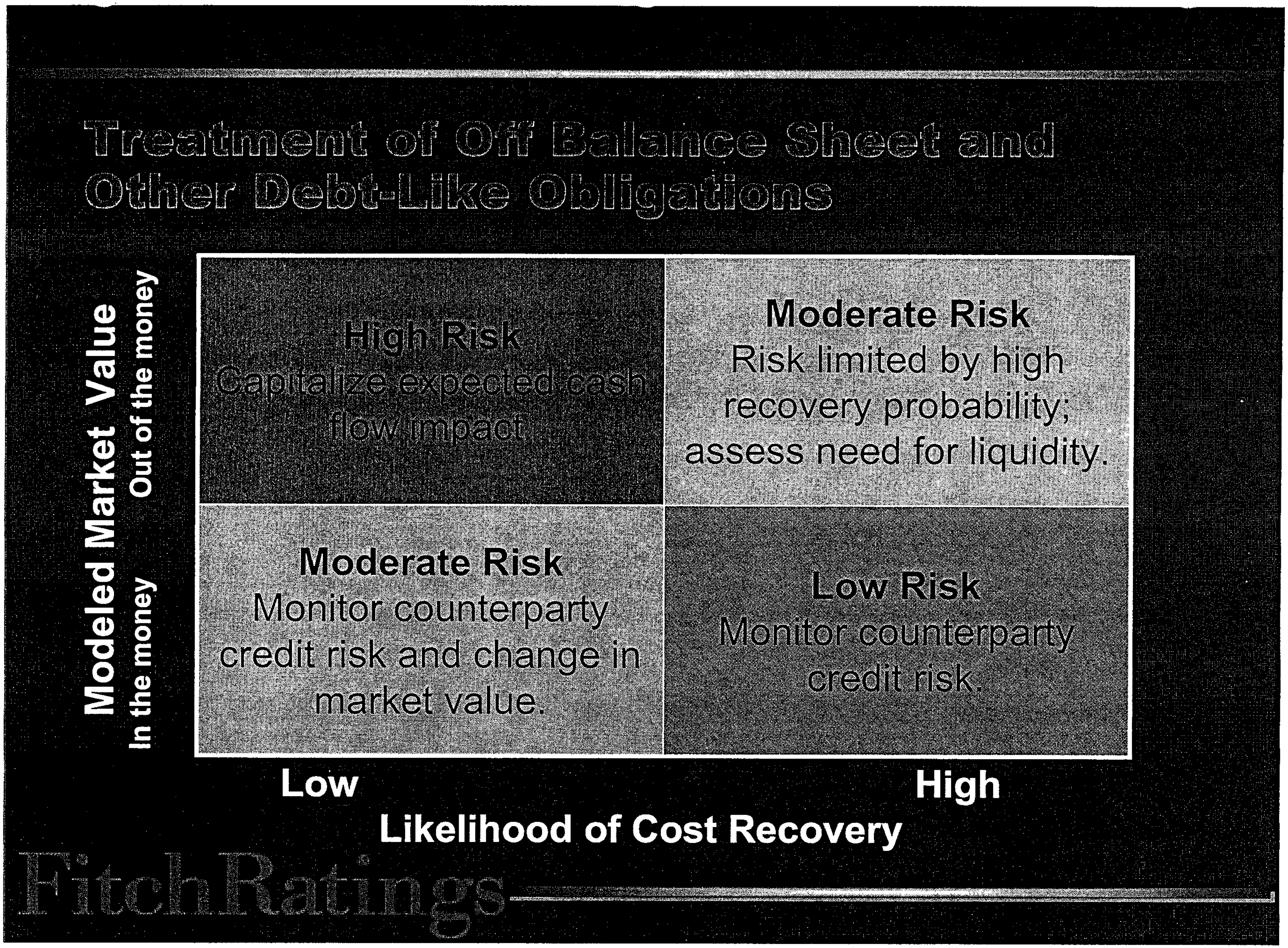

Treatment of Off Balance Sheet and Other Debt-Like Obligations
High Risk
Capitalize expected cash flow impact
Moderate Risk
Risk limited by high recovery probability; assess need for liquidity.
Moderate Risk
Monitor counterparty credit risk and change in market value.
Low Risk
Monitor counterparty credit risk.
Modeled Market Value
Out of the money
In the money
Low
High
Likelihood of Cost Recovery
FitchRatings

Treatment of Off Balance Sheet and Other Debt-Like Obligations

- **Power Purchase Agreements**
  - Where sufficient information is available, the MTM value of the contract is determined based on Fitch's market forecast.
  - The amount capitalized is affected by amount of risk attributed to recovery:
    - Contractual offsets and counterparty credit quality.
    - Level of regulatory support and recovery mechanisms.
    - QF contracts are deemed to be relatively low risk.
  - When there is limited information, assume 30% of total contract payments is for capacity and capitalize the PV of that amount.

FitchRatings

Treatment of Off Balance Sheet and Other Debt-Like Obligations

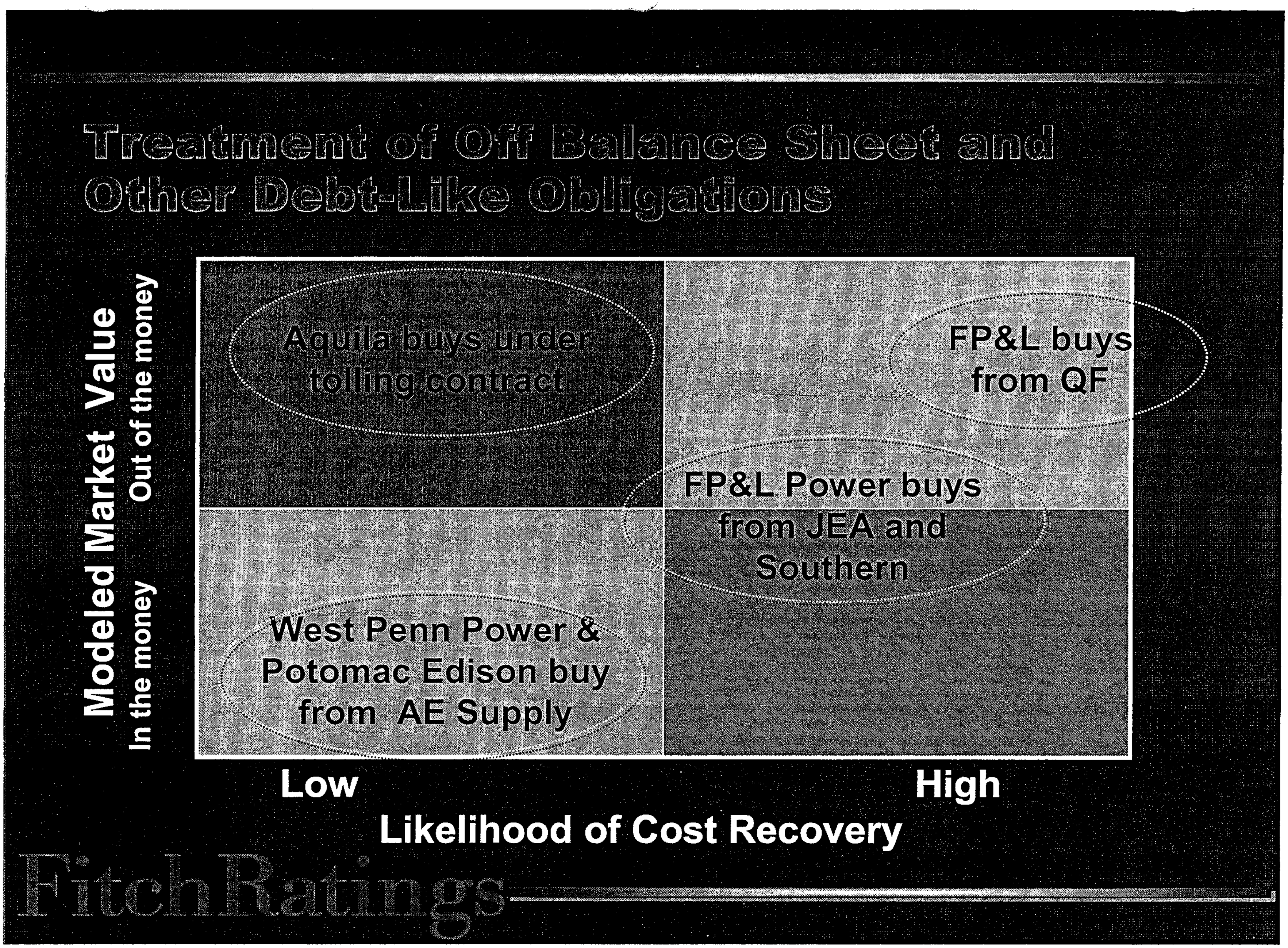
- **Operating Leases**
  - Fitch policy dictates that operating leases be capitalized using one of two primary methods – a multiple approach or a PV calculation of the minimum lease rent.
  - If operating lease rental is recoverable from utility rate-payers with high probability, no need to assess a debt equivalence.
- **Tolling Agreements**
  - Power plant tolling arrangements are treated in the same manner as operating leases for the purchaser of the toll with the PV of the capacity payments capitalized (unless fully recoverable through tariffs)
- **Capacity contracts**
  - Capacity payments are similar to lease rentals.

FitchRatings

Off Balance Sheet and Other Debt-Like Obligations: Examples

Buyer	Seller	MTM	Debt Equivalence
Florida Power & Light	Purpa QF	Over market	None
Florida Power & Light	JEA and Southern	Near market	10% of fixed payments
West Penn; Potomac Edison	Allegheny Energy Supply	Below market	No debt, but risk of default affects ratings.
Aquila	Elwood Energy	Over market	100% of fixed tolling fees

FitchRatings


Treatment of Off Balance Sheet and Other Debt-Like Obligations
Modeled Market Value
Out of the money
In the money
Aquila buys under tolling contract
FP&L buys from QF
FP&L Power buys from JEA and Southern
West Penn Power & Potomac Edison buy from AE Supply
Low
High
Likelihood of Cost Recovery
FitchRatings

Treatment of Off Balance Sheet and Other Debt-Like Obligations

- **Non-Recourse Debt Obligations**
  - Non-recourse debt obligations are evaluated in terms of the strategic relevance of the asset or business unit and the level of financial and legal separation. Debt that meets the test can be deconsolidated.
  - When a unit is determined to be "off credit" and debt is deconsolidated, all income and dividends from the unit must be excluded from projections.
  - Securitized transition tariff bonds of utilities are deemed to be non-recourse debt. Debt and the income and cash flow are deconsolidated for ratio analysis.

FitchRatings

Treatment of Off Balance Sheet and Other Debt-Like Obligations

- **Corporate Guarantees**
  - **Guarantees of Debt**
    - Guaranteed debt of non-consolidated entities is consolidated.
  - **Performance Guarantees** (currently under review)
    - Current Method: Nominal amount of guarantees times x% (e.g.,10% of nominal)
    - Proposed: Fitch is considering whether to apply the standard of FIN 45 not only to new performance guarantees issued after January 1, 2003, but also to pre-existing guarantees.
      - Will issuer's provide sufficient disclosure?
      - How long will it take for pre-existing guarantees to be replaced?

FitchRatings

Hybrid Securities

- Fitch's evaluation of hybrid securities focuses on the flexibility the instrument provides
  - Required payment of dividends or interest
  - Terms of ultimate repayment of principal
  - Priority in bankruptcy
- Each security can be analyzed and classified on an equity-debt continuum with "equity credit" based on established ranges in Fitch's hybrids criteria.
- Not affected by GAAP accounting treatment.
- See criteria report for further details.

FitchRatings

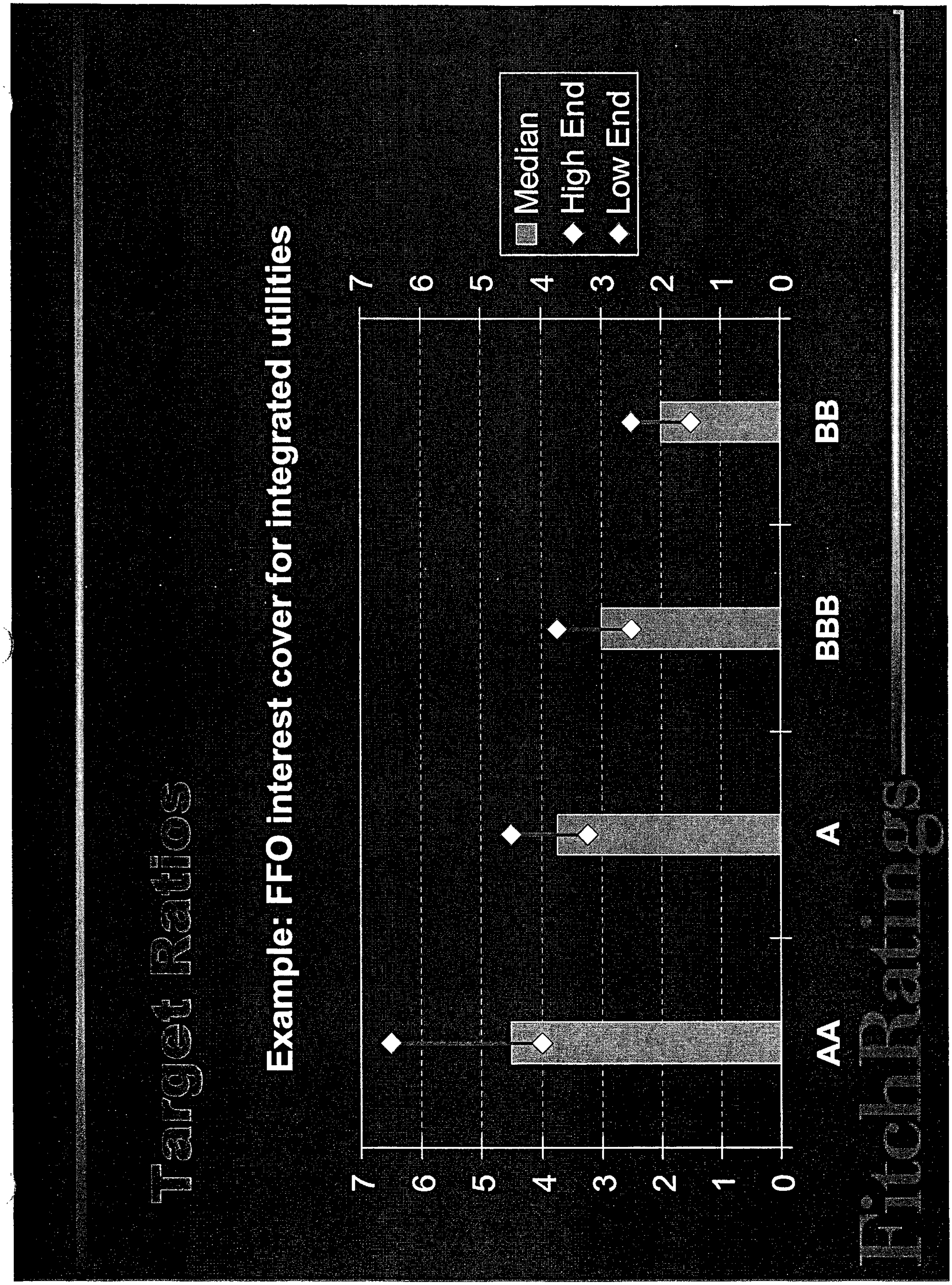
Fitch Ratings

Analytical Methods

Financial Ratios and Targets

- Fitch uses benchmark financial ratios, but ratings also incorporate qualitative factors.
- Primary financial ratios are cash flow based and are defined in the appendix and are included in the Financial Peer Study published semiannually.

FitchRatings

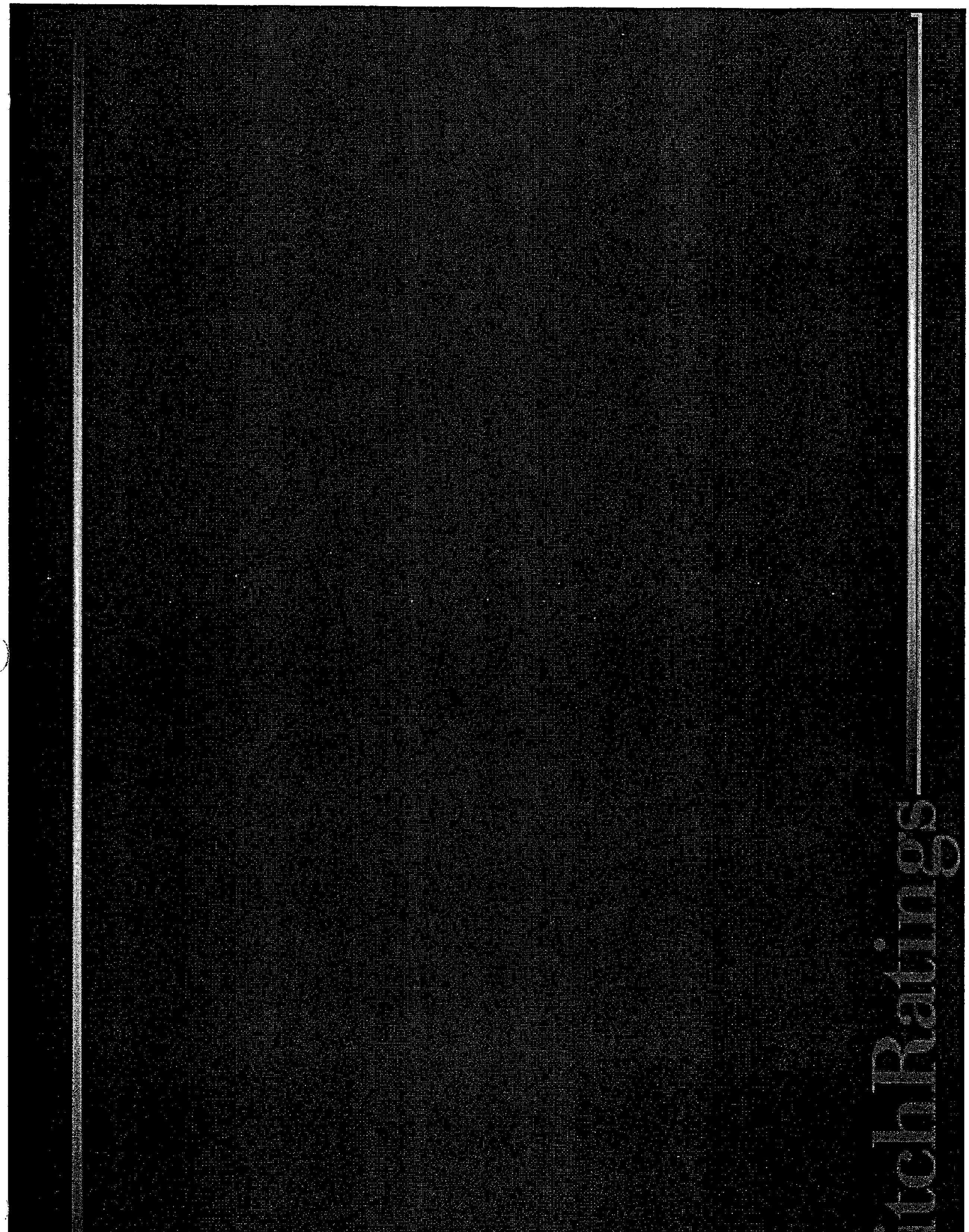

Target Ratios
Example: FFO interest cover for integrated utilities
7
6
5
4
3
2
1
0
AA
A
BBB
BB
Median
High End
Low End
Fitch Ratings

Analytical Methods

Peer Analysis

- While issuers are evaluated independently, industry conditions and performance relative to peers is also considered.
- This could include evaluation of financial measures, business strategy and performance, and quality of management.

FitchRatings


Fitch Ratings

Analytical Methods

Capital Adequacy and Liquidity

- Credit ratings incorporate Fitch's view of the probability of paying debt and liabilities.
- Investment grade ratings signify a very remote likelihood of default.
- Companies must plan their cash and access to funding to cover needs in stress cases, not just the expected case.
- Ability to access bank lines and fund in capital markets varies over time and by industry.

FitchRatings

Capital Adequacy and Liquidity

Access to Sufficient Cash to Cover:

- Variations in operating cash flow
  - Outage of key facilities
  - Change in sales volume
  - Counterparty default
- Accounts Receivable
- Collateral
  - Volume and price
  - Change in own credit rating
- Debt maturities
- Capital expenditures

FitchRatings

Capital Adequacy and Liquidity

Access to Sufficient Cash to Cover:

- Variations in operating cash flow
  - Outage of key facilities
  - Change in sales volume
  - Counterparty default
- Accounts Receivable
- Collateral
  - Volume and price
  - Change in own credit rating
- Debt maturities
- Capital expenditures

Stress Commodity Prices Up/Down:

- Natural Gas
- Power

Fitch Ratings

Capital Adequacy and Liquidity

Access to Sufficient Cash to Cover:

- Variations in operating cash flow
  - Outage of key facilities
  - Change in sales volume
  - Counterparty default
- Accounts Receivable
- Collateral
  - Volume and price
  - Change in own credit rating
- Debt maturities
- Capital expenditures

Nuclear outages and replacement power

Weather sensitivity

FitchRatings

Improving the Dialogue

- **Dialogue with fixed income investors and rating agencies would benefit from greater transparency regarding:**
  - Parent company stand-alone financial statements or consolidating statements
  - Reconciliation of forecasts to prior forecast & actual figures
  - Disclosure of the sensitivity of cash flow to higher/lower market price of gas and power
  - Implementation of CCRO disclosure recommendations

FitchRatings

Supplementary Information

A	Financial Peer Study
B	Corporate Rating Criteria
C	Credit Update Report Guidelines
D	Hybrid Securities: Evaluating the Credit Impact
E	Rating Linkage Within US Utility Groups: Ring-Fencing Mechanisms
F	Operating Leases: Implications for Lessees' Credit
G	Synthetic Leasing
H	Framework for Fitch Power Market Forecasts

FitchRatings

STANDARD & POOR'S | UTILITIES

. ublication date: 30-Jan-2003
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Regulation and Credit Quality in the U.S. Utility Sector

Credit Analyst: John W Whitlock, New York (1) 212-438-7678

Regulation is a key part of utility ratings. The safety net of regulatory oversight provides credit strength by enabling utility companies to carry higher debt balances and realize less cash flow protection measures than their comparably rated industrial counterparts.

When Standard & Poor's credit analysts meet with investors, intermediaries, and regulators, they are always reminded that ratings for the utility industry have historically been investment grade primarily because of regulation. On its own merits, the low-growth, capital-intensive nature of the utility industry does not provide the same level of cash that a similarly rated industrial company does.

When examining the quality of regulation, Standard & Poor's factors in what level of support the utility might get in times of distress, when its needs are most acute. A Standard & Poor's-sponsored survey of regulatory commissioners throughout the U.S. a year ago indicated that credit quality ranked low on their list of priorities. Other areas of concern for Standard & Poor's are the apparent absence of attention that regulators appear to give to utilities' nonregulated investments, the threat to utility credit quality from parental activities, and uncertain rulings.

Although not a dominant theme, recently, some regulators and legislative bodies have taken action to protect credit quality by trying to isolate the incumbent utility from the activities of its parent or affiliates. One example is Kansas, where the state Corporation Commission ordered Westar Energy Inc. to pay down debt, implement a corporate restructuring to protect Kansas City Power & Light Co. from unregulated operations, and investigate how to regulate Westar's nonutility businesses. Minnesota also appears to be heading down a similar path by considering establishing a stronger barrier between parent Xcel Energy Inc.'s regulated and nonregulated units. Still, the companies mentioned had to first reach a crisis proportion before regulators were stirred to action. This, in Standard & Poor's view, tends to be the norm.

Regulated assets are enjoying something of a renaissance. How long this period will last is unclear. The momentum of the utility industry to disaggregate into its component parts appears, for now, to have stalled. It is easy to forget that most of the country still operates in a cost-of-service, rate-of-return environment. Only about one-third of the country's generation actually operates in a competitive environment.

Here is some anecdotal evidence from the October 2002 Edison Electric Institute Financial Conference of how important regulated assets have become. Company after company proclaimed to the analyst community their affinity for regulated utility assets and the amount of consolidated cash flow or operating earnings that their utility business provides. In fact, one CEO whose company had become known as one of the largest trading firms sought to impress on investors the fact that 70% to 75% of operating earnings come from the traditional side of the business.

Notably, commission attention to having a strong and financially vibrant utility has waned in recent years. Certainly, commissions still want their utilities rated highly, but will they provide the returns necessary to that end? It will be interesting to see what type of working relationship electric companies and regulators form going forward.

Clearly, regulators face many challenges in the new era. One is price volatility and the recovery of costs incurred to meet load requirements and environmental compliance. Some states allow for rapid recovery through mechanisms such as fuel adjustments clauses that smooth the cash flow stream. Anything that provides fixed-income investors with confidence in the reliability and sustainability of cash flow is important. However, extreme price volatility may cause commissions to second-guess utilities and find disallowances which could be detrimental to credit quality.

In an effort to boost reliability, substantial increases in reserve margins in some jurisdictions have occurred. This has meant putting formerly merchant assets into rate base! This could have the double-edged benefit of reducing merchant risk on the nonregulated side and increasing reserve margin on the regulated side. A hidden benefit might be the blocking effect on the potential for future deregulation.

An alarming trend has emerged after the California utility crisis. Presumably because the lights did not go out in California, other state commissions have indicated that a utility filing for bankruptcy in times of distress is not an unreasonable outcome. If this attitude becomes prevalent, the utility industry would be exposed to capital market pressures. Investors would either flee the industry or demand steep returns, which would drive up the cost of capital. Simultaneously, rating agencies such as Standard & Poor's would have to reassess their view of regulation with a likely adjustment, similar to a nonregulated industrial company.

One of the major challenges facing the industry is the daunting task of restoring investor confidence. Fixed-income investors are demanding greater scrutiny of corporate governance, transparent financing activities, and a genuine commitment to credit quality by management.

Financial flexibility has always been important to this capital-intensive sector, but never has it been so clear that the capital markets determine much of a company's flexibility. Although bank lines may be a viable form of liquidity, especially in the short run, restrictive covenants that are now the industry standard for these facilities can further constrain a distressed company's operation.

Attributes of a successful firm will include the ability to withstand volatility and access multiple sources of capital. One of the byproducts from recent turmoil is the shrinking of the lending pool by banks that want to lessen their exposure during this volatile period. Adding the general level of investor wariness into the mix, the result has been higher borrowing costs.

Still, the level of market sophistication for utility companies continues to rise. The use of fixed forward contracts and hedging through derivatives has begun to creep its way into regulated electric companies. On its face, locking in prices that could turn out to be "above market" causes consternation for commissioners. Still, the potential of price volatility has led some states to get beyond the "Monday morning quarterbacking" on this issue.

Six things to look for in the new year are:

- First, interest rates are at historically low levels. Does that portend lower returns on equity?
- Second, major wholesale traders have exited the market. Will this physical supply risk affect utilities? And if it does, will regulators allow recovery?
- Third, the ability to hedge is compromised by the lack of liquidity in the marketplace.
- Fourth, substantial counterparty risk exists. Tolling agreements with "weak credit" merchant GENCOS and pipelines owned by weaken parents come to mind.
- Fifth, how much formerly merchant plant will be put into rate base and at what value?
- And, finally, how much utility growth will occur and how much recovery will be realized due to price caps and political pressures to keep rates low?

STANDARD &POOR'S | RATINGSDIRECT

RESEARCH

How Returns On Equity Factor Into U.S. Utilities' Creditworthiness

Publication date: 14-Jun-2005
Primary Credit Analyst: Gerrit Jepsen, CFA, New York (1) 212-438-2529; gerrit_jepsen@standardandpoors.com

Although a higher authorized return on equity (ROE) may theoretically improve a utility's cash flow, a company's ability to actually earn the authorized ROE is more important for overall creditworthiness. The ability to earn an authorized ROE depends on adjustments included in rate-case decisions, and other regulatory mechanisms such as fuel-adjustment clauses.

Furthermore, Standard & Poor's Ratings Services distinguishes between the effect of regulatory decisions on earnings and cash flow, which may differ. In a rate case, decisions beyond setting the ROE can provide an opportunity for a utility to earn the authorized ROE or result in earnings erosion. In some cases, the inability to earn the authorized ROE could occur immediately after a rate case decision.

Regardless of the authorized ROE, a utility's cash flow could be compromised and its financial profile could decline from escalating costs such as pension and health care expenses, and much higher than historical levels of capital spending. Between rate cases, regulatory mechanisms that provide recovery of costs can support a utility's ability to earn its authorized ROE. As utilities seek recovery of these increasing costs in rates and higher capital spending levels, lower ROEs may be acceptable if other costs are recoverable and the authorized ROE can actually be earned.

This article, which is Part I of two articles, analyzes ratemaking factors that weigh upon a utility's creditworthiness. Part II, to be published within the next several weeks, will illustrate the points made in Part I through an analysis of eight utilities--four that appear to have earned at least their authorized ROEs and four utilities that have not earned their authorized equity returns.

Rate-Case Issues

When commissions set a utility's rates in a rate case, many items may be considered that can strengthen or weaken the utility's ability to at least earn its authorized return. The ROE authorization is only one component. Other regulatory decisions in rate cases that can result in a utility earning or not earning its authorized ROE include:

- The revenue sources and the revenue levels used for setting rates. Commissions that exclude various revenue sources or assume lower customer growth when setting rates may provide a better opportunity for a utility to earn its authorized ROE. Wholesale sales to municipalities, cooperatives, and other investor-owned utilities may be excluded from the calculation of retail rates and therefore are not included in the regulated ROE calculation. Although a utility may not earn its authorized retail ROE, the total utility ROE could be higher because of the inclusion of cash flow from nonretail sales. Alternatively, a commission may include sales to nonretail customers when setting rates, making it likelier that the earned retail ROE and total utility ROE will be similar. Also, because a utility may be able to sell incremental power at prices above the base-rate levels, its overall ROE could be higher than the retail-only ROE.
- Operation and maintenance expenses. Expenses such as wages, pensions, insurance, rents, and health care can affect a utility's opportunity to earn the authorized ROE. If rate recovery of these expenses is lower than actual levels, rates may not provide a utility the ability to earn the authorized ROE and if expenses increase faster than forecast, earnings could also erode, resulting in lower ROEs.

- Fuel and purchased-power expenses included in base rates. The exclusion of higher fuel and purchased-power costs in base rates could impair a utility's ability to earn the authorized ROE. Commissions may set rates based on historical levels that are lower than actual amounts, reducing the ability to earn the authorized ROE because additional fuel and purchased-power costs could be incurred without rate recovery, ultimately lowering net income.
- Depreciation expense. Higher depreciation expense provides timely rate recovery of investments and stronger cash flow, but lower earnings and earned ROEs. If depreciation levels are low, rate recovery of investments may not match the useful lives of plant and equipment, and cash flow will be lower.
- Taxes other than income taxes. Property taxes and other taxes could rise above the level in rates, and result in earnings and cash flow erosion.
- Return on rate base. The weighted average cost of capital (WACC), or overall return, multiplied by a utility's rate base results in an authorized return on rate base from which interest expense and dividends are paid. Multiple variables in this calculation can affect a utility's ability to earn its authorized ROE. The return can be lowered by relying on a WACC (overall return) that is calculated with interest rates lower than actual rates, a lower ROE, or a capital structure that may have a lower common equity component, all of which can affect a utility's ability to earn the authorized ROE. If a publicly traded utility issues additional equity after a rate case, the ability to earn its authorized ROE will be hindered.
- Rate base. Another component of the return calculation is the rate-base level. If a commission relies on an outdated rate base or excludes plant from rate base if not "used and useful" when setting rates, a utility could almost immediately experience earnings and cash flow erosion. In addition, if recovery of carrying costs on capital spending is disallowed until after the plant is considered useful, incremental earnings erosion will occur. Alternatively, cash flow and earnings would be strengthened if a commission allows the rate base to be updated.
- Income taxes. If actual income taxes are higher than the level used to set rates, earnings and the ROE will be lower.
- Test period. Partly or fully forecast test periods reduce regulatory lag by providing for recovery of estimated expenses that may be incurred in the near term. Using a historical test period without updates makes it more difficult to earn the authorized ROE because expenses may have already increased during the rate case (which can take many months to complete), resulting in cost recovery that is too low even after new rates are set. Credit quality benefits from forecast test periods and less so from updated historical test periods.
- Other disallowances. A commission could disallow recovery of an acquisition premium, resulting in lower earnings and cash flow.
- Rate design. A utility's actual rate structure can affect a utility's ability to earn its authorized ROE. Cash flows are more stable and earnings more predictable when a higher percentage of a utility's costs are recoverable through the fixed charge paid by customers regardless of electricity used and the first-rate block of typical monthly energy usage.
- Timeliness. The faster a commission approves new rates, the quicker the improvement in cash flow and the better a utility's opportunity to earn its authorized ROE due to reduced regulatory lag. If a final ruling cannot be issued in a timely manner, a commission's ability to issue an interim rate ruling provides rate relief and lowers financial uncertainty about ultimate rate recovery.

Regulatory Mechanisms

Certain regulatory mechanisms may be available to commissions that, if used, can strengthen a company's cash flow. Earnings and cash flow should improve if such mechanisms are used. Among the items that could require incremental recovery between rate cases are:

- Fuel and purchased-power costs. Recovery of fuel and purchased-power costs through a surcharge mechanism can improve a utility's ability to earn its authorized ROE. The more frequently adjusted, the less working capital required while the costs are deferred for future recovery. If partial or full rate recovery is disallowed or such a mechanism is not used, liquidity could be restricted and cash flow reduced.
- Return on construction work in progress (CWIP). Provides for rate recovery of a return on new plant (carrying costs) while it is being built, assuring more stable cash flow through a construction cycle. In addition, a return on CWIP reduces the size of the rate increase necessary after the construction

of the new plant is complete because carrying costs were recovered during construction, and not deferred for future recovery. Even more supportive is rate recovery of carrying costs through tracker mechanisms that may also provide for recovery, outside of a rate case, of depreciation, operations, and maintenance expenses after the plant is "used and useful." Certain states are allowing such tracker mechanisms to be used for recovery of pollution-control equipment.

- Pension and other post-retirement benefit costs. Earnings are more likely to reach authorized levels between rate cases when utilities can recover pension costs not currently in base rates through a pension-adjustment mechanism.
- Storm damages. Utilities may receive recovery of storm damage costs through a special surcharge, which would increase cash flow and earnings.
- Other costs. A surcharge mechanism may be used to recover unusual expenses such as those related to a utility's participation in regional transmission organizations.
- Weather normalization. A weather-normalization clause is primarily used to adjust rates (but not commodity prices) for natural gas utilities that are exposed to swings in earnings and cash flow from weather volatility. The benefits of this clause are realized during the winter heating season when weather may be warmer than expected, but the customer is billed as though weather were normal, providing for more stable cash flow. Utilities without weather-normalization clauses may be unable to fully cover operating costs during warmer-than-normal winter weather. Standard & Poor's considers weather-normalization clauses as beneficial for creditworthiness and more likely to allow a utility to earn its authorized return.

Moody's Investors Service

Global Credit Research
Rating Action
9 MAY 1996

Rating Action: Southwestern Public Service Company

MOODY'S CONFIRMS CREDIT RATINGS OF SOUTHWESTERN PUBLIC SERVICE COMPANY (Sr. Sec. at Aa2)

New York, 05-09-96 – Moody's Investors Service confirmed the credit ratings of the Southwestern Public Service Company (SPS). The ratings were placed under review for possible downgrade on August 23, 1995, following the announcement by management of its intention to merge with Public Service of Colorado (senior secured debt rated Baa1.) The two utilities plan to operate as separate subsidiaries under a new holding company named New Century Energies.
Ratings confirmed are Southwestern Public Service Company's first mortgage bonds rated Aa2; secured pollution control bonds at Aa2; unsecured pollution control bonds at Aa3; and preferred stock at "aa3". The short term commercial paper rating of P-1 was not under review.
Moody's expects the merger to be approved later this year by the Federal Energy Regulatory Commission and the four states in which SPS operates. Our concern that Public Service of Colorado would have claim to SPS cash flows has abated since both companies intend to service their debt obligations separately. Moreover, SPS' share in the significant synergies to be achieved through the merger will support its current ratings.
Whether or not the merger is consummated, we expect SPS to retain its reasonable competitive position and strong financial flexibility. However, the outlook remains negative due to uncertainties surrounding yet-to-be finalized merger details and the possibility that further acquisitions will be made.
Southwestern Public Service is headquartered in Amarillo, Texas.

New York
Susan D. Abbott
Managing Director
Energy, Communications, and Spec
Moody's Investors Service

New York
A. Tucker Hackett
Senior Analyst
Energy, Communications, and Spec
Moody's Investors Service

each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from $1,500 to $2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

This credit rating opinion has been prepared without taking into account any of your objectives, financial situation or needs. You should, before acting on the opinion, consider the appropriateness of the opinion having regard to your own objectives, financial situation and needs.

Moody's Investors Service

Global Credit Research
Rating Action
17 AUG 2000

Rating Action: Southwestern Public Service Company

MOODY'S COMPLETES RATINGS REVIEW FOR XCEL ENERGY AND ITS SUBSIDIARIES; ASSIGNS XCEL ENERGY A LONG-TERM ISSUER RATING OF A3 AND A COMMERCIAL PAPER RATING OF PRIME-1

New York, August 17, 2000 – Moody's Investors Service has completed its ratings review for the very soon to be formed Xcel Energy Inc. (Xcel). As part of the review, Moody's has assigned an issuer rating of A3 and commercial paper rating of Prime-1 to Xcel and has downgraded the long-term debt ratings of Southwestern Public Service (Senior Secured Debt lowered to Aa3). Additionally, Moody's has confirmed the debt ratings of Northern States Power (Minnesota) (Senior Secured Debt at Aa3), Northern States Power (Wisconsin) (Senior Secured Debt at Aa3), Public Service Company of Colorado (Senior Secured Debt at A3) and NRG Energy (Senior Unsecured Debt at Baa3).

This rating action follows the announcement that the Securities and Exchange Commission has approved the merger of New Century Energies, Inc. (NCE) and Northern States Power Company (Minnesota). The merger is expected to close shortly. Moody's placed the companies' securities on review following the merger announcement on March 26, 1999.

XCEL RATING ACTION AND RATING RATIONALE

Xcel's A3 issuer rating reflects the strengths of the anticipated dividends and cash flows from its operating utility subsidiaries, the structural subordination of Xcel's obligation to obligations at those subsidiaries, management's commitment to maintaining strong credit quality, the competitive positions of each of the operating utilities, and management's plans to operate its utility business as separate independent entities. The rating also incorporates Xcel's non-regulated business strategy centered, in large part, around NRG, an independent power producer, as well as Seren Innovations, a telecommunications provider, and other nonregulated businesses. Xcel's rating outlook is stable.

The merger has been structured so that the existing Northern States Power Company (Minnesota) (NSP (Minnesota)) will be renamed Xcel Energy Inc. and all NSP (Minnesota)'s assets and obligations-besides its preferred stock-will be dropped into a new subsidiary which will then be named Northern States Power (Minnesota). Xcel will also assume the debt obligations of NCE, the former parent of Public Service Company of Colorado (PSCO) and Southwestern Public Service (SPS), including obligations under NCE's unsecured bank credit facility (rated Baa1) and its commercial paper program (rated Prime-2). Consequently, Moody's has upgraded the bank loan rating to A3 from Baa1 and has also upgraded the commercial paper program (formerly with NCE and now assumed by Xcel) to Prime-1 from Prime-2.

Moody's has downgraded its rating for the preferred stock remaining at Xcel to "baa1" from "a1" reflecting Xcel's A3 issuer rating and the security's subordination.

SPS RATING ACTION AND RATING RATIONAL

Moody's has lowered its ratings for SPS' long-term debt securities (senior secured debt lowered to Aa3 from Aa2) due to SPS' somewhat weakened financial measures compared with its former rating class. Ratings downgraded include SPS's senior secured debt to Aa3 from Aa2; the issuer rating, the senior unsecured notes and the senior unsecured pollution control bonds of SPS, to A1 from Aa3; the junior subordinated debentures of SPS to Baa1 from A1; the preferred stock of Southwestern Public Service Capital I to "a1" from "aa3"; and shelf registrations for the issuance of senior secured debt, senior unsecured debt, junior subordinate debt and preferred stock lowered to (P)Aa3, (P)A1, (P)Baa1, and (P)"a1", respectively. Moody's has confirmed SPS' commercial paper rating at Prime-1.

The rating action incorporates SPS's plans, as required by Texas restructuring law, to transfer initially a large portion of its generating assets to an affiliated subsidiary and then subsequently auction those assets to a third party during 2001. SPS's future business will center around the energy delivery business. Moody's also notes that the expected 2001 sale of a large portion of SPS' generating assets should generate significant cash.

As part of this restructuring, SPS has tendered for its first mortgage bonds. On August 4, 2000, the tender offer expired with SPS retiring $275,176,000 of the then outstanding $294,917,000 million in first mortgage bonds. The tender offer was financed with SPS commercial paper that will be repaid upon the transfer of SPS's generating assets to an affiliated company. The remaining $19,741,000 of first mortgage bonds will be legally defeased by year-end 2000 resulting in SPS being discharged from its first mortgage indenture. Upon completion of the legal defeasance, Moody's anticipates confirming SPS's senior unsecured rating at A1. Further refinements to the rating are possible after a review of SPS's plan to legally separate its remaining delivery business into a regulated wires company and a supply company. SPS's rating outlook is stable.

PSCO RATING ACTION AND RATING RATIONALE

Moody's has also confirmed the ratings for PSCO (Senior Secured Debt at A3) and its subsidiaries, including PS Colorado Credit Corporation (PSCCC). Ratings confirmed include PSCO's senior secured debt at A3; the issuer rating, PSCO's senior unsecured notes and PSCO's senior unsecured pollution control bonds, all at Baa1; PSCO's junior subordinated debentures at Baa2; shelf registrations for the issuance of senior secured debt, senior unsecured debt, junior subordinate debt and preferred stock at (P)A3, (P)Baa1, (P)Baa2, and (P)"baa2", respectively; the commercial paper of PSCO and PSCCC at Prime-2; the preferred stock of PSCO Capital Trust I at "baa1"; and the senior unsecured debt of PSCCC at Baa1.

PSCO's A3 senior secured rating reflects an expected strengthening of PSCO's financial results over the next few years, a supportive regulatory environment, the slow pace of regulatory change within the state, balanced by a continuing need to keep pace with a growing service territory. Although many of PSCO's recent capital expenditure programs have been completed, including those associated with the closure of their Fort St. Vrain nuclear plant, Moody's anticipates that PSCO's strong and growing Denver-based service territory will continue requiring significant capital expenditures and future purchased power obligations. PSCO's rating outlook is stable.

NSP(MINNESOTA) RATING ACTION AND RATING RATIONALE

Moody has confirmed the ratings of NSP (Minnesota) including the senior secured debt and the senior secured pollution control bonds of NSP (Minnesota), both rated Aa3; the issuer rating and the senior unsecured pollution control bonds of NSP (Minnesota), both rated A1; the preferred stock rating of NSP Financing I, rated "a1"; and the commercial paper rated Prime-1. NSP (Minnesota)'s rating outlook is positive.

NSP (Minnesota) Aa3 senior secured rating reflects the very strong cash flows at the utility, the favorable regulatory environment in which the company operates, the moderately strong service territory, and the relatively modest construction program outlined by the utility.

The rating outlook for NSP (Minnesota) is positive reflecting Moody's belief that management's intends to strengthen credit quality at this subsidiary after the merger. Historically, NSP (Minnesota)'s balance sheet and cash flow had been negatively impacted by the operations at NRG. As described below, Moody's expects NRG primarily to finance itself independently from Xcel, NSP(Minnesota) and the other Xcel subsidiaries.

NSP(WISCONSIN) RATING ACTION AND RATING RATIONALE

Moody's has also confirmed the ratings of NSP (Wisconsin) including the senior secured debt of NSP (Wisconsin), rated Aa3 and the senior unsecured pollution control bonds of NSP (Wisconsin), rated A1. In the new Xcel corporate structure, NSP (Minnesota) will no longer be NSP(Wisconsin)'s parent. Therefore, although Moody's ratings for the two companies have in the past been somewhat linked, going forward, they will be largely de-linked. Moody's notes, however, that NSP (Minnesota) and NSP (Wisconsin) will continue to be run as a system operationally as governed by their joint interchange agreement.

Moody's NSP (Wisconsin) rating reflects the company's managing its finances to maximize profits under its rate structure. Moody's notes, however, that NSP (Wisconsin)'s rating is lower than any other Wisconsin investor owned electric utility's rating, reflecting NSP (Wisconsin)'s lower allowed equity return. NSP (Wisconsin)'s rating outlook is stable.

NRG RATING ACTION AND RATING RATIONALE

Separately, Moody's confirmed the Baa3 senior unsecured debt rating for NRG and for NRG Energy Pass-Through Trust 2000-1. Moody's notes that NRG's rating outlook is stable and further notes that the rating reflects the possibility that NRG may become a stand-alone company at some point over the coming years. Moody's rating for NRG would likely not change were Xcel either to sell its 82% holding in NRG to the public or distribute its holding to Xcel shareholders.

Moody's NRG rating reflects NRG's large number of investments, low country risk and over 3x projected cash on cash coverage ratios. The rating, however, also reflects the company's increasing exposure to electric market commodity price risk and the debt's structural subordination to project financings covering almost all of the company's cash flow.

COMPANY INFORMATION

Headquartered in Minneapolis, Minnesota, Xcel is the very soon to be formed holding company for Public Service Company of Colorado, Southwestern Public Service, Northern States Power Company (Minnesota), Northern States Power Company (Wisconsin), NRG Energy, Inc. and several additional smaller regulated and nonregulated subsidiaries.

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should, before acting on the opinion, consider the appropriateness of the opinion having regard to your own objectives, financial situation and needs.

Moody's Investors Service

Global Credit Research
Rating Action
26 MAR 1999

Rating Action: Southwestern Public Service Company

MOODY'S PLACES SECURITIES OF NORTHERN STATES POWER COMPANY AND SOUTHWESTERN PUBLIC SERVICE COMPANY UNDER REVIEW FOR POSSIBLE DOWNGRADE; ALSO PLACES SECURITIES OF NEW CENTURY ENERGIES, INC., PUBLIC SERVICE COMPANY COMPANY OF COLORADO, AND NRG ENERGY, INC

Approximately $6.5 Billion of Debt Securities Affected.

Moody's Investors Service has placed securities of Northern States Power Company (NSP) and Southwestern Public Service Company (SPS) under review for possible downgrade, and has placed securities of New Century Energies, Inc. (NCE) and Public Service Company of Colorado (PSR) under review for possible upgrade. In addition, Moody's has placed the Baa3 senior unsecured debt rating of NRG Energy, Inc. (NRG) under review for possible upgrade. These rating actions follow the March 25th announcement by NSP and NCE that the companies have entered into a definitive agreement to merge in a stock swap which would result in a combined company with a market capitalization in excess of $8 billion.

Ratings placed under review for possible downgrade include the senior secured debt and the senior secured pollution control bonds of NSP (Minnesota), both rated Aa3; the issuer rating of NSP and the senior unsecured pollution control bonds of NSP (Minnesota), both rated A1; the preferred stock rating of NSP (Minnesota), rated "a1"; the senior secured debt of NSP (Wisconsin), rated Aa3; the senior unsecured pollution control bonds of NSP (Wisconsin), rated A1; and the preferred stock rating of NSP Financing I, rated "a1". The Prime-1 commercial paper rating and the VMIG-1 short-term rating for NSP (Minnesota) are not under review.

Additional ratings placed under review for possible downgrade are the senior secured debt and the senior secured pollution control bonds of SPS, rated Aa2; the issuer rating, the senior unsecured notes and the senior unsecured pollution control bonds of SPS, all rated Aa3; the junior subordinated debentures of SPS, rated A1; and the preferred stock of Southwestern Public Service Capital I, rated "aa3". SPS' Prime-1 commercial paper rating and its VMIG-1 short-term rating are not under review.

Ratings placed under review for possible upgrade are the bank loan rating and the issuer rating of NCE, both rated Baa1; the commercial paper of NCE, rated Prime-2; the senior secured debt of PSR, rated A3; the issuer rating and the senior unsecured pollution control bonds of PSR, both rated Baa1; the junior subordinated debentures of PSR, rated Baa2; the commercial paper of PSR, rated Prime-2; the preferred stock of PSCO Capital Trust I, rated "baa1"; and the senior unsecured debt of PS Colorado Credit Corporation (PSCCC), rated Baa1. PSCCC's commercial paper is not under review.

The ratings of Yorkshire Electricity Group, PLC (Yorkshire), 50% owned by a NCE subsidiary, and the ratings assigned to two of Yorkshire's subsidiaries, Yorkshire Power Finance Limited and Yorkshire Capital Trust I, are not under review.

RATING RATIONALE

Moody's has placed NSP's securities under review for possible downgrade to reflect the potential pressure on NSP's cash flow due, in large part, to the somewhat weaker credit profile at PSR, which represents approximately 70% of NCE's current consolidated cash flow. Moody's decision also reflects the uncertainty surrounding the final legal structure among NSP (Minnesota), NSP (Wisconsin) and NRG.

Moody's rationale behind placing SPS' securities under review for possible downgrade reflects the potential pressure on SPS' cash flow to provide increased dividends to the new parent to support growth in the nonregulated business, particularly at NRG. Already, SPS' earnings and cash flow are likely to be negatively impacted after 2000 due to the loss of an attractively priced 485 megawatt wholesale power contract with a cooperative.

Moody's decision to place the ratings of PSR under review for possible upgrade reflects the potential benefits that may result for this utility by being a part of an organization which has both a more diversified and stronger credit profile, due largely to NSP. However, Moody's clearly acknowledges that PSR's ability ultimately to receive cash flow benefits from the anticipated strengthening in the consolidated credit profile may be tempered by PSR's and its other affiliates' need to support NRG's growth strategies.

Moody's has placed NRG's securities under review for possible upgrade to reflect Moody's view that, in addition to the current cash flow from NSP, new sources of quality cash flow in the form of dividends from SPS and PSR may be available to fund NRG's future investments in domestic and international power projects. Moody's decision also reflects NRG's increasingly diversified project portfolio. Moody's believes, however, that the potential for a ratings upgrade is more limited for NRG than for PSR and NCE due to its aggressive growth strategy and the resulting continuing need for large amounts of additional debt and equity.

Moody's anticipates that the securities of NCE will be held at the new parent holding company for the combined NSP/NCE entity. As such, the rating of the securities at NCE should clearly benefit from the enhanced quality of cash flow and the additional diversity of such cash flow derived, in large part, from the addition of the NSP cash flows.

SCOPE OF THE REVIEW

In its review, Moody's will consider the risks and benefits that may accrue to each company as a result of the proposed merger. In particular, Moody's will focus on the potential improvement in capital resources available to NRG, as well as the potential cash flow and leverage pressures placed on each of the utilities to support NRG's expansion. Management's ability to balance these two competing objectives will be key to all of the rating outcomes.

Moody's will also consider the final legal structure, particularly with respect to the nonregulated businesses, and the business and financing plans of both the combined entity and each of the component parts. Specifically, Moody's will consider the extent to which the merger may impact NSP's previously announced disaggregation strategy, including the formation of an independent transmission company. Also, the review will address the likelihood of obtaining the necessary regulatory approvals, the extent to which merger related savings may be shared with ratepayers, and any possible PUHCA or other regulatory restrictions which may impact the combined enterprise's ability to pursue future nonregulated investments.

TERMS OF THE MERGER

The merger is expected to be a tax-free, stock-for-stock exchange for shareholders of both companies, and will be accounted for as a pooling of interests. Upon completion, the NCE shareholders will receive 1.55 shares of the merged company's stock for each share of NCE stock and the NSP shareholders will receive one share of the merged company's stock for each share of NSP stock. NSP and NCE estimate over $1 billion in merger-related cost savings over the next ten years. In addition, the companies believe the combined entity will provide increased funds and opportunities for the growth of its businesses, primarily through NRG.

The merger requires the approval by the shareholders of the two companies, as well as approval or regulatory review by the Securities and Exchange Commission, the Federal Energy Regulatory Commission, the Federal Trade Commission, the Department of Justice, the Federal Communications Commission, the Nuclear Regulatory Commission, and state regulators in nine of the states currently served by the two companies. The company expects that the merger will be completed within 12 to 18 months.

Headquartered in Minneapolis, Minnesota, NSP provides electricity and natural gas to 1.9 million customers in Minnesota, Wisconsin and other states. NRG, a wholly-owned NSP subsidiary, owns and operates non-regulated energy businesses around the world, with major projects in the US, Germany and Australia.

Headquartered in Denver, Colorado, NCE provides electricity and natural gas to 1.5 million customers in Colorado, Texas and other states. PSCCC is a wholly-owned captive finance which purchases at a discount the fuel and accounts receivable of PSR. Yorkshire is a regional electricity distribution company in the United Kingdom and jointly owned by a subsidiary of NCE and a subsidiary of American Electric Power Company, Inc.

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STANDARD
&POOR'S
RATINGSDIRECT

RESEARCH

S&P Assigns `AA' Rtg To SPS' $60M Issue;On Watch,Neg

Publication date: 05-Mar-1996
Credit Analyst: Judith Waite (1) 212-208-1663

NY -- Standard & Poor's CreditWire 3/5/96 -- Standard & Poor's assigns its double-`A' rating to Southwestern Public Service Co.'s (SPS) $60 million first mortgage bonds, drawn under a Rule 415 shelf registration.

SPS has $697 million of debt outstanding.

The company's ratings (double-`A' senior secured debt, `A-1'-plus commercial paper) remain on CreditWatch with negative implications, where they were placed Aug. 28, 1995, reflecting the probability that SPS will merge with Public Service Co. of Colorado (triple-`B'-plus; on CreditWatch with positive implications) and that the senior debt rating of the combined entity will be single-`A' or single-`A'-plus, based on consolidated financials.

Absent the merger, the stand-alone rating outlook would likely be negative, reflecting some financial stress over the next several years related to the construction of new plant.

Current ratings reflect a strong financial profile, absence of nuclear exposure, low electric production costs and rates, and moderate capital requirements.

These positive factors are offset by a sluggish oil- and gas-based economy, limited growth prospects, and a high dividend payout ratio.

If the proposed merger is approved, SPS will benefit from the higher rate of growth in the PSCo service territory and enhanced financial flexibility from the lower dividend payout ratio. In addition, the companies anticipate a combined savings of $770 million over 10 years. But since the companies are not directly interconnected, they intend to build a high voltage transmission line between their systems. The companies expect the merger to be completed in 12-16 months, Standard & Poor's said. -- CreditWire

STANDARD &POOR'S RATINGSDIRECT

RESEARCH

S&P Afms Publ Serv Co of CO, Cuts SW Publ Serv;Off Watch

Publication date: 21-Apr-1997
Credit Analyst: Judith Waite, New York (1) 212-208-1663

New York -- Standard & Poor's CreditWire 4/21/97 -- Standard & Poor's today has lowered its ratings on Southwestern Public Service Co. and Southwestern Public Service Capital I. At the same time, Standard & Poor's has affirmed its ratings on Public Service Co. of Colorado (PSCo) and PS Colorado Credit Corp., which finances PSCo receivables and fuel inventory (see list of ratings below). All ratings have been removed from CreditWatch, where they were placed March 5, 1996. The rating outlook is now stable.

The ratings action is taken in anticipation of the merger of Southwestern Public Service Co. and Public Service Co. of Colorado, which will become subsidiaries of the new holding company, New Century Energies Inc. The merger is expected to close June 1, 1997. The one-notch difference between the companies' debt ratings is in recognition of the somewhat stronger financial profile of Southwestern Public Service, although over the next few years the company's financials will be weakened by the capital spending needed to add peaking capacity. Southwestern Public Service's financials should strengthen thereafter. However, the coming era of retail competition is expected to limit Southwestern Public Service's ability to achieve the 4.5 times (x) to 5.0x coverage ratios of past years. PSCo's financials also are expected to continue strengthening. Additional operating cost reductions, the gas rate increase (assuming the SEC allows them to retain the gas operations), and ultimately, the marketing benefit of being tied into Southwestern Public Service's transmission grid connections should help bolster PSCo's financials to a level appropriate for the current ratings.

PSCo's competitive position also is improved by being allied with one of the lowest cost power suppliers in the U.S. PSCo's very high cost purchased power puts the company at a disadvantage if retail competition comes soon to the Colorado market. However, by 2000 PSCo will have completed the conversion of the Fort St. Vrain nuclear plant to a gas-fired, combined cycle steam plant of 471 megawatts. The phased repowering allows the company flexibility in timing the addition to meet future load growth as purchased power contracts expire.

New Century Energies' credit profile is dominated by PSCo, which accounts for about two-thirds of the U.S. operations. PSCo's acquisition of Yorkshire Electricity Group PLC (a 50%/50% joint venture with American Electric Power Co.) will also become a factor in assessing the companies' credit quality. Yorkshire's double-`A'
senior debt rating remains on CreditWatch with negative implications. The borrowing costs associated with short-term financing of the equity portion will lower consolidated coverage ratios over the near term. PSCo is expected to pay down its domestic borrowing ($360 million) with proceeds from the sale of equity within the next six to 18 months. -- CreditWire

```
OUTSTANDING RATINGS LOWERED   Rating
     To   From
Southwestern Public Service Co.
-- Corporate credit rating   A    AA
-- Senior secured debt   A    AA
-- Senior unsecured debt     A-   AA-
-- Mixed shelf debt (preliminary)  A/A- AA/AA-
```

```
-- Commercial paper A-1  A-1+

Southwestern Public Service Capital I
     To   From
-- Trust preferred securities (gtd:
    Southwestern Public Service Co.)    A-   AA-

OUTSTANDING RATINGS AFFIRMED
     Rating
Public Service Co. of Colorado
-- Corporate credit rating    A-
-- Senior secured debt   A-
-- Preferred stock  BBB+
-- Commercial paper      A-2

PS Colorado Credit Corp.
-- Corporate credit rating    A-
-- Sr unsecured debt     A-
-- Commercial paper      A-2
```

STANDARD & POOR'S RATINGSDIRECT

RESEARCH

New Century Energies Placed on Watch Positive, Northern States Power on Watch Negative

Publication date: 25-Mar-1999
Credit Analyst: Judith Waite, New York (1) 212-208-1663; Todd A Shipman, CFA, New York (1) 212-208-8704; Ronald M Barone, New York (1) 212-208-1929

NEW YORK (Standard & Poor's CreditWire) March 25, 1999-- Standard & Poor's today placed the ratings of New Century Energies Inc. and its subsidiaries on CreditWatch with positive implications (see list below). About $3.2 billion of consolidated debt and preferred stock is affected.

At the same time, Standard & Poor's placed the ratings of Northern States Power Co. and its utility subsidiary Northern States Power Wisconsin on CreditWatch with negative implications (see list). About $2.7 billion of debt and preferred stock is affected. The ratings at Northern States Power subsidiary NRG Energy Inc. were affirmed.

The actions followed the news that Northern States Power and New Century Energies will merge in a stock-for-stock transaction valued at more than $8.5 billion. The resulting company will have about $15 billion in assets and revenues approaching $6.5 billion.

If the merger is approved by shareholders and regulators, the ratings will be adjusted to reflect the combined credit profile of the consolidated company, employing Standard & Poor's consolidated ratings methodology. The analysis will incorporate issues such as the degree to which regulatory insulation buffers the operations of the regulated from the non-regulated businesses. It is expected that the corporate credit rating of the combined companies will be single-'A' or single-'A'-plus.

The merger is expected to be completed in 12 to 18 months. A preliminary estimate by the companies indicates that the merger should result in net cost savings of about $1.1 billion in the first 10 years of operations, Standard & Poor's said. --CreditWire

RATINGS PLACED ON CREDITWATCH WITH POSITIVE IMPLICATIONS

New Century Energies Inc.	
Corporate credit rating	BBB+/A-2
Commercial paper	A-2
Public Service Co. of Colorado	
Corporate credit rating	A-/A-2
Senior secured debt	A
Senior unsecured debt	BBB+
Preferred stock	BBB
Commercial paper	A-2
PS Colorado Credit Corp.	
Corporate credit rating	A-/A-2
Senior unsecured debt	A-
Commercial paper	A-2
PSCO Capital Trust I	
Preferred stock*	BBB

*Guaranteed by Public Service Co. of Colorado

Southwestern Public Service Co.	
Corporate credit rating	A/A-1
Senior secured debt	A

Senior unsecured debt	A-
Subordinated debt	A-
Preferred stock	BBB+
Commercial paper	A-1

Southwestern Public Service Capital I

Preferred stock**	BBB+

**Guaranteed by Southwestern Public Service Co.

RATINGS PLACED ON CREDITWATCH WITH NEGATIVE IMPLICATIONS

Northern States Power Co. (Minnesota)

Corporate credit rating	AA-/A-1+
Senior secured debt	AA
Senior unsecured debt	A+
Preferred stock	A
Commercial paper	A-1+

Northern States Power Wisconsin

Corporate credit rating	AA
Senior secured debt	AA
Senior unsecured debt	AA-

NSP Financing I

Preferred stock***	A

***Guaranteed by Northern States Power Co. (Minnesota)

RATINGS AFFIRMED

NRG Energy Inc.

Corporate credit rating	BBB-
Senior unsecured debt	BBB-

STANDARD & POOR'S RATINGSDIRECT

RESEARCH

Xcel Energy Assigned 'A-/A-2' Rating; Various Rating Actions on Subsidiaries

Publication date: 17-Aug-2000
Credit Analyst: Judith Waite, New York (1) 212-438-7677

NEW YORK (Standard & Poor's CreditWire) Aug. 17, 2000--Standard & Poor's today assigned its single-'A'-minus long-term corporate credit rating and its 'A-2' short-term corporate credit and commercial paper ratings to Xcel Energy. Standard & Poor's also assigned to Xcel Energy its triple-'B' preferred stock rating. Xcel Energy is the new parent company of Northern States Power Co. (Minnesota), Northern States Power Wisconsin, Public Service Co. of Colorado, and Southwestern Public Service Co. (Texas).

Consequently, Standard & Poor's lowered its ratings on Northern States Power, Northern States Power Wisconsin, and Southwestern Public Service (except Southwestern Public Service's senior unsecured debt which was affirmed) and removed the ratings from CreditWatch (see list below). Standard & Poor's affirmed its ratings on Public Service Co. of Colorado and removed the ratings from CreditWatch with positive implications. In addition, Standard & Poor's affirmed its rating on Xcel Energy subsidiary, NRG Energy Inc. (BBB-/Stable/--).

The ratings on Northern States Power, Northern States Power Wisconsin, Public Service Co. of Colorado, and Southwestern Public Service were originally placed on CreditWatch on March 25, 1999, when the companies announced their intention to merge.

The corporate credit rating reflects moderate to strong growth in energy demand in the operating companies' respective markets, efficient, well-run generating assets, and the likelihood that electricity markets will remain regulated for the foreseeable future in Colorado and Minnesota. These strengths are partially offset by the weaker financial profile of Public Service Co. of Colorado, which accounts for about half of the consolidated, regulated assets.

The corporate credit rating of Xcel Energy's wholly owned subsidiary, NRG Energy, is triple-'B' minus. The rating of NRG Energy, which owns a portfolio of merchant generating assets, benefits slightly from being owned by Xcel Energy. However, the two sides of the business--the regulated delivery of electricity and gas and the unregulated ownership and operation of generating plants--are managed independently of each other. The disparity in ratings assumes that the credit strength of the regulated businesses would not be sacrificed to shore up the assets owned by NRG Energy, should they become uneconomic. Although nothing prevents the flow of funds between entities, it is clearly management's intent that NRG Energy should fund itself. The recent initial public offering of stock is evidence of this intent. If that policy is changed, the corporate credit rating of Xcel Energy will reflect the credit profile of NRG Energy as well.

The business profiles of the respective companies are similar. Both Public Service Co. of Colorado and Northern States Power are integrated utilities, owning both electric and gas distribution systems and electric power generating units. In addition, Public Service Co. of Colorado has a substantial portfolio of purchased power. A portion of the present value of the purchased power capacity payments is included as debt in the calculation of financial ratios.

Both Northern States Power Wisconsin and Southwestern Public Service have slightly stronger business profiles. Northern States Power Wisconsin benefits from regulatory oversight that provides a measure of protection for both customers and creditors. Southwestern Public Service will become an electric distribution company once it has completed the sale of its generating units. In conjunction with this sale of assets, the company has tendered for all first mortgage bonds, and will defease any remaining secured debt. As a result, the company's unsecured debt is rated pari passu with the outstanding secured debt.

At present, the consolidated financial profile for the regulated businesses is weak, attributable both to the weaker financial profile of Public Service Co. of Colorado and to the cost of implementing the merger. However, over the next few years, it is expected that operating cost savings, increased energy demand, and marketing initiatives will strengthen the financial profile to the level appropriate for the single-'A'-minus corporate credit rating.

The debt ratings of Northern States Power Wisconsin will continue to benefit from the strong support and oversight of utility regulation in that state, and will be rated one notch above the corporate credit rating.

OUTLOOK: STABLE

The stable rating outlook reflects good prospects for steady growth, expectations for significant merger cost savings, generally supportive regulation in each state, and generally conservative fiscal management, Standard & Poor's said. -- CreditWire

RATINGS ASSIGNED

	RATING
Xcel Energy	
Corporate credit rating	A-/A-2
Commercial paper	A-2
Preferred stock	BBB

RATINGS LOWERED AND REMOVED FROM CREDITWATCH NEGATIVE

	TO	FROM
Northern States Power Co.		
Corporate credit rating	A-/A-2	AA-/A-1+
Commercial paper	A-2	A-1+
Senior secured debt	A	AA
Senior unsecured debt	BBB+	A+
Preferred stock	NR	A
Shelf senior secured/unsecured/ preferred stock (prelim.)	A/BBB+/BBB	AA/A+/A
NSP Financing I		
Preferred stock§	BBB	A
§Guaranteed by Northern States Power Co.		
Northern States Power Wisconsin		
Corporate credit rating	A	AA
Senior secured debt	A	AA
Senior unsecured debt	A-	AA-
Shelf senior unsecured (prelim.)	A-	AA-

RATINGS LOWERED AND REMOVED FROM CREDITWATCH POSITIVE

	TO	FROM
Southwestern Public Service Co.		
Corporate credit rating	A-/A-2	A/A-1
Commercial paper	A-2	A-1
Senior secured debt	A-	A

Preferred stock	BBB	BBB+
Southwestern Public Service Capital I		
Preferred stock¶	BBB	BBB+
¶Guaranteed by Southwestern Public Service Co.		

RATINGS AFFIRMED AND REMOVED FROM CREDITWATCH POSITIVE

	RATING
Public Service Co. of Colorado	
Corporate credit rating	A-/A-2
Commercial paper	A-2
Senior secured debt	A
Senior unsecured debt	BBB+
Preferred stock	BBB
PS Colorado Credit Corp.	
Corporate credit rating	A-/A-2
Commercial paper	A-2
Senior unsecured debt	A-
PSCO Capital Trust I	
Preferred stock*	BBB
*Guaranteed by Public Service Co. of Colorado	
Southwestern Public Service Co.	
Senior unsecured debt	A-

RATINGS WITHDRAWN

	RATING
New Century Energies Inc.	
Corporate credit rating	NR
Commercial paper	NR

Southwestern Public Service Co.

Amarillo, Texas, USA

Oct 1994

Ratings

Category Rating	Moody's
First Mortgage Bond	Aa2
Secured Pollution Control Bonds	Aa2
Unsecured Pollution Control Bonds	Aa3
Preferred Stock	"aa3"
Senior Secured Shelf	(P)Aa2
Preferred Shelf	(P)"aa3"
Commercial Paper	P-1

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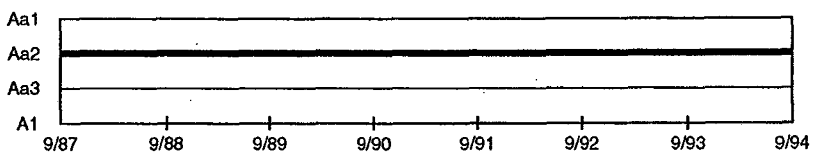
Rating History



Operating Statistics

Southwestern Public Service Co (Statistics in bold type)
Peer Group Median (Statistics in light type)

	[1]1994	1993		1992		1991		1990		[2]5-Yr.Avg.	
ROE (avg.) (%)	**14.0**	12.0	**14.4**	11.8	**13.9**	12.3	**15.0**	11.9	**15.5**	12.2	**15.4**
Int. cov. incl. AFUDC	**4.8**	3.1	**4.9**	2.8	**4.6**	2.9	**4.5**	2.7	**4.4**	2.9	**4.5**
Int. cov. excl. AFUDC	**4.7**	3.0	**4.9**	2.8	**4.5**	2.8	**4.4**	2.7	**4.4**	2.8	**4.5**
Int. funds % net const.	**83.9**	106.4	**91.4**	103.5	**88.5**	92.7	**100.8**	83.4	**117.4**	94.6	**116.4**
Net const % pr. yr. cap.	**6.7**	7.1	**6.8**	6.9	**6.6**	6.8	**5.4**	6.0	**5.0**	6.7	**5.4**

[1] For the 12 months ended May 31, 1994. [2] 5-year average 1993 - 1989.

Balance Sheet Statistics

Southwestern Public Service Co (Statistics in bold type)
Peer Group Average (Statistics in light type)

	[1]1994	1993		1992		1991		1990		[2]5-Yr.Avg.	
STD % cap.	**5.0**	4.9	**2.0**	5.0	**1.1**	5.7	**0.1**	5.8	**1.2**	5.2	**1.4**
LTD % cap.	**38.2**	47.0	**39.9**	46.9	**41.5**	46.1	**39.9**	46.1	**39.8**	46.6	**40.3**
Pref. stk. % cap.	**5.5**	6.8	**5.5**	7.1	**5.5**	7.4	**7.6**	7.2	**7.7**	7.1	**6.8**
Common % cap.	**51.3**	41.4	**52.6**	41.0	**51.9**	40.9	**52.4**	40.9	**51.3**	41.1	**51.5**
Tot. cap. (US$ bil.)	**1.3**	5.5	**1.3**	5.5	**1.3**	5.2	**1.3**	5.2	**1.3**	[3]2.2	**[3]0.1**

[1] As of May 31, 1994. [2] 5-year average 1993 - 1989. [3] 5-year compound annual growth rate.

Opinion

Rating Rationale

The Aa2 senior secured rating of Southwestern Public Service Company (SPS) is supported by the company's competitive rates, low production costs, and ample power supply. The company sits at the crossroads of three major electrical grids and could compete effectively on the basis of price within any one of them. However, the measures the company must take to pursue such alternatives may exert downward pressure on the bond rating. In addition, the high percentage of sales to wholesale and industrial customers will attract competitors should SPS's prices rise.

SPS's operations are extremely lean and environmentally healthy. Management has not attempted to construct nuclear plants, or purchase power, and has no requirements in relation to the Clean Air Act Amendments. The company has ample coal baseload power supplies through the 1990s and therefore will not embark upon costly construction programs. A low-cost position enables the company to earn ample operating margins despite low rates. It produces a healthy cash flow and strong equity cushion despite a high dividend payout.

A major risk to SPS's credit profile is its appetite for growth. Absent sizable investments to connect the three electrical grids, SPS plans to gain access through acquisition. It remains interested in acquiring the bankrupt El Paso Electric Company or other financially weak neighbors. Merging with any one of the potential acquisition candidates would lower the rating until synergies emerge.

Rating Outlook

The likelihood that SPS will acquire a weaker utility produces a negative outlook for the rating.

Southwestern Public Service Co.

Amarillo, Texas, USA

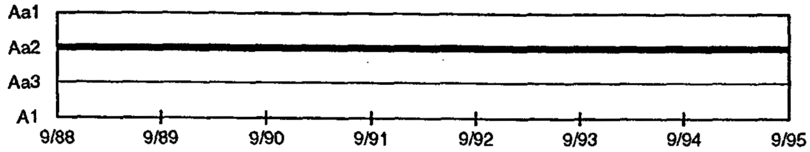
October 2, 1995

Ratings & Contacts

Category	Moody's Rating
First Mortgage Bonds	Aa2
Secured Pollution Control Bonds	Aa2
Unsecured Pollution Control Bonds	Aa3
Counterparty Rating	Aa3
Preferred Stock	"aa3"
Senior Secured Shelf	(P)Aa2
Preferred Shelf	(P)"aa3"
Commercial Paper	P-1

Analyst	Phone
A. Tucker Ellinghaus	(212) 553-1653
Susan D. Abbott	

Rating History



Operating Statistics

Southwestern Public Service Co. (Statistics in bold type)
Peer Group Median (Statistics in light type)

	[1]1994		1993		1992		1991		[2]5-Yr.Avg.	
ROE (avg.) (%)	11.6	**13.3**	12.0	**14.4**	11.9	**13.9**	12.5	**15.0**	12.1	**14.4**
Int. cov. incl. AFUDC	3.3	**4.6**	3.3	**4.9**	3.0	**4.6**	2.9	**4.5**	3.1	**4.6**
Int. cov. excl. AFUDC	3.3	**4.6**	3.2	**4.9**	2.9	**4.5**	2.9	**4.4**	3.0	**4.5**
Int. funds % net const.	91.9	**89.1**	92.3	**91.8**	89.7	**88.5**	92.7	**100.8**	91.1	**97.5**
Net const % pr. yr. cap.	7.8	**6.3**	7.6	**6.3**	7.1	**6.6**	6.9	**5.4**	7.3	**5.9**

[1] For the 12 months ended December 31, 1994. [2] 5-year average 1994 - 1990.
Note: The latest year for peer group includes 125 companies out of 126

Balance Sheet Statistics

Southwestern Public Service Co. (Statistics in bold type)
Peer Group Average (Statistics in light type)

	[1]1994		1993		1992		1991		[2]5-Yr.Avg.	
STD % cap.	5.8	**4.1**	4.9	**2.3**	5.2	**1.1**	5.9	**0.1**	5.5	**1.8**
LTD % cap.	46.1	**38.0**	46.9	**39.5**	46.7	**41.5**	45.9	**39.9**	46.4	**39.7**
Pref. stk. % cap.	5.9	**5.5**	6.0	**5.5**	6.2	**5.5**	6.4	**7.6**	6.2	**6.4**
Common % cap.	42.2	**52.5**	42.1	**52.7**	41.8	**51.9**	41.8	**52.4**	41.9	**52.1**
Tot. cap. (US$ bil.)	3.3	**1.3**	3.2	**1.3**	3.2	**1.3**	2.9	**1.3**	[3]2.8	**[3]0.1**

[1] As of December 31, 1994. [2] 5-year average 1994 - 1990. [3] 5-year compound annual growth rate.
Note: The latest year for peer group includes 125 companies out of 126

Opinion

Rating Rationale

The Aa2 senior secured bond rating of Southwestern Public Service (SPS) is supported by the company's competitive rates, low production costs, and ample baseload power supply. However, the August announcement by management of a pending merger with less financially robust Public Service Company of Colorado (PSCo), whose senior secured debt is rated Baa2, prompted Moody's to review SPS's rating for potential downgrade.

The extent to which SPS will remain independent under the proposed holding company structure has yet to be determined. SPS will benefit from cost savings achieved through shared services and access to PSCo's growing service territory. Conversely, PSCo will rely upon SPS to provide needed electric capacity either by wheeling across a new transmission line, or by building generating units in PSCo's service territory. Because we expect SPS's balance sheet to support the financing of either alternative, the risk that PSco's operations will absorb SPS' cash flow and cause deterioration in its debt repayment capacity pressures the rating.

The combined entity will still be only a medium-sized player in a consolidating industry and may be unable to achieve economies of scale needed to survive in a competitive environment. An additional option for growth would be to absorb a troubled neighbor such as Public Service of New Mexico, Texas New Mexico Power or El Paso Electric, which would further increase pressure on the bond rating.

Rating Outlook

SPS's bond rating may be downgraded, depending on the details of the holding company structure and rate plan to emerge this fall.

Southwestern Electric Power Company

Shreveport, Louisiana, USA

October 1, 1996

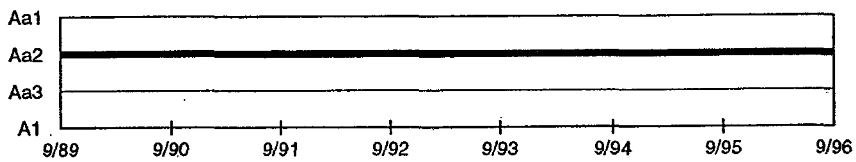
Ratings

Category	Moody's Rating
First Mortgage Bonds	Aa2
Secured Pollution Control Bonds	Aa2
Unsecured Pollution Control Bonds	Aa3
Counterparty Rating	Aa3
Preferred Stock	"aa2"

Contacts

Analyst	Phone
Emily J. Eisenlohr	(212) 553-1653
Susan D. Abbott	

Rating History



Operating Statistics

Southwestern Electric Power Co. (Statistics in bold type)
Peer Group Median (Statistics in light type)

	[1]1996	1995		1994		1993		1992		[2]5-Yr.Avg.	
Revenue (US$ bil.)	0.9	1.0	0.8	1.0	0.8	1.0	0.8	0.9	0.8	[3]4.1	[3]2.6
Assets (US$ bil.)	2.1	2.8	2.1	2.7	2.1	2.6	2.0	2.4	1.9	[3]4.4	[3]2.5
Com. Equity (US$ bil.)	0.7	0.9	0.7	0.8	0.7	0.7	0.6	0.7	0.6	[3]5.5	[3]1.3
Op. Margin (%)	22.6	21.9	24.6	21.5	22.8	20.7	17.6	21.4	23.2	21.5	22.5
ROA (avg.)(%)	3.8	3.8	5.4	3.5	5.1	3.7	4.0	3.8	4.9	3.8	4.9
ROE (avg.)(%)	11.5	12.7	16.7	11.7	15.5	12.0	12.1	11.9	14.1	12.1	14.6
Div. Payout (%)	118.6	79.3	95.7	83.5	68.4	81.5	101.9	81.9	98.4	81.2	90.7
Pretax Int. Cov. (X)	3.3	3.4	3.7	3.3	3.7	3.2	3.3	2.9	3.5	3.1	3.6
Fxd. Chg. Cov. (X)	3.2	2.9	3.7	2.7	3.3	2.6	2.8	2.4	3.0	2.6	3.2
RCF % TD	16.7	15.0	12.7	14.3	18.9	13.1	16.7	12.8	12.9	13.7	15.2
RCF % Gross CAPEX	103.5	113.6	84.9	89.5	87.8	90.6	76.6	87.2	86.6	94.4	90.3
Total Cap. (US$ bil.)	1.3	1.9	1.4	1.8	1.4	1.8	1.3	1.7	1.3	[3]3.9	[3]2.3
TD % Cap.	44.9	49.5	49.0	50.0	48.4	50.4	47.6	50.0	48.0	50.1	47.7
Pfd. Stk. % Cap.	3.6	5.7	3.5	6.3	3.6	6.2	3.9	6.6	4.0	6.3	3.8
Common % Cap.	51.5	45.0	47.5	44.3	48.0	44.3	48.5	43.2	48.0	43.9	48.5

Electric Utility Operating Statistics

Customer Segmentation	Residential	Commercial	Industrial	Wholesale
Revenue (US$ mil.)	278.3	177.1	246.2	94.6
Kwh (mil.)	4,406	3,521	6,531	5,002
¢/Kwh	6.3	5.0	3.8	1.9
Industry Avg. (¢/Kwh)	8.3	7.2	5.1	3.2
Competitive Position	Break-even Price($)	Regional Avg.($)	Stranded Cost($mil.)	Stranded Cost % Eq.
	18.66	56.28	0	0

[1] For the 12 months ended June 30; Balance sheet items are as of June 30. [2] Five year average 1995-1991. [3] Five year compound annual growth rate.

Opinion

Rating Rationale

Southwestern Electric Power Company's (SWEPCO) Aa2 senior secured rating reflects the company's strong financial profile and its very competitive rates, which allow the company to defend and expand its large industrial and wholesale customer bases. However, SWEPCO's Texas, Arkansas, and Louisiana service territory continues to be dominated by petroleum and related industries, exposing the company to the cyclicality of these industries despite some diversified growth. Competitive pressure has gradually weakened some of the company's coverage measures.

CSW's initiatives to improve operating efficiency and to cut costs should offset the pressure on margins stemming from increasing competition for industrial customers, which contribute 44% of retail sales. SWEPCO's 1995 average industrial rate of 3.77 cents per kilowatt-hour is among the lowest in both the Southwest Power Pool and the Electric Reliability Council of Texas, and has helped limit competition from alternative energy providers.

The company's fossil fuel based (coal, gas, lignite) generating system has entailed minimal Clean Air Act compliance costs, and no new generation is needed until beyond 2000 due to ample reserve margins. Therefore, internally generated cash is expected to cover both capital expenditures and dividends.

Rating Outlook

SWEPCO's negative outlook reflects the evolving impact of competition on coverage measures that are already at the low end of the Aa2 rating category. Capital expenditures that exceed targets may have negative rating implications.

Southwestern Public Service Company

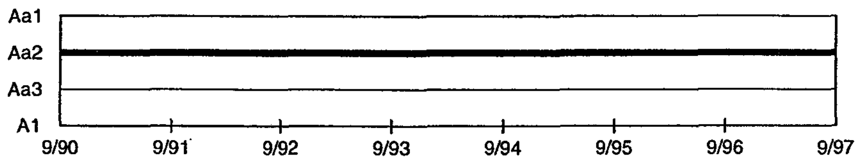
Amarillo, Texas, USA

Oct 1997

Ratings & Contacts

Category	Moody's Rating	Analyst	Phone
First Mortgage Bonds	Aa2	Angelo J. Sabatelle/New York	(212) 553-1653
Senior Secured Bonds	Aa2	Susan D. Abbott/New York	
Senior Unsecured Bonds	Aa3		
Counterparty Rating	Aa3		
Preferred Stock	"aa3"		
Commercial Paper	P-1		

Rating History



Operating Statistics

Southwestern Public Service Company (Statistics in bold type)
Peer Group Median (Statistics in light type)

	[1]1997	1996		1995		1994		1993		[2]5-Yr.Avg.	
Revenue (US$ bil.)	**1.4**	1.1	**0.9**	1.0	**0.9**	1.0	**0.8**	1.0	**0.8**	[3]4.8	**[3]4.9**
Assets (US$ bil.)	**2.1**	2.8	**2.1**	2.8	**1.9**	2.7	**1.8**	2.6	**1.8**	[3]4.4	**[3]4.7**
Com. Equity (US$ bil.)	**0.7**	0.9	**0.7**	0.9	**0.7**	0.8	**0.7**	0.7	**0.7**	[3]4.0	**[3]1.4**
Op. Margin (%)	**21.7**	21.1	**22.8**	21.9	**26.3**	21.5	**23.4**	20.7	**23.7**	21.3	**24.3**
ROA (avg.)(%)	**11.5**	3.6	**4.7**	3.8	**6.3**	3.5	**5.2**	3.8	**5.8**	3.7	**5.5**
ROE (avg.)(%)	**33.3**	11.9	**12.9**	12.7	**16.4**	11.7	**13.3**	12.1	**14.4**	12.1	**14.2**
Div. Payout (%)	**113.9**	81.9	**95.8**	79.3	**76.9**	82.8	**97.1**	81.5	**90.7**	81.5	**90.9**
Pretax Int. Cov. (X)	**3.1**	3.4	**3.6**	3.4	**5.0**	3.3	**4.6**	3.2	**4.9**	3.2	**4.5**
Fxd. Chg. Cov. (X)	**3.2**	2.9	**3.7**	2.9	**4.1**	2.7	**3.8**	2.6	**4.0**	2.7	**3.8**
RCF % TD	**14.6**	15.2	**10.7**	15.0	**13.9**	14.3	**13.3**	13.1	**13.7**	14.1	**13.0**
RCF % Gross CAPEX	**56.3**	121.4	**66.0**	113.6	**91.0**	89.5	**87.6**	90.6	**88.9**	100.5	**83.7**
Total Cap. (US$ bil.)	**1.6**	1.9	**1.6**	1.9	**1.4**	1.8	**1.3**	1.8	**1.3**	[3]2.7	**[3]3.5**
TD % Cap.	**48.5**	48.9	**52.8**	49.5	**48.9**	50.0	**42.1**	50.4	**41.8**	49.8	**45.6**
Pfd. Stk. % Cap.	**6.3**	5.3	**0.0**	5.7	**0.0**	6.3	**5.5**	6.2	**5.5**	6.0	**3.3**
Common % Cap.	**45.1**	45.9	**47.2**	45.0	**51.1**	44.3	**52.5**	44.3	**52.7**	44.5	**51.1**
Adj. TD % Adj. Cap.	**38.8**	48.9	**42.1**	53.8	**40.6**	55.2	**39.1**	54.9	**39.2**	54.1	**40.6**

Electric Utility Operating Statistics

Customer Segmentation	Residential	Commercial	Industrial	Wholesale
Revenue (US$ mil.)	**179.9**	**163.0**	**291.9**	**257.5**
Kwh(mil.)	**2,914**	**2,939**	**7,931**	**6,771**
¢/Kwh	**6.2**	**5.5**	**3.7**	**3.8**
Industry Avg. (¢/Kwh)	**8.9**	**7.6**	**5.2**	**3.3**
Competitive Position	**Break-even Price($)**	**Regional Avg.($)**	**Stranded Cost($mil.)**	**Stranded Cost % Eq.**
	23.98	**56.28**	**193**	**27**

[1] For the 12 months ended June 30; Balance sheet items are as of June 30. [2] Five year average 1996-1992. [3] Five year compound annual growth rate.

Opinion

Rating Rationale

The Aa2 senior secured bond rating of Southwestern Public Service (SPS) is supported by the company's competitive rates, reasonable production costs, and access to growing wholesale markets. In addition, SPS will benefit from sharing in $770 million of cost savings expected from the recently approved merger with Public Service Company of Colorado (PSC, senior secured A3) under a new holding company, New Century Energies (NCE) approved by the SEC August 1.

NCE's strategy contemplates significant growth in both new customers (through joint ventures and alliances) and its non-regulated businesses (up to 25% of total earnings over the next three to five years). SPS is to remain independent from PSC under the structure and will therefore maintain a distinct bond rating. However, the strategic plan accompanying the merger may pressure SPS's credit quality. Furthermore, sizable regulatory assets could become stranded and erode the equity cushion in a competitive market. SPS is likely to file a competitive transition plan with regulators in Texas prior to the next legislative session in 1999.

Rating Outlook

The rating outlook is negative given the company's plans for the aggressive expansion of non-regulated businesses and for customer growth through partnership, alliance, and further acquisition.

Excerpts from S&P Reports

Teleconference Transcript: Utility and Public Power Industries

Standard & Poor's

Publication date: 23-Aug-2001

Industry Credit Rating Trends

Leaving California behind, now, I'd like to discuss the credit drivers that we see as most significant to the power industry.

The dynamic forces that were unleashed by economic and regulatory imperatives during the 1990s continue to propel the demise of the monopolistic, integrated and heavily regulated utility structure, though, perhaps now at a slower pace. These forces continue to have a noticeable impact on the credit stability of this sector. Downside rating actions are clearly overshadowing upward rating activity in this industry and has been for a while.

The weakening credit picture is influenced by familiar themes, including mergers and acquisitions, like those that are occurring across New York State—specifically, Energy East Corp.'s purchase of Rochester Gas Electric Corp. and National Grid Co.'s pending acquisition of Niagara Mohawk Power Corp.

Capital and corporate restructuring efforts between corporate spin offs and the proliferation of investments outside the traditional regulated utility business, such as power generation, energy trading and marketing, telecommunications, and oil and gas exploration. These are frequently debt financed and more often than not, these trends result in the erosion of bondholder protection perimeters.

The goal of management, of course, is to increase shareholder value, but in an increasingly uncertain environment. Fully one-fifth of electric utilities now carry negative outlooks. While a staggering one in four are on CreditWatch with negative implications.

Given the huge number of companies on CreditWatch, including those with positive implications, Standard & Poor's expects frequent rating changes to continue, as mergers are consummated and regulated activities recede in importance.

The most significant threat to the credit quality of utilities to date is the uncertainty as to the ability to pass through power costs to consumers on a timely basis. The issue for Standard & Poor's is this: To what lengths are regulators prepared to go to shelter ratepayers from the vagaries of the market, and thereby threaten the financial strength of utilities, which retain the responsibility of provider of last resort (PLR)?

Depending upon how the regulatory framework was laid out, the PLR obligation has the potential to do some real damage to those incurring it. To preserve credit quality, these companies must be able to adjust rates, not just to cover the cost of procuring power, but also to deliver the appropriate price signals to customers. Indeed, we have witnessed incredibly fast growth of these balances, in certain instances, especially the western states.

Standard & Poor's assumes that given the discretion to delay recovery, and in the absence of evidence to the contrary, regulators will allow costs to filter through to ratepayers, only to the extent that such increases are politically palatable.

An example of this is Sierra Pacific Resources and its units Nevada Power Co. and Sierra Pacific Power Co. These companies' ratings were lowered earlier this year to reflect substantial weakening of key financial perimeters. Resulting from their inability to recover elevated fuel and purchase power costs in a timely manner.

Although state regulators and politicians have provided some support in light of difficult market conditions, the lack of immediate rate relief in the face of elevated power prices throughout the western U.S., continues to pressure credit protection measures.

U.S. Power and Energy Sector Credit Slide to Continue

Standard & Poor's

Publication date: 20-Nov-2002

Even as the power and energy industry experiences its sharpest credit slide in decades, more declines and possible defaults loom on the horizon. The focus remains on a confluence of events steering its credit decline, ranging from excessive debt to surplus capacity.

In January of last year, we asked ourselves if things can get any worse for the industry," said Standard & Poor's Managing Director Ronald Barone. "Well, things have gotten a lot worse. It's been a torturous path to deregulation, companies have failed miserably, and it has been a credit Armageddon for some. You can't pick up the morning paper without reading about federal and state investigations, accounting irregularities, and market manipulation."

Mr. Barone said with bizarre energy policies, price caps, and interference in the markets, there has been a haphazard approach to deregulation in the U.S.

Behind the numbers, according to Mr. Chew, the framework for where the sector is headed includes:

- The collision of business and financial risk;
- The rise of liquidity issues;
- The expansion of the capital investment cycle;
- The return of regulatory uncertainty; and
- The rise of post default recovery.

Standard & Poor's Ratings

NSP-Mn

7/26/2002	From BBB-	to	BBB- Watch Negative
8/7/2002	BBB- Watch Negative	to	BBB- Watch Developing
5/14/2003	BBB- Watch Developing	to	BBB- Watch Positive

PSCo

7/26/2002	From BBB-	to	BBB- Watch Negative
8/7/2002	BBB- Watch Negative	to	BBB- Watch Developing
5/14/2003	BBB- Watch Developing	to	BBB- Watch Positive

NSP-Wi

7/26/2002	From BBB	to	BBB Watch Negative
8/7/2002	BBB Watch Negative	to	BBB Watch Developing
5/14/2003	BBB Watch Developing	to	BBB Watch Positive

SPS

7/26/2002	From BBB	to	BBB Watch Negative
8/7/2002	BBB Watch Negative	to	BBB Watch Developing
5/14/2003	BBB Watch Developing	to	BBB Watch Positive

Moody's

NSP-Mn

7/29/2002	From A1	to	A1 Review for Downgrade
8/16/2002	A1 Review for Downgrade	to	A3 Review for Downgrade
9/5/2002	A3 Review for Downgrade	to	Baa1
5/20/2003	Baa1	to	Baa1 Stable

PSCo

7/26/2002	From Baa1	to	Baa1 Review for Downgrade
9/5/2002	Baa1 Review for Downgrade	to	Baa2
5/20/2003	Baa2	to	Baa2 Stable

NSP-Wi

7/29/2002	From A1	to	A1 Review for Downgrade
8/16/2002	A1 Review for Downgrade	to	A3 Review for Downgrade
9/5/2002	A3 Review for Downgrade	to	Baa1
5/20/2003	Baa1	to	Baa1 Stable

SPS

7/26/2002	From A3	to	A3 Review for Downgrade
9/5/2002	A3 Review for Downgrade	to	Baa1 Review for Downgrade
5/20/2003	Baa1 Review for Downgrade	to	Baa1 Stable

AEP

	Div Yield	Zacks	Value Line	Average Gr	Expected Di	Mean DCF
20	4.416%	3.000%	2.500%	2.750%	4.476%	7.226%
360	4.119%	3.000%	2.500%	2.750%	4.175%	6.925%

CNL	10.449%		
EDE	12.407%		
ETR	9.410%		
EIX	11.946%		
PNW	11.576%		
PGN	9.565%		
AEP	7.226%		
		Lower Bound	Upper Bound
stdev	1.805%		
mean	10.369%	7.661%	13.076%
StdevX	1.7409767		