

**ROE = 4.17%**  
**Deficiency = \$19,368**  
**% Increase = 11.53%**  
**Required ROE = 10.65%**

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

**Northern States Power Company (SD)**  
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(Dollars in Thousands)

**Rate Base Summary**

	<b>Total Company Electric</b>			<b>SD Retail Electric</b>			<b>All Other</b>		
	<b><u>Beginning Balance</u></b>	<b><u>Ending Balance</u></b>	<b><u>Average Balance</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Ending Balance</u></b>	<b><u>Average Balance</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Ending Balance</u></b>	<b><u>Average Balance</u></b>
1 Plant Investment	14,035,819	14,035,819	14,035,819	817,856	817,856	817,856	13,217,963	13,217,963	13,217,963
2 Depreciation Reserve	<u>(6,676,170)</u>	<u>(6,676,170)</u>	<u>(6,676,170)</u>	<u>(386,643)</u>	<u>(386,643)</u>	<u>(386,643)</u>	<u>(6,289,527)</u>	<u>(6,289,527)</u>	<u>(6,289,527)</u>
3 Net Utility Plant	7,359,649	7,359,649	7,359,649	431,213	431,213	431,213	6,928,436	6,928,436	6,928,436
4 C.W.I.P.	0	0	0	0	0	0	0	0	0
5 Accumulated Deferred Taxes	(1,453,668)	(1,453,668)	(1,453,668)	(82,551)	(82,551)	(82,551)	(1,371,117)	(1,371,117)	(1,371,117)
Other Rate Base:									
6 Cash Working Capital	(66,229)	(66,229)	(66,229)	(2,247)	(2,247)	(2,247)	(63,981)	(63,981)	(63,981)
7 Materials & Supplies	124,370	124,370	124,370	7,206	7,206	7,206	117,164	117,164	117,164
8 Fuel Inventory	87,684	87,684	87,684	4,958	4,958	4,958	82,726	82,726	82,726
9 Non-Plant Assets & Liab	(10,225)	(10,225)	(10,225)	(713)	(713)	(713)	(9,512)	(9,512)	(9,512)
10 Prepays & Other	85,027	85,027	85,027	9,643	9,643	9,643	75,384	75,384	75,384
<b>11 Total Rate Base</b>	<b>6,126,609</b>	<b>6,126,609</b>	<b>6,126,608</b>	<b>367,508</b>	<b>367,508</b>	<b>367,509</b>	<b>5,759,100</b>	<b>5,759,100</b>	<b>5,759,100</b>

**Northern States Power Company (SD)**  
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**Income Statement Summary**

	<b><u>Total Company Electric</u></b>	<b><u>SD Retail Electric</u></b>	<b><u>All Other</u></b>	
<b><u>Operating Revenues</u></b>				
1	Retail	3,118,088	168,052	2,950,036
2	CIP Adjustment to Program Costs	0	-	0
3	Interdepartmental	548	-	548
4	Other Operating	658,638	34,610	624,028
5	Gross Earnings Tax	0	-	0
6	<b>Total Operating Revenues</b>	<b>3,777,274</b>	<b>202,662</b>	<b>3,574,612</b>
<b><u>Expenses</u></b>				
Operating Expenses:				
7	Fuel & Purchased Energy	1,228,064	68,425	1,159,639
8	Power Production	738,723	42,836	695,887
9	Transmission	191,059	10,530	180,529
10	Distribution	112,873	6,814	106,059
11	Customer Accounting	59,283	3,915	55,368
12	Customer Service & Information	115,326	250	115,076
13	Sales, Econ Dvlp & Other	254	52	202
14	Administrative & General	212,214	12,619	199,595
15	<b>Total Operating Expenses</b>	<b>2,657,796</b>	<b>145,441</b>	<b>2,512,355</b>
16	Depreciation	347,673	21,357	326,316
17	Amortization	24,694	464	24,230
Taxes:				
18	Property	128,737	5,971	122,766
19	Gross Earnings	0	-	0
20	Deferred Income Tax & ITC	190,787	13,963	176,823
21	State & Federal Income (see Page 3)	(26,168)	(5,066)	(21,101)
22	Payroll & Other	30,956	1,846	29,110
23	<b>Total Taxes</b>	<b>324,312</b>	<b>16,714</b>	<b>307,598</b>
24	<b>Total Expenses</b>	<b>3,354,475</b>	<b>183,976</b>	<b>3,170,499</b>
25	AFUDC	0	-	0
26	<b>Total Operating Income</b>	<b>422,799</b>	<b>18,686</b>	<b>404,113</b>

(Dollars in Thousands)

**Income Tax Summary**

	<b><u>Total Company Electric</u></b>	<b><u>SD Retail Electric</u></b>	<b><u>All Other</u></b>	
<b><u>Income Before Taxes</u></b>				
1	Total Operating Revenues	3,777,274	202,662	3,574,612
2	less: Total Operating Expenses	(2,657,796)	(145,441)	(2,512,355)
3	Book Depreciation & Amortization	(372,367)	(21,821)	(350,546)
4	Taxes (Other Than Current Income)	(350,480)	(21,780)	(328,699)
5	<b>Total Before Tax Book Income</b>	<b>396,631</b>	<b>13,620</b>	<b>383,012</b>
<b><u>Tax Additions</u></b>				
6	Book Depreciation	347,673	21,357	326,316
7	Deferred Income Taxes & ITC	190,787	13,963	176,823
8	Nuclear Fuel Burn (ex D&D)	112,373	6,485	105,888
9	Nuclear Outage Accounting	59,808	3,415	56,393
10	Avoided Tax Interest	33,117	1,888	31,229
11	Open Line	0	0	0
12	Open Line	0	0	0
13	Open Line	0	0	0
14	Open Line	0	0	0
15	Open Line	0	0	0
16	Other Book Additions	0	0	0
17	<b>Total Tax Additions</b>	<b>743,758</b>	<b>47,108</b>	<b>696,649</b>
<b><u>Tax Deductions</u></b>				
18	Debt Interest Expense	176,446	10,584	165,862
19	Tax Depreciation & Removal	953,710	63,171	890,539
20	Manufacture Production Deduction	0	0	0
21	Open	0	0	0
22	Open	0	0	0
23	Open	0	0	0
24	Other Tax/Book Timing Differences	77,093	4,582	72,511
25	Net Preferred Stock Deduction	0	0	0
26	<b>Total Tax Deductions</b>	<b>1,207,249</b>	<b>78,337</b>	<b>1,128,912</b>
27	<b>State Taxable Income</b>	<b>(66,860)</b>	<b>(17,609)</b>	<b>(49,251)</b>
28	State Income Tax Rate	8.89%	0.00%	N/A
29	State Taxes before Credits	(5,944)	0	(5,944)
30	State Credits	0	0	0
31	<b>Total State Income Taxes</b>	<b>(5,944)</b>	<b>0</b>	<b>(5,944)</b>
32	<b>Federal Taxable Income</b>	<b>(60,917)</b>	<b>(17,609)</b>	<b>(43,307)</b>
33	Federal Income Tax Rate	35.00%	35.00%	35.00%
34	Federal Tax before Credits	(21,321)	(6,163)	(15,158)
35	Federal Tax Credits	(1,097)	(1,097)	0
36	<b>Total Federal Income Taxes</b>	<b>(20,224)</b>	<b>(5,066)</b>	<b>(15,158)</b>
37	<b>Total Federal &amp; State Income Taxes</b>	<b>(26,168)</b>	<b>(5,066)</b>	<b>(21,101)</b>

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**Revenue Requirement & Return Summary**

(Dollars in Thousands)

	<u>Capital Structure</u>	<u>Rate</u>	<u>Ratio</u>	<u>Weighted Cost</u>	<u>Composite Income Tax Rates</u>	
1	Long Term Debt	6.1187%	47.1100%	2.8800%	State of South Dakota Tax rate	0.00%
2	Short Term Debt	0.0000%	0.0000%	0.0000%	Federal Statutory Tax rate	35.00%
3	Preferred Stock	0.0000%	0.0000%	0.0000%	Federal Effective Tax Rate (1-State Rate*Fed Rate)	35.00%
4	Common Equity	10.6500%	52.8900%	5.6300%	<b>Total South Dakota Composite Tax Rate</b>	<b>35.00%</b>
5	<b>Required Rate of Return</b>			<b>8.5100%</b>	<b>Total Corporate Composite Tax Rate</b>	<b>40.78%</b>

	<u>Total Company Electric</u>	<u>SD Retail Electric</u>	<u>All Other</u>
<b><u>Rate of Return (ROR)</u></b>			
6	Total Operating Income	422,799	18,686
7	Total Average Rate Base	6,126,608	367,509
8	<b>ROR (Operating Income / Rate Base)</b>	<b>6.90%</b>	<b>5.08%</b>
			<b>7.02%</b>

<b><u>Return on Equity (ROE)</u></b>			
9	Total Operating Income	422,799	18,686
10	Debt Interest (Rate Base * Weighted Debt Cost)	(176,446)	(10,584)
11	Preferred Stock (Rate Base * Weighted Preferred Cost)	0	0
12	Earnings Available for Common	246,353	8,102
13	Equity Rate Base ( Rate Base * Equity Ratio)	3,240,363	194,375
14	<b>ROE (Earnings for Common / Equity Rate Base)</b>	<b>7.60%</b>	<b>4.17%</b>
			<b>7.82%</b>

<b><u>Revenue Deficiency</u></b>			
15	Require Operating Income (Rate Base * Required Return)	521,374	31,275
16	Operating Income	422,799	18,686
17	Operating Income Deficiency	98,575	12,589
18	Revenue Conversion Factor ( 1/(1-Composite Tax Rate) )	1.68858	1.53846
19	<b>Revenue Deficiency (Income Deficiency * Conversion Factor)</b>	<b>166,452</b>	<b>19,368</b>
			<b>147,084</b>

<b><u>Total Retail Revenue Requirements</u></b>			
20	Retail Related Revenues	3,118,636	168,052
21	Revenue Deficiency	166,452	19,368
22	<b>Total Retail Revenue Requirements</b>	<b>3,285,088</b>	<b>187,420</b>
			<b>3,097,668</b>

23	<b><u>Percentage Increase (Decrease)</u></b>	<b>5.34%</b>	<b>11.53%</b>	<b>4.98%</b>
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(Dollars in Thousands)

**Rate Base Detail - Cash Working Capital**

Expenses	Lead Days	Total Company Electric		SD Retail Electric		All Other			
		Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days		
<b>Fuel Expenses</b>									
1	Coal & Rail Transport	18.10	344,376	6,233,206	19,471	352,425	324,905	5,880,781	
2	Gas for Generation	37.01	103,070	3,814,621	5,827	215,657	97,243	3,598,963	
3	Oil	19.40	2,413	46,812	136	2,638	2,277	44,174	
4	Nuclear & EOL	0.00	100,902	0	5,691	0	95,211	0	
5	Nuclear Disposal	76.13	11,471	873,287	662	50,398	10,809	822,889	
6			562,232	10,967,926	31,787	621,119	530,445	10,346,807	
<b>Purchased Power</b>									
7	Purchases	33.09	875,869	28,982,505	49,450	1,636,301	826,419	27,346,205	
8	Interchange	38.21	124,334	4,750,802	7,153	273,316	117,181	4,477,486	
			1,000,203	33,733,307	56,603	1,909,617	943,600	31,823,691	
<b>Labor &amp; Related Costs</b>									
9	Regular Payroll	11.89	388,024	4,613,605	23,174	275,539	364,850	4,338,067	
10	Incentive Compensation	252.18	19,694	4,966,433	895	225,701	18,799	4,740,732	
11	Pension & Benefits	16.80	81,934	1,376,491	4,964	83,395	76,970	1,293,096	
12	Subtotal Labor & Related		489,652	10,956,529	29,033	584,635	460,619	10,371,894	
13									
14	All Other Operating Expenses	29.21	605,709	17,692,760	28,018	818,406	577,691	16,874,354	
15	Property Tax	355.99	128,737	45,829,085	5,971	2,125,616	122,766	43,703,468	
16	Employer's Payroll Taxes	28.44	30,956	880,389	1,846	52,500	29,110	827,888	
17	Gross Earnings Tax	43.45	0	0	0	0	0	0	
18	Federal Income Tax	36.75	(20,224)	(743,224)	(5,066)	(186,186)	(15,158)	(557,038)	
19	State Income Tax	36.75	(5,944)	(218,438)	0	0	(5,944)	(218,438)	
20	State Sales Tax Customer Billings	43.45	0	0	0	0	0	0	
21	Total Expenses	42.67	2,791,321	119,098,333	148,192	5,925,707	2,643,130	113,172,626	
22	Net Annual Expense Amount			326,297		16,235		310,062	
<b>Revenues</b>									
		Lag Days	Dollars	Dollar x Days	Dollars	Dollar x Days	Dollars	Dollar x Days	
23	Computer Billing	100.00%	33.62	3,118,088	104,819,058	168,052	5,649,312	2,950,036	99,169,746
24	Hand Billed	0.00%	33.62	0	0	0	0	0	0
25	Retail Revenue Adjustments	0.00	0	0	0	0	0	0	
26	Interdepartmental	0.00	548	0	0	0	548	0	
27	Late Payment	0.00	0	0	0	0	0	0	
28	Connect and Trouble Charges	33.62	2,176	73,149	246	8,270	1,930	64,880	
29	CIP Incentive	0.00	39,317	0	0	0	39,317	0	
30	Rentals	-11.29	4,187	(47,271)	251	(2,834)	3,936	(44,437)	
31	Interchange Revenues	38.21	439,393	16,789,214	25,087	958,582	414,306	15,830,632	
32	Sales for Resale	41.06	66,242	2,719,897	3,607	148,103	62,635	2,571,793	
33	Production Associated Revenues	41.06	5,875	241,228	332	13,632	5,543	227,596	
34	MISO	14.00	8,931	125,034	31	434	8,900	124,600	
35	Point to Point Firm	41.06	56,409	2,316,154	3,255	133,650	53,154	2,182,503	
36	Services & Facilities	41.06	8,743	358,988	500	20,530	8,243	338,458	
37	Ancillary	41.06	23,479	964,048	1,355	55,636	22,124	908,411	
38	Distribution Associated Revenues	33.62	159	5,345	0	0	159	5,345	
39	Other	33.62	8,540	287,078	218	7,322	8,322	279,756	
40	JOA - Rev fr/to PSC	41.06	(4,813)	(197,622)	(272)	(11,168)	(4,541)	(186,453)	
41	(blank)	0.00	0	0	0	0	0	0	
42	(blank)	0.00	0	0	0	0	0	0	
43	(blank)	0.00	0	0	0	0	0	0	
44	Total Revenues	34.01	3,777,274	128,454,299	202,662	6,981,470	3,574,612	121,472,829	
45	Net Annual Amount			351,930		19,127		332,802	
46	Expense / Revenue Factor			0.7390		0.7312			
47	Allocated Revenue Amount			260,068		13,986			
48	Net Cash Working Capital			(66,229)		(2,249)		(63,980)	