

we are energized

CORPORATE RESPONSIBILITY REPORT OVERVIEW FOR **2011**

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## AN OVERVIEW OF THE ECONOMIC, ENVIRONMENTAL & SOCIAL IMPACT OF XCEL ENERGY



Stakeholder engagement and trust are key elements to our company's success. We publish this report to share and disclose information important to stakeholders regarding our economic, environmental and social performance, as well as to foster better understanding of our business, industry and corporate culture. For our 2011 report, we have changed the reporting format to make it more accessible. This overview provides a high-level look at our corporate responsibility and performance for 2011. Please visit [xcelenergy.com/corporateresponsibility](http://xcelenergy.com/corporateresponsibility) to find the full 2011 report that is based on Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines for the electric utility sector.







## To our stakeholders:

In every respect, 2011 was an excellent year for Xcel Energy. We hit a record high in customer satisfaction, achieved system reliability targets despite significant challenges and met or exceeded our financial goals. At the same time, we continued to improve environmental performance and maintained our position as an outstanding contributor to the communities we serve.

Our strategy is built on a strong foundation of accomplishment, and it works because we successfully balance several priorities. We start by focusing on customers. We deliver safe, reliable energy at a competitive price—but also give customers choices on ways to save energy and money while improving the environment. Then we work with regulators and other policymakers to ensure fair regulatory and public policy decisions. Finally, we take advantage of investment opportunities that benefit customers, protect the environment and build value for shareholders.

Sustainability is at the heart of our efforts—and for us that means making sure every part of our strategy works together and produces value. For example, our proactive clean energy strategy has worked for customers by managing to keep energy costs affordable while strengthening our infrastructure and providing investment opportunities that mitigate risk. Balancing priorities and keeping every part of the strategy viable ensures long-term success.

Perhaps the best example of our strategy in action is our commitment to wind power. Xcel Energy is the No. 1 provider of wind energy in the nation, and we're proud of that. What often surprises people is the fact that we've been able to deliver that wind energy at a price which is comparable to fossil choices. We are fortunate to operate in parts of the country rich in renewable resources, and we took advantage of those resources early. In the end, our customers benefit as much as the environment.

Looking back on 2011, other events illustrate the strength of our approach. We had unusually stormy weather last year with a tornado in Minnesota, fires in Texas, floods in North Dakota and an early winter storm in Colorado. Because of the wise investments Xcel Energy made in its infrastructure and the quick response of our dedicated employees, power was restored quickly and the delays that occurred in other parts of the country were avoided. In another example, we added a natural gas-fired unit to our Jones Generating Plant in Texas a year ahead of schedule, significantly under budget and in time to meet peak electric demand during a particularly hot and dry summer. Again, our customers and communities were grateful.

I appreciate the commitment that our employees demonstrate every day to meeting our customers' energy needs and also in giving back to our local communities. Last year employee donations helped to surpass our United Way campaign goal, which when combined with our company match, raised more than \$5.5 million for community organizations. In 2011, employees again gave generously of their personal time too and increased their annual volunteer commitment to about 31,000 hours.

This commitment and our strong foundation are especially important as we take on the challenges in front of us. Economic recovery is slow. Energy sales are flat. Operating costs continue to rise. Environmental regulations are increasing. A significant number of our employees are eligible to retire. Our infrastructure needs even more investment than we've already made.

To meet those challenges, we keep working our plan and hitting on its fundamentals. In 2012, we've identified four areas of focus:

- Operational excellence
- Value to the customer
- Employee safety and engagement
- Environmental leadership

These priorities form the basis for our 2012 scorecard, which is outlined in this report.

My personal goal is to build on our success, in particular by driving the operational excellence model we've already established throughout the company with standardization and process improvements. We're going to succeed because we have engaged energized employees—as a former CFO I know a lot about capital, but the most important capital at Xcel Energy is its human capital.

Simply put, we're energized and ready to go. It's an honor to lead Xcel Energy.

Sincerely,



Ben Fowke  
Chairman, President & CEO

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**

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

- 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 may be identified by words such as “anticipate,” “estimate,” “expect,” “projected,” “objective,” “outlook,” “possible,” “potential” or 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 slowdown 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 workforce factors; the items described under Factors Affecting Results of Continuing Operations; and other risk factors listed from time to time by Xcel Energy in reports filed with the SEC, including “Risk Factors” in Item 1A of Xcel Energy’s Form 10-K for the year ended Dec. 31, 2011, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.





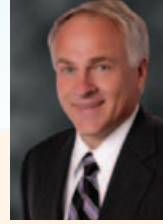


Along with WYCO Development LLC, a joint venture formed with Colorado Interstate Gas Company (CIG) to develop and lease natural gas pipeline, storage and compression facilities, and WestGas Interstate, Inc. (WGI), an interstate natural gas pipeline company, these companies comprise the continuing regulated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

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

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

**\*The allocation for focus area grants is based on a formula that includes such factors as revenue, customers, employees and capital assets by operating company.**



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

##### **Colorado**

Electricity and natural gas service

**David L. Eves, president and CEO**

- Customers:
  - Electricity: 1,375,574
  - Natural gas: 1,314,895
- Focus area grants\*: \$ 1,282,620



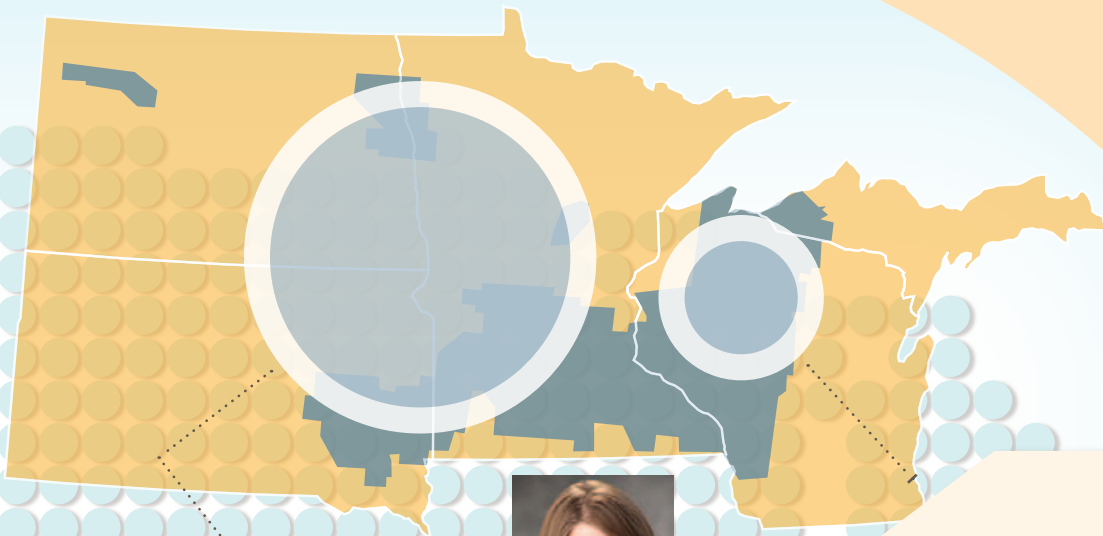
#### **Southwestern Public Service Company (SPS)**

##### **Texas, New Mexico**

Electricity service only

**C. Riley Hill, president and CEO**

- Customers:
  - Electricity: 376,283
- Focus area grants\*: \$ 378,000



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

**Minnesota, North Dakota, South Dakota**

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

**Judy M. Pofert, president and CEO**

- Customers:
  - Electricity: 1,403,544
  - Natural gas: 484,720
- Focus area grants\*: \$ 2,124,600



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

**Wisconsin, Michigan**

Electricity and natural gas service

**Mark E. Stoering, president and CEO**

- Customers:
  - Electricity: 250,571
  - Natural gas: 106,844
- Focus area grants\*: \$ 143,050

Check online for more information

Find listings on our website of the cities, towns  
and communities we serve in the eight states  
of our operating territory.

## Stakeholder Engagement

Having a clear understanding of our stakeholders and our impact 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	<ul style="list-style-type: none"> <li>— Customer Contact Center</li> <li>— Business Solutions Center</li> <li>— Business account managers</li> <li>— Personal account representatives for at-risk customers</li> <li>— Customer advocate process</li> <li>— Surveys and focus groups</li> <li>— Website, newsletters and bill inserts</li> <li>— Direct mail and advertising</li> <li>— Energy expos</li> <li>— Community workshops</li> <li>— One-on-one meetings</li> </ul>	<ul style="list-style-type: none"> <li>— Energy- and money-saving opportunities</li> <li>— Online account management</li> <li>— Renewable energy</li> <li>— Electric and natural gas safety</li> <li>— Service reliability and timely outage response</li> <li>— Information privacy</li> <li>— Environmental improvement</li> </ul>	<ul style="list-style-type: none"> <li>— Public safety materials, programs and advertising</li> <li>— Expanded energy saving programs and program goals</li> <li>— Low-cost or no-cost energy saving tips</li> <li>— Community outreach and events to promote energy efficiency</li> <li>— Online account-management programs</li> <li>— Solar*Rewards® and Windsource® consumer programs</li> <li>— Clean energy strategy</li> <li>— Operational excellence initiative</li> <li>— Data privacy process</li> </ul>
Employees	<ul style="list-style-type: none"> <li>— Power of You breakfast meetings</li> <li>— Brand Champions</li> <li>— Leadership meetings and employee webcasts</li> <li>— Executive site visits and presentations</li> <li>— Bargaining unit negotiations and communications</li> <li>— Satisfaction, engagement and communication surveys</li> <li>— Training</li> </ul>	<ul style="list-style-type: none"> <li>— Continued fair compensation and benefits</li> <li>— Professional development opportunities</li> <li>— Communication</li> <li>— Recognition</li> <li>— Employee engagement</li> <li>— Community involvement</li> <li>— Increased involvement in national, state and local energy policy and legislation</li> </ul>	<ul style="list-style-type: none"> <li>— Total Rewards Statement</li> <li>— Compensation training for managers</li> <li>— My Financial Future planning tool</li> <li>— Career Central and other development resources</li> <li>— Tuition reimbursement</li> <li>— Chairman's Award</li> <li>— Power of Recognition management tool kit</li> <li>— Award-winning print, electronic and video communications</li> <li>— Volunteer activities and paid-time-off program</li> <li>— United Way campaigns and matching gift program</li> <li>— Individual Performance and Development (IPAD) plans</li> <li>— Employee networking groups</li> <li>— Wellness programs</li> <li>— Lunch-and-learn seminars</li> <li>— Grassroots political informational events</li> </ul>





Stakeholder Group	Engagement	Key Interests	Our Response
Communities	<ul style="list-style-type: none"> <li>— Project-specific stakeholder meetings and open house events</li> <li>— Community relations and foundation staff</li> <li>— Partnerships and local memberships</li> <li>— Franchise agreements</li> <li>— Presentations and speaking engagements</li> <li>— Volunteer projects</li> </ul>	<ul style="list-style-type: none"> <li>— Public safety</li> <li>— Project input and communication</li> <li>— Economic development and jobs</li> <li>— Continued community investment</li> <li>— Environmental leadership and support for local goals</li> <li>— Energy efficiency</li> <li>— Energy education</li> </ul>	<ul style="list-style-type: none"> <li>— Public safety programs</li> <li>— Project websites, newsletters, mailings and stakeholder meetings</li> <li>— United Way campaign</li> <li>— Foundation focus areas and grants</li> <li>— Employee volunteers and board members</li> <li>— Programs for at-risk customers</li> <li>— Clean energy strategy</li> <li>— Power plant tours</li> <li>— Energy Classroom</li> </ul>
Legislators and Regulators*	<ul style="list-style-type: none"> <li>— Policy leadership</li> <li>— Governmental and regulatory staff</li> <li>— Regulatory proceedings</li> <li>— Reports, filings and informational materials</li> <li>— Legislative initiatives</li> <li>— Political action committees and grassroots political informational events with employees</li> <li>— Presentations and speaking engagements</li> </ul>	<ul style="list-style-type: none"> <li>— Reasonable energy costs</li> <li>— Service reliability</li> <li>— Environmental leadership</li> <li>— Emissions reductions</li> <li>— Responsible corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>— Productivity and cost reduction efforts</li> <li>— Clean energy strategy</li> <li>— Support for renewable energy standards</li> <li>— Regulated energy efficiency and conservation programs and goals</li> <li>— Voluntary emissions reduction initiatives</li> <li>— Highly rated corporate governance program</li> </ul>
Investors	<ul style="list-style-type: none"> <li>— Website</li> <li>— Annual report, 10-K, 10-Q, proxy, financial press releases and other disclosures</li> <li>— Annual shareholders' meeting</li> <li>— Teleconferences</li> <li>— Investor meetings</li> </ul>	<ul style="list-style-type: none"> <li>— Stock appreciation and company growth prospects</li> <li>— Dividend growth and total returns</li> <li>— Meet EPS guidance</li> <li>— Solid credit ratings</li> <li>— Financing needs</li> <li>— Favorable regulatory environment</li> </ul>	<ul style="list-style-type: none"> <li>— Corporate strategy that includes a fair return on investment, utility business investment and stakeholder alignment</li> <li>— Senior management presentations at investor conferences</li> <li>— One-on-one meetings with current and prospective shareholders</li> <li>— Annual Analyst Day meeting in New York City</li> <li>— Participation in utility and retail shareholder organizations</li> </ul>

\*Often overlaps with community stakeholders

## Accomplishments, Priorities & Goals

### Corporate Achievements and Recognition

#### Corporate Social Responsibility Leadership

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- Xcel Energy is included in the 2011-2012 Dow Jones Sustainability Index for North America, a leading index of companies considered best in class for corporate economic, environmental and social performance. This is the fifth year we have earned this honor.
- We received high marks from several new rating programs. Trust Across America™, a think tank dedicated to promoting and recognizing trustworthy business behavior, ranks Xcel Energy as the No. 2 most trustworthy company in the United States. Target Rock Advisors, LLC, in its first sustainability rankings and related stock indexes lists Xcel Energy No. 2 among high-performing U.S. utilities.

#### Renewable Energy Leadership

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- For the eighth consecutive year, the American Wind Energy Association ranks Xcel Energy the No. 1 wind power provider in the United States for 2012. And our Windsource® program is one of the largest voluntary green-energy programs in the nation, based on the number of customers, according to the U.S. Department of Energy's National Renewable Energy Laboratory.
- The Solar Electric Power Association ranks us among the top 10 U.S. utilities for solar capacity.

#### Energy Efficiency Leadership

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- The U.S. Environmental Protection Agency honored Xcel Energy with its most prestigious award for 2012, the ENERGY STAR® Award for Sustained Excellence, which recognizes long-term commitment to protecting the environment through energy efficiency. For our company, the award recognizes the value we deliver to customers through our extensive energy efficiency programs, helping them save money and reduce environmental impact.
- Xcel Energy in 2011 received the U.S. Environmental Protection Agency's ENERGY STAR Partner of the Year award for helping increase market share of energy efficient ENERGY STAR-qualified homes through comprehensive outreach, education and marketing programs. The award recognizes outstanding contributions to reducing greenhouse gas emissions by delivering information and services to customers to increase energy efficiency.

#### Environmental Leadership

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- The Carbon Disclosure Project included Xcel Energy in its Carbon Disclosure Leadership Index for the fourth consecutive year. The listing recognizes the quality of our voluntary emissions reporting. The Project is an independent, nonprofit organization that collects and makes public greenhouse gas emissions data from corporations around the globe.
- The American Carbon Registry honored Xcel Energy with its Utility Excellence award for outstanding achievement in reducing emissions. The nonprofit American Carbon Registry is a leading carbon offset program recognized for strong environmental integrity standards.

#### Local and Other Leadership

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- The Energy Innovation Corridor was awarded the Midwest Energy Efficiency Alliance's 2012 Inspiring Efficiency Innovation Award. Xcel Energy is an active partner in this clean energy and transportation project in the Twin Cities.
- The American Council for an Energy-Efficient Economy recognized our industrial energy efficiency programs with its Champions of Energy Efficiency award.
- For the fourth consecutive year, G.I. Jobs magazine named Xcel Energy one of the nation's 100 most military-friendly employers based on our long-term commitment to hiring former military personnel, recruiting efforts and policies for active military employees.
- The Women's Vision Foundation in Denver honored Xcel Energy as Corporate Advocate for 2011 because of our support and practice of advancing employees through professional development and mentoring opportunities for men and women.
- Xcel Energy is the top corporate charitable giver among Colorado companies for the fourth consecutive year, according to the Denver Business Journal.
- Thorne Nature Experience (formerly Thorne Ecological Institute) in Boulder, Colo., presented its 2011 Corporate Award to Xcel Energy for our long-standing support of environmental education and commitment to environmental business practices.
- Momentum West, a nonprofit, regional economic development organization in Wisconsin, honored Xcel Energy for strong leadership and support.

## Challenges for the Future

We have laid a strong foundation to meet the challenges that face Xcel Energy and our industry in general.

- Energy sales are growing slowly due to economic conditions. We need to keep operating costs consistent with sales growth, which we believe will average about 1 percent a year for the foreseeable future.
- We need to continue to modernize our infrastructure in order to maintain reliability and safety while also delivering clean energy options. During the next four years, we project an investment of \$13.4 billion in capital improvements and will need to request associated rate recovery. Regulators and customers expect us to be efficient and reduce the frequency and amount of requests for rate increases, and they want to understand why any increase in rates is necessary.
- Environmental regulations are increasing. In the last three years, the U.S. Environmental Protection Agency (EPA) has issued an unprecedented number of new regulations to address the environmental impacts of fossil fuel-fired

generating plants. For the first time, EPA has begun to regulate carbon dioxide emissions from our industry. Although our clean energy strategy has positioned us well to respond to these environmental requirements, they put significant stress on our industry, and depending on the rule design, could increase customers' cost.

- Within the next five years, 36 percent of our employees will be eligible to retire. We expect that 20 percent of those eligible will actually retire. We need to ensure that we can transfer knowledge successfully and get new employees up to speed quickly.
- The legislative and regulatory environment is uncertain. We don't know exactly what new regulation and policy will look like, but we do know there are likely to be changes that affect us.

Check online for more information

**For a full description of risks associated with our business, see the 2011 10-K on our website.**














Check online for more information

Learn more about our goals and how we measure performance on our website.

## 2011-2012 Priorities and Performance Indicators

We use key performance indicators (KPIs) as part of our management system to ensure performance around strategic and operational priorities. In 2011, we included a short list of corporate KPIs at the beginning of our report, as well as additional KPIs in each subsequent section of the report. For 2012, we are consolidating all KPIs for this report into a single corporate scorecard that better reflects the priorities of our company and our stakeholders. The chart below includes the targets and results for our most significant 2011 key performance indicators, as well as the goals we have set for 2012.

### Corporate Key Performance Indicators

Priority	2011 Goal	2011 Performance	2012 Goal
Financial Success	Meet earnings target range of \$1.65-\$1.75	Ongoing diluted earnings per share were \$1.72 	Meet earnings target range of \$1.75-\$1.85
	Grow the dividend 2 to 4 percent	Grew the dividend 3 percent 	Grow the dividend 2 to 4 percent
Operational Excellence	Achieve SAIDI (System Average Interruption Duration Index) of 86.20 minutes	Achieved SAIDI rate of 78.49 minutes 	Achieve SAIDI rate of 80 to 85 minutes
	Achieve UOR (Unplanned Outage Rate) of 6.9	Achieved UOR of 7.6 	Achieve UOR of 6.4
Customer Value	n/a	n/a	Achieve public safety index rating of 100**
	Achieve customer satisfaction of 93 percent positive among all customer classes	Achieved customer satisfaction of 94 percent positive among all customer classes 	Achieve customer value survey rating of 83 to 85 percent**
Safe & Productive Workforce	Achieve OSHA recordable incident rate of 1.74 or lower	Achieved OSHA recordable incident rate of 1.68 	Achieve OSHA recordable incident rate of 1.55 or lower
	Achieve Voice of the Employee percentile ranking of 47.5, an increase over the 2010 percentile ranking of 42.5	Achieved Voice of the Employee percentile ranking of 45.0 	Achieve employee engagement survey rate of 80**
Clean Energy	Achieve energy savings of 760 GWh	Achieved energy savings of 824 GWh* 	Achieve energy savings of 814 GWh
	Reduce CO <sub>2</sub> emissions 20 percent from 2005 levels by 2020	Reduced CO <sub>2</sub> emissions 12 percent from 2005 levels, on track to meet 20 percent by 2020 reduction goal 	Reduce CO <sub>2</sub> emissions 20 percent from 2005 levels by 2020

\*Includes only results for Colorado, Minnesota and New Mexico. Total energy savings for customers in all states was about 869 GWh in 2011.

\*\*New tool in place for 2012 to measure performance.

 EXCEEDED TARGET

 MET TARGET

 DID NOT MEET TARGET

## Governance

We have developed corporate governance policies that provide a high level of disclosure and have implemented numerous mechanisms to ensure board effectiveness.

### Board Highlights

- 11 directors, 10 of whom are classified independent by the listing standards of the New York Stock Exchange.
- Benjamin G.S. Fowke III, chairman, president & CEO, is an inside director and is not considered independent. He was elected as chairman and CEO on Aug. 24, 2011, upon the retirement of Richard C. Kelly.
- Gail Koziara Boudreaux was elected to the board effective March 1, 2012.
- To strengthen independent oversight, independent members of the board annually elect a lead independent director. Xcel Energy's Corporate Governance Guidelines were amended in December 2011 to reflect that the lead independent director is expected to serve for more than one annual term but for no more than four years. Specific responsibilities of the lead director, as defined in the guidelines, also were amended to reflect the responsibilities and independent oversight provided by this position.
- 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.
- The governance, compensation and nominating committee is responsible for annually reviewing with the board the appropriate skills and characteristics required of board members in the context of the current board make-up. This assessment of the perceived needs of the board considers factors such as demonstrated leadership; judgment; skill; diversity; integrity; and experience with business, operations relevant to the energy industry, and working for or with organizations of comparable size. The committee also considers the interplay of each director nominee's experience with the experience of other board members.
- All directors are expected to adhere to our Code of Conduct, which complies with the requirements of the Sarbanes-Oxley Act of 2002.
- 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.

### Independent Governance Ratings

Rating Organization	Xcel Energy Score	Scale
<b>Governance Metrics International</b>		
Overall Rating – Global	9.5	0-10
Overall Rating – Home Market	9.0	0-10
Pay Alignment Rating	73.2%	0-100%
<b>The Corporate Library (TCL)</b>		
Governance Risk Assessment	Low Concern	Low, Moderate or High Concern
TCL Rating	B	A-F (no E)
<b>Institutional Shareholder Services' Governance Risk Indicators (GRId)</b>		
Audit	Low Concern	Low, Medium or High Concern
Board Structure	Low Concern	
Compensation	Low Concern	
Shareholder Rights	Low Concern	

Check online for more information

Find Xcel Energy's Corporate Governance Guidelines, as well as information on our board committees, board diversity and profiles for the senior leadership team on our website.



A major portion of Xcel Energy's capital investment pipeline includes the Clean Air-Clean Jobs project that will transform our Colorado power plant fleet. The Colorado Public Utilities Commission approved the effort at the end of 2010, giving the green-light for completion.



**Engineering and Construction Project Leaders for the Colorado Clean Air-Clean Jobs effort (from left to right): Don Catbagan, Randy Larson, Jim Vader, Curtis Crowe and John Pierce**



## Engineering team prepares for power plant makeover

When the Clean Air-Clean Jobs (CACJ) project is complete in 2018, Xcel Energy will operate a fleet of more modern plants that is better equipped to meet new environmental regulations. We will retire 593 megawatts of coal-fired generation and replace it with power from a newly constructed natural gas combined-cycle plant. We will fuel switch 461 megawatts of coal-fired generation to natural gas. Highly efficient emission controls also will be installed on two coal-fired facilities, Hayden and Pawnee generating plants, near Steamboat Springs and Brush, respectively.

"We have undertaken projects like this before at a single plant or within the Denver metro area, but this is our first state-wide project," said Randy Larson, senior engineering project manager, who is responsible for demolition and construction at Cherokee Generating Plant in Denver. "We will have three sites with major construction activities all taking place at the same time."

Jim Vader, director, Regional Capital Projects, is ultimately responsible for completing the CACJ project on time and within the \$1 billion budget. A project manager is assigned for each major piece of the initiative. Combined, the team has more than 140 years of experience working at Xcel Energy and completing engineering for large construction projects. At the peak of construction, the project will employ about 1,500 workers.

"There is a significant amount of coordination, careful planning and attention to detail associated with these projects," said Vader. "We bring experience from past projects where we have learned and improved through the years."

Starting last year, the project has been in the engineering and procurement phase.

Site work will officially begin in April 2012 with the demolition of Cherokee Units 1 and 2 to make room for the natural gas combined-cycle unit. "Demolition for this project is exceptionally complex," Larson said. "We will need to work safely and efficiently to take down parts of the plant. All the systems are so intertwined that it will take an extra level of precision and planning to ensure we keep the other two units operating."

Cherokee Unit 3 will be retired in 2015. The plant's last unit, Cherokee Unit 4, will switch fuel from coal to natural gas. Unit 2's turbine generator will be converted to a synchronous condenser that will provide voltage support on the transmission system. While a proven technology in other parts of the world, there are only a few synchronous condensers operating in the United States. This will be completed spring 2012.

As Cherokee's renovation is underway, about 80 miles northeast, construction will commence in early 2013 at Pawnee Generating Plant on a new spray dryer absorber to control sulfur dioxide emissions and a selective catalytic reduction (SCR) system to control nitrogen oxides. Pawnee's new control systems will entail the first major piece of the CACJ project and will be completed by the end of 2014.

Pawnee's single 505-megawatt unit originally went online in 1981, and this is the second major retrofit at the facility since particulate controls were installed 20 years ago. "It's going to be challenging to procure and fabricate new emission controls at Pawnee over the next 18 months. For a project like this, it's a very short turnaround time," said Curtis Crowe, project manager responsible for the work at Pawnee.

Xcel Energy completed a competitive bidding process and awarded a contract in early 2012 for the control equipment

to Babcock & Wilcox Co., an experienced supplier that has provided emission control equipment to Xcel Energy in the past.

Construction will begin during summer 2013 at Hayden Generating Plant in northwestern Colorado—the third site of the project. SCR systems will be installed on both of the plant's units.

"While our Clean Air-Clean Jobs project requires far more coordination than others, there are synergies that make it worth undertaking at one time," Vader said. "For instance, we estimate that we saved several million dollars by bidding the control systems together."

What motivates the engineering team is the challenge. "It's always exciting to work on something new, especially something as complex as this project. It has everything—demolition, construction, retirement, new generation and new technology," said Don Catbagan, operational support manager responsible for coordinating the CACJ project with plant personnel.

There also will be a tremendous sense of accomplishment when the project is complete. "We operate in some very beautiful areas, like the Yampa Valley where Hayden is located," said John Pierce, project manager responsible for construction at Hayden. "It's nice to be part of these projects that significantly benefit the local community and the environment."

In addition to the work at the three plant sites, two other coal-fired plants will be retired as part of the CACJ project. In Denver, Arapahoe Generating Plant's Unit 3 will be retired and Unit 4 will switch fuel from coal to natural gas in 2013. Valmont Generating Plant in Boulder will be retired at the end of 2017.



## Corporate Compliance & Business Conduct

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 cornerstone 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. In addition, the governance, compensation and nominating committee reviews related-party transactions. Our chief compliance officer has overall responsibility for our CCBC program. The CCBC Council comprises executives from key business areas and monitors the effectiveness of specific compliance programs and business conduct issues.

### Business Conduct and Training

Our employees make decisions every day that impact each other, customers, the community, shareholders, business partners and government decision makers. Some decisions are easy and routine. Other decisions cause employees to think. 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'**

**Xcel Energy's Code of Conduct was updated in 2011 to reflect emerging compliance requirements and business priorities. Corpedia, a leader in ethics and compliance services, awarded Xcel Energy's new Code of Conduct an "A" rating, which places it in the 98th percentile of all energy and utility company codes that Corpedia reviews.**

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.



## Financial Success

Xcel Energy seeks to deliver a 10 percent total return to investors through a combination of 5 to 7 percent earnings growth and 2 to 4 percent dividend growth. 2011 represents the seventh consecutive year in which we have met or exceeded our earnings guidance. Ongoing earnings increased 6 percent primarily due to higher electric margins as a result of warmer-than-normal summer weather across our service territory and favorable recovery of our investments in various states. The higher margins were partially offset by expected increases in operating and maintenance expenses, depreciation, interest expense and property taxes.

Our stock price rose 17 percent in 2011 and traded at a nine-year high in December. Taking into account the reinvestment of our dividends, we delivered a total return of more than 22 percent. We also raised our annual dividend by 3 cents per share, or 3 percent, and maintained strong credit ratings.

Xcel Energy's corporate strategy focuses on three main areas:

- Earning a fair return on our utility investments
- Investing in our regulated utility business
- Obtaining stakeholder alignment

Achievement of our strategic plan is designed to provide investors with an attractive total return and customers with clean, safe, reliable energy at a reasonable price.

### Financial Summary for 2011

Earnings	\$841 million
Earnings per diluted share	\$1.72
*Ongoing diluted earnings per share	\$1.72
<b>Economic Value Generated</b>	
Total revenues	\$10.7 billion
Electric utility revenues	\$8.8 billion
Natural gas revenues	\$1.8 billion
Other operating revenues	\$76 million
<b>Economic Value Distributed</b>	
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	\$1.7 billion
Community investment	\$13 million
Retained earnings	\$2.0 billion
Interest charges and financing costs	\$563 million
Common stock dividends	\$475 million
Tax payments	\$843 million
Franchise fees	\$160 million

Please see our 2011 10-K for detailed financial statements.

#### \*Reconciliation – Ongoing EPS to GAAP

Ongoing diluted EPS	2011 \$1.72
COLI Settlement and Medicare Part D	(0.00)
EPS from continuing operations	\$1.72
EPS from discontinued operations	(0.00)
GAAP diluted EPS	\$1.72



## Constructive Regulation

Our regulatory strategy is based on filing reasonable base-rate requests designed to provide recovery of costs necessary to operate our business and a reasonable return on investment, along with obtaining regulatory approval for rate riders and energy efficiency programs. A rate rider is a mechanism that allows for recovery of certain costs and returns on investments, without the costs and delays of filing a rate case.

We believe that our state public utilities commissions will provide reasonable and timely recovery, and this is a key assumption to achieving our financial objectives. Constructive regulatory outcomes over the last several years are evidence of reasonable regulatory treatment and provide us confidence that we are pursuing the right strategy.

## Investment Pipeline

We plan to invest \$13.4 billion in our system through 2016. Our capital investment plan is expected to modernize our infrastructure, improve system reliability, reduce our impact on the environment, expand the amount of renewable energy available to our customers and meet customer demand.

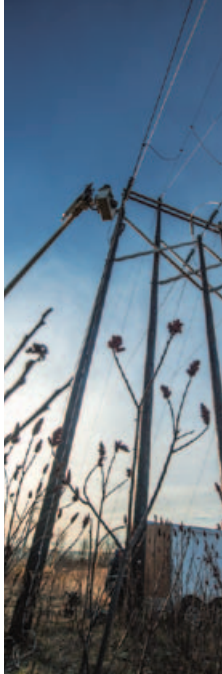
We work hard to make sure these investments provide value to our customers by selecting the most cost-effective projects and striving to complete these projects on time, safely and within established budgets. As a result of these investments, Xcel Energy projects that the rate base, or the amount on which Xcel Energy earns a return, will grow at a compounded average annual rate of 7 percent through 2016.

## Stakeholder Alignment

Successful execution of our strategy begins with obtaining stakeholder support for long-term decisions and for large investment initiatives, prior to taking action. To avoid excessive risk, it is critical that we reduce regulatory and legislative uncertainty before making long-term critical decisions or large capital investments. Stakeholder alignment is achieved by:

- Delivering operational excellence
- Proactively pursuing environmental leadership by reducing emissions and expanding renewable energy in a cost-effective manner
- Providing value for our customers by modernizing our infrastructure and reducing our environmental impact at a reasonable cost, while offering customers choices through energy efficiency and renewable energy programs
- Proactively taking actions to ensure public and employee safety related to our generating plants and natural gas and electric systems





## Operational Excellence

The service we provide for our customers is built on a solid foundation of operational excellence — making every effort to deliver clean, safe and reliable energy at a reasonable cost.

In 2011, we achieved our company reliability goal despite adverse weather conditions in many of our service areas: tornadoes in Minnesota, flooding in North Dakota, fires in Texas and an early fall snowstorm in Colorado. In every situation, our employees restored power safely and efficiently.

We also faced the challenge of an extended period of hot weather in our SPS region, and were able to keep our generating facilities online to meet our customers' electricity demands.

In order to meet the thriving electricity demands in Texas, we've added new generation, including a third natural gas-fired unit at our Jones Generating Plant in Texas. This unit was brought online a year ahead of schedule, and came in significantly under budget, just in time for peak electricity use during an unusually hot summer. Pending regulatory approval, we propose to add a fourth unit at Jones plant that should be complete by summer 2013, which also will help us meet the growing demand in the Texas Panhandle.

In Colorado and Minnesota, we have completed load forecasting and resource plans that examine the costs, benefits and risks associated with various electricity supply options. The recent slowdown in the economy has led to a relatively flat demand for power, so we have reevaluated the need for large projects such as repowering our Black Dog plant and an uprate to our Prairie Island nuclear plant to ensure we are making wise and prudent infrastructure investments.

Finally, we drive operational excellence through standardizing and improving work processes, productivity, efficiency, innovation and safety. This includes participating in smart-grid technology applications like the Energy Innovation Corridor and SmartGridCity® and applying new technology in our operations.

## 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 78.49 in 2011, beating our target of 86.20. This means that, on average, customers in our eight-state region had electric power 99.9 percent of the time last year.

SAIDI by Operating Company (in minutes)



## Modernization, Innovation & Productivity

To improve the production, delivery and reliability of the energy we provide customers, we plan to invest \$13.4 billion through 2016 to help modernize equipment and infrastructure. These proactive investments offer customers value by ensuring we can provide safe, reliable and clean energy at an affordable price for years to come. We continue to work on lowering operating costs by refining and standardizing processes to boost productivity and performance across the company.

In 2011, the Energy Supply business area launched its Generation Operating Model and Playbook initiative, with the goal of best-in-class plant operations. Rollout of this plan started in late 2011 and will continue throughout 2012. This model will involve organizational realignment, standardization, sharing of technical excellence and improved accountabilities.

Our new Productivity through Technology initiative, started in early 2012, is committed to uncovering innovative solutions to employees' work challenges. The new team will explore smart technologies that can streamline, or improve upon, common work processes. The goal is to enhance system and service reliability; create employee and customer value; control overall operating and maintenance spending; offset financial and operating pressures; and make wise investments for the future.



## Generation

Xcel Energy currently owns and operates 81 generating plants capable of producing 17,154 megawatts of power. About 66 percent of the electricity we provide customers is produced at these facilities; we purchase the other 34 percent through power-purchase agreements. As we work to modernize our infrastructure the resources on our system are changing. In Minnesota, we replaced some of our aging coal-fired plants with highly efficient natural gas combined-cycle units, and we have similar upgrades underway in Colorado. In Texas, our new Jones Unit 3 natural gas combustion turbine began producing power in 2011, just in time to meet customer demand during an extremely hot and challenging summer. Across our system, we have invested in emission controls on existing plants to dramatically reduce emissions while maintaining reliable, reasonably priced generation. Through power-purchase agreements and development of our own resources, we have continued to develop our renewable energy portfolio—the best in the nation. These projects are accomplished with support from stakeholders and through a resource planning process that assesses future customer energy requirements, the resources necessary to meet these needs and anticipated resource costs.

### 2011 Owned Generating Plants

Plants	Net Dependable Capacity in Megawatts (MW)*
13 Coal	7,697 MW
27 Natural Gas	7,096 MW
2 Nuclear	1,594 MW
26 Hydro	378 MW
3 Oil	10 MW
3 Refuse-Derived Fuel	53 MW
3 Wind	326 MW**
4 Solar	0.08 MW
<b>Total: 81 owned generating plants</b>	<b>17,154 MW</b>

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

\*\*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.

[Check online for more information](#)

**Learn more about our generating plants and find the latest resource plans on our website.**

## Nuclear Operations

Our Prairie Island and Monticello nuclear generating plants produce safe, reliable, low-cost, carbon-free power, delivering about 30 percent of the electricity we provide customers in the Upper Midwest. In March 2011, the accident at the Fukushima Daiichi nuclear power plant in Japan, following a major earthquake and tsunami, prompted questions about the safety of U.S. nuclear operations. To respond to concerns, we met with stakeholders to talk about safety at our nuclear plants. As a result of the 9/11 terrorist attacks, U.S. nuclear plants already had more safety features in place than did Japanese plants in early 2011. Since then, we and the nuclear industry have taken additional steps to reduce our risk even more, most significantly by having additional portable equipment on site to provide water and power to cool the reactors and spent-fuel pools in the event of a prolonged plant blackout following severe natural events. We continue to work with regulators and the nuclear industry to ensure we learn from the events at Fukushima Daiichi.

[Check online for more information](#)

**Learn more about Prairie Island and Monticello nuclear generating plants on our website.**



In 2011, like many other utilities around the country, Xcel Energy faced a series of unusual weather events that made providing electricity service challenging. With careful planning and the dedication of our employees; however, we were able to keep the lights on and restore service quickly under difficult circumstances.

[Watch the video on our website](#)



### **Crews jump to restore service after tornado crashes through Minneapolis**

When a tornado and related storms pounded a portion of the Twin Cities on May 22, 2011, more than 28,000 customers lost power due to downed trees, snapped power poles and other severe damage. By the next morning, Xcel Energy had more than 400 linemen completing restoration work, along with more than 100 tree trimmers clearing debris.

"The circumstances hampered our ability to restore power quickly for a variety of reasons, not the least of which was access," said Bill Kaphing, vice president of Control Center, NSPM. "In some cases, the winds completely destroyed our distribution system. Crews needed to place new poles and string new conductor, as well as replace other significant components in the rebuilding process."

Nonetheless, a day and a half after the storm hit, Xcel Energy crews had restored service to more than two-thirds of affected customers. Almost all of the remaining outages were in the hardest hit areas of North Minneapolis, where our crews worked along with the City of Minneapolis to clear streets and alleys before gaining access to areas unreachable since the storm hit.

Working together, we rebuilt our system and restored power to customers in just a few days. Our crews worked diligently and safely in dangerous conditions to restore power. The crews experienced no significant injuries though they were often working 16-hour days with minimal breaks.

### **Employees work to maintain power as Minot Floods**

In late spring of 2011, the rising Souris River began pouring over dikes protecting Minot, N.D., affecting more than 5,000 Xcel Energy customers in an evacuation area, flooding the homes of four employees and nearly covering our service center in Minot with water.

During the evacuation and flooding, Xcel Energy employees in Minot, including the four who had to evacuate their own homes, continued working alongside about 40 other employees brought in from other parts of North Dakota and Minnesota to maintain electric service. They also worked with the city to disconnect power to homes and buildings in the evacuation zones.

"Our chief concern besides keeping the power on to as many areas as possible was and still is customer safety," said Dan Olson, manager of Operations in Minot.

We worked closely with the city and emergency preparedness teams to let customers know the electric system was still energized in many areas. Communications focused on the care needed to ensure safety, as we advised customers on how to work with us on service disconnections after waters receded.

### **Water sprayers save power poles and reduce outages during southwest grass fires**

Hot weather and a lack of rain provided perfect conditions for grass fires in New Mexico and Texas last year, which often destroyed power poles in their path.

It began early in the year with the first stretch of wildfires that raced across parts of Xcel Energy's service territory destroying about 60 homes and numerous other buildings near Amarillo, Texas. The electric infrastructure in these areas was severely damaged, with numerous poles and other structures lost. About 10,000 customers lost power, which was restored in days.

Our lineman regularly put out smoldering pole fires after local fire departments have larger fires under control. Typically, this has been done with fire extinguishers or shovels and water buckets. In 2011, however, Working Line Foreman Andy Company came up with the idea of modifying standard water sprayers from a tractor supply store in order to put out fires more safely and effectively. The idea quickly caught on.

"Since purchasing the water sprayers, crews have managed to save at least 20 poles. That adds up to at least \$30,000 to \$40,000 in savings," said Gary Lakey, director of Distribution Design, Construction and Maintenance. "Along with saving money, though, is the fact that we avoid customer outages when we save poles."

### **Teamwork, planning defeat extreme cold in Colorado**

During three days of extreme cold in Colorado in early 2011—with temperatures diving as low as 17 degrees below zero—we managed to keep our natural gas system functioning reliably while meeting record demand from our million-plus customers.

In anticipation of the cold weather, our Operations group had developed plans that included evaluating fuel supplies and bringing some plants online before temperatures reached their extremes. Employees also worked tirelessly to get heat to critical equipment to ensure we did not lose any coal-fired generation.

"Considering the adverse conditions, we experienced relatively minor issues," said Cheryl Campbell, vice president of Gas Distribution. "Anticipating issues and problems, and resolving them before they occurred, greatly contributed to our success during the cold snap. Additionally, a strong focus on teamwork, improved communications, timeliness of capital work and staying in sync with our Energy Supply group improved the overall effort."



## Transmission

Xcel Energy operates the fourth largest transmission system in the United States, spanning 10 states, or 20 percent of the country. Transmission is an area of our business that continues to grow as we plan for future load growth and seek ways to connect communities with renewable energy resources. In 2011, our transmission system was worth \$3.3 billion, and we expect this figure to double by the end of 2016. Through our Best Value Transmission Model, we are building this infrastructure at a reasonable or lower cost while meeting stakeholder expectations, which are higher today than in the past. The model involves developing key capabilities that include:

- Internal expertise in every aspect of the transmission business
- Key material and service alliances to ensure sufficient and timely resource availability
- Ability to manage both our expertise and resources to minimize cost and risk

### 2011 Electric Transmission and Distribution Lines (measured in conductor miles)

	Transmission Lines	Distribution Lines	Transmission and Distribution Lines by Voltage						
			500 kV	345 kV	230 kV	161 kV	138 kV	115 kV	<115 kV
NSPM	25,446	76,332	2,917	6,388	1,801	275	-	7,691	82,706
NSPW	9,776	26,618	-	1,152	-	1,548	-	1,791	31,903
PSCo	20,152	72,054	-	1,614	12,177	-	92	4,931	73,392
SPS	32,380	16,833	-	6,806	9,705	-	-	11,216	21,486
<b>Total</b>	<b>87,754</b>	<b>191,837</b>	<b>2,917</b>	<b>15,960</b>	<b>23,683</b>	<b>1,823</b>	<b>92</b>	<b>25,629</b>	<b>209,487</b>

## Natural Gas Operations

Xcel Energy currently operates more than 2,400 miles of transmission and 33,000 miles of distribution gas lines to serve our customers in Colorado and the Upper Midwest. To ensure continued safe and reliable natural gas service, as well as to meet the increasing demand of new and larger customers, we have a number of natural gas pipeline replacement efforts underway. Each of our operating companies has its own Transmission Integrity Management Program and Distribution Integrity Management Program, which is a regulatory requirement. Through these efforts, we assess pipeline conditions, recheck them periodically and develop plans to ensure safety and reliability.

### 2011 Natural Gas Pipelines (measured in miles)

	Transmission Lines	Distribution Lines
NSPM	137	9,688
NSPW	-	2,231
PSCo	2,310	21,414
WestGas Interstate (WGI)*	11	-
<b>Total</b>	<b>2,458</b>	<b>33,333</b>

\*WGI is an interstate natural gas pipeline company that is part of our continuing regulated utility operations.

Check online for more information

Read more about specific pipeline projects on our website.



## Customer Value

It has always been important to understand our customers' perceptions of us. In the past, we measured customer satisfaction. Understanding that we need to offer something more in the current economy, we've turned our focus to customer perception of our overall value, or the price paid relative to the quality of products and services received.

Our strategy is to ensure that customer value is at the heart of everything we do. We start by providing safe, reliable energy at a competitive price and build on that by giving our customers options—options that make it easy to do business with us, to help customers manage their energy use and to save time and money.

Customers have responded to these options. In 2011, more than 2.3 million electric and 261,000 natural gas customers took advantage of our energy efficiency programs for homes and businesses. About 58,000 people were enrolled in Windsource® last year, and more than 2,600 took advantage of Solar\*Rewards® and will receive, over time, \$75.8 million in rebates for their roof-top solar installations. The number of customers receiving their bills online increased in 2011 by 45 percent—saving time, money and paper in the process, while about 315,000 customers pay online through eBill.

Another component of our customer value strategy is maintaining competitive prices. We strive to ensure the investments we make in our company increase reliability and efficiency and that they add value at a reasonable cost.

We are keenly aware that providing energy at a competitive price is good not only for our customers, but for the communities in which we live and serve. Competitively priced energy boosts local economies, enabling businesses to thrive and keeping communities strong. In turn, many of the investments we make in our company help create jobs and contribute to local tax revenues.

We also understand that some of our customers struggle to pay their energy bills. We are committed to providing a helping hand to those customers in need. Through collaboration with state and local agencies, as well as advocates for at-risk populations, we are able to offer customers who qualify assistance to pay their bills and access to weatherization services for their homes.

In 2011, we contributed \$26.8 million in energy assistance to our customers. As part of that assistance, we offer several programs with discounted rates and forgiveness of arrears in return for participation in a payment plan.

### Electricity Customers

	Residential	Large Commercial & Industrial	Small Commercial & Industrial	Public Authority & Other	Wholesale	Total
NSPM	1,245,413	500	151,144	6,470	17	<b>1,403,544</b>
NSPW	211,369	103	37,933	1,156	10	<b>250,571</b>
PSCo	1,166,567	325	153,111	55,547	24	<b>1,375,574</b>
SPS	296,311	201	73,567	6,177	27	<b>376,283</b>
<b>Total</b>	<b>2,919,660</b>	<b>1,129</b>	<b>415,755</b>	<b>69,350</b>	<b>78</b>	<b>3,405,972</b>

### Natural Gas Customers

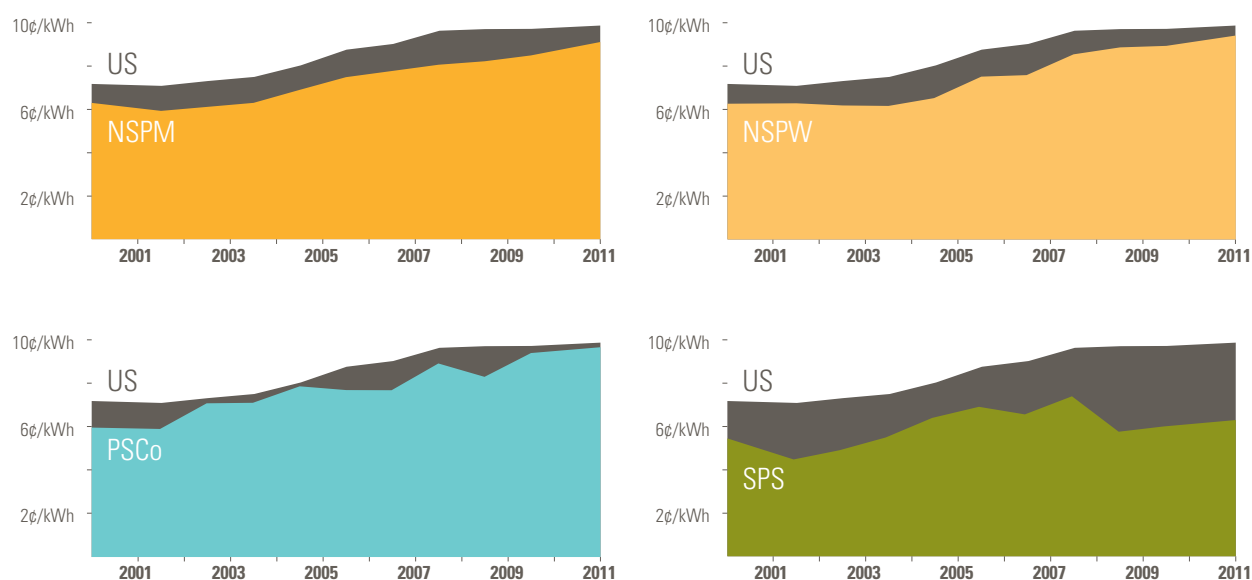
	Residential	Commercial & Industrial	Transportation & Other	Total
NSPM	443,513	41,190	17	<b>484,720</b>
NSPW	94,430	12,392	22	<b>106,844</b>
PSCo	1,209,210	100,329	5,356	<b>1,314,895</b>
<b>Total</b>	<b>1,747,153</b>	<b>153,911</b>	<b>5,395</b>	<b>1,906,459</b>

## Affordable Energy

We understand that most customers are primarily concerned with the affordability and reliability of the services we provide. Even as we continue to modernize our infrastructure and bring more renewable energy onto our system, we have managed to keep rates reasonable. Our retail electricity rates have been and remain below the national average across our service territory.

As a company, we are focused on increasing productivity and becoming more efficient to manage costs. Over the past four years, improvements to our customer billing processes have helped us avoid operating cost increases, which allows us to dedicate more money to system improvements without dramatically raising rates for consumers. And to make energy bills more affordable to our at-risk customers, we contribute a significant amount of money each year to energy assistance agencies that serve our communities.

### Xcel Energy Electricity Rates Compared with the National Average by Operating Company





## 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 such as 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 under reasonable terms and conditions. Utilities cannot pick and choose their customers.
- **Cost of service pricing**—Pricing for our services is regulated by the costs we incur to deliver them. 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. As a participant in the compact, we are granted the ability to recover our costs of doing business and earn a reasonable rate of return. This rate of return is not guaranteed. We have only the opportunity to earn it, and in some years, we do not achieve the rate. To operate effectively in a closely regulated business like ours, it's imperative that we stay in sync with the current demands of the public and policymakers.

## At-risk 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 2011, we contributed \$26.8 million to energy assistance programs throughout our service territory. Our support of energy assistance includes:

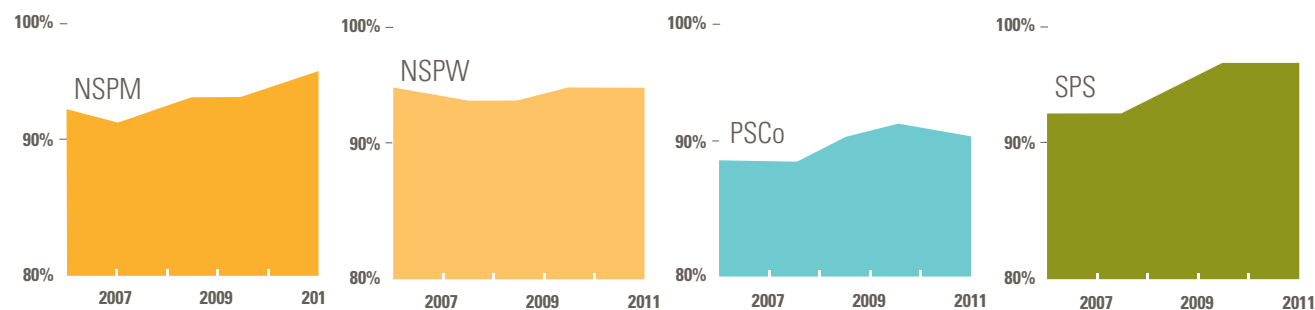
- Public policy and advocacy supporting efforts on the state and federal level to increase funding for Low-Income Energy Assistance Programs (LIHEAP)
- Corporate contributions to state and local energy assistance agencies and energy weatherization programs
- Encouraging our customers to contribute to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


## Satisfaction

One approach we use to better understand customer perception of our performance is Voice of the Customer (VOC) market research. VOC is a series of surveys conducted throughout the year in which we ask randomly selected customers their opinions on various aspects of Xcel Energy.

We finished 2011 with an unprecedented 94 percent of customers reporting through our VOC surveys that they were satisfied with us, which is one percentage point higher than in 2010. This progress was driven by significant improvements in various aspects of the relationship, including communications and customer service.

### Customer Satisfaction—2011 Voice of the Customer Results by Operating Company



A photograph of three men standing in front of industrial equipment at the EVRAZ Pueblo facility. The man on the left is wearing a white hard hat, sunglasses, a dark blue jacket over a maroon shirt, and blue jeans. The man in the middle is wearing a yellow hard hat, a yellow safety jacket over a plaid shirt, and light blue jeans. The man on the right is wearing a red hard hat, sunglasses, an orange safety jacket with reflective stripes, and blue jeans. They are standing on a gravel surface. To their left is a large, grey, multi-tiered industrial transformer with several cooling fans. In the background, there are large, rusted metal pipes and a complex steel structure of an industrial facility under a blue sky with some clouds.

EVRAZ Pueblo is Xcel Energy's largest customer in Colorado at a single location. The production of EVRAZ high-quality rail steel, seamless pipe and wire rod products presents some unique energy challenges.

Watch the video on our website

Working together to meet the energy needs of EVRAZ Pueblo  
(from left to right): Dennis Reeves and Jim Sack of Xcel Energy  
and Tom Hauter of EVRAZ Pueblo



## Powering Steel Production and Local History

EVRAZ Pueblo is a landmark in southern Colorado. The expansive plant has been turning out metal products and fueling the local economy in Pueblo since 1881. Over the years, the plant has had many owners. In 2006, EVRAZ, one of the largest steel makers in the world, purchased the facility then known as Rocky Mountain Steel and continued to grow the operation, which today employs about 1,200 workers.

"The EVRAZ-Xcel Energy relationship goes back 40 years," said Tom Hauter, manager of engineering for EVRAZ Pueblo. "It takes an open line of communication to work cooperatively with Xcel Energy to resolve any short-term operating problems and develop long-term plans."

Part of EVRAZ's success is access to reliable, low-cost power. The facility runs a huge electric arc furnace that melts scrap metal into raw material which is used by three onsite mills to produce high-quality steel. Energy requirements for the furnace are extreme and continually vary throughout the day. The load can race from 15 megawatts to 100 megawatts in seconds.

"I've been with the company for 33 years, and presently handle the accounts of some of our largest commercial and industrial customers," said Jim Sack, the key account manager for Xcel Energy who works with the mill. "I was a little nervous at first to take on EVRAZ. The mill is a very different type of customer, with its 24-hour operations and a significant load of about 140 megawatts that require a higher voltage."

Sack has served the EVRAZ account for seven years and is one of about 40 account managers that work closely with our large commercial and industrial customers to ensure we are meeting their specific energy needs.

"EVRAZ is really the largest recycler in Colorado. We recycle the equivalent of more than a million cars every year," said Hauter. "Electricity is always a major concern for any steel mill. Without reliable electric service at a reasonable cost, we would not be cost competitive in our industry."

One way Xcel Energy is helping EVRAZ manage energy costs is through the utility's energy efficiency programs. "There is a large opportunity for energy savings because of the mill's 24-hour operations," said Sack. "Through our Process Efficiency Program, we've helped EVRAZ develop a plan that identifies

about 13 to 15 gigawatt hours of energy saving opportunities. We are working with them, like we do with other customers, to implement these opportunities over time."

In 2005, EVRAZ replaced two older furnaces with a single, high-powered electric arc furnace. This new furnace is much more energy efficient and productive, with the ability to melt more steel than the two previous furnaces combined.

"We are an active participant in Xcel Energy's demand-side management and Process Efficiency programs," said Hauter. "The utility has been very helpful in developing energy-saving projects. We are currently developing upgrades for our lighting, compressed-air systems and drives for roll lines and fans. All of these upgrades will improve our operations while reducing electric consumption."

Three large transformers currently power the plant's operations, with two of those transformers required for the furnace operations alone. When a transformer goes down, it is more than an inconvenience—it limits or stops production. To help ensure the plant is always up and running, EVRAZ devised a back-up plan. Xcel Energy brought in a team to help specify the type and size for a fourth back-up transformer, which EVRAZ purchased to use in case an Xcel Energy transformer fails.

Xcel Energy is responsible for maintaining the transformers and other equipment in the substation that serves EVRAZ. "The infrastructure that we have in place to serve the mill is extensive, and we take extra care to service it," said Dennis Reeves, field operations supervisor for Xcel Energy in southern Colorado. "The transformers are specially built to manage the extreme wear and tear of daily load cycling and quick acceleration. We check the equipment at least once a month, and we are on call seven days a week, 24 hours a day to respond immediately if there is a problem. We can switch out a transformer in 15 minutes if needed."

As with all of its customers, Xcel Energy works to keep EVRAZ running—not only for EVRAZ, but for its 1,200 employees, the Pueblo-area economy and to continue the steel mill's legacy.

"There are so many different aspects to serving a customer as unique as EVRAZ," said Sack. "The mill is always part of my work day, whether we're working on reliability, billing, rates or energy conservation."



## Customer Safety

We are committed to safety and offer comprehensive outreach programs that promote safe behavior. Our goal is simple—we want to prevent serious injuries or deaths, which can and do happen because of the inherent risks of electricity and natural gas. Most serious accidents happen because someone directly or indirectly contacts an overhead electric line, digs into an electric or natural gas line, or fails to respond safely to the warning signs of a gas or electric emergency. Just as we want our employees to return home safely every day to their families, we seek the same for others—including customers, communities, contractors and first responders.

Check online for more information

Find information about customer safety programs on our website.

## Community Support

We serve the energy needs of hundreds of cities and towns throughout our service territory, and we are integral members of those communities. After all, 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 community investment funding to employee volunteering to environmental partnerships and educational initiatives.

### Xcel Energy Community Investment

Rating Organization	2011	2010	2009
<b>Focus Area Grants</b>	\$3,928,270	\$4,057,065	\$3,701,700
Economic sustainability	\$1,165,180	\$1,131,700	\$1,081,200
Environment	\$886,620	\$973,215	\$764,500
Arts and culture	\$670,900	\$734,350	\$788,200
Education	\$1,205,570	\$1,217,800	\$1,067,800
<b>United Way Contributions</b>	\$5,532,470	\$5,378,890	\$5,200,000
Employee contributions	\$2,766,235	\$2,666,945	\$2,600,000
Company contributions	\$2,766,235	\$2,711,945	\$2,600,000
<b>Matching Gifts Program</b>	\$1,321,317	\$1,323,542	\$1,114,597
Employee contributions	\$720,862	\$710,634	\$586,262
Company contributions	\$600,455	\$612,908	\$528,335
<b>Volunteer Matching Dollars</b>	\$247,735	\$163,150	\$129,549
<b>Disaster Relief</b>	\$30,000	\$50,000	\$10,000
<b>Other Contributions</b>	\$ 2,005,287	\$3,001,753	\$2,682,801
<b>In-kind Contributions</b>	\$111,079	\$217,118	\$103,934
<b>Total</b>	<b>\$13,176,158</b>	<b>\$14,191,518</b>	<b>\$12,942,581</b>
<b>Employee Volunteer Hours</b>	<b>31,018</b>	<b>28,263</b>	<b>28,415</b>

Check online for more information

Find information about the Xcel Energy Foundation and grant focus areas on our website.

### 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. We contributed more than \$1.8 million directly to chambers of commerce and economic development organizations in communities across our service territory in 2011.

### 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 2011, we spent nearly \$3 billion with suppliers. Of that amount, 56 percent was spent with locally based suppliers.

#### 2011 Supply Chain Spending

	Total spend
Colorado	\$739,332,328
Minnesota	\$552,916,863
North Dakota	\$7,774,848
South Dakota	\$4,210,196
Wisconsin	\$121,583,160
Michigan	\$26,318,210
Texas	\$199,820,222
New Mexico	\$13,621,954
Out of Territory	\$1,328,838,624
<b>Total</b>	<b>\$2,994,416,405</b>

### 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.

In 2011, we spent \$248 million with diverse suppliers, directly and indirectly.

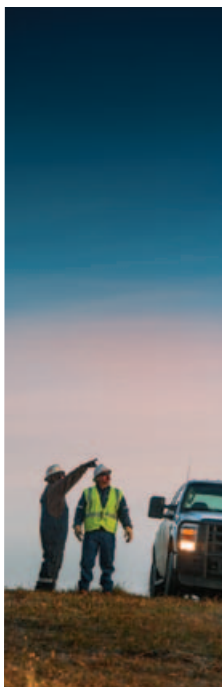
#### Supplier Diversity Spending

	Dollars spent	% of total purchases
2011	\$248.0 million	8.3%
2010	\$208.9 million	7.1%
2009	\$153.1 million	6.9%
2008	\$180.8 million	7.2%

Check online for more information

Learn more about our supplier diversity program on our website.





## Safe & Productive Workforce

Our leaders understand that employee engagement is a force that drives positive performance outcomes. Employee engagement is more than a human resources initiative; it's a strategic foundation for the way we do business. Engaged employees are more productive, more customer-focused, safer and more likely to contribute to company profits and to stay with Xcel Energy. We know that strong employee engagement, aligned with achieving our corporate goals, will help drive positive business results.

2011 employee engagement survey results were up 2.5 percentile points from 2010, running counter to the declining engagement results other companies are experiencing in light of the economic challenges affecting the workforce. In 2011, we placed a heightened focus on leadership and our leaders' role in fostering employee engagement. To demonstrate its importance to our company's success, employee engagement is on the corporate scorecard in 2012.

Highly engaged employees are more likely to do their jobs in the safest manner possible, take personal responsibility for their own safety, and understand the vital role they play in keeping their coworkers safe. In 2011, our corporate OSHA Recordable Incident Rate was 1.68, beating the target of 1.74. We recorded 202 injuries in 2011, which represented 19 fewer injuries than in 2010.

2011 was the second year of our ambitious Journey to Zero safety campaign, designed to create a safer work environment by putting safety at the forefront of everything we do. We also launched a company-wide initiative—24/7 Safety—with three campaigns to encourage employees and their families to take on a safety mindset and think about safety around the clock, both at work and at home. Safety is an area where we must always be vigilant and never complacent. In 2011, we were saddened by the death of one of our coworkers who was clearing debris from a dam.

In 2012, Ben Fowke, chairman, president & CEO, issued the 10 Million Safe Work Hour Challenge. The effort is designed to make employees more aware of our safety performance in this area and the role they play in it. The productive hours for each day without an OSHA recordable incident will be tracked and communicated to employees.

Another effort initiated in 2012 is the Safety Intervention and Stop Work Responsibility program. It reemphasizes the fact that every employee is empowered—and expected—to speak up when they have a safety concern or question. Ergonomics also is a priority in the coming year, and a comprehensive set of awareness, training and wellness efforts are aimed at reducing the number of strains and sprains injuries, particularly with plant and field employees.



### Xcel Energy Employees by Job Category\*

	Bargaining <sup>1</sup>	Craft <sup>2</sup>	Non-exempt	Exempt <sup>3</sup>	Total	Represented by unions
Colorado	2,001	0	331	1,378	<b>3,710</b>	54%
Michigan	14	0	1	1	<b>16</b>	88%
Minnesota	2,147	570	712	1,942	<b>5,371</b>	51%
New Mexico	126	0	33	37	<b>196</b>	64%
North Dakota	66	0	22	19	<b>107</b>	61%
South Dakota	59	0	10	10	<b>79</b>	75%
Texas	648	0	400	372	<b>1,420</b>	46%
Wisconsin	398	6	443	191	<b>1,038</b>	39%
Other	0	0	0	5	<b>5</b>	0%
<b>Total</b>	<b>5,459</b>	<b>576</b>	<b>1,952</b>	<b>3,955</b>	<b>11,942</b>	<b>51%</b>

\*Includes full-time, part-time and temporary employees. Please note that the 10-K reports only full-time employees in continuing operations, resulting in a lower total number.

<sup>1</sup> Covered by collective bargaining agreements.

<sup>2</sup> Temporary, project-specific, covered by collective bargaining agreements.

<sup>3</sup> Includes executives, management and professional employees.



## Employee Safety

Safety is first in our list of corporate values and for good reason. Given the nature of our business, Xcel Energy employees face numerous hazards while performing their jobs. None of us are immune to accidents or injury; however, we are committed to sending all employees home without injury every day. We track the safety performance of 244 workgroups, and of those groups, 56 percent have gone one year or more without an OSHA recordable injury; 80 percent have gone one year or more without a Lost Work Day injury. While we recorded fewer injuries in 2011 compared with previous years, we need to remember safety is about more than numbers. It is about people. We are working to provide the policies, training and awareness campaigns to help people stay safe.

### OSHA Recordable Incident Rate (in days)

	EEI Top Quartile	Actual	Goal
2011	--	1.68	1.74
2010	1.00	1.90	1.99
2009	1.19	2.11	2.23
2008	1.39	2.42	2.35
2007	1.61	2.61	2.19
2006	1.80	2.53	2.53
2005	2.04	2.76	
2004	2.09	3.40	
2003	2.39	3.62	

We recorded 202 OSHA recordable injuries in 2011, 19 fewer injuries than in 2010. Strains and sprains continue to be the leading injury type, with lacerations and fractures as the next most frequent injury type.

### Days Away, Restricted & Transferred Incident Rate (DART)

	EEI Top Quartile	Actual	Goal
2011	--	1.02	0.98
2010	0.49	1.07	1.17
2009	0.58	1.21	1.33
2008	0.59	1.41	1.39
2007	0.79	1.41	
2006	0.79	1.42	
2005	0.93	1.39	
2004	1.02	1.79	
2003	1.06	2.01	

We recorded 123 DART injuries in 2011, two fewer injuries than in 2010. While our corporate DART rate is improving, we were just short of achieving our 2011 goal. DART measures the more severe types of injuries.

## 2011 Contractor Safety Performance

In past reports, we've reported contractor safety performance for capital projects only. In 2011, we improved our ability to track contractor injuries on all projects. The chart below reflects safety performance for contractors working on operation and maintenance, as well as capital projects.

	Hours worked	# of OSHA recordable injuries	Total case incident rate
Total	6,798,655	126	3.71

As a comparison, the national average occupational incident rate for construction is 4.0.

## Workforce Strategy

In the next five years, 36 percent of our employees will be eligible for retirement. This presents both a challenge and an opportunity for us as we design a workforce of the future and determine what our workforce culture will be. We have made it our mission to proactively shape an environment that attracts and retains the best employees, develops inspirational and courageous leaders, and holds employees accountable for operational excellence. With an emphasis on a performance-based culture, we have implemented a number of innovative professional development programs and improved our use of technology to strengthen planning and recruitment efforts.

## Performance Management

The performance review process begins with setting clear and measurable individual objectives that align and support the goals of Xcel Energy. It's important for employees to see how their work impacts the larger organization.

During the 2011 performance review process, non-bargaining employees and leaders at Xcel Energy were measured on both what they accomplished, as well as how they went about accomplishing their goals. This supports efforts to create a performance-based culture by driving long-term continuous performance across the organization. Although individual contributors may have different expectations they're accountable for, all leaders are consistently evaluated on their demonstration of five leadership expectations:

- Strategist
- Operations Management
- Talent Management
- Self Management
- Relationship Management



At Xcel Energy, our leadership holds calibration sessions to discuss performance rating distributions within their organizations. Calibration supports consistent application of the rating scale across the organization, as well as differentiation of ratings to provide more significant rewards to top performers.

## Engagement

As a company, we are focused on building a workforce of people who bring their best to work every day. A significant part of our engagement effort involves empowering employees to create change within the company. By engaging our employees effectively, we can increase productivity, work more efficiently and collaborate across business units to share best practices and solve problems. To increase employee engagement, we help employees understand and take advantage of the benefits available to them. For instance, we rolled out a postcard campaign in 2011 with quick, simple messages providing employees with benefits-related resources we make available to them. In 2011, we significantly boosted our investment in employee recognition, and we restructured our Council on Diversity and Inclusion so we are able to draw on the diversity of our employees to address key business challenges at Xcel Energy.

## Diversity & Inclusion

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.

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. An inclusive work culture provides all employees with equal access to employment opportunities and development.

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.**





In 2011, our employees continued efforts to help keep themselves and their coworkers safe. In doing so, they also improved productivity and processes—and saved the company money.



Watch the video on our website

A resourceful crew at Tolk Generating Plant in Texas with their labor-saving cart (from left to right): Larry Clark, Orlanda Camarena, Joe Mata and Danny Deleon







## Clean Energy

Xcel Energy is implementing a clean energy strategy that works for our customers, regulators and communities. Our strategy improves the environment while ensuring that we continue to provide low-cost, reliable energy. We continue to maintain prices below the national average even as we significantly reduce emissions. Since 2005, our carbon dioxide emissions are down 12 percent from the power we own and purchase. Sulfur dioxide emissions are 43 percent lower and nitrogen oxide emissions 50 percent lower from the generating plants we own.

Our electric system is better today because we continue to sensibly invest in a balanced portfolio of cleaner, modern technologies. Our diverse energy supply achieves the benefits associated with each resource while balancing their operational, financial and regulatory risks.

We operate in areas of the United States that are rich in renewable resources. These resources contribute to our position as the nation's No. 1 wind energy provider and our top 10 ranking for solar energy. They also improve our ability to provide renewable energy at excellent prices. In 2011, we grew our use of wind and solar power by more than 700 megawatts, and we signed several new contracts for wind energy at a very low cost, making it competitive with some fossil fuel generation.

Our diverse energy mix includes efficiency, and through our energy saving programs, customers conserved enough electricity in 2011 to satisfy the needs of 107,000 homes<sup>1</sup>. Since 1992, these programs have enabled us to avoid building more than 14 power plants—protecting the environment while saving money.

Working with our states, we are proactively and cost-effectively reducing emissions from our fossil generating fleet through projects such as our Minnesota Metro Emissions Reduction Project completed in 2009 and the Colorado Clean Air-Clean Job project currently underway. We work to install emission controls on the most efficient coal-fired generating plants while possibly retiring or replacing less productive facilities with new natural gas-fired generation. These proactive measures position us to meet future environmental rules and avoid the extraordinary costs that others in our industry now face.

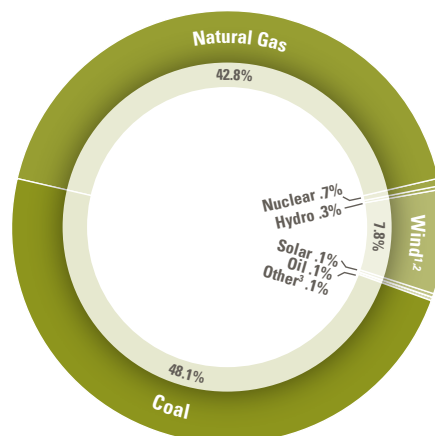
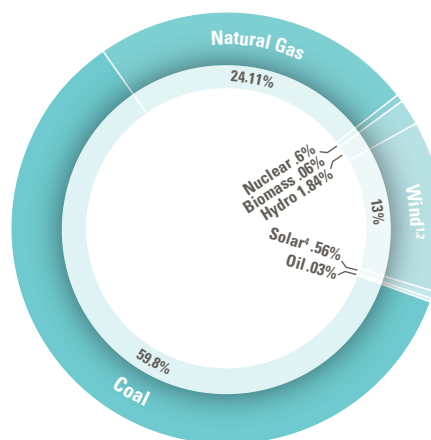
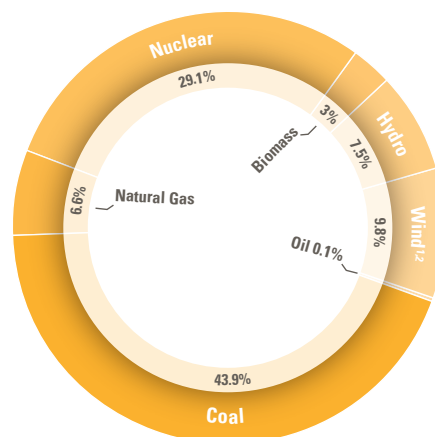
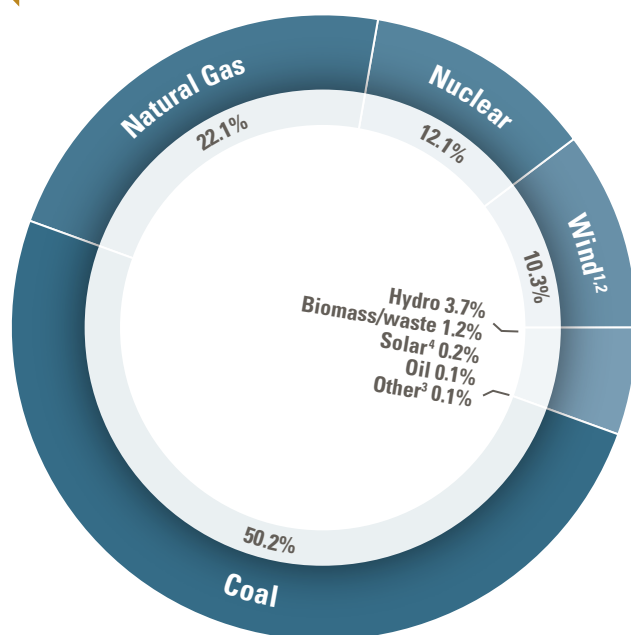
Our balanced clean energy strategy has worked for our customers and our company and continues to result in a cleaner environment and low-cost, reliable power. Because of its success, we will continue to pursue this strategy for the benefit of the people we serve.

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

## 2011 Owned and Purchased Energy (total in MWh)

	Owned generation	Purchased generation	Total
Upper Midwest	31,668,355	14,218,674	45,887,029
Colorado	23,742,935	13,027,945	36,770,880
Texas/New Mexico	19,310,334	11,492,134	30,802,468
<b>Total</b>	74,721,624	38,738,753	113,460,377

## 2011 Owned and Purchased Energy (by energy source)



<sup>1</sup> This category includes wind energy de-bundled from renewable energy credits (RECs).

<sup>2</sup> This category also includes Windsource RECs. See more information about RECs on page 46.

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

<sup>4</sup> Includes distributed generation through the Solar\*Rewards program.

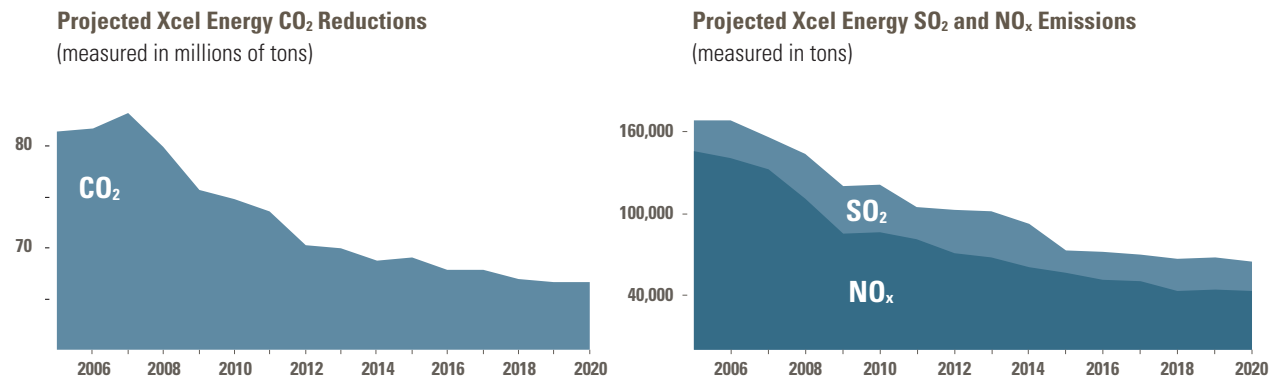


## Reducing Power Plant Emissions

Today our emissions are lower thanks to a combination of renewable energy, energy efficiency and plant improvement projects. Our clean energy strategy works for customers and other stakeholders because it allows us to focus on those initiatives that produce the greatest benefits at the best price. Through this approach, we can meet the many diverse—if not competing—interests of the people we serve by offering customers choice, keeping energy affordable, modernizing our infrastructure, investing in local economies and improving the environment.

### Proposed Xcel Energy Emission Reductions

(Data reflects owned and purchased generation)

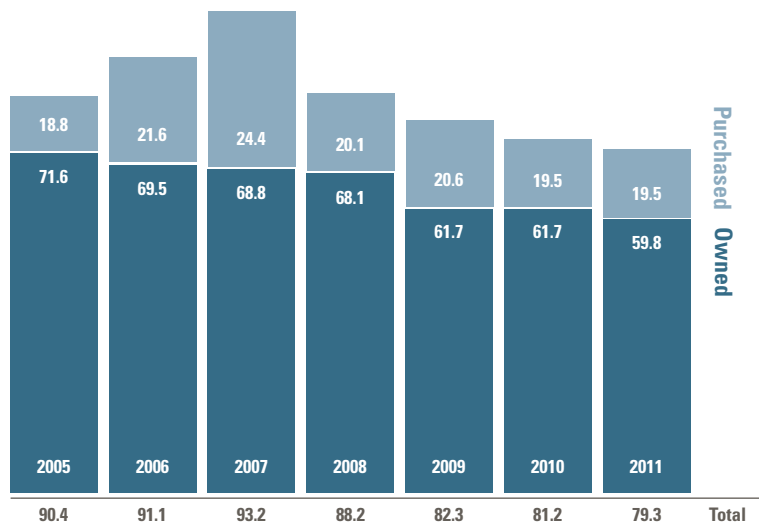


### Actual Emissions for 2011

#### Total Xcel Energy CO<sub>2</sub> Emissions

(in millions of tons)

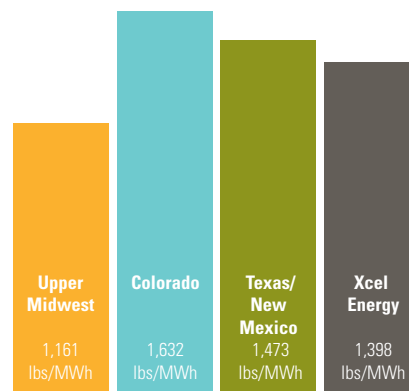
(Data reflects owned and purchased generation)



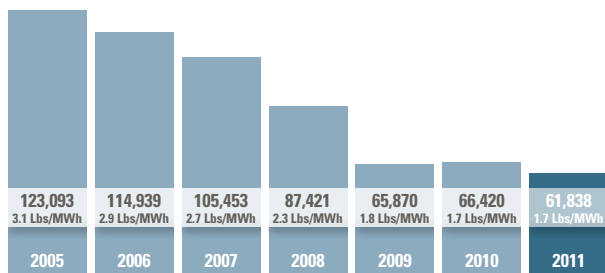
#### 2011 CO<sub>2</sub> Intensity Rates

(in lbs/MWh)

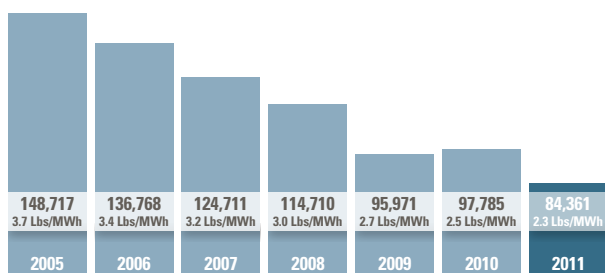
(Data reflects owned and purchased generation)



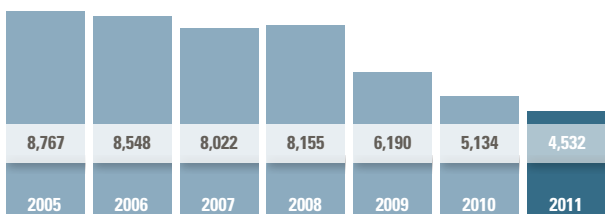
# Measured in Tons



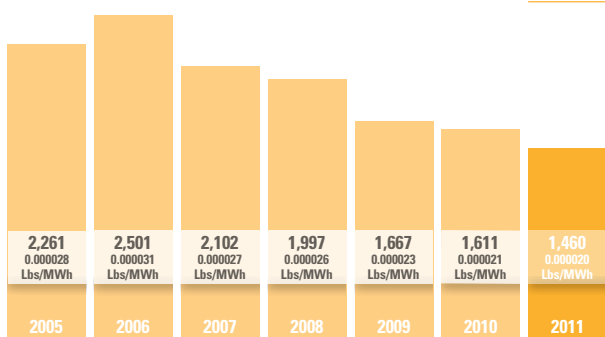
**Nitrogen Oxide Emissions (owned generation)**



**Sulfur Dioxide Emissions (owned generation)**



**Particulate Matter Emissions (owned generation)**



**Mercury Emissions (owned generation)**

Measured in Pounds

Check online for more information

Find Xcel Energy's current Toxic Release Inventory information filed with the U.S. Environmental Protection Agency on our website.

Environmental leadership has been part of Xcel Energy's corporate strategy for years. Our vision for a clean energy future is producing measurable results today.

[Watch the video on our website](#)







## Policy and Regulatory Developments for 2011

In 2011, policymakers focused on a broad set of environmental issues including climate, air quality, water quality and ash regulation. Notably, these regulatory efforts have increased requirements on owners of older U.S. power plants to install environmental controls or to consider retiring them. Further, a reduction in natural gas prices arising from the development of unconventional natural gas resources has provided utilities with more cost-effective, low-emission generation options. Because investments in the power sector are long-lived, utilities must continue to weigh the potential long-term impact of all environmental regulations including climate regulation as they make decisions affecting generating plants today.

Political, regulatory and legislative developments in 2011 include:

- No major legislation passed on environmental or climate issues during 2011, as the U.S. Congress focused on other issues.
- The U.S. Environmental Protection Agency (EPA) took center stage along a number of fronts, proposing or finalizing an unprecedented series of new rules related to air, water, ash and climate issues. For example, EPA adopted new rules regulating hazardous air pollutant emissions and interstate transport of air pollutants, and is considering new rules to address ozone, particulate matter, visibility, cooling water intake and coal combustion by-products.
- In August 2011, EPA promulgated the final Cross-State Air Pollution Rule (CSAPR), which among other things, unexpectedly included Texas in its emission reduction control program, and at the same time, started the compliance period in 2012, only five months after the rule was adopted. Because of the rule's impact, especially on our customers in Texas, Xcel Energy joined several states and other utilities in challenging CSAPR in federal court. On Dec. 30, 2011, the court stayed the rule, suspending its implementation until the court has the opportunity to review the rule. The court is expected to decide this case in 2012.
- EPA finalized a much-discussed rule covering mercury and other hazardous air pollutants. The Mercury and Air Toxics rule requires new controls on most coal-fired plants, which must comply by 2015 or in some circumstances by 2016. Xcel Energy is well positioned to comply with this rule.
- As a result of the high level of new environmental regulation activity, the utility industry announced that about 15 percent of all U.S. coal-fired plant capacity will be retired in the next few years. Xcel Energy's proactive emissions reduction projects, such as Clean Air-Clean Jobs and the Minnesota Metro Emissions Reduction Project, have allowed us to avoid the cost and disruption seen in other parts of the industry.
- In January 2011, the EPA also began regulating greenhouse gases (GHG) under the New Source Review program of the Clean Air Act. A handful of new U.S. generating plants received GHG permits under that program in 2011, usually with limits based on the efficiency of plant operations or other emissions reduction measures. Xcel Energy has not yet applied for any GHG permits.
- The EPA signaled its plans to expand GHG regulation under the Clean Air Act. In March 2012, EPA proposed a rule that would require all new coal- or gas-fired generating plants (excluding peaking plants) to meet an emission rate achievable today only by the most efficient gas plants. That rule is expected to be finalized in late 2012 or early 2013. EPA also is considering a potential new program covering most existing fossil generating plants. Climate change remains a long-term strategic issue for utilities, even if Congress continues to put off climate legislation.

## Our Position on Environmental Policy

Xcel Energy believes in an environmental policy approach that balances costs and environmental benefits while maintaining a reliable utility system. We pursue proactive emission reduction and clean energy strategies that improve the environment, control costs and meet the interests of our communities. It is a sensible approach to providing clean energy for our customers.

Our efforts have already reduced considerable future environmental costs to our customers and risk to shareholders.

In 2011, we advanced environmental initiatives and also opposed some regulations depending on the specific circumstance. We regularly engage in discussions with policymakers, regulators, energy providers, the environmental community and customers regarding environmental issues, with the following principles in mind:

- Xcel Energy strives to comply with all environmental regulations. We have developed and are continuously improving our environmental management system to meet the compliance challenges of the next decade, including the growing complexity of environmental regulation.
- On behalf of our customers, we have made substantial investments in environmental improvement and clean energy leadership. We will continue to look for ways, such as the Clean Air-Clean Jobs Act program in Colorado, to proactively reduce environmental risk. Proactive efforts can offer significant value in the form of lower long-term cost to customers.
- We believe that environmental and climate policy should appropriately recognize the environmental benefits of our proactive efforts.
- Though a legislated national policy to address climate change is not currently under federal debate, EPA is regulating greenhouse gases and plans to expand its greenhouse gas regulation. Climate legislation also remains a long-term possibility. Accordingly, we are monitoring and managing the risk of climate policy in all its potential forms.
- Environmental and climate policy should drive forward, and not hinder, the development of new, cost-effective clean energy technologies, and Xcel Energy is committed to supporting these efforts. As the nation's No. 1 wind provider and a leader in solar and energy efficiency programs, we are optimistic about the future opportunities clean energy technologies present.
- Cascading environmental mandates, such as stack-by-stack or emission-specific compliance requirements, should be coordinated on a system-wide basis to maximize cost effectiveness and environmental benefits.
- Regulators should not lose sight of the tremendous value of flexibility, such as alternative compliance options and market-based environmental programs, in implementation of rules. Flexibility yields real cost benefits to customers while maintaining the environmental benefits.

## The Cross-State Air Pollution Rule: A Step Too Far and Too Fast

**The Cross-State Air Pollution Rule (CSAPR) is an EPA regulation meant to address the long-range transport of air pollutants, particularly sulfur dioxide and nitrogen oxides, from one state to another. EPA finalized CSAPR in August 2011.**

Xcel Energy supports reasonable environmental regulations and the benefits they can provide. However, we do not find CSAPR to be reasonable, for several reasons:

- The final rule unexpectedly included Texas in its particle control program and started the compliance period for Texas plants only about five months after the adoption of the rule, in January 2012. This is far too little time to install environmental controls or to establish a viable emission allowance market.
- Based on our analysis, the compliance pathways available to our Texas plants under the final CSAPR rule would have raised unacceptable costs and risks to our SPS customers.
- The final rule granted Xcel Energy no opportunity to comment on the inclusion of Texas in the particle control program.
- Further, the final CSAPR rule mistakenly ignored the considerable emissions reductions already achieved at our High Bridge and Riverside plants in Minnesota.

As a result of these problems, we first petitioned EPA to modify or delay the rule. When EPA failed to modify or delay the rule, we took the best course of action for our customers and filed suit against EPA. Our lawsuit joined those of many other states and utilities.

On Dec. 30, 2011, the U.S. District Court of Appeals stayed CSAPR pending further court action. The case is currently pending at the U.S. District Court of Appeals and awaits further action in 2012. We hope that as a result of this process EPA will produce a final version of CSAPR which is cost effective, rewards proactive early reduction actions, protects the reliability of the nation's electric system and provides adequate time for compliance.



## Renewable Energy

We are fortunate to serve areas of the United States rich in wind and solar resources. It means the wind farms and solar facilities serving our system are more productive and cost effective. Last year we signed several contracts for very low-cost wind energy, making it competitive with some fossil fuel generation. As our renewable energy portfolio grows, we are working to better integrate these resources onto our system. Specifically, we have projects underway to improve system operations, forecasting and storage. One early morning hour on Oct. 9, 2011, 56 percent of our customer demand in Colorado was met with wind energy — a system peak — and evidence that our efforts are working.

### 2011 and Projected 2018 Renewable Energy Portfolio in Megawatts (MW)

	Wind	Hydro	Solar (AC)*	Biomass	RDF/Landfill	Total
Upper Midwest	1,605	287	4	194	118	<b>2,208</b>
Colorado	1,770	67	143	0	3	<b>1,983</b>
Texas/New Mexico	682*	0	54	0	0	<b>736</b>
<b>Total</b>	<b>4,057</b>	<b>354</b>	<b>201</b>	<b>194</b>	<b>121</b>	<b>4,927</b>
Projected by 2018	4,800*	570	480	200	121	<b>6,171</b>

\*Texas/New Mexico wind energy total for 2011 includes 443 MW from long-term contracts and 239 MW of required purchases from qualifying generating facilities; no wind from these generating facilities is included in the 2018 forecast.

### Renewable Energy Credit (REC) Sales and Strategy

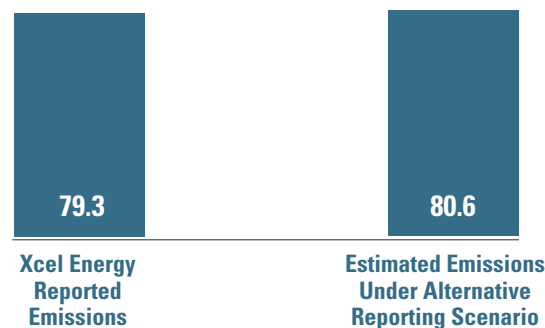
We continue to look for ways to increase the value of the renewable energy on our system through the sale of Renewable Energy Credits (RECs). RECs are created by statute or voluntary trading programs to promote market-based, cost-effective development of renewable energy. Usually quantified in terms 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.

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 our extra RECs. The majority of the RECs sold in 2011 were from Colorado. The Colorado Public Utilities Commission has approved a revenue-sharing mechanism that allows both the customer and shareholder to benefit from the

REC sales margins. In 2011, we sold more than 1.8 million RECs, up from 1.17 million in 2010. The renewable energy that generated these RECs came from Colorado primarily, as well as Texas and New Mexico.

Consistent with The Climate Registry protocols, Xcel Energy does not presently adjust its CO<sub>2</sub> reporting for REC sales. However, because the treatment of CO<sub>2</sub> 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 shared in this report. This alternative assumes the avoided carbon emissions related to renewable energy are added back to the company's overall emissions when RECs are transferred.

### 2011 Carbon Dioxide Emissions (in millions of tons)



### RECS SOLD IN 2011

	Year Wind Was Generated	
	2007	2011
Colorado	--	1,764,975
Texas/New Mexico	12,000	51,300
<b>Total</b>	<b>12,000</b>	<b>1,816,275</b>







## **Wind Power**

### ***Wind Expansion***

In 2011, we added more than 600 megawatts of wind power to our system through cost-effective power-purchase agreements. Two large wind projects began supplying power to our system in Colorado. The 251-megawatt Cedar Creek II Wind Farm is owned and operated by BP Wind Energy and Sempra Generation and includes 123 General Electric and Nordex wind turbines located in northern Weld County. Enbridge, Inc., owns and operates the 252-megawatt Cedar Point Wind Project in Lincoln and Elbert counties. It is comprised of 139 Vestas wind turbines, also manufactured in Colorado.

We expect 2012 to be another banner wind year for us, with a number of large projects planned for completion by the end of the year. We will purchase power from Cielo Wind Power, LP's new 161-megawatt Spinning Spur Wind Ranch in Oldham County, Texas, and Geronimo Wind Energy's 200-megawatt Prairie Rose Wind Farm in Rock and Pipestone Counties, Minn. In Colorado, we have agreements to purchase power

from NextEra Energy Resources' Limon I and II Wind Energy Centers. The two 200-megawatt projects are located in Lincoln and Elbert counties. If approved by the Colorado Public Utilities Commission, energy from Limon II will be offered to customers through our restructured Windsource® program, giving customers more choice in how they power their homes and businesses.

For the eighth consecutive year, Xcel Energy is ranked the No.1 wind power provider in the United States by the American Wind Energy Association. We continue to learn and better integrate wind energy on our system, significantly reducing costs for customers. This past year, we also have seen historically low wind prices. It is an opportunity to continue expanding our use of wind power to meet renewable energy standards within the states we serve.

### ***Wind Forecasting***

Managing wind power on the electric system is challenging because the resource is notoriously difficult to predict. For

the past couple years, we worked with Global Weather Corp., an affiliate company of the National Center for Atmospheric Research (NCAR), to develop a highly detailed wind-forecasting system. By issuing forecasts that are 35 percent more accurate than previous methods, the system enables system operators to constantly anticipate the amount of energy produced by wind farms. We estimate the system has saved customers about \$13.5 million so far in fuel savings and system efficiencies.

One major obstacle in integrating wind energy into the electric grid is determining when and how strongly winds will blow at turbine locations and then adjusting fossil fuel generation accordingly to take full advantage of the wind. The forecasting system incorporates observations of current atmospheric conditions from a variety of sources, including satellites, aircraft, weather, radars, ground-based weather stations and sensors on the wind turbines themselves. The information is then fed into powerful computer models to forecast the weather.

We anticipate the system will become more accurate with the software making adjustments based on differences between energy forecasts and actual energy generation. Xcel Energy is now working with Global Weather Corp. to market the system to other utilities. We will receive royalties from those efforts, and funds will be used to pay for hosting services and for further development on the system.

### **Solar Power**

We take advantage of the sun through utility-scale and customer-owned solar energy systems, as well as systems installed for the benefit of communities. We are one of the nation's top 10 electric utilities for the amount of solar power on our system, according to the Solar Electric Power Association. In 2011, we more than doubled our solar capacity, adding over 100 megawatts of solar energy to our system.

#### ***Utility-Scale Solar***

According to the National Renewable Energy Laboratory, the San Luis Valley in south-central Colorado has significantly higher than average levels of sunshine for producing energy compared with other areas of the state. We now purchase power from four sizable solar installations located in the area. In early 2012, we began purchasing power from two newly

constructed, world-class projects. Iberdrola's 30-megawatt San Luis Solar facility relies on 110,000 photovoltaic modules. The 30-megawatt Cogentrix of Alamosa solar project employs a high-concentration photovoltaic technology and is the largest facility of its type in the world. Amonix™, developed the technology that uses optics and a dual-axis tracking system to focus large amounts of sunlight onto high-efficiency photovoltaic cells.

A unique multi-site project in New Mexico now provides our system about 50 megawatts of solar power in Lea and Eddy counties. SunEdison built and maintains the five 10-megawatt solar farms, and we purchase the energy under a power-purchase agreement. The sites were chosen because we could more efficiently and easily connect to the grid at existing distribution substations and spread out production over numerous feeders. The five sites also offer geographic diversity, so cloud cover doesn't impact the overall system as much.

#### ***Customer-Owned Solar***

Xcel Energy offers the Solar\*Rewards® program in Colorado, Minnesota and New Mexico. We provide incentives to customers interested in installing solar systems on homes and businesses to help make the systems more affordable. In turn, the program and the renewable energy credits associated with the solar energy produced enable us to meet requirements of state renewable energy standards.

#### ***Community-Owned Solar***

We are set to begin offering Solar\*Rewards Community in Colorado in 2012. Under the program, a subscriber organization can install a community solar garden and receive production incentives from Xcel Energy. Subscriber organizations sell or lease interests of the garden to subscribing customers. This program, created in 2011 by state legislation that Xcel Energy supported, provides a solar energy option for renters or condo owners, or for customers who can't or don't want to have their own solar installations.



## Energy Efficiency

Energy efficiency is a cornerstone of our clean energy strategy. Today we help customers manage their energy consumption through one of the most ambitious energy saving program portfolios in the United States. Customers save money, and we avoid emissions and the need to purchase or produce additional power.

Since we began consistently tracking energy efficiency results in 1992, we estimate our customers have saved enough electricity to prevent us from building more than fourteen 250-megawatt generating plants. We estimate that in 2011, the savings achieved through our energy efficiency programs helped to avoid about 610,000 tons of CO<sub>2</sub>, as well as other emissions. With results like this, energy efficiency is proving to be one of the most cost-effective ways for our company to reduce emissions and meet growing clean air requirements.

### 2011 Energy Efficiency Program Results: Conservation and Load Management\*

	Spending	Electric Conservation/Load Management			Gas	Gas Conservation
		Participants	Generator kW	Generator kWh	Participants	Decatherms Saved
MN	\$ 92,258,331	1,554,579	138,039	470,125,627	104,592	747,123
CO	\$ 81,588,073	673,768	83,794	311,857,203	151,598	483,090
WI	\$ 13,298,590	4,593	12,085	30,058,532	1,204	145,269
TX	\$ 3,441,312	4,166	6,626	13,832,396	NA	NA
NM	\$ 8,502,842	99,140	10,550	41,968,507	NA	NA
SD	\$ 183,612	419	1,368	69,596	NA	NA
MI	\$ 328,182	1,018	0	1,473,000	398	69,277
ND	\$ 277,487	4,222	754	47,047	4,096	17,778
<b>Total</b>	<b>\$ 199,878,428</b>	<b>2,341,905</b>	<b>253,216</b>	<b>869,431,908</b>	<b>261,888</b>	<b>1,462,537</b>

\*Achievements listed in this table are preliminary for 2011.

## Sustainable Facilities Management Program Results

We believe it's important for Xcel Energy to "walk the talk" when it comes to managing environmental impact, so we look for opportunities at our own facilities. In 2008, Xcel Energy's Property Services department developed the Sustainable Facilities Management program to align its activities with the company's commitment to the environment. The program's accomplishments for 2011 include:

- Completing 18 energy management related projects that reduced annual energy consumption by more than 1.9 million kilowatt-hours; since we began the program in 2008, we have saved more than 10 million kilowatt-hours at Xcel Energy facilities
- Installing Xcel Energy's first roof-top photovoltaic installation on our call center building in Amarillo, Texas; consisting of 66 solar panels, the 240-watt solar modules should achieve a yearly output of 24,200 kilowatt-hours
- Reducing consumption of natural gas by 61,269 therms through 16 conservation related projects
- Achieving an annual reduction of 874,235 gallons of water through eight water conservation related projects; since 2010, we have saved more than three million gallons of water at Xcel Energy office buildings and service centers
- Recycling more than 1,441 tons of material, about 62 percent of the company's office waste at measured facilities
- Educating employees on simple steps they can take to reduce waste and energy use in the office by developing an interactive training employees can access as part of the corporate online curriculum

Check online for more information

Find a full listing of LEED certified  
Xcel Energy facilities on our website.



Check online for more information

Learn about clean energy partnerships that include SolarTAC, the Energy Innovation Corridor and emerging energy efficiency projects on our website.

### Clean Energy Partnerships

Every day there are developments in energy technology. Our core business is providing electricity and natural gas service, and generally, does not include research and development. To stay abreast of changes, we participate in a number of successful public and private partnerships. Through collaboration, we are helping to test advanced technologies on our system that offer the greatest promise for providing our customers with more reliable, lower cost and cleaner energy in the future.

### Environmental Management

Managing our environmental responsibilities continues to grow more challenging as the rules become more complex. We work to comply with millions of requirements designed to protect the air, water, land and wildlife surrounding our operations. By improving our environmental impact and lowering emissions through our proactive clean energy strategy, we reduce our compliance risk. We also have in place a strong environmental management system that guides our compliance efforts. It is based on a corporate-wide environmental policy for which all employees are accountable.

Check online for more information

Learn more about our environmental management system and corporate environmental policy on our website.

### Coal Ash Management

Coal-fired power plants produce a number of coal combustion by-products commonly referred to as coal ash. Our plants consume about 30 million tons of coal a year, yielding more than two 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.

#### 2011 COAL ASH SUMMARY (ESTIMATED IN TONS)

	Ash produced	Ash reused
Upper Midwest	885,455	94,033
Colorado	932,219	448,768
Texas/New Mexico	340,264	340,264
<b>Total</b>	<b>2,157,938</b>	<b>883,065</b>

## Water Management

A reliable water source is vital to make steam and cool equipment in nearly all of our generating plants. 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 updated annually 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, which include 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 facilities in Texas and at our Cherokee plant in Denver, Colo. Unit 3 at our Comanche plant near Pueblo, Colo., uses a hybrid cooling system that cuts water use in half. Our Tolk plant in Texas 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 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. It can include reuse of effluent for growing crops or disposal through evaporation ponds.

Other plants, especially those in Minnesota and Wisconsin, use once-through cooling where water is taken from a river or other waterway, used by the plant and returned to the environment. At all 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 is important that we return the water we use to rivers and waterways in a usable condition, and we operate under stringent regulatory requirements to ensure this happens.

## 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 (ROW) and 16,600 miles of transmission ROW throughout our service territory.

The department uses industry best practices such as integrated vegetation management. Integrated vegetation management encompasses a progressive system of information gathering, which is data driven, and assists the department with developing compliant solutions to vegetation control near electric and natural gas facilities. The practice focuses on achieving such ends in an environmentally sensitive, socially responsible and cost-effective manner.

Our practices seek 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 deemed compatible with safe operation of our electric lines.

In recognition of our vegetation management practices, the Arbor Day Foundation named Xcel Energy a "Tree Line USA Utility" for the 17th consecutive year.

Check online for more information

Learn more about vegetation management practices on our website.





### *Avian Protection*

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 and maintains a comprehensive Avian Protection Plan (APP) for its facilities. The following work is included in each APP, which is provided to the USFWS:

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

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

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

### *Bird Cam*

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

In 2011, approximately 250,000 visitors from all 50 states and more than 130 countries viewed our bird cams for a total of 1.4 million site visits. Most people who viewed the bird cams spent an average of 4.5 minutes on the site, and our top visitor returned to the site more than 800 times during the 2011 nesting season.

Check online for more information

Visit Bird Cam on our website.



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