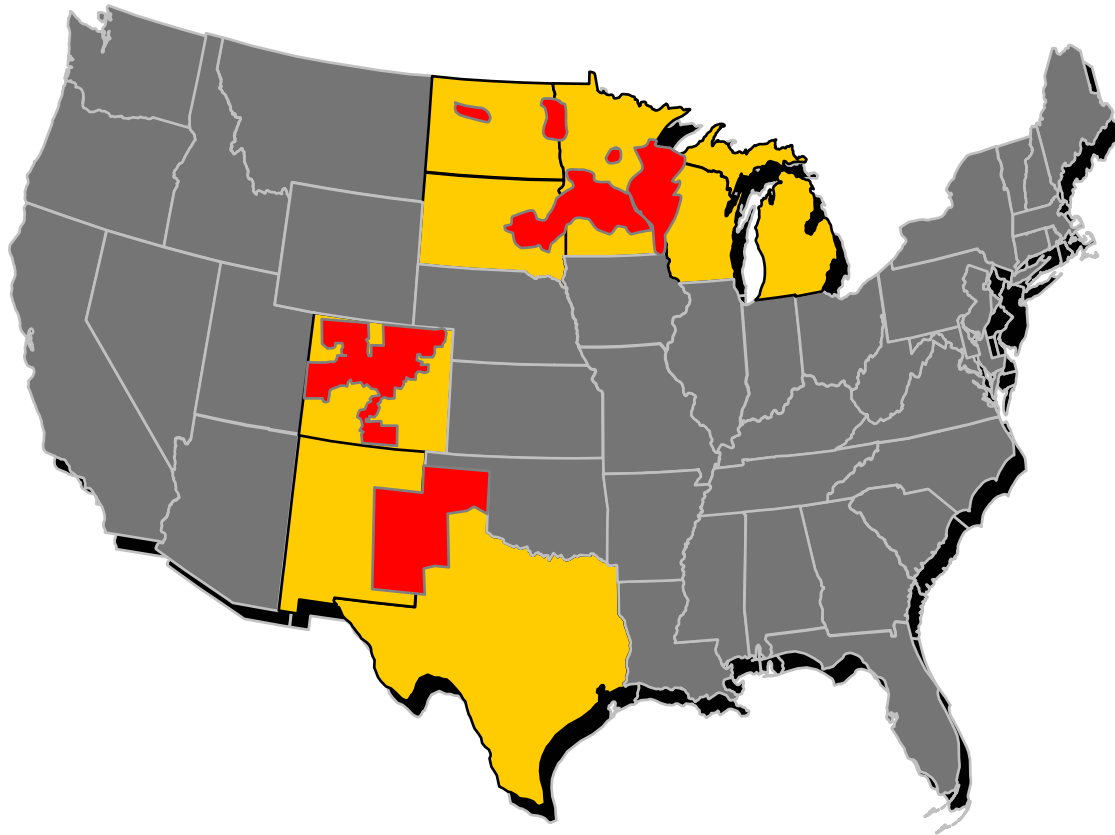


EERS: A Utility Perspective

NARUC Workshop on Energy Efficiency Resource Standards

David M. Sparby
Vice President
Government & Regulatory Affairs
Xcel Energy
September 27, 2006

Xcel Energy's Service Territory



Xcel Energy's Portfolio

| | |
|-----------------------------|-----------------|
| Wind: | 1,100 MWs |
| Biomass: | 95 MWs |
| Controllable Load: | 1,386 MW |
| Electric Conservation: | 380 GWh |
| Gas Conservation: | 1.2 BCF |
| Renewable Development Fund: | \$20M/Year Ave. |

EERS: A Utility Perspective

Pros:

- Can be the right policy decision
- Potentially affordable, achievable, environmentally responsible

Challenges:

- Need to ensure financial, political support
- Need to integrate with other initiatives

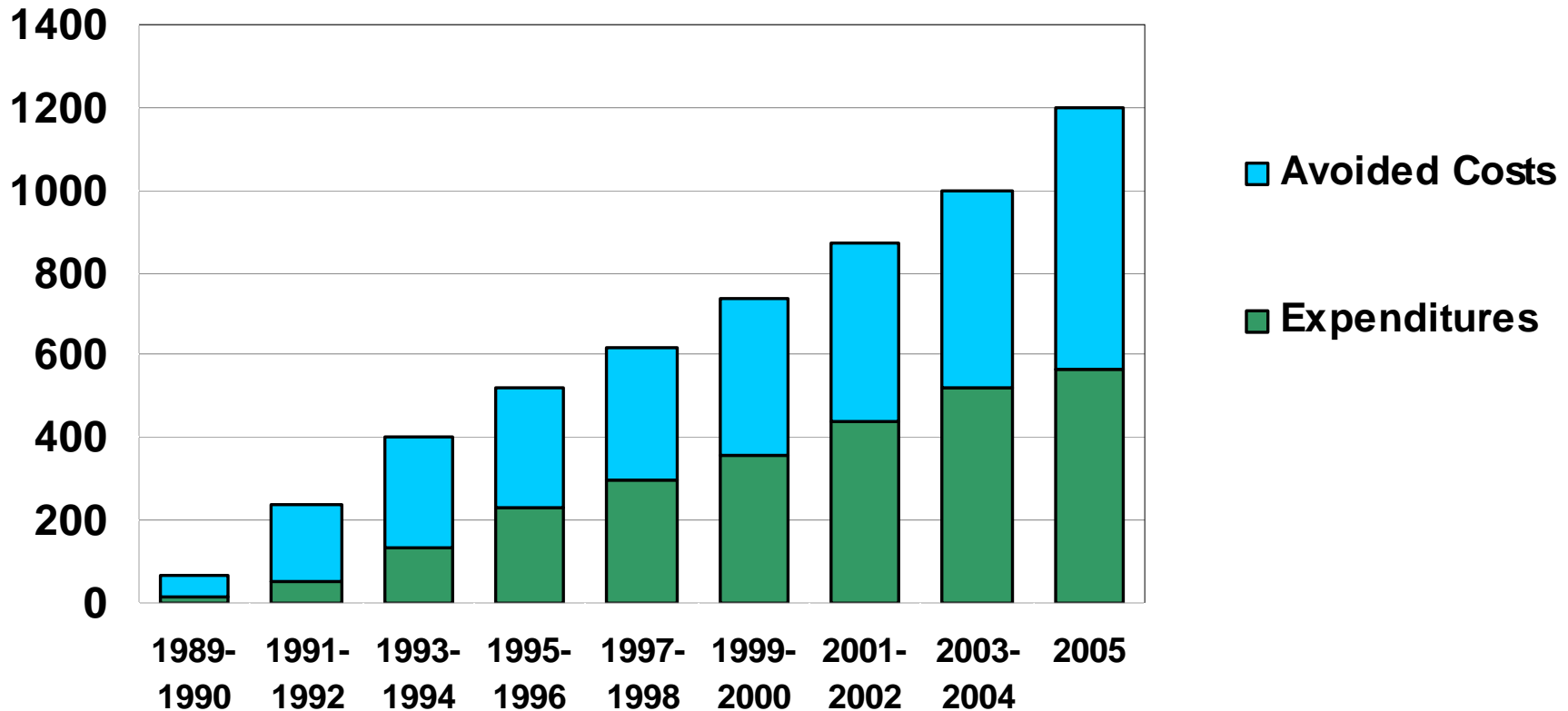
Justification for EERS

EERS is the right policy decision:

- Affordable
- Achievable
- Environmentally beneficial
- Elevates DSM in resource stack

DSM Costs and Opportunities

\$Million



Financial Challenges to EERS

EERS may not offer a sound financial investment for utilities:

- Cost recovery
- Finality
- Incentives
- Comparability to plant investments

Additional Challenges

- Political/Regulatory Support
 - Visibility
 - Resources
 - Tax code
- Program Integration
 - RPS
 - New technologies
 - Pricing/metering initiatives
 - Demand response

Other Considerations

- How will program account for past accomplishments?
- Will trading mechanisms be allowed?
- How will the target be set?
- How will EERS be integrated with Renewable Portfolio Standards and other programs?

Conclusion

- DSM is an underused resource
- EERS will elevate this option
- Challenges must be addressed:
 - Financial impacts
 - Political support
 - Integration with other programs
- These challenges are manageable

