BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION FILED BY NORTHERN STATES POWER COMPANY FOR APPROVAL OF THE INCLUSION OF FINANCIAL INCENTIVES IN ITS FUEL CLAUSE	))))	**ORDER APPROVING EXTENSION** **EL99-021**

On December 23, 1999, the Public Utilities Commission (Commission) received a Petition for Approval of the Inclusion of Financial Incentives in its Fuel Clause from Northern States Power Company (NSP). In the petition, NSP requested approval of the use of financial instruments and linked transactions to be considered as part of its Fuel Adjustment Clause pursuant to SDCL 49-34A-25.

In its petition, NSP requested that it be allowed to use financial instruments such as futures contracts, option contracts, and linked transactions to help reduce price and volatility for its customers. The first type of instrument proposed to be used by NSP is a futures contract. A futures contract is similar to a forward contract in that it locks in the price of electricity. The difference is that with a futures contract NSP will typically close out the futures contract and then purchase energy at the market price. NSP would then reflect the locked-in price through the recognition on NSP's books of a gain or loss on the transaction and apply the gains and losses to the fuel clause.

The second type of instrument is an option contract. An option contract will give NSP the choice to elect delivery at a fixed price, by paying an option premium, without any obligation to actually take the energy. NSP stated that it may utilize options with power-producing entities or with futures contracts. NSP stated that the costs and revenues of options contracts should be allowed to flow through the fuel clause because those costs and revenues reflect the actual costs and benefits of securing optimally priced power.

The third type of instrument is a "linked" or transmission sensitive forward contract. This type of instrument would allow NSP to create linked forward transactions based upon transmission price differentials in order to lower costs. NSP stated that opportunities to link transactions exist because of regional market price differences and that linked transactions can result in lower overall total cost of energy to customers. NSP stated that without fuel clause recovery, it would take a loss on this transaction. On April 27, 2000, the Commission voted unanimously to approve NSP's petition subject to conditions.

On April 6, 2001, Xcel Energy fka NSP (Xcel) filed its compliance filing and a request for an extension of the test period which would be subject to the same limitations and reporting requirements as the Commission's previous approval.

The Commission has jurisdiction over this matter pursuant to SDCL Chapter 49-34A, specifically SDCL 49-34A-25. At its April 17, 2001, meeting, the Commission considered this matter. The Commission voted unanimously to approve the extension and to change the reporting requirements to biannual filings. The Commission also adopted the conditions as stated in Exhibit B, which is hereby incorporated by reference. It is therefore

ORDERED, that Xcel's request for an extension of the test period is granted subject to the conditions listed in Exhibit B; and it is

FURTHER ORDERED, that Xcel shall file its compliance biannually.

Dated at Pierre, South Dakota, this 24th day of April, 2001.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 4/24/01

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner