

XCEL ENERGY INC
Form DEF 14A
April 05, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒ x

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Check the appropriate box:

- ☐ o Preliminary Proxy Statement
☐ o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
☒ x Definitive Proxy Statement
☐ o Definitive Additional Materials
☐ o Soliciting Material Pursuant to §240.14a-12

Xcel Energy Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Richard C. Kelly
Chairman of the Board, President
and Chief Executive Officer

April 5, 2006

Dear Shareholder:

Please join us at the Xcel Energy Annual Meeting of Shareholders, which will be held on May 17, 2006, at 10:00 a.m. MDT, at The Donald R. Seawell Grand Ballroom, The Denver Center for the Performing Arts, 14th and Curtis Streets, Denver, Colorado 80204. The doors will open at 9:00 a.m. MDT.

At the meeting, I will report recent Xcel Energy results, discuss ongoing operations and talk about future plans. I also will provide time for your questions and comments.

The attendance of our shareholders at annual meetings over the years has been very helpful in maintaining good communications and understanding. The annual meeting is open to shareholders and those guests invited by the Company. We sincerely hope you will be able to be with us. If you are a registered shareholder, your admission ticket to the annual meeting is attached to the proxy card. You will not receive an admission ticket if a bank or broker holds your shares. In that case, please come to the annual meeting and present proof of ownership of Xcel Energy stock at the registration table. As set forth in these guidelines, all attendees will be asked to provide photo identification, such as a driver's license, in order to gain admittance to the annual meeting. We ask that you review the annual meeting guidelines contained on the back cover of this proxy statement. If you cannot attend in person, you can listen to our webcast of the annual meeting at www.xcelenergy.com.

Most important, we encourage you to vote on the issues included in this proxy statement as soon as possible. You can vote electronically over the Internet, by telephone or by mailing the proxy card. Instructions about each of the options are included on the proxy card.

Again, we'd be delighted to see you in Denver and please vote soon.

Cordially,

Richard C. Kelly

ANNUAL MEETING OF SHAREHOLDERS

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

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XCEL ENERGY INC.
800 Nicollet Mall, Suite 3000
Minneapolis, Minnesota 55402-2023

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Time	10:00 a.m. MDT on Wednesday, May 17, 2006
Place	The Donald R. Seawell Grand Ballroom, The Denver Center for the Performing Arts, 14th and Curtis Streets, Denver, Colorado 80204.
Items of Business	<div><div>(1)</div><div>To elect a board of directors to hold office until the next annual meeting of shareholders or until their respective successors have been elected or appointed.</div></div> <div><div>(2)</div><div>To ratify the appointment of Deloitte & Touche LLP as Xcel Energy Inc.'s principal independent accountants for 2006.</div></div> <div><div>(3)</div><div>To consider a shareholder proposal relating to the separation of the role of chairman of the board and chief executive officer, if properly presented at the Annual Meeting.</div></div> <div><div>(4)</div><div>To consider such other business as may properly come before the Annual Meeting or any adjournments thereof.</div></div>
Record Date	You are entitled to vote if you were a shareholder at the close of business on March 21, 2006.
Annual Meeting Admission	If you are a registered shareholder, an admission ticket is attached to the proxy card. You will not receive an admission ticket if a bank or broker holds your shares. In that case, please come to the Annual Meeting and present proof of ownership of our stock at the registration table. The Annual Meeting is open to shareholders and those guests invited by the Company. All attendees will be asked to provide a photo identification, such as a driver's license, in order to gain admittance to the Annual Meeting.
Voting by Proxy	<div>Please submit a proxy as soon as possible so that your shares can be voted at the Annual Meeting in accordance with your instructions. You may submit your proxy:</div> <div><div>(1)</div><div>over the Internet;</div></div> <div><div>(2)</div><div>by telephone; or</div></div> <div><div>(3)</div><div>by mail.</div></div> <div>For specific instructions, refer to the Questions and Answers beginning on page 1 of this proxy statement and the voting instructions on the proxy card.</div>

THIS PROXY STATEMENT AND PROXY CARD ARE BEING DISTRIBUTED ON OR ABOUT APRIL 5, 2006.

By Order of the Board of Directors,

CATHY J. HART
Corporate Secretary

XCEL ENERGY INC.
800 Nicollet Mall, Suite 3000
Minneapolis, Minnesota 55402-2023

April 5, 2006

**PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 17, 2006**

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why Am I Receiving These Materials?

A: The Board of Directors of Xcel Energy Inc. is providing these proxy materials to you in connection with the solicitation by the Board of proxies to be voted at Xcel Energy's Annual Meeting of Shareholders that will take place on May 17, 2006. You are requested to vote on the proposals described in this proxy statement.

Q: What Information is Contained in These Materials?

A: The information included in this proxy statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the compensation of directors and our most highly paid officers and certain other required information. For those of you not receiving the proxy statement electronically, our 2005 Annual Report is enclosed in this mailing and also is available via the Internet at www.xcelenergy.com.

Q: What Proposals Will be Voted On at the Annual Meeting?

A: There are three proposals scheduled to be voted on at the Annual Meeting:

- the election of a board of directors to hold office until the next annual meeting of shareholders or until their respective successors have been elected or appointed;
- the ratification of the appointment of Deloitte & Touche LLP as Xcel Energy Inc.'s principal independent accountants for 2006; and
- if properly presented at the Annual Meeting, a shareholder proposal relating to the separation of the role of chairman of the board and chief executive officer.

Q: What Are the Company's Voting Recommendations?

A: Our Board recommends that you vote your shares as follows:

- **FOR** each of the nominees to the Board;
- **FOR** the ratification of the appointment of Deloitte & Touche LLP as Xcel Energy Inc.'s principal independent accountants for 2006; and
- **AGAINST** the shareholder proposal.

Q: What Shares Can I Vote?

A: All shares of our common and preferred stock owned by you as of March 21, 2006, the record date, may be voted by you. These shares include those (1) held directly in your name as the shareholder of record and (2) held for you as the beneficial owner through a stockbroker, bank or other nominee.

Q: What is the Difference Between Holding Shares as a Shareholder of Record and as a Beneficial Owner?

A: Many of our shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially:

Shareholder of Record. If your shares are registered directly in your name with our transfer agent, The Bank of New York, you are considered, with respect to those shares, the shareholder of record and these proxy materials are being sent directly to you by us. As the shareholder of record, you have the right to vote your proxy directly to the Company (by Internet, by telephone or by mail) or to vote in person at the Annual Meeting. We have enclosed a proxy card for you to use.

Beneficial Owner. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker on how to vote and are also invited to attend the Annual Meeting. If you wish to vote your shares in person, you must provide us with a legal proxy from your broker.

Q: How Can I Vote My Shares?

A: Whether you hold shares directly as the shareholder of record or beneficially in street name, you may vote in person at the Annual Meeting, by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker or nominee. In most instances, you will be able to do this over the Internet, by telephone or by mail. Please refer to the summary instructions and those included on your proxy card or, for shares held in street name, the voting instruction card included by your broker or nominee.

- **By Internet** If you have Internet access, you may submit your proxy from any location in the world by following the **Vote by Internet** instructions on the proxy card.
- **By Telephone** If you are in the United States, you may submit your proxy by following the **Vote by Telephone** instructions on the proxy card.
- **By Mail** You may do this by signing your proxy card or, for shares held in street name, the voting instruction card included by your broker or nominee and mailing it in the enclosed, postage prepaid and addressed envelope. If you provide specific voting instructions, your shares will be voted as you instruct. If you sign your proxy card, but do not provide instructions, your shares will be voted as described in **How Are Votes Counted?** If you provide voting instructions but do not sign your card, your vote will not be counted.

We Encourage You to Vote by Internet or by Telephone.

Q: Can I Change My Vote?

A: If you change your mind after voting your proxy and prior to the Annual Meeting, you can revoke your proxy and change your proxy instructions. You can revoke your proxy by either signing another proxy with a later date, voting a second time by telephone or by the Internet prior to 11:59 p.m. EDT on May 16, 2006, or voting again at the Annual Meeting. Alternatively, you may provide a written statement to the Company (attention: Corporate Secretary) of your intention to revoke your proxy.

Q: Is My Vote Confidential?

A: Yes. Xcel Energy Inc. has adopted a confidential voting policy under which shareholder votes are revealed only to a non-employee proxy tabulator or an independent inspector of election, except (1) as necessary to meet legal requirements, (2) in a dispute regarding authenticity of proxies and ballots, (3) in the event of a proxy contest if the other party does not agree to comply with the confidential voting policy, and (4) where disclosure may be necessary for the Company to assert or defend claims.

Q: How Are Votes Counted?

A: In the election of directors, you may vote **FOR** all of the nominees or your vote may be **WITHHELD** with respect to one or more of the nominees. For the other proposals, you may vote **FOR**, **AGAINST**, or **ABSTAIN**. If you **ABSTAIN**, it has the same effect as a vote **AGAINST**. If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board. However, if you are a participant in one of our employee savings or stock ownership plans, your proxy card is a voting directive for shares allocated to your account. The trustee will vote the shares as instructed by you in your voting directive. If you do not return your voting directive, the trustee will vote your allocated shares, along with all unallocated shares held, in the same proportion that all other allocated shares are voted.

If you are a participant in our Dividend Reinvestment and Cash Payment Plan, your proxy form will include the shares held on your behalf under such plan and the shares will be voted in accordance with your proxy vote. If you do not vote your proxy, your shares in the Dividend Reinvestment and Cash Payment Plan will not be voted.

Q: What is the Voting Requirement to Approve Each of the Proposals?

A: All proposals require the affirmative **FOR** vote of a majority of the voting power of the shares present. For the election of directors, you are entitled to cumulatively vote your shares as described more specifically under the heading **Proposal No. 1 Election Of Directors**. If you are a beneficial owner and do not provide the shareholder of record with voting instructions, your shares may constitute broker non-votes for certain proposals, as described in **What is the Quorum Requirement for the Annual Meeting?** below. In tabulating the voting result for any particular proposal, abstentions from voting are treated as votes **AGAINST** that proposal.

Q: What Does it Mean if I Receive More Than One Proxy or Voting Instruction Card?

A: It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction cards you receive.

Q: How Can I Obtain an Admission Ticket for the Annual Meeting?

A: If you are a registered shareholder, the admission ticket is attached to the enclosed proxy card. You will not receive an admission ticket if a bank or a broker holds your shares. In that case, please come to the Annual Meeting and present proof of ownership of our stock at the registration table. A photo identification, such as a driver's license, will also be requested.

Q: Where Can I Find the Voting Results of the Annual Meeting?

A: We will announce preliminary voting results at the Annual Meeting. When the votes are finalized, we will include the final results in our second quarter Form 10-Q, which will be available on our website, www.xcelenergy.com, on or before August 9, 2006.

Q: What Classes of Shares are Entitled to be Voted?

A: If you owned shares of our common or preferred stock at the close of business on March 21, 2006, the record date, you are entitled to vote at the Annual Meeting. Each share of our common stock is entitled to one vote upon each matter presented at the Annual Meeting. On March 21, 2006, there

were 405,061,348 shares of common stock issued and outstanding. Of these, 404,894,166 were eligible to vote. The balance of the shares of our outstanding common stock represent shares in our predecessor companies that have not yet been exchanged for shares of our common stock as required by the terms of the applicable mergers. Accordingly, these unexchanged shares are not eligible to vote. If you owned preferred stock (other than the \$3.60 Series), you are entitled to one vote per share of such preferred stock upon each matter presented at the Annual Meeting. On March 21, 2006, we had 774,800 shares of our preferred stock (other than the \$3.60 Series) outstanding. If you owned shares of our \$3.60 Series preferred stock, you are entitled to three votes per share of such \$3.60 Series preferred stock upon each matter presented at the Annual Meeting. On March 21, 2006, we had 275,000 shares of our \$3.60 Series preferred stock outstanding. Other than as described in the next sentence, no person holds of record or, to our knowledge, beneficially owns more than 5% of any class of our outstanding voting securities. Based on information reported in a Schedule 13G filed on February 10, 2006, Capital Research and Management Company, 333 South Hope Street, Los Angeles, California 90071, is deemed to beneficially own 21,838,600 shares of our common stock, representing approximately 5.4% of our outstanding common stock, as a result of acting as investment adviser to various investment companies.

Q: What is the Quorum Requirement for the Annual Meeting?

A: The quorum requirement for holding the Annual Meeting and transacting business is a majority of the voting power of the shares of common stock and cumulative preferred stock issued, outstanding and entitled to vote at a meeting. The shares may be present in person or represented by proxy at the Annual Meeting. If you submit a properly executed proxy card or vote in person, by telephone or over the Internet, you will be considered part of the quorum. Both abstentions and broker non-votes will be counted for the purpose of determining the presence of a quorum. Generally, broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote such shares.

Q: Who Will Count the Vote?

A: Representatives of The Bank of New York will tabulate the votes and act as the inspectors of election.

Q: Who Will Bear the Cost of Soliciting Votes for the Annual Meeting?

A: The Company will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials, except that certain expenses for Internet access may be incurred by you if you choose to access the proxy materials and/or vote over the Internet. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for these solicitation activities. We also have hired Georgeson Shareholder Communications, Inc. to assist us in the distribution of proxy materials and the solicitation of votes. We will pay Georgeson Shareholder Communications, Inc. a fee of \$7,000 for these services. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to beneficial owners of stock.

Q: Does the Company Offer Shareholders Electronic Delivery of Proxy Materials?

A: Yes. The Company offers shareholders the option to receive the Annual Report to Shareholders and proxy statement electronically, instead of receiving paper copies of these documents in the mail. You must consent to do so prior to the record date for the Annual Meeting.

To provide your consent for electronic delivery, please go to www.xcelenergy.com and click on Investor Information. Then look for electronic delivery. As soon as the Annual Report to Shareholders and proxy statement are available, electronic delivery participants will receive an e-mail with a link to the information and a control number to use to vote online.

Q: What Happens if Additional Proposals are Presented at the Annual Meeting?

A: Other than the proposals described in this proxy statement, we do not expect any matters to be presented for a vote at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, Benjamin G.S. Fowke III, Cathy J. Hart and Gary R. Johnson, or any of them, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting. If for any unforeseen reason any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board.

Q: May I Propose Actions for Consideration at Next Year's Annual Meeting of Shareholders or Nominate Individuals to Serve as Directors?

A: Yes, you may submit proposals for consideration at future shareholder meetings as follows:

To Be Included in the Proxy Statement. Unless we indicate otherwise at a later date, in order for a shareholder proposal to be considered for inclusion in the Company's proxy statement for next year's annual meeting, the written proposal must be *received* by the Corporate Secretary no later than 5:00 p.m. Central Time on December 6, 2006. These proposals must be in writing and sent to: Corporate Secretary, Xcel Energy Inc., 414 Nicollet Mall 5th floor, Minneapolis, Minnesota 55401-1993. These proposals also will need to comply with Securities and Exchange Commission regulations regarding the inclusion of shareholder proposals in Company-sponsored proxy materials.

To Be Raised from the Floor. Similarly, unless we indicate otherwise at a later date, in order for a shareholder proposal to be raised from the floor during next year's annual meeting, the shareholder's written notice must be *received* by the Corporate Secretary between January 5, 2007 and February 19, 2007, and must contain certain information as required under our bylaws. You may contact the Corporate Secretary at our headquarters for a copy of the relevant provisions of our bylaws regarding the requirements for making shareholder proposals. Please note that these requirements relate only to matters a shareholder wishes to bring before next year's annual meeting and that are not to be included in our proxy statement.

To Recommend an Individual to Serve as a Director. You may make a recommendation to our Governance, Compensation and Nominating Committee of an individual to serve as a director by sending a written statement of the qualifications of the recommended individual to the Corporate Secretary of Xcel Energy Inc. at 414 Nicollet Mall 5th floor, Minneapolis, Minnesota 55401-1993. In order to be considered for next year's annual meeting, your recommendation should be received by October 13, 2006.

Q: I Receive More Than One Complete Proxy Package. Is it Possible to Eliminate Duplicates?

A: Yes, we have adopted a procedure approved by the Securities and Exchange Commission called *householding*. Under this procedure, certain shareholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our Annual Report to Shareholders and proxy statement, unless one or more of these shareholders notifies us that they would like to continue to receive individual copies. This will reduce our printing costs and postage fees. Shareholders who participate in *householding* will continue to receive separate proxy cards. Also, *householding* will not in any way affect dividend check mailings.

If you and other shareholders of record with whom you share an address currently receive multiple copies of our Annual Report to Shareholders and/or proxy statement, or if you hold stock in more than one account, and in either case, you would like to receive only a single copy of the Annual Report to Shareholders or proxy statement for your household, please forward your written request to The Bank

of New York, Shareholder Relations 12E, P.O. Box 11258, Church Street Station, New York, New York 10286. You may also e-consent to householding on the Internet at www.stockbny.com.

If you are a shareholder of record, or a beneficial owner whose shares are held through a broker or bank, and participate in householding and would like to receive a separate copy of our 2005 Annual Report to Shareholders or this proxy statement, please contact us in the manner described in the immediately preceding paragraph or call 1-877-914-9235. We will deliver the requested documents to you promptly upon receipt of your request. If you are not a shareholder of record and your shares are held through a broker or bank and you want to receive separate copies of the Annual Report to Shareholders and proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder.

CORPORATE GOVERNANCE

Governance Guidelines and Code of Conduct

The Board of Directors of the Company operates pursuant to a set of written Guidelines on Corporate Governance that set forth the Company's corporate governance philosophy and the governance policies and practices that the Company has established to assist in governing the Company and its affiliates.

The Guidelines describe Board membership criteria, the Board selection and member orientation process and stock ownership guidelines. The Guidelines require that all but two of the directors must be independent and that the members of each committee must be independent. Directors are to retire from the Board prior to the annual meeting of shareholders in the year in which they turn 72 and, except for inside directors and directors first elected prior to 2000, are to serve no more than 15 years on the Board. The Guidelines also provide that no director may serve on more than three other boards of directors of publicly held companies without the prior approval of the Governance, Compensation and Nominating Committee. Directors whose professional responsibilities change, such as upon retirement or a change in employer, are required to submit a letter of resignation for the Board's consideration.

The Guidelines provide that the Governance, Compensation and Nominating Committee of the Board will evaluate the performance of the Chief Executive Officer on an annual basis, using objective criteria. The Guidelines also provide that the members of the Board will conduct an annual assessment of the performance of the Board and the processes used by the Board. The members of each respective committee will conduct an annual assessment of the performance of the committees.

The Guidelines provide that Board members have full access to officers and employees of the Company and, as necessary and appropriate, the Company's independent advisors, including legal counsel and independent accountants. The Guidelines further provide that the Board and each committee have the power to hire independent legal, financial or other advisors as they deem necessary. The Guidelines provide that the independent directors are to meet in executive session on a regularly scheduled basis, and that the rotating lead independent director will chair these executive sessions. The chairs of the Board's respective committees identified in the following sections will serve, on a quarterly rotational basis, as the lead independent director.

The Board of Directors of the Company has adopted a Code of Conduct that applies to employees and directors of Xcel Energy Inc., its wholly owned subsidiaries and affiliates. Our Code of Conduct applies to our chief executive officer, our chief financial officer and our chief accounting officer, and complies with the requirements imposed by the Sarbanes-Oxley Act of 2002 and the rules issued thereunder for codes of conduct applicable to such officers as well as the governance requirements of the New York Stock Exchange. All of our corporate governance material, including our Code of Conduct, our Guidelines on Corporate Governance and each of our committee charters, is available for public viewing on the Company's web site at www.xcelenergy.com, under About Us Corporate Governance. Copies of our corporate governance material are also available free of charge to shareholders who request them. Requests must be in writing and sent to: Corporate Secretary, Xcel Energy Inc., 800 Nicollet Mall, Suite 3000, Minneapolis, Minnesota 55402-2023.

Board Composition and Independence

In 2004, the Board requested and received shareholder approval to amend our bylaws to eliminate the classification of the Board of Directors. Beginning this year, all directors will be elected annually for one-year terms.

The Board of Directors of the Company is currently composed of ten directors, nine of whom are independent within the meaning of the listing standards of the New York Stock Exchange. For purposes of determining independence, we have adopted the following categorical standards for director independence in compliance with the listing standards of the New York Stock Exchange:

- No director qualifies as independent unless the Board affirmatively determines, taking into account all of the relevant facts and circumstances, that the director has no material relationship with us or any of our subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with us or any of our subsidiaries);
- A director who is an employee, or whose immediate family member is an executive officer, of us or any of our subsidiaries is not independent until four years after the end of such employment relationship;
- A director who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from us or any of our subsidiaries, other than director and committee fees and pension or other forms or deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until four years after he or she ceases to receive more than \$100,000 per year in such compensation;
- A director (a) who is a current partner or employee of the firm that is the Company's external auditor, or (b) whose immediate family member is a current partner of such firm or a current employee of such firm and participates in that firm's audit, assurance, or tax compliance (but not tax planning) practice, or (c) who was, or whose immediate family member was, within the last four years a partner or employee of such a firm and personally worked on the Company's audit within that time, is not independent;
- A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of our or any of our subsidiaries' present executives serve on that company's compensation committee is not independent until four years after the end of such service or the employment relationship;
- A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, us or any of our subsidiaries for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues is not independent until four years after falling below such threshold; and
- A director who is an employee or representative of a significant supplier of any Xcel Energy business unit or legal entity will not be independent unless we entered into the relationship with the supplier as a result of competitive purchasing practices.

For purposes of determining whether a director is independent, the Board has determined that the receipt of regulated electric and gas service from the Company does not constitute a material relationship.

The Board determined that the following current members of the Board: Mr. Richard H. Anderson, Mr. C. Coney Burgess, Mr. Roger R. Hemminghaus, Mr. A. Barry Hirschfeld, Mr. Douglas W. Leatherdale, Mr. Albert F. Moreno, Ms. Margaret R. Preska, Ms. A. Patricia Sampson and Mr. Richard H. Truly; and the following nominees for director: Mr. Fredric W. Corrigan and Mr. Richard K. Davis, meet the aforementioned independence standards. Mr. Richard C. Kelly does not meet the independence standards because he is our current Chairman, President and Chief Executive Officer.

Standing Committees; Independent Members

Our Board has four standing committees – Audit; Finance; Governance, Compensation and Nominating; and Operations, Nuclear and Environmental. All members of these committees are independent directors who are nominated and approved by the Board each year. The Governance, Compensation and Nominating Committee will recommend to the Board the directors to chair these committees. The roles and responsibilities of these committees are defined in the committee charters adopted by the Board and provide for oversight of executive management. The duties and responsibilities of all the Board committees are reviewed regularly and are outlined in the following sections.

Lead Independent Directors

In an effort to strengthen independent oversight of management and to strengthen communication, the Board has appointed the chairpersons of each committee (Messrs. Burgess, Hemminghaus, Hirschfeld and Leatherdale) to serve in the role of lead independent director on a quarterly rotational basis. The non-management lead independent director chairs executive sessions of the Board conducted without management and, in consultation with the Chairman, establishes the agendas for meetings of the Board of Directors. The executive sessions are held on a regular basis. During 2005, the independent directors met in executive session on 5 occasions.

Communications with the Board of Directors

Shareholders or other interested parties who wish to communicate with members of the Board, including the independent directors individually or as a group, may send correspondence to them in care of the Corporate Secretary at the Company's principal offices, 800 Nicollet Mall, Suite 3000, Minneapolis, Minnesota 55402-2023. Alternatively, the directors may be contacted via e-mail at boardofdirectors@xcelenergy.com. We currently do not intend to have the Corporate Secretary screen this correspondence, but we may change this policy if directed by the Board due to the nature and volume of the correspondence.

The Company does not have a formal policy, but encourages each of its Board members to attend the Annual Meeting. All nine members of our Board as of the 2005 annual meeting attended the meeting.

Prohibition on Loans; Ratification of Auditors

The Xcel Energy Inc. 2005 Omnibus Incentive Plan, approved by shareholders at the 2005 annual meeting, expressly prohibits Company loans to any employees, including executive officers.

As is more fully discussed later in this proxy statement, the Board of Directors is requesting shareholder ratification of the Audit Committee's appointment of Deloitte & Touche LLP as the Company's principal independent accountants for 2006.

BOARD STRUCTURE AND COMPENSATION

As previously discussed, our Board currently consists of ten directors, nine of whom are considered independent within the meaning of the listing standards of the New York Stock Exchange.

The Board had the following four standing committees during 2005:

- Audit
- Finance
- Governance, Compensation and Nominating
- Operations, Nuclear and Environmental

The function of each committee and current membership are described in the following sections. During 2005, the Board met seven times and the independent directors met in executive session on five occasions. Various committees of the Board met as indicated below. Of the ten directors currently serving on the Board, six of them attended 100% of the meetings of the Board and committees on which such director served during 2005, three directors attended at least 86% of such meetings and Mr. Richard H. Anderson attended 71% of such meetings.

Audit Committee

Members: Roger R. Hemminghaus (Chair), Richard H. Anderson, Douglas W. Leatherdale, Albert F. Moreno and Margaret R. Preska. All members of the Audit Committee are independent, as defined in the listing standards of the New York Stock Exchange, and are financially literate in accordance with the listing standards of the New York Stock Exchange. The Board has determined that Richard H. Anderson, Roger R. Hemminghaus and Douglas W. Leatherdale meet the Securities and Exchange Commission's definition of audit committee financial expert.

Number of meetings in 2005: 7

The functions of the Audit Committee include, among other things:

- Oversight of our financial reporting process, including the integrity of our financial statements, compliance with legal and regulatory requirements, and the independence and performance of internal and external auditors;
- Review of the annual audited financial statements and quarterly financial information with management and the independent auditors;
- Appointment of independent auditors;
- Review with the independent auditors of the scope and the planning of the annual audit;
- Review of findings and recommendations of the independent auditors and management's response to the recommendations of the independent auditors; and
- Preparation of the Report of the Audit Committee included in this proxy statement.

The Audit Committee operates under a written charter adopted by our Board of Directors. The charter is available for public viewing on our web site at www.xcelenergy.com under About Us Corporate Governance Audit Committee. The charter complies with the requirements of the Sarbanes-Oxley Act and the listing standards of the New York Stock Exchange. The charter will be reviewed and reassessed regularly to ensure continued compliance with these requirements.

Finance Committee

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Members: C. Coney Burgess (Chair), Roger R. Hemminghaus, Douglas W. Leatherdale, Albert F. Moreno and Richard H. Truly.

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Number of meetings in 2005: 5

The functions of the Finance Committee include, among others:

- Oversight of corporate capital structure and budgets;
- Oversight of financial plans and dividend policies;
- Recommendations as to dividends;
- Oversight of insurance coverage and banking relationships;
- Oversight of investor relations; and
- Oversight of financial and operational risk management.

The Finance Committee operates under a written charter adopted by our Board of Directors. The charter is available for public viewing on our web site at www.xcelenergy.com under About Us Corporate Governance Finance Committee.

Governance, Compensation and Nominating Committee

Members: Douglas W. Leatherdale (Chair), C. Coney Burgess, A. Barry Hirschfeld and A. Patricia Sampson. All members of the Governance, Compensation and Nominating Committee are independent, as defined in the listing standards of the New York Stock Exchange.

Number of meetings in 2005: 9

The functions of the Governance, Compensation and Nominating Committee include, among others:

- Determination of Board organization, selection of director nominees and setting of director compensation;
- Evaluation of performance of the Chief Executive Officer and other senior officers;
- Approval of executive compensation, including incentives and other benefits;
- Establishment of corporate governance principles and procedures;
- Review of corporate structure and policies with respect to human resource policies, corporate ethics, and long range planning and strategy; and
- Preparation of the Report of the Governance, Compensation and Nominating Committee included in this proxy statement.

The Governance, Compensation and Nominating Committee operates under a written charter adopted by our Board of Directors. The charter is available for public viewing on our web site at www.xcelenergy.com under About Us Corporate Governance Governance, Compensation and Nominating Committee.

In considering individuals for nomination as directors, the Governance, Compensation, and Nominating Committee typically solicits recommendations from its current directors and is authorized to engage third party advisors, including search firms, to assist in the identification and evaluation of candidates. For 2005, the committee hired Russell Reynolds Associates, Inc., an international search firm, to help identify and facilitate the screening and interview process of potential director nominees. The search firm screened the candidates, conducted reference checks, prepared a biography of each candidate for the committee to review and helped set up interviews. The committee selected the nominees that best suit our needs. Mr. Fredric W. Corrigan and Mr. Richard K. Davis were each initially recommended by Russell Reynolds Associates,

Inc.

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In evaluating potential candidates, the committee may consider such factors as it deems appropriate. These factors may include judgment, skill, diversity, integrity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other Board members and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. While the committee has not established any specific minimum qualifications for director nominees, the committee believes that demonstrated leadership, as well as significant years of service in an area of endeavor such as business, law, public service, related industry or academia, is a desirable qualification for service as a director of the Company.

Any shareholder may make recommendations to the Governance, Compensation and Nominating Committee for membership on the Board by sending a written statement of the qualifications of the recommended individual to the Corporate Secretary at 414 Nicollet Mall 5th Floor, Minneapolis, Minnesota 55401-1993. Such recommendations should be received by October 13, 2006 in order to be considered for the next year's annual meeting. The committee will evaluate candidates recommended by shareholders on the same basis as it evaluates other candidates.

Operations, Nuclear and Environmental Committee

Members: A. Barry Hirschfeld (Chair), Richard H. Anderson, Margaret R. Preska, A. Patricia Sampson and Richard H. Truly.

Number of meetings in 2005: 3

The functions of the Operations, Nuclear and Environmental Committee include, among others:

- Oversight of nuclear and non-nuclear operations, electric and gas delivery and retail service operations;
- Review of environmental compliance, performance issues and initiatives, and customer operations;
- Review of safety and operations performance; and
- Review of operational decisions and plans related to performance.

The Operations, Nuclear and Environmental Committee operates under a written charter adopted by our Board of Directors. The charter is available for public viewing on our web site at www.xcelenergy.com under About Us Corporate Governance Operations, Nuclear and Environmental Committee.

Directors Compensation for 2005

The following table provides information on our compensation and reimbursement practices during 2005 for non-employee directors. Mr. Kelly, who is employed by the Company, received no compensation for his Board activities.

	Through Aug. 31, 2005	Effective Sept. 1, 2005
Annual Director Retainer	\$ 35,000	\$ 35,000
Board Meeting Attendance Fees (per meeting)	\$ 1,500	\$ 1,500
Telephonic Meeting Attendance Fees (per meeting)	\$ 650	\$ 650
Committee Meeting Attendance Fees (per meeting)	\$ 1,500	\$ 1,500
Additional Retainer for Committee Chair:		
Governance, Compensation & Nominating Committee	\$ 5,000	\$ 5,000
Operations, Nuclear & Environmental Committee	\$ 5,000	\$ 5,000
Audit Committee	\$ 10,000	\$ 10,000
Finance Committee	\$ 5,000	\$ 5,000
Stock Equivalent Units	\$ 52,800	\$ 64,000

We have a Stock Equivalent Plan for Non-Employee Directors to more closely align directors' interests with those of our shareholders. Under this Stock Equivalent Plan, directors may receive an annual award of stock equivalent units with each unit having a value equal to one share of our common stock. Stock equivalent units do not entitle a director to vote and are only payable as a distribution of whole shares of the Company's common stock upon a director's disability or termination of service. The stock equivalent units fluctuate in value as the value of our common stock fluctuates. Additional stock equivalent units are accumulated upon the payment of, and at the same value as, dividends declared on our common stock.

On May 26, 2005, each then-serving non-employee director of the Company received an award of 2,916 stock equivalent units representing approximately \$52,800 in cash value. Mr. Richard H. Truly was elected to the board of directors in September 2005 and, in October 2005, Mr. Truly received a pro-rated portion of stock equivalent units valued at approximately \$37,100 or 2,053 units. Additional stock equivalent units were accumulated during 2005 as dividends were paid on our common stock. The number of stock equivalents for each non-employee director is listed in the Beneficial Ownership Table on page 23.

Prior to 2005, directors were able to participate in a deferred compensation plan that provided for deferral of director retainer and meeting fees until after retirement from the Board. A director could defer director retainer and meeting fees into the Stock Equivalent Plan. A director who elected to defer compensation under this plan received a premium of 20% of the compensation that was deferred. In December 2004, the Board amended a number of executive and director compensation plans, including the Stock Equivalent Plan for Non-Employee Directors and the Non-Employee Directors Deferred Compensation Plan, in part to comply with deferred compensation requirements of new Section 409A of the Internal Revenue Code of 1986, as amended, as added by Section 885 of the American Jobs Creation Act of 2004, and other legislation. As a result of the amendments, participation in the Stock Equivalent Plan for Non-Employee Directors and the Non-Employee Directors Deferred Compensation Plan was frozen. The plans will continue to operate in accordance with their terms with respect to amounts deferred and/or awarded prior to January 1, 2005. It is expected that the plans will be amended in 2006 in order to achieve compliance with the new deferred compensation requirements. In addition, Mr. Roger R. Hemminghaus, Mr. A. Barry Hirschfeld and Mr. C. Coney Burgess are entitled to a benefit upon retirement from the Board resulting from their service as a director for a predecessor company under a tenure policy that was frozen on August 22, 2000 at the time of the formation of Xcel Energy. Based on the terms of this tenure policy, Messrs. Hemminghaus, Hirschfeld and Burgess are eligible to receive a monthly benefit (\$353.75, \$1,844.20 and \$406.25, respectively) for the lesser of ten years or life.

PROPOSALS TO BE VOTED ON

**PROPOSAL NO. 1
ELECTION OF DIRECTORS**

Number of Nominees, Classification and Voting

The current Board of Directors consists of ten directors. Each director serves a one-year term, with all directors subject to annual election. Mr. Richard H. Anderson, a current member of the Board of Directors, will not be seeking re-election and, accordingly, his term as a director will expire effective at the Annual Meeting. In addition, Wayne H. Brunetti, the former Chairman and Chief Executive Officer of the Company, retired as a member of the Board effective December 15, 2005.

The following eleven individuals are the nominees to be elected to serve until the 2007 annual meeting or until their successors are elected: C. Coney Burgess, Fredric W. Corrigan, Richard K. Davis, Roger R. Hemminghaus, A. Barry Hirschfeld, Richard C. Kelly, Douglas W. Leatherdale, Albert F. Moreno, Dr. Margaret R. Preska, A. Patricia Sampson and Richard H. Truly. With the exception of Mr. Corrigan and Mr. Davis, each of the nominees is a current director.

The persons named as proxies intend to vote the proxies for the election of the nominees to the Board. If any of the nominees should be unavailable to serve as a director by an event that is not anticipated, the persons named as proxies reserve full discretion to vote for any other persons who may be nominated.

You are entitled to vote cumulatively for the election of directors. This means that you are entitled to a number of votes equal to the number of votes entitled to be cast with respect to the shares held by you multiplied by the number of directors to be elected. You may cast all your votes for one nominee or distribute your votes among the nominees. The election of each director shall be decided by majority vote. With respect to the election of the nominated directors, the persons named as proxies reserve the right to cumulate votes represented by proxies which they receive and to distribute such votes among one or more of the nominees at their discretion.

Information as to Nominees

The nominees, their ages, principal occupations or positions, experience and the years first elected as a director of the Company, if applicable, are shown on the following pages.

None of the nominees are related to each other or to any other nominee or to any executive officer of the Company or its subsidiaries by blood, marriage or adoption.

Except for Mr. Kelly, no nominee has been an employee of the Company within the past five years.

The Board of Directors recommends a vote FOR the election to the Board of each of the following nominees. Proxies solicited by the Board of Directors will be voted FOR the nominees, unless a contrary vote is specified.

Nominees for Directors

C. Coney Burgess

Age: 68
 Director Since: 2000
 1997 to 2000 (New Century Energies, Inc. (NCE))
 1994 to 1997 (Southwestern Public Service Company (SPS))
 Principal Occupation/ Experience: Chairman and President of Burgess-Herring Ranch Company and Chairman of Herring Bank.
 Other Directorships: Herring Bank, Monarch Trust Company; Chain-C, Inc.; American Quarter Horse Association; Texas and Southwestern Cattle Raisers Association; the Harrington Cancer Center.
 Education: Bachelor of science and bachelor of arts degrees from Mississippi State University; major in geology and pre-law.

Fredric W. Corrigan

Age: 63
 Director Since: N/A
 Principal Occupation/ Experience: CEO and President of The Mosaic Company, a global crop nutrition company (October 2004 to present); previously Executive Vice President of Cargill, Incorporated.
 Other Directorships: The Mosaic Company; The Fertilizer Institute; Vice Chairman and Director of the Potash and Phosphate Institute.
 Education: Bachelor's degree in Economics from Dartmouth College.

Richard K. Davis

Age: 48
 Director Since: N/A
 Principal Occupation/ Experience: President and Chief Operating Officer of U.S. Bancorp, a multi-state financial holding company (October 2004 to present); Vice Chairman of U.S. Bancorp (February 2001 to October 2004).
 Other Directorships: American Bankers Association; Visa International; Minnesota Orchestra.
 Education: Bachelor's degree in Economics from California State University and has completed banking school programs at the University of Washington and Cornell University.

Roger R. Hemminghaus

Age: 69
Director Since: 2000

1997 to 2000 (NCE)

Principal Occupation/
Experience:

1994 to 1997 (SPS)
Retired Chairman and CEO of Ultramar Diamond Shamrock Corp., a petroleum refining and marketing company.

Other Directorships:

CTS Corporation; Tandy Brands Accessories Corporation; National Executive Council Boy Scouts of America; regent of Texas Lutheran University; Vice Chairman of Development Board of University of Texas at San Antonio; Director and former Chairman of the Southwest Research Institute; former Chairman of the Federal Reserve Bank of Dallas.

Education:

Bachelor of science degree in chemical engineering from Auburn University; graduate work in business and nuclear engineering.

A. Barry Hirschfeld

Age: 63
Director Since: 2000

1997 to 2000 (NCE)

Principal Occupation/
Experience:

1988 to 1997 (Public Service Company of Colorado (PSCo))

Chairman of National Hirschfeld, LLC, a Denver commercial printing company; President of ABH Development, Inc., a residential and commercial real estate development firm in Denver.

Other Directorships:

Clyfford Still Museum; the Rocky Mountain Multiple Sclerosis Center; the National Jewish Center; trustee for the Denver Area Council of the Boy Scouts of America; lifetime trustee of the Denver Metro Convention and Visitors Bureau; Colorado Concern and Executive Vice President of Mile High Stadium Club.

Education:

Bachelor of science degree in business administration from California State Polytechnic University and M.B.A. from the University of Denver.

Richard C. Kelly

Age: 59
 Director Since: 2004
 Principal Occupation/
 Experience: Chairman, President and Chief Executive Officer of Xcel Energy (December 2005 to present); Chairman, PSCo, SPS, Northern States Power Company Wisconsin (NSPW) and Northern States Power Company Minnesota (NSPM) (March 2005 to present). Previously President and Chief Executive Officer of Xcel Energy (July 2005 to December 2005); President and Chief Operating Officer of Xcel Energy (October 2003 to June 2005); Vice President and Chief Financial Officer of Xcel Energy (August 2002 to October 2003); President, Enterprises of Xcel Energy (August 2000 to August 2002); Executive Vice President and Chief Financial Officer of NCE (1997 to August 2000); and Senior Vice President of PSCo (1990 to 1997). Executive officer and director of many of our subsidiaries, including NSPM, NSPW, SPS and PSCo. President and Chief Operating Officer of NRG Energy, Inc. (NRG), a former subsidiary of Xcel Energy Inc. (June 6, 2002 to May 14, 2003), and a director of NRG (June 2000 to May 14, 2003). In May 2003, NRG and certain of NRG 's affiliates filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code to restructure their debt. NRG emerged from bankruptcy on December 5, 2003.

Other Directorships: Science Museum of Minnesota; Minnesota Orchestra; Capital City Partnership; Regis University; Colorado Concern (Member) and Colorado Forum (Member).

Education: Master 's degree and a bachelor 's degree in accounting from Regis University; attended the University of Colorado 's Executive Education Conference and the University of Michigan 's Public Utility Executive Program.

Douglas W. Leatherdale

Age: 69
 Director Since: 1991
 Principal Occupation/ Experience: Retired Chairman and Chief Executive Officer of The St. Paul Companies, Inc. (1990 to 2001).
 Other Directorships: UnitedHealth Group Inc.; the International Insurance Society; the American Hanoverian Society; the University of Winnipeg Foundation; former chairman and current director of The Minnesota Orchestra; lifetime director of the University of Minnesota Foundation.
 Education: Bachelor's degree from United College, Winnipeg, Manitoba and Doctorate of Laws (Honoris Causa) from the University of Winnipeg, Canada.

Albert F. Moreno

Age: 62
 Director Since: 2000
 Principal Occupation/ Experience: 1999 to 2000 (NCE) Retired Senior Vice President and General Counsel of Levi Strauss & Co., a brand name apparel manufacturer.
 Other Directorships: Member of the board of trustees of the Rosenberg Foundation.
 Education: Bachelor's degree in economics from San Diego State University, degree in Latin American Economic Studies from the Universidad de Madrid and law degree from the University of California at Berkeley School of Law.

Dr. Margaret R. Preska

Age: 68
 Director Since: 1980
 Principal Occupation/ Experience: Owner and Chief Executive Officer of Robinson Preska Company (includes Build a Bike, Inc.com, an Internet-based instructional business); Distinguished Service Professor, Minnesota State Colleges and Universities; Historian and President Emerita of Minnesota State University, Mankato.
 Other Directorships: Milkweed Editions Publishing Co.
 Education: Bachelor of science degree from the State University of New York-Brockport, master's degree from The Pennsylvania State University and Ph.D. from Claremont Graduate University.

A. Patricia Sampson

Age: 57
Director Since: 1985

Principal Occupation/
Experience:

Chief Executive Officer and President of The Sampson Group, Inc., a management development and strategic planning consulting business.

Other Directorships:

Chairperson of World Alive Ministries.

Education:

Bachelor's degree from Youngstown State University and master's degree from the University of Pennsylvania. She is an Associate Minister at Fellowship Missionary Baptist Church and currently working toward a doctoral degree in ministry at Bethel Seminary.

Richard H. Truly

Age: 68
Director Since: