TEN-YEAR PLAN FOR MAJOR GENERATION AND TRANSMISSION FACILITIES

TO THE

SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

SUBMITTED BY
NORTHERN STATES POWER COMPANY
d/b/a
XCEL ENERGY
JULY 2006

Northern States Power Company d/b/a Xcel Energy
South Dakota Ten-Year Plan 2006
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20:10:21:04 EXISTING ENERGY CONVERSION FACILITIES

Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or "the Company" or "NSPM") has one existing energy conversion facility in South Dakota. The table below provides the required information on this facility.

Angus Anson

1.	Location	Sioux Falls, South Dakota			
2.	Type	Combustion Turbine			
	Nameplate Capacity	105 MW each unit (2&3) 172 MW (unit 4)			
3.	Net Capacity	Summer:	110.5 MW each unit (2&3) 158.0 MW (unit 4)		
		Winter:	128.0 MW each unit (2&3) 180.0 MW (unit 4)		
	Annual Production	2004:	105,678 MWh (total)		
		2005:	243,971 MWh (total)		
4.	Water Source and Annual Consumption	NA			
5.	Fuel Type	Natural Gas		Fuel Oil	
	Source	Northern Natural Gas Co.[1]			
	Annual Consumption	2004:	1,131,706 Mcf	2004:	1,204,980 gal
		2005:	3,300,675 Mcf	2005:	1,111,000 gal

6. The third unit (unit 4) at Angus Anson was accredited and began commercial operations in May 2005.

20:10:21:05 PROPOSED ENERGY CONVERSION FACILITIES

Xcel Energy is proceeding with the rehabilitation and repowering of Twin Cities Metro Area coal plants. These proposed improvements to the King plant located in Stillwater, Minnesota; the Riverside plant located in Minneapolis, Minnesota; and the High Bridge plant located in St. Paul, Minnesota are expected to increase Company-owned generating capacity by a total of approximately 297 MW. These upgrades are expected to be completed by May 2009.

Xcel Energy is currently negotiating power purchase agreements with several developers for over 300 MW of Community Based Energy Development ("CBED") qualifying wind projects, which are targeted to be in-service before December 31,

[1] The natural gas fuel is purchased from independent third party suppliers and delivered through the Northern Natural Gas interstate pipeline system.

2007. This target date coincides with the completion of the transmission facilities upgrade project in Southwestern Minnesota and the projected expiration of the Federal Production Tax Credit ("PTC") for qualifying renewable energy projects. Xcel Energy has also committed to purchasing an additional 200 MW of community-based wind to be online before 2010, subject to certain conditions including the renewal of the PTC.

In addition, the 150 MW MinnDakota wind project is projected to have about 50 MW of the project's generation located in the State of South Dakota. The ground breaking for this project is scheduled for early September 2006 in Sioux Falls, South Dakota.

Xcel Energy proposes to fulfill additional 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 Minnesota Public Utilities Commission ("MPUC") on November 1, 2004. The MPUC approved this plan on June 15, 2006 and will be issuing its order soon. As a result of the MPUC actions, Xcel Energy will soon begin several processes for acquiring additional resources. Later in 2006, Xcel Energy will issue an RFP for approximately 160 MW of peaking power to be online in 2010 or 2011. By November 1, 2006, Xcel Energy will file for a Certificate of Need ("CON") for 375 MW of base load power with the MPUC to start the resource acquisition process for its future base load needs. By year-end 2006, Xcel Energy will file for any required review and approval for plant upgrades to its existing Sherco units and nuclear plants, which are expected to result in approximately 300 MW of additional base load capacity.

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 Northwestern Public Service Company (NWPS) at Mitchell - 24 miles to Wolf Creek Interconnection owned by Xcel Energy; the remainder is 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 - 0.28 miles.

14. Split Rock to Angus Anson generating plant # 2 – 0.28 miles

Type 161 kV - AC

1. Split Rock Substation approximately 5 miles northeast of Sioux Falls to Interstate Power & Light Company (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

A. Wind Generation Outlet

Xcel Energy has received a Certificate of Need from the MPUC (Docket No. E002/CN-01-1958) for electric 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 three 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, Minnesota. Approximately 10 miles of this line would be in South Dakota.
- A 345 kV double circuit line from the WAPA White substation near Brookings to a new Xcel Energy Brookings County 345-115 kV substation. This line will be 0.4 miles long and located in South Dakota.
- A 115 kV line from near Brookings, South Dakota (the new Xcel Energy Brookings County 345-115 kV substation will be located 0.4 miles from the

WAPA White Substation) east to Lake Benton, Minnesota. Approximately 10 miles of this line would be in South Dakota.

Xcel Energy filed for South Dakota Public Utilities Commission ("Commission") approval to construct the 345 kV line from Sioux Falls on August 25, 2006 (Docket No. EL05-023). Commission Staff is currently reviewing the proposal and a decision is expected this summer.

Xcel Energy filed for South Dakota Public Utilities Commission ("Commission") approval to construct the Facilities near Brookings in Docket No. EL05-028 on December 1, 2005. Commission Staff is currently reviewing the proposal and a decision is expected this summer.

Xcel Energy led a study which proposes to increase the ability of the transmission system subsequent to the above planned transmission facilities on the Buffalo Ridge in Southwestern Minnesota and Brookings County, South Dakota to provide additional generation outlet capability for anticipated wind and other renewable generation development. Included is an electric transmission line in South Dakota. This is:

- A 115 kV line from near Brookings, South Dakota (the new Brookings County 345-l 15 kV substation next to the WAPA White Substation) east to Drammen Township, Lincoln County, Minnesota (a new Yankee 115-34.5 kV substation). Approximately 4 miles of this line would be in South Dakota.

Xcel Energy has entered into certain construction agreements with WAPA related to the transmission facilities to be constructed in Brookings County, South Dakota near the WAPA White substation, to seek to minimize the effects of the increased wind generation outlet on the WAPA system. The Company continues to work with WAPA on amendments to the Interconnction Agreement between the two entities.

B. CapX 2020 Proposals

An alliance of electric cooperative, municipal and invester-owned utilities including Xcel Energy – The CapX 2020 Utilities – have identified three groups of high voltage transmission projects that they propose to complete by 2020. A preliminary filing for the first line in project CapX Group 1 was made on June 9, 2006 with the MPUC.

This project is an estimated 200-mile, 345-kilovolt line between Brookings, South Dakota, and the southeast Twin Cities, plus a related 30-mile, 345-kilovolt line between Marshall, Minnesota, and Granite Falls, Minnesota. Approximately 5 miles

of the Brookings to Twin Cities 345 kV line would be in South Dakota. The Company would make any required filings to the Commission at a later date..

More information about the CapX 2020 initiative is available at www.capx2020.com.

20:10:21:08 COORDINATION OF PLANS

All major transmission planning performed by Xcel Energy is now coordinated through the Midwest Independent Transmission 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 IS0 to be the first FERC-approved regional transmission organization ("RTO"). The Midwest IS0 issues a biennial Midwest IS0 Tranmission Expansion Plan ("MTEP") after coordinated planning and stakeholder review. MTEP 2005 was approved by the Midwest IS0 Board of Directors in June 2005, and is available at the Midwest IS0 web site (www.midwestiso.org).

The Midwest IS0 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 South Dakota, Minnesota, North Dakota, and Northern States Power Company (Wisconsin) ("NSPW") 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 IS0 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 IS0 MTEP 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 public utility holding company, and is affiliated with three regulated public utilities: NSPW, Public Service Company of Colorado, and Southwestern Public Service Company. Xcel Energy is a member of the Midwest ISO, the first FERC-approved regional transmission organization, or RTO. Xcel Energy remains a member of MAPP, which continues to provide certain generation reserve sharing and planning functions; and the Midwest Reliability Organization ("MRO"), which provides certain Regional Reliability Coordinator ("RRC") functions required by the North American Electric Reliability Council ("NERC") and previously provided by MAPP. The Company contracts with the WAPA 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 IS0 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, neighboring transmission utilities (such as NWPS, WAPA and Alliant Energy), 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 conservation and load management efforts in South Dakota help delay or avoid more expensive electric generation, reduce peak demands especially during the summer months, reduce pollution, and encourage customers to improve the efficiency with which they use energy. The current product portfolio includes a mix of residential, cornrnercial, and industrial programs. Xcel Energy offers voluntary time-of-day rates and Peak Controlled rates for Small Business, Commercial & Industrial customers as well as the Saver's Switch@ programs for both Residential and Small Business customers. Time of day rates offer reduced rates for electric use during off-peak periods, Peak Controlled Rates provide savings on demand charges for agreeing to reduce loads to contracted levels when we call on them, and Saver's Switch@ for business and residential is a direct load control program that pays customers during the summer months for allowing us to reduce participants air conditioning loads by approximately 50% during peak demand periods June through September.

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 (O-400 MW beyond 'initial 425 MW of renewable generation mandated by statute), November 13, 2001.[2]

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

Buffalo Ridge Incremental Generation Outlet Electric Transmission Study, June 15, 2005.[3]

CapX 2020 Technical Update: Identifying Minnesota's Electric Transmission Infrastructure, May 2005.[4]

Southwest Minnesota -Twin Cities EHV Development Electric Transmission Study, November 2005.[4]

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

The Company's Pathfinder power plant was retired on December 3 1, 2002 and all capacity accreditation for this unit has been removed.

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-l. Xcel Energy produces its long-range "median" forecasts of native energy requirements, summer peak, and winter peak demand. Xcel Energy plans to meet the needs of the integrated NSPM/NSPW generation and transmission system (the "NSP System"). For planning purposes, Xcel Energy 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 NSP system. Table Xcel-SD-1 shows the South Dakota portion of the NSP System forecast.

The forecast for the NSP 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 NSP System. The native energy requirements are determined by applying a loss factor on total sales.

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[3] This report identifies the transmission associated with increase the ability of the transmission system subsequent to the above planned transmission facilities on the Buffalo Ridge in SW MN and Brookings County SD to provide additional generation outlet capability for anticipated wind and other renewable generation development noted in section 20:10:21:07.

[4] These reports identify the transmission plan associated with the 345 kV line from Brookings, SD to the Southwest Twin Cities noted in section 20:10:21:07.

The NSP 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 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 multi-state NSP 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.

20:10:21:17 CHANGES IN ELECTRIC ENERGY

Table Xcel-SD-l shows the projected volume and percentage increase in energy demand for Xcel Energy's South Dakota service territory for each year relative to **2005.**

Table Xcel-SD-1.
Northern States Power Company d/b/a 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
2005	279	376	1,937	**99**	**5.4%**
2006	276	424	2,051	114	5.9%
2007	283	438	2,078	27	1.3%
2008	290	452	2,131	53	2.5%
2009	297	466	2,175	43	2.0%
2010	302	468	2,219	44	2.0%
2011	308	477	2,264	46	2.1%
2012	314	487	2,310	46	2.0%
2013	321	498	2,362	52	2.3%
2014	329	510	2,417	55	2.3%
2015	337	522	2,476	59	2.4%
2016	345	534	2,533	57	2.3%
2017	353	547	2,596	62	2.5%
2018	361	560	2,657	61	2.4%
2019	370	574	2,721	64	2.4%
2020	379	587	2,786	65	2.4%
2021	389	602	2,856	71	2.5%
2022	399	618	2,930	74	2.6%
2023	409	634	3,006	76	2.6%
2024	419	650	3,083 .	77	2.6%
Average Annual Growth Rate, 2005-2024:					
% growth:	2.7%	3.8%	**3.1%**		

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

Table Xcel-1
Northern States Power Company d/b/a Xcel Energy
State of South Dakota
NSP System Net Energy Requirements (MWh)

Year	Semi-Low (MWh)	Median (MWh)	Semi-High (MWh)
2006	46,075,950	47,336,973	48,615,090
2007	47,080,443	48,365,152	49,661,441
2008	48,398,820	49,645,567	51,025,675
2009	49,423,501	50,751,293	52,087,651
2010	50,485,109	51,836,521	53,200,635
2011	51,567,570	52,946,167	54,341,370
2012	52,602,550	53,947,345	55,426,135
2013	53,638,655	55,056,785	56,492,372
2014	54,758,072	56,212,519	57,688,742
2015	55,914,829	57,394,470	58,898,488
2016	57,077,434	58,539,843	60,131,238
2017	58,164,324	59,714,623	61,274,315
2018	59,320,322	60,904,304	62,509,973
2019	60,481,929	62,115,441	63,742,525
2020	61,734,624	63,331,070	65,061,992
2021	62,896,517	64,592,973	66,312,334
2022	64,176,499	65,914,924	67,680,552
2023	65,445,127	67,220,812	69,025,621
2024	66,814,002	68,590,891	70,500,057
Average Annual Growth Rate, 2006-2024:			
% growth:	**2.1%**	**2.1%**	**2.1%**

Note: Semi-Lowand Semi-High Scenarios reflectan 80%/20% Confidence Level

Table Xcel-2
Northern States Power Company d/b/a Xcel Energy
State of South Dakota
NSP System Net Summer Peak (MW)

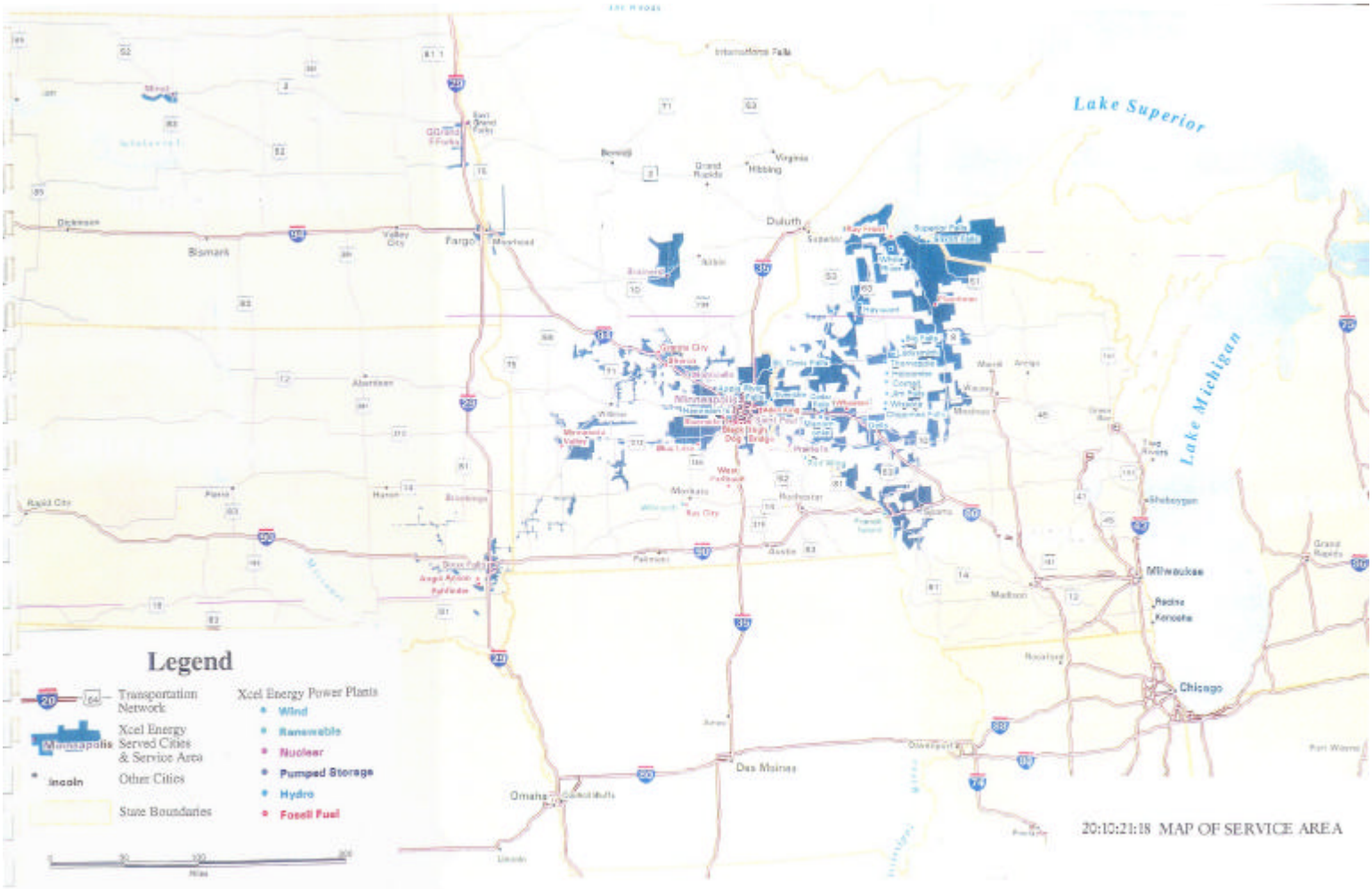
Year	Semi-Low (MW)	Median (MW)	Semi-High (MW)
2006	7,918	**8,293**	8,676
2007	**8,097**	8,515	8,941
2008	8,288	8,712	9,145
2009	8,501	8,927	9,362
2010	8,681	9,121	9,574
2011	8,861	9,314	9,766
2012	9,054	9,501	9,953
2013	9,242	9,690	10,153
2014	9,421	9,884	10,360
2015	9,613	10,087	10,571
2016	9,791	10,280	10,772
2017	10,004	10,501	10,998
2018	10,201	10,692	11,189
2019	10,384	10,891	11,402
2020	10,570	11,078	11,594
2021	10,780	11,304	11,839
2022	10,964	11,499	12,044
2023	11,169	11,708	12,260
2024	11,362	11,906	12,453
Average Annual Growth Rate, 2006-2024:			
% growth:	2.0%	2.0%	2.0%

Note: Semi-Lowand Semi-High Scenarios reflectan 80%/20% Confidence Level

Table Xcel-3
Northern States Power Company d/b/a Xcel Energy
State of South Dakota
NSP System Net Winter Peak (MW)

Year	Semi-Low (MW)	Median (MW)	Semi-High (MW)
2005	6,614	6,845	7,078
2006	6,671	6,949	7,223
2007	6,798	7,077	7,354
2008	6,903	7,188	7,476
2009	7,010	7,298	7,590
2010	7,116	7,409	7,701
2011	7,217	7,510	7,804
2012	7,323	7,621	7,922
2013	7,433	7,736	8,043
2014	7,544	7,853	8,167
2015	7,652	7,968	8,282
2016	7,763	8,084	8,403
2017	7,877	8,203	8,529
2018	7,992	8,322	8,655
2019	8,106	8,443	8,778
2020	8,223	8,567	8,903
2021	8,341	8,697	9,045
2022	8,464	8,826	9,185
2023	8,600	8,961	9,329
Average Annual Growth Rate, 2006-2024:			
% growth:	1.5%	1.5%	1.5%

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



20:10:21:18 MAP OF SERVICE AREA

APPENDIX A

Xcel Energy 2004 Resource Plan Executive Summary – November 1, 2004

Xcel Energy Notice of Changed Circumstance – November 1, 2004

1. Executive Summary

Introduction

Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or "Company") submits to the Minnesota Public Utilities Commission ("MPUC" or "Commission") our 2004 Resource Plan for consideration and approval. This Plan covers the period 2005-2019, identifies a number of issues and risks that will significantly affect the reliability and economy of electricity, and proposes a path to most effectively meet growing customer needs. 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 help select a robust path for resource acquisition. Unlike other filings, however, this Plan seeks to significantly expand the role of resource planning for our system and proposes a comprehensive, revised process for acquiring needed resources. Given the significant resource need identified in this Plan – over 3,100 MWs, including 1,125 MWs of base load need – it is critical that we implement an effective resource acquisition process. To this end., we present a long-term view of our system needs, seek direction from the Commission on various resource options, propose a comprehensive resource acquisition process, and provide for the contingencies that will inevitably arise.

Thus, Xcel Energy's 2004 Resource Plan reflects a number of major decisions that are designed to maintain the low-cost, reliable service historically enjoyed by our customers. Specifically, our Plan includes:

- ***A new forecast that projects significant need for additional capacity and energy.*** *("Department"* or *"DOC").* This forecast anticipates load growth of 1.6% at the median forecast and 1.83% at the 90% forecast level annually over the planning horizon. It reflects methodology changes discussed with the Minnesota Department of Commerce ("Department," "DOC).

- *The need for the addition of up to 1,125 MWs of new base load generation by 2015.* This need, coupled with our conclusions regarding the appropriate use of natural gas-fired generation on our system, leads us to expect that coal resources are best suited to meet this need. However, because competitive bidding is not well suited to evaluate coal and large-scale base load resources, changes to our acquisition strategy are needed to ensure we are successful in acquiring these resources.

- *A comprehensive, revised plan for acquiring resources, including contingency plans.* By developing alternative, flexible acquisition strategies, we improve both the effectiveness and efficiency of these efforts and provide better understanding of our expansion plan. Our proposal stems in part from the stakeholder process required by the Commission in the withdrawal of our 2002 Resource Plan (Docket No. E002/RP-02-2065). Its implementation will require that the resource planning process provide a more detailed assessment of need and resource options, allowing for a more focused acquisition process.

- *A plan to relicense and continue operations* at *the Prairie Island and Monticello nuclear generating stations for an additional 20-year period.* Given the significant need for new resources, retaining the value of existing assets is irnportant Because our nuclear fleet provides over 1,600 MWs of capacity and emission-free energy to our system, extending their lives is a liey component of our overall Plan Life extension and repowering of other plants in our fleet may also be appropriate over the planning horizon.

- *A plan to meet the Minnesota Renewable Energy Objective ("REO"), as provided by Minn. Stat. 216B.* 169 1. As that statute provides, renewable resources acquired for the REO are to be consistent with resource planning principles and assured reliability of the system. Our Plan provides for continued

evaluation of these issues over time, thus ensuring our acquisitions are consistent with the statute, and establishes a process for acquisition.

- An increase of 16.8% to the demand-side management ("DSM") goals required in our 2000 Resource Plan. Our analysis demonstrates that, given the need for additional base load resources, additional DSM is cost-effective and should be pursued While the specific programs to achieve these goals need to be developed and approved as part of the Conservation Improvement Program ("CIP"), it is appropriate to establish more aggressive goals in this Plan.

Combined, we think our Plan -- continued operation of ernission-free nuclear energy, acquisition of base load resources (most likely coal-fired), significant expansion of demand-side management and achievement of the Renewable Energy Objective -- strikes the best balance between competing considerations. We welcome discussion of our Plan with the stakeholders.

This Plan provides a comprehensive overview of the issues we expect to face and actions we must take to ensure continued reliable, economic and environmentally sound service to our customers. However, it is also the starting point for decisions that will be finalized in other proceedings, such as the need for additional nuclear fuel storage and the development of base load resources. We believe our Plan presents information important to state policymakers, and introduces a reasonable and effective approach to meeting increasing demand for electric energy within the state.

Overview

Over the last decade, Xcel Energy has used competitive bidding to secure supply resources. We have relied on that process not only to secure the needed resources, but also to identify the most appropriate mix of resources to meet customer needs. As such, the Resource Plan focused on identifying general need, while the All-Source Bidding process evaluated and selected among the various resource options.

While the concept of all-source bidding is sound, its implementation poses significant challenges. These challenges were particularly evident during our 2001 All-Source Bid effort (Docket No. E002/M-01-1618), which occurred during a time of significant market change and with a wide variety of resources vying for selection. The projects ultimately selected were not in all cases the same as the short-listed projects, and included Company-built generation needed to meet near-term customer demand Overall, all stakeholders had issues regarding this process, and the Commission directed the Company to have discussions with stakeholders regarding possible improvements.

We have facilitated those stakeholder discussions and believe they were fruitful. In addition, we have considered and assessed the situation ourselves. We believe that, given the size and nature of the need identified in this Plan – including a sizable need for base load resources, which haven't been developed in Minnesota since the late 1980s – significant change in approach is warranted

Thus, this Plan includes our proposal for a comprehensive, revised approach to resource acquisition. This approach builds on our experience, anticipates future development issues, and considers the input of the Commission and stakeholders. Implementing this approach will require the resource planning process to do more than just identify need; it must also identify more specifically the resource type best suited to that need In this way, acquisition efforts can be more focused and streamlined, tailored specifically to the unique aspects of various resource types. We believe our approach is important to ensuring that needed resources are developed in a timely and effective manner.

Concurrent with this filing we are providing a Notice of Changed Circumstance in our 2000 Resource Plan to notify that we intend to begin pursuing our proposed path for base load resource acquisition. We are providing this Notice because, under the terms of that Plan, we planned to acquire any resource over 12 megawatts through competitive bidding. As discussed in our Notice, we believe that pursuing our proposed acquisition plan while consideration of our 2004

application is pending will harm no party and will, in fact, greatly enhance Commission consideration of our Plan.

While our proposed resource acquisition process is a key component of our Plan, evaluation and pursuit of other resources is also critical. Demand-side management and renewable energy offer potential means of supplying customer requirements in a cost-effective and environmentally sound manner. Our analysis indicates that a significant increase in our DSM goals is appropriate and cost-justified; hence, we will pursue them Likewise, under certain assumptions, implementation of the REO is cost-effective and should be pursued These components help to balance various resource considerations and play an important role in ensuring our overall Plan is well balanced and robust.

Five-Year Action Plan

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

- *Significantly increase the DSM goals established in the 2000 Resource Plan proceeding, raising them by an aggressive 16.8%.* To date, we have been successful in meeting the goals established in previous plans. We believe that there is room to increase these goals to capture potential new cost-effective conservation.

- *Install sufficient renewables to meet the 1994 Act requirements and the state Renewable Energy Objective, while continuing to evaluate the cost effectiveness of wind in our future Resource Plans.* We are committed to installing cost-effective renewables on our system to meet customer demand for environmentally sound energy. Our Plan will meet the requirements of Minnesota Law for the REO and nuclear relicensing.

- *To permit continued operation of our nuclear plants, obtain NRC license extensions for both the Monticello and Prairie Island Nuclear Generating Plants and Certificates of Need from the Commission for additional spent-fuel storage.* Our analysis shows that relicensing and continued operation of our nuclear fleet will save customers approximately $1 billion over the 20-year license extension period. We plan to file applications for both relicensing and a certificate of need for our Monticello plant in late 2004/early 2005. We will make similar filings for Prairie Island in 2008.

- *Investigate and pursue repowering as appropriate to retain and maximize the value of our existing fleet.* Our Emissions Reduction Proposal offered a great opportunity for reducing emissions while extending the useful life of important system resources. We will continue to pursue potential repowering projects and propose them for implementation if appropriate. Minnesota Valley is the first likely candidate for such a proposal. We expect to complete our evaluation of such a project early next year.

- *Implement a new resource acquisition process to ensure needed resources are appropriately identified and acquired in a timely, effective, and efficient manner.* Our analysis indicates a base load need that may be best met through new coal resources, and over 2,200 MWs of new gas and wind facilities (nameplate capacity) need to be added over the planning period We intend to pursue a flexible and thorough acquisition process to ensure these resources are developed Proposals for Company-built generation will be included in these processes, as we believe such generation may offer advantages.

- *Evaluate, select and obtain all necessary permits for up to 1,125 MWs of new base load resources to come on line between 2011 and 2015.* Because of long lead times for new base load resources, we must begin now to select appropriate resources, negotiate contracts and obtain permits. Given the development issues associated with these resources, we expect construction of any new base load resources to begin late in the five-year Action Plan horizon Under our

proposed acquisition process, we would pursue multiple options for meeting this base load need, including proposals from developers, Xcel Energy-built generation, and the proposal from Excelsior Energy for an innovative energy facility.

- *Depending on the timing of new base load resources, begin efforts to obtain up to 550 MWs of new peaking resources in 20 I I and 2012. The* timing and amount of additional peaking requirements depends on the expected timing of additional base load resources. Fortunately, we can time acquisition of peaking resources to bridge any temporary shortfall. If we are able to obtain new base resources prior to 2013, fewer new peaking resources will be required early in the next decade. Nonetheless, given our experience with resource acquisition, we believe it is important to commence the process in time to allow sufficient time for development.

- *Continue to closely monitor and manage the transition to new market and regulatory structures.* On March 1, 2005 the Midwest Independent System Operator ("MISO") plans to begin operation of the Midwest Market, a wholesale market for electricity based on locational marginal pricing ("LMP"). As we gain experience with the operation of the market, the Company may change the way we plan for new facilities. to meet our customers' needs. However, given uncertainty regarding this market, we have not attempted to model its impacts in this Plan. We will keep the Commission informed throughout the planning period of our experiences with the new market and any resulting needed adjustments to our plans and operations.

- *Continue and support efforts to ensure that sufficient transmission resources are available to get needed generation* to *load.* While new regulatory requirements separate generation from transmission, both are needed to serve customer needs. Our experience with bidding demonstrates the significant influence transmission – or lack thereof – has on our resource selection. Given the significant need projected for the planning period, it is important that

adequate transmission is accessible. We plan to continue our advocacy before state and federal regulatory bodies to encourage transmission planning and investment. In addition, we support activities by Xcel Energy's transmission department to pursue in cooperation with other Minnesota utilities a comprehensive plan for needed Minnesota transmission projects. This undertaking, called "CAP-X 2020," should help ensure a robust transmission network to reliably meet projected needs.

While these actions 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 customers' needs. These plans include:

- ***If continued operation of our nuclear plants is not the state's preferred option, immediately begin resource acquisition for up to*** 700 ***MW of peaking and*** ***MW of intermediate capacity and energy for installation in*** ***and*** ***Immediately begin evaluation and selection process for up to*** ***MW of additional base load resources to come on line in the*** 201 I – 2015 ***timeframe.*** If Monticello and Prairie Island are required to shut down, Xcel Energy will need to immediately replace the capacity and energy supplied from those units: While it is unlikely that we would have a base load resource option available to replace Monticello as early as 2011, one strategy would be to bridge the gap with peaking resources until new base load facilities can be brought on line. Given the time frame for replacing the Monticello plant, it is likely that Xcel Energy would need to participate in the construction of facilities for contingency replacement.

- ***If we are unable to select, contract for or obtain permits for new base load resources in a timely fashion, begin resource acquisition for new intermediate resources to be on line by 2012.*** As discussed in this Plan, we anticipate that our next base load resource will be either a solid fuel or a hydroelectric facility. If we were unable to receive permission to construct or contract for such a facility, an

alternative resource would be a natural gas-fired intermediate facility. Given the time frames for the base load need, it is likely that Xcel Energy would need to participate in the construction of facilities to meet this contingency.

- If we are unable to meet the aggressive demand-side management goals indicated in this Plan, begin resource acquisition for new peaking resources to meet the amount of DSM that will not be realized as soon as the shortfall is apparent. While we will make every effort to achieve our DSM goals, we recognize that even our most aggressive efforts may fall short In that case, we will be poised to use our targeted bidding process to acquire sufficient peaking resources to address any shortfall.

- Conduct periodic assessments to consider the combined impacts of the many events that will be occurring on our system. As always, we will continue to carefully monitor developments affecting our system To the extent that we need to respond to a development in a way not addressed by this Resource Plan, we will file with the Commission under Minn. Rule 7543.0500, Subd5 for a notice of changed circumstance. Careful monitoring and prompt action will be required to ensure we successfully manage resources during this period of continuing market development and change.

We recognize that others may view these issues differently and come to different conclusions. We welcome the opportunity to engage in a dialogue on 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.

Forecast and Resource Needs

A resource plan begins with a projection of customer demand for capacity and energy over the planning horizon. This chapter outlines our methods and results of this forecasting. In it, we discuss the reflection of various methodology changes discussed with the Department from a prior proceeding, and the need to move to a 90% forecast confidence level for the development of our Plan to ensure that sufficient capacity is available to meet customer needs. Our forecast for energy and capacity over the planning period is as follows:

Figure l-l

Xcel Energy Net Energy (Mwh)

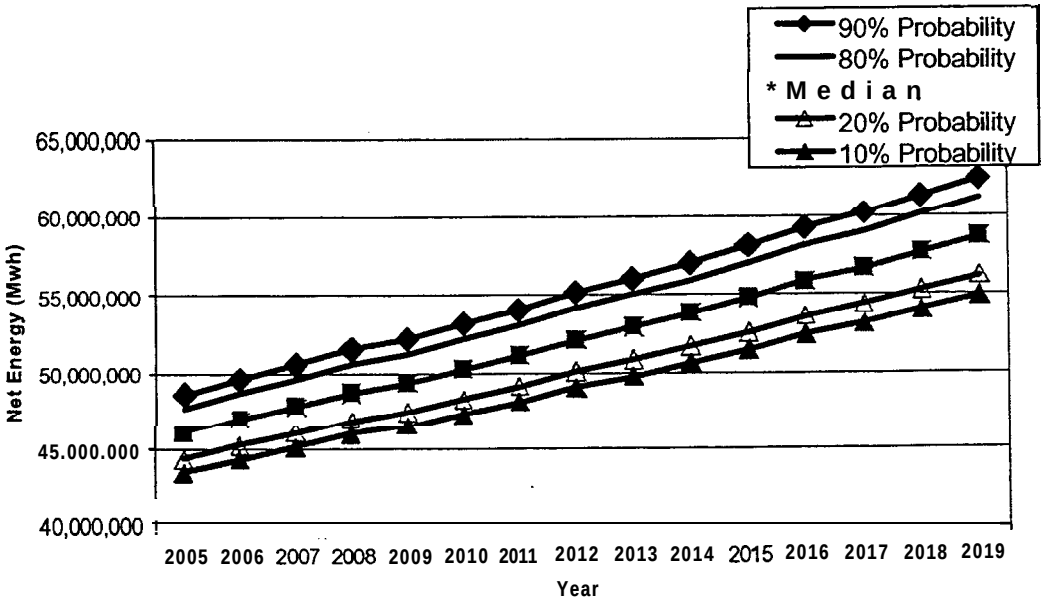
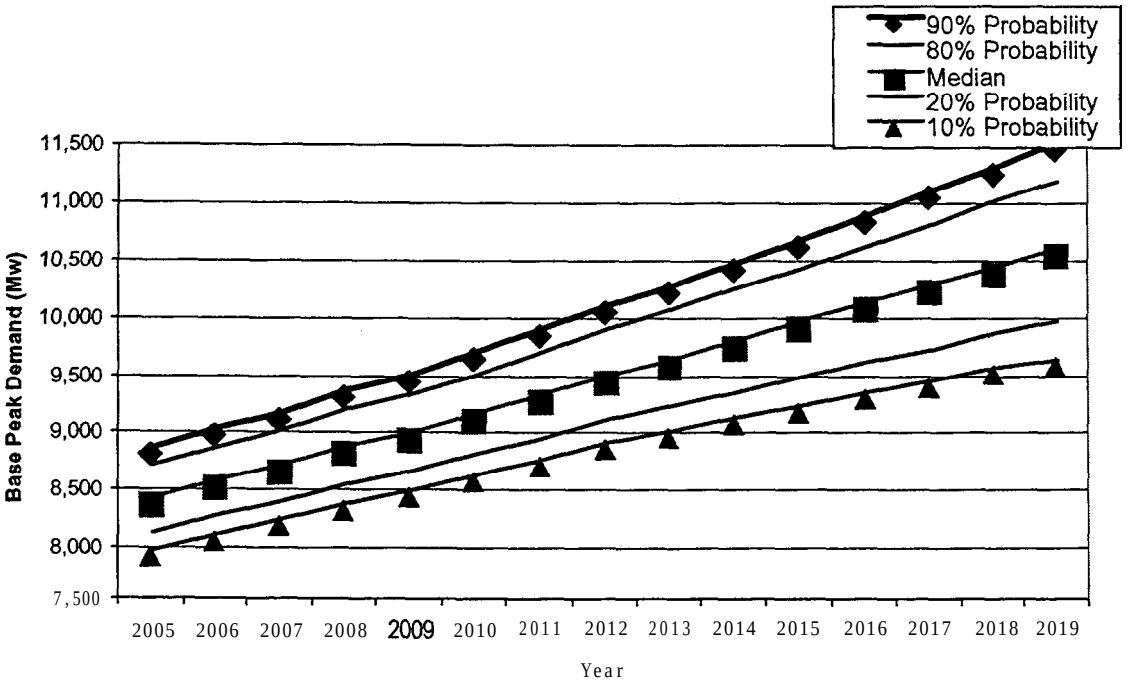


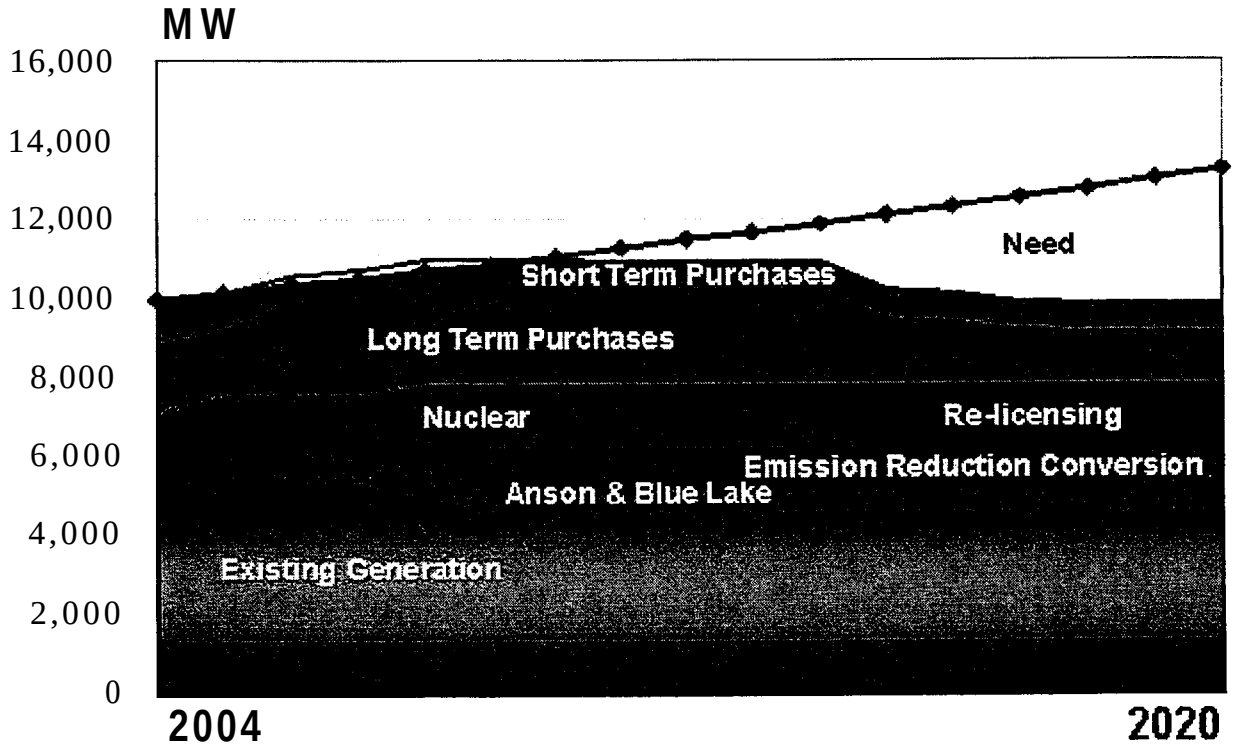
Figure l-2

Xcel Energy Net Summer Peak Demand (Mw)



In addition, we compare the forecasted need to our current capabilities, identifying the overall resource need to be met over the planning horizon:

Figure 1-3
Requirements and Resources 2004-2019



We anticipate the need for additional generating resources starting in 2010, growing to 1,830 MWs by 2015 and 3,100 MWs by 2019.

Modeling and Preferred Plan

Sound analysis is critical to developing an appropriate Plan. In this chapter, we present our analytical methods and approach, identifying the various risks posed during the planning horizon and our comparative analyses to reflect them

We began our modeling using a number of assumptions regarding the forecast, existing resources, renewable energy, and externalities. We then modeled a number of scenarios varying these assumptions to test sensitivities. Based on this analysis, we adopted the following Preferred Plan:

Table 1-4
Incremental Resource Additions
Preferred Plan- No Externalities
Capacity (MW)

	Base Load	Intermediate	Peaking	Wind (Nameplate/ Accredited)	D S M *	Annual Total**
2005						
2006					2	2
2007					14	14
2008					18	18
2009					15	15
2010					14	14
2011			272	80 / 11	13	365
2012			136	160 / 22	13	309
2013	375			80 / 11	13	468
2014				160 / 22	14	174
2015	750		136		19	905
2016			272	80 / 11	20	372
2017			**408**		**20**	**428**
2018			**272**		18	290
2019		213			16	229
Total	**1,125**	**213**	**1,496**	**560 / 76**	**209**	3,603

* DSM listed is in addition to currently ordered goals
** using nameplate wind

As discussed further in this chapter, the Present Value Revenue Requirements ("PVRR") of the Preferred Plan is slightly lower than the PVRR of our Reference Case:

Table I-5
Preferred Plan
2004 Resource Plan – Study Timeframe 2004 – 2033
PVRR in 2004 $000,000 (millions of dollars)

	No Externalities	Low Externalities	High Externalities
Reference Case	29,420	29,900	31,730
Preferred Plan	29,010	29,485	*31,285*

Base Load Need Assessment

Given the significant need for additional base load resources over the planning period, we undertook more extensive evaluation of both the need and alternative ways to meet that need In this chapter, we discuss key issues associated with developing a Resource Plan from this analysis, including such considerations as the policy issues associated with coal.

Considering the unique characteristics of base load resources, we identified the following criteria to assess which type of resource appears best suited to meet our identified resource need:

- Reasonable Cost,
- Reliable,
- Environmental impacts,
- Flexible,
- Commercial operation, and
- Financial integrity.

We ran several scenarios that inserted various resources into the plan to meet the base load need We considered traditional pulverized coal, no-coal scenarios,

renewables scenarios, and scenarios utilizing relatively new technologies such as IGCC. The resulting PVRRs of the scenarios are shown below:

Table 1-6
No Coal Study Results from Strategist
2004 Resource Plan – Study Timeframe 2004 – 2033
PVRR in 2004 $000,000 (millions of dollars)

	No Externalities	Low Externalities	High Externalities	High Sigma 1 Gas	High Sigma 2 Gas	Low Sigma 1 Gas
Reference Case	29,420	29,900	31,730	30,085	30,715	28,670
Preferred Plan	29,010	29,485	31,285			
No New Coal Case	29,540	30,010	31,740	30,580	31,810	28,670
Advanced c c	29,525			30,300		
IGCC	29,725	30,200	32,030			
50% Renewables – biomass,	30,460	30,930	32,695			
75% Renewables - biomass	32,770	33,220	34,825			

Our economic analysis shows that under today's conditions, the most economic base load option for Xcel Energy may be a pulverized coal plant Because this preliminary conclusion is sensitive to a variety of issues, such as costs and environmental assumptions, it is important that we continue to evaluate possible viable alternatives.

Resource Acquisition

Xcel Energy has previously employed all-source competitive bidding to select and acquire new supply resources. The analysis required for this approach is complex and lengthy, and most recently resulted in difficulties acquiring resources given the

backdrop of significant market change. This chapter contains our proposal for a comprehensive, revised process for acquiring needed resources. Our proposal includes a targeted and streamlined bidding process for renewable and peaking/intermediate resources, and a multi-pronged process for developing base load resources. While we designed our proposal to be flexible and allow us to anticipate and address unexpected situations as they arise, we also propose a contingency plan to ensure we have the tools available to acquire resources – including Company-built generation – as needed to meet our obligation to serve.

The heart of our resource acquisition proposal is to use the resource plan as a tool to more closely identify the types of needs that the Company expects to have in the future, be they peaking, intermediate, renewable or base load. Specific, targeted Requests for Proposals ("RFPs") will be developed for peaking, intermediate and renewables needs, thus narrowing the focus of the bids and increasing the opportunities to achieve successful outcomes in a timely fashion.

For base load needs, Xcel Energy proposes a multi-pronged approach that will explore development by third parties, Xcel Energy-built projects, and the "innovative energy project" proposed by Excelsior Energy. We believe that, by evaluating a number of resources on parallel tracks, this approach will ensure that we are able to select the best base resource and bring it on line in time to meet customers' needs.

Xcel Energy also requires flexibility in its processes to meet contingencies when selected resources, despite everyone's best efforts, are unable to be developed or are delayed. We propose a contingency plan that preserves the ability to do whatever needed to meet our obligation to serve customers -- including constructing our own facilities -- subject to appropriate regulatory approvals.

Demand-Side Management

This chapter presents our analysis of the cost-effectiveness of additional DSM. While we have been meeting the goals established in our 2000 Resource Plan, our

updated analysis indicate that even more DSM is cost-effective and should be pursued. As a result of this analysis, we propose to increase our capacity reduction goals by 12% and our energy savings goals by more than 16% over the same time period reflected by the 2000 goals. To achieve these aggressive goals, we believe that we will need to modify our approach to delivering conservation programs. We have not yet fully determined the feasibility achieving these goals or developed an implementation plan, but we believe it appropriate to work to achieve these goals over the planning period

Existing Fossil-Fuel Resources

Given the significant need for new resources identified by our Plan, it is critical to retain and maximize the value of our existing fleet This chapter provides an overview of our existing fossil-fuel plants, discusses their reflection in our analysis, and provides information regarding our ongoing evaluation of repowering. Our current expectation is that we will continue to operate all of our existing resources throughout the planning period Some of these resources are good candidates for refurbishment or repowering. We will continue to evaluate these issues and will bring any proposals to the Commission as they become more fully developed. Our Minnesota Valley Plant in Granite Falls, Minnesota is the first potential candidate for repowering.

Nuclear Generation

Retaining the benefits of our nuclear fleet is a key component of our Plan. This chapter presents our analysis of the value of life extension of these facilities for our customers, assesses various replacement alternatives, and outlines our plan for pursuing relicensing by the Nuclear Regulatory Commission and additional storage capacity through a Certificate of Need filing with the MPUC.

Our analysis shows that relicensing our nuclear facilities and operating them for another 20 years results in nearly one billion dollars in savings to our customers over a 30 year period, even considering the need for additional investments to keep the facilities in top working condition and to provide additional spent nuclear fuel

storage. Our current Action Plan has us filing our Certificate of Need with the Commission and Relicensing Application with the NRC for Monticello in late 2004 and early 2005, and we will make similar filings for Prairie Island in 2008.

Renewable Energy

This Plan represented our first since the 2003 Minnesota Legislature adopted significant changes to the REO statute. While we are currently meeting the Objective, we need to acquire additional renewable resources in 2011 to continue to meet it over the planning period This chapter discusses our analysis of the impact of meeting the REO and outlines various issues that will be important to determining its future application.

Our Plan contemplates the addition of 560 MWs of nameplate wind between 2011 and 2016. To formulate the costs for this scenario, we assumed that the Federal Production Tax Credit for wind would not be available after 2010, but that improvements in technology would reduce the cost of wind in 2010 and again in 2015.

By implementing the REO, Xcel Energy will achieve wind penetrations exceeding 16% of peak load The recent Wind Integration Study, which examined some of the additional costs of wind for penetrations up to 15%, suggests that an adder of at least $5.00 should be included to reflect the additional costs wind imposes on the operating system Xcel Energy is continuing this study by looking at the costs of even higher penetrations of wind on our system When this analysis is complete, we will revisit our Plan. We remain committed to installing as many cost effective renewables on our system as possible while continuing to maintain the reliable operation of the system.

Environment

Environmental regulation significantly affects our industry, and possible changes would influence our resource selection. This chapter presents a status report on

environmental regulations and our compliance with various Commission Orders regarding environmental issues.

Transmission

Our experience in the bidding process highlights the critical influence transmission – or lack thereof – has on resource acquisition This chapter provides an overview of current issues and activities related to the provision of transmission service.

Detailed transmission planning now takes place in the Minnesota Transmission Planning Process, which takes place every two years. In this Plan, we consider the development of new transmission to accommodate the additional generating resources included in the plan. Bringing transmission on line in time to serve new generation involves close coordination with the Midwest Independent System Operator ("MISO"), which performs the required studies and approves interconnection and transmission service.

In 2004 Xcel Energy embarked on a project with other transmission owners in the state to develop a vision for transmission infrastructure investments needed in Minnesota during the next 15 years. The companies are calling the effort Minnesota CAP-X 2020, short for Capital Expenditures by the year 2020. The CAP-X 2020 study will determine the projected transmission facilities needed to serve customer demand levels in 2020 in and around Minnesota from projected generation resources. It also will look at ways to relieve transmission congestion

Compliance

This chapter provides a matrix listing of various requirements stemming from other proceedings that are addressed in this Plan. In addition, we provide the information required regarding our monitoring of Canada's Northern Flood Agreement ("NFA"), as required by the Commission's Order approving our power purchase agreement with Manitoba Hydro (Docket No. E002/M-99-888). We also provide information in compliance with the Commission's Order in the Buffalo Ridge transmission Certificate of Need proceeding, Docket No, E002/CN-01-1958

and certain nuclear requirements established by the 2003 Act The Company is committed to fully complying with all requirements.

Finally, we include the discussion regarding the appropriate level of natural gas on our system that was required by the Commission in the withdrawal of our 2002 Resource Plan. Natural gas can bring great benefits to a utility's portfolio due to its lower capital costs and operating flexibility, particularly when used to meet peaking or intermediate needs. However, gas prices have recently risen nearly 15% and have become quite volatile. Xcel Energy's evaluation of natural gas on our system accounts for these factors. While we currently generate about five percent of our energy from natural gas, by 2015 we expect that amount to grow to about 10% – 15%. This amount is lower natural gas penetration than in other regions of the country. Nonetheless, Xcel Energy remains sensitive to Minnesota's particular relating to natural gas as a home heating fuel. We will continue to accurately reflect the natural gas situation in our models and keep the Commission updated as the gas situation changes in the future.

Conclusion

We face significant challenges in meeting our customers' projected needs over the planning horizon. We believe our experience of recent years is instructive in helping us craft new approaches to evaluating and meeting that need Given the sizable amount of new resources required in this period, it is critical that we have an effective, flexible means of acquiring resources. It is likewise critical that we maximize the value of existing resources -- including our nuclear fleet -- and that we aggressively pursue appropriate investments in DSM and renewables.

Our Plan outlines a comprehensive approach to addressing these issues. We believe we have struck an appropriate balance among competing considerations. We welcome consideration of our Plan, and look forward to dialogue with stakeholders.

Xcel Energy

414 Nicollet Mall
Minneapolis, MN 55402

November 1, 2004

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

RE: NOTICE OF CHANGED CIRCUMSTANCE
DOCKET NO E002/RP-00-787

Dear Dr Haar:

Pursuant to Minn Rule 7843.0500, subpart 5, Northern States Power Company d/b/a Xcel Energy ("Xcel Energy," "Company") provides this Notice of Change of Circumstances Affecting Resource Planning Concurrent with this Notice, we are filing our 2004 Resource Plan, which outlines our resource needs and plans for the period 2004 – 2019

We provide this Notice because, under the terms of our currently approved Resource Plan (stemming from our 2000 application), we planned to acquire any resource over 12 MWs through competitive bidding. Our 2004 Resource Plan outlines a new approach to resources. With this letter, we provide notice of our **intention** to begin pursuing our proposed acquisition plan pending consideration of our 2004 application We believe that no party will be harmed by this approach, indeed, as discussed below, we believe the Commission's consideration of our 2004 Resource Plan will be greatly enhanced by **this** approach

Background

The Minnesota Public Utilities Commission ("MPUC," "Commission") approved our current plan to acquire nearly all resources through competitive bidding in the context of our 2000 Resource Plan While we filed a 2002 Plan

(Docket No, E002/RP-02-2065), we subsequently proposed to withdraw it, given its primary focus on nuclear issues and the 2003 Minnesota Legislature's actions affecting those issues.. The Commission approved the withdrawal of this Plan in its March 9, 2004 Order

The Commission and stakeholders had a number of years of experience with the bidding process at the time our withdrawal request was considered. Parties had raised concerns regarding the timeliness and effectiveness of our implementation of the bidding process, and the Commission had expressed frustration when the ultimate resources presented for approval differed from those anticipated during the bidding process,

Having explored these concerns in some limited ways, the Commission required a stakeholder process as a condition of approving our withdrawal of the 2002 Resource Plan Specifically, this process was to re-examine the role of competitive bidding and the use of this process in acquiring base load and other resources We led this stakeholder process during the spring and summer, the process concluded in September 2004

Based on our experience, the input of stakeholders, and our anticipation of future developments, we believe our resource acquisition process needs to be significantly modified to ensure the timely, effective, and efficient acquisition of needed resources Our 2004 Resource Plan application proposes a modified approach that includes a more focused bidding process for acquiring renewable and peaking/intermediate resources and a flexible, multi-pronged approach for acquiring base load resources

Rationale

We believe it is both necessary and appropriate to begin implementation of the proposed process now Our 2004 Resource Plan identifies significant base load need in the 2011 – 2115 period. To ensure resources are developed in time to meet this need, we believe it is appropriate to begin exploring options in earnest Since no resources will be acquired prior to a Commission decision on our 2004 Plan, (and no resource would be acquired without Commission approval regardless), we believe there is no harm in initiating this exploration *now*.

Indeed, we believe that further development of potential options to meet the anticipated base load need would greatly inform the Commission's decision on our 2004 Resource Plan Planning and acquisition activities do not begin or stop at any point in time; rather, they are ongoing and should inform each

other. We believe that our exploration of potential base load projects will assist the Commission and stakeholders when considering our overall Plan. In the event the Commission decides at the conclusion of our 2004 Resource Plan to require competitive bidding for all resources, the work performed in the interim will greatly assist us in the preparation of the Request for Proposals and the evaluation of bids. Consequently, we believe our proposal to begin this exploration now outside of the formal bidding process is appropriate

Service
We provide the Commission with the original and 15 copies of this Notice. We have also served copies on the Department of Commerce, the Office of the Attorney General – Residential Utilities Division, as well as parties to our 2000 and 2002 resource plan proceedings. Our service list is attached.

In addition, we will serve copies of our 2004 Resource Plan application on this same service list. This application provides detailed discussion of our proposed acquisition process and the identified resource needs Parties can refer to this Plan for further details of our proposals.

Feel free to contact me at (612) 330-6125 if you have ***any*** questions regarding this filing.

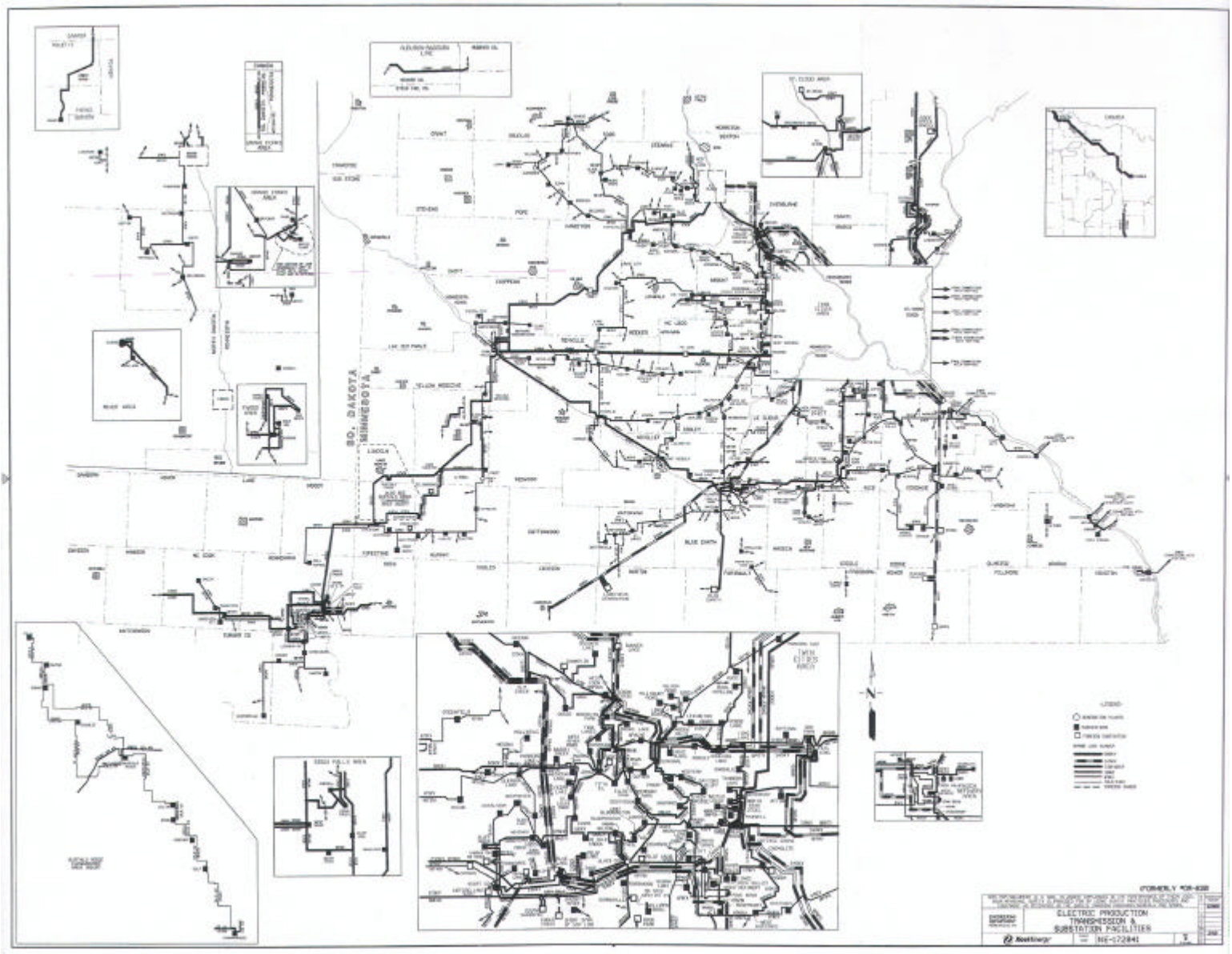
Sincerely,

JUDY M POFERL
DIRECTOR, REGULATORY ADMINISTRATION

Enclosure
c: Service List

APPENDIX B

Xcel Energy Transmission Lines


SO. DAKOTA
MINNESOTA
ELECTRIC PRODUCTION
TRANSMISSION &
SUBSTATION FACILITIES