

**Northern States Power Company
Northern States Power Company (Wisconsin)
Strawman Proposal for Compliance with
Planning Principles
Adopted by FERC Order No. 890**

May 29, 2007

Introduction:

The Commission in Order No. 890 requires “coordinated, open, and transparent” transmission planning to be conducted on a local and regional level, and defines nine principles that must be satisfied by transmission planning processes.¹

Order No. 890 requires transmission providers and transmission owning members of RTOs and independent system operators (ISO) to develop a “strawman” proposal setting forth the manner in which the transmission provider and the transmission owners will comply with the planning principles set forth in the Final Rule.² These strawman proposals will be the base for the “Attachment K Transmission Planning Process,” in which a transmission provider either must propose a newly developed planning process that complies with the nine principles or show that a current transmission planning process is consistent with or superior to what is required in Order No. 890.

Furthermore, Paragraph 440 of the Final Rule requires transmission owning members of a Regional Transmission Organization to conduct planning in accordance with Order No. 890 in order to permit “transmission customers and stakeholders (to) be able to participate in each underlying transmission owner’s planning process. This is important because, in many cases, RTO planning processes may focus principally on regional problems and solutions, not local planning issues that may be addressed by individual transmission owners.”³ This strawman document has been developed in compliance with Order No. 890.

¹ See *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 118 FERC ¶ 61,119 (2007) (“Order No. 890” or “Final Rule”) at P 435.

² See Order No. 890 at P 443. These proposals are to be discussed in regional staff technical conferences that will be conducted by the Commission to address regional implementation and other compliance issues related to the Order No. 890 planning requirements.

³ See *Id.* at P 440.

Description of the NSP Companies and the NSP System:

Northern States Power Company, a Minnesota corporation ("NSP"), and Northern States Power Company, a Wisconsin corporation ("NSPW"), jointly the "NSP Companies" are vertically integrated jurisdictional electric utilities that own and operate electric transmission facilities in five upper Midwestern states: Minnesota, North Dakota, South Dakota, Wisconsin, and the Upper Peninsula of Michigan. The NSP Companies operate an integrated transmission system (the "NSP System") of approximately 7,100 line miles of transmission facilities, operate a Balancing Authority certified by the North American Electric Reliability Corporation ("NERC") and serve approximately 1.3 million retail and wholesale customers. The NSP Companies conduct planning for the integrated NSP System to serve all NSP System loads, including the loads of investor owned utility, cooperative and municipal load serving entities ("LSEs") connected to the NSP System, on a comprehensive basis. The NSP Companies serve approximately 1200 MW of transmission-only loads, compared to a peak native load of approximately 9,000 MW, and are interconnected with more than 50 transmission and load serving utilities, including ten neighboring Balancing Authorities.

The NSP Companies are members of the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO" or "MISO"), a FERC-approved RTO. The NSP Companies transferred functional control of their high voltage transmission facilities (100 kV and above) to the Midwest ISO effective February 1, 2002, and access to the NSP System is available through the Midwest ISO Open Access Transmission and Energy Markets Tariff ("TEMT"). As members of the Midwest ISO, the NSP Companies fully participate in the annual Midwest ISO Transmission Expansion Planning ("MTEP") process.

In addition to the MTEP process, the NSP Companies also participate in sub-regional and state level planning processes, including (but not limited to) planning for transmission facilities below 100 kV. Under the Midwest ISO Transmission Owners

Agreement (TOA),⁴ the NSP Companies conduct “bottom-up” local planning to identify transmission improvements necessary to ensure the adequacy and reliability of the NSP System for the benefit of interconnected entities and transmission customers that utilize NSP System transmission facilities to receive transmission service. The NSP Companies' projects are then reviewed by the Midwest ISO and may become part of the MTEP.

Such sub-regional and regional coordination of local transmission plans leads to transmission projects being built that address the transmission needs of larger areas, thus maximizing the benefits of projects and reducing the number of transmission construction projects that are needed. Regional coordination also improves local transmission projects by mitigating any adverse effects that a local project might have in other parts of a regional transmission system.

In addition, sub-regional and non-MISO coordination is necessary because the NSP Companies are highly interconnected with neighboring transmission owners and have retail loads that are located on the transmission systems and/or in the Balancing Authority areas of neighboring utilities including non MISO members.⁵ The NSP Companies operate near the western border of the Midwest ISO region and are interconnected with transmission-owning utilities that are not members of the Midwest ISO but instead remain members of the Mid-Continent Area Power Pool ("MAPP") and its Regional Transmission Committee ("RTC").⁶

⁴ See the “Planning Framework” in Appendix B of the "Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation" (FERC Electric Tariff, First Revised Rate Schedule No. 1). Section VII of Appendix B, “Planning Responsibilities of Owners,” states: “To fulfill their roles in the collaborative process for the development of the Midwest ISO Plan (Midwest ISO Transmission Expansion Plan), the Owners shall develop expansion plans for their transmission facilities while taking into consideration the needs of (i) connected loads, including load growth, (ii) new customers and new generation sources within the Owner’s system, and (iii) known transmission service requests.”

⁵ For example, the NSP Companies have approximately 70 transmission interconnections with Dairyland Power Cooperative ("Dairyland") and approximately 40 interconnections with Great River Energy ("GRE").

⁶ These non-MISO utilities include Dairyland and the Western Area Power Administration. The NSP System also interconnects to the transmission system of the Manitoba Hydro Electric Board

Accordingly, below is a summary description of the planning processes in which the NSP Companies participate and an explanation of how these processes, in conjunction with the MTEP, meet the Commission's Order No. 890 principles in providing for a coordinated, open, and transparent transmission planning process.⁷

This NSP System strawman should be reviewed in coordination with the separate Midwest ISO strawman proposal, which is separately posted at the Midwest ISO website (www.midwestiso.org) or OASIS. Where applicable, segments of this strawman reflect the MISO strawman proposal.⁸ In addition, the NSP System strawman should be reviewed in conjunction with the MAPP strawman proposal, which is separately posted at the MAPP website (www.mappcor.org) or OASIS.

("MHEB"), a Canadian crown corporation that is a coordination member of the Midwest ISO but not a Midwest ISO transmission owner member subject to the TEMT.

⁷ This strawman was developed in coordination with GRE, Rochester Public Utilities, Otter Tail Power Company and Minnesota Power, a division of Allete, Inc. With the exception of Rochester Public Utilities, these utilities are also members of the Midwest ISO in the western MISO region. However, each utility is posting their own strawman reflecting any unique circumstances or practices on their systems. The NSP Companies did not consult with transmission dependent customers in developing this strawman.

⁸ Since the NSP Companies are uncertain if the Commission would find that the Midwest ISO RTO strawman allows them to comply with Paragraph 440 of the Final Rule for the planning processes associated with lower voltage facilities, this document describes how coordinated and transparent sub-regional transmission planning processes are incorporated in the MTEP regional process. However, the NSP Companies urge the Commission to determine that the Midwest ISO strawman satisfies the obligations of all Midwest ISO transmission owners under the Final Rule.

Compliance With the Nine Principles:

1. Coordination

This principle requires that “transmission providers must meet with all of their transmission customers and interconnected neighbors to develop a transmission plan on a nondiscriminatory basis.” The planning process must “provide for the timely and meaningful input and participation of customers into the development of transmission plans.”

In accordance with the requirements of Order No. 2000, the NSP Companies, with the assistance of their service company affiliate Xcel Energy Services Inc. ("XES"),⁹ have conducted transmission planning in a coordinated environment, involving neighboring utilities, load serving entity customers, state regulatory commissions and members of the public to collaborate at various stages in the planning process. As a member of the Midwest ISO, the NSP Companies have fully participated in the Midwest ISO Transmission Expansion Plan ("MTEP") each year, which identifies and keeps track of all planned and proposed transmission facilities 100kV and above. All MTEP meeting schedules, meeting minutes, and study results are posted on the Midwest ISO web site (www.midwestiso.org). In addition, the NSP Companies have participated in coordinated MAPP and state-mandated processes as follows.

A. MAPP Processes

Prior to the start of Midwest ISO "Day 1" operations, the NSP Companies were historically members of the MAPP power pool, and the NSP Companies remain parties to the MAPP Restated Agreement for certain legacy functions provided by MAPP and not provided by the Midwest ISO. The NSP Companies continue to

⁹ XES is the service company for the Xcel Energy Inc. public utility holding company system. NSP and NSPW are each utility operating company subsidiaries of Xcel Energy Inc.

participate in the MAPP Regional Transmission Committee ("RTC"). Every two years, MAPP produces a ten (10) year plan developed by the RTC that incorporates all system deficiencies 100 kV and above and planned projects for the participating utilities. In addition, MAPP sponsors several Sub regional Planning Groups ("SPGs") throughout the MAPP footprint. Each group meets quarterly to discuss planned projects, share study results, and set up ad-hoc study groups for regional issues for projects at all voltage levels. Information about MAPP and the MAPP SPGs is available at the MAPP web site (www.mappcor.org).

Pursuant to the planning documents, each RTC Member with facilities under MAPP Schedule F must prepare and maintain a Member Plan for its transmission facilities. The Restated Agreement requires Members to coordinate their plans with the plans of neighboring MAPP systems. Members are also encouraged to coordinate their plans with non-MAPP neighboring transmission owning utilities and RTOs. RTC Member Plans are available to other RTC Members for planning analyses on the same basis. Member Plans are required to identify system enhancements that could relieve congestion or integrate new resources.

SPGs provide forums for the coordination of individual Member Plans, coordination with other SPGs, and coordination with neighboring non-Member systems. This process is explained in the Transmission Planning Subcommittee ("TPSC") Subregional Planning Group Guidelines.

MAPP's regional planning effort will take account of and accommodate, where appropriate, existing institutions, as well as physical characteristics of the region and historical practices. All regions in the Eastern Interconnection convey their transmission plans through the NERC model building process. The planning studies performed by the MAPP TPSC and/or SPGs, using the NERC models, facilitate coordination with transmission facilities of other regions.

MAPP's regional planning effort includes inviting Midwest ISO staff to participate in the development of the MAPP plan. MAPP members and MAPP staff will also participate in the development of MISO's regional plan (at least with respect to the western region of MISO). MAPP will accommodate requests from other RTOs such as PJM and SPP as well as non-RTO neighboring entities to participate in the development of the MAPP regional plan.

Member Plans for new interconnections of generation provide for involvement of both MAPP members as well as neighboring non-MAPP parties of the member performing the generation interconnection study.

B. Minnesota Biennial Transmission Planning Report Process

Effective August 1, 2001, Minnesota Statutes were revised to include the requirement that each electric transmission owning utility in the State of Minnesota file a biennial transmission planning project report.¹⁰ In 2001, the first Minnesota Biennial Transmission Projects Report was filed with the Minnesota Public Utilities Commission ("MPUC"). As allowed by the statute, the transmission owning utilities serving Minnesota, through an informal group of eleven transmission owning utilities known as the Minnesota Transmission Owners ("MTO"), filed a single coordinated biennial planning report.¹¹ The MTO coordinated reports are published on the MTO web site (www.minnelectrictrans.com). Although the 2001 report did not request certification of any transmission projects, it provided a resource for background information on the planning process used by the electric utilities in Minnesota. The MTO members subsequently submitted coordinated planning reports in 2003 and

¹⁰ Minn. Stat. 216B.2425 (2001).

¹¹ The following investor owned, cooperative and municipal transmission-owning utilities participated in the 2005 MTO Transmission Planning Report: American Transmission Company, Dairyland Power Cooperative, East River Electric Power Cooperative, Great River Energy, Hutchinson Utilities Commission, Interstate Power and Light Company, L&O Power Cooperative, Marshall Municipal Utilities, Minnesota Power, Minnkota Power Cooperative, Missouri River Energy Services, Northern States Power Company, Otter Tail Power Company, Rochester Public Utilities, Southern Minnesota Municipal Power Agency and Willmar Municipal Utilities.

2005.¹² The next coordinated biennial report will be submitted by the members of MTO on November 1, 2007.

C. Other Coordinated Planning Processes

Additionally, pursuant to statute, the Public Service Commission of Wisconsin ("PSCW") conducts an extensive assessment, every two years, that "evaluates the adequacy and reliability" of Wisconsin's "current and future electrical supply."¹³ As part of that Strategic Energy Assessment, the PSCW must "identify and describe" planned electric transmission lines to be built in the three years following the assessment, and whether there is an "adequate ability" to transfer electric power into the state of Wisconsin. NSPW participates in the PSCW Strategic Energy Assessment process.

The NSP Companies are also participating with several vertically integrated and public power utilities, including historically transmission dependent LSEs, to develop coordinated transmission infrastructure investments needed in the Upper Midwest region during the next 15 years.¹⁴ The effort is called CapX 2020, short for Capacity Expansion by the year 2020. More information about CapX 2020 is available at the CapX 2020 web site (www.capx2020.com). The CapX 2020 participants plan to submit the initial state regulatory filings for authorization to construct three new 345 kV transmission lines with the MPUC in June 2007. This first group of CapX 2020 projects would include approximately 600 miles of new 345 facilities at a cost of over

¹² The 2005 biennial report is available at www.minnelectrictrans.com. All documents filed in the 2005 biennial report docket are available at the e-library at the MPUC web site (www.puc.state.mn.us) under Docket No. E-999/TL-05-1739.

¹³ See *Wis. Stat.* §196.491(2) (2006).

¹⁴ The CapX 2020 participant utilities include Dairyland, GRE, Midwest Municipal Transmission Group, Minnesota Power, Minnkota Power Cooperative, Missouri River Energy Services, the NSP Companies, Otter Tail Power Company, Rochester Public Utilities, Southern Minnesota Municipal Power Agency, and Wisconsin Public Power Inc.

\$1 billion, with joint ownership by the participant utilities, including the historic LSE customers.

2. Openness

The planning process must “be open to all affected parties” and must include safeguards to ensure confidentiality of transmission system information, particularly Critical Energy Infrastructure Information (CEII).

The Midwest ISO MTEP, MAPP and state regulatory procedures in which the NSP Companies participate all comply with the openness principle.

A. Openness of MISO Processes

As discussed in more detail in the Midwest ISO strawman posted at the Midwest ISO website (www.midwestiso.org), the MISO Planning Advisory Committee ("PAC") is comprised of stakeholder sector representatives, and this group typically meets on a monthly basis or more frequently to discuss planning policy issues and to provide input and review of MISO MTEP. Notably, these meetings are open to the general public, even if an attendee is not a member of the MISO.

The MISO PAC reports to the MISO Advisory Committee and advises the MISO Board of Directors on planning issues. The MISO Planning Subcommittee ("PS") reports to the PAC, and is an open stakeholder group that meets on a regularly scheduled bi-monthly basis to discuss all aspects of transmission planning at the MISO. There are two working groups that report to the Planning Subcommittee: the Expansion Planning Group ("EPG") and the Model Building Group ("MBG"). These groups are also open stakeholder groups that meet on a regularly scheduled bi-monthly or “as needed” basis, and have input and review responsibilities specific to the development of the MTEP, and supporting planning models, respectively.

In accordance with the MISO stakeholder governance guidelines, transmission planning meetings are scheduled in advance and posted on MISO website calendar. The MISO also has email distribution lists for transmission planning groups, which can be easily subscribed to by interested parties. The Planning Subcommittee and Expansion Planning Working Group are primary stakeholder groups involved in transmission planning. Both groups hold regularly scheduled meetings and are open to all interested parties.

MISO uses a standard form Non-Disclosure and Confidentiality Agreement to address sharing of transmission planning information (power flow models, preliminary results, planning reports drafts). Order No. 890 also notes that there should be a method for handling confidential information related to economic (congestion) studies. This data is clearly market-sensitive information that must remain confidential. MISO uses generic (publicly available) cost information from industry sources in MISO's economic studies. Using publicly available cost information prevents accidental release of confidential information, which is possible even under strict data controls. It also enables a truly open process because results of economic studies are available to all interested parties, and MISO does not have to restrict presentation of the economic results. As transmission planning is a forward-looking effort, the use of generic data is reasonable input data for planning studies. See Appendix V through Appendix IX of MISO's strawman. The Midwest ISO planning process is therefore compliant with the Openness principle, and the NSP Companies defer to the MISO MTEP process for facilities 100kV and above.

As a member and active participant of MAPP and their committees, the NSP Companies are also compliant with the openness principle through MAPP's process and the MPUC biennial transmission projects report process. These are discussed in more detail below.

B. Openness of MAPP Processes

The MAPP 10 year Regional Plan is developed through the SPG and TPSC meetings and studies. All interested parties may attend TPSC and TPSC working group meetings pursuant to the MAPP Transmission Planning Subcommittee Procedures. Under the TPSC Subregional Planning Group Guidelines, SPG meetings are open to all MAPP Members, non-Members and Regulatory Participants that have an interest in the transmission facilities of the sub-region. Representatives from each involved utility use these meetings to publicly discuss planning studies and solicit comments and participation from attendees. Membership in an SPG is open to any interested Member and any actual or potential user of the relevant transmission facilities. Non-MAPP neighboring transmission owning utilities and RTOs are eligible and encouraged to join the SPGs and participate in the TPSC process to promote joint planning between MAPP and its neighboring regions. For example, Midwest ISO personnel actively participate in the MAPP SPGs.

The MAPP TPSC, in consultation with affected parties, develops confidentiality agreements and password-protected access to information in order to manage confidentiality and CEII concerns. Procedures for protection of confidential information and for access to the confidential information will be included in the MAPP TPSC Procedures and TPSC Subregional Planning Group Guidelines posted on the MAPP OASIS. In order to address potential Order No. 2004 Standards of Conduct concerns, the MAPP TPSC also simultaneously discloses transmission planning information (*i.e.* agendas, meeting materials, meeting minutes, plans, reports, etc.) by posting such documentation on OASIS to prevent preferential disclosure of transmission-related information. MAPP also provides all current and potential customers and other stakeholders equal access, notice, and opportunity to attend planning meetings.

C. Openness of MPUC Biennial Transmission Projects Report Process

In 2003, the MPUC adopted final rules associated with the 2001 biennial projects report statute prescribing the process of soliciting public input into subsequent (2003 and beyond) biennial planning reports, including the requirement for open public planning meetings in different parts (zones) of the state.¹⁵ For each individual zonal meeting, the utilities with transmission facilities in the area present information on system deficiencies and discuss future transmission projects at all voltage levels. The public is notified of the regional meetings through notices developed through a notice plan approved by the MPUC. All information relevant to the annual meetings, as well as the biennial transmission projects report, is posted on the MTO website.¹⁶ In addition, there is a “contact us” portion of the MTO website to receive feedback for a specific question or comment.

This Minnesota transmission planning process helps provide the opportunity for transmission customers, the public, and both local and state policy makers to provide meaningful input in the early stages of transmission planning. In each of the six annual meetings throughout the State, the public is invited to join representatives from area utilities in a planning meeting to discuss the electric transmission system in Minnesota and the Upper Midwest. Through increased public participation, the state transmission planning process is designed to provide a more expeditious review and certification of electric transmission projects in the public interest. Discussion focuses on identifying problems with the existing system in meeting the demand for electricity in the area and possible solutions, including possible new transmission projects.

Synopses of public comments from the public input meetings are included in the joint Biennial State Transmission Projects Report submitted to the MPUC. The biennial

¹⁵ Minn. Rule 7848.0100 *et seq.*

¹⁶ The dates of the public participation meetings for the 2007 biennial report are available at www.minnelectrictrans.com.

report also includes a list of transmission lines each utility is requesting certification from the MPUC for authorization to build. The joint biennial reports are subject to notice and comment as administrative proceedings before the MPUC, subject to the MPUC's rules allowing active and open participation. MPUC rules also provide means for the protection of confidential information under the Minnesota Data Practices Act.¹⁷ The 2001, 2003 and 2005 reports were accepted by written orders of the MPUC after public comment.¹⁸

D. Openness of Other State Processes

As indicated above, the NSP Companies perform planning for the NSP System on a coordinated and integrated basis. Although the MPUC biennial transmission projects report only considers the proposed NSP System facilities to be constructed in Minnesota, the NSP System plan is developed on a comprehensive basis to serve loads (including the loads of LSE customers) in all five states served by the NSP System. While the MPUC biennial report process is perhaps the most comprehensive state regulatory process related to planning, the other states served by the NSP Companies also conduct administrative reviews of utility transmission plans.

For example, NSP is required to file an annual ten-year report of planned electric transmission construction with the North Dakota Public Service Commission and a biennial ten-year report with the South Dakota Public Utilities Commission.¹⁹

In addition, as described previously, NSPW participates in coordinated transmission planning with other transmission-owning utilities in Wisconsin, particularly Dairyland

¹⁷ Minn. Rule 7829.0500.

¹⁸ See Order Declining to Take Further Action, Docket No. E-999/TL-01-961 (August 29, 2002); Order Accepting Biennial Transmission Projects Report and Requiring Further Filings, Docket No. E-999/TL-03-1752, June 24, 2004; Order Accepting Biennial Transmission Projects Report and Requiring Further Action, Docket No. E999/TL-05-1739, May 31, 2006.

¹⁹ See N.D. Cent. Code Chap. 49-22-04 N.D. Admin. Code 69-06-02-01; and SDCL 49-41B-3(1) and 49-41-3(4) and SD Admin. Code 20:10:21:04 *et seq.*

and American Transmission Company, LLC ("ATC"). The PSCW Strategic Energy Assessment (discussed previously) culminates in an extensive review of the energy needs of Wisconsin and considers a broad range of factors. The PSCW includes in its consideration of the future energy needs of the state factors such as load data, generating resources, the role of renewable resources, environmental concerns, economic development, and public health and safety. The PSCW's review considers the impact that the "regional bulk-power market contributes" to the adequacy and reliability of Wisconsin's electrical supply. The Strategic Energy Assessment is an open process in which all interested stakeholders may seek to participate.

NSPW also participates in the planning processes of the state of Michigan, designated as the 21st Century Plan, an open state regulatory process, which seeks to assess and evaluate the overall energy requirements of the State of Michigan.

The Transmission page of the Xcel Energy Inc. web site (www.xcelenergy.com) also provides access to specific resources for customers to contact for more information on a topic. For example, the NSP Companies post information regarding proposed transmission projects, including copies of pending regulatory applications, so interested customers and members of the public can access this information.

3. Transparency

Transmission providers are to disclose basic planning criteria, planning assumptions and planning data along with study methodologies, criteria, and processes.

Transmission providers are required to have written documentation of the study methodology, criteria, and processes used to develop transmission plans.

Transmission providers must "make available information regarding the status of upgrades identified in their transmission plans in addition to the underlying plans and related studies." Also, "where demand resources are capable of providing the functions assessed in a transmission planning process, and can be relied upon on a

long-term basis, (the demand resources) should be permitted to participate in (the) process on a comparable basis.”

The basic criteria, assumptions, and data that underlie MAPP’s 10 year Regional Plan are available to all customers and other stakeholders through the biennial plan, the MAPP OASIS, and the websites of NERC and the Midwest Reliability Organization (“MRO”), the Regional Entity for the NSP System. These criteria are found in the following documents: NERC and MRO Reliability Standards; MAPP Members’ Reliability Criteria and Study Procedures Manual; and MRO power flow models.

The basic methodology, criteria and processes the MAPP TPSC uses to develop its Regional Plan are disclosed in the following documents posted on the MAPP website: Procedures Manual for Regional Transmission Planning; and TPSC Subregional Planning Group Guidelines. This transparent planning process allows all interested participants to participate, including demand-side resources.

The Minnesota Biennial Transmission Projects Report process relies on the transparency of MAPP and MISO to be an effective tool for interested parties. The MTO biennial transmission plans are developed from the same basic criteria, assumptions, and data that underlie MRO reliability standards and/or MAPP’s 10 year Regional Plan. The biennial plan then lists future inadequacies in the transmission systems of the Minnesota transmission owning utilities, which serves to notify customers, state regulators and the interested public of future studies.

4. Information Exchange

Transmission providers, in consultation with customers and other stakeholders, must develop information exchange guidelines and schedules for submittal of information from both network and point-to-point transmission customers.

The MAPP TPSC Subregional Planning Group Guidelines contain the timeline for the biennial MAPP 10 year Regional Plan. The MAPP TPSC, in consultation with transmission system users and other stakeholders, develops additional guidelines and supplements this schedule for the submittal of information at regular intervals. These guidelines require point-to-point customers to submit any projections they have of a need for service over the planning horizon and at what receipt and delivery points. The TPSC develops guidelines for submitting such information.

Information collected by the MAPP to provide transmission service to its members' native load customers will be transparent. Throughout the process all customers will provide equivalent information to ensure effective planning and comparability. The information exchanged by the TPSC will relate to planning, not to other studies performed in response to interconnection or transmission service requests.

The information exchange process used by the MTO regional utilities (including the NSP Companies for the Minnesota Biennial Plan) is transparent as well. Since the Biennial Report is submitted on a coordinated basis, the MTO utilities have developed timelines for the information exchange required to complete and submit the joint biennial report by the biennial November 1st filing date.

The NSP Companies also obtain information concerning proposed generator interconnections from the Midwest ISO generation interconnection request queue, and participate in MISO's processes for studying and approving these new generation interconnections. The Midwest ISO administers the generation interconnection process for interconnections to the NSP System, and has established a detailed process for the collection and sharing of information required for new interconnections under the rigorous schedule established by the Order No. 2003 Large Generation Interconnection Procedures ("LGIP") and Order No. 2006 Small Generation Interconnection Procedures ("SGIP").

5. Comparability

Each transmission provider is required “to develop a transmission system plan that (1) meets the specific service requests of its transmission customers and (2) otherwise treats similarly-situated customers (e.g. network and retail native load) comparably in transmission system planning.” Furthermore, “customer demand resources should be considered on a comparable basis to the service provided by comparable generation resources, where appropriate.”

Effective February 1, 2002, the Midwest ISO is the independent Transmission Provider for the NSP System, and all new transmission service requests, including requests by the NSP Companies to serve the NSP Companies' native loads, are administered by MISO.²⁰ MISO provides transmission services, to all customers taking service on the MISO Transmission System (including the NSP System), including requests for service by member Transmission Owner Network Resources and Network Loads as well as Point-to-Point customers. MISO also administers all new generation interconnections requested for interconnection to the MISO Transmission System, including interconnection requests for the native or affiliated generators of MISO transmission owners. In addition, as described above, the MTEP is developed to provide for efficient and reliable service to all transmission customers throughout the planning horizon by treating similarly situated customers comparably in transmission system planning activities.

In addition, MAPP's Procedures Manual for Regional Transmission Planning establish a planning process by which MAPP Members' and non-Members' *bona fide* requirements for transmission service and the incorporation of those requirements into the biennial Regional Plan. These procedures, as well as the

²⁰ Certain municipal and other customers continue to receive transmission service over the NSP System under pre-MISO grandfathered transmission service agreements ("GFAs"), as authorized by the Commission. The NSP Companies perform the planning necessary to provide continued service to GFA customer loads.

other planning policies posted on MAPP's website, ensure that similarly situated customers are treated comparably in transmission planning.

The NSP System has engaged in active demand response initiatives since enactment of Minn. Stat. 216B.241, and must plan for demand resources on a comparable basis with generation resources under Minn. Stat. 216B.2422. The NSP Companies presently have approximately 900 MW of demand response resources on the NSP System, and these are expected to increase to meet state renewable portfolio standards, state resource adequacy requirements, and other similar regulatory programs.

6. Dispute Resolution

For transmission planning related issues, transmission providers must have a dispute mechanism outlined in their OATT that is able to address "both procedural and substantive planning issues." A transmission provider can utilize an existing dispute resolution process, but must specifically state how the process will be used to address planning disputes.

As transmission owning members of the Midwest ISO, the NSP Companies are subject to the dispute resolution procedures set forth in the Transmission Owners Agreement and the TEMT. All MISO customers are covered under the MISO process regardless of whether they are a MISO transmission owner.

In addition, as members of MAPP, any disputes concerning a MAPP 10 year Regional Plan will be resolved in accordance with the dispute resolution procedures in Article 9 of the MAPP Restated Agreement unless the complaining RTC Member or Regulatory Participant elects to take an appeal directly to the RTC. Article 9 sets forth mediation and arbitration procedures that explicitly apply to "[a]ny dispute as to a matter governed by this Restated Agreement . . . , including but not limited to any dispute arising under any tariff, Service Schedule, principle, standard, requirement,

procedure, plan, or other right or protection established by or pursuant to this Restated Agreement.” This dispute resolution process is available to address both procedural and substantive planning issues related to MAPP regional planning.

Finally, the Minnesota biennial transmission report and the Wisconsin Strategic Energy Assessment provide state administrative procedures to resolve potential disputes regarding NSP System transmission planning. In addition, the dispute resolution provisions of individual pre-MISO GFAs with interconnected transmission owning utilities or LSEs provide mechanisms to resolve potential disputes.

7. Regional Participation

The principle states that “each transmission provider will be required to coordinate with interconnected systems to (1) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data and (2) identify system enhancements that could relieve congestion or integrate new resources.” Transmission providers are required to specify “the broader region in which they propose to conduct coordinated regional planning.” The coordinated regional planning “must be open and inclusive and address both reliability and economic considerations.”

As discussed previously, the NSP Companies coordinate extensively with interconnected systems to share system plans and identify system enhancements through the Midwest ISO regional MTEP process, the MAPP 10 year Regional Plan, the Minnesota Biennial Transmission Projects Report process, and the Wisconsin Strategic Energy Assessment process. As transmission-owning MISO members, MISO is the planning authority for the NSP Companies. The Midwest ISO MTEP provides coordinated planning for the entire 15 state Midwest ISO footprint. The MAPP 10 year regional plan provides coordinated planning for the historic MAPP region, which includes both utilities that are MISO members and utilities that are not MISO members. The NSP Companies will rely on the MISO and MAPP regional

processes to achieve this principle. The Biennial Transmission Projects Report to the MPUC and the PSCW Strategic Energy Assessment process provide means for state utilities and regulators to coordinate planning for the transmission systems of transmission owning utilities in those individual states.

In addition, the NSP Companies meet with adjacent transmission owners to coordinate planning to develop transmission solutions that not only resolve multiple system reliability and capacity growth requirements and also do so at the lowest reasonable cost. The NSP Companies' coordination with other transmission owners typically consists of sharing and discussing transmission plans at least quarterly, discussing and coordinating inter-system impacts of implementing those plans, exploring the potential for inter-system opportunities that could result in either joint project development or the modification of proposed projects to take into account the needs of the adjoining transmission providers. Any solutions developed through discussions with adjacent transmission owners or customers are then coordinated with the Midwest ISO and/or MAPP processes to implement the results of these coordinated planning activities.

For example, the NSP Companies and Dairyland have highly integrated transmission systems with approximately 70 transmission-to-transmission interconnections because they have for many years developed coordinated plans to serve their integrated loads on a least cost basis.²¹ The NSP Companies and Dairyland typically meet at least quarterly to develop plans to serve customer needs on their respective systems. Similarly, in 2006 NSP and GRE jointly studied and developed a transmission plan to loop the City of Mankato, Minnesota with 115 kV including conversion of both NSP and GRE transmission and substation facilities to provide for the expanding city development served by both utilities and improving the transmission reliability to much of south central Minnesota. These coordinated study efforts are ongoing.

²¹ The Commission approved a new planning protocol term sheet between the NSP Companies and Dairyland in *Xcel Energy Servs. Inc.*, Docket Nos. ER06-916-000, *et al.* (unpublished letter order dated July 28, 2006).

8. Economic Planning Studies

Transmission providers are required to perform economic planning studies (1) to address both “‘local’ congestion (i.e., within the transmission provider’s system) and congestion between control areas and sub-regions” and (2) to integrate new generation resources and/or loads on an aggregated or regional basis.

For the NSP Companies, transmission congestion is a regional issue that is being addressed by the MISO and/or MAPP planning processes, and the NSP Companies participate in the studies at those levels. The Midwest ISO and MAPP planning procedures are discussed in more detail in the separate MISO strawman and MAPP strawman but are summarized here.

A. Midwest ISO Planning

The Midwest ISO MTEP Planning Framework outlined in the TOA requires the expansion planning process to address not only reliability needs but also the needs of the competitive bulk power market. In addition, the Transmission Planning Protocol of Attachment FF to the MISO TEMT provides for the development of Regionally Beneficial Projects.

The Midwest ISO continues to enhance the MTEP study process, which addresses both identification and development of economic transmission projects and integration of aggregated resources. The present MTEP study process will incorporate multiple generation portfolio scenarios that represent a diverse range of potential generation futures. This is key input into addressing integration of future generation resources. These four scenarios are developed by the PAC with input from all interested stakeholder groups. The development of these four futures address a key long-term planning issue facing all transmission planners, namely the nature of future generation expected over a 10 to 20 year planning horizon and

where generation resources are likely to be located. Transmission plans are developed for each generation portfolio outcome to address the constraints to moving generation to market. This is an iterative process that has the goal of minimizing the delivered cost of energy to customers. These plans are then tested against the other generation futures to determine which components of the plans are robust and valuable over the range of futures.

This regional expansion process is inclusive of all stakeholder inputs, and takes advantage of both operational market experience and stakeholder concerns in developing transmission plans to address relief of congestion that will provide the greatest value to the aggregate of market participant. The Transmission Planning Protocol, as well as Commission Orders, requires the Midwest ISO to evaluate the planning process and to provide regular reports to the PAC, the Organization of MISO States ("OMS"), and the FERC on the effectiveness of that planning process.

B. MAPP Planning

At MAPP, the TPSC focuses on economic planning analysis through the Biennial Plan process discussed previously. The TPSC evaluates limitations in MAPP transfer capability through historical Transmission Loading Relief ("TLR") analysis associated with all of the defined Flowgates in the MAPP region. The TPSC utilizes these comprehensive reviews to determine transmission constraints in the region. The TPSC has also supported economic studies necessary to review the integration of large proposed generation facilities to the regional grid and developed visionary concept plans as part of regional study efforts.

The TPSC has also commissioned certain SPGs and joint SPGs to address certain highly constrained regional Flowgates and to develop proposed plans for increasing interregional transfer capability. Some of the SPGs have also performed extensive regional transfer capability analysis and developed exploratory transmission expansion plans to address the most limiting flowgates within their SPG region. The

TPSC also coordinates and supports other joint exploratory economic planning efforts within and adjacent to the MAPP Region. In the most recent Biennial Plan, the TPSC performed studies to quantify the economic benefit of a selected set of additional new transmission facilities over and above those submitted into the 10 year Regional Plan.

Although the TPSC currently performs economic planning analysis, MAPP members are reviewing the current process to determine if it could be amended to meet the Order No. 890 requirements. As part of the proposed reforms, the TPSC would implement a congestion study process as part of the MAPP transmission planning process. The congestion study process that the TPSC would develop will include the following characteristics:

A transmission customer could request that the TPSC perform economic planning studies to evaluate potential upgrades or other investments that could reduce congestion or integrate new resources and loads on an aggregated or regional basis. The TPSC will allow customers to choose the studies that are of the greatest value to them. The TPSC, in consultation with its stakeholders, will cluster or batch requests for economic planning studies so the TPSC can perform the studies in the most efficient manner.

In addition to customer-requested studies, the TPSC will perform economic studies of upgrades to at least seven MAPP flowgates per year. The flowgates studied will be selected among those determined to have recurring congestion, as evidenced by a high number of hours per year with no available firm Available Flowgate Capacity (“AFC”) or a high number of historical hours per year under TLR. The TPSC will use this economic planning study methodology to determine which MAPP flowgates are most congested and the economic benefits of proposed flowgate upgrades.

The economic planning studies performed by the TPSC will include sensitivity analyses representing various generation price scenarios.

The TPSC will study the cost of congestion only to the extent it has information to do so. If stakeholders request a particular congested area be studied, they must supply relevant data within their possession to enable the TPSC to calculate the level of congestion costs that is occurring or is likely to occur in the near future.

As stated in the separate MAPP strawman, the Midwest ISO and MAPP coordinate their planning for flowgates through the Joint Operating Agreement between the two entities.

9. Cost Allocation

A transmission provider's planning process "must address the allocation of costs of new facilities." This applies only to regional projects that do not fit under existing rate structures, such as regional projects involving several transmission owners or economic projects that are identified under the study process described in the economic planning studies principle. The planning proposal "should identify the types of new projects that are not covered under existing cost allocation rules."

A. Midwest ISO Allocation of Reliability and Economic Projects

The Midwest ISO is a leader in the industry in developing comprehensive cost allocation provisions for regional transmission expansion projects. The Midwest ISO has obtained Commission approval for stakeholder developed cost allocation policies for all new Baseline Reliability, and Regionally Beneficial (economic) Projects under the recent FERC "RECB I" and "RECB II" orders.²² These cost

²² RECB I: Midwest Independent Transmission System Operator, Inc., 114 FERC ¶ 61,106 (2006); *order on reh'g Midwest Independent Transmission System Operator, Inc.*, 117 FERC ¶ 61,241 (2006); *order on reh'g and clarification Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,208 (2007). RECB II: Midwest Independent Transmission System Operator, Inc., 116 FERC ¶ 61,209 (2007) (reh'g pending).

allocation policies apply to new network upgrades regardless of whether they are regional and multi-state in nature, or local and apply to an existing pricing zone.

As members of MISO, and under MISO's planning authority, the NSP Companies will follow the MISO processes for new transmission facilities 100kV and above. The cost of new generation interconnections is allocated between the interconnecting generator and the NSP Companies based on the principles set forth in the MISO TEMT.

B. Cost Allocation for Other NSP System Facilities

The costs of new transmission facilities not recovered on a regional basis under the MISO RECB cost allocation procedures are included in the Annual Transmission Revenue Requirement ("ATRR") for the NSP System pricing zone and allocated between the NSP Companies native loads and wholesale transmission loads based on a load ratio share basis. For new load serving interconnections, costs are assigned to the requesting entity pursuant to the Xcel Energy Transmission load interconnection cost allocation policy posted at the Xcel Energy corporate web site ([http://www.xcelenergy.com/docs/LoadInterconnectionCost AllocationPolicyfinal.pdf](http://www.xcelenergy.com/docs/LoadInterconnectionCost%20AllocationPolicyfinal.pdf))