



414 Nicollet Mall  
Minneapolis, Minnesota 55401-1993

March 26, 2009

Mr. Michael Buchite  
Mayor  
City of Taylors Falls  
637 First Street  
Taylors Falls, MN 55084-1144

Re: Xcel Energy's Chisago Transmission Project  
Facilities within Taylors Falls

Dear Mr. Buchite:

I want to thank you for you and the City staff for meeting with Xcel Energy on March 16, 2009 to review the facilities that will be installed and removed within the City for the Chisago Transmission Project. As discussed, this letter is being provided to summarize Xcel Energy's position regarding several issues that were raised in the meeting.

The issues identified that were to be addressed by Xcel Energy were:

- Why the line was permitted overhead from Highway 95 to the river contrary to the underground proposed in the Settlement Agreement?

*On March 27, 2007, Xcel Energy met with the Corps of Engineers, National Parks Service, Chisago County, Minnesota Department of Natural Resources and the Department of Commerce to discuss whether the basalt rock should be blasted and excavated in order to install the line underground from Highway 95 to the river. At this meeting it was agreed that the environmental disturbance to the area in order to underground the line would be more of a problem than installing the line overhead. For this reason, these agencies agreed that the line be permitted overhead.*

- What style of pole and material is available that can be installed between Highway 95 and the river, that will keep the line low so that it will not tower over the tree line?

*In accordance with the PUC permit, Xcel Energy is directed to install single circuit, wood H-frame poles in order to minimize height. This configuration was specified to address the City's height concerns and results in structures that are shorter than the existing poles, will not tower*

*over the trees in the area and should not be strikingly visible from a distance.*

- Why the underground to overhead riser structure would be located east of County Road 20 where it was proposed west of County Road 20 in the Settlement Agreement?

*The purpose of constructing the line underground on the river bluff is to minimize visual impacts to the St. Croix River Valley. In addition, the City has expressed concern regarding poles that would be taller than the tree line and would be visible for a great distance. The transition of the line to underground west of County Road 20 does not lessen visual impacts to the river valley and right-of-way limitation only allows for a single riser pole that would be 98 feet in height. During the siting process, it was noted that there is enough right-of-way east of CASH 20 in order to install a 3-pole riser configuration similar to east of Highway 95, keeping the height to approximately 60 feet and concealing it within the wooded area. In addition, it would eliminate an underground crossing of County Road 20 and a City street with a concrete duct, eliminating the possibility that it would interfere with, or have to be relocated, for a rebuild of the county road or the street. Underground transmission installations are very expensive, so it is important to locate them to eliminate the possibility of relocation. For these reasons, the 3-pole riser configuration east of County Road 20 is the appropriate installation.*

- Does the Settlement agreement need to be amended because the PUC permitted route differs from the route proposed in the settlement agreement?

*Xcel Energy's legal department has reviewed the Settlement Agreement and concluded that no amendment of the Agreement is required due to the PUC permit designating a different line configuration than what was proposed by the Settlement Agreement. The Settlement Agreement only required that the configuration as outlined in the agreement be proposed, and that Xcel Energy support the proposal. Xcel Energy believes that it has now complied with all of the provisions relative to Taylors Falls that were agreed to in the Settlement Agreement.*

- Why wasn't the substation laid out to accommodate the City's ponding concept proposal?

*Xcel Energy's primary purpose in purchasing the land for the proposed Lawrence Creek Substation is to provide a site that allows for the initial building of the substation and buffer area from the adjoining residential*

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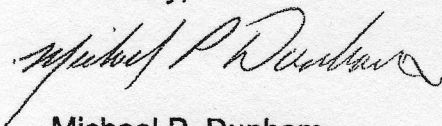
*area for aesthetic purposes and transformer noise mitigation requirements. The MPCA requires that sound received in a residential area cannot exceed 50 dBa during the nighttime. In order to meet these requirements for the development of the substation site, it had to be positioned in a location that did not optimize the City's ponding layout. However, approximately 15-20 acres of excess property is still available for City ponding and Xcel Energy is willing to enter into a right of first refusal agreement so that the City will have the first opportunity to purchase the excess land for its ponding needs.*

Xcel Energy and the City have invested a great deal of time to develop an acceptable plan to install the Chisago Project infrastructure with appropriate mitigation. To date per the Settlement Agreement, Xcel Energy will install approximately 2100 feet of the transmission line underground and remove 3900 feet of existing overhead distribution lines as mitigation for crossing the St. Croix River in accordance with the Wild and Scenic River Act. In addition, Xcel Energy has provided other mitigation improvements to the City as additional mitigation to the City for crossing a wild and scenic designated river.

We hope that the City understands that we have acted in good faith to resolve the issues presented by the Chisago Project within the obligations of our regulatory requirements. Although not all of the City's requests were met by the PUC siting process or could not be met because of other siting constraints, Xcel Energy hopes that the City will understand the reasons for this and accept the mitigation provided as a reasonable accommodation.

Once again, Xcel Energy wants to thank the City for its cooperation and support of the project.

Sincerely,



Michael P. Dunham  
Senior Project Manager  
Chisago Transmission Project