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On Feb. 11, 2011, the parties reached an unopposed settlement to resolve all issues in the case. Effective Feb. 16, 2011 base rates increased by \$39.4 million, of which \$16.9 is associated with the transfer of two riders, the TCRF and Power Cost Recovery Factor into base rates and a \$22.5 million traditional base rate increase. In addition, SPS is allowed to defer up to \$2.3 million of pension and benefit costs and \$1.6 million of renewable energy credits that had been included in SPS' base rate request.

Effective Jan. 1, 2012, the settlement provides for SPS to increase base rates by \$13.1 million and allows SPS to seek an energy efficiency cost recovery factor rider for \$2.9 million that if approved would result in an effective rate increase of \$16.0 million. SPS plans to make its filing for the rider by May 1, 2011 pursuant to a recent PUCT order. In addition, SPS is allowed to track and defer up to \$4.3 million of pension and benefit costs above the test year levels as well as \$1.6 million of renewable energy credits, as described above.

SPS agreed not to file another rate case until Sept. 15, 2012. In addition, SPS cannot file a TCRF until 2013, and if SPS files a TCRF application before the effective date of rates in its next rate case, it must reduce the calculated TCRF revenue requirement by \$12.2 million.

Interim rates became effective on Feb. 16, 2011, subject to refund pending PUCT approval of the settlement. PUCT approval of the settlement would result in no refund of interim rates. The PUCT is expected to consider the final order during the first half of 2011.

Pending and Recently Concluded Regulatory Proceedings — FERC

Wholesale Rate Complaints — In November 2004, Golden Spread Electric, Lyntegar Electric, Farmer's Electric, Lea County Electric, Central Valley Electric and Roosevelt County Electric, all wholesale cooperative customers of SPS, filed a rate complaint with the FERC alleging that SPS' rates for wholesale service were excessive and that SPS had incorrectly calculated monthly fuel cost adjustment charges to such customers (the complaint). Cap Rock, another full-requirements customer of SPS, Public Service Company of New Mexico (PNM) and Occidental Permian Ltd. and Occidental Power Marketing, L.P. (Occidental), SPS' largest retail customer, intervened in the proceeding.

In April 2008, the FERC issued its order on the complaint applied to the remaining non-settling parties. In July 2008, SPS submitted its compliance report to the FERC and calculated the base rate refund for the 18-month period to be \$6.1 million and the fuel refund to be \$4.4 million. Several wholesale customers protested these calculations. The status of various settlements and the applicable regulatory approvals are discussed below. At this time, PNM, which filed a separate complaint, is the only party that has not settled. As of Dec. 31, 2010, SPS has accrued an amount it believes is sufficient to cover the estimated refund obligation related to the PNM complaint.

Golden Spread Complaint Settlement — SPS reached a settlement with Golden Spread (which included Lyntegar Electric) and Occidental in December 2007 regarding base rate and fuel issues raised in the complaint described above as well as a subsequent rate proceeding. The FERC approved the settlement in April 2008. The PUCT and NMPRC approvals were obtained in the first quarter of 2010 eliminating the potential contingent payments by SPS resulting from an adverse cost assignment decision or a failure to obtain state approvals.

New Mexico Cooperatives' Complaint Settlement — In June 2010, the FERC approved the settlement with Farmers' Electric Cooperative of New Mexico, Lea County Electric Cooperative, Central Valley Electric Cooperative and Roosevelt County Electric Cooperative, and Occidental. The settlement resolves all issues arising from the complaint docket and implements a replacement contract with a formula production rate at 10.5 percent ROE and extended the term of its requirements sale to the four wholesale customers.

The four wholesale customers must reduce their power purchases by 90 to 100 MW in 2012, and implement staged reductions in system average cost power purchases through the term of the agreement, which terminates in May 2026. The settlement made the replacement contract contingent on certain state approvals, which were obtained by SPS. In the event that all state regulatory approvals had not been received, the settlement included a one time contingent payment of \$12 million by SPS to these wholesale customers.

These wholesale customers agreed to hold SPS harmless from any future adverse regulatory treatment regarding the proposed wholesale power sale. As a result of the FERC approval of the settlement and resolution of the complaint with the New Mexico cooperatives, SPS released previously established reserves of \$11.5 million in the second quarter of 2010.

The New Mexico parties and NMPRC staff filed a stipulation to resolve the NMPRC proceeding. The NMPRC issued a final order approving the stipulation in August 2010. The PUCT approved the settlement replacement arrangement in September 2010.

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Cap Rock Complaint Settlement — In July 2010, SPS and Cap Rock filed a settlement agreement with the FERC. Cap Rock agrees that its production base rates will be converted to a formula rate design. In December 2010, the FERC approved the settlement. Pursuant to the settlement, SPS released previously established reserves of \$3.3 million in the fourth quarter of 2010 and paid Cap Rock \$1 million.

12. Commitments and Contingent Liabilities

Capital Commitments — As of Dec. 31, 2010, the estimated cost of capital expenditure programs of SPS is approximately \$300 million in 2011, \$280 million in 2012 and \$450 million in 2013.

The capital expenditure programs of SPS are subject to continuing review and modification. Actual utility construction expenditures may vary from the estimates due to changes in projected electric load growth, regulatory decisions, legislative initiatives, reserve margins, the availability of purchased power, alternative plans for meeting SPS' long-term energy needs, compliance with future requirements and RPS to install emission-control equipment and merger, acquisition and divestiture opportunities to support corporate strategies may impact actual capital requirements.

Fuel Contracts — SPS has contracts providing for the purchase and delivery of a significant portion of its current coal and natural gas requirements. These contracts expire in various years between 2011 and 2033. SPS may be required to pay additional amounts depending on actual quantities shipped under these agreements. The potential risk of loss, in the form of increased costs from market price changes in fuel, is mitigated through the cost-rate adjustment mechanisms, which provide for pass-through of most fuel, storage and transportation costs to customers.

The estimated minimum purchases for SPS under these contracts as of Dec. 31, 2010, is as follows:

<u>(Millions of Dollars)</u>	
Coal	\$ 785.1
Natural gas supply	27.8
Natural gas storage and transportation	233.4

Purchased Power Agreements — SPS has entered into agreements with other utilities and energy suppliers for purchased power to meet system load and energy requirements, replace generation from company-owned units under maintenance or during outages, and meet operating reserve obligations.

SPS has various pay-for-performance contracts with expiration dates through the year 2033. In general, these contracts provide for energy payments based on actual power taken under the contracts as well as capacity payments. Capacity payments are typically contingent on the independent power producing entity meeting certain contract obligations, including plant availability requirements. Certain contractual payments are adjusted based on market indices; however, the effects of price adjustments are mitigated through purchased energy cost recovery mechanisms.

Included in electric fuel and purchased power expenses for purchase power agreements accounted for as executory contracts were payments for capacity of \$42.0 million, \$44.3 million, and \$45.1 million in 2010, 2009 and 2008, respectively. At Dec. 31, 2010, the estimated future payments for capacity that SPS was obligated to purchase, subject to availability, are as follows:

<u>(Millions of Dollars)</u>	
2011	\$ 38.2
2012	36.9
2013	37.6
2014	38.3
2015	39.1
2016 and thereafter	194.8
Total	<u>\$ 384.9</u>

Leases — SPS leases a variety of equipment and facilities used in the normal course of business, which are accounted for as operating leases. Total expenses under operating lease obligations was approximately \$56.6 million, \$54.6 million and \$18.6 million for 2010, 2009 and 2008, respectively. These expenses include payments for capacity recorded to electric fuel and purchased power expenses for purchase power agreements accounted for as operating leases of \$52.8 million, \$50.3 million and \$14.2 million in 2010, 2009 and 2008, respectively.

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Included in the future commitments under operating leases are estimated future payments under purchase power agreements that have been accounted for as operating leases in accordance with the applicable guidance. Future commitments under operating leases are:

(Millions of Dollars)	Other Operating Leases	Purchased Power Agreement Operating Leases ^{(a) (b)}	Total Operating Leases
2011.....	\$ 3.0	\$ 50.2	\$ 53.2
2012.....	2.6	48.3	50.9
2013.....	2.4	44.4	46.8
2014.....	2.4	44.5	46.9
2015.....	2.5	44.4	46.9
Thereafter.....	14.3	788.4	802.7

^(a) Amounts not included in purchase power agreement estimated future payments above.

^(b) Purchase power agreement operating leases contractually expire through 2033.

Variable Interest Entities — Effective Jan. 1, 2010, SPS adopted new guidance on consolidation of variable interest entities. The guidance requires enterprises to consider the activities that most significantly impact an entity's financial performance, and power to direct those activities, when determining whether an entity is a variable interest entity and whether an enterprise is a variable interest entity's primary beneficiary.

Purchased Power Agreements — SPS purchases power from independent power producing entities that own natural gas fueled power plants. Under certain purchased power agreements with these entities, SPS is required to reimburse natural gas fuel costs, or to participate in tolling arrangements under which SPS procures the natural gas required to produce the energy that SPS purchases. These specific purchased power agreements have been determined by SPS to create variable interests in the independent power producing entities; therefore, certain independent power producing entities are variable interest entities.

SPS is not subject to risk of loss from the operations of these entities, and no significant financial support has been, or is in the future required to be provided other than contractual payments for energy and capacity set forth in purchased power agreements.

SPS has evaluated each of these variable interest entities for possible consolidation, including review of qualitative factors such as the length and terms of the contract, control over O&M, historical and estimated future fuel and electricity prices, and financing activities. SPS has concluded that these entities are not required to be consolidated in its financial statements because it does not have the power to direct the activities that most significantly impact the entities' economic performance. As of Dec. 31, 2010 and Dec. 31, 2009, SPS had approximately 1,027 MW of capacity under long-term purchased power agreements with entities that have been determined to be variable interest entities.

Fuel Contracts — SPS purchases all of its coal requirements for its Harrington and Tolk electric generating stations from TUCO under contracts for those facilities that expire in 2016 and 2017, respectively. TUCO arranges for the purchase, receiving, transporting, unloading, handling, crushing, weighing, and delivery of coal to meet SPS' requirements. TUCO is responsible for negotiating and administering contracts with coal suppliers, transporters and handlers.

No significant financial support has been, or is in the future, required to be provided to TUCO by SPS, other than contractual payments for delivered coal. However, the fuel contracts have been determined to create a variable interest in TUCO due to SPS' reimbursement of certain fuel procurement costs, and therefore TUCO is a variable interest entity. SPS has concluded that it is not the primary beneficiary of TUCO because SPS does not have the power to direct the activities that most significantly impact TUCO's economic performance.

Environmental Contingencies

SPS has been, or is currently, involved with the cleanup of contamination from certain hazardous substances at several sites. In many situations, SPS believes it will recover some portion of these costs through insurance claims. Additionally, where applicable, SPS is pursuing, or intends to pursue, recovery from other PRPs and through the rate regulatory process. New and changing federal and state environmental mandates can also create added financial liabilities for SPS, which are normally recovered through the rate regulatory process. To the extent any costs are not recovered through the options listed above, SPS would be required to recognize an expense.

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Site Remediation — The Comprehensive Environmental Response, Compensation and Liability Act of 1980 and comparable state laws impose liability, without regarding the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances to the environment. SPS must pay all or a portion of the cost to remediate sites where past activities of SPS or other parties have caused environmental contamination. Environmental contingencies could arise from various situations, including third party sites, to which SPS is alleged to be a PRP that sent hazardous materials and wastes. At Dec. 31, 2010 and Dec. 31, 2009, the liability for the cost of remediating these sites was estimated to be \$0.1 million.

Asbestos Removal — Some of SPS' facilities contain asbestos. Most asbestos will remain undisturbed until the facilities that contain it are demolished or removed. SPS has recorded an estimate for final removal of the asbestos as an ARO. See additional discussion of AROs below. It may be necessary to remove some asbestos to perform maintenance or make improvements to other equipment. The cost of removing asbestos as part of other work is immaterial and is recorded as incurred as operating expenses for maintenance projects, capital expenditures for construction projects or removal costs for demolition projects.

Other Environmental Requirements

EPA GHG Endangerment Rulemaking — In December 2009, the EPA issued its "endangerment" finding that GHG emissions endanger public health and welfare and that emissions from motor vehicles contribute to the GHGs in the atmosphere. The EPA has promulgated permit requirements for GHGs for large new and modified stationary sources, such as power plants. These regulations became applicable in 2011. In December 2010, the EPA announced a settlement with several states and environmental groups to begin preparing regulations of emissions from both new and existing steam electric generating units, such as coal-fired power plants, under Section 111 of the CAA. The EPA plans to propose these regulations in July 2011 and finalize them in the first half of 2012.

CAIR — In 2005, the EPA issued the CAIR to further regulate SO₂ and NO_x emissions. The objective of CAIR is to cap emissions of SO₂ and NO_x in the eastern United States, including Texas. In 2008, the U.S. Court of Appeals for the District of Columbia vacated and remanded CAIR.

In July 2010, the EPA issued the proposed CATR, which would replace CAIR by requiring SO₂ and NO_x reductions in 31 states and the District of Columbia. The EPA is proposing to reduce these emissions through federal implementation plans for each affected state. The EPA's preferred approach would set emission limits for each state and allow limited interstate emissions trading. As proposed, CATR will impact operations in Texas in the form of ozone season NO_x emission allowances. SPS is analyzing the proposed rule to determine whether emission reductions are needed from facilities. Until CATR becomes final, SPS will continue activities to support CAIR compliance.

Under CAIR's cap and trade structure, SPS can comply through capital investments in emission controls or purchase of emission allowances from other utilities making reductions on their systems. The remaining scheduled capital investments for NO_x controls in the SPS region are estimated at \$16.4 million. For 2010, the NO_x allowance compliance costs were \$0.5 million. Annual purchases of SO₂ allowances are estimated to be up to \$4.5 million each year, beginning in 2013, for phase I. If CATR is implemented as proposed then no SO₂ allowances would be purchased since CATR replaces CAIR. SPS believes the cost of any required capital investment or allowance purchases will be recoverable from customers in rates.

CAMR — In 2005, the EPA issued the CAMR, which regulated mercury emissions from power plants. The TCEQ adopted by reference the EPA model program. In February 2008, the U.S. Court of Appeals for the District of Columbia vacated the CAMR, which impacted federal CAMR requirements, but not necessarily state-only mercury legislation and rules. The EPA has agreed to finalize Maximum Achievable Control Technology emission standards for all hazardous air pollutants from electric utility steam generating units by November 2011 to replace the CAMR. SPS anticipates that the EPA will require affected facilities to demonstrate compliance within three to five years. Costs associated with such requirements are uncertain at this time. At this time, Texas has not adopted any state-only mercury requirements.

Regional Haze Rules — In 2005, the EPA finalized amendments its regional haze rules, including provisions that require the installation and operation of emission controls, known as BART, for industrial facilities emitting air pollutants that reduce visibility in certain national parks and wilderness areas throughout the United States. Some of SPS' generating facilities will be subject to BART requirements. Some of these facilities are located in regions where CAIR is currently effective. The TCEQ had determined that facilities may use CAIR as a substitute for BART for NO_x and SO₂.

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Proposed Coal Ash Regulation — Xcel Energy's operations generate hazardous wastes that are subject to the Federal Resource Recovery and Conservation Act and comparable state laws that impose detailed requirements for handling, storage, treatment and disposal of hazardous waste. In June 2010, the EPA published a proposed rule seeking comment on whether to regulate coal combustion byproducts (often referred to as coal ash) as hazardous or nonhazardous waste. Coal ash is currently exempt from hazardous waste regulation. If the EPA ultimately issues a final rule under which coal ash is regulated as hazardous waste, Xcel Energy's costs associated with the management and disposal of coal ash would significantly increase, and the beneficial reuse of coal ash would be negatively impacted. Xcel Energy submitted comments to the EPA on Nov. 19, 2010 indicating its support of the development of regulations to manage coal ash as a nonhazardous waste. The timing, scope and potential cost of any final rule that might be implemented are not determinable at this time.

Cunningham Compliance Order — In February 2010, SPS received a draft compliance order from the NMED for Cunningham Station. In the draft order, NMED alleges that Cunningham exceeded its permit limits for NOx and failed to report these exceedances as required by its permit. In September 2010, the NMED issued a final compliance order, that contained a penalty of \$7.6 million. SPS requested an administrative hearing to contest the order. The administrative hearing has been scheduled for April 2011.

Asset Retirement Obligations

SPS records future plant removal obligations as a liability at fair value with a corresponding increase to the carrying values of the related long-lived assets in accordance with the applicable guidance. This liability will be increased over time by applying the interest method of accretion to the liability and the capitalized costs will be depreciated over the useful life of the related long-lived assets. The recording of the obligation for regulated operations has no income statement impact due to the deferral of the adjustments through the establishment of a regulatory asset.

Recorded ARO — AROs have been recorded for steam production and electric transmission and distribution. The steam production obligation includes asbestos and ash containment facilities. The asbestos recognition associated with the steam production includes certain plants at SPS. Generally, this asbestos abatement removal obligation originated in 1973 with the CAA applied to the demolition of buildings or removal of equipment containing asbestos that can become airborne on removal. AROs also have been recorded for SPS steam production related to ash-containment facilities such as bottom ash ponds, evaporation ponds and solid waste landfills. The origination date on the ARO recognition for ash-containment facilities at steam plants was the in-service date of various facilities.

An ARO was recognized for the removal of electric transmission and distribution equipment at SPS. The electric transmission and distribution ARO consists of many small potential obligations associated with PCBs, mineral oil, storage tanks, treated poles, lithium batteries, mercury and street lighting lamps. These electric assets have many in-service dates for which it is difficult to assign the obligation to a particular year. Therefore, the obligation was measured using an average service life.

A reconciliation of the beginning and ending aggregate carrying amounts of SPS' AROs is shown in the table below for the 12 months ended Dec. 31, 2010 and Dec. 31, 2009:

(Thousands of Dollars)	Beginning Balance Jan. 1, 2010	Accretion	Revisions to Prior Estimates	Ending Balance Dec. 31, 2010 ^(a)
Steam production asbestos	\$ 18,596	\$ 1,272	\$ 92	\$ 19,960
Steam production ash containment	417	20	(92)	345
Electric transmission and distribution	(256)	(4)	1,086	826
Total liability	\$ 18,757	\$ 1,288	\$ 1,086	\$ 21,131

^(a) There were no ARO liabilities recorded or liabilities settled during the 12 months ended Dec. 31, 2010 or Dec. 31, 2009.

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SPS revised ash-containment facilities, steam production and electric transmission and distribution asset retirement obligations due to revised estimates and end of life dates.

(Thousands of Dollars)	Beginning Balance Jan. 1, 2009	Accretion	Revisions to Prior Estimates	Ending Balance Dec. 31, 2009 ^(a)
Steam production asbestos.....	\$ 17,498	\$ 1,190	\$ (92)	\$ 18,596
Steam production ash containment.....	392	25	-	417
Electric transmission and distribution...	13	1	(270)	(256)
Total liability.....	<u>\$ 17,903</u>	<u>\$ 1,216</u>	<u>\$ (362)</u>	<u>\$ 18,757</u>

^(a) There were no ARO liabilities recorded or liabilities settled during the 12 months ended Dec. 31, 2010 or Dec. 31, 2009.

SPS revised ash-containment facilities and electric transmission and distribution asset retirement obligations due to revised estimates and end of life dates.

Removal Costs — SPS records a regulatory liability for plant removal costs for generation, transmission and distribution facilities. Generally, the accrual of future non-ARO removal obligations is not required. However, long-standing ratemaking practices approved by applicable state and federal regulatory commissions have allowed provisions for such costs in historical depreciation rates. These removal costs have accumulated over a number of years based on varying rates as authorized by the appropriate regulatory entities. Given the long periods over which the amounts were accrued and the changing of rates through time, SPS has estimated the amount of removal costs accumulated through historic depreciation expense based on current factors used in the existing depreciation rates. Accordingly, the recorded amounts of estimated future removal costs are considered regulatory liabilities. Removal costs as of Dec. 31, 2010 and Dec. 31, 2009, were \$88 million and \$93 million, respectively.

Legal Contingencies

Lawsuits and claims arise in the normal course of business. Management, after consultation with legal counsel, has recorded an estimate of the probable cost of settlement or other disposition of them. The ultimate outcome of these matters cannot presently be determined. Accordingly, the ultimate resolution of these matters could have a material adverse effect on SPS' financial position and results of operations.

Environmental Litigation

State of Connecticut vs. Xcel Energy Inc. et al. — In 2004, the attorneys general of eight states and New York City, as well as several environmental groups, filed lawsuits in U.S. District Court in the Southern District of New York against five utilities, including Xcel Energy, the parent company of SPS, to force reductions in CO₂ emissions. The other utilities include American Electric Power Co., Southern Co., Cinergy Corp. (merged into Duke Energy Corporation) and Tennessee Valley Authority. The lawsuits allege that CO₂ emitted by each company is a public nuisance. The lawsuits do not demand monetary damages. Instead, the lawsuits ask the court to order each utility to cap and reduce its CO₂ emissions. In September 2005, the court granted plaintiffs' motion to dismiss on constitutional grounds. In August 2010, this decision was reversed by the Second Circuit and is currently on appeal before the United States Supreme Court. Oral arguments will be presented to the Supreme Court on April 19, 2011 and a decision is expected in the summer of 2011.

Comer vs. Xcel Energy Inc. et al. — In 2006, Xcel Energy, the parent company of SPS, received notice of a purported class action lawsuit filed in U.S. District Court in the Southern District of Mississippi. The lawsuit names more than 45 oil, chemical and utility companies, including Xcel Energy, as defendants and alleges that defendants' CO₂ emissions "were a proximate and direct cause of the increase in the destructive capacity of Hurricane Katrina." Plaintiffs allege negligence and public and private nuisance and seek damages related to the loss resulting from the hurricane. Xcel Energy believes this lawsuit is without merit. In August 2007, the court dismissed the lawsuit in its entirety against all defendants on constitutional grounds. Plaintiffs' subsequent appeals of this decision were unsuccessful, rendering the District Court's dismissal the final determination.

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Native Village of Kivalina vs. Xcel Energy Inc. et al. — In 2008, the City and Native Village of Kivalina, Alaska, filed a lawsuit in U.S. District Court for the Northern District of California against Xcel Energy, the parent company of SPS, and 23 other utilities, oil, gas and coal companies. Plaintiffs claim that defendants' emission of CO₂ and other GHGs contribute to global warming, which is harming their village. Xcel Energy believes the claims asserted in this lawsuit are without merit and joined with other utility defendants in filing a motion to dismiss on in June 2008. In October 2009, the U.S. District Court dismissed the lawsuit on constitutional grounds. In November 2009, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. It is unknown when the Ninth Circuit will render a final opinion. The amount of damages claimed by plaintiffs is unknown, but likely includes the cost of relocating the village of Kivalina. Plaintiffs alleged relocation is estimated to cost between \$95 million to \$400 million. No accrual has been recorded for this matter.

Employment, Tort and Commercial Litigation

John Deere Wind Complaint — Presently, three lawsuits have been filed by John Deere Wind Energy subsidiaries (JD Wind) arising out of a dispute concerning SPS' payments for energy produced from JD Wind projects. The first lawsuit was filed in June 2009 in Texas state district court against the PUCT. In this lawsuit JD Wind filed a petition seeking review of a May 2009 PUCT order denying JD Wind's request for relief against SPS. The PUCT has denied all allegations contained in this petition. It is uncertain when this lawsuit will be concluded.

A second lawsuit was filed in December 2009 by JD Wind against the PUCT in U.S. district court. This lawsuit was filed shortly after a declaratory order issued by FERC stated that the PUCT's May 2009 order (approving SPS' payments to JD Wind) is not consistent with FERC's regulations. In this lawsuit JD Wind seeks declaratory and injunctive relief against the PUCT. The U.S. District Court issued an order preventing this lawsuit from proceeding pending the outcome of the state court proceeding against the PUCT.

In January 2010 a third lawsuit was filed by JD Wind against SPS in Texas state district court related to payments made by SPS for energy produced from the JD Wind projects. This lawsuit seeks unspecified damages against SPS. It is uncertain when this lawsuit will conclude. No accrual has been recorded for this lawsuit nor is it expected that this proceeding will have a material adverse effect upon SPS' financial statements.

13. Regulatory Assets and Liabilities

SPS' financial statements are prepared in accordance with the applicable industry accounting guidance, as discussed in Note 1 to the financial statements. Under this guidance, regulatory assets and liabilities can be created for amounts that regulators may allow to be collected, or may require to be paid back to customers in future electric rates. Any portion of the business that is not rate regulated cannot establish regulatory assets and liabilities. If changes in the utility industry or the business of SPS no longer allow for the application of regulatory accounting guidance under GAAP, SPS would be required to recognize the write-off of regulatory assets and liabilities in its statement of income.

The components of regulatory assets and liabilities shown on the balance sheets of SPS at Dec. 31, 2010 and Dec. 31, 2009 are:

(Thousands of Dollars)	See Note	Remaining Amortization Period	Dec. 31, 2010		Dec. 31, 2009	
			Current	Noncurrent	Current	Noncurrent
Regulatory Assets						
Recoverable electric energy costs	1	Less than one year	\$ 1,672	\$ -	\$ 1,159	\$ -
Pension and employee benefit obligations ^(a)	7	Various	9,407	203,513	6,789	196,181
AFUDC recorded in plant ^(b)	1	Plant lives	-	23,673	-	23,035
Net AROs ^(d)	12	Plant lives	-	18,882	-	17,496
Conservation programs ^(b)	1	One to ten years	5,201	12,371	673	14,524
Losses on reacquired debt	1	Term of related debt	1,249	7,092	1,308	8,341
Renewable and environmental initiative costs	12	One to four years	2,046	5,719	2,150	1,822
Deferred income tax adjustment	1	Typically plant lives	-	7,123	-	7,861
Other		Various	1,972	4,834	4,397	2,157
Total regulatory assets			<u>\$ 21,547</u>	<u>\$ 283,207</u>	<u>\$ 16,476</u>	<u>\$ 271,417</u>

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(Thousands of Dollars)	See Note	Remaining Amortization Period	Dec. 31, 2010		Dec. 31, 2009	
			Current	Noncurrent	Current	Noncurrent
			Regulatory Liabilities			
Deferred electric energy costs	1		\$ 44,588	\$ -	\$ 59,783	\$ -
Plant removal costs	12		-	88,224	-	93,426
Contract valuation adjustments ^(c)	9		4,291	19,743	5,338	18,970
Gain from asset sales	17	Pending rate case	4,281	18,792	-	-
Other			37	8,193	-	1,346
Total regulatory liabilities			<u>\$ 53,197</u>	<u>\$ 134,952</u>	<u>\$ 65,121</u>	<u>\$ 113,742</u>

^(a) Includes the non-qualified pension plan.

^(b) Earns a return on investment in the ratemaking process. These amounts are amortized consistent with recovery in rates.

^(c) Includes the fair value of certain long-term PPAs used to meet energy capacity requirements.

^(d) Includes amounts recorded for future recovery of AROs.

14. Segments and Related Information

SPS has only one reportable segment. SPS is a wholly owned subsidiary of Xcel Energy and operates in the regulated electric utility industry providing wholesale and retail electric service in the states of Texas and New Mexico. Revenues from external customers were \$1,613.0 million, \$1,459.2 million and \$1,992.8 million for the years ended Dec. 31, 2010, 2009 and 2008, respectively.

Operating results from the regulated electric utility segment serve as the primary basis for the chief operating decision maker to evaluate the performance of SPS.

15. Related Party Transactions

Xcel Energy Services Inc. provides management, administrative and other services for the subsidiaries of Xcel Energy, including SPS. The services are provided and billed to each subsidiary in accordance with Service Agreements executed by each subsidiary. Costs are charged directly to the subsidiary which uses the service whenever possible and are allocated if they cannot be directly assigned.

Xcel Energy has established a utility money pool arrangement with the utility subsidiaries. See Note 4 for further discussion of this borrowing arrangement.

The table below contains significant affiliate transactions among the companies and related parties for the years ended Dec. 31:

(Thousands of Dollars)	2010	2009	2008
Operating revenues:			
Electric	\$ 6,805	\$ 5,976	\$ 7,000
Operating expenses:			
Purchased power	9,428	7,751	38,625
Other operating expenses — paid to Xcel Energy Services Inc ..	109,111	96,375	94,291
Interest expense	90	106	1,549
Interest income	25	495	291

Accounts receivable and payable with affiliates at Dec. 31 were:

(Thousands of Dollars)	2010		2009	
	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
NSP-Minnesota	\$ 1,610	\$ -	\$ 2,268	\$ -
NSP-Wisconsin	-	2	29	-
PSCo	-	2,606	239	-
Other subsidiaries of Xcel Energy	-	21,917	2,561	14,625
	<u>\$ 1,610</u>	<u>\$ 24,525</u>	<u>\$ 5,097</u>	<u>\$ 14,625</u>

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16. Summarized Quarterly Financial Data (Unaudited)

Due to the seasonality of SPS' electric sales, such interim results are not necessarily an appropriate base from which to project annual results. Summarized quarterly unaudited financial data is as follows:

(Thousands of Dollars)	Quarter Ended			
	March 31, 2010	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010
Operating revenues	\$ 381,482	\$ 398,449	\$ 467,424	\$ 365,635
Operating income	30,828	54,051	76,937	21,621
Net income	7,699	24,396	39,189	6,783

(Thousands of Dollars)	Quarter Ended			
	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009
Operating revenues	\$ 368,983	\$ 328,140	\$ 397,094	\$ 365,006
Operating income	29,832	41,043	76,670	25,272
Net income	9,182	16,808	37,415	4,345

17. Sale of Lubbock Electric Distribution Assets

In November 2009, SPS entered into an asset purchase agreement with the city of Lubbock, Texas. This agreement had set forth that SPS would sell its electric distribution system assets within the city limits to LP&L for approximately \$87 million. The sale and related transactions eliminate the inefficiencies of maintaining duplicate distribution systems, one by SPS and the other by the city-owned LP&L. SPS has provided indemnification to Lubbock for losses arising out of any breach of the representations, warranties and covenants under the related asset purchase agreement and for losses arising out of certain other matters, including pre-closing unknown liabilities. See Note 10 to the financial statements for further discussion of guarantees.

SPS served about 24,000 customers within Lubbock, representing about 25 percent of the total customers in the dually certified service area. As part of this transaction, SPS will continue to provide wholesale power to meet the electric load for these customers, initially by amending the current wholesale full-requirements contract with WTMPA, which provides service to LP&L through 2019 and then for an additional 25 years under a new contract directly with LP&L when the WTMPA contract terminates. Both of these wholesale power agreements provide for formula rates that change annually based on the actual cost of service. The formula rate with WTMPA reflects an initial 10.5 percent ROE. All or portions of this transaction were reviewed and approved by the PUCT, the NMPRC and the FERC.

Additionally, SPS and the city of Lubbock entered into an amended long-term treated sewage effluent water agreement under which SPS will continue to purchase waste water from the city for cooling SPS' Jones Station southeast of Lubbock.

In October 2010, the transaction closed resulting in a pre-tax gain of approximately \$20 million which will be shared with retail customers in Texas, and has been deferred as a regulatory liability pending the determination of the sharing by the PUCT.

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Item 9 — Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

During 2009 and 2010, and through the date of this report, there were no disagreements with the independent public accountants for SPS on accounting principles or practices, financial statement disclosures or auditing scope or procedures.

Item 9A — Controls and Procedures

Disclosure Controls and Procedures

SPS maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the chief executive officer (CEO) and chief financial officer (CFO), allowing timely decisions regarding required disclosure. As of Dec. 31, 2010, based on an evaluation carried out under the supervision and with the participation of SPS' management, including the CEO and CFO, of the effectiveness of its disclosure controls and the procedures, the CEO and CFO have concluded that SPS' disclosure controls and procedures were effective.

Internal Controls Over Financial Reporting

No change in SPS' internal control over financial reporting has occurred during SPS' most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, SPS' internal control over financial reporting. SPS maintains internal control over financial reporting to provide reasonable assurance regarding the reliability of the financial reporting. SPS has evaluated and documented its controls in process activities, in general computer activities, and on an entity-wide level. During the year and in preparation for issuing its report for the year ended Dec. 31, 2010, on internal controls under section 404 of the Sarbanes-Oxley Act of 2002, SPS conducted testing and monitoring of its internal control over financial reporting. Based on the control evaluation, testing and remediation performed, SPS did not identify any material control weaknesses, as defined under the standards and rules issued by the Public Company Accounting Oversight Board (PCAOB) and as approved by the SEC and as indicated in Management Report on Internal Controls herein.

This annual report does not include an attestation report of SPS' registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by SPS' registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit SPS to provide only management's report in this annual report.

Item 9B — Other Information

None

PART III

Items 10, 11, 12 and 13 of Part III of Form 10-K have been omitted from this report for SPS in accordance with conditions set forth in general instructions I (1) (a) and (b) of Form 10-K for wholly-owned subsidiaries.

Item 10 — Directors, Executive Officers and Corporate Governance

Item 11 — Executive Compensation

Item 12 — Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13 — Certain Relationships and Related Transactions, and Director Independence

Item 14 — Principal Accountant Fees and Services

Information concerning fees paid to the principal accountant for each of the last two years is contained in the Xcel Energy Proxy Statement for its 2011 Annual Meeting of Shareholders, which is incorporated by reference.

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PART IV

Item 15 — Exhibits, Financial Statement Schedules

1. Financial Statements

Management Report on Internal Controls — For the year ended Dec. 31, 2009.
Report of Independent Registered Public Accounting Firm — For the years ended Dec. 31, 2009, 2008 and 2007.
Statements of Income — For the three years ended Dec. 31, 2009, 2008 and 2007.
Statements of Cash Flows — For the three years ended Dec. 31, 2009, 2008 and 2007.
Balance Sheets — As of Dec. 31, 2009 and 2008.

2. Schedule II — Valuation and Qualifying Accounts and Reserves for the years ended Dec. 31, 2009, 2008 and 2007.

3. Exhibits

*Indicates incorporation by reference

+Executive Compensation Arrangements and Benefit Plans Covering Executive Officers and Directors

- 3.01* Amended and Restated Articles of Incorporation dated Sept. 30, 1997 (Exhibit 3(a)(2) to Form 10-K (file no. 001-03789) dated March 3, 1998).
- 3.02* By-laws dated Sept. 29, 1997 (Exhibit 3(b)(2) to Form 10-K (file no. 001-03789) dated March 3, 1998).
- 4.01* Indenture dated Feb. 1, 1999 between SPS and The Chase Manhattan Bank (Exhibit 99.2 to Form 8-K (file no. 001-03789) dated Feb. 25, 1999).
- 4.02* First Supplemental Indenture dated March 1, 1999 between SPS and The Chase Manhattan Bank (Exhibit 99.3 to Form 8-K (file no. 001-03789) dated Feb. 25, 1999).
- 4.03* Second Supplemental Indenture dated Oct. 1, 2001 between SPS and The Chase Manhattan Bank (Exhibit 4.01 to Form 8-K (file no. 001-03789) dated Oct. 23, 2001).
- 4.04* Third Supplemental Indenture dated Oct. 1, 2003 to the indenture dated Feb. 1, 1999 between SPS and JPMorgan Chase Bank, as successor Trustee, creating \$100 million principal amount of Series C and Series D Notes, 6 percent due 2033 (Exhibit 4.04 to Xcel Energy Form 10-Q (file no. 001-03034) dated Nov. 13, 2003).
- 4.05* Fourth Supplemental Indenture dated Oct. 1, 2006 between SPS and The Bank of New York, as successor Trustee (Exhibit 4.01 to Form 8-K (file no. 001-03789) dated Oct. 3, 2006).
- 4.06* Red River Authority for Texas Indenture of Trust dated July 1, 1991 (Form 10-K, Aug. 31, 1991 -Exhibit 4(b)).
- 4.07* Supplemental Trust Indenture dated as of Nov. 1, 2008 between SPS and The Bank of New York Mellon Trust Company, N.A., as successor Trustee, creating \$250,000,000 principal amount of Series G Senior Notes, 8.75 percent due 2018 (Exhibit 4.01 of Form 8-K of SPS, dated Nov. 14, 2008 (file no. 001-03789)).
- 10.01*+ Xcel Energy Omnibus Incentive Plan (Exhibit A to Form DEF-14A (file no. 001-03034) filed Aug. 29, 2000).
- 10.02*+ Xcel Energy Non-Qualified Pension Plan (2009 Restatement) (Exhibit 10.02 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
- 10.03*+ Amended and Restated Executive Long-Term Incentive Award Stock Plan (Exhibit 10.02 to Xcel Energy Form 10-Q (file no. 001-03034) for the quarter ended March 31, 1998).
- 10.04*+ New Century Energies Omnibus Incentive Plan (Exhibit A to New Century Energies, Inc. Form DEF 14A (file no. 001-12927) filed March 26, 1998).
- 10.05*+ Xcel Energy Senior Executive Severance Policy (2009 Amendment and Restatement) (Exhibit 10.05 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
- 10.06*+ Stock Equivalent Plan for Non-Employee Directors of Xcel Energy as amended and restated Jan. 1, 2009 (Exhibit 10.06 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
- 10.07*+ Xcel Energy Nonqualified Deferred Compensation Plan as amended and restated Jan. 1, 2009 (Exhibit 10.07 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
- 10.08*+ Xcel Energy Non-employee Directors' Deferred Compensation Plan as amended and restated on Jan. 1, 2009 (Exhibit 10.08 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
- 10.09*+ Form of Services Agreement between Xcel Energy Services Inc. and utility companies (Exhibit H-1 to Form USB (file no. 001-03034) dated Nov. 16, 2000).
- 10.10*+ Xcel Energy Omnibus Incentive Plan Form of Restricted Stock Unit Agreement (Exhibit 10.05 to Xcel Energy Form 10-Q (file no. 001-03034) dated June 30, 2005).
- 10.11*+ Xcel Energy Omnibus Incentive Plan Form of Performance Share Agreement (Exhibit 10.04 to Xcel Energy Form 10-Q (file no. 001-03034) dated June 30, 2005).
- 10.12*+ Xcel Energy Omnibus Incentive Plan Form of Restricted Stock Unit Agreement (Exhibit 10.07 to Xcel Energy Form 10-Q (file no. 001-03034) dated June 30, 2005).

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- 10.13*+ Xcel Energy Omnibus 2005 Incentive Plan (Appendix B to Exhibit 14A, Definitive Proxy Statement of Form 10-K of Xcel Energy (file no. 001-03034) dated April 11, 2005).
- 10.14*+ Xcel Energy Executive Annual Incentive Award Plan (Appendix C to Exhibit 14A, Definitive Proxy Statement of Form 10-K of Xcel Energy (file no. 001-03034) dated April 11, 2005).
- 10.15*+ Xcel Energy Supplemental Executive Retirement Plan as amended and restated Jan. 1, 2009 (Exhibit 10.17 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
- 10.16* Coal Supply Agreement (Harrington Station) between SPS and TUCO, dated May 1, 1979 (Form 8-K (file no. 001-03789), May 14, 1979 — Exhibit 3).
- 10.17* Master Coal Service Agreement between Swindell-Dressler Energy Supply Co. and TUCO, dated July 1, 1978 (Form 8-K, (file no. 001-03789) May 14, 1979 — Exhibit 5(A)).
- 10.18* Guaranty of Master Coal Service Agreement between Swindell-Dressler Energy Supply Co. and TUCO (Form 8-K, (file no. 3789) May 14, 1979 — Exhibit 5(B)).
- 10.19* Coal Supply Agreement (Tolk Station) between SPS and TUCO dated April 30, 1979, as amended Nov. 1, 1979 and Dec. 30, 1981 (Form 10-Q, (file no. 3789) Feb. 28, 1982 — Exhibit 10(b)).
- 10.20* Master Coal Service Agreement between Wheelabrator Coal Services Co. and TUCO dated Dec. 30, 1981, as amended Nov. 1, 1979 and Dec. 30, 1981 (Form 10-Q, (file no. 3789) Feb. 28, 1982 — Exhibit 10(c)).
- 10.21* Power Purchase Agreement dated May 23, 1997 between Borger Energy Associates, L.P, and SPS.
- 10.22* Amendment dated as of April 13, 2009 to the SPS Credit Agreement dated as of Dec. 14, 2006 (Exhibit 10.04 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended June. 30, 2009).
- 10.23* Credit Agreement dated Dec. 14, 2006 between SPS and various lenders (Exhibit 10.04 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended Sept. 30, 2009).
- 10.24*+ Amendment dated Aug. 26, 2009 to the Xcel Energy Senior Executive Severance and Change-in-Control Policy (Exhibit 10.06 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended Sept. 30, 2009).
- 10.25*+ Xcel Energy Executive Annual Incentive Award Plan Form of Restricted Stock Agreement (Exhibit 10.08 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended Sept. 30, 2009).
- 10.26*+ Xcel Energy Inc. Executive Annual Incentive Award Plan (Exhibit 10.24 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2009).
- 10.27*+ Xcel Energy Executive Annual Incentive Award Plan (as amended and restated effective Feb. 17, 2010) (incorporated by reference to Appendix A to Schedule 14A, Definitive Proxy Statement to Xcel Energy (file no. 001-03034) dated April 6, 2010).
- 10.28*+ Xcel Energy 2005 Long-Term Incentive Plan (as amended and restated effective Feb. 17, 2010) (incorporated by reference to Appendix B to Schedule 14A, Definitive Proxy Statement to Xcel Energy (file no. 001-03034) dated April 6, 2010).
- 10.29*+ Xcel Energy 2010 Executive Annual Discretionary Award Plan (as amended and restated effective Dec. 15, 2010) (Exhibit 10.23 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2010).
- 10.30*+ Xcel Energy 2005 Long-Term Incentive Plan Form of Bonus Stock Agreement (Exhibit 10.24 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2010).
- 10.31*+ Xcel Energy 2005 Long-Term Incentive Plan Form of Performance Share Agreement (Exhibit 10.25 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2010).
- 10.32*+ Xcel Energy 2005 Long-Term Incentive Plan Form of Restricted Stock Unit Agreement (Exhibit 10.26 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2010).
- 12.01 Statement of Computation of Ratio of Earnings to Fixed Charges.
- 23.01 Consent of Independent Registered Public Accounting Firm.
- 31.01 Principal Executive Officer's certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.02 Principal Financial Officer's certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.01 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.01 Statement pursuant to Private Securities Litigation Reform Act of 1995.

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SCHEDULE II

**SOUTHWESTERN PUBLIC SERVICE CO.
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DEC. 31, 2010, 2009 AND 2008**
(amounts in thousands of dollars)

	Balance at Jan. 1	Additions		Deductions from reserves ^(b)	Balance at Dec. 31
		Charged to costs and expenses	Charged to other accounts ^(a)		
Reserve deducted from related assets:					
Allowance for bad debts:					
2010.....	\$ 4,415	\$ 3,990	\$ 998	\$ 4,308	\$ 5,095
2009.....	4,688	3,765	934	4,972	4,415
2008.....	3,166	4,745	1,074	4,297	4,688

^(a) Recovery of amounts previously written off.

^(b) Principally bad debts written off or transferred.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHWESTERN PUBLIC SERVICE CO.

/s/ DAVID M. SPARBY

David M. Sparby
Vice President, Chief Financial Officer and Director
(Principal Financial Officer)

February 28, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report signed below by the following persons on behalf of the registrant and in the capacities and on February 28, 2011.

/s/ C. RILEY HILL

C. Riley Hill
President, Chief Executive Officer and Director

/s/ RICHARD C. KELLY

Richard C. Kelly
Chairman and Director

/s/ TERESA S. MADDEN

Teresa S. Madden
Vice President and Controller
(Principal Accounting Officer)

/s/ DAVID M. SPARBY

David M. Sparby
Vice President, Chief Financial Officer and Director
(Principal Financial Officer)

/s/ BENJAMIN G.S. FOWKE III

Benjamin G.S. Fowke III
Vice President and Director

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(D) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT

SPS has not sent, and does not expect to send, an annual report or proxy statement to its security holder.

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Exhibit 12.01

SOUTHWESTERN PUBLIC SERVICE CO.
STATEMENT OF COMPUTATION OF
RATIO OF EARNINGS TO FIXED CHARGES
(amounts in thousands of dollars)

	Year Ended Dec. 31,				
	2010	2009	2008	2007	2006
Earnings as defined:					
Pretax income from operations.....	\$ 126,933	\$ 108,245	\$ 52,769	\$ 55,596	\$ 76,040
Add: Fixed charges.....	100,518	114,684	74,525	57,247	56,849
Earnings as defined.....	\$ 227,451	\$ 222,929	\$ 127,294	\$ 112,843	\$ 132,889
Fixed charges:					
Interest charges.....	\$ 63,912	\$ 71,688	\$ 61,090	\$ 55,261	\$ 55,739
Interest component of leases.....	36,606	42,996	13,435	1,986	1,110
Total fixed charges.....	\$ 100,518	\$ 114,684	\$ 74,525	\$ 57,247	\$ 56,849
Ratio of earnings to fixed charges.....	2.3	1.9	1.7	2.0	2.3

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Exhibit 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-153241 on Form S-3 of our report dated February 28, 2011, relating to the financial statements and financial statement schedule of Southwestern Public Service Company appearing in this Annual Report on Form 10-K of Southwestern Public Service Company for the year ended December 31, 2010.

/s/ DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
February 28, 2011

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Exhibit 31.01

CERTIFICATION

I, C. Riley Hill, certify that:

1. I have reviewed this report on Form 10-K of Southwestern Public Service Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ C. RILEY HILL

C. Riley Hill

President, Chief Executive Officer and Director

Date: February 28, 2011

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Exhibit 31.02

CERTIFICATION

I, David M. Sparby, certify that:

1. I have reviewed this report on Form 10-K of Southwestern Public Service Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID M. SPARBY

David M. Sparby

Vice President, Chief Financial Officer and Director

Date: February 28, 2011

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Exhibit 32.01

OFFICER CERTIFICATION

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Southwestern Public Service Company on Form 10-K for the year ended 2010, as filed with the Securities and Exchange Commission on the date hereof (Form 10-K), each of the undersigned officers of SPS certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of SPS as of the dates and for the periods expressed in the Form 10-K.

Date: February 28, 2011

/s/ C. RILEY HILL

C. Riley Hill

President, Chief Executive Officer and Director

/s/ DAVID M. SPARBY

David M. Sparby

Vice President, Chief Financial Officer and Director

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to SPS and will be retained by SPS and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 99.01

SPS' CAUTIONARY FACTORS

The Private Securities Litigation Reform Act provides a "safe harbor" for forward-looking statements to encourage disclosures without the threat of litigation, providing those statements are identified as forward-looking and are accompanied by meaningful, cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the statement. Forward-looking statements are made in written documents and oral presentations of SPS. These statements are based on management's beliefs as well as assumptions and information currently available to management. Such forward-looking statements are intended to be identified in this document by the words "anticipate," "believe," "estimate," "expect," "intend," "may," "objective," "outlook," "plan," "project," "possible," "potential," "should" and similar expressions. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause SPS' actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

- Economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures;
- The risk of a significant slowdown in growth or decline in the U.S. economy, the risk of delay in growth recovery in the U.S. economy or the risk of increased cost for insurance premiums, security and other items as a consequence of past or future terrorist attacks;
- Trade, monetary, fiscal, taxation and environmental policies of governments, agencies and similar organizations in geographic areas where SPS has a financial interest;
- Customer business conditions, including demand for their products or services and supply of labor and materials used in creating their products and services;
- Financial or regulatory accounting principles or policies imposed by the FASB, the SEC, the Federal Energy Regulatory Commission and similar entities with regulatory oversight;
- Availability or cost of capital such as changes in: interest rates; market perceptions of the utility industry, SPS; or security ratings;
- Factors affecting utility operations such as unusual weather conditions; catastrophic weather-related damage; unscheduled generation outages, maintenance or repairs; unanticipated changes to fossil fuel or availability due to higher demand, shortages, transportation problems or other developments; environmental incidents; or electric transmission constraints;
- Employee workforce factors, including loss or retirement of key executives, collective bargaining agreements with union employees, or work stoppages;
- Increased competition in the utility industry or additional competition in the markets served by SPS;
- State, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures and affect the speed and degree to which competition enters the electric market; industry restructuring initiatives; transmission system operation and/or administration initiatives; recovery of investments made under traditional regulation; nature of competitors entering the industry; retail wheeling; a new pricing structure; and former customers entering the generation market;
- Environmental laws and regulations, including legislation and regulations relating to climate change, and the associated cost of compliance;
- Rate-setting policies or procedures of regulatory entities, including environmental externalities, which are values established by regulators assigning environmental costs to each method of electricity generation when evaluating generation resource options;
- Social attitudes regarding the utility and power industries;
- Cost and other effects of legal and administrative proceedings, settlements, investigations and claims;
- Technological developments that result in competitive disadvantages and create the potential for impairment of existing assets;
- Risks associated with implementation of new technologies; and
- Other business or investment considerations that may be disclosed from time to time in SPS' SEC filings, including "Risk Factors" in Item 1A of this Form 10-K, or in other publicly disseminated written documents.

SPS undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors should not be construed as exhaustive.