SPS Transmission Formula Update
Customer Meeting July 2, 2008
Questions Requiring Additional Research/Follow-up

1. Please provide additional details about the radio replacement project and the Energy Management System (EMS).

   Response:

   Radio replacement project SPS:
   Xcel Energy requires a replacement of its Two-Way Radio Voice Dispatch networks for 30 locations. This is necessary because the systems age has become unsupportable and/or spare parts are no longer available. In addition, replacement efforts aim to ensure stability and supportability of the radio networks. These refresh efforts are vital to ensure continued operation of the radio networks, which support field worker communications.

   Energy Management System (EMS) Software application for Amarillo Operations Center:

   EMS is a load management system that acts as a communication link between production and transmission substations and distribution control centers. The information provided by RTU's (Remote Terminal Units) enables the system to monitor load that is distributed preventing overloading of the system.

   The Hardware part of the EMS was a replacement project for new servers where the EMS software application resides.

   Preparer: David Adams
   Sponsor: Lisa H. Perkett

2. Please provide additional information about the nature of the project listed on Line 1 and Line 11 of the Forecasted Plant Additions.

   Response:

   Line 1 - SPS to WTMPA Service Request:
   The West Texas Municipal Power Authority (WTMPA) group is a group of Municipals consisting of:
   a. The City of Tulia, Texas
   b. The City of Brownfield, Texas
   c. The City Floydada, Texas
   d. Lubbock Power & Light in Lubbock, Texas

The SPS to WTMPA service request is actually an agreement between Xcel Energy Markets and the WTMPA group to provide 325 MW of transmission service.

In order for Xcel Energy to provide service of this magnitude it was necessary to construct upgrades at various electrical substations on the existing transmission system in the Xcel southern region. The upgrades to the Xcel Energy transmission system that make up the $31 million consists of the following projects:

TUCO Static Var Compensator (SVC) and upgrades - TUCO is a major electrical substation north of Abernathy, Texas. This project consists of a 230/115 kV – 250 MVA transformer addition, 2 - 230 kV, 50 MVAR capacitor banks, a static var compensator unit, and a major bus reconfiguration.

Lubbock South Cap Bank – addition of 1 - 230 kV, 50 MVAR capacitor bank at Lubbock South substation

Swisher County Cap Bank - addition of 1 - 230 kV, 50 MVAR capacitor bank at Swisher County substation located near Kress, TX.

Carlisle Cap Bank - addition of 1 - 230 kV, 50 MVAR capacitor bank at Carlisle substation in west Lubbock, TX.

Lubbock East Transformer Addition – addition of a new 230/115 kV – 252 MVA transformer at Lubbock East substation.

Floyd County transformer upgrade – replacing a 115/69 kV 25 MVA transformer with an 84 MVA transformer at Floyd County substation near Floydada, TX.

Line 11 - Hobbs Generation Plant Transmission Assets:

In order to distribute the electrical power produced from the Hobbs Generation Plant throughout the SPS transmission system it was necessary to construct the following transmission assets:

- A large electrical substation located adjacent to the power plant to monitor and protect the power flow produced from the plant. This substation consists of 3-230 kV circuit breakers, 16 –115 kV circuit breakers and one 230/115 kV, 150 MVA transformer along with protective relays and devices.

- To transport the power flow it was necessary to reconfigure four existing Xcel Energy transmission lines into the new substation, which resulted in adding sections of new transmission lines and termination structures.

Prepared by: Ronnie G. Walker

3. Please provide a detailed listing of intangible plant adds – similar to general and transmission plant additions.

   See Attachment Intangible Plant Adds.xls. attached hereto.

Prepared by: Jim Shovelain
Sponsor: Lisa H. Perkett

4. Please explain how the Company accounts for distribution underbuild.

   Response:

   There are a total of 3,888 distribution contacts on transmission structures. Of these, 224 are single pole (or structure) contacts. That is to say that there is no length of under-build for these contacts as they are merely crossings of a distribution line under a transmission line. For the remaining 3,664 contacts, the length of under-build comes out to be 205.66 miles or 1,085,860 feet. (Note: Distribution includes all voltages below 40kV. 33kV is the highest "distribution" voltage on the SPS system.)

   The poles are recorded in the appropriate transmission account. The distribution property is recorded in the appropriate distribution accounts. The Company relies on the following FERC guidance for characterization of its plant:

   (From Pt 101. Electric Plant Instructions 14. C.) "Where poles or towers support both transmission and distribution conductors, the poles, towers, anchors, guys, and rights of ways shall be classified as transmission system. The conductors, crossarms, braces, grounds, tiewire, insulators, etc., shall be classified as transmission or distribution facilities , according to the purpose for which used".

   Prepared by: Jeff Stebbins/Marianne Sowers

5. Please provide salaries and wages by FERC account.

Response:

See Attachment FERC O&M Labor.xls attached hereto.

Prepared by: Gary Schwark

6. Please provide the basis for the apportionment factors from the tax rate worksheet for the state income taxes.

   Response:

   Apportionment factors are needed because a corporation that is taxable in more than one state has the constitutional right to have its income fairly apportioned among the taxing states. The calculation of state income taxes normally begins with federal taxable income, which is derived from the entire operations of the company in all jurisdictions. In order to determine the amount of this income that can be taxed by the individual states an apportionment factor is applied to the total company income. In SPS's case, the apportionment factors are based on the information used to calculate the 2006 state tax liabilities for Kansas, New Mexico and Oklahoma (a factor for Texas is not included because corporations are subject to a Texas franchise tax rather than an income tax). The factors are based on property, sales and payroll, weighted equally. The property factor is based on the book value at the beginning of the year plus the value at the end of the year divided by two, plus the value of real or personal property rented or leased, expense times a factor of 8. Sales and payroll factors are based on the amounts for 2006. The calculation is the total of each of these amounts by state divided by the total for all states (this would include Texas), then each states' three factor totals are divided by 3 to arrive at the apportionment factor for the state.

   Prepared by: Paul Boger

7. Please provide a breakdown of the "Other expenses" column on Worksheet L, cost of debt.

   Response:

   See Attachment Other Expenses Worksheet L.xls attached hereto.

   Prepared by: J'anne Delaney

8. Does the Company amortize interest rate locks over the life of the issuance? Please explain.

   Response:

   The actual amortization period of a gain or loss on an interest rate hedge is determined by the life of the hedge's underlying maturity period. As is typically the case for SPS, the term of the new security has matched the underlying term of the interest rate lock, and therefore, the gain or loss will be amortized over the life of the new security issuance.

   Prepared by: J'anne Delaney

9. Please explain where FERC assessments are recorded.

   Response:

   Entries described as SPP FERC Assessments are recorded in Account 565, Transmission of Electricity by Others. The 2007 amount equaled $784,528.

Prepared by: Gary Schwark