



# Built To Last

Corporate Responsibility Report for 2010

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



Xcel Energy 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 provide 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.

# 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

- Work safely and create a challenging and rewarding workplace
- Conduct all our business in an honest and ethical manner
- Treat all people with respect
- Work together to serve our customers
- Be accountable to each other for doing our best
- Promote a culture of diversity and inclusion
- Protect the environment
- Continuously improve our business

#### Safe Harbor Statement

This material includes forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements include projected earnings, rate base growth, future dividend rates and credit ratings, and other statements and are identified in this document by words such as "anticipate," "estimate," "expect," "forecast," "project," "objective," "outlook," "possible," "potential" and similar expressions. Factors that could cause actual results to differ materially include, but are not limited to: general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of Xcel Energy and its subsidiaries to obtain financing on favorable terms; business conditions in the energy industry, including the risk of a slow down in the U.S. economy or delay in growth recovery; trade, fiscal, taxation and environmental policies in areas where Xcel Energy has a financial interest; customer business conditions; competitive factors, including the extent and timing of the entry of additional competition in the markets served by Xcel Energy and its subsidiaries; unusual weather; effects of geopolitical events, including war and acts of terrorism; state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rates or have an impact on asset operation or ownership or impose environmental compliance conditions; structures that affect the speed and degree to which competition enters the electric and natural gas markets; costs and other effects of legal and administrative proceedings, settlements, investigations and claims; actions by regulatory bodies impacting our nuclear operations, including those affecting costs, operations or the approval of requests pending before the NRC; financial or regulatory accounting policies imposed by regulatory bodies; availability or cost of capital; employee work force factors; the items described under Factors Affecting Results of Continu

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# To Our Stakeholders

For the sixth consecutive year, Xcel Energy met its earnings target, increasing ongoing earnings by 8 percent.



Because Xcel Energy consistently meets its business goals and honors its commitments to customers, employees and the environment, the company proves that it is *Built to Last*. That was certainly true in 2010, an outstanding year in every category. We met our financial goals, maintained outstanding customer service, demonstrated environmental leadership and achieved operational excellence.

This corporate responsibility report provides details about those accomplishments in the categories of Our Business, Our People and Our Clean Energy Future and Environmental Performance. Each category is important, and each contributes to our long-term success.

#### **Our Business**

For the sixth consecutive year, Xcel Energy met its earnings target, increasing ongoing earnings by 8 percent. We raised our dividend 3 percent, and our stock outperformed our peer group of regulated utilities for the third year in a row. Standard and Poor's upgraded our credit ratings in 2010, and we were able to finance the purchase of two natural gas plants on favorable terms.

We helped customers save about 773 GWh of electricity in 2010, our best results ever in one year.



Our financial success is the result of a straightforward strategy for growing our business. We invest in our core electric and natural gas businesses to provide safe, clean and reliable energy to customers at a reasonable price. As part of that process, we collaborate with a variety of stakeholders to ensure our investments are environmentally sound and that we are able to earn a fair return on them.

The strategy is working well. It's evident by recent successful projects, including the completion of our Comanche 3 coal-fired unit and our 201-MW Nobles Wind Farm, as well as our ongoing efforts to expand and upgrade our electric transmission system.

#### **Our People**

We believe that Xcel Energy employees are the best in the industry. They're intelligent, work hard and care about our customers and the communities we serve. That's why we strive to provide an environment where productive employees are able to do their best work and stay safe.

Our customers are important to us, and they gave us high marks in 2010. For the second year in a row, we received a residential customer satisfaction rating of 92 percent—in part because our reliability results were strong. We've been helping customers save energy and money for more than two decades. In 2010, we helped them conserve about 773 GWh of electricity, our best results ever in one year.

Of course, we also recognize that we are only as strong as the communities we serve. We support them with grants to nonprofit organizations, employee volunteerism and contributions to energy payment assistance organizations in our service territory.

# Our Clean Energy Future and Environmental Performance

Xcel Energy's list of environmental accomplishments is long—from our portfolio of renewable energy sources to our emissions-reduction efforts to our investments in promising new technology. All of those initiatives get us closer to a clean energy future. And as we move in that direction, we balance our environmental responsibilities with our obligation to customers to deliver reliable energy at a competitive price. We want customers to know, for example, that in some cases we've been able to provide them with wind energy that is less expensive than energy from fossil fuel. We want them to be aware of the fact that our balanced resource strategy, which includes a mix of energy sources, will continue to keep costs reasonable.

#### **Built to Last**

Xcel Energy is strong today and making the decisions and investments that will keep us strong. We always will care about employees, customers and communities. We will continue to operate our systems well. And our commitment to environmental leadership will remain steadfast. That's what **Built to Last** is all about.

Sincerely,

Shelfelly - -

Richard C. Kelly Chairman and CEO

Ben G.S. Fowke President and COO

# About this Report

**Reporting Period:** Jan. 1, 2010 – Dec. 31, 2010

Date of Previous Report: May 2010

Reporting Cycle: Annual

**Report Boundary:** Xcel Energy and its four utility subsidiaries

#### **Contact Point:**

corporateresponsibility@xcelenergy.com

We published our first corporate responsibility report (formerly known as the Triple Bottom Line report) in April 2005, with the contents covering the 2004 calendar year, and we have published a similar report in each subsequent year. Our report is based on Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines, the most widely used sustainability reporting framework in the world. Additionally, we incorporate the GRI's Electric Utilities Sector Supplement

indicators wherever possible. An index of the reported GRI indicators is listed at the back of this book, or you may visit **xcelenergy.com/corporateresponsibility** to access a hyperlinked index to the GRI indicators. More information about the GRI and G3 guidelines is available at **globalreporting.org**.

#### **Report Format and Distribution**

Based on stakeholder feedback, we continue to offer our corporate responsibility report in a printed format. However, we print fewer copies and employ environmentally responsible printing practices.

We also publish a short summary report and distribute copies at our annual shareholder meeting and other events. The report is available on our website, and we encourage our stakeholders to access the online version if possible. topics of interest. The printed version of the report includes a number of features that make it easier to locate information and to use the report as a reference resource, including:

- Color coding sections and providing an executive summary at the beginning of each section
- Placing icons and notes throughout the report that help identify and refer the reader to further information
- Incorporating an alphabetical subject index at the back of the report, in addition to the GRI index

Please send your questions and feedback regarding the report to **corporateresponsibility@xcelenergy.com**.



# Operating Companies



Public Service Company of Colorado (PSCo)

Colorado

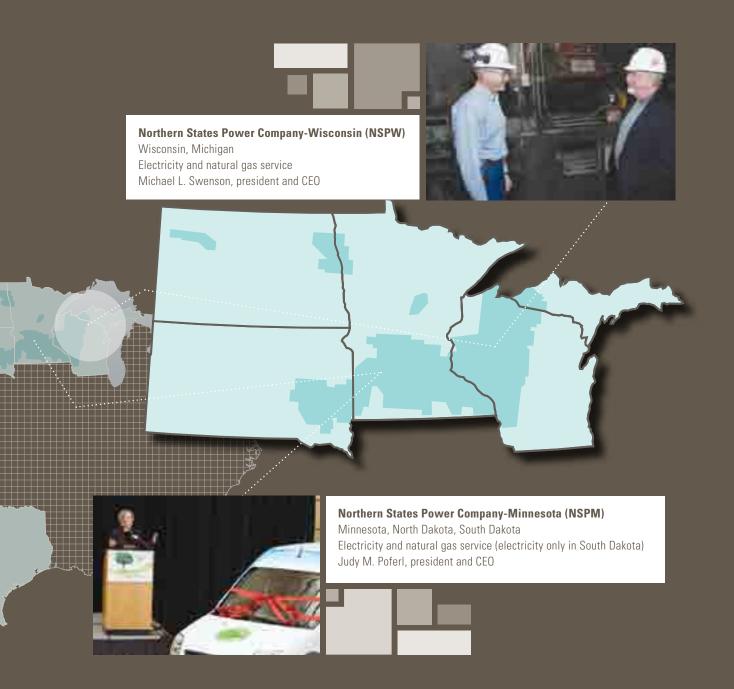
Electricity and natural gas service David L. Eves, president and CEO

Along with WYCO, a joint venture formed with Colorado Interstate Gas Company (CIG) to develop and lease natural gas pipeline, storage and compression facilities, and WestGas Interstate (WGI), Inc., an interstate natural gas pipeline company, these companies comprise the continuing regulated utility operations.

Xcel Energy Services (XES) is the service company for Xcel Energy. XES provides a variety of administrative, management, engineering, construction, environmental and support services, including the company's philanthropic division.



Texas, New Mexico Electricity service only C. Riley Hill, president and CEO



Stakeholders play a critical role in our company's success. Recognizing this, our operating company leadership took additional steps in 2010 to connect with stakeholders. We implemented enhanced stakeholder engagement plans that included efforts such as holding more one-on-one meetings with some of our largest customers, participating in or holding special events and giving more presentations within the communities we serve. These efforts provided opportunities to discuss major initiatives for the company, but more importantly, they enabled us to listen and hear directly the issues, concerns and opinions of our stakeholders.

# Stakeholder Engagement

Having a clear understanding of our stakeholders and our impact on the world helps us set our priorities and create a course of action to ensure a sustainable and socially responsible future. We cannot act effectively without considering input from many different groups. Our stakeholders are those individuals and groups who affect or are affected by our business operations. The greater the impact, the more heavily we invest our time, energy and resources in the relationship. We engage with and respond frequently to various groups as outlined below.

Stakeholder Group	Engagement	Key Interests	Our Response
Customers	Call center Business account managers Personal account representatives for vulnerable customers Customer advocate process Surveys and focus groups Website, newsletters and bill inserts Direct mail and advertising Energy expos for businesses Community conservation workshops One-on-one meetings with large customers	Energy- and money-saving opportunities Online account management Renewable energy Electric and natural gas safety Service reliability and timely outage response Information privacy	Expanded energy-saving programs and program goals  Low-cost or no-cost energy-saving tips  Community outreach and events to promote energy efficiency  Online account-management programs  Solar*Rewards® and Windsource® consumer programs  Corporate environmental strategy  Public safety materials, programs and advertising  Operational excellence program  Data-privacy process
Employees	Power of You breakfast meetings Brand Champions Executive site visits and presentations Bargaining-unit negotiations and communications Satisfaction, engagement and communication surveys	Continued fair compensation and benefits Professional development opportunities Communication Recognition Employee engagement Community involvement	Total Rewards Statement Compensation training for managers My Financial Future planning tool Career Central and other development resources Tuition reimbursement Chairman's Award Power of Recognition management tool kit Award-winning print, electronic and video communications Volunteer activities and paid-time-off program United Way campaigns and matching gift program Individual Performance and Development (IPAD) plans Employee networking groups Wellness programs Lunch-and-learn seminars

Active stakeholder engagement is even more important in challenging economic times like these. Throughout this report, we have highlighted various ways that we have engaged with our customers, employees, communities and other stakeholder groups.

Stakeholder Group	Engagement	Key Interests	Our Response				
Communities	Project-specific stakeholder meetings and open houses	Project input and communication	Project websites, newsletters, mailings and stakeholder meetings				
	Community relations and Xcel Energy Foundation staff Partnerships and local memberships Franchise agreements Presentations and speaking engagements Volunteer projects	Continued community support  Economic development and jobs  Continued community investment  Environmental leadership and support for local goals  Energy efficiency  Energy education  Public safety	United Way campaign Foundation focus areas and grants Employee volunteers and board members Programs for vulnerable customers Environmental strategy and clean energy future initiatives Chairman's Fund Power plant tours Energy Classroom Public safety programs				
Legislators and Regulators*	Policy leadership Governmental and regulatory staff Regulatory proceedings Reports, filings and informational materials Legislative initiatives Political action committees Presentations and speaking engagements	Reasonable energy costs Environmental leadership Emission reductions Responsible corporate governance	Environmental strategy Support for renewable energy standards Regulated energy-efficiency and conservation programs and goals Voluntary emissions-reduction initiatives Highly rated corporate governance program				
Investors	Website Annual report, 10-K, 10-Q, proxy, financial press releases and other disclosures Annual shareholders' meeting Teleconferences Investor meetings	Stock appreciation and company growth prospects Dividend growth and total returns Meet EPS guidance Solid credit ratings Financing needs Favorable regulatory environment	Corporate strategy that addresses environmental leadership, financial objectives and optimizing operating utility management Senior management presentations at investor conferences One-on-one meetings with current and prospective shareholders Annual Analyst Day meeting in New York City Participation in utility and retail shareholder organizations				

<sup>\*</sup>Often overlaps with community stakeholders

# Highlights from 2010

At the beginning of each section of the report, we have highlighted one of our top stories for the year, outlined below.

# TRANSMISSION P 13

Interview with Teresa Mogensen, vice president of transmission for Xcel Energy

Transmission is a key component of Xcel Energy's business strategy. Teresa Mogensen discusses our approach to transmission projects and our progress investing in new infrastructure.



### **JOURNEY TO ZERO P 23**

Interview with Ed Lutz, vice president of safety for Xcel Energy

In 2010, we introduced the Journey to Zero safety campaign. Ed Lutz describes creating a safer work environment by putting safety at the forefront of everything we do.



# **SOLAR DEVELOPMENTS P 63**

Interview with Brent Rice, executive manager of industry partnerships for the National Renewable Energy Laboratory

Solar energy is a growing part of our renewable energy portfolio. Brent Rice speaks about the future of solar energy and how we are working on many fronts to expand its use on our system.



# COLORADO CLEAN AIR-CLEAN JOBS ACT P 97

Interview with Martha Rudolph, director of environmental programs for the Colorado Department of Public Health and Environment

The Colorado Clean Air-Clean Jobs Act was introduced to help communities comply with present and future air quality rules.

Martha Rudolph talks about the need for the law and its benefits for Xcel Energy and our customers.











# Key Xcel Energy Achievements

- 1. Xcel Energy was named to the 2010-2011 Dow Jones Sustainability Index for North America. The companies listed on the index are considered to be the best in class in terms of economic, environmental and social performance. We received high marks for our climate strategy, management of water-related issues, corporate governance, scorecard/measurement system, safety and stakeholder engagement.
- 2. The American Wind Energy Association has ranked Xcel Energy the nation's No. 1 wind energy provider for the past seven years.
- The Solar Electric Power Association has ranked Xcel Energy No. 5 among U.S. utilities for solar capacity for the past three years.
- 4. Xcel Energy currently has the fourth largest transmission system in the United States, and we're growing fast. We have transmission assets in 10 states.
- We run some of the largest and most successful conservation initiatives in the United States, offering about 120 energy-saving programs for our business and residential customers.



# What led Xcel Energy to focus on environmental leadership?

Several factors came together to put us on the path to environmental leadership. First, we looked down the regulatory road and realized that environmental regulations were very likely becoming more stringent and costly. Obviously, we'd always worked hard to be in compliance with these requirements, but now we were looking at a host of new and increasingly complex environmental regulations—regulations that were unlike any I'd seen in my time in the utility industry. So we decided to be proactive and get ahead of the regulatory curve if we could.

At the same time, we knew that many of our generating facilities were getting older and less efficient. It was a good time to start upgrading or replacing them so it made sense to also build a cleaner electric system. Clean energy technologies such as natural gas combined cycle, wind and solar, along with energy conservation, were becoming much more viable and cost competitive. And there was stakeholder interest in being environmentally friendly. That came from our policymakers but also from our customers and some of our investors.

Finally, we operate in some of the most beautiful places in the country and serve wonderful communities. From the time I became CEO, I believed that promoting a sensible, clean energy future was the right thing to do—for our customers, our employees and our communities.

# How have you incorporated environmental leadership into your strategy?

We've been very successful in making environmental leadership work with our overall corporate strategy. We've worked to achieve what really is a delicate balance: meeting the needs of customers, building value for shareholders and protecting the environment—all at the same time. Customers, of course, want reliable energy at a competitive price, and we make sure that our environmental efforts don't stand in the way of that. In fact, our environmental strategy has resulted in an electric system that is both more reliable and more affordable.

Shareholders want us to grow the company, and we've determined how to invest in our own businesses not only to improve the environment but also to achieve solid returns for shareholders. Everybody wins.

# How has environmental leadership helped the company meet its challenges?

A variety of challenges exist but two in particular stand out in connection with environmental leadership. One is regulatory uncertainty, especially around climate policy and the Clean Air Act. The other is the level of investment required to meet environmental requirements and maintain reliability. Because we don't have a clear and certain national policy regulating carbon and other greenhouse gas emissions, it's difficult to plan for the significant investments we must make in our facilities. We need regulations that work seamlessly with our obligation to serve customers.

These challenges are important, but our strategy has helped us to manage them. We designed our strategy to ensure that we can provide customers with a diverse, balanced energy portfolio that includes significant contributions from a variety of energy sources. This diversity helps protect us and our customers from both uncertain regulatory requirements and unexpected changes in the marketplace.

We also have supported environmental policies that are flexible, cost-effective and certain. We've seen how these kinds of policies enhance our planning and result in a better environment at lower cost

Finally, we continue to promote development of clean technologies that we may need to rely on in the future.

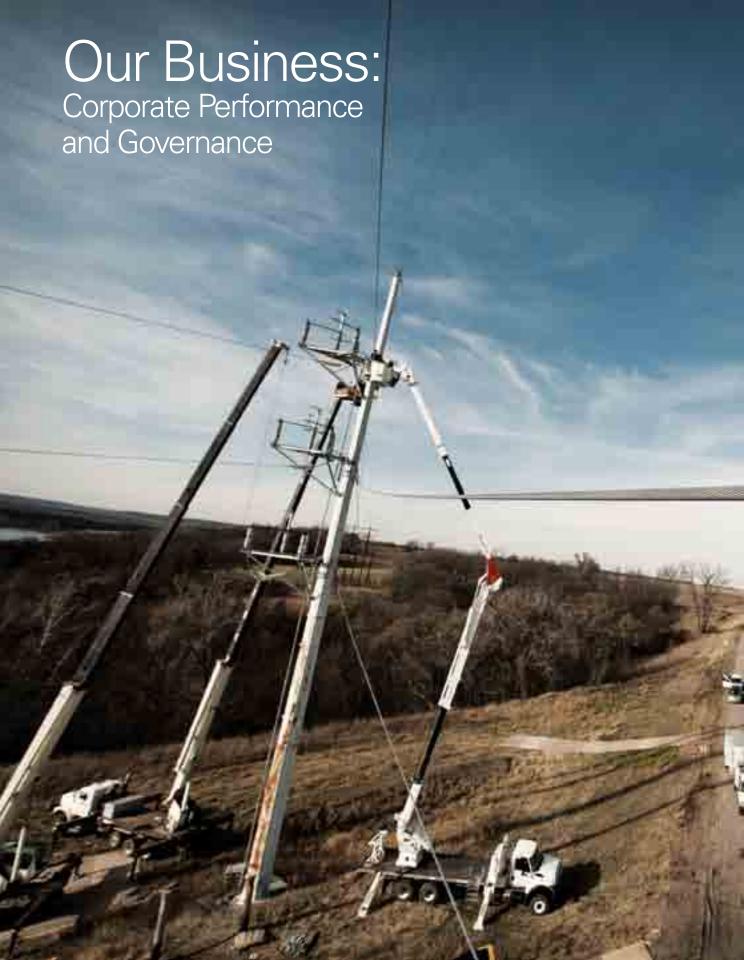
# How does the company benefit from environmental leadership?

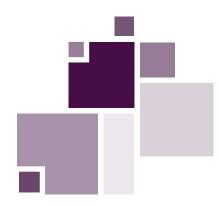
Environmental leadership is a smart business strategy. By being proactive in areas such as renewable energy or emissions reduction, we've positioned ourselves to better handle whatever federal environmental requirements eventually emerge. Because we're in front of the regulatory wave, we have the flexibility to make improvements to our facilities on our own terms and timetables. That translates into lower costs for customers and better returns for shareholders

We also benefit from all kinds of goodwill. Our employees are proud of our environmental record. Like me, they enjoy working at a company that has made a strong and sound commitment to the environment

Customers support our efforts not only because they also value the environment, but because they appreciate that we work hard to ensure that our strategy enhances reliability and reduces their long-term cost.

Regulators realize that we're doing the right thing and doing it well—they look to us for insight and they reward us with regulatory decisions that are constructive and fair. I have no doubt that we've taken the right path with our environmental strategy. I'm proud of what we've accomplished.





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### 2010 Highlight Story: **Transmission**

Teresa Mogensen, vice president of approach to transmission projects and our

# Describe Xcel Energy's electric transmission assets.

We have the fourth-largest transmission system in the nation and deliver about 21,000 MW of electricity to meet customer demand. Although the company serves customers in eight states, we have transmission assets in 10 states and are either operating in or bordering all three transmission interconnections in the United States. It's unusual to have that kind of diversity in one company and it gives us unique expertise and perspective in the industry.

# Xcel Energy is making significant investments in its transmission system. What's the company's approach to transmission projects?

We start by making sure there is a legitimate customer need for and benefit from the investment. Xcel Energy also gets involved in all transmission planning opportunities, which ensures that we have a seat at the table in any forum that affects our business and can help shape energy policy that affects us. We work closely with local stakeholders to determine the most workable sites for our facilities. We work with regulators on ways to ensure a fair return on our investment, and finally, we strive for continuous improvement, whether it's building new systems or operating them.

A lot of companies talk about building new transmission. Xcel Energy is actually doing it—and doing it well. That investment strengthens the reliability of the transmission grid, contributes to area economic development and enables us to deliver even more renewable energy.

### What are the benefits of collaboration when it comes to transmission projects?

In the old days, transmission planning often took place deep in utility back rooms. We didn't talk to many people about our plans. Today, it occurs in many venues and at many levels, including national, regional, state and local. It makes sense to collaborate because these are significant projects that affect a lot of people. That's why we not only work with other transmission owners, we get local officials and stakeholders involved every step of the way. We gain much more support for our projects that way, and we learn a lot by listening to stakeholders.

On a larger scale, we are actively collaborating with other transmission owners to develop projects that efficiently address our collective needs. Last year in Minnesota, we began construction of CapX2020, a joint venture with 10 other utilities to improve the transmission system of the Upper Midwest. A similar collaborative transmission effort in Colorado called SB100 is in development and construction. In Texas, several projects that are part of our Power for the Plains initiative are under construction.

We are striving to deliver the best value possible with all of our transmission activities.



# **Executive Summary**

2010 represents the sixth consecutive year in which we have met or exceeded our earnings guidance. Higher ongoing earnings were primarily due to improved electric margins as a result of new rates in various jurisdictions and warmer summer temperatures, which were partially offset by higher operating and maintenance expenses and property taxes.

During 2010, we maintained a high level of customer satisfaction and successfully met or exceeded our energy efficiency and conservation program targets. Additionally, we completed the acquisition of two natural gas power plants in Colorado; our Comanche Unit 3 and Nobles Wind Farm commenced commercial operation; we began construction on the CapX2020 transmission project; and we received commission approval for our Clean Air-Clean Jobs plan, which is designed to reduce emissions in Colorado.

Our corporate strategy continues to focus on 1) enhancing our environmental performance by achieving emissionsreduction objectives through pursuit of clean energy, conservation and efficiency initiatives; 2) improving our operational effectiveness and productivity to deliver customer value with safe, clean, reliable energy at a competitive price; 3) fostering constructive regulation by informing and engaging stakeholders to create a shared awareness of emerging issues and constraints and advising on policies to prepare for tomorrow's business challenges and 4) achieving our financial objectives and providing investors with a competitive total return.

Conducting our business in an honest and ethical manner is one of our corporate values. We have developed corporate governance policies that provide a high level of disclosure and have implemented numerous mechanisms to ensure board effectiveness. Fifty percent of our executives' total

Corporate Key Performance Indicators								
	2010 Goal	2010 Performance	2011 Goal					
Investors	Meet earnings target range of \$1.55-\$1.65	Ongoing diluted earnings per share were \$1.62 •	Meet earnings target range of \$1.65-\$1.75					
Environmental Performance	Complete four identified projects associated with $\mathrm{CO_2}$ emission reductions, involving energy efficiency, renewable energy, innovative clean technology and power plant efficiency projects	Completed four identified projects* ●	Complete at least 9 out of 12 identified projects associated with energy efficiency, renewable energy and innovative clean technology; also achieve 760 GWh of savings through customer energy efficiency programs					
Safety Achieve OSHA recordable incident rate of 1.99 or lower		Achieved OSHA recordable incident rate of 1.90 🖈	Achieve OSHA recordable incident rate of 1.74 or lower					
	Achieve DART (Days Away, Restricted or Transferred ) rate of 1.17 or lower	Achieved DART rate of 1.07 🛞	Achieve DART rate of 0.98 or lower					

<sup>\*</sup> Find more information about environmental performance projects in the "Our Clean Energy Future" section starting on page 62 and the "Our Environmental Performance" section starting on page 96.

★ EXCEEDED TARGET

MET TARGET

DID NOT MEET TARGET



( • ) Xcel Energy uses KEY PERFORMANCE INDICATORS (KPIs) as part of our management system to ensure performance around strategic and operational priorities. Each operating company and business area has a scorecard with KPIs that support corporate goals. Individual department scorecards and employee performance plans then roll up to support business area, operating company and ultimately, corporate KPIs.



direct compensation comes in the form of long-term, equitybased incentive awards, and we utilize a pay-for-performance approach to align compensation with specific corporate goals.

As a company, our strengths include an established position as an environmental leader; a strong financial position with constructive regulation; and an attractive total return potential. More detailed information about our risks and opportunities is available in the 2010 Annual Report on Form 10-K.

# Changes in 2010

- We completed the purchase of the Rocky Mountain
   Energy Center and the Blue Spruce Energy Center from
   Calpine Corporation in December 2010, transferring 931
   MW of electricity to PSCo's operating fleet without any
   interruption to service. Xcel Energy announced in April
   2010 that we would acquire the two Denver power plants
   for \$739 million after an offer was made by Calpine during
   a competitive bidding process for additional generating
   resources. The plants had previously provided electricity
   to Xcel Energy under power purchase agreements.
- Xcel Energy, Lubbock Power & Light (LP&L) and the
  City of Lubbock finalized the sale and purchase of our
  Lubbock distribution assets in October 2010. Xcel Energy
  and LP&L reached a mutually beneficial agreement that
  allowed LP&L to purchase our electricity distribution
  system within the city and serve all of our Lubbock
  retail electricity customers. We will continue to supply
  wholesale power and transmission services to LP&L.

# Power Company of the Year

Xcel Energy was named "Power Company of the Year" at the Platts Global Energy Awards in December 2010. The annual awards program recognizes excellence in energy leadership, innovation and performance. Semifinalists for the honor were selected from companies representing more than 30 countries. Judges cited our environmental leadership, commitment to clean energy and projects such as SmartGridCity<sup>TM</sup> as reasons for the award.

# Accomplishments in 2010

- We were named to Corporate Responsibility Magazine's "100 Best Corporate Citizens" list. The list ranks U.S. companies that excel at serving a variety of stakeholders and operate with a high level of transparency.
- We raised our dividend 3.1 percent.
- Our earnings per share increased 8 percent.
- For the third year in a row, shares of our stock outperformed our peer group of regulated utilities. Taking into account the reinvestment of our dividends, we delivered a total return of more than 16 percent in 2010.
- We received a credit ratings upgrade from Standard and Poor's from BBB+ to A-.

Financial Summary for 2010					
Earnings	\$756 million				
Earnings per diluted share	\$1.62				
*Ongoing diluted earnings per share	\$1.62				
Economic Value Generated					
Total revenues	\$10.3 billion				
Electric utility revenues	\$8.5 billion				
Natural gas revenues	\$1.8 billion				
Other operating revenues	\$77 million				
Economic Value Distributed					
Electric fuel and purchased power costs	\$4.0 billion				
Cost of natural gas sold and transported	\$1.2 billion				
Employee compensation, including wages and benefits	\$1.5 billion				
wayes and benefits					
Charitable donations and community investments	\$14.2 million				
Charitable donations and community	· '				
Charitable donations and community investments	million				
Charitable donations and community investments  Retained earnings	million \$1.7 billion				
Charitable donations and community investments  Retained earnings  Interest charges and financing costs	million \$1.7 billion \$549 million				

Please see our 2010 Annual Report on Form 10-K on our website for detailed financial statements.

*Reconciliation – Ongoing EPS to GAAP	2010
Diluted Ongoing diluted EPS	\$1.62
COLI Settlement, PSRI and Medicare Part D	(0.01)
EPS from continuing operations	\$1.61
EPS from discontinued operations	0.01
GAAP diluted EPS	\$1.62

# Corporate Strategy

Our corporate strategy continues to focus on these core objectives:

#### Being an environmental leader

As a portfolio of regulated utilities, we have an obligation to serve our customers by providing them with reasonably priced, reliable electric and gas services. However, our strategy goes beyond this traditional mission. Under our environmental leadership strategy, we take prudent, balanced steps to reduce the impact of our operations on the environment while promoting technological and public policy advancements that will encourage a cleaner electric system. We believe that environmental stewardship is good business. Taking a proactive approach toward a clean energy future helps us manage risk and reduce costs over the long run.

#### **Achieving financial objectives**

Our financial objectives include three phases:

- Obtaining legislative and regulatory support for large investment initiatives: To avoid excessive risk, it is critical that we reduce regulatory uncertainty before making large capital investments so we can recover the dollars spent.
- Investing in the utility business: As a result of our current capital investment plans, we forecast our rate base, or the amount on which we earn a return, to grow at a compounded average rate of 6 percent through 2015.
- Earning a fair return on utility system investments: Our regulatory strategy is based on filing reasonable rate requests designed to provide recovery of legitimate expenses and a return on utility investments. We believe the public utility commissions will provide such recovery. Positive results over the last several years are evidence of reasonable regulatory treatment and give us confidence that we are pursuing the right strategy.

We believe the following financial objectives continue to be both realistic and achievable:

- A long-term annual earnings per share growth rate target of 5 to 7 percent
- Annual dividend increases of 2 to 4 percent
- Senior unsecured debt credit ratings in the BBB+ to A range

#### Optimizing the management of our operating utilities

While we have four separate operating companies— NSPM, NSPW, PSCo and SPS—our goal is to make the most of similarities among these companies in areas like environmental policy research, asset management and safety. We realize, however, that each utility company 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 a utility group president located in each jurisdiction. The objective is to optimize our operating efficiency while maximizing accountability.

Further detail regarding our corporate strategy can be found in our 2010 10-K on our website.

# What Is a Rate Case?

A rate case is the way Xcel Energy proposes changes to the prices we charge customers. Just like any business, we must cover the costs of doing business. For a utility, those costs include providing energy to homes and businesses, meeting regulations and making investments in our infrastructure. We file rate cases when those costs rise. State public utilities commissions are responsible for reviewing and approving rate cases. The commissions ensure that customers receive adequate and reliable services at reasonable rates and give our investors a fair return on their investment.

# A Shareholder's Perspective



A shareholder since 1986, retired home economics teacher Eloise Layman is pleased with Xcel Energy for a number of reasons.

First, she likes the stable dividend the company offers, and relies on

it to supplement her retirement income. She also admires the company's environmental efforts.

"Xcel Energy has done a lot for the environment," Layman says. She points to the company's Wilmarth RDF Generating Station in her hometown of Mankato, Minn. She's toured a wind farm and visited Xcel Energy's Prairie Island Nuclear Generating Plant as a member of the shareholder group Minnesota Utility Investors (MUI).

Finally, the educator in her appreciates the teaching value of Xcel Energy stock. She and her husband gave each of their six grandchildren 100 shares of the company's stock several years ago.

"We thought it would be good for them to learn about stocks," Layman says. "I also think the utility industry needs some younger shareholders."

Apparently the plan worked in sparking an interest in investing. Her oldest grandchild, now a sophomore at Amherst College, is a member of the school's investment club.

In addition to teaching, Layman is a life-long learner, which is one of the reasons she joined MUI. "It's been quite educational," she says.

"Eloise is one of those real people who are so important to our grassroots," said Annette Henkel, chairman, president and CEO of MUI. "When she talks to a legislator about the industry, it's more powerful than 100 lobbyists talking."

#### **2010 Rate Case Activity**

	Date of filing	Date of approval	Amount approved
		MINNESOTA	
Electric	November 2010	Pending	Pending
Natural Gas	November 2009	December 2010	\$7.3 million
		WISCONSIN	
Electric	August 2010	January 2011	\$21.1 million
Electric Wholesale*	April 2010	Approved	Pending
		NORTH DAKOT	A
Electric	December 2010	Pending	Pending
		COLORADO	
Natural Gas	December 2010	Pending	Pending
Electric Wholesale	October 2009	October 2010	\$21.8 million
		TEXAS	
Electric	May 2010	March 2011	\$39.4 million effective February 2011 and \$13.1 million effective January 2012
		MICHIGAN	
Electric	December 2010	Pending	Pending

<sup>\*</sup>Includes Michigan

#### 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 exclusive right to provide electricity and natural gas services in certain regions, we agree to the following:

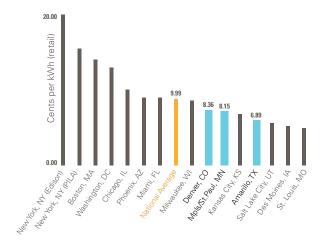
- Duty to serve: We will provide service to any residence or business within our service territory that requests it upon reasonable terms and conditions. We cannot pick and choose our customers.
- Cost of service pricing: Pricing for our services is regulated by the costs we incur to deliver it. We cannot arbitrarily raise prices to levels beyond our costs.
- Resource planning process: Every few years, we go
  through a process to determine the resources necessary
  to serve customers' future energy needs. Resource
  plans must be reviewed and approved by regulatory
  commissions, and stakeholders are given the opportunity
  to provide input on the plans through a public process.

Together, this is known as the regulatory compact. We are granted the ability, not a guarantee, 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 aligned with the current demands of the public and policymakers.

### How Our Rates Compare With Other Utilities

Edison Electric Institute Typical Bills – Summer 2010



The Edison Electric Institute is the association of U.S. shareholderowned electric companies. Its members serve 95 percent of the ultimate customers in the shareholder-owned segment of the industry and represent approximately 70 percent of the U.S. electric power industry.

# **Board Director Honors**

#### Fredric "Fritz" Corrigan



In 2010, two of our board directors were honored by external groups for their service to Xcel Energy, as well as the larger community.

Fredric "Fritz" Corrigan, Xcel Energy's lead independent director, was named one of

Minnesota's five most valued corporate directors by Twin Cities Business in October 2010. A board director for Xcel Energy since 2006, Corrigan was recognized for his strong commitment to employee safety and the environment.

#### **Richard Davis**



Richard Davis, chief executive for U.S.
Bancorp and Xcel
Energy board director since 2006, was named "Executive of the Year" by the Minneapolis/St.
Paul Business Journal in January 2010 and "Banker of the Year" by American Banker

newspaper in December 2010. Davis was lauded as a leader in the banking industry during particularly challenging times.

# Corporate Governance

#### Board of Director Facts

- 11 directors, nine of whom are classified independent by the listing standards of the New York Stock Exchange.
- Richard C. Kelly, board chairman, and Benjamin G.S.
   Fowke III are inside directors and are not considered independent.
- To strengthen independent oversight, independent members of the board annually elect a lead independent director. Specific responsibilities of the lead director are defined in Xcel Energy's corporate governance quidelines.
- Each director is a full and equal participant in the major strategic and policy decisions of the company.
- Our board committees include:
  - Nuclear, Environmental and Safety
  - Governance, Compensation and Nominating
  - Audit
  - Finance
- All board committee members are independent directors.
- Board membership is based on factors such as judgment, skills, integrity and experience with business and other organizations of comparable size to Xcel Energy. The diversity of our board is outlined on page 54.

- All directors are expected to adhere to our Code of Conduct, which complies with the requirements of the Sarbanes-Oxley Act.
- The board of directors and senior management meet frequently throughout the year to assess the company's economic, social and environmental performance and to plan for the future.
- We regularly monitor activity to ensure conflicts of interest are avoided.

### **Board of Director Changes**

In May 2010, three board members retired: Margaret Preska, Richard Truly and Coney Burgess. On March 1, 2011, J.Joseph Sheppard was elected as a board member.

Our full Corporate Governance Guidelines are available online, along with the charters of our four governing committees and profiles of our board directors. Detailed information about the company's corporate governance and executive compensation practices is published annually in the proxy statement to shareholders. You may contact the board of directors by email at boardofdirectors@xcelenergy or by regular mail at Board of Directors, c/o Corporate Secretary, 414 Nicollet Mall, 5th floor, Minneapolis, MN 55401. Shareholders may propose actions for consideration at the annual meeting as outlined in our proxy statement.

Independent Governance Ratings							
Rating Organization Xcel Energy Score Scale							
Governance Metrics International							
Overall Rating							
Global	9.5	0-10					
Home Market	9.0	0-10					
Pay Alignment Rating	0-100%						
	The Corporate Library (T	CL)					
Governance Risk Assessment Low Concern Low, Moderate or High Conce							
TCL Rating	В	A-F (no E)					
Institutional SI	hareholder Services' Governan	ce Risk Indicators (GRId)					
Audit	Low Concern						
Board Structure	Low Concern	Low, Medium or High Concern					
Compensation	Medium Concern	Low, Modium of High Contestin					
Shareholder Rights	Shareholder Rights Low Concern						

#### Ethics and Compliance Program

Conducting our business in an honest and ethical manner is one of our corporate values. It is the right thing to do and a foundation of our success. As a result, Xcel Energy has a solid reputation for good corporate governance. Our company's rigorous Corporate Compliance and Business Conduct (CCBC) program, which exists to identify and manage risks and improve the awareness of an ethical business culture, continues to be a corporatione of how we do business

#### **Compliance and Business Conduct Governance**

The audit committee of our board of directors is the governing authority for compliance and business conduct matters. The audit committee assists the full board in fulfilling the board's oversight responsibilities for all aspects of our CCBC program, including those 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 our 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 Reporting Options**

- 1. Speak to your supervisor
- 2. Contact the next level of management
- 3. Contact Xcel Energy's Compliance & Business Conduct Office (612) 215-5354
- 4. Contact legal services
- 5. Report the concern to any Xcel Energy board member
- 6. Complete a Nuclear Corrective Action Request Form
- 7. Report nuclear safety issues to the Employee Concerns Program (866) 327-4662
- 8. Contact the Nuclear Regulatory Commission (800) 695-7403
- 9. Call the Compliance Hotline (800) 555-8516

#### **Business Conduct and Training**

Xcel Energy's business and management practices are built on a strong, ethical foundation called our Code of Conduct. The Code of Conduct provides employees with the knowledge they need to make sound business decisions that meet or exceed our ethical and legal standards. The Code of Conduct alerts employees to their ethical responsibilities and holds them responsible for their actions. In summary, employees are expected to:

#### 'DO WHAT'S RIGHT: REPORT WHAT SEEMS WRONG'

Code of Conduct training is required within 30 days of being hired and annually thereafter. Included in the training is a statement of commitment. Code of Conduct training is one component of our annual CCBC training plan. Courses are identified for the annual training plan based on policies, regulations, key issues and our three-year rotating training cycle. The goal is 100 percent completion by due dates. Employees are responsible for knowing and following not only our Code of Conduct, but all corporate policies and applicable laws and regulations.

#### **Investigations and Resolving Conflicts**

We encourage employees to discuss issues with their leaders. Numerous other reporting options also are available. An independent company answers all calls to the Compliance Hotline, which is available 24 hours a day. Anonymous reports are accepted. Every issue reported is investigated, and if substantiated, appropriate action is taken. Actions can range from communicating key messages to discipline to termination. Retaliation is strictly prohibited.

#### **Performance and Trends**

Employees are invited annually to respond to six specific statements regarding the effectiveness of our CCBC program. Favorable results have been reported for the last five years. While fewer employees responded favorably to the two questions with results of 86 and 83 percent, there is not a high level of disagreement associated with these questions. Rather, 12 percent provided no response or responded "uncertain" and 10 percent provided no response or responded "neither well nor poorly prepared," respectively.

2010 CCBC Employee Survey Results					
	Agree				
I know what is expected of me	99%				
I believe I would be protected from retaliation	91%				
My manager would never ask me to do something unethical	93%				
I am familiar with the company's vision, mission and values	96%				
Company leaders use our vision, mission and values to guide the company	86%				
I am prepared to handle situations that could be a violation of our code, company policy or the law	83%				

#### Political Contributions

In the corporate governance section of our website, we publish our political contributions and government communications policy. We also report information about corporate contributions made to candidate campaigns, entities organized and operating under Section 527 of the Internal Revenue Code (26 USC 527) and trade organizations.

Please see page 40 to learn how we are addressing privacy concerns relating to customer-specific energy usage data.



We routinely collect and maintain several forms of private, confidential information on customers, employees, contractors and shareholders in the course of our business. We also have proprietary, licensed and confidential information related to our operations and relationships with other companies.

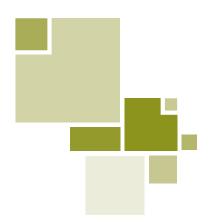
To keep the trust of the people who gave us the information, as well as that of regulators, to maintain our reputation as a company of integrity, and to deliver value to our shareholders, we must:

- Increase our awareness of data privacy
- Understand data privacy's growing impact on our operations
- Manage the risk of data breach proactively

In 2010, we took the following actions relating to data privacy:

- Created the position of Director of Data Privacy to ensure accountability for consistent strategy and compliance around data privacy.
- Conducted internal assessments of our policies and procedures to update for emerging privacy and security issues and to identify any compliance gaps.
- Developed standard data-security language for use in our agreements with third-party vendors that involve sharing confidential employee, customer and shareholder data. This language is the starting point for all future negotiations and involves appropriate obligations for maintaining the confidentiality and security of private data vendors obtain from us
- Reviewed all existing, non-nuclear vendor contracts that involve the sharing of confidential employee, customer and shareholder data to ensure adequate data security and liability protection for vendor-data breach. A similar effort is taking place with nuclear vendors in 2011.
- Launched a comprehensive, multimedia employeeawareness campaign on data privacy and security and measured employee awareness of these issues using our annual corporate communications survey.
- Enhanced internal procedures for approving the release of confidential information, which ensures that all requests for a data release to a third party are reviewed prior to release to prevent inadvertent exposure or data breach.

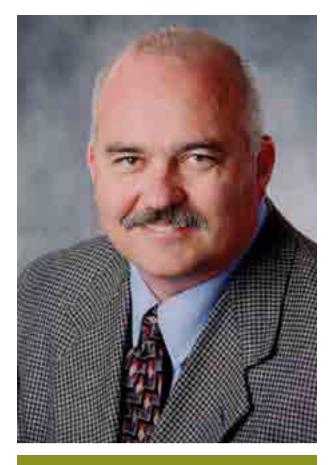




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# 2010 Highlight Story: Journey to Zero safety campaign

Ed Lutz, vice president of safety for Xcel Energy, describes creating a safer work environment by putting safety at the forefront of everything we do.

# Describe the company's Journey to Zero safety initiative.

Journey to Zero encompasses and represents all of the behavioral safety programs, campaigns and initiatives for Xcel Energy employees that the company develops and initiates. Our goal is to change employee behavior around safety, and in the process, change the safety culture at the company. Philosophically, we do not accept anything less than every employee going home safely every day.

### When the company says that safety is a core value, what does that mean?

It means that safety is part of the company's fabric. Priorities come and go and can change over time. Values are deeply rooted beliefs that have a major influence on the behavior of an individual or organization. As a company, the safety of our employees and contractors is our top priority. We always stress with employees and contractors that no job is so important that we can't take the time to do it safely.

# How has safety performance changed in the past few years?

While we recognize that it takes time and patience to change a safety culture, we're making good progress. Since 2002, for example, we've been able to reduce injuries by 50 percent. As the safety culture is embraced by more and more employees, we are confident that we will see steady decreases in safety incidents and injuries.

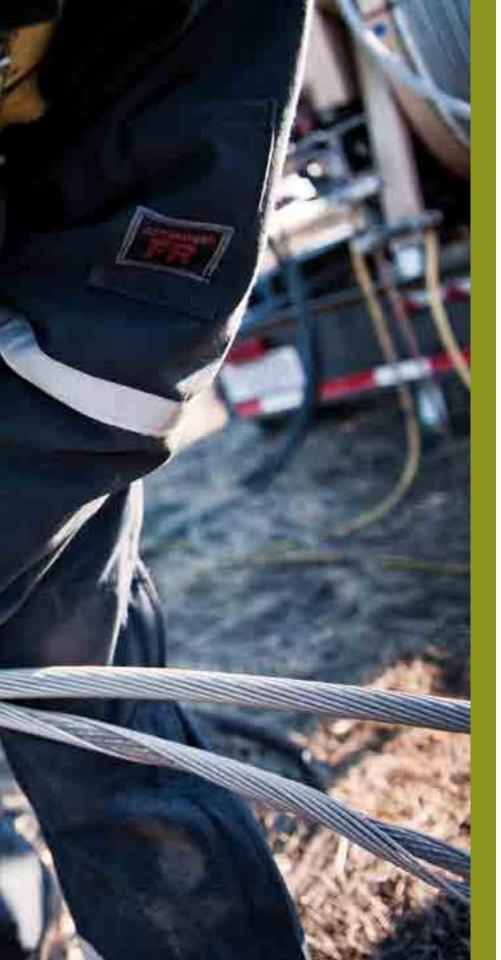
### Is it realistic to think that the company could get to the point where there are no safety incidents?

We have many departments, power plants and service centers at Xcel Energy that have gone for years without an employee getting injured. We believe that an employee can work injury free for an entire career.

### What does the company do to protect contractors and the public?

We have a robust contractor safety program that reviews the safety performance of contractors before we hire them and monitors their performance while they work for us. We have an extensive communication program for public safety awareness. We focus on excavation contractors to provide information and help ensure that they call for utility line locates before they dig. We communicate with customers about safety through mailings and advertising. In addition, we have school programs that help children understand energy and its potential dangers, and we participate in public events such as state fairs to help educate the public about safety and our business.





# **Executive Summary**

Ultimately our business comes down to people in the locations where we operate. Providing an essential service like electricity and natural gas brings with it many responsibilities—to our customers, our employees and our communities.

#### **Customers**

We understand that most customers are primarily concerned with the reliability and affordability of the services we provide. Through our comprehensive residential and business energy conservation programs, improved customer communications and account management tools, below-average energy prices and consistent reliability performance, we have managed to keep our customer satisfaction ratings high.

#### **Employees**

We aim to be an employer of choice and have made it our mission to proactively shape an environment that attracts and retains the best employees; holds employees

accountable for operational excellence and recognizes outstanding performance; develops inspirational and courageous leaders; and fosters inclusivity and celebrates diversity. Safety, of course, remains one of our core values and is measured as a key performance indicator on almost every scorecard throughout the company.

#### **Communities**

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 literally connected to the communities we serve through active and ongoing investment in their infrastructures.

We believe we have a responsibility to have a positive impact in all we do—as a good neighbor, community advocate and environmental steward. Our community impact is far-reaching—from charitable giving grants to employee volunteering to environmental partnerships and educational initiatives.



	2010 Goal	2010 Performance	2011 Goal
Customers	Achieve residential customer satisfaction of 90% positive	Achieved residential customer satisfaction of 92% positive 😸	Achieve customer satisfaction of 93% positive among all customer classes
System Reliability	Achieve SAIDI (System Average Interruption Duration Index) rate of 86.40 minutes	Achieved SAIDI rate of 85.72 minutes 💮	Achieve SAIDI rate of 86.20 minutes
Plant Reliability	Achieve UOR (Unplanned Outage Rate) of 6.89	Achieved UOR of 8.77 —	Achieve UOR of 6.90
Safety	Achieve OSHA recordable incident rate of 1.99 or lower	Achieved OSHA recordable incident rate of 1.90 ★	Achieve OSHA recordable incident rate of 1.74 or lower
	Achieve DART (Days Away, Restricted or Transferred) rate of 1.17 or lower	Achieved DART rate of 1.07 ★	Achieve DART rate of 0.98 or lower
Diversity	Increase diversity awareness among company leaders from 55% in 2009 to 58% in 2010	Increased diversity awareness among company leaders to 66% (**)	Complete diversity and inclusion education training with 95% of managers and begin employee education training
Community	Increase employee volunteerism 15% over 2009	Increased employee volunteerism 15% based on Volunteer Energy results and 14% over 2009 Volunteer Paid Time Off results	Increase employee volunteerisr 15% over 2010
	Maintain United Way giving of \$2.6 million	Employees pledged nearly \$2.7 million to United Way	Maintain United Way giving of \$2.7 million
			Increase employee United Way participation from 44 to 50% by 2012
Workforce	Maintain internal employee promotions of 67%	Maintained internal employee promotions of 67%	Improve leadership effectiveness; achieve leadership index score of 16.99
			Build performance-based cultur reward high performers at rates 1.4 to 1.75 times higher*
	Achieve 54.8% brand alignment as measured by survey results	Achieved 55% brand alignment	Achieve Voice of the Employee percentile ranking of 47.5, an increase over the 2010 percentile ranking of 42.5**

<sup>\*</sup>On page 41 we describe our goal to be an employer of choice, which includes developing strong leaders and creating a culture that holds employees accountable and that recognizes outstanding performance. To monitor our progress in 2011, we created a leadership index that captures and measures our ability to retain high performing employees and better manage our workforce in general. We also will be measuring our ability to reward high performing employees through annual merit increases that are above levels awarded to those rated fully competent, therefore, ensuring we recognize and compensate our strongest performers.

<sup>\*\*</sup>In 2011, we will no longer focus on employee-brand alignment, and instead, will measure employee engagement by conducting among all employees the Voice of the Employee survey offered by the Corporate Leadership Council™. We piloted the survey to establish a baseline in 2010.

# Accomplishments in 2010

- In Colorado, Xcel Energy was ranked as the most generous corporate giver in the state for the third year in a row. The ranking is done by the Denver Business Journal in its annual giving guide.
- We were named "Corporation of the Year" by the Metropolitan Economic Development Association (MEDA) of the Greater Twin Cities for being a valued partner for 39 years. MEDA's mission is to help entrepreneurs of color succeed and thrive.
- Our Upper Midwest operating companies, NSPM and NSPW, were ranked No. 1 in the 2011 J.D. Power Business Electric Study among large utilities in the Midwest region. We earned top marks for power reliability, customer service and our billing and payment department.
- Our Process Efficiency program, which helps commercial customers create
  three- to five-year energy-management plans that incorporate sustainable
  energy efficiency into their industrial processes and technical projects,
  received the Midwest Energy Efficiency Alliance's (MEEA) "Inspiring
  Efficiency" award.
- For the third year, G.I. Jobs magazine named Xcel Energy one of the nation's 100 most military-friendly employers. The annual list recognizes the top 2 percent of veteran-friendly companies in the United States. Approximately 1,325 – or about 11 percent – of our employees have served in the U.S. armed forces.

Customers						
Number of customers						
Electricity	3.4 million	Natural gas	1.9 million			
Energy assistance contribution	\$17.8 million					
Service disconnections	130,351					
Energy conservation programs*						
Residential						
Number of programs offered	61	Number of programs offered	62			
Number of participants	2,411,349	Number of participants	147,872			

<sup>\*</sup> Preliminary, estimated annual data that includes energy conservation programs offered in 2010 and customers who received a rebate or joined a program in 2010.

Employees	<b>;</b>
Number of employees	12,319
Percent represented by unions	53%
Community	y
Xcel Energy Charitat	ole Giving
Focus area grants	\$4,057,065
Environment	\$973,215
Education	\$1,217,800
Job training and placement	\$1,131,700
Arts and culture	\$734,350
United Way contributions	\$5,378,890
Employee contributions	\$2,666,945
Company contributions	\$2,711,945
Matching Gifts program	\$1,323,542
Employee contributions	\$710,634
Company contributions	\$612,908
Dollars-for-Doing contributions	\$103,650
Volunteer Energy contributions	\$59,500
Disaster relief	\$50,000
Community grants	\$546,585
Corporate contributions	\$2,455,168
In-kind donations	\$217,118
Total Contributions	\$14,212,628
Volunteer Paid Time Off	9,895 hours
Dollars-for-Doing hours	18,368 hours
Supply chain spending	\$2.9 billion
Local spending	38%
Supplier diversity spending	\$208.9 million

PSCo		NSPW	
Electricity Customers	1,368,821	Electricity Customers	249,8
Natural Gas Customers	1,306,057	Natural Gas Customers	105,7
Communities Served	296	Communities Served	2
Focus Area Grants*	\$1,355,990	Wisconsin	
i i i i i i i i i i i i i i i i i i i		Michigan	
i i		Focus Area Grants*	\$133,3
		NSPM	
		Electricity Customers 1,397,707	
		Natural Gas Customers 481,471	3
		Communities Served 492	
		Minnesota 428	,
		North Dakota 28	
SPS		South Dakota 36	
Electricity Customers	375,268	Focus Area Grants* \$2,147,775	à
Communities Served	96	W W	
Texas	82		$\pm$
New Mexico	14	*The allocation for focus area grants is based on a formula that includes such fa	actors
Focus Area Grants*	\$420,000	as revenue, customers, employees and capital assets by operating company.	

#### Customers

For more than 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 about 150 full-time equivalent employees working together to design new energy conservation programs; to ensure the savings estimates are accurate and measurable; to develop marketing plans to reach the right target markets; and to create plans to meet our regulatory goals. In 2010, we spent nearly \$179 million on energy conservation projects for residential and business customers throughout our service territory.

#### Residential Customers

In recent years, our residential customers have expressed increasing interest in managing their energy use and account activities online. They also expect to be able to access accurate and timely information about the services they receive from Xcel Energy and the programs available to them. We understand that most customers are primarily concerned with the reliability and affordability of their electricity and natural gas service. As a result, we have improved and increased the various channels we use to communicate with customers about our numerous conservation and account management programs and services.

#### **Online Account Management**

My Account, our new online account management portal, is now available in all Xcel Energy service areas. At the end of 2010, we had more than 172,000 customers registered, and nearly a third of them were also enrolled in eBill, our online billing service. My Account provides customers with an up-to-date view of key account information and many self-service options. They are able to see their past 24 months of billing information, energy consumption information, monthly carbon emissions data and more. Customers are also able to apply for AutoPay and Averaged Monthly Payment programs and to add authorized users to their account. Online capabilities will continue to expand throughout 2011. Future improvements will include expanded support for business customers, data-download and print capabilities, targeted online promotions, interval data display, online energy audits, start/stop service options, a property manager portal and additional payment arrangements.

#### **Social Media**

Xcel Energy is extending its reach into the social media world, providing new avenues for customers to hear about

the company and share their thoughts. In 2010, we added our presence on Facebook, Twitter, Flickr and YouTube. We also launched a blog discussing current topics and issues regarding renewable energy sources and energy efficiency. Our use of social media provides customers with increased availability and access by offering another channel to reach us. We can have a direct dialogue with our customers in this space, answering customer service questions and providing storm and outage information in real time. We have also used social media to recruit high-quality employee candidates.

#### "Your Energy" E-Magazine

In 2010, we began using a new e-mail tool that provides a reliable platform from which to send professional and legally compliant email campaigns to customers. One of our first offerings was the e-magazine "Your Energy." We sent seven issues to more than 600,000 Colorado and Minnesota residential customers and plan to send nine issues in 2011. The e-magazine contains feature articles and promotions on company programs and services that are of interest to residential customers.

Electricity Customers						
	NSPM	NSPW	PSCo	SPS	Total	
Residential	1,240,509	210,781	1,159,287	295,671	2,906,248	
Commercial & Industrial	150,894	37,873	152,671	73,424	414,862	
Public Authority & Other	6,291	1,151	56,837	6,134	70,413	
Wholesale	13	10	26	39	88	
Total	1,397,707	249,815	1,368,821	375,268	3,391,611	

Natural Gas Customers				
	NSPM	NSPW	PSCo	Total
Residential	440,680	93,402	1,200,950	1,735,032
Commercial & Industrial	40,772	12,288	99,877	152,937
Transportation & Other	19	22	5,240	5,281
Total	481,471	105,712	1,306,057	1,893,250

2010 energy-efficiency program results and more state-by-state program information is available on page 82.



Residential Energy Conservation Programs and Services					
Product/Service	Description	States Offering & Paying Rebates in 2010	# New Customers Participating in 2010		
Compact Fluorescent (CFL) Bulbs	Energy-efficient CFL bulbs offered at wholesale prices in retail stores and online	CO, MN, NM	576,492		
Cooling Rebates	Rebates for energy-efficient cooling equipment	CO, MN, NM	15,424		
Heating Rebates	Rebates for energy-efficient heating equipment, such as furnaces, boilers, heat pumps, programmable thermostats, attic and wall insulation, duct sealing and weather stripping	CO, MN, MI, ND	17,319		
Home Energy Audits	Discounted home energy audits offered to identify energy-savings opportunities	CO, MN, MI, ND	7,834		
ENERGY STAR Homes Program	Provides homebuilders with incentives for constructing homes to ENERGY STAR standards	CO, MN	6,512		
Saver's Switch®	Monthly summer discounts for cycling air conditioner units on hot summer days	CO, MN, WI, ND, SD	22,267		
Water Heater Rebates	Rebates offered for energy-efficient water heaters and showerheads	CO, MN, WI, ND	163,369		
ENERGY STAR Appliance Rebates	Rebates offered for energy-efficient clothes washers, dishwashers, refrigerators, room air conditioners and televisions	CO, MI	27,641		
Recycling Programs	Services and rebates offered for refrigerator and light bulb recycling	MN, CO, NM	53,150		

Note: This is preliminary estimated annual data and not a comprehensive list of all programs and services available and includes only those customers who received a rebate or joined a program in 2010. Our offerings in Texas vary from year to year and are provided by third-party vendors. They have not been included on this chart. Please see our website for complete state-by-state offerings and additional information.

Below are some of the energy-saving tools we offer to customers:				
Microsoft Hohm	Customers can sign up to link their energy-usage data to Microsoft's online application, which helps them understand their energy usage, get energy-saving recommendations and lower their energy bills.			
Power Check Program	In collaboration with public libraries in 50 districts and five states within our service territory, we offer watt meters that patrons can check out to measure how much energy the appliances in their homes use.			
Energy Makeover Videos	We provide instructional videos with information on a variety of energy-saving home improvement projects.			

Our renewable energy program offerings for customers—Windsource® and Solar\*Rewards®—are described on pages 73 and 76.



# Helping customers determine energy consumption

We piloted our Power Check program in 2009, providing portable power meters to the Denver Public Library in Colorado and the Hennepin County Library in Minnesota so that patrons could determine the energy consumption and cost of using individual appliances in their own homes. The pilot was met with immediate enthusiasm and high demand from library patrons, prompting us to expand the program to more than 50 library districts in five states during 2010. Diane Lapierre (left), director of community relations for Denver Public Library, and Chris Dierker (right), Xcel Energy marketing business consultant, show one of the popular devices.



#### **Tiered Rates for Colorado Customers**

In June 2010, we implemented a two-tiered seasonal rate for our Colorado residential electricity customers. It is designed to be revenue neutral for the company and reflects the higher cost to provide electricity during the summer. From June through September, customers are charged a lower Tier 1 base energy rate for the first 500 kWh of use in a month, and if monthly usage exceeds 500 kWh, a higher Tier 2 base energy rate is charged for all electricity usage above 500 kWh. During non-summer months, customers pay the lower Tier 1 base energy rate for all of their electricity use. This change is based on a request from the Colorado Public Utilities Commission, which ordered the company to implement a two-tiered rate program.

#### **Business Customers**

While our business customers make up a smaller segment of our customer base in terms of numbers, their total usage of electricity is more than twice the total amount of our residential customers, and their natural gas consumption is nearly 65 percent of the amount used by residential customers. Consequently, we work closely with these customers to provide programs and services that help them reduce consumption and lower their bills.

We recently recognized 14 Colorado businesses for their efforts to save energy through our 2010 energy-efficiency programs. The companies collectively saved more than 31 million kWh of electricity and 17,930 Dth of natural gas in a 12-month period. Many of these conservation projects are often invisible to those not directly involved. These awards are a way to help recognize businesses that make exceptional efforts to save energy.

Denver Energy Efficiency Expo Award Winners for Energy Savings in 2010				
Colorado				
Cherry Creek School District No. 5	Most Energy Savings from Multiple Programs			
Verizon Business	Most Energy Savings at One Premise			
City of Grand Junction	Natural Gas Savings Champion			
Welby Gardens	Largest Electricity Project by a Small or Mid-sized Business			
Vestas Blades America	Largest Natural Gas Project by a Small or Mid-sized Business			
ViaWest	Cooling Efficiency Champion			
City and County of Denver	Energy Design Assistance Champion			
World Trade Center	Energy Management Systems Champion			
King Soopers	Lighting Efficiency Champion			
Aurora Water	Motor Efficiency Champion			
Lockheed Martin Space Systems Company	Process Efficiency Champion			
Callahan Capital Partners	Recommissioning Champion			
Mesa County Valley School District 51	Self-Direct Champion			
Colorado Community College System, Lowry Campus	Standard Offer Champion			

In early 2011, we hosted our annual Energy Efficiency Expo in Denver. Approximately 650 of our Colorado business customers attended the event, which featured teams of energy experts from Xcel Energy and outside organizations to provide energy-saving ideas and opportunities for rebates and energy-efficiency study funding. The theme of this year's event was "The Cost of Doing Nothing," emphasizing the fact that the cost to businesses associated with not implementing energy-efficiency measures can, over time, far outweigh the initial investment for these measures. We will host a similar event in Minnesota in the fall of 2011 and will recognize our top energy-saving Minnesota business customers at that time.

2010 Business Energy Conservation Programs and Services					
Product/Service	Description	States Offering & Paying Rebates in 2010	# New Customers Participating in 2010		
Boiler Efficiency / Furnace Efficiency / Heating Efficiency	Rebates for replacing or upgrading natural-gas-fired, hot-water boilers; high-efficiency furnaces; and heating systems	CO, MN, WI	911		
Commercial Real Estate/Segment Efficiency	Study funding and rebates for implementing energy-saving recommendations on office buildings over 50,000 sf	CO, MN	168		
Compressed Air Efficiency	Funding for compressed air system studies and rebates for energy-saving process or equipment improvements	CO, MN	218		
Cooling Efficiency	Rebates for replacing or updating cooling systems with more efficient systems	CO, MN, NM	607		
Custom Efficiency	Rebates for installing energy-efficient equipment or for making process improvements that reduce energy use and are not covered by our other programs	CO, MN, NM	251		
Data Center Efficiency	Data center study funding and rebates for implementing recommended changes	CO, MN	3		
Electric Rate Savings	Reduced electric rates for reducing demand for electricity to a predetermined level during control periods	CO, MN, ND, SD, WI, TX, NM	60		
Energy Analysis	Online and onsite energy audits to identify ways to save energy and qualify for rebates; engineering assistance study funding also available for custom efficiency projects	CO, MN	1,272		
Energy Design Assistance	Energy expertise and construction rebates for new buildings, additions or major renovations of large buildings, early in the design process	MN	97		
Energy Efficient Buildings	Whole-building construction rebates for new buildings, additions or major renovations, late in the design process or as construction is beginning	CO, MN	21		
Energy Management Systems / Efficiency Controls	Rebates for the purchase and installation of automated building controls that lower a facility's demand during peak hours or provide energy savings during off-peak periods	CO, MN, MI	231		
Lighting Efficiency/ Redesign	Study funding and rebates for energy-saving lighting analysis and installations	CO, MN, MI, NM	4,088		
Motor Efficiency	Rebates for installing high-efficiency motors	CO, MN, MI, NM	1,375		
Process Efficiency	Identification of energy conservation opportunities and design of a 3- to 5-year energy management plan for large industrial customers	CO, MN	217		
Saver's Switch®	Monthly summer discounts for cycling air conditioner units on hot summer days	CO, MN, ND, SD, NM, TX	219		

Note: This is preliminary estimated annual data and is not a comprehensive list of all programs and services available and includes only those customers who received a rebate or joined a program in 2010. Our offerings in Texas vary from year to year and are provided by third-party vendors. They have not been included on this chart. Please see our website for complete state-by-state offerings and additional information.

#### University of Minnesota Earning an "A" in Sustainability



Our business customers can also take advantage of GX Meter, a powerful energy management reporting solution that helps businesses analyze and control their energy use. We also offer free online tools to help business customers identify energy wasters in their facilities. Learn more on our website.

The University of Minnesota's Twin Cities Campus was one of only three schools in the country to receive the highest grade awarded for sustainability by the College Sustainability Report Card. With energy efficiency and campus sustainability working together, the university collaborated closely with Xcel Energy on an energy efficiency plan that encompassed hundreds of energy-saving projects. Efficiency improvements implemented since 2008 have reduced the university's energy use by more than 5 percent, saving them \$3.5 million annually.

The university's sustainability team members knew that meeting this ambitious goal would require the efforts of everyone on campus. To gather support, they created It All Adds Up, a campus-wide educational and outreach program that emphasizes how the combined efforts of an engaged community can make a significant difference.

"Our results reflect a comprehensive approach and years of accomplishments by a large number of engaged and committed people integrating sustainability in their own work," said Amy Short, director of sustainability at the University of Minnesota. "Having sustainability as a priority helps drive innovative, creative and practical changes that are good for the university's future," Short said.

To recognize U of M's efficiency accomplishments, Xcel Energy presented the university with the 2010 Highest Commercial Customer Appreciation Award.

Business customers participating in our energy-saving programs are realizing significant results. We publish their success stories at **responsiblebynature.com.** 

Participation in our programs for vulnerable customers grew dramatically in 2010 as we have dedicated more resources to these programs and increased our outreach efforts.

2010 Programs Available to Vulnerable Customers							
Program	Description	States Available	# Customers Participating In 2010				
Income-Qualified Weatherization Programs	Free weatherization services, including weather stripping, insulation, replacement of inefficient furnaces and refrigerators, and installation of CFLs (in partnership with the Governor's Energy Office and Energy Outreach Colorado)	CO	9,180				
Low-Income Energy Savings Programs	Free weatherization services, including weather stripping, insulation, replacement of inefficient furnaces, water heaters, refrigerators, freezers and window air conditioners, and installation of CFLs (in partnership with Energy CENTS Coalition and Community Action of Minneapolis)	MN	3,003				
Low-Income Bill Payment Assistance Benefits	In addition to the electricity discount to seniors and disabled customers in Minnesota, both NSPM and PSCo are piloting programs that provide bill payment assistance to income-qualified households; customers are provided an affordable payment plan and a monthly benefit based on household income	MN, CO	87,266				

#### Programs To Assist Vulnerable Customers

We work with state and local agencies and low-income advocates to provide energy assistance to those in need. Our personal accounts department provides 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.

In 2010, we contributed nearly \$18 million to energy assistance programs throughout our service territories. Our support of energy assistance includes:

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

#### Saving nonprofit organizations energy and money

Thanks to an initiative in Colorado, nearly 70 nonprofit facilities and counting are now better able to serve their communities through a partnership between Xcel Energy, Energy Outreach Colorado and other funders. The facilities all help victims of domestic abuse, families living on the streets and those transitioning out of crisis. The partnership, called the Nonprofit Energy Efficiency Program (NEEP), helps nonprofits lower energy use and save costs while reducing their impact on the environment. NEEP identifies nonprofits that can benefit from the effort

and conducts energy audits to assess what measures can be taken to cut the organizations' energy use. The effort then funds and oversees the efficiency-improvement projects. As a follow-up to the efficiency upgrades, NEEP also develops energy conservation plans at each of the facilities. Utility bills are collected and analyzed to assess the facilities' energy consumption and the reductions as a result of the NEEP initiative. NEEP results in an annual reduction of more than 1.6 million kWh of electricity, more than 273,000 therms of natural gas and nearly six million pounds of carbon dioxide. The program is now being considered in other parts of our service territory.

If we are unsuccessful in our efforts to reach out to customers regarding payment issues, we disconnect service only as a last resort. We will usually shutoff service three to 10 days after the disconnection notice is sent if we are unable to resolve the issue or arrange a payment plan with the customer. In 2010, we disconnected service to a total of 130,351 customers. The majority of customers are reconnected after they arrange payment plans or pay their bills in full. 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. In compliance with rules and company policy, heat-affected disconnects are not performed in our five northern states during the heating season. In all states, Customer Care department leadership makes decisions on disconnections during extreme weather or other emergency situations.

## Giving The Lao Family Community Center An Energy Makeover

Near the end of 2010, The Green Institute teamed up with the Xcel Energy Foundation to conduct a unique pilot project specifically designed to show the nonprofit segment that energy efficiency is achievable and worth the investment as capital costs are often recouped in energy savings over a short period of time. The project is part of the Energy Innovation Corridor described on page 86.

The project, called "The Nonprofit Energy Makeover," elected the Lao Family Community Center of Minnesota, located in St. Paul, Minn., to receive a free energy analysis study. The Lao Family Community Center provides support and services to promote the success of Hmong Americans in Minnesota, while also recognizing and supporting other immigrant and refugee populations. In addition to the free audit, the community center also received funding and donations from other organizations to help pay for the low- and no-cost recommendations from the study.

Ultimately, implementing the energy conservation measures will help reduce operating costs, freeing up much needed dollars to be used elsewhere. The study identified a variety of low- and no-cost energy-saving opportunities for the center. For instance, the organization had only one person working on the second floor of the building. By making space on another floor for that person, they were able to keep the unoccupied floor at 58 degrees, significantly reducing energy costs.

In addition, the facility had many programmable thermostats set to different timing and action patterns. After a comprehensive review, it was found that several thermostats were actually fighting each other, making the HVAC equipment work harder and ultimately reducing efficiency. Now, all of their systems are in sync, saving dollars while improving comfort.

The analysis also provided additional recommendations, such as replacing windows and upgrading the roof. For many of these "capital-heavy" upgrades, a number of outside partners chipped in to help offset the cost of equipment upgrades. Results from the makeover will be available in 2011.





## Natural Gas Pipeline Replacement Efforts

To ensure continued safe and reliable natural gas service, as well as to meet the increasing demand of new and larger customers, Xcel Energy is conducting a number of natural gas pipeline replacement efforts in the areas where we provide this service.

#### **NSPM**

In 2010, we continued renewal efforts and replaced 6.6 miles of cast-iron main. The project began in 2009 with 5.0 miles of cast-iron main being replaced. Castiron main renewal will continue through 2012 to replace approximately 14 additional miles of remaining cast-iron pipe in Minnesota.

#### **NSPW**

In Wisconsin, we continue efforts to replace aging plastic natural gas pipe. In 2010, we replaced 4.3 miles of plastic mains and 284 services. This was the second year of a three-year project.

#### **PSCo**

- Accelerated Main Replacement Program (AMRP): This state-wide program replaces cast-iron, bare or black steel and polyvinyl chloride (PVC) pipes in our system. These are among our oldest pipes and therefore have greater potential for leaks. We started this program in 2008 and plan to replace an estimated 684 miles of pipe by 2022.
- Integrity Management Programs: As part of our Transmission Integrity Management Program (TIMP), we will eventually replace most of the 80-mile West Main pipeline that serves Fort Collins, Loveland, Longmont and Boulder. Initially we will replace approximately seven miles of 8-inch diameter pipe with 16-inch diameter pipe in anticipation of higher natural gas demand. We will also be replacing eight miles of pipeline between Edwards and Minturn to meet the growing need for natural gas in Summit, Grand Lake and Chaffee counties.
- Cellulose Acetate Butyrate (CAB) services: CAB was recently added to the list of the poorest performing pipe. We will replace approximately 22,000 CAB service lines over the next five years.

#### SEWER LINE INSPECTION PROJECT

It has been one year since the incident in St. Paul, Minn., in which a plumbing contractor ruptured a natural gas main that intersected a customer's sewer lateral, leading to a house fire. Since then, we have worked on a three-year inspection plan. In 2010, we inspected a total of 25.396 customer sewer laterals (20.645 by camera and 4,751 using maps and GPS) exceeding our goal of 20.000. A total of 57 new conflicts were discovered during the process, each of which has been repaired. We also responded to 697 call-in requests last year to use a camera to inspect a sewer lateral prior to it being cleaned, a significant increase from prior years when we averaged about 110. This was a direct result of our increased public communications and outreach with plumbers.

#### **ENSURING NATURAL GAS PIPELINE SAFETY**

Each of our operating companies has its own Transmission Integrity Management Program (TIMP) and Distribution Integrity Management Program (DIMP), mandated by the federal Pipeline and Hazardous Materials Safety Administration (PHMSA), which require us to assess pipeline conditions, recheck them periodically and develop plans to ensure safety and reliability. We are committed to having knowledgeable, experienced trained personnel regularly inspect our pipelines for any potential leaks or abnormalities. The design, construction, operation, inspection and maintenance of our operating pipelines are subject to state and federal regulations, including the Congressional Pipeline Inspection, Protection, Enforcement and Safety Act of 2006. When building pipelines, we consistently meet or exceed national standards for construction and safety and work closely with local emergency responders to ensure there is a safe, coordinated response in the unlikely event a pipeline incident should occur.

#### **Customer Satisfaction**

We exceeded our corporate goal of achieving a 90 percent overall satisfaction rate among our residential customers, ending the year at 92 percent positive, as measured by our Voice of the Customer survey. This represents an improvement of 7 percentage points since 2006, most notably an 11 point increase for PSCo from 79 to 90 percent. Electric system reliability and the price customers pay for service continue to be the biggest contributors toward customer satisfaction in all jurisdictions. Residential customers also rated the company highly for providing accurate bills and making many payment options available.

Across the four utility customer satisfaction studies conducted by J.D. Power and Associates in 2010, we improved our industry rankings in more than 40 percent of the categories measured and achieved top-quartile status on the Customer Satisfaction Index in two of the four studies. At the beginning of 2011, NSPM and NSPW were ranked No. 1 in J.D. Power's 2010 Business Electric customer satisfaction study among large utilities in the Midwest region. The study was conducted from April to June and from September to December. NSPM and NSPW earned top marks for power reliability, customer service, and billing and payment services. SPS was ranked in the top quartile of J.D. Power's 2010 Residential Electric customer satisfaction study.

Overall, we reduced both customer complaints and the number of customer bills we had to cancel and rebill. Total complaints were down 22 percent from 2009, and commission complaints were down 38 percent. The biggest improvement came in the area of credit and collection and customer contact center complaints.

## System Reliability

#### System Average Interruption Duration Index

The System Average Interruption Duration Index (SAIDI) measures the average number of minutes an average customer was without power in a year. We achieved an overall SAIDI of 85.72 in 2010, beating our target of 86.40. We anticipated that the automation of our data collection process would increase SAIDI in 2010; however, the impacts were less than expected. Unfavorable weather conditions in the north caused our SAIDI results in NSPM and NSPW to be higher than our target, but these results were offset by better-than-expected SAIDI performance in PSCo and SPS. Our reliability management programs continue to focus on infrastructure replacement (e.g., cable, poles), vegetation management, feeder performance improvement, and outage and customer complaint reduction by using a focused approach to identify areas of multiple outages. Voice of the Customer: Our Voice of the Customer survey program allows us to assess our customers' satisfaction with our services. We conduct relationship and transaction surveys on an ongoing basis, typically by telephone, to gather feedback from residential and business customers. Results are compiled monthly.

J.D. Power Customer Satisfaction: Each year, J.D. Power and Associates conducts utility customer satisfaction surveys in different regions of the United States by type of utility service.



#### **System Average Interruption Frequency Index**

The System Average Interruption Frequency Index (SAIFI) represents the average number of interruptions that an average customer experiences in a year. In 2010, we achieved an overall SAIFI of 1.00.

#### **Unplanned Outage Rate**

The Unplanned Outage Rate (UOR) is a measure of our power plant unit availability. In 2010, we did not meet our UOR target due to large, one-time events in all our regions of operation. Our target was 6.89, and our actual performance was 8.77. Performance was impacted by contractor quality, work planning and human performance issues. A UOR improvement plan has been developed for 2011 to ensure a marked recovery in this indicator.

#### **Storm and Disaster Restoration Efforts**

During severe snow, ice and wind storms, electric service can be disrupted to hundreds or thousands of customers all at once, and it may take several days to fully restore power, depending on the extent of damage and how easily our crews can access the damaged areas. We must approach large-scale restoration efforts on a strategic basis. Our restoration process gives top priority to situations that threaten public safety, such as live, downed wires. Priority is also given to facilities that protect public safety and health, including police stations and hospitals. Repairs are then prioritized based on what will restore power to the largest number of customers most quickly. Crews will work around the clock until power is restored to all customers.

In 2010, we faced numerous challenges due to fires, flooding and hot weather. A summary of our restoration activity is provided below.

	Highlighted Restoration Efforts in 2010
PSCo	PSCo employees provided excellent response and restoration of service after the June Harrison Substation catastrophic failure in Denver and the September Fourmile Canyon fire in Boulder County. In both of these events, the closely coordinated efforts of our field crews and several operating departments—customer care, communications, media relations, account management, environmental services and community relations—were a testament to our employees' commitment to serving our customers. Dispatchers and field personnel restored service to more than 32,000 customers within five hours of the fire at Harrison Substation and restored service to nearly all affected customers within two weeks of the 6,400-acre Fourmile Canyon fire.
NSPM/ NSPW	NSPM and NSPW employees restored service to more than 1.5 million customers impacted by storms during 2010. This year was operationally challenging with more storms than normal, many falling on weekends and extending over multiple days. Flooding caused by heavy rains in southern Minnesota and Wisconsin impacted a number of customers and communities. Some areas received more than 10 inches of rain in 24 hours. Xcel Energy worked closely with local emergency response authorities and the local media to communicate safety messages and also took pre-emptive measures to shift customer load away from affected substations.
SPS	In the face of tight electricity supply, unplanned outages and changing transmission conditions, SPS employees kept our customers' electricity service up and running with minimal disruption during the intense heat and storms of the 2010 summer season. We experienced an all-time peak energy use of 5,575 MW in August, causing us to declare an Energy Emergency Alert Level 2 and exercise our SPS Capacity and Emergency Plan. A conservation appeal was released to the public and standby power generation had to be operated for a brief period. More recently, extreme winter weather has created challenges within the SPS region. Our employees worked in subzero wind chill conditions to restore blown transformers in southeast New Mexico and also assisted neighboring utilities who were faced with natural gas shortages.

# Minneapolis Reactive Power (VAR) Pilot Project

A Smart VAR capacitor pilot project began in August 2010 as part of the Energy Innovation Corridor (EIC), which is discussed on page 86. This project uses more sophisticated controls and real time information to intelligently monitor and control system energy losses at a distribution level through the use of capacitor banks in the field. By using two-way communications and an intelligent centralized software, we are able to minimize system energy losses on the distribution system.

The Smart VAR pilot project is currently covering about 50 percent of the territory surrounding the EIC, and the project will be installed in the rest of the EIC pilot area in early 2011. The benefits of the Smart VAR capacitor listed below are based on 60 feeders in and around the EIC. They are conservative estimates based upon results seen through the pilot to date. Actual figures are expected to be higher once there is a full year of data.

- Operating and fuel savings: \$54,000 at \$0.04 per kWh
- Energy savings: 1,360,000 kWh annually
- Environmental savings: 820 tons of CO<sub>2</sub> annually

#### Fourmile Canyon fire

On Sept. 6, 2010, a devastating fire broke out in the rugged Rocky Mountain foothills near Boulder, Colo. The Fourmile Canyon fire burned more than 6,400 acres and destroyed 169 homes, as well as damaging Xcel Energy's electric distribution facilities in the area. Approximately 2,200 customers were left without electricity. Original estimates for restoration of electric service were for a month or longer. But just two weeks later, our employees had restored electric service to nearly all customers impacted by the tragedy.

More than 200 Xcel Energy employees and contractors in more than 90 trucks worked quickly and safely to rebuild the electric system, replacing more than 225 poles, 15,000

feet of overhead conductor and nearly 60 transformers. Though the mountainous terrain, limited access and post-fire conditions made for an extremely challenging work environment. There were no accidents or injuries during the restoration effort.

During the crisis, the company also made special efforts to communicate extensively with customers and public officials about all the restoration work plans and progress. Many customers evacuated from their homes were concerned about returning before electric and telephone services were available. Our customer care representatives collected customers' cell phone numbers and called each one individually when power was restored.



"I would like to thank Xcel Energy on behalf of the whole community. I had the privilege of touring the fire zone...and while we were viewing the destruction and the remarkable number of homes that were saved, I was most impressed with the army of equipment and people Xcel Energy had working to restore power to the mountain homes. There were easily more Xcel Energy trucks than all other vehicles combined. Xcel Energy really put in a remarkable effort. My hat is off to your company for putting so many resources on this restoration."

-Ken Wilson, deputy mayor of Boulder, Colo.

## **Customer Data Privacy**

With the increased use of smart meters, more attention is being given to collection, use and access of customer-specific energy usage data (CEUD). Advances in smart-grid technology will significantly increase the amount of potentially available information on individual customer's energy use. This information will enable both customers and utilities to make more informed decisions related to energy use and management. CEUD can also reveal personal details about an individual's activities within the home or business. Recognizing and addressing privacy concerns that access to CEUD raises is an important part of both smart meter development and our relationship with our customers.

Since February 2010, our Customer Data Taskforce has been working on internal privacy principles to guide our decisions on the collection, maintenance and dissemination of CEUD. We recognize the importance of increasing access to CEUD to further federal and state conservation, environmental and climate-related public policy goals.

We are committed to providing access in a way that expands customers' knowledge of their energy usage while maintaining trust, enhancing the service we provide and protecting our system security.

We believe that Xcel Energy owns all data generated, recorded, stored or transmitted by our meters and other equipment, and our customers have the right to access their information and to share it with third parties they authorize. We will provide CEUD to third parties only in limited circumstances, such as to those vendors that assist us with our business, our utilities commissions, when required by law or when there is informed customer consent. We may make aggregated energy usage data (AEUD) available to third parties without customer consent to benchmark or measure results of energy management programs or environmental initiatives. To protect customer privacy in these situations, we will only release AEUD if it is sufficiently anonymous and the customers' privacy remains protected.



We have become an active participant in the nationwide discussion of customer privacy concerns, contributing information to various government agencies and taskforces and speaking at a number of national forums in 2010.



## Employees

Xcel Energy Employees by Job Category*									
NSPM NSPW PSCo SPS XES4 Total									
Bargaining <sup>1</sup>	2,305	417	2,048	757	_	5,527			
Craft <sup>2</sup>	931	11	_	_	_	942			
Non-Exempt	395	77	167	183	1,157	1,979			
Exempt <sup>3</sup>	1,051	84	514	207	2,015	3,871			
Total	4,682	589	2,729	1,147	3,172	12,319			
Represented by Unions	69%	73%	75%	66%	0%	53%			

<sup>\*</sup> Includes full-time, part-time and temporary employees and those serving on long-term disability. Please note that our 2010 10-K reports only full-time employees in continuing operations, resulting in a lower total number.

## Becoming an Employer of Choice

#### **Delivering Employee Value**

Xcel Energy aims to be an employer of choice. Our mission is to proactively shape an environment that:

- Attracts and retains the best employees
- Holds employees accountable for operational excellence and recognizes outstanding performance
- Develops inspirational and courageous leaders
- Fosters inclusivity and celebrates diversity

We provide a competitive compensation package to attract and retain employees using a pay-for-performance approach. During 2010 we introduced the Total Rewards Statement so that employees could explore the full value of their compensation package online. The statement offers a graphic representation of each non-bargaining employee's base compensation, pay for time off, health and welfare benefits, retirement benefits and annual incentive. It also provides more detailed descriptions of each individual category and the options available to the employee. In 2011, the Total Rewards Statement will be rolled out to bargaining-unit employees.

<sup>&</sup>lt;sup>1</sup> Covered by collective bargaining agreements

<sup>&</sup>lt;sup>2</sup> Temporary, project-specific, covered by collective bargaining agreements

 $<sup>^{\</sup>rm 3}$  Includes executives, management and other exempt employees

<sup>&</sup>lt;sup>4</sup> Represents employees whose work is performed across all operating companies

We also began offering our My Financial Future retirement planning tool in 2010, providing employees with the ability to model multiple retirement scenarios, understand potential income gaps and develop an action plan. Since going live in June 2010, there have been 52,831 retirement estimate calculations.

#### **Benefits**

A significant portion of our investment in employees is made yearly through a benefits package that remains consistently competitive. Our total rewards package for employees often exceeds 40 percent of base pay.

## Xcel Energy Benefits Package for Full-Time, Non-Bargaining-Unit Employees

#### Medical Plan

Includes medical, pharmacy and Health Savings Account (HSA) contributions. Employees who enroll in our High Deductible Healthcare Plan (HDHP) are able to contribute pre-tax dollars to an HSA that can be used to offset current or future healthcare expenses not covered by the plan. This account accrues tax-free interest, is owned by the employee and carries over year to year. We did not charge a healthcare premium for the HDHP in 2010. Xcel Energy pays 75 percent of premiums for employees enrolled in a non-HDHP plan.

#### Dental and Vision

Xcel Energy covers between 60 to 75 percent of dental plan premiums and up to 75 percent of vision plan premiums.

#### Life Insurance

Xcel Energy covers the full cost of basic life insurance coverage and offers voluntary supplemental and dependent life insurance coverage.

#### Disability Coverage

Xcel Energy covers the full cost of long-term disability coverage for eligible employees and provides salary continuation in the form of short-term disability, paid time off (PTO), vacation and sick leave.

#### Work/Life Balance Programs

Includes Employee Assistance Program; tuition reimbursement; adoption assistance; healthcare, dependent-care and transportation reimbursement accounts; transit pass subsidies; and wellness programs.

#### 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

Xcel Energy's 401(k) Savings Plan allows employees to save for their future through automatic payroll deductions (pre-tax, Roth 401(k) after-tax, or a combination of both.) Employees can choose to invest their contributions using a variety of options (cash, bond and stock investments.) Xcel Energy matches a portion of employee contributions.

In 2010, we provided nearly \$1.1 million in tuition reimbursement to employees as part of their benefits package to help encourage professional development.

#### Notes on benefits:

- Coverage for eligible dependents includes medical, dental, vision, life insurance and AD&D insurance.
- Employees whose families are comprised of domestic partners and/ or children of a domestic partner have participated in Xcel Energy benefits since 1992.
- Bargaining-unit benefits are based on the contract negotiated with a specific local union.

The impact of healthcare reform on Xcel Energy: The Patient Protection and Affordable Care Act (PPACA) was passed and signed into law in March 2010. Xcel Energy, along with all employers, went into action to comply with all applicable mandates under the act. Impacting both active employees and retirees, work was completed in 2010 to prepare for expanding medical coverage eligibility for our employees with dependents under the age of 26. Effective Jan. 1, 2011, we added more than 400 members to our plans. Before the end of 2010, we accounted and planned for retiree drug changes due to the act and adapted our health plans to remove coverage limitations on certain essential and behavior health benefits.

Xcel Energy's plans were already in compliance with many of the act's initial requirements. For years, we have provided our employees with no lifetime limits on our plans, free preventive care and had removed many annual limits on behavior health benefits. As we prepare for a future that includes PPACA and other applicable legislation, our programs continue to focus on providing a competitive and sustainable benefits package to attract and retain the best talent.

#### **Wellness Programs**

A holistic approach that supports our employees' work and life balance continues to be a growing focus. Following a successful campaign to promote increased awareness of healthcare costs and value, we implemented several programs to enhance our members' personal healthcare support and encourage wise healthcare consumerism. In late 2010, we launched an at-home telemedicine program for members with the most complex healthcare issues. This voluntary program, with protection for patient privacy, places highly trained clinicians from the Mayo Clinic in daily contact with patients who require significant care monitoring. For less complex but still serious medical issues, a personal care support team staffed by United Healthcare clinicians offers one-on-one support and coaching for our covered employees and their families. Several other new wellness initiatives were launched in 2010 to support a more individualized and targeted wellness plan.

Wellness Coaching Programs (UHC)					
2010 Participant Enrollment Count	i				
Weight Management	415				
Exercise	125				
Tobacco Cessation	102				
Heart Healthy Lifestyle	111				
Stress Management	93				
Diabetes Lifestyle	59				
Nutrition	37				
Total	942				

Care Management Programs					
2010 Participant Enrollment Count					
Asthma	1,100				
Cancer Support	51				
Coronary Artery Disease	567				
Chronic Obstructive Pulmonary Disease (COPD)	176				
Diabetes	1,349				
Heart Failure	78				
Total	3,377				

Additional Wellness Activity						
Onsite Flu Shot Clinics	6,421 seasonal flu shots given at 110 sites. Employee participation in this program has increased 95 percent since 2007					
Health Assessments	3,451 employees took the assessment to determine their health risk score and were offered programs to assist them in improving or maintaining health					
Online Health Education	3,560 employees took one of our seven courses focusing on disease education, prevention and health improvement					
Fitness Center Reimbursement Program	653 employees and retirees received \$80,600 in reimbursement for exercising at least eight times in a month					
Onsite Yoga Classes	374 yoga classes were held at four locations					
Wellness Ambassadors	41 employees volunteered to be Xcel Energy wellness ambassadors, championing a culture of wellness in work area functions and activities					
Wellness Catalog	In 2010 we developed a wellness catalog of programs to bring the wellness concept to employees on a more personal level and further the inclusiveness of our wellness programs; of the managers and leaders who were presented with the wellness catalog, more than 71 percent chose a personalized wellness program for their direct reports or location					

# Creating and Supporting a Performance-Based Culture

As a company, we have made a commitment to build a performance-based culture—one that evaluates all employees consistently and fairly, looking not just at the results they achieve, but how they achieve them. We have designed a competency-based approach to performance evaluations for 2011 and beyond for both leaders and individual contributors. Additionally, we have enhanced our compensation practices to better align pay with performance through revisions to our annual and long-term incentive plans and through consistent guidance and practices for pay changes.

We kicked off the Weight Watchers program at Xcel Energy in May 2010. The program included at-work meetings, local meetings, at-home kits and online subscriptions. More than 500 employees took advantage of the new benefit. Among the 10 at-work locations, participants collectively lost more than 4,659 pounds.



The Texas and New Mexico
Regional Safety Committee
sponsored a "Biggest Loser"
weight-loss contest among our
Energy Supply business area
employees in 2010. Thirty-two
teams competed and achieved a
cumulative weight loss of 1,061
pounds. The winning team (left
to right, Dario Rodriquez, Joe
Gonzales, Shane Mehl and Bruce
Nicholson) from Plant X near Earth,
Texas, lost 101 pounds and dropped
nearly 24 percent body fat.

## Conducting Effective Workforce Planning

Our workforce planning group continued to strengthen its ties to the company's financial processes and provided meaningful analytics to its business partners in 2010. Workforce plans are used to directly feed the forecasting and budgeting process for employee headcount and cost. This integration has enabled us not only to assess hiring, transition and training needs, but to understand the impact those plans have on our bottom line.

Continuing to focus on the transition of our retirementeligible workforce, we led a planning exercise to determine the true risk expected turnover poses to the company. We found that while there are many retirement-eligible employees, our planning efforts have greatly reduced the potential impact those retirements may have on the company. The analysis also enabled us to look for opportunities to shift focus from lower impact retirements to higher impact potential departures. To aid in this process, we developed a robust analytics engine that enables us to better forecast for retirements. This tool will enable us to model the impact of various retirement scenarios in a given year based on internal and external market factors. We will continue to refine our analytics capabilities in 2011.

#### **Recruiting Efforts**

Our recruitment strategy has changed dramatically over the past several years, transforming from a manual, timeintensive process to one that is more efficient and uses modern, automated tools and systems. Our objective is to find the right job candidates at the right time and place.

- Applicant tracking: In early 2010, we launched our Applicant Tracking System that simplifies how managers post, track and fill position openings. It has improved communication with potential job applicants and resulted in a more proactive and efficient recruiting process.
- Search engines and social media tools: Today's job candidates use Internet search engines and social media to identify job openings, so we are using these tools more to promote our position openings.

#### **Easing workforce transitions**

In 2010, a limited number of employee positions in Colorado and Texas were disrupted by changes to our operations, including the sale of our distribution assets in Lubbock, Texas; the acquisition of two power plants near Denver; and the retirement of our Cameo Generating Station near Grand Junction, Colo.

Following the completion of the sale of our Lubbock distribution assets in October 2010, we were able to successfully relocate 18 of 20 impacted bargaining unit employees. The remaining two left the company to pursue other interests. We also were able to retain seven of 11 non-bargaining unit employees and provided severance packages to the remaining four.

When we announced in April 2010 that we would be acquiring two power plants from Calpine Corp., we assembled a transition team. By the time the plants were transferred to Xcel Energy ownership in December, we had successfully integrated 13 Calpine employees into Colorado bargaining unit positions and four into non-bargaining positions, completing the transition without any disruption to service.

At our Cameo Generating Station, we offered assignments at other plants to all employees who were willing to relocate. Thirteen of the 25 employees have transferred or will transfer after all Cameo decommissioning activities are complete, while six employees decided their retirement plans would coincide with the plant closure. The remaining employees do not wish to relocate and have chosen to leave the company.

- *Technical schools:* We have established relationships with a number of technical schools to ensure they offer training and curriculum required to prepare our future workforce. We provide internships and administer preemployment testing to students, so when job openings become available, we have a pool of qualified candidates to fill positions.
- *Targeted job fairs:* We participate in fewer employment events than in the past, but still maintain a relationship with about 20 major schools within our service territories that hold job fairs. We have been successful finding qualified candidates at these events.

Professional Development Opportunities at Xcel Energy						
Program	Participants in 2010	Description				
Leadership Continuity	1,000	Our leadership continuity process identifies individuals who might be successors for certain key positions. More than 1,000 leaders have been through 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.				
Development Assignment Program	78	While in the program, employees are placed in temporary assignments, oftentimes in different departments at Xcel Energy, for a 12- to 24-month duration. The program has enhanced employee growth, transferred knowledge across various departments and increased our bench strength within the company.				
Path To Leadership	287	The Path to Leadership program seeks out individuals who have the desire to advance into a supervisory or management role and understand the competencies and behaviors expected. The program has gone through a major revision and will be relaunched in 2011.				
Leadership Pipeline	59	Leadership Pipeline is our flagship leadership development for leaders in director, manager and supervisor positions. Leadership Pipeline is an ongoing leadership development process delivered in four, three-day sessions over a 12-month span. Each session builds on the previous sessions, and participants practice new behaviors and skills in between sessions. This year 59 managers went through the program, bringing the total up to 402 managers who have participated since the program began in 2005.				
Mentoring	100	We offer mentoring to our employees through mentoring circles, peer mentoring programs for new employees, and self-guided mentoring programs. Mentoring is part of our culture, and we encourage our leaders to be mentors across the company.				
New Manager Transition	37	Xcel Energy continues to improve the new manager transition process that provides structured on-boarding for managers who have never been managers within the company. The process provides a class, activities, tools and resources to new managers to help them quickly become effective in their new positions.				
Career Central And Development Central	50,000 site hits	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 website, Career Central. Our core competencies, along with many other developmental resources—including our tuition assistance program—are available to all employees through Development Central. These two self-study websites, 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.				

In 2010, Xcel Energy identified five leadership expectations that define what leadership means at our company. The expectations include:

- Strategist
- Talent management

- Relationship management
- Self management
- Operational management

Beginning in 2011, all leaders across the company will be evaluated not only on what they achieved during the year, but how they got their results in terms of the leadership expectations. This is important to drive sustainable business improvement, not just near-term results that may create negative long-term business or employee impacts.

## **Engaging Employees**

In 2010, we surveyed employees about their familiarity with Xcel Energy's key issues, such as safety, the environment, diversity and compliance. We use the results to identify opportunities for improvement and target our communications more effectively.

Many of the engagement results from the survey were encouraging. About 80 percent of employees had referred someone to apply to Xcel Energy for a job. Plus, nearly 75 percent had talked about the company to friends and neighbors, and 71 percent had made changes at home to be more environmentally aware.

Percent of Employees Very Familiar with a Topic					
Environmental Impact	58%				
Efficiency Programs	39%				
Foundation	44%				
Corporate Strategy	27%				
Tagline	64%				
Diversity	44%				
Compliance	65%				
Safety	83%				
Journey To Zero	68%				
Data Privacy	48%				
Advertising	45%				
Records Management	24%				

In partnership with the Corporate Leadership Council™, we conducted an additional employee engagement survey in 2010. Approximately two-thirds of all employees participated in the 42-question survey that considers several factors related to employee engagement, including willingness to give extra effort at work, intent to stay with the organization, and commitment to their team, their manager and the company. Xcel Energy scored a 42.5 percentile ranking that we can now use to measure the success of efforts to improve engagement in coming years.

Information on Xcel Energy's Code of Conduct that applies to all employees can be found on page **20**.



#### **Employee Engagement Programs Brand Champions** This program concluded its third year in 2010. Our 180 brand champions delivered presentations to employees Program about Xcel Energy's brand and what it means to our company, our customers and our employees. There are three pillars of our brand, and each presentation by the brand champions focused on one of the following: Environmental leadership: Brand champions shared information about our demand-side management efforts, energy efficiency and the impact employees themselves can have on our environment and their energy bills by changing some behaviors at home. Operational excellence: Brand champions brought home the Journey to Zero safety message to employees mid-year, sharing the company's commitment to safety and steps employees can take to be safe both at work and at home. Employer of choice: Brand champions shared information on a variety of tools and program offerings that make Xcel Energy a desirable place to work. These include the Total Rewards Statement, the My Financial Future retirement planning tool, diversity and inclusion programs, and employee recognition programs. Power Of You The Power of You Breakfast program was launched in 2008. Through this program, employees are invited to gather Breakfast Program for a light meal, to hear messages and offer their opinions on current human resources topics. The employees are asked questions about their knowledge, perception and participation in the items being discussed. The information gathered is used to drive communication efforts, policy changes and program offerings. In 2010, approximately 800 employees attended one of the breakfast programs. The main topics of discussion centered on benefits, retirement and employee engagement.

	Employee Recognition Programs						
Chairman's Award	Started in 2009, this program honors employees who live the company's values and demonstrate outstanding dedication and achievement. Our 55-member Texas Transmission Line Construction group received the award in 2010.						
Power Of Recognition	The Power of Recognition program launched in April 2010 and includes a variety of employee-recognition tools, resources and training. Nearly 900 managers received a toolkit to support employee recognition, and approximately 60 leaders attended training sessions to learn about the strategic importance of such efforts. Additionally, a computer-based training program was developed and launched in June 2010.						
Above & Beyond And Premiere Choice Awards	The Above & Beyond and Premiere Choice award programs were designed to recognize employees who perform beyond the call of duty and demonstrate our values. In 2010, 150 Above & Beyond Award nominations were submitted, and 472 Premiere Choice Award gift certificates were presented.						
Years Of Contribution	Our Years of Contribution employee recognition program honors employees for contributions and accomplishments during their Xcel Energy careers. Recognition occurs at the employee's five-year anniversary with the company, every five years after that, and upon retirement. In 2010, 1,668 Years of Contribution and 155 retirements were celebrated.						

## Collaborating with Bargaining Unit Employees and Union Leaders

Approximately 53 percent of our employees are represented by unions. We work with our represented employees to build collaborative and mutually respectful relationships. We recognize that all parties benefit by working together to achieve mutual goals. Interim bargaining has been used for the past 13 years to improve union relations and promote collaboration. We hold regular meetings between

management and labor unions in order to address grievances and avoid arbitration when possible.

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

	2010 Bargaining Unit Activity								
	NSPM/NSPW	PSC <sub>0</sub>	SPS						
Highlights	<ul> <li>The company and NSPM/NSPW unions agreed on all contract issues except wages and medical premiums. We agreed to resolve these issues through final and binding interest-based arbitration. An arbitrator, in a Feb. 16, 2011, award, resolved these remaining issues.</li> <li>We successfully negotiated six nuclear labor agreements covering two local unions.</li> <li>We negotiated or modified outage agreements with various groups and also made updates to our apprentice programs.</li> </ul>	We successfully helped integrate     13 non-bargaining Calpine Corp.     employees into PSCo bargaining     unit positions during acquisition of     two Denver power plants.      We negotiated agreements with     the IBEW to reassign bargaining     employees from Cameo Generating     Station to other PSCo generating     facilities when Cameo was retired.	Bargaining employees ratified an agreement that will eliminate the current PPO healthcare plans and transition all SPS bargaining employees into the High Deductible Health Plan beginning Jan. 1, 2011.      The completion of the sale of our Lubbock distribution assets resulted in the successful relocation of 18 of 20 impacted employees.						
Number Of Labor/ Management Meetings	35	65	61						

## Safety

Safety is one of our core values and is measured as a key performance indicator on almost every scorecard throughout the company. Approximately half of all Xcel Energy employees are considered "at risk" in terms of safety—meaning that they face numerous safety hazards in the performance of their jobs. None of us are immune to accidents or injury, however, and we are committed to sending all our employees home without injury each day.

## Journey to Zero

In March 2010, Xcel Energy launched an ambitious new safety campaign called Journey to Zero. Journey to Zero is about creating a safer work environment by putting safety at the forefront of everything we do. Our objectives include:

- Demonstrating support for safety improvements starting at the top leadership level
- Implementing a strategic approach aligning our efforts to advance our safety culture
- Developing a three-year improvement plan that actively seeks employees' input

- Ensuring all safety efforts focus on common goals, making sense of all activities we do
- Ensuring that employees take personal responsibility for their safety and the safety of others
- Actively driving culture change through behavioral safety programs and initiatives
- Implementing business-area-specific safety plans focusing on four aspects:
  - 1. Leadership effectiveness: Line of sight to executive levels, expectation setting, participation in safety leadership at all levels
  - Employee engagement: Taking responsibility for personal safety and the safety of their crews, maximizing impact of safety teams, ensuring employees are engaged, effective and working together
  - 3. Incident prevention: Providing the right personal protective equipment, awareness, communication, safety meetings, taking a proactive approach, medical management, leveraging information, learning and insights
  - 4. Union engagement: Engaging union leadership to be active in safety programs and improvement



### **Texas Transmission Line Construction** group honored with the Chairman's Award

A group of 55 Texas employees, all part of the Transmission Line Construction and Maintenance team, received the 2010 Chairman's Award, Xcel Energy's top honor. Team members were recognized for their commitment to and demonstration of Xcel Energy's values. The Amarillo team has taken on primary accountability for all transmission line work, requiring employees to learn new skills like performing bare-hand work and using insulated sticks to work on energized lines. Their work has vastly decreased the number of minutes transmission lines were unavailable compared to previous three-year averages. The department has a history of outstanding performance with respect to cost, quality work and responsiveness to changing circumstances. In addition, the team recently achieved a 50-year United Way milestone. Every year since 1960, every department employee has contributed to the United Way at the fair-share giving level, equivalent to one hour of pay per month.

## 24/7 Safety

Because people are three times more likely to experience a disabling injury off the job than at work—and 10 times more likely to suffer a fatality—we have established safety committees and initiated 24/7 safety campaigns throughout the company to help broaden employees' awareness of off-the-job safety as well. In 2010, six 24/7 safety campaigns were developed and showcased through presentations, videos, posters and flyers during safety meetings and through additional information sent to employees and their families at home. Xcel Energy has been working hard to reduce injuries on and off the job, and our safety performance has been steadily improving.

## **Employee Safety Results**

We track safety performance of 228 workgroups, and of those workgroups, 57 percent have gone one year or more without an OSHA recordable injury, while 84 percent have gone one year or more without a Lost Work Day injury. Several groups have in fact gone more than 10 years without an OSHA injury and more than 15 years without a Lost Work Day injury.

#### 2010 Performance

OSHA Recordable Incident Rate (ORIR)								
2003 2004 2005 2006 2007 2008 2009 2010								
EEI Top Quartile	2.39	2.09	2.04	1.80	1.61	1.39	1.19	_
Actual	3.62	3.40	2.74	2.53	2.61	2.42	2.11	1.90
Goal	_	_	_	2.53	2.19	2.35	2.23	1.99

We recorded 221 OSHA recordable injuries in 2010, 23 fewer injuries than in 2009. Strains and sprains continue to be the leading injury type, with lacerations and fractures as the next most frequent injury type.

Days Away, Restricted or Transferred Incident Rate (DART)								
2003 2004 2005 2006 2007 2008 2009 2010								
EEI Top Quartile	1.06	1.02	0.93	0.79	0.79	0.59	0.58	_
Actual	2.01	1.79	1.39	1.42	1.41	1.41	1.21	1.07
Goal	_	_		_	_	1.39	1.33	1.17

We recorded 125 DART injuries in 2010, 15 fewer injuries than in 2009. DART measures the more severe types of injuries.

Contractor Safety Performance for Capital Projects				
	NSP	PSCo	SPS	TOTAL
Hours Worked	281,989	505,939	8,210	796,138
# of OSHA Recordable Injuries	2	4	0	6
OSHA Recordable Incident Rate	1.42	1.58	0.0	1.51

As a comparison, the national average occupational incident rate for construction is 3.8. The rate for Xcel Energy's contractors is about 60 percent lower than the construction industry national average.

#### **Life Sustaining Awards**

Xcel Energy Life Sustaining Awards are given to employees who go beyond the call of duty and save or attempt to save the life of another. In 2010, the following employees received these awards:

Recipient	Position	Location
Steven Vold	Journeyman machinist	Prairie Island, Minn.
Donald Safe	Journeyman steamfitter	Prairie Island, Minn.
Becky Bru	Journeyman repairman	Prairie Island, Minn.
Jay Johnson	Lead service fitter B	Denver, Colo.
Joe Copeland	Working foreman B	Denver, Colo.
Randy Dinges	Lead service fitter B	Denver, Colo.
Jack McFadden	Apprentice gas meter technician	Eau Claire, Wis.
John Hancock	Senior protection services consultant	Denver, Colo.
Richard McCarthy	Shift engineer	St. Paul, Minn.
Charles Maloney	General plant helper/repairman	St. Paul, Minn.
Timothy Hilpisch	Special meter reader	St. Paul, Minn.



Employees receive a special Xcel Energy Life Sustaining Award and recognition letter for their heroic efforts. A crew in Denver is recognized during a local safety meeting (left to right) David Eves, president and CEO, PSCo; Cheryl Campbell, vice president, Systems Design, Operation and Maintenance; award recipients Randy Dinges, Jay Johnson and Joe Copeland; and Dick Kelly, chairman and CEO.

#### **Learning from Cabin Creek**

In October 2007, a fire broke out in the large tunnel that feeds a turbine at Xcel Energy's Cabin Creek hydroelectric plant near Georgetown, Colo. We had contracted with RPI Coatings, Inc., to repaint the inside of the tunnel, primarily because RPI was an experienced painting contractor with specialized knowledge and expertise in that area. Five of RPI's employees were killed and several others were injured.

In August 2010, the Chemical Safety Board (CSB) released its final report on the accident. The CSB is an independent federal agency that investigates the root causes of chemical accidents, often coordinating its investigations with the federal Occupational Safety and Health Administration (OSHA) and law enforcement agencies. The report concludes, and Xcel Energy agrees, that the event was an accident, and that current OSHA regulations are inadequate and need to be improved and clarified.

Since the accident, we have worked with numerous safety professionals to take a fresh look at our already extensive safety program. The review resulted in critical changes to several key policies. Some of the changes included:

- Updating our confined and enclosed space program
- Strengthening our contractor safety program to exceed the best practices standards in the utility industry
- Implementing a contractor secondary review procedure
- Clarifying our contractor quality assurance assessment guidelines

We are fully committed to the safety and health of our employees and contractors. We are confident that we have taken all steps necessary, including revision of the above programs, to avoid further accidents such as that which took place at Cabin Creek.

## Community Safety

We provide our customers, communities, third-party workers and emergency and public officials with information about the inherent risks of electricity and natural gas. We are committed to safety and offer comprehensive outreach programs that promote safe behavior.

Our safety outreach efforts include extensive directmail fulfillment programs, safety pamphlets, DVDs and brochures sent with customer bills. We advertise throughout our service areas, and in addition to the various safety websites we already maintain, we recently launched an online training site designed specifically for use by emergency officials who respond to gas and electric utility emergencies.

In addition to these efforts, we work closely with several industry organizations that focus on utility public safety awareness, and we participate in several national and state pipeline associations.

#### 2010 Public Safety Outreach Highlights

- The response to our direct-mail safety outreach program continues to grow each year. We distributed free energy-safety material to 64,000 contractors, 156,000 excavators and 26,000 elementary educators in 2010.
- We offered "Worker Beware" safety materials to almost 64,000 workers, including plumbers, tree trimmers, roofers and builders, who are considered at-risk due to their work near overhead or underground utilities. We also made the materials available online.
- The "Contractor Beware" website was converted to a new e-SMART website containing interchangeable content modules that are customizable to the goals and objectives of the at-risk company.
- Through direct mail targeted at elementary educators of third- to sixth-grade students, we contacted 26,000 educators to offer them free gas and electric safety materials that also help meet national science education

- curriculum standards. In addition to this offer, we emailed almost 23,800 elementary educators during 2010 to notify them of the newly developed e-SMART website, which provides online classroom information such as lesson plans, games, activities and pre/post tests. The site also provides resources for parents of the students.
- Through our membership with the national nonprofit Pipeline Association for Public Awareness (PAPA), we helped provide the following within Xcel Energy's gas pipeline states:
  - The "Excavation Safety Guide Pipeline Edition" was sent to nearly 156,000 excavators
  - The "Public Officials Newsletter" was sent to more than 17 000 public officials
  - The "Emergency Response Guidelines" were offered to 6,729 emergency response agencies and included a series of training scenarios specifically developed for response to a pipeline emergency
- We mailed more than 197,500 pipeline safety brochures to homes and businesses in the vicinity of our natural gas transmission pipelines.
- More than 110,000 people witnessed our electric safety demonstrations, which are typically presented to elementary school students and shared at large public events and fairs.
- We shipped approximately 13,600 safety pamphlets for use at community events throughout our service areas.
- In 2010, technology helped us share more safety information than ever before. Using Twitter and Facebook, we shared safety advertising messages; YouTube helped demonstrate the danger of ice and snow on gas meters; and our launch of the e-SMART website provided additional outreach to educators and contractors. As a result of our successful launch of online training for emergency responders, we delivered strong guidance about responding to utility emergencies. Additionally, we tracked almost 50,000 website visits to our sites that offered resources to educators. contractors and emergency responders.



We received the following feedback on our new "Emergency Responder Awareness" training website from a Minnesota firefighter and utility safety consultant: "Nice work. You should be proud of this valuable safety training tool. [It's the] best tool I've seen so far in my career as a firefighter (24 years) and utility professional (31 years)."

Each Xcel Energy employee has the power to make a difference when it comes to creating an inclusive environment. We encourage our employees to remember Diversity Exists: Inclusion is My Responsibility.

## Diversity

## Diversity and Inclusion at Xcel Energy

We promote diversity and inclusion as a core value, as reflected in our Code of Conduct and corporate diversity policy. Our commitment to diversity and inclusion goes beyond human resource policies and practices. It is an integral part of who we are, how we operate and how we see our future. Employees work more efficiently and business results are improved when employees are in an inclusive, welcoming environment where everyone feels respected and valued.

We define diversity as differences in people (ethnicity, gender, age, race, national origin, disability, religion and sexual orientation), as well as differences in their thought processes, educational background, work experiences, personalities, lifestyles and cultural backgrounds. Working toward an environment that welcomes and embraces diversity is inclusion. A workplace that is inclusive provides all employees with equal access to employment opportunities and development.

## Diversity and Inclusion Training

In 2010, more than 500 Xcel Energy leaders participated in all-day diversity and inclusion training sessions that were conducted throughout our service territories. The classes were designed to provide knowledge, insight and skills to manage diverse teams and create an inclusive culture.

"Attending the diversity and inclusion class was very meaningful for me. I appreciated how it focused the discussion on driving business results. The section of the class devoted to treating people with dignity was particularly insightful. It hit home for me and was a reminder that everyone, in all walks of life, deserves to be treated with dignity."

Mary Dieltz, manager, Environmental Services

About 95 percent of leaders who took the training rated it as very good or excellent, finding the class well worth their time. Between 2010 and 2011, we expect 95 percent of managers to attend the training, and we will begin to offer employees a shorter session.

In 2011, we will focus on four key areas:

- How diversity exists within every work team and work group
- A manager's role in promoting an inclusive culture of dignity and respect
- How inclusion and engagement lead to higher productivity and improved business results
- Practical applications of inclusion and engagement in the workplace

## Council on Diversity and Inclusion

Our Council for Diversity and Inclusion (CDI) is responsible for making sure our diversity strategy becomes reality. The group itself is diverse, representing all areas of the



In 2010, the Council for Diversity and Inclusion (left to right, first row: Vanessa Yohe, Harryette Johnson, LuAnn Garcia, Ron Christianson, Liz Wolf Green; left to right, second row: Jim Gilroy, Daniel Brown, David Hughes) improved accessibility to diversity and inclusion information on our website; organized Xcel Energy's first ever Corporate Diversity Day; and provided diversity and inclusion educational training to more than 500 leaders within the company.

company, including managers and both bargaining and non-bargaining employees. They identify and share best practices, review policies, communicate with executives and the rest of the organization and promote events and initiatives that support our mission.

Vision: Through valuing diversity and inclusion, we create a culture that fosters pride in all employees as well as attains and sustains a competitive advantage through operational excellence. Excellence can exist only when the totality of human variety is taken into account.

Mission: The Council for Diversity and Inclusion is a group of committed individuals who courageously champion a culture that celebrates diversity, inclusion and engagement.

- We proactively shape a highly engaged work culture that values and respects all employees and recognizes their contributions to drive performance and productivity
- We partner with all areas of the business to solve strategic business challenges and leverage business opportunities
- We are a force for positive change in our communities

## Equal Employment Opportunity and Non-Discrimination Policies

Our Corporate Code of Conduct prohibits all forms of discrimination and promotes equal employment opportunities. We have Equal Employment Opportunity and Non-Discrimination policies in place that apply to all operating companies and subsidiary companies throughout the company. These policies are available on our website, along with additional information on our diversity and inclusion initiatives.

Diversity and inclusion is a core company value at all levels. In 2010, we had three women on our board of directors (until the May retirement of Margaret Preska.) One of our female directors is African American. We also have one Latino board member.

## **Employee Network Groups**

To help achieve a more inclusive workplace, Xcel Energy supports the formation and existence of Employee Network Groups (ENGs). Our ENGs are an inclusive venue for cultural exchange, community outreach and creating business solutions that contribute to professional and personal growth, value and respect differences, and improve performance and productivity. We support these programs because we believe diversity, inclusion and engagement enrich our organization and help shape the future of our company and all employees.



Leaders for Xcel Energy's six employee network groups help to further the company's core value of diversity and inclusion through their organizations. (left to right, first row: Susan Larson and Stephen Wilson; left to right, second row: LuAnn Garcia, Sheryl Lewallen and Lynn Patzner; left to right, third row: Jim Garness, Tiffany House and Chris Royston)

ENG	Function	2010 Events & Accomplishments
GCEEE (General Counsel Employee Excellence and Equality Committee)	Aids the General Counsel in fostering a spirit of inclusiveness throughout the company	Continued to implement its action plan regarding recruitment, development, succession planning, communications and work/life balance, which includes expanded marketing of position openings, a clerkship program and employee development.
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	Has consistently helped Xcel Energy score 95 out of 100 on the Human Rights Corporate Equality Index. This index ranks employers on their policy, procedures and practices in support of gay, lesbian, bisexual and transgender employees. SAGE held events in all jurisdictions during Pride Celebration month and participated on various diversity panels.
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	Hosted events in Denver and Minneapolis for February's Black History month. More than 500 employees attended.
WIL (Women's Information 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	Held events in each jurisdiction and distributed welcome packets to all Energy Supply employees. Created a workshop to help Girl Scouts earn their energy badge.
WIN (Women's Interest Network)	Focuses on issues of interest to women, such as professional development and work-life balance	Hosted several "Toolbox Lectures" on rates, revenues and capital investments. Also hosted and videotaped an event entitled, "Women in Leadership: Lessons Along the Way."
!XCELENTE;	Increases visibility of Latino employees within the company and community, promotes professional development and shares Latino culture through awareness, inclusion and celebration	Co-hosted several lunch panel discussions with WIN and SOURCE focusing on employee leadership and advancement for minorities. Raised more than \$3,000 for the organization "Homes for our Troops" through the first Celebration of Culture Chili Cook-off.



dedication to diversity in the legal profession. Connelly serves on the board of directors of the Campaign for Legal his leadership, Xcel Energy has substantially increased the

## Community

## **Xcel Energy Foundation**

The mission of the Xcel Energy Foundation is to use the collective knowledge, resources and skills of our staff and colleagues to meet the needs of our communities and ensure that our service area is a highly desirable place for everyone to live, work or own a business. Formed in 2001 as the philanthropic arm of the company, the Xcel Energy Foundation oversees the charitable activities of Xcel Energy and its subsidiaries. The annual budget is determined by prioritizing what the Xcel Energy Foundation Board hopes to accomplish with the available resources.

The foundation's board of directors meets three times a year and approves monthly financial statements, as well as the annual budget. The board sets policy on a number of items, including the levels at which we provide matching funds for employee efforts and our focus areas for giving. They also oversee the foundation's investments. The foundation does not operate from a corpus, but does maintain a cash reserve and investment account, which is approximately equal to 50 percent of our giving for a year. The company transfers money to the foundation from shareholder dollars seven times each year, totaling approximately \$7 million.

## **Xcel Energy Foundation Board**

## **Directors:**

Cathy J. Hart Richard C. Kelly David L. Eves Judy M. Poferl Elizabeth A. Willis

Officers

Richard C. Kelly Chair & President Elizabeth A. Willis Secretary

#### Focus Area Grants

In 2010, the foundation distributed about \$4 million in focus area grants to promote economic sustainability, education, the environment, and arts and culture in the communities we serve. Our average grants range from \$2,000 to \$12,000 across all focus areas and our eight-state territory. Arts and culture, economic sustainability and education proposals that have an environmental component receive added consideration. We also look for opportunities to partner with organizations that share our commitment of promoting a culture of diversity and inclusion.

Xcel Energy Charitable Giving			
	2010	2009	
Focus area grants	\$4,057,065	\$3,701,700	
Environment	\$973,215	\$764,500	
Education	\$1,217,800	\$1,067,800	
Job training and placement	\$1,131,700	\$1,081,200	
Arts and culture	\$734,350	\$788,200	
United Way Contributions	\$5,378,890	\$5,200,000	
Employee contributions	\$2,666,945	\$2,600,000	
Company match	\$2,711,945	\$2,600,000	
Matching Gifts program	\$1,323,542	\$1,114,597	
Employee contributions	\$710,634	\$586,262	
Company match	\$612,908	\$528,335	
Dollars-for-Doing contributions	\$103,650	\$78,049	
Volunteer Energy contributions	\$59,500	\$51,500	
Classroom Connection	n/a*	\$34,450	
Disaster relief	\$50,000	\$10,000	
Community grants	\$546,585	\$522,121	
Corporate contributions	\$2,455,168	\$2,160,680	
In-kind Donations	\$217,118	\$103,934	
Total	\$14,212,628	\$12,977,031	

<sup>\*</sup> We discontinued our Classroom Connection program in 2010 and are using the program dollars to further our education and environmental focus area giving where we believe the funding will have more impact.

#### **Guidelines for Focus Area Grants**

#### Economic Sustainability Guidelines

The Xcel Energy Foundation works to assist communities in developing economic opportunities for all citizens. Our Economic Sustainability focus area grants target programs that assist individuals in obtaining employment, that create jobs and that help individuals become economically self sufficient.

#### Education Guidelines

We support math, science and economic education programs for students from kindergarten through college.

#### **Environment Guidelines**

We strive to use natural resources wisely and reduce the impact of our business on the environment. We believe that a healthy environment is essential to thriving communities. We strive to build partnerships that enhance the environment and foster an ethic of conservation and preservation.

#### Arts & Culture Guidelines

Artistic expression sparks the imagination and thrives on diversity, bringing communities together in shared experiences that foster understanding. The Xcel Energy Foundation supports efforts to increase accessibility to artistic and cultural activities.

In 2010, we conducted qualitative and quantitative research to better understand how customers perceive our community involvement efforts. We have conducted this research every other year since 2006 and have seen a positive trend in terms of how customers rate us on three key indicators, outlined below.

Customer Perceptions of Xcel Energy's Corporate Citizenship			
2006 2010			
Company cares about the environment	47% positive	69% positive	
Employees are involved in the community	27% positive	47% positive	
Company is a good corporate citizen	42% positive	74% positive	

We still have an opportunity to grow in terms of how we communicate with customers about Xcel Energy's community impact. Customers who are aware of what we are doing in the community or who participate in efficiency programs tend to rate us eight to 12 points higher on the key indicators above. In 2010, we asked our customers about their communication preferences and learned that social media holds promise as a vehicle for conveying our community involvement efforts to customers.

In addition to studying customers' perceptions, we continue to use this research to validate and guide our giving strategy. In 2008, due to our customers' concerns with the economy, we shifted away from funding affordable housing to focus on job training and placement. In 2010, nearly 90 percent of the customers surveyed agreed that three of our four giving areas—science and math education, job training and placement, and environmental stewardship—should receive funding from our charitable giving efforts. Fewer customers, but still more than half, agreed that access to the arts remains a viable area in which to give. Arts-giving is our smallest focus area, and we remain dedicated to providing access to the arts as an economic development driver, particularly in rural and small communities across our service area.



#### Earth Day events and awards

In recognition of Earth Day last April, we presented the 2010 Outstanding Environmental Partner Award to two organizations for their commitment to innovative conservation programs and practices: the Metro Clean Energy Resource Team of The Green Institute, a nonprofit organization that develops tangible solutions that improve the environment and Minnesota communities; and Great River Greening, an organization that works to restore national areas and open spaces in Minnesota.

A crowd of more than 300 employees, employee children and invited guests attended the ceremony, held at our headquarters in Minneapolis. Company leaders reflected on the 40th anniversary of Earth Day, which was created by Wisconsin senator Gaylord Nelson in 1970, and looked back at Xcel Energy's environmental progress during that time. Other Earth Day events hosted by the company in 2010 included more than 30 volunteer projects company wide, an electronics recycling event in Colorado and a public tour of an Xcel Energy supported 400-kW solar photovoltaic system at Minnesota's St. John's University.

## Employee Giving and Volunteerism

- Our employees gave nearly \$2.7 million in our 2010
   United Way campaign. This contribution was matched by the foundation for a total of about \$5.4 million raised for local United Way agencies. Contribution amounts and event proceeds were both up three percent over 2009.
- We match employee charitable contributions dollar-fordollar through our **Matching Gifts program**. Gifts are matched up to \$750 for nonprofit organizations and up to \$2,000 for higher education institutions. Contributions increased 16 percent from 2009.
- Our Dollars-for-Doing program encourages and supports employee volunteerism by making dollar

- donations for each hour employees volunteer. The foundation matches up to 100 hours each year at a rate of \$10 per hour. This amount was increased from \$5 per hour in August 2010.
- Teams of six or more Xcel Energy employees who
  participate in a community volunteer program are
  eligible to participate in the foundation's Volunteer
  Energy program. The foundation will make a donation
  of \$500 to the associated nonprofit in appreciation of the
  employees' volunteer efforts. Contributions increased 15
  percent over 2009 for this program.
- Full-time employees are eligible for 40 hours per year of Volunteer Paid Time Off (VPTO). Participation increased 14 percent over 2009.









Xcel Energy employees give generously to United exceeded increasingly higher campaign goals. This raise awareness and funds for the campaign. These events generated more than \$130,000 in employee contributions for the campaign, which were matched dollar-for-dollar by the Xcel Energy Foundation.



## Contribution to Economic Development

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 2010, we spent nearly \$2.9 billion with suppliers. Of that amount, more than \$1 billion was spent with locally based suppliers.

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

2010 Supply Chain Spending			
	Total spend	Local spend*	% of total spent locally
NSPM	\$905,330,456	\$340,914,070	38%
NSPW	\$72,689,175	\$19,725,543	27%
PSCo	\$764,295,824	\$359,767,477	47%
SPS	\$313,189,678	\$134,401,967	43%
Xcel Energy Services	\$867,297,877	\$270,079,841	31%
Total	\$2,922,803,010	\$1,124,888,898	38%

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

In 2010, we distributed nearly \$157 million in franchise fees to the communities where we operate. Franchise fees are collected by Xcel Energy and distributed to cities as part of the franchise agreements we negotiate for the right to place energy facilities in the public right of way.



# In 2010, we received the following awards for our supplier diversity program:

- Women's Business Development Center—Minneapolis "Corporate Partner of the Year"
- Metropolitan Economic Development Association "Corporation of the Year"
- Riverfront Economic Development Association "Corporation of the Year"
- Colorado Women's Chamber of Commerce "Corporation of the Year"
- Colorado Women's Chamber of Commerce "Sponsor of the Year"

#### **Supplier Diversity Program**

Our corporate policies underscore our commitment to supplier diversity by recognizing that it is in our best interest to encourage a broad base of supplier relationships. Using diverse suppliers contributes to the economic growth and expansion of the communities we serve. Our policy is to offer these businesses the opportunity to compete in our procurement for products and services. We develop and strengthen business relationships with diverse suppliers by:

- Conducting outreach efforts to seek, identify and encourage supplier diversity in our procurement processes
- Facilitating alliances and partnering
- Educating businesses about our procurement and business processes
- Identifying and encouraging subcontracting (tier two) opportunities with major suppliers when direct participation is not possible

In 2010, we spent \$186.4 million directly with diverse suppliers and another \$22.5 million indirectly.

Supplier Diversity Spending			
	Dollars spent	% of total purchases	
2010	\$208.9 million	7.1%	
2009	\$153.1 million	6.9%	
2008	\$180.8 million	7.2%	

## Community Relations

In each of our jurisdictions, we have a team 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.

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.

A virtual power plant tour also is available at xcelenergy.com/energyclassroom.



# Our Clean Energy Future:

Advanced Technology, Efficiency and Innovation



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## 2010 Highlight Story: Solar development

What role does the National Renewable Energy Laboratory (NREL) play in the development of solar energy?

Since its inception, NREL has focused on increasing solar efficiency, reducing the costs of producing those technologies and helping to bring those technologies to market. NREL's successes in the solar realm are widely recognized throughout the world—from the dozens of times we've broken records for sunlight-to-electricity conversion efficiencies, to a host of patents and licenses on solar devices, to hundreds of U.S. companies that have collaborated with the lab and adopted the resulting technological breakthroughs.

A 34-year history of excellence in solar research and development and a well-honed strategy have combined to make NREL the pre-eminent laboratory to lead solar technologies to the utility-scale level. In this way, NREL is enabling solar energy to help protect the environment, achieve U.S. energy security, reduce petroleum dependence, create new jobs and help the nation's economy recover.

In what ways have NREL and Xcel Energy worked together to advance solar as a more cost-effective and reliable resource for electricity customers?

NREL has worked closely with Xcel Energy on solar energy for more than six years. In early 2005, we helped the company review promising solar technologies and identify good sites in Colorado to develop the state's first large solar plant. The 8-MW facility that resulted from this collaboration, located near Alamosa, Colo., was the nation's largest solar photovoltaic (PV) power plant at the time it went into operation.

Through discussions with Xcel Energy, we also observed that thermal energy created through concentrated solar technologies could be used in combination with an existing steam power plant. An "integrated" or hybrid approach could potentially improve the efficiency of the power plant, reduce fuel consumption and the effective cost of electricity generated, and reduce air emissions from a facility that burned coal or natural gas. In 2009 and 2010, Xcel Energy demonstrated this approach through the nation's first hybrid solar-coal power plant at Cameo Generating Station. NREL is now following several other proposed integration projects around the United States and overseas.

Since 2005, Xcel Energy has supported several million dollars of solar research at NREL. The latest and perhaps most exciting collaboration is at the Solar Technology Acceleration Center or SolarTAC. After several years of background work in which NREL consulted with Xcel Energy, SolarTAC is now up and running and is on track to become one of the world's largest and most comprehensive test facilities for emerging solar technologies. It's dedicated to advancing technologies that will make solar energy less costly and more readily available to consumers, including electricity customers.

What perspectives would you like to share regarding the future of solar energy?

The possibilities for large-scale deployment of solar electricity generation in the United States are exciting. We have some technical challenges to overcome to reduce the costs of central station PV (photovoltaic) and CSP (concentrating solar power) generation and improve our understanding of how to most effectively integrate this intermittent resource on the electricity grid.

Distributed PV systems—PV systems deployed on the utility distribution grid pose additional opportunities and challenges. Distributed PV systems are located close to where the electricity is consumed, thus avoiding some electric system infrastructure costs, including transmission. But the distribution grid was not originally designed to integrate a large number of distributed solar energy sources. Xcel Energy and a few other leading utilities are working to better understand the capacity of the existing distribution grid for accommodating PV systems, and NREL is supporting many of these analyses.

There are also emerging issues about the best ways to accommodate diverse ownership structures for PV systems connected to the distribution grid. Customer- and community-owned systems can, in many cases, challenge the business models that have been in place for many years. The industry, the states and the nation have much more work to do to determine the most effective business and financial models for utilities and customers to support large-scale deployment of solar energy. NREL and utilities such as Xcel Energy are helping to advance this important work.



# **Executive Summary**

We are realizing our vision of a clean energy future for our customers and the communities we serve. In 2010, 10 percent of our power supply came from wind, solar and biomass sources, about double what it was just three years ago. And as we install highly efficient emissions controls and retire and replace some coal-fired units with natural gas, the electricity we produce from fossil fuels is becoming increasingly cleaner. We know that good things come from collaboration, like our extensive portfolio of energy efficiency programs that help customers save money and reduce environmental impact. We regularly work with a number of stakeholders—legislators, policymakers, environmental groups and consumer advocates—to implement cost-effective programs for renewable energy, plant improvements and energy efficiency. We also know that technology is changing, so we have invested in projects that promise advancement in solar, wind, smart grid, electric vehicle and other technologies.

So far, these efforts have reduced our carbon dioxide emissions almost 10 percent from 2005 levels. We are on a common sense path to environmental improvement that continues to deliver the affordable and reliable energy service our customers expect while preparing our company for the future. It is an approach that benefits customers, as well as shareholders, and will result in a cleaner, better electric system.

Clean Energy Key Performance Indicators			
	2010 Goal	2010 Performance	2011 Goal
Renewable Energy	200 MW of wind energy available for commercial operation by 12/31/10	201 MW of wind energy available for commercial operation on 12/28/10, as well as 3.24 million RECs sold	Goal incorporated into the advanced technology and energy efficiency goals below for 2011
Advanced Technology	Complete Colorado Innovative Clean Technology project and 8 of 10 efficiency projects	Completed Colorado Innovative Clean Technology project and 10 of 10 efficiency projects	Complete 9 of 12 efficiency and technology projects relating to distribution, generating facilities and innovative technology
Energy Efficiency	Achieve energy savings of 617 GWh	Achieved energy savings of 696 GWh*	Achieve energy savings of 760 GWh
<b>⊗</b> EXCEEDED	TARGET (	• MET TARGET (	DID NOT MEET TARGET

<sup>\*</sup> Includes only results for Colorado, Minnesota and New Mexico. Total energy savings for customers in all states was about 773 GWh in 2010.

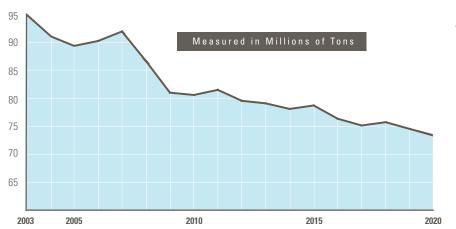
	2010	Renewable En	ergy Portfolio	o (in MW)		
	Wind	Hydro	Solar (AC)*	Biomass	RDF/Landfill	Total
Upper Midwest (NSPM/NSPW)	1,495	277	3	193	115	2,083
PSCo	1,265	78	84	_	3	1,430
SPS	673**	_	<1	_	_	673
Total	3,432	355	87	193	118	4,186
Projected by 2015	5,000**	580	430	205	120	6,335

<sup>\*</sup> In 2009, we began reporting and tracking solar energy on our system in alternating current (or AC) megawatts to be consistent with how we report and track energy from all other generating sources. Prior to this, we used direct current (or DC) for solar energy, as it is commonly used in the solar industry.

<sup>\*\*</sup> SPS wind energy total for 2010 includes 443 MW from long-term contracts and 230 MW of required purchases from qualifying generating facilities; no wind from these generating facilities is included in the 2015 forecast.

## Proposed Xcel Energy CO<sub>2</sub> Reductions

(Data Reflects Owned and Purchased Generation)



We have reduced CO2 almost 10 percent from 2005 levels

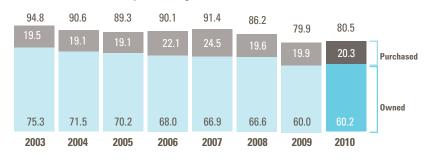
#### Our Carbon Dioxide Reduction Efforts

Like most utilities and other industries. Xcel Energy uses fossil fuels to serve our customers, in our case to make electricity and provide natural gas. Whether burned in a coal-fired boiler, in a combustion turbine, or by individuals in their cars, businesses or home-heating furnaces, fossil fuels emit carbon dioxide  $(CO_2)$  when combusted, and  $CO_2$  is a greenhouse gas.

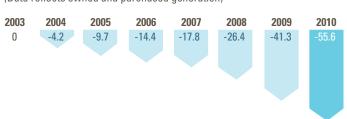
Xcel Energy works with policymakers, environmental regulators and other stakeholders to undertake carefully planned and cost-effective actions to reduce GHG emissions associated with our operations. Since 2005, we have succeeded in reducing CO<sub>2</sub> emissions by almost 10 percent.

We accomplished this by increasing our use of emissions-free renewable energy resources, by offering expanded energy efficiency programs to customers and by improving the overall efficiency of electricity generation through upgrades at our existing power plants, retirement of older generating units and development of new power plants that employ more efficient technology. It also is our intent to continue improving our generating assets to meet anticipated new environmental requirements over the coming decade. In 2010, our resource acquisition plans, proactive environmental compliance strategies and clean energy initiatives put us on course to achieve a 20-percent reduction in CO<sub>2</sub> emissions from 2005 levels by the year 2020.

Total Xcel Energy CO<sub>2</sub> Emissions (In Millions of Tons) (Data reflects owned and purchased generation)







## 2010 CO2 Intensity Rates by Operating Company (Intensity in lbs/MWh) (Data reflects owned and purchased generation) 1,110 1,678 1.539 1,408 NSPM/NSPW PSC0 **XCEL ENERGY** SPS Measured in LBS/MWH

## Accomplishments in 2010

- The American Wind Energy Association has ranked Xcel Energy the nation's No. 1 wind energy provider for the past seven years.
- Xcel Energy's 201-MW Nobles Wind Farm began commercial operations in December 2010. It is our second company-owned wind farm in Minnesota.
- The Solar Electric Power Association has ranked Xcel Energy No. 5 among U.S. utilities for solar capacity for the past three years. We currently have more than 25 MW-AC of utility-scale solar on our system, and through our popular Solar\*Rewards® program, have grown the number of customerowned photovoltaic systems from around 300 in 2006 to more than 7,300 by the end of 2010.
- The Solar Technology Acceleration Center (SolarTAC) came to life in 2010 when five of its eight members began installing solar technologies at the facility for testing, including the solar-tobattery project that Xcel Energy installed. We are the original founding member of SolarTAC, which is an integrated, world-class facility where the solar industry and solar energy users can test, validate and demonstrate advanced solar technologies under actual field conditions.
- In 2010, Xcel Energy was one of 10 organizations within the S&P 500 listed on the Carbon Disclosure Project's Carbon Performance Leadership Index

- and the Carbon Disclosure Leadership Index. The listings recognize both our progress in reducing carbon dioxide emissions and the quality of our emissions reporting. The Project is an independent, nonprofit organization that collects and makes public greenhouse gas (GHG) emissions data from corporations around the globe.
- Our customers achieved significant energy savings of about 773 GWh in 2010, the most ever through our extensive energy efficiency offerings. This was enough energy to satisfy the electricity needs of about 95,000 homes and the natural gas needs of more than 14,000 homes for one year.
- We received the 2010 "Partnership of the Year" award from the Minnesota Environmental Initiative for a demand-side management project at Faribault Foods Cannery that enabled the company to recover and reuse 100 percent of the heat generated in the canning process.
- The Eau Claire, Wis., Area Chamber of Commerce named Xcel Energy a "Green Sustainable Business" for proactively engaging in green business practices and operations. The designation is part of a new program the organization launched to support businesses with environmentally responsible operations and practices.



### Climate Action

## Climate Policy Developments

Climate change remains an area of public concern and a major political issue. Significant events in 2010 reshaped the climate policy debate around the world, particularly in the United States where the weak economy and political changes in Washington, D.C., impacted efforts to pass national climate legislation. Despite a stalemate on the federal legislative front, significant activity in other areas keeps climate change a major strategic issue for the U.S. power sector and for Xcel Energy.

Political, regulatory and legislative developments in 2010 include:

- Continuing weakness in the U.S. economy reduced the priority of climate legislation for Congress. The American Clean Energy and Security Act passed by the U.S. House of Representatives in 2009 was followed by a similar greenhouse gas (GHG) cap-and-trade proposal in the U.S. Senate, but the Senate proposal stalled. Stronger opposition to cap and trade marked the new Congress elected in 2010, rendering national climate legislation unlikely in the near-term.
- In early 2010, EPA signaled its intent to regulate GHGs emitted by sources above a specified threshold and in November issued "best available control technology" guidance for permitting power plants subject to new source review. Regulation of power plants under these EPA actions officially began on Jan. 2, 2011—the first time power plants have been federally regulated for GHGs. Late in December 2010, EPA also stated its intent to promulgate New Source Performance Standards for new power plants and GHG emissions guidelines for existing plants. These new requirements will be issued in draft form in the summer of 2011 and could be finalized in 2012
- Some regions aggressively continue to pursue climate action, and in 2010, we saw significant state climate policy implementation. The Regional Greenhouse Gas Initiative operated for its second year in the Northeast, and the Western Climate Initiative moved forward with climate program analysis and rule development. California's GHG cap-and-trade program survived a challenge in the 2010 election, and the program is expected to take effect in 2012. New Mexico became



the first state in Xcel Energy's service territory to adopt mandatory GHG reduction rules. These rules could affect our system operations in that state beginning in 2012 unless rescinded or delayed.

 Broader energy policy issues also received attention, including the impact of upcoming EPA regulations on coal-fired power plants, expanded natural gas resources and clean energy standards. Some studies indicate new EPA requirements for non-GHG air emissions, ash waste, and water discharges could hasten the retirement of 5 to 20 percent of existing coal-fired power plants over the next decade. In the same time frame, greater availability and more stable natural gas prices resulting from advances in production technology are likely to make natural gas a more economical fuel for power generation. Finally, a national clean energy standard is now being viewed by some as an alternative policy approach to a GHG cap-and-trade program or direct regulation of GHG emissions. Xcel Energy first proposed a Clean Energy Portfolio Standard in 2006 as a more cost-effective way of addressing climate change.

> Please see page 105 for developments in EPA regulation on other environmental matters.

## Our Position on Climate Policy

Xcel Energy believes a balanced approach is important for developing and implementing policies to reduce greenhouse gas emissions. We regularly engage in discussions with policymakers, energy providers, the environmental community and others to advocate the following climate policy principles:

- A well designed, single national climate policy established through federal legislation is most favorable and presents least risk to the economy
- Climate policy should encourage a broad, diverse portfolio of electric generating resources, including natural gas, wind and other renewable technologies
- Efforts to reduce GHG emissions must take into account economic conditions, impacts on consumers and the availability of technology

- Advancements in clean energy technology are needed and provide the most sustainable and cost-effective way to reduce GHG emissions
- Climate policy should encourage a transition to lower carbon-emitting technologies by providing incentives to replace old facilities and by not burdening facilities already scheduled for retirement with additional environmental cost
- Early investment in renewable energy and other cleaner energy sources, including energy conservation, should be recognized and rewarded
- New carbon-related requirements should be coordinated with other environmental mandates to avoid uneconomic investments
- Climate policy must provide flexibility in achieving GHG reduction goals and not become the equivalent of an additional, new tax on energy





Researchers from the University of Wyoming test their carbon capture technology at Xcel Energy's Pawnee Station in Brush, Colo.

#### **Carbon Capture Pilot Projects**

Last year Xcel Energy continued its participation in several industry pilot projects to test advanced technologies with the potential to capture or reduce CO<sub>2</sub> emissions.

We worked with the University of Wyoming at our Pawnee Generating Station in Brush, Colo., to test regenerative capture using low-pressure sorption on solid carbonaceous materials. The results demonstrate that the technology can achieve both high  $\rm CO_2$  recovery and high purity simultaneously. We also worked with ADA-ES,

an environmental technology and specialty chemical firm, which has installed a pilot project to evaluate different solid sorbents using a flue gas slip stream at Unit 3 of our Sherburne County (Sherco) Generating Station located near Becker, Minn. Completion of the pilot testing is expected in the spring of 2011.

The company also joined with Ion Engineering to field test its carbon-capture technology at our Valmont Generating Station in Boulder, Colo. Ion Engineering is first working on lab-scale testing, which if positive, will proceed with a pilot test at Valmont Station in 2011.

#### Our Environmental Disclosure Record

We provide the public with detailed information regarding our environmental performance and risk. Below is a summary of the reporting channels we use to disclose various measures of our environmental performance.

The Climate Registry	The Climate Registry is a nonprofit organization established to provide consistent and transparent standards to calculate, verify and report GHG emissions into a single registry for North America. Several years ago, we signed on as a founding member because we recognized that having a formal emissions-reporting protocol, like the one The Climate Registry has developed, can improve the consistency, comparability and credibility of our GHG emissions reporting. In 2009, we filed for the first time our 2008 GHG emissions with The Climate Registry. These results were third-party verified and registered with The Climate Registry in early 2011. We hope to have emissions results for 2009 and 2010 third-party verified and registered by the end of 2011.
Carbon Disclosure Project	The Carbon Disclosure Project (CDP) is an independent nonprofit organization that compiles information regarding GHG emissions, water usage and the business risks and opportunities presented by climate change from thousands of corporations worldwide. We have provided detailed responses to the CDP's GHG questionnaire for the past five years.
Investor Research Firms	Xcel Energy provides information to a number of organizations focused on sustainability or environmental research, including Trucost, IW Financial, RiskMetrics, Maplecroft Advisors and others.
U.S. Environmental Protection Agency	Under EPA's new requirements, we plan to file mandatory GHG reporting data for 2010 this year.
Xcel Energy Corporate Responsibility Report	This report, which is issued annually, contains year-to-year comparisons of a wide variety of environmental data relating to our operations.
Xcel Energy 10-K	Our annual 10-K contains carbon reporting and a discussion of the potential business risks Xcel Energy faces relating to climate change. It also contains information and initiatives relating to our environmental leadership strategy.

Xcel Energy voluntarily participates in a number of different GHG reporting programs, such as the Carbon Disclosure Project and The Climate Registry. These organizations each use a unique reporting protocol and may present Xcel Energy's reported GHG emissions differently. While these protocols and reporting may vary, the information we provide comes from the same data set. In this publication, we report  $CO_2$  emissions associated with owned and purchased generation, providing our customers and others information on the emissions associated with the electricity we provide. This is our most significant source of emissions, and because we have consistently reported this information for a number of years, users of the report can follow the emissions trend.



#### The Carbon Disclosure Project: Facilitating greater insight and better business decisions

The Carbon Disclosure Project (CDP) sent its first request for greenhouse gas emissions and climate change data to 500 organizations in 2003 and received 235 responses. By 2010, more than 3,000 companies voluntarily reported, helping the CDP assemble the largest database of primary corporate climate change information in the world. The CDP system is set up so that institutional investors can request information from companies and large purchasing organizations can request data from suppliers through CDP.

"It's difficult for organizations to ignore requests from their shareholders and customers," says Joanna Lee, chief partnerships officer of the CDP. "The questions posed by the CDP often prompt companies to think about certain risks and opportunities they hadn't previously considered."

The CDP believes that while some companies may have started participating in the project initially due to stakeholder demand, most find that reporting leads to greater insight and better business decisions for the company itself. Xcel Energy has been reporting data to the CDP for five years and is one of 10 organizations within the S&P 500 listed on the CDP's Carbon Performance Leadership Index and the Carbon Disclosure Leadership Index. "CDP reporting provides a useful track record of where we've been and where we're going," says Beth Chacon, manager of environmental policy for Xcel Energy. "It enables us to increase our transparency with our stakeholders and allows us to more easily benchmark performance within the industry."

"There are significant benefits to going through the CDP measuring and reporting process. In general, measurement leads to better management," adds CDP's Lee. "By understanding their own greenhouse gas emissions more thoroughly, companies like Xcel Energy are able to choose the most effective strategies for managing them."

#### **Carbon Offset Strategy**

Carbon offsets are reductions in greenhouse gas (GHG) emissions created through projects outside of and in addition to reductions achieved within the electric generation system itself. Examples of carbon offsets include capturing methane emissions from a coal mine, planting trees to remove carbon from the atmosphere as they grow, or changing farming practices to reduce GHG emissions from fertilizer applications. The effect of such projects is monitored to ensure that verifiable reductions have occurred and an environmental benefit has been created.

The objective of a carbon offset program is to obtain costcompetitive GHG reductions that are likely to reduce compliance costs for utility customers under future carbon reduction mandates. Many proposals for government programs that would require companies to reduce their GHG emissions allow some portion of that compliance obligation to be satisfied through offsets.

In 2010, we successfully implemented a carbon offset pilot program for our Colorado customers. The goal of the pilot program is to learn how the carbon offset marketplace works, which better positions Xcel Energy to comply with any future GHG regulations at a lower cost. Under the pilot program, we purchased our first offsets from two projects and will hold them for future compliance obligations. The offset pilot program is funded by sales of renewable energy credits (see further discussion on page 81), and we report the results of offset activities regularly to the Colorado Public Utilities Commission and other interested stakeholders. Due to the success of the pilot effort, which will run through mid-2011, we are currently seeking a permanent status for this program.

purchased 68,000 metric tons of offsets overall. We

# Advanced Technology

# Renewable Energy

Renewable sources of energy are a growing part of our energy mix. Several of the states where Xcel Energy operates have some of the most stringent renewable portfolio standards in the United States, and we support these standards. Our renewable energy portfolio includes wind, biomass, solar and hydroelectric power that comes from our own generating facilities and from power purchase agreements. These sources can provide clean, cost-effective energy to our customers, and they support our emissions-reduction goals.

State Renewable Portfolio Standards			
Colorado	30% by 2020		
Michigan	10% by 2015		
Minnesota	30% by 2020		
New Mexico	20% by 2020		
North Dakota	10% by 2015*		
South Dakota	10% by 2015*		
Texas	5,880 MW by 2015		
Wisconsin	12.85% by 2015		

<sup>\*</sup>Indicates the state has a voluntary renewable energy objective rather than a mandated standard.

#### Wind

For six consecutive years, the American Wind Energy Association (AWEA) has named Xcel Energy the nation's No. 1 wind power provider. For more than a decade, we have played a pivotal role in the commercialization and advancement of wind energy.

Please see page 64 for the table detailing our renewable energy portfolio for 2010 and projections for 2015.



#### Wind Expansion

On Dec. 28, 2010, our Nobles Wind Farm in southwestern Minnesota began operating fully and supplying electricity to the regional transmission grid. The 201-MW wind farm, located in Nobles County, was the second company-owned wind project completed by Xcel Energy in Minnesota. The wind farm consists of 134, 1.5-MW wind turbines that together can generate enough power to serve approximately 66,500 homes. We also own the 100-MW Grand Meadow Wind Farm in southeastern Minnesota's Mower County.

With the addition of the Nobles Wind Farm, we received energy from nearly 1,500 MW of wind-powered generation on our Upper Midwest system in 2010, with a total of more than 3,400 MW company-wide. Our plans include a portfolio of approximately 5,000 MW of both owned and purchased wind power capacity by 2015.

To help fulfill these plans, we entered into three significant power purchase agreements in 2010 for additional wind energy. We will purchase the output of Renewable Energy Systems Americas Inc.'s new 252-MW Cedar Point Wind Project to be located in Lincoln and Elbert Counties, Colo., and BP Wind Energy's 250-MW Cedar Creek II Wind Farm to be located in Weld County, Colo. In Texas, we will purchase the output of Cielo Wind Power, LP's 161-MW Spinning Spur Wind Ranch to be located west of Amarillo.

On April 1, 2011, we announced the termination of development plans for the 150-MW Merricourt Wind Project in North Dakota with enXco Development Corporation. A major factor in the decision was the U.S. Fish and Wildlife Service's concern that the project would have adverse impact on endangered or threatened birds protected by federal law.

#### Improved Wind Forecasting

We are learning to optimize the significant wind resources on our system through better weather forecasting with the National Center for Atmospheric Research (NCAR) and its







Xcel Energy's 201-MW Nobles Wind Farm in southwestern Minnesota began commercial operation in December 2010. The facility employed 200 construction workers, created 13 long-term operation and maintenance jobs, resulted in 400 manufacturing jobs and provides about \$600,000 in annual landowner revenue.

#### Windsource®

Through our Windsource program, launched in 1998, we were an early adopter of wind energy. Today the program is one of the largest voluntary green-energy programs in the United States.

#### Windsource Customer Highlights in 2010

- Augsburg College and the University of St.
   Thomas in Minnesota each purchased more than 11 million kWh of wind energy to help meet campus climate goals.
- In Colorado, the Denver Broncos, the U. S.
   Mint and our LEED-certified building at 1800
   Larimer St. were among the new commercial
   customers joining Windsource in 2010. The
   U.S. Mint now purchases 100 percent of its
   electricity through Windsource and is one of
   the largest purchasers of renewable energy in
   Colorado.
- Luther Midelfort medical center became our largest Windsource customer in Wisconsin, committing to purchase more than 1 million kWh of wind energy annually.

2010 Windsource Results			
Customers MWh			
Colorado	39,031	212,897	
Minnesota	22,068	161,036	
Wisconsin	742	8,962	
New Mexico	1,361	5,943	
Total	63,202	388,837	

Please see page 81 for information about our Renewable Energy Credit (REC) sales and strategy.

high-resolution wind energy forecasting system. NCAR's state-of-the-art system combines real-time, turbine-level operating data with weather-prediction models and sophisticated algorithms to forecast wind energy out for 72 hours. The forecasts help system operators make critical decisions about powering down coal- and natural-gas-fired power plants when sufficient winds are predicted. We have made significant progress since the project first launched at the end of 2008, making better decisions and saving money. We estimate that more accurate forecasting helped save about \$6 million last year in fuel costs alone.

#### Wind-to-Battery Project Results

In October 2008, we began testing a 1-MW batterystorage technology in Luverne, Minn., to demonstrate the ability to store wind energy in batteries and send it to the electricity grid when needed. The battery installation is connected to a nearby 11-MW wind farm owned by Minwind Energy. Preliminary test results from 2010 indicate that the batteries have the ability to:

- Effectively shift wind energy from off-peak to on-peak availability
- Reduce the need to compensate for the variability and limited predictability of wind-generation resources
- Support the transmission grid system by providing voltage support, which contributes to system reliability
- Support the regional electricity market by responding to real-time imbalances between generation and load

Testing will continue to determine the technology's ability to integrate larger amounts of wind energy onto the grid. The second phase of the study underway now will assess

the potential value aspects of the various battery-system functions and determine the potential considerations for cost effectiveness of the technology. A final report is expected in summer 2011.

#### Wind-to-Hydrogen Project Evolves

It has been nearly six years since we launched the unique wind-to-hydrogen demonstration project with the National Renewable Energy Laboratory (NREL) at its National Wind Technology Center near Boulder, Colo. The project was our first exploration in the area of energy storage. In addition to demonstrating a wind-based energy system free of greenhouse gases, NREL has been able to leverage our initial investment in the project to test other synergistic applications, including:

- Using the DC electricity produced from solar panels to directly power electrolyzers without going through the inefficient DC to AC and AC to DC power conversions to explore the potential of solar-to-hydrogen energy systems
- Installing a fueling station to power the center's new shuttle bus with hydrogen from renewables, making it a completely green fuel, producing water vapor as exhaust
- Adding a fuel cell to demonstrate an alternate way to supply power to the grid, beyond the original hydrogen internal combustion engine generator set approach

NREL has been identified as the lead national laboratory for testing electrolyzers—the equipment used to split water into hydrogen and oxygen—due in part to the success of the wind-to-hydrogen project.

Xcel Energy is now purchasing solar power from the 19 MW-AC Greater Sandhill photovoltaic power plant located in Alamosa County, Colo. Developed by SunPower, the facility began generating power on Dec. 22, 2010, and is currently the largest operating PV solar power plant in Colorado, generating enough power to serve the annual electricity needs of nearly 5,000 homes. Greater Sandhill was constructed in nine months, creating more than 100 jobs during construction.

#### Solar

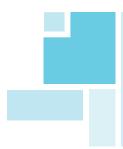
In 2010, the Solar Electric Power Association (SEPA) ranked Xcel Energy No. 5 in the nation for solar electric capacity. We continue to grow our use of solar energy, incorporating both utility-scale and customer-owned solar systems. Our demonstration and testing work, along with several community-based projects, are helping to not only advance solar technology, but educate consumers about the potential for solar energy.

#### Utility-Scale Solar

Today, large utility-scale solar installations are usually the most cost-effective choice for solar energy. Efficiencies come with the economy of scale and the ability to locate systems in areas with optimal solar resources. As of 2010, we had more than 25 MW-AC of utility-scale solar on our system, but we expect this to increase significantly by 2015.



David Hudson, director of customer and community relations, SPS, for Xcel Energy (second from right), helped break ground on the project with SunEdison to develop five utility-scale solar facilities in New Mexico.



In December 2010, we joined community leaders and renewable developers to break ground on a 50 MW-AC solar deployment to be built on five separate sites in Lea and Eddy counties, New Mexico. The five sites will be comprised of utility-scale, photovoltaic (PV) solar power arrays that are expected to be fully operational by the end of 2011. SunEdison will build, finance and maintain the installations and sell the power to Xcel Energy under a 20-year solar power services agreement.

Xcel Energy System Existing and Planned Utility-Scale Solar					
Facility	System Type	Size MW-DC	Size MW-AC	Location	Online
SunEdison Alamosa	Concentrating and flat-plate photovoltaic	8.2 MW	6.2 MW	Alamosa, Colo.	2007
SunPower Greater Sandhill	High efficiency photovoltaic	20 MW	19 MW	Alamosa, Colo.	2010
SunEdison	Ground-mounted photovoltaic (five 10-MW sites located in Lea and Eddy counties)	55 MW	50 MW	New Mexico	2011
Iberdrola Renewables San Luis Valley Solar Ranch	Photovoltaic	35 MW	30 MW	Alamosa, Colo.	2012
Cogentrix Alamosa Solar Generating Project	Concentrating photovoltaic	35 MW	30 MW	Alamosa, Colo.	2012
TBD	Solar thermal with storage	N/A	125 MW	Specific location in Colo. TBD	2015

#### Customer-Sited Solar

To encourage the growth of solar energy on our system, we offer our customers incentives to install solar panels on top of their homes and businesses. In addition to Colorado, we now offer our popular Solar\*Rewards® program in Minnesota and New Mexico. Customers have responded positively, installing more than 7,300 PV systems through the end of 2010, with a capacity of about 78 MW-DC. The program is designed to ensure a variety of systems are built, from small residential systems to large commercial systems. By the end of 2010, we had provided more than \$180 million in incentives to customers.

2010 Solar*Rewards Results			
State	2010 Systems	Systems to Date	
(year program	/ MW-DC /	/ MW-DC /	
launched)	Incentives	Incentives	
Colorado (2006)	2,559 / 27.5 MW / \$67.3 million	7,146 / 75.9 MW / \$177.5 million	
Minnesota	166 / 1,057 kW /	166 / 1,057 kW /	
(2010)	\$2.38 million	\$2.38 million	
New Mexico	16 / 372.78 kW /	16/ 372.78 kW /	
(2009)**	\$35,000	\$35,000	

<sup>\*\*</sup> Our Solar\*Rewards program in New Mexico pays customers for actual system kilowatt-hour production rather than the upfront incentives provided in other states.

In early 2011, we announced changes to our Colorado Solar\*Rewards program, which were prompted by the decline in solar panel costs and increasing subsidization from government programs. Together, these developments reduced the level of Xcel Energy incentives needed to support customer participation in Solar\*Rewards. Following the announcement, we worked with the industry and others on a short-term strategy that supported the industry's business needs, while managing program costs and ensuring prudent investment of our customer funds. The industry was supportive of minimizing upfront rebates and instead changing payments to performance-based or pay-as-you-generate over 20 years. This strategy supports the growing solar industry in Colorado and will remain in place until the Public Utilities Commission approves a longer-term plan for Solar\*Rewards, expected in mid-2012.

#### Solar\*Rewards Community

In June 2010, the Community Solar Gardens Act was signed into law in Colorado. The legislation will enable customers to buy or lease shares from cooperatively owned solar PV installations. Solar\*Rewards Community customers will receive a credit on their electricity bill for their share of the solar garden, similar to the net metering benefits that current Solar\*Rewards customers receive for electricity generated by panels on their homes. Owners of the solar gardens receive an energy payment from the participating customers and a REC payment from the company. We use the REC purchases to help meet our renewable energy standard.

The Colorado Public Utilities Commission recently proposed rules for the community solar gardens program. We plan to launch the program in the first half of 2012 with the possibility of taking applications for solar gardens toward the end of this year.

#### Community-Based Solar

Through our New Mexico Community Solar program, we now own four solar PV systems located on community partner sites in eastern and southeastern New Mexico. The first community-based solar PV system was installed in 2009 on the roof of our service center in Hobbs, New Mexico. We also have a 30-kW system on the campus of Eastern New Mexico University-Roswell and installations at schools in Clovis and Carlsbad. The program is aimed at educating the public and engaging students in solar-power development.

The Roswell site showcases the most common configuration of solar arrays, including rooftop, standalone, single-axis and dual-axis arrays. It is located at ground level and includes walking paths and information kiosks, as well as meters that show the output of the solar installation. A key component of all four New Mexico Community Solar sites is an educational outreach program that provides energy curriculum developed specifically for New Mexico schools. Students, as well as the general public, are able to access live and historical data measuring ambient temperatures, wind speed and levels of solar radiation at the sites. This information is available at **xcelefficiency.com/NMCS**.



Riley Hill (center), president and CEO, SPS, joined the ribbon cutting for the community-based solar project at Eastern New Mexico University-Roswell.

#### SolarTAC

The Solar Technology Acceleration Center (SolarTAC) is an integrated, world-class facility where the solar industry and solar energy users can test, validate and demonstrate advanced solar technologies under actual field conditions. The SolarTAC mission is to increase the performance, costeffectiveness and reliability of solar energy products for rapid deployment in the growing commercial market.

Xcel Energy installed a 1-MW battery at the SolarTAC site in December 2010 as part of a three-year test program to evaluate how energy storage can benefit an electric distribution system with high solar production.

SolarTAC originated in 2008 when five public and private sector entities—Xcel Energy, Abengoa Solar, SunEdison, the City of Aurora, Colo., and MRI Global —joined forces to develop a site and common infrastructure allowing SolarTAC members to undertake individual and cooperative solar research. In 2010, three new members joined SolarTAC—Amonix, a supplier of concentrating photovoltaic solar technology; the Electric Power Research Institute; and the Alliance for Sustainable Energy, which is the Department of Energy's management contractor for the National Renewable Energy Laboratory (NREL). More than \$7 million in investments have been committed to the 74-acre SolarTAC site, and five members have begun installing solar technologies for testing.

#### Solar-to-Battery Project

We view the solar generation at SolarTAC as an additional opportunity to study issues and solutions related to accommodating a large amount of solar energy on a utility distribution system. The variability common in solar output due to clouds and other factors can lead to voltage fluctuations and other grid management concerns as an increasing number of solar systems are connected to a distribution feeder. To that end, in 2010 we installed

a large, utility-scale battery at SolarTAC as part of a three-year test program to evaluate how energy storage could assist in operating a distribution system with high solar production. The 1-MW battery uses an advanced dry-cell lead acid technology that is different than the sodium-sulfur battery we are testing in Minnesota for purposes of improving wind integration on our transmission system. Together, these two projects will increase our understanding of how to manage both wind and solar energy more effectively on our overall power grid.

#### Colorado Integrated Solar Project

Last spring we began testing a first-of-its-kind demonstration of a hybrid solar-coal approach, using parabolic-trough solar technology integrated with a coal-fired power plant. The project, located at our Cameo Generating Station near Grand Junction, Colo., was designed to increase the plant's efficiency, decrease the use of coal, test the commercial viability of concentrating solar power thermal integration, and lower carbon dioxide emissions. Abengoa Solar developed the parabolic-trough technology, which concentrated solar energy to provide supplemental heat input for producing electricity at the Cameo plant.

The test results are positive. While only a small, pilot-scale test, the solar energy produced by the project increased plant efficiency by more than one percent and replaced more than 260 tons of coal during the course of the test. It also reduced the plant's air emissions by about 600 tons of carbon dioxide, 2,000 pounds of nitrogen oxides, and 5,400 pounds of sulfur dioxides.

Learn more about Colorado's Innovative Clean Technology program on our website.

As part of a planned plant retirement, Cameo Station ceased operations at the end of December 2010 (see page 92 for more information.) The solar demonstration concluded at the same time, and we are exploring options for the site and the future disposition of the solar field.

The solar integration project was the first initiative under Colorado's Innovative Clean Technology program, an initiative to test promising new technologies with the potential to lower GHG emissions and result in other environmental improvements.

#### **Biomass**

#### Bay Front

In 1979, our coal-fired Bay Front Generating Station in Ashland, Wis., became the first investor-owned utility power plant in the nation to burn waste wood to generate electricity. In 2010, the Bay Front plant used a near-record 253,440 tons of waste wood, just short of our all-time record of 253,548 tons set in 2009. Due to the increasing use of waste wood, we reduced the amount of coal used at the facility in 2010 by 12,000 tons from the previous year.



We have three power plants—the Red Wing and Wilmarth Generating Stations in Minnesota and the French Island Generating Station in Wisconsin—that produce about 53 MW of electricity from fuel derived from municipal solid waste or garbage, called refuse-derived fuel (RDF).

Our waste-to-energy facilities not only produce electricity; they play an important role in using waste that would otherwise end up in landfills. All of our waste-to-energy facilities have upgraded air quality control systems to meet stringent air emission regulations.

# Biomass gasification project

In December 2010, we notified the Public Service Commission of Wisconsin that we will not proceed with a project to install an alternative biomass generation technology at Bay Front due to the significant increase in the estimated costs, declining costs of other generation options and considerable regulatory uncertainty at the state and federal level. Although this biomass gasification project will not be completed, we have gained considerable benefit from the evaluation undertaken. The engineering studies will advance gasifier technologies for utility applications, and our efforts to procure sustainable biomass supplies have resulted in a model that can be adopted in future projects.

Biomass, Biogas and Waste-to-Energy Projects on our System (Purchased Power)				
Project	Туре	Size	Location	
WM Renewable Energy (Burnsville)	Landfill gas-to-energy	3 MW	Minnesota	
Pine Bend	Landfill gas-to-energy	12 MW	Minnesota	
St. Paul Co-Gen	Biomass	25 MW	Minnesota	
Laurentian Energy	Biomass	35 MW	Minnesota	
FibroMinn	Biomass (poultry waste)	50 MW	Minnesota	
Rahr Malting/Koda Energy	Biomass (malting, food processing waste)	12 MW	Minnesota	
Hennepin Energy Resource Co.	Refuse-derived fuel	34 MW	Minnesota	
WM Renewable Energy (DADS)	Landfill gas-to-energy	3 MW	Colorado	
Barron County	Refuse-derived fuel	0.27 MW	Wisconsin	

# Renewable Development Fund

The Xcel Energy Renewable Development Fund (RDF) is financed by our Minnesota and Wisconsin electricity customers to promote the start-up, expansion and attraction of renewable energy projects and companies in our service area. It also stimulates research and development into renewable energy electricity technologies. Both efforts are designed to increase the market penetration of renewable energy electrical resources at reasonable costs.

Projects that receive RDF funding are recommended by a seven-member advisory board consisting of two representatives of environmental organizations, one representative of the Prairie Island Indian Community, an industrial/commercial customer representative, a residential customer representative and two Xcel Energy representatives. The Minnesota Public Utilities Commission approves recommended projects. Over the past 10 years, the RDF program has provided about \$67.5 million for 62 renewable energy research projects and renewable energy production projects. An additional \$78.9 million has funded energy initiatives and incentive programs approved by the Minnesota legislature.

Xcel Energy operates 26 hydroelectric power plants in Wisconsin, Minnesota and Colorado, which can generate more than 300 MW. In 2010, we signed a series of new power purchase and exchange agreements with Manitoba Hydro. As part of the transaction, Xcel Energy and Manitoba Hydro extended agreements in which the companies exchange power seasonally. We will continue to purchase additional power during the summer when our customers' power demand is higher, and Manitoba Hydro will take the power in the winter when their customers' power demand is higher. As a result, we need fewer generating plants to provide power reliably.



The Minneapolis Convention Center has gone solar thanks to a \$2 million grant from Xcel Energy's Renewable Development Fund and federal tax credits. The 2,613-panel solar array is the Upper Midwest's largest solar photovoltaic system, connected directly to the convention center's internal electrical system and producing 750,000 kWh of renewable energy per year, enough to meet about 5 percent of the building's energy needs. Judy Poferl (at the podium), president and CEO, NSPM, participated in a dedication for the new facility.

# 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 RET 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 had more than 3,000 customers donate a total of \$85,910 in 2010, and we awarded nearly \$160,000 through five different grants.

2010 Renewable Energy Trust Grant Recipients			
Recipient	Date	Type of renewable energy project	
Boulder Valley School District RE-2	September 2010	Installation of a wind turbine on Nederland Middle/High School	
Little Red School House	July 2010	Installation of a 9-kW solar PV system on the school and support of renewable energy education	
The Atmosphere Conservancy	July 2010	Installation of 50-kW solar PV system at a senior housing complex	
Friends of the Haven	July 2010	Installation of a solar thermal system for Baby Haven, a special complex at this women's treatment center	
Renewable Energy Demonstration Center	March 2010	Renewable energy education to support the center's work with K-12 students	

# Renewable Energy Credit (REC) Sales and Strategy

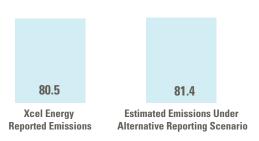
We implemented a strategy in 2009 to sell renewable energy credits (RECs) on the national renewable energy market. RECs are created by statute or voluntary trading programs to promote market-based, cost-effective deployment of renewable energy. Usually quantified in terms of one REC per one megawatt-hour of renewable energy generated (1 REC = 1 MWh), RECs can be "disaggregated" or separated from the underlying renewable energy itself and sold separately to utilities and other consumers throughout the nation who are interested in renewable energy.

In several states, Xcel Energy has more renewable energy on its system than is needed for compliance with renewable energy standards. Based on market opportunities, we have sold some of the available extra RECs, primarily to buyers in states not served by the company. In Colorado, we worked with the Public Utilities Commission, the Colorado Governor's Energy Office, Western Resource Advocates and other groups to establish a sharing mechanism with customers and shareholders for revenue associated with the sale of excess RECs. This gives customers who have paid for renewable energy initiatives an opportunity to recover additional benefits from renewable energy through REC sales. In Colorado, 10 percent of the revenue will also go toward development of carbon offsets, which are described on page 70. We also have sharing mechanisms in other states.

In 2010, we sold approximately 1.17 million RECs from renewable energy generated in Texas, New Mexico and Colorado. The RECs were created from wind energy produced in 2007 through 2010.

Consistent with The Climate Registry protocols, Xcel Energy does not presently adjust its  $\mathrm{CO}_2$  reporting for REC sales. However, because the treatment of  $\mathrm{CO}_2$  attributes associated with REC sales under future greenhouse gas reporting protocols is uncertain, we have provided a chart to illustrate the potential effect of an alternative carbon reporting scenario, in addition to the actual carbon emissions reported on page 65. This alternative assumes the avoided carbon emissions related to renewable energy are added back to the company's overall emissions when RECs are transferred; the avoided  $\mathrm{CO}_2$  emissions are estimated using an energy dispatch model.

# 2010 Carbon Dioxide Emissions in Millions of Tons



RECs Sold in 2010					
Year Wind Was Generated					
	2007 2008 2009 2010				
SPS	357,553	844,885	5,000	_	
PSC0	_	_		1,166,730	



# **Energy Efficiency**

# Conservation and Demand-side Management (DSM)

Energy efficiency plays an important role in our environmental strategy. We offer about 120 efficiency and conservation programs company-wide that help our customers save money, as well as reduce power plant emissions and conserve natural resources. Since we began consistently tracking energy efficiency results in 1992, our customers have saved enough electricity to enable us to avoid building more than thirteen 250-MW power plants. Overall, our 2010 energy conservation projects helped save enough energy to satisfy the electricity needs of about 95,000 homes and the natural gas needs of more than 14,000 homes for one year<sup>1</sup>.

#### **Energy Feedback Pilot Program**

A group of 50,000 residential customers participate in a pilot program offered in Minnesota since 2009. The participants receive periodic feedback on their energy consumption, which includes information on how their energy usage compares to the usage of similar customers, as well as tips for saving energy. Participating customers are compared to a control group of 50,000 similar customers who receive no communications or feedback on their usage. Through the effort, we are evaluating different methods for providing energy feedback, which includes having direct energy usage display devices in the homes of about 450 participating customers. In 2010, customers involved in the pilot saved about 7 million kWh of electricity and about 15,000 Dth of natural gas.

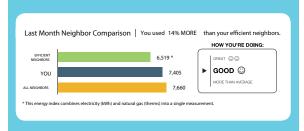
We plan to launch in 2011 a similar pilot project in Colorado with 50,000 customers and in New Mexico with 15,000 customers. We also want to assess the long-term effect on energy saving behavior encouraged through the project should we stop sending energy usage reports.

#### 2010 Energy Efficiency: Conservation and Load Management\*

	Spending	Electric Conservation/ Load Management		Gas Conservation
		Generator kW	Generator MWh	MCF
MN	\$83,258,341	115,530	415,591	697,322
CO	\$71,599,286	67,373	252,014	454,238
WI	\$11,556,045	11,185	56,626	38,558
TX	\$4,946,738	29,388	15,830	n/a
NM	\$6,595,724	4,051	31,716	n/a
SD	\$169,481	577	13	n/a
МІ	\$216,548	n/a**	1,407	38,031
ND	\$358,933	1,210	29	14,884
Total	\$178,701,096	229,314	773,226	1,243,033

- \* Achievements listed in this table are preliminary estimates for 2010. Information reported is based on public utilities commission filings and does not include some energy-saving programs, such as smart grid projects and rebates provided to customers on interruptible rates. Some demand side management (DSM) spending is categorized as 0 &M and expensed immediately whereas the majority of DSM spending is deferred and expensed to the income statement when customers are billed for the DSM activity through a rider-type mechanism or base rates. For these reasons, DSM spend in this table differs from conservation and DSM expenses reported in our 2010 10-K.
- \*\* Information not tracked.

More information about our energy-efficiency programs is available on pages 29 and 32.



Through a customer energy feedback pilot program with OPower, Xcel Energy has been sending customized home energy reports to 50,000 customers in Minnesota. The reports compare each customer's energy use to that of 100 neighbors with similar sized homes.

<sup>&</sup>lt;sup>1</sup> Average annual electricity use per home is 8,100 kWh. Average annual gas use per home is 87 million cubic feet (MCF).

	State-by-state Conservation
Minnesota	NSPM has participated in natural gas and electric demand-side management (DSM) programs since 1992. In 2007, the Next Generation Energy Act was passed in Minnesota, establishing an aggressive new energy efficiency goal for utilities. Beginning in 2010, Xcel Energy ramped up its energy efficiency requirements to reach 1.3 percent of retail sales. Our current triennial plan was approved by the Office of Energy Security (OES) for 2010-2012.
Colorado	PSCo continues to expand and offer a comprehensive portfolio of electric and natural gas DSM programs. We recently received approval for our 2011 plan, which targets 256 GWh and 70.5 MW of electric savings and 368,227 Dth of natural gas savings. The 2011 plan budget has been set at \$68.5 million for electric conservation programs and \$15.8 million for natural gas conservation programs.
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.
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. We have continued to expand our program portfolio since it began in 2008. We are in the process of receiving final approval for our 2011 plan.
South Dakota	In South Dakota, customers participate in our load-management programs. A DSM plan was filed in December of 2009 and is awaiting review by our state regulators.
North Dakota	In North Dakota, we provide savings opportunities to customers through our load-management programs, as well as gas education and energy-audit programs. We are participating in an American Recovery and Reinvestment Act (ARRA) program through the North Dakota Department of Commerce that will run from 2010 through 2012.
Michigan	NSPW participates in a statewide DSM program in Michigan, similar to the program offered in Wisconsin.

# Xcel Energy Sustainable Facilities Management Program

It is important that we "walk the talk" when it comes to managing the environmental impact of our own facilities. In 2008, our Property Services department developed the Sustainable Facilities Management program to align its activities with the company's commitment to the environment. Eight teams were organized to manage a number of environmental impacts associated with our buildings:

- Energy management
- Water quality and conservation
- Waste management
- LEED design for construction of new buildings
- LEED design for renovation of existing buildings
- Indoor air quality
- Environmental safety
- Green business practices

The program's accomplishments for 2010 include:

- Reducing electricity consumption at Xcel Energy facilities by about 3.1 million kWh; we surpassed our goal to reduce consumption by 2 million kWh and achieved a cumulative savings of about 9.1 million kWh since the program began.
- Completing nine water-conservation-related projects for an annual reduction of about 2.2 million gallons of water.
   The majority of projects involved replacing older fixtures with newer, more efficient ones.
- Recycling more than 1,700 tons of material, about 65 percent of the company's office waste at measured facilities.
- Educating hundreds of employees on simple steps they
  can take to reduce waste and energy use in the office;
   28 departments have achieved "green certification"
  since 2009 for incorporating environmentally friendly
  practices into their office behavior.

#### **LEED Certified Buildings**

We have sought nationally recognized LEED certification for some of our facilities. LEED (Leadership in Energy and Environmental Design) certification has four levels—Certified, Silver, Gold and Platinum—based on achievement in five areas: sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality.

Most significant is the LEED platinum rating for our new Colorado headquarters at 1800 Larimer St. in downtown

Denver. This is the first downtown high-rise building in Denver to feature the LEED Core and Shell (LEED-CS) platinum rating. Our Property Services department managed the process of meeting LEED platinum standards for the building's interior, and we collaborated with the developer to achieve LEED standards for the building's shell. The building employs state-of-the-art energy efficient design and environmentally sound building materials, in both construction and operation. The new facility at 1800 Larimer St. now houses approximately one-third of our Colorado workforce.

Learn more about LEED certification at the U.S. Green Building Council's website, **usgbc.org/LEED**.



Xcel Energy's new Colorado headquarters at 1800 Larimer St. is now part of Denver's skyline as the first downtown high-rise building to feature the LEED Core and Shell platinum rating.

LEED Certified Xcel Energy Facilities				
Building and location	Building size	Certification level	Highlights	
1800 Larimer Street,	500,000 sq. ft.	LEED Core and	30 percent more energy efficient than traditional buildings	
Denver, Colo.		Shell Platinum	35 percent of the building's power obtained from renewable energy sources	
			44 percent water-consumption savings over current code requirements	
			38 percent more fresh-air circulation than required by code	
Alamosa Service	24,000 sq. ft.	LEED Existing	Diverted 95 percent of construction waste from landfills	
Center, Alamosa, Colo.		Buildings Silver	Used local contractors and materials whenever possible	
6010.			Enhanced commissioning to ensure equipment is running	
Arvada Service Center, Arvada, Colo.	18,000 sq. ft.	00 sq. ft. LEED Existing Buildings Silver for	Sensors installed to turn off perimeter lighting if sun shining through windows and skylights or if space unoccupied	
		Commercial Interiors	30 percent less water usage	
			20 percent of building materials produced locally	
			Infrared garage heaters interlocked to shut off if overhead garage doors left open	
Ashland Service Center, Ashland, Wis.	34,500 sq. ft.	Pre-certified to be	20 percent more energy efficient than traditional buildings	
		USGBC LEED Silver for New Construction	40 percent irrigation-water-consumption savings over traditional systems	
			More than three-quarters of the regularly occupied spaces in the center have windows and 90 percent have views to the outdoors	
			More than 80 tons (more than half) construction waste was recycled	
			Site includes about 200,000 square feet of vegetated open space	
Newport Service	36,450 sq. ft.	Pre-certified to	35 percent reduction in energy consumption	
Center, Newport, Minn.		be USGBC LEED Certified for	20 percent of all construction materials contained recycled content.	
		Commercial Interiors	• 87 percent of all furniture was made from reused materials	

# **Sustainable Facility Program Awards**

- The Arvada Service Center won the Colorado Facility Award of Excellence (COFAX) in the Exceptional Existing Building category in 2010
- The Newport Service Center won the Midwest North Region BOMA (Building Owners and Managers) TOBY (The Office Building of the Year) for the Industrial Office Park category in 2010

## **Business Innovation**

## SmartGridCity™

Xcel Energy officially broke ground on SmartGridCity in Boulder, Colo., in 2008 to evaluate the potential of emerging smart-grid technologies in an urban marketplace. When we embarked on this effort, we had a long list of potential benefits that we wanted to examine, fully expecting that some of our hypotheses would be proven while others would be disproved. At its core, this project has always been about building a body of knowledge and data from which we could make future business decisions. In 2009, we completed construction of the smart-grid infrastructure network. In 2010, the system demonstrated functionality of end-to-end technology upgrades while providing unprecedented insight into how a smart grid operates in a real-world environment and is affected by real-life situations.

The focus of SmartGridCity has now shifted to gaining a better understanding of consumer behavior and preferences. Xcel Energy's My Account web tool allows customers to view their personal usage in detail, find tips for reducing energy consumption, and use this information to better manage their electricity use. Additionally, we

#### What is SmartGridCity?

SmartGridCity is a technology pilot that allows us to explore smart-grid tools in a real-world setting. It serves as a living laboratory that helps us determine:

- Which energy-management and conservation tools our customers want and prefer
- Which technologies are the most effective at improving the way we deliver power
- How best to incorporate smart-grid technology into our business operations to improve efficiency, reduce CO<sub>2</sub> emissions and modernize the energy delivery system
- How to roll out the most promising smart-grid components on a wider scale

initiated a multi-year pricing pilot program offering new choices to smart metered customers. With this pilot, we aim to enroll between 5.000 and 7.000 Boulder residents into one of three exclusive pricing plans:

- Shift & Save: Encourages customers to shift their usage to hours with lower cost electricity.
- Peak Plus Plan: Includes up to 15 "peak energy events," which are a certain set of days with higher electricity pricing. Customers are notified in advance of those days so they can plan to conserve. This plan includes lower prices at other times.
- Reduce-Your-Use Rebate: Encourages customers to cut back usage on "peak energy event" days to earn a rebate for their conservation efforts.

We conducted a series of informational workshops in early 2011 to introduce Boulder residents to the new pricing plans and explain the different features and potential benefits. The pricing plans will remain in effect through Sept. 30, 2011.

## **Energy Innovation Corridor**

Xcel Energy and several public, private and nonprofit organizations are partnering on the Energy Innovation Corridor (EIC), a clean energy and transportation model that extends along the proposed 11-mile Central Corridor light-rail transit project route in the Twin Cities. Planning for the EIC began in 2008, and the project was formally launched in 2009. Every community member along the EIC will have the opportunity to experience the future of renewable energy, advanced energy efficiency programs, electric transportation and smart-energy technologies.

Together, EIC partners will engage the local community to:

- Achieve higher levels of energy efficiency savings than required by Minnesota mandate
- Increase the amount of renewable energy supplied and generated
- Support the deployment of electric vehicles and associated infrastructure
- Reduce CO<sub>2</sub> emissions
- Create local jobs
- Showcase and advance the use of sustainable building design and practices
- Create a regional smart-energy technology demonstration project

#### In 2010, the EIC achieved several major successes, outlined below.

Renewable Energy	• In March, we launched the Solar*Rewards program, offering incentives to Minnesota electricity customers to install solar panels on the top of their homes and businesses. Through Solar*Rewards, we plan to support the installation of about 2 MW of solar energy each year for the next three years or about 450 installed systems annually.
	The largest solar PV project in Minnesota was installed on the rooftop of the Minneapolis Convention Center in mid-November. The 2,613 installed panels are estimated to generate 750,000 kWh of electricity in the first full year of operation.
Energy Efficiency	Home Energy Squad and Community Energy Services programs were launched, with more than 1,000 homeowners taking advantage of the free efficiency assessment.
	The city of St. Paul installed new LED street lights in the downtown area, and the RiverCentre replaced all lighting in their parking ramp with energy-efficient fixtures with the support of a federal grant and Xcel Energy rebates.
	The St. Paul Port Authority (SPPA) launched its Trillion Btu program in March using a \$5 million federal stimulus grant. The program creates a revolving loan fund that helps finance energy efficiency improvements in businesses. Xcel Energy and local economic development agencies also fund the program.
	• In September, we implemented a new energy conservation initiative, the Kilowatt Crackdown, in partnership with BOMA Greater Minneapolis and St. Paul BOMA. The initiative challenges members in the commercial real estate community to reduce energy usage. Approximately 85 buildings registered for the challenge.
	We provided free energy modeling and electric incentives to Target Field through our Energy Design Assistance program. The U.S. Green Building Council awarded the ballpark LEED® Silver Certification in April.
Transportation	Minnesota's first public-use electric vehicle charging station debuted in December at the First National Bank Building in St. Paul.
Smart Technologies	Installation of a Smart VAR capacitor pilot project began in August to minimize system losses on the distribution system.

# Chairman's Fund Project

Our Chairman's Fund supports innovative community projects that advance, demonstrate or promote new or developing clean energy technology. Xcel Energy's chairman, Dick Kelly, approves all contributions, which are made possible through shareholder funds. In 2010, the fund focused on one significant partnership project to promote and demonstrate electric vehicle technology. We provided \$20,000 grants to support the purchase of 11 Ford Transit Connect Electric commercial vans for use by a number of municipalities, government agencies and businesses in Xcel Energy's service territories. Azure Dynamics Corp., a hybrid electric and electric power train innovator for



Xcel Energy helped celebrate the ribbon cutting for the first Ford Transit Connect all-electric van delivered to the city of St. Paul as part of an Xcel Energy Chairman's Fund project.

the commercial truck market, has named us to its "Lead Customer" program to receive a total of 13 vans, two of which will be added to our corporate fleet. The Ford Transit Connect Electric is a collaborative effort between Ford Motor Company and Azure. The city of Saint Paul, Minn., received the first pre-production van in January 2011.

# Electric Vehicle Market Readiness Pledge

In 2009, we joined the industry-wide plug-in electric vehicle market readiness pledge developed by the Edison Electric Institute. It is a commitment to make electric transportation a success, and we are supporting the pledge through partnerships with vehicle manufacturers, infrastructure support, deployment in our company fleet and education and outreach to customers about electric transportation benefits. The full pledge is available at **www.eei.org**. Below are the ways we are meeting the pledge.

# Green Supplier and Fleet Program

Our "green supplier" program launched in 2010 with the primary objective being to cost effectively increase the amount of business we do with suppliers whose environmental programs support our corporate environmental leadership strategy. We work to engage our business partners in a collaborative effort to reduce GHG emissions, improve air and water quality and reduce waste. We have already taken the first step by joining the Electric Utility Industry Sustainable Supply Chain Alliance—a consortium of 15 of the largest electric utilities in the United States. The alliance aims to develop best practices and metrics to evaluate and improve the environmental performance of utility suppliers and the utility supply chain operations they serve. This is the only utility-focused alliance of its kind, and it is aligned with the Green Supplier Network of the EPA, as well as the

Pledge	Status	Initiative
Infrastructure	In progress	Xcel Energy has tested the effects of electric vehicle charging on our residential distribution system in Colorado and is conducting similar testing in Minnesota.
Customer Support	Under development	We are investigating electric vehicle pricing pilots to possibly launch in 2011.
	In progress	University of Colorado at Boulder's Renewable and Sustainable Energy Institute, or RASEI is partnering with NREL and Toyota Motor Sales, U.S.A., Inc., to deploy and test the performance of 18 plug-in hybrid electric Toyota Prius vehicles within our SmartGridCity project area in Boulder, Colo., and to study charging behavior and the impact of electric rates on behavior. The 18 vehicles rotate to new participants every three months, for a total of 108 participants over the 18-month study. Read more about this initiative on page 89.
Customer and	In progress	Xcel Energy is part of several local electric vehicle coalitions:
Stakeholder Education		Drive Electric Minnesota partnership     Colorado stakeholder group
	In progress	Electric vehicle information will be available for customers on <b>xcelenergy.com</b> by mid-2011.
Vehicle and Infrastructure Incentives	In progress	We are supporting the purchase of 11 all-electric Ford Transit Connect commercial vans for project partners through our Chairman's Fund. Read more about this initiative on page 87.
Fleet Integration	In progress	Xcel Energy has 19 hybrid electric passenger vehicles within our fleet, including three plug-in hybrid electric Ford Escapes. Three hybrid bucket trucks are in service—one in the Denver metro area and two in the Twin Cities. One of them is an experimental design incorporating plug-in capability for battery recharging.



Jerome Davis, Xcel Energy's vice president for customer and community relations, PSCo, helped kick off the Toyota plug-in hybrid electric vehicle study in Boulder.

#### Xcel Energy's Partnership with RASEI Nets Toyota Electric Car Project

Since 2008, Xcel Energy has been an industry partner with RASEI, the Renewable and Sustainable Energy Institute, a joint venture between the University of Colorado at Boulder and NREL. Through this strong partnership, a variety of SmartGridCity research programs have been developed.

Of particular interest is the Toyota plug-in hybrid electric vehicle (PHEV) study. As the first automotive manufacturer to participate in the SmartGridCity project in Boulder, Colo., Toyota Motor Sales has provided RASEI with 18 Prius PHEVs for an interdisciplinary research project focused on a field test of vehicle performance in a real-world setting. With Boulder's numerous hills and its elevation at 5430 feet, university researchers will analyze the effects that altitude, temperature fluctuations and

terrain have on the performance of Toyota's firstgeneration lithium-ion batteries. To evaluate how the use of PHEVs can affect the utility grid, Xcel Energy is participating in the field test by installing smart plugs in the households that RASEI has randomly selected to test the cars.

"The 18 PHEVs are all currently in households around the city, and preliminary data are just now being collected," said Barbara C. Farhar, Ph.D., principal investigator for the PHEV project. "CU will continue to collect data on the vehicles through early 2012."

RASEI's mission is to expedite the establishment of 21st century energy industries by advancing the science, engineering and analysis that confront the scale and complexity of the global energy challenge. Xcel Energy's support allows RASEI to build mission-critical research and education programs.

Global Reporting Initiative (GRI). We have incorporated questions developed by the alliance into our sourcing process to identify suppliers who perform well in three areas: environmental compliance regulations, nationally recognized environmental certifications, and environmental continuous improvement planning. In 2011 the program will focus on supplier pre-qualification in the bid process (based on major EPA violations), as well as the ongoing monitoring of current supplier's EPA violations.

In addition to our work to integrate electric vehicles into the fleet described on page 88, we have actively worked to reduce the environmental impact of company vehicles. In 2010, we added 11 hybrid vehicles into the pool-car fleet and instituted a number of new programs including a five-minute idling policy, recycling programs at company garages and "right-sizing" of fleet vehicles. With right-sizing, operators better match the size of the vehicle with the work it will be used to perform.

## Resource Planning

Regulatory commissions in the major states we serve require us 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.

#### Resource Planning Highlights for 2010 Include:

#### Upper Midwest System (NSPM/NSPW)

Xcel Energy filed a new Upper Midwest Resource Plan proposing to reliably and safely meet customer needs in a cost-effective and environmentally responsible way from 2011 through 2025.

In the plan we specifically propose to:

- Work with customers and other stakeholders to achieve an annual energy savings goal of 1.5 percent of retail energy sales
- Request proposals for an additional 250 MW of wind power capacity that could be brought online prior to the expiration of the current federal Production Tax Credit, which is due to expire in 2012
- Replace the remaining 253 MW of coal-fired generating capacity at our Black Dog Generating Station in Burnsville, Minn., with 700 MW of cleaner-burning natural gas in 2016 or later
- Evaluate all options to meet new peaking generation needs that may materialize from 2015 through 2020
- Continue to support efforts to ensure that sufficient transmission is available to move needed generation and maintain system reliability

The plan is subject to review and approval by the Minnesota Public Utilities Commission, and was also filed with regulators in North Dakota, South Dakota and Wisconsin

#### **PSCo**

In Colorado, we completed negotiations for 400 MW of additional wind resources and 60 MW of solar resources under the current 2007 Colorado Resource Plan.

In November 2010, we requested and were granted an amendment to the resource plan that replaced 200 MW of wind power with a new "request for proposal" and moved 125 MW of solar thermal generation into a future resource planning process. We completed the new solicitation for wind power in early 2011, which will result in a significant cost savings for our customers. The solar thermal generation will be evaluated in our next resource plan to be filed October 2011. We also proposed many changes to our coal-fired generating facilities through our Clean Air-Clean Jobs Act plan, described on page 101.

#### SPS

To meet the future needs of our customers in the Texas-New Mexico Panhandle, we signed an agreement in late 2010 to purchase the output of a new 161-MW wind farm located near Amarillo, Texas, and work is underway on 54 MW of solar power in New Mexico. We also are adding 168 MW of power from a natural gas combustion-turbine unit at our Jones Generating Station in Lubbock, Texas.

Throughout this report we provide updates on projects outlined in our resource plans. Find the Black Dog repowering and Jones Station projects on page 92, the latest Colorado and Texas wind acquisitions on page 72, and the New Mexico solar power project on page 75.



#### Operational Updates

#### Comanche 3

Comanche Generating Station's new 766-MW coal-fired unit began commercial operation in July 2010, doubling electricity generation at the station to roughly 1,400 MW and making it the largest Xcel Energy plant in Colorado. By using new advanced emission controls on all of Comanche's units, overall emissions of  $\mathrm{SO}_2$ ,  $\mathrm{NO}_x$  and mercury are now actually lower than they were when just two units were in operation.

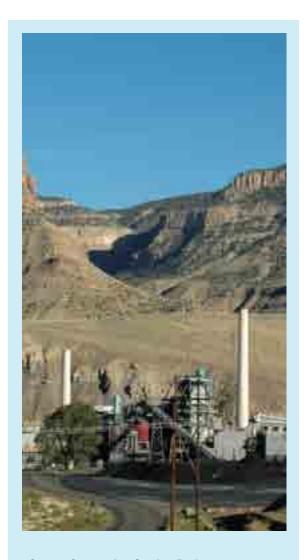
The new unit employs low-NO $_x$  burners and a selective-catalytic-reduction system, a baghouse to control particulates, lime-spray dryer to minimize SO $_2$  emissions, and an activated-carbon-injection system to reduce mercury emissions. The unit also features advanced supercritical boiler technologies that improve efficiency by 3 to 5 percent. The two existing units also received environmental upgrades, including low-NO $_x$  burners and lime-spray dryers, as well as mercury-reduction technology. Additionally, Comanche 3 uses a low-water system, relying on a mix of two systems using both water and air for cooling. The state-of-the-art air-cooling system will cut water use by about half.

Another unique aspect of Comanche 3 is the exclusive use of union labor for the project. Construction of the new unit generated about 1,800 jobs at the peak of construction, and hiring preference was given to local workers. Plus, about 40 new full-time jobs were created at the plant for the new unit.

Total costs for Comanche 3 were roughly \$1.3 billion. The company has made a \$250,000 donation to Pueblo school districts to reduce emissions on their diesel buses, as well as another \$100,000 donation to the Colorado Department of Public Health and Environment for mercury-reduction efforts in Pueblo. Comanche 3 was made possible through a historic, all-inclusive settlement agreement with multiple environmental and community organizations. This agreement enabled significant emission reductions from Comanche, and also marked another step in our increased commitment to renewable energy and conservation programs through additional measures tied to the settlement. Construction on the unit began in January 2006.

As the new Comanche 3 unit neared completion in April 2010, we became aware that noise from the plant disturbed some nearby residents and immediately set out to remedy the situation. We studied the sound frequencies in the surrounding neighborhoods and determined the noise was from the induced draft fans. We had 24 sound baffles specially designed, manufactured and delivered as quickly as possible. After installing the baffles and restarting the unit, we took noise readings at the plant and in the neighborhoods where noise complaints had been received prior to the baffle installation. The readings indicated the noise problem was successfully mitigated.





#### **Cameo Generating Station Retirement**

After 53 years of service, our Cameo Station near Grand Junction, Colo., ceased operations at the end of December 2010. We have filed an application with the Colorado Public Utilities Commission for approval of a request for proposals to remediate the Cameo plant site, which includes demolishing the plant, closing the pond and ash disposal facilities, and grading and seeding the property. These activities are expected to take about one year and employ up to 20 workers. The plant was nearing the end of its useful life, and with new, anticipated environmental regulations, closing the plant was the most cost-effective option for our customers. We will retain ownership of the site and rights to the water supply.

#### **Jones Generating Station**

In April 2010, we sought approval to add a new, 168-MW natural-gas-fired combustion turbine at our Jones Generating Station near Lubbock, Texas, in anticipation of future electric load growth. In November we revised our request so that we could complete the addition of a third unit in 2011, one year earlier than we originally planned. Rapid regional growth in the area prompted the expedited construction schedule. Total project cost is approximately \$107 million.

#### **Black Dog Generating Station Repowering**

In early 2011, we asked Minnesota regulators to approve a Certificate of Need for a project to retire the last two coal-burning units (Units 3 and 4) at the Black Dog Station in Burnsville, Minn., and replace them with natural-gasfired units. Units 1 and 2 were converted to natural gas combined-cycle operation in 2002.

The repowering project calls for the construction of a combined-cycle facility on the Black Dog site, separate from the main building. The new facility will include two combustion turbines, two heat recovery steam generators, and a steam turbine generator. Combined-cycle technology is about 50 percent more efficient than the existing traditional steam plant. The project will help us integrate more wind resources into our system by providing generating capacity that can ramp up quickly when wind resources diminish and can't meet customer needs. It will also significantly reduce air emissions, including SO<sub>2</sub>, NO<sub>3</sub>, fine particulates and CO<sub>2</sub>.

If the plan is approved, site preparation could begin in 2012, foundation construction could begin in 2013, and the units would go into service in 2016. The project is expected to cost about \$600 million. The conversion of the Black Dog plant supports our overall goals to make strategic use of critical locations, expand generating capacity, keep rates reasonable and reduce emissions to meet environmental requirements.

## **Nuclear Operations**

Xcel Energy's Prairie Island and Monticello nuclear generating plants provide safe, reliable, low-cost, carbon-free power for our customers in the Upper Midwest. We are committed to operating our nuclear plants safely and to being a good neighbor to our host communities: the cities of Monticello and Red Wing, Minn., and the Prairie Island Indian Community.

Monticello's boiling-water reactor generates about 10 percent of the electricity used by our customers in Minnesota and neighboring states. The plant received a 40-year operating license from the federal Nuclear Regulatory Commission (NRC) in 1970, and it began commercial operation in 1971. In 2006, the NRC renewed the Monticello plant's license for 20 years, which will allow operations until 2030. Approximately 500 people are employed full-time at the plant. In 2011, an additional 2,500 contract workers will be employed for refueling, maintenance and capital projects.

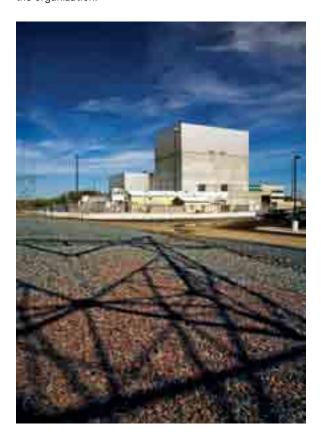
Prairie Island's two pressurized water reactors generate about 20 percent of the electricity used by our Upper Midwest customers. Unit 1 began commercial operation in December 1973; Unit 2 in December 1974. The plant's original operating licenses expire in 2013 and 2014. Our application to renew the licenses for an additional 20 years is pending before the NRC. A decision is expected in 2011. About 750 people are employed full-time at the plant. An additional 600 people will be employed during a refueling and maintenance outage in 2011.

#### **Reactor Performance and Safety**

Safety at Prairie Island and Monticello is a No. 1 priority. NRC resident inspectors, NRC Region III subject matter experts and NRC headquarters' staff continuously oversee the safety of our plants. The NRC's Reactor Oversight Process consists of three key strategic performance areas: reactor safety, radiation safety and safeguards. In 2010, efforts to significantly improve Prairie Island's performance were successful. At year end, Prairie Island Units 1 and 2 and Monticello all were in Column 1 on the NRC's five-column action matrix. Column 1 plants require the least amount of agency oversight, while plants in Column 4

receive the most NRC attention, short of a Column 5 mandated shutdown.

Several years ago, our nuclear organization launched its Picture of Xcellence initiative to communicate a common vision across the organization for achieving three important operational attributes: safe, reliable and predictable. The organization's 2011 scorecard and action plans are built around making improvements to realize these three attributes. As appropriate, elements of the Xcellence plan are built into individual performance and development plans for our nuclear employees to create a "line of sight" connection between daily tasks and the overall mission of the organization.



#### **Capacity Expansion Projects**

Monticello: The Minnesota Public Utilities Commission in January 2009 approved our request to increase electricity generating capacity at Monticello through an extended power uprate. The commission agreed that we had shown the additional generation was needed to serve

our customers. The proposal awaits NRC action, which is expected in 2011. If approved by the NRC, the project will increase Monticello's thermal power to approximately 120 percent of the plant's original thermal power, which would increase the plant's 600-MW electricity generating capacity by 71 MW. The project requires very few modifications to the reactor and its support systems, but it will require modifications to equipment in the plant that converts the steam into electricity. Plant modifications to implement the uprate began during the plant's 2009 refueling outage, and further modifications will be completed in spring and fall 2011.

More detail regarding nuclear operations and fuel storage is available in our 2010 10-K on our website.

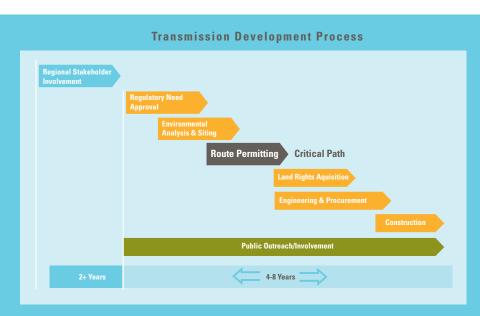
Prairie Island: The Minnesota Public Utilities Commission in December 2009 approved our request to increase electricity generating capacity at Prairie Island through an extended power uprate. If approved by the NRC, the project will increase the plant's thermal power by 10 percent and the generating capacity by 164 MW (82 MW for each unit) and will require very few modifications to the reactors and the support systems that produce steam. To gain the additional megawatts, the diameter of the fuel rods will be increased slightly so they will hold more uranium. That will result in more fission, and therefore, more heat being

produced in the reactor, which will result in more steam being produced by the steam generators. Modifications to the plant components that convert the energy in the steam to electricity will result in more electricity being produced. We plan to file with the NRC a license amendment application to operate the plant at the higher thermal power level after the NRC acts on our license renewal application. It is expected the power uprate project will occur during refueling outages scheduled in 2014 for Unit 1 and in 2015 for Unit 2.

#### Transmission

Transmission is a growing area of our business as we plan for future load growth and seek ways to connect communities with renewable energy resources. Over the next five years, we will invest in a diverse portfolio of real, needed and vetted projects currently in various stages of development and implementation. Our projections don't depend solely on the progress of one or two large projects. Having a diverse portfolio of transmission projects helps us meet our annual capital projections by providing flexibility to manage through particular delays or issues with any one project in the portfolio. We are participating in numerous regional initiatives to develop transmission in all our service territories, and a number of company-specific transmission projects are underway.

local governments, neighborhoods and public input in siting and other project decisions. It can take many years to deliver a completed

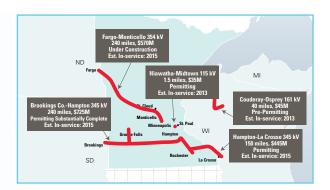


# 2010 Transmission Project Status by Operating System

#### Upper Midwest (NSPM / NSPW)

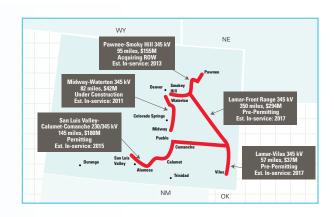
Xcel Energy is a partner in CapX2020, a joint initiative of 11 transmission-owning utilities in Minnesota and surrounding states. In 2010, construction began on the Fargo-to-Monticello project, which is scheduled to run through 2015. The three 345-kV projects shown on the map are all CapX2020 projects, as well as a 230-kV line from Bemidji to Grand Rapids that is not shown.

# Active Project Highlights



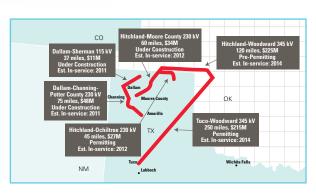
#### **PSCo**

Colorado Senate Bill 100 (SB100) establishes renewable energy zones within the state and requirements for utilities to continually evaluate, and if necessary, improve electric transmission facilities to meet the state's existing and future needs. We completed the first of nine SB100 projects on schedule in late 2010 when the Missile Site 230-kV substation was energized. Substantial progress was also made on the Pawnee-to-Smoky-Hill, Midway-to-Waterton, and San-Luis-Valley-to-Calumet projects.



#### **SPS**

In northern Texas, we completed construction on a 35-mile stretch of line for the Dallam-to-Sherman project, which included significant substation work. Three major Certificates of Convenience and Necessity also were approved for the Dallam-to-Sherman, Dallam-to-Potter-County and Hitchland-to-Moore-County projects.

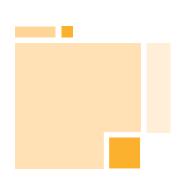


In late 2010, we launched a new website called "Power for the Plains" that offers information on our transmission expansion projects in Texas, New Mexico and Oklahoma. The website is designed to provide information to the general public and all other interested stakeholders, and is a one-stop location for project information and materials. The new website can be found at **powerfortheplains.com**. We also have available special websites for **capx2020.com** and **sb100transmission.com**.

# Our Environmental Performance:

Responsibilities and Results





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# 2010 Highlight Story: Colorado Clean Air-Clean Jobs Act

# How and why was Colorado's Clean Air-Clean Jobs Act developed?

The Clean Air-Clean Jobs Act was developed initially by the governor's office to look for ways of improving the quality of our Front Range air shed in a holistic manner. Recognizing that the state would soon be subject to federally mandated air quality regulations, a coalition of diverse parties came together to see if realistic future requirements could be assessed and whether we could figure out a better way of addressing them. This included the State, Xcel Energy, the environmental community, the natural gas industry and ultimately both sides of the aisle of the legislature.

Rather than take a piecemeal approach—one year implementing a mercury control, the next year a NO<sub>x</sub> control, the following year a SO<sub>2</sub> control—we all asked whether there was a way of providing incentives to the utility and to other interested stakeholders to perhaps retire some coal-fired power plants now that were facing significant emissions control burdens, clean up the air and save consumers money in the long run. It took a lot of negotiation and recognition of different interests and concerns, but ultimately everyone pulled together, and we were able to produce a significant piece of legislation.

# What were CDPHE's roles and priorities in the process?

We spent a fair amount of time assessing the reasonably foreseeable environmental requirements and reviewing the utility plan proposals to see if they were consistent with these requirements, as required by the legislation. There were two primary federal requirements that we saw coming. The most immediate was the Regional Haze SIP [State Implementation Plan], which was due to the U.S. Environmental Protection Agency (EPA) this past January and would have required some significant controls on coal-fired facilities in the state. There's also the ozone standard, which we know the federal government is going to make more stringent.

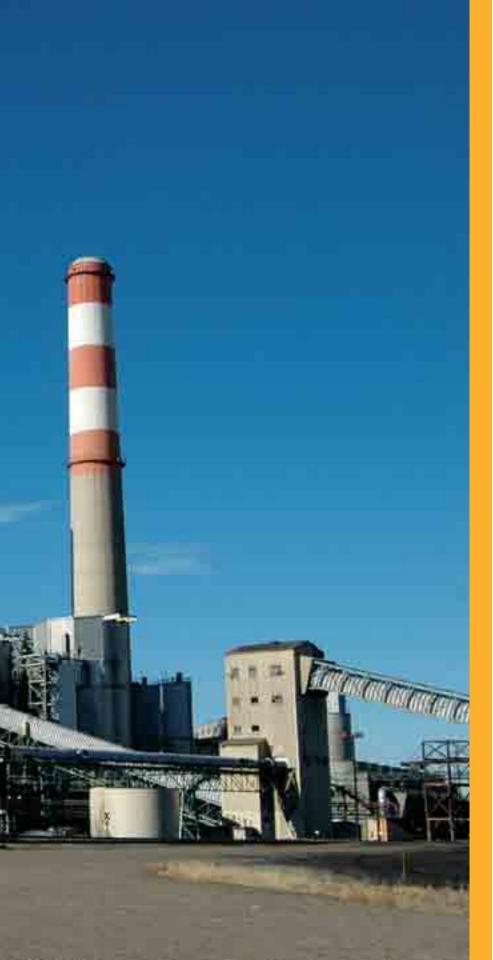
# How did CDPHE work with Xcel Energy and other stakeholders in considering different scenarios for reducing emissions?

Once Xcel Energy submitted its plan to the Public Utilities Commission, our job was to evaluate and ensure it achieved at least a 70 to 80 percent reduction in NO<sub>x</sub> emissions and otherwise would be consistent with reasonably foreseeable environmental requirements. In the end, Xcel Energy didn't propose just one option; they proposed a number of them. So we were evaluating whether several options met reasonably foreseeable requirements. We spent a fair amount of time at the Public Utilities Commission hearings, presenting written and oral testimony on the different options. The commission eventually adopted a plan that achieves significant emissions reductions at a reasonable cost to consumers through a combination of emissions controls, retirement of older units and replacement with natural-gas-fired power, or in some cases, fuel switching to natural gas.

The act also required that we take the air quality requirements of the plan and present them to the Colorado Air Quality Control Commission —the state body that adopts the State Implementation Plan for presentation to EPA. So we presented the air quality aspects of the approved plan at a public hearing in January, and the Air Quality Control Commission adopted it.

## Were you able to achieve your agency's goals and how will the state benefit from the legislation?

We were very much able to achieve our goals. We won't have any trouble meeting the Regional Haze SIP. The act achieves those requirements. Whatever standard EPA ends up adopting for ozone is going to be guite challenging for Colorado to meet, and the very significant NO<sub>x</sub> reductions in this plan will go a long way toward helping us meet the new standard. Ultimately, the act gave us the opportunity to achieve far greater emissions reductions from our state's coalfired facilities much sooner than if we waited to address each foreseeable federal requirement as it became due. We eventually may have achieved comparable reductions, but with this act, we are going to achieve reductions sooner and at less cost. From a public health perspective, this is an incredible achievement.



# **Executive Summary**

Environmental compliance is becoming increasingly more complicated for us, with a host of more stringent regulations underway. More than ever, we need to maintain a strong environmental management system. Our compliance program is based on a corporate-wide environmental policy, which the board of directors, acting through the Nuclear, Environmental and Safety Committee, oversees, along with setting our environmental performance goals and policy initiatives. This chapter provides the details of our environmental management program and reports on our compliance and improvement efforts.

When it comes to compliance, we have a history of proactive initiatives that take us beyond today's regulations. Through experience, we have found it is more cost-effective and efficient to plan ahead, addressing current and reasonably foreseeable rules in a comprehensive manner rather than waiting and taking a piecemeal approach. It is an effective way to manage our current and future compliance risk, and it often results in a cleaner environment sooner. We first tried this with our Denver Voluntary Emissions Reduction Program in the late 1990s, and again with our Minnesota Metro Emissions Reduction Project, which we completed last year. In 2011, we now begin implementing a third major emissionsreduction project under our plan for Colorado's Clean Air-Clean Jobs Act. It includes retiring four Denver area coal-fired units, building a new natural-gas-fired plant and upgrading two other coal-fired plants with modern emissions controls. The project will achieve a reduction of NO<sub>x</sub> by 85 percent from the affected units, well over the 70 to 80 percent required by the legislation, and helps us comply with impending clean air requirements through a plan that will save our customers money in the long term and maintain the reliability of our electric system.

Environmental Key Performance Indicators					
	2010 Goal	2010 Performance	2011 Goal		
Emissions Reductions	Retire 73 MW of coal-fired generation	Retired 73 MW of coal-fired generation and completed additional projects to reduce lifetime CO <sub>2</sub> emissions by 488,931 tons (**)	Goal incorporated into the advanced technology and energy efficiency goals provided on page 64		
<b>★</b> EXCEEDED	TARGET	• MET TARGET	DID NOT MEET TARGET		

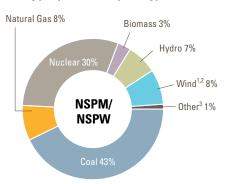
# Accomplishments for 2010

- We worked with the Colorado Public Utilities Commission to develop a comprehensive emissions-reduction plan that exceeds the requirements of the Colorado Clean Air-Clean Jobs Act and will improve air quality at a low cost to customers.
- In 2010, we completed a number of emissions-control and efficiency projects on our system that will reduce CO<sub>2</sub> and other emissions. This includes the retirement of Cameo Generating Station near Grand Junction, Colo., which will reduce our annual emissions of CO<sub>2</sub> by about 546,000 tons, NO<sub>2</sub> 1,400 tons, SO<sub>2</sub> 2,500 tons and mercury seven pounds.

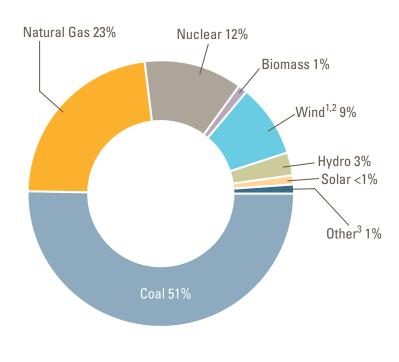
# Operational Data

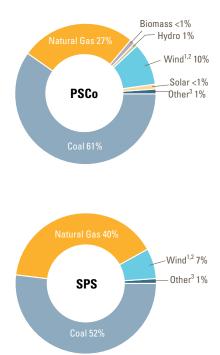
2010 Owned and Purchased Energy (Total in MWh)					
	NSPM/ NSPW	PSCo	SPS	Total	
Owned Generation	33,755,802	21,418,568	19,303,520	74,477,890	
Purchased Generation	13,125,325	15,752,994	11,042,317	39,920,636	
Total	46,881,127	37,171,562	30,345,837	114,398,526	

#### 2010 Owned And Purchased Energy By OPCO (By Energy Source)



#### 2010 Xcel Energy Owned And Purchased Energy (By Energy Source)





 $<sup>^{\</sup>mathrm{1}}$  This category includes wind energy de-bundled from renewable energy credits (RECs).

<sup>&</sup>lt;sup>2</sup>This category also includes Windsource RECs. See more information about RECs and Windsource on pages 73 and 81 of this report.

<sup>&</sup>lt;sup>3</sup> Other includes small amounts of power purchased from a number of sources.

# Operational Data

# 2010 Owned Generating Facilities

	Numbe	Number of generating facilities			Number of generating units			Generating capacity*				
	NSPM/ NSPW	PSCo	SPS	TOTAL	NSPM/ NSPW	PSCo	SPS	TOTAL	NSPM/ NSPW	PSCo	SPS	TOTAL
Coal	4	7	2	13	9	15	5	29	2,677	3,050	2,083	7,180
Natural gas	11	8	8	27	39	18	20	77	2,818	2,087	2,257	7,162
Nuclear	2	_	_	2	3	_	_	3	1,594	_	_	1,594
Hydro	20	6	_	26	68	11	_	79	81	236	_	317
Oil	3	1	1	5	6	2	2	10	10	6	_	16
Refuse-derived fuel	3	_	_	3	6	_	_	6	53	_	_	53
Wind**	2	1	_	3	201	37		238	302	25	_	327
Solar	_	_	4	4	_	_	4	4	_	_	.07	.07

# 2010 Electricity Transmission and Distribution Lines (Measured in Conductor Miles)

		NSPM	NSPW	PSCo	SPS	TOTAL
Transmission lines		25,519	9,761	19,450	32,287	87,017
Distribution lines		76,025	26,472	71,603	16,523	190,623
Transmission	500 kV	2,917	_	_	_	2,917
and distribution lines by voltage	345 kV	6,387	1,152	1,614	6,806	15,959
	230 kV	1,801		11,519	9,509	22,829
	161 kV	385	1,536	_	_	1,921
	138 kV	_	_	92	_	92
	115 kV	7,362	1,736	4,882	11,365	25,345
	<115 kV	82,692	31,809	72,946	21,130	208,577

# 2010 Natural Gas Pipelines (Measured in Miles)

	NSPM	NSPW	PSCo	WGI⁺
Transmission	135	_	2,301	12
Distribution	9,586	2,209	21,302	_

<sup>†</sup> For more information on WGI, see page 4 of this report.

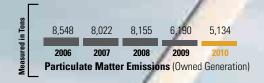
\* Based on Net Dependable Capacity (NDC) and Summer NDC when applicable

<sup>\*\*</sup> Wind generation is based on Net Maximum Capacity. It is an intermittent resource and is only available when ambient wind conditions exist to support this level of generation.





\*Some emissions figures have been updated since the 2009 Corporate Responsibility Report was published.



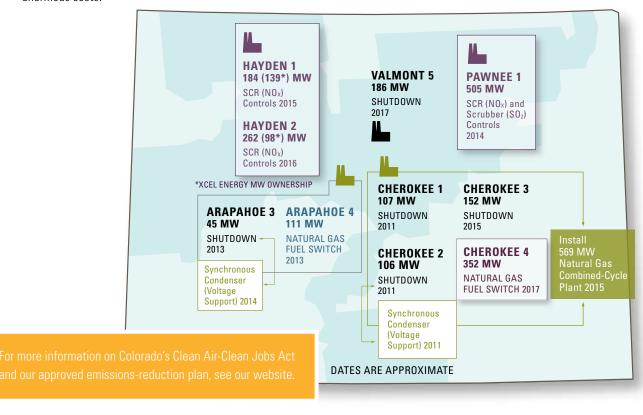


#### Colorado's Clean Air-Clean Jobs Act

Xcel Energy worked with a coalition of energy companies, environmental advocates, policymakers and legislators to support the passage of Colorado's Clean Air-Clean Jobs Act — state legislation enacted in spring of 2010 that requires regulated utilities, like Xcel Energy, to work to reduce emissions from coal-fired power plants. It was prompted in part by the likely possibility of federal intervention into air regulation in the Denver metro area, due to non-compliance with multiple pending air mandates. Without the legislation, the U.S. Environmental Protection Agency (EPA) likely would have unilaterally mandated a compliance program for the state in early 2011.

Under the act, we were required to propose a multi-year plan to reduce our emissions of  $NO_x$  by 70 to 80 percent or greater from 900 MW of coal-fired generation by 2018 and meet "reasonably foreseeable" environmental requirements. In meeting the requirements of the legislation, our objective was to develop and advocate for potential emissions-reduction plans that would provide clean, reliable power, without burdening customers with enormous costs

We studied hundreds of options and proposed multiple scenarios for the Colorado Public Utilities Commission to decide the best option. After reviewing thousands of documents, conducting weeks of hearings and listening to the more than 30 parties that participated in the process, the commission selected a plan. We will retire the coalfired unit at Valmont Generating Station in Boulder and three coal-fired units at Cherokee Generating Station in Denver and replace the generation with power produced by a new, cleaner natural gas plant. We also will reduce emissions from 951 MW of coal-fired electric generation by installing modern emissions controls. The plan is estimated to have an average annual rate impact over the next 10 years of approximately two percent. We expect to reduce  $NO_x$  by about 85 percent, and  $SO_2$  and mercury emissions by about 80 percent from the plants included in the plan. Across our Colorado power plant fleet, we will reduce CO<sub>2</sub> emissions by about 28 percent, exceeding the state's carbon dioxide reduction goal of 20 percent by 2020.



# **Environmental Management**

2010 Power Plant Emissions-Control and Efficiency Projects					
Plant	Unit	Control or Efficiency Upgrade	Emission Improvement		
NSPM/NSPW					
St. Anthony Falls	1	Turbine runner replacement	CO <sub>2</sub> reduction of 61,545 tons through increased efficiency and output over project life		
St. Croix Falls	7	Turbine replacement	CO <sub>2</sub> reduction of 42,629 tons through increased efficiency and output over project life		
Monticello		Use of state-of-the-art flow instrumentation to more accurately measure feed-water flow to determine reactor power	CO <sub>2</sub> savings of 56,866 tons through increased efficiency and output over project life		
Prairie Island	1 & 2	Use of state-of-the-art devices to more accurately measure feed-water flow to determine reactor power	CO <sub>2</sub> savings of 92,300 tons through increased efficiency and output per year		
Allen S. King	1	Sorbent injection system	TBD, project results still under evaluation		
PSCo					
Cherokee	3	Burner replacements	CO <sub>2</sub> reduction of 31,420 tons over project life		
Cameo	1 & 2	Plant retirement	Annual reduction of 546,000 tons CO <sub>2</sub> 1,400 tons NO <sub>x</sub> 2,500 tons SO <sub>2</sub> 7 pounds mercury		
SPS					
Harrington	1	Expansion joint replacement	CO <sub>2</sub> reduction of 40,520 tons over project life		
	1	Low-NO <sub>x</sub> burner installation	TBD, project results still under evaluation		
	1 & 2	Neural network installation	TBD, project results still under evaluation		
	1	Electrostatic Precipitator upgrade	2-3 percent opacity improvement		

# Transmission and Distribution System Efficiency Projects

In 2010, we also completed the following system efficiency projects that we estimate will reduce  $\mathrm{CO}_2$  by 2,040 tons per year.

Project	Description
NSPM / NSPW	
Electric Distribution Infrastructure Improvements	Completed 12 projects to rebuild overhead lines resulting in increased capacity and improved infrastructure
Capacitor Bank Installation	Installed 40 new capacitor bank controllers in the Energy Innovation Corridor
Increase Leak Survey Frequency	Continued leak survey at compressor stations and major meter stations using forward-looking infrared cameras
PSCo	
Capacitor Bank Installation	Installed eight new capacitor bank controllers at targeted substations
Substation and Feeder Upgrade	Converted 4 kV feeder to 13.2 kV
Soy Oil Replacement	Used soy-based oil (FR3) in junction boxes during maintenance on downtown Denver system

# Environmental Management System

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

#### **Notices of Violation**

We strive to operate in compliance with all federal, state and local rules and regulations. However, there are occasions when regulatory agencies issue notices of violation (NOVs) or compliance orders for alleged exceedances of permit limits or regulatory requirements, which in some cases we dispute. These can potentially result in fines or penalties.

NOV activity for 2010:

#### SPS

- A notice of violation was issued to Harrington Generating Station for alleged opacity exceedances when an operator opened a baghouse damper while fans were running. The event occurred in 2009, and the NOV was received in February 2010. No fines or penalties were incurred and a follow-up resolution was not required for submittal. No further action was required.
- A notice of violation was issued to Jones Generating Station in March 2010 for a pipeline inspection in which cathodic-protection readings were allegedly not recorded correctly. No fines or penalties were incurred and an updated inspection record was provided. No further action was required.
- The New Mexico Environment Department (NMED) issued a final compliance order on Oct. 1,

Er	nvironmental Management System				
Oversight	Board of directors—Nuclear, Environment and Safety Committee				
	Chairman & CEO; President & COO				
	Executive Environmental Council				
	Environmental Services Department				
Risk Analysis	Goals and performance indicators at corporate and operating levels				
	Multidisciplinary teams for developing new compliance programs				
	Environmental Audit Program				
Policies &	Corporate environmental policy				
Procedures	Formal, documented procedures				
	Regular monitoring of new, evolving regulatory activity				
Monitoring	Compliance tracking system				
	Monthly performance reporting				
	Routine facility audits				
Follow-Up For Compliance Gaps	Tracking for corrective action and internal audit findings				
Training &	New employee orientation				
Communication	Site- and topic-specific employee training				
	Updates and information communicated through internal channels				

2010, for alleged NO<sub>x</sub> violations at Cunningham Generating Station. We have begun settlement negotiations with NMED. A settlement acceptable to both parties is expected in the upcoming months.

#### PSC<sub>0</sub>

 The Colorado Department of Public Health and Environment (CDPHE) issued an enforcement order for the Hayden Generating Station drinking water system alleging noncompliance with trihalomethane requirements. No fine was associated with this order. Hayden Generating Station submitted plans and specifications to the State of Colorado for a nano-filtration treatment system and received approval in May 2010. The drinking

- water treatment system was installed in October 2010. CDPHE has certified the new system as compliant.
- We have entered into a settlement agreement with the Colorado Division of Wildlife (DOW), which is acceptable to both parties, regarding an allegation of a fish kill at Comanche Generating Station in 2008. Under the agreement, we will continue to work with the DOW on fish propagation efforts and will contribute \$100,000 to DOW's Fishing is Fun projects.

#### NSPM/NSPW

 NSPM reached agreement with the Minnesota Pollution Control Agency (MPCA), on April 26, 2010, to outline NSPM's plans for improving its spill-notifications process, in response to several spills that MPCA alleged were not timely reported to the state between April 2007 and December 2009. No penalty was assessed.

- NSPM received a notice of violation from the MPCA in May 2010 for allegedly failing to complete a thorough asbestos inspection prior to demolition of the High Bridge Generating Station's boiler No. 3 Economizer. The MPCA later rescinded the NOV and replaced it with a letter of warning. No penalty was assessed.
- NSPM received an administrative penalty order (APO) from the MPCA on Dec. 1, 2010, for alleged violations at the Allen S. King Generating Station. The APO alleges that the plant had eight days exceeding the 30-day rolling-average limit for SO<sub>2</sub>, 18 days exceeding the 30-day rolling-average limit for NO<sub>x</sub>, and late submittal of a testing-frequency plan for a particulate matter test. The original penalty amount was reduced to \$9,815 and NSPM submitted a corrective action plan addressing how the plant intends to prevent these types of violations in the future. The MPCA has determined that these corrective actions have been completed.
- NSPM received an APO from the MPCA on Dec. 21, 2010, regarding a March 23, 2010, inspection at the Prairie Island Nuclear Generating Plant. The APO penalty of \$3,850 was forgiven on Jan. 26, 2011, in response to NSPM's submission of an acceptable plan detailing how the plant will reduce the number of condenser balls lost and not captured from the system. The APO further indicated that corrective action related to other concerns identified by the March 23, 2010, inspection had already been successfully completed.

## **Environmental Expenditures**

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. Increasingly stringent regulation has caused higher operating expenses and capital expenditures for environmental compliance.

In addition to nuclear decommissioning and spent nuclear fuel disposal expenses, costs charged to operating expenses for environmental monitoring and disposal of hazardous materials and waste were approximately:

- \$256 million in 2010
- \$225 million in 2009
- \$213 million in 2008

Capital expenditures for environmental improvements at regulated facilities were approximately:

- \$473 million in 2010
- \$89 million in 2009
- \$230 million in 2008



# Developments in Environmental Regulation

The U.S. Environmental Protection Agency (EPA) is working on a number of more stringent regulations targeted at coal-fired power plants. Our emissions-reduction projects, including our plan under Colorado's Clean Air-Clean Jobs Act, help to prepare us for these initiatives.

Regulation	Status
Electric Generating Unit MACT Rule	On March 16, 2011, EPA issued the proposed "Maximum Achievable Control Technology" or MACT rule for coal-fired utility units greater than 25 MW. The proposed rule requires substantial mercury control, preventing 91 percent of mercury in coal from being released to the air. We expect that most utility units will need to add equipment to control mercury emissions. The proposed rule also includes regulation of so-called acid gas emissions. It regulates hydrogen chloride (HCI) as a surrogate for all acid gases and also offers the use of $SO_2$ as an alternate surrogate for HCI. Substantial HCl or $SO_2$ control will be required on all coal-fired units. Units affected by the proposed rule will need to demonstrate compliance within three to four years. EPA is under a consent decree to propose a utility MACT rule and finalize it no later than Nov. 16, 2011. We are evaluating the proposed rule and will provide EPA comments.
Transport Rule	Aimed primarily at the control of regional emissions to address acid rain, ground-level ozone and particulate matter precursors, the EPA "Transport Rule" would set air emission limits for states included in the rule at levels deemed necessary for the protection of air quality in other states downwind. The rule was proposed on July 6, 2010, to be finalized by mid-2011. Its implementation is to be phased in, with implementation dates of 2012 and 2014.
PM 2.5 National Ambient Air Quality Standard (NAAQS)	EPA is expected to propose a PM2.5 (fine particulate) national ambient air quality standard (NAAQS) in mid-2011. We anticipate the rule will require some level of fine particulate control; however, it is currently unknown what level of control will be required.
$NO_2$ Standard	On Feb. 9, 2010, EPA finalized a revision to the primary NAAQS for nitrogen dioxide (NO <sub>2</sub> ). The new standard is a one-hour standard that replaces the previous annual standard, making the standard much more stringent.
Ozone Standard	EPA is reconsidering the 2008 NAAQS for ground-level ozone, the primary component of smog. EPA proposed revisions to the ozone standard on Jan. 19, 2010, and is working to issue a final decision by mid-2011.
Regional Haze Bart	Under the Clean Air Act, EPA promulgated the Regional Haze rule in 1999 designed to improve visibility in the nation's national parks and wilderness areas. Under the Regional Haze rule, states are responsible for developing a State Implementation Plan that identifies sources causing or contributing to visibility impairment, control strategies for those sources, and Best Available Retrofit Technology ("BART") determinations for certain older emission sources. States have chosen to focus BART control measures on power plant emissions of NO <sub>2</sub> and SO <sub>2</sub> .
Rule 316(B)	On April 20, 2011, EPA published its proposed regulations for the design, maintenance and operation of power plant cooling water intake structures pursuant to Clean Water Act Section 316(b). Under the draft rule, all facilities that intake greater than 2 million gallons per day would have to reduce impingement of small fish on the intake screens, and all facilities would have to address entrainment of small organisms. The proposed rule would affect all NSPM and NSPW plants and some PSCo plants that withdraw surface water for cooling purposes. We are evaluating the draft rule and plan to offer EPA comments.
Coal Combustion Byproducts Rule	EPA is proposing to regulate coal ash generated by electric utilities and independent power producers. It introduced the proposed regulation in June 2010 and provided for public comment on the regulatory options it is considering. The public comment period ended Nov. 19, 2010. It is anticipated that EPA will not issue a final rule, if any, until sometime in 2012.

## Coal Ash Management

Coal-fired power plants produce a number of coal combustion byproducts commonly referred to as "coal ash." Our plants consume about 30 million tons of coal a year, yielding about 2.5 million tons of coal ash annually. Throughout our system, we try to recycle coal ash whenever possible for beneficial use, such as in concrete products, roadbed material, soil stabilization, engineered-fill material and more. Ash that is not reused is properly disposed.

#### **Temporary Storage**

Most of our coal ash is collected from plant equipment and temporarily stored in dry-storage silos. In some cases, water is used to more efficiently transport the ash to temporary holding ponds or wet-storage bins. When temporary storage is full, the ash is removed, dewatered if necessary, and hauled away by truck for either beneficial reuse or permanent disposal.

#### **Beneficial Reuse**

Throughout our system, we sell some coal ash for beneficial use, such as in concrete products, roadbed

material and soil stabilization. We are selective about participating in beneficial reuse projects. It is our policy that company management and legal or technical staffs evaluate these opportunities before we or our vendors pursue them, ensuring they are legally authorized and comply with all applicable rules and regulations.

#### **Permanent Disposal**

Ash that is not reused is disposed of in regulated landfills. Some of our power plants have onsite landfills and others dispose of ash at permitted, offsite commercial landfills. Our Sherco Generating Station is unique in that it operates specially permitted and constructed onsite disposal ponds that are dewatered and capped when full, essentially converting the ponds to a modern dry landfill. Xcel Energy designs, constructs and operates coal ash disposal facilities in a manner that is designed to be protective of groundwater and the environment. The design of each facility is tailored to local geologic, hydrologic and climatic conditions, as well as to comply with state and local regulatory requirements.

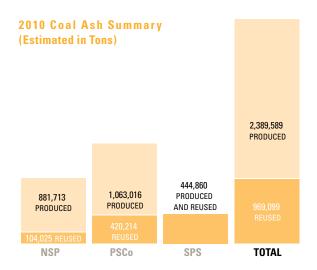


The Sherco Generating Station in Becker, Minn., has an extensive system of process water and ash management ponds. The plant's ash management ponds are routinely inspected and received the highest possible safety rating after a rigorous EPA inspection in 2009.

#### Regulation

EPA is proposing to regulate coal ash disposal at the federal level. Xcel Energy supports the development of federal regulations for coal ash disposal under Subtitle D of the Resource Conservation and Recovery Act (RCRA-D), which would regulate ash as a non-hazardous industrial waste, for several reasons:

- Coal ash has been determined to be non-hazardous based on well established scientific criteria designed to protect human health and the environment. EPA has confirmed this on multiple occasions.
- The stat es where we have coal ash landfills and ponds actively regulate our operations, with programs that include permitting and operating plans, inspections and requirements for closure. Given the different climates and geologies of these states, the local engineers, geologists and hydrologists that implement our current state regulatory programs are most qualified to make decisions around such things as landfill liner design. EPA should establish suitable national RCRA-D standards and then work with the few states that may be lagging behind to ensure standards are properly implemented.
- We support the D-Prime alternative EPA proposed that would allow well designed and operated coal ash impoundments to continue operating until the end of their useful lives. This includes the facility at our Sherco Generating Station that received the highest possible safety rating during a recent EPA assessment. The D-Prime alternative would require ash ponds that cannot meet necessary environmental performance standards to close.
- Regulating coal ash as a hazardous waste would have severe negative environmental and economic consequences, and an overwhelming number of U.S. states also oppose it. Experts predict regulation of coal ash as hazardous waste would result in a sharp decline in coal ash reuse and needlessly consume scarce disposal capacity, adversely affecting all hazardous waste disposal programs. A hazardous waste designation also would dramatically increase disposal costs for power plants that do not have onsite landfills. EPA has long supported reuse of coal ash and is on record as agreeing that coal ash can be safely and effectively managed as a non-hazardous material. There is no scientific basis to regulate coal ash as hazardous, and we believe that doing so would lead to increased costs to our customers with no significant environmental benefit.



Each of our power plants is somewhat unique in the amount of ash it produces and how the ash is reused or disposed. Visit our website to learn more about ash management at specific Xcel Energy power plants.

# Water Management Practices

A reliable water source is vital to make steam and cool equipment in nearly all of our generating stations. We manage our water resources, working to conserve where we can and ensuring we maintain the quality of water, especially when it is used and returned to the environment.

#### **Managing Water Supply**

Where we operate power plants in semi-arid states such as Texas, New Mexico and Colorado, we have strategic water resource plans that are annually updated to reflect our current operational requirements, local climate conditions and water use issues. Throughout the year we conduct a variety of activities to accurately predict and plan for future water supplies. This includes accounting for the water we need and use, monitoring snowpack reports and studying stream flow forecasts, seasonal climate projections and changes to the Ogallala aquifer, the primary aquifer that underlies much of this region.

We look for cost-effective opportunities to conserve water and have developed a number of innovative conservation projects to reduce water usage at our plants. We use recycled municipal effluent at our Harrington, Nichols, and Jones generating stations in Texas and at Cherokee Generating Station in Denver, Colo. Unit 3 at our Comanche Generating Station near Pueblo, Colo., uses a hybrid cooling system that cuts water use in half. Tolk Generating Station uses effluent from Plant X for a portion of its water supply.

We also take a strategic approach to water use where our plants operate in states with a more abundant water supply, such as Minnesota and Wisconsin. We monitor weather patterns and meteorological forecasting models to predict and prepare for an adequate water supply during times when unusually dry conditions are likely to persist.

#### **Maintaining Water Quality**

All of our large plants in Texas and New Mexico, as well as several plants in Colorado, are "zero discharge" facilities, which means no process water is discharged from the plant site. These facilities sometimes reuse effluent for growing crops or dispose of effluent through evaporation ponds.

Other plants, especially those in Minnesota and Wisconsin, use once-through cooling in which water is taken from a river or other waterway, used by the plant and returned to the environment. At all of our plants where we discharge process water, we systematically treat, monitor and analyze the water to ensure we are meeting discharge requirements for pH, temperature and overall water quality. It's important that we return the water we use to rivers and waterways in a usable condition and that we operate under stringent regulatory requirements to ensure this happens.

# 2010 Water Consumption (in Billions of Gallons)

(			
	Total water consumed	Recycled municipal effluent used	
NSPM/NSPW	16.8	_	
PSCo	11.56	0.89	
SPS	9.71	5.57	
Total	38.07	6.46	



Station was initiated to improve water quality, specifically to update wastewater treatment system capabilities for settling suspended solids and any associated low levels of mercury prior to discharge. We used hydraulic dredging to remove solids from a process-water treatment pond that discharges into the St. Croix River. With the use of polymers and Geotubes to remove and capture solids, the project left more space for the pond to store water and helped ensure any discharge will continue to meet clean water requirements. Jack Moltzeer (above) of Veit Construction monitors the project's progress. The unique equipment and techniques used for the effort enabled the plant to stay online and meet all water quality criteria throughout the dredging operation, both significant benefits of the process. Once removed, solids were safely disposed in the King plant's ash landfill

# 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 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.

Our 2010 TRI numbers will be filed with EPA in July 2011. Detailed TRI data by state and by power plant are available on our website.

TRI Rep	oortable Releases
2009	12,859,196 lbs
2008	12,691,383 lbs
2007	18,198,202 lbs
2006	18,197,584 lbs

Waste Disposition Summary (in Tons)				
	2007	2008	2009	2010
Hazardous	1,483	50	671	50
Universal*	25	30	34	37
PCB Related**	382	470	249	512
Asbestos	320	150	316	306
Special***	5,832	4,093	12,925	9,230
Scrap Metal	7,791	7,620	9,835	11,500
Used Oil	1,772	1,245	956	2,098

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

PCB Phase-Out Effort				
	2007	2008	2009	2010
PCB and PCB- Contaminated Oil (Gallons)	44,626	59,633	40,192	100,010
PCB and PCB- Contaminated Equipment (Units)	321	294	330	330

We have been phasing out equipment that contains PCBs from our transmission and distribution system for many years. 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 or more.

## Legacy Projects

#### 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 at the Ashland lakefront as a "Superfund" site requiring cleanup. 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, remediation alternatives and an economically balanced plan that allocates the associated cleanup costs equitably amongst responsible parties.

Last fall the EPA published its Record of Decision (ROD) for the Ashland Superfund Project, which explains the approach that will be used to clean up the site. The next step in the process is negotiation with EPA over who

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

<sup>\*\*\*</sup> Special waste includes oily materials recovered from our operations, such as rags, filters, soil and water.

# What is a manufactured gas plant?

In the 1800s up until the mid-1900s, before natural gas was available as an energy source, gas was manufactured using coal, oil and/or petroleum. It was used primarily for heating, cooking and street lighting. EPA estimates that more than 50,000 manufactured gas plants (MGPs) operated in the United States between 1815 and 1960 and were owned by municipalities and corporations,

including predecessor companies to today's electric utilities. These plants produced a variety of waste products, including coal tar. Some of the waste products were sold or disposed and some were left at the plant site. Given the extensive history of our operating companies—some going back more than 100 years—Xcel Energy has inherited several legacy manufactured gas plant sites. All of these plants were closed and dismantled and some of the properties were sold.

performs and pays for all or a portion of the EPA's cleanup plan. NSPW will likely be asked to provide a "good faith" settlement offer. We anticipate that the EPA will identify other "Potentially Responsible Parties," including the city of Ashland and Canadian National Railroad, and invite them to engage in settlement negotiations. We support a remedy that is environmentally sound, economically balanced and safe. Because of the site's history and use by multiple parties, we are committed to working together with all parties to find additional third-party or other funds to pay for those portions of the cleanup that should not be allocated to our customers.

# **Biodiversity**

Xcel Energy has a long history of addressing wildlife protection, including avian protection, land restoration and fish management. We recognize our operations can impact wildlife and important habitat, so we take extra steps to protect these special resources.

#### **Vegetation Management**

Xcel Energy's Vegetation Management department manages millions of trees, across almost 46,000 miles of distribution right-of-way and 16,600 miles of transmission right-of-way throughout our service territory.

We use industry best practices, including integrated vegetation management. Integrated vegetation management encompasses a progressive system of

information gathering that is data-driven and assists us with developing compliant solutions to vegetation control near electric and natural gas facilities. The practice has a focus on achieving such ends in an environmentally sensitive, socially responsible and cost-effective manner.

Our pruning methods comply with standards set by the American National Standards Institute and the Tree Care Industry Association, both of which are endorsed by the International Society of Arboriculture. We attempt to balance our customers' need for reliable energy while respecting the natural environment that surrounds our facilities. For example, we work with landowners to determine if trees and other vegetation can be compatible with safe operation of lines.

To comply with governmental regulation and help ensure electric system reliability, our transmission line vegetation management program emphasizes the removal of incompatible vegetation to promote long-term vegetation control. In many cases, this means removing trees in areas where trees had been pruned in the past.

In 2010, we managed vegetation around 10,273 miles of electric distribution lines, 4,673 miles of transmission lines, and at 2,323 substation and gas facilities. In recognition of our vegetation management practices, the Arbor Day Foundation named Xcel Energy a "Tree Line USA Utility" for the 16th consecutive year. In addition, the National Wild



Xcel Energy participated in a project with the B&W Pantex Plant near Amarillo, Texas, in making all distribution lines at the plant avian friendly. Pantex proactively insulated distribution lines with shielded insulation sleeves installed on about 500 utility poles spanning 20 miles of electric lines. We reviewed the installed sleeves and ensured the installations were in accordance with standards and practices for avian protection on our equipment. Although the distribution lines are owned by Pantex, we worked to assure the installations were avian friendly and would prevent electrocutions from perching birds and/or collisions. We recognized B&W Pantex for its efforts as part of October's national Raptor Month designation, a celebration of birds of prey.

Turkey Federation certified Xcel Energy for its Energy for Wildlife Program that seeks to enhance wildlife habitat on utility-company-owned or -managed lands.

#### **Avian Protection**

Through our partnership with the National Wild Turkey Federation, we can further enhance our vegetation management practices to positively impact our right-of-ways and surrounding environment to better support desirable plant and wildlife populations.

We have worked with the U.S. Fish and Wildlife Service (USFWS) to develop Avian Protection Plans for our service areas and to address avian issues related to our facilities. 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 a comprehensive Avian Protection Plan for its facilities. The following work is included in each plan 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
- Recommendations for retrofitting facilities

Xcel Energy has installed web-based cameras in nest boxes at our power plant sites to help increase awareness for conservation efforts. Our six bird cams feature five different species: bald eagles, great horned owls, peregrine falcons, kestrels and osprey. Visit the bird cams at **birdcam.xcelenergy.com**.

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.

Xcel Energy consults with the Colorado Renewables and Conservation Collaborative, a group that works on wildlife impacts associated with wind development projects and consists of The Nature Conservancy, the Audubon Society, wind developers, state and federal wildlife agencies and others. In 2010, the group proposed voluntary wildlife best-management practices for wind development to the Colorado Division of Wildlife.

Volunteers from the Prairie Enthusiasts (below) conducted a plant inventory in July 2010 after working months earlier to restore a native goat prairie on a portion of the Tyrone property. The effort was successful; an endangered plant, the Carolina Anemone is found (left) growing on a hillside.





# Restoring Tyrone Lands to Natural State Benefits Wildlife and People

The 4,400-acre Tyrone property in Dunn County, Wis., which we acquired in the 1960s and 1970s as a potential nuclear power plant site, has seen a lot of change over the years. The power plant was never built, and the land became home to permanent tree stands and trash sites—while at the same time experiencing erosion and degradation from unauthorized off-road vehicle use. In 2008, following a detailed field inspection of the property, Xcel Energy

crews cleaned up more than 57 trash sites and posted access points with signs reminding visitors that foot travel is welcome but motorized vehicles are not

Cleaning up the property was just the beginning.
Land management and restoration activities were
next on the to-do list. Recent ongoing activities
have included converting existing agricultural lands
into prairie and forest, harvesting timber to promote
regeneration, planting trees and monitoring grassland
bird populations. Through our restoration efforts,
we are hopeful that the Tyrone property will provide



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