26.17

VECTREN CORP. NYSE-VVC

RECENT PRICE 30.92 | P/E RATIO 16.7 (Trailing: 17.3; Median: NMF) | RELATIVE P/E RATIO 1.02 | DIV'D YLD 4.3% | VALUE LINE 707

TIMELINESS 3 Lowered 5/9/08

SAFETY 2 Lowered 1/5/01

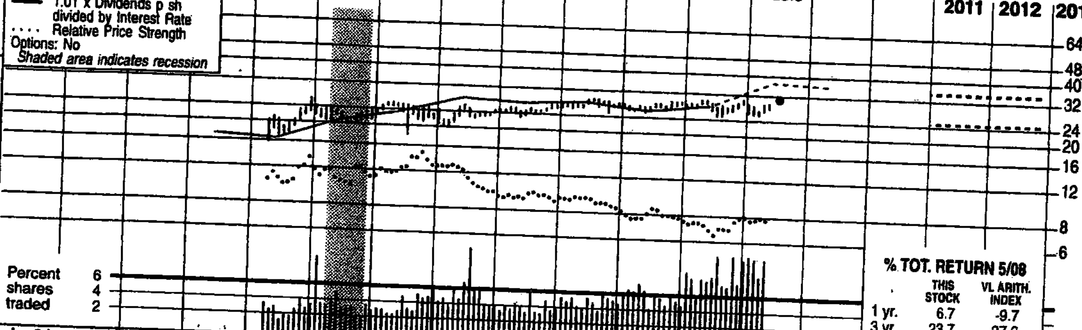
TECHNICAL 4 Lowered 6/20/08

BETA .90 (1.00 = Market)

High:	26.5	24.4	26.1	26.1	27.1	29.5	29.3	30.5	31.0		
Low:	15.8	19.8	18.0	19.7	22.9	25.0	25.2	24.8	25.3		

Target Price Range 2011 | 2012 | 2013

LEGENDS
— 1.01 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: No
Shaded area indicates recession



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+15%)	7%
Low	25	(-20%)	Nil

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	1	0	0	0	0	0	0	0	0
Options	0	0	0	3	0	0	0	0	0
to Sell	0	0	0	2	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	79	112	99
to Sell	104	74	98
Hld's(000)	43375	45478	42866

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	6.7	-9.7
3 yr.	23.7	27.3
5 yr.	49.7	85.8

Vectren was formed on March 31, 2000 through the merger of Indiana Energy and SIGCORP. The merger was consummated with a tax-free exchange of shares and has been accounted for as a pooling of interests. Indiana Energy common stockholders received one Vectren common share for each share held. SIGCORP stockholders exchanged each common share for 1.333 common shares of Vectren. Data prior to the merger are pro forma.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
--	16.88	26.84	32.05	26.53	21.00	22.26	26.62	26.83	29.88	*30.85*	*33.75*	Revenues per sh	*42.30*
--	2.87	2.88	2.89	3.43	3.17	3.27	3.87	3.69	4.29	*4.20*	*4.50*	"Cash Flow" per sh	*5.05*
--	1.48	1.17	1.08	1.68	1.56	1.42	1.81	1.44	1.83	*1.85*	*1.95*	Earnings per sh A	*2.05*
--	.95	.98	1.03	1.07	1.11	1.15	1.19	1.23	1.27	*1.31*	*1.35*	Div'd Decl'd per sh B■†	*1.47*
--	--	2.67	3.48	3.22	3.12	3.66	3.04	3.70	4.38	*3.85*	*3.45*	Cap'l Spending per sh	*3.65*
--	11.55	11.91	12.53	12.79	14.18	14.42	15.01	15.43	16.16	*17.45*	*18.00*	Book Value per sh C	*19.30*
--	61.47	61.42	67.70	68.01	75.60	75.90	76.19	76.10	76.36	*81.00*	*81.20*	Common Shs Outst'g D	*81.80*
--	--	17.4	20.3	14.2	14.8	17.6	15.1	18.9	15.3	*Bold figures are*		Avg Ann'l P/E Ratio	*14.5*
--	--	1.13	1.04	.78	.84	.93	.80	1.02	.80	*Value Line*		Relative P/E Ratio	*.95*
--	--	4.8%	4.7%	4.5%	4.8%	4.6%	4.4%	4.5%	4.5%	*estimates*		Avg Ann'l Div'd Yield	*4.9%*
--	1037.4	1648.7	2170.0	1804.3	1587.6	1689.8	2028.0	2041.6	2281.9	*2500*	*2740*	Revenues ($mill)	*3460*
--	90.8	72.0	73.1	114.0	111.2	108.0	136.8	108.8	143.1	*145*	*160*	Net Profit ($mill)	*170*
--	33.6%	32.2%	20.3%	25.4%	25.3%	26.5%	24.4%	21.8%	34.7%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
--	--	--	7.7%	4.6%	4.5%	3.0%	1.4%	3.8%	2.8%	*3.0%*	*3.0%*	AFUDC % to Net Profit	*3.0%*
--	40.0%	45.8%	54.4%	52.3%	50.0%	48.1%	51.2%	50.7%	50.2%	*49.0%*	*49.5%*	Long-Term Debt Ratio	*50.0%*
--	58.4%	53.0%	45.5%	47.7%	50.0%	51.8%	49.8%	49.3%	49.8%	*51.0%*	*50.5%*	Common Equity Ratio	*50.0%*
--	1215.8	1380.6	1863.1	1824.4	2144.7	2111.5	2341.3	2382.2	2479.1	*2785*	*2880*	Total Capital ($mill)	*3150*
--	1336.3	1555.8	1595.0	1648.1	2003.7	2156.2	2251.9	2385.5	2539.7	*2655*	*2725*	Net Plant ($mill)	*2925*
--	8.6%	6.1%	5.5%	7.7%	6.6%	6.4%	7.2%	6.0%	7.2%	*6.5%*	*7.0%*	Return on Total Cap'l	*6.5%*
--	12.5%	9.6%	8.6%	13.1%	10.4%	9.9%	12.0%	9.3%	11.6%	*10.0%*	*11.0%*	Return on Shr. Equity	*10.5%*
--	12.6%	9.7%	8.5%	13.1%	10.4%	9.9%	12.0%	9.3%	11.6%	*10.0%*	*11.0%*	Return on Com Equity E	*10.5%*
--	4.8%	1.5%	.3%	4.8%	3.0%	1.9%	4.0%	1.3%	3.8%	*3.0%*	*3.5%*	Retained to Com Eq	*3.0%*
--	63%	85%	96%	63%	71%	81%	66%	86%	67%	*71%*	*69%*	All Div'ds to Net Prof	*72%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $1634.5 mill. **Due in 5 Yrs** $45.9 mill.
LT Debt $1329.1 mill. **LT Interest** $72.2 mill.
(LT interest earned: 4.0x)

Pension Assets-12/07 $211.8 mill. **Oblig.** $249.6 mill.

Pfd Stock None

Common Stock 76,357,338 shs. as of 4/30/08
MARKET CAP: $2.4 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	+3.5	-3.1	+3.5
Avg. Indust. Use (MWH)	24074	23800	23289
Avg. Indust. Revs. per KWH (¢)	4.64	4.99	5.50
Capacity at Peak (Mw)	1534	1517	1487
Peak Load, Summer (Mw)	1291	1300	1341
Annual Load Factor (%)	61.2	56.3	60.6
% Change Customers (yr-end)	+.6	+1.1	+.9
Fixed Charge Cov. (%)	252	226	254

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	--	-.5%	*7.5%*
"Cash Flow"	--	5.0%	*4.0%*
Earnings	--	5.5%	*3.5%*
Dividends	--	3.5%	*3.0%*
Book Value	--	4.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	677.2	326.2	310.8	713.8	2028.0
2006	774.5	317.5	340.5	609.1	2041.6
2007	834.0	421.7	381.4	644.8	2281.9
2008	902.1	*470*	*420*	*707.9*	*2500*
2009	*960*	*530*	*480*	*770*	*2740*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	.74	.18	.22	.67	1.81
2006	.76	.06	.16	.46	1.44
2007	.88	.21	.22	.52	1.83
2008	.84	*.20*	*.20*	*.61*	*1.85*
2009	*.90*	*.20*	*.20*	*.65*	*1.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B■† Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.285	.285	.285	.295	1.15
2005	.295	.295	.295	.305	1.19
2006	.305	.305	.305	.315	1.23
2007	.315	.315	.315	.325	1.27
2008	.325	.325			

BUSINESS: Vectren is a holding company formed through the merger of Indiana Energy and SIGCORP. Supplies electricity and gas to an area nearly two-thirds of the state of Indiana. Owns gas distribution assets in Ohio. Has a customer base of 1,140,000. 2007 Elect. (gas) revs: resid., 36% (67%); commer., 25% (27%); indust., 31% (6%); other, 8% (Nil). Revenue sources: Elect., 18%; Gas, 82%. Fuel costs: elect., 36%; gas, 69%. Also provides energy-related products and services and has an investment subsidiary. Est'd plant age: electric, 10 years. '07 deprec. rate: 3.6%. Has 3,579 employees. Chairman & CEO: Niel C. Ellerbrook. President: Carl Chapman. Inc.: IN. Address: 20 Northwest 4th St., Evansville, Indiana 47741. Tel.: 812-465-5300. Internet: www.vectren.com.

Vectren is adding to its generating portfolio. VVC must not only replace the 100-megawatt (mw) purchase-power contract that expires in 2010, but must increase its 10% reserve margin to the 15% required by regulators. For starters, it bought the 30-mw output of a wind farm for 20 years. In 2007, it exited from a 20% stake in a 630-megawatt (mw) coal gasification plant because of the high cost. In its place, it planned to build a 100-mw, $80 million natural gas-fired peaking unit. This project, too, was scrapped in favor of a less-risky, three-year 100-mw purchase-power agreement starting in 2010. The new facilities, coupled with VVC's conservation program, should satisfy capacity needs for another few years.

Profits of the unregulated businesses might be down a bit this year. VVC owns two low-sulfur coal mines with reserves of 34 million tons. The mines not only supply company plants with three million tons a year, but sell one million tons annually in the open market. Too, Vectren owns mineral rights, but not the land, to another 84 million tons that will start production next year. Though mine operations incurred a small loss in the first quarter of 2008 due to the cost of securing a roof structure, they should turn profitable for the balance of the year. VVC also has a 61% stake in ProLiance Energy, which trades and markets natural gas. Results here are being hurt by this year's reduced natural gas price volatility.

Earnings may show little progress in 2008. The utility sector will benefit from base rate increases in the second half of 2007, ongoing recovery of environmental costs, and wider margins on energy sales. But these pluses will be largely offset by reduced contributions from the nonutility enterprises. On balance, we estimate near-flat earnings this year. Higher rates in Ohio on a filing for $27 million and likely improvement in noncore operations suggest a better performance in 2009.

Utility investors might consider these good-quality shares. The yield is a cut above the industry norm, and based on our projection of earnings gains after this year to 2011-2013, dividend growth prospects over the same time frame are in line with those of the group.

Arthur H. Medalie — *June 27, 2008*

(A) Diluted EPS. Next earnings report due late July. Excl. nonrecur. gain (losses): '00, 8¢; '01, (13¢); '03, (6¢); incl. charges for merger costs: '00, 60¢; '01, 17¢. (B) Div'ds historically paid in early March, early June, early September, and early December. ■Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang. in '07, $5.42/sh. (D) In millions. (E) Electric rate base determination: fair value. Rate allowed on elect. common equity in '95: 12.25%. Earned on avg. com. eq. '07: 11.5%. Regulatory Climate: Above Average.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	35
Earnings Predictability	75

44.62

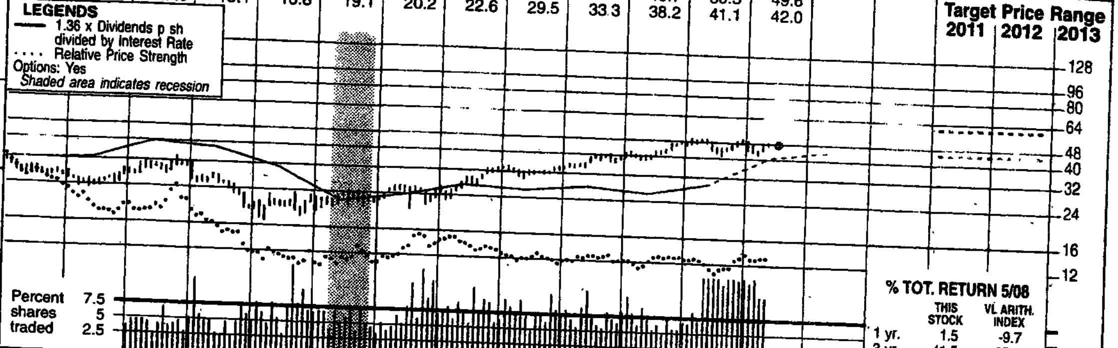
WISCONSIN ENERGY NYSE-WEC

RECENT PRICE	47.73	P/E RATIO	17.0 (Trailing: 15.8) (Median: 15.0)	RELATIVE P/E RATIO	1.04	DIV'D YLD	2.4%	VALUE LINE	709

TIMELINESS **3** Raised 11/9/07
SAFETY **2** Lowered 7/11/97
TECHNICAL **3** Lowered 5/30/08
BETA .80 (1.00 = Market)

High:	29.1	34.0	31.6	23.6	24.6	26.5	33.7	34.6	40.8	48.7	50.5	49.6
Low:	23.0	27.0	19.1	16.8	19.1	20.2	22.6	29.5	33.3	38.2	41.1	42.0

Target Price Range 2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+25%)	*8%*
Low	45	(-5%)	*2%*

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	1	1	0	0	0	0	0	0	0
Options	0	1	0	1	0	1	1	0	0
to Sell	0	1	1	1	0	1	1	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	116	134	121
to Sell	125	118	117
Hld's(000)	76561	80075	81614

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	1.5	-9.7
3 yr.	41.5	27.3
5 yr.	94.2	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
15.05	15.61	15.99	15.98	15.88	15.86	17.13	19.11	28.28	34.04	32.20	34.24	29.33	32.62	34.17	36.24	*38.90*	*41.45*	Revenues per sh	*49.50*
3.22	3.84	3.81	4.28	4.25	2.96	4.13	4.53	4.48	5.44	5.68	5.71	5.16	5.78	5.80	5.97	*5.90*	*6.60*	"Cash Flow" per sh	*8.50*
1.67	1.81	1.67	2.13	1.97	.54	1.65	1.88	1.08	1.84	2.32	2.26	1.85	2.56	2.64	2.84	*2.80*	*3.25*	Earnings per sh A	*4.25*
1.29	1.34	1.40	1.46	1.51	1.54	1.56	1.56	1.37	.80	80	.80	.83	.88	.92	1.00	*1.08*	*1.24*	Div'd Decl'd per sh B ■ †	*1.60*
3.11	3.43	2.76	2.50	3.53	3.13	3.52	4.44	5.29	6.03	5.07	5.89	5.70	6.79	8.35	10.56	*10.45*	*7.20*	Cap'l Spending per sh	*7.25*
14.97	15.67	16.01	16.89	17.42	16.51	16.46	16.89	17.00	17.81	18.44	19.92	21.31	22.91	24.70	26.50	*27.95*	*29.65*	Book Value per sh C	*36.00*
103.09	105.32	108.94	110.82	111.68	112.87	115.61	118.90	118.65	115.42	116.03	118.43	116.99	116.98	116.97	116.94	*117.00*	*117.00*	Common Shs Outst'g D	*117.00*
15.6	15.2	15.2	13.1	14.3	47.3	18.0	13.3	18.7	12.1	10.5	12.4	17.5	14.5	16.0	16.5	*Bold figures are*		Avg Ann'l P/E Ratio	*12.5*
.95	.90	1.00	.88	.90	2.73	.94	.76	1.22	.62	.57	.71	.92	.77	.86	.87	*Value Line*		Relative P/E Ratio	*.85*
5.0%	4.9%	5.5%	5.2%	5.4%	6.0%	5.2%	6.3%	6.8%	3.6%	3.3%	2.8%	2.6%	2.4%	2.2%	2.1%	*estimates*		Avg Ann'l Div'd Yield	*3.0%*

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1980.0	2272.6	3354.7	3928.5	3736.2	4054.3	3431.1	3815.5	3996.4	4237.8	*4550*	*4850*	Revenues ($mill)	*5800*
189.3	231.5	132.0	218.8	270.8	269.2	221.2	304.8	313.7	337.7	*335*	*385*	Net Profit ($mill)	*500*
32.7%	33.8%	43.7%	40.9%	37.4%	35.5%	37.5%	32.9%	35.8%	39.1%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
5.7%	5.8%	12.3%	6.9%	4.1%	6.9%	10.0%	12.5%	19.0%	23.8%	*15.0%*	*13.0%*	AFUDC % to Net Profit	*8.0%*
47.5%	48.8%	58.9%	62.2%	59.8%	59.9%	56.2%	52.8%	51.3%	50.3%	*51.5%*	*51.5%*	Long-Term Debt Ratio	*48.5%*
51.7%	45.9%	40.5%	37.2%	39.6%	39.6%	43.3%	46.7%	48.2%	49.2%	*48.0%*	*48.0%*	Common Equity Ratio	*51.0%*
3682.6	4372.8	4979.9	5523.8	5400.3	5963.3	5762.3	5741.5	5992.8	6302.1	*6825*	*7225*	Total Capital ($mill)	*8275*
3238.4	3846.6	4152.4	4188.0	4398.8	5926.1	5903.1	6362.9	7052.5	7681.2	*8545*	*9000*	Net Plant ($mill)	*10225*
6.6%	6.7%	4.7%	5.8%	7.1%	6.3%	5.6%	7.0%	6.6%	7.0%	*6.5%*	*7.0%*	Return on Total Cap'l	*7.5%*
9.8%	10.3%	6.4%	10.5%	12.5%	11.3%	8.8%	11.2%	10.7%	10.8%	*10.0%*	*11.0%*	Return on Shr. Equity	*12.0%*
9.9%	10.9%	6.5%	10.6%	12.6%	11.4%	8.8%	11.3%	10.8%	10.9%	*10.0%*	*11.0%*	Return on Com Equity E	*12.0%*
.6%	1.9%	NMF	6.0%	8.3%	7.4%	4.9%	7.5%	7.1%	7.1%	*6.5%*	*7.0%*	Retained to Com Eq	*7.5%*
94%	84%	NMF	43%	35%	35%	45%	34%	35%	35%	*38%*	*38%*	All Div'ds to Net Prof	*37%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $4383.8 mill. **Due in 5 Yrs** $1949.9 mill.
LT Debt $2974.2 mill. **LT Interest** $178.5 mill.
Incl. $154.1 mill. capitalized leases.
(LT interest earned: 3.3x)
Leases, Uncapitalized Annual rentals $37.0 mill.

Pension Assets-12/07 $1.01 bill. **Oblig.** $1.16 bill.
Pfd Stock $30.4 mill. **Pfd Div'd** $1.2 mill.
260,000 shs. 3.60%, $100 par, callable at $101; 44,498 shs. 6%, $100 par.
Common Stock 116,927,953 shs.

MARKET CAP: $5.6 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	+3.8	-4.0	+2.2
Avg. Indust. Use (MWH)	16578	NA	NA
Avg. Indust. Revs. per KWH (¢)	5.15	5.80	6.02
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	6344	6376	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+1.0	+.9	+.2
Fixed Charge Cov. (%)	277	260	258

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.0%	1.5%	*6.5%*
"Cash Flow"	4.5%	2.5%	*6.5%*
Earnings	5.5%	9.0%	*8.0%*
Dividends	-4.5%	-1.0%	*9.5%*
Book Value	4.0%	7.0%	*6.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1094.7	788.5	797.3	1135.0	3815.5
2006	1247.0	814.4	839.8	1095.2	3996.4
2007	1301.1	906.5	881.5	1148.7	4237.8
2008	1431.8	*950*	*950*	*1218.2*	*4550*
2009	*1525*	*1000*	*1025*	*1300*	*4850*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.76	.48	.56	.77	2.56
2006	.88	.50	.60	.65	2.64
2007	.85	.49	.70	.80	2.84
2008	1.04	*.46*	*.50*	*.80*	*2.80*
2009	*1.10*	*.55*	*.65*	*.95*	*3.25*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.20	.21	.21	.21	.83
2005	.22	.22	.22	.22	.88
2006	.23	.23	23	.23	.92
2007	.25	.25	.25	.25	1.00
2008	.27	.27			

BUSINESS: Wisconsin Energy Corporation (WEC) is a holding company for We Energies, which provides electric, gas & steam service in WI & upper MI. Customers: 1.1 mill. elec., 1 mill. gas. Acq'd Edison Sault Electric 5/98; WICOR 4/00. Discontinued pump-manufacturing ops. in '04. Sold Point Beach nuclear plant in '07. Electric rev. breakdown, '07: residential, 34%, small commercial & industrial, 32%; large comm'l & ind'l, 25%; other, 9%. Generating sources, '07: coal, 54%; nuclear, 17%; gas, 6%; hydro, 1%; purch., 22%. Fuel costs: 48% of revs. '07 reported depr. rate (utility): 3.7%. Has 5,000 empls. Chairman, Pres. & CEO: Gale E. Klappa. Inc.: WI. Address: 231 W. Michigan St., P.O. Box 2949, Milwaukee, WI 53201. Tel.: 414-221-2345. Internet: www.wisconsinenergy.com.

Wisconsin Energy has received some good news concerning the coal-fired units it is building under its "Power the Future" program. Under the program, the company is building two gas-fired and two coal-fired units that a nonutility subsidiary will own and lease to its utility sibling. Following yet another legal challenge against the coal plants, the company received a draft modified permit for the pollutant discharge elimination system it is installing. The final permit is expected this summer. This wouldn't preclude further litigation against the coal units, however.

Two projects began commercial operation in the second quarter. The second of the two gas-fired units is now running. This is benefiting Wisconsin Energy's earnings because the aforementioned lease is designed to produce a very healthy 12.7% return on equity. (Assuming that the first coal-fired unit enters commercial operation on schedule in September of 2009, this will boost the company's earning power even more.) Separately, a wind project was completed. This is a traditional utility investment, and as such was placed in the rate base via a general rate order that took effect earlier this year.

Rising fuel costs are a problem. Unlike in most states, the fuel-adjustment mechanism in Wisconsin is cumbersome and does not allow utilities to defer unrecovered fuel and purchased-power costs. Thus, utilities have some exposure when fuel costs are rising, as they are now. Despite the fact that the commission granted the utility an interim rate hike of $76.9 million to recoup higher fuel costs, Wisconsin Energy estimated in late April that it would swallow $20 million-$40 million of these expenses in 2008—and prices have become even higher since then. Accordingly, we have not raised our 2008 share-earnings estimate, which is at the low end of management's targeted range of $2.80-$2.90, despite the fact that March-period profits exceeded our estimate.

We continue to think that this stock is overvalued. Its yield is not only well below average for a utility, it's barely above the median for all dividend-paying stocks under our coverage. Total return potential to 2011-2013 is unimpressive, too.

Paul E. Debbas, CFA *June 27, 2008*

(A) Diluted EPS. Excl. nonrec. gains (losses): '99, (9¢); '00, 19¢ net; '01, 1¢ net; '02, (88¢); '03, (20¢) net; '04, (81¢); gains on disc. ops.: '04, $1.54; '05, 4¢; '06, 4¢. '05 & '06 earnings don't add due to rounding. Next earnings report due early Aug. (B) Div'ds historically paid in early Mar., June, Sept., Dec. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang. In '07: $12.00/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '08: 10.75%; earned on avg. com. eq., '07: 11.1%. Regulat. Climate: Above Avg.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	75

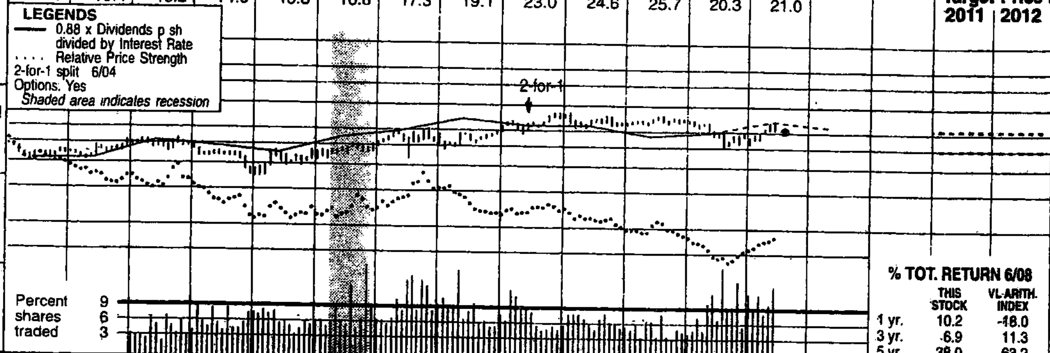
HAWAIIAN ELECTRIC NYSE-HE

RECENT PRICE	24.51	P/E RATIO	22.3 (Trailing: 18.2; Median: 15.0)	RELATIVE P/E RATIO	1.44	DIV'D YLD	5.1%	VALUE LINE	1786

TIMELINESS 3 Lowered 7/18/06
SAFETY 2 Raised 2/15/02
TECHNICAL 3 Lowered 7/18/08
BETA .75 (1.00 = Market)

High:	20.8	21.3	20.3	19.0	20.6	24.5	24.0	29.5	29.8	28.9	27.5	27.2
Low:	16.4	18.2	14.0	13.8	16.8	17.3	19.1	23.0	24.6	25.7	20.3	21.0

Target Price Range 2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(Nil)	5%
Low	20	(-20%)	Nil

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	2	0	0	2	0	0	2	0
Options	0	0	0	0	0	0	0	0	3
to Sell	0	0	0	0	0	0	0	0	3

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	57	87	94
to Sell	89	53	70
Hld's(000)	26611	27714	30608

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	10.2	-18.0
3 yr.	6.9	11.3
5 yr.	38.0	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
20.83	20.64	20.74	21.76	22.86	22.95	23.12	23.64	26.05	24.26	22.46	23.49	23.85	27.36	30.21	30.40	*34.50*	*34.85*	Revenues per sh	*38.75*
2.51	2.23	2.52	2.73	2.81	3.01	3.23	3.35	3.08	3.33	3.52	3.54	3.09	3.22	3.19	3.01	*3.00*	*3.60*	"Cash Flow" per sh	*4.00*
1.27	1.19	1.30	1.33	1.30	1.38	1.48	1.45	1.27	1.60	1.62	1.58	1.36	1.46	1.33	1.11	*1.10*	*1.65*	Earnings per sh A	*2.00*
1.13	1.15	1.17	1.19	1.21	1.22	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	*1.24*	*1.24*	Div'd Decl'd per sh B ■ †	*1.30*
4.03	4.06	3.50	3.27	3.33	2.31	2.60	2.09	2.04	1.77	1.74	2.15	2.66	2.76	2.58	2.62	*4.10*	*3.45*	Cap'l Spending per sh	*2.75*
11.06	11.62	11.90	12.25	12.52	12.77	12.87	13.16	12.72	13.06	14.21	14.36	15.01	15.02	13.44	15.29	*15.10*	*15.40*	Book Value per sh C	*17.00*
49.52	55.35	57.31	59.55	61.71	63.79	64.23	64.43	65.98	71.20	73.62	75.84	80.69	80.98	81.46	83.43	*85.50*	*87.50*	Common Shs Outst'g D	*89.00*
15.3	15.5	12.5	13.5	13.7	13.2	13.4	12.1	12.9	11.8	13.5	13.8	19.2	18.3	20.3	21.6	*Bold figures are*		Avg Ann'l P/E Ratio	*12.0*
.93	.92	.82	.90	.86	.76	.70	.69	.84	.60	.74	.79	1.01	.97	1.10	1.13	*Value Line*		Relative P/E Ratio	*.80*
5.8%	6.2%	7.2%	6.6%	6.8%	6.7%	6.2%	7.1%	7.5%	6.6%	5.7%	5.7%	4.8%	4.6%	4.6%	5.2%	*estimates*		Avg Ann'l Div'd Yield	*5.5%*
						1485.2	1523.3	1719.0	1727.3	1653.7	1781.3	1924.1	2215.6	2460.9	2536.4	*2950*	*3050*	Revenues ($mill)	*3450*
						113.2	111.1	84.6	109.8	120.2	120.1	109.6	120.3	109.9	93.6	*95.0*	*145*	Net Profit ($mill)	*175*
						33.5%	33.9%	41.6%	34.6%	34.6%	34.9%	45.8%	36.4%	36.5%	35.4%	*39.0%*	*39.0%*	Income Tax Rate	*40.0%*
						14.2%	6.1%	9.8%	5.9%	4.8%	5.1%	7.6%	5.9%	8.4%	8.3%	*16.0%*	*14.0%*	AFUDC % to Net Profit	*5.0%*
						44.7%	47.2%	58.4%	56.9%	52.0%	48.6%	47.6%	45.2%	49.9%	47.6%	*48.5%*	*47.5%*	Long-Term Debt Ratio	*45.0%*
						43.1%	41.4%	39.9%	41.6%	46.5%	49.8%	51.0%	53.3%	48.6%	51.0%	*50.0%*	*51.0%*	Common Equity Ratio	*54.0%*
						1918.9	2049.5	2101.2	2235.8	2251.0	2186.9	2375.1	2283.9	2252.7	2501.8	*2575*	*2635*	Total Capital ($mill)	*2800*
						2093.4	2066.2	2091.3	2067.5	2079.3	2311.9	2422.3	2542.8	2647.5	2743.4	*2925*	*3055*	Net Plant ($mill)	*3225*
						7.4%	6.8%	5.9%	6.7%	7.3%	7.3%	6.0%	6.8%	6.4%	5.2%	*5.0%*	*7.0%*	Return on Total Cap'l	*7.5%*
						10.7%	10.3%	9.7%	11.4%	11.1%	10.7%	8.8%	9.6%	9.7%	7.1%	*7.0%*	*10.5%*	Return on Shr. Equity	*11.5%*
						11.4%	11.0%	9.8%	11.6%	11.3%	10.8%	8.9%	9.7%	9.9%	7.2%	*7.0%*	*10.5%*	Return on Com Equity E	*11.5%*
						1.8%	1.5%	1.7%	4.4%	4.3%	3.9%	1.1%	1.5%	.7%	.8%	*NMF*	*2.5%*	Retained to Com Eq	*4.0%*
						87%	88%	84%	63%	63%	64%	87%	85%	93%	89%	*114%*	*75%*	All Div'ds to Net Prof	*67%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $1401.3 mill. **Due in 5 Yrs** *$465.0* mill.
LT Debt *$1152.0* mill. **LT Interest** *$63.0* mill.
Incl. $50 mill. 6.5% oblig. pfd. sec. of trust subsid.
(LT interest earned: 2.9x)
Pension Assets-12/07 $907.3 mill. **Oblig.** $998.6 mill.
Pfd Stock $34.3 mill. **Pfd Div'd** $2.0 mill.
1,114,657 shs 4¼% to 5¼%, $20 par. call. $20 to $21; 120,000 shs. 7⅝%, $100 par. call. $100.
Sinking fund ends 2018.
Common Stock 84,077,675 shs.
as of 4/30/08
MARKET CAP: $2.1 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	+.3	+.3	--
Avg. Indust. Use (MWH)	6718	6623	6584
Avg. Indust. Revs. per KWH (¢)	15.21	17.38	17.68
Capacity at Yearend (Mw)	2184	2204	2223
Peak Load, Winter (Mw)	1641	1685	1635
Annual Load Factor (%)	74.1	72.5	74.7
% Change Customers (yr-end)	+1.7	+1.2	+1.3
Fixed Charge Cov. (%)	325	301	262

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	2.5%	4.0%	*5.0%*
"Cash Flow"	1.0%	-1.0%	*4.0%*
Earnings	-.5%	-3.0%	*7.5%*
Dividends	.5%	--	*1.0%*
Book Value	1.5%	2.0%	*2.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	472.6	522.3	595.9	624.8	2215.6
2006	574.9	605.0	673.9	607.1	2460.9
2007	554.0	600.8	673.4	708.2	2536.4
2008	729.6	*735.4*	*740*	*745*	*2950*
2009	*750*	*750*	*775*	*775*	*3050*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.30	.35	.46	.35	1.46
2006	.40	.33	.40	.20	1.33
2007	.17	.21	.24	.49	1.11
2008	.41	*d.05*	*.40*	*.34*	*1.10*
2009	*.40*	*.40*	*.45*	*.40*	*1.65*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.31	.31	.31	.31	1.24
2005	.31	.31	.31	.31	1.24
2006	.31	.31	.31	.31	1.24
2007	.31	.31	.31	.31	1.24
2008	.31	.31			

BUSINESS: Hawaiian Electric Industries, Inc. is the parent company of Hawaiian Electric Company (HECO) & American Savings Bank (ASB). HECO & its subs., Maui Electric Co. (MECO) & Hawaii Electric Light Co. (HELCO), supply electricity to 440,000 customers on Oahu, Maui, Molokai, Lanai, & Hawaii. Operating companies' systems are not interconnected. Discontinued int'l power sub. in '01. Elec. rev. breakdown, '07: res'l, 34%; comm'l, 34%; large light & power, 31%; other, 1%. Generating sources, '07: oil, 61%; purchased, 39%. Fuel costs: 52% of revs. '07 reported depr. rate (utility): 3.8%. Has 3,500 employees. Chairman: Jeffrey N. Watanabe. Pres. & CEO: Constance H. Lau. Inc.: HI. Address: P.O. Box 730, Honolulu, HI 96808-0730. Tel.: 808-543-5662. Web: www.hei.com.

Hawaiian Electric Industries has taken a major step to improve results at its American Savings Bank (ASB) subsidiary. ASB's new president determined that the bank had too many "wholesale" assets and liabilities (i.e., things other than loans and deposits) on its balance sheet. These were dragging down ASB's return on assets, which has long been subpar, at well below 1%. So the bank sold $1.3 billion of wholesale securities and unwound $1.2 billion of borrowings. Pending the approval of the Office of Thrift Supervision, HEI will seek to have roughly $75 million of excess capital returned to the parent company. This will offset some of its financing needs. ASB is also taking steps to improve its efficiency ratio, which has been hurt by excessive costs. Increased automation should help in this regard. The one downside is that the moves will force HEI to take a $36 million aftertax charge (*included* in our presentation) in the June quarter. Thus . . .

We have slashed our 2008 earnings estimate. We now estimate that profits will wind up about equal to the 2007 tally, despite the fact that HEI's utilities are benefiting from interim rate hikes that they received last year. Assuming that 2009 is a more "normal" year, the bottom line should be much improved.

Hawaiian Electric Company has filed a general rate case. The utility is seeking an increase of $97.0 million (5.2%) based on an 11.25% return on equity. HECO is asking for an interim rate hike of $73.1 million as soon as possible, followed by $23.9 million when a 110-megawatt generating plant goes into service. Due to rising operating expenses, the utility has not been earning its allowed ROE (currently 10.7%). For the 12 months that ended on March 31st, HECO earned an ROE of just 6.65%. Despite the utility's clear need for rate relief, this is a challenging time to file a rate case, given the high cost of oil, which fuels its plants. An interim rate order is due by mid-2009.

We think investors should look elsewhere, despite the high yield. The share price is near the upper end of our 3- to 5-year Target Price Range. A dividend hike is unlikely for a while, so total return potential to 2011-2013 is low.

Paul E. Debbas, CFA *August 8, 2008*

(A) Diluted EPS. Excl. gains (losses) from disc. ops.: '98, (16¢); '99, 6¢; '00, (56¢); '01, (36¢); '03, (5¢); '04, 2¢; '05, (1¢); nonrec. gain (loss): '05, 11¢; '07, (9¢). Next egs. due early Nov.
(B) Div'ds historically paid in early Mar., June, Sept., and Dec. ■ Div'd reinv. plan avail. † Sharehldr. invest. plan avail. (C) Incl. intang. In '07: $4.41/sh. (D) In mill., adj. for split. (E) Rate base: Orig. cost. Rate all'd on com. eq. in '07: HECO, 10.7% (interim); in '07: HELCO, 10.7%; in '07: MECO, 10.7%; earned on avg. com. eq., '07: 7.7%. Regulatory Climate: Above Average.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	40
Earnings Predictability	70

MDU RESOURCES NYSE-MDU

RECENT PRICE	31.26	P/E RATIO	15.6 (Trailing: 16.2 / Median: 14.0)	RELATIVE P/E RATIO	1.01	DIV'D YLD	2.0%	VALUE LINE	1788

TIMELINESS 2 Raised 5/30/08

SAFETY 1 Raised 8/17/01

TECHNICAL 2 Raised 8/8/08

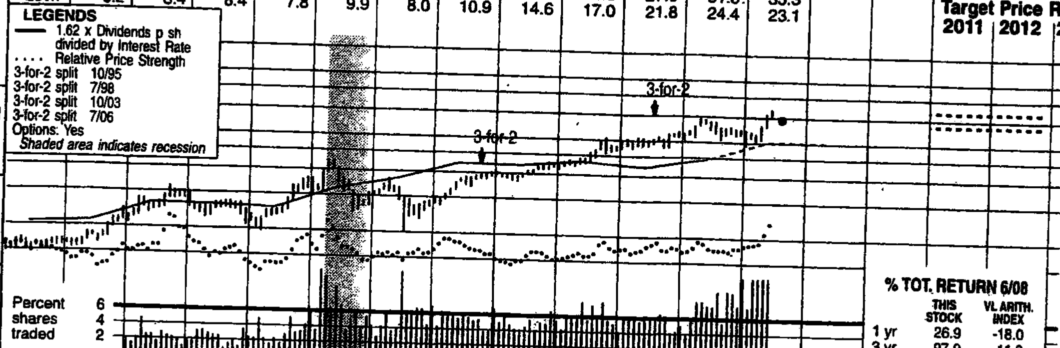
BETA 1.00 (1.00 = Market)

	High:											
High:	9.9	12.8	12.1	14.7	17.9	14.9	16.2	18.5	24.8	27.0	31.8	35.3
Low:	6.2	8.4	8.4	7.8	9.9	8.0	10.9	14.6	17.0	21.8	24.4	23.1

Target Price Range 2011 | 2012 | 2013

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+10%)	5%
Low	30	(-5%)	2%



Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	0	0	0	0	3
to Sell	0	0	1	0	0	1	0	0	2

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	118	135	143
to Sell	135	128	132
Hld's(000)	87585	89630	91770

Percent shares traded 6 4 2

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr	26.9	-18.0
3 yr	97.9	11.3
5 yr.	164.0	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
3.67	4.57	4.68	4.83	5.36	6.40	7.51	9.97	12.81	14.16	12.03	13.83	15.33	19.21	22.49	23.22	**26.10**	**27.15**	Revenues per sh	**31.25**
.77	.87	.91	1.00	1.12	1.26	1.27	1.29	1.51	1.84	1.74	2.18	2.37	2.80	3.25	3.41	**3.75**	**3.95**	"Cash Flow" per sh	**4.75**
.36	.40	.41	.42	.47	.55	.64	.68	.80	.98	.82	1.08	1.20	1.53	1.75	1.76	**2.00**	**2.05**	Earnings per sh A	**2.50**
.29	.30	.31	.32	.33	.33	.35	.36	.38	.40	.42	.44	.47	.49	.52	.56	**.60**	**.64**	Div'd Decl'd per sh B ■ †	**.76**
.74	1.07	.85	.87	1.16	1.18	.81	1.29	.84	1.35	1.66	1.84	1.90	2.84	2.81	3.05	**4.05**	**3.95**	Cap'l Spending per sh	**4.25**
3.16	3.31	3.40	3.51	3.65	4.07	4.62	5.22	6.02	7.07	7.71	8.44	9.39	10.43	11.88	13.75	**14.90**	**16.25**	Book Value per sh C	**21.00**
96.11	96.11	96.11	96.11	96.11	94.98	119.33	128.34	146.31	157.00	166.60	170.04	177.34	179.86	181.02	182.95	**185.00**	**187.00**	Common Shs Outst'g D	**193.00**
13.5	15.1	13.7	13.7	13.9	13.4	16.6	15.1	13.2	13.8	14.4	13.0	13.6	13.0	13.7	15.7	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	**12.5**
.82	.89	.90	.92	.87	.77	.86	.86	.86	.71	.79	.74	.72	.69	.74	.83	*estimates*		Relative P/E Ratio	**.85**
5.9%	5.0%	5.6%	5.5%	5.1%	4.5%	3.3%	3.6%	3.6%	3.0%	3.6%	3.1%	2.9%	2.5%	2.2%	2.0%			Avg Ann'l Div'd Yield	**2.4%**
						896.6	1279.8	1873.7	2223.6	2004.1	2352.2	2719.3	3455.4	4070.7	4247.9	**4825**	**5080**	Revenues ($mill)	**6050**
						74.0	84.1	111.0	149.6	131.8	182.9	212.4	275.1	317.9	322.8	**370**	**385**	Net Profit ($mill)	**490**
						37.1%	37.0%	38.5%	38.6%	36.4%	35.0%	30.9%	34.6%	34.2%	37.1%	**37.0%**	**37.0%**	Income Tax Rate	**37.0%**
						.4%	2.1%	4.7%	4.4%	5.8%	1.4%	2.9%	4.2%	2.6%	2.2%	**2.0%**	**2.0%**	AFUDC % to Net Profit	**2.0%**
						42.1%	45.1%	44.8%	41.0%	38.7%	39.3%	34.2%	36.9%	35.1%	31.2%	**34.5%**	**34.0%**	Long-Term Debt Ratio	**29.5%**
						56.2%	53.6%	54.2%	58.1%	60.6%	60.1%	65.2%	62.6%	64.5%	68.4%	**65.0%**	**66.0%**	Common Equity Ratio	**70.5%**
						980.7	1249.6	1625.6	1909.8	2119.5	2390.1	2554.5	2996.4	3335.5	3678.1	**4240**	**4620**	Total Capital ($mill)	**5775**
						1084.7	1248.2	1601.0	1809.3	1924.9	2222.3	2572.7	3049.9	2993.4	3659.6	**4180**	**4565**	Net Plant ($mill)	**5750**
						8.8%	8.2%	8.4%	9.2%	7.3%	8.7%	9.5%	10.2%	10.7%	9.8%	**9.5%**	**9.5%**	Return on Total Cap'l	**9.5%**
						13.0%	12.3%	12.4%	13.3%	10.1%	12.6%	12.6%	14.5%	14.7%	12.8%	**13.5%**	**12.5%**	Return on Shr. Equity	**12.0%**
						13.3%	12.4%	12.5%	13.4%	10.2%	12.7%	12.7%	14.6%	14.8%	12.8%	**13.5%**	**12.5%**	Return on Com Equity E	**12.0%**
						5.9%	5.7%	6.5%	7.9%	5.0%	7.6%	7.9%	10.0%	10.4%	8.8%	**9.5%**	**8.5%**	Retained to Com Eq	**8.5%**
						56%	55%	49%	41%	52%	40%	38%	32%	29%	31%	**30%**	**31%**	All Div'ds to Net Prof	**30%**

CAPITAL STRUCTURE as of 3/31/08
Total Debt $1481.6 mill. **Due in 5 Yrs** $555.9 mill.
LT Debt $1270.0 mill. **LT Interest** $73.0 mill.
(LT interest earned: 8.2x)
Leases, Uncapitalized Annual rentals $20.3 mill.
Pension Assets-12/07 $331.0 mill. **Oblig.** $359.9 mill.
Pfd Stock $15.0 mill. **Pfd Div'd** $.7 mill.
50,000 shs. 4.7% cum. ($100 par), call. at $102; 100,000 shs. 4.5% ($100 par), call. at $105.
Common Stock 182,869,115 shs. as of 4/29/08

MARKET CAP: $5.7 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	+4.8	+2.9	+4.8
Avg. Indust. Use (MWH)	1219	1268	1358
Avg. Indust. Revs. per KWH (¢)	4.57	4.70	4.83
Capacity at Peak (Mw)	546	547	571
Peak Load, Summer (Mw)	470	485	526
Annual Load Factor (%)	58.0	56.0	NA
% Change Customers (avg.)	+.6	+.6	+.8
Fixed Charge Cov. (%)	663	651	690

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	14.5%	10.5%	6.5%
"Cash Flow"	11.0%	13.0%	7.0%
Earnings	13.5%	14.0%	7.0%
Dividends	5.0%	5.5%	6.5%
Book Value	12.5%	11.5%	9.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	604.3	770.2	1066.8	1014.1	3455.4
2006	814.8	973.2	1190.6	1092.1	4070.7
2007	787.5	982.4	1245.3	1232.7	4247.9
2008	1122	**1178**	**1275**	**1250**	**4825**
2009	**1155**	**1200**	**1375**	**1350**	**5080**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.19	.45	.48	.41	1.53
2006	.29	.39	.61	.45	1.75
2007	.23	.45	.57	.52	1.76
2008	.39	**.51**	**.60**	**.50**	**2.00**
2009	**.30**	**.55**	**.65**	**.55**	**2.05**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.113	.113	.113	.12	.46
2005	.12	.12	.12	.127	.49
2006	.127	.127	.127	.135	.52
2007	.135	.135	.135	.145	.55
2008	.145	.145	.145		

BUSINESS: MDU Resources Group, Inc. is a diversified energy company. Montana-Dakota Utilities sells gas & electricity to 551,000 customers in ND, MT, SD, WY, MN, WA, & OR. Electric rev. breakdown, '07: residential, 39%; commercial, 42%; industrial, 12%; other, 7%. Generating sources, '07: coal, 77%; other, 1%; purchased, 22%. Also has operations in gas pipelines, oil & gas production, aggregates mining, construction materials production, utility line construction & maintenance. Acq'd Cascade Natural Gas 7/07. '07 deprec. rate: 5.1%. Has 12,300 employees. Chairman: Harry J. Pearce. President & CEO: Terry D. Hildestad. Inc.: DE. Address: 1200 West Century Ave., P.O. Box 5650, Bismarck, ND 58506-5650. Tel.: 701-530-1000. Internet: www.mdu.com.

MDU Resources is benefiting from high prices of oil and gas. Production growth of 12%-16% is expected in 2008, with about half of the increase reflecting a big acquisition that took effect at the start of the year. The record level of oil prices is a big plus for the company, since MDU has hedged little of its expected oil production.

The sputtering economy is hurting two of MDU's divisions. Especially hard hit is the Construction Materials segment, where the normal seasonal loss in the first quarter more than doubled, to $21 million. The decline in residential construction has spilled over to affect commercial building. Although public works projects are picking up some of the slack, margins aren't as high as on private projects. The sharp rise in the cost of diesel fuel is a problem, too. Earnings in this operation are likely to decline for the full year. To a lesser extent, the economic weakness is also affecting the Construction Services unit, where MDU expects lower margins in 2008.

Despite the strength in gas and oil prices, we have raised our 2008 and 2009 earnings estimates only slightly. We figure that the weakness in the Construction Materials division will mitigate the strength in the Gas and Oil Production segment. We have boosted our 2008 and 2009 estimates by a dime a share, to $2.00 and $2.05, respectively.

A utility acquisition is pending. MDU plans to buy privately held Intermountain Gas, which serves over 300,000 customers in a fast-growing area in Idaho. The price, including the assumption of $80 million-$85 million of debt, is $328 million. The deal should close in the fourth quarter of 2008. It won't affect earnings much in the first year, but we will wait to adjust our figures until after it has closed, anyway.

This timely stock has far outperformed the broad market averages so far this year. This reflects the sharp rise in gas and oil prices. But MDU is hardly a pure play—this division generated 41% of operating income in 2007. That's material, but still less than half of corporate profits. Considering the falloff in Construction Materials (25% of operating income in 2007), we think the stock's run-up is excessive. In fact, the quotation is well within our 2011-2013 Target Price Range.

Paul E. Debbas, CFA *August 8, 2008*

(A) Diluted EPS. Excl. nonrecur. gains (losses): '93, 6¢; '98, (34¢); '01, 4¢; '02, 10¢; '03, (5¢); '04, (3¢); gain (loss) on disc. ops.: '06, (1¢); '07, 60¢. '06 & '07 EPS don't add due to rounding. Next egs. report due early Nov. (B) Div'ds historically paid in early Jan., Apr., July, and Oct. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang.: In '07: $3.10/sh. (D) In mill., adj. for splits. (E) Rate base: varies. Rates all'd on com. eq.: 11.4%-13.0%; earned on avg. com. eq., '07: 14.1%. Regul. Climate: ND, MT, Avg.; SD, Above Avg.

Company's Financial Strength	A+
Stock's Price Stability	95
Price Growth Persistence	95
Earnings Predictability	80

37.66

PG&E CORP. NYSE-PCG

RECENT PRICE **37.31** | P/E RATIO **12.6** (Trailing: 13.9; Median: 15.0) | RELATIVE P/E RATIO **0.81** | DIV'D YLD **4.3%** | VALUE LINE **1789**

TIMELINESS **3** Raised 7/11/08
SAFETY **2** Raised 5/12/06
TECHNICAL **4** Lowered 7/25/08
BETA .85 (1.00 = Market)

High:	30.9	35.1	34.0	31.8	20.9	23.8	28.0	34.5	40.1	48.2	52.2	45.7
Low:	20.9	29.1	20.3	17.0	6.5	8.0	11.7	25.9	31.8	36.3	42.6	36.3

Target Price Range 2011 | 2012 | 2013

2011-13 PROJECTIONS

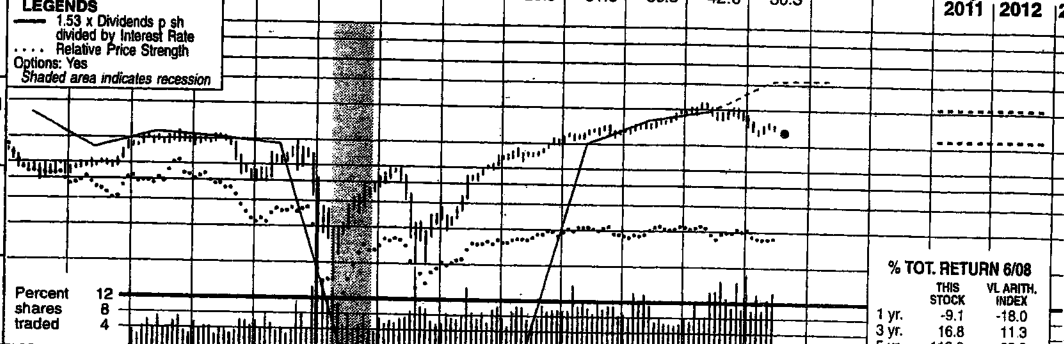
	Price	Gain	Ann'l Total Return
High	50	(+35%)	12%
Low	35	(-5%)	4%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	0	2	0	0	0	0
to Sell	1	0	0	0	12	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	170	199	171
to Sell	180	174	197
Hld's(000)	234682	237710	241684



% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-9.1	-18.0
3 yr.	16.8	11.3
5 yr.	110.8	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
24.12	24.77	24.28	23.24	23.82	36.87	52.12	57.74	67.75	63.18	32.74	25.05	26.47	31.78	33.63	34.98	37.45	39.75	Revenues per sh	46.55
5.42	5.42	5.99	6.31	5.24	5.98	6.08	7.15	.80	5.66	1.14	4.80	5.71	7.12	7.20	7.32	7.90	8.50	"Cash Flow" per sh	9.85
2.58	2.33	2.76	2.95	2.16	1.57	1.88	2.24	d9.21	3.02	d2.36	2.05	2.12	2.35	2.77	2.78	2.95	3.20	Earnings per sh A	3.50
1.76	1.88	1.96	1.96	1.77	1.20	1.20	1.20	1.20	--	--	--	--	.90	1.32	1.41	1.56	1.68	Div'd Decl'd per sh B■†	2.04
5.41	4.13	2.54	2.25	3.05	4.36	4.23	4.39	4.54	7.33	7.94	4.08	3.72	4.90	6.44	7.32	9.95	7.30	Cap'l Spending per sh	7.10
19.41	19.77	20.07	20.77	20.73	21.30	21.08	19.10	8.19	11.89	9.47	10.12	20.62	19.60	20.95	22.60	24.10	25.70	Book Value per sh C	28.95
426.85	427.22	430.24	414.03	403.50	417.67	382.60	360.59	387.19	363.38	381.67	416.52	418.62	368.27	372.80	378.39	381.00	384.00	Common Shs Outst'g D	393.00
12.3	14.8	9.5	9.4	10.9	15.5	16.8	13.1	--	4.8	--	9.5	13.8	15.4	14.8	16.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	12.5
.75	.87	.62	.63	.68	.89	.87	.75	--	.25	--	.54	.73	.82	.80	.88			Relative P/E Ratio	.85
5.6%	5.5%	7.5%	7.1%	7.5%	4.9%	3.8%	4.1%	4.8%	--	--	--	--	2.5%	3.2%	3.0%			Avg Ann'l Div'd Yield	4.7%

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
19942	20820	26232	22959	12495	10435	11080	11703	12539	13237	14270	15260	Revenues ($mill)	18300
746.0	825.0	d3324	1099.0	d874.0	791.0	901.0	904.0	991.0	1006.0	1125	1230	Net Profit ($mill)	1375
43.3%	1.6%	--	35.6%	--	36.7%	35.0%	37.6%	35.9%	34.9%	35.0%	35.0%	Income Tax Rate	35.0%
--	--	--	1.6%	--	3.7%	3.6%	5.6%	6.8%	9.5%	8.0%	5.0%	AFUDC % to Net Profit	5.0%
45.6%	46.5%	62.1%	58.9%	51.5%	42.4%	45.1%	48.3%	45.4%	48.1%	48.0%	48.0%	Long-Term Debt Ratio	48.0%
49.6%	48.0%	30.4%	34.9%	42.8%	53.9%	53.2%	50.0%	52.9%	50.4%	50.5%	50.5%	Common Equity Ratio	51.0%
16268	14339	10428	12399	8438.0	7815.0	16242	14446	14760	16976	18200	19480	Total Capital ($mill)	22310
17818	16776	16591	19167	16928	18107	18989	19955	21785	23656	25555	26305	Net Plant ($mill)	27655
6.5%	7.4%	NMF	13.3%	NMF	16.3%	7.6%	8.1%	8.4%	8.0%	8.0%	8.5%	Return on Total Cap'l	8.0%
8.4%	10.8%	NMF	21.5%	NMF	17.6%	10.1%	12.1%	12.3%	11.4%	12.0%	12.0%	Return on Shr. Equity	11.5%
8.9%	11.6%	NMF	22.9%	NMF	18.5%	10.3%	12.3%	12.5%	11.7%	12.0%	12.5%	Return on Com Equity E	11.5%
3.4%	5.2%	NMF	22.9%	NMF	18.5%	10.3%	7.7%	6.6%	5.9%	5.5%	6.0%	Retained to Com Eq	5.0%
63%	56%	NMF	10%	--	2%	1%	39%	48%	50%	53%	53%	All Div'ds to Net Prof	58%

CAPITAL STRUCTURE as of 3/31/08
Total Debt $8553 mill. **Due in 5 yrs** $2826 mill.
LT Debt $7721 mill. **LT Interest** $650.0 mill.
(LT interest earned: 3.1x)
Pension Assets-12/07 $9.5 bill. **Oblig.** $9.1 bill.
Pfd Stock $252.0 mill. **Pfd Div'd** $16.0 mill.
5,973,456 shs. 4.36% to 7.04%, cum. and $25 par, redeem. from $25.75 to $27.25; 5,784,825 shs. 5.00% to 6.00%, cum. nonredeem. and $25 par; 5,500,000 shs. 6.30% and 6.57%, cum. $25 par, mandat. redempt.

Common Stock 378,385,151 shs.
MARKET CAP: $14.1 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	-1.6	+5.8	+2.2
Avg. Indust. Use (MWH)	12341	12536	12253
Avg. Indust. Revs. per KWH (¢)	8.15	8.60	8.34
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Summer (Mw)	NMF	NMF	NMF
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	--	+2.7	+2.0
Fixed Charge Cov. (%)	309	263	259

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	2.0%	-9.5%	5.5%
"Cash Flow"	2.0%	23.5%	5.5%
Earnings	1.5%	--	5.0%
Dividends	-3.0%	--	9.0%
Book Value	--	16.5%	5.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	2669	2498	2804	3732	11703
2006	3148	3017	3168	3206	12539
2007	3356	3187	3279	3415	13237
2008	3733	3380	3500	3657	14270
2009	3980	3630	3750	3900	15260

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.54	.70	.62	.49	2.35
2006	.60	.65	1.09	.43	2.77
2007	.71	.74	.77	.56	2.78
2008	.62	.78	.95	.60	2.95
2009	.70	.85	1.00	.65	3.20

Calendar	QUARTERLY DIVIDENDS PAID B■† Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	--	--	--	--	--
2005	--	.30	.30	.30	.90
2006	.33	.33	.33	.33	1.32
2007	.33	.36	.36	.36	1.41
2008	.36	.39	.39		

BUSINESS: PG&E Corporation is a holding co. for Pacific Gas and Electric Company and nonutil. subsids. Supplies electricity and gas in 48 Calif. counties. Owns generation elsewhere in the U.S. Elect. (and gas) rev. breakdown: resid., 36% (75%); commer., 39% (25%); indust., 18% (under 1%); other, 7%. Petroleum refining industry is the largest elect. and gas customer. '07 megawatt capacity: hydro, 62%; fossil fuels, 2%; nuclear, 36%. Fuel costs: 41% of utility revenues; labor costs (system): 15%. '07 deprec. rate: 3.3%. Est'd plant age: 9 years. Has 20,050 employees. Chairman, President & Chief Executive Officer: Peter A. Darbee. Inc.: Calif. Address: 77 Beale Street, San Francisco, Calif. 94106. Tel.: 1-800-367-7731. Internet: www.pgecorp.com.

PG&E plans to expand its gas transmission system. It has agreed to acquire a 25.5% stake in El Paso Corp's, proposed 680-mile, natural gas pipeline that will run from Wyoming to a terminal in Oregon near California's northern border. The line's initial capacity of 1.2 billion cubic feet per day (bcf/d) is expandable to two bcf/d. The cost is estimated at $2 billion. Regulatory approvals are needed before ground breaking. Too, PG&E and two equal partners expect to build a 223-mile line with a capacity of one bcf/d on a yet-to-be determined route between Oregon and the California Bay area. Portions are targeted for operation in 2011, the balance by 2013. The output of these lines will help meet the growing demand for natural gas in the western United States.

The company is also enlarging its generation portfolio. PG&E is spending $370 million to finish building the partially complete 530-megawatt (mw) gas-fired Gateway plant, which it acquired for $300 million. Operation is scheduled for 2009. Construction has also begun on the 660-mw gas-fired Colusa station, which should begin serving customers in early 2011. Furthermore, repowering of the Humboldt Bay 163-mw gas- and oil-facility, which had been near the end of its useful life, is under way. Finally, PG&E will buy the output of 285 mw of wind and from 500 mw to 900 mw of solar energy, when available. These additions, should be adequate to cover customer needs for years to come.

Earnings should improve for the sixth consecutive year in 2008. Results will be boosted by a full year of the $243 million 2007 rate order, an attrition adjustment of $125 million, and new plants on line. These positives will be partly offset by the cost of installing new steam generators in the Diablo Canyon 2 nuclear plant and higher interest expense. In all, we estimate 2008 earnings will rise 6%, to $2.95 a share. An order on a pending request for a $482 million rate hike suggests better results next year.

The year-ahead yield mirrors the industry average. But dividend growth prospects exceed those of the group, and finances are now comparable to those of pre-bankruptcy days. Utility investors might consider taking a position here.

Arthur H. Medalie *August 8, 2008*

(A) EPS diluted. Excl. nonrecurring gains (losses): '94, (55¢); '95, 4¢; '96, (41¢); '97, 18¢; '99, ($2.44); '04, $6.95. Incl. '00 nonrecurring loss: $11.83. Next earnings report due early Aug.. (B) Dividends historically paid in mid-Jan., Apr., July, Oct. ■ Dividend reinvestment plan available. † Shareholder investment plan available. (C) Incl. intang. In '07: $11.80/sh. (D) In millions. (E) Rate base: net orig. cost. Rate allowed on com. eq. in '07: 11.35%. Earned on avg. com. eq. in '07: 12.3%. Regulatory Climate: Average.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	55
Earnings Predictability	5

23.75

PORTLAND GENERAL NYSE-POR

RECENT PRICE	23.28	P/E RATIO	12.9 (Trailing: 12.3) (Median: NMF)	RELATIVE P/E RATIO	0.83	DIV'D YLD	4.3%	VALUE LINE	1792

TIMELINESS –

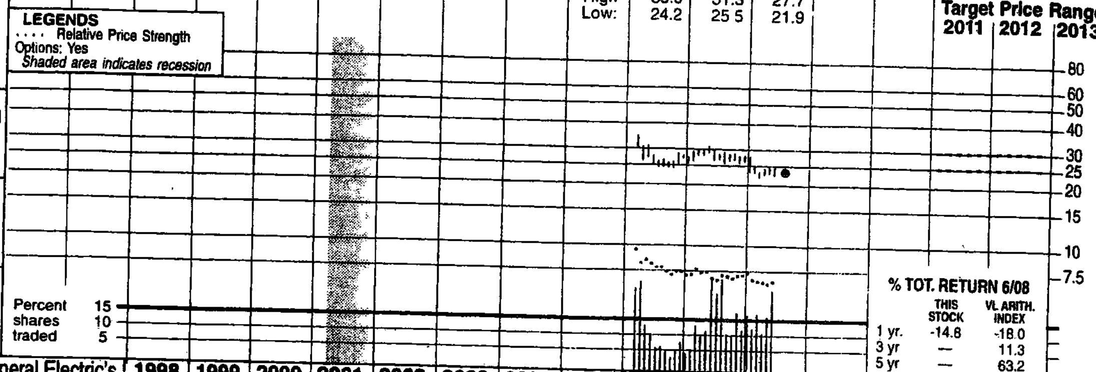
SAFETY 2 New 11/10/06

TECHNICAL –

BETA .80 (1.00 = Market)

	2006	2007	2008
High:	35.0	31.3	27.7
Low:	24.2	25.5	21.9

Target Price Range 2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+30%)	11%
Low	25	(+5%)	7%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	118	102	105
to Sell	75	94	82
Hld's(000)	63222	62512	62154

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-14.8	-18.0
3 yr	—	11.3
5 yr	—	63.2

On April 3, 2006, Portland General Electric's existing stock (which was owned by Enron) was canceled, and 62.5 million shares were issued to Enron's creditors or the Disputed Claims Reserve (DCR). The stock began trading on a when-issued basis that day, and regular trading began on April 10, 2006. Shares issued to the DCR were released over time to Enron's creditors until all of the remaining shares were released in June, 2007.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
--	--	--	--	--	--	--	23.14	24.32	27.87	**28.75**	**26.75**	Revenues per sh	**29.50**
--	--	--	--	--	--	--	4.75	4.64	5.21	**5.10**	**4.85**	"Cash Flow" per sh	**5.50**
--	--	--	--	--	--	--	1.02	1.14	2.33	**1.80**	**2.00**	Earnings per sh A	**2.25**
--	--	--	--	--	--	--	--	.68	.93	**.97**	**1.01**	Div'd Decl'd per sh B	**1.20**
--	--	--	--	--	--	--	4.08	5.94	7.28	**6.75**	**10.35**	Cap'l Spending per sh	**4.50**
--	--	--	--	--	--	--	19.15	19.58	21.05	**21.90**	**23.05**	Book Value per sh C	**26.00**
--	--	--	--	--	--	--	62.50	62.50	62.53	**62.60**	**71.00**	Common Shs Outst'g D	**76.00**
--	--	--	--	--	--	--	--	23.4	11.9	*Bold figures are*		Avg Ann'l P/E Ratio	**12.5**
--	--	--	--	--	--	--	--	1.26	.63	*Value Line*		Relative P/E Ratio	**.85**
--	--	--	--	--	--	--	--	2.5%	3.3%	*estimates*		Avg Ann'l Div'd Yield	**4.5%**
--	--	--	--	--	--	1454.0	1446.0	1520.0	1743.0	**1800**	**1900**	Revenues ($mill)	**2250**
--	--	--	--	--	--	92.0	64.0	71.0	145.0	**115**	**135**	Net Profit ($mill)	**170**
--	--	--	--	--	--	37.0%	40.2%	33.6%	33.8%	**38.0%**	**38.0%**	Income Tax Rate	**38.0%**
--	--	--	--	--	--	9.8%	18.8%	33.8%	17.9%	**18.0%**	**26.0%**	AFUDC % to Net Profit	**12.0%**
--	--	--	--	--	--	41.1%	42.3%	43.4%	49.9%	**53.5%**	**49.0%**	Long-Term Debt Ratio	**48.5%**
--	--	--	--	--	--	58.9%	57.7%	56.6%	50.1%	**46.5%**	**51.0%**	Common Equity Ratio	**51.5%**
--	--	--	--	--	--	2171.0	2076.0	2161.0	2629.0	**2930**	**3210**	Total Capital ($mill)	**3850**
--	--	--	--	--	--	2275.0	2436.0	2718.0	3066.0	**3285**	**3810**	Net Plant ($mill)	**4500**
--	--	--	--	--	--	5.6%	4.6%	4.7%	6.9%	**5.5%**	**5.5%**	Return on Total Cap'l	**6.0%**
--	--	--	--	--	--	7.2%	5.3%	5.8%	11.0%	**8.5%**	**8.0%**	Return on Shr. Equity	**8.5%**
--	--	--	--	--	--	7.2%	5.3%	5.8%	11.0%	**8.5%**	**8.0%**	Return on Com Equity E	**8.5%**
--	--	--	--	--	--	7.2%	5.3%	3.5%	6.6%	**4.0%**	**4.0%**	Retained to Com Eq	**4.0%**
--	--	--	--	--	--	--	--	39%	40%	**53%**	**51%**	All Div'ds to Net Prof	**54%**

CAPITAL STRUCTURE as of 3/31/08

Total Debt $1256.0 mill. **Due in 5 Yrs** $286.0 mill.
LT Debt $1256.0 mill. **LT Interest** $78.0 mill.
(LT interest earned: 3.4x)

Leases, Uncapitalized Annual rentals $8.0 mill.

Pension Assets-12/07 $518.0 mill. **Oblig.** $475.0 mill.

Pfd Stock None

Common Stock 62,532,232 shs. as of 4/30/08

MARKET CAP: $1.5 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	+1.2	+3.6	+1.0
Avg. Indust. Use (MWH)	13199	15930	16148
Avg. Indust. Revs. per KWH (¢)	5.65	5.82	6.40
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw) F	3608	3706	3664
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+1.7	+1.7	+1.4
Fixed Charge Cov. (%)	239	206	320

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	--	--	2.5%
"Cash Flow"	--	--	2.0%
Earnings	--	--	7.0%
Dividends	--	--	NMF
Book Value	--	--	4.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	371.0	333.0	355.0	387.0	1446.0
2006	381.0	351.0	372.0	416.0	1520.0
2007	436.0	402.0	435.0	470.0	1743.0
2008	471.0	**429**	**450**	**450**	**1800**
2009	**500**	**450**	**475**	**475**	**1900**

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.61	.26	.30	d.15	1.02
2006	d.10	.43	.16	.65	1.14
2007	.88	.73	.32	.40	2.33
2008	.44	**.56**	**.30**	**.50**	**1.80**
2009	**.65**	**.55**	**.25**	**.55**	**2.00**

Calendar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	--	--	--	--	--
2005	--	--	--	--	--
2006	--	--	.225	.225	.45
2007	.225	.225	.235	.235	.92
2008	.235	.235	.245		

BUSINESS: Portland General Electric Company (PGE) provides electricity to 808,000 customers in 52 cities in a 4,000-square-mile area of Oregon, including Portland and Salem. The company is in the process of decommissioning the Trojan nuclear plant, which it closed in 1993. Electric revenue breakdown, '07: residential, 43%; commercial, 35%; industrial, 13%; other, 9%. Generating sources include coal, gas, hydro, wind, and purchased; breakdown is not available. Fuel costs: 50% of revenues. '07 reported depreciation rate: 3.9%. Has 2,700 employees. Chairman: Corbin A. McNeill, Jr. Chief Executive Officer and President: Peggy Y. Fowler. Inc.: Oregon. Address: 121 SW Salmon Street, Portland, Oregon 97204. Tel.: 503-464-8000. Internet: www.portlandgeneral.com.

Portland General Electric has a rate case pending. PGE filed for a tariff increase of $146 million (8.9%) based on a 10.75% return on a 50% common-equity ratio. The utility is in settlement talks with the staff of the Oregon Public Utility Commission (OPUC) and some intervenor groups. Even if the talks are fruitless, an order should come in time for new rates to take effect at the start of 2009, thereby producing an earnings increase.

Another regulatory request was approved. The OPUC granted PGE a $13 million rate increase to cover the cost of an advanced metering system. This is expected to cost $130 million-$135 million, but should reduce annual operating expenses by $18 million starting in 2011, the first full year with the new meters.

Two large capital projects are upcoming. PGE plans to spend over $700 million to add 325 megawatts of capacity (in two phases, coming on line in 2009 and 2010) to the Biglow Canyon windfarm. The utility must also add pollution control equipment to the Boardman coal-fired plant. The estimated costs of the proposed methods for compliance range from as low as $300 million to as high as $620 million.

The company plans to issue $200 million of common equity in late 2008 or early 2009. This will help finance its heavy capital budget and keep the common-equity ratio near the desired 50% level. Future equity needs will depend on the size of the Boardman project and the outcome of a request for proposals for up to 218 mw of renewable resources.

All issues related to the Trojan nuclear plant should be resolved with an OPUC order in September. PGE collected a return on the decommissioned plant from April, 1995 through September, 2000. The OPUC will decide what rates would have been over that time if PGE had not collected a return on Trojan, and whether rates approved in a 2000 settlement were reasonable. A rate refund (not reflected in our estimates) is possible.

We think that this stock is fairly valued. Its yield and 3- to 5-year total return potential are about average for a utility. PGE's trading history since re-emerging as a publicly traded equity is too short for us to compute a Timeliness rank.

Paul E. Debbas, CFA *August 8, 2008*

(A) Diluted earnings. '05 per-share data are pro forma, based on shares outstanding when stock began trading in '06. '06 EPS don't add to full-year total due to rounding. Next earnings report due early Nov. (B) Dividends paid mid-Jan., Apr., July, and Oct. (C) Incl. deferred charges. In '07: $304.0 mill., $4.86/sh. (D) In millions. (E) Rate base: Net original cost. Rate allowed on common equity in '07: 10.1%; earned on average common equity, '07: 11.4%. Regulatory Climate: Average. (F) Summer peak in '06.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	NMF
Earnings Predictability	NMF

49.37

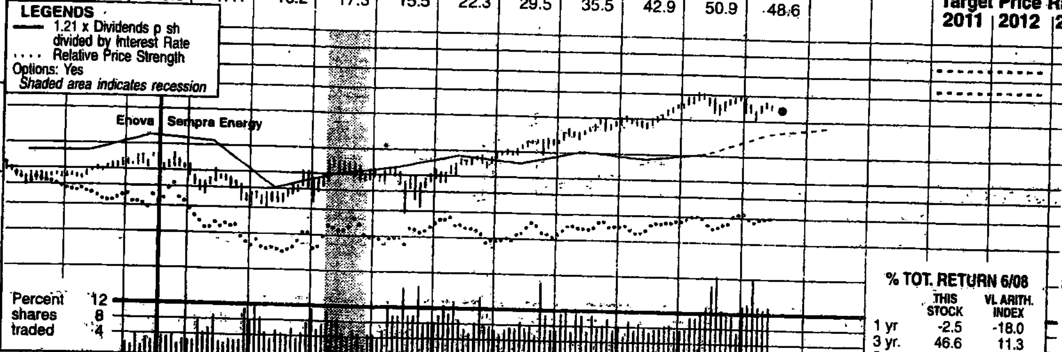
SEMPRA ENERGY NYSE-SRE

RECENT PRICE 54.65 | P/E RATIO 14.6 (Trailing: 12.7 Median: 11.0) | RELATIVE P/E RATIO 0.94 | DIV'D YLD 2.7% | VALUE LINE 1794

TIMELINESS 3 Raised 5/23/08
SAFETY 2 Lowered 2/4/00
TECHNICAL 3 Raised 6/8/08
BETA .95 (1.00 = Market)

High:	27.1	29.3	26.0	24.9	28.6	26.3	30.9	37.9	47.9	57.3	66.4	63.0
Low:	21.4	23.8	17.1	16.2	17.3	15.5	22.3	29.5	35.5	42.9	50.9	48.6

LEGENDS
— 1.21 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+65%)	15%
Low	70	(+30%)	9%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	1	0	0	0	0	1	1
to Sell	2	0	1	0	1	0	0	2	1

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	180	231	228
to Sell	192	157	194
Hld's(000)	172828	176105	174741

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr	-2.5	-18.0
3 yr.	46.6	11.3
5 yr.	125.4	63.2

Sempra Energy was formed through the merger of Enova Corp. and Pacific Enterprises on June 26, 1998. Enova stockholders received one Sempra share for each Enova share, and Pacific Enterprises stockholders received 1.5038 Sempra shares for every Pacific Enterprises share.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
23.31	22.89	35.38	39.27	29.38	34.81	40.18	45.64	44.89	43.79	42.25	45.00	Revenues per sh	54.25
5.16	5.36	4.91	5.39	5.71	5.56	6.58	5.96	6.74	6.93	6.85	8.15	"Cash Flow" per sh	10.50
1.24	1.66	2.06	2.55	2.79	3.01	3.93	3.52	4.23	4.26	3.75	4.40	Earnings per sh A	5.75
1.56	1.56	1.00	1.00	1.00	1.00	1.00	1.16	1.20	1.24	1.37	1.60	Div'd Decl'd per sh B ■ †	2.00
1.85	2.48	3.76	5.22	5.92	4.63	4.62	5.46	7.28	7.70	8.55	11.15	Cap'l Spending per sh	9.75
12.29	12.58	12.35	13.17	13.79	17.17	20.78	23.95	28.66	31.87	32.80	33.70	Book Value per sh C	44.25
237.00	237.40	201.90	204.48	204.91	226.60	234.18	257.19	262.01	261.21	245.00	231.00	Common Shs Outst'g D	240.00
21.1	12.8	9.4	9.7	8.2	9.0	8.6	11.8	11.5	14.0	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	14.0
1.10	.73	.61	.50	.45	.51	.45	.63	.62	.73			Relative P/E Ratio	.90
6.0%	7.4%	5.2%	4.1%	4.4%	3.7%	2.9%	2.8%	2.5%	2.1%			Avg Ann'l Div'd Yield	2.5%
5525.0	5435.0	7143.0	8029.0	6020.0	7887.0	9410.0	11737	11761	11438	10350	10400	Revenues ($mill)	13000
306.0	405.0	440.0	534.0	586.0	655.0	930.0	898.0	1118.0	1135.0	955	1090	Net Profit ($mill)	1445
31.1%	30.7%	38.0%	28.8%	19.9%	23.2%	17.2%	--	31.3%	33.6%	37.0%	37.5%	Income Tax Rate	39.0%
3.6%	2.2%	3.6%	5.2%	10.8%	8.4%	2.9%	5.3%	7.2%	11.5%	13.0%	9.0%	AFUDC % to Net Profit	7.0%
47.3%	47.6%	56.2%	55.7%	58.6%	48.4%	45.3%	43.1%	37.0%	34.8%	37.5%	41.0%	Long-Term Debt Ratio	40.0%
49.3%	49.0%	40.4%	41.2%	38.6%	49.0%	52.6%	55.1%	61.4%	63.7%	61.0%	57.5%	Common Equity Ratio	59.0%
5912.0	6092.0	6166.0	6532.0	7312.0	7931.0	9255.0	11178	12229	13071	13100	13425	Total Capital ($mill)	18000
5441.0	5394.0	5726.0	6217.0	6832.0	10474	11086	12101	13175	14884	16250	18025	Net Plant ($mill)	21800
6.8%	8.3%	9.0%	10.2%	9.8%	9.8%	11.3%	9.2%	10.3%	9.6%	8.5%	9.0%	Return on Total Cap'l	9.0%
9.8%	12.7%	16.3%	18.4%	19.3%	16.0%	18.4%	14.1%	14.5%	13.3%	11.5%	13.5%	Return on Shr. Equity	13.5%
10.1%	13.2%	17.2%	19.4%	20.4%	16.6%	18.9%	14.4%	14.8%	13.5%	12.0%	14.0%	Return on Com Equity E	13.5%
NMF	.9%	7.4%	11.9%	13.1%	11.3%	14.9%	10.1%	11.0%	9.7%	7.5%	9.0%	Retained to Com Eq	9.0%
110%	94%	58%	40%	37%	33%	22%	31%	26%	29%	37%	36%	All Div'ds to Net Prof	34%

CAPITAL STRUCTURE as of 3/31/08
Total Debt $6242.0 mill. Due in 5 Yrs $3117.0 mill.
LT Debt $4589.0 mill. LT Interest $252.0 mill.
(LT interest earned: 7.3x)

Leases, Uncapitalized Annual rentals $120.0 mill.
Pension Assets-12/07 $2.53 bill. **Oblig.** $2.79 bill.

Pfd Stock $179.0 mill. **Pfd Div'd** $9.0 mill.
1,373,770 shs. 4.40%-5% cumulative, $20 par, callable $20.25-$24; 2,040,000 shs. $1.70-$1.82 cum., no par, callable $25.595-$26; 800,000 shs. $4.36-$4.75 cum., no par, callable $100-$101.50; 811,073 shs. 6% cum., $25 par.

Common Stock 250,341,668 shs. as of 4/30/08
MARKET CAP: $14 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	-.2	+5.3	+.2
Avg. Indust. Use (MWH)	4608	4596	4474
Avg. Indust. Revs. per KWH (¢)	6.58	8.00	10.06
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Summer (Mw)	NMF	NMF	NMF
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	+1.5	+1.3	+.7
Fixed Charge Cov. (%)	274	409	419

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	10.0%	5.0%	3.5%
"Cash Flow"	3.0%	4.0%	8.0%
Earnings	7.0%	10.0%	6.0%
Dividends	-2.5%	3.5%	9.0%
Book Value	7.5%	16.5%	8.0%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	2697	2276	2770	3994	11737
2006	3336	2486	2694	3245	11761
2007	3004	2661	2663	3110	11438
2008	3270	2180	2300	2600	10350
2009	2800	2300	2500	2800	10400

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.92	.49	.71	1.39	3.52
2006	.90	.71	1.29	1.33	4.23
2007	.86	1.06	1.24	1.10	4.26
2008	.92	.78	1.05	1.00	3.75
2009	1.15	.90	1.20	1.15	4.40

Calendar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.25	.25	.25	.25	1.00
2005	.25	.29	.29	.29	1.12
2006	.29	.30	.30	.30	1.19
2007	.30	.31	.31	.31	1.23
2008	.31	.32	.35		

BUSINESS: Sempra Energy is a holding company for San Diego Gas & Electric Co., which sells electricity and gas mainly in San Diego County, & Southern California Gas Co., which distributes gas to most of Southern California. Customers: 1.4 million electric, 6.5 million gas. Has various nonutility subsidiaries (54% of '07 earnings). Electric revenue breakdown, '07: residential, 45%; commercial, 39%; industrial, 10%; other, 6%. Purchases most of its power; the rest is nuclear and gas. Power costs: 42% of revenues. '07 deprec. rate: 3.3%. Has 14,300 employees. Chairman & CEO: Donald E. Felsinger. President & COO: Neal E. Schmale. Inc.: California. Address: 101 Ash St., San Diego, California 92101-3017. Tel.: 619-696-2034. Internet: www.sempra.com.

Sempra Energy's annual income from its commodities business should become more predictable thanks to its joint venture with Royal Bank of Scotland (RBS). The joint venture agreement will split the profits in a manner that will give Sempra the majority, up to a specified level. Thus, earnings in the inherently unpredictable energy-marketing business should vacillate less from year to year. On the other hand, the company has sacrificed some of the upside potential of this business. Because profits from this operation will most likely be well below the $499 million posted in 2007, Sempra's earnings are likely to decline in 2008. Our estimate is at the midpoint of the company's guidance of $3.65-$3.85 a share.

Earnings should improve in 2009. Utility income ought to advance thanks to rate increases that Southern California Gas and San Diego Gas & Electric were awaiting as this report went to press. On the nonutility side, a few major projects have gone into service this year or will do so in the coming months, and these will benefit corporate profits in 2009. These include a 25% stake in a major gas pipeline project (in which Sempra's share will cost more than $1 billion) and two liquefied natural gas terminals. Finally, the reduction in shares outstanding will help boost share earnings.

Sempra has agreed to acquire EnergySouth for $510 million in cash. EnergySouth has 93,000 gas customers in Alabama, but its two large gas storage facilities provided the big attraction for Sempra. The deal requires the approval of EnergySouth's shareholders and various regulatory bodies and should be completed by the end of 2008. Sempra expects the deal to be "slightly accretive" to earnings in 2009 and to contribute as much as $0.30 a share in 2012. Our estimates and projections will not include EnergySouth until after the transaction has been completed.

Sempra stock offers decent risk-adjusted total return potential for the 3- to 5-year period. Over that time, the company has a lot of investment opportunities that should enable it to benefit from the rising nationwide demand for natural gas. This should produce strong earnings and dividend growth over that time.

Paul E. Debbas, CFA *August 8, 2008*

(A) Diluted egs. Excl. nonrec. gain (loss): '05, 17¢; '06, (6¢); gain (losses) from disc. ops.: '04, (10¢); '05, (4¢); '06, $1.21; '07, (10¢). '05 EPS don't add due to rounding. Next egs. report due early Nov. (B) Div'ds historically paid mid-Jan., Apr., July, & Oct. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang. In '07: $3.56/sh. (D) In mill. Excl. ESOP shs. (E) Rate base: Net orig. cost. Rate all'd on com. eq.: SDG&E in '08, 11.1%; SoCalGas in '03, 10.82%; earned on avg com eq., '07: 14.2%. Regulatory Climate: Average.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	90
Earnings Predictability	90

19.35

XCEL ENERGY NYSE-XEL

RECENT PRICE **19.89** | P/E RATIO **13.3** (Trailing: 13.3; Median: 15.0) | RELATIVE P/E RATIO **0.86** | DIV'D YLD **4.8%** | VALUE LINE **1797**

High:	29.4	30.8	27.9	30.0	31.8	28.5	17.4	18.8	20.2	23.6	25.0	22.9
Low:	22.3	25.7	19.3	16.1	24.2	5.1	10.4	15.5	16.5	17.8	19.6	19.4

Target Price Range 2011 | 2012 | 2013

TIMELINESS 3 Lowered 3/16/07

SAFETY 2 Raised 5/14/04

TECHNICAL 3 Raised 8/8/08

BETA .80 (1.00 = Market)

2011-13 PROJECTIONS

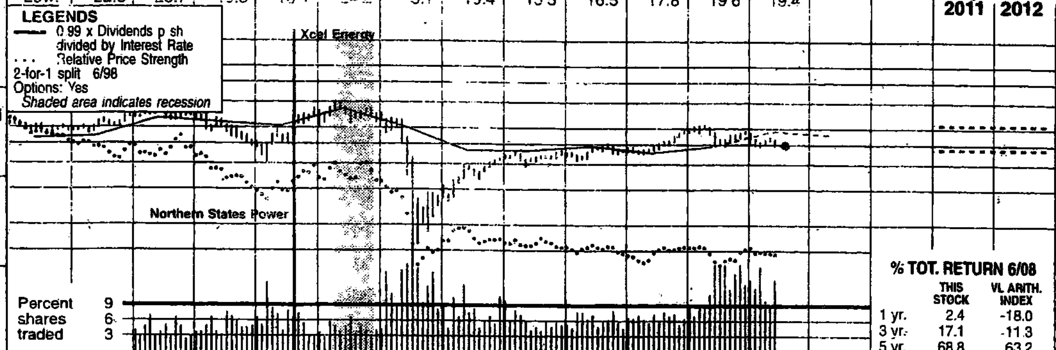
	Price	Gain	Ann'l Total Return
High	25	(+25%)	10%
Low	19	(-5%)	4%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	1
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	160	197	167
to Sell	179	157	175
Hld's(000)	269962	265057	254808



% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	2.4	-18.0
3 yr.	17.1	-11.3
5 yr.	68.8	63.2

Xcel Energy was formed through the merger of Northern States Power and New Century Energies on August 21, 2000. NSP stockholders received one share of Xcel for every NSP share, and NCE stockholders received 1.55 shares of Xcel for each NCE share. Data prior to 2000 reflect NSP on a stand-alone basis and are not comparable with Xcel data.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
18.46	18.42	34.11	43.56	23.89	19.90	20.84	23.86	24.16	23.40	**25.60**	**26.60**	Revenues per sh	**31.00**
4.30	4.13	4.12	5.09	3.14	3.35	3.27	3.28	3.61	3.45	**3.75**	**3.90**	"Cash Flow" per sh	**4.75**
1.84	1.43	1.60	2.27	42	1.23	1.27	1.20	1.35	1.35	**1.50**	**1.55**	Earnings per sh A	**2.00**
1.43	1.45	1.49	1.50	1.13	.75	.81	.85	.88	.91	**.94**	**.97**	Div'd Decl'd per sh B ■	**1.06**
2.99	13.87	3.63	7.40	6.04	2.49	3.19	3.25	4.00	4.89	**4.90**	**3.70**	Cap'l Spending per sh	**4.75**
16.25	16.42	16.37	17.95	11.70	12.95	12.99	13.37	14.28	14.70	**15.25**	**15.90**	Book Value per sh C	**18.50**
152.70	155.73	339.79	345.02	398.71	398.96	400.46	403.39	407.30	428.78	**430.00**	**432.00**	Common Shs Outst'g D	**438.00**
15.2	16.6	14.3	12.4	40.8	11.6	13.6	15.4	14.8	16.7	*Bold figures are*		Avg Ann'l P/E Ratio	**11.5**
.79	.95	.93	.64	2.23	.66	.72	.82	.80	.88	*Value Line*		Relative P/E Ratio	**.75**
5.1%	6.1%	6.4%	5.3%	6.6%	5.2%	4.7%	4.6%	4.4%	4.0%	*estimates*		Avg Ann'l Div'd Yield	**4.8%**
2819.2	2869.0	11592	15028	9524.4	7937.5	8345.3	9625.6	9840.3	10034	**11000**	**11500**	Revenues ($mill)	**13600**
298.1	240.1	545.8	764.7	177.6	510.0	526.9	499.0	568.7	575.9	**660**	**680**	Net Profit ($mill)	**890**
26.0%	21.6%	35.8%	28.2%	32.7%	23.7%	23.2%	25.8%	24.2%	33.8%	**33.5%**	**33.5%**	Income Tax Rate	**33.5%**
5.3%	2.5%	4.4%	7.1%	46.7%	8.9%	10.9%	8.5%	9.8%	12.5%	**16.0%**	**11.0%**	AFUDC % to Net Profit	**12.0%**
39.9%	54.7%	58.8%	66.7%	59.6%	55.3%	55.0%	51.7%	52.1%	49.7%	**52.5%**	**52.0%**	Long-Term Debt Ratio	**51.0%**
53.5%	40.5%	40.5%	32.8%	39.5%	43.8%	44.1%	47.3%	47.0%	49.4%	**46.5%**	**47.5%**	Common Equity Ratio	**48.0%**
4637.7	6316.2	13745	18911	11815	11790	11801	11398	12371	12748	**14100**	**14525**	Total Capital ($mill)	**16700**
4395.2	4451.5	15273	21165	18816	13667	14096	14696	15549	16676	**17825**	**18425**	Net Plant ($mill)	**20900**
8.1%	5.4%	6.0%	6.0%	5.4%	6.1%	6.2%	6.2%	6.2%	6.3%	**6.5%**	**6.5%**	Return on Total Cap'l	**7.0%**
10.7%	8.4%	9.6%	12.5%	3.7%	9.7%	9.9%	9.1%	9.6%	9.0%	**10.0%**	**10.0%**	Return on Shr. Equity	**11.0%**
11.2%	8.6%	9.7%	12.6%	3.7%	9.8%	10.0%	9.2%	9.7%	9.1%	**10.0%**	**10.0%**	Return on Com Equity E	**11.0%**
2.5%	NMF	.9%	4.3%	NMF	3.9%	3.9%	2.9%	3.6%	3.1%	**4.0%**	**4.0%**	Retained to Com Eq	**5.0%**
79%	100%	91%	66%	NMF	60%	62%	69%	63%	66%	**62%**	**62%**	All Div'ds to Net Prof	**53%**

CAPITAL STRUCTURE as of 3/31/08

Total Debt $8259.3 mill. **Due in 5 Yrs** $3336.5 mill.
LT Debt $7139.8 mill. **LT Interest** $464.1 mill.
Incl. 8,000,000 shares 7.875% tax-deductible Trust Originated Preferred Securities, liquidation value $25/share; 7,760,000 shares 7.60%, cumulative, $25 par; $100 mill. 7.85% tax-deductible Trust Preferred Securities.
(LT interest earned: 2.9x)

Leases, Uncapitalized Annual rentals $104.6 mill.
Pension Assets-12/07 $3.19 bill. **Oblig.** $2.66 bill.
Pfd Stock $105.0 mill. **Pfd Div'd** $4.2 mill.
1,049,800 shares $3.60 to $4.56, cumulative, $100 par, callable $102.00 to $103.75.
Common Stock 430,857,162 shs. as of 4/25/08
MARKET CAP: $8.6 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	+3.6	+1.8	+2.0
Avg. C & I Use (MWH)	150	153	153
Avg. C & I Revs. per KWH (¢)	6.22	6.55	6.57
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	20854	21255	21108
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	-.4	+1.2	+.9
Fixed Charge Cov. (%)	232	238	256

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	2.5%	-7.0%	4.5%
"Cash Flow"	-2.0%	-3.5%	5.5%
Earnings	-3.5%	-2.0%	7.5%
Dividends	-4.5%	-8.5%	3.0%
Book Value	-1.0%	-1.5%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	2381	2074	2289	2882	9625.5
2006	2888	2074	2411	2467	9840.3
2007	2764	2267	2400	2603	10034
2008	3028	2616	*2700*	*2656*	*11000*
2009	*3000*	*2750*	*2900*	*2850*	*11500*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.31	.18	.47	.24	1.20
2006	.36	.24	.53	.23	1.35
2007	.28	.16	.59	.31	1.35
2008	.35	.24	*.60*	*.31*	*1.50*
2009	*.33*	*.28*	*.62*	*.32*	*1.55*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.188	.188	.208	.208	.79
2005	.208	.208	.215	.215	.85
2006	.215	.215	.223	.223	.88
2007	.223	.223	.23	.23	.91
2008	.23	.23	.238		

BUSINESS: Xcel Energy Inc. is the parent of Northern States Power, which supplies power to Minnesota, Wisconsin, North Dakota, South Dakota, Michigan, & gas to Minnesota, Wisconsin, North Dakota, & Michigan; Public Service of Colorado, which supplies power & gas to Colorado; & Southwestern Public Service, which supplies power to Texas & New Mexico. Customers: 3.3 mill. electric, 1.8 mill. gas. Electric revenue breakdown, '07: residential, 29%; commercial & industrial, 52%; other, 19%. Generating sources not available. Fuel costs: 57% of revs. '07 reported deprec. rate: 3.2%. Has 10,900 employees. Chairman, President & CEO: Richard C. Kelly. Inc.: MN. Address: 414 Nicollet Mall, Minneapolis, MN 55401. Tel.: 612-330-5500. Internet: www.xcelenergy.com.

One of Xcel Energy's subsidiaries has filed a rate case. Southwestern Public Service (SPS) is asking the Texas commission for a tariff hike of $94.4 million (9.1%) based on a return of 11.25% on a common-equity ratio of 51.0%. SPS is also asking for an interim rate increase of $18 million. A final order is expected in early 2009.

Other rate cases are pending or under consideration. In addition to the aforementioned general rate case, SPS is seeking a wholesale tariff hike of $14.9 million (5.1%) based on a 12.2% return on equity and a $16.6 million (6.3%) increase in New Mexico based on an 10.7% return on a common-equity ratio of 51.2%. The commission's staff is proposing an $8 million boost based on a 9.1% ROE, and a hearing examiner is recommending $12.6 million based on a 10.14% ROE. A ruling is expected this summer. P.S. of Colorado, which requested a wholesale increase of $8.8 million based on an 11.5% ROE, settled for a raise of $6.5 million. Northern States Power (NSP) wants a $17.9 million (12.2%) increase in North Dakota, based on an 10.75% return on a 51.77% common-equity ratio, but the commission's staff is recommending a $4.9 million increase. A decision is expected this fall. Finally, P.S. of Colorado and NSP (in Minnesota) are evaluating the need for rate filings.

Rate relief should continue driving earnings growth. Besides the base rate increases that Xcel's utilities are receiving every year, the company also has rate riders that allow it to recover certain capital investments without a full-blown rate case. These will amount to an estimated $166 million this year and $195 million in 2009. We think that Xcel's 2008 share-earnings goal of $1.45-$1.55 is reasonable, and we look for a modest bottom-line increase next year.

The board of directors increased the annual dividend by $0.03 a share (3.3%). This is in line with Xcel's target of dividend growth of 2%-4% annually.

This stock offers an attractive yield and decent dividend-growth potential. Although the heavy rate case schedule raises regulatory risk, Xcel has managed the regulatory process ably, so far. Prospective total returns over the 3- to 5-year period are unspectacular, however.

Paul E. Debbas, CFA *August 8, 2008*

(A) Diluted EPS. Excl. nonrec. loss: '02, $6.27; gains (losses) on discont. ops.: '03, 27¢; '04, (30¢); '05, 3¢; '06, 1¢. '06 & '07 EPS don't add due to rounding. Next earnings report due late Oct. (B) Div'ds historically paid in mid-Jan., Apr., July, and Oct. ■ Div'd reinvest. plan avail. (C) Incl. intang. in '07: $3.93/sh. (D) In mill., adj. for split. (E) Rate base: Varies. Rate all'd on com. eq.: MN '93, 11.47%, WI '08, 10.75%; CO '03 (elec.), 10.75%; CO '07 (gas) 10.25%, TX 86, 15.05%; earned on avg. com. eq., '07: 9.5%. Regulatory Climate: Average.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	5
Earnings Predictability	45

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended Dec. 31, 2007

Or

☐

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-3034

Xcel Energy Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0448030**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No)
414 Nicollet Mall, Minneapolis, Minnesota	**55401**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, including Area Code (612) 330-5500

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Each Class	Name of Each Exchange on which Registered
Xcel Energy Inc.	Common Stock, $2.50 par value per share	New York
Xcel Energy Inc.	Rights to Purchase Common Stock, $2.50 par value per share	New York
	Cumulative Preferred Stock, $100 par value:	
Xcel Energy Inc.	Preferred Stock $3.60 Cumulative	New York
Xcel Energy Inc.	Preferred Stock $4.08 Cumulative	New York
Xcel Energy Inc.	Preferred Stock $4.10 Cumulative	New York
Xcel Energy Inc.	Preferred Stock $4.11 Cumulative	New York
Xcel Energy Inc.	Preferred Stock $4.16 Cumulative	New York
Xcel Energy Inc.	Preferred Stock $4.56 Cumulative	New York
Xcel Energy Inc.	7.60 Junior Subordinated Notes, Series due 2068	New York

Securities registered pursuant to Section 12(g) of Act:**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act. (Check one): ☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defi 357 e 12b-2 of the Act) Yes ☐ No ☒

EX-99.01 (EXHIBIT 99.01)

QuickLinks -- Click here to rapidly navigate through this document

UNITED STATES

SECURITIES AND I ANGE COMMISSION

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10kWIZARD
SEC POWER SEARCH

Form 10-K

XCEL ENERGY INC - XEL

Filed: February 20, 2008 (period: December 31, 2007)

Annual report which provides a comprehensive overview of the company for the past year

As of June 30, 2007, the aggregate market value of the voting common stock held by non-affiliates of the Registrant was $8,587,360,038 and there were 419,509,528 shares of common stock outstanding. Yes ☐ No ☒

As of Feb. 14, 2008, there were 429,147,979 shares of common stock outstanding, $2.50 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's Definitive Proxy Statement for its 2008 Annual Meeting of Shareholders is incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1 — Business

DEFINITION OF ABBREVIATIONS AND INDUSTRY TERMS

Xcel Energy Subsidiaries and Affiliates (current and former)

Cheyenne	Cheyenne Light, Fuel and Power Company, a Wyoming corporation
Eloigne	Eloigne Co., invests in rental housing projects that qualify for low-income housing tax credits
NCE	New Century Energies, Inc.
NRG	NRG Energy, Inc., a Delaware corporation and independent power producer
NMC	Nuclear Management Company, a wholly owned subsidiary of NSP Nuclear Corporation
NSP-Minnesota	Northern States Power Company, a Minnesota corporation
NSP-Wisconsin	Northern States Power Company, a Wisconsin corporation
PSCo	Public Service Company of Colorado, a Colorado corporation
PSRI	PSR Investments, Inc., a manager of corporate-owned life insurance policies
SPS	Southwestern Public Service Co., a New Mexico corporation
UE	Utility Engineering Corporation, an engineering, construction and design company
utility subsidiaries	NSP-Minnesota, NSP-Wisconsin, PSCo, SPS
WGI	WestGas Interstate, Inc., a Colorado corporation operating an interstate natural gas pipeline
WYCO	WYCO Development LLC
Xcel Energy	Xcel Energy Inc., a Minnesota corporation

Federal and State Regulatory Agencies

CPUC	Colorado Public Utilities Commission. The state agency that regulates the retail rates, services and other aspects of PSCo's operations in Colorado. The CPUC also has jurisdiction over the capital structure and issuance of securities by PSCo.
DOE	United States Department of Energy
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission. The U.S. agency that regulates the rates and services for transportation of electricity and natural gas; the sale of wholesale electricity, in interstate commerce, including the sale of electricity at market-based rates; hydroelectric generation licensing; and accounting requirements for utility holding companies, service companies, and public utilities.
IRS	Internal Revenue Service
MPSC	Michigan Public Service Commission. The state agency that regulates the retail rates, services and other aspects of NSP-Wisconsin's operations in Michigan.
MPUC	Minnesota Public Utilities Commission. The state agency that regulates the retail rates, services and other aspects of NSP-Minnesota's operations in Minnesota. The MPUC also has jurisdiction over the capital structure and issuance of securities by NSP-Minnesota.
NERC	North American Electric Reliability Council
NMPRC	New Mexico Public Regulation Commission. The state agency that regulates the retail rates and services and other aspects of SPS' operations in New Mexico. The NMPRC also has jurisdiction over the issuance of securities by SPS.
NDPSC	North Dakota Public Service Commission. The state agency that regulates the retail rates, services and other aspects of NSP-Minnesota's operations in North Dakota.
NRC	Nuclear Regulatory Commission. The federal agency that regulates the operation of nuclear power plants.
OCC	Colorado Office of Consumer Counsel.
PSCW	Public Service Commission of Wisconsin. The state agency that regulates the retail rates, services, securities issuances and other aspects of NSP-Wisconsin's operations in Wisconsin.
PUCT	Public Utility Commission of Texas. The state agency that regulates the retail rates, services and other aspects of SPS' operations in Texas.
SDPUC	South Dakota Public Utilities Commission. The state agency that regulates the retail rates, services and other aspects of NSP-Minnesota's operations in South Dakota.
WDNR	Wisconsin Department of Natural Resources
SEC	Securities and Exchange Commission

Electric, Purchased Gas and Resource Adjustment Clauses

AQIR	Air-quality improvement rider. Recovers, over a 15-year period, the incremental cost (including fuel and purchased energy) incurred by PSCo as a result of a voluntary plan to reduce emissions and improve air quality in the Denver metro area.
DSM	Demand-side management. Energy conservation, weatherization and other programs to conserve or manage energy use by customers.
DSMCA	Demand-side management cost adjustment. A clause permitting PSCo to recover demand-side management costs over five years while non-labor incremental expenses and carrying costs associated with deferred DSM costs are recovered on an annual basis. Costs for the low-income energy assistance program are recovered through the DSMCA.
ECA	Retail electric commodity adjustment. The ECA, effective Jan. 1, 2007, is an incentive adjustment mechanism that compares actual fuel and purchased energy expense in a calendar year to a benchmark formula. It encourages cost reductions through purchases of economical short-term energy. The ECA also provides for an $11.25 million cap on any cost sharing over or under an allowed ECA formula rate. The ECA mechanism will be revised quarterly and interest will accrue monthly on the average deferred balance. The ECA will expire at the earlier of rates taking effect after Comanche 3 is placed in service or Dec. 31, 2010.
FCA	Fuel clause adjustment. A clause included in electric rate schedules that provides for monthly rate adjustments to reflect the actual cost of electric fuel and purchased energy compared to a prior forecast. The difference between the electric costs collected through the FCA rates and the actual costs incurred in a month are collected or refunded in a subsequent period.
GCA	Gas cost adjustment. Allows PSCo to recover its actual costs of purchased natural gas and natural gas transportation. The GCA is revised monthly to coincide with changes in purchased gas costs.
PCCA	Purchased capacity cost adjustment. Allows PSCo to recover from customers purchased capacity payments to power suppliers under specifically identified power purchase agreements not included in the determination of PSCo's base electric rates or other recovery mechanisms. This clause expired in 2006. A new PCCA clause became effective Jan. 1, 2007, which permits recovery from retail customers for all purchased capacity payments to power suppliers. Capacity charges are not included in PSCo's base electric rates or other recovery mechanisms.
PGA	Purchased gas adjustment. A clause included in NSP-Minnesota's and NSP-Wisconsin's retail natural gas rate schedules that provides for prospective monthly rate adjustments to reflect the forecasted cost of purchased natural gas and natural gas transportation. The annual difference between the natural gas costs collected through PGA rates and the actual natural gas costs is collected or refunded over the subsequent period.
QSP	Quality of service plan. Provides for bill credits to retail customers if the utility does not achieve certain operational performance targets and/or specific capital investments for reliability. The current QSP for PSCo and SPS electric utility expired in 2006. A new QSP for the PSCo electric utility provides for bill credit to customers based upon operational performance standards through Dec. 31, 2010. The QSP for the PSCo natural gas utility expires December 2007.
SCA	Steam cost adjustment. Allows PSCo to recover the difference between its actual cost of fuel and the amount of these costs recovered under its base steam service rates. The SCA is revised annually to coincide with changes in fuel costs.
TCR	Transmission cost recovery adjustment. Allows NSP-Minnesota to recover the cost of transmission facilities not included in the determination of NSP-Minnesota's base electric rates in retail electric rates in Minnesota. The TCR was approved by the MPUC in 2006 to be effective in 2007, and will be revised annually as new transmission investments and costs are incurred.

Other Terms and Abbreviations

AFDC	Allowance for funds used during construction. Defined in regulatory accounts as a non-cash accounting convention that represents the estimated composite interest costs of debt and a return on equity funds used to finance construction. The allowance is capitalized in property accounts and included in income.
ALJ	Administrative law judge. A judge presiding over regulatory proceedings.
ARO	Asset Retirement Obligation
BART	Best Available Retrofit Technology
CO_2	Carbon dioxide
C20	Derivatives Implementation Group of FASB Implementation Issue No. C20. Clarified the terms clearly and closely related to normal purchases and sales contracts, as included in SFAS No. 133.
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CAPCD	Colorado Air Pollution Control Division
COLI	Corporate-owned life insurance

decommissioning	The process of closing down a nuclear facility and reducing the residual radioactivity to a level that permits the release of the property and termination of license. Nuclear power plants are required by the NRC to set aside funds for their decommissioning costs during operation.
derivative instrument	A financial instrument or other contract with all three of the following characteristics: • An underlying and a notional amount or payment provision or both, • Requires no initial investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and • Terms require or permit a net settlement, can be readily settled net by means outside the contract or provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement
distribution	The system of lines, transformers, switches and mains that connect electric and natural gas transmission systems to customers.
EPS	Earnings per share of common stock outstanding
ERISA	Employee Retirement Income Security Act
FASB	Financial Accounting Standards Board
FTRs	Financial Transmission Rights
GAAP	Generally accepted accounting principles
generation	The process of transforming other forms of energy, such as nuclear or fossil fuels, into electricity. Also, the amount of electric energy produced, expressed in megawatts (capacity) or megawatt hours (energy).
GHG	Greenhouse Gas
JOA	Joint operating agreement among the utility subsidiaries
LIBOR	London Interbank Offered Rate
LNG	Liquefied natural gas. Natural gas that has been converted to a liquid.
mark-to-market	The process whereby an asset or liability is recognized at fair value.
MERP	Metropolitan Emissions Reduction Project
MGP	Manufactured gas plant
MISO	Midwest Independent Transmission System Operator, Inc.
Moody's	Moody's Investor Services Inc.
MPCA	Minnesota Pollution Control Agency
native load	The customer demand of retail and wholesale customers whereby a utility has an obligation to serve: e.g., an obligation to provide electric or natural gas service created by statute or long-term contract.
natural gas	A naturally occurring mixture of gases found in porous geological formations beneath the earth's surface, often in association with petroleum. The principal constituent is methane.
NOx	Nitrogen oxide
nonutility	All items of revenue, expense and investment not associated, either by direct assignment or by allocation, with providing service to the utility customer.
PBRP	Performance-based regulatory plan. An annual electric earnings test, an electric quality of service plan and a natural gas quality of service plan established by the CPUC.
PFS	Private Fuel Storage, LLC. A consortium of private parties (including NSP-Minnesota) working to establish a private facility for interim storage of spent nuclear fuel.
PUHCA	Public Utility Holding Company Act of 1935. Enacted to regulate the corporate structure and financial operations of utility holding companies.
PUHCA 2005	Public Utility Holding Company Act of 2005. Successor to the Public Utility Holding Company Act of 1935. Eliminates most federal regulation of utility holding companies. Transfers other regulatory authority from the SEC to the FERC.
QF	Qualifying facility. As defined under the Public Utility Regulatory Policies Act of 1978, a QF sells power to a regulated utility at a price equal to that which it would otherwise pay if it were to build its own power plant or buy power from another source.
rate base	The investor-owned plant facilities for generation, transmission and distribution and other assets used in supplying utility service to the consumer.
ROE	Return on equity
RTO	Regional Transmission Organization. An independent entity, which is established to have "functional control" over a utility's electric transmission systems, in order to provide non-discriminatory access to transmission of electricity.
SFAS	Statement of Financial Accounting Standards
SO_2	Sulfur dioxide
SPP	Southwest Power Pool, Inc.
Standard & Poor's	Standard & Poor's Ratings Services
TEMT	Transmission and Energy Markets Tariff of MISO
TCEQ	Texas Commission of Environmental Quality

unbilled revenues	Amount of service rendered but not billed at the end of an accounting period. Cycle meter-reading practices result in unbilled consumption between the date of last meter reading and the end of the period.
underlying	A specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable, including the occurrence or nonoccurrence of a specified event such as a scheduled payment under a contract.
VaR	Value-at-risk
wheeling or transmission	An electric service wherein high-voltage transmission facilities of one utility system are used to transmit power generated within or purchased from another system.
working capital	Funds necessary to meet operating expenses.

Measurements

Btu	British thermal unit. A standard unit for measuring thermal energy or heat commonly used as a gauge for the energy content of natural gas and other fuels.
Bcf	Billion cubic feet
GWh	Gigawatt hours
KV	Kilovolts
KW	Kilowatts (one KW equals one thousand watts)
Kwh	Kilowatt hours
Mcf	Thousand cubic feet
MMBtu	One million Btus
MW	Megawatts (one MW equals one thousand KW)
Watt	A measure of power production or usage.
Volt	The unit of measurement of electromotive force. Equivalent to the force required to produce a current of one ampere through a resistance of one ohm. The unit of measure for electrical potential. Generally measured in kilovolts or KV

COMPANY OVERVIEW

Xcel Energy is a holding company, with subsidiaries engaged primarily in the utility business. In 2007, Xcel Energy's continuing operations included the activity of four wholly owned utility subsidiaries that serve electric and natural gas customers in eight states. These utility subsidiaries are NSP-Minnesota, NSP-Wisconsin, PSCo and SPS. These utilities serve customers in portions of Colorado, Michigan, Minnesota, New Mexico, North Dakota, South Dakota, Texas and Wisconsin. Along with WYCO, a company formed to develop and lease new natural gas pipeline and compression facilities, and WGI, an interstate natural gas pipeline company, these companies comprise the continuing regulated utility operations.

Xcel Energy was incorporated under the laws of Minnesota in 1909. Xcel Energy's executive offices are located at 414 Nicollet Mall, Minneapolis, Minn. 55401. Its web site address is www.xcelenergy.com. Xcel Energy makes available, free of charge through its web site, its annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. In addition, the Xcel Energy guidelines on Corporate Governance and Code of Conduct are also available on its web site.

As discussed in detail in the Management's Discussion and Analysis section, environmental leadership is a core strategic priority for Xcel Energy. Our environmental leadership strategy is designed to meet customer and policy maker expectations while creating shareholder value. We have established a highly effective environmental compliance program and have produced an excellent compliance record. Moreover, we pursue environmental policy initiatives that promote our environmental leadership and provide growth opportunities. Among other things, Xcel Energy is a national leader in voluntary emission reduction programs, the nation's largest retail utility wind energy provider and a leader in innovative technology, energy efficiency and conservation and customer-driven renewable energy programs. In 2007, Xcel Energy filed resource plans in two of its operating service territories that will result in a significant reduction in CO_2 emissions, while meeting growing customer demand at a reasonable price. Through our environmental leadership strategy, we are well-positioned to meet the challenges of potential future climate change regulation, comply with the renewable energy mandates and take advantage of the clean energy incentives created by policy makers in the states in which we operate.

NSP-Minnesota

NSP-Minnesota was incorporated in 2000 under the laws of Minnesota. NSP-Minnesota is an operating utility engaged in the generation, purchase, transmission, distribution and sale of electricity in Minnesota, North Dakota and South Dakota. The wholesale customers served by NSP-Minnesota comprised approximately 10 percent of the total sales in 2007. NSP-Minnesota also purchases, transports, distributes and sells natural gas to retail customers and transports customer-owned natural gas in Minnesota and North Dakota. NSP-Minnesota provides electric utility service to approximately 1.4 million customers and natural gas utility service to approximately 0.5 million customers. Approximately 90 percent of NSP-Minnesota's retail electric operating revenues were derived from operations in Minnesota during 2007. Generally, NSP-Minnesota's earnings comprise approximately 40 percent to 50 percent of Xcel Energy's consolidated net income.

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 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.

NSP-Minnesota owns the following direct subsidiaries: United Power and Land Co., which holds real estate; and NSP Nuclear Corp., which owns NMC.

NSP-Wisconsin

NSP-Wisconsin was incorporated in 1901 under the laws of Wisconsin. NSP-Wisconsin is an operating utility engaged in the generation, transmission, distribution and sale of electricity in portions of northwestern Wisconsin and in the western portion of the Upper Peninsula of Michigan. The wholesale customers served by NSP-Wisconsin comprised approximately 8 percent of the total sales in 2007. NSP-Wisconsin also purchases, transports, distributes and sells natural gas to retail customers and transports customer-owned natural gas in the same service territory. NSP-Wisconsin provides electric utility service to approximately 246,000 customers and natural gas utility service to approximately

102,000 customers. The management of the electric production and transmission system of NSP-Wisconsin is integrated with NSP-Minnesota, as discussed previously. Approximately 98 percent of NSP-Wisconsin's retail electric operating revenues were derived from operations in Wisconsin during 2007. Generally, NSP-Wisconsin's earnings comprise approximately 5 percent to 10 percent of Xcel Energy's consolidated net income.

NSP-Wisconsin owns the following direct subsidiaries: Chippewa and Flambeau Improvement Co., which operates hydro reservoirs; Clearwater Investments Inc., which owns interests in affordable housing; and NSP Lands, Inc., which holds real estate.

PSCo

PSCo was incorporated in 1924 under the laws of Colorado. PSCo is an operating utility engaged primarily in the generation, purchase, transmission, distribution and sale of electricity in Colorado. The wholesale customers served by PSCo comprised approximately 24 percent of the total sales in 2007. PSCo also purchases, transports, distributes and sells natural gas to retail customers and transports customer-owned natural gas. PSCo provides electric utility and natural gas utility service to approximately 1.3 million customers. All of PSCo's retail electric operating revenues were derived from operations in Colorado during 2007. Generally, PSCo's earnings comprise approximately 40 percent to 50 percent of Xcel Energy's consolidated net income.

PSCo owns the following direct subsidiaries: 1480 Welton, Inc., which owns certain real estate interests for PSCo; and Green and Clear Lakes Company, which owns water rights. PSCo also owned PSRI, which held certain former employees' life insurance policies. Following settlement with the IRS during 2007, such policies were terminated. PSCo also holds a controlling interest in several other relatively small ditch and water companies.

SPS

SPS was incorporated in 1921 under the laws of New Mexico. SPS is an operating utility engaged primarily in the generation, purchase, transmission, distribution and sale of electricity in portions of Texas and New Mexico. The wholesale customers served by SPS comprised approximately 38 percent of the total sales in 2007. SPS provides electric utility service to approximately 388,000 customers. Approximately 76 percent of SPS' retail electric operating revenues were derived from operations in Texas during 2007. Generally, SPS' earnings comprise approximately 5 percent to 10 percent of Xcel Energy's consolidated net income.

Other Subsidiaries

WGI was incorporated in 1990 under the laws of Colorado. WGI is a small interstate natural gas pipeline company engaged in transporting natural gas from the PSCo system near Chalk Bluffs, Colo., to the Cheyenne system near Cheyenne, Wyo.

In 1999, WYCO was jointly formed with a subsidiary of El Paso Corporation to develop and lease new natural gas pipeline and compression facilities. Xcel Energy plans to invest approximately $151 million in WYCO between 2007 and 2010. The WYCO pipeline project is expected to begin operations in 2008 and the WYCO storage project is expected to begin operations in 2009. The new pipeline and storage projects will be leased to Colorado Interstate Gas Company, a subsidiary of El Paso Corporation. The terms of the lease agreement for the new pipeline and storage projects will be based on FERC regulation and it is anticipated that they will be approved by the FERC as a component of the certificate filing to be made by the Colorado Interstate Gas Company.

Xcel Energy Services Inc. is the service company for the Xcel Energy holding company system, where corporate financing activity occurs. Generally, Xcel Energy Services, Inc.'s losses comprise approximately 5 percent to 10 percent of Xcel Energy's consolidated net income.

Xcel Energy's nonregulated subsidiary in continuing operations is Eloigne, which invests in rental housing projects that qualify for low-income housing tax credits.

See financial information regarding the segments of Xcel Energy's business at Note 18 to the consolidated financial statements.

In the past, Xcel Energy had several other subsidiaries that were sold or divested. For more information regarding Xcel Energy's discontinued operations, see Note 3 to the consolidated financial statements.

Xcel Energy conducts its utility business in the following reportable segments: regulated electric utility, regulated natural gas utility and all other. Comparative segment revenues, income from continuing operations and related financial information for fiscal years 2007, 2006 and 2005 are set forth in Note 18 to the accompanying consolidated financial statements.

Xcel Energy focuses on growing through investments in electric and natural gas rate base to meet growing customer demands, environmental and renewable energy initiatives and to maintain or increase reliability and quality of service to customers. Xcel Energy files periodic rate cases with state and federal regulators to earn a return on its investments and recover costs of operations. For more information regarding Xcel Energy's capital expenditures, see Note 15 to the consolidated financial statements.

ELECTRIC UTILITY OPERATIONS

Electric Utility Trends

Overview

Climate Change and Clean Energy — Like most other utilities, Xcel Energy is subject to a significant array of environmental regulations focused on many different aspects of its operations. There are significant future environmental regulations under consideration to encourage the use of clean energy technologies and regulate emissions of GHGs to address climate change. Xcel Energy's electric generating facilities are likely to be subject to regulation under climate change policies introduced at either the state or federal level within the next few years. Several of the states in which we operate have proposed or implemented clean energy policies, such as renewable energy portfolio standards or DSM programs, in part designed to reduce the emissions of GHGs. Congress and federal policy makers are considering climate change legislation and a variety of national climate change policies. Xcel Energy is advocating with state and federal policy makers for climate change and clean energy policies that will result in significant long-term reduction in GHG emissions, develop low-emitting technologies and secure, cost-effective energy supplies for our customers and our nation.

While Xcel Energy is not currently subject to state or federal limits on its GHG emissions, we have undertaken a number of initiatives to prepare for climate change regulation and reduce our GHG emissions. These initiatives include emission reduction programs, energy efficiency and conservation programs, renewable energy development and technology exploration projects. Although the impact of climate change policy on Xcel Energy will depend on the specifics of state and federal policies and legislation, we believe that, based on prior state commission practice, we would be granted the authority to recover the cost of these initiatives through rates.

Additional information regarding climate change and clean energy is presented in the Management's Discussion and Analysis section.

Utility Restructuring and Retail Competition — The FERC has continued with its efforts to promote more competitive wholesale markets through open-access transmission and other means. As a consequence, Xcel Energy's utility subsidiaries and their wholesale customers can purchase from competing wholesale suppliers and use the transmission systems of the utility subsidiaries on a comparable basis to the utility subsidiaries' to serve their native load.

Xcel Energy supports the continued development of wholesale competition and non-discriminatory wholesale open access transmission services. Xcel Energy will continue to work with the SPP on RTO development for the Texas Panhandle region and the incorporation of independent transmission operations to insure non-discriminatory open access. Xcel Energy is also still pursuing strengthening its transmission system internally to alleviate north and south congestion within the Texas Panhandle and other lines to increase the transfer capability between the Texas Panhandle and other electric systems.

One state served by Xcel Energy's utility subsidiaries has implemented retail electric utility competition. In 2002, Texas implemented retail competition, but it is presently limited to utilities within the Electric Reliability Council of Texas (ERCOT), which does not include SPS. Under current law, SPS can file a plan to implement competition, subject to regulatory approval, in Texas. Local market conditions and political realities must be considered in proposing the transition to competition. Xcel Energy has been unable to develop a plan for the Texas Panhandle to move toward competition that would be in the best interests of its customers. As a result, Xcel Energy does not plan to propose retail competition in the Texas Panhandle until required by law. New Mexico repealed its legislation related to retail electric utility competition.

In 2002, NSP-Wisconsin began providing its Michigan electric customers with the opportunity to select an alternative electric energy provider. To date, no NSP-Wisconsin customers have selected an alternative electric energy provider.

Xcel Energy's retail electric business faces competition as industrial and large commercial customers have the ability to own or operate facilities to generate their own electricity. In addition, customers may have the option of substituting other fuels, such as natural gas or steam/chilled water for heating, cooling and manufacturing purposes, or the option of relocating their facilities to a lower cost region. While each of Xcel Energy's utility subsidiaries faces these challenges, their rates are competitive with currently available alternatives.