

07/

triple bottom line

A low-angle photograph of a white wind turbine against a bright blue sky with scattered white clouds. The turbine's tower and three blades are visible, extending from the bottom right towards the top left of the frame.

a report on the  
economic / environmental / social  
impacts of Xcel Energy

## vision /

Be a responsible environmental leader, while focusing on our core business—reliable and safe energy at a reasonable cost.

## mission /

Our company thrives on doing what we do best—and growing by finding ways to do it even better. We are committed to operational excellence and providing our customers reliable energy at a great value. We are dedicated to improving our environment and providing the leadership to make a difference in the communities we serve.

## values /

- ▼ Work safely and create a challenging and rewarding workplace
- ▼ Conduct all our business in an honest and ethical manner
- ▼ Treat all people with respect
- ▼ Work together to serve our customers
- ▼ Be accountable to each other for doing our best
- ▼ Use the earth's resources wisely
- ▼ Continuously improve our business

## safe harbor statement /

This material includes forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements include projected earnings, cash flows, capital expenditures and other statements and are identified in this document by the words "anticipate," "estimate," "expect," "projected," "objective," "outlook," "possible," "potential" and similar expressions. Actual results may vary materially. Factors that could cause actual results to differ materially include, but are not limited to: general economic conditions, including the availability of credit, actions of rating agencies and their impact on capital expenditures; business conditions in the energy industry; competitive factors; unusual weather; effects of geopolitical events, including war and acts of terrorism; changes in federal or state legislation; regulation; actions of accounting regulatory bodies; and other risk factors listed from time to time by Xcel Energy in reports filed with the SEC, including Exhibit 99.01 to Xcel Energy's report on Form 10-K for year 2007





## letter from the chairman /

At Xcel Energy, we provide critical energy services to communities in eight Midwestern and Western states. Natural gas and electricity are fundamental to our customers' lives and livelihood. The demand for electricity continues to grow, and it is important to meet our customers' needs in sustainable ways. To accomplish this, we use the Triple Bottom Line approach as our guideline: acting with purpose and vision in the areas of environmental leadership, social responsibility and economic performance.

Environmental leadership is an increasingly important issue for our customers, stakeholders and communities, and we reflect our commitment to the environment in our actions. Last fall we introduced groundbreaking new resource plans in Minnesota and Colorado that make significant emissions reductions and place us on the path to meet or exceed aggressive conservation, renewable energy and emissions-reduction targets that have been introduced in these states.

We were named to the Dow Jones Sustainability Index for the second year in a row, and in April 2008, we were ranked the No. 1 wind energy provider for the third consecutive year. We doubled our wind capacity last year and are significantly ahead of other utilities with wind capacity—we have more than twice as much wind energy on our system as the next highest utility. We also substantially increased our funding and support for research and development around solar energy and other technologies for improving the reliability of renewable resources.

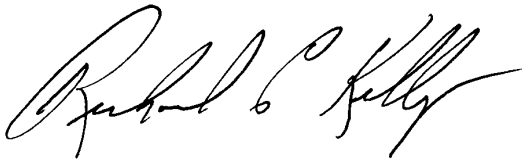
We are forging a path to a clean energy future in a way that creates value for the company, supports the aspirations of our customers and serves the community. We believe that good public policy and a continued investment in clean energy technologies are important elements of the solution that allows us to produce and deliver clean energy affordably. This will be the best—perhaps the only—way to meet the challenges presented by global climate change.

Environmental leadership goes hand-in-hand with social responsibility. I'm especially proud that in 2007 we were the first utility ever to receive the United Way's Spirit of America Award®—the organization's highest national honor recognizing community contributions. Our employees give generously of their time and money in our communities and have done so for many years. This award is a tribute to their commitment and dedication. Together, we are making a difference in the lives of those we serve—both on and off the job.

In terms of economic performance, 2007 was a very good year for us, and it confirmed our belief that we're pursuing the right strategy of *Building the Core*, which for us means being an environmental leader, investing in more company-owned generation and transmission, and maximizing operational efficiency. We met or exceeded most of our financial and environmental targets for the year.

What we do today will have an impact on future generations. No one can predict with certainty what the utility industry will look like 10, 20 or 50 years from now. But I can assure you, we're analyzing the possibilities and taking an active role in shaping a constructive future for our children and grandchildren. Throughout this report, we provide a balanced view of our risks and opportunities, our targets and results. This is an exciting time in our history, and we feel confident we can help lead the transformation of our industry. After reading the report, we hope you will share your thoughts with us at [xcelenergy.com/triplebottomline](http://xcelenergy.com/triplebottomline).

Sincerely,

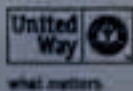
A handwritten signature in black ink, appearing to read "Richard C. Kelly". The signature is fluid and cursive, with the first name "Richard" being larger and more prominent than the last name "Kelly".

Richard C. Kelly  
Chairman, President and CEO



United Way of America  
Spirit of America® Award

**Xcel Energy**  
2006



what matters.

## Highlights for 2007

- ▼ We continued to be the nation's largest provider of wind energy to retail customers.
- ▼ We purchased more than 5.4 million MWh of wind power and added more than 1,370 MW of wind energy to our system in 2007 (for a total of 2,700 MW on our system).
- ▼ Our Windsource® program continued to be the No. 1 voluntary green energy program in the country with more than 70,000 customers participating.
- ▼ We began purchasing 8.2 MW of solar power from the Alamosa Central Solar Plant in Colorado.
- ▼ We were named to the Dow Jones Sustainability Index for the second consecutive year.
- ▼ We had more than 1,000 participants in our Solar\*Rewards program, resulting in \$18 million paid in rebates and renewable energy credits.
- ▼ We were recognized at the Clinton Global Initiative Conference for our efforts in partnering with other utilities to utilize energy efficiency programs to reduce greenhouse gas (GHG) emissions.
- ▼ We received national honors from the American Council for an Energy-Efficient Economy for our demand-side management (DSM) programs.
- ▼ We completed our first Metro Emissions Reduction Project (MERP) in Minnesota, at the Allen S. King Plant.
- ▼ We received the Spirit of America Award—the United Way's highest national honor—in recognition of our commitment to improve lives in local communities.
- ▼ We supported dramatic increases in renewable energy standards in both Minnesota (30 percent by 2020) and Colorado (20 percent by 2020).
- ▼ We filed groundbreaking resource plans in Colorado and Minnesota by proposing CO<sub>2</sub> reductions while meeting customers' growing needs.
- ▼ We became a founding reporter of the Climate Registry, which was established to measure and publicly report GHG emissions in a common, accurate and transparent manner.

## Understanding the Regulatory Compact

Our utility subsidiaries operate under carefully regulated conditions, which are determined in part by state public utilities commissions. A utilities commission is a governing body that regulates the rates and services of utilities like ours. In exchange for the right to provide electricity and natural gas services in certain regions, we agree to the following:

**Duty to serve:** We will provide service to any residence or business within our service territory that requests it. Utilities cannot pick and choose their customers.

**Cost of service pricing:** Pricing for our services is regulated by the costs we incur to deliver it. Utilities cannot arbitrarily raise their prices to levels far beyond their costs.

**Resource planning process:** Every few years, we go through a process to assess the resources necessary to serve customers' future energy needs. Resource plans must be reviewed and approved by regulatory commissions, and stakeholders must be given the opportunity to provide input on the plans.

Together, this is known as the regulatory compact. As a participant in the compact, we are granted the ability to recover our costs of doing business and earn a reasonable rate of return. To operate effectively in a closely regulated business like ours, it's imperative that we stay in sync with the current demands of the public and policy makers.

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## company description /

Xcel Energy Inc. is an investor-owned U.S. electricity and natural gas company with regulated operations in eight Midwestern and Western states. We are one of the largest combination natural gas and electricity companies in the nation as measured by the number of customers served. We provide our products and services to approximately 3.3 million electricity customers and 1.8 million natural gas customers through our four wholly owned utility subsidiaries.



corporate headquarters: **Minneapolis, Minnesota**

#### Scale of Reporting Organization

<b>2007 operating revenues</b>	<b>\$10 billion</b>
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Electricity revenues:	\$7.9 billion
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Natural gas revenues:	\$2.1 billion
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#### Contribution to earnings by company

<b>NSP-M</b>	45.9%
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<b>NSP-W</b>	6.5%
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<b>PSCo</b>	51%
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<b>SPS</b>	5.7%
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<b>Holding company</b>	(9.1)%
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<b>Total capitalization</b>	<b>\$12,748,142,000</b>
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Long-term debt:	\$6,342,160,000
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Preferred stockholders equity:	\$104,980,000
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Common stockholders equity:	\$6,301,002,000
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<b>Total assets:</b>	<b>\$23,184,727,000</b>
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#### Employees as of 12/31/2007\*

<b>NSP-M</b>	3,430
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<b>NSP-W</b>	602
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<b>PSCo</b>	2,752
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<b>SPS</b>	1,150
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<b>Xcel Energy Services Inc.</b>	3,201
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<b>Nuclear Management Company</b>	841
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<b>Discontinued operations</b>	11
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<b>Total</b>	<b>11,987</b>
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\*Includes full-time, part-time and temporary employees and those serving on long-term disability. Please note that the 10-K reports only full-time employees in continuing operations, resulting in a lower total number.

#### Significant changes in operations during the reporting period:

- ▼ Xcel Energy became the sole remaining partner of Nuclear Management Company (NMC) on September 28, 2007, when Wisconsin Energy Corporation exited the partnership. The transfer of the nuclear operating licenses from NMC to NSP-Minnesota will take place in 2008.
- ▼ Tim Taylor was named president and CEO of PSCo on September 21, 2007.

Please see our Web site and 10-K for further organizational and financial information. Our 2008 proxy statement includes beneficial ownership information.

### Northern States Power Company-Wisconsin<sup>(NSP-W)</sup>

- ▼ Wisconsin, Michigan
- ▼ Electricity and natural gas service
- ▼ Michael L. Swenson, president and CEO

### Northern States Power Company-Minnesota<sup>(NSP-M)</sup>

- ▼ Minnesota, North Dakota, South Dakota
- ▼ Electricity and natural gas service (electricity only in South Dakota)
- ▼ David M. Sparby, executive vice president and acting president and CEO  
(Cynthia L. Leshner, president and CEO; currently serving as president of the Minnesota host committee for the Republican National Convention as a loaned executive)

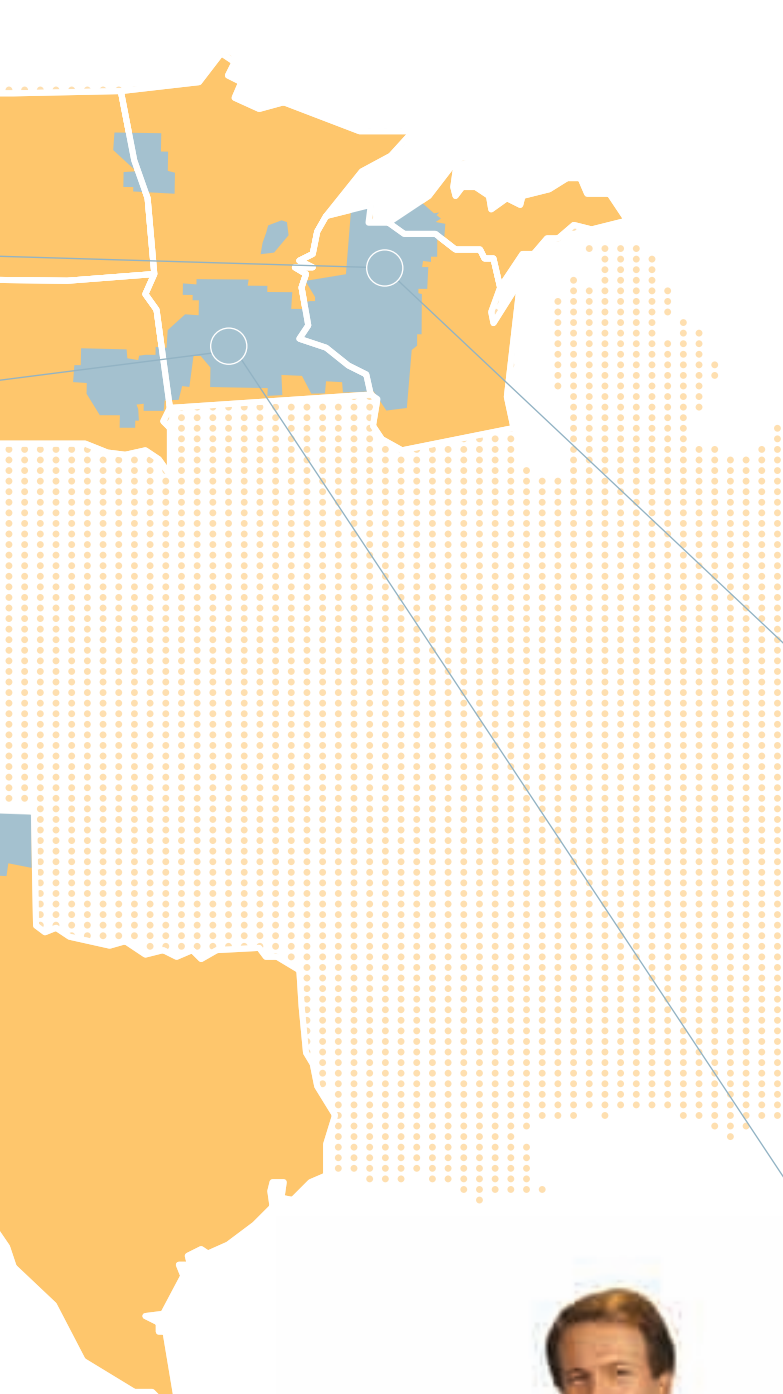
### Public Service Company of Colorado<sup>(PSCo)</sup>

- ▼ Colorado
- ▼ Electricity and natural gas service
- ▼ Tim E. Taylor, president and CEO

### Southwestern Public Service Company<sup>(SPS)</sup>

- ▼ Texas, New Mexico
- ▼ Electricity service only
- ▼ David L. Eves, president and CEO





Along with WYCO, a company formed to develop and lease new natural gas pipeline and compression facilities, and WGI, an interstate natural gas pipeline company, these companies comprise the continuing regulated utility operations.

Xcel Energy Services Inc. (XES) is the service company for the Xcel Energy holding company system. XES provides a variety of administrative, management, engineering, construction, environmental and support services.

Additionally, we have one principal non-regulated subsidiary, Eloigne Company, which invests in rental housing projects that qualify for low-income housing tax credits.



## our customers

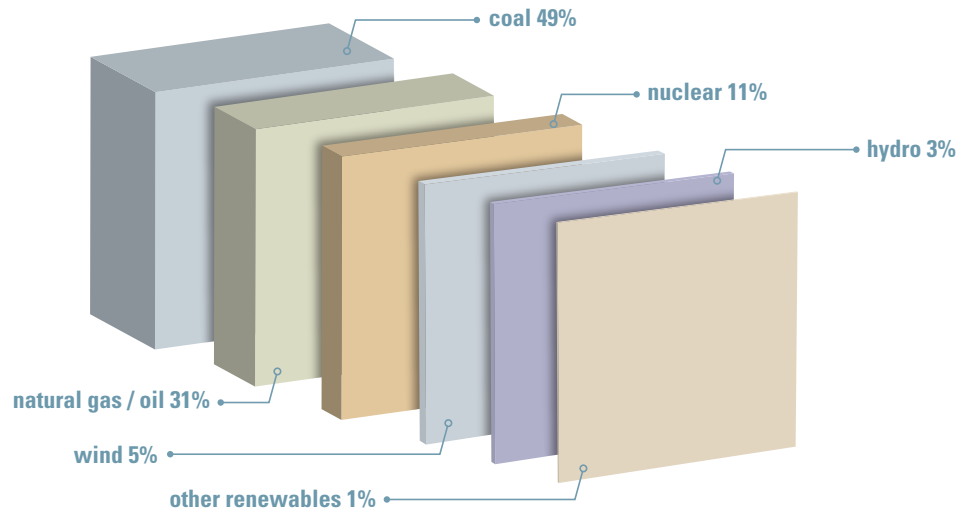
Electricity Customers - 2007					
	Residential	Commercial & Industrial	Public Authority/ Other	Wholesale	TOTAL
<b>NSP-M</b>	1,218,340	146,487	6,072	31	<b>1,370,930</b>
<b>NSP-W</b>	208,415	36,754	1,144	10	<b>246,323</b>
<b>PSCo</b>	1,126,019	149,179	58,559	51	<b>1,333,808</b>
<b>SPS</b>	306,488	75,946	5,951	37	<b>388,422</b>
<b>Xcel Energy</b>	<b>2,859,262</b>	<b>408,366</b>	<b>71,726</b>	<b>129</b>	<b>3,339,483</b>

Natural Gas Customers - 2007				
	Residential	Commercial & Industrial	Transportation & Other	TOTAL
<b>NSP-M</b>	430,048	39,570	14	<b>469,632</b>
<b>NSP-W</b>	89,640	11,934	22	<b>101,596</b>
<b>PSCo</b>	1,169,306	98,053	4,110	<b>1,271,469</b>
<b>SPS</b>	0	0	0	<b>0</b>
<b>Xcel Energy</b>	<b>1,688,994</b>	<b>149,557</b>	<b>4,146</b>	<b>1,842,697</b>

## our energy

Owned and Purchased Energy (MWh) - 2007			
	Owned generation	Purchased generation	TOTAL
<b>NSP-M</b>	27,829,499	12,804,560	<b>40,634,060</b>
<b>NSP-W</b>	6,027,910	2,773,487	<b>8,801,397</b>
<b>PSCo</b>	22,671,104	16,421,010	<b>39,092,114</b>
<b>SPS</b>	21,164,704	7,758,580	<b>28,923,284</b>
<b>Xcel Energy</b>	<b>77,693,217</b>	<b>39,757,637</b>	<b>117,450,854</b>

## 2007 Xcel Energy owned and purchased energy



### \*the NSP system:

The electric production and transmission system of NSP-Minnesota is managed as an integrated system with that of NSP-Wisconsin, jointly referred to as the NSP system. The electric production and transmission costs of the entire NSP system are shared by NSP-Minnesota and NSP-Wisconsin.

Owned and Purchased Energy by Operating Company			
	NSP*	PSCO	SPS
<b>Coal</b>	39%	57%	52%
<b>Gas &amp; Oil</b>	21%	37%	41%
<b>Nuclear</b>	26%		
<b>Wind</b>	4%	5%	6%
<b>Hydro</b>	7%	1%	
<b>Biomass</b>	3%		
<b>Other</b>		0%	1%

our energy, continued:

#### Owned Generating Facilities - 2007

Unit/Type	Number of Generating Facilities	Number of Generating Units	Summer Capacity - net (MW)
<b>Coal</b>	16	32	7,921
<b>Natural Gas</b>	28	69	5,834
<b>Nuclear</b>	2	3	1,668
<b>Hydro</b>	26	81	511
<b>Oil</b>	4	8	16
<b>Refuse-derived fuel</b>	3	6	67
<b>Wind</b>	1	5	25

#### Electricity Transmission and Distribution Lines (measured in conductor miles) - 2007

	Transmission Lines	Distribution Lines	Transmission and Distribution Lines by Voltage						
			500KV	345KV	230KV	161KV	138KV	115KV	<115KV
<b>NSP-M</b>	23,837	75,417	2,917	5,564	1,801	295		6,577	82,100
<b>NSP-W</b>	9,922	26,220		1,312		1,495		1,529	31,807
<b>PSCo</b>	18,651	70,688		957	11,393		92	4,871	72,027
<b>SPS</b>	30,073	18,089		5,139	9,420			10,878	22,724
<b>TOTAL</b>	<b>82,483</b>	<b>190,414</b>							

#### Natural Gas Pipelines (measured in miles) - 2007

	Transmission	Distribution
<b>NSP-M</b>	135	9,446
<b>NSP-W</b>		2,172
<b>PSCo</b>	2,306	20,815
<b>WGI</b>	12	

## corporate governance

In 2007, Xcel Energy's board of directors was composed of 13 directors, 12 of whom were classified as independent by the listing standards of the New York Stock Exchange. Richard C. Kelly, board chairman, is an inside director and is not considered independent.

The board of directors operates under a set of written Guidelines on Corporate Governance. These guidelines set forth our corporate governance philosophy and the governance policies and practices that we have established to assist in governing the company and its affiliates.

In an effort to strengthen independent oversight of management, in June 2007, the independent members of the board elected Mr. Fredric Corrigan to serve as the lead independent director for a one-year term. The specific responsibilities of the lead director are defined in the guidelines.

In 2007, the board established a director resignation policy in the event that a director does not receive a majority vote of the shareholders in an uncontested election.

Each director is a full and equal participant in the major strategic and policy decisions of the company. Board membership is based on factors such as judgment, skills, diversity, integrity and experience with business and other organizations of comparable size to Xcel Energy. All directors and employees are expected to adhere to our Code of Conduct, which complies with the requirements of the Sarbanes-Oxley Act of 2002. We regularly monitor activity to ensure that conflicts of interest are avoided.

The board of directors has four standing committees, each of which has a written charter. These are available on our Web site. All committee members are independent directors.



Shareholder Meeting  
2007 Xcel Energy shareholder  
meeting, Minneapolis, Minn.

## Board of Director Committees

Committee	Responsibilities
<b>Nuclear, Environmental and Safety</b>	Oversight of the nuclear strategy and operations of the company; environmental strategy and compliance; and safety performance.
<b>Governance, Compensation and Nominating</b>	Oversight of the identification and recommendation of individuals qualified to become board members; development of corporate governance principles for the board and employees; and performance evaluation of the board and management.
<b>Audit</b>	Oversight of our financial reporting process, including the integrity of our financial statements, compliance with legal and regulatory requirements, and the independence and performance of internal and external auditors.
<b>Finance</b>	Oversight of corporate capital structure and budgets; financial plans and dividend policies; insurance coverage and banking relationships; investor relations; financial and operational risk management.

Additionally, we have an executive committee and four leadership councils whose purpose is to address issues in specific areas, allowing for a more hands-on, participative decision-making process.

## Executive Committee and Leadership Councils

Committee	Chairperson	Responsibilities
<b>Executive Committee</b>	Richard C. Kelly, Chairman, President and CEO	<ul style="list-style-type: none"> <li>Develop enterprise strategy</li> <li>Create shared understanding of important strategic issues</li> <li>Facilitate senior leadership dialog and build ownership of outcomes</li> <li>Provide oversight for confidential business-portfolio management</li> </ul>
<b>Financial Council</b>	Benjamin G.S. Fowke III, Vice President and Chief Financial Officer	<ul style="list-style-type: none"> <li>Develop financial goals and objectives to preserve and enhance the company's financial integrity</li> <li>Approve plans and monitor results to achieve goals</li> <li>Review and approve earnings and capital expenditure budgets</li> <li>Execute financial strategy</li> </ul>

Continued on next page

#### Executive Committee and Leadership Councils, continued

Committee	Chairperson	Responsibilities
<b>Operations Council</b>	Paul J. Bonavia, President, Utilities Group	<ul style="list-style-type: none"> <li>Identify and focus on critical operational issues</li> <li>Promote cross-functional dialog on system status, productivity, reliability and continuous improvement</li> <li>Address operational issues as they arise and implement solutions</li> </ul>
<b>Environmental Council</b>	Richard C. Kelly, Chairman, President and CEO	<ul style="list-style-type: none"> <li>Improve corporate environmental performance</li> <li>Create environmental strategy consistent with our environmental leadership goal</li> <li>Establish and support policy positions</li> <li>Preserve and promote our environmental reputation</li> </ul>
<b>Workforce Council</b>	Raymond E. Gogel, Vice President, Customer & Enterprise Solutions, and Chief Administrative Officer	<ul style="list-style-type: none"> <li>Ensure Xcel Energy is prepared for changes in the workforce</li> <li>Make sure structures in place are dynamic in order to respond to marketplace changes</li> <li>Provide information, guidance and opinions relating to our long-term workforce strategy</li> </ul>

#### Activities to Assess and Manage Company Performance

The board of directors and senior leadership meet frequently throughout the year to assess the company's economic, social and environmental performance and to plan for the future. Below are some of the key events and outcomes of the past year.

- ▼ **June 2007: Executive Planning Session:** The executive leadership team spent three days assessing the current state of our operating companies and examining potential strategic tracks for the future. Each track was closely analyzed and discussed in terms of advantages, costs and challenges. The program also included remarks from outside speaker Ralph Cavanagh, co-director of the Natural Resources Defense Council Energy Program.

- ▼ **August 2007: Annual Board Retreat:** Senior leadership met with the company's board of directors to confirm and advance the company's environmental leadership strategy. The leadership team outlined energy supply resource plans and a regulatory strategy to achieve the company's carbon reduction goals. The team also reviewed financing plans to support investments associated with the clean energy strategy and discussed the important role energy efficiency and conservation play. The board validated the environmental strategy, endorsing Xcel Energy's commitment to the environment and plans for national leadership among utilities.

- ▼ **February 2008: Environmental Leadership: Vision and Challenges for 2020:** About 165 Xcel Energy officers, directors and top managers met for a half-day to focus on our long-term environmental strategy. In addition to presentations from Mr. Kelly and Mr. Fowke, a panel of four speakers examined the public policy, resource, regulatory and financial challenges for 2020 and beyond. A second panel explored operational challenges, the role of Smart Grid and the potential generation portfolio for the future.

### More Information and Resources

Our complete Code of Conduct is available online at [xcelenergy.com](http://xcelenergy.com) in the **About Us** section. Our corporate governance guidelines, charters for our governance committees and profiles of our board directors are available in the same location under **Corporate Governance**. Our compliance hotline—operated by an external agency and available 24 hours a day, seven days a week—provides a confidential way for employees and directors to report or inquire about compliance and ethics issues at Xcel Energy. It's available by calling 1-800-555-8516.

## MERP

**MERP construction at the Allen S. King Plant, Oak Park Heights, Minn.**



Detailed information about the company's corporate governance and executive compensation practices is published annually in the proxy statement to shareholders, which is available online under **Investor Information**.

You may contact the board of directors by e-mail at [boardofdirectors@xcelenergy.com](mailto:boardofdirectors@xcelenergy.com) or by regular mail at Board of Directors, c/o Corporate Secretary, 414 Nicollet Mall, 5th floor, Minneapolis, MN 55401. Shareholders may propose actions for consideration at the annual meeting as outlined in our proxy statement.

## stakeholder engagement

Increasingly, our business relies on partnerships and collaboration in order to be successful. We cannot act effectively without considering input from many different groups. Our stakeholders are those individuals and groups who affect or are affected by our business operations. The greater the impact, the more heavily we invest our time, energy and resources in the relationship. We engage frequently with various groups as outlined on the following page.

### Our Impact on Stakeholders and Our World

These are the areas where we have the most impact on our stakeholders and our world with regard to sustainability and social responsibility:

- ▼ **Environment:** We are committed to reducing our environmental impact. To that end, we are working to deploy cleaner energy technologies for tomorrow and responsibly manage the technologies we use today.

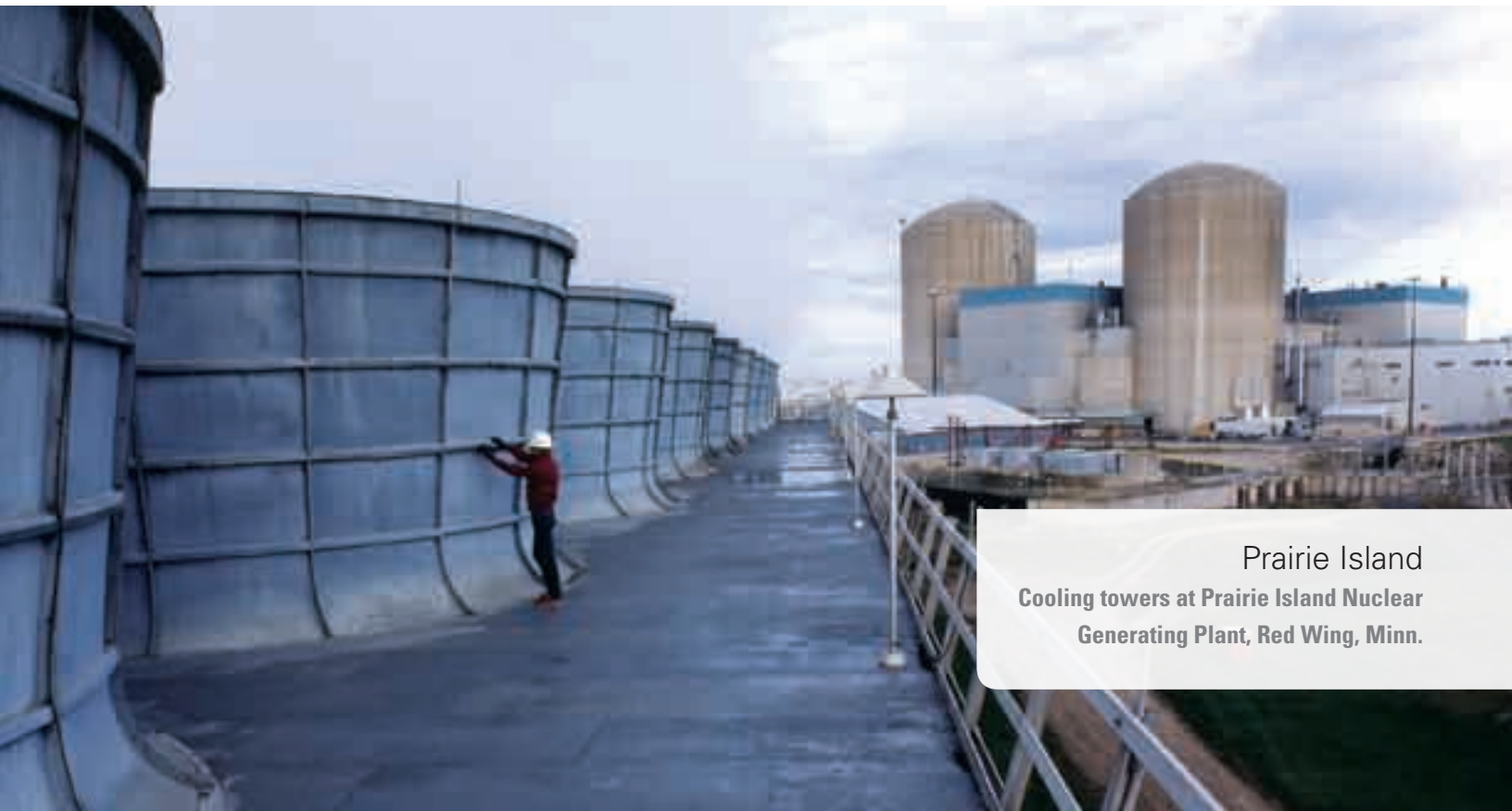
- ▼ **Duty to serve:** Electricity and natural gas service are fundamental to people's lives, and demand continues to increase. We have an obligation to provide reliable, affordable service to our communities.
- ▼ **Safety:** Because our products and services, if used improperly, can be dangerous, safety is our top priority. We take every precaution and communicate extensively to ensure we educate the public and our employees on safety.
- ▼ **Infrastructure and operations:** New infrastructure and transmission projects are important to providing safe, reliable power to our communities, and they create new economic opportunities. But these projects can have disruptive effects on individuals, communities and the environment.
- ▼ **Governance:** The way our company is governed has an impact on the lives of shareholders, customers and employees. They rely on us to act ethically, transparently and responsibly to provide a fair return, affordable service and a good working environment.
- ▼ **Community:** We are a big presence in our communities in terms of stimulating innovation and new technology, contributing to charitable and civic organizations, and paying taxes.

Having a clear understanding of our impacts helps us set our priorities and create a course of action to ensure a sustainable and socially responsible future.

## Stakeholder Engagement

Stakeholder group	Methods of engagement
<b>Customers</b>	Surveys and focus groups / Newsletters and bill inserts / Direct mail and advertising / Call centers and online self service / Business account representatives / Personal account representatives for low-income customers / Contests and promotions / Customer Advocate process / Forums and seminars
<b>Employees</b>	Award-winning print, electronic and video communications / Xcellence Expo / Xpress Ideas / Employee networking groups / Q12 Gallup poll / Lunch and Learn seminars / Volunteer activities / United Way campaign / Employee recognition / Management-employee councils / Power of You breakfast meetings
<b>Community</b>	Power plant tours / Town hall meetings / United Way campaign, Foundation grants and employee volunteering / Educational materials for teachers / Free safety materials / Advertising / Cooperative service restoration agreements / Bird Cam
<b>Investors</b>	Annual meeting / Earnings releases / Teleconferences / Investor presentations / Web site / Annual report, 10-K, proxy, other disclosures / Reporting (e.g., Triple Bottom Line)
<b>Legislators and regulators</b>	Policy leadership / Political action committees / Speaking engagements/events / Membership in trade associations / Power plant tours / Reporting (e.g., Carbon Disclosure Project)
<b>Non-governmental organizations</b>	Speaking engagements and events / Partnerships / Reporting (e.g., Climate Registry) / Research and development projects
<b>Suppliers</b>	Supplier Diversity Initiative / RFP process
<b>Industry analysts and news media</b>	Interviews / News releases / Reporting / Web site

In the social responsibility section of this report, we explain our engagement practices with communities and customers in greater detail. We also provide examples of specific issues that have been raised by stakeholders and how we worked collaboratively in response to their concerns.



Prairie Island  
Cooling towers at Prairie Island Nuclear  
Generating Plant, Red Wing, Minn.

## Stakeholder engagement and the Triple Bottom Line report

Our Triple Bottom Line report has expanded in scope each of the four years it's been produced, due in large part to the feedback we receive from various stakeholders.

We use an online survey to collect responses from all readers, and in certain cases, we approach key stakeholders from environmental, financial and industry groups to ask for their input.

Much of the feedback for our 2006 report was positive. We were commended for providing a level of disclosure unmatched by most of our peers. We also received praise for our employee and corporate giving information, as well as the overall design of the report. We have listened to the suggestions of our stakeholders and incorporated many of their ideas into this year's report.

Please tell us what you think of this year's report at [xcelenergy.com/triplebottomline](http://xcelenergy.com/triplebottomline)



# 1 /

economic impact

## contributing to a sustainable economy /

As an investor-owned utility, we must provide a fair return to our shareholders to remain economically viable. But our economic responsibilities and impact extend to a wider range of stakeholders. We create jobs for people in our service territories. We make purchases from suppliers to operate and grow our business. We support initiatives in our communities. And we know that to be successful in the future, we can't just look at what's working today.



This section includes a summary of key economic data to give you the big picture of how we contribute to a sustainable economy—one that's financially smart and socially responsible. In some places, we direct you to specific pages of the 2007 Form 10-K filing<sup>1</sup> for additional information on the referenced topics. The information reported here is consistent with the 10-K, but is intended to illustrate our economic impact more broadly and to look at the years ahead.

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<sup>1</sup> Our 2007 10-K contains detailed information about our business and our finances. It's available online by visiting [xcelenergy.com](http://xcelenergy.com) and clicking Investor Information, then Financial Reports. Or call the Investor Hotline at 1-877-914-9235 to request a copy.

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**Our goals for contributing to a sustainable economy:**

- 1] Manage our finances responsibly
- 2] Create opportunity for all through our compensation, supply chain and hiring practices
- 3] Contribute money and resources to help our communities thrive
- 4] Fund research and development projects that will drive innovation and change within the industry
- 5] Plan to meet future energy demands in an environmentally responsible manner
- 6] Reduce energy use through effective customer conservation programs

## Building the Core

Our corporate strategy, called Building the Core, has three primary focuses: 1) being an environmental leader, 2) achieving our financial objectives and 3) efficiently managing our operating utilities. Our objective is to embrace growing customer demand and environmental initiatives by investing in our core utility businesses and earning a reasonable return on our invested capital.

To avoid excessive risk, we seek legislative and regulatory support for large investment initiatives prior to making the investment. Some of our current and upcoming capital investment plans are outlined in the environmental section of this report. As a result of these investments, as well as continued investments in the transmission and distribution system, we expect that the rate base, or the amount on which we earn a return, will grow on average annually by more than seven percent from 2006 through 2011.

To earn a fair return on our utility system investments, our strategy is to receive regulatory approval for rate riders as well as general rate cases. A rate rider is a mechanism that allows recovery of certain costs and returns on investments without the costs and delays of filing a rate case. These riders allow for timely revenue recovery and are good mechanisms to recover the costs of large projects or other costs that vary over time.

Our regulatory strategy is based on filing reasonable rate requests designed to provide recovery of legitimate expenses and a return on utility investments. We believe that the commissions will provide such recovery. Constructive results over the last several years are evidence of reasonable regulatory treatment and give us confidence that we are pursuing the right strategy.

While we have four separate operating companies, our goal is to make the most of similarities among the companies in areas like market branding, environmental policy research, asset management and safety. We realize, however, that each utility company operates under certain unique circumstances, such as regulatory environment, physical plant infrastructure, weather conditions and local community priorities. These circumstances require a tailored operational approach, and to that end, we have utility group presidents, each located in their respective jurisdiction. The objective is to optimize our operating efficiency while maximizing accountability.

Further detail regarding our Building the Core strategy can be found on page 46 of the 10-K.

# 1

## manage our finances responsibly

We delivered strong financial results for our shareholders in 2007. Xcel Energy reported 2007 earnings of \$577 million, or \$1.35 per diluted share, compared with \$572 million, or \$1.36 per diluted share in 2006. Ongoing earnings, adjusted for certain non-recurring items<sup>2</sup>, were \$1.43 per diluted share compared with \$1.30 in 2006 and exceeded our target range of \$1.30 to \$1.40.

Higher 2007 ongoing earnings primarily were attributed to higher electric and gas margins, reflecting various rate increases, weather-normalized retail sales growth, higher rider recovery and the impact of favorable temperatures, which also increased sales. Partially offsetting these positive factors were higher operations and maintenance expenses, increased interest expense and a higher effective tax rate.

For 2008, our earnings-from-continuing-operations guidance is \$1.45 to \$1.55 diluted earnings per share. Our long-term financial objectives are:

- ▼ Annual earnings per share growth of 5 to 7 percent
- ▼ Annual dividend increases of 2 to 4 percent
- ▼ Senior unsecured debt credit ratings in the BBB to A range

### Economic Value Generated

Our revenues for 2007 totaled more than \$10 billion. This includes electric utility revenues of approximately \$7.8 billion and natural gas utility revenues of approximately \$2.1 billion, plus other operating revenues and interest income totaling approximately \$85 million.

### Economic Value Distributed

Our operating costs and distributed economic value for 2007 included:

- ▼ \$4.1 billion in electric fuel and purchased power costs
- ▼ \$1.5 billion for the cost of natural gas sold and transported
- ▼ Almost \$1.3 billion for employee compensation, including wages and benefits
- ▼ \$12.5 million in charitable donations and community investments
- ▼ \$964 million retained earnings
- ▼ Almost \$900 million in payments to capital providers, including \$520 million in interest charges and financing costs and \$379 million in common stock dividends
- ▼ \$572 million in tax payments
- ▼ \$138 million in franchise fees, which are payments made to local governments for use of public rights-of-way

Please see page 78 of the 2007 10-K for detailed financial statements.

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<sup>2</sup> During 2007, Xcel Energy entered into a settlement agreement with the IRS related to a dispute associated with its Corporate Owned Life Insurance program (COLI). Excluding this settlement, along with the earnings associated with this insurance program, Xcel Energy's ongoing 2007 earnings were \$612 million, or \$1.43 per share, compared with 2006 ongoing earnings of \$548 million, or \$1.30 per share.

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## Defined Benefit Plan Obligations

The Pension Protection Act of 2006 was created to ensure that companies adequately fund their defined benefit pension plans. As of December 31, 2007, our pension plans were over 100 percent funded. Our pension plan assets are held in an external trust and are used exclusively for the payment of employees' pension benefits.

Additionally we have a contributory health and welfare benefit plan that provides health care and death benefits to many Xcel Energy retirees. In 2007, we contributed \$57 million to the retiree health and welfare benefit plan.

### Defined Benefit Plan Obligations, as of 12/31/07

	Pension Plans (in thousands of dollars)		Postretirement Benefit Plans (in thousands of dollars)	
	2007	2006	2007	2006
<b>Plan Assets</b>	3,186,273	3,183,375	427,459	406,305
<b>Plan Obligations</b>	2,662,759	2,666,555	830,315	918,693
<b>Funded Status</b>	523,514	516,820	(402,856)	(512,388)
<b>Percent Funded</b>	120%	119%	51%	44%
<b>Employer contributions</b>	35,000	32,000	57,147	67,188
<b>Benefit payments</b>	231,332	248,357	73,827	66,026

See page 105 of the 2007 10-K for additional information regarding our defined benefit plan obligations.

## Nuclear Plant Decommissioning

We operate two nuclear plants—Monticello in Monticello, Minn., and Prairie Island in Welch, Minn. Monticello is licensed to operate until 2030, and we have filed for a 20-year extension to our Prairie Island operating license, which expires in 2013 for unit 1 and 2014 for unit 2. Decommissioning is the process of closing down a nuclear facility and reducing the residual radioactivity to a level that permits the release of the property and termination of license. Nuclear power plants are required by the Nuclear Regulatory Commission to set aside funds for their decommissioning costs during operation. The

total obligation for decommissioning of Monticello and Prairie Island currently is expected to be funded 100 percent by external funds, as approved by the MPUC when decommissioning commences. The fair value of the nuclear decommissioning fund as of December 31, 2007 was \$1,317,564, while the discounted decommissioning cost obligation is estimated to be \$1,624,796. Xcel Energy believes future decommissioning cost accruals will continue to be recovered in customer rates. Please see pages 62 and 137 of the 10-K for further detail.

## 2 create opportunity for all through our compensation, supply chain and hiring practices

We recognize the impact we have on the livelihood of our employees, our suppliers and our communities. By offering competitive wages and benefits, being mindful in our supply chain spending and generating new job opportunities, we aim to contribute to a fair and sustainable economic system.

### Entry-level Wages

Our lowest pay grade for non-bargaining employees in each state where we operate exceeds the state minimum wage by an average of 19 percent. Most entry-level employees receive wages above the minimum pay grade. At the time this report was printed, the lowest wage for a non-bargaining employee was 66 percent higher than our lowest pay grade.

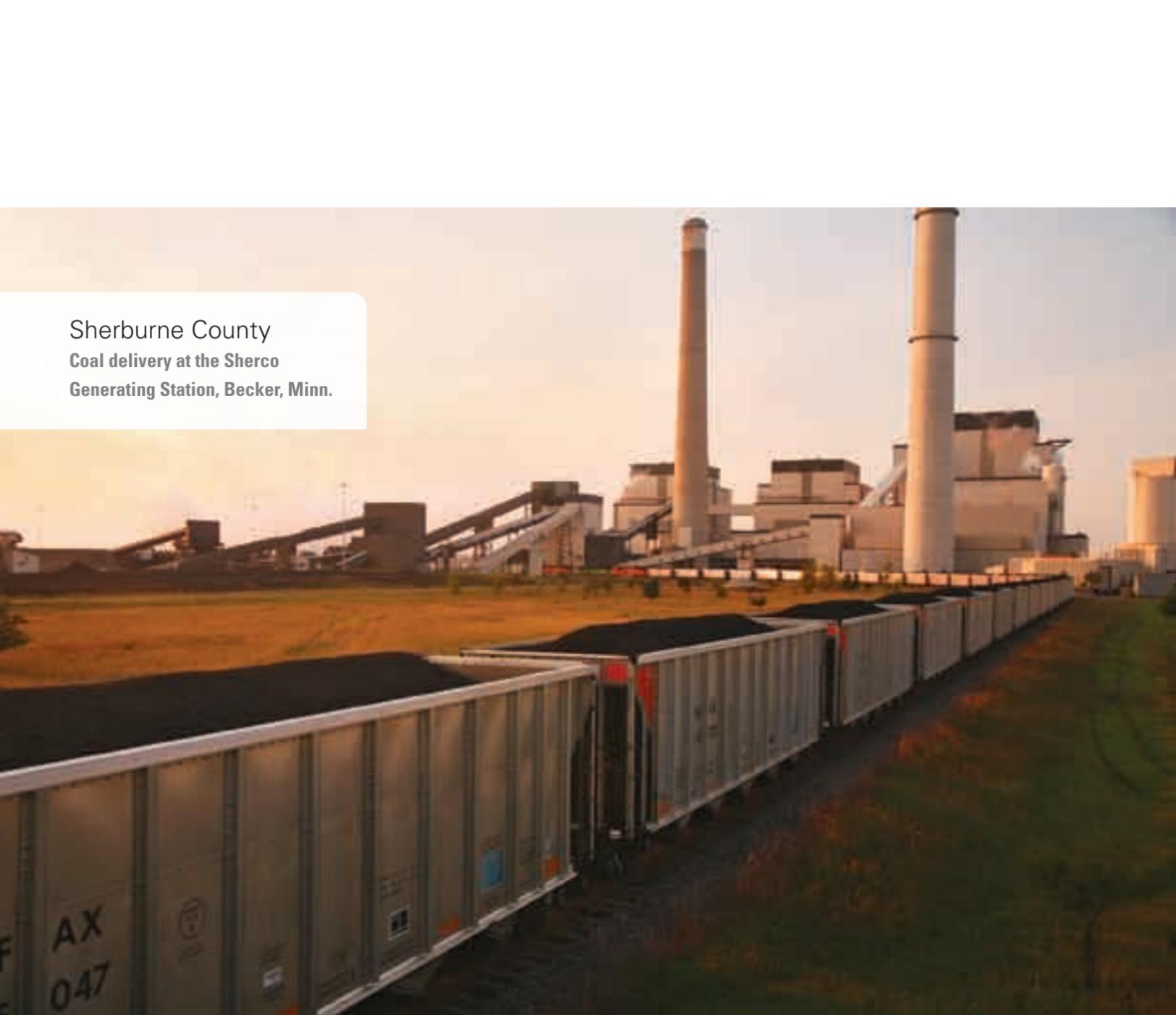
#### 2007 Entry-level Wages

	Lowest pay grade*	State minimum wage in 2007
<b>Colorado</b>	\$7.58	\$7.02
<b>Michigan</b>	\$8.17	\$7.15
<b>Minnesota</b>	\$8.17	\$6.15
<b>New Mexico</b>	\$7.19	\$6.50
<b>Texas</b>	\$7.19	\$5.85
<b>Wisconsin</b>	\$8.17	\$6.50

\*Non-bargaining employees



Clint Mabie  
Lineman, Ironwood, Mich.



Sherburne County  
Coal delivery at the Sherco  
Generating Station, Becker, Minn.

### Supply Chain Spending

Suppliers play an important role in our ability to grow and operate effectively. And the money we spend through the supply chain adds to the overall prosperity of our communities and beyond. In 2007, we spent more than \$2.2 billion with suppliers, up from \$1.9 billion in 2006. More than \$1 billion of that was spent with locally based suppliers.

We do not set specific targets for local spending; however, much of our spending occurs naturally on the local level as we build relationships within our communities. In many circumstances, necessary materials and services cannot be obtained locally, or it is not feasible to do so given our primary considerations of cost, quality, fairness, risk level, time constraints and legal/regulatory requirements.

### 2007 Local Spending

Operating Company	Total Spend	Local Spend*	% of Total Spent Locally
<b>NSP-M</b>	\$852,535,556	\$301,256,156	35%
<b>NSP-W</b>	\$69,306,946	\$27,319,349	39%
<b>PSCo</b>	\$876,632,669	\$428,045,623	49%
<b>SPS</b>	\$157,437,656	\$76,012,777	48%
<b>Xcel Energy Services</b>	\$302,163,598	\$231,311,355	77%
<b>TOTAL</b>	<b>\$2,258,076,425</b>	<b>\$1,063,945,260</b>	<b>47%</b>

\*Local spending is determined based on whether a supplier is located in one of the states served by the respective operating company. Local spending for Xcel Energy Services includes all eight states in which we operate.

### Supplier Diversity

Each year, we set a purchasing goal for our Supplier Diversity program, and in 2007, we exceeded our target of 7 percent. By working with suppliers that mirror the diversity of our service territory and that reflect the cultural and gender diversity of our customer base, we contribute to the economic growth and expansion of the communities we serve. In January 2006, Xcel Energy adopted a corporate policy that supports our commitment to supplier diversity. More information about the program is available online.

### Supplier Diversity Program

Year	Dollars Spent	% of Total Purchases
<b>2007</b>	\$166.4 million	7.36%
<b>2006</b>	\$117.3 million	6.82%
<b>2005</b>	\$111.8 million	7.44%

### Local Hiring

When making hiring decisions, we generally focus on the candidate's qualifications rather than their geographic location. However, the majority of our recruiting efforts

take place in our local communities. In 2007, we hosted or participated in 49 recruiting events in our local communities, and we have nearly 80 events scheduled for 2008.

### 2007 Local Recruiting

Recruiting Events	
<b>Colorado</b>	23
<b>Michigan</b>	2
<b>Minnesota</b>	12
<b>New Mexico</b>	2
<b>North Dakota</b>	2
<b>South Dakota</b>	2
<b>Texas</b>	4
<b>Wisconsin</b>	2
<b>TOTAL</b>	<b>49</b>

More than 50 percent of our senior executives were hired from our local communities, and on average they have served the company for 18.8 years.

Please see page 79 of this report for more information about our recruiting efforts to increase diversity.



Preston Langford  
Account manager, spending  
time with children at The  
Early Learning Centers of  
Lubbock, Texas, a United  
Way funded agency

## 2 contribute money and resources to help our communities thrive

### Corporate Giving

Corporate giving has always been a priority for us, allowing us to interact with and support our communities in a more personal way. Our employees donate their time and money generously each year, and we make their contributions go even further through various company match programs. In total, we contributed more than \$12 million in 2007 to various community initiatives.

	2007	2006
<b>Focus Area Grants</b>	<b>\$4,025,834*</b>	<b>\$4,097,050*</b>
Community development	\$1,054,400	\$1,241,300
Environmental partnerships	\$635,800	\$467,300
Promoting arts and culture	\$798,450	\$919,800
Supporting education	\$1,171,770	\$1,288,650
<b>United Way Contributions</b>	<b>\$4,434,000</b>	<b>\$4,364,967</b>
Employee contributions	\$2,217,000	\$2,187,269
Company contributions	\$2,217,000	\$2,177,698
<b>Matching Gifts Program</b>	<b>\$799,023</b>	<b>\$756,925</b>
Employee contributions	\$416,047	\$378,463
Company contributions	\$382,976	\$378,462
<b>Dollars for Doing Contribution</b>	<b>\$44,913</b>	<b>\$73,475</b>
<b>Volunteer Energy Contribution</b>	<b>\$20,500</b>	<b>\$31,000</b>
<b>Classroom Connection</b>	<b>\$27,437</b>	<b>\$49,600</b>
<b>Corporate Contributions</b>	<b>\$3,020,623</b>	<b>\$6,032,516</b>
<b>In-kind Donations</b>	<b>\$115,228</b>	<b>\$293,923</b>
<b>TOTAL</b>	<b>\$12,487,558</b>	<b>\$15,699,456</b>

\*Includes miscellaneous grants outside these focus areas.

## Infrastructure and Services to Benefit our Communities

Most of our community contributions are made through the Xcel Energy Foundation, a 501(c)3 IRS-classified charitable organization governed by its own board of directors and led by Xcel Energy CEO Richard C. Kelly. We also award corporate contributions to nonprofit and civic organizations via operating company committees and community liaisons. Corporate contributions include local sponsorships, partnerships with local governments and funding of special energy- or conservation-related projects through the Chairman's Environmental Fund.

## Focus Area Grants

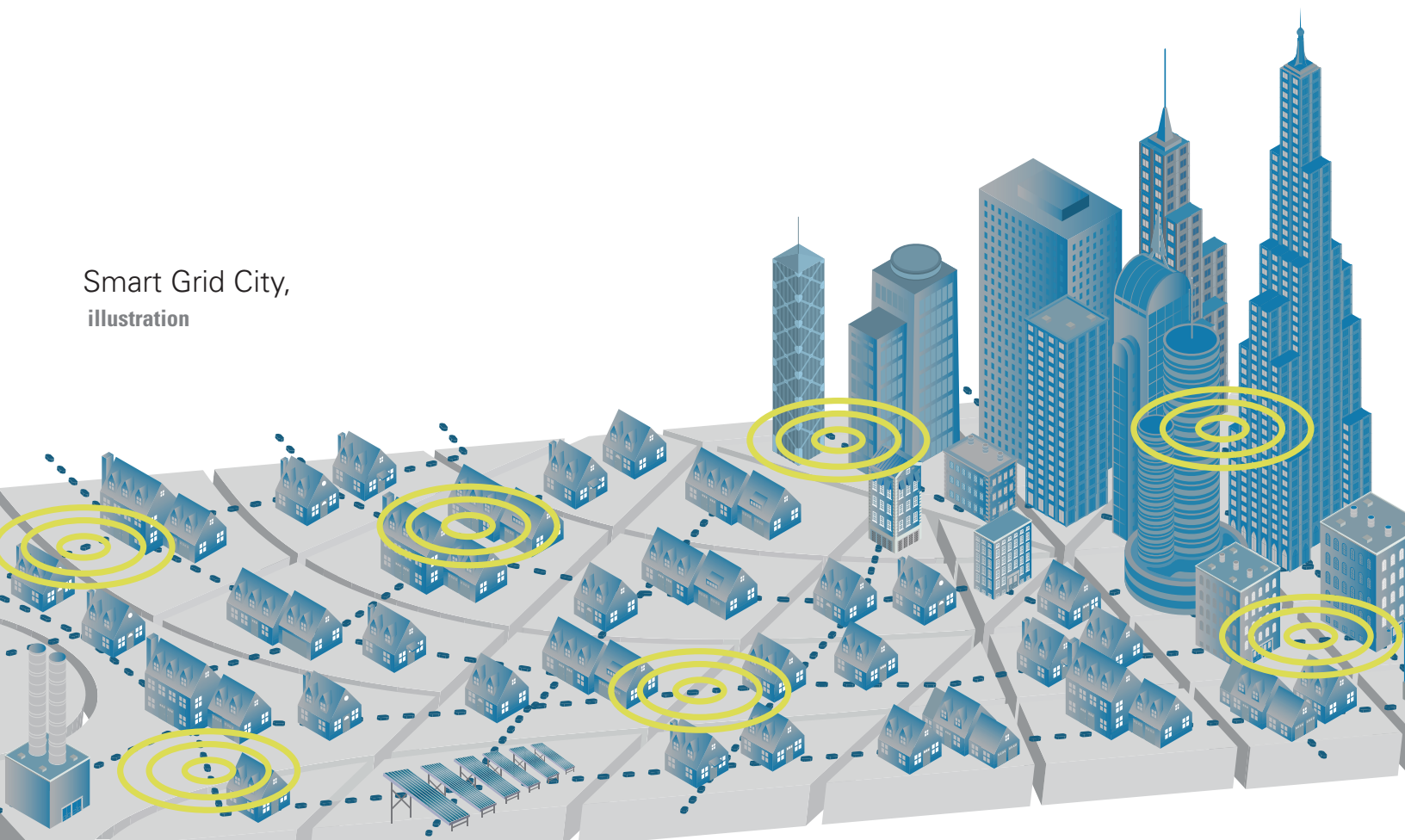
Qualifying 501(c)3 nonprofit organizations may apply for Foundation grants in our four focus areas:

- ▼ **Community Development:** Programs that address affordable housing initiatives, neighborhood revitalization projects, programs that build economic self-sufficiency for low- to moderate-income populations and historically disadvantaged or under-represented groups.
- ▼ **Environmental Partnerships:** Programs that train and support K-12 educators in teaching curriculum focused on energy and the environment; environmental awareness forums and displays; partnerships that preserve, restore and improve wildlife habitat, open lands, wetlands, parks, trail systems or recreational areas; projects that produce environmental improvement through neighborhood clean-up and beautification.
- ▼ **Promoting Arts and Culture:** Programs that increase accessibility to arts and cultural activities and enhance music education and performing arts in schools.
- ▼ **Supporting Education:** Programs that enrich and improve student performance in math and science; endowments for scholarships focused on math, science, technical or environmental areas of study as they relate to the energy industry; and community education programs that provide students with economic education and practical business and technical skills to compete effectively in the job market.

The projects we sponsored to benefit our communities in 2007 are too numerous to list, but below are a few highlights:

- ▼ **Trees for low-income customers and low-income neighborhoods, Denver, Colo.:** In conjunction with the Mile High Million Tree Initiative, to which the Xcel Energy Foundation provided \$100,000 in grants, we participated in a project to plant 250 trees in the yards of Denver customers who qualify for energy assistance. We also contributed funds to increase the tree canopy in one of Denver's most underserved neighborhoods.
- ▼ **Mabel Tainter Theatre, Menomonie, Wis.:** Along with a \$10,000 donation, our employees and retirees dedicated many hours to support the complete restoration of the historic Mabel Tainter Theatre. In addition, we coordinated with state agencies to seek rebates for energy efficient measures installed in the renovated building. The Mabel Tainter Theatre first opened its doors in 1889 and is listed on the National Register of Historic Places.
- ▼ **World renowned music and dance, Amarillo, Texas:** We provided an arts and culture grant to the Amarillo Opera for the world-renowned singers, "Three Mo' Tenors." We also contributed to the Lone Star Ballet to support a local production of "The Nutcracker."
- ▼ **Emergency equipment following the I-35 bridge collapse, Minneapolis, Minn.:** Following the collapse of the I-35 bridge near downtown Minneapolis last August, we granted \$30,000 to the city to replace Minneapolis Fire Department "turnout" gear that was damaged or destroyed in the hours after the collapse. We also contributed \$20,000 to help establish a foundation to support equipment for emergency volunteers of the Hennepin County Sheriff's Department.

## Smart Grid City, illustration



In the social responsibility section of this report, we spotlight our annual United Way campaign, as well as some of the ways our employees are making a positive difference in our communities. The impacts of these extraordinary efforts can't be measured in dollars and cents.

### 4 fund research and development projects that will drive innovation and change within the industry

Innovative technologies will play a central role in transforming the utility industry in the coming years, and we help drive that change by participating in research projects that focus on increasing operational efficiency, developing clean energy technologies and investigating advanced generation.

### Utility Innovations

In 2003, we brought together a group of technology partners to form Utility Innovations, an initiative dedicated to improving operations and customer satisfaction through enhanced system reliability and efficiencies in cost structure. In 2005, Utility Innovations became a formal department within Xcel Energy, staffed by project managers who continue to work with partners ranging from General Electric to the National Renewable Energy Laboratory (NREL). The Edison Electric Institute (EEI) recognized Utility Innovations with the prestigious Edison Award in 2006 for its efforts to leverage the power of partnerships and collaboration to solve industry challenges.

- ▼ **Neighborhood Energy Outreach Network:** In 2007, Utility Innovations and our Revenue Cycle team partnered with Energy Outreach Colorado (EOC) to create a Web-based software application that enables the nonprofit to better identify customers who qualify for energy assistance. The interface also allows for an exchange of customer and billing information with Xcel Energy and other Colorado utilities and encourages customer donations to EOC. We were recognized with a CIO 100 award for this effort.
- ▼ **Smart Grid Initiative:** Our most exciting research and development project to date, the Smart Grid Initiative involves a three-phased approach consisting of 1) Quick-hit projects, 2) Smart Grid City, and 3) Company-wide deployment of proven technologies. During phase 1, we have been working on seven projects to test various technologies that could be used to build intelligence into the power grid. These projects are outlined on page 61. Phase 2 is being deployed now. See the foldout on page 45 for more on the nation's first Smart Grid City.

#### Smart Grid Investments

Smart Grid Technologies	Total Investment*
Smart Distribution Assets	\$1,300,000
Smart Substation	\$5,544,203
Smart Outage Management System	\$2,406,000
Smart Grid Web Portal	\$1,138,400
Neural Networks	\$1,200,000
Plug-in Hybrid Electric Vehicles	\$1,188,940
Smart Grid City planning	\$500,000
<b>TOTAL</b>	<b>\$13,277,543</b>

\*Represents the combined value of Xcel Energy investments as well as vendor partner contributions of in-kind technology investments and project resources.

Additional information regarding our technology and research projects is available on page 56 of the environmental section.

Ming Wa Hui  
Substation maintenance engineer,  
Golden, Colo.





Turbine Installation  
Construction at the Fenton Wind  
Farm in southwest Minnesota

## 5 plan to meet future energy demands in an environmentally responsible manner

We recently filed new resource plans in Colorado and Minnesota that exemplify our environmental leadership approach. These plans are available online by visiting **xcelenergy.com** and clicking **About Energy & Rates**, then **Resource/Renewable Energy Plans** on the left side of the page.

The five objectives of our recent plans were:

- 1) To reliably meet our customer's growing desire for electric energy in a cost-effective manner
- 2) To reduce the overall amount of CO<sub>2</sub> the company would emit or cause to be emitted to meet our customers' energy needs
- 3) To increase our system's fuel diversity to protect our customers from price volatility
- 4) To ensure the company remains financially healthy and an attractive investment for shareholders
- 5) To continue to be a leader on environmental issues by taking prudent steps today, even when not yet required for compliance, in order to mitigate future risks for our customers and to act in the long-term best interest of our customers and community

You can learn more about our latest resource plans on page 47 of the environmental section of this report.

## 6 reduce energy use through effective customer efficiency programs

Often the cheapest and cleanest kilowatt is the one that's not produced. In 2007, we saved nearly 168 MW of peak production, 414 GWh of energy and more than 933,000 MCF of natural gas consumption through our demand-side management (DSM) programs.

For more than 20 years, Xcel Energy has successfully managed cost-effective energy conservation programs across our service territories. The American Council for an Energy Efficient Economy (ACEEE) recently completed a national review of utility companies' energy efficiency programs and ranked several of our DSM program offerings in Minnesota and Colorado as exemplary or worthy of honorable mention, as outlined below.

In total, we spent more than \$85 million on energy conservation projects for residential and business customers throughout our service territory. Learn more about our DSM programs on pages 55 and 95.

ACEEE Recognition for our DSM Programs			
	Location(s)	Program Description	Energy saved annually (in kWh)
<b>Exemplary Programs</b>			
<b>Lighting Efficiency</b>	<b>Minnesota</b>	Program offers rebates to businesses for installing qualifying energy-saving lighting	32 million
<b>Energy Design Assistance</b>	<b>Minnesota, Colorado</b>	Program offers businesses free consulting on energy-saving design and rebates for choosing efficient strategies for new construction	42 million
<b>Honorable Mention Program</b>			
<b>Custom Efficiency</b>	<b>Minnesota, Colorado</b>	Program offers rebates to businesses for unique projects that save energy	41 million



# 2/

environmental leadership

## the path to a clean energy future /

For more than a century, Xcel Energy and its predecessor companies have provided communities with indispensable energy services. We remain dedicated to meeting this important responsibility. However, in 2007 we began expanding our role to provide leadership within the industry and continue on our path toward a clean energy future.



Our customers and local communities expect us to protect the environment, and as the world becomes increasingly concerned with global climate change, environmental leadership has grown in importance for our shareholders, employees and the future of our company. Environmental leadership means that as we provide energy services to our customers, we will pursue clean energy innovation, transforming how energy is provided.

A clean energy future will take a combination of diverse technologies and energy strategies to reduce emissions. Our commitment to environmental stewardship is reflected in our actions. It is evident in our growing portfolio of renewable resources. It drives our exploration of innovative technologies. And it shapes the way we help customers manage their energy use.

In this section of the report, you will find information on our environmental performance, as well as our environmental plans and clean energy strategy and how this strategy will shape the future of our company. The specific topics we address are:

- 1) Environmental issues, policy, regulation and management
- 2) Resource planning and construction projects
- 3) Renewable energy and energy efficiency
- 4) Innovative technologies and research projects
- 5) Sustainable business practices
- 6) Biodiversity and avian protection
- 7) Emissions, effluents and waste
- 8) Water use and conservation
- 9) Environmental expenditures, compliance, disclosure and legacy projects

# 1

## environmental issues, policy, regulation and management

### Climate Change: A Pressing Issue

Climate change continues to be a major issue on the national and global agendas. In 2007, climate change policy moved forward. Some of the significant developments related to climate change last year included:

- ▼ The Intergovernmental Panel on Climate Change, under the auspices of the United Nations, released its Fourth Assessment Report indicating that human activity is “very likely” the cause of observed average global temperature increases since the mid-20th century.
- ▼ For the first time, a U.S. Senate committee passed a proposal to regulate greenhouse gases (GHGs) from the U.S. economy. This proposal calls for the U.S. economy to reduce GHG emissions roughly 20 percent by 2020 and 60 percent by 2050 from today’s levels.
- ▼ The leading Presidential candidates from both parties favor mandatory action to reduce U.S. GHG emissions.
- ▼ States and regions are taking action. In our backyard, Minnesota passed a statutory goal to reduce emissions 30 percent by 2025. Colorado’s Gov. Ritter created a statewide 20 percent GHG reduction target by 2020. Stakeholders are beginning to develop regional cap-and-trade systems in the Northeast, West and Midwest.

### Our Efforts to Address Climate Change

At Xcel Energy, we believe that climate change is a serious issue, and we are committed to doing our part to help address it. Xcel Energy emits GHGs, primarily carbon dioxide (CO<sub>2</sub>), from the fossil fuels we burn to make electricity. While we are not currently subject to mandatory state or federal limits on our GHG emissions, we believe that we will likely be called upon to reduce GHG emissions under a mandatory program within the next few years.

We have been taking action voluntarily to address climate change for several years, but we accelerated our actions in 2007. We have already met a goal we set in 2004 to reduce the CO<sub>2</sub> emission rate by 7 percent for all energy we generate or purchase—originally planning to reach

this goal by 2012. In 2007, we established CO<sub>2</sub> reduction targets by intensity rate and total tons—and we met both of those goals. Our CO<sub>2</sub> intensity rate for owned and purchased generation was 1,451 pounds per MWh, which was better than the target of 1,488 pounds per MWh. Our CO<sub>2</sub> reduction was 4.11 million tons for the life of the projects\*, far greater than the target of 2 million tons.

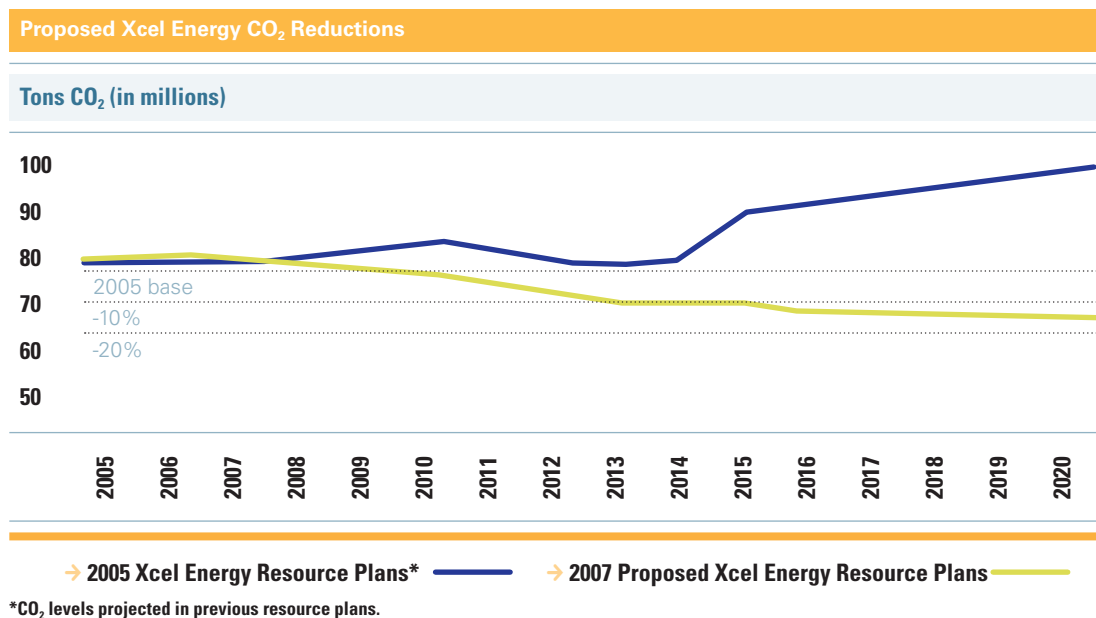
\*Also includes reductions of other GHGs that are converted to the equivalent GHG emissions value of CO<sub>2</sub>. Reductions are calculated for the entire projected lifespan of the projects implemented.

In 2008, we continue our efforts to reduce carbon intensity and reduce CO<sub>2</sub> emissions through plant and system efficiency projects. Our goal focuses on meeting a carbon intensity target of 1,483 pounds per MWh and successfully executing projects in four areas: 1) Emissions reductions at our High Bridge generating station in St. Paul, Minn., 2) Thirteen projects at our generating stations and facilities focused on emissions reductions, fuel savings and

efficiency improvements, 3) Achievement of demand-side management goals, and 4) The commissioning of our 100 MW Grand Meadow wind project in Minnesota.

In our resource plans, we estimate future CO<sub>2</sub> emissions based on our projections of future energy demand, fuel prices and availability and cost of generating resources. In Minnesota, we have proposed a resource plan that we projected will reduce CO<sub>2</sub> emissions by 22 percent by 2020. In Colorado, we have proposed a plan that our projections showed will achieve CO<sub>2</sub> reductions of 10 percent by 2017, with further reductions possible by 2020. If our public utility commissions approve these plans, Xcel Energy as a whole should reduce CO<sub>2</sub> emissions roughly 15 percent by 2020.

In Minnesota, Colorado and New Mexico, we are using a range of estimated future costs of CO<sub>2</sub> emissions in our planning to simulate the effect of a potential future



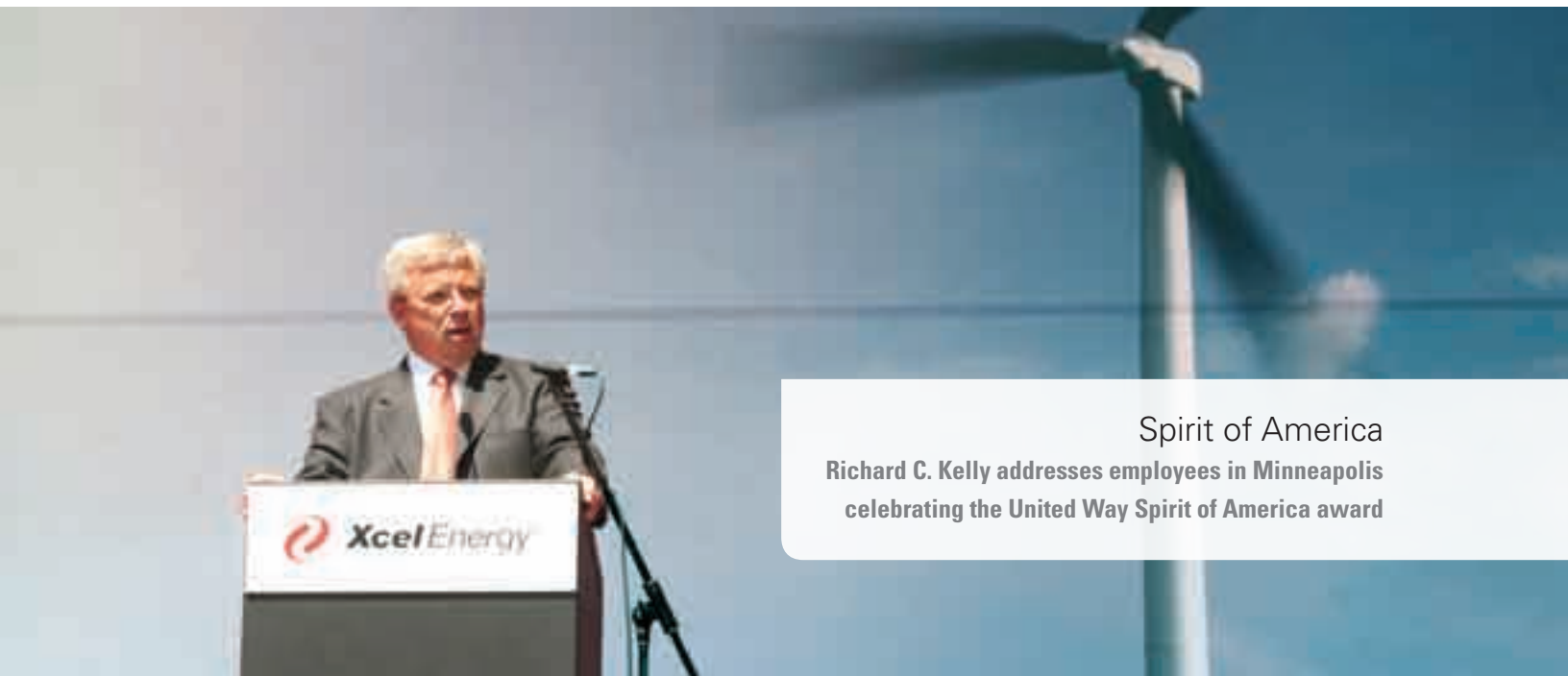
mandatory climate program on our system. These “carbon proxy costs,” at \$9 to \$40 per ton of CO<sub>2</sub>, are among the highest used in utility planning across the nation, making the importance of climate change and regulatory risk clear. Given the capital-intensive nature of our business, we must make decisions over long time horizons and take steps today to prepare for future climate change regulation tomorrow. By so doing, we believe we can reduce both the costs and risks associated with potential new environmental mandates.

Our plans rely on continued development of renewable energy, accelerated energy efficiency programs, and retirement of some older, less efficient coal-fired plants in conjunction with state-of-the-art natural-gas-fired plant additions. As discussed in a later part of this section, we are continuing to explore clean energy options for our system, including renewable energy, low-carbon baseload technologies, such as coal with carbon capture and sequestration, and new nuclear generation.

### Climate Change Policy Development

Clean technologies are the key to reducing CO<sub>2</sub> emissions from electricity while meeting our customers’ growing energy needs. We support a comprehensive national approach to climate change regulation that promotes flexibility and diverse clean energy options with low or no CO<sub>2</sub> emissions. We have fashioned a national climate change proposal called a Clean Energy Portfolio Standard that drives the development of needed clean technologies at low cost. We have begun discussions with policy makers, energy providers, the environmental community and others about our approach.

Until we achieve broader support for a Clean Energy Portfolio Standard, we are participating in the process of helping to develop other policy mechanisms, including the policy mechanism currently dominating the climate debate—cap and trade—at the federal and regional levels. A cap-and-trade policy achieves emissions reductions by setting a maximum economy-wide emissions level, or “cap,” and then allowing trading of emissions reductions



Spirit of America  
Richard C. Kelly addresses employees in Minneapolis  
celebrating the United Way Spirit of America award

efforts through an allowance issuance and trading system. Under a cap-and-trade program, a company must hold sufficient emissions allowances to cover its emissions for the year. The company may reduce its emissions or buy allowances from other entities. Over time, the policy reduces the overall cap to achieve the emissions targets.

Mandatory GHG emissions reductions programs such as cap and trade could transform our business. The leading national proposal might require utilities to achieve CO<sub>2</sub> emission reductions on the order of 30 percent by 2025. Some forecasts show that the utility industry could be virtually emissions-free by 2050. This technology transformation will not be free—we anticipate rising costs to provide reliable service while steadily reducing CO<sub>2</sub> emissions.

We are working to minimize cost increases to Xcel Energy and our customers under the cap-and-trade proposals being developed now. We are seeking compliance flexibility mechanisms so that we are never faced with the choice of serving customers or meeting an emissions regulation. We think that a cap-and-trade program should be designed to achieve the lowest-cost emissions reductions. We are seeking recognition for the early reduction efforts we have undertaken on behalf of our customers, especially the development of renewable energy, energy efficiency programs and our emissions reduction programs. Finally, we are seeking to ensure that the policy is designed to minimize the cost to customers and maximize the benefits to the environment.

### Regional GHG Policy Advisory Groups

We are also actively involved in setting direction for climate change policy at the state level. As with our federal climate change policy objectives, we will work to develop policies that minimize costs for our customers and maximize benefits to the environment. Xcel Energy is involved with the following climate advisory groups:

#### ▼ **Minnesota Climate Change Advisory Group:**

Minnesota Gov. Tim Pawlenty appointed David Sparby, acting president and CEO of NSP-Minnesota, along with 50 other state industry and community leaders, to his Minnesota Climate Change Advisory Group (MCCAG).

The MCCAG drafted a “Climate Action Plan”—a range of actions that, consistent with the state’s need for economic vitality, could substantially reduce Minnesota’s GHG emissions.

#### ▼ **Midwestern Greenhouse Gas Accord:**

Established in 2007 under the Midwest Governors Association, signatories agree to establish regional GHG reduction targets and develop a multi-sector cap-and-trade system to help meet the targets. Mr. Sparby is also a member of the Accord’s Advisory Group.

#### ▼ **Wisconsin Task Force on Global Warming:**

Established in 2007 by Wisconsin Gov. Jim Doyle, the task force focuses on creating a state plan to reduce GHG emissions. Michael Swenson, president and CEO of NSP-Wisconsin, is a member.

#### ▼ **Western Climate Initiative:** We are participating in the Western Climate Initiative, a collaboration established by the governors of California, Washington, Arizona, Oregon and New Mexico to identify ways to reduce GHG emissions in the region.

### Our Next Steps

Today, no one can predict with certainty how climate policy will ultimately affect Xcel Energy. We believe that our effort to develop a portfolio of cost-effective CO<sub>2</sub> reduction options is the correct path forward in the face of this uncertainty. Xcel Energy will continue to explore and develop options to reduce GHG emissions as necessary, while we advocate policy positions that minimize cost impacts on our customers.

## Other Regulatory Developments

Environmental regulations have increased in scope and complexity, requiring close monitoring to stay up to date and in compliance. Here's an update.

### → Mercury

In 2005, the Environmental Protection Agency (EPA) established the Clean Air Mercury Rule (CAMR), which was designed to regulate mercury emissions from power plants for the first time. However, in early 2008 a three-judge panel of the D.C. Circuit Court of Appeals vacated CAMR, meaning that no federal mercury rule currently exists. EPA and industry petitioners have asked that the full court rehear the case. If the court denies the petition, EPA is expected to develop new or revised rulemaking for future mercury reductions, although no timelines have been set. In the meantime, states throughout our service territory have taken the lead in developing legislation or regulations to reduce mercury emissions.

- ▼ **In Minnesota**, we helped to craft legislation in 2006 that balances environmental protection with the current state of mercury measurement and reduction technology. It calls for mercury emission controls at our Allen S. King generating station in Oak Park Heights and our Sherburne County generating station in Becker. We have already installed mercury monitors at these stations and have submitted mercury emission reduction plans for consideration for approval by the state of Minnesota.
- ▼ **In Colorado**, we worked with other utilities, the environmental community and state regulators in 2007 to develop a new state air quality rule for mercury. Under the rule, we will install mercury monitors and controls at our Pawnee generating station in Brush by 2012. We will install controls on all other units covered by the rule by 2014.

As discussed in the resource planning and construction projects section, we have already installed mercury monitors at our existing two units at Comanche Station in Pueblo, Colo., under a settlement with the environmental community. These two units and a new unit under construction will all receive mercury emission controls.

- ▼ **In Texas**, we partnered with the Electric Power Research Institute to study mercury emissions from our coal plants and evaluate potential removal technologies.

### → Clean Air Interstate Rule


EPA's Clean Air Interstate Rule (CAIR) seeks to control transported sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) emissions that significantly contribute to fine particulate matter non-attainment in the eastern United States. The rule affects three states served by Xcel Energy: Minnesota, Wisconsin and Texas. Regulators in Minnesota and Wisconsin are drafting rules that will require more stringent emissions reductions than required by the federal program in those states. We are petitioning the D.C. Circuit Court of Appeals to have West Texas excluded from CAIR because the region does not contribute significantly to particulate matter non-attainment in any downwind jurisdiction. The outcome of this litigation will affect compliance options for our Texas generating facilities.

To prepare, we're installing additional emissions controls or making burner modifications on some of our coal-fired generating units to control NO<sub>x</sub> and relying on our low level of existing emissions, committed emissions reduction programs and the availability of SO<sub>2</sub> allowances to assure SO<sub>2</sub> compliance.

→ **Regional Haze**

Regional haze refers to visibility impacts to protected federal lands, such as national parks and wilderness areas. EPA is requiring each state to analyze stationary sources believed to contribute to visibility impacts and to develop implementation plans to comply with the Regional Haze requirement, including the requirement to install Best Available Retrofit Technology (BART) on certain electric generating units.

In Minnesota, state regulators reviewed the BART analyses for all units in Minnesota and determined that compliance with CAIR is better than BART. So, at this time, regulators are not requiring any BART-specific controls that go beyond controls required for CAIR compliance. In Colorado, the Air Quality Control Commission approved our BART analysis, which will be included in Colorado's state implementation plan submitted to EPA for approval later this year. In Texas, state environmental regulators have determined that compliance with CAIR is a substitute for BART for two emissions—NO<sub>x</sub> and SO<sub>2</sub>.



Stillwater, Minn.  
Distant view of the Allen  
S. King Generating Station  
from the St. Croix River

# pursuing partnerships that will transform an industry

In 2007, we saw tangible results starting to take shape as a result of our environmental leadership strategy. 2008 promises to move us even further along our chosen path. We take a moment to look a little closer at some of the programs and initiatives that illustrate our commitment to leading the way in the utility industry.

## Offering best-in-class energy conservation programs for more than 20 years

### Partners in Conservation: Stories of Success

Last year, more than 6,400 Xcel Energy business and municipal customers participated in our energy conservation programs, saving 338 GWh of electricity. We host annual energy efficiency expo events in Minneapolis and Denver that showcase energy saving programs and ideas for our business customers. We honor businesses that go beyond basic energy efficiency improvements and make significant strides to reduce energy use. These organizations set a strong example for other companies to lower their energy bills and reduce their impact on the environment.

#### **3M Company, St. Paul, Minn.**

3M was the first company to participate in Xcel Energy's Process Efficiency Program—a three-phase approach that helps integrate energy efficiency into manufacturing processes, helping manufacturing customers to evaluate both energy efficient technologies and business practices that reduce energy. Our collaboration with 3M supports ongoing sustainability and the efficient use of energy. 3M has identified a number of process efficiency projects estimated to save about 12 GWh of electricity and about 60,000 MCF of natural gas per year.

#### **Coors Brewing Company, Golden, Colo.**

In 2007 Coors Brewing was recognized as Xcel Energy's "Overall Champion" of Energy Efficiency in Colorado. The company established numerous energy teams to identify conservation opportunities within their operations and participated in our Compressed Air Efficiency program, commissioning a study to identify and repair system leaks throughout their manufacturing plant. The study also identified other equipment changes that could improve overall system efficiency in the future. Coors plans to implement many of these recommendations, along with other opportunities identified for lighting, wastewater aeration and motors. Overall, we estimate that Coors' energy efficiency measures will save more than 7.5 GWh annually in the company's manufacturing facilities.

**We're No. 1 in wind energy.  
Now we've set our sights on the sun.**

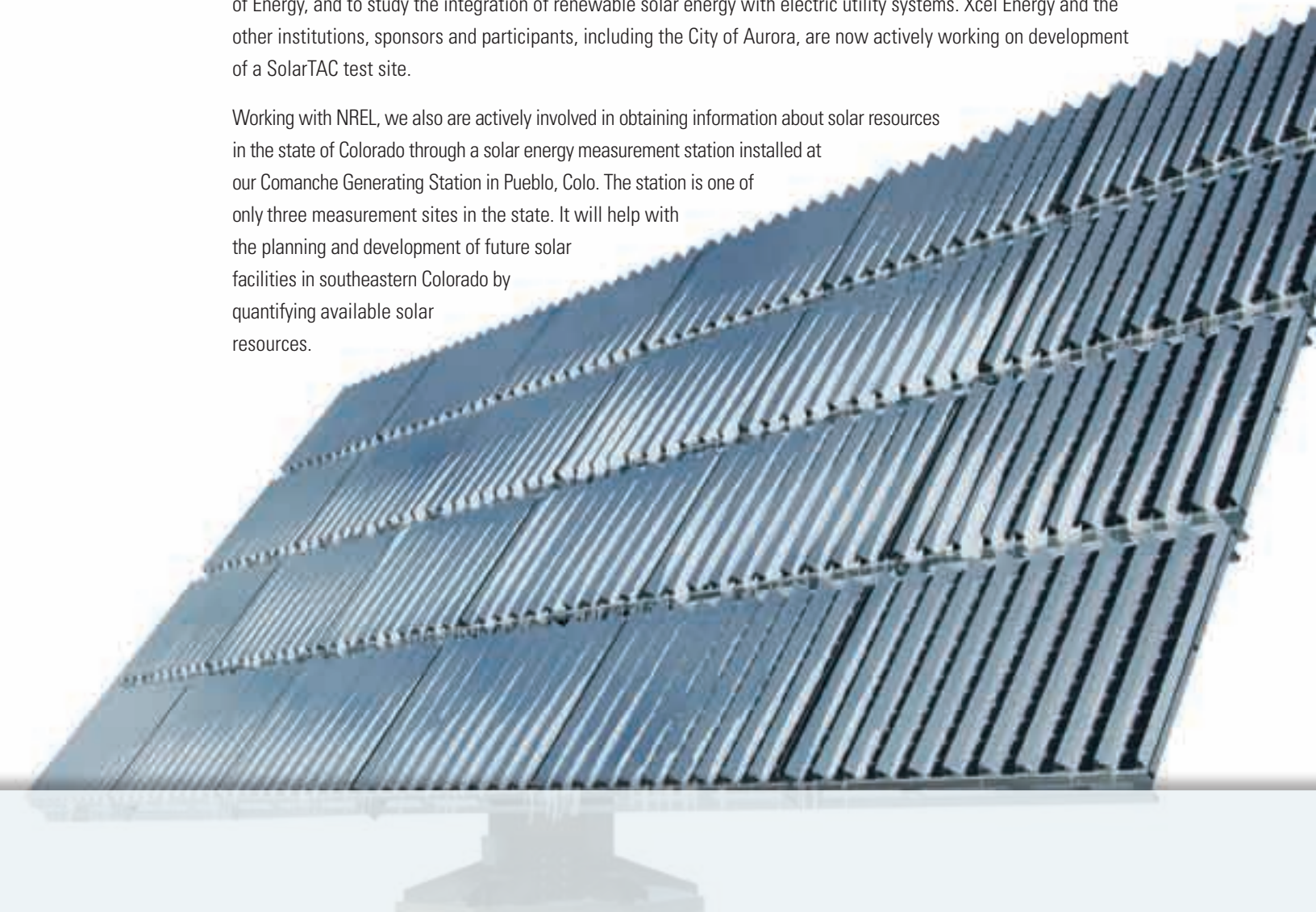
### **Ensuring Solar Shines**

Since 2003 we have more than tripled the amount of wind energy on our system, making it an integral part of our resource portfolio. With wind's success, we began in 2007 to intensify our focus on solar energy. We have initiated partnerships and development efforts to accelerate the commercialization of new, advanced solar technologies.

Emerging solar photovoltaic technologies are promising significantly higher efficiency, and technologies such as concentrating solar thermal with molten salt storage also have potential for making solar energy more affordable and less intermittent. We plan to eventually incorporate these technologies in our solar plans for Colorado and New Mexico. To take advantage of possibilities that may exist with large solar plants, we are also participating in two consortia of southwestern utilities focused on developing large utility-scale solar projects.

We have joined with several other private and public sponsors and the Colorado Renewable Energy Collaboratory—a research consortium including NREL, the University of Colorado, Colorado State University and Colorado School of Mines—to establish SolarTAC, a world-class research program and facility where new solar energy technologies can be demonstrated and tested. SolarTAC's goal is to help accelerate the commercialization and deployment of solar power generation technologies in Colorado, across the southwest region and throughout the United States. It also will provide a location to field-test technology advancements, including those that may be funded by the U.S. Department of Energy, and to study the integration of renewable solar energy with electric utility systems. Xcel Energy and the other institutions, sponsors and participants, including the City of Aurora, are now actively working on development of a SolarTAC test site.

Working with NREL, we also are actively involved in obtaining information about solar resources in the state of Colorado through a solar energy measurement station installed at our Comanche Generating Station in Pueblo, Colo. The station is one of only three measurement sites in the state. It will help with the planning and development of future solar facilities in southeastern Colorado by quantifying available solar resources.



# Revolutionizing the way energy is delivered and used

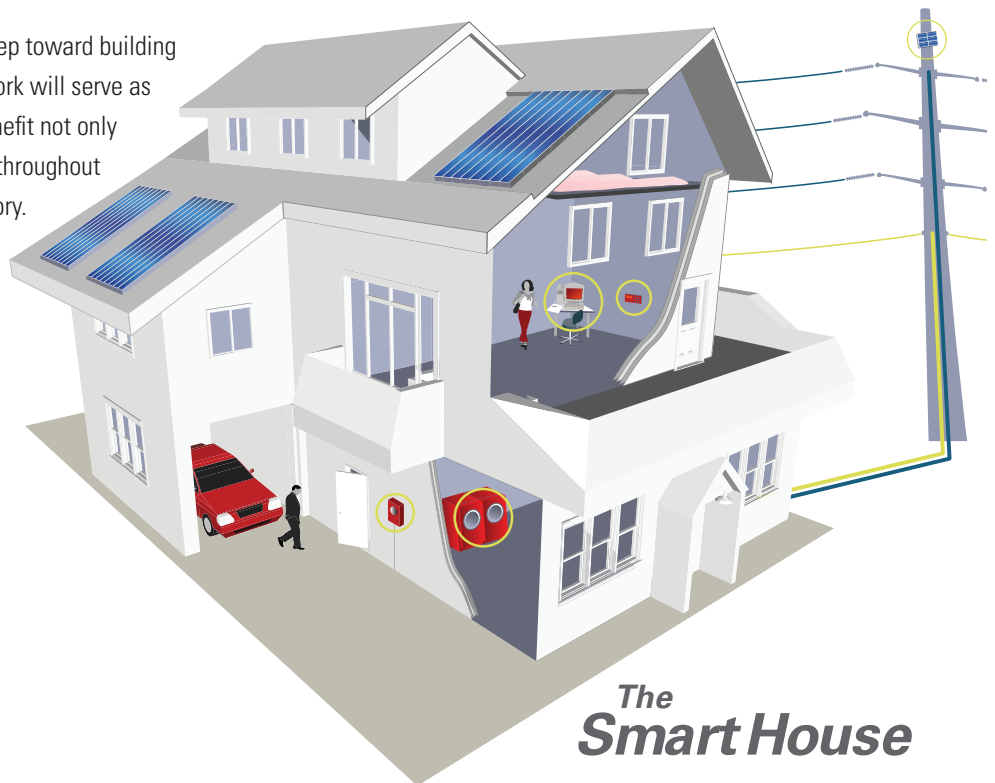
## The Nation's First Smart Grid City

We recently announced that Boulder, Colo., will become the first fully integrated Smart Grid City in the United States. Our customers in Boulder will participate in a number of system upgrades and offerings, including:

- ▼ The transformation of existing metering infrastructure to a dynamic communications network—providing real-time, high-speed, two-way communication throughout the distribution grid and allowing customers to be more active participants in how and when they use energy for certain applications.
- ▼ The conversion of substations to “smart” substations capable of remote monitoring, near-real-time data and optimized performance. By being able to operate substation transformers and breakers more dynamically and remotely, we can ensure more efficient and reliable flow of energy to customers.
- ▼ At the customer's invitation, installation of programmable in-home control devices and the necessary systems to automate home energy use fully and make intelligent-home appliances possible.
- ▼ Integration of infrastructure to support easily dispatched distributed generation technologies, such as plug-in hybrid electric vehicles with vehicle-to-grid technology, battery systems, wind turbines and solar panels.

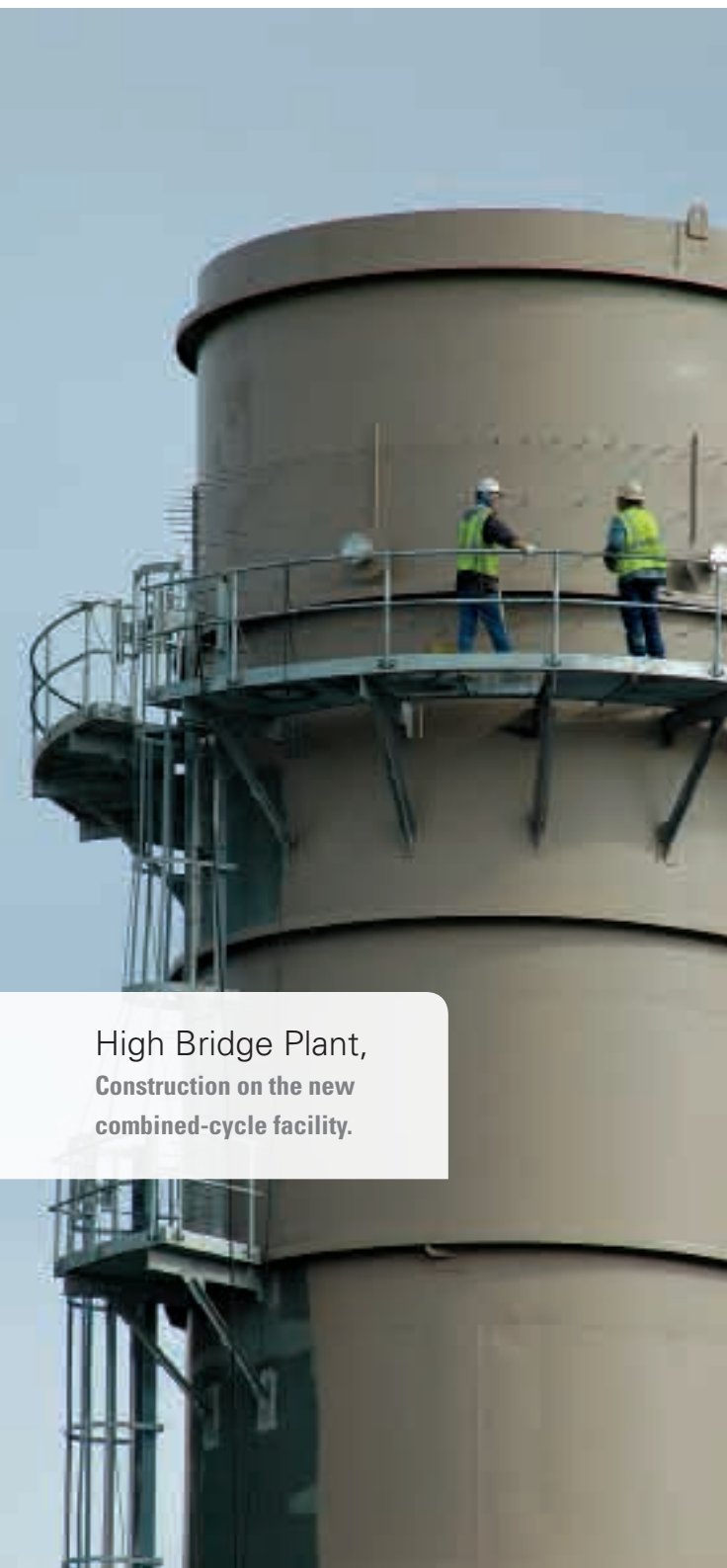
We plan to investigate ways to utilize technology, automation and customer partnerships to maximize environmental benefits. We will investigate ways to reduce energy usage, provide green customer choices and utilize customer loads to maximize intermittent renewable energy and distributed generation technology. We anticipate funding only a portion of the project and plan to leverage other sources including government grants for the remainder of what could be up to a \$100 million effort.

Smart Grid City is the first step toward building the grid of the future. The work will serve as a launching pad that will benefit not only Boulder, but also customers throughout our eight-state service territory. Lessons learned can be shared with our industry, which is analyzing how to effectively bring its energy grid into the 21st century and how to deploy new technology onto its existing infrastructure.



For more information on this groundbreaking effort, visit [xcelenergy.com/smartgrid](http://xcelenergy.com/smartgrid).





High Bridge Plant,  
Construction on the new  
combined-cycle facility.

## Environmental Management and Oversight

We have a structured environmental management system consistent with ISO 14001, an international standard of environmental management. Xcel Energy's environmental management system starts with its environmental policy, which is available on our Web site. Under its policy, the Xcel Energy board of directors, acting through the Nuclear, Environment and Safety Committee outlined on page 16, oversees the company's environmental compliance program and initiatives. Our CEO is responsible for executing the management system. The system structure is set forth below.

### Environmental Management System

#### Board of directors

**Richard C. Kelly – Chairman, President and CEO**

**David M. Wilks – President, Energy Supply**

**Olon C. Plunk – Vice President, Environmental Services**

Our environmental management system provides employees with training on and documentation of the company's compliance responsibilities, creates processes designed to minimize the risk of noncompliance and audits the company's environmental performance. Environmental performance is incorporated into officer and employee job responsibilities and compensation.

In addition, Mr. Kelly chairs an environmental council, which includes other executives and managers from throughout the company. The environmental council provides oversight and guidance to ensure our company's business decisions are consistent with our environmental policy and environmental leadership strategy.

## 2 resource planning and construction projects

As mentioned previously, we regularly go through a process to assess the resources necessary to serve our customers' future energy needs. The assessment, known as a resource plan, is submitted to regulatory commissions in the major states we serve. The regulatory review includes input from customers and other stakeholders. In 2007 we filed resource plans in Minnesota and Colorado.

In our latest resource plans, we outline the electricity sources needed to meet growing customer demand for reliable, reasonably priced power and reduce impact on the environment. We believe our plans strike the best balance among competing considerations:

- ▼ Maximize current resources
- ▼ Add resources efficiently
- ▼ Conserve energy
- ▼ Reduce CO<sub>2</sub> emissions

In fact, as discussed on previous pages, our plans for the first time allow us to meet our customers' growing energy needs while at the same time reducing CO<sub>2</sub> emissions. If approved, our plans would result in a reduction of approximately 15 percent from current levels. Details regarding these plans are set forth on the pages that follow.

### Transmission

Transmission plays a pivotal role in the execution and delivery of our environmental strategy. Last year, transmission construction increased our ability to deliver wind power from the Buffalo Ridge in Minnesota from 425 MW of wind energy to 825 MW. In Colorado, we filed an application with the Public Utilities Commission to build a

transmission line from northeast Colorado for delivery of energy—including renewables—to the Front Range area. Xcel Energy also is part of transmission consortia in Minnesota and Colorado that are examining future transmission needs. See more on Minnesota's CapX 2020 project and Colorado's High Plains Express project on page 87.

### Minnesota Resource Plan

This plan incorporates the requirements of Minnesota's Next-Generation Energy Initiative, a legislative mandate passed in February 2007. The initiative includes the strongest renewable energy requirement in the nation—30 percent of our energy from renewable sources by 2020, as well as aggressive goals for energy conservation and CO<sub>2</sub> reduction. Our resource plan, which covers 2008 through 2022, describes how we aim to meet these goals.

The plan would reduce CO<sub>2</sub> emissions by 22 percent from 2005 levels by 2020, a 6-million ton reduction, while meeting increased customer needs and maintaining system reliability. The plan includes a new forecast that projects a 1 percent annual increase in electricity demand, even as we work to achieve annual energy savings of up to 1.1 percent.

Among the plan's key provisions:

#### ▼ Add more renewables/wind power

We will add 2,600 MW of new wind resources to our system by 2020, over and above the 1,300 MW of wind resources planned to be on line by the end of 2008. We propose to own 500 MW of new wind power and will continue to move forward on our commitment to develop 500 MW of community-based wind resources.

#### ▼ Increase energy conservation initiatives

We will expand customer programs and develop new on-system energy efficiency initiatives designed to make progress toward the overall Minnesota energy efficiency goal of 1.5 percent.

▼ **Expand and improve existing generation resources**

- ▼ We will seek license renewal for the Prairie Island nuclear plant's two generating units to accommodate continued operation through 2033 and 2034 and expand capacity at Prairie Island by 160 MW.
- ▼ We propose to upgrade the capacity of Monticello Nuclear Generating Station by 71 MW. The Monticello plant's operating license already has been extended through 2030. Our analysis shows that re-licensing and continued operation of our nuclear fleet will save customers approximately \$1.1 billion over the 20-year license-extension period.
- ▼ We propose environmental upgrades at the Sherco coal-fired plant in Becker, Minn., while expanding capacity by 80 MW. The environmental upgrades will result in a significant reduction in overall SO<sub>2</sub>, NO<sub>x</sub> and mercury emissions from the facility. Our Sherco proposal is comparable to our successful Minnesota Metro Emissions Reduction Project (MERP), which gained considerable support from regulators, environmental groups, communities and customers. Because Sherco is newer and employs more modern technologies than our MERP plants—King, High Bridge and Riverside—the proposed improvements at Sherco will not yield as dramatic emissions reductions as MERP. However, significant environmental benefits are still expected.
- ▼ We will continue to operate all existing fossil-fuel resources to the end of their lives and, in some cases, pursue emissions-reduction or re-powering projects.

▼ **Add new resources**

- ▼ We seek to negotiate purchases from Manitoba Hydro for 375 MW of intermediate resources and 350 MW of peaking resources beginning in 2015.
- ▼ We propose to add approximately 2,300 MW of natural-gas-fired generation. Natural-gas-fired combustion turbines and combined-cycle plants can be started up quickly to provide

energy to meet peak system demand and to back up wind generation, which is only available when the wind is blowing.

Regulators likely will take up consideration of the plan in 2008, including substantive analyses and comments from stakeholders.

**Minnesota Emissions Reduction Project:  
One down, two to go**

Our \$1 billion voluntary MERP initiative involves a package of projects that will significantly reduce air emissions from three Twin Cities-area power plants while increasing capacity by around 300 MW. The first project was completed in July 2007, when our Allen S. King plant in Oak Park Heights, Minn., returned to service. The newly rehabilitated coal-powered unit is equipped with state-of-the-art emission-control equipment, as well as a new turbine and upgraded steam generator. The improvements significantly reduce air emissions while restoring the plant to its original output capacity of more than 500 MW.

Our other two MERP projects, which involve re-powering our High Bridge and Riverside plants from coal to natural gas, are proceeding according to schedule. The new High Bridge combined-cycle facility in St. Paul is scheduled to be on line in spring 2008, while the re-powered Riverside plant is scheduled to go into service in spring 2009.

**Colorado Resource Plan**

Our Colorado Resource Plan (CRP)—filed in the fall of 2007—calls for an additional 1,050 MW of renewable generation, a reduction of current electricity demand by 694 MW through enhanced energy efficiency programs and replacement of two older coal-fired power plants with a more efficient natural gas facility by 2015.

The resource plan also would help reduce GHG emissions from Xcel Energy's Colorado operations by 2017. We further committed to file an expedited resource plan in 2009,

which would provide options and make recommendations to put the company on a path to reduce our GHG emissions by up to 20 percent by 2020, a goal set by Colorado Gov. Ritter as part of his Colorado Climate Action Plan.

Specific resource needs and associated costs will be determined throughout the resource planning process. We plan to pursue the following generation goals if approved by the Colorado Public Utilities Commission:

- ▼ **Wind Power:** Increase the portfolio of wind power resources by 800 MW by 2015. We would then have a total of approximately 1,900 MW in Colorado.
- ▼ **Solar Power:** Incorporate efficient, utility-scale solar power, starting with the acquisition of approximately 25 MW of capacity from a central solar power plant, with plans to bring in a plant of up to 200 MW as technology develops.
- ▼ **On-Site Solar:** Pursue an additional 29 MW of on-site, customer-owned solar installations as part of our Solar\*Rewards program.
- ▼ **Energy Efficiency:** Increase participation in enhanced customer efficiency and conservation programs in Colorado. We have proposed to the

Colorado Public Utilities Commission that we increase the current capacity reduction of our customer programs to 693 MW, while doubling the amount of annual energy sales reductions to approximately 2,350 GWh, between 2009 and 2020.

- ▼ **Plant Retirement/Replacement:** To meet CO<sub>2</sub> reduction goals, we would replace the output of four coal-burning units (at two power plants) with a highly efficient natural gas generating facility. This would reduce CO<sub>2</sub> emissions by 1.4 million tons each year. The plants to be replaced total 229 MW of generation and include Arapahoe Generating Station in Denver and Cameo Generating Station east of Grand Junction.

By the end of December 2015, we will produce about 20 percent of our energy sales from renewable resources—continuing the company's position of remaining well ahead of Colorado's Renewable Energy Standard.

In addition to new renewable and energy efficiency generation goals, we will seek to competitively acquire approximately 800 MW of additional natural-gas-fired generation.

Monique Lovato  
Area manager, community and local  
government affairs, Denver, Colo.



### Comanche 3

Construction progress continues on the 750 MW generating unit at our Comanche coal-fired generating facility in Pueblo, Colo. The new unit is a significant commitment to meeting growing electricity needs while reducing our environmental impact. When Comanche 3 is completed in 2009, the station's electricity generation will more than double, while overall NO<sub>x</sub>, SO<sub>2</sub> and mercury emissions will decrease—thanks to the installation of advanced emissions controls.

State-of-the-art emissions controls are included on the new unit and also are being added to the existing two units as part of air permit agreements. All units will have low NO<sub>x</sub> burners, and Unit 3 will include selective catalytic reduction to further reduce NO<sub>x</sub> emissions. Baghouses will control particulates, and spray dryer absorbers will control SO<sub>2</sub> emissions. Baghouses capture more than 99 percent of particulates and a significant amount of mercury. Activated carbon injection also will control mercury emissions for all units.

The company reached many project milestones in 2007, including completion of the new Unit 3 stack, as well as structural steel placement for the Unit 3 boiler and installation of the 785,000-pound generator stator.

Comanche 3 will have the nation's largest parallel cooling system, which includes a wet system that will operate in parallel with an air-cooled condenser that uses ambient air for cooling. This system uses half the water of a conventional system, which is important in Pueblo's arid climate.

Our Comanche project was made possible through a comprehensive settlement agreement involving several prominent environmental groups, including the Sierra Club, Western Resource Advocates, Environmental Defense, Environment Colorado, Southwestern Energy Efficiency Project, Colorado Renewable Energy Society, Diocese of Pueblo and Smart Growth Advocates.

## What others are saying about our Colorado Resource Plan:

"It's the only Western utility to put forth a plan to cut its carbon-dioxide emissions. It's precedent setting. It should be a model for other utilities."

**John Nielsen –**  
Energy Project Director, Western Resource Advocates

"In the fine tradition of Colorado's pioneers, Xcel Energy is charting the innovative and cost-effective path forward to cut global-warming pollution, protect human health and propel Colorado's clean energy economy."

**Vickie Patton –**  
Deputy General Counsel, Environmental Defense

## Construction

Attaching blades to the hub for a wind turbine at the Fenton Wind Farm



# 3

## renewable energy and energy efficiency

### Wind

#### ▼ Xcel Energy No. 1 in wind

We remain the nation's No. 1 wind power provider, according to the annual industry ranking reports released by the American Wind Energy Association (AWEA). On April 2, 2008, we were ranked No. 1 for the third consecutive year—providing more than double the wind power of MidAmerican Energy at the No. 2 position. By the end of 2007, we had approximately 2,700 MW of wind energy capacity in service. We expect to have 7,400 MW by 2020.

We also are a leader in offering our customers choice in buying renewable energy. Windsource is a voluntary program enabling Xcel Energy customers in Colorado, Minnesota and New Mexico to purchase power generated by wind. On April 22, 2008, the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) recognized Windsource as the No. 1 voluntary green energy program in the country in terms of number of participants for the fifth year in a row. More than 70,000 homes and more than 1,000 businesses currently utilize Windsource to reduce their impact on the environment.

#### ▼ 1,000 MW of wind in Minnesota and Colorado

In late 2007, our Minnesota and Colorado jurisdictions both reached their 1000th MW of installed wind capacity to be delivered to our customers. Minnesota Gov. Pawlenty joined in a ceremony in December to help Xcel Energy celebrate, bringing the state to the No. 3 spot nationally.

▼ **Other Minnesota wind energy developments**

In June 2007, we announced plans to build and own a 100 MW wind farm near Austin, Minn. The Grand Meadow Wind Farm is scheduled to be operational by the end of 2008. In November, we dedicated a major transmission line that will carry power from the state's largest wind farm. The Fenton Wind Project, in the Buffalo Ridge area of southwestern Minnesota, has a generating capacity of 205 MW.

▼ **More wind in the SPS region**

In Texas we receive wind power from the Llano Estacado Wind Ranch near White Deer, Texas, and from several qualifying facilities—the majority of which have been developed by John Deere (130 MW). John Deere is planning an additional 70 MW of wind projects to be ready in the first half of 2008. In April 2007, we added 162 MW of wind capacity from the Wildorado Wind Ranch in Oldham and Potter counties.

We offer customers in New Mexico wind power through New Mexico's first voluntary wind energy program. We receive wind power from Caprock Wind Ranch in Quay County, Llano Estacado and the San Juan Mesa facility near Elida, New Mexico.

## Solar

Solar energy also plays a key role in our renewable portfolio, especially in Colorado. Meeting the Colorado Renewable Energy Standard of 20 percent by 2020 will require us to acquire at least 100 MW of solar power on our system, but we are undertaking industry-leading efforts to acquire more than 250 MW on our system by the year 2015.

One way we're meeting that goal is through our Solar\*Rewards program. In 2006, we began offering rebates to Colorado customers for installing solar systems on their homes and businesses. Today, more than 1,000 of our customers have connected photovoltaic systems to their homes, and we expect to have our customers install more than 25 MW of capacity by the end of 2008.

In December 2007 we also began purchasing 8.2 MW of solar power from a central solar power plant located near Alamosa, Colorado, one of the largest solar power plants of its kind in the nation. And we issued an RFP that would add approximately 25 MW of utility-scale solar power to our generation portfolio.

## Hydro

Hydroelectric power was an original fuel source for our company, and several of our hydro facilities have reached 90 to 100 years of operation. Hydropower is a virtually carbon-free, renewable and reliable energy source that serves national environmental and energy policy objectives.

Our 26 hydroelectric plants, located in Wisconsin, Minnesota and Colorado, account for more than 500 MW of generating capacity—enough electricity to serve half a million typical homes. We continue to re-license our hydroelectric plants and make improvements that improve efficiency and increase capacity.

## Biomass

We also use a waste-to-energy method to generate electricity. In Minnesota, our Red Wing and Wilmarth plants burn refuse-derived fuel (RDF) produced from municipal solid waste by another company. At French Island, we process municipal solid waste into RDF we burn on site. Each facility marked its 20th anniversary in 2007.

While each plant has two units that can produce about 12 MW per unit, their primary focus is to burn waste. We receive revenue from the processing plants for each ton of RDF burned. In the past 20 years, the Red Wing and Wilmarth plants have reduced the amount of trash going to landfills by more than 23 million cubic yards. This is roughly the equivalent of a football field stacked two miles high with garbage. Utilizing the French Island plant has eliminated the need for five medium-sized landfills over 20 years.

### Other Biomass Fuels

Our Bay Front plant, a three-unit generating station in Ashland, Wis., has become a model for the creative use of fuels, including renewable resources. Three boilers burn a variety of fuels to produce steam that drives three turbine-generators to produce electricity. Bay Front was the first investor-owned utility operation in the nation to burn wood waste to generate electricity and currently supplies about one-third of our Wisconsin renewable generation requirement. The plant is now being equipped with further emissions control equipment and is being evaluated for a major upgrade to eliminate coal and increase biomass and/or natural gas use.

We also purchase biomass-produced energy from generating facilities powered by other sources, such as forest harvest residue, including treetops and limbs. In Minnesota, we

purchase energy from plants that generate electricity with landfill gas and turkey litter. These generation facilities provide renewable energy to our customers and help communities solve various waste disposal challenges.

### Renewable Energy Ownership

Historically, we have utilized power purchase agreements as a primary method for procuring renewable energy. However, as we pursue actions to achieve ambitious state renewable portfolio standards, investing directly in the ownership of renewable resources becomes more important. Ownership allows us direct involvement in maintenance and operations, which can further benefit our customers in terms of reliability and cost. It contributes to our overall financial stability so that we can appropriately reward our shareholders and further invest in system improvements that benefit our customers. Today,



Denver Federal Center  
Solar park at the  
Denver Federal Center



## Water Power Park

Public park on Hennepin Island, near the St. Anthony Falls Hydroelectric Project, Minneapolis, Minn.

approximately 10 percent of Xcel Energy's energy supply comes from renewable resources with the majority of that supply under long-term contract. We expect our energy supply sourced from renewables to more than double by 2020, and we plan to invest in an increasing share of those additional resources. The 100 MW Grand Meadow wind farm in southern Minnesota represents an investment of over \$200 million and is an important step in this direction. The project has the distinction of being our most significant owned-wind investment to date.

### Renewable Development Fund

Twenty-two proposed renewable energy projects featuring wind, hydroelectric, solar, biomass and biofuel technologies were selected to receive nearly \$23 million from the Xcel Energy Renewable Development Fund in 2007.

An advisory board with representation from Xcel Energy, environmental groups, Xcel Energy customers and the Prairie Island Indian Community recommended to the Minnesota Public Utilities Commission that \$8.2 million be awarded to projects for energy production and \$14.4 million for research and development.

Money for the Renewable Development Fund, which was created in 1999, comes from Xcel Energy customers. Each year the company transfers \$16 million to the fund in accordance with state statute. All selected projects are subject to final approval by the Minnesota Public Utilities Commission.

### Renewable Energy Trust

The Renewable Energy Trust is a voluntary, customer-driven charitable fund established in 1993 to help develop

renewable energy sources in Colorado for the benefit of local schools, nonprofit organizations and public/community groups. The Renewable Energy Trust is administered by the Denver Foundation, an independent charitable organization, under the guidance of Xcel Energy customers who are concerned about preserving the environment. Every dollar contributed to the Renewable Energy Trust by Xcel Energy customers is tax-deductible and used to purchase and install renewable energy projects such as solar electricity systems for community organizations that would otherwise be unable to afford this technology. We have more than 3,500 customers donating on a monthly basis.

Annual Grants Paid	
<b>2007</b>	\$173,100
<b>Since 1993:</b>	\$1.36 million

## Energy Efficiency Programs

Since 1992, our customers have saved enough electricity to enable us to avoid building nearly nine 250-megawatt power plants. We have almost 70 full-time employees working together to design new conservation programs, ensure the savings estimates are accurate and measurable, develop marketing materials that reach the right target markets, communicate with customers one-on-one about our programs and create plans to ensure we meet our regulatory goals.

Below are the details of our energy savings in each state for 2007. Overall, our energy conservation projects helped save enough energy to satisfy the electricity needs of 49,971 homes and the natural gas needs of 10,279 homes for one year<sup>1</sup>.

Energy Efficiency, Conservation and Load Management - 2007				
State	Spending	Electric Conservation/Load Management		Gas Conservation
		Generator kW	Generator MWh	MCF
<b>MN</b>	\$53,144,963	103,633	259,208	888,460
<b>CO</b>	\$19,548,311	42,281	127,032	28,888
<b>WI</b>	\$9,596,679	6,134	420	Statewide Program Delivery
<b>MI</b>		Pending Legislation		Pending Legislation
<b>TX</b>	\$2,670,269	4,379	17,935	No Programs Available
<b>NM</b>	\$225,457	Pending Legislation		Pending Legislation
<b>SD</b>	\$62,918	1,566	116	Plans Underway for 2008
<b>ND</b>	\$37,043	404	53	7,770
<b>TOTAL</b>	<b>\$85,285,640</b>	<b>158,397</b>	<b>404,763</b>	<b>925,118</b>

<sup>1</sup> Average annual electricity use per home is 8,100 kWh. Average annual gas use per home is 90 MCF.

Energy conservation plays an important role in our carbon reduction strategy. We forecast our customers' energy resource needs and develop a plan to meet those needs in the most cost-effective manner. We have established aggressive new targets for our demand-side management (DSM) programs in Minnesota and Colorado, as outlined in the resource planning section. We were recognized by the Clinton Global Initiative for our efforts in utilizing energy efficiency to reduce GHG emissions.

## 4 innovative technologies and research projects

The development of new technology will play an increasingly important role in how the utility industry generates and delivers electricity. We embrace innovation in the pursuit of technologies to reduce our environmental impact. Here are the steps we're taking.

### Smart Grid Initiative

In December 2007, we established the Smart Grid Consortium. The Consortium brings together leading technologists, engineering firms, business leaders and IT experts to develop a Smart Grid, a power system that combines traditional and cutting-edge technology to create a much-improved grid for the digital age.

We expect a Smart Grid will enable us to work in tandem with customers to determine when, where and how they use their energy. Potential benefits include lower bills;

smarter energy management; better grid reliability; greater energy efficiency and conservation options; increased use of renewable energy sources; and support for plug-in hybrid electric vehicles and intelligent home appliances.

During phase 1 of the Smart Grid initiative, we have been working on seven projects to test various technologies that could be used to build intelligence into the power grid:

1. **Wind Power Storage:** The ability to store energy produced by renewable resources is a key to maximizing these resources. Thus, as part of our Smart Grid initiative, we are partnering with MinWind Energy, NREL, University of Minnesota and the Great Plains Institute to test storing, controlling and dispatching wind energy in a 1 MW scale battery. The project will be sited in Luverne, Minn., and is scheduled to be commissioned in the fall of 2008.
2. **Neural Networks:** We've developed a first of its kind system at our Hayden, Colo., generating station that's expected to significantly improve a coal-fired power plant's operational efficiency and reduce its emissions. The system will reduce slag, a combustion waste by-product that decreases efficiency.
3. **Smart Substation:** We are retrofitting an existing substation with technology for remote monitoring of operating data.
4. **Smart Distribution Assets:** We're testing existing meter communication equipment that can automatically notify Xcel Energy of outages.
5. **Smart Outage Management:** We are testing diagnostic software that can predict problems in the power distribution system.

6. **Plug-in Hybrid Electric Vehicles:** Xcel Energy, in collaboration with V2Green Inc. and NREL, placed six plug-in hybrid electric vehicles (PHEVs) on the road at the end of 2007 as part of a demonstration test of vehicle-to-grid technology. The goal of the project is to determine how consumers can use the vehicles to significantly lower greenhouse gases, shore up electricity grid reliability and prove PHEVs as a viable alternative to today's carbon-emitting cars.

7. **Consumer Web Portal:** Allows customers to program their energy use and automatically control power consumption.

These projects are all expected to be complete by the end of 2008. Phase 2—the development of a Smart Grid City—is being deployed now in Boulder, Colo. Please see the foldout on page 45 for more details regarding Smart Grid City. Phase 3 of the Smart Grid initiative will involve company-wide deployment of proven technologies.

Efficient Transportation: PHEV  
Plug-in hybrid electric vehicle



## Hydrogen Projects

### ▼ Wind-to-Hydrogen Demonstration Project

In 2006 Xcel Energy and NREL completed the construction of a Wind-to-Hydrogen demonstration project located at an NREL wind testing facility in Golden, Colo. We continue to gather data to assess the feasibility of storing energy when the wind is blowing during off-peak hours and supplementing the grid during peak hours, thereby “taming” some of the intermittent aspect of this carbon-free energy source.

### ▼ Hydrogen Studies

We are a founding member and current chair of the Hydrogen Utility Group, a consortium of utilities investigating the value of hydrogen for utility companies’ internal operations; evaluating external markets that would buy hydrogen; and searching for a common thread to extend the benefits of a hydrogen economy to more utilities.

## Integrated Gasification Combined Cycle (IGCC) Power Plant

In 2006, under a Colorado statute encouraging the development of a demonstration project, we announced our investigation of the feasibility of developing an integrated gasification combined cycle technology—or IGCC—generating project in Colorado. IGCC is a clean-coal technology that offers the potential to capture and sequester carbon dioxide more easily than is possible today with a traditional pulverized-coal facility.

IGCC with carbon capture and sequestration is an important technology. From our research efforts, we have confidence in both the generating and sequestration technologies, and we believe IGCC will be a technically feasible and widely employed generation system in the future. However, in our 2007 resource plan filing, we decided to delay construction of the proposed project. In doing so, we

considered the project’s cost, our resource need, the interest of potential project partners, and other issues. We are continuing to evaluate the IGCC project and plan to report to the Colorado PUC on its status in 2009.

## Chairman’s Fund Projects

We have established a Chairman’s Fund focused on supporting innovative environmental leadership projects in our community that demonstrate new or developing technology. Mr. Kelly approves grants from the Chairman’s Fund. Recent projects include photovoltaic (PV) demonstrations at Coors Field in Denver and Saint John’s University in Minnesota; an educational display for Denver International Airport’s 2 MW PV system; a University of Minnesota CO<sub>2</sub>-to-algae demonstration project; the University of Colorado Energy Initiative Leadership Council; and the University of Colorado Solar Decathlon house.

### ▼ University of Minnesota Algae-to-Biofuels Project:

We have provided \$150,000 for a groundbreaking project led by the University of Minnesota and the Minnesota Metropolitan Council. The gift builds on our commitment to renewable energy in Minnesota by supporting research into a promising new energy technology. The goal of this project is to determine the feasibility of growing algae in wastewater treatment plant effluent with subsequent conversion into biodiesel and other energy products.

### ▼ Solar Decathlon: As the primary sponsor of the University of Colorado Solar Decathlon team, we contributed \$300,000 for the team to design and build a home operated completely by solar power. The University of Colorado won the first two competitions, held in 2002 and 2005. We plan to showcase the home as a demonstration facility where researchers, technology developers and university students can advance the use of solar energy and show its work to the public.

▼ **Clean Energy and Environment Project:** We have provided \$500,000 in grant money to establish a new Clean Energy and Environment Project in Colorado. The project, which will be administered by the Colorado Energy Research Institute, will support a variety of research and other activities promoting the deployment of new energy technologies benefitting both the economy and environment of Colorado. The Colorado School of Mines, University of Colorado and Colorado State University will all be able to submit proposals to the Colorado Energy Research Institute for funding under the project. Mr. Kelly is the co-chair of the University of Colorado's Energy Initiative (EI) Leadership Council, and we are an inaugural contributor to the EI Fund.

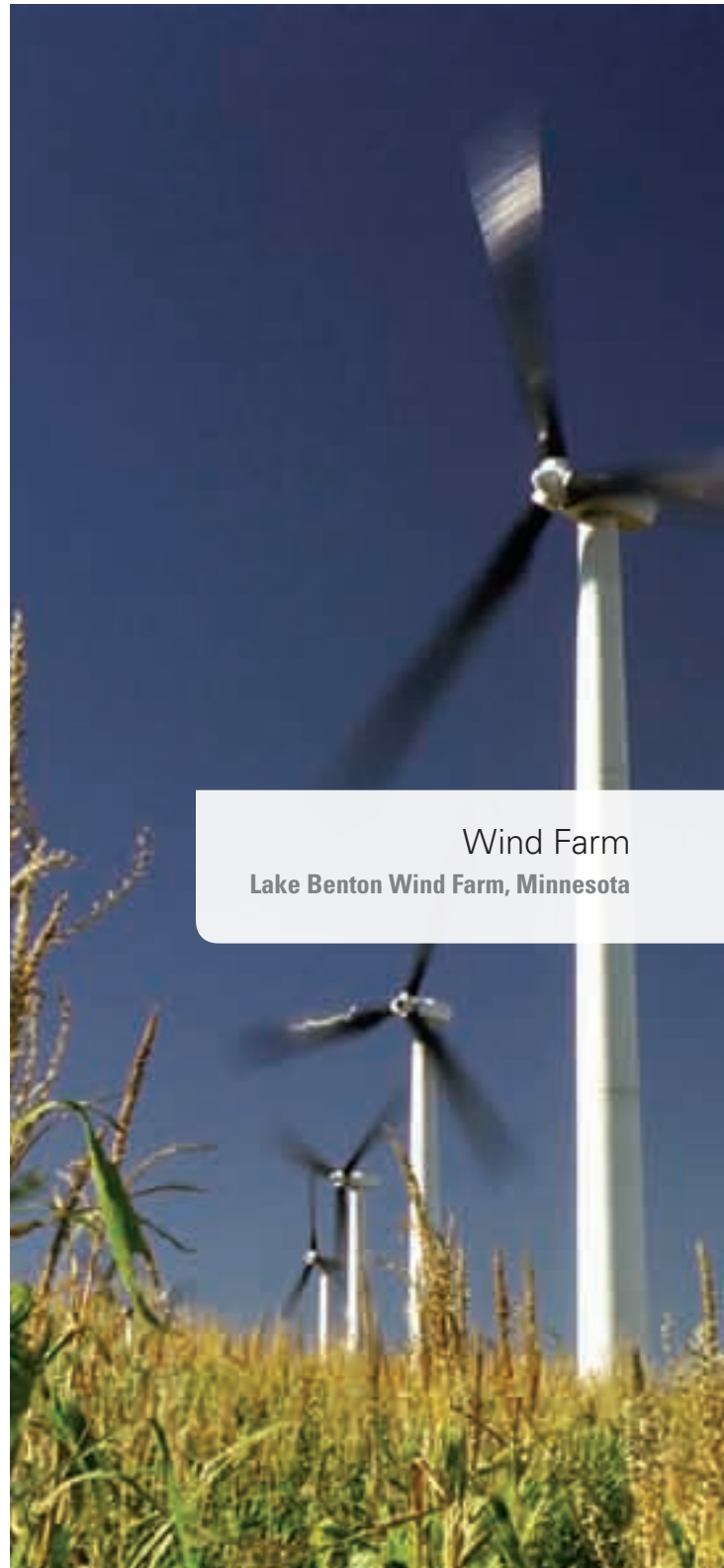
## 5 sustainable business practices

### Soy Oil Transformers

Beginning in 2008, we switched to operating all new distribution transformers on 100 percent renewable soy oil. We are the first large utility in the nation to use soy oil in all our new transformers, ensuring a broad application of the technology.

Soy oil is being used in all single-phase, pole- and pad-mounted transformers for residential and some light commercial applications. We previously used petroleum-based mineral oil, which is the industry standard.

The oil used in the transformers is produced from domestic soybean crops, one of the largest cash crops in the country. The oil is made with food-grade soybean oil and is a non-toxic and biodegradable resource, according to the Organization for Economic Cooperation and Development and EPA.



Wind Farm  
Lake Benton Wind Farm, Minnesota

### Alternative Fuels

We use 20 percent biodiesel (B20) in our Colorado diesel fleet of 550 vehicles during warm-weather months and 10 percent (B10) during the winter. The Minnesota diesel fleet uses 2 percent biodiesel (B2) as part of a statewide initiative.

In 2008, a hybrid bucket truck will be deployed in the Denver metro area. Hybrid bucket trucks have improved fuel economy and significantly decreased emissions. Their engines can be turned off while operating at a job site, reducing idling emissions and noise. They also can provide some remote power during emergency restoration services.

Also, as part of prior transportation initiatives, we have 128 compressed natural gas vehicles in our fleet.

## 6 biodiversity and avian protection

We are committed to protecting wildlife and maintaining and improving critical habitat in the areas where we operate. Here are some of the ways we meet that commitment.

### Avian Protection

We are a recognized leader for our efforts to provide a safe habitat for birds and other wildlife. In 2007, the Rocky Mountain Raptor Program awarded Xcel Energy the inaugural Freedom Flight Award for its pioneering work to prevent avian electrocutions on power lines throughout the United States.

We were the first utility in the nation to voluntarily sign a memorandum of understanding with the U.S. Fish & Wildlife Service to develop avian protection plans for our service areas. We have been monitoring and reporting

avian deaths and injuries to the U.S. Fish & Wildlife Service since 2002, and our power plant and line employees receive training about this reporting. We have developed comprehensive raptor protection standards for overhead electric distribution facilities.

In 2007 we joined Bird Conservation Minnesota, which has been established to protect birds and reverse species decline. We also work closely with staff from the Twin Cities Osprey Project to track and evaluate osprey nests on our structures. In those instances where a nest could pose a hazard to its inhabitants or operation of our lines, our crews install freestanding nest platforms at a nearby location providing a safe home for the ospreys.

Our staff works in concert with the Minnesota Trumpeter Swan Society to track swan/line collisions and promptly install markers where collisions occur. We also have provided funding to the Trumpeter Swan Society for interpretive displays.

### Nest Box Program and Bird Cam

In 1989, we partnered with the Raptor Resource Project in Minnesota in an effort to save the peregrine falcon and installed a special nest box at our Allen S. King Plant. The project grew, along with peregrine populations, to include active nest boxes at nearly all of our Minnesota power plants. We later installed Web-based cameras in the boxes to help increase awareness for conservation efforts. Last year this popular feature attracted more than 125,000 individual viewers to our Bird Cam site to watch bird families grow and develop.

Our six Bird Cams feature five different bird species—bald eagles, great horned owls, peregrine falcons, kestrels and osprey. This year, for the first time, we made a major Bird Cam improvement. Owls, eagles and falcons now can be viewed through live, streaming video on the company's Web site, an upgrade from the still photos offered in the past.

### Audubon Colorado Initiatives

Audubon Colorado designated the reservoirs at Valmont Station in Boulder, Colo., as an Important Bird Area. The reservoirs and adjacent uplands provide critical habitat for the survival of select species and populations of Colorado's wild birds. The site is used by large concentrations of numerous species of waterfowl, primarily as a wintering habitat and rest stop during the spring and fall migrations.

Each year the hundreds of visitors that tour Cherokee Station in Denver, Colo., now can also visit a unique Colorado Wildscapes demonstration garden at the plant. Colorado Wildscapes is an initiative of Audubon Colorado and Audubon chapters throughout the state that encourages environmental stewardship and the creation of healthy, diverse habitats in our own backyards. The garden incorporates features such as native plants, special watering rocks and nest boxes that create an inviting habitat for wildlife.



**Osprey Banding**  
**Bill McCarron, transmission**  
**foreman, helps band a young osprey**

# 7

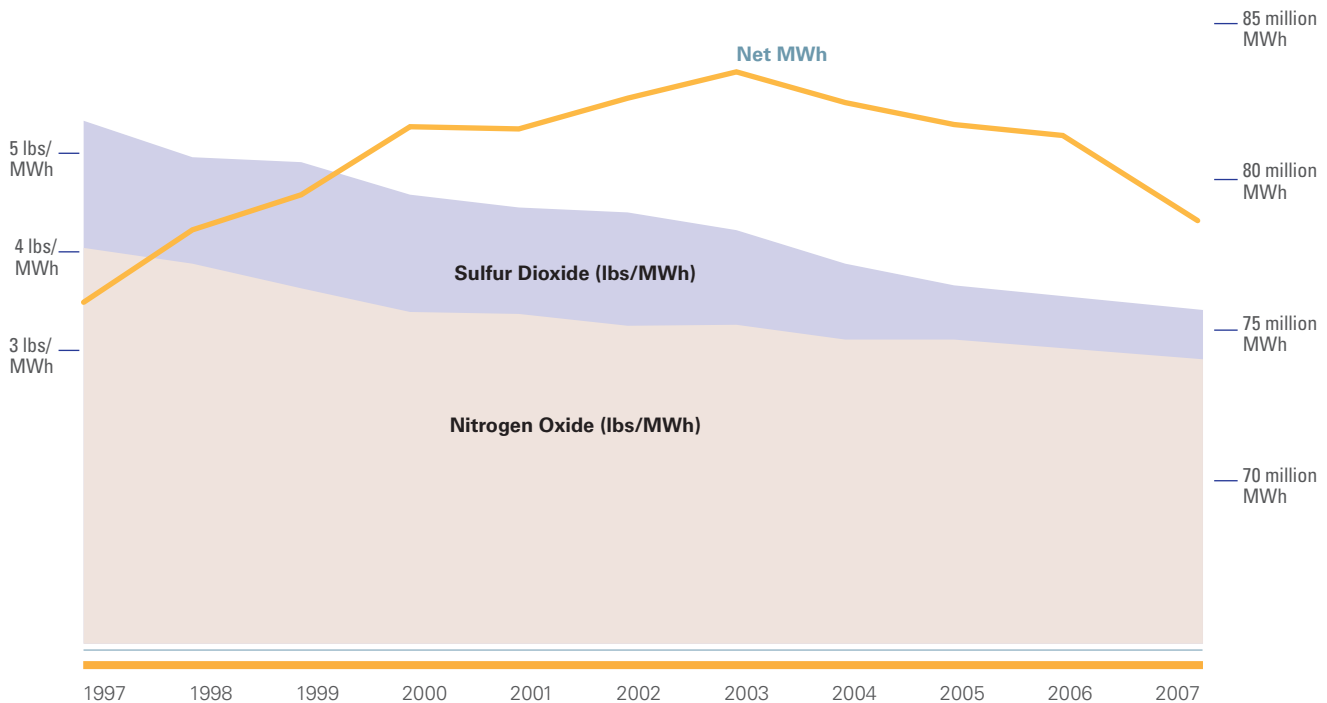
## emissions, effluents and waste

### Air Emissions

Metrics to monitor environmental performance of sulfur dioxide (SO<sub>2</sub>), nitrogen oxide (NO<sub>x</sub>), particulate matter (PM) and mercury (Hg) are primarily driven by compliance with federal and state regulations. For these emissions, Xcel Energy tracks performance of its owned units only. The parties we purchase energy from are responsible for maintaining compliance with federal environmental regulations for SO<sub>2</sub>, NO<sub>x</sub>, PM and Hg.

For carbon dioxide (CO<sub>2</sub>), Xcel Energy reports environmental performance metrics from both owned and purchased energy on its system, based on the following considerations:

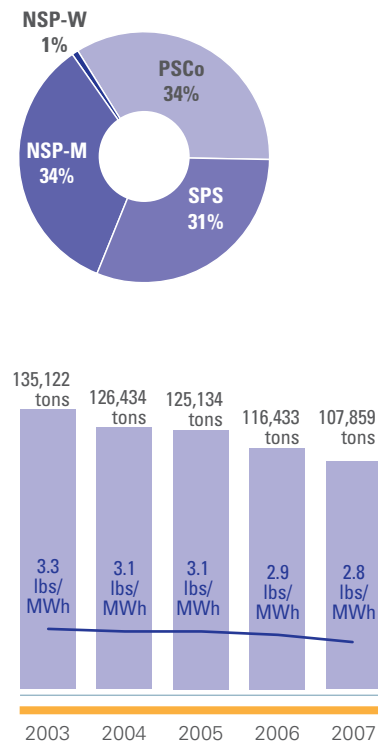
- ▼ At the present time, the federal government does not regulate CO<sub>2</sub> emissions.
- ▼ Climate reporting protocols such as World Resources Institute and The Climate Registry require that both direct and indirect sources be reported.
- ▼ While a small amount of purchased energy's emissions is unknown, an accurate estimate may be obtained using established carbon reporting protocols.



This chart shows Xcel Energy SO<sub>2</sub> and NO<sub>x</sub> emissions compared to net owned generation from our power plants.

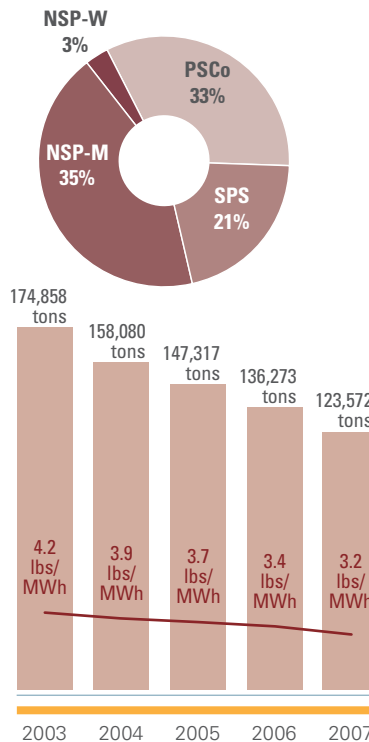
## Measured in TONS

### nitrogen oxide



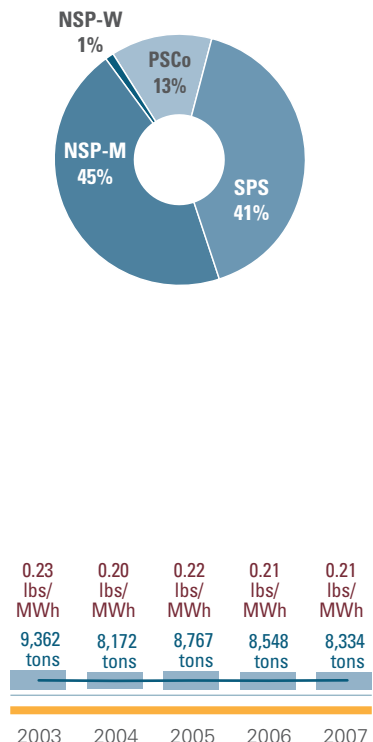
This chart shows nitrogen oxide (NO<sub>x</sub>) emissions from Xcel Energy's owned generating fleet in total tons and by intensity (lbs/MWh).

### sulfur dioxide



This chart shows sulfur dioxide (SO<sub>2</sub>) emissions from Xcel Energy's owned generating fleet in total tons and by intensity (lbs/MWh).

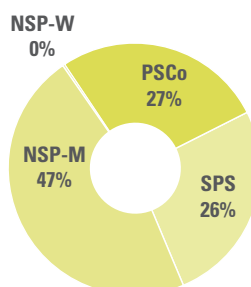
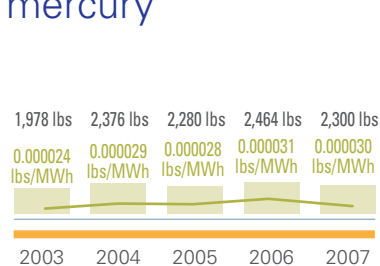
### particulate matter



This chart shows particulate matter emissions from Xcel Energy's owned generating fleet in total tons and by intensity (lbs/MWh).

## Measured in POUNDS

### mercury



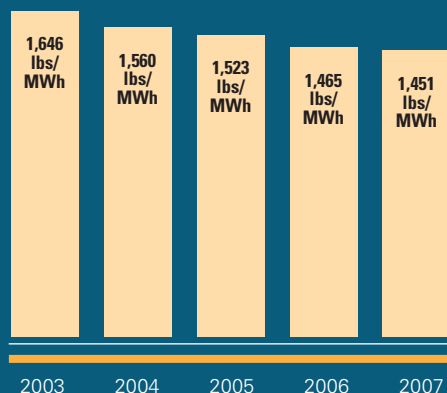
This chart shows mercury emissions from Xcel Energy's owned generating fleet in total pounds and by intensity (lbs/MWh hour). The methodology and technology for calculating mercury emissions is improving dramatically, which will help us more accurately measure and better control mercury emissions from our coal-fired facilities.

## Carbon Dioxide (CO<sub>2</sub>) Emissions for Owned and Purchased Generation

In 2004, we launched a strategy to reduce CO<sub>2</sub> emissions from our entire resource portfolio of owned and purchased energy. We developed these performance metrics to prepare for future regulation of CO<sub>2</sub> emissions. We established a goal to reduce our carbon intensity by 7 percent by 2012. Intensity metrics measure the quantity of something per given unit of product, normalizing for growth, changes in efficiency, changes in process, and reductions. In this metric, pounds of CO<sub>2</sub> are compared to megawatt hours of electrical energy. Our goal of a 7 percent reduction from 2003's actual intensity of 1,646 lbs/MWh was surpassed in 2005. We will continue to report CO<sub>2</sub> emissions on a voluntary basis.

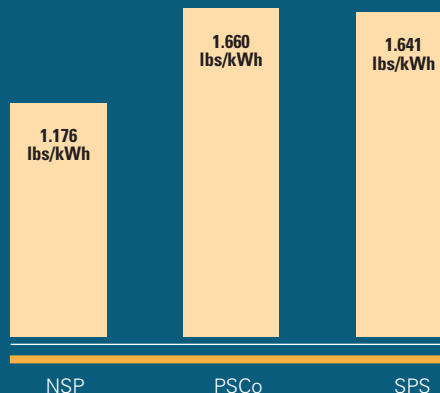
### CO<sub>2</sub> Intensity Reduction

(Data reflects owned and purchased generation.)



### 2007 CO<sub>2</sub> Intensity Rates

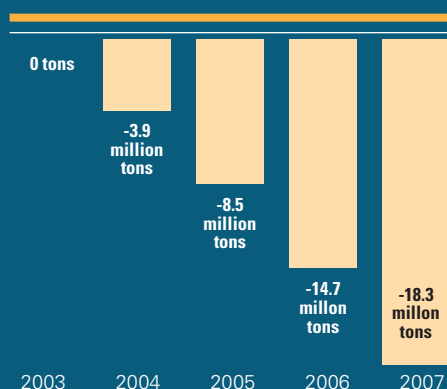
(Data reflects owned and purchased generation.)



As a result of our CO<sub>2</sub> intensity reduction goal, Xcel Energy established a goal to achieve a cumulative reduction in the CO<sub>2</sub> volume of 12 million tons CO<sub>2</sub> from 2003 levels by 2009. To calculate the Cumulative Mass Reduction goal each year, we subtract the current year's CO<sub>2</sub> mass from the 2003 base of 88.8 million tons and add that to the previous year's cumulative emission reductions. While the intensity goal is indexed to the amount of electricity, the Cumulative Mass Reduction goal remains the same regardless of growth in demand. Since setting the goal, we have reduced CO<sub>2</sub> emissions a cumulative total of 18.3 million tons.

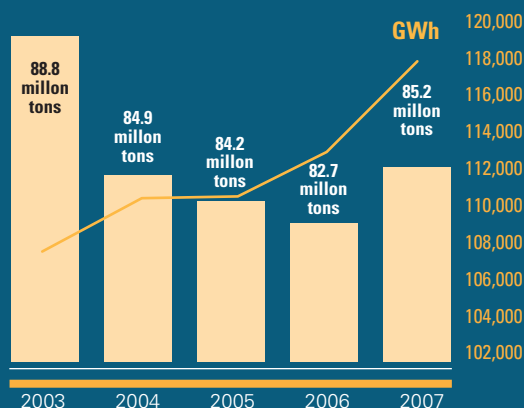
### Cumulative CO<sub>2</sub> Emissions Reduction

(Data reflects owned and purchased generation.)



### Total Xcel Energy CO<sub>2</sub> Emissions Compared with Owned & Purchased Generation

(Data reflects owned and purchased generation.)



**Note:** All figures in the environmental leadership section of the report have been prepared using reasonably available data, information, emission factors and protocols and are subject to uncertainties and variability associated with each item. Production deadlines for this and previous reports may have fallen before the deadlines to report final operational and compliance data to federal and state regulatory agencies. Where the final data vary from the preliminary data contained in the Triple Bottom Line report, we have and will continue to update the figures to reflect the most accurate data available.



## Toxics Release Inventory

Each year we file many environmental reports, including our annual Toxics Release Inventory (TRI), a list of chemicals used or produced in generating electricity. Coal, for example, naturally contains trace amounts of TRI reportable elements, such as barium, chromium, copper, lead, manganese, mercury, nickel and zinc.

However, the vast majority of the materials we report through TRI are not released into the air or water. Because of our use of emissions controls, a system-wide average of around 90 percent of TRI reportable substances is captured in coal ash, which can be recycled for useful purposes or stored in managed landfills.

Here are our TRI numbers for the previous six years. Our 2007 TRI numbers will be filed with EPA in July 2008.

### TRI Reportable Releases

<b>2001</b>	20,129,428 pounds
<b>2002</b>	18,532,392 pounds
<b>2003</b>	18,601,512 pounds
<b>2004</b>	17,249,821 pounds
<b>2005</b>	16,398,084 pounds
<b>2006</b>	18,197,584 pounds

In general terms, TRI reportable releases were up in 2006 because more coal was burned in 2006 than 2005. Variation in coal quality also had an impact.

## Resource Use and Disposal

Our coal-powered plants consume about 30 million tons of coal a year, which yields on average about 2.5 million tons of ash annually. Throughout our system, we sell that ash for beneficial use, such as in concrete products, roadbed material and soil stabilization.

### 2007 Ash Summary

	Ash Produced (Tons)	Ash Reused (Tons)
<b>NSP</b>	1,292,125	253,789
<b>PSCo</b>	1,134,238	213,777
<b>SPS</b>	405,089	405,089

Other products and materials that we use in our operations include oil, solvents, chemicals, batteries, lighting and lamps, paper and scrap metal. We reuse and recycle these products when we can, and always ensure we dispose of them in a proper manner.

### Waste Disposition Summary (Tons)

	2007	2006	2005
<b>Hazardous</b>	1,483	52	44
<b>Universal*</b>	25	57	41
<b>PCB Related**</b>	382	595	596
<b>Asbestos</b>	320	232	810
<b>Special***</b>	5,832	2,422	3,478
<b>Scrap Metal</b>	7,791	8,550	10,415
<b>Used oil</b>	1,772	1,998	2,318

\*Universal waste includes regulated waste such as fluorescent light bulbs, rechargeable batteries and mercury switches.

\*\*PCBs (polychlorinated biphenyls) are chemicals controlled under the Toxic Substances Control Act. PCBs were historically used in transformer oil.

\*\*\*Special Waste includes oily materials recovered from our operations, such as rags, filters, soil and water.

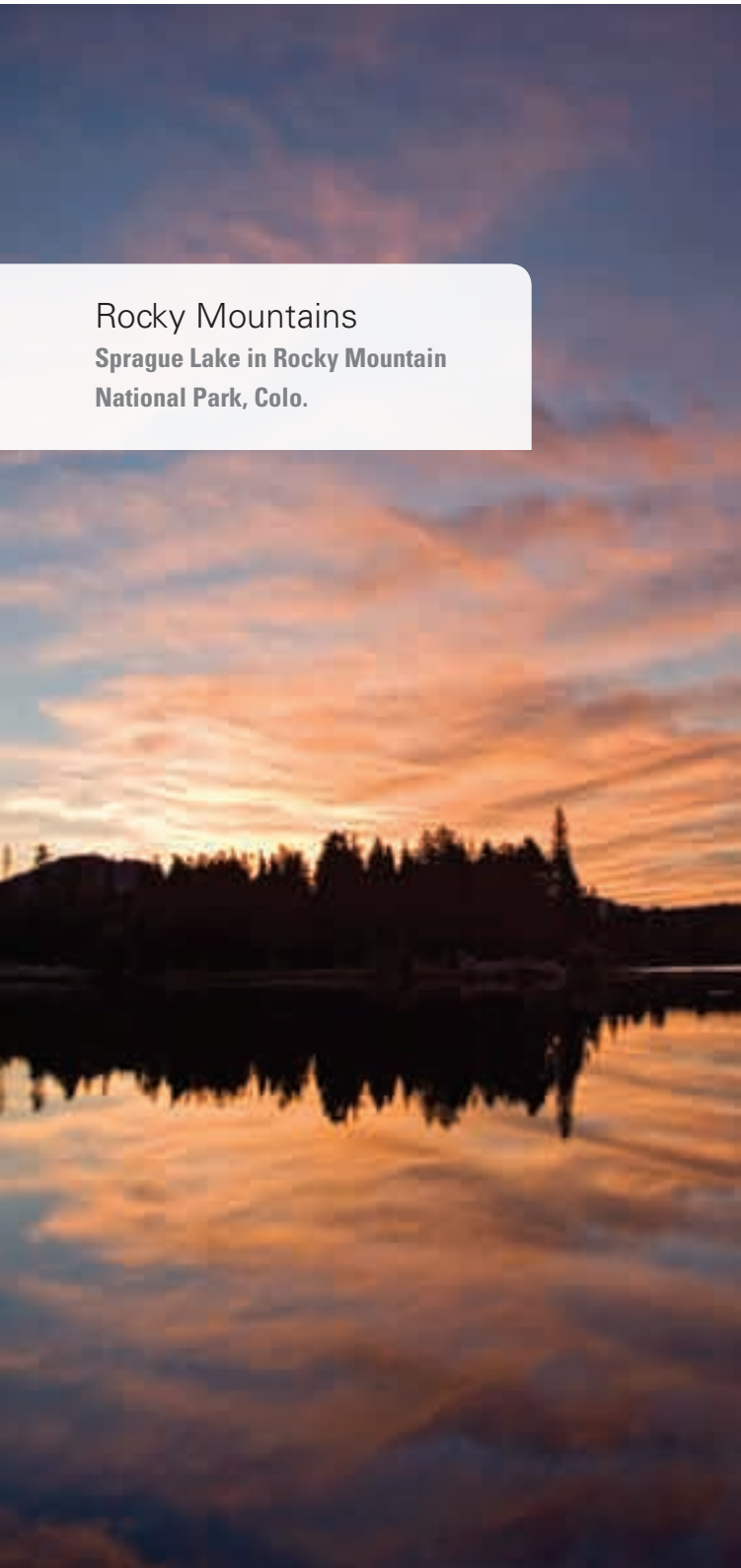
Some of the chemicals in our operations are considered hazardous and require special disposal, so we try to reduce the use of these products when possible. For example, we are phasing out equipment that contains PCBs throughout our transmission and distribution system.

#### PCB Phase-Out Effort

	2007	2006	2005
<b>PCB oil (gallons)</b>	44,626	38,110	68,093
<b>PCB and PCB-contaminated items removed</b>	321	982	1,212



Increased Transmission  
Construction of transmission line  
to deliver wind power from the  
Buffalo Ridge in Minnesota



Rocky Mountains  
Sprague Lake in Rocky Mountain  
National Park, Colo.

# 8

## water use and conservation

We use water in the production of electricity to make steam and cool equipment. We also work to conserve water—particularly in the semi-arid regions of the country where we operate. In some cases, that involves using treated recycled municipal effluent in our plant operations, which leaves a larger supply of fresh water available.

2007 Water Consumption		
<b>NSP</b>	51,710 acre-feet	16.8 billion gallons
<b>PSCO</b>	30,815 acre-feet	10.1 billion gallons
<b>SPS</b>	37,144 acre-feet	12.1 billion gallons

The water consumption numbers for PSCO include 2,608 acre-feet or 0.8 billion gallons of treated effluent, which is recycled wastewater from Public Owned Treatment Works. SPS water consumption includes 20,000 acre-feet or 6.6 billion gallons of treated effluent.

Water in the Texas Panhandle is a limited and valuable resource. SPS practices water conservation by using city wastewater at its Harrington, Nichols and Jones stations for energy production needs. Since 1980 this unique approach has saved over 135 billion gallons of fresh ground water that would have otherwise been required for energy production at the SPS power plants.

SPS has also developed farming techniques that allow the effluent used by the power plants to be utilized for a third time by irrigating specially developed grasses, which are then used as food for cattle.

## environmental expenditures, compliance, disclosure and legacy projects

We make significant investments annually to reduce emissions and improve air quality. These investments are driven by voluntary initiatives and regulatory requirements. Expenditures for 2007 are largely attributable to our voluntary emissions reduction project in Minnesota.

### Capital Expenditures

<b>2007</b>	\$438 million
<b>2006</b>	\$571 million
<b>2005</b>	\$327 million
<b>2004</b>	\$58 million

### Operating and Maintenance Expenditures

<b>2007</b>	\$173 million
<b>2006</b>	\$152 million
<b>2005</b>	\$147 million
<b>2004</b>	\$133 million

### Environmental Compliance

We strive to operate in compliance with all federal, state and local rules and regulations. However, there are occasions when we have unintentionally exceeded permit levels or violated regulations. These can result in fines or penalties. Overall, our environmental performance is considered excellent for a company of our size and scope.

### Notices of Violation

	<b>Notices</b>	<b>Fines</b>
<b>2007</b>	6	\$4,978
<b>2006</b>	2	\$6,470
<b>2005</b>	3	\$2,200

2007 notices relate to:

- ▼ A delay in reporting a transformer spill in the NSP region
- ▼ An administrative issue regarding Harrington Station's annual Title V compliance certification report
- ▼ Wastewater quality limit exceedances at Nichols/Harrington stations

### Environmental Disclosure

We routinely provide a wealth of company-related information to the public and lead the industry in environmental disclosures. Our Triple Bottom Line reports, filings with the U.S. Securities and Exchange Commission (SEC), responses to the Carbon Disclosure Project and voluntary reporting of GHG emissions to the Climate Registry as well as to the U.S. Department of Energy under Section 1605(b) of the Energy Policy Act of 1992, provide detailed information regarding a variety of environmental issues, including climate change.

In September 2007, the Office of the New York Attorney General (NYAG) issued a subpoena to Xcel Energy that sought information and documents related to our analysis of risks posed by climate change and possible climate legislation, as well as our disclosures of such risks to investors. We believe we have fully disclosed these risks to the extent they can be ascertained. In light of our multiple actions to reduce GHGs and our prior public disclosures about climate change and risk, Xcel Energy and the NYAG



Sherco  
Sherco Generating Plant,  
Becker, Minn.

have entered into discussions to resolve this investigation voluntarily. As part of these discussions, we have agreed to expand our discussion of climate change in our Form 10-K filings with the SEC. Please see page 36 of the 2007 10-K for additional information.

### The Climate Registry

In 2007, we became a founding reporter of the Climate Registry, a nonprofit organization established to measure and publicly report GHG emissions. By joining the Climate Registry, we continue to demonstrate environmental stewardship on several fronts by voluntarily committing to measure, independently verify and publicly report GHG emissions on an annual basis, using the Climate Registry General Reporting Protocol. The protocol is based on the internationally recognized GHG measurement standards of the World Resources Institute and World Business Council on Sustainability. More information about the Registry is available at [www.theclimateregistry.org](http://www.theclimateregistry.org)

Internally, we are developing a carbon management tracking system to better track and manage CO<sub>2</sub> emissions company wide. We have also launched a renewable energy tracking system that will help us manage renewable energy credits for compliance with renewable energy standards, or for trading.

### The Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is an independent nonprofit organization that compiles information regarding the business risks and opportunities presented by climate change and GHG emissions data from thousands of corporations worldwide. The CDP works on behalf of signatory institutional investors such as Merrill Lynch, Goldman Sachs, Morgan Stanley, AIG Investments, Barclays and HSBC to encourage a dialogue between shareholders and corporations regarding the implications of climate change. We have provided detailed responses to the project's GHG questionnaire for the past two years. To learn more, please visit [www.cdproject.net](http://www.cdproject.net)

## Legacy Projects

### ▼ Ashland, Wis., Lakefront Project

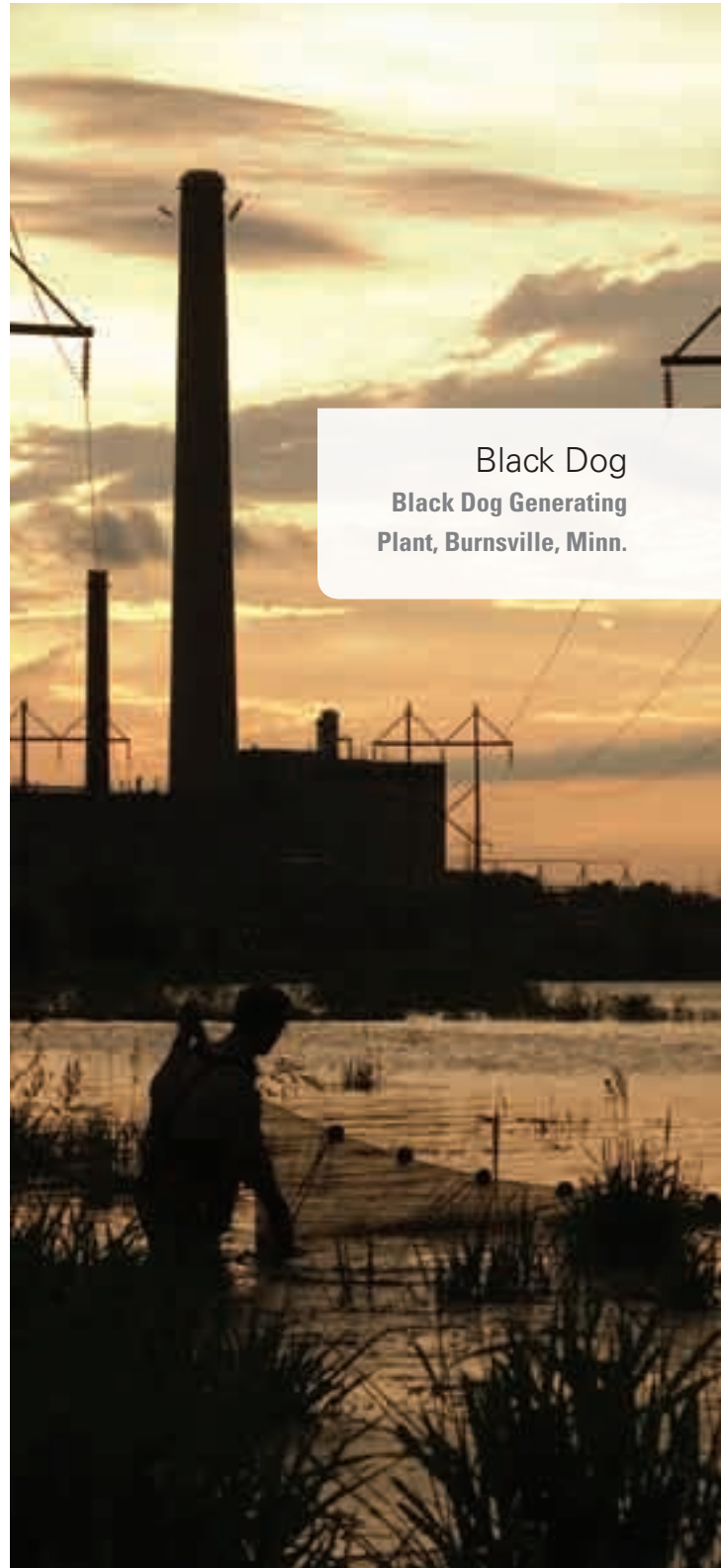
The Ashland, Wis., lakefront was one of the busiest industrial ports in the nation in the late 1800s and early 1900s. During that time, it was the site of a lumbering company, wood processing and treatment facility and manufactured gas plant (MGP). Subsequently, the site was home to a city-owned landfill and wastewater treatment plant. Owned by a predecessor company to NSP-Wisconsin, the MGP operated from 1885-1947 and provided gas for city street lighting and businesses.

EPA has identified about 20 acres of soils, groundwater and sediments as a "Superfund" site requiring clean up. Xcel Energy has worked cooperatively with EPA, Wisconsin Department of Natural Resources, Native American tribes, city administration and other stakeholders to identify the scope and extent of contamination, other responsible parties and remediation alternatives and an economically balanced plan that allocates the associated clean-up costs equitably to all responsible parties.

### ▼ Chippewa Falls, Wis., Manufactured Gas Plant Site

In coordination with the Wisconsin Department of Natural Resources, NSP-Wisconsin completed remediation work in 2007 on the site of a former manufactured gas plant in Chippewa Falls, Wis.

Clean-up activities included removing nearly 40,000 cubic yards of impacted soils at an approximate cost of \$3.8 to \$4.2 million. Half of the soils were treated and then used as clean fill at the site. The remaining materials were disposed of at an approved landfill. The area will be planted with native grasses and returned to its natural state. Groundwater monitoring also will be conducted to determine if remediation activities have had an impact on groundwater quality.



Black Dog  
Black Dog Generating  
Plant, Burnsville, Minn.



# 3/

social responsibility

## **Forming relationships for a sustainable future /**

The economic and environmental strategies discussed thus far illustrate our vision for Xcel Energy now and in the future, while outlining our progress to date. Ultimately, however, our business comes down to people and the social systems where we operate. Providing an essential service like electricity and natural gas brings with it many responsibilities—to our customers, our



employees and our communities. We need to partner with all our stakeholders to make decisions that will contribute to a greater good. Respect and transparency are fundamental to our success as a sustainable, socially responsible company.

## Labor practices and meaningful work

As an employer of nearly 12,000 people, we're keenly aware that the individuals throughout our company make the difference in how we perform and are perceived by various stakeholder groups. By acting consciously to make Xcel Energy a safe and desirable place to work, we strive to attract and retain a talented, engaged workforce.

### In our relationship with employees, we seek to:

- 1] Provide a safe place to work
- 2] Give them the opportunity to develop professionally
- 3] Create an atmosphere of respect, collaboration and inclusion
- 4] Encourage personal accountability for health
- 5] Make their charitable contributions go further

Xcel Energy Employees by Job Category									
	Bargaining <sup>1</sup>	Craft <sup>2</sup>	Executive <sup>3</sup>	Management <sup>4</sup>	Rehired Retirees <sup>5</sup>	Non-exempt <sup>6</sup>	Professional <sup>7</sup>	Total	Represented by unions
<b>NSP-M</b>	2,128	647	1	72	9	260	313	<b>3,430</b>	81%
<b>NSP-W</b>	443	14	1	13	2	70	59	<b>602</b>	76%
<b>NMC</b>	198			45		85	513	<b>841</b>	24%
<b>PSCo</b>	2,203		1	54	3	166	326	<b>2,752</b>	80%
<b>SPS</b>	774		1	35		192	148	<b>1,150</b>	67%
<b>Xcel Energy Services, Inc.<sup>8</sup></b>			10	425	4	1,224	1,537	<b>3,201</b>	0%
<b>Discontinued Operations<sup>9</sup></b>	5					6		<b>11</b>	45%
<b>Total</b>	<b>5,751</b>	<b>661</b>	<b>14</b>	<b>644</b>	<b>18</b>	<b>2,003</b>	<b>2,896</b>	<b>11,987</b>	<b>53%<sup>10</sup></b>

1 Covered by collective bargaining agreements

2 Temporary, project-specific, covered by collective bargaining agreement

3 Business unit vice presidents and corporate officers

4 Manage at least one person

5 Not subject to FLSA

6 Subject to FLSA, eligible to receive overtime pay

7 Individual contributors, exempt

8 Represents employees whose work is performed across all operating companies

9 Includes employees from discontinued operations who are on long-term disability

10 Represents a weighted average

# 1

## provide a safe place to work

We want employees to return home at the end of the day in the same condition they arrived. Safety is a core value at Xcel Energy and is measured as a key performance indicator on almost every scorecard throughout the company. Overall, 269 injuries were recorded for 2007, up 6 percent from 2006. The increase is primarily of the medical treatment

and restricted cases type. Lost workday cases are down slightly. There were no employee fatalities in 2007. Strains and sprains continue to be our leading injury type, while lacerations and contusions are the next most frequent injury type. The charts below illustrate our safety performance for the last several years.

While our 2007 safety performance was good overall, we're not satisfied with the status quo. The company saw huge improvements in safety performance from 2000 to 2005, but we've reached a plateau and need to look for new ways to push ourselves to a higher level. Our goal is to be in the Edison Electric Institute's (EEI) top quartile.

## Xcel Energy Safety Performance



The 2007 EEI top quartile benchmark numbers were not available at the time this report was published.

### New Safety Initiatives

In mid-2007, an industrial psychologist was hired to help us understand how behaviors affect our company's safety culture. He has specifically assisted the Utilities Group with building a foundation for change in our safety culture and has begun to conduct safety culture assessments in each of our four operating companies. The evaluation has resulted in nine key recommendations so far. Those recommendations are focused on:

- ▼ Changing the methodology in how we talk about safety, think about safety, engage in safety and measure safety
- ▼ Redesigning safety processes to reflect a more positive change in our safety culture
- ▼ Increasing management involvement with safety and creating a safety partnership between employees and management

As a result of the findings of the assessments, in January 2008, we launched the foundational centerpiece of our cultural change by training 1,000 managers, supervisors, working foremen, crew leaders and safety chairs on how to create a safety culture that emphasizes personal responsibility and measures success.

In 2008, we will track our corporate safety goal using a new safety index that incorporates both an injuries component (OSHA Recordable Incident Rate) and a severity component (Days Away and Restricted Time—or DART—rate). Employee behavioral goals related to safety performance are being encouraged for all business units. Our Energy Supply group has developed an Energy Supply Safety Index that addresses two key elements of safety: employee involvement and injury prevention. The Energy Supply Safety Index includes opportunities for employees to receive credit for safe behavior. The new methodology employs a percentage scoring system to measure three key program components: individual performance, team participation and plant performance.

### Contractor and Subcontractor Safety

The safety of our contractors and subcontractors is important to us. We follow the OSHA recordkeeping requirement of recording injuries to contractors that we directly supervise; however, we do not currently aggregate this information at the corporate level.

We have a detailed contractor safety policy outlining the procedures for selecting construction and maintenance contractors or other contractors who work in hazardous areas or with hazardous materials. The procedures include a site-specific safety and health orientation for all contractor and subcontractor employees.

Additionally, we include health and safety components in all our collective bargaining agreements.

2  
give employees the opportunity  
to develop professionally

Xcel Energy has long been known as a company that attracts loyal, dedicated employees who stay with us for many years. The reality we're facing, however, is that approximately 40 percent of our workforce is eligible to retire in the next 10 years. Young professionals who are embarking on their careers today often don't plan or expect to stay with any one company for more than a few years.

Given the changes and challenges that the utility industry is facing, it's not enough simply to draw employees through the door. The competencies we need to be successful today are different from those of five to 15 years ago. We are looking for motivated, innovative people who can help us transform an industry. In order to earn their loyalty, we need to give them ample opportunity to learn, grow and advance.

Since 2006, we've been developing and implementing a comprehensive business strategy to help us attract and keep the people we need for long-term success. In 2007,

a workforce council comprising senior executives from all parts of the company was assembled to focus on company-wide people issues and oversee the implementation of our strategy.

Below are some of the specific issues we have faced or are facing as a company, as well as the solutions we've created to address them.

Problem	Solution
<b>Job descriptions are tailored to individuals.</b>	<b>Position Management and Job Family Alignment</b> Jobs are now organized in broad tiers, functions and families, with clear descriptions of the competencies required at each level and what's required to move from level to level. This effort has enabled the company to better measure productivity and be fair and consistent across business areas.
<b>Career development is ad hoc.</b>	<b>Development Central</b> Our job tiers, functions and families have enabled us to create defined career paths so employees can see what they need to do to progress to a higher level, and they have greater access to lateral career opportunities. Through our online career development tool—Development Central—employees can learn more about their own interests and abilities and start researching careers within the company. Employees can complete a gap analysis to find out exactly what's needed to obtain the position they want.
<b>Incentives programs do not differentiate top performers.</b>	<b>Performance Management</b> To strengthen the link between compensation and performance, the company is moving toward a pay-for-performance process. We want to create a system that rewards meaningful performance. Employees now have a smaller number of key performance indicators, ideally three to five. Larger payments go to a smaller number of top-performing employees. And incentives depend to a greater degree on the employee's ability to move the company.
<b>As key employees retire or leave the company, we don't always have people with the knowledge and experience to replace them.</b>	<b>Developmental Assignment Program and Succession Planning</b> Our Developmental Assignment Program allows interested employees to pursue temporary assignments in different departments at Xcel Energy. It's intended to enhance employee growth, increase bench strength within the company and assist with knowledge transfer across departments. Our succession planning and development process helps ensure leadership continuity at Xcel Energy. The systematic process will identify individuals who might be potential successors for certain key positions. Those individuals will complete assessments to identify current performance and potential, determine readiness, identify talent gaps and customize professional development to close those gaps.



## Construction

**MERP construction at the Allen S. King  
Generating Station, Oak Park Heights, Minn.**

### Training Highlights for 2007:

- ▼ We had 194 of our key leaders complete our Leadership Pipeline training program in 2007—more than any other year. Participant satisfaction with the course content and delivery was 96 percent.
- ▼ More employees than ever took advantage of our online learning course content. We had 108,750 online course completions, and participants on average rated their satisfaction with the course content and delivery at 4.10 on a 5 point scale.
- ▼ In 2007, we spent \$2.8 million providing technical training programs for the Energy Supply group. Training included 495 classroom events with more than 92,000 contact hours.
- ▼ The Customer Care group spent approximately \$400,000 training employees, which included 221 classroom events and almost 12,000 contact hours.

## Helping retirees with career endings

We do not forget those employees who have served us for many years and are facing retirement in the near future. Many of our employees remain very active in the company after retirement, volunteering their time and participating in company-sponsored events. In 2007, we improved our Retirement Estimator tool—one example of our commitment to providing employees with tools and resources that will help them prepare for their post-employment years. The Retirement Estimator allows employees to calculate the value of their Xcel Energy retirement benefits by using personal data and assumptions. These assumptions include age at retirement; expected annual earnings increase between now and retirement; and 401(k) Savings Plan contributions and investment return.

## 3 create an atmosphere of respect, collaboration and inclusion

We believe our employees do their best work when they feel valued and respected in the workplace. When employees are engaged and believe they can effect positive change, we all benefit from increases in productivity, customer and employee satisfaction, retention, safety and profitability.

Employees and contractors at all levels of the company are accountable for knowing and demonstrating our seven core values and our Code of Conduct. Our value of treating all people with respect represents our approach to conducting business with fellow employees, customers, shareholders, regulators and suppliers. As individuals, we show our

commitment to respect others by encouraging them to speak freely, maintaining an inclusive environment, seeking out ways to help and treating people with respect regardless of their position.

Below are some of the ways we maintain an open, ongoing dialogue with employees and show them they are valued:

- ▼ **Print, electronic, video and face-to-face communications:** We use a number of internal communications tools that were designed to keep employees informed and connected. Our CEO meets frequently with employees from all parts of the company and is known for being frank, down to earth and open to any questions that employees have.
- ▼ **“Power of You” breakfast meetings:** At the end of 2007, our Human Resources group began formulating a new employee feedback mechanism called the *Power of You* breakfast meetings. A dozen leaders from across the company were chosen to lead



Camp Sunrise  
Inside the lodge at Camp Sunrise near Rush, Minn. The company originally donated land to the camp, which provides a free, multi-cultural resident summer camp experience for teenagers from the Twin Cities.

these monthly breakfasts, which are designed to take the temperature of Xcel Energy's nearly 12,000 employees. Feedback gathered from these breakfasts in 2008 will help us strengthen our human resources service model and further engage the workforce.

- ▼ **Xcellence Expo:** Each year, we host an Xcellence Expo to honor employee contributions to the success of our company. Our 2008 Expo—the ninth annual—will recognize employees who have demonstrated innovation and results in the areas of environmental leadership, diversity and inclusion.
- ▼ **Xpress Ideas:** Xpress Ideas is an employee suggestion system that allows employees to submit ideas for improving their work area in one of three ways: process improvement, safety improvement and/or cost reduction. Full- and part-time employees who submit ideas receive award points, which can be used to purchase gifts or converted to cash. This program is cited in the book, *The Carrot Principle: How the Best Managers Use Recognition to Engage Their Employees, Retain Talent, and Drive Performance*, by Adrian Gostick and Chester Elton, for creating more than \$17 million in savings opportunities for the company.
- ▼ **Years of Contribution award program:** We formally recognize full- and part-time employees for their contributions to the company when they have completed five years of service and at five-year intervals thereafter.
- ▼ **Other recognition programs:** Our Customer and Enterprise Solutions and Corporate Services groups use an *Above & Beyond* Web-based award program to encourage peer recognition and offer rewards for excellent performance. Recognition must relate to living our values or supporting the company's priorities. Our Utilities Group operates a separate recognition program with reward options ranging from an e-mail thank-you note to Premiere Choice gift certificates and spot bonuses.

- ▼ **Employee networks:** To help achieve a more inclusive workplace, we support the formation and existence of employee networks, and encourage them to use their skills, influence and experience to raise awareness of key workplace diversity issues. These groups are outlined in the diversity and inclusion section that follows.

- ▼ **Positive Discipline and Peer Group Resolution:** Even when differences arise or expectations are not being met, we seek to work through the situation in a respectful, dignified manner through positive disciplinary practices and employee grievance systems.
- ▼ **Special opportunities:** In February 2008, we offered employees the chance to become "brand champions" as part of a larger branding effort that will be launched to customers in the fall of 2008 (see page 97). More than 165 employees from across the company applied for the positions to help educate their peers on what our brand stands for. Brand champions will receive training on how to be an advocate for community involvement, environmental leadership, diversity and inclusion, professional development, and health and welfare. In 2007, we also offered employees the chance to become a plug-in hybrid electric vehicle (PHEV) test driver for six months. By getting employees at all levels involved with some of these exciting initiatives, they gain a newfound perspective on our purpose and values as a company.

Our employee engagement survey results from January 2007 demonstrate that we're making progress through our efforts. Since 2005, our employee engagement numbers have risen significantly. The biggest improvements came in response to these questions:

- ▼ The mission or purpose of my company makes me feel my job is important.
- ▼ There is someone at work who encourages my development.
- ▼ In the last seven days, I have received recognition or praise for doing good work.



Pam Graika and Leah Balsis  
General manager for power  
generation (l) and environmental  
analyst (r), Minneapolis, Minn.

## Diversity and Inclusion

Diversity encompasses age, gender, ethnicity, sexual orientation, native language, geographic allegiance, race, education, background and personality. Inclusion is the culture we are building—welcoming our diversity and the opportunities that lie within the talent and knowledge of our employees. Diversity exists, while inclusion is our responsibility to ensure all employees feel valued and respected.

### Council on Diversity and Inclusion

In October 2007, 13 employees were appointed to serve on our second-generation Council on Diversity and Inclusion (CDI). The selection committee screened each candidate on a number of factors including function, location, personal demographics and the results of an Intercultural Development Inventory process. The CDI will continue to play a major role in ensuring that diversity is understood and valued through inclusion in all that we do at Xcel Energy. The CDI met in Denver in November 2007 for an education and strategy session to kick off their 18-month term.

## Employee Network Groups (ENGs)

Our employee network groups help us achieve a more inclusive environment by using their skills, influence and experience to raise awareness of key diversity issues in the workplace. Xcel Energy requires that ENGs be officially recognized by the company to conduct any business on company premises or represent themselves as Xcel Energy employee network groups.

- ▼ **WIL (Women's Issues Link):** Identifies and implements innovative ideas and strategies for recruiting, developing, promoting and retaining women in non-traditional work roles in our Energy Supply group.

WIL holds numerous recruiting workshops and educational events throughout the year to build interest in careers with Xcel Energy in areas like power plant operations and engineering. Here are a few of the events that took place in 2007 and early 2008:

- ▼ **Colorado:** Sponsored the Society of Women Engineers (SWE) welcome barbecue at the Colorado School of Mines for 600 current and prospective SWE members. Also hosted a recruiting workshop with the Colorado Workforce Center in Denver.

- ▼ **Texas:** Co-sponsored the 17th annual Women in Science Endeavors (WISE) workshop for middle-school-aged girls. About 165 students participated. Also held a career seminar at the Harrington Generating Station in July.
- ▼ **Minnesota:** Sponsored a career event at Sherco Generating Station, drawing a crowd of nearly 70 women from outside the company.
- ▼ **WIN (Women's Interest Network):** Focuses on issues of interest to women, such as professional development and work-life balance.
  - ▼ Among the events held by WIN in 2007 were two teleconference Lunch and Learn programs, which were attended by more than 250 employees in 18 locations across the Xcel Energy service territory. The group also purchased professional communication CDs, which have been loaned out for group and individual development.
- ▼ **SOURCE (Strategic Organization Utilizing Resources for Career Enhancement):** Promotes career development, continued education, training and cultural awareness, and addresses issues and concerns of people of color.
  - ▼ In 2007, SOURCE sponsored the Pillsbury House Theatre and its production "Breaking Ice," which is a diversity-based skit with a facilitated discussion following. They also sponsored Lunch and Learn speakers including the City of St. Paul's Chief of Police, John Harrington, and Dr. Wilson Bradshaw, president of Metropolitan State University-St. Paul.
- ▼ **SAGE (Supportive Association for Gay/Lesbian/Bisexual/Transgender Employees):** Works to help the company become and remain a leader in the area of workforce diversity by addressing issues relating to affectional orientation.
- ▼ **Xcelente:** Increases visibility of Latino employees within the company and community, promotes professional development and shares Latino culture through awareness, inclusion and celebration.

The group sponsored or participated in numerous events in 2007. Their accomplishments for the year included:

- ▼ Championing employees to teach classes for underserved minority youth through Junior Achievement's Hispanic Initiative.
- ▼ Creating strategic partnerships with key national organizations, such as the National Society of Hispanic MBAs; MiCasa Resource Center; Big Brothers Big Sisters; and the Society of Hispanic Professional Engineers.
- ▼ Growing membership interest to more than 130 employees.

### IBEW 111/Xcel Energy Joint Diversity Initiative

In 2006, we partnered with the International Brotherhood of Electrical Workers (IBEW) Local Union 111 in Colorado to develop a program to generate interest and provide opportunities in the utility industry among local high school students. In 2007, IBEW 111 and Xcel Energy collaborated with Goodwill Industries to provide opportunities to 10 high school students through our Job Shadow program. This was an 8-10 week program designed to give high school students hands-on work experience; create a pipeline to skilled trades; and expose students to and build union membership. Due to the success of the Job Shadow program, we are expanding our Colorado participation and with the help of IBEW union leadership, expanding the program to Wisconsin and Texas in 2008 and Minnesota in 2009.

### Applicant Pool

For the past several years, we have been making concerted efforts to increase the representation of people of color and women in our applicant pool. As a result of several initiatives, the representation of women in the applicant pool was 29.89 percent in 2007, while the percentage of applicants of color reached 24.91 percent. For 2008, we are targeting applicant pool percentages of 30 and 27 percent for women and minorities respectively.



Bob Molde and Mike Bebeau  
Engineer (l) and community service manager (r) , Wisconsin

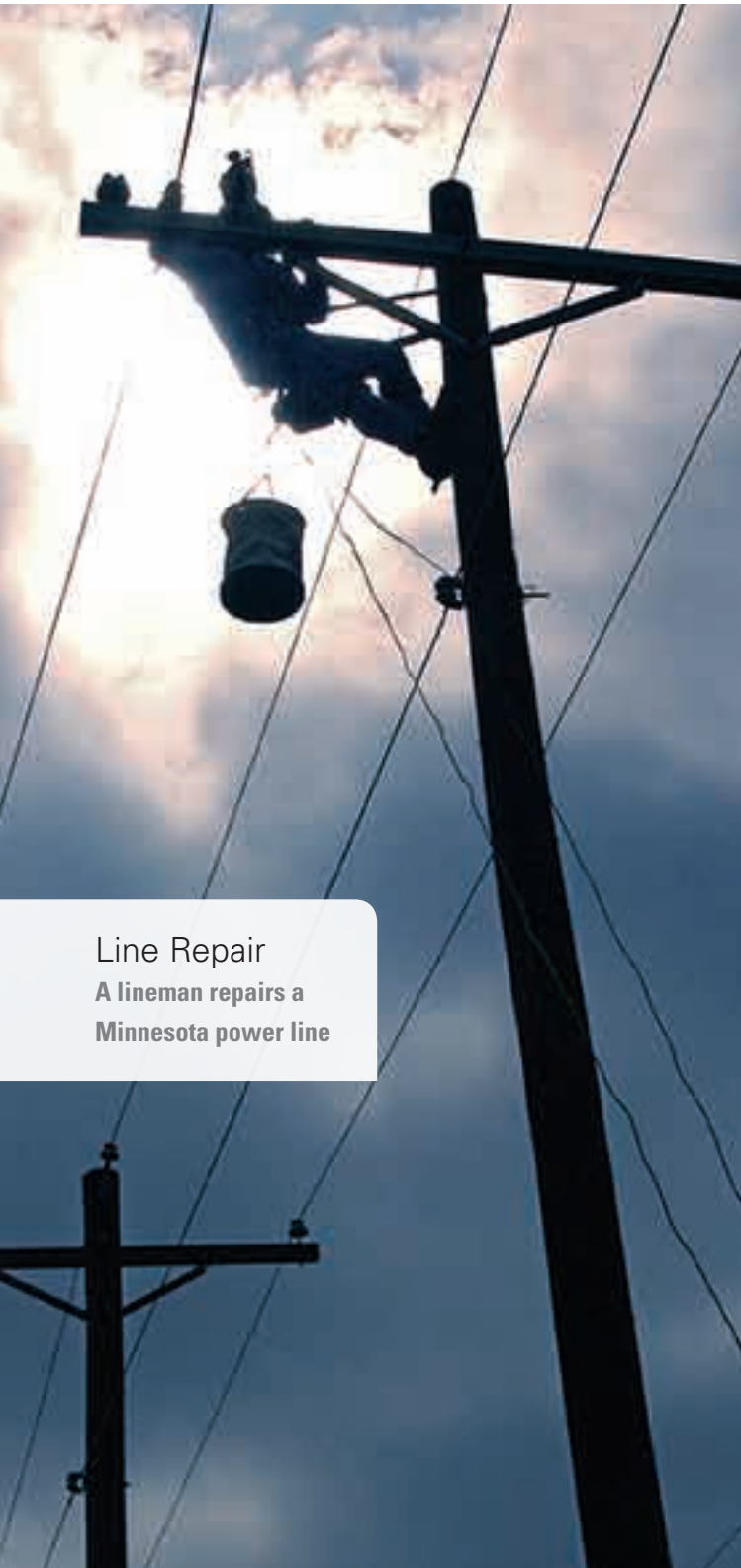
## Working collaboratively with our bargaining unit employees

We work with our represented employees to build cooperative and mutually respectful relationships. We recognize that all parties benefit by working together to achieve both groups' mutual goals. Interim bargaining has been used for the past 10 years to improve union relations and promote collaboration.

We recently negotiated an agreement with IBEW Locals 23, 160, 949, 953 and 1426 to find jobs for meter readers displaced by automation. We also negotiated an agreement with these same groups to provide a union-requested High Deductible Health Plan and Health Savings Account.

Additionally the parties have an ongoing effort regarding labor/management meetings in which issues, complaints and potential changes are discussed with various employees, business agents of the union and management. This activity is performed at all levels of management and is facilitated and organized by our Workforce Relations Department.

While each collective bargaining agreement is negotiated with a specific local union, we include equal opportunity clauses in all of our bargaining contracts. We also operate in compliance with the policies of the National Labor Relations Board, the statutes of the National Labor Relations Act and the guidance of the Department of Labor.



## Line Repair

A lineman repairs a  
Minnesota power line

## Equal employment opportunity and non-discrimination policies

Xcel Energy provides equal opportunity in hiring, training, compensation, promotion, termination, transfer and all other terms and conditions of employment, without regard to race, color, religion, creed, national origin, gender, age, disability, veteran status, sexual orientation or any other protected class status in accordance with applicable federal, state and local laws. Our corporate Code of Conduct prohibits all forms of discrimination and promotes equal employment opportunities. Our Code of Conduct and our Equal Employment Opportunity and Non-Discrimination policies apply to all operating companies and subsidiary companies throughout the Xcel Energy enterprise.

We are a federal contractor subject to affirmative action requirements under executive order 11246. In 2002, we entered into an agreement with the Office of Federal Contract Compliance (OFCCP) to implement functional affirmative action programs (FAAPs) by legal entity and business function. Since then, the OFCCP has conducted or begun eight compliance audits of our programs. Five have been completed, while three are still in progress. All the completed audits found no violations of affirmative action regulations. The audit of our PSCo Energy Supply group found one technical problem with job group definitions, and we corrected this in July 2007.

# 4

## encourage personal accountability for health

Health-care costs are rising at an average rate of 9 to 12 percent each year. Every business and every individual is facing this reality. Most people agree that innovative changes in health-care management are required if we're going to turn the tide on spiraling health-care costs. Federal legislation now supports the concept of health-care consumerism, which encourages a partnership approach toward health-care decision-making rather than the traditional model of "doctor says, patient does."

In the past four years, new plan designs commonly referred to as High Deductible Health Plans (HDHP) have been paired with tax-effective Health Savings Accounts (HSAs) to provide consumers with more control over their

health-care consumption and payment. We began offering an HDHP in 2008 and kicked off a campaign in May 2007 to educate employees about this new plan and our reasons for adopting it.

"The Power of You" campaign encourages employees to take accountability for their health and be more informed when analyzing their health-care options. Our new medical plans provide a higher level of benefit for preventive care services to encourage a proactive approach to preventing illness and disease. For example, in the HDHP, members can receive preventive services at 100 percent coverage without having to meet a deductible. In order to continue to be a sustainable company, we must find ways to manage our health-care costs. We will continue to offer good medical benefits that protect our employees' health and well being. But we'll also take a more proactive approach, encouraging preventative health and teaching employees how to be savvy health-care consumers.



Mike Kennedy  
Electric troubleman , Grand Junction, Colo.



## Camp Sunrise

Campers at Camp Sunrise. Each summer  
Xcel Energy employees volunteer as counselors.

# 5

## make our employees' charitable contributions go further

Our employees demonstrate their generosity year after year through the tens of thousands of volunteer hours they contribute to our communities and the millions of dollars they donate to area organizations. Xcel Energy has a large presence in the communities we serve and a vested interest in seeing them thrive. So do our employees. We have developed a series of programs to help our employees' contributions go further and encourage them to be active in the causes that mean most to them.

### Annual United Way Campaign

Each September, we kick off our annual United Way campaign to raise much-needed funds for more than 160 local United Way agencies across the nation. Our employee contributions have grown more than 30 percent since 2002, and in 2007, we reached an 88 percent participation level for employees at the manager level and above. Our average per capita gift to the United Way is twice the national average. To make it easier for employees to contribute, we offer online pledging and payroll deductions that spread donations out over the year. In total, our employees and retirees pledged \$2,217,000, which was matched by the Foundation for a total contribution of \$4,434,000. The contribution will be paid out in fiscal year 2008.

### Matching Gifts Program

Xcel Energy Foundation matches employee and retiree donations to qualified 501(c)3 nonprofit organizations, dollar for dollar, up to \$500. The Foundation also matches employee and retiree gifts to qualified institutions of higher education, dollar for dollar, up to \$2,000. In 2007, employees and retirees contributed \$281,365 to nonprofit organizations and \$134,682 to higher education. With the Foundation match, this amounted to \$799,023.

### Dollars for Doing

Xcel Energy Foundation gives qualifying nonprofit organizations \$5 for each hour an Xcel Energy employee volunteers there, up to \$500 per person annually. In 2007, we contributed \$44,913 through this program.

### Volunteer Energy

When teams of six or more Xcel Energy employees participate in a community volunteer program on their own time, the associated nonprofit organization is eligible

to receive a \$500 donation from Xcel Energy Foundation. This is in addition to our Matching Gifts and Dollars for Doing programs. In 2007, we had 41 employee volunteer teams and made \$20,500 in charitable contributions through this program.

### Volunteer Paid Time Off

All full-time, non-bargaining employees of Xcel Energy and all collective bargaining employees of PSCo are eligible to receive up to 40 hours of paid time off each year for volunteer activities benefiting a nonprofit organization or educational institution.

See page 30 in the economic section for a summary of all our charitable contributions in 2007.

## Spirit of America Award

In 2007, Xcel Energy employees and retirees were recognized by United Way of America with its highest honor, the Spirit of America Award. Each year, this award recognizes a company's outstanding commitment to improve lives in local communities. Xcel Energy is the first utility ever to receive this award.



## Wind Construction

A blade and hub ready for erection  
at the Fenton Wind Farm



## Society

**In our relationship with the community and public policy makers, we seek to:**

- 1) Engage stakeholders in our decision-making process
- 2) Work fairly with those affected by our operations
- 3) Be involved with public policy

# 1

### engage stakeholders in our decision-making process

As discussed in the governance overview on page 19, we take an active approach to stakeholder engagement with our customers and communities. In each of our jurisdictions, a group of managers is dedicated exclusively to community relations and economic development within the region. These employees build ongoing relationships with local officials, neighborhood groups and other organizations, making it easier to work collaboratively when specific issues and projects arise.

Each year, we offer power plant tours to a variety of audiences—city and community leaders, large commercial and industrial customers, legislators and state regulators, as well as various student groups. The goal is to educate groups and individuals about how our business works and to establish an open line of communication. When our local governmental customers better understand our business, it can help create a more favorable regulatory environment in which to do business. And our large customers have a better appreciation of all we're doing to ensure reliable service at a reasonable price.

Power Plant Tours in 2007		
	Tours	Participants
<b>NSP</b>	111	4,687
<b>PSCo</b>	74	1,726
<b>SPS</b>	19	396
<b>TOTAL</b>	204	6,809

*If you'd like to schedule a group tour, please call 1-800-895-4999. A virtual power plant tour is available at [xcelenergy.com/energyclassroom](http://xcelenergy.com/energyclassroom).*

In 2007, these are some of the projects that required close collaboration with our stakeholders, as well as the outcome of those efforts:

- ▼ **CapX 2020, Minnesota, Wisconsin, North Dakota, South Dakota:** In order to build new transmission infrastructure that will accommodate increased customer demand and support more renewable generation, Xcel Energy and 10 other utilities in the CapX 2020 consortium are proceeding with one of the largest transmission developments in the nation, which entails close to 700 miles of new lines and a total cost of about \$1.3 billion. CapX 2020's participating utilities have been working proactively to communicate with potentially affected landowners,

starting with sending out letters in July 2007 to more than 73,000 potentially affected landowners and local government officials across the state. Through December 2007, the utilities hosted 24 open houses to provide information and answer questions. The routing process has been open and inclusive. To learn more, visit [www.capX2020.com](http://www.capX2020.com).

- ▼ **High Plains Express Transmission Project Study, Denver, Colo.:** Xcel Energy, six western electric transmission owners, an independent transmission company and state authorities from Colorado, New Mexico and Wyoming are nearing completion on a feasibility report for the expansion and reinforcement of the regional grid to provide for a high-voltage backbone transmission system between Wyoming, Colorado, New Mexico and Arizona. Two 500-kV lines would increase capacity by 3,500 MW at a cost of \$5 billion. The study is unique in developing a proactive plan to create the robust infrastructure needed to support renewable expansion and other generation necessary for Colorado and surrounding regions. We coordinated several stakeholder meetings to encourage open, coordinated and transparent planning on a local and regional level.

- ▼ **Marshall Natural Gas Compressor Station, Boulder County, Colo.:** In 2006, we filed an application to build a new gas compressor station to replace a 32-year-old station in Boulder County. Various neighborhood groups objected to the location that was approved by Boulder County commissioners, expressing concern about noise, visual impact, odor and further development on the site. We worked with the county planning commission and the community to develop a plan that would address these concerns. We went to great lengths to construct the station to resemble a barn so it would blend in with the surroundings, and we used the best technology and processes to mitigate noise and odor generated from the station. Much of the 26-acre site is set aside as a Boulder County conservation easement. In June of 2007, the new station was completed, and we held a public open house in July.

▼ **Ruby Hill Park transmission line, Denver, Colo.:**

Several neighborhood groups objected to an overhead transmission line upgrade that was needed in a residential area in southeast Denver. They wanted the line buried for aesthetic reasons, but underground transmission lines are more expensive, and the costs are passed on to all our Colorado customers through regulatory recovery mechanisms. After nine weeks of mediation and negotiation, the neighborhoods recognized that the cost for this transmission line to be buried could not be borne by all Colorado ratepayers without their participation in the decision. The groups plan to place a proposal before Denver voters this year to levy a tax for burying all transmission lines in Denver parks. We support their efforts in seeking a resolution that takes into account the desires of the full range of stakeholders affected by the measure.

▼ **Franchise agreement renewals, Colorado:**

In November 2007, voters from Glendale and Broomfield, Colo., voted overwhelmingly to renew the Xcel Energy franchise agreements in their respective cities. A franchise agreement provides Xcel Energy the right to place energy facilities in the public right of way and establishes a franchise fee collected by the company and paid to the city. We laid the groundwork for these successes through our 20-year franchise agreement negotiations in Denver and St. Paul in 2006. A tremendous amount of work went into creating agreements that would benefit our communities, then educating the public on our efforts. In Denver, we received praise from environmental groups and community activists, and the landslide approvals for the agreements demonstrate the stakeholder engagement process at its best.

## 2 work fairly with those affected by our operations

In the product responsibility section on page 92, we discuss the measures we take to educate the public on the potential hazards that electricity and natural gas pose. But unforeseen incidents still occur, and some emergency situations are beyond our ability to prevent. In these cases, we need to be prepared so we can minimize damage, restore operations and assist people who are affected as quickly as possible.

### Emergency Preparedness

In 2007, we adopted an enterprise-wide, all-hazard approach to emergency planning and response under our Business Continuity group. A focused Business Continuity ongoing program and organization was put in place under Chief Information Officer Mike Carlson with co-ownership by Business Reliability Executive Tom Imbler. The proven emergency processes used to handle weekly reliability incidents were standardized and enhanced to cover all types of emergencies, making it easier to respond consistently and quickly to emergencies. Part of the new program includes an assessment process to evaluate our response to actual events and our readiness through drills. Assessments include remediation of exposures with follow-up actions, assignments, completion dates and reviews to avoid future risks. The program includes drills in anticipation of reliability and external events that have the potential to disrupt our normal business operations, as well as incident leader training for situation management.

The enterprise emergency response process includes notification and mobilization alerts using a tool called MissionMode. Notification alerts inform those with a business need to know about events. The mobilization alerts are used to call response team participants into a situation room call. Each jurisdiction maintains alert lists for Gas, Distribution and Transmission groups. In addition, for emergencies in which executives need to make decisions or discuss external events that affect the company, there is an Executive-on-Call alert list that can also be called to allow unified command in an emergency. Executives from Xcel Energy, the jurisdictions and business areas rotate weekly on this alert list. The enterprise-wide, all-hazards focus allows a uniform approach to plan for pandemics and events like the 2008 Republican National

Convention in Minneapolis, Minn., and the 2008 Democratic National Convention in Denver, Colo. We are able to see the similarities between hazards and reuse remedies and plans already in place for similar hazards, resulting in more consistent response to emergencies with improved results.

Our goals for 2008 include:

- ▼ Completing work on NERC (North American Electric Reliability Corporation) standards
- ▼ Measuring units under peak conditions
- ▼ Improving the long-term capacity planning process
- ▼ Supporting our business continuity pandemic planning effort



**Cooling Towers**  
Cooling towers at the Sherco  
Generating Station, Becker, Minn.

### Highlands Ranch Gas Leak

In January 2007, a gas main leak prompted us, in partnership with local emergency responders, to evacuate 65 homes in a south suburban Denver neighborhood as a precautionary measure. Within four days, we built a 500-foot natural gas bypass pipeline to enable residents to return to their homes as we continued repairs on the original pipeline. We worked alongside contract crews to complete the repairs without interrupting service to any customers. The company was lauded for keeping the public continuously apprised of the situation and our progress on the repair, for taking extraordinary precautionary measures and for providing significant assistance to those who were affected. Numerous employees were working behind the scenes to manage the situation with public and employee safety in mind and with concern for the needs and comfort of our customers. Company records showed that Xcel Energy had fulfilled all federally mandated requirements for inspection of the pipeline in 2006, yet this incident shows that inspections don't always guarantee that everything will go as planned.

### Nuclear Operations

We operate two nuclear plants—Monticello in Monticello, Minn., and Prairie Island in Welch, Minn. Working closely with national, state and local emergency management agencies, our nuclear plants have developed detailed emergency plans that address actions to be taken to protect the health and safety of the public up to 50 miles from either of our plants. These plans are practiced routinely with oversight from the U.S. Nuclear Regulatory Commission and the Federal Emergency Management Agency.

Additionally, each plant distributes a comprehensive emergency planning guide and calendar annually to all residents and businesses within the 10-mile Emergency Planning Zone (EPZ). These guides contain evacuation

routes, information on how to administer potassium iodide (KI), notification of planned siren testing and details on the effects of radiation. In the unlikely event of a serious nuclear plant emergency, taking KI offers partial protection from some kinds of radioactive emissions. In 2008, all Minnesota residents, businesses and dependent care facilities were offered two doses of KI for every person at no cost. Wisconsin currently does not distribute potassium iodide to the public, but the policy is under review and in the meantime residents can obtain KI through the Internet or at cost at certain Minnesota pharmacies. KI is being incorporated into site plans as an automatic Protective Action Recommendation for all general emergency classifications.


## 3 be involved with public policy

As discussed at the beginning of this report, being actively involved in policy development at the state and federal level is one of the key ways that we aim to manage risk and maximize opportunity. In each jurisdiction, government affairs representatives analyze potential regulations and evaluate their impact on our company, customers and stakeholders. We advocate public policies that help us provide cost-effective, reliable and environmentally responsible energy. On the following page, we outline some of the key public policies we supported in 2007.

## 2007 Legislative Summary – Xcel Energy Supported Measures

State	Legislation	Description
<b>Colorado</b>	HB07-1037	Allows cost-recovery for electricity and natural gas DSM programs.
	HB07-1281	Targets 20 percent Renewable Energy Standard (RES) by 2020.
	SB07-22	Gives PUC authority to consider and grant preferential rate treatment for low-income households upon application by a utility.
	SB07-91	Establishes task force to identify renewable generation resource development areas in the state.
	SB07-100	Encourages investment in transmission by allowing utilities current cost recovery for new facilities or updates to existing transmission facilities. Xcel Energy initiated this measure.
<b>Minnesota</b>	HF 3977/SF 3758	Allows utility cost recovery of certain transmission expenses and for energy storage devices that help renewable energy. Streamlines process for obtaining a Certificate of Need for renewable energy projects.
	HF 3857/SF 3698	Permits utilities to count energy from small solar installations toward their conservation goals.
	HF 3401/SF 2706	Creates guidelines for state buildings to increase energy conservation. Permits utilities to use conservation under the guidelines to count toward conservation goals.
	HF 3229/SF 2775	Creates a process and requirement that utilities inform water utilities of shut-offs during cold weather.
<b>North Dakota</b>	SB 2031	Allows for timely cost recovery of transmission investments.
	HB 1506	Adopts a renewable energy objective of 10 percent by 2015.
	HB 1456	Provides for legislative council study of wind farm siting and decommissioning.
	SB 2288	Establishes a Renewable Energy Council.
<b>South Dakota</b>	HB 1123	Targets a renewable energy objective of 10 percent by 2015.
	HB 1320	Provides tax incentives for certain wind energy facilities and energy transmission equipment.
<b>Wisconsin</b>	SB 544/ AB 899	Grants PSC authority to establish permitting standards for all wind energy installations.
	Act 20	Creates Energy Independence Fund.
	AB 560/SB 473	Creates penalties for metals theft and enhanced penalties for damage to utility infrastructure.
<b>Michigan</b>		We supported the creation of a Renewable Portfolio Standard in Michigan.
<b>Texas</b>	HB 989	Provides annualized recovery for transmission investments for non-ERCOT utilities in Texas.
	HB 3693	Establishes new energy efficiency legislation in Texas.
<b>New Mexico</b>	SB 418	Increases the renewable energy portfolio standards to 20 percent by 2020. Sets forth a goal of at least a 5 percent reduction in total retail sales through energy efficiency measures by 2020.
	SB 463	Provides tax credits for solar, green building, biomass, sustainable building, biodiesel income tax credit and advanced energy product manufacturers tax credit.
	SB 994	Allows public utilities a reasonable opportunity to recover costs for the development and ongoing construction of a clean energy project.
	HB 188	Creates the Energy Transmission and Storage Act and a seven-member Renewable Energy Transmission and Storage Authority.

A list of our 2007 political contributions is posted in the Corporate Governance section of our Web site.



Inside the Generator  
Generator at the Sherco Generating  
Station, Becker, Minn.

## Product responsibility

**In our relationship with customers, we seek to:**

- 1) Keep the public informed about safety
- 2) Be reliable and affordable
- 3) Offer innovative products, services and programs for all
- 4) Maintain an open dialogue with customers

### 1 keep the public informed about safety

Because our products pose potential risks, we have comprehensive programs and procedures in place to promote safety awareness. Our public safety outreach program targets customers and communities to educate them on safety topics related to electricity and natural gas.

Some of our areas of focus for public safety include:

- ▼ How to recognize and respond to a natural gas leak
- ▼ How to dig safely around buried utility lines
- ▼ How to work and play safely when overhead power lines are nearby

We use a variety of communications tools to reach all potentially affected audiences, including our most vulnerable customers and communities. This includes public safety advertising campaigns, safety materials provided with customer bills or through fulfillment programs, online safety information and classroom safety activities, and live safety demonstrations at many schools and public events.

In April 2007, we rolled out a public safety ad campaign in all eight states in the Xcel Energy service territory. Spanish versions of the ads ran in Colorado, Minnesota, New Mexico and Texas. Because we have a large Hmong population in our NSP service territories, we post important safety messages in Hmong in those areas. We make sure to offer safety materials and to reinforce safety messages at events geared toward low-income customers. Additionally, our call centers staff Spanish-speaking representatives to ensure that language

barriers do not prevent our customers from receiving the assistance they need in emergencies and in general. For the past 18 years, we have offered a free appliance marking service for our visually impaired customers in the Twin Cities area. A team of trained Xcel Energy retiree volunteers and their spouses apply brightly colored raised markings to various appliances to promote safety.

## Public Safety Fulfillment Programs

Each year, we conduct direct mail campaigns offering free safety materials in each of our service territories. These public safety fulfillment programs target three key audiences:

- 1) Elementary school educators:** Geared toward 3rd through 6th grade students, these materials tie in with existing science curriculums.  
[xcelenergy.com/publicsafety/educators](http://xcelenergy.com/publicsafety/educators)
- 2) At-risk third party contractors:** The Contractor Beware safety training kit is geared toward those who work near overhead power lines, underground utility lines and other natural gas and electric facilities.  
[xcelenergy.com/publicsafety/contractors](http://xcelenergy.com/publicsafety/contractors)
- 3) First responders:** These materials are geared toward emergency officials who may be required to respond to an energy-related emergency, such as a downed power line or a leaking natural gas line.  
[xcelenergy.com/publicsafety/firstresponders](http://xcelenergy.com/publicsafety/firstresponders)

### Fulfillment Program Outreach

	US Mail outreach
<b>Contractors</b>	58,646
<b>Educators</b>	15,585
<b>Student books provided</b>	108,272
<b>First responders</b>	2,104
<b>TOTAL</b>	184,607
Non-fulfillment safety material mailed	
<b>TOTAL</b>	8,400

We also collaborated with natural gas and hazardous liquid pipeline operators in various national and state-specific pipeline safety awareness programs, reaching thousands of at-risk contractors and excavators and hundreds of emergency and public officials.

The public safety outreach group also provides safety demonstrations at community events throughout the year.

### "Live" Safety Demonstrations

	Demos provided	Approx. number people reached
<b>NSP-M</b>	248	103,984
<b>NSP-W</b>	64	3,411
<b>PSCo</b>	8	1,450
<b>SPS</b>	5	747
<b>TOTAL</b>	325	109,592

## Preventing Accidents from Happening

Educational outreach efforts can help keep our customers and communities safe in case of emergency. Whenever possible, we want to prevent these emergencies from occurring in the first place. We're always evaluating new technology and practices that can make the use of our products safer.

## 2 be reliable and affordable

### Our Reliability Performance in 2007

We finished the year with a System Average Interruption Duration Index (SAIDI) above the top quartile benchmark of 90 minutes based on the 2006 Edison Electric Institute reliability study. SAIDI is the average outage duration for each customer served over the course of a year. We achieved top decile performance with a 96 percent reliability rating per the Market Strategies, Inc. (MSI) customer satisfaction benchmark. Reliability performance for the PSCo and SPS operating companies was better than target. NSP-Minnesota and NSP-Wisconsin were off target, largely due to storm activity further exasperated by tree damage. Our reliability management programs were focused on infrastructure replacement (cable, transformers, etc.), continued emphasis on tree trimming and specific feeder performance issues. These measures have continued to positively impact reliability.

The Unplanned Outage Rate (UOR) for 2007 was 5.45, which was 6 percent better than our target of 5.82. The PSCo and SPS regions were 5.9 percent and 21.9 percent better than target, respectively. The NSP region was 10.8 percent worse than target due to start-up and boiler slagging challenges at King Station. The continued improvement in the overall unplanned outage rate has been driven by effectively spending capital funds on specific plant components with known reliability issues. Additionally, through a boiler reliability improvement initiative, there has been a measurable reduction in boiler tube failures. Significant effort has been directed during 2007 to design and implement an *Xcellence in Reliability* program for the generation fleet. Through this project, our employees developed and practiced advanced reliability management skills.

### Reliability Measures

	2007	2006
<b>Power outage frequency (SAIFI)</b>	<b>0.97</b>	<b>0.94</b>
<i>Average number of interruptions an average customer experienced in a year</i>		
<b>Power outage duration (SAIDI)</b>	<b>85.7</b>	<b>79.2</b>
<i>Average number of minutes an average customer was without power in a year</i>		
<b>Unplanned outage rate (UOR)</b>	<b>5.45</b>	<b>6.23</b>

### Energy Assistance

Electricity and natural gas service are basic necessities, and we understand that paying for these services can be a challenge for some of our customers, particularly when the weather becomes extreme or commodity prices rise. We work with state and local agencies and low-income advocates to provide energy assistance to those in need. We have established a Personal Accounts department to provide services that promote the efficient use of energy while making energy bills more affordable to income-qualified families through payment plans and energy assistance programs.

Our support of energy assistance includes:

- ▼ Public policy and advocacy supporting efforts on the state and federal level to increase funding for Low-Income Energy Assistance Programs (LIHEAP).
- ▼ Corporate contributions to state and local energy assistance agencies and energy weatherization programs.
- ▼ Encouraging our customers to contribute to statewide fuel funds via their Xcel Energy bills.
- ▼ In-kind marketing and public relations to support energy assistance organizations and low-income advocates.

### Energy Assistance Contributions

<b>2007</b>	<b>\$18.2 million</b>
<b>2006</b>	<b>\$17.2 million</b>
<b>2005</b>	<b>\$20.6 million</b>
<b>2004</b>	<b>\$15.7 million</b>

# 3

## offer innovative products, services and programs for all

We offer a variety of programs for individuals, businesses and organizations. We target all our customers—ranging from senior citizens on a fixed budget to large-scale industrial operations, individuals who are passionate about the reducing their impact on the environment, nonprofit organizations and more.

Customer demand for environmentally responsible products and services has been steadily increasing over the last several years. Our groundbreaking Solar\*Rewards and Windsource programs are detailed in the environmental section of this report. Below are a few highlighted programs that we offered to various customer groups across our service territories in 2007:

- ▼ **Discounted compact fluorescent light bulbs (CFLs):** In 2007 and 2008, we sponsored a program to offer special discount prices on CFLs through local retailers. The CFLs were priced as low as \$1 per bulb. These programs were extremely successful, resulting in positive press coverage and high participation levels.
- ▼ **Energy design assistance:** This program for commercial customers seeks to improve energy efficiency in new constructions, additions and major renovations. We offer professional energy resources, modeling expertise to architects and engineers, and financial incentives to building owners for implementing energy-efficient strategies.
- ▼ **Home energy audits:** In NSP-Minnesota, we offer qualified customers the opportunity to receive a complete home energy audit—valued at \$150—for only \$35. The audits help customers pinpoint the best ways to improve their home's energy efficiency.



Transmission line work  
Downtown Minneapolis, Minn.

- ▼ **Weatherization programs:** We offer various programs for low-income customers to help make their homes more energy efficient. In Minnesota, we offer a Home Electric Savings Program that includes a home electricity evaluation; analysis of electricity bills; installation of energy-efficient light bulbs; inspection of major appliances; cleaning of refrigerator coils; installation of a water heater blanket and low-flow shower head; and recycling/ replacement for eligible refrigerators and freezers.
- ▼ **Saver's Switch promotions:** Nearly half a million customers across our service territories participate in this popular energy conservation program. We provide a financial incentive each year in exchange for the ability to cycle customers' air conditioners on and off during peak electricity demand periods. Most customers don't notice any change in their comfort when the Saver's Switch is activated; however, the use of these devices helps preserve natural resources and keep electricity rates reasonable.
- ▼ **Programmable thermostat rebates:** Customers in Wisconsin are eligible to receive a \$25 incentive if they purchase and install an ENERGY STAR rated programmable thermostat for their air conditioning unit.
- ▼ **Online View and Pay:** More than 300,000 customers save 60 tons of paper each year by receiving their bills online. The program has grown significantly in recent years, and we continue to promote this option as an easy, but important way to think green.
- ▼ **Executive Energy Forums:** We hosted four regional Executive Energy Forums in 2007 with a focus on global climate change. Nearly 350 executives, CFOs and energy managers from some of our largest commercial and industrial accounts attended to hear from our jurisdictional presidents and CEOs, as well as guest speakers Will Steger, a polar explorer for National Geographic, and J. Drake Hamilton from the nonprofit organization Fresh Energy.

- ▼ **Builder advisory meetings:** In our SPS service territory, we hosted a series of builder advisory meetings to help builders and developers improve the efficiency of their development processes.
- ▼ **Customer contests:** In 2007, we launched our Win in Winter contest in PSCo for the first time, offering customers the chance to win gift certificates to pay their energy bills while also learning about energy conservation. We are considering expanding to other jurisdictions this winter. Our Energy Make-over Contest has been running in PSCo for several years and offers \$25,000 in energy efficiency upgrades to two families each year. The families' energy savings are documented over the course of a year through our *Energy Update* newsletter to demonstrate how others can reduce their own energy usage.

## 4 maintain an open dialogue with customers

We want honest feedback from our customers so we can improve our service and tailor our business approach to their needs. We conduct regular focus groups and surveys through our Strategic Marketing group. This group oversees market research, advertising and brand management, and other initiatives geared toward improving our relationship with various customer bases. The Customer Care and Revenue Cycle group works simultaneously and in direct contact with customers on a daily basis to improve customer service.

### Voice of the Customer Survey Process

Our *Voice of the Customer* survey program allows us to assess our customers' needs and desires, as well as their satisfaction with our services. We conduct relationship and transaction surveys on an ongoing basis, typically by telephone, to gather feedback from residential and commercial customers. Relationship surveys look at customers' overall satisfaction with their relationship with Xcel Energy, while transaction surveys ask customers to rate a specific experience with the company. The results are compiled monthly.

We made significant strides in our customer satisfaction ratings in 2007. Satisfaction improved in nearly all aspects of the customer relationship and across all operating companies.

#### Voice of the Customer Survey Results

	2007 Actual	2007 Target	2006 Actual
<b>Overall satisfaction with Xcel Energy – residential</b>	89%	85%	85%
<b>Satisfaction with Xcel Energy's concern for the environment</b>	86%	81%	n/a

Success for 2007 is largely attributed to stable energy prices throughout the year, high levels of electric service reliability, completion of billing system conversion work and a favorable corporate image stemming from a variety of environmental initiatives.

### J.D. Power Survey Results

Each year, J.D. Power and Associates conducts utility customer satisfaction surveys in different regions of the United States by type of utility service. In the electric residential benchmarking study, for example, J.D. Power rates the largest 76 utilities on overall customer satisfaction and supporting attributes. At least 100 residential

customer interviews per utility are conducted by telephone. The overall electric utility customer satisfaction survey measures six components: 1) power quality and reliability, 2) customer service, 3) company image, 4) billing and payment, 5) communication and 6) price and value.

We surpassed our target of 15 percent improvement in ranking with an overall improvement of 22 percent in J.D. Power Residential Rankings. Our greatest improvement was in the electric *Customer Service* category, where we moved from third quartile to second quartile in the West and to first quartile in the Midwest.

J.D. Power natural gas customer satisfaction, however, was less than target with a negative effect in our Western region *Customer Service* and *Billing and Payment* categories. Greater focus and attention will be given to natural gas customer satisfaction in 2008.

### New Brand Campaign for 2008

Our relationship with customers is changing. We are no longer just delivering a commodity; we're delivering a solution. Now that climate change has become a global priority, the focus is no longer on least-cost planning. We must work to improve customer awareness of the costs and value associated with clean energy standards.

As a result of the research we conducted in 2007, we are implementing a comprehensive brand campaign in 2008 to establish a stronger relationship with our customers and to reflect the company's dedication to reducing its carbon footprint. Before the brand campaign is rolled out to our customers, employees must first embrace it. To help in this grassroots initiative, the company has recruited and trained a group of more than 100 brand champions. These employees will help educate the rest of the workforce on what the brand stands for and how important a united, passionate front is to Xcel Energy's success. Customers will begin to see our new campaign in late 2008.

# 4 / appendices

## Key Performance Indicators: Targets and Results

Performance Indicator	2007 Target	2007 Actual	Rating	2008 Target
<b>Ongoing earnings per share</b>	\$1.30 - \$1.40	\$1.43	☆☆☆	\$1.45 - \$1.55
<b>Capital spend</b>	Within 2% of \$2,002 million	\$1,984 million	☆☆	Within 2% of \$2,098 million
<b>GHG emissions profile</b>	1,510 lb/MWh intensity + reduce CO <sub>2</sub> emissions by an additional 2 million tons over project life	1,451 lb/MWh intensity + reduced CO <sub>2</sub> emissions by more than 4 million tons over project life	☆☆☆	1,483 lb/MWh + implement 3 projects contributing to environmental leadership strategy
<b>Fuel availability: coal inventory</b>	30 days	36.1 days	☆☆☆	39 days
<b>Fuel availability: peak day gas supply</b>	100% availability	100% availability	☆☆	100% availability
<b>INPO index</b> <small>(nuclear plant performance)</small>	96.2%	95.2%	☆	92.5%
<b>NRC performance indicators</b>	Met 100%	Met 100%	☆☆	Met 100%
<b>Duration index (SAIDI)</b>	82.0	85.2	☆	85.2
<b>Frequency index (SAIFI)</b>	0.97	0.97	☆☆	0.99
<b>Unplanned outage rate (UOR)</b>	5.82	5.45	☆☆☆	5.35
<b>Energy management</b>	100% completion of six-step process	100% completion of six-step process	☆☆	Annual reduction of 440,000 kWh across five sites

☆☆☆ = Exceeded goal

☆☆ = Met goal

☆ = Did not meet goal



Performance Indicator	2007 Target	2007 Actual	Rating	2008 Target
<b>Recycling at facilities</b>	Increase 10%	Increased 24.5%	★★★	Increase 90%
<b>OSHA recordable incident rate</b>	2.19	2.61	★	2.35
<b>OSHA DART rate</b>	n/a	1.41	n/a	1.39
<b>Internal promotions/total hires</b>	n/a	66.9%	n/a	75%
<b>New employee retention 0-3 years</b>	n/a	93%	n/a	96%
<b>Applicant pool (diversity)</b>	n/a	women 29% minority 24%	n/a	30% women 27% minority
<b>J.D. Powers customer satisfaction ranking</b>	15% improvement	22% improvement	★★★	One quartile performance ranking improvement in 4 out of 8 categories
<b>Residential customer satisfaction (percent positive)</b>	85%	89%	★★★	89%
<b>VOC survey question: environmental leadership</b>	81%	86%	★★★	87%
<b>United Way employee contributions</b>	\$2.2 M	\$2.217 M	★★★	

★★★ = Exceeded goal      ★★ = Met goal      ★ = Did not meet goal



# environmental benefits statement

The Triple Bottom Line report is printed on Mohawk Options 100% PC paper, manufactured entirely with wind-generated electricity and contains 100% post-consumer recycled fiber certified by Green Seal. The paper was produced with process chlorine-free recycled fiber. This paper is specially made carbon neutral within Mohawk’s production processes.

By using this environmentally friendly paper, Xcel Energy SAVED the following resources:

Trees	Waterborne waste	Water	Solid waste	Greenhouse gases	Energy
52.22	150.8 lbs.	22,183 gallons	2,455 lbs.	4,833 lbs.	36,992,000 BTUs

## SAVINGS from the use of emission-free wind-generated electricity:

Air emissions	Fossil fuel	which is equal to:	Not driving	or	Planting
2,511 lbs.	1 barrel crude oil used		2,720 miles		170 trees



The paper used in this report is certified by SmartWood for FSC standards, which promote environmentally appropriate, socially beneficial and economically viable management of the world’s forests.



The paper used in this report is made carbon neutral within Mohawk’s production processes by offsetting thermal manufacturing emissions with verified emission reduction credits (VERs), and by purchasing enough Green-e certified renewable energy certificates (RECs) to match 100 percent of the electricity used in Mohawk’s operations.

## about this report

<b>Reporting period:</b>	<b>January 1, 2007 – December 31, 2007</b>
<b>Date of previous report:</b>	<b>May 2007</b>
<b>Reporting cycle:</b>	<b>Annual</b>
<b>Report boundary:</b>	<b>Xcel Energy and its four utility subsidiaries</b>
<b>Contact point:</b>	<b>triplebottomline@xcelenergy.com</b>

We published our first Triple Bottom Line report in April 2005, with the contents covering the 2004 calendar year, and have published a similar report in each year following. In the years prior to that, we issued separate environmental, financial and corporate citizenship reports.

Although we have used the Global Reporting Initiative (GRI) framework as a reference for our previous Triple Bottom Line reports, this is the first year we have formally adhered to the G3 Sustainability Reporting Guidelines at the B application level. Additionally, we have incorporated the pilot version of the Electric Utilities Sector Supplement into our reporting framework wherever possible. A detailed index to the GRI indicators is available at [xcelenergy.com/triplebottomline](http://xcelenergy.com/triplebottomline).

Report application level		C	C+	B	B+	A	A+
standard disclosures	G3 profile disclosures	report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15		report on all criteria listed for level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17		same as requirement for level B	
	G3 management approach disclosures	not required	report externally assured	management approach disclosures for each indicator category	report externally assured	management approach disclosures for each indicator category	report externally assured
	G3 performance indicators & sector supplement performance indicators	report on a minimum of 10 performance indicators, including at least one from each of: economic, social and environmental.		report on a minimum of 10 performance indicators, at least one from each of economic, environmental, human rights, labor, society, product responsibility		report on each core G3 and sector supplement* indicator with due regard to the materiality principles by either: a) reporting on the indicator or b) explaining the reason for its omission	

\*sector supplement in final version



## How Content for the Report Was Determined

The principles of *transparency*, *accountability* and *measurability* guided our reporting efforts for the 2007 Triple Bottom Line. To determine which issues were of material importance, we analyzed stakeholder feedback, examined our business priorities and considered the GRI guidelines. The report is intended to focus on the areas of greatest risk and opportunity for our company, along with our targets and progress in each area.

We expect the information in this report will be of most value to investors, industry analysts, environmental groups, regulators and legislators. We provided a high level of detail with these audiences in mind.

## Notes on our Reporting Methods and Changes from Previous Reports

In an effort to report on as many performance indicators as possible without dramatically adding to the length of our report, we have—in limited instances—consolidated data that was disaggregated in last year's report (e.g., tax payments in the economic section) or changed the location in which certain data appear. These changes are noted in the relevant sections and should

not impact comparability from year to year. Our goal was to make it as simple as possible to locate and interpret data in accordance with the G3 reporting framework.

Data measurement techniques and assumptions are noted in the report where applicable. We were unable to report on some G3 performance indicators because the requested data is not centrally tracked at the corporate level. We will investigate how we might begin compiling this information for future reports. However, it can take time to implement new tracking systems that are reliable and comprehensive, and it needs to make sense from an operational standpoint. We did not attempt to assess the full impacts of our suppliers and outsourced operations, as the data are too widely dispersed and beyond our ability to collect at this point.

Our current production schedule for the report has not allowed sufficient time for external assurance. We will consider seeking external assurance for future reports.

More information about GRI and the G3 guidelines is available at **[www.globalreporting.org](http://www.globalreporting.org)**.



**MOHAWK** windpower 



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