

2010 Deferred Fuel Write-off

Template V1.2

Period	Mn Co Electric												In Co Ga		Jur Electric				Jur Gas	
	Production				Transmission				Distribution				MN ND		MN ND SD Whls				MN ND	
	MN	ND	SD	Whls	MN	ND	SD	Whls	MN	ND	MN	ND								

Statement of Income

Operating Expenses:

Fuel & Purchased Energy	Annual			(9,607)																
Power Production	Annual																			
Transmission	Annual																			
Distribution	Annual																			
Customer Accounting	Annual																			
Customer Service & Information	Annual																			
Sales, Econ Dvlp & Other	Annual																			
Administrative & General	Annual																			
Total Operating Expenses:	Annual	0	0	(9,607)	0	0	0	0	0	0	0	0	0	0	0	0	0	(9,607)	0	0

Jurisdiction Cash Working Capital

Fuel Expenses

Coal & Rail Transport	Annual																			
Gas for Generation	Annual																			
Oil	Annual																			
Nuclear & EOL	Annual																			
Nuclear Disposal	Annual																			
Total Fuel Expenses	Annual	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Purchased Power

Purchases	Annual			(9,607)																
Interchange	Annual																			
Total Purchased Power	Annual	0	0	(9,607)	0	0	0	0	0	0	0	0	0	0	0	0	0	(9,607)	0	0

PT21-1

SD 2010 Test Year Rate Case
One Time Writeoff of Deferred Fuel Exense

SD Write-off Amount (9,607,385)

2010 Deferred Fuel Adjustments for South Dakota

In 2010, NSPM wrote off approximately \$9.6 million of deferred fuel costs in the South Dakota retail electric jurisdiction.

In 1992, NSPM began recording unbilled revenues, which is an estimate of sales consumed but not yet billed to customers. At that same time, NSPM also began recording a deferred fuel entry, or an estimate of over or under recovered fuel and purchased power costs through the FCA. Any under-recovery of fuel costs are recorded as an asset on the balance sheet and any over-recovery of fuel costs are recorded as a liability on the balance sheet.

The deferred fuel calculation developed in 1992 continued to be used through early 2010. In first quarter 2010, questions were asked during the Company's month-end accounting review process that led to an investigation into how the Company calculated the deferred fuel amounts for South Dakota. It was subsequently determined that the Company's deferred fuel methodology that had been used since 1992 was incorrect. This methodology assumed that the base cost of fuel represented recovery of current month costs and the FCA revenue represented lagged recovery of fuel costs. In actuality, however, the FCA tariff for South Dakota provides for current recovery of all fuel costs. As a result, the Company's deferred fuel methodology calculated too large of an asset.

The error on the balance sheet gradually built up over a 20 year time period such that no year taken in isolation appeared unusual and was detected by the Company's financial reporting controls. The error was detected in 2010 because of a change to the South Dakota fuel tariffs that occurred mid-January 2010. This tariff change unbundled base fuel from the energy charge and combined it with the FCA into one total fuel charge factor. Because of this change and the methodology used by the Company to calculate its deferred fuel entry, a large over-recovery of fuel for the South Dakota jurisdiction was shown on the financial statements in first quarter 2010, which was questioned by management.

Correcting journal entries were recorded in 2010 to restate the deferred fuel amounts to the proper amount. The monthly deferred fuel calculation was refined to be consistent with the current FCA recovery mechanisms, and additional controls were implemented in the process.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
			Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10		2010			
			SD	SD	SD	SD	SD	SD	SD	SD	SD	SD	SD	SD		SD			
			Calendar	Calendar	Calendar	Calendar	Calendar	Calendar	Calendar	Calendar	Calendar	Calendar	Calendar	Calendar					
5	NSP System Sales																		
6	MN Retail		2,699,457	2,342,542	2,516,480	2,264,186	2,501,462	2,728,270	3,204,894	3,298,696	2,482,208	2,472,585	2,468,578	2,682,844					
7	MN Windsource		(12,307)	(14,056)	(14,435)	(12,158)	(10,876)	(14,438)	(13,528)	(16,797)	(14,011)	(12,841)	(12,144)	(13,445)					
8	ND Retail		222,254	189,946	190,655	151,863	160,154	167,487	195,892	194,367	162,030	167,662	186,288	217,282					
9	SD Retail		173,238	149,087	160,247	138,010	147,545	176,718	212,115	210,330	158,313	150,606	158,851	165,230					
10	WI Retail		574,158	487,049	495,759	441,757	476,923	505,276	582,212	589,982	488,136	486,062	499,465	550,699					
11	MI Retail		14,388	12,747	11,716	9,621	10,631	9,513	12,080	11,397	10,780	11,174	11,795	14,520					
12	MN Wholesale		30,177	25,674	24,974	19,591	22,902	24,091	29,719	35,118	18,924	20,556	26,923	25,798					
13	WI Wholesale		53,726	48,978	40,880	41,640	39,092	44,346	48,169	51,333	41,729	42,140	43,157	50,303					
14	Total System Sales (Sales Estimate)		3,755,091	3,241,967	3,426,276	3,054,412	3,347,833	3,641,263	4,271,653	4,374,426	3,346,109	3,337,944	3,381,953	3,693,231					
16	Billed Sales Prior to Elimination of Base Cost of Fuel		163,686	35,237	481	393	95	244	103	(3)	(20)	(34)	26	4					
19	Base COF		10.92000	10.92000	10.92000	10.92000	10.92000	10.92000	10.92000	10.92000	10.92000	10.92000	10.92000	10.92000					
22	Fuel Cost Calculation																		
23	Fossil Fuel		42,972,112	38,278,709	27,468,129	28,892,464	42,295,038	39,902,361	55,067,340	58,449,676	32,483,786	27,904,463	29,250,092	42,930,204					
24	Nuclear Fuel		10,021,592	8,941,916	9,775,775	8,045,934	7,461,565	10,244,323	10,489,991	10,436,899	10,120,299	10,528,653	8,442,371	10,688,880					
25	Purchased Power		41,322,966	28,152,883	34,011,198	32,827,975	46,251,093	40,206,803	56,703,481	51,892,571	42,858,688	35,333,149	40,385,101	34,161,908					
26	MISO		19,122,398	14,270,604	18,824,812	18,966,241	19,443,470	14,026,765	16,386,284	17,952,921	9,750,729	15,056,299	19,745,005	13,553,719					
27	Less: STOU		(15,446,370)	(7,919,136)	(7,682,321)	(7,335,161)	(14,193,013)	(9,145,253)	(23,721,609)	(16,801,461)	(15,484,547)	(6,507,051)	(11,869,991)	(9,477,298)					
28	Less: MISO Sch 24		-	-	-	-	-	-	-	-	-	-	-	-					
29	Less: MISO Sch 16/17		-	-	-	-	-	-	-	-	-	-	-	-					
30	Less: RSG/RNU		-	-	-	-	-	-	-	-	-	-	-	-					
31	Less: Congestion & Loss		-	-	-	-	-	-	-	-	-	-	-	-					
32	Total System Costs		94,992,698	81,724,976	82,197,593	81,397,453	101,256,153	95,234,999	114,935,487	121,930,606	79,728,955	82,315,513	85,932,578	91,867,411					
33	Retail Percentage		4.61%	4.60%	4.68%	4.52%	4.41%	4.85%	4.97%	4.81%	4.73%	4.51%	4.70%	4.47%					
34	Jurisdictional System Cost		4,382,409	3,756,293	3,844,383	3,677,848	4,462,628	4,621,951	5,707,285	5,862,635	3,769,928	3,714,026	4,036,270	4,110,020					51,947,636
36	Prior Month Deferred Calculation		5,381,765	5,440,216	6,640,347	5,381,765	5,381,765	6,381,765	6,381,765	6,942,634	6,529,469	(3,679,797)	(4,143,590)	(3,304,111)					43,333,993
37	Current Month Deferred Calculation		(5,440,216)	(6,640,347)	(5,381,765)	(5,381,765)	(6,381,765)	(6,381,765)	(6,942,634)	(6,529,469)	3,679,797	4,143,590	3,304,111	2,635,240					(35,316,988)
38	Prior Month Deferred Calculation Adjust		2,048,591	2,045,672	2,416,492	2,421,065	2,421,065	2,421,065	2,420,356	2,420,356	-	-	-	-					16,194,308
39	Current Month Deferred Calculation Adjust		(2,045,672)	(2,416,492)	(2,421,065)	(2,421,065)	(2,421,065)	(2,420,356)	(2,420,356)	-	-	-	-	-					(14,145,717)
40			(55,532)	(1,570,951)	1,254,009	-	(1,000,000)	707	1,859,489	413,165	10,209,266	463,793	(839,479)	(668,871)					10,065,596
42	Fuel Costs to be Recovered		4,326,677	2,187,302	5,098,392	3,677,848	3,462,628	4,622,658	7,966,774	6,275,800	13,979,194	4,177,819	3,196,791	3,441,149					62,013,232
45	Base Recovery		1,787,451	384,768	5,253	4,292	1,037	2,664	1,125	(33)	(218)	(371)	284	44					2,186,315
47	Billed Recovery excl margin sharing (TAR)		2,408,995	3,538,779	4,455,628	3,522,146	3,049,739	4,042,720	5,879,107	6,960,821	5,303,040	4,204,343	3,606,900	3,537,574					50,307,692
48	Billed Margin Sharing (TAR)		-	-	(35,171)	(47,531)	(26,896)	(25,693)	(57,062)	(102,962)	(72,013)	(50,460)	(40,966)	(30,569)					(489,323)
50	Unbilled FCA Revenues		-	-	-	-	-	-	-	-	-	-	-	-					-
51	Prior Month Unbilled Revenue		(2,462,592)	(2,514,808)	(2,548,234)	(2,083,232)	(1,885,406)	(2,099,705)	(2,354,987)	(3,772,035)	(3,213,801)	(2,417,391)	(2,485,582)	(2,381,041)					(30,198,816)
52	Current Month Unbilled Revenue		2,514,808	2,548,234	2,083,234	1,885,406	2,099,705	2,354,987	3,772,035	3,213,801	2,417,391	2,485,582	2,381,041	2,365,411					30,101,635
53	Total Net Unbilled FCA Revenues		52,216	33,426	(465,002)	(197,826)	214,300	255,281	1,417,048	(558,234)	(796,410)	68,191	(124,541)	4,370					(97,161)
55	Billed FCA Refunds		-	-	-	-	-	-	-	-	-	-	-	-					-
56	Asset Based Margin Sharing		-	-	35,171	47,531	26,896	25,693	57,062	102,962	72,013	50,460	40,966	30,569					489,323
57	Non-Asset Based Margin Sharing		-	-	-	-	-	-	-	-	-	-	-	-					-
58	MISO Schedule 16/17		-	-	-	-	-	-	-	-	-	-	-	-					-
59	Previous Margin Refund		-	-	-	-	-	-	-	-	-	-	-	-					-
60	Other Refunds		-	-	-	-	-	-	-	-	-	-	-	-					-
61	Total Billed FCA Refunds		-	-	35,171	47,531	26,896	25,693	57,062	102,962	72,013	50,460	40,966	30,569					489,323
63	Reverse Prior Month Unbilled FCA Refunds		-	-	-	-	-	-	-	-	-	-	-	-					-
64	Asset Based Margin Sharing		-	-	-	(37,877)	(16,815)	(18,150)	(8,765)	(56,485)	(49,262)	(28,460)	(31,103)	(22,671)					(269,389)
65	Non-Asset Based Margin Sharing		-	-	-	-	-	-	-	-	-	-	-	-					-
66	MISO Schedule 16/17		-	-	-	-	-	-	-	-	-	-	-	-					-
67	Previous Margin Refund		-	-	-	-	-	-	-	-	-	-	-	-					-
68	Other Refunds		-	-	-	-	-	-	-	-	-	-	-	-					-
69	Reverse Prior Month FCA Total Refunds		-	-	-	(37,877)	(16,815)	(18,150)	(8,765)	(56,485)	(49,262)	(28,460)	(31,103)	(22,671)					(269,389)
71	Current Month Unbilled FCA Refunds		-	-	-	-	-	-	-	-	-	-	-	-					-
72	Asset Based Margin Sharing		-	-	37,877	16,815	18,150	8,765	56,485	49,262	28,460	31,103	22,671	16,736					286,125
73	Non-Asset Based Margin Sharing		-	-	-	-	-	-	-	-	-	-	-	-					-

52,894,007
for FCA factor analysis

PF 21-3a

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
		Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10		2010			
		SD	SD	SD	SD	SD	SD	SD	SD	SD	SD	SD	SD		SD			
74	MISO Schedule 15/17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75	Previous Margin Refund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
76	Other Refunds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
77	Total Current Month FCA Refunds	-	-	37,877	16,615	18,150	8,765	56,485	49,262	28,460	31,103	22,671	16,726	-	286,125	-	-	-
78	Total Fuel Recoveries (After Margin Sh)	4,248,662	3,954,993	4,039,655	3,307,349	3,266,611	4,291,261	7,144,999	6,395,332	4,485,610	4,274,905	3,474,211	3,536,053	-	52,413,563	-	-	-
79	Fuel Timing (Favorable)/Unfavorable	78,214	(1,767,691)	1,064,737	370,499	196,017	331,377	421,775	(119,532)	9,493,584	(96,956)	(277,420)	(94,904)	-	9,599,669	-	-	-
80																		
81	Cumulative Fuel Timing (Favorable)/Unfavorable		(1,689,476)	(624,740)	(254,241)	(58,224)	273,153	694,928	575,396	10,066,980	9,971,933	9,694,573	9,599,669	-		-	-	-
82	Less September 2010 write-off to correct deferred methodology									403,430	306,443	29,023	(65,881)	-		-	-	-
83																		
84	Timing Explanations: (Favorable)/Unfavorable																	
85	Cost Allocation (Costs allocated to jurisdiction via calendar sales lower (higher) than billed sales)																	
86	Calendar Month Costs	4,382,409	3,758,253	3,844,383	3,677,848	4,462,628	4,621,951	5,707,285	5,862,635	3,769,928	3,714,026	4,036,270	4,110,020	-	51,947,536	-	-	-
87	Costs per FCA Method (billed allocator)	4,329,709	3,751,808	3,910,426	3,641,973	4,473,568	4,483,196	5,778,745	6,092,161	3,741,757	3,809,952	3,800,044	4,117,715	-	51,931,064	-	-	-
88		52,700	6,445	(66,043)	35,875	(10,940)	138,755	(71,460)	(228,526)	28,171	(95,936)	236,226	(7,895)	-	16,572	-	-	-
89	YTD		59,145	(6,898)	28,977	18,037	156,792	85,332	(144,194)	(116,023)	(211,959)	24,267	16,572	-		-	-	-
90	Revenue Allocation (Actual billed revenues higher (lower) than FCA calculated revenues)																	
91	FCA Method	4,314,795	4,107,772	4,345,840	3,439,211	2,907,285	4,243,658	6,680,741	6,587,827	5,081,034	4,190,878	3,085,857	3,450,416	-	52,415,314	-	-	-
92	Actual Billed Method	4,196,446	3,921,587	4,460,781	3,528,438	3,050,776	4,045,384	5,690,232	5,960,788	5,902,822	4,203,972	3,807,184	3,537,618	-	52,494,007	-	-	-
93		118,349	186,205	(114,941)	(87,227)	(143,491)	198,274	980,509	(372,961)	(221,788)	(13,094)	(521,327)	(87,202)	-	(78,593)	-	-	-
94	YTD		304,554	189,613	102,367	(41,105)	157,169	1,137,678	764,717	542,929	529,836	8,509	(78,693)	-		-	-	-
95	True-up estimated prior month deferred to FCA calculation																	
96	(Over)/under recovery as calculated in las	245,332	41,384	(108,509)	(396,872)	90,757	1,173,333	332,769	291,683	(167,021)	(1,052,491)	(566,270)	(348,850)	-	(464,755)	-	-	-
97	Actual (over)/under recovery per FCA	249,202	41,275	(112,630)	(401,029)	90,940	1,171,671	328,645	294,033	(181,455)	(1,060,635)	(571,548)	(349,507)	-	(502,038)	-	-	-
98		(2,870)	109	4,121	4,157	(183)	1,662	4,124	(2,350)	14,434	8,144	5,278	657	-	37,283	-	-	-
99	YTD		(2,761)	1,360	5,517	5,334	6,996	11,120	8,770	23,204	31,348	36,626	37,283	-		-	-	-
100	Flawed deferred methodology																	
101	Deferred recorded in GL	(7,485,888)	(9,056,839)	(7,802,830)	(7,802,830)	(8,802,830)	(8,802,123)	(6,942,634)	(6,523,469)	-	-	-	-	-	(63,225,443)	-	-	-
102	Less: Carry-over error from end of year 2	3,607,565	9,711,110	11,672,307	10,433,441	10,016,123	9,584,216	9,661,435	10,150,825	9,665,550	-	-	-	-	90,501,392	-	-	-
103	Deferred that should have been recorded	2,225,223	2,615,466	2,630,611	2,212,293	781,386	859,312	3,208,191	3,137,209	-	-	-	-	-	17,689,693	-	-	-
104		(103,728)	(1,981,197)	1,238,866	418,318	430,907	(77,219)	(489,390)	484,147	9,665,550	-	-	-	-	9,606,256	-	-	-
105	YTD		(2,064,923)	(828,057)	(407,739)	23,168	(54,051)	(543,441)	(59,294)	(59,294)	(59,294)	(59,294)	(59,294)	-	(59,294)	-	-	-
106	Less September 2010 write-off to correct deferred methodology																	
107	STOU Error					(71,700)	72,197											497
108	Carrying charge																	
109		(285)	747	2,733	(625)	(8,576)	(2,291)	(2,008)	1,158	7,247	3,899	2,402	(654)	-	3,737	-	-	-
110		(285)	747	2,733	(625)	(8,576)	(2,291)	(2,008)	1,158	7,247	3,899	2,402	(654)	-	3,737	-	-	-
111	YTD		462	3,195	2,570	(6,006)	(8,297)	(10,305)	(9,147)	(1,900)	1,999	4,401	3,737	-		-	-	-
112																		
113	Total Explained	64,168	(1,767,691)	1,064,736	370,498	196,017	331,378	421,775	(119,532)	9,493,614	(95,987)	(277,421)	(94,904)	-	9,585,652	-	-	-
114	Unexplained	14,047	0	0	0	(0)	(1)	(0)	1	(31)	0	0	0	-	14,017	-	-	-
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139																		
140	Margin Sharing																	
141	Revenue refunds (billed)	-	-	(35,171)	(47,531)	(26,896)	(25,693)	(57,062)	(102,962)	(72,013)	(50,460)	(40,966)	(30,569)	-	(489,323)	-	-	-
142	Revenue refunds (GUB)	-	-	(37,877)	(16,615)	(18,150)	(8,765)	(56,485)	(49,262)	(28,460)	(31,103)	(22,671)	(16,735)	-	(286,125)	-	-	-
143	Revenue refunds (GUB) (-1)	-	-	-	37,877	16,615	18,150	8,765	56,485	49,262	28,460	31,103	22,671	-	269,389	-	-	-

PP21-36

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
			Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10		2010			
			SD	SD	SD	SD	SD	SD	SD	SD	SD	SD	SD	SD		SD			
144			-	-	(73,048)	(26,269)	(28,431)	(16,308)	(104,781)	(95,739)	(51,211)	(53,103)	(32,534)	(24,634)		(506,059)			
145																			
146		J/E to credit revenues for margin sharing																	
147		Variance	-	-	(73,048)	(26,269)	(28,431)	(16,308)	(104,781)	(95,739)	(51,211)	(53,103)	(32,534)	(24,634)		(506,059)			
148																			
149																			
150																			
151																			
152		Billed FCA revenue differences from FARR	68,152	116,226	(43,799)	(52,965)	(75,175)	54,845	570,953	(359,225)	(214,555)					64,459			
153		Billed FCA true-up revenue differences from I	50,582	74,080	(66,193)	(34,324)	(67,120)	147,492	407,182							511,700			
154																			
155		Billed recovery								6,960,788	5,302,822					576,158			
156																			
157		FCA calculated revenues								6,368,895	4,946,230								
158										232,668	142,037								
159										6,601,563	5,088,267								
160										(359,225)	(214,555)								

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