

Transmission Cost Recovery
Base Assumptions

CONFIDENTIAL Trade Secret Data Excised

Weighted Cost of Capital

	2009 Actual			2010 Actual		
	Rate	Ratio	Weighted Cost	Rate	Ratio	Weighted Cost
Long Term Debt						
Preferred Stock						
Short Term Debt						
Common Equity						
Required Rate of Return			8.08%			8.12%

Weighted Cost of Capital

	2011- 2012		
	Rate	Ratio	Weighted Cost
Long Term Debt			
Preferred Stock			
Short Term Debt			
Common Equity			
Required Rate of Return			7.73%

Composite Income Tax Rates

	2009	2010	2011	2012
State of South Dakota Tax rate	0.00%	0.00%	0.00%	0.00%
Federal Statutory Tax rate	35.00%	35.00%	35.00%	35.00%
Federal Effective Tax Rate (1-State Rate * Fed Rate)	35.00%	35.00%	35.00%	35.00%
Total South Dakota Composite Tax Rate	35.0000%	35.0000%	35.0000%	35.0000%
Total Corporate Composite Tax Rate (2009 Forecast)	40.8630%	40.8157%	40.7785%	40.7667%

State of SD Transmission Demand Factor (1)

36 Month Coincident Peak Demand Allocator	4.4651%	4.6807%	4.8364%	4.7878%
State of South Dakota Retail Demand Allocator	83.8829%	83.6422%	83.8019%	83.9899%
	5.3230%	5.5961%	5.7712%	5.7004%

Composite Depreciation Rates

Depreciation Rate - Lines	2.1259%	2.6161%	2.6161%	2.6161%
Depreciation Rate - Substations	2.4936%	2.6471%	2.6471%	2.6471%

Property Tax Rates

Property Tax Rate: MN State Electric Personal Property Tax Rate	1.620%	1.377%	1.377%	1.377%
Property Tax Rate: SD State Electric Personal Property Tax Rate	0.960%	0.960%	0.960%	0.960%

OATT Revenue Credit for Non-Retail Transmission Recovery

25.0400%	23.8700%	24.4200%	23.5000%
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(1) Calculation of State of South Dakota - Demand Allocators

2009 Transmission Demand Allocators

	Total	Minnesota Company	Minnesota	N Dakota	S Dakota	Wholesale	WI Co
36 Month Coin Peak Demand	100.0000%	83.8829%					16.1171%
12 Month Jurisdictional Demand	100.0000%		87.0761%	5.6745%	5.3230%	1.9264%	
2009 State of SD Transmission Demand Factor					4.4651%		

2010 Transmission Demand Allocators

	Total	Minnesota Company	Minnesota	N Dakota	S Dakota	Wholesale	WI Co
36 Month Coin Peak Demand	100.0000%	83.6422%					16.3578%
12 Month Jurisdictional Demand	100.0000%		87.9815%	5.5779%	5.5961%	0.8445%	
2010 State of SD Transmission Demand Factor					4.6807%		

2011 Transmission Demand Allocators

	Total	Minnesota Company	Minnesota	N Dakota	S Dakota	Wholesale	WI Co
36 Month Coin Peak Demand	100.0000%	83.8019%					16.1981%
12 Month Jurisdictional Demand	100.0000%		88.3621%	5.7511%	5.7712%	0.1156%	
2011 State of SD Transmission Demand Factor					4.8364%		

2012 Transmission Demand Allocators

	Total	Minnesota Company	Minnesota	N Dakota	S Dakota	Wholesale	WI Co
36 Month Coin Peak Demand	100.0000%	83.9899%					16.0101%
12 Month Jurisdictional Demand	100.0000%		88.3762%	5.8349%	5.7004%	0.0885%	
2012 State of SD Transmission Demand Factor					4.7878%		

2009 Actual

Cost of Capital**

	Annual
Weighted Cost of Debt	0.00%
Weighted Cost of Equity	0.00%
Total Cost of Capital	8.08%
Tax Gross-up	2.6308%
Cost of Capital Including Taxes	10.7067%

Monthly***	Composite Tax Rate - SD	35.00%
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2010

Cost of Capital**

Annual

Weighted Cost of Debt	0.00%
Weighted Cost of Equity	0.00%
Total Cost of Capital	8.12%
Tax Gross-up	2.7081%
Cost of Capital Including Taxes	10.8274%

Monthly***

0.8604%

Composite Tax Rate - SD

35.00%

2011

Cost of Capital**

Annual

Weighted Cost of Debt	0.00%
Weighted Cost of Equity	0.00%
Total Cost of Capital	7.73%
Tax Gross-up	2.5433%
Cost of Capital Including Taxes	10.2765%

Monthly***

0.8185%

Composite Tax Rate - SD

35.00%

***The Annual Cost of Capital was adjusted for monthly compounding.
