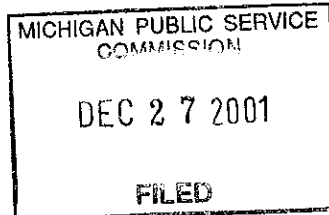




John D. Wilson  
Vice President,  
Public & Regulatory Affairs  
10 E. Doty Street, Suite 511  
Madison, WI 53703  
Telephone (608) 280-7350  
Fax (608) 280-7359

December 21, 2001

Ms. Dorothy Wideman  
Executive Secretary  
Michigan Public Service Commission  
6545 Mercantile Way, Suite 7  
Lansing, MI 48911



RE: In the matter of the approval of a code of conduct )  
for Consumers Energy Company and )  
the Detroit Edison Company )

Case No. U-12134

Dear Ms. Wideman:

Enclosed are the original and four copies of Northern States Power Company – Wisconsin's Compliance Filing and Plan to Achieve Full Compliance with the Code of Conduct as required by the Michigan Public Service Commission (MPSC) in Case No. U-12134 together with the affidavit of John D. Wilson. This cover letter and the attached document have been filed electronically on the MPSC's Electronic Case Filing System, also.

If you or the MSPC have any questions regarding the content of this filing, please contact Donald F. Reck, Manager of Regulatory Administration at (715) 839-2441 or by e-mail at [donald.reck@xcelenergy.com](mailto:donald.reck@xcelenergy.com).

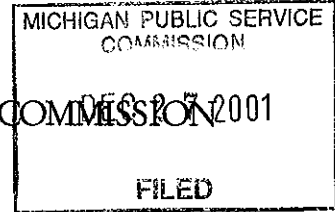
Sincerely,

John D. Wilson  
Vice-Pres. Public and Reg. Affairs

enc.

c: T. Bourget  
D. Donovan  
D. Reck

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION



In the matter of the approval of a code of conduct )  
for CONSUMERS ENERGY COMPANY AND ) Case No. U-12134  
THE DETROIT EDISON COMPANY )


AFFIDAVIT OF JOHN D. WILSON

STATE OF WISCONSIN )  
EAU CLAIRE COUNTY ) ss.


John D. Wilson, being first duly sworn on oath, deposes and states as follows:

1. That he is an adult resident of Dane County, Wisconsin, and is the Vice President of Public and Regulatory Affairs of Northern States Power Company, Wisconsin, d/b/a Xcel Energy (hereafter "NSPW").
2. That NSPW will comply with the Code of Conduct adopted by the MPUC in Case No. U-12134 on October 29, 2001, subject to the waivers and limitations set forth in NSPW's compliance filing dated December 21, 2001.

Dated this 21<sup>st</sup> day of December, 2001.

  
John D. Wilson

Subscribed and sworn to before me  
this 21<sup>st</sup> day of December, 2001.

  
Kristina M. Bourget, Notary Public  
Eau Claire County, Wisconsin  
My commission is permanent.

MICHIGAN PUBLIC SERVICE  
COMMISSION  
DEC 27 2001  
FILED

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the approval of a code of conduct )  
for CONSUMERS ENERGY COMPANY AND ) Case No. U-12134  
THE DETROIT EDISON COMPANY. )

COMPLIANCE FILING AND PLAN TO ACHIEVE FULL COMPLIANCE  
WITH CODE OF CONDUCT  
ADOPTED IN CASE NO. U-12134

Prepared by  
NORTHERN STATES POWER COMPANY, a Wisconsin corporation,  
d/b/a Xcel Energy  
December 21, 2001

**NORTHERN STATES POWER COMPANY, a Wisconsin Corporation,  
d/b/a Xcel Energy  
COMPLIANCE FILING AND PLAN TO ACHIEVE FULL COMPLIANCE  
WITH CODE OF CONDUCT  
ADOPTED IN CASE NO. U-12134**

This compliance filing and plan to achieve compliance is submitted by Northern States Power Company, a Wisconsin Corporation, d/b/a Xcel Energy (NSPW) in response to the Code of Conduct adopted by the Michigan Public Service Commission (MPSC) on October 29, 2001 in Case No. U-12134.

**BACKGROUND**

NSPW is a public utility organized under the laws of the State of Wisconsin, is authorized to do business in the States of Michigan and Wisconsin, and is a wholly-owned subsidiary of Xcel Energy Inc. (Xcel Energy). Xcel Energy is a registered holding company subject to the Public Utility Holding Company Act of 1935 (PUHCA) and as such is subject to regulation by the United States Securities and Exchange Commission (SEC).

NSPW serves approximately 9,000 electric and 5,000 natural gas retail customers in Michigan. NSPW has only one office/service center in Michigan, located in the City of Ironwood. NSPW's electric and gas service to retail customers in the State of Michigan is subject to regulation by the MPSC. NSPW also provides wholesale electric power service to the City of Wakefield, Michigan subject to regulation by the Federal Energy Regulatory Commission (FERC). The vast majority of NSPW's business (approximately 97%) is located outside of the State of Michigan. NSPW serves approximately 221,000 electric and 84,000 natural gas retail customers in the State of Wisconsin and is subject to regulation by the Public Service Commission of Wisconsin (PSCW). In addition, NSPW provides wholesale electric power service to nine municipal utilities in Wisconsin, subject to regulation by the FERC.

Xcel Energy Services Inc. (XES) is a wholly-owned subsidiary of Xcel Energy. SEC regulations effectively prohibit the parent organization (Xcel Energy) from providing shared overhead services to its operating utilities. In addition, SEC regulations allow utility operating companies within a registered holding company structure to provide services to each other only in limited circumstances. Prior to the Xcel Energy merger, NSPW had an administrative services agreement with Northern States Power Company (Minnesota) (NSPM), then the parent company of NSPW, whereby NSPM personnel provided services to NSPW (and vice versa). With the merger, XES was formed to provide shared overhead services to both the utility and nonutility subsidiaries in the Xcel Energy holding company system, and many NSPM

and NSPW employees who performed these functions became employees of XES to comply with the PUHCA requirements.

Just as many functions integral to NSPW's provision of regulated electric service were formerly provided by NSPM, many functions integral to NSPW's provision of regulated electric service are now performed by XES employees. For example, XES employees provide billing services and customer service functions to all of the regulated operating utilities in the Xcel Energy holding company system. XES and NSPW employees may share office space, computer systems containing confidential customer information, and other types of facilities and equipment at various locations throughout Wisconsin and Michigan. The depth and breadth of services provided to NSPW by XES is such that NSPW would not be able to continue to provide regulated electric service to its customers in Wisconsin or Michigan without support from XES.<sup>1</sup>

As stated earlier, NSPW is regulated by both the SEC and the PSCW. These regulatory bodies are charged with, among other things, ensuring that there is no cross subsidization between NSPW and its affiliates, or between the regulated and unregulated services of the utility (to the extent a utility engages in such activities).<sup>2</sup> Affiliated interest agreements governing the scope of services provided and the cost-sharing mechanisms for these services have been approved by both the SEC (SEC Release No. 35-27212) and the PSCW (Docket 4220-AU-125). A copy of the PSCW's order approving NSPW's services agreement with XES is attached as Exhibit A

## **COMPLIANCE PLAN AND WAIVER REQUESTS**

In this section NSPW will detail its plans for compliance with the Code of Conduct (Code), including where necessary, requests for waivers of certain provisions of the Code. This section is organized to follow the section numbering of the Code.

### **I. Applicability**

NSPW interprets the Code as applying to the regulated and unregulated operations of NSPW in the State of Michigan and the business of its unregulated affiliates and divisions, to the extent conducted in the State of Michigan. NSPW does not believe the Code governs transactions between regulated affiliates to the extent

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<sup>1</sup> The only alternative would be for NSPW to create duplicative corporate functions at substantial cost. Such duplication would increase rates to NSPW's customers in Michigan and also be inconsistent with the SEC order authorizing the Xcel Energy merger.

<sup>2</sup> Wisconsin law requires prior PSCW approval of agreements between affiliates where the aggregate annual consideration exceeds \$25,000. Wis. Stat. Sec. 196.52. One of the purposes of this statute is to ensure that the regulated utility is not subsidizing unregulated activities.

they relate solely to the provision of regulated utility service (such as services exchanged between NSPM and NSPW under the Interchange Agreement<sup>3</sup> between NSPM and NSPW which is subject to the jurisdiction of the FERC). Further, NSPW does not believe the Code governs transactions between affiliates that are regulated by other federal regulatory bodies (for example, the services agreement between XES and NSPW which is subject to the jurisdiction of the SEC). Section III.C. discusses these issues in more detail.

With a couple of minor exceptions (see Section II.A.), neither NSPW, nor any of its regulated or unregulated affiliates, currently plans to offer unregulated services or products to NSPW's Michigan retail customers. Therefore, many of the Code provisions do not apply to NSPW at this time. If NSPW or any of its regulated or unregulated affiliates plan to offer unregulated services or products to NSPW's Michigan retail customers in the future, NSPW will notify the MPSC and this compliance plan will be updated.

## II. Separation

Section II.M. of the Code provides, in relevant part, that:

“None of the provisions of this code shall be interpreted to require ... an independent investor-owned utility with fewer than 60 employees to maintain separate facilities, operations, or personnel, used to deliver electricity to retail customers, [or] provide retail electric service, ...”

As discussed in the Background section, NSPW is an independent investor-owned utility. NSPW has only one facility in Michigan, located in the City of Ironwood. A total of 21 NSPW employees work out of the Ironwood office. Many of these employees support natural gas utility operations. Even if the indirect labor necessary to support NSPW's Michigan electric operations were factored into the calculation NSPW would meet the 60-employee test.<sup>4</sup> Accordingly, since less than 60 NSPW employees support NSPW's Michigan retail electric activities, NSPW falls within the exception set forth in II.M. and is therefore not subject to the separation requirements of the Code. This result is appropriate given that NSPW's activities in Michigan account for approximately 3 percent of its business and that neither NSPW

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<sup>3</sup> “Restated Agreement to Coordinate Planning and Operations and Interchange Power and Energy between Northern States Power Company (Minnesota) and Northern States Power Company (Wisconsin)”, FERC Docket No. ER01-683-000.

<sup>4</sup> Prior to the merger between NSPM and NCE (and the transfer of certain NSPW employees to XES), NSPW employed approximately 850 employees. Assuming that three percent of those employees supported NSPW's Michigan business, approximately 30 employees can be properly allocated to Michigan retail activities. Accordingly, even if the support services of non-NSPW employees are allocated to Michigan, NSPW still falls within the exception.

nor its affiliates intends to offer (with minimal exceptions) unregulated products and services to NSPW's Michigan customers

In the event that the MPSC rules that NSPW is not exempt from the separation requirements of the Code, then NSPW presents the following plan for compliance. Requests for waivers from certain provisions of the Code, as provided for in Section VI of the Code, are noted in the appropriate sub-section.

A. Neither NSPW nor any of its regulated or unregulated affiliates intends to offer any unregulated services or products to NSPW's retail customers in Michigan, except as follows:

◆ NSPW:

- In emergency situations NSPW may offer utility-related repairs on retail or wholesale customer-owned systems to restore electric service or ensure the integrity of the customer's or NSPW's electric system; (e.g. poles, transformers, wires, fuses, and associated labor).
- NSPW may perform incidental utility-related services at retail or wholesale customer locations or on customer-owned systems (e.g. meter testing; power quality assistance; and engineering or consulting services related to the provision of regulated electric service to wholesale customers only).
- NSPW may provide routine construction services for other utilities where the joint placement of other utilities' (e.g., natural gas, telecommunication, including television cable, etc.) distribution systems, whether in-ground or overhead, provide an opportunity to reduce costs for both utilities.

This list of services is not meant to be all-inclusive, but is intended to illustrate the types of services that are now provided by NSPW and may be provided in the future. The common element of the above list is that it includes only utility-related services, provided through the regulated utility, primarily as a customer service. NSPW wishes to continue offering these specific services, and other similar services not expressly listed, to its customers in the future.

◆ NSPW Affiliates:

- Although none of NSPW's regulated or unregulated affiliates plans to offer any unregulated products and services directly to NSPW's Michigan customers, it is possible that situations may arise where sales of unregulated services and products to

NSPW's Michigan customers may occur as a result of multi-state or broad-based marketing efforts by an NSPW affiliate in another jurisdiction. In these situations there would be no direct contact between NSPW employees and the customer for the purpose of selling services offered by an NSPW affiliate. Examples of these services may include, but are not limited to: a) information services typically derived from metering data; b) distributed generation products and services; c) load management product and services; and d) facilities management products and services.

To the extent the MPSC believes that the incidental sales activities of NSPW or the indirect sales activities of NSPW's affiliates described above are inconsistent with the Code, NSPW requests a waiver of this section of the Code. For several reasons, NSPW believes that such a waiver will not in any way inhibit the development or functioning of the competitive market in Michigan.

First, the services for which NSPW seeks a waiver are provided only to NSPW customers upon request; NSPW does not actively market these services. As a result, these types of services are offered infrequently. Second, the customers are billed directly for the fully allocated cost of these services to ensure that other utility customers do not subsidize these services. Third, NSPW is uniquely qualified to provide the requested services, and given the geographical area served by NSPW, it is unlikely that NSPW's provision of such services will compete with services offered by others. On the other hand, if NSPW is prohibited from offering such services, it may be very difficult (and expensive) for NSPW's customers to locate a qualified service provider who can or will travel to Upper Michigan in a timely manner. Thus, if NSPW is prohibited from providing these services, it may impose a hardship on these customers.

B. NSPW intends to fully comply with this prohibition.

C. NSPW's books and records are currently maintained separately from those of its affiliates or entities within the Xcel Energy corporate structure that provide unregulated services. NSPW intends to continue this practice in compliance with the Code.

D. As described in detail in the Background section of this document, XES, in accordance with applicable SEC rules and regulations, provides services to both NSPW and its regulated and nonregulated affiliates, and certain XES employees may share facilities and equipment with both NSPW and its affiliates. Although XES is an affiliate of NSPW, it exists solely to provide corporate administrative and other services to Xcel Energy and its subsidiaries at cost. XES is not a profit-making entity, and is not engaged in the sale of unregulated products and services for its own benefit. Therefore, XES is not the type of affiliate the Code was intended to regulate,

and NSPW requests a confirmation from the MPSC that the Code does not apply. In the alternative, NSPW requests a waiver of the prohibition against sharing of “facilities, equipment, or operating employees” between NSPW and its affiliates, and a waiver of the requirement that sharing of computer hardware and software only be allowed “with documented protection to prevent discriminatory access to competitively sensitive information” as these requirements pertain to XES. NSPW believes that the requested waiver will not in any way inhibit the development or functioning of a competitive market in Michigan.

E. As discussed in the Background section above, operating employees of NSPW and XES work together to provide regulated electric service to NSPW customers in Wisconsin and Michigan. Accordingly, NSPW requests either a confirmation from the MPSC that the Code does not apply or requests a waiver of the requirement that NSPW operating employees and the operating employees of XES “function independently of each other and maintain separate offices.” NSPW believes that such a waiver will not in any way inhibit the development or functioning of the competitive market in Michigan.

F. NSPW intends to comply with this prohibition.

G. As explained in the Background section above, XES and NSPW operating employees work together to provide regulated services to NSPW electric customers in Wisconsin and Michigan. The intent of the Code was to address interactions between regulated utilities in Michigan and their affiliates who offer unregulated services and products to the regulated utilities’ customers in Michigan. The purposes of the Code would not be advanced by requiring NSPW to report transfers to/from XES. Accordingly, NSPW requests either a confirmation from the MPSC that the Code does not apply or requests a waiver from the requirement that NSPW report employee transfers between NSPW and XES. NSPW believes that such a waiver will not in any way inhibit the development or functioning of the competitive market in Michigan. NSPW will report employee transfers between NSPW and its unregulated or regulated affiliates that provide unregulated products and services in Michigan.

H. Except as noted in Section II.A. (indirect activities of NSPW affiliates), NSPW will comply with the provisions of this section.

I. NSPW will comply with the provisions of this section.

J. NSPW will comply with the provisions of this section.

K. Although NSPW’s legal name is “Northern States Power Company”, it does business under the trade name “Xcel Energy” by authorization of the Michigan Department of Consumer and Industry Services and MPSC. The “Xcel Energy” trade name and logo are owned by Xcel Energy and licensed to NSPW. Therefore, NSPW has no control over whether entities other than NSPW are allowed to use the

Xcel Energy name and logo. Except as noted in Section II.A., neither NSPW nor any of its regulated or unregulated affiliates currently plans to offer unregulated products or services to NSPW's Michigan retail customers. With respect to the incidental and indirect activities described in Section II.A., NSPW requests a waiver of this provision. Since the services described in II.A. are either indirect or incidental in nature, a waiver will not inhibit the development of a competitive market in Michigan.

To the extent that NSPW or any of its regulated or unregulated affiliates offers unregulated products or services directly to Michigan customers (other than in the situations described in Section II.A.), NSPW asks that the following disclaimer language be authorized in lieu of that language specified in the Code:

“(Affiliate name) is not regulated by utility regulators in your state.”

This will provide uniformity such that unique versions of communications materials do not need to be produced for each state in which unregulated products or services are offered.

L. See response to Section II.K. Also, NSPW requests that the following disclaimer language be authorized in lieu of that language specified in the Code:

“(Service) is not a regulated utility service in your state.”

This will provide uniformity such that unique versions of communications materials do not need to be produced for each state in which unregulated products or services are offered.

### **III. Discrimination**

At this time, neither NSPW nor its affiliates plans to offer any unregulated products and services to NSPW's Michigan electric customers, except under those situations described in Section II.A. above. Nevertheless, NSPW presents the following plan for compliance. Requests for waivers from certain provisions of the Code are noted.

A. NSPW intends to comply with the provisions of this section.

B. NSPW intends to comply with the provisions of this section.

C. As set forth in the Background section, NSPW receives certain services from XES under an affiliated interest agreement approved by the SEC. NSPW also has affiliated interest agreements with the other Xcel Energy utility operating companies, as well as with various unregulated affiliates in the Xcel Energy holding company system. In accordance with SEC requirements, these agreements specify that pricing for services received or provided by NSPW will be at fully allocated embedded cost.

Therefore, to the extent the requirements of this section are in conflict with agreements subject to the jurisdiction of the SEC, the jurisdiction of the SEC controls, and NSPW requests either a confirmation from the MPSC that the Code does not apply or requests waivers from the Code. Specifically, NSPW requests that it be exempted from compliance with the following requirements: 1) “that if [NSPW] provides services, products or property to any affiliate or other entity within the corporate structure, compensation shall be based upon the higher of fully allocated embedded cost or market price” and 2) “that if an affiliate or other entity within the corporate structure provides services, products or property to [NSPW], compensation for services and supplies shall be at the lower of market price or 10% over fully allocated embedded cost and transfers of assets shall be based upon the lower of fully allocated embedded cost or market price.” NSPW believes that such a waiver will not in any way inhibit the development or functioning of the competitive market in Michigan.

In addition, as discussed in Section I above, the Interchange Agreement between NSPM and NSPW is governed by the FERC, and therefore, to the extent that the requirements of the Code conflict with the Interchange Agreement, the Interchange Agreement controls. Accordingly, NSPW seeks confirmation from the MPSC that it is not subject to any provisions of the Code which conflict with the Interchange Agreement and alternatively, requests waivers from any of the provisions of the Code which conflict with the Interchange Agreement.

D. Neither NSPW nor any of its affiliates currently plans to operate as an alternate electric supplier in Michigan. If, in the future, NSPW or any of its affiliates chooses to do so, the MPSC will be notified and this compliance plan will be updated. Notwithstanding the foregoing, NSPW intends to comply with the provisions of this section.

E. As described in the Background section above, in order for XES to provide certain services to NSPW, NSPW is required to provide certain information to XES. That information may or may not encompass the information described in Section III.E. Subject to the foregoing, NSPW intends to comply with Section III.E., to the extent that unregulated services are being offered to NSPW’s Michigan customers by an affiliate or another division within NSPW.

To the extent the MPSC believes this arrangement is inconsistent with the Code, NSPW requests a waiver of this section of the Code. NSPW believes that such a waiver will not in any way inhibit the development or functioning of the competitive market in Michigan.

F. See response to Section III.E.

#### **IV. Disclosure of Information**

As described in the Background section above, in order for XES to provide certain services to NSPW, NSPW is required to provide certain information to XES. That information may or may not encompass the information described in Section IV-A through IV-E. Subject to the foregoing, NSPW intends to comply with this section of the Code, to the extent that unregulated services are being offered to NSPW's Michigan customers by an affiliate or another division within NSPW.

To the extent the MPSC believes this arrangement is inconsistent with the Code, NSPW requests a waiver of this section of the Code. NSPW believes that such a waiver will not in any way inhibit the development or functioning of the competitive market in Michigan.

#### **V. Electric Utility – Alternative Electric Supplier Relationship**

At this time, neither NSPW nor any of its affiliates plans to operate as an alternate electric supplier in Michigan. If NSPW or any of its affiliates plans to operate as an alternate electric supplier in Michigan in the future, the MPSC will be notified and this compliance plan updated. Notwithstanding the foregoing, NSPW agrees to comply with the requirements of Sections V-A and V-B.

#### **VI. Compliance Plans**

- A. The NSPW officer responsible for compliance with the Code is: John D. Wilson, Vice President – Public and Regulatory Affairs.
- B. See affidavit of John D. Wilson which accompanies this filing.
- C. See organizational chart attached as Exhibit B.

#### **VII. Oversight, Enforcement, and Penalties**

- A. Due to the minimal number of NSPW employees located in Michigan, and given the level of services provided to NSPW by XES, it is not practical for NSPW to maintain documentation related to Code compliance in the State of Michigan. Therefore, NSPW requests a waiver from the requirement that documentation needed to investigate compliance with the Code be maintained in Michigan. NSPW will, of course, cooperate with the MPSC in any investigations regarding compliance with the Code and will make all relevant documentation available to the MPSC in a timely fashion.
- B. NSPW will utilize the complaint resolution process described in Exhibit C to address complaints arising from application of the Code.
- C. NSPW intends to fully comply with Section VII.C.

**SERVICE AGREEMENT**

This Service Agreement is made and entered into this 21st day of August, 2000, by and between Northern States Power Company-Wisconsin (NSP-W) ("Client Company") and Xcel Energy Services Inc. (formerly named New Century Services, Inc.) ("Service Company").

**WITNESSETH**

WHEREAS, the Securities and Exchange Commission ("SEC") has approved and authorized as meeting the requirements of Section 13(b) of the Public Utility Holding Company Act of 1935 ("Act") the organization and conduct of the business of Service Company, in accordance herewith, as a wholly-owned subsidiary service company of Xcel Energy Inc. ("Xcel"); and

WHEREAS, Client Company is a utility operating company subsidiary of Xcel and an affiliate of Service Company;

WHEREAS, Service Company and Client Company have entered into this Service Agreement whereby Service Company agrees to provide and Client Company agrees to accept and pay for various services as provided herein at cost, with cost determined in accordance with applicable rules and regulations under the Act, which require Service Company to fairly and equitably allocate costs among all associate companies to which it renders services, including Client Company.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Service Agreement covenant and agree as follows:

**ARTICLE I - SERVICES**

Section 1.1 Service Company shall furnish to Client Company, as requested by Client Company, upon the terms and conditions hereinafter set forth, such of the services described in Appendix A hereto, at such times, for such periods and in such manner as Client Company may from time to time request and that Service Company concludes it is able to perform and provided that the cost charged by Services Company is less than or equal to the market price for such services. Service Company shall also provide Client Company with such special services, in addition to those services described in Appendix A hereto, as may be requested by Client Company and that Service Company concludes it is able to perform. In supplying such services, Service Company may arrange, where it deems appropriate, for the services of such experts, consultants, advisers, and other persons with necessary qualifications as are required for or pertinent to the provision of such services.

Section 1.2 Client Company shall take from Service Company such of the services described in Section 1.1, and such additional general or special services, whether or not now contemplated, as are requested from time to time by Client Company and that Service Company concludes it is able to perform.

Section 1.3 The services described herein or contemplated to be performed hereunder shall be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. Client Company shall have the right from time to time to amend, alter or rescind any activity, project, program or work order provided that (i) any such amendment or alteration that results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by Service Company, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by Service Company as a direct result of such amendment, alteration or rescission of the activity, project, program or work order, and (iii) no amendment, alteration or rescission of an activity, project, program or work order shall release Client Company from liability for all costs already incurred by or contracted for by Service Company pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

Section 1.4 Service Company shall use its best efforts to maintain a staff trained and experienced in the design, construction, operation, maintenance, and management of public utility properties.

## **ARTICLE II - COMPENSATION**

Section 2.1 As compensation for the services to be rendered hereunder. Client Company shall pay to Service Company all costs which reasonably can be identified and related to particular services performed by Service Company for or on its behalf. The methods for assigning or allocating Service Company costs to Client Company, as well as to other associate companies, are set forth in Appendix A.

Section 2.2 The methods of assignment, distribution or allocation of costs described in Appendix A shall be subject to review annually, or more frequently if appropriate. Such - methods of assignment, distribution or allocation of costs may be modified or changed by Service Company; provided, however, that no changes will be made to the methods of assignment, distribution, or allocation set forth herein or in Attachment A hereto unless first authorized by the SEC in accordance with the procedures specified in Section 2.3. Service Company shall advise Client Company from time to time of such changes.

Section 2.3 No change in the organization of Service Company, the type and character of the companies to be serviced, the methods of allocating costs to associate companies, or in the scope or character of the services to be rendered subject to Section 13 of the Act, or any rule, regulation or order thereunder, shall be made (i) unless and until Service Company shall first have given the SEC written notice of the proposed change not less than 60 days prior to the

proposed effectiveness of any such change or (ii) such change is otherwise permitted by SEC rule or practice. If, upon the receipt of any such notice, the SEC shall notify Service Company within the 60-day period that a question exists as to whether the proposed change is consistent with the provisions of Section 13 of the Act, or of any rule, regulation or order thereunder, then the proposed change shall not become effective unless and until Service Company shall have filed with the SEC an appropriate declaration regarding such proposed change and the SEC shall have permitted such declaration to become effective.

Section 2.4 Service Company shall render a monthly statement to Client Company that shall reflect the billing information necessary to identify the costs charged for that month. By the twentieth (20th) day of each month. Client Company shall remit to Service Company all charges billed to it.

Section 2.5 It is the intent of this Service Agreement that the payment for services rendered by Service Company to Client Company under this Service Agreement shall cover all the costs of its doing business (less the costs of services provided to affiliated companies not a party to this Service Agreement and to other non-affiliated companies, and credits for any miscellaneous items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and compensation for use of capital as permitted by Rule 91 of the SEC's regulations under the Act.

### **ARTICLE III - TERM**

Section 3.1 This Service Agreement shall become effective subject to the receipt of required regulatory approval, and shall continue in force until terminated by Service Company or Client Company, upon not less than one year's prior written notice to the other party. This Service Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Service Agreement may conflict with the Act or with any rule, regulation or order of the SEC adopted before or after the date of this Service Agreement.

### **ARTICLE IV - LIMITATION OF LIABILITY AND INDEMNIFICATION**

Section 4.1 In performing the services hereunder. Service Company will exercise due care to assure that the services are performed in an appropriate manner, meet the standards and specifications set forth in any applicable request for service and comply with the applicable standards of law and regulation. However, failure to meet these obligations shall in no event subject Service Company to any claims by or liabilities to Client Company other than to reperform the services and be reimbursed at cost for such reperformance. Service Company makes no other warranty with respect to its performance of the services, and Client Company agrees to accept such services without further warranty of any nature.

Section 4.2 To the fullest extent allowed by law. Client Company shall and does hereby indemnify and agree to save harmless and defend Service Company, its agents and employees from liabilities, taxes, losses, obligations, claims, damages, penalties, causes of action, suits, costs and expenses or judgments of any nature, on account of, or resulting from the performance and prosecution of any services performed on behalf of Client Company pursuant to this Agreement, whether or not the same results or allegedly results from the claimed or actual negligence or breach of warranty of, or willful conduct by. Service Company or any of its employees, agents, clients, or contractors or its or their subcontractors or any combination thereof.

#### **ARTICLE V - MISCELLANEOUS**

Section 5.1 All accounts and records of Service Company shall be kept in accordance with either the General Rules and Regulations promulgated by the SEC pursuant to the Act, in particular, the Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies or the Uniform System of Accounts Prescribed for Public Utilities and Licensees subject to the Provisions of the Federal Power Act promulgated by the Federal Energy Regulatory Commission, as each is in effect from and after the date hereof.


Section 5.2 New direct or indirect non-utility subsidiaries of Xcel, which may come into existence after the effective date of this Service Agreement, may become additional client companies of Service Company and subject to a service agreement with Service Company, or an existing client company may wish to obtain additional services from Service Company. Likewise, an existing direct or indirect subsidiary of Xcel may cease to be a client company or cease to take individual services from Service Company. In either event, the parties hereto shall make such changes in the scope and character of the services to be rendered and the method of assigning, distributing or allocating costs of such services as specified in Appendix A, subject to the requirements of Section 2.3, as may become necessary to achieve a fair and equitable assignment, distribution, or allocation of Service Company costs among all associate companies.

Section 5.3 In the event a Client Company changes the scope of services that it takes from Service Company (pursuant to Section 1.3) or terminates this Service Agreement (pursuant to Section 2.1), the Service Company may bill such Client Company a charge that reflects a proportionate share of any significant residual fixed costs (i.e. incurred costs or commitments to incur costs) that were incurred or committed to incur in contemplation of providing such Client Company service prior to the notice of termination. Examples of fixed costs include, but are not limited to, costs to upgrade computer hardware and software to meet Client Company's specifications.

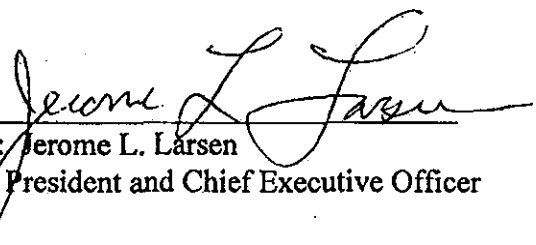
Section 5.4 Service Company shall permit Client Company and Wisconsin and Michigan state regulatory authorities access to its accounts, books and records, including the basis and computation of allocations.

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be executed as of the date and year first above written.

XCEL ENERGY SERVICES INC.

BY:   
Name: Cathy J. Hart  
Title: Vice-President and Secretary

NORTHERN STATES POWER COMPANY-  
WISCONSIN

BY:   
Name: Jerome L. Larsen  
Title: President and Chief Executive Officer

## APPENDIX A

### DESCRIPTION OF SERVICES TO BE PROVIDED BY XCEL ENERGY SERVICES INC. AND DETERMINATION OF CHARGES FOR SUCH SERVICES TO THE OPERATING COMPANIES AND OTHER AFFILIATES

#### Description of Services Provided

A description of the services provided by Xcel Energy Services is detailed below. Identifiable costs will be directly assigned to the Operating Companies and other affiliates. For costs that are for services of a general nature and cannot be directly assigned, the method of allocation is described below for each service provided. If specific conditions are met (as outlined in the Xcel Energy Services Policies and Procedures Manual), an alternative Labor Dollars Ratio may be used to allocate non-labor costs for any service.

##### *a) Executive Management Services*

Description - Represents charges for Xcel executive management and services, including, but not limited to, officers of Xcel.

Methods of Allocation - Executive Management indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

##### *b) Investor Relations*

Description - Provides communications to investors and the financial community. Coordinates the transfer agent and shareholder record keeping functions and plans the annual shareholder meeting.

Methods of Allocation - Investor Relations indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

##### *c) Internal Audit*

Description - Reviews internal controls and procedures to ensure assets are safeguarded and transactions are properly authorized and recorded. Evaluates contract risks.

Method of Allocation - Internal Audit indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

*d) Legal*

Description - Provides legal services related to labor and employment law, litigation, contracts, rates and regulation, environmental matters, real estate and other legal matters.

Method of Allocation - Legal indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

*e) Claims Services*

Description - Provides claims services related to casualty, public and company claims.

Method of Allocation - Claims Services costs will be direct charged, and administrative support functions that cannot be direct charged will be allocated using the Labor Dollars Ratio.

*f) Corporate Communications*

Description - Provides corporate communications, speech writing and coordinates media services. Provides advertising and branding development for the companies within the Xcel system. Manages and tracks all contributions made on behalf of the Xcel system.

Method of Allocation - Corporate Communications indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

*g) Employee Communications*

Description - Develops and distributes communications to employees.

Method of Allocation - Employee Communications indirect costs will be allocated based on the Employee Ratio.

*h) Corporate Strategy & Business Development*

Description - Facilitates development of corporate strategy and prepares strategic plans, monitors corporate performance and evaluates business opportunities. Develops and facilitates process improvements.

Method of Allocation - Corporate Strategy & Business Development indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

*i) Government Affairs*

Description - Monitors, reviews and researches government legislation.

Method of Allocation - Government Affairs indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

*j) Facilities & Real Estate*

Description - Operates and maintains office buildings and service centers. Procures real estate and administers real estate leases. Administers contracts to provide security, housekeeping and maintenance services for such facilities. Procures office furniture and equipment.

Method of Allocation - Facilities & Real Estate indirect costs will be allocated to the Operating Companies based on the Square Footage Ratio.

*k) Facilities Administrative Services*

Description - Includes but is not limited to the functions of Mail Delivery, Duplicating and Records Management.

Method of Allocation - Facilities Administrative Services indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

*l) Supply Chain*

Description - Includes contract negotiations, development and management of supplier relationships and acquisition of goods and services. Also includes inventory planning and forecasting, ordering, accounting and database management. Warehousing services includes receiving, storing, issuing, shipping, returns, and distribution of material and parts.

Method of Allocation - Supply Chain will be direct charged, and administrative support functions that cannot be direct charged will be allocated using the Labor Dollars Ratio.

*m) Supply Chain Special Programs*

Description - Develops and implements special programs utilized across the company such as procurement cards, travel services, and compliance with corporate MWBE (minority women business expenditures) program goals.

Methods of Allocation - Supply Chain Special Programs indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio.

*n) Human Resources*

Description - Establishes and administers policies related to employment, compensation and benefits. Maintains HR computer system, the tuition reimbursement plan, and diversity program. Coordinates the bargaining strategy and labor agreements with union employees. Provides technical and professional development training and general HR support services.

Methods of Allocation - Human Resources indirect costs will be allocated based on the Employee Ratio.

*o) Finance & Treasury*

Description - Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, cash management, investing activities and monitoring the capital markets. Performs financial and economic analysis.

Method of Allocation - Finance & Treasury indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

*p) Accounting, Financial Reporting & Taxes*

Description - Maintains the books and records. Prepares financial and statistical reports, tax filings and ensures compliance with the applicable laws and regulations. Maintains the accounting systems. Coordinates the budgeting process.

Method of Allocation - Accounting, Financial Reporting & Taxes indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio with 15 percent of Assets assigned to Xcel Energy Inc.

*q) Business Unit Accounting and Budgeting*

Description - Provides financial analysis, budgeting and administrative support for the business units.

Method of Allocation - Business Unit Accounting and Budgeting indirect costs will be allocated based on a three-factor formula that is comprised of the average of the Revenue Ratio, the Employee Ratio and the Total Asset Ratio.

*r) Payment & Reporting*

Description - Processes payments to vendors and prepares statistical reports.

Method of Allocation -- Payment & Reporting indirect costs will be allocated to the Operating Companies based on the Invoice Transaction Ratio.

*s) Receipts Processing*

Description - Processes payments received from customers of the Operating Companies and affiliates.

Method of Allocation - Receipts Processing indirect costs will be allocated based on the Customer Bills Ratio.

*t) Payroll*

Description - Processes payroll including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting and compliance reports.

Method of Allocation - Payroll indirect costs will be allocated based on the Employee Ratio.

*u) Rates & Regulation*

Description - Determines the Operating Companies' regulatory strategy, revenue requirements and rates for electric and gas customers. Coordinates the regulatory compliance requirements and maintains relationships with the regulatory bodies.

Method of Allocation - Rates & Regulation indirect costs will be allocated to the Operating Companies based on the Revenue Ratio or the Labor Dollars Ratio.

*v) Energy Supply Engineering and Environmental*

Description - Provides engineering services to the generation business. Establishes policies and procedures for compliance with environmental laws and regulations. Researches emerging environmental issues and monitors compliance with environmental requirements. Oversees environmental clean up projects.

Method of Allocation - Energy Supply Engineering and Environmental services will be direct charged, and administrative support functions that cannot be direct charged will be allocated using the Labor Dollars Ratio.

*w) Energy Supply Business Resources*

Description - Provides performance, specialists and analytical services to the Operating Companies' generation facilities.

Method of Allocation - Energy Supply Business Resources indirect costs will be allocated using the MWh Generation Ratio.

*x) Energy Markets Regulated Trading & Marketing*

Description - Provides electric trading services to the Operating Companies' electric generation systems including load management, system optimization and resource acquisition.

Method of Allocation - Energy Markets Regulated Trading & Marketing indirect costs will be allocated to the Operating Companies based on the Total MWh Sales Ratio.

*y) Energy Markets - Fuel Procurement*

Description - Purchases fuel for Operating Companies electric generation systems (excluding nuclear).

Method of Allocation -- Energy Markets Fuel Procurement indirect costs will be allocated based on the MWh Generation Ratio.

*z) Energy Delivery Marketing*

Description - Develops new business opportunities and markets the products and services for the Delivery Business Unit.

Method of Allocation - Energy Delivery Marketing will be direct charged.

*aa) Energy Delivery Construction, Operations & Maintenance (COM)*

Description - Constructs, maintains and operates electric and gas delivery systems.

Method of Allocation - Energy Delivery COM indirect costs will be allocated based on the Delivery Services Gross Plant Ratio.

*bb) Energy Delivery Engineering/Design*

Description - Provides engineering and design services in support of capacity planning, construction, operations and material standards.

Method of Allocation - Energy Delivery Engineering/Design services will be direct charged, and administrative support functions that cannot be direct charged will be allocated based on the Labor Dollars Ratio.

*cc) Marketing & Sales*

Description - Provides marketing and sales services for the Operating Companies and affiliates for their electric and natural gas customers including strategic planning, segment identification, business analysis, sales planning and customer service.

Method of Allocation - Marketing & Sales indirect costs will be allocated based on the Revenue Ratio.

*dd) Customer Service*

Description -- Provides service activities to retail and wholesale customers. These services include meter reading, customer billing, call center and credit and collections.

Method of Allocation - Customer Service indirect costs will be allocated based on the Customers Ratio.

*ee) Information Technology*

Description - Provides various communications and electronic data processing services including but not limited to, development and support of mainframe computer software applications, procurement and support of personal computers, operation of a data center and installation and operation of a communications system. Also administers the IBM contract that may provide for the services listed above.

Method of Allocation - Information Technology will be direct charged.

*ff) Aviation Services*

Description - Provides aviation and travel services to employees.

Method of Allocation - Aviation Services will be direct charged.

*gg) Fleet*

Description - Oversees the Operating Companies' Fleet Services Group.

Method of Allocation - Fleet will be direct charged.

## Allocation Ratios

The following ratios will be utilized as outlined above.

*Revenue Ratio* - Based on the sum of the monthly revenue amounts for the prior year ending December 31, the numerator of which is for an applicable Operating Company or affiliate company and the denominator of which is for all applicable Operating Companies and affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

*Employee Ratio* - Based on the number of employees at the end of the prior year ending December 31, the numerator of which is for an applicable Operating Company or affiliate company and the denominator of which is for all applicable Operating Companies and affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

*Total Assets Ratio, with 15 Percent of Assets assigned to Xcel Energy Inc.* - Based on the total assets as of December 31 for the prior year, the numerator of which is for an applicable Operating Company or affiliate company and the denominator of which is for all applicable Operating Companies and affiliate companies. Xcel Energy Inc. will be assigned fifteen percent of the total assets. This ratio will be determined annually, or at such time as may be required due to significant changes.

*Total Assets Ratio* - Based on the total assets as of December 31 for the prior year, the numerator of which is for an applicable Operating Company or affiliate company and the denominator of which is for all applicable Operating Companies and affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

*Square Footage Ratio* - Based on the total square footage as of December 31 for the prior year, the numerator of which is for an applicable Operating Company or affiliate company and the denominator of which is for all applicable Operating Companies and affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

*Invoice Transaction Ratio* - Based on the sum of the monthly number of invoice transactions processed for the prior year ending December 31, the numerator of which is for an applicable Operating Company or affiliate company and the denominator of which is for all applicable Operating Companies and affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

*Customer Bills Ratio* - Based on the average of the monthly total number of customer bills issued during the prior year ending December 31, the numerator of which is for an applicable Operating Company or affiliate company and the denominator of which is for all applicable Operating Companies and affiliate companies. This ratio will be determined annually, or at such a time as may be required due to significant changes.

*MWh Generation Ratio* - Based on the sum of the monthly electric MWh generated during the prior year ending December 31, the numerator of which is for an applicable Operating Company and the denominator of which is for all applicable Operating Companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

*Total MWh Sales Ratio* - Based on the sum of the monthly electric MWh hours sold during the prior year ending December 31, the numerator of which is for an applicable Operating Company and the denominator of which is for all applicable Operating Companies. This includes sales to ultimate customers, wholesale customers, and non-requirement sales for resale. This ratio will be determined annually, or at such time as may be required due to significant changes.

*Customers Ratio* - Based on the average of the monthly total electric customers (and/or gas customers, or residential, business and large commercial and industrial customers where applicable) for the prior year ending December 31, the numerator of which is for an applicable Operating Company or affiliate company and the denominator of which is for all applicable Operating Companies and affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

*Labor Dollars Ratio* - Based on the XES department (performing center) labor dollars charged to Operating companies and other affiliates for the month. The numerator of which is the labor dollars charged to an Operating Company or affiliate company and the denominator of which is for all Operating Companies and affiliate companies charged by the department for the month.

*Delivery Services Gross Plant Ratio* - Based on transmission and distribution gross plant for the Delivery Business unit, both electric and gas for the prior year ending December 31, the numerator of which is an applicable Operating Company and the denominator of which is for all applicable Operating Companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

EXHIBIT C

Northern States Power Company, a Wisconsin Corporation,  
d/b/a Xcel Energy (NSPW)  
COMPLAINT RESOLUTION PROCESS

- 1) Complainants are encouraged to resolve any disputes informally with NSPW. Informal complaints should be directed to the Manager, Regulatory Administration, and should be made through the Customer Information Center at 1-800-895-4999. If, however, a complainant finds the informal response inadequate for resolution of a dispute, and elects to file a formal complaint, the procedures set forth in item 2 below shall be followed.
- 2) A formal complaint concerning NSPW's adherence to the Code shall be directed, in writing, to:

John D. Wilson  
Vice President, Public and Regulatory Affairs  
Xcel Energy  
10 East Doty Street, Suite 511  
Madison, WI 53703

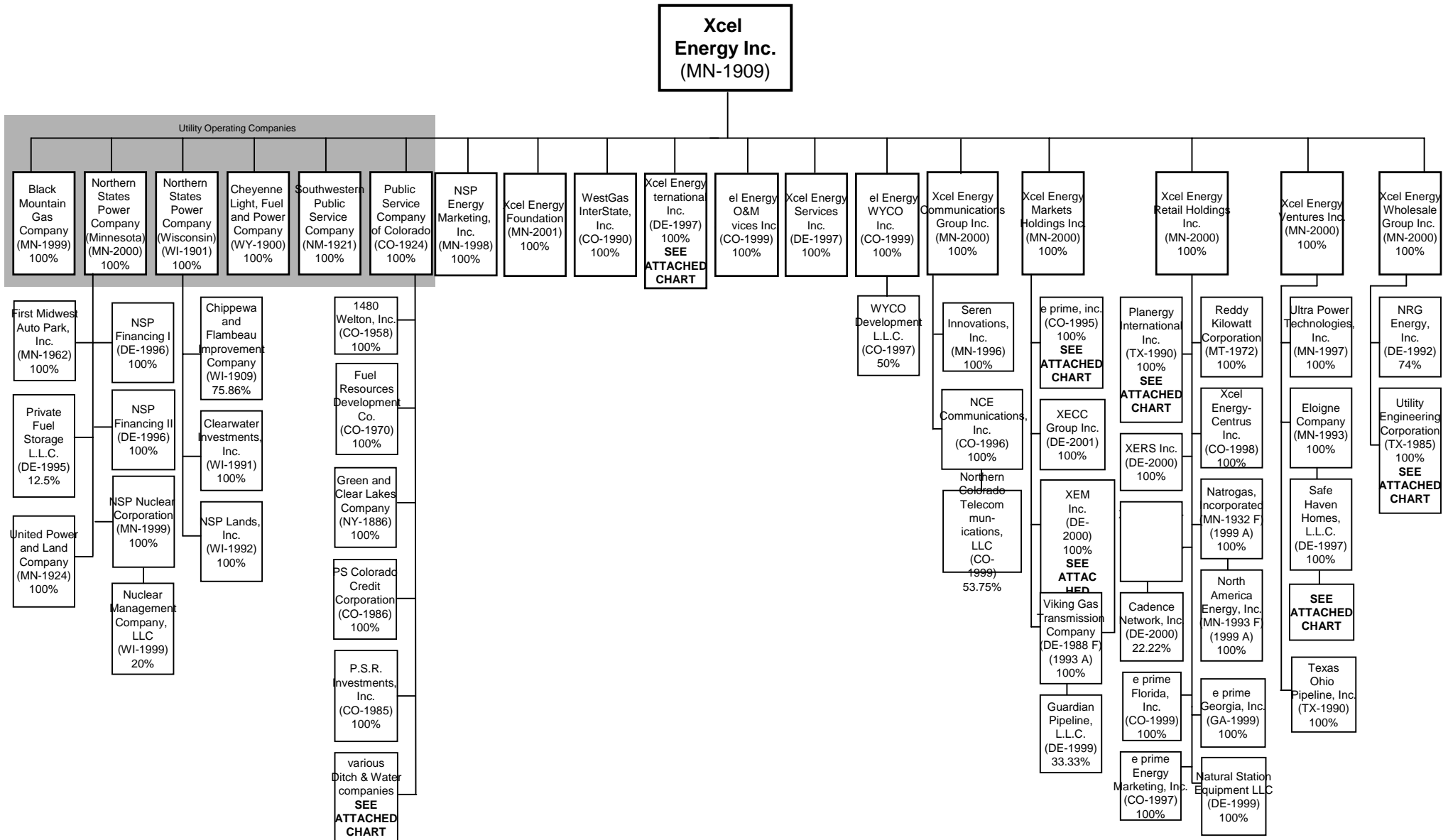
The formal complaint shall specifically state that it is a complaint under the Code of Conduct adopted in Michigan Public Service Commission (MPSC) Docket No. U-12134. Complaints shall contain the name of the complainant and a detailed factual report of the complaint, including dates, companies involved, employees involved and any other relevant information.

- 3) Upon receipt by NSPW, a formal complaint will be recorded in a complaint log maintained by the NSPW compliance officer or his or her designee. The compliance officer, or his or her designee, will acknowledge each formal complaint within five (5) working days after receipt. A written statement of the complaint will be prepared expeditiously after receipt of the complaint.
- 4) The compliance officer, or his or her designee, will conduct an investigation of the complaint and communicate the results of the investigation to the complainant in writing within thirty (30) days after the complaint was received, including a description of any action taken and the complainant's option to appeal to the MPSC if not satisfied with the results of the investigation.
- 5) NSPW will maintain a log of all new, resolved and pending complaints and shall make the log available to the MPSC upon request, within ten (10) working days after the

request. The log will include, at a minimum, (a) the name of the person or entity filing the complaint, (b) the date the complaint was filed, (c) a written statement of the nature of the complaint, and (d) how the complaint was resolved or the reason why the complaint is still pending.

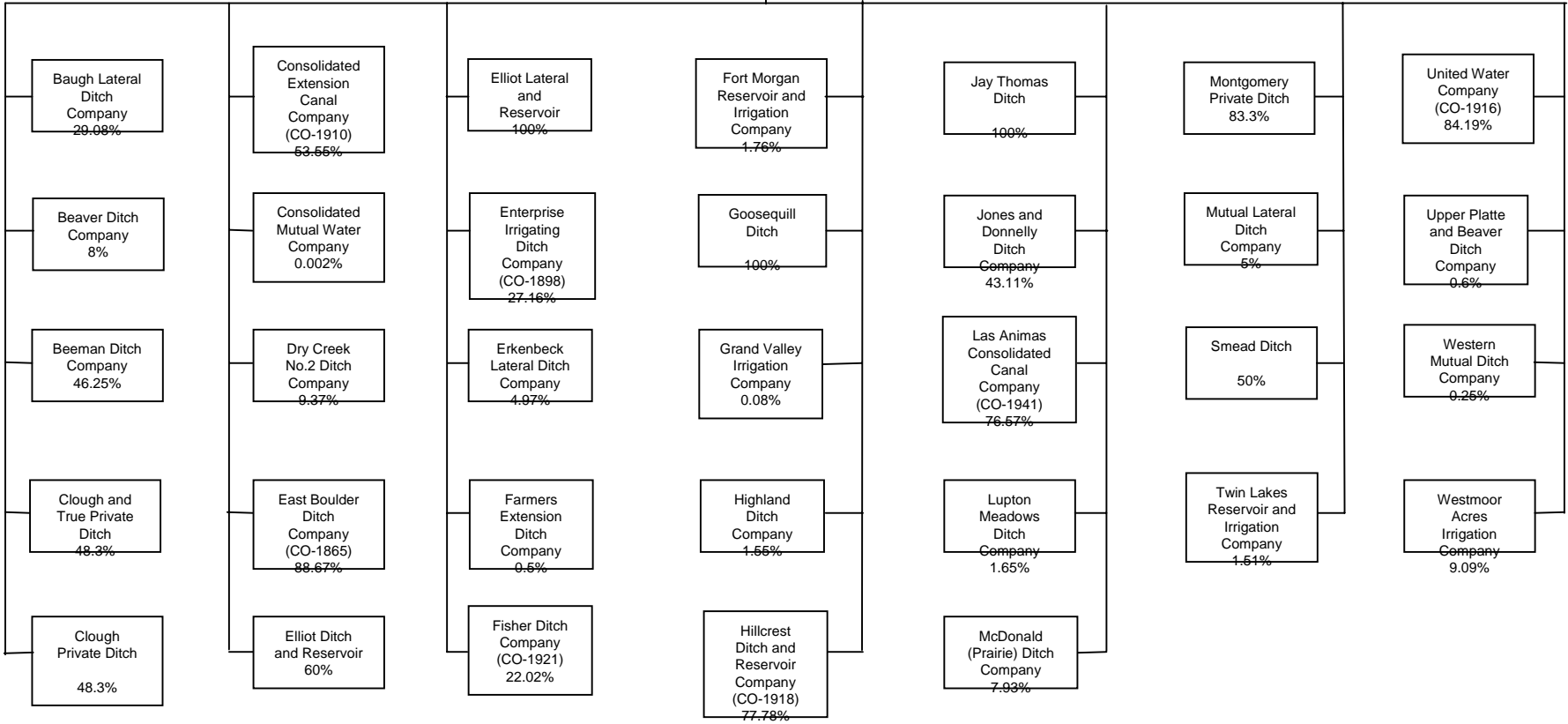
- 6) NSPW will maintain records of complaints for six (6) years following the date of each complaint.
- 7) A complainant who is not satisfied with NSPW's response may ask the MPSC to review the complaint by submitting a written request for review within thirty (30) days after the date the complainant receives NSPW's response. Within five (5) working days after receiving a request for review the MPSC shall contact the involved parties and attempt to resolve the issue informally. If resolution cannot be achieved, the complainant may file a formal complaint with the MPSC under applicable Michigan statutes or regulations.

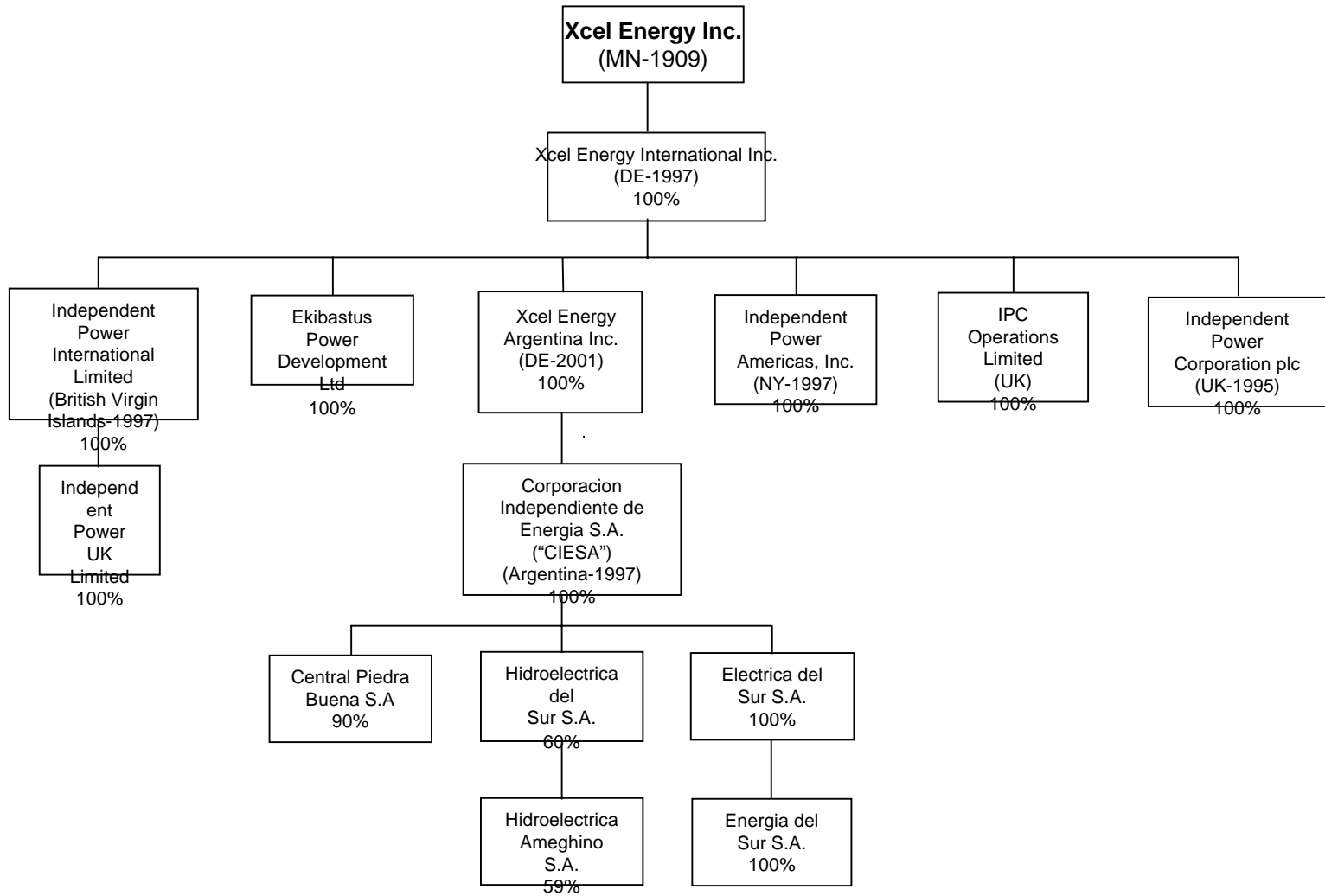
# Xcel Energy Inc. Legal Structure Chart October 31, 2001

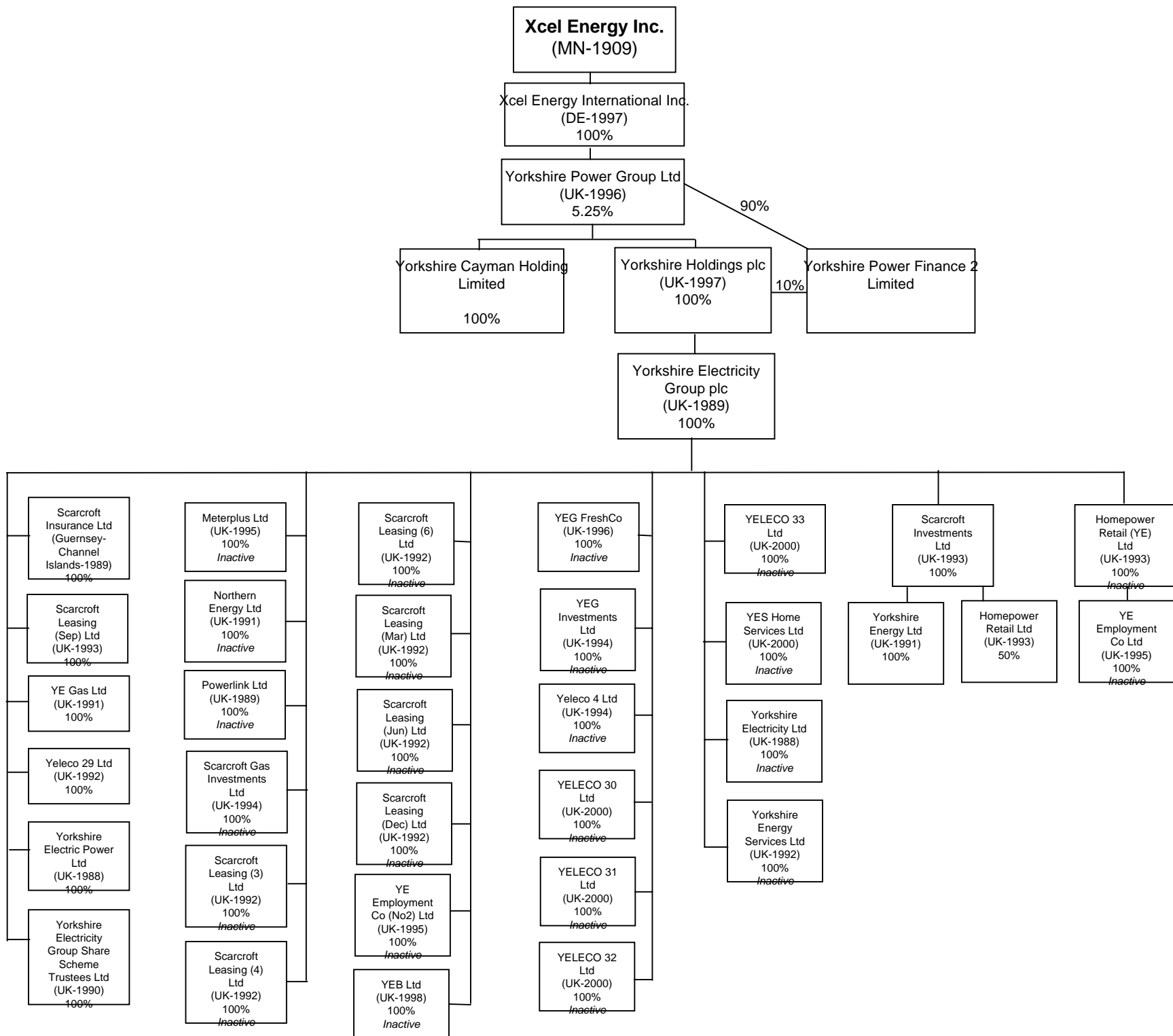


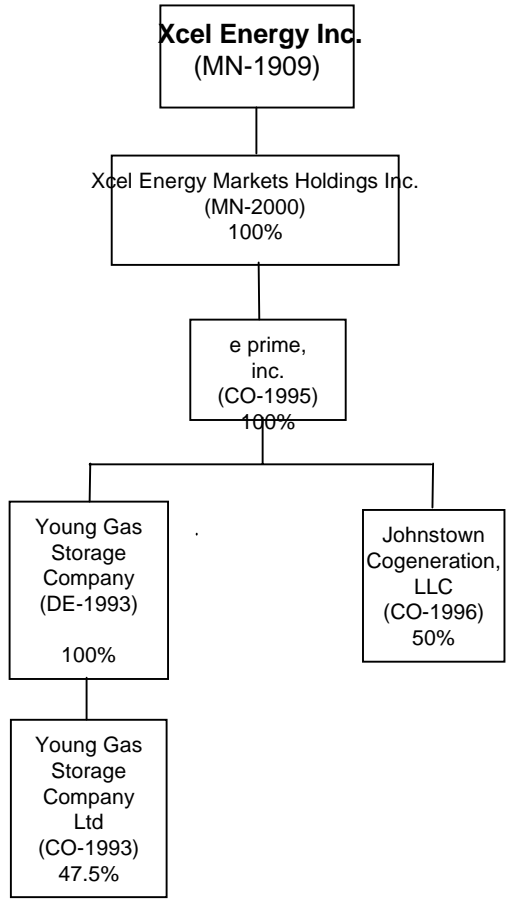
**Xcel Energy Inc.**  
(MN-1909)

Public Service Company  
of Colorado  
(CO-1924)  
100%





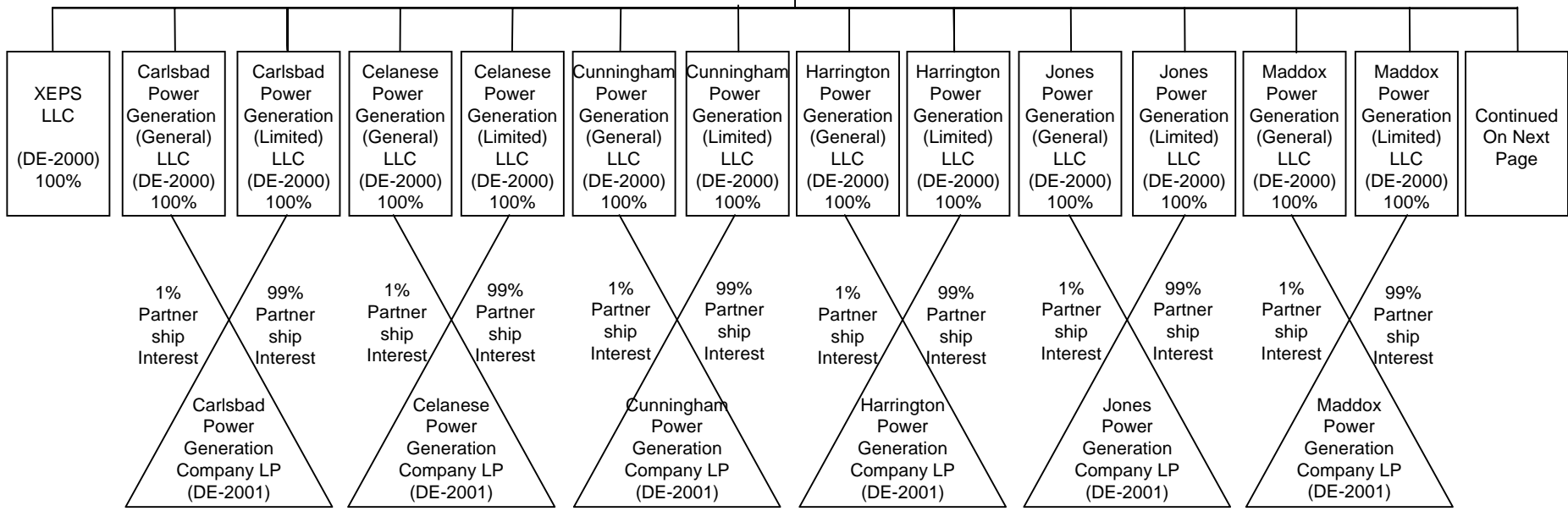




**Xcel Energy Inc.**  
(MN-1909)

Xcel Energy  
Markets Holdings  
Inc.  
(MN-2000)  
100%

XEM Inc.  
(DE-2000)  
100%  
Page 1 of 2



**Xcel Energy Inc.**  
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Xcel Energy  
Markets Holdings  
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100%

XEM Inc.  
(DE-2000)  
100%  
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