

2006 triple bottom line

a report on the social, environmental & economic impacts of Xcel Energy



■ ■ vision

Together, we serve our communities by providing energy to enhance the quality of life for our customers. We power the essentials of life.

mission

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

values

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

We are committed to:

- Working safely and creating a challenging and rewarding workplace
- Conducting all of our business in an honest and ethical manner
- Working together to serve our customers
- Being accountable to each other for doing our best
- Treating all people with respect
- Protecting our environment
- Continuously improving our business



letter from the chairman

At Xcel Energy, we provide essential electricity and natural gas services to customers in eight Midwestern and Western states. Millions of families and businesses depend on us to deliver safe and reliable energy at a good value. Our customers care deeply about how that energy is made and the environmental impact it creates. And so do we.

What we do today will have an enormous impact on the next generation and generations to come, so it is imperative that we act now with purpose and vision in each of the areas of our Triple Bottom Line: social responsibility, environmental leadership and economic impact.

In 2006, Xcel Energy was added to the list of companies on the Dow Jones Sustainability Index. For us, sustainability is the ability to meet our present needs without compromising the ability of future generations to meet theirs. It's working every day to have a positive influence on our customers' and communities' quality of life.

Today, we are the number one wind power provider in the nation. We also operate Windsource®, the nation's largest voluntary wind energy program in terms of customers. We are leaders in emissions reduction programs and innovative technologies. Our company, our customers and our communities all benefit from our environmental leadership.

The utility industry is confronting one of the greatest environmental policy challenges in our history: global climate change. This is an issue that requires a national and international policy. We all need to be part of the solution. The time for debating whether to act is over. Xcel Energy is taking a leadership role in defining workable solutions.

Clean and renewable energy, such as wind energy, has become the centerpiece of our strategy to address global climate change. Conservation remains a key component of our business and our environmental philosophy. We're pursuing every avenue to do what's vitally important to the environment while meeting our customers' growing energy needs. The solution to our challenges will be found through renewable energy resources such as wind and solar, in addition to advanced coal, nuclear, emerging technologies, conservation and energy efficiency.

When I look ahead to the future of this industry, I see electricity production that will be highly efficient, harness diverse resources, and be nearly emission-free. I believe this future is possible. But we need to support both smart policy and new technology today to make it happen tomorrow.

In the pages to follow, we strive to give you a balanced view of our company – to point out progress made and to discuss areas of challenge. We'd like you to get to know us better – as an employer of nearly 11,000 men and women; as a business governed by the highest standards of conduct; as a steward of the environment, and as a good corporate citizen dedicated to serving the needs of our communities.

Sincerely,

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

Richard C. Kelly
Chairman, President and CEO



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organizational profile

company description

Xcel Energy is a major investor-owned U.S. electricity and natural gas company with regulated operations in eight Midwestern and Western states. We provide a portfolio of energy-related products and services to 3.3 million electricity customers and 1.8 million natural gas customers.



Jeremy Noble, electrician journeyman

Building the Core

Our corporate strategy is to invest in our core electric and natural gas businesses to meet the growing energy needs of our customers. In executing our strategy, we work with stakeholders to achieve constructive regulatory treatment, which enables us to earn a fair return on major investments and implement forward cost recovery mechanisms on our significant incremental investments. This strategy has been working well as evidenced by our strong financial performance, consistent earnings growth and a growing dividend. Our financial objectives are as follows:

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

financial highlights

	2006	2005	2004
Earnings per share from continuing operations – diluted	\$1.35	\$1.20	\$1.26
Earnings per share from discontinued operations – diluted	\$0.01	\$0.03	\$(0.39)
Total earnings per share – diluted	\$1.36	\$1.23	\$0.87
Dividends annualized	\$0.89	\$0.86	\$0.83
Stock price (close)	\$23.06	\$18.46	\$18.20
Assets (millions)	\$21,958	\$21,505	\$20,305
Book value per common share	\$14.28	\$13.37	\$12.99

Scale of Reporting Organization

- Corporate headquarters: Minneapolis, Minnesota
- 2006 operating revenues: \$9.8 billion
- Employees: 10,933 (as of Dec. 31, 2006)
- Outsourcing strategy: Xcel Energy utilizes outsourcing for functional business areas such as technology management, construction and maintenance services, tree trimming, fleet management and human resources services.

organizational structure

Xcel Energy Inc. is a holding company of four wholly owned utility subsidiaries; principal non-regulated subsidiaries; and the Service Company. We provide electricity, and in some areas natural gas service, to customers in eight states (Colorado, Michigan, Minnesota, New Mexico, North Dakota, South Dakota, Texas and Wisconsin).

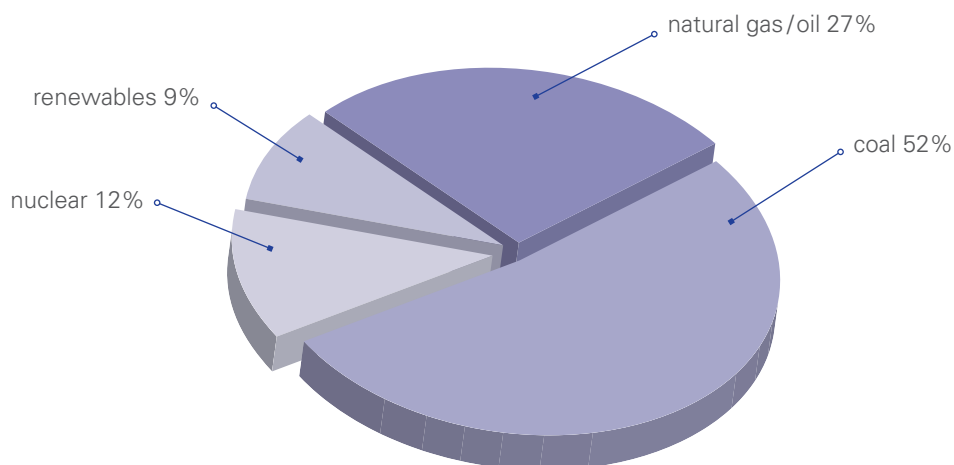
Xcel Energy's Utility Subsidiaries

- **Northern States Power Company – Minnesota (NSP-Minnesota), an Xcel Energy Company**
- **Northern States Power Company – Wisconsin (NSP-Wisconsin), an Xcel Energy Company**
- **Public Service Company of Colorado (PSCo), an Xcel Energy Company**
- **Southwestern Public Service Company (SPS), an Xcel Energy Company**

Principal Non-Regulated Subsidiaries

- **Eloigne Company**

2006 Xcel Energy Owned and Purchased Energy



2006 System-Wide Electricity Operations (Owned and purchased energy in net megawatt-hours MWh*)

Customers	Transmission Lines (conductor miles)	Distribution Lines (conductor miles)	Owned generation (MWh)	Purchased generation (MWh)	Total owned and purchased generation (MWh)
3.3 million	81,750	188,410	79,931,901	30,839,549	110,771,450

*In 2006, we modified our reporting of electricity operations to more closely align with environmental performance metrics. Moving forward, we will report "energy," a metric that reflects system use rather than generation capacity.

2006 Natural Gas Operations

Customers	Pipeline
1,821,342	34,502 miles

2006 Xcel Energy-Owned Generating Facilities

Unit/Type	Number of Generating Facilities	Number of Generating Units	Generating Capacity (MW)
Coal	17	35	8,182 MW
Natural Gas	25	58	4,987 MW
Nuclear	2	3	1,668 MW
Hydro	28	83	508 MW
Oil	9	24	460 MW
Biomass/RDF*	4	6	67 MW
Wind	1	37	27 MW

*Refuse-derived fuel

Renewable Energy

Environmental stewardship is a fundamental value at Xcel Energy. It is a promise to use the earth's resources wisely, reduce our environmental impact where possible, help develop and deploy cleaner energy technologies for tomorrow, and responsibly manage the technologies we use today. We are committed to increasing our use of clean, renewable energy resources throughout our service territory.

Wind

Xcel Energy is the nation's number one wind power provider. In 2006, we had 1,323 megawatts (MW) of wind capacity installed on our system and we are on track to more than double this to 2,800 MW by the end of 2007.



Biomass and refuse-derived fuel

We have four power plants that produce electricity from wood waste or fuel derived from municipal solid waste or garbage. The processed waste provides a low-cost fuel and reduces the amount of material going to landfills. We also purchase electricity made from biomass, or organic fuel sources.

Hydro

Our 28 hydroelectric power plants, located in Wisconsin, Minnesota, and Colorado, account for more than 600 megawatts of generating capacity – enough electricity to serve half a million typical homes. We also have a significant and long-standing contract with Manitoba Hydro in Canada to purchase hydro power.

northern states power company-minnesota (NSP-Minnesota) an xcel energy company

NSP-Minnesota is an operating utility engaged in the generation, purchase, transmission, distribution and sale of electricity in Minnesota, North Dakota and South Dakota. NSP-Minnesota also purchases, transports, distributes and sells natural gas to retail customers and transports customer-owned natural gas in Minnesota and North Dakota.

- **Employees: 3,330**
- **Electric utility service customers: 1.3 million (Minnesota, North Dakota, South Dakota)**
- **Natural gas utility service customers: 465,549 (Minnesota and North Dakota)**



leadership

Cynthia L. Leshner,

president and CEO, Northern States Power Company-Minnesota, an Xcel Energy Company. On Jan. 16, 2007, Leshner was named president of the Minnesota host committee for the Republican National Convention and is serving as a loaned executive.



leadership

David M. Sparby,

executive vice president, is serving as acting president and CEO, Northern States Power Company – Minnesota, an Xcel Energy Company, effective Jan. 16, 2007.

NSP-Minnesota Electricity Operations (Owned and purchased energy in net megawatt-hours MWh*)

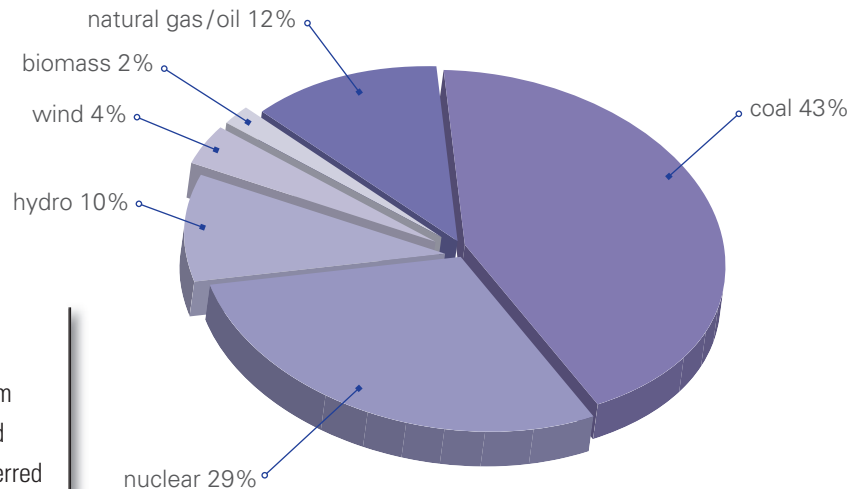
Customers	Transmission & Distribution Lines (overhead and underground)	Transmission & Distribution Substations	Owned Generation (MWh)	Purchased Generation (MWh)	Total Generation (MWh)
1,356,626	98,445 conductor miles	364	33,500,950	8,404,727	41,905,677

*In 2006, we modified our reporting of electricity operations to more closely align with environmental performance metrics. Moving forward, we will report "energy," a metric that reflects system use rather than generation capacity.

2006 Natural Gas Operations

Customers	Transmission Pipeline	Distribution Pipeline
465,549	120 miles	9,321 miles

2006 NSP System Owned and Purchased Energy



NSP System

The electric production and transmission system of NSP-Minnesota is managed as an integrated system with that of NSP-Wisconsin, jointly referred to as the NSP system. The electric production and transmission costs of the entire NSP system are shared by NSP-Minnesota and NSP-Wisconsin. A Federal Energy Regulatory Commission (FERC) approved agreement between the two companies, called the Interchange Agreement, provides for the sharing of all costs of generation and transmission facilities of the NSP system, including capital costs.

northern states power company-wisconsin (NSP-Wisconsin) an xcel energy company

NSP-Wisconsin is an operating utility engaged in the generation, transmission and distribution of electricity to customers in portions of northwestern Wisconsin and in the western portion of the Upper Peninsula of Michigan. NSP-Wisconsin also purchases, transports, distributes and sells natural gas to retail customers and transports customer-owned natural gas in the same service territory. The electric production and transmission system of NSP-Wisconsin is part of the integrated NSP System.

- **Employees: 569**
- **Electric utility service customers: 245,000 (northwestern Wisconsin and western portion of the Upper Peninsula of Michigan)**
- **Natural gas utility service customers: 100,000 (northwestern Wisconsin and western portion of the Upper Peninsula of Michigan)**

leadership

Michael L. Swenson,

president and CEO, Northern States Power Company-Wisconsin,
an Xcel Energy Company.



2006 NSP-Wisconsin Electricity Operations – WI and MI (Owned and purchased energy in net megawatt-hours MWh*)

Customers	Transmission & Distribution Lines (overhead and underground)	Transmission & Distribution Substations	Owned Generation (MWh)	Purchased Generation (MWh)	Total Generation (MWh)
245,000	36,033 conductor miles	203	1,022,199	1,784,037	2,806,236

*In 2006, we modified our reporting of electricity operations to more closely align with environmental performance metrics. Moving forward, we will report “energy,” a metric that reflects system use rather than generation capacity.

2006 Natural Gas Operations (WI and MI)

Customers	Distribution Pipeline
100,000	2,147 miles

Learn more at:

xcelenergy.com

(enter these key words in the search engine)

Investor Information

2006 Form 10-K

2006 Annual Report

public service company of colorado (PSCo) an xcel energy company

PSCo is an operating utility engaged primarily in the generation, purchase, transmission, distribution and sale of electricity in Colorado. PSCo also purchases, transports, distributes and sells natural gas to retail customers and transports customer-owned natural gas.

- **Employees: 2,641**
- **Electric utility service customers: 1.3 million**
- **Natural gas utility service customers: 1.2 million**

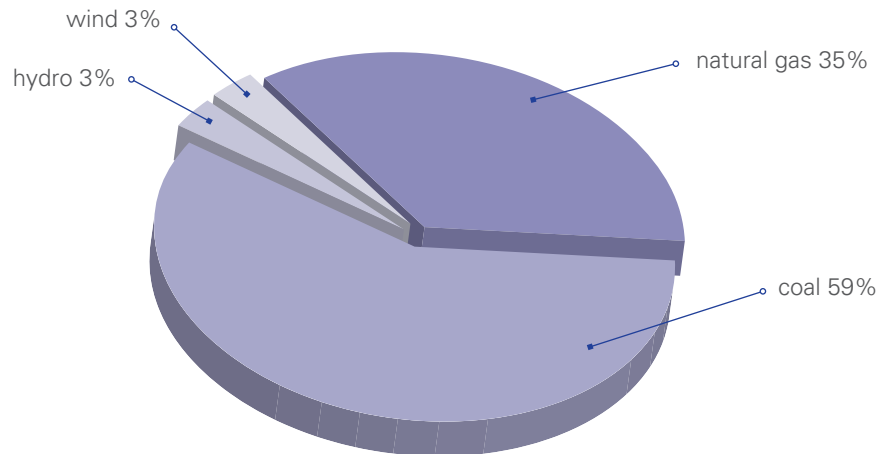


leadership

Patricia K. Vincent,

president and CEO, Public Service Company of Colorado,
an Xcel Energy Company.

2006 PSCo Owned and Purchased Energy



2006 PSCo Electricity Operations (Owned and purchased energy in net megawatt-hours MWh*)

Customers	Transmission & Distribution Lines (overhead and underground)	Transmission & Distribution Substations	Owned Generation (MWh)	Purchased Generation (MWh)	Total Generation (MWh)
1,321,072	87,861 conductor miles	209	23,175,351	14,051,734	37,227,085

*In 2006, we modified our reporting of electricity operations to more closely align with environmental performance metrics. Moving forward, we will report "energy," a metric that reflects system use rather than generation capacity.

2006 Natural Gas Operations

Customers	Transmission Pipeline	Distribution Pipeline
1,255,330	2,303 miles	20,599 miles

southwestern public service company (SPS) an xcel energy company

SPS is an operating utility engaged primarily in the generation, purchase, transmission, distribution and sale of electricity in portions of New Mexico and the Texas Panhandle.

- **Employees: 1,074**
- **Electric utility service customers: 386,165**

Significant changes in 2006:

- **Gary L. Gibson, president and CEO of Southwestern Public Service Company, an Xcel Energy company, retired on Nov. 30, 2006.**
- **David L. Eves, former vice president of Resource Planning and Acquisition for Xcel Energy, was appointed CEO of Southwestern Public Service Company, an Xcel Energy company, on July 18, 2006; and president of SPS on Dec. 1, 2006.**
- **SPS completed the sale of its delivery system operations in Oklahoma, Kansas and a small portion of Texas to Tri-County Electric Cooperative effective July 31, 2006. SPS now provides wholesale service to Tri-County Electric Cooperative.**

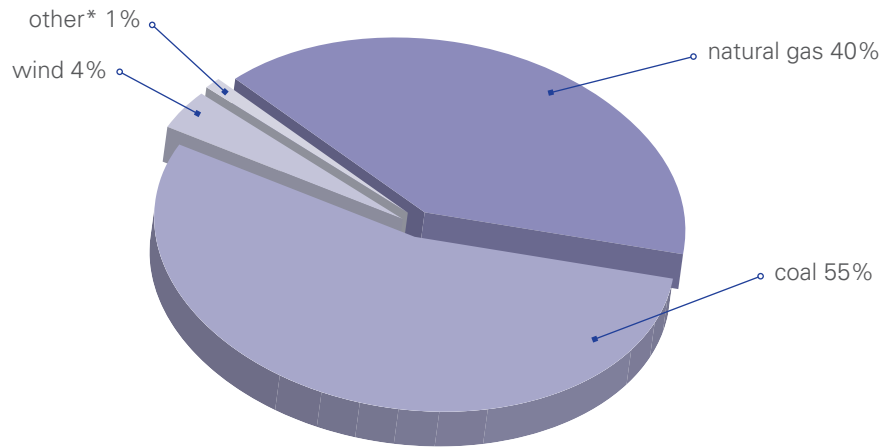


leadership

David L. Eves,

president and CEO, Southwestern Public Service Company,
an Xcel Energy Company.

2006 SPS Owned and Purchased Energy



*One percent of SPS' energy mix includes electricity generated with zero emissions from two cogeneration units operated by Xcel Energy – a nitrogen expansion turbine and a high-pressure steam turbine – at the Celanese Chemical Company in Pampa, Texas.

2006 SPS Electricity Operations (Owned and purchased energy in net megawatt-hours MWh*)

Customers	Transmission & Distribution Lines (overhead and underground)	Transmission & Distribution Substations	Owned Generation (MWh)	Purchased Generation (MWh)	Total Generation (MWh)
386,165	47,823 conductor miles	441	22,233,401	6,599,051	28,832,452

*In 2006, we modified our reporting of electricity operations to more closely align with environmental performance metrics. Moving forward, we will report "energy," a metric that reflects system use rather than generation capacity.

key impacts, risks and opportunities

For Xcel Energy, building a sustainable business requires keen attention to identifying and managing risks relevant to our industry and to the communities in which we operate. It also requires public policy leadership in the issues facing our company and industry. We are subject to comprehensive regulation by several federal and state utility regulatory and environmental agencies. As a result, it is our practice to continually improve our operations to minimize negative impacts on the environment and reduce the risk of harm to customers, employees and our communities.

Our formal process for managing risk is as follows:

- **Regular reporting to Xcel Energy Board of Directors and board committees**
- **Cross-functional governance and leadership councils reporting to CEO Richard C. Kelly; CFO Benjamin G.S. Fowke, III; and Utilities Group President, Paul J. Bonavia**
- **Internal processes and review by: Corporate Compliance and Business Conduct Council; Corporate Risk Management Oversight committee and sub-committees; and Transaction Review committee**
- **Sarbanes-Oxley processes/internal audit**
- **Environmental management and oversight**
- **Environmental public policy/advocacy**

The following is a brief overview of some of the risks associated with our business as reported in our 2006 Form 10-K:

Cost Recovery and Profitability

The utility commissions and state legislatures in the locations where our utility subsidiaries operate regulate many aspects of our utility operations, including siting and construction of facilities, fuel mix, customer service and the rates we can charge our customers. The Federal Energy Regulatory Commission (FERC) has jurisdiction over wholesale rates for electric transmission service and the sale of electric energy in interstate commerce. Our profitability depends in part on the ability of our utility subsidiaries to recover their costs from their customers.

Learn more at:

xcelenergy.com

(enter these key words in the search engine)

Guidelines on Corporate Governance
Investor Information
2006 Proxy Statement
Code of Conduct



Dan Pfeiffer,
manager, state governmental affairs

Environmental Laws and Regulation

We are subject to a number of environmental laws and regulations that affect many aspects of our past, present and future operations, including air emissions, climate change, water quality, wastewater discharges and the management of wastes and hazardous substances. These laws and regulations generally require us to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. New environmental laws and regulations can also significantly impact our operations and costs. We must pay all or a portion of the cost to remediate/clean up sites where our past activities, or the activities of certain other parties, caused environmental contamination. At Dec. 31, 2006, these sites included:

- **The sites of former manufactured gas plants operated by our subsidiaries or predecessors.**
- **Third-party sites, such as landfills, to which we are alleged to be a potentially responsible party that sent hazardous materials or wastes.**

It is our policy to minimize environmental risk in a reasonable and cost-effective manner. We are doing so by pursuing renewable and advanced technologies and by advocating clean energy policies as described in the Environmental Leadership section of this report. Taken together, these actions should help Xcel Energy continue to reduce the risk of non-compliance with environmental laws and regulation and adverse impact to our customers, shareholders and communities.

Market Supply and Commodity Price Risks

We engage in wholesale sales and purchases of electric capacity, energy and energy-related products and are subject to market supply and commodity price risk. If we encounter market supply shortages, we may be unable to fulfill contractual obligations to our retail, wholesale and other customers at previously authorized or anticipated costs. Any such supply shortages could cause us to seek alternative supply services at potentially higher costs or suffer increased liability for unfulfilled contractual obligations. Any significantly higher energy or fuel costs relative to corresponding sales commitments would have a negative impact on our cash flows and could potentially result in economic losses.

Market supply and commodity price risks are managed in a variety of ways including:

- **Entering into firm power purchase and sales agreements for terms ranging from one to 25 years; and**
- **Entering into fixed price fuel contracts and financial derivatives to hedge the cost of fuel associated with electricity generation or natural gas used by local distribution companies.**

Market supply and commodity price risks associated with transactions of energy and energy-related products are managed through a series of policies and procedures that provide for:

- **Overall portfolio management, measurement and monitoring of commodity risks; and**
- **The conduct of transactional activity within approved guidelines and limitations as approved by Xcel Energy's Corporate Risk Management Oversight Committee, made up of personnel not involved in the transactional operations.**

Nuclear Generation

Our subsidiary, NSP-Minnesota, owns two nuclear stations, Prairie Island and Monticello, which are operated by Nuclear Management Company (NMC). These facilities subject Xcel Energy to industry risks such as:

- **Risks associated with storage, handling and disposal of radioactive materials and the current lack of a long-term disposal solution for radioactive materials**
- **Limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with nuclear operations**
- **Uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives**

Communicating with Xcel Energy's Board of Directors

Those who wish to correspond with the board of directors may email: boardofdirectors@xcelenergy.com. Other written correspondence should be sent in care of the Corporate Secretary at Xcel Energy's principal offices: 414 Nicollet Mall, 5th floor, Minneapolis, MN 55401-1993.



Prairie Island Nuclear Generating Plant
Red Wing, Minn.

The NMC has authority to impose licensing and safety-related requirements for the operation of our nuclear generation facilities. In the event of non-compliance, the U.S. Nuclear Regulatory Commission has the authority to impose fines or shut down a unit, or both, depending upon the assessment of the severity of the situation, until compliance is achieved.

The Operations, Nuclear and Environmental Committee of the Board of Directors provides oversight of Xcel Energy's nuclear operations including environmental compliance, safety, performance issues, and quality assurance. To further mitigate the risks associated with nuclear generation, Xcel Energy purchases nuclear insurance to protect the company from catastrophic nuclear accidents. An industry mutual insurance company, Nuclear Electric Insurance, Ltd. (NEIL) covers Xcel Energy's power plants and all other U.S. nuclear power plants for physical damage as

well as for lost outage revenue. In addition to the \$300 million in nuclear liability insurance we purchase, the company is afforded an additional \$10.5 billion of liability coverage under the Secondary Financial Protection program of the federal government.

governance

In 2006, Xcel Energy's board of directors was composed of 11 directors, 10 of whom were classified independent by the listing standards of the New York Stock Exchange. Richard C. Kelly, board chairman, is an inside director and is not considered independent. Each director is a full and equal participant in the major strategic and policy decisions of the company.

Qualifications of Board of Directors

Board membership is based on factors such as judgment, skills, diversity, integrity and experience with business and other organizations of comparable size to Xcel Energy. Each director serves a one-year term, with all directors subject to annual election. Board policy requires directors to retire at age 72.

Chairman of the Board and Chief Executive Officer

Our board of directors believes that the same person should hold the positions of chairman of the board and chief executive officer, except in unusual circumstances such as a transition in leadership. The board believes that having one person serve in this dual capacity provides the company with unified leadership and direction. Additionally, to strengthen the independent oversight of company management, board committee chairpersons serve in the role of lead independent director on a quarterly rotational basis.

Standing Committees of Board of Directors

- **Audit**
- **Finance**
- **Governance, Compensation and Nominating**
- **Operations, Nuclear and Environmental**

Executive Compensation

Four principles guide our executive compensation philosophy:

- **We target the energy industry's 50th percentile as the primary reference point for all elements of executive compensation to be sufficiently competitive to attract and retain talented leaders.**
- **Our executive compensation is substantially performance-based. We target a compensation mix in which annual and long-term incentives account for more than 50 percent of the named executive officer's targeted annual compensation.**
- **Payouts of annual and long-term incentives are based on achievement of corporate and business unit goals that reinforce management's link to shareholders, customers and employees.**
- **We encourage our executive leadership to have a significant stake in the company's business through equity-based incentives, coupled with the company's stock ownership guidelines.**

The Governance, Compensation and Nominating Committee of our board of directors oversees the executive compensation program. For the last several years, the committee has retained Towers Perrin, an independent, nationally recognized consulting firm in the areas of executive compensation and benefits.

Code of Conduct

Xcel Energy's board of directors has adopted a Code of Conduct that applies to all employees and directors of Xcel Energy and its wholly owned subsidiaries and affiliates. Our Code of Conduct complies with the requirements of the Sarbanes-Oxley Act of 2002; the rules issued for codes of conduct are applicable to such officers as well as the governance requirements of the New York Stock Exchange.

corporate compliance and business conduct

The purpose of Xcel Energy's Corporate Compliance and Business Conduct Program is to promote a culture across the company that encourages ethical conduct and a commitment to compliance with the law. Program elements include policies, audits, communications, training, measurement, risk assessments and reporting.

2006 Corporate Compliance Training – Required Courses

Code of Conduct	Required for all employees and board members Material provided by Xcel Energy to contractor agencies – contractors are accountable to abide by the Code
Department of Transportation Fitness for Duty	Required for employees who supervise workers with a commercial drivers license and employees who supervise gas pipeline workers
FERC Standards of Conduct Refresher	Required for all affected employees and contractors; level varies based on access to nonpublic transmission information
Overview of Equal Employment and Affirmative Action	Required for all leaders with direct reports
Physical Security Awareness	Required for all employees Material provided by Xcel Energy to contractor agencies – contractors are accountable to abide by it
Secure Business Practices - Supervisory Control and Data Acquisition (SCADA) and Energy Management Systems (EMS)	Required for all employees and contractors who have physical and/or electronic access to the transmission-level SCADA/EMS environment
Securities Trading	Required of board members and employees designated as “pre-clearance”

Each training requirement is carefully tracked. Detailed reports showing completion status are monitored weekly.

Do what's right: Report what seems wrong.

To support our corporate value of conducting our business in an honest and ethical manner, we offer a variety of options available to every employee and contractor to report compliance or ethics issues:

- **Speak to their supervisor**
- **Contact the next level of management**
- **Contact Xcel Energy's Compliance and Business Conduct Office**
- **Contact Legal Services**
- **Report concern to any Xcel Energy board member**
- **Call the Compliance Hotline**

Compliance Hotline: 1-800-555-8516

The Compliance Hotline is a confidential way to report or inquire about compliance or ethics issues. The hotline is operated by an external agency and is available 24 hours a day, seven days a week. Employees don't need to leave their names unless they want to. Callers are given a code and a callback date to check on the status of the report.



Xcel Energy and Utility Innovations
were recipients of the 2006 Edison Award.

2006 awards received

- Xcel Energy was named to the 2006–2007 Dow Jones Sustainability Index for North America, recognizing the company and its employees for their efforts to achieve high levels of performance in social responsibility, economic and environmental leadership.
- The Edison Electric Institute (EEL) recognized Xcel Energy and Utility Innovations with its prestigious Edison Award for their creative initiative to solve industry challenges through partnership, collaboration and innovation.
- Xcel Energy received the Electric Power Research Institute's (EPRI) Technology Transfer award for our numerous and ongoing efforts to test mercury-reduction technologies at our power plants.
- United Way of America honored Xcel Energy as a Summit award recipient of the agency's Spirit of America® award program for corporate leadership.

report profile and scope

Each year, our Triple Bottom Line report is published in the spring to coincide with our annual report. This publication details the social, environmental and economic impacts of Xcel Energy and its principal subsidiary utilities for the period Jan. 1, 2006 through Dec. 31, 2006. Xcel Energy's previous Triple Bottom Line report was published in May 2005. We have made every attempt to provide a balanced view of our business and have adopted internal controls to assure the accuracy, completeness and reliability of the information presented.

stakeholder engagement

Xcel Energy engages key stakeholders throughout the year to exchange information and seek input and feedback on company activities and initiatives. This includes:

- **Community meetings, open houses and tours of our facilities;**
- **Informational sessions about proposed projects and agreements;**
- **Work group meetings about products, services and new technologies for customers;**
- **Customer surveys that assess many dimensions of quality, service and value;**
- **Ongoing participation in community organizations and forums;**
- **Meetings to discuss issues of significance to our industry and our communities; and**
- **Informational meetings with employees, union representatives, business allies, vendors and shareholders.**

Triple Bottom Line Feedback

We interview regulators, representatives of shareholder groups, the environmental community and others about our Triple Bottom Line report. We seek stakeholder review and suggestions for improvement so we can continue to publish a report of relevance to our audiences. As a direct result of this review, our 2006 Triple Bottom Line report incorporates the following enhancements: an expansion of our charts and graphs; additional summary data to establish greater context; and more information regarding local operations.

We welcome your comments and questions regarding this report. Please take a moment to complete our short survey online at xcelenergy.com/TripleBottomLine.

1

social responsibility

building a sustainable future

We are committed to conducting our business in an ethically and socially responsible manner. In doing so, we are laying a solid foundation for our future. We firmly believe our success in business is made possible through the collective talent and actions of individuals throughout our organization. As a result, we work hard to attract and retain a quality workforce and to provide a safe and respectful corporate environment. Throughout our company, our employees have created and fostered a well-established tradition of dedication and loyalty to their communities.



Rich Cristan, foreman, electricity operations line crew

employee well-being

At Xcel Energy, our people are the cornerstone of our company's ability to create value for our customers, regulators and investors. In 2006, Xcel Energy launched a company-wide initiative, known as the People Strategy, that addresses how our company will attract, retain and engage the workforce we need today and for years to come. Much more than a human resources program, the People Strategy is a comprehensive approach to our workforce and serves as the foundation for our company's future.

People Strategy

The People Strategy was developed to address some significant challenges we are facing related to our workforce needs:

- **Innovation is changing how utility work is done, while the availability of skilled workers continues to decrease.**
- **The utility industry is encountering strong competition in attracting skilled, diverse employees.**
- **Polls of our employees indicate approximately 25 percent of our workforce plan to retire in the next 10 years. Even more will be eligible to retire during that time.**
- **Health care costs continue to increase at a rate of 9 to 12 percent each year.**
- **Pension plan commitments must be met in spite of volatile financial markets.**

With all of these challenges in mind, our vice president of human resources spearheaded the creation of the People Strategy. This multi-faceted initiative is designed to improve the company's business results by investing in our employees and planning for future workforce requirements. The plan includes the following components:

Workforce Planning and Analysis

With the workforce data gathered by our human resources team, we are estimating retirement and turnover rates and making projections of our future workforce needs. The analysis is helping us determine the strategies needed to close gaps between the forecasted results and the desired state.

Position Management

Having validated information on the critical activities in each business area, we are verifying position descriptions and ensuring all active employees have a written position description that accurately reflects their responsibilities.

Job Family Alignment

Our human resources team is working with the business areas to place the positions in broad tiers by defining functions and job families. The clear descriptions of the competencies required at each level will also specify what is required for an employee to move to another level. The flexibility provided by the job families allows managers to align staffing needs without restructuring the department, thereby decreasing the amount of administrative oversight and improving our response time to changes in the market.

Competency and Salary Bands

We are consolidating salary grade levels into six bands and establishing levels of competency within each band. As job responsibilities change over time, the wider bands allow managers more flexibility in their staffing and budgeting, and the specific competency levels clarify what skills employees can target as part of their career development plan. The new system is much more transparent to employees and offers new avenues for personal development.

Performance Management

Employee development is a key priority for the People Strategy. To better define an employee's path for growth, we are modifying the performance and development tool currently used by all non-bargaining employees to make it more specific to each employee.

Diversity and Inclusion

We will build on our existing initiatives as we work to increase the diversity of candidates in our applicant pool. Current employees will see additional inclusion efforts launched in 2007 based on a comprehensive set of recommendations from our Council on Diversity and Inclusion, a cross-functional, company-wide team whose mission is to champion diversity and inclusion within our organization.

Health and Welfare Analysis of the Current Marketplace

The company is undertaking an overall examination of the options available in the fast-changing health care market. National trends in health care point to the view that patients are central in directing their care and making educated health-related purchases, and our company needs to ensure the services we provide are as relevant as possible.



Beth Candell,
representative, customer contact center

Human Resources Outsourcing

To ensure our human resources group has the right tools and systems to provide the best possible service to our employee base, the department's leadership embarked on an outsourcing search designed to improve service delivery, find cost savings or update our technology.

Xcel Energy Employment Profile – Fiscal 2006

The 10,933 Xcel Energy employees work primarily in Colorado, Michigan, Minnesota, New Mexico, North Dakota, South Dakota, Texas and Wisconsin. Fifty-seven percent of the workforce is represented by local unions. In 2006, the average length of service for union and non-union employees was 16.5 years, down from 17 years in 2005 due to retirements.

Xcel Energy Employees

	# of employees ¹	% represented by unions
Northern States Power Company – Minnesota	3,330	85%
Northern States Power Company – Wisconsin	569	78%
Public Service Company of Colorado	2,641	83%
Southwestern Public Service Company	1,074	71%
Xcel Energy Services Inc. ²	3,302	0%
Discontinued operations ³	17	29%
Total	10,933	57%⁴

¹ Includes full-time, part-time and temporary employees and those serving on long-term disability. Both bargaining and non-bargaining employees are represented in this total. Employees of Nuclear Management Company are excluded.

² Represents employees whose work is performed across all operating companies

³ Includes employees from discontinued operations who are on long-term disability

⁴ Represents a weighted average

Xcel Energy Employees by Job Category

	Bargaining ¹	Craft ²	Executive ³	Management ⁴	Rehired Retirees ⁵	Non-exempt ⁶	Professional ⁷
NSP-Minnesota	2,130	690		35	9	203	263
NSP-Wisconsin	427	16	1	4	1	65	55
PSCo	2,191			38	3	115	294
SPS	763		1	15		175	120
Xcel Energy Services Inc.			12	412	5	1,377	1,496
Discontinued Operations	5			1		8	3
Total	5,516	706	14	505	18	1,943	2,231

Grand Total 10,933

¹ Covered by collective bargaining agreements

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

³ Business unit vice presidents and corporate officers

⁴ Manage at least one person

⁵ Not subject to FLSA

⁶ Subject to FLSA, eligible to receive overtime pay

⁷ Individual contributors, exempt



Ginny Buckley,
lead plant operator, High Bridge Plant

Employee Benefits

Xcel Energy offers current employees competitive health and retirement benefits, which are equivalent to more than 40 percent of an employee's base pay. Since 1992, employees whose families comprise domestic partners and/or children of a domestic partner have participated in Xcel Energy benefits. The benefit options for non-bargaining* employees include:

- **A choice of health care plans that provide medical, dental, vision and prescription drug coverage (available for eligible dependents)**
- **Life insurance, Accidental Death and Dismemberment insurance (AD&D) and short-and long-term disability insurance (life insurance and AD&D available for eligible dependents)**
- **Health care and dependent care reimbursement accounts**
- **An Employee Assistance program that is also available to family members**
- **Health Risk Assessment and Care Support/Disease Management programs**
- **Nurse Line**
- **Tobacco cessation program with telephone support and subsidies for nicotine replacement therapies**
- **401(k) savings plan with Xcel Energy contribution**
- **Competitive pension plan**

- Adoption assistance
- Tuition reimbursement program
- Paid Time Off programs
- Recognized national holidays and additional personal floating holidays
- Transportation reimbursement accounts
- Transit programs in Denver and Minnesota Twin Cities

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

Managing Health Care Costs

We have implemented several strategies to decrease the impact of rising health care costs on our company and employees. Even when faced with an aging workforce and an 8 percent projected escalation in health care costs nationally, we successfully lowered our cost increase to 2.3 percent, down from 11 percent two years ago. By managing cost escalation overall, we were able to minimize the financial impact on our employees while maintaining a high level of benefits.

The key was to proactively increase our investment in our employees' health, enabling us to abate high-risk and catastrophic claims and keep our workforce healthy. Our strategies included:

- Investing in and increasing our focus on employees' care management; especially in high-risk areas such as diabetes, high cholesterol and asthma, and in catastrophic diseases, including cancer;
- Providing health assessments to all employees to help healthy employees stay well or get better by identifying potential health care risks and offering educational resources and behavior modification programs;
- Designing the health plans and managing claims to help keep employees' premiums low; and
- Offering educational resources and pricing data to support the switch from branded to generic pharmaceuticals, where appropriate.

New in 2006

Xcel Energy added the Blue Cross Blue Shield (BCBS) BluePrint for Health Care program, which seeks to help employees prevent, delay or minimize health complications. The program combines multiple methods of disease management and gives employees the opportunity to receive:

- Personalized telephone counseling,
- Assessments and screenings,
- Health reminders,
- Newsletters,

- Home monitoring kits, and
- 24-hour toll-free access to a health care support call center.

The program not only focuses on chronic condition management, but helps employees address lifestyle behavior issues that can lead to health issues. Preliminary program results across all BCBS BluePrint clients show a 14 percent decrease in overall rate of hospital admissions and an 11 percent decrease in emergency room visits.

New Benefits Added

- Online self-service tool for employees to view their claims, find benefit eligibility requirements, download forms and access other ancillary services;
- Full suite of online tools to support employees' readiness to make healthy lifestyle changes;
- Online resource that compares brand-name medication costs to lower-cost prescription alternatives; also compares retail and mail service costs;
- Telephone and online symptom triage assistance; also serves as an educational tool where employees can ask questions that may not have been addressed during a medical office visit;

- Quarterly newsletter offering education on health care consumerism to equip employees with tools and resources they need to make the best possible health care choices; and
- Quarterly health-related training courses conducted in person and online, i.e., "Cholesterol. Get the Facts."

Volunteer Paid Time Off

At Xcel Energy, we're proud of our employees who contribute essential funding, donate their time and provide leadership and volunteer services to nonprofit organizations in our communities. To further recognize and support employees' efforts, we launched a new program that offers volunteer paid time off (VPTO) to all full-time non-bargaining employees of Xcel Energy and to all collective bargaining employees of Public Service Company of Colorado. The VPTO program provides additional opportunities for our employees to acquire skills and learn from new experiences while enhancing the economic vitality and well-being of the communities in which we serve.

Employee Safety

Safety is a core value and a key priority at Xcel Energy. With great care and intention, we have cultivated an environment of safety for our employees and our customers. Managers and employees in all areas of our company work together to foster a safety culture and to continually improve the safety of our operations.

Throughout the company, joint management-worker safety committees collaborate to identify risks, create and implement new safety practices and recommend new or updated safety policies and procedures. The committees' "best practices" roll up to the Xcel Energy Safety Xcellence Committee, which replicates and implements successful safety improvement efforts throughout our company. The Safety Xcellence Committee strengthens our safety culture, maintains consistent management of safety practices, provides effective communications and benchmarks



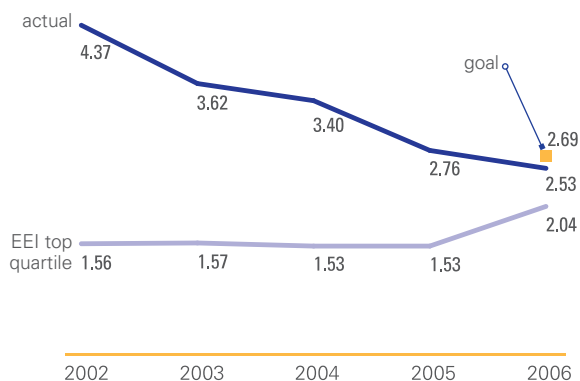
Mark Pinnegar,
gas fitter

safety metrics. Formal attention to safety is conveyed through several channels, including field councils, safety training, office safety ergonomics and safety awareness communications. We also include health and safety components in all of our collective bargaining agreements.

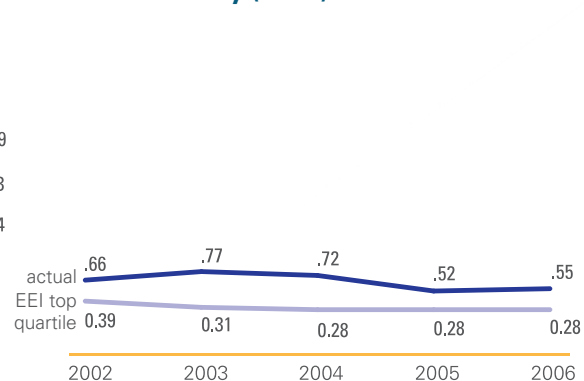
2006 Safety Performance Metrics

Our company has demonstrated a steady reduction of injuries over the past five years, resulting in a 55 percent reduction in our OSHA Recordable Incident Rate since 2002. In 2006 the number of overall incidents decreased 9 percent when compared to 2005 results. While strains and sprains continue to be the most prevalent injury type, we decreased their occurrence by 21 percent in 2006.

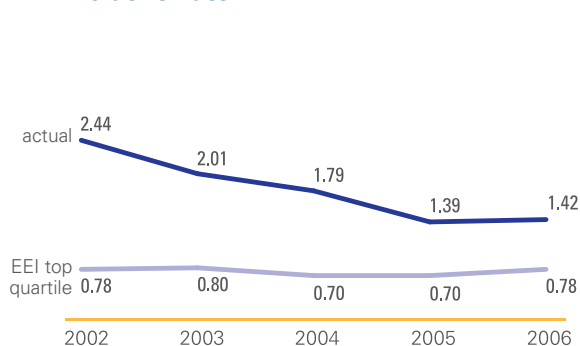
OSHA Recordable Incident Rate



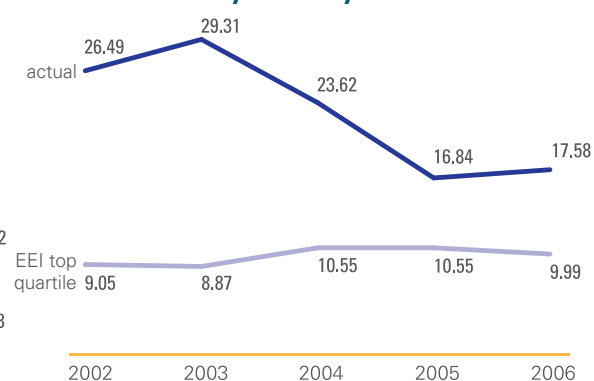
Lost Workday (LWD) Incident Rate



Days Away & Restricted Time Incident Rate



Lost Workday Severity Rate



Health and Safety Education

Our concern for our employees' health and safety extends beyond their time at work. In 2006 the Corporate Safety Team communicated safety recommendations and provided resources pertaining to a broad range of safety hazards, including winter driving, falls on ice, lightning, tornados, influenza and home safety.

With the increasing attention to the possibility of a serious pandemic flu strain, we are continuing to educate our workforce and equip them with tools and resources they can use to help protect themselves from the flu. Prevention training includes Safety Quick Talks, briefings at safety meetings, written advisories and comprehensive online resources.

Training and Career Development

We view training and career development as vital tools to attract, engage and retain our highly skilled and talented workforce. As such, we provide a wide range of technical and professional development opportunities for all Xcel Energy employees to help them achieve job success and satisfaction. In 2006 Xcel Energy employees and contractors participated in and completed more than 154,432 training events, which included required training on safety, code of conduct and environmental compliance topics. Optional professional development opportunities include areas such as leadership training, communications skills, problem resolution, time management and others.

Employees can choose from internal and external classes, online learning, printed media and mentoring as means of developing their skills. Employees are also encouraged to include new projects, stretch assignments and volunteer activities in their development plans.

We believe day-to-day performance is managed most effectively through an ongoing conversation between the employee and his or her manager about job expectations and performance. All non-bargaining-unit employees use an individual performance and development plan as a tool to guide the continuing dialogue. Employees represented by unions follow the procedures prescribed within their respective agreements. This interactive employee/leader partnership enables employees to develop work goals aligned with business priorities as well as personal development plans to help them meet their individual career goals.

Diversity and Inclusion in Our Workplace

Xcel Energy's goal is to be recognized as the standard of excellence among our peers in our commitment to diversity. This goal reflects not only our aspirations, but also company practices which emphasize inclusion and respect. The Xcel Energy workforce diversity team partners with human resources staff and business unit leaders to be certain that policies, practices and processes are inclusive and non-discriminatory.

Our priority is to ensure that our employees reflect the diversity of the communities we serve. Our business imperative is to be inclusive in our recruiting, hiring, compensation, promotion, training and development and to retain talented, diverse employees.



Jerome Davis,
community service manager

Expanded Diversity Recruitment

Our recruitment strategy includes a focus on partnerships with diversity-related organizations, colleges and technical schools, community organizations and internal employee groups. At the college level, we collaborate with professional student organizations such as the National Society of Black Engineers, Society of Women Engineers, Society of Hispanic Professional Engineers and INROADS. At the community level, we partner with the City of Minneapolis STEP UP program, Urban League of Metropolitan Denver and the Minneapolis Regional Chamber of Commerce. We also leverage the strengths of our employees by working with the Energy Supply Women's Issues Link employee group to promote employment of women in non-traditional jobs.

With many of our craft and technical positions requiring a four- to seven-year apprenticeship program, we're taking action now to recruit and retain potential employees. Xcel Energy and the International Brotherhood of Electrical Workers (IBEW) Local Union 111 are working together in a unique partnership to design and implement a program that generates interest and provides opportunities in the utility industry in general and at Xcel Energy in particular. The team, created in 2006, is partnering with Denver Public Schools and Goodwill Industries in career fairs, workforce development seminars, mentorships, speaking opportunities and mock job interviews. Plans in this joint effort include tours of our facilities for students from local high schools to discover career opportunities and an innovative job shadowing program that will provide opportunities for students to learn about our careers firsthand.

Increasing the diversity of our workforce expands the depth of our talent and our ability to perform and creates higher satisfaction in our workforce. Because the utility industry has historically attracted males, we are making concerted efforts to develop additional diversity initiatives to increase the representation of people of color and women in our applicant pool. As a result of several strategies implemented in 2006, we increased the representation of women in the applicant pool to 31.7 percent, up 4.3 percent from 2005. The percentage of applicants of color reached 25.8 percent, an increase of 3.1 percent over 2005.



Lisa Fisher,
specialist, French Island Generating Plant

Council on Diversity and Inclusion

The Xcel Energy Council on Diversity and Inclusion (CDI) is continuing to carry out its mission to champion a culture that celebrates diversity and inclusion. This cross-functional, company-wide team, which represents a critical component of our People Strategy, has made several recommendations to senior management regarding measures to enhance an environment of diversity and inclusion.

As a direct result of the CDI's first recommendation, council members will collaborate with human resources staff to conduct a company-wide cultural audit that will allow us to gain in-depth knowledge of the organization's diversity-related strengths and weaknesses. The audit will also enable the council to focus its efforts and to provide a baseline by which to measure the effectiveness of diversity efforts. Conducted by a third-party vendor, the review will include an environmental scan where experts will observe our work environment and talk with 52 groups of employees to gather current perceptions.

Human Rights: Our Corporate Values in Action

Our corporate values serve as the foundation for our Vision and Mission and act as a basis for how we treat others. These seven values collectively make a difference to the success of our company and our employees. Our values announce how we treat each other and our customers, and how we run our business. Every

employee and contractor, at all levels of the company, is accountable for knowing and demonstrating these values. One hundred percent of security personnel, including employees and contractors, are trained in Xcel Energy's policies pertaining to our Code of Conduct. Annual refresher courses are mandatory and are carefully tracked.

Treat All People With Respect

Of particular note, our value to "Treat all people with respect" represents our approach to conducting business with fellow employees, customers, shareholders, regulators and suppliers. This value helps attract and retain talented employees, increases the number and quality of suppliers who want to work with us and yields more effective and efficient work and processes. We demonstrate the value in many ways. As a company, we are committed to respecting employees' rights, focusing on health and safety precautions, providing training and development opportunities, and offering competitive salaries and comprehensive benefits. As individuals, we show our commitment to respect others by encouraging others to speak freely, maintaining an inclusive environment, seeking out ways to help, and treating people with respect regardless of their position.

Equal Opportunity Employer

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

Workforce Relations

Fifty-seven percent of our employees in all business areas were represented by independent trade union organizations in 2006. We work collaboratively with our bargaining-unit employees to build a cooperative and mutually respectful relationship. We recognize that all parties benefit by working in partnership to achieve our mutual goals, and we collectively promote an environment of collaboration through:

- **Training programs that encourage shared decision-making among company and union leaders;**
- **Joint safety advisory groups;**
- **Executive labor management meetings; and**
- **Communications briefings.**

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

Disciplinary Practices

Xcel Energy uses a Positive Discipline system that focuses on communicating an expectation of change and improvement while maintaining the appropriate level of concern for the seriousness of the situation. The Positive Discipline program is non-punitive. Instead, it focuses on individual accountability in a respectful and dignified manner.

Employee Grievance System

Xcel Energy offers multiple reporting options where employees can express concerns or ask questions. Employees who participate in a collective bargaining agreement are required to use the grievance procedures outlined in their respective agreement. Non-union employees can implement a formal course of action known as Peer Group Resolution to resolve problems and appeal certain employment decisions.

Employee Engagement

Because employee engagement is directly tied to job satisfaction, productivity, company performance, and attracting and retaining top talent, we ask all employees to participate in the Q12 survey created by The Gallup Organization. In past years, we have administered the survey on an annual basis. In 2006, on the recommendation of company managers at all levels, the decision was made to conduct the survey every other year in order to allow adequate time for managers to implement action plans for areas in need of improvement. We will conduct the next survey in 2007.



Ralph Dickinson,
product developer

corporate citizenship

At Xcel Energy, we believe that our obligation to the communities we serve goes far beyond providing safe, reliable energy. We want our communities to be good places to live, work or own a business, because our success depends on their strength and vitality. In 2006, Xcel Energy's charitable giving totaled more than \$15 million.

Mission of Xcel Energy Foundation

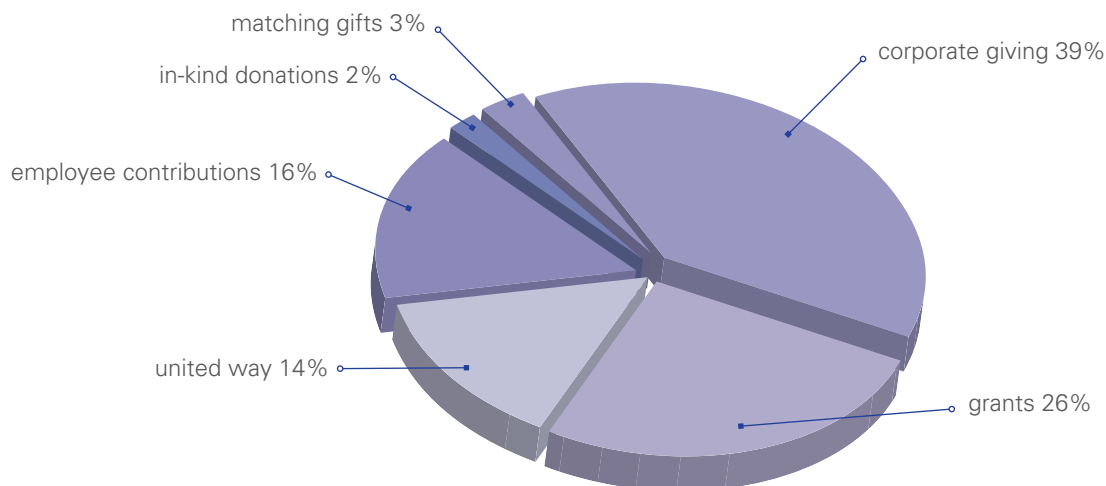
"To use our collective knowledge, resources and skills to meet the needs of our communities and ensure that Xcel Energy's service area is a highly desirable place for all citizens to live, work or own a business."

Xcel Energy Foundation is the primary source of company contributions, but by no means the only method. Caring for the community involves drawing on all of Xcel Energy's strengths, including financial and material assets, economic development efforts and employee and retiree volunteers.

Xcel Energy Foundation helps build stronger communities through focus area grants in arts and culture, community development, education and the environment. Corporate grants made to nonprofit and civic organizations contribute directly to local efforts.

Our employees also are involved, generating tens of thousands of volunteer hours per year through both employee-driven and company-sponsored efforts, such as Meals on Wheels, Habitat for Humanity or mentoring school children. We are especially proud of our nationally recognized United Way campaign, in which employees' and retirees' contributions are matched dollar for dollar to more than 160 United Way organizations across the nation.

2006 Xcel Energy Foundation/Corporate Giving



Xcel Energy Foundation

Xcel Energy Foundation ("Foundation") is a 501(c)3 IRS-classified charitable organization that is governed by its own board of directors and led by Xcel Energy CEO Dick Kelly. Founded in 2001, the Foundation oversees the charitable activities of Xcel Energy and its subsidiaries. In 2006, Xcel Energy Foundation made direct contributions totaling **\$9,373,017** in the following funding areas:

- Focus Area Grants
- Xcel Energy United Way Campaign
- Matching Gifts/Employee Giving
- Xcel Energy Foundation Initiatives

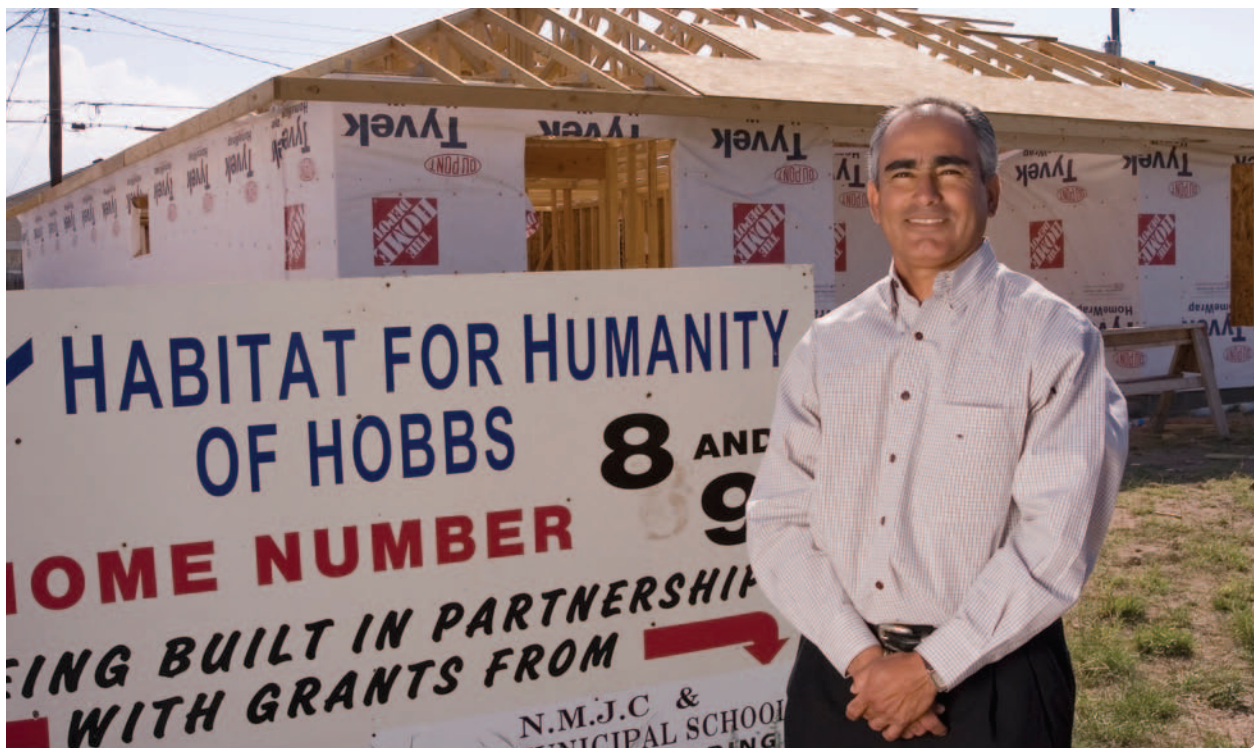
Focus Area Grants

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

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

Year	Community Development	Environmental Partnerships	Promoting Arts and Culture	Supporting Education	Total Focus Area Grants
2006	\$1,241,300	\$467,300	\$919,800	\$1,288,650	\$4,097,050*
2005	\$1,356,660	\$422,500	\$870,315	\$1,336,353	\$3,985,828

*Includes \$180,000 in miscellaneous grants outside these focus areas.



Ben Jaime,
community service manager

2006 Xcel Energy United Way Campaign

- United Way of America honored Xcel Energy as a Summit award recipient of the agency's Spirit of America® award program for corporate leadership.
- Employees and retirees pledged \$2,187,269 to 163 local United Way chapters across the nation.
- Xcel Energy Foundation matched employee and retiree pledges dollar-for-dollar.
- Total community contribution resulting from the 2006 Xcel Energy United Way campaign was \$4,364,967. This contribution will be paid out in fiscal year 2007.

Xcel Energy United Way Contributions

2006	\$4,364,967
2005	\$4,318,776

Learn more at:

xcelenergy.com

(enter these key words in the search engine)

Xcel Energy Foundation

Focus Area Grants

Online Grant Application Process



Kelly Bergeron,
team lead, customer contact center

Matching Gifts Programs

Xcel Energy Foundation matches employee and retiree donations to qualified 501(c)3 nonprofit organizations, dollar-for-dollar, up to \$500. The Foundation also matches employee and retiree gifts to qualified institutions of higher education, dollar-for-dollar, up to \$2,000. In 2006, employees and retirees contributed \$267,061 to nonprofit organizations and \$111,401 to higher education. With the Foundation match, this amounted to \$756,925.

■ 2006: \$756,925

■ 2005: \$1,084,240

Dollars for Doing

Xcel Energy Foundation gives qualifying nonprofit organizations \$5 for each hour an Xcel Energy employee volunteers there, up to \$500 per person annually.

Year	Dollars for Doing Contribution to Nonprofit Organization	Employee Volunteer Hours Worked	% Increase
2006	\$73,475	35,198 hours	132%*
2005	\$75,880	15,176 hours	18%

*This increase reflects improvements made in internal tracking.

Volunteer Energy

When teams of six or more Xcel Energy employees participate in a community volunteer program on their own time, the associated nonprofit organization is eligible to receive a \$500 donation from Xcel Energy Foundation. This is in addition to matching gifts or Dollars for Doing.

Year	Volunteer Energy Contribution	Number of Employee Volunteer Teams
2006	\$31,000	62
2005	\$19,500	39

Xcel Energy Foundation Initiatives

Xcel Energy Foundation initiatives include annual support of Classroom Connection, a long-term educational outreach program established by Xcel Energy in 1990, as well as Natural Disaster Response, a funding category which may be deployed in the event of extraordinary circumstances. In 2006, Xcel Energy Foundation contributed \$49,600 to Classroom Connection, compared with \$36,000 in 2005.

Education and Energy Safety

At Xcel Energy, we're committed to informing our customers and the public about how to act safely and responsibly around electricity and natural gas. We share safety tips and precautions with our customers and the public at large through a variety of initiatives including:

- Safety demonstrations in schools and at public events – energy safety programs presented at 309 locations to more than 106,000 people
- Energy Safety – safety resource materials and activities for teachers to use in their classrooms; offered to over 8,300 elementary-school educators in our service territory in 2006
- Safety World – Web-based games and activities for educators and students in grades three through six
- Call Before You Dig program – an integrated, multi-channel educational campaign advising customers to call their state's one-call utility notification center before starting any projects that move earth
- Classroom Connection – an online, teacher-led network and grant program where educators share creative curriculum and exemplary teaching techniques
- Safety Calendar program – annual content to teach students about energy safety and publish their winning artwork in our safety calendar
- Brain Power – an online portal offering free energy education lesson plans and assessments

Learn more at:

xcelenergy.com

(enter these key words in the search engine)

Call Before You Dig

Energy Classroom

Energy Safety

Safety World



Corporate Contributions

Each year, Xcel Energy awards corporate contributions to nonprofit and civic organizations throughout our service territory to address local community needs. Directed by operating company committees and community liaisons, Corporate Contributions includes local sponsorships, partnerships with local governments, and funding of special energy or conservation-related projects through the Chairman's Environmental Fund.

Corporate Contributions

2006	\$6,032,516*
2005	\$2,451,585
*This increase reflects improvements made in internal tracking.	

In-kind Donations

Our in-kind donations vary from year to year and consist of items such as office equipment, computers or motor vehicles that have been retired from service.

- 2006: \$293,923
- 2005: \$52,402

public policy

Xcel Energy monitors and manages many state and federal public policy issues. We analyze potential regulations and their impact on our company, customers and shareholders. We advocate public policies that help us provide cost-effective, reliable and environmentally responsible energy. Our position on political contributions is a key issue relevant to Xcel Energy's social responsibility performance.

Political Contributions

Xcel Energy complies with all federal laws restricting political contributions or expenditures using corporate funds in connection with elections for federal offices. In early 2007, Xcel Energy adopted a uniform policy regarding political contributions. A committee of the Xcel Energy board of directors will review the policy on an annual basis. Highlights include:



Judi Paukert,
community relations manager

Political Action Committees (PACs)

Xcel Energy employees have the opportunity to voluntarily join PACs on both the federal and state levels and to have their contributions donated, through the votes of their respective boards of directors, to candidates and office holders. Xcel Energy's PACs are required to publicly disclose receipts and contributions to the Federal Elections Commission and in states where contributions are made.

Corporate Contributions

Xcel Energy may provide financial support to political candidates, committees and other political organizations by making corporate contributions where it is legally permissible to do so. All contributions are publicly disclosed as required by applicable federal and state laws. Additionally, all corporate contributions to a candidate campaign or to an entity organized and operating under Section 527 of the Internal Revenue Code require prior approval of Xcel Energy's Regulatory, Government Affairs and Legal departments and the operating company chief executive officer of the jurisdiction where the expenditure is made.

2

environmental leadership

we envision a clean energy future

One day, we hope to meet our customers' growing energy needs with resources that minimize any potential environmental impact. While we are making great strides today, we believe there are even greater possibilities for future progress.

To realize this vision of a clean energy future, we must change the way we make and deliver energy. This will demand technology transformation and public support. It will take additional investment. It will call for creativity, cooperation and courage.



environmental policy, issues and regulation

Climate Change and Carbon Risk Management

No environmental issue presents our company with as much opportunity to demonstrate leadership as global climate change. Public concern and political will have converged to push climate change to the forefront of our national and world agendas:

- **The U.S. Congress is considering several proposals to regulate greenhouse gas emissions at the federal level, and more are likely to be introduced.**
- **Individual states are trying to reduce greenhouse gas emissions through their own regulation.**
- **Companies are researching and deploying new technologies to reduce carbon risk and environmental impacts.**
- **Individuals are evaluating their own behaviors and lifestyle choices to reduce their carbon footprint.**

We believe global warming is real and we must continue to be part of the solution. As a large generator of electricity in the U.S., Xcel Energy emits greenhouse gases, primarily carbon dioxide (CO₂), from the fossil fuels we burn to make electricity.

We believe clean energy technologies are the key to reducing CO₂ emissions from electricity while meeting our customers' growing energy needs. We continue to support a comprehensive national approach to climate change regulation that promotes flexibility and diverse clean energy options with low or no CO₂ emissions. Renewable energy and energy conservation and efficiency are the cornerstones of this strategy. Advanced coal technology with carbon capture, new nuclear generation and carbon offset projects, such as carbon storage in agriculture, play important roles as well.

In 2006, we fashioned an environmental proposal we call the Clean Energy Portfolio Standard and opened the discussion with policy makers, energy providers, the environmental community and others about our approach to addressing and mitigating climate change.

Learn more at:

xcelenergy.com

(enter these key words in the search engine)

Environment
Renewable Energy
Resource Conservation



Skyline
Minneapolis, Minn.

How the Clean Energy Portfolio Standard Would Work

Our proposed Clean Energy Portfolio Standard would be a mandatory policy. It would lower future CO₂ emissions from the utility industry and reduce the rate of emission growth. Our policy would address climate change while maintaining the economic opportunity all of us want for our children and grandchildren. We must create real value for customers and shareholders, not just add costs.

Our proposal combines mandatory standards with flexibility, and we believe it would result in lower utility CO₂ emissions at less cost than other proposals Congress has considered. We think utilities should get credit for the things they're already doing to bring their customers renewable energy. Early action should be rewarded, not punished.

Clean Energy Credits

Under our proposal, utilities would comply with the standard through tradable Clean Energy Credits (CECs).

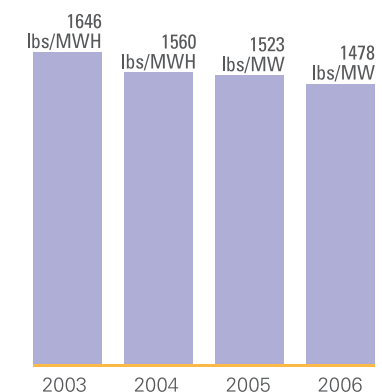
- **Utilities could generate CECs by producing clean energy.**
- **Utilities could also get credits for investments in energy efficiency and conservation programs, or carbon offsets such as carbon sequestration.**

Utilities that generate more CECs than they need to comply could sell their excess credits through a national trading market to other utilities that need more credits to meet their obligations.

Utilities would also be able to purchase "safety valve" CECs from the Department of Energy. This provision assures that the policy's economic impacts would not cause severe hardship if compliance costs turned out to be unexpectedly high. In addition, our proposal includes provisions to ensure cost recovery for clean energy generation and transmission facilities.

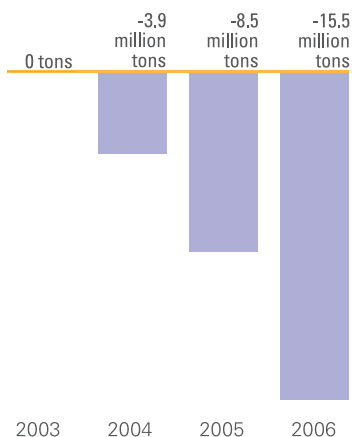
While Xcel Energy is well positioned to meet a federal CO₂ cap or tax, we think this approach would work better.

CO₂ Intensity Reduction (lbs/MWh)



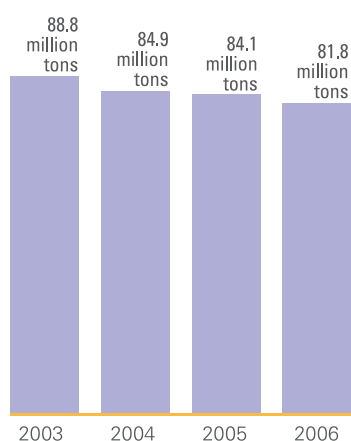
Data reflects owned and purchased generation.

Cumulative CO₂ Emissions Reduction (millions of tons)



Data reflects owned and purchased generation.

Total CO₂ Emissions (millions of tons)



Data reflects owned and purchased generation.

In our states, we participate in climate change dialogues to share our ideas and expertise. We are developing our own greenhouse gas emission inventory to prepare for future regulation. And we continue to implement our voluntary carbon management strategy to reduce CO₂ emissions from our own operations before regulation requires it.

Carbon Management Strategy

In 2004, we launched a strategy to reduce CO₂ emissions from our entire resource portfolio of owned and purchased energy.

- **CO₂ Intensity Reduction** – reduce CO₂ intensity by 7 percent by 2012 from a baseline of 1,646 pounds per megawatt-hour (lbs/MWh) to 1,531 lbs/MWh.
- **CO₂ Emissions Reduction** – reduce CO₂ emissions by 12 million cumulative tons by 2009.



Harrington Station,
Amarillo, Texas

We are undertaking many initiatives to prepare for future climate change regulation and to reduce greenhouse gas emissions from our operations, including:

- **Significant renewable energy additions across our operating systems. In fact, Xcel Energy is the number one wind power provider in the nation and we continue to grow our wind portfolio at a rapid pace.**
- **Fuel switching from coal to natural gas at two Minnesota power plants**
- **Increased energy efficiency and conservation opportunities for our customers in several states**
- **Re-licensing efforts for nuclear and hydroelectric facilities, which produce no air emissions**
- **Efficiency projects to reduce fuel use at our fossil energy facilities**
- **Upgrade electrical equipment to avoid emissions of greenhouse gases**
- **New technology development initiatives involving energy storage, advanced coal generation with carbon capture and geologic sequestration, biosequestration, hydrogen, plug-in electric vehicles and solar technologies**
- **In certain states, we use an evaluation process for future generation resources that incorporates the risk of future carbon limits through the use of a carbon cost adder or externality costs.**

While eventual regulation is unclear at this point, our proactive initiatives and active policy advocacy efforts position us well for a variety of possible outcomes.



Buffalo Ridge wind farm,
Lake Benton, Minn.

Other Regulatory Developments

Beyond greenhouse gas emissions, environmental regulation regarding other air emissions continues to increase. We're proud of our leadership concerning new rule development and implementation.

Mercury

States throughout our service territory have been developing mercury regulation to comply with the Clean Air Mercury Rule (CAMR), which the Environmental Protection Agency (EPA) issued in 2005. This rule regulates mercury emissions from power plants for the first time. Through legislation or rule-making processes, many states will reduce mercury emissions below the 70 percent reduction EPA set forth in its model rule.

- **In Minnesota, we helped to craft legislation in 2006 that balances environmental protection with the state of mercury measurement and reduction technology. It calls for mercury emission controls at our Allen S. King generating station in Minneapolis and our Sherburne County generating station in Becker.**
- **In Colorado, we worked with other utilities, the environmental community and state regulators in 2006 to develop a new state air quality rule for mercury. We will install mercury controls at our Pawnee generating station in Brush in 2012. We have already installed mercury controls at our existing two units at Comanche Station in Pueblo. These two units and a new unit under construction will all receive mercury emission controls by 2009.**

Clean Air Interstate Rule

The EPA's Clean Air Interstate Rule (CAIR) affects Xcel Energy generating facilities in Minnesota, Wisconsin and Texas. Regulators in Minnesota and Wisconsin are drafting rules that will require more stringent emission reductions than required by the federal program in those states. We are petitioning the District of Columbia Circuit Court of Appeals to have West Texas excluded from CAIR. The outcome of this litigation will impact compliance options for our Texas generating facilities.

Regional Haze

Regional haze refers to visibility impacts to protected federal lands, such as national parks and wilderness areas. The EPA is requiring each state to analyze stationary sources believed to contribute to visibility impacts and to develop implementation plans to comply with the Best Available Retrofit Technology (BART) regulations by December 2007.

In Minnesota, we await our state regulators' response to our BART alternatives analysis. In Colorado, we submitted a BART alternatives analysis with the Colorado Air Quality Control Commission and are proposing to install a scrubber at Pawnee Station in Brush, Colo., to comply with the BART rule. In Texas, state environmental regulators have determined that compliance with CAIR is a substitute for BART for two emissions – nitrogen oxide (NO_x) and sulfur dioxide (SO₂).

environmental management and oversight



Environmental Council

Established in 2006, the Environmental Council provides oversight and guidance to ensure our company's business decisions are consistent with our environmental policy. The group meets quarterly to review environmental goals, performance, strategy, policy and initiatives. Richard C. Kelly chairs the Environmental Council, and David Wilks and Olon Plunk serve on the Environmental Council, along with other executives and managers with environmental leadership responsibility.

Environmental Management System

Xcel Energy is developing procedures and tools for our environmental management system to be consistent with ISO 14001, an international standard of environmental management. Our system includes strategic environmental risk management; managing environmental, legislative and regulatory policy; and environmental permitting, compliance and auditing services.

Environmental Index

	2006 Target	2006 Actuals	2006 Score
Exceedances	372	206	100%
SO ₂ Reduction* (tons)	33,299	32,247	88%
NO _x Reduction* (tons)	20,717	19,759	87%
CO ₂ Intensity Target**	1,556 lbs/ MWh	1,478 lbs/ MWh	100%
Total	93%		94%

*Owned generation

**Owned and purchased generation

Environmental Goals and Performance

Xcel Energy goes beyond regulatory compliance to measure our environmental performance. Each year, we establish challenging environmental goals focused on continuously improving our operations. In 2006, we used an Environmental Index comprised of indicators related to reducing power plant emissions, including CO₂, sulfur dioxide (SO₂) and nitrogen oxides (NO_x). We missed our target slightly in SO₂ and NO_x reductions, but significantly reduced exceedances and met our CO₂

reduction target. Exceedances are short periods of time when our power plants are operating above permit limits, usually due to unanticipated equipment problems. Many of these periods are considered excused due to specific operating conditions allowed by permit or regulation. Overall, we achieved an environmental index of 94 percent, which surpassed our goal of 93 percent.



Pawnee Station,
Brush, Colo.

For 2007, we have two environmental goals that reflect the growing focus on greenhouse gas emissions and global climate change. The first indicator supports our company's voluntary carbon management strategy with a CO₂ intensity goal of 1,510 pounds per megawatt-hour. The second indicator targets further CO₂ reductions, with a goal to implement projects in 2007 that will result in at least 2 million tons of CO₂ reduction over the course of their project life.

energy resources

Xcel Energy forecasts our customers' electricity needs and develops resource plans to meet those needs in the most effective manner. We regularly file these plans with public utility commissions in various states where we operate.

NSP Region

In our most recent resource plan, filed with the Minnesota Public Utilities Commission (MPUC) in 2004, we identified the need for an additional 3,100 megawatts in the region during the next 15 years.

To address the need for additional baseload power, generation that is available 24 hours a day, seven days a week, we have proposed capacity upgrades for three large existing plants:

- **Our Prairie Island and Monticello nuclear plants,**
- **Our Sherburne County coal-fired power plant. (This plan proposes emissions reductions in connection with the increase in generating capacity.)**

We will file detailed certificates of need for these projects by Sept. 1, 2007.

In November 2006, we also proposed adding an innovative combination of hydroelectric and wind power resources to fill a 375 MW baseload shortfall projected by 2015. The proposal includes:

- **Purchasing 375 MW of power from Manitoba Hydro beginning in 2015; and**
- **Purchasing or building 380 MW of wind generation to be available in 2015 or earlier.**

The wind resource will complement the Manitoba Hydro purchase, and combined the two fuel sources will provide the same level of reliability as a new 375 MW coal plant at a lower cost and significantly lower environmental impact.

We also will add about 600 MW of community-based and other wind projects in the NSP region by the end of 2007. In total, we plan to add approximately 3,000 MW of new wind energy on the NSP system between 2006 and 2019.

Nuclear Plant Re-licensing

In order to upgrade our nuclear power plants, which produce valuable baseload energy with no air emissions, we must successfully re-license them. In November 2006, the Nuclear Regulatory Commission (NRC) renewed Monticello's operating license for 20 years. We are currently working on a license application for Prairie Island.

The Monticello re-licensing process was completed in 19 months, the shortest time that the current process has been achieved. Monticello achieved other milestones in 2006. It set a record for continuous run at year-end of 627 days, breaking the previous record of 559 days. The plant also generated a record 5.2 million megawatt-hours (MWh) in 2006, surpassing the prior record of 5.03 million MWh set in 2004.

At the state level, the MPUC approved a Certificate of Need for an independent spent fuel storage installation at the plant.

Minnesota Emissions Reduction Project

The first project in our \$1 billion voluntary Minnesota Metro Emission Reduction Project (MERP) comes to fruition in spring 2007 when our newly rehabilitated Allen S. King plant returns to service.

The Oak Park Heights, Minn., coal-powered generating facility has been the focus of a project, launched in 2004, that involves installing state-of-the-art air quality control system equipment, along with a new steam turbine and generator repairs and modifications. The improvements will significantly reduce air emissions while restoring the plant to its original electrical output capacity of more than 500 megawatts.

King represents the first of three projects proposed under MERP, a plan to significantly reduce air emissions from three Twin Cities-area generating plants while increasing the amount of electricity they can produce. Along with the King improvements, MERP calls for converting the High Bridge generating station in St. Paul and the Riverside generating unit in Minneapolis from coal to natural gas combined-cycle technology.

We broke ground on the High Bridge project in spring 2006, targeting startup in spring 2008. Site preparation for the Riverside project began in the summer, with a spring 2009 in-service date scheduled for the new generating facility.



Allen S. King Plant construction,
Oak Park Heights, Minn.

Sherco Emissions Reduction Proposal

On the heels of MERP, Xcel Energy in 2006 proposed another voluntary emissions reduction project at our Sherburne County coal-fired power plant (Sherco) in Becker, Minn. The proposed project is connected to our plan to increase generating capacity at the plant to meet customers' growing needs.

Sherco is a 2,400-megawatt, three-unit plant located about 45 miles northwest of the Twin Cities. The proposal would add capacity for Xcel Energy's customers while significantly reducing emissions of mercury, NO_x, SO₂ and particulates. Our preliminary calculations indicate that our proposal would limit carbon emissions to current levels or below, even with the capacity expansion. If approved, Xcel Energy plans to begin construction on the project in late 2008 and complete work by 2012.

PSCo

In 2006, we completed acquiring resources to meet Colorado customers' needs between now and 2012. We're currently adding a new 750-megawatt super-efficient coal unit at Comanche Station in Pueblo. We also expect to add 1,000 megawatts of purchased gas resources and to renew purchase contracts from several existing facilities. In addition, we will have over 1,000 megawatts of wind power on our Colorado system by the end of 2007.

Comanche 3

This new, 750-megawatt generating unit at our Comanche coal-fired generating facility is a significant commitment to reducing our environmental impact. Additional emission controls are being added to the plant's current two units. The new unit will have low NO_x burners and selective catalytic reduction to significantly reduce NO_x emissions. A baghouse will control particulates and a lime-spray dryer will control SO₂ emissions. Baghouses capture more than 99 percent of particulates and some mercury emissions. Activated carbon injection also will control mercury emissions on all three units. When the project is completed in 2009, electricity generation at Comanche Station will more than double, while NO_x and SO₂ emissions will be significantly lower than they are today.

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

Plant construction began in October 2005 and continued throughout 2006:

- **All major contracts have been awarded for the \$1.3 billion unit.**
- **We employed as many as 600 workers during 2006, and ultimately will employ over 1,200 workers at the construction peak.**

- **Comanche 3 will be on-line in the fall of 2009 and is expected to employ 40 full-time employees.**
- **The new unit will add average tax payments of approximately \$10 million annually to Pueblo jurisdictions during construction and the first decade of operation.**

Several prominent environmental groups were part of a comprehensive settlement agreement concerning the project, including: the Sierra Club, Western Resource Advocates, Environmental Defense, Environment Colorado, Southwestern Energy Efficiency Project, Colorado Renewable Energy Society, Diocese of Pueblo and Smart Growth Advocates. Our ongoing partnership with these groups enables continued communication and cooperation on this and other projects.



Construction of Unit 3 at Comanche Generating Station,
Pueblo, Colo.

SPS

In 2006, SPS executed a purchased power agreement with Lea Power Partners, LLC, for a new, 600-megawatt natural gas-fired, combined-cycle facility located in southeastern New Mexico near the city of Hobbs. Commercial operation is expected to begin in June 2008. The addition of this new generating facility will enable the company to meet customers' energy needs in an efficient and environmentally friendly way.

The use of combined-cycle technology should reduce the overall quantity of natural gas burned by SPS and achieve significant fuel savings. In addition, the dry-cooled design of the generating facility will limit water usage rates to just 10 percent of that from a similarly sized wet-cooled facility.

renewable energy

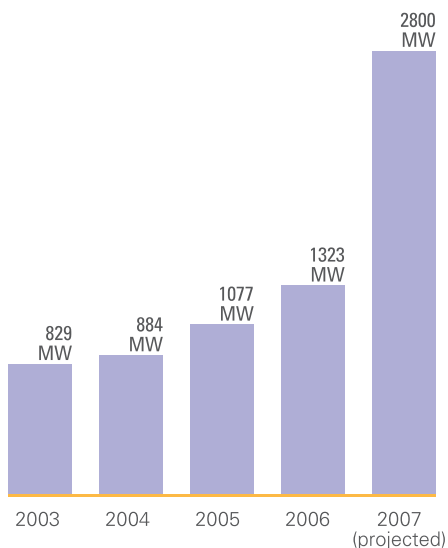
Renewable resources, such as wind, hydro and biomass, accounted for nine percent of our total energy mix in 2006. We're committed to increasing our use of renewable resources throughout our eight-state service territory.

Wind

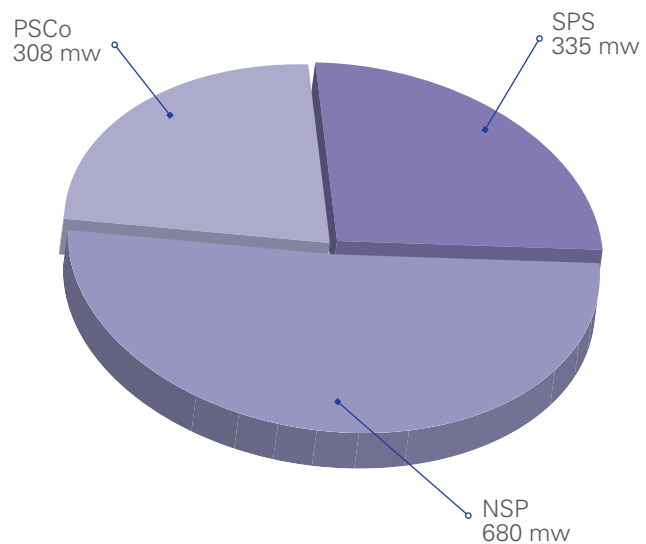
Wind energy continues to play a major role in Xcel Energy's environmental leadership initiatives. In 2006, Xcel Energy again led the nation in providing wind power for its customers – more than any other utility in the U.S., according to the American Wind Energy Association. By year-end, we had 1,323 megawatts (MW) of wind capacity installed on our system and we plan to more than double that capacity to 2,800 MW by the end of 2007. Our long range plans call for us to have 6,000 MW of wind on our entire system by 2020.

Our proactive efforts position us to meet future demands for renewable energy as legislatures in Colorado, Minnesota and New Mexico passed laws in 2006 calling for increased Renewable Portfolio Standards. Our customers are showing their support of wind energy as well by their participation in our voluntary program, Windsource®, the country's largest green-pricing program in terms of customer participation, according to the National Renewable Energy Laboratory. At the end of 2006, more than 60,000 customers subscribed to Windsource, a 30 percent increase over 2005.

Wind by Year



2006 In-service Wind by Operating Company



2

environmental leadership
Xcel Energy triple bottom line 2006



Wind Studies

Wind is a renewable resource, with no air emissions or water use. We proactively study the cost and operational impacts of increasing our penetration of wind energy in Minnesota and Colorado and we are currently assessing higher penetration levels of wind in Texas and New Mexico. These studies provide valuable data we use in resource planning, with the goal of maximizing cost-effective renewable energy in our overall portfolio.

We are also managing a study with a transmission organization, the Midwestern Independent System Operator, or MISO, to understand the challenges of transmitting wind energy: moving wind energy to population centers from distant wind farms; the short wind generation development time versus the long transmission permitting and construction lead-time; and the allocation of cost recovery and other issues. And we are working with the University Corporation for Atmospheric Research in Boulder, Colo., to improve the accuracy of forecasting wind availability for meeting daily energy requirements and short-term peak demand.

Transmission

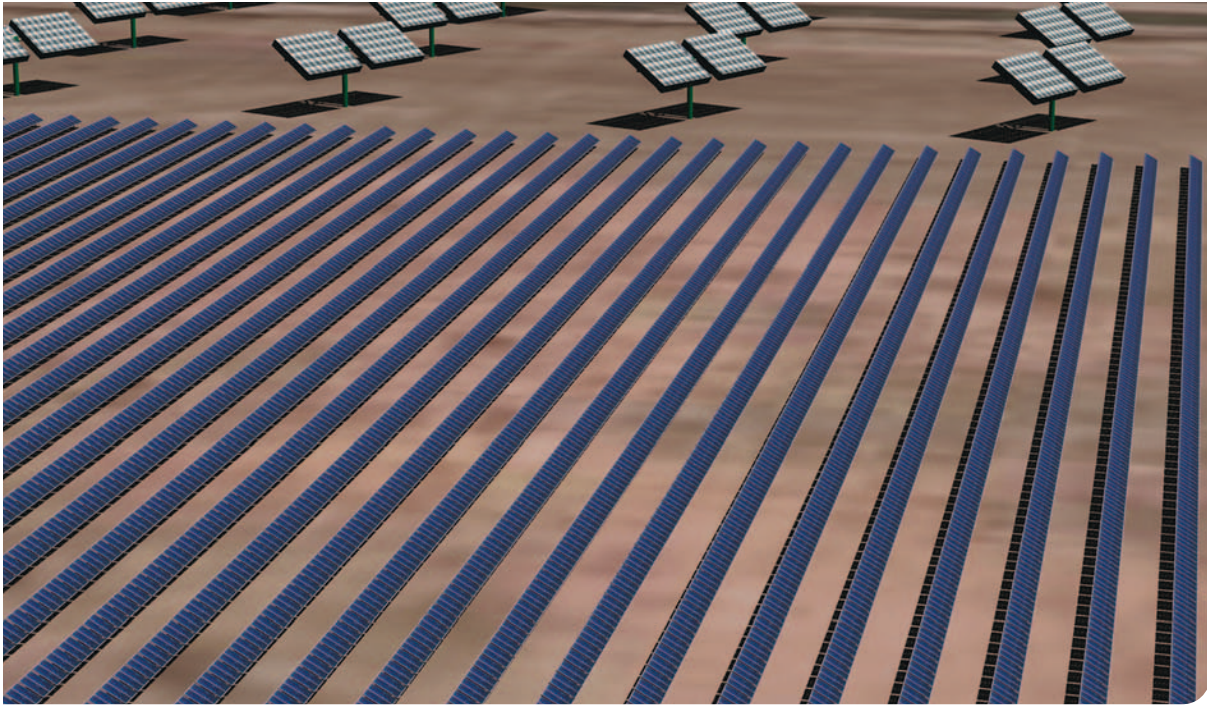
Additional transmission is needed across our service territories to accommodate increasing amounts of wind generation on our systems. It takes much longer to build transmission to move wind power from where it's produced to where it's used than it takes to build the wind farm itself.

- **We have launched a major initiative in Minnesota, called CapX 2020, to significantly expand transmission corridors in the region to facilitate wind energy growth.**
- **We have also helped to lead an initiative in Colorado that culminated in legislation in 2007 to enable faster transmission siting and cost recovery to help wind development realize its full potential.**

Solar

Solar energy is a growing part of our renewable portfolio. In March 2006, we began offering rebates to Colorado customers for installing solar systems on their homes and businesses as part of our Solar*RewardsSM program. Among other benefits, it enables us to buy the Renewable Energy Credits (RECs) – or the environmental attributes – from the energy the systems produce as well as any excess energy our customers may not need. The Colorado Solar Energy Industries Association recognized the program's success and honored us with its President's Award in early 2007.

So far, we've paid out more than \$10.5 million in rebates and RECs for projects less than 10 kilowatts, supporting more than 3.2 megawatts of solar energy production capacity in Colorado. We're working with our commercial customers to bring on larger solar projects at their sites. We could be looking at as many as 30 projects, ranging from 25 kilowatts to 2 megawatts, this year and next.



Artist's rendering of the 8.2 megawatt solar power plant located near Alamosa, Colo.

In 2006, we also finalized a contract to purchase the power from an 8.2-megawatt solar power plant located near Alamosa, Colo. Arrays of solar panels on the 82-acre site will feature two solar technologies – concentrating photovoltaic and flat-plate solar panels – making it the largest plant of its kind in the U.S. when operational in 2007.

Biomass

Xcel Energy also uses waste to generate electricity. In Minnesota, our Red Wing and Wilmarth plants burn Refuse Derived Fuel (RDF) produced by another company. At our French Island plant, we process municipal solid waste into RDF we burn on site. Our biomass resources will soon include a 50-megawatt facility that generates power using turkey litter, and we are evaluating other biomass opportunities on our systems.

At the end of 2006, two biomass generators were brought on-line in the cities of Hibbing and Virginia in northern Minnesota's Iron Range. The project provides 35 MW of biomass-fired energy fueled by forest harvest residue, such as tree tops and limbs. Our purchase of the power allowed the cities to repower their municipal plants and systems. This provided community residents with heat for their homes and businesses from a cost-effective central steam heating system and reduced dependence on coal. It also allowed the cities to retain 70 municipal employees. In addition, the cities have extended the biomass concept by planting 1,700 acres of fast growing trees with the goal of having the project operate primarily as a closed-loop biomass project.

2

environmental leadership

Xcel Energy triple bottom line 2006

Hydro

Hydroelectric power was an original fuel source for some of Xcel Energy's operating companies and several of our hydro facilities celebrated milestone anniversaries in 2006 – 90 and 100 years of operation. Others will reach these marks in 2007 and in coming years. We have re-licensed many of our hydroelectric plants for a longer run, and are also planning improvements at several facilities to improve efficiency and increase generating capacity.

energy efficiency and conservation

Xcel Energy forecasts our customers' energy resource needs and develops a plan to meet those needs in the most cost-effective manner. Part of the planning process to meet customers' energy needs is to help customers conserve energy and reduce their demand on Xcel Energy's system. Since 1992, our customers have saved enough electricity to enable us to avoid building nearly nine 250-megawatt power plants.

In 2006, Xcel Energy spent more than \$85 million on energy efficiency and conservation projects for residential and business customers throughout our service territory. Overall, our energy efficiency and conservation projects helped save enough energy to satisfy the electricity needs of 39,500 homes and the natural gas needs of 11,400 homes for one year.

2006 Energy Efficiency, Conservation & Load Management

State	Spending	Electric Efficiency/Load Management		Gas Conservation
		Generator Kilowatts (kW)	Generator MWh	MCF
MN	\$ 48,237,251	102,757	256,383	927,028
CO	\$ 27,333,655	29,851	46,799	N.A.
WI	\$ 7,262,952	N.A.	18,961	107,365
TX	\$ 2,451,017	2,185	6,003	N.A.
NM	\$ 356,423	Plans underway for 2007		N.A.
SD	\$ 40,506	1,566	115	N.A.
ND	\$ 19,614	717	53	N.A.
TOTAL	\$ 85,701,418	137,076	328,314	1,034,393

N.A. = not applicable

Average electric use/home used is 7,800 kWh

Average gas use/home used is 90 MCF (1,000 cubic feet)

Colorado

In Colorado, Xcel Energy spent more than \$27 million in 2006 on energy efficiency and conservation projects for electric residential and business customers. The projects achieved a savings of nearly 30 megawatts of peak production, nearly 47 gigawatt-hours of energy.

Minnesota

As required by Minnesota state law, Xcel Energy spends two percent of gross operating revenues from electricity and 0.5 percent of revenues from natural gas on energy efficiency programs for customers. Xcel Energy spent more than \$48 million in 2006 on these projects for electric and natural gas residential and business customers. The projects achieved a savings of more than 102 megawatts of peak production, 256 GWh of energy, and 927,000 MCF of gas consumption.

Wisconsin

In Wisconsin, Xcel Energy is required to participate in the Statewide Energy Efficiency and Renewable Energy programs directed by the Department of Administration. The statewide program is called Wisconsin Focus on Energy. Xcel Energy spent more than \$7.2 million in 2006 on energy efficiency and conservation for electric and natural gas residential and business customers. We saved more than 18 GWh and 107,365 MCF of energy in our service territory.

Texas

In 2006, Xcel Energy continued to participate in contracts for its third-party bid program for demand-side management (DSM). Commission-approved energy efficiency programs included: Residential, Small Commercial, and Commercial and Industrial. The Texas DSM programs achieved 2,185 kilowatts (kW) of demand reduction and 6,003 MWh of energy.

North Dakota

In North Dakota, Xcel Energy provides savings opportunities to customers through our Electric Rate Savings program. During 2006, our customers were able to reduce their demand for electricity by 1,566 kW.

South Dakota

In South Dakota, many customers can qualify for our Electric Rate Savings program. During 2006, our customers were able to reduce their demand for electricity by 717 kW.

New Mexico

The recently approved New Mexico Efficient Use of Energy Act requires public utilities to evaluate and implement cost-effective programs to help customers reduce energy demand and consumption. We are currently developing energy efficiency programs for our New Mexico customers.

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environmental leadership

Xcel Energy triple bottom line 2006



technologies

Xcel Energy is committed to developing innovative technologies that can produce electricity with reduced environmental impact.

Integrated Gasification Combined Cycle (IGCC)

In 2006, we announced a commitment to spend \$3.5 million through 2007 to explore the feasibility of developing an integrated gasification combined cycle (IGCC) technology generating project in Colorado. We will include our IGCC project in our resource plan filing with the Colorado Public Utilities Commission (CPUC) for approval later in 2007.

IGCC is an advanced coal technology that offers the potential to capture CO₂ more easily than is possible today with a traditional pulverized-coal facility. This will prove to be a critical tool to reduce carbon emissions and maintain coal as a reliable, low-cost fuel source for producing electricity.

We are pursuing various funding mechanisms, including federal funding, based on provisions in the federal Energy Policy Act of 2005 that support IGCC development. We also will seek partners for the venture to help minimize the cost to our customers.

An IGCC facility in Colorado will demonstrate the technology can operate on western coal at high altitudes. Right now, there are two operating IGCC plants in the U.S. that use a mixture of petroleum coke and eastern bituminous coal, which has a higher energy content and lower moisture content than western coal.

Pending regulatory approval and secure financial support, we plan to begin construction of a facility after 2010. We have contracted with an engineering firm and will soon select an IGCC technology provider and site for the project.

We plan to capture, or sequester, a portion of the CO₂ to use it in enhanced oil recovery, making our IGCC plant one of the first in the nation to do so.



Dick Kelly (center), chairman, president and CEO of Xcel Energy, shakes hands with Dan Arvizu, director of NREL, after kicking off the Wind-to Hydrogen demonstration project. U.S. Representative Mark Udall (clapping hands) attended the ceremony along with other dignitaries.

Energy Storage

Batteries and Compressed Air

The ability to store energy produced by renewable resources is a key to maximizing these resources. As part of our Smart Grid initiative, discussed on page 82, we are partnering with the National Renewable Energy Laboratory (NREL) and the University of Minnesota to test storing, controlling and dispatching wind energy in a one-megawatt scale battery.

Wind-to-Hydrogen Demonstration Project

Xcel Energy is participating in different efforts to help hydrogen realize its potential as a carbon-free energy source. In 2006, Xcel Energy and the National Renewable Energy Laboratory (NREL) completed construction of a Wind-to-Hydrogen demonstration project located at the NREL wind test facility in Golden, Colo. The hydrogen could be stored and used to generate electricity from a fuel cell when the wind isn't blowing, or used as a transportation fuel, thereby removing the

intermittent aspect of wind energy. Data is now being gathered to assess the feasibility of this process and how hydrogen will enable us to integrate more wind resources on our utility grid.

Hydrogen Utility Group

Xcel Energy also is a founding member and chair of the Hydrogen Utility Group, a consortium of utilities investigating the infrastructure needed to develop a hydrogen-based economy. The consortium is measuring the value of hydrogen for utility companies' internal operations, evaluating external markets that would buy hydrogen and searching for a common thread to extend the benefits of a hydrogen economy to more utilities.

Plug-in Hybrid Electric Vehicles

Xcel Energy, through our Utility Innovations group, is researching Plug-In Hybrid Electric Vehicles (PHEVs) in Colorado and Minnesota. PHEVs are hybrid electric cars with additional batteries that can be recharged daily by plugging them into a standard 120-volt outlet.

Utility Innovations

By combining individual partner company strengths in hardware, software and utility industry expertise, Xcel Energy is developing significant synergies and advancements to benefit utility customers. Taking the best ideas of diverse companies, Utility Innovations is a new technology group within Xcel Energy that looks for technological solutions to help transform business by improving operations and customer satisfaction through enhanced system reliability and efficiencies.

We conducted a study in Colorado with NREL that looked at how PHEVs could affect the electric power grid depending on when and where the cars were charged and how they could impact the company's production and capacity costs. The study found that PHEVs would reduce overall vehicle ownership expense and, with the help of smart-grid technologies, eliminate vehicle emissions by up to 50 percent. PHEVs offer a potential solution to increasing air emissions, urban pollution, our nation's dependence on foreign oil and rising vehicle fuel costs.

renewable development fund

Xcel Energy established the Renewable Development Fund (RDF) in 1999 as a means to financially support renewable energy production, research and development utilizing technologies such as hydroelectric, biomass, wind, solar and biofuels in the state of Minnesota. This fund was established as a result of our agreement with the 1994 Minnesota State Legislature to temporarily store spent nuclear fuel at our Prairie Island Nuclear Generating Plant in Red Wing, Minn. The Legislature further requires Xcel Energy to use a portion of these funds to support small wind generation and biogas projects in the state through the Renewable Energy Production Incentive.

Renewable Development Fund – Annual Grants Paid

- 2006: \$6.6 million
- 2005: \$3.9 million
- 2004: \$3.4 million

Renewable Energy Production Incentive

- 2006: \$8.0 million
- 2005: \$4.3 million
- 2004: \$1.5 million



renewable energy trust

The Renewable Energy Trust is a voluntary, customer-driven charitable fund established in 1993 to help develop renewable energy sources in Colorado for the benefit of local schools, nonprofit organizations and public/community groups. The Renewable Energy Trust is administered by the Denver Foundation, an independent charitable organization, under the guidance of Xcel Energy customers who are concerned about preserving the environment. Every dollar contributed to the Renewable Energy Trust by Xcel Energy customers is tax-deductible and used to purchase and install renewable energy projects such as solar electricity systems for community organizations that would otherwise be unable to afford this technology.

Renewable Energy Trust – Annual Grants Paid

- 2006: \$175,000
- 2005: \$92,000
- 2004: \$89,000

sustainable business practices

Biodiesel

Xcel Energy expanded its use of 10 percent biodiesel fuel (B10) to its Colorado diesel vehicle fleet as a result of fuel mixture tests in 2006. The fleet includes nearly 550 diesel fuel vehicles, which will make it one of the largest fleets in the state to use biodiesel fuel. In 2007, we will increase the biofuel component to 20 percent biodiesel fuel (B20). We are researching the potential to expand biodiesel use elsewhere in our fleet.

Using biodiesel will decrease fleet emissions by the following amounts:

- Unburned hydrocarbon emissions by 10 to 15 percent
- Carbon monoxide emissions by five to 12 percent
- Particulate matter by five to nine percent

In addition, we will acquire hybrid bucket trucks. These utility vehicles have improved fuel economy and significantly decreased emissions. Their engines can be turned off while operating at a job site, reducing idling emissions and noise. They also can provide some remote power during emergency restoration services.

Learn more at:

xcelenergy.com

(enter these key words in the search engine)

Renewable Development Fund (MN)

Renewable Energy Production Incentive (MN)

Renewable Energy Trust (CO)

2

environmental leadership

Xcel Energy triple bottom line 2006

Recycling and Energy Use

Xcel Energy launched initiatives in late 2006 targeted at improving employee recycling efforts and reducing energy use at major company buildings.

An employee recycling committee began measuring yards of waste at each facility and developing recycling agreements with the two biggest waste-disposal companies in Xcel Energy service territories. Plans call for the following actions:

- **We will install receptacles for recycling glass, plastic, cans and office paper to decrease waste-removal costs.**
- **We are also planning a communication effort to raise awareness about wise resource use, smart purchasing practices and recycling opportunities for employees.**

biodiversity and habitat protection

Xcel Energy operates in some beautiful and pristine parts of the country and we work to preserve distinctive habitat in each of those regions. Our initiatives include:

Nest Box Program and Bird Cam

In 1989, we partnered with the Raptor Resource Project in Minnesota to save the peregrine falcon, installing a special nest box at our Allen S. King generating station. The project grew, along with peregrine populations, to include active nest boxes at nearly all of our Minnesota power plants and several of our Colorado facilities as well. We later installed Web-based cameras in the boxes to help increase awareness for conservation efforts. Today, the Bird Cam movement continues to grow. We offer eight different bird cams, featuring six different bird species – bald eagles, great horned owls, barn owls, peregrine falcons, American kestrels and osprey. Last year, more than 100,000 individual computers logged on to our Bird Cam site to watch bird families grow and develop.

Avian Protection

We were the first utility in the nation to voluntarily sign a memorandum of understanding with the U.S. Fish and Wildlife Service to develop avian protection plans for our service areas. Under this agreement, we have been monitoring and reporting avian deaths and injuries to the U.S. Fish and Wildlife Service since 2002, and have developed comprehensive raptor protection standards for overhead electric distribution facilities.

- **We are in the second year of implementing the avian protection plan for our Colorado region. In 2006, we retrofitted 12 miles of transmission line in Colorado to protect birds along the Colorado River in the western portion of the state.**
- **The draft avian protection plan for the Texas and New Mexico region will be finalized by the end of 2007.**

- A draft plan for our upper Midwest region will be finished by mid-2007, with plans to finalize it by the end of the first quarter 2008. We also work closely with various organizations in the region, such as Twin Cities Osprey Project, Minnesota Trumpeter Swan Society and Bird Conservation Minnesota, to protect bird species and provide habitat.

In early 2007, Xcel Energy was the first recipient of the Rocky Mountain Raptor Program's Freedom Flight Award for our efforts to protect raptors around electrical facilities and install nesting boxes and platforms at our facilities.

Habitat Protection and Creation

Here are some habitat projects Xcel Energy was involved with in 2006.

- The reservoirs at Valmont Station in Boulder, Colo., were designated an Audubon Colorado Important Bird Area. The site is used by large concentrations of numerous species of waterfowl, primarily as a wintering habitat and rest stop during spring and fall migrations.
- Pawnee Station in Brush, Colo., provided two plots of land for the local Pheasants Forever chapter to restore pheasant habitat. Volunteers from the organization planted more than 200 juniper trees and nearly 300 plum trees on the plots.
- In Dallam County, Texas, northwest of Amarillo, the state Parks & Wildlife service partnered with Xcel Energy to set two transmission poles for an artificial nest for bald eagles. The habitat of open prairie is an unusual place for bald eagles to breed, but since 2004, a mating pair has returned and raised five eaglets. Their nest was in a dead tree, which has since fallen, so Xcel Energy was asked to set the poles for an artificial nest designed by the Fort Worth Zoo.



Bill McCarron, transmission foreman, holds a juvenile osprey for banding.

- We have a long-term lease with the U.S. Fish & Wildlife Service, Minnesota River Valley Wildlife Refuge, to cooperatively manage the area around our Black Dog generating station for benefits to wildlife and waterfowl in particular. This includes periodic drawdown of Black Dog Lake to enhance aquatic vegetative growth to provide food sources for migrating waterfowl.

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environmental leadership

Xcel Energy triple bottom line 2006

environmental investments and expenditures

Xcel Energy makes significant investments annually to reduce emissions and improve air quality. These investments are driven by voluntary initiatives and regulatory requirements. The significant increase in these expenditures during 2005 and 2006 is primarily due to our voluntary emission reduction project in Minnesota.

Capital Expenditures

- 2006 - \$571 million
- 2005 - \$328 million
- 2004 - \$58 million

Operating and Maintenance Expenditures

- 2006 - \$152 million
- 2005 - \$147 million
- 2004 - \$133 million

environmental compliance

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

Notices of Violation

	Numbers	Fines
2006	2	\$6,470
2005	3	\$2,200

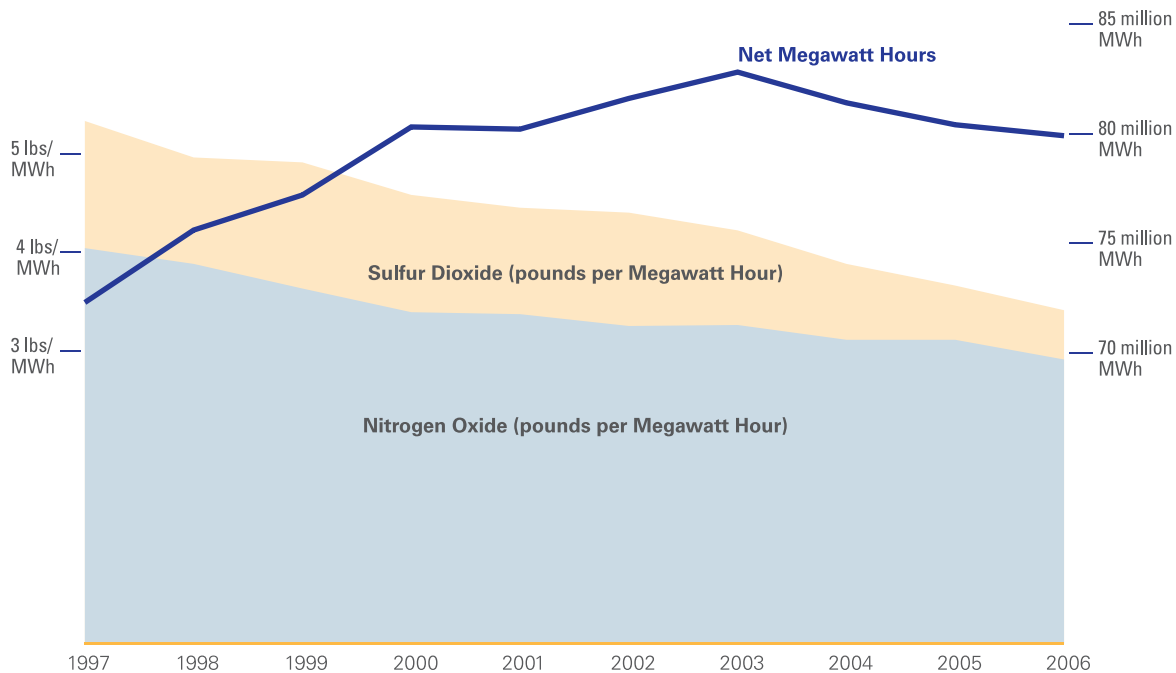
Explanation of 2006 Notices:

- High Bridge was issued a notice of violation stemming from a Jan. 18, 2006, incident when a pump used to treat circulating water operated longer than its two-hour permit limit.
- Our Red Wing steam plant was assessed an administrative penalty on Oct. 17, 2006, for failing a hydrogen chloride emissions test and failing to properly report SO₂ exceedances in a timely manner and on quarterly reports. In a letter dated Nov. 14, 2006, the Minnesota Pollution Control Agency acknowledged our completion of all corrective actions.

emissions, effluents and waste

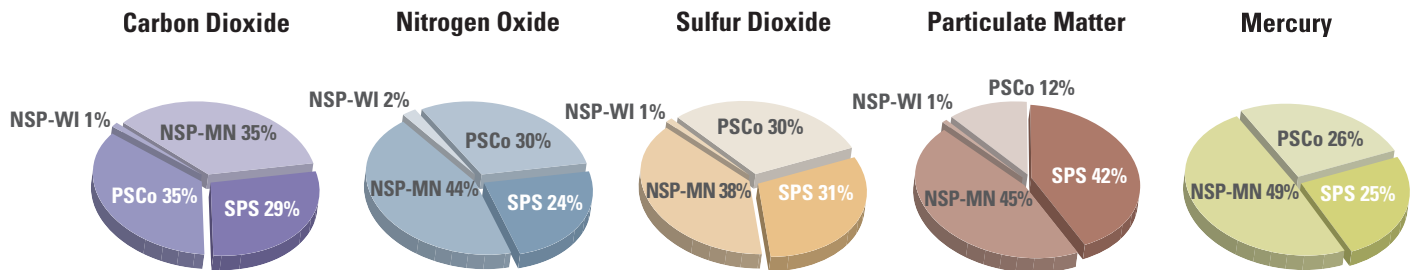
Air Emissions

One of Xcel Energy's core values is to reduce our impact on the environment. We continue to reduce power plant air emissions through sound operations, improved technology and our voluntary emissions reductions programs.



This chart shows Xcel Energy SO₂ and NO_x emissions compared to net generation from our power plants.

2006 Air Emissions by Type and Operating Company



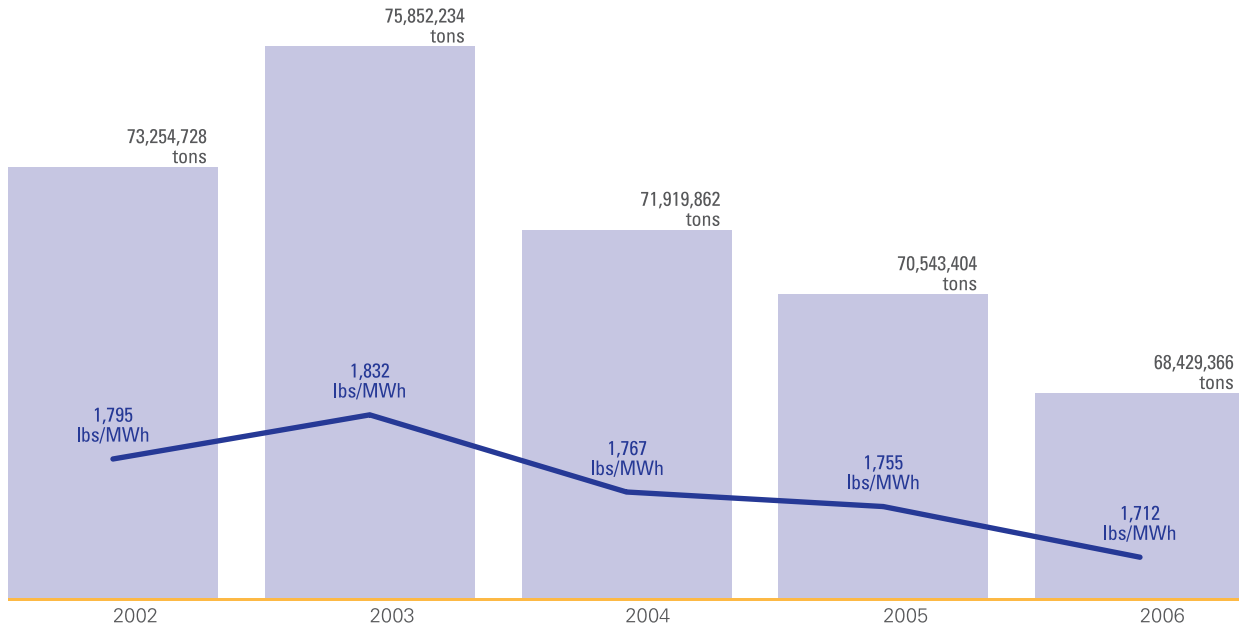
Reflects owned generation. Preliminary data for 2006.

2

environmental leadership

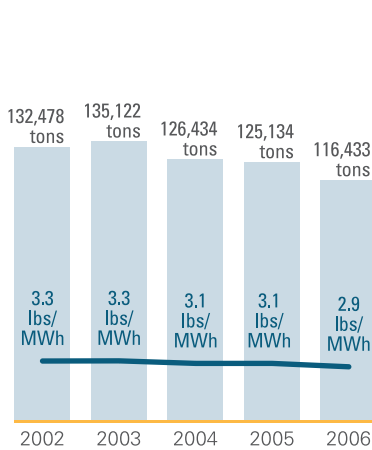
Xcel Energy triple bottom line 2006

Carbon Dioxide



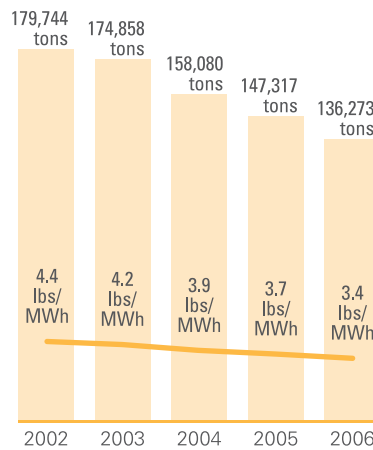
This chart shows carbon dioxide emissions from Xcel Energy's owned generating fleet in total tons and by intensity (pounds per megawatt hour).

Nitrogen Oxide



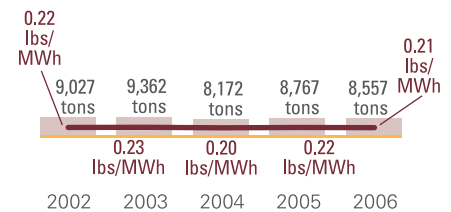
This chart shows nitrogen oxide emissions from Xcel Energy's owned generating fleet in total tons and by intensity (pounds per megawatt hour).

Sulfur Dioxide



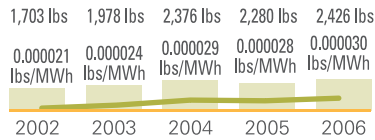
This chart shows sulfur dioxide emissions from Xcel Energy's owned generating fleet in total tons and by intensity (pounds per megawatt hour).

Particulate Matter



This chart shows particulate matter emissions from Xcel Energy's owned generating fleet in total tons and by intensity (pounds per megawatt hour).

Mercury



This chart shows mercury emissions from Xcel Energy's owned generating fleet in total pounds and by intensity (pounds per megawatt hour). The methodology for calculating mercury emissions has changed, so the numbers reported here vary slightly from our 2005 Triple Bottom Line report.

Technology to accurately measure mercury emissions from power plants is improving dramatically. Monitors that enable mercury emissions to be measured continuously have just recently become commercially available. This real-time data will help us more accurately measure and better control mercury emissions from our coal-fired facilities. We will install continuous mercury emission monitors on most of our coal-fired power plants in 2008 and 2009. We have already installed these monitors on our Comanche generating station in Colorado and will install monitors on our King and Sherco plants by the end of 2007. Early data indicates mercury emissions vary considerably over time than previously calculated using point-in-time stack test data. Several of our coal-fired power plants will receive mercury emission controls during the next few years.



Allen S. King Plant,
is being refurbished with state-of-the-art emissions control equipment.

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environmental leadership
Xcel Energy triple bottom line 2006

Toxics Release Inventory

Each year we file many environmental reports, including our annual Toxics Release Inventory (TRI), a list of chemicals used or produced in generating electricity. Our 2006 TRI numbers will be filed with the EPA in July 2007.

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

Xcel Energy TRI Reportable Releases

2005	16,398,084 pounds
2004	17,249,821 pounds
2003	18,601,512 pounds
2002	18,532,392 pounds
2001	20,129,428 pounds

Coal naturally contains trace amounts of reportable elements, such as barium, chromium, copper, lead, manganese, mercury, nickel and zinc. Some TRI numbers have changed from previous years because of a change in the way we calculate for trace metals. Others changes may occur due to differences in coal quality, which varies considerably depending on where and how it was formed.

water use and conservation

Xcel Energy uses water in the production of electricity to make steam and cool equipment. We also work to conserve water – particularly in the semi-arid regions of the country where we operate.

In Texas, we've built upon the legacy we established in the 1960s that involves using treated recycled municipal effluent in our plant operations. In March 2006, we completed a new system that enables our Harrington-Nichols generating complex near Amarillo to utilize wastewater from a city treatment plant for cooling water, which leaves a larger supply of fresh water available to the Texas Panhandle community. The estimated fresh water savings is 1.5 billion gallons a year.

2006 Water Consumption

NSP	51,710 acre-feet	16.8 billion gallons
PSCO	29,564 acre-feet	9.6 billion gallons
SPS	43,142 acre-feet	14.1 billion gallons*

*21,875 acre-feet or 7.1 billion gallons of SPS water consumption was treated effluent.

Wise Resource Use and Disposal

Our coal-powered plants consume about 30 million tons of coal a year, which yields, on average, about 2.5 million tons of ash annually. Throughout our system, we put that ash to beneficial use, such as in concrete products, roadbed material and soil stabilization. We also seek to recycle and reuse other products and materials used in our operations including: oil, solvents, chemicals, batteries, lighting and lamps, paper and scrap metal.

2006 Ash Summary

	Ash Produced (tons)	Ash Reused (tons)
NSP	1,234,683	304,851
PSCO	1,070,576	202,207
SPS	412,481	395,353

Waste Disposition Summary (tons)

Type	2006	2005	2004
Hazardous	52	44	33
Universal*	57	41	40
PCB related**	595	596	350
Asbestos	232	810	311
Special***	2,422	3,478	3,286
Scrap metal	8,550	10,415	7,110
Used oil	1,998	2,318	2,194

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

**PCBs (polychlorinated biphenyls) are chemicals controlled under the Toxic Substances Control Act. They are found as a contaminant in transformer oil.

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

PCB Phase-Out Effort

Type	2006	2005	2004
PCB oil (gallons)	38,110	68,093	52,311
PCB and PCB contaminated items removed (pieces)	982	1,212	382

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environmental leadership

Xcel Energy triple bottom line 2006

legacy projects

Ashland Lakefront Project

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

The EPA has identified about 20 acres of soils, groundwater and sediments as a “Superfund” site requiring clean-up. Xcel Energy has worked cooperatively with the EPA, Wisconsin Department of Natural Resources, Native American tribes, city administration and other stakeholders to identify the scope and extent of contamination, other responsible parties and remediation alternatives. As plans are developed to remediate this area, we will work with all parties to support an environmentally sound, economically balanced plan that allocates the associated cleanup costs equitably to all responsible parties.

Chippewa Falls Manufactured Gas Plant Site

In coordination with the Wisconsin Department of Natural Resources, Northern States Power Co.-Wisconsin started remediation work on the site of a former MGP in Chippewa Falls, Wis. The MGP operated from 1870-1926, until a high-pressure gas main was installed from Eau Claire to Chippewa Falls, eliminating the need to produce gas at that location.

Clean-up activities include removing nearly 40,000 cubic yards of impacted soils at an approximate cost of \$3.8 to \$4.2 million. Half of the soils were treated and then used as clean fill at the site. The remaining materials were disposed of at an approved landfill. Clean-up activities will be completed in 2007. The area will be planted with native grasses and returned to its natural state.

Fort Collins Manufactured Gas Cleanup

In 2006, Xcel Energy continued to seek regulatory recovery of costs associated with cleanup of an oily substance in the Cache la Poudre River at the site of a former MGP located in Fort Collins, Colo. The Colorado Public Utilities Commission (CPUC) approved a \$6.2 million settlement to be amortized over four years, which became effective February 2006. At the end of 2006, we filed a natural gas rate case with the CPUC requesting recovery of additional cleanup costs, plus unrecovered amounts of \$10.8 million to be amortized over four years. We are seeking a total recovery amount of \$13.1 million. We also are attempting to recover costs through legal claims from other contributing parties.

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economic impact

strengthening our communities

At Xcel Energy, we believe we have a responsibility to have a positive impact in all we do – as an employer, good neighbor, community advocate and environmental steward. For more than 100 years, we have been fundamentally connected to our communities through the pipes and wires that deliver safe and reliable energy to our customers. We work and live in these communities so we have a vested interest in seeing our neighborhoods thrive. We do so through direct and indirect economic impacts: as an employer to nearly 11,000 men and women, through indirect employment to suppliers and contractors, as a purchaser of goods and services, and by paying taxes to local, state and federal governments. We are also committed to advancing economic development initiatives and to serving the needs of our customers who need help paying their energy bills.



Sherburne County (Sherco) Plant, Becker, Minn

direct economic impacts

Direct Economic Impact Summary

	2006	2005
Payments to Suppliers (total spend)	\$1,869,958,621	Not reported
Employer Tax (includes FICA and unemployment for all Xcel Energy companies and subsidiaries)	\$62,553,125	\$64,405,872
Franchise Fees*	\$140,391,960	\$130,653,633
Gross Receipts Tax	\$22,697,159	\$18,928,358
Property Tax	\$213,456,825	\$210,842,614
Sales Tax on Billings	\$306,092,149	\$288,903,629
Sales Tax on Purchases Paid to Vendors	\$9,236,307	\$7,400,186
Use Tax on Purchases	\$30,292,963	\$24,756,227
Benefit payments paid to participants in our four defined benefit plans	\$248,000,000	Not reported
Total Direct Economic Impacts:	\$2,902,679,109	\$745,890,519

* Franchise fee payments are made to certain municipalities in our service territory and are billed to customers via their Xcel Energy bill. Once collected, Xcel Energy remits the payments to local governments.

Xcel Energy employee workforce*

■ 2006: 10,933

■ 2005: 10,847

*Includes full-time, part-time and temporary employees and those serving on long-term disability. Both bargaining and non-bargaining employees are represented in this total. Employees of Nuclear Management Company are excluded.

Defined Benefit Plan Obligations

- **Pension plans:** Our qualified pension plans are non-contributory, meaning the company covers the full cost of the benefits. We offer several non-contributory defined benefits plans that cover virtually all employees once they have met the minimum participation requirements of the plans. Benefits are based on a combination of years of service, the employee's average pay and Social Security benefits.
- **401(k) and other defined contribution plans:** offered to all employees; approximately 80% of eligible employees participate.
- **Retiree health and welfare plan:** contributory plan that provides health care and death benefits to most Xcel Energy retirees. Cost for retiree health benefits vary.

The benefits provided through Xcel Energy's defined benefit plan are funded through an external trust. Assets in this trust are held exclusively for the payment of employees' pension benefits and cannot be used by Xcel Energy for any other purpose. Plan assets are invested principally in common stock of public companies, corporate bonds and U.S. government securities.

On Dec. 31, 2006, the combined Projected Benefit Obligation (PBO) of our four qualified pension plans was over 100 percent funded. The PBO measure of a plan's liability reflects benefits that have been earned based on accumulated service to date, plus a measure to reflect the expected additional liability for future pay increases. This liability was measured using a discount rate of 6 percent and assumes pay increases at an average rate of 4.0 percent in the future.

2006 Defined Benefit Plan Contributions

	Company contribution	Retiree or employee contribution
Retiree medical and life insurance payments	\$66 million	\$12 million
Active employee medical insurance payments	\$88 million	\$25 million
	Company contribution	Percent of salary*
Qualified Xcel Energy pension plans	\$32 million	4.6
Xcel Energy's 401(k)	\$19 million	2.7

* Based on estimated 2006 payroll of \$700 million

Sourcing

In 2006, Xcel Energy spent nearly \$1.9 billion on goods and services throughout our service territories

Integrated Sourcing Strategy

Our sourcing strategy is fully integrated to ensure our supply needs are met in accordance with the following principles:

- In a fair and ethical manner
- Of acceptable quality
- Best total value for goods and services
- At an acceptable level of risk
- Within time constraints
- In accordance with legal and regulatory requirements

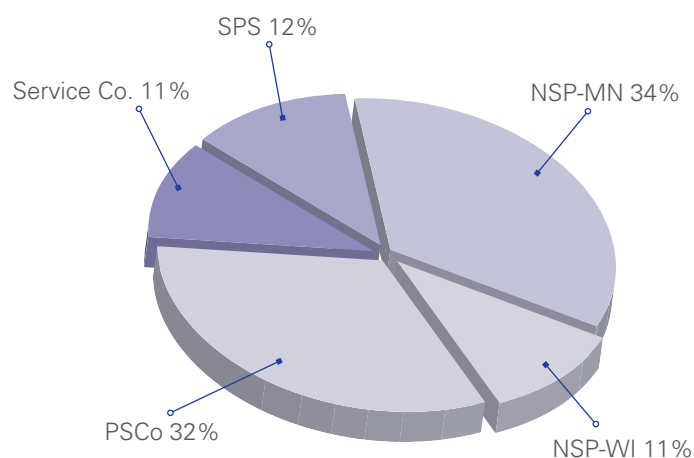
Sourcing Guidelines

Xcel Energy is committed to treating all individuals with respect and dignity and to protecting the environment. We believe these principles should be reflected throughout our supply chain and embraced by Xcel Energy suppliers and contractors. We require that our suppliers and contractors, and their employees, agents and representatives, work in accordance with Xcel Energy's Code of Conduct. We further require that suppliers and contractors demonstrate strict adherence to our health and safety requirements.

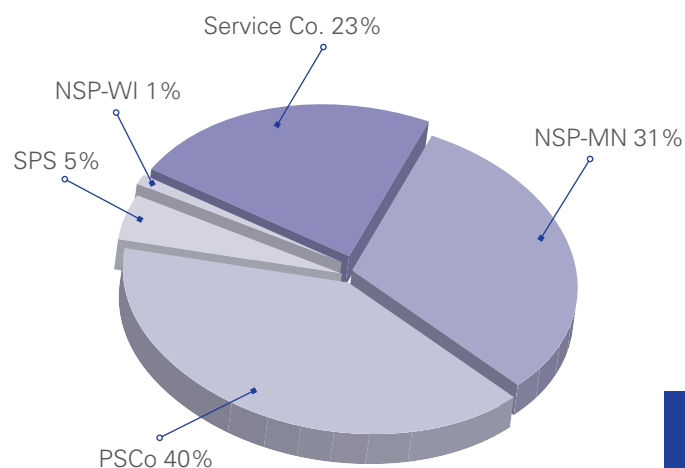
2006 Spend by Operating Company

Operating Company	Total Spend	Local Spend	% of Local Spend on Total Spend
NSP-MN	\$730,780,288	\$284,149,056	39%
NSP-WI	\$55,016,880	\$12,179,355	22%
PSCo	\$679,355,121	\$355,122,102	52%
SPS	\$115,966,534	\$43,634,687	38%
Xcel Energy Service Co.	\$288,839,799	\$207,034,423	72%
Total	\$1,869,958,622	\$902,119,623	48%

2006 Local Suppliers by Operating Company



2006 Local Spend by Operating Company



Supplier Diversity

We believe our supplier base should reflect the rich cultural diversity of the communities we serve. Our Supplier Diversity program ensures that certified diverse businesses* in the U.S. have the access and the opportunity to participate in Xcel Energy's supply chain and sourcing initiatives.

*Diverse suppliers are defined as for-profit businesses that include the following federally recognized classifications: small, small-disadvantaged, women-owned, hub zones, veteran-owned, service-disabled, and minority businesses.

2006 Spend by Diverse Supplier

Year	Number of Contracts with Diverse Suppliers	Dollars Spent	% of Total Purchases
2006	627	\$117.3 million	6.82%
2005	479	\$111.8 million	7.44%
2004	541	\$103 million	7.77%



Helena Haynes-Carter,
supplier diversity manager

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economic impact

Xcel Energy triple bottom line 2006

indirect economic impacts

Construction and Maintenance

Each year we make significant capital investments in our electric, generation, transmission and natural gas facilities to provide customers with safe, reliable electricity and natural gas at reasonable prices.

Transmission System Investments

In 2006, Xcel Energy invested approximately \$221 million on capital transmission projects throughout our service territory – the largest being a \$61 million project in Minnesota to deliver 825 megawatts of wind energy from the Buffalo Ridge to the Twin Cities.

Transmission Reliability Infrastructure

In 2006, an interim task force on transmission reliability infrastructure was formed in Colorado by House Bill 1325. The task force was comprised of representatives from various electric industry, government and consumer groups. Its purpose was to evaluate transmission needed to meet the growing electric demand in Colorado and identify impediments to building required infrastructure. The task force determined that timely cost recovery was essential to transmission investment strategy. This led to Colorado Senate Bill 100, allowing for an annual rate rider to cover the ongoing costs of transmission investment, which was signed into law in March 2007.

Another outcome of this task force was the High Plains Express Transmission Project (HPX), a proactive plan for the expansion and reinforcement of the transmission grid in Wyoming, Colorado, New Mexico and Arizona. The goal is to develop a high-voltage, backbone transmission system that will enhance reliability and increase access to renewable and other diverse generation resources within regional energy resource zones. The first phase of the HPX is a joint participation feasibility study by a coalition of eight parties, including Xcel Energy, exploring transmission alternatives, which they hope to complete by August 2007.



New scrubber equipment is installed to remove sulfur dioxide and particulate matter at our Allen S. King plant.

CapX 2020

A coalition of utilities, including Xcel Energy, is committed to building more than \$3.5 billion of new transmission infrastructure in Minnesota and neighboring states to support reliability, expansion of wind power and other renewables, and regional economic vitality.

The coalition – which calls its initiative CapX 2020 includes investor-owned utilities, cooperatives and municipal utilities. The coalition's planning studies showed that customer demand for electricity will grow by about 6,300 megawatts by 2020, resulting in the need to expand the transmission grid to accommodate that growth.



Pat Cline,
community service director

In 2006 the CapX utilities initiated regulatory proceedings in Minnesota for three of the four lines that constitute their Group 1 projects, nearly 700 miles of 345- and 230-kilovolt lines that, along with smaller supporting systems, will cost more than \$1.3 billion. These lines will enable an additional 1,000 MW of wind capacity to be added to our upper Midwest system. The development phase for these projects is expected to take three to four years. The first of these lines is planned to be in service by 2011.

Smart Grid

As a utility with a well-earned reputation for innovation, Xcel Energy is at the forefront of the industry's intelligent-grid movement. In 2006, Xcel Energy worked with various stakeholders to develop a coherent vision of the Smart Grid and established a working group to engage technology companies, public officials, policy experts, environmental advocates, and others to determine ways to work together to realize that vision.

The Smart Grid is seen as a power system that combines traditional and cutting-edge technology to create a much-improved electric grid. That grid would in turn support the ever increasing array of digital services desired by consumers, while effectively managing the flow of electricity. The long-term Smart Grid concept imagines

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economic impact

Xcel Energy triple bottom line 2006

an evolved electric grid with layers of functional, sophisticated intelligence built in – intelligence that will foster communication and integration among the grid's various components and processes. This would enable the grid to better monitor, manage and even balance itself.

Technology upgrades to the grid also could allow for easier use of distributed energy resources, such as solar power, micro turbines, fuel cells, wind turbines and other renewable generation. These resources are emerging options for homes and businesses, and a smarter grid will create better ways to accommodate them.

In addition, the Smart Grid would give consumers greater control of the electricity they use in their homes and businesses. Interconnections between the grid and energy-management systems of buildings could allow customers the option to choose the type and amount of power they want or need – including green power, off-peak power or a mix of power sources – to reduce waste, limit emissions, and further optimize the use of renewable energy sources.



Economic Development

Xcel Energy's contributions to economic development occur on a variety of levels, from state and regional strategic planning initiatives to hands-on assistance to strengthen the economic viability of individual businesses.

Annual Economic Development Contributions:

- 2006: \$1,680,287
- 2005: \$1,922,303

Business Systems

In 2006, Xcel Energy's Business Systems organization formed a new group, Business Analytics, to focus on helping the company achieve its earnings target through improved business process operations. Data and process analytics are used in many areas of the company to strengthen and improve business process results. Our focus on revenue process review resulted in a \$13.3 million net earnings impact in 2006.



Susan Jacobs,
network reliability lead, control center

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economic impact

Xcel Energy triple bottom line 2006



energy assistance

Xcel Energy is committed to providing energy assistance to those in need. We collaborate with state and local agencies and low-income advocates and have established our own Personal Accounts department to provide services that promote the efficient use of energy while making energy bills more affordable to income-qualified families.

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 and then matching their donations.**
- **In-kind marketing and public relations support to energy assistance organizations and low-income advocates.**

Annual Energy Assistance Contributions:

- **2006: \$17,234,610**
- **2005: \$20,604,728**
- **2004: \$15,701,731**

Public Policy Update

We support the needs of low-income customers through advocacy and public policy leadership at the state and federal levels. Our public policy initiatives include:

Colorado Low-Income Energy Assistance (Senate Bill 22)

Brought forward by Energy Outreach Colorado (EOC) SB22 grants the Colorado Public Utility Commission (CPUC) authority to consider and grant preferential rate treatment for low-income households upon application by a utility. Current state statute prohibits the CPUC from considering any preferential rate treatment in ratemaking, regardless of the good intentions or reasonableness of a proposed preferential rate. We support this legislation because it provides some stability for ensuring that the needs of low-income customers are addressed, especially in light of declining federal funding for low-income energy assistance. Governor Bill Ritter signed this bill into law during the first quarter of 2007.

Minnesota Cold Weather Rule

The Cold Weather Rule protects residential energy customers from service disconnection from Oct. 15 through April 15, provided the disconnection would affect the customer's primary heating source.

The customer must also:

- Qualify for an inability-to-pay plan, or
- Qualify for a 10 percent payment plan, or
- Mutually agree to a payment schedule.

To avoid disconnection, customers who receive a notice of proposed disconnection must promptly file a Cold Weather Rule Plan form or make arrangements to pay the balance. All households may request Cold Weather Rule protection when applying for energy assistance. Xcel Energy is committed to working with any household that may need assistance in making payment arrangements.

Energy Assistance Initiatives (New in 2006)

Utility Innovations Neighborhood Energy Outreach Network. For more than 17 years, EOC has worked to help Colorado's needy families stay warm in the winter by providing them with financial assistance to pay their energy bills and avoid shut-offs. EOC also provides funding for qualifying residents to make energy efficiency improvements in their homes.

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economic impact

Xcel Energy triple bottom line 2006

In 2006, Utility Innovations helped EOC automate many of its business processes, through a pro-bono project, "Neighborhood Energy Outreach Network."

Highlights of the project included:

- **Developing an automated method to get financial aid eligibility information from applicants**
- **Automating the payment commitment process**
- **Making automatic updates to Xcel Energy's billing process**
- **Facilitating additional monetary donations to EOC programs**
- **Encouraging more low-income customers to participate in the EOC program**

Energy Outreach Colorado Voluntary Energy Assistance Program. In 2006, Xcel Energy launched a new voluntary energy assistance program that enables Colorado customers to make regular tax-deductible donations to EOC through their monthly utility bills. The company will match customers' donations to EOC on a dollar-for-dollar basis, up to \$1 million each year.

The voluntary energy assistance program was implemented by utilities statewide as a result of the Low-Income Energy Assistance Act signed into law in May 2005 and authorized by the Colorado Public Utilities Commission.

Energy Makeover Contest

Since 2004, Xcel Energy has teamed with the Colorado Energy Science Center to sponsor the "Energy Makeover Contest," a program that offers residential customers the chance to win over \$25,000 worth of energy efficiency improvements for their homes. Two homes per year are selected for an energy makeover that includes the installation of donated cooling and heating systems, new windows, lighting retrofits, new water heaters, insulation, and other energy efficiency services. The work is completed prior to the winter heating season so homeowners can realize significant savings on their winter energy bills. Prior years' results have ranged from a 60 to 75 percent savings on natural gas bills and 22 to 45 percent savings on the total bill.



Noel Hatcher,
marketing analyst

2006 Triple Bottom Line Financial Impact Summary

Social Responsibility/Corporate Citizenship

Xcel Energy Foundation

Foundation Grants in our Focus Areas	\$4,097,050
United Way	\$4,364,967
Matching Gifts	\$756,925
Dollars for Doing	\$73,475
Volunteer Energy	\$31,000
Foundation Initiatives	\$49,600
Sub-total: Xcel Energy Foundation	\$9,373,017

Corporate Contributions/In-Kind Donations	\$6,326,439
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Total Corporate Citizenship	\$15,699,456
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Environmental Leadership

Energy Efficiency & Conservation	\$85,701,418
Renewable Development Fund	\$6,600,000
Renewable Energy Production Incentive	\$8,000,000
Renewable Energy Trust	\$175,000
Environmental Investments – Capital Expenditures	\$571,000,000
Environmental Investments – O&M Expenditures	\$152,000,000
Total Environmental Leadership	\$823,476,418

Economic Impact

Direct Economic Impact

Payments to Suppliers	\$1,869,958,621
Employer Tax	\$62,553,125
Franchise Fees	\$140,391,960
Gross Receipts Tax	\$22,697,159
Property Tax	\$213,456,825
Sales Tax on Billings	\$306,092,149
Sales Tax on Purchases Paid to Vendors	\$9,236,307
Use Tax on Purchases	\$30,292,963
Benefit payments paid to participants	\$248,000,000
Sub-total: Direct Economic Impact	\$2,902,679,110

Indirect Economic Impact

Transmission System Investments	\$221,000,000
Economic Development	\$1,680,287
Energy Assistance Programs	\$17,234,610
Sub-total: Indirect Economic Impact	\$239,914,897

Total Economic Impact	\$3,142,594,006
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2006 Triple Bottom Line Impact	\$3,981,769,881
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economic impact

Xcel Energy triple bottom line 2006

Feedback and Further Information

We welcome your comments and questions regarding this report.

You can provide feedback through our online survey at

xcelenergy.com/TripleBottomLine or contact us

via email at one of the addresses below:

Corporate Secretary

corporatesecretary@xcelenergy.com

Environmental Policy

environment@xcelenergy.com

Investor Relations

investorrelations@xcelenergy.com

Xcel Energy Foundation

foundation@xcelenergy.com

Power Plant Tours

Making electricity is interesting business and we like to share this experience when possible so our customers can learn more about how their power is generated. In 2006, we had more than 4,000 people tour our facilities. We offer public tours of all of our major non-nuclear power plants for schools and universities, neighborhood associations, local business groups and professional organizations. For more information or to schedule a group tour, please call us at 1-800-895-4999.

You may also take a virtual power plant tour at xcelenergy.com/energyclassroom.

MOHAWK windpower 

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414 Nicollet Mall
Minneapolis, MN 55401
1-800-328-8226
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