



Direct Testimony and Schedules
Marvin E. McDaniel, Jr.

Before the North Dakota Public Service Commission
State of North Dakota

In the Matter of the Application of
Northern States Power Company, a Minnesota Corporation

For Authority to Increase Rates for
Electric Service in North Dakota

Case No. PU-07-____
Exhibit 9

Employee Compensation

December 7, 2007

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2

3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

4 A. My name is Marvin E. McDaniel, Jr. My business address is 414 Nicollet Mall,
5 2nd Floor, Minneapolis, MN 55401.

6

7 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

8 A. I am employed by Xcel Energy Services Inc., the service company subsidiary
9 of Xcel Energy Inc. that provides services to Northern States Power
10 Company, a Minnesota corporation (“Xcel Energy” or the “Company”), with
11 utility operations in North Dakota. I am Vice President, Human Resources
12 for Xcel Energy Inc.

13

14 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

15 A. A description of my qualifications and experience is included with my Direct
16 Testimony as Exhibit___(MEM-1), Schedule 1.

17

18 Q. FOR WHOM ARE YOU TESTIFYING?

19 A. I am providing testimony on behalf of Xcel Energy, one of four utility
20 operating companies in which Xcel Energy Inc.’s Compensation Plan is
21 administered.

22

23 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

24 A. The purpose of my testimony is to discuss several topics related to employee
25 compensation. First, I will describe Xcel Energy’s compensation plan,
26 including the 2007 Annual Incentive Compensation Plan (the “Annual
27 Incentive Plan”). Second, I will compare Xcel Energy’s total compensation

1 levels to the general market. Third, I will discuss how Xcel Energy's
2 compensation plan benefits both its employees and customers. Last, I will
3 discuss the benefit package Xcel Energy provides to its employees.

4
5 **II. DESCRIPTION OF XCEL ENERGY'S COMPENSATION PLAN**

6
7 Q. WHAT COMPONENTS ARE INCLUDED IN XCEL ENERGY'S COMPENSATION
8 PLAN?

9 A. Xcel Energy's compensation plan includes three components: base salary,
10 annual incentive compensation, and long-term incentive compensation.

11
12 Q. WHICH COMPENSATION COMPONENTS HAS THE COMPANY PROPOSED FOR
13 RECOVERY IN THE REVENUE REQUIREMENT?

14 A. In this case, the Company is seeking recovery of base salaries plus the 2008
15 target amount of annual incentive compensation, which is subject to a
16 recovery cap at 25 percent of all employees' salaries. The Company is *not*
17 seeking recovery of *any* long-term incentives paid to our executives or
18 incentive compensation amounts greater than 25 percent of an individual
19 employee's salary. Ms. Anne E. Heuer will describe the specific
20 compensation costs included in the revenue requirement in her Direct
21 Testimony.

22
23 Q. WHAT ARE XCEL ENERGY'S OVERALL COMPENSATION GOALS?

24 A. Xcel Energy's compensation programs are intended to attract, retain, and
25 motivate the employees we need to achieve Xcel Energy's performance
26 objectives: to deliver safe, reliable, and low-cost service to our customers and
27 meet the expectations of our shareholders. Xcel Energy's goal is to provide its

1 employees with market competitive compensation through the use of base
2 salaries, annual incentive compensation and long-term incentive
3 compensation. Xcel Energy targets the median (or the 50th percentile) of
4 compensation levels as the level of market competitive compensation.
5

6 Q. PLEASE SUMMARIZE THE COMPANY'S ANNUAL INCENTIVE PLAN.

7 A. The Company uses a broad-based Annual Incentive Plan that covers the
8 majority of employees across all states and operating companies, including
9 Xcel Energy employees working in North Dakota, with the exception of
10 unionized employees. Performance goals are set at the Individual, Business
11 Unit, and Corporate levels. The weightings assigned to the various
12 components are determined by position level, with non-supervisory positions
13 weighted more heavily on Individual and Business Unit performance and
14 executive positions more heavily weighted towards Corporate goals.
15

16 Q. PLEASE DESCRIBE THE INDIVIDUAL, BUSINESS UNIT, AND CORPORATE
17 COMPONENTS OF THE ANNUAL INCENTIVE PLAN.

18 A. The 2007 Annual Incentive Plan includes the following:
19

20 Individual: Individual objectives consist of objectives determined by the
21 employee and the employee's manager through the Individual Performance
22 and Development system. The objectives tie specifically to the employee's job
23 functions.
24

25 Business Unit: Business Unit objectives consist of objectives specific to the
26 Business Unit in which the employee works. These goals are typically
27 comprised of measures related to operational performance, such as

1 environmental performance, system reliability, safety, and customer
2 satisfaction.

3
4 Corporate: Corporate objectives consist of objectives tied to both operational
5 and financial performance. For 2007, the Corporate goals contained three
6 objectives: environmental performance, safety, and financial performance.

7
8 Q. HOW ARE TARGETS DETERMINED AND INCORPORATED INTO THE ANNUAL
9 INCENTIVE PLAN?

10 A. Each eligible employee has a targeted annual incentive expressed as a
11 percentage of base salary. The percentage is determined by the position level
12 within the organization and, when combined with the employee's base salary,
13 delivers a market-competitive level of total cash compensation. Target levels
14 assume 100 percent achievement of Individual, Business Unit, and Corporate
15 objectives. Based on performance, actual payments may exceed or fall below
16 target for a given performance period.

17
18 Q. HOW ARE AWARDS AND PAYMENTS DETERMINED?

19 A. Annual Incentive Plan awards are calculated from an employee's Individual,
20 Business Unit, and Corporate scores. Weightings of these three components
21 vary between employees, based on their positions and responsibilities.
22 Exhibit____(MEM-1), Schedule 2 shows the 2007 weightings of these different
23 categories for all employee classifications. The weightings for the 2008
24 Annual Incentive Plan have not been finalized. The weightings modify the
25 mix of accomplishments needed for employees to achieve the target levels, but
26 do not change the target levels.

27

1 **III. COMPLIANCE WITH THE PSC'S DIRECTIVE TO CONDUCT A**
2 **COMPENSATION COMPARISON OF UNION WAGES**
3

4 Q. ARE THERE ANY COMPLIANCE REQUIREMENTS REGARDING COMPENSATION
5 THAT WERE ESTABLISHED FOR THE COMPANY IN THE 1992 ELECTRIC RATE
6 CASE?

7 A. Yes. In its FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER dated
8 December 15, 1992, in Case No. PU-400-92-399 (the "December 15th
9 Order"), the Public Service Commission (the "Commission") directed the
10 Company to conduct a compensation comparison of union wages and
11 demonstrate to the Commission that it has made efforts to bring its union
12 wages in line with the industry in general.
13

14 Q. IS COMPARATIVE WAGE INFORMATION FOR UNION EMPLOYEES AVAILABLE
15 TO THE COMPANY?

16 A. No. While the Company is able to compile comparative data to establish non-
17 union employee compensation, it is unable to obtain comparative information
18 relevant to its union employees, as these wages are fully negotiated. There are
19 no existing comparative studies for *utility* union employees. The only available
20 study that the Company is aware of is limited in scope, and we are not able to
21 interpret from the classifications whether the data provided in the study is
22 meaningful to compare with our own union compensation information.
23 Consequently, we have formally requested that the Commission release us
24 from this compliance requirement in a separate matter currently pending
25 before the Commission.
26

27 Q. DOES THE COMPANY OFFER AN ALTERNATIVE TO A SPECIFIC UNION WAGE
28 COMPARISON?

1 A. Yes. A comparison of the general wage increases between the Company's
2 non-union and union employees since 1992 is included with my Direct
3 Testimony as Exhibit___(MEM-1), Schedule 3. That comparison shows that
4 union increases have not exceeded non-union increases.
5

6 **IV. COMPENSATION LEVELS COMPARED TO THE COMPETITIVE**
7 **MARKET**
8

9 Q. HAS THE COMPANY COMPARED ITS COMPENSATION LEVELS TO THE
10 COMPETITIVE MARKET?

11 A. Yes. The Company regularly compares its non-bargaining compensation
12 levels and plans to other firms, including other utilities and non-utilities. In
13 addition, the Company has obtained a study from the consulting firm of
14 Towers Perrin comparing the compensation levels of utilities (at both full
15 targeted annual incentive compensation levels and subject to a cap of 25
16 percent of an individual employee's base salary) for 2007, the most recent year
17 for which data was available. That study shows that Xcel Energy's total
18 compensation levels are comparable to those of other utilities.
19

20 Q. IS IT COMMON PRACTICE FOR UTILITIES TO USE ANNUAL INCENTIVE
21 COMPENSATION AS PART OF THEIR COMPENSATION PACKAGES?

22 A. Yes. Based on my experience in designing, implementing, and administering
23 compensation programs, and my familiarity with the studies used to annually
24 evaluate the Xcel Energy Annual Incentive Plan, it is a common practice for
25 utilities to include incentive compensation as part of their compensation
26 packages. The data provided to Xcel Energy shows that virtually all utilities
27 use annual incentive compensation plans as part of their incentive packages
28 for their executive employees, and the vast majority of investor owned utilities

1 also use annual incentive compensation plans for their non-executive, salaried
2 (non-hourly) employees.

3
4 Q. PLEASE EXPLAIN HOW THE COMPANY USES INFORMATION ABOUT
5 COMPENSATION PAID BY OTHER FIRMS.

6 A. Xcel Energy's compensation programs are based upon external market data
7 obtained from third-party surveys. Our intent is to identify data that reflects
8 the market-competitive rate for a given skill set, and includes companies with
9 which Xcel Energy competes for talent. Data is considered from a variety of
10 surveys, including both utility and non-utility companies. Many of the
11 Company's positions exist only in the utility industry, however, so general
12 industry data is not used for those positions. When reviewing these surveys,
13 essential job duties are defined in a position description. Salary surveys are
14 then reviewed to find positions with similar essential skills and functions. The
15 median (or 50th percentile) of the survey data is then used to determine the
16 appropriate market for the position and a salary range for the position. The
17 market for a position is based on the median, but is not limited to the single
18 data point of the median. Rather, the relevant market for a position includes a
19 range above and below the median.

20
21 Each year, the Company selects benchmark positions that are representative
22 of positions within each salary range, and compares the Company's salaries to
23 external market data. This process is used to determine market comparability
24 and identify whether the structure needs to be adjusted. Once a job is placed
25 within the structure, individual pay is determined by employee performance.

26

1 The Company also sets annual incentive compensation targets, which are the
2 annual awards available to employees if targeted levels of performance are met
3 under Xcel Energy's Annual Incentive Plan. The annual incentive targets are
4 set to deliver market-comparable total cash compensation. Total cash
5 compensation data is reviewed on an annual basis to ensure that annual
6 incentive targets remain appropriate for delivering market-competitive cash
7 compensation.

8
9 Q. PLEASE DESCRIBE THE STUDY CONDUCTED FOR THIS PROCEEDING,
10 COMPARING THE COMPANY'S COMPENSATION LEVELS TO OTHER UTILITIES.

11 A. The consulting firm of Towers Perrin conducted an analysis of the Company's
12 total cash compensation for 2007 compared to other utility companies. The
13 analysis included the following elements:

- 14
15 1) The Company's base salary levels were compared to competitive market
16 total cash compensation levels (total cash compensation was defined as
17 base salary plus annual incentive compensation);
18 2) The Company's annual incentive targets were compared to market annual
19 targets;
20 3) The Company's total cash compensation levels (including salaries plus
21 annual incentive targets) were compared to competitive market total cash
22 compensation levels; and
23 4) The sum of the Company's 2007 annual salaries and the 2007 target
24 annual incentive compensation (up to a cap of 25 percent of employees'
25 salaries) were compared to competitive market total cash compensation
26 levels.

27

1 Q. WHAT COMPARISON GROUPS DID THE STUDY INCLUDE?

2 A. Company compensation levels were compared to two sets of data. The first
3 set of comparison data was national data reflecting a large majority of U.S.
4 electric and natural gas companies (with median revenues of \$3.7 billion). The
5 second set of comparison data was data reflecting U.S. electric and natural gas
6 companies similar in size to Xcel Energy Inc. (with revenue greater than \$4.5
7 billion). The second set of data is significant because managerial positions in
8 larger organizations typically have greater complexity and therefore require
9 more skill, which in turn increases the compensation requirement.

10

11 Q. WHAT WERE THE RESULTS OF THAT STUDY?

12 A. The study findings are as follows:

13 1) The Company's total cash compensation levels without its Annual
14 Incentive Plan would lag the overall utility market by an average of 11
15 percent. When compared to similar-sized utilities, the Company's total
16 cash compensation levels without its Annual Incentive Plan would fall
17 below the competitive market by an average of 14 percent;

18 2) The Company's annual incentive pay (at target performance levels) is
19 closely aligned with other utilities. On average, the Company's annual
20 incentive targets are equal to competitive levels when compared to both
21 the overall market of other utilities and similar-sized utilities;

22 3) On average, the Company's total cash compensation levels, including the
23 Annual Incentive Plan at target levels, are 1 percent above the market for
24 other utilities, and 3 percent below market for similar-sized utilities. This
25 information demonstrates that adding annual incentives helps to close the
26 gap between base salary and market levels, as discussed in item 1, above;
27 and

1 4) The level of annual total compensation (salaries plus the annual incentive
2 target levels subject to a cap at 25 percent of base salary) for all positions
3 is 1 percent below the market for all other utilities, and 5 percent below
4 the market for similar-sized utilities.

5
6 Q. WHAT DO YOU CONCLUDE FROM THE STUDY?

7 A. The results of the study lead to several conclusions. Without its Annual
8 Incentive Plan, the Company would be at a significant disadvantage in the
9 competition for talented employees. Target level annual incentives are aligned
10 with those for similar positions in the external market. As referenced in item 4
11 above, the Company's total compensation level (base salary plus target annual
12 incentive compensation subject to a 25 percent cap) is 1 percent below the
13 overall utility market and 5 percent below the similar sized utility market.

14
15 **V. DESCRIPTION OF THE BENEFITS OF THE ANNUAL**
16 **INCENTIVE COMPENSATION PLAN TO CUSTOMERS AND THE**
17 **COMPANY**
18

19 Q. DOES INCLUSION OF INCENTIVE COMPENSATION AS PART OF AN OVERALL
20 COMPENSATION PLAN PROVIDE ADVANTAGES?

21 A. Yes. An overall compensation plan that includes incentive compensation has
22 many advantages for both customers and the Company.

23
24 First, as described above, incentive compensation is an integral part of the
25 employment market for almost all large corporations, including utilities. The
26 provision of quality service to our customers demands that we attract and
27 retain employees with specialized skills. Our ability to attract and retain
28 qualified engineers, plant managers, and other professional positions within

1 the Company would be adversely affected if we did not offer market
2 competitive rates. In addition, the loss of skilled employees results in added
3 costs associated with recruitment, training, and lost productivity.

4
5 Second, a well-drafted incentive plan provides incentives for employee
6 performance to achieve overall operational excellence, and Xcel Energy's
7 Annual Incentive Plan accomplishes this goal. The Annual Incentive Plan
8 focuses on Individual, Business Unit, and Corporate objectives that promote
9 overall customer satisfaction, reliability, safety, and environmental goals along
10 with efficient and cost effective operations. An employee receives annual
11 incentive compensation only if the employee demonstrates that the employee
12 has met his or her annual objectives, which motivates employees to
13 accomplish specific goals.

14
15 Third, in contrast to an approach that includes incentive compensation, a pure
16 base salary approach lessens the link between pay and performance. Base
17 salaries are paid whether annual performance objectives are met or not, and
18 sole reliance on base salary would significantly limit the Company's ability to
19 motivate and reward its employees for superior performance. Eliminating
20 incentive compensation would lead to the loss of efficiencies that result from
21 the Company's ability to motivate and reward specific employee
22 accomplishments toward core objectives.

23
24
25 Q. DO THE COMPANY'S CUSTOMERS BENEFIT FROM XCEL ENERGY'S ABILITY TO
26 ATTRACT, RETAIN AND MOTIVATE QUALITY EMPLOYEES?

1 A. Yes. The ability to attract, retain, and motivate experienced and talented
2 employees is an important factor in ensuring that Xcel Energy provides a
3 consistent level of quality service to its North Dakota customers. In order to
4 provide service quality to our customers we must attract and retain employees
5 with specialized knowledge and skills. This need for skilled, high quality
6 employees underscores the importance of delivering a competitive total cash
7 compensation package. In addition to the importance of recruitment, the loss
8 of skilled employees results in added costs associated with recruitment,
9 training, and lost productivity.

10
11 **VI. DESCRIPTION OF XCEL ENERGY'S EMPLOYEE BENEFITS**

12
13 Q. WHAT BENEFITS DOES XCEL ENERGY PROVIDE TO ITS EMPLOYEES?

14 A. Xcel Energy provides a comprehensive benefit program to all of its benefit
15 eligible employees (approximately 95-100 percent based on specific benefit
16 plans). These programs include coverage for medical, dental, vision, life
17 insurance, short and long term disability, employee assistance programs, an
18 adoption program, tuition assistance, pre-tax reimbursement accounts, paid
19 time off, 401(k) savings plans, pension, and other post retirement benefits.

20
21 Xcel Energy's pension or defined benefit programs are non-contributory
22 programs, which provide retirement benefits to eligible employees. Some of
23 those retirement benefits may be paid in a lump sum, at the time of retirement
24 or in the form of a monthly annuity. The 401(k) savings plan encourages
25 employees to save regularly for their retirement through pre-tax employee
26 deferrals and provides an employer matching contribution. The amount of the

1 employer contribution differs based upon which 401(k) plan the employee is
2 eligible to participate in.

3
4 Q. ARE THESE BENEFIT PROGRAMS NECESSARY AND REASONABLE?

5 A. Yes. Xcel Energy provides competitive benefit programs that are necessary to
6 attract and retain a qualified, talented workforce. Xcel Energy evaluates its
7 benefit programs relative to similar large nation-wide utilities and large nation-
8 wide employers. Xcel Energy uses several surveys to assess its benefit
9 programs, such as Watson Wyatt's Comparison Study, Towers Perrin Health
10 Care 360, and the Mercer National Health Care Survey. These surveys are
11 reviewed annually. The costs of providing many of these programs are shared
12 between Xcel Energy and its employees. Xcel Energy shares substantially in
13 the costs of its health care plans by funding approximately 78 percent of the
14 incurred expenses. In my opinion, these funding levels are reasonable,
15 appropriate, and competitive. The survey data confirms my conclusions.

16
17 **VII. CONCLUSION**

18
19 Q. CAN YOU PLEASE SUMMARIZE YOUR CONCLUSIONS?

20 A. Yes. The Company needs to provide a competitive total cash compensation
21 package and benefits package in order to attract and retain the talent necessary
22 to achieve customer and business objectives. The Company believes that the
23 current compensation plan is the most appropriate method of providing
24 market competitive compensation and incenting employee excellence toward
25 goals that will directly benefit ratepayers. The Company's total compensation
26 levels are comparable to those of other utilities. For these reasons, I believe

1 that the Company's proposed employee compensation costs are reasonable,
2 and should be included in rates.

3

4 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

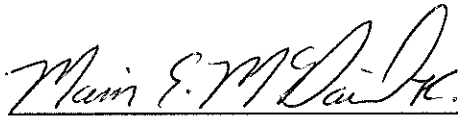
5 A. Yes, it does.

1 STATE OF NORTH DAKOTA
2 BEFORE THE
3 PUBLIC SERVICE COMMISSION
4
5

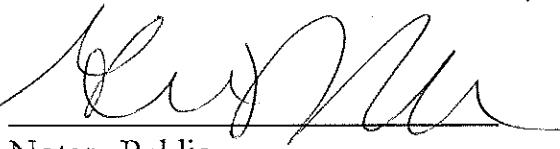
6 In the Matter of the Application of Northern)
7 States Power Company, a Minnesota Corporation)
8 For Authority to Increase Rates for Electric Service) Case No. PU-07-____
9 in North Dakota)

10
11
12
13 AFFIDAVIT OF
14 Marvin E. McDaniel, Jr.
15

16
17 I, the undersigned, being duly sworn, depose and say that the foregoing is
18 the Direct Testimony of the undersigned, and that such Direct Testimony and the
19 exhibits or schedules sponsored by me to the best of my knowledge, information
20 and belief, are true, correct, accurate and complete, and I hereby adopt said
21 testimony as if given by me in formal hearing, under oath.
22

23
24 
25 _____
26 Marvin E. McDaniel, Jr.
27
28

29
30 Subscribed and sworn to before me, this 5th day of December, 2007.
31

32
33 
34 _____
35 Notary Public
36



Statement of Qualifications

Marvin E. McDaniel

I received a Bachelors Degree in Business with a Major in Accounting and a Minor in Economics in December of 1982 from Colorado State University. I received a Masters Degree in Finance and Accounting from Regis College in June of 1990. I am a Certified Public Accountant in the State of Colorado.

I began my career with Public Service Company of Colorado in December of 1987 as a general accountant. I have held several positions in the Corporate Accounting Department including Financial Accounting Coordinator, Director of Business Unit Accounting and Consulting, and Director of Corporate Accounting. I have had responsibilities for general and financial accounting, internal management reporting, the corporate budget function, Service Company accounting for the former NCE Service Company, CPUC, FERC, and SEC reporting, and SEC compliance filings.

I also held positions in the Rate department with responsibilities specifically in Gas Rates. As part of that function and in my role in the accounting areas, I have submitted testimony in various State and Federal regulatory proceedings. These proceedings are listed at the end of this statement.

I held the position of Vice-President and Assistant Controller of Xcel Energy, Inc. In that position, I was responsible for corporate accounting, business area budgeting and forecasting, certain financial functions related to the company's commercial operations, regulatory accounting, revenue accounting, and commercial operations accounting. Outside of the Corporate Accounting area, I was the Vice-President and Controller of the Energy Markets/Commercial

Operations Business Unit for Xcel Energy Inc. In that position, I was responsible for accounting including, but not limited to, the acquisition of energy, fuel and the commodities trading function. As a part of this position, I was responsible for portions of the compensation structure of the Energy Markets/Commercial Operations area including the design of certain incentive compensation plans.

I am currently the Vice-President of Human Resources for Xcel Energy Inc. This area includes Staffing, Recruiting, Workforce Relations, Employee Benefits for Retirement and Health and Welfare, HR Consulting and Compensation. In addition, I am responsible for Payroll and HR Operations.

Listing of Testimony

GOVERNING ENTITY	DOCKET #
Public Utilities Commission of Colorado	Docket 04A-050E
Public Utilities Commission of Colorado	Docket 02S-315EG
Public Utilities Commission of Colorado	Docket 98S-518G
Public Utilities Commission of Colorado	Docket 97A-622G
Public Utilities Commission of Colorado	Docket 981-389G
Public Utilities Commission of Colorado	Application 34815
Public Utilities Commission of Wyoming	Docket 30005-GR-99-70
Public Utilities Commission of Texas	Docket 22351
Public Utilities Commission of Texas	Docket 26186
Federal Energy Regulatory Commission	Docket RP93-99-000
Federal Energy Regulatory Commission	Docket RP96-190-000

Minnesota Public Utilities Commission Docket No. E6472/M-05-1993

Public Service Commission of Wisconsin Docket No. 4220-UR-115

	2007 Non-union Annual Incentive Program Weights		
2007 Salary Tiers/Grades	Individual	Business Unit	Corporate
Non-exempt Exempt M-O Project Director 1 T1-T2	75%	15%	10%
Exempt P-Q Project Director 2 TRD T3	50%	30%	20%
Exempt R-T Project Director 3 TRS T4	40%	30%	30%
Exempt U-V	25%	25%	50%
Managing Director	0%	50%	50%
Business Unit Vice President	0%	40%	60%
Corporate Vice President Business Unit President Chief Financial Officer Chairman, President & CEO	0%	0%	100%

Non-union increases:*

Year	Budget	Actual
1/1/1992-12/31/92		3.10%
1/1/1993-12/31/93		3.30%
1/1/1994-12/31/94	0.00%	0.00%
1/1/1995-12/31/95	3.50%	3.89%
1/1/1996-12/31/96	4.00%	3.90%
1/1/1997-12/31/97	4.00%	3.90%
1/1/1998-12/31/98	3.50%	3.40%
1/1/1999-12/31/99	4.00%	3.90%
1/1/2000-12/31/2000	4.00%	4.05%
1/1/2001-2/28/2002	5.00%	4.88%
3/1/2002-2/28/2003	4.50%	4.27%
3/1/2003-2/29/2004	3.50%	3.53%
3/1/2004-2/28/2005	3.00%	3.01%
3/1/2005-2/28/2006	3.00%	
3/1/2006-2/28/2007	3.00%	
3/1/2007-2/28/2008	3.50%	

North Union increases:

Contract Year	Base Increase	Lump Sum
1/1/1992-12/31/92	2.50%	0.00%
1/1/1993-12/31/93	3.00%	0.00%
1/1/1994-12/31/94	0.00%	3.00%
1/1/1995-12/31/95	2.00%	1.50%
1/1/1996-12/31/96	4.00%	0.00%
1/1/1997-12/31/97	2.00%	0.00%
1/1/1998-6/30/98	2.00%	0.00%
7/1/1998-12/31/1998	2.00%	0.00%
1/1/1999-12/31/99	2.00%	0.00%
1/1/2000-12/31/2000	3.50%	0.00%
1/1/2001-12/31/2001	4.20%	0.00%
1/1/2002-12/31/2002	4.30%	0.00%
1/1/2003-12/31/2003	2.75%	0.00%
1/1/2004-12/31/2004	2.75%	0.00%
1/1/2005-12/31/2005	3.00%	0.00%
1/1/2006-12/31/2006	3.00%	0.00%
1/1/2007-12/31/2007	3.00%	0.00%

* NSP-MN only rates shown for 1983-2000
 Awards granted both as base increases and lump sums
 1/1/2001 Xcel Energy programs started