



# Building Sustainable Shareholder Value

**AGA Financial Forum  
May 18-20, 2014**

# Safe Harbor

Except for the historical statements contained in this release, the matters discussed herein, are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements, including our 2014 earnings per share guidance and assumptions, are intended to be identified in this document by the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “objective,” “outlook,” “plan,” “project,” “possible,” “potential,” “should” and similar expressions. Actual results may vary materially. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them to reflect changes that occur after that date. Factors that could cause actual results to differ materially include, but are not limited to: general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of Xcel Energy Inc. and its subsidiaries (collectively, Xcel Energy) to obtain financing on favorable terms; business conditions in the energy industry, including the risk of a slow down in the U.S. economy or delay in growth recovery; trade, fiscal, taxation and environmental policies in areas where Xcel Energy has a financial interest; customer business conditions; actions of credit rating agencies; competitive factors, including the extent and timing of the entry of additional competition in the markets served by Xcel Energy Inc. and its subsidiaries; unusual weather; effects of geopolitical events, including war and acts of terrorism; state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rates or have an impact on asset operation or ownership or impose environmental compliance conditions; structures that affect the speed and degree to which competition enters the electric and natural gas markets; costs and other effects of legal and administrative proceedings, settlements, investigations and claims; actions by regulatory bodies impacting our nuclear operations, including those affecting costs, operations or the approval of requests pending before the Nuclear Regulatory Commission; financial or regulatory accounting policies imposed by regulatory bodies; availability or cost of capital; employee work force factors; and the other risk factors listed from time to time by Xcel Energy in reports filed with the Securities and Exchange Commission (SEC), including Risk Factors in Item 1A and Exhibit 99.01 of Xcel Energy Inc.’s Annual Report on Form 10-K for the year ended Dec. 31, 2013 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.

# Building Sustainable Shareholder Value

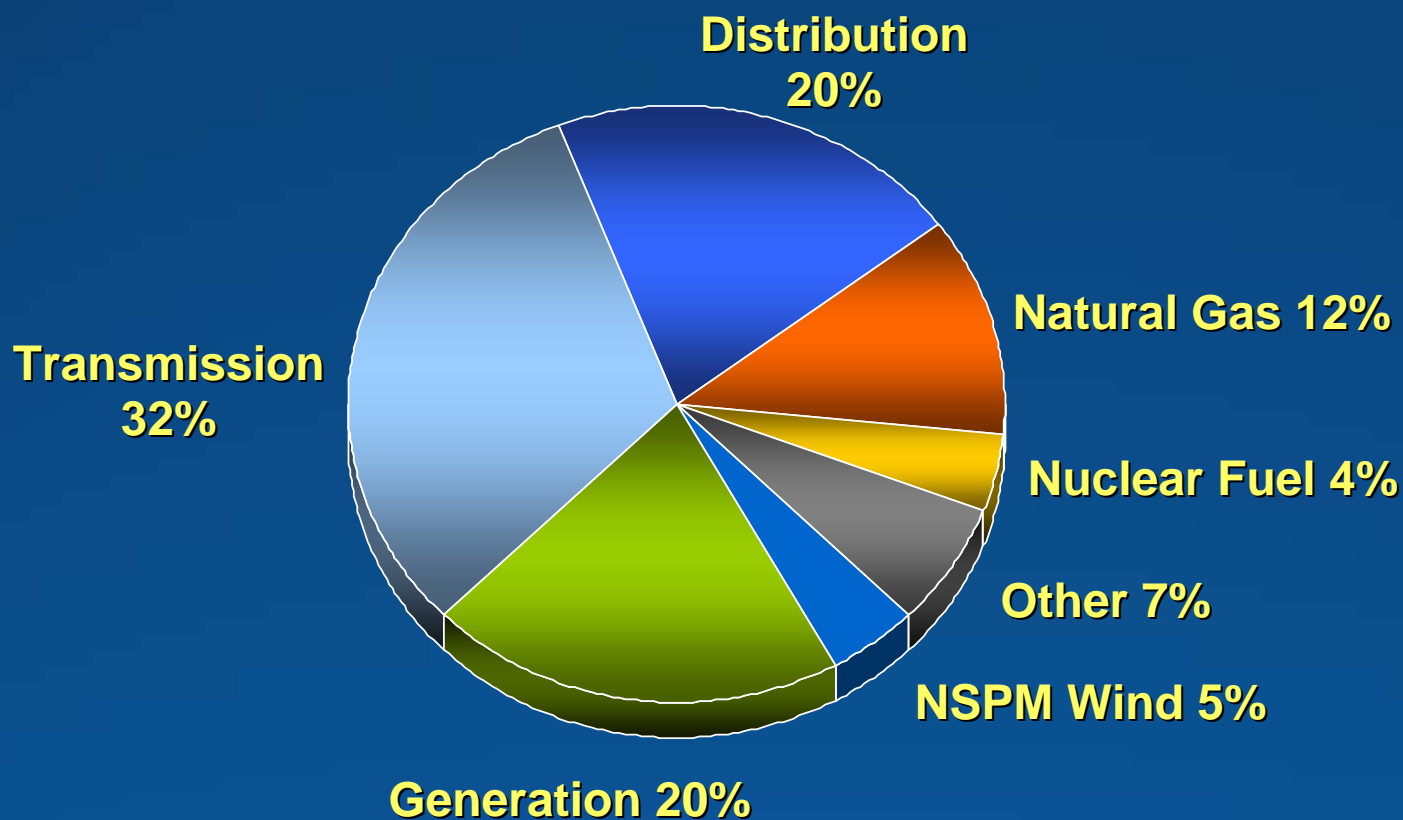
- Attractive growth opportunities
- Improving regulatory constructs
- Operational Excellence
- Proactive risk mitigation
- Attractive total return
  - EPS growth of 4% – 6% \*
  - Dividend growth of 4% – 6%



*\* Based off a normalized 2013 EPS of \$1.90*

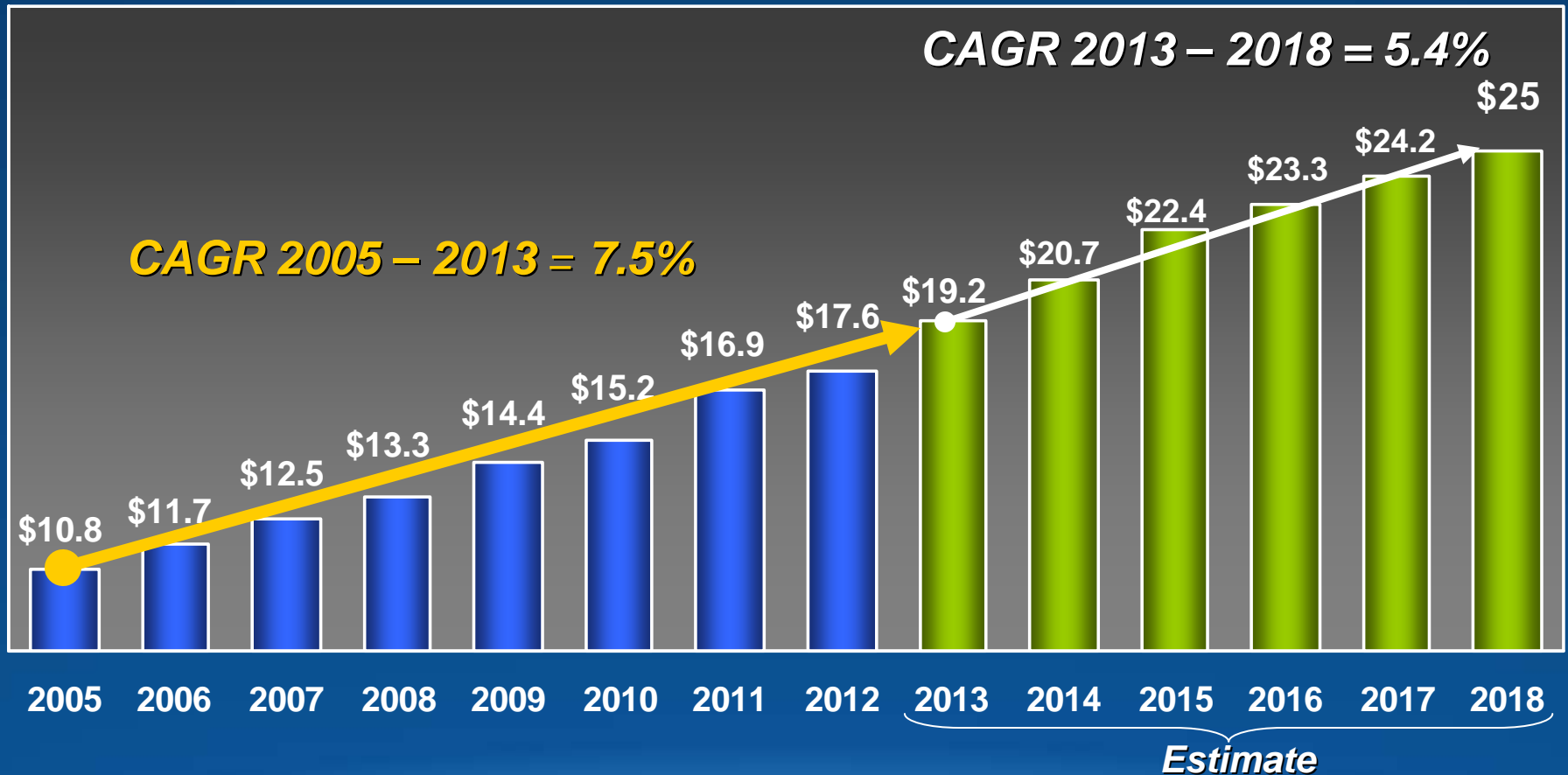
# Diverse and Low Risk Investment Plan

## Capital Expenditures of \$14.1 Billion for 2014 - 2018



# Attractive Rate Base Growth

Dollars in billions

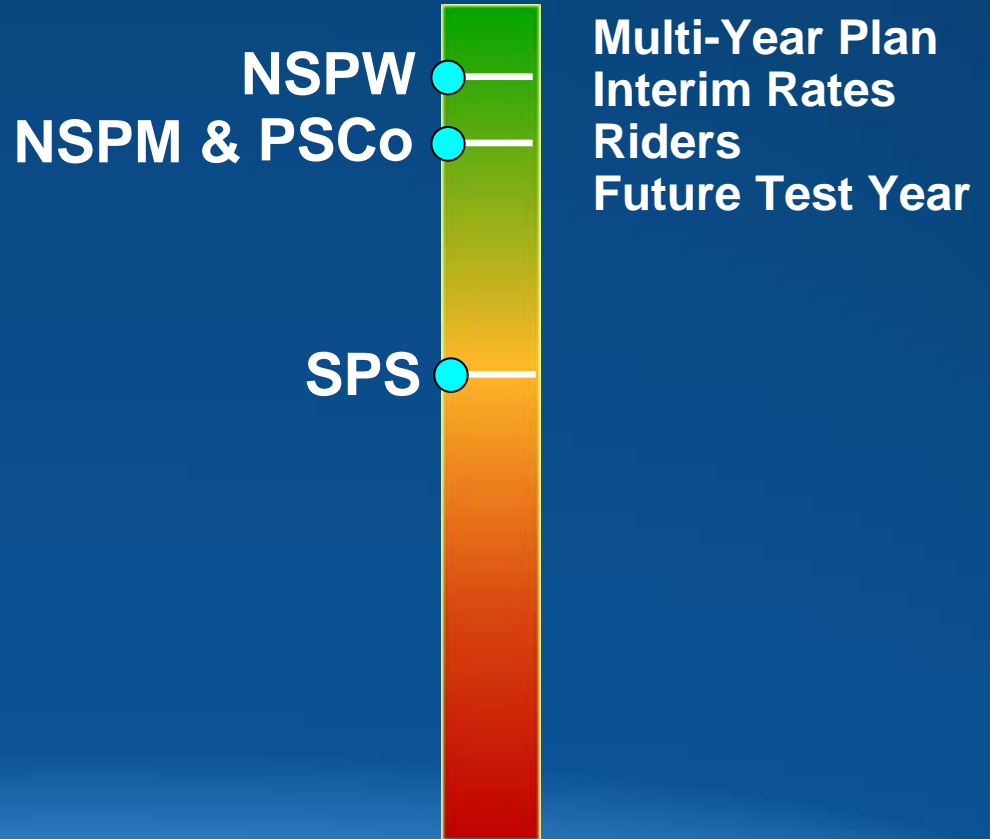


# Improving the Regulatory Construct Demonstrated Track Record

## 2005



## Outlook



No Interim Rates  
No Riders  
Historic Test Year

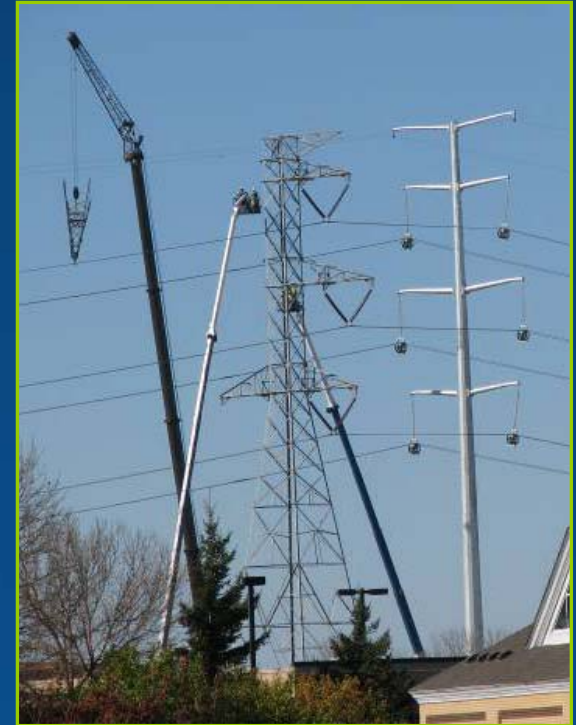
# Actions to Improve ROE

- **Regulatory compacts**
  - Multi-year plans
  - Expand riders
  - Interim rate recovery & expand known and measurable
  - Moderation plans to smooth customer bill impact
  - Pursue Transco
- **Forecast accuracy**
  - Sales
  - Timing of capital spend and in-service dates
  - Multi jurisdiction – cost allocation
- **Cost disallowances – minimize spend**
- **Grass roots outreach programs**



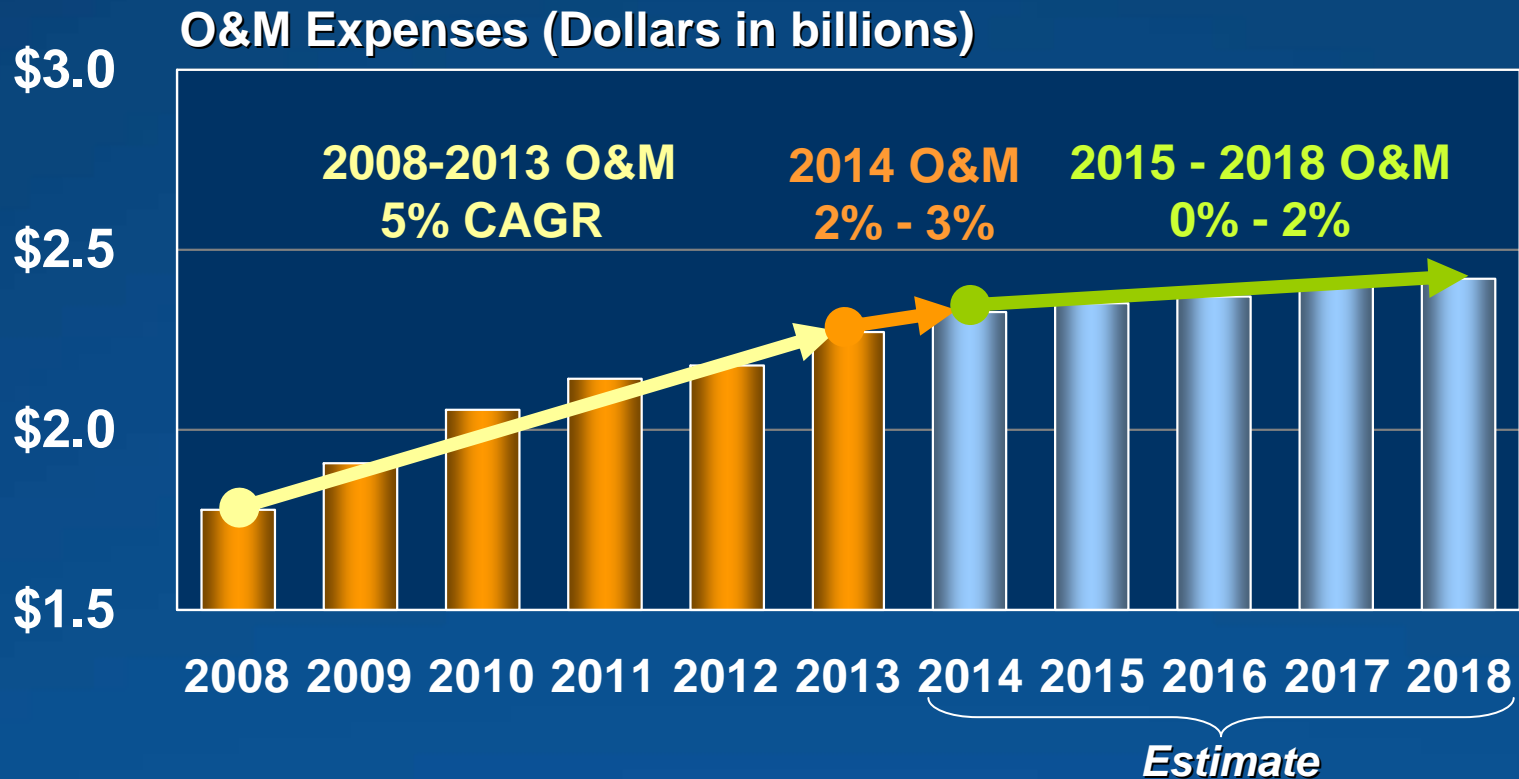
# TransCo

- **FERC Order 1000 creates opportunities and challenges**
- **Multiple approaches needed to win competitive projects**
- **Developing strategic flexibility to respond effectively**
- **Creating alternative investment structures to provide options**
- **Plan to make regulatory filings in 2014**





# Operational Excellence Bending the Cost Curve



# Bending the Cost Curve

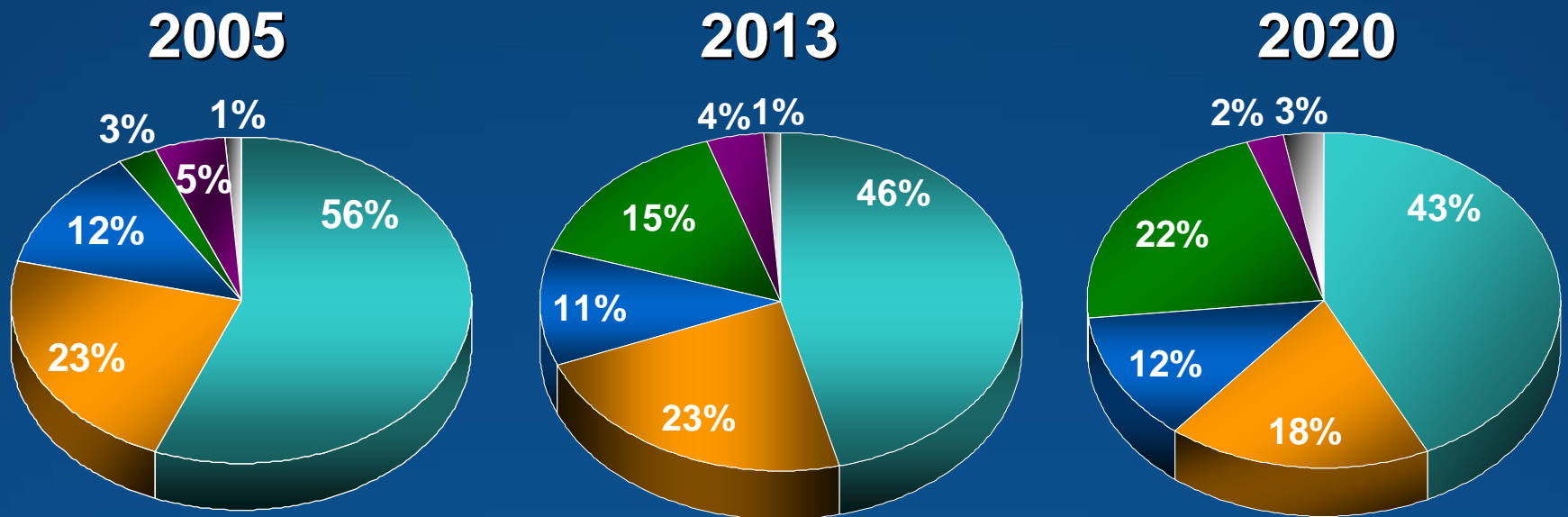
## Sustainable Cost Control

- **Operational Excellence**
  - Standardization of processes
  - Optimize purchasing power
  - Technology
- **Stabilization of nuclear costs**
- **Workforce transition**
- **Proactive maintenance to strengthen system**
- **Employee benefits programs**
- **Investing in capital to reduce long-term O&M**



# Proactive Risk Mitigation

## Environmental Risk – Fuel Mix Based on Energy

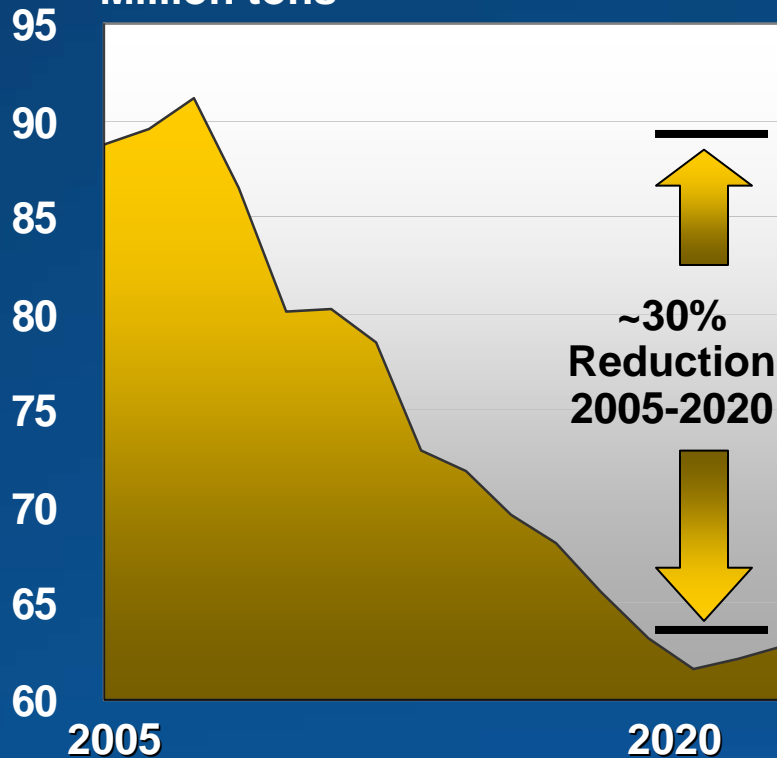


Coal
  Natural Gas
  Nuclear
  Wind
  Hydro
  Other

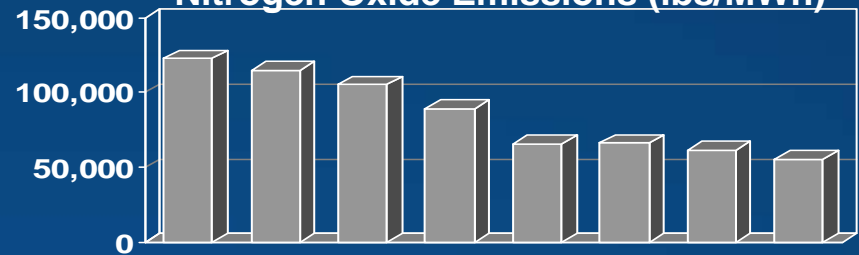
# Proactive Risk Mitigation Emission Reductions

## CO2 Emissions

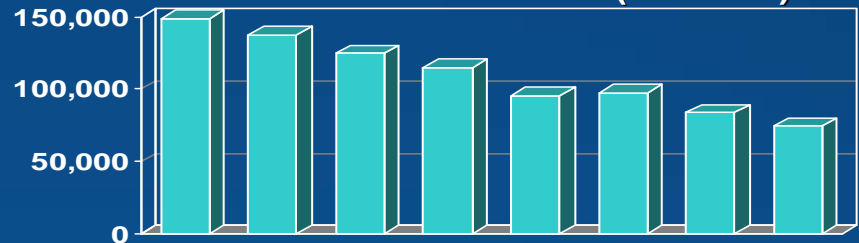
Million tons



## Nitrogen Oxide Emissions (lbs/MWh)



## Sulfur Dioxide Emissions (lbs/MWh)



## Mercury Emissions (lbs/MWh)



# Proactive Risk Mitigation

## Strong Credit Ratings and Liquidity

**44% equity ratio as of March 31, 2014**

**\$2.45 billion credit line, maturity extended to July 2017**

	Moody's *	S&P	Fitch
<i>Xcel Unsecured</i>	<b>A3</b>	<b>BBB+</b>	<b>BBB+</b>
<i>NSPM Secured</i>	<b>Aa3</b>	<b>A</b>	<b>A+</b>
<i>NSPW Secured</i>	<b>Aa3</b>	<b>A</b>	<b>A+</b>
<i>PSCo Secured</i>	<b>A1</b>	<b>A</b>	<b>A+</b>
<i>SPS Secured</i>	<b>A2</b>	<b>A</b>	<b>A-</b>

**\* Moody's upgraded the credit ratings of Xcel Energy and its subsidiaries one notch in January 2014**

# Proactive Risk Mitigation Strong Corporate Governance

- **Board of Directors**
  - Independent lead director
  - All directors elected annually by majority vote
  - Board currently has eleven independent directors among its twelve members
  - All board committees are composed entirely of independent directors
- **Executive compensation aligned with shareholders**
  - Target at least 50% of executive compensation as long-term, equity-based incentive awards
  - Stock ownership 3x to 5x annual base salary
- **Strong track record of delivering on financial objectives**



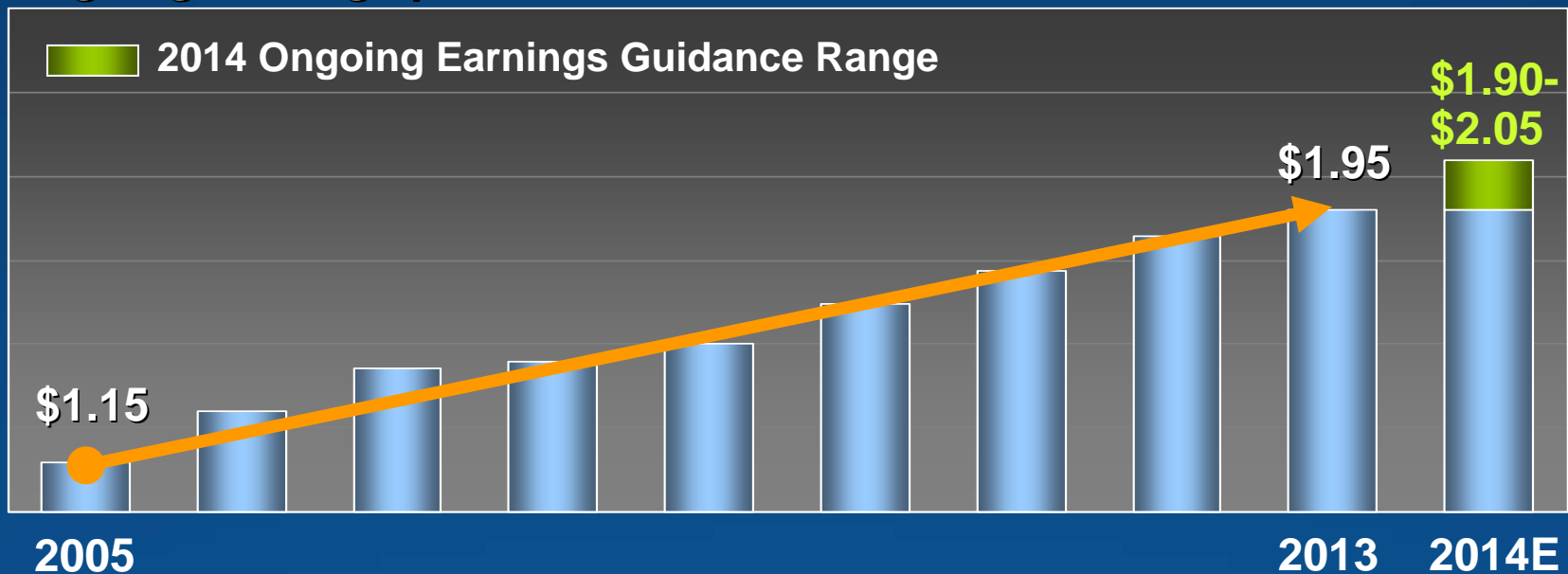
# Consistent Dividend Growth



**Dividend growth CAGR 2005-2013 = 3.4%**  
**Dividend increase for 2014 = 7.1%**  
**Dividend Annual Growth Objective = 4-6%**

# Consistent EPS Growth

Ongoing earnings per share \*



**Ongoing EPS CAGR 2005-2013 = 6.8%**  
**EPS Annual Growth Objective = 4-6%**

\* Reconciliation to GAAP EPS included in appendix



# Building Sustainable Shareholder Value

- Attractive growth opportunities
- Improving regulatory constructs
- Operational Excellence
- Proactive risk mitigation
- Attractive total return
  - EPS growth of 4% – 6% \*
  - Dividend growth of 4% – 6%



*\* Based off a normalized 2013 EPS of \$1.90*

# Appendix

# Fully Regulated Utility



**NSP-Minnesota (NSPM)**  
35-45% of earnings

**NSP-Wisconsin (NSPW)**  
5-10% of earnings

**Public Service Co.  
of Colorado (PSCo)**  
45-55% of earnings

**Southwestern  
Public Service (SPS)**  
5-15% of earnings

**Operate in 8 States**

**Combination Utility**

90% electric  
10% natural gas

**Customers**

3.4 million electric  
1.9 million natural  
gas

**2014 Dividend (Annualized) = \$1.20**  
**2014 EPS Guidance = \$1.90 - \$2.05**

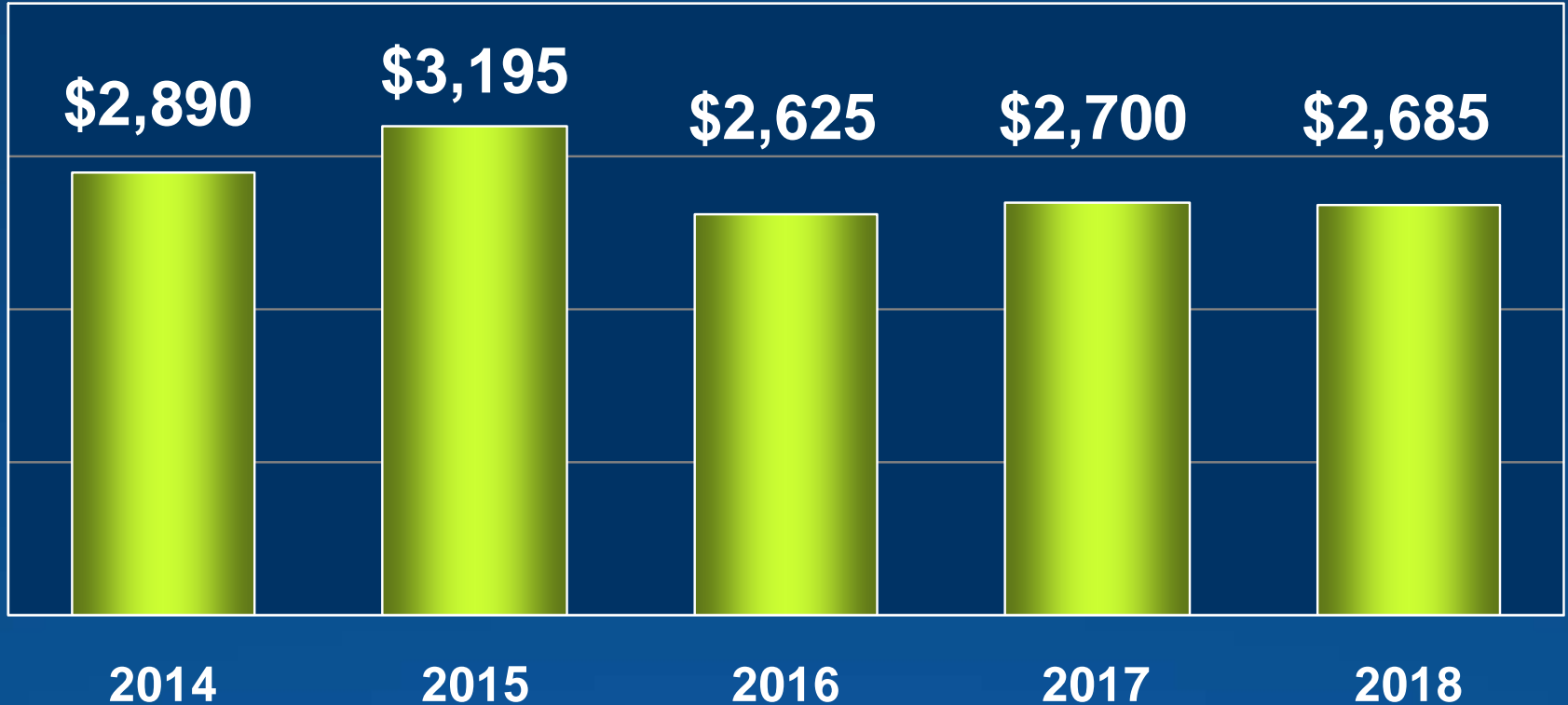
# Reconciliation – Ongoing EPS to GAAP EPS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Ongoing EPS	\$1.15	\$1.30	\$1.43	\$1.45	\$1.50	\$1.62	\$1.72	\$1.82	\$1.95
PSRI-COLI	\$0.05	\$0.05	\$(0.08)	\$0.01	\$(0.01)	\$(0.01)	-	-	-
Prescription Drug Tax Benefit	-	-	-	-	-	-	-	\$0.03	-
SPS FERC Order	-	-	-	-	-	-	-	-	<u>\$(0.04)</u>
Cont. Ops	\$1.20	\$1.35	\$1.35	\$1.46	\$1.49	\$1.61	\$1.72	\$1.85	\$1.91
Discont. Ops	<u>\$0.03</u>	<u>\$0.01</u>	-	-	<u>\$(0.01)</u>	<u>\$0.01</u>	-	-	-
GAAP EPS	\$1.23	\$1.36	\$1.35	\$1.46	\$1.48	\$1.62	\$1.72	\$1.85	\$1.91

Xcel Energy's management believes that ongoing earnings provide a meaningful comparison of earnings results and is representative of Xcel Energy's fundamental core earnings power. Xcel Energy's management uses ongoing earnings internally for financial planning and analysis, for reporting of results to the Board of Directors, and when communicating its earnings outlook to analysts and investors.

# Capital Expenditure Forecast

## Five-Year Total of \$14.1 Billion



# Capital Expenditures by Major Project

Dollars in millions

Major Project Summary	2014	2015	2016	2017	2018	Total
CapX 2020	\$255	\$125	\$5	-	-	\$385
CACJA	\$250	\$85	\$10	-	-	\$345
Nuclear Fuel	\$140	\$100	\$135	\$135	\$75	\$585
Other Major Transmission	\$370	\$265	\$330	\$420	\$385	\$1,770
Gas Pipeline Replacements	\$160	\$180	\$145	\$125	\$125	\$735
Other Capital Expenditures	\$1,670	\$1,710	\$1,790	\$1,725	\$1,715	\$8,610
NSPM Wind Projects	\$35	\$610	-	-	-	\$645
Black Dog Unit 6	\$5	\$50	\$40	\$5	-	\$100
New SW Infrastructure	\$5	\$70	\$170	\$290	\$385	\$920
<b>Total Capital Expenditures</b>	<b>\$2,890</b>	<b>\$3,195</b>	<b>\$2,625</b>	<b>\$2,700</b>	<b>\$2,685</b>	<b>\$14,095</b>

# Capital Expenditures by Company

Dollars in millions

	2014	2015	2016	2017	2018	Total
<b>NSPM</b>	\$1,090	\$1,620	\$955	\$885	\$805	\$5,355
<b>PSCo</b>	\$985	\$845	\$795	\$770	\$815	\$4,210
<b>SPS</b>	\$525	\$520	\$610	\$770	\$790	\$3,215
<b>NSPW</b>	\$290	\$210	\$265	\$275	\$275	\$1,315
<b>Total</b>	<b>\$2,890</b>	<b>\$3,195</b>	<b>\$2,625</b>	<b>\$2,700</b>	<b>\$2,685</b>	<b>\$14,095</b>

# Capital Expenditures by Function

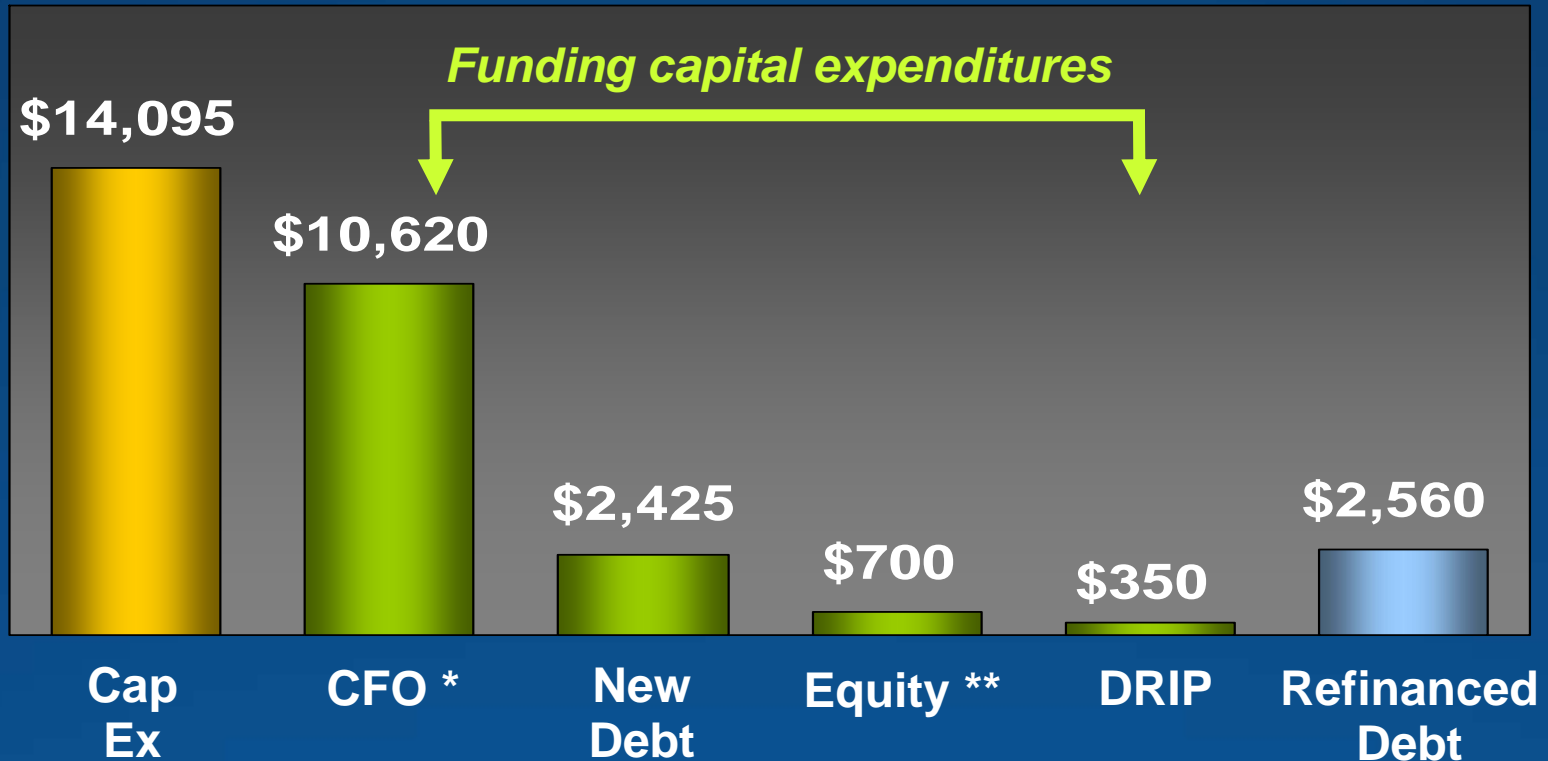
Dollars in millions

	2014	2015	2016	2017	2018	Total
<b>Electric Generation</b>	\$715	\$1,235	\$560	\$550	\$470	\$3,530
<b>Electric Transmission</b>	\$950	\$770	\$790	\$945	\$1,035	\$4,490
<b>Electric Distribution</b>	\$510	\$560	\$595	\$605	\$610	\$2,880
<b>Natural Gas</b>	\$365	\$340	\$345	\$300	\$320	\$1,670
<b>Nuclear Fuel</b>	\$140	\$100	\$135	\$135	\$75	\$585
<b>Other</b>	\$210	\$190	\$200	\$165	\$175	\$940
<b>Total</b>	<b>\$2,890</b>	<b>\$3,195</b>	<b>\$2,625</b>	<b>\$2,700</b>	<b>\$2,685</b>	<b>\$14,095</b>



# Financing Plan 2014-2018 \*\*

Dollars in millions



\* Cash from operations is net of dividend and pension funding

\*\* Financing plans are subject to change. We continue to review our financing plans and believe we may have the flexibility to reduce our forecasted equity needs, based on our strong balance sheet and credit metrics. We are also analyzing the impact of the possible extension of bonus depreciation. We plan to update our financing plans later this year.

# Manageable Debt Maturities



# Minnesota Electric Rate Case

## What's Different With This Request?

- Extensive and detailed support
- Longer review period
- Sherco 3 and Monticello projects completed
- Sales tracking our forecast and decoupling proposal
- Multi-Year Plan
- Rate mitigation proposal
- Procedural schedule:
  - Intervenor testimony – June 5, 2014
  - Surrebuttal testimony – August 4, 2014
  - Hearings – August 11- 18, 2014
  - ALJ recommendation – December 22, 2014
  - Commission decision – March 2015

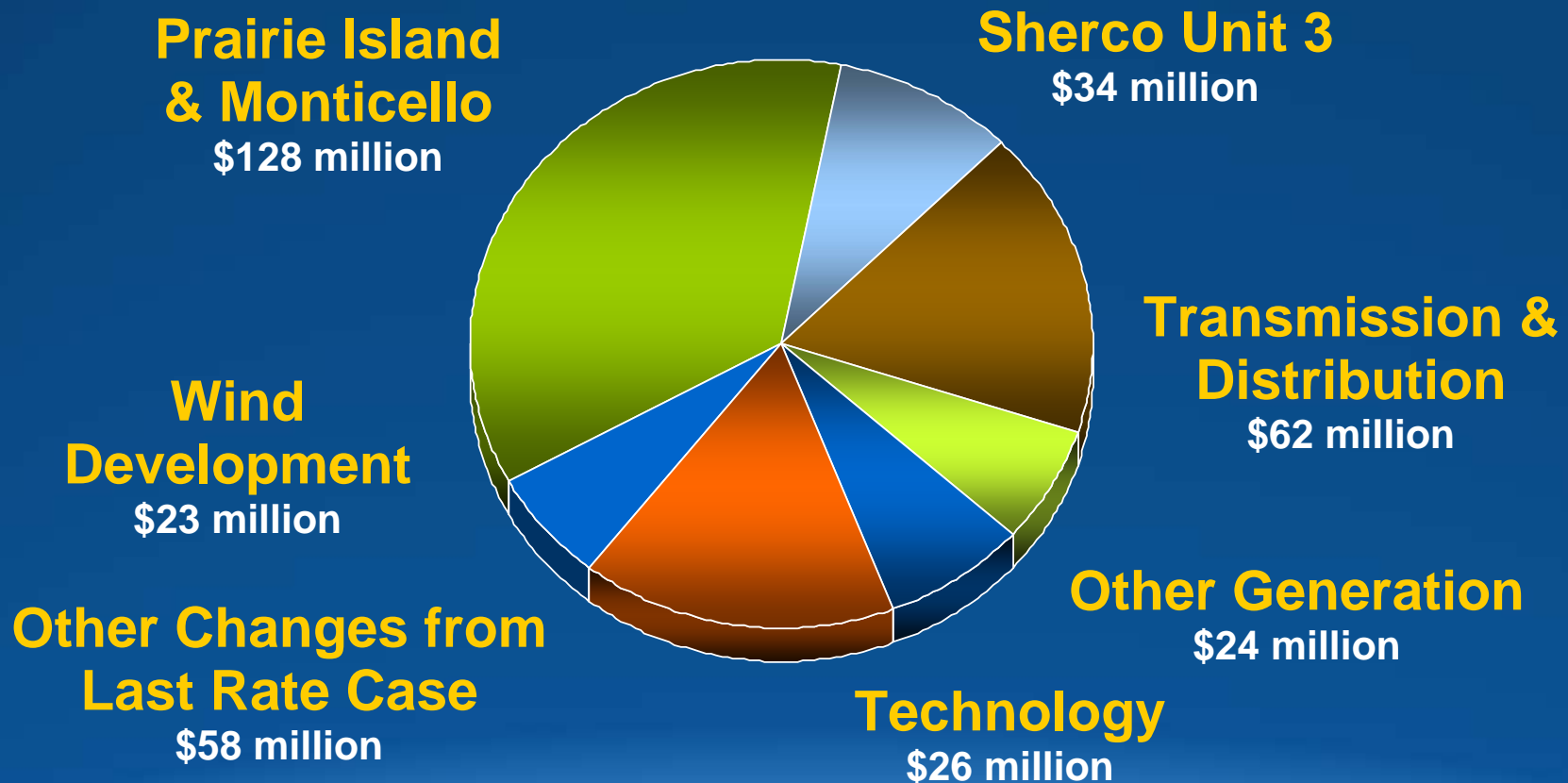
# Minnesota Multi-Year Electric Rate Case

(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	—		(36)	
<b>Filed rate request</b>	<b>193</b>	<b>6.9%</b>	<b>98</b>	<b>3.5%</b>
Interim rate adjustment	(66)		66	
<b>Impact on customer bill</b>	<b>127</b>	<b>4.6%</b>	<b>164</b>	<b>5.6%</b>
Potential expense deferral	16		-	
Depreciation expense – reduction/(increase)	81		(46)	
Recognition of DOE settlement proceeds	—		36	
Pre-tax impact on operating income	\$224		\$154	

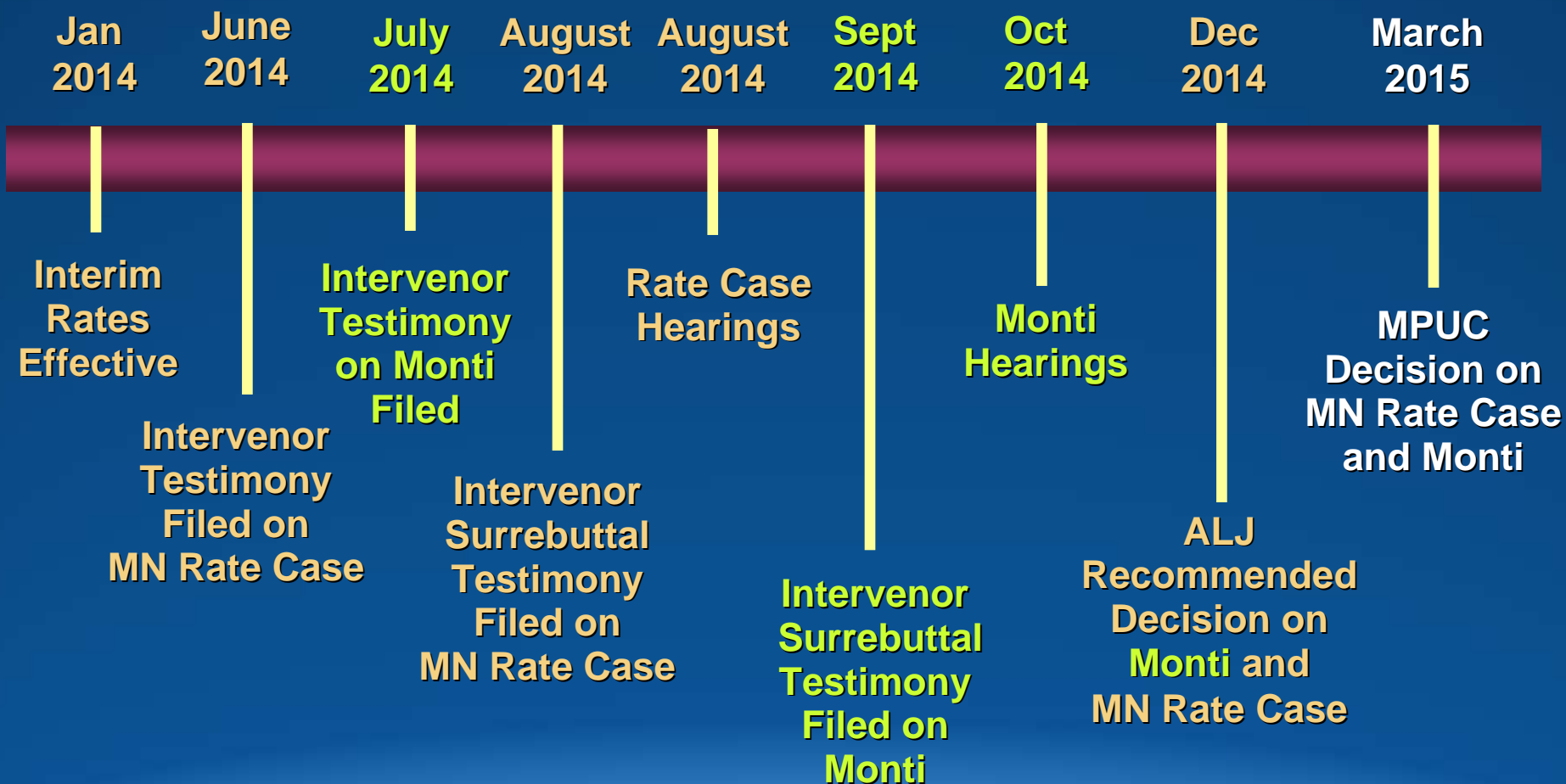
**Interim rates (subject to refund) of \$127 million were approved effective January 2014**

# Minnesota Electric Rate Case

## Rate Case Drivers – 2014 and 2015



# Minnesota Regulatory Key Dates


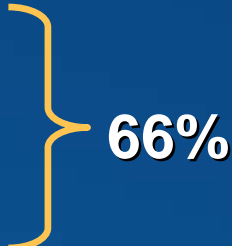



# Monticello Prudence Filing

- **Monticello uprate & life extension was a sound investment**
  - Rebuilt plant provides value for the next 20 years
  - Essential for carbon reduction commitment
  - Higher power output
- **Our experience is in line with industry performance**
- **Procedural schedule:**
  - Intervenor testimony – July 2, 2014
  - Surrebuttal testimony – September 19, 2014
  - Hearings – September 29 - October 3, 2014
  - ALJ recommendation – December 31, 2014
  - Commission decision – March 2015

# Monticello Prudence Filing

## Drivers of Cost Increases

- **Design changes from original scoping**
  - Reactor feedwater pumps
  - Feedwater heater replacement
  - 13.8 kV system**25%**
- **Underestimation of implementation costs**
  - Labor productivity
  - Emergent work
  - Vendor issues**66%**
- **Increased regulatory requirements**
  - NRC license delay
  - Steam dryer monitoring**9%**



# Texas 2014 Electric Rate Case

- **Seeking 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%
- **Procedural schedule:**
  - Intervenor testimony – May 22, 2014
  - Staff testimony – May 29, 2014
  - Rebuttal testimony – June 16, 2016
  - Hearings – June 25, 2014
  - Commission decision – Third Quarter 2014

# Constructive Outcome

## New Mexico 2014 Electric Rate Case

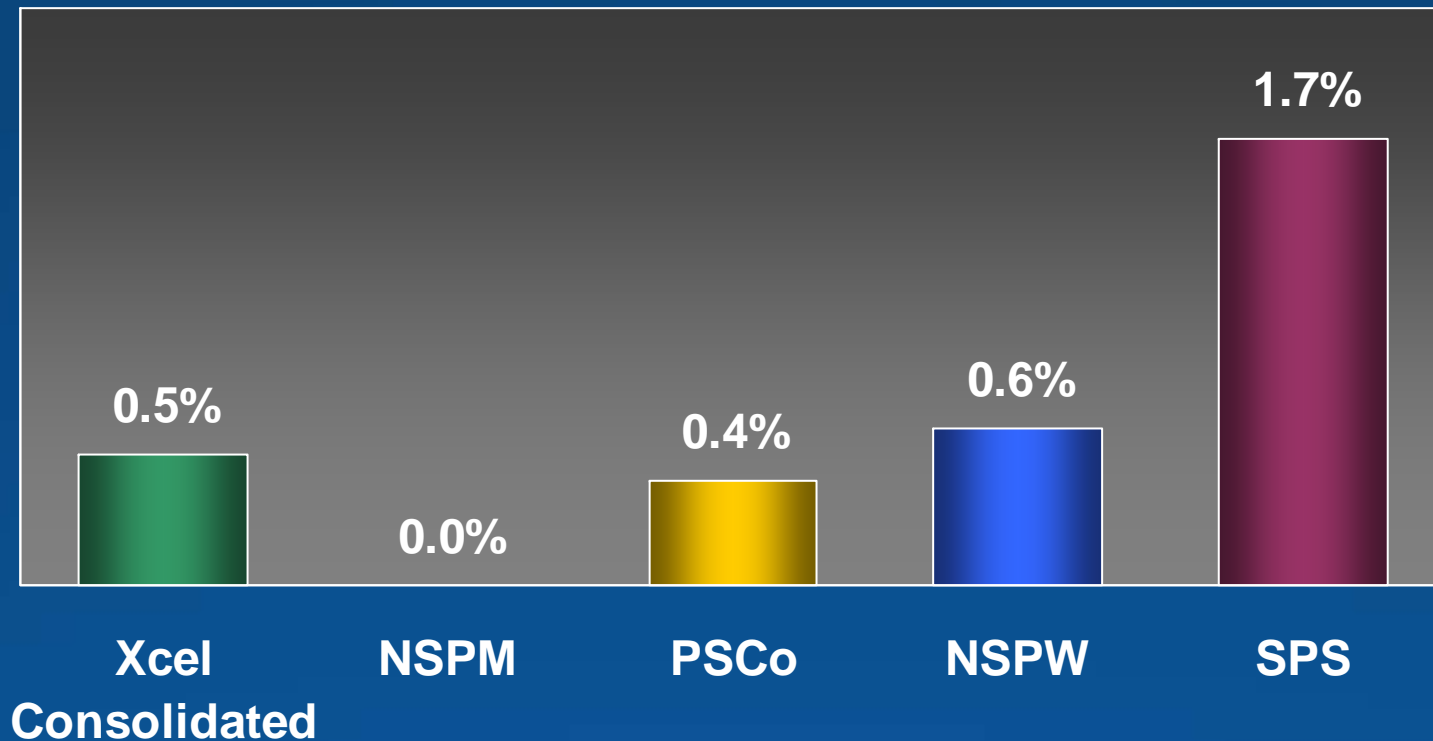
- **Revised request for 2014 electric rate increase of \$32.5 million:**
  - A base rate increase of \$20.9 million
  - An increase in renewable energy rider of \$12.1 million
  - Based on a 2014 forecast test year
  - ROE of 10.25% and equity ratio of 53.89%
  - Electric rate base of \$479.8 million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

# 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 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

# Modest Sales Growth Forecasted

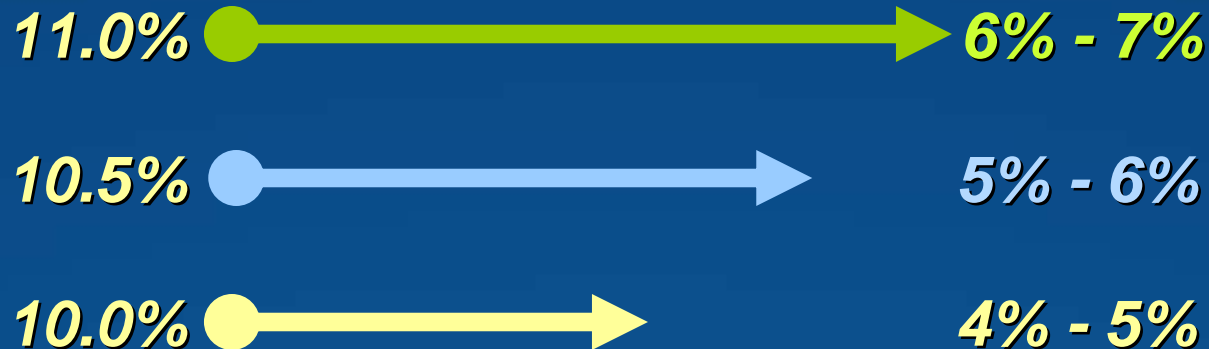
## 5-Year Retail Sales Growth CAGR



# Impact of Improved Earned ROE

**Consolidated  
Earned ROE**

**5-year EPS  
CAGR**



***Based on Xcel Energy's consolidated GAAP ROE***

# Impact of Improved Earned ROE

## The Opportunity

<b>2012 Rate Base</b>	<b>\$17.6 billion</b>	<b>\$17.6 billion</b>	<b>\$17.6 billion</b>
<b>Equity Ratio</b>	<b>54%</b>	<b>54%</b>	<b>54%</b>
<b>ROE Improvement</b>	<b>25 bps</b>	<b>50 bps</b>	<b>75 bps</b>
<b>Net Income</b>	<b>\$24 million</b>	<b>\$48 million</b>	<b>\$71 million</b>
<b>Ongoing EPS</b>	<b>\$0.05</b>	<b>\$0.10</b>	<b>\$0.15</b>

# Regulatory vs. Authorized ROE - 2013

OPCO	Jurisdiction	Rate Base \$Millions	Authorized ROE	W/A Earned ROE	Regulatory Plan
NSPM	MN Electric	\$6,719	9.83%	8.22%	2014-15 MYP Filed
	MN Gas	436	10.09	9.76	
	ND Electric	389	9.75	9.17	2013-2016 MYP
	ND Gas	43	10.75	11.39	
	SD Electric**				
PSCo	CO Electric	5,922	10.00	11.32*	2012-2014 MYP
	CO Gas	1,483	9.72	9.01	2013 Rate Case
SPS	TX Electric**				
	NM Electric**				
NSPW	WI Electric	777	10.40	10.23	2013 Rate Case
	WI Gas	85	10.40	9.81	2013 Rate Case
	MI Electric	17	10.30	7.57	2014 Rate Case
	MI Gas	3	11.25	-11.58	
	Wholesale **				

\* Before customer refund based on earnings test. PSCo earned 10.27%, after customer refund.

\*\* Data is not yet available – will be filed later in year

# Regulatory vs. Authorized Returns - 2012

OPCO	Jurisdiction	Rate Base \$Millions	Authorized ROE	W/A Earned ROE	Regulatory Plan
NSPM	MN Electric	\$6,091	10.37%	8.20%	2013, 2014 MYP
	MN Gas	423	10.09	10.02	
	ND Electric	339	10.40	8.92	2013
	ND Gas	41	10.75	13.98	
	SD Electric	380	9.25	4.86	2012, 2013
PSCo	CO Electric	5,641	10.00	10.27	2012 MYP
	CO Gas	1,237	10.10	7.23	2013 MYP
SPS	TX Electric	1,138	Black box	8.85 *	2012, 2013
	NM Electric	400	Black box	8.87 *	2012, 2014
NSPW	WI Electric	715	10.40	9.79	2013, 2014
	WI Gas	86	10.40	10.57	2013, 2014
	MI Electric	16	10.30	11.37	
	MI Gas	3	11.25	(2.75)	
	Wholesale	1,112	N/A	N/A	

\* Actual ROE, not weather-normalized



# Dividend Flexibility

- Annual dividend growth target range of 4% to 6%
  - No dividend payout range target
  - Dividend growth may periodically exceed EPS growth
- Dividend considerations
  - Providing a competitive dividend yield
  - Capital investment growth opportunities
  - Balance sheet and credit ratings
  - Projected cash generation and requirements
- Dividend decisions are the responsibility of Board of Directors

*In February 2014, Xcel Energy's Board of Directors increased the dividend 8 cents per share on an annual basis, or 7%*

