period, debt maturities are manageable: 2008 ($638 million); 2009 ($558 million); 2010 ($542 million); 2011 ($52 million); and, 2012 ($1.1 billion).

Outlook

The stable outlook on Xcel and its subsidiaries reflects the company's improved business risk profile and expectations of cash flow protection measures over the intermediate term that will support the current rating. Given the company's focus on regulated utility operations, Standard & Poor's expects that Xcel will reach constructive regulatory outcomes so as to avoid meaningful rises in business risk. The outlook could be revised to negative and ratings could be lowered if there would be unfavorable and material rate outcomes or a renewed emphasis on unregulated operations, or the financial risk profile weakens during the pending construction phase. A positive outlook or an upgrade is currently not contemplated mostly due to the large capital spending program and consolidated debt leverage.

STANDARD
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RATINGSDIRECT®

Summary:

Xcel Energy Inc.

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

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Summary:
Xcel Energy Inc.

Credit Rating: BBB+/Stable/A-2

Rationale

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

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

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. The business profiles of NSP-Minnesota, NSP-Wisconsin, PSCo, and SPS are 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 Xcel 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 period, debt maturities are manageable: 2008 ($638 million); 2009 ($558 million); 2010 ($542 million); 2011 ($52 million), and 2012 ($1.1 billion).

Outlook

The stable outlook on Xcel and its subsidiaries reflects the company's improved business risk profile and expectations of cash flow protection measures over the intermediate term that will support the current rating. Given the company's focus on regulated utility operations, Standard & Poor's expects that Xcel will reach constructive regulatory outcomes so as to avoid meaningful rises in business risk. The outlook could be revised to negative and ratings could be lowered if there would be unfavorable and material rate outcomes or a renewed emphasis on unregulated operations, or the financial risk profile weakens during the pending construction phase. A positive outlook or an upgrade is currently not contemplated mostly due to the large capital spending program and consolidated debt leverage.

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STANDARD
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Research Update:

Xcel Energy Inc. Upgraded To 'BBB+' From 'BBB' On Stronger Business Profile

Primary Credit Analyst:
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Research Update:

Xcel Energy Inc. Upgraded To 'BBB+' From 'BBB' On Stronger Business Profile

Rationale

On Oct. 16, 2007, Standard & Poor's Ratings Services raised its corporate credit rating on integrated electric and natural gas utility holding company Xcel Energy Inc. and all its vertically integrated utility subsidiaries--Northern States Power Co. (NSP-Minnesota), Public Service Co. of Colorado (PSCo), and Southwestern Public Service Co. (SPS)--to 'BBB+' from 'BBB'. In addition, Standard & Poor's raised its corporate credit rating on subsidiary Northern States Power Wisconsin (NSP-Wisconsin) to 'A-' from 'BBB+'. The outlooks are stable.

The upgrade reflects Xcel's strengthening business profile, exhibited by supportive regulation, particularly in Colorado, Minnesota, and Wisconsin where more than 90% of consolidated operating cash flow is derived. Supportive regulation includes rate riders, cost recovery trackers, forecasted test periods, and the ability to earn a cash return on construction work in progress. Additionally, the firm's financial measures are expected to be commensurate with the higher rating.

Minneapolis, Minn.-based Xcel had $7.5 billion of debt and $105 million of preferred stock as of June 30, 2007.

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 business profile also incorporates generally supportive state regulation, the relatively low-cost power supply and fuel diversity, and the wide service area stretching from Wisconsin to New Mexico. Xcel's consolidated business profile is '4' (strong). (Business profiles are categorized from '1' (excellent) to '10' (vulnerable).) The business profiles of the utility subsidiaries are: NSP-Minnesota, NSP-Wisconsin, and PSCo are a '4'; and SPS is a '5' (satisfactory). 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.

The rating also reflects an aggressive consolidated financial profile that includes adjusted funds from operations (FFO) interest coverage of 3.6x, FFO to total debt of 18.8%, and total debt to total capital of about 60%, all as of June 30, 2007. Net cash flow (post dividends) to capital expenditures was about 74% and total debt to EBITDA was 3.7x. 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 Xcel 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 June 30, 2007, had 68% availability. PSCo's $700 million facility had 58% availability, NSP-Minnesota's $500 million facility had 95% availability, and SPS's $250 million facility had 53% 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 about $10 million as of June 30, 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 June 30, 2007, total cash sources exceeded planned cash uses such as dividends, capital spending, and debt maturities.

The dividend payout ratio was 64% as of June 30, 2007, up slightly from 63% at the end of 2006. This should remain relatively stable if management maintains a conservative dividend policy of raising dividends in line with expected growth.

Outlook

The stable outlook on Xcel and its subsidiaries reflects the company's improved business risk profile and expectations of cash flow protection measures over the intermediate term that will support the current rating. Given the company's focus on regulated utility operations, Standard & Poor's expects that Xcel will reach constructive regulatory outcomes so as to avoid meaningful rises in business risk. The outlook could be revised to negative and ratings could be lowered if there would be unfavorable and material rate outcomes or a renewed emphasis on unregulated operations, or the financial risk profile weakens during the pending construction phase. A positive outlook or an upgrade is currently not contemplated mostly due to the large capital spending program and consolidated debt leverage.

Ratings List

Not Rated Action

	To	From
Northern States Power Co.		
Senior Secured		
US$100 mil 9.375% 1st mtg bnd due 06/01/2020	NR	A-
Recovery Rating	NR	1+
US$100 mil 9.125% 1st mtg bnd due	NR	A-

07/01/2019		
Recovery Rating	NR	1+
Preferred Stock		
Local Currency	NR	BB+
Northern States Power Wisconsin		
Senior Secured		
US$50 mil 9.125% 1st mtg bnd due 04/01/2021	NR	A
Recovery Rating	NR	1+
16% 1st mtg bnds due 03/01/2012	NR	A
Recovery Rating	NR	1+
US$110 mil 7.25% 1st mtg bnd due 03/01/2023	NR	A
Recovery Rating	NR	1+
Public Service Co. of Colorado		
Senior Secured		
16.25% 1st mtg bnds due 12/01/2011	NR	A-
Recovery Rating	NR	1+
13% 1st mtg bnds due 03/01/2015	NR	A-
Recovery Rating	NR	1+
8.25% 1st mtg bnd due 11/01/2007	NR	A-
Recovery Rating	NR	1+
Preferred Stock		
Local Currency	NR	BB+

Ratings Affirmed

Xcel Energy Inc.		
Southwestern Public Service Co.		
Commercial Paper		
Local Currency	A-2	
Northern States Power Co.		
Public Service Co. of Colorado		
Senior Secured		
Local Currency	1+	
Commercial Paper		
Local Currency	A-2	
Northern States Power Wisconsin		
Senior Secured		
US$65 mil 7.375% 1st mtg bnd due 12/01/2026	A	
Recovery Rating	1+	1+
US$150 mil 5.25% 1st mtg bnd ser A due 10/01/2018	A	
Recovery Rating	1+	1+

Upgraded

	To	From
Xcel Energy Inc.		
Senior Unsecured		
Local Currency	BBB	BBB-
Preferred Stock		
Local Currency	BBB-	BB+
Northern States Power Co.		
Senior Secured		
US$150 mil 6.5% 1st mtg bnd due 03/01/2028	A	A-
Recovery Rating	1+	1+
US$175 mil 4.75% 1st mtg bnd due 08/01/2010	A	A-
Recovery Rating	1+	1+
US$350 mil 6.2% 1st mtg bnd due 07/01/2037	A	A-
Recovery Rating	1+	1+
US$400 mil 6.25% 1st mtg bnd due 06/01/2036	A	A-
Recovery Rating	1+	1+
US$250 mil 5.25% 1st mtg bnd due 07/15/2035	A	A-
Recovery Rating	1+	1+
US$250 mil 7.125% 1st mtg bnd due 07/01/2025	A	A-
Recovery Rating	1+	1+
Senior Unsecured		
Local Currency	BBB	BBB-
Northern States Power Wisconsin		
Corporate Credit Rating	A-/Stable/--	BBB+/Stable/--
Senior Unsecured		
Local Currency	BBB+	BBB
Public Service Co. of Colorado		
Senior Secured		
Local Currency	A	A-
Recovery Rating	1+	1+
Senior Unsecured		
Local Currency	BBB	BBB-
Southwestern Public Service Co.		
Senior Unsecured		
Local Currency	BBB+	BBB
Preferred Stock		
Local Currency	BBB-	BB+

Upgraded; Ratings Affirmed

	To	From
Xcel Energy Inc.		
Southwestern Public Service Co.		
Corporate Credit Rating	BBB+/Stable/A-2	BBB/Stable/A-2
Northern States Power Co.		
Public Service Co. of Colorado		
Corporate Credit Rating	BBB+/Stable/A-2	BBB/Stable/A-2

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

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The McGraw·Hill Companies

QUESTION NO. TIEC 3-7:

Please provide copies of all credit reports published by S&P, Moody's and Fitch Ratings for SPS, Xcel and all of its operating utility affiliates issued over the last two years.

RESPONSE:

Please refer to Exhibit TIEC3-7.

Preparer(s): Yvonne Min
Sponsor(s): George E. Tyson II

FitchRatings
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Fitch Upgrades XEL Energy IDR to 'BBB+'; Select Action on Subsidiaries Ratings

15 Mar 2007 1:55 PM (EDT)

Fitch Ratings-Chicago-15 March 2007: Fitch has upgraded the Issuer Default Rating (IDR) of Xcel Energy Inc. (NYSE: XEL) to 'BBB+' from 'BBB'. At the same time, Fitch has revised the long term Rating Outlook of Public Service Company of Colorado (PSCO, IDR 'BBB') to Positive from Stable and downgraded the ratings of Southwestern Public Service (SPS, IDR to 'BBB' from 'BBB+'). Fitch has also affirmed the ratings and Rating Outlook of XEL's subsidiaries Northern States Power - Minnesota (NSPM, IDR 'A-') and Northern States Power - Wisconsin (NSPW, IDR 'A-'), each with a Stable Outlook. Approximately $7.4 billion of debt is affected. See below for complete rating summary.

Fitch's upgrade of XEL's IDR to 'BBB+' recognizes the following: strong underlying cash flows from utilities which are growing a result of strong electric demand growth in Minnesota and Colorado; electric and gas base rate increases and various regulatory mechanisms that allow enhanced recovery of capital spending; success of a growth strategy focused on growing rate base with support from regulators; and conservative capital structures at the operating utility level. XEL's financial profile continues to benefit from strong performance at NSPM and PSCO, which combined contribute 75% of funds from operations.

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. Fitch projects that credit metrics will strengthen slightly, with funds from operations (FFO) interest coverage in the range of 4.5 times (x) to 5.0x, and debt-to-FFO in the 4.0x-4.5x range. The Stable Rating Outlook also incorporates the possibility of an adverse judgment in the COLI litigation; XEL has sufficient liquidity resources in the event of an adverse outcome.

The Positive Rating Outlook for PSCO reflects Fitch's expectation that credit metrics will gradually improve. For 2007 and 2008, Fitch projects that FFO interest coverage will be in the range of 5.0x to 5.5x, while debt to FFO will be in the range of 3.5x to 4.0x. These projections consider the full-year impact of the most recent electric rate case, as well as a modest increase in debt to fund significant capital investments. The next two years are the peak of PSCO's capital spending plan, which includes approximately $1.0 billion for PSCO's portion of a new coal plant, and substantial investments in transmission and distribution. Ratings concerns include changes at the CPUC, declining gas usage, and the management of PSCO's purchased power needs.

The downgrade of SPS reflects deteriorating credit metrics, and higher business risks. FFO interest coverage has steadily declined over the last five years, and was 2.5 times (x) as of Dec. 31, 2006. Business risks for SPS include: a growing reliance on purchased power and an inability to pass through capacity costs without filing a general rate case; a high concentration of wholesale and commercial industrial customers who continue to resist company efforts to improve timely recovery of commodity costs and capital spending; a challenging regulatory environment that includes the PUCT, FERC, the New Mexico Public Regulation Commission, and by the 81 municipalities it provides service to within Texas; and growing environmental costs for its coal-fired generation. There are several credit positives including demand growth driven largely driven by oil and gas customers, better than 90% capacity factors for its coal-fired units and forced outage rates lower than industry averages, relatively low growth of operations and maintenance costs (adjusted for fuel expenses) down, and no threat of retail competition. SPS contributes only 9% to XEL's consolidated funds from operations.

NPSM's ratings were affirmed based on strong cash flows, constructive regulatory environments, and growing electric operations. The ratings also consider the linkage to NSPW through an integrated generation and transmission system. The Stable Rating Outlook reflects Fitch's expectation that planned capital spending of approximately $1 billion in 2007 and $1.1 billion in 2008 and dividend payments to XEL of $200 million-$225 million will be offset by strong demand growth and cash recovery of transmission and generation investments. The capital-spending program consists primarily of Minnesota Public Utility Commission (MPUC)-approved investments in generation, transmission, and distribution. Fitch expects that operating cash flows net of dividends will cover approximately 55%-70% of capital expenditures and that NSPM will fund the shortfall primarily through additional short and long term debt. For 2007, Fitch projects the company's credit metrics will remain strong relative to both peers and its rating category, with FFO interest coverage in the range of approximately 4.75x-5.75x, and debt-to-FFO in the approximately 3.0x-4.0x range.

NPSW's ratings were affirmed based on strong credit metrics, the growth of its electric operations business, a generally constructive regulatory environment, and the linkage to NSPM. The Stable Rating Outlook reflects Fitch Ratings' expectation that credit metrics will remain near current levels. For 2007, Fitch estimates FFO interest coverage in the range of approximately 4.5x-5.5x, and debt-to-FFO in the approximately 3.5x-4.5x range.

The following issuer rating is upgraded:

XCEL Energy, Inc.
--Long-term IDR to 'BBB+' from 'BBB'.

The following issuer ratings are affirmed and Outlook Revised to Positive:

Public Service Company of Colorado (PSCO)
--Long-term IDR 'BBB';
--First Mortgage Bonds 'A-';
--Senior Unsecured 'BBB+';
--Short-term debt 'F2'.

The following issuer ratings are downgraded:

Southwestern Public Service Co. (SPS)
--Long-term IDR to 'BBB' from 'BBB+';
--Senior Unsecured 'BBB+' from 'A-'.

The Rating Outlook for SPS is Stable.

The following issuer ratings are affirmed with a Stable Outlook:

Xcel Energy Inc. (XEL)
--Senior Unsecured 'BBB+';
--Convertible Securities 'BBB+';
--Preferred Stock 'BBB';
--Short-term debt 'F2'.

Northern States Power Co. - Minnesota (NSPM)
--Long-term IDR 'A-';
--First Mortgage Bonds 'A+';
--Senior Unsecured 'A';
--Short-term debt 'F1'.

Northern States Power Co. - Wisconsin (NSPW)
--Long-term IDR 'A-';
--First Mortgage Bonds 'A+';
--Senior Unsecured 'A';
--Short-term debt 'F1'.

Southwestern Public Service Co. (SPS)
--Short-term debt 'F2'.

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FitchRatings
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Corporate Finance

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

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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 that 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.

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.

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Corporate Finance

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

XEL at a Glance
($ Mil.)

	NSPM	PSCO	SPS	NSPW	XEL
FFO	595	496	130	102	1,476
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 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.

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.

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.

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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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RATINGSDIRECT®

June 28, 2007

Southwestern Public Service Co.

Primary Credit Analyst:
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Southwestern Public Service Co.

Major Rating Factors

Corporate Credit Rating
BBB/Stable/A-2

Strengths:

- Diversity of geography, fuel, and economies,
- Regulatory support,
- Plant operating efficiency, and
- Continuing cost reduction program.

Weaknesses:

- Parent debt increases debt service burden of utilities.

Rationale

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

Minneapolis, Minn.-based Xcel had $7.4 billion of debt and $105 million of preferred stock as of March 31, 2007, of which SPS had $856 million of debt.

The rating on Xcel reflects its consolidated business profile of '5' (satisfactory) that incorporates its utilities' generally supportive state regulation, the relatively low-cost power supply and overall fuel diversity, and the diverse geographic service territories. The business risk profile of SPS is '5'. (Business profiles are categorized from '1' (excellent) to '10' (vulnerable).) The rating also reflects an aggressive consolidated financial profile that includes mixed financial measures for the 'BBB' rating. Adjusted debt to total capital was roughly 60%, which reflects substantial purchased-power obligations, particularly at PSCo. The risk-adjusted debt equivalent of purchased-power obligations adds more than $1 billion to total debt.

In the near term, Standard & Poor's Ratings Services expects Xcel's leverage to achieve a level appropriate for the rating as a result of anticipated rate increases, the conversion of $230 million of debt to equity, and the issuance of additional equity through the company's dividend reinvestment program. Rate increases should allow Xcel to internally fund dividends and about 50% of capital expenditures.

Xcel, like other utilities in the region, must increase spending for new plant construction and environmental upgrades to satisfy rising electricity demand and increasingly stringent air quality requirements. Cash available for utility investment will increase over the next few years by the tax benefit associated with the write-off of former merchant energy subsidiary NRG Energy Inc. As a result, adjusted consolidated funds from operations interest coverage will continue to exceed 3x, which is appropriate for the rating, despite the level of adjusted consolidated debt.

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 March 31, 2007, had

83% availability. PSCo's $700 million facility had 62% availability, NSP Minnesota's $500 million facility had 57% availability, and SPS' $250 million facility had 62% availability. NSP-Wisconsin borrows periodically from NSP-Minnesota through a commission-approved short-term intercompany note program. All four credit facilities mature in December 2011. Cash on a consolidated basis was about $6 million as of March 31, 2007.

On a consolidated basis, internally generated funds should cover more than 50% of projected capital spending and dividends through 2007. Increased cash flow resulting from the anticipated rate increases and declining capital spending in the later years should allow the consolidated company to internally fund 90% to 100% of capital requirements.

The dividend payout ratio was 63% in 2006, down from 69% in 2005, and should remain relatively stable if management maintains a conservative dividend policy that produces dividends along with anticipated growth.

Outlook

The stable outlook on Xcel and its subsidiaries reflects the expectation that rate increases will sufficiently enhance the utilities' earnings to provide surplus cash flow that they will use to fund capital spending and gradual debt reduction. Less-supportive rate decisions could jeopardize the current ratings. Favorable rate decisions, stringent cost controls, successful construction of new plant, and installation of emission controls, combined with the anticipated debt reduction at the holding company, could lead to a positive rating action.

Table 1

Xcel Energy Inc. -- Peer Comparison*

	—Average of past three fiscal years—			
	Xcel Energy Inc.	**American Electric Power Co. Inc.**	**Southern Co.**	**Progress Energy Inc.**
Rating as of June 25, 2007	BBB/Stable/A-2	BBB/Stable/A-2	A/Stable/A-1	BBB+/Stable/A-2
(Mil. $)				
Revenues	9,270.3	12,930.0	13,213.0	9,816.7
Net income from cont. oper.	531.5	1,049.3	1,545.7	664.7
Funds from operations (FFO)	1,390.6	2,632.1	3,304.1	1,816.5
Capital expenditures	1,379.1	2,623.3	2,529.0	1,547.6
Cash and investments	46.5	616.3	247.3	425.7
Debt	8,888.4	14,914.1	15,314.8	12,259.4
Preferred stock	105.0	61.0	633.7	93.0
Common equity	5,148.7	8,282.2	11,283.1	8,039.0
Total capital	14,127.3	23,257.3	27,231.5	20,421.1
Adjusted ratios				
EBIT interest coverage (x)	2.2	2.3	3.8	2.1
FFO int. cov. (x)	3.4	3.3	5.0	3.4
FFO/debt (%)	15.6	17.6	21.6	14.8
Discretionary cash flow/debt (%)	(5.2)	(2.9)	(6.2)	(3.6)
Net cash flow/capex (%)	76.1	78.7	87.4	79.7
Debt/total capital (%)	62.9	64.1	56.2	60.0
Return on common equity (%)	8.9	11.2	13.7	8.2

Table 1

Xcel Energy Inc. -- Peer Comparison* (cont.)					
Common dividend payout ratio (un-adj.) (%)	64.0		54.0	72.2	87.6

*Fully adjusted (including postretirement obligations).

Table 2

Southwestern Public Service Co. -- Financial Summary*	--Fiscal year ended Dec. 31--				
	2006	2005	2004	2003	2002
Rating history	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Stable/--	BBB/Watch Pos/A-2	BBB/Watch Dev/A-3
(Mil. $)					
Revenues	1,686.5	1,627.2	1,333.8	1,201.3	1,025.2
Net income from continuing operations	47.5	62.4	54.9	82.3	73.9
Funds from operations (FFO)	85.3	212.4	184.7	134.7	135.7
Capital expenditures	119.0	122.2	127.2	103.5	65.5
Cash and investments	0.3	9.4	0.0	9.9	60.7
Debt	902.2	981.2	926.6	865.1	866.0
Preferred stock	0.0	0.0	0.0	0.0	0.0
Common equity	795.4	814.2	780.9	814.5	828.7
Total capital	1,697.6	1,795.4	1,707.5	1,679.6	1,694.7
Adjusted ratios					
EBIT interest coverage (x)	2.2	2.6	2.5	3.3	3.1
FFO int. cov. (x)	2.3	4.6	4.1	3.2	3.2
FFO/debt (%)	9.5	21.7	19.9	15.6	15.7
Discretionary cash flow/debt (%)	5.5	(9.3)	(6.1)	(6.2)	(2.5)
Net cash flow/capex (%)	6.2	105.7	71.6	36.4	64.7
Debt/total capital (%)	53.1	54.6	54.3	51.5	51.1
Return on common equity (%)	5.6	7.3	6.5	9.5	8.7
Common dividend payout ratio (un-adj.) (%)	164.0	133.4	170.6	118.0	126.4

*Fully adjusted.

Table 3

Reconciliation Of Southwestern Public Service Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*	--Fiscal year ended Dec. 31, 2006--							
Southwestern Public Service Co. reported amounts								
	Debt	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Capital expenditures**
Reported	824.9	219.5	219.5	123.4	53.8	244.4	244.4	120.9
Standard & Poor's adjustments								
Operating leases	0.3	1.2	0.2	0.2	0.2	0.9	0.9	--
Capitalized interest	--	--	--	--	1.9	(1.9)	(1.9)	(1.9)
Purchased-power agreements	77.0	4.9	4.9	4.9	4.9	--	--	--

Table 3

Reconciliation Of Southwestern Public Service Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

	Debt	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Reclassification of nonoperating income (expenses)	--	--	--	6.4	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	(161.2)	--
Other	--	--	--	--	--	3.1	3.1	--
Total adjustments	77.3	6.1	5.1	11.6	7.0	2.1	(159.0)	(1.9)
Standard & Poor's adjusted amounts								
Adjusted	902.2	225.6	224.6	135.0	60.9	246.5	85.3	119.0

*Southwestern Public Service Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of June 28, 2007)*	
Southwestern Public Service Co.	
Corporate Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	
Local Currency	BB+
Senior Unsecured	
Local Currency	BBB
Corporate Credit Ratings History	
22-Nov-2005	BBB/Stable/A-2
01-Jun-2004	BBB/Stable/NR
12-Mar-2004	BBB/Stable/A-2
14-May-2003	BBB/Watch Pos/A-2
07-Aug-2002	BBB/Watch Dev/A-3
26-Jul-2002	BBB/Watch Neg/A-3
Business Risk Profile	1 2 3 4 $\boxed{5}$ 6 7 8 9 10
Financial Risk Profile	Intermediate
Debt Maturities	
2007 none 2008 none 2009 $100 mil. 2010 None 2011 $45 mil.	
Related Entities	
Northern States Power Co.	
Issuer Credit Rating	BBB/Stable/A-2

Ratings Detail (As Of June 28, 2007)* (cont.)	
Commercial Paper	
Local Currency	A-2
Preferred Stock	
Local Currency	BB+
Senior Secured	
Local Currency	A-
Senior Unsecured	
Local Currency	BBB-
Northern States Power Wisconsin	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	
Local Currency	A-
Senior Unsecured	
Local Currency	BBB
Public Service Co. of Colorado	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	
Local Currency	BB+
Senior Secured	
Local Currency	A-
Senior Unsecured	
Local Currency	BBB-
Xcel Energy Inc.	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	
Local Currency	BB+
Senior Unsecured	
Local Currency	BBB-

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

RESEARCH

Xcel Energy Inc.

Publication date: 28-Jun-2007
Primary Credit Analyst: Gerrit Jepsen, CFA, New York (1) 212-438-2529; mailto:gerrit_jepsen@standardandpoors.com

Major Rating Factors

Corporate Credit Rating
BBB/Stable/A-2

Strengths:

- Diversity of geography, fuel, and economy,
- Regulatory support,
- Plant operating efficiency, and
- Continuing cost reduction program.

Weaknesses:

- Parent debt increases debt service burden on its utilities, and
- Purchased-power obligations add more than $1 billion debt equivalent to consolidated balance sheet.

Rationale

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

Minneapolis, Minn.-based Xcel had $7.4 billion of debt and $105 million of preferred stock as of March 31, 2007.

The rating on Xcel reflects its consolidated business profile of '5' (satisfactory) that incorporates its utilities' generally supportive state regulation, the relatively low-cost power supply and overall fuel diversity, and the diverse geographic service territories. (Business profiles are categorized from '1' (excellent) to '10' (vulnerable).) The rating also reflects an aggressive consolidated financial profile that includes mixed financial measures for the 'BBB' rating. Adjusted debt to total capital was roughly 60%, which reflects substantial purchased-power obligations, particularly at PSCo. The risk-adjusted debt equivalent of purchased-power obligations adds more than $1 billion to total debt.

In the near term, Standard & Poor's Ratings Services expects Xcel's leverage to achieve a level appropriate for the rating as a result of anticipated rate increases, the conversion of $230 million of debt to equity, and the issuance of additional equity through the company's dividend reinvestment program. Rate increases should provide for Xcel to internally fund dividends and about 50% of capital expenditures.

Xcel, like other utilities in the region, must increase spending for new plant construction and environmental upgrades to satisfy rising electricity demand and increasingly stringent air quality requirements. Cash available for utility investment will increase over the next few years by the tax benefit associated with the write-off of former merchant energy subsidiary NRG Energy Inc. As a result, adjusted consolidated funds from operations interest coverage will continue to exceed 3x, which is appropriate for the rating, despite the level of adjusted consolidated debt.

Short-term credit factors

The short-term rating on Xcel 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 March 31, 2007, had 83% availability. PSCo's $700 million facility has 62% availability, NSP Minnesota's $500 million facility had 57% availability, and SPS' $250 million facility had 62% availability. NSP-Wisconsin borrows periodically from NSP-Minnesota through a commission-approved short-term intercompany note program. All four credit facilities mature in December 2011. Cash on a consolidated basis was about $6 million as of March 31, 2007.

On a consolidated basis, internally generated funds should cover more than 50% of projected capital spending and dividends through 2007. Increased cash flow resulting from the anticipated 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 dividend payout ratio was 63% in 2006, down from 69% in 2005, and should remain relatively stable if management maintains a conservative dividend policy that produces dividends along with anticipated growth.

Outlook

The stable outlook on Xcel and its subsidiaries reflects the expectation that rate increases will sufficiently enhance the utilities' earnings to provide surplus cash flow that they will use to fund capital spending and gradual debt reduction. Less-supportive rate decisions could jeopardize the current ratings. Favorable rate decisions, stringent cost controls, successful construction of new plant, and installation of emission controls, combined with the anticipated debt reduction at the holding company, could lead to a positive rating action.

Table 1

Xcel Energy Inc. -- Peer Comparison*

	--Average of past three fiscal years--			
	Xcel Energy Inc.	American Electric Power Co. Inc.	Southern Co.	Progress Energy Inc.
Rating as of June 25, 2007	BBB/Stable/A-2	BBB/Stable/A-2	A/Stable/A-1	BBB+/Stable/A-2
(Mil. $)				
Revenues	9,270.3	12,930.0	13,213.0	9,816.7
Net income from cont. oper.	531.5	1,049.3	1,545.7	664.7
Funds from operations (FFO)	1,390.6	2,632.1	3,304.1	1,816.5
Capital expenditures	1,379.1	2,623.3	2,529.0	1,547.6
Cash and investments	46.5	616.3	247.3	425.7
Debt	8,888.4	14,914.1	15,314.8	12,259.4
Preferred stock	105.0	61.0	633.7	93.0
Common equity	5,148.7	8,282.2	11,283.1	8,039.0
Total capital	14,127.3	23,257.3	27,231.5	20,421.1
Adjusted ratios				
EBIT interest coverage (x)	2.2	2.3	3.8	2.1
FFO int. cov. (x)	3.4	3.3	5.0	3.4
FFO/debt (%)	15.6	17.6	21.6	14.8
Discretionary cash flow/debt (%)	(5.2)	(2.9)	(6.2)	(3.6)
Net cash flow/capex (%)	76.1	78.7	87.4	79.7
Debt/total capital (%)	62.9	64.1	56.2	60.0
Return on common equity (%)	8.9	11.2	13.7	8.2
Common dividend payout ratio (un-adj.) (%)	64.0	54.0	72.2	87.6

*Fully adjusted (including postretirement obligations).

Table 2

Xcel Energy Inc. -- Financial Summary*

	--Fiscal year ended Dec. 31--				
	2006	2005	2004	2003	2002

Rating history	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Stable/--	BBB/Watch Pos/A-2	BBB/Watch Dev/A-3
(Mil. $)					
Revenues	9,840.3	9,625.5	8,345.3	7,937.5	9,524.4
Net income from continuing operations	568.7	499.0	526.9	510.0	(2,218.0)
Funds from operations (FFO)	1,360.6	1,455.7	1,355.5	1,459.0	1,365.9
Capital expenditures	1,571.6	1,269.1	1,296.6	947.9	2,478.7
Cash and investments	37.5	72.2	29.8	573.2	901.3
Debt	8,895.7	9,044.1	8,725.3	7,590.0	17,448.1
Preferred stock	105.0	105.0	105.0	105.0	105.3
Common equity	5,816.8	4,905.0	4,724.2	4,845.2	4,277.0
Total capital	14,766.5	14,057.7	13,557.6	12,540.5	21,865.2
Adjusted ratios					
EBIT interest coverage (x)	2.3	2.2	2.2	2.2	1.4
FFO int. cov. (x)	3.2	3.5	3.3	3.7	2.0
FFO/debt (%)	15.3	16.1	15.5	19.2	7.8
Discretionary cash flow/debt (%)	(1.4)	(5.3)	(9.1)	2.2	(7.3)
Net cash flow/capex (%)	63.7	87.7	79.8	121.9	35.1
Debt/total capital (%)	60.2	64.3	64.4	60.5	79.8
Return on common equity (%)	9.1	8.6	9.0	9.5	(42.6)
Common dividend payout ratio (un-adj.) (%)	63.0	68.8	60.5	59.5	(22.1)

*Fully adjusted (including postretirement obligations).

Table 3

Reconciliation Of Xcel Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

--Fiscal year ended Dec. 31, 2006--

Xcel Energy Inc. reported amounts	Debt	Shareholders' equity	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	7,412.3	5,921.8	1,998.9	1,998.9	1,177.0	456.0	1,728.7	1,728.7	358.7	1,602.6
Standard & Poor's adjustments										
Operating leases	147.1	--	34.9	10.4	10.4	10.4	24.5	24.5	--	--
Intermediate hybrids reported as equity	52.5	(52.5)	--	--	--	2.1	(2.1)	(2.1)	(2.1)	--
Postretirement benefit obligations	--	--	14.2	14.2	14.2	--	76.3	76.3	--	--
Capitalized interest	--	--	--	--	--	30.9	(30.9)	(30.9)	--	(30.9)
Share-based compensation expense	--	--	--	47.0	--	--	--	--	--	--
Purchased-power agreements	1,283.7	--	84.0	84.0	84.0	84.0	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	29.1	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	(448.0)	--	--
Minority interest	--	1.6	--	--	--	--	--	--	--	--

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
U.S. decommissioning fund contributions	–	–	–	–	–	–	(48.1)	(48.1)	–	–
Other	–	–	–	–	–	–	60.2	60.2	2.1	–
Total adjustments	1,483.3	(50.9)	133.0	155.6	137.7	127.4	79.9	(368.1)	(0.0)	(30.9)

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	8,895.7	5,870.9	2,131.9	2,154.4	1,314.7	583.5	1,808.6	1,360.6	358.7	1,571.6

*Xcel Energy Inc. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of 28-Jun-2007)*	
Xcel Energy Inc.	
Corporate Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	
Local Currency	BB+
Senior Unsecured	
Local Currency	BBB-
Corporate Credit Ratings History	
08-Jun-2005	BBB/Stable/A-2
01-Jun-2004	BBB/Stable/NR
12-Mar-2004	BBB/Stable/A-2
14-May-2003	BBB/Watch Pos/A-2
07-Aug-2002	BBB/Watch Dev/A-3
26-Jul-2002	BBB/Watch Neg/A-3
Business Risk Profile	1234$\boxed{5}$678910
Related Entities	
Northern States Power Co.	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	
Local Currency	BB+
Senior Secured	
Local Currency	A-
Senior Unsecured	
Local Currency	BBB-
Northern States Power Wisconsin	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	
Local Currency	A-
Senior Unsecured	
Local Currency	BBB
Public Service Co. of Colorado	

Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	
Local Currency	BB+
Senior Secured	
Local Currency	A-
Senior Unsecured	
Local Currency	BBB-
Southwestern Public Service Co.	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	
Local Currency	BB+
Senior Unsecured	
Local Currency	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD
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RATINGSDIRECT®

October 16, 2007

Research Update:

Xcel Energy Inc. Upgraded To 'BBB+' From 'BBB' On Stronger Business Profile

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

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Research Update:

Xcel Energy Inc. Upgraded To 'BBB+' From 'BBB' On Stronger Business Profile

Rationale

On Oct. 16, 2007, Standard & Poor's Ratings Services raised its corporate credit rating on integrated electric and natural gas utility holding company Xcel Energy Inc. and all its vertically integrated utility subsidiaries--Northern States Power Co. (NSP-Minnesota), Public Service Co. of Colorado (PSCo), and Southwestern Public Service Co. (SPS)--to 'BBB+' from 'BBB'. In addition, Standard & Poor's raised its corporate credit rating on subsidiary Northern States Power Wisconsin (NSP-Wisconsin) to 'A-' from 'BBB+'. The outlooks are stable.

The upgrade reflects Xcel's strengthening business profile, exhibited by supportive regulation, particularly in Colorado, Minnesota, and Wisconsin where more than 90% of consolidated operating cash flow is derived. Supportive regulation includes rate riders, cost recovery trackers, forecasted test periods, and the ability to earn a cash return on construction work in progress. Additionally, the firm's financial measures are expected to be commensurate with the higher rating.

Minneapolis, Minn.-based Xcel had $7.5 billion of debt and $105 million of preferred stock as of June 30, 2007.

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 business profile also incorporates generally supportive state regulation, the relatively low-cost power supply and fuel diversity, and the wide service area stretching from Wisconsin to New Mexico. Xcel's consolidated business profile is '4' (strong). (Business profiles are categorized from '1' (excellent) to '10' (vulnerable).) The business profiles of the utility subsidiaries are: NSP-Minnesota, NSP-Wisconsin, and PSCo are a '4'; and SPS is a '5' (satisfactory). 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.

The rating also reflects an aggressive consolidated financial profile that includes adjusted funds from operations (FFO) interest coverage of 3.6x, FFO to total debt of 18.8%, and total debt to total capital of about 60%, all as of June 30, 2007. Net cash flow (post dividends) to capital expenditures was about 74% and total debt to EBITDA was 3.7x. 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.

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Short-term credit factors

The short-term rating on Xcel 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 June 30, 2007, had 68% availability. PSCo's $700 million facility had 58% availability, NSP-Minnesota's $500 million facility had 95% availability, and SPS's $250 million facility had 53% 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 about $10 million as of June 30, 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 June 30, 2007, total cash sources exceeded planned cash uses such as dividends, capital spending, and debt maturities.

The dividend payout ratio was 64% as of June 30, 2007, up slightly from 63% at the end of 2006. This should remain relatively stable if management maintains a conservative dividend policy of raising dividends in line with expected growth.

Outlook

The stable outlook on Xcel and its subsidiaries reflects the company's improved business risk profile and expectations of cash flow protection measures over the intermediate term that will support the current rating. Given the company's focus on regulated utility operations, Standard & Poor's expects that Xcel will reach constructive regulatory outcomes so as to avoid meaningful rises in business risk. The outlook could be revised to negative and ratings could be lowered if there would be unfavorable and material rate outcomes or a renewed emphasis on unregulated operations, or the financial risk profile weakens during the pending construction phase. A positive outlook or an upgrade is currently not contemplated mostly due to the large capital spending program and consolidated debt leverage.

Ratings List

Not Rated Action

	To	From
Northern States Power Co.		
Senior Secured		
US$100 mil 9.375% 1st mtg bnd due 06/01/2020	NR	A-
Recovery Rating	NR	1+
US$100 mil 9.125% 1st mtg bnd due	NR	A-

07/01/2019		
Recovery Rating	NR	1+
Preferred Stock		
Local Currency	NR	BB+
Northern States Power Wisconsin		
Senior Secured		
US$50 mil 9.125% 1st mtg bnd due 04/01/2021	NR	A
Recovery Rating	NR	1+
16% 1st mtg bnds due 03/01/2012	NR	A
Recovery Rating	NR	1+
US$110 mil 7.25% 1st mtg bnd due 03/01/2023	NR	A
Recovery Rating	NR	1+
Public Service Co. of Colorado		
Senior Secured		
16.25% 1st mtg bnds due 12/01/2011	NR	A-
Recovery Rating	NR	1+
13% 1st mtg bnds due 03/01/2015	NR	A-
Recovery Rating	NR	1+
8.25% 1st mtg bnd due 11/01/2007	NR	A-
Recovery Rating	NR	1+
Preferred Stock		
Local Currency	NR	BB+

Ratings Affirmed

Xcel Energy Inc.		
Southwestern Public Service Co.		
Commercial Paper		
Local Currency	A-2	
Northern States Power Co.		
Public Service Co. of Colorado		
Senior Secured		
Local Currency	1+	
Commercial Paper		
Local Currency	A-2	
Northern States Power Wisconsin		
Senior Secured		
US$65 mil 7.375% 1st mtg bnd due 12/01/2026	A	
Recovery Rating	1+	1+
US$150 mil 5.25% 1st mtg bnd ser A due 10/01/2018	A	
Recovery Rating	1+	1+

Upgraded

	To	From
Xcel Energy Inc.		
Senior Unsecured		
Local Currency	BBB	BBB-
Preferred Stock		
Local Currency	BBB-	BB+
Northern States Power Co.		
Senior Secured		
US$150 mil 6.5% 1st mtg bnd due 03/01/2028	A	A-
Recovery Rating	1+	1+
US$175 mil 4.75% 1st mtg bnd due 08/01/2010	A	A-
Recovery Rating	1+	1+
US$350 mil 6.2% 1st mtg bnd due 07/01/2037	A	A-
Recovery Rating	1+	1+
US$400 mil 6.25% 1st mtg bnd due 06/01/2036	A	A-
Recovery Rating	1+	1+
US$250 mil 5.25% 1st mtg bnd due 07/15/2035	A	A-
Recovery Rating	1+	1+
US$250 mil 7.125% 1st mtg bnd due 07/01/2025	A	A-
Recovery Rating	1+	1+
Senior Unsecured		
Local Currency	BBB	BBB-
Northern States Power Wisconsin		
Corporate Credit Rating	A-/Stable/--	BBB+/Stable/--
Senior Unsecured		
Local Currency	BBB+	BBB
Public Service Co. of Colorado		
Senior Secured		
Local Currency	A	A-
Recovery Rating	1+	1+
Senior Unsecured		
Local Currency	BBB	BBB-
Southwestern Public Service Co.		
Senior Unsecured		
Local Currency	BBB+	BBB
Preferred Stock		
Local Currency	BBB-	BB+

Upgraded; Ratings Affirmed

	To	From
Xcel Energy Inc.		
Southwestern Public Service Co.		
Corporate Credit Rating	BBB+/Stable/A-2	BBB/Stable/A-2
Northern States Power Co.		
Public Service Co. of Colorado		
Corporate Credit Rating	BBB+/Stable/A-2	BBB/Stable/A-2

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

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

Contacts

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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 contact 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

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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

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

Contacts

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Key Indicators

[1]
Xcel Energy Inc.

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, 2007, Xcel had approximately $294 million of commercial paper outstanding and no draws under the credit facility.

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

Recent Events

PSCO

Xcel's settlement with the IRS in the company-owned life insurance (COLI) dispute and resulting agreement to pay $64 million removes a significant legal risk for the company. Pursuant to the settlement, Xcel agreed to discontinue deducting expenses related to the COLI policies. This will reduce Xcel's operating cash flow by approximately $20 million annually, which is relatively insignificant in light of Xcel's consolidated operating cash flow of approximately $1.65 billion for the twelve months ended June 30, 2007. The Baa1 rating had incorporated a view that a reasonable outcome in this dispute was likely.

SPS

A key area of focus at the utility level is the continuing low ROE registered at Xcel's SPS subsidiary. In 2006, SPS earned an approximate 6% ROE within both its Texas and New Mexico jurisdictions; for the twelve months ended September 30, 2007, SPS' ROE dropped to approximately 3%. SPS' low returns reflect some incomplete power-cost recovery and a lagged test year for investment recovery. SPS' 2006 and 2007 performance was also significantly impacted by accruals taken for potential refunds as a result of complaints in all of SPS jurisdictions (Texas, New Mexico and the Federal Energy Regulatory Commission (FERC)) surrounding common issues relating to SPS fuel cost allocation procedures.

SPS' recent rate case in Texas resolved much of the fuel recovery issues in that jurisdiction, though regulatory lag on investments continues. In New Mexico, SPS is currently in the middle of a rate case requesting a 6.6% rate increase and in early December 2007 filed a settlement agreement with several large customers, the commission staff, and other intervenors that resolve the challenges to its cost allocation method. Similarly, at the FERC, SPS filed a settlement agreement in early December 2007 with its largest wholesale customer resolving all of the fuel related and other issues raised by that customer. Although both the New Mexico and FERC settlements require final orders from their respective commissioners to be implemented, the combined settlements would substantially reduce SPS potential refund exposure related to average system fuel cost issues. SPS previously estimated the potential exposure in New Mexico proceeding to be $45 million and to be $50 million in the FERC proceeding. If the settlements are approved, SPS consideration in New Mexico would be $15 million plus an estimated $2 million annual reduction if fuel recoveries in 2008 and 2009. At the FERC, SPS exposure would be reduced by approximately 40%, the relative proportion of the energy delivered to the settling customer during the period, and SPS would not be required to make any fuel refunds to the customer. Since this settlement is only with the primary customer in the complaint but not all parties, FERC is still expected to rule on the complaint in early 2008. SPS believes that based on the terms of the settlements, it has already taken an appropriate level of accruals.

SPS' low ROE and a capital expenditure program that is trending higher are a concern for Xcel though Moody's notes SPS contributes only approximately $60 - 70 million in dividends, roughly 10% of Xcel's total subsidiary dividends.

Rating Outlook

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.

What Could Change the Rating - Up

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.

What Could Change the Rating - Down

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.

Rating Factors

Xcel Energy Inc.

600054932

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