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June 1, 2009

Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Dear Ms. Van Gerpen:

Pursuant to the orders in the Transmission Cost Recovery Rider and Environmental Cost Recovery Rider, Docket Nos. EL07-007 and EL07-026, Northern States Power Company, a Minnesota corporation ("Xcel Energy" or the "Company") provides its report of jurisdictional earnings for the calendar year 2008.

In both dockets, settlement stipulations agreed to by Commission Staff and the Company and approved by the Commission via orders dated January 13, 2009 specify that Xcel Energy shall provide to the Commission by June 1 of each year a report of our South Dakota jurisdictional earnings ("Cost of Service Study") for the preceding calendar year showing, among other things, the overall rate of return and return on equity ("ROE") earned, and the South Dakota revenue excess or deficiency based on a 9.5 percent ROE (subject to change as provided for in the stipulation agreement) and 11.25 percent ROE as authorized in the last rate case. The determinations are to be presented on an actual and weather-normalized basis and should reflect South Dakota ratemaking practices.

Following this letter is a report that provides the information that the Company believes satisfies this requirement. Xcel Energy appreciates the opportunity for in-between rate case cost recovery of transmission and environmental capital investments as allowed and we appreciate the Commission's interest in obtaining this new information on the Company's financial performance for last year.

If anyone has any questions, please call me at 339-8350.

Sincerely,

A handwritten signature in black ink that reads 'J Wilcox'.

Jim Wilcox

c. Judy Pofert

ANNUAL REPORT
OF
JURISDICTIONAL EARNINGS
BY
NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION
TO THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

FOR THE YEAR ENDING

DECEMBER 31, 2008

South Dakota Jurisdiction
Electric Utility



2008

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Electric Utility

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Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

I. RETURN ON EQUITY (ROE)

<u>Actual Return on Equity (ROE)</u>	<u>2008</u>	<u>2007</u>
1 Operating Income from Electric Operations (E-2):	\$16,085	\$16,131
2 Average Regulated Rate Base (E-3):	\$240,758	\$205,391
3 Rate of Return on Rate Base (ROR) (line 1 / line 2):	6.68%	7.85%
4 Weighted Cost of Debt (E-4):	3.23%	3.32%
5 Weighted Cost of Preferred Stock (E-4):	0.00%	0.00%
6 % of Equity in Capital Structure (E-4):	51.43%	50.57%
7 Return on Equity (ROE):	6.71%	8.97%

<u>ROE, Normalized for Weather Impact on Sales</u>	<u>2008</u>	<u>2007</u>
8 Operating Income from Electric Operations:	\$16,085	\$16,131
9 Impact of weather on Mwh Sales:	(16,413)	30,569
10 Impact of weather on Electric Operating Income :	(\$592)	\$1,085
11 Weather-Normalized Operating Income:	\$16,677	\$15,046
12 Average Regulated Rate Base:	\$240,758	\$205,391
13 Weather-Normal Rate of Return on Rate Base (ROR):	6.93%	7.33%
14 Weather-Normalized Return on Equity (ROE):	7.19%	7.92%

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

II. OPERATING INCOME

<u>Line</u>	<u>Item</u>	<u>2008</u> <u>Total NSP</u>	<u>2008</u> <u>S.D. Juris.</u>	<u>2007</u> <u>S.D. Juris.</u>	<u>Annual</u> <u>Change</u>
	<u>Operating Revenues:</u>				
1	Residential	1,019,749	58,628	57,481	2.0%
2	Small Comm. & Ind.	1,214,099	65,732	61,237	7.3%
3	Large Comm. & Ind.	641,566	21,444	21,030	2.0%
4	Other ¹	775,187	37,579	40,199	-6.5%
5	Total Revenues:	3,650,601	183,384	179,947	1.9%
	<u>Operating Expenses:</u>				
6	Production	2,066,032	108,383	109,945	-1.4%
7	Transmission	147,078	7,551	6,961	8.5%
8	Distribution	102,935	5,917	6,048	-2.2%
9	Customer Billing	64,638	4,212	3,968	6.1%
10	Customer Service	60,978	415	350	18.6%
11	Sales & Marketing	341	53	4	1225.0%
12	Admin. & General	179,469	9,809	9,278	5.7%
13	Depreciation & Amortization	375,909	20,275	19,282	5.1%
14	Property Taxes	97,785	4,436	4,292	3.4%
15	Other General Taxes ²	25,697	1,381	1,058	30.5%
16	Income Taxes	45,813	(258)	974	-126.5%
17	Deferred Income Taxes & ITC	113,682	5,125	1,656	209.5%
18	Total Expenses:	3,280,356	167,299	163,816	2.1%
19	Regulated Operating Income	370,245	16,085	16,131	-0.3%

¹ Includes primarily public street & highway lighting, sales to public authorities, interchange billings, other electric operating revenues.

² Includes gross earnings taxes (franchise fees) and payroll taxes.

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

III. AVERAGE RATE BASE

<u>Line</u> <u>Item</u>	2008 <u>Total NSP</u>	2008 ² <u>S.D. Juris.</u>	2007 ³ <u>S.D. Juris.</u>	Annual Change
1 Plant in Service	10,954,477	589,212	546,778	7.8%
2 Accumulated Depreciation	5,861,819	312,270	302,648	3.2%
3 Net Plant in Service	5,092,658	276,942	244,130	13.4%
4 Plant Held for Future Use	0	0	0	*
5 Construct Work in Progress	0	0	0	*
6 Materials and Supplies	94,856	4,944	4,923	0.4%
7 Fuel Stocks	111,084	5,879	2,820	108.5%
8 Prepayments & Other Rate Base	44,470	6,296	5,085	23.8%
9 Customer Deposits	(1,079)	(63)	(59)	6.8%
10 Cash Working Capital	0	0	0	*
11 Other Rate Base ¹	(48,905)	(2,637)	(6,156)	-57.2%
12 Accum. Deferred Taxes	(884,320)	(50,603)	(45,352)	11.6%
13 Total Other Rate Base	(683,894)	(36,184)	(38,739)	-6.6%
14 Total Average Rate Base	4,408,764	240,758	205,391	17.2%

¹ Includes deferred assets and liabilities such as accrued vacations, post-retirement medical benefits (FASB 106), post-employment benefits (FASB 112), unfunded pension liability, environmental cleanup, severance accrual, etc.

² 2008 average rate base is based on 13 monthly averages. This conversion was used because of the close proximity of this report to our pending general rate case.

³ As will be the case in future annual reports, 2007 rate base is based on an average of beginning-of-year and end-of-year balances.

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

IV. COST OF CAPITAL

2008 Actual

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt ¹	\$2,843,325	48.57%	6.64%	3.23%
2	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$2,843,325	48.57%	6.64%	3.23%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$3,010,665	51.43%	6.71%	3.45%
6	Total Equity	\$3,010,665	51.43%		
7	Total Capital	\$5,853,990	100.00%		6.68%

2008 Normalized

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt ¹	\$2,843,325	48.57%	6.64%	3.24%
9	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
10	Total Debt	2,843,325	48.57%	6.66%	3.24%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	\$3,010,665	51.43%	7.19%	3.69%
13	Total Equity	\$3,010,665	51.43%		
14	Total Capital	\$5,853,990	100.00%		6.93%

¹ Long-term and short-term debt are 12 month averages

² Preferred stock and common stock are 13 month averages

Northern States Power Company

Electric Utility - South Dakota

(Dollars In Thousands)

V. REQUIRED RATE OF RETURN

2008 Based on 11.25% ROE

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt ¹	\$2,843,325	48.57%	6.64%	3.23%
2	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
3	Total Debt	\$2,843,325	48.57%	6.65%	3.23%
4	Preferred Stock ²	\$0	0.00%	0.00%	0.00%
5	Common Equity ²	\$3,010,665	51.43%	11.25%	5.79%
6	Total Equity	\$3,010,665	51.43%		
7	Total Capital	\$5,853,990	100.00%		9.02%

2008 Based on 9.5% ROE

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8	Long-Term Debt ¹	\$2,843,325	48.57%	6.64%	3.23%
9	Short-Term Debt ¹	\$0	0.00%	0.00%	0.00%
10	Total Debt	2,843,325	48.57%	6.65%	3.23%
11	Preferred Stock ²	\$0	0.00%		0.00%
12	Common Equity ²	\$3,010,665	51.43%	9.50%	4.89%
13	Total Equity	\$3,010,665	51.43%		
14	Total Capital	\$5,853,990	100.00%		8.12%

¹ Long-term and short-term debt are 12 month averages

² Preferred stock and common stock are 13 month averages

Northern States Power Company
Electric Utility - South Dakota

(Dollars In Thousands)

VI. REVENUE DEFICIENCY

2008 Based on 11.25% ROE

<u>Line</u>	<u>Item</u>	Actual 2008 <u>S.D. Juris.</u>	Weather Normalized 2008 <u>S.D. Juris.</u>
	<u>Revenue Deficiency</u>		
1	Total Operating Income	16,085	16,677
2	Total Average Rate Base	240,758	240,758
3	Require Operating Income (Rate Base * Required Return)	21,716	21,716
4	Operating Income	16,085	16,677
5	Operating Income Deficiency	5,631	5,039
6	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.53846	1.53846
7	Revenue Deficiency (Income Deficiency * Conversion Factor)	8,663	7,754

2008 Based on 9.5% ROE

<u>Line</u>	<u>Item</u>	Actual 2008 <u>S.D. Juris.</u>	Weather Normalized 2008 <u>S.D. Juris.</u>
	<u>Revenue Deficiency</u>		
8	Total Operating Income	16,085	16,677
9	Total Average Rate Base	240,758	240,758
10	Require Operating Income (Rate Base * Required Return)	19,550	19,550
11	Operating Income	16,085	16,677
12	Operating Income Deficiency	3,465	2,873
13	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.53846	1.53846
14	Revenue Deficiency (Income Deficiency * Conversion Factor)	5,329	4,420

ROE = 6.71%
Deficiency = \$8,663
% Increase = 5.90%
Required ROE = 11.25%

ADDENDUM
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Northern States Power Company (MN)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2008 Actual/Baseline

Summary Reports

May 28, 2009

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Northern States Power Company (MN)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2008 Actual/Baseline

(Dollars in Thousands)

Rate Base Summary

	Total Company Electric			South Dakota Retail Electric			All Other		
	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>
1 Plant Investment	10,954,477	10,954,477	10,954,477	589,212	589,212	589,212	10,365,265	10,365,265	10,365,265
2 Depreciation Reserve	(5,861,819)	(5,861,819)	(5,861,819)	(312,270)	(312,270)	(312,270)	(5,549,549)	(5,549,549)	(5,549,549)
3 Net Utility Plant	5,092,658	5,092,658	5,092,658	276,942	276,942	276,942	4,815,716	4,815,716	4,815,716
4 C.W.I.P.	0	0	0	0	0	0	0	0	0
5 Accumulated Deferred Taxes	(884,320)	(884,320)	(884,320)	(50,603)	(50,603)	(50,603)	(833,717)	(833,717)	(833,717)
Other Rate Base:									
6 Cash Working Capital	0	0	0	0	0	0	0	0	0
7 Materials & Supplies	94,856	94,856	94,856	4,944	4,944	4,944	89,912	89,912	89,912
8 Fuel Inventory	111,084	111,084	111,084	5,879	5,879	5,879	105,205	105,205	105,205
9 Non-Plant Assets & Liab	(48,905)	(48,905)	(48,905)	(2,637)	(2,637)	(2,637)	(46,268)	(46,268)	(46,268)
10 Prepays & Other	43,391	43,391	43,391	6,233	6,233	6,233	37,158	37,158	37,158
11 Total Rate Base	4,408,764	4,408,764	4,408,764	240,758	240,758	240,758	4,168,006	4,168,006	4,168,006

Northern States Power Company (MN)
 Electric Utility - South Dakota Retail Jurisdiction
 Cost of Service Study
 2008 Actual/Baseline

(Dollars in Thousands)

Income Statement Summary

	<u>Total Company Electric</u>	<u>South Dakota Retail Electric</u>	<u>All Other</u>	
<u>Operating Revenues</u>				
1	Retail	2,907,274	146,879	2,760,395
2	CIP Adjustment to Program Costs	0	-	0
3	Interdepartmental	564	-	564
4	Other Operating	742,763	36,505	706,258
5	Gross Earnings Tax	0	-	0
6	Total Operating Revenues	3,650,601	183,384	3,467,217
<u>Expenses</u>				
Operating Expenses:				
7	Fuel & Purchased Energy	1,477,787	78,043	1,399,744
8	Power Production	588,245	30,340	557,905
9	Transmission	147,078	7,551	139,527
10	Distribution	102,935	5,917	97,018
11	Customer Accounting	64,638	4,212	60,426
12	Customer Service & Information	60,978	415	60,563
13	Sales, Econ Dvlp & Other	341	53	288
14	Administrative & General	179,469	9,809	169,660
15	Total Operating Expenses	2,621,471	136,340	2,485,131
16	Depreciation	364,094	20,214	343,880
17	Amortization	11,815	61	11,754
Taxes:				
18	Property	97,785	4,436	93,349
19	Gross Earnings	0	-	0
20	Deferred Income Tax & ITC	113,682	5,125	108,557
21	State & Federal Income (see Page 3)	45,813	(258)	46,071
22	Payroll & Other	25,697	1,381	24,316
23	Total Taxes	282,977	10,684	272,293
24	Total Expenses	3,280,356	167,299	3,113,058
25	AFUDC	0	-	0
26	Total Operating Income	370,245	16,085	354,159

(Dollars in Thousands)

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	3,650,601	183,384	3,467,217
2	less: Total Operating Expenses	(2,621,471)	(136,340)	(2,485,131)
3	Book Depreciation & Amortization	(375,909)	(20,275)	(355,634)
4	Taxes (Other Than Current Income)	(237,164)	(10,942)	(226,222)
5	Total Before Tax Book Income	416,057	15,827	400,230
<u>Tax Additions</u>				
6	Book Depreciation	364,094	20,214	343,880
7	Deferred Income Taxes & ITC	113,682	5,125	108,557
8	Nuclear Fuel Burn (ex D&D)	76,752	3,940	72,812
9	Nuclear Outage Accounting	13,174	675	12,499
10	Avoided Tax Interest	43,578	2,267	41,311
11	Confiruration Mgmt	57	57	0
12	TBT Production	(9)	0	(9)
13	TBT Transmission	(3)	0	(3)
14	TBT Distribution	(6)	0	(6)
15	Open Line	0	0	0
16	Other Book Additions	0	0	0
17	Total Tax Additions	611,319	32,278	579,041
<u>Tax Deductions</u>				
18	Debt Interest Expense	142,403	7,776	134,627
19	Tax Depreciation & Removal	783,849	41,694	742,155
20	Manufacture Production Deduction	958	57	901
21	Meal & Fas 106	2,093	112	1,981
22	Open	0	0	0
23	Open	0	0	0
24	Other Tax/Book Timing Differences	(24,075)	(1,399)	(22,676)
30	Net Preferred Stock Deduction	0	0	0
31	Total Tax Deductions	905,228	48,241	856,987
32	State Taxable Income	122,148	(136)	122,284
33	State Income Tax Rate	9.00%	0.00%	N/A
	State Taxes before Credits	10,990	0	10,990
	State R&E Credit	593	30	563
34	Total State Income Taxes	10,397	(30)	10,427
35	Federal Taxable Income	111,751	(106)	111,857
36	Federal Income Tax Rate	35.00%	35.00%	35.00%
	Federal Tax before Credits	39,113	(37)	39,150
	Production Tax Credit	3,697	191	0
37	Total Federal Income Taxes	35,416	(228)	39,150
38	Total Federal & State Income Taxes	45,813	(258)	49,577

Northern States Power Company (MN)
 Electric Utility - South Dakota Retail Jurisdiction
 Cost of Service Study
 2008 Actual/Baseline

ADDENDUM
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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	6.6400%	48.5700%	3.2300%	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	11.2500%	51.4300%	5.7900%	Total South Dakota Composite Tax Rate	35.00%
5	Required Rate of Return			9.0200%	Total Corporate Composite Tax Rate	40.85%

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
Rate of Return (ROR)			
6	Total Operating Income	370,245	16,085
7	Total Average Rate Base	4,408,764	240,758
8	ROR (Operating Income / Rate Base)	8.40%	6.68%

Return on Equity (ROE)			
9	Total Operating Income	370,245	16,085
10	Debt Interest (Rate Base * Weighted Debt Cost)	(142,403)	(7,776)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	0	0
12	Earnings Available for Common	227,841	8,309
13	Equity Rate Base (Rate Base * Equity Ratio)	2,267,427	123,822
14	ROE (Earnings for Common / Equity Rate Base)	10.05%	6.71%

Revenue Deficiency			
15	Require Operating Income (Rate Base * Required Return)	397,671	21,716
16	Operating Income	370,245	16,085
17	Operating Income Deficiency	27,426	5,631
18	Revenue Conversion Factor (1/(1-Composite Tax Rate))	1.69056	1.53846
19	Revenue Deficiency (Income Deficiency * Conversion Factor)	46,365	8,663

Total Retail Revenue Requirements			
20	Retail Related Revenues	2,907,838	146,879
21	Revenue Deficiency	46,365	8,663
22	Total Retail Revenue Requirements	2,954,203	155,542

23	Percentage Increase (Decrease)	1.59%	5.90%
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