Jim Wilcox, Manager,
Government & Regulatory Affairs
500 West Russell Street
P.O. Box 988
Sioux Falls, SD 57101-0988
Telephone (605) 339-8350 fax 612/573-9083
internet - james.c.wilcox@xcelenergy.com

September 7, 2007

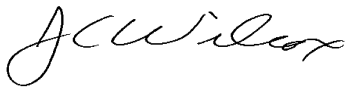
Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Dear Ms. Van Gerpen:

Enclosed for filing please find Xcel Energy's petition seeking approval for an environmental measures cost recovery tariff and rate rider mechanism.

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

Sincerely,



Jim Wilcox

STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY, A MINNESOTA CORPORATION AND WHOLLY OWNED SUBSIDIARY OF XCEL ENERGY TO ESTABLISH AN ENVIRONMENTAL MEASURES COST RECOVERY TARIFF AND FOR APPROVAL OF 2007AND 2008 PLANNED ENVIRONMENTAL MEASURES TO BE INCLUDED IN RATES

PETITION
FOR ENVIRONMENTAL MEASURES COST RECOVERY

DOCKET NO. _____

INTRODUCTION

Pursuant to SDCL Chapter 49-34A, Sections 97 through 100, relating to approval of tariff mechanisms for automatic annual adjustment of charges for jurisdictional costs of new environmental measures, Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc. ("Xcel Energy" or the "Company") petitions the South Dakota Public Utilities Commission (the "Commission") for approval of a new tariff establishing an Environmental Cost Recovery Rider ("ECR Rider") to incorporate legislation enacted during the 2007 Legislative Session. The Company also seeks approval to implement the tariff by including the allocated jurisdictional costs in the ECR Rider for environmental measure expenditures planned to be made in 2007 and 2008.

SB 118 passed by the South Dakota Legislature in 2007 (now incorporated as SDCL Chapter 49-34A, Sections 97 through 100 and included in exhibit 1 for reference) authorizes the Commission to approve a tariff mechanism for the automatic annual adjustment of charges for a public utility to recover the South Dakota jurisdictional portion of eligible investments in and expenses related to new environmental measures. The statute defines eligible new environmental measures as any environmental improvements required under the Clean Air Act, the Clean Water Act, or any other federal law or rule, or any state law or rule implementing a federal law or rule, or voluntary environmental measures designed to protect the environment.

By allowing public utilities the opportunity to implement a cost recovery mechanism for investments in new environmental measures, the 2007 legislation is designed to encourage such investment, which will, in turn, improve the quality of our air and water.

SUMMARY

This filing seeks approval of a new tariff – an Environmental Cost Recovery Rider (ECRR). In addition, this Petition requests Commission approval of associated jurisdictional costs for environmental expenditures planned to be made in 2007 and 2008. The Company has designed the tariff and calculated the rate adjustments in a manner that we believe to be consistent with SDCL 49-34A-97.

The Company proposes to recover approximately $2.2 million in revenue requirements associated with eligible costs incurred during the period September 1, 2007 to December 31, 2008. The average bill impact for a typical residential electric customer using 750 kWh per month would be $0.87 per month. The Company proposes to implement a rate of 0.00116 Cents per kWh applied to all kWh billed to each customer class for the year ending December 2008. The Company also plans to file an annual request for interim rate recovery by September 1 each year thereafter for a rate rider effective January 1st of the following year.

Following is information specified in South Dakota Administrative Rule 20:10:13:26 regarding the proposed new tariff and rate rider:

(1) Name and address of the public utility;

Northern States Power Company
500 West Russell Street
Sioux Falls, South Dakota 57104
(605) 339-8350

(2) Section and sheet number of tariff schedule;

Xcel Energy proposes to add Environmental Cost Recovery Rider tariff sheet number 72 to Section 5 of the Northern States Power Company South Dakota Electric Rate Book. Exhibit 5, Attachment 1, page 3 depicts the proposed tariff sheet that would implement this proposed Environmental Cost Recovery Rider.

(3) Description of the change;

This proposed tariff and rate rider seeks to implement the intent of the 2007 South Dakota Legislature Senate Bill 118 - An Act to authorize the Public Utilities Commission to approve tariff mechanisms for the automatic annual adjustment of charges for jurisdictional costs of new environmental measures which passed the South Dakota Legislature during the 2007 session and was signed into law by the Governor. The language of the bill is now codified as SDCL 49-34A-97 through SDCL 49-34A-100. This request proposes to establish a new tariff and rate rider that would provide for cost recovery of environmental measures contemplated by this act. The rate rider described and proposed in this filing would be implemented through a separate line item on customer bills.

(4) Reason for the change;

This request proposes to implement SDCL 49-34A-97 for Xcel Energy, which is designed to allow timely recovery of the jurisdictional costs of new environmental measures by public utilities, thus eliminating unnecessary carrying costs to the utilities and reducing "rate shock' to customers.

(5) Present rate;

None

(6) Proposed rate;

A. Proposed Tariff

i. **Authority**

SDCL 49-34A-97 allows public utilities to file for Commission approval of a mechanism to recover the South Dakota jurisdictional portion of expenditures for certain environmental measures. This petition seeks approval of an ECR Rider that would comply with this statute. Following throughout is text from the statutes along with an explanation of how the Company proposes to incorporate provisions of the statute into the proposed ECR Rider tariff or rate. A proposed ECR Rider tariff sheet is provided in Exhibit 5, Attachment 1.

Beginning with the statutory enabling clause:

> ***SDCL 49-34A-97 -*** *Notwithstanding any other provisions of this chapter, the commission may approve a tariff mechanism for the automatic annual adjustment of charges for the jurisdictional capital costs and operating expenses incurred by a public utility for environmental improvements to its existing electric generation facilities. For the purposes of §§49-34A-97 to 49-34A-100, inclusive, of this Act, environmental improvements include any requirements under the Clean Air Act, the Clean Water Act, or any other federal law or rule, or any state law or rule implementing a federal law or rule, or voluntary environmental measures designed to protect the environment.*

This statute establishes Commission authority for considering and approving the tariff mechanism being sought in this petition. The language also defines which environmental measures should be eligible for consideration of cost recovery under an ECR Rider. That is, environmental improvements required under the Clean Air Act, the Clean Water Act, or any other federal law or rule, or any state law or rule implementing a federal law or rule, or voluntary environmental measures designed to protect the environment should be considered for eligibility for cost recovery through this rider mechanism.

> ***SDCL 49-34A-98 -*** *Upon filing of an application consistent with rules promulgated by the commission by any public utility providing electric service, the commission may approve, reject, or modify, after notice, hearing, and comment, a tariff that:*
>
> *(1) Allows the public utility to recover on a timely basis the costs and expenses net of revenues of environmental improvements described in § 49-34A-97;*

The Company proposes to include the jurisdictional annual revenue requirements, within the ECR Rider, associated with environmental measures that are determined by the Commission to be eligible for recovery under SDCL 49-34A-97.

ii. Implementation

Exhibit 5, Attachment 1 depicts proposed tariff sheets implementing this proposed Environmental Cost Recovery Rider. The Company proposes administering a single ECR adjustment factor to be applied as a rate rider uniformly to all customer kWh monthly billings.

This ECR Rider is proposed to be made based on the revenue requirements of the measures being completed and in-service as of July of 2007 and includes the operating

and maintenance expenses for chemicals to operate the equipment starting in September 2007. The Company proposes to file annually by September 1st of each year for rates effective for the following calendar year.

B. Eligible Environmental measures

i. Summary

Xcel Energy operates an integrated generation and transmission system that extends throughout the States of South Dakota, North Dakota, Minnesota and Wisconsin. The Company is currently making significant new investments in environmental measures at the Allen S. King coal-fired plant in Stillwater, Minnesota. The King plant is a 504 MW plant that serves Xcel Energy customers throughout the NSP Operating Company including customers in South Dakota.

This petition includes a request to approve the costs associated with several just completed environmental improvement measures at the King Plant that the Company believes meet the eligibility criteria established in SDCL 49-34A-97.

In summary, these measures include the following:

Measure 1 – Air Quality Control (AQCS) System. This is the system that will remove sulfur from the combustion process at the King plant. Technically, it is termed a "semi-dry type flue gas desulfurization system." This system works by spraying a chemical into the exhaust flue gas exiting the boiler combustion chamber. The chemical reacts with the sulfur dioxide in the flue gas and captures it in a powder form that falls into a fabric filter. Pulses of air periodically eject the powder from the filter into a conveyer system that transfers the powder to silos where it is stored until moved to disposal.

Measure 2 – Selective Catalytic Reduction (SCR) System. This is the system that will remove Nitrous Oxides from the combustion process at the King plant. This system also works by spraying a chemical into the exhaust flue gas exiting the boiler combustion chamber. The chemical reacts with the Nitrous Oxides in the flue gas reducing them to Nitrogen and water.

Measure 3 – Balance of Plant (BOP) Equipment. These are the systems that are necessary to make the Sulfur and Nitrous Oxide removal systems work. These systems include: A bulk material handling system mainly needed for conveying and storing the sulfur dioxide powder captured in the Air Quality Control System

described in Measure 1 above; Insulation needed to protect various equipment from the high temperatures in the various systems; Fire protection equipment in several areas of these pollution control equipment and systems; As well as miscellaneous plant equipment including piping and valves.

Measure 4 – Substructures Construction. This measure provides for all of the civil and mechanical foundation and piping work needed for the environmental measures being implemented.

Measure 5 – Electrical Equipment. This measure provides for all of the electrical work needed for the environmental measures being implemented.

Measure 6 – Cooling Tower Modifications. This is a new cooling tower necessary for the plant in order to maintain proper water discharge temperatures in the neighboring lake used for cooling the plant.

Measure 7 – Pre-Engineered Buildings. Several new building structures are needed to house the various environmental measures being installed.

More detailed descriptions of these measures can be found in Exhibit 2, Attachment 1.

ii. Supporting Information

The Environmental Cost Recovery Statute requires certain information be provided in support of this request. This required information is provided within exhibits included with this Petition.

> *SDCL 49-34A-99* states: *A public utility may file annual rate adjustments to be applied to customer bills paid under the tariff approved pursuant to § 49-34A-98. In the utility's filing, the public utility shall provide:*
>
> > *(1) A description of and context for the costs and expenses of environmental improvements included for recovery;*

Exhibit 2, Attachment 1, contains the descriptions of measures the Company believes are eligible for recovery under this Environmental Statute through the ECR Rider. The Company provides a description and context for each measure included for recovery in that exhibit. Exhibit 2, Attachment 4 provides a diagram graphically depicting the measures described in Exhibit 2, Attachment 1. Additionally, the

operating and maintenance costs of the chemicals required to run the environmental equipment have been included in this request.

(2) A schedule for implementation of applicable measures;

Implementation of the measures described in this petition were completed and in-service as of July 15, 2007.

(3) The public utility's costs and expenses for these measures;

Exhibit 3, Attachment 1 depicts a list of capital projects, the total estimated project costs, the estimated percentage related to environmental improvements as of December 2006, and the total capital costs included in this request. Exhibit 3, Attachment 2 shows the forecasted O&M cost of the chemicals required to run the environmental equipment for 2007 through December 2008. Exhibit 4, Attachment 1 depicts the development of the revenue requirements for the South Dakota jurisdiction from September 2007 through December 2008, based on the pollution control portion of the capital expenditures referenced in Exhibit 3, Attachment 1. Once the pollution control portion of the capital expenses was determined, a ratio of the total capital expense to the pollution control portion of the capital expenses was developed. The AFUDC expenses were calculated on only this portion. The chemical expenses necessary to operate the pollution control equipment are shown on Exhibit 3, Attachment 2.

The plant in Service portion of the revenue requirements and part of the operating and maintenance chemical expenses are allocated to the Xcel Energy South Dakota jurisdiction using the Company's currently effective 36-month coincidental peak demand factor established under the "Interchange Agreement" between the Company and NSPW. The remainder of the chemical expenses were allocated to the South Dakota jurisdiction using the energy ratio of State of South Dakota customers to the energy ratio of all customers of the Company and Northern States Power Company Wisconsin ("NSPW"). The basis for allocating the chemical costs is FERC account assignment and is consistent with the Company's jurisdictional allocation methodology. Exhibit 4, Attachment 3, Base Assumptions, provides the specific allocation information.

(4) A description of the public utility's efforts to ensure the lowest reasonable costs to ratepayers for the measure; and

In 2001, the Minnesota Legislature passed "emissions reduction" legislation. (codified in MN Statute 216B.1692) That bill encouraged Minnesota utility companies to reduce emissions at large generating power plants by providing for cost recovery of environmental measures through a rate rider mechanism. Following implementation of this statute, Xcel Energy filed a plan on July 27, 2002 with the Minnesota Public Utilities Commission (Docket E002/M-02-633) to implement several voluntary efforts to reduce emissions at three Xcel Energy power plants including the measures now implemented at the King plant under consideration in this filing.

The Company believes that the measures taken at the King Plant benefit customers by mitigating the risk of possible future environmental regulatory actions. We believe that implementing these improvements provided a hedge against potential future requirements and that early implementation of these measures allowed them to be put in place at a lower cost than if the Company had waited until the industry had been mandated to implement them.

The King Plant is an important generation source for Xcel Energy. The continuation of base load generation at King is important not only because it is a low-cost resource, but also because it provides important system benefits and avoids the need for costly and time-consuming new transmission. In addition to the environmental measures described in this filing, the Company is also undertaking a complete renovation of the King Plant including the following equipment: Replacement of the Steam Turbine, Rehabilitation of the boiler, an upgrade of the plants capacity by 60 MW and extension of the plant's useful life until at least 2032. Xcel Energy is **not** seeking cost recovery of the capital costs of these capacity related projects in this filing. While the environmental measures implemented at the King plant are independent of the capacity upgrades, the need for renovation combined with the Company's agreement to reduce emissions triggered both projects.

Further, because the King Plant is located in the State of Minnesota, this environmental measures project was subject to the Minnesota "Cost Review Standard" (MN Statute 216B.1692, subd. 5). In addition, on October 8, 2004, in compliance with the Commission's Order in Docket No. E002/M-02-633 dated March 8, 2004, the Company submitted its budget to the Minnesota PUC for these King emissions reduction measures.

Finally, competitive bidding was used in acquiring each of the environmental measures technologies described in this request.

(5) Calculations to establish that the rate adjustment is consistent with the terms of the tariff established in § 49-34A-98.

Included within Exhibit 4, Attachment 2, is the calculation of the proposed ECR rate adjustment factor for the period of January through December 2008. The Company provides the detail of this calculation under the Cost Recovery section of this Petition. We believe that this calculation is consistent with the terms of the ECR tariff proposed and described in Exhibit 5, Attachment 1.

> ***SDCL 49-34A-100 -*** *Upon receiving filing under § 49-34A-99 of this Act for a rate adjustment pursuant to the tariff established in § 49-34A-98 of this Act, the commission may approve, reject, or modify the annual rate adjustment after notice and opportunity for hearing. In making its decision, the commission shall consider whether the costs and expenses included for recovery through the tariff were or are expected to be prudently incurred, will achieve environmental improvements at the lowest reasonable cost to ratepayers, and will allow the public utility to recover costs consistent with its allowed return on equity. To the extent the environmental improvement may affect the following, the commission may also consider whether the environmental improvement is likely to enhance adequate utility service, rate stability, the financial stability of the public utility, reasonable capital costs, just and reasonable rates, a fair rate of return, and other considerations that benefit the public interest.*

Based on the information provided in this Petition and the merits of the measures for which the Company requests recovery under the Environmental Cost Recovery Statute, Xcel Energy respectfully requests Commission approval of these measures for ECR recovery.

C. Tracker Account and Accounting

i. ECR Tracker Account

The Company proposes to use a tracker account ("Tracker") as the accounting mechanism for eligible ECR environmental measures costs. The revenue requirements to be included in the Tracker will be only those related to South Dakota's share of eligible environmental measures. In making our calculations, the Company will use the most current data available at the time of the annual filings and will:

- Allocate a share of the total costs to NSPW by multiplying total eligible costs by the Company's currently effective 36-month coincidental peak demand

factor established under the "Interchange Agreement" between the Company and NSPW.

- Exclude the portion of Company costs not related to serving South Dakota retail customers by multiplying the Company portion of the total by the South Dakota demand allocation factor. This step allocates a share of costs to the North Dakota and Minnesota retail jurisdictions, and to the firm requirements wholesale sales jurisdiction.

The result of this allocation process is that South Dakota electric customers would be allocated approximately 4% of the total costs. By performing this cost allocation process, we ensure that electric customers in other jurisdictions are allocated a share of ECR revenue requirements, consistent with the Company's allocation of similar costs in a general rate case.

Pursuant to the proposed tariff, Xcel Energy would file by September 1 of each year, a forecast of the total revenue requirements, including any over/under recovery from the prior rider period, needed to recover costs over the upcoming year, and the corresponding rate adjustment factors. After review and comment, the Commission determines whether forecasted revenue requirements and associated rate adjustment factors are appropriate and eligible for recovery.

Each month as revenues are collected from retail customers, the Company will track the amount of recovery under the ECR rate adjustment and compare that amount with the monthly revenue requirements. The difference will be recorded in the Tracker account as the amount of over/under recovery. Any over - or under-recovery balance at the end of the year will be used to calculate the rate adjustment factor for the collection of the next year's forecasted revenue requirement.

Because the Company proposes to use forecast revenue requirement information to set the rate adjustment factors, we do not propose to calculate carrying charges on the monthly balance in the Tracker. Carrying charges on the Tracker balance should not be necessary (or significant) since the recovery on an annual basis should match closely the costs incurred.

ii. Proposed Accounting for the Tracker

Xcel Energy proposes to calculate the monthly South Dakota jurisdictional revenue requirements (including appropriate overall return, income taxes, property taxes and depreciation), compare them with monthly ECR rate rider recoveries from customers

and place the net amount in FERC Account 182.3, Other Regulatory Assets (the Tracker Account).

D. Measure Cost Recovery

i. Summary

The Cost Recovery and ECR Rate section provides support for the proposed ECR adjustment rate. This information may be summarized as follows:

- The projected ECR tracker activity for 2007- 2008, including both revenue requirements and projected revenues, is included in Exhibit 4, Attachment 2.
- The projected revenue requirements for September 2007 through December 2008 proposed to be recovered under the ECR adjustment rates from South Dakota electric customers are approximately $2 Million. Support for this amount is included in Exhibit 4, Attachment 2. These calculations are discussed in detail below.
- Projected revenues are calculated as shown in Exhibit 4, Attachment 2, and are based on a forecast of the State of South Dakota Calendar month sales for 2008.
- Also included in Exhibit 4, Attachment 2 is the development of the ECR adjustment factor. The proposed factor is shown below.

ii. Proposed ECR Adjustment Factor

The Company's ECR rate design is simply the calculated revenue requirements from September 2007 to December 2008 divided by the total forecast kWh to South Dakota electric retail customers from January to December 2008. This calculation is shown on Exhibit 4, Attachment 2, Tracker Worksheet.

Based on this rate design, we propose the following ECR adjustment factor:

	Rate/kWh
All Customers	$0.00116

The average bill impact for a residential customer using 750 kWh per month would be $0.87 per month.

iii. 2007 ECR Rider Revenue Requirements

The revenue requirements in support of the proposed ECR adjustment is set forth in Exhibit 4, Attachment 1. In the proposed Tariff (Exhibit 5, Attachment 1) the Company proposes the following tariff language, "Recoverable Environmental Measure Costs shall be the annual revenue requirements associated with environmental measures eligible for recovery under SDCL 49-34A-97 that are determined by the Commission to be eligible for recovery under this Environmental Cost Recovery Rider."

The Environmental Measure Statute provides guidance on the calculation of revenue requirements in SDCL 49-34A-98. The Company incorporates Parts 2 through 5 of that section into the Environmental measure revenue requirements model in 2007. The following explains how we propose to implement these provisions:

> SDCL 49-34A-98 (2) *Allows a return on investment at the level approved in the public utility's last general rate case, unless a different return is found to be consistent with the public interest.*

The overall rate of return from the 1992 Electric Rate Case (9.54%) was used to calculate the return on rate base, including construction work in progress if appropriate. This includes an 11.25% return on equity and an equity ratio of 49.89%. (See the base assumptions in Exhibit 4, Attachment 3).

> SDCL 49-34A-98 (3) *Provides a current return on construction work in progress, if the recovery from retail customers for the allowance for funds used during construction is not obtained through any other mechanism.*

The above section 49-34A-98 (3) of the Statute provides for a current return on construction work in progress. However, since the King Plant rehabilitation project was placed into service on July 15, 2007, the Company's ECR revenue requirement model simply includes a return on rate base beginning with September 2007. Therefore, the plant in service recoverable under this statute includes an allocated portion of Allowance for Funds Used During Construction ("AFUDC") incurred up to the time the assets were placed into service. Please note that capital costs included in this request are not being recovered from South Dakota customers under any other mechanism.

In future ECR filings, the Company may request recovery of projects eligible under this Statute while they are in construction. In that case, we would request that our revenue requirement model include a current return on capital expenditures beginning with the cumulative CWIP balance at the time of the filing (which would include the AFUDC incurred to that point). From that point forward, the Company's calculations would include the South Dakota jurisdictional portion of costs (excluding AFUDC) and incorporate a current return on the cumulative CWIP balance.

> SDCL 49-34A-98*(4) Allocates project costs and expenses appropriately between wholesale and retail customers;*

Measure costs are allocated to the State of South Dakota retail jurisdiction based on the demand allocator, excluding demands for NSPW as well as the Company's North Dakota, Minnesota and wholesale customers.

For purposes of calculating actual revenue requirements, the Company proposes to use 2008 forecast demand and energy allocators. The demand and energy allocators are computed in Exhibit 4, Attachment 3. A true up for the difference between the revenues received from customers and actual revenue requirements for the September 2007 through December 2008 period will be included in the September 1, 2008 filing. Any resulting over/under recovery from customers will be reflected as a carry over balance from the prior period and incorporated in determining the new ECR adjustment rate for 2009.

In addition to inclusion of the above provisions in the Environmental Statute measure revenue requirements model, we also request inclusion of the following related costs: property taxes, current and deferred taxes and book depreciation, and the O&M chemical costs. The revenue requirements from September 2007 through December of 2008 for these measures are approximately $2.2 million. Exhibit 4, Attachment 1, shows the revenue requirement calculation for the proposed ECR measures.

(7) Proposed effective date of modified rate;

The Company proposes that this new tariff and rate rider would be implemented beginning in the second calendar month following Commission approval of this docket consistent with the process developed in implementing the monthly fuel clause adjustment factor.

(8) Approximation of annual amount of increase in revenue;

Exhibit 4, Attachment 2, shows the ECR Tracker Account activity from September 2007 through December 2008. This schedule summarizes the total revenue requirements for qualifying ECR environmental measure allocated to the South Dakota jurisdiction for September 2007 through December 2008, totaling $2.2 million. If approved, this amount would be passed to customers from January to December 2008 through this tariff mechanism thereby Company revenues should include this increase for this period.

(9) Points affected;

The proposed tariff would be applicable to all areas served by Xcel Energy in South Dakota.

(10) Estimation of the number of customers whose cost of service will be affected and annual amounts of either increases or decreases, or both, in cost of service to those customers;

This tariff rider is proposed to be applied to all customers throughout all customer classes as described within the filing. Xcel Energy presently serves just over 79,000 customers in 36 communities in Eastern South Dakota.

(11) Statement of facts, expert opinions, documents, and exhibits to support the proposed changes.

Exhibits attached.

Planned Customer Notice

The Company plans to provide notice to customers regarding inclusion of this cost on their monthly electric bill. The following is proposed language to be included as a notice on the customers' bill the month the ECR factor is implemented:

> "The Environmental Cost Recovery Adjustment recovers the costs and expenses of environmental measures."

We will work with the Commission Staff to determine if there are any suggestions to modify this notice.

Appearance of Counsel

The Company will be represented in this proceeding by the following counsel upon whom all pleadings, documents and other filings should be served:

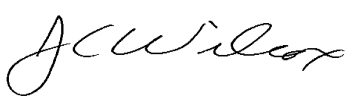
David A. Gerdes
May, Adam, Gerdes & Thompson
503 South Pierre Street
P.O. Box 160
Pierre, South Dakota 57501-0160
Telephone: (605)224-8803
Telefax: (605)224-6289
Email: dag@magt.com

Conclusion

Xcel Energy respectfully requests that the Commission approve the proposed tariff and environmental measure cost recovery mechanism described in this filing. The proposed ECR Rider reflects the statutory changes adopted in the 2007 legislation. The Company continues to make significant investments in necessary environmental measures, and appreciates the interest and efforts of South Dakota policy makers in supporting that effort.

Dated: September 7, 2007

Northern States Power Company
a Minnesota corporation and
wholly owned subsidiary of
Xcel Energy Inc.



By: _____
JAMES C. WILCOX
Manager, Government & Regulatory Affairs

Exhibits for the Xcel Energy Environmental Cost Recovery Rider (ECR) Filing

Exhibit 1 South Dakota Senate Bill 118

Attachment 1 - Copy of Statute

Exhibit 2 Environmental Cost Recovery Measures

Attachment 1 - Description of Proposed Environmental Measures

Attachment 2 - Conceptual Design Drawing

Exhibit 3 Base Information

Attachment 1 - AS King Capital Expenditures by Project

Attachment 2 - Pollution Control O&M Chemical Expenditures Detail

Exhibit 4 South Dakota Jurisdiction Calculation Worksheets

Attachment 1 - Revenue Requirement Calculation

Attachment 2 - Cost Recovery Rider Proposed Tracker Activity

Attachment 3 - Base Assumptions Worksheets

Exhibit 5 South Dakota Enviromental Cost Recovery Riders Tariff Sheets

Attachment 1 - Tariff Sheets

49-34A-97. Approval of tariff mechanisms for automatic annual adjustment of charges for environmental improvements.

Notwithstanding any other provisions of this chapter, the commission may approve a tariff mechanism for the automatic annual adjustment of charges for the jurisdictional capital costs and operating expenses incurred by a public utility for environmental improvements to its existing electric generation facilities. For the purposes of §§ 49-34A-97 to 49-34A-100, inclusive, environmental improvements include any requirements under the Clean Air Act, the Clean Water Act, or any other federal law or rule, or any state law or rule implementing a federal law or rule, or voluntary environmental measures designed to protect the environment.

Source: SL 2007, ch 272, § 1.

49-34A-98. Approval, rejection, or modification of certain electric service tariffs.

Upon filing of an application consistent with rules promulgated by the commission by any public utility providing electric service, the commission may approve, reject, or modify, after notice and opportunity for hearing, a tariff that:

(1) Allows the public utility to recover on a timely basis the costs and expenses net of revenues of environmental improvements described in § 49-34A-97;

(2) Allows a return on investment at the level approved in the public utility's last general rate case, unless a different return is found to be consistent with the public interest;

(3) Provides a current return on construction work in progress, if the recovery from retail customers for the allowance for funds used during construction is not obtained through any other mechanism;

(4) Allocates project costs and expenses appropriately between wholesale and retail customers; and

(5) Terminates recovery once costs and expenses have been fully recovered or have otherwise been reflected in the public utility's general rates.

Source: SL 2007, ch 272, § 2.

49-34A-99. Annual rate adjustment filings for certain electric service tariffs.

A public utility may file annual rate adjustments to be applied to customer bills paid under the tariff approved pursuant to § 49-34A-98. In the utility's filing, the public utility shall provide:

(1) A description of and context for the costs and expenses of environmental improvements included for recovery;

(2) A schedule for implementation of applicable projects;

(3) The public utility's costs and expenses for these projects;

(4) A description of the public utility's efforts to ensure the lowest reasonable costs to ratepayers for the project;

(5) Calculations to establish that the rate adjustment is consistent with the terms of the tariff established in § 49-34A-98; and

(6) Other information requested by the commission.

Source: SL 2007, ch 272, § 3.

49-34A-100. Approval, rejection, or modification of annual rate adjustment.

Upon receiving filing under § 49-34A-99 for a rate adjustment pursuant to the tariff established in § 49-34A-98, the commission may approve, reject, or modify the annual rate adjustment after notice and opportunity for hearing. In making its decision, the commission shall consider whether the costs and expenses included for recovery through the tariff were or are expected to be prudently incurred, will achieve environmental improvements at the lowest reasonable cost to ratepayers, and will allow the public utility to recover costs consistent with its allowed return on equity. To the extent the environmental improvement may affect the following, the commission may also consider whether the environmental improvement is likely to enhance adequate utility service, rate stability, the financial stability of the public utility, reasonable capital costs, just and reasonable rates, a fair rate of return, and other considerations that benefit the public interest.

Source: SL 2007, ch 272, § 4.

ENVIRONMENTAL COST RECOVERY RIDER DESCRIPTION AND CONTEXT OF MEASURES PROPOSED TO BE ELIGIBLE UNDER SDCL 49-34A-97

Environmental Cost Recovery ("ECR") measures context

The Allen S. King Plant is located in Oak Park Heights on the St. Croix River east of the Twin Cities in Minnesota. The King Plant is a single-unit coal-fired generating plant with a cyclone boiler that produces nearly four million pounds of steam flow per hour. This plant provides Xcel Energy with 504 MW of "net dependable capability" in the summer. The unit provides base load electric service operating 24 hours a day, seven days a week. The King Plant burns Wyoming or Montana coal and petroleum coke.

The environmental measures installed included a state-of-the-art air quality control system ("AQCS") equipment that will significantly reduce Sulfur Dioxide (SO_2), Nitrous Oxides (NO_x) and particulate emissions associated with coal generation. The technologies selected conform with EPA's use of best available control technology and will provide a 90% reduction in the emission of SO_2 and NO_x at the King plant. A side-benefit of the AQCS system will be the automatic estimated removal of about 20% of the Mercury emitted from the plant.

In addition to the environmental measures described in this filing, the Company is also undertaking a complete renovation of the King Plant including the following equipment: Replacement of the Steam Turbine, Rehabilitation of the boiler, an upgrade of the plants capacity by 60 MW and extension of the plant's useful life until at least 2032. Xcel Energy is not seeking cost recovery of the capital costs of these capacity related projects in this filing.

Environmental Cost Recovery ("ECR") measures descriptions

Measure 1 – Air Quality Control System ("AQCS")
[Sulfur Dioxide removal system]

A new semi-dry type flue gas desulfurization system is provided to reduce the amount of Sulfur Dioxide emitted from the Boiler. The flue gas desulfurization system consists of two spray-dryer absorber vessels, each of which is outfitted with three mechanical atomizers. The flue gas enters the top of each spray-dryer absorber through three separate inlet ducts and travels through dispersers where a fine spray of reagent slurry is introduced by the atomizers. The reagent slurry is a mixture of slaked lime, scrubber by-product solids, and water. The calcium hydroxide in the incoming slurry reacts with the sulfur dioxide in the flue gas. At once, the sulfur is removed from the flue gas stream and the heat of the flue gas drives the moisture from the slurry solids. The resulting dry product exits the Spray-dryer Absorber and is captured in a down-stream fabric filter.

Two pulse jet fabric filters, each with eight compartments, are installed down stream from the spray-dryer absorbers. As particulate-laden flue gas enters the pulse jet fabric filters, the particulate is collected on the surface of the approximately 15,000 filter bags. The particulate (flue gas desulfurization by-product) material is removed from the bags by means of pulses of air injected into the filter bags. The air pulses cause the by-product collected on the exterior of the bags to dislodge, and fall into collection hoppers located at the bottom of the compartment. The flue gas desulfurization by-product material is transferred from the collection hoppers to storage silos by means of a pneumatic conveying system. The flue gas desulfurization by-product material can be stored in the flue gas desulfurization by-product silo where it is accumulated for disposal, or routed to the two Recycle Silos for use in the reagent slurry.

The flue gas desulfurization system recycles the dry flue gas desulfurization by-product/flyash from the fabric filter collection hoppers (and/or flyash collected from the existing electrostatic precipitators) to augment the fresh Calcium Hydroxide in the reagent slurry. Calcium Hydroxide is introduced into the system in the form of pebble lime. The pebble lime is fed from one of two lime storage silos to one of two ball mill lime slakers. The lime is mixed with a regulated amount of water to produce lime slurry of approximately 30% solids. This slurry is then stored in the lime slurry storage tank. The lime slurry is mixed with a recycle slurry (composed of flue gas desulfurization by-product solids and

water) to form the reagent slurry used in the atomizers. The reagent slurry feed flow rate to the spray-dryer absorber atomizers is regulated to maintain proper sulfur removal from the flue gas.

Measure 2 – Selective Catalytic Reduction ("SCR") System
[Nitrous Oxide Removal System]

The selective catalytic removal system removes the Nitrous Oxides (NOx) by reducing them to Nitrogen and water. The selective catalytic removal system is comprised of inlet ductwork that contains an ammonia injection grid followed by multiple layers (up to 3) of specialized catalyst that causes a reaction in the flue gas in the presence of the ammonia to reduce the NOx.

The amount of ammonia required is determined by the NOx concentration entering the selective catalytic removal system and the NOx exiting the stack.

The Ammonia system takes the aqueous ammonia from the ammonia storage tanks, heats it using saturated steam, vaporizes it (4 vaporizers) and mixes it with a large volume of air (dilution air fans) to produce a 3-5% average injection into the flue gas stream so that it will chemically react with the catalyst layers of the selective catalytic removal system and convert the Nitrous Oxides by reducing them to Nitrogen and water.

Special ductwork modifications were required to install the selective catalytic removal system over the top of existing plant equipment.

Measure 3 – Balance of Plant (BOP) Equipment
[Equipment needed to make the Sulfur Dioxide and Nitrous Oxide removal systems work]

Bulk Material Handling System (100% pollution control)

The flue gas desulfurization byproducts handling system conveys the ash collected in sixteen fabric filter hoppers to either the flue gas desulfurization byproduct storage silo or either of the recycle silos. Two conveying systems are installed. Each conveys ash from eight feeder assemblies located at the bottom of the pulse jet fabric filter collection hoppers.

The conveying system is a light-phase pneumatic transport system. Light phase transport uses conveying air supplied by one of three motor driven pressure blowers as the transport mechanism to move the solids from the collection hoppers to the storage silos.

The feeder assemblies are gated 'pressure pots'. The upper gates open to allow the pots to fill with solids from the collection hoppers. When the timed fill cycle is complete, the upper gate closes to isolate the feeder from the hopper. Immediately thereafter, the lower gate opens, exposing the contents of the feeder to the conveying air stream. The by-product is then sucked out of the feeder, and carried to the storage silo. After a timed cycle, the bottom gate closes, and the cycle repeats.

Vent filters located on the silos allow air to pass out of or into the silos to maintain the silo at or near atmospheric pressure. The vent filters are outfitted with filter bags to prevent dust-laden air from exiting the silo. These bags are periodically cleaned by blowing air through the bags in the reverse direction. This action flexes the bags causing any buildup of ash to dislodge and drop into the storage silo.

The system also has equipment that removes fly ash from the economizer surge hopper, selective catalytic removal system inlet surge hopper, air heater ash hoppers, and selective catalytic removal system outlet ash hoppers and pneumatically conveys that ash to the existing fly ash silo for disposal.

Insulation & Lagging (75% Pollution Control)

Insulation and lagging is required to maintain temperatures in the selective catalytic removal system, air quality control system, ductwork, and piping to ensure proper and efficient operation of the systems.

Fire Protection (20% Pollution Control)

Fire protection includes the following equipment and areas: 1) CT electrical switchgear, 2) Air Quality Control System electrical building, 3) Selective Catalytic Removal System area and equipment, 4) Lime Prep area, 5) Sprayer Dryer Absorber building, 6) Ammonia unloading building area, 7) Air Quality Control System fabric filter area.

Balance of Plant (BOP) Equipment (20% Pollution Control)

This is miscellaneous equipment is required to operate the Air Quality Control System, Selective Catalytic Removal System, and Bulk Material Handling System includes piping, valves, and equipment.

Measure 4 – Substructures Construction (75% to pollution control)

The substructures construction contract includes all of the foundations, piling, concrete slabs, electrical duct bank, and piping required for the installation and operation of the Air Quality Control System, Selective Catalytic Removal System, Ductwork, Ammonia, Bulk Material Handling, and Balance of Plant Modifications.

Measure 5 – Electrical Equipment (various % allocated to pollution control)

The batteries, battery chargers, and DC distribution equipment provide uninterruptible control power for the medium voltage and 480 volt switchgear.

The medium voltage switchgear provides power for large motors and the 480-volt secondary substations. This equipment includes: 1) Two 6.9kV Air Quality Control System switchgear assemblies complete with protective relaying, 2) Two

4.16kV Air Quality Control System switchgear assemblies complete with protective relaying, 3) Three 4.16kV Cooling Tower switchgear assemblies complete with protective relaying, 4) Medium voltage non-segregated bus duct and structural steel supports as required for bus duct support.

The Secondary Unit Substations (SUS) provide 480-volt electrical power for motors, Motor Control Centers (MCC) and 480-volt distribution panels.

Motor Control Centers (MCC) provide 480-volt electrical power for motors, distribution panels, welders and lighting. MCCs are distributed throughout the plant. These MCCs contain various sized disconnects, reversing and non-reversing starters as required.

Two 3 winding station auxiliary power transformers are provided to supply 6900 volt and 4160 volt electrical power to the Air Quality Control System Medium Voltage Switchgear. The power is supplied to the transformers from the 115,000 volt King Substation via underground cables.

Distributed Control System (30% Pollution Control)

Included in these modifications is the replacement of the existing Net-90 combustion control system, Net-90 data acquisition system, annunciator system, and other hardwired controls with new distributed control system (DCS) equipment.

The scope included engineering, design, manufacture, and configuration of a totally integrated plant distributed control system and all associated control components. The distributed control system includes operator and engineer workstations, memory storage devices, processor and I/O cabinets, data historian, soot blowing optimization system, printers, monitors, shop tests, inspections and all related software and documentation.

Air Quality Control / Selective Catalytic Removal System Electrical Installation (100% to pollution control)

This is the installation of the electrical equipment required to operate the Air Quality Control system consisting of two Spray Dryer Absorber modules and two Pulse Jet Fabric Filters. The installation also includes the Selective Catalytic

Reduction System with all of the associated ammonia reagent supply equipment. Additional equipment included in this scope of work is as follows:

- 6.9 kV and 4.16 kV Switchgears and associated bus duct
- 480 V Secondary Unit Substations
- 480 V Motor Control Centers
- Batteries and Battery Chargers
- 115 kV Substation Interface-Substructures and Equipment
- Cooling Tower
- Cooling Tower Pumps
- Cooling Tower Process Logic Controller (PLC)

Distributed Control System / Balance of Plant Electrical Installation (30% to Pollution Control)

This is the installation of the equipment and materials associated with the distributed control system (DCS) and Balance of Plant (BOP) systems. This also includes control and electrical demolition of existing facilities and equipment as required. The plant systems included in DCS and BOP are as listed below:

- Air Quality Control System
- Selective Catalytic Reduction (SCR)
- Air Compressors and Dryers
- FGD By-Product Handling Equipment
- FGD By-Product Storage Silo
- General Service Pumps
- Sump Pumps
- DC Batteries and Chargers
- Secondary Unit Substation
- Medium Voltage (MV) Switchgear
- Motor Control Centers (MCCs) - SCR/AQCS Area
- Station Auxiliary Power Transformers
- Cooling Tower PLC
- Ammonia Forwarding & Storage Equipment
- 115 kV Interface-Structures and Equipment

- Pneumatic Ash Handling System
- Bottom Ash Removal System Modifications
- Economizer and SCR Ash Handling System
- Motor Control Centers (MCCs) Balance of Plant (BOP) Area
- Distributed Control System (DCS)
- Control Room Console

Measure 6 – Cooling Tower Modifications (100% to pollution control)

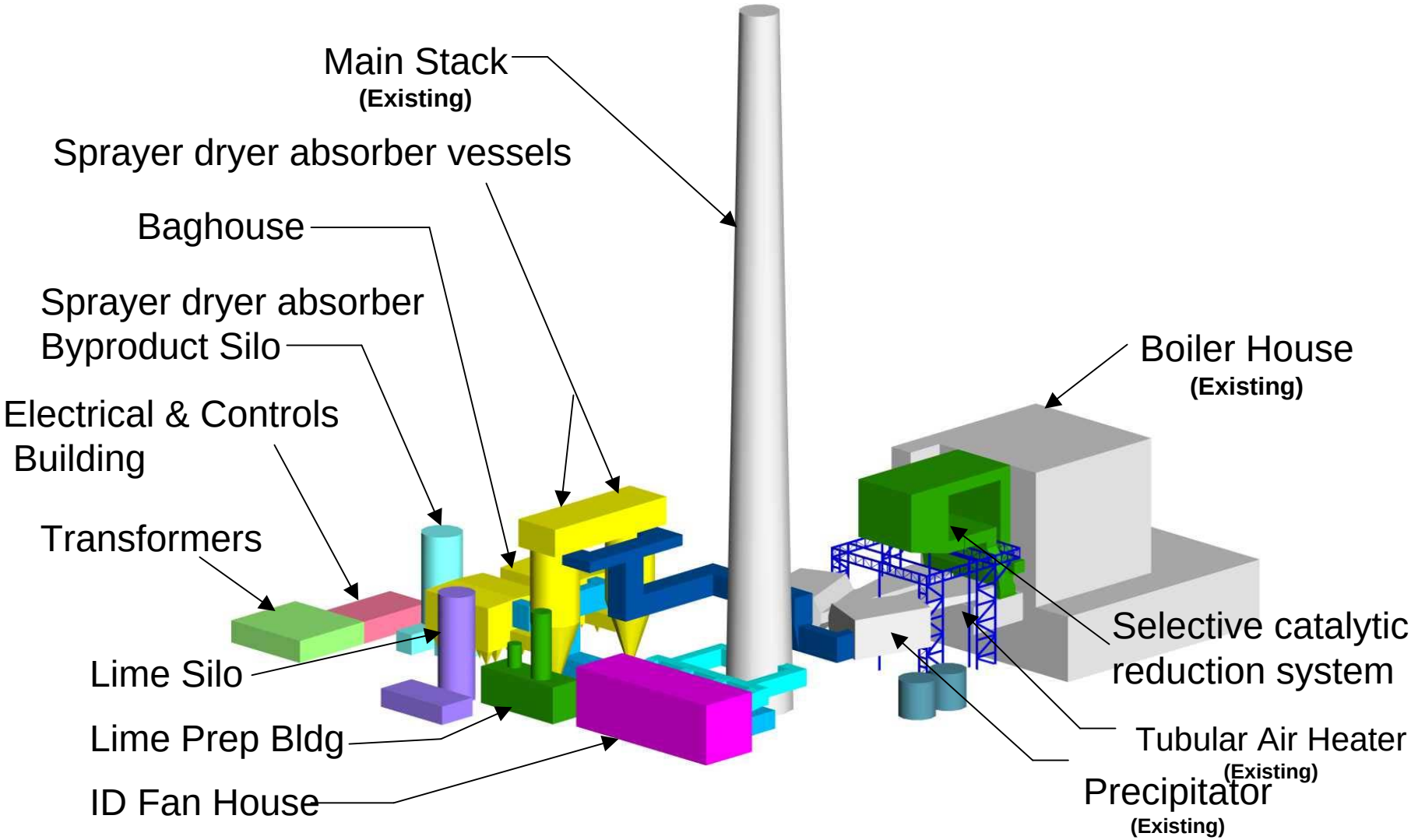
This scope of work was a furnish and erect contract to supply a new 18 cell mechanical draft cooling tower including fans, fan motors, raceway, and lighting system. The cooling tower is operated during the summer months to maintain water discharge temperature back to Lake St. Croix.

Measure 7 – Pre-Engineered Buildings (65% to pollution control)

The scope of the pre-engineered buildings contract included the following buildings supporting pollution control equipment:

- Cooling Tower Switchgear Building
- Air Quality Control System Control / Electrical Building
- Flue Gas Desulfurizatoin Byproduct Loading Building
- Lime Prep Building
- Ammonia Truck Unloading & Electrical Equipment Building

King Plant Environmental Measures
Conceptual Design



AS King Rehabilitation Project
as of December 31, 2006

Pollution Control Measure Descriptions	Total Capital Expenditures	Pollution Control %	Total Included in ECR
Measure 1 - AQCS System			
AQCS System	$33,570,000	100%	$33,570,000
AQCS Mechanical Construction	$40,259,000	90%	$36,233,100
Measure 1 - AQCS System Total	**$73,829,000**		**$69,803,100**
Measure 2 - SCR System			
SCR System	$16,753,000	100%	$16,753,000
SCR System (Ductwork Sleeves)	$760,000	100%	$760,000
Ammonia System	$2,053,000	100%	$2,053,000
SCR Mechanical Construction	$31,379,000	90%	$28,241,100
Measure 2 SCR System Total	**$50,945,000**		**$47,807,100**
Measure 3 - BOP Equipment			
Bulk Material Handling System	$4,381,000	100%	$4,381,000
Insulation & Lagging	$12,275,000	75%	$9,206,250
Fire Protection	$2,104,000	20%	$420,800
BOP Equipment	$7,973,000	20%	$1,594,600
BOP Mechanical Construction	$14,552,000	20%	$2,910,400
Measure 3 - BOP Equipment Total	**$41,285,000**		**$18,513,050**
Measure 4 - Substructures Construction			
Substructures Construction	$25,721,000	75%	$19,290,750
Measure 4 - Substructures Construction To	**$25,721,000**		**$19,290,750**
Measure 5 - Electrical			
Electrical Equipment Upgrades	$4,019,000	98%	$3,938,620
DCS & PLC's	$4,058,000	30%	$1,217,400
AQC/SCR Electrical Installation	$8,688,000	100%	$8,688,000
DCS / BOP Electrical Installation	$8,447,000	30%	$2,534,100
345 kV Transmission Upgrade	$3,072,000	0%	$0
Measure 5 - Electrical Total	**$28,284,000**		**$16,378,120**
Measure 6 - Cooling Tower Modifications			
Cooling Tower Modifications	$8,006,000	100%	$8,006,000
Cooling Tower System Upgrades	$2,676,000	100%	$2,676,000
Measure 6 - Cooling Tower Modifications	**$10,682,000**		**$10,682,000**
Measure 7 - Pre-Engineered Buildings			
Pre-Engineered Buildings	$5,007,000	65%	$3,255,000
Measure 7 - Pre-Engineered Buildings Total	**$5,007,000**		**$3,255,000**
Total Pollution Control Capital Equipment	**$235,753,000**		**$185,729,120**

Monthly Expenditure Forecast of Polution Control Chemicals at King Plant
Using the Forecast from April of 2007

2007

FERC	Bus Unit Full Desc	Posting Full Acct Desc	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	July to Dec 2007
512	241762 ES A.S. King 0 FERC 512	714070 Materials - Chemical	0	0	0	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	37,038
513	241776 ES A.S. King 1 FERC 513	714070 Materials - Chemical	0	0	0	0	0	4,000	6,500	0	0	0	0	0	6,500
		2007 Total Energy Portion	**-**	**-**	**-**	**6,173**	**6,173**	**10,173**	**12,673**	**6,173**	**6,173**	**6,173**	**6,173**	**6,173**	**43,538**
514	230102 ES King Maintenance	714070 Materials - Chemical	0	0	0	0	0	0	0	0	0	0	0	0	0
502	241768 ES A.S. King 1 FERC 502	714070 Materials - Chemical	0	0	4,300	0	300,091	316,800	312,500	312,500	316,800	312,500	312,500	312,500	1,879,300
514	230102 ES King Maintenance	714075 Materials - Lime	0	0	0	0	0	0	0	0	0	0	0	0	0
502	241768 ES A.S. King 1 FERC 502	714075 Materials - Lime	0	0	0	0	110,000	94,000	94,000	94,000	94,000	94,000	94,000	94,000	564,000
		2007 Total Demand Portion	**-**	**-**	**4,300**	**-**	**410,091**	**410,800**	**406,500**	**406,500**	**410,800**	**406,500**	**406,500**	**406,500**	**2,443,300**
	2007 Totals		**-**	**-**	**4,300**	**6,173**	**416,264**	**420,973**	**419,173**	**412,673**	**416,973**	**412,673**	**412,673**	**412,673**	**2,486,838**

2008

FERC	Bus Unit Full Desc	Posting Full Acct Desc	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan to Dec 2008
512	241762 ES A.S. King 0 FERC 512	714070 Materials - Chemical	6,175	6,175	6,175	6,175	6,175	6,175	6,175	6,175	6,175	6,175	6,175	6,175	74,100
513	241776 ES A.S. King 1 FERC 513	714070 Materials - Chemical	0	0	0	0	0	4,000	6,500	0	0	0	0	0	10500
		2008 Total Energy Portion	**6,175**	**6,175**	**6,175**	**6,175**	**6,175**	**10,175**	**12,675**	**6,175**	**6,175**	**6,175**	**6,175**	**6,175**	**84,600**
514	230102 ES King Maintenance	714070 Materials - Chemical	0	0	0	0	0	0	0	0	0	0	0	0	0
502	241768 ES A.S. King 1 FERC 502	714070 Materials - Chemical	312,500	312,500	317,000	312,500	312,500	317,000	312,500	312,500	317,000	312,500	312,500	312,500	3,763,500
514	230102 ES King Maintenance	714075 Materials - Lime	0	0	0	0	0	0	0	0	0	0	0	0	0
502	241768 ES A.S. King 1 FERC 502	714075 Materials - Lime	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000	1,224,000
		2008 Total Demand Portion	**414,500**	**414,500**	**419,000**	**414,500**	**414,500**	**419,000**	**414,500**	**414,500**	**419,000**	**414,500**	**414,500**	**414,500**	**4,987,500**
	2008 Totals		**420,675**	**420,675**	**425,175**	**420,675**	**420,675**	**429,175**	**427,175**	**420,675**	**425,175**	**420,675**	**420,675**	**420,675**	**5,072,100**

King Plant - Pollution Control Equipment
Revenue Requirements Calculation
State of South Dakota Jurisdiction

	2007 Year 1	2008 Year 2	2009 Year 3	2010 Year 4
Calculation of Average Rate Base				
Plant in Service - Identified Measures	185,729,120			
Plant in Service - AFUDC on Identified Measures	23,724,689			
Plant in Service - Total	209,453,809			
Plant in Service - State of South Dakota Jurisdiction	9,123,637	9,123,637	9,123,637	9,123,637
Less Accumulated Book Reserve	139,389	443,510	747,631	1,051,753
Less Accumulated Deferred Taxes	82,425	226,549	350,569	456,044
End of Year Rate Base	8,901,824	8,453,579	8,025,437	7,615,841
Average Rate Base (BOY/EOY)	4,450,912	8,677,701	8,239,508	7,820,639
Return on Average Rate Base				
Debt Return	150,886	294,174	279,319	265,120
Equity Return	273,731	533,679	506,730	480,969
Total Return	424,617	827,853	786,049	746,089
Income Statement Items				
Chemicals Required for Pollution Control	108,325	220,937	220,937	220,937
Property Taxes	-	-	-	-
Book Depreciation	139,389	304,121	304,121	304,121
Deferred Taxes	82,425	144,124	124,020	105,475
Current Taxes	82,604	174,078	175,369	176,076
Total Income Statement Expense	412,743	843,260	824,448	806,609
Total State of South Dakota Revenue Requiremen	**837,360**	**1,671,113**	**1,610,497**	**1,552,698**

Northern States Power Company a Minnesota corporation
wholly owned by Xcel Energy, Inc. - Electric (State of South Dakota)

South Dakota Environmental Cost Recovery Rider - Projected Tracker Activity for September 2007 to December 2008

Forecasts	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Sep07-Dec08
King Plant - Pollution Control Equipment (1)																	
Revenue Requirements excluding Chemical Exp	121,506	121,506	121,506	121,506	120,848	120,848	120,848	120,848	120,848	120,848	120,848	120,848	120,848	120,848	120,848	120,848	1,936,200
Chemical O&M Expenses																	
Energy-Related	266	266	266	266	265	265	265	265	265	437	544	265	265	265	265	265	4,699
Demand-Related	17,895	17,708	17,707	17,707	18,055	18,055	18,251	18,055	18,055	18,251	18,055	18,055	18,251	18,055	18,055	18,055	288,268
Total O&M Expenses	**$18,161**	**$17,974**	**$17,973**	**$17,973**	**$18,321**	**$18,321**	**$18,517**	**$18,321**	**$18,321**	**$18,688**	**$18,600**	**$18,321**	**$18,517**	**$18,321**	**$18,321**	**$18,321**	**$292,967**
Balance Forward (2)																	0
Total Expense (3)	**$139,667**	**$139,480**	**$139,479**	**$139,479**	**$139,169**	**$139,169**	**$139,365**	**$139,169**	**$139,169**	**$139,536**	**$139,448**	**$139,169**	**$139,365**	**$139,169**	**$139,169**	**$139,169**	**$2,229,167**
Retail MWH Sales (4)		0	0	0	152,495	151,934	152,447	142,215	152,839	168,120	197,053	194,568	146,378	155,639	155,673	153,939	1,923,300
Surcharge/ kWh (5)																	0.001160
Revenues (6)	**$0**	**$0**	**$0**	**$0**	**$176,895**	**$176,244**	**$176,839**	**$164,969**	**$177,294**	**$195,019**	**$228,581**	**$225,698**	**$169,798**	**$180,541**	**$180,581**	**$178,570**	**$1,691,337**
Balance (7)	**$139,667**	**$279,147**	**$418,626**	**$558,105**	**$520,379**	**$483,304**	**$445,829**	**$420,029**	**$381,903**	**$326,421**	**$237,287**	**$150,757**	**$120,324**	**$78,952**	**$37,539**	**-$1,862**	

Notes:

(1) Project in service July 2007

(2) Balance Forward is the forecast balance of Total Expense less Revenue Recoveries. Since this is the first year of the SDECR Tracker Account, the balance is zero.

(3) Total Expense represents the total SDECR revenue requirements plus the Balance Forward.

(4) March 2007 Calendar Month Sales Forecast

(5) Surcharge/kWh is equal to Total Expense (Sept 2007 - Dec 2008) divided by Retail MWH Sales (Jan 2008 - Dec 2008), divided by 1,000, rounded to 5 decimal places.

(6) Revenues are calculated by multiplying the calendar month MWH sales by 1,000 and then multiplying the result by the Surcharge/kWh.

(7) Balance is the amount under (over) collected or the difference between the total revenue requirements and the revenue amount received from customers under this rider.

(8) Detailed revenue requirements calculations can be found in Exhibit 4, Attachment 1.

King Plant - Pollution Control Equipment
State of South Dakota Jurisdiction
Base Assumptions

Capital Structure:	**Percent**	**Cost**	**Weighted Cost**
Long-term Debt	40.92%	8.28%	3.39%
Short-term Debt	0.00%	0.00%	0.00%
Perferred Stock	9.19%	5.85%	0.54%
Common Equity	49.89%	11.25%	5.61%
Last Ordered PU-400-92-399	100.00%		9.54%

Weighted Cost of Capital	
Equity	6.15%
Debt	3.39%
Total	9.54%
Weighted Cost of Capital	9.54%

Book Depreciation Rate	30 years	3.33%
Tax Depreciation Life - MACRS	20 years	
Composite SD Tax Rate =	35.0000%	
Composite Company Tax Rate =	40.6539%	
Property Tax Exempt =	0.000%	

Calculation of the State of South Dakota Demand and Energy Allocators

2007 Budget Demand Allocators	**Total**	**Minnesota Company**	**Minnesota**	**N Dakota**	**S Dakota**	**Wholesale**	**Wisconsin Company**
36 Month Coincident Peak Demand	100.000%	**84.4383%**					**15.5617%**
12 Month Jurisdictional Demand	100.000%		87.1423%	5.7820%	5.1587%	1.9170%	
King Plant - Percent Pollution Control Equip.	**43.87352%**						
Sate of SD Electric Retail Jurisdiction Demand					**4.35592%**		
State of SD Electric Retail Jur Demand * % PC					**1.9111%**		

2007 Budget Energy Allocators	**Total**	**Minnesota Company**	**Minnesota**	**N Dakota**	**S Dakota**	**Wholesale**	**Wisconsin Company**
2007 Budget Interchange Agreement Energy		**84.2652%**					**15.7348%**
12 Month Jurisdictonal Energy Allocator	100.000%		86.8696%	5.8790%	5.0980%	2.1534%	
State of SD Electric Jurisdictional Energy Average					**4.2958%**		

King Plant - Pollution Control Equipment
State of South Dakota Jurisdiction
Base Assumptions

Total Plant in Service - By Year	**July 2007**	**2007**	**2008**	**2009**	**2010**	**Total**
Plant in Service - Capital Expenditures		$ 423,328,558	$ -	$ -	$ -	$ 423,328,558
Plant in Service - AFUDC		$ 54,075,194	$ -	$ -	$ -	$ 54,075,194
Plant in Service - Total		$ 477,403,752	$ -	$ -	$ -	$ 477,403,752
Pollution Control Plant in Service - Cap.Exp.		$ 185,729,120				
Pollution Control - AFUDC		$ 23,724,689				
Total Pollution Control Plant in Service Included		**$ 209,453,809**				

Total Operating & Maintenance Expenditures					
Demand related Chemical expense	$ 2,443,300	$ 4,987,500	$ 4,987,500	$ 4,987,500	$ 17,405,800
Energy related Chemical expense	$ 43,538	$ 84,600	$ 84,600	$ 84,600	$ 297,338
Total O&M Expense Projects	**$ 2,486,838**	**$ 5,072,100**	**$ 5,072,100**	**$ 5,072,100**	**$ 17,703,138**

State of S.D. Jurisdiction Investment - By Year	**2007**	**2008**	**2009**	**2010**	**Total**
Plant in Service - Capital Expenditures	$8,090,209	$0	$0	$0	$8,090,209
Plant in Service - AFUDC	$1,033,428	$0	$0	$0	$1,033,428
Total State of S.D. Jurisdiction Portion of Investment	$9,123,637	$0	$0	$0	$9,123,637

State of South Dakota O&M Expenditures					
Demand related Chemical expense	$106,428	$217,251	$217,251	$217,251	$758,182
Energy related Chemical expense	$1,870	$3,634	$3,634	$3,634	$12,773
State of S.D. Jurisdiction Portion of PC Chemicals	**$108,298**	**$220,886**	**$220,886**	**$220,886**	**$770,956**

Northern States Power Company, a Minnesota corporation
and wholly owned subsidiary of Xcel Energy Inc., operating in South Dakota
SOUTH DAKOTA ELECTRIC RATE BOOK - SDPUC NO. 2

PROPOSED

TABLE OF CONTENTS (Continued)

Section No. 1
~~1st~~ 2nd Revised Sheet No. 2
Canceling ~~Original~~ 1st Revised Sheet No. 2

(Continued on Sheet No. 1-3)

Northern States Power Company, a Minnesota corporation PROPOSED
and wholly owned subsidiary of Xcel Energy Inc., operating in South Dakota
SOUTH DAKOTA ELECTRIC RATE BOOK - SDPUC NO. 2

TABLE OF CONTENTS (Continued)

Section No. 1
2nd Revised Sheet No. 2
Canceling 1st Revised Sheet No. 2

(Continued on Sheet No. 1-3)

Date Filed: 09-07-07 By: David M. Sparby Effective Date:
President and CEO of Northern States Power Company-Minnesota
Docket No. EL07- Order Date:

Northern States Power Company, a Minnesota corporation PROPOSED
and wholly owned subsidiary of Xcel Energy Inc., operating in South Dakota
SOUTH DAKOTA ELECTRIC RATE BOOK - SDPUC NO. 2

ENVIRONMENTAL COST RECOVERY RIDER

Section No. 5
Original Sheet No. 72

APPLICATION
Applicable to bills for electric service provided under the Company's retail rate schedules.

RIDER
There shall be included on each customer's monthly bill an Environmental Cost Recovery (ECR) adjustment, which shall be the ECR Adjustment Factor multiplied by the customer's monthly billing kWh for electric service. This ECR Adjustment shall be calculated before city surcharge and sales tax.

DETERMINATION OF ECR ADJUSTMENT FACTOR
An ECR Adjustment Factor shall be determined by the forecasted balance of the ECR Tracker Account, divided by the forecasted retail sales for the upcoming year. ECR Adjustment Factors shall be rounded to the nearest $0.00001 per kWh.

The ECR Adjustment Factor may be adjusted annually with approval of the South Dakota Public Utilities Commission (Commission). The ECR factor is:

All Customers	$0.00116 per kWh

Recoverable Environmental Measure Costs shall be the annual revenue requirements associated with environmental measures eligible for recovery under SDCL 49-34A-97 that are determined by the Commission to be eligible for recovery under this Environmental Cost Recovery Rider. A standard model will be used to calculate the total forecasted revenue requirements for eligible measures for the designated period. All costs appropriately charged to the Environmental Tracker Account shall be eligible for recovery through this Rider, and all revenues recovered from the ECR Adjustment shall be credited to the Environmental Tracker Account.

Forecasted retail sales shall be the estimated total retail electric sales for the designated recovery period.

TRUE-UP
A true up for the difference between the revenues received from customers and actual revenue requirements for the prior period will be included in the following September 1 filing. Any resulting over/under recovery from customers will be reflected as a carry over balance from the prior period and incorporated in determining the new ECR adjustment rate for the next fiscal period of January to December.

N

N