

**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, REGARDING
THE 2011 ENVIRONMENTAL COST
RECOVERY RIDER AND 2010 ECR
TRACKER REPORT

DOCKET NO. EL10-012

I. SETTLEMENT STIPULATION

On September 3, 2010, Northern States Power Company, a Minnesota corporation doing business in South Dakota ("Xcel Energy" or "Company") filed with the Public Utilities Commission ("Commission") a petition for approval of the Company's 2011 environmental cost recovery ("ECR") tariff and rider.

In this docket, the Company proposed to revise the ECR Rider to reflect current projects and expenditures and requested approval of the tracker report for approved environmental expenditures and revenues received since the implementation of the first adjustment factor that became effective on February 1, 2009. For 2011, the Company proposed to begin recovery of the South Dakota jurisdictional portion of the revenue requirements related to two environmental improvement capital projects the Company has initiated at its Allen S. King ("King") and Sherburne County ("Sherco") generating facilities. A mercury control system was placed in service in late 2009 at Sherco Unit 3. A similar system was placed in service at the end of 2010 at King. The Company proposed to recover \$325,349 associated with these projects for the 2011 calendar year.

The Company proposed to return to customers during the period from January 1, 2011 to December 31, 2011 the tracker balance of approximately \$29,843. The total of the mercury control investments and the tracker balance resulted in a revenue requirement of \$295,506. The average bill impact for a typical residential electric customer using 750 kWh per month would be \$0.11 per month, a reduction of \$0.01 per month from the current rider collections. The Company proposed to implement a rate of \$0.000146 per kWh applied to all kWh billed to each customer class for the year ending December 2011.

Commission Staff and Xcel Energy ("Parties") held several discussions regarding the Company's petition and, as a result of these discussions, the Parties have been able to resolve the issues identified in this proceeding. The Parties have reached

agreement in the form of this Settlement Stipulation, which, if accepted and ordered by the Commission, will determine the rates that result from this proceeding.

II. PURPOSE

This Settlement Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket No. EL10-012. The Parties acknowledge that they may have differing views that justify the end result, but each Party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Settlement Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of this Settlement Stipulation, the Parties shall immediately file this Settlement Stipulation with the Commission together with a joint motion requesting that the Commission issue an order approving this Settlement Stipulation in its entirety without condition or modification.

2. This Settlement Stipulation includes all terms of settlement. The Settlement Stipulation is filed conditioned on the understanding that, in the event the Commission imposes any changes in or conditions to this Settlement Stipulation, this Settlement Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other.

3. This Settlement Stipulation shall become binding upon execution by the Parties, provided however, if this Settlement Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void and privileged. This Settlement Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, or any method of cost allocation underlying the provisions of this Settlement Stipulation, or be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission. Neither Party nor representative thereof shall directly or indirectly refer to this Settlement Stipulation or that part of any order of the Commission as precedent in any other current or future rate proceeding or any other proceeding before the Commission.

4. It is understood that Commission Staff enters into this Settlement Stipulation for the benefit of Xcel Energy's South Dakota customers affected by this docket.

III. ELEMENTS OF THE SETTLEMENT STIPULATION

1. **Rate of Return.** The Parties agree that the overall rate of return applicable to the eligible investments included in the ECR rider shall be 7.85% in 2011. For 2008 through 2010, the overall rates of return are 8.08% in 2008, 8.08% in 2009, and 8.12% in 2010. The overall returns are based on an agreed upon ROE for 2008-2010, and a separate agreed upon ROE for 2011. The Parties agreement on ROE in this docket is predicated on the fact that there shall be no presumption going forward that the ECR rider will earn a lower ROE than authorized in base rates in the Company's most recent general rate case and that this agreed-upon ROE for the ECR rider has no bearing on the ROE to be applied in any future rate case.
2. **Demand Allocation.** The Parties agree that the demand allocators used to allocate costs to the South Dakota jurisdiction reflect the actual demand allocation for the given year (i.e. - 2010 revenue requirements based on the 2010 demand allocation).
3. **Project Costs.** The Parties agree that the project costs included in the ECR rider will include actual costs through December 2010.
4. **Tax Depreciation.** The Parties agree that the tax depreciation deduction was updated to reflect current tax laws with the exception of the 100 percent bonus tax depreciation provided pursuant to the Tax Relief Act of 2010 ("2010 TRA"), Pub. L. No. 111-312 (2010). The Parties agree that 2010 TRA, which became law in December 2010, provided 100 percent bonus tax depreciation ("100 Percent Bonus Depreciation") for certain projects placed into service from September 9, 2010 through December 31, 2011. The Parties agree that the ECR revenue requirement impact of the 100 Percent Bonus Depreciation provision will be reflected in the Company's ECR true-up filing for the year 2011.
5. **Carrying Charge on Over/Under Recoveries.** The Parties agree that a carrying charge calculated at the ECR overall rate of return, adjusted for related Federal income taxes, shall be applied to the monthly over-or under-recoveries determined as the estimated ECR revenues and costs are true-up to actual revenues and costs.
6. **Rate Design.** The Parties agree that, as proposed in the filing, a single uniform rate per kWh will apply to all customers.
7. **Implementation of Rates.** The revised rate schedules shall be implemented with service rendered on and after July 1, 2011, with bills prorated so that

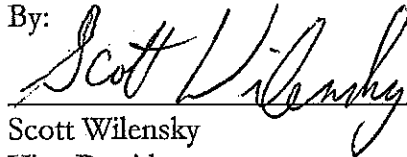
usage prior to July 1, 2011, will be billed at the previous rates and usage on and after July 1, 2011, will be billed at the new rates.

8. The Parties agree that the Company's attached rate schedule is designed to implement the ECR rate rider upon approval. The attached schedule reflects the estimated 2011 revenue requirement subject to later true up to the actual costs and recoveries.
9. Annual Reports of South Dakota Jurisdictional Earnings. The Parties agree that, by June 1 of each year, beginning June 1, 2012, the Company will file with the Commission a report of its South Dakota jurisdictional earnings ("Cost of Service Study") for the preceding calendar year showing, among other things, the overall rate of return and ROE earned, and the South Dakota revenue excess or deficiency based on (1) the ROE reflected in the last general rate case and (2) an 11.25% ROE. The determinations will be presented on an actual and weather-normalized basis and will reflect South Dakota ratemaking practices.

This Settlement Stipulation is entered into this 21th day June, 2011.

Northern States Power Company
d/b/a Xcel Energy

By:




Scott Wilensky
Vice-President
Regulatory and Resource Planning
Xcel Energy Services, Inc.
414 Nicollet Mall, 7th Floor
Minneapolis, MN 55401

DATED: 6/21/11

South Dakota Public Utilities Commission

By:



Ryan Soye
Staff Attorney
South Dakota Public Utilities Commission
500 E. Capitol Avenue
Pierre, SD 57501

DATED: 06/21/11