Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2010/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	12,169,200,840	11,187,831,182
3	Construction Work in Progress (107)	200-201	698,119,696	588,011,455
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		12,867,320,536	11,775,842,637
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	5,626,522,601	5,397,551,717
6	Net Utility Plant (Enter Total of line 4 less 5)		7,240,797,935	6,378,290,920
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	132,940,023	108,914,726
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	70,089
9	Nuclear Fuel Assemblies in Reactor (120.3)		437,832,743	399,370,870
10	Spent Nuclear Fuel (120.4)		1,266,923,752	1,229,113,325
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	1,541,045,878	1,435,677,031
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		296,650,640	301,791,979
14	Net Utility Plant (Enter Total of lines 6 and 13)		7,537,448,575	6,680,082,899
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		7,556,420	7,556,420
19	(Less) Accum. Prov. for Depr. and Amort. (122)		5,575,504	5,167,056
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	2,563,147	2,713,920
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		15,439,022	15,947,586
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		1,350,629,552	1,248,739,175
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		101,175,044	117,131,330
31	Long-Term Portion of Derivative Assets – Hedges (176)		82,564	84,827
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		1,471,870,245	1,387,006,202
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		13,254,653	0
36	Special Deposits (132-134)		276,908	6,683,806
37	Working Fund (135)		135,070	175,471
38	Temporary Cash Investments (136)		24,888,257	39,393,488
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		299,467,596	292,650,295
41	Other Accounts Receivable (143)		30,596,895	28,864,443
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		20,995,628	22,674,706
43	Notes Receivable from Associated Companies (145)		37,000,000	22,500,000
44	Accounts Receivable from Assoc. Companies (146)		30,569,736	31,307,781
45	Fuel Stock (151)	227	99,661,052	103,697,089
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	122,606,133	104,989,347
49	Merchandise (155)	227	58,985	454,361
50	Other Materials and Supplies (156)	227	40,724	64,565
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	0	0

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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	0	0
55	Gas Stored Underground - Current (164.1)		47,893,315	35,910,763
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		9,912,319	10,803,521
57	Prepayments (165)		36,513,706	36,046,461
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		0	517,422
60	Rents Receivable (172)		649,983	617,337
61	Accrued Utility Revenues (173)		249,393,596	229,337,776
62	Miscellaneous Current and Accrued Assets (174)		2,438,129	2,544,292
63	Derivative Instrument Assets (175)		140,997,793	176,613,716
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		101,175,044	117,131,330
65	Derivative Instrument Assets - Hedges (176)		151,580	84,827
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		82,564	84,827
67	Total Current and Accrued Assets (Lines 34 through 66)		1,024,253,194	983,365,898
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		27,240,671	23,661,678
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	2,072,481,079	2,073,802,375
73	Prelim. Survey and Investigation Charges (Electric) (183)		2,405,106	0
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		0	0
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	48,071,330	1,663,681
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		21,087,520	23,504,891
82	Accumulated Deferred Income Taxes (190)	234	531,619,462	387,736,220
83	Unrecovered Purchased Gas Costs (191)		17,382,112	18,132,638
84	Total Deferred Debits (lines 69 through 83)		2,720,287,280	2,528,501,483
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		12,753,859,294	11,578,956,482

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FOOTNOTE DATA

Schedule Page: 110 Line No.: 57 Column: c

Prepayments (Account 165). The Form 1 reports prepayments at the total Company level, at the beginning of the year and at the end of the year. The Company uses the average of the beginning of the year and the end of the year prepayments balance in the formula. In addition, since prepayments are reported in the Form 1 at the total Company level, they are allocated to the electric utility based on the ratio of electric net plant to the sum of electric and gas net plant as reported in the Form 1, page 200. The formula allocates the electric prepayments to the transmission function using a gross plant allocator.

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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	10,000	10,000
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		2,241,386,617	2,028,592,307
7	Other Paid-In Capital (208-211)	253	0	0
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	1,254,367,532	1,213,172,788
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	-2,429,466	-2,278,694
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	2,833,964	1,712,266
16	Total Proprietary Capital (lines 2 through 15)		3,496,168,647	3,241,208,667
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	3,346,900,000	3,021,900,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	32,507	66,511
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		9,020,293	8,788,123
24	Total Long-Term Debt (lines 18 through 23)		3,337,912,214	3,013,178,388
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		3,783,075	3,793,000
29	Accumulated Provision for Pensions and Benefits (228.3)		320,000,000	281,427,000
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		3,386,789	63,490,529
32	Long-Term Portion of Derivative Instrument Liabilities		197,771,358	209,527,868
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		875,361,423	797,476,012
35	Total Other Noncurrent Liabilities (lines 26 through 34)		1,400,302,645	1,355,714,409
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		409,570,608	369,648,567
39	Notes Payable to Associated Companies (233)		1,780,000	2,500,000
40	Accounts Payable to Associated Companies (234)		61,752,745	83,759,095
41	Customer Deposits (235)		4,473,789	2,280,611
42	Taxes Accrued (236)	262-263	146,786,440	132,129,980
43	Interest Accrued (237)		66,640,990	62,780,010
44	Dividends Declared (238)		58,372,102	58,415,165
45	Matured Long-Term Debt (239)		0	0

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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		13,822,275	15,568,261
48	Miscellaneous Current and Accrued Liabilities (242)		7,591,720	4,710,693
49	Obligations Under Capital Leases-Current (243)		0	0
50	Derivative Instrument Liabilities (244)		225,081,993	231,923,653
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		197,771,358	209,527,868
52	Derivative Instrument Liabilities - Hedges (245)		0	2,265,419
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		798,101,304	756,453,586
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		2,928,927	2,111,532
57	Accumulated Deferred Investment Tax Credits (255)	266-267	34,437,315	37,134,212
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	234,316,518	202,847,064
60	Other Regulatory Liabilities (254)	278	1,423,834,866	1,384,905,742
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	25,250,851	17,461,092
63	Accum. Deferred Income Taxes-Other Property (282)		1,890,341,294	1,453,630,977
64	Accum. Deferred Income Taxes-Other (283)		110,264,713	114,310,813
65	Total Deferred Credits (lines 56 through 64)		3,721,374,484	3,212,401,432
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		12,753,859,294	11,578,956,482

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Northern States Power Company (Minnesota)	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2010/Q4

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

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NOTES TO FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies

Business — NSP-Minnesota is principally engaged in the generation, purchase, transmission, distribution and sale of electricity and in the purchase, transportation, distribution and sale of natural gas. NSP-Minnesota is subject to regulation by the FERC and state utility commissions.

Basis of Accounting — The accompanying financial statements were prepared in accordance with the accounting requirements of the FERC as set forth in the Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP:

- Current maturities of long-term debt are included as long-term debt, while GAAP requires such maturities to be classified as current liabilities.
- Accumulated deferred income taxes are shown as long-term assets and liabilities at their gross amounts in the FERC presentation, in contrast to the GAAP presentation as net current or long-term assets and liabilities.
- Regulatory assets and liabilities are classified as current and noncurrent for GAAP, while FERC classifies all regulatory assets and liabilities as noncurrent deferred debits and credits, respectively.
- Unrecognized tax benefits are recorded for temporary adjustments in accounts established for accumulated deferred income taxes in the FERC presentation, in contrast to its GAAP presentation as Taxes Accrued and noncurrent Other Liabilities.
- Removal costs for future removal obligations are classified as accumulated depreciation on the utility plant in the FERC presentation and regulatory liabilities in the GAAP presentation.
- For certain capital projects where there is recovery of a return on construction work in progress, certain amounts of Allowance for Funds Used During Construction (AFUDC) is not recognized in and included in construction work in process for GAAP, while for FERC it is recorded in construction work in progress but the benefit is deferred as a deferred liability for FERC presentation and amortized over the life of the property as a reduction of costs.
- Certain commodity trading purchases and sales transactions are presented gross as expenses and revenues for FERC presentation, however the net margin is reported as net sales for GAAP presentation.
- Various expenses such as donations, lobbying, and other non-regulatory expenses are presented as other income deductions for FERC presentation and reported as operating expenses for GAAP presentation.
- Income tax expense is shown as a component of operating expense in the FERC presentation, in contrast to its GAAP presentation as a below-the-line deduction from operating income.
- Wholly-owned subsidiaries are reported using the equity method of accounting in the FERC presentation and are required to be consolidated for GAAP.

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NOTES TO FINANCIAL STATEMENTS (Continued)

If GAAP were followed, these financial statement line items would have values greater/(lesser) than those shown by FERC presentation of:

(Thousands of Dollars)		
Balance Sheet:		
Net utility plant	$	284,771
Current assets		165,136
Current liabilities		86,117
Other long-term assets		(2,022,107)
Long-term debt and other long-term liabilities		(1,658,316)
Statement of Income:		
Operating revenues	$	(105,806)
Operating expenses		(267,403)
Other income and deductions		19,605
Statement of Cash Flows:		
Cash provided by operating activities	$	(900)
Cash used in investing activities		(5,704)
Cash used in financing activities		-

Revenue Recognition — Revenues related to the sale of energy are generally recorded when service is rendered or energy is delivered to customers. However, the determination of the energy sales to individual customers is based on the reading of their meter, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is recognized. NSP-Minnesota presents its revenue net of any excise or other fiduciary-type taxes or fees.

NSP-Minnesota has various rate-adjustment mechanisms in place that currently provide for the recovery of natural gas and electric fuel costs, as well as purchased energy costs. These cost-adjustment tariffs may increase or decrease the level of costs recovered through base rates and are revised periodically for any difference between the total amount collected under the clauses and the recoverable costs incurred. Where applicable, under governing state regulatory commission rate orders, fuel cost over-recoveries (the excess of fuel revenue billed to customers over fuel costs incurred) are deferred as regulatory liabilities and under-recoveries (the excess of fuel costs incurred over fuel revenues billed to customers) are deferred as regulatory assets. A summary of significant rate adjustment mechanisms follows:

- NSP-Minnesota's rates include a cost-of-fuel-and-purchased-energy mechanism and a cost-of-gas recovery mechanism allowing recovery of the respective costs, which are trued-up on a two-month and annual basis, respectively. The electric cost-of-fuel-and-purchased-energy mechanisms for NSP-Minnesota also provide a sharing among shareholders and customers of certain margins on short-term wholesale and commodity trading.
- NSP-Minnesota's rates include a conservation improvement program (CIP) rider for cost recovery of conservation and energy management program costs as well as recovery of a financial incentive for meeting energy savings goals.
- NSP-Minnesota operates under various service quality standards, which could require customer refunds if certain criteria are not met. NSP-Minnesota is allowed to recover certain costs associated with new transmission facilities through the transmission cost recovery (TCR) and certain costs associated with generation facilities through other rate riders.
- NSP-Minnesota sells firm power and energy in wholesale markets, which are regulated by the FERC. Certain of NSP-Minnesota's rates include monthly wholesale fuel cost-recovery mechanisms through prices that are indexed to NSP-Minnesota retail rates, including the monthly cost of fuel and purchased energy recovery mechanism.

Commodity Trading Operations — Pursuant to the joint operating agreement approved by the FERC, some of NSP-Minnesota's commodity trading margins are apportioned to Public Service Co. of Colorado (PSCo) and Southwestern Public Service Co. (SPS), which are utility subsidiaries of Xcel Energy Inc. Commodity trading activities are not associated with energy produced from NSP-Minnesota's generation assets or energy and capacity purchased to serve native load. Commodity trading contracts are recorded at fair market value and commodity trading results include the impact of all margin-sharing mechanisms. For more information, see

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NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 to the financial statements.

Fair Value Measurements — NSP-Minnesota presents cash equivalents, interest rate derivatives, commodity derivatives and nuclear decommissioning fund assets at estimated fair values in its financial statements. Cash equivalents are recorded at cost plus accrued interest to approximate fair value. Changes in the observed trading prices and liquidity of cash equivalents, including commercial paper and money market funds, are also monitored as additional support for determining fair value, and losses are recorded in earnings if fair value falls below recorded cost. For interest rate derivatives, quoted prices based primarily on observable market interest rate curves are used as a primary input to establish fair value. For commodity derivatives, the most observable inputs available are generally used to determine the fair value of each contract. In the absence of a quoted price for an identical contract in an active market, NSP-Minnesota may use quoted prices for similar contracts, or internally prepared valuation models to determine fair value. For the nuclear decommissioning fund, published trading data and pricing models, generally using the most observable inputs available, are utilized to estimate fair value for each class of security.

Types of and Accounting for Derivative Instruments — NSP-Minnesota uses derivative instruments in connection with its interest rate, utility commodity price, vehicle fuel price, short-term wholesale and commodity trading activities, including forward contracts, futures, swaps and options. All derivative instruments not designated and qualifying for the normal purchases and normal sales exception, as defined by the accounting guidance for derivatives and hedging, are recorded on the balance sheets at fair value as derivative instruments valuation. This includes certain instruments used to mitigate market risk for the utility operations and all instruments related to the commodity trading operations. The classification of changes in fair value for those derivative instruments is dependent on the designation of a qualifying hedging relationship. Changes in fair value of derivative instruments not designated in a qualifying hedging relationship are reflected in current earnings or as a regulatory asset or liability. The classification is dependent on the applicability of specific regulation.

Gains or losses on hedging transactions for the sale of energy or energy-related products are primarily recorded as a component of revenue; hedging transactions for fuel used in energy generation are recorded as a component of fuel costs; hedging transactions for natural gas purchased for resale are recorded as a component of natural gas costs; hedging transactions for vehicle fuel costs are recorded as a component of capital projects or operating and maintenance (O&M) costs; and interest rate hedging transactions are recorded as a component of interest expense. NSP-Minnesota is allowed to recover in electric or natural gas rates the costs of certain financial instruments purchased to reduce commodity cost volatility.

Cash Flow Hedges — Qualifying hedging relationships are designated as a hedge of a forecasted transaction or future cash flow (cash flow hedge). The accounting for derivatives requires that the hedging relationship be highly effective and that a company formally designate a hedging relationship to apply hedge accounting. NSP-Minnesota formally documents all hedging relationships in accordance with this guidance. The documentation includes, among other factors, the identification of the hedging instrument and the hedged transaction, as well as the risk management objectives and strategies for undertaking the hedging transaction. In addition, at inception and on a quarterly basis, NSP-Minnesota formally assesses whether the derivative instruments being used are highly effective in offsetting changes in the cash flows of the hedged items.

Changes in the fair value of a derivative designated and qualified as a cash flow hedge, to the extent effective are included in other comprehensive income (OCI), or deferred as a regulatory asset or liability based on recovery mechanisms until earnings are affected by the hedged transaction. NSP-Minnesota discontinues hedge accounting prospectively when it has determined that a derivative no longer qualifies as an effective hedge, or when it is no longer probable that the hedged forecasted transaction will occur. To test the effectiveness of hedges, a hypothetical hedge is used to mirror all the critical terms of the hedged transaction and the dollar-offset method is utilized to assess the effectiveness of the actual hedge at inception and on an ongoing basis. Gains and losses related to discontinued hedges that were previously deferred in OCI or deferred as regulatory assets or liabilities will remain deferred until the hedged transaction is reflected in earnings, unless it is probable that the hedged forecasted transaction will not occur, in which case, associated deferred amounts are immediately recognized in current earnings.

Normal Purchases and Normal Sales — NSP-Minnesota enters into contracts for the purchase and sale of commodities for use in their business operations. Derivatives and hedging accounting guidance requires a company to evaluate these contracts to determine whether the contracts are derivatives. Certain contracts that meet the definition of a derivative may be exempted from derivative accounting as normal purchases or normal sales.

NSP-Minnesota evaluates all of its contracts at inception to determine if they are derivatives and if they meet the normal purchases and

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NOTES TO FINANCIAL STATEMENTS (Continued)

normal sales designation requirements. None of the contracts entered into within the commodity trading operations qualify for a normal purchases and normal sales designation.

For further discussion of NSP-Minnesota's risk management and derivative activities, see Note 8 to the financial statements.

Property, Plant and Equipment and Depreciation — Property, plant and equipment is stated at original cost. The cost of plant includes direct labor and materials, contracted work, overhead costs and applicable interest expense. The cost of plant retired is charged to accumulated depreciation and amortization. Significant additions or improvements extending asset lives are capitalized, while repairs and maintenance costs are charged to expense as incurred. Maintenance and replacement of items determined to be less than units of property are charged to operating expenses as incurred. Planned major maintenance activities are charged to operating expense unless the cost represents the acquisition of an additional unit of property or the replacement of an existing unit of property. Property, plant and equipment also include costs associated with property held for future use.

NSP-Minnesota records depreciation expense related to its plant using the straight-line method over the plant's useful life. Actuarial and semi-actuarial life studies are performed on a periodic basis and submitted to the state and federal commissions for review. Upon acceptance by the various commissions, the resulting lives and net salvage rates are used to calculate depreciation. Depreciation expense, expressed as a percentage of average depreciable property, for the years ended Dec. 31, 2010 and 2009 was 3.4 and 3.2 percent, respectively.

AFUDC — AFUDC represents the cost of capital used to finance utility construction activity. AFUDC is computed by applying a composite pretax rate to qualified construction work in progress (CWIP). The amount of AFUDC capitalized as a utility construction cost is credited to nonoperating income (for equity capital) and interest charges (for debt capital). AFUDC amounts capitalized are included in NSP-Minnesota's rate base for establishing utility service rates. In addition to construction-related amounts, AFUDC also is recorded to reflect returns on capital used to finance conservation programs in Minnesota.

Generally AFUDC costs are recovered from customers as the related property is depreciated. However, in some cases the Minnesota Public Utilities Commission (MPUC) has approved a more current recovery of cost associated with large capital projects, resulting in a lower recognition of AFUDC. One of these projects was recently completed. The Metropolitan Emissions Reduction Project (MERP) converted two coal-fueled electric generating plants located in the Minneapolis-St. Paul metropolitan area to natural gas and installed advanced pollution control equipment at a third coal-fired plant. The in-service plant costs, including the financing costs during construction, are recovered from customers through a MERP rider resulting in a lower recognition of AFUDC. Other projects that have construction costs with current recovery include certain wind and transmission projects.

Decommissioning — NSP-Minnesota accounts for the future cost of decommissioning, or retirement, of its nuclear generating plants through annual depreciation accruals using an annuity approach designed to provide for full rate recovery of the future decommissioning costs. The decommissioning calculation covers all expenses, including decontamination and removal of radioactive material and extends over the estimated lives of the plants. The calculation assumes that NSP-Minnesota will recover those costs through rates. The fair value of external nuclear decommissioning fund investments are generally determined based on quoted market prices for those or similar investments. The fair values for commingled funds and international equity funds within the external nuclear decommissioning fund take into consideration the value of underlying fund investments. For more information on nuclear decommissioning, see Note 12 to the financial statements.

Nuclear Fuel Expense — Nuclear fuel expense, which is recorded as NSP-Minnesota's nuclear generating plants use fuel, includes the cost of fuel used in the current period (including AFUDC), as well as future disposal costs of spent nuclear fuel and costs associated with the end-of-life fuel segments.

Nuclear Refueling Outage Costs —NSP-Minnesota uses a deferral and amortization method for nuclear refueling O&M costs. This method amortizes refueling outage costs over the period between refueling outages consistent with how the costs are recovered ratably in electric rates.

Leases — NSP-Minnesota evaluates a variety of contracts for lease classification at inception, including purchased power agreements and rental arrangements for office space, vehicles, and equipment. Contracts determined to contain a lease because of per unit pricing that is other than fixed or market price, terms regarding the use of a particular asset, and other factors are evaluated further to determine if the arrangement is a capital lease.

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Environmental Costs — Environmental costs are recorded when it is probable NSP-Minnesota is liable for the costs and the liability can be reasonably estimated. Costs are deferred as a regulatory asset if it is probable that the costs will be recovered from customers in future rates. Otherwise, the costs are expensed. If an environmental expense is related to facilities currently in use, such as emission-control equipment, the cost is capitalized and depreciated over the life of the plant.

Estimated remediation costs, excluding inflationary increases, are recorded. The estimates are based on experience, an assessment of the current situation and the technology currently available for use in the remediation. The recorded costs are regularly adjusted as estimates are revised and remediation proceeds. If several designated responsible parties exist, costs are estimated and recorded only for NSP-Minnesota's expected share of the cost. Any future costs of restoring sites where operation may extend indefinitely are treated as a capitalized cost of plant retirement. The depreciation expense levels recoverable in rates include a provision for removal expenses, which may include final remediation costs.

Legal Costs — Litigation accruals are recorded when it is probable NSP-Minnesota is liable for the costs and the liability can be reasonably estimated. External legal fees related to settlements are expensed as incurred.

Income Taxes — NSP-Minnesota accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. NSP-Minnesota defers income taxes for all temporary differences between pretax financial and taxable income, and between the book and tax bases of assets and liabilities. NSP-Minnesota uses the tax rates that are scheduled to be in effect when the temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In making such a determination, all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations, is considered.

Due to the effects of past regulatory practices, when deferred taxes were not required to be recorded, the reversal of some temporary differences are accounted for as current income tax expense. Investment tax credits are deferred and their benefits amortized over the book depreciable lives of the related property. Utility rate regulation also has resulted in the recognition of certain regulatory assets and liabilities related to income taxes, which are summarized in Note 13 to the financial statements. For more information on income taxes, see Note 6 to the financial statements.

NSP-Minnesota follows the applicable accounting guidance to measure and disclose uncertain tax positions that NSP-Minnesota has taken or expects to take in its income tax returns. In accordance with this guidance, NSP-Minnesota recognizes a tax position in its financial statements when it is more likely than not that the position will be sustained upon examination based on the technical merits of the position. Recognition of changes in uncertain tax positions are reflected as a component of income tax expense.

NSP-Minnesota reports interest and penalties related to income taxes within the other income and interest charges sections in the statements of income.

Xcel Energy and its subsidiaries, including NSP- Minnesota, file federal income tax returns and combined and separate state income tax returns. Federal income taxes paid by Xcel Energy, as parent of the Xcel Energy group, are allocated to the Xcel Energy subsidiaries based on separate company computations of tax. A similar allocation is made for state income taxes paid by Xcel Energy in connection with combined state filings. The holding company also allocates its own income tax benefits to its direct subsidiaries based on the relative positive tax liabilities of the subsidiaries.

Use of Estimates — In recording transactions and balances resulting from business operations, NSP-Minnesota uses estimates based on the best information available. Estimates are used for such items as plant depreciable lives, asset retirement obligations (AROs), decommissioning, tax provisions, uncollectible amounts, environmental costs, unbilled revenues, jurisdictional fuel and energy cost allocations and actuarially determined benefit costs. The recorded estimates are revised when better information becomes available or when actual amounts can be determined. Those revisions can affect operating results. The depreciable lives of certain plant assets are reviewed annually and revised, if appropriate.

Cash and Cash Equivalents — NSP-Minnesota considers investments in certain instruments, including commercial paper and money

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market funds, with a remaining maturity of three months or less at the time of purchase, to be cash equivalents.

Inventory — All inventory is recorded at average cost.

Regulatory Accounting — NSP-Minnesota accounts for certain income and expense items in accordance with accounting guidance for regulated operations. Under this guidance:

- Certain costs, which would otherwise be charged to expense, are deferred as regulatory assets based on the expected ability to recover the costs in future rates; and
- Certain credits, which would otherwise be reflected as income, are deferred as regulatory liabilities based on the expectation the amounts will be returned to customers in future rates, or because the amounts were collected in rates prior to the costs being incurred.

Estimates of recovering deferred costs and returning deferred credits are based on specific ratemaking decisions or precedent for each item. Regulatory assets and liabilities are amortized consistent with the treatment in the rate setting process.

If restructuring or other changes in the regulatory environment occur, NSP-Minnesota may no longer be eligible to apply this accounting treatment and may be required to eliminate such regulatory assets and liabilities from its balance sheet. Such changes could have a material effect on NSP-Minnesota's results of operations in the period the write-offs are recorded. See more discussion of regulatory assets and liabilities in Note 13 to the financial statements.

Conservation Programs — NSP-Minnesota has implemented programs in its retail jurisdictions to assist customers in conserving energy and reducing peak demand on the electric and natural gas systems. These programs include, but are not limited to, commercial process efficiency and lighting updates, and residential rebates for participation in air conditioning interruption and energy-efficient appliances.

The costs incurred for CIP programs are deferred if it is probable that future revenue, in an amount at least equal to the deferred amount, will be provided to permit recovery of the previously incurred cost, rather than to provide for expected future amounts of similar programs. For incentive programs designed to allow recovery of lost margins and/or conservation performance incentives, recorded revenues are limited to those amounts expected to be collected within twenty four months following the end of the annual period in which they are earned.

NSP-Minnesota's CIP program costs are recovered through a combination of base rate revenue and rider mechanisms. The revenue billed to customers recovers incurred costs for conservation programs and also incentive amounts that are designed to encourage NSP-Minnesota's achievement of energy conservation goals and to compensate for related lost sales margin. NSP-Minnesota recognizes regulatory assets to reflect the amount of costs or earned incentives that have not yet been collected from customers.

Deferred Financing Costs — Deferred financing costs totaled approximately $27.2 million and $23.7 million, net of amortization, at Dec. 31, 2010 and 2009, respectively. NSP-Minnesota is amortizing these financing costs over the remaining maturity periods of the related debt.

Debt premiums, discounts and expenses are amortized over the life of the related debt. The premiums, discounts and expenses associated with refinanced debt are deferred and amortized over the life of the related new issuance, in accordance with regulatory guidelines.

Guarantees — NSP-Minnesota recognizes, upon issuance or modification of a guarantee, a liability for the fair market value of the obligations that have been assumed in issuing the guarantee. This liability includes consideration of specific triggering events and other conditions which may modify the ongoing obligation to perform under the guarantee.

The obligation recognized is reduced over the term of the guarantee as NSP-Minnesota is released from risk under the guarantee. Refer to Note 9 to the financial statements for specific details of issued guarantees.

Accounts Receivable and Allowance for Bad Debts — Accounts receivable are stated at the actual billed amount net of an allowance for bad debts. NSP-Minnesota establishes an allowance for uncollectible receivables based on a policy that reflects its expected

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exposure to the credit risk of customers.

Renewable Energy Credits (RECs) — RECs are marketable environmental commodities that represent proof that energy was generated from eligible renewable energy sources. RECs are awarded upon delivery of the associated energy and can be bought and sold. RECs are typically used as a form of measurement of compliance to renewable portfolio standards (RPS) enacted by those states that are encouraging construction and consumption from renewable energy sources, but can also be sold separately from the energy produced. Currently, NSP-Minnesota acquires RECs from the generation or purchase of renewable power.

When RECs are acquired in the course of generation or purchased as a result of meeting load obligations, they are recorded as inventory at cost. RECs acquired for trading purposes are recorded as other investments and are also recorded at cost. The cost of RECs that are utilized for compliance purposes is recorded as electric fuel and purchased power expense. The net margin on sales of RECs for trading purposes is recorded as electric utility operating revenues, net of any margin sharing requirements.

Emission Allowances — Emission allowances are recorded at cost, including the annual sulfur dioxide (SO_2) and nitrogen oxide (NOx) emission allowance entitlement received at no cost from the Environmental Protection Agency (EPA). NSP-Minnesota follows the inventory accounting model for all emission allowances. The sales of emission allowances are included in electric utility operating revenues and the operating activities section of the statements of cash flows.

Subsequent Events — Management has evaluated the impact of events occurring after Dec. 31, 2010 up to Feb. 28, 2011, the date NSP-Minnesota's GAAP financial statements were issued. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

2. Accounting Pronouncements

Fair Value Measurement Disclosures — In January 2010, the FASB issued *Fair Value Measurements and Disclosures (Topic 820) — Improving Disclosures about Fair Value Measurements (ASU No. 2010-06)*, which updates the Codification to require new disclosures for assets and liabilities measured at fair value. The requirements include expanded disclosure of valuation methodologies for fair value measurements, transfers between levels of the fair value hierarchy, and gross rather than net presentation of certain changes in Level 3 fair value measurements. The updates to the Codification contained in ASU No. 2010-06 were effective for interim and annual periods beginning after Dec. 15, 2009, except for requirements related to gross presentation of certain changes in Level 3 fair value measurements, which are effective for interim and annual periods beginning after Dec. 15, 2010. NSP-Minnesota implemented the portions of the guidance required on Jan. 1, 2010, and the implementation did not have a material impact on its financial statements. For further information and required disclosures, see Note 8 to the financial statements.

3. Investments Accounted for by the Equity Method

In accordance with FERC regulations, NSP-Minnesota's investment in and income from all of its wholly owned subsidiaries are presented using the equity method of accounting. Subsidiaries accounted for under the equity method include:

Name	Geographic Area	Economic Interest
United Power & Land	U.S.A.	100%
NSP Nuclear Corp.	U.S.A.	100%

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***Summarized Financial Information of Unconsolidated Investees*:**

Summarized financial information for all equity-method subsidiaries and projects, including interests owned by NSP-Minnesota was as follows:

(Thousands of dollars):

Financial Position	2010	2009
Current Assets	$ 1,973	$ 2,929
Other Assets	931	882
Total Assets	$ 2,904	$ 3,811
Current Liabilities	$ 341	$ 1,098
Other Liabilities	—	—
Equity	2,563	2,713
Total Liabilities and Equity	$ 2,904	$ 3,811

Results of Operations	2010	2009
Operating Revenues	$ 16	$ 8
Operating Loss	(3)	(302)
Net (Loss) Income	(151)	964

4. Borrowings and Other Financing Instruments

Money Pool — Xcel Energy and its utility subsidiaries have established a money pool arrangement that allows for short-term investments in and borrowings from the utility subsidiaries between each other. The holding company may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in the holding company.

The following table presents the money pool investments for NSP-Minnesota:

(Millions of Dollars)	Dec. 31, 2010	Dec. 31, 2009
Money pool investments	$ -	$ 7
Weighted average interest rate	N/A	0.36 %
Money pool borrowing limit	$ 250	$ 250

Commercial Paper — NSP-Minnesota meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under its credit facility. The following table presents commercial paper outstanding for NSP-Minnesota:

(Millions of Dollars)	Dec. 31, 2010	Dec. 31, 2009
Commercial paper outstanding	$ -	$ -
Weighted average interest rate	N/A	N/A
Commercial paper borrowing limit	$ 482	$ 482

Credit Facilities — NSP-Minnesota must have revolving credit facilities in place at least equal to the amount of its respective commercial paper borrowing limits and cannot issue commercial paper in an aggregate amount exceeding available capacity under these credit agreements. All credit facility bank borrowings and outstanding commercial paper reduce the available capacity under the respective credit facilities as presented in the table below. At Dec. 31, 2010 and Dec. 31, 2009, there were no credit facility bank borrowings outstanding.

At Dec. 31, 2009, NSP-Minnesota had the following committed credit facility in effect, in millions of dollars:

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Credit Facility	Drawn*	Available	Original Term	Maturity
$ 482	$ 5	$ 477	Five year	December 2011

* Includes outstanding letters of credit.

The line of credit provides short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings. NSP-Minnesota has the right to request an extension of the final maturity date by one year. The maturity extension is subject to majority bank group approval.

- The credit facility has one financial covenant requiring that NSP-Minnesota's debt-to-total capitalization ratio be less than or equal to 65 percent. NSP-Minnesota was in compliance as its debt-to-total capitalization ratio was 49 percent and 48 percent at Dec. 31, 2010 and 2009, respectively. If NSP-Minnesota does not comply with the covenant, an event of default may be declared and it not remedied, and any outstanding amounts due under the facility can be declared due by the lender.

- The credit facility has a cross default provision that provides Xcel Energy will be in default on its borrowings under the facility if any of its subsidiaries, comprising more than 15 percent of the assets of Xcel Energy on a basis, defaults on any of its indebtedness greater than $50 million.

- The interest rate is based on the agent bank's prime rate or the applicable LIBOR, plus a borrowing margin as based on NSP-Minnesota's applicable debt rating; this is 25 basis points.

- The commitment fees, also based on long-term credit ratings, are calculated for the unused portion of the credit facility at 6 basis points for NSP-Minnesota.

- At Dec. 31, 2010, NSP-Minnesota had no direct borrowings on this line of credit and no outstanding commercial paper; however, the credit facility was used to provide back-up support for $5.3 million of letters of credit. At Dec. 31, 2009, NSP-Minnesota had no direct borrowings on this line of credit and no outstanding commercial paper; however, the credit facility was used to provide back-up support for $5.8 million of letters of credit.

- Xcel Energy plans to syndicate new credit agreements at the Holding Company, NSP-Minnesota, PSCo, SPS and NSP-Wisconsin during the first quarter of 2011 to replace the existing agreements. The total anticipated size of the new credit facilities will be approximately $2.45 billion, of which $500 million relates to NSP-Minnesota.

Long-Term Borrowings

In August 2010, NSP-Minnesota issued $250 million of 1.95 percent first mortgage bonds, due Aug. 15, 2015 and $250 million of 4.85 percent first mortgage bonds, due Aug. 15, 2040. NSP-Minnesota added the net proceeds from the sale of the bonds to its general funds and applied a portion of the proceeds to the repayment of short-term debt, including short-term debt incurred to fund the repayment at maturity of $175 million of 4.75 percent first mortgage bonds due Aug. 1, 2010. The balance of the net proceeds was used for general corporate purposes, including the funding of capital expenditures.

In November 2009, NSP-Minnesota issued $300 million of 5.35 percent first mortgage bonds, due Nov. 1, 2039. NSP-Minnesota added the net proceeds from the sale of the first mortgage bonds to its general funds and applied a portion of the proceeds to the repayment of commercial paper and borrowings under the utility money pool arrangement incurred to fund the repayment at maturity of $250 million of 6.875 percent unsecured senior notes due Aug. 1, 2009.

All property of NSP-Minnesota is subject to the lien of its first mortgage indenture. NSP-Minnesota's first mortgage indenture places certain restrictions on the amount of cash dividends it can pay Xcel Energy, the holder of its common stock. Even with these restrictions, NSP-Minnesota could have paid more than $1.1 billion in additional cash dividends on common stock at Dec. 31, 2009 or $1.1 billion at Dec. 31, 2010.

During the next five years, NSP-Minnesota has long-term debt maturities of $450 million and $250 million due in 2012 and 2015, respectively.

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5. Joint Ownership of Generation and Transmission Facilities

Following are the investments by NSP-Minnesota in jointly owned generation and transmission facilities and the related ownership percentages as of Dec. 31, 2010:

(Thousands of Dollars)	Plant in Service	Accumulated Depreciation	Construction Work in Progress	Ownership %
Electric Generation:				
Sherco Unit 3	$ 538,043	$ 350,093	$ 13,494	59.0
Sherco Common Facilities Units 1, 2 and 3	126,437	79,988	5,601	75.0
Sherco Substation	4,790	2,486	-	59.0
Electric Transmission:				
Grand Meadow Line and Substation	11,204	603	-	50.0
CapX2020	19,449	4,075	48,758	55.6
Total	$ 699,923	$ 437,245	$ 67,853	

NSP-Minnesota is part owner of Sherco Unit 3, an 860 megawatt (MW), coal-fueled electric generating unit. NSP-Minnesota is the operating agent under the joint ownership agreement. NSP-Minnesota's share of operating expenses and construction expenditures are included in the applicable utility accounts. CapX2020 is a joint initiative of 11 transmission-owning utilities in Minnesota and the surrounding region to expand the electric transmission grid by approximately 700 miles. The estimated cost of this initiative is $1.9 billion consisting of four major transmission projects with the goal of providing continued reliable and affordable electric service. NSP-Minnesota's percentage ownership varies by project and its projected share of the investment is approximately $1 billion. In 2010 construction began on two of the major projects (Fargo, N.D. to Monticello, Minn. and Bemidji, Minn. to Grand Rapids, Minn. lines). In-service dates for the entire project are currently estimated to be from 2011 through 2015. Each of the respective owners is responsible for funding its portion of the construction costs.

6. Income Taxes

Medicare Part D Subsidy Reimbursements — In March 2010, the Patient Protection and Affordable Care Act was signed into law. The law includes provisions to generate tax revenue to help offset the cost of the new legislation. One of these provisions reduces the deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D coverage, beginning in 2013. Based on this provision, NSP-Minnesota is subject to additional taxes and is required to reverse previously recorded tax benefits in the period of enactment.

NSP-Minnesota expensed approximately $3.3 million of previously recognized tax benefits relating to Medicare Part D subsidies during the first quarter of 2010. NSP-Minnesota does not expect the $3.3 million of additional tax expense to recur in future periods.

Federal Audit — NSP-Minnesota is a member of the Xcel Energy affiliated group that files a consolidated federal income tax return. During the first quarter of 2010, the IRS completed an examination of Xcel Energy's federal income tax returns of tax years 2006 and 2007. The Internal Revenue Service (IRS) did not propose any material adjustments for those tax years. The statute of limitations applicable to Xcel Energy's 2006 federal income tax return expired in August 2010. The statute of limitations applicable to Xcel Energy's 2007 federal income tax return expires in September 2011. The IRS commenced an examination of tax years 2008 and 2009 in the third quarter of 2010. As of Dec. 31, 2010, the IRS had not proposed any material adjustments to tax years 2008 and 2009.

State Audits — NSP-Minnesota is a member of the Xcel Energy affiliated group that files consolidated state income tax returns. As of Dec. 31, 2010, NSP-Minnesota's earliest open tax year that is subject to examination by state taxing authorities under applicable statutes of limitations is 2006. In 2009, Xcel Energy received a request for information from the state of Minnesota relating to tax years 2002 through 2007 in order to determine whether to undertake an audit of those years. After its review in the second quarter of 2010, the state of Minnesota indicated that it does not intend to perform audit procedures on these years at this time. As of Dec. 31, 2010, there were no state income tax audits in progress.

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Unrecognized Tax Benefits — The unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual effective tax rate (ETR). In addition, the unrecognized tax benefit balance includes temporary tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the ETR but would accelerate the payment of cash to the taxing authority to an earlier period.

A reconciliation of the amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	Dec. 31, 2010	Dec. 31, 2009
Unrecognized tax benefit - Permanent tax positions	$ 4.0	$ 2.7
Unrecognized tax benefit - Temporary tax positions	18.5	9.8
Unrecognized tax benefit balance	$ 22.5	$ 12.5

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	2010	2009
Balance at Jan. 1	$ 12.5	$ 20.2
Additions based on tax positions related to the current year	7.3	6.9
Reductions based on tax positions related to the current year	(0.3)	(1.4)
Additions for tax positions of prior years	3.5	3.6
Reductions for tax positions of prior years	(0.5)	(1.5)
Settlements with taxing authorities	-	(15.3)
Balance at Dec. 31	$ 22.5	$ 12.5

The unrecognized tax benefit amounts were reduced by the tax benefits associated with net operating loss (NOL) and tax credit carryforwards. The amounts of tax benefits associated with NOL and tax credit carryfowards are as follows:

(Millions of Dollars)	Dec. 31, 2010	Dec. 31, 2009
NOL and tax credit carryforwards	$ (11.0)	$ (2.8)

The increase in the unrecognized tax benefit balance of $10.0 million in 2010 was due to the addition of similar uncertain tax positions related to current and prior years' activity. NSP-Minnesota's amount of unrecognized tax benefits could significantly change in the next 12 months as the IRS audit progresses and state audits resume. At this time, due to the uncertain nature of the audit process, it is not reasonably possible to estimate an overall range of possible change.

The payable for interest related to unrecognized tax benefits is partially offset by the interest benefit associated with NOL and tax credit carryforwards. A reconciliation of the beginning and ending amount of the payable for interest related to unrecognized tax benefits is as follows:

(Millions of Dollars)	2010	2009
Payable for interest related to unrecognized tax benefits at Jan. 1	$ (0.3)	$ (1.3)
Interest income (expense) related to unrecognized tax benefits	(0.6)	1.0
Payable for interest related to unrecognized tax benefits at Dec. 31	$ (0.9)	$ (0.3)

No amounts were accrued for penalties related to unrecognized tax benefits as of Dec. 31, 2010 or 2009.

Other Income Tax Matters — NOL amounts represent the amount of the tax loss that is carried forward and tax credits represent the deferred tax asset. NOL and tax credit carryforwards as of Dec. 31 were as follows:

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(Millions of Dollars)	2010	2009
Federal NOL carryforward	$ 426.6	$ 25.7
Federal tax credit carryforwards	39.4	25.4
State tax credit carryforwards, net of federal detriment	2.1	2.1

The federal carryforward periods expire between 2021 and 2030. The state carryforward periods expire between 2017 and 2024.

Total income tax expense from operations differs from the amount computed by applying the statutory federal income tax rate to income before income tax expense. The following reconciles such differences for the years ending Dec. 31:

	2010	2009
Federal statutory rate	35.0 %	35.0 %
Increases (decreases) in tax from:		
State income taxes, net of federal income tax benefit	9.2	6.2
Tax credits recognized, net of federal income tax expense	(3.1)	(2.7)
Regulatory differences — utility plant items	(2.0)	(1.6)
Medicare Part D tax benefit writeoff	0.7	-
Change in unrecognized tax benefits	0.3	(1.0)
Resolution of income tax audits and other	(0.2)	1.4
Other, net	(0.1)	(0.1)
Effective income tax rate	39.8 %	37.2 %

The components of NSP-Minnesota's income tax expense for the years ending Dec. 31 were:

(Thousands of Dollars)	2010	2009
Current federal tax expense (benefit)	$ (87,550)	$ (13,087)
Current state tax expense	18,889	18,989
Current change in unrecognized tax expense (benefit)	1,273	(4,500)
Current tax credits	(944)	-
Deferred federal tax expense	215,967	155,233
Deferred state tax expense	47,017	30,366
Deferred tax credits	(10,660)	(9,542)
Deferred investment tax credits	(2,697)	(3,120)
Total income tax expense	$ 181,295	$ 174,339

The components of deferred income tax at Dec.31 were:

(Thousands of Dollars)	2010	2009
Deferred tax expense excluding items below	$ 296,570	$ 227,531
Amortization and adjustments to deferred income taxes on income tax regulatory assets and liabilities	(43,471)	(50,432)
Tax expense allocated to other comprehensive income and other	(775)	(1,042)
Deferred tax expense	$ 252,324	$ 176,057

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The components of net deferred tax liability at Dec. 31 were:

(Thousands of Dollars)	2010	2009
Deferred tax liabilities:		
Difference between book and tax bases of property	$ 1,889,367	$ 1,453,496
Regulatory assets	122,634	113,364
Other	13,856	18,543
Total deferred tax liabilities	$ 2,025,857	$ 1,585,403
Deferred tax assets:		
Differences between book and tax bases of property	$ 236,805	$ 220,005
Net operating loss carryforward	151,964	9,342
Employee benefits	54,727	62,046
Tax credit carryforward	41,497	27,519
Regulatory liabilities	17,480	16,478
Deferred investment tax credits	15,043	15,174
Rate refund	2,290	26,835
Other	11,814	10,337
Total deferred tax assets	$ 531,620	$ 387,736
Net deferred tax liability	$ 1,494,237	$ 1,197,667

7. Benefit Plans and Other Postretirement Benefits

Pension and other postretirement benefit disclosures below generally represent Xcel Energy information unless specifically identified as being attributable to NSP-Minnesota. Pension and other postretirement benefit disclosures below generally represent Xcel Energy information unless specifically identified as being attributable to NSP-Minnesota. Consistent with the process for rate recovery of pension and postretirement benefits for its employees, NSP-Minnesota accounts for its participation in, and related costs of, pension and other postretirement benefit plans sponsored by Xcel Energy (multiple employer plans). NSP-Minnesota is responsible for its share of cash contributions, plan costs and obligations and is entitled to its share of plan assets; accordingly, NSP-Minnesota accounts for its pro rata share of these plans, including pension expense and contributions, resulting in accounting consistent with that of a single employer plan exclusively for NSP-Minnesota employees.

Xcel Energy, which includes NSP-Minnesota, offers various benefit plans to its employees. At Dec. 31, 2010, NSP-Minnesota had 2,060 bargaining employees covered under a collective-bargaining agreement, which expired at the end of 2010. NSP-Minnesota also had an additional 219 nuclear operation bargaining employees covered under several collective-bargaining agreements, which expired at various dates through September 2010. As of Dec. 31, 2010, contract negotiations with the NSP-Minnesota bargaining groups were in process. On Feb. 16, 2011, the negotiations were settled via arbitration and a new collective-bargaining agreement with an expiration date of Dec. 31, 2013 went into effect.

Effective Jan. 1, 2009, Xcel Energy and NSP-Minnesota adopted new guidance on employers' disclosures about pension and postretirement benefit plan assets. The new guidance expands employers' disclosure requirements for benefit plan assets, including investment policies and strategies, major categories of plan assets, and information regarding fair value measurements consistent with the disclosures for entities' recurring fair value measurements.

The accounting guidance for fair value measurements establishes a hierarchal framework for disclosing the observability of the inputs utilized in measuring fair value. The three levels defined by the hierarchy and examples of each level are as follows:

> Level 1 — Quoted prices are available in active markets for identical assets as of the reporting date. The types of assets included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as common stocks listed by the New York Stock Exchange.

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Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets included in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using highly observable inputs, such as corporate bonds with pricing based on market interest rate curves and recent trades of similarly rated securities.

Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets included in Level 3 are those with inputs requiring significant management judgment or estimation, such as asset and mortgage backed securities, for which subjective risk-based adjustments to estimated yield and forecasted prepayments are significant inputs.

Pension Benefits

Xcel Energy, which includes NSP-Minnesota, has several noncontributory, defined benefit pension plans that cover almost all employees. Benefits are based on a combination of years of service, the employee's average pay and social security benefits. Xcel Energy's and NSP-Minnesota's policy is to fully fund into an external trust the actuarially determined pension costs recognized for ratemaking and financial reporting purposes, subject to the limitations of applicable employee benefit and tax laws.

Xcel Energy and NSP-Minnesota base investment-return assumption on expected long-term performance for each of the investment types included in the pension asset portfolio and consider the actual historical returns achieved by its asset portfolio over the past 20-year or longer period, as well as the long-term return levels projected and recommended by investment experts. The historical weighted average annual return for the past 20 years for the portfolio of pension investments is 9.72 percent, which is greater than the current assumption level. The pension cost determination assumes a forecasted mix of investment types over the long term. Investment returns in 2010 were above the assumed level of 7.79 percent. Investment returns in 2009 were above the assumed level of 8.50 percent. Xcel Energy and NSP-Minnesota continually review the pension assumptions. In 2011, Xcel Energy will use an investment-return assumption of 7.50 percent.

The assets are invested in a portfolio according to Xcel Energy's and NSP-Minnesota's return, liquidity and diversification objectives to provide a source of funding for plan obligations and minimize the necessity of contributions to the plan, within appropriate levels of risk. The principal mechanism for achieving these objectives is the allocation of assets to selected asset classes, given the long-term risk, return, and liquidity characteristics of each particular asset class. There were no significant concentrations of risk in any particular industry, index, or entity; however, as we have experienced in recent years, unusual market volatility can impact even well-diversified portfolios and significantly affect the return levels achieved by pension assets in any year.

The following table presents the target range pension asset allocations for 2010 and 2009:

	2010	2009
Domestic and international equity securities	24 %	24 %
Long-duration fixed income securities	41	34
Short-to-intermediate term fixed income securities	11	19
Alternative investments	17	18
Cash	7	5
Total	100 %	100 %

In 2009, Xcel Energy and NSP-Minnesota engaged J.P. Morgan's Pension Advisory Group to evaluate the allocation of the total assets in the master pension trust, taking into consideration the funded status of each individual pension plan. The ongoing investment strategy is based on plan-specific investment recommendations that seek to minimize potential investment and interest rate risk as a plan's funded status increases over time. The investment recommendations result in a greater percentage of short-to-intermediate term and long-duration fixed income securities being allocated to specific plans having relatively higher funded status ratios, and a greater percentage of growth assets being allocated to plans having relatively lower funded status ratios. The aggregate asset allocation presented in the table above for the master pension trust results from the plan-specific strategies.

Pension Plan Assets

The following tables present, for each of the fair value hierarchy levels, pension plan assets that are measured at fair value as of

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Dec. 31, 2010 and 2009:

	Dec. 31, 2010			
(Thousands of Dollars)	Level 1	Level 2	Level 3	Total
Cash equivalents	$ -	$ 109,027	$ -	$ 109,027
Short-term investments	122,643	26,683	-	149,326
Derivatives	-	8,140	-	8,140
Government securities	-	117,522	-	117,522
Corporate bonds	-	641,807	-	641,807
Asset-backed securities	-	-	26,986	26,986
Mortgage-backed securities	-	-	113,418	113,418
Common stock	117,899	-	-	117,899
Private equity investments	-	-	122,223	122,223
Commingled equity and bond funds	-	1,152,386	-	1,152,386
Real estate	-	-	73,701	73,701
Securities lending collateral obligation and other	-	(91,727)	-	(91,727)
Total	$ 240,542	$ 1,963,838	$ 336,328	$ 2,540,708

	Dec. 31, 2009			
(Thousands of Dollars)	Level 1	Level 2	Level 3	Total
Cash equivalents	$ -	$ 221,971	$ -	$ 221,971
Short-term investments	-	324,683	-	324,683
Derivatives	-	11,606	-	11,606
Government securities	-	94,949	-	94,949
Corporate bonds	-	522,403	-	522,403
Asset-backed securities	-	-	47,825	47,825
Mortgage-backed securities	-	-	144,006	144,006
Common stock	89,260	-	-	89,260
Private equity investments	-	-	82,098	82,098
Commingled equity and bond funds	-	1,014,072	-	1,014,072
Real estate	-	-	66,704	66,704
Securities lending collateral obligation and other	-	(170,251)	-	(170,251)
Total	$ 89,260	$ 2,019,433	$ 340,633	$ 2,449,326

The following tables present the changes in Level 3 pension plan assets for the years ended Dec. 31, 2010 and 2009:

(Thousands of Dollars)	Jan. 1, 2010	Realized and Unrealized Gains (Losses)	Purchases, Issuances, and Settlements, net	Dec. 31, 2010
Asset-backed securities	$ 47,825	$ (3,678)	$ (17,161)	$ 26,986
Mortgage-backed securities	144,006	(5,376)	(25,212)	113,418
Real estate	66,704	7,100	(103)	73,701
Private equity investments	82,098	(1,032)	41,157	122,223
Total	$ 340,633	$ (2,986)	$ (1,319)	$ 336,328

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(Thousands of Dollars)	Jan. 1, 2009	Realized and Unrealized Gains (Losses)	Purchases, Issuances, and Settlements, net	Dec. 31, 2009
Asset-backed securities	$ 77,398	$ 48,285	$ (77,858)	$ 47,825
Mortgage-backed securities	166,610	103,470	(126,074)	144,006
Real estate	109,289	(43,207)	622	66,704
Private equity investments	81,034	(5,682)	6,746	82,098
Total	$ 434,331	$ 102,866	$ (196,564)	$ 340,633

Benefit Obligations — A comparison of the actuarially computed pension benefit obligation and plan assets, on a combined basis, is presented in the following table:

(Thousands of Dollars)	2010	2009
Accumulated Benefit Obligation at Dec. 31	$ 2,865,845	$ 2,676,174
Change in Projected Benefit Obligation:		
Obligation at Jan. 1	$ 2,829,631	$ 2,598,032
Service cost	73,147	65,461
Interest cost	165,010	169,790
Plan amendments	18,739	(35,341)
Actuarial loss	169,203	223,122
Benefit payments	(225,438)	(191,433)
Obligation at Dec. 31	$ 3,030,292	$ 2,829,631
Change in Fair Value of Plan Assets:		
Fair value of plan assets at Jan. 1	$ 2,449,326	$ 2,185,203
Actual return on plan assets	282,688	255,556
Employer contributions	34,132	200,000
Benefit payments	(225,438)	(191,433)
Fair value of plan assets at Dec. 31	$ 2,540,708	$ 2,449,326
Funded Status of Plans at Dec. 31:		
Funded status [a]	$ (489,584)	$ (380,305)
NSP-Minnesota Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost:		
Net loss	$ 552,849	$ 530,197
Prior service cost	37,254	34,496
Total	$ 590,103	$ 564,693
Amounts Related to the Funded Status of the Plans Have Been Recorded as Follows Based Upon Expected Recovery in Rates:		
Other regulatory assets	$ 590,103	$ 564,693
Accumulated provision for pensions and benefits	196,423	157,687
Measurement date	Dec. 31, 2010	Dec. 31, 2009
Significant Assumptions Used to Measure Benefit Obligations:		
Discount rate for year-end valuation	5.50 %	6.00 %
Expected average long-term increase in compensation level	4.00	4.00
Mortality table	RP 2000	RP 2000

(a) Amounts are recognized in noncurrent liabilities on Xcel Energy's consolidated balance sheet.

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Cash Flows — Cash funding requirements can be impacted by changes to actuarial assumptions, actual asset levels and other calculations prescribed by the funding requirements of income tax and other pension-related regulations. These regulations did not require cash funding for 2009 through 2010 for Xcel Energy's pension plans and are not expected to require cash funding in 2011.

Xcel Energy made total pension contributions of $34 million and $200 million during 2010 and 2009, respectively.

- Voluntary contributions were made to the Xcel Energy Pension Plan of $34 million in 2010.
- Voluntary contributions were made to the PSCo Bargaining Pension Plan of $173 million in 2009.
- Voluntary contributions were made to the NCE Non-Bargaining Pension Plan of $27 million in 2009. Voluntary contributions were made across three of Xcel Energy's pension plans for $134 million in January 2011. The contribution raised the overall funded status from 84 percent at Dec. 31, 2010 to 88 percent with all other pension assumptions remaining constant.
- Pension funding contributions for 2012, which will be dependent on several factors including, realized asset performance, future discount rate, IRS and legislative initiatives as well as other actuarial assumptions, are estimated to range between $150 million to $175 million.

Plan Amendments — The 2010 increase of the projected benefit obligation for plan amendments is due to a change in the discount rate basis for lump sum conversion of annuities for participants in the Xcel Energy Pension Plan.

Benefit Costs — The components of net periodic pension cost (credit) are:

(Thousands of Dollars)	2010	2009
Service cost	$ 73,147	$ 65,461
Interest cost	165,010	169,790
Expected return on plan assets	(232,318)	(256,538)
Amortization of prior service cost	20,657	24,618
Amortization of net loss	48,315	12,455
Net periodic pension cost (credit)	$ 74,811	$ 15,786
NSP-Minnesota:		
Net periodic pension cost (credit)	$ 33,508	$ 2,891
(Costs) credits not recognized due to effects of regulation	(27,027)	(2,891)
Net benefit cost recognized for financial reporting	$ 6,481	$ -
Significant Assumptions Used to Measure Costs:		
Discount rate	6.00 %	6.75 %
Expected average long-term increase in compensation level	4.00	4.00
Expected average long-term rate of return on assets	7.79	8.50

Pension costs include an expected return impact for the current year that may differ from actual investment performance in the plan. The return assumption used for 2011 pension cost calculations will be 7.50 percent. The cost calculation uses a market-related valuation of pension assets. Xcel Energy, including NSP-Minnesota, uses a calculated value method to determine the market-related value of the plan assets. The market-related value begins with the fair market value of assets as of the beginning of the year. The market-related value is determined by adjusting the fair market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return on the market-related value) during each of the previous five years at the rate of 20 percent per year.

NSP-Minnesota recognizes pension expense in all regulatory jurisdictions based on the aggregate normal cost actuarial method. Differences between aggregate normal cost and expense as calculated under accounting guidance are deferred as a regulatory asset or liability.

Xcel Energy, which includes NSP-Minnesota, also maintains noncontributory, defined benefit supplemental retirement income plans for certain qualifying executive personnel. Benefits for these unfunded plans are paid out of their operating cash flows.

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Defined Contribution Plans

Xcel Energy, which includes NSP-Minnesota, maintains 401(k) and other defined contribution plans that cover substantially all employees. The contributions for NSP-Minnesota were approximately $8.8 million in 2010 and $7.5 million in 2009.

Postretirement Health Care Benefits

Xcel Energy, which includes NSP-Minnesota, has a contributory health and welfare benefit plan that provides health care and death benefits to most Xcel Energy retirees. The former NCE discontinued contributing toward health care benefits for nonbargaining employees retiring after 1998 and for bargaining employees of NSP-Minnesota and NSP-Wisconsin who retired after 1999. Employees of the former NCE who retired after 1998 are eligible to participate in the health care program with no employer subsidy.

In 1993, Xcel Energy and NSP-Minnesota adopted accounting guidance regarding other non-pension postretirement benefits and elected to amortize the unrecognized accumulated postretirement benefit obligation (APBO) on a straight-line basis over 20 years.

Regulatory agencies for nearly all retail and wholesale utility customers have allowed rate recovery of accrued postretirement benefit costs. NSP-Minnesota transitioned to full accrual accounting for postretirement benefit costs, with regulatory differences fully amortized prior to 1997.

Plan Assets — Certain state agencies that regulate Xcel Energy's utility subsidiaries also have issued guidelines related to the funding of postretirement benefit costs. Also, a portion of the assets contributed on behalf of non-bargaining retirees has been funded into a sub-account of the pension plans. These assets are invested in a manner consistent with the investment strategy for the pension plan.

Xcel Energy and NSP-Minnesota base investment-return assumption for the postretirement health care fund assets on expected long-term performance for each of the investment types included in the asset portfolio. The assets are invested in a portfolio according to Xcel Energy's and NSP-Minnesota's return, liquidity and diversification objectives to provide a source of funding for plan obligations and minimize the necessity of contributions to the plan, within appropriate levels of risk. The principal mechanism for achieving these objectives is the allocation of assets to selected asset classes, given the long-term risk, return, and liquidity characteristics of each particular asset class. There were no significant concentrations of risk in any particular industry, index, or entity. Investment-return volatility is not considered to be a material factor in postretirement health care costs.

The following tables present, for each of the fair value hierarchy levels, postretirement benefit plan assets that are measured at fair value as of Dec. 31, 2010 and 2009:

	Dec. 31, 2010			
(Thousands of Dollars)	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 72,573	$ 76,352	$ -	$ 148,925
Derivatives	-	13,632	-	13,632
Government securities	-	3,402	-	3,402
Corporate bonds	-	70,752	-	70,752
Asset-backed securities	-	-	2,585	2,585
Mortgage-backed securities	-	-	19,212	19,212
Preferred stock	-	507	-	507
Commingled equity and bond funds	-	102,962	-	102,962
Securities lending collateral obligation and other	-	70,253	-	70,253
Total	$ 72,573	$ 337,860	$ 21,797	$ 432,230

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	Dec. 31, 2009			
(Thousands of Dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ -	$ 165,291	$ -	$ 165,291
Short term investments	-	2,226	-	2,226
Derivatives	-	5,937	-	5,937
Government securities	-	1,538	-	1,538
Corporate bonds	-	60,416	-	60,416
Asset-backed securities	-	-	8,293	8,293
Mortgage-backed securities	-	-	47,078	47,078
Preferred stock	-	540	-	540
Commingled equity and bond funds	-	89,296	-	89,296
Securities lending collateral obligation and other	-	4,074	-	4,074
Total	$ -	$ 329,318	$ 55,371	$ 384,689

The following tables present the changes in Level 3 postretirement benefit plan assets for the years ended Dec. 31, 2010 and 2009:

(Thousands of Dollars)	Jan. 1, 2010	Realized and Unrealized Gains	Purchases, Issuances, and Settlements, net	Dec. 31, 2010
Asset-backed securities	$ 8,293	$ 1,814	$ (7,522)	$ 2,585
Mortgage-backed securities	47,078	14,715	(42,581)	19,212

(Thousands of Dollars)	Jan. 1, 2009	Realized and Unrealized Gains	Purchases, Issuances, and Settlements, net	Dec. 31, 2009
Asset-backed securities	$ 8,705	$ 1,029	$ (1,441)	$ 8,293
Mortgage-backed securities	69,988	3,022	(25,932)	47,078

Benefit Obligations — A comparison of the actuarially computed benefit obligation and plan assets, on a combined basis, is presented in the following table:

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(Thousands of Dollars)	2010	2009
Change in Projected Benefit Obligation:		
Obligation at Jan. 1	$ 728,902	$ 794,597
Service cost	4,006	4,665
Interest cost	42,780	50,412
Medicare subsidy reimbursements	5,423	3,226
Plan amendments	-	(27,407)
Plan participants' contributions	14,315	13,786
Actuarial loss (gain)	68,126	(47,446)
Benefit payments	(68,647)	(62,931)
Obligation at Dec. 31	$ 794,905	$ 728,902
Change in Fair Value of Plan Assets:		
Fair value of plan assets at Jan. 1	$ 384,689	$ 299,566
Actual return on plan assets	53,430	72,101
Plan participants' contributions	14,315	13,786
Employer contributions	48,443	62,167
Benefit payments	(68,647)	(62,931)
Fair value of plan assets at Dec. 31	$ 432,230	$ 384,689
Funded Status of Plans at Dec. 31:		
Funded status	$ (362,675)	$ (344,213)
Current liabilities	(5,392)	(2,240)
Noncurrent liabilities	(357,283)	(341,973)
Net postretirement amounts recognized on consolidated balance sheets	$ (362,675)	$ (344,213)
NSP-Minnesota Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost:		
Net loss	$ 51,208	$ 49,444
Prior service credit	(1,035)	(1,152)
Transition obligation	2,727	4,073
Total	$ 52,900	$ 52,365

(Thousands of Dollars)	2010	2009
Amounts Related to the Funded Status of the Plans Have Been Recorded as Follows Based Upon Expected Recovery in Rates:		
Other regulatory assets	$ 49,725	$ 49,240
Deferred Income taxes	1,298	1,277
Net-of-tax accumulated comprehensive income	1,877	1,848
Total	$ 52,900	$ 52,365
Accumulated provision for pensions and benefits	$ 123,577	$ 123,740
Miscellaneous current and accrued liabilities	3,743	917
Measurement date	Dec. 31, 2010	Dec. 31, 2009
Significant Assumptions Used to Measure Benefit Obligations:		
Discount rate for year-end valuation	5.50 %	6.00 %
Mortality table	RP 2000	RP 2000
Health care costs trend rate - initial	6.50 %	6.80 %

Effective Dec. 31, 2010, the ultimate trend assumption remained unchanged at 5.0 percent. The period until the ultimate rate is reached increased from three years to eight years. Xcel Energy bases its medical trend assumption on the long-term cost inflation

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expected in the health care market, considering the levels projected and recommended by industry experts, as well as recent actual medical cost increases experienced by Xcel Energy's retiree medical plan.

A 1-percent change in the assumed health care cost trend rate would have the following effects on NSP-Minnesota:

(Thousands of Dollars)	One Percentage Point Increase	One Percentage Point Decrease
APBO	$ 98,812	$ (76,175)
Service and interest components	5,006	(4,193)

Cash Flows — The postretirement health care plans have no funding requirements under income tax and other retirement-related regulations other than fulfilling benefit payment obligations, when claims are presented and approved under the plans. Additional cash funding requirements are prescribed by certain state and federal rate regulatory authorities, as discussed previously. Xcel Energy, which includes NSP-Minnesota, contributed $48.4 million during 2010 and $62.2 million during 2009 and expects to contribute approximately $40.5 million during 2011.

Plan Amendments — No amendments occurred during 2010 to the Xcel Energy health and welfare benefit plan.

Benefit Costs — The components of net periodic postretirement benefit cost are:

(Thousands of Dollars)	2010	2009
Service cost	$ 4,006	$ 4,665
Interest cost	42,780	50,412
Expected return on plan assets	(28,529)	(22,775)
Amortization of transition obligation	14,444	14,444
Amortization of prior service cost	(4,932)	(2,726)
Amortization of net loss	11,643	19,329
Net periodic postretirement benefit cost	$ 39,412	$ 63,349
NSP-Minnesota:		
Net periodic postretirement benefit cost	$ 10,643	$ 13,419
Significant Assumptions Used to Measure Costs:		
Discount rate	6.00 %	6.75 %
Expected average long-term rate of return on assets (before tax)	7.50	7.50

Benefit Payments

The following table lists Xcel Energy's projected benefit payments for the pension and postretirement benefit plans:

(Thousands of Dollars)	Projected Pension Benefit Payments	Gross Projected Postretirement Health Care Benefit Payments	Expected Medicare Part D Subsidies	Net Projected Postretirement Health Care Benefit Payments
2011	$ 254,426	$ 59,752	$ 4,770	$ 54,982
2012	247,156	60,230	5,126	55,104
2013	249,908	60,607	5,475	55,132
2014	257,886	61,833	5,773	56,060
2015	259,978	63,184	6,061	57,123
2016-2020	1,338,658	325,154	34,115	291,039

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8. Derivative Instruments and Fair Value Measurements

NSP-Minnesota enters into derivative instruments, including forward contracts, futures, swaps and options, for trading purposes and to reduce risk in connection with changes in interest rates, utility commodity prices and vehicle fuel prices, as well as variances in forecasted weather.

Short-Term Wholesale and Commodity Trading Risk — NSP-Minnesota conducts various short-term wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy and energy-related instruments. NSP-Minnesota's risk management policy allows management to conduct these activities within guidelines and limitations as approved by its risk management committee, which is made up of management personnel not directly involved in the activities governed by the policy.

Interest Rate Derivatives — NSP-Minnesota enters into various instruments that effectively fix the interest payments on certain floating rate debt obligations or effectively fix the yield or price on a specified benchmark interest rate for an anticipated debt issuance for a specific period. These derivative instruments are generally designated as cash flow hedges for accounting purposes.

At Dec. 31, 2010, accumulated OCI related to interest rate derivatives included $0.1 million of net gains expected to be reclassified into earnings during the next 12 months as the related hedged interest transactions impact earnings.

Commodity Derivatives — NSP-Minnesota enters into derivative instruments to manage variability of future cash flows from changes in commodity prices in its electric and natural gas operations, as well as for trading purposes. This could include the purchase or sale of energy or energy-related products, natural gas to generate electric energy, gas for resale and vehicle fuel.

At Dec. 31, 2010, NSP-Minnesota had vehicle fuel contracts designated as cash flow hedges extending through December 2014. NSP-Minnesota also enters into derivative instruments that mitigate commodity price risk on behalf of electric and natural gas customers but are not designated as qualifying hedging transactions. Changes in the fair value of non-trading commodity derivative instruments are recorded in OCI or deferred as a regulatory asset or liability. The classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms. NSP-Minnesota recorded immaterial amounts to income related to the ineffectiveness of cash flow hedges for the years ended Dec. 31, 2010 and Dec. 31, 2009.

At Dec. 31, 2010, accumulated OCI related to vehicle fuel cash flow hedges included $0.1 million of net losses expected to be reclassified into earnings during the next 12 months as the hedged transactions occur.

Additionally, NSP-Minnesota enters into commodity derivative instruments for trading purposes not directly related to commodity price risks associated with serving its electric and natural gas customers. Changes in the fair value of these commodity derivatives are recorded in electric operating revenues, net of any amounts credited to customers under margin-sharing mechanisms.

The following table details the gross notional amounts of commodity forwards, options, and FTRs at Dec. 31, 2010 and Dec. 31, 2009:

(Amounts in Thousands) [(a)(b)]	Dec. 31, 2010	Dec. 31, 2009
Megawatt hours (MWh) of electricity	44,376	34,374
MMBtu of natural gas	14,100	9,777
Gallons of vehicle fuel	440	2,021

(a) Amounts are not reflective of net positions in the underlying commodities.
(b) Notional amounts for options are included on a gross basis, but are weighted for the probability of exercise.

Financial Impact of Qualifying Cash Flow Hedges — The impact of qualifying interest rate and vehicle fuel cash flow hedges on NSP-Minnesota's accumulated OCI, included as a component of common stockholder's equity, is detailed in the following table:

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(Thousands of Dollars)	2010	2009
Accumulated other comprehensive income related to cash flow hedges at Jan. 1	$ 3,941	$ 3,053
After-tax net unrealized losses related to derivatives accounted for as hedges	(81)	(1,219)
After-tax net realized losses (gains) on derivative transactions reclassified into earnings	1,117	2,107
Accumulated other comprehensive income related to cash flow hedges at Dec. 31	$ 4,977	$ 3,941

NSP-Minnesota had no derivative instruments designated as fair value hedges during the years ended Dec. 31, 2010 and Dec. 31, 2009. Therefore, no gains or losses from fair value hedges or related hedged transactions were recognized for these periods.

The following tables detail the impact of derivative activity during the years ended Dec. 31, 2010 and Dec. 31, 2009, respectively, on OCI, regulatory assets and liabilities, and income:

	Dec. 31, 2010				
	Fair Value Changes Recognized During the Period in:		Pre-Tax Amounts Reclassified into Income During the Period from:		
(Thousands of Dollars)	Other Comprehensive Income (Loss)	Regulatory Assets and Liabilities	Other Comprehensive Income (Loss)	Regulatory Assets and Liabilities	Pre-Tax Gains Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ -	$ -	$ (108) (a)	$ -	$ -
Vehicle fuel and other commodity	(137)	-	1,998 (e)	-	-
Total	$ (137)	$ -	$ 1,890	$ -	$ -
Other derivative instruments					
Trading commodity	$ -	$ -	$ -	$ -	$ 12,061 (b)
Electric commodity	-	3,969	-	(21,840) (c)	-
Natural gas commodity	-	(18,655)	-	9,111 (d)	-
Total	$ -	$ (14,686)	$ -	$ (12,729)	$ 12,061

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	Dec. 31, 2009				
	Fair Value Changes Recognized During the Period in:		Pre-Tax Amounts Reclassified into Income During the Period from:		Pre-Tax Gains (Losses)
(Thousands of Dollars)	Other Comprehensive Income (Loss)	Regulatory Assets and Liabilities	Other Comprehensive Income (Loss)	Regulatory Assets and Liabilities	Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ (3,209)	$ -	$ (201) [a]	$ -	$ -
Electric commodity	-	(18,600)	-	(4,755) [c]	-
Natural gas commodity	-	(811)	-	8,915 [d]	(6,951) [d]
Vehicle fuel and other commodity	1,147	-	3,766 [e]	-	-
Total	$ (2,062)	$ (19,411)	$ 3,565	$ 4,160	$ (6,951)
Other derivative instruments					
Trading commodity	$ -	$ -	$ -	$ -	$ 7,857 [b]
Electric commodity	-	20,607	-	(343) [c]	-
Natural gas commodity	-	(373)	-	980 [d]	-
Other	-	-	-	-	(160) [b]
Total	$ -	$ 20,234	$ -	$ 637	$ 7,697

(a) Recorded to interest charges.
(b) Recorded to electric operating revenues. Portions of these total gains and losses are subject to sharing with electric customers through margin-sharing mechanisms and deducted from gross revenue, as appropriate.
(c) Recorded to electric fuel and purchased power; these derivative settlement gains and losses are shared with electric customers through fuel and purchased energy cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.
(d) Recorded to cost of natural gas sold and transported; these derivative settlement gains and losses are shared with natural gas customers through purchased natural gas cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.
(e) Recorded to other O&M expenses.

Credit Related Contingent Features — Contract provisions of the derivative instruments that NSP-Minnesota enters into may require the posting of collateral or settlement of the contracts for various reasons, including if NSP-Minnesota is unable to maintain its credit ratings. If the credit ratings were downgraded below investment grade at Dec. 31, 2010 and Dec. 31, 2009, no contracts underlying NSP-Minnesota's derivative liabilities would require the posting of collateral or contract settlement.

Certain of NSP-Minnesota's derivative instruments are also subject to contract provisions that contain adequate assurance clauses. These provisions allow counterparties to seek performance assurance, including cash collateral, in the event that NSP-Minnesota's ability to fulfill its contractual obligations is reasonably expected to be impaired. As of Dec. 31, 2010 and Dec. 31, 2009, NSP-Minnesota had no collateral posted related to adequate assurance clauses in derivative contracts.

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires certain disclosures about assets and liabilities measured at fair value. A hierarchal framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance. The three levels in the hierarchy are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices.

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Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, or priced with discounted cash flow or option pricing models using highly observable inputs.

Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those valued with models requiring significant management judgment or estimation.

Recurring Fair Value Measurements

The following table presents, for each of the hierarchy levels, NSP-Minnesota's assets and liabilities that are measured at fair value on a recurring basis at Dec. 31, 2010:

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	Dec. 31, 2010					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [c]	Total
Current derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 70	$ -	$ 70	$ -	$ 70
Other derivative instruments:						
Trading commodity	487	31,253	-	31,740	(18,719)	13,021
Electric commodity	-	-	3,619	3,619	(1,226)	2,393
Natural gas commodity	-	187	-	187	(187)	-
Total current derivative assets	$ 487	$ 31,510	$ 3,619	$ 35,616	$ (20,132)	15,484
Purchased power agreements [b]						24,408
Current derivative instruments						$ 39,892
Noncurrent derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 83	$ -	$ 83	$ -	$ 83
Other derivative instruments:						
Trading commodity	-	25,850	-	25,850	(2,477)	23,373
Natural gas commodity	-	125	-	125	(48)	77
Total noncurrent derivative assets	$ -	$ 26,058	$ -	$ 26,058	$ (2,525)	23,533
Purchased power agreements [b]						77,725
Noncurrent derivative instruments						$ 101,258

Other recurring fair value assets Nuclear decommissioning fund: [a]	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [c]	Total
Cash equivalents	$ 76,281	$ 7,556	$ -	$ 83,837	$ -	$ 83,837
Commingled funds	-	133,080	-	133,080	-	133,080
International equity funds	-	58,584	-	58,584	-	58,584
Debt securities:				-		
Government securities	-	146,654	-	146,654	-	146,654
U.S. corporate bonds	-	288,304	-	288,304	-	288,304
Foreign securities	-	1,581	-	1,581	-	1,581
Municipal bonds	-	97,557	-	97,557	-	97,557
Asset-backed securities	-	-	33,174	33,174	-	33,174
Mortgage-backed securities	-	-	72,589	72,589	-	72,589
Equity securities - Common stock	435,270	-	-	435,270	-	435,270
Total nuclear decommissioning fund	$ 511,551	$ 733,316	$ 105,763	$ 1,350,630	$ -	$ 1,350,630

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	Dec. 31, 2010					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting (c)	Total
Current derivative liabilities						
Other derivative instruments:						
Trading commodity	$ 392	$ 25,416	$ -	$ 25,808	$ (21,337)	$ 4,471
Electric commodity	-	-	1,227	1,227	(1,227)	-
Natural gas commodity	20	9,156	-	9,176	(187)	8,989
Total current derivative liabilities	$ 412	$ 34,572	$ 1,227	$ 36,211	$ (22,751)	13,460
Purchased power agreements (b)						13,851
Current derivative instruments						$ 27,311
Noncurrent derivative liabilities						
Other derivative instruments:						
Trading commodity	$ -	$ 13,351	$ -	$ 13,351	$ (2,478)	$ 10,873
Natural gas commodity	-	75	-	75	(48)	27
Total noncurrent derivative liabilities	$ -	$ 13,426	$ -	$ 13,426	$ (2,526)	10,900
Purchased power agreements (b)						186,871
Noncurrent derivative instruments						$ 197,771

(a) Reported in nuclear decommissioning fund and other investments on the balance sheet, which also includes $15.4 million of miscellaneous investments.

(b) In 2003, as a result of implementing new guidance on the normal purchase exception for derivative accounting, NSP-Minnesota began recording several long-term purchased power agreements at fair value due to accounting requirements related to underlying price adjustments. As these purchases are recovered through normal regulatory recovery mechanisms in the respective jurisdictions, the changes in fair value for these contracts were offset by regulatory assets and liabilities. During 2006, NSP-Minnesota qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(c) The accounting guidance for derivatives and hedging permits the netting of receivables and payables for derivatives and related collateral amounts when a legally enforceable master netting agreement exists between NSP-Minnesota and a counterparty. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract.

NSP-Minnesota recognizes transfers between levels as of the beginning of each period. The following table presents the transfers that occurred between levels during the year ended Dec. 31, 2010.

(Thousands of Dollars)	From Level 3 to Level 2
Trading commodity derivatives not designated as cash flow hedges:	
Current assets	$ 5,384
Noncurrent assets	21,450
Current liabilities	(2,851)
Noncurrent liabilities	(12,345)
Total	$ 11,638

There were no transfers of amounts from Level 2 to Level 3, or any transfers to or from Level 1 for the year ended Dec. 31, 2010. The transfer of amounts from Level 3 to Level 2 is due to the valuation of certain long term derivative contracts for which observable commodity pricing forecasts became a more significant input during the period.

The following tables present, for each of the hierarchy levels, NSP-Minnesota's assets and liabilities that are measured at fair value on a recurring basis at Dec. 31, 2009:

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	Dec. 31, 2009					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [c]	Total
Current derivative assets						
Other derivative instruments:						
Trading commodity	$ -	$ 13,748	$ 6,253	$ 20,001	$ (11,640)	$ 8,361
Electric commodity	-	-	23,540	23,540	1,425	24,965
Natural gas commodity	-	1,580	-	1,580	54	1,634
Total current derivative assets	$ -	$ 15,328	$ 29,793	$ 45,121	$ (10,161)	34,960
Purchased power agreements [b]						24,522
Current derivative instruments						$ 59,482
Noncurrent derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 85	$ -	$ 85	$ -	$ 85
Other derivative instruments:						
Trading commodity	-	7,040	11,610	18,650	(4,193)	14,457
Natural gas commodity	-	31	-	31	1	32
Total noncurrent derivative assets	$ -	$ 7,156	$ 11,610	$ 18,766	$ (4,192)	14,574
Purchased power agreements [b]						102,642
Noncurrent derivative instruments						$ 117,216
Other recurring fair value assets						
Nuclear decommissioning fund: [a]						
Cash equivalents	$ -	$ 28,134	$ -	$ 28,134	$ -	$ 28,134
Debt securities:						
Government securities	-	74,126	-	74,126	-	74,126
U.S. corporate bonds	-	312,844	-	312,844	-	312,844
Foreign securities	-	9,445	-	9,445	-	9,445
Municipal bonds	-	149,088	-	149,088	-	149,088
Asset-backed securities	-	-	11,918	11,918	-	11,918
Mortgage-backed securities	-	-	81,189	81,189	-	81,189
Equity securities - Common stock	581,995	-	-	581,995	-	581,995
Total nuclear decommissioning fund	$ 581,995	$ 573,637	$ 93,107	$ 1,248,739	$ -	$ 1,248,739

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(Thousands of Dollars)	Dec. 31, 2009 Fair Value Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [c]	Total
Current derivative liabilities						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 1,905	$ -	$ 1,905	$ -	$ 1,905
Other derivative instruments:						
Trading commodity	-	14,248	3,731	17,979	(15,503)	2,476
Electric commodity	-	-	3,276	3,276	1,425	4,701
Natural gas commodity	-	640	-	640	54	694
Other commodity	-	-	360	360	-	360
Total current derivative liabilities	$ -	$ 16,793	$ 7,367	$ 24,160	$ (14,024)	10,136
Purchased power agreements [b]						14,525
Current derivative instruments						$ 24,661
Noncurrent derivative liabilities						
Other derivative instruments:						
Trading commodity	$ -	$ 4,895	$ 6,799	$ 11,694	$ (4,197)	$ 7,497
Natural gas commodity	-	364	-	364	1	365
Total noncurrent derivative liabilities	$ -	$ 5,259	$ 6,799	$ 12,058	$ (4,196)	7,862
Purchased power agreements [b]						201,666
Noncurrent derivative instruments						$ 209,528

(a) Reported in nuclear decommissioning fund and other investments on the balance sheet, which also includes $17.0 million of miscellaneous investments.

(b) In 2003, as a result of implementing new guidance on the normal purchase exception for derivative accounting, NSP-Minnesota began recording several long-term purchased power agreements at fair value due to accounting requirements related to underlying price adjustments. As these purchases are recovered through normal regulatory recovery mechanisms in the respective jurisdictions, the changes in fair value for these contracts were offset by regulatory assets and liabilities. During 2006, NSP-Minnesota qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(c) The accounting guidance for derivatives and hedging permits the netting of receivables and payables for derivatives and related collateral amounts when a legally enforceable master netting agreement exists between NSP-Minnesota and a counterparty. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract.

The methods utilized to measure the fair value of commodity derivatives include the use of forward prices and volatilities to value commodity forwards and options. Levels are assigned to these fair value measurements based on the significance of the use of subjective forward price and volatility forecasts for commodities and delivery locations with limited observability, or the significance of contractual settlements that extend to periods beyond those readily observable on active exchanges or quoted by brokers. Electric commodity derivatives include FTRs, for which fair value is determined using complex predictive models and inputs including forward commodity prices as well as subjective forecasts of retail and wholesale demand, generation and resulting transmission system congestion. Given the limited observability of management's forecasts for several of these inputs, fair value measurements for FTRs have been assigned a Level 3.

NSP-Minnesota continuously monitors the creditworthiness of the counterparties to its commodity derivative contracts and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Given this assessment, as well as an assessment of the impact of NSP-Minnesota's own credit risk when determining the fair value of commodity derivative liabilities, the impact of considering credit risk was immaterial to the fair value of commodity derivative assets and liabilities presented in the balance sheets.

Cash equivalents are recorded at cost plus accrued interest to approximate fair value. Changes in the observed trading prices and liquidity of cash equivalents, including money market funds, are also monitored as additional support for determining fair value.

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Equity securities are valued using quoted prices in active markets. The fair values for commingled funds and international equity funds are measured using net asset values, which take into consideration the value of underlying fund investments, as well as the other accrued assets and liabilities of a fund, in order to determine a per share market value. The investments in commingled funds and international equity funds may be redeemed for net asset value. Debt securities are primarily priced using recent trades and observable spreads from benchmark interest rates for similar securities, except for asset-backed and mortgage-backed securities, which also require significant, subjective risk-based adjustments to the interest rate used to discount expected future cash flows, which include estimated principal prepayments. Therefore, fair value measurements for asset-backed and mortgage-backed securities have been assigned a Level 3.

The following table presents the changes in Level 3 commodity derivatives for the years ended Dec. 31, 2010 and 2009:

	Year Ended Dec. 31,	
(Thousands of Dollars)	**2010**	**2009**
Balance at Jan. 1	$ 27,237	$ 23,247
Purchases and settlements, net	(393)	(476)
Transfers (out of) into Level 3	(11,638)	700
(Losses) gains recognized in earnings	(16,576)	(3,115)
Gains recognized as regulatory assets and liabilities	3,762	6,881
Balance at Dec. 31	$ 2,392	$ 27,237

Losses on Level 3 commodity derivatives recognized in earnings for the years ended Dec. 31, 2010 and Dec. 31, 2009, include $4.7 million and $5.7 million of net unrealized gains, respectively, relating to commodity derivatives held at Dec. 31, 2010 and Dec. 31, 2009. Realized and unrealized gains and losses on commodity trading activities are included in electric revenues. Realized and unrealized gains and losses on non-trading derivative instruments are recorded in OCI or deferred as regulatory assets and liabilities. The classification as a regulatory asset or liability is based on the commission approved regulatory recovery mechanisms.

The following table presents the changes in Level 3 nuclear decommissioning fund assets for the years ended Dec. 31, 2010 and 2009:

	Year Ended Dec. 31,			
	2010		**2009**	
(Thousands of Dollars)	**Mortgage-Backed Securities**	**Asset-Backed Securities**	**Mortgage-Backed Securities**	**Asset-Backed Securities**
Balance at Jan. 1	$ 81,189	$ 11,918	$ 98,461	$ 10,962
Purchases and settlements, net	(12,204)	20,993	(27,872)	(484)
Gains (losses) recognized as regulatory assets and liabilities	3,604	263	10,600	1,440
Balance at Dec. 31	$ 72,589	$ 33,174	$ 81,189	$ 11,918

9. Financial Instruments

The estimated Dec. 31 fair values of NSP-Minnesota's recorded financial instruments are as follows:

	2010		2009	
(Thousands of Dollars)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Nuclear decommissioning fund	$ 1,350,630	$ 1,350,630	$ 1,248,739	$ 1,248,739
Other investments	50	50	695	695
Long-term debt, including current portion	3,337,912	3,673,214	3,013,178	3,238,854

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The fair value of cash and cash equivalents, notes and accounts receivable and notes and accounts payable are not materially different from their carrying amounts. The fair value of external nuclear decommissioning trust fund investments are generally estimated based on quoted market prices for those or similar investments. The fair values for commingled funds and international equity funds take into consideration the value of underlying fund investments. The fair value of NSP-Minnesota's other investments are estimated based on quoted market prices for those or similar investments. The fair value of NSP-Minnesota's long-term debt is estimated based on the quoted market prices for the same or similar issues, or the current rates for debt of the same remaining maturities and credit quality.

The fair value estimates presented are based on information available to management as of Dec. 31, 2010 and 2009. These fair value estimates have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair values may differ significantly.

Letters of Credit

NSP-Minnesota uses letters of credit, generally with terms of one year, to provide financial guarantees for certain operating obligations. At Dec. 31, 2010 and 2009, there were $6.4 million and $6.9 million letters of credit outstanding, respectively. The contract amounts of these letters of credit approximate their fair value and are subject to fees determined in the marketplace.

10. Rate Matters

NSP-Minnesota

Pending and Recently Concluded Regulatory Proceedings —MPUC

Base Rate

NSP-Minnesota Electric Rate Case — In November 2010, NSP-Minnesota filed a request with the MPUC to increase annual electric rates in Minnesota for 2011 by approximately $150 million, or an increase of 5.62 percent. The rate filing is based on a 2011 forecast test year and included a requested return on equity (ROE) of 11.25 percent, an electric rate base of approximately $5.6 billion and an equity ratio of 52.56 percent. In January 2011, NSP-Minnesota revised its requested 2011 rate increase to $148.3 million as the result of the sale of certain transmission assets.

NSP-Minnesota requested an additional increase of $48.3 million or 1.81 percent effective Jan. 1, 2012, to address certain known and measurable cost increases in 2012. Additionally, NSP-Minnesota seeks to transfers approximately $158 million already collected from ratepayers through riders into base rates at the conclusion of this case with implementation of final rates.

The MPUC approved an interim rate increase of $123 million, subject to refund, effective Jan. 2, 2011. The interim rates remain in effect until the MPUC makes its final decision on the case. An MPUC decision is anticipated in the fourth quarter of 2011. The following procedural schedule has been established:

- Intervenor direct testimony due April 5, 2011;
- Rebuttal testimony due May 4, 2011;
- Surrebuttal testimony due May 26, 2011;
- Evidentiary hearings due June 1-8, 2011;
- Initial brief due July 29, 2011;
- Reply brief and findings due Aug. 19, 2011;
- Administrative law judge (ALJ) report Sept. 19, 2011; and
- MPUC order due Nov. 28, 2011.

NSP-Minnesota Gas Rate Case — In November 2009, NSP-Minnesota filed a request with the MPUC to increase Minnesota natural gas rates by $16.2 million for 2010, based on an ROE of 11 percent, an equity ratio of 52.46 percent and a rate base of $441 million. In December 2009, the MPUC approved an interim rate increase of $11.1 million, subject to refund. Interim rates went into effect on Jan. 11, 2010.

In June 2010, NSP-Minnesota revised its request to an increase of $10.0 million based on an ROE of 10.6 percent. In November 2010,

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the MPUC authorized a rate increase of approximately $7 million based on an ROE of 10.0 percent.

Electric, Purchased Gas and Resource Adjustment Clauses

TCR Rider — The MPUC has approved a TCR rider that allows annual adjustments to retail electric rates to provide recovery of certain incremental transmission investments between rate cases. In 2010, the MPUC approved a TCR rider that recovered approximately $10.8 million during 2010. In October 2010, NSP-Minnesota filed its 2011 rider recovery request, seeking approval to recover approximately $12.9 million during 2011. The request is pending MPUC action.

Renewable Energy Standard (RES) Rider — The MPUC has approved a RES rider to recover the costs for utility-owned projects implemented in compliance with the Minnesota RES. In 2010, the MPUC approved a RES rider that resulted in $38.4 million in revenue recovery during 2010. In October 2010, NSP-Minnesota filed its 2011 rider recovery request, seeking approval to recover approximately $67.8 million during 2011.

MERP Rider — In December 2009, the MPUC authorized NSP-Minnesota to recover revenue requirements related to environmental improvement projects of approximately $116.7 million during 2010 through the MERP rider. In October 2010, NSP-Minnesota filed a request to recover approximately $111.4 million during 2011. Final MPUC action is pending; however, NSP-Minnesota is allowed to implement the 2011 adjustment prior to MPUC approval. If the approval is for a different amount, any under- or over-collections would be trued up in the next annual period.

CIP Rider — CIP expenses are recovered through a charge embedded in base rates and a rider that is adjusted annually. In April 2010, NSP-Minnesota filed its annual rider petitions requesting recovery of approximately $45 million of electric CIP expenses and financial incentives and $10.2 million of natural gas CIP expenses and financial incentives. These amounts correspond to the forecasted unrecovered year-end balances. During the proceedings, the Office of Energy Security recommended that cost recovery be accelerated and increased to reduce the unrecovered balances and the associated carrying charges assessed to customers on the balances. This would result in higher rider rates in the short-term, but future rates would be lower as the unrecovered balance was lowered.

In October 2010, the MPUC approved an increase to the electric CIP rider rate to increase cost recovery and reduce the unrecovered CIP balance to approximately zero by the end of 2012. Based on the higher rate, NSP-Minnesota estimates recovery of $66.7 million through the rider during the November 2010 to September 2011 timeframe. This is in addition to an expected $48.1 million through the conservation cost recovery charge component of base rates.

In November 2010, the MPUC approved an increase to the natural gas CIP rider rate to increase cost recovery and reduce the unrecovered balance to approximately zero by the end of 2011. Based on the higher rate, NSP-Minnesota estimates recovery of approximately $18.6 million through the natural gas CIP rider during the December 2010 to September 2011 timeframe. This is in addition to an expected $3.0 million through the conservation cost recovery charge component of base rates.

Pending and Recently Concluded Regulatory Proceedings — North Dakota Public Service Commission (NDPSC)

North Dakota Electric Rate Case — In December 2010, NSP-Minnesota filed a request with the NDPSC to increase 2011 electric rates in North Dakota by approximately $19.8 million, or an increase of 12 percent. The rate filing is based on a 2011 forecast test year and includes a requested ROE of 11.25 percent, an electric rate base of approximately $328 million and an equity ratio of 52.56 percent. NSP-Minnesota requested an additional increase of $4.2 million, or 2.6 percent, effective Jan. 1, 2012, to address certain known and measurable cost increases in 2012.

The NDPSC approved an interim rate increase of approximately $17.4 million, subject to refund, effective Feb. 18, 2011. The interim rates would remain in effect until the NDPSC makes its final decision on the case, which is anticipated in the fourth quarter of 2011.

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The schedule is as follows:

- Intervenor direct testimony due June 20, 2011;
- Rebuttal testimony due July 22, 2011;
- Evidentiary hearings due Aug. 9-12, 2011;
- Initial briefs due Sept. 16, 2011;
- Reply brief and findings due Sept. 30, 2011; and
- NDPSC order due Nov. 16, 2011.

Pending and Recently Concluded Regulatory Proceedings — FERC

Rate Increase for Grandfathered Transmission Service Customers — In May 2010, NSP-Minnesota filed to revise the rate applicable to eight wholesale customers taking transmission service under a "grandfathered" 1998 rate schedule (known as Tm-1). The change would set the Tm-1 transmission service rate equal to the similar rate under the Midwest Independent Transmission System Operator, Inc (MISO) Tariff, and would increase Tm-1 rates by about $5 million annually (a 120 percent increase). NSP-Minnesota proposed the rate change be accepted effective Aug. 1, 2010, but placed into effect Jan. 1, 2011. The affected Tm-1 customers intervened in the rate filing and protested the increase. In July 2010, the FERC accepted the rate filing and allowed the rates to go into effect on Jan. 1, 2011, subject to refund and settlement judge procedures. In December 2010, NSP-Minnesota and Tm-1 customer reached a settlement in principle which will result in an increase of approximately $3.5 million annually. NSP-Minnesota anticipates the settlement agreement will be filed with the FERC in first quarter 2011. The settlement agreement must be approved before it is effective. On Jan. 11, 2011, NSP-Minnesota filed for authorization to place the settlement rates into effect on an interim basis, subject to FERC approval of the settlement. The FERC ALJ granted the motion on Jan. 19, 2011.

11. Commitments and Contingent Liabilities

Capital Commitments — As of Dec. 31, 2010, the estimated cost of capital expenditure programs of NSP-Minnesota is approximately $1.3 billion in 2011, $1.1 billion in 2012 and $1.5 billion in 2013. NSP-Minnesota's capital forecast includes the following major projects.

Nuclear Capacity Increases and Life Extension — NSP-Minnesota is seeking a 20-year license renewal for the Prairie Island nuclear plant. A renewed operating license was approved and issued for Monticello by the Nuclear Regulatory Commission (NRC) in November 2006 licensing the plant to operate until 2030, and the MPUC order approving the spent fuel storage capacity needed to support plant operations until 2030 went into effect in June 2007. The application to renew Prairie Island's operating licenses was submitted to the NRC in April 2008 and a final decision is expected in early 2011. The application for a certificate of need (CON) for additional spent fuel storage capacity to support 20 additional years of plant operation was approved by the MPUC in December 2009.

NSP-Minnesota is pursuing capacity increases of Monticello and Prairie Island that will total approximately 235 MW, to be implemented, if approved, between 2010 and 2015. Total capital investment between 2011 and 2015 for these activities is estimated to be approximately $725 million to bring the total investment to over $1 billion. The MPUC approved the Monticello power uprate CON and site permit in December 2008 and the Prairie Island power uprate CON and site permit in December 2009. The filing for the Monticello power uprate was placed on hold by the NRC staff to address concerns raised by the ACRS related to containment pressure associated with pump performance. NSP-Minnesota is working with the NRC to determine whether if needs to supplement its filing as necessary to address the issues and expects to complete the license proceeding in 2011. NSP-Minnesota cannot file for NRC approval of the extended power uprate for Prairie Island until after the NRC renews the plants' current operating licenses. A decision is expected in 2011. The extended power uprates are scheduled to be implemented during the 2014 and 2015 refueling outages.

Wind Generation — NSP-Minnesota invested approximately $500 million in wind generation through 2010 and expects to invest an additional $400 million in 2011. The 201 MW Nobles Wind Project in southwestern Minnesota began commercial operations in 2010 and the 150 MW Merricourt Wind Project in southeastern North Dakota is expected to reach commercial operation in 2011. NSP-Minnesota received regulatory approval for these projects, and has requested recovery of eligible costs beginning in 2010.

CapX2020 — In 2006, CapX2020, an alliance of electric cooperatives, municipals and investor-owned utilities in the upper Midwest, including Xcel Energy, announced that it had identified several groups of transmission projects that proposed to be complete by 2020.

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Group 1 project investments are expected to total approximately $1.9 billion. Major construction began in 2010 and on two of the four Group 1 projects, with the in-service date of the last project expected to be in 2015. Xcel Energy's investment is expected to be approximately $1.0 billion depending on the routes and configurations approved by affected state commissions. The remainder of the costs will be born by other utilities in the upper Midwest. Approximately 75 percent of the 2010 capital expenditures and return on investment for transmission projects are expected to be recovered under an NSP-Minnesota TCR tariff rider mechanism authorized by Minnesota legislation, as well as a similar TCR mechanism passed in South Dakota. Cost-recovery by NSP-Wisconsin is expected to occur through the biennial Public Service Commission of Wisconsin rate case process.

Black Dog Repowering — NSP-Minnesota is proposing construction over the next five years to repower the Black Dog generating plant in Burnsville, Minn. The $585 million project will replace the remaining coal-fired units and install approximately 680 MW of natural gas generation in 2016. The new gas-fired generation is a combined-cycle facility consisting of two combustion turbines and one steam turbine.

The capital expenditure programs of NSP-Minnesota are subject to continuing review and modification. Actual utility construction expenditures may vary from the estimates due to changes in electric and natural gas projected load growth, regulatory decisions, legislative initiatives, reserve margins, the availability of purchased power, alternative plans for meeting NSP-Minnesota's long-term energy needs, compliance with future requirements and RPS to install emission-control equipment and merger, acquisition and divestiture opportunities to support corporate strategies may impact actual capital requirements.

Fuel Contracts — NSP-Minnesota has contracts providing for the purchase and delivery of a significant portion of its current coal, nuclear fuel and natural gas requirements. These contracts expire in various years between 2011 and 2029. In addition, NSP-Minnesota may be required to pay additional amounts depending on actual quantities shipped under these agreements. The potential risk of loss, in the form of increased costs from market price changes in fuel, is mitigated through the cost-rate adjustment mechanisms, which provide for pass-through of most fuel, storage and transportation costs to customers.

The estimated minimum purchases for NSP-Minnesota under these contracts as of Dec. 31, 2010, is as follows:

(Millions of Dollars)		2010
Coal	$	1,577.3
Nuclear fuel		1,170.1
Natural gas supply		129.6
Natural gas storage and transportation		907.9

Purchased Power Agreements — NSP-Minnesota has entered into agreements with other utilities and energy suppliers for purchased power to meet system load and energy requirements, replace generation from company-owned units under maintenance or during outages, and meet operating reserve obligations.

NSP-Minnesota has various pay-for-performance contracts with expiration dates through the year 2034. In general, these contracts provide for energy payments based on actual power taken under the contracts as well as capacity payments. Capacity payments are typically contingent on the independent power producing entity meeting certain contract obligations, including plant availability requirements. Certain contractual payments are adjusted based on market indices; however, the effects of price adjustments are mitigated through purchased energy cost recovery mechanisms.

Included in electric fuel and purchased power expenses for purchase power agreements accounted for as executory contracts were payments for capacity of $109.3 million and $109.3 million in 2010 and 2009, respectively. At Dec. 31, 2010, the estimated future payments for capacity that NSP-Minnesota is obligated to purchase, subject to availability, were as follows:

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(Millions of Dollars)		
2011	$	107.9
2012		106.7
2013		109.0
2014		111.3
2015		83.9
2016 and thereafter		239.3
Total *	$	758.1

(*) Includes amounts allocated to NSP-Wisconsin through intercompany charges.

Leases — NSP-Minnesota leases a variety of equipment and facilities used in the normal course of business, which are accounted for as operating leases. Total expenses under operating lease obligations was approximately $73.0 million and $76.2 million million for 2010 and 2009, respectively. These expenses include payments for capacity recorded to electric fuel and purchased power expenses for purchase power agreements accounted for as operating leases of $57.1 million and $56.2 million in 2010 and 2009, respectively.

Included in the future commitments under operating leases are estimated future payments under purchase power agreements that have been accounted for as operating leases in accordance with the applicable accounting guidance. Future commitments under operating leases are:

(Millions of Dollars)	Other Operating Leases	Purchase Power Agreement Operating Leases [(a)(b)]	Total Operating Leases
2011	$ 12.4	$ 54.1	$ 66.5
2012	9.9	55.0	64.9
2013	9.3	55.9	65.2
2014	8.9	56.8	65.7
2015	8.1	57.8	65.9
Thereafter	44.5	616.3	660.8

(a) Amounts not included in purchase power agreement estimated future payments above.
(b) Purchase power agreement operating leases contractually expire through 2025.

Environmental Contingencies

NSP-Minnesota has been, or is currently, involved with the cleanup of contamination from certain hazardous substances at several sites. In many situations, NSP-Minnesota believes it will recover some portion of these costs through insurance claims. Additionally, where applicable, NSP-Minnesota is pursuing, or intends to pursue, recovery from other potentially responsible parties (PRPs) and through the rate regulatory process. New and changing federal and state environmental mandates can also create added financial liabilities for NSP-Minnesota, which are normally recovered through the rate regulatory process. To the extent any costs are not recovered through the options listed above, NSP-Minnesota would be required to recognize an expense.

Site Remediation — The Comprehensive Environmental Response, Compensation and Liability Act of 1980 and comparable state laws impose liability, without regarding the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances to the environment. NSP-Minnesota must pay all or a portion of the cost to remediate sites where past activities of NSP-Minnesota or other parties have caused environmental contamination. Environmental contingencies could arise from various situations including sites of former manufactured gas plants operated by NSP-Minnesota, its predecessors or other entities; and third party sites, such as landfills, for which NSP-Minnesota is alleged to be a PRP that sent hazardous materials and wastes. At Dec. 31, 2010 and Dec. 31, 2009, the liability for the cost of remediating these sites was estimated to be $0.4 million and $0.3 million, respectively, of which $0.3 million and $0.2 million, respectively, was considered to be a miscellaneous current and accrued liability.

Asbestos Removal — Some of NSP-Minnesota's facilities contain asbestos. Most asbestos will remain undisturbed until the facilities

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that contain it are demolished or removed. NSP-Minnesota has recorded an estimate for final removal of the asbestos as an asset retirement obligation (ARO). See additional discussion of AROs below. It may be necessary to remove some asbestos to perform maintenance or make improvements to other equipment. The cost of removing asbestos as part of other work is immaterial and is recorded as incurred as operating expenses for maintenance projects, capital expenditures for construction projects or removal costs for demolition projects.

Other Environmental Requirements

EPA Greenhouse Gas (GHG) Endangerment Rulemaking — In December 2009, the EPA issued its "endangerment" finding that GHG emissions endanger public health and welfare, and that emissions from motor vehicles contribute to the GHGs in the atmosphere. The EPA has promulgated permit requirements for GHGs for large new and modified stationary sources, such as power plants. These regulations became applicable in 2011. In December 2010, the EPA announced a settlement with several states and environmental groups to begin preparing regulations of emissions from both new and existing steam electric generating units, such as coal-fired power plants, under Section 111 of the Clean Air Act (CAA). The EPA plans to propose these regulations in July 2011 and finalize them in the first half of 2012.

Clean Air Interstate Rule (CAIR) — In 2005, the EPA issued the CAIR to further regulate SO_2 and NOx emissions. The objective of CAIR is to cap emissions of SO_2 and NOx in the eastern United States, including Minnesota. In 2008, the U.S. Court of Appeals for the District of Columbia vacated and remanded CAIR.

In July 2010, the EPA issued the proposed Clean Air Transport Rule (CATR), which would replace CAIR by requiring SO_2 and NOx reductions in 31 states and the District of Columbia. The EPA is proposing to reduce these emissions through federal implementation plans for each affected state. The EPA's preferred approach would set emission limits for each state and allow limited interstate emissions trading. As proposed, CATR will impact Minnesota for annual SO_2 and NOx emissions. NSP-Minnesota is analyzing the proposed rule to determine whether emission reductions are needed from its facilities. Until CATR becomes final, NSP-Minnesota will continue activities to support CAIR compliance. In 2009, the EPA published a rule staying the effectiveness of CAIR in Minnesota effective in December 2009. Cost estimates are therefore not included at this time for NSP-Minnesota.

Clean Air Mercury Rule (CAMR) — In 2005, the EPA issued the CAMR, which regulated mercury emissions from power plants. In February 2008, the U.S. Court of Appeals for the District of Columbia vacated the CAMR, which impacted federal CAMR requirements, but not necessarily state-only mercury legislation and rules. The EPA has agreed to finalize Maximum Achievable Control Technology emission standards for all hazardous air pollutants from electric utility steam generating units by November 2011 to replace the CAMR. NSP-Minnesota anticipates that the EPA will require affected facilities to demonstrate compliance within three to five years. Costs associated with such requirements are uncertain at this time.

Minnesota Mercury Legislation — In 2006, the Minnesota legislature enacted the Mercury Emissions Reduction Act (Act) providing a process for plans, implementation and cost recovery for utility efforts to curb mercury emissions at certain power plants. For NSP-Minnesota, the Act covers units at the A.S. King and Sherco generating facilities. NSP-Minnesota installed and is operating and maintaining continuous mercury emission monitoring systems at these generating facilities.

In November 2008, the MPUC approved the implementation of the Sherco Unit 3 and A.S. King mercury emission reduction plans. A sorbent injection control system was installed at Sherco Unit 3 in December 2009, and installation of a sorbent injection system was completed at A.S. King scheduled in December 2010. In 2010, NSP-Minnesota collected the revenue requirements associated with these projects through the MCR rider. In the 2010 Minnesota electric general rate case, NSP-Minnesota proposed moving the costs of these projects into base rates as part of the interim rates effective on Jan. 2, 2011. Concurrent with the implementation of interim rates, the MCR rider will be reduced to zero.

In December 2009, NSP-Minnesota filed its mercury control plan at Sherco Units 1 and 2 with the MPUC and the Minnesota Pollution Control Agency (MPCA). In October 2010, the MPUC approved the plan, which will require installation of mercury controls on Sherco Units 1 and 2 by the end of 2014.

Regional Haze Rules — In 2005, the EPA finalized amendments to its regional haze rules including provisions that require the

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installation and operation of emission controls, known as best available retrofit technology (BART), for industrial facilities emitting air pollutants that reduce visibility in certain national parks and wilderness areas throughout the United States.

NSP-Minnesota submitted its BART alternatives analysis to the MPCA for Sherco Units 1 and 2 in 2006. The MPCA reviewed the BART analyses for all units in Minnesota and determined that overall, compliance with CAIR is better than BART. The MPCA completed their BART determination and proposed SO_2 and NOx limits in the draft state implementation plan (SIP) that are equivalent to the reductions made under CAIR.

In October 2009, the U.S. Department of the Interior certified that a portion of the visibility impairment in Voyageurs and Isle Royale National Parks is reasonably attributable to emissions from NSP-Minnesota's Sherco Units 1 and 2. The EPA is required to make its own determination as to whether Sherco Units 1 and 2 cause or contribute to visibility impairment and, if so, whether the level of controls proposed by MPCA is appropriate.

The MPCA determined that this certification does not alter the proposed SIP. The SIP proposes BART controls for the Sherco generating facilities that are designed to improve visibility in the national parks, but does not require selective catalytic reduction (SCR) on Units 1 and 2. The MPCA concluded that the minor visibility benefits derived from SCR do not outweigh the substantial costs. In December 2009, the MPCA Citizens Board approved the SIP, which has been submitted to the EPA for approval. Until the EPA takes final action on the SIP, the total cost of compliance cannot be estimated with a reasonable degree of certainty.

Federal Clean Water Act (CWA) — The federal CWA requires the EPA to regulate cooling water intake structures to assure that these structures reflect the BTA for minimizing adverse environmental impacts. In 2004, the EPA published phase II of the rule, which applies to existing cooling water intakes at steam-electric power plants. Several lawsuits were filed against the EPA challenging the phase II rulemaking. In April 2009, the U.S. Supreme Court issued a decision concluding that the EPA can consider a cost benefit analysis when establishing BTA. The decision gives the EPA the discretion to consider costs and benefits when it reconsiders its phase II rules. Until the EPA fully responds, the rule's compliance requirements and associated deadlines will remain unknown. As such, it is not possible to provide an accurate estimate of the overall cost of this rulemaking at this time.

As part of NSP-Minnesota's 2009 CWA permit renewal for the Black Dog plant, the MPCA required that the plant submit a plan for compliance with the CWA. The compliance plan was submitted for MPCA review and approval in April 2010. The MPCA is currently reviewing the proposal in consultation with the EPA. NSP-Minnesota anticipates a decision on the plan by the end of 2011.

Proposed Coal Ash Regulation — Xcel Energy's operations generate hazardous wastes that are subject to the Federal Resource Recovery and Conservation Act and comparable state laws that impose detailed requirements for handling, storage, treatment and disposal of hazardous waste. In June 2010, the EPA published a proposed rule seeking comment on whether to regulate coal combustion byproducts (often referred to as coal ash) as hazardous or nonhazardous waste. Coal ash is currently exempt from hazardous waste regulation. If the EPA ultimately issues a final rule under which coal ash is regulated as hazardous waste, Xcel Energy's costs associated with the management and disposal of coal ash would significantly increase, and the beneficial reuse of coal ash would be negatively impacted. Xcel Energy submitted comments to the EPA on Nov. 19, 2010 indicating its support of the development of regulations to manage coal ash as a nonhazardous waste. The timing, scope and potential cost of any final rule that might be implemented are not determinable at this time.

Asset Retirement Obligations

NSP-Minnesota records future plant removal obligations as a liability at fair value with a corresponding increase to the carrying values of the related long-lived assets in accordance with the applicable accounting guidance. This liability will be increased over time by applying the interest method of accretion to the liability and the capitalized costs will be depreciated over the useful life of the related long-lived assets. The recording of the obligation for regulated operations has no income statement impact due to the deferral of the adjustments through the establishment of a regulatory asset.

Recorded ARO — AROs have been recorded for plant related to nuclear production, steam production, wind production, electric transmission and distribution, gas transmission and distribution and office buildings. The steam production obligation includes asbestos, ash containment facilities, radiation sources and decommissioning. The asbestos recognition associated with the steam production includes certain plants at NSP-Minnesota. NSP-Minnesota also recorded asbestos recognition for its general office

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building.

Generally, this asbestos abatement removal obligation originated in 1973 with the CAA, which applied to the demolition of buildings or removal of equipment containing asbestos that can become airborne on removal. AROs also have been recorded for NSP-Minnesota steam production related to ash-containment facilities such as bottom ash ponds, evaporation ponds and solid waste landfills. The origination date on the ARO recognition for ash-containment facilities at steam plants was the in-service date of various facilities. Additional AROs have been recorded for NSP-Minnesota steam production plant related to radiation sources in equipment used to monitor the flow of coal, lime and other materials through feeders.

NSP-Minnesota recognized an ARO for the retirement costs of natural gas mains and for the removal of electric transmission and distribution equipment. The electric transmission and distribution ARO consists of many small potential obligations associated with PCBs, mineral oil, storage tanks, treated poles, lithium batteries, mercury and street lighting lamps. These electric and natural gas assets have many in-service dates for which it is difficult to assign the obligation to a particular year. Therefore, the obligation was measured using an average service life.

For the nuclear assets, the ARO associated with the decommissioning of two NSP-Minnesota nuclear generating plants, Monticello and Prairie Island, originates with the in-service date of the facility. See Note 12 to the financial statements for further discussion of nuclear obligations.

A reconciliation of the beginning and ending aggregate carrying amounts of NSP-Minnesota's AROs is shown in the table below for the 12 months ended Dec. 31, 2010 and Dec. 31, 2009, respectively:

(Thousands of Dollars)	Beginning Balance Jan. 1, 2010	Liabilities Recognized	Liabilities Settled	Accretion	Revisions to Prior Estimates	Ending Balance Dec. 31, 2010
Electric plant						
Steam production asbestos................	$ 16,776	$ 3,771	$ (2,330)	$ 858	$ (9,034)	$ 10,041
Steam production ash containment......	12,547	-	-	611	(344)	12,814
Steam production radiation sources.....	57	-	-	3	(23)	37
Nuclear production decommissioning...	758,923	-	-	50,551	-	809,474
Wind production..............................	7,751	25,671	-	592	4,539	38,553
Electric transmission and distribution...	140	-	-	7	2,940	3,087
Natural gas plant						
Gas transmission and distribution........	261	-	-	17	-	278
Common and other property						
Common general plant asbestos..........	1,021	-	-	56	-	1,077
Total liability..............................	$ 797,476	$ 29,442	$ (2,330)	$ 52,695	$ (1,922)	$ 875,361

The fair value of NSP-Minnesota assets legally restricted, for purposes of settling the nuclear AROs, is $1.4 billion as of Dec. 31, 2010, including external nuclear decommissioning investment funds and internally funded amounts.

In 2010 and 2009, NSP-Minnesota incurred revisions for asbestos, radiation sources, wind turbines, ash-containment facilities and electric transmission and distribution asset retirement obligations due to revised estimates and end of life dates. In 2009, revisions were made for nuclear plants.

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(Thousands of Dollars)	Beginning Balance Jan. 1, 2009	Liabilities Recognized	Liabilities Settled	Accretion	Revisions to Prior Estimates	Ending Balance Dec. 31, 2009
Electric plant						
Steam production asbestos	$ 19,520	$ -	$ -	$ 1,126	$ (3,870)	$ 16,776
Steam production ash containment	13,844	-	-	814	(2,111)	12,547
Steam production radiation sources	61	-	-	4	(8)	57
Nuclear production decommissioning	1,013,342	-	-	61,469	(315,888)	758,923
Wind production	7,447	-	-	483	(179)	7,751
Electric transmission and distribution	151	-	-	9	(20)	140
Natural gas plant						
Gas transmission and distribution	245	-	-	16	-	261
Common and other property						
Common general plant asbestos	1,079	-	-	59	(117)	1,021
Total liability	$ 1,055,689	$ -	$ -	$ 63,980	$ (322,193)	$ 797,476

The revised end of life date for the Prairie Island nuclear plant approved by the MPUC in 2008 and effective Jan. 1, 2009 resulted in the nuclear production decommissioning ARO and related regulatory asset decreasing by $315.9 million in 2009.

Nuclear Insurance

NSP-Minnesota's public liability for claims resulting from any nuclear incident is limited to $12.6 billion under the Price-Anderson amendment to the Atomic Energy Act. NSP-Minnesota has secured $375 million of coverage for its public liability exposure with a pool of insurance companies. The remaining $12.2 billion of exposure is funded by the Secondary Financial Protection Program, available from assessments by the federal government in case of a nuclear accident. NSP-Minnesota is subject to assessments of up to $117.5 million per reactor per accident for each of its three licensed reactors, to be applied for public liability arising from a nuclear incident at any licensed nuclear facility in the United States. The maximum funding requirement is $17.5 million per reactor during any one year. These maximum assessment amounts are both subject to inflation adjustment by the NRC and state premium taxes. The NRC's last adjustment was effective October 2008. The next adjustment is due on or before October 2013.

NSP-Minnesota purchases insurance for property damage and site decontamination cleanup costs from Nuclear Electric Insurance Ltd. (NEIL). The coverage limits are $2.3 billion for each of NSP-Minnesota's two nuclear plant sites. NEIL also provides business interruption insurance coverage, including the cost of replacement power obtained during certain prolonged accidental outages of nuclear generating units. Premiums are expensed over the policy term. All companies insured with NEIL are subject to retroactive premium adjustments if losses exceed accumulated reserve funds. Capital has been accumulated in the reserve funds of NEIL to the extent that NSP-Minnesota would have no exposure for retroactive premium assessments in case of a single incident under the business interruption and the property damage insurance coverage. However, in each calendar year, NSP-Minnesota could be subject to maximum assessments of approximately $15.8 million for business interruption insurance and $32.6 million for property damage insurance if losses exceed accumulated reserve funds.

Legal Contingencies

Lawsuits and claims arise in the normal course of business. Management, after consultation with legal counsel, has recorded an estimate of the probable cost of settlement or other disposition of them. The ultimate outcome of these matters cannot presently be determined. Accordingly, the ultimate resolution of these matters could have a material adverse effect on NSP-Minnesota's financial position and results of operations.

Environmental Litigation

State of Connecticut vs. Xcel Energy Inc. et al. — In 2004, the attorneys general of eight states and New York City, as well as several environmental groups, filed lawsuits in U.S. District Court in the Southern District of New York against five utilities, including Xcel

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Energy, the parent company of NSP-Minnesota, to force reductions in carbon dioxide (CO_2) emissions. The other utilities include American Electric Power Co., Southern Co., Cinergy Corp. (merged into Duke Energy Corporation) and Tennessee Valley Authority. The lawsuits allege that CO_2 emitted by each company is a public nuisance. The lawsuits do not demand monetary damages. Instead, the lawsuits ask the court to order each utility to cap and reduce its CO_2 emissions. In September 2005, the court granted plaintiffs' motion to dismiss on constitutional grounds. In August 2010, this decision was reversed by the Second Circuit and is currently on appeal before the United States Supreme Court. Oral arguments will be presented to the Supreme Court on April 19, 2011 and a decision is expected in the summer of 2011.

Comer vs. Xcel Energy Inc. et al. — In 2006, Xcel Energy, the parent company of NSP-Minnesota, received notice of a purported class action lawsuit filed in U.S. District Court in the Southern District of Mississippi. The lawsuit names more than 45 oil, chemical and utility companies, including Xcel Energy, as defendants and alleges that defendants' CO_2 emissions "were a proximate and direct cause of the increase in the destructive capacity of Hurricane Katrina." Plaintiffs allege negligence and public and private nuisance and seek damages related to the loss resulting from the hurricane. Xcel Energy believes this lawsuit is without merit. In August 2007, the court dismissed the lawsuit in its entirety against all defendants on constitutional grounds. Plaintiffs' subsequent appeals of this decision were unsuccessful, therein rendering the district court's dismissal the final determination.

Native Village of Kivalina vs. Xcel Energy Inc. et al. — In 2008, the City and Native Village of Kivalina, Alaska, filed a lawsuit in U.S. District Court for the Northern District of California against Xcel Energy, the parent company of NSP-Minnesota, and 23 other utilities, oil, gas and coal companies. Plaintiffs claim that defendants' emission of CO_2 and other GHGs contribute to global warming, which is harming their village. Xcel Energy believes the claims asserted in this lawsuit are without merit and joined with other utility defendants in filing a motion to dismiss in June 2008. In October 2009, the U.S. District Court dismissed the lawsuit on constitutional grounds. In November 2009, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. It is unknown when the Ninth Circuit will render a final opinion. The amount of damages claimed by plaintiffs is unknown, but likely includes the cost of relocating the village of Kivalina. Plaintiffs alleged relocation is estimated to cost between $95 million to $400 million. No accrual has been recorded for this matter.

12. Nuclear Obligations

Fuel Disposal — NSP-Minnesota is responsible for temporarily storing used or spent nuclear fuel from its nuclear plants. The United States Department of Energy (DOE) is responsible for permanently storing spent fuel from NSP-Minnesota's nuclear plants as well as from other U.S. nuclear plants. NSP-Minnesota has funded its portion of the DOE's permanent disposal program since 1981. The fuel disposal fees are based on a charge of 0.1 cent per KWh sold to customers from nuclear generation. Fuel expense includes the DOE fuel disposal assessments of approximately $13 million in 2010 and $12 million in 2009, respectively. In total, NSP-Minnesota had paid approximately $410.7 million to the DOE through Dec. 31, 2010. The Nuclear Waste Policy Act of 1982 required the DOE to begin accepting spent nuclear fuel no later than Jan. 31, 1998. NSP-Minnesota and other utilities have commenced lawsuits against the DOE to recover damages caused by the DOE's failure to meet its statutory and contractual obligations.

NSP-Minnesota has its own temporary on-site storage facilities for spent fuel at its Monticello and Prairie Island nuclear plants, which consist of storage pools and dry cask facilities at both sites. The amount of spent fuel storage capacity currently authorized by the NRC and the MPUC will allow NSP-Minnesota to continue operation of its Prairie Island nuclear plant until the end of its renewed licenses terms, when approved by the NRC in 2011, and its Monticello nuclear plant until the end of its renewed operating license in 2030. Other alternatives for spent fuel storage are being investigated until a DOE facility is available, including pursuing the establishment of a private facility for interim storage of spent nuclear fuel as part of a consortium of electric utilities.

Regulatory Plant Decommissioning Recovery — Decommissioning of NSP-Minnesota's nuclear facilities is planned for the period from cessation of operations through 2067, assuming the prompt dismantlement method. NSP-Minnesota is currently recording the regulatory costs for decommissioning over the MPUC-approved cost-recovery period and including the accruals in a regulatory liability account. The total decommissioning cost obligation is recorded as an ARO in accordance with the applicable accounting guidance.

Monticello received its initial operating license in 1970 and began operation in 1971. With its renewed operating license and CON for

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spent fuel capacity to support 20 years of extended operation, Monticello can operate until 2030. The Monticello 20-year depreciation life extension until September 2030 was granted by the MPUC in 2007. Construction of the Monticello dry-cask storage facility is complete, and 10 of the 30 canisters authorized have been filled and placed in the facility.

Prairie Island Units 1 and 2 received their initial operating licenses and began commercial operation in 1973 and 1974, respectively, and are currently licensed to operate until 2013 and 2014, respectively. In April 2008, NSP-Minnesota filed an application with the NRC to renew the operating license of its two nuclear reactors at Prairie Island that will allow operation for an additional 20 years until 2033 and 2034, respectively. The NRC staff is proceeding with the remaining items necessary to process Prairie Island's license renewal application and NSP-Minnesota anticipates receiving a final decision on the Prairie Island license renewal in 2011. Prairie Island's depreciation life, as approved by the MPUC in June 2010, is currently 2024. The Prairie Island dry-cask storage facility currently stores 29 casks to support operations until the end of the current operating licenses in 2013 and 2014. The MPUC approved the use of 35 additional casks to support operations until the end of the renewed operating licenses (once received from the NRC) in 2033 and 2034.

The total obligation for decommissioning currently is expected to be funded 100 percent by the external decommissioning trust fund, as approved by the MPUC, when decommissioning commences. The MPUC last approved NSP-Minnesota's nuclear decommissioning study request in October 2009, using 2008 cost data. The next study update will be submitted in October 2011 for the 2012 accrual. The MPUC approval, eliminated 2009 decommissioning funding for Minnesota retail customers, due to a full extension of the accrual period for the Monticello unit from 2020 to 2030, along with an extension of the accrual period for Prairie Island (from 2013 for Unit 1 and 2014 for Unit 2 to 2023 and 2024 respectively). In November 2009, the MPUC also approved a proposal to refund the Minnesota portion of the Monticello escrow fund in a supplemental filing.

Consistent with cost-recovery in utility customer rates, NSP-Minnesota previously recorded annual decommissioning accruals based on periodic site-specific cost studies and a presumed level of dedicated funding. Cost studies quantify decommissioning costs in current dollars. The most recent study, which resulted in an authorization of no funding, presumes that costs will escalate in the future at a rate of 2.89 percent per year. The total estimated decommissioning costs that will ultimately be paid, net of income earned by the external decommissioning trust fund, is currently being accrued using an annuity approach over the approved plant-recovery period. This annuity approach uses an assumed rate of return on funding, which is currently 6.30 percent, net of tax, for external funding. The net unrealized loss on nuclear decommissioning investments is deferred as a regulatory liability based on the assumed offsetting against decommissioning costs in current ratemaking treatment.

The external funds are held in trust and in escrow. The portion in escrow is subject to refund if approved by the various commissions. The MPUC authorized the return of $23.5 million of funds associated with the Monticello plant for the Minnesota retail jurisdictions. This amount was withdrawn in December 2009 and was refunded on customers' bills in February 2010. An amount of approximately $5.9 million was also withdrawn from the Monticello plant portion of the escrow fund in March 2010 in preparation for a refund to Wisconsin and Michigan retail customers. The funds have not yet been refunded as of Dec. 31, 2010, and the timing of the refunds will be determined in future rate cases in each jurisdiction.

At Dec. 31, 2010, NSP-Minnesota recorded and recovered in rates cumulative decommissioning expense of $1.4 billion. The following table summarizes the funded status of NSP-Minnesota's decommissioning obligation based on approved regulatory recovery parameters from the most recently approved decommissioning study. Xcel Energy believes future decommissioning cost expense, if necessary, will continue to be recovered in customer rates. These amounts are not those recorded in the financial statements for the ARO.

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NOTES TO FINANCIAL STATEMENTS (Continued)

(Thousands of Dollars)	2010	2009
Estimated decommissioning cost obligation (2008 dollars)	$ 2,308,196	$ 2,308,196
Effect of escalating costs (to 2010 and 2009 dollars, respectively, at 2.89 percent per year)	135,342	66,707
Estimated decommissioning cost obligation (in current dollars)	2,443,538	2,374,903
Effect of escalating costs to payment date (2.89 percent per year)	2,672,825	2,741,460
Estimated future decommissioning costs (undiscounted)	5,116,363	5,116,363
Effect of discounting obligation (using risk-free interest rate)	(3,856,516)	(3,973,493)
Discounted decommissioning cost obligation	1,259,847	1,142,870
Assets held in external decommissioning trust	1,350,630	1,248,739
Excess assets in external trust compared to discounted decommissioning obligation	$ (90,783)	$ (105,869)

Decommissioning expenses recognized include the following components:

(Thousands of Dollars)	2010	2009
Annual decommissioning cost expense reported as depreciation expense:		
Externally funded	$ 934	$ 2,849
Internally funded (including interest costs)	(777)	(884)
Net decommissioning expense recorded	$ 157	$ 1,965

Reductions to expense for internally-funded portions in 2010 and 2009 are a direct result of the 2008 decommissioning study jurisdictional allocation and 100 percent external funding approval, effectively unwinding the remaining internal fund over the remaining operating life of the unit. The 2008 nuclear decommissioning filing approved in 2009 has been used for the regulatory presentation. The change in estimated decommissioning obligations was calculated using a cost estimate for Monticello assuming a 60-year operating life.

Nuclear Decommissioning Fund — The NRC requires NSP-Minnesota to maintain a portfolio of investments to fund the costs of decommissioning its nuclear generating plants. Together with all accumulated earnings or losses, the assets of the nuclear decommissioning fund are legally restricted for the purpose of decommissioning the Monticello and Prairie Island nuclear generating plants. The fund contains cash equivalents, debt securities, equity securities, and other funds - all classified as available-for-sale securities under the applicable accounting guidance. NSP-Minnesota plans to reinvest matured securities until decommissioning begins.

NSP-Minnesota recognizes the costs of funding the decommissioning of its nuclear generating plants over the lives of the plants, assuming rate recovery of all costs. Given the purpose and legal restrictions on the use of nuclear decommissioning fund assets, realized and unrealized gains on fund investments over the life of the fund are deferred as an offset of NSP-Minnesota's regulatory asset for nuclear decommissioning costs. Consequently, any realized and unrealized gains and losses on securities in the nuclear decommissioning fund, including any other-than-temporary impairments, are deferred as a component of the regulatory asset for nuclear decommissioning. Deferred unrealized gains for the nuclear decommissioning fund were $82.5 million and $74.4 million at Dec. 31, 2010 and 2009, respectively, and unrealized losses and amounts recorded as other than temporary impairments were $65.2 million and $138.7 million at Dec. 31, 2010 and 2009, respectively.

The following tables present the cost and fair value of the investments in the nuclear decommissioning fund, by asset class on Dec. 31, 2010 and 2009:

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NOTES TO FINANCIAL STATEMENTS (Continued)

(Thousands of Dollars)	2010 Cost	2010 Fair Value	2009 Cost	2009 Fair Value
Cash equivalents	$ 83,837	$ 83,837	$ 28,134	$ 28,134
Commingled funds	131,000	133,080	-	-
International equity funds	54,561	58,584	-	-
Equity securities -				
Common stock	436,334	435,270	662,655	581,995
Debt securities				
Government securities	146,473	146,654	74,162	74,126
U.S. corporate bonds	279,028	288,304	299,259	312,844
Foreign securities	1,233	1,581	9,269	9,445
Municipal bonds	100,277	97,557	147,689	149,088
Asset-backed securities	32,558	33,174	11,565	11,918
Mortgage-backed securities	68,072	72,589	80,276	81,189
Total nuclear decommissioning fund	$ 1,333,373	$ 1,350,630	$ 1,313,009	$ 1,248,739

The following table summarizes the final contractual maturity dates of the debt securities in the nuclear decommissioning fund, by asset class for the year ended Dec. 31, 2010:

	Final Contractual Maturity				
(Thousands of Dollars)	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years	Total
Government securities	$ 301	$ 117,041	$ 15,270	$ 14,042	$ 146,654
U.S. corporate bonds	3,071	71,615	178,067	35,551	288,304
Foreign securities	-	1,581	-	-	1,581
Municipal bonds	-	-	50,729	46,828	97,557
Asset-backed securities	-	22,232	10,942	-	33,174
Mortgage-backed securities	-	-	1,249	71,340	72,589
Debt securities	$ 3,372	$ 212,469	$ 256,257	$ 167,761	$ 639,859

13. Regulatory Assets and Liabilities

NSP-Minnesota's financial statements are prepared in accordance with the applicable accounting guidance, as discussed in Note 1 to the financial statements. Under this guidance, regulatory assets and liabilities can be created for amounts that regulators may allow to be collected, or may require to be paid back to customers in future electric and natural gas rates. Any portion of the business that is not rate regulated cannot establish regulatory assets and liabilities. If changes in the utility industry or the business of NSP-Minnesota no longer allow for the application of regulatory accounting guidance under GAAP, NSP-Minnesota would be required to recognize the write-off of regulatory assets and liabilities in its statement of income.

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NOTES TO FINANCIAL STATEMENTS (Continued)

The components of regulatory assets and liabilities shown on the balance sheets of NSP-Minnesota at Dec. 31, 2010 and Dec. 31, 2009 are:

(Thousands of Dollars)	2010	2009
Regulatory Assets:		
Asset retirement recovery	$ 1,409,847	$ 1,398,315
Pension and employee benefit obligations [(a)]	241,462	188,139
AFUDC recorded in plant [(b)]	150,857	133,602
Contract valuation adjustments [(c)]	107,526	89,026
Nuclear outage costs	40,988	60,747
Renewable and environmental initiative costs	35,633	41,935
Conservation programs [(b)]	33,311	46,028
Purchased power contracts costs	25,915	20,014
Unrealized losses on nuclear decommissioning trust investments	—	46,551
Deferred electric commodity costs	—	22,915
Other	26,942	26,530
Total regulatory assets	$ 2,072,481	$ 2,073,802
Regulatory Liabilities:		
Pre-ARO decommissioning expense	$ 1,308,673	$ 1,289,094
Deferred income tax adjustments	29,814	32,792
Investment tax credit deferrals	25,438	25,659
Renewable environmental initiatives	14,752	—
Over recovered electric commodity costs	14,517	—
Unrealized gain on external decommissioning trust	12,370	—
Other	18,271	37,361
Total regulatory liabilities	$ 1,423,835	$ 1,384,906

(a) Includes $400.2 million and $427.2 million for the regulatory recognition of pension expense at Dec. 31, 2010 and Dec. 31, 2009, respectively. These amounts are offset by $1.8 million and $1.4 million of regulatory assets related to the non-qualified pension plan.

(b) Earns a return on investment in the ratemaking process. These amounts are amortized consistent with recovery in rates.

(c) Includes the fair value of certain long-term PPAs used to meet energy capacity requirements.

14. Related Party Transactions

Xcel Energy Services Inc. provides management, administrative and other services for the subsidiaries of Xcel Energy, including NSP-Minnesota. The services are provided and billed to each subsidiary in accordance with Service Agreements executed by each subsidiary. Costs are charged directly to the subsidiary which uses the service whenever possible and are allocated if they cannot be directly assigned.

Xcel Energy has established a utility money pool arrangement with the utility subsidiaries. See Note 4 for further discussion of this borrowing arrangement.

The electric production and transmission costs of the entire NSP system are shared by NSP-Minnesota and NSP-Wisconsin. The Interchange Agreement provides for the sharing of all costs of generation and transmission facilities of the system, including capital costs.

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NOTES TO FINANCIAL STATEMENTS (Continued)

The table below contains significant affiliate transactions among the companies and related parties including billings under the Interchange Agreement for the years ended Dec. 31:

(Thousands of Dollars)	2010	2009
Operating revenues:		
Electric	$ 416,076	$ 389,023
Gas	163	309
Operating expenses:		
Purchased power	68,224	64,059
Transmission expense	48,088	45,192
Other operating expenses — paid to Xcel Energy Services Inc.	338,666	303,345
Interest expense	167	573
Interest income	53	30

Accounts receivable and payable with affiliates at Dec. 31 were:

	2010		2009	
(Thousands of Dollars)	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
NSP-Wisconsin	$ 26,864	$ -	$ 31,243	$ -
PSCo	-	6,674	-	15,789
SPS	-	1,610	-	2,268
Other subsidiaries of Xcel Energy	3,706	53,469	65	65,702
	$ 30,570	$ 61,753	$ 31,308	$ 83,759

NSP-Wisconsin obtains short-term borrowings from NSP-Minnesota at NSP-Minnesota's average daily interest rate, including the cost of NSP-Minnesota's compensating balance requirements. At Dec. 31, 2010 and 2009, NSP-Minnesota had notes receivable outstanding from NSP-Wisconsin in the amount of $37.0 million and $15.5 million, respectively.

17. Supplementary Cash Flow Data

(Thousands of dollars)	2010	2009
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	$ (172,454)	$ (177,973)
Cash received for income taxes, net	82,479	23,936
Supplemental disclosure of non-cash flow investing transactions:		
Property, plant and equipment additions	$ 59,836	$ 34,172

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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	12,210,035,044	12,169,200,840
3	Construction Work In Progress (107)	200-201	834,946,350	698,119,696
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		13,044,981,394	12,867,320,536
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	5,702,206,350	5,626,522,601
6	Net Utility Plant (Enter Total of line 4 less 5)		7,342,775,044	7,240,797,935
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	70,676,284	132,940,023
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		118,128,042	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		437,848,106	437,832,743
10	Spent Nuclear Fuel (120.4)		1,266,923,752	1,266,923,752
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	1,566,596,580	1,541,045,878
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		326,979,604	296,650,640
14	Net Utility Plant (Enter Total of lines 6 and 13)		7,669,754,648	7,537,448,575
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		7,556,420	7,556,420
19	(Less) Accum. Prov. for Depr. and Amort. (122)		5,675,643	5,575,504
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	2,532,568	2,563,147
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		20,433,273	15,439,022
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		1,380,877,268	1,350,629,552
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		98,400,262	101,175,044
31	Long-Term Portion of Derivative Assets – Hedges (176)		223,163	82,564
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		1,504,347,311	1,471,870,245
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		14,388,780	13,254,653
36	Special Deposits (132-134)		276,908	276,908
37	Working Fund (135)		134,770	135,070
38	Temporary Cash Investments (136)		11,124,391	24,888,257
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		342,683,504	299,467,596
41	Other Accounts Receivable (143)		23,645,188	30,596,895
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		20,712,351	20,995,628
43	Notes Receivable from Associated Companies (145)		0	37,000,000
44	Accounts Receivable from Assoc. Companies (146)		38,034,423	30,569,736
45	Fuel Stock (151)	227	77,447,593	99,661,052
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	125,252,898	122,606,133
49	Merchandise (155)	227	306,173	58,985
50	Other Materials and Supplies (156)	227	39,486	40,724
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	0	0

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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	44,954	0
55	Gas Stored Underground - Current (164.1)		2,705,209	47,893,315
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		9,213,957	9,912,319
57	Prepayments (165)		144,813,582	36,513,706
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		0	0
60	Rents Receivable (172)		235,386	649,983
61	Accrued Utility Revenues (173)		185,688,249	249,393,596
62	Miscellaneous Current and Accrued Assets (174)		2,481,119	2,438,129
63	Derivative Instrument Assets (175)		139,523,606	140,997,793
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		98,400,262	101,175,044
65	Derivative Instrument Assets - Hedges (176)		354,715	151,580
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		223,163	82,564
67	Total Current and Accrued Assets (Lines 34 through 66)		999,059,115	1,024,253,194
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		26,748,980	27,240,671
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	2,076,655,342	2,072,481,079
73	Prelim. Survey and Investigation Charges (Electric) (183)		2,405,106	2,405,106
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		-216,461	0
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	49,620,867	48,071,330
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		20,549,804	21,087,520
82	Accumulated Deferred Income Taxes (190)	234	492,533,685	531,619,462
83	Unrecovered Purchased Gas Costs (191)		6,338,617	17,382,112
84	Total Deferred Debits (lines 69 through 83)		2,674,635,940	2,720,287,280
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		12,847,797,014	12,753,859,294

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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	10,000	10,000
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		2,366,386,617	2,241,386,617
7	Other Paid-In Capital (208-211)	253	0	0
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	1,288,938,880	1,254,367,532
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	-2,460,045	-2,429,466
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	3,016,240	2,833,964
16	Total Proprietary Capital (lines 2 through 15)		3,655,891,692	3,496,168,647
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	3,346,900,000	3,346,900,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	13,025	32,507
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		8,771,204	9,020,293
24	Total Long-Term Debt (lines 18 through 23)		3,338,141,821	3,337,912,214
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		3,783,075	3,783,075
29	Accumulated Provision for Pensions and Benefits (228.3)		277,331,515	320,000,000
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		5,095,837	3,386,789
32	Long-Term Portion of Derivative Instrument Liabilities		193,973,637	197,771,358
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		889,298,429	875,361,423
35	Total Other Noncurrent Liabilities (lines 26 through 34)		1,369,482,493	1,400,302,645
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		8,000,000	0
38	Accounts Payable (232)		338,956,913	409,570,608
39	Notes Payable to Associated Companies (233)		1,740,000	1,780,000
40	Accounts Payable to Associated Companies (234)		42,606,506	61,752,745
41	Customer Deposits (235)		4,566,794	4,473,789
42	Taxes Accrued (236)	262-263	179,149,993	146,786,440
43	Interest Accrued (237)		40,607,290	66,640,990
44	Dividends Declared (238)		57,634,517	58,372,102
45	Matured Long-Term Debt (239)		0	0

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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		15,841,523	13,822,275
48	Miscellaneous Current and Accrued Liabilities (242)		9,114,740	7,591,720
49	Obligations Under Capital Leases-Current (243)		0	0
50	Derivative Instrument Liabilities (244)		212,651,525	225,081,993
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		193,973,637	197,771,358
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		716,896,164	798,101,304
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		3,024,145	2,928,927
57	Accumulated Deferred Investment Tax Credits (255)	266-267	33,763,557	34,437,315
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	240,248,847	234,316,518
60	Other Regulatory Liabilities (254)	278	1,442,686,311	1,423,834,866
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	27,090,450	25,250,851
63	Accum. Deferred Income Taxes-Other Property (282)		1,904,023,227	1,890,341,294
64	Accum. Deferred Income Taxes-Other (283)		116,548,307	110,264,713
65	Total Deferred Credits (lines 56 through 64)		3,767,384,844	3,721,374,484
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		12,847,797,014	12,753,859,294

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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The significant accounting policies set forth in Note 1 to the financial statements in Northern States Power Company - Minnesota's (NSP-Minnesota's) Annual Report on FERC Form 1 for the year ended Dec. 31, 2010, appropriately represent, in all material respects, the current status of accounting policies and are incorporated herein by reference.

Business — NSP-Minnesota is principally engaged in the generation, purchase, transmission, distribution and sale of electricity and in the purchase, transportation, distribution and sale of natural gas. NSP-Minnesota is subject to regulation by the FERC and state utility commissions.

Basis of Accounting — The accompanying financial statements were prepared in accordance with the accounting requirements of the FERC as set forth in the Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP:

- Current maturities of long-term debt are included as long-term debt, while GAAP requires such maturities to be classified as current liabilities.
- Accumulated deferred income taxes are shown as long-term assets and liabilities at their gross amounts in the FERC presentation, in contrast to the GAAP presentation as net current or long-term assets and liabilities.
- Regulatory assets and liabilities are classified as current and noncurrent for GAAP, while FERC classifies all regulatory assets and liabilities as noncurrent deferred debits.
- Unrecognized tax benefits are recorded for temporary adjustments in accounts established for accumulated deferred income taxes in the FERC presentation, in contrast to its GAAP presentation as Taxes Accrued and noncurrent Other Liabilities.
- Removal costs for future removal obligations are classified as accumulated depreciation on the utility plant in the FERC presentation and regulatory liabilities in the GAAP presentation.
- For certain capital projects where there is recovery of a return on construction work in progress, certain amounts of Allowance for Funds Used During Construction (AFUDC) is not recognized in and included in construction work in process for GAAP, while for FERC it is recorded in construction work in progress but benefit is deferred as a deferred liability for FERC presentation and amortized over the life of the property as a reduction of costs.
- Certain commodity trading purchases and sales transactions are presentation gross as expenses and revenues for FERC presentation, however the net margin is reported as net sales for GAAP presentation.
- Various expenses such as donations, lobbying, and other non-regulatory expenses are presented as other income deductions for FERC presentation and reported as operating expenses for GAAP presentation.
- Income tax expense is shown as a component of operating expense in the FERC presentation, in contrast to its GAAP presentation as a below-the-line deduction from operating income.
- Wholly-owned subsidiaries are reported using the equity method of accounting in the FERC presentation and are required to be consolidated for GAAP.

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NOTES TO FINANCIAL STATEMENTS (Continued)

If GAAP were followed, these financial statement line items would have values greater/(lesser) than those shown by FERC presentation of:

(Thousands of Dollars)		
Balance Sheet:		
Net utility plant	$	294,517
Current assets		118,235
Current liabilities		94,843
Other long-term assets		(1,955,709)
Long-term debt and other long-term liabilities		(1,637,800)
Statement of Income:		
Operating revenues	$	8,199
Operating expenses		(37,123)
Other income and deductions		3,512
Statement of Cash Flows:		
Cash provided by operating activities	$	(66)
Cash used in investing activities		41
Cash used in financing activities		-

Subsequent Events — Management has evaluated the impact of events occurring after March 31, 2011 up to April 29, 2011, the date NSP- Minnesota's GAAP financial statements were issued. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

2. Accounting Pronouncements

Recently issued accounting pronouncements that have been adopted in the current period did not materially impact the financial statements, and no material impact is expected from accounting pronouncements issued and pending implementation.

3. Income Taxes

Except to the extent noted below, the circumstances set forth in Note 6 to the financial statements included in NSP-Minnesota's Annual Report on Form 1 for the year ended Dec. 31, 2010 appropriately represent, in all material respects, the current status of other income tax matters, and are incorporated herein by reference.

Federal Audit — NSP-Minnesota is a member of the Xcel Energy affiliated group that files a federal income tax return. The statute of limitations applicable to Xcel Energy's 2006 federal income tax return expired in August 2010. The statute of limitations applicable to Xcel Energy's 2007 federal income tax return expires in September 2011. The Internal Revenue Service (IRS) commenced an examination of tax years 2008 and 2009 in the third quarter of 2010. As of March 31, 2011, the IRS had not proposed any material adjustments to tax years 2008 and 2009.

State Audits — NSP-Minnesota is a member of the Xcel Energy affiliated group that files state income tax returns. As of March 31, 2011, NSP-Minnesota's earliest open tax year that is subject to examination by state taxing authorities under applicable statutes of limitations is 2007. As of March 31, 2011, there were no state income tax audits in progress.

Unrecognized Tax Benefits — The unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual effective tax rate (ETR). In addition, the unrecognized tax benefit balance includes temporary tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the ETR but would accelerate the payment of cash to the taxing authority to an earlier period.

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NOTES TO FINANCIAL STATEMENTS (Continued)

A reconciliation of the amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	March 31, 2011	Dec. 31, 2010
Unrecognized tax benefit - Permanent tax positions	$ 4.3	$ 4.0
Unrecognized tax benefit - Temporary tax positions	18.4	18.5
Unrecognized tax benefit balance	$ 22.7	$ 22.5

The unrecognized tax benefit balance was reduced by the tax benefits associated with net operating loss (NOL) and tax credit carryforwards. The amounts of tax benefits associated with NOL and tax credit carryforwards were as follows:

(Millions of Dollars)	March 31, 2011	Dec. 31, 2010
Tax benefits associated with NOL and tax credit carryforward	$ (12.8)	$ (11.0)

The increase in the unrecognized tax benefit balance of $0.2 million from Dec. 31, 2010 to March 31, 2011 was due to the addition of similar uncertain tax positions related to current and prior years' activity. NSP-Minnesota's amount of unrecognized tax benefits could significantly change in the next 12 months as the IRS audit progresses and state audits resume. As the IRS examination moves closer to completion, it is reasonably possible that the amount of unrecognized tax benefits could decrease up to approximately $15 million.

The payable for interest related to unrecognized tax benefits is partially offset by the interest benefit associated with NOL and tax credit carryforwards. A reconciliation of the beginning and ending amount of the payable for interest related to unrecognized tax benefits is as follows:

(Millions of Dollars)	2011	2010
Payable for interest related to unrecognized tax benefits at Jan. 1	$ (0.9)	$ (0.3)
Interest expense related to unrecognized tax benefits	(0.2)	(0.1)
Payable for interest related to unrecognized tax benefits at March 31	$ (1.1)	$ (0.4)

No amounts were accrued for penalties related to unrecognized tax benefits as of March 31, 2011 or Dec. 31, 2010.

4. Rate Matters

Except to the extent noted below, the circumstances set forth in Note 10 to the financial statements included in NSP-Minnesota's Annual Report on Form 1 for the year ended Dec. 31, 2010 appropriately represent, in all material respects, the current status of other rate matters, and are incorporated herein by reference.

Pending and Recently Concluded Regulatory Proceedings — Minnesota Public Utilities Commission (MPUC)

Base Rate

NSP-Minnesota Electric Rate Case — In November 2010, NSP-Minnesota filed a request with the MPUC to increase annual electric rates in Minnesota for 2011 by approximately $150 million, or an increase of 5.62 percent. The rate filing is based on a 2011 forecast test year and included a requested return on equity (ROE) of 11.25 percent, an electric rate base of approximately $5.6 billion and an equity ratio of 52.56 percent. In January 2011, NSP-Minnesota revised its requested 2011 rate increase to $148.3 million as the result of the sale of certain transmission assets.

NSP-Minnesota requested an additional increase of $48.3 million or 1.81 percent effective Jan. 1, 2012, to address certain known and measurable cost increases in 2012. The MPUC approved an interim rate increase of $123 million, subject to refund, effective Jan. 2, 2011. The interim rates remain in effect until the MPUC makes its final decision on the case. An MPUC decision is anticipated in the fourth quarter of 2011.

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NOTES TO FINANCIAL STATEMENTS (Continued)

On April 5, 2011, intervening parties filed direct testimony proposing modifications to NSP-Minnesota's rate request. The Minnesota Office of Energy Security (OES) recommended a 2011 increase of approximately $56.9 million, based on a recommended ROE of 10.53 percent and an equity ratio of 52.56 percent. The OES recommendation reflected several adjustments, including a $21.5 million decrease in proposed 2011 income tax expense and decreases of approximately $12.4 million related to employee compensation, health and pension benefits. The OES also proposed several other reductions totaling approximately $23.5 million, including rent expense, certain nuclear outage costs, transmission increases and disallowance of the revenue requirement related to a portion of NSP-Minnesota's investment in the Nobles Wind Project ($1.9 million). Finally, the OES recommended an additional increase for 2012 of approximately $34 million to address certain known and measurable cost increases in 2012 associated with our nuclear operations.

Other intervenors included the Minnesota Office of the Attorney General (OAG), the Minnesota Chamber of Commerce, the Large Industrial Customer Group (XLI) and the Commercial Group. The OAG recommended changes to NSP-Minnesota's proposed deferral and amortization treatment of nuclear outage expenses and NSP-Minnesota's proposed ratemaking treatment of capitalized retiree medical expenses.. The XLI recommended changes to NSP-Minnesota's proposed ROE and capital structure, as well as a reduction in NSP-Minnesota's recommended depreciation expense.

The following procedural schedule has been established for the remainder of the case:

- Rebuttal testimony due May 4, 2011;
- Surrebuttal testimony due May 26, 2011;
- Evidentiary hearings June 1-8, 2011;
- Initial brief due July 29, 2011;
- Reply brief and findings due Aug. 19, 2011;
- Administrative law judge (ALJ) report due Sept. 19, 2011; and
- MPUC order Nov. 28, 2011.

Electric, Purchased Gas and Resource Adjustment Clauses

Conservation Improvement Program (CIP) Rider — CIP expenses are recovered through a charge embedded in base rates and a rider that is adjusted annually. Under the 2010 CIP rider request filed in October 2010, NSP-Minnesota estimates recovery of $66.7 million through the rider during the November 2010 to September 2011 timeframe. This is in addition to an expected $48.1 million through the conservation cost recovery charge component of base rates. NSP-Minnesota estimates recovery of approximately $18.6 million through the natural gas CIP rider, filed in November 2010, during the December 2010 to September 2011 timeframe. This is in addition to an expected $3.0 million through the conservation cost recovery charge component of base rates. Assuming MPUC approval, NSP-Minnesota estimates it will recover a total of approximately $136.4 million associated with CIP programs in 2011.

In April 2011, NSP-Minnesota filed its annual rider petitions requesting recovery of approximately $84.8 million of electric CIP expenses and financial incentives and $4.5 million of natural gas CIP expenses and financial incentives to be recovered during the October 2011 through September 2012 timeframe. This proposed recovery through the riders is in addition to an estimated $52.6 million and $3.8 million to be recovered through the electric and gas conservation cost recovery charge component of base rates, respectively. Assuming MPUC approval, NSP-Minnesota estimates it will recover a total of approximately $145.7 million associated with CIP programs in 2012.

Renewable Development Fund (RDF) Rider — The MPUC has approved an RDF rider that allows annual adjustments to retail electric rates to provide for the recovery of RDF program and project expenses. The primary components of RDF costs are legislatively mandated expenses such as renewable energy production incentive payments, RDF grant project payments, and RDF program administrative costs. In October 2010, NSP-Minnesota filed its annual request to recover $19.2 million in expenses for 2011. In March 2011, the MPUC approved recovery of the costs requested but denied reallocation of $0.3 million of RDF related costs to Minnesota customers that the North Dakota and South Dakota jurisdictions do not allow in rates. NSP-Minnesota has petitioned for reconsideration of the reallocation issue.

Annual Automatic Adjustment Report for 2008/2009 — In September 2009, NSP-Minnesota filed its annual electric and natural gas automatic adjustment reports for July 1, 2008 through June 30, 2009. During that time period, $803.6 million in fuel and purchased

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NOTES TO FINANCIAL STATEMENTS (Continued)

energy costs were recovered from Minnesota electric customers through the fuel clause adjustment. In addition, approximately $499.4 million of purchased natural gas and transportation costs were recovered from Minnesota natural gas customers through the purchased gas adjustment. The MPUC approved the 2008/2009 annual automatic adjustment report in March 2011.

Pending and Recently Concluded Regulatory Proceedings — North Dakota Public Service Commission (NDPSC)

NSP-Minnesota - North Dakota Electric Rate Case — In December 2010, NSP-Minnesota filed a request with the NDPSC to increase 2011 electric rates in North Dakota by approximately $19.8 million, or an increase of 12 percent. The rate filing is based on a 2011 forecast test year and includes a requested ROE of 11.25 percent, an electric rate base of approximately $328 million and an equity ratio of 52.56 percent. NSP-Minnesota requested an additional increase of $4.2 million, or 2.6 percent, effective Jan. 1, 2012, to address certain known and measurable cost increases in 2012.

The NDPSC approved an interim rate increase of approximately $17.4 million, subject to refund, effective Feb. 18, 2011. The interim rates will remain in effect until the NDPSC makes its final decision on the case, which is anticipated in the fourth quarter of 2011.

The schedule is as follows:

- Intervenor direct testimony due June 23, 2011;
- Rebuttal testimony due July 25, 2011;
- Evidentiary hearings Aug. 9-12, 2011;
- Initial briefs due Sept. 16, 2011;
- Reply brief and findings due Sept. 30, 2011; and
- NDPSC order Nov. 16, 2011.

Pending and Recently Concluded Regulatory Proceedings — Federal Energy Regulatory Commission (FERC)

Rate Increase for Grandfathered Transmission Service Customers — In May 2010, NSP-Minnesota filed a request with the FERC to revise the rate applicable to eight wholesale customers taking transmission service under a "grandfathered" 1998 rate schedule (known as Tm-1). The change would set the Tm-1 transmission service rate equal to the similar rate under the MISO Tariff, and would increase Tm-1 rates by about $5 million annually, or 120 percent. In December 2010, NSP-Minnesota and Tm-1 customers reached a settlement in principle, which will result in an increase in revenues for NSP-Minnesota of approximately $3.5 million annually. On Jan. 11, 2011, NSP-Minnesota filed for authorization to place the settlement rates into effect on an interim basis, and the FERC ALJ granted the motion on Jan. 19, 2011. NSP-Minnesota anticipates the settlement agreement will be filed with the FERC in the second quarter of 2011. The settlement agreement must be approved by FERC before it is effective.

5. Commitments and Contingent Liabilities

Except as noted below and in Note 4 to the financial statements in this Quarterly Report on Form 3, the circumstances set forth in Notes 10, 11 and 12 to the financial statements in NSP-Minnesota's Annual Report on Form 1 for the year ended Dec. 31, 2010 appropriately represent, in all material respects, the current status of commitments and contingent liabilities, including those regarding public liability for claims resulting from any nuclear incident and are incorporated herein by reference. The following include commitments, contingencies and unresolved contingencies that are material to NSP-Minnesota's financial position.

Commitments

Wind Generation — On April 1, 2011, NSP-Minnesota terminated its agreement with enXco Development Corporation for the development of the 150 megawatt (MW) Merricourt Wind Project (Project)in southeastern North Dakota because the closing on the Project did not occur on or before March 31, 2011, and certain conditions required for closing were not satisfied. These conditions included a failure to resolve concerns about potential adverse consequences the Project could have on two endangered species - the whooping crane and piping plover - and a failure to obtain a Certificate of Site Compatibility. The Project was projected to cost approximately $400 million and was expected to reach commercial operation in 2011. As a result, NSP-Minnesota recorded a $101 million deposit, which was subsequently collected in April 2011.

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Environmental Contingencies

NSP-Minnesota has been, or is currently, involved with the cleanup of contamination from certain hazardous substances at several sites. In many situations, NSP-Minnesota believes it will recover some portion of these costs through insurance claims. Additionally, where applicable, NSP-Minnesota is pursuing, or intends to pursue, recovery from other potentially responsible parties (PRPs) and through the rate regulatory process. New and changing federal and state environmental mandates can also create added financial liabilities for NSP-Minnesota, which are normally recovered through the rate regulatory process. To the extent any costs are not recovered through the options listed above, NSP-Minnesota would be required to recognize an expense.

Site Remediation — The Comprehensive Environmental Response, Compensation and Liability Act of 1980 and comparable state laws impose liability, without regarding the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances to the environment. NSP-Minnesota must pay all or a portion of the cost to remediate sites where past activities of NSP-Minnesota or other parties have caused environmental contamination. Environmental contingencies could arise from various situations including sites of former manufactured gas plants operated by NSP-Minnesota, its predecessors or other entities; and third party sites, such as landfills, for which NSP-Minnesota is alleged to be a PRP that sent hazardous materials and wastes. At March 31, 2011 and Dec. 31, 2010, the liability for the cost of remediating these sites was estimated to be $0.5 million and $0.4, respectively, of which $0.3 million was considered to be a current liability.

Third Party and Other Environmental Site Remediation

Asbestos Removal — Some of NSP-Minnesota's facilities contain asbestos. Most asbestos will remain undisturbed until the facilities that contain it are demolished or removed. NSP-Minnesota has recorded an estimate for final removal of the asbestos as an asset retirement obligation. See additional discussion of asset retirement obligations in Note 11 of the NSP-Minnesota Annual Report on Form 1 for the year ended Dec. 31, 2010. It may be necessary to remove some asbestos to perform maintenance or make improvements to other equipment. The cost of removing asbestos as part of other work is not expected to be material and is recorded as incurred as operating expenses for maintenance projects, capital expenditures for construction projects or removal costs for demolition projects.

Other Environmental Requirements

Environmental Protection Agency (EPA) Greenhouse Gas (GHG) Endangerment Rulemaking — In December 2009, the EPA issued its "endangerment" finding that GHG emissions endanger public health and welfare. The EPA has promulgated permit requirements for GHGs for power plants. These regulations became applicable in 2011. In December 2010, the EPA announced a settlement with several states and environmental groups to begin preparing regulations of emissions from both new and existing steam electric generating units, such as coal-fired power plants, under the Clean Air Act (CAA). The EPA plans to propose these regulations in July 2011 and finalize them in the first half of 2012.

Clean Air Interstate Rule (CAIR) — In 2005, the EPA issued the CAIR to further regulate sulfur dioxide (SO_2) and nitrogen oxide (NOx) emissions. The objective of CAIR is to cap emissions of SO_2 and NOx in the eastern United States, including Minnesota. In 2008, the U.S. Court of Appeals for the District of Columbia vacated and remanded CAIR.

In July 2010, the EPA issued the proposed Clean Air Transport Rule (CATR), which would replace CAIR by requiring SO_2 and NOx reductions in 31 states and the District of Columbia. The EPA is proposing to reduce these emissions through federal implementation plans for each affected state. The EPA's preferred approach would set emission limits for each state and allow limited interstate emissions trading. As proposed, CATR will impact Minnesota for annual SO_2 and NOx emissions. NSP-Minnesota is analyzing the proposed rule to determine whether emission reductions are needed from its facilities. The EPA is expected to issue the final CATR in summer 2011. Until CATR becomes final, NSP-Minnesota will continue activities to support CAIR compliance. In 2009, the EPA published a rule staying the effectiveness of CAIR in Minnesota effective in December 2009. Cost estimates are therefore not included at this time for NSP-Minnesota.

Electric Generating Unit (EGU) Maximum Achievable Control Technology (MACT) Rule — In 2005, the EPA issued the Clean Air Mercury Rule (CAMR), which regulated mercury emissions from power plants. In February 2008, the U.S. Court of Appeals for the

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District of Columbia vacated the CAMR, which impacted federal CAMR requirements, but not necessarily state-only mercury legislation and rules.

In March 2011, the EPA issued the proposed EGU MACT designed to address emissions of mercury and other hazardous air pollutants for coal-fired utility units greater than 25 MW. NSP-Minnesota is evaluating the proposed rule and plans to offer comments to the EPA. The EPA intends to issue the final rule by November 2011. NSP-Minnesota anticipates that the EPA will require affected facilities to demonstrate compliance within three to four years.

Minnesota Mercury Legislation — In 2006, the Minnesota legislature enacted the Mercury Emissions Reduction Act (Act) providing a process for plans, implementation and cost recovery for utility efforts to curb mercury emissions at certain power plants. For NSP-Minnesota, the Act covers units at the A.S. King and Sherco generating facilities. NSP-Minnesota installed and is operating continuous mercury emission monitoring systems at these generating facilities.

In November 2008, the MPUC approved the implementation of the Sherco Unit 3 and A.S. King mercury emission reduction plans. A sorbent injection control system was installed at Sherco Unit 3 in December 2009 and at A.S. King in December 2010. In 2010, NSP-Minnesota collected the revenue requirements associated with these projects through the mercury cost reduction (MCR) rider. In the 2010 Minnesota electric general rate case, NSP-Minnesota proposed moving the costs of these projects into base rates as part of the interim rates effective on Jan. 2, 2011. Concurrent with the implementation of interim rates, the MCR rider was reduced to zero.

In December 2009, NSP-Minnesota filed its mercury control plan at Sherco Units 1 and 2 with the MPUC and the Minnesota Pollution Control Agency (MPCA). In October 2010, the MPUC approved the plan, which will require installation of mercury controls on Sherco Units 1 and 2 by the end of 2014. NSP-Minnesota has incurred $1.5 million in study costs to date and spent $0.6 million through Dec. 31, 2010 for testing and studying of technologies. At March 31, 2011, the estimated annual testing and study cost is $0.9 million. NSP-Minnesota projects installation costs of $12.0 million for the two units and operating and maintenance (O&M) expense of $10.0 million per year beginning in 2014.

Regional Haze Rules — In 2005, the EPA finalized amendments to its regional haze rules regarding provisions that require the installation and operation of emission controls, known as best available retrofit technology (BART), for industrial facilities emitting air pollutants that reduce visibility in certain national parks and wilderness areas throughout the United States.

NSP-Minnesota submitted its BART alternatives analysis for Sherco Units 1 and 2 in 2006. The MPCA reviewed the BART analyses for all units in Minnesota and determined that overall, compliance with CAIR is better than BART. The MPCA completed their determination and proposed SO_2 and NOx limits in the draft state implementation plan (SIP) that are equivalent to the reductions made under CAIR.

In October 2009, the U.S. Department of the Interior certified that a portion of the visibility impairment in Voyageurs and Isle Royale National Parks is reasonably attributable to emissions from NSP-Minnesota's Sherco Units 1 and 2. The EPA is required to make its own determination as to whether Sherco Units 1 and 2 cause or contribute to visibility impairment and, if so, whether the level of controls proposed by MPCA is appropriate.

The MPCA determined that this certification does not alter the proposed SIP. The SIP proposes BART controls for the Sherco generating facilities that are designed to improve visibility in the national parks, but does not require selective catalytic reduction (SCR) on Units 1 and 2. The MPCA concluded that the minor visibility benefits derived from SCR do not outweigh the substantial costs. In December 2009, the MPCA Citizens Board approved the SIP, which has been submitted to the EPA for approval. Until the EPA takes final action on the SIP, the total cost of compliance cannot be estimated with a reasonable degree of certainty.

Federal Clean Water Act (CWA Section 316 (b)) — The federal CWA requires the EPA to regulate cooling water intake structures to assure that these structures reflect the best technology available (BTA) for minimizing adverse environmental impacts to aquatic species. In 2004, the EPA published phase II of the rule, which applies to existing cooling water intakes at steam-electric power plants. In March 2011, the EPA released a pre-publication version of a proposed rule that was modified to address earlier court decisions. The proposed rule sets prescriptive standards for minimization of aquatic species impingement but leaves entrainment reduction requirements at the discretion of the permit writer and the regional EPA office. NSP-Minnesota has begun an internal review of the possible changes and impacts, including possible additional capital and operating expenses. Due to the uncertainty of the final

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regulatory requirements, it is not possible to provide an accurate estimate of the overall cost of this rulemaking at this time.

As part of NSP-Minnesota's 2009 CWA permit renewal for the Black Dog plant, the MPCA required that the plant submit a plan for compliance with the CWA. The compliance plan was submitted for MPCA review and approval in April 2010. The MPCA is currently reviewing the proposal in consultation with the EPA. Xcel Energy anticipates a decision on the plan by the end of 2011.

Proposed Coal Ash Regulation — NSP-Minnesota's operations generate hazardous wastes that are subject to the Federal Resource Recovery and Conservation Act and comparable state laws that impose detailed requirements for handling, storage, treatment and disposal of hazardous waste. In June 2010, the EPA published a proposed rule seeking comment on whether to regulate coal combustion byproducts (often referred to as coal ash) as hazardous or nonhazardous waste. Coal ash is currently exempt from hazardous waste regulation. If the EPA ultimately issues a final rule under which coal ash is regulated as hazardous waste, NSP-Minnesota's costs associated with the management and disposal of coal ash would significantly increase, and the beneficial reuse of coal ash would be negatively impacted. The EPA has not announced a planned date for a final rule. The timing, scope and potential cost of any final rule that might be implemented are not determinable at this time.

Legal Contingencies

Lawsuits and claims arise in the normal course of business. Management, after consultation with legal counsel, has recorded an estimate of the probable cost of settlement or other disposition. The ultimate outcome of these matters cannot presently be determined. Accordingly, the ultimate resolution of these matters could have a material adverse effect on NSP-Minnesota's financial position and results of operations.

Environmental Litigation

State of Connecticut vs. Xcel Energy Inc. et al. — In 2004, the attorneys general of eight states and New York City, as well as several environmental groups, filed lawsuits in U.S. District Court in the Southern District of New York against the following utilities, including Xcel Energy, the parent company of NSP-Minnesota, to force reductions in carbon dioxide (CO_2) emissions: American Electric Power Co., Southern Co., Cinergy Corp. (merged into Duke Energy Corporation) and Tennessee Valley Authority. The lawsuits allege that CO_2 emitted by each company is a public nuisance. The lawsuits do not demand monetary damages. Instead, the lawsuits ask the court to order each utility to cap and reduce its CO_2 emissions. In September 2005, the court granted plaintiffs' motion to dismiss on constitutional grounds. In August 2010, this decision was reversed by the Second Circuit and is currently on appeal before the United States Supreme Court. Oral arguments were presented to the Supreme Court on April 19, 2011 and a decision is expected in the summer of 2011.

Native Village of Kivalina vs. Xcel Energy Inc. et al. — In 2008, the City and Native Village of Kivalina, Alaska, filed a lawsuit in U.S. District Court for the Northern District of California against Xcel Energy, the parent company of NSP-Minnesota, and 23 other utilities, oil, gas and coal companies. Plaintiffs claim that defendants' emission of CO_2 and other GHGs contribute to global warming, which is harming their village. Xcel Energy believes the claims asserted in this lawsuit are without merit and joined with other utility defendants in filing a motion to dismiss in June 2008. In October 2009, the U.S. District Court dismissed the lawsuit on constitutional grounds. In November 2009, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. It is unknown when the Ninth Circuit will render a final opinion. The amount of damages claimed by plaintiffs is unknown, but likely includes the cost of relocating the village of Kivalina. Plaintiffs' alleged relocation is estimated to cost between \$95 million to \$400 million. No accrual has been recorded for this matter.

6. Borrowings and Other Financing Instruments

Commercial Paper — NSP-Minnesota meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under its credit facility. The following table presents commercial paper outstanding for NSP-Minnesota:

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(Millions of Dollars)	Three Months Ended March 31, 2011	Twelve Months Ended Dec. 31, 2010
Borrowing limit	$ 500	$ 482
Amount outstanding at period end	8	-
Average amount outstanding	3	35
Maximum amount outstanding	53	389
Weighted average interest rate, computed on a daily basis	0.36 %	0.37 %
Weighted average interest rate at end of period	0.35	N/A

Credit Facilities — In order to use its commercial paper program to fulfill short-term funding needs, NSP-Minnesota must have a revolving credit facility in place at least equal to the amount of its commercial paper borrowing limit and cannot issue commercial paper in an amount exceeding available capacity under the credit agreement.

During March of 2011, NSP-Minnesota executed a new 4-year credit agreement. The total size of the credit facility is $500 million and expires in March 2015. NSP-Minnesota has the right to request an extension of the final maturity date for two additional one year periods, subject to majority bank group approval.

The line of credit provides short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings. Other features of NSP-Minnesota's credit facility include:

- The credit facility may be increased by up to $100 million.
- The credit facility has a financial covenant requiring that NSP-Minnesota's debt-to-total capitalization ratio be less than or equal to 65 percent. NSP-Minnesota was in compliance as its debt-to-total capitalization ratio was 48 percent and 49 percent at March 31, 2011 and Dec. 31, 2010, respectively. If NSP-Minnesota does not comply with the covenant, an event of default may be declared, and if not remedied, any outstanding amounts due under the facility can be declared due by the lender.
- The credit facility has a cross-default provision that provides NSP-Minnesota will be in default on its borrowings under the facility if it or any of its subsidiaries, comprising 15 percent or more of the assets, defaults on any indebtedness in an aggregate principal amount exceeding $75 million.
- The interest rates under the line of credit are based on the Eurodollar rate, plus a borrowing margin based on the applicable credit ratings of 100 to 200 basis points per year.
- The commitment fees, also based on applicable long-term credit ratings, are calculated on the unused portion of the line of credit at a range of 10 to 35 basis points per year.
- NSP-Wisconsin's intercompany borrowing arrangement with NSP-Minnesota was subsequently terminated.

At March 31, 2011, NSP-Minnesota had the following committed credit facility available (in millions of dollars):

Credit Facility	Drawn [(a)]	Available
$ 500.0	$ 13.1	$ 486.9

(a) Includes outstanding commercial paper and letters of credit.

All credit facility bank borrowings, outstanding letters of credit and outstanding commercial paper reduce the available capacity under the credit facility. NSP-Minnesota had no direct advances on the credit facility outstanding at March 31, 2011 and Dec. 31, 2010.

Letters of Credit — NSP-Minnesota uses letters of credit, generally with terms of one year, to provide financial guarantees for certain operating obligations. At March 31, 2011 and Dec. 31, 2010, there were $5.1 million and $5.3 million of letters of credit outstanding, respectively, under the credit facility. An additional $1.1 million of letters of credit not issued under the credit facility were outstanding at March 31, 2011 and Dec. 31, 2010. The contract amounts of these letters of credit approximate their fair value and are subject to fees determined in the marketplace.

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Money Pool — Xcel Energy and its utility subsidiaries have established a money pool arrangement that allows for short-term investments in and borrowings between the utility subsidiaries. The holding company may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in the holding company.

The following table presents money pool borrowings for NSP-Minnesota:

(Millions of Dollars)	Three Months Ended March 31, 2011	Twelve Months Ended Dec. 31, 2010
Borrowing limit	$ 250	$ 250
Amount outstanding at period end	-	-
Average amount outstanding	-	18
Maximum amount outstanding	-	142
Weighted average interest rate, computed on a daily basis	N/A	0.37 %
Weighted average interest rate at end of period	N/A	N/A

7. Fair Value of Financial Assets and Liabilities

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires certain disclosures about assets and liabilities measured at fair value. A hierarchal framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance. The three Levels in the hierarchy are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices.

Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, or priced with discounted cash flow or option pricing models using highly observable inputs.

Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those valued with models requiring significant management judgment or estimation.

Specific valuation methods include the following:

Cash equivalents — Cash equivalents are recorded at cost plus accrued interest to approximate fair value. Changes in the observed trading prices and liquidity of cash equivalents, including money market funds, are also monitored as additional support for determining fair value.

Investments in equity securities — Equity securities are valued using quoted prices in active markets. The fair values for commingled funds and international equity funds are measured using net asset values, which take into consideration the value of underlying fund investments, as well as the other accrued assets and liabilities of a fund, in order to determine a per share market value. The investments in commingled funds and international equity funds may be redeemed for net asset value.

Investments in debt securities — Debt securities are primarily priced using recent trades and observable spreads from benchmark interest rates for similar securities, except for asset-backed and mortgage-backed securities, which also require significant, subjective risk-based adjustments to the interest rate used to discount expected future cash flows, which include estimated principal prepayments. Therefore, fair value measurements for asset-backed and mortgage-backed securities have been assigned a Level 3.

Commodity derivatives — The methods utilized to measure the fair value of commodity derivatives include the use of forward prices and volatilities to value commodity forwards and options. Levels are assigned to these fair value measurements based on the

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significance of the use of subjective forward price and volatility forecasts for commodities and delivery locations with limited observability, or the significance of contractual settlements that extend to periods beyond those readily observable on active exchanges or quoted by brokers. Electric commodity derivatives include financial transmission rights (FTRs), for which fair value is determined using complex predictive models and inputs including forward commodity prices as well as subjective forecasts of retail and wholesale demand, generation and resulting transmission system congestion. Given the limited observability of management's forecasts for several of these inputs, fair value measurements for FTRs have been assigned a Level 3.

NSP-Minnesota continuously monitors the creditworthiness of the counterparties to its commodity derivative contracts and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Given this assessment, as well as an assessment of the impact of NSP-Minnesota's own credit risk when determining the fair value of commodity derivative liabilities, the impact of considering credit risk was immaterial to the fair value of commodity derivative assets and liabilities presented in the balance sheets.

Non-Derivative Instruments Fair Value Measurements

The Nuclear Regulatory Commission (NRC) requires NSP-Minnesota to maintain a portfolio of investments to fund the costs of decommissioning its nuclear generating plants. Together with all accumulated earnings or losses, the assets of the nuclear decommissioning fund are legally restricted for the purpose of decommissioning the Monticello and Prairie Island nuclear generating plants. The fund contains cash equivalents, debt securities, equity securities, and other funds - all classified as available-for-sale securities under the applicable accounting guidance. NSP-Minnesota plans to reinvest matured securities until decommissioning begins.

NSP-Minnesota recognizes the costs of funding the decommissioning of its nuclear generating plants over the lives of the plants, assuming rate recovery of all costs. Given the purpose and legal restrictions on the use of nuclear decommissioning fund assets, realized and unrealized gains on fund investments over the life of the fund are deferred as an offset of NSP-Minnesota's regulatory asset for nuclear decommissioning costs. Consequently, any realized and unrealized gains and losses on securities in the nuclear decommissioning fund, including any other-than-temporary impairments, are deferred as a component of the regulatory asset for nuclear decommissioning.

Deferred unrealized gains for the nuclear decommissioning fund were $102.2 million and $82.5 million at March 31, 2011 and Dec. 31, 2010, respectively, and unrealized losses and amounts recorded as other than temporary impairments were $58.1 million and $65.2 million at March 31, 2011 and Dec. 31, 2010, respectively.

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The following tables present the cost and fair value of NSP-Minnesota's non-derivative instruments recurring fair value measurements, the nuclear decommissioning fund investments, at March 31, 2011 and Dec. 31, 2010:

	March 31, 2011				
		Fair Value			
(Thousands of Dollars)	Cost	Level 1	Level 2	Level 3	Total
Nuclear decommissioning fund [(a)]					
Cash equivalents	$ 51,430	$ 41,655	$ 9,775	$ -	$ 51,430
Commingled funds	182,000	-	188,252	-	188,252
International equity funds	54,469	-	60,016	-	60,016
Debt securities:					
Government securities	207,042	-	207,855	-	207,855
U.S. corporate bonds	228,464	-	241,221	-	241,221
Foreign securities	14,393	-	14,946	-	14,946
Municipal bonds	43,087	-	42,742	-	42,742
Asset-backed securities	25,404	-	-	26,020	26,020
Mortgage-backed securities	94,312	-	-	98,367	98,367
Equity securities:					
Common stock	436,129	450,028	-	-	450,028
Total	$ 1,336,730	$ 491,683	$ 764,807	$ 124,387	$ 1,380,877

(a) Reported in other special funds on the balance sheet, which also includes $20.4 million of miscellaneous investments.

	Dec. 31, 2010				
		Fair Value			
(Thousands of Dollars)	Cost	Level 1	Level 2	Level 3	Total
Nuclear decommissioning fund [(a)]					
Cash equivalents	$ 83,837	$ 76,281	$ 7,556	$ -	$ 83,837
Commingled funds	131,000	-	133,080	-	133,080
International equity funds	54,561	-	58,584	-	58,584
Debt securities:					
Government securities	146,473	-	146,654	-	146,654
U.S. corporate bonds	279,028	-	288,304	-	288,304
Foreign securities	1,233	-	1,581	-	1,581
Municipal bonds	100,277	-	97,557	-	97,557
Asset-backed securities	32,558	-	-	33,174	33,174
Mortgage-backed securities	68,072	-	-	72,589	72,589
Equity securities:					
Common stock	436,334	435,270	-	-	435,270
Total	$ 1,333,373	$ 511,551	$ 733,316	$ 105,763	$ 1,350,630

(a) Reported in other special funds on the balance sheet, which also includes $15.4 million of miscellaneous investments.

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The following table presents the changes in Level 3 nuclear decommissioning fund assets:

	Three Months Ended March 31,			
	2011		2010	
(Thousands of Dollars)	Mortgage-Backed Securities	Asset-Backed Securities	Mortgage-Backed Securities	Asset-Backed Securities
Balance at Jan. 1	$ 72,589	$ 33,174	$ 81,189	$ 11,918
Purchases	46,113	756	46,477	33,504
Settlements	(19,873)	(7,910)	(20,846)	(1,352)
(Losses) gains recognized as regulatory assets and liabilities	(462)	-	2,224	55
Balance at March 31	$ 98,367	$ 26,020	$ 109,044	$ 44,125

The following table summarizes the final contractual maturity dates of the debt securities in the nuclear decommissioning fund, by asset class at March 31, 2011:

	Final Contractual Maturity				
(Thousands of Dollars)	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years	Total
Government securities	$ 301	138,767	47,263	21,524	$ 207,855
U.S. corporate bonds	-	55,525	163,149	22,547	241,221
Foreign securities	-	12,214	2,732	-	14,946
Municipal bonds	-	-	25,103	17,639	42,742
Asset-backed securities	-	15,103	10,917	-	26,020
Mortgage-backed securities	-	-	1,172	97,195	98,367
Debt securities	$ 301	$ 221,609	$ 250,336	$ 158,905	$ 631,151

Derivative Instruments Fair Value Measurements

NSP-Minnesota enters into derivative instruments, including forward contracts, futures, swaps and options, for trading purposes and to reduce risk in connection with changes in interest rates, utility commodity prices, vehicle fuel prices, as well as variances in forecasted weather.

Interest Rate Derivatives — NSP-Minnesota enters into various instruments that effectively fix the interest payments on certain floating rate debt obligations or effectively fix the yield or price on a specified benchmark interest rate for an anticipated debt issuance for a specific period. These derivative instruments are generally designated as cash flow hedges for accounting purposes.

At March 31, 2011, accumulated other comprehensive income (OCI) related to interest rate derivatives included $0.1 million of net gains expected to be reclassified into earnings during the next 12 months as the related hedged interest rate transactions impact earnings.

Short-Term Wholesale and Commodity Trading Risk — NSP-Minnesota conducts various short-term wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy and energy-related instruments. NSP-Minnesota's risk management policy allows management to conduct these activities within guidelines and limitations as approved by its risk management committee, which is made up of management personnel not directly involved in the activities governed by the policy.

Commodity Derivatives — NSP-Minnesota enters into derivative instruments to manage variability of future cash flows from changes in commodity prices in its electric and natural gas operations, as well as for trading purposes. This could include the purchase or sale of energy or energy-related products, natural gas to generate electric energy, gas for resale, and vehicle fuel.

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At March 31, 2011, NSP-Minnesota had vehicle fuel contracts designated as cash flow hedges extending through December 2014. NSP-Minnesota also enters into derivative instruments that mitigate commodity price risk on behalf of electric and natural gas customers but are not designated as qualifying hedging transactions. Changes in the fair value of non-trading commodity derivative instruments are recorded in OCI or deferred as a regulatory asset or liability. The classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms. NSP-Minnesota recorded immaterial amounts to income related to the ineffectiveness of cash flow hedges for the three months ended March 31, 2011 and March 31, 2010.

At March 31, 2011, accumulated OCI related to commodity derivative cash flow hedges included $0.1 million of net gains expected to be reclassified into earnings during the next 12 months as the hedged transactions occur.

Additionally, NSP-Minnesota enters into commodity derivative instruments for trading purposes not directly related to commodity price risks associated with serving its electric and natural gas customers. Changes in the fair value of these commodity derivatives are recorded in electric operating revenue, net of amounts credited to customers under margin-sharing mechanisms.

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The following table details the gross notional amounts of commodity forwards, options, and FTRs at March 31, 2011 and Dec. 31, 2010:

(Amounts in Thousands) [(a)(b)]	March 31, 2011	Dec. 31, 2010
Megawatt hours (MWh) of electricity	29,163	44,376
MMBtu of natural gas	7,417	14,100
Gallons of vehicle fuel	413	440

(a) Amounts are not reflective of net positions in the underlying commodities.
(b) Notional amounts for options are also included on a gross basis, but are weighted for the probability of exercise.

Financial Impact of Qualifying Cash Flow Hedges — The impact of qualifying interest rate and vehicle fuel cash flow hedges on NSP-Minnesota's accumulated OCI, included as a component of common stockholder's equity, is detailed in the following table:

(Thousands of Dollars)	Three Months Ended March 31, 2011	2010
Accumulated other comprehensive income related to cash flow hedges at Jan. 1	$ 4,977	$ 3,941
After-tax net unrealized gains related to derivatives accounted for as hedges	113	11
After-tax net realized (gains) losses on derivative transactions reclassified into earnings	(15)	302
Accumulated other comprehensive income related to cash flow hedges at March 31	$ 5,075	$ 4,254

NSP-Minnesota had no derivative instruments designated as fair value hedges during the three months ended March 31, 2011 and March 31, 2010. Therefore, no gains or losses from fair value hedges or related hedged transactions for these periods were recognized.

The following tables detail the impact of derivative activity during the three months ended March 31, 2011 and 2010, on OCI, regulatory assets and liabilities, and income:

	Three Months Ended March 31, 2011				
	Fair Value Changes Recognized During the Period in:		Pre-Tax Amounts Reclassified into Income During the Period from:		
(Thousands of Dollars)	Other Comprehensive Income	Regulatory Assets and Liabilities	Other Comprehensive Loss	Regulatory Assets and Liabilities	Pre-Tax Gains Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ -	$ -	$ (27) (a)	$ -	$ -
Vehicle fuel and other commodity	213	-	(22) (e)	-	-
Total	$ 213	$ -	$ (49)	$ -	$ -
Other derivative instruments					
Trading commodity	$ -	$ -	$ -	$	$ 5,355 (b)
Electric commodity	-	8,846	-	(8,888) (c)	-
Natural gas commodity	-	(2,018)	-	10,928 (d)	-
Total	$ -	$ 6,828	$ -	$ 2,040	$ 5,355

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(Thousands of Dollars)	Three Months Ended March 31, 2010				
	Fair Value Changes Recognized During the Period in:		Pre-Tax Amounts Reclassified into Income During the Period from:		Pre-Tax Gains Recognized During the Period in Income
	Other Comprehensive Income	Regulatory Assets and Liabilities	Other Comprehensive Income (Loss)	Regulatory Assets and Liabilities	
Derivatives designated as cash flow hedges					
Interest rate	$ -	$ -	$ (27) [(a)]	$ -	$ -
Vehicle fuel and other commodity	18	-	536 [(e)]	-	-
Total	$ 18	$ -	$ 509	$ -	$ -
Other derivative instruments					
Trading commodity	$ -	$ -	$ -	$	$ 5,630 [(b)]
Electric commodity	-	(17,179)	-	(2,727) [(c)]	-
Natural gas commodity	-	(7,045)	-	586 [(d)]	-
Total	$ -	$ (24,224)	$ -	$ (2,141)	$ 5,630

(a) Recorded to interest charges.
(b) Recorded to electric operating revenues. Portions of these gains and losses are shared with electric customers through margin-sharing mechanisms and deducted from gross revenue, as appropriate.
(c) Recorded to electric fuel and purchased power; these derivative settlement gains and losses are shared with electric customers through fuel and purchased energy cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.
(d) Recorded to cost of natural gas sold and transported; these derivative settlement gains and losses are shared with natural gas customers through purchased natural gas cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.
(e) Recorded to O&M expenses.

Credit Related Contingent Features — Contract provisions of the derivative instruments that NSP-Minnesota enters into may require the posting of collateral or settlement of the contracts for various reasons, including if NSP-Minnesota is unable to maintain its credit ratings. If the credit ratings at NSP-Minnesota at March 31, 2011 and Dec. 31, 2010 were downgraded below investment grade, no contracts underlying NSP-Minnesota's derivative liabilities would have required the posting of collateral or contract settlement.

Certain of NSP-Minnesota's derivative instruments are also subject to contract provisions that contain adequate assurance clauses. These provisions allow counterparties to seek performance assurance, including cash collateral, in the event that NSP-Minnesota's ability to fulfill its contractual obligations is reasonably expected to be impaired. As of March 31, 2011 and Dec. 31, 2010, NSP-Minnesota had no collateral posted related to adequate assurance clauses in derivative contracts.

Recurring Fair Value Measurements — The following table presents, for each of the hierarchy Levels, NSP-Minnesota's derivative assets and liabilities that are measured at fair value on a recurring basis at March 31, 2011:

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(Thousands of Dollars)	March 31, 2011 Fair Value Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting (b)	Total
Current derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 132	$ -	$ 132	$ -	$ 132
Other derivative instruments:						
Trading commodity	266	21,126	5	21,397	(6,552)	14,845
Electric commodity	-	-	2,653	2,653	(302)	2,351
Natural gas commodity	-	155	-	155	(114)	41
Total current derivative assets	$ 266	$ 21,413	$ 2,658	$ 24,337	$ (6,968)	17,369
Purchased power agreements (a)						23,886
Current derivative instruments						$ 41,255
Noncurrent derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 223	$ -	$ 223	$ -	$ 223
Other derivative instruments:						
Trading commodity	-	29,816	-	29,816	(3,364)	26,452
Total noncurrent derivative assets	$ -	$ 30,039	$ -	$ 30,039	$ (3,364)	26,675
Purchased power agreements (a)						71,948
Noncurrent derivative instruments						$ 98,623
Current derivative liabilities						
Other derivative instruments:						
Trading commodity	$ 459	$ 13,882	$ 23	$ 14,364	$ (9,606)	$ 4,758
Electric commodity	-	-	303	303	(303)	-
Natural gas commodity	-	183	-	183	(114)	69
Total current derivative liabilities	$ 459	$ 14,065	$ 326	$ 14,850	$ (10,023)	4,827
Purchased power agreements (a)						13,851
Current derivative instruments						$ 18,678
Noncurrent derivative liabilities						
Other derivative instruments:						
Trading commodity	$ -	$ 13,930	$ -	$ 13,930	$ (3,364)	$ 10,566
Total noncurrent derivative liabilities	$ -	$ 13,930	$ -	$ 13,930	$ (3,364)	10,566
Purchased power agreements (a)						183,408
Noncurrent derivative instruments						$ 193,974

(a) In 2003, as a result of implementing new guidance on the normal purchase exception for derivative accounting, NSP-Minnesota began recording several long-term purchased power agreements at fair value due to accounting requirements related to underlying price adjustments. As these purchases are recovered through normal regulatory recovery mechanisms in the respective jurisdictions, the changes in fair value for these contracts were offset by regulatory assets and liabilities. During 2006, NSP-Minnesota qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) The accounting guidance for derivatives and hedging permits the netting of receivables and payables for derivatives and related collateral amounts when a legally enforceable master netting agreement exists between NSP-Minnesota and a counterparty. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract.

NSP-Minnesota recognizes transfers between Levels as of the beginning of each period. There were no transfers of amounts between Levels for the three months ended March 31, 2011. The following table presents the transfers that occurred from Level 3 to Level 2 for the three months ended March 31, 2010:

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(Thousands of Dollars)		
Trading commodity derivatives not designated as cash flow hedges:		
Current assets	$	4,815
Noncurrent assets		9,137
Current liabilities		(2,075)
Noncurrent liabilities		(3,909)
Total	$	7,968

There were no transfers to or from Level 1 for the three months ended March 31, 2010, and the transfer of amounts from Level 3 to Level 2 is due to the passing of time and resulting increased availability of observable inputs to value certain long-term derivative contracts.

The following tables present, for each of the hierarchy levels, NSP-Minnesota's derivative assets and liabilities that are measured at fair value on a recurring basis at Dec. 31, 2010:

	Dec. 31, 2010					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting (b)	Total
Current derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 70	$ -	$ 70	$ -	$ 70
Other derivative instruments:						
Trading commodity	487	31,253	-	31,740	(18,719)	13,021
Electric commodity	-	-	3,619	3,619	(1,226)	2,393
Natural gas commodity	-	187	-	187	(187)	-
Total current derivative assets	$ 487	$ 31,510	$ 3,619	$ 35,616	$ (20,132)	15,484
Purchased power agreements (a)						24,408
Current derivative instruments						$ 39,892
Noncurrent derivative assets						
Derivatives designated as cash flow hedges:						
Vehicle fuel and other commodity	$ -	$ 83	$ -	$ 83	$ -	$ 83
Other derivative instruments:						
Trading commodity	-	25,850	-	25,850	(2,477)	23,373
Natural gas commodity	-	125	-	125	(48)	77
Total noncurrent derivative assets	$ -	$ 26,058	$ -	$ 26,058	$ (2,525)	23,533
Purchased power agreements (a)						77,725
Noncurrent derivative instruments						$ 101,258

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	Dec. 31, 2010					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Current derivative liabilities						
Other derivative instruments:						
Trading commodity	$ 392	$ 25,416	$ -	$ 25,808	$ (21,337)	$ 4,471
Electric commodity	-	-	1,227	1,227	(1,227)	-
Natural gas commodity	20	9,156	-	9,176	(187)	8,989
Total current derivative liabilities	$ 412	$ 34,572	$ 1,227	$ 36,211	$ (22,751)	13,460
Purchased power agreements [a]						13,851
Current derivative instruments						$ 27,311
Noncurrent derivative liabilities						
Other derivative instruments:						
Trading commodity	$ -	$ 13,351	$ -	$ 13,351	$ (2,478)	$ 10,873
Natural gas commodity	-	75	-	75	(48)	27
Total noncurrent derivative liabilities	$ -	$ 13,426	$ -	$ 13,426	$ (2,526)	10,900
Purchased power agreements [a]						186,871
Noncurrent derivative instruments						$ 197,771

(a) In 2003, as a result of implementing new guidance on the normal purchase exception for derivative accounting, NSP-Minnesota began recording several long-term purchased power agreements at fair value due to accounting requirements related to underlying price adjustments. As these purchases are recovered through normal regulatory recovery mechanisms in the respective jurisdictions, the changes in fair value for these contracts were offset by regulatory assets and liabilities. During 2006, NSP-Minnesota qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) The accounting guidance for derivatives and hedging permits the netting of receivables and payables for derivatives and related collateral amounts when a legally enforceable master netting agreement exists between NSP-Minnesota and a counterparty. A master netting agreement is an agreement between two parties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on or termination of any one contract.

The following table presents the changes in Level 3 commodity derivatives for the three months ended March 31, 2011 and 2010:

	Three Months Ended March 31,	
(Thousands of Dollars)	2011	2010
Balance at Jan. 1	$ 2,392	$ 27,237
Purchases	-	(1,354)
Settlements	(86)	71
Transfers out of Level 3	-	(7,968)
Gains recognized in earnings [a]	68	5,259
Gains (losses) recorded as regulatory assets and liabilities	8,846	(2,727)
Gains reclassified from regulatory assets and liabilities to earnings	(8,888)	(16,904)
Balance at March	$ 2,332	$ 3,614

(a) These amounts relate to commodity derivatives held at the end of the period.

Realized and unrealized gains and losses on commodity trading activities are included in electric revenues. Realized and unrealized gains and losses on non-trading derivative instruments are recorded in OCI or deferred as regulatory assets and liabilities. The classification as a regulatory asset or liability is based on the commission approved regulatory recovery mechanisms.

Fair Value of Long-Term Recorded at Carrying Amount

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NOTES TO FINANCIAL STATEMENTS (Continued)

The carrying amounts and fair values of NSP-Minnesota's long-term debt are as follows:

	March 31, 2011		Dec. 31, 2010	
(Thousands of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	$ 3,338,141	$ 3,626,540	$ 3,337,912	$ 3,673,214

The fair value of NSP-Minnesota's long-term debt is estimated based on the quoted market prices for the same or similar issues, or the current rates for debt of the same remaining maturities and credit quality. The fair value estimates presented are based on information available to management as of March 31, 2011 and Dec. 31, 2010. These fair value estimates have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair values may differ significantly.

As of March 31, 2011, and Dec. 31, 2010, the carrying amounts of cash and cash equivalents, notes and accounts receivable, notes and accounts payable and accrued liabilities are representative of fair value because of the short-term nature of these instruments.

8. Benefit Plans and Other Postretirement Benefits

Pension and other postretirement benefit disclosures below generally represent Xcel Energy consolidated information unless specifically identified as being attributable to NSP-Minnesota.

Components of Net Periodic Benefit Cost

	Three Months Ended March 31,			
	2011	2010	2011	2010
(Thousands of Dollars)	Pension Benefits		Postretirement Health Care Benefits	
Xcel Energy				
Service cost	$ 18,112	$ 17,618	$ 1,315	$ 1,038
Interest cost	39,915	40,652	10,551	10,529
Expected return on plan assets	(55,286)	(58,124)	(7,968)	(7,134)
Amortization of transition obligation	-	-	3,611	3,611
Amortization of prior service cost (credit)	5,633	5,164	(1,233)	(1,233)
Amortization of net loss	18,729	11,024	3,343	2,709
Net periodic benefit cost	27,103	16,334	9,619	9,520
Costs not recognized and additional cost recognized due to the effects of regulation	(7,885)	(7,326)	973	973
Net benefit cost recognized for financial reporting	$ 19,218	$ 9,008	$ 10,592	$ 10,493
NSP-Minnesota				
Net periodic benefit cost	$ 10,283	$ 7,326	$ 2,527	$ 2,489
Costs not recognized due to the effects of regulation	(7,310)	(7,326)	-	-
Net benefit cost recognized for financial reporting	$ 2,973	$ -	$ 2,527	$ 2,489

Voluntary contributions of $134 million were made to three of Xcel Energy's pension plans in January 2011, including $41.4 million related to NSP-Minnesota. Based on updated valuation results received in March 2011 for the NCE Non-Bargaining Pension Plan, Xcel Energy plans to make a required contribution of $3.3 million to the NCE Non-Bargaining Pension Plan in mid-2011.

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9. Supplementary Cash Flow

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	$ (70,875)	$ (67,714)
Cash (paid) received for income taxes, net	(4,003)	5,232
Supplemental disclosure of non-cash investing transactions:		
Property, plant and equipment additions in accounts payable	$ 11,365	$ 8,698