

ROE = 2.95%

ADDENDUM

Page 1 of 5

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

Summary Reports

June 1, 2011

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

ADDENDUM
 Page 2 of 5

(Dollars in Thousands)

Rate Base Summary

	<u>Total Company Electric</u>			<u>SD Retail Electric</u>			<u>All Other</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>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Average Balance</u>
1 Plant Investment	12,476,649	12,476,649	12,476,649	714,371	714,371	714,371	11,762,278	11,762,278	11,762,278
2 Depreciation Reserve	(6,381,238)	(6,381,238)	(6,381,238)	(362,969)	(362,969)	(362,969)	(6,018,269)	(6,018,269)	(6,018,269)
3 Net Utility Plant	6,095,411	6,095,411	6,095,411	351,402	351,402	351,402	5,744,009	5,744,009	5,744,009
4 C.W.I.P.	0	0	0	0	0	0	0	0	0
5 Accumulated Deferred Taxes	(1,220,282)	(1,220,282)	(1,220,282)	(69,095)	(69,095)	(69,095)	(1,151,187)	(1,151,187)	(1,151,187)
Other Rate Base:									
6 Cash Working Capital	0	0	0	0	0	0	0	0	0
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	80,863	80,863	80,863	9,855	9,855	9,855	71,008	71,008	71,008
11 Total Rate Base	5,108,112	5,108,112	5,108,111	300,635	300,635	300,635	4,807,477	4,807,477	4,807,476

Northern States Power Company (SD)
 Electric Utility - South Dakota Retail Jurisdiction
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 2010 Actuals

(Dollars in Thousands)

Income Statement Summary

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>	
<u>Operating Revenues</u>				
1	Retail	2,982,022	156,951	2,825,071
2	CIP Adjustment to Program Costs	0	-	0
3	Interdepartmental	417	-	417
4	Other Operating	725,583	39,335	686,248
5	Gross Earnings Tax	0	-	0
6	Total Operating Revenues	3,708,022	196,286	3,511,736
<u>Expenses</u>				
Operating Expenses:				
7	Fuel & Purchased Energy	1,328,234	80,110	1,248,124
8	Power Production	717,081	40,130	676,951
9	Transmission	174,351	9,757	164,594
10	Distribution	109,899	6,533	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	203,428	11,978	191,450
15	Total Operating Expenses	2,671,227	152,981	2,518,246
16	Depreciation	316,793	18,618	298,175
17	Amortization	43,259	475	42,784
Taxes:				
18	Property	116,166	5,560	110,606
19	Gross Earnings	0	-	0
20	Deferred Income Tax & ITC	145,440	3,285	142,155
21	State & Federal Income (see Page 3)	7,937	(0)	7,937
22	Payroll & Other	29,044	1,670	27,374
23	Total Taxes	298,587	10,515	288,072
24	Total Expenses	3,329,866	182,589	3,147,277
25	AFUDC	0	-	0
26	Total Operating Income	378,156	13,697	364,459

Northern States Power Company (SD)
 Electric Utility - South Dakota Retail Jurisdiction
 Cost of Service Study
 2010 Actuals
 (Dollars in Thousands)

ADDENDUM
 Page 4 of 5

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	3,708,022	196,286	3,511,736
2	less: Total Operating Expenses	(2,671,227)	(152,981)	(2,518,246)
3	Book Depreciation & Amortization	(360,052)	(19,093)	(340,959)
4	Taxes (Other Than Current Income)	(290,650)	(10,515)	(280,135)
5	Total Before Tax Book Income	386,093	13,697	372,396
<u>Tax Additions</u>				
6	Book Depreciation	316,793	18,618	298,175
7	Deferred Income Taxes & ITC	145,440	3,285	142,155
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	38,268	2,125	36,143
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	676,156	33,858	642,298
<u>Tax Deductions</u>				
18	Debt Interest Expense	153,754	9,049	144,705
19	Tax Depreciation & Removal	893,805	38,919	854,886
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	Total Tax Deductions	1,042,830	47,555	995,275
27	State Taxable Income	19,419	(0)	19,419
28	State Income Tax Rate	9.03%	0.00%	N/A
29	State Taxes before Credits	1,753	0	1,753
30	State Credits	944	0	944
31	Total State Income Taxes	809	0	809
32	Federal Taxable Income	18,610	(0)	18,610
33	Federal Income Tax Rate	35.00%	35.00%	35.00%
34	Federal Tax before Credits	6,514	(0)	6,514
35	Federal Tax Credits	(615)	0	(615)
36	Total Federal Income Taxes	7,129	(0)	7,129
37	Total Federal & State Income Taxes	7,937	(0)	7,937

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Revenue Requirement & Return Summary

[BEGIN TRADE SECRET

ADDENDUM

Page 5 of 5

	<u>Capital Structure</u>	<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>		<u>Composite Income Tax Rates</u>
1	Long Term Debt					State of South Dakota Tax rate
2	Short Term Debt					Federal Statutory Tax rate
3	Preferred Stock					Federal Effective Tax Rate (1-State Rate*Fed Rate)
4	Common Equity					Total South Dakota Composite Tax Rate
5	Required Rate of Return					Total Corporate Composite Tax Rate
<hr/>						
					<u>Total Company Electric</u>	<u>SD Retail Electric</u>
						<u>All Other</u>
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	<u>Rate of Return (ROR)</u>					
6	Total Operating Income					
7	Total Average Rate Base					
8	ROR (Operating Income / Rate Base)					
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	<u>Return on Equity (ROE)</u>					
9	Total Operating Income					
10	Debt Interest (Rate Base * Weighted Debt Cost)					
11	Preferred Stock (Rate Base * Weighted Preferred Cost)					
12	Earnings Available for Common					
13	Equity Rate Base (Rate Base * Equity Ratio)					
14	ROE (Earnings for Common / Equity Rate Base)					
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	<u>Revenue Deficiency</u>					
15	Require Operating Income (Rate Base * Required Return)					
16	Operating Income					
17	Operating Income Deficiency					
18	Revenue Conversion Factor (1/(1-Composite Tax Rate))					
19	Revenue Deficiency (Income Deficiency * Conversion Factor)					
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	<u>Total Retail Revenue Requirements</u>					
20	Retail Related Revenues					
21	Revenue Deficiency					
22	Total Retail Revenue Requirements					
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23	<u>Percentage Increase (Decrease)</u>					

END TRADE SECRET]