

**ROE = 6.04%**  
**Deficiency = \$12,717**  
**% Increase = 8.09%**  
**Required ROE = 11.00%**

**Docket No. EL-11-019**

**Attachment 5**

**Page 1 of 6**

**Northern States Power Company (SD)**  
**Electric Utility - South Dakota Retail Jurisdiction**  
**Cost of Service Study**  
**2010 Interim Level**

**Summary Reports**

**Northern States Power Company (SD)**  
**Electric Utility - South Dakota Retail Jurisdiction**  
**Cost of Service Study**  
**2010 Interim Level**

**Docket No. EL-11-019**  
**Attachment 5**  
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(Dollars in Thousands)

**Rate Base Summary**

	<b>Total Company Electric</b>			<b>SD Retail Electric</b>			<b>All Other</b>		
	<b><u>Beginning Balance</u></b>	<b><u>Ending Balance</u></b>	<b><u>Average Balance</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Ending Balance</u></b>	<b><u>Average Balance</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Ending Balance</u></b>	<b><u>Average Balance</u></b>
1 Plant Investment	13,081,604	13,081,604	13,081,604	740,973	740,973	740,973	12,340,631	12,340,631	12,340,631
2 Depreciation Reserve	<u>(6,382,836)</u>	<u>(6,382,836)</u>	<u>(6,382,836)</u>	<u>(363,423)</u>	<u>(363,423)</u>	<u>(363,423)</u>	<u>(6,019,413)</u>	<u>(6,019,413)</u>	<u>(6,019,413)</u>
3 Net Utility Plant	6,698,768	6,698,768	6,698,768	377,550	377,550	377,550	6,321,218	6,321,218	6,321,218
4 C.W.I.P.	0	0	0	0	0	0	0	0	0
5 Accumulated Deferred Taxes	(1,324,475)	(1,324,475)	(1,324,475)	(74,731)	(74,731)	(74,731)	(1,249,744)	(1,249,744)	(1,249,744)
Other Rate Base:									
6 Cash Working Capital	(66,840)	(66,840)	(66,840)	(2,946)	(2,946)	(2,946)	(63,894)	(63,894)	(63,894)
7 Materials & Supplies	111,130	111,130	111,130	6,260	6,260	6,260	104,870	104,870	104,870
8 Fuel Inventory	86,048	86,048	86,048	4,816	4,816	4,816	81,232	81,232	81,232
9 Non-Plant Assets & Liab	(45,059)	(45,059)	(45,059)	(2,603)	(2,603)	(2,603)	(42,456)	(42,456)	(42,456)
10 Prepays & Other	80,864	80,864	80,864	9,855	9,855	9,855	71,009	71,009	71,009
<b>11 Total Rate Base</b>	<b>5,540,436</b>	<b>5,540,436</b>	<b>5,540,436</b>	<b>318,201</b>	<b>318,201</b>	<b>318,201</b>	<b>5,222,235</b>	<b>5,222,235</b>	<b>5,222,235</b>

Northern States Power Company (SD)  
 Electric Utility - South Dakota Retail Jurisdiction  
 Cost of Service Study  
 2010 Interim Level

Docket No. EL-11-019  
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 Page 3 of 6

(Dollars in Thousands)

**Income Statement Summary**

	<b><u>Total Company Electric</u></b>	<b><u>SD Retail Electric</u></b>	<b><u>All Other</u></b>	
<b><u>Operating Revenues</u></b>				
1	Retail	2,962,850	157,219	2,805,631
2	CIP Adjustment to Program Costs	0	-	0
3	Interdepartmental	417	-	417
4	Other Operating	724,787	39,017	685,770
5	Gross Earnings Tax	0	-	0
6	<b>Total Operating Revenues</b>	<b>3,688,054</b>	<b>196,236</b>	<b>3,491,818</b>
<b><u>Expenses</u></b>				
Operating Expenses:				
7	Fuel & Purchased Energy	1,318,220	70,096	1,248,124
8	Power Production	717,380	40,429	676,951
9	Transmission	174,348	9,754	164,594
10	Distribution	109,763	6,397	103,366
11	Customer Accounting	58,762	3,996	54,766
12	Customer Service & Information	79,140	424	78,716
13	Sales, Econ Dvlp & Other	332	53	279
14	Administrative & General	202,435	12,334	190,101
15	<b>Total Operating Expenses</b>	<b>2,660,380</b>	<b>143,483</b>	<b>2,516,897</b>
16	Depreciation	337,640	19,420	318,220
17	Amortization	744	402	342
Taxes:				
18	Property	123,472	5,893	117,579
19	Gross Earnings	0	-	0
20	Deferred Income Tax & ITC	138,445	2,245	136,200
21	State & Federal Income (see Page 3)	8,111	3,451	4,660
22	Payroll & Other	29,044	1,670	27,374
23	<b>Total Taxes</b>	<b>299,072</b>	<b>13,259</b>	<b>285,813</b>
24	<b>Total Expenses</b>	<b>3,297,836</b>	<b>176,564</b>	<b>3,121,272</b>
25	AFUDC	0	-	0
26	<b>Total Operating Income</b>	<b>390,218</b>	<b>19,672</b>	<b>370,546</b>

(Dollars in Thousands)

**Income Tax Summary**

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>	
<b><u>Income Before Taxes</u></b>				
1	Total Operating Revenues	3,688,054	196,236	3,491,818
2	less: Total Operating Expenses	(2,660,380)	(143,483)	(2,516,897)
3	Book Depreciation & Amortization	(338,384)	(19,822)	(318,562)
4	Taxes (Other Than Current Income)	(290,961)	(9,808)	(281,153)
5	<b>Total Before Tax Book Income</b>	<b>398,329</b>	<b>23,123</b>	<b>375,206</b>
<b><u>Tax Additions</u></b>				
6	Book Depreciation	337,640	19,420	318,220
7	Deferred Income Taxes & ITC	138,445	2,245	136,200
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	24,648	1,246	23,402
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	<b>Total Tax Additions</b>	<b>676,388</b>	<b>32,741</b>	<b>643,647</b>
<b><u>Tax Deductions</u></b>				
18	Debt Interest Expense	166,767	9,578	157,189
19	Tax Depreciation & Removal	892,836	36,840	855,996
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	(4,729)	(413)	(4,316)
25	Net Preferred Stock Deduction	0	0	0
26	<b>Total Tax Deductions</b>	<b>1,054,874</b>	<b>46,005</b>	<b>1,008,869</b>
27	<b>State Taxable Income</b>	<b>19,843</b>	<b>9,859</b>	<b>9,984</b>
28	State Income Tax Rate	9.03%	0.00%	N/A
29	State Taxes before Credits	1,791	0	1,791
30	State Credits	944	0	944
31	<b>Total State Income Taxes</b>	<b>847</b>	<b>0</b>	<b>847</b>
32	<b>Federal Taxable Income</b>	<b>18,996</b>	<b>9,859</b>	<b>9,137</b>
33	Federal Income Tax Rate	35.00%	35.00%	35.00%
34	Federal Tax before Credits	6,649	3,451	3,198
35	Federal Tax Credits	(615)	0	(615)
36	<b>Total Federal Income Taxes</b>	<b>7,264</b>	<b>3,451</b>	<b>3,813</b>
37	<b>Total Federal &amp; State Income Taxes</b>	<b>8,111</b>	<b>3,451</b>	<b>4,660</b>

**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)	<u>35.00%</u>
4	Common Equity	11.0000%	52.4800%	<u>5.7700%</u>	<b>Total South Dakota Composite Tax Rate</b>	<b>35.00%</b>
5	<b>Required Rate of Return</b>			<b>8.7800%</b>	<b>Total Corporate Composite Tax Rate</b>	<b>40.87%</b>

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
<b>Rate of Return (ROR)</b>			
6	Total Operating Income	390,218	19,672
7	Total Average Rate Base	<u>5,540,436</u>	<u>318,201</u>
8	<b>ROR (Operating Income / Rate Base)</b>	<b>7.04%</b>	<b>6.18%</b>

<b>Return on Equity (ROE)</b>			
9	Total Operating Income	390,218	19,672
10	Debt Interest (Rate Base * Weighted Debt Cost)	(166,767)	(9,578)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	<u>0</u>	<u>0</u>
12	Earnings Available for Common	223,451	10,094
13	Equity Rate Base ( Rate Base * Equity Ratio)	<u>2,907,621</u>	<u>166,992</u>
14	<b>ROE (Earnings for Common / Equity Rate Base)</b>	<b>7.69%</b>	<b>6.04%</b>

<b>Revenue Deficiency</b>			
15	Require Operating Income (Rate Base * Required Return)	486,450	27,938
16	Operating Income	<u>390,218</u>	<u>19,672</u>
17	Operating Income Deficiency	96,232	8,266
18	Revenue Conversion Factor ( 1/(1-Composite Tax Rate) )	<u>1.69110</u>	<u>1.53846</u>
19	<b>Revenue Deficiency (Income Deficiency * Conversion Factor)</b>	<b>162,738</b>	<b>12,717</b>

<b>Total Retail Revenue Requirements</b>			
20	Retail Related Revenues	2,963,267	157,219
21	Revenue Deficiency	<u>162,738</u>	<u>12,717</u>
22	<b>Total Retail Revenue Requirements</b>	<b>3,126,005</b>	<b>169,936</b>

23	<b>Percentage Increase (Decrease)</b>	<b>5.49%</b>	<b>8.09%</b>	<b>5.35%</b>
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24	Fuel Cost Revenues		51,300	
25	Retail Base Rate Revenue for Interim (Line 20 - Line 24)		105,919	

26	<b>Percentage Increase to Base Revenue (Line 19 / Line 25)</b>		12.01%	
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(Dollars in Thousands)

**Rate Base Detail - Cash Working Capital**

Expenses	Lead Days	Total Company Electric		SD Retail Electric		All Other			
		Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days		
<b>Fuel Expenses</b>									
1	Coal & Rail Transport	21.08	311,859	6,573,988	17,455	367,951	294,404	6,206,036	
2	Gas for Generation	38.45	125,679	4,832,358	7,034	270,457	118,645	4,561,900	
3	Oil	22.51	2,859	64,356	160	3,602	2,699	60,754	
4	Nuclear & EOL	0.00	118,069	0	6,608	0	111,461	0	
5	Nuclear Disposal	76.00	12,700	965,200	711	54,036	11,989	911,164	
6			571,166	12,435,901	31,968	696,046	539,198	11,739,855	
<b>Purchased Power</b>									
7	Purchases	28.12	774,568	21,780,852	34,533	971,068	740,035	20,809,784	
8	Interchange	31.79	116,312	3,697,558	6,509	206,921	109,803	3,490,637	
			890,880	25,478,411	41,042	1,177,989	849,838	24,300,422	
<b>Labor &amp; Related Costs</b>									
9	Regular Payroll	12.31	365,958	4,504,943	21,525	264,973	344,433	4,239,970	
10	Incentive Compensation	255.05	16,861	4,300,398	952	242,808	15,909	4,057,590	
11	Pension & Benefits	19.20	74,060	1,421,952	4,492	86,246	69,568	1,335,706	
12	Subtotal Labor & Related		456,879	10,227,293	26,969	594,027	429,910	9,633,266	
13									
14	All Other Operating Expenses	35.01	741,455	25,958,340	43,504	1,523,075	697,951	24,435,265	
15	Property Tax	356.72	123,472	44,044,932	5,893	2,102,151	117,579	41,942,781	
16	Employer's Payroll Taxes	26.56	29,044	771,409	1,670	44,355	27,374	727,053	
17	Gross Earnings Tax	51.98	0	0	0	0	0	0	
18	Federal Income Tax	37.75	7,264	274,199	3,451	130,264	3,813	143,935	
19	State Income Tax	37.75	847	31,975	0	0	847	31,975	
20	State Sales Tax Customer Billings	35.73	138,813	4,959,788	5,736	204,947	133,077	4,754,841	
21	Total Expenses	41.96	2,959,820	124,182,248	160,233	6,472,855	2,799,587	117,709,393	
22	Net Annual Expense Amount			340,225		17,734		322,491	
<b>Revenues</b>									
		Lag Days	Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days	
23	Computer Billing	100.00%	33.67	2,962,850	99,759,160	157,219	5,293,564	2,805,631	94,465,596
24	Hand Billed	0.00%	33.67	0	0	0	0	0	0
25	Retail Revenue Adjustments	0.00	0	0	0	0	0	0	
26	Interdepartmental	0.00	417	0	0	0	417	0	
27	Late Payment	0.00	0	0	0	0	0	0	
28	Connect and Trouble Charges	42.85	2,232	95,646	256	10,970	1,976	84,676	
29	CIP Incentive	0.00	0	0	0	0	0	0	
30	Rentals	114.17	4,088	466,727	243	27,743	3,845	438,984	
31	Interchange Revenues	31.13	414,842	12,914,031	23,217	722,745	391,625	12,191,286	
32	Sales for Resale	37.10	214,520	7,958,692	10,891	404,056	203,629	7,554,636	
33	Production Associated Revenues	37.10	5,650	209,615	316	11,724	5,334	197,891	
34	MISO	14.00	10,457	146,398	585	8,190	9,872	138,208	
35	Point to Point Firm	37.10	44,744	1,660,002	2,504	92,898	42,240	1,567,104	
36	Services & Facilities	37.10	8,654	321,063	480	17,808	8,174	303,255	
37	Ancillary	37.10	17,289	641,422	967	35,876	16,322	605,546	
38	Distribution Associated Revenues	42.85	126	5,399	0	0	126	5,399	
39	Other	42.85	13,500	578,502	191	8,185	13,309	570,317	
40	JOA - Rev fr/to PSC	37.10	(11,315)	(419,787)	(633)	(23,484)	(10,682)	(396,302)	
41	(blank)	0.00	0	0	0	0	0	0	
42	(blank)	0.00	0	0	0	0	0	0	
43	(blank)	0.00	0	0	0	0	0	0	
44	Total Revenues	33.71	3,688,054	124,336,871	196,236	6,610,275	3,491,818	117,726,597	
45	Net Annual Amount			340,649		18,110		322,539	
46	Expense / Revenue Factor			0.8025		0.8165			
47	Allocated Revenue Amount			273,385		14,787			
48	Net Cash Working Capital			(66,840)		(2,947)		(63,893)	