TEN-YEAR PLAN FOR MAJOR GENERATION AND TRANSMISSION FACILITIES

TO THE

SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

SUBMITTED BY
XCEL ENERGY
JULY 2004

Xcel Energy℠

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20:10:21:04 EXISTING ENERGY CONVERSION FACILITIES

Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or "Company") has two existing energy conversion facilities in South Dakota. The tables below provide the required information on these facilities.

Pathfinder

1.	Location	Sioux Falls, South Dakota	
2.	Type Nameplate Capacity	Steam Boiler 75 MW	
3.	Net Capacity Annual Production	Summer: Winter: 2002: 2003:	61 MW 0 MW -1384 MWh -1396 MWh
4.	Water Source and Annual Consumption	NA	
5.	Fuel Type Source Annual Consumption	Natural Gas Northern Natural Gas Co.[1] 2002: 2003:	 0 Mcf 0 Mcf

Angus Anson

1.	Location	Sioux Falls, South Dakota			
2.	Type Nameplate Capacity	Combustion Turbine 105 MW each unit (2 units)			
3.	Net Capacity Annual Production	Summer: Winter: 2002: 2003:	110.5 MW (each unit) 128.0 MW (each unit) 69,874 MWh (total) 100,396 MWh (total)		
4.	Water Source and Annual Consumption	NA			
5.	Fuel Type Source Annual Consumption	Natural Gas Northern Natural Gas Co. 2002: 2003:	 988,300 Mcf 1,511,254 Mcf	Fuel Oil 2002: 2003:	 1,796 gal 366,372 gal

6. The Pathfinder Power Plant was retired on Dec. 31, 2002 and all capacity accreditation for this unit has been removed. No other retirements are being considered at this time.

[1] The Company also owns an intrastate fuel delivery facility approximately 13 miles long which transports the natural gas from the interconnection with Northern Natural Gas Co. to the Pathfinder and Angus Anson generating plants.

20:10:21:05 PROPOSED ENERGY CONVERSION FACILITIES

Xcel Energy is proceeding with the addition of new generation capacity in the State of South Dakota at Xcel Energy's Angus Anson plant located near Sioux Falls. The new generation, to be defined as unit # 4, will be a single unit simple-cycle combustion turbine operating exclusively on natural gas. The nameplate capacity of the unit is 172 MW, and the unit will have an estimated summer generating capacity of 160 MW. The planned in-service date for the new unit is May 2005.

Additonally, Xcel Energy is proceeding with the installation of two simple-cycle combustion turbines at the Company's Blue Lake power plant located in Shakopee, Minnesota. The two Blue Lake units are each identical to the new unit being installed at the Angus Anson plant. The planned in-service date for the two Blue Lake units is also May 2005.

On May 3, 2002, Xcel Energy submitted a petition to the Minnesota Public Utilities Commission ("MPUC") and the Minnesota Polution Control Agency ("MPCA") proposing a package of projects to be completed over the next seven years at three of its generating plants in the Minneapolis-St. Paul metropolitan area. On March 8, 2004, the Commission issued an order approving the Company's proposal, with certain clarifications and subject to the terms of the settlement agreement the Company reached with several parties to the proceeding. These voluntary projects are designed to reduce air emissions through rehabilitation and/or repowering of metro area coal plants. As a result of these proposed improvements, generating capacity of these three plants is expected to increase by a total of approximately 297 MW. The three plants affected by this plan are the King plant located in Stillwater, Minnesota; the Riverside plant located in Minneapolis, Minnesota; and the High Bridge plant located in St. Paul, Minnesota.

Xcel Energy proposes to fulfill future electric generating resource needs through both a competitive bidding process and new generation projects. The specific generation technology and location of future generation facilities will be determined through our resource planning process and through the competitive bidding process. Xcel Energy filed its most recent Resource Plan with the "MPUC" on December 2, 2002.[2] On September 10, 2003, the Company filed an update to the Resource Plan. On November 10, 2003, Xcel Energy filed a notice of changed circumstances affecting the Resource Plan and requested that the MPUC allow the Company to withdraw its 2002 Resouce Plan. The MPUC issued an order permitting the withdrawal of the 2002 Resource Plan on March 9, 2004.

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[2] MPUC Docket No. E002/RP-02-2065.

Provided as Appendix A are copies of the Executive Summary from the 2002 Resource Plan, the Resource Plan Update, the Notice of Changed Circumstances, and the MPUC's Order permitting withdrawal of the 2002 Resource Plan. Xcel Energy expects to file its next Resource Plan with the MPUC in November 2004. A copy of the Executive Summary of the 2004 Resource Plan will be submitted as a supplement to this report when it is available.

20:10:21:06 EXISTING TRANSMISSION FACILITIES

Listed below are Xcel Energy's existing transmission facilities operating at 115 kV or above in the southeastern South Dakota area. A map showing the location of Xcel Energy's transmission lines is included as Appendix B.

Type 115 kV - AC

1. Lawrence Substation in Sioux Falls to the Lincoln County Substation south of Sioux Falls - 11 miles.

2. Lincoln County Substation south of Sioux Falls to the Cherry Creek Substation (west side of Sioux Falls) - 10 Miles.

3. Cherry Creek Substation to the Grant Substation west of Sioux Falls - 24 miles.

4. Grant Substation west of Sioux Falls to Northwest Public Service (NWPS) at Mitchell - 24 miles to Wolf Creek Interconnection owned by Xcel Energy, remainder owned by NWPS.

5. Lawrence Substation in Sioux Falls to the Western Area Power Administration (WAPA) Substation in Sioux Falls - 1 mile.

6. Lawrence Substation in Sioux Falls to the Split Rock Substation approximately 5 miles northeast of Sioux Falls (circuit # 1) - 2 miles.

7. Split Rock Substation to the Pathfinder Substation approximately 4 miles northeast of Sioux Falls - 0.8 miles.

8. Pathfinder Substation to the Pipestone Substation in Pipestone, Minnesota. Approximately 34 miles of this line are in the state of South Dakota - 42 miles total.

9. Lawrence Substation in Sioux Falls to the Split Rock Substation approximately 5 miles northeast of Sioux Falls (circuit # 2). Approximately 1 mile of this line is double-circuited with the Split Rock-Magnolia 161 kV line - 2.6 miles total.

10. Split Rock Substation to the West Sioux Falls Substation - 17.3 miles.

11. West Sioux Falls Substation to the Cherry Creek Substation - 3.5 miles.

12. Split Rock Substation to Cherry Creek - 20 miles.

13. Split Rock to Angus Anson generating plant - 0.25 mile.

Type 161 kV - AC

1. Split Rock Substation approximately 5 miles northeast of Sioux Falls to Alliant Energy interconnection near Luverne, Minnesota.

   Approximately 1 mile of this line is double-circuited with the second Lawrence-Split Rock 115 kV line. Approximately 11 miles of this line are in the state of South Dakota - 20 miles total.

Type 230 kV - AC

1. Split Rock Substation to the WAPA Sioux Falls Substation - 1 mile.

Type 345 kV - AC

1. Split Rock Substation northeast of Sioux Falls to the WAPA's 345 kV line between Watertown and Sioux City. This is a double-circuit line - 5.1 miles.

20:10:21:07 PROPOSED TRANSMISSION FACILITIES

Xcel Energy has received approval from the MPUC (Certificate of Need MPUC Docket No. E002/CN-01-1958) for transmission development to provide generation outlet capability for anticipated wind and other renewable generation development along the Buffalo Ridge, which runs from Northeastern South Dakota through Southwestern Minnesota into Northwestern Iowa. Included are two electric transmission lines in South Dakota. These are:

- A 345 kV transmission line from Sioux Falls, South Dakota (the Xcel Energy Split Rock Substation) east to Lakefield, Minnestoa. Approximately 10 miles of this line would be in South Dakota.

- A 115 kV line from near Brookings, South Dakota (the Western Area Power Administration White Substation) east to Lake Benton, Minnesota. Approximately 6 miles of this line would be in South Dakota.

Xcel Energy is participating in the MISO NW MAPP Exploratory Study initiated early in 2004. The scope of this study includes investigating the ability to increase generation delivery (including wind generation) from North and South Dakota to the Minneapolis/St. Paul metropolitan area provided by various transmission developments. No commitments have been made to a specific project, and the study is not at a stage where Xcel Energy can identify if or to what extent it may participate in any such transmission development proposed for South Dakota.

20:10:21:08 COORDINATION OF PLANS

All major transmission planning performed by Xcel Energy is now coordinated through the Midwest Independent System Operator, Inc. ("Midwest ISO") on a regional basis, consistent with the Federal Energy Regulatory Commission ("FERC") orders (a) dated May 2000 authorizing the transfer of functional control of the Company's high voltage transmission system to the Midwest ISO, and (b) dated December 2001 finding the Midwest ISO to be the first FERC-approved regional transmission organization ("RTO"). The Midwest ISO is continuing the use of the existing subregional planning groups of the Mid-Continent Area Power Pool ("MAPP") which coordinate the planning of the utilities within the MAPP region. This coordination applies to all Xcel Energy facilities in Minnesota, North Dakota, South Dakota, and Northern States Power Company – Wisconsin (jointly "Xcel Energy-North") facilities in Wisconsin and Michigan. This joint planning is intended to maximize use of existing facilities and minimize the amount of new facilities. Additional regional planning coordination is provided by the Dakotas-Montana Power Suppliers Group.

20:10:21:09 SINGLE REGIONAL PLANS

Xcel Energy is continuing to work with the Midwest ISO and other area utilities to evaluate potential transmission needs in the future and to develop coordinated regional plans as required to meet those needs.

20:10:21:10 SUBMISSION OF REGIONAL PLANS

Further regional additions will include continued development and use of the 115, 230, and 345 kV systems. Specific plans for additional facilities will be developed through the Midwest ISO regional planning process , and submitted with a subsequent ten-year plan when the need is clearly identified.

20:10:21:11 UTILITY RELATIONSHIPS

Xcel Energy is a utility operating company subsidiary of Xcel Energy Inc., a registered public utility holding company, and is affiliated with four regulated public utilities: Cheyenne Light, Fuel & Power Company, Northern States Power Company-Wisconsin ("NSPW"), Public Service Company of Colorado, and Southwestern Public Service Company. Xcel Energy and NSPW are members of the Midwest ISO, the first FERC-approved regional transmission organization, or RTO. Xcel Energy and NSPW remain members of MAPP, which continues to provide certain Regional Reliability Coordinator ("RRC") functions required by the North American Electric Reliability Council ("NERC"). The Company contracts with the Western Area Power Administration for certain transmission services needed to serve the Company's retail loads in South Dakota.

20:10:21:12 EFFORTS TO MINIMIZE ADVERSE EFFECTS

Xcel Energy uses a multi-step effort to minimize adverse effects resulting from siting, constructing, operating and maintaining large electric generating plants and high voltage transmission lines. These efforts relate to long-range planning and coordination, environmental site and route analysis, and mitigative construction and operation practices.

Xcel Energy now coordinates its plans for high voltage transmission facilities with the Midwest ISO other area power suppliers and load serving entities in order to develop, whenever possible, joint use facilities. Coordination with others can reduce the number of facilities by providing for joint ownership and operation of individual facilities.

Once the need for generation or transmission is identified, an initial site or route search is begun by defining a broad study area in which the facility should be located. A broad range of information about the physical, biological, and cultural environment within the study area is collected. As information on such factors as land use, air and water quality, plants and animals, transportation and social services, and local and regional employment becomes available, various siting criteria are used to define

preferred and alternate routes and sites. Xcel Energy prefers to develop a project with the cooperative assistance of state and local agency officials and possibly affected landowners in order to assure the widest possible considerations of information, concerns, and options. It is Xcel Energy's policy to insure compliance with all local, state and federal regulatory requirements in the development and location of proposed projects.

Because of the detail involved in a major generation or transmission project, Xcel Energy prefers to complete detailed site and route engineering once permits have been granted. This permits last minute adjustments to be completed, which can take into account concerns that may arise during construction. Such flexibility allows concerns regarding factors such as structures, locations, land use, construction techniques, to be mitigated without undue delay and expense.

Xcel Energy is committed to working with affected landowners to mitigate environmental and land use problems which may arise in relation to necessary and proper construction and maintenance activities.

20:10:21:13 LOAD MANAGEMENT EFFORTS

Xcel Energy's objectives with respect to its conservation and load management efforts are to delay or avoid more expensive electric generation, reduce pollution, and help customers improve the efficiency with which they use energy. In South Dakota, Xcel Energy offers voluntary time-of-day rates for Small Business and Commercial and Industrial customers, as well as Saver's Switch programs for Residential and Small Business customers.

20:10:21:14 LIST OF REPORTS RELATED TO PROPOSED FACILITIES

Southwest Minnesota/Southeast South Dakota Electric Transmission Study Phase 1: Transmission Outlet for Southwest Minnesota (Buffalo Ridge Area) Generation Additions (0-400 MW beyond initial 425 MW of renewable generation mandated by statute), November 13, 2001.[3]

20:10:21:15 CHANGES IN STATUS OF FACILITIES

As noted in section 20:10:21:04, the Pathfinder power plant was retired on Dec. 31, 2002 and all capacity accreditation for this unit has been removed.

[3] This report identifies the transmission additions approved in the CON docket noted in section 20:10:21:07.

20:10:21:16 PROJECTED ELECTRIC DEMAND

The forecast of native energy requirements and peak demand for the state of South Dakota is shown in Table Xcel-SD-1. Xcel Energy produces its long-range "median" system[4] forecasts of native energy requirements, summer peak, and winter peak demand. For planning purposes, Xcel Energy-North also develops a bandwidth (called semi-high and semi-low scenarios) to supplement its "median" forecasts. These two scenarios are intended to describe uncertainty in a business-as-usual context: a relatively narrow range of US economic growth with no basic change in the relationship between the regional and national economies. Table Xcel-1 through Table Xcel-3 show the long-range system forecast of native energy requirements, summer peak, and winter peak demand for the Xcel Energy-North system. Table Xcel-SD-1 shows the South Dakota portion of the system forecast.

The forecast for the Xcel Energy-North system is based on forecasts of jurisdictional sales by major customer class: residential with and without space heating, small commercial and industrial (SC&I), and large commercial and industrial (LC&I). Each customer class is modeled independently for the five states in the Xcel Energy-North service territory. The native energy requirements are determined by applying a loss factor on total sales.

The Xcel Energy-North system peak is apportioned to jurisdictions based on the native energy requirements by state and the load factor by state. Consequently, the summer and winter "peak loads" provided in Table Xcel-SD-1 represent the South Dakota jurisdiction customer demand at time of Xcel Energy-North's total system seasonal peak demand. This "coincident" demand is appropriate for generating capacity requirement forecasting.

It is important to note, however, that a "non-coincident" peak demand must be used in evaluating transmission capacity requirements. This is because the transmission system must be able to supply the full local customer demand at all times. Due to load diversity caused by weather variations within the Xcel Energy-North multi-state power system, peak customer demands in Xcel Energy's South Dakota service areas can be as much as 10 percent higher than the demands registered during the hour in which the total system peak demand occurs. It is these local "non-coincident" peak demands that determine the need for transmission improvements required for load serving functions.

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[4] "System" refers to Xcel Energy-North, which is the five-state electric service territory of Northern States Power Company (Minnesota, North Dakota, and South Dakota) and Northern States Power Company – Wisconsin (Wisconsin and Michigan).

20:10:21:17 CHANGES IN ELECTRIC ENERGY

Table Xcel-SD-1 shows the projected volume and percentage increase in energy demand for Xcel Energy's South Dakota service territory for each year relative to 2004.

Table Xcel-SD-1.
Xcel Energy
State of South Dakota
Forecast of Electric Energy Requirements and Peak Demand

	Winter Peak (MW)	Summer Peak (MW)	Energy (GWh)	Change In Energy (GWh)	% Change In Energy
2004	255	370	1,838		
2005	258	377	1,873	35	1.9%
2006	262	387	1,915	42	2.3%
2007	266	398	1,962	47	2.4%
2008	273	408	2,011	50	2.5%
2009	279	418	2,060	48	2.4%
2010	286	429	2,113	53	2.6%
2011	293	439	2,163	50	2.4%
2012	300	449	2,213	50	2.3%
2013	307	459	2,263	49	2.2%
2014	313	469	2,311	49	2.2%
2015	320	479	2,358	47	2.0%
2016	326	488	2,403	44	1.9%
2017	331	496	2,445	42	1.8%
2018	337	504	2,485	40	1.6%
2019	342	512	2,523	38	1.5%
2020	347	520	2,561	38	1.5%
2021	352	527	2,598	37	1.4%
2022	357	535	2,633	35	1.4%
Average Annual Growth Rate, 2003-2021:					
% growth:	**2.2%**	**2.5%**	**2.4%**		

Notes:
1). Peak Load is co-incident to the NSP system peak.
2). Winter Peak = MAPP Winter Peak season, 2004 is 2004-2005 winter peak.

Table Xcel-1
Xcel Energy
System Net Energy Requirements (MWh)

Year	Semi-Low (MWh)	Median (MWh)	Semi-High (MWh)
2004	44,487,921	45,752,894	47,017,866
2005	45,264,167	46,565,294	47,866,428
2006	46,103,338	47,444,010	48,784,688
2007	47,028,973	48,420,104	49,811,234
2008	47,957,625	49,410,346	50,863,064
2009	48,794,956	50,305,279	51,815,600
2010	49,762,947	51,349,989	52,937,030
2011	50,671,043	52,338,436	54,005,827
2012	51,583,282	53,327,361	55,071,437
2013	52,491,845	54,310,591	56,129,342
2014	53,423,457	55,316,375	57,209,289
2015	54,345,266	56,311,576	58,277,888
2016	55,265,082	57,308,318	59,351,551
2017	56,098,117	58,215,035	60,331,950
2018	56,902,554	59,090,603	61,278,648
2019	57,679,179	59,938,328	62,197,479
2020	58,482,051	60,818,490	63,154,933
2021	59,241,988	61,658,364	64,074,740
2022	59,966,707	62,465,752	64,964,797
Average Annual Growth Rate, 2004-2022:			
% growth:	**1.7%**	**1.7%**	**1.8%**

Note: Semi-Low and Semi-High Scenarios reflect an 80%/20% Confidence Level

Table Xcel-2
Xcel Energy
System Net Summer Peak (MW)

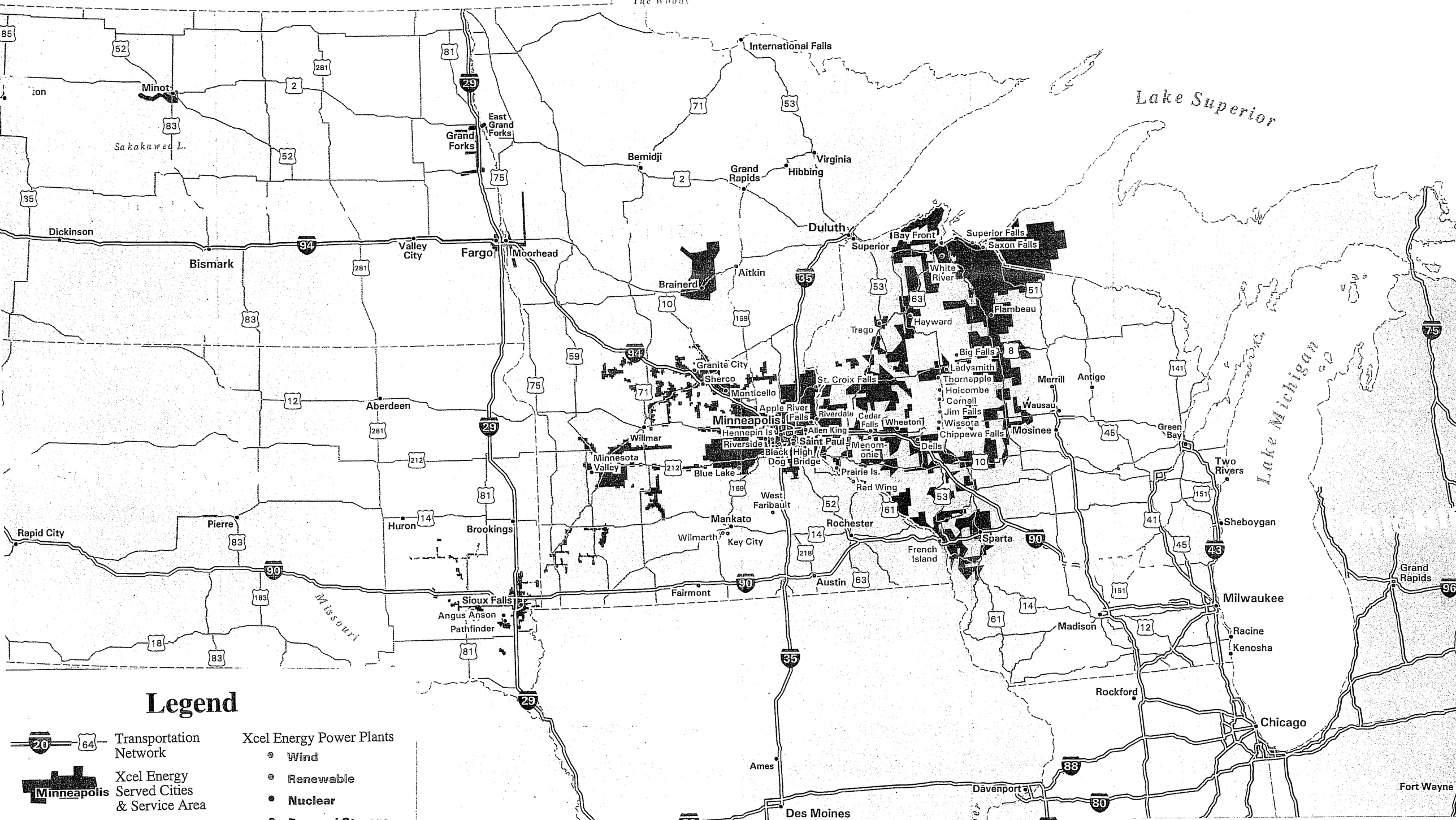
Year	Semi-Low (MW)	Median (MW)	Semi-High (MW)
2004	8,004	8,278	8,552
2005	8,141	8,434	8,728
2006	8,281	8,598	8,915
2007	8,449	8,796	9,144
2008	8,596	8,972	9,348
2009	8,723	9,126	9,529
2010	8,867	9,301	9,736
2011	9,004	9,470	9,936
2012	9,141	9,639	10,138
2013	9,266	9,786	10,305
2014	9,409	9,951	10,492
2015	9,551	10,115	10,679
2016	9,692	10,279	10,865
2017	9,821	10,429	11,037
2018	9,944	10,572	11,200
2019	10,061	10,709	11,357
2020	10,185	10,853	11,521
2021	10,318	11,012	11,705
2022	10,452	11,171	11,891
Average Annual Growth Rate, 2003-2021:			
% growth:	**1.5%**	**1.7%**	**1.8%**

Note: Semi-Low and Semi-High Scenarios reflect an 80%/20% Confidence Level

Table Xcel-3
Xcel Energy
System Net Winter Peak (MW)

Year	Semi-Low (MW)	Median (MW)	Semi-High (MW)
2004	6,533	6,657	6,780
2005	6,590	6,722	6,854
2006	6,650	6,793	6,936
2007	6,715	6,872	7,028
2008	6,782	6,952	7,121
2009	6,852	7,024	7,195
2010	6,935	7,108	7,281
2011	7,013	7,188	7,363
2012	7,091	7,268	7,445
2013	7,168	7,347	7,526
2014	7,247	7,429	7,610
2015	7,326	7,509	7,692
2016	7,405	7,590	7,775
2017	7,476	7,663	7,850
2018	7,545	7,734	7,922
2019	7,612	7,802	7,992
2020	7,681	7,873	8,065
2021	7,747	7,941	8,135
2022	7,811	8,006	8,201
Average Annual Growth Rate, 2004-2022:			
% growth:	**1.0%**	**1.0%**	**1.1%**

Notes: Winter Peak = MAPP Winter Peak season, 2004 is 2004-2005 winter peak. Semi-Low and Semi-High Scenarios reflect an 80%/20% Confidence Level



Legend

- Transportation Network
- Xcel Energy Served Cities & Service Area (Minneapolis)
- Other Cities (Lincoln)
- State Boundaries

Xcel Energy Power Plants

- Wind
- Renewable
- Nuclear
- Pumped Storage
- Hydro
- Fossil Fuel

0 50 100 200
Miles

20:10:21:18 MAP OF SERVICE AREA

APPENDIX A

Xcel Energy 2002 Resource Plan Executive Summary

Xcel Energy Resource Plan Update - September 10, 2003

Xcel Energy Notice of Changed Circumstances - November 10, 2003

MPUC Order Permitting Withdawal of 2002 Resource Plan

1. Executive Summary

Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or "Company") submits to the Minnesota Public Utilities Commission ("MPUC" or "Commission") our 2002 Resource Plan for consideration and approval. This Plan covers the period 2003 – 2017 and identifies a number of issues and risks that will significantly affect the reliability and economy of our customer's electrical energy supply. We look forward to discussion of this plan with stakeholders.

As in previous filings, this Plan presents our analysis of customer needs and resource options under a variety of assumptions to assist in selecting an appropriate path for resource acquisition. More so than previous plans, however, this Plan highlights critical decisions to be made within the five-year planning horizon that will significantly affect our future resource mix. Central among these decisions are:

- The future of our Prairie Island nuclear power plant, which will largely determine the future of nuclear generation in Minnesota.

- Whether the Commission approves our proposed 500-MW contract with Manitoba Hydro.

- The selection and ultimate acquisition of resources from our 2001 All-Source Bidding.

- The future of several key coal-fired power plants, which we have proposed to convert to natural gas and/or install state-of-the-art pollution control equipment.

- What framework of environmental, wholesale market, and transmission regulations will be in effect during the planning period.

In addition, we face normal planning risks (such as forecast risks) and decisions (such as what forecast confidence level to select for determining resource need).

Given the significant number of important issues to be addressed in the near future, our key objectives are to:

- *Anticipate the impacts and consequences of the various possible combinations of resource and regulatory options, and*

- *Ensure that we have adequate, affordable, and environmentally responsible resources to meet our customers' needs.*

Our five-year action plan focuses on managing through this period to ensure continued reliable, economic, environmentally sound service to our customers.

Not all of these decisions will be made by the Commission in this proceeding. Indeed, nuclear issues must be addressed by the Minnesota Legislature, given existing laws. Others are pending before the Commission in other proceedings, such as our Emissions Reduction Proposal (Docket No. E002/M-02-633) and the Manitoba Hydro contract (Docket No. E002/99-888), or may be primarily subject to federal regulation, such as environmental regulations and wholesale market design.

As such, this Plan is complex and will be considered in multiple forums. This Resource Plan attempts to provide a comprehensive view of these issues. As in prior years, we have analyzed a number of scenarios for consideration, modeling various assumptions regarding customer demand, the availability of resources, environmental policy, and market changes. In addition, we undertook significant modeling of various potential outcomes of decisions regarding nuclear power and pending Commission decisions. We believe our Plan presents information important to state policy makers, which we hope will help inform the debate regarding our energy future.

Five-Year Action Plan

To successfully manage our resources through a period of significant risk and uncertainty and to ensure we have adequate resources available to meet our customers' needs, we propose the following five-year action plan:

- *Continue to aggressively pursue the conservation and load management goals established in the 2000 Resource Plan Proceeding.* To date, we have been successful in meeting the goals established in the previous plans. We intend to continue to develop new programs to ensure that we continue to meet these goals as cost-effectively as possible.

- *Obtain Commission approval of the Manitoba Hydro 500-MW contract.* This approval would complete the 1999 All-Source Bidding process and address resource needs beginning in 2005.

- *Complete the 2001 All-Source Bidding process in 2003.* This process, stemming from our last Resource Plan, seeks to secure up to 1,000 MW of additional resources. We are near final selection in this process. Successful completion is needed to ensure adequate supply resources in the 2005 – 2009 timeframe.

- *Obtain approval of our Emissions Reduction Proposal.* This Proposal provides 1,500 MW of environmentally sound, long-term supply, a net increase of approximately 300 MW over the existing plants. While the Commission will decide this matter in a separate proceeding, we include it in our recommended action plan. We believe this Proposal offers significant benefits to our customers.

- *Seek resolution of the future of nuclear generation in Minnesota by the legislature in 2003.* Our analysis indicates that an electricity future that includes nuclear generation is preferable to one that requires shutdown of our Prairie Island and Monticello plants. We have also identified options for replacement resources. Implementing a replacement to Prairie Island's generation will

take time, and our analysis indicates significant transmission improvements will be needed as well. Given current Minnesota law, action by the legislature will be required to address this issue, and we intend to provide various options for consideration. Our five-year action plan in this proceeding, however, will be significantly impacted by the outcome of this consideration.

- *Initiate an All-Source Bidding process in 2005 for up to 450 MW of generation to be in service between 2011 and 2013.* We plan to issue this solicitation with sufficient lead-time to accommodate competition from base load resources. We project a need for additional resources beginning in 2011.

- *Continue to closely monitor and manage the transition to new market and regulatory structures.* Dramatic industry changes brought about by new federal regulations will continue to influence our ability to plan for, acquire, construct, and transmit electricity. At the time of our last Resource Plan, the Federal Energy Regulatory Commission had just issued Order 2000, requiring Regional Transmission Organizations ("RTOs"). Now, the Midwest Independent System Operator ("MISO") has commenced operations and independent transmission companies such as TRANSLink have been approved to provide certain RTO services. We expect that restructuring of the transmission function and change over to new organizations will continue to evolve over the coming years. This transition must be closely monitored to ensure that acquisition of needed supply resources can occur in a timely and efficient manner under the new structure. Xcel Energy anticipates filing its TRANSLink proposal, which is designed to help bridge some of these issues, with the Commission yet in December. Likewise, changes to environmental regulations could have significant impact on our resources, and should be carefully monitored.

While these action items seek to implement our preferred course, we recognize the uncertainty over whether all components will be approved and successfully

accomplished. Therefore, we have also developed plans to help hedge this risk, making available options that will allow us to best meet our customer needs. These plans include:

- *If continued operation of our nuclear plants is not the State's preferred option, seek legislation expediting the Prairie Island alternative and begin the solicitation process in the 2003 – 2004 timeframe for replacement of Monticello's output in 2010.* We plan to seek approval from the Commission of the PI Contingency finalist list and move forward with negotiations with the selected bidder(s) in order to maintain our options. In the event that the State does not agree with our preference for continued operation of nuclear generation, we will seek relief to provide timely siting and permitting of the Prairie Island replacement generation and transmission infrastructure. Continued operation of the Monticello nuclear generating plant beyond 2010 also depends on additional on-site dry storage if no out-of-state alternative is available. To ensure continued reliable supply, we would begin the resource acquisition process to replace the output from Monticello, which exhausts its storage capabilities in 2010.

- *Establish an acquisition strategy for up to 500 MW of potential additional generation to as a hedge against the uncertainties and risks during this planning period.* Seeking resources that offer implementation flexibility would enhance our ability to have available sufficient resources in the event any component of our Preferred Plan fails to develop or other risks materialize. Possibilities for this acquisition strategy include a Request for Proposals for contingency capacity, as is being done for Prairie Island, or rapid development of additional Company-owned resources. Such a strategy will provide an important hedge on the risks identified in this Plan, including forecast risk.

- *Conduct a competitive solicitation program for up to 100 MW of biomass generation resources as a backstop so that we can respond quickly should current market conditions create difficulty for pending biomass projects.* Of three projects currently under

contract for 125 MW, only one (25 MW St. Paul District Energy) is financed and under construction. Changing independent power producer market conditions could conceivably impact the remaining two. To enhance our ability to respond quickly to meet our biomass objectives in the event of changed circumstance we intend to develop and pursue additional biomass resource bidding as a backstop.

- *Conduct periodic assessments to consider the combined impacts of the many events that will be occurring on our system.* We will continue to carefully monitor developments affecting our system. To the extent that we need to act in response to any development in a way not addressed by this Resource Plan, we will file with the Commission under Minn. Rule 7543.0500, Subd. 5 for a notice of changed circumstance. Careful monitoring and prompt action will be required to ensure we successfully manage resources during this period.

We recognize that others may view these issues differently and come to different conclusions. We welcome the opportunity to engage in a dialogue of these issues and work toward ensuring continued reliable, economical, and environmentally sound energy for our customers.

Chapter Summaries

To assist in understanding the key components of our proposed Resource Plan, we provide the following summaries of each chapter of this filing.

Electric Energy and Peak Demand Forecast

In general, our forecasted needs for energy and capacity remain comparable to the projections made in our 2000 Resource Plan. We used slightly different forecasting methods in this Plan than in previous filings, responding to issues raised by parties in our 2000 Plan.

Our current projections place the median forecast of native *energy requirements* at an average annual growth of 1.7 percent over the 2003 – 2017 forecast period,

compared to an average annual growth rate of 1.65 percent in the 2000 – 2015 period covered by the previous plan. The median base *peak demand* forecast shows an average annual growth rate of 1.6 percent, compared to a 1.63 percent average annual growth rate in the 2000 Resource Plan. The difference in growth over the years from 2003 through 2008 between the 2000 Resource Plan forecast and this Resource Plan forecast is only 22 MW.

Xcel Energy supplements the median forecasts with two others to measure uncertainty and quantify uncertainty and errors in the models used to forecast electricity sales and peak demand. These forecasts predict system demand will increase at a rate between 1.4 and 1.8 percent per year, with a base of 8,637 to 9,309 MW of predicted demand in 2003. Figures 1-1 and 1-2 show the 2003 through 2017 long-range forecast of net energy requirements and net summer peak demand for the three forecasts.

Figure 1-1
Xcel Energy Net Energy (MWh)

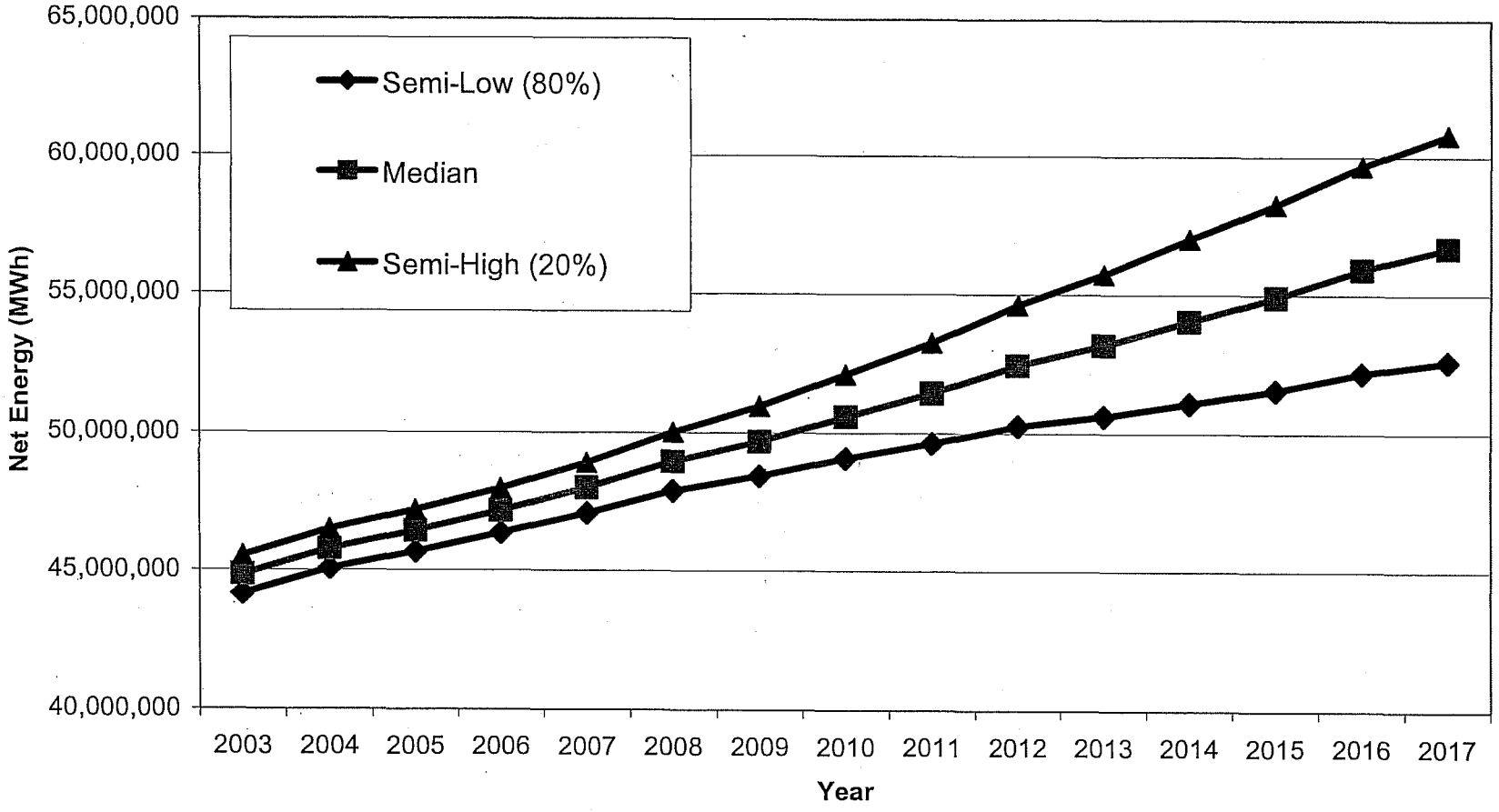


Figure 1-2
Xcel Energy Net Summer Peak Demand (MW)

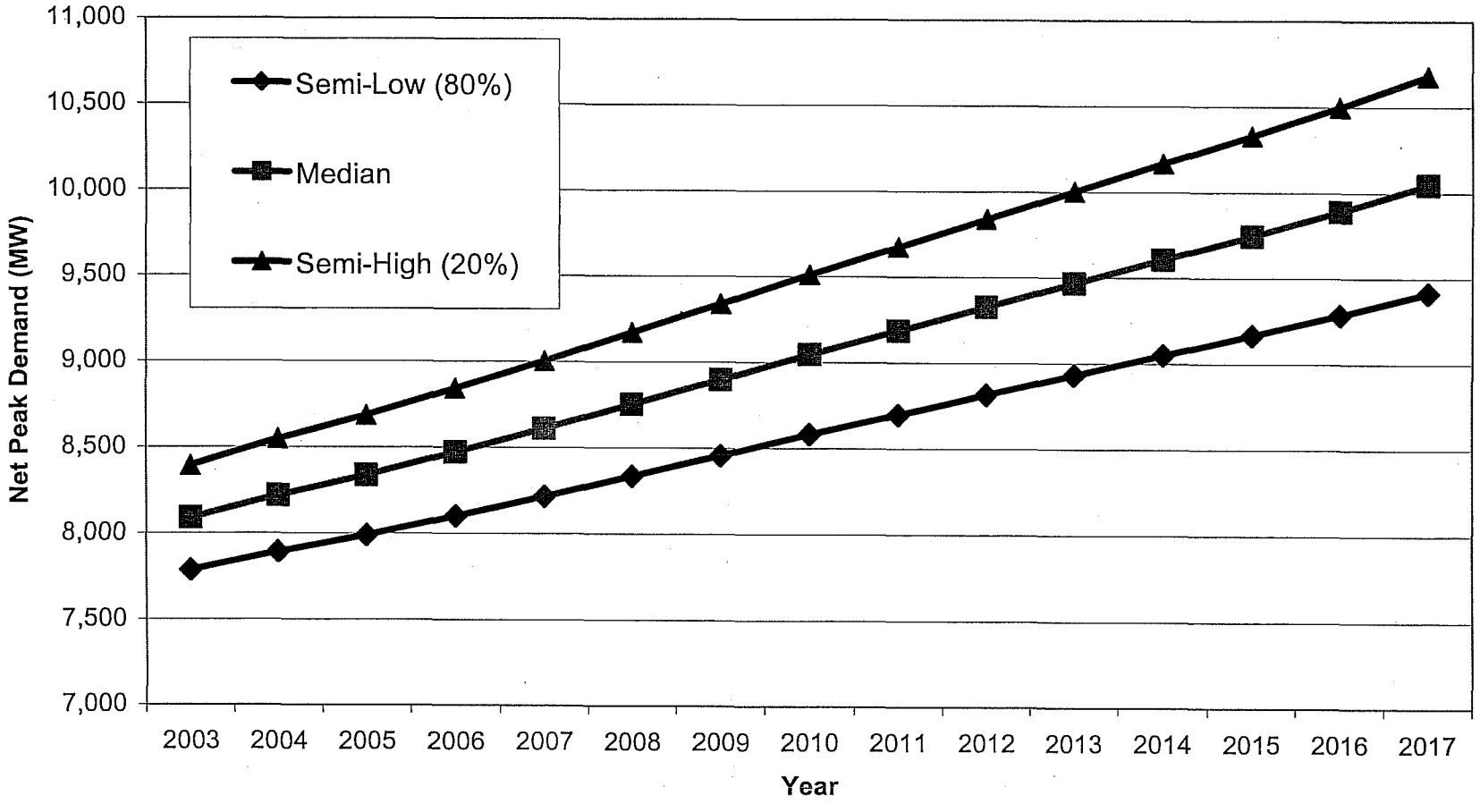
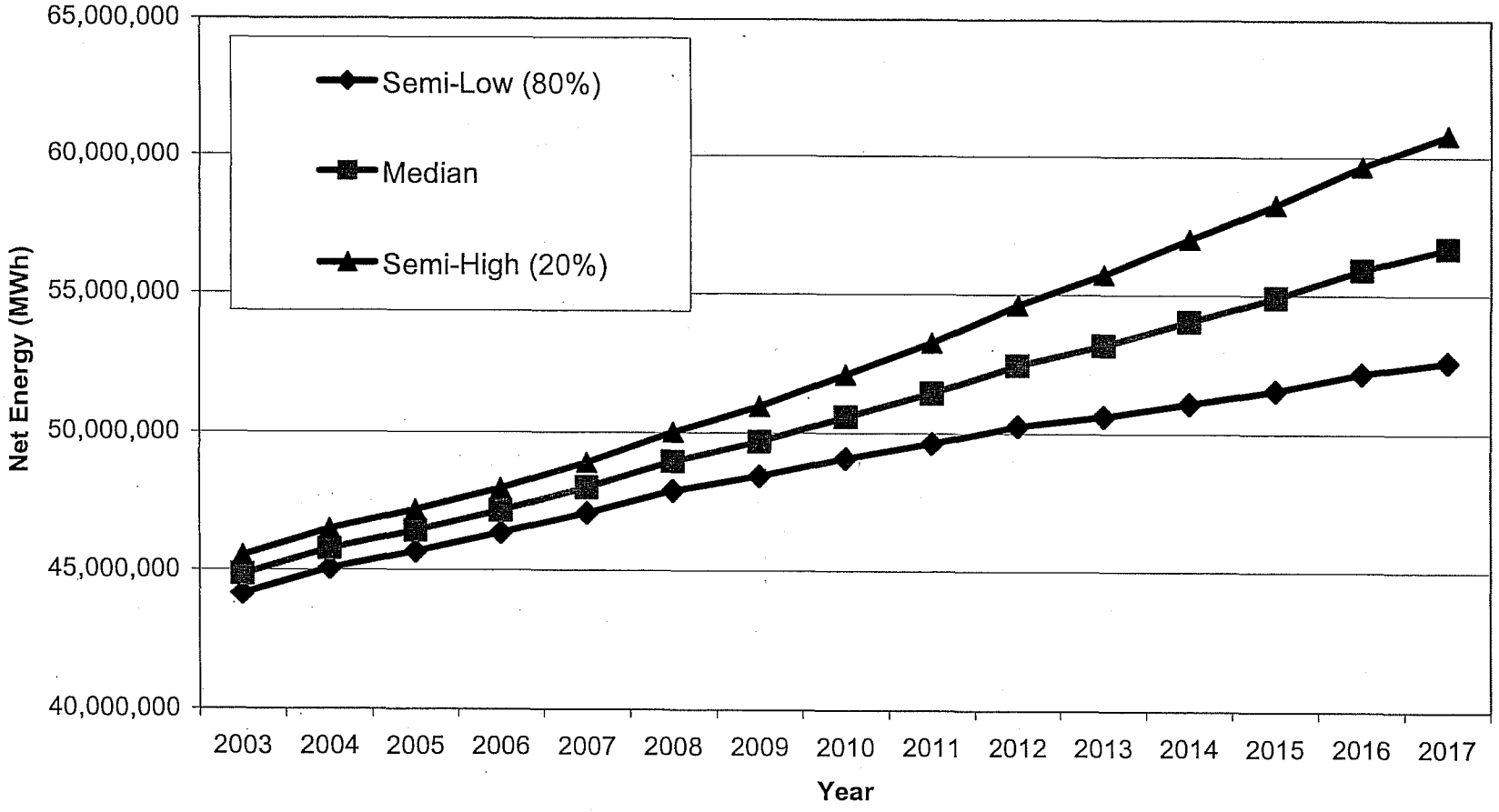


Figure 1-1
Xcel Energy Net Energy (MWh)



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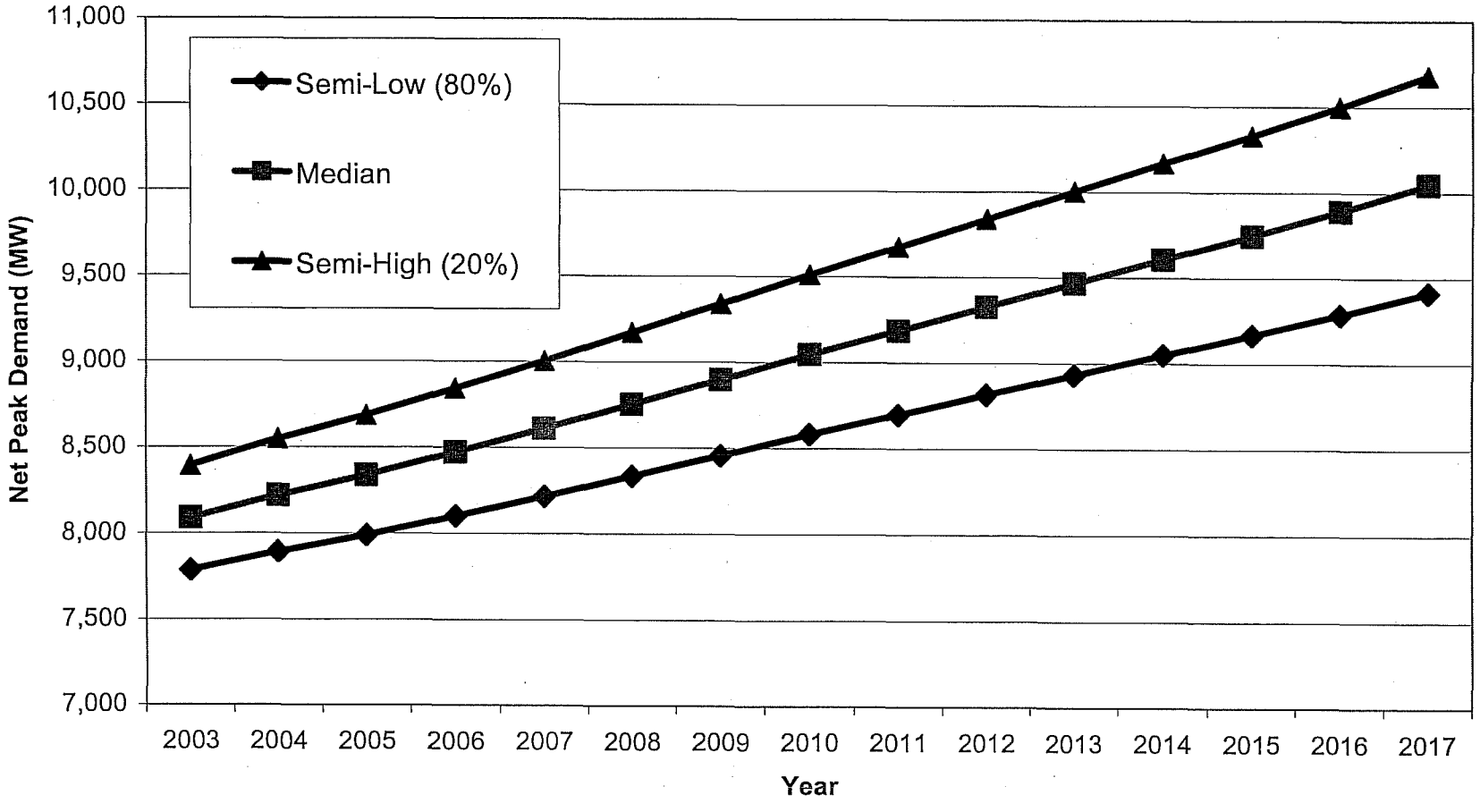

Resource Needs and Action Planning

Xcel Energy may need up to 4100 - 5800 MW of new capacity by 2017. The resource need over the next five years depends on decisions to be made by Xcel Energy, the Commission, the Legislature, and other entities. Therefore, identification of resource needs is considerably more uncertain in this Plan than prior submissions. Key issues include: whether Prairie Island will continue to operate, how many megawatts will be procured in the 2001 competitive bidding solicitation, whether the pending 500 MW contract with Manitoba Hydro will be approved, and whether the Emissions Reduction Proposal will be approved. A number of these issues will be resolved within the coming year.

Depending on the resolution of these issues, our resource need by 2007 could range from 0 MW to over 1800 MW of capacity. Close monitoring and contingency plans will be important to ensuring that we can respond appropriately as these outcomes are decided.

In this Resource Plan, we advocate issuing an All-Source RFP in 2005 for up to 450 MW of capacity to be available beginning in 2011. In addition, we seek to develop an acquisition strategy for up to 500 MW of contingent capacity, potentially through an RFP for contingent power or the development of additional Company-owned generation. Such a strategy will allow us to better manage risk and provide an important hedge, given the significant uncertainties during this planning period. Having more potential suppliers in the event other projects fail to materialize or demand exceeds our forecast will benefit our resource acquisition efforts.

Resource Plan Analysis

Having identified expected need, Xcel Energy tests a spectrum of resource combinations that might be used to meet future electrical demand, allowing the impacts of various energy policy objectives to be tested. This analysis provides the basis for developing a robust action plan that will serve our customers well while furthering public policy objectives.

In this Resource Plan, we present many scenarios for consideration. The significant number of scenarios evaluated is indicative of the amount of potential variability and risk we see in this planning period. Therefore, we present analysis of the effects of: variability in the future demand for electricity; various renewable energy scenarios; and various nuclear power scenarios. We also examine the potential impacts various environmental strategies could have on the Minnesota's economy and power supply decisions.

Demand-Side Management

As in our most recent Plan, we anticipate that it will become increasingly difficult to cost-effectively acquire additional DSM on our system. While demand-side management offers a number of advantages to our system and our customers, it can also pose implementation issues, particularly as we begin to saturate the market for particular technologies.

At present, however, we have met the aggressive goals adopted in the 2000 Resource Plan. We believe it is appropriate to continue to operate under these goals at this time, and seek Commission approval for continuation of these goals in our current Plan.

Fossil-Fuel Resources

Xcel Energy currently has 3,758 MW (summer rating) of coal-fired generation on our system. With respect to this existing fleet, we recently completed the conversion of Black Dog Units 1 and 2 from coal to natural gas. During the upcoming planning period, we expect that more change will occur within our coal fleet through the Emissions Reduction Proposal, which would convert the High Bridge and Riverside plants from coal to natural gas in 2008 and 2009 and substantially refurbish the King Plant with new pollution control equipment in 2007. We have assumed that all other coal plants continue to operate through the planning horizon without any major changes in O&M expenses or capital

commitments. We will, however, continue to make incremental improvements at existing plants when cost effective.

With respect to natural gas-fired generation, Xcel Energy currently has 1,277 MW of on our system, including 987 MW of combustion turbines and 290 MW of combined cycle plant. We have assumed all these plants operate through the planning horizon without any major changes in O&M expenses or capital commitments.

Nuclear Generation and Its Alternatives

Xcel Energy's current resource mix includes the Prairie Island ("PI") and Monticello nuclear plants. Minnesota law limits the amount of spent nuclear fuel storage at these plants, such that the PI plant will need to shut down in 2007 without legislative action. Monticello may operate until end of license (2010), but would not have the capability of seeking license extension (required to be filed in 2005). Therefore, electricity supply issues in the middle part of the planning period will be largely influenced by whether nuclear generation will continue to be part of the state's resource mix.

Our Plan provides information regarding the status of initiatives to provide storage and disposal of spent nuclear fuel and analysis of the options available to Minnesota policymakers regarding nuclear generation and its alternatives. Our analysis indicates that an electricity future that includes nuclear resources is preferable to one that requires shutdown of these facilities. The Plan provides detail on the options Xcel Energy will present to the Minnesota Legislature in the 2003 Session.

Spent Fuel Storage: Since our last Resource Plan, Congress authorized the Department of Energy's ("DOE") permanent spent fuel repository at Yucca Mountain, Nevada. While this milestone is significant, the repository will not be available to address the needs of PI and Monticello during the planning period. Although less promising than reported in our previous Resource Plan, Private Fuel

Storage ("PFS") solution remains a potential interim solution. PFS anticipates that the Nuclear Regulatory Commission ("NRC") will issue a license for the facility in 2003, such that the storage facility could be operating by the end of 2005. The project will continue to face political and legal challenges, as well as uncertainty as to whether it can attract sufficient customers. The progress on Yucca Mountain may cause many utilities to defer to the Yucca site rather than using off-site, interim storage. While we continue to believe PFS is a viable initiative and we intend to continue to pursue development of the project, we can no longer make planning decisions under the assumption that it will exist. Given the status of both the federal and private initiatives, the Minnesota Legislature will need to resolve the future of nuclear generation in this state absent a 2007 out-of-state spent nuclear fuel solution. We will present our analysis and potential options for consideration by the 2003 Minnesota Legislatures.

Steam Generator Replacement: Our analysis indicates that Prairie Island can produce power more economically if steam generators are replaced. However, it would not be economical to invest in new steam generators if the plant must shut down in 2007 due to spent fuel storage limitations. The most advantageous course is to replace steam generators in Unit 1 in 2004. We have taken incremental steps to preserve our ability to do that. However we have reached a point at which a decision whether to continue must be made. That decision necessarily depends on spent nuclear fuel decisions to be made by the legislature.

Relicensing: Applications must be made to the NRC five or more years before the current licenses expire and the work to prepare applications takes approximately two years. Therefore, Xcel Energy must decide soon whether to continue the process of application preparation for relicensing for the Monticello plant, or alternatively commence decommissioning planning. To date, 26 nuclear power plant licensees have made application for 20-year extensions to their operating licenses; 26 others have announced their intention to apply. Licenses have been renewed at five nuclear generating plant sites.

In this resource plan we examine a variety of alternatives to replace Prairie Island should it become necessary. Xcel Energy has received bids for the replacement of Prairie Island in a special competitive bidding process designed for that purpose. We anticipate finishing the selection process soon and continuing through the rest of the process as expeditiously as possible to preserve our ability to replace Prairie Island if necessary. The bids available to us consist of new gas- and coal-based generating plants. All require substantial transmission investments to ensure system reliability as the result of the significant change in the operating dynamics of the grid resulting from the absence of Prairie Island.

In addition, we have explored the feasibility of repowering Prairie Island as a natural gas fired facility. While nuclear power plants have been repowered, such a conversion has never been done seamlessly. Rather, gas conversion has only taken place after decommissioning is well advanced, several years after operations cease. Repowering does not appear to be a replacement option but may be a strategy to consider in order to make use of the site's infrastructure in the future.

Our comparative analysis of the replacement alternatives and continued operation indicates that the cost of electricity will be more economical with nuclear generation than without it. We also found the emission of fossil fuel related pollutants and green house gases to be lower with a nuclear generating component in our resource mix. We believe the risks associated with nuclear generation are manageable. We also conclude that the difference in the amount of spent nuclear fuel produced as the result of early shutdown is small and does nothing to address the fundamental responsibilities we as a nation have to properly manage and dispose of radioactive wastes. However, if Minnesota does not agree, we are prepared to pursue the resources necessary to replace our nuclear generating plants.

Renewable Energy

Xcel Energy's use of renewable energy is expected to increase during the planning period. We anticipate that biomass facilities developed pursuant to 1994 Minnesota legislation will begin to operate during this period. We anticipate that additional wind resources will be procured under the All-Source Bidding processes, both underway and planned. Due to the relative costs of various renewable energy resources, we expect that most renewable energy additions will be wind. We continue to believe that All-Source Bidding is the most appropriate means for determining additions to our resource mix, including renewable energy.

Other developments regarding renewable energy since our last Resource Plan include: adoption of renewable energy objectives by the Minnesota Legislature; implementation of a tariff for small wind producers to allow for streamlined connection to our distribution system; approval of our green-pricing offering; and awards of the first round of funding under the Renewable Development Fund, which has selected 19 projects for grants totaling $16 million for renewable energy projects.

Environment

Xcel Energy's fossil-fueled plants continue to comply with environmental regulations. Since our last Resource Plan, we have implemented several pollution-control equipment installations at our plants, submitted a voluntary mercury reduction plan, and proposed significant projects at the King, High Bridge, and Riverside plants under the Emissions Reduction Rider statute.

There is uncertainty in predicting the future of environmental compliance regulations. Consequently, we modeled various scenarios of potential future regulations to assess their impacts. This analysis shows that independent actions of either Minnesota or the United States will have more of a detrimental impact on the state's economy than operation under international environmental agreements would have. In addition, we provide various analyses in compliance with the

Commission's Order in our most recent Resource Plan regarding alternative environmental scenarios.

Transmission Impacts Associated with Generation Decision Making

Like other utilities in the country, Xcel Energy's transmission system is operating with very little excess capacity. Major improvements will be necessary as generation is added and customer demands continue to grow. The new market created by Open-Access transmission tariffs have increased the volume of transactions often to the point of raising the transmission network loading to its limits, such that line-loading relief and curtailment procedures are implemented more frequently than ever before. Implementation of RTOs, the start-up of MISO, and anticipated operation of TRANSLink pose transitional issues that impact resource planning and acquisition. Managing through these transitions as efficiently and effectively as possible will be important. Close monitoring of these transitions will be needed.

Legislative and Regulatory Changes have been made that require a separate Minnesota Transmission Planning proceeding. Minnesota transmission providers must now file a report on November 1 of odd numbered years outlining the system deficiencies their planning must address and potential solutions. The inaugural State Transmission Planning Report was filed November 1, 2001, and rulemaking is underway to guide future transmission planning dockets.

In this Resource Plan we provide a general discussion of the transmission implications associated with the generation decision making discussed throughout the plan. New high voltage transmission lines will be needed to support just about any large generation addition to the system. The actual requirements are very dependent on the specific site, size and operating characteristics of the proposal.

In general, small increments of additional electric power can probably be delivered within the Twin Cities metropolitan area without significant transmission investments. However, large units, approaching 400 – 500 MW in size, will

probably require new transmission lines so that the added electrical power can be injected at more than one point in the interconnected electrical grid. Remote large generators (for example wind or coal-based plants in the Dakotas or additional purchases from Canada) will require new longer, and therefore more expensive, high-voltage transmission lines.

Distributed Generation

Much work has been completed since the last Resource Plan to facilitate the addition of distributed generation resources on our system. Key among these include implementation of our tariff for projects 2 MW and under, and the work to establish generic state standards for projects sized up to 10 MW. Straightforward processes to connect distributed resources to our system are important to encouraging their development.

While we do not expect that distributed generation will provide a significant portion of our resource needs in the near future, we are working to support its implementation. In this chapter, we provide a summary of the pilot projects underway as part of our approved Conservation Improvement Plan.

Conclusion

Xcel Energy appreciates this opportunity to present this Resource Plan to the parties and decision makers. We believe that a successful Resource Plan will allow us to successfully manage our resources through risk and uncertainty and ensure that we have ample, viable resources available to meet our customers' needs. Our five-year action plan focuses on managing through this period to ensure continued reliable, economic, environmentally sound service to our customers.

We look forward to discussion of our action plan with key stakeholders and decision makers. We recognize that others may view these issues differently and come to different conclusions. We welcome the opportunity to engage in a dialogue of these issues and work toward ensuring continued reliable, economical, and environmentally sound energy for our customers.

Xcel Energy℠

414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

September 10, 2003

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: 2002 RESOURCE PLAN SUBMITTAL
DOCKET NO. E002/RP-02-2065

Dear Dr. Haar:

Enclosed is an original and 15 copies of Northern States Power Company d/b/a Xcel Energy's ("Xcel Energy") Update to our 2002 Resource Plan filed December 2, 2003. This plan hinged on significant decisions that were under examination by Legislators in the 2003 session and the Minnesota Public Utilities Commission suspended further activity on this plan pending completion of the legislative session. We have carefully considered the impact of new legislation and resolution of several keys uncertainties since this plan was filed and submit our update to the 2002 Resource Plan and recommended course of action. We look forward to working with stakeholders on these important issues as outlined in our update.

Copies of this filing have been served on the Department of Commerce and the Office of the Attorney General – Residential Utilities Division and members of the Environmental Quality Board as well as those on our current service list in this docket. Please call me at (612) 330-6125 if you have any questions regarding this filing.

Sincerely,

JUDY M. POFERL
DIRECTOR REGULATORY ADMINISTRATION

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer	Chair
Marshall Johnson	Commissioner
Phyllis Reha	Commissioner
Gregory Scott	Commissioner

IN THE MATTER OF NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY'S APPLICATION FOR RESOURCE PLAN APPROVAL 2003-2017	DOCKET NO. E002-RP-02-2065 UPDATE TO 2002 RESOURCE PLAN

INTRODUCTION

Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or "Company") submits to the Minnesota Public Utilities Commission ("Commission" or "MPUC") this update to our 2002 Resource Plan filed on December 2, 2002. The Commission's March 18, 2003 notice suspended the original comment period in this Docket to allow for the completion of the 2003 legislative session which was expected to provide key direction for the future of additional dry cask storage at the Prairie Island and Monticello nuclear generating units.

With the legislative session completed and new energy legislation adopted, Xcel Energy committed in correspondence dated June 12, 2003 to provide this update as a starting point for further consideration of our 2002 Resource Plan. A number of the issues and uncertainties identified in that plan were addressed by the Legislature, including authorization to expand dry cask storage sufficient to allow our Prairie Island plant to continue operating to the end of its current federal license in 2013/14.

OVERVIEW OF UPDATED PLAN AND REQUESTED COMMISSION ACTION

As discussed in more detail below, the Company seeks Commission approval of:

- *The withdrawal of the pending Resource Plan and a filing date of no later than November 1, 2004 for our next resource plan.* Significant changes have occurred since the filing of our plan in December of 2002 and with the passage of time we believe several issues key to development of our resource plans going forward would benefit from refreshed analysis. Re-filing next fall will provide us time to work through key issues with stakeholders – such as contingency needs and

acquisition processes for coal-fired generation – prior to the filing of the next plan. Further, this timing would correspond well to a potential future filing related to our nuclear facilities, specifically, a potential filing for additional storage capacity at the Monticello nuclear plant. We detail the basis for this requested timing further below.

- *A Request for Proposals in 2005 for new resources needed toward the end of the decade.* This bid is the sole element of our 5-year action plan that requires action prior to the completion of a 2004 Resource Plan proceeding. We believe the remainder of our action plan can be addressed in a new filing and provide further discussion below. As presented in our plan, a 2005 RFP would seek to obtain 450 MW of supply in the 2011 - 2013 time frame. As is always the case, Xcel Energy constantly reevaluates its resource acquisition requirements and bidding schedule in light of new developments. If conditions warrant a change in our plans prior to the next cycle of Resource Planning the Company would update the Commission as provided for in the Commissions Rules and recommend actions to appropriately address the changing circumstances and needs.

Other issues for this resource plan, such as conservation goals and compliance with the renewable energy requirements, should be able to proceed according to the Commission's 2000 Resource Plan Order until the next resource plan cycle is completed. We also detail our compliance with the new Renewable Energy Objective established by the 2003 Legislature below, and believe that no action is needed to ensure continued compliance in the near future. Additional time to evaluate the impact of this objective on our system and design future plans for compliance would benefit from ongoing research, the results of which can then be incorporated into a 2004 plan filing.

Therefore, the Company respectfully requests that the Commission:

- Accept this plan update and allow comments and replies from interested parties,
- Approve our original proposal to issue a Request for Proposal for acquisition of up to 450 MW of supply in the 2011-2013 timeframe, and
- Require the filing of a new resource plan no later than November 1, 2004.

We have organized the remainder of this update into the following sections:

- *Bid Schedule,* which provides a discussion of our requested 2005 RFP for 450 MW in the 2011-2013 timeframe.

- *Contingency Issues*, which provides additional discussion regarding the risks during the planning period, some options to consider for addressing these risks through contingency planning and resources, and our proposal for future consideration of these issues.

- *Coal Acquisition Issues*, which provides an assessment of the lessons learned from our recent All-Source Bid process with respect to acquisition of baseload coal generation and proposes an approach for additional work to address these issues.

- *Renewable Energy Objective*, provides the Commission with the required bi-annual report on Xcel Energy's compliance with the newly-revised renewable energy objectives under Minn. Stat. § 216B.1691.

- *Nuclear Issues*, which provides an overview of the nuclear-related actions taken by the 2003 Legislature and their impact on this and future Resource Plans.

- *Natural Gas Issues*, which assesses the impact of the short-term increased volatility of the natural gas market on our plan.

- *Future Filing Schedule*, which proposes a schedule for future consideration of these issues in a new Resource Plan to be filed no later than November 1, 2004.

- *Five-Year Action Plan*, which updates our proposed action plan consistent with the recommendations in this filing.

PLAN UPDATE

A. BID SCHEDULE

In our original five-year action plan, we proposed to initiate an all-source bidding process in 2005 for up to 450 MW of generation to be in service in the 2011-13 timeframe. Since that time, we announced our selection of resources in the 2001 All-Source bid process, where we selected approximately 800 MW of capacity as opposed to the 1000 MW sought by the solicitation. Further, as we have continued to gain experience with the process, we have come to appreciate the complexities and time consuming nature of bid evaluation including working through the transmission evaluation process now operated by the Midwest Independent System Operator ("MISO").

If the Commission accepts our recommendation to file a new resource plan in 2004, Xcel Energy does not recommend that the next generation acquisition program be deferred until the completion of that process, late in 2005.

Because of the amount of time necessary to conduct the bid process and construct many types of large power generation projects, we request authorization to launch the bid process in 2005 and seek approximately 450 MW of new, reliable capacity in the 2011-13 timeframe. Such an approach to the bid would provide us flexibility in the planning period and should help ensure that resources are available to meet customer needs. We would anticipate that the solicitation would be structured similar to our ongoing 2001 All-Source Request For Proposal process (Docket No. E002/M-01-1618).

While we propose to issue an RFP prior to the outcome of a new 2004 Resource Plan cycle we would expect that the planning process would be complete or nearly so prior to the completion of the bidding process. Such a sequence of events would provide the opportunity to consider and incorporate any pertinent outcomes of the planning process in the final stages of evaluation in bidding.

Xcel Energy constantly monitors market conditions and other issues that may affect the level of resource commitments necessary to reliably meet our customer's demand for electricity. The Company will continue to do so in the interim between now and the next resource plan proceeding. Should market conditions or other events warrant any changes to our bidding plans we would notify the Commission of our changed circumstances as is provided for in Resource Planning Rules (Minnesota Rules Chapter 7843.0500 Subpart 5.)

B. CONTINGENCY ISSUES

Our original resource plan identified a number of risks during the planning period. The 2003 Legislature addressed a number of those issues with its adoption of legislation regarding nuclear waste storage. However, a number of issues surrounding our mid- to long-term resource strategy remain. These include:

- *Emissions Reduction Proposal.* In a separate proceeding (Docket No. E-002/M-02-633), the Commission is considering whether to authorize Xcel Energy to implement its three-plant emissions reduction proposal under Minn. Stat. § 216B.1692. If approved, our proposal will provide over 1500 MW of long-

term capacity, including a net increase of 300 MW, for our system.[1] While the 2003 legislature determined that the Company's entire proposal constitutes a qualifying project and all upgrades eligible for rider recovery, the Commission retains authority to determine whether the approximately $1 billion cost of the proposal is in the best interest of ratepayers when taking into account the emissions reductions associated with the proposal. If our proposal is rejected or substantially delayed, we could experience a 300 MW shortfall in capacity by 2009.

- *2001 All-Source RFP Uncertainty.* We recently selected seven projects for final contract negotiations in our 2001 All-Source solicitation, including *one existing and two new* natural gas projects totaling over 600 MW, 450 MW of new wind generation from three developers, and a 115 MW of system purchase from existing generation resources. Our plan assumes that the Company will be successful in completing its purchases under the RFP process. However, no purchase is complete at this time and consequently the Commission has not yet had the opportunity to review and approve any proposals. The possibility exists that one or more of the proposals may not result in contract(s). Moreover, selection of five new projects with five different developers introduces a possibility that one or more of those new plants may not be completed.

- *Monticello Relicensing.* The Monticello nuclear plant's license expires in 2010. Because it may take several years to obtain an extension should that be the course chosen, Xcel Energy must decide soon whether to pursue relicensing. However, regardless of that decision, there is uncertainty regarding the future of Monticello and we need to determine a plan for replacing Monticello's capacity if a new license is not pursued or granted. We anticipate making a filing with the Commission in late 2004 or early 2005 to address that decision and, if appropriate, seek the required Certificate of Need for additional storage capacity.

Our 2002 plan proposed to establish an acquisition strategy for up to 500 MW of potential additional generation as a hedge against these and other identified uncertainties. We continue to believe that a contingency plan is important. We would welcome the opportunity to work with the Department and other stakeholders to

[1] If approved by the Commission, the Emission Reduction Proposal will result in installation of state-of-the-art pollution control equipment at our 571 MW coal-fired King plant and conversion from coal to natural gas and expansion of our High Bridge (515 MW) and Riverside (439 MW) plants.

potentially design new and innovative ways to develop resources and hedge some of the risks and unknowns that impact our resource decisions.

There are two primary approaches that could be used to secure contingent resources: through a bidding acquisition process or through Company-built resources. Through the Prairie Island contingent bid process, Xcel Energy has gained experience relative to this discussion. Our experience indicates that:

- *Covering contingencies in the bidding process can be difficult and expensive to manage.* We found substantial commonality in bidder refusal to put significant capital at risk without assurance that it would recover its costs. Thus, bidders insisted upon substantial withdrawal payments in exchange for allowing the option to terminate the contract after funds were expended. Depending upon when the contingency was exercised, it essentially would have resulted in payment in the hundreds of millions of dollars, without giving Xcel Energy ownership. Indeed, the termination payments for some bids were so high at later stages of development that it made termination an impractical outcome.

- *Bidders may be less interested in contingency bid processes than traditional acquisition processes.* While our 2001 All Source RFP drew interest from about 30 bidders comprising almost 40 bids, the Prairie Island Contingent RFP saw only eight bids.

Another approach to managing supply adequacy risks is to consider Company-built generation to meet contingency needs. The Company has access to sites where additional capacity could be added quickly and incrementally as needed, provided upfront permitting and regulatory approvals are obtained. Such an approach may offer an effective and appropriate alternative to the bidding process for this type of resource, which by definition needs to offer flexibility to meet rapidly changing needs. We believe the discussion could benefit from additional development of this concept for consideration as an alternative to bidding for these resources.

There may be other ways to structure resource plan decision making and bidding processes for contingency resources that address these issues. We would like the opportunity to further explore these issues with stakeholders.

C. Coal Acquisition Issues

As described in our original plan, Xcel Energy projects that in the later years of the planning horizon we will need significant additional baseload resources. Between 2010 and 2015, our Strategist computer model indicates that approximately 1800 MW of baseload generation is needed (450 MW in 2010, 450 MW in 2012, and 900 MW in

2015). Meeting these needs with coal-fired generation resources would appear to cost substantially less ($154 Million) than gas-fired generation resources.

However, the length of time necessary to develop coal-fired plants (typically five to eight years or more, depending upon the type of resource) makes it difficult to compare these resources with other options. We found in our 2001 All-Source bidding process that terms and conditions required by vendors to develop coal-based projects were substantially different from those to develop other resources, making direct comparison difficult and making it less likely a coal project would be selected.

Based on this experience, we believe it is appropriate to consider whether a new approach is needed to ensure fair evaluation and timely acquisition of coal-fired, baseload resources. The cost analysis above indicates that it would be well worth the effort to explore these issues, given the potential overall lower cost of these resources compared to other options. Alternative approaches to consider include separate solicitations for baseload resources or staged development of a multi-unit resource over time, potentially with Company involvement in either the development or ultimate ownership of the facility. It may be that Company involvement up-front in a project is necessary to ensure such projects can be successfully developed.

We do not have a specific recommendation to advance at this time regarding this issue. Rather, we propose to work with the Department and stakeholders to consider this issue and potentially develop alternative approaches to acquiring such resources that will maximize ratepayer value and an efficient, timely, and cost-effective process. The results of this work would be presented in our next Resource Plan filing.

In addition, the 2003 Legislature adopted provisions regarding a potential coal-fired plant to be located in northeast Minnesota. The Legislature granted the project, known as Mesaba Energy, a number of rights, including the right to be considered in future resource selections. There are a number of issues to be worked through regarding implementation of these provisions. While the Legislature gave this project certain advantages to facilitate its implementation, at present there is still considerable uncertainty as to whether the project will be successfully developed and become operational.

We propose to continue working with the Mesaba project as directed by the 2003 legislation. We expect to have significant additional information regarding this initiative by the time of our next Resource Plan filing.

D. RENEWABLE ENERGY OBJECTIVE

The 2003 Legislature adopted amendments made to the Renewables Energy Objective ("REO") contained in Minn. Stat. 216B.1691. The revised statute specifies what technologies comply with the requirement[2] and the amount each utility is to obtain. For Xcel Energy, the renewable energy objective is a requirement, tempered however, in that the deployment of renewables is subject to satisfaction of least cost planning requirements and cannot jeopardize electrical system reliability. Xcel Energy is required in 2005 to meet 1 percent of its retail sales in Minnesota with electricity produced at power plants using eligible renewables fuels. The requirement increases by one percent each year reaching 10 percent by 2015.

The statute requires that of the renewable energy amount, 0.5% is required to be generated by eligible biomass generation by 2005, increasing to 1% of the renewable energy amount by 2010. In addition to that requirement, Xcel Energy is required to "enter into a power purchase agreement by January 1, 2004 for ten to 20 MW of biomass energy and capacity at an all-inclusive price not to exceed $55 per megawatt-hour". Finally, the legislature has required that Xcel Energy deploy an additional 300 MW of nameplate capacity of wind energy capacity by 2010. This 300 MW requirement is in addition to the wind energy capacity Xcel Energy was "required by law or commission order as of May 1, 2003" and is subject to the system reliability contingency.

Subdivision 3 of this section of the statute requires utilities to provide a report to the Commission in Resource Plans concerning progress toward the Renewable Energy Objectives, including:

- The status of the utility's renewable energy mix relative to the good faith objective,
- Efforts taken to meet the objective,
- Any obstacles encountered or anticipated in meeting the objective, and
- Potential solutions to the obstacles.

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[2] Resources eligible to be counted toward the REO include technologies that generate electricity using solar power, wind power, hydro-power (at plants with less than 60 MW of production capacity), hydrogen, and biomass. Included in the definition of biomass is mixed municipal waste and refuse-derived fuel. After 2010, the hydrogen used to produce electricity must come from other renewable resources. Resources mandated in the 1994 Prairie Island legislation (Session Laws 1994, Chapter 641) cannot be counted toward the REO. Waste combustion at the Hennepin County Energy Recovery Center does not qualify toward the REO.

We provide this information below.

Xcel Energy's Compliance with the REO

Xcel Energy has the resources in place or already committed to comply with the REO requirements in 2005 and could be well positioned to comply through late in the decade, subject to the least-cost planning and system reliability conditions provided in the statute. The Commission will determine our actual position as it addresses issues surrounding REO compliance measurement over the next several months in a separate docket just underway.

In our 2002 Resource Plan filing, we forecast that electric energy consumption in Xcel Energy's Upper Midwest service territory will grow at a rate of 1.6% per year. In 2002, Xcel energy retail customers in Minnesota used 29,675,319 MWh of electricity. The table below illustrates the REO requirements by year for Xcel Energy assuming electric retail sales increase at the same 1.6% rate.

XCEL ENERGY'S REO TARGETS
Minnesota Jurisdiction

	Actual Retail sales	Projected Retail Sales (1.6% G.R.)	REO Target (1.6% G.R.)
2002	29,675,319		
2003		30,150,124	
2004		30,632,526	
2005		31,122,647	311,226
2006		31,620,609	632,412
2007		32,126,539	963,796
2008		32,640,563	1,305,623
2009		33,162,812	1,658,141
2010		33,693,417	2,021,605
2011		34,232,512	2,396,276
2012		34,780,232	2,782,419
2013		35,336,716	3,180,304
2014		35,902,103	3,590,210
2015		36,476,537	3,647,653

In 2002 Xcel Energy produced or purchased approximately 2,700,000 MWh of electricity from REO eligible resources.

XCEL ENERGY'S RENEWABLE GENERATION AND PURCHASES
2002

	MW	MWh
Refuse Derived Fuel	72.10	297,478
Hydro	299.67	1,279,137
Wind	302.00	921,007
Biomass	65.20	220,408
TOTAL	738.97	2,718,030

Approximately 180 MW of additional wind-powered generation has been contracted for and is under development in 2003. We anticipate at least 60 additional MW from small wind developers in the next few years and we recently announced the selection of three wind projects totaling 450 MW. In addition the 2003 legislation authorizing spent fuel storage at Prairie Island also requires power purchase contracts for more biomass and another 300 MW of wind power.

After excluding production from 825 MW of wind powered generation and mandated biomass resources, we estimate that existing resources and those under negotiation will provide approximately 2 million megawatt hours of electricity which would meet the REO requirements through the 2009 or 2010 time frame. This calculation assumes existing levels of short-term purchases from renewables based generators will continue at 2002 levels. It also does not account for the expiration of Refuse Derived Fuel contracts in 2007 that provide REO compliant fuel for the Red Wing and Wilmarth plants.

Xcel Energy will be meeting the early year requirements of Minn. Stat. 216B.1691. Because the Commission is considering in a new docket issues such as counting of resources, multiple credits and other issues, it is difficult to assess precisely what Xcel Energy's REO status will be as time passes. It appears that Xcel Energy will meet the REO standard through the latter part of the decade with a combination of existing and committed resources and other newly legislated requirements. We anticipate that we will continue to add renewable resources to our power supply portfolio as long as it is consistent with least-cost planning and reliability considerations.

Obstacles that we may encounter in future renewable development on our system include:

- *Saturation issues with respect to additional wind development.* Xcel Energy has development commitments underway that will result in wind powered generation reaching nearly 10 percent of its total production capacity. The penetration of wind power could rise to 15 percent or more depending on the strategy used to meet our remaining REO obligation. The intermittent nature of wind creates issues on our system with respect to load following, regulation, and the operation of our baseload coal and nuclear plants that must be carefully evaluated.

- *Transmission issues.* The characteristics of wind turbines and their location pose issues for the operation and design of the transmission system. Further, additional resources of any kind will likely require significant additional transmission development, which is operating at near capacity. Transmission facilities are typically difficult to site and construct.

- *Cost issues.* While wind costs continue to decline and, together with federal production tax credits, have become cost competitive, the cost of other renewable resources remain high relative to more traditional resources. After including the cost associated with the two issues above it is not clear how many additional resources will be acquired under the legislative standard that they meet least-cost planning requirements.

Significant study work is under way to address cost and reliability factors that will help us further define the boundaries of renewables development on our system. We expect to use this work as we develop plans for addressing the REO requirement. A more meaningful resource planning analysis will result if we can take the time to incorporate the results of this ongoing work. We believe that can be done with a new resource plan filing in the fall of 2004.

E. NUCLEAR ISSUES

Our original plan identified significant issues concerning continued operation of Xcel Energy's Prairie Island and Monticello nuclear plants. Prairie Island needs added on-site storage for spent nuclear fuel to continue operating beyond 2007; Monticello's operating license expires in 2010. Our plan discussed in detail the issues surrounding the future of nuclear generation as part of our energy supply mix.

The 2003 Legislature significantly clarified Minnesota's policy regarding nuclear generation. By enacting 2003 Minn. Laws (1st Special Session), Ch. 11, the Legislature authorized sufficient spent nuclear fuel storage to allow Xcel Energy to operate Prairie Island to the end of its current operating license. The statute also provides a process for securing additional spent nuclear fuel storage capacity in the event the Company

pursues relicensing of either of its nuclear plants. These developments clarify a significant issue concerning available resources during the later years of the planning horizon. We briefly discuss the implications of this legislation on our Resource Plan below.

1. *Prairie Island Operations*

The 2003 legislation resolves the near to mid-term issues concerning continued generation at Prairie Island, including our ability to operate the plant until 2013/14, the expiration of the current operating license; the process by which we would secure additional capacity in the event we seek relicensing of the plant from the Nuclear Regulatory Commission; resolution of the contingency bid process, allowing us to close that separate proceeding (Docket E002-M-01-1480).

In addition, the 2003 legislation clarifies our approach to continued operation at Prairie Island. As discussed in our original filing, Prairie Island can produce more power more economically if its two steam generators are replaced. Allowing this plant to operate through the end of its license makes it economically attractive to replace the steam generator in Unit 1. We continue to believe the most advantageous course is to replace the generators for Unit 1 in 2004 and will continue to take the steps necessary to do so.

2. *Relicensing Issues*

As described in our Resource Plan filing, relicensing a nuclear plant is a time-consuming process that calls for significant and thoughtful consideration. The issue will first arise at Monticello, whose operating license will expire in 2010. This plant has been a reliable, low-cost energy producer, and our analysis to date indicates it could continue to operate economically and reliably into the foreseeable future. Because the Nuclear Regulatory Commission ("NRC") requires any application for relicensing be submitted 5 years in advance of the scheduled end of license, the Company needs make an application for Monticello in 2005 if we want to pursue this option.

The decision whether to seek relicensing implicates several important issues for the Commission's consideration. At the time Monticello's operating license runs out, so will its spent fuel storage space. Without the assurance that the Private Fuel Storage ("PFS") interim storage facility in Utah will be successfully developed, Monticello will need additional dry storage to bridge to a Yucca Mountain solution or to decommission. A decision to go forward with Monticello relicensing will involve evidence of storage availability at a PFS prior to 2010 or regulatory approval to install an on site Independent Spent Fuel Storage Installation.

The Company has elected to continue the studies needed to make a determination whether to pursue relicensing of Monticello. If after the completion of these studies the Company elects to pursue an application with the NRC, we will also make appropriate submissions to the Commission, both in terms of a Resource Plan to reflect this decision and application for a Certificate of Need for additional storage capacity. During the coming months, the Company also intends to develop a plan to address the risk that Monticello may not operate beyond 2010. Depending on final corporate decision on whether or not to move forward with relicensing at Monticello, such filings would be appropriate to make in late 2004, given the timing of the relicensing process.

F. NATURAL GAS ISSUES

The natural gas market has experienced increased volatility and higher prices since the original filing, and general concerns regarding availability and supply have been raised on a national level. The Commission has set a technical conference on natural gas issues in conjunction with its consideration of our Emissions Reduction Proposal to gain additional information regarding this situation.

We believe that our original Resource Plan filing adequately addressed natural gas issues. We ran a number of scenarios testing our plan against various gas price assumptions, including high-cost scenarios. Current projections of future gas prices remain in the range of our base case assumptions, particularly with respect to the period in which new gas-fired facilities would come on line. Therefore, we do not believe any additional analysis of natural gas issues is required in this planning cycle. To the extent that natural gas prices rise beyond what we assumed only reinforces the analysis presented in our resource plan. In out years of the planning period the *Strategist* analysis found that base load coal resources were more economical additions. Higher gas prices only amplify that result. We would continue to assess the situation and address any updated conditions in our next Resource Plan filing.

G. FUTURE FILING SCHEDULE

As demonstrated in the discussion of issues above, the Company believes that, other than approval of an RFP in 2005 to meet projected customer needs in the 2011-2013 timeframe, most of the issues yet to be resolved would benefit from additional analysis and consultation with parties to be successfully resolved. These issues include the process for securing resources to address the risks present in the planning period and considering options for securing baseload resources for our system. Further, the timing of an application for additional storage to accommodate a potential Monticello

relicensing would need to occur in late 2004, as would a plan for addressing the loss of Monticello capacity if relicensing is either not pursued or ultimately denied.

Taken together, the Company believes that it would be most efficient for the Commission to approve our proposal for a 2005 bid for 450 MW of capacity and require a new Resource Plan filing no later than November 2004. In the event that changing circumstances require any action prior to this time, the Company would make a filing pursuant to Minn. Rule 7543.0500, Subd. 5 to inform the Commission of the significant change and if necessary initiate a proceeding to consider remedy.

H. UPDATED FIVE-YEAR ACTION PLAN

Our original filing proposed a five-year action plan, in compliance with the Commission's rules. To assist in putting our update in context, we provide that action plan and update it as discussed above. Most of the issues have been resolved or would benefit considerably from additional work incorporating key information being developed in the next few months. Thus we recommend further consideration of resource plans be deferred to a new 2004 Resource Plan filing. Such action would not jeopardize our power supply as long as a 2005 RFP filing is authorized.

- *Continue to aggressively pursue the conservation and load management goals established in the 2000 Resource Plan Proceeding.* We propose to continue pursuing the goals established by the Commission in our last Resource Plan.

- *Obtain Commission approval of the Manitoba Hydro 500-MW contract.* The Commission approved this contract in December 2002. The matter has been appealed to the Minnesota courts; however, the contract is currently in effect pending appeal. The Company will continue to pursue implementation of this contract to ensure our customer needs are met.

- *Complete the 2001 All-Source Bidding process in 2003.* We announced selections totaling approximately 800 MW of capacity. We are currently negotiating contracts with vendors and will file them for approval with the Commission once completed. In the event that contracts are not reached or other circumstances develop affecting the selected resources, we will inform the Commission and recommend the appropriate action plans. These purchases require no action within the Resource Planning Docket.

- *Obtain approval of our Emissions Reduction Proposal.* This matter is pending before the Commission. We hope to have a Commission decision on this matter later this year. That outcome will help clarify the level of generation capacity yet needed late in the decade.

- *Seek resolution of the future of nuclear generation in Minnesota by the legislature in 2003.* The 2003 Legislature adopted legislation that significantly clarified this issue and provides direction for future proceedings. The Company will be making decisions in coming months whether to pursue extending operation of the Monticello plant beyond 2010. That analysis will help inform our resource acquisition strategy going forward.

- *Initiate an All-Source Bidding process in 2005 for up to 450-MW of generation to be in service between 2011 and 2013.* As discussed above, this solicitation is the sole element of our 5 year plan we do not believe should wait for a new Resource Plan. To ensure a reliable power supply it would be prudent to get the next solicitation process underway. However, the results of the next resource plan cycle can be incorporated into final stages of the bidding process.

- *Continue to closely monitor and manage the transition to new market and regulatory structures.* We continue this effort. Since the filing of our original plan, we submitted an application to participate in TRANSLink, an independent transmission company approved by the Federal Energy Regulatory Commission ("FERC") to operate within MISO. That proceeding is pending before the Commission, awaiting an update from the Companies. In addition, we continue to advocate before FERC on various transmission issues regarding MISO and FERC policies, and participate in discussions with the state agencies on these topics through the MISO stakeholder meetings.

We had also identified and analyzed a number of contingency issues in our original plan. Many of these have been resolved, as discussed below.

- *If continued operation of our nuclear plants is not the State's preferred option, seek legislation expediting the Prairie Island alternative and begin the solicitation process in the 2003 – 2004 timeframe for replacement of Monticello's output in 2010.* After the 2003 Legislature approved additional storage at Prairie Island, the Company terminated the contingent bid process. As noted above, we believe it would most appropriate to address the future of Monticello and corresponding contingencies in our next Resource Plan.

- *Establish an acquisition strategy for up to 500 MW of potential additional generation to as a hedge against the uncertainties and risks during this planning period.* We continue to believe contingency planning is important and necessary. As discussed above, we believe that alternative approaches to a contingent bid process may be appropriate. While we raised the issue in our 2002 filing we did not

make a specific proposal. We would like the opportunity to explore these issues with stakeholders and address the issue in our next Resource Plan.

- *Conduct a competitive solicitation program for up to 100 MW of biomass generation resources as a backstop so that we can respond quickly should current market conditions create difficulty for pending biomass projects.* We made a filing offering such a process to the Commission in Docket No. E002/M-03-306. Since then, several issues with respect to our current biomass contracts have been resolved, either by the Commission or the Legislature. At present, such a bid process does not appear necessary. Issues regarding our future compliance with the REO can be addressed in the next Resource Plan. We will have the benefit of the Commission's actions regarding compliance measurement by that time as well as the results of important study work underway. Reexamining issues related to renewables in the next planning cycle will not jeopardize compliance with REO requirements.

- *Conduct periodic assessments to consider the combined impacts of the many events that will be occurring on our system.* We will continue to carefully monitor developments affecting our system. To the extent that we need to act in response to any development in a way not addressed by this Resource Plan, we will file with the Commission under Minn. Rule 7543.0500, Subd. 5 a notice of changed circumstance. Appropriate regulatory action can be taken if necessary.

As shown, we believe that a number of issues in our pending Resource Plan have been resolved, a number of issues at the center of future resource plans would benefit from new information being developed over coming months, and additional time to incorporate new information does not jeopardize our power supply provided a 2005 RFP can get underway in the interim. Consequently, we believe it is appropriate for the Commission to act to close this proceeding by approving our proposed 2005 bid and directing us to file a new Resource Plan no later than November 2004.

CONCLUSION

Xcel Energy respectfully requests that the Commission authorize the Company to develop and implement a 2005 bidding process to solicit approximately 450 MW of reliable capacity. The Company will work with Staff and the Parties to design an RFP process for this solicitation that meets the Commission's guidelines and requirements. We also request that the Commission approve a filing date of no later than November 1, 2004 for us to address issues including the Monticello nuclear plant, contingency planning, and acquisition of baseload resources. Such a schedule will allow us time to conduct the necessary analysis and engage in discussions with stakeholders prior to making a specific plan proposal.

Dated: September 10, 2003

Northern States Power Company
d/b/a Xcel Energy

By: _____
JAMES ALDERS
MANAGER REGULATORY PROJECTS

Xcel Energy℠

414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

November 10, 2003

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: NOTICE OF CHANGING CIRCUMSTANCES AFFECTING RESOURCE PLANNING
DOCKET NOS. E002/PR-00-787, E002/RP-02-2065 AND E002/M-01-1618

Dear Dr. Haar:

Enclosed are the original and 15 copies of a filing by Northern States Power Company d/b/a Xcel Energy notifying the Commission of changing circumstances affecting our Resource Plans as provided by Minnesota Rules Chapter 7843.0500, Subpart 5.

In our filing we identify market conditions and transmission issues affecting our ability to make short-term power purchases and our ability to successfully complete the All-Source acquisition program. As a result, we have reduced our estimates of power plant capacity available to us in 2005 by approximately 500 megawatts. To compensate for the potential shortfall we intend to pursue the development of three combustion turbines at existing Company plant sites.

This filing includes information that may be of interest to those participating in our Resource Plan dockets and Bidding Docket. Accordingly, we have provided copies of this filing to those on those service lists, attached.

Please call me at (612) 330-6732 if you have any questions regarding this filing.

Sincerely,

James Alders

JAMES R. ALDERS
MANAGER, REGULATORY PROJECTS

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer	Chair
Marshall Johnson	Commissioner
Kenneth Nickolai	Commissioner
Phyllis Reha	Commissioner
Gregory Scott	Commissioner

DOCKET NO. E002/RP-00-787
E002/RP-02-2065

NOTIFICATION OF CHANGED CIRCUMSTANCES AFFECTING RESOURCE PLANNING

INTRODUCTION

Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or "Company") submits to the Minnesota Public Utilities Commission ("Commission") this notification of changing circumstances that are affecting the Company's Resource Plan. Minnesota Rules Chapter 7843.0500, Subpart 5 instructs the utility to inform the Commission in the event it encounters changed circumstances that may have a significant effect on it's Resource Plan.

In recent weeks and months, Xcel Energy has encountered significant challenges in ensuring that adequate production capacity is available to meet the summer peak demand for electricity in our upper Midwest service territory. Limitations and constraints on the transmission system along with the evolution of the administration of the transmission system have created increasing uncertainty in our ability to make shorter-term power purchases that we have traditionally relied upon to help cover peak electrical demand and reserve obligations. As a result we have reduced our estimates of available short-term power by approximately 300 megawatts in 2005.

The Company continues to work with developers to complete the acquisition of resources from the 2001 All-Source bidding program and to supplement those resources with other purchases. We believe that we will be able to acquire at least as much production capacity from developers as was included on the All-Source Finalist

List. However, because of the complexities of negotiating over 800 megawatts of power purchase contracts including issues related to transmission access we anticipate a delay in some of the acquisitions. Accordingly, we have reduced our estimate of new All-Source purchases that will be available in 2005 by approximately 200 megawatts. The Company plans to submit successfully negotiated power purchase contracts to the Commission for review and approval over the next several months.

In our 2002 Resource Plan filing we introduced the concept that there was increasing uncertainty in our plan due to a number of factors. We identified the need to plan for approximately 500 megawatts of generation to reduce the risks associated with our reliance on the wholesale market and other factors. The issues that caused us to raise the concern in our resource plan have developed more quickly than we anticipated. Immediate action is necessary to address reliability risks associated with potential shortfalls in generating capacity in 2005.

To compensate for these changing circumstances, the Company intends to seek authorization to construct 3 combustion turbines, or nearly 500 MW of peaking duty production capacity, on the Xcel Energy system, to be placed in service by the summer of 2005. The Company intends to make application for a Certificate of Need for two combustion turbines at the Blue Lake generating plant site as soon as possible, early in December. We will also be pursuing permits for the addition of a combustion turbine unit at the Anson generating plant site near Sioux Falls.

BACKGROUND

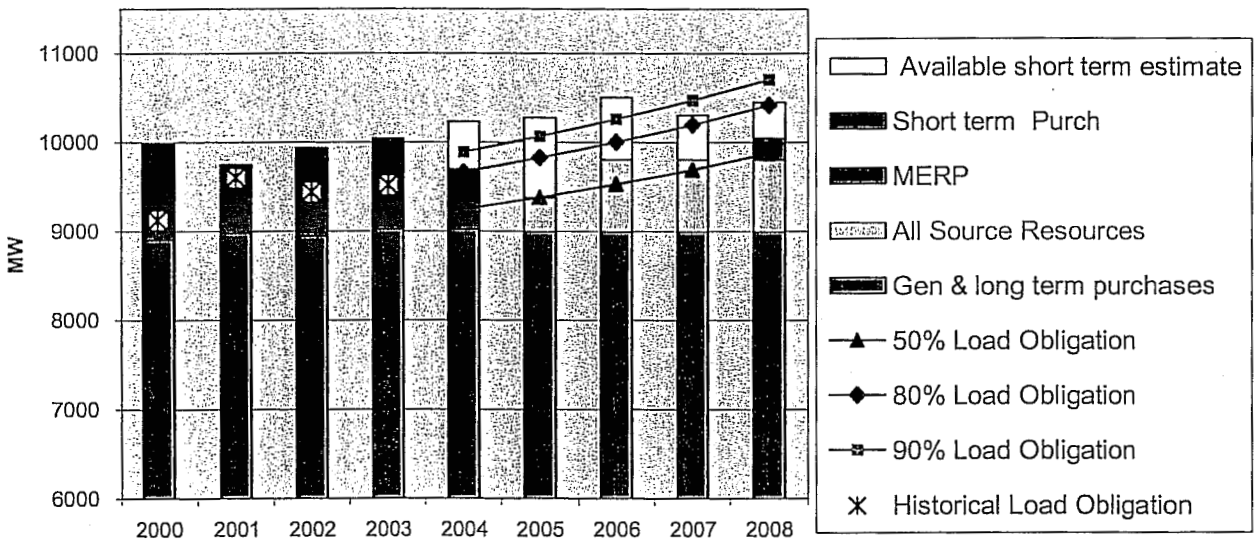
Traditionally, Xcel Energy has relied on a combination of Company owned generating capacity, long-term power purchases, and short-term seasonal power purchases to meet the demand for electricity in our five state upper Midwest service territory. To ensure that adequate generating resources are available to reliably meet the demand for electricity in the region, the Mid-Continent Area Power Pool has a long-standing reliability standard for its members. All power suppliers serving customers in the MAPP region must have sufficient accredited generation capacity to provide 15% reserves above their actual summer peak demand.

The test of compliance with MAPP requirements is done after-the-fact, but arrangements for generation must be made before the actual peak demand is known. The arrangements are therefore made based on a forecast of peak demand and, as with any forecast, there is considerable uncertainty in what actual peak demand levels will be.

In order to ensure that the actual demand and reserve obligations can be met, the Company has traditionally made long term purchases and capacity additions to meet a median forecasts and then has augmented those resources with short term seasonal purchases to cover to an 80th to 90th percentile forecast. In that way, the risk that demand will exceed available resources is minimized in a cost effective manner.

The figure below illustrates how the Company planned to use the combination of existing generation facilities, long-term purchases, new All-Source purchases and short-term seasonal purchases to meet its forecasted peak demand and reserve generation obligations. The figure illustrates the forecast demand and resource picture as it existed in the spring and early summer of this year, as we were making All-Source Bidding selections. We anticipated that the combination of existing (owned and purchased) and All-Source resources would meet the median forecast and that short-term purchases would increase generating capacity to the 90% level. The graph also shows historical coverage for reference.

NSP Load Obligations and Resources
Spring 2003



*Load forecasts include 15% reserve obligation

THE AVAILABILITY OF SHORT TERM POWER PURCHASES HAS BECOME MORE UNCERTAIN.

Recently, we have encountered conditions in the regional market that lead us to conclude that we can no longer rely on the same level of short-term power purchases as in the past. This trend was identified in past resource plan filings but is occurring sooner than anticipated.

Through the summer of 2003, we have planned for and successfully secured 800 to 1100 megawatts of short-term power purchases to be delivered during the summer peak demand season along with the required firm transmission rights to deliver the contracted electricity. Our initial plan for the years 2004 and 2005 anticipated similar levels of short-term power purchases would be available. However because of concern about increasing demands on the transmission system and changes in the administration of the transmission system, our plan conservatively included an expectation of reduced availability of short-term power purchases starting with a reduction to 700 megawatts in 2006.

Several events since the filing of the All-Source finalist list have made us reconsider that expectation. While the generation resources appear to be available in the region, there is growing concern that transmission capacity is no longer available to deliver power from other systems to the NSP load. Accordingly we have reduced our estimates of available short-term power that can be successfully delivered to the Xcel Energy system by about 300 megawatts in 2005.

Over the past five years, approximately 400 to 500 megawatts of our short-term purchases were made from utilities to the south of the NSP system. Excess generation resources and transmission availability from the south had been sufficient to make these purchases an excellent source of economic capacity for our system. Entering 2003, we had no reason to believe that this situation would change in the near term. Therefore, in early 2003, when we began our short-term purchase planning for 2004 and 2005, we continued to assume that the resources originating from utilities to the south would be available. As early as November of 2002, we submitted requests for transmission service to the Midwest Independent System Operator for 200 megawatts to be delivered during the 2003 summer season. MISO notified us these requests would require system impact studies.

To ensure adequate capacity coverage for 2003, we requested monthly firm transmission while MISO studied the annual request. The principal difference between monthly and annual firm transmission service is that annual transmission reservations establish a transmission access right that can be preserved from year to year or rolled over. MISO authorized the monthly transmission at the same time that it was studying the annual request in more detail.

However, during the summer of 2003, Xcel Energy began experiencing refusals of other monthly transmission requests to facilitate day-to-day power transactions from the south. While these monthly transmission reservations did not impact the production capacity purchases for 2003, they did restrict economical electric energy purchases, an indication that transmission availability was tightening sooner than anticipated.

On September 4, 2003 we received the results of the system impact study from MISO for the annual transmission request submitted in November of 2002. The study identified numerous constraints that would limit our ability to acquire firm annual transmission access from the south. Among others, MISO identified that transfers from the south were constrained by the Quad Cities limitation on the Mid-American system, part of the transmission network at the Iowa Illinois border. We then authorized MISO to conduct a Facility Study to identify the transmission improvements necessary to overcome the constraints. MISO is currently working on this study and we expect the results in the spring of 2004.

Additionally, in early October 2003, the earliest time allowed by MISO procedures, we made new monthly firm transmission requests for power purchases from the south for the summer season of 2004. MISO immediately denied those requests. We expect we will receive similar results for 2005.

In summary, based on these transmission access developments, we conclude that we cannot depend on short-term power purchases to the same degree as in the past. To complicate matters further the power system experienced its largest blackout ever on August 14th of this year. We are concerned that the transmission system will be more conservatively administered until significant improvements are made and thus long distance power purchases may decline further.

FERC and MISO procedures and tariffs provide for the rollover of certain transmission rights from one year to the next. While we are limited in the amount of power that can be delivered from the south, we continue to believe we can secure enough power for the 2004 summer season from other sources, using rollover

transmission rights and unconstrained transmission paths, to cover peak demand and reserve reliability requirements to the 85th to 90th percentile forecast probability.

However, because of the significant uncertainty in the regional transmission capacity picture in 2005 and beyond, we believe it is no longer prudent to rely as heavily on short-term seasonal power purchases from distant utilities to meet our reliability obligations. We will continue to pursue purchases as they are available but can no longer count on their availability for the foreseeable future. Thus we have reduced our estimates of short-term capacity availability by approximately 300 megawatts in 2005.

LONGER TERM POWER PURCHASES HAVE BEEN DELAYED

Some of the same transmission constraint issues encountered in our efforts to secure short-term seasonal power supplies have presented challenges in our 2001 All-Source long-term resource acquisition program. We continue to believe we will successfully secure over 800 megawatts of production capacity as the result of the program, however, due to "work arounds" necessary to address transmission constraints we have reduced our estimate of power available in 2005 .

In June of this year the Company announced its selection of 7 finalists in the 2001 All-Source, long term, resource acquisition program. Those selections were:

- a 100 MW purchase from the Minnesota Power system,
- a 250 MW purchase from Reliant from an existing plant in Illinois,
- a 240 MW purchase from Calpine from a gas combined cycle plant to be built in Wisconsin,
- a 155 MW purchase from TransCanada from a gas combustion turbine unit to be built near Hutchinson, Minnesota, and
- three power purchases totaling 450 MW of nameplate capacity from wind farms on Buffalo Ridge and in south-central Minnesota

Shortly after the announcement of the finalists, preparations for contract negotiation and preliminary discussions began. Preparations included contacting bidders, incorporating project details into the model purchased power agreement, and continued due diligence on project development. While all of the finalist bidders initially identified in their proposals 2005 in service dates, the Company anticipated it would be difficult to complete the as yet undeveloped projects by 2005. However the Company expected to complete negotiations and make purchases from at least the Minnesota Power proposal and the Reliant Illinois proposal, both existing generation,

beginning in 2005. The negotiations are on going and significant issues in addition to those discussed here are present in each.

On August 6, 2003, Minnesota Power informed us that they were completing negotiations with another utility to dedicate the capacity and energy that was the subject of their All-Source proposal to Xcel Energy. Xcel Energy and Minnesota Power spent some time discussing if the all-source bid could be completed or a substitute arrangement could still be made. On August 25, Minnesota Power notified Xcel Energy that it had executed the long-term transaction with another utility and formally withdrew their All-Source bid.

During preparations for negotiations with two of the other bidders, it became apparent that the Quad Cities limitation, which prevented MISO from approving the short-term transmission requests from the resources to the south, might also prevent long-term purchases from the Reliant facility and from the Calpine project in Wisconsin. Xcel Energy had expected that mitigation efforts and the use of certain transmission paths would enable the deliveries, but it became apparent that these arrangements would not ensure delivery. Xcel Energy confirmed this concern and began the process of trying to work around the transmission constraint to enable the long-term transactions.

In order to facilitate delivery to the NSP system, Calpine has expressed a willingness to change the location of their project to a site near Mankato, Minnesota, a location previously considered in the Prairie Island contingent bidding program. We are continuing to negotiate a contract with Calpine based on the new location, however, as anticipated, the project's in-service date will be delayed until at least 2006. As part of our effort to address the emerging limitations in short term power purchases Calpine and Xcel Energy are discussing the purchase of about 100 megawatts of additional power production capacity. By adding the capability of increasing flue gas temperatures with what is known as "duct firing", additional production capacity can be added to the project.

The Reliant facility in Illinois is existing and therefore cannot be developed in a different location. Reliant has expressed a willingness to complete the negotiation process for a power purchase that would be contingent upon cost-effective transmission improvements necessary to eliminate the Quad Cities constraint. We are investigating the facility improvements that would be required to overcome the constraints. However, it is very unlikely that this matter will be resolved in time to accommodate power deliveries in 2005 or 2006.

Negotiations concerning TransCanada's 155-megawatt combustion turbine proposal to be located near Hutchinson, Minnesota have been difficult, particularly around the allocation of risk during the development phase. It is not clear that the parties can overcome these issues. TransCanada estimates their facility could be in service by late 2005.

Negotiations with the selected wind farm developers are also well underway. The Company is negotiating in service dates for the two projects to be located on Buffalo Ridge to coincide with the completion of the transmission improvements necessary to reliably deliver their output. We anticipate a 2005 or 2006 in service date for the third project proposed in the south central part of the state. Regardless of the actual in service dates for these wind projects, they will not add appreciably to the total accreditable production capacity on our system.

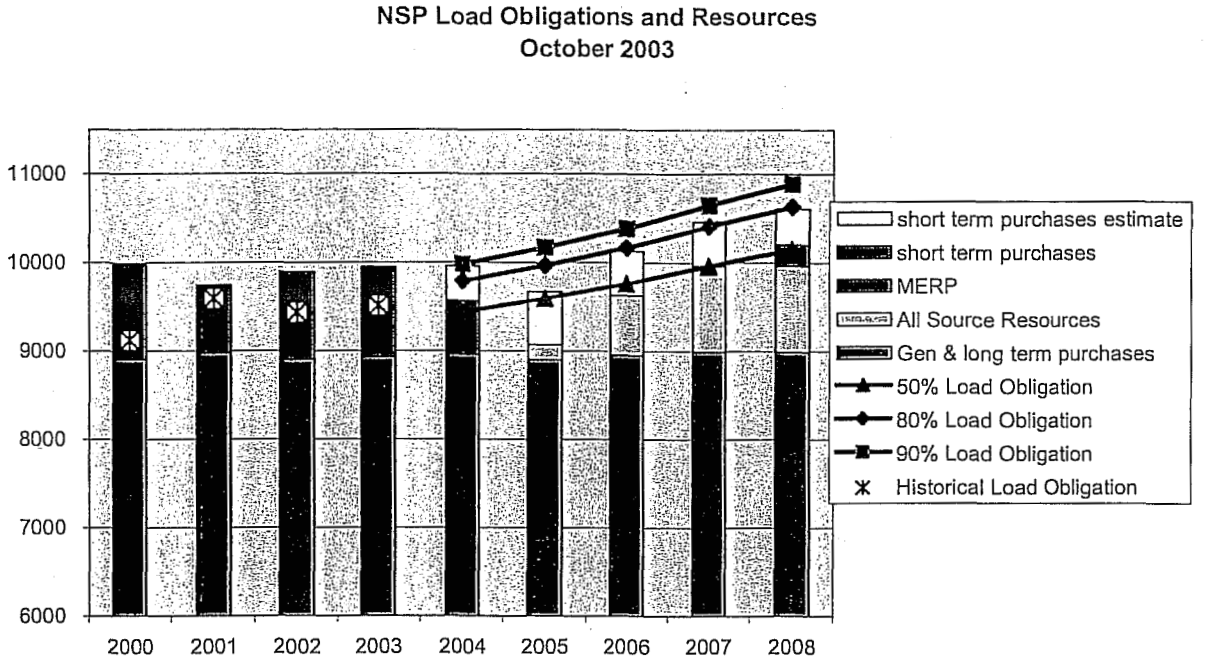
The net effect of these bidding issues has been to reduce the expected resources from the All-Source process available by 2005. The most significant changes are the Minnesota Power withdrawal and the difficulty with the 250 MW purchase from the Reliant Illinois facility. At best, the Reliant purchase will likely be delayed by two or more years. If the necessary transmission improvements are too expensive or delays are too long, the purchase may not be completed.

In response to these changes, Xcel Energy revisited the shortlist of bidders in the All-Source program to determine if any viable proposals remained that could address the issues that had developed, with an emphasis on 2005 availability. After some initial screening, contacts were made with three bidders. As the result of the effort, discussions are underway with Rainy River regarding the purchase of 157 megawatts from a peaking facility in Superior, Wisconsin. Rainy River holds all permits and construction authorizations for the facility and has expressed a willingness to complete the project by the summer of 2005. We are attempting to negotiate a contract that would let them proceed, however, as with any complex power purchase agreement, significant issues will need to be negotiated.

Xcel Energy continues to seek other potential sources of power from All-Source developers and others as part of our efforts to ensure reliable service.

The effects of both the short-term power availability issues and the changing circumstances affecting the All-Source acquisition program are portrayed in the figure below. In addition, some adjustments in the graph have been made to reflect the Company's most recent forecast analysis completed in August. The new 90th percentile forecast is approximately 100 megawatts higher in 2005 than the spring '03

forecast. The graph also includes changes to reflect potential delays in the Fibrominn and NGP biomass projects.

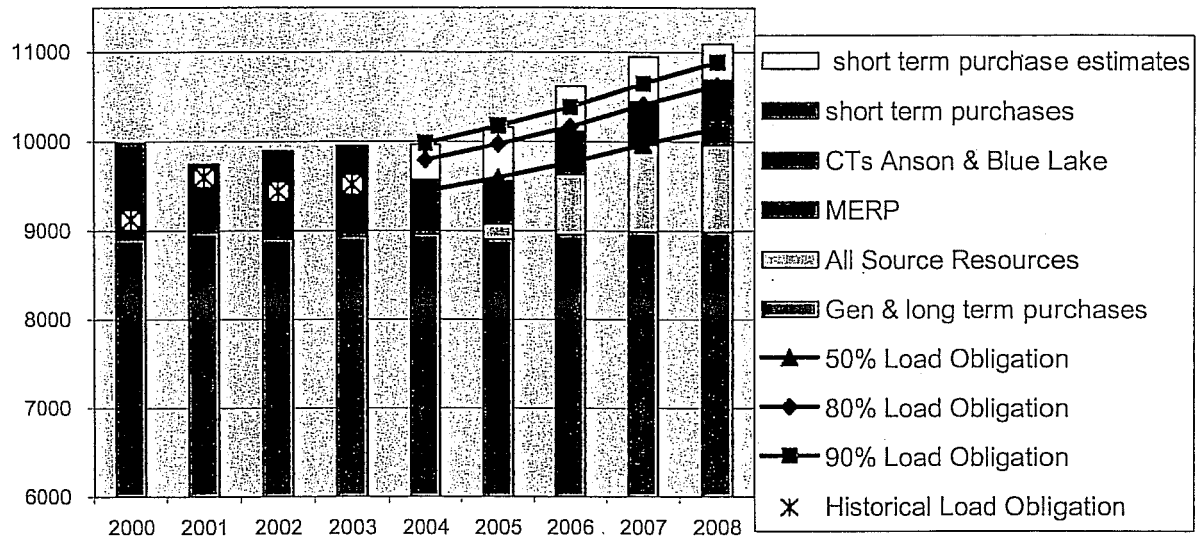


The net effect of these emerging and changing circumstances is that there is significant risk that Xcel Energy will not be able to secure adequate power supply resources to cover peak demand and associated reserve obligations to the 80th to 90th percentile probability level in 2005. Said another way, there is significant risk that the reliability of our power supply could decline.

XCEL ENERGY PROPOSES TO ADD 485 MEGAWATTS OF PEAKING CAPACITY

Xcel Energy believes the best way to address this potential shortfall or decline in system reliability is to add peaking facilities located on the company's own transmission system as soon as possible. Accordingly, the Company intends to develop two combustion turbines at the Blue Lake peaking plant site in Shakopee, Minnesota and add one combustion turbine at the Anson site near Sioux Falls, South Dakota. By developing the units ourselves we maximize the likelihood that the units will be in service by the summer of 2005. In addition, we have investigated the current market for combustion turbines and believe the projects can be developed at costs competitive with and perhaps better than the All-Source outcomes. The most recent power supply estimate with the addition of three combustion turbines added to the Xcel Energy system in 2005 is shown in the graph below.

NSP Load Obligations and Resources
November 2003



In order to meet a 2005 in service date, we estimate that construction must begin no later than the fall of 2004. The Blue Lake proposal requires a Certificate of Need from the Commission, a Site Permit from the Environmental Quality Board, and air quality permits form the Pollution Control Agency. We believe that the regulatory process can be completed in the remaining 10 months. However, the schedule is aggressive and will require the consideration of three separate agency approvals in parallel. We intend to do everything possible to facilitate the review of our proposal and we stand ready to work with the regulatory authorities to move through the process expeditiously. Toward that end, we intend to make an application to the Commission for a Certificate of Need for the Blue Lake Combustion Turbines by early December and site and air quality applications shortly thereafter. We would like to make clear that we are not asking agencies to prejudge the suitability or merits of our proposal. Rather, we would like to explore ways in which we can move through the process expeditiously so that, should the Commission concur with our assessment, a 2005 in service date can be achieved.

We respectfully request no action be taken in the Resource Planning venue at this time. It appears to us that the best way to proceed is to get the matter quickly before

the Commission in a Certificate of Need filing. The Commission will also have the opportunity to act as power purchase agreements are brought for approval.

Dated: November 7, 2003

Northern States Power Company
d/b/a Xcel Energy

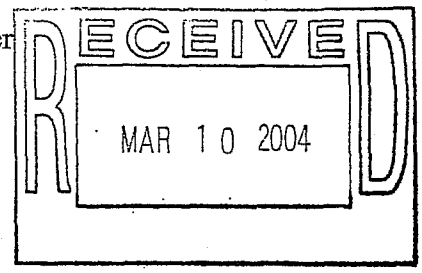
By: James Alders

JAMES ALDERS
MANAGER REGULATORY PROJECTS

FILE COP

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer		Chair
Marshall Johnson		Commissioner
Ken Nickolai		Commissioner
Phyllis A. Reha		Commissioner
Gregory Scott		Commissioner



In the Matter of Northern State Power Company d/b/a Xcel Energy's Application for Approval of its 2003-2017 Resource Plan

ISSUE DATE: March 9, 2004

DOCKET NO. E-002/RP-02-2065

ORDER PERMITTING WITHDRAWAL OF RESOURCE PLAN AND REQUEST TO ISSUE RFP

PROCEDURAL HISTORY

On December 2, 2002, Northern State Power Company d/b/a Xcel Energy (Xcel or the Company) filed its 2003-2017 Resource Plan.

On March 14, 2003, the Department of Commerce (DOC) requested that the date for filing initial comments be delayed until the conclusion of the 2003 legislative session due to the Legislature's consideration of issues related to Xcel's Prairie Island and Monticello plants.

On March 18, 2003, the Commission issued a notice suspending the initial and reply comment periods.

On June 12, 2003, Xcel filed a summary of legislative action in the 2003 legislative session and the impact of certain legislation on its open dockets. In reference to the present docket, Xcel proposed making a filing within a month that would restate its preferred resource plan, assess the impact of the new legislation on various components of its resource plan, and make recommendations on how to address the issues.

On September 10, 2003, Xcel filed an update to its Resource Plan filed on December 2, 2002. Xcel requested that it be allowed to withdraw the pending Resource Plan and file its next Resource Plan no later than November 1, 2004. Xcel also requested approval to issue a Request for Proposals (RFP) in 2005 to obtain 450 MW of supply in the 2011-2013 time frame.

On October 20, 2003, the DOC filed comments recommending approval.

On October 20, 2003, the Izaak Walton League of America - Midwest Office (IWLA), Minnesotans for an Energy-Efficient Economy (ME3), and Minnesota Center for Environmental Advocacy (MCEA) (collectively, Environmental Intervenors) filed joint comments.

On November 10, 2003, Xcel filed a Notice of Changed Circumstances affecting this Resource Planning docket.

On November 12, 2003, Xcel filed reply comments.

On February 10, 2004, Xcel filed a request to withdraw its September 10, 2003 request for approval to issue a RFP in 2005 to obtain 450 MW of supply in the period 2011-2013.

This matter came before the Commission on February 12, 2004.

FINDINGS AND CONCLUSIONS

I. Xcel's Request to Withdraw its Pending Resource Plan

The Company filed its pending Resource Plan for the 2003-2017 period in December of 2002. This filing identified significant issues concerning the continued operation of the Company's Prairie Island and Monticello nuclear plants..

Since that filing, the 2003 Legislature authorized, among other things, sufficient spent nuclear fuel storage to allow Xcel to operate Prairie Island to the end of its current operating license in 2013 (Unit 1) and 2014 (Unit 2). The Legislature also provided a process by which Xcel could secure additional capacity if it sought relicensing of the plant, and provided a resolution of the contingency bid process.[1]

Xcel argued that besides this legislative action there have been other significant events that need to be represented in the Company's long range planning. Some of these include Xcel's Metropolitan Emissions Reduction Proposal (MERP)[2], Xcel's January 16, 2004 application for a Certificate of Need for two combustion turbines at the Blue Lake generating plant site,[3] and Xcel's intention to pursue permits for the addition of a combustion turbine unit at the Anson generating plant site near Sioux Falls.

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[1] 2003 Minn. Laws (1st Special Session), Ch. 11.

[2] *In the Matter of a Petition by Xcel Energy for Approval of a Three-Plant Emissions Reduction Proposal and Rate Rider to Recover Costs*, Docket No. E-002/M-02-633.

[3] *In the Matter of the Application of Northern States Power Company (d/b/a Xcel Energy) for a Certificate of Need for a Large Electric Generating Facility,* Docket E-002/CN-04-76.

Xcel recommended that its next resource plan should be submitted on or before November 1, 2004. It argued that this date would be reasonable given the complexity of the issues that need to be considered and evaluated.

Finally, Xcel agreed that other issues such as conservation goals and compliance with renewable energy requirements would proceed according to the Commission's 2000 resource plan order [4] until the next resource plan cycle was completed.

II. Xcel's request to Withdraw its Request to authorize a 2005 RFP in this Proceeding

In September 2003 Xcel requested permission to withdraw its 2002 Resource Plan filing. At the same time Xcel requested that the Commission authorize a 2005 RFP for new resources. At hearing, Xcel requested that its request to authorize a 2005 RFP be withdrawn.

Xcel proposed that rather than request approval of a 2005 RFP at this time, Xcel would provide the Commission with a re-evaluation of the need for the next solicitation at least 90 days before filing an RFP. Xcel anticipated that such a filing would not occur until after its next resource plan is filed.

III. Parties' Positions

At hearing, no party opposed Xcel's requests to withdraw its 2002 resource plan filing or to withdraw its request for an RFP authorization for 2005.

A. The DOC

On the issue of the Company's request to withdraw its resource plan previously filed, the DOC stated that Xcel's 2002 Resource Plan did not raise significant issues that required immediate Commission action. The most important decision, the near-term future operation of the Prairie Island Nuclear Generating plant was decided by the 2003 Minnesota Legislature.

Further, the DOC concluded that no law or rule prohibits Xcel from withdrawing its 2003-2017 Resource Plan.

Finally, the DOC stated that Xcel's request to withdraw its pending resource plan would not unduly limit the Commission's ability to shape the Company's future resource acquisitions.

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[4] *In the Matter of Northern States Power Company's Application for Approval of its 2000-2014 Resource Plan,* Docket No. E-002/RP-00-787, ORDER APPROVING XCEL ENERGY'S 2000-2014 RESOURCE PLAN, AS MODIFIED, August 29, 2001.

B. The Environmental Intervenors

The Environmental Intervenors argued that Xcel should be required to resubmit its resource plan in July 2004. It argued that a July date was workable and would be consistent with Minnesota Rules, which require a utility to submit a proposed resource plan biennially on July 1.[5]

IV. Commission Action

The Commission will approve Xcel's request to withdraw its Resource Plan for the period 2003 to 2017, which it filed in December 2002. Given the complexity of resource planning, the Commission will accept the Company's request to refile by November 1, 2004. That will provide the Company with ample time to prepare its plan.

The Commission will vary the two-year interval filing provision of Minn. Rules, Part 7843, Subp.2 to extend the date for the Company's filing to November 1, 2004. The Commission finds that the requirements for granting a variance pursuant to Minn. Rules, Part 7829.3200 are met in this case.

- In view of the legislation recently passed and the other significant matters that need to be considered in the Company's resource planning, and considering the time necessary to prepare a resource plan, it would impose an excessive burden upon Xcel to require it to refile its resource plan before November 1, 2004.

- Granting the time necessary to incorporate the items identified in this Order into a solid resource plan is in the public interest.

- Finally, since the filing date is set by Commission rule and not by statute, extending that deadline does not violate a standard imposed by law.

The Commission also will allow Xcel to withdraw its request for authorization for a 2005 RFP for new resources. The Commission is in agreement with the parties that the need for such a solicitation should be reevaluated prior to the submission of an RFP. Xcel has agreed to do so at least 90 days prior to filing an RFP with the Commission.

In addition, the Commission recognizes the difficulties and shortcomings in the current bid process, including difficulty in securing new resources in a timely manner, and agrees that discussions between the Company and stakeholders to re-examine the competitive bidding process are in order. For this reason the Commission will order that discussions, between the Company and stakeholders, including the DOC and Commission staff, on the competitive bidding process and the use of other processes for acquiring baseload as well as other resources should begin as soon as possible.

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[5]Minn. Rules Part 7843.0300, subp.2.

As part of the discussions, the Commission believes that information from other jurisdictions on the success or difficulties of the bidding process in other areas may aid in determining whether the problems herein are specific to Minnesota or are of a broader nature. Such information may also aid in determining what is successful in the bidding process and what is not. For these reasons, the Commission will request that the DOC conduct an analysis of the bidding process as used in other jurisdictions to inform the stakeholder process about what is successful and what is not as it relates to baseload acquisitions and other acquisitions.

Finally, the Commission will require Xcel to address in its next resource plan filing the issue of the incremental additions of natural gas facilities on its system. The Commission notes its concern about the potential long run impact of the Company's natural gas projects and directs the Company to provide support for what it considers to be the appropriate level of incremental natural gas facility additions over the planning period.

ORDER

1. Xcel's request to withdraw its pending resource plan is hereby granted. The current resource plan docket (E-002/RP-02-2065) shall be held open for information requests and any other actions required as a result of the Commission's decisions herein.

2. The Commission grants a variance from the two-year requirement of Minnesota Rules, part 7843.0300, subp. 2, and designates November 1, 2004 as the filing date for Xcel's next Resource Plan. Xcel shall re-file, in the November 2004 Resource Plan, any filing requirements from the Commission's August 29, 2001 Resource Plan Order, in Docket No. E-002/RP-00-787, and any other filing requirements that were included in the 2003-2017 Resource Plan in response to Commission directives.

3. Xcel's request to withdraw its earlier proposal for approval to issue an RFP in 2005 is hereby granted. Xcel shall provide the Commission with the Company's re-evaluation of the need for the next solicitation at least 90 days prior to filing its next RFP with the Commission.

4. Xcel shall fully meet, in a timely manner, all outstanding ordering requirements, which apply to the next RFP and all source bid, including those required in the Commission's March 6 and November 19, 2003 Orders in Docket No. E-002/M-01-1618.

5. Xcel shall immediately begin stakeholder discussions to re-examine the competitive bidding process, the use of the competitive bidding process, and the use of other processes for acquiring baseload and other resources. The first step shall be the establishment of a roadmap for these discussions, including among other issues the timing and number of meetings, issues to be discussed, and stakeholders to be represented. This roadmap shall be filed with the Commission, for informational purposes, by March 31, with stakeholder

meetings to begin shortly thereafter. Department and Commission staff shall be included in these meetings.

6. The Commission requests that the DOC conduct an analysis of the bidding process as used in other jurisdictions to inform the stakeholder process of successes and failures in other jurisdictions, as they relate to both baseload and other kinds of acquisitions.

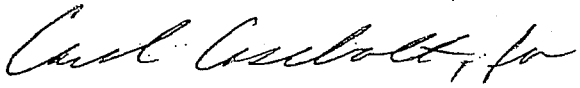
7. Xcel shall, in the November 2004 resource plan filing, address the issue of what it considers the appropriate level of natural gas fired facilities on its system over the planning period. At a minimum, Xcel shall include the following in its filing:

   a. existing natural gas facilities;
   b. currently planned facilities (e.g. MERP project, proposed Blue Lake facilities, 2001 all source bid projects fueled by natural gas);
   c. any other proposals for projects fueled by natural gas within the local region and the MAPP region during the forecast period;
   d. projected demand on the system over the planning period;
   e. A list or plan of viable options for meeting natural gas capacity needs;
   f. the projected growth rate of the total demand for natural gas in these regions; and
   g. to the extent Xcel intends to rely on other companies to provide the pipeline capacity for projects, Xcel shall provide estimates, along with supporting documentation, of these costs and capacity increase needs.

8. Xcel shall report back to the Commission in writing on the results of the MISO Facility Study (referenced in the Company's November 10 filing) and its implications for future resource acquisitions, within 20 days of receiving the study.

9. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Burl W. Haar
Executive Secretary

(S E A L)

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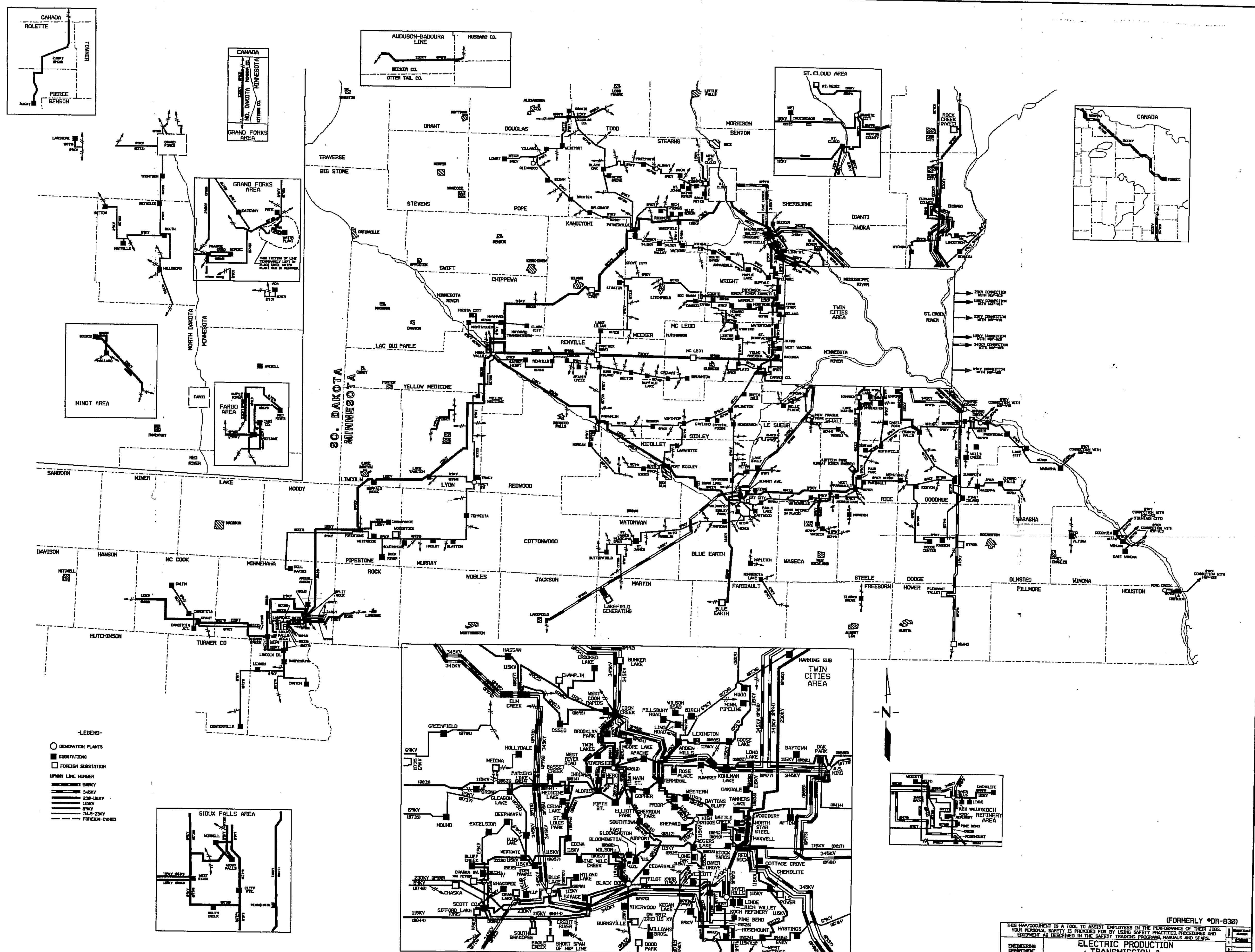
APPENDIX B

Xcel Energy Transmission Lines


CANADA
ROLETTE
TOWNER
PIERCE
BENSON
AUDUBON-BADOURA LINE
HUBBARD CO.
BECKER CO.
OTTER TAIL CO.
GRAND FORKS AREA
NO. DAKOTA
MINNESOTA
GRAND FORKS
MINOT AREA
FARGO AREA
NORTH DAKOTA
MINNESOTA
SO. DAKOTA
MINNESOTA
ST. CLOUD AREA
TRAVERSE
BIG STONE
GRANT
DOUGLAS
TODD
STEARNS
MORRISON
BENTON
STEVENS
POPE
KANDIYOHI
SHERBURNE
ISANTI
ANOKA
SWIFT
CHIPPEWA
WRIGHT
MEEKER
MC LEOD
RENVILLE
LAC QUI PARLE
YELLOW MEDICINE
TWIN CITIES AREA
MISSISSIPPI RIVER
ST. CROIX RIVER
MINNESOTA RIVER
SIBLEY
LE SUEUR
SCOTT
NICOLLET
LINCOLN
LYON
REDWOOD
BROWN
RICE
GOODHUE
WABASHA
WATONWAN
BLUE EARTH
WASECA
STEELE
DODGE
OLMSTED
WINONA
COTTONWOOD
MURRAY
PIPESTONE
ROCK
NOBLES
JACKSON
MARTIN
FARIBAULT
FREEBORN
MOWER
FILLMORE
HOUSTON
SANBORN
MINER
LAKE
MOODY
DAVISON
HANSON
MC COOK
MINNEHAHA
HUTCHINSON
TURNER CO
LINCOLN CO.
LAKEFIELD GENERATING
-LEGEND-
GENERATION PLANTS
SUBSTATIONS
FOREIGN SUBSTATION
LINE NUMBER
500KV
345KV
230-161KV
115KV
69KV
34.5-23KV
FOREIGN OWNED
SIOUX FALLS AREA
TWIN CITIES AREA
KOCH REFINERY AREA
N

(FORMERLY *DR-830)

ENGINEERING DEPARTMENT

ELECTRIC PRODUCTION TRANSMISSION & SUBSTATION FACILITIES

Xcel Energy

NE-172841