

**NORTHERN STATES POWER COMPANY, MINNESOTA
 STATUTORY TAX RATE CALCULATION
 FORECASTED 2010 TAX RATE
 BASED UPON 2009 INCOME TAX RETURNS**

STATE	APPORTIONMENT FACTOR	STATE TAX RATE	APPORTIONED TAX RATE (COL.B x COL.C)	FED RATE	STATE BENEFIT RATE (COL.D x COL.E)	NET FEDERAL RATE (COL.F - COL.G)	ROUNDING	STATUTORY RATE (COLUMNS D,H,I)
COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN H	COLUMN I	COLUMN J
<u>JURISDICTIONAL</u>								
GEORGIA	100.0000%	6.0000%	6.0000%	35.0000%	2.1000%	32.9000%	0.0000%	38.9000%
MINNESOTA	100.0000%	9.8000%	9.8000%	35.0000%	3.4300%	31.5700%	0.0000%	41.3700%
NORTH DAKOTA	100.0000%	6.4000%	6.4000%	35.0000%	2.2400%	32.7600%	0.0000%	39.1600%
SOUTH DAKOTA	100.0000%	0.0000%	0.0000%	35.0000%	0.0000%	35.0000%	0.0000%	35.0000%
<u>COMPOSITE</u>								
GEORGIA	0.0000%	6.0000%	0.0000%	35.0000%	0.0000%	0.0000%		0.0000%
MINNESOTA	89.9315%	9.8000%	8.8133%	35.0000%	3.0847%	-3.0847%		5.7286%
NORTH DAKOTA	3.3242%	6.4000%	0.2127%	35.0000%	0.0744%	-0.0744%		0.1383%
SOUTH DAKOTA	0.0000%	0.0000%	0.0000%	35.0000%	0.0000%	0.0000%		0.0000%
STATE SUBTOTAL	93.2557%		9.0260%	35.0000%	3.1591%	-3.1591%		5.8669%
FEDERAL	0.0000%	0.0000%	0.0000%	35.0000%	0.0000%	35.0000%		35.0000%
ROUNDING						0.0000%		0.0000%
TOTAL COMPOSITE RATE	93.2557%		9.0260%	35.0000%	3.1591%	31.8409%		40.8669%

COMPOSITE TAX RATE RECAP	
GEORGIA	0.0000%
MINNESOTA	8.8133%
NORTH DAKOTA	0.2127%
SOUTH DAKOTA	0.0000%
FEDERAL	31.8409%
TOTAL	40.8669%

Income Tax Summary

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
<u>Income Before Taxes</u>			
1 Total Operating Revenues	3,737,116	196,103	3,541,013
2 less: Total Operating Expenses	(2,686,015)	(153,503)	(2,532,512)
3 Book Depreciation & Amortization	(317,621)	(19,446)	(298,175)
4 Taxes (Other Than Current Income)	(487,101)	(26,457)	(460,644)
5 Total Before Tax Book Income	246,379	(3,303)	249,682
<u>Tax Additions</u>			
6 Book Depreciation	316,793	18,618	298,175
7 Deferred Income Taxes & ITC	341,876	19,226	322,650
8 Nuclear Fuel Burn (ex D&D)	118,069	6,607	111,462
9 Nuclear Outage Accounting	57,586	3,223	54,363
10 Avoided Tax Interest	38,713	2,150	36,563
11 Open Line	0	0	0
12 Open Line	0	0	0
13 Open Line	0	0	0
14 Open Line	0	0	0
15 Open Line	0	0	0
16 Other Book Additions	0	0	0
17 Total Tax Additions	873,037	49,824	823,213
<u>Tax Deductions</u>			
18 Debt Interest Expense	147,605	8,655	138,950
19 Tax Depreciation & Removal	1,349,330	76,601	1,272,729
20 Manufacture Production Deduction	0	0	0
21 Open	0	0	0
22 Open	0	0	0
23 Open	0	0	0
24 Other Tax/Book Timing Differences	(6,719)	(526)	(6,193)
25 Net Preferred Stock Deduction	0	0	0
26 Total Tax Deductions	1,490,216	84,730	1,405,486
27 State Taxable Income	(370,800)	(38,209)	(332,591)
28 State Income Tax Rate	9.03%	0.00%	N/A
29 State Taxes before Credits	(33,468)	0	(33,468)
30 State Credits	944	0	944
31 Total State Income Taxes	(34,412)	0	(34,412)
32 Federal Taxable Income	(336,388)	(38,209)	(298,179)
33 Federal Income Tax Rate	35.00%	35.00%	35.00%
34 Federal Tax before Credits	(117,736)	(13,373)	(104,362)
35 Federal Tax Credits	10,655	597	10,058
36 Total Federal Income Taxes	(128,391)	(13,970)	(114,420)
37 Total Federal & State Income Taxes	(162,803)	(13,970)	(148,833)

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Northern States Power Company (SD)
 Electric Utility - South Dakota Retail Jurisdiction
 Cost of Service Study
 2010 Actual/Baseline

Revenue Requirement & Return Summary

(Dollars in Thousands)

	<u>Capital Structure</u>	<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>	<u>Composite Income Tax Rates</u>	
1	Long Term Debt	6.3300%	47.5200%	3.0100%	State of South Dakota Tax rate	0.00%
2	Short Term Debt	0.0000%	0.0000%	0.0000%	Federal Statutory Tax rate	35.00%
3	Preferred Stock	0.0000%	0.0000%	0.0000%	Federal Effective Tax Rate (1-State Rate*Fed Rate)	35.00%
4	Common Equity	11.0000%	52.4800%	5.7700%	Total South Dakota Composite Tax Rate	35.00%
5	Required Rate of Return			8.7800%	Total Corporate Composite Tax Rate	40.87%

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
<u>Rate of Return (ROR)</u>			
6	Total Operating Income	409,182	10,667
7	Total Average Rate Base	4,903,818	287,541
8	ROR (Operating Income / Rate Base)	8.34%	3.71%

<u>Return on Equity (ROE)</u>			
9	Total Operating Income	409,182	10,667
10	Debt Interest (Rate Base * Weighted Debt Cost)	(147,605)	(8,655)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	0	0
12	Earnings Available for Common	261,577	2,012
13	Equity Rate Base (Rate Base * Equity Ratio)	2,573,524	150,901
14	ROE (Earnings for Common / Equity Rate Base)	10.16%	1.33%

<u>Revenue Deficiency</u>			
15	Require Operating Income (Rate Base * Required Return)	430,555	25,246
16	Operating Income	409,182	10,667
17	Operating Income Deficiency	21,373	14,579
18	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.69110	1.53846
19	Revenue Deficiency (Income Deficiency * Conversion Factor)	36,144	22,429

<u>Total Retail Revenue Requirements</u>			
20	Retail Related Revenues	2,983,846	156,951
21	Revenue Deficiency	36,144	22,429
22	Total Retail Revenue Requirements	3,019,990	179,380
23	<u>Percentage Increase (Decrease)</u>	1.21%	14.29%

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