

Central Minnesota  
Municipal Power  
Agency



GREAT RIVER  
ENERGY®

A Southern Energy Company



**Minnkota Power**  
MPC COOPERATIVE, INC.



September 6, 2005

Dr. Burl Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East  
St. Paul, MN 55101

Mr. Edward Garvey  
Assistant Commissioner  
Minnesota Department of Commerce  
85 7th Place, Suite 500  
St. Paul, MN 55101

**Re: CapX Project Group 1 Implementation Plan**

Dear Messrs. Haar and Garvey:

On behalf of the CapX 2020 participating utilities, I want to thank both of you and your agencies for the time and energy devoted to transmission issues, particularly during the recent legislative session. Those efforts have helped lay the groundwork for developing needed transmission infrastructure in the state, a critical component of our state's energy future.

As you know, the CapX 2020 utilities have worked to develop a long-term vision for transmission infrastructure to meet growing regional needs, and have made significant progress. We are now moving from the planning and study stage to implementation of Project Group 1. To ensure you are aware of our plans, which will result in regulatory filings in the near future, we wanted to provide you this update.

The information in this letter is general in nature and does not require either a docket or comment period; however, we are copying it to those on the service list the Commission maintains for the Biennial Transmission Projects Report to ensure that interested parties are likewise aware of our efforts.

### Background

Over the last year, transmission planners have worked to develop a comprehensive framework for much needed transmission infrastructure for the state of Minnesota. Instead of a piecemeal approach in which each individual electrical issue is studied and addressed separately, we endeavored to integrate our planning efforts and identify common improvements to the high voltage transmission system over a broad spectrum of possible futures.

Our effort focused on the growing demand for electricity in Minnesota over the next fifteen years, through the year 2020. We understand from resource planners at utilities serving customers in Minnesota and surrounding states that the demand for electricity could increase by roughly 6300 megawatts by around 2020. To deliver that much power, substantial improvements to the bulk power transmission system serving the state will be required. Even using lower growth estimates (e.g., 4,500 MW), our studies identify that a significant amount of backbone transmission infrastructure will be required.

We named this joint planning effort "CapX 2020" in recognition that substantial capital investments will be needed to meet electrical demand projections of the planning period. We published our draft plan in May, have been talking to parties, and refining it since. An overview and update was presented to the Commission and the Department on July 18, 2005.

### Vision Study Overview

As noted in our preliminary study report and at the July presentation, our Vision Study, in conjunction with other regional transmission studies, has identified a number of significant transmission projects as necessary to meet anticipated load by 2020. The projects have been put into four different "groups," based generally on need, the amount and detail of study work performed to date, and coordination with other regional planning efforts. Listed below is Project Group 1, with expected CON filing and in-service dates.

<b>Project Group 1</b>		<b>Expected CON Filing</b>	<b>Expected In-Service</b>
Big Stone II Transmission	CapX West	3rd qtr 05	2011
Buffalo Ridge Outlet		4th qtr 05	2009
Buffalo Ridge – Metro 345		4th qtr 05	2010
Boswell – Wilton 230	CapX Northwest	1st qtr 06	2010
Fargo – Alexandria – Benton County 345		4th qtr 06	2012
Prairie Island – Rochester – LaCrosse 345	CapX Southeast	1st qtr 06	2011

Projects in the other three groups were listed in the July presentation. Further study work and detailed analysis on these projects is ongoing.

### Near-Term Actions

To move these study results to project proposals, the CapX utilities have been working to prepare regulatory filings for Project Group 1. We intend to make a number of regulatory filings in the coming months seeking approvals to build three major 345 kV components of our plan. In those filings, we will continue to emphasize that projects should not be viewed in isolation but as parts of an integrated whole needed to meet both regional and local reliability needs. Toward that end we intend to be presenting our plans in more detail as part of the November 1 Minnesota Transmission Planning Report. However, you will see filings before then to get the regulatory process started for a number of elements of the plan.

The initial three regional solutions to be proposed through Certificate of Need filings and routing applications are:

- **CapX West** consists of several projects including a new 345 kV line connecting western Minnesota and the Twin Cities, an upgrade of a 115 kV line from Big Stone to Morris to a 230 kV line and two new 115 kV lines in the Buffalo Ridge area. These projects have been closely coordinated with Big Stone generation interconnection requests and Buffalo Ridge transmission requirements.
- **CapX Northwest** consists of a 345 kV line between the Fargo and St. Cloud and a 230 kV line from Bemidji to the Grand Rapids area. These lines will establish a second new spoke in the bulk power expansion plan while also providing reliability upgrades in the Red River Valley and the St. Cloud areas. Combined, these first two elements of our plan will complete the key western Minnesota components of the Vision Study.
- **CapX Southeast** is a 345 kV line connecting the high voltage system in Red Wing to Rochester and the La Crosse area. This project will provide another spoke in the bulk power system and provide support for growing electrical demand in communities in southeastern Minnesota.

Additional description of each of these near-term actions is provided below.

#### CapX West

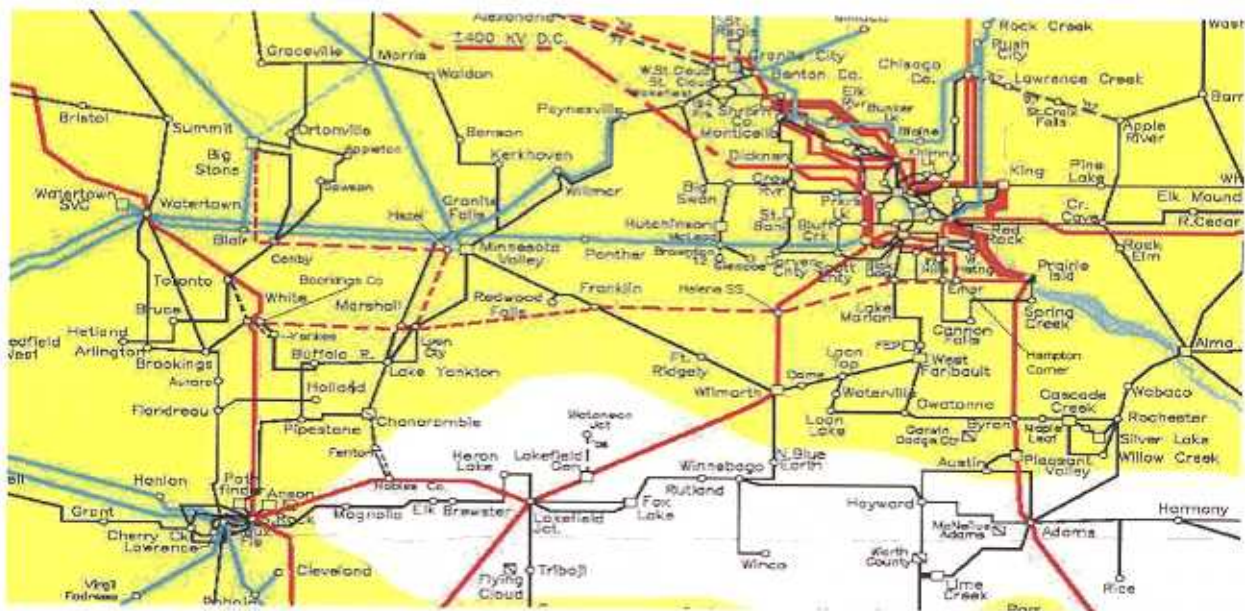
The first element to be presented for certificate of need approvals will be transmission facilities associated with the Big Stone generation project. While the Big Stone II partners include some non-CapX members, those of us responsible for transmission associated with Big Stone II have been working closely with the rest of the CapX members and with MISO. As was outlined in the Big Stone notice plan, MISO interconnection studies show that a second unit at Big Stone requires a minimum of two 230 kV interconnection lines. The Big Stone partners now intend to propose constructing the line connecting Big Stone and Granite Falls to 345 kV standards to better meet and be integrated with CapX, state, and regional objectives. As a result, the Big Stone transmission project, in addition to providing interconnection facilities for a

second unit at Big Stone, is now being planned as the first phase of a 345 kV line between southwestern Minnesota and the Twin Cities metro area. The Big Stone transmission partners expect to file a certificate of need for these facilities in September.

Next we intend to file for approval of the rest of the components of CapX West, which consist of 345 kV lines connecting substations near Brookings, Marshall, and Granite Falls to the bulk power supply system in the southern part of the Twin Cities area. The 345 kV plan is needed to meet the growing demand for electricity under a number of future power demand and generation scenarios. It also strengthens system reliability in parts of western and south central Minnesota. Our application will also include the 115 kV lines necessary to increase power delivery capability from the Buffalo Ridge area.

CapX and other utilities are now conducting the detailed studies to provide the design information required for certificate of need filings and are actively sorting out proposed ownership and other implementation details. We anticipate making a notice plan filing in September and a certificate of need application as soon thereafter as the process allows, likely in November or December.

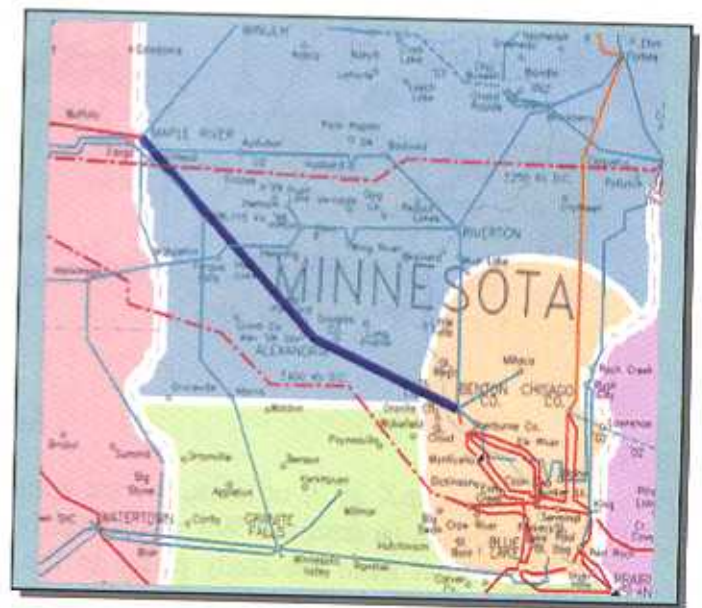
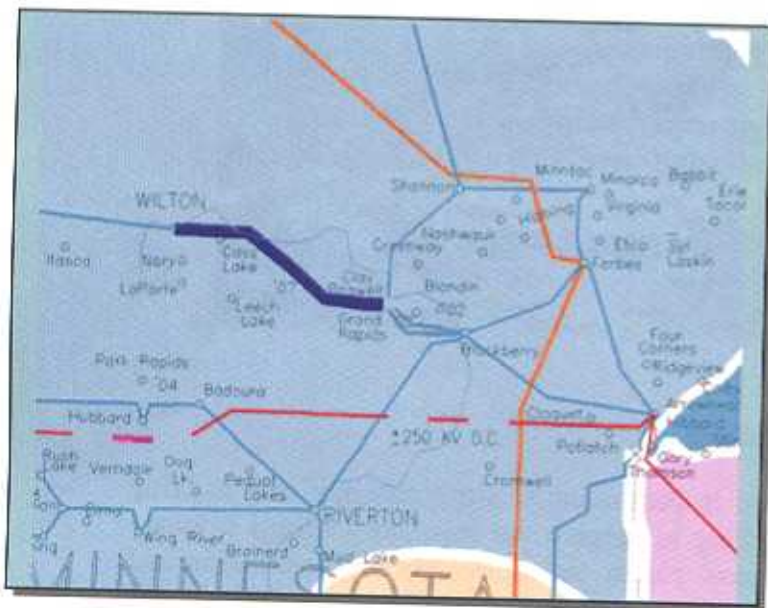
We believe that when viewed as an integrated package, these projects establish one of the key spokes in the overall plan for enhanced transmission infrastructure for the southwestern and western parts of the state. A simple schematic of the project on an integrated basis is provided below.



CapX Northwest

The next component of the overall implementation plan is a 345 kV transmission line between the Red River Valley and St. Cloud, the northern terminus of the 345 kV system surrounding the Twin Cities. Studies demonstrate that this line would support a number of possible statewide electrical growth scenarios and address identified electrical reliability issues in the Red River Valley and the St. Cloud area. This element of the CapX plan also acts in concert with CapX West to efficiently deliver power from western Minnesota where interest in renewables based generation is high. Studies have also identified the need for a 230 kV line connecting the Grand Rapids and Bemidji areas (Boswell-Wilton project). We plan to make notice plan filings and certificate of need applications for these facilities likely sometime in the first quarter of 2006 for the Boswell-Wilton 230 kV project and later in 2006 for the Red River Valley-Benton County 345 kV project.

Schematics of these projects are also presented below.



CapX Southeast

A third element of the near-term CapX plan is a proposal for a 345 kV addition between Prairie Island, Rochester and the La Crosse, Wisconsin area. Studies have shown the need for a large infrastructure addition in this area. A 345 kV facility will provide a third spoke into western Wisconsin and form the likely interconnection with a new 345 kV LaCrosse – Columbia, Wisconsin facility being considered by the American Transmission Company. We are working with ATC and at this point anticipate making a notice plan filing in January or February 2006 and a certificate of need application as soon as possible thereafter.

A schematic of that project is provided below (the red-dotted line indicates CapX facilities; the blue line identifies ATC facilities).



### Conclusion

As CapX 2020 utilities, we are committed to continuing to work cooperatively to bring these projects to fruition. We are currently working to prepare the regulatory filings to move these projects from the study phase to the proposal phase, and ultimately to construction and completion. We are on an aggressive timeline, but also recognize our burden in proving the need for these facilities and will work within all regulatory processes to complete these proceedings. In doing so, however, we will continue to refer back to the backbone studies that identified these critical common elements to Minnesota's energy future. We appreciate your consideration of that information, and hope it is useful to you as you plan upcoming workload. As always, we are willing to work with interested parties in providing needed information as these filings proceed.

Messrs. Haar and Garvey  
September 6, 2005  
Page 7

Feel free to contact either me or any of the below CapX 2020 utilities' representatives if you have any questions or require any additional information regarding this letter or our plans for upcoming filings. I can be reached at (763) 241-2380.

Very truly yours,



William R. Kaul  
Vice President, Transmission  
Great River Energy  
On Behalf of the Cap-X Utilities

c: Donald Jones, Xcel Energy  
Tom Ferguson, Minnesota Power  
Rod Scheel, Otter Tail Power Company  
Ray Wahle, Missouri River Energy Services  
Donald Kom, Central Minnesota Municipal Power agency  
David Geschwind, Southern Minnesota Municipal Power Agency  
Al Tschepen, Minnkota Power Cooperative