XCEL ENERGY INC
Form 424B3
May 16, 2003

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Filed Pursuant to Rule 424(b)(3)
File Number 333-103258

PROSPECTUS SUPPLEMENT

To Prospectus dated May 14, 2003 (SEC File No. 333-103258)

XCEL ENERGY INC.
800 Nicollet Mall, Suite 3000
Minnesota, Minneapolis 55402-2023
(612) 330-5500

$230,000,000
7 1/2% Senior Convertible Notes
due 2007
and
Shares of Commons Stock issuable upon conversion of the Notes

This Prospectus Supplement includes the attached Quarterly Report on Form 10-Q of Xcel Energy Inc. for the quarter ended March 31, 2003 filed by us with the Securities and Exchange Commission.

Our common stock is traded on the New York Stock Exchange under the symbol XEL .

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

For more information please see the Prospectus dated May 14, 2003.

The date of this Prospectus Supplement is May 16, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarter Ended March 31, 2003	**Commission File Number 1-3034**

Xcel Energy Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0448030**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
800 Nicollet Mall, Minneapolis, Minn	**55402**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (612) 330-5500

Former name, former address and former fiscal year, if changed since last report:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x **No** o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes x **No** o

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2003
Common Stock, $2.50 par value	**398,714,039 shares**

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PART I. FINANCIAL INFORMATION

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Thousands of Dollars, Except Per Share Data)

	Three Months Ended March 31,	
	2003	2002
Operating revenues:		
Electric utility	$1,368,970	$1,231,657
Natural gas utility	666,129	563,911
Electric and natural gas trading margin	3,574	2,750
Nonregulated and other	641,549	555,786
Equity earnings from investments in affiliates	40,130	16,480
Total operating revenues	2,720,352	2,370,584
Operating expenses:		
Electric fuel and purchased power utility	592,690	488,114
Cost of natural gas sold and transported utility	479,951	375,615
Cost of sales nonregulated and other	362,212	277,063
Other operating and maintenance expenses utility	381,627	391,491
Other operating and maintenance expenses nonregulated	187,450	194,322
Depreciation and amortization	263,473	247,993
Taxes (other than income taxes)	81,584	82,897
Write-downs and disposal losses from equity investments	16,591	
Special charges (see Note 2)	47,200	14,113
Total operating expenses	2,412,778	2,071,608
Operating income	307,574	298,976
Other income (expense):		
Interest income	10,448	17,975
Other nonoperating income	10,154	9,442
Nonoperating expense	(7,217)	(6,072)
Interest charges and financing costs:		
Interest charges net of amounts capitalized (including financing costs of $12,353 and $7,424, respectively)	285,259	188,605
Distributions on redeemable preferred securities of subsidiary trusts	9,586	9,700
Total interest charges and financing costs	294,845	198,305
Income from continuing operations before income taxes and minority interest	26,114	122,016
Income taxes	98,089	33,555
Minority interest expense (income)	194	(5,468)
Income (loss) from continuing operations	(72,169)	93,929
Income from discontinued operations net of tax (See Note 3)	212,181	9,575
Net income	140,012	103,504
Dividend requirements on preferred stock	1,060	1,060
Earnings available for common shareholders	$ 138,952	$ 102,444

Weighted average common shares outstanding (in thousands):		
Basic	398,714	353,827
Diluted	398,714	354,172
Earnings per share basic and diluted:		
Income (loss) from continuing operations	$ (0.18)	$ $0.26
Income from discontinued operations	0.53	0.03
Earnings per share	$ 0.35	$ 0.29

See Notes to Consolidated Financial Statements

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XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Thousands of Dollars)

	Three Months Ended March 31	
	2003	**2002**
Operating activities:		
Net income	$ 140,012	$ 103,504
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	280,411	256,482
Nuclear fuel amortization	11,791	12,037
Deferred income taxes	120,517	4,060
Amortization of investment tax credits	(3,125)	(3,380)
Allowance for equity funds used during construction	(3,060)	(1,881)
Undistributed equity in earnings of unconsolidated affiliates	(10,732)	7,590
Gain on sale of property	(35,799)	(6,785)
Write-downs and disposal losses from equity investments	16,591	
Gain on sale of discontinued operations	(220,602)	
Non-cash special charges-asset write-downs	24,289	
Unrealized loss (gain) on derivative financial instruments	26,311	(551)
Change in accounts receivable	(281,175)	(148,676)
Change in inventories	127,576	70,011
Change in other current assets	(115,900)	(44,437)
Change in accounts payable	41,580	(45,108)
Change in other current liabilities	126,921	126,781
Change in other noncurrent assets	6,495	(70,950)
Change in other noncurrent liabilities	20,565	66,603
Net cash provided by operating activities	272,666	325,300
Investing activities:		
Nonregulated capital expenditures and asset acquisitions	(22,735)	(416,584)
Utility capital/construction expenditures	(200,115)	(185,918)
Allowance for equity funds used during construction	3,060	1,881
Investments in external decommissioning fund	(8,406)	(14,259)
Equity investments, loans and deposits	74,155	(94,010)
Proceeds from sale of property	122,492	11,152
Restricted cash	11,686	
Collection of loans made to nonregulated projects	123	7,410
Other investments net	(29,473)	4,744
Net cash used in investing activities	(49,213)	(685,584)
Financing activities:		
Short-term payments net	(109,295)	(31,673)
Proceeds from issuance of long-term debt	250,204	104,799
Repayment of long-term debt, including reacquisition premiums	(138,391)	(24,902)
Proceeds from issuance of common stock		534,565
Proceeds from NRG stock offering		
Dividends paid	(75,814)	(130,819)
Net cash (used in) provided by financing activities	(73,296)	451,970
Effect of exchange rate changes on cash	(39,235)	(3,555)
Net increase in cash and cash equivalents discontinued operations	23,104	(23,253)

Net increase in cash and cash equivalents continuing operations	134,026	64,878
Cash and cash equivalents at beginning of period	901,273	261,305
Cash and cash equivalents at end of period	$1,035,299	$ 326,183

See Notes to Consolidated Financial Statements

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XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Thousands of Dollars)

	March 31, 2003	Dec. 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,035,299	$ 901,273
Restricted cash	295,181	305,581
Accounts receivable net of allowance for bad debts of $99,295 and $92,745, respectively	1,249,706	961,060
Accrued unbilled revenues	322,316	390,984
Materials and supplies inventories at average cost	318,151	321,863
Fuel inventory at average cost	166,782	207,200
Natural gas inventories replacement cost in excess of LIFO: $31,985 and $20,502, respectively	66,588	147,306
Recoverable purchased natural gas and electric energy costs	161,252	63,975
Derivative instruments valuation at market	59,324	62,206
Prepayments and other	373,534	273,770
Current assets held for sale	17,178	101,950
Total current assets	4,065,311	3,737,168
Property, plant and equipment, at cost:		
Electric utility plant	16,731,387	16,516,790
Nonregulated property and other	8,456,847	8,411,088
Natural gas utility plant	2,432,808	2,603,545
Construction work in progress: utility amounts of $455,737 and $856,008, respectively	1,387,721	1,513,807
Total property, plant and equipment	29,008,763	29,045,230
Less: accumulated depreciation	(9,901,032)	(10,303,575)
Nuclear fuel net of accumulated amortization: $1,070,322 and $1,058,531, respectively	85,567	74,139
Net property, plant and equipment	19,193,298	18,815,794
Other assets:		
Investments in unconsolidated affiliates	1,036,647	1,001,380
Notes receivable, including amounts from affiliates of $162,402 and $206,308, respectively	953,632	987,714
Nuclear decommissioning fund and other investments	699,145	732,166
Regulatory assets	734,528	576,403
Derivative instruments valuation at market	82,120	93,225
Prepaid pension asset	491,793	466,229
Goodwill, net of accumulated amortization of $6,700 and $7,000, respectively	34,561	35,538
Intangible assets, net of accumulated amortization of $19,700 and $18,900, respectively	66,656	68,210
Other	360,930	364,243
Noncurrent assets held for sale	53,257	379,772
Total other assets	4,513,269	4,704,880
Total assets	$27,771,878	$ 27,257,842

LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 7,590,417	$ 7,756,261
Short-term debt	1,437,721	1,541,963
Accounts payable	1,429,551	1,404,135
Taxes accrued	293,174	267,214
Dividends payable	1,060	75,814
Derivative instruments valuation at market	46,455	38,767
Other	946,503	749,521
Current liabilities held for sale	105,339	515,161
Total current liabilities	11,850,220	12,348,836
Deferred credits and other liabilities:		
Deferred income taxes	1,365,093	1,285,312
Deferred investment tax credits	166,438	169,696
Regulatory liabilities	522,158	518,427
Derivative instruments valuation at market	121,431	102,779
Benefit obligations and other	734,834	722,264
Asset retirement obligations (see Note 1)	880,307	
Minimum pension liability	106,897	106,897
Noncurrent liabilities held for sale	18,381	154,317
Total deferred credits and other liabilities	3,915,539	3,059,692
Minority interest in subsidiaries	35,615	34,762
Capitalization:		
Long-term debt	6,606,704	6,550,248
Mandatorily redeemable preferred securities of subsidiary trusts	494,000	494,000
Preferred stockholders equity authorized 7,000,000 shares of $100 par value; outstanding shares: 1,049,800	105,320	105,320
Common stockholders equity authorized 1,000,000,000 shares of $2.50 par value; outstanding shares: 2003, 398,714,039; 2002, 398,714,039	4,764,480	4,664,984
Commitments and contingent liabilities (see Note 7)		
Total liabilities and equity	$27,771,878	$ 27,257,842

See Notes to Consolidated Financial Statements

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XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS EQUITY AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)
(Thousands of Dollars, except share data)

	Common Stock Issued						
	Shares	Par Value	Capital in Excess of Par Value	Retained Earnings (Deficit)	Shares Held by ESOP	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at Dec. 31, 2001	345,801	$864,503	$2,969,589	$2,558,403	$ (18,564)	$(179,454)	$6,194,477
Net Income				103,504			103,504
Currency Translation Adjustments						(24,666)	(24,666)
After-Tax Net Unrealized Gains (Losses) Related to Derivatives Accounted for as Hedges (see Note 9)						25,186	25,186
After-Tax Net Realized Losses (Gains) on Derivative Transactions Reclassified into Earnings (see Note 9)						441	441
Unrealized Loss Marketable Securities						(30)	(30)
Comprehensive Income for the period							104,435
Dividends Declared:							
Cumulative Preferred Stock of Xcel Energy				(1,060)			(1,060)
Common Stock				(138,834)			(138,834)
Issuances of Common Stock Net	24,322	60,806	473,759				534,565
Other				83		22	105
Repayment of ESOP Loan (a)					1,478		1,478
Balance at March 31, 2002	370,123	$925,309	$3,443,348	$2,522,096	$ (17,086)	$(178,501)	$6,695,166
Balance at Dec. 31, 2002	398,714	$996,785	$4,038,151	$ (100,942)	$	$(269,010)	$4,664,984
Net Income				140,012			140,012
Currency Translation Adjustments						15,304	15,304
After-Tax Net Unrealized Gains (Losses) Related to Derivatives Accounted for as Hedges (see Note 9)						(35,758)	(35,758)
After-Tax Net Realized Losses (Gains) on Derivative Transactions Reclassified into Earnings (see Note 9)						(18,959)	(18,959)
Unrealized Loss Marketable Securities						(43)	(43)

Comprehensive Income for the period							100,556
Dividends Declared:							
Cumulative Preferred Stock of Xcel Energy				(1,060)			(1,060)
Common Stock							
Issuances of Common Stock Net							
Balance at March 31, 2003	398,714	$996,785	$4,038,151	$ 38,010	$	$(308,466)	$4,764,480

(a) Did not affect cash flows

See Notes to Consolidated Financial Statements

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XCEL ENERGY INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position of Xcel Energy Inc. and its subsidiaries (collectively, Xcel Energy) as of March 31, 2003, and Dec. 31, 2002, the results of its operations and stockholders equity for the three months ended March 31, 2003 and 2002, and its cash flows for the three months ended March 31, 2003 and 2002. Due to the seasonality of Xcel Energy s electric and gas sales and variability of nonregulated operations, quarterly results are not necessarily an appropriate base from which to project annual results.

The accounting policies followed by Xcel Energy are set forth in Note 1 to the consolidated financial statements in Xcel Energy s Annual Report on Form 10-K for the year ended Dec. 31, 2002. The following notes should be read in conjunction with such policies and other disclosures in the Form 10-K.

Xcel Energy reclassified certain items in the 2002 statement of operations and balance sheet to conform to the 2003 presentation. These reclassifications had no effect on stockholders equity, net income or earnings per share as previously reported.

1. Accounting Change Asset Retirement Obligations

Xcel Energy adopted Statement of Financial Accounting Standard (SFAS) No. 143 Accounting for Asset Retirement Obligations effective Jan. 1, 2003. As required by SFAS No. 143, future plant decommissioning obligations were recorded as a liability at fair value as of Jan. 1, 2003, with a corresponding increase to the carrying values of the related long-lived assets. This liability will be increased over time by applying the interest method of accretion to the liability, and the capitalized costs will be depreciated over the useful life of the related long-lived assets.

The adoption of SFAS No. 143 for Xcel Energy s utility subsidiaries had no income statement impact, due to the deferral of the cumulative effect adjustments required under SFAS No. 143 through the establishment of a regulatory asset pursuant to SFAS No. 71 Accounting for the Effects of Certain Types of Regulation. NRG also adopted SFAS No. 143 in the first quarter of 2003 and recorded a $2.2 million charge (as discussed later), which was considered immaterial for reporting as a cumulative effect adjustment.

In addition to the NRG earnings charge, the impact of adopting SFAS No. 143 on Xcel Energy s consolidated balance sheet was an increase in long-term liabilities of $866 million, an increase in plant assets of $684 million and an increase in regulatory assets of $180 million, as discussed below.

Utility Impact of Adopting SFAS No. 143

Asset retirement obligations were recorded for the decommissioning of two NSP-Minnesota nuclear generating plants, the Monticello plant and the Prairie Island plant. A liability was also recorded for decommissioning of an NSP-Minnesota steam production plant, the Pathfinder plant. Monticello began operation in 1971 and is licensed to operate until 2010. Prairie Island units 1 and 2 began operation in 1973 and 1974, respectively, and are licensed to operate until 2013 and 2014, respectively. Pathfinder operated as a steam production peaking facility from 1969 through June of 2000.

A summary of the accounting for the initial adoption of SFAS No. 143 is as follows (in thousands of dollars):

Increase (decrease) in:

	Plant Assets	Regulatory Assets	Long-term Liabilities
Reflect retirement obligation when liability incurred	$ 130,659	$	$ 130,659
Record accretion of liability to adoption date		731,709	731,709
Record depreciation of plant to adoption date	(110,573)	110,573	
Reclassify pre-adoption accumulated depreciation	662,411	(662,411)	
Net impact of SFAS No. 143 on Balance Sheet	$ 682,497	$ 179,871	$ 862,368

A reconciliation of the beginning and ending aggregate carrying amount of NSP-Minnesota s asset retirement obligations recorded under SFAS No. 143 is shown in the table below for the three months ending March 31, 2003.

(Thousands of dollars)

		Quarter Ended March 31, 2003				
Obligation	Beginning Balance Jan. 1, 2003	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates	Ending Balance March 31, 2003
Steam plant retirement	$ 2,725	$	$	$ 33	$	$ 2,758
Nuclear plant decommissioning	859,643			13,536		873,179
Total liability	$ 862,368	$	$	$ 13,569	$	$ 875,937

The adoption of SFAS No. 143 resulted in the recording of a capitalized plant asset of $131 million for the discounted cost of asset retirement as of the date the liability was incurred. Accumulated depreciation on this additional capitalized cost through the date of adoption of SFAS No. 143, was $111 million. A regulatory asset of $842 million was recognized for the accumulated SFAS No. 143 costs recognized for accretion of the initial liability and depreciation of the additional capitalized cost through adoption date. This regulatory asset was partially offset by $662 million for the reversal of the decommissioning costs previously accrued in accumulated depreciation for these plants prior to the implementation of SFAS No. 143. The net regulatory asset of $180 million at Jan. 1, 2003 reflects the excess of costs that would have been recorded in expense under SFAS No. 143 over the amount of costs recorded consistent with ratemaking cost recovery for NSP-Minnesota. We expect this regulatory asset to reverse over time since the amount of costs to be accrued under SFAS No. 143 are the same as the costs to be recovered through current NSP-Minnesota ratemaking. Consequently, no cumulative effect adjustment to earnings or shareholders equity has been recorded for the adoption of SFAS No. 143 in 2003 as all such effects have been deferred as a regulatory asset.

The following pro forma liabilities reflect amounts as if SFAS No. 143 had been applied during all periods reported (in millions):

Liability	**Dec. 31, 2002**
Steam plant retirement	$ 2.7
Nuclear plant decommissioning	859.6
Total liability	$ 862.3

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Pro forma net income and earnings per share have not been presented for the years ended Dec. 31, 2002 because the pro forma application of SFAS No. 143 to prior periods would not have changed net income or earnings per share of NSP-Minnesota due to the regulatory deferral of any differences of past cost recognition and SFAS No. 143 methodology, as discussed previously.

The fair value of the assets legally restricted for purposes of settling the nuclear asset retirement obligations is $665 million as of March 31, 2003.

The adoption of SFAS No. 143 in 2003 will also affect Xcel Energy s accrued plant removal costs for other generation, transmission and distribution facilities for its utility subsidiaries. Although SFAS No. 143 does not recognize the future accrual of removal costs as a Generally Accepted Accounting Principles liability, long-standing ratemaking practices approved by applicable state and federal regulatory commissions have allowed provisions for such costs in historical depreciation rates. These removal costs have accumulated over a number of years based on varying rates as authorized by the appropriate regulatory entities. Given the long periods over which the amounts were accrued and the changing of rates through time, the Utility Subsidiaries have estimated the amount of removal costs accumulated through historic depreciation expense based on current factors used in the existing depreciation rates. Accordingly, the estimated amounts of future removal costs, which are considered regulatory liabilities under SFAS No. 143 that are accrued in accumulated depreciation, are as follows at Jan. 1, 2003:

(Millions of Dollars)	
NSP-Minnesota	$304
NSP-Wisconsin	70
PSCo.	329
SPS	97
Cheyenne	9
Total Xcel Energy	$809

NRG Impact of Adopting SFAS No. 143

In the first quarter of 2003, NRG adopted SFAS No. 143 and in doing so recorded approximately $4 million in Asset Retirement Obligations for estimated future decommissioning and retirement of certain of its generating plant facilities. Approximately $2 million of these costs were capitalized and $2.2 million was expensed in the first quarter. This charge, in addition to the first quarter costs recorded under SFAS No. 143 of $129,000, have been reported as Nonoperating Expense on the Statement of Operations.

Pro-forma net income and earnings per share have not been presented for the year ended Dec. 31, 2002 due to immaterial effects of applying SFAS No. 143 to NRG s operations in prior periods.

2. Special Charges

Special charges included in Operating Expenses include the following:

(Millions of Dollars)

	3 months ended	
	March 31, 2003	March 31, 2002
NRG Restructuring Costs	$22	$
NRG Asset Impairments	24	
Holding Company NRG Restructuring Costs	1	
Regulatory Recovery Adjustment (SPS)		5
Restaffing (Utility and Service Companies)		9

Total Special Charges	$47	$ 14

2003 NRG Restructuring Costs - In the first quarter of 2003, NRG expensed approximately $22 million for special charges related to its financial restructuring. These costs include expenses for financial and legal advisors, employee severance and related costs, and other restructuring activities. See Note 4 for further discussion of NRG financial restructuring activities and developments.

2003 NRG Asset Impairments In January and April 2003, NRG s NEO project failed to make scheduled contractual payments due and in May 2003 lenders foreclosed on the NEO project. As a result, in the first quarter of 2003, NRG recognized approximately $40 million for asset impairments, largely related to NEO, including $24 million for wholly owned projects (reported as Special Charges, as discussed previously), and $16 million in equity investment projects, which are reported on the Consolidated Statement of Operations as Write-downs and Disposal Losses from Equity Investments.

2003 Holding Company NRG Restructuring Costs During the first quarter of 2003, the Xcel Energy holding company incurred approximately $1 million for charges related to NRG s financial restructuring.

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2002 Regulatory Recovery Adjustment - In late 2001, Southwestern Public Service (SPS), a wholly owned subsidiary of Xcel Energy, filed an application requesting recovery of costs incurred to comply with transition to retail competition legislation in Texas and New Mexico. During the first quarter of 2002, SPS entered into a settlement agreement with intervenors regarding the recovery of restructuring costs in Texas, which was approved by the state regulatory commission in May 2002. Based on the settlement agreement, SPS wrote off pretax restructuring costs of approximately $5 million, or 1 cent per share.

2002 Restaffing - During the fourth quarter of 2001, Xcel Energy recorded an estimated liability for expected staff consolidation costs for an estimated 500 employees in several utility operating and corporate support areas of Xcel Energy. In the first quarter of 2002, the identification of affected employees was complete and additional pretax special charges of $9 million, or approximately 1 cent per share, were expensed for the final costs of the utility-related staff consolidations. All 564 of accrued staff terminations have occurred.

The following table summarizes the activity related to accrued restaffing special charges for the first three months of 2003:

(Thousands of Dollars)

		Dec. 31, 2002 Liability*	Accrued Special Charges and Accrual Adjustments	Payments	March 31, 2003 Liability*
Employee severance and related costs	NRG	$18,364	$ (254)	$(1,126)	$ 16,984
Employee severance and related costs	Utility	$13,120		$(6,415)	$ 6,705
Total accrued special charges		$31,484	$ (254)	$(7,541)	$ 23,689

* Reported on the balance sheet in other current liabilities and in postretirement and other benefit obligations.

3. Discontinued Operations

NRG

During 2002, NRG entered into agreements to dispose of four consolidated international projects and one consolidated domestic project. Sales of four of the projects closed during 2002 (Bulo Bulo, Csepel, Entrade and Crockett Cogeneration) and one project (Killingholme) was sold in January 2003. In addition, NRG has committed to a plan to sell a sixth project (Hsin Yu). Sale of this project is expected to be complete in 2003.

These projects meet the requirements of SFAS No. 144 for discontinued operations reporting and, accordingly, operating results and estimated gains on disposal of these projects have been reclassified to discontinued operations for current and prior periods. Summarized results of operations of NRG discontinued operations were as follows:

(Thousands of Dollars)

	3 months ended	
	March 31, 2003	March 31, 2002
Operating revenues	$ 31,034	$194,341
Operating & other expenses	31,662	185,044
Pretax loss from discontinued operations	(628)	9,297
Pretax gain on disposal Killingholme	190,794	
Income taxes (benefit)	(1,016)	(278)
Net income from discontinued operations	$191,182	$ 9,575

In addition, the assets and liabilities of these projects have been reclassified to the held-for-sale category. As of March 31, 2003, only Hsin Yu s assets and liabilities remain in the held-for-sale categories of the balance sheet as the other entities have been sold.

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The major classes of NRG s assets and liabilities held-for-sale are as follows:

(Thousands of Dollars)

	March 31, 2003	Dec. 31, 2002
Cash	$ 804	$ 23,911
Receivables, net	10,774	23,184
Inventory	2,448	
Derivative instruments valuation		29,795
Other current assets	3,152	25,060
Current assets held for sale	$ 17,178	$ 101,950
PP&E, net	$ 43,121	$ 274,544
Equity method investments	7,421	87,803
Other noncurrent assets	2,715	17,425
Noncurrent assets held for sale	$ 53,257	$ 379,772
Current portion of long-term debt	$ 82,139	$ 445,656
Accounts payable trade	22,559	50,767
Other current liabilities	641	18,738
Current liabilities held for sale	$ 105,339	$ 515,161
Long-term debt	$ 586	$ 73
Deferred income tax	4,198	127,995
Long-term payables	7,560	
Other accrueds	4,566	
Derivative instruments valuation		12,302
Other noncurrent liabilities	1,471	13,947
Noncurrent liabilities held for sale	$ 18,381	$ 154,317

Viking Gas

In January 2003, Xcel Energy sold Viking Gas Transmission Co. and its interests in Guardian Pipeline LLC (two natural gas pipelines) for net proceeds of $124 million, resulting in a pretax gain of $36 million ($21 million after tax, or 5 cents per share). This gain has been reported in discontinued operations. Other operating results of Viking Gas and Guardian for the first quarter of 2003 and 2002, and Viking Gas assets and liabilities as of Dec. 31, 2002, have not been reclassified to discontinued operations and assets and liabilities held-for-sale, respectively, due to immateriality.

4. NRG Developments, Liquidity and Credit Contingencies

NRG Credit Ratings - In December 2001, Moody s Investor Service (Moody s) placed NRG s long-term senior unsecured debt rating on review for possible downgrade. In February 2002, in response to this threat to NRG s investment grade rating, Xcel Energy announced a financial improvement plan for NRG, which included an initial step of acquiring 100 percent of NRG through a tender offer and merger involving a tax-free exchange of 0.50 shares of Xcel Energy common stock for each outstanding share of NRG common stock. The transaction was completed on June 3, 2002. In addition, the initial plan included: financial support to NRG from Xcel Energy; marketing certain NRG generating assets for possible sale; canceling and deferring capital spending for NRG projects; and combining certain of NRG s functions with Xcel Energy s systems and organization. During 2002, Xcel Energy provided NRG with $500 million of cash infusions. Throughout this period, Xcel Energy was in discussions with credit agencies and believed that its actions would be sufficient to avoid a downgrade of NRG s credit rating.

However, even with NRG s efforts to avoid a downgrade, on July 26, 2002, Standard & Poor s (S&P) downgraded NRG s senior unsecured bonds below investment grade, and, three days later, Moody s also downgraded NRG s senior unsecured debt rating below investment grade. Over the next few months, NRG senior unsecured debt, as well as the secured NRG Northeast Generating LLC bonds, the secured NRG South Central Generating LLC bonds and secured LSP Energy (Batesville) bonds were downgraded multiple times. After NRG failed to make the payment obligations due under certain unsecured bond obligations on Sept. 16, 2002, both Moody s and S&P lowered their ratings on NRG s unsecured bonds once again. Currently, unsecured bond obligations carry a rating of between CCC and D at S&P and between Ca and C at Moody s depending on the specific debt issue.

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Many of the corporate guarantees and commitments of NRG and its subsidiaries require that they be supported or replaced with letters of credit or cash collateral within 5 to 30 days of a ratings downgrade below investment grade by Moody s or S&P. As a result of the multiple downgrades, NRG estimated that it would be required to post collateral of approximately $1.1 billion.

NRG Financial Restructuring - Starting in August 2002, NRG engaged in the preparation of a comprehensive business plan and forecast. The business plan detailed the strategic merits and financial value of NRG s projects and operations. It also anticipated that NRG would function independently from Xcel Energy and thus all plans and efforts to combine certain functions of the companies were terminated. NRG utilized independent electric revenue forecasts from an outside energy markets consulting firm to develop forecasted cash flow information included in the business plan. NRG management concluded that the forecasted free cash flow available to NRG after servicing project-level obligations would be insufficient to service recourse debt obligations. Based on this information and in consultation with Xcel Energy and its financial advisor, NRG prepared and submitted a restructuring plan in November 2002 to various lenders, bondholders and other creditor groups (collectively, NRG s Creditors) of NRG and its subsidiaries. The restructuring plan expected to serve as a basis for negotiations with NRG s Creditors in a financially restructured NRG.

The restructuring plan also included a proposal by Xcel Energy that in return for a release of any and all claims against Xcel Energy, upon consummation of the restructuring, Xcel Energy would pay $300 million to NRG and surrender its equity ownership of NRG.

In mid-December 2002, the NRG bank steering committee submitted a counterproposal and in January 2003, the bondholder credit committee issued its counterproposal to the NRG restructuring plan. The counterproposal would request substantial additional payments by Xcel Energy. A new NRG restructuring proposal was presented to the creditors at the end of January 2003.

Settlement Agreement with NRG Creditors - On March 26, 2003, Xcel Energy s board of directors approved a tentative settlement with holders of most of NRG s long-term notes and the steering committee representing NRG s bank lenders regarding alleged claims of such creditors against Xcel Energy, including claims related to the support and capital subscription agreement between Xcel Energy and NRG dated May 29, 2002 (Support Agreement). As discussed below, NRG and certain of NRG s affiliates filed on May 14, 2003, in the U.S. Bankruptcy Court for the Southern District of New York, voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code to restructure their debt. NRG s filing included its plan of reorganization. The plan incorporates the terms of the tentative settlement previously announced among NRG, Xcel Energy and members of NRG s major creditor constituencies that provides for payments by Xcel Energy to NRG and ultimately to its creditors of up to $752 million. A plan support agreement reflecting the settlement has been signed by Xcel Energy, NRG, holders of approximately 40 percent in principal amount of NRG s long-term notes and bonds, along with two NRG banks who serve as co-chairs of the Global Steering Committee for the NRG bank lenders. The plan support agreement is filed as Exhibit 10.01 to this report. This agreement will become fully effective upon execution by holders of approximately an additional ten percent in principal amount of NRG s long-term notes and bonds and by a majority of NRG bank lenders representing at least two-thirds in principal amount of NRG s bank debt. Xcel Energy expects the requisite signatures will be obtained promptly. The principal terms of the settlement are as follows:

Xcel Energy would pay up to $752 million to NRG to settle all claims of NRG against Xcel Energy, including all claims under the Support Agreement.

$350 million would be paid at or shortly following the effective date of the NRG plan of reorganization. It is expected that this payment would be made prior to year-end 2003. $50 million would be paid on Jan. 1, 2004, and all or any part of such payment could be made, at Xcel Energy s election, in Xcel Energy common stock. Up to $352 million would be paid on April 30, 2004, except to the extent that Xcel Energy had not received at such time tax refunds equal to $352 million associated with the loss on its investment in NRG. To the extent Xcel Energy had not received such refunds, the April 30 payment would be due on May 30, 2004.

$390 million of the Xcel Energy payments are contingent on receiving releases from NRG creditors. To the extent Xcel Energy does not receive a release from an NRG creditor. Xcel Energy s obligation to make $390 million of the payments would be reduced based on the amount of the creditor s claim against NRG. As noted below, however, the entire settlement is contingent upon Xcel Energy receiving releases from at least 85 percent of the claims in various NRG creditor groups. As a result, it is not expected that Xcel Energy s payment obligations would be reduced by more than approximately $60 million. Any reduction would come from the Xcel Energy payment due on April 30, 2004.

Upon the effective date of the NRG plan of reorganization, Xcel Energy s exposure on any guarantees or other credit support obligations incurred by Xcel Energy for the benefit of NRG or any subsidiary would be terminated and any cash collateral posted by Xcel Energy would be returned to it. The current amount of such cash collateral is approximately $11.5 million.

As part of the settlement with Xcel Energy, any intercompany claims of Xcel Energy against NRG or any subsidiary arising from the provision of intercompany goods or services or the honoring of any guarantee will be paid in full in cash in the ordinary course except that the agreed amount of such intercompany claims arising or accrued as of Jan. 31, 2003 will be reduced from approximately $32 million as asserted by Xcel Energy to $10 million. The $10 million agreed amount is to be paid upon the effective date of the NRG plan of reorganization, with an unsecured promissory note of NRG in the principal amount of $10 million with a maturity of 30 months and an annual interest rate of 3 percent.

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NRG and its direct and indirect subsidiaries would not be reconsolidated with Xcel Energy or any of its other affiliates for tax purposes at any time after their June 2002 re-affiliation or treated as a party to or otherwise entitled to the benefits of any tax sharing agreement with Xcel Energy. Likewise, NRG would not be entitled to any tax benefits associated with the tax loss Xcel Energy expects to incur in connection with the write down of its investment in NRG.

Consummation of the settlement, including Xcel Energy s obligations to make the payments set forth above, is contingent upon, among other things, the following:

(1) The effective date of the NRG plan of reorganization for the NRG voluntary bankruptcy proceeding occurring on or prior to Dec. 15, 2003;

(2) The final plan of reorganization approved by the Bankruptcy Court and related documents containing terms satisfactory to Xcel Energy, NRG and various groups of the NRG creditors;

(3) The receipt of releases in favor of Xcel Energy from holders of at least 85 percent of the general unsecured claims held by NRG s creditors; and

(4) The receipt by Xcel Energy of all necessary regulatory and other approvals.

Since many of these conditions are not within Xcel Energy s control, Xcel Energy cannot state with certainty that the settlement will be effectuated. Nevertheless, the Xcel Energy management believes at this time that the settlement will be implemented.

Based on the foreseeable effects of a settlement agreement with the major NRG noteholders and bank lenders and the tax effect of an expected write-off of Xcel Energy s investment in NRG, Xcel Energy recognized an estimate of the expected tax benefits of the write-off as of Dec. 31, 2002. The tax benefit has been estimated at approximately $706 million. This benefit is based on the estimated tax basis of Xcel Energy s investment in NRG.

Xcel Energy expects to claim a worthless stock deduction in 2003 on its investment. This would result in Xcel Energy having a net operating loss for the year for tax purposes. Under current law, this 2003 net operating loss could be carried back two years for federal tax purposes. Xcel Energy expects to file for a tax refund of approximately $355 million in first quarter 2004. This refund is based on a two-year carryback.

As to the remaining $351 million of expected tax benefits, Xcel Energy expects to eliminate or reduce estimated quarterly income tax payments, beginning in 2003. The timing of cash savings from the reduction in estimated tax payments would depend on Xcel Energy s taxable income.

NRG Bankruptcy Filings On Nov. 22, 2002, five former NRG executives (the petitioners) filed an involuntary Chapter 11 petition against NRG in the United States Bankruptcy Court for the District of Minnesota. Under provisions of federal law, NRG has the full authority to continue to operate its business as if the involuntary petition had not been filed unless and until a court hearing on the validity of the involuntary petition is resolved adversely to NRG. NRG responded to the involuntary petition, contesting the petitioners claims and filing a motion to dismiss the case. In their petition, the petitioners sought recovery of severance and other benefits of approximately $28 million.

NRG and the petitioners reached an agreement and compromise regarding their respective claims against each other. In February 2003, this settlement agreement was executed, pursuant to which NRG agreed to pay the petitioners an aggregate settlement in the amount of $12 million conditioned on the dismissal of the involuntary petitions.

On Feb. 28, 2003, Stone & Webster, Inc. and Shaw Constructors, Inc. filed a petition alleging that they hold unsecured, non-contingent claims against NRG in a joint amount of $100 million.

A hearing was held on April 10, 2003, to consider NRG s motion to dismiss. On April 21, 2003, Fortistar Capital, Inc. and Fortistar Methane, LLC filed a joinder petition to the NRG involuntary bankruptcy proceeding, alleging a claim of $39.6 million. On May 12, 2003, the Minnesota Bankruptcy Court granted NRG s motion to dismiss the involuntary chapter 11 petition against NRG. On May 14, 2003, NRG, including certain subsidiaries, filed a voluntary petition for bankruptcy under chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. The filing included NRG s plan of reorganization, which incorporates the terms of the proposed settlement discussed above among Xcel Energy, NRG and various members of NRG s major credit constituencies.

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While it is an exception rather than the rule, especially where one of the companies involved is not in bankruptcy, the equitable doctrine of substantive consolidation permits a bankruptcy court to disregard the separateness of related entities, consolidate and pool the entities assets and liabilities and treat them as though held and incurred by one entity where the interrelationship between the entities warrants such consolidation. In the event the settlement described above is not effectuated, Xcel Energy believes that any effort to substantively consolidate Xcel Energy with NRG would be without merit. However, it is possible that NRG or its creditors would attempt to advance such claims or other claims under piercing the corporate veil, alter ego or related theories in the NRG bankruptcy proceeding. One of the creditors of an NRG project, as previously disclosed in Xcel Energy s 2002 Form 10-K, has already filed involuntary bankruptcy proceedings against that project and has included claims against both NRG and Xcel Energy. If a bankruptcy court were to allow substantive consolidation of Xcel Energy and NRG, it would have a material adverse effect on Xcel Energy.

The accompanying Consolidated Financial Statements do not reflect any conditions or matters that would arise if NRG were in bankruptcy. Pending the outcome of its voluntary bankruptcy petition, NRG remains subject to substantial doubt as to its ability to continue as a going concern.

At March 31, 2003, Xcel Energy s pro forma investment in NRG, calculated under the equity method of accounting if applied at that date, was a negative $691 million as discussed in Note 5 to the Financial Statements. If the amount of guarantees or other financial assistance committed to NRG by Xcel Energy exceed that level after de-consolidation of NRG, then NRG s losses would continue to be included in Xcel Energy s results until the amount of negative investment in NRG reaches the amount of guarantees and financial assistance committed to by Xcel Energy. As of March 31, 2003 the estimated financial commitment to NRG, if based on the terms of the settlement agreement (discussed previously), would be $640 million in new infusions of capital into NRG by Xcel Energy under the plan of reorganization filed in NRG s bankruptcy proceedings. In addition to this capital infusion that is part of the plan of reorganization filed with the bankruptcy court, a separate payment will be made to NRG and ultimately to a specified group of NRG s bank creditors of $112 million, resulting in total Xcel Energy settlement payments related to NRG of $752 million. However, should the settlement agreement not ultimately be approved by NRG s creditors and/or the bankruptcy court, the amount of guarantee exposure and other financial assistance committed to NRG could be less than those amounts, pending the ultimate resolution of NRG s bankruptcy. Prior to reaching the settlement agreement, Xcel Energy and NRG had entered into a support and capital subscription agreement in 2002 pursuant to which Xcel Energy agreed, under certain circumstances, to provide an additional $300 million contribution to NRG.

In addition to the effects of NRG s losses, Xcel Energy s operating results and retained earnings in 2003 could also be affected by the tax effects of any guarantees or financial commitments to NRG, if such income tax benefits were considered likely to be realized in the foreseeable future. The $706 million in income tax benefits recorded in 2002 related to Xcel Energy s investment in NRG includes only the tax benefits related to cash and stock investments already made in NRG at Dec. 31, 2002. Additional tax benefits could be recorded in 2003 at the time that such benefits are considered likely of realization, when the payment of guarantees and other financial assistance to NRG, including payments under the settlement agreement, become probable. If the settlement payments were fully tax deductible, additional tax benefit in excess of $200 million could be realized in 2003.

Xcel Energy believes that the ultimate resolutions of NRG s financial difficulties and going-concern uncertainty will not affect Xcel Energy s ability to continue as a going concern. Xcel Energy is not dependent on cash flows from NRG, nor is Xcel Energy contingently liable to creditors of NRG in an amount material to Xcel Energy s liquidity. Xcel Energy believes that its cash flows from regulated utility operations and anticipated financing capabilities will be sufficient to fund its non-NRG-related operating, investing and financing requirements. Beyond these sources of liquidity, Xcel Energy believes it will have adequate access to additional debt and equity financing that is not conditioned upon the outcome of NRG s financial restructuring plan.

5. Pro Forma Financial Statements

On May 14, 2003, Xcel Energy s wholly owned subsidiary NRG, filed a voluntary case to restructure its obligations under chapter 11 of the U.S. Bankruptcy Code in the Bankruptcy Court in the Southern District of New York. NRG plans to begin soliciting its existing creditors for approval of a plan of reorganization based on a settlement agreement (discussed in Note 4), which contemplates payment by Xcel Energy of up to $752 million, including a new infusion of capital into NRG of $640 million and a separate payment to NRG and ultimately to a specified group of NRG s bank creditors of $112 million. If NRG s creditors and the U.S. Bankruptcy Court approve the NRG plan of reorganization as presented, we anticipate that Xcel Energy s ownership interest in NRG will be completely divested to NRG s creditors in the future. We cannot assure that the NRG plan of reorganization will be approved or that NRG will successfully complete the proposed restructuring.

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The accompanying Xcel Energy financial statements include the consolidated results of NRG through March 31, 2003. As a result of NRG s bankruptcy filing, we no longer maintain the ability to unilaterally control the operations of NRG. Accordingly, we will begin accounting for our investment in NRG, as of the bankruptcy filing date in May 2003, using the equity method in accordance with Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock. In accordance with the equity method, Xcel Energy will stop recognizing our equity in the losses of NRG effective once it has recognized a specified level of losses, equal to the potential financial commitment it has to NRG as part of the settlement agreement, in excess of its investment in NRG. Xcel Energy has reflected these excess losses on the accompanying pro-forma balance sheet in other current liabilities, based on its expectation that NRG s plan of reorganization will take effect, and the settlement payments will be made, within twelve months of the bankruptcy filing.

As we presently own 100 percent of the equity interests in NRG, we have recorded 100 percent of NRG s operating results through March 31, 2003, and have reported NRG as part of Xcel Energy s consolidated financial statements for all periods through that date. Beginning with June 30, 2003, quarterly reporting (the first period that includes the bankruptcy filing date), we will begin classifying the 2003 net operating results of NRG as equity in losses of NRG in the statement of operations as permitted under the accounting rules governing a mid-year change from consolidating a subsidiary to accounting for the investment using the equity method. However, the presentation of NRG in the historical financial statements as a consolidated subsidiary in 2002 and prior periods will not have changed from the prior presentation. Assuming NRG is able to progress in its bankruptcy proceedings and make its proposed plan of reorganization effective, we may record a non-cash gain if the amounts of NRG losses incurred prior to May 14, 2003 exceed the financial support to NRG required under the settlement agreement.

The following tables summarize pro forma financial information for Xcel Energy assuming the deconsolidation of NRG (that is, accounting for NRG under the equity method) in prior periods.

Xcel Energy Inc. and Subsidiaries
Summary Pro-forma Consolidated Financial Information

Statement of Operations	Quarter Ended		Year Ended
	3/31/2003	3/31/2002	12/31/02
Total Operating Revenues	$2,141,083	$1,887,815	$ 7,243,223
Total Operating Expenses	1,834,334	1,628,198	6,087,540
Operating Income	306,749	259,617	1,155,683
Equity in Losses of NRG	12,632	26,463	3,464,282
Financing Costs and Other net	111,588	68,071	371,995
Income Taxes (Benefit)	63,516	61,579	(462,603)
Income (Loss) from Continuing Operations	119,013	103,504	(2,217,991)
Earnings Per Share Basic and Diluted:			
Income (Loss) from Continuing Operations	$ 0.30	$ 0.29	$ (5.82)

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Balance Sheet	03/31/2003	Capitalization Percent
Assets		
Current Assets	$ 2,671,044	
Property, Plant and Equipment, net	12,597,878	
Other Assets	2,261,370	
Total Assets	$17,530,292	
Liabilities and Equity		
Short-term Debt and Current Maturities	$ 1,002,601	8.5%
NRG Losses in Excess of Investment	691,129	
Other Current Liabilities	1,591,609	
Deferred Credits and Other Liabilities	3,451,765	
Minority Interest	5,800	
Long-Term Debt	5,423,588	46.0%
Preferred Securities	599,320	5.1%
Common Stockholders Equity	4,764,480	40.4%
Total Liabilities and Equity	$17,530,292	100.0%

Exhibit 99.03 includes additional information on the pro-forma adjustments made for the deconsolidation of NRG and a complete reconciliation of these pro-forma adjustments to historical financial information of Xcel Energy.

6. Rates and Regulation

PSCo General Rate Case - In May 2002, PSCo filed a combined general retail electric, natural gas and thermal energy base rate case with the Colorado Public Utilities Commission (CPUC) to address increased costs for providing energy to Colorado customers. On April 4, 2003, a comprehensive settlement agreement between PSCo and all but one of the intervenors was executed and filed with the CPUC, which addressed all significant issues in the rate case. In summary, the settlement agreement, among other things, provides for:

annual base rate decreases of approximately $33 million for natural gas and $230,000 for electricity, including an annual reduction to electric depreciation expense of approximately $20 million, effective July 1, 2003;

an interim adjustment clause (IAC) that recovers 100 percent of prudently incurred 2003 electric fuel and purchased energy expense above the expense recovered through electric base rates during 2003. This clause is projected to recover energy costs totaling approximately $216 million in 2003. The IAC originally went into effect on Jan. 1, 2003. The IAC rate was increased on May 1, 2003 by $93 million to recover the total anticipated energy costs for 2003;

a new electric commodity adjustment clause (ECA) for 2004-2006, with an $11.25-million cap on any cost sharing over or under an allowed ECA formula rate;

an authorized return on equity of 10.75 percent for electricity and 11.0 percent for natural gas and thermal energy.

Hearings on one settlement agreement were held in late April 2003. Management believes the CPUC will approve the settlement agreement and issue a final rate order during the second quarter, with new rates effective as discussed above. PSCo will now move to the phase II, rate design, portion of the case.

PSCo Fuel Adjustment Clause Proceedings - Certain wholesale power customers of PSCo have filed complaints with the FERC alleging PSCo has been improperly collecting certain fuel and purchased energy costs through the wholesale fuel cost adjustment clause included in their rates. The FERC consolidated these complaints and set them for hearing and settlement judge procedures. In November 2002, the Chief Judge terminated settlement procedures after settlement was not reached. The complainants filed initial testimony in late April 2003 claiming the improper inclusion of fuel and purchased energy costs in the range of $40-50 million related to the 1996 to 2002 period. PSCo is currently analyzing the testimony and will file rebuttal testimony in June 2003. The hearings are scheduled for August 2003.

PSCo had an Incentive Cost Adjustment (ICA) for periods prior to calendar 2003, as disclosed in the 2002 Form 10-K. The CPUC is conducting a proceeding to review and approve the incurred and recoverable 2001 costs under the ICA. In April 2003, the CPUC Staff and an intervenor filed testimony recommending disallowance of fuel and purchased energy costs, which, if granted, would result in a $30 million reduction in recoverable 2001 ICA costs. PSCo is currently analyzing the testimony of the CPUC Staff

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and the intervenor and will file rebuttal testimony in June 2003. The hearings on this matter are scheduled to commence in July 2003. If CPUC Staff and the intervenor are successful, recommended disallowances would also result in a reduction of the recoverable 2002 ICA costs. A review of the 2002 recoverable ICA costs will be conducted in a future proceeding.

At March 31, 2003, PSCo has recorded its deferred fuel and purchased energy costs based on the expected rate recovery of its costs as filed in the above rate proceedings, without the adjustments proposed by various parties. Pending the outcome of these regulatory proceedings, we cannot at this time determine whether any customer refunds or disallowances of PSCo s deferred costs will be required.

SPS Texas Fuel Factor and Fuel Surcharge Application In May 2003, SPS proposed to increase its voltage-level fuel factors to reflect increased fuel costs since the time SPS current fuel factors were approved in March 2002. The proposed fuel factors are expected to increase Texas annual retail revenues by approximately $60.2 million.

SPS has reported to the PUCT that it has under-collected its fuel costs under the current Texas retail fixed fuel factors. In May 2003, SPS proposed to surcharge $13.2 million and related interest for fuel cost under-recoveries incurred through March 2003. The surcharge will be amortized and collected over an eight-month period. Recovery amounts would depend on future fuel rates once the filing is approved.

7. Commitments and Contingent Liabilities

Lawsuits and claims arise in the normal course of business. Management, after consultation with legal counsel, has recorded an estimate of the probable cost of settlement or other disposition of them.

Environmental Contingencies - Xcel Energy and its subsidiaries have been or are currently involved with the cleanup of contamination from certain hazardous substances at several sites. In many situations, the subsidiary involved is pursuing or intends to pursue insurance claims and believe they will recover some portion of these costs through such claims. Additionally, where applicable, the subsidiary involved is pursuing, or intends to pursue, recovery from other potentially responsible parties and through the rate regulatory process. To the extent any costs are not recovered through the options listed above, Xcel Energy would be required to recognize an expense for such unrecoverable amounts in its consolidated financial statements.

Commodity Futures Trading Commission Investigation - As previously reported, pursuant to a formal order of investigation, on June 17, 2002 the Commodity Futures Trading Commission (CFTC) issued broad subpoenas to Xcel Energy on behalf of its affiliates, including NRG, calling for production, among other things, of all documents related to natural gas and electricity trading (June 17, 2002 subpoenas). Since that time, Xcel Energy has produced documents and other materials in response to numerous more specific requests under the June 17, 2002 subpoenas. Certain of these requests and Xcel Energy s responses have concerned so-called round-trip trades. By a subpoena dated Jan. 29, 2003 and related letter requests (Jan. 29, 2003 subpoena), the CFTC has requested that Xcel Energy produce all documents related to all data submittals and documents provided to energy industry publications. Also beginning on Jan. 29, 2003, the CFTC has sought testimony from twenty current and former employees and executives, and may seek additional testimony from other employees, concerning the reporting of energy transactions to industry publications. Xcel Energy has produced documents and other materials in response to the Jan. 29, 2003, subpoena, including documents identifying instances where Xcel Energy s e prime subsidiary reported natural gas transactions to an industry publication in a manner inconsistent with the publication s instructions.

A number of energy companies have stated in documents filed with the Federal Energy Regulatory Commission (FERC) that employees reported fictitious natural gas transactions to industry publications. Two companies have agreed to pay $5 million and $20 million, respectively, to the CFTC to settle alleged violations related to the reporting of fictitious transactions. These and other energy companies are also subject to a recent order by the FERC placing requirements on natural gas marketers related to reporting. In addition, one individual trader from each of the companies that was fined has been charged in criminal indictments with reporting fictitious transactions.

Xcel Energy continues to investigate whether e prime reported fictitious transactions to industry publications, and e prime has suspended several employees for failure to cooperate in the investigation. Nevertheless, Xcel Energy believes that none of e prime s reporting to industry publications had any effect on the financial accounting treatment of any transaction recorded in Xcel Energy s books and records. Xcel Energy is cooperating in the CFTC investigation, but cannot predict the outcome of any investigation.

Other - The circumstances set forth in Notes 16, 18 and 19 to Xcel Energy s financial statements in Xcel Energy s Annual Report on Form 10-K for the year ended Dec. 31, 2002, appropriately represent, in all material respects, the current status of other commitments and contingent liabilities, including those regarding public liability for claims resulting from any nuclear

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incident, and are incorporated herein by reference. The following are unresolved contingencies that are material to Xcel Energy s financial position:

NRG Bankruptcy or Insolvency Negotiation and approval of consensual restructuring agreement (Note 4 to the Financial Statements describes the current status of certain financial contingencies related to NRG);

Tax Matters Tax deductibility of corporate owned life insurance loan interest;

Asset Valuation Recoverability of investment in under-performing nonregulated projects (Seren, Argentina); and

Guarantees See Note 8 for discussion of exposures under various guarantees.

8. Short-Term Borrowings and Financing Instruments

Short-Term Borrowings

At March 31, 2003, Xcel Energy and its subsidiaries had approximately $1.4 billion of short-term debt outstanding at a weighted average interest rate of 5.798 percent.

Credit Facilities

In April 2003, Xcel Energy terminated its $100-million term loan facility.

Guarantees

Xcel Energy provides various guarantees and bond indemnities supporting certain of its subsidiaries. The guarantees issued by Xcel Energy guarantee payment or performance by its subsidiaries under specified agreements or transactions. As a result, Xcel Energy s exposure under the guarantees is based upon the net liability of the relevant subsidiary under the specified agreements or transactions. The majority of the guarantees issued by Xcel Energy limit the exposure of Xcel Energy to a maximum amount stated in the guarantees. As of March 31, 2003, Xcel Energy had the following amount of guarantee and exposure under these guarantees:

Subsidiary	Total Guarantee	Exposure under Guarantee
(Millions of dollars)		
NRG	$ 213	$ 74
Utility Engineering	$ 265	$
e prime	$ 234	$ 44
Other Subsidiaries	$ 77	$ 32
Total	$ 789	$ 150

Xcel Energy guarantees certain obligations for NRG s power marketing subsidiary, relating to power marketing obligations, fuel purchasing transactions and hedging activities and e prime, relating to trading and hedging activities. See Note 4 for the potential treatment of these guarantees in the NRG bankruptcy proceeding.

Xcel Energy may be required to provide credit enhancements in the form of cash collateral, letters of credit or other security to satisfy part or potentially all of these exposures, in the event that Standard & Poor s or Moody s downgrade Xcel Energy s credit rating below investment grade. In the event of a downgrade, Xcel Energy would expect to meet its collateral obligations with a combination of cash on hand and, upon receipt of an SEC order permitting such actions, utilization of credit facilities and the issuance of securities in the capital markets.

NRG is directly liable for the obligations of certain of its project affiliates and other subsidiaries pursuant to guarantees relating to certain of their indebtedness, equity and operating obligations. In addition, in connection with the purchase and sale of fuel emission credits and power generation products to and from third parties with respect to the operation of some of NRG s generation facilities in the United States, NRG may be required to guarantee a portion of the obligations of certain of its subsidiaries. As of March 31, 2003, NRG s obligations pursuant to its guarantees of the performance, equity and indebtedness obligations of its subsidiaries totaled approximately $920 million.

In addition, Xcel Energy provides indemnity protection for bonds issued by subsidiaries. The total amount of bonds with this indemnity outstanding as of March 31, 2003, was approximately $343 million, of which $17.5 million relates to NRG. The total exposure of this indemnification cannot be determined at this time. Xcel Energy believes the exposure to be significantly less than the total indemnification.

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9. Derivative Valuation and Financial Impacts

Xcel Energy analyzes derivative financial instruments in accordance with SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). This statement requires that all derivative instruments as defined by SFAS No. 133 be recorded on the balance sheet at fair value unless exempted. Changes in a derivative instrument s fair value must be recognized currently in earnings unless the derivative has been designated in a qualifying hedging relationship. The application of hedge accounting allows a derivative instrument s gains and losses to offset related results of the hedged item in the statement of operations, to the extent effective. SFAS No. 133 requires that the hedging relationship be highly effective and that a company formally designate a hedging relationship to apply hedge accounting.

The impact of the components of SFAS No. 133 on Xcel Energy s Other Comprehensive Income, included in the Consolidated Statement of Stockholders Equity, are detailed in the following table:

	Three months ended March 31	
	2003	**2002**
(Millions of dollars)		
Accumulated other comprehensive income related to SFAS No. 133 at Jan. 1	$ 22.1	$34.2
After-tax net unrealized gains (losses) related to derivatives accounted for as hedges	(35.8)	25.2
After-tax net realized losses (gains) on derivative transactions reclassified into earnings	(18.9)	0.5
Accumulated other comprehensive income (loss) related to SFAS No. 133 at March 31	$(32.6)	$59.9

Xcel Energy records the fair value of its derivative instruments in its Consolidated Balance Sheet as a separate line item noted as Derivative Instruments Valuation for assets and liabilities, as well as current and noncurrent.

Cash Flow Hedges

Xcel Energy and its subsidiaries enter into derivative instruments to manage exposure to changes in commodity prices. These derivative instruments take the form of fixed-price, floating-price or index sales, or purchases and options, such as puts, calls and swaps. These derivative instruments are designated as cash flow hedges for accounting purposes, and the changes in the fair value of these instruments are recorded as a component of Other Comprehensive Income. At March 31, 2003, Xcel Energy had various commodity-related contracts extending through 2018. Amounts deferred in Other Comprehensive Income are recorded as the hedged purchase or sales transaction is completed. This could include the physical sale of electric energy or the use of natural gas to generate electric energy. As of March 31, 2003, Xcel Energy had net gains of $2.1 million accumulated in Other Comprehensive Income that are expected to be recognized in earnings during the next 12 months as the hedged transaction occurs. However, due to the volatility of commodities markets, the value in Other Comprehensive Income will likely change prior to its recognition in earnings.

As required by SFAS No. 133, Xcel Energy recorded gains of $0.0 million and $0.1 million related to ineffectiveness on commodity cash flow hedges during the three months ended March 31, 2003 and 2002, respectively.

Xcel Energy and its subsidiaries enter into interest rate swap instruments that effectively fix the interest payments on certain floating rate debt obligations. These derivative instruments are designated as cash flow hedges for accounting purposes, and the change in the fair value of these instruments is recorded as a component of Other Comprehensive Income. Xcel Energy expects to reclassify into earnings through March 2004 net losses from Other Comprehensive Income of approximately $(0.4) million.

Hedge effectiveness is recorded based on the nature of the item being hedged. Hedging transactions for the sales of electric energy are recorded as a component of revenue, hedging transactions for fuel used in energy generation are recorded as a component of fuel costs, and hedging transactions for interest rate swaps are recorded as a component of interest expense.

Hedges of Foreign Currency Exposure of a Net Investment in Foreign Operations

To preserve the U.S. dollar value of projected foreign currency cash flows, Xcel Energy, through NRG, may hedge, or protect those cash flows if appropriate foreign hedging instruments are available. Xcel Energy does not expect to reclassify any significant amounts into earnings through March 2004 from Other Comprehensive Income on foreign currency swaps accounted for as hedges.

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Derivatives Not Qualifying for Hedge Accounting

Xcel Energy and its subsidiaries have trading operations that enter into derivative instruments. These derivative instruments are accounted for on a mark-to-market basis in the Consolidated Statements of Operations. All derivative instruments are recorded at the amount of the gain or loss from the transaction within Operating Revenues on the Consolidated Statements of Operations.

Normal Purchases or Normal Sales

Xcel Energy and its subsidiaries enter into fixed-price contracts for the purchase and sale of various commodities for use in their business operations. SFAS No. 133 requires a company to evaluate these contracts to determine whether the contracts are derivatives. Certain contracts that literally meet the definition of a derivative may be exempted from SFAS No. 133 as normal purchases or normal sales. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal are documented as normal and exempted from the accounting and reporting requirements of SFAS No. 133.

Xcel Energy evaluates all of its contracts within the regulated and nonregulated operations when such contracts are entered to determine if they are derivatives and if so, if they qualify and meet the normal designation requirements under SFAS No. 133. None of the contracts entered into within the trading operations qualify for a normal designation.

Normal purchases and normal sales contracts are accounted for as executory contracts as required under other generally accepted accounting principles.

Pending Accounting Change

In April 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 149 Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS No. 149). SFAS No. 149, which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 clarifies the discussion around initial net investment, clarifies when a derivative contains a financing component, and amends the definition of an underlying to conform it to language used in FASB Interpretation No. 45. In addition, SFAS No. 149 also incorporates certain implementation issues of a derivative implementation group. The provisions of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The guidance will be applied to hedging relationships on a prospective basis. Xcel Energy and its subsidiaries are currently assessing SFAS No. 149, but do not anticipate that it will have a material impact on consolidated results of operations, cash flows or financial position.

10. Segment Information

Xcel Energy has the following reportable segments: Electric Utility, Gas Utility and its nonregulated energy business, NRG. Trading operations performed by regulated operating companies are not a reportable segment; electric trading results are included in the Electric Utility segment and gas trading results are presented in All Other.

Three months ended March 31, 2003

(Thousands of dollars)	Electric Utility	Gas Utility	NRG	All Other	Reconciling Eliminations	Consolidated Total
Operating revenues from external customers	$1,367,937	$666,129	$533,640	$112,516	$	$2,680,222
Intersegment revenues	296	1,386		21,780	(23,462)	
Equity in earnings of unconsolidated affiliates			45,629	(5,499)		40,130
Total revenues	$1,368,233	$667,515	$579,269	$128,797	$(23,462)	$2,720,352
Segment net income (loss)	$ 86,098	$ 56,551	$ (12,632)	$ 20,086	$(10,091)	$ 140,012

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Three months ended March 31, 2002

(Thousands of dollars)	Electric Utility	Gas Utility	NRG	All Other	Reconciling Eliminations	Consolidated Total
Operating revenues from external customers	$1,234,482	$563,479	$468,099	$ 87,353		$2,353,413
Intersegment revenues	259	432		35,625	(35,625)	691
Equity in earnings of unconsolidated affiliates			14,670	1,810		16,480
Total revenues	$1,234,741	$563,911	$482,769	$124,788	$(35,625)	$2,370,584
Segment net income (loss)	$ 81,918	$ 48,053	$ (26,463)	$ 7,196	$ (7,200)	$ 103,504

In 2003, the process to allocate common costs of the electric and gas utility segments was revised. Segment results for 2002 have been restated to reflect the revised cost allocation process.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS

The following discussion and analysis by management focuses on those factors that had a material effect on Xcel Energy s financial condition and results of operations during the periods presented, or are expected to have a material impact in the future. It should be read in conjunction with the accompanying unaudited Consolidated Financial Statements and Notes.

Except for the historical statements contained in this report, the matters discussed in the following discussion and analysis are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words anticipate, estimate, expect, objective, outlook, projected, possible, potential and similar expressions. Actua vary materially. Factors that could cause actual results to differ materially include, but are not limited to:

general economic conditions, including their impact on capital expenditures and the ability of Xcel Energy and its subsidiaries to obtain financing on favorable terms;

business conditions in the energy industry;

competitive factors, including the extent and timing of the entry of additional competition in the markets served by Xcel Energy and its subsidiaries;

unusual weather;

state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures, and affect the speed and degree to which competition enters the electric and gas markets;

the higher risk associated with Xcel Energy s nonregulated businesses compared with its regulated businesses;

the financial condition of NRG;

actions by the bankruptcy court;

failure to realize expectations regarding the NRG settlement agreement;

currency translation and transaction adjustments;

risks associated with the California power market; and the other risk factors listed from time to time by Xcel Energy in reports filed with the Securities and Exchange Commission (SEC), including Exhibit 99.01 to this report on Form 10-Q for the quarter ended March 31, 2002.

RESULTS OF OPERATIONS

Xcel Energy owns or has an interest in a number of nonregulated businesses, the largest of which is NRG Energy, Inc. (NRG), an independent power producer. Xcel Energy owned 100 percent of NRG at the beginning of 2000. About 18 percent of NRG was sold to the public in an initial public offering in the second quarter of 2000, leaving Xcel Energy with an 82-percent interest at Dec. 31, 2000. In March 2001, another 8 percent of NRG was sold to the public, leaving Xcel Energy with an interest of about 74 percent at Dec. 31, 2001. On June 3, 2002, Xcel acquired the 26 percent of NRG held by the public so that it again held 100 percent ownership at Dec. 31, 2002. NRG is facing severe financial difficulties and has filed a voluntary petition for bankruptcy. See Note 2, 3, 4 and 7 to the Consolidated Financial Statements, included in Xcel Energy s Form 10-K for the year ended Dec. 31, 2002 and Note 4 to the financial statements in this report.

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Earnings per Share Summary

Xcel Energy s earnings per share were $0.35 for the first quarter of 2003, compared with $0.29 for the first quarter of 2002. The following table details the earnings per share contribution of Xcel Energy s regulated and nonregulated businesses.

	Three months ended:	
	March 31, 2003	**March 31, 2002**
Components of GAAP earnings are:		
Utility earnings continuing operations	0.37	$ 0.38
NRG earnings (loss) continuing operations	(0.51)	(0.09)
Other nonregulated results/holding co. costs	(0.04)	(0.03)
Subtotal continuing operations	(0.18)	0.26
NRG earnings (loss) discontinued operations	0.48	0.03
Utility earnings discontinued operations (gain on sale of Viking Gas)	0.05	
Subtotal discontinued operations	0.53	0.03
Total GAAP earnings per share	**$ 0.35**	**$ 0.29**

Earnings per share (EPS)	**Three months ended:**	
	March 31, 2003	**March 31, 2002**
Segments of GAAP earnings include:		
Utility earnings continuing operations	$ 0.37	$ 0.38
Utility earnings discontinued operations (gain on sale of Viking Gas/Guardian)	0.05	
Subtotal utility segment earnings	0.42	0.38
NRG earnings (loss) continuing operations	(0.51)	(0.09)
NRG earnings (loss) discontinued operations	0.48	0.03
Subtotal NRG segment earnings	(0.03)	(0.06)
Other nonregulated results/holding co. costs	(0.04)	(0.03)
Total GAAP earnings per share	**$ 0.35**	**$ 0.29**

Utility Segment Results

In the first quarter of 2003, regulated earnings per share were increased by 5 cents per share due to the gain on the sale of Viking Gas and Guardian, as discussed in Note 3 to the financial statements.

In addition, first quarter 2003 net income from utility operations increased largely due to electric utility retail sales growth and higher short-term wholesale margins, as discussed in the following section. Utility earnings per share decreased by 5 cents per share in first quarter 2003 due to the dilutive effects of stock issuances in February and June 2002.

The following summarizes the estimated impact of weather on regulated utility earnings per share, based on estimated temperature variations from historical averages (excluding the impact on energy trading operations):

	Earnings per Share Increase (Decrease)		
Earnings per Share for the Period Ended March 31:	**2003 vs. Normal**	**2002 vs. Normal**	**2003 vs. 2002**
Quarter Ended	$0.00	($0.01)	$0.01