Xcel Energy℠

414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

November 5, 2004

Pam Bonrud
Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 East Capitol Avenue
Pierre, SD 57501

RE: XCEL ENERGY'S BIENNIAL 10-YEAR PLAN - SUPPLEMENT

Dear Ms. Bonrud:

On July 1, 2004, Northern States Power Company d/b/a Xcel Energy ("Xcel Energy") filed its Biennial Ten-Year Plan for Major Generation and Transmission Facilities in the state of South Dakota in accordance with Chapter 20:10:21 of the South Dakota Rules. At that time, we indicated that we would provide as a supplement to our Ten-Year Plan the Executive Summary from our 2004 Resource Plan to be filed with the Minnesota Public Utilities Commission ("MPUC") in November 2004.

Xcel Energy filed its 2004 Resource Plan with the MPUC on November 1, 2004. Enclosed for filing are ten copies of the 2004 Resource Plan Executive Summary. Please call me at (612) 330-5785 if you have any questions or need further information.

Sincerely,

TERESA KOWLES
REGULATORY CASE SPECIALIST

Enclosures

1. Executive Summary

Introduction

Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or "Company") submits to the Minnesota Public Utilities Commission ("MPUC" or "Commission") our 2004 Resource Plan for consideration and approval. This Plan covers the period 2005-2019, identifies a number of issues and risks that will significantly affect the reliability and economy of electricity, and proposes a path to most effectively meet growing customer needs. We look forward to discussion of this Plan with stakeholders.

As in previous filings, this Plan presents our analysis of customer needs and resource options under a variety of assumptions to help select a robust path for resource acquisition. Unlike other filings, however, this Plan seeks to significantly expand the role of resource planning for our system and proposes a comprehensive, revised process for acquiring needed resources. Given the significant resource need identified in this Plan – over 3,100 MWs, including 1,125 MWs of base load need – it is critical that we implement an effective resource acquisition process. To this end, we present a long-term view of our system needs, seek direction from the Commission on various resource options, propose a comprehensive resource acquisition process, and provide for the contingencies that will inevitably arise.

Thus, Xcel Energy's 2004 Resource Plan reflects a number of major decisions that are designed to maintain the low-cost, reliable service historically enjoyed by our customers. Specifically, our Plan includes:

- *A new forecast that projects significant need for additional capacity and energy. ("Department" or "DOC").* This forecast anticipates load growth of 1.6% at the median forecast and 1.83% at the 90% forecast level annually over the planning horizon. It reflects methodology changes discussed with the Minnesota Department of Commerce ("Department," "DOC).

- *The need for the addition of up to 1,125 MWs of new base load generation by 2015.* This need, coupled with our conclusions regarding the appropriate use of natural gas-fired generation on our system, leads us to expect that coal resources are best suited to meet this need. However, because competitive bidding is not well suited to evaluate coal and large-scale base load resources, changes to our acquisition strategy are needed to ensure we are successful in acquiring these resources.

- *A comprehensive, revised plan for acquiring resources, including contingency plans.* By developing alternative, flexible acquisition strategies, we improve both the effectiveness and efficiency of these efforts and provide better understanding of our expansion plan. Our proposal stems in part from the stakeholder process required by the Commission in the withdrawal of our 2002 Resource Plan (Docket No. E002/RP-02-2065). Its implementation will require that the resource planning process provide a more detailed assessment of need and resource options, allowing for a more focused acquisition process.

- *A plan to relicense and continue operations at the Prairie Island and Monticello nuclear generating stations for an additional 20-year period.* Given the significant need for new resources, retaining the value of existing assets is important. Because our nuclear fleet provides over 1,600 MWs of capacity and emission-free energy to our system, extending their lives is a key component of our overall Plan. Life extension and repowering of other plants in our fleet may also be appropriate over the planning horizon.

- *A plan to meet the Minnesota Renewable Energy Objective ("REO"), as provided by Minn. Stat. 216B.1691.* As that statute provides, renewable resources acquired for the REO are to be consistent with resource planning principles and assured reliability of the system. Our Plan provides for continued

evaluation of these issues over time, thus ensuring our acquisitions are consistent with the statute, and establishes a process for acquisition.

- *An increase of 16.8% to the demand-side management ("DSM") goals required in our 2000 Resource Plan.* Our analysis demonstrates that, given the need for additional base load resources, additional DSM is cost-effective and should be pursued. While the specific programs to achieve these goals need to be developed and approved as part of the Conservation Improvement Program ("CIP"), it is appropriate to establish more aggressive goals in this Plan.

Combined, we think our Plan – continued operation of emission-free nuclear energy, acquisition of base load resources (most likely coal-fired), significant expansion of demand-side management and achievement of the Renewable Energy Objective – strikes the best balance between competing considerations. We welcome discussion of our Plan with the stakeholders.

This Plan provides a comprehensive overview of the issues we expect to face and actions we must take to ensure continued reliable, economic and environmentally sound service to our customers. However, it is also the starting point for decisions that will be finalized in other proceedings, such as the need for additional nuclear fuel storage and the development of base load resources. We believe our Plan presents information important to state policymakers, and introduces a reasonable and effective approach to meeting increasing demand for electric energy within the state.

Overview

Over the last decade, Xcel Energy has used competitive bidding to secure supply resources. We have relied on that process not only to secure the needed resources, but also to identify the most appropriate mix of resources to meet customer needs. As such, the Resource Plan focused on identifying general need, while the All-Source Bidding process evaluated and selected among the various resource options.

While the concept of all-source bidding is sound, its implementation poses significant challenges. These challenges were particularly evident during our 2001 All-Source Bid effort (Docket No. E002/M-01-1618), which occurred during a time of significant market change and with a wide variety of resources vying for selection. The projects ultimately selected were not in all cases the same as the short-listed projects, and included Company-built generation needed to meet near-term customer demand. Overall, all stakeholders had issues regarding this process, and the Commission directed the Company to have discussions with stakeholders regarding possible improvements.

We have facilitated those stakeholder discussions and believe they were fruitful. In addition, we have considered and assessed the situation ourselves. We believe that, given the size and nature of the need identified in this Plan – including a sizable need for base load resources, which haven't been developed in Minnesota since the late 1980s – significant change in approach is warranted.

Thus, this Plan includes our proposal for a comprehensive, revised approach to resource acquisition. This approach builds on our experience, anticipates future development issues, and considers the input of the Commission and stakeholders. Implementing this approach will require the resource planning process to do more than just identify need; it must also identify more specifically the resource type best suited to that need. In this way, acquisition efforts can be more focused and streamlined, tailored specifically to the unique aspects of various resource types. We believe our approach is important to ensuring that needed resources are developed in a timely and effective manner.

Concurrent with this filing, we are providing a Notice of Changed Circumstance in our 2000 Resource Plan to notify that we intend to begin pursuing our proposed path for base load resource acquisition. We are providing this Notice because, under the terms of that Plan, we planned to acquire any resource over 12 megawatts through competitive bidding. As discussed in our Notice, we believe that pursuing our proposed acquisition plan while consideration of our 2004

application is pending will harm no party and will, in fact, greatly enhance Commission consideration of our Plan.

While our proposed resource acquisition process is a key component of our Plan, evaluation and pursuit of other resources is also critical. Demand-side management and renewable energy offer potential means of supplying customer requirements in a cost-effective and environmentally sound manner. Our analysis indicates that a significant increase in our DSM goals is appropriate and cost-justified; hence, we will pursue them. Likewise, under certain assumptions, implementation of the REO is cost-effective and should be pursued. These components help to balance various resource considerations and play an important role in ensuring our overall Plan is well balanced and robust.

Five-Year Action Plan

To successfully manage our resources through a period of continued uncertainty and to ensure we have adequate resources available to meet our customers' needs, we propose the following five-year Action Plan:

- *Significantly increase the DSM goals established in the 2000 Resource Plan proceeding, raising them by an aggressive 16.8%.* To date, we have been successful in meeting the goals established in previous plans. We believe that there is room to increase these goals to capture potential new cost-effective conservation.

- *Install sufficient renewables to meet the 1994 Act requirements and the state Renewable Energy Objective, while continuing to evaluate the cost effectiveness of wind in our future Resource Plans.* We are committed to installing cost-effective renewables on our system to meet customer demand for environmentally sound energy. Our Plan will meet the requirements of Minnesota Law for the REO and nuclear relicensing.

- *To permit continued operation of our nuclear plants, obtain NRC license extensions for both the Monticello and Prairie Island Nuclear Generating Plants and Certificates of Need from the Commission for additional spent-fuel storage.* Our analysis shows that relicensing and continued operation of our nuclear fleet will save customers approximately $1 billion over the 20-year license extension period. We plan to file applications for both relicensing and a certificate of need for our Monticello plant in late 2004/early 2005. We will make similar filings for Prairie Island in 2008.

- *Investigate and pursue repowering as appropriate to retain and maximize the value of our existing fleet.* Our Emissions Reduction Proposal offered a great opportunity for reducing emissions while extending the useful life of important system resources. We will continue to pursue potential repowering projects and propose them for implementation if appropriate. Minnesota Valley is the first likely candidate for such a proposal. We expect to complete our evaluation of such a project early next year.

- *Implement a new resource acquisition process to ensure needed resources are appropriately identified and acquired in a timely, effective, and efficient manner.* Our analysis indicates a base load need that may be best met through new coal resources, and over 2,200 MWs of new gas and wind facilities (nameplate capacity) need to be added over the planning period. We intend to pursue a flexible and thorough acquisition process to ensure these resources are developed. Proposals for Company-built generation will be included in these processes, as we believe such generation may offer advantages.

- *Evaluate, select and obtain all necessary permits for up to 1,125 MWs of new base load resources to come on line between 2011 and 2015.* Because of long lead times for new base load resources, we must begin now to select appropriate resources, negotiate contracts and obtain permits. Given the development issues associated with these resources, we expect construction of any new base load resources to begin late in the five-year Action Plan horizon. Under our

proposed acquisition process, we would pursue multiple options for meeting this base load need, including proposals from developers, Xcel Energy-built generation, and the proposal from Excelsior Energy for an innovative energy facility.

- *Depending on the timing of new base load resources, begin efforts to obtain up to 550 MWs of new peaking resources in 2011 and 2012.* The timing and amount of additional peaking requirements depends on the expected timing of additional base load resources. Fortunately, we can time acquisition of peaking resources to bridge any temporary shortfall. If we are able to obtain new base resources prior to 2013, fewer new peaking resources will be required early in the next decade. Nonetheless, given our experience with resource acquisition, we believe it is important to commence the process in time to allow sufficient time for development.

- *Continue to closely monitor and manage the transition to new market and regulatory structures.* On March 1, 2005 the Midwest Independent System Operator ("MISO") plans to begin operation of the Midwest Market, a wholesale market for electricity based on locational marginal pricing ("LMP"). As we gain experience with the operation of the market, the Company may change the way we plan for new facilities to meet our customers' needs. However, given uncertainty regarding this market, we have not attempted to model its impacts in this Plan. We will keep the Commission informed throughout the planning period of our experiences with the new market and any resulting needed adjustments to our plans and operations.

- *Continue and support efforts to ensure that sufficient transmission resources are available to get needed generation to load.* While new regulatory requirements separate generation from transmission, both are needed to serve customer needs. Our experience with bidding demonstrates the significant influence transmission – or lack thereof – has on our resource selection. Given the significant need projected for the planning period, it is important that

adequate transmission is accessible. We plan to continue our advocacy before state and federal regulatory bodies to encourage transmission planning and investment. In addition, we support activities by Xcel Energy's transmission department to pursue in cooperation with other Minnesota utilities a comprehensive plan for needed Minnesota transmission projects. This undertaking, called "CAP-X 2020," should help ensure a robust transmission network to reliably meet projected needs.

While these actions seek to implement our preferred course, we recognize the uncertainty over whether all components will be approved and successfully accomplished. Therefore, we have also developed plans to help hedge this risk, making available options that will allow us to best meet our customers' needs. These plans include:

- *If continued operation of our nuclear plants is not the state's preferred option, immediately begin resource acquisition for up to 700 MW of peaking and 400 MW of intermediate capacity and energy for installation in 2011 and 2012. Immediately begin evaluation and selection process for up to 1,600 MW of additional base load resources to come on line in the 2011 – 2015 timeframe.* If Monticello and Prairie Island are required to shut down, Xcel Energy will need to immediately replace the capacity and energy supplied from those units. While it is unlikely that we would have a base load resource option available to replace Monticello as early as 2011, one strategy would be to bridge the gap with peaking resources until new base load facilities can be brought on line. Given the time frame for replacing the Monticello plant, it is likely that Xcel Energy would need to participate in the construction of facilities for contingency replacement.

- *If we are unable to select, contract for or obtain permits for new base load resources in a timely fashion, begin resource acquisition for new intermediate resources to be on line by 2012.* As discussed in this Plan, we anticipate that our next base load resource will be either a solid fuel or a hydroelectric facility. If we were unable to receive permission to construct or contract for such a facility, an

alternative resource would be a natural gas-fired intermediate facility. Given the time frames for the base load need, it is likely that Xcel Energy would need to participate in the construction of facilities to meet this contingency.

- *If we are unable to meet the aggressive demand-side management goals indicated in this Plan, begin resource acquisition for new peaking resources to meet the amount of DSM that will not be realized as soon as the shortfall is apparent.* While we will make every effort to achieve our DSM goals, we recognize that even our most aggressive efforts may fall short. In that case, we will be poised to use our targeted bidding process to acquire sufficient peaking resources to address any shortfall.

- *Conduct periodic assessments to consider the combined impacts of the many events that will be occurring on our system.* As always, we will continue to carefully monitor developments affecting our system. To the extent that we need to respond to a development in a way not addressed by this Resource Plan, we will file with the Commission under Minn. Rule 7543.0500, Subd.5 for a notice of changed circumstance. Careful monitoring and prompt action will be required to ensure we successfully manage resources during this period of continuing market development and change.

We recognize that others may view these issues differently and come to different conclusions. We welcome the opportunity to engage in a dialogue on these issues and work toward ensuring continued reliable, economical and environmentally sound energy for our customers.

Chapter Summaries

To assist in understanding the key components of our proposed Resource Plan, we provide the following summaries of each chapter of this filing.

Forecast and Resource Needs

A resource plan begins with a projection of customer demand for capacity and energy over the planning horizon. This chapter outlines our methods and results of this forecasting. In it, we discuss the reflection of various methodology changes discussed with the Department from a prior proceeding, and the need to move to a 90% forecast confidence level for the development of our Plan to ensure that sufficient capacity is available to meet customer needs. Our forecast for energy and capacity over the planning period is as follows:

Figure 1-1
Xcel Energy Net Energy (Mwh)

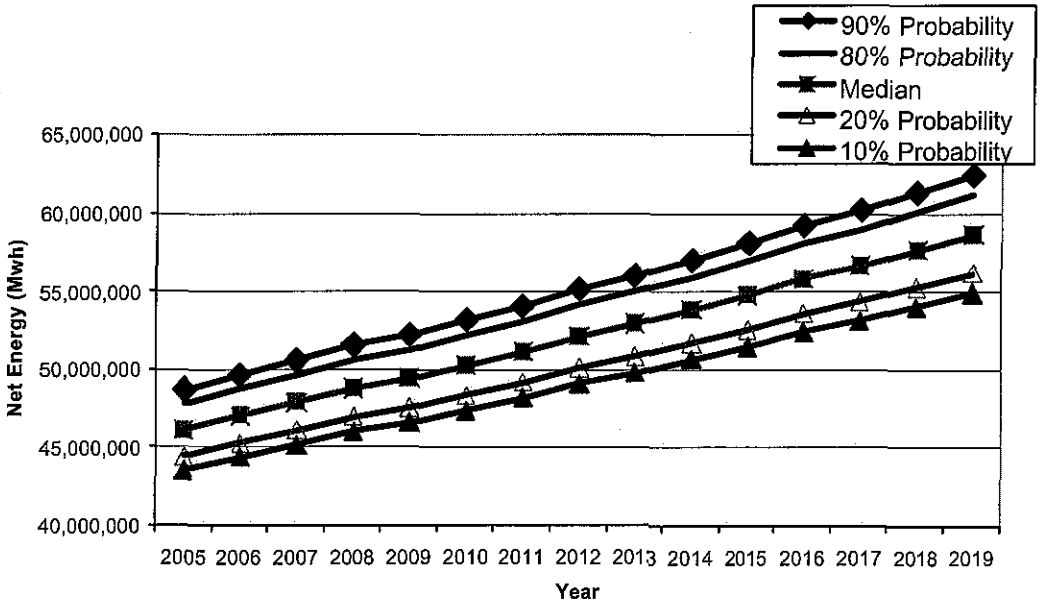
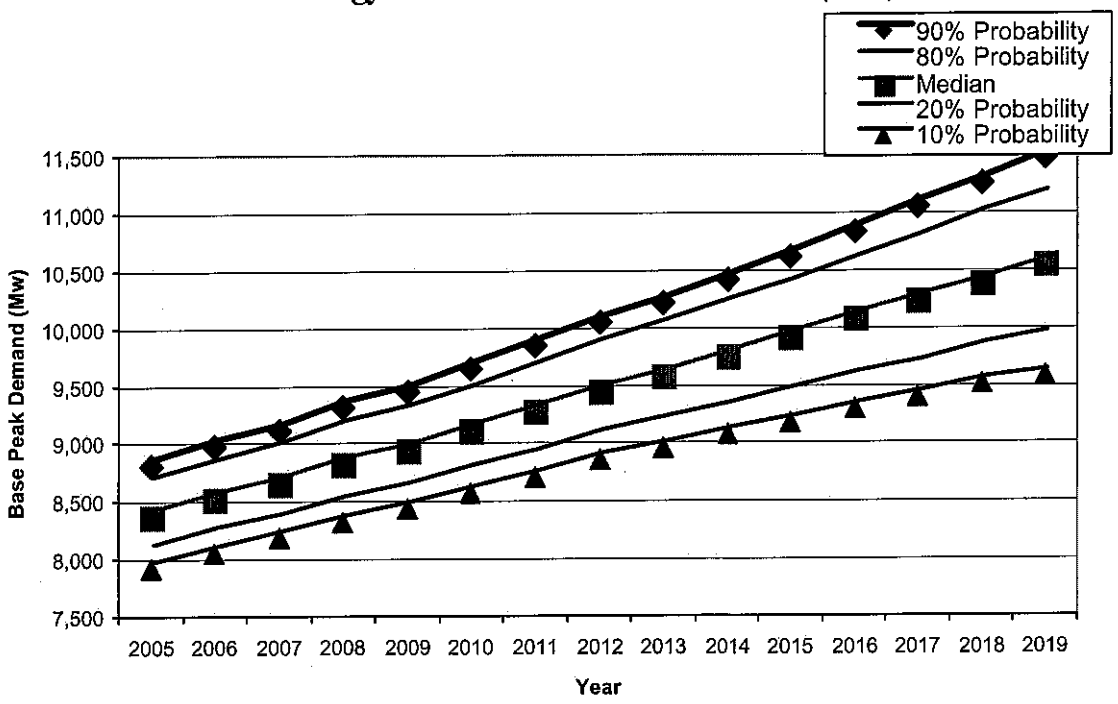
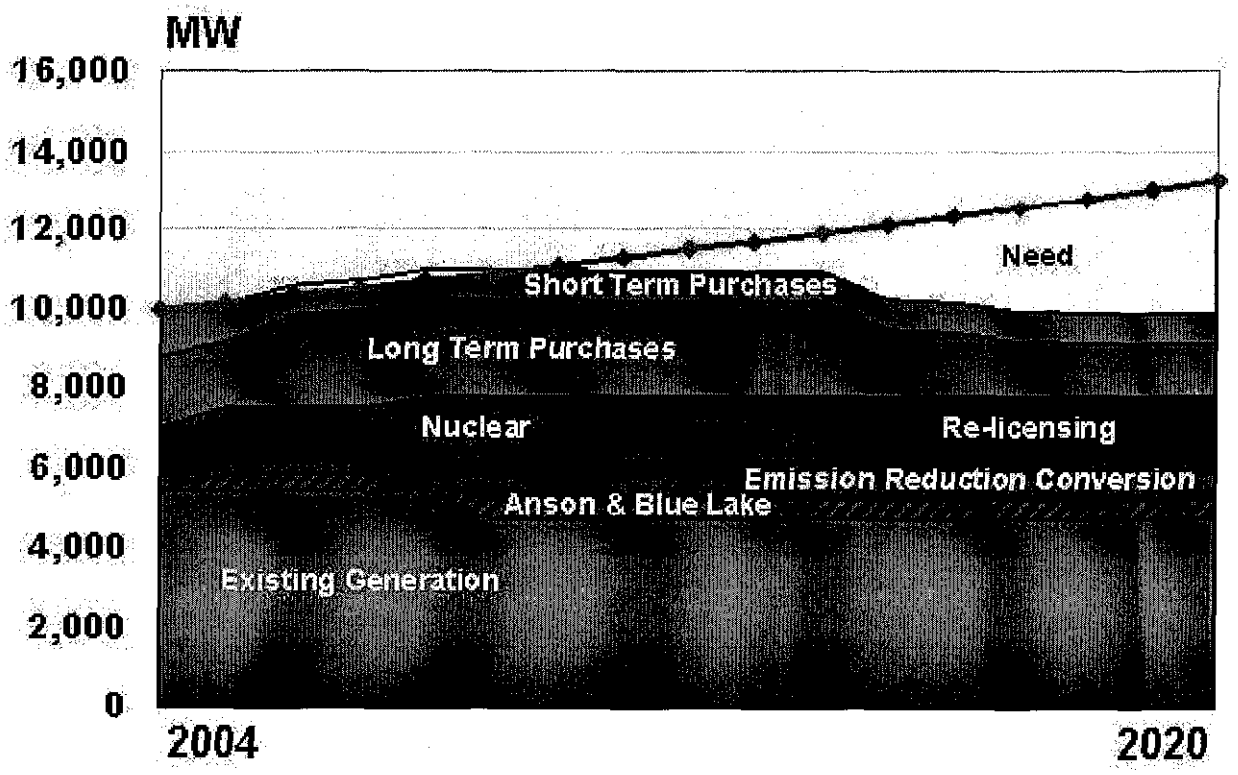


Figure 1-2
Xcel Energy Net Summer Peak Demand (Mw)



In addition, we compare the forecasted need to our current capabilities, identifying the overall resource need to be met over the planning horizon:

Figure 1-3
Requirements and Resources 2004-2019



We anticipate the need for additional generating resources starting in 2010, growing to 1,830 MWs by 2015 and 3,100 MWs by 2019.

Modeling and Preferred Plan

Sound analysis is critical to developing an appropriate Plan. In this chapter, we present our analytical methods and approach, identifying the various risks posed during the planning horizon and our comparative analyses to reflect them.

We began our modeling using a number of assumptions regarding the forecast, existing resources, renewable energy, and externalities. We then modeled a number of scenarios varying these assumptions to test sensitivities. Based on this analysis, we adopted the following Preferred Plan:

Table 1-4
Incremental Resource Additions
Preferred Plan – No Externalities
Capacity (MW)

	Base Load	Intermediate	Peaking	Wind (Nameplate/ Accredited)	DSM*	Annual Total**
2005						
2006					2	2
2007					14	14
2008					18	18
2009					15	15
2010					14	14
2011			272	80 / 11	13	365
2012			136	160 / 22	13	309
2013	375			80 / 11	13	468
2014				160 / 22	14	174
2015	750		136		19	905
2016			272	80 / 11	20	372
2017			408		20	428
2018			272		18	290
2019		213			16	229
Total	1,125	213	1,496	560 / 76	209	3,603

* DSM listed is in addition to currently ordered goals
** using nameplate wind

As discussed further in this chapter, the Present Value Revenue Requirements ("PVRR") of the Preferred Plan is slightly lower than the PVRR of our Reference Case:

Table 1-5 Preferred Plan 2004 Resource Plan – Study Timeframe 2004 – 2033 PVRR in 2004 $000,000 (millions of dollars)			
	No Externalities	Low Externalities	High Externalities
Reference Case	29,420	29,900	31,730
Preferred Plan	29,010	29,485	31,285

Base Load Need Assessment

Given the significant need for additional base load resources over the planning period, we undertook more extensive evaluation of both the need and alternative ways to meet that need. In this chapter, we discuss key issues associated with developing a Resource Plan from this analysis, including such considerations as the policy issues associated with coal.

Considering the unique characteristics of base load resources, we identified the following criteria to assess which type of resource appears best suited to meet our identified resource need:

- Reasonable Cost,
- Reliable,
- Environmental impacts,
- Flexible,
- Commercial operation, and
- Financial integrity.

We ran several scenarios that inserted various resources into the plan to meet the base load need. We considered traditional pulverized coal, no-coal scenarios,

renewables scenarios, and scenarios utilizing relatively new technologies such as IGCC. The resulting PVRRs of the scenarios are shown below:

Table 1-6
No Coal Study Results from Strategist
2004 Resource Plan – Study Timeframe 2004 – 2033
PVRR in 2004 $000,000 (millions of dollars)

	No Externalities	Low Externalities	High Externalities	High Sigma 1 Gas	High Sigma 2 Gas	Low Sigma 1 Gas
Reference Case	29,420	29,900	31,730	30,085	30,715	28,670
Preferred Plan	29,010	29,485	31,285			
No New Coal Case	29,540	30,010	31,740	30,580	31,810	28,670
Advanced CC	29,525			30,300		
IGCC	29,725	30,200	32,030			
50% Renewables – biomass,	30,460	30,930	32,695			
75% Renewables - biomass	32,770	33,220	34,825			

Our economic analysis shows that under today's conditions, the most economic base load option for Xcel Energy may be a pulverized coal plant. Because this preliminary conclusion is sensitive to a variety of issues, such as costs and environmental assumptions, it is important that we continue to evaluate possible viable alternatives.

Resource Acquisition

Xcel Energy has previously employed all-source competitive bidding to select and acquire new supply resources. The analysis required for this approach is complex and lengthy, and most recently resulted in difficulties acquiring resources given the

backdrop of significant market change. This chapter contains our proposal for a comprehensive, revised process for acquiring needed resources. Our proposal includes a targeted and streamlined bidding process for renewable and peaking/intermediate resources, and a multi-pronged process for developing base load resources. While we designed our proposal to be flexible and allow us to anticipate and address unexpected situations as they arise, we also propose a contingency plan to ensure we have the tools available to acquire resources – including Company-built generation – as needed to meet our obligation to serve.

The heart of our resource acquisition proposal is to use the resource plan as a tool to more closely identify the types of needs that the Company expects to have in the future, be they peaking, intermediate, renewable or base load. Specific, targeted Requests for Proposals ("RFPs") will be developed for peaking, intermediate and renewables needs, thus narrowing the focus of the bids and increasing the opportunities to achieve successful outcomes in a timely fashion.

For base load needs, Xcel Energy proposes a multi-pronged approach that will explore development by third parties, Xcel Energy-built projects, and the "innovative energy project" proposed by Excelsior Energy. We believe that, by evaluating a number of resources on parallel tracks, this approach will ensure that we are able to select the best base resource and bring it on line in time to meet customers' needs.

Xcel Energy also requires flexibility in its processes to meet contingencies when selected resources, despite everyone's best efforts, are unable to be developed or are delayed. We propose a contingency plan that preserves the ability to do whatever needed to meet our obligation to serve customers -- including constructing our own facilities -- subject to appropriate regulatory approvals.

Demand-Side Management

This chapter presents our analysis of the cost-effectiveness of additional DSM. While we have been meeting the goals established in our 2000 Resource Plan, our

updated analysis indicate that even more DSM is cost-effective and should be pursued. As a result of this analysis, we propose to increase our capacity reduction goals by 12% and our energy savings goals by more than 16% over the same time period reflected by the 2000 goals. To achieve these aggressive goals, we believe that we will need to modify our approach to delivering conservation programs. We have not yet fully determined the feasibility achieving these goals or developed an implementation plan, but we believe it appropriate to work to achieve these goals over the planning period.

Existing Fossil-Fuel Resources

Given the significant need for new resources identified by our Plan, it is critical to retain and maximize the value of our existing fleet. This chapter provides an overview of our existing fossil-fuel plants, discusses their reflection in our analysis, and provides information regarding our on-going evaluation of repowering. Our current expectation is that we will continue to operate all of our existing resources throughout the planning period. Some of these resources are good candidates for refurbishment or repowering. We will continue to evaluate these issues and will bring any proposals to the Commission as they become more fully developed. Our Minnesota Valley Plant in Granite Falls, Minnesota is the first potential candidate for repowering.

Nuclear Generation

Retaining the benefits of our nuclear fleet is a key component of our Plan. This chapter presents our analysis of the value of life extension of these facilities for our customers, assesses various replacement alternatives, and outlines our plan for pursuing relicensing by the Nuclear Regulatory Commission and additional storage capacity through a Certificate of Need filing with the MPUC.

Our analysis shows that relicensing our nuclear facilities and operating them for another 20 years results in nearly one billion dollars in savings to our customers over a 30 year period, even considering the need for additional investments to keep the facilities in top working condition and to provide additional spent nuclear fuel

storage. Our current Action Plan has us filing our Certificate of Need with the Commission and Relicensing Application with the NRC for Monticello in late 2004 and early 2005, and we will make similar filings for Prairie Island in 2008.

Renewable Energy

This Plan represented our first since the 2003 Minnesota Legislature adopted significant changes to the REO statute. While we are currently meeting the Objective, we need to acquire additional renewable resources in 2011 to continue to meet it over the planning period. This chapter discusses our analysis of the impact of meeting the REO and outlines various issues that will be important to determining its future application.

Our Plan contemplates the addition of 560 MWs of nameplate wind between 2011 and 2016. To formulate the costs for this scenario, we assumed that the Federal Production Tax Credit for wind would not be available after 2010, but that improvements in technology would reduce the cost of wind in 2010 and again in 2015.

By implementing the REO, Xcel Energy will achieve wind penetrations exceeding 16% of peak load. The recent Wind Integration Study, which examined some of the additional costs of wind for penetrations up to 15%, suggests that an adder of at least $5.00 should be included to reflect the additional costs wind imposes on the operating system. Xcel Energy is continuing this study by looking at the costs of even higher penetrations of wind on our system. When this analysis is complete, we will revisit our Plan. We remain committed to installing as many cost effective renewables on our system as possible while continuing to maintain the reliable operation of the system.

Environment

Environmental regulation significantly affects our industry, and possible changes would influence our resource selection. This chapter presents a status report on

environmental regulations and our compliance with various Commission Orders regarding environmental issues.

Transmission

Our experience in the bidding process highlights the critical influence transmission – or lack thereof – has on resource acquisition. This chapter provides an overview of current issues and activities related to the provision of transmission service.

Detailed transmission planning now takes place in the Minnesota Transmission Planning Process, which takes place every two years. In this Plan, we consider the development of new transmission to accommodate the additional generating resources included in the plan. Bringing transmission on line in time to serve new generation involves close coordination with the Midwest Independent System Operator ("MISO"), which performs the required studies and approves interconnection and transmission service.

In 2004 Xcel Energy embarked on a project with other transmission owners in the state to develop a vision for transmission infrastructure investments needed in Minnesota during the next 15 years. The companies are calling the effort Minnesota CAP-X 2020, short for Capital Expenditures by the year 2020. The CAP-X 2020 study will determine the projected transmission facilities needed to serve customer demand levels in 2020 in and around Minnesota from projected generation resources. It also will look at ways to relieve transmission congestion.

Compliance

This chapter provides a matrix listing of various requirements stemming from other proceedings that are addressed in this Plan. In addition, we provide the information required regarding our monitoring of Canada's Northern Flood Agreement ("NFA"), as required by the Commission's Order approving our power purchase agreement with Manitoba Hydro (Docket No. E002/M-99-888). We also provide information in compliance with the Commission's Order in the Buffalo Ridge transmission Certificate of Need proceeding, Docket No, E002/CN-01-1958

and certain nuclear requirements established by the 2003 Act. The Company is committed to fully complying with all requirements.

Finally, we include the discussion regarding the appropriate level of natural gas on our system that was required by the Commission in the withdrawal of our 2002 Resource Plan. Natural gas can bring great benefits to a utility's portfolio due to its lower capital costs and operating flexibility, particularly when used to meet peaking or intermediate needs. However, gas prices have recently risen nearly 15% and have become quite volatile. Xcel Energy's evaluation of natural gas on our system accounts for these factors. While we currently generate about five percent of our energy from natural gas, by 2015 we expect that amount to grow to about 10% – 15%. This amount is lower natural gas penetration than in other regions of the country. Nonetheless, Xcel Energy remains sensitive to Minnesota's particular relating to natural gas as a home heating fuel. We will continue to accurately reflect the natural gas situation in our models and keep the Commission updated as the gas situation changes in the future.

Conclusion

We face significant challenges in meeting our customers' projected needs over the planning horizon. We believe our experience of recent years is instructive in helping us craft new approaches to evaluating and meeting that need. Given the sizable amount of new resources required in this period, it is critical that we have an effective, flexible means of acquiring resources. It is likewise critical that we maximize the value of existing resources -- including our nuclear fleet -- and that we aggressively pursue appropriate investments in DSM and renewables.

Our Plan outlines a comprehensive approach to addressing these issues. We believe we have struck an appropriate balance among competing considerations. We welcome consideration of our Plan, and look forward to dialogue with stakeholders.