

XCEL ENERGY INC  
Form DEF 14A  
April 09, 2004

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**SCHEDULE 14A**

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

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement  
Commission only (as permitted by  
Rule 14a-6(e)(2).

Confidential, for use of the

Definitive proxy statement.

Definitive additional materials.

Soliciting material pursuant to §240.14a-12.

Xcel Energy Inc.

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**Wayne H. Brunetti**

Chairman of the Board

April 9, 2004

Dear Shareholder:

We cordially invite you to attend the Annual Meeting of Shareholders, which will be held on May 20, 2004 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.

Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement. I will report on current operations and discuss our future plans. We 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. We sincerely hope you will be able to be with us. If you cannot attend in person, you can listen to our webcast of the meeting at [www.xcelenergy.com](http://www.xcelenergy.com). 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 meeting and present proof of ownership of our stock at the registration table. The meeting is open to shareholders and those guests invited by the Company. We ask that you review the meeting guidelines contained on the back cover of this proxy statement. As set forth in these guidelines, you will be asked to provide a photo identification, such as a driver's license.

Your vote is important. Even if you do not attend the Annual Meeting, I hope you will vote as soon as possible. We encourage you to vote electronically over the Internet, by telephone or by mailing a traditional proxy card. Voting over the Internet, by telephone, or by written proxy will ensure your representation at the Annual Meeting if you do not attend in person. Please review the instructions on the proxy card regarding each of these voting options.

We appreciate your continued support.

Cordially,

Wayne H. Brunetti

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**XCEL ENERGY INC.**

**800 Nicollet Mall, Suite 3000  
Minneapolis, Minnesota 55402-2023**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

<b>Time</b>	10:00 a.m. MDT on Thursday, May 20, 2004
<b>Place</b>	The Donald R. Seawell Grand Ballroom, The Denver Center for the Performing Arts, 14th and Curtis Streets, Denver, Colorado.
<b>Items of Business</b>	(1) To consider an amendment to our bylaws to eliminate the classification of the Board of Directors.  (2) To elect 6 directors.  (3) To consider approval of the Stock Equivalent Plan for Non-Employee Directors.  (4) To consider such other business as may properly come before the meeting or any adjournments thereof.
<b>Record Date</b>	You are entitled to vote if you were a shareholder at the close of business on March 22, 2004.
<b>Meeting Admission</b>	If you are a registered shareholder, an admission ticket is attached to the proxy card. You will not receive an admission ticket if your shares are held by a stock brokerage account, bank or other nominee. In that case, please come to the meeting and present proof of ownership of our stock at the registration table. The meeting is open to shareholders and those guests invited by the Company. Shareholders will be asked to provide a photo identification, such as a driver's license.
<b>Voting by Proxy</b>	Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You may submit your proxy:  (1) Over the Internet,  (2) By telephone, or  (3) By mail.  For specific instructions, refer to the Questions and Answers on page 1 of this proxy statement and the voting instructions on the proxy card. THIS PROXY STATEMENT AND PROXY CARD ARE BEING DISTRIBUTED ON OR ABOUT APRIL 9, 2004.

By Order of the Board of Directors,

**CATHY J. HART**  
*Secretary*

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**XCEL ENERGY INC.**

**800 Nicollet Mall, Suite 3000  
Minneapolis, Minnesota 55402-2023**

April 9, 2004

**PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 20, 2004**

**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 20, 2004. 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 meeting, the voting process, the compensation of directors and our most highly paid officers, and certain other required information. Our 2003 Annual Report is enclosed in this mailing and also is available via the Internet at [www.xcelenergy.com](http://www.xcelenergy.com).

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

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

the amendment of our bylaws to eliminate the classification of the Board of Directors

the election of six directors

the approval of the Stock Equivalent Plan for Non-Employee Directors

**Q: What Are Xcel Energy's Voting Recommendations?**

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

FOR the amendment to the bylaws;

FOR each of the nominees to the Board; and

FOR the approval of the Stock Equivalent Plan for Non-Employee Directors.

**Q: What Shares Can I Vote?**

A: All shares of our common and preferred stock owned by you as of March 22, 2004, 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?**

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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 Xcel Energy (by

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Internet, by telephone or by mail) or to vote in person at the 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 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 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 live in the United States, you may submit your proxy by following the Vote by Phone 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?

**We Encourage You to Vote by Internet or by Phone.**

**Q: Can I Change My Vote?**

A: If you change your mind after voting your proxy and prior to the 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. MDT on May 19, 2004, or voting again at the meeting. Alternatively, you may provide a written statement to the Company (attention: Cathy J. Hart, Secretary) of your intention to revoke your proxy.

**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

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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: The nominees for election as directors at the Annual Meeting will be elected by a majority of the voting power present and entitled to vote. For the election of directors, you are entitled to cumulatively vote your shares as described more specifically under the caption Proposal No. 2 Election Of Directors . All other proposals require the affirmative For vote of a majority of the voting power of the shares present and entitled to vote. If you are a beneficial owner and do not provide the shareholder of record with voting instructions, your shares may constitute broker nonvotes, as described in What Is The Quorum Requirement For The Meeting? below. In tabulating the voting result for any particular proposal, abstentions from voting are treated as votes against while shares that constitute broker nonvotes are not considered entitled to vote on 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 Meeting?**

A: If you are a registered shareholder, the admission ticket is attached to the enclosed proxy form. You will not receive an admission ticket if a bank or a broker holds your shares. In that case, please come to the 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 Meeting?**

A: We will announce preliminary voting results at the meeting. When the votes are finalized, we will include the final results in our second quarter 10-Q which will be available on our website.

**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 22, 2004, the record date, you are entitled to vote at the Annual Meeting. Each share of our common stock is entitled to one vote at the Annual Meeting. On March 22, 2004, there were 397,517,275 shares of common stock issued and outstanding. Of these, 397,244,762 were 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 22, 2004, 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 22, 2004, 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 13, 2004, Capital Research and Management Company, 333 South Hope Street, Los Angeles, California 90071, is deemed to beneficially own 23,850,000 shares of our common stock, representing approximately 6% 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 Meeting?**

A: The quorum requirement for holding the 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 meeting. Both abstentions and broker nonvotes are counted for the purpose of determining the presence of a quorum. Generally, broker nonvotes occur when shares held by a broker for a

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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 Meeting?**

A: Xcel Energy will pay the entire cost of preparing, assembling, printing, mailing, and distributing these proxy materials, except that certain expenses for Internet access will 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 \$6,500 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 Xcel Energy Offer Shareholders Electronic Delivery of Proxy Materials?**

A: Yes. Xcel Energy 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](http://www.xcelenergy.com) and click on Investor Information. Then look for electronic delivery. As soon as the Annual Report to Shareholders and Proxy 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 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, Richard C. Kelly, Benjamin G.S. Fowke III, Gary R. Johnson, Cathy J. Hart or any of them, will have the discretion to vote your shares on any additional matters properly presented for a vote at the 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: 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 Xcel Energy's proxy statement for next year's Annual Meeting, the written proposal must be *received* by the Secretary no later than 5:00 p.m. Central Time on December 11, 2004. These proposals must be in writing and sent to: Cathy J. Hart, Secretary, Xcel Energy Inc., 800 Nicollet Mall, Suite 3000, Minneapolis, Minnesota 55402-2023. These proposals also will need to comply with Securities and Exchange Commission regulations regarding the inclusion of shareholder proposals in Company-sponsored proxy materials.

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**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 Secretary between January 1, 2005, and February 15, 2005, and must contain certain information as required under our bylaws. You may contact the 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 the 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 Cathy J. Hart, Secretary of Xcel Energy at 800 Nicollet Mall, Suite 3000, Minneapolis, Minnesota 55402-2023. In order to be considered for next year's Annual Meeting, your recommendation should be received by October 25, 2004.

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

A: We have adopted a procedure approved by the Securities and Exchange Commission called householding. Under this procedure, certain shareholders of record 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, NY 10286.

If you participate in householding and would like to receive a separate copy of our 2003 Annual Report to Shareholders or this proxy statement, please contact us in the manner described in the immediately preceding paragraph. We will deliver the requested documents to you promptly upon receipt of your request.

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**CORPORATE GOVERNANCE**

**Governance Guidelines**

The Board of Directors of Xcel Energy Inc. has long had in place good standards of corporate governance. In 2000, when Xcel Energy was formed through the merger of Northern States Power (NSP) and New Century Energies (NCE), the Board adopted a Code of Conduct applicable to all directors, officers and employees. At that time, the Board also adopted Guidelines for Corporate Governance that outlined the responsibilities of the Board, as well as qualifications for directors to serve on the Board. The Code of Conduct and the Guideline for Corporate Governance have been amended to ensure compliance with the Sarbanes-Oxley Act of 2002 and the listing standards of the New York Stock Exchange. 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. The Board has reviewed and will continue to evaluate its role and responsibilities with respect to the new legislative and other governance requirements of the New York Stock Exchange. All of our corporate governance material, including our Code of Conduct, our Guidelines for Corporate Governance and all of our committee charters, is available for public viewing on the Xcel Energy web site at [www.xcelenergy.com](http://www.xcelenergy.com), under the heading About Us Corporate Governance .

**Director Independence**

The Board of Directors of Xcel Energy Inc. is currently composed of 12 directors, 11 of whom are independent within the meaning of the New York Stock Exchange listing standards. Our Chairman and Chief Executive Officer is the only member of management currently serving as a director. For purposes of determining independence, we have adopted the following 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 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 Xcel Energy or any of our subsidiaries is not independent until three 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 three years after he or she ceases to receive more than \$100,000 per year in such compensation;

A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, Deloitte & Touche LLP, our present external auditor, Arthur Andersen, our former external auditor, or a present or former internal auditor of Xcel Energy or any of our subsidiaries is not independent until three years after the end of the affiliation or the employment or auditing relationship;

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 three 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

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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 three 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 Xcel Energy entered into its relationship with the supplier as a result of competitive purchasing practices.

The Board determined that each current member of the Board and each nominee for director, except for Wayne H. Brunetti and Richard C. Kelly, meets the aforementioned independence standards. Mr. Brunetti does not meet the aforementioned independence standards because he is the current Chief Executive Officer and an employee of Xcel Energy. Mr. Kelly does not meet the independence standards because he is the current President and Chief Operating Officer of Xcel Energy.

## **Standing Committees**

Our Board has four standing committees – Audit; Finance; Governance, Compensation and Nominating; and Operations and Nuclear. All members of these committees are independent directors who are nominated and approved by the Board each year. 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 below.

## **Lead Director**

In an effort to strengthen independent oversight of management and to provide for more open communication, the Board has appointed the chairpersons of each committee (Messrs. Christensen, Hemminghaus, Leatherdale and Stephens) to serve in the role of lead director on a rotational basis. The non-management lead 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.

## **Communications with the Board of Directors**

Shareholders 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 Secretary at the Company's principal offices, 800 Nicollet Mall, Suite 3000, Minneapolis, Minnesota 55402. Alternatively, the directors may be contacted via e-mail at [boardofdirectors@xcelenergy.com](mailto:boardofdirectors@xcelenergy.com). We currently do not intend to have the 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. Eleven of the twelve Board members attended the Annual Meeting in 2003.

## **BOARD STRUCTURE AND COMPENSATION**

As discussed above, our Board currently consists of twelve directors, eleven of whom are considered independent within the meaning of the listing standards of the New York Stock Exchange.

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The Board had the following four standing committees during 2003:

Audit

Finance

Governance, Compensation and Nominating

Operations and Nuclear

The membership during 2003 and the function of each committee are described below. During 2003, the Board met 14 times and various committees of the Board met as indicated below. Each director attended at least 75% of the meetings of the Board and committees on which such director served during 2003.

**Audit Committee**

Members: Roger R. Hemminghaus (Chair), Albert F. Moreno, Margaret R. Preska, Allan L. Schuman, and Rodney E. Slifer. All members of the Audit Committee are independent, as independence is defined in the listing standards of the New York Stock Exchange. The Board has determined that Roger Hemminghaus meets the Securities and Exchange Commission's definition of audit committee financial expert.

Number of meetings in 2003: 11

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

Oversight of our financial reporting process, compliance with legal and regulatory requirements, and the independence and performance of internal and external auditors;

Review of the audited financial statements 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 Audit Committee Report included in this proxy statement.

The Audit Committee operates under a written Charter adopted by our Board of Directors. The Charter complies with the requirements of the Sarbanes-Oxley Act of 2002 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. A copy of the Charter is attached as Appendix A.

**Finance Committee**

Members: Douglas W. Leatherdale (Chair), C. Coney Burgess, A. Barry Hirschfeld, Margaret R. Preska, Allan L. Schuman, and W. Thomas Stephens.

Number of meetings in 2003: 3

The functions of the Finance Committee include, among others:

Oversight of corporate capital structure and budgets;

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Oversight of financial plans and dividend policies;

Recommendations as to dividends;

Oversight of insurance coverage and banking relationships;

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Oversight of investor relations; and

Oversight of risk management.

**Governance, Compensation and Nominating Committee**

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

Number of meetings in 2003: 6

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 CEO and senior officers;

Approval of executive compensation, including incentives and other benefits;

Establishment of corporate governance 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 Compensation Committee Report 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](http://www.xcelenergy.com), under the headings About Us Corporate Governance Governance, Compensation and Nominating Committee Charter.

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 2004, the Committee hired Heidrick & Struggles, an international search firm, to help identify and facilitate the screening and interview process of director nominees. The search firm screened the candidates, conducted reference checks, prepared a biography for each candidate for the Committee to review and helped set up interviews. The Committee selected the nominees that best suit our needs. Mr. Richard H. Anderson, Mr. Richard C. Kelly and Mr. Ralph R. Peterson were initially recommended by the third party search firm, the chief executive officer of Xcel Energy and the third party search firm, respectively.

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 Secretary of the Company at 800 Nicollet Mall, Suite 3000, Minneapolis, Minnesota 55402-2023. Such recommendations should be received by October 25,

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2004 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 they evaluate other candidates.

**Operations and Nuclear Committee**

Members: David A. Christensen (Chair), Roger R. Hemminghaus, Albert F. Moreno, A. Patricia Sampson, and Rodney E. Slifer.

Number of meetings in 2003: 3

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

Oversight of nuclear and non-nuclear operations, electric and gas delivery and retail service operations;

Review of environmental compliance;

Review of safety and operations performance; and

Review of operational decisions and plans related to performance.

**Directors' Compensation for 2003**

The following table provides information on our compensation and reimbursement practices during 2003 for non-employee directors. The director who is employed by Xcel Energy, Mr. Wayne Brunetti, does not receive any compensation for his Board activities.

Annual Director Retainer	\$ 33,600
Board Meeting Attendance Fees (per meeting)	\$ 1,200
Telephonic Meeting Attendance Fees (per meeting)	\$ 500
Committee Meeting Attendance Fees (per meeting)	\$ 1,200
Additional Retainer for Committee Chair:	
Governance, Compensation & Nominating Committee	\$ 3,000
Operations & Nuclear Committee	\$ 3,000
Audit Committee	\$ 6,000
Finance Committee	\$ 5,000
Stock Equivalent Units	\$ 52,800

We have had 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. The approval of an amended and restated stock equivalent plan is one of the matters to be considered at this Annual Meeting and additional details regarding this amended and restated plan are described below under Proposal No. 3.

On June 12, 2003, non-employee directors of Xcel Energy received an award of 3,415.27 stock equivalent units representing approximately \$52,800 in cash value. Additional stock equivalent units were accumulated during 2003 as dividends were paid on our common stock. The number of stock equivalents for each non-employee director is listed in the share ownership chart which is set forth below.

Directors also may participate in a deferred compensation plan which provides for deferral of director retainer and meeting fees until after retirement from the Board. A director may defer director

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retainer and meeting fees into the Stock Equivalent Plan. A director who elects to defer compensation under this plan may receive a premium of 20% of the compensation that is deferred.

**PROPOSALS TO BE VOTED ON**

**PROPOSAL NO. 1  
PROPOSAL TO AMEND OUR BYLAWS TO ELIMINATE  
THE CLASSIFICATION OF THE BOARD OF DIRECTORS**

**Introduction**

Section 2 of Article 2 of our bylaws requires, among other things, that directors will be elected to hold office until the third succeeding annual meeting. This results in our having staggered terms of office for our directors such that one-third of the directors are elected each year. Section 3 of Article 2 of our bylaws also contains corresponding references to classification of directors. Article VII of our articles of incorporation requires that any change to our bylaws that affects the term of office of the directors must be approved by our shareholders.

While your Board recognizes that staggered terms can promote continuity and stability in the Board's business strategies and policies, it has concluded that these goals can also be met when directors have one-year terms. The Board also recognizes that annual elections are consistent with its views on good corporate governance and the views of a majority of our shareholders, as expressed to us by the vote on the shareholder proposal at last year's Annual Meeting. On December 10, 2003, your Board unanimously approved the amendments set forth below. It is important to note that approval of these amendments will not shorten the term of any incumbent director. Instead, if the amendments are approved, beginning with the directors elected at this Annual Meeting, they would be elected for one-year terms as their terms expire.

**Bylaw Amendments**

*Current Provision.* Section 2, Article 2 of the bylaws currently reads as follows:

*Section 2.* A director shall hold office until the next annual meeting of the shareholders and until his successor is elected and qualifies. At the annual meeting of shareholders in 1974, the Board of Directors of the Company shall be divided into three classes as nearly equal in number as possible, with the term of office of one class expiring each year. Directors in Class I shall be elected to hold office until the next succeeding annual meeting; directors in Class II shall be elected to hold office until the second succeeding annual meeting; and directors in Class III shall be elected to hold office until the third succeeding annual meeting, and, in each of the foregoing cases, until their respective successors are duly elected and qualify. At each subsequent annual meeting of shareholders, the successors to the class of directors whose term shall then expire shall be elected by the shareholders to hold office until the third succeeding annual meeting, and until their respective successors are duly elected and qualify. If, at any meeting of shareholders, commencing with the annual meeting of shareholders in 1974, due to the initiation of the classified method of electing directors or due to a vacancy or vacancies on the Board of Directors, or otherwise, directors of more than one class are to be elected, each class of directors to be elected at the meeting shall be nominated and voted for in a separate election.

*Proposed Amendment.* Section 2, Article 2, will be amended, if approved by you, so as to read in its entirety as follows:

*Section 2.* From and after the annual meeting of shareholders in 2004, a director shall hold office until the next annual meeting of the shareholders and until his successor is elected and qualifies, subject to earlier death, disqualification, resignation or removal.

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Notwithstanding the foregoing, each director elected prior to the annual meeting of shareholders in 2004 shall hold office until the expiration of his then current term and until his successor is elected and qualifies, subject to earlier death, disqualification, resignation or removal.

*Conforming Amendment.* Section 3, Article 2, of the bylaws will be amended, if approved by you, so as to read in its entirety as follows (deletions are indicated by strike-out):

*Section 3.* During the intervals between annual meetings the number of directors may be increased, and may be decreased by the number of vacancies then existing, by the Board of Directors, within the limitations of Section 1 of this Article, and in case of any such increase the Board may fill the vacancies so created ~~but in such event there shall be no classification of the additional directors until the next annual meeting of the shareholders.~~ No decrease in the Board shall shorten the term of any incumbent director.

**Vote Required**

A majority of the voting power of the shares present in person or by proxy and entitled to vote is required to approve the amendments. Abstentions from voting on this matter are treated as votes against, while broker nonvotes are treated as shares not present and entitled to vote. Proxies solicited by the Board of Directors will be voted in favor of the amendments unless a different vote is specified.

**The Board of Directors recommends a vote For the approval of the amendments to the bylaws. Proxies solicited by the Board of Directors will be voted For the approval of the amendments unless a contrary vote is specified.**

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**PROPOSAL NO. 2  
ELECTION OF DIRECTORS**

**Number of Nominees, Classification and Voting**

Our bylaws currently divide the Board into three classes. Each class is to be as equal in number as possible and is to have a staggered term of office so that one class of directors will be elected at each annual meeting for a term of three years. There are currently twelve directors. The four directors currently comprising Class III have a term of office that expires at the 2004 Annual Meeting. Mr. Rodney Slifer, a member of Class III, will retire from the Board effective at this year's Annual Meeting. Three of the four directors in Class I are continuing to serve until the 2005 Annual Meeting and the four directors in Class II are continuing to serve until the 2006 Annual Meeting. Mr. Allan Schuman, a current member of Class I, will retire from the Board effective at this year's Annual Meeting. In addition, the Board has determined to increase the size of the Board from twelve to thirteen members. Accordingly, six individuals are being nominated for election at this year's Annual Meeting, four to fill the terms of the Class III directors that are expiring at this year's Annual Meeting, one to fill Mr. Schuman's place in Class I, and an additional director to fill the spot created by the increase in the size of the Board.

As discussed above under Proposal No. 1, the Board of Directors has approved and recommended that the shareholders approve amendments to the bylaws that will have the effect of eliminating the classification of the Board of Directors. If approved by the shareholders, this amendment would be implemented so that it would not affect the unexpired terms of the directors in Class I or II, but beginning with the directors being elected at this Annual Meeting, as the directors' terms expire, they would then be elected for one-year terms. Because we do not know, at the time of printing this proxy statement, whether the proposed amendment will be approved, we are presenting two alternative methods for the election of the six directors: one alternative, which assumes the proposal is adopted, calls for all six nominees to be elected to one-year terms; the second alternative, which assumes the proposal is not adopted, calls for four nominees to be elected to three-year terms in Class III, one nominee to be elected to complete the remaining one year in Class I and one nominee to be elected to complete the remaining two years in Class II.

If the proposal to eliminate the classification of directors is approved by the shareholders at this Annual Meeting, the following six individuals are the nominees to be elected to serve until the 2005 Annual Meeting and their successors are elected: Richard H. Anderson, David A. Christensen, Richard C. Kelly, Ralph R. Peterson, Dr. Margaret R. Preska, and W. Thomas Stephens. Mr. Christensen, Dr. Preska and Mr. Stephens are currently directors of the Company.

If the proposal to eliminate the classification of directors is not approved by the shareholders at this Annual Meeting, the following four individuals are the nominees to be elected to the Board to serve in Class III until their terms expire at the 2007 Annual Meeting or until their successors are elected and qualified: Richard H. Anderson, David A. Christensen, Dr. Margaret R. Preska, and W. Thomas Stephens. All nominees for election to the Board to Class III except Richard H. Anderson are currently directors of the Company. The following individual is the nominee to be elected to the Board to replace Mr. Schuman and to complete Mr. Schuman's term in Class I: Ralph R. Peterson. The following individual is the nominee to be elected to the Board to Class II to fill the vacancy created by the increase in the size of the Board: Richard C. Kelly.

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 which 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

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for one nominee or distribute your votes among the nominees in that particular class. 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 and Continuing Directors**

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

None of the nominees or continuing directors 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. Brunetti and Mr. Kelly, no nominee or incumbent director 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 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 for Terms Expiring in 2005\***

<i>Director since 1976</i>	<p><b>David A. Christensen</b>, age 69, served as President and Chief Executive Officer of Raven Industries, Inc., Sioux Falls, South Dakota, an industrial manufacturer that provides electronics manufacturing services, reinforced plastic sheeting and flow control devices in various markets from 1971 until his retirement in August 2000 and continues as a director. He received his bachelor's degree in industrial engineering from South Dakota State University. Mr. Christensen also serves as a director of Medcomp Software, Inc., Colorado Springs, Colorado, and served as a director of Wells Fargo &amp; Co., San Francisco, California, until April 2003.</p>
<i>Director since 1980</i>	<p><b>Dr. Margaret R. Preska</b>, age 66, is a historian and President Emerita of Minnesota State University, Mankato. She also is owner, President and Chief Executive Officer of Build a Bike, Inc. com, an Internet-based instructional business. Dr. Preska is a member of the board of directors of Milkweed Editions Publishing Co., a literary and educational publisher. Dr. Preska earned a bachelor of science degree at the State University of New York-Brockport. She earned a master's degree at The Pennsylvania State University and a Ph.D. at Claremont Graduate University.</p>

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\* This assumes the proposal to amend the bylaws to eliminate the classification of the Board of Directors is approved. If the proposal is not approved, Mr. Anderson, Mr. Christensen, Dr. Preska and Mr. Stephens will be elected to Class III for terms expiring in 2007, Mr. Kelly will be elected to Class II for a term expiring in 2006 and Mr. Peterson will be elected to Class I for a term expiring in 2005.

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**W. Thomas Stephens**, age 61, is retired Chief Executive Officer of MacMillan Bloedel Ltd., a forest products company with headquarters in Vancouver, British Columbia. Mr. Stephens served on the NCE board of directors from 1997 until 2000 and on the board of directors of Public Service Company of Colorado from 1989 until 1997. Mr. Stephens is on the boards of directors of TransCanada Pipeline, Norske Canada Ltd., Qwest Communications International Inc., and is a trustee of The Putnam Funds. Mr. Stephens earned his bachelor's and master's degrees in industrial engineering from the University of Arkansas.

**Richard H. Anderson**, age 48, is the Chief Executive Officer and a director of Northwest Airlines Corporation and its principal subsidiary, Northwest Airlines, Inc. Mr. Anderson has served as the Chief Executive Officer of Northwest Airlines since 2001. From 1998 to 2001 he served as Chief Operating Officer of Northwest Airlines. Mr. Anderson also currently serves on the board of directors of Medtronic Corporation and Minnesota Mutual Companies Group. Mr. Anderson is a trustee for the Henry Ford Museum and Greenfield Village in Dearborn, Michigan. In addition, Mr. Anderson is a director of the Minnesota Business Leadership Network, and a board trustee of Hamline University in St. Paul. Mr. Anderson received a bachelor's degree from the University of Houston and law degree from South Texas College.

**Richard C. Kelly**, age 57, is the President and Chief Operating Officer of Xcel Energy since October 2003. Previously, Mr. Kelly was Vice President and Chief Financial Officer of Xcel Energy from August 2002 to October 2003 and President, Enterprises of Xcel Energy from August 2000 to August 2002. Mr. Kelly also served as Executive Vice President and Chief Financial Officer for NCE from 1997 to August 2000 and Senior Vice President of Public Service Company of Colorado from 1990 to 1997. Mr. Kelly is also a Director of Northern States Power Company, Minnesota, Northern States Power Company, Wisconsin, Southwestern Public Service Company and Public Service Company of Colorado, all subsidiaries of Xcel Energy. Mr. Kelly was also the President and Chief Operating Officer of NRG Energy, Inc., a former subsidiary of Xcel Energy, from June 6, 2002 until May 14, 2003 and a Director of NRG from June 2000 until 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. He is also a board member of the Minneapolis Downtown Council. Mr. Kelly received his master's degree and a bachelor's degree in accounting from Regis University. He attended the University of Colorado's Executive Education Conference and the University of Michigan's Public Utility Executive Program.

**Ralph R. Peterson**, age 59, is the Chairman, President and Chief Executive Officer of CH2M Hill Companies, Ltd., a global engineering and construction project delivery company. He has served in this capacity and as a director since 2000. Prior to that he served as President and Chief Executive Officer of CH2M Hill Companies, Ltd. since 1991. Mr. Peterson also serves as a director of StanCorp Financial Group, Meridian Institute, Colorado Energy Science Center, and Yale University Engineering Advisory Board. He is a member of the World Economic Forum and a co-founder of the Colorado Business Alliance. Mr. Peterson received a bachelor's degree in civil engineering from Oregon State and a master's degree in environmental engineering from Stanford University.

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**Directors in Class II whose Terms Expire in 2006:**

*Director since 2000*

**Wayne H. Brunetti**, age 61, is Chairman and Chief Executive Officer of Xcel Energy Inc. He has served as Chairman since August 18, 2001 and as Chief Executive Officer from August 18, 2000. From August 18, 2000 until October 2003, he also served as President of Xcel Energy Inc. Mr. Brunetti also serves as an executive officer and director of many of our subsidiaries, including Northern States Power Company, Minnesota, Public Service Company of Colorado, Southwestern Public Service Company and Northern States Power Company, Wisconsin. From March 1, 2000 until the completion of the merger between NSP and NCE that formed Xcel Energy in 2000, he served as Chairman, President and Chief Executive Officer of NCE and as a director and officer of several of NCE's subsidiaries. From August 1997 until March 1, 2000, Mr. Brunetti was Vice Chairman, President and Chief Operating Officer of NCE. Mr. Brunetti was the acting Chief Executive Officer of NRG Energy, Inc. from June 6, 2002 until May 14, 2003 and a director of NRG from June 2000 until 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. Mr. Brunetti has been active in various non-profit organizations. Currently he serves as a vice chairman of Edison Electric Institute and serves on its board. Formerly, he was vice chairman and served on the board of Medic Alert Foundation. He is on the board of directors of the Capital City Partnership, the Minnesota Orchestral Association and the Minnesota Business Partnership. He also serves on the advisory board of the Juran Center, the Metropolitan Economic Development Association and the National Petroleum Council. Mr. Brunetti holds a bachelor of science degree in business administration from the University of Florida. He is a graduate of the Harvard Business School's Program for Management Development.

*Director since 2000*

**Roger R. Hemminghaus**, age 67, is Chairman Emeritus of Ultramar Diamond Shamrock Corp., a petroleum refining and marketing company in San Antonio. Mr. Hemminghaus served on the board of directors of NCE from 1997 until 2000 and on the board of directors of Southwestern Public Service Company from 1994 until 1997. He is on the boards of directors of Luby's, Inc., CTS Corporation and Tandy Brands Accessories Corp. Mr. Hemminghaus is Chairman of the Southwest Research Institute. He is former Chairman of the Federal Reserve Bank of Dallas. He is regent and immediate past board Chairman of Texas Lutheran University. Mr. Hemminghaus earned a B.S. degree in chemical engineering from Auburn University and has done graduate work in business and nuclear engineering.

*Director since 1991*

**Douglas W. Leatherdale**, age 67, is the retired Chairman and Chief Executive Officer of The St. Paul Companies, Inc., an insurance organization. Mr. Leatherdale also serves as a director of United HealthCare Group, the International Insurance Society and The Minnesota Orchestral Association. Mr. Leatherdale earned a bachelor's degree from United College, Winnipeg, Manitoba. He is a lifetime director of the University of Minnesota Foundation and also serves as a director of the University of Winnipeg Foundation, Winnipeg, Canada.

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*Director since 1985*

**A. Patricia Sampson**, age 55, is Chief Executive Officer and President of The Sampson Group, Inc., a management development and strategic planning consulting business. She also is chairperson of World Alive Ministries. Ms. Sampson received a master's degree from the University of Pennsylvania and a bachelor's degree from Youngstown State University. She is currently working toward a doctorate degree in ministry at Bethel Seminary.

**Directors in Class I whose Terms Expire in 2005:**

*Director since 2000*

**C. Coney Burgess**, age 66, is Chairman of the board of directors of Herring Bank, in Amarillo, Texas. He is a director, chairman and president of Monarch Trust Company in Amarillo, Texas, and a director of Chain-C, Inc. He also is a self-employed rancher in the Texas Panhandle. Mr. Burgess served on the board of directors of NCE from 1997 until 2000 and on the board of directors of Southwestern Public Service Company from 1994 until 1997. In addition, Mr. Burgess is a director of the American Quarter Horse Association, Texas and Southwestern Cattle Raisers Association and the Harrington Cancer Center. Mr. Burgess received his B.S. and B.A. degrees from Mississippi State University, majoring in geology and pre-law.

*Director since 2000*

**A. Barry Hirschfeld**, age 61, is President of A.B. Hirschfeld Press, Inc., a commercial printing company. Mr. Hirschfeld served on the board of directors of NCE from 1997 until 2000 and on the board of directors of Public Service Company of Colorado from 1988 until 1997. Mr. Hirschfeld serves on the board of directors of Digital Reliance, Inc., the Rocky Mountain Multiple Sclerosis Center, and the National Jewish Center. He is on the board of trustees for the Denver Area Council of the Boy Scouts of America, and is a lifetime trustee of the Denver Metro Convention and Visitors Bureau. He also is Executive Vice President of the Mile Hi Stadium Club; and on the executive committee of the Colorado Concern. He received his M.B.A. degree from the University of Denver and a B.S. degree in business administration from California State Polytechnic University.

*Director since 2000*

**Albert F. Moreno**, age 60, is Senior Vice President and General Counsel of Levi Strauss & Co., a brand name apparel manufacturer. He has held this position since 1996. Mr. Moreno served on the board of directors of NCE from 1999 until 2000. Mr. Moreno is the chairman and member of the board of trustees of the Rosenberg Foundation. Formerly he was vice chairman and member of the board of trustees of the Levi Strauss Foundation, chairperson and member of the board of trustees of the Tomás Rivera Policy Institute, director of the National Association of Latino Elected and Appointed Officials (NAELO) Education Fund, member of the board of trustees of the Mexican Museum, chairperson of the National Hispanic Corporate Council and former member and vice president of the board of trustees of the University of California at Berkeley School of Law (Boalt Hall) Alumni Association. Mr. Moreno received a bachelor's degree in economics from San Diego State University, a degree in Latin American Economic Studies from the Universidad de Madrid and his law degree from the University of California at Berkeley School of Law.

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**PROPOSAL NO. 3  
PROPOSAL TO APPROVE THE  
STOCK EQUIVALENT PLAN FOR NON-EMPLOYEE DIRECTORS  
OF XCEL ENERGY**

**Introduction**

The Board of Directors initially adopted a stock-equivalent plan for non-employee directors in 1996. The original plan contemplated that non-employee directors would receive annual discretionary grants of stock equivalent units (with each unit having a value equal to one share of our common stock) and, if the directors elected to defer director retainer and meeting fees, they would receive stock equivalent units equal in value to the deferred compensation, plus a discretionary grant of a 20% premium. The stock equivalent units were payable in stock upon disability or termination of service as a director and were funded by us through open market purchases of our stock. This original plan was not required to be, and was not, submitted to our shareholders for approval.

On December 10, 2003, our Board of Directors amended and restated the Stock Equivalent Plan for Non-Employee Directors of Xcel Energy (as so amended and restated, the Plan ) effective January 1, 2004 (the effective date ), subject to shareholder approval, as now required by the rules of the New York Stock Exchange.

The Board believes that approval of the Plan is in the best interests of the Company and its shareholders because it links a portion of the directors' compensation to the performance of the Company.

The full text of the Plan is attached to this proxy statement as Appendix B. Because the following discussion is a summary and does not cover all aspects of the Plan, shareholders may wish to review Appendix B in its entirety.

**Purpose**

The purposes of the Plan are:

to enable a portion of the compensation of each non-employee director to be tied to the performance of our common stock; and

to permit each director to defer receipt of all or a portion of his or her retainer, board or committee meeting fees.

**Administration**

The Plan will be administered by a committee, composed of those management members of the Company selected by the Board from time to time. None of such committee members are eligible to participate in the Plan. As of the effective date of the Plan, the Board has designated the Chairman of the Board, the President, the Chief Financial Officer and the Secretary as members of the committee. The committee has authority to construe and interpret the terms of the Plan and to establish any rules and procedures as it deems necessary or advisable.

Awards under the Plan will be determined by the Board. The Board may amend or terminate the Plan, subject to the conditions discussed below.

**Number of Shares**

A maximum of 750,000 stock equivalent units (or 750,000 shares of common stock) may be issued under the Plan with respect to awards or deferrals made on or after January 1, 2004 and dividends credited on such awards and deferrals. Any such stock equivalent units that are settled for cash or are canceled or forfeited for any reason will not be counted in applying this limitation. If there is a stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolida-

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tion, split-up, spin-off, combination, exchange of our common stock, warrant or rights offering to purchase our common stock at a price substantially below fair market value or other similar corporate event, the Board will adjust appropriately the number and kind of stock equivalent units which have been or may thereafter be awarded or credited under the Plan.

**Eligibility**

All non-employee directors of the Company are eligible to participate in the Plan. The Board of Directors has discretion to determine which non-employee directors, if any, will receive discretionary awards (as described below) under the Plan. Any non-employee director may elect to defer director retainer and meeting fees into the Plan. While the persons who will participate in the Plan and receive awards under the Plan in future years and the amounts of such awards cannot be determined at this time, there are currently 11 non-employee directors, and, under the current articles and bylaws, in any given year there could be up to 15 non-employee directors.

**Awards**

*Discretionary Awards.* Subject to the overall share limitation discussed above, the Board may make discretionary awards to participants from time to time in such amounts as the Board determines in its sole discretion. Each discretionary award may contain terms, restrictions and conditions as the Board may determine that are not inconsistent with the Plan. These discretionary awards may be made to participants' accounts in stock equivalent units or as a dollar amount (which will be converted into stock equivalent units equal to the number of shares of our common stock, to three decimal places, that could be purchased on such award date, at a price per share equal to the average of the high and low sale price of our common stock on the New York Stock Exchange for that date).

While, as noted above under Eligibility, the amount of future discretionary awards cannot be determined at this time, discretionary awards under the original plan have included each year a grant to each non-employee director of a specified number of stock equivalent units as determined by the Board for the year plus a grant of a 20% premium on the amount of director retainer and meeting fees deferred into the original plan by the non-employee director for the year.

*Deferral Awards.* Subject to the overall share limitation discussed above, a director may elect to receive deferral awards in lieu of all or a portion of his or her director retainer or meeting fees. Deferral awards will be made to a participant's account as of the date such fees would have been paid, in a dollar amount equal to the amount of fees the director has elected to defer, and will be converted as of the award date into stock equivalent units in the same manner as discussed above under the caption Discretionary Awards. If a director wishes to defer director retainer or meeting fees for a calendar year, he or she must make an election prior to the beginning of that calendar year. If an individual becomes a director after the first day of the calendar year, he or she must make a deferral election within 30 days after becoming a director. Once made, a deferral election will continue in effect until the director's termination of service or, if the director provides written notice of his or her intention to discontinue or change the deferral election, the end of the calendar year in which such written notice is received by the corporate secretary of the Company.

*Crediting of Dividends and Stock Splits.* Each participant's account under the Plan will be credited, subject to the overall share limitation discussed above, with additional stock equivalent units when we pay dividends in cash or property (other than a stock dividend) on our common stock. The amount of additional stock equivalent units credited will equal (x) the per share dollar amount of the fair market value of the cash or property so distributed multiplied by the number of stock equivalent units in the participant's account on the record date for such distribution, divided by (y) the average of the high and low sales price for our common stock on the New York Stock Exchange on such date.

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If we issue a stock dividend or engage in a stock split, each participant's account will be appropriately adjusted. If we are a party to a consolidation, merger or share exchange and, as a result, our common stock is converted into stock or other securities of the other entity, each participant's stock equivalent units will be converted into the appropriate number of stock equivalent units of the other entity.

*Form and Timing of Payment.* Unless the committee determines to accelerate payment upon a participant's disability, payment of the awards will only be made following termination of service as a director. Awards will be payable only in whole shares of our common stock equal to the number of whole units of stock equivalents credited to a participant's account, plus cash for any fractional stock equivalent unit. With respect to stock equivalent units attributable to awards made prior to December 31, 1997, awards will be payable, in a single distribution, to the participant or his or her beneficiary within 90 days after termination of service. For all other stock equivalent units, the participant may select the method of distribution (i.e., lump sum or installments). This distribution election must be made at the time provided for in the Plan and, once made, is irrevocable. Upon request, the Company will reimburse a participant for any brokerage and other transactional expenses incurred by the participant for the sale of distributed shares, provided that the request and sale occur within one year after the participant receives the distribution.

Shares of our common stock distributed under the Plan will be from shares purchased on the open market or, in respect of shares attributable to awards or deferrals made on or after January 1, 2004, from authorized but unissued shares of our common stock or shares purchased on the open market, as determined by the Board. In no event may the number of authorized but unissued shares distributed under the Plan exceed 750,000 shares as such number may be adjusted in a manner similar to that described above under the caption "Number of Shares" to reflect corporate events.

## **Rights of Participants**

The Plan is a non-qualified plan, and participants are unsecured creditors of the Company with respect to amounts owed to them by the Company under the Plan. Subject to the provisions of the applicable award, a participant does not have any rights as a shareholder with respect to any shares of our common stock to be distributed under the Plan until a certificate for our stock is issued upon distribution. No person will have a claim or right to be granted an award, and the grant of an award will not be construed as giving a participant the right to be reelected or retained as a director of the Company.

## **Amendment**

The Board of Directors generally may amend, suspend or terminate the Plan or any portion of the Plan at any time. However, no such amendment or modification may adversely affect any prior awards or rights of participants under the Plan, and no amendment may be made without shareholder approval, if such approval would be required under the rules of the stock exchange upon which our shares are listed. Currently, such stock exchange rules would require shareholder approval if the amendment would materially increase the maximum number of stock equivalent units that may be awarded (other than to reflect adjustments for corporate events as described above under the caption "Number of Shares"), expand the type of awards available or materially expand the class of persons eligible to participate in the Plan.

## **Federal Income Tax Consequences**

*The following discussion is intended only as a brief discussion of the federal income tax rules relevant to awards made under the Plan. The laws governing the tax aspects of awards are highly technical and such laws are subject to change. The following discussion does not describe state or local tax consequences of awards under the Plan.*

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No income generally will be recognized for federal income tax purposes upon the crediting of either discretionary or deferral awards to participants under the Plan or stock equivalent units attributable to dividends or stock splits. Upon payment under the Plan following a participant's termination of service or otherwise, the recipient will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of our common stock received.

To the extent that a recipient recognizes ordinary income in the circumstances described above, we will be entitled in the year of payment to a deduction provided that, among other things, the income meets the tests of reasonableness, is an ordinary and necessary business expense and is not an excess parachute payment within the meaning of Section 280G of the Internal Revenue Code.

**New Plan Benefits**

It cannot be determined at this time what amounts, if any, will be received by or allocated to any persons or group of persons under the Plan if such Plan is approved. Such determinations are subject to the discretion of the Board.

Discretionary and deferral awards were made under the original plan for 2003. Such awards, which included a discretionary award of 3415.27 stock equivalent units to each non-employee director, are set forth below.

**Stock Equivalent Plan for Non-Employee Directors of Xcel Energy**

Name and Position	Dollar Value (\$)	Number of Units
Wayne H. Brunetti, Chief Executive Officer	0	0
Richard C. Kelly, President and COO	0	0
Gary R. Johnson, Vice President and General Counsel	0	0
Paul J. Bonavia, President, Commercial Enterprises	0	0
Patricia K. Vincent, President, Customer & Field Operations	0	0
James T. Petillo, Former President, Energy Delivery	0	0
Executive officers as a group (13 persons)	0	0
Non-Executive Directors as a group (11 persons)	\$ 1,121,520	74,013.79
Non-Executive Officer Employees as a group	0	0

**Vote Required.** The affirmative vote of the holders of a majority of the total voting power present in person or by proxy and entitled to vote at the Annual Meeting will be required for approval of the Plan. Abstentions from voting on this matter are treated as votes against, while broker non-votes are treated as shares not present and entitled to vote. Proxies solicited by the Board of Directors will be voted in favor of the proposal unless a different vote is specified. Unless the Plan is approved at the Annual Meeting, no further discretionary or deferral awards will be granted under the Plan on or after the date of the Annual Meeting.

**The Board of Directors recommends a vote For the approval of the Plan. Proxies solicited by the Board of Directors will be voted For the approval of the Plan.**

**Table of Contents****COMMON STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth information concerning beneficial ownership of our common stock as of March 22, 2004, for: (a) each director and the nominees for director; (b) named executive officers set forth in the Summary Compensation Table; and (c) the directors and executive officers as a group. Unless otherwise indicated, each person has sole investment and voting power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table. None of the individuals listed in the Beneficial Ownership Table below owned more than 0.27% of Xcel Energy's common stock. None of these individuals owns any shares of Xcel Energy's preferred stock.

**Beneficial Ownership Table**

Name and Principal Position of Beneficial Owner	Common Stock	Stock Equivalents	Options Exercisable Within 60 Days	Restricted Stock(3)	Total
Wayne H. Brunetti Chairman of the Board and Chief Executive Officer	126,734.59	13,518.80	692,850.00	246,395.12	1,079,498.51
Richard H. Anderson Nominee for Director	300.00				300.00
C. Coney Burgess Director	8,986.62	19,059.05			28,045.67
David A. Christensen Director	1,000.00	44,089.52			45,089.52
Roger R. Hemminghaus Director	6,602.38	28,510.51			35,112.89
A. Barry Hirschfeld Director	13,886.09	21,693.77			35,579.86
Douglas W. Leatherdale Director	1,100.00	42,819.86			43,919.86
Albert F. Moreno Director	2,325.00	27,870.00			30,195.00
Ralph R. Peterson Nominee for Director					
Margaret R. Preska Director	1,300.00	31,311.10			32,611.10
A. Patricia Sampson Director	1,310.76	28,631.52			29,942.28
Allan L. Schuman Director	200.00	27,306.86			27,506.86
Rodney E. Slifer Director	18,783.13	32,123.49			50,906.62
W. Thomas Stephens Director	11,513.77	28,472.29			39,986.06
Richard C. Kelly(1) President and COO and Nominee for Director	35,566.88	4,449.21	224,750.00	62,660.89	327,426.98
Gary R. Johnson Vice President and General Counsel	20,673.28		100,365.00	35,570.75	156,609.03
Paul J. Bonavia President, Commercial Enterprises	11,526.51	1,510.46	186,000.00	35,114.76	234,151.73
Patricia K. Vincent President, Customer and Field Operations	4,268.65	2,079.46	37,200.00	31,009.76	74,557.87



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Name and Principal Position of Beneficial Owner	Common Stock	Stock Equivalents	Options Exercisable Within 60 Days	Restricted Stock(3)	Total
J.T. Petillo Former President, Energy Delivery(2)	16,039.15		112,530.00	31,465.75	160,034.90
Directors and Executive Officers as a group (27 persons)	406,214.60	361,704.86	1,719,767.00	576,491.88	3,064,178.34

- (1) Mr. Kelly's wife owns 407.84 of these shares and 4,497 of these shares are held in a trust for which Mr. Kelly serves as trustee. Mr. Kelly disclaims beneficial ownership of these shares.
- (2) Mr. Petillo retired in August 2003.
- (3) Includes performance-based restricted stock units, which vest on March 29, 2004, in the following amounts: Mr. Brunetti, 196,427.96; Mr. Kelly, 60,986.97; Mr. Johnson, 35,570.75; Mr. Bonavia, 35,114.76; Ms. Vincent, 31,009.76; and Mr. Petillo, 31,465.75.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and officers to file with the Securities and Exchange Commission reports regarding their ownership and changes in ownership of our stock. We are required to disclose whether we have knowledge that any person required to file such a report may have failed to do so in a timely manner. We believe that during 2003, all of our officers and our directors subject to such reporting obligations have satisfied all Section 16(a) filing requirements. In making this statement, we have relied upon examination of the copies of Forms 3, 4, and 5 and the written representations of our directors and executive officers.

**Table of Contents****EXECUTIVE COMPENSATION**

The following tables set forth cash and non-cash compensation for each of the last three fiscal years ended December 31, 2003, for the Company's Chief Executive Officer, each of the four next most highly compensated executive officers serving as officers at December 31, 2003 and one former officer who would have been among such four next most highly compensated executive officers but for the fact that he was not serving as an officer at December 31, 2003 (collectively, the Named Executive Officers). As set forth in the footnotes, the data presented in this table and the tables that follow include amounts paid to the Named Executive Officers in 2003 by Xcel Energy or any of its subsidiaries.

**Summary Compensation Table**

		Annual Compensation			Long-Term Compensation			
					Awards	Payouts		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Other Annual Compensation \$(2)	Restricted	Number of Securities Underlying	LTIP Payouts \$(4)	All Other Compensation \$(5)
					Stock Awards \$(3)	Options and SAR s (#)		
Wayne H. Brunetti	2003	1,065,000	1,175,542	3,288				217,841
Chairman and Chief Executive Officer	2002	1,065,000		9,836				95,832
	2001	895,000	953,873	9,267			902,271	81,360
Richard C. Kelly	2003	532,361	1,000,000	2,127				89,850
President and COO*	2002	510,000		3,814				45,917
	2001	425,417	338,588	1,208			269,633	39,077
Gary R. Johnson	2003	390,000	500,000	1,091				17,589
Vice President and General Counsel	2002	390,000		1,329				26,656
	2001	340,000	236,656	3,934			175,206	27,640
Paul J. Bonavia	2003	385,000	264,405	11,198				110,333
President, Commercial Enterprises	2002	385,000		3,956				9,278
	2001	350,000	262,920	15,416			180,338	16,503
Patricia K. Vincent	2003	368,333	283,235	3,806				34,993
President, Customer & Field Operations	2002	340,000		2,982				13,780
	2001	266,370	186,396	12,137		47,000	69,877	7,683
James T. Petillo	2003	230,000		4,063				2,813,665
Former President, Energy Delivery**	2002	345,000		1,617				15,157
	2001	316,250	200,463	12,978			149,408	15,562

\* Elected as President and Chief Operating Officer (COO) effective October 2003.

\*\* Retired effective August 2003.

- (1) The amounts in this column represent awards earned under the Xcel Energy Executive Annual Incentive Award program. For Mr. Brunetti, the amounts for 2003 include the value of 40,535 shares of restricted common stock he received in lieu of a portion of the cash payment to which he was otherwise entitled under the Xcel Energy Executive Annual Incentive Award program. For Mr. Bonavia, the amount for 2003 includes the pre-tax value of 7,977 shares of common stock he received in lieu of a portion of the cash payment to which he was otherwise entitled under the Xcel Energy Executive Annual Incentive Award program. For Mr. Brunetti, Mr. Kelly and Mr. Petillo, the amounts for 2001 include the value of 25,068, 4,449 and 10,536 shares, respectively, of restricted common stock they received in lieu of a

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portion of the cash payments to which they were otherwise entitled under the Xcel Energy Executive Annual Incentive Award program.  
For Mr. Bonavia, the amount for 2001 includes the pre-tax value of

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3,023 shares of common stock he received in lieu of a portion of the cash payment to which he was otherwise entitled under the Xcel Energy Executive Annual Incentive Award program.

- (2) The amounts shown include reimbursements for taxes on certain personal benefits, including perquisites received by the named executives.
- (3) At December 31, 2003, Messrs. Brunetti and Kelly held shares of restricted stock. As of December 31, 2003, Mr. Brunetti held 25,245.98 and Mr. Kelly held 3,312.14 shares of restricted stock with an aggregate value of \$428,677 and \$56,240, respectively. Restricted stock vests in three equal annual installments and the holders are entitled to receive dividends at the same rate as paid on all other shares of common stock. The dividends are reinvested in additional shares of stock which is also restricted for the same periods as the underlying restricted stock on which the dividends are paid.
- (4) The amounts shown for 2001 include cash payments made under the Xcel Energy Long-term Incentive Program. No amounts were paid under such Program for 2002 or 2003. No performance cash awards under the NCE Value Creation Plan for Messrs. Brunetti, Kelly, Bonavia, Petillo and Ms. Vincent were paid during 2001 or 2002.
- (5) The amounts represented in the All Other Compensation column for the year 2003 for the Named Executive Officers include the following:

Company	Contributions to the	Value of the remainder of insurance premiums paid by the Company	Imputed Income as a result of the Life	Earnings Accrued under
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