

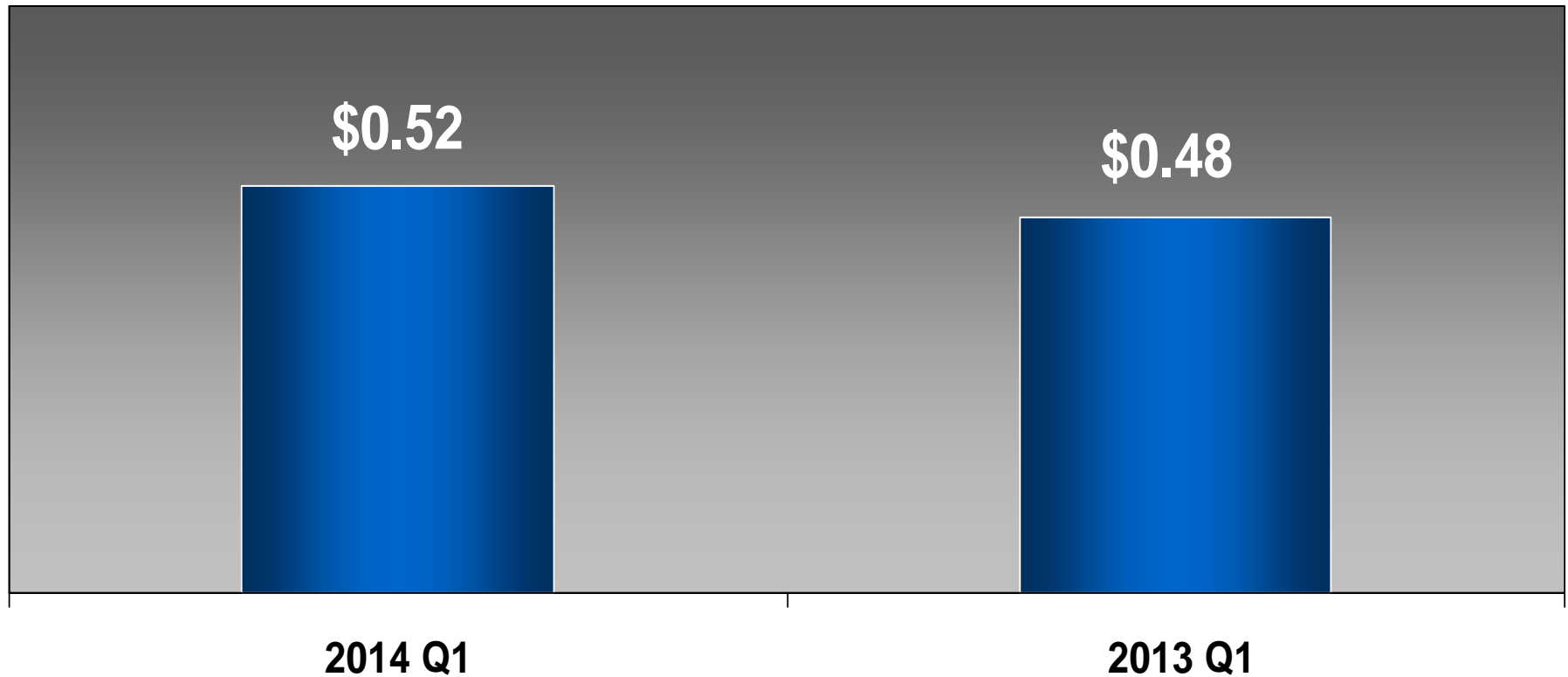


First Quarter 2014 Earnings Release Presentation

May 1, 2014



GAAP Earnings Per Share



A decorative image in the top-left corner showing a blue 3D dollar sign on a surface with a grid pattern, casting a shadow.

First Quarter 2014 Highlights

- **Delivered 2014 Q1 GAAP EPS of \$0.52**
- **Increased dividend 7%**
- **Constructive rate case outcomes in NM and ND**
- **PSCo issued \$300 million in first mortgage bonds at 4.3%**
- **Successfully navigated natural gas pipeline disruption**
- **Solar initiatives: Proposed “Solar*Connect” program in CO and issued an RFP for up to 100 MW of large-scale solar generation in MN**
- **Awards:**
 - **Named #1 Wind Provider by AWEA**
 - **Ranked 5th among Fortune’s Most Admired Utility Companies**
 - **Earned EEI’s Emergency Recovery Award for power restoration**
 - **Honored in Colorado and Wisconsin by the United Way**
 - **Named a top 100 employer by Military Friendly**
 - **Named to the Military Times Best for Vets employers list**
 - **Ranked among Business Insider’s top 50 Best Employers in America**



EPS Change from Prior Year

	<u>First Quarter</u>
2013 GAAP	\$ 0.48
Higher electric margins	0.08
Higher natural gas margins	0.03
Higher O&M expenses	(0.04)
Higher conservation and DSM program expenses	(0.02)
Dilution (from ATM program, DRIP and benefit plans)	(0.01)
Higher Taxes (other than income taxes)	(0.01)
Other, net	<u>0.01</u>
2014 GAAP EPS	\$0.52



Electric Margin Change from Prior Year

Dollars in millions	First Quarter 2014 vs. 2013
Retail rate increases (MN* interim, CO, WI, TX, ND interim)	\$ 38
Estimated impact of weather	21
Conservation and DSM revenues (offset by expenses)	13
Retail sales increase, excluding weather	12
Transmission revenue, net of costs	12
PSCo earnings test refund obligations	(11)
Other, net	(17)
Total Electric Margin Increase	\$ 68

**Subject to refund*



Gas Margin Change from Prior Year

Dollars in millions

**First Quarter
2014 vs. 2013**

Retail rate increase, net of refund (CO)	\$ 9
Estimated impact of weather	7
PSIA rider (partially offset in O&M expenses)	4
Retail sales growth	3
Other, net	2
Total Natural Gas Margin Increase	\$ 25



O&M Expenses Change from Prior Year

Dollars in millions

**First Quarter
2014 vs. 2013**

Nuclear plant operations & amortization	\$ 12
Electric & gas distribution expenses	10
Transmission costs	2
Other, net	<u>7</u>
Total O&M Expense Increase	\$ 31



EPS Results by Operating Company

	<u>First Quarter</u>	
	<u>2014</u>	<u>2013</u>
PSCo	\$ 0.24	\$ 0.24
NSP-Minnesota	0.21	0.21
NSP-Wisconsin	0.05	0.04
SPS	0.04	0.02
Equity earnings	<u>0.01</u>	<u>0.01</u>
Regulated utility	0.55	0.52
Holding company and other	<u>(0.03)</u>	<u>(0.04)</u>
GAAP EPS	\$0.52	\$0.48



Constructive Outcome North Dakota Electric Rate Case

- Revised request for 2013 electric rate increase of \$14.9 million
 - Based on a 2013 forecast test year
 - ROE of 10.25% and Equity ratio of 52.56%
 - Electric rate base of \$377.6 million
- Interim rate increase of \$14.7 million effective in February 2013
- NDPSC approved a Four-Year Rate Plan:
 - Provides annual rate increases of 4.9% for 2013 - 2015; with no rate increase in 2016
 - Results in revenue increases of \$7.4 million (2013), \$9.4 million (2014), \$10.1 million (2015) and \$0 (2016)
 - Authorized ROE of 9.75%, 10.0%, 10.0% and 10.25% for 2013 - 2016, respectively



Constructive Outcome

New Mexico 2014 Electric Rate Case

- Revised request for 2014 electric rate increase of \$32.5 million:
 - A base rate increase of \$20.9 million
 - An increase in renewable energy rider of \$12.1 million
 - Based on a 2014 forecast test year
 - ROE of 10.25% and equity ratio of 53.89%
 - Electric rate base of \$479.8 million
- In March 2014, the NMPRC approved:
 - A base rate increase of \$12.7 million
 - Rider recovery of \$18.1 million and fuel clause of \$2.3 million
 - Based on an ROE of 9.96% and equity ratio of 53.89%

Minnesota Multi-Year 2014-2015 Electric Rate Case

(Millions of Dollars)	2014		2015	
	Amount	% increase	Amount	% increase
Pre-moderation deficiency	\$274		\$81	
Moderation change compared to prior year:				
Theoretical depreciation reserve	(81)		53	
DOE settlement proceeds	—		<u>(36)</u>	
Filed rate request	193	6.9%	98	3.5%
Interim rate adjustment	<u>(66)</u>		<u>66</u>	
Impact on customer bill	127	4.6%	164	5.6%
Potential expense deferral	16		-	
Depreciation expense – reduction/(increase)	81		(46)	
Recognition of DOE settlement proceeds	—		<u>36</u>	
Pre-tax impact on operating income	\$224		\$154	

Interim rates of \$127 million were approved, effective January 3, 2014



Texas 2014 Electric Rate Case

- Revised request for 2014 electric rate net increase of \$48.1 million
 - Based on a June 2013 historic test year
 - ROE of 10.40%
 - Electric rate base of \$1.27 billion
 - Equity ratio of 53.89%
- A PUCT decision and implementation of final rates are anticipated in the third quarter of 2014



2014 Earnings Guidance Assumption Changes

Ongoing EPS Guidance Range: \$1.90 – \$2.05

Guidance Assumption Changes since our 2013 YE Earnings Release:

<i>Earnings Driver</i>	<i>Key Assumptions</i>	
	<i>Previous</i>	<i>Current</i>
Retail Elec. Sales	<i>Increase 0.5%</i>	Increase up to 1.0%
Retail Nat. Gas Sales	<i>Decrease 0%-2%</i>	Range: -1.0% to +1.0%
Depreciation	<i>Increase \$30-\$40 million</i>	Increase \$40-\$50 million
Property Taxes	<i>Increase \$50-\$55 million</i>	Increase \$50-\$60 million

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Upcoming Events

- **Annual Shareholder Meeting: May 21**
- **ISI Conference: May 14-16**
- **AGA Financial Forum: May 18-20**
- **RBC Conference: June 2-3**
- **Baird Conference: June 9-13**
- **2014 Q2 Earnings Release & Conference Call: July 31**