*** NON-CONFIDENTIAL VERSION ***

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF NORTHERN STATES
POWER COMPANY D/B/A XCEL ENERGY FOR AUTHORITY
TO INCREASE ITS ELECTRIC RATES

STAFF MEMORANDUM SUPPORTING
SETTLEMENT STIPULATION

DOCKET EL09-009

Commission Staff (Staff) submits this Memorandum in support of the Settlement Stipulation (Stipulation) of December 22, 2009, between Staff and Northern States Power Company (Xcel or Company) in the above-captioned matter.

Background

On June 30, 2009, the Company filed an application with the Public Utilities Commission (Commission) seeking an $18.6 million or approximately 12.7% increase in rates for electric service to customers in its South Dakota retail service territory. Of this increase in base rates, approximately $2.9 million is currently being collected through Xcel's Transmission Cost Recovery Rider and Environmental Cost Recovery Rider, which Xcel is proposing to subsequently recover in base rates. Consequently, the annual increase in overall retail rates is approximately $15.7 million or approximately 10.65%.

The Commission officially noticed Xcel's filing on July 2, 2009, and set an intervention deadline of September 15, 2009. No interventions were filed. On July 21, 2009, the Commission issued an Order of Assessment of Filing Fee and Suspension of Imposition of Tariff. On September 30, 2009, the Commission issued an Order for Notice of Procedural Schedule and Hearing. On November 3, 2009, the Commission issued an Order Extending Suspension of Imposition of Tariff. On November 18, 2009, Xcel requested a one week extension of the procedural schedule so that settlement discussions with Staff could continue before Staff filed its testimony and exhibits. On November 24, 2009, Xcel requested a two week extension to the procedural schedule so that settlement discussions with Staff could continue.

On November 16, 2009, Staff provided Xcel a copy of its revenue deficiency determination. Thereafter, Staff and Xcel (jointly the Parties) held several settlement discussions in an effort to arrive at a mutually acceptable resolution of the issues presented in Xcel's rate filing. Additional information was exchanged between Xcel and Staff and settlement discussions continued. Ultimately, the Parties reached a comprehensive agreement on Xcel's overall revenue deficiency and other issues presented in the case including, but not limited to, class revenue responsibilities, rate design, and tariff concerns.

OVERVIEW OF SETTLEMENT

Xcel's proposed increase was based on an historic test year ended December 31, 2008, adjusted for purportedly known and measurable changes, an 11.25 % return on common equity, and a 9.02 % rate of return on rate base. Xcel proposed thirty-five operating income adjustments and eleven rate base adjustments to its financial statements for the test year. A summary of Xcel's operating income adjustments and rate base adjustments are shown on Exhibit___ (AEH-1), Schedule 7b, pages 1 to 5 and Exhibit___ (AEH-1), Schedule 7a, page 1 of 1, respectively, attached to the testimony of Company witness Anne Heuer. Xcel's $18.6 million revenue deficiency calculation is shown on Exhibit___ (AEH-1), Schedule 2, pages 1 to 6.

Staff based its revenue requirement determination on a comprehensive analysis of Xcel's filing and on additional information obtained in discovery. Staff accepted some Company adjustments, made corrections where necessary, modified other adjustments using more recent actual data, and rejected those that did not qualify as known and reasonably measurable. Lastly, Staff introduced new adjustments not reflected in Xcel's filed case.

Differences between the Company and Staff positions were discussed thoroughly at the settlement conferences. As a result of these discussions, each party modified certain positions it had previously taken and each party accepted certain positions of the other where common ground was found. Ultimately, the Parties were able to agree on a comprehensive resolution of the issues that Staff believes is based on sound regulatory principles and which avoids costly and unnecessary litigation.

Staff and Xcel jointly and separately agree that Xcel's revenue deficiency at this time is $10,950,000 justifying an approximate 7.4 % increase in present rates. The revenue deficiency and supporting calculations described in this Memorandum and attachments depict Staff's positions regarding all components of Xcel's South Dakota jurisdictional revenue requirement, including a reasonable return allowance on common equity.

STAFF OVERVIEW OF SETTLEMENT

Staff believes this settlement provides Xcel with an annual level of revenues relative to its current service costs that is fair, just and reasonable. These settlement rates allow Xcel a reasonable opportunity to earn a return that is adequate to enable it to continue providing safe, adequate, and reliable service to its South Dakota retail customers. Staff's determination of the settlement revenue requirement begins with 2008 total company test year costs and allocates total company amounts to the South Dakota retail jurisdiction. It then adjusts the 2008 results for known and measurable post-test year changes. Staff Exhibit___ (JPT-1), Schedule 3 illustrates Staff's determination of Xcel's pro-forma operating income under present rates. Exhibit___ (JPT-2), Schedule 2 illustrates Staff's calculation of Xcel's South Dakota retail rate base, and Exhibit___ (JPT-1), Schedule 2 and Exhibit___ (JPT-2), Schedule 1 summarizes these positions.

Staff's calculation of Xcel's revenue deficiency and total revenue requirement are shown on Exhibit___ (JPT-1), Schedule 1. Unless otherwise noted, all of the changes discussed below are changes from the Company's initially filed position.

RATE BASE

Average rate base – Both the Company and Staff arrived at a test year average rate base based on an average of the 13 month-end account balances, December 31, 2007, through December 31, 2008.

Configuration Management – The Company proposed an adjustment to reflect the continuance of the twenty year amortization of the expenses related to configuration management established by the Commission in Docket No. EL90-13. The settlement revenue requirement determination reflects no adjustment. This reduces rate base by approximately $55,000.

SFAS 106 Post Medical Retirement – The Company proposed an adjustment to convert from the test year SFAS 106 method of accounting used for financial reporting purposes to the Pay-Go method established by the Commission in Docket No. EL92-016. The settlement accepts this adjustment.

2008 Plant Adjustment – The Company proposed an adjustment in the amount of approximately $21,027,000 (net of accumulated depreciation and deferred income taxes) to annualize plant additions that occurred during the test year. The settlement determination revises the Company's adjustment by removing the amounts related to South Dakota distribution overhead extensions, underground extensions, underground services, and overhead reinforcements because such additions typically are income-producing. The net effect of these changes is to reduce rate base by approximately $3,181,000.

2009 Plant Adjustment – The Company proposed to increase South Dakota test year plant in service by approximately $16,620,000 (net of accumulated depreciation and deferred income taxes) for projected post-test year capital additions, anticipating that these plant additions would be in service by the conclusion of this proceeding. Staff's settlement determination revised the Company's adjustment to: 1. Reflect actual costs in lieu of the Company's estimated costs; 2. Annualize the plant additions in lieu of the Company's 13 month average; and 3. Remove the amounts related to the income producing Mankato 115 kv loop and the South Dakota distribution overhead extensions, underground extensions, street lights, underground services, and overhead reinforcements. The net effect of these changes is to increase rate base by approximately $441,000.

Prairie Island Nuclear Plant Adjustments – The Company proposed adjustments to annualize 2008 plant additions at its Prairie Island nuclear plant and to reflect an average balance of projected plant additions for 2009. The settlement determination accepts the 2008 plant adjustments but annualizes the 2009 plant additions to using actual rather than estimated costs.

In addition, the Company proposed adjustments to modify its depreciation and decommissioning cost calculations for Prairie Island by extending by three years the useful life over which such costs are being recovered. The settlement determination amends the Company's adjustments by using a life extension of twenty years to match the twenty year operating license extension that NSP has applied for at the Nuclear Regulatory Commission. However, the settlement expressly recognizes that, should the 20-year life extension be denied by the NRC, the Company, by operation of the remaining life/remaining investment method of depreciation used to recover Prairie Island costs, would be entitled, prospectively, to recover cost recovery foregone by the implementation of the 20-year life extension in this proceeding.

Together, the net effect of these Prairie Island changes is to reduce rate base by approximately $304,000.

TCR & ECR Rider Adjustment – The Company proposed and Staff has accepted incorporating in the pro-forma base rate cost of service the plant and related items that now are recovered in the Transmission Cost Recovery (TCR) and Environmental Cost Recovery (ECR) riders. In addition the settlement reflects the accumulated depreciation and accumulated deferred federal income taxes that will be recovered in the TCR and ECR from February 1, 2009, through December 31, 2009. The effect of this change is to reduce rate base by approximately $152,000.

Nuclear Outage Change Of Accounting – In Docket EL07-035 the Commission approved Xcel's petition to change from a direct-expense accounting to a deferral/amortization method and the resulting creation of a regulatory asset (the deferred balance) for planned refueling outages at three nuclear plants. The Company proposed an adjustment to reflect this change. The settlement determination revises the Company's adjustment to reflect the most recent actual costs in 2009 in lieu of the Company's estimated costs. The effect of this change is to increase rate base by approximately $13,000.

Working Capital – The settlement determination modifies Xcel's working capital claim by: 1. Including net payment leads and lags for interest on long term debt, depreciation expense, investment tax credit, and deferred income taxes; 2. Modifying lead days to reflect statutory payment dates rather than actual payment dates; 3. Revising the computer billing revenue lag days; 4. Revising the revenue lag and expense lead days for interchange revenues and expenses; 5. Revising the expense lead days for vacation pay; 6. Recognizing the payment lags associated with South Dakota sales tax related to the revenue deficiency, employee FICA and federal withholding taxes; 7. Updating to the most recent 13 point averages the rate base allowances for materials and supplies, fuel stocks, prepayments and customer advances as well as the rate base deductions for the reserves for injuries and damages and uncollectibles; and 8. Removing Account 186 – Miscellaneous Deferred Debits. The net effect of these changes is to reduce rate base by approximately $3,540,000.

Rate Case Expense, Sale of Emission Allowances and Private Fuel Storage – The settlement revenue requirement determination reflects a five-year amortization of allowed rate case expenses and the sale of emission allowances and a six-year amortization of private fuel storage expenses to spread these one-time costs over a reasonable period of time. Although Xcel did not request rate base treatment for the unamortized balance, the settlement determination includes one-half of the amortized costs, representing the average unamortized balance over the five and six-year periods, increasing rate base by approximately $529,000.

OPERATING INCOME

Rate Case Expense – Xcel proposed to amortize estimated rate case expenses ($293,000) over the next three years. The settlement decreases these costs by $25,000 for revised estimates based on actual costs incurred to date and amortizes the expense over five years. These adjustments reduce operating expenses by approximately $44,000.

Configuration Management – The Company proposed an adjustment to reflect the continuance of the twenty year amortization of the expenses related to configuration management established by the Commission in Docket No. EL90-13. The settlement revenue requirement determination reflects no adjustment. This reduces operating expenses by approximately $37,000.

Interest on Customer Deposits – The Company proposed an adjustment to reflect the interest paid on customer deposits along with the corresponding reduction to rate base. The settlement accepts this adjustment.

Private Fuel Storage – The Company proposed an adjustment to amortize over six years the expenses related to the formation of a LLC to obtain authorization to site and construct a private independent spent fuel storage installation for the storage of nuclear waste within the Goshute Indian tribal land in Utah due to delays in the development of a Federal repository. The settlement determination revises the Company adjustment to reflect the proper allocation to South Dakota. The effect of this change is to reduce operating expense by approximately $1,000.

Emission Sales Amortization – The Company deferred until this rate case the recognition of revenues received from the sale of SO2 emission allowances and proposed to amortize these revenues over four years and have also included an ongoing revenue amortization level based on a historical five-year average. The settlement determination revises the Company adjustment to reflect a five year amortization of the deferred balance. The effect of this change is to increase operating expenses by approximately $11,000.

RDF Amortization – In Docket No. EL04-015 the Commission ordered that Xcel shall accumulate the costs related to the Renewable Development Fund (RDF) in a separate account, by vintage, from 2004 forward, including carrying charges based upon the rate of return last allowed by this Commission, for the Commission's future consideration in the form of a potentially recoverable regulatory asset. The Company proposed an adjustment to amortize over four years the deferred amount inclusive of carrying charges and included the 2008 expenditures as an ongoing expense. The settlement determination reflects the average for the period of 2004-2008 for Category A costs, which include costs for projects that will result in the generation of electric energy as an ongoing expense with no recovery of the deferred amount inclusive of carrying charges. The effect of these changes is to reduce operating expenses by approximately $55,000.

Postage Increase – The Company proposed to increase postage expense by the actual 2009 increase in rates and an estimated increase for 2010. The settlement determination annualizes the increase that occurred during the test year and annualizes the actual 2009 increase. The effect of these changes is to reduce operating expenses by approximately $16,000.

Nuclear Mandates – Fitness for Duty – The Nuclear Regulatory Commission enacted Fitness for Duty requirements that took effect in October 2009 that required the Company to hire additional staff to meet the new requirements. The Company's proposed adjustment was based on their estimate of the number of employees required to meet the new mandate along with their estimated salaries. The settlement determination reflects actual employees hired by category and annualizes the actual salaries. The net effect of these changes is to reduce operating expenses by approximately $68,000.

DSM Adjustment – The Company is currently requesting recovery of its demand side management (DSM) expenses through a separate rider in Docket EL07-036 and proposed to remove the test year demand side management (DSM) expenses from the cost of service. The settlement determination accepts this adjustment.

SFAS 106 Post Medical Retirement – The Company proposed an adjustment to convert from the test year SFAS 106 method of accounting used for financial reporting purposes to the Pay-Go method established by the Commission in Docket No. EL92-016. The settlement accepts this adjustment.

Weather Normalization – The Company proposed an adjustment to 2008 test year sales to reflect normal weather based on the 20 year moving average of historical heating degree days and the temperature humidity index (THI). The settlement determination reflects normal weather based on the 30 year NOAA normal. The effect of this change is to increase retail revenues by approximately $156,000.

Asset/Non-Asset Based Margins – The Company proposed an adjustment to remove wholesale margins from the 2008 test year and to instead credit 100 percent of the South Dakota jurisdictional portion of wholesale asset based margins through the fuel clause adjustment. If calendar year non-asset based margins are positive, the South Dakota jurisdictional portion of 25 percent of non-asset based margins will also be credited through the fuel clause adjustment. The South Dakota jurisdictional portion of the asset based and non-asset based margins will be calculated according to the Joint Operating Agreement. Flowing through the margins directly to customers through the fuel clause adjustment ensures that neither ratepayers nor the Company are disadvantaged by a nonrepresentative margin included in base rates. The settlement determination accepts this adjustment.

Nuclear Outage Change Of Accounting – In Docket EL07-035 the Commission approved Xcel's petition to change from a direct-expense accounting to a deferral/amortization method and the resulting creation of a regulatory asset (the deferred balance) for planned refueling outages at three nuclear plants. The Company proposed an adjustment to reflect this change. The settlement determination revises the Company's adjustment to reflect the most recent actual costs in 2009 in lieu of the Company's estimates. The effect of this change is to reduce operating expenses by approximately $3,000.

Joint Zonal Pricing – Xcel Energy, Great River Energy and Southern Municipal Power Agency have transmission facilities that are highly interconnected, and each pays the other based on a combination of usage and investment in their respective pricing zones which is administered under the MISO tariff. The Company proposed an adjustment to reflect 2009 forecasted costs and allocations. The settlement determination annualizes actual 2009 rates and allocations. The net effect of these changes is to reduce operating revenues by approximately $13,000 and increase operating expenses by approximately $12,000.

MISO Schedule 24 Adjustment – In Docket EL08-035 the Commission allowed the pass-through of MISO ASM charges and revenues through the fuel clause rider effective March 1, 2009. The Company proposed an adjustment to remove MISO Schedule 24 expenses from the test year since they are being recovered through the fuel adjustment clause. The settlement accepts this adjustment.

Manufacture Production Reduction – The Job Creation Act of 2004 provides for a production tax deduction on the income from the production portion of the Company only if the production taxable income is positive. The Company's adjustment removes the deduction from the test year because the pro forma production taxable income is negative. The settlement accepts this adjustment.

Remove FCA Revenue and Expenses – The Company proposed the implementation of a one-part fuel cost factor in lieu of the current two-part factor which recovers pertinent fuel clause adjustment expenses via base rates and through the monthly fuel clause adjustment. The settlement determination removes all applicable revenues and costs that are allowed to be recovered in the fuel clause adjustment from the cost of service and allows the Company to recover all applicable revenues and costs through the one-part fuel cost factor. The net effect of these changes is to reduce operating revenues by approximately $55,669,000 and operating expenses by the same amount.

Late Payment Charge Revenue – The settlement determination used 20 days after billing as the maximum bill payment lag for customers to pay their bills reducing the weighted lag days by 8.12 days in the calculation of cash working capital. When utilizing the 20 day cutoff it is proper to remove late payment charge revenues from the cost of service.

The effect of this change is to reduce other operating revenues by approximately $354,000.

Corporate Airplane – The settlement determination removes expenses for non-business related passengers on the corporate airplanes. The effect of this change is to reduce operating expenses by $1,000.

Tree Trimming, Storm Damage, and Claims & Injuries Compensation – The Company's filing did not adjust test year tree trimming expense, storm repair expense, and claims and injuries compensation expense. The settlement normalizes these expenses based on five-years of the Company's actual experience, 2004 through 2008. The effect of these changes is to increase operating expenses by approximately $210,000.

Interest Synchronization – The settlement synchronizes the tax deduction for interest expense with the long-term debt interest portion of the capital structure and rate base.

Other Operating Revenues – The Company proposed increases to existing charges for service reconnection, dedicated switching, account history, winter construction and service relock services. The settlement reflects such adjustments, increasing other operating revenues by approximately $66,000.

Economic Development – The Company proposed to continue the current economic development plan approved by the Commission in the amount of $100,000 shared equally between ratepayers and shareholders and an additional $100,000 of expense to be shared equally between ratepayers and shareholders. The settlement reflects the continuance of the current plan approved by the Commission, reducing operating expenses by $50,000.

Advertising – The Company proposed an adjustment to remove all advertising expense not related to energy conservation, safety and consumer education. The settlement accepts this adjustment and removes an additional $1,000 in advertising expense.

Association Dues – The Company proposed an adjustment to association dues expense to remove an amount related to lobbying expense. The settlement accepts this adjustment and removes an additional amount of approximately $2,000 related to dues paid for other jurisdictions.

Donations – The Company proposed an adjustment to share the expense of donations equally between shareholders and ratepayers. The settlement includes no amount for donations reducing operating expenses by approximately $59,000.

Xcel Foundation Adjustment – The Xcel Foundation is in charge of the administration of donations and charitable contributions. The settlement determination removes the expenses of the Foundation, reducing operating expenses by approximately $24,000.

2008 Plant Adjustment – The Company proposed an adjustment to annualize plant additions that occurred during the test year. The settlement reflects corresponding adjustments limited to the plant additions reflected in the settlement rate base, removes fleet vehicles from the property tax calculation, and annualizes actual January through August 2009 net MWH output in the calculation of the wind production tax credit in lieu of the Company's estimate. The net effect of these adjustments to total operating expenses is an increase of approximately $376,000 to total operating expenses, inclusive of deferred and federal income taxes.

2009 Plant Adjustment – The Company proposed an adjustment for post-test year capital additions, anticipating that these plant additions would be in service by the conclusion of this proceeding. The settlement reflects corresponding adjustments limited to the plant additions reflected in the settlement rate base. The net effect of these adjustments is a decrease of approximately $488,000 to total operating expenses, inclusive of deferred and federal income taxes.

Prairie Island Nuclear Plant Adjustments – The Company proposed adjustments to annualize 2008 plant additions at its Prairie Island nuclear plant and to reflect an average balance of projected plant additions for 2009. The settlement determination accepts the 2008 plant adjustments but annualizes the 2009 plant additions to using actual rather than estimated costs.

In addition, the Company proposed adjustments to modify its depreciation and decommissioning cost calculations for Prairie Island by extending by three years the useful life over which such costs are being recovered. The settlement determination amends the Company's adjustments by using a life extension of twenty years to match the twenty year operating license extension that NSP has applied for at the Nuclear Regulatory Commission. However, the settlement expressly recognizes that, should the 20-year life extension be denied by the NRC, the Company, by operation of the remaining life/remaining investment method of depreciation used to recover Prairie Island costs, would be entitled, prospectively, to recover cost recovery foregone by the implementation of the 20-year life extension in this proceeding.

Together, the net effect of these Prairie Island changes is to reduce total operating expenses by approximately $2,075,000.

Union and Non-Union Wage Increases – The Company proposed an adjustment to test year Union labor costs and corresponding payroll taxes to recognize increases taking place in 2009 and 2010, based on contracts in place. The settlement accepts these adjustments. The Company proposed a Non-Union test year adjustment for actual increases experienced in 2009 including associated payroll taxes. The settlement accepts these adjustments.

Vacation Expense – The settlement determination decreases operating expenses by approximately $171,000 due to the Company's policy change on the amount of vacation that may be accrued.

Insurance Expense Credit – The Company proposed an adjustment to remove a one time credit from test year insurance expense. The settlement accepts this adjustment.

Employee Expense Reduction – The Company proposed adjustments to reduce employee expenses for social expenses inadvertently included in the cost of service and to reflect the current state of the economy. The settlement accepts this adjustment.

Incentive Pay 2008 – The Company proposed an adjustment to remove from the test year the long-term portion of officer's incentive compensation and any non-corporate incentive plan costs. The settlement accepts this adjustment.

Incentive Pay 2009 – The Company proposed an adjustment for one of the Company's four incentive compensation plans based on the 2009 budgeted amount times the historical average payout ratio for the last four years. The Company did not pay out incentive compensation during the test year. The settlement reflects normalized costs based on actual payouts for performance indicators other than financial for the period of 2005 through 2008 for employees other than the former Nuclear Management Company (NMC) and utilizes the 2009 budgeted incentive compensation less the financial performance compensation incentive for the former NMC employees. The net effect of these changes is to reduce operating expenses by approximately $276,000.

Benefit Adjustment – Active Health – The Company proposed an adjustment to increase Active Healthcare costs based on 2009 budgeted costs related to increased numbers of employees, healthcare inflation, an aging workforce and other factors. The settlement reflects an update of actual expenses for these costs. The effect of these changes is to increase operating expenses by approximately $202,000.

Benefit Adjustment – Pension – The Company proposed an adjustment to Service Company pension expense reflecting updated indices used to determine the discount rate used to compute the current Company obligation and long term rate of return on investments, the decrease in the market value of the investments, and an updated actuarial study. The settlement accepts this adjustment.

Lobbying and Economic Development Labor Adjustment – The settlement determination removes labor expense not reflected in the Company's 2008 Economic Development Plan approved by the Commission included in the test year and labor expense for lobbying activities that were included in the test year. The effect of these changes is to reduce operating expenses by approximately $54,000.

Severance Pay Adjustment – The settlement removes the South Dakota jurisdictional portion of a benefit payment included in the test year in the amount of approximately $81,000 for Mr. Paul Bonavia. The payment was made pursuant to an employment agreement with Mr. Bonavia and was higher than the total of similar South Dakota jurisdictional expenses in prior years.

COST OF CAPITAL AND RATE OF RETURN

The Company's proposed rate increase was established to produce a 9.02% rate of return on its determination of an average rate base. The 9.02% rate of return reflected its (1) average capital structure during 2008, adjusted to eliminate from common equity capital its average investments in unregulated subsidiaries; (2) its 6.64% average cost of long term debt during 2008 and; (3) a claimed return of 11.25% on common equity capital. Staff's assessment of the settlement determination uses an 8.32% rate of return on average rate base. The 8.32% ROR reflects the Company's***Begin Confidential End Confidential***

RATE DESIGN ISSUES

The revenue increase by rate schedule is shown on Exhibit___ (JPT-4), Schedule 1, with the current rate design and settlement rate design structural changes shown on Exhibit___ (JPT-4), Schedules 2-1 to 2-5. Staff concurred with the changes made by Xcel for all rate schedules except for Residential Service. The settlement position reached between Staff and Xcel for Residential Service and other rate changes will be discussed below.

Residential Service Rate

Xcel's initial filing proposed eliminating the declining block structure in the winter months (October – May) in favor of a flat volumetric charge. The proposal also increased the customer charge by $.95 from $6.55 to $7.50 for standard residential customers and by $3.95 from $6.55 to $10.50 for electric space heating residential customers.

While Staff is not conceptually opposed to a flat rate, Staff believed that a flat rate, combined with a customer charge that does not recover all fixed costs and return on investment, would over-recover costs from high usage customers. Staff proposed maintaining the existing declining block in the winter months to mitigate rate shock and customer concerns about fairness.

Staff concurred with the increase in customer charge for standard residential customers, but opposed the $3.95 customer charge increase for electric space heating customers. While the cost analysis performed by the Company and Staff supports this increase, Staff proposed a more moderate increase that would gradually move toward costs and allow customers to adapt. The Settlement stipulation reflects an increase of $.95 to $7.50.

See Exhibit___ (JPT-4), Schedule 3 for the comparison between present and settlement rates.

Commercial & Industrial Time of Day Pricing

The following rate schedules had significant increases in on-peak energy rates:

General Time of Day (E16)
Peak-Controlled TOD (E21)
Energy Controlled Service (E22)

While the overall increases for the above rate schedules were between 5.56% and 7.48%, the on-peak energy rate increased 27.49%. This increase is partially offset by an 8.86% decrease in off-peak energy rates and modest capacity charge increases. However, an individual customer may incur an increase much greater than the overall increase depending on their usage.

Based on actual customer bills for 2008, the average annual on-peak usage percentage was approximately 40% for the above schedules. The highest on-peak usage percentage for a customer on these schedules in 2008 was 53.9%, which would result in an estimated 11.8% increase compared to the approximate 7.48% increase for this schedule. Although this increase is above the overall increase for the rate schedule, the customer will still achieve significant savings compared to the General Service schedule.

Real-Time Pricing

The Company does not currently have a real-time pricing option available for customers over 1,000 kW in South Dakota but is willing to establish this service if the Commission desires. Xcel has had this option available to customers in other jurisdictions since 1996 and a total of three customers are on this service. The Company stated that no South Dakota customers have yet expressed an interest, so Staff would agree that a real-time pricing option is not necessary at this time.

Windsource Energy Rider

Xcel proposed a Windsource Energy Rider that was withdrawn during settlement negotiations. Xcel indicated that it will make a separate filing for this proposal.

OTHER ISSUES

During the course of information exchanges and settlement discussions several issues that are not directly related to the settlement rate determination in this case were discussed and have resulted in the following commitments by Xcel:

1. Curtailment payments to wind generators - Xcel has agreed to provide to the Commission copies of the monthly wind curtailment summary reports filed in Minnesota showing actual total payments made for wind curtailment events along with the reasons for the curtailments, and to provide the Commission copies of the Company's annual wind curtailment forecast filed in Minnesota.

2. Resource planning - Xcel has agreed to provide to the Commission (a) the Integrated Resource Plan filed periodically with the Minnesota Public Utilities Commission (MPUC) and (2) along with the MPUC filing, an alternative

resource scenario that specifically meets, but does not exceed, combined Federal and South Dakota environmental and renewable requirements or objectives.

3. Non-asset based margins - As indicated above, Xcel will flow through the fuel clause South Dakota's jurisdictional share of 25 percent of non-asset based margins if calendar year non-asset based margins are positive. In addition, Xcel has agreed to provide both a fully allocated cost study and an incremental cost study showing the costs incurred to realize non-asset based margins.