



600 S. Tyler
Amarillo, Texas 79101

January 30, 2014

Urenco USA
Attn: Russell Williams
P.O. Box 1789
Eunice, New Mexico 88231

Delivered via e-mail: Russell.Williams@urencocom

Dear Russell,

The purpose of this letter is to inform you of internal progress and steps that Xcel Energy is taking related to the possible expansion of your facility. The information below will address: (1) electric transmission grid expansion; and (2) electric generation expansion.

Transmission Expansion

First, recall that an electric transmission study dated August 10, 2012 was completed for Urenco that contemplates the expansion that is currently underway at your plant. This study was the basis for the agreement currently in place that allows your plant to increase load to a total of 32 MW. The substation expansion that involves work from both of our companies is currently underway. The significant work on Urenco's part is the addition of the "Transformer C" that is owned by Urenco. As far as Xcel Energy is concerned, Urenco's load growth is underway and you anticipate the load to grow over the next few years reaching the 32 MW after 2020.

Regarding an increase in load beyond the 32 MW mentioned above, there is a formal process that must be followed regarding transmission expansion. As you may know, Southwestern Public Service Company (SPS), an operating company owned by Xcel Energy, is the provider of power and transmission connections to your facility. A few years ago, SPS placed its retail transmission loads under the administration of the Southwest Power Pool (SPP), a FERC approved regional Transmission Operator. As part of that control, SPS must follow the FERC approved SPP Open Access tariff, which has prescriptive requirements on delivery point modifications of facilities, like Urenco, that are connected to the transmission system.

Your request for additional load serving transmission capacity has been provided to the SPP as part of their tariff requirements under Attachment AQ of that tariff. This attachment requires any modification, deletion, or increase in load above reasonably forecasted load trends be studied for impacts to the transmission system before the load can be added. SPP has assigned the study number of DPA-2014-Jan-374 to this request and expects an initial assessment (screening study) on or before February 20, 2014.

After receipt of SPP's initial study, the request will be studied by SPS's internal planning personnel (separately from SPP) and the results should be completed shortly (targeted at less than 60 days) following SPP's initial assessment. It should be noted that complex studies can take more time. However, SPS does not anticipate any unusual issues in serving Urenco's request for an additional 22.5 MVA of electric service.

In Southeastern New Mexico our load growth has been exceptionally rapid and there are many transmission upgrades anticipated to serve a variety of large loads in the area. SPS's facilities are changing daily and many upgrades are being done to support the rapid load. It should be noted that these upgrades are being done with or without Urenco's additional load. To put it in perspective, Urenco's possible load growth of 22.5 MVA is less than 3% of the total load growth anticipated in that region over the next 10 years.

One of the transmission upgrades that is currently in our capital budget is the addition of a 230/115 kV substation called Andrews County Substation. This new facility will be within 2-3 miles of the 115 kV substation at Urenco, and a new 115 kV line will connect the two substations. This new 230 kV / 115 kV source will be fed by a 230 kV line from the Hobbs Plant Substation approximately 25 miles north of your facility. The addition of this strong source, which is connected to Hobbs Plant, Cunningham Plant, and Maddox Plant, will provide additional strength to the service to your facility and to the surrounding rapidly growing area. Current completion date is between fall 2015 and spring 2016. This project was already planned before your request was considered, but it will definitely add strength and capacity to the transmission facilities serving your plant. Obviously this transmission expansion is going to take place regardless of Urenco's expansion. Therefore the addition of this strong transmission source to the Urenco substation has no environmental impact attributable to Urenco's possible expansion.

Regarding the substation itself, the substation transformers at the Urenco facility are owned by Urenco, so any expansion of that substation would need to be studied and engineered jointly. Urenco would bear the cost of any non-network upgrades by SPS at the substation.

Generation Expansion

SPS operates a generation fleet with a total capacity of approximately 5,000 MW. Beginning in March 2014, this fleet will be jointly dispatched along with generation resources of approximately 50,000 MW from across the SPP footprint. Generation expansion considers load forecasts from all across the system including the Lea / Eddy County region mentioned above. The possible addition of 22.5 MVA of load by Urenco after 2023 is a very small part of the total mix of loads and is negligible in the overall scheme of generation planning. Thus there would be no measurable environmental impact of an expansion by Urenco related to generation expansion.

Conclusion

SPS can serve the possible load expansion being considered by Urenco. Not only do we desire to do so, we and the SPP are required to plan and provide service under state law and NMPRC tariffs. Nevertheless a formal study, as required by the SPP OATT Attachment AQ, must be completed before we know exactly what transmission upgrades are needed. However, we do not foresee any environmental impact that would be directly attributable to an expansion by Urenco.

Please feel free to contact us with any questions you have. Thank you for your consideration, and thank you for your business.

Sincerely,

A handwritten signature in black ink that reads "Seth Thomason". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Seth Thomason
Director, Business Customer Relations