Are Feed-In Tariffs needed in Minnesota?

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Xcel Energy

- #1 Wind Provider in the US (MW installed)

  -AWEA rankings 2006,2007

- #1 Green Power Program in US (customers)

  -US DOE (NREL) 2007

- #5 Solar provider in US (MW installed)

  -SEPA 2007 Rankings

- Plans 8000 MW of wind and 1000 MW of solar by 2020

Societal Benefits of Renewables

- Electric Energy to meet demand
- Environmentally benign – avoids more polluting resources
- "Free fuel" resources provide a hedge against increasing fuel prices
- Provide a hedge against economic costs of future carbon regulation
- Use of natural resources promotes energy independence
- Local Economic Development

Electric Utility Obligations

- Deliver adequate and reliable service at reasonable rates
- Maintain sufficient resources to meet all demand in its service territory
- Meet or exceed legislative and regulatory policy goals such as renewable, conservation and environmental targets

A FIT for Minnesota?

Potential Disadvantages of FIT

- Same benefits at higher costs
  - "Market-clearing price" results in excess profits for developers and costs to customers
  - Higher prices for less efficient installations
- Unlimited purchase obligation creates planning challenges and potential supply gaps
- Inefficient development process may lead to costly infrastructure needs

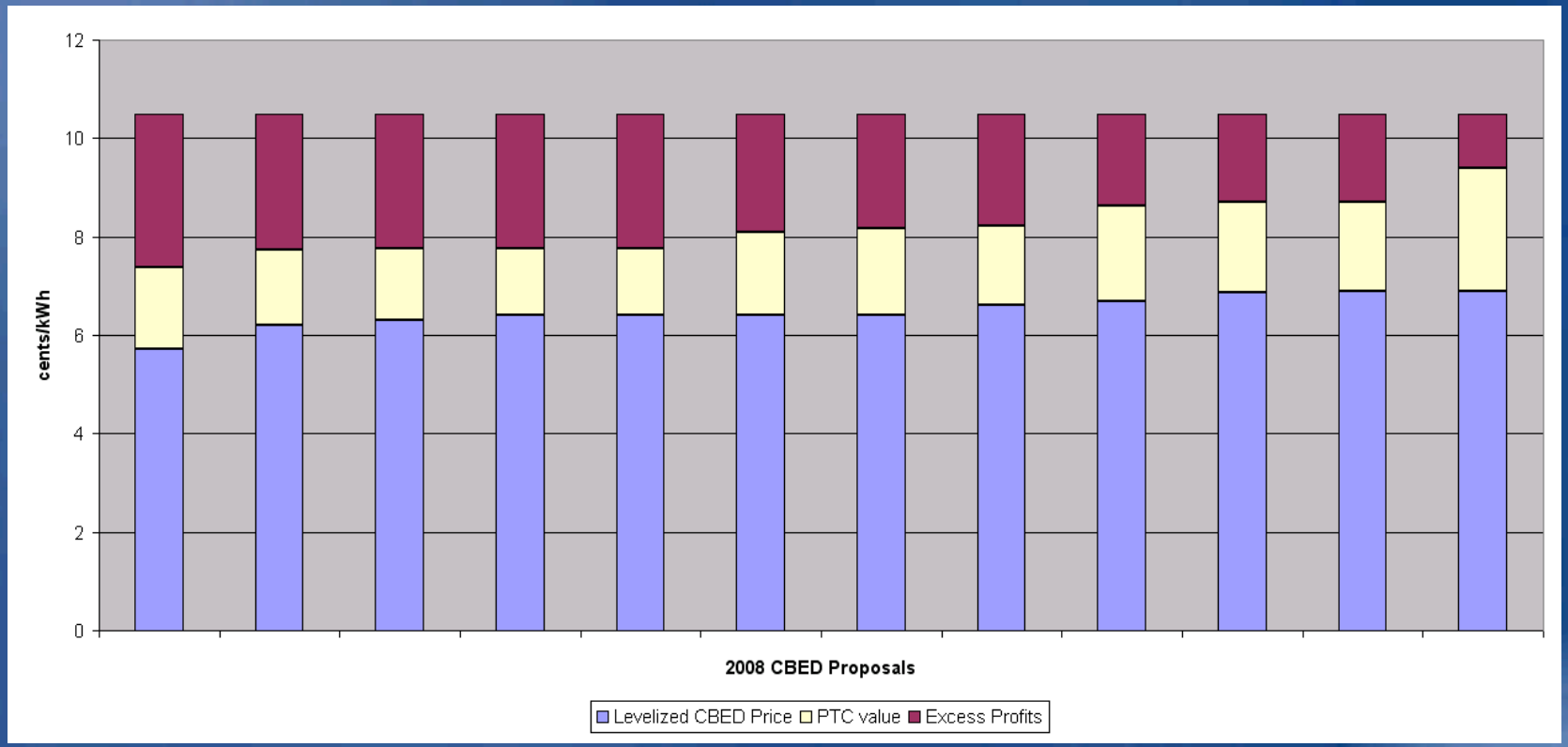
The Midwest is not Germany

- More land area
- Lower population density
- Better wind resources
- Lower overall electricity prices

Xcel RES implementation provides a FIT structure at a market price

- Xcel procures bundled energy and RECs under long-term fixed price contracts
- Xcel does not rely on potentially volatile short-term REC markets for future compliance
- Xcel RES PPAs are pre-approved for real time cost recovery, providing an extremely safe revenue stream for financing purposes
- Xcel uses a competitive solicitation that provides cost recovery and reasonable profits at a market-determined price

FIT v. Market Comparison



Technology Advancement: Solar

- We have vast expanses of more cost-effective renewable resources (wind, biomass)
- Development of the entire spectrum of renewables not on Minnesota's back
- MN solar installations should initially be targeted to provide information on how different technologies work in various locations
- Other states should lead on cost/technology improvement

Conclusions

- Like any resource procurement, we need to obtain renewables benefits at the lowest possible cost to customers
- Minnesota does not present the “market failures” that make FITs more effective than renewables standards in other places
- Xcel’s RES implementation strategy offers a stable financial structure for renewable development at a competitive price