

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF
NORTHERN STATES POWER COMPANY)
D/B/A XCEL ENERGY FOR AUTHORITY TO)
INCREASE ITS ELECTRIC RATES)
)
)

JOINT MOTION FOR
APPROVAL OF
SETTLEMENT STIPULATION
EL09-009

Northern States Power Company, a Minnesota corporation doing business in South Dakota (Xcel Energy) and the Staff of the South Dakota Public Utilities Commission (Commission Staff), collectively referred to as Parties, hereby file the above-referenced Joint Motion and Settlement Stipulation with the South Dakota Public Utilities Commission (Commission). The Parties propose the Commission adopt the Settlement Stipulation as the settlement and resolution of all issues in this proceeding. In support of this motion, the Parties submit as follows:


1. This Joint Motion to accept the Settlement Stipulation is made pursuant to ARSD 20:10:01:19.
2. The Settlement Stipulation resolves all of the issues in Docket EL09-009.
3. The Settlement Stipulation represents a negotiated settlement of specific issues in this case. The terms of the Settlement Stipulation agreed upon are, to the belief of the Parties, just, fair, reasonable, and consistent with South Dakota law.

For the foregoing reasons, the undersigned parties jointly request the Commission to grant the Joint Motion for Approval of Settlement Stipulation and adopt the attached Settlement Stipulation without modification for the purpose of resolving all issues in Docket EL09-009.

Northern States Power Company
a Minnesota corporation
doing business in South Dakota

SD Public Utilities Commission

BY:



David A. Gerdes, Attorney
May, Adams, Gerdes & Thompson,
L.L.P.
503 S. Pierre Street
P.O. Box 160
Pierre, SD 57501

BY:



Karen E. Cremer
Staff Attorney
SD Public Utilities Commission
500 E. Capitol Avenue
Pierre, SD 57501

Attorneys for Northern States Power Company

Kari L. Valley
Senior Attorney
Xcel Energy
414 Nicollet Mall, 5th Floor
Minneapolis, MN 55401

DATED:

12/22/09

DATED:

12/23/09

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE APPLICATION)
OF NORTHERN STATES POWER)
COMPANY, D/B/A XCEL ENERGY FOR)
AUTHORITY TO INCREASE ITS)
ELECTRIC RATES**

EL09-009

I. SETTLEMENT STIPULATION

On June 30, 2009, Northern States Power Company, a Minnesota Corporation d/b/a (Xcel Energy or the Company) doing business in South Dakota, filed with the Public Utilities Commission (Commission) for approval to increase base rates for electric service to customers in its service territory by approximately \$18.6 million annually or approximately 12.7% based on Xcel Energy's 2008 test year. Of this increase in base rates, approximately \$2.9 million is revenue neutral to the ratepayers and the Company and results from moving cost recovery from the Transmission Cost Recovery Rider (TCR) and Environmental Cost Recovery (ECR) Rider to base rates. Consequently, the requested annual increase in overall retail rates was approximately \$15.7 million or approximately 10.65%.

Commission Staff and Xcel Energy (Parties) held several negotiating sessions before arriving at a jointly acceptable resolution of this matter. As a result of those negotiations, the Parties have resolved all issues in this proceeding and have entered into this Settlement Stipulation, which, if accepted and ordered by the Commission, will determine the rates that result from this proceeding.

II. PURPOSE

This Settlement Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket No. EL09-009. The Parties acknowledge that they may have differing views that justify the end result, but each Party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of

any single issue, whether express or implied by the Settlement Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of this Settlement Stipulation, the Parties shall immediately file this Settlement Stipulation with the Commission together with a joint motion requesting that the Commission issue an order approving this Settlement Stipulation in its entirety without condition or modification.

2. This Settlement Stipulation includes all terms of settlement. The Settlement Stipulation is filed conditioned on the understanding that, in the event the Commission imposes any changes in or conditions to this Settlement Stipulation, this Settlement Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other.

3. This Settlement Stipulation shall become binding upon execution by the Parties, provided however, if this Settlement Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void and privileged. This Settlement Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Settlement Stipulation, or be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission. Neither Party nor representative thereof shall directly or indirectly refer to this Settlement Stipulation or that part of any order of the Commission as precedent in any other current or future rate proceeding or any

other proceeding before the Commission.

4. The Parties to this proceeding stipulate that all pre-filed testimony, exhibits, and workpapers be made a part of the record in this proceeding. The Parties understand that if this matter had not been settled, Commission Staff would have filed direct testimony, Xcel Energy would have filed rebuttal testimony and the Commission Staff would have responded to certain of the positions contained in Xcel Energy's rebuttal testimony, and an evidentiary hearing would have been conducted where the witnesses providing testimony would have been subject to examination.

5. It is understood that Commission Staff enters into this Settlement Stipulation for the benefit of Xcel Energy's South Dakota customers affected by this docket.

III. ELEMENTS OF THE SETTLEMENT STIPULATION

1. Revenue Requirement

The Parties agree that Xcel Energy's attached rate schedules are designed to produce an ongoing annual increase in base rate levels (excluding sales taxes) of \$10,945,069 or approximately 7.4% annually for retail electric service sales in South Dakota from test year revenues. The parties agree to an 8.32% rate of return on rate base.

2. Tariffs

The Parties agree the increase will be allocated to the affected rate classes with the resulting increases as shown on attached Exhibit A. Updated tariff pages setting forth the revised electric rates and tariffs provided by this Settlement Stipulation are attached as Exhibit B.

3. Reporting Requirements

a. Integrated Resource Plans

Xcel Energy agrees to provide to the Commission and Commission Staff the Company's Resource Plan (RP) filed with the Minnesota Public Utilities Commission (MPUC) for the integrated NSP System (Minnesota, Michigan, North Dakota, South Dakota and Wisconsin) at the same time the RP is filed with the MPUC or within a reasonable time thereafter. In addition to providing the RP to the Commission and Commission Staff, the Company agrees to provide an alternative resource scenario that specifically meets, but does not exceed, combined Federal and South Dakota environmental and renewable requirements or objectives for the same time period addressed by the RP. The Company will provide these plans and scenarios for informational purposes only and no formal action by the Commission on the RP or any additionally-filed resource plan scenarios will be required. Xcel Energy's next RP is expected to be filed by August 1, 2010.

b. Curtailment

The Company agrees to provide to the Commission copies of the monthly wind curtailment summary report filed in Minnesota showing actual total payments made for wind curtailment events separated into the following reason codes as identified in the Minnesota reports for wind curtailment: 1) Lack of firm transmission as described in Attachment C of the Midwest Independent System Operator (MISO) Open Access Transmission Tariff (ATC Constraint); 2) Low Load; 3) Transmission loading relief or MISO directive for reasons other than ATC Constraint; and 4) Other. This information is classified as confidential data and will be submitted as confidential to Commission Staff. Additionally, the Company will provide Commission Staff a copy of the annual wind curtailment forecast filed with the MPUC in the Company's Annual Automatic Adjustment filing in September.

c. Asset and Non-Asset based Margins

South Dakota customers will be credited 100 percent of the jurisdictional portion of actual asset based margins and 25 percent of the jurisdictional share of non-asset based margins from intersystem sales as described in the Company's South Dakota Fuel Clause Rider. For asset based margins sharing, the Company agrees a tracker will be developed and included in the monthly Fuel Clause Adjustment Reports showing the monthly amount credited to South Dakota customers. The Company also agrees to establish a similar tracker for the non-asset based margins sharing credit. The retail share of the non-asset based margins will be computed annually after the close of the calendar year. The Company has agreed to provide both a fully allocated cost study and an incremental cost study showing the costs incurred to realize non-asset based margins.

4. Shifts in Methods of Cost Recovery

The Company will move into base rates all projects previously approved by the Commission for recovery under the TCR and ECR Riders. These shifts in cost recovery result in no material impact to ratepayers. Approximately \$1.2 million previously collected in the TCR Rider and approximately \$1.7 million previously collected in the ECR Rider will now be collected in base rates. Tariff sheets reflecting the change in the TCR and ECR Riders, effective with implementation of final rates as a result of this docket, are included in Exhibit B.

5. Windsorce

In response to Commission Staff's request, the Company agrees to withdraw the proposal for a Windsorce program in South Dakota from this rate case proceeding. The Parties agree that the Company may petition for approval of

a Windsource tariff in a separate docket.

6. Depreciation of Prairie Island Nuclear Generating Plant (Prairie Island)

The Parties agree that the recognized depreciable remaining life for Prairie Island will be extended by 20 years over the current license life effective January 1, 2010, to match the 20-year operating life extension that the Company has applied for at the Nuclear Regulatory Commission (NRC). If the NRC denies the requested life extension, the Company is entitled to recover costs that have been foregone by the implementation of the 20-year life extension in this proceeding.

7. Amortization

The Parties agree that amortizations being recovered in rates under the terms of the Settlement Stipulation include the following where the cost will be deferred and amortized over the periods shown:

Item	Amount Amortized (\$)	Amortization Period (years)	Annual Amount (\$)
Private Fuel Storage	1,010,000	6	168,000
Rate Case Expenses	268,099	5	54,000
Emission Sales Credit	(219,000)	5	(44,000)

a. Private Fuel Storage (PFS)

The Parties agree that the PFS deferred balance of \$1,010,000 is to be amortized over six (6) years in an amount of \$168,000 annually. Further, the Parties agree that the average unamortized balance of \$505,000 will be included as a component of other rate base.

b. Rate Case Expenses

The Parties agree that the Rate Case deferred balance of \$268,099 is to be amortized over five (5) years in an amount of \$54,000 annually.

Further, the Parties agree that the average unamortized balance of \$134,000 will be included as a component of other rate base.

c. SO2 Emission Allowance Sales

The Parties agree that the SO2 Emission Allowance Sales deferred balance of negative (-) \$219,000 is to be amortized over five (5) years in the amount of negative (-) \$44,000 annually. Further, the Parties agree that the average unamortized balance of negative (-) \$110,000 will be included as a component of other rate base. The Parties also agree to an annual SO2 Emission Allowance Sales amount of negative (-) \$29,000, based on the most recent five (5) year average of emission allowance sales

8. Renewable Development Fund (RDF)

The Parties agree that the revenue requirement includes an allowance of \$53,000 for RDF costs which is a five-year average of such annual costs and that there is no rate base allowance for RDF costs. The \$53,000 allowance is equivalent to a five-year amortization of the existing deferred asset balance of \$265,044 of RDF costs, excluding carrying charges.

9. Nuclear Fuel Outage Costs.

In Docket EL07-035, the Commission approved Xcel Energy's petition to change from a direct-expense accounting to a deferral/amortization method and the resulting creation of a regulatory asset (the deferred balance) for planned refueling outages at the three nuclear plants. It is agreed that this methodology is appropriate for ratemaking purposes.

10. Implementation of Rates

The revised rate schedules shall be implemented with service rendered on and after January 18, 2010, with bills prorated so that usage prior to January 18,

2010, is billed at the previous rates and usage on and after January 18, 2010, is billed at the new rates.

This Settlement Stipulation is entered into this 22nd day of December, 2009.

Northern States Power Company
d/b/a Xcel Energy

SD Public Utilities Commission

BY:

Scott Wilensky

Scott M. Wilensky

Vice-President

Regulatory and Resource Planning

Xcel Energy Services, Inc.

414 Nicollet Mall, 7th Floor

Minneapolis, MN 55401

BY:

Karen E. Cremer

Karen E. Cremer

Staff Attorney

SD Public Utilities Commission

500 E. Capitol Avenue

Pierre, SD 57501

DATED:

12/22/09

DATED:

12/22/09