

| | | | |
|---|---|---------------------------------------|---|
| Name of Respondent Northern States Power Company (Minnesota) | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) / / | Year/Period of Report End of 2008/Q4 |
|---|---|---------------------------------------|---|

STATEMENT OF RETAINED EARNINGS

- Do not report Lines 49-53 on the quarterly version.
- Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
- Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
- State the purpose and amount of each reservation or appropriation of retained earnings.
- List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
- Show dividends for each class and series of capital stock.
- Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
- Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
- If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

| Line No. | Item (a) | Contra Primary Account Affected (b) | Current Quarter/Year Year to Date Balance (c) | Previous Quarter/Year Year to Date Balance (d) |
|----------|---|-------------------------------------|---|--|
| | UNAPPROPRIATED RETAINED EARNINGS (Account 216) | | | |
| 1 | Balance-Beginning of Period | | 1,100,508,412 | 1,057,107,616 |
| 2 | Changes | | | |
| 3 | Adjustments to Retained Earnings (Account 439) | | | |
| 4 | | | | |
| 5 | Adoption of FIN 48 "Accounting for Uncertainty in Income Taxes" | Various | | 863,965 |
| 6 | | | | |
| 7 | Rounding | | 1 | 1 |
| 8 | | | | |
| 9 | TOTAL Credits to Retained Earnings (Acct. 439) | | 1 | 883,966 |
| 10 | | | | |
| 11 | Adoption of Emerging Issues Task Force (EITF) Issue No. 06-4 | 146 | -633,171 | |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | TOTAL Debits to Retained Earnings (Acct. 439) | | -633,171 | |
| 16 | Balance Transferred from Income (Account 433 less Account 418.1) | | 287,001,691 | 266,278,679 |
| 17 | Appropriations of Retained Earnings (Acct. 436) | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21 | | | | |
| 22 | TOTAL Appropriations of Retained Earnings (Acct. 436) | | | |
| 23 | Dividends Declared-Preferred Stock (Account 437) | | | |
| 24 | | | | |
| 25 | | | | |
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | TOTAL Dividends Declared-Preferred Stock (Acct. 437) | | | |
| 30 | Dividends Declared-Common Stock (Account 438) | | | |
| 31 | | | -232,032,578 | (226,812,094) |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
| 35 | | | | |
| 36 | TOTAL Dividends Declared-Common Stock (Acct. 438) | | -232,032,578 | (226,812,094) |
| 37 | Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings | | -1,847,148 | 3,050,245 |
| 38 | Balance - End of Period (Total 1,9,15,16,22,29,36,37) | | 1,152,997,207 | 1,100,508,412 |
| | APPROPRIATED RETAINED EARNINGS (Account 215) | | | |
| 39 | | | | |
| 40 | | | | |

| | | | |
|---|---|---------------------------------------|---|
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| Line No. | Item (a) | Contra Primary Account Affected (b) | Current Quarter/Year Year to Date Balance (c) | Previous Quarter/Year Year to Date Balance (d) |
|----------|--|-------------------------------------|---|--|
| 41 | | | | |
| 42 | | | | |
| 43 | | | | |
| 44 | | | | |
| 45 | TOTAL Appropriated Retained Earnings (Account 215) | | | |
| | APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1) | | | |
| 46 | TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1) | | 77,623 | 77,623 |
| 47 | TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46) | | 77,623 | 77,623 |
| 48 | TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1) | | 1,153,074,830 | 1,100,586,035 |
| | UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account | | | |
| | Report only on an Annual Basis, no Quarterly | | | |
| 49 | Balance-Beginning of Year (Debit or Credit) | | -3,228,691 | (1,202,289) |
| 50 | Equity in Earnings for Year (Credit) (Account 418.1) | | -1,860,676 | 1,023,844 |
| 51 | (Less) Dividends Received (Debit) | | -1,847,148 | 3,050,245 |
| 52 | Rounding | | | (1) |
| 53 | Balance-End of Year (Total lines 49 thru 52) | | -3,242,219 | (3,228,691) |

| | | | |
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| FOOTNOTE DATA | | | |

Schedule Page: 118 Line No.: 5 Column: a

Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 (FIN 48) -- In July 2006, the FASB issued FASB Interpretation No. (FIN) 48. FIN 48 prescribes how a company should recognize, measure, present and disclose uncertain tax positions that the company has taken or expects to take in its income tax returns. FIN 48 requires that only income tax benefits that meet the "more likely than not" recognition threshold be recognized or continue to be recognized on its effective date. As required, NSP-Minnesota adopted FIN 48 as of Jan. 1, 2007 and the initial derecognition amounts were reported as a cumulative effect of a change in accounting principle. The cumulative effect of the change, which is reported as an adjustment to the beginning balance of retained earnings, was not material. Following implementation, the ongoing recognition of changes in measurement of uncertain tax positions will be reflected as a component of income tax expense.

See Note 7 to the Financial Statements on page 123 for additional information.

Schedule Page: 118 Line No.: 5 Column: b

Accounts charged:

| | | |
|-----|-------------|-----------|
| 146 | \$ | (881) |
| 190 | | - |
| 236 | (7,881,750) | |
| 253 | 8,029,548 | |
| 282 | | - |
| 283 | (1,030,882) | |
| | \$ | (883,965) |

Schedule Page: 118 Line No.: 11 Column: b

Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements (Emerging Issues Task Force (EITF) Issue No. 06-4) -- In June 2006, the EITF reached a consensus on EITF No. 06-4, which provides guidance on the recognition of a liability and related compensation costs for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends to postretirement periods. Therefore, this EITF would not apply to a split-dollar life insurance arrangement that provides a specified benefit to an employee that is limited to the employee's active service period with an employer. EITF No. 06-4 is effective for fiscal years beginning after Dec. 15, 2007, with earlier application permitted. Upon adoption of EITF 06-4 on Jan. 1, 2008, NSP-Minnesota recorded a liability of \$0.6 million, net of tax, as a reduction of retained earnings. Thereafter, changes in the liability will be reflected in operating results.

Schedule Page: 118 Line No.: 37 Column: c

Reclassification of a portion of 2007's dividend to return of investment.

| | | |
|---|----|------------------|
| Regular dividend | \$ | 1,203,097 |
| Return of investment | | 1,847,148 |
| 2007 remittance from subsidiaries to parent | \$ | <u>3,050,245</u> |

Schedule Page: 118 Line No.: 51 Column: c

Reclassification of a portion of 2007's dividend to return of investment.

| | | |
|---|----|------------------|
| Regular dividend | \$ | 1,203,097 |
| Return of investment | | 1,847,148 |
| 2007 remittance from subsidiaries to parent | \$ | <u>3,050,245</u> |

| | | | | |
|---|---|---|---------------------------------------|--|
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STATEMENT OF RETAINED EARNINGS

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|----------|---|-------------------------------------|---|--|
| | UNAPPROPRIATED RETAINED EARNINGS (Account 216) | | | |
| 1 | Balance-Beginning of Period | | 1,152,997,207 | 1,100,508,412 |
| 2 | Changes | | | |
| 3 | Adjustments to Retained Earnings (Account 439) | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | TOTAL Credits to Retained Earnings (Acct. 439) | | | |
| 10 | | | | |
| 11 | Adoption of Emerging Issues Tax Force (EITF) Issue No. 06-4 | 146 | | (633,171) |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | TOTAL Debits to Retained Earnings (Acct. 439) | | | (633,171) |
| 16 | Balance Transferred from Income (Account 433 less Account 418.1) | | 76,325,365 | 63,636,405 |
| 17 | Appropriations of Retained Earnings (Acct. 436) | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21 | | | | |
| 22 | TOTAL Appropriations of Retained Earnings (Acct. 436) | | | |
| 23 | Dividends Declared-Preferred Stock (Account 437) | | | |
| 24 | | | | |
| 25 | | | | |
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | TOTAL Dividends Declared-Preferred Stock (Acct. 437) | | | |
| 30 | Dividends Declared-Common Stock (Account 438) | | | |
| 31 | | | -57,256,357 | (56,667,606) |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
| 35 | | | | |
| 36 | TOTAL Dividends Declared-Common Stock (Acct. 438) | | -57,256,357 | (56,667,606) |
| 37 | Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings | | | |
| 38 | Balance - End of Period (Total 1,9,15,16,22,29,36,37) | | 1,172,066,215 | 1,106,844,040 |
| | APPROPRIATED RETAINED EARNINGS (Account 215) | | | |
| 39 | | | | |
| 40 | | | | |

| | | | | |
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| 46 | TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1) | | 77,623 | 77,623 |
| 47 | TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46) | | 77,623 | 77,623 |
| 48 | TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1) | | 1,172,143,838 | 1,106,921,663 |
| | UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account | | | |
| | Report only on an Annual Basis, no Quarterly | | | |
| 49 | Balance-Beginning of Year (Debit or Credit) | | | |
| 50 | Equity in Earnings for Year (Credit) (Account 418.1) | | | |
| 51 | (Less) Dividends Received (Debit) | | | |
| 52 | | | | |
| 53 | Balance-End of Year (Total lines 49 thru 52) | | | |

| | | | |
|---|---|---|--------------------------------------|
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Schedule Page: 118 Line No.: 11 Column: b

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