last, as noted above, states have different requirements regarding how an old a REC can be (i.e. how many years before retirement was the REC produced) to be compliant. The necessity to match both a buyer and seller and to match the environmental attributes represented by a REC with the requirements of the state for which the REC is intended to be retired add significant complexity to transacting compliance RECs. In addition, some states have enacted restrictions on the use of RECs, by limiting the right for utilities to purchase RECs to satisfy their own renewable generation obligations. Restrictions of this sort could impact the emerging market for RECs and could make transactions more complex and difficult.

Voluntary RECs are those not needed by their purchaser to meet any particular state requirement or objective and RECs owned by utilities in excess of their requirements are often sold to purchasers who acquire these RECs voluntarily. These voluntary RECs are generally purchased by people or entities other than utilities, and used to ensure that the electricity they represent is renewable based. In addition to tracking systems like M-RETS and other regional tracking systems, RECs can be certified by certification companies such a Green-E.[5]

Due to the complexity of transacting sales of RECs, brokers and aggregators are beginning to emerge to facilitate REC transactions. It is the Company's experience in transacting RECs in other jurisdictions that brokers and aggregators do not always provide the best pricing. Therefore, the Company

[5] *See* http://www.green-e.org/

favors using internal personnel to work directly with potential buyers, eliminating the middleman (when possible), at least until a more mature market forms. Depending on the identified purchaser, however, the Company may use brokers and aggregators as it deems appropriate. It is also likely, that as the market matures, REC brokers may be a cost-effective way to consummate transactions.

D. Customer Credits

We propose to establish this program for selling RECs to gain experience in the marketplace and obtain actual data to evaluate the market performance issues we have identified. This program consists of selling excess RECs attributable to the North Dakota and South Dakota jurisdictions. We filed a similar application with the North Dakota Public Service Commission on December 31, 2009.

We propose to flow the customer portion of the revenues derived from the sale of RECs back to South Dakota customers through the Fuel Clause Rider. The Fuel Clause Rider will be credited for the proceeds applicable to South Dakota customers in the month following the transfer of the transacted RECs. We believe this credit mechanism provides the most efficient way to return these proceeds to customers in a timely manner. The credit will reduce the fuel cost portion of a customer's bill.

Xcel Energy respectfully requests that the Commission's authorization include recognition that the Company will retain 15 percent of the net revenues generated by REC sales. Xcel Energy believes that retaining 15 percent of the net revenues generated from REC sales is an appropriate level of compensation to maximize our customers' overall benefit.

Xcel Energy will be making a significant investment of time and internal resources to learn and probe the market, identify the highest value markets for excess RECs and conduct the transactions. Our prior experience (with other affiliates) has been that the best prices are obtained by working directly with REC buyers, which is much more time consuming and requires additional expertise, as opposed to simply waiting for a REC broker or aggregator to make an offer. In order to obtain good prices, Xcel Energy will need to develop the expertise to participate in this market as it develops.

While the market is still immature and illiquid, Xcel Energy anticipates that it will grow and mature. It is important for Xcel Energy to start now to learn as

much as we can about this emerging market. Allowing the Company to retain 15 percent should provide an appropriate incentive to recognize the Company's efforts in developing necessary experience to maximize value for our customers. Given the relatively undeveloped state of the REC market, the retained proceeds will help the Company identify buyers and learn more about the market. We believe that the experience gained through this program will also provide customers with additional benefits in the form of greater experience and better management of environmental products that may be created from our renewable resources. Finally, the retention of proceeds will provide incentives for the Company to obtain the best price for RECs, thereby also providing the largest possible credit back to our customers.

Xcel Energy is proposing this program in North Dakota as well and may propose programs to sell RECs in other jurisdictions (to the extent allowed by law) after we have gained some experience in selling RECs. Our current plan is to return revenue from sales in proportion to the jurisdiction's contribution to the pool of RECs available for sale. For example if 45 percent of the RECs available for sale come from our South Dakota REC allocation, then 45 percent of the net revenue after the 15 percent adjustment, or 38.25 percent of total revenue, would be returned to South Dakota customers. Similarly, if 45 percent of the RECs available for sale are from our North Dakota allocation, the same formula would apply.

(5) PRESENT RATE:

The present Fuel Clause Rider allows the Company to adjust the net monthly bills on a per kilowatt-hour basis for the cost of fuel. The cost of fuel is based on the sum of system fossil, nuclear fuel costs, purchased energy costs, MISO Day 2 and Ancillary Service Markets expenses, net of costs recovered through intersystem sales.

(6) PROPOSED RATE:

We propose to return benefits realized from REC sales to customers by crediting revenue to the fuel clause. We are proposing to offset the costs recovered from the fuel costs as described in our Fuel Clause Rider with a credit in the amount of 85% of revenues obtained by the sale of RECs allocated to our South Dakota jurisdiction.

Because the attributes which are represented by RECs are due to the renewable nature of the fuel used to create them, and to comply with SDCL § 49-34A-25, Xcel Energy respectfully requests that the Commission consider and approve our proposed credit mechanism as a fuel incentive.

(7) Proposed effective date of modified rate; Waiver requested:

The Company respectfully requests that our proposed amendment to the Fuel Clause Rider be effective as of the date of Commission approval.

(8) Approximation of annual amount of increase in revenue:

Our proposal will result in a net credit to our customers, thereby reducing their monthly bill.

As described above, the Company is proposing to withhold fifteen percent of the proceeds of any sale of RECs. The Company will thus obtain a corresponding increase in revenue. However due to the relatively immature market for RECs, it remains unclear the amount of proceeds that will be available due to the sale of RECs and therefore, we are currently unable to estimate the impact our proposal will have on the Company's revenue. We will provide the Commission with information as we continue to gain experience transacting RECs in the Upper Midwest.

(9) Points affected:

The proposed tariff would be applicable to all areas served by the Company in the State of South Dakota.

(10) Estimation of the number of customers whose cost of service will be affected and annual amounts of either increases or decreases, or both, in cost of service to those customers:

This Fuel Clause Rider tariff is proposed to be applied to all customers throughout all customer classes as described within this filing. Xcel Energy presently serves just over 82,000 customers in 36 communities in eastern South Dakota.

(11) Statement of facts, expert opinions, documents, and exhibits to support the proposed changes:

The Company believes this information provided in this Notice is sufficient for the Commission to evaluate our proposal. To the extent the Commission requires additional information, the Company will be happy to provide it.

We have provided the attached information to further aid the Commission in considering our proposal:

- Attachment 1: Sheet No. 5-64, 4th Revision

Attachment 1 show the rate changes in both "legislative" format, with new rates or tariff provisions underlined and deleted rate or provisions stricken; and "non-legislative" format to be inserted in the Company's South Dakota Electric Rate Book on file with the Commission.

(12) Other Filing Information

A. Planned Customer Notice

Pursuant to S.D. Admin. R. 20:10:13:17 and 20:10:13:18, the Company plans to provide notice to customers by posting a notice of the proposed change to the Fuel Clause Rider at the Company's offices at Sioux Falls, South Dakota. A copy of this filing will be available for public inspection at the Company's offices in Sioux Falls. Should the Commission deem it appropriate, the Company will also provide notice to customers by mail pursuant to SD Admin. R. 20:10:13:19.

To the extent applicable pursuant to SDCL 49-34A-12, a customer has the right to join with twenty-four (24) other customers and file a written objection to the proposed rate change and accounting and that the may request the Commission to suspend the rate change and to hold a public hearing to determine if such rate change should be allowed.

B. Appearance of Counsel/Service List

The Company will be represented in this proceeding by the following counsel upon whom all pleadings, documents and other filings should be served:

David A. Gerdes
May, Adam, Gerdes & Thompson
503 South Pierre Street
P.O. Box 160
Pierre, South Dakota 57501-0160
Telephone: (605) 224-8803
Telefax: (605) 224-6289
Email: dag@magt.com

In addition, please place the following person on the official service list for this proceeding:

SaGonna Thompson
Records Analyst

Xcel Energy Services Inc
414 Nicollet Mall, 7th Floor
Minneapolis, MN 55401
Email:
SaGonna.Thompson@xcelenergy.com

James Wilcox
Manager of Government and Xcel. Regulatory Affairs
Xcel Energy
90 Box 988
Sioux Falls, SD 57101-0988
Email:
James.C.Wilcox@xcelenergy.com

CONCLUSION

Xcel Energy respectfully requests the Commission approve the Company's Petition with an effective date as of the Commission's order.

Dated: December 31, 2009

Northern States Power Company
a Minnesota corporation

/s/
BY: _____
JAMES R. ALDERS
DIRECTOR
REGULATORY ADMINISTRATION

2444780v2

ATTACHMENT 1

Legislative

FUEL CLAUSE RIDER

Section No. 5
~~3rd~~ 4th Revised Sheet No. 64
Cancelling ~~2nd~~ 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. ~~N~~

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.

Eight five percent (85%) of the South Dakota state jurisdictional share of revenue generated by the sale of Renewable Energy Credits shall be credited to customers. N N

Non-Legislative

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.

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.

Eight five percent (85%) of the South Dakota state jurisdictional share of revenue generated by the sale of Renewable Energy Credits shall be credited to customers. N N