



• RESPONSIBLE BY NATURE •  
2008 CORPORATE RESPONSIBILITY REPORT

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*A Report on the Economic, Environmental & Social Impacts of Xcel Energy*



## VISION

Be a responsible environmental leader, while always 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 greater value. We are dedicated to improving our environment and providing the leadership to make a difference in the communities we serve.

## VALUES

We, the employees of Xcel Energy, are proud of our company and the services we provide. We are passionate about the role of our company in the communities where we live and serve. We are committed to:

- Working together to serve our customers,
- Being accountable to each other for doing our best,
- Respecting all people,
- Promoting a culture of diversity and inclusion,
- Conducting all of our business in an honest and ethical manner,
- Working safely and creating a challenging and rewarding workplace,
- Protecting our environment, and
- Continuously improving 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 our 2008 Form 10-K.

## RESPONSIBLE BY NATURE : 2008 CORPORATE RESPONSIBILITY REPORT

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### *Introduction and Corporate Profile*

LETTER FROM THE CEO . . . . .	3
2008 HIGHLIGHTS . . . . .	4
KEY PERFORMANCE INDICATORS . . . . .	6
COMPANY DESCRIPTION & OPERATING COMPANIES . . . . .	7

### *SECTION 1 : Financial Responsibility* . . . . . 8

2008 OVERVIEW . . . . .	9
CORPORATE GOVERNANCE . . . . .	10
CORPORATE COMPLIANCE & BUSINESS CONDUCT . . . . .	11

### *SECTION 2 : Social Responsibility* . . . . . 13

CUSTOMERS . . . . .	14
EMPLOYEES . . . . .	18
COMMUNITY . . . . .	29

### *SECTION 3 : Operational Responsibility* . . . . . 36

SYSTEM RELIABILITY . . . . .	37
OPERATIONAL DATA . . . . .	38
RESOURCE PLANNING . . . . .	39
CONSTRUCTION UPDATE . . . . .	40
TRANSMISSION UPDATE . . . . .	43

### *SECTION 4 : Environmental Responsibility* . . . . . 46

OUR CLEAN ENERGY FUTURE . . . . .	47
CLIMATE POLICY & CARBON REDUCTIONS . . . . .	48
ADVANCED TECHNOLOGY . . . . .	52
ENERGY EFFICIENCY . . . . .	61
BUSINESS INNOVATION . . . . .	65
ENVIRONMENTAL MANAGEMENT & OVERSIGHT . . . . .	69
EMISSIONS, EFFLUENTS & WASTE . . . . .	73

<i>GRI Index</i> . . . . .	79
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*The energy business provides products that are essential to people's lives.* We take that responsibility seriously, and delivering safe, reliable, affordable energy is our commitment. Now, we are taking that responsibility to a new level. In addition to our traditional role as an energy provider, Xcel Energy is committed to transforming our business through environmental leadership.

Our vision, in fact, is to help lead the utility industry to a clean energy future. Our customers expect nothing less, and our policymakers are equally interested in making energy clean and making it work for America.

These are tough economic times. But that hasn't altered our commitment. We've always understood that clean energy has to be reliable and affordable for customers – and must offer additional value for all of our stakeholders. Our environmental leadership strategy allows us to achieve those goals.

As part of that strategy, we are focused on areas that leverage our commitment to its greatest advantage:

- Advanced technology,
- Energy efficiency, and
- Business innovation.

We are investing in advanced wind and solar technology. We are exploring smart grid strategies that will increase communication with customers and enable us to better manage our own systems. Although we've had an aggressive conservation effort for more than two decades, we are pursuing new ways to work with customers to conserve energy and manage its use. And we've adopted state-of-the-art technologies in our own operations that enable us to reduce our emissions and improve our environmental performance.

As a result of our environmental leadership, Xcel Energy is the No. 1 provider of wind energy in the nation and No. 5 for solar capacity. For the third year in a row, we've been named to the Dow Jones Sustainability Index (DJSI).

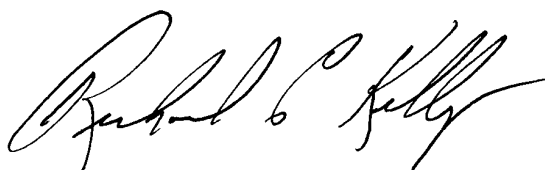
Companies listed on the DJSI are considered to be best in class in economic, environmental and social performance. For the first time, we were listed on a leadership index for the Carbon Disclosure Project, which recognizes the quality of our disclosure.

Clean energy is only part of the value that Xcel Energy delivers to the communities we serve. We contribute to their strength through charitable donations and with the time, talent and investment of our employees. In 2008, Xcel Energy employees and retirees pledged more than \$2.6 million to local United Way organizations, and we match those contributions dollar-for-dollar.

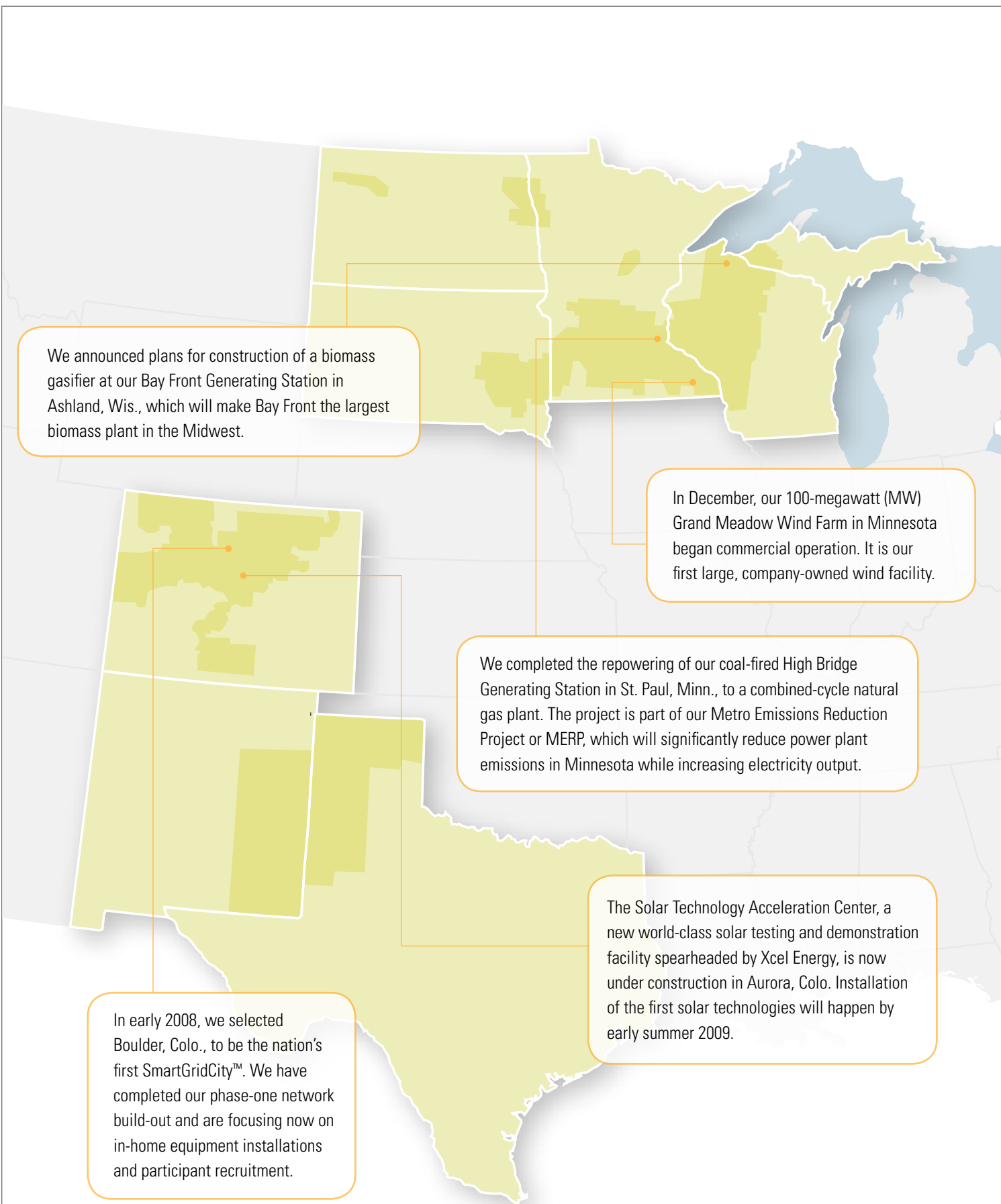
By delivering affordable energy, we also contribute to the economic engines of our communities, fueling the success of businesses in our service territory. As an employer, Xcel Energy provides good jobs in a welcoming and respectful environment.

All of our efforts are well illustrated by our new corporate tagline: **Responsible By Nature**. It captures exactly how we approach everything we do – with a sense of pride and responsibility. This report focuses on our financial, social, operational and environmental efforts, which are the key components of our business. In every area, we are delivering solid results, despite current economic challenges. Rest assured that Xcel Energy will remain strong and continue to earn your trust and respect.

Sincerely,



Richard C. Kelly  
Chairman, President and CEO



We announced plans for construction of a biomass gasifier at our Bay Front Generating Station in Ashland, Wis., which will make Bay Front the largest biomass plant in the Midwest.

In December, our 100-megawatt (MW) Grand Meadow Wind Farm in Minnesota began commercial operation. It is our first large, company-owned wind facility.

We completed the repowering of our coal-fired High Bridge Generating Station in St. Paul, Minn., to a combined-cycle natural gas plant. The project is part of our Metro Emissions Reduction Project or MERP, which will significantly reduce power plant emissions in Minnesota while increasing electricity output.

The Solar Technology Acceleration Center, a new world-class solar testing and demonstration facility spearheaded by Xcel Energy, is now under construction in Aurora, Colo. Installation of the first solar technologies will happen by early summer 2009.

In early 2008, we selected Boulder, Colo., to be the nation's first SmartGridCity™. We have completed our phase-one network build-out and are focusing now on in-home equipment installations and participant recruitment.



- For the third consecutive year, we are listed on the Dow Jones Sustainability Index.
- The American Wind Energy Association ranks Xcel Energy the nation's No. 1 wind energy provider.
- According to the U.S. Department of Energy's National Renewable Energy Laboratory, our Windsource® program continues to be the No. 1 voluntary green-energy program in the country with nearly 72,000 participating customers.
- The Solar Electric Power Association released its top-10 rankings for utility solar integration, and we ranked No. 5 among U.S. utilities for solar capacity.
- For the third year, we voluntarily reported emissions under the Carbon Disclosure Project. We are listed on the project's leadership index for carbon-intensive industries within the S&P 500 – a list which includes the top 30 companies that provide the most information and disclosure around carbon emissions.
- Xcel Energy is ranked No. 5 in the industry category of "most admired electric and natural gas companies" on Fortune magazine's 2009 World's Most Admired Companies listing.
- The U.S. Environmental Protection Agency has recognized Xcel Energy with a 2009 ENERGY STAR® partner of the year award for outstanding contributions to reducing greenhouse gas (GHG) emissions by delivering information and services to its customers to increase energy efficiency.
- Energy Central/EnergyBiz magazine named Xcel Energy "Utility of the Year" in early 2009 for its industry leadership around renewable development and projects such as SmartGridCity™.
- Through our Solar\*Rewards program, we helped install nearly 18 MW of on-site solar energy in 2008, providing more than \$33 million in incentives for more than 1,400 individual solar systems for homes and businesses.
- Xcel Energy received a score of 95 out of 100 on the Human Rights Campaign Foundation's Corporate Equality Index report, an in-depth analysis and rating of large U.S. employers and their policies and practices pertinent to gay, lesbian, bisexual and transgender employees, consumers and investors.
- The Colorado Public Utilities Commission approved our groundbreaking 2007 resource plan that, for the first time, proposes to reduce carbon dioxide (CO<sub>2</sub>) while continuing to meet our customers' growing energy needs. The public utility commission in Minnesota continues to review a similar plan.



Top: SunEdison's 8.2-MW solar facility near Alamosa, Colo.  
Bottom: Xcel Energy's Ponnequin Wind Farm in northern Colorado.

*In 2008, we had 3,643 MW of renewable energy capacity on our system. By 2020 we plan to have nearly 9,000 MW.*

## • OUR GOALS & PERFORMANCE •

	2008 GOAL	2008 PERFORMANCE	2009 GOAL
<b>FINANCIAL RESPONSIBILITY</b>			
<i>Investors</i>	Meet earnings target range of \$1.45-\$1.55	Diluted ongoing earnings per share were \$1.45	Meet earnings target range of \$1.45-\$1.55
<b>COMMUNITY RESPONSIBILITY</b>			
<i>Customers</i>	Improve residential satisfaction to 89% positive	Achieved residential satisfaction of 90% positive	Maintain residential satisfaction of 89% positive
<i>Safety</i>	Achieve OSHA recordable incident rate of 2.35 or lower	Achieved OSHA incident rate of 2.42	Improve employee safety; achieve OSHA recordable incident rate of 2.23 or lower
	Achieve Days Away and Restricted Time (DART) rate of 1.39 or lower	Achieved DART rate of 1.41	Improve employee safety; achieve DART rate of 1.33 or lower
<i>Diversity</i>	Increase applicant pool to 30% female and 27% minorities	Achieved applicant pool of 30% female and 27% minorities	Embed diversity & inclusion into operating processes; achieve 85% penetration of diversity priority in operating company business plans
	Increase utilization rate to 86-89%	Achieved utilization rate of 84%	
<i>Workforce</i>	Achieve new employee retention of 96% during the first year of employment	Achieved new employee retention of 96% during the first year of employment	Maintain 96% retention during the first year of employment
	Achieve internal employee promotions of 67%	Achieved internal employee promotions of 68.1%	Maintain internal employee promotions of 67%
<i>Community</i>	Establish baseline for employee volunteer hours and volunteer match	Achieved 26,121 employee volunteer hours and donated \$101,300 to match volunteer time	Increase employee volunteerism by 2% over 2008
	Increase United Way giving to \$2.4 million	Increased United Way giving to \$2.6 million, a total of \$5.2 million when combined with the company match	Maintain United Way giving at \$2.6 million
<b>OPERATIONAL RESPONSIBILITY</b>			
<i>System Reliability</i>	Improve average number of minutes a customer is without power in a year; achieve System Average Interruption Duration Index (SAIDI) rate of 85.2	Achieved SAIDI rate of 82.2	Improve system reliability; achieve SAIDI rate of 88.8 <sup>1</sup>
<i>Plant Reliability</i>	Improve power plant reliability; achieve unplanned outage rate (UOR) of 5.35	Achieved UOR of 5.84	Improve power plant reliability; achieve UOR of 5.65 <sup>2</sup>
<b>ENVIRONMENTAL RESPONSIBILITY</b>			
<i>Emission Reductions</i>	Commission and repower High Bridge Generating Station	Plant commissioned in May 2008	Commission and repower Riverside Generating Station
<i>Renewable Energy</i>	Commission 100-MW Grand Meadow wind project	Grand Meadow commissioned in December 2008	Regulatory approval for 200 MW of additional wind energy
<i>Advanced Technology</i>			Complete smart grid, advanced technology and efficiency projects
<i>Energy Efficiency</i>	Achieve DSM goal of 394 GWh for NSPM and PSCo	Achieved energy savings of 485 GWh for NSPM and PSCo	Achieve energy savings of 450 GWh for all operating companies

<sup>1</sup> 2009 SAIDI goal is higher than in 2008, accounting for implementation of a new, more accurate outage management system at SPS and PSCo and more normal weather patterns.

<sup>2</sup> Our UOR goal is based on base-load power plants; base-load plants for 2009 differ from those in 2008 because of MERP projects in Minnesota and changes in Texas plant operations due to new wind and gas units.



## COMPANY DESCRIPTION

Xcel Energy Inc. is a U.S. investor-owned electricity and natural gas company with regulated operations in eight Midwestern and Western states. Based in Minneapolis, Minn., we are one of the largest combination natural gas and electricity companies in the nation as measured by the number of customers served. The company provides a comprehensive portfolio of energy-related products and services to approximately 3.4 million electricity customers and 1.9 million natural gas customers through our four wholly owned utility subsidiaries.

## OPERATING COMPANIES

### *Northern States Power Company-Minnesota (NSPM)*



MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA

Electricity and natural gas service (electricity only in South Dakota)

David M. Sparby, president, director and CEO

### *Northern States Power Company-Wisconsin (NSPW)*



WISCONSIN, MICHIGAN

Electricity and natural gas service

Michael L. Swenson, president, director and CEO

### *Public Service Company of Colorado (PSCo)*



COLORADO

Electricity and natural gas service

Tim E. Taylor, president, director and CEO

### *Southwestern Public Service Company (SPS)*



TEXAS, NEW MEXICO

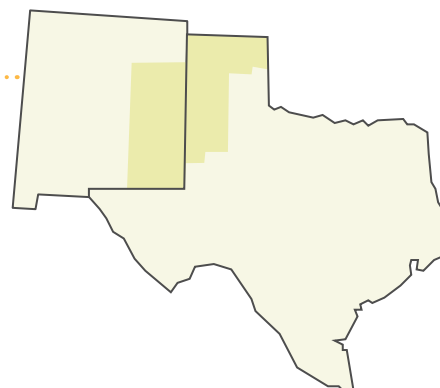
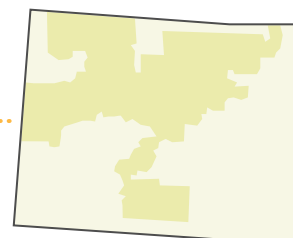
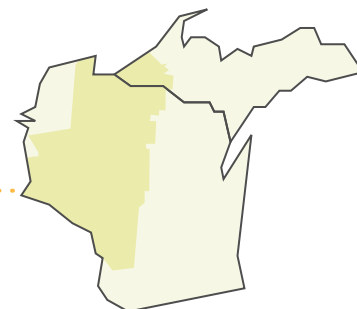
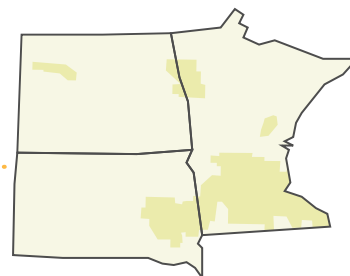
Electricity service only

David L. Eves, president, director and CEO

Along with WYCO, a joint venture formed with a subsidiary of El Paso Corporation to develop and lease natural gas pipelines, storage 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, including the company's philanthropic division.

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



## SECTION 1 :

# FINANCIAL RESPONSIBILITY

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### IN THIS SECTION

<i>2008 Overview</i> . . . . .	9
<i>Corporate Governance</i> . . . . .	10
<i>Corporate Compliance &amp; Business Conduct</i> . . . . .	11

### • 2008 FINANCIAL SUMMARY •

<i>Earnings</i>	\$ 646 million
<i>Earnings per diluted share</i>	\$ 1.46
<i>Ongoing diluted earnings per share</i>	\$ 1.45

#### ECONOMIC VALUE GENERATED

<i>Total revenues</i>	\$ 11.2 billion
<i>Electric utility revenues</i>	\$ 8.7 billion
<i>Natural gas utility revenues</i>	\$ 2.4 billion
<i>Other operating revenues and interest income</i>	\$ 121 million

#### ECONOMIC VALUE DISTRIBUTED

<i>Electric fuel and purchased power costs</i>	\$ 4.9 billion
<i>Cost of natural gas sold and transported</i>	\$ 1.8 billion
<i>Employee compensation, including wages and benefits</i>	\$ 1.0 billion
<i>Charitable donations and community investments</i>	\$ 15.6 million
<i>Retained earnings</i>	\$ 1.2 billion
<i>Interest charges and financing costs</i>	\$ 514 million
<i>Common stock dividends</i>	\$ 382 million
<i>Tax payments</i>	\$ 625 million
<i>Franchise fees</i>	\$ 160 million

*Please see our 2008 10-K for detailed financial statements.*

## CORPORATE STRATEGY: BUILDING THE CORE

Our corporate strategy, called Building the Core, focuses on:

1. Being an environmental leader,
2. Achieving our financial objectives, and
3. Optimizing the management of our operating utilities.

Our objective is to provide value to our customers and execute environmental initiatives by investing in our core utility businesses and earning a reasonable return on our invested capital.

### *Being an Environmental Leader*

Xcel Energy has adopted environmental leadership as the cornerstone of our strategic initiatives. At Xcel Energy, we believe that our environmental leadership meets customer and policymaker expectations for investing in clean energy, while appropriately managing long-term customer costs, and, in turn, creating shareholder value.

### *Achieving Our Financial Objectives*

Xcel Energy's financial objective of Building the Core has three phases: obtaining legislative and regulatory support for large investment initiatives, investing in the utility business and earning a fair return on utility system investments.

### *Optimizing the Management of Our Operating Utilities*

Each of our operating companies works under certain unique circumstances, such as its 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. While we have four separate operating companies, our goal is to make the most of similarities among the companies in areas, such as market branding, environmental policy research, asset management and safety. The objective is to optimize our operating efficiency while maximizing accountability.

## 2008 RESULTS

The global financial crisis and economic downturn made 2008 a challenging year. However, we successfully managed through the credit and liquidity crisis by well-timed issuance of more than \$2 billion of debt and equity. As a result of these successful financings, we believe we are well-positioned to implement our strategy of investing in our core utility business.

We delivered financial results which were consistent with our earnings guidance. Xcel Energy reported 2008 earnings of \$646 million, or \$1.46 per diluted share, compared with \$577 million, or \$1.35 per diluted share, in 2007. Ongoing earnings, adjusted for certain non-recurring items\*, were \$1.45 per diluted share, compared with \$1.43 per diluted share in 2007.



*Construction of the repowering project at High Bridge Generating Station in St. Paul Minn. This former coal-fired plant is now a combined-cycle natural gas plant and is part of our Minnesota MERP that will significantly reduce power plant emissions in the Twin Cities.*

*Further detail regarding our Building the Core strategy can be found in our 2008 10-K.*

\* During 2007, we entered into a settlement agreement with the IRS related to a dispute associated with our Corporate Owned Life Insurance program (COLI). Excluding this settlement, along with the earnings associated with this insurance program, our ongoing 2008 earnings were \$641 million, or \$1.45 per share, compared with 2007 ongoing earnings of \$612 million, or \$1.43 per share.



### *Long-Term Financial Objectives*

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

Ongoing earnings for 2008 were slightly higher than last year, primarily due to higher electric and natural gas margins, reflecting various increases in base rates and bill rider recovery. The positive impact of increases in electric and natural gas margins was partially offset by the negative impact of weather when comparing the periods. Earnings per diluted share also were negatively impacted by higher depreciation expense, higher interest expense and dilution associated with our common equity issuance.

Despite a challenging environment, we delivered results within our narrowed 2008 guidance range of \$1.45 to \$1.50. By carefully monitoring our projected earnings throughout the year, we were able to take action to ensure we met our 2008 earnings per share target.

### PERFORMANCE EXCELLENCE PROGRAM

Throughout 2008, an employee-driven effort called the Performance Excellence Program (PEP) took a comprehensive look at our organization, our processes and the gaps between where we are and where we want to be. The PEP effort, which continues this year, is focused on process improvement and the redeployment of resources for the greatest impact.

### CORPORATE GOVERNANCE

In 2008, Xcel Energy's board of directors was composed of 13 directors, 12 of whom were classified 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 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 policymakers.

The board of directors operates under a set of written Guidelines on Corporate Governance, which are available online. 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.

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, integrity and experience with business and other organizations of comparable size to Xcel Energy. We also seek diversity on our board. Of our 12 independent directors, two are women, one is African-American and one is Hispanic. 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 conflicts of interest are avoided.

The board of directors has four standing committees, each of which has a written charter. All committee members are independent directors.

## CORPORATE COMPLIANCE & BUSINESS CONDUCT

Conducting our business in an honest and ethical manner is one of our corporate values. Like all our corporate values, it is the right thing to do and the foundation of our success. Our Code of Conduct (Code) conveys important information – information we need to make sound business decisions to meet our ethical and legal standards. Our Code was completely redesigned in 2008 to enhance understanding through added examples, simpler language and links to related corporate policies.

### *Oversight*

The Audit Committee of Xcel Energy's board of directors is the governing authority for compliance and business conduct matters. As such, the Audit Committee assists the full board in fulfilling the board's oversight responsibilities relating to our Code of Conduct, other corporate policies, compliance hotline process and results, compliance risk assessments, communications and training, and program effectiveness. Our chief compliance officer has overall responsibility for Xcel Energy's Corporate Compliance & Business Conduct (CCBC) Program and reports directly to the chief executive officer. The CCBC Council comprises executives from all business areas and monitors implementation of specific compliance programs and business conduct issues.

### *Employee Expectations*

We expect employees to: Do what's right: Report what seems wrong. In addition to the Code, other corporate policies articulate expected behaviors so employees know what it means to do what's right. Employee training is ongoing and annually required.

## *Board of Director Committees*

Nuclear, Environmental and Safety

Governance, Compensation and  
Nominating

Audit

Finance

*More information regarding the board of director committees is available online.*

*Xcel Energy's Code of Conduct  
is available online.*

*We expect employees to:  
Do what's right: Report what  
seems wrong.*

*Xcel Energy's compliance  
hotline, 1-800-555-8516, is one  
of several reporting options  
available to employees.*

**CORPORATE COMPLIANCE  
& BUSINESS CONDUCT  
PROGRAM EFFECTIVENESS  
• RESULTS •**

*I know what is expected of me*

2008 : 99.47%  
2007 : 99.53%  
2006 : 99.13%

*I believe I would be protected  
from retaliation*

2008 : 95.06%  
2007 : 93.42%  
2006 : 91.61%

*My manager would never ask me  
to do something unethical*

2008 : 94.19%  
2007 : 93.63%  
2006 : 90.76%

*I am familiar with Vision, Mission  
and Values*

2008 : 97.99%  
2007 : 98.00%  
2006 : 97.84%

*Leaders use Vision, Mission and Values*

2008 : 88.44%  
2007 : 85.88%  
2006 : 96.55%

*I am prepared to handle situations*

2008 : 90.24%  
2007 : 90.76%

If employees believe someone is violating the law, the Code or any other company policy, or is doing anything that could damage the company's reputation, they need to promptly report what seems wrong. While we encourage employees to discuss issues with their leader, numerous other reporting options are available. Our compliance hotline, which is answered by an independent communications specialist outside of Xcel Energy, is available 24-hours-a-day and employees are provided anonymity if desired. Fact cards listing all reporting options are mailed to employees annually. We investigate every issue reported and take appropriate action as needed. Employees who violate the law, Xcel Energy's Code or any other company policy are subject to disciplinary action or termination.

Any retaliation against an employee who, in good faith, reports a violation or suspected violation of the law, Code or other Xcel Energy policy is strictly prohibited. Good faith simply means there is a reasonable basis to believe in the accuracy of the report.

*CCBC Program Effectiveness Results*

Employee responses from 2006-2008 indicate that Xcel Energy's CCBC Program is highly effective. For example, 99 percent of employees who responded in 2008 indicated they know what is expected of them, and 95 percent believe they would be protected from retaliation if they reported a suspected violation. Furthermore, 94 percent of respondents believe their manager would never ask them to do something unethical or that violated the Code or our values. Almost 98 percent of respondents are familiar with our vision, mission and values. While 88 percent said his or her leader uses our vision, mission and values to guide the company, just 1.5 percent disagreed. Almost 9 percent indicated they are uncertain. Finally, more than 90 percent of respondents feel prepared to handle possible situations that could be a violation of our Code, company policy or the law.

*Compliance Risk Assessment*

Xcel Energy's Compliance Risk Assessment (CRA) is a five-step process to systematically detect, prevent and mitigate compliance risks across the enterprise. The CCBC Council reviews associated action plans on a quarterly basis. Our CRA process drives changes to our business practices, processes and systems in a proactive manner to address new and changing legal and regulatory requirements, litigation readiness demands and various other compliance requirements.



SECTION 2 :

SOCIAL RESPONSIBILITY

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*In his free time, Dave Madonna, an engineer at our Valmont Generating Station manages the plant's great horned owl nest box and popular Owl Cam on **xcelenergy.com** and conducts special birding tours around Valmont's reservoirs – designated by Audubon Colorado as an Important Bird Area. Tina Lopez in our Corporate Communications Department is an active volunteer with HawkQuest, a nonprofit organization that uses birds of prey to communicate its environmental education message.*



IN THIS SECTION

<i>Customers</i> . . . . .	14
<i>Employees</i> . . . . .	18
<i>Community</i> . . . . .	29

### Customer Section At-A-Glance

Total electricity customers:	3.4 million
Total natural gas customers:	1.9 million
New energy-efficiency programs in Colorado:	29
Total energy-efficiency programs:	113
Total low-income assistance programs:	11
Energy assistance contributions:	\$13.2 million
Residential overall satisfaction with Xcel Energy:	90 percent positive

*Rebates and programs vary from one state to another and change from year to year. A complete list of residential and business programs by state is available online.*

### • CUSTOMERS •

#### ELECTRICITY CUSTOMERS

	Residential	C&I	Public Authority/ Other	Wholesale	Total
NSPM	1,227,889	148,060	6,067	31	1,382,047
NSPW	209,980	37,315	1,154	10	248,459
PSCo	1,142,106	150,826	58,195	35	1,351,162
SPS	311,345	75,734	5,987	38	393,104
TOTAL	2,891,320	411,935	71,403	114	3,374,772

#### NATURAL GAS CUSTOMERS

	Residential	C&I	Transportation & Other	Total
NSPM	434,987	40,174	15	475,176
NSPW	91,593	12,132	22	103,747
PSCo	1,186,255	99,425	4,313	1,289,993
SPS	0	0	0	0
TOTAL	1,712,835	151,731	4,350	1,868,916

### HELPING CUSTOMERS SAVE MONEY

To help our customers keep heating and cooling costs under control – and achieve greater efficiency and environmental benefits – Xcel Energy provides a variety of rebates and programs.

### EFFICIENCY PROGRAMS FOR BUSINESSES

We offer our business and municipal customers a variety of programs to encourage energy-efficient choices when buying equipment or systems. These include rebates for purchasing and installing energy-efficient equipment, as well as free consultations, custom incentives and funding for efficiency studies. We also host a variety of forums and events to educate customers on energy issues and to facilitate one-on-one conversations with our largest customers.

### EXPANDING PROGRAMS IN COLORADO

In 2009, we have launched, or will soon launch, 29 new or improved energy-efficiency programs in Colorado. For residential customers there are 20 new programs under the company's demand-side management (DSM) efforts that include

offerings for energy-efficient heating systems and water heaters; home insulation and energy audits; multiple energy-efficient upgrades, including replacement of appliances and heating or cooling equipment; programs for energy-efficient shower-heads and lighting; and several education programs. For our business and nonprofit customers, we are offering nine new or improved energy-efficiency programs.

These programs are expected to result in consumer savings of approximately \$498 million in 2009-2010.

## EFFORTS TO HELP VULNERABLE CUSTOMERS

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 energy assistance via their Xcel Energy bills, and
- In-kind marketing and public relations to support energy assistance organizations and low-income advocates.

In early 2009, we launched a series of new low-income assistance programs in Colorado to continue to better serve this customer segment. The new programs include single- and multi-family home weatherization services, as well as easy savings energy kits. We also are offering weatherization services to qualifying nonprofits through our new nonprofit energy efficiency program (NEEP).

In situations where we are unsuccessful in our efforts to reach out to customers regarding payment issues, we disconnect service only as a last resort. We typically send customers a reminder notice 33 days after their unpaid bill is due and a disconnection notice 64 days after the original due date. If we are unable to resolve the issue or arrange a payment plan with the customer, we will typically shut off service three to 10 days after the disconnection notice is sent.

### Energy Assistance Contributions

2008	\$13.2 million
2007	\$18.2 million
2006	\$17.2 million
2005	\$20.6 million

*Note: Annual contributions can fluctuate based on the availability of government funding and regulatory agreements.*

### Disconnections for Non-Payment

NSPM	33,843
NSPW	2,871
PSCo	69,952
SPS	31,090
TOTAL	137,756

*The majority of disconnected customers are reconnected after they arrange payment plans or pay their bills in full. We regularly refer customers in need to local community energy assistance programs.*



## Voice of the Customer Results

### OVERALL SATISFACTION WITH:

#### *Xcel Energy – Residential*

2008 ACTUAL: 90 percent

2008 TARGET: 89 percent

2007 ACTUAL: 89 percent

#### *Xcel Energy's concern with the environment*

2008 ACTUAL: 85 percent

2008 TARGET: 87 percent

2007 ACTUAL: 86 percent

## CUSTOMER SATISFACTION

Our customer satisfaction results for 2008 were mixed. On the positive side, we were placed in the top quartile of the American Customer Satisfaction Index (ACSI) for energy utilities for the first time. Results show that residential customers increasingly have been more satisfied with Xcel Energy since the third quarter of 2006.

Also, our Voice of the Customer survey process indicated a 90 percent overall satisfaction rate among our residential customers – exceeding our target of 89 percent. This represents an improvement of 5 percent since 2006. In Colorado, we received the fewest number of public utility commission complaints related to system reliability ever – 122 complaints compared with 196 complaints in 2007.

We did not meet our targets for the J.D. Power survey, which rates utilities on overall customer satisfaction and supporting attributes. Our performance relative to peer utilities in the study declined from 2007 to 2008. We improved in only one of eight customer satisfaction and billing categories. The survey methodology changed in 2008 to include many more companies, an online format and a phone survey – factors that might have influenced the comparability of year-to-year results.

We continue to devote energy and attention toward building positive relationships with our customers. We implemented several changes in 2008 that we believe will enhance customer service, including adding call center agents trained to handle specific issues, increasing outage information for customers and redesigning our quality assurance process to focus on measuring and improving our customers' service experience.



2007 Energy Makeover Contest winners, Cherlyn Seruto and Bill Wildenberg of Boulder, Colo., experienced significant energy savings in 2008.

## ENERGY MAKEOVER CONTEST

In November 2007, Cherlyn Seruto and Bill Wildenberg received extensive energy efficiency upgrades to their historic Boulder, Colo., home after winning our annual Energy Makeover Contest. The contest was designed to demonstrate through example the many benefits and applications of energy efficiency. Throughout 2008, we tracked just how much electricity and natural gas Cherlyn and Bill used compared with the previous year and highlighted the results in our Energy Update customer newsletter. Some of the upgrades to the Boulder home included ENERGY STAR® rated appliances, new windows, insulation and a solar photovoltaic system, all provided by our contest sponsors.

"Our home was built in 1902, and we knew it was not by any means as energy efficient as it could be. Working with Xcel Energy, Smart Energy Living Alliance and the contest sponsors, we learned just how much energy was leaking out of our home each day," said Cherlyn. "We ended up saving more than 50 percent on our energy bills over the winter months. It was a great opportunity for us, and we continue to share our experience with family and friends so they can benefit from what we've learned."

## CITY OF MINNEAPOLIS

Minneapolis is one of the greenest metropolitan areas in the country, according to Country Home magazine's "Best Green Places" study, and the state of Minnesota is ranked third in energy-efficiency policies. For many years, we have partnered with the City of Minneapolis to help them achieve their long-term sustainability goals.

Paul Adelmann is a community relations manager for NSPM and has worked closely with city representatives to create and follow through on opportunities that further the city's role as an environmental leader. This includes:

1. Working with the city on a 600-kilowatt (kW) solar array that will be installed on the Minneapolis Convention Center. An approximately \$2 million grant from our Renewable Development Fund will pay for nearly half the system.
2. Coordinating efforts with the city to promote our conservation programs and advise businesses on how they might implement energy-efficiency measures through our programs.
3. Providing our employees with the opportunity to work on a variety of clean-up and planting projects in the city during our 2008 Xcellence Expo.
4. Providing information on the greenhouse gas (GHG) impacts of electricity to help the city measure its carbon footprint.
5. Helping fund a green roof on Minneapolis City Hall through a \$100,000 grant.
6. Exploring opportunities to showcase clean energy alternatives along the city's newest light-rail corridor.



*"We value our ongoing partnership with Xcel Energy as the city works toward integrating sustainability into all that we do. Xcel Energy has been supportive of our efforts, and we have gotten more residents involved in active conservation as a result of their energy-efficiency programs."*

*– Gayle Prest, City of Minneapolis  
Sustainability Manager*

## ANDERSEN WINDOWS

Andersen Corporation is well known for energy-efficient doors and windows, but its commitment to energy efficiency goes beyond just the products it offers. Over the past few years, we have partnered with Andersen to integrate energy efficiency into all its operations. Through our Process Efficiency program – which includes free energy services designed to help customers with a minimum of 2 gigawatts (GW) of conservation potential – Andersen has begun identifying significant opportunities for improving efficiency at its manufacturing facilities in the Twin Cities metro area.

Key account manager Jeff Kosak works directly with Andersen employees to help them identify and implement the improvements that are most likely to offer sustained energy savings for the company. "We look at the full facility to bundle programs and services that help our customers offset capital costs with engineering and rebate dollars," said Jeff Kosak.

*"Xcel Energy's Process Efficiency Program takes a holistic approach to energy management and creates enthusiasm to reduce energy consumption. The program has helped profile our energy usage and identify opportunities for sustained improvement. In addition, the incentive dollars help us implement a greater number of projects."*

*– Kirk Hogberg, manager,  
Energy & Environmental  
Management, Andersen Corporation*

### Employee Section At-A-Glance

Total number of employees:	12,252
OSHA recordable incident rate:	2.42
DART incident rate:	1.41
Number of active employee network groups:	5
Employees participating in the Developmental Assignment Program:	66
Managers who have completed the Leadership Pipeline:	245 to date; 51 in 2008
Employees covered by High Deductible Health Plan option:	more than 7,000

### EMPLOYEE ENGAGEMENT INITIATIVES

An engaged workforce is a safer, more productive and more satisfied workforce. Xcel Energy's Human Resources Department strives continually to interact with more than 12,000 Xcel Energy employees. Below we report on some new programs that were launched specifically to recognize, empower and listen to employees.

#### Power of You Breakfast Program

In 2008, the Human Resources Department launched its Power of You breakfast program. With the help of 12 company leaders, we engaged diverse employee groups at monthly breakfast meetings across our service territory. These off-site gatherings provided an opportunity to gather feedback on how to do a better job of serving employees and their families. Several ideas generated from these breakfasts were implemented during the year.

#### Brand Champions

When we decided to update the Xcel Energy brand, we knew we needed to enlist help at a grassroots level in order to engage all employees. Thus, the Brand Champion program was born. More than 140 employees volunteered to act as ambassadors for the company. At approximately 300 employee meetings, they engaged the workforce with information on the new brand and presented our new marketing materials. They are helping us drive home the company's three brand tenets – environmental leadership, operational excellence and employer of choice.



*"The Brand Champion experience has been great for me. I am learning a lot about the*

*company through interactions with other Brand Champions and also through the experience of having to present the new brand material to other employees. The best take-away from this experience, however, is the confirmation that this company is full of great and talented people!"*

– Susannah Pedigo,  
Xcel Energy market manager



*"I have found that Xcel Energy's commitment to the environment is solid. We invest extensive capital in new projects to reduce our emissions and continually develop renewable energy options. The commitment starts at the top and continues down to each facility."*

– Mark Stewart, Xcel Energy  
environmental analyst, Hayden  
Generating Station



*"One of my greatest personal motivators has been to learn and try new things in my professional career. I cannot imagine any other company having the same opportunities that I have had at Xcel Energy."*

– Joe Butzer, Xcel Energy  
transmission system operator



### Employee Environmental Engagement Goal

For 2009, the corporate Environmental Council has directed each business area to establish an employee environmental engagement goal. The purpose is to broadly engage employees in the company's environmental leadership strategy. The business areas have developed goals based on projects that result in environmental improvement and improve efficiency or reduce costs within the business areas. Initiatives that have been identified range from improving power plant efficiency to implementing green business practices to increasing customer participation in the company's renewable and energy-efficiency programs.

### BARGAINING UNIT EMPLOYEES

Working collaboratively to build cooperative and mutually respectful relationships among represented and salaried employees strengthens Xcel Energy. 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. In 2008, Xcel Energy and IBEW Locals 23 and 160 worked together to transition our High Bridge and Riverside generating stations from coal to natural gas. Agreements were reached to provide for new job classifications at the gas plants and to transition employees in the coal yards to other jobs within the company.

#### • 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
<i>NSPM</i>	2,307	605	1	133	10	368	884	4,308	54%
<i>NSPW</i>	437	2	1	15	2	78	60	595	73%
<i>PSCo</i>	2,164		1	61	3	167	390	2,786	78%
<i>SPS</i>	804		1	38		191	160	1,194	67%
<i>Xcel Energy Services, Inc.</i> <sup>8</sup>			8	455	4	1,269	1,622	3,358	0%
<i>Discontinued Operations</i> <sup>9</sup>	5					6		11	45%
<b>TOTAL</b>	<b>5,717</b>	<b>607</b>	<b>12</b>	<b>702</b>	<b>19</b>	<b>2,079</b>	<b>3,116</b>	<b>12,252</b>	<b>47%<sup>10</sup></b>

\* 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

1 Covered by collective bargaining agreements

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

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

## *Diversity & Inclusion*

*Diversity is the essence of our work place: age, gender, ethnicity, sexual orientation, native language, geographic allegiance, race, education, religion, background and personality. Inclusion is the culture we build, 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 are valued and respected.*

*Diversity exists.  
Inclusion is my responsibility.*

## **DIVERSITY AND INCLUSION PROGRAMS**

### *Job Advertising Pilot*

Fourth quarter 2008, we conducted a pilot program to increase the number of diverse applicants for posted job openings. The Job Advertising Pilot targeted minority and diverse applicants through a variety of channels. Results were very positive. Within the first month of the program, the number of female applicants had increased by 40 percent and minority applicants by 55 percent when compared with the same period in 2007. The year-end effort enabled us to meet our overall 2008 targets of 30 percent female applicants and 27 percent minority applicants. Because of this success, the program is now a standard part of our diversity program.

### *Job Shadowing Program*

In 2008, Xcel Energy enhanced its high school job shadowing program. The program, which began in 2007 in Colorado, was championed early on by the International Brotherhood of Electric Workers (IBEW) Local 111.

The effort promotes Xcel Energy's commitment to the communities it serves and also specifically addresses the company's efforts to attract the next generation of workers while establishing partnerships with diverse professional and community organizations to prepare potential candidates with workforce readiness skills.

The Texas version of the program, which started in the summer of 2008, received joint cooperation from IBEW Local 602 and the Amarillo Independent School District.

### *Affinity Network Groups*

**COUNCIL FOR DIVERSITY AND INCLUSION:** The company's Council for Diversity and Inclusion (CDI), is an employee-driven committee that represents leaders, managers and front-line employees (both union and non-union) from across the company's jurisdictional territories, business units and centers of expertise. The council, which champions diversity and inclusion at the grassroots level, shares best practices across the organization, reviews organizational policies, serves as a communications conduit to and from senior leadership, and develops and promotes diversity and inclusion initiatives that meet our mission and objectives.

The CDI has worked to build the foundation for a new era of diversity and inclusion at the company through education and awareness. The CDI began the education process in 2008 by developing the Xcel Energy definition of "diversity and inclusion," which is intended to ensure everyone has a common understanding of its importance to the business.



*Renee Trujillo is an engineer working on the expansion of Comanche Generating Station in Pueblo, Colo. The new Unit 3 will more than double the plant's energy output while new highly efficient emission controls on all units will improve air quality.*

**EMPLOYEE NETWORK GROUPS (ENGs):** Our five employee network groups provide support networks and fellowship, identify barriers, contribute to employees' professional development and organize activities for employees of diverse backgrounds. They further our diversity efforts and help Xcel Energy achieve a more inclusive environment by using their members' 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 business area.
- **WIN (Women's Interest Network):** Focuses on issues of interest to women, such as professional development and work-life balance.
- **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.
- **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.

### ***Diversity and Our Board of Directors***

*Xcel Energy's commitment to diversity starts with the chairman and CEO and extends to diverse representation at the board level. Driving the company as a premier provider of energy services, our board of directors is made up of 16 percent people of color and 16 percent female.*

### *The Four Pillars of Diversity at Xcel Energy*

- 1 Elevate diversity as a core value and brand tenet.
- 2 Integrate diversity into the recruitment, development and retention processes.
- 3 Develop metrics and accountability to actively measure and monitor progress.
- 4 Empower employees to positively impact our business through leverage of their unique insights and talents.

### **DIVERSITY AND INCLUSION RECOGNITION**

In 2008, our Workforce Council adopted a strategic plan to formally incorporate diversity with inclusion into our company values. This has set the tone for the entire business that Xcel Energy is committed to building a corporate culture that reflects this priority. The Council overwhelmingly supported the Diversity and Inclusion plan, which addresses the sustainability of our talent pool, employee development, leadership enhancement, and the development of metrics around diversity to measure our progress.

#### *Corporate Equality Index*

The Human Rights Campaign Foundation's Corporate Equality Index report, released each fall, provides an in-depth analysis and rating of large U.S. employers and their policies and practices pertinent to gay, lesbian, bisexual and transgender employees, consumers and investors. In 2008, Xcel Energy received a score of 95 out of 100. This represents a 35-point jump over 2007 and is due largely to the collaborative efforts of General Counsel's Employee Excellence and Equality Committee, SAGE (the company's employee network group that supports gay, lesbian, bisexual and transgender issues, employees and allies) and HR Employee Care.

#### *Gender Equity Best Practices Award*

Xcel Energy's Office of General Counsel was one of two recipients of the 2008 Self-Audit for Gender Equity (SAGE) Best Practices Award. The Women in the Legal Profession Committee of the Minnesota State Bar Association gives the award to recognize employers that work to develop policies and practices that achieve gender equity in the workplace.

*The Transmission Civil Construction group in 2008 completed the transmission project that will convey wind power from southwestern Minnesota to the Twin Cities.*



### **WORKER SAFETY**

#### *2008 Safety Performance Results*

Overall, 2008 year-end safety performance improved compared to previous years. We finished 2008 with a 2.42 Occupational Safety and Health Administration (OSHA) Recordable Incident Rate (ORIR), which was an improvement of more than 7 percent when compared with the 2007 ORIR of 2.61. Over the past five years we have demonstrated improvement in the ORIR of 29 percent when compared with 2004 year-end results (3.40). Because the majority of our injuries continue to be strains and sprains, we will implement focused programs to increase knowledge and awareness with behaviors associated with slips, trips and falls in 2009.

### Organizational and Policy Changes in 2008/2009

In May 2008, a new safety governance structure was created at Xcel Energy to improve effectiveness, consistency and coordination of safety programs and initiatives. The new structure includes two committees that will help strengthen the safety culture at Xcel Energy – the Corporate Safety Committee and the Executive Safety Committee.

The Corporate Safety Committee comprises business area and safety leaders. Its purpose is to provide a framework for safety policy development and review; consistent management of safety issues and practices across the organization; replication of internal and external proven practices; and effective cross-functional communications on safety improvement efforts.

The Executive Safety Committee comprises business area presidents. Its purpose is to demonstrate top-level commitment to maintaining a safe work environment for employees while also providing guidance and support to safety improvement efforts.

Additionally, a new position – vice president of safety – was created in 2008 reporting directly to our CEO. In early 2009, we restructured the safety organization to establish a director in charge of contractor safety. Also reporting to the vice president of safety are the director of field safety and training, and director of corporate safety. In 2008, we updated contractor safety and confined space programs to more effectively address the safety of contract employees performing work at our sites. We re-evaluated our contractor safety program following a tragic accident in 2007 in which five employees of RPI Coating, Inc. were killed while performing work at our Cabin Creek Hydro Generating Station near Georgetown, Colo. Although we cannot guarantee that accidents will not occur, we believe a renewed emphasis in this area is appropriate.

### Behavioral Safety Programs

In 2007, we embarked on a new multi-year initiative to change the safety culture at Xcel Energy. As part of that effort, 2,300 employees in the Utilities Group business area completed safety leadership training in 2008, and more than 15,000 safety crew observations were completed. A new performance indicator tracking safety behavior metrics was developed to monitor this initiative. We met all targets for our safety behavior metrics in 2008, and we're continuing to track these metrics in 2009 with enhanced data-tracking tools. Our Energy Supply business area also implemented a behavior-based safety initiative titled the "Safety Index." The web-based Safety Index tracks employee participation at the individual, workgroup and plant levels. In addition, monthly performance scores are tracked by region and department. Energy Supply exceeded its initial voluntary participation goal of 60 percent.

### XCEL ENERGY • SAFETY PERFORMANCE •

#### OSHA RECORDABLE INCIDENT RATE (*in days*)

	<i>EEI Top Quartile</i>	<i>Actual</i>	<i>Goal</i>
2001	1.56	<b>5.21</b>	
2002	1.57	<b>4.37</b>	
2003	1.53	<b>3.62</b>	
2004	1.53	<b>3.40</b>	
2005	2.04	<b>2.76</b>	
2006	1.24	<b>2.53</b>	2.53
2007	1.25	<b>2.61</b>	2.19
2008	—	<b>2.42</b>	2.35

#### DAYS AWAY, RESTRICTED & TRANSFERRED INCIDENT RATE (*DART*)

	<i>EEI Top Quartile</i>	<i>Actual</i>	<i>Goal</i>
2001	0.78	<b>2.98</b>	
2002	0.80	<b>2.44</b>	
2003	0.70	<b>2.01</b>	
2004	0.70	<b>1.79</b>	
2005	0.78	<b>1.39</b>	
2006	0.53	<b>1.42</b>	
2007	0.59	<b>1.41</b>	
2008	—	<b>1.41</b>	1.39



## HEALTH PROGRAM • PARTICIPATION •

Program	2008 Employee & Retiree Participation
<i>Tobacco cessation</i>	92
<i>Fitness discount</i>	1,196
<i>Health screenings</i>	2,448
<i>Flu shots</i>	3,913

## BENEFITS AND HEALTH CARE

A significant portion of Xcel Energy's investment in our employees is made yearly through a benefits package which remains consistently competitive. Xcel Energy shares a mutual responsibility to positively impact the health and well-being of our employees, retirees and their families. Active employees are covered under programs that care for their financial, health, life, physical and mental well-being. Our programs are listed below.

As the country re-examines health care strategy for all Americans, Xcel Energy continues to provide high quality affordable health care to more than 91 percent of our benefit-eligible employees and their families. More than 8,200 retirees have access to similar programs through Xcel Energy. Our health care programs reach beyond providing medical coverage. Care support programs give additional health management opportunities for members. These include conditions such as heart disease, cancer, asthma, depression, back problems and maternity. The company supports wellness and health improvement through funding tobacco cessation programs, fitness center discounts, health screenings and annual flu shots.

Under our health plan, participants can consult with a registered nurse through a free, 24-hour Nurseline service. In 2008, about 90 percent of Nurseline calls helped participants avoid unnecessary emergency room visits.

## • EMPLOYEE BENEFITS •

*The Xcel Energy benefits program for non-bargaining employees offers a range of options and coverage levels for:*

• Medical	• Long-term disability insurance	• Transportation reimbursement account
• Dental	• Short-term disability salary continuation plan	• Paid time off (PTO) buy/sell program (part-time employees not eligible)
• Vision	• Accidental death and dismemberment (AD&D) insurance	• Transit program in Denver and Minnesota Twin Cities metro areas
• Life insurance	• Health care and dependent care reimbursement accounts	

Coverage for eligible dependents includes medical, dental, vision, life insurance and AD&D insurance.

Bargaining unit benefits are based on the contract negotiated with a specific local union.

Employees whose families are comprised of domestic partners and/or children of a domestic partner have participated in Xcel Energy benefits since 1992.

**Pension:** Xcel Energy provides a pension plan to help employees prepare for a financially secure retirement. The pension benefit is based on an employee's length of service and eligible compensation.

**401(k) Savings Plan:** Employees can make a combination of pre-tax and/or Roth 401(k) after-tax contributions.

Employees choose how to invest their contributions from a number of investment options. Xcel Energy matches a portion of employee contributions.

In 2008, Xcel Energy, in partnership with the IBEW and our NSP and SPS union members, successfully launched a High Deductible Health Plan paired with a Health Savings Account. More than 7,000 of our bargaining and non-bargaining employees are covered under this plan, which is now entering its second year. This investment achieves a balance between individual accountability for health and the opportunity to build financial support for future health care needs. Xcel Energy joins many employers in the belief that every American deserves quality, affordable health care, and we will proactively participate in activities that support that endeavor.

While our benefit programs rank in the top third when compared with utilities of similar size, we continue to monitor and benchmark them through a variety of national and international surveys. Among them are the following organizations: Towers Perrin, Watson Wyatt, Mercer and National Data Cooperative. Xcel Energy is a member of the National Business Group on Health, a nonprofit organization made up of Fortune 500 employers, who, collectively, cover health care for more than 50 million employees, retirees and their families. This influential national organization offers employers the opportunity to drive today's national health agenda.

Xcel Energy's contribution to the financial well-being of our employees and retirees is evident in the value of our retirement savings programs. Our defined benefit pension program coupled with a generous 401(k) company contribution assures our employees will move into retirement with financial security.

Retirees continue to remain connected to the Xcel Energy family in a variety of ways. Within our health plans, they access the same care support as our employees. Many retirees enjoy the fitness center discount and Silver Sneakers exercise program.

In Minnesota, a group of 20 pacesetter companies, including Xcel Energy, have committed to a variety of initiatives intended to increase employees' rate of retirement savings and/or direct deposit usage. The overall project is called *Financially Fit Minnesota* and is expected to impact a projected 15,000 employees of all income levels over the next two years. In 2009, Xcel Energy's focus is to increase participation in our corporate 401(k) program. At the end of 2007, we had approximately 1,550 employees not participating in the plan. Our goal is to increase our participation of those not taking advantage of the 401(k) savings plan by 22 percent or by 350 employees. Some of the tactics we have used to increase participation were conducting employee meetings during the fall of 2008, and educating employees on the importance of participating in savings programs, even during challenging economic times.

In July 2008, we also implemented Target Retirement Funds, which are fully diversified investment funds. These funds were added to make investment decisions, for some employees, a little easier. We also are embarking on a targeted campaign directed at employees not participating in the plan at all. Employees not participating in the plan will receive a personal profile statement showing them the savings potential if they elect to participate in the company 401(k) plan.



*Wind energy currently produces about 8 percent of the energy Xcel Energy provides, and we have plans to more than double this by 2020.*

*We are very excited about helping our employees understand the value of the 401(k) plan and encouraging them to take advantage of our strong retirement program, which includes matching employer contributions.*

## *Xcel Energy and National Health Care*

Xcel Energy supports a national framework for health care because a patchwork of state solutions will not allow for the development of a plan that best meets the needs of our employees.

### WE SUPPORT:

Providing every citizen with access to quality and affordable health coverage, which is why any reform solution must address the core issues of the growing cost of health care by:

- Expanding prevention interventions and developing health and wellness programs;
- Utilizing evidence-based medicine protocols to ensure standardization of processes and reduce misdiagnosis;
- Developing health information technology and an electronic records system that provides access to all healthcare providers and individuals; and
- Incorporating more transparency in healthcare to help individuals engage in their healthcare decisions and use their benefit dollars wisely.

Maintaining the Employee Retirement Income Security Act (ERISA), which provides employers operating in multiple states with the ability to provide consistent benefits to employees.

A shared-responsibility approach where government, employers and individuals share the responsibility of providing and attaining health care coverage.

## WORKFORCE PLANNING

The workforce planning process at Xcel Energy has been redesigned to provide greater support to leaders as they manage the challenges of establishing the future workforce of our company.

While the current economy is impacting many of our employees' retirement decisions, the need to plan proactively for our future remains. The projected loss to our workforce combined with an increasing demand for energy has created a significant challenge in how we will staff our future workforce. Additionally, the future workforce will be more diverse than at any other time, and as such, will require different strategies to attract and retain.

We have had success in conducting workforce planning in the past, which resulted in the development of multiple programs including various leadership, development and staffing initiatives. Our new process will leverage our previous success, but will better evaluate the risks associated with workforce gaps and develop solutions to respond to those gaps in an integrated manner.

It was developed through internal and external benchmarking efforts, including many interviews at multiple levels of the organization and a pilot project at the Riverside Generating Station in Minneapolis, Minn. It requires business and human resource leaders to work collaboratively on interpretation of our workforce demographics, skills and competencies compared with the future business and operational needs. This comparison allows us to identify the gaps and the potential impact to the company.

There are a number of new components to this process, such as a method for evaluating the impact of a workforce gap and assign it a "risk" rating. This is critical in order to establish alignment on the priority of gaps and the impacts of these gaps.

Another important change in the process is the monitoring and managing of activities to support effective implementation of the workforce plan. Senior management evaluates how well the plan is being executed. Overall, these regular evaluations also will encourage timely corrections and manage potential roadblocks to achieve success.

This new process was implemented over 10 months in 2008 with a comprehensive analysis, findings and proposed strategies presented to senior leaders in December 2008. Our focus in 2009 will be refining and implementing strategies to respond to the company's identified key gaps. It is designed to adapt to changing conditions like those we have seen in the economy and the subsequent effect on the company. The analysis is conducted annually, and the status and effectiveness of strategies are assessed quarterly.

## *Talent Management Programs*

### SUPERVISOR CANDIDATE POOL

Analysis of the Xcel Energy workforce confirmed that many current front-line supervisors and managers will be eligible for retirement in the next 10 years, with a high percentage of them eligible in the next one to five years. The Supervisor/Manager Candidate Pool program is designed to seek out individuals who have the desire to advance into a supervisory or management role and understand the competencies and behaviors expected. One hundred employees participated in the program designed to provide selected participants with leadership training. Participant satisfaction with the course content and delivery was 100 percent.

### LEADERSHIP CONTINUITY

Our Leadership Continuity process identifies individuals who might be successors for certain key positions. It is a systematic process in which executives and managers complete and discuss assessments regarding the long-term performance, leadership potential and career aspirations of their employees. As leadership teams, they determine the development readiness of each employee, create customized development plans and identify talent gaps. Leadership Continuity strives to develop and deliver the right people in the right place at the right time.

### DEVELOPMENTAL ASSIGNMENT PROGRAM

Employee involvement in the Developmental Assignment Program was successful during 2008 with 66 employees participating in the program. While in the program, employees assume temporary assignments in different departments at Xcel Energy for a 6- to 24-month duration. The program has demonstrated enhancement of employee growth, knowledge transfer across various departments and has increased bench strength within the company.

### LEADERSHIP PIPELINE

Fifty-one key leaders completed our Leadership Pipeline training program in 2008—bringing the total number of managers who have completed the program to 245. In addition, 61 managers began the program in 2008 and are on track to complete the program in early 2009. Participant satisfaction was 96 percent. Participants in the program also applied their learning on the job, which resulted in comments such as: “I gained more confidence in communications, problem solving and conflict resolution with the skills we learned,” and, “The Leadership Pipeline program is beneficial and helps bring the ‘big picture’ together and into perspective.”

*As employees are preparing to retire or leave our company, we are developing a pool of candidates prepared to fill those roles.*



*The Monticello Nuclear Generating Station near Monticello, Minn., successfully concluded its initial dry fuel storage load-ing campaign. The effort marked a major milestone for the plant and will allow it to run beyond 2010. We plan to increase the plant's capacity by 71 MW by 2011 as a cost-effective way to generate additional power for our customers without increasing greenhouse gases.*



#### NEW MANAGER TRANSITION

Xcel Energy piloted a new manager transition process that provides a structured on-boarding procedure for first-time managers. The process provides activities, tools and resources for new managers to help them quickly become effective in their new position.

#### DEVELOPMENT CENTRAL

Career development starts with our employees. We provide current, practical information to help employees discover their best-fit career within Xcel Energy through our self-study web site, Career Central. Many other developmental resources help employees grow in their careers – including our tuition assistance program and Development Central web site. Our two self-study web sites, along with our organized job tiers, functions and families, have enabled our employees to create defined career paths and job progression plans for future careers within the company.

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*David McMillan, an Xcel Energy supervisor for account management, with visitors touring our Smart Grid Experience mobile exhibit, created to share information with energy consumers on smart-grid technology and our SmartGridCity™ project in Boulder, Colo. Nearly 7,000 visitors from different parts of the country toured the exhibit in 2008.*





## SUPPORTING OUR COMMUNITIES

We know our company's success is directly related to the vitality of the communities we serve. It is our mission to use our collective knowledge, resources and skills to meet the needs of our communities and ensure that Xcel Energy's service area is a desirable place for our customers to live, work or own a business.

### *Our Community*

Xcel Energy helps build stronger communities through our Xcel Energy Foundation focus area grants, and additional corporate contributions to nonprofit and civic organizations that contribute directly to local economic sustainability.

Our employees are invested in their communities, generating tens of thousands of volunteer hours per year through employee-driven and company-sponsored efforts, such as Meals on Wheels, Habitat for Humanity or mentoring school children. We are especially proud of our nationally recognized United Way campaign, in which employees' and retirees' contributions are matched dollar-for-dollar to 196 United Way organizations across the nation.

### *Our Environment*

Each April we coordinate hundreds of employee volunteers who support various community Earth Day events – from tree planting to neighborhood clean-ups to environmental fairs. Supporting Earth Day demonstrates our environmental commitment within the communities we serve.

Further, we've partnered with Pepsi Center in Denver, Colo., and Xcel Energy Center in St. Paul, Minn., to provide educational displays covering energy efficiency and renewable energy topics at these public sports and entertainment facilities. These initiatives provide us the opportunity to communicate and promote a culture of sustainable practices to our customers.

### *Our People*

We engage our employees and retirees both at work and at home, providing company-sponsored volunteer activities and programs. The Xcel Energy Foundation matches employee charitable contributions dollar-for-dollar through its Matching Gifts program. We match volunteer time with Dollars-for-Doing and provide other incentives to employees active in their communities.

## *Community Section At-A-Glance*

We contributed more than \$15 million to our communities through the Xcel Energy Foundation.

Giving to local United Way agencies increased to \$2.6 million, matched by Xcel Energy for a total contribution of \$5.2 million.

We provided energy services to the 2008 national political conventions in Denver and St. Paul.

47% of our supply-chain spending was within our local communities, and 7.15% of our total supply chain spending was with diverse suppliers.

We hosted 81 recruiting events within our local communities in 2008.

We provided 357 power plant tours to nearly 7,000 visitors in 2008.



*Kelly Savage, an Xcel Energy senior solutions analyst, has volunteered with Habitat for Humanity for the past three years. In 2008, she used our Volunteer Paid Time Off program to help rebuild an area in Biloxi, Miss., which had been devastated by Hurricane Katrina.*

• XCEL ENERGY FOUNDATION GIVING •

	2007	2008
<i>Focus Area Grants</i>	\$ 4,025,834	\$ 4,287,500
<i>Environment</i>	\$ 635,800	\$ 980,800
<i>Education</i>	\$ 1,171,770	\$ 1,270,600
<i>Economic sustainability</i>	\$ 1,054,400	\$ 1,084,600
<i>Arts and culture</i>	\$ 798,450	\$ 836,500
<i>United Way Contributions</i>	\$ 4,434,000	\$ 5,200,000
<i>Employee contributions</i>	\$ 2,217,000	\$ 2,600,000
<i>Company contributions</i>	\$ 2,217,000	\$ 2,600,000
<i>Matching Gifts Program</i>	\$ 799,023	\$ 1,058,380
<i>Employee contributions</i>	\$ 416,047	\$ 596,587
<i>Company contributions</i>	\$ 382,976	\$ 461,793
<i>Dollars-for-Doing Contributions</i>	\$ 44,913	\$ 77,301
<i>Volunteer Energy Contributions</i>	\$ 20,500	\$ 24,000
<i>Classroom Connection</i>	\$ 27,437	\$ 34,400
<i>Corporate Contributions</i>	\$ 3,020,623	\$ 4,622,104
<i>In-Kind Donations</i>	\$ 115,228	\$ 270,554
<b>TOTAL</b>	<b>\$ 12,487,558</b>	<b>\$ 15,574,239</b>

XCEL ENERGY FOUNDATION

Formed in 2001 as the philanthropic arm of our company, the Xcel Energy Foundation oversees more than \$15 million in funded charitable activities of Xcel Energy and its subsidiaries.

FOUNDATION FOCUS AREAS

The Xcel Energy Foundation focuses grants in four areas: environment, education, economic sustainability, and arts and culture. The foundation board defines and reviews the focus areas annually. Our focus area grants are limited to 501(c)(3) nonprofit organizations.

**ENVIRONMENT:** Programs to train and support K-12 educators in teaching curriculum focused on energy and the environment; partnerships to preserve, restore and improve wildlife habitat, open lands, wetlands, parks, trail systems or recreational areas; and projects that produce environmental improvement through beautification.

**EDUCATION:** Programs to 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.

**ECONOMIC SUSTAINABILITY:** Programs to promote economic self-sufficiency with an emphasis on job creation and workforce readiness; community development projects that seek to improve the economic well-being and sustainability for a community, such as programs to create, attract, or retain business especially in economically depressed areas; transitional and supportive housing programs to provide educational, employment and job placement services for low-income populations; and programs to promote personal skill development, including job entry skills and retraining of unemployed and underemployed workers.

**ARTS AND CULTURE:** Programs to increase access to arts and cultural activities and enhance music education and performing arts in schools.

## CORPORATE CITIZENSHIP SURVEY

In 2008, we surveyed 800 customers throughout our service areas to learn more about interests and concerns within the communities we serve. Throughout our service territories, we found similar concerns for the economy; social issues, such as homelessness and hunger; and education. For 2009, we have changed our community development focus area to economic sustainability to better reflect our customers' interest in the economy and social issues. When we asked our customers to prioritize our existing funding areas, they ranked environmental issues as the most important area for the Xcel Energy Foundation to support, followed closely by education, economic sustainability, and arts and culture.

## ECONOMIC DEVELOPMENT

At Xcel Energy, we serve the energy needs of the hundreds of cities and towns throughout our service territory, and we are integral members of those communities. We are connected to the communities we serve through active and ongoing investment in their infrastructures and through our supply chain spending practices.

### SUPPLY CHAIN SPENDING

Suppliers play an important role in our ability to grow and operate effectively, and the money we spend through our supply chain adds to the overall prosperity of our communities and beyond. In 2008, we spent almost \$2.5 billion with suppliers, up from \$2.2 billion in 2007. Of that amount, almost \$1.15 billion was spent with locally based suppliers.

## Corporate Citizenship Survey Results

Nearly two-thirds of customers surveyed rated Xcel Energy's corporate citizenship positively in 2008, primarily for contributions to the community and for helping individuals with utility bills.

Corporate citizenship ratings increased in 2008 with 61 percent of respondents providing a positive score compared to 42 percent in 2006.

## SOBRIETY HOUSE

For more than 40 years, Sobriety House, Inc. has provided treatment to low-income adult substance abusers in the Denver area through residential and outpatient programs. All Sobriety House buildings are more than 100 years old, and while they have a great deal of character and charm, they were not particularly energy efficient prior to 2008. In 2007, Sobriety House applied for the Nonprofit Energy Efficiency Program (NEEP), which is sponsored through a partnership of organizations including Xcel Energy. NEEP helps Denver-area nonprofits weatherize their facilities so they can spend more on services for those in need and less on energy bills. A week before Christmas 2007, a boiler broke down in one of the Sobriety House homes on the same day the house was receiving an energy audit. At the suggestion of the auditor, Sobriety House made a call to NEEP and was able to get a new boiler installed before Christmas. The work continued into 2008 with new appliances, windows, insulation, weatherstripping, programmable thermostats and other improvements.

"Once the NEEP program really got underway, we were continuously surprised by the amount of attention our buildings were getting. It was tremendous! We so appreciate all the work that was done, which we could not afford to do on our own," said Mary Jo Gowin, Development Director, Sobriety House, Inc.

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.

#### • 2008 SUPPLY CHAIN SPENDING •

	<i>Total spend</i>	<i>Local spend</i>	<i>% of total spent locally</i>
NSPM	\$ 1,005,881,064	\$ 330,539,723	33%
NSPW	\$ 75,540,516	\$ 14,051,399	19%
PSCo	\$ 841,585,192	\$ 496,874,919	59%
SPS	\$ 193,895,374	\$ 74,514,785	38%
XCEL ENERGY SERVICES	\$ 350,923,575	\$ 233,964,020	67%
TOTAL	\$ 2,467,825,720	\$ 1,149,944,846	47%

#### SUPPLIER DIVERSITY • PROGRAM •

	<i>Dollars spent</i>	<i>% of Total Purchases</i>
2006	\$117.3 million	6.82%
2007	\$166.4 million	7.36%
2008	\$180.8 million	7.15%

#### SUPPLIER DIVERSITY

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. Detailed information about our supplier diversity program is available online.

Each year, we set a purchasing goal for our Supplier Diversity program, and in 2008, we exceeded our target of 7 percent. We spent almost \$129 million directly with diverse suppliers and another \$52 million indirectly. We increased diversity spending in strategic categories from 3.3 percent in 2007 to 4.9 percent in 2008.

Additionally, Xcel Energy was the host company for the Edison Electric Institute's 25th annual supplier diversity conference in Denver, Colo., in 2008. The Women's Business Enterprise Council-Southwest recognized us as one of the top companies doing business with women-owned businesses in 2008.

#### COMMUNITY RELATIONS

In each of our jurisdictions, we have a group of managers exclusively dedicated 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.

*A virtual power plant tour  
is available at  
[xcelenergy.com/energyclassroom](http://xcelenergy.com/energyclassroom)*

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.

#### • 2008 POWER PLANT TOURS •

<i>Operating Company</i>	<i>Tours</i>	<i>Visitors</i>
NSPM	158	2,738
NSPW	70	1,644
PSCo	97	1,988
SPS	32	590
<b>TOTAL</b>	<b>357</b>	<b>6,960</b>

### 2008 DEMOCRATIC & REPUBLICAN NATIONAL CONVENTIONS

Providing energy and ensuring reliable service for one of the nation’s political conventions is a big task. Xcel Energy had the opportunity to handle two in 2008 – the Democratic National Convention in Denver and the Republican National Convention in the Twin Cities.

We were the first utility to support two national political conventions in different cities in the same year, and that’s no small feat. Planning for the events, which involved employees and leaders from many different departments, began well in advance of this election season with visits to three cities that had previously hosted political conventions. From a reliability standpoint, we were hoping for the biggest nonevent, and we got it. Although we were well prepared, we never employed our contingency plans.

While service reliability to the facilities and venues used by both conventions had a solid history, Xcel Energy nevertheless knew that upgrades would be required. Once the new infrastructure was in place, planners then began the “reverse engineering” process, in which they posed problems for the system and provided solutions. Company planners spent months identifying key facilities, examining their systems and ensuring that all were as reliable as possible.

Early planning efforts put the company’s convention teams in a good position. The months of planning paid off and the conventions occurred under secure conditions – and without power disruptions.



*The Xcel Energy Center in St. Paul, Minn., was the site of the 2008 Republican National Convention. Xcel Energy provided wind power through its Windsource® program to offset about 3,000 megawatt-hours used at this convention and the Democratic National Convention in Denver, Colo.*

*A 10-kW solar installation at Pepsi Center provided additional power in Denver; in St. Paul, a 10-kW installation at High Bridge Generating Station helped power the Xcel Energy Center.*

#### *Educational Opportunities*

Along with providing reliable service for the two conventions, Xcel Energy also played a role in helping visitors learn more about the company’s environmental leadership through renewable energy, energy conservation and innovative technologies such as the smart grid and other new efforts.



2008 FULFILLMENT  
• PROGRAM OUTREACH •

Program	Items Mailed
<i>Elementary educators</i>	11,747
<i>Student books provided</i>	40,616
<i>At-risk third-party contractors</i>	82,708
<i>First responders</i>	73
TOTAL	135,144

ELECTRICITY SAFETY  
• DEMONSTRATIONS •

Operating Company	Presentations	Approx. # Reached
NSPM	189	69,617
NSPW	20	881
PSCo	11	825
SPS	6	525
TOTAL	220	71,323

*The public safety outreach group also provides electricity safety demonstrations at community events, including elementary schools, throughout the year*

PUBLIC SAFETY AND EDUCATION

We offer comprehensive programs to promote the public's awareness of safety around our products because natural gas and electricity inherently pose a risk. Our public safety outreach programs help people learn, among other things, how to recognize and respond safely to a natural gas leak, how to dig safely around our buried gas and electric lines, and how to work and play safely when overhead power lines and electric equipment are nearby. And while we promote safety within the communities we serve, our overall outreach extends well beyond our service areas.

We use a variety of communications tools to deliver our safety messages, including advertising campaigns, information provided with customer bills, extensive fulfillment programs and online safety information. We also provide electricity safety demonstrations and pamphlets at many school and public events; we participate in several national and state pipeline associations – which promote pipeline safety primarily between operators and emergency response personnel; and we work closely with several industry organizations that focus on utility public safety awareness.

*Public Safety Fulfillment Programs*

We conduct annual safety campaigns to educate customers in each of our service territories. These 2008 fulfillment programs provided outreach to:

- **Elementary school educators:** Geared toward 3rd through 6th grade students, the materials support national science education curriculum and standards. [xcelenergy.com/publicsafety/educators](http://xcelenergy.com/publicsafety/educators)
- **At-risk, third-party contractors:** The Contractor Beware safety training kit is geared toward workers performing activities near overhead power lines, underground utility lines and other natural gas and electric facilities. [xcelenergy.com/publicsafety/contractors](http://xcelenergy.com/publicsafety/contractors)
- **First responders:** We provide information to support emergency officials who can respond to an energy-related emergency, such as a downed power line or a leaking or damaged natural gas line. [xcelenergy.com/publicsafety/firstresponders](http://xcelenergy.com/publicsafety/firstresponders)

Through the fulfillment programs, educators and students, contractors and first responders also gain access to more safety information online at [xcelenergy.com](http://xcelenergy.com).

*Pipeline Safety Awareness Activities*

We collaborate with natural gas and hazardous liquid pipeline operators across the United States through pipeline industry organizations. As a member of the nonprofit Pipeline Association for Public Awareness, we participate in public awareness programs to provide pipeline safety information to more than 1.5 million excavators, contractors and emergency and public officials.

By participating in collaborative efforts, we provide safety information to those with work or professional responsibilities where we operate pipelines.

Through our 2008 membership in the Pipeline Association for Public Awareness, we were sustaining members of state pipeline associations in North Dakota and South Dakota. Our North and South Dakota Pipeline Associations held community meetings for emergency and public officials. Operators and officials worked together to learn important information about responding to pipeline emergencies.

Similarly in Minnesota, Xcel Energy is an active member of the Minnesota Pipeline CAER Association. CAER – Community Awareness for Emergency Response – works closely with the Minnesota Office of Pipeline Safety, and CAER shares emergency pipeline response information with the state's emergency officials. In 2008, several hundred emergency and public officials from across Minnesota attended 28 face-to-face presentations CAER provided.

In Colorado, we participated in several collaborative programs with other state pipeline operators. We met with emergency and public officials and excavators in many PSCo natural gas transmission and/or distribution-served communities.

In 2008, we mailed information to 180,585 residences and businesses located along our natural gas transmission pipeline right-of-ways in six states. Some of our pipelines are in or near communities in which Xcel Energy is not the electric or natural gas service provider. Because the occupants do not receive safety information through customer bills and advertising, we provided them with pipeline safety brochures.



*Visitors from Japan's Tottori Gas Co. traveled to Eau Claire, Wis., in 2008 to tour Xcel Energy's liquefied natural gas (LNG) facilities and discuss operations at the two companies.*

## PIPELINE ASSOCIATION • FOR PUBLIC AWARENESS •

### NUMBER OF MAILINGS

<i>Xcel Energy pipeline states</i>	<i>Excavator Program</i>	<i>Emergency Officials Program</i>	<i>Public Officials Program</i>
CO	24,649	774	2,289
MI	37,815	912	2,471
MN	20,454	697	1,946
ND	3,338	555	765
SD	3,439	482	738
TX	86,605	966	5,431
WI	24,658	1,117	3,201
WY	4,012	298	792
<b>TOTAL</b>	<b>204,970</b>	<b>5,801</b>	<b>17,633</b>

SECTION 3 :

OPERATIONAL RESPONSIBILITY

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*John Crotty, an Xcel Energy lineman in the Denver metro area, operates one of three hybrid electric bucket trucks within the Xcel Energy fleet that offer fuel economy and significantly reduce emissions.*



IN THIS SECTION

<i>System Reliability</i> . . . . .	37
<i>Operational Data</i> . . . . .	38
<i>Resource Planning</i> . . . . .	39
<i>Construction Update</i> . . . . .	40
<i>Transmission Update</i> . . . . .	43

## RELIABILITY PERFORMANCE

Xcel Energy's System Average Interruption Duration Index (SAIDI) was 82.2 minutes in 2008, 3.0 minutes better than our target, supporting our continued focus on service excellence and strong customer satisfaction ratings. SAIDI represents the average number of minutes an average customer is without power in a year. In 2007, SAIDI was 85.7.

Reliability performance for NSPM, PSCo and SPS operating companies was better than target. NSPW reliability performance was off target, due to higher-than-normal system interruptions from transmission, substation and tree-related outages.

Our 2008 reliability management programs focused on infrastructure replacement (e.g., cable, poles), continued emphasis on tree trimming and investments to improve specific feeder performance issues.

The Unplanned Outage Rate (UOR) for 2008 was 5.84, which was higher than our target of 5.35. Both the NSP and PSCo regions missed their targets, while SPS was 21 percent better than target.

## Operations Section At-A-Glance

Total MWh of owned and purchased generation:	117,477,209
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Percent of owned and purchased renewable energy in 2008:	13%
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Transmission and distribution lines:	276,348 conductor miles
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2008 SAIDI:	82.2
-------------	------

2008 UOR:	5.84
-----------	------

### NEW EFFORT BOOSTS RELIABILITY

New technology now being implemented gives employees real-time data on the status of equipment throughout the company's power grid. The Supervisory Control and Data Acquisition (SCADA) system ties computers in dispatch to distribution line equipment, giving operators valuable and up-to-date information that helps them to respond immediately to problems in the distribution system. Recently installed equipment can even remedy some failures automatically, eliminating the need to send repair crews to the site. And switch cabinets, overhead capacitors and switches, and fault indicators are now being tied into the SCADA system, giving operators much more information than they previously have had.

Statistically, roughly 85 percent of equipment faults are temporary. So with the real-time monitoring that SCADA provides, coupled with automatic line reconfiguration, the new technology can go a long way in improving the reliability of the distribution system.

In recent years, we've been working to integrate and upgrade the SCADA system company wide. That work is now nearly complete. One of the most obvious benefits of the newly implemented SCADA technology will be avoiding or addressing distribution feeder outages.

This recent SCADA system work also will allow for easy replication in other areas. Fortunately, it is inexpensive to expand this system, providing a cost-effective means of reducing the impact of outages and getting service restored as quickly as possible.

• ELECTRICITY TRANSMISSION AND DISTRIBUTION LINES •  
(measured in conductor miles)

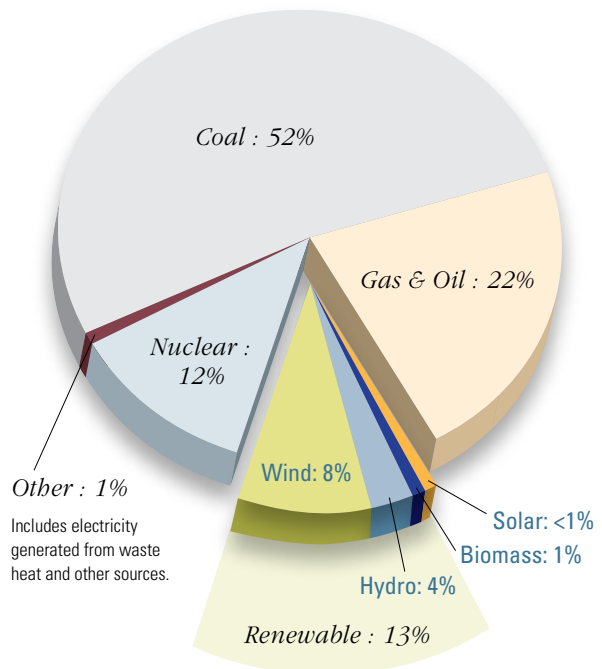
	Transmission Lines	Distribution Lines	Transmission And Distribution Lines By Voltage						
			500KV	345KV	230KV	161KV	138KV	115KV	<115KV
NSPM	24,541	75,625	2,917	5,852	1,801	405	—	6,743	82,448
NSPW	9,572	26,414	—	1,153	—	1,393	—	1,529	31,911
PSCo	18,680	71,242	—	958	11,420	—	92	4,870	72,582
SPS	31,832	18,442	—	6,800	9,421	—	—	10,966	23,087
TOTAL	84,625	191,723	2,917	14,763	22,642	1,798	92	24,108	210,028

• OWNED AND PURCHASED ENERGY •

TOTAL IN MWH

	Owned Generation	Purchased Generation	TOTAL
NSP*	33,735,384	14,886,349	48,621,733
PSCo	22,212,902	16,183,975	38,396,877
SPS	21,272,463	9,186,136	30,458,599
TOTAL	77,220,749	40,256,460	117,477,209

BY ENERGY SOURCE



BY OPERATING COMPANY

	NSP*	PSCo	SPS
COAL	48%	57%	53%
GAS & OIL	5%	32%	37%
NUCLEAR	28%		
RENEWABLE**	18%	11%	9%
OTHER	1%		1%

\* **The NSP System:** The electric production and transmission system of NSPM is managed as an integrated system with that of NSPW, jointly referred to as the NSP system. The electric production and transmission costs of the entire NSP system are shared by NSPM and NSPW.

\*\* This includes hydroelectric power.

• OWNED GENERATING FACILITIES •

	Coal	Natural Gas	Nuclear	Hydro	Oil	Refuse-Derived Fuel	Wind
NUMBER OF GENERATING FACILITIES	14	25	2	27	5	3	2
NUMBER OF GENERATING UNITS	30	72	3	81	10	6	104
GENERATING CAPACITY	7,505	6,533	1,668	511	16	68	126



In 2007, we filed resource plans in Colorado and Minnesota that, for the first time, result in reductions of carbon dioxide (CO<sub>2</sub>) emissions. The proposed plans sought to reduce CO<sub>2</sub> emissions companywide by about 15 percent by 2020 from 2005 levels, based on our forecasts.

Regulatory commissions in the major states we serve require Xcel Energy to submit resource plans at regularly established intervals. The plans typically assess the resources necessary to serve customers' future energy requirements. They also discuss our future energy-efficiency program goals and summarize our transmission planning process and other resources we may need to acquire based on our studies of future load growth. The regulatory review includes input from customers and other stakeholders.

During 2008, the Colorado plan was approved substantially as proposed, and the Minnesota plan is still under review. Under these plans, Xcel Energy would:

- Increase overall system wind capacity from approximately 2,800 megawatts (MW) at the end of 2008 to more than 7,000 MW by 2020;
- Add between 200 MW and 600 MW of concentrating solar thermal technology with storage;
- Increase the size of our customer energy-efficiency and conservation programs, resulting in a reduction of retail demand;
- Retire and replace several existing coal-fired electric generation facilities; and
- Upgrade the capacity of existing nuclear facilities.

We have designed these plans so that, depending on fuel, commodity and other assumptions, Xcel Energy would maintain a reasonably priced product and continue to provide reliable power to our customers. The proposed Minnesota plan uses wind power, nuclear plant upgrades, energy efficiency and additional natural gas-fired generation to reduce NSP's CO<sub>2</sub> emissions by about 22 percent below 2005 levels by 2020. The Colorado plan uses renewable energy, energy efficiency, plant retirement and reduction in sales to wholesale customers to reduce PSCo's CO<sub>2</sub> emissions by about 10 percent below 2005 levels around 2017 and position PSCo to propose additional reductions to achieve a 20 percent reduction by 2020 in accordance with the Colorado Climate Action Plan.

• **NATURAL GAS PIPELINES** •  
(measured in miles)

	Transmission	Distribution
NSPM	135	9,506
NSPW	—	2,189
PSCo	2,300	21,090
WGI	12	—



*This pipeline constructed in 2008 will transport natural gas to power new combustion turbines at Fort St. Vrain Generating Station in Platteville, Colo.*

*Comanche 3*

Construction on Xcel Energy's first new coal-fired electric generation unit in approximately 30 years is well under way and on schedule for its fall 2009 in-service date. Comanche Generating Station near Pueblo, Colo., is the site for our 750 MW generating unit. The new unit will use a highly efficient supercritical boiler and all units will have state-of-the art emission controls. We will more than double the plant's electricity output while improving overall air quality.

When Comanche 3 goes online in the fall, it is expected there will be an approximate 762,650-ton increase in our CO<sub>2</sub> emissions associated with our ownership share of the new unit for 2009. In subsequent years, we expect an annual CO<sub>2</sub> increase of approximately 3.4 million tons associated with our ownership share. Although CO<sub>2</sub> emissions at Comanche Station will increase, overall emissions from PSCo and Xcel Energy are projected to decrease. Our resource plan proposes aggressive clean energy and conservation initiatives designed to result in overall CO<sub>2</sub> emissions reductions.

A new transmission line also is on schedule to be in service in May 2009, as are emissions controls for Units 1 and 2. Peak employment for the project occurred during the summer of 2008 with 1,782 employees on site.

**COMANCHE SETTLEMENT**

In December 2004, the Colorado Public Utilities Commission (CPUC) approved an all-inclusive settlement regarding our least-cost resource plan, which was endorsed by numerous parties to the regulatory proceedings. Those parties included CPUC staff and the Office of Consumer Council. As part of that settlement, we entered into an environmental agreement with Western Resource Advocates, Sierra Club, Environmental Defense, Environment Colorado, Better Pueblo, Diocese of Pueblo, Southwestern Energy Efficiency Project, Colorado Renewable Energy Society, and Smart Growth Advocates.

Under the environmental agreement, Xcel Energy committed to:

- Significantly expand its energy conservation programs;
- Install additional emissions-reduction equipment on Comanche Station's existing two units;

- Accelerate a feasibility study of additional renewable power resources;
- Work with environmental organizations to examine cost-effective innovative technology programs and strategies to reduce greenhouse gas (GHG) emissions;
- Account for potential carbon reduction regulation and the value of renewable energy credits in resource planning; and
- Provide donations to the local Pueblo community to reduce diesel bus emissions, fund mercury reduction efforts at a local steel mill, and participate in Pueblo sustainable economic development discussions.

Since 2004, the environmental agreement has served as the starting point for many of our clean energy initiatives in Colorado.



*The new Hobbs Generating Station, near Hobbs, N.M., went online in September 2008, producing 600 megawatts of electricity for the company's Texas-New Mexico service territory.*

### *Hobbs Generating Station*

After more than 16 months of construction, the new Hobbs Plant, located west of Hobbs, N.M., is now operational and delivering more efficient energy to a booming regional electricity market.

Lea Power Partners developed and owns the plant. Xcel Energy is purchasing the output of the 600-MW plant through a long-term, purchased-power contract. The plant's efficient combined-cycle technology will bring multiple benefits to Texas and New Mexico customers, including fuel and cost savings and reductions in emissions and water usage.

### *Sherco*

We have proposed reducing mercury and other air emissions on Units 1 and 2 of our largest power plant, the Sherburne County Generating Station (Sherco) in Becker, Minn.

The proposal includes the following investments:

- Install mercury control systems on Units 1 and 2 by fall 2010, four years before required by the Minnesota Mercury Emissions Reduction Act. Activated carbon injection will reduce mercury emissions by approximately 40 percent.
- Investigate dry spray absorbers and fabric filters on Sherco Units 1 and 2, with tentative plans to possibly complete equipment installation in 2015 and 2016.

*As part of a previous commitment, we are installing controls on Sherco Unit 3 to reduce mercury emissions by up to 90 percent by the end of 2009. We also continue to evaluate possible efficiency improvements and capacity increases as a cost-effective way to meet our customers' future energy needs.*

*Our analysis shows that one of the most cost-effective options for meeting our customers' increasing demand for electricity is to extend the life and expand the capacity of our nuclear facilities.*

### *Nuclear Plant Relicensing and Upgrade Projects*

We have proposed expansion projects at both of our Minnesota nuclear facilities. In doing this, we can help reduce the use of some existing fossil-fueled resources and lower carbon emissions overall.

#### **PRAIRIE ISLAND**

In April 2008, Xcel Energy applied to the Nuclear Regulatory Commission (NRC) to renew the licenses for its Prairie Island Nuclear Generating Station Unit 1 and Unit 2 reactors. If approved, their respective operating licenses would be extended to 2033 and 2034. The review process is expected to take about 30 months.

In a follow-up filing, we applied with Minnesota regulators for two Certificates of Need for the project. The first request is to allow up to 35 additional dry casks to store spent fuel to support the continued operation of the plant until 2033/2034. The second request seeks to increase the generating capacity of each unit by 82 MW. The state review process may take up to a year.

#### **MONTICELLO**

The Minnesota Public Utilities Commission unanimously approved Xcel Energy's proposed 71-MW generation capacity expansion of its Monticello Nuclear Generating Station in December 2008. The project was first identified in the company's 2004 Minnesota Resource Plan.

*We plan to expand the capacity of our nuclear plants by 235 MW.*

Work on the upgrade project is estimated to cost between \$105 million and \$135 million and will begin during the 2009 refueling outage. After the NRC acts on the proposal, which is expected to occur by late 2009 or early 2010, the plant's production will increase by 15 MW. Additional work will be completed during a 2011 refueling outage, after which production will go up an additional 56 MW.

### *Dells Hydro*

Xcel Energy reached a milestone in 2008 in the rehabilitation of this Chippewa River hydro generating station in Eau Claire, Wis., with the startup of Units 1, 2 and 3. The units now operate at increased output of 2.8 MW combined. Units 4 and 5 are scheduled for completion in 2009.

### *Fort St. Vrain*

In April 2008, we began construction and installation of two new combustion turbines and a new 12-inch natural gas pipeline located at the Fort St. Vrain Generating Station in Platteville, Colo. The new turbines, which are now in-service, can provide nearly 300 MW of new capacity that is critical for meeting our customers' summer peak demands in 2009.

The plant previously operated three combustion turbines with heat recovery steam generators. The project brings Fort St. Vrain's total summer capacity to 1,020 MW, making it our largest gas-fired generating station in Colorado.

Xcel Energy operates 17,335 miles of transmission lines throughout our eight-state service territory, with major control centers in Minneapolis, Minn., Golden, Colo., and Amarillo, Texas. We have one of the largest investor-owned transmission systems in the nation, and we operate our transmission system on a non-discriminatory basis under the open access requirements of the federal government. This means that all wholesale buyers and sellers of electricity can use our transmission system under the same terms and conditions used to serve Xcel Energy's own retail customers.

### *CapX 2020*

Xcel Energy is a partner in CapX 2020, a joint initiative of 11 transmission-owning utilities in Minnesota and surrounding states. Its purpose is to expand the electric transmission grid to ensure customers continue to receive reliable, low-cost electricity. It also will increase access to renewable energy sources. The first group of CapX 2020 proposed projects comprises three 345-kilovolt (kV) transmission lines, one 230-kV line and associated substations. The proposed lines represent one of the largest single transmission initiatives in the region in decades, spanning nearly 700 miles.

In 2008, CapX 2020 partners continued significant regulatory, legislative, community, communications, engineering and siting work on the \$1.5 billion package of projects. Evidentiary hearings were completed on the three 345-kV lines and an application was made for the 230-kV line.

*Upgrading or adding to our transmission system is a huge undertaking that starts years before we make the final connection. Our goals for transmission investments are to improve reliability, enable load growth and accommodate more renewable energy.*

*Two natural gas combustion turbines arrive at Fort St. Vrain Generating Station in Platteville, Colo. The turbines will increase the plant's capacity by nearly 300 MW and provide critical power to meet summer peak demand.*







*Two generating stations in Texas served as the sites for mercury-control testing that recently won an industry award. One of the power plants was Harrington in Amarillo and the other was Holt, pictured here, located near Muleshoe, Texas.*

### *High Plains Express*

Xcel Energy led feasibility studies for the High Plains Express (HPX) transmission project, a proactive plan to expand and reinforce the transmission grid in Colorado, Wyoming, New Mexico and Arizona. The studies confirmed that HPX could enable states to meet renewable energy standards, provide access to diverse and economical energy sources, increase power import and export capabilities, and improve transmission system reliability. The project is estimated to cost \$5 billion, with an in-service date of 2020, if approved.

Separate from HPX, we are working with Tri-State Generation and Transmission Association on a proposal for a 230-kV line in Southern Colorado's San Luis Valley. This line will increase the existing system reliability and capacity, and support proposed renewable development in the area.

### *SPS Transmission*

In February 2009, the Southwest Power Pool, Inc. (SPP), of which SPS is a member, approved its 2008 SPP Transmission Expansion Plan (STEP), including recommendations for improving the electric grid of an eight-state region. The 2008 STEP evaluates what changes are needed to keep the power system reliable and efficient over a 10-year horizon. It identifies approximately \$2.7 billion in transmission upgrades, including 1,753 miles of new line construction and 80 new or upgraded transformers.

The SPP board directed that financial commitments be made within four years for construction of \$285 million in reliability projects and enhancements, a third of which are new transmission lines. In 2008, SPP's members completed 98 transmission projects totaling approximately \$325 million. Since 2006, 239 upgrades totaling approximately \$570 million have been completed.

## HURRICANE IKE RESTORATION EFFORTS

In September 2008, 123 Xcel Energy personnel, along with 269 contractors, traveled to Arkansas, Louisiana and Texas to help restore power to millions of customers left without electricity by Hurricane Ike and its subsequent tropical-storm-force winds. Hurricane Ike was a Category 2 storm that came ashore Sept. 12, 2008, in southeastern Texas and southwestern Louisiana. The extensive damage, number of customers without power, number of utilities affected and extreme working conditions combined to make this one of the most challenging restoration efforts in recent history. Xcel Energy's deployment was the fastest, most efficient and safest it has ever undertaken. Employees logged 23,500 hours of restoration effort without an injury.

In the wake of Hurricane Ike, more than 3.3 million people were left without power. In addition to the destruction of utility infrastructure caused by the winds, the 15-foot-high storm surge and heavy rainfall accompanying Ike made communities inaccessible, damaged or destroyed municipal infrastructure, and left behind contaminated floodwaters.

Given the number of utilities that experienced damage, orderly restoration across multiple utility service territories called for an organized and coordinated effort to ensure that each affected utility received assistance from outside entities. As a participant in the Midwest Mutual Assistance Group planning forum, Xcel Energy understood the level of response, the type of assistance needed and the locations where the need was greatest. For Xcel Energy, that meant that crews from Wisconsin, Minnesota, Colorado and Texas, en route to the areas hardest hit, could assist utilities that experienced damage along the way.

The storm resulted in widespread damage to all infrastructure, not just utility infrastructure, which made electricity restoration challenging. To make necessary repairs to the damaged utility infrastructure, crews had to move aside debris, remove fallen and leaning trees, clear vegetation and ensure solid ground from which to work.

Crews worked multiple 16-hour days back-to-back in difficult conditions of intense heat and humidity, which made it critical to pay special attention to dehydration and heat-related illnesses. They dealt with insect infestations and contaminated floodwaters that presented an additional, different set of concerns.

Because outages were prolonged, many consumers – eager to have electricity – bought and used generators. This created a hazardous work environment for the crews, due to the potential for back feed from the customer-owned generators. The crews made safety a top priority, paying special attention to ensure that all electrical lines and devices were dead and properly grounded.

*We were pleased to receive the Edison Electric Institute's "Emergency Assistance Award" for our "outstanding efforts to assist fellow utilities in restoring electricity" following Hurricane Ike.*

SECTION 4 :

ENVIRONMENTAL RESPONSIBILITY

*Doug Ryan, an Xcel Energy account manager, worked with the City of Denver and our Solar\*Rewards program to help make this 2-MW solar energy system at Denver International Airport possible. The system can generate about 3 million KWh of electricity per year, about half the energy required annually to operate the airport's passenger train system.*



IN THIS SECTION

<i>Our Clean Energy Future . . . . .</i>	<i>47</i>
<i>Climate Policy &amp; Carbon Reductions . . . . .</i>	<i>48</i>
<i>Advanced Technology. . . . .</i>	<i>52</i>
<i>Energy Efficiency. . . . .</i>	<i>61</i>
<i>Business Innovation. . . . .</i>	<i>65</i>
<i>Environmental Management &amp; Oversight . . . . .</i>	<i>69</i>
<i>Emissions, Effluents &amp; Waste . . . . .</i>	<i>73</i>

Today environmental leadership is at the core of our business. The challenges of climate change, environmental policies, the economy, and customer and policymaker expectations require us to take the lead in seeking solutions for our industry. In the years ahead, we will continue to provide our customers with the valuable service they have come to expect – reasonably priced, reliable energy. But increasingly, we will use new strategies and technologies to provide this service with minimal environmental impact.

We are focused on building a clean energy future for our customers and the local communities we serve, even in difficult economic times. Through our environmental leadership, we are implementing business strategies that grow our position as one of the country's leading utilities for clean energy. We are investing in advanced technology, engaging our customers in energy efficiency and innovating our business.

Our efforts include:

- Reducing carbon dioxide (CO<sub>2</sub>) emissions by 15 percent from 2005 levels by 2020,
- Increasing our use of renewable energy to 25 percent of our energy mix by 2020,
- Helping our customers save about twice as much energy as they are saving today by 2020,
- Using information technology to advance the smart grid and improve the efficiency and environmental benefits of our energy service,
- Retiring two older coal plants in Colorado, and
- Repowering two coal plants with cleaner natural gas in Minnesota.



## Environmental Section At-A-Glance

MW of renewable energy on our system in 2008:	3,643
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MW of wind energy on our system in 2008:	2,936
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Number of Windsource customers in 2008:	71,717
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2008 Solar*Rewards installations:	1,400 totaling about 18 MW
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2008 Solar*Rewards payments:	\$33 million
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2008 Renewable Energy Trust grants:	\$57,000
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Renewable Development Fund awards:	22 projects;
	\$14 million research and development;
	\$8 million energy production

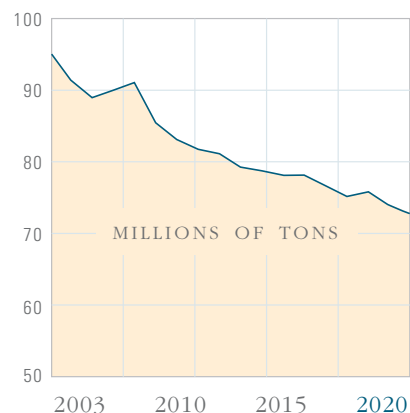
Cumulative CO <sub>2</sub> emissions reduced since 2003 in 2008:	26 million tons
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2008 energy reduction at Xcel Energy facilities:	2 million kilowatt-hours
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2008 spending on energy efficiency and load management:	\$94 million
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2008 energy savings through efficiency and load management:	184,281 kW; 577,352 MWh
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## PROPOSED XCEL ENERGY • CO<sub>2</sub> REDUCTIONS •



*Reflects owned and purchased generation, and also includes wholesale sales.*

*We continue to implement an aggressive clean energy and conservation plan designed to result in overall CO<sub>2</sub> emission reductions.*

## CLIMATE POLICY & CARBON REDUCTIONS

### *Our Carbon Reduction Efforts*

As part of a carbon-intensive industry, Xcel Energy, through its environmental leadership strategy, is focused on reducing greenhouse gases (GHGs). We were one of the first utilities in the nation with a plan to reduce CO<sub>2</sub> emissions, and since 2003, we have reduced these emissions by a cumulative 26 million tons. In 2007, we introduced groundbreaking resource plans that will help us achieve a 15 percent reduction in CO<sub>2</sub> emissions by 2020 from 2005 levels. This past year, we continued to pursue these plans with our regulatory commissions, attaining approval for our Colorado plan and managing the review and approval process in Minnesota.

To evaluate the impact of potential GHG regulation on our future resource acquisition plans, we use a carbon proxy cost mandated by the state commissions in Colorado, Minnesota and New Mexico.

Xcel Energy's current electricity-generating portfolio, which includes coal- and gas-fired plants, is projected to have emitted approximately 67 million tons of CO<sub>2</sub> in 2008. Purchased generation is estimated to have emitted approximately 20 million tons of CO<sub>2</sub> in 2008. We adopted a new methodology this year for calculating CO<sub>2</sub> emissions based on the recently issued reporting protocols of the Climate Registry, of which Xcel Energy is a founding reporter. Although historic emissions from facilities providing power for our customers have not changed, the new accounting methodology has changed our reported CO<sub>2</sub> intensity and mass numbers. To facilitate trends and comparative analysis, Xcel Energy has recalculated historical data to reflect the same reporting methodology. CO<sub>2</sub> reporting is a relatively new practice. Since mandatory state and federal climate policies are still being established, we expect reporting protocols to continue to evolve and may adjust our reported CO<sub>2</sub> emissions accordingly.

### *Climate Change Regulatory Developments*

Climate change continues to be a major issue on state, national and global agendas, with environmental regulations under consideration to encourage the use of clean energy technologies and reduce emissions of GHGs. Xcel Energy's electric generating facilities are likely to be regulated at the state or federal level within the next few years. Recent developments include:

- Last year, the U.S. Senate Environment and Public Works Committee reported the first major climate bill out of a Senate committee. The Lieberman-Warner Climate Security Act failed to pass the Senate.
- The new Obama Administration has made energy one of its top three priorities, and signaled its support for a broad-based GHG cap and trade program that requires industry to purchase allowances from the federal government at auction.





*The Alamosa Solar Photovoltaic Plant is unique in that it uses three distinct types of solar technology. In the future, facilities such as this one will play a more significant role on the Xcel Energy system as we grow our use of solar energy from 30 MW today to about 800 MW in 2020.*

- In April 2009, U.S. Reps. Waxman and Markey introduced a major new energy and climate bill, the American Clean Energy and Security Act of 2009. The draft includes GHG cap-and-trade, an aggressive national renewable energy standard, a utility energy-efficiency resource standard, and provisions related to carbon offsets, transmission, smart grid, and carbon capture and storage.
- Under the new Administration, the EPA issued a proposed finding that CO<sub>2</sub> endangers public health and welfare, and issued draft rules for mandatory GHG reporting.
- States continue to pursue climate policies, with the Regional Greenhouse Gas Initiative in the Northeast beginning operation. In Xcel Energy's service territory, the states of Minnesota, Wisconsin, Michigan and New Mexico are active participants in the development of regional trading programs. The Midwestern Greenhouse Gas Reduction Accord (MGGRA) advisory group developed draft recommendations for its nine member states. The Western Climate Initiative (WCI) finalized its regional cap-and-trade design, and New Mexico and other WCI states began debating implementing legislation.
- On the international front, United Nations negotiators met in Poland and are preparing for a major meeting in Copenhagen in December 2009 to negotiate a successor agreement to the Kyoto Protocol. The European Union has approved emission reduction targets more stringent than most U.S. proposals. U.S. negotiators are actively participating in these discussions and pushing for passage of at least a general U.S. climate framework prior to Copenhagen.

## *Carbon Offset Strategy*

*Carbon offsets are a means to achieve carbon dioxide reductions with projects that occur outside of the electric generation system. Carbon offsets are one option for meeting climate policy carbon dioxide reductions, and we have begun to examine how carbon offsets can help us meet emissions reduction targets in each of our jurisdictions.*

## *Our Position on Climate Policy*

The current policy being proposed at a federal level to address climate change is a cap and trade policy. Cap and trade is a means of regulating CO<sub>2</sub> and other GHG emissions by setting a national cap on the tons emitted. Each year utilities and other industries would be required to surrender enough “allowances” (each of which gives the utility the right to emit one ton of CO<sub>2</sub>) sufficient to cover all of their emissions during the year. Utilities that emit less than their allowance holdings can sell excess allowances to other utilities, and utilities that emit more CO<sub>2</sub> than their holdings can buy allowances from other utilities and entities. Over time, the policy reduces the overall cap to achieve the emissions targets.

We are in favor of a federal climate policy, and we support a properly designed cap and trade program. But with any form of climate policy, we think it is very important to get the rules right to minimize customer cost and risk. Below is an overview of the policy principles we support. Climate policy should be cost effective and designed to achieve the lowest-cost emissions reductions by:

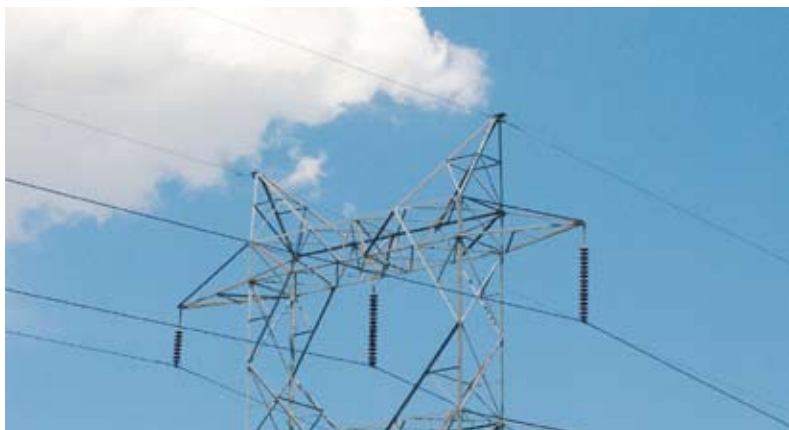
- Being designed to minimize customer costs and maximize benefits to the environment;
- Recognizing and rewarding utilities for the early reduction efforts taken on behalf of their customers, especially those efforts involving renewable energy, energy efficiency and generator emissions reduction projects;
- Encouraging development and deployment of clean-energy technologies;
- Having flexibility and reasonable cost-containment mechanisms;
- Making sure the price customers and utilities pay to comply with a climate program reduces emissions and improves the environment; climate policy should not become the equivalent of an additional tax on energy production and consumption.

We have engaged with policymakers, energy providers, the environmental community and others to discuss these principles. Mandatory climate policy could transform our business, but this technology transformation will not be free. We anticipate rising costs as we continue to provide reliable service while steadily reducing CO<sub>2</sub> emissions.

## *Our Environmental Disclosure Record*

Xcel Energy strives to provide the public with detailed information regarding environmental performance and risk. This report is an important part of our environmental disclosure program.

Xcel Energy voluntarily reports GHG emissions to the U.S. Department of Energy under Section 1605(b) of the Energy Policy Act of 1992. We also provide detailed information to environmental research organizations, such as Trucost, the Carbon Disclosure Project and the Climate Registry.



#### THE CLIMATE REGISTRY

We are a founding reporter of the Climate Registry, a nonprofit organization established to provide consistent and transparent standards to calculate, verify and report GHG emissions into a single registry. 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. More information is available at [theclimateresistry.org](http://theclimateresistry.org).

#### 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 institutional investors 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 three years. In 2008, we were named for the first time to the Project's Carbon Disclosure Leadership Index for carbon-intensive industries in the S&P 500. To learn more, please visit [cdproject.net](http://cdproject.net).

#### NEW YORK ATTORNEY GENERAL SETTLEMENT

In August of 2008, we reached a settlement with the Office of the New York Attorney General (NYAG) over carbon disclosure. Previously the NYAG's office issued a subpoena seeking information and documents related to our analysis of risks posed by climate change and possible climate legislation and our disclosures of such risks to investors. Through the settlement, we agreed to voluntarily expand and continue to provide a discussion of climate change and possible related risks in our 10-K filings with the SEC. We believe this settlement was possible because of the extent of our voluntary disclosure over the past several years through this report and other financial reports.

*A discussion of the potential business risks Xcel Energy faces – relating to climate change, as well as other factors – is available in our 2008 10-K.*

*Investment in new, advanced technology is key to our clean energy future. Technological breakthroughs are essential to achieve the significant emission improvements our stakeholders demand.*

## RENEWABLE ENERGY

Renewable, non-emitting sources of energy are a growing part of our energy mix. These sources can provide cost-effective energy to our customers and help hedge against more volatile fuel prices. Our renewable energy portfolio includes wind, hydro power, solar and biomass that come from our own generating facilities and from purchase power agreements.

### • 2008 RENEWABLE ENERGY PORTFOLIO (IN MW) •

	Wind	Hydro	Solar	Biomass/ RDF/Landfill	Geothermal	Total
NSP	1214	277	—	308	—	1799
PSCo	1084	88	30	4	—	1206
SPS	638	—	—	—	—	638
2008 TOTAL	2936	365	30	312	—	3643
PROJECTED BY 2020	7400	400	800	330	20	8950

In Colorado, we issued an all-source solicitation that includes four requests for proposals (RFPs) seeking to acquire approximately 1,200 megawatts (MW) of electric generation supply for our customers between now and 2015. The RFPs are part of the most recent 2007 Colorado Resource Plan (CRP) approved by state regulators in 2008. We seek to add up to 700 MW of additional wind and solar generation through the RFPs. In addition, we will acquire 200 and possibly up to 600 MW from solar thermal generation with storage capability or natural gas backup.

We expect to complete the resource evaluation process by fall of 2009. An independent evaluator selected by the CPUC will perform a parallel evaluation of proposals.

We also issued a request for proposal in January 2009 as a part of our Community-Based Energy Development (C-BED) wind program in Minnesota. We solicited proposals for C-BED projects to be in commercial operation by year-end 2010.

## WIND POWER

For four consecutive years, the American Wind Energy Association (AWEA) has named Xcel Energy the nation's No. 1 wind power provider. In 2008, we had 2,936 MW of wind energy on our system, and we have plans to grow this to more than 7,000 MW by 2020. Today, wind energy is 8 percent of our energy mix and by 2020 it will be about 20 percent of our energy. Most of the wind energy on our system is purchased through other providers, but last year, we made strides to increase wind ownership, completing our 100-MW Grand Meadow wind farm near Dexter, Minn. We also announced plans to develop and own an additional

351 MW of wind energy in Minnesota and North Dakota by 2011. We have invested in wind's future through development projects that address wind's intermittency and improve forecasting, and we have paved the way for other utilities to embrace wind as part of their energy mix.

### *Grand Meadow Wind Farm*

Today, we acquire most of the wind energy on our system from wind developers through power purchase agreements. When the Grand Meadow Wind Farm in southeastern Minnesota became fully operational in December 2008, Xcel Energy achieved a milestone in our effort to own more wind power.

The 100-MW wind farm is the first Xcel Energy owns in Minnesota. EnXco, an EDF Energies Nouvelles Company, built the Grand Meadow Wind Farm under contract with Xcel Energy and transferred ownership of the 67 turbines to us in late December.

### *Windsource®*

For more than a decade, Xcel Energy has played a pivotal role in the commercialization and advancement of wind energy. Through our Windsource program, launched in 1998, we were an early adopter of wind energy. Windsource has grown to be the largest voluntary green-energy program in the United States in terms of customer participation, according to the U.S. Department of Energy's National Renewable Energy Laboratory (NREL). Windsource has held this spot for six consecutive years.

### *Wind-to-Battery Project*

In November 2008, we began testing cutting-edge technology to store wind energy in batteries. We are testing a 1-MW battery-storage technology using a sodium-sulfur battery to demonstrate its ability to store wind energy and move it to the electricity grid when needed. This is the first test of this technology for wind energy storage in the United States. The battery can store about 7.2 MWh of electricity, and when fully charged, the battery can power 500 homes for a period of seven hours. Our partners in the project include the University of Minnesota, NREL, the Great Plains Institute, GridPoint and Minwind Energy LLC.



*Each of the 67 turbines at our Grand Meadow Wind Farm is 1.5 MW and can produce enough power for 375 homes annually.*

### • 2008 WINDSOURCE RESULTS •

	<i>Customers</i>	<i>MWh</i>
COLORADO	45,929	225,538
MINNESOTA	24,545	128,219
NEW MEXICO	1,243	8,283
TOTAL	71,717	362,040



### *Wind-to-Hydrogen Project*

Xcel Energy and NREL also are working on a unique project that uses electricity from wind turbines to produce and store pure hydrogen. The project's goal is to overcome the intermittent aspect of wind energy by enabling energy storage for later use when the wind isn't blowing or the demand for electricity is high. The hydrogen can be stored and used later to generate electricity from either an internal combustion engine turning a generator or from a fuel cell.

### *Wind Studies*

Finally, Xcel Energy is helping fund a number of studies through major state universities in Colorado and Minnesota and through other organizations to further address intermittency and dispatch concerns associated with wind energy. We are working with the National Center for Atmospheric Research (NCAR), NREL and the Department of Energy to provide highly detailed, localized weather forecasts to better integrate wind power into the power grid. The forecasts will help operators make critical decisions about powering down traditional coal- and natural gas-fired power plants when sufficient winds are predicted, enabling the increased use of alternative energy. Findings through this effort and others will be available to the utility industry, helping to cultivate the use of wind energy on a larger scale.

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*Frank Novachek, Xcel Energy director of business planning, manages our wind-to-battery project that tests the 1-MW battery's ability to store wind energy and move it to the power grid when needed.*





*Sheila Knudtsen, an employee in Xcel Energy's Corporate Communications Department, also is an Xcel Energy customer who participated in our Solar\*Rewards program and installed a 6-KW solar system on her Denver, Colo., home.*

## SOLAR POWER

In 2008, the Solar Electric Power Association (SEPA) ranked Xcel Energy fifth in the nation in total solar electric capacity. Our solar efforts cover many areas, and our plans are to grow solar energy on our system from 30 MW in 2008 to 800 MW in 2020.

### *Solar\*Rewards*

Through our Solar\*Rewards program, we helped install nearly 18 MW in on-site solar energy in 2008, providing more than \$33 million in incentives for the more than 1,400 individual solar systems for homes and businesses. Since it was introduced in 2006, Solar\*Rewards has provided almost \$57 million in incentives to more than 2,500 systems with a total capacity of over 26 MW. Our goal for 2009 is to grow our Solar\*Rewards program to 35 MW. This past year, we fulfilled a number of requests for information and presentations on the program from other utility companies that view Solar\*Rewards as an industry model.

*Since it was introduced in 2006, Solar\*Rewards has provided almost \$57 million in incentives to more than 2,500 systems with a total capacity of over 26 MW.*

## SOLAR\*REWARDS PAYMENTS

As part of the 2008 Emergency Economic Stabilization Act, federal tax law increased the amount of tax credits available to individuals installing residential PV solar systems.

In response to the increased individual income tax credit, Xcel Energy reduced incentive payments for residential PV solar systems. The funds available for solar incentives are limited by statute, and this reduction allows us to subsidize more PV solar system installations with the same amount of incentive money. Xcel Energy makes no profit on any aspect of the Solar\*Rewards program.

Even with Xcel Energy's reduction in incentive payments, residential PV solar system owners are actually reimbursed more for installing their system – up to 61 percent from the previous 55 percent – because they can receive federal tax credits for up to 30 percent of the system's cost (previously they could claim up to \$2,000).

In 2008, several larger photovoltaic solar systems were brought on line. These systems produce electricity for their facilities and also serve as public demonstrations for the potential of solar electric power since they are located in very visible or public locations.

- Two of the largest systems were installed on Denver International Airport property near airport terminals (2 MW) and the Denver Federal Center (1 MW).
- A 1.7 MW system was installed on the roofs of three separate parking garages at the Belmar shopping district in Lakewood, Colo.
- Roof space also was used to site a 300-kilowatt (kW) system on the Colorado Convention Center and a 100-kW system on the Denver Museum of Nature and Science.
- The City of Rifle on Colorado's Western Slope has installed 2.3 MW of solar energy – a 600-kW system at the town pumping station and a 1.7-MW system on the town's new Energy Innovations Center.

In 2009, we plan to launch Solar\*Rewards in New Mexico, with a goal to install 550 kW in our service territory.

### *Large-Scale Solar*

We purchase 8.2 MW of solar power from a central solar generating station located near Alamosa, Colo. We also are finalizing a contract with SunPower Corp. to purchase about 17 MW of power from a new solar facility in the same area.

### *SolarTAC*

Our vision for the Solar Technology Acceleration Center (SolarTAC) is becoming a reality in Aurora, Colo. A collaboration between private and public sponsors, SolarTAC will be a world-class facility for demonstrating and testing new solar-energy technologies. The initial 74-acre SolarTAC site is now under construction and will be developed over the next three years. Xcel Energy, along with Abengoa Solar and SunEdison, has signed on as a founding member company, and more than \$7 million has already been committed to provide the infrastructure and facilities needed to support solar equipment testing and related research activities.

As a proving ground for technologies at the early commercial or near-commercial stage of development, SolarTAC will play a significant role in helping to advance the solar industry. The business concept allows members to sponsor a wide range of projects, from those that are completely proprietary to those that are shared between members or made available to the public. SolarTAC also will be open to projects sponsored by the U.S. Department of Energy and by national labs like the National Renewable Energy Laboratory located in Golden, Colo.

### *High Bridge Solar Array*

We have installed a 10-kW solar photovoltaic system at our natural gas-fired High Bridge Generating Station in St. Paul, Minn. The photovoltaic arrays can produce enough energy to power three energy-efficient homes annually. The system was put into operation before the Republican National Convention in St. Paul so some of the electricity used at the convention was offset by solar power.

## BIOMASS

### *Bay Front*

In February 2008, we filed an application to install biomass gasification technology at our Bay Front Generating Station in Ashland, Wis. When complete, the project will convert the plant's only remaining coal-fired unit to biomass gasification technology, making it the largest biomass plant in the Midwest. Currently, two of the three operating units at Bay Front use biomass as their primary fuel to generate electricity. Total generation output of the plant is not expected to change significantly as a result of the project.

When complete, the project will reduce emissions of nitrogen oxide (NO<sub>x</sub>) by more than 60 percent, sulfur dioxide (SO<sub>2</sub>) by more than 80 percent and particulate matter (PM) by more than 80 percent. In addition, displacing coal with biomass also will reduce net CO<sub>2</sub> emissions, contributing to the company and state of Wisconsin's carbon management goals.

Following all state regulatory approvals, engineering and design work is expected to begin in 2010, and the unit could be operational by late 2012.

### *Microgy*

In early 2009, we entered into a long-term renewable natural gas (RNG®) or biogas supply agreement with Microgy, Inc. We will use the biogas to generate carbon-neutral electricity at our Fort St. Vrain Generating Station near Platteville, Colo. The agreement will help us continue to meet our mandates under the state's Renewable Energy Standard (RES) and support our efforts to reduce CO<sub>2</sub> emissions.

Microgy plans to begin construction on its first Colorado RNG® facility located at a dairy farm during the first half of 2010. The initial project is expected to produce enough biogas per year to generate 125,000 MWh of electricity, or the equivalent use of 17,000 homes in Colorado on an annual basis.



*We plan to convert the last remaining coal-fired unit at our Bay Front Plant in Ashland, Wis., to biomass, making it the largest biomass plant in the Midwest.*

### Other Waste-to-Energy Projects

#### LANDFILL GAS TO ENERGY PLANT

We purchase power from the 3.2-MW Denver Arapahoe Disposal site and Lowry Landfill gas to energy plant, which is a public-private partnership between Xcel Energy, the City and County of Denver and Waste Management. It is the only plant of its kind in Colorado and can expand as more landfill methane gas becomes available.

#### FIBROMINN

Xcel Energy purchases electricity produced at the nation's first poultry-fired power plant, located in Benson, Minn. The plant uses a combination of turkey droppings, wood chips, seed hulls, shed feathers and spilled feed to power the 55 MW biomass plant that began operating in mid-2007.

#### KODA ENERGY

In early 2009, we began purchasing energy from Koda Energy, a biomass facility in Shakopee, Minn. The Koda plant is located at Rahr Malting, a barley malting facility. Waste from malting and food processing will primarily be used to generate electricity. Waste heat from the biomass boiler also is used to reduce natural gas consumption at the malting facility.

### RDF Accomplishments to Date:

More than \$77 million awarded in RDF grants

RDF grants have leveraged an additional \$82 million in renewable energy spending; each RDF \$1 awarded raised an additional \$1.43 from other sources

More than 2.9 million kilowatt hours generated from RDF renewable energy production projects

37 RDF research articles or papers published or presented in scientific journals or at conferences, including seven outside the U.S.

#### • 2008 RET GRANTS •

(for solar electric system installation)

Boulder Housing Coalition:	\$2,000
Amigos de la Academia Sandoval:	\$20,000
Clinica Family Health Services:	\$20,000
Sanchez Elementary School:	\$15,000

### RENEWABLE DEVELOPMENT FUND

In 2008, Xcel Energy's Renewable Development Fund (RDF) completed project selection for a third funding cycle. The RDF advisory board, which includes representatives from environmental groups, Xcel Energy customers and the Prairie Island Indian Community, selected 22 projects, which were approved by the Minnesota Public Utilities Commission. The awards include 17 research and development projects that total more than \$14 million and five energy production projects that total more than \$8 million.

The RDF was created in 1999 to promote the start-up, expansion and attraction of renewable energy projects and companies within our service territory, as well as to stimulate renewable energy research and development. Funding comes from Xcel Energy's Minnesota electricity customers. To date, more than \$77 million has been awarded for grants through the RDF's three separate funding cycles. A complete list of active and completed projects is available online.

### RENEWABLE ENERGY TRUST

The Renewable Energy Trust (RET) 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. 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 3,100 customers donating on a monthly basis.

## CHAIRMAN'S FUND PROJECTS & UNIVERSITY COLLABORATIONS

Xcel Energy's Chairman's Fund supports innovative community projects that advance, demonstrate or promote new or developing clean energy technology. The Chairman approves all contributions, made possible through shareholder funds. In 2008, we funded or continued supporting the following programs:

<i>University of Colorado-Boulder Energy Initiative</i>	Provides grants for clean energy research at CU-Boulder and projects focused on accelerating the commercialization of energy technologies discovered at CU-Boulder. Dick Kelly is Co-Chair of the Energy Initiative Leadership Council.
<i>City of Boulder Commercial Vehicle-to-Grid Test</i>	Funds the nation's first test of plug-in hybrid electric vehicles with vehicle-to-grid technologies in Boulder, Colo., as part of the SmartGridCity™ pilot.
<i>University of Colorado Chancellor's Smart House</i>	Transforms the Chancellor's Residence at CU-Boulder into a fully integrated smart house, providing a visible demonstration of smart home technology as part of the SmartGridCity™ pilot.
<i>University of Minnesota Algae-to-Biofuels Project</i>	Determines the feasibility of growing algae in wastewater treatment plant effluent with subsequent conversion into biodiesel and other energy products.
<i>Northland College in Ashland, Wis., Energy Efficiency Upgrade</i>	Provides for energy efficiency upgrades at Northland College's Sigurd Olson Environmental Institute building, which was an early model for green design when it was built in 1981.
<i>Metro State University, Minn., Campus Wind Turbine</i>	Installs a wind turbine on the University campus, meeting a portion of the school's energy needs and serving as a test and demonstration of wind energy in an urban area.
<i>Colorado Rockies Baseball Solar Partnership</i>	Promotes solar energy and educates baseball fans during home games. Photovoltaic panels help power the scoreboard at Coors Field.
<i>Democratic National Convention, Denver, Colo., Green Power</i>	Provides Windsource® green energy for the major convention venue, funds part of the 10-kW PV system displayed prominently at Pepsi Center and supports events showcasing renewable energy technology in general.
<i>Republican National Convention, St. Paul, Minn., Green Power</i>	Provides Windsource® green energy for the major convention venue and supports events showcasing renewable energy technology.

## NATIONAL RENEWABLE ENERGY LAB (NREL)

For many years, we have partnered with the National Renewable Energy Lab (NREL) to research, demonstrate and deploy various clean energy technologies. As the nation seeks to produce more clean energy, a strong collaboration between utilities and research facilities is an important key to success.

To date, we have collaborated with NREL on a number of significant projects outlined in this section of the report, including:

- Wind energy-to-hydrogen storage,
- Wind energy-to-battery storage,
- Smart grid,
- Solar resource and technology assessment,
- Plug-in hybrid electric vehicles, and
- Wind forecasting and integration studies.

"Through our partnerships with progressive companies like Xcel Energy, we are accelerating deployment of advanced technologies from the laboratory into the marketplace," said Dan Arvizu, NREL Director. "Building on those initial partnerships, we look forward to engaging with Xcel Energy and other utilities to increase the nation's use of renewable electricity."

## CARBON CAPTURE PILOT PROJECTS

Coal is an abundant fuel that we believe will continue to play a role in our energy mix for years to come. We are interested in technologies with the potential to capture or reduce CO<sub>2</sub> emissions. To date, we are participating in three industry pilot projects supported through the Electric Power Research Institute. In addition to funding, we have offered to test a couple of these projects at Xcel Energy power plants in the future:

- A chilled ammonia carbon capture pilot hosted at the We Energies Pleasant Prairie Generating Station in Wisconsin and conducted by Alstom, an international equipment and service provider for utilities.
- A pilot with ADA Environmental Solutions to test the use of solid sorbents to capture CO<sub>2</sub>.
- A project with the University of Wyoming to test regenerative capture using low-pressure sorption on solid carbonaceous materials.

## EMISSION CONTROL PROJECTS

In 2007 and 2008, we implemented a significant number of new emission control projects at several of our generating facilities. Below is a summary of these efforts.

### • NEW EMISSIONS CONTROL PROJECTS •

Plant	Unit	Control	Emission	Percent improvement
<b>PSCo</b>				
Comanche	1	Low- NO <sub>x</sub> Burners	NO <sub>x</sub>	60
		Lime Spray Dryer	SO <sub>2</sub>	80
	2	Low- NO <sub>x</sub> Burners	NO <sub>x</sub>	40
		Lime Spray Dryer	SO <sub>2</sub>	80
<b>SPS</b>				
Harrington	2	Low- NO <sub>x</sub> Burners	NO <sub>x</sub>	50
Tolk	1	Boiler Tune-Up	NO <sub>x</sub>	35
	2	Boiler Tune-Up	NO <sub>x</sub>	35
<b>NSP</b>				
Bay Front	1	Selective Non-Catalytic Reduction	NO <sub>x</sub>	47
	2	Selective Non-Catalytic Reduction	NO <sub>x</sub>	47
Allen S. King		Selective Catalytic Reduction	NO <sub>x</sub>	83
		Spray Dryer Absorber	SO <sub>2</sub>	90
		Fabric Filter	PM	50
High Bridge		Coal conversion to combined-cycle natural gas	NO <sub>x</sub>	97
			SO <sub>2</sub>	99
			PM	>99
			Hg	>99
Riverside		Coal conversion to combined-cycle natural gas (complete spring 2009)	NO <sub>x</sub>	98
			SO <sub>2</sub>	>99
			PM	>99
			Hg	>99
Sherco	1	Low-NO <sub>x</sub> Burners & Separated Overfire Air	NO <sub>x</sub>	56
	2	Low-NO <sub>x</sub> Burners & Separated Overfire Air	NO <sub>x</sub>	25
	3	Low-NO <sub>x</sub> Burners & Separated Overfire Air	NO <sub>x</sub>	49

### CUSTOMER DEMAND-SIDE MANAGEMENT SAVINGS

For about 20 years, we have worked with our customers to help them save energy, successfully managing cost-effective energy conservation programs across our service territories. We have nearly 70 full-time employees working together to design new energy conservation programs, ensure the savings estimates are accurate and measurable, develop marketing plans to reach the right target markets, communicate with customers one-on-one about our programs and create plans to meet our regulatory goals.

Energy conservation plays an important role in our resource planning process. We forecast our customers' energy resource needs and develop a comprehensive long-term plan to meet those needs in the most cost-effective manner. Our energy conservation programs help customers reduce their energy usage and save money on their monthly utility bills.

Since 1992, our customers have saved enough electricity to enable us to avoid building more than eleven 250 MW power plants. Overall, our energy conservation projects helped save enough energy to satisfy the electricity needs of about 67,900 homes<sup>1</sup> and the natural gas needs of about 10,200 homes<sup>2</sup> for one year.

In 2008, we spent more than \$94 million on energy conservation projects for residential and business customers throughout our service territory. The table below highlights the energy savings achieved through our programs.

<sup>1</sup> Assuming an average annual electricity use per home is 8,100 kilowatt-hours (kWh).

<sup>2</sup> Assuming an average annual gas use per home is 90 million cubic feet (MCF).

*More than ever before, we are engaging our customers in energy efficiency to build our clean energy future. It is often one of the most cost-effective ways to reduce emissions.*

#### • 2008 ENERGY EFFICIENCY, CONSERVATION & LOAD MANAGEMENT •

State	Spending	Electric Conservation/Load Management		Gas Conservation
		GENERATOR KW	GENERATOR MWH	MCF
MN	\$57,131,357	116,119	334,939	609,910
CO	\$22,131,452	40,682	151,789	27,225
WI	\$9,606,270	16,626	52,481	271,626
TX	\$2,249,000	4,820	15,567	N/A – only electricity service provided
NM	\$2,703,471	5,579	22,570	N/A – only electricity service provided
SD	\$79,730	365	5	N/A – only electricity service provided
ND	\$170,026	90	1	11,340
TOTAL	\$94,071,306	184,281	577,352	920,101

Achievements listed in the table above are preliminary for 2008.

### *Exemplary Energy-Efficiency Programs*

#### ENERGY DESIGN ASSISTANCE

The Energy Design Assistance (EDA) program began in Minnesota in 1993 under the name Energy Assets. The EDA program has sought to transform the traditional design approach by encouraging integrated energy efficiency of a whole building early in the design process. We provide computer simulations of various energy-saving strategies, as well as information about how to implement the strategies in the building's design. Once the building designer and owner decide on a set of strategies to implement, we guide them through the documentation and verification process.

The EDA program was very successful in 2008, achieving 65 gigawatt-hours (GWh) savings, which is 163 percent of our energy savings goal for the program. At least 25 percent of the projects currently participating in the program are on track to receive the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) certification. The EDA program will expand its efforts in 2009, offering further analysis opportunities for buildings beginning in pre-design. These services are project specific, and may include early mechanical design review and daylighting analysis. The EDA program also has been offered in Colorado since 2006.

#### PROCESS EFFICIENCY

The Process Efficiency program was launched in 2007 as a new option for our large business customers. The program delivers an integrated approach to energy conservation, resulting in a sustainable energy-efficiency strategy that encompasses company practices, as well as specific efficiency projects. The program structure allows us the flexibility to provide unique resources that match specific customer needs and provides the opportunity for the customer to earn bonuses for exceeding annual goals and maximizing the efficiency of its entire system.

The program itself is still in its infancy, but in 2008, it resulted in more than 30 GWh of electric conservation and more than 100,000 MCF of natural gas conservation in the state of Minnesota.

#### SAVER'S SWITCH

Our highly successful Saver's Switch program has been in place for almost 25 years. With more than 450,000 customers participating across our service territory, Saver's Switch is one of the nation's largest load-management programs. Companywide, we have the ability to reduce peak-load energy usage by more than 400 MW during the summer months through this program.

Saver's Switch offers residential and commercial customers bill discounts in exchange for allowing us to cycle their central air conditioners on and off on hot summer days when electricity demand is peaking. Typically, participating customers barely notice a temperature change in their homes when we cycle their air conditioners. In certain markets, residential customers also have the option to enroll electric water heaters in the program for an additional bill discount.

### **XCEL ENERGY FACILITY EFFICIENCY PROJECTS**

In 2008, we completed or started a number of efficiency projects at our power plants, within our transmission and distribution operations, and at our service centers. Combined, the projects will reduce CO<sub>2</sub> emissions by 1.2 million tons over the life of projects. Our Energy Supply business area focused on power plant improvements. The projects include replacing equipment, such as air heaters, pumps and fan drives with more efficient versions. Our Utilities Group business area replaced equipment, such as breakers and transformers, and worked to address line loss.

Our energy management team completed energy audits and energy management projects at five selected company buildings with the largest energy use within our portfolio of properties. Through these energy management projects, we were able to reduce our electricity usage by more than 2 million kWh annually across the five selected sites – a 57 percent annual reduction in energy use. The team will continue to improve the energy efficiency of Xcel Energy's buildings in 2009.

#### **1800 LARIMER**

At the end of 2010, we will relocate our Denver regional headquarters to a new LEED (Leadership in Energy and Environmental Design) certified building. It will be the first building in Denver – and one of the nation's first high-rises – to receive the LEED-Platinum rating for core and shell. The LEED rating system encourages the use of sustainable green-building and development practices. Its platinum rating is the highest available for energy efficiency and sustainability. The new facility will house approximately one-third of our Colorado workforce.



*Construction begins at Xcel Energy's future Denver regional headquarters. When complete, the building will be Denver's first LEED-Platinum certified building.*



## STATE-BY-STATE CONSERVATION

### MINNESOTA

Xcel Energy has participated in natural gas and electric DSM programs for almost 20 years. In 2007, the Next Generation Energy Act was passed, and next year, we will ramp our energy-efficiency savings requirements to 1.15 percent of retail sales, followed by 1.2 percent in 2011 and 1.3 percent in 2012. We will submit a plan on June 1, 2009, to the Office of Energy Security that will propose goals, budgets and programs for the triennial period 2010 through 2012.

### COLORADO

Colorado law requires us to achieve a reduction of no less than 5 percent of our 2006 retail system peak and sales by 2018. In 2008, we filed and had approved our 2009/2010 DSM plan, which will now offer natural gas DSM programs to our customers and significantly increase our electric DSM efforts in Colorado. Between 2009 and 2020, our annual electricity savings goal will increase from 150 GWh per year to 422 GWh per year.

### WISCONSIN

In Wisconsin, we are required to participate in the Statewide Energy Efficiency and Renewable Energy programs, administered by the Public Service Commission of Wisconsin. The statewide program is called Wisconsin Focus on Energy.

### TEXAS

We offer our Texas customers energy-efficiency program opportunities through third-party standard offer and market transformation contracts. These programs are provided to residential, low-income, small commercial, and commercial and industrial customers.

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*Xcel Energy has partnered with Andersen Corporation to integrate energy efficiency into all their operations.*

### NEW MEXICO

The New Mexico 'Efficient Use of Energy' Act requires public utilities to acquire all cost-effective and achievable energy efficiency and load management. In 2008, we implemented our first set of programs intended to address these goals, with plans to offer more programs in 2009.

### SOUTH DAKOTA

In South Dakota, customers may participate in load-management programs. A DSM plan was filed in December of 2007 and is awaiting review by our South Dakota regulators.

### NORTH DAKOTA

In North Dakota, Xcel Energy provides savings opportunities to customers through load-management programs, as well as gas appliance, educational and energy audit programs.

### MICHIGAN

Currently, we do not administer any programs in Michigan. However, recent legislation has been passed to require energy efficiency and to allow a utility to choose third-party program administration for the design and delivery of programs. We recently reached a tentative agreement with the Michigan Public Service staff to begin utilizing this method of administration through 2011.



## SMARTGRIDCITY™

SmartGridCity is designed to improve grid performance, reliability and the delivery of electricity to meet customers' needs. It also will give customers real-time information about their energy usage and help them manage the environmental impact of their energy consumption choices. And it can help incorporate more renewable energy onto our system.

Xcel Energy and its technology partners are making significant progress in the installation of SmartGridCity. The first meters are active, and two-way communication between the customer and the utility company is a reality. We have installed sensors and high-speed communications on more than 100 miles of fiber optic cable in Boulder. At the end of 2008, more than 13,000 homes had smart meters enabled, and another 10,000 meters are available for installation at the customer's request.

In addition, substations in Boulder will be upgraded with smart technology as of mid-2009. With this technology, we can automatically detect and isolate non-catastrophic outages and restore electricity load for downstream customers.

In late 2008, we unveiled the first fully integrated SmartGridCity home in Boulder, Colo., at the Chancellor's Residence at the University of Colorado at Boulder. The residence is now fitted with multiple smart-grid technologies that enhance a customer's control and electricity usage.

The CU Chancellor's Residence was fitted with an energy-management system that allows family members to set up an energy profile to automatically reduce energy consumption according to their preferences, as well as track solar production and view environmental data about their conservation efforts.

We plan to test about 70 different hypotheses during implementation of SmartGridCity. We see this project in Boulder as a living laboratory that will give our customers and us a better understanding of the most promising technologies in the energy field today. The applications at the Chancellor's Residence can educate consumers about their energy usage, helping to drive conservation.

Smart Grid Consortium partners include Accenture, Current, GridPoint, OSI Soft, Schweitzer Engineering Laboratories, SmartSynch and Ventyx.

## PLUG-IN HYBRID ELECTRIC VEHICLES

As part of our SmartGridCity effort, we are performing the nation's first test of plug-in hybrid electric vehicles (PHEVs) with vehicle-to-grid (V2G) technologies. PHEVs are similar to hybrid cars available today because they run on both electricity and gasoline. A PHEV, however, has a larger battery pack and can be plugged in and

*From changing the way we interact with customers to the way we invest in environmental initiatives, we are innovating the way we do business to build our clean energy future.*

### INSTALLATIONS AT THE CU-BOULDER CHANCELLOR'S RESIDENCE

**Solar PV Integration:** Integrating the home's 6-kW solar array to monitor solar production.

#### **Plug-in Hybrid Electric Vehicle (PHEV) with Smart Charging:**

Charging the PHEV through a dedicated outlet in the garage allows Xcel Energy to remotely control vehicle charging as it "fuels" the car's lithium-ion battery pack. The PHEV can be charged using solar energy from the home's PV installation, maximizing the environmental benefits.

#### **Vehicle-to-Grid Technology:**

The PHEV can both charge from and discharge power to the grid, creating another source of backup power for the residence.

#### **Online Energy Management:**

A password-protected web portal enables family members to manage energy consumption automatically by scheduling multiple appliances and devices according to their preferences.

**Instant Backup Power:** Instant clean backup power is available through advanced batteries.



*Mark Hennesy of Xcel Energy's fleet operations with one of six plug-in hybrid electric fleet vehicles. The cars also are equipped with vehicle-to-grid technology that enables both charging from and discharging to the electric grid.*

### *Employees Test Drive PHEVs*

In 2008, three Xcel Energy employees were selected to test drive some of the nation's first PHEVs with V2G technology as part of our six-month demonstration of the emerging technology. We received more than 450 applications from employees who were interested in the program. Other employees will have an opportunity to drive PHEVs placed in our company fleet, as well.

*According to the Electric Power Research Institute, a shift from hybrid electric vehicles to PHEVs is expected to reduce CO<sub>2</sub> emissions for average drivers by up to 30 percent, even if coal-fired power plants are used to charge the vehicles.*

charged via a household electrical outlet. The battery pack works like a second fuel tank that can be filled with electricity at a cost that is much less expensive than gasoline. PHEVs using V2G technology are able to both charge from and discharge power back to the electric grid, making them sources of distributed generation.

Phase one of the project involves six fleet cars. All of them have special inverters installed, which allow us to pull power from the battery of the cars during periods of peak-power use. These converted vehicles will become energy storage devices used in SmartGridCity technology tests.

The goal of a proposed second phase of the project involves converting another 60 existing hybrid electric vehicles to PHEVs with V2G technology. A mix of onboard V2G technology and smart-grid charging stations will be used in this part of the project. The smart charging stations will be installed in several Boulder-area locations. In subsequent proposed phases, the goal is to add another 500 PHEVs to the grid in Boulder in order to test V2G technology on a significantly larger scale.

Partners for the project include the City of Boulder, Boulder County, the University of Colorado at Boulder, the Governor's Energy Office and the Colorado Department of Public Health and Environment. We also plan to work with GridPoint to make this V2G test a reality.

## INNOVATIVE CLEAN TECHNOLOGY PROGRAM

In an effort to secure adequate funding for small demonstration projects that could eventually support Colorado's future clean energy needs, we proposed the establishment of an Innovative Clean Technology (ICT) program in January 2009.

Our filing with the Colorado Public Utilities Commission (CPUC) asked that funding be provided each year from 2010 to 2013 to help deploy and test promising clean-energy technologies in Colorado. We seek to ensure that such projects are commercially viable before implementing them on a larger scale. We expect the CPUC to make a decision on the program this year.

The first project that Xcel Energy has proposed under the ICT program is the development of a \$4.5 million concentrating solar-power demonstration at our Cameo Generating Station near Grand Junction, Colo. The project would test the use of concentrating solar energy to produce supplemental steam for power generation at an existing power plant. Integrating solar energy at an existing coal-fired power plant would reduce the overall consumption of coal, reduce emissions from the plant and, if successful, increase the opportunity for cost-effective renewable power generation in Colorado. The CPUC approved this first ICT project in April 2009, and we are targeting a January 1, 2010, in-service date.

## ENERGY INNOVATION CORRIDOR

The Energy Innovation Corridor is a progressive model for sustainable transportation and energy infrastructure development adjacent to the proposed 11-mile central corridor light rail line that will connect the downtowns of Minneapolis and St. Paul, Minn., when it is completed in 2014. This area is one of the busiest, most diverse and economically-successful urban areas in the nation, and Xcel Energy is working closely with many partners to develop it into a showcase for clean-energy technologies. The Energy Innovation Corridor will encourage the use of renewable energy and energy efficiency, deploy large-scale solar systems, develop infrastructure for plug-in hybrid electric vehicles, and demonstrate the capabilities of emerging energy technologies. By doing so, the Energy Innovation Corridor will become a model for the future of transportation and energy corridors throughout the nation.

## SUSTAINABLE BUSINESS PRACTICES

### *Soy Oil Transformers*

In 2008, we switched to using all single-phase, pole- and pad-mounted distribution transformers with 100 percent renewable soy oil. We are the first large utility in the nation to use soy oil in these transformers, ensuring a broad application of the technology. Soy oil is being used in all transformers for residential and some light commercial applications. We previously used petroleum-based mineral oil, which is the industry standard.



### *Alternative Fuels*

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

Three hybrid bucket trucks were deployed in 2008 – one in the Denver metro area and two in the Twin Cities. One of these is an experimental design incorporating plug-in capability for battery recharging. These trucks offer improved fuel economy and significantly decreased emissions. Their engines can be turned off at a job site, reducing idling emissions and noise.

Also, as part of our prior transportation initiatives, we have 86 clean compressed natural-gas vehicles in our fleet.

### *Recycling Initiative*

Of our 174 company-owned sites, 164 now have active recycling programs. The programs vary based on services available in the area. In 2008, our property services group gave presentations at more than 100 company sites to educate employees about our recycling programs and the impact that they can make through their actions.

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*Robert Swinney, an Xcel Energy facility manager, is responsible for the company's recycling program and encouraging employees to help reduce waste.*





### *Brush and Wood Chip Recycling*

Through our tree-trimming operations, 6,000 cubic yards per month of brush are collected, ground up and used in boilers for heat and energy generation in the Twin Cities area. In rural Minnesota and the Dakotas, wood chips are left with farmers and other customers. In Sioux Falls, SD, the chips are burned at an ethanol generation plant as fuel. In the Denver metro area, wood chips are staged at several power plants and picked up by ABS Organics for recycling.

## ENVIRONMENTAL MANAGEMENT AND OVERSIGHT

Environmental leadership is impossible without excellent regulatory compliance. With more than two million opportunities for violations to occur each year, we have a solid compliance record. We strive for 100 percent compliance, and most of the time, we meet this objective. While our record is strong, we recognize that things can go wrong on occasion. Our environmental management system helps us identify the root causes of violations and fix them so they don't happen again.

### *Our Environmental Management System*

We have a formal environmental management system designed to ensure continuous improvement and compliance with all applicable environmental requirements. Our management system provides:

<i>Oversight</i>	Board of directors – Nuclear, Environment and Safety Committee
	Chairman, President & CEO
	Executive Environmental Council
	Environmental Services Department
<i>Risk analysis</i>	Goals and performance indicators at corporate and operating levels
	Multi-disciplinary teams for developing new compliance programs
	Environmental Audit Program
<i>Policies &amp; procedures</i>	Corporate environmental policy
	Formal, documented procedures
	Regular monitoring of new, evolving regulatory activity
<i>Monitoring</i>	Compliance tracking system
	Monthly performance reporting
	Routine facility audits
<i>Follow-up for compliance gaps</i>	Tracking for corrective action and internal audit findings
<i>Training &amp; communication</i>	New employee orientation
	Site and topic specific employee training
	Updates and information communicated through internal channels

### Capital Expenditures

2008	\$230 million
2007	\$438 million
2006	\$571 million
2005	\$327 million

### Operating & Maintenance Expenditures

2008	\$213 million
2007	\$173 million
2006	\$152 million
2005	\$147 million

*Detailed information regarding CAIR, CAMR and regional haze is available in our 2008 10-K filing. Our recent emission control projects are outlined on page 60 of this report.*

## REGULATORY COMPLIANCE & ENVIRONMENTAL EXPENDITURES

We make significant investments annually to reduce emissions and improve air quality. These investments are driven by voluntary initiatives and regulatory requirements. Environmental costs include payments for nuclear plant decommissioning, storage and ultimate disposal of spent nuclear fuel, disposal of hazardous materials and waste, remediation of contaminated sites and monitoring of discharges to the environment. A trend of greater environmental awareness and increasingly stringent regulation has caused, and may continue to cause, higher operating expenses and capital expenditures for environmental compliance.

### Environmental Regulations

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

#### CLEAN AIR INTERSTATE RULE (CAIR)

In March 2005, EPA issued the CAIR to further regulate SO<sub>2</sub> and NO<sub>x</sub> emissions. The objective of CAIR was to cap emissions of SO<sub>2</sub> and NO<sub>x</sub> in the eastern United States, including Minnesota, Texas and Wisconsin, which are within Xcel Energy's service territory. In July 2008, the U. S. Court of Appeals for the District of Columbia vacated CAIR and remanded the rule to EPA. On Dec. 23, 2008, the court reinstated CAIR while EPA develops new regulations in accordance with the court's July opinion.

As currently written, CAIR has a two-phase compliance schedule, beginning in 2009 for NO<sub>x</sub> and 2010 for SO<sub>2</sub>. 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.

#### MERCURY RULES

In March 2005, EPA issued the Clean Air Mercury Rule (CAMR), which regulated mercury emissions from power plants. In February 2008, the U.S. Court of Appeals for the District of Columbia vacated CAMR, which impacts federal CAMR requirements, but not necessarily state-only mercury legislation and rules.

In Colorado, we worked with other utilities, the environmental community and state regulators in 2007 to develop a new state air quality rule, which requires mercury emission controls capable of achieving 80 percent capture be installed at the Pawnee Generating Station by 2012 and other specified units by 2014.

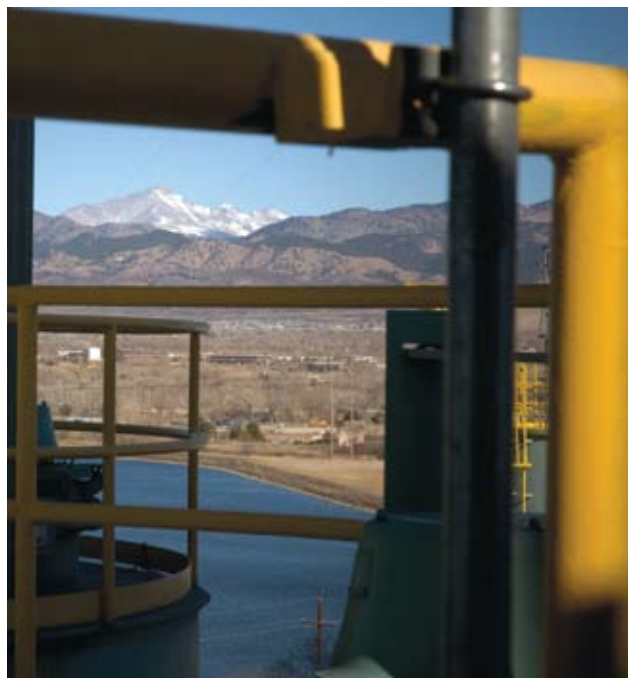
Under new rules established last year, all coal-fired units in Colorado are required to monitor mercury and begin reporting emissions to the state in the first quarter of 2009. Units that qualify as low emitters have to calculate emissions based on semi-annual testing. Valmont, Cherokee Units 1, 2, 3 and Hayden Unit 1 are considered low emitters. We are currently monitoring mercury on Pawnee, Comanche, Cherokee 4 and Hayden Unit 2. No monitoring is required at Arapahoe or Cameo because the plants are scheduled for retirement.

In Minnesota, we helped to craft legislation in 2006 that balances environmental protection with the current state of mercury measurement and reduction technology. In December 2007, NSPM filed a plan with state regulatory agencies for reducing mercury emissions by up to 90 percent at our Allen S. King Generating Station and our Sherburne County Generating Station (Sherco). The Minnesota Pollution Control Agency (MPCA) and the Minnesota Public Utilities Commission (MPUC) approved the mercury control plan for the King Plant and for unit 3 at the Sherco Plant. Mercury controls will be added in fall 2009 at Sherco Unit 3 and in fall 2010 at the King Plant. In 2009, we will submit to the MPCA a comprehensive proposed plan for Sherco Units 1 and 2 to reduce mercury emissions 90 percent. We also are taking an interim measure to install mercury controls on Sherco Units 1 and 2 by fall 2010 to reduce mercury emissions by 40 percent to allow time for further development and evaluation of mercury control technologies.

#### REGIONAL HAZE RULE

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 rule. This includes the requirement to install Best Available Retrofit Technology (BART) on certain electricity generating units. Xcel Energy generating facilities in several states are subject to BART requirements.

In Colorado, the AQCC approved our BART analysis, which has been submitted to EPA for approval. Emissions controls are expected to be installed between 2011 and 2014. In January 2009, the Colorado Air Pollution Control Division initiated a joint stakeholder process to evaluate what types of additional NO<sub>x</sub> controls may be necessary to meet state goals. This process will continue throughout 2009.



*A view of the mountains from Valmont Generating Station in Boulder, Colo. – the plant has highly efficient emission controls that were installed through our Denver Metro Emission Reduction Program, which reduced our Denver area sulfur dioxide emissions by 70 percent.*

## ASHLAND, WIS., SUPERFUND SITE

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 NSPW, the MGP operated from 1885 to 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.

On Dec. 4, 2008, EPA approved the final feasibility study submitted by NSPW. The study offers a range of remedial options, and EPA is expected to select a remedy for the site in 2009. The proposed plan will be open for public comment before the final remedy is selected in late 2009. The estimated remediation costs for the site range between \$49.7 million and \$137.5 million.

In Minnesota, state regulators reviewed the BART analyses for all units in Minnesota and initially determined that compliance with CAIR is better than BART. At that time, regulators were not requiring any BART-specific controls that go beyond controls required for CAIR compliance. Since the remand of CAIR, which is likely to remove Minnesota from the revised rule, the state was obligated to propose BART emission limits for BART-affected units. Our only BART-affected units in Minnesota are units 1 and 2 at the Sherburne County plant. The MPCA has proposed BART emission limits for these units that are consistent with the controls required for CAIR compliance.

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>.

### *Notices of Violation*

We strive to operate in compliance with all federal, state and local rules and regulations. However, there are occasions when we have exceeded permit levels or violated regulations. These can result in fines or penalties.

Fines or penalties we paid in 2008 include:

- Payment of \$1,728 to a supplemental environmental project as a result of a notice of violation (NOV) issued in 2007 for Nichols and Harrington generating stations wastewater noncompliance. This NOV was included in our 2007 report.
- Payment of \$8,000 for two failed particulate matter tests at the Allen S. King Generating Station.
- Payment of \$2,000 for three water-quality violations at the Monticello Nuclear Generating Station. Two violations were related to a system used to control bio-fouling within the steam condenser, and the third was for failure to maintain storm water best management practices.
- Payment of \$7,187 for a failed hydrogen chloride test at the Red Wing Generating Station.

### Air Emissions

Metrics to monitor environmental performance of SO<sub>2</sub>, NO<sub>x</sub>, particulate matter and mercury 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>, particulate matter and mercury.

For CO<sub>2</sub>, Xcel Energy reports environmental performance metrics from both owned and purchased energy on its system. At the present time, the federal government does not regulate CO<sub>2</sub> emissions.

### Toxics Release Inventory

Each year we file hundreds of environmental reports to various units of government. One of these is the Toxics Release Inventory (TRI), which is part of the Emergency Planning and Community Right-to-know Act and provides 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.

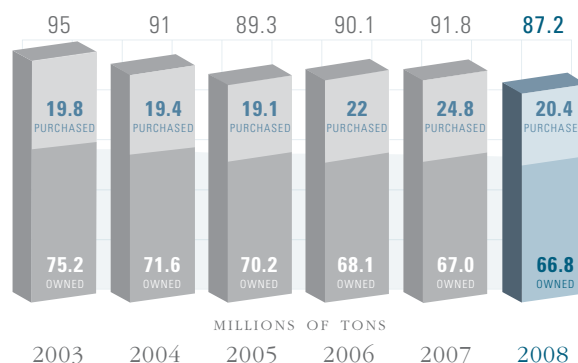
The vast majority of the materials we report through TRI are not released into the air or water. Our emission controls capture a system-wide average of between 80 and 90 percent of TRI reportable substances in coal ash, which can be recycled for useful purposes or stored in managed landfills.

#### • TRI REPORTABLE RELEASES •

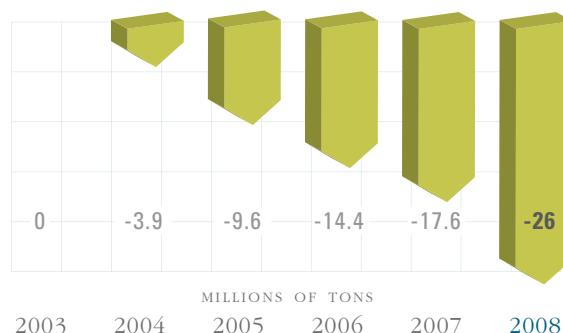
2002	18,532,392 pounds
2003	18,601,512 pounds
2004	17,249,821 pounds
2005	16,398,084 pounds
2006	18,197,584 pounds
2007	18,198,202 pounds

*Our 2008 TRI numbers will be filed with EPA in July 2009.  
Detailed TRI data by state are available online.*

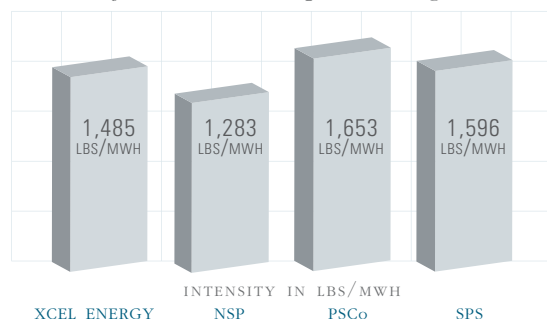
#### • TOTAL XCEL ENERGY CO<sub>2</sub> EMISSIONS • (Data reflects owned and purchased generation)



#### • CUMULATIVE CO<sub>2</sub> EMISSIONS REDUCTIONS • (Data reflects owned and purchased generation)



#### • 2008 CO<sub>2</sub> INTENSITY RATES • (Data reflects owned and purchased generation)

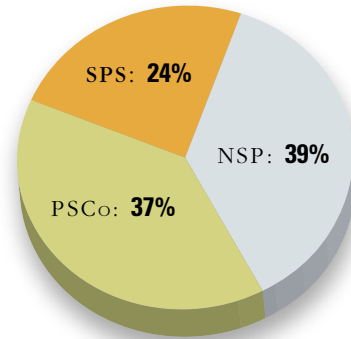
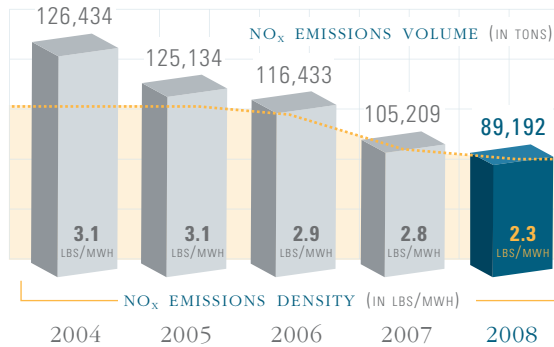


Charts, above and following page:

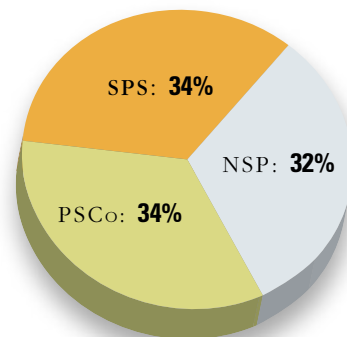
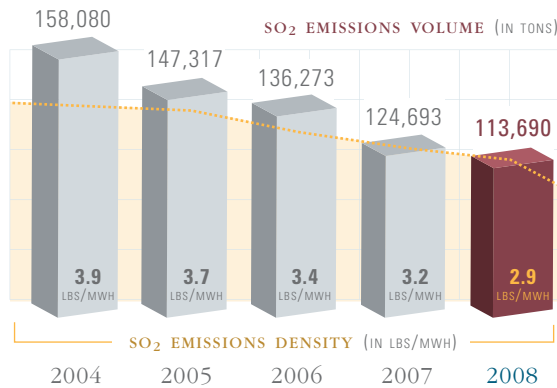
*These values are based on the most current data available; however, these estimates may change as updated emissions information regarding owned generation and purchased power becomes available.*



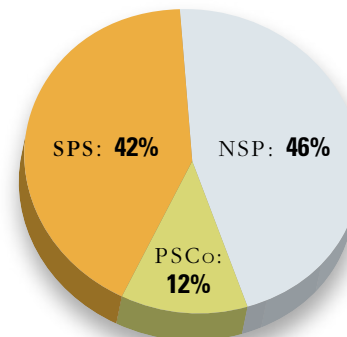
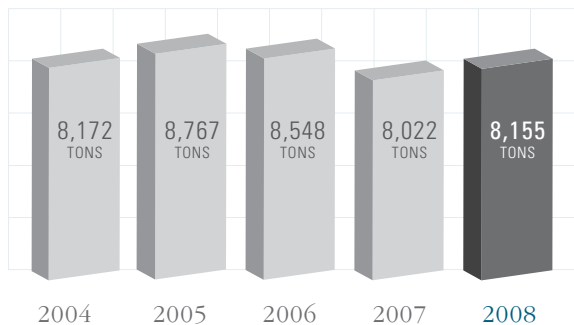
• NITROGEN OXIDE EMISSIONS OWNED GENERATION •



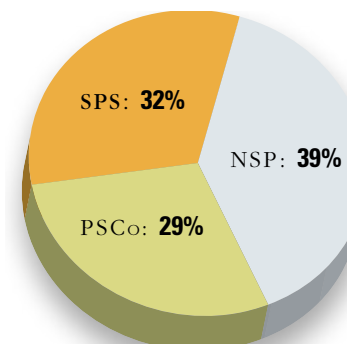
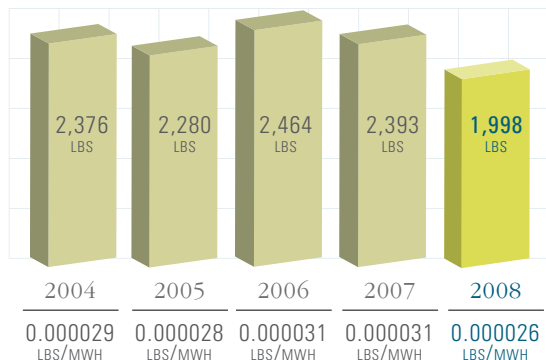
• SULFUR DIOXIDE EMISSIONS OWNED GENERATION •



• PARTICULATE MATTER OWNED GENERATION •



• MERCURY (Hg) EMISSIONS OWNED GENERATION •





*Ward Scharmer, an Xcel Energy manager for electric standards, was instrumental in our switch to soy oil in all single-phase, pole- and pad-mounted distribution transformers. In 2008, we purchased more than 12,000 of these transformers for our system.*

### Resource Use and Disposal

Our coal-fired 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. Ash that is not reused is disposed of in regulated, engineered landfills.

Nationally, there is public concern over coal-ash storage and management practices. We are working with national industry organizations to address these concerns. All of our ash management facilities are regulated at the state level. Some of our power plant sites have on-site landfills and other plants dispose of ash at permitted off-site commercial landfills. The majority of our ash is managed in a dry condition rather than wet. In ponds where we manage wet ash, the ponds are either below grade or have been engineered to withstand the pressures of the wet ash.

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.

### • 2008 ASH SUMMARY (in tons) •

	Ash Produced	Ash Reused
NSP	1,186,839	293,107
PSCo	1,008,976	521,706
SPS	394,488	394,488

### • WASTE DISPOSITION SUMMARY (in tons)

	2008	2007	2006
HAZARDOUS	50	1,483	52
UNIVERSAL*	30	25	57
PCB RELATED**	470	382	595
ASBESTOS	150	320	232
SPECIAL***	4,093	5,832	2,422
SCRAP METAL	7,620	7,791	8,550
USED OIL	1,245	1,772	1,998

\* 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.



*Xcel Energy's Shoshone Hydroelectric Generating Station operates on the Colorado River in Glenwood Springs, Colo.*

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.

### *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 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.

Our water consumption numbers for PSCo include 2,762 acre-feet or 0.9 billion gallons of treated municipal wastewater. SPS water consumption includes 18,000 acre-feet or 5.87 billion gallons of treated municipal wastewater.

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 generating stations for energy production needs. Since 1980, we have saved more than 147 billion gallons of fresh groundwater that would have otherwise been required for energy production at the SPS power plants.

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

Additionally, the new Hobbs Generating Station west of Hobbs, N.M., uses dry cooling to condense steam, rather than groundwater. This system uses 90 percent less water than comparable generating stations. And our new Comanche 3 unit in Pueblo, Colo., will use a combined cooling system that uses both air and water. This system will reduce water consumption by half for the new unit when it comes on line in 2009.

### **2008 WATER • CONSUMPTION •**

	<i>Acre-Feet</i>	<i>Billions of Gallons</i>
NSP	51,710	16.8
PSCo	29,341	9.56
SPS	38,600	12.58

### **• PCB PHASE-OUT EFFORT •**

	2008	2007	2006
<i>PCB and PCB-contaminated oil (gallons)</i>	59,633	44,626	38,110
<i>PCB and PCB-contaminated equipment (units)</i>	294	321	982

*The Toxic Substances Control Act designates PCB-contaminated as having a PCB concentration of 50 to 499 parts per million (ppm) and PCB as having a PCB concentration of 500 ppm and greater.*

## BIODIVERSITY

Xcel Energy owns and manages thousands of acres of land. We recognize our operations can impact wildlife and important habitat, so we take extra steps to protect these special resources.

### AVIAN PROTECTION

We were the first utility in the nation to voluntarily sign a memorandum of understanding (MOU) with the U.S. Fish and Wildlife Service (USFWS) to develop avian protection plans for our service areas. The MOU outlines a cooperative, non-adversarial partnership between Xcel Energy and the USFWS to address avian issues related to our facilities. We have committed to report all occurrences of mortalities and injured birds that occur due to contact with our property or equipment and will modify structures, where feasible, to prevent future occurrences. The focus of this work is distribution facilities, primarily distribution lines. However, there may be some work to address potential collision issues on transmission lines and potential electrocution issues at distribution and transmission substations.

Each of our operating companies has developed and maintains a comprehensive Avian Protection Plan (APP) for its facilities, and takes reasonable steps to resolve possible threats to migratory birds occurring on our properties.

The following work is included in each APP, which is provided to the USFWS:

- Identification of high-risk areas for raptor electrocutions and bird collisions,
- Review of existing raptor electrocution and bird collision mitigating procedures and standards,
- Review of existing power lines for raptor protection and collision risks,
- Inventory of problem power lines and recommended mitigation, and
- Recommendations for retrofitting facilities.

In addition, we have trained personnel who may need to handle birds or report incidences. Posters and an identification card provide information on the most common birds in our service areas. We have provided these to field crews, along with the appropriate permits and other information in case they find a bird that has been injured.

#### *Nest Box Program and Bird Cam*

Nearly two decades ago, 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 our Minnesota power plants. To date, nearly 250 young peregrines have fledged from our boxes.

We later installed web-based cameras in the boxes to help increase awareness for conservation efforts.



*From deer to osprey to peregrine falcons, our power plant properties are home to a variety of wildlife because of the open land, vegetation and water that surrounds them.*

*Visit our Bird Cams at  
[xcelenergy.com](http://xcelenergy.com).*



## *Fifteen Years as a Tree Line USA Utility*

Xcel Energy was named a Tree Line USA Utility by the Arbor Day Foundation for the 15th year in recognition of our national leadership in caring for trees while meeting service obligations. The Tree Line USA program examines three elements when selecting utilities for this honor:

- 1) a program of quality tree care,
- 2) annual worker training in quality tree-care practices, and
- 3) a tree-planting and public-education program.

Our six Bird Cams feature five different bird species – bald eagles, great horned owls, peregrine falcons, kestrels and osprey. In 2008, we made a major Bird Cam improvement. Owls, eagles and falcons can now be viewed through live, streaming video on the company's web site, an upgrade from the still photos offered in the past.

### TREE PLANTING AND PUBLIC EDUCATION

We budget more than \$40,000 annually in our vegetation management department for tree replacement and planting programs. This money is used in cooperation with various communities, as well as some individual homeowners. In 2008, we provided an additional \$121,800 in Earth Day and Arbor Day grants. We also provided financial sponsorship to and partnered with various nonprofit organizations such as the Colorado Tree Coalition, Great River Greening in Minnesota, Tree Trust Minnesota, Volunteers for Outdoor Colorado and many others.

Xcel Energy's customers can request free educational materials on selecting, planting and caring for trees by calling our toll free customer service number at 1-800-895-4999 and asking for the "Plant A Better Future: The Right Tree" handbook. This publication has three editions based on geography: a northern edition that covers trees in the midwestern states of the company's territory, a Colorado edition, and Texas/New Mexico edition. These publications also are available at various public events, fairs and garden centers.

*In 2008, Cherokee Generating Station in Denver, Colo., employed a herd of goats to control noxious weeds on plant grounds. The animals proved to be more effective, economical and safer than using herbicides.*





	PAGE/LOCATION		PAGE/LOCATION
<b>STRATEGY AND ANALYSIS</b>			
1.1	Statement by the CEO . . . . .	3	
1.2	Description of key impacts, risks and opportunities . . . . .	10-K	
<b>ORGANIZATIONAL PROFILE</b>			
2.1	Name of the organization . . . . .	Cover	
2.2	Primary brands, products and/or services . . . . .	7	
2.3	Operational structure of the organization . . . . .	7	
2.4	Location of the organization's headquarters . . . . .	7	
2.5	Countries in which the company operates . . . . .	7	
2.6	Nature of ownership and legal form . . . . .	7	
2.7	Markets served . . . . .	7	
2.8	Scale of reporting organization . . . . .	Online	
2.9	Significant changes in size, structure or ownership . . . . .	None	
2.10	Awards received in the reporting period . . . . .	4-5	
EU1	Installed capacity (MW) by energy source and jurisdiction . . . . .	38	
EU2	Number of residential, industrial and commercial customer accounts . . . . .	14	
EU3	Length of transmission and distribution lines by voltage . . . . .	38	
<b>REPORT PARAMETERS</b>			
3.1	Reporting period . . . . .	Back inside cover	
3.2	Date of most recent previous report . . . . .	Back inside cover	
3.3	Reporting cycle . . . . .	Back inside cover	
3.4	Contact point for questions regarding the report . . . . .	Back inside cover	
3.5	Process for defining report content . . . . .	Back inside cover	
3.6	Boundary of the report . . . . .	Back inside cover	
3.7	Specific limitations on the scope or boundary of the report . . . . .	Back inside cover	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities . . . . .	Back inside cover	
3.9	Data measurement techniques and the bases of calculations . . . . .	Back inside cover	
3.10	Explanation of the nature and effect of any re-statement . . . . .	Back inside cover	
3.11	Significant scope, boundary or measurement changes from previous reporting period . . . . .	48	
3.12	Table identifying the location of the Standard Disclosures in the report . . . . .	79-80	
3.13	External assurance for the report . . . . .	None	
<b>GOVERNANCE</b>			
4.1	Governance structure of the organization . . . . .	10	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer . . . . .	10	
4.3	Independence of the board of directors . . . . .	10	
4.4	Mechanisms to provide recommendations to the board of directors . . . . .	Online	
4.5	Linkage between executive compensation and the organization's performance . . . . .	Proxy statement	
4.6	Process for avoiding conflicts of interest . . . . .	11	
4.7	Qualifications and expertise of the members of the board . . . . .	11; online	
4.8	Corporate mission, values and code of conduct . . . . .	Front inside cover; 11; online	
4.9	Procedures to identify and manage risks and opportunities . . . . .	10-K	
4.10	Processes for evaluating the board's own performance . . . . .	Online	
4.11	How the precautionary approach is addressed . . . . .	48-51	
4.12	Externally developed economic, environmental, and social charters . . . . .	50-51, 77	
4.13	Membership associations . . . . .	Online	
4.14	Stakeholder groups engaged by the organization . . . . .	Online	
4.15	Identification and selection of stakeholders . . . . .	Online	
4.16	Approaches to stakeholder engagement . . . . .	Online	
4.17	Key topics and concerns raised through stakeholder engagement . . . . .	Online	
<b>ECONOMIC</b>			
	Disclosure on management approach . . . . .	9	
EU5	Planning to ensure short- and long-term electricity availability and reliability . . . . .	37-44, 52	
EU6	Demand-side management programs . . . . .	61-64	
EU7	Research and development activity . . . . .	53-54, 56, 59-60, 65-67	
EU8	Provisions for decommissioning of nuclear power sites . . . . .	10-K	
<i>Aspect: Economic Performance</i>			
EC1	Direct economic value generated and distributed . . . . .	8	
EC2	Financial implications and other risks and opportunities due to climate change . . . . .	10-K	
EC3	Coverage of defined benefit plan obligations . . . . .	10-K	
<i>Aspect: Market Presence</i>			
EC5	Ratios of standard entry level wage compared with local minimum wage . . . . .	Online	
EC6	Policy, practices and proportion of spending on locally based suppliers . . . . .	31-32	
EC7	Procedures for local hiring at locations of significant operation . . . . .	Online	
<i>Aspect: Indirect Economic Impacts</i>			
EC8	Development and impact of infrastructure investments . . . . .	40-44	
<i>Aspect: Demand-side Management</i>			
EU10	Estimated capacity (MW) saved through demand-side management programs . . . . .	61	
EU11	Estimated energy (MWh) saved through demand-side management programs by jurisdiction . . . . .	61	
<b>ENVIRONMENTAL</b>			
	Disclosure on management approach . . . . .	69	
<i>Aspect: Energy</i>			
EN5	Energy saved due to conservation and efficiency improvements . . . . .	61	
EN6	Initiatives to provide energy-efficient or renewable products and services . . . . .	14-17, 52-59, 62-64	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved . . . . .	63	

*Aspect: Water*

EN8	Total water withdrawal by source .....	76
EN10	Percentage and total volume of water recycled and reused .....	76

*Aspect: Biodiversity*

EN13	Habitats protected or restored .....	77-78
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity .....	77-78

*Aspect: Emissions, Effluents and Waste*

EN16	Total direct and indirect greenhouse gas emissions by weight .....	73
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved .....	47-51, 73
EN19	Emissions of ozone-depleting substances by weight .....	73-74
EN20	NO <sub>x</sub> , SO <sub>2</sub> , and other significant air emissions by type and weight .....	74
EN22	Total weight of waste by type and disposal method .....	74
EN24	Weight of hazardous waste transported, imported, exported or treated .....	73

*Aspect: Products and Services*

EN26	Initiatives to mitigate environmental impacts of products and services .....	14-17, 47-69
------	--	--------------

*Aspect: Compliance*

EN28	Fines for non-compliance with environmental laws and regulations .....	72
------	--	----

*Aspect: Overall*

EN30	Total environmental protection expenditures and investments by type .....	70
------	---	----

**SOCIAL PERFORMANCE****Labor Practices and Decent Work**

	Disclosure on management approach .....	18-28
EU15	Processes to ensure retention and renewal of skilled workforce .....	26-28

*Aspect: Employment*

LA1	Total workforce by employment type, employment contract and region .....	19
EU17	Percentage of contractors and subcontractors that have undergone relevant health and safety training .....	Online
LA3	Benefits provided to full-time employees .....	24

*Aspect: Labor/Management Relations*

LA4	Percentage of employees covered by collective bargaining agreements .....	19
-----	---	----

*Aspect: Occupational Health and Safety*

LA7	Rates of injury, occupational diseases, lost days, absenteeism and number of fatalities by region .....	23
LA8	Education, training, counseling, prevention and risk-control programs for serious diseases .....	24
LA9	Health and safety topics covered in formal agreements with trade unions .....	Online

*Aspect: Training and Education*

LA11	Programs for skills management and lifelong learning .....	27-28
------	--	-------

*Aspect: Diversity and Equal Opportunity*

LA13	Composition of governance bodies and breakdown of employees per category .....	11 (board only)
------	--	-----------------

**Human Rights**

	Disclosure on management approach .....	18-22
--	---	-------

*Aspect: Investment and Procurement Practices*

HR2	Percentage of significant suppliers and contractors that have undergone human rights screening .....	Online
HR3	Total hours of employee training on human rights policies and procedures .....	Online

*Aspect: Child Labor*

HR6	Operations identified as having significant risk of child labor .....	0%
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*Aspect: Forced and Compulsory Labor*

HR7	Operations identified as having significant risk of forced or compulsory labor .....	0%
-----	--	----

*Aspect: Security Practices*

HR8	Percentage of security personnel trained in human rights policies and procedures .....	100%
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**Society**

	Disclosure on management approach .....	p.29-35
EU18	Participatory decision making processes with stakeholders .....	Online
EU20	Contingency planning measures and disaster/emergency management plans .....	33, 45

*Aspect: Community*

S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities .....	31-32
-----	--	-------

*Aspect: Corruption*

S03	Percentage of employees trained in organization's anti-corruption policies and procedures .....	100%
-----	---	------

*Aspect: Public Policy*

S06	Total value of financial and in-kind contributions to political parties and politicians .....	Online
-----	---	--------

**Product Responsibility**

	Disclosure on management approach .....	32-35
EU22	Programs to improve or maintain access to electricity services .....	15
EU23	Practices to address barriers to accessing and safely using electricity .....	34-35

*Aspect: Product and Service Labeling*

PR5	Practices related to customer satisfaction .....	16
-----	--	----

*Aspect: Access*

EU26	Number of residential disconnections for non-payment .....	15
EU27	Power outage frequency .....	Online
EU28	Average power outage duration .....	37
EU29	Average plant availability factor by energy source and jurisdiction .....	37; online

REPORTING PERIOD:

January 1, 2008 – December 31, 2008

DATE OF PREVIOUS REPORT: May 2008

REPORTING CYCLE: Annual

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 following year. In the years prior to that, we issued separate environmental, financial and corporate citizenship reports.

This is the second year we have formally adhered to the Global Reporting Initiative (GRI) 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](http://xcelenergy.com).

*How Content for the Report Was Determined*

The principles of *transparency, accountability and measurability* guided our reporting efforts for the 2008 Corporate Responsibility Report. 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,

REPORT BOUNDARY:

Xcel Energy and its four utility subsidiaries

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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*

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

• STANDARD DISCLOSURES •

REPORT APPLICATION LEVEL		C	C+	B	B+	A	A+
G3 <i>Profile Disclosures</i> <i>Report on:</i>	OUTPUT	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 EXTERNALLY ASSURED	Report on all criteria listed for level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17	REPORT EXTERNALLY ASSURED	Same as requirement for level B	REPORT EXTERNALLY ASSURED
G3 <i>Management Approach Disclosures</i>		Not required		Management approach disclosures for each indicator category		Management approach disclosures for each indicator category	
G3 <i>Performance Indicators &amp; Sector Supplement Performance Indicators</i>		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



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