



CITY OF TAYLORS FALLS

CHISAGO COUNTY, MINNESOTA

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May 11, 2009

Minnesota Public Utilities Commission
Attn: David Birkholz
85 7th Place East
Saint Paul, MN 55101-2147

Re: Amendment Proposal to the Route Permit for the Chisago Transmission Project
PUC DOCKET # E002/TL-06-1677

Dear Mr. Birkholz:

Please find attached an amendment proposal to the Route Permit for the Chisago Transmission Project 115/161 kV transmission lines, substation upgrades and the new Lawrence Creek Substation. We are requesting this amendment per Section VI of the Route Permit. The language of the amendment proposal explains in detail the extenuating circumstances relating to this project that must be addressed by the Public Utilities Commission before the project continues.

In 2000 the Cities of Taylors Falls, MN, and St. Croix Falls, WI, entered into a Settlement Agreement with Northern States Power Company – Minnesota, Northern States Power Company – Wisconsin, and Dairyland Power Cooperative. The Agreement was the result of much public participation and litigation between the above parties including twenty-five days of public hearing and nine days of mediation. The Settlement Agreement, among other things, required that the transmission lines were to be proposed to the necessary authorities in a specific configuration. The Route Permit Application submitted to the Public Utilities Commission for this project did not propose this configuration.

Taylors Falls trusted that Xcel Energy would abide by the terms of the Settlement Agreement. When this has proved otherwise, the alternative was to file this amendment. We sincerely hope the Public Utilities Commission will consider our amendment request once it has reviewed the enclosed information.

Sincerely,

/s/ Michael D. Buchite

Michael D. Buchite
Mayor

Enclosures

PROPOSED ROUTE PERMIT AMENDMENT

TO

THE CHISAGO TRANSMISSION PROJECT 115/161 kV
TRANSMISSION LINES, SUBSTATION UPGRADES AND THE NEW LAWRENCE
CREEK SUBSTATION
ROUTE PERMIT

PUC DOCKET NO. E002/TL-06-1677

FOR

CONSTRUCTION OF SEGMENT 5 – 7
AND SECTION V. SPECIAL CONDITIONS

ISSUED TO

NORTHERN STATES POWER COMPANY
dba XCEL ENERGY & DAIRYLAND POWER COOPERATIVE

PROPOSED AMENDMENT FROM
THE CITY OF TAYLORS FALLS

PROPOSED AMENDMENTS

The City of Taylors Falls is proposing the following amendments to the Route Permit. The proposed new language is in underlined font and the proposed deleted language is in ~~strikethrough font~~.

Page 2, sixth bullet point

- Replace the existing 69 kV transmission line with underground 161 kV transmission line from a point just west of CSAH 20 ~~through TH 95~~ in Taylors Falls, to the St. Croix River,

Page 2, seventh bullet point

- Rebuild the existing 69 kV transmission line to 161 kV between the west bank of the St. Croix River ~~TH 95~~ and the St. Croix Substation,

Page 4, “Segment 5”

continues east from the new Lawrence Creek Substation to a point ~~at~~ just west of CSAH 20 in Taylors Falls. The structures will be 70 foot (average) 161 kV single-circuit, single wood poles with distribution underbuild.

Page 4, “Segment 6”

runs underground down the river bluff ~~east~~ west of CSAH 20 to the St. Croix River ~~and under TH 95~~. The structures will be 3x3 161 kV single-circuit underground duct banks with access vaults. Steel overhead and underground transition structures will be required at each end. The transition structures will be 60 foot (average). The Permittees will bury the existing distribution circuits paralleling the route down the bluff.

Page 4, "Segment 7"

will cross the St. Croix River into St. Croix Falls, Wisconsin. ~~The structures used will be 80 foot (average) 161 kV single circuit wood H frame poles from TH 95 to the river.~~ The structures employed for the river crossing will be a 70 foot (average) 161 kV single-circuit wood H-frame pole on each side of the St. Croix.

Page 8, V. Special Conditions

After construction is complete, Permittees must revegetate the unused right-of-way on the face of the bluff in Segment 6, in the City of Taylors Falls.

The City of Taylors Falls (hereinafter referred to as “City”) is requesting the Public Utilities Commission (hereinafter referred to as “PUC”) amend the Route Permit to mandate the 161 kV line, along with distribution circuits, be buried from a point just west of CSAH 20 to the St. Croix River. This was the configuration that was agreed upon in the 2000 Settlement Agreement (hereinafter referred to as “Agreement”), between the Cities of Taylors Falls and St. Croix Falls, WI, Northern States Power Company – Minnesota, Northern States Power Company – Wisconsin, and Dairyland Power Cooperative. The Agreement was the result of much public participation and litigation between the above parties, including twenty-five days of public hearing and nine days of mediation. The Agreement required that the applicant propose and advocate before the necessary approval authorities for the configuration outlined in the Agreement. Xcel Energy did not propose this configuration to the Public Utilities Commission in their Route Permit Application.

In November 2006 Xcel Energy filed their Certificate of Need for the project. In this document the configuration of the 161 kV line was proposed to be buried through the land use district of the National Scenic Riveway, despite Xcel’s claim *that the construction and operation of a high voltage transmission line underground represents a significant added expense.*¹ In January 2005 Xcel Energy filed the Route Permit Application. This document proposes the line to be constructed above ground east of State Highway 95 to the St. Croix River; this is contrary to the Agreement and contrary to what was filed in the Certificate of Need.

Route Permit Application, Section 3.4.4:

In the City of Taylors Falls, underground construction was considered between CSAH 20 and the St. Croix River. However, the presence of deep marsh and shallow bedrock between TH 95 and the river would require invasive construction techniques (open trenching and possible blasting) that would result in considerable impacts to the wetland and woods present in this area. Therefore, burying the transmission line through the area east of TH 95 was rejected because it would be too damaging to the environment.

Route Permit Application Section 5.1.2:

Coordination with the City of Taylors Falls has led to an agreement regarding the

¹ Page 1.14 of the November 2006 Application to the MN PUC Certificate of Need, Chisago County – Apple River 115/161 kV Transmission Line

general location for the Lawrence Creek Substation and the configuration of the transmission line through the City. Issues addressed with the City include aesthetic impacts in the St. Croix River Valley and land use compatibility near the substation site. The City has agreed to support the proposed project as it is presented in this application.

The last sentence in Section 5.1.2 is false and a misrepresentation. The City did not ever, and does not currently, support the configuration of the line as proposed in the Route Permit Application. The City would support the Route Permit Application if it were consistent with all elements of the Agreement.

During mediation, it was well understood that the line would go underground through the marsh and bedrock between State Highway 95 and the river. The St. Croix River is a Nationally Designated Scenic River, one of only eight of the original rivers designated in the United States. The City has a history demonstrating its concern for the integrity of the river valley. This was why so much time, effort, and resources were invested into litigation, resulting in the Agreement.

Xcel Energy has taken the position that undergrounding the line east of State Highway 95 to the river would be too damaging to the environment. We have reviewed the Environmental Assessment published by the Minnesota Department of Commerce. The area between State Highway 95 and the river is mentioned, but in little detail. The Environmental Assessment covers the project as a whole, however, the information regarding the subject area is not conclusive enough to prove undergrounding through this area would be too damaging to the environment. It is our understanding that the PUC allowed the Department of Commerce to prepare an environmental assessment in lieu of an environmental report because it would be less confusing to the public. We desire a more in-depth, conclusive environmental study of the subject area to determine whether or not there would be too much environmental damage. Despite numerous requests to Xcel Energy over the past eighteen months to provide such an environmental study, no study was provided to the City. We are, and will continue to be, sensitive to the idea that there may be too much environmental disturbance if the line is buried in this area. However, the burden of proof is on the Company to prove this.

We understand the geological obstacles associated with burying utilities in the St. Croix River valley, where shallow or exposed bedrock is prevalent. It is a common practice for the City to use carefully measured explosive loads to clear basalt, known regionally as “trap rock.”

Excavation (open trenching) and the use of explosives to clear trap rock is often done in close proximity to residences, with no adverse impacts.

The Agreement requires that the configured transmission line, including distribution circuits, are to be buried at a point west of County Road 20 in the City primarily because of the Cherry Hill City Park located immediately east of County Road 20 and immediately south of where the steel transition structure are permitted to be constructed. It was thoroughly understood during the nine days of mediation prior to the Agreement that the line was to be buried west of County Road 20 to minimize the visual impacts to this park. The Environmental Assessment reviewed by the Department of Commerce states *The undergrounding of the line adjacent to Cherry Hill Park would result in a beneficial change from the view from this City Park.*² The approved Route Permit Application conflicts with this statement. Contrary to the Agreement, Xcel Energy proposes to start the buried lines east of CSAH 20, which will certainly have a negative visual impact. The City commenced further construction of Cherry Hill Park, investing time and money, with the knowledge the line would be buried adjacent to the park.

Taylor's Falls further requests a special condition be added to mandate Xcel Energy revegetate the unused right-of-way along the face of the bluff in the City. Clear cutting of the right-of-way occurred this spring, significantly altering the viewshed of the St. Croix River valley. This special condition was an element of the Agreement, and if included in the Route Permit, would especially aid in preserving the integrity of the St. Croix Valley.

The Agreement was the result of much public input and litigation. The City relied on good faith and on the legal obligations of the Agreement that the line would be constructed as configured in the Agreement. Representatives from the City have been meeting with representatives from Xcel Energy during roughly the past eighteen months to discuss the project; trust was created from these meetings. During this time the Company and City seemed to have a good relationship and were willing to consider changing the Agreement for good reason. For example, if a conclusive environmental study were done proving the undergrounding of the line east of State Highway 95 was too environmentally damaging, this would be reason to amend the Agreement. Additionally,

² On page 50 of the Environmental Assessment, under Potential Impacts

Xcel Energy has complied with other requirements of the Agreement such as Project Mitigation Funding. At no time while communicating with the City did Xcel Energy give cause that they would not abide by the Agreement.

Based on this perceived relationship, the City chose not to appeal the Route Permit Application prior to its issuance in February 2008. The meetings with Xcel Energy representatives continued well after the Route Permit was issued; it seemed outstanding issues could be resolved without involving the PUC. The last meeting with Xcel Energy was on March 16, 2009. At that meeting it was made clear by Xcel Energy that the Chisago Project 115/161 kV Transmission line and the Lawrence Creek Substation would be installed per the Route Permit issued by the PUC, without regard to the above-mentioned elements of the Agreement. Xcel Energy followed up with a letter dated March 26, 2009, that summarized the Company's position on several outstanding issues. In response, the Cities of Taylors Falls and St. Croix Falls, WI, sent a letter to Xcel Energy signed by all members of both City Councils. To date, neither of the Cities has heard from Xcel Energy. The City does not wish to unnecessarily delay this project or add unnecessary expense, however, resolving these issues is of the utmost importance. We firmly believe that the project can, and should, be completed as outlined in the Agreement.

The City Council is charged with the protection of the health, safety and welfare of its citizens. The City has a history demonstrating its concern for the integrity of the St. Croix River Valley. The Settlement Agreement for the Chisago Transmission Project, which was freely entered into by Xcel Energy, demonstrates that charge and attests the City's concern for the river valley. The Route Permit for the Chisago Transmission Project does not entirely do these things. Therefore the City of Taylors Falls respectfully requests that the Minnesota Public Utilities Commission consider amending the Chisago Transmission Project Route Permit accordingly.

ATTACHMENTS

1. Settlement Agreement
2. Letter dated March 26, 2009 from Xcel Energy
3. Letter dated April 21, 2009 from the Cities of Taylors Falls, MN and St. Croix Falls, WI

SETTLEMENT AGREEMENT

This Settlement Agreement (the "Agreement") is made by and between Northern States Power Company – Minnesota ("NSPM"), Northern States Power Company - Wisconsin ("NSPW"), Dairyland Power Cooperative ("DPC"), the City of St. Croix Falls, a Wisconsin Municipal Corporation, the City of Taylors Falls, a Minnesota Municipal Corporation, (collectively, "the Parties").

RECITALS

WHEREAS, the Public Service Commission of Wisconsin ("PSCW") has issued NSPW and DPC a Certificate of Public Convenience and Necessity (the "CPCN") in PSCW Docket Nos. 4220-CE-155 and 1515-CE-102 to construct, among other things, a double-circuit 230 kV electric transmission line near and/or through the City of St. Croix Falls, and to replace the existing 69kV electric transmission line through that city.

WHEREAS, the construction authorized by the CPCN is part of a proposed electric transmission project that includes the construction of electric transmission facilities in the City of Taylors Falls and elsewhere in Chisago County, Minnesota (collectively, the "Project").

WHEREAS, NSPM and DPC have applied to the Minnesota Environmental Quality Board ("MEQB") in Docket No. NSP-TR-4 for authorization to construct and designate a route for Project facilities in Minnesota, and such application is currently pending before the MEQB.

WHEREAS, the MEQB set the Project proposal for a contested case hearing pursuant to Minn. Stat. 14.57 et seq., and the contested case proceeding is pending before an Administrative Law Judge designated by the Office of Administrative Hearings ("OAH") in OAH Docket No. 7-2901-11843-2.

WHEREAS, the Administrative Law Judge in OAH Docket No. 7-2901-11843-2 set the contested case for a voluntary mediation process to seek to resolve the disputed issues in the contested case.

WHEREAS, certain of the Project facilities of NSPM and NSPW would be constructed within the St. Croix River National Scenic Riverway established by and granted certain protections by the National Wild and Scenic Rivers Act, 16 U.S.C. § 1271 et. seq.

WHEREAS, Minn. Rules Ch. 6105 et. seq. encourage the preservation of the scenic and recreational resources of the Saint Croix Riverway, especially in regard to the view from and use of the river.

WHEREAS, there are currently pending in the Circuit Court of Polk County, Wisconsin consolidated petitions for review, Case Nos. 99-CV-236 and 99-CV-242, in which St. Croix Falls and the Concerned River Valley Citizens are seeking judicial review of the CPCN pursuant to Ch. 227 Wis. Stats. (collectively, the "State Actions").

WHEREAS, as a result of the mediation process ordered by the OAH Administrative Law Judge and through ongoing associated settlement negotiations, the Parties agree that an alternative to the Project as approved by the PSCW and as pending before the MEQB would meet the goals of providing for the electric supply and reliability needs of NSPW, NSPM, and DPC customers, would address concerns raised in Project proceedings before the MEQB and PSCW, and would facilitate resolution of all contested matters between any of the Parties.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants, agreements and recitals contained herein, together with other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. SUPPORT FOR ALTERNATIVE PROJECT: The Parties shall, consistent with the terms and conditions set forth below, support, facilitate, and advocate approval by all necessary governmental authorities of construction of a 161 kV transmission line running from the NSPM Chisago County substation to a newly constructed NSPM Lawrence Creek substation, continuing through the Cities of Taylors Falls and St. Croix Falls, and terminating at the DPC Apple River substation in Polk County, Wisconsin, and the upgrade of the existing 69 kV line to 115 kV from the Arden Hills Substation to a newly constructed Lawrence Creek Substation and as further described herein (the "Line").

2. WITHDRAWAL OF APPLICATIONS PENDING BEFORE MEQB: Within 30 days of the execution of this Agreement by all of the Parties, NSPM and DPC shall file with the Administrative Law Judge in MEQB Docket No. NSP-TR-4 a motion asking the Administrative Law Judge to (a) issue an order terminating the contested case proceeding in MEQB Docket No. NSP-TR-4, and (b) issue a recommended decision to the MEQB to allow Applicants to unilaterally withdraw the application pending in MEQB Docket No. NSP-TR-4.

3. STEERING COMMITTEE: A Steering Committee consisting of one representative of each Party shall be formed to: 1) ensure effective communication between the Parties regarding the Parties' performance of this Agreement; 2) share information between the Parties regarding the Applicants' preparation of the documents that must be submitted to regulatory and governmental authorities in order to secure approval for construction of the Line; and 3) strive to achieve consensus among the Parties.

4. TIMING OF APPLICATIONS AND RELATED SUBMISSIONS: NSPM, NSPW, and DPC (collectively, the "Applicants") shall make good faith efforts to submit applications for construction of the Line to the necessary state and local approval authorities in Minnesota and Wisconsin no later than 180 days after the Circuit Court for Polk County, Wisconsin, dismisses the State Actions. The Parties agree that in lieu of an application, DPC and NSPW may submit to the PSCW a petition to reopen PSCW Docket Nos. 4220-CE-155 and

1515-CE-102 for the purposes of modifying the CPCN to approve the construction of that portion of the Line over which the PSCW has jurisdiction. To the extent that no hearing is required under Wisconsin law for the PSCW to approve construction of the line, the Parties agree that none of the Parties shall request a hearing. Where statute or administrative rule requires one or more of the Applicants to make pre-application submissions to any governmental or regulatory body, Applicants shall make good faith efforts to submit such submissions not later than 120 days after the Circuit Court for Polk County dismisses the State Actions. Where such pre-application submissions are made, Applicants shall make good faith efforts to submit their construction applications not later than 60 days after the pre-application submissions are made, unless a longer period is required by rule or statute.

5. DISMISSAL OF JUDICIAL REVIEW ACTION: In consideration and upon the execution of this Agreement by all Parties, the State Action 99-CV-236 shall be dismissed with prejudice by the immediate execution and filing of document in the form set forth in Exhibit A.

6. RELEASE: Each of the Parties (including each of their past and present officers, agents, directors, employees, successors, assigns and affiliates) hereby mutually releases and forever discharges each of the other Parties (including each of their past and present officers, agents, directors, employees, successors, assigns and affiliates), of and from all existing or potential claims, demands, liabilities and obligations arising out of or relating in any way to claims, allegations, or defenses asserted in or concerning any action or proceeding of any kind brought or pending since June 11, 1999 and also of and from claims, demands, liabilities and obligations arising out of or relating in any way to PSCW Docket Nos. 4220-CE-155 and 1515-CE-102, MEQB Docket No. NSP-TR-4 and Minnesota Office of Administrative Hearings Docket No. 7-2901-11843-2. Notwithstanding the foregoing, the Parties do not release any rights created under this Agreement and are not relieved of any obligations set forth in this Agreement.

7. CONFIGURATION: The Applicants will propose and each of the Parties will advocate before the necessary approval authorities:

- (a) that the Line utilize, to the fullest extent possible, existing overhead electrical right-of-way corridors.
- (b) that the 69 kV NSPM line from NSPM Arden Hills Substation to a newly constructed NSPM Lawrence Creek Substation be upgraded to 115 kV.
- (c) that the NSPM transmission line exiting the NSPM Chisago County Substation be constructed as a double circuit 161 kV transmission line utilizing the existing north/south right-of-way, using poles that are substantially similar to those currently in use.
- (d) that west of the City of Lindstrom, Minnesota, the Line be constructed as a single circuit 161 kV transmission line utilizing the existing 69 kV corridor, and that the Line continue on the existing 69 kV corridor across Chisago County to a point just west of County Road 20 in the City of Taylors Falls.

- (e) that the Line transition from overhead construction to underground construction on the existing right of way at a point just west of County Road 20 in the City of Taylors Falls, Minnesota, and that such underground construction continue east through the City of Taylors Falls to the existing dam facility on the St. Croix River, so that consistent with the policy goals of the National Wild and Scenic Rivers Act, 16 U.S.C. 1271 et. seq. and Minn. Rules C. 6105 et seq., the Minnesota portion of the Line within the St. Croix Scenic Riverway is constructed underground.
- (f) that, because it is not technically feasible to construct underground facilities beneath the St. Croix River in the area of the St. Croix River dam, the Line cross the St. Croix River via a bundled-conductor single-circuit overhead crossing at the dam, replacing the existing four NSPM/NSPW circuits that cross the River at that location, and transitioning to underground construction at the NSPW St. Croix Falls substation.
- (g) that underground construction continue through the City of St. Croix Falls to DPC's Border substation, utilizing the Louisiana - Blanding Woods Road route approved by the PSCW order granting the CPCN, so that consistent with the policy goals of the National Wild and Scenic Rivers Act 16 U.S.C. 1271 et seq., the Wisconsin portion of the Line within the St. Croix Scenic Riverway is constructed underground.
- (h) that, between the DPC Border Substation and the DPC Apple River Substation, the Line be double circuited with DPC's existing 69 kV facilities.
- (i) that, between DPC's Border Substation and DPC's Sand Lake Substation, the Line be constructed along the route primarily following DPC's existing 69 kV corridor, which route was considered by the PSCW in the CPCN proceedings.
- (j) that, between DPC's Sand Lake Substation and DPC's Apple River Substation, the Line be constructed utilizing the South – USH8 route approved by the PSCW order granting the CPCN.
- (k) that the route of the Line completely avoid the D.D. Kennedy Environmental Area and the Garfield Recreational Area, and that the existing DPC transmission line through those areas be removed.
- (l) that transition structures known as “potheads” rather than transition stations be used in transition between underground and aboveground construction.
- (m) that bundled “795” conductors be used for the Line.

8. POLES:

- (a) Unless otherwise recommended by local land use process, consensus of affected landowners, or technical feasibility, Applicants shall propose and

the Parties shall advocate before the necessary approval authorities the use of single wood poles along the aboveground portions of the Line's route except for those portions of the route that, pursuant to §§ 7(c) and 7(h) above, the Parties have agreed to propose and advocate as double circuited.

- (b) For that portion of the route pursuant to § 7(c) will be double-circuited, Applicants shall propose and the Parties shall advocate before the necessary approval authorities the use of steel poles.
- (c) For that portion of the route that, pursuant to § 7(h) will be double circuited, DPC shall determine, prior to submitting its application in Wisconsin, whether to propose the use of laminated wood or steel poles or a combination thereof between the Border and Apple River Substations taking into consideration technical feasibility, land use impacts, economic issues and acceptability to landowners.

9. RECOVERY OF INCREMENTAL COSTS OF UNDERGROUND

CONSTRUCTION: The Parties' agreement in §§ 7(e), 7(f), and 7(g) to propose and advocate underground construction of certain portions of the Line is made in recognition of the unique character of the St. Croix National Wild and Scenic Riverway, and the proposed crossing area of the Riverway, which is located in the Cities of Taylors Falls and St. Croix Falls, that are bordered respectively on both the North and South by State Parks and a nationally designated Wild and Scenic Riverway. The Parties agree that the underground construction within the River Valley areas in the Cities of Taylors Falls and St. Croix Falls (other than the river crossing at the dam) is consistent with 16 U.S.C. 1271 et seq., Minn. Rules Chap. 6105 et seq., the PSCW CPCN Order, the National Electric Safety Code and good utility practice, and is therefore prudent. However, with respect to the portion of the Line anticipated to be underground from the NSPW St. Croix Falls substation to the DPC Border Substation, NSPW will not become obligated to construct any underground facilities unless there is a source of cost recovery for such construction that is authorized in a final non-appealable order of the PSCW. NSPW shall, in its application to the PSCW, seek a determination by the PSCW that underground construction of the Line as contemplated in § 7(f) above is in the public interest. If the PSCW finds that underground construction as contemplated in § 7(f) above is not in the public interest, then NSPW, with the full support and participation of the Cities of St. Croix Falls and Taylors Falls, will appeal that determination to the fullest extent allowed by law. In addition, before any construction of the Line begins, NSPM may seek an MPUC order pursuant to Minn. Stat. 216B.10, or other applicable statute, finding that underground construction of the Line in the City of Taylors Falls as provided in § 7(e) is consistent with the public interest and the NSPM general rates on file with the MPUC. No party shall oppose the NSPM filing. If the MPUC does not grant the requested finding, then NSPM, with the full support and participation of the Cities of Taylors Falls and St. Croix Falls, will appeal that determination to the fullest extent allowed by law. If NSPM chooses not to make such a filing before construction of the Line begins, then NSPM will proceed with the underground construction of the Line as provided in § 7(e) and may seek recovery of related costs through its general rates in a subsequent rate proceeding.

10. FUTURE UNDERGROUNDING OF RIVER CROSSING: If the dam located between the Cities of St. Croix Falls and Taylors Falls on the St. Croix River is removed or significantly reconstructed so as to disturb the river bottom, NSP will make application to the requisite regulatory and governmental bodies to secure approval for placing that portion of the Line crossing the St. Croix River underground subject to the necessary regulatory approvals and technical feasibility.

11. REMOVAL OF UNUSED FACILITIES: Applicants will propose, and the Parties will advocate, the removal of the unused facilities that will result from the construction of the Line. The Parties acknowledge and accept that there will be no removal of facilities until the Line is approved and constructed. These facilities include: 3 circuits at the river crossing at the site of the dam; all aboveground transmission and distribution lines down the slope immediately west of the dam and Trunk Highway 95 in the City of Taylors Falls; the 69 kV north/south line currently above ground on Main Street/Washington Street/Highway 87 in the City of St. Croix Falls, and through Interstate Park; the existing 69 kV line from Garfield Substation to the Apple River Substation.

12. RELINQUISHMENT OF UNUSED TRANSMISSION EASEMENTS: After obtaining all necessary approvals for construction of the Line, NSP shall accomplish each of the following:

- (a) Relinquish any NSP transmission easement that was reserved in property transfers to the National Park Service, to the extent that such easement might have been used for the proposed north river crossing;
- (b) Relinquish any unused NSP transmission easement along the City of Taylors Falls slope;
- (c) Relinquish any NSP transmission easement for the 69 kV line in the City of St. Croix Falls, once that 69 kV line is removed, subject to NSP's retention of any easement needed for distribution lines in City of St. Croix Falls; and
- (d) Relinquish any NSP transmission easement for the 69 kV line in Interstate Park, once that 69 kV line is removed, subject to NSP's retention of any easement needed for NSP distribution lines.

NSP shall relinquish any easement within the scope of this § 12 to the underlying property owner of the affected parcel. NSP shall not be obligated to transfer any easements under this § 12 to the extent that such transfer would be inconsistent with any legal requirements relating to NSP's merger with New Century Energies, Inc. that limit NSP's ability to effect such transfers. NSP and the City of St. Croix Falls shall work in good faith to develop a mutually agreeable plan for the removal of NSP's utility poles from that portion of Washington Street in the City of St. Croix Falls from a point starting immediately north of Highway 8 and ending at the point where the existing transmission line first departs Washington Street in the direction of the fish hatchery.

After obtaining all necessary approvals for construction of the Line, DPC shall relinquish to the underlying property owner any transmission easement between the Garfield Substation and the Apple River Substation after the existing 69 kV line between those Substations is removed.

Neither Applicant shall be obligated to relinquish any easement under this § 12 to the extent such transfer conflicts with or is inconsistent with any pre-existing legal rights relating to any of the parcels affected by this § 12.

13. PROJECT MITIGATION FUND AND COMMITTEE: Upon commencement of construction of the Line, NSPM and NSPW will make available \$400,000 to be spent during or after construction of the Line on improvements in the River Valley that are intended to offset or mitigate the impacts of the Line (the "Project Mitigation Fund"). Expenditures from the Project Mitigation Fund will be made only by unanimous consent of a Project Mitigation Fund Committee consisting of one representative of NSP, one representative of the City of Taylors Falls, and one representative of the City of St. Croix Falls. As an additional St. Croix River Valley improvement measure, NSPW will, upon execution of this Agreement, immediately execute the document attached as Exhibit B hereto, which conveys, under the terms and conditions contained therein, an option to the City of St. Croix Falls to purchase certain NSP lands on or near the St. Croix River. Upon execution of Exhibit B hereto, NSPW shall execute the Testing Agreement attached hereto as Exhibit B1.

14. IMPROVEMENT OF HYDRO FACILITY APPEARANCE: The Cities of St. Croix Falls and Taylors Falls (the "Cities") and NSPW shall work in good faith to develop a mutually agreeable plan to improve the aesthetics of NSPW's hydroelectric related facilities at the Cities of St. Croix Falls and Taylors Falls, and to develop a plan with the Cities to finish or refinish other visible components of the hydroelectric related buildings to present an appearance more compatible with the historic and natural setting. The resultant plan and related costs are separate from any expenditure out of the Project Mitigation Fund. Upgrades may include the replacement of existing security fencing with wooden, or primarily wooden, fencing, and replacement of all siding and building components on dam related facilities with wooden siding and historically and aesthetically harmonized building components to be stained and finished to present a natural wooden appearance.

15. SEASONAL MOVEMENT OF BOOM: Two steel cable barriers are located immediately upstream from the dam on the St. Croix River near the City of St. Croix Falls ("the Boom"). NSPW agrees to construct a new anchor point for the Boom downstream from its current site at a location immediately south of Massachusetts Street in the City of St. Croix Falls. Following construction of the new anchor point, NSPW shall annually, on or about May 1, move the Boom from its original anchor point to the new anchor point in order to facilitate use of a dock that the City of St. Croix Falls would like to place in that location. NSPW shall annually, on or about October 15, move the Boom from the new anchor point to the original anchor point. NSPW shall complete construction of the new anchor point by December 31, 2000. The City of St. Croix Falls agrees to amend its ordinances as necessary to accommodate both the original and new anchor points, and convey to NSPW the right to access the new anchor point. The City of St. Croix Falls agrees to make available a minimum of \$20,000.00 for design, engineering and construction of a dock at this location, and to make reasonable, diligent and good faith efforts to complete design and engineering of the dock within 46 days of the date the Boom is moved in

the year 2001, and to make reasonable, diligent and good faith effort to complete construction of the dock within 122 days of the date NSP first anchors the Boom to the new anchor point. NSP agrees to make reasonable, diligent and good faith efforts to complete the first movement of the Boom by May 1, 2001.

16. LONG TERM PLANNING AND ENERGY EFFICIENCY ISSUES: Applicants shall partner with stakeholders such as Midwest Independent Transmission System Operator ("MISO"), the Mid-Continent Area Power Pool ("MAPP"), the National Park Service, county and other state and federal agencies to manage, limit or reduce, where feasible, future electrical crossings of the Riverway. Such efforts may include exploration of alternatives such as a development of a future plan for the crossing at the A.S. King Generating Plant, additional decentralized generation, and enhanced energy efficiency.

Applicants acknowledge the potential for energy efficiency, conservation and local renewable energy projects to potentially minimize, delay or displace the need for future transmission facilities. To the extent consistent with regulatory and statutory requirements regarding utility energy efficiency programs, and subject to the availability of the required expertise within NSPW and NSPM, NSPW and NSPM agree to work together with the Counties of Polk and Chisago, and the Cities of Taylors Falls and St. Croix Falls to explore increased energy efficiency, dispersed generation, renewable energy, and conservation projects aimed at lowering the electrical requirements of the Cities of Taylors Falls and St. Croix Falls while maintaining the quality of service, and aimed at lowering electrical requirements for the Cities' and counties' residents and businesses.

17. MITIGATION OF NEED FOR FUTURE UPGRADES: Applicants shall plan, operate, and maintain the Line in accordance with good engineering practices, with the goal of maximizing the life cycle of the Line. Applicants represent that there are no long-term plans in existence to upgrade the Line. An Applicant shall inform all of the Parties in writing at least one year before submitting any application to any regulatory body for permission to upgrade the Line to allow operation of the Line at a voltage higher than that set forth in § 7 of this Agreement. An Applicant making such application shall, beginning one year prior to submission of such application, make good faith efforts to explore with the Steering Committee the potential for alternatives to upgrading the Line.

18. ENVIRONMENTALLY SENSITIVE CONSTRUCTION TECHNIQUES: To the greatest extent practicable, Applicants shall use environmentally sensitive construction techniques throughout the construction of the Line and associated facilities such as substations. Applicants shall minimize impacts of project related activities at the Bryant School Lab and the Balsam Branch Watershed including, in the case of the Bryant School Lab, exploring alternative routes. After the Line is approved and construction commences, NSPM shall revegetate the unused right-of-way along the slope of the Line in the City of Taylors Falls. NSPM and NSPW also agree to partially revegetate (to a limited extent to be discussed by the Steering Committee) that portion of the right-of-way where underground construction is anticipated. Streets that are disturbed by underground construction shall be returned to condition as good as or better than at the beginning of the project.

19. COOPERATION IN APPROVAL PROCEEDINGS: The Cities shall become and remain Parties to any proceedings necessary for obtaining approval for construction of the Line, as long as such proceedings are pending. The Cities shall throughout such proceedings expressly advocate approval of construction of the Line with the characteristics set forth in this Agreement. Such advocacy for the Cities shall include written and oral testimony of a duly authorized witness or witnesses for each of the Cities, comments and briefs to the extent authorized by the government or regulatory body(ies) before which such proceedings are pending, and pre-hearing advocacy for an expeditious schedule for conduct and conclusion of such proceedings. The Cities shall adopt resolutions from their respective governmental bodies approving construction of the Line consistent with this Agreement, and shall submit those resolutions for inclusion in the record of any proceedings necessary for obtaining approval for construction of the Line. In addition, the City of St. Croix Falls shall make available such additional land as needed to enable the expansion of the DPC Border Substation to enable construction of the Line.

20. AUTHORITY TO ENTER INTO AGREEMENT: Each of the Parties represents and warrants that it possesses legal authority to enter into this Agreement that this Agreement is binding upon that Party, and that it will support this Agreement before all agencies and all courts with jurisdiction. The Cities represent and warrant that each has duly adopted a resolution as an official act of the appropriate governing body of each of the Cities authorizing the execution of this Agreement and directing and authorizing its representatives and agents to act in the fulfillment of and compliance with the requirements and provisions of this Agreement. A certified copy of the resolutions are attached hereto as Exhibits C & D.

21. NO THIRD PARTY BENEFICIARY: The terms and provisions of this Agreement are intended solely for the benefit of the Parties hereto and their respective successors, and it is not the intention of the Parties to confer third-party beneficiary rights upon any other person.

22. INTEGRATION: This Agreement constitutes the full understanding between the Parties with reference to the subject matter hereof, and no statements, representations or agreements by or between the Parties, whether orally or in writing, made prior to or at the signing hereof, shall vary or modify the written terms of this Agreement. This Agreement shall not be modified except by written modification signed by the Parties which specifically references this Agreement.

23. MULTIPLE COUNTERPARTS: This document may be executed in counterparts each of which shall constitute an original.

24. DISPUTE RESOLUTION PROCEDURES:

- (a) Any unresolved matter (hereinafter referred to as a "Dispute") between the Parties arising under this Agreement will be first addressed by members of the Steering Committee in an attempt to resolve the dispute.
- (b) Arbitration of a Dispute shall be conducted in accordance with the provisions of Ch. 788, Wis. Statutes, and the procedures described below.

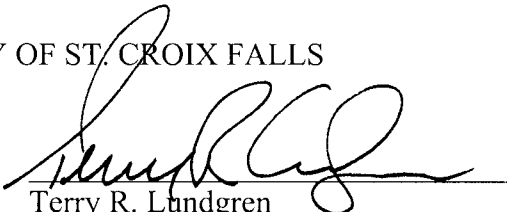
- (c) Fifteen (15) days prior to the initiation of arbitration, notification shall first be given in writing to the other Parties. The failure to initiate arbitration within sixty (60) calendar days of such initial notice or within thirty (30) days after termination of any agreed-upon mediation proceedings, whichever occurs later, shall be deemed a waiver to arbitrate the Dispute. Any such waiver shall not prejudice a Party's right to arbitrate a Dispute based on facts arising subsequent to the facts that gave rise to the previous Dispute.
- (d) The arbitration shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, each group of Parties whose interests are aligned shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) days select a third arbitrator to chair the arbitration panel. If the two appointed members cannot agree on a third member within 15 days, either group of Parties whose interests are aligned may request that the appointment be made by a District Judge of Hennepin County, Minnesota. All arbitration proceedings under this Agreement shall take place in Hennepin County, Minnesota, or such other place as the Parties may mutually agree. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.
- (e) The arbitrator shall have jurisdiction and authority to interpret, apply, or determine compliance with the provisions of this Agreement in so far as shall be necessary to the determination of the issues properly before him or her. The arbitrator shall not have jurisdiction or authority to add to, detract from, or alter the provisions of this Agreement or any applicable law or rule of civil procedure. Unless otherwise agreed, the arbitrator shall render a decision within ninety (90) days of the initiation of arbitration. In making the decision, the arbitrator shall issue in writing appropriate findings and conclusions regarding the issues. The arbitrator shall have authority to require any Party to specifically perform its obligations under this Agreement. Pending the final decision of the arbitrators, the Parties agree to diligently proceed with the performance of all their other respective obligations required by this Agreement.
- (f) Those Parties participating in the arbitration process shall bear equally in the cost of the arbitrator. Each Party shall be responsible for its own costs incurred during the arbitration process (including but not limited to expert witnesses, consultants and attorneys fees, costs of exhibits and other incidental costs).
- (g) Any Party may choose not to participate in the Dispute resolution process beyond the Steering Committee discussions. Any Party who chooses not to participate waives any right to challenge the results of the arbitration or to seek injunctive relief on any matter before the arbitrator.

- (h) Nothing in these Dispute resolution provisions shall limit any Party's right to seek injunctive relief to preserve the status quo pending final resolution of the Dispute utilizing the Dispute resolution procedures provided herein.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of this 13th day of September, 2000.

CITY OF ST. CROIX FALLS

By:

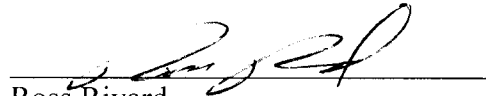

Terry R. Lundgren
Mayor

Attest:

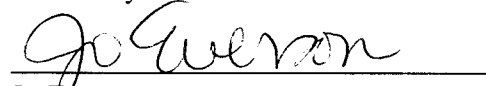

Bonita Leggitt
City Clerk

CITY OF TAYLORS FALLS

By:


Ross Rivard
Vice-Mayor

Attest:


Jo Everson
Clerk-Treasurer, ZA

NORTHERN STATES POWER COMPANY-
WISCONSIN

By:

Jerome L. Larsen
President

By:

Bruce Staples
Vice President, Transmission

NORTHERN STATES POWER COMPANY-
MINNESOTA

By:

James M. Ashley
Vice President, Transmission

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CITY OF ST. CROIX FALLS

By: _____
Terry R. Lundgren
Mayor

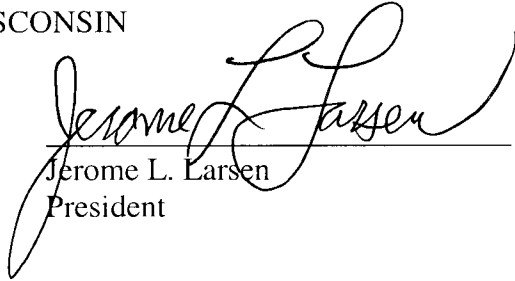
Attest: _____
Bonita Leggitt
City Clerk

CITY OF TAYLORS FALLS

By: _____
Ross Rivard
Vice-Mayor

Attest: _____
Jo Everson
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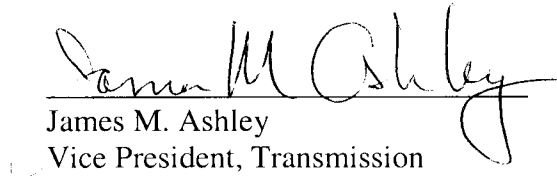
NORTHERN STATES POWER COMPANY-
WISCONSIN

By: 
Jerome L. Larsen
President

DAIRYLAND POWER COOPERATIVE

By: _____
Bruce Staples
Vice President, Transmission

NORTHERN STATES POWER COMPANY-
MINNESOTA

By: 
James M. Ashley
Vice President, Transmission

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CITY OF ST. CROIX FALLS

By: _____
Terry R. Lundgren
Mayor

Attest: _____
Bonita Leggitt
City Clerk

CITY OF TAYLORS FALLS

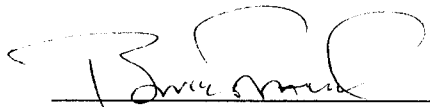
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Ross Rivard
Vice-Mayor

Attest: _____
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Bruce Staples
Vice President, Transmission

NORTHERN STATES POWER COMPANY-
MINNESOTA

By: _____
James M. Ashley
Vice President, Transmission

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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

March 26, 2009
Mr. Michael Buchite
Page 3 of 3

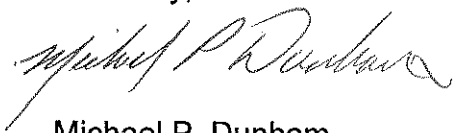
area for aesthetic purposes and transformer noise mitigation requirements. The MPCA requires that sound received in a residential area cannot exceed 50 dBa during the nighttime. In order to meet these requirements for the development of the substation site, it had to be positioned in a location that 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

April 21, 2009

Mr. Michael Dunham
Senior Project Manager
Xcel Energy
414 Nicollet Mall (MP 8)
Minneapolis, MN 55401

RE: Settlement Agreement relating to Xcel Energy's Chisago Transmission Project

Dear Mr. Dunham:

We would like to thank you and your team from Xcel Energy for meeting with the Cities of Taylors Falls and St. Croix Falls to discuss the Chisago Transmission Project. Through continued discussions we have worked through many issues, however, before the Chisago Transmission Project proceeds there are more issues to be addressed, specifically issues outlined in our Settlement Agreement (Agreement).

Our first concern is that the Steering Committee (number 3 in the Agreement) was never consulted during the permitting process. The duties of the Steering Committee are outlined in the Agreement. Prior to and during the permitting process of the Route Permit with the Minnesota Public Utilities Commission (MPUC), Xcel Energy failed to notify the Steering Committee of information regarding documents to be submitted to regulatory and governmental authorities in order to secure approval for construction of the line. We feel re-engaging the Steering Committee will ensure effective communication between all parties and would be instrumental in addressing any disputes that may arise.

The configuration of the lines (number 7 in the Agreement) within the St. Croix River Valley has been a topic of utmost importance to both cities as well as the integrity of the St. Croix Scenic Riverway. The lines going above ground between Minnesota State Highway 95 and the St. Croix River is a sensitive issue for both communities. The configuration of the lines as permitted by the MPUC conflicts with the configuration established in the Agreement and what was presented to the MPUC in the Certificate of Need. In the Route Permit Application to the MPUC and in past meetings with you and your team, Xcel Energy expressed that burying the lines east of Minnesota State Highway 95 may be too damaging to the environment. In your letter, dated March 26, 2009, you mentioned several governmental agencies met in 2007 to discuss this issue and it was agreed at that meeting that the environmental disturbance to the area in order to underground the line would be more of a problem than installing the line overhead. As affected governmental bodies, and based on our past relationship, we are disappointed that we were not invited to this meeting. The Route Permit Application to the MPUC stated the City of Taylors Falls supported the proposed project as presented in the application; this was a misrepresentation. We have reviewed the Environmental Assessment for the Chisago Project published by the Minnesota Department of Commerce; the subject area is mentioned, but in little detail. We have been in contact with the representatives who attended the meeting from the governmental agencies mentioned in your letter and discovered these agencies have not conducted an environmental review or analysis of the subject area.

The argument of causing too much environmental destruction is a concern to both cities. However, Xcel Energy must abide by the Agreement. If Xcel Energy makes a change then the burden of proof is on the company to show why the change was made. Furthermore, justification must be provided explaining

why Xcel Energy did not propose or advocate to the MPUC to bury the lines east of Minnesota State Highway 95.

Per the Agreement, the undergrounding in Minnesota would start west of County Road 20; the MPUC Route Permit allows the undergrounding to start east of County Road 20. While in your letter dated March 26, 2009, you explain why undergrounding starts east of County Road 20, this is contrary to the Agreement. The three-pole transition system will have a large impact on Cherry Hill Park, which is located immediately south, the City of Taylors Falls has great concern about this impact. This is precisely the reason why the Agreement states the lines are to be buried west of County Road 20; this was thoroughly understood at the time during mediation.


You have stated that Xcel Energy's legal department reviewed the Agreement and concluded that no amendment of the Agreement is required due to the PUC permit designating a different line configuration. The Agreement that we settled on is still in place and it is in Xcel Energy's best interest to continue discussions with both cities and to re-engage the Steering Committee.

At this time we are requesting three-dimensional modeling of the lines from both Minnesota and Wisconsin within the St. Croix River Valley, including transition structures and the St. Croix Falls substation. This modeling will help us quantify visual impacts to the St. Croix River Valley. Modeling should show the lines from several angles and at different elevations. In addition to three-dimensional modeling of the lines, we request detailed engineering plans for the buried portions of the lines and record drawings after construction. This is requested due to concerns about close proximity of city utilities at Blanding Woods Road in the City of St. Croix Falls and down the bluff in the City of Taylors Falls.

Both the City of Taylors Falls and St. Croix Falls have their individual concerns about the project, which are not addressed in the Agreement, and therefore are not outlined in this letter. However, through continued cooperation both cities feel that these issues can be resolved.

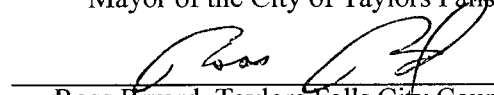
We sincerely hope that all parties can honor and adhere to the Agreement and to continue to work together throughout the duration of the Chisago Transmission Project.

Regards,



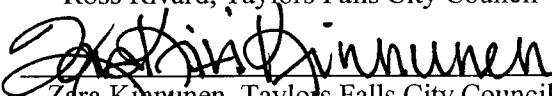
Michael D. Buchite
Mayor of the City of Taylors Falls

Darrell Anderson
Mayor of the City of St. Croix Falls



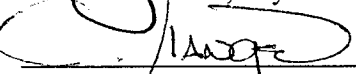
Ross Rivard, Taylors Falls City Council

Arnie Carlson, St. Croix Falls City Council



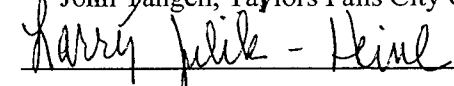
Zara Kinnunen, Taylors Falls City Council

Paul Kuhlmann, St. Croix Falls City Council



John Tangen, Taylors Falls City Council

Brian Blesi, St. Croix Falls City Council



Larry Julik-Heine, Taylors Falls City Council

Debra Kravig, St. Croix Falls City Council

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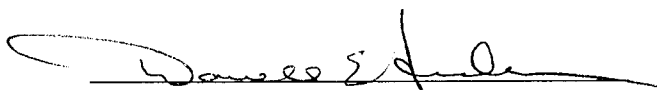
Regards,

Michael D. Buchite
Mayor of the City of Taylors Falls


Ross Rivard, Taylors Falls City Council

Zara Kinnunen, Taylors Falls City Council

John Tangen, Taylors Falls City Council



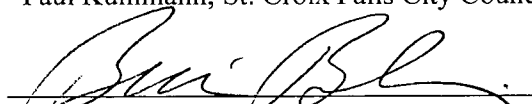
Darrell Anderson
Mayor of the City of St. Croix Falls



Arnie Carlson, St. Croix Falls City Council

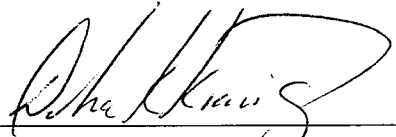


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Brian Blesi, St. Croix Falls City Council

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