

2011 SD NOL Determination		2010	2010 Closing to Filing Adj	2011
Input Assumptions		Annual Rpt NOL		
Weighted Cost of Debt		3.01%		2.88%
Weighted Cost of Equity		5.25%		5.63%
Composite Cost of Capital		8.26%		8.51%
Composite Tax Rate		40.87%	40.87%	40.78%
Current Tax Rate		35.00%		35.00%
Federal Tax Rate		35.00%		35.00%
State Rate		0.00%		0.00%
Income Tax GrossUp Factor		0.538461538		0.538461538
Current COSS MN Jur Revenue Requirement				
Rate Base				
Plus CWIP Balance		0		0
Plus Plant In-Service		714,371		820,469
Less Book Depreciation Reserve		362,969		386,698
Less Accum Deferred Taxes		75,241		99,171
Plus Other Rate Base		<u>18,328</u>		<u>18,818</u>
Average Rate Base (BOY/EOY)		294,489		353,418
Plus Debt Return		8,864		10,178
Plus Equity Return		<u>15,461</u>		<u>19,897</u>
Total Return		24,325		30,076
Income Statement				
Plus Operating Expense		152,981		146,142
Plus Amortization Expense		475		595
Plus Payroll & Other Taxes		1,670		1,846
Plus Property Taxes		5,560		5,998
Plus Book Depreciation		18,618		21,422
Plus Deferred Taxes		15,577		22,750
Plus RR Gross Up for Income Tax		(2,968)		(5,821)
Less AFUDC		0		0
Less AFUDC RR Gross Up for Income Tax		0		0
Less Other Revenues		39,335		35,124
Less Wind Production Tax Credit		597		1,097
Less Wind PTC Gross up for Income Tax		321		591
Less Investment Tax Credit (INPUT)		0		0
Less ITC RR Gross up for Income Tax		0		0
Total Income Statement Expense		151,660		156,120
Total Current Tax Expense		(3,886)		(7,509)
Tax Depr, Removal, CPI & Other		55,167		74,880
MN Jurisdictional Revenue Requirement		175,985		186,196
NOL & Credit Carry-Forward				
Unused PTC Credits		(597)		(1,097)
Unused PTC Credit RR Gross Up for Income Tax		(321)		(591)
Current Tax After Unused Credits		(2,968)		(5,821)
NOL Carry-Forward (Unused Deductions)		(28,616)	480	(18,546)
Impact on Deferred Tax		(12,292)	196	(8,660)
Impact on Rate Base		6,146		16,426
2010 Yr End ADIT			(12,096)	
Impact On Debt Return		185		473
Impact on Equity Return		323		925
Impact on Current Tax		8,964		5,821
Total Current Tax Expense		5,996		0
Total Current Tax Expense (Excl ITC)		5,996		0
Rev Req Impact of Loss & Credit Carryforward		(1,902)		247
EOY Unused Deduction Balance		28,616		47,162
Tax Effect of Deduction Balance		11,695		19,232
EOY Unused Credit Balance		597		1,694
Total (EOY Rate Base)		12,292		20,926
Total Revenue Requirements		174,082		186,443

Revenue Requirement Validation			
Rate Base	2010	2010 Closing to Filing Adj	2011
CWIP	0		0
Plant In-Service	714,371		820,469
Book Depreciation Reserve	(362,969)		(386,698)
Accum Deferred Liability	(75,241)		(99,171)
Accum Deferred Liability (Bonus)	0		0
Accum Deferred Asset (NOL)	5,848		15,280
Accum Deferred Asset (PTCs)	299		1,146
Other Rate Base	<u>18,328</u>		<u>18,818</u>
Total Rate Base	300,635		369,844
Debt Return	9,049		10,652
Equity Return	15,783		20,822
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	2010	2010 Closing to Filing Adj	2011
Total Retail Revenues	156,951		168,446
Expenses			
Plus Operating Expense	152,981		146,142
Plus Amortization Expense	475		595
Plus Payroll & Other Taxes	1,670		1,846
Plus Property Taxes	5,560		5,998
Plus Book Depreciation	18,618		21,422
Plus Deferred Taxes	3,285		14,090
Less Other Revenues	39,335		35,124
<u>Calculate Taxable Income and Federal & State Taxes</u>			
Total Revenues (Model Revenue Requirements)	156,951		168,446
Tax Depreciation, Removal & CPI	55,167		74,880
Bonus Tax Depr	-		-
NOL Carryforward (Unused Deductions)	(28,616)		(38,102)
CPI Tax Income	-		-
Removal Expense	-		-
Debt Return	9,049		10,652
Amortization Expense	475		595
Operating Expenses	152,981		146,142
Payroll & Other Taxes	1,670		1,846
Property Taxes	5,560		5,998
Plus Other Revenues	39,335		35,124
Total Taxable Income	(0)		1,559
State Taxes	-		-
Federal Taxable Income	(0)		1,559
Federal Taxes	(0)		546
Total State & Federal Taxes	(0)		546
Tax Credits	597		1,097
Credit Carryforward	(597)		(1,097)
Net State & Federal Taxes (Equals ITC)	(0)		546
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Total Expenses	143,254		155,515
Operating Income	13,697		12,931
AFUDC	-		-
Net Operating Income	13,697		12,931
Required Operating Income <i>(Rate Base x Required Return)</i>	24,832		31,474
Operating Income Deficiency <i>(Required Operating Income less Operating Income)</i>	11,135		18,543
Revenue Conversion Factor (1/(1-t))	1.538461538		1.538461538
Revenue Deficiency	17,131		28,527