Public Service Company of Colorado
Control Area and Transmission Provider

TRANSMISSION PROJECT UPDATE
March 23, 2007

What is the status of your major NSPM Transmission Projects?

CapX 2020 [All of NSP System]

CAPX 2020 Vision is a group of projects designed to serve projected load growth over the next 15 years in the vicinity of the state of Minnesota. Xcel Energy and 10 other Minnesota utilities have partnered to accomplish the development of this infrastructure. The first project group involves over 500 miles of new 345 kV lines and about 70 miles of new 230 kV line in Minnesota.

- Development agreements have been executed with all partners for each of the four Group I projects
- We expect to file a combined Certificate of Need for the Group 1 projects in the second quarter of this year.
- The Xcel Energy portion of these projects is projected to total $674 million.
- Xcel Energy's portion is projected to be approximately 50% of the total CapX 2020 investment.

Buffalo Ridge 425 MW and 825 MW Wind Outlet Projects

Together these Southwest Minnesota transmission projects will provide transmission capacity for a total of 825 MW.

The South West Minnesota 425 MW transmission project includes 54 miles of new 115/161 kV line, 153 miles of upgraded 115/345 kV line and a number of new substations.

- Construction began in 2002 and is currently 97% complete.
- The project is scheduled to complete in the second quarter of this year.

The 825 Wind project includes 95 miles of new 345 kV line, 64 miles of new 115 kV line, 40 miles of upgraded 115 kV line and a number of new substations. Certificate of Need and Route Permits have been secured. Construction began in 2004 with completion expected in late 2007.

- Construction began in 2004 and is currently 30% complete
- Our current construction schedule anticipates providing back feed power to all connecting wind developers by the fourth quarter of this year.

Chisago to Apple River [NSPW will own the NSP System stuff in WI]

This project is to convert the Chisago Co-St. Croix Falls- Apple River 69 kV line to 115 kV in Minnesota and 161 kV in Wisconsin. This project is located in the far northeast suburbs of St. Paul, Minnesota and west central Wisconsin. It is a joint project with Dairyland Power Cooperative. The project is needed due to the load growth in this region and is required to avoid low voltage and unacceptable line loadings during transmission outages.

- We filed for the Minnesota Certificate of Need in the fourth quarter of 2006. The filing will be reviewed by an ALJ and the MPUC in 2007.
- Construction is expected to begin in 2008 with completion in 2010.
- We are currently engaged in the public routing process in Minnesota where under-grounding through the city of Lindstrom, Minnesota (not currently part of the project plan) has emerged as an issue. We are committed to working through the process with all stakeholders in an open and honest manner and will work with all parties and the MPUC to determine the outcome of this issue.

Wilmarth/Mankato Energy Center

This project was to upgrade the Wilmarth 345 kV,115 kV, and 69 kV substations to accommodate the interconnection of the Mankato Energy Center (owned by Calpine) located at Mankato, Minnesota. The project interconnected 667 MW of new generation at the Wilmarth location and included three short transmission lines, one 345kV and two 115kV.

- Construction began in 2005
- The project was energized in July of 2006

MERP Highbridge (Transmission Portion)

This project is to interconnect a new 575 MW combined-cycle generating facility at the High Bridge Generation station in downtown St. Paul, Minnesota. The project will replace the existing 115 kV substation at High Bridge and upgrade the capacity of 5 miles of double-circuit 115 kV transmission.

- Construction began in 2005 and is currently 70% complete
- Back feed to the generation plant is expected in July 2007
- The project is scheduled to be energized in the first quarter of 2008

What is the status of your major NSPW Transmission Projects?

MN WI 345kV Line Rebuild [NSPM owns the upgrades in MN]

This project is to restore to reliable condition portions of the King-Eau Claire 345 kV line, spanning between the eastern Saint Paul suburbs and Eau Claire, Wisconsin; and the Prairie Island-Pleasant Valley 345 kV line in Southeast Minnesota. This project involves replacing approximately 1/3 of the transmission structures over a total of 144 miles of line.

- Construction began in 2005 and is currently 60% complete.
- Construction is scheduled to complete in 2008.
- Much of this rebuild is being completed through specialized and expensive hot-line work. To contain project costs, we initiated a winter construction program to complete much of the remaining working under outage conditions. We just complete a better than expected winter construction phase replacing 64 wetland or outage structures this season versus a scheduled 35. This a real example of our ongoing risk mitigation practices.

What is the status of your major PSCO Transmission Projects?

Comanche (Transmission Portion)

The Comanche to Daniels Park 345kV Transmission Project is to accommodate the 750 MW Comanche Unit #3 Generation Project. The project consists of approximately 125 miles of double circuit 345kV transmission between the Comanche Station and the Daniels Park substation. This will consist of approximately 50 miles of new transmission and 75 miles of re-build to existing transmission, and 345/230kV autotransformation at Comanche and Daniels Park.

- During 2006 all necessary Colorado PUC, regulatory and land-use permits were obtained under acceptable conditions and without significant cost or schedule impact.
- Construction is scheduled to begin in the summer of 2007 and be complete by May 2009
- We anticipate major construction bids to be released in the second quarter of this year to a mixture of union and non-union contractors.

Denver Terminal-Dakota-Arapahoe 230kV Line

The project consists of a new 230kV overhead transmission line between the Denver Terminal, Dakota, and Arapahoe Substations. The project was granted a CPCN by the Colorado PUC in August 2003, and had an anticipated in-service date of May 2005. However, due to delays in obtaining an executed license agreement from the Burlington Northern / Santa Fe Railroad (BNSF), and securing private and city easements, the anticipated in-service date has been delayed to July 2007.

- Construction began in August 2006 and is currently 70% complete.
- Construction is scheduled to complete in June 2007.
- A portion of this project includes the rebuild of an existing line through Ruby Hill Park in Denver. We have applied for a variance to the view plane ordinance at this location and are engaged in a public process with all stakeholders and the planning board to resolve this issue.

SPS-PSCO Tie Line

Phase I of the SPS-PSCo tie line, the 220 mile 345kV line from Potter County in Texas to Holcomb, Kansas, was completed in September of 2001. Phase II of the project consisted of the construction of the remaining 105 miles of 345 kV line from Kansas to Colorado, new 345 and 230 kV substations, and a 210 MW High Voltage Direct Current (HVDC) converter at Lamar, Colorado, to meet NCE and Xcel Energy's SEC and FERC merger commitments to interconnect PSCO and SPS. This project has added 210 MW of intertie capability between the eastern and western grids. This HVDC converter is a specialized piece of equipment that will allow the direction of power flow to be reversed almost instantaneously between the east and west power grids.

How is the Lamar HVDC Project progressing, in light of the voltage effects seen by Lamar customers, and operational limitations seen last summer?

- Our present focus is to prepare the HVDC Tie for summer operation, as it is a key delivery path for load-serving resources.
- We have been studying the HVDC converter's influence on "flicker," annoying voltage fluctuations seen by the City of Lamar, CO utility, and are mitigating problems by making converter controls changes. We also are considering changes to the physical plant configuration for increased effectiveness in mitigating flicker.
- Last summer, limitations to power capacity caused by insufficient cooling led us to increase cooling capacity. We are replacing external heat exchangers with more efficient ones to beat this summer's heat.

- We are implementing control changes to will allow full power transfer during transmission line outages that previously have limited us.

What is the status of your major SPS Transmission Projects?

Amerada Hess Expansion Project - Seminole, Texas

This project involves transmission improvements, which allow service to new oil field load and plant load for Amerada Hess near Seminole, Texas. This project requires the construction of 230 kV transmission lines from Mustang Station to Seminole Interchange and then from Seminole Interchange to Cunningham Station, near Hobbs, New Mexico. This facility and line will create the capacity to serve the requested 83,000 hp of new oil field and plant load.

- Construction will begin in 2009
- The project is scheduled to be energized in the 2nd quarter of 2010

SPS to WTMPA

This project involves transmission improvements, which permit Western Texas Municipal Power Authority (WTMPA) members, including Lubbock Power & Light, City of Brownfield, City of Floydada, and City of Tulia, to take 325 MW of network transmission service under the Southwest Power Pool (SPP) regional tariff. The network resource will be provided by XEM using SPS generation. This transmission service project is required by the WTMPA members to serve their load.

- Construction began in 2006 and is currently 30% complete
- The project is scheduled to be energized in the 2nd quarter of 2008

More on CapX2020?

There are a total of 11 utility companies investing in one or more of the first four high voltage transmission projects identified by the CapX 2020 initiative to meet current and long term needs in Minnesota and the surrounding region.

- IOUs: Xcel Energy, Otter Tail Power, Minnesota Power;
- Co-ops: Great River Energy, Minnkota Power Cooperative, Dairyland Power Cooperative;
- Municipal power: Missouri River Energy Services, Southern Minnesota Municipal Power Agency, Rochester Public Utilities, Wisconsin Public Power Inc., and the Central Minnesota Municipal Power Agency.

The total estimated cost of the four Group 1 projects is $1.3 billion. Xcel Energy's planned investment in these four projects is $674 million, a little over half the total.

Project Development Agreements are in place.

- Xcel is the Project Development Manager for two projects (Fargo–Monticello 345 kV and SE Twin Cities–Rochester-LaCrosse 345 kV projects).
- Great River Energy leads the Brookings County, SD-SE Twin Cities 345 kV project
- Otter Tail Power leads the Bemidji-Grand Rapids 230 kV project.

A MN Certificate of Need (CON) filing for three of the projects is planned for early summer 2007. The CON filing for the fourth project is planned for 2008. It is expected that the MN and adjacent state reviews of need and routes, as well as the various required federal reviews, will take several years. It is anticipated that construction could start 2010 or later, with lines in service by 2012 to 2014.

Minnesota's new Renewable Energy Standard (just passed in '07 legislative session) requires NSP-MN to have 30% of its energy from renewables by the year 2020. All other utilities have a 25% by 2025 standard. We anticipate this will require even more new transmission in MN and the region than was identified by previous analyses, which had reflected the lower state renewable energy objective.

Cost Recovery - The States of MN, SD and ND allow us to earn on CWIP on transmission projects, via a transmission cost recovery rider on customers' bills. The MN rider is already in place, and the MPUC recently voted to allow NSP-MN to recover $13 million in costs in 2007 outside a general rate case. The ND legislation allowing this was signed by the governor the week of March 12, 2007.

High Plains Express - Is there an effort similar to the Minnesota CapX2020 program planned for Colorado? If so, what would this program look like, who would be involved and when might it begin?

In 2006, an interim task force on transmission reliability infrastructure was formed in Colorado by legislative mandate. Its purpose was to evaluate transmission needed to meet the growing electric demand in Colorado and identify impediments to building required infrastructure. The Task Force determined that timely cost recovery was essential to the transmission investment strategy. Legislation allowing for an annual rate rider to cover the on-going costs of transmission investment passed both the Colorado Senate and House in 2006, and was pending signature by the Governor in early 2007.

Related to this effort a consortium of seven western electric transmission owners and an independent transmission company recently announced an effort to study and plan for the expansion and reinforcement of the regional grid to provide for a high-voltage backbone transmission system between Wyoming, Colorado, New Mexico and Arizona.

In addition to PSCo, the consortium includes Colorado Springs Utilities, Platte River Power Authority, Public Service Co. of New Mexico, Salt River Project, Trans-Elect Development Co., Tri-State Generation and Transmission Association, and the Western Area Power Administration.

The High Plains Express Transmission Project Study (HPX) has the potential to provide a number of benefits, including:

- Improving overall regional electric reliability
- Increasing access to diverse resources, including renewables
- Increasing import and export capabilities for the region
- Reducing environmental impacts by sharing utility corridors where feasible.