

Enclosure 3

Escrow and Custody Agreements

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ESCROW AND CUSTODY AGREEMENT

This ESCROW AND CUSTODY AGREEMENT (the "Agreement") is dated as of 9/11, 2006, by and between Northern States Power Company d/b/a Xcel Energy, a company primarily engaged in the utility business ("Xcel Energy" or the "Company"); and Mellon Bank, N.A., a national banking association (the "Custodian").

RECITALS

WHEREAS, the Company owns several nuclear power stations, including Prairie Island Unit 1, Prairie Island Unit 2, and Monticello (each one, a "Unit", and collectively the "Units");

WHEREAS, the Company is responsible for the total cost of decommissioning the Units;

WHEREAS, the Company contributes funds annually into decommissioning trust fund accounts (the "Annual Accrual"), which are designed to ensure that adequate funds will be available to decommission each Unit when such decommissioning expenses are incurred in the future;

WHEREAS, the amount of the Annual Accrual is established by the Minnesota Public Utilities Commission ("MPUC" or the "Commission") and included in the rates charged by the Company to its customers within the service territory regulated by the MPUC and the North Dakota Public Service Commission, the South Dakota Public Utilities Commission, the Public Service Commission of Wisconsin, the Michigan Public Service Commission and the Federal Energy Regulatory Commission ("FERC");

WHEREAS, if the Annual Accrual is deposited into the decommissioning trust fund accounts and certain events occur, including without limitation, the extension of the operating licenses for one or more of the Units, the decommissioning trust fund accounts are likely to be over-funded;

WHEREAS, pursuant to applicable law, funds deposited into the decommissioning trust fund accounts in excess of the actual cost to decommission the Units generally may be withdrawn only after all decommissioning activities are complete;

WHEREAS, there is a desire to avoid the intergenerational inequities that could result if one generation of ratepayers pays substantially more than its fair share of the cost to decommission the Units;

WHEREAS, under the terms of MPUC Order Setting End-of-life Dates and Other Guidelines for Nuclear Decommissioning Accrual, Docket No. E002/M-05-1648, issued March 26, 2006 (the "Order") (attached hereto as Exhibit A), the MPUC granted authority for the creation of an escrow into which the Company would deposit some or all of the Annual Accrual, at the direction of the MPUC;

WHEREAS, the Order also provides that the funds accumulated in said escrow will be distributed from the escrow solely (i) to the Company for distribution to

ratepayers in the form of reduced rates and/or (ii) to the applicable decommissioning trust fund upon a determination by the MPUC that such funds are needed to decommission one or more of the Units;

WHEREAS, in future orders, the MPUC will direct the Company regarding how funds in the escrow will be distributed based on the factual requirements for funding Unit decommissioning liabilities and/or refunding amounts to the ratepayers following the granting or denial of Company's application requesting decommissioning funding levels based on an extension of operating licenses applicable to the Units;

WHEREAS, each of the state and federal entities with jurisdiction has agreed that the determinations made by, and orders issued by, the MPUC shall be followed with regard to contributions to, distributions from, and allocations of funds within said escrow;

WHEREAS, this Agreement is subject to review and approval by the MPUC, which approval was issued by the MPUC on July 21, 2006;

WHEREAS, the parties to this Agreement desire to establish the terms and conditions pursuant to which amounts will be deposited into, held in, and disbursed from, said escrow.

NOW, THEREFORE, the parties to this Agreement agree as follows:

1. **Escrow.**

(a) **Escrow Fund.** The Custodian agrees to accept delivery of all Required Deposits (as defined below in Section 1(b)) delivered by the Company, and to hold such amounts together with any interest or earnings thereon (all such amounts, net of any withdrawals, transfers or other distributions authorized pursuant to this Agreement, the "Property") in three separate accounts established by the Custodian (all such accounts collectively referred to herein as the "Escrow Fund") for the benefit of the Company's decommissioning fund obligations for each of the three Units, subject to the terms and conditions of this Agreement and the Order, until the Custodian is instructed to release such amounts from the Escrow Fund pursuant to the terms of this Agreement. The Escrow Fund shall not be subject to any lien or attachment by any creditor of any party hereto, and shall be used solely for the purposes permitted by this Agreement and the Order. Except as explicitly provided in Section 5 hereof, amounts held in the Escrow Fund shall not be available to, and shall not be used by, the Custodian to pay any, or as an off-set for any, obligations of the Company owed to the Custodian or any other person or entity.

(b) **Transfer to Escrow.** From time to time, it is anticipated that the MPUC will issue orders requiring the deposit of cash funds by the Company into one or more of the Escrow Fund's three accounts (such deposits, the "Required Deposits"). Such Required Deposits will be paid by the Company directly to the Custodian by wire transfer of immediately available funds on or before the last business day of the month in which the Required Deposit in question is due.

(c) **Powers of Custodian.** The Custodian shall have the power to:

(1) Appoint subcustodians, including affiliates of the Custodian, as to part or all of each Escrow Fund account;

(2) Hold Property in nominee name, in bearer form or in book entry form, in a clearinghouse corporation or in a depository, so long as the Custodian's records clearly indicate that the assets held are a part of a specified Escrow Fund account;

(3) In response to Authorized Instructions (as defined in Section 3(b) below), to settle purchases and sales and engage in other transactions, including free receipts and deliveries, exchanges and other voluntary corporate actions, with respect to securities or other Property received by the Custodian. Free receipts and deliveries occur when property is received into the Escrow Fund (without a corresponding payment out) or delivered out of the Escrow Fund (without a corresponding receipt in of equal property).

(4) Engage in such additional activities and transactions as explicitly set forth herein.

2. Release of Escrowed Funds.

(a) Except as explicitly authorized in this Agreement, no distribution, transfer, withdrawal or release of funds from the Escrow Fund shall occur.

(b) Distribution to the Company. If the MPUC or other regulatory agency with appropriate jurisdiction by issuance of an order determines that funds held in one or more of the separate accounts comprising the Escrow Fund shall be distributed to the Company, the Company shall provide the Custodian (with a copy to the MPUC and any other affected regulatory agency) with a written notice substantially in the form of Exhibit B hereto (the "Release Notice") setting forth the precise amounts in the Escrow Fund to be released to the Company, the date or range of dates within which such released funds shall be paid to the Company, and providing a representation by the Company that such distribution is in conformity with a duly approved order from the MPUC or any other regulatory agency with appropriate jurisdiction.

(c) Distribution to Decommissioning Trust Fund. If the MPUC or other regulatory agency with appropriate jurisdiction by issuance of an order determines that the decommissioning trust fund for one or more of the Units does not have sufficient funds to cover all decommissioning expenses associated with such Unit(s), then the Company shall provide the Custodian (with a copy to the MPUC and any other affected regulatory agency) with a Release Notice setting forth the precise amounts in the Escrow Fund to be transferred into the decommissioning trust fund for a given Unit, the date or range of dates within which such funds shall be paid by the Custodian to the applicable decommissioning trust fund(s), and providing a representation by the Company that such distribution is in conformity with a duly approved order from the MPUC or any other regulatory agency with appropriate jurisdiction.

(d) The Custodian shall pay all amounts designated by the Company in a properly executed Release Notice from the Escrow Fund as designated in such Release Notice. The Custodian shall give written notice of the completion of any such transfer to the Company no later than five (5) business days after the completion thereof. To the extent assets are required to be liquidated in order to raise funds to pay amounts designated in a Release Notice, the Company or its Investment Manager (as defined in Section 3(a) below) shall direct the Custodian as to which assets are to be liquidated in order to raise such funds.

(e) Upon properly completing any transfers referred to in Sections (b) or (c) above, the Custodian shall be discharged of any further responsibility or obligation under this Agreement with respect to amounts released from the Escrow Fund. The Custodian shall not be responsible in any way for the accuracy of any calculations submitted to the Custodian by the Company, the responsibilities of the Custodian in this regard being entirely ministerial and administrative.

3. Direction to Custodian; Limitation of Liability.

(a) The Company shall furnish the Custodian with a written list of the names, signatures and extent of authority of all persons authorized to direct the Custodian on behalf of the Company under the terms of this Agreement. The Company may appoint and remove, in its sole discretion, one or more institutional or individual investment managers (each, an "Investment Manager") for the Escrow Fund or such portion thereof as the Company shall designate to the Custodian in writing. The Company shall cause the Investment Manager to furnish the Custodian with a written list of the names and signatures of the person or persons who are authorized to represent the Investment Manager in dealings with the Custodian. The Custodian shall be entitled to deal with any person or entity properly identified by the Company or Investment Manager (every such person or entity, an "Authorized Party") to the Custodian until the Custodian is notified to the contrary in writing.

(b) Directions from an Authorized Party to the Custodian pursuant to the terms of this Agreement ("Authorized Instructions") shall be in writing, transmitted by first class mail, overnight delivery, private courier, facsimile, or shall be an electronic transmission subject to the Custodian's policies and procedures, other institutional delivery systems or trade matching utilities as directed by an Authorized Party and supported by the Custodian, or other methods agreed upon in writing by the Company and the Custodian.

(c) The Custodian shall be under no duty to: (i) question any Authorized Instructions with respect to the portion of the Escrow Fund over which the Authorized Party in question has authority; (ii) review any Property held in the Escrow Fund or monitor the amount of Property held; (iii) make any suggestions with respect to the investment, retention and reinvestment of the assets in the Escrow Fund; or (iv) evaluate or question the performance of any Authorized Party. Furthermore, the Custodian shall

not be responsible or liable for any diminution of value of any securities or other Property held by the Custodian or its subcustodians pursuant to Authorized Instructions.

(d) The term "Authorized Transactions" shall mean any action or series of actions resulting from Authorized Instructions.

(e) The parties acknowledge and agree that the Custodian shall not be responsible for any of the provisions of the Order referred to herein or any subsequent MPUC orders, but shall only be obligated for the proper and timely performance of such duties as are specifically set forth in this Agreement. The Custodian (and its employees, attorneys, representatives and agents) will incur no liability with respect to any action taken or suffered by it in reliance upon any Authorized Instructions in accordance with the terms hereof and believed by the Custodian in good faith to be genuine and to have been signed by the proper person (and shall have no responsibility to determine the authenticity or accuracy thereof), nor for any other action or inaction, except the Custodian's own willful misconduct, bad faith or negligence. In no event shall the Custodian be liable for indirect or consequential damages. In all questions arising under this Agreement, the Custodian may rely on the advice of counsel (which may be in-house counsel), and for anything properly done, omitted or suffered in good faith by the Custodian in reliance on such advice, the Custodian will not be liable. The Custodian will not be required to take any action under this Agreement involving any expense or liability unless the payment of such expense or liability is made or provided for in a manner satisfactory to the Custodian.

(f) The Company agrees to indemnify the Custodian and hold it harmless against any claims, losses, liabilities, judgments, reasonable attorneys' fees and other reasonable costs or expenses of any kind incurred by the Custodian without willful misconduct, bad faith or negligence on its part, arising out of or in connection with its entering into this Agreement and the performance of its duties hereunder

4. Expenses and Tax Reporting.

(a) **Custodian.** All fees and expenses incurred in the ordinary course of performing the Custodian's responsibilities hereunder will be paid, as directed by the Company, through withdrawal from the Escrow Fund. Such fees and expenses will include, without limitation: (i) administrative costs; (ii) legal expenses; (iii) accounting expenses; (iv) actuarial expenses; (v) Investment Manager expenses and fees; (vi) Custodian expenses; and (vii) other expenses of the Escrow Fund, including all federal, state and local taxes, if any, that are applicable to the Escrow Fund. To the extent the Custodian pursuant to Authorized Instructions advances funds to the Escrow Fund for disbursements or to effect the settlement of purchase transactions, the Custodian shall be entitled to collect from the Escrow Fund reasonable charges established under the Custodian's standard overdraft terms, conditions and procedures.

The Company agrees to assume any and all obligations imposed now or hereafter by any applicable tax law with respect to payments made out of the Escrow Fund under this Agreement, and to the extent allowed by law, to indemnify and hold the Custodian harmless from and against any taxes, additions of late payment, interest, penalties and other expenses that may be assessed against the Custodian on any such payment. The Company shall instruct the Custodian in writing with respect to the Custodian's responsibility for withholding and other taxes, assessments or other governmental charges, certifications and governmental reporting in connection with Custodian's activities in performance of this Agreement. To the extent the Custodian receives information related to taxes, reporting, withholding, certificates and obligations with respect to any account that is part of the Escrow Fund, the Custodian shall, promptly upon receipt thereof, provide to the Company such information which could, in the Custodian's reasonable belief, assist the Company in the submission of any reports or returns by the Company with respect to funds in the Escrow Fund

(b) **Tax Reporting.** The parties hereto agree that this Agreement constitutes a "grantor trust", within the meaning of the Internal Revenue Code and the Regulations thereunder, with respect to the Company and accordingly, for tax reporting purposes, all interest or other income earned from the investment of the Escrow Fund shall be allocable to the Company. Furthermore, the Custodian agrees that it shall provide to the Company such information, reports and other materials as the Company shall reasonably request from time to time for the preparation of Company's tax filings

5. Investment of Funds. The Custodian shall continually invest and reinvest the Escrow Fund and any income or interest therefrom in Qualified Investments (as defined below) in accordance with the directions from the Company or the Investment Manager. "Qualified Investments", as used herein, means:

(a) Marketable obligations of the United States in registered form and having a maturity of not more than two years from the date of acquisition;

(b) Marketable obligations directly and fully guaranteed by the United States in registered form and having a maturity of not more than two years from the date of acquisition;

(c) U.S. corporate obligations with debt ratings of at least A3 by Moody's Investor Service and A- by Standard & Poor's with maturities not greater than two years as of the date of acquisition;

(d) Money market funds.

The Custodian shall provide Company with monthly statements reflecting the current balance, as well as all activity, for each account in the Escrow Fund. In addition, the Custodian shall provide to the Company such reports, in such detail, as Company reasonably deems necessary to enable the Company to satisfy all applicable regulatory and accounting requirements. In addition, on request, the Custodian will provide confirmation to the Company of the deposit of money in the Escrow Fund.

The Custodian shall take all action necessary to pay for Authorized Transactions, including exercising the power to borrow or raise monies from the Custodian in its corporate capacity or an affiliate of the Custodian, and hold any Property in the Escrow Fund as security for advances made to the Custodian for any such Authorized Transactions, including disbursements or expenses. The Custodian shall be entitled to collect from the Escrow Fund sufficient cash for reimbursement of such disbursements or expenses and if such cash is insufficient, upon notice to the Company dispose of the assets of the Escrow Fund to the extent necessary to obtain reimbursement.

6. Force Majeure. Notwithstanding anything in this Agreement to the contrary, the Custodian shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Escrow Fund resulting from an event constituting Force Majeure. "Force Majeure" means an event or circumstance which prevents the Custodian from performing its obligations hereunder, which event or circumstance is not within the reasonable control of the Custodian, and which, by the exercise of due diligence, the Custodian is unable to overcome or avoid or cause to be avoided. This provision shall survive the termination of this Agreement. In the event that performance of Custodian's obligations hereunder is affected by an event of Force Majeure, Custodian shall use commercially reasonable efforts to overcome such event of Force Majeure in a timely manner.

7. Successor Custodian.

(a) Voluntary Termination by Custodian. In the event the Custodian becomes unavailable or unwilling to continue in its capacity as such, the Custodian may resign and be discharged from its duties or obligations hereunder by giving written notice of resignation to the Company not less than thirty (30) days prior to the date when such resignation shall be effective. Upon such written notice, the Company may designate a successor custodian prior to the expiration of such thirty (30) day period by giving written notice to the Custodian and the MPUC, so long as such successor is a U.S. bank or trust company with assets of at least One Billion Dollars (\$1,000,000,000). Appointment of a successor that is not a U.S. bank or trust company with assets of at least One Billion Dollars (\$1,000,000,000) shall require the prior written consent of the MPUC. If the Company fails to designate a successor custodian prior to the expiration of such thirty (30) day period, the MPUC may appoint a successor custodian by giving written notice to the Company and the Custodian.

(b) Termination of Custodian by Company. The Company may, in its sole judgment, terminate the Custodian and transfer the Escrow Fund to a different custodian. The Company shall provide written notice of such termination to both the Custodian and the MPUC no fewer than thirty (30) days prior to the effective date of such transfer. Such notice shall include (i) the effective date of the transfer of the Escrow Fund and (ii) the identity of the successor custodian, which must be a U.S. bank or trust company with assets of at least One Billion Dollars (\$1,000,000,000) or, in the alternative, a successor custodian explicitly pre-approved by the MPUC.

(c) The Custodian will promptly transfer the Escrow Fund to a successor designated in accordance with the terms of this Section 7. In the event of a termination of the Custodian's role pursuant to Section 7(a) hereof, and in the event no successor custodian is timely appointed as described in this Section 7, the Custodian may apply to a court of competent jurisdiction for the appointment of a successor custodian. In no case, however, shall the Custodian be relieved of the Custodian's duties and obligations under this Agreement until a successor custodian has been duly appointed in accordance with the terms of this Section 7.

8. Limitation of Responsibility; Notices. The Custodian's duties are limited to those set forth in this Agreement, and no additional duties or obligations shall be implied. The Custodian may rely upon the written notices delivered to the Custodian under this Agreement.

9. Notices. Any notice provided for or permitted under this Agreement will be treated as having been received (a) when delivered personally, (b) when sent by confirmed telecopy or (c) one (1) day following when sent by commercial overnight courier with written verification of receipt, to the party to be notified, at the address set forth below, or at such other place of which the other party has been notified in accordance with the provisions of this Section 9 (except that the Custodian shall not be bound by or required to act upon any notice unless and until actually received by it).

- (a) If to the Company, at:
George Tyson, II, Vice President & Treasurer
Xcel Energy
414 Nicollet Mall, 4th Floor
Minneapolis, MN 55401

With copies to:
Jacob Mercer, Assistant Treasurer
Xcel Energy
414 Nicollet Mall, 4th Floor
Minneapolis, MN 55401

- (b) If to the Custodian, at:
Mary Montz
Mellon Global Security Services
Room 151 – 1315, One Mellon Bank Center
Pittsburg, PA 15258-0001

With copies to:
Phillip Schneider
191 N. Wacker Drive
Suite 2100
Chicago, IL 60606

Such notice will be treated as having been received upon actual receipt if actual receipt occurs earlier than as provided in clauses (a) through (c) hereof.

10. Cooperation. The Company shall provide to the Custodian all instruments and documents within its power to provide that are necessary for the Custodian to perform its duties and responsibilities hereunder.

11. Termination. The Custodian is not authorized to release Property from the Escrow Fund other than as explicitly set forth in this Agreement.

(a) This Agreement shall terminate upon the provision of notice to the Custodian by the Company stating that the MPUC or other regulatory agency with appropriate jurisdiction has directed that no further deposits shall be made into the Escrow Fund and ordering distribution, pursuant to Section 2 hereof, of all of the sums held in the Escrow Fund.

(b) In the event that any person or entity acting under color of law, other than the Company, directs the Custodian to divert, transfer or release any amounts in the Escrow Fund to accounts or persons other than to (1) the decommissioning trust fund for one or more Units, or (2) the Company, as directed in Section 2 above, and in the absence of the obligations created by this Agreement, the Custodian would be compelled to so divert, transfer or release, then (1) this Agreement, and the Custodian's authority hereunder, shall automatically terminate (except as such authority relates to the giving of the required notice expressly set forth in the last sentence of this Section 11(b)), (2) the Custodian shall immediately give irrevocable written notice to each of the MPUC and the Company, to the effect that the provisions of this Section 11(b) have been triggered, and (3) the amounts in the Escrow Fund shall be directly transferred to the applicable decommissioning trust fund for the Units.

12. Compensation. The Custodian shall be entitled to compensation for services under this Agreement as set forth in Exhibit C attached hereto.

13. Inspection of Books and Records. Each of the Company, the MPUC and the Minnesota Department of Commerce shall have the right, at its own expense and with prior written notice to the Custodian, to inspect the Custodian's books and records relating to the Escrow Fund at any time during normal business hours or to designate an accountant to make such inspection.

14. Standard of Care. In performing its duties under this Agreement, the Custodian shall exercise the standard of care required by applicable law, including without limitation, the same care and diligence that a professional custodian engaged in the banking or trust company industry and having professional expertise in financial and securities processing transactions and custody would observe in these affairs.

15. General.

(a) **Governing Law for Disputes.** It is the intention of the parties hereto that the internal laws of the State of Minnesota (irrespective of its choice of law principles) shall govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties to this Agreement.

(b) **Successors and Assigns.** The Custodian may not assign this Agreement without the prior written consent of the Company. Any entity, which shall by merger, consolidation, purchase, or otherwise, succeed to substantially all the custody business of the Custodian shall, upon such succession and without any appointment or other action by the Company or the MPUC, be and become successor custodian hereunder, upon notification to the Company. This Agreement shall be binding upon, and inure to the benefit of, the Custodian and the Company and their respective successors and permitted assigns.

(c) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original as against any party whose signature appears on such counterpart and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts of this Agreement, individually or taken together, shall bear the signatures of all of the parties reflected in this Agreement as signatories.

(d) **Entire Agreement.** This Agreement, the documents (if any) explicitly referenced in this Agreement and the exhibits to such documents, constitute the entire understanding and agreement of the parties to this Agreement with respect to the subject matter of this Agreement and of such documents and exhibits and supersede all prior and contemporaneous agreements or understandings, inducements or conditions, express or implied, written or oral, between the parties with respect to this Agreement.

(e) **Waivers.** No waiver by any party to this Agreement of any condition or of any breach of any provision of this Agreement will be effective unless in writing. No waiver by any party of any such condition or breach, in any one instance, will be deemed to be a further or continuing waiver of any such condition or breach or a waiver of any other condition or breach of any other provision contained in this Agreement.

(f) **Amendment.** This Agreement may be amended with the written consent of the Company and the Custodian and subject to the approval of the MPUC, provided that if the Custodian does not agree to an amendment requested by the Company, the Company may, at its option, appoint a successor Custodian in accordance with Section 7 of this Agreement.

(g) **Business Days.** As used herein, any reference herein to a "business day" shall mean any day other than a Saturday, Sunday or other day on which banks in St. Paul, Minnesota are authorized or required to be closed.

(h) **Capitalized Terms.** To the extent not defined herein, capitalized terms shall have the same meaning ascribed to them in the Order.

(i) **Representation.** Each party represents and warrants to the other party that it has full authority to enter into this Agreement upon the terms and conditions set forth herein and that the individual executing this Agreement on its behalf has the requisite authority to bind such party to this Agreement. The Company has received and read the "Customer Identification Program Notice", a copy of which is attached to this Agreement as Exhibit D.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written, and this Agreement shall be effective when executed by the Company and the Custodian. By executing this Agreement, each signatory affirms and represents that the signatory has the requisite power and authority to execute this Agreement. Each signatory further affirms and represents that they, or the principals upon whose behalf they have signed, have the authority to, and will, perform under and be bound by, the terms of this Agreement

NORTHERN STATES POWER
COMPANY d/b/a XCEL ENERGY

By: George E. Tyson, II
Name: George Tyson, II
Title: Vice President & Treasurer

MELLON BANK, N A

By: Mary R. Montz
Name: Mary R. Montz
Title: Client Service Officer

TAXPAYER IDENTIFICATION NUMBER CERTIFICATION

By signing below the Company hereby certifies under penalties of perjury that the taxpayer identification number provided below is correct and that the Company is not subject to back-up withholding on reportable payments credited to the Company's Account by the Custodian. The Company may not be subject to back-up withholding either because (a) the Company is exempt from back-up withholding because it is an "exempt recipient", (b) the Company has not been notified by the Internal Revenue Service that it is subject to back-up withholding for failure to report all interest or dividends, or (c) the IRS has notified the Company that it is no longer subject to back-up withholding. (If (a), (b), or (c) do not apply, please cross out) **Failure to sign below and provide a valid taxpayer identification number may require that the Custodian apply federal income tax withholding at the rate of 30% (or the rate as required by law) on all reportable payments made to the Account established under this Agreement.**

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

NORTHERN STATES POWER COMPANY, d/b/a XCEL ENERGY

By: George E. Tyson, II

Name: George Tyson, II

Title: Vice President & Treasurer

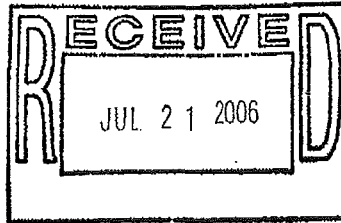
EIN: 41-1967505

Taxpayer Identification Number

Exhibit A: MPUC Order

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Marshall Johnson
Ken Nickolai
Thomas Pugh
Phyllis A. Reha



Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Northern States Power d/b/a
Xcel Energy's Petition for Approval of the
2005 Review of Nuclear Plant
Decommissioning

ISSUE DATE: July 20, 2006

DOCKET NO E-002/M-05-1648

ORDER APPROVING ACCESSIBLE
ESCROW FUND

PROCEDURAL HISTORY

On October 11, 2005, Northern States Power d/b/a Xcel Energy (Xcel) filed a *Petition for Approval of the 2005 Review of Nuclear Plant Decommissioning* (Petition)

On December 23, 2005, the Department of Commerce (the Department) filed comments on Xcel's Petition.

On May 23, 2006, the Commission issued its *Order Setting End-of-Life Dates and Other Guidelines for Nuclear Decommissioning Accrual*. The Order states at Ordering paragraph 1:

Xcel and Department shall work together to prepare a proposed external account to submit to the Commission for approval.

In compliance with the Order, Xcel conferred with the Department regarding a proposed external account

On May 8, 2006, Xcel filed its *Petition for Approval of the 2006 Nuclear Decommissioning Accrual*, setting forth its proposed Escrow Agreement.

On June 2, 2006, the Department filed its comments on the compliance filing, recommending approval of the Escrow Agreement.

On July 13, 2006, the Commission met to consider the matter

FINDINGS AND CONCLUSIONS

Nuclear Regulatory Commission (NRC) regulations require external funding to be available when nuclear operations cease. The regulations restrict withdrawals from an external decommissioning fund to only decommissioning costs until all such costs have been satisfied. Thus, no matter how over-funded the external fund may be, the excess monies in the external fund cannot be returned to ratepayers until such time as decommissioning is complete.

In order to prevent inequities among ratepayers, Xcel proposed that the Commission approve an alternative trust account for the annual accrual. The alternative trust account would allow for greater flexibility and an earlier return of excess monies to ratepayers in the event that the collected funds are no longer needed for decommissioning. The Department also recognized the potential for over-funding, and expressed support for an alternative funding mechanism, so long as the funds could be adequately protected.

On May 8, 2006, Xcel filed its proposed accessible escrow fund for Commission approval. Its proposal would establish an Escrow and Custody Agreement between Xcel and Mellon Bank, the custodian.

The Escrow Agreement includes, *inter alia*, the following relevant provisions:

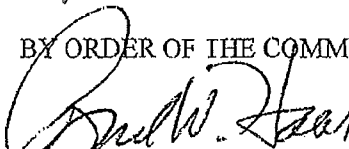
1. The fund will receive decommissioning payments as required by the Commission;
2. There will be three separate accounts -- one for each nuclear generation unit -- within the escrow fund;
3. The custodian will invest and reinvest the funds in accord with directions from Xcel or the investment manager.
4. The Agreement provides that in the event the custodian becomes unavailable, he or she may be discharged from duties. The company may designate a successor custodian, or if it fails to do so, the Commission may appoint a successor custodian.

The Commission finds that the proposed Escrow Agreement will provide the desired flexibility and protections and is therefore in the public interest. The Commission will therefore approve the Xcel's compliance filing.

ORDER

1. Xcel's Petition for Approval of the 2006 Nuclear Decommissioning Accrual and proposed Escrow Agreement is approved.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Bud W. Haar
Executive Secretary

(SEAL)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 201-2202 (voice) or 1-800-627-3529 (MN relay service).

EXHIBIT B

RELEASE CERTIFICATE TO

MELLON BANK, N.A.

AS CUSTODIAN

The undersigned, pursuant to Section 2 of the Escrow and Custody Agreement dated as of _____, 2006 between Northern States Power Company d/b/a Xcel Energy and Mellon Bank, N.A. (the "Escrow Agreement") (terms defined in the Escrow Agreement have the same meanings when used herein), hereby instructs you to pay the following amount(s) from the Escrow Fund Account No. _____ to the following account(s) by wire transfer of immediately available funds:

[name of recipient] Account No. _____,

The undersigned hereby represents that the transaction(s) set forth herein are pursuant to and in conformity with an order(s) issued by the Minnesota Public Utilities Commission or another regulatory agency with appropriate jurisdiction.

The wire transfer is to be made within five business days of your receipt of this Certificate.

NORTHERN STATES POWER
COMPANY d/b/a XCEL ENERGY

By: _____
Name: _____
Title: _____

Dated: _____

EXHIBIT C

FEE SCHEDULE

Xcel Energy Inc. – Escrow

Fee Schedule

~ Submitted by ~



September 11, 2006

I. Structural Charges

\$3,500 per investment manager account per year
\$1,500 per line item account per year
\$ 500 per plan account per year

II. Asset Based Charges

Domestic:

2 basis points (.0002) on all assets

International:

7 basis points (.0007) on Developed Market assets
30 basis points (.0030) on Intermediate Market assets
50 basis points (.0050) on Emerging Market assets

III. Transaction Fees

Domestic:

\$10 per mortgage paydown
\$10 per wire transfer
\$15 per free receipt/free delivery transaction
\$12 per depository purchase, sale or maturity transaction
\$40 per physical delivery/purchase transaction

International:

\$20 per purchase, sale or maturity transaction for Developed Markets
\$60 per purchase, sale or maturity transaction for Intermediate Markets
\$85 per purchase, sale or maturity transaction for Emerging Markets

IV. Other Fees

- \$10 per futures transaction
- \$10 per margin variation wire
- \$25 per commingled/mutual fund transaction
- \$25 per private placement & limited partnership transaction
- \$40 per round trip option
- \$40 per OTC transaction
- 2% of proceeds received for each class action claim

V. Cash Sweep Fee

Dreyfus Cash Management Plus 20 basis points (.0020)

VI. On-Line Information Delivery

Executive Workbench \$5,000 annually

VII. Tax Reporting

\$165 per hour multiplied by *actual* tax hours

VIII. Non-Periodic Payments

\$8 per single sum payment

IX. Comments

- We will pass through to the client any out-of-pocket expenses including, but not limited to, postage, courier expense, registration fees, stamp duties, telex charges, custom reporting or custom programming, internal/external tax, legal or consulting costs and proxy voting expenses.

- We reserve the right to amend our fees if the service requirements change in a way that materially affects our responsibilities or costs. Support of other derivative investment strategies or special processing requirements (e.g. external cash sweep, etc.) may result in additional fees
- Mellon Trust will bill Xcel on a *monthly* basis via a direct debit to an Xcel trust account. Xcel will receive a copy of the Mellon invoice detailing the trustee fees.
- Mellon Trust will begin producing monthly trust accounting reports in CD-ROM format. Hardcopy statements will continue to be generated and will run parallel with the CD's in the short term. Hardcopy reports will then be discontinued.

For: Xcel Energy, Inc.

By: George E. Tapan

Date: _____

For: Mellon Bank, N.A.

By: Paul R. Klaus

Date: 9/20/2006

EXHIBIT D



CUSTOMER IDENTIFICATION PROGRAM NOTICE

**IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW
ACCOUNT**

To help the government fight the funding of terrorism and money laundering activities, all financial institutions are required by law to obtain, verify and record information that identifies each individual or entity that opens an account.

What this means for you: When you open an account, we will ask you for your name, address, taxpayer or other government identification number and other information, such as date of birth for individuals, that will allow us to identify you. We may also ask to see identification documents such as a driver's license, passport or documents showing existence of the entity.

Rev. 09/0

