

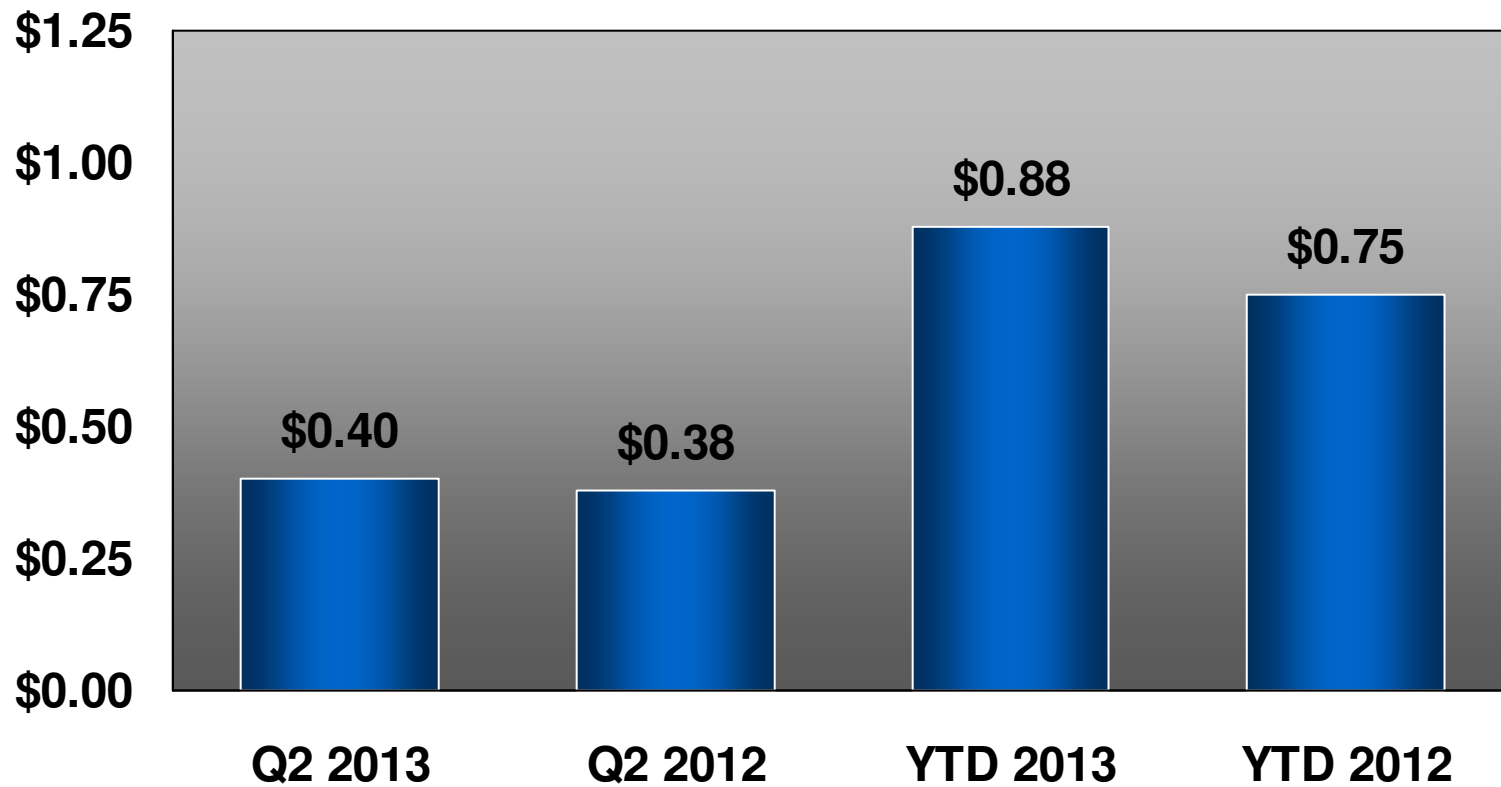


# **Second Quarter 2013 Earnings Release Presentation**

**August 1, 2013**



# Earnings Per Share





# Potential New Wind Resources

---

- Seeking to add up to 2,000 MW of wind resources
  - NSP-M: proposed adding 600 MW, including one 200 MW owned project
  - SPS: proposed adding 700 MW via PPA
  - PSCo: proposed adding 200 MW via PPA
  - Colorado PUC will decide on whether to approve an additional 350 MW of wind this fall
  - NSP-M is evaluating an additional 150 MW build-ownership project, pending transmission costs
- We anticipate commission decisions later this year
- Additional wind resources are projected to result in significant fuel savings for our customers over the next 20 years



## Minnesota Multi-Year Plan (MYP)

---

- **In June 2013, the MPUC issued an order on the MYP:**
  - **MYP plan may cover up to three years**
  - **The first year represents a fully filed rate case**
  - **Allows recovery of specific capital costs and appropriate O&M costs in second and third years**
  - **ROE authorized in the general rate case will be used for entire MYP period**
  - **Companies will need to file for fixed rates over the period, with certain costs subject to refund**



# EPS Results

	<u>Second Quarter</u>		<u>YTD</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
PSCo	\$ 0.20	\$ 0.20	\$ 0.43	\$ 0.39
NSP-Minnesota	0.16	0.13	0.37	0.29
SPS	0.05	0.06	0.08	0.08
NSP-Wisconsin	0.02	0.01	0.06	0.04
Equity earnings of subsidiaries	<u>0.01</u>	<u>0.01</u>	<u>0.02</u>	<u>0.02</u>
Regulated utility	0.44	0.41	0.96	0.82
Holding company and other	<u>(0.04)</u>	<u>(0.03)</u>	<u>(0.08)</u>	<u>(0.07)</u>
<b>Total GAAP EPS</b>	<b>0.40</b>	<b>0.38</b>	<b>0.88</b>	<b>0.75</b>



## EPS Change from Prior Year

	<u>Second Quarter</u>	<u>YTD</u>
<b>2012 GAAP EPS</b>	<b>\$ 0.38</b>	<b>\$ 0.75</b>
Higher electric margins	0.03	0.15
Higher natural gas margins	0.03	0.06
Higher AFUDC – Equity	0.01	0.03
Lower interest charges	0.01	0.02
Lower effective tax rate	0.01	-
Higher taxes (other than income taxes)	-	(0.01)
Higher operating and maintenance expenses	(0.04)	(0.06)
Higher depreciation and amortization	(0.02)	(0.05)
Dilution from direct stock purchase and benefit plans	<u>(0.01)</u>	<u>(0.01)</u>
<b>2013 GAAP EPS</b>	<b>\$ 0.40</b>	<b>\$ 0.88</b>



## Electric Margin Change from Prior Year

Dollars in millions	Second Quarter <u>2013 vs. 2012</u>	YTD <u>2013 vs. 2012</u>
Retail rate increases (CO, TX, WI, SD, ND & MN)*	\$ 56	\$ 131
Transmission revenue, net of costs	10	21
PSCo earnings test refund obligation	(9)	(9)
Conservation and DSM incentive	(9)	(8)
Firm wholesale	(8)	(13)
Estimated impact of weather	(3)	19
Other, net	<u>(11)</u>	<u>(21)</u>
Total increase in electric margin	\$ 26	\$ 120

*\*Interim rate increases in ND and MN are subject to refund. NSP-Minnesota recognized a reserve for revenue subject to refund of approximately \$31 million and \$47 million for the three and six month periods ended June 30, 2013, respectively.*



# Gas Margin Change from Prior Year

Dollars in millions

	<u>Second Quarter 2013 vs. 2012</u>	<u>YTD 2013 vs. 2012</u>
Estimated impact of weather	\$12	\$34
Retail sales growth	7	6
Conservation and DSM revenue (offset by expenses)	2	5
Other, net	<u>-</u>	<u>4</u>
Total Natural Gas Margin Increase	\$21	\$49





# O&M Expenses Change from Prior Year

Dollars in millions

	<u>Second Quarter 2013 vs. 2012</u>	<u>YTD 2013 vs. 2012</u>
Other electric and gas distribution expenses	\$12	\$13
Nuclear plant operations and amortization	9	18
Transmission costs	5	9
NSP-Minnesota storm damage restoration	4	4
Employee benefits	(2)	7
Other, net	1	(4)
<b>Total increase in O&amp;M expenses</b>	<u>\$29</u>	<u>\$47</u>



# Pending Rate Cases

Rate Case	<i>Requested</i>			Rates Anticipated to be Effective
	Rate Increase (millions)	ROE	Equity Ratio	
Minnesota Electric	\$209.0	10.60%	52.56%	Interim Jan 2013
Colorado Gas	\$64.7*	10.30%	56.00%	2013 Q3
New Mexico Electric	\$43.3	10.65%	53.89%	2014 Q1
Wisconsin Electric	\$40.0	10.40%	52.50%	2014 Q1
Wisconsin Gas	\$4.7	10.40%	52.50%	2014 Q1
North Dakota Electric	\$16.0	10.60%	52.56%	Interim Feb 2013

\* PSCo filed a request to increase natural gas rates \$44.8 million in 2013 with step increases of \$9.0 million in 2014 and \$10.9 million in 2015. PSCo is requesting an extension of its PSIA rider to recover the costs of accelerated pipeline integrity efforts. The PSIA would increase by \$26.8 million in 2014 with a subsequent increase of \$24.7 million in 2015 in addition to the proposed increase in base rates.



# Minnesota Electric Positions

<i>(Millions of Dollars)</i>	NSP-Minnesota Request	DOC Position	ALJ Position
NSP-M's original request	\$285	\$285	\$285
ROE	-	(43)	(43)
Sherco Unit 3	(35)	(40)	(38)
Reduced recovery for nuclear plants	(11)	(9)	(14)
Incentive compensation	(3)	(20)	(4)
Sales forecast	(1)	(26)	(26)
Pension	(10)	(25)	(13)
Employee benefits	(4)	(6)	(6)
Black Dog remediation	(5)	(5)	(5)
NSP-Wisconsin wholesale allocation	(7)	(7)	(7)
Other, net	=	<u>(5)</u>	<u>(2)</u>
<b>Recommended rate increase</b>	<b>\$209</b>	<b>\$99</b>	<b>\$127</b>
<b>Estimated impact of deferrals</b>	<b><u>50</u></b>	<b><u>5</u></b>	<b><u>34</u></b>
<b>Impact on pre-tax income</b>	<b>\$259</b>	<b>\$104</b>	<b>\$161</b>



# Colorado Intervenor Testimony

- CPUC staff recommended a rate reduction of \$14.4 million, based on a historic test year, ROE of 9% and equity ratio of 52%
- The OCC recommended a rate increase of \$0.5 million based on a historic test year, ROE of 9% and equity ratio of 51%

<i>(Millions of Dollars)</i>	CPUC Staff April 2013	OCC April 2013
PSCo's deficiency (HTY)	\$28.3	\$28.3
ROE and capital structure adjustments	(20.8)	(20.0)
Move to 13-month average rate base	(5.7)	(3.2)
Remove pension asset	(5.9)	-
Remove incentive compensation	(3.5)	(0.2)
Challenge known & measureable	-	(9.0)
Eliminate depreciation annualization	-	(1.8)
Revenue adjustments	(4.1)	(1.4)
Resulting tax impacts	1.5	4.7
Other adjustments	<u>(4.2)</u>	<u>3.1</u>
<b>Recommendation</b>	<b>\$(14.4)</b>	<b>\$0.5</b>



## 2013 Financing Plans

---

- **Completed 2013 Financings:**
  - **PSCo issued \$500 million of first mortgage bonds (FMB)**
    - **\$250 million of 2.50%, 10-year FMB**
    - **\$250 million of 3.95%, 30-year FMB**
  - **Xcel issued \$450 million of 0.75%, 3-year senior unsecured notes**
  - **NSPM issued \$400 million of 2.60%, 10-year FMB**
  - **Xcel sold 7.7 million shares of common stock with net proceeds of \$223 million**
  - **SPS may issue approx. \$100 million of FMB in the third quarter**

*Financing plans are subject to change, depending on capital expenditures, internal cash generation, market conditions and other factors*



# Guidance Assumption Changes

Changes to the 2013 earnings guidance since our Q1 earnings release:

<i>Earnings Driver</i>	<i>Key Assumptions</i>	
	<i>Previous</i>	<i>Current</i>
Electric Retail Sales	<i>Increase 0.5%</i>	<b>Increase 0.0% - 0.5%</b>
Natural Gas Sales	<i>Decrease 1.0%</i>	<b>Increase 2.0%</b>
Property Taxes	<i>Increase \$35-\$40M</i>	<b>Increase \$20-\$25M</b>
Interest Expense	<i>Decrease \$30-\$35M</i>	<b>Decrease \$40-\$45M</b>
AFUDC-Equity	<i>Increase \$15-\$20M</i>	<b>Increase \$20-\$25M</b>
Effective Tax Rate	<i>34% - 36%</i>	<b>33% - 35%</b>



# Earnings Guidance

---

Dollars per share

EPS Range

**2013 EPS**

**\$1.85 – \$1.95**