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Environmental Power and Xcel Energy Announce New Renewable Natural Gas (RNG[®]) Supply Agreement

TARRYTOWN, N.Y., March 3, 2009 –Environmental Power Corporation’s (NASDAQ: EPG) wholly owned subsidiary, Microgy, Inc., a leader in the renewable bioenergy industry, and Xcel Energy (NYSE: XEL) today announced that they have entered into a long-term renewable natural gas (RNG[®]) supply agreement, subject to approval by the Colorado Public Utilities Commission.

Xcel Energy will use RNG[®] to generate carbon-neutral electricity at the company’s Fort St. Vrain Generating Station near Platteville, Colo. The agreement will help Xcel Energy continue to meet its mandates under the state’s Renewable Energy Standard (RES) and support the company’s efforts to reduce carbon dioxide emissions.

Microgy expects to begin construction on its first Colorado RNG[®] facility during the first half of 2010, when all permits, design and funding for the project have been completed. Microgy’s initial project is expected to produce 915,000 MMBtu of RNG[®] per year, enough to generate 125,000 megawatt-hours of electricity, or the equivalent power use of 17,000 homes in Colorado on an annual basis.

“Our relationship with Xcel Energy is very exciting for Environmental Power, as it demonstrates continued confidence in our ability to develop and operate renewable energy projects that produce a sustainable, high-volume renewable energy product,” said Rich Kessel, President and CEO of Environmental Power. “Furthermore, it continues to demonstrate the long-term premium value of our RNG[®], as it helps our customers achieve their renewable portfolio standards requirements.”

“This effort further gives us the opportunity meet both our renewable energy and emissions reductions targets in Colorado,” said Tim Taylor, President and CEO of Public Service Co. of Colorado, an Xcel Energy company. “Microgy’s solution also gives us the added benefit of conserving traditional fossil fuels at one of our largest power plants.”

The ten-year agreement with Xcel Energy has an option to renew for an additional ten years. Under this agreement, Microgy’s RNG[®] will be sold on a fixed-price basis at a premium to the

current market price for traditional natural gas. Microgy's RNG[®] will be produced and supplied to Xcel Energy from a Microgy project to be located in Weld County, Colorado.

Microgy will use an anaerobic digestion process to break down animal waste from a local dairy farm and other organic waste products, such as food processing residuals, from along the Front Range of Colorado. The waste stream will be converted to methane gas using the anaerobic digesters. In turn, the methane will be used to help produce electricity at Fort St. Vrain, Xcel Energy's largest natural gas generation facility in Colorado.

The renewable natural gas from this process is considered "carbon neutral," and will count toward Xcel Energy's RES mandate to produce 20 percent of its annual electricity from renewable resources, by 2020. In addition, the company also is working toward reducing carbon dioxide and other power plant emissions.

ABOUT ENVIRONMENTAL POWER CORPORATION

Environmental Power Corporation is a developer, owner, and operator of renewable energy production facilities. Our principal operating subsidiary, Microgy, Inc., develops and operates proven large scale, commercial anaerobic digestion based projects which produce a versatile methane-rich biogas from livestock waste and other organic sources. For more information visit the Company's web site at <http://www.environmentalpower.com>.

ABOUT XCEL ENERGY

Xcel Energy is a major U.S. electricity and natural gas company with regulated operations in eight Western and Midwestern states. Xcel Energy provides a comprehensive portfolio of energy-related products and services to 3.3 million electricity customers and 1.8 million natural gas customers through its regulated operating companies, including Public Service Co. of Colorado. Company headquarters are located in Minneapolis. More information is available at www.xcelenergy.com.

CAUTIONARY STATEMENT

The Private Securities Litigation Reform Act of 1995, referred to as the PSLRA, provides a "safe harbor" for forward-looking statements. Certain statements contained in this press release, such as statements concerning planned manure-to-energy systems, our sales pipeline, our backlog, our projected sales and financial performance, statements containing the words "may," "assumes," "forecasts," "positions," "predicts," "strategy," "will," "expects," "estimates," "anticipates," "believes," "projects," "intends," "plans," "budgets," "potential," "continue," "targets" "proposed," and variations thereof, and other statements contained in this press release regarding matters that are not historical facts are forward-looking statements as such term is defined in the PSLRA. Because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to: uncertainties involving development-stage companies; uncertainties regarding project financing, the lack of binding commitments and/or the need to negotiate and execute definitive agreements for the construction and financing of projects, the sale of project output, the supply of substrate and other requirements and for other matters; financing and cash flow requirements and uncertainties; inexperience with the development of multi-digester projects; risks relating to fluctuations in the price of commodity fuels like natural gas, and our inexperience with managing such risks; difficulties involved in developing and executing a business plan; difficulties and uncertainties regarding acquisitions; technological uncertainties; including those relating to

competing products and technologies; risks relating to managing and integrating acquired businesses; unpredictable developments; including plant outages and repair requirements; the difficulty of estimating construction, development, repair and maintenance costs and timeframes; the uncertainties involved in estimating insurance and implied warranty recoveries, if any; the inability to predict the course or outcome of any negotiations with parties involved with our projects; uncertainties relating to general economic and industry conditions, and the amount and rate of growth in expenses; uncertainties relating to government and regulatory policies and the legal environment; uncertainties relating to the availability of tax credits, deductions, rebates and similar incentives; intellectual property issues; the competitive environment in which Environmental Power Corporation and its subsidiaries operate and other factors, including those described in our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q, well as in other filings we make with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.