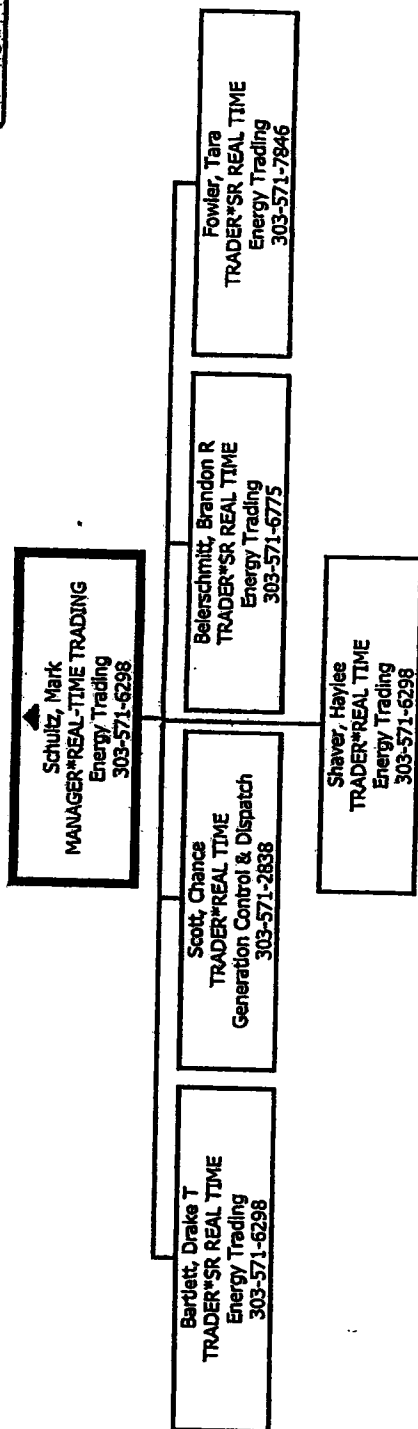


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XES 2007 SPS Allocated Costs

CO	Acct	Account Description	Charge to BU	BU Description	Amount
1013	40831	Payroll Taxes LA E	351016	CF SPS Prop Bk Trdng Support	4,792
1013	42650	Other Deductions NL E	351016	CF SPS Prop Bk Trdng Support	13
1013	92000	A&G Salaries LA E	351016	CF SPS Prop Bk Trdng Support	62,399
1013	92100	A&G Office & Supplies NL E	351016	CF SPS Prop Bk Trdng Support	18,084
1013	92300	A&G Outside Services NL E	351016	CF SPS Prop Bk Trdng Support	11
1013	92500	A&G Injures & Damages LA E	351016	CF SPS Prop Bk Trdng Support	80
1013	92601	Labor Load Pension LA E	351016	CF SPS Prop Bk Trdng Support	3,184
1013	92602	Labor Load Insurance LA E	351016	CF SPS Prop Bk Trdng Support	6,461
1013	93012	Advertising-General NL E	351016	CF SPS Prop Bk Trdng Support	0
1013	93500	A&G Mtce of General Plant NL E	351016	CF SPS Prop Bk Trdng Support	4
1013	40831	Payroll Taxes LA E	351017	CF SPS Gen Book Support	10,590
1013	42650	Other Deductions NL E	351017	CF SPS Gen Book Support	17
1013	92000	A&G Salaries LA E	351017	CF SPS Gen Book Support	136,457
1013	92100	A&G Office & Supplies NL E	351017	CF SPS Gen Book Support	-7,676
1013	92300	A&G Outside Services NL E	351017	CF SPS Gen Book Support	11
1013	92500	A&G Injures & Damages LA E	351017	CF SPS Gen Book Support	171
1013	92601	Labor Load Pension LA E	351017	CF SPS Gen Book Support	7,029
1013	92602	Labor Load Insurance LA E	351017	CF SPS Gen Book Support	14,173
1013	93012	Advertising-General NL E	351017	CF SPS Gen Book Support	0
1013	93100	A&G Rents NL E	351017	CF SPS Gen Book Support	25,923
1013	93500	A&G Mtce of General Plant NL E	351017	CF SPS Gen Book Support	4
1013	40831	Payroll Taxes LA E	351041	ES SPS Power Trading Prop	20,834
1013	42650	Other Deductions NL E	351041	ES SPS Power Trading Prop	256
1013	55700	Other Power Other Expense LA E	351041	ES SPS Power Trading Prop	701,500
1013	55700	Other Power Other Expense NL E	351041	ES SPS Power Trading Prop	16,192
1013	92500	A&G Injures & Damages LA E	351041	ES SPS Power Trading Prop	344
1013	92500	A&G Injures & Damages NL E	351041	ES SPS Power Trading Prop	7
1013	92601	Labor Load Pension LA E	351041	ES SPS Power Trading Prop	13,705
1013	92602	Labor Load Insurance LA E	351041	ES SPS Power Trading Prop	27,961
1013	93012	Advertising-General NL E	351041	ES SPS Power Trading Prop	47
1013	40831	Payroll Taxes LA E	351048	ES SPS Trading Native Hedge	16,761
1013	42650	Other Deductions NL E	351048	ES SPS Trading Native Hedge	269
1013	55700	Other Power Other Expense LA E	351048	ES SPS Trading Native Hedge	223,298
1013	55700	Other Power Other Expense NL E	351048	ES SPS Trading Native Hedge	16,453
1013	92100	A&G Office & Supplies NL E	351048	ES SPS Trading Native Hedge	19,785
1013	92500	A&G Injures & Damages LA E	351048	ES SPS Trading Native Hedge	265
1013	92601	Labor Load Pension LA E	351048	ES SPS Trading Native Hedge	10,785
1013	92602	Labor Load Insurance LA E	351048	ES SPS Trading Native Hedge	22,512
					<u>1,372,701</u>

XES 2007 Gross costs

CO

		Obj Acct	Posting Acct Desc
1010	40831 Payroll Taxes LA E	331016 CF NSPM Prop Bk Trdng Support	8,821
1010	42650 Other Deductions NL E	331016 CF NSPM Prop Bk Trdng Support	23
1010	42650 Other Deductions NL G	331016 CF NSPM Prop Bk Trdng Support	2
1010	92000 A&G Salaries LA E	331016 CF NSPM Prop Bk Trdng Support	114,919
1010	92100 A&G Office & Supplies NL E	331016 CF NSPM Prop Bk Trdng Support	1,206
1010	92300 A&G Outside Services NL E	331016 CF NSPM Prop Bk Trdng Support	20
1010	92500 A&G Injures & Damages LA E	331016 CF NSPM Prop Bk Trdng Support	148
1010	92601 Labor Load Pension LA E	331016 CF NSPM Prop Bk Trdng Support	5,867
1010	92602 Labor Load Insurance LA E	331016 CF NSPM Prop Bk Trdng Support	11,895
1010	93012 Advertising-General NL E	331016 CF NSPM Prop Bk Trdng Support	0
1010	93100 A&G Rents NL E	331016 CF NSPM Prop Bk Trdng Support	23,222
1010	93500 A&G Mtce of General Plant NL E	331016 CF NSPM Prop Bk Trdng Support	8
1010	40831 Payroll Taxes LA E	331017 CF NSPM Gen Book Support	15,655
1010	42650 Other Deductions NL E	331017 CF NSPM Gen Book Support	18
1010	42650 Other Deductions NL G	331017 CF NSPM Gen Book Support	2
1010	92000 A&G Salaries LA E	331017 CF NSPM Gen Book Support	201,977
1010	92100 A&G Office & Supplies NL E	331017 CF NSPM Gen Book Support	-8,303
1010	92300 A&G Outside Services NL E	331017 CF NSPM Gen Book Support	4,875
1010	92500 A&G Injures & Damages LA E	331017 CF NSPM Gen Book Support	253
1010	92601 Labor Load Pension LA E	331017 CF NSPM Gen Book Support	10,173
1010	92602 Labor Load Insurance LA E	331017 CF NSPM Gen Book Support	20,858
1010	93012 Advertising-General NL E	331017 CF NSPM Gen Book Support	0
1010	93100 A&G Rents NL E	331017 CF NSPM Gen Book Support	47,852
1010	93500 A&G Mtce of General Plant NL E	331017 CF NSPM Gen Book Support	6
1010	40831 Payroll Taxes LA E	331041 ES NSPM Power Trading Prop	35,361
1010	42650 Other Deductions NL E	331041 ES NSPM Power Trading Prop	394
1010	42650 Other Deductions NL G	331041 ES NSPM Power Trading Prop	39
1010	55700 Other Power Other Expense LA E	331041 ES NSPM Power Trading Prop	1,212,976
1010	55700 Other Power Other Expense NL E	331041 ES NSPM Power Trading Prop	42,754
1010	92100 A&G Office & Supplies NL E	331041 ES NSPM Power Trading Prop	3,457
1010	92500 A&G Injures & Damages LA E	331041 ES NSPM Power Trading Prop	581
1010	92500 A&G Injures & Damages NL E	331041 ES NSPM Power Trading Prop	12
1010	92601 Labor Load Pension LA E	331041 ES NSPM Power Trading Prop	23,269
1010	92602 Labor Load Insurance LA E	331041 ES NSPM Power Trading Prop	47,444
1010	93012 Advertising-General NL E	331041 ES NSPM Power Trading Prop	80
1010	40831 Payroll Taxes LA E	331048 ES NSP Trading Native Hedge	21,470
1010	42650 Other Deductions NL E	331048 ES NSP Trading Native Hedge	303
1010	42650 Other Deductions NL G	331048 ES NSP Trading Native Hedge	30
1010	55700 Other Power Other Expense LA E	331048 ES NSP Trading Native Hedge	296,955
1010	55700 Other Power Other Expense NL E	331048 ES NSP Trading Native Hedge	34,742
1010	92500 A&G Injures & Damages LA E	331048 ES NSP Trading Native Hedge	370
1010	92601 Labor Load Pension LA E	331048 ES NSP Trading Native Hedge	14,642
1010	92602 Labor Load Insurance LA E	331048 ES NSP Trading Native Hedge	29,026
1011	40831 Payroll Taxes LA E	332016 CF NSPW Admin & Gen Elec Pro	1
1011	92000 A&G Salaries LA E	332016 CF NSPW Admin & Gen Elec Pro	19
1011	92500 A&G Injures & Damages LA E	332016 CF NSPW Admin & Gen Elec Pro	0
1011	92601 Labor Load Pension LA E	332016 CF NSPW Admin & Gen Elec Pro	1
1011	92602 Labor Load Insurance LA E	332016 CF NSPW Admin & Gen Elec Pro	2
1011	40831 Payroll Taxes LA E	332017 CF NSPW Gen Book Support	2,892
1011	42650 Other Deductions NL E	332017 CF NSPW Gen Book Support	4
1011	42650 Other Deductions NL G	332017 CF NSPW Gen Book Support	1
1011	92000 A&G Salaries LA E	332017 CF NSPW Gen Book Support	36,864
1011	92100 A&G Office & Supplies NL E	332017 CF NSPW Gen Book Support	-1,831
1011	92300 A&G Outside Services NL E	332017 CF NSPW Gen Book Support	4,144
1011	92500 A&G Injures & Damages LA E	332017 CF NSPW Gen Book Support	46
1011	92601 Labor Load Pension LA E	332017 CF NSPW Gen Book Support	1,842
1011	92602 Labor Load Insurance LA E	332017 CF NSPW Gen Book Support	3,850

CO		Obj Acct	Posting Acct Desc
1011	93012 Advertising-General NL E	332017 CF NSPW Gen Book Support	0
1011	93100 A&G Rents NL E	332017 CF NSPW Gen Book Support	8,688
1011	93500 A&G Mtce of General Plant NL E	332017 CF NSPW Gen Book Support	2
1011	40831 Payroll Taxes LA E	332018 NSPW Trdg Native Hedge Suppo	1,048
1011	92000 A&G Salaries LA E	332018 NSPW Trdg Native Hedge Suppo	14,019
1011	92100 A&G Office & Supplies NL E	332018 NSPW Trdg Native Hedge Suppo	1,685
1011	92500 A&G Injures & Damages LA E	332018 NSPW Trdg Native Hedge Suppo	19
1011	92601 Labor Load Pension LA E	332018 NSPW Trdg Native Hedge Suppo	712
1011	92602 Labor Load Insurance LA E	332018 NSPW Trdg Native Hedge Suppo	1,397
1011	55700 Other Power Other Expense NL E	332040 ES NSPW Power Trading Gen	1,432
1012	40831 Payroll Taxes LA E	341016 CF PSCo Prop Bk Trdng Support	6,674
1012	42650 Other Deductions NL E	341016 CF PSCo Prop Bk Trdng Support	14
1012	42650 Other Deductions NL G	341016 CF PSCo Prop Bk Trdng Support	4
1012	42650 Other Deductions NL T	341016 CF PSCo Prop Bk Trdng Support	0
1012	92000 A&G Salaries LA E	341016 CF PSCo Prop Bk Trdng Support	87,024
1012	92100 A&G Office & Supplies NL E	341016 CF PSCo Prop Bk Trdng Support	-4,463
1012	92300 A&G Outside Services NL E	341016 CF PSCo Prop Bk Trdng Support	13
1012	92500 A&G Injures & Damages LA E	341016 CF PSCo Prop Bk Trdng Support	112
1012	92601 Labor Load Pension LA E	341016 CF PSCo Prop Bk Trdng Support	4,445
1012	92602 Labor Load Insurance LA E	341016 CF PSCo Prop Bk Trdng Support	9,008
1012	93012 Advertising-General NL E	341016 CF PSCo Prop Bk Trdng Support	0
1012	93100 A&G Rents NL E	341016 CF PSCo Prop Bk Trdng Support	17,910
1012	93500 A&G Mtce of General Plant NL E	341016 CF PSCo Prop Bk Trdng Support	5
1012	40831 Payroll Taxes LA E	341017 CF PSCo Gen Book Support	8,569
1012	42650 Other Deductions NL E	341017 CF PSCo Gen Book Support	27
1012	42650 Other Deductions NL G	341017 CF PSCo Gen Book Support	7
1012	42650 Other Deductions NL T	341017 CF PSCo Gen Book Support	0
1012	92000 A&G Salaries LA E	341017 CF PSCo Gen Book Support	108,347
1012	92100 A&G Office & Supplies NL E	341017 CF PSCo Gen Book Support	-4,835
1012	92300 A&G Outside Services NL E	341017 CF PSCo Gen Book Support	7,853
1012	92500 A&G Injures & Damages LA E	341017 CF PSCo Gen Book Support	139
1012	92601 Labor Load Pension LA E	341017 CF PSCo Gen Book Support	5,658
1012	92602 Labor Load Insurance LA E	341017 CF PSCo Gen Book Support	11,610
1012	93012 Advertising-General NL E	341017 CF PSCo Gen Book Support	0
1012	93100 A&G Rents NL E	341017 CF PSCo Gen Book Support	25,649
1012	93500 A&G Mtce of General Plant NL E	341017 CF PSCo Gen Book Support	10
1012	40831 Payroll Taxes LA E	341041 ES PSC Power Trading Prop	25,919
1012	42650 Other Deductions NL E	341041 ES PSC Power Trading Prop	246
1012	42650 Other Deductions NL G	341041 ES PSC Power Trading Prop	65
1012	42650 Other Deductions NL T	341041 ES PSC Power Trading Prop	1
1012	55700 Other Power Other Expense LA E	341041 ES PSC Power Trading Prop	888,036
1012	55700 Other Power Other Expense NL E	341041 ES PSC Power Trading Prop	18,694
1012	92100 A&G Office & Supplies NL E	341041 ES PSC Power Trading Prop	4,074
1012	92500 A&G Injures & Damages LA E	341041 ES PSC Power Trading Prop	426
1012	92500 A&G Injures & Damages NL E	341041 ES PSC Power Trading Prop	9
1012	92601 Labor Load Pension LA E	341041 ES PSC Power Trading Prop	16,986
1012	92602 Labor Load Insurance LA E	341041 ES PSC Power Trading Prop	34,736
1012	93012 Advertising-General NL E	341041 ES PSC Power Trading Prop	58
1012	40831 Payroll Taxes LA E	341048 ES PSC Trading Native Hedge	32,158
1012	42650 Other Deductions NL E	341048 ES PSC Trading Native Hedge	312
1012	42650 Other Deductions NL G	341048 ES PSC Trading Native Hedge	83
1012	42650 Other Deductions NL T	341048 ES PSC Trading Native Hedge	1
1012	55700 Other Power Other Expense LA E	341048 ES PSC Trading Native Hedge	430,061
1012	55700 Other Power Other Expense NL E	341048 ES PSC Trading Native Hedge	39,297
1012	92500 A&G Injures & Damages LA E	341048 ES PSC Trading Native Hedge	535
1012	92601 Labor Load Pension LA E	341048 ES PSC Trading Native Hedge	21,540
1012	92602 Labor Load Insurance LA E	341048 ES PSC Trading Native Hedge	43,928
1013	40831 Payroll Taxes LA E	351016 CF SPS Prop Bk Trdng Support	4,792

CO		Obj Acct	Posting Acct Desc
1013	42650 Other Deductions NL E	351016 CF SPS Prop Bk Trdng Support	13
1013	92000 A&G Salaries LA E	351016 CF SPS Prop Bk Trdng Support	62,399
1013	92100 A&G Office & Supplies NL E	351016 CF SPS Prop Bk Trdng Support	18,084
1013	92300 A&G Outside Services NL E	351016 CF SPS Prop Bk Trdng Support	11
1013	92500 A&G Injures & Damages LA E	351016 CF SPS Prop Bk Trdng Support	80
1013	92601 Labor Load Pension LA E	351016 CF SPS Prop Bk Trdng Support	3,184
1013	92602 Labor Load Insurance LA E	351016 CF SPS Prop Bk Trdng Support	6,461
1013	93012 Advertising-General NL E	351016 CF SPS Prop Bk Trdng Support	0
1013	93500 A&G Mtce of General Plant NL E	351016 CF SPS Prop Bk Trdng Support	4
1013	40831 Payroll Taxes LA E	351017 CF SPS Gen Book Support	10,590
1013	42650 Other Deductions NL E	351017 CF SPS Gen Book Support	17
1013	92000 A&G Salaries LA E	351017 CF SPS Gen Book Support	136,457
1013	92100 A&G Office & Supplies NL E	351017 CF SPS Gen Book Support	-7,676
1013	92300 A&G Outside Services NL E	351017 CF SPS Gen Book Support	11
1013	92500 A&G Injures & Damages LA E	351017 CF SPS Gen Book Support	171
1013	92601 Labor Load Pension LA E	351017 CF SPS Gen Book Support	7,029
1013	92602 Labor Load Insurance LA E	351017 CF SPS Gen Book Support	14,173
1013	93012 Advertising-General NL E	351017 CF SPS Gen Book Support	0
1013	93100 A&G Rents NL E	351017 CF SPS Gen Book Support	25,923
1013	93500 A&G Mtce of General Plant NL E	351017 CF SPS Gen Book Support	4
1013	40831 Payroll Taxes LA E	351041 ES SPS Power Trading Prop	20,834
1013	42650 Other Deductions NL E	351041 ES SPS Power Trading Prop	256
1013	55700 Other Power Other Expense LA E	351041 ES SPS Power Trading Prop	701,500
1013	55700 Other Power Other Expense NL E	351041 ES SPS Power Trading Prop	16,192
1013	92500 A&G Injures & Damages LA E	351041 ES SPS Power Trading Prop	344
1013	92500 A&G Injures & Damages NL E	351041 ES SPS Power Trading Prop	7
1013	92601 Labor Load Pension LA E	351041 ES SPS Power Trading Prop	13,705
1013	92602 Labor Load Insurance LA E	351041 ES SPS Power Trading Prop	27,961
1013	93012 Advertising-General NL E	351041 ES SPS Power Trading Prop	47
1013	40831 Payroll Taxes LA E	351048 ES SPS Trading Native Hedge	16,761
1013	42650 Other Deductions NL E	351048 ES SPS Trading Native Hedge	269
1013	55700 Other Power Other Expense LA E	351048 ES SPS Trading Native Hedge	223,298
1013	55700 Other Power Other Expense NL E	351048 ES SPS Trading Native Hedge	16,453
1013	92100 A&G Office & Supplies NL E	351048 ES SPS Trading Native Hedge	19,785
1013	92500 A&G Injures & Damages LA E	351048 ES SPS Trading Native Hedge	265
1013	92601 Labor Load Pension LA E	351048 ES SPS Trading Native Hedge	10,785
1013	92602 Labor Load Insurance LA E	351048 ES SPS Trading Native Hedge	22,512
			<u>5,513,881</u>

SPS TRADING REVENUE 2007
Actuals

Revenue	January Prop	February Prop	March Prop	April Prop	May Prop	June Prop	July Prop	August Prop	September Prop	October Prop	November Prop	December Prop	Year to Date Prop
Physically Settled Sales	\$ 1,313,904	\$ (585,725)	\$ -	\$ 600	\$ -	\$ -	\$ -	\$ (222,700)	\$ -	\$ -	\$ -	\$ 171,479	\$ 677,558
Capacity	-	-	-	-	-	-	-	-	-	-	-	-	-
Mark to Market	-	-	-	-	-	-	-	-	-	-	-	-	-
FTR Settlements	-	-	-	-	-	-	-	-	-	-	-	-	-
Options & Premiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewable Energy Credits	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	1,313,904	(585,725)	-	600	-	-	-	(222,700)	-	-	-	171,479	677,558
<i>Units (MWh's)</i>	<i>20,470</i>	<i>388</i>	<i>-</i>	<i>12</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>20,810</i>
Cost of Goods Sold	1,074,856	2,625	7,461	(1,824)	(196,356)	(491,055)	(109,991)	(345,183)	(73,592)	(43)	(78,347)	(5)	(211,755)
Capacity	-	-	-	-	-	-	-	-	-	-	-	-	-
Broker Fees & Financial Settlements	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission	-	-	-	-	-	-	-	-	-	-	-	-	-
FTR Settlements	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cost of Goods Sold	1,074,856	2,625	7,461	(1,824)	(196,356)	(491,055)	(109,991)	(345,183)	(73,592)	(43)	(78,347)	60	(211,220)
Margin Before RP	239,048	(588,350)	(7,461)	2,424	196,356	491,055	109,991	122,479	73,427	43	78,347	171,419	888,778
Less: Ratepayer Sharing	-	-	369,555	(62,293)	(25,983)	(11,359)	(37,039)	51,391	(14,089)	20,844	123,112	154,962	569,099
Margin Net of Ratepayer Sharing	239,048	(588,350)	(377,014)	64,717	222,339	502,414	147,030	71,088	87,516	(20,801)	(44,765)	16,457	319,679
Unrealized MTM JOA & Related Rate Payer Sharing Reserve	(1,224,721)	519,981	(182,371)	(111,236)	413,215	(112,138)	268,903	117,569	(33,753)	97,976	186,304	(466,685)	(526,956)
JOA Effect PSCs to SPS	87,231	66,829	126,462	122,163	(97,725)	(108,589)	(82,773)	77,995	(14,352)	3,361	104,984	179,321	464,907
JOA Effect NSP to SPS	448,200	78,971	1,949,409	(496,079)	(81,815)	(71,073)	(91,372)	106,716	(76,181)	97,601	488,157	655,096	3,007,630
JOA Effect SPS to NSP & PSC	244,983	17,588	5,685	(1,847)	(149,624)	(374,164)	(83,813)	(93,329)	(55,951)	(32)	(59,701)	(117,227)	(687,452)
Total JOA Effect	780,414	163,388	2,081,556	(375,763)	(529,164)	(553,846)	(257,958)	91,382	(146,484)	100,930	533,440	717,190	2,803,085
Prep Margin After JOA and Ratepayer Sharing	\$ (205,559)	\$ 95,019	\$ 1,522,171	\$ (422,282)	\$ 306,390	\$ (163,570)	\$ 157,975	\$ 280,039	\$ (92,721)	\$ 178,105	\$ 674,979	\$ 266,962	\$ 2,597,808
<i>Gen</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>
Revenue	\$ 84,205	\$ 564,507	\$ 2,298,489	\$ 1,951,433	\$ 1,754,682	\$ 5,655,083	\$ 2,571,566	\$ 1,977,216	\$ 1,949,574	\$ 990,087	\$ 1,393,400	\$ 934,651	\$ 22,124,893
Physically Settled Sales (1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Mark to Market	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	84,205	564,507	2,298,489	1,951,433	1,754,682	5,655,083	2,571,566	1,977,216	1,949,574	990,087	1,393,400	934,651	32,124,893
<i>Units (MWh's)</i>	<i>1,064</i>	<i>8,346</i>	<i>55,683</i>	<i>42,865</i>	<i>39,387</i>	<i>82,582</i>	<i>36,658</i>	<i>43,871</i>	<i>49,866</i>	<i>24,581</i>	<i>30,361</i>	<i>20,004</i>	<i>435,288</i>
Cost of Goods Sold	41,295	551,713	2,128,017	1,858,502	1,480,014	4,097,388	2,081,922	2,111,464	1,892,569	977,998	1,421,600	830,019	19,472,501
Physically Settled Cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission	-	-	-	-	-	-	-	-	-	-	-	-	-
Broker Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cost of Goods Sold	41,295	551,713	2,128,017	1,858,502	1,480,014	4,097,388	2,081,922	2,111,464	1,892,569	977,998	1,421,600	830,019	19,472,501
Margin Before RP	42,910	12,794	170,472	92,931	274,668	1,557,695	489,644	(134,248)	57,005	12,089	(38,200)	104,632	2,652,392
Less: Ratepayer Sharing	(75,682)	88,960	52,568	70,868	170,449	795,099	233,950	(59,104)	34,244	3,340	29,800	52,666	1,397,158
Less: REC Allowance net of Sharing	-	-	-	-	-	-	-	-	-	-	-	-	-
FCA Wholesale Sharing	-	-	-	-	-	-	-	-	-	-	-	-	-
SO2 Allowance Net of Sharing	-	-	-	-	-	-	-	-	-	-	-	-	-
Gen Margin After RP Sharing	\$ 118,592	\$ (76,166)	\$ 117,904	\$ 22,063	\$ 98,200	\$ 762,596	\$ 255,694	\$ (75,144)	\$ 22,761	\$ 8,749	\$ (58,000)	\$ 51,966	\$ 1,249,215
<i>Gen</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>
Total Prep & Gen Margins	\$ (86,667)	\$ 18,853	\$ 1,640,975	\$ (400,219)	\$ 404,590	\$ 599,026	\$ 413,669	\$ 204,895	\$ (69,960)	\$ 186,854	\$ 616,979	\$ 318,928	\$ 3,847,033
<i>Gen</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>	<i>sn</i>

QUESTION NO. AXM 15-8:

Ref: SPS Response to OPUC 1-6 (Lobbying). The referenced response defines “lobbying” as involving “directly communicating” with members of the “legislative or executive branches”. Please provide the following information:

- a. Identify each of the XES and SPS employees by position who engaged in “lobbying” under the company’s definition during the test period.
- b. Provide the estimated gross annual salary and related benefits and taxes paid to each of the employees identified in your response to part (a) during 2007, indicating the percentage distribution of such costs by FERC account for each employee.
- c. Provide an itemization by payee of each non-labor expenditure that was determined by to “lobbying” in the test year, indicating the XES business area, department and XES work order used to record and distribute each such charge.
- d. Confirm that activities undertaken by XES and SPS to evaluate proposed legislation or regulations, to develop Company positions regarding legislation or regulations, or to develop and maintain relationships with legislators or executive branch personnel are not considered “lobbying” under the Company’s definition.
- e. Identify the XES and SPS business areas and employee positions that are involved with the activities described in part (d), indicating the approximate test year expenses incurred within each such business area for the activities listed in part (d).

RESPONSE:

- a. The two registered lobbyists in Texas are Eric Woomer, Director of Regional Governmental Affairs, and Sherry Kunka, Project Director. Only Eric Woomer provides services for SPS that meet the definition of “lobbying” under the Texas statute. (Please also refer to SPS’s response to subpart d of this question.) Sherry Kunka is not considered a lobbyist under SPS’s definition and engaged in no lobbying activities, as defined by state law. Ms. Kunka files as a lobbyist out of an abundance of caution, but was not required to file by law because she fell under the “incidental lobbying” exemption during the test period, meaning lobbying constituted less than 5% of her compensated time.
- b. Please refer to Exhibit AXM15-8b(HS), which is HIGHLY SENSITIVE.
- c. Please refer to Exhibit AXM15-8c, which is a comprehensive itemization of expenses that meet the definition of “lobbying” in Texas. Included are all expenses that involved “direct communication” to influence specific legislation or regulations, as well as all “direct communications” meant to generate or maintain goodwill.

*PUC Docket No. 35763; SOAH Docket No. 473-08-3436
Southwestern Public Service Company’s Response to
AXM’s Fifteenth Request for Information*

The XES business area is Government and Regulatory Affairs and department is GRA State Hub Affairs – Liaison. (Work Order Number 995304).

SPS is not requesting recovery of these costs in its Cost of Service.

- d. SPS confirms that the following activities are not lobbying: (1) activities undertaken by XES and SPS to evaluate proposed legislation or regulations; and (2) activities undertaken by XES or SPS to develop positions regarding legislation or regulations. The definition of “lobbying” used by SPS is not its own, but rather is the definition provided by law in Texas. The Texas Lobby Laws (Chap. 305, Texas Government Code) and the Texas Ethics Commission rules define lobbyists as “certain persons who by direct communication with government officers, engage in efforts to persuade members of the legislative or executive branch to take specific actions.” (Sec. 305.001, Govt. Code.)

Furthermore, under Ethics Commission rules, if a person engages in activities to prepare for lobby communications (as examples: strategy sessions, review and analysis of legislation or administrative matters, research and communication with the employer/client/co-worker), but does not actually communicate with a member of the legislative or executive branch to influence legislation or administrative action, then the person is not engaged in lobbying activities. (1 T.A.C. § 34.3.)

In addition, according to the Texas Ethics Commission, the following activities are not lobbying:

- responses to a specific request for information from a state officer or employee, when the request was not solicited by or on behalf of the person providing the information;
- providing oral or written comments, making an appearance, or any other type of communication, if documented as part of a public record in an agency's rule-making proceeding under the Administrative Procedure Act; and
- communicating to an agency's legal counsel, an administrative law judge, or a hearings examiner concerning litigation or adjudicative proceedings to which the agency is a party, or concerning adjudicative proceedings of that agency.

The answer to whether activities undertaken by XES or SPS to develop and maintain relationships with legislators or executive branch personnel are lobbying depends on the individual who undertakes the activity.

Under Texas Ethic Commission rules, a person is a lobbyist only if lobbying constitutes more than five percent of the person's compensated time during a calendar quarter or if the person spends more than \$500 in a calendar quarter to lobby. (1 T.A.C. § 34.43(b).) Among XES and SPS employees, only Eric Woomer meets either of those thresholds. Sherry Kunka made no expenditures to lobby, and was covered by the "incidental lobbying" exception (less than 5% of her compensated time), but registered as a lobbyist anyway out of an abundance of caution.

Mr. Woomer's expenditures made to maintain good will among legislative and executive branch employees, whether or not specific legislation or administrative actions were discussed at the time of the communication, are counted as lobby expenditures in accordance with Texas Ethics Commission rules and are included in the list provided in SPS's response to part (c) of this request. SPS has excluded Mr. Woomer's expenditures from its proposed cost of service.

- e. Other than the dollar amounts listed on Schedule G-5 of SPS's Rate Filing Package, (Vol. SCH2, Bates Stamp page 13), SPS has no basis for estimating test year expenditures associated with activities performed by non-lobbyists to: (1) evaluate proposed legislation or regulations; (2) develop SPS or XES positions regarding legislation or regulations; or (3) develop and maintain relationships with legislators or executive branch personnel. To SPS's knowledge, no SPS or XES non-lobbyist engaged in activities to develop and maintain relationships with legislators or executive branch personnel or, if any such activities did occur, the activities were only incidental.

SPS's and XES's work orders and employee time records do not contain the detail needed to identify those employees who spend time (1) evaluating proposed legislation or regulations; (2) developing SPS or XES positions regarding legislation or regulations; or (3) developing and maintaining relationships with legislators or executive branch personnel. Nonetheless, the following list is an attempt to identify XES and SPS employees who were involved with activities related to (1) evaluating proposed legislation or regulations or (2) developing SPS or XES positions regarding legislation or regulations. The list does not include employees whose sole activity was to evaluate proposed Commission rules or to develop SPS's or XES's positions regarding Commission rules. None of the employees made any expenditures connected with such activities and, with the exception of Eric Woomer, none spent more than 5% of his or her time engaged in such activities. The position listed for each individual is the person's position during the test year. All of the individuals, other than Mr. Eves, were XES employees during the test year.

David Eves, President and CEO, SPS
David Hudson, Director, Regulatory Administration
Jerry Shackelford – Assistant General Counsel
Brad Sparks – Team Leader, Siting and Land Rights
Dave Steepleton – Manager, Property & Sales Tax
Dave Picconi – Senior Analyst, Income Tax
Dean Metcalf – Director, Air & Water
Frank Prager – Assistant General Counsel
John Fulton – Manager, Transmission Reliability Assessment
Laura Wing – Assistant General Counsel
Mary Landstrom – Director, Income Tax Compliance & Accounting
Olon Plunk – Vice President, Environmental Issues
Ron Dutton – Manager, Air & Water
Roy Palmer – Managing Director, Regional Governmental Affairs
Seth Thomason – Manager, Managed Accounts Sales
Tim Woolley – Senior Manager, RTO Policy
Lee Vanderschaaf – Manager, Domestic Income Tax Policy
Eric Woomer - Director of Regional Governmental Affairs
Sherry Kunka - Project Director
Wes Berger – Rate Case Manager
James Bagley – Manager, Regulatory Administration

Preparer(s): Eric Woomer, David T. Hudson
Sponsor(s): David T. Hudson

QUESTION NO. AXM 25-5:

Ref: SPS Response to AXM 1-56 (Outside Services). The referenced response indicates that Ryan and Company charged XES \$878,674 (direct charged to SPS) in connection with a Texas sales and use tax audit that resulted in a refund. Please provide the following:

- a. Please identify the time period during which Ryan and Company provided the compensated services.
- b. When was the refund received by SPS? Please explain.
- c. How was the refund recorded by SPS? Please identify accounts.
- d. Is any portion of the \$2.9 million tax refund included in the quantification of revenue requirement? If so, please quantify the amount by FERC account. If not, please explain why not.
- e. Is the payment to Ryan and Company included in the quantification of revenue requirement? If so, please quantify the amount by FERC account.
- f. Referring to the responses to parts (d) and (e) above, if the outside services costs are included in proforma test year expense but the tax refund amount is not considered, please explain why the Company believes that this inconsistent treatment is necessary and appropriate.

RESPONSE:

- a. Services by Ryan and Company for the Texas Sales and Use Tax project were rendered from September 2001 through February 2007.
- b. SPS received a check from the Texas Comptroller on May 15, 2007.
- c. The net amount received of \$37,636 was recorded on SPS's balance sheet to FERC Account 024100 Tax Collections Payable.
- d. No. Given that the net amount received was minimal (the net amount was \$37,636), it was recorded on the balance sheet and not the income statement.

- e. Yes. The payment to Ryan and Company of \$878,674 was recorded in FERC Account 923 and is included in the quantification of SPS's Test Year revenue requirement.
- f. The outside services cost is an appropriate cost because the work that Ryan and Company performed during the earlier, audit period provided a benefit to SPS and its customers during the Test Year. The sales and use tax issues that Ryan and Company reviewed for the audit period also were issues for the rate case Test Year. The Test Year was part of an audit that covered the period September 1, 2001, through August 31, 2005, which was extended through December 31, 2007, by settlement. SPS was able to build upon the work that Ryan and Company performed for the earlier period and to use that approach and analysis to produce what likely was a lower level of Test Year sales and use tax expense than would have been incurred but for that prior work

Preparer(s): Jenny Wagon, Anita Salazar, Timothy L Willemsen
Sponsor(s): Timothy L Willemsen

RESPONSES

QUESTION NO. OPL 1-1:

Referring to SPS's responses to AXM's RFI No. 1-56 and Staff-AG 6-37 where you discuss the \$878,674 fee paid to Ryan & Company, please (a) state the amount of that fee that SPS intends to recover from its Texas ratepayers, (b) provide any documents or communications that relate to the recovery of any or all of that fee from SPS's ratepayers, and (c) explain how SPS proposes to recover that amount through its rates in this proceeding.

RESPONSE:

The fee was recorded in FERC Account 923 during the Test Year. SPS has allocated 60.61% of the fee to its Texas retail jurisdiction in this proceeding, as shown in the Direct Testimony of Timothy L. Willemsen, Attachment TLW-RR-1, Volume RR8, Bates Stamp page 323. FERC Account 923 is on line 5. There are no documents or communication related to the recovery of this item other than Mr. Willemsen's Attachment TLW-RR-1.

Preparer(s): Timothy L. Willemsen

Sponsor(s): Timothy L. Willemsen

*PUC Docket No. 35763; SOAH Docket No. 473-08-3436
Southwestern Public Service Company's Response to
Occidental Permian Ltd.'s First Request for Information*

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QUESTION NO. OPL 1-2:

Referring to SPS's responses to AXM's RFI No. 1-56 and Staff-AG 6-37 where you discuss the \$878,674 fee paid to Ryan & Company, please provide a copy of the agreement between XES and Ryan & Company that determines how the fee for Ryan & Company's service is established.

RESPONSE:

Please refer to Exhibit OPL1-2 for a copy of the agreement.

Preparer(s): Anita Salazar
Sponsor(s): Timothy L. Willemsen

*PUC Docket No. 35763; SOAH Docket No. 473-08-3436
Southwestern Public Service Company's Response to
Occidental Permian Ltd.'s First Request for Information*

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RYAN

& COMPANY

State & Local Tax Services

Three Galleria Tower
13155 Noel Road
12th Floor, LB 72
Dallas, TX 75240-5090
Tel. 972.934.0022
Fax 972.960.0613
www.ryanco.com

September 7, 2001

Mr. Dave Steepleton
Tax Manager
Xcel Energy, Inc.
1225 17th Street
Suite 1000
Denver, CO 80202

RE: Agreement for Texas Managed Audit Services

Dear Dave:

Thank you very much for the opportunity to assist you and Xcel Energy, Inc. ("Xcel") with state and local audit defense. As discussed, this letter (the "Agreement") outlines the terms and conditions of our engagement to assist Xcel with conducting a Texas sales and use tax managed audit for purchase transactions.

ENGAGEMENT SCOPE

Ryan & Company, Inc. ("Ryan & Company") will assist Xcel with the management, resolution, and settlement of its Texas sales and use tax managed audit of its purchase transactions for the following entities and/or locations:

Southwestern Public Service Company (d/b/a Xcel Energy) / Texas Operations

Ryan & Company's services will include all research, preparation of workpapers, and other assistance required to minimize Xcel's tax liability, including negotiating with Texas Comptroller of Public Accounts ("Comptroller") personnel on behalf of Xcel. Ryan & Company shall keep Xcel informed on the ongoing nature of all such negotiations. Ryan & Company's services will include, but not be limited to the following:

- Draft and negotiate a managed audit agreement with the Comptroller, which agreement must be acceptable to Xcel.
- Develop a methodology for sampling purchase transactions and negotiate the acceptance of this agreement with the Comptroller. Our methodologies are designed to ensure that the sample is "representative" according to established professional guidelines and that the sample and projection methodology adheres to *generally accepted sampling procedures*.

Mr. Dave Steepleton
Xcel Energy, Inc.
September 7, 2001
Page 2

- Determination of optimum grouping and stratification using proven techniques such as the cumulative square root of the frequency distribution method.
- Determination of optimum detail transaction examination levels.
- Selection and implementation of optimum sample sizes. Our approach considers both generally known techniques, such as the AICPA's *Statement of Auditing Standards No. 39*, as well as advanced proprietary techniques developed by us that incorporate sample data compiled by us over many years of practice experience.
- Post-audit grouping and stratification evaluation, including consideration of sample modification or expansion.
- Obtain and review all transactions selected in the sample for proper tax treatment. Upon completion of the initial audit schedules, we will provide this information to Xcel for its internal review. Xcel agrees to timely provide Ryan & Company access to all invoices and related documentation necessary to conduct the managed audit.
- At the completion of the initial review, we will present audit workpapers and schedules for Xcel's review.
- Upon finalization of the managed audit workpapers, we will present the information to the Comptroller for review.
- We will review all items scheduled as exceptions by the Comptroller to negotiate the proper treatment of such items. These items represent auditor exceptions in addition to those disclosed as part of the initial managed audit.
- Pulling and making hard copies, to at least a degree acceptable to Xcel and/or the Comptroller, of the invoices selected in the sample.
- Providing to Xcel at the completion of the audit, a brief write-up of findings and suggestions to improve Xcel's future compliance requirements.
- Any other actions necessary to assist Xcel in the resolution and settlement of the audit, including conducting any administrative hearing.

ENGAGEMENT PERIOD

Our review will cover the audit period of December 1, 1996 through August 31, 2001.

Mr. Dave Steepleton
Xcel Energy, Inc.
September 7, 2001
Page 3

ELECTRONIC DATA FILES

Xcel agrees to provide electronic data files to Ryan & Company that will facilitate the identification and location of records to be reviewed. Ryan & Company generally utilizes accounts payable and sales and use tax accrual data in text/ASCII files, DBF files, or spreadsheet files. Ryan & Company will assist Xcel information systems personnel with determining the appropriate system file layouts, required data fields, file types, and transfer media. Any out-of-pocket costs of preparing, modifying, or transferring such data will be the responsibility of Ryan & Company.

RESPONSIBILITIES

This service will be conducted under the supervision of Mr. James M. Trester, Principal. Mr. Trester will serve as project manager for this engagement and will be responsible for staffing, project coordination, technical direction, and related issues. Mr. Jay Magallanez will serve as account manager should there be any questions, related to this engagement or future engagements. Additionally, throughout the course of this engagement, we will make every effort to arrange and schedule all work to avoid interruption to Xcel's normal business operations.

COMPENSATION

In the event Ryan & Company obtains any tax refunds, credits, or reductions, Xcel agrees to pay Ryan & Company and hereby assigns to Ryan & Company, as compensation for this service, thirty percent (30%) of any tax refunds, credits, or reductions, including interest and penalties, which Xcel receives from taxing authorities and/or vendors. Ryan & Company will make every effort to minimize any proposed assessed tax prior to the completion and processing of the audit report. Our efforts will be based upon the Ryan & Company calculations of underpayments that will be presented to Xcel for approval prior to presentation to the Comptroller. Xcel agrees that Ryan & Company reductions of assessed tax after the completion and processing of the audit report are considered savings for the purposes of fee calculations.

After receipt of Xcel's written approval, Ryan & Company may engage third party legal counsel or other third party professional tax consultants to represent Xcel on specific issues within the audit at Ryan & Company's expense. In the event Ryan & Company obtains any refunds, credits, or reductions as a result of their employment of third party legal counsel or other third party professional tax consultants, Xcel agrees to pay Ryan & Company, as compensation for this service, thirty-six percent (36%) of any tax refunds, credits, or reductions, including interest and penalties, that Xcel receives as resolution of such specific issues that third party legal counsel or other third party professional tax consultants were engaged within. In the event no tax refunds, credits, or reductions are obtained, no fee will be due.

Mr. Dave Steepleton
Xcel Energy, Inc.
September 7, 2001
Page 4

Our fee will be invoiced upon verification by the taxing authority, if applicable, and is due and payable within thirty (30) days of receipt by Xcel of any refunds, credits, or reductions of any audit assessment.

INTEGRITY & CONFIDENTIALITY

We guarantee that all matters associated with the professional services we render will be directed with the highest degree of professional integrity. Accordingly, all information that Xcel makes available to Ryan & Company shall be considered confidential, proprietary information and Ryan & Company shall not disclose such information to any third party except as required in fulfilling duties described by this Agreement or to comply with an official order of a court of law.

Additionally, Xcel agrees that Ryan & Company's work product, including specific engagement procedures, techniques, and tax saving strategies, constitute confidential, proprietary information and Xcel further agrees not to disclose such information to any third party without obtaining prior written approval from Ryan & Company, except as may be required by law. This Agreement does not include information independently developed by Xcel, information previously known to Xcel, or information rightfully received by Xcel from a third party without confidential limitations.

LAW GOVERNING AGREEMENT

This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado. Exclusive venue for any dispute with respect to this Agreement shall reside in a court of competent jurisdiction in Denver, Denver County, Colorado.

ACKNOWLEDGMENT

Thank you for the opportunity to assist you with this project. If the above terms and conditions meet with your approval, please sign and return the enclosed copy of this Agreement at your convenience. Upon acceptance, we will contact you to arrange a mutually acceptable time to begin our review. If you have any questions, or if you would like to discuss this agreement further, please contact Mr. Jay Magallanez at 800.459.9359, Ext. 465 or Mr. James M. Trester at 972.934.0022, Ext. 248.

RYAN & COMPANY, INC.:

By: James Trester

Date: 9-7-01

XCEL ENERGY, INC.:

By: Dave Steepleton

Date: 9-11-01

QUESTION NO. TIEC 3-2:

Please provide copies of all credit reports published by Standard & Poor's (S&P), Moody's and Fitch Ratings for Southwestern Public Service Company (SPS), Xcel Energy (Xcel) and all of its operating utility affiliates reviewed by Dr. Avera in support of his direct testimony.

RESPONSE:

Please refer to Exhibit TIEC3-2.

Preparer(s): William E. Avera
Sponsor(s): William E. Avera

Global Power/North America Credit Update

Southwestern Public Service Co.

Ratings

Security Class	Current Rating	Previous Rating	Date Changed
Long-Term IDR	BBB	BBB+	3/15/07
Short-Term IDR	F2	NR	12/6/05
Sr. Unsecured	BBB+	A-	3/15/07

IDR – Issuer default rating. NR – Not rated.

Rating Watch..... None
Rating Outlook..... Stable

Analysts

Justin Bowersock
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Profile

SPS is a fully integrated, investor-owned utility that generates, transmits, distributes and sells electric energy to approximately 386,000 customers in approximately 52,000 square miles of service area in the panhandle and South Plains of Texas as well as eastern New Mexico.

Related Research

- Xcel Energy Inc., Credit Analysis, March 23, 2007.
- Northern States Power Co. — Minn., Credit Update, March 23, 2007.
- Northern States Power Co. — Wisc., Credit Update, March 23, 2007.
- Public Service Co. of Colorado, Credit Update, March 23, 2007.

Key Credit Strengths

- Substantial external liquidity.
- O&M cost management.
- Limited capital spending.
- Operation of coal-fired plants.

Key Credit Concerns

- Growing short generation position/increasing capacity costs.
- Wholesale/C&I customer concentration.
- Multiple regulatory jurisdictions.
- Environmental compliance costs.

March 23, 2007

Rating Rationale

The rating reflects Southwestern Public Service Co.'s (SPS) weaker financial profile and higher business risk profile. Specifically:

- Deteriorating cash flows from operations. Cash flows have been lower primarily due to higher capacity costs, higher energy costs, and a recovery lag for fuel and purchased power. While SPS has a regulatory mechanism to recover increased fuel and purchased power costs, the design of the mechanism increases working capital needs and lowers operating cash flows during periods of quickly rising prices. Funds from operations (FFO)-to-interest coverage has steadily declined over the past five years and was 2.5 times (x) as of Dec. 31, 2006.
- Growing capacity costs. SPS controls approximately 4,300 megawatts (mw) of generation versus an estimated 2007 peak load of 4,700 mw. Including 2007 contracted wholesale firm sales of 1,475 mw, interruptible sales of 150 mw (estimated from SPS' 2006 Texas electric rate case filing), and purchases of 600 mw, the company's net short position increases to approximately 2,900 mw. When SPS was long generation, wholesale sales helped subsidize retail customers' costs. Now, however, firm wholesale sales add operational, regulatory and political complexities with regard to rates, particularly average system costs versus incremental costs and resource planning. Wholesale customers have fought SPS about paying rates based on system average costs versus incremental costs. Older customers want rates based on coal-fired unit costs rather than higher systemwide costs, which include gas-fired unit costs. SPS received an adverse administrative law judge (ALJ) recommendation in this matter. The potential liability is \$50 million, and the company has reserved \$7 million. SPS hopes the Federal Energy Regulatory Commission (FERC) will disregard the ALJ. If high energy prices persist, SPS' short position may grow at a higher rate than in past years given a concentration of customers in the oil and gas sector. From a credit perspective, the increasing reliance on purchased power is noteworthy because SPS has no regulatory mechanism to recovery capacity costs (in its recent rate case SPS tried without success to obtain recovery through its existing fuel-adjustment mechanism). While in this case Fitch does not include power purchase contracts as a debt equivalent, increased capacity payments have hurt SPS' margins. Without a regulatory mechanism for timely recovery of such costs, increasing capacity payments will continue to reduce SPS' sustainable cash flow and coverage levels.
- Concentration of customers in the wholesale and commercial and industrial (C&I) classes. C&I customers comprise 47% of mw sold and 45% of revenues. Residential customers account for less than 13% of SPS' customer mix. This exposes SPS to multiple risks, such as alternative suppliers, fuel-switching, self-built generation and demand destruction (the C&I segment, in

particular, is more sensitive to commodity prices than the residential segment). In addition, large C&I customers have resisted company efforts to improve timely recovery of commodity costs and capital spending.

- Multiple regulatory jurisdictions. SPS is regulated by the Public Utility Commission of Texas (PUCT), FERC, the New Mexico Public Regulation Commission and by the 81 municipalities it services within Texas. This creates numerous challenges for setting rates, recovering capital and fuel and power purchased costs, and developing a resource plan. Fitch notes that in 2006, SPS sold its customers in Kansas and Oklahoma to a third party, thereby eliminating oversight from two states.
- Environmental costs of coal-fired generation. SPS' two coal-fired plants account for more than 2,200 mw, or 52% of total owned generation, and SPS has made no additional investments in pollution control equipment. The company is reluctant to make such investments without a regulatory mechanism for timely recovery, and there has been little support among SPS' customers, particularly the large C&I customers, for recovery outside of a general rate case. Ultimately, SPS will have to invest in pollution control equipment. Under the Clean Air Interstate Rule (CAIR), for example, SPS will need to spend approximately \$25 million on equipment and another \$12 million-\$25 million per year on emissions credits (SPS is appealing the Environmental Protection Agency's decision to apply CAIR to its plants, but no resolution is expected before 2008). Carbon standards and other regulations could increase the amount of investment needed. The ultimate effect on SPS' ratings and Rating Outlook will depend on the regulatory treatment.

There are several credit positives. First, demand in SPS' service territory is growing, largely driven by oil and gas customers, versus generally flat demand in past years, as SPS' territory is largely rural and agricultural in nature. Second, the company operates its coal-fired generation well, keeping capacity factors above 90% and forced outage rates lower than industry averages. The company also managed a coal supply crisis in 2005 reasonably well. Third, the company managed to keep its operations and maintenance (O&M) costs (adjusted for fuel expenses) down, with the exception of increased health care and benefits costs. Finally, SPS is

unlikely to transition to retail competition in the next 2-3 years.

The Stable Rating Outlook reflects Fitch's expectation that credit metrics will remain within parameters for the current rating category. For 2007 and 2008, Fitch estimates funds from operations (FFO) interest coverage will be in the range of 3.0 times (x)-4.0x and total debt-to-FFO will be in the range of 5.0x-6.0x.

■ Recent Developments

Texas Electric Rate Case

In 2006, SPS filed for its first base rate increase since 1992, requesting a \$48 million rate increase and 11.6% return on equity. The filing also included fuel reconciliation for 2004 and 2005 of \$957 million, and various parties have recommended disallowances ranging from \$8 million-\$120 million. One party, an alliance of municipalities served by SPS, challenged two coal supply contracts executed in 2005 and 2006 as imprudent. The proposed disallowances over the life of the two contracts through 2010 and 2017, respectively, are in excess of \$100 million. The PUCT will decide this matter by May 2007.

Fitch continues to monitor this situation. An adverse outcome in this proceeding, especially if interveners' efforts to disallow the two coal supply contracts are successful, could negatively affect the rating or Rating Outlook of SPS.

Resource Planning/Capital Spending

Currently SPS plans capital investments of approximately \$135 million per year through 2009. This budget does not include any investment in new generation. In the near and intermediate term, SPS plans to purchase more capacity. It will contract for approximately 250 mw of wind generation this year and approximately 200-250 mw of intermediate capacity beginning 2008 and 2009. In the long term, SPS will need more base-load generation.

The buy or build question with regard to base-load generation illustrates some of the challenges SPS faces. SPS owns most of the low-cost base-load generation accessible through the existing transmission system, and there are no significant base-load additions planned by others within SPS' transmission area. Second, SPS is unable to pass through its capacity costs, which limits the attractiveness of long-term base-load purchase

agreements. Third, there has been little support, particularly from large C&I customers, for a regulatory plan that would allow timely recovery of building costs. Building a base-load plant through a general rate case proceeding, which creates a significant lag between cash outflow and recovery, is a major disincentive to self-build.

Reserves for Contingencies

Management believes it has sufficient reserves for approximately \$100 million of contingencies primarily related to several rate and regulatory matters before FERC and the Texas and New Mexico public utility commissions. Some of these matters may take several years to resolve. To the extent that current reserves are insufficient to fund final obligations, Fitch expects SPS to finance its payments in a ratings neutral manner.

■ Liquidity and Debt Structure

Fitch estimates that cash from operations will fund approximately 60%–75% of SPS' capital spending in 2007 and 2008 after paying dividends to XEL of \$70 million–\$80 million per year. Short-term debt is likely to fund the shortfall; SPS can borrow up to \$100 million through an intracompany money pool, and has a stand-alone \$250 million credit facility that expires in 2011 and can be extended for one year with 50% lender approval. The credit facility has a 65% total debt-to-total capitalization covenant. As of Dec. 31, 2006, SPS borrowed approximately \$52 million under the credit facility.

SPS had \$774 million of long-term debt outstanding at year-end 2006, including \$650 million of unsecured bonds. There are no maturities in 2007 or 2008.

FitchRatings

KNOW YOUR RISK

Corporate Finance

Financial Summary — Southwestern Public Service Co.

(\$ Mil., Fiscal Years Ended Dec. 31)

	2006	2005	2004	2003	2002
Fundamental Ratios (x)					
Funds from Operations/Interest Expense	2.5	4.9	4.4	4.1	4.9
Cash from Operations/Interest Expense	5.4	3.1	4.1	3.7	3.9
Debt/Funds from Operations	9.9	4.3	4.7	4.9	4.5
Operating EBIT/Interest Expense	2.2	2.7	2.5	3.3	3.6
Operating EBITDA/Interest Expense	3.9	4.5	4.2	4.9	5.5
Debt/Operating EBITDA	3.8	3.8	3.8	3.1	3.2
Common Dividend Payout (%)	164.0	133.4	170.6	118.0	126.4
Internal Cash/Capital Expenditures (%)	136.7	24.6	57.3	47.0	82.1
Capital Expenditures/Depreciation (%)	126.7	131.0	133.7	121.3	58.1
Profitability					
Revenues	1,686	1,627	1,334	1,201	1,025
Net Revenues	470	479	457	491	470
O&M Expense	199	190	182	175	157
Operating EBITDA	219	242	227	270	259
Depreciation and Amortization Expense	96	96	92	87	89
Operating EBIT	123	145	135	182	170
Interest Expense	56	54	54	54	47
Net Income for Common	48	62	55	82	74
O&M % of Net Revenues	42.4	39.7	39.8	35.6	33.4
Operating EBIT % of Net Revenues	26.3	30.3	29.6	37.0	36.2
Cash Flow					
Cash Flow from Operations	244	114	164	147	136
Change in Working Capital	161	(98)	(20)	(21)	(49)
Funds from Operations	83	212	184	168	185
Dividends	(78)	(83)	(94)	(97)	(93)
Capital Expenditures	(122)	(126)	(123)	(106)	(52)
Free Cash Flow	45	(95)	(52)	(56)	(9)
Net Other Investment Cash Flow	26	4	5	4	(1)
Net Change in Debt	(90)	49	36	(1)	0
Net Change in Equity	11	52	2	3	6
Capital Structure					
Short-Term Debt	51	585	36	0	0
Long-Term Debt	774	326	825	825	826
Total Debt	825	911	861	825	826
Preferred and Minority Equity	0	0	0	0	0
Common Equity	795	814	781	814	829
Total Capital	1,620	1,725	1,642	1,640	1,654
Total Debt/Total Capital (%)	50.9	52.8	52.5	50.3	49.9
Preferred and Minority Equity/Total Capital (%)	0.0	0.0	0.0	0.0	0.0
Common Equity/Total Capital (%)	49.1	47.2	47.5	49.7	50.1

Operating EBIT – Operating income before nonrecurring items. Operating EBITDA – Operating income before nonrecurring items plus depreciation and amortization expense. O&M – Operations and maintenance. Note: Numbers may not add due to rounding and are adjusted for interest and principal payments on transition property securitization certificates. Long-term debt includes trust preferred securities. Source: Financial data obtained from SNL Energy Information System, provided under license by SNL Financial, LC of Charlottesville, Va.

**Global Power
North America
Credit Update**

Southwestern Public Service Co.
A Subsidiary of Xcel Energy Inc.

Ratings

Security Class	Current Rating
Long-Term IDR	BBB
Short-Term IDR	F2
Senior Unsecured	BBB+
Commercial Paper	F2

Outlook

Stable

Financial Data

Southwestern Public Service Co.
(\$ Mil.)

	LTM 3/31/08	12/31/07
Total Revenue	1,705	1,654
Gross Margin	443	447
Operating Income	137	106
Operating EBITDA	197	201
Total Capitalization	1,692	1,689

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Related Research

- *Credit Analysis, Xcel Energy Inc., dated May 28, 2008.*
- *Credit Update, Northern States Power Co. — Wisconsin, dated May 28, 2008.*
- *Credit Update, Northern States Power Co. — Minnesota, dated May 28, 2008.*
- *Credit Update, Public Service Company of Colorado, dated May 28, 2008.*

Rating Rationale

- On May 21, 2008, Fitch Ratings affirmed the ratings and Stable Outlook of Southwestern Public Service Co. (SPS).
- The ratings and Stable Rating Outlook reflect the company's progress in working to better the regulatory environment in Texas and more actively manage rate cases, balanced with the expectation that it will take some time for SPS' performance to markedly improve.
- SPS' ratings reflect weaker credit metrics and higher business risks, which include a growing reliance on purchased power and an inability to pass through capacity costs without filing a general rate case.
- SPS still faces significant challenges with respect to the recovery of fuel costs, which is subject to considerable regulatory lag and the absence of a mechanism to recover capacity costs short of filing a full rate case.
- While ratios are weak for its ratings category, SPS' credit profile is in line with its peer group and should improve relative to peers over the next two years, as the company makes further progress in improving margins and actively managing rate case filing and fuel recovery.
- Fitch expects funds from operations (FFO)-to-interest expense of approximately 3.0 times (x) to 3.5x for both 2008 and 2009, with debt-to-FFO of 6.0x to 7.0x.
- Fitch also expects that operating cash flows net of dividends will cover approximately 50% of capital expenditures, which consist primarily of transmission investments.

Key Rating Drivers

- Strong demand growth, led by an expansion of the oil and gas industry within the Texas Panhandle.
- Solid operation of SPS' coal-fired generation, keeping capacity factors above 90% and forced outage rates lower than industry averages.
- Support from its parent, Xcel Energy, Inc., (XEL, rated 'BBB+' with a Stable Outlook) enhances the credit profile, as Xcel has demonstrated a willingness to inject equity to preserve credit quality.
- The high concentration of wholesale, commercial and industrial customers and a challenging regulatory environment have made it difficult for SPS to recover costs in a timely manner, leading to an earned return below industry averages.
- SPS has made some regulatory progress through settlement of its Texas rate case in July 2007 and its Federal Energy Regulatory Commission (FERC) wholesale rate complaint in April 2008. While the outcomes in both cases contain mixed results, they were generally more favorable than we have come to expect.

Liquidity and Debt Structure

Short-term liquidity is supplied through a \$250 million credit facility due 2011 and a \$100 million intracompany money pool. As of March 31, 2008, SPS had \$104 million available under its credit facility and borrowings of \$100 million under its money pool.

Financial Summary — Southwestern Public Service Co.

(\$ Mil., Years Ended Dec. 31)

	LTM 3/31/08	2007	2006	2005	2004	2003	2002
Fundamental Ratios (x)							
Funds from Operations (FFO)/Interest Expense	3.3	3.3	2.5	4.9	4.4	4.1	4.4
Cash Flow from Operations (CFO)/Interest Expense	3.4	2.9	5.4	3.1	4.1	3.7	3.5
Debt/FFO	7.1	7.2	9.9	4.3	4.7	4.9	4.5
Operating EBIT/Interest Expense	1.8	1.9	2.2	2.7	2.5	3.3	3.1
Operating EBITDA/Interest Expense	3.5	3.6	3.9	4.5	4.2	4.9	4.7
Debt/Operating EBITDA	4.7	4.5	3.8	3.8	3.8	3.1	3.2
Common Dividend Payout (%)	221.9	210.1	164.0	133.4	170.6	118.0	126.4
Internal Cash/Capital Expenditures (%)	40.6	25.8	137.6	25.0	57.9	48.3	84.9
Capital Expenditures/Depreciation (%)	169.3	151.4	126.7	131.0	133.7	121.3	58.1
Profitability							
Revenues	1,705	1,652	1,686	1,627	1,334	1,201	1,025
Net Revenues	443	447	470	479	457	491	470
Operating and Maintenance Expense	206	206	199	190	182	175	157
Operating EBITDA	197	201	219	242	227	270	259
Depreciation and Amortization Expense	96	95	96	96	92	87	89
Operating EBIT	101	105	123	145	135	182	170
Gross Interest Expense	56	55	56	54	54	54	55
Net Income for Common	30	33	48	62	55	82	74
Operating Maintenance Expense % of Net Revenues	46.5	45.9	42.4	39.7	39.8	35.6	33.4
Operating EBIT % of Net Revenues	22.9	23.5	26.3	30.3	29.6	37.0	36.2
Cash Flow							
Cash Flow from Operations	132	106	244	114	164	147	136
Change in Working Capital	2	(19)	161	(98)	(20)	(21)	(49)
Funds from Operations	130	125	83	212	184	168	185
Dividends	(66)	(69)	(78)	(83)	(94)	(97)	(93)
Capital Expenditures	(162)	(145)	(122)	(126)	(123)	(106)	(52)
Free Cash Flow	(96)	(107)	45	(95)	(52)	(56)	(9)
Net Other Investment Cash Flow	7	5	1	4	5	4	(1)
Net Change in Debt	68	78	(90)	49	36	(1)	0
Net Change in Equity	25	25	11	52	2	3	6
Capital Structure							
Short-Term Debt	150	129	51	85	36	0	0
Long-Term Debt	774	774	774	826	825	825	826
Total Debt	924	903	825	911	861	825	826
Preferred and Minority Equity	0	0	0	0	0	0	0
Common Equity	768	786	795	814	781	814	829
Total Capital	1,692	1,689	1,620	1,725	1,642	1,640	1,654
Total Debt/Total Capital (%)	54.6	53.4	50.9	52.8	52.5	50.3	49.9
Preferred and Minority Equity/Total Capital (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Equity/Total Capital (%)	45.4	46.6	49.1	47.2	47.5	49.7	50.1

LTM – Latest 12 months. Operating EBIT – Operating income plus total reported state and federal income tax expense. Operating EBITDA – Operating income plus total reported state and federal income tax expense plus depreciation and amortization expense.

Source: Financial data obtained from SNL Energy Information System, provided under license by SNL Financial, LC of Charlottesville, Va.

Global Power/North America
Credit Analysis

Xcel Energy Inc.

Ratings

Security Class	Current Rating	Previous Rating	Date Changed
Long-Term IDR	BBB+	BBB	3/15/07
Sr. Unsecured	BBB+	BBB	8/9/05
Convertible			
Securities	BBB+	BBB	8/9/05
Preferred Stock	BBB	BBB-	8/9/05
Short-Term Debt	F2	NR	12/6/05

IDR – Issuer default rating. NR – Not rated.

Rating Watch..... None
Rating Outlook..... Stable

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Profile

XEL is the parent holding company of four utility subsidiaries. On a consolidated basis, XEL is one of the largest electric and gas utilities in the country. There are no material unregulated businesses.

Related Research

- Northern States Power Co. — Minn., Credit Update, March 23, 2007.
- Northern States Power Co. — Wisc., Credit Update, March 23, 2007.
- Public Service Co. of Colorado, Credit Update, March 23, 2007.
- Southwestern Public Service Co., Credit Update, March 23, 2007.

Key Credit Strengths

- Strong utility cash flows.
- Low-risk business profile.
- Regulatory support for growth plans.

Key Credit Concerns

- Weakness at SPS.

Rating Rationale

The ratings and Rating Outlook are supported by the following:

- Strong underlying cash flows from utilities. Cash flows are growing as a result of strong electric demand growth in Minnesota and Colorado, electric base rate increases and various regulatory mechanisms that allow enhanced recovery of capital spending as well as pass-through of fuel and purchased power costs.
- Adequate short-term liquidity to fund incremental capital expenditures and worst-case company-owned life insurance (COLI) litigation outcome.
- Success of growth strategy, which is focused on growing rate base with support from regulators.
- Xcel Energy Inc. (XEL) is recovering substantial capital costs through rate riders tied to specific projects, which should limit the risk of rate fatigue by causing only incremental increases in customers' rates.
- A relatively conservative capital structures at the operating utility level.

The Stable Rating Outlook reflects Fitch's expectations that sustainable cash from operations will remain. For 2007 and 2008, Fitch projects that funds from operations (FFO) interest coverage will be in the range of 4.5 times (x)–5.0x and total debt-to-FFO in the 4.0x–4.5x range.

Recent Developments

Regulatory Matters

XEL received constructive regulatory treatment in recent rate cases in Colorado, Minnesota and Wisconsin. Of particular note are recent electric base rate increases in Colorado and Minnesota, the first base rate increases in these jurisdictions for many years. XEL believes it can minimize the risk of rate fatigue, a legitimate concern given the size and scope of XEL's capital-spending program (which could grow) by getting rate riders for specific projects. This approach causes only incremental increases in customers' rates and reduces the risk of rate fatigue. XEL has successfully used this approach in Colorado and Minnesota.

Some regulatory challenges remain. XEL is in the middle of an electric rate case in Texas, its first in more than a decade, and a fuel reconciliation proceeding. The Texas regulatory environment has been less constructive than in Minnesota and Colorado. For example, the Public Utility Commission of Texas (PUCT) appears reluctant, perhaps given commercial and industrial customer opposition, to consider a mechanism for recovery of capacity costs, despite Southwestern Public

March 23, 2007

XEL at a Glance

(\$ Mil.)

	NSPM	PSCO	SPS	NSPW	XEL
FFO	595	496	130	102	1,478
Total Assets	9,079	8,364	1,645	1,251	21,958
Total Debt	2,388	2,319	826	347	7,412
FFO/Interest (x)	4.1	4.6	3.4	5.4	4.0
Debt/FFO (x)	4.0	4.7	6.3	3.4	5.0
Debt/Capitalization (%)	48	44	50	43	56
% XEL Net Income	44	39	12	5	100
Electricity Customers (Mil.)	1.3	1.3	0.4	0.2	3.3
Gas Customers (Mil.)	0.5	1.2	—	0.1	1.8
Jurisdictions	Minn., N.D., S.D.	Colo.	Texas, N.M.	Wisc., Mich.	—

XEL - Xcel Energy Inc. NSPM - Northern States Power Co. - Minn.
NSPW - Northern States Power Co. - Wisc. PSCO - Public Service
Co. of Colorado. SPS - Southwestern Public Service Co. FFO - Funds
from operations. Source: Company reports.

Service Co.'s (SPS) growing reliance on and cost of purchased capacity. Achieving a constructive outcome to this proceeding may be challenging. XEL also faces a new public utility commission (PUC) chairperson in Colorado who has previously served in a variety of consumer advocate positions. Fitch will continue monitoring the environment in Colorado for any signs that it will be less constructive. The outcome of several regulatory filings in the next year will help clarify this matter.

Capital Spending

XEL's utility subsidiaries have enhanced recovery mechanisms, including rate riders, for all projects listed in the Capital Budget Projections table except base capital expenditures, nuclear expenditures (nuclear fuel is capitalized, amortized and ultimately recovered through the fuel-adjustment mechanism in Minnesota, which mitigates, but does not eliminate the recovery lag) and Sherburne County Generating Plant (Sherco). NSPM applied for rate rider recovery of the Sherco project, which consists of environmental upgrades and a capacity increase for an existing coal-fired plant in Minnesota. Fitch expects that NSPM would delay or cancel the Sherco project if it is unable to obtain enhanced recovery from regulators.

This capital budget does not include several projects that could increase overall spending by more than \$1 billion, including an integrated gasification combined cycle (IGCC) project in Colorado. Public Service Co. of Colorado (PSCO) is exploring the feasibility of an approximately 350-megawatt (mw) IGCC plant (with sequestration) using Western coal. The Colorado legislature passed a law establishing a rider for recovery of feasibility costs. In 2007, PSCO

Capital Budget Projections

(\$ Mil.)

	2007	2008	2009	2010	2011
NSPM	995	1,050	1,000	1,090	995
NSPW	75	85	55	60	65
PSCO	690	635	515	580	490
SPS	140	130	130	120	150
Total	1,900	1,900	1,700	1,850	1,700
Base	955	950	950	1,000	965
MERP	275	170	35	10	—
Comanche 3	345	275	55	15	—
Minn. Wind*	200	175	50	15	—
Minn. Transmission	5	20	110	240	180
Sherco	10	65	200	245	165
Nuclear**	110	240	260	260	350
Other	—	5	40	65	40
Total	1,900	1,900	1,700	1,850	1,700

*Includes generation and transmission. **Includes capacity increases, fuel, and life extension. NSPM - Northern States Power Co. - Minn. NSPW - Northern States Power Co. - Wisc. PSCO - Public Service Co. of Colorado. SPS - Southwestern Public Service Co. MERP - Metropolitan Emissions Reduction Project. Sherco - Sherburne County Generating Plant. Company reports.

expects to spend approximately \$3.5 million on project development, and construction could begin by 2009. While the company has provided no cost estimates, Fitch believes such a plant would cost in the range of \$2,000-\$3,000 per kilowatt-hour (the Energy Information Administration estimated in 2005 that IGCC with sequestration will cost \$2,000/kilowatt-hour). Fitch expects that PSCO will obtain appropriate cost-recovery mechanisms from regulators before committing substantial capital.

The capital budget will be funded at the operating company level by cash from operations after dividends, additional long-term debt (mostly secured) and equity contributions from XEL. Fitch's rating and Rating Outlook reflect the expectation that the regulatory environments in Colorado and Minnesota will remain supportive of the capital investing plans of XEL's subsidiaries.

COLI Litigation

Since the early 1990s, XEL (through PSCO) has deducted the interest expense from borrowings against employees' life insurance policies. The Internal Revenue Service (IRS) challenged this practice, and the matter is before the court. Currently, the court is considering motions for summary judgment from both PSCO and the IRS. The parties are not in settlement talks, and management believes a settlement is unlikely. A jury trial is not expected to start before late summer 2007. PSCO's current total liability (including penalties and interest) is approximately \$500 million.

If PSCO loses its case, it plans to pay the IRS and appeal the decision. The company would likely fund the payment using a mix of existing tax benefits (XEL has approximately \$375 million–\$450 million of net loss carry-forwards to use in the next three years from the NRG Energy, Inc. bankruptcy), additional debt and equity contributions from XEL. Fitch believes the exact mix of debt and equity would preserve PSCO's 60% equity ratio and support current ratings.

Fitch notes that the new accounting rule for uncertainty in income taxes (FIN 48) establishes a "more likely than not" standard, which is defined as a 51% or greater probability that the uncertainty will resolve in the company's favor. Applying this rule to the COLI litigation, XEL's auditor, Deloitte & Touche LLP, determined that the 51% threshold was met. If in the future the auditor determines that the threshold is not met, XEL (and PSCO) is required to take a reserve equal to the cumulative effect of the tax matter or, in this case, a \$500 million noncash charge to equity. At this time, Fitch does not believe such an accounting adjustment would have an effect on the ratings or Ratings Outlook of either XEL or PSCO provided that the utility continues to generate strong and stable cash flow relative to its fixed obligations and total debt. An equity writedown would not result in the violation of existing bank covenants.

■ Liquidity and Debt Structure (Holding Company)

XEL relies primarily on dividends from its utility subsidiaries to support interest expenses and shareholder dividends. Since XEL provides shared services to its utilities, overhead and fixed costs are effectively reimbursed by the utilities.

Fitch expects dividends to XEL from its utility subsidiaries will range from \$600 million–\$625 million in 2007 and 2008. First-mortgage indentures at the utility subsidiary level place restrictions on the amount of dividends each utility can pay to XEL. However, as of Dec. 31, 2006, these restrictions were not material. For example, under its indentures, Northern States Power Co. — Minn. (NSPM) could have made additional dividend payments to XEL of \$905 million.

Additional liquidity is provided by an \$800 million five-year credit facility due 2011. XEL can extend the maturity by one year with 50% lender approval.

Xcel Energy Inc. (Holding Company) (\$ Mil.)

	2007	2008	2009
Dividends Received	600	600	600
Net Operating Losses	125	125	125
Total Inflow	725	725	725
Interest	120	100	94
Preferred Securities	4	4	4
Fixed Charges	124	104	98
Common Dividends	375	400	425
Short-Term Debt	200	200	200
Long-Term Debt	1,200	950	950
Total Debt	1,400	1,150	1,150
Cash Flow/Fixed Charges(x)	5.8	7.0	7.4
Debt/Cash Flow (x)	1.9	1.6	1.6
After Common Dividends			
Cash Flow/Fixed Charges(x)	2.8	3.1	3.1
Debt/Cash Flow (x)	4.0	3.5	3.8

Source: Company reports and Fitch Ratings estimates.

There was \$685 million available under this facility as of Dec. 31, 2006. The credit facility has a 65% total debt-to-total capital financial covenant, subject to a carve-out for noncash COLI litigation-related matters (such as the writedown of equity from either FIN 48 or an adverse judgment) and any imputed debt from power purchase agreements. XEL cannot borrow from the intracompany money pool.

XEL has approximately \$1.4 billion of unsecured debt outstanding at the holding company level. Fitch anticipates several changes to the debt structure at the holding company level in the next few years:

Rating Outlook Rationale

What Could Lead to Positive Rating Action?

- Continued growth in sustainable cash flows.
- Reduction of debt at holding company.

What Could Lead to Negative Rating Action?

- Change in business strategy.
- Increasing capital spending beyond regulatory support.
- Adverse change in regulatory environment in Colorado or Minnesota.

- The company recently concluded a tender to replace up to \$350 million of 7% notes due 2010 with new notes due 2017.
- The company has \$287.5 million of convertible senior notes that it will convert to equity (\$230 million in November 2007 and \$57.5 million in 2008).
- The redemption of \$195 million of senior notes due 2008.

Collectively, this restructuring will roll holding company debt maturities to 2010 and beyond, in addition to reducing interest expense by more than \$20 million per year.

Fitch expects that XEL will make equity contributions to subsidiaries in the range of \$150 million–\$300 million during 2007 and 2008, primarily to help these subsidiaries maintain conservative equity ratios.

Fitch Ratings

KNOW YOUR RISK

Corporate Finance

Financial Summary — Xcel Energy Inc.

(\$ Mil., Fiscal Years Ended Dec. 31)

	2006	2005	2004	2003	2002
Fundamental Ratios (x)					
Funds from Operations/Interest Expense	4.0	4.2	3.3	4.5	2.3
Cash from Operations/Interest Expense	5.0	3.6	2.8	4.0	2.8
Debt/Funds from Operations	5.0	5.0	6.8	4.3	5.4
Operating EBIT/Interest Expense	2.4	2.4	2.4	2.4	1.4
Operating EBITDA/Interest Expense	4.1	4.0	3.9	4.1	2.5
Debt/Operating EBITDA	3.7	4.0	3.9	3.6	2.8
Common Dividend Payout (%)	63.2	67.4	91.1	49.1	(22.3)
Internal Cash/Capital Expenditures (%)	93.4	60.4	36.6	104.2	49.4
Capital Expenditures/Depreciation (%)	203.9	181.5	191.5	136.4	237.8
Profitability					
Revenues	9,840	9,625	8,345	7,938	9,453
Net Revenues	3,971	3,757	3,442	3,236	(406)
O&M Expense	1,774	1,708	1,649	1,682	2,290
Operating EBITDA	1,999	1,860	1,799	1,860	2,432
Depreciation and Amortization Expense	822	767	708	756	1,037
Operating EBIT	1,177	1,093	1,091	1,104	1,395
Interest Expense	487	463	459	452	963
Net Income for Common	568	509	352	618	(2,222)
O&M % of Net Revenues	44.7	45.5	47.9	52.0	(564.5)
Operating EBIT % of Net Revenues	29.6	29.1	31.7	34.1	(343.8)
Cash Flow					
Cash Flow from Operations	1,924	1,184	817	1,378	1,715
Change in Working Capital	448	(322)	(223)	(200)	439
Funds from Operations	1,476	1,506	1,041	1,578	1,276
Dividends	(359)	(343)	(320)	(303)	(496)
Capital Expenditures	(1,676)	(1,393)	(1,357)	(1,032)	(2,467)
Free Cash Flow	(110)	(552)	(860)	43	(1,248)
Net Other Investment Cash Flow	126	167	122	105	(251)
Net Change in Debt	(79)	446	235	(67)	1,495
Net Change in Equity	16	9	(25)	3	581
Capital Structure					
Short-Term Debt	963	1,582	536	219	1,062
Long-Term Debt	6,450	5,898	6,493	6,494	5,813
Total Debt	7,412	7,479	7,029	6,712	6,875
Preferred and Minority Equity	107	109	108	105	106
Common Equity	5,817	5,395	5,203	5,166	4,665
Total Capital	13,336	12,983	12,340	11,984	11,645
Total Debt/Total Capital (%)	55.6	57.6	57.0	56.0	59.0
Preferred and Minority Equity/Total Capital (%)	0.8	0.8	0.9	0.9	0.9
Common Equity/Total Capital (%)	43.6	41.6	42.2	43.1	40.1

Operating EBIT — Operating income before nonrecurring items. Operating EBITDA — Operating income before nonrecurring items plus depreciation and amortization expense. O&M — Operations and maintenance. Note: Numbers may not add due to rounding and are adjusted for interest and principal payments on transition property securitization certificates. Long-term debt includes trust preferred securities. Source: Financial data obtained from SNL Energy Information System, provided under license by SNL Financial, LC of Charlottesville, Va.

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Xcel Energy Inc.

Global Power
North America
Credit Analysis

Xcel Energy Inc.

Ratings

Security Class	Current Rating
Long-Term IDR	BBB+
Short-Term IDR	F2
Senior Unsecured Notes	BBB+
Junior Subordinated Notes	BBB
Preferred Stock	BBB

Outlook

Stable

Financial Data

Xcel Energy Inc.
(\$ MIL.)

	LTM	12/31/08	12/31/07
Total Revenues	10,299	10,299	10,299
Gross Margin	4,423	4,423	4,350
Operating EBITDA	2,236	2,236	2,178
Total Capitalization	14,721	14,721	14,474

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Related Research

- *Credit Update, Northern States Power Co. — Minnesota, dated May 28, 2008.*
- *Credit Update, Northern States Power Co. — Wisconsin, dated May 28, 2008.*
- *Credit Update, Public Service Company of Colorado, dated May 28, 2008.*
- *Credit Update, Southwestern Public Service Co., dated May 28, 2008.*

Rating Rationale

- On May 21, 2008, Fitch Ratings affirmed the ratings and Stable Outlook of Xcel Energy Inc. (XEL) and its subsidiaries.
- XEL's ratings recognize the strong underlying cash flows and performance at Northern States Power — Minnesota (NSPM) and Public Service Company of Colorado (PSCo) subsidiaries, which combined contribute more than 80% of consolidated funds from operations.
- In Fitch's view, XEL's strategy of investing in jurisdictions that have regulatory mechanisms allowing enhanced recovery of capital spending is a successful growth strategy that protects creditors from the effects of regulatory lag.
- XEL maintains a relatively conservative capital structure at the operating utility level to offset the effect of including long-term power capacity payments in debt. It is important to note that Fitch does not consider capacity payments as a debt equivalent unless the contracts are both priced above the market and have a low likelihood of being recovered from rate payers. Neither condition applies to XEL.
- The Stable Rating Outlook for XEL is based on Fitch's expectation that the company will continue to focus on core utility operations, complete major utility capital spending projects within budget and receive continued regulatory support.
- Despite projected capital spending of approximately \$9 billion over the next four years, credit metrics should remain consistent with XEL's ratings category. Funds from operations (FFO) interest coverage should remain approximately 4.0 times (x), with debt-to-FFO of approximately 5.0x, adjusted for its recent issuance of junior subordinated notes, which receive 75% equity treatment.

Key Rating Drivers

- Cash flows have been growing at NSPM and PSCo due to constructive improvements in their respective regulatory environments. Rate riders that reduce regulatory lag, including fuel and purchased power recoveries, construction work in progress, environmental upgrades and enhanced recoveries on renewables, will allow XEL to maintain its credit profile even during its large capital program.
- Strong liquidity to support capital needs.
- Favorable settlement of Corporate-Owned Life Insurance (COLI) dispute.
- The willingness to raise equity and to use secured debt at the utility level should mitigate XEL's need to fund its capital program through capital markets access.
- XEL's exposure to less-than-favorable regulatory environments, specifically at its Southwestern Public Service (SPS) subsidiary, is mitigated by SPS' small (5%–10% of cash flow) contribution to XEL's overall performance.

Capital Program Overview

XEL plans to spend approximately \$1.8 billion–\$2.5 billion on new capital programs annually through 2011. Approximately 50% of the spending will qualify for enhanced recovery through various state-specific recovery mechanisms. Included in the capital program is continued investment in wind power generation. XEL ranked as the utility with

the most wind on its systems. Minnesota has put various wind generation projects in the forefront as the principal means of achieving its 30% renewables target by 2020.

Other key capital programs are as follows.

NSPM — Metro Emission Reduction Project (MERP)

In December 2003, the Minnesota Public Utilities Commission (MPUC) approved a proposal to convert two coal-fueled electric generating plants to natural gas and to install pollution-control equipment at a third facility. The plan will also increase overall system capacity by 300 megawatts (MW). The first MERP project, the A.S. King Plant, went into service in 2007, with the two remaining projects (High Bridge and Riverside) expected to begin operations in 2008 and 2009, respectively. At a cumulative investment of \$1 billion, the MPUC approved a rate rider to recover prudent costs of the project beginning in 2006, including a rate of return on the construction work in progress.

NSPM — Sherco

The Sherco plant's 2,400-MW output is fueled by low-sulfur coal from mines in Wyoming and Montana. XEL initiated the Sherco plan to bring the plant into compliance with recent Mercury requirements and to add 80 MW of baseload capacity. The emissions upgrades would decrease mercury emissions by 90%, nitrogen oxides (NOx) by 75% and sulfur dioxide (SO2) by 50%. The project, which is awaiting commission approval, is expected to begin in 2009 and be completed by 2012. Once approved, Fitch expects that the project will be supported by environmental cost recovery mechanisms.

Capital Expenditures Forecast (\$ Mil.)

	2008	2009	2010	2011
MERP ^a	170	25	10	—
Comanche 3 ^a	330	60	10	—
NSPM Wind Transmission	40	65	115	270
Sherco Upgrade ^a	5	20	75	230
NSPM Wind Generation ^a	135	0	0	0
Fort St. Vrain	100	25	0	0
Nuclear Capacity/Life Extension	75	120	180	200
Other Capital Expenditures	1,245	1,285	1,310	1,300
Potential Projects	0-100	200-400	200-400	200-500
Total	2,100-2,200	1,800-2,000	1,900-2,100	2,200-2,500

^aDenotes enhanced recovery process.

Source: Xcel Energy, Inc. company presentation to American Gas Association, May 4, 2008. Fitch estimates reflect high end of the range.

PSCo — Comanche 3

As part of its 2004 Colorado resource plan, XEL began construction on a new, 750-megawatt coal-powered generating unit at Comanche Station in Pueblo, Colo. The new unit will have low NOx burners and selective catalytic reduction to significantly reduce NOx emissions. Additional air quality controls also are being added on the two existing units, so when the project is complete in 2009, electricity generation at Comanche Station will more than double, while emissions will be significantly reduced. PSCo is allowed to include construction work in progress associated with Comanche 3 in rate base without an offset for allowance for funds used during construction.

The table above highlights Fitch's expectation regarding XEL's capital expenditures over the next four years and highlights the programs that qualify for enhanced recovery mechanisms.

Liquidity and Debt Structure

XEL relies on dividends from its utility subsidiaries to support interest expense and shareholder dividends. Since XEL provides shared services to its utilities, overhead and fixed costs are effectively reimbursed by the utilities.

Fitch expects dividends to XEL from its utility subsidiaries will range from \$540 to \$625 million in 2008 and 2009. First mortgage indentures at the utility subsidiary level place restrictions on the amount of dividend each utility can pay XEL; however, as of March 31, 2008, these restrictions were not material.

Additional liquidity is provided by an \$800 million holding company-level credit facility due 2011. XEL can extend the maturity by one year with 50% lender approval. There was \$651 million available under this facility as of March 31, 2008. The credit facility has a 65% total debt-to-total capitalization financial covenant, subject to a carve-out for non-cash COLI-related matters and any imputed debt from power purchase agreements. XEL cannot borrow from the intracompany money pool. Including subsidiary credit, XEL has a total of \$2.25 billion in credit facilities.

Given its large capital program, Fitch expects XEL will be cash flow negative for the foreseeable future and will need to fund an annual shortfall of approximately \$1 billion, at least through 2011. While the company plans to issue equity as needed, the shortfall will primarily be debt financed. Assuming capital markets access, Fitch expects XEL to have sufficient short-term liquidity, with a projected short-term debt availability of \$1 billion in 2008.

XEL has approximately \$1.6 billion of unsecured debt outstanding at the holding company level, including \$400 million of junior subordinated notes issued in January 2008.

Capital Structure (\$ Mil., As of March 31, 2008)

	Amount	%
Short-Term Debt	377.9	2.6
Long-Term Debt*	7,881.3	53.5
Preferred Stock	105.0	0.7
Common Equity	6,357.0	43.2
Total Capitalization	14,721.3	100.0

*Includes current portion of long-term debt. Not adjusted to reflect equity component of hybrid securities.
Source: Xcel Energy Inc. 10-Q dated March 31, 2008.

Parent-Level Long-Term Debt (\$ Mil., As of March 31, 2008)

Type	Rate (%)	Maturity	Outstanding
Unsecured Notes	3.4	7/1/08	195
Unsecured Notes	7.0	12/1/10	359
Unsecured Notes	5.6	4/1/17	254
Unsecured Notes	6.5	7/1/36	300
Convertible Notes	7.5	11/21/08	58
Junior Subordinated	7.6	1/16/68	400
Subtotal XEL			1,565

Source: Xcel Energy Inc. 10-Q dated March 31, 2008.

Credit Facilities (\$ Mil., As of March 31, 2008)

Company	Facility	Drawn*	Available
NPSMN	500	6	494
PSCo	700	197	503
SPS	250	146	104
XEL	800	149	651
Total	2,250	498	1,752

*Includes direct borrowings, commercial paper and letters of credit.

Source: Xcel Energy Inc. 10-Q dated March 31, 2008.

Financial Summary — Xcel Energy Inc.

(\$ Mil., Years Ended Dec. 31)

	LTM 3/31/08	2007	2006	2005	2004	2003	2002
Fundamental Ratios (x)							
Funds from Operations (FFO)/Interest Expense	4.0	4.0	3.9	4.1	3.3	4.3	5.4
Cash Flow from Operations (CFO)/Interest Expense	3.7	3.8	4.8	3.4	2.8	3.9	5.1
Debt/FFO	4.8	4.8	5.0	4.9	6.8	4.3	3.7
Operating EBIT/Interest Expense	2.5	2.4	2.3	2.2	2.3	2.4	2.7
Operating EBITDA/Interest Expense	3.9	3.9	3.9	3.8	3.9	3.9	4.6
Debt/Operating EBITDA	3.7	3.7	3.7	4.0	3.9	3.6	3.6
Common Dividend Payout (%)	63.1	65.4	62.5	67.4	89.9	48.4	(22.1)
Internal Cash/Capital Expenditures (%)	54.0	56.7	94.8	61.3	37.3	106.2	127.1
Capital Expenditures/Depreciation (%)	257.8	258.7	203.9	181.5	191.7	142.3	125.3
Profitability							
Revenues	10,299	10,034	9,840	9,625	8,216	7,859	7,035
Net Revenues	4,423	4,350	4,093	3,880	3,729	3,962	3,983
Operating and Maintenance Expense	1,885	1,869	1,774	1,708	1,636	1,641	1,600
Operating EBITDA	2,236	2,178	1,999	1,860	1,782	1,861	1,932
Depreciation and Amortization Expense	833	827	822	767	706	729	771
Operating EBIT	1,403	1,351	1,177	1,093	1,076	1,132	1,160
Gross Interest Expense	568	563	513	491	458	472	422
Net Income for Common	607	573	542	481	352	618	(2,222)
Operating Maintenance Expense % of Net Revenues	42.6	43.0	43.3	44.0	43.9	41.4	40.2
Operating EBIT % of Net Revenues	31.7	31.1	28.8	28.2	28.8	28.6	29.1
Cash Flow							
Cash Flow from Operations	1,522	1,572	1,924	1,184	813	1,378	1,715
Change in Working Capital	(187)	(104)	432	(355)	(224)	(199)	(153)
Funds from Operations	1,709	1,677	1,492	1,538	1,037	1,577	1,869
Dividends	(387)	(379)	(359)	(343)	(320)	(303)	(496)
Capital Expenditures	(2,148)	(2,140)	(1,676)	(1,393)	(1,353)	(1,038)	(967)
Free Cash Flow	(1,012)	(947)	(110)	(552)	(860)	37	252
Net Other Investment Cash Flow	95	117	101	156	122	112	(1,745)
Net Change in Debt	1,036	856	(79)	446	235	(63)	542
Net Change in Equity	8	11	16	9	(25)	3	69
Capital Structure							
Short-Term Debt	378	1,089	626	746	312	59	504
Long-Term Debt	7,881	7,006	6,786	6,733	6,717	6,654	6,371
Total Debt	8,259	8,095	7,412	7,479	7,029	6,712	6,875
Preferred and Minority Equity	105	79	107	109	108	105	106
Common Equity	6,357	6,301	5,817	5,395	5,203	5,166	4,665
Total Capital	14,721	14,474	13,336	12,983	12,340	11,984	11,645
Total Debt/Total Capital (%)	56.1	55.9	55.6	57.6	57.0	56.0	59.0
Preferred and Minority Equity/Total Capital (%)	0.7	0.5	0.8	0.8	0.9	0.9	0.9
Common Equity/Total Capital (%)	43.2	43.5	43.6	41.6	42.2	43.1	40.1

LTM - Latest 12 months. Operating EBIT - Operating income plus total reported state and federal income tax expense. Operating EBITDA - Operating income plus total reported state and federal income tax expense plus depreciation and amortization expense.

Source: Financial data obtained from SNL Energy Information System, provided under license by SNL Financial, LC of Charlottesville, Va.

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Moody's Investors Service

Global Credit Research
Credit Opinion
12 DEC 2007

Credit Opinion: Southwestern Public Service Company

Southwestern Public Service Company

Amarillo, Texas, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2
Parent: Xcel Energy Inc.	
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Preferred Stock	Baa3
Commercial Paper	P-2

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Key Indicators

[1] Southwestern Public Service Company

ACTUALS

	3Q07 LTM	2006	2005	2004
(CFO Pre-W/C + Interest) / Interest Expense [2]	2.7x	2.6x	4.8x	4.4x
(CFO Pre-W/C) / Debt [2]	9.4%	10.1%	22.7%	21.0%
(CFO Pre-W/C - Dividends) / Debt [2]	2.1%	0.9%	13.9%	10.4%
(CFO Pre-W/C - Dividends) / Capex [2]	13.9%	6.5%	103.9%	74.6%
Debt / Book Capitalization	44.1%	40.5%	42.3%	42.0%
EBITA Margin	5.7%	7.8%	9.5%	10.4%

[1] All ratios are calculated using Moody's Standard Adjustments [2] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Company Profile

Southwestern Public Service Company (SPS: Baa1 senior unsecured) is an integrated utility serving approximately 386,000 electric customers in Texas and New Mexico. SPS' parent, Xcel Energy Inc. (Xcel: Baa1 senior unsecured), is a holding company with utility operations in eight states and serves a total of 5.1 million natural gas and electric customers. Approximately 13% of Xcel's 2006 consolidated operating cash flow was generated by SPS.

Rating Rationale

The Baa1 rating of SPS' senior unsecured debt reflects the company's low power costs and rates, a relatively stable rate environment, a modestly growing service territory, adequate projected coverage ratios and its position within the Xcel family of utilities. Substantially all of SPS and Xcel's operations are regulated (80-99%), placing the company in Category 2 within the range of 1 - 4 in accordance with Moody's Rating Methodology for Global Regulated Electric Utilities, published March 2005 (the Rating Methodology).

The most important drivers of SPS' ratings and outlook are as follows:

Regulatory Environment Recently More Challenging

Both Texas and New Mexico's regulatory environments are ranked in the lower half of U.S. regulatory jurisdictions generally indicating a lower expectation of timely recovery of costs and investments or perhaps past evidence of lower predictability. Unlike the majority of Texas load, SPS' service territory is outside of the Electric Reliability Council of Texas (ERCOT), where electric retail competition has been implemented. SPS remains a fully integrated electric utility operating under traditional cost of service rate setting mechanisms. In both Texas and New Mexico, state regulatory bodies have authorized SPS' use of fuel cost recovery mechanisms that are generally designed to align cash recovery of fuel costs with cash expenditures; however, as described in more detail below, these mechanisms may not entirely eliminate the lag between fuel cost expenditure and recovery, particularly in periods of rapidly rising fuel prices. SPS' fuel cost recovery mechanisms have also recently been challenged in all of its jurisdictions. In addition to state regulation, SPS' wholesale rates are subject to regulation by the Federal Energy Regulatory Commission (FERC). Wholesale sales represent over 35% of SPS' total electric sales which is significantly higher than Xcel's other utility subsidiaries and increases the significance of FERC oversight for the utility. The combination of SPS' primarily regulated operations, the regulatory environments in which it operates, and its position within the Xcel family of utilities, places SPS toward the lower half of the medium business risk category as outlined in the Rating Methodology.

Texas

In May 2006, SPS filed a general rate case in Texas which was the first it had filed in almost 25 years. SPS requested a \$47.9 million, approximately 6% rate increase, which was subsequently revised to \$66 million, based upon an 11.6% ROE and 51% equity ratio. In March 2007, SPS reached a settlement with intervenors that included

a \$23 million rate increase with no ROE or equity ratio specified. As part of the settlement, \$27 million of SPS' \$138 million un-recovered fuel balance from 2004 and 2005 was disallowed and SPS agreed to reduce its recoverable fuel expense for 2006 to 2007 by \$2.3 million. The settlement also resolved issues surrounding SPS' implementation of its fuel and power purchase cost recovery mechanism confirming that SPS' existing long-term firm wholesale customers should be assigned system average cost for Texas retail ratemaking purposes. The sole exception to this decision was for El Paso Electric (EPE) where the Public Utilities Commission of Texas (PUCT) determined that EPE should be allocated the marginal cost which means that SPS will incur costs of approximately \$3 million in 2007 and \$6 million in 2008 that it will not be able to recover under the terms of its contract with EPE. Consequently, SPS has given EPE notice of its intent to terminate the underlying supply contract and expects termination to be effective in 2009.

In Texas, general rate cases are filed on the basis of a historic test year which amplifies the problem of regulatory lag and makes it more difficult for utilities to earn a reasonable return on their capital investments. For 2006, SPS' ROE was approximately 6%; for the twelve months ended September 30, 2007 it was approximately 3%. SPS currently plans to file another rate case in Texas in mid-2008 with a decision likely by mid-2009. A constructive outcome in this rate case will be a key element in determining if SPS will once again be able to produce sufficient cash flow from operations to demonstrate cash flow credit metrics that are consistent with its Baa1 rating.

New Mexico

In New Mexico, SPS filed a general electric retail rate case in July 2007 requesting a \$17.3 million, or approximately 6.6% increase in base rates using a 2006 calendar test year based on an 11% ROE and 51% equity ratio. This is the first general rate case SPS had filed in almost 10 years. A decision is expected by mid-2008.

In addition to its general rate case, SPS is currently involved in a fuel and purchased power review covering the October 2001 through August 2004 period. The review began in 2005 at the request of the NMPRC staff. Staff and intervenors objected to SPS' assignment of system average fuel cost to certain wholesale customers via its fuel and power purchase recovery clause (PPFAC), similar to the regulatory challenges in Texas. Staff and intervenors had recommended disallowances of approximately \$45 million. In May 2007, the NMPRC hearing examiner issued a recommendation that opined: i) that the NMPRC is barred from granting retroactive refunds and that therefore no financial penalties should be assigned to SPS for periods prior to March 2006 when SPS was put on notice of a potential change in New Mexico's allowed allocation method, ii) that the question of allocation method should be decided in the next (current) general rate case, and iii) that SPS be required to refund \$1.6 million of long term power purchase costs that it has acknowledged was erroneously collected via the PPFAC.

On December 4, 2007 SPS filed an uncontested settlement agreement with the NMPRC staff, several large customers, and other intervenors that resolves all of the issues in SPS fuel cost review including its cost allocation procedures. The settlement would result in total SPS consideration of \$15 million, and the disallowance of approximately \$2 million per year of fuel costs in 2008 and 2009. The settlement still requires an order from the NMPRC to be implemented. Based on the terms of the settlement SPS believes it has already established an appropriate accrual for this exposure.

FERC

In 2004, a number of SPS wholesale customers filed complaints with FERC alleging SPS had incorrectly calculated monthly fuel clause adjustments as part of SPS' FERC wholesale rate schedules by inappropriately allocating system average fuel cost to certain other SPS wholesale customers. In 2005, a single large customer filed a separate similar complaint with FERC. In May 2006, a FERC administrative law judge (ALJ) issued an initial recommendation directing SPS to recalculate its fuel clause adjustment billings since January 1, 1999. SPS believes the ALJ has erred on issues that contradict FERC policy and has erred in its conclusion. The FERC may or may not follow the ALJ's recommendation; however, SPS estimated that if the ALJ recommendation is followed, its refund exposure for the contested period could be approximately \$50 million. SPS has been negotiating with all of the parties involved in the case, and the FERC ALJ agreed to suspend the procedural schedule and has deferred ruling in the case as it prefers to see the parties reach a settlement.

On December 4, 2007 SPS filed with the FERC a settlement agreement it has reached with its largest customer involved in the proceeding, which, if approved, would reduce SPS' potential refund exposure by approximately 40%, the relative proportion of the energy delivered to the customer during the period. The settlement remains pending FERC order. An order with respect to the non-settling parties is also pending. In 2006 and 2007, SPS established what it believes are appropriate accruals reflecting its potential refund exposure.

Rising Capital Expenditure Plan

SPS has historically invested approximately \$120 - 125 million per year on capital expenditures. Annual expenditures are expected to increase to approximately \$140 million going forward as SPS faces increasing base capital expenditures to ensure reliability and to meet environmental standards in addition to providing for modest customer growth. In light of SPS' rising capital expenditures, supportive regulatory treatment in allowing SPS to earn a reasonable ROE on these planned investments will be a key component in supporting its Baa1 rating.

Reasonable Financial Metrics

SPS's financial metrics (incorporating Moody's standard analytical adjustments) remained fairly stable through 2005 and were consistent with coverage ratios that were in the upper half of the range of metrics for integrated electric utilities with medium business risk and a Baa senior unsecured rating. Beginning in 2006, however, metrics weakened significantly due to under-recovered fuel costs, additional accruals taken for potential refunds related to the fuel cost proceedings noted above, and growing regulatory lag. For the twelve months ended September 30, 2007, SPS had CFO before changes in working capital (CFO pre-W/C) interest coverage of 2.7x and CFO pre-W/C to debt of 9.4%. These metrics are below the range for utilities with medium business risk with a Baa rating according to the Rating Methodology. For the next few years, absent the need for significant additional power cost accruals, and assuming a reasonably constructive regulatory environment, CFO pre-W/C to debt is expected to be in the mid to upper teens, moving back toward the upper end of the range for electric utilities with medium risk profiles rated Baa. SPS' Baa1 senior unsecured rating also reflects its position as part of the larger Xcel family

Liquidity

SPS has reasonable liquidity which is supported by its generally stable cash flows, its own credit facility and a money pool arrangement with two other Xcel utilities. Modest

new debt financing and Xcel equity infusions will be needed to supplement expected operating cash flow to meet planned rising capital expenditures.

For the twelve months ended September 30, 2007, CFO of approximately \$130 million met approximately 59% of SPS' fund's outlay including \$149 million of capital expenditures and \$71 million of dividends to Xcel. The shortfall was funded via a combination of internal and external sources, including short-term borrowings of \$175 million, and approximately \$10 million of equity from Xcel. In 2008, capital expenditures of approximately \$140 million are expected to be funded by a combination of internal sources and external debt financing.

SPS's five year credit facility is sized at \$250 million and expires December 2011. The facility's financial covenant requires the utility's debt to total capitalization be below 65%. As of September 30, 2007, SPS' debt to capitalization as defined in the agreement was approximately 55%. The facility provides short term liquidity for SPS's short-term obligations including support of its \$250 million commercial paper program and to provide letters of credit. As of September 30, 2007, SPS had \$50 million of short-term debt outstanding and cash on hand of \$44 million.

While Xcel finances its utility subsidiaries on a standalone basis, management has increasingly gravitated towards operating the utility subsidiaries as one system. SPS participates in a regulated money pool with two other Xcel subsidiaries, Northern States Company (Minnesota) and Public Service Company of Colorado. The money pool allows for short-term loans between the utility subsidiaries and it also allows for short-term loans from Xcel to the utilities. However, it does not allow loans to Xcel. This interrelationship contributes to the close notching between the regulated utility subsidiaries. SPS is authorized to borrow up to \$100 million under the money pool. As of September 30, 2007, SPS had no borrowings or advances outstanding under the pool.

SPS' near term maturities include \$100 million of unsecured senior notes due March 1, 2009. SPS is expected to continue to pay a dividend to Xcel of approximately \$60 - 70 million annually going forward.

SPS' Prime-2 rating for short-term obligations assumes that the amount of its commercial paper and other near term obligations outstanding will be managed within the limits of SPS' readily available sources of cash, including its \$250 million committed bank credit facility.

Rating Outlook

The stable outlook for SPS reflects the generally stable nature of its regulated business operations and assumes that any additional accruals or refunds that could ultimately be required as a result of the fuel related items noted above would be implemented with a goal of maintaining SPS' financial strength and flexibility. The stable outlook also considers the utility's rising capital expenditures program and assumes that its on-going efforts at rate relief to eliminate regulatory lag will be reasonably successful. The outlook further assumes that future dividend policy will also be balanced with the need for financial strength and flexibility, and that capital expenditures will continue to be funded in a manner that is supportive of the company's current credit profile.

What Could Change the Rating - Up

The rating is not likely to be revised upward in the near-to-medium term. Longer term, the ratings or outlook could be revised upward through rate increases or cost savings that result in improvement in cash flow metrics; as demonstrated for

example by a ratio of CFO pre-W/C to debt above 23% on a sustainable basis. Also, an upgrade of Xcel's ratings could lead to an upward revision at the utility.

What Could Change the Rating - Down

The ratings or outlook could be revised downward if there were to be adverse regulatory rulings on rates, adverse outcomes in the pending challenges of SPS' recovery mechanisms for fuel and purchased power, operating performance problems or significantly higher capital spending that could result in a sustainable negative impact on cash flow metrics; for example if the ratio of CFO pre-W/C to debt were to remain below the mid teens for an extended period. A downgrade of Xcel could also lead to a downward revision in the rating of the utility.

Rating Factors

Southwestern Public Service Company
704000

Select Key Ratios for Global Regulated Electric Utilities

Rating	Aa	Aa	A	A	Baa	Baa	Ba	Ba
Level of Business Risk	Medium	Low	Medium	Low	Medium	Low	Medium	Low
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-70	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

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**Moody's Investors Service**

Global Credit Research
Credit Opinion
12 DEC 2007

Credit Opinion: Xcel Energy Inc.**Xcel Energy Inc.**

Minneapolis, Minnesota, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Preferred Stock	Baa3
Commercial Paper	P-2
Public Service Company of Colorado	
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A3
Senior Secured MTN	A3
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2

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Key indicators

[1]Xcel Energy Inc.

ACTUALS

ACTUALS	3Q07 LTM	2006	2005	[2]2004
(CFO Pre-W/C + Interest) / Interest Expense [3]	4.2x	3.9x	4.2x	4.8x
(CFO Pre-W/C) / Debt [3]	20.6%	19.0%	19.7%	24.5%
(CFO Pre-W/C - Dividends) / Debt [3]	16.1%	14.4%	15.3%	20.1%
(CFO Pre-W/C - Dividends) / Capex [3]	70.4%	69.6%	92.3%	118.2%
Debt / Book Capitalization	48.9%	48.7%	50.4%	50.1%
EBITA Margin	13.8%	12.5%	11.6%	12.9%

[1] All ratios are calculated using Moody's Standard Adjustments [2] 2004 excludes the impact of settlement payments to NRG [3] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net

cash flow from operations less net changes in working capital items

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Company Profile

Xcel Energy Inc. (Xcel: Baa1 senior unsecured) is a holding company for four utility subsidiaries, Northern States Power (Minnesota) (NSP-Min: A3 senior unsecured), Northern States Power (Wisconsin) (NSP-Wisconsin: A3 senior unsecured), Public Service Company of Colorado (PSCo: Baa1 senior unsecured), and Southwestern Public Service Company (SPS: Baa1 senior unsecured) that provide electricity and natural gas in eight states, predominantly Colorado, Minnesota, Texas and Wisconsin along with smaller operations in Michigan, New Mexico and North and South Dakota. All of Xcel's utility subsidiaries operate as fully integrated entities with little deregulation occurring in their service territories. Xcel has approximately 5.1 million electric and gas customers.

Rating Rationale

Xcel's Baa1 rating for its senior unsecured obligations is driven by the relatively stable cash flow provided by its geographically diverse regulated utility subsidiaries, the reasonably supportive nature of its regulatory environments, the challenge of planned significant capital expenditure programs at its subsidiaries and the strength of its financial metrics. Currently, substantially all of Xcel's operations are regulated which ranks the company in Category 2 within the range of 1 - 4 in accordance with Moody's Rating Methodology for Global Regulated Electric Utilities, published March 2005 (the Rating Methodology).

The most important drivers of Xcel's ratings and outlook are as follows:

Diverse and Reasonably Supportive Regulatory Environments

Xcel's rating reflects the relatively supportive regulatory environments within which its utility subsidiaries operate. Minnesota and Wisconsin's regulatory environments are ranked in the upper half of U.S. regulatory jurisdictions, characterized by predictability and high expectation of timely recovery of costs and investments. Colorado and Texas have been ranked in the lower half of U.S. regulatory jurisdictions, generally indicating a lower expectation of timely recovery, or perhaps past evidence of lower predictability. Xcel has generally received constructive regulatory treatment in Colorado where a purchased capacity cost adjustment and recovery of costs to construct the Comanche 3 coal project (subject to a confidential construction cost cap), including construction work-in-progress, have been authorized. In Texas, Xcel's SPS subsidiary, which has historically contributed approximately 10% of consolidated funds from operations, has recently been unable to fully recover its increased fuel costs and it is more exposed to regulatory lag given the use of a historical test year for rate cases.

The combination of these factors position Xcel toward the lower end of the medium business risk category as outlined in the Rating Methodology.

Significant Capital Expenditure Programs

Xcel's Baa1 senior unsecured rating recognizes that Xcel's subsidiaries are in the

midst of significant capital expenditure programs that are expected to continue for at least the next several years, thus increasing the need for supportive regulatory treatment and reasonable operating expense recovery. The company is expected to spend about \$2 billion in annual capital expenditures with base capital spending making up about 65% of that amount and the remainder mostly for various wind, environmental and the partially completed Comanche 3 project. This is significantly higher than Xcel's capital expenditures of approximately \$1.3 billion incurred annually in 2004 and 2005. As a result, the company is expected to be involved in several rate cases annually into the near future to recover this higher level of spending. The Baa1 rating also recognizes the enhanced recovery mechanisms (pre-approval of significant projects, riders for transmission, wind and environmental expenditures, and CWIP in rate base) that are currently in place or available for the majority of Xcel's significant current or planned projects. Nevertheless, the planned higher capital spending could create potential rating pressure should regulatory support diminish.

Reasonable Financial Metrics

Xcel's financial metrics (incorporating Moody's standard analytical adjustments) are positioned toward the mid-to-upper range of the medium business risk category of utilities rated Baa, and are projected to remain in that range. Consolidated CFO pre-W/C to adjusted debt is expected to approximate 20% over the next few years with consolidated CFO pre-W/C coverage of interest coming in about 4 times. Given Moody's view that overall business is toward the lower end of the medium risk category, and recognizing the benefits of size and diversity and its supportive regulatory relationships, these metrics are consistent with Xcel's Baa1 senior unsecured rating.

Liquidity

As a holding company, dividends from subsidiaries are Xcel's primary source of cash. Although Xcel's subsidiaries are engaged in significant capital expenditure programs, liquidity at the parent level appears sufficient given the amount of anticipated utility dividends, the large size of its credit facility, limited parent level short-term funding needs and modest debt maturities near-term.

Debt at the Xcel parent holding company level is expected to remain at approximately \$1.4 billion, or approximately 19% of the \$7.5 billion consolidated debt. Debt service payments and preferred stock obligations of approximately \$100 - 125 million per year and common dividends of approximately \$400 million are supported by annual utility dividends to the parent of approximately \$600 - 700 million. Any excess is redistributed to Xcel's utility subsidiaries for investment in their capital expenditure programs.

Xcel's near term maturities are modest, consisting of \$195 million of senior unsecured notes coming due July 1, 2008. The \$100 million of convertible notes remaining out of an original \$230 million issuance are expected to convert to equity by their maturity in November 2007; the first \$130 million converted to equity during the second quarter of 2007. The strike price on the convertible notes is \$12.33 and Xcel's share price was \$22.55 on October 31, 2007. A second convertible issuance of \$57.5 million, with the same \$12.33 strike price, will mature in November 2008.

Xcel's commercial paper program is sized at \$800 million and is supported by an \$800 million credit facility at the parent level which has been used to meet short-term funding gaps. The facility has one financial covenant requiring that debt to capitalization be below 65%. As of September 30, 2007 the ratio of debt to capitalization, as defined in the agreement was approximately 56%. As of October 22,

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Xcel's stable outlook reflects the relatively low risk profile of its basic utility businesses and the relatively supportive regulatory environments in which those subsidiaries operate. The overwhelming majority of the company's revenues, earnings, and cash flows will be provided by the four vertically integrated utility subsidiaries. Cash flows are expected to be reasonably predictable.

The ratings or outlook could be revised upward if there is a sustainable improvement in financial performance, as demonstrated for example by the ratio of CFO pre-W/C to debt improving to the range of approximately 23-25% on a sustainable basis. Since regulated utility activities represent an overwhelming majority of Xcel's operations, this scenario would be unlikely without supportive regulatory outcomes for several subsidiaries.

The ratings or outlook could be revised downward if there were to be a sustainable deterioration of financial performance as demonstrated, for example, by the ratio of CFO pre-W/C to debt falling below the high teens for an extended period. Factors that could contribute to this deterioration include: adverse regulatory rulings, significant operating difficulties, capital spending that is significantly higher than anticipated, or a change in business strategy which would increase the company's business risk profile.

Xcel Energy Inc.
600054932

Rating	Aa	Aa	A	A	Baa	Baa	Ba	Ba
Level of Business Risk	Medium	Low	Medium	Low	Medium	Low	Medium	Low
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-70	50-70	60-75	>60	>70

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**STANDARD
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RATINGS DIRECT

Summary:

Southwestern Public Service Co.

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Rationale

Outlook

Summary:

Southwestern Public Service Co.

Credit Rating: BBB+/Stable/A-2

Rationale

The rating on Southwestern Public Service Co. (SPS) is based on the consolidated credit profile of integrated electric and natural gas utility holding company Xcel Energy Inc. and its vertically integrated utility subsidiaries--SPS, Northern States Power Co. (NSP-Minnesota), Northern States Power Wisconsin (NSP-Wisconsin), and Public Service Co. of Colorado (PSCo).

Minneapolis, Minn.-based Xcel had \$8.1 billion of debt and \$105 million of preferred stock as of Dec. 31, 2007, of which SPS had \$903 million of debt outstanding.

Xcel, as a regulated utility holding company, serves 3.3 million electric and 1.8 million natural-gas customers in eight different states with its largest operations in Minnesota and Colorado. The rating on Xcel reflects its excellent consolidated business profile exhibited by supportive regulation, particularly in Colorado, Minnesota, and Wisconsin where more than 90% of consolidated operating cash flow is derived. Like other utilities in the region, Xcel has been spending on new plant construction and environmental upgrades to serve rising electricity demand and meet increasingly stringent air quality requirements. Supportive regulation includes rate riders, cost recovery trackers, forecasted test periods, and the ability to earn a cash return on construction work in progress. Like Xcel, the business profile of NSP-Minnesota is considered excellent.

The rating reflects an aggressive consolidated financial profile that includes adjusted funds from operations (FFO) interest coverage of 3.7x, FFO to total debt of 19.6%, and total debt to total capital of about 60%, all as of Dec. 31, 2007. Net cash flow (post dividends) to capital expenditures was 73% and the dividend payout ratio was 67%, up slightly from 2006. Adjustments reflect substantial purchased-power obligations, particularly at PSCo, operating leases, and pension-related items. All ratios improved from the end of 2006 due in part to improved cost recovery of capital expenditures through rate riders and base rate increases.

Short-term credit factors

The short-term rating on SPS is 'A-2'. Xcel and each of its utility subsidiaries have adequate liquidity and a manageable debt maturity schedule. Xcel has an \$800 million bank credit facility that as of Dec. 31, 2007, had 78% availability. PSCo's \$700 million facility had 74% availability, NSP-Minnesota's \$500 million facility had 35% availability, and SPS's \$250 million facility had 59% availability. NSP-Wisconsin borrows periodically from NSP-Minnesota through a commission-approved short-term inter-company note program. All four credit facilities mature in December 2011. Cash on a consolidated basis was \$51 million as of the end of 2007.

Increased cash flow resulting from the expected rate increases and declining capital spending in the later years should permit the consolidated company to internally fund 90% to 100% of capital requirements. The company currently maintains sufficient liquidity to address potential collateral calls under a stressed scenario comprised of a negative credit event and an adverse movement in commodity prices. For 12 months ended Dec. 31, 2007, total cash sources exceeded planned cash uses such as dividends, capital spending, and debt maturities. Over the 2008 to 2012