

NSPM calculates its current and deferred federal income tax expense on a separate company basis for financial reporting purposes. Under the separate company method, tax expense is calculated based on the company's own income and expense items and does not include income and expense items for other affiliates. Tax expense is based on the income and expenses of all the regulated and non-regulated operations of the legal entity in all the jurisdictions in which it operates.

For rate-making purposes, the stand-alone method is used to calculate current and deferred income tax expense. The stand-alone method bases tax expense on the income, expenses, and tax deductions directly attributable to providing regulated utility service to customers in a particular jurisdiction. The cost of service for this filing isolates all income and expense associated with the South Dakota retail jurisdiction, including income tax expense associated with providing services to South Dakota retail customers, using the stand-alone method.

The stand-alone regulatory approach is calculated consistent with NSPM's separate company financial reporting practices. However, the stand-alone regulatory view is adjusted to exclude nonregulated operations and the effects of the consolidated income tax filing with Xcel Energy.