Xcel Energy®

THE RIGHT MIX

2015 CORPORATE RESPONSIBILITY REPORT

Safe Harbor Statement

This material includes forward-looking statements subject to certain risks, uncertainties and assumptions. They include statements about our future performance, future financial and operational results, strategies, prospects and other statements that are not purely historical. Such forward-looking statements may be identified by words such as “anticipate, believe, estimate, expect, may, projected, objective, outlook, plan, possible, potential, should” or similar expressions; and speak only as of the date they are made. We do not undertake any obligation to update any forward-looking statements. 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 our ability to obtain financing on favorable terms; energy industry business conditions, including the risk of a slowdown 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; unusual weather; geopolitical events, including war and acts of terrorism; cybersecurity threats and data security breaches; 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; financial or regulatory accounting policies regulatory bodies impose; availability or cost of capital; work force factors; and other risk factors Xcel Energy lists in our 2015 report on Form 10-K to the SEC, including Item 1A - Risk Factors and Exhibit 99.01, as they may be updated in our subsequent 10-Q and 8-K reports.

The Right Mix
2015 Corporate Responsibility Report

A Report on the Economic, Environmental & Social Impacts of Xcel Energy

To Our Stakeholders:

Powering the lives of our customers and communities is at the core of what we do every day. As our corporate tagline acknowledges, we are indeed “Responsible by Nature” in all aspects of our business. At Xcel Energy, we understand the tremendous responsibility we have to ensure public safety, drive economic growth in the communities we serve, protect the environment and provide safe, clean reliable energy at a competitive price. That responsibility is deeply ingrained in our DNA.

We are constantly striving for The Right Mix. Whether blending renewables and traditional fuel sources within our energy portfolio, managing customer costs while ensuring quality service, advocating for regulatory frameworks to better meet customer and community needs or attracting the best talent to help move our enterprise forward, creating The Right Mix is paramount in our decision making.

Reliability and operational excellence
Our fundamental purpose is to deliver the energy customers need to power their lives, and we do so safely and reliably. When storms or other unforeseen circumstances cause service disruptions, our dedicated teams are some of the very best in the business – consistently delivering when our customers need us the most. Behind the scenes, we have invested substantially in the energy grid and other critical infrastructure and information systems to protect them from physical and cyber attacks. We focus on operational excellence to keep costs as low as possible for our customers while ensuring safety and reliability.

Economic development
We also recognize that we will only be as successful as the communities we serve. Xcel Energy drives prosperity into our communities through job creation, tax base and economic development. In 2015, we invested $3.5 billion through a variety of projects to strengthen our infrastructure and improve our operations. Whenever possible, we hire local contractors and suppliers and last year, more than 60 percent of our spending—approximately $2.4 billion—went to local businesses.

A clean energy leader
Protecting the environment is one of our core values, and we live that value by executing a clean energy strategy that includes retiring aging coal-fueled plants and replacing them with cleaner natural gas units, encouraging energy efficiency and expanding renewable energy sources—all to reduce carbon and other emissions without losing sight of affordability for our customers.

We are creating a more sustainable energy future in several ways:

- For the 12th consecutive year, the American Wind Energy Association recognized us as the No. 1 utility wind energy provider in the country. At the end of 2015, wind accounted for 17 percent of our energy supply. By 2020, we expect that number to climb to 24 percent.
- We have embraced all forms of solar energy and expect to triple the solar energy on our system by 2020.
- Since 2005, we have reduced carbon emissions by 20 percent. The EPA recently presented us with a Climate Leadership Award for reducing carbon emissions 20 percent by 2014, six years earlier than projected. We are on pace to reduce carbon emissions 30 percent from our 2005 baseline by 2020.
- Our energy-efficiency programs rank in the top five nationally, and last year saved customers enough electricity to power 137,000 homes and enough natural gas to serve 20,000 homes. In 2015, more than 100 business customers received a combined $11 million in rebates for using energy-efficient design in 136 different buildings.

Our clean energy strategy positions us favorably to meet any future emission requirements from the EPA or other regulatory organizations. We are most proud of our ability to simultaneously protect the environment and invest in the future at a reasonable price.

Serving our communities
An Xcel Energy hallmark is giving back to the communities we serve. Being Responsible by Nature is reflected in numerous ways we work together to positively impact as many lives as possible:

- We helped to facilitate $45.7 million in customer energy assistance throughout our service territory to more than 100,000 families in 2015 through several programs ranging from heating assistance to free energy savings services and upgrades.
- Hiring military veterans is not only the right thing to do for those who bravely served our countries, but it's good for our business. Last year, more than 10 percent of our new hires came from a military background, exceeding our goal. This is an important strategy to help manage a pending workforce transition as thousands of long-tenured employees are eligible to retire in the next five to 10 years.
- The Xcel Energy Foundation awarded $3.8 million in grants to 400 non-profit organizations across our service territory, with a continued focus on science, technology, engineering and math (STEM) education, economic sustainability and accessibility to the arts. Our employees and retirees set a record with $2.8 million in United Way pledges and nearly 40,000 volunteer hours across our service territory.

Delivering value
As a publicly traded energy company, we also recognize our responsibility to deliver a return worthy of the trust our investors place in us. 2015 was the 11th consecutive year we met or exceeded our earnings guidance, and we increased our dividend for the 12th consecutive year. *Forbes* magazine named Xcel Energy to its list of the 100 Most Trustworthy Companies in America for our consistent demonstration of transparent accounting practices and solid corporate governance—a hallmark of our responsible business practices.

The Right Mix
Providing reliable, affordable energy. Protecting the environment. Caring for our communities. Delivering value to our customers and investors. It's all part of The Right Mix we use to make wise, responsible investments to power our collective future. As you read our Corporate Responsibility Report, you will learn more about our community impact and how we are working hard to create a more sustainable energy future for all of us. We're glad that you have joined us for this exciting journey.

Sincerely,

Ben Fowke
Chairman, President and CEO

Who We Are

Xcel Energy provides the energy that powers millions of homes and businesses across eight Western and Midwestern states, including Colorado, Michigan, Minnesota, New Mexico, North Dakota, South Dakota, Texas and Wisconsin. Our workforce of more than 12,000 is rising to the challenge of a changing industry—one that requires us to be even more customer focused, forward thinking and productive. Together, we remain committed to meeting our customers' fundamental need for safe, reliable, affordable energy, but those needs are evolving.

We recognize that our customers and the communities we serve want more control over how their energy is produced and how they use it. In anticipation of this expectation, Xcel Energy continues to offer innovative solutions that give customers more options, help them manage their energy use and support their values.

We are a recognized industry leader in delivering renewable energy and reducing carbon and other emissions, efforts that have put us on a path to a more sustainable energy future. Our business requires that we achieve the right mix in all we do—cultivating the right talent, offering customers the right options, collaborating with communities, investing for the future and protecting the environment.

Vision

We will be the preferred and trusted provider of the energy our customers need.

Mission

We provide our customers the safe, clean, reliable energy services they want and value at a competitive price.

Values

Our values reflect our core beliefs—who we are, how we conduct our business and the importance of our customers. We commit to:

- Ensure safety for ourselves, our coworkers and the public
- Work productively and create a challenging and rewarding workplace
- Treat all people with respect
- Conduct all our business in an honest and ethical manner
- Work together to serve our customers
- Be accountable to each other for doing our best
- Promote a culture of diversity and inclusion
- Protect the environment
- Achieve operational excellence

Operating Companies

Headquartered in Minneapolis, Minn., Xcel Energy Inc.'s operations include the activity of four wholly owned utility subsidiaries that serve electric and natural gas customers in our eight states. These utility subsidiaries, referred to as operating companies, are Northern States Power Company-Minnesota, Northern States Power Company-Wisconsin, Public Service Company of Colorado and Southwestern Public Service Company.

Northern States Power Company-Minnesota
Minnesota, North Dakota, South Dakota
Electricity and natural gas service (electricity only in South Dakota)
Christopher B. Clark, president

- Customers:
  - Electricity: 1,447,711
  - Natural gas: 503,984
- Communities served:
  - Minnesota
  - North Dakota
  - South Dakota

Northern States Power Company-Wisconsin
Wisconsin, Michigan
Electricity and natural gas service
Mark E. Stoering, president

- Customers:
  - Electricity: 255,684
  - Natural gas: 112,243
- Communities served:
  - Wisconsin
  - Michigan

Public Service Company of Colorado
Colorado
Electricity and natural gas service
David L. Eves, president

- Customers:
  - Electricity: 1,431,055
  - Natural gas: 1,361,381
- Communities served
  - Colorado

Southwestern Public Service Company
Texas, New Mexico
Electricity service only
David T. Hudson, president

- Electricity customers: 388,532
- Communities served:
  - Texas
  - New Mexico

These four operating companies, along with WYCO Development LLC, a joint venture formed with Colorado Interstate Gas Company (CIG) to develop and lease natural gas pipeline, storage and compression facilities, and WestGas Interstate, Inc. (WGI), an interstate natural gas pipeline company, make up Xcel Energy's continuing regulated utility operations.

Xcel Energy Services is the service company for the Xcel Energy holding company system. It provides a variety of administrative, management, engineering, construction, environmental and support services, including the company's philanthropic division.

Xcel Energy Transmission Development Company, LLC (XETD) and Xcel Energy Southwest Transmission Company, LLC (XEST) are transmission-only subsidiaries that will participate in Midcontinent Independent System Operator (MISO) and Southwest Power Pool (SPP) competitive bidding processes for transmission projects. Xcel Energy West Transmission Company, LLC (XEWT) is a transmission-only subsidiary that will competitively bid on transmission projects in the western United States.

Additionally, we have one non-regulated subsidiary in continuing operations, Eloigne Company, which invests in rental housing projects that qualify for low-income housing tax credits.

Achieving the Right Mix: Company Highlights

Our Company and Workforce

- Xcel Energy is honored to be included in *Fortune* magazine's list of the World's Most Admired Companies. We rank in the top five for natural gas and electric utilities, with high marks for social responsibility, people management, innovation, assets and financial soundness. We are equally pleased to be one of *Forbes* magazine's 100 Most Trustworthy Companies in America for our consistent demonstration of transparent accounting practices and solid corporate governance.
- We scored 90 percent on the Human Rights Campaign Foundation's Corporate Equality Index for our policies and practices pertaining to lesbian, gay, bisexual and transgender employees, a positive reflection on our commitment to diversity and inclusiveness in the workplace.
- Xcel Energy has earned multiple honors for our efforts to recognize veterans and make them part of our team.
    - Responsible CEO of the Year by *Corporate Responsibility Magazine* awarded to Ben Fowke, Xcel Energy chairman, president and CEO, for his advocacy in hiring veterans
    - Selected by *Military Times* as one of the nation's Best for Vets: Employers 2016
    - Among the Top 100 Military Friendly Employers by *G.I. Jobs Magazine*
    - Ranked No. 8 on Monster and Military.com's list of best companies for veteran hiring

Customers and Communities

- Through 160 programs designed to save energy and money, in 2015 we helped customers save enough electricity to power more than 137,000 homes and enough natural gas to fuel more than 20,000 homes.
- Nearly 129,000 customers are participating in our renewable energy programs, including Windsource®, Solar*Rewards® and Solar*Rewards® Community®. We expect participation to grow as we add more options, such as Solar*Connect Community℠, now available in Wisconsin.
- More than 3,500 volunteers pitched in and spent 10,300 hours painting, sorting, planting and otherwise supporting 80 local nonprofits during Xcel Energy's fifth annual Day of Service, making it our largest event yet.
- The Xcel Energy Foundation awarded $3.8 million in grants to nearly 430 nonprofits benefitting our four community focus areas: STEM education (science, technology, engineering and math), economic sustainability, environmental stewardship and access to arts and culture.

Operations

- In 2015, we ceased coal operations at our Black Dog plant in Minnesota and Cherokee Unit 3 in Denver, part of our plans to sunset about 25 percent of the coal-fueled capacity we own by 2018.
- Our crews were honored with the Edison Electric Institute's Emergency Recovery Award for quickly and safely restoring power to 250,000 customers following a devastating storm that ripped through the Twin Cities in summer 2015.

Environment

- We added four new wind farms and increased our wind power capacity 15 percent in 2015, helping secure our spot as the nation's No. 1 utility wind energy provider for the 12th consecutive year.
- The EPA recognized Xcel Energy with a 2016 Climate Leadership Award for reducing carbon emissions 22 percent from 2005 to 2014—six years ahead of schedule. At the same time, our successful Clean Energy Partnership with the city of Minneapolis and CenterPoint Energy was honored with a special certificate for Innovative Partnership.

Strategic Priorities and Performance

The way we produce, distribute and use energy has changed over time. And it will continue to change. Within the next decade and beyond, it is possible that there will be more change in our industry than we have experienced in the last half century. Addressing the challenges and opportunities facing our industry requires that we continue meeting the fundamental customer requirements for reliable, affordable energy, while anticipating the growing interest in more complex energy solutions and emerging technologies.

Xcel Energy's strategic priorities support our company mission to provide energy services that our customers value at a competitive price, while continuing to consistently meet or exceed investor expectations. Focus on these priorities helps prepare our company for competition and position us for continued success in a changing utility landscape.

Our Strategic Priorities

Xcel Energy's core objectives address impacts, challenges, opportunities and stakeholder interests.

Objective: Improve the performance of our utility companies
• Strong financial performance improves our ability to attract investors and favorable financing for major capital projects needed to provide customers with safe, reliable and clean energy service at an affordable price. • Our goal is to close the gap between our actual return and our authorized return by 50 basis points by 2018. • We are on track to achieve this goal, continuing to pursue new longer-term, multi-year regulatory compacts in our jurisdictions, in addition to prudently controlling our costs.
Objective: Drive operational excellence throughout the business
• We will maintain and build upon strong system reliability and outage response capabilities. • By carefully managing and reducing our operating and maintenance expenses, we can increase shareholder value while keeping customer rates affordable. • We must leverage our skilled workforce to be more efficient and productive, relying on advanced technology to perform their jobs more effectively. • Developing the next generation workforce is critical to our continued success, and managing this transition requires that we attract, train and retain the most skilled and highest performing employees. • We must proactively prepare for and work to prevent threats, continually making our systems even more robust, resilient and secure.
Objective: Deliver what customers value
• Customers and communities depend on Xcel Energy to continue providing reliable, affordable energy—it is a critical service. • Emerging technologies and product development will continue to change our customers' preferences for products and services, and require us to adapt our business to meet their needs. • There is growing customer interest in new and expanded energy solutions that can save money, reduce environmental impact and put more control in the hands of customers and communities. • We must continue to look for ways to provide customers the products and services they want and value, while making it easier for customers to do business with us.

Objective: Grow the business
• The energy grid and its reliability are a competitive advantage for Xcel Energy; the adoption of many emerging technologies in the marketplace depends on the grid and its advancement. • Through investments in renewables, natural gas and transmission, we can build on our strengths to grow our business while keeping prices affordable for customers. • Continued investment in the grid and renewable energy sources, coupled with our deep expertise in energy generation, transmission and distribution, positions us well to meet customer expectations now and into the future.

A full description of our risk oversight and management processes is available in our 2015 Form 10-K, along with a description of the risks associated with Xcel Energy's business.

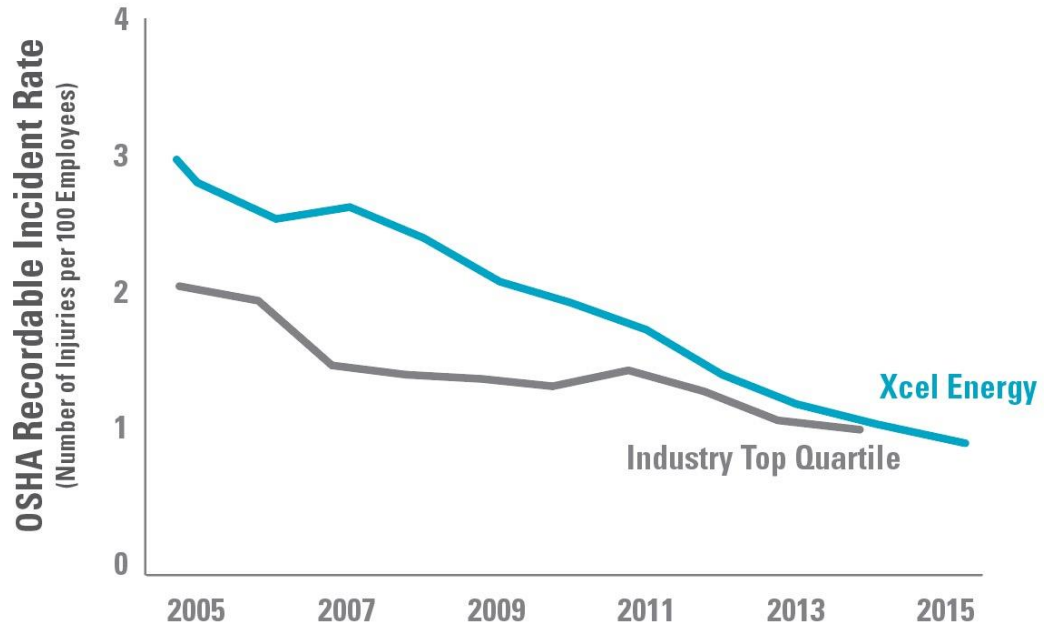
Our Performance

Solid Financial Results

For the 11th consecutive year, we have met or exceeded our earnings guidance. Since 2005, we have achieved annual ongoing earnings growth of 6.2 percent.

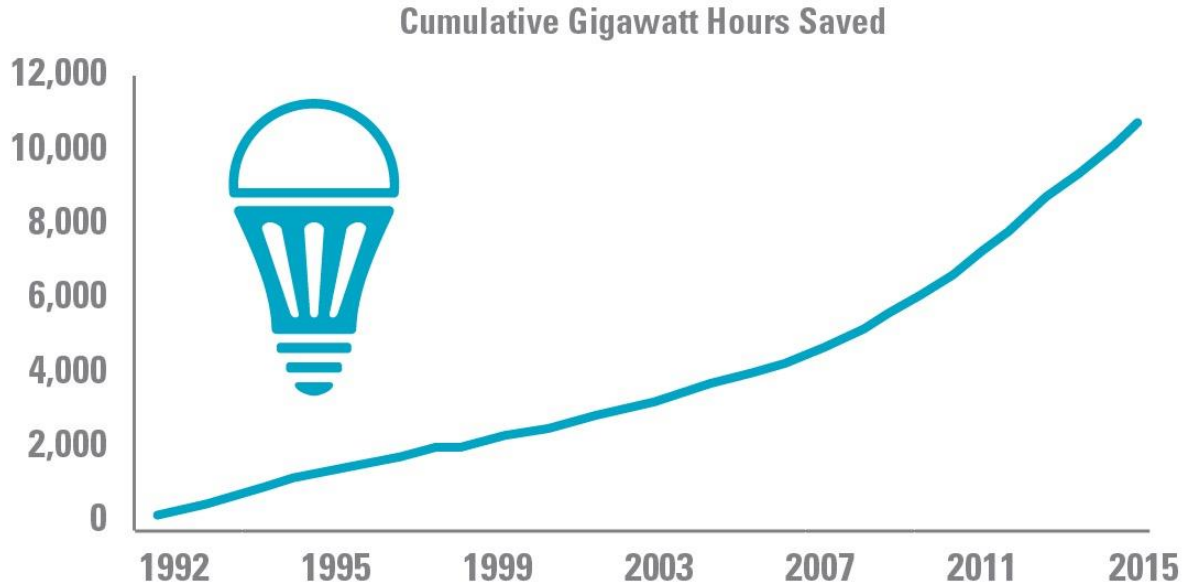
Safety is Our Top Priority

Since launching our ambitious Journey to Zero workplace safety campaign in 2010, employee injuries are down 50 percent.



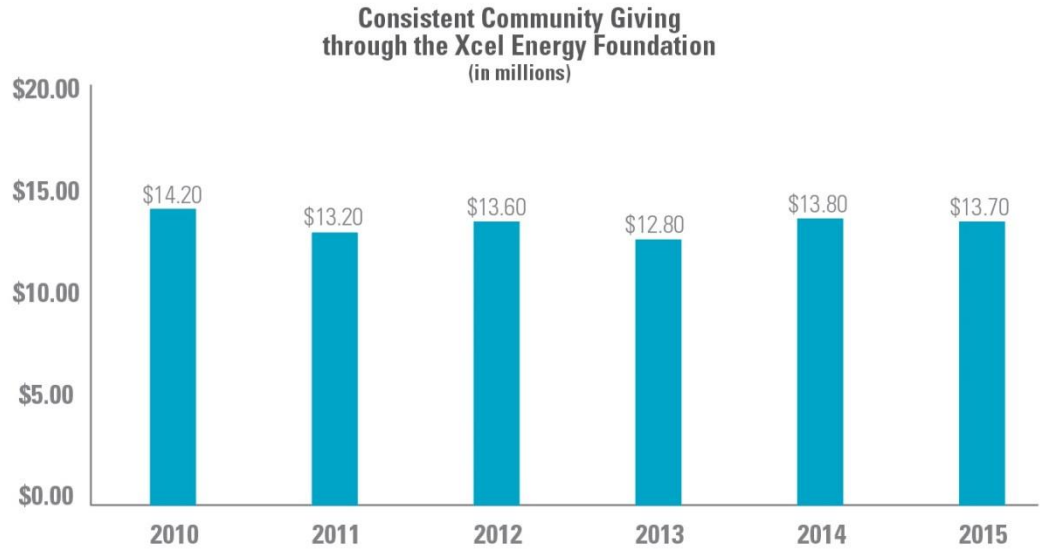
Offering Customers Energy Solutions

Xcel Energy's extensive portfolio of energy efficiency programs gives customers more control over their energy use. By the end of 2015, customers had saved enough energy to power more than 1.5 million homes annually.



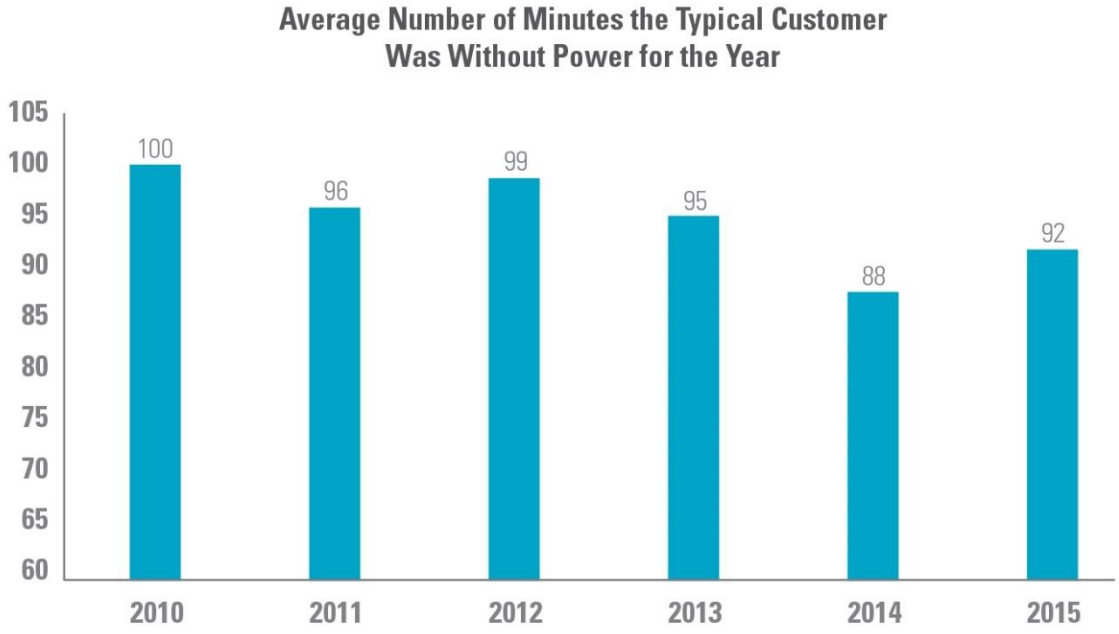
Community Partnership

We consistently support our communities through a combination of Xcel Energy foundation grants, employee matching gifts and volunteerism.



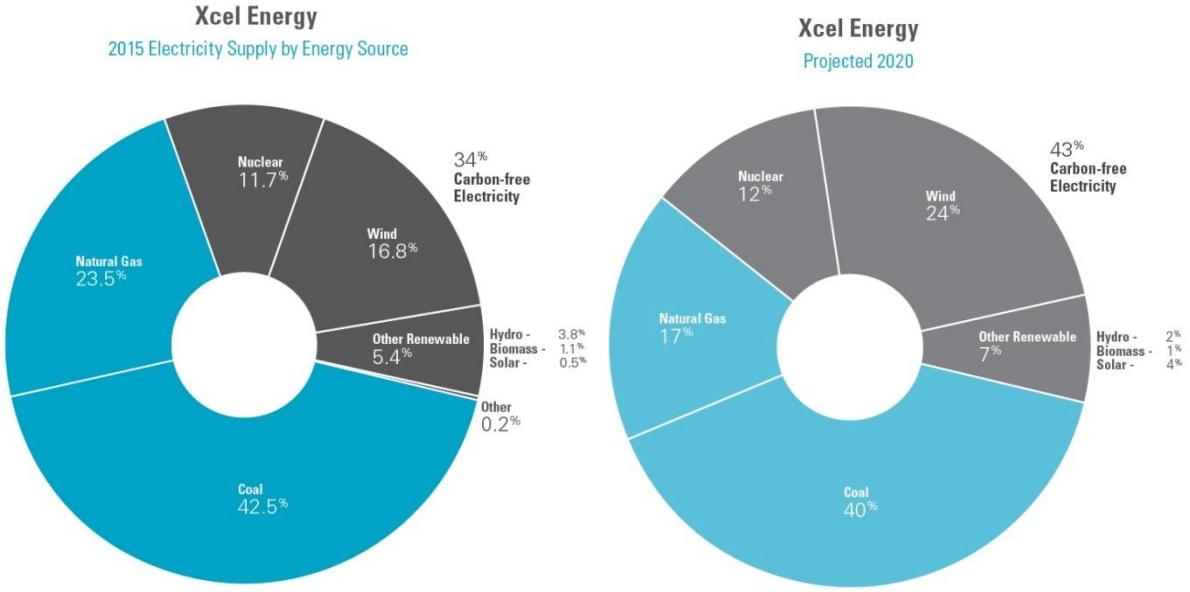
Reliable Energy Service

On average Xcel Energy customers have electricity service more than 99.9 percent of the time, putting our reliability performance in the top one-third of U.S. electric utilities, and our storm response is considered among the best in the industry.



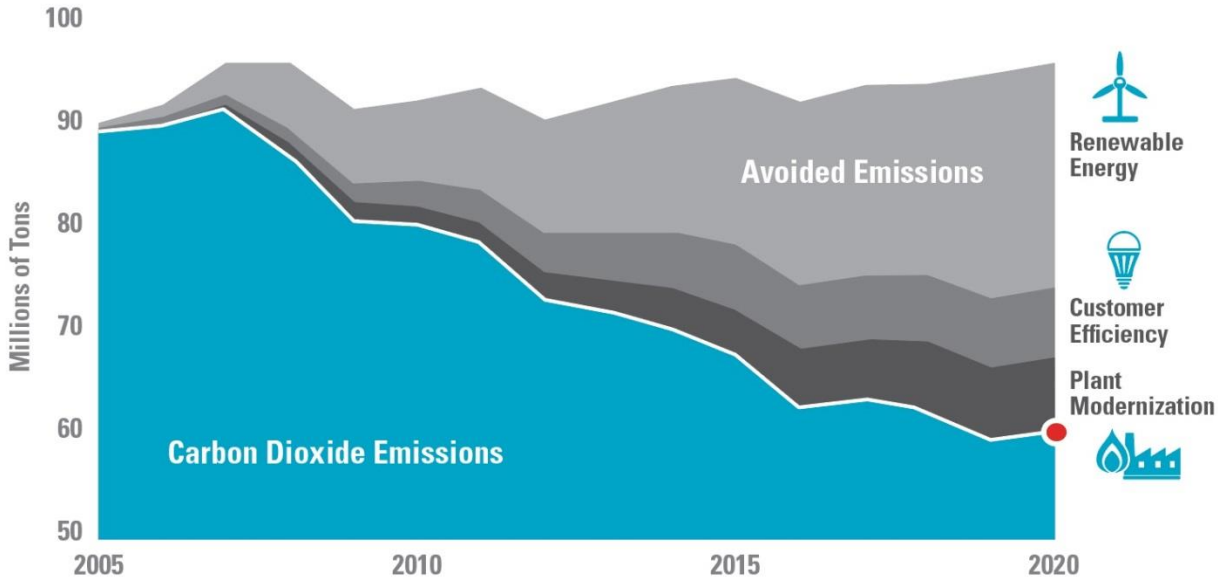
Committed to a Diverse Energy Supply

Through a number of projects underway, we are diversifying our energy supply. We are retiring and repowering some of our coal-fueled plants with cleaner natural gas and adding more wind and solar energy sources.



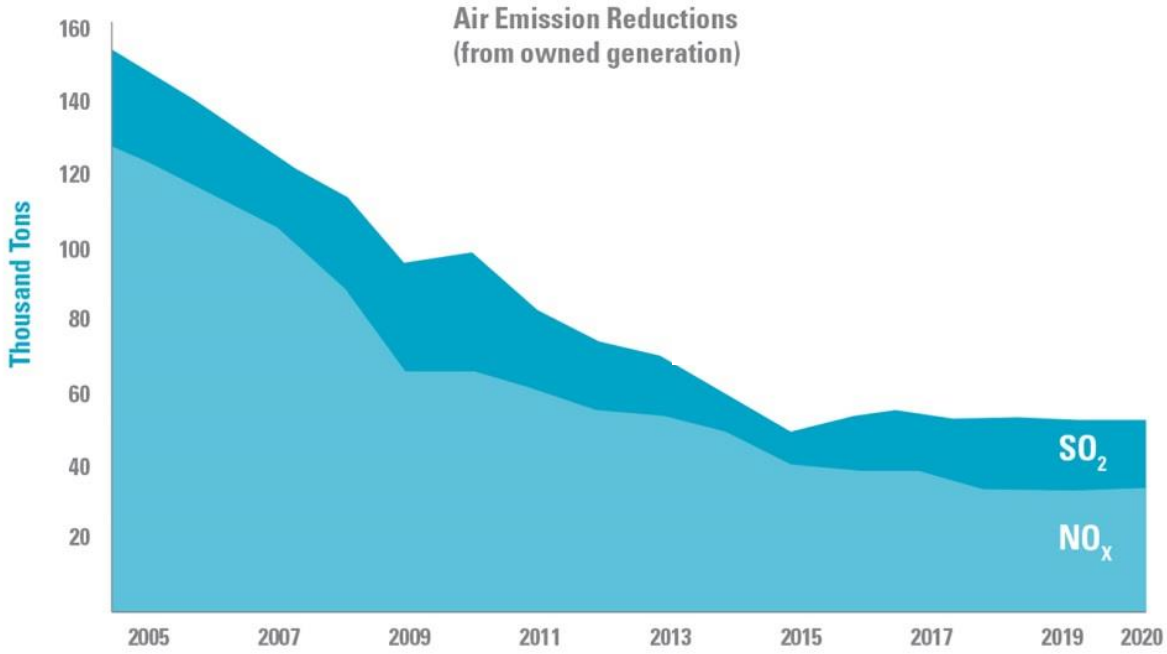
Our Proactive Clean Energy Strategy

We have reduced carbon dioxide emissions 24 percent since 2005 and are on pace to reduce these emissions 30 percent by 2020 by adding more renewable energy sources, helping customers save energy and modernizing our generating fleet.



Protecting Air Quality

Through our clean energy strategy and other efforts, we are reducing air emissions. Since 2005, we have reduced both sulfur dioxide and nitrogen oxide emissions 67 percent.



Stakeholder Engagement

Having a clear understanding of our stakeholders and our impact helps us set priorities and create a course of action to ensure a sustainable and socially responsible future. We cannot act effectively without considering input from many different groups. Xcel Energy's stakeholders are those individuals and groups who affect or are affected by our business operations. The greater the impact, the more heavily we invest our time, energy and resources in the relationship. Xcel Energy engages with and responds frequently to various groups as outlined below.

Stakeholder group	Engagement	Key interests	Our response
Customers	• Customer Contact Center • Business Solutions Center • Business account managers • Personal account representatives for customers in need • Customer advocate process • Surveys and focus groups • Website, newsletters and bill inserts • Direct mail and advertising • Energy expos • One-on-one meetings	• Energy service start and stop • Service reliability and timely outage response • Electric and natural gas safety • Affordable service • Energy and money saving opportunities • Easy billing and online account management • Information privacy • Neighborhood construction or repair work • Renewable energy • Environmental improvement	• Public safety materials, programs and advertising • Expanded energy saving programs and program goals • Low-cost or no-cost energy saving tips • Community outreach and events to promote energy efficiency • Online account management programs • Online outage map and improved outage communications • Data privacy process • Renewable energy consumer programs • Clean energy strategy • Operational excellence initiative
Employees	• Leadership meetings • Employee webcasts • Executive site visits and presentations • Bargaining unit negotiations and communications • Satisfaction, engagement and communication surveys • Training	• Continued market-based compensation and benefits • Professional development opportunities • Communication • Recognition • Employee engagement • Community involvement • Increased involvement in national, state and local energy policy and legislation	• Total Rewards statement • Management compensation training • My Financial Future planning tool • New Hire Connection employee orientation • Individual performance and development plans • Online professional development resources • Tuition reimbursement • XCelebrate Recognition program • Print, electronic and

			video communications • Volunteer activities and paid-time-off program • United Way campaigns and matching gift program • Positive Effect engagement program • Business Resource Groups • Diversity and inclusion education • Wellness programs • Lunch-and-learn seminars • Grassroots political informational events
Communities	• Project-specific stakeholder meetings and open house events • Community relations and foundation staff • Partnerships and local memberships • Franchise agreements • Presentations and speaking engagements • Community workshops • Sponsorships and community events • Volunteer projects	• Public safety • Project input and communication • Continued community support • Economic development and jobs • Continued community investment • Environmental leadership and support for local goals • Energy efficiency • Energy education	• Public safety programs • Project websites, newsletters, mailings and stakeholder meetings • United Way campaign • Foundation focus areas and grants • Employee volunteers and board members • Programs for customers in need • Clean energy strategy • Power plant tours • Energy Classroom
Legislators and regulators*	• Policy leadership • Governmental and regulatory staff • Regulatory proceedings • Reports, filings and informational materials • Legislative initiatives • Political action committees and grassroots political informational events with employees • Speaking engagements	• Reasonable energy costs • Reliable energy service • Environmental leadership • Emissions reductions • Responsible corporate governance	• Productivity and cost reduction efforts • Clean energy strategy • Support for renewable energy standards • Regulated energy efficiency and conservation programs and goals • Voluntary emissions reduction initiatives • Highly rated corporate governance program

Investors	• Website • Annual report, 10-K, 10-Q, proxy, financial press releases and other disclosures • Annual shareholders' meeting • Teleconferences • Investor meetings	• Stock appreciation and company growth prospects • Dividend growth and total returns • Meet earnings per share guidance • Solid credit ratings • Financing needs • Favorable regulatory environment • Transparency	• Corporate strategy that includes a fair return on investment, utility business investment and stakeholder alignment • Senior management presentations at investor conferences • Quarterly earnings release conference calls and webcasts • One-on-one meetings with current and prospective shareholders • Analyst Day meetings in New York City • Participation in utility and retail shareholder organizations • Investor Relations Mobile App

**Often overlaps with community stakeholders*

About this Report

Publication Date: May 18, 2016
Reporting Period: Jan. 1, 2015 – Dec. 31, 2015
Date of Previous Report: May 2014
Reporting Cycle: Annual
Report Boundary: Xcel Energy and its four utility subsidiaries
Contact Point: corporateresponsibility@xcelenergy.com

Xcel Energy's Corporate Responsibility Report covers the company's economic, environmental and social performance. We report on key initiatives and performance indicators important to stakeholders and Xcel Energy, as we continue to provide high quality energy service and meet the challenges of a changing energy marketplace.

This year marks the 11th year we have published this report. Our first Corporate Responsibility Report (formerly known as the Triple Bottom Line report) was published in April 2005, with the contents covering the 2004 calendar year, and we have published a similar report in each following year. In 2012, we began publishing the full report online. We believe the online format provides easier access to information for our stakeholders. Throughout the report, we provide links to information published in our other corporate reports, such as the Form 10-K and proxy statement. To raise awareness for our reporting and encourage stakeholders to access the report online, we print an overview publication that is distributed at our annual shareholders' meeting and at other events throughout the year.

As a regulated, public utility we interact with stakeholders on a daily basis through:

- Requests, reports and topics for consideration before our public utilities commissions
- Ongoing interactions with customers, both business and residential
- Regular meetings and contacts with investors, community leaders, elected officials and others

Having a clear understanding of our stakeholders and our impact helps us set priorities and create a course of action to ensure a sustainable and socially responsible future. We cannot act effectively without considering input.

For the purposes of this report, our stakeholders are those individuals and groups who affect or are affected by our business operations. We have divided these stakeholders into five categories:

- Customers
- Employees
- Communities
- Legislators and Regulators
- Investors

Global Reporting Initiative Guidelines

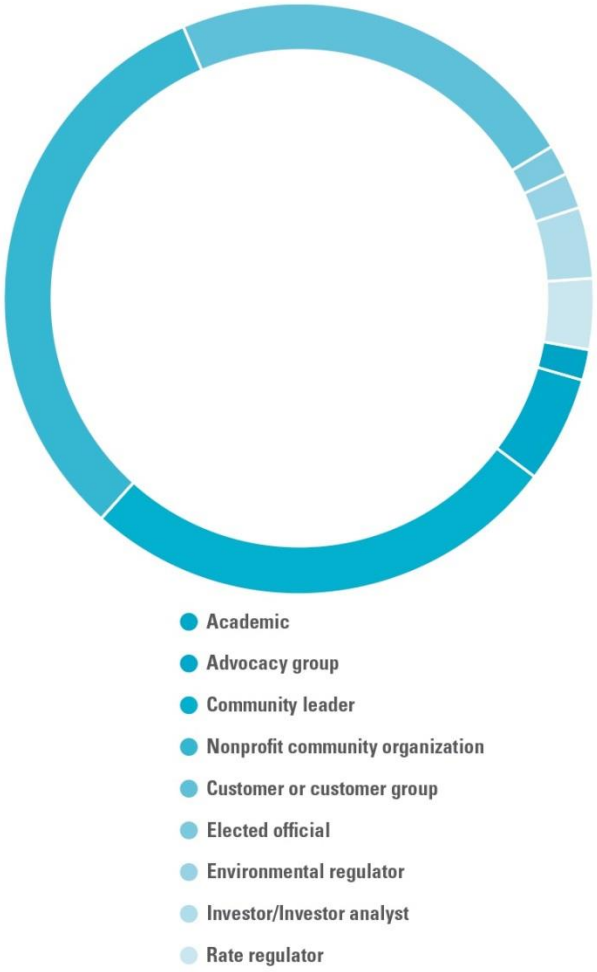
Xcel Energy continues to base its Corporate Responsibility Report on Global Reporting Initiative (GRI) guidelines, which we have used since 2008. This year's report is based on GRI's G4 guidelines in accordance with the Core option and the Electric Utilities Sector Specific Supplement. We have tried to meet the intent and follow the G4 guidelines as closely as possible; however, there are instances where we track information for disclosure differently or not at all, based on our company or stakeholder information needs. For more information, please see the GRI G4 Content Index.

Materiality

Consistent with GRI's G4 guidelines, we conducted our first materiality assessment for reporting in early 2015. For the purposes of our Corporate Responsibility Report, we identify issues important to Xcel Energy and our stakeholders that are associated with environmental, social and local economic matters. Material issues in this context are different from those related to investment decisions.

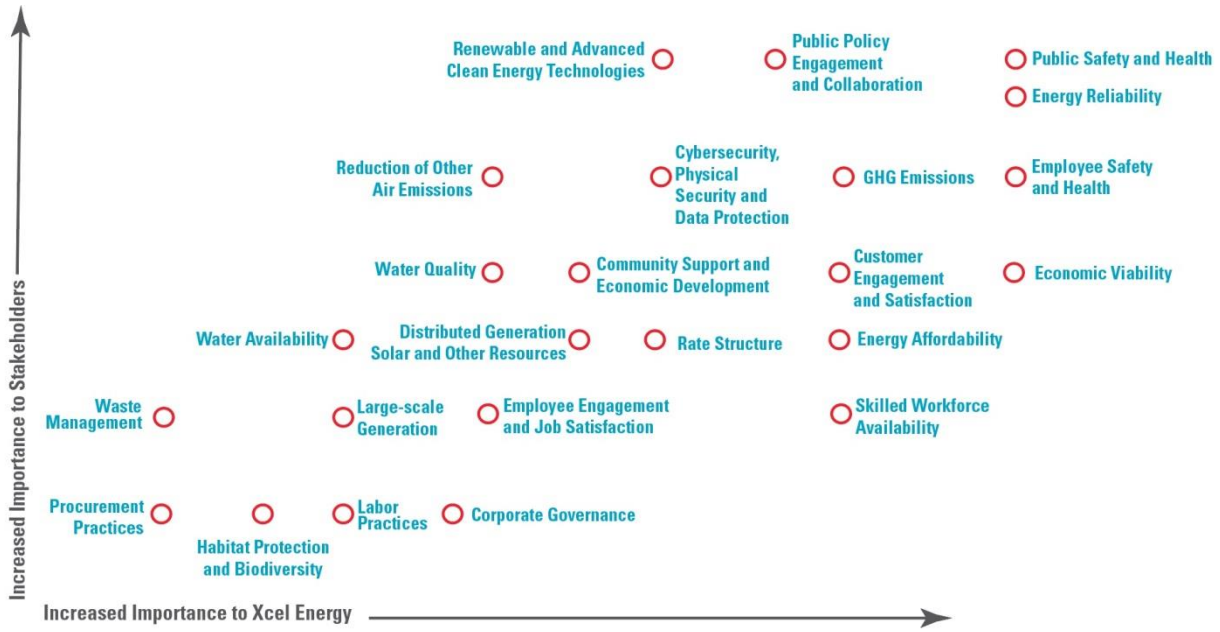
Xcel Energy's materiality assessment for this report was done in a limited manner because it was the company's first and was done for experience and learning purposes. We developed a questionnaire to ask stakeholders about their interests in 23 important sustainability or corporate social responsibility related issues. The issues were chosen based on the work of the Electric Power Research Institute's Energy Sustainability Interest Group, of which Xcel Energy is a member, and also our own experience and interactions with stakeholders.

Company departments that maintain relationships with our stakeholders distributed the questionnaire. We had 97 stakeholders from throughout Xcel Energy's eight-state service territory complete the questionnaire and results were weighted to reflect the customer base of our states.



After the stakeholder results were compiled, we compared stakeholder interests to the interests of Xcel Energy and our strategic plan and objectives. Overall, the results confirmed that there is alignment among stakeholders and Xcel Energy on important issues for the future.

2015 Materiality Assessment Results



Corporate Governance

Our Approach

At Xcel Energy, we are committed to achieving high standards of corporate governance and ethical business conduct. We endeavor to make decisions and create business processes that promote the best interests of our shareholders, customers, employees and communities. To that end, we have implemented numerous mechanisms to ensure board effectiveness and policies that provide integrity, accountability and transparency.

Corporate Governance Structure

The Xcel Energy Board of Directors is responsible for overseeing corporate governance and management, with each director having a full and equal role in the major strategic and policy decisions of the company.

As of May 18, 2016, the board is comprised of 11 directors, 10 of whom are classified as independent. Ben Fowke, serves as the company's chairman, president and CEO, and as an inside director, he is not considered independent. The chairman and CEO role brings both company and industry experience and expertise, providing the board with important insight to assist in developing effective strategies for managing the opportunities and challenges that face our changing industry.

To strengthen independent oversight, independent members of the board annually elect a lead independent director. The lead independent director is expected to serve for more than one annual term but for no more than four years. Richard K. Davis has served as the lead independent director for the past four years. Effective May 18, 2016, Christopher J. Policinski was appointed and serves as the current lead independent director.

All directors are expected to adhere to our Code of Conduct, which complies with the requirements of the Sarbanes-Oxley Act of 2002. We seek diversity on our board, which includes three women, one of whom is considered a minority.

Xcel Energy's Corporate Governance Guidelines are reviewed annually to ensure they are current and reflect company best practices, as well as generally accepted governance best practices. They were last reviewed in August 2015.

Board Nomination Process

The Governance, Compensation and Nominating Committee is responsible for annually reviewing with the board the appropriate skills and characteristics required of board members in the context of the current board make-up. This assessment of the perceived needs of the board considers factors such as:

- Demonstrated leadership
- Judgment
- Skill
- Diversity
- Integrity
- Experience with business, operations relevant to the energy industry and working for or with organizations of comparable size

The committee also considers the interplay of each director nominee's experience with the experience of other board members. The board and its committees each conduct an annual self-evaluation. The board periodically reviews and updates the evaluation questions and process to ensure they remain effective.

Shareholders elect board members at the annual meeting held in May. Any shareholder may recommend potential nominees for consideration for membership to the board to the Governance, Compensation and Nominating Committee. The board also amended our bylaws in the past year to allow qualifying shareholders to nominate board candidates for inclusion in our proxy statement.

Committees and Board Responsibilities

The board has four committees comprised only of board members who are independent directors. The committees include:

- Audit
- Finance
- Governance, Compensation and Nominating Committee
- Operations, Nuclear, Environmental and Safety

Risk Management

Our company's executive and senior leaders are responsible for identifying and managing risks, while our board of directors oversees and holds these leaders accountable. Our risk management process has three parts:

- Identification and analysis
- Management and mitigation
- Communication and disclosure

More information on the oversight of risk management processes and specific risks associated with our business is available in our 10-K and proxy statement.

Avoiding Conflicts of Interest

We regularly monitor activity to ensure conflicts of interest are avoided. Our Audit Committee charter outlines board oversight relating to:

- Accounting and financial reporting processes
- Internal control structure of the company
- Integrity of financial statements
- Compliance with legal and regulatory requirements, as well as our Code of Conduct
- Performance of our internal and independent external auditors
- Qualifications and independence of our independent external auditors

An Audit Committee report is included in our proxy statement.

Our Governance, Compensation and Nominating Committee charter also provides that this committee is responsible for evaluating related-party transactions involving the company and any of its directors or executive officers. Information about oversight of related-party transactions and company policies can be found in our proxy statement.

Responsibility for Economic, Environmental and Social Impacts

Managing our local economic, environmental and social impacts and stakeholder relationships is essential to our company's success. Responsibility for managing these different aspects of our business

is shared among executive leaders reporting to the chairman, president and CEO. The Operations, Nuclear, Environmental and Safety Committee assists the board in overseeing the majority of these issues, including environmental strategy and compliance, safety performance and operational performance of all aspects of delivering electricity and natural gas service to customers.

Board Communications

Shareholders and other stakeholders can contact the board of directors by email at boardofdirectors@xcelenergy.com or by regular mail at:

Board of Directors
c/o Corporate Secretary
414 Nicollet Mall
Minneapolis, MN 55401

Shareholders may propose actions for consideration at the annual meeting as outlined in our proxy statement.

Corporate Compliance and Business Conduct

Our Approach

Our company's compliance and ethics program continues to be a cornerstone of how we do business. It is designed to ensure a strong culture of compliance and ethics to sustain the company's reputation and customer loyalty. The focus of our program is to: Do What's Right; Report What *Seems* Wrong.

Governance of Corporate Compliance and Business Conduct

The board of directors has overall authority for our Corporate Compliance and Business Conduct (CCBC) program, including approval of the company's Code of Conduct. The board delegates key elements of oversight to the Audit Committee and Governance, Compensation and Nominating Committee. The Audit Committee of the board of directors is the governing authority for Xcel Energy's CCBC program. As such, it is knowledgeable about the content, processes and operation of the program and exercises reasonable oversight with respect to implementation and effectiveness. To assist with oversight responsibilities, the Audit Committee receives updates on a quarterly basis through the CCBC program report.

While the Audit Committee has overall CCBC program oversight, the Governance, Compensation and Nominating Committee has oversight responsibilities for corporate policies. This committee reviews proposed content changes for designated corporate policies, including the Code of Conduct, and recommends board approval as appropriate. Our chief ethics and compliance officer has overall responsibility for our CCBC program and reports directly to the CEO. The CCBC Council is made up of executives from key business areas. It monitors the effectiveness of specific compliance programs and business conduct issues.

Code of Conduct

Our employees make decisions every day that impact other employees, customers, the community, shareholders, business partners and government decision makers. The Code of Conduct provides employees with the knowledge they need to make sound business decisions that meet or exceed our ethical and legal standards. For example, we abide by anti-corruption laws, including the Foreign Corrupt Practices Act, which is a topic in our Code of Conduct. The Code of Conduct was updated in 2015 to align with emerging compliance requirements, risks and business priorities.

Communications and Training

Regular, consistent communication to employees about company values, the Code of Conduct, other policies and training requirements is a high priority at Xcel Energy. We use a variety of techniques to reach employees who have regular computer access and those who do not.

Code of Conduct training is one component of our annual CCBC training plan. Code of Conduct training is required within 30 days of being hired and annually thereafter. Courses are identified for the annual training plan based on policies, regulations, key issues and our three-year rotating training cycle. The goal is 100 percent training completion by due dates. Employees are responsible for knowing and following not only our Code of Conduct, but all corporate policies and applicable laws and regulations.

Employees are invited annually to respond to five specific statements regarding the effectiveness of our CCBC program. Favorable results have been reported for the last eight years. These results demonstrate that a culture of compliance and ethics is embraced at Xcel Energy.

2015 CCBC Employee Survey Results

	Agree
I know what is expected of me	100%
I believe I would be protected from retaliation	93%
My manager would never ask me to do something unethical	98%
I am familiar with the company's vision, mission and values	100%
Company leaders use our vision, mission and values to guide the company	89%

Investigations and Resolving Conflicts

Xcel Energy takes seriously allegations of wrongdoing that are reported through compliance hotline and non-hotline reporting channels. We implemented an enhanced web tool in 2015 to improve tracking, monitoring and reporting capabilities related not only to allegations, but also conflicts of interest and inquiries about company policies. Anonymous reports are accepted through the hotline. Investigations are performed by the appropriate business area based on the allegation type and appropriate responsive action is taken. The company strictly prohibits any retaliation against an employee who, in good faith, reports a violation or suspected violation of the Code of Conduct or company policy.

Talent Strategy and Transformation

Our Approach

Xcel Energy's workforce is a critical contributor to our company's success, and our employees know the importance of their work to the communities we serve. While retirement will play a significant role in changing the composition of our workforce over the next 10 years, these changes enable us to find new ways to engage employees, implement more efficient and effective processes and build an inclusive and diverse team-centered culture that is ready to respond to the increasingly competitive energy industry.

We have made it our mission to proactively shape an environment that attracts and retains high quality employees who fit well in the Xcel Energy culture. We are developing inspirational and courageous leaders and holding employees accountable for operational excellence. With an emphasis on a performance-based culture, we have implemented a number of innovative programs and improved our use of technology to strengthen planning and recruitment efforts.

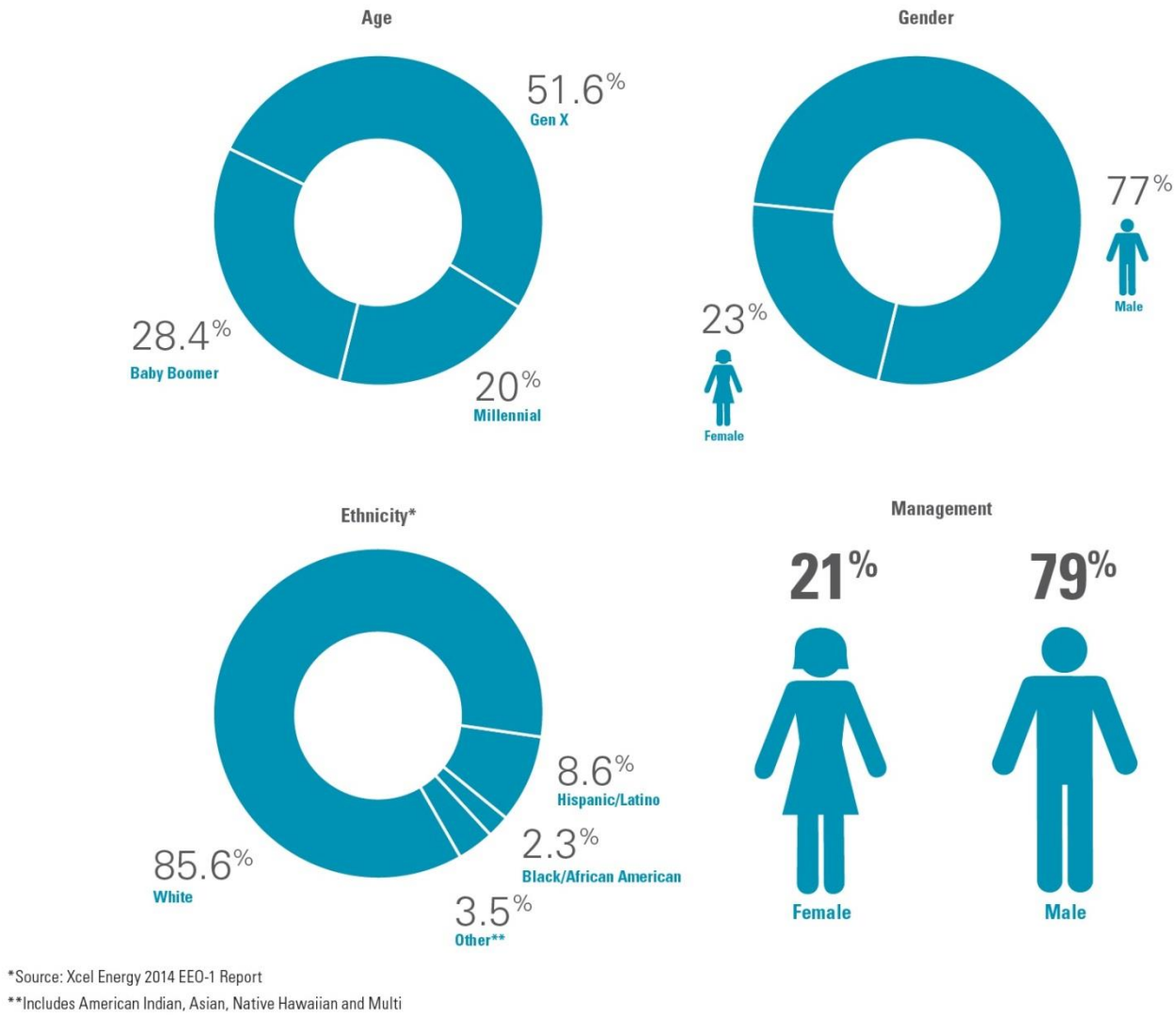
Our Workforce Composition

2015 Workforce Totals by Job Classification and State

The following table includes all full-time, part-time and temporary employees of Xcel Energy, but excludes contractors and employees on leaves of absence. It breaks down our workforce by state and by main job categories. Bargaining employees are full-time, permanent employees covered under collective bargaining agreements. Craft employees are temporary, project-specific employees also covered by collective bargaining agreements. Both bargaining and craft employees are combined to make up the percent of our workforce represented by unions. Non-bargaining employees consist of management and non-management employees based on the type of work they perform.

	Bargaining	Non-Bargaining	Temporary	Total*	% Represented by Unions	Management	Non-Management
Colorado	1,932	1,764	56	3,752	52.6%	504	1,260
Washington DC	0	4	0	4	0.0%	1	3
Michigan	13	3	1	17	76.5%	1	2
Minnesota	2,102	2,756	695	5,553	49.3%	857	1,899
North Dakota	69	40	1	110	63.6%	12	28
New Mexico	146	87	0	233	63.3%	23	64
South Dakota	62	20	18	100	80.0%	7	13
Texas	674	824	59	1,557	43.0%	178	646
Wisconsin	381	586	45	1,012	39.7%	95	491
Total	**5,379**	**6,084**	**875**	**12,338**	**49.4%**	**1,678**	**4,406**

* This employee count is different from the 2015 Form 10-K report because the information includes temporary employees and reflects workforce changes that happened immediately prior to year-end 2015 that were not recorded or reconciled until early 2016.



*Source: Xcel Energy 2014 EEO-1 Report

**Includes American Indian, Asian, Native Hawaiian and Multi

Projected Retirement Eligibility

	2020 (5-year)		2025 (10-year)	
	Bargaining	**Non-Bargaining**	**Bargaining**	**Non-Bargaining**
Minnesota, North Dakota, South Dakota	37.7%	30.8%	50.9%	46.9%
Wisconsin, Michigan	30.9%	35.8%	49.1%	55.6%
Colorado	36.8%	38.7%	46.4%	52.2%
New Mexico, Texas	16.6%	36.8%	28.2%	48.0%
Xcel Energy Services	Not applicable	25.5%	Not applicable	38.9%

We project that in five years about 31 percent of our workforce will be eligible for retirement, increasing to about 47 percent of our workforce in 10 years. Please note that we do not expect all employees to retire once they become eligible.

2015 Employee Turnover

	Bargaining	Non-Bargaining
Minnesota, North Dakota, South Dakota	4.5%	8.2%
Wisconsin, Michigan	5.6%	3.2%
Colorado	5.7%	9.5%
New Mexico, Texas	6.7%	10.7%
Xcel Energy Services	Not applicable	14.2%

The average employee turnover for combined bargaining and non-bargaining employees in 2015 was 8.7 percent. About 34 percent of turnover was the result of retirements, about 51 percent were resignations and the remaining 15 percent includes turnover for other reasons, such as unsatisfactory performance, misconduct, severance or death.

Workforce Planning and Analytics

Planning is a key part of our overall workforce strategy, and having the roadmap, facts and data to make informed decisions is vital to proper planning.

In 2015, we continued development and implementation of a stronger strategic workforce planning process and model to support leaders in using the opportunities that arise as a result of turnover. By leveraging data and analytics, we have been able to more accurately determine what the organization will need in terms of size, type and quality of the workforce to achieve its objectives. The strategic workforce plan allows for a more intentional approach to deploying solutions that will address our changing workforce.

The Human Capital Report dashboard is a tool that includes standardized measures of cost, engagement, employee movement and performance management. It continues to be used to inform leaders on workforce costs and provide monthly information on the state of their organizations to help in decision making.

Intentional Hiring

Our recruitment strategy has changed dramatically over the past several years, transforming from a manual, time-intensive process to one that is more efficient and uses modern, automated tools and systems. We also proactively find qualified candidates for current or planned open positions, providing a strong pipeline of potential workers. Our objective is to find the right job candidates at the right time and place.

Xcel Energy posted 2,303 requisitions in 2015, with internal candidates successfully filling 848 (37 percent) of these openings.

Technical schools

We have established relationships with a number of technical schools to ensure they offer the right kind of training and curriculum to prepare our future workforce. We provide internships and administer pre-employment testing to students, so when job openings become available, we have a pool of qualified candidates to fill positions.

High Schools
We continue to place a focus on high school recruitment to attract students into our skilled trades. In our Texas and New Mexico regions, where our needs are greatest, we continue to reach out to area high schools. In Colorado, we have 4 programs in partnership with Denver Public Schools and Jefferson County high schools. In Minnesota, we continue our partnership with Step-Up Achieve to hire high school interns for office positions.

Targeted job fairs
We continue to support the employment events that are most successful in helping us hire qualified employees. We maintain relationships with several schools and local organizations within our service territories that hold job fairs. We have been successful finding qualified candidates at these events.

Search engine optimization
We continue to review and modify the way we market our jobs. The optimization of marketing technology over the last several years has increased visibility of our jobs to many job seekers who begin their search on search engines rather than national job boards. In 2015, we averaged 74,307 visitors to our career website per month, and on average, attracted more than 6,000 external applicants per month. More than 3,700 individuals subscribed to our Talent Community database each month as well, receiving notifications about open positions in their areas of interest and qualification.

Niche job advertising
By leveraging partnerships with niche-oriented websites, we have been able to reach highly skilled workers whose skills closely match our job requirements. For example, we have targeted pages on LinkedIn for specific job categories, such as engineering or finance. These pages help us market these jobs to the right candidates. Similarly, we are marketing jobs to local, community-based organizations to reach candidates within our service areas—reducing the need to relocate candidates while increasing the exposure of our job openings to our customer community.

Veteran outreach
In 2015, we focused on building strategic partnerships with veteran organizations and engaging in activities to increase our visibility as a preferred employer for military veterans. We created and implemented military-specific marketing and communications efforts, and attended more than 30 job fairs that specifically targeted military veterans throughout our service area. We also signed a national Statement of Support with the Employer Support of the Guard and Reserve (ESGR), a Department of Defense office. We are proud to have increased our veteran hires to 10.7 percent—more than three percent over our 2014 rate—and remain committed to maintaining our status as a top veteran and military employer.

Diversity outreach
Through our partnerships with workforce centers in Minnesota, Colorado, Texas, and New Mexico, Local Job Network and Diversity Minnesota, we are able to reach diverse job seekers in the places where they live and work. Partnerships like this, as well as our outreach events and marketing strategy, have enabled us to create an enhanced diverse candidate pools for our open positions.

Active candidate sourcing
To locate candidates who may not currently be seeking employment, we use various online tools like LinkedIn to actively search for qualified candidates for open positions. This is an effective process for jobs that are more difficult to fill or jobs with small numbers of qualified candidates.

Recruitment Videos
In partnership with operations business areas, we have developed recruitment videos to expand our outreach for a few areas where we expect to have the highest recruitment needs over the upcoming years. Our lineman, gas worker and engineering videos can be found on YouTube.

Diversity and Inclusion

We promote diversity and inclusion as a core value, as reflected in our Code of Conduct and corporate diversity policy. Our commitment to diversity and inclusion goes beyond human resource policies and practices. It is an integral part of who we are, how we operate and how we see our future.

We define diversity as differences in people (ethnicity, gender, age, race, national origin, disability, religion and sexual orientation), as well as differences in their thought processes, educational backgrounds, work experiences, personalities, lifestyles and cultural backgrounds. Inclusion is the act of building an environment that welcomes and embraces diversity. An inclusive work culture provides all employees with equal access to employment opportunities and development.

Each Xcel Energy employee has the power to make a difference when it comes to creating an inclusive environment. We encourage our employees to remember **Diversity Exists: Inclusion is My Responsibility.**

Diversity and Inclusion Training
In 2015, more than 1,600 Xcel Energy employees participated in half-day diversity and inclusion training sessions that were conducted throughout our service territory. In addition, more than 40 managers attended diversity and inclusion training sessions. The classes are designed to provide knowledge, insight and skills to manage diverse teams and create an inclusive culture.

Business Resource Groups
To help achieve a more productive and inclusive workplace, Xcel Energy supports the formation and existence of Business Resource Groups. These groups are an inclusive venue for cultural exchange, community outreach and business solutions that contribute to professional and personal growth. Participating employees work together to help the company achieve its business goals. More than 800 employees participate in our Business Resource Groups.

Council for Diversity and Inclusion
The Council for Diversity and Inclusion (CDI) is composed of leaders from each of our Business Resource Groups. The council's goal is to improve collaboration between Business Resource Groups and engage them in helping address key business challenges at Xcel Energy.

CDI Vision: Be a diverse and inclusive culture
CDI Mission: Create and foster a culture of diversity and inclusion that drives employee engagement by recognizing both individual and group contributions in support of corporate goals. Promote an environment that recognizes, celebrates and embraces diverse cultures, interests, perspectives and experiences in the communities served by Xcel Energy.

Equal Employment Opportunity and Non-discrimination Policies
Our corporate Code of Conduct prohibits all forms of discrimination and promotes equal employment opportunities. We have Equal Employment Opportunity and Non-Discrimination policies in place that apply to all operating companies and subsidiary companies throughout the company. Xcel Energy

provides equal opportunity in hiring, training, compensation, promotion, termination, transfer and all other terms and conditions of employment, without regard to race, color, religion, creed, national origin, gender, age, disability, veteran status, sexual orientation or any other protected class status in accordance with applicable federal, state and local laws.

Workforce Relations

Xcel Energy is committed to providing all employees with a safe, rewarding workplace that values their contributions and ensures fair treatment. We respect our employees' right to organize if desired, and approximately half of our workforce is currently represented by unions.

While each collective bargaining agreement is negotiated with a specific local union, we include equal opportunity clauses in all our bargaining contracts. We also operate in compliance with the policies of the National Labor Relations Board, the statutes of the National Labor Relations Act and the guidance of the federal Department of Labor.

Xcel Energy recognizes that all parties benefit by coming together to achieve mutual goals, so we meet at least monthly with our unions to discuss new and ongoing issues. Employee safety is a mutual focus for both bargaining units and the company. Bargaining unit employees fully support and participate in the company's safety advisory councils, committees, training and other programs.

Interim bargaining has been used for the past 16 years to improve union relations and promote collaboration on business challenges that impact our operations and workforce. For instance, we frequently work on issues such as staffing plans for operational changes associated with large projects like Clean Air Clean Jobs in Colorado. We also hold regular meetings between management and labor unions to address grievances and avoid arbitration when possible.

In 2015, Xcel Energy settled labor negotiations with the union representing our employees in Colorado. While negotiations continue with the unions representing employees in Texas and New Mexico, we expect these contract disputes to be resolved through interest arbitration, as scheduled in mid-2016, if not resolved through mutual agreement earlier. We also anticipate starting negotiations with labor unions representing employees in Minnesota and Wisconsin in late 2016.

Employee Safety

Our Approach

Safety is first in our list of corporate values and for good reason. Given the nature of our business, Xcel Energy employees face numerous hazards while performing their jobs. None of us are immune to accidents or injury; however, we are committed to sending all employees home without injury every day. We track the safety performance of 340 workgroups, and of those groups, 79 percent have gone one year or more without an OSHA recordable injury. While recorded injuries were down 10 percent in 2015 compared to 2014, we need to remember safety is about more than numbers. It is about people. We are working to provide the policies, training and awareness campaigns to help people stay safe.

Annual Employee Safety Results

OSHA Recordable Incident Rate
(Annual Number of Injuries per 100 Employees)

	EEI Top Quartile	Actual	Goal
2015	--	0.90	0.96
2014	0.99	1.00	1.17
2013	1.19	1.24	1.42
2012	1.24	1.47	1.55
2011	1.44	1.68	1.74
2010	1.29	1.90	1.99
2009	1.39	2.11	2.23
2008	1.42	2.42	2.35
2007	1.45	2.61	2.19
2006	1.96	2.53	2.69
2005	2.21	2.76	3.07
2004	--	3.40	3.71
2003	--	3.62	4.01

Xcel Energy recorded 111 OSHA recordable injuries in 2015, 12 fewer injuries than in 2014. Strains and sprains continue to be the leading injury type, with lacerations, contusions and fractures as the next most frequent injury type.

Days Away, Restricted and Transferred Incident Rate (DART)

	EEI Top Quartile	Actual
2015	--	0.48
2014	0.47	0.51
2013	0.63	0.68
2012	0.66	0.83
2011	0.55	1.02
2010	0.66	1.07
2009	0.58	1.21
2008	0.73	1.41
2007	0.82	1.41
2006	0.92	1.42
2005	1.39	1.39

2004	--	1.79
2003	--	2.01

Xcel Energy recorded 59 DART injuries in 2015, four fewer injuries than in 2014. DART measures the more severe types of injuries.

Employee Work-related Fatalities

2015	0
2014	0
2013	1
2012	0
2011	1
2010	0
2009	0
2008	0
2007	0
2006	0
2005	0
2004	0
2003	0

Contractor Safety Performance

The chart below reflects safety performance for contractors working on operation and maintenance, as well as capital projects. All contract employees receive safety training from their employers as a requirement for working with Xcel Energy. Job briefings and job-site safety reviews occur daily.

	Hours worked	**# of OSHA recordable injuries**	**Total case incident rate**
2015	7,778,564	146	3.75
2014	4,280,767	65	3.04
2013	4,024,229	60	2.98
2012	6,903,078	129	3.74
2011	6,798,655	126	3.71

For comparison, the national average occupational incident rate for construction is 3.6.

Policies and Training

We have 21 corporate safety policies in place to address occupational safety and health issues. These policies apply to all bargaining and non-bargaining unit employees of Xcel Energy, as well as contractors of Xcel Energy as applicable. Our policies cover a wide range of topics—from working in confined and enclosed spaces to preparing for and responding to emergency situations.

As part of our corporate values, and to protect our employees and the public, working safely is the first consideration while planning or performing work. It is the role of Xcel Energy management to foster, develop, implement and provide training and communication about safety programs that will help reduce occupational injuries and illnesses at work. We expect employees to report unsafe acts, behaviors or conditions to management in a timely manner so that we may address these safety concerns. Any

retaliation against an employee who, in good faith, reports a safety violation or suspected violation is strictly prohibited.

The Corporate Safety, Field Safety and Training, and Contractor Safety departments—all under the leadership of the vice president of Workforce Relations and Safety—are responsible for overseeing implementation of regulatory compliance, providing technical consultation to business areas, tracking and communicating the company's safety performance, and fostering our safety philosophy and core value.

There are three key components to our safety and health culture: communication, safety committees and training.

- **Communication:** Within each business area, we verify that OSHA-required written programs are current and maintained at our facilities. Employees must be thoroughly briefed on site-specific hazards and protective measures prior to starting a job at an Xcel Energy operating facility or on electric and natural gas transmission and distribution lines and equipment. Finally, we establish a system of hazard analysis, which includes hazard identification and control, in each business area and communicate this system to all affected employees.
- **Safety Committees:** Our safety committees are organized and represented by bargaining unit and non-bargaining unit employees and management. The expectations for these committees are outlined by management and periodically audited to track progress and effectiveness. Managers in each business area provide support for safety committee findings and recommendations that align with our corporate values.
- **Training:** Each business area and Corporate Safety develop training plans annually to include OSHA-required training and required elements of our Corporate Safety and Industrial Hygiene programs. We maintain thorough records of all training, including recording the names and dates employees who complete required safety training.

We provide effective safety and health communications in various formats, including verbal instructions, written documents and posters, safety committee meetings and multimedia presentations, such as video and computer-based training. Through these various media, all employees have access to required safety and health training, policies, programs and safety manuals, as well as federal or state required communications. All Xcel Energy employees are expected to actively participate in the company's safety and health training and communications program.

Safety Campaigns

In 2015, we entered the sixth year of our ambitious Journey to Zero workplace safety campaign. Journey to Zero is about creating a safer work environment by putting safety at the forefront of everything we do. Our objectives include:

- Demonstrating support for safety improvements, starting with top leadership
- Implementing a strategic approach, aligning our efforts to advance our safety culture
- Ensuring all safety efforts focus on common goals, making sense of all activities we do
- Ensuring that employees take personal responsibility for their safety and the safety of others
- Actively driving culture change through behavioral safety program and initiatives
- Implementing specific business-area safety plans focusing on four aspects:
    - **Leadership effectiveness**: Line of sight to executive levels; expectation setting; participation in safety leadership at all levels (including foremen and crew leaders)
    - **Employee engagement**: Taking responsibility for personal safety and the safety of crews; maximizing impact of safety teams; ensuring employees are engaged, effective and working together

- **Incident prevention**: Providing the right personal protective equipment; increasing awareness; communication and safety meetings; taking a proactive approach; outlining medical management; leveraging information, learning and insights
- **Bargaining unit engagement**: Engaging union leadership to be active in safety programs and improvements

In 2015, we continued a number of important safety campaigns while also launching new initiatives to help keep employees safe.

24/7 Work Injury Helpline and Occupational Health Nurse Programs
Xcel Energy offers the Occupational Health Nurse program and Work Injury Helpline to provide medical consultation for employees experiencing non-emergency work-related injuries. Employees injured at work can contact an occupational health nurse and/or a 24/7 Work Injury Helpline for help assessing their symptoms and recommendations for the best course of treatment and action.

Safety News
Launched in 2015, Safety News has proven to be an effective tool for educating and informing employees of current safety topics. The publication provides all employees with weekly safety information and near miss reviews, as well as findings and lessons learned from accident investigations.

24/7 Safety Campaign: Bringing Safety Home
Xcel Energy's 24/7 Safety campaigns are focused on maintaining a safety mindset around the clock. We want our employees to be safe both on and off the job. Xcel Energy helps employees to be safe at home by providing home safety information through avenues such as the weekly published Safety News and other avenues to remind employees to take safety home with them.

Ergonomics Campaign
Sprains and strains continue to be the leading type of injury at Xcel Energy, resulting in approximately 44 percent of all injuries and illnesses on an annual basis. Ergonomics efforts focus on three areas: education and training, tools and equipment, and policies and procedures. Ergonomic specialists assist with training and education, assessments and sub-team work. In addition, Corporate Safety provided almost 200 individual ergonomic assessments for office employees.

Job Briefings
One of the most important things we do is to complete thorough job briefings with employees working on projects. We have improved the quality of our job briefings with some additional tools to assist foremen and managers.

Office and Non-Operational Area Safety Programs
Safety guides and resources were improved and made available for office workers and non-operational employees in 2015.

Rules to Live By
Each month the Rules to Live By campaign focuses on reminding employees about a specific safety behavior, such as following seat belt safety or wearing personal protective equipment.

Life Sustaining Awards

The Xcel Energy Life Sustaining Awards are given to employees who go beyond the call of duty and save or attempt to save the life of another.

2015 Recipients of Life Sustaining Awards

Recipient	Position	Location
Ernesto Reyna	Meter Reader	Lubbock, TX
Randell Plank	Field Operations Supervisor II	Lubbock, TX
Michael Henry	Line Working Foreman	Lubbock, TX
Derek Johnson	Senior Safety Consultant	Lubbock, TX
Chandler	Service Dog	Lubbock, TX
Jerry Estenson	Lineman	Edina, MN
Pat Klecker	Line Crew Foreman	Edina, MN
Steven Hudson	Senior Area Engineer	Amarillo, TX
Tonya Milam	Account Manager	Amarillo, TX
Anne Gaitley	Fleet Regulatory Specialist	St. Paul, MN
Dave Land	Control Specialist	Denver, CO
Ashley Chapman	Designer	Amery, WI
Judy Ring	Account Manager	Minneapolis, MN

Total Rewards

Our Approach

Xcel Energy is committed to providing employees with a market-competitive compensation and benefits package. We seek to offer programs that are aligned with the external market and attractive to our employees, while finding ways to manage costs to keep our benefits programs financially viable.

Employee Total Rewards

Xcel Energy's total rewards package includes base and variable compensation, along with benefits like health and wellness, retirement and pension, paid time off, recognition and talent development.

Our Total Rewards Statement tool is offered to most of our employees and shows them the full value of the benefits package we provide. It offers a personalized snapshot of pay and benefits information, as well as links to additional program and service information. Employees can access their individual statements online.

Benefits

A significant portion of our investment in employees is made through a benefits package that remains consistently competitive in the marketplace. Our benefits package for employees often exceeds 40 percent of base pay.

Xcel Energy continues to offer a basic pension plan along with a 401(k) savings plan, which demonstrates our commitment to partnering with employees to meet their long-term financial goals. Unlike many employers who have frozen pension plans or reduced contributions to 401(k) accounts, we continue to contribute to these plans as a sign of our commitment to provide savings vehicles that enable employees to fully engage while working, yet able to exit the workforce at an appropriate age We also balance financial and workforce objectives with providing a fair and market-based benefits package, which results in our ability to recruit and retain the best talent to serve our customers.

Xcel Energy Benefits Package for Full-time, Non-bargaining Unit Employees

Medical plan	Includes medical, pharmacy and a Health Savings Account (HSA). Employees who enroll in our High Deductible Healthcare Plan (HDHP) are able to contribute pre-tax dollars to an HSA that can be used to offset current or future healthcare expenses not covered by the plan. This account accrues tax-free interest, is owned by the employee and carries over year to year. Employees pay reasonable and affordable premiums for the HDHP plan. In aggregate, employees pay approximately 25 percent of healthcare costs through their premiums, deductibles and co-insurance expenses. Xcel Energy pays the remaining 75 percent.
Dental and vision	Xcel Energy covers 75 percent of dental plan premiums and up to 75 percent of vision plan premiums.
Life insurance	Xcel Energy covers the full cost of basic life insurance coverage and offers voluntary supplemental and dependent life insurance coverage.

Disability coverage	Xcel Energy covers the full cost of long-term disability coverage for eligible employees and provides salary continuation in the form of short-term disability, paid time off (PTO), vacation and sick leave.
Work/life balance programs	Includes Employee Assistance Program; adoption assistance; healthcare, dependent-care and transportation reimbursement accounts; transit pass subsidies; fitness center reimbursement; and wellness programs.
Professional development programs	Includes tuition reimbursement and a variety of internal and external development opportunities.
Pension	Xcel Energy provides a formula-driven basic pension plan to help employees prepare for a financially secure retirement. The pension benefit is based on an employee's length of service and eligible compensation.
401(k) savings plan	Xcel Energy's 401(k) Savings Plan allows employees to save for their future through automatic payroll deductions (pre-tax, Roth 401(k) after-tax or a combination of both). Employees can choose to invest their contributions using a variety of options (cash, bond and stock investments). Xcel Energy matches a portion of employee contributions. For new non-bargaining unit and SPS bargaining unit employees, we automatically enroll new hires at 4 percent pre-tax savings with an automatic 1 percent annual escalation until 10 percent is reached. This results in a guaranteed company match of 2 percent for employees who do not waive coverage.

Notes on benefits:

- Coverage for eligible dependents includes medical, dental, vision, life insurance and AD&D insurance.
- Employees whose families are composed of domestic partners and/or children of domestic partners have participated in Xcel Energy benefits since 1992.
- Bargaining unit benefits are based on the contract negotiated with a specific local union.

Health and Wellness

Studies have shown organizations that invest in their employees' health and wellness have a more satisfying and productive work environment. Plus, investments in wellness support more educated healthcare consumerism and help us manage long-term cost increases related to healthcare. In 2015, our focus on wellness continued with a number of opportunities offered to employees.

My Health Choices

My Health Choices is our voluntary wellness rewards program that began in 2012. It is designed to encourage healthy lifestyle choices for employees and their covered spouses or domestic partners through financial incentives.

The number of participants in My Health Choices remained at more than 6,000 employees in 2015, and the company contributed nearly $2.3 million toward the program. By taking steps to monitor and improve their health, participants were eligible to receive up to $450 deposited into a health savings account. Not only did the participants reap financial rewards, but they and their families also benefited in other ways, such as:

- Increased knowledge of personal health
- Increased knowledge of healthy choices related to identified health risks
- Increased preventive benefit use supporting early disease detection
- Earlier cancer detection through regular preventive screenings
- Weight loss across the employee population
- Disease progression slowdown
- Better clinical compliance for those managing their chronic health conditions

Additionally, Xcel Energy continued to offer wellness coaching and care management programs in 2015. More than 350 employees participated in United Healthcare coaching programs focusing on topics like weight management, exercise, nutrition, tobacco use cessation, heart healthy lifestyle, stress management and diabetes. More than 1,200 employees participated in care management programs that offer assistance to those with conditions such as asthma, coronary artery disease, cancer, chronic obstructive pulmonary disease, diabetes and heart failure.

Additional Wellness Activity in 2015

Onsite flu shot clinics	Over 3,600 seasonal flu shots were given at workplace sites. An additional 1,425 flu shots were administered through our pharmacy benefit.
Health assessments	More than 2,500 employees took the assessment to determine their health risk score and were offered programs to assist them in improving or maintaining health.
Fitness center reimbursement program	1,423 plan members received just over $160,000 in reimbursements for exercising at least eight times per month.
Onsite yoga classes	More than 60 yoga classes were held at seven locations.
Wellness ambassadors	34 employees volunteered to be Xcel Energy wellness ambassadors at 27 worksites, championing a culture of wellness in various work areas.

Professional Development

Total Rewards is more than pay and benefits; it also includes providing opportunities for the professional development of our employees. Xcel Energy is committed to professional development and maintaining an environment where learning and growth can occur. Employees are ultimately responsible for owning and managing their own professional development; however, we expect managers to encourage development through feedback, suggestions and support.

With this in mind, we offer employees resources and tools to support their personal and professional development, including a Learning Management System, which provides e-learning, virtual and traditional training options. We also provide employees with development planning tools, assessments and suggestions for practicing new skills and behaviors.

In 2015, employees completed a total of more than 343,228 internal learning opportunities. Additionally, our tuition reimbursement program provided approximately $917,000 to 321 employees in 2015.

2015 Professional Development Opportunities

Learning Programs	Completions in 2015	Opportunities
Online Courses	200,336 completions of 2,730 course titles	We offer an extensive catalog of online courses for employees to complete, ranging from technical and computer application training to professional and management training to compliance-related education and more. Some of these training programs are mandatory.
Classroom Courses	142,892 completions of 1,896 course titles	Employees can choose to attend a number of different training programs that are taught in person, ranging from safety and compliance-related classes to professional development classes to technical trainings. Depending on job responsibilities, some of these courses are mandatory.
Career Development Assignment Program	24 completions	The Career Development Assignment (CDA) Program is an intentional effort to support the development of high performing employees through cross-functional experience aligned to business needs. Employees may be pre-identified through succession planning or, in some cases, the opportunity may be posted.

Developing strong leaders at Xcel Energy is increasingly important to our succession planning efforts. More than 1,500 employees participated in leadership development programs last year.

2015 Leadership Development Opportunities

Program	Participants in 2015	Description
Talent Review	500+	Our talent review process identifies individuals who might be successors for critical positions at Xcel Energy. In all, about 240 key positions have been identified and more than 1,300 leaders and individual contributors have been assessed. Through this systematic process, executives and managers discuss assessments regarding the long-term performance, leadership potential and career aspirations of their employees. Working in teams, they determine the developmental readiness of each employee, create customized development plans and identify talent gaps.
Path to Leadership	150	The Path to Leadership program prepares employees for future leadership roles by providing them with mentors and formal education to develop the skills needed to be successful in future leadership roles. In 2015, 150 employees completed the program and a new class of 150 kicked off their year-long session. About 50 leaders supported the program in a mentor or panel member capacity.
Customer Care Front Line Leader Development Training	94	Leaders from Customer Care took part in a development opportunity that aimed to build better leaders through improved administration of policy, setting clear expectations, and providing and documenting feedback. This opportunity increased leader confidence and further supported company strategy and goals.

The Leadership Challenge	915	The Leadership Challenge is a leadership development program designed for leaders to equip and empower them to lead effectively through change and transition to a workforce ready for competition. The program targets Xcel Energy leaders (supervisor to director) who have direct reports or regularly manage people as part of their job with an emphasis on those who will be impacted most by Productivity Through Technology changes.

Performance Management

Xcel Energy believes that is it important to differentiate our investment and to reward top-performing employees accordingly. We rely on performance management and performance reviews to identify our top performers. The performance review process begins with setting clear and measurable individual objectives that align with and support the goals of Xcel Energy. It is important for employees to see how their work impacts the larger organization.

During the 2015 performance review process, non-bargaining employees and leaders at Xcel Energy were measured on not only what they accomplished, but also how they went about accomplishing their goals. This method of measurement supports efforts to create a performance-based culture by driving long-term continuous performance across the organization.

We also conducted a number of pilot programs in 2015 to evaluate options for future performance management at Xcel Energy. Based on our findings, a new program, Connect 4 *Performance,* was rolled out to employees in late 2015, to begin in 2016. As we transition to a more competitive-minded workforce, continuously improving our performance is crucial. Research indicates that effective and real-time coaching and feedback drives performance more effectively than infrequent performance reviews and ratings. Connect 4 *Performance* focuses less on documentation, numerical ratings, and formalized meetings and more on frequent, simple, meaningful conversations between leaders and their employees.

Employee Engagement

Our Approach

As a company, we are focused on building a workforce of people who are highly engaged and bring their best to work every day. A significant part of our engagement effort involves empowering employees to create positive change within the company. By engaging our employees effectively, we can increase productivity, work more efficiently and collaborate across business areas to share best practices and solve problems. We also encourage employees to engage in and support their local communities, creating a positive impact in the places where we live, work and serve our customers.

Employee Input and Participation

Employee engagement at Xcel Energy continues to steadily rise, as measured through our annual employee engagement survey. In 2015, we reached an 83 percent overall favorable response, up one point from 2014, with 78 percent of employees participating. We saw improved or consistently steady results across most categories in the survey. Areas that saw the greatest increase in positive responses company-wide include communication, both on company plans as well as communication from supervisors, recognition tools for good performance, and empowerment and involvement. Safety continues to be one of our highest-scoring categories, with continued improvement in 2015.

We use two primary benchmarks to compare our results, outside of our previous year's performance. Namely, we leverage a U.S. energy and utility companies benchmark, as well as a U.S. high performing companies benchmark. Xcel Energy's results are above the benchmark for U.S. energy and utility companies and are continuing to close the gap on U.S. high performing companies.

Company managers, who have five or more employees responding to the survey, receive and are encouraged to share results with their teams, leveraging the information to build on strengths and build on opportunities to improve.

Beyond the annual survey, employees have several opportunities to share input with Xcel Energy leadership throughout the year. They can submit anonymous comments as part of the engagement survey and ask questions during regular leadership webcasts and face-to-face meetings.

Employee Recognition Programs

Employee recognition is a powerful tool that can contribute to improved bottom-line results by helping build trust, engage employees and improve productivity.

XCelebrate

The XCelebrate program and website provides Xcel Energy leaders and employees the tools to recognize those whose work supports the value, brand and goals of our company. XCelebrate has two simple, but powerful options to show appreciation for a job well done: animated eCards and XCelebrate Awards. Animated eCards help show appreciation for performance and achievements that have made an impression, or simply to brighten someone's day. XCelebrate Award nominations are monetary awards that can be submitted to recognize more substantial achievements with significant business impacts. We have a corporate budget of $1.2 million to support this program to ensure our employees are recognized for deserving efforts. In 2015, there were 10,059 recognition moments.

Years of Recognition

Our Years of Contribution program honors employees for contributions and accomplishments during their careers with Xcel Energy. Recognition occurs at an employee's five-year anniversary with the company, every five years after that and upon retirement. In 2015, 1,529 years of contribution and 362 retirements were honored.

Business Resource Groups

To help achieve a more productive and inclusive workplace, Xcel Energy supports the formation and advancement of Business Resource Groups. These groups offer employees an inclusive venue for cultural exchange, community outreach and business solutions that contribute to professional and personal growth. These groups work together to help the company achieve its business goals. More than 800 employees participate in our Business Resource Groups.

- **ECN (Employee Connection Network)**: Connects new and existing employees and helps broaden all employees' understanding of Xcel Energy through networking opportunities, meet-ups and community service events.
- **GCEEE (General Counsel Employee Excellence and Equality Committee)**: Aids the general counsel in fostering a spirit of inclusiveness throughout the company.
- **GROW**: Identifies and implements innovative ideas and strategies for recruiting, developing, promoting and retaining women in non-traditional work roles in our Energy Supply business area.
- **MOVE (Military Ombudsmen for Veterans and Employees)**: Sustains awareness on issues of interest to veterans and active military employees in our workforce focusing on the development, implementation and communication of programs and policies centered on the welfare of veterans and their families.
- **SAGE (Supportive Association for Gay/Lesbian/Bisexual/Transgender Employees):** Works to help the company become and remain a leader in this area of workforce diversity by addressing issues relating to sexual orientation and gender identification.
- **SOURCE** (Strategic Organization Utilizing Resources for Career Enhancement): Promotes career development, continued education, training and cultural awareness with a focus on African Americans.
- **Tribal Wind**: Supports diverse workforce initiatives and the Native American population through business initiatives such as recruiting, retention, professional development and cultural awareness.
- **WIN (Women's Interest Network)**: Focuses on issues of interest to women, such as professional development and work/life balance.
- **!Xcelente¡:** Increases visibility of Latino employees within the company and community, promotes professional development and shares Latino culture through awareness, inclusion and celebration.
- **XE WiN (Women in Nuclear)**: Explores and develops programs that help all employees working within our nuclear organization to expand their leadership skills, network and create positive visibility for the nuclear industry within the communities we serve.

Positive Effect

Xcel Energy employees are encouraged to be involved and make a "Positive Effect," both at work and in the community. We can each be an expert, advocate and champion for the company. Throughout the year, employees have the opportunity to learn more about Xcel Energy and to volunteer and support the company's initiatives through this ambassador engagement program.

Xcel Energy has a number of communication tools in place internally to keep employees informed and connected, including:

- Daily news and an employee news magazine
- An online knowledge base
- Executive and other webcasts
- Business Resource Groups
- An enterprise social media network
- Trainings and new employee orientation

Employees are encouraged to support their communities through a number of volunteer and charitable programs, including:

- **Volunteer Paid Time Off (VPTO)**: Full-time employees are eligible for up to 40 hours per year to volunteer for nonprofit organizations in our service area to help strengthen the communities we serve.
- **Dollars-for-Doing**: The Xcel Energy Foundation matches each hour employees volunteer with a $10-per-hour contribution to the nonprofit, up to 100 hours annually per employee.
- **Matching Gifts**: The company matches dollar for dollar any employee and retiree charitable donations of $50 or more, up to $750 for nonprofit organizations and up to $2,000 for higher education institutions.
- **United Way**: Xcel Energy sponsors an annual United Way campaign and matches the pledges of employees, retirees and contractors.
- **Day of Service**: The company sponsors a special volunteer day where employees demonstrate collectively their community spirit.
- **Board service**: Throughout our service territory, we currently have more than 250 employees serving on nonprofit boards, with some employees serving on multiple boards.

Grassroots advocacy is important to Xcel Energy because our industry is so complex. We can help educate our friends, neighbors and community leaders by participating in:

- **Legislative Day**: We offer employees a special day at the capital in each of our jurisdictions for employees to meet their elected officials and learn more about the legislative process.
- **Local events and meetings**: Employees can represent the company at community meetings and special events.
- **Political Action Committees**: Employees can voluntarily participate in six different groups that are organized and run by employees.

United Way Campaign

Xcel Energy has a long-standing tradition of supporting United Way and the community organizations it assists. Each year, we sponsor an employee campaign that for six consecutive years has raised well over $2.5 million annually in employee and retiree pledges, which the company matches. The campaign also includes a number of special fundraising events—from chili cook-offs to sport tournaments. The campaign is a fun and rewarding part of working at Xcel Energy.

The company's 2015 United Way campaign was one of the most successful, as we topped a number of campaign measures, including:

- Highest combined total of employee and retiree pledges and event funds
- Highest average gift donation in history
- Most number of leadership-level pledges
- Highest event contribution total

More than 5,000 employees and retirees contributed $2.8 million, which the company matched, for a total of more than $5.4 million raised. The funds will support United Way programs and hundreds of nonprofit organizations throughout Xcel Energy's service territory.

In Colorado, Mile High United Way in metro Denver honored Xcel Energy with two major awards for the 2015 campaign. The company was recognized with the Best Employee Engagement and Boots on the Ground award for outstanding achievement in employee education and engagement year-round. We also received the Best Collaboration and Innovation award for the second annual Energy United Duck Derby fundraising event that we host with other energy companies.

Xcel Energy supports United Way at the highest levels, with a long history of company leaders serving on boards and committees. David Eves, Xcel Energy president of Public Service Company of Colorado served as board chair for Mile High United Way in 2015. In 2016, Ben Fowke, Xcel Energy president, chairman and CEO, will serve as board chair for the Greater Twin Cities United Way campaign. David Hudson, Xcel Energy president of Southwestern Public Service Company, will serve as board chair for the United Way of Amarillo and Canyon in Texas, while Mark Nisbet, Xcel Energy principal manager in North Dakota, will serve as the board chair for the United Way of Cass Clay in Fargo.

2015 Day of Service

Xcel Energy made a difference in numerous communities during our annual Day of Service held in September. Nearly 3,500 employees, family members, friends and even customers volunteered for more than 80 nonprofit projects. Volunteers performed a number of tasks from packing food boxes to planting trees and park cleanup. In total, the effort contributed more than 10,300 volunteer hours in a single day to support our local communities.

Political Action Committees

Xcel Energy sponsors six Political Action Committees or PACs organized and run by employees, five at the state level and one at the federal level. Participation in the company's PACs is completely voluntary and is part of the engagement activities that we offer employees.

Each of the company-sponsored PACs has its own board of directors elected by its members that make contribution decisions. All of our PACs are strictly voluntary, and there are no employment benefits based upon participation. Each complies with all applicable local, state and federal laws.

Along with sponsoring PACs, Xcel Energy also from time to time makes contributions to organizations that advocate before Congress. To ensure transparency in those expenditures, we have established a corporate policy requiring annual disclosure of company expenditures above a certain amount to organizations that use a portion of those dollars for lobbying activities.

2015 Xcel Energy Political Action Committee Activity

PAC	No. of Employees Participating	Total Employee Contributions to PACs in 2015*	Total Contributions to Candidates and Political Groups in 2015
Minnesota**	248	$34,554.30	$38,342.18
North Dakota	279	$7,175.00	$2,200.00
South Dakota	248	$4,961.20	$ 1450.00
Texas	348	$34,945.71	$16,000.00
Colorado (Western PAC)	314	$25,635.71	$7,150.20
Wisconsin	318	$29,993.14	$20,089.82
Federal PAC (XPAC)	459	$257,218.05	$256,750.00

* Funds contributed by employees can accrue over multiple years and are not necessarily distributed in the same year they were contributed.

**The state PAC in Minnesota is operated outside of Xcel Energy in accordance with state law that prohibits the use of corporate resources to support the PAC; although, payroll deduction is specifically permitted in Minnesota. Activity for the Minnesota PAC is only included in this report for transparency and informational purposes.

Customer Satisfaction and Engagement

Our Approach

At Xcel Energy, we are committed to giving customers the options they want and delivering a positive experience each time they engage with us. We recognize that customer expectations are growing, and it is our goal to provide innovative solutions and interactions that build a loyal and satisfied customer base. 95 percent of customers gave Xcel Energy positive marks for overall satisfaction in 2015

Customer Numbers

Electricity Customers (as of year-end 2015)

	Residential	Large Commercial & Industrial	Small Commercial & Industrial	Public Authority & Other	Wholesale	Total
Colorado	1,218,662	337	158,086	53,944	26	1,431,055
Michigan	7,657	2	1,269	45	--	8,973
Minnesota	1,125,968	507	131,073	6,341	13	1,263,902
New Mexico	94,927	68	23,136	1,732	4	119,863
North Dakota	80,245	22	12,705	351	--	93,323
South Dakota	78,773	22	11,261	430	--	90,486
Texas	209,784	153	54,102	4,622	4	268,661
Wisconsin	207,478	118	37,985	1,130	--	246,711
Total	**3,023,494**	**1,229**	**429,617**	**68,595**	**47**	**3,522,982**

Natural Gas Customers (as of year-end 2015)

	Residential	Commercial & Industrial	Transportation & Other	Total
Colorado	1,254,056	100,389	6,936	1,361,381
Minnesota	415,103	34,933	19	450,055
North Dakota	45,846	8,082	1	53,929
Michigan	5,063	662	--	5,725
Wisconsin	94,253	12,240	25	106,518
Total	**1,814,312**	**156,306**	**6,981**	**1,977,608**

Customer Satisfaction

We monitored customer perceptions of the company's performance in 2015 through our Voice of the Customer (VOC) market research. Through this ongoing study, randomly selected customers were interviewed about various aspects of Xcel Energy, including reliability, communications, pricing, environment, community support, company programs and customer service.

In 2015, 95 percent of customers gave Xcel Energy positive marks for overall satisfaction. Our commitment to customers was validated through historic-high positive feedback related to the company's concern for safety, support of renewable energy sources and delivery of reliable electricity service. Value to customers remained high for the third year as well, driven by favorable ratings for reasonable electricity rates and continually rising familiarity with Xcel Energy's energy efficiency program offerings. Finally, customers continue to provide high positive scores to Xcel Energy for being a good corporate citizen.

We also benchmarked in 2015 the relationships between Xcel Energy and our residential and small- to medium-sized customers against industry peers through Market Strategies International, Inc. Utility Trusted Brand & Customer Engagement ™ and J.D. Power & Associates Electric Utility Customer Satisfaction studies. We also continued to gain feedback from our large customers through our Voice of the Customer relationship study in 2015.

2015 Overall Satisfaction with Xcel Energy (All Customers)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Colorado	82%	82%	89%	89%	92%	91%	91%	93%	93%	93%	95%
Michigan, Wisconsin	93%	94%	95%	94%	94%	95%	95%	96%	96%	95%	95%
Minnesota, North Dakota, South Dakota	91%	90%	93%	92%	94%	94%	96%	96%	95%	95%	94%
New Mexico, Texas	92%	92%	93%	93%	95%	97%	97%	96%	97%	95%	95%
Xcel Energy	88%	87%	91%	91%	93%	93%	94%	95%	95%	94%	95%

VOC Relationship, Percent Positive (6-10 Scores, 0-10 Scale)

Customer Engagement

Understanding what our customers want and value, as well as how we are perceived in the marketplace, were significant focus areas for Xcel Energy in 2015.

Through innovative pilot programs, we are working to anticipate future customer expectations. Our Smart Thermostat pilot programs in Colorado and Minnesota are a good example. Under the programs launched in 2015, we will evaluate if smart thermostats can save residential customers energy while evaluating the ability to deliver demand-response capacity. The programs were launched in mid- to late-2015 and will run through 2016.

We also continue to enhance our tools for enabling customers to engage with us, including My Account, our online customer account management tool, and our website, xcelenergy.com. In 2015, our website was named among the best utility sites by E Source, a research and consulting service for energy companies.

Outage Communications

Xcel Energy has launched a number of self-service tools and communication options over the past several years that support customers during outage events. This includes our online outage reporting and electric outage map on xcelenergy.com, social media platforms and proactive notifications. An Outage Communication Steering Committee continues to focus on a comprehensive approach to improving outage communication, from operational improvements that address the accuracy of estimated restoration times, to further leveraging proactive messaging and expanding digital tools and channels to reach customers.

Education and Outreach

Xcel Energy's Education and Outreach program is designed to promote and encourage participation in our energy efficiency and renewable programs. We do this by leveraging partnerships and sponsorships to meet customers in the communities where they live and provide information in a compelling way. By attending local community and sporting events, we facilitate one-on-one interactions that give customers

a better understanding of who we are, what we do and how we can improve their lives. In 2015, the program yielded more than 5,000 direct sign-ups to our energy efficiency and renewable programs. We gained exposure to more than four million people and generated more than 21,000 targeted customer leads.

In 2015, we continued to promote our award-winning video series: This is How. It features15 how-to videos demonstrating a range of conservation behaviors and projects to help customers save energy and money. The series is available in 12 tablet-based kiosks in major libraries across seven states and has been rolled out through a number of channels, including xcelenergy.com, Facebook and sponsorship partner websites. The concept is to try to catch customers and influence them as part of their daily routines—returning a library book, at intermission during the kids' hockey game or picking up a light bulb at the hardware store. Once customers view a video, they can text themselves a link to follow the steps at a later time. The video series has won a Gold Stevie at the International Business Awards, as well as a Summit Marketing Effectiveness Platinum Award.

Scam Awareness
Xcel Energy has monitored scam activity reported by customers for several years. After scam activity increased in 2014, we launched an awareness campaign and technology changes that are proving effective in protecting customers. Scammers try various ways to trick customers into paying them money by threatening to turn off their service. All types of customers have been targeted, especially small business customers.

Our awareness campaign provides guidance to customers through bill messages, emails and other communications. On the technology side, additional levels of security were added to our Interactive Voice Response phone system. Xcel Energy's Security Services team also works with law enforcement agencies to track scam reports received from customers, monitor trends and share the findings. In 2015, customers reported nearly 4,000 scams, about 30 percent fewer than in 2014. Customer losses were also reduced by more than 60 percent compared to 2014.

Customer Data Privacy

Xcel Energy operates in a highly regulated industry that requires the continued operation of sophisticated information technology systems and network infrastructure. In addition, in the ordinary course of business, we use our systems and infrastructure to create, collect, use, disclose, store, dispose of and otherwise process sensitive information, including company data, customer energy usage data and personal information regarding customers, employees and their dependents, contractors, shareholders and other individuals.

We take seriously our responsibility to protect company information and the information we collect in the course of our business. This includes personal information about our customers, employees, contractors, shareholders and other individuals, as well as the confidential information of companies that do business with us. Our corporate policies around data privacy, confidentiality and security are designed to maintain the trust of the individuals and organizations who give us information. The focus of our Information Governance program includes ongoing accountability for data privacy, confidentiality and security.

We have developed and implemented a written program that is designed to detect, prevent and mitigate identity theft in connection with opening or maintaining customer accounts. Our program identifies the patterns and activities that indicate potential identity theft fraud pertinent to activity on our customer

accounts, describes our methods for detecting and responding to such patterns and activities, and implements a mechanism to periodically review and administer our program.

Since 2011, we have engaged a diverse internal team in the preparation and drilling of an action plan for managing a potential data security breach. Being prepared positions us to respond quickly and effectively to data security incidents, and hopefully, mitigates any resulting impact on affected individuals and our brand.

Some of our customers have expressed concerns about privacy and health risks that they fear may be associated with the use of smart meters or the smart grid. We believe that it is important to provide our customers with information about their energy usage and the metering technology deployed in our service territory. For this reason, we have information on our company website to help address these types of questions.

We continue to bolster our data privacy, confidentiality and security awareness efforts in several ways, including:

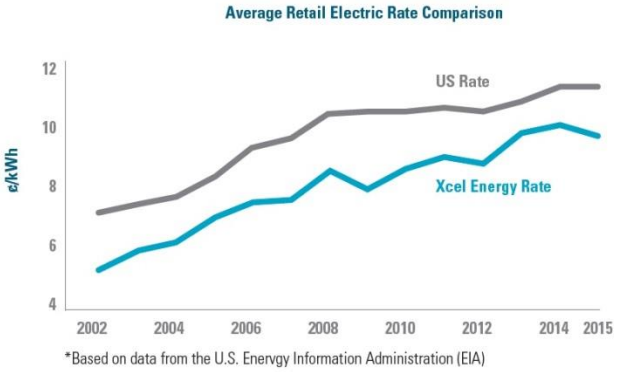
- maintaining transparent and informative customer-facing and internal privacy policies and communications
- updating internal information governance controls and training materials
- providing guidance for our customers on identity theft protection

Affordable Energy and Rates

Our Approach

We understand that our customers are concerned with the affordability and reliability of the service we provide. Even as we continue to upgrade our infrastructure and bring more renewable energy onto our systems, we have kept our retail electricity rates competitive with rates across the country and in the states we serve. We continually look for opportunities to improve productivity and reduce costs, as we invest in our systems. As technology evolves and our industry faces tremendous change, we are actively engaged and participate in efforts to help shape the future policies that will regulate and guide our business for the future.

Xcel Energy continues to offer energy rates that are below the national average



*Based on data from the U.S. Energy Information Administration (EIA)

The Regulatory Compact

Our utility subsidiaries operate under carefully regulated conditions, which are determined in part by state public utilities commissions. A utilities commission is a governing body that regulates the rates and services of utilities such as ours. In exchange for the exclusive right to provide electricity and natural gas services in certain regions, we agree to the following:

- **Duty to serve**: We will provide service to any residence or business within our service territory that requests it under reasonable terms and conditions. Utilities cannot pick and choose their customers.
- **Cost of service pricing**: Pricing for our services is regulated by the costs we incur to deliver them. We cannot arbitrarily raise prices to levels beyond our costs.
- **Resource planning process**: Every few years, we go through a process to determine the resources necessary to serve customers' future energy needs. Resource plans must be reviewed and approved by regulatory commissions, and stakeholders are given the opportunity to provide input on the plans through a public process.

Together, this is known as the regulatory compact. As a participant in the compact, we are granted the ability to recover our costs of doing business and earn a reasonable rate of return. This rate of return is not guaranteed—we have only the opportunity to earn it. To operate effectively in a closely regulated business like ours, it is imperative that we stay in sync with the current demands of the public and policymakers.

Managing Costs for Customers

We are managing costs by increasing productivity and improving efficiency. In 2015, our performance target was to limit the company's operations and maintenance cost growth to 1 percent or less annually.

Our diligent focus on cost control helped us to reduce these costs by 0.2 percent in 2015, compared to 2014.

Since 2011, we have been successful in bending the company's cost curve—reducing annual cost growth from an average of 6 percent between 2007 and 2011 down to approximately 3 percent between 2011 and 2014. We remain focused on simplifying and automating business processes while taking full advantage of new systems and other technology. Our consistent focus on operational excellence will ensure continuous improvement, helping improve quality without dramatically raising rates for consumers.

Productivity through Technology
Productivity through Technology (PTT) is an initiative we started in 2011 to help us solve our workforce challenges, make smart investments and minimize customer price increases—all while improving service reliability. PTT is about removing roadblocks that are preventing our employees from being productive by providing them with new tools and ways of working. The work is driven by a cross-functional project team of more than 150 employees, as well as a change network of about 150 leaders from all business areas. The change network is critical as it helps proactively lead the change throughout the company.

We successfully completed major initiatives in 2015 to build a new general ledger as well as a new work and asset management (WAM) system, both using the SAP technology. The new general ledger standardized and simplified financial accounting and reporting to enable us to make better business decisions. WAM addresses the way we do business from start to finish, allowing us to standardize operations. Together, these efforts will enable Xcel Energy to be more competitive and meet our customers' expectations.

Reliable and Safe Energy Service

Our Approach

Our customers depend on us to provide the energy they need whenever they flip a light switch, turn on the stove or adjust the thermostat on a cold winter night. We never lose sight of this fact and are taking steps to ensure that our reliability ranks among the best in the country, now and well into the future. In 2015, Xcel Energy customers on average had electricity service 99.9 percent of the time. When a major storm hits, we are prepared to respond swiftly and effectively to restore power, as has been demonstrated time and again in our own jurisdictions, as well as in other parts of the country where we have responded through mutual-aid agreements. As we invest in strengthening and upgrading our infrastructure for the future, Xcel Energy always considers projects that will provide the best overall value for customers and the communities we serve. This includes diversifying our energy supply, making sure that we provide electricity from a mix of resources to ensure system reliability while managing the cost, environmental impact and ensuring we are not too heavily dependent on any single energy source.

Electricity Generation

Xcel Energy produces and purchases electricity from a diverse mix of energy sources, including coal, natural gas, nuclear and renewable power sources. Through a number of projects underway, we continue to further diversify our energy supply and upgrade existing power plants, as we reduce emissions and transition to cleaner energy sources for the future. This includes retiring and replacing some of our aging coal-fueled power plants with cleaner natural gas generation. From 2005 to 2018, Xcel Energy will retire about 25 percent of the coal-fueled generating capacity that we own.

In 2015, the Black Dog Generating Station in Burnsville, Minn., received its final coal delivery and began its transition to a cleaner, more efficient natural gas facility. Preparation for a new combustion turbine gas unit at the site is now underway and is expected to be operational by early 2018.

In Colorado, we achieved two significant milestones in 2015 as part of the Clean Air-Clean Jobs project that is transforming our coal-fueled fleet of generating plants. We retired a coal unit at the Cherokee Generating Station in Denver and completed construction of a new combined-cycle natural gas facility at the plant site.

In addition, the Colorado Public Utilities Commission approved our plan to upgrade the Cabin Creek Hydroelectric Station—a unique pumped-storage facility originally installed in 1967 high in the mountains near Georgetown, Colo. The project will enable Cabin Creek to continue providing reliable and economic power to Colorado customers for an additional 25 years, while sustaining its role in balancing system requirements and accommodating variable energy sources such as wind.

Xcel Energy Owned Generating Plants

Type	Plants	Units	Net Dependable Capacity in Megawatts (MW)
Coal	**9**	**19**	**6,994**
Colorado	5	10	2,519
Upper Midwest	2	4	2,390
Southwest	2	5	2,085
Natural Gas	**23**	**69**	**7,343**
Colorado	7	20	2,562
Upper Midwest	9	29	2,421

Southwest	7	20	2,360
Nuclear	**2**	**3**	**1,647**
Upper Midwest	2	3	1,647
Hydro	**26**	**79**	**377**
Colorado	6	11	236
Upper Midwest	20	68	141
Wind*	**4**	**376**	**652**
Upper Midwest	4	376	652
Solar	**4**	**4**	**0.08**
Southwest	4	4	0.08
Other	**4**	**20**	**416**
Upper Midwest	4	20	416
Total	**72**	**570**	**17,429**
Colorado	18	41	5,317
Upper Midwest	41	500	7,667
Southwest	13	29	4,445

*Wind generation is based on net maximum capacity.

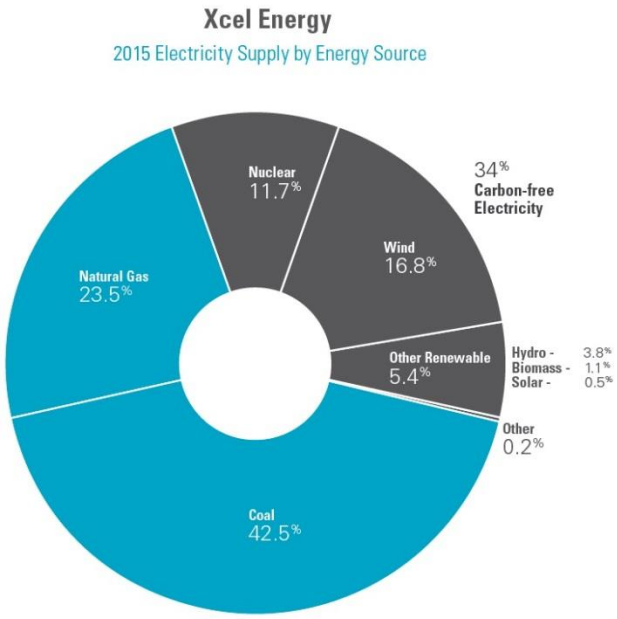
2015 Owned and Purchased Generation (in MWh)

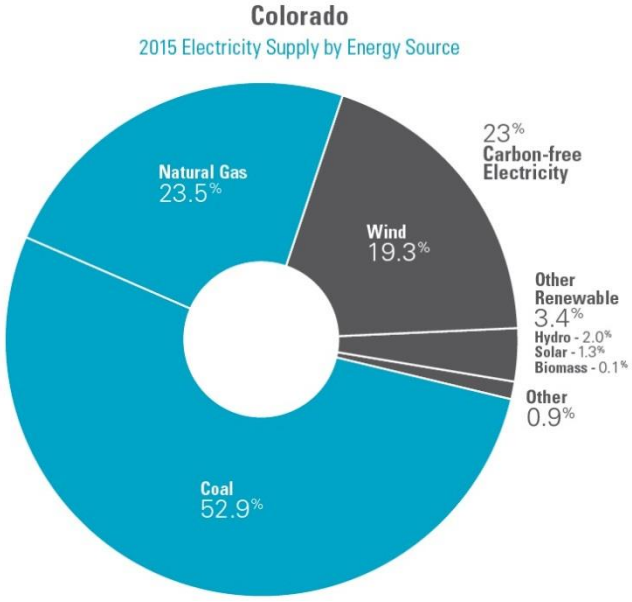
	Owned	Purchased	Total
Colorado	22,976,069	11,651,358	34,627,427
Southwest	16,476,520	11,889,891	28,366,411
Upper Midwest	33,812,295	11,901,184	45,713,479
TOTAL	73,264,884	35,442,433	108,707,317

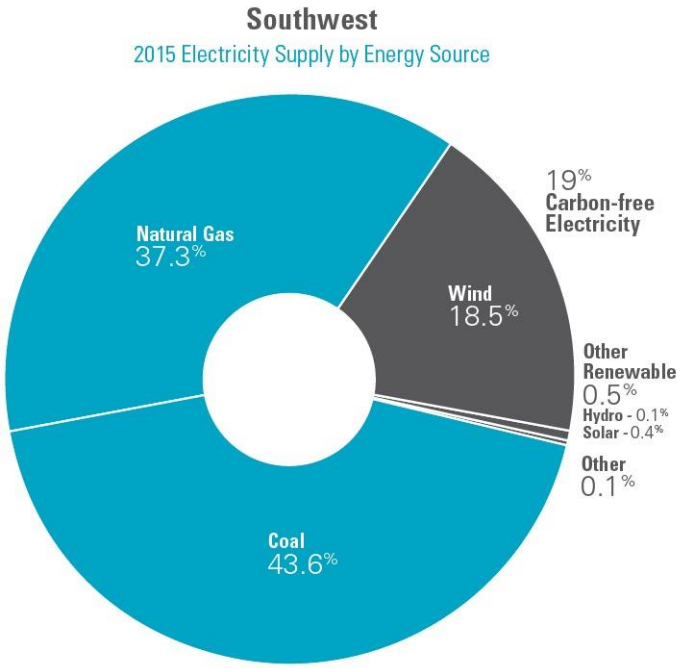
2015 Electricity Supply by Energy Source

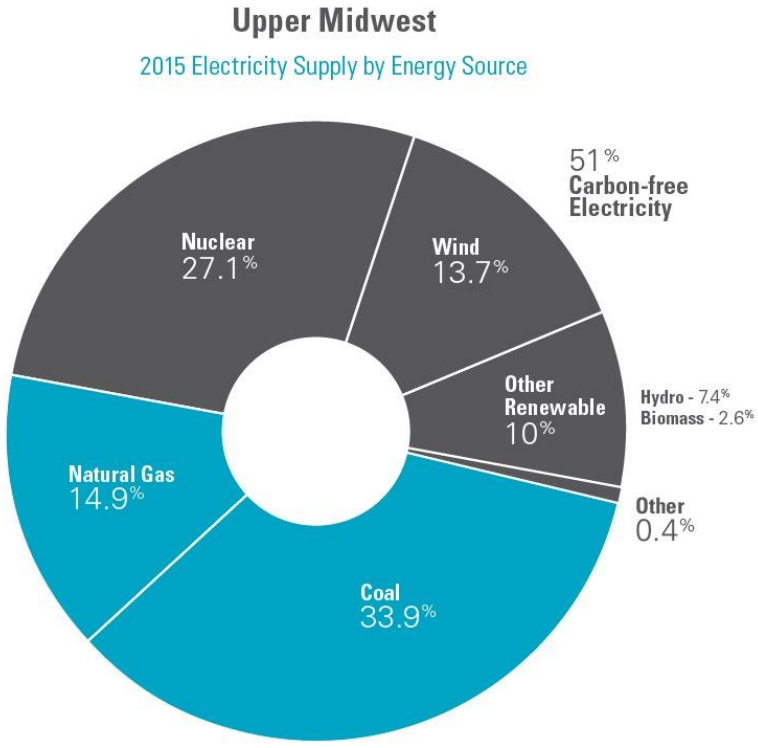
The charts below provide a breakdown of the electricity that we supplied in 2015, including the megawatt hours that Xcel Energy plants generated and that we purchased from other power suppliers. The wind and solar categories also include energy purchased for our Windsource® customers and solar energy generated by customer-owned systems through our solar programs. We count nuclear and renewable energy sources as carbon free, including biomass, which is effectively carbon neutral.

For every megawatt hour of electricity that renewable sources produce, we receive a renewable energy certificate or credit (REC). Each year we retire RECs to comply with our state renewable energy standards or save RECs for future compliance. Based on market opportunities, we also sell some of our extra RECs and share any profits with customers.

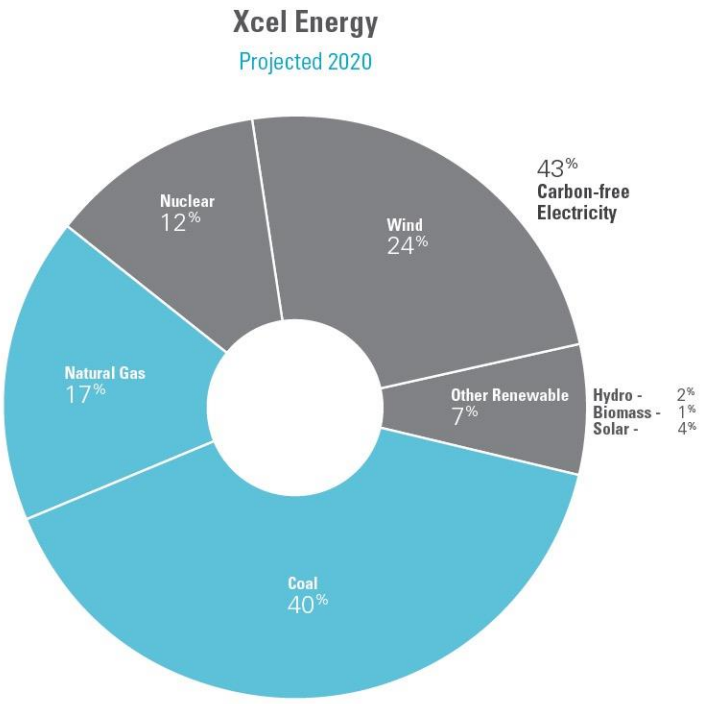

Xcel Energy
2015 Electricity Supply by Energy Source
Nuclear
11.7%
34%
Carbon-free
Electricity
Wind
16.8%
Natural Gas
23.5%
Other Renewable
5.4%
Hydro - 3.8%
Biomass - 1.1%
Solar - 0.5%
Other
0.2%
Coal
42.5%

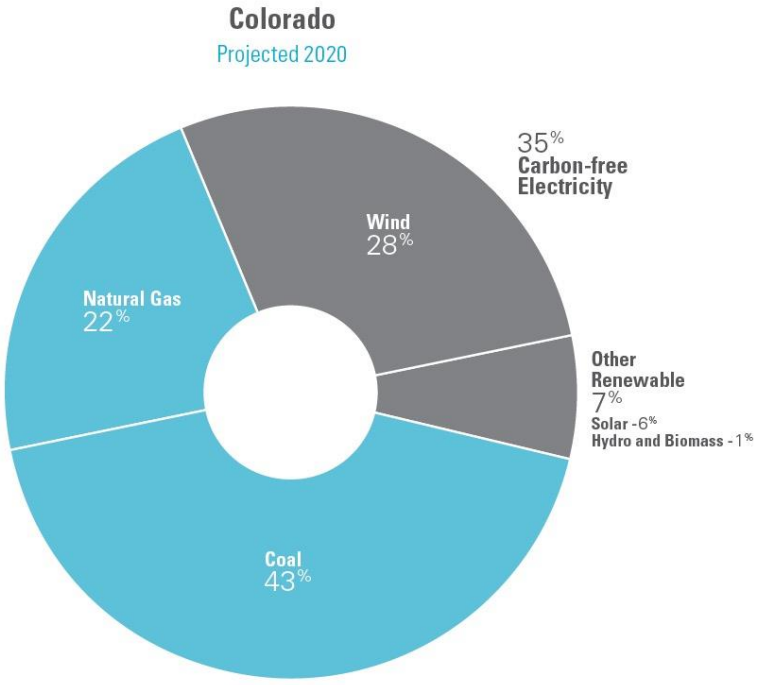

Colorado
2015 Electricity Supply by Energy Source
23%
Carbon-free
Electricity
Natural Gas
23.5%
Wind
19.3%
Other
Renewable
3.4%
Hydro - 2.0%
Solar - 1.3%
Biomass - 0.1%
Other
0.9%
Coal
52.9%

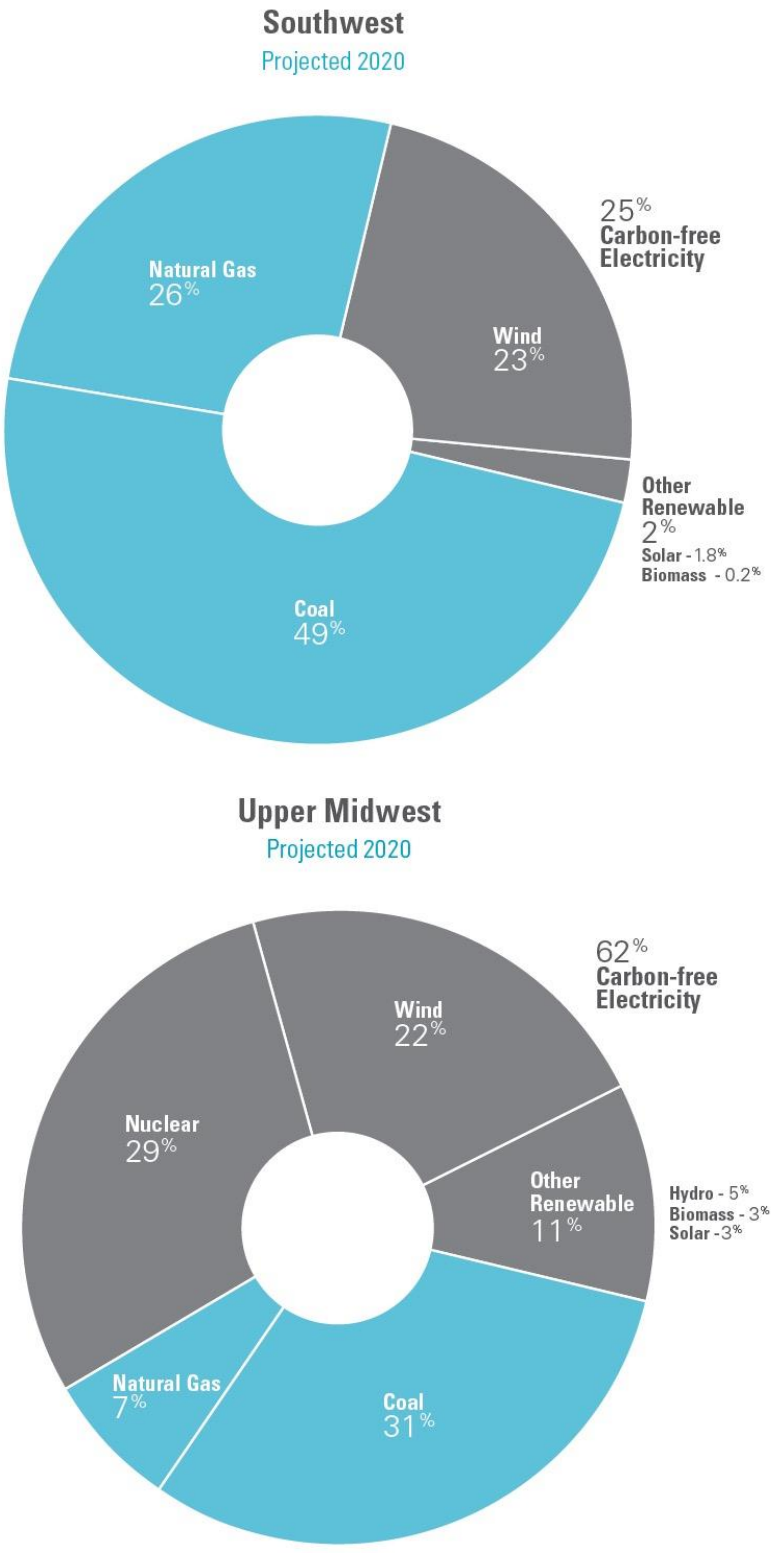

Southwest
2015 Electricity Supply by Energy Source
Natural Gas
37.3%
Wind
18.5%
19%
Carbon-free
Electricity
Other
Renewable
0.5%
Hydro - 0.1%
Solar - 0.4%
Other
0.1%
Coal
43.6%


Upper Midwest
2015 Electricity Supply by Energy Source
Nuclear
27.1%
Wind
13.7%
51%
Carbon-free
Electricity
Other
Renewable
10%
Hydro - 7.4%
Biomass - 2.6%
Natural Gas
14.9%
Other
0.4%
Coal
33.9%

2020 Projected Electricity Supply by Energy Source






Southwest
Projected 2020
Natural Gas
26%
Wind
23%
25%
Carbon-free
Electricity
Other
Renewable
2%
Solar - 1.8%
Biomass - 0.2%
Coal
49%
Upper Midwest
Projected 2020
62%
Carbon-free
Electricity
Wind
22%
Nuclear
29%
Other
Renewable
11%
Hydro - 5%
Biomass - 3%
Solar - 3%
Natural Gas
7%
Coal
31%

Transmission and Distribution

Transmission lines are a vital link to deliver electricity over long distances from power sources to substations closer to homes and businesses. Xcel Energy is one of the fastest growing, investor-owned transmission systems in the country with more than 20,000 miles of lines and 1,200 substations. In 2015, we energized 16 new substations, upgraded 27 existing substations and placed more than 700 miles of new lines into service—with our average cost per mile for new transmission below the national average. A strong transmission system will ensure continued reliable and affordable service; meet state and regional energy policy goals; and support a diverse energy supply mix, including renewable energy.

To distribute electricity to the communities we serve, transformers on our systems reduce the voltage so it can be carried on smaller cables or distribution lines to businesses, neighborhoods and homes. The distribution system includes substations, wires, poles, metering, billing and related support systems involved in the retail side of electricity delivery. Xcel Energy has nearly 200,000 miles of distribution lines, more than 2,800 feeders and more than 3.3 million meters in the field.

The need to expand our distribution infrastructure and install new distribution equipment to meet population and demand growth requires continued investment. As we invest in distribution system upgrades, we are focusing on new technologies that will help us meet the increased demands of our digital society and communicate more effectively with our customers.

2015 Electric Transmission and Distribution Lines

	Transmission Lines	**Distribution Lines**	**Transmission and Distribution Lines by Voltage**						
			500 kV	**345 kV**	**230 kV**	**161 kV**	**138 kV**	**115 kV**	**<115 kV**
Colorado	21,623	73,732	-	2,630	12,553	-	92	4,925	75,155
Michigan, Wisconsin	9,948	26,946	2,917	8,425	2,157	395	-	7,502	84,074
Minnesota, North Dakota, South Dakota	27,923	77,547	-	1,152	-	1,577	-	1,810	32,355
New Mexico, Texas	34,446	18,690	-	8,108	9,302	-	-	12,427	23,299
TOTAL	**93,941**	**196,914**	**2,917**	**20,315**	**24,012**	**1,972**	**92**	**26,664**	**214,883**

(Provided in conductor miles— a measure of the conductor in use on our system in miles; it accounts for all conductor phases or strands on a circuit)

Storm Response

In 2015, we demonstrated that we are ready when customers need us most by successfully managing more than 50 major storm events, from tornadoes to extreme wind and ice to flooding. In all situations, we were able to restore service to 90 percent of our customers within 12 hours and 96 percent within 24 hours, proving that our storm response is among the best in the industry.

Our crews were honored with the Edison Electric Institute's Emergency Recovery Award for quickly and safely restoring power to 250,000 customers following a devastating storm that ripped through the Twin Cities in the summer of 2015.

Building an Advanced Power Grid

As our customers become increasingly interested in technologies like smart home applications, battery storage and electric vehicles, we are exploring technologies that can offer them new energy solutions. Advanced grid technologies can also facilitate two-way power flow, enabling more distributed, renewable generation, while enhancing system security and reliability.

Xcel Energy has three projects underway for demonstrating battery storage capabilities that include:

- A project in Denver's Stapleton neighborhood will use battery systems to manage high levels of private, rooftop solar generation on the power grid.
- Xcel Energy will own a large battery system in conjunction with a 1.3-megawatt solar energy system as part of a partnership with Panasonic's Enterprise Solutions Company in Colorado. The project will provide backup power for Panasonic and perform power regulation functions.
- We have proposed installing a large two-megawatt battery combined with a one-megawatt solar energy system near our Belle Plaine substation in Minnesota. If approved by regulators, the project would help address system overloads and perform power regulation functions.

Electricity Reliability

Xcel Energy reliability performance is consistently in the top one-third of U.S. electric utilities. We measure electric system reliability through three indexes, using methodology provided by the Institute of Electrical and Electronics Engineers (IEEE). The methodology is commonly used in our industry and incorporating it improves our ability to benchmark Xcel Energy's performance with other utilities.

- The System Average Interruption Duration Index (SAIDI) measures the average number of minutes a typical customer was without power in a year.
- The System Average Interruption Frequency Index (SAIFI) measures the average number of power outages that an average customer experienced in a year.
- The Customer Average Interruption Duration Index (CAIDI) measures the length of the average power outage in a year.

2015 Xcel Energy Reliability Results

	SAIDI	SAIFI	CAIDI
Colorado	88.31	0.95	93.02
Michigan, Wisconsin	83.67	0.66	126.30
Minnesota, North Dakota, South Dakota	88.20	0.83	106.82
New Mexico, Texas	124.25	1.23	100.73
Xcel Energy Average	91.7	0.91	101.25

System Resource Planning

Regulatory commissions in some of the states we serve require us to submit resource plans at regularly established intervals. The filing of a resource plan marks the beginning of a process that focuses on a proposed long-term plan that is evaluated by regulators, with input from environmental, business and community stakeholders.

The resource plan assesses future customer energy load and the resources required to meet this need. Many aspects of service are considered including transmission planning and energy efficiency program goals.

Once a plan is evaluated and approved, the company, along with regulators and stakeholders, will determine the best energy resources for meeting future load and will issue requests for proposals for acquiring the energy.

Resource Planning Activity and Schedule

Region	Frequency of Filings	Last Filing
Colorado	At least every four years	May 27, 2016
New Mexico	Every three years	July 16, 2015
Upper Midwest	Every two to three years	January 2, 2015

Bold Energy Plans for the Future

Xcel Energy has proposed plans in Colorado and the Upper Midwest that advance our transition to a more sustainable energy future.

Upper Midwest Resource Plan

Xcel Energy has proposed a plan for our Upper Midwest system that continues to transform our energy system away from coal to cleaner energy sources, investing in new wind, solar and natural gas. The result will be a 60 percent reduction in carbon emissions and a 63 percent carbon-free energy mix by 2030. Detailed analysis shows this transformation can be achieved while keeping Minnesota rates competitive with the national average.

Highlights of the plan include:

- More than doubling our renewable energy sources in the Upper Midwest through an additional 1,400 megawatts of solar energy and 1,800 megawatts of wind energy.
- Retiring two coal units at Sherco Generating Station and building a new natural gas plant at the site.
- Building a new natural gas plant in North Dakota to meet growth and ensure reliability in the area.
- Retaining our carbon-free nuclear plants that support the transition to cleaner energy by providing base-load power.

Our Colorado Energy Future

We are proposing a number of initiatives in Colorado, including a new resource plan, that pave the way for additional emission reductions and clean energy options for customers at an affordable price.

Key initiatives under our Colorado Energy Future strategy include:

- Adding one gigawatt of renewable energy that includes a new 600-megawatt wind farm that we propose to own.
- Powering the economy through a modern grid that can foster cutting-edge technology, including interactive customer meters to promote choice and control.
- Empowering customer choice through new options; specifically, we have proposed Solar*Connect^{SM} to give customers another solar energy choice.
- Expanding our existing solar energy programs for customers through our proposed renewable energy plan.
- Powering emerging technology through two innovative solar-to-battery projects.

Natural Gas Service

Xcel Energy is the fourth largest provider of natural gas service, based on American Gas Association data. We currently operate more than 2,400 miles of natural gas transmission and more than 34,000

miles of natural gas distribution pipelines to serve our customers in Colorado and the Upper Midwest. We continue to modernize our natural gas infrastructure to ensure reliable service, safe transportation and delivery of natural gas and the ability to meet customer demand at a competitive and affordable cost. Low natural gas prices have enabled us to invest in and accelerate upgrades to our natural gas distribution system with minimum impact to customer bills. In 2015, we made the following progress to upgrade our natural gas system:

- Construction was completed on a new 3.5 mile natural gas line that runs on the south side of Eau Claire, Wis. The project will help to meet growing customer demand and ensure reliability for the future.
- We entered the fourth year of the five-year West Main project to replace 77 miles of high pressure transmission pipeline between Westminster, Colo., and the Wyoming border. The project will ensure continued safe and reliable natural gas service to our current and new customers along Colorado's Front Range.
- We completed the third year of the four-year East Metro Gas Pipeline Replacement Project in Minnesota to replace 11.5 miles of natural gas transmission line in St. Paul and Roseville. These lines are the backbone of the gas delivery system in the East Metro area, serving around 100,000 homes and businesses. Originally installed in the 1940s and 1950s, we are replacing the lines to ensure the integrity and reliability of the system.

2015 Natural Gas Pipelines (measured in miles)

	Transmission	Distribution
Colorado	2,278	22,045
Michigan, Wisconsin	--	2,342
Minnesota, North Dakota, South Dakota	136	10,084
WestGas Interstate (WGI)*	11	--

*WGI is an interstate natural gas pipeline company that is part of our continuing regulated utility operations.

Growing Our Natural Gas Business

Xcel Energy continues to pursue opportunities to grow our natural gas business and build new infrastructure, as well as investing in natural gas transmission pipeline or natural gas reserves. Because natural gas is a cleaner fossil fuel, we see great opportunities for new natural gas infrastructure as our industry works to address more stringent environmental rules, including the Environmental Protection Agency's Clean Power Plan to regulate greenhouse gas emissions from existing coal-fueled power plants.

One such opportunity is Xcel Energy's successful proposal to build a new high pressure natural gas pipeline for the repowering project at our Black Dog Generating Station in Minnesota. With plans underway to add a natural gas combustion turbine at the plant, competitive bids were requested to construct and operate the pipeline that will deliver the plant's fuel. Xcel Energy's natural gas organization responded. After the proposals were evaluated, Xcel Energy's bid was selected as providing the best overall value, proving that the company can offer competitively priced solutions in the marketplace. Xcel Energy will construct a roughly two-mile pipeline to be completed in 2017.

Natural Gas Supply

Xcel Energy relies on a consistent supply of natural gas for generating electricity and for distributing to customers for use in their homes and businesses. We are not a natural gas producer but purchase gas as a commodity. Our gas purchases are generally not tied to any specific well or production technique since generally all the natural gas produced combines as it flows into the national pipeline system.

Our customers are currently benefiting from low natural gas prices. Lower fuel costs have enabled us to make system improvements that contribute to the safety and reliability of our natural gas system with less impact to our customers' bills.

Today's reduced natural gas prices are the result of production methods that have significantly increased supply. Hydraulic fracturing, commonly referred to as fracking, is a technique gas producers use to fracture shale rock to stimulate the flow of natural gas to the well bore so it can be more easily obtained. Fracking along with horizontal drilling—a technique that allows for the extraction of natural gas along sources that run horizontally such as shale rock—allow producers to reach a significant supply of natural gas that was previously inaccessible with conventional drilling.

Natural gas production is governed by federal, state and local regulations, with additional regulations under consideration. Natural gas producers currently face intense scrutiny around these techniques and continue to refine their practices while the U.S. Environmental Protection Agency and other scientific groups conduct more analysis around water safety, air emissions and gas production.

We expect the natural gas that we purchase and distribute to be produced responsibly and in compliance with the law. We encourage gas producers to adopt best practices and continue to reduce the environmental impact of natural gas production. It is important that additional regulation be done in a reasonable manner that assures continued access to affordable natural gas. We have seen evidence that this is possible, particularly at the state level.

Physical and Cybersecurity

Xcel Energy is committed to the security of customers, our assets and the nation's critical infrastructure. We understand the risks and continue to focus on the improvement of our security program, leveraging our partnerships with public and private agencies, to ensure the protection of the critical assets that deliver safe, reliable energy to our communities and secure our customers' information. Our security programs are built on a Defense-in-Depth strategy that provides multi-layered safeguards against security risks. Because there is no solution that can guarantee complete security of our systems and critical infrastructure, we use a risk management approach inclusive of planning and preparing for events to ensure full, fast mitigation and recovery.

We view law enforcement, defense agencies and regulatory agencies as critical partners in our effort to protect our systems. We have longstanding relationships with personnel from these groups that enhance our own security. Further, Xcel Energy's chairman, president and CEO Ben Fowke is a member of the National Infrastructure Advisory Council (NIAC) subcommittee on cybersecurity, which advises President Obama through the secretary of Homeland Security on the security of critical infrastructure sectors and their information systems. Through membership in the Electricity Subsector Coordinating Council (ESCC), Mr. Fowke, along with other industry CEOs and leaders, serve as the principal liaison between the federal government and the electric power sector to address national security threats to the grid. The ESCC has made tangible progress to improve the security posture of the industry and the nation, including:

- Deploying tools and technology to improve industry and government situational awareness
- Improving the flow of and access to security threat information for all stakeholders
- Unifying industry and government efforts to plan and prepare coordinated responses to incidents
- Enhancing coordination with other critical infrastructure sectors

In addition, we are subject to a number of statutory and regulatory requirements, including data privacy laws focused on protecting our systems and customer information and data.

The responsibility of protecting our critical assets continues to evolve as new threats emerge, and we continually elevate our capabilities to prepare, prevent and respond to potential threats. Our investments in infrastructure, cyber-assets and personnel reinforce our commitment to protecting customers, our assets and the nation's critical infrastructure.

Regulation of Infrastructure and Information Security
As we go forward, we believe that infrastructure security and information security laws and regulations should focus on:

- Aligning relevant requirements to avoid conflict or duplication across state and federal agencies
- Establishing a clear reporting and federal agency responsibility structure in case of a cybersecurity event
- Limiting the scope of any new federal regulatory or enforcement authority over the electric sector to imminent threats against truly critical assets
- Recognizing interdependencies by including all critical infrastructure sectors in a comprehensive cybersecurity regime
- Sharing cybersecurity threats and vulnerabilities information between the federal government and the private sector
- Giving the utility industry the tools and flexibility it needs to develop safeguards that are appropriate for each utility's risk profile
- Strengthening cyber defenses while minimizing paperwork and ineffective compliance measures
- Limits on liability associated with sharing cyber data

Emergency Preparedness and Response
At Xcel Energy, we consider our preparations for safe and timely power restoration following severe weather events and other natural disasters as key components of electric and gas reliability. Industry leading emergency preparedness and response includes many elements, such as training, weather system monitoring, resource staging prior to emergencies, rapid mobilizations for restoration and ongoing communications with all stakeholders.

We continuously assess potential risks—natural, technical and terrorist. We carefully consider the consequences of each possible emergency and develop our response plans. To test our plans, we conduct several complex and multi-business unit reliability drills each year.

These drills challenge the organization with scenarios such as earthquakes, severe weather, major power or natural gas outages or cyberattacks. Our primary drill objective is to test our emergency procedures and processes to identify performance gaps or previously unconsidered issues and make the plans more effective and efficient. Many of our reliability drills involve Xcel Energy's executive team as well as participants from federal, state and local regulatory and emergency-management agencies.

Support for Customers in Need

Our Approach

We work with state and local agencies and advocates for low-income customers to provide energy assistance to those in need. Our Personal Accounts department provides services that promote the efficient use of energy while making energy bills more affordable to income-qualified families through payment plans and energy assistance programs.

Support for Customer Energy Assistance Programs

In 2015, we helped provide nearly $45.7 million to customer energy assistance programs throughout our service territory. Our support of energy assistance includes:

- Public policy and advocacy supporting efforts on the state and federal level for funding of Low-Income Home Energy Assistance Programs (LIHEAP)
- Funding for state and local energy assistance agencies and energy weatherization programs
- Encouraging our customers to contribute to statewide fuel funds via their Xcel Energy bills
- In-kind marketing and public relations to support energy assistance organizations and advocates for low-income customers

2015 Programs Available to Customers in Need

PROGRAM	DESCRIPTION	STATES AVAILABLE	# CUSTOMERS PARTICIPATING IN 2015
Gas Affordability Program	The program is designed to reduce the percentage of income that low-income households must devote to meet current energy bills. It's also designed to increase the number of customer payments and provide a mechanism for assisting customers in paying off past due balances. We partner with Energy CENTS Coalition (ECC) on both outreach and administration of the program.	MN	11,041
PowerON	Customers enrolled in PowerON get a discount on their monthly bills in return for their commitment to a payment plan. We partner with ECC to provide outreach and administration of this program. ECC obtains consumption information from us and combines it with customer income information to calculate each participant's PowerON benefit.	MN	7,930
Low-income Discount Program	Qualifying participants receive a $15 discount each billing period.	MN	52,960
Low-income Energy Savings Programs	Our Home Energy Savings program offers free energy savings services and upgrades, including weather stripping, insulation, replacement of inefficient	MN	2,430 in Home Energy Savings, plus 1,480 Home Energy Squad

	furnaces, water heaters, refrigerators, freezers and window/wall air conditioners, and installation of compact fluorescent light bulbs (CFLs). Free in-home installation and equipment upgrades also are available to income-qualified customers through our Home Energy Squad program and our newly launched Multi-family Energy Savings program, which targets apartment buildings.		and 1,764 Multi-family Energy Savings
Electric and Gas Assistance Programs (EAP/GAP)	Through these programs, participants are eligible for benefits such as a discount on their monthly gas or electricity bill, partial forgiveness for outstanding balances and weatherization assistance through the Colorado Energy Office program.	CO	16,279
Medical Exemption Program (MEP)	Customers in Colorado who have a medical condition and/or use life support equipment that requires electricity may be eligible for the Medical Exemption Program. The program offers a rate of $0.063 per kilowatt-hour (kWh) for all electricity used each month from June to September. Participants in the Colorado MEP revert to standard residential electric rates in October.	CO	607
Income-qualified Weatherization Programs	Free weatherization services, including weather stripping, insulation, replacement of inefficient furnaces and refrigerators, and installation of CFLs, in partnership with the Colorado Energy Office and Energy Outreach Colorado. Energy savings kits with CFLs, showerheads and faucet aerators are mailed directly to participating customers.	CO	1,543 (single-family residences) 38 (multi-family complexes) 8,113 (energy saving kits)
Nonprofit Energy Efficiency Program (NEEP)	This program helps selected nonprofit organizations lower energy use and save costs. Participating organizations receive energy audits to identify energy saving measures, which are then implemented.	CO	30 (includes multi-family complexes and other large buildings)
Home Energy Services: Low-income Program	This program provides various energy saving programs to low-income customers in New Mexico. Weatherization of existing homes, increasing duct efficiency for homes with central air, attic insulation and installation of up to 10 CFL light bulbs are the most requested services. Refrigerator replacement, installation of evaporative air	NM	1,243 in home energy services, plus 569 low-income kits

	conditioners and installation of radiant barriers are also offered. Low-income kits with CFLs, showerheads and faucet aerators are mailed directly to participating customers.		
Keep Wisconsin Warm Fund (KWWF)	The Keep Wisconsin Warm Fund assists thousands of customers every year who face a number of situations that create financial challenges. About 95 percent of those helped are elderly, families with young children or people with disabilities. The funds from KWWF are distributed to local energy assistance and community action agencies.	WI	$32,000
Income Eligible – Home Performance with Energy Star Program- Tier 2 Benefits	Through the statewide Focus on Energy program, qualifying income-eligible customers are offered a home energy assessment for $50.00. They are also eligible to receive greater incentives then that of Tier 1 for air sealing, insulation and HVAC equipment	WI	1,200

Service Disconnects

We disconnect service to customers only as a last resort when there are payment issues. We will usually shutoff service three to 10 days after the disconnection notice is sent if we are unable to resolve the issue or arrange a payment plan with the customer. In 2015, we disconnected service to a total of 95,406 customers. The majority of these customers are reconnected after they arrange payment plans or pay their bills in full. We typically send customers a reminder notice 33 days after their unpaid bill is due and a disconnection notice 64 days after the original due date. Heat-affected disconnects are not performed in our five Upper Midwest states during the heating season. In all states, our Customer Care leadership can decide to suspend disconnections during extreme weather or other emergency situations.

Public Safety

Our Approach

Ensuring the safety of our employees, our customers and the public is a responsibility that Xcel Energy takes very seriously. We want everyone who lives, works or gathers near our facilities to be aware of possible hazards and to respond safely to them.

To do this, we provide comprehensive outreach programs that promote safe behavior among our customers, communities, emergency responders and third-party workers. Our goal is to prevent accidents that can result in serious injury or death, property damage, costly repairs or fines and decreased service reliability. Most serious accidents happen because someone directly or indirectly makes contact with an overhead electric line, digs into an electric or natural gas line, or fails to respond safely to the warning signs of a gas or electric emergency.

Measuring Performance and Maintaining Public Safety

Our corporate scorecard in 2015 included a key performance indicator for our public safety index. Each measure on the index helps us improve in areas important to maintaining safe operations for our customers and others.

2015 Public Safety Index Performance

Measure	Target	Description
Response time to gas emergency calls	25.4 minutes	To meet this target, the average response time of our total E1 gas emergency calls needed to be 25.4 minutes or less. The clock begins ticking when a call arrives at Customer Care and ends when our responders arrive at the site. In 2015, our average response time for gas emergency calls was 25.7 minutes.
Nuclear emergency response	97.5 percent	To meet this target, we needed to perform in a timely and accurate manner during at least 97.5 percent of all drill, exercise and actual nuclear emergency response opportunities throughout the year. In 2015, we performed timely and accurately to 98.6 percent of all nuclear emergency response opportunities.
Number of accidental dig-ins to Xcel Energy's underground gas or electric service	1.34 per 1,000 locates	To meet this target, we must have had fewer than 1.34 damages for every 1,000 tickets we receive via the states' one-call centers, which arrange for utilities to locate and mark buried utilities in response to a locate request. In 2015, we had 1.30 damages for every 1,000 locate tickets.

Assessments of the company's high-pressure gas system	260 HCA miles	To meet this target, we must have assessed historical and current integrity along 260 miles of high-pressure natural gas pipeline in high-consequence areas (HCA), which is determined by the number of people and buildings near a potential impact zone in the event of a pipeline emergency. In 2015, we assessed 261 miles of pipeline in HCAs.

Public Safety Initiatives

Raising awareness about the dangers associated with activities near overhead and underground electric and natural gas lines is no easy task. We send direct mail to thousands of customers each year and offer free safety materials through fulfillment programs and partner organizations. We also offer online safety resources for elementary educators, students and their parents and for third-party workers.

Our *Responding to Utility Emergencies* online training provides local emergency responders, such as firefighters and law enforcement, with important safety information about situations involving natural gas pipelines and electricity. We also share safety information in our communities through traditional advertising, our website, social media sites and our electronic newsletters and inserts in billing statements.

We partner with several national organizations focusing on public safety awareness for electric, natural gas and pipeline safety.

Fulfillment Outreach Programs

Our fulfillment programs provide safety information to targeted, at-risk groups such as children, third-party workers and emergency responders. We offer free videos and related safety materials that address the specific needs of these audiences. Our programs also direct workers and elementary educators—including younger students and their parents—to our e-SMART worker website and our e-SMART kids website, where safety information is continuously available.

In 2015, our safety fulfillment efforts achieved the following:

- Xcel Energy sent safety brochures to more than 25,000 elementary educators, along with samples of free energy safety books they can order. In response to our offer, we placed more than 162,000 pieces of safety material directly into classrooms. These safety materials help educators meet national science education curriculum standards, and the related e-SMART website continues to be a valuable educational resource, as demonstrated by nearly 14,000 website visits in 2015.
- Xcel Energy mailed safety posters to nearly 63,000 businesses with at-risk third-party contractors and included an offer for free visor cards and DVDs about working safely near power lines and natural gas pipelines. In response to this offer, we provided nearly 44,000 additional pieces of safety information to at-risk workers (excavators, plumbers, general contractors, etc.) to support 1,502 requests. We also emailed additional safety information using "tips of the trade" and had several thousand visits to our e-SMART worker website.
- The mailing to third-party contractors also included tree workers and gutter, siding and roofing installers to further emphasize the hazards of performing work in areas near energized electric lines. We offered a *Tree Worker Safety* video program and an industry-best DVD entitled *Worker Beware* to workers who install gutters, siding and roofing and use scaffolding in our service areas.

Pipeline Safety Collaborative Programs

Through our membership with the national nonprofit Pipeline Association for Public Awareness (PAPA) and our participation in state-specific pipeline associations, as well as Minnesota's Community Awareness Emergency Response (CAER) association, we helped distribute the following materials in states where we have natural gas distribution and transmission pipelines:

- **Excavators**
  - PAPA *Excavation Safety Guide*, "Pipeline Edition" was mailed to nearly 135,000 excavators
  - MN CAER *Gopher State Newsletter* was mailed to 31,917 excavators
- **Public Officials**
  - PAPA *Public Officials Newsletter* was mailed to 12,682 public officials
  - MN CAER *Public Officials Newsletter* was mailed to 5,954 public officials
- **Emergency Officials**
  - PAPA *Pipeline Emergency Response Guide* was mailed to 4,316 emergency response agencies
  - MN CAER *Emergency Responder* books were provided to more than 2,329 emergency response agencies
  - Attendance at and sponsorship of many pipeline emergency responder meetings in Colorado, Minnesota, North Dakota, South Dakota and Wyoming provided additional, in-person pipeline safety training to hundreds more emergency responders

For each of the above direct-mail pieces provided within Xcel Energy's service territories, hundreds of thousands more excavators and thousands more public and emergency officials across the United States received the same industry best practice information. Sharing consistent information nationwide also helps encourage pipeline safety.

Additional Community Outreach that Encourages Public Safety

- We estimate that more than 20,000 people watched our electricity safety demonstrations at the Minnesota State Fair in 2015.
- Xcel Energy provided hundreds of electricity and natural gas safety pamphlets at safety events throughout our service territory.
- We mailed information directly to emergency responder agencies and community officials across our service territory and provided information specific to their regions regarding response to life-threatening and non-life-threatening emergencies, including essential public service restoration.
- The Xcel Energy sponsored Responding to Utility Emergencies and First Responder Beware websites received 1,597 visits.
- Xcel Energy conducts numerous emergency drills each year and involve local emergency responders from the communities we serve.
- The website for third-party contractors was updated in 2015 to include Spanish translation throughout the site. Additionally, a bilingual business card was created for Xcel Energy field workers to give to Spanish speaking contractors.
- Solar safety information has been added to both the third-party and elementary websites to educate the public.

Pipeline Safety

Xcel Energy has its own Transmission Integrity Management Program (TIMP) and Distribution Integrity Management Program (DIMP), which each operating company uses to address the specific risks identified on its gas pipelines as required by the federal Pipeline and Hazardous Materials Safety

Administration (PHMSA). TIMP rules are prescriptive and extensive but can be summarized in several simple points:

- Know your pipeline assets
- Understand the threats against your assets
- Be proactive in addressing the threats against your assets

DIMP rules require operators of distribution pipelines to continually identify and assess risks to their distribution lines, to remediate conditions that present a potential threat to pipeline integrity, and to monitor program effectiveness. Instead of imposing prescriptive requirements for DIMP, PHMSA concluded that requirements for operator-specific programs to manage pipeline system integrity would be more effective given the diversity in distribution systems and the threats to which they may be exposed.

We are committed to having knowledgeable, experienced, trained personnel regularly inspect our pipelines for any potential leaks or anomalies. The design, construction, operation, inspection and maintenance of our operating pipelines are subject to state and federal regulations, including the Congressional Pipeline Inspection, Protection, Enforcement and Safety Act of 2006. We review publicly available data that the pipeline industry reports to the PHMSA, participate in benchmarking studies, and engage in peer-to-peer reviews with other utilities with the goal of continuously improving our safety programs in order to reduce public safety incidents and taking proactive steps to prevent such incidents.

Third-party excavation damage remains the biggest threat to our natural gas distribution systems. We continue to heavily promote the Call Before You Dig campaign that uses the national three-digit number, 8-1-1. We also reinforce to anyone planning to dig near our pipelines, the need and importance of always calling 8-1-1 before digging. Since 2008, we have reduced the damage incident rate per 1,000 facility locates by 24 percent. Preventing dig-ins has been a corporate goal that is tracked and measured as part of our public safety index.

When building gas pipelines, we consistently meet or exceed national standards for construction and safety and work closely with local emergency responders to ensure there is a safe, coordinated response in the event a pipeline incident should occur.

Customer Energy Efficiency Solutions

Our Approach

Xcel Energy provides a variety of solutions to meet the individual needs and preferences of customers. We have developed a broad portfolio of energy efficiency offerings so all customers have an opportunity to participate. From rebate programs to energy audits to recycling services, our award-winning programs provide solutions that our customers value. Not only can customers save money by improving efficiency, these projects support the environment.

Xcel Energy has been a leader in energy efficiency and conservation since the 1990s, and we currently offer more than 160 electric and natural gas programs for residential and business customers. Our Xcel Energy website helps customers learn more about the many program choices and rebates available to them. Our goal is to make it as easy as possible for customers to access our programs and understand the benefits of energy efficiency.

We are always evaluating emerging technologies and program models to develop products that benefit different customer groups. An important part of the process is considering what our customers and communities want and value. Xcel Energy assesses its demand side management product offerings based on several criteria in addition to cost effectiveness. We seek to ensure:

- Value to all stakeholders
- Options for all customers groups
- Control over costs and customer rate impacts
- Balance between energy and demand savings
- Products that provide long-term energy and demand savings to meet future customer needs

2015 Conservation and Load Management Results

Xcel Energy provided nearly $104 million in rebates to residential and business customers in 2015. In total, our programs had about 4.2 million electricity and 1 million natural gas participants—some of our customers participate in multiple programs.

Since we began consistently tracking energy efficiency results in 1992, we estimate our customers have saved enough electricity to help us avoid building about 18 average-size power plants. In 2015, Xcel Energy customers saved 1,045 gigawatt-hours of electricity through our energy efficiency programs, enough to prevent more than 631,000 tons of carbon dioxide emissions for the year, as well as other environmental impacts. With results like this, energy efficiency is one of the most cost-effective ways for our company to reduce emissions and meet growing clean air requirements.

State	Spending	Electric Conservation & Load Management			Gas	Gas Conservation
		Participants	Generator kW	Generator kWh	Participants	Dth Saved
MN	$ 104,962,925	2,879,104	115,585	500,393,537	599,137	838,319
CO	$ 87,125,687	891,350	82,932	405,702,592	441,694	598,015
WI	$ 12,213,666	6,001	15,613	79,431,031	3,557	280,160
TX	$ 3,224,868	2,095	8,959	15,660,564	NA	NA
NM	$ 10,025,664	289,734	8,978	38,085,860	NA	NA
SD	$ 844,670	133,296	2,637	4,532,027	NA	NA
MI	$ 383,622	2,250	0	1,402,041	683	6,444
ND	$ 292,734	324	427	4,879	967	11,872
Total	**$219,073,837**	**4,204,154**	**235,130**	**1,045,212,531**	**1,046,038**	**1,734,810**

**Achievements listed in this table are preliminary for 2015.*

Program Recognition

According to the 2014 Ceres report *Benchmarking Utility Clean Energy,* Xcel Energy is among the top five U.S. utilities for energy efficiency savings. In 2015, our energy saving efforts and extensive portfolio of programs continued to receive national recognition. Two of the states Xcel Energy serves were ranked among the U.S. Green Building Council's annual ranking of top-10 states in the nation for LEED certifications, the world's most widely used and recognized green building rating system. Colorado placed second on the list, with Minnesota placing ninth. By leveraging our efficiency programs, many customers are signing up to get energy design assistance and rebates from Xcel Energy, which helps them achieve LEED certifications.

Two of our new partnerships are finalists for the 2016 Environmental Initiative Awards in Minnesota. The Rose—a new mixed-income, ultra-sustainable property in the heart of Minneapolis—was nominated in the Energy and Climate Category. The Metropolitan Airports Commission (MAC) was nominated in the Sustainable Business Category—the MAC took on the largest integrated solar and lighting project of any airport in the country.

Finally, the U.S. Department of Energy awarded Xcel Energy and its partners $1 million to design, develop and deploy a pilot open-source technology platform that will link DOE's tools and solutions to deliver cost-effective energy savings of at least 20 percent in more than 300 commercial buildings in three states. The platform has the potential to significantly benefit customers and our company by increasing energy savings per building, expanding the number and types of buildings served, and accelerating the adoption of whole-building programs in the marketplace.

Customer Recognition

We recognized 11 businesses in Colorado and seven businesses in Minnesota for their individual efforts to save energy through our 2015 energy efficiency programs. These companies collectively saved more than 45 million kilowatt-hours of electricity and more than 680,000 therms of natural gas. Awards were presented at our energy efficiency open houses in Denver and St. Paul in early 2016. Nearly 300 business customers and 180 trade partners attended the Denver event, and more than 260 business customers and 185 trade partners attended the St. Paul Energy Efficiency Expo. These events featured teams of experts from Xcel Energy and outside organizations, providing participants with energy saving ideas and rebate opportunities, as well as information on energy efficiency study funding. Both events included a technology showcase to educate customers on available options, including the latest in lighting, motors, refrigeration, energy-management system and datacenter equipment.

State-by-state Overview and Performance

Minnesota	
Residential Programs	Program offerings range from prescriptive rebates to in-home services providing energy efficient materials and installation labor. Consumer education is included with most of the residential programs to increase conservation awareness and encourage energy-wise choices and behavior in the home. In 2015, the Residential Segment exceeded its electric and gas participation, savings and spending goals. Top drivers of electric savings were Energy Feedback, Home Lighting, Residential Cooling, Home

	Energy Squad and Heating System Rebate programs. Within the natural gas program offerings, Heating System Rebate, Energy Feedback, ENERGY STAR Homes, Home Energy Squad and Energy Efficient Showerheads were the largest contributors.
Business Programs	The business segment includes electric and natural gas commercial, industrial and small business customers. We offer a variety of programs that encourage business customers to save energy, lower their energy bills and/or peak demand and minimize environmental impacts. These include: • Equipment rebate and custom rebate programs that lower the upfront cost for customers to purchase and install energy efficient equipment or process improvements. • Studies and audits that help customers identify, plan, prioritize and implement energy efficiency projects. • Holistic programs that encourage long-term energy management planning to help customers analyze, track and implement efficiency plans rather than ad-hoc efficiency projects. • Demand response programs that help lower customers' electricity demand during peak periods in exchange for lower rates or energy bill discounts. • Business education, advertising and promotional efforts that work to increase customer and trade awareness of energy use and conservation options, which drives behavioral changes and leads to future participation in our programs. The 2015 energy efficiency and conservation programs recorded strong performance from a number of programs including Process Efficiency, Commercial Efficiency, Business New Construction and Lighting Efficiency. Trade and community groups continue to engage in efficiency projects. We provide the tools and resources they need to advocate for energy efficiency. Through these partnerships, we are able to expand our reach, generate awareness and increase participation in our efficiency programs.
<u>Low-income Programs</u>	The low-income segment includes the Home Energy Savings program (HESP), Multi-Family Energy Savings program (MESP) and Low-Income Home Energy Squad program. These services and products help income-qualified customers reduce their energy use and ultimately lower their bills. HESP offers customers a home energy use analysis to identify areas for energy savings and free energy efficiency upgrades. MESP provides electric energy efficiency measures and information to customers in multi-family buildings. The Low-income Home Energy Squad program performs a quick assessment of each participant's home and implements energy saving measures during one visit. In 2015, the Low-income Programs segment performed well with

	especially strong results from the Multi-family Energy Savings program. The program success hinges on its ability to reach a high number of participants in large complexes. In its second year, MESP continued to show strong performance in 2014 due to high participation numbers in large complexes combined with strong interest from property management organizations.
South Dakota	
Residential and Business Programs	Xcel Energy's energy efficiency portfolio for South Dakota customers is a mix of electric programs designed to encourage our residential and business customers to save energy and lower their energy bills in a variety of ways. For businesses, we offer Lighting Efficiency Rebates as well as load management programs to help reduce peak demand. For residential customers, we offer Ground Source Heat Pump Rebates, discounted CFL and LED bulbs through our Home Lighting program and educational outreach programs. 2015 was our fourth year with active programs in South Dakota, and we continue to work with customers and trade partners to promote energy efficiency.
North Dakota	
Residential and Business Programs	Xcel Energy provides savings opportunities for North Dakota customers through our load management programs, as well as natural gas education, energy audit and rebate programs.
Wisconsin	
Residential and Business Programs	Xcel Energy participates in a statewide program called Focus on Energy that provides incentives to eligible Wisconsin residents and businesses for installing cost-effective energy efficiency and renewable energy projects. Xcel Energy retains a portion of the approved annual funding for our voluntary customer programs and to promote the Focus on Energy programs. The retained dollars also fund general conservation activities, advertising and energy efficiency education for residential customers, commercial customers and trade allies in our service territory.
Michigan	
Residential and Business Programs	In Michigan, Xcel Energy participates in a statewide program called Efficiency United that educates residential and commercial customers about energy efficiency and offers cost-effective solutions and rebates for reducing energy use. Michigan does not allow Xcel Energy to retain any of the funding dollars for internal programs.
Colorado	
Residential Programs	Xcel Energy's residential energy efficiency programs focus on cost-effective, direct impact products that target household appliances and lighting. This effort is supplemented with educational services intended to further increase customer understanding and interest in conservation and energy efficiency. In 2015, the products in our residential programs performed very well, with the following electric and gas products exceeding their targets:

	Home Lighting and Recycling, Energy Feedback, Insulation and Air Sealing, Refrigerator and Freezer Recycling, Residential Heating, Energy Efficient Showerhead, School Education Kits and Water Heating The Home Lighting and Recycling product led performance in the residential electric segment, with more than 420,000 participants.
Business Programs	Energy efficiency sales to business customers are achieved through Xcel Energy's account managers and Business Solutions Center, end-use equipment vendors and energy service companies. Our business program—for commercial and industrial customers of all sizes—offers a broad portfolio of demand side management products designed to meet the needs of this varied segment. The portfolio has three primary components: • Prescriptive products focus on the most common equipment • Custom products encourage savings from unique situations, often involving newer technologies or measures • Study and educational products help customers identify energy efficiency opportunities In 2015, the electric business product achievement was driven by top performers all exceeding targets, such as Lighting Efficiency, New Construction, Process Efficiency, Compressed Air Efficiency, Cooling, Data Center Efficiency, New Construction, Lighting (Small Business) and Motor and Drive Efficiency. Our natural gas products in the business program included notable achievement from the Energy Management Systems product, which greatly exceeded its natural gas savings forecast.
Low-income Programs	The Low-income Program consists of the Energy Savings Kit, Multifamily Weatherization, Nonprofit and Single-family Weatherization products. These products analyze natural gas and electric consumption for low-income customers and provide them with products, services and education designed to assist in lowering their energy bills. In 2015, the Multifamily Weatherization and Nonprofit products exceeded their electric energy savings goals due to higher than forecasted participation.

Customer Renewable Energy Solutions

Our Approach

At Xcel Energy, we recognize that, just as customers want more control over their energy use, they also want more choice in how their energy is produced. It is our goal to provide innovative solutions that help customers meet their priorities around clean energy and the environment. This includes providing a range of renewable energy programs for customers, making it possible for them to choose their own personal energy mix through options that best fit their individual needs and circumstances.

Program Growth in 2015

Customer participation in our renewable energy programs increased in 2015, as we worked to expand the options available to them.

In early 2016, we began offering our Wisconsin customers Solar*Connect Community, a flexible program that enables customers to choose a subscription level for covering all or a portion of their electricity needs with solar energy. Under the program, we plan to purchase solar power on behalf of customers from two new, local community solar arrays. Participating customers will receive a monthly credit on their energy bills based on their subscription level. To promote the program, Xcel Energy has hosted a series of Solar Power Hours, which are town-hall style meetings offered in locations throughout our Wisconsin service territory where customers can ask questions and get help in determining the right subscription levels to meet their needs. Construction on the solar arrays will begin in fall 2016 and should be complete by year's end.

Xcel Energy has proposed Renewable*Connect for customers in Minnesota. This innovative pilot program would allow customers to designate that up to 100 percent of their electricity come from a blend of wind and solar resources dedicated to the program. Customers could sign up through month-to-month, five-year or ten-year contracts, with no up-front costs. The program would be especially beneficial for business customers with sustainability programs, as it will deliver a verifiable method to track renewable energy use. We plan to retire renewable energy credits associated with the wind and solar energy on behalf of participating customers and seek Green-e Energy Program certification, which means the program will meet the environmental and consumer protection standards established by the nonprofit Center for Resource Solutions. Customers would pay for the cost of wind and solar resources dedicated to the project, which compared to the current rate structure, could offer more price stability for customers participating under longer-term contracts. If the Minnesota Public Utilities Commission approves the program when anticipated by late 2016, we expect to begin offering Renewable*Connect in early 2017.

In early 2016, we proposed Solar*Connect to the Colorado Public Utilities Commission. Solar*Connect would give customers the option to subscribe for solar energy from a new solar resource on our system, one constructed specifically to serve the program. The program will have a price premium relative to each customer's retail rate, and we plan to retire renewable energy credits on behalf of participating customers through Green-e certification, something that makes this program unique compared to our other solar offerings in Colorado. We expect a decision from the commission on our proposal in late 2016.

Windsource®

Xcel Energy was an early adopter of wind energy when we launched the Windsource program in Colorado in1998. One of the nation's first voluntary green energy programs, Windsource today continues as an option for customers to purchase renewable energy above what is provided in our standard energy supply. For a small premium, customers can purchase as little as one 100-kilowatt-hour block or opt to

have 100 percent of their electricity consumption covered by renewable energy. On behalf of participating customers, we retire the renewable energy credits associated with the wind energy provided under Windsource, and the program is Green-e certified.

We currently offer Windsource in five states: Colorado, Michigan, Minnesota, New Mexico and Wisconsin. In 2014, Windsource was ranked the third largest voluntary green energy program in the United States based upon customer participation, according to the National Renewable Energy Laboratory. The number of customers who participated in Windsource in 2015 grew by about 12 percent compared to 2014.

2015 Windsource Results

	Customers			
	Residential	Commercial & Industrial	Total	Megawatt Hours
Minnesota	45,100	282	45,382	143,938
Wisconsin, Michigan	5,237	55	5,292	12,597
Colorado	45,078	738	44,340	180,710
New Mexico	796	87	883	3,581
TOTAL	**95,473**	**1,162**	**96,635**	**340,825**

Through Windsource, Xcel Energy sponsors the KidWind project, a nonprofit dedicated to equipping inquisitive learners and educators with renewable energy resources for the classroom and beyond. In 2015, our Windsource program contributed $7,500 to enable five teachers from our service territories to attend the organization's REcharge Academy, a four-day educator workshop on renewable energy. This opportunity helps local educators prepare our youth for the growing clean energy economy.

Solar*Rewards®

Through Solar*Rewards, we offer customers in Colorado, Minnesota and New Mexico incentives to install solar panels on their homes and businesses. By the end of 2015, Xcel Energy had helped customers install more than 31,000 photovoltaic (PV) systems, with a capacity of more than 285 megawatts-DC.

Solar*Rewards Results (as of yearend 2015)

State (year program launched)	Total	
	Systems	Capacity (Megawatts-DC*)
Colorado (2006)	29,635	258.0
Minnesota (2010)	1,525	19.0
New Mexico (2009)	144	8.0
Total	31,304	285.0

*We report megawatts-AC in other sections of the Corporate Responsibility Report, including megawatts reported for Solar*Rewards.

Colorado

The state's Renewable Energy Standard and the Public Utilities Commission determine annually the capacity and incentives available under Solar*Rewards in Colorado. Solar*Rewards currently supports the installation of systems at several program levels—small systems up to 25 kilowatts and medium systems between 25.1 to 500 kilowatts. In the past, the program also has issued requests for proposals to support large systems over 500 kilowatts.

In 2014, the Colorado Public Utilities Commission approved an agreement between Xcel Energy, the solar industry and others that allows Solar*Rewards to acquire up to 24 megawatts of solar energy from small installations and up to 12 megawatts from medium installations each year in 2015 and 2016.

In our Colorado Renewable Energy Plan submitted to the Colorado Public Utilities Commission in early 2016, we proposed significantly adding solar capacity through Solar*Rewards, from 2017 through 2019.

- The plan proposes two options for the small system program that if approved could add up to 123 megawatts of capacity over three years.
- We have proposed adding more capacity to our medium-size program than ever before, with potential for an additional 54 megawatts of capacity over three years; our proposal is in response to growing market interest in renewable energy options from the business community.
- The Solar*Rewards large program is intended for properties with greater energy needs, such as convention centers, universities or other school or business campuses; our plan recommends reopening the program for large systems for the first time since 2012, potentially adding 24 megawatts of capacity over three years.

Minnesota

Xcel Energy launched a new, redesigned and enhanced Solar*Rewards program for Minnesota customers in 2014. The changes to the program encourage greater participation and seek to maximize the energy that solar projects produce by offering production-based incentives. Customers who install up to 20-kilowatt photovoltaic installations on their properties receive incentives based on the amount of energy their systems generate, encouraging them to install and maintain efficient systems.

Solar*Rewards in Minnesota is funded annually for five years with $5 million from the Renewable Development Fund. This annual funding level is projected to support about 4.6 megawatts of solar energy capacity each year with the potential to install 23 megawatts over the five-year program.

In addition to Solar*Rewards, the state also supports a Made in Minnesota program with an annual budget of $15 million that the Department of Commerce (DOC) administers. The Made in Minnesota program will be funded for 10 years. Solar energy systems up to 40 kilowatts must incorporate components that meet Made in Minnesota requirements to be eligible for production-based incentives. Xcel Energy supports the Made in Minnesota program by interconnecting the systems and by providing production data for DOC to pay annual incentives.

New Mexico

In December of 2015, the Solar*Rewards program in New Mexico closed under the state's Reasonable Cost Threshold or RCT, after a determination that the program was non-cost effective. Before the program closed, Solar*Rewards supported the installation of systems at two program levels—small systems from 0.5 to 10 kilowatts and medium systems between 10.1 to 100 kilowatts. In the past, it also has supported large systems from 100.1 kilowatts to two megawatts.

Solar*Rewards® Community®

Xcel Energy's Solar*Rewards Community program gives customers in Colorado and Minnesota an option to invest in solar energy without having to install, own and maintain their own solar panels.

Under the program, Xcel Energy seeks solar garden operators to apply and install community solar gardens. The garden operators then sell or lease a portion of their gardens' solar output directly to our

business and residential customers. Xcel Energy then credits a participating customers' bill for their portion of solar energy produced by the garden.

Solar*Rewards Community Results (as of yearend 2015)

State (year program launched)	Proposed		Approved		Completed		Subscription Status	
	Gardens	Megawatts-AC	Gardens	Megawatts-AC	Gardens	Megawatts-AC	Customers	Megawatts-AC
Colorado	--	--	19	27	24	14.40	973	14.200
Minnesota	175	700	67	243	1	0.04	5	0.036
Total	175	700	86	270	25	14.44	978	14.236

Colorado

Xcel Energy launched Solar*Rewards Community in Colorado in 2012 after the state became one of the first to approve the solar garden concept in 2010. We currently have 24 solar gardens on our system available to customers, with an additional 19 under development.

We have proposed adding another 90 megawatts in solar gardens through our latest renewable energy plan proposal submitted to the Colorado Public Utilities Commission in early 2016.

Minnesota

Xcel Energy began accepting applications from garden developers in December 2014 for Solar*Rewards Community in Minnesota. The response from garden operators has been tremendous, positioning us to have the largest and most robust community solar programs in the nation. All applications undergo an evaluation to ensure they meet program requirements, as well as an engineering review, prior to approval.

The first solar garden project under the program was completed in September 2015. The Novel Community Solar Garden at Vetter Farms, near Mankato, Minn. has a capacity of 36 kW-DC to serve the farm and five current subscribers.

Renewable Energy Trust

The Renewable Energy Trust (RET) is a voluntary, customer-driven charitable fund established in 1993 to help develop renewable energy sources in Colorado for the benefit of local schools, nonprofit organizations and community groups. Customer contributions to RET are tax deductible and are used to purchase and install renewable energy projects, such as solar electric systems for community organizations that would otherwise be unable to afford the technology. We collected donations totaling about $60,578 from customers in 2015, and no grant awards were made during the year.

Customer Transportation Solutions

Our Approach

As an energy provider, Xcel Energy has the unique opportunity to support customers and communities that want to participate in the electric and natural gas vehicle markets. We offer safe, reliable and increasingly clean energy to fuel electric and natural gas vehicles at an affordable price.

Xcel Energy has developed three areas of focus for supporting alternatively fueled vehicles:

- Enable the market by offering customers more choices, including options to repower their transportation
- Get the rules right and seek policies that benefit all energy users
- Manage system impacts by providing reliable and safe energy to fuel vehicles at an affordable cost to customers

In Xcel Energy's service territory the market for electric and natural gas vehicles remains in the initial growth stages. We estimate there are currently about 10,000 electric vehicles (EVs) throughout our service territory. While most people prefer to charge their EVs conveniently at home using our service, Xcel Energy also provides electricity for more than 500 public charging stations throughout our service territory. Additionally, there are a few hundred medium- and heavy-duty natural gas vehicles (NGVs) that fuel at more than 35 public and 35 private natural gas fueling stations in Colorado, Minnesota, Texas and Wisconsin.

The market is projected to grow, especially as new models of alternative fuel vehicles become more available and more affordable for both individual and fleet use. There were just two electric vehicle models on the market in 2010, while in 2015, that number jumped to 25 models. Electric vehicles with a range of more than 200 miles at a price point around the average cost of a new car are anticipated in late 2016 and early 2017. Plus, fueling is becoming increasingly easier and more accessible.

Xcel Energy received the 2015 EV Wired Workplace award from Charge Ahead Colorado—an electric vehicle and infrastructure grant funding program formed in partnership by the Regional Air Quality Council and the Colorado Energy Office. The award recognizes leading companies in Colorado for their dedication and commitment to EVs, the environment, energy security and their employees. Additionally, Xcel Energy signed on to the U.S. Department of Energy's Workplace Charging Challenge and Edison Electric Institute Fleet Electrification Commitment.

Supporting Customers

- Along with specific Xcel Energy initiatives that support customer vehicle fueling and public education, we encourage customers to contact us to ensure that adequate system infrastructure is in place to support their fueling needs.
- Across our service territory, we work with auto manufacturers and station developers to build public fueling stations for both electric and natural gas vehicles. In the recent past, we enabled the installation of more than 50 new public fueling stations, including more than 20 electric fast chargers. Plus, we provided electricity and natural gas to thousands of drivers that fuel at home or in their fleet parking lots.
- In Minnesota, Xcel Energy created a new EV Rate, along with the time-of-day and flat rate to provide EV drivers with options to save on fuel costs while driving their electric vehicles.

- In Colorado, we completed a two-year electric vehicle charging pilot that studied customer charging behaviors and acceptance of demand response. Xcel Energy worked with a limited number of customers to minimize load on the electric grid during peak hours. Participating vehicle owners had the opportunity to earn credit on their Xcel Energy bills in exchange for allowing us to interrupt their vehicle charging for a limited number of hours throughout the year. The final analysis of the pilot was completed in May 2015.
- Xcel Energy markets Windsource® for EVs specifically to electric vehicle owners who want a renewable fueling option. Currently, a majority of our customers who drive EVs participate in one of Xcel Energy's renewable energy programs, including Windsource.
- Xcel Energy hosted booths and participated in several public education and outreach events to provide customers with information, including Drive Electric Week events in Colorado and Minnesota and the Twin Cities and Denver Auto Shows.
- A rapidly growing number of Xcel Energy employees now drive electric vehicles to and from work. Under a pilot program, employees have the option to charge electric vehicles at our facilities for a reasonable monthly fee that covers electricity and administrative costs.

Policy Development

Xcel Energy continues to work with stakeholders to help develop state policy and regulations that support the market and customers who purchase electric and natural gas vehicles. It is important that new rules are fair to all customers—both those who own vehicles and those who do not. To make it easier for third parties to install fueling stations in Colorado, we changed our policies to include a special tariff and construction allowance.

System Readiness

We have conducted several studies of our electric and natural gas systems to verify that we can manage the increased load as customers begin using our energy to fuel vehicles. To make it easier for third parties to install public electric and natural gas fueling stations, we work individually with developers to help find ideal locations based on preferred gas pressure, vehicle traffic and fleet needs. Additionally, customer research, as well as the use of electric vehicles in our fleet and by employees, continues to inform our strategy for the future.

Community Economic Impact and Development

Our Approach

Through our infrastructure investment and daily operations, Xcel Energy helps drive local economies by purchasing goods and services, generating tax revenue and creating job growth. At the same time, our company's success relies on the economic prosperity of the communities we serve. To support our local economies, we are active members in community chambers of commerce and economic development organizations throughout our service territory. Together, we work with our cities and towns to attract and develop new business. We know that for many companies the availability of reliable, affordable energy is a key consideration when deciding where to locate their operations.

Xcel Energy Financial Performance and Direct Economic Impacts

For the 11th consecutive year, we have met or exceeded our earnings guidance. In 2015, we generated $984 million of GAAP earnings, or $1.94 per share compared with 2014 GAAP earnings of $1,021 million, or $2.03 per share. Ongoing earnings, which exclude adjustments for certain items, were $2.09 per share in 2015, compared with $2.03 per share in 2014, and we generated $1.06 billion in ongoing earnings in 2015. Our total shareholder return for 2015 was 3.8 percent, which was the fourth highest achieved among our 22-member peer group for the year. Our ongoing earnings have grown approximately 6.2 percent and our dividend has grown approximately 4.1 percent annually from 2005 through 2015, with a 6.7 percent dividend increase in 2015. Going forward, we plan to deliver long-term annual earnings growth of 4 to 6 percent and annual dividend increases of 5 to 7 percent in order to offer an attractive total return for our shareholders. Our ongoing earnings guidance for 2016 is $2.12 to $2.27 per share.

2015 Financial Summary

Net income	$984 million
Ongoing earnings	$1.06 billion
GAAP earnings per diluted share	$1.94
Ongoing diluted earnings per share	$2.09

*****See reconciliation to GAAP earnings per share below

2015 Economic Value Generated

Total revenues	$11.02 billion
Electric utility revenues	$9.28 billion
Natural gas revenues	$1.67 billion
Other operating revenues	$76 million

2015 Economic Value Distributed

Electric fuel and purchased power costs	$3.76 billion
Cost of natural gas sold and transported	$904.8 million
Employee compensation, including wages and benefits	$1.8 billion
Community giving	$59.4 million
Economic development	$1.5 million
Interest charges and financing costs	$569 million
Common stock dividends	$607 million

Sales, Use and Property Tax Payments
Xcel Energy annually pays significant property and sales taxes that support local governments and pay for community services. In many small communities, we are the largest tax payer.

	2015 Payments (in millions)
Colorado	$316.1
Kansas	$0.8
Michigan	$2.3
Minnesota	$352.0
New Mexico	$32.4
North Dakota	$2.9
Oklahoma	$0.5
South Dakota	$14.2
Texas	$58.5
Wisconsin	$24.1
Total	$803.8

City Franchise Agreements
Xcel Energy has franchise agreements with some of the cities and towns where we provide natural gas and electricity service. These agreements give us rights to use the municipality's alleys, streets and rights-of-way so we can, for example, run power lines along city property. As part of some of the franchise agreements, we collect a fee from our customers and pay that money to the cities and towns. The franchise fee is not a tax but rather a portion of the cost to operate a utility.

In 2015, we distributed nearly $168 million in franchise fees to the communities where we operate and have franchise fee arrangements in place.

2015 Franchise Summary

	Fees Collected and Paid
Colorado	$80,281,076
Minnesota	$63,553,115
New Mexico	$3,643,270
North Dakota	$4,311,282
Texas	$16,194,418
Total	$167,983,161

City Highlights for 2015

City and County of Denver-Panasonic Project
Xcel Energy began collaborating with the city and county of Denver and Panasonic Enterprise Solutions Company (PESCO) in 2015 on an innovative project that will bring a number of advanced, smart-energy solutions to a 400-acre transit-oriented project near Pena Station and Denver International Airport. One of the first initiatives is a microgrid energy storage solution. A high-capacity battery storage system will be installed to support renewable distributed generation in the area, including a 1.3 megawatt carport PV system owned by Xcel Energy. The storage system will also enable a microgrid to be created, supplying back-up power to the PESCO facility in the event of an outage. The system will be owned by Xcel Energy with PESCO providing on-going maintenance of the system.

Minneapolis and Xcel Energy Form Clean Energy Partnership

The city of Minneapolis, Xcel Energy and CenterPoint Energy have teamed up to form a novel Clean Energy Partnership in support of the city's Climate Action Plan and 2040 Energy Vision. Now in its second year, the partnership is building on a long history of collaboration to explore innovative approaches and enhanced outcomes in energy efficiency and the use of renewable energy in Minneapolis. The partnership provides a leadership framework through which the city and utilities can work together to prioritize, plan, coordinate, implement, market, track, and report progress on clean energy activities in the city.

In 2015, the Clean Energy Partnership board finalized its 2015-2016 work plan focused on:

- Helping utility customers in the city to become more energy efficient
- Expanding access and the use of clean, renewable energy among customers
- Increasing the collaboration between the city and the utilities to address energy and climate-related issues

Key actions under the plan include:

- Helping 75 percent of Minneapolis homeowners, renters and rental properties participate in efficiency retrofit programs by 2025, ensuring the distribution of participants reflects the distribution of income levels in the city
- Implementing the Building Energy Disclosure policy for medium and large commercial buildings
- Promoting the adoption of renewable energy solutions for Minneapolis customers, such as onsite solar, wind, community solar gardens and green tariffs
- Investigating the feasibility of large-scale renewable energy purchasing for municipal government and/or residents
- Continuing to shift to LED streetlights

In early 2016, the U.S. Department of Energy recognized the partnership between Xcel Energy and the city of Minneapolis with a Better Buildings® award for designing a new Energy Benchmarking tool. The award specifically honors the collaboration between the two organizations in developing the system that makes it easier for building owners to better understand, track and report their energy usage. The new web-based tool allows owners and building managers to access whole-building data, instead of having to collect billing information from tenants separately.

The U.S. Environmental Protection Agency and others also recognized the Clean Energy Partnership with a 2016 Climate Leadership award. The effort received an Innovative Partnership Certificate for working collaboratively on leading edge climate initiatives and collectively establishing objectives to measurably address greenhouse gas emissions.

City of Boulder Pursues Municipal Utility

After Boulder's franchise with Xcel Energy expired in 2010, the city has explored forming a separate municipal utility.

In 2015, the city filed a separation application with the Colorado Public Utilities Commission. Late that year, the utilities commission allowed Boulder to supplement its application upon discovery with Xcel Energy. In April, the commission also approved the process for discovery that will be carried out.

Instead, Xcel Energy hopes the city will be willing to work together on a plan for the city to achieve its carbon reduction and renewable energy goals.

Xcel Energy has a track record of accomplishments regarding the goals that are important to Boulder and in clean energy collaboration with the communities it serves. Xcel Energy's Boulder customers today enjoy the benefits of continual emissions reductions, increasing renewable energy sources, high reliability (99.9 percent) and smaller rate increases.

Xcel Energy remains committed to reducing carbon dioxide emissions and increasing the use of renewable energy, which aligns with Boulder's goals. By working together, Xcel Energy and Boulder can provide customers with options that take advantage of our mutual strengths. We continue to believe this is the best path for success.

*Reconciliation: Ongoing EPS to GAAP EPS

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Ongoing EPS	$1.15	$1.30	$1.43	$1.45	$1.50	$1.62	$1.72	$1.82	$1.95	$2.03	$2.09
PSRI-COLI	$0.05	$0.05	$(0.08)	$0.01	$(0.01)	$(0.01)	-	-	-	-	-
Prescription Drug Tax Benefit	-	-	-	-	-	-	-	$0.03	-	-	-
SPS FERC Order	-	-	-	-	-	-	-	-	$(0.04)	-	-
Loss on Monticello LCM/EPU Project	-	-	-	-	-	-	-	-	-	-	$(0.16)
Cont. Ops	$1.20	$1.35	$1.35	$1.46	$1.49	$1.61	$1.72	$1.85	$1.91	$2.03	$1.94
Discont. Ops	$0.03	$0.01	-	-	$(0.01)	$0.01	-	-	-	-	-
GAAP EPS	$1.23	$1.36	$1.35	$1.46	$1.48	$1.62	$1.72	$1.85	$1.91	$2.03	$1.94

Amounts may not add due to rounding

Community Giving

Our Approach

Xcel Energy serves hundreds of cities and towns throughout our service territory. With our active and ongoing investment in their infrastructures, we are literally connected and serve as an integral member of those communities. We believe it is our responsibility to have a positive impact—as an energy provider, good neighbor, community advocate and environmental steward. After all, we know that our success is directly tied to the success of our communities. Our support is far-reaching—from charitable giving to employee volunteering to economic development and support for energy assistance programs.

Xcel Energy Foundation

The mission of the Xcel Energy Foundation is to use the collective knowledge, resources and skills of our staff and colleagues to make a positive impact in communities throughout our service territory. Formed in 2001 as the philanthropic arm of the company, the Xcel Energy Foundation oversees the charitable activities and supports the volunteer programs of Xcel Energy and its subsidiaries. The annual budget is determined by prioritizing what the Xcel Energy Foundation board hopes to accomplish with the available resources.

The foundation board is comprised of five directors and three officers, including Ben Fowke, who serves as the foundation's president and chair. The board meets annually to review financial statements and approve the annual budget. They set policy on a number of items, including the levels at which we provide matching funds for employee efforts, our focus areas for giving and overseeing the foundation's investments. The majority of Xcel Energy Foundation funding comes from Xcel Energy shareholder dollars.

Xcel Energy Community Investment (managed through the Xcel Energy Foundation)*

	2015	2014	2013
Focus Area Grants	**$4,042,800**	**$3,680,428**	**$4,105,455**
STEM education	$1,349,100	$1,259,600	$1,412,510
Economic sustainability	$1,233,900	$737,698	$884,600
Environmental stewardship	$657,600	$1,100,500	$1,159,255
Access to the arts	$550,200	$582,630	$649,090
Strategic philanthropy	$210,000	—	—
Disaster	$20,000	—	—
Other grants	$22,000	—	—
United Way Contributions	**$5,457,599**	**$5,439,368**	**$5,236,942**
Employee contributions	$2,808,547	$2,725,158	$2,753,178
Company match and corporate gifts	$2,453,596	$2,714,210	$2,431,346
Company in-kind	$195,456		$52,419
Matching Gifts Program	**$1,300,570**	**$1,409,731**	**$1,240,523**
Employee contributions	$701,157	$811,232	$660,836
Company contributions	$599,413	$598,499	$579,687
Volunteer Matching Dollars	**$238,510**	**$244,750**	**$236,480**
Disaster Relief	**$79,046**	**$122,605**	**$116,570**
Employee contributions	$4,875	$5,240	$8,410
Company contributions	$74,171	$117,365	$108,160
Volunteer Paid Time Off (VPTO)			
VPTO Hours	17,463	16,179	13,017
VPTO Dollars	$686,037	$635,020	$489,742
Other Contributions	**$1,823,435**	**$2,238,541**	**$1,298,497**
In-kind Contributions	**$94,574**	**$74,452**	**$95,211**
Total	**$13,706,413**	**$13,844,895**	**$12,819,430**
Employee Volunteer Hours	39,326	**27,229**	**40,210**

Other Contributions *are sponsorships, including tables, sports venues and charitable contributions made outside of the Xcel Energy Foundation.*

In-kind Contributions *refers to the value of donated equipment and supplies; it also includes supplies purchased for sponsoring or participating in community and volunteer events.*

Employee Volunteer Hours *are provided for those programs that we have a system in place for tracking, which include Volunteer Paid Time Off, Dollars-for-Doing, Volunteer Energy and Day of Service. Actual employee volunteer hours are greater than reported here because the company promotes and sponsors a number of employee volunteer activities in addition to the programs we track.*

Volunteer Matching Dollars *includes company payments to community organizations through Dollars-for Doing and Volunteer Energy.*

Disaster Relief *includes corporate contributions to the Red Cross and similar organizations, as well as funds donated on behalf of customers through special product promotions.*

Focus Area Grants

In 2015, the foundation distributed nearly $3.8 million in grants to promote our primary focus areas: STEM (science, technology, engineering and math) education, economic sustainability, environmental stewardship, and access to arts and culture. There were 429 organizations across our eight-state service territory that received grants, averaging just over $8,800 each.

To honor our 2015 grant recipients, Xcel Energy hosted special recognition events in its Colorado, Upper Midwest and Southwest service territory. The receptions gave nonprofit partners the opportunity to network and share information about their organizations and projects, while also learning more about Xcel Energy and its foundation.

2015 Focus Area Funding by State

	STEM Education	Economic Sustainability	Environmental Stewardship	Access to the Arts	Total
Colorado	$470,000	$359,000	$272,000	$99,000	$1,200,000
Minnesota	$563,000	$645,500	$272,500	$234,000	$1,715,000
Wisconsin	$73,000	$44,900	$24,300	$59,800	$202,000
New Mexico	$26,000	$25,500	$8,000	$49,500	$114,000
North Dakota,	$60,500	$55,000	$25,800	$27,700	$169,000
South Dakota	$2,600	$39,000	$10,000	$23,200	$104,800
Texas	$124,000	$65,000	$45,000	$57,000	$298,000
New Mexico	$26,000	$25,500	$8,000	$49,500	$114,000
Total	**$1,349,100**	**$1,233,900**	**$657,600**	**$550,200**	**$3,790,800**

Funding Highlights for 2015

Strategic Projects
In addition to focus area funding, the foundation supported several strategic projects of special importance to our communities in 2015.

- **Northside Funders Group**: The Xcel Energy Foundation is one of several organizations participating in the Northside Funders Group, a funders collaborative serving the needs of North Minneapolis. In 2015 through this collaboration, Xcel Energy supported the new North Market grocery and health project established by Pillsbury United Communities. The plan is to reopen a former grocery building to sell food and dispense medical services in North Minneapolis—a known food-desert. Funding for the project was through a challenge grant that, in total, raised $150,000 for the project.
- **Cookie Cart:** The Xcel Energy Foundation was proud to support Cookie Cart with a one-time impact grant totaling $55,000 for its expansion of youth employment and training services. This grant helped springboard the organization's St. Paul programming expansion for underserved youth.

Support for Higher Education and Scholarships
In 2015, about $345,000 of grant funding reached more than 50 colleges and universities throughout our service territory, as the Xcel Energy Foundation supported STEM programs and provided scholarships.

Energy Education
The Xcel Energy Foundation and employee volunteers have a long-standing partnership with the Bakken Museum in Minneapolis. Part of our funding for the organization in 2015 went toward the new Electropolis exhibit. By combining science and history, the exhibit is teaching kids what it takes to light up a city.

Leveraging Sponsorships to Benefit Nonprofit Partners
We regularly sponsor local community and sporting events as opportunities to help educate customers and raise awareness for our energy efficiency programs. Over the past several years, we have discovered that these sponsorships provide a unique opportunity to promote and raise funds for benefitting our community nonprofit partners.

In 2015, through our sponsorship of Colorado's professional lacrosse team, the Denver Outlaws, we helped raise $1,990 for Girls Inc. of Metro Denver, a nonprofit organization that works to inspire and empower girls. Throughout the lacrosse season, we sponsored family-four-pack ticket sales, and together with our partners, promoted the tickets with a portion of proceeds going to Girls Inc. During games, Girls

Inc. was featured through announcements, video and other promotions, helping introduce the organization to a new audience.

We have a similar partnership with the St. Paul Saints, a minor league baseball team in the Twin Cities, which has been in place for several years. Through four featured nonprofit nights during the baseball season, Xcel Energy promotes energy efficiency while raising awareness and spotlighting a nonprofit partner through video, interviews and a general presence at the game, by staffing a booth and sometimes throwing the honorary first pitch. In 2015, we helped promote and donate a portion of ticket sales to the following organizations:

- YouthLink, an organization serving homeless youth in the Twin Cities
- Cookie Cart, which provides teens with lasting and meaningful work
- People Serving People, a nonprofit serving homeless children and their families
- CLUES, which focuses on helping Latino families to be healthy, prosperous and engaged in their communities

Supply Chain

Our Approach

Suppliers play an important role in our ability to grow and operate effectively, and the money we spend through our supply chain adds to the overall prosperity of our communities and beyond. Our Supply Chain organization is responsible for the sourcing and procurement of normal goods and services, materials management, fleet management and accounts payable for all of Xcel Energy's utility operating companies.

Local Spending

We do not set specific targets for local spending; however, much of our spending occurs naturally on the local level as we build relationships within our communities. In some circumstances, necessary materials and services cannot be obtained locally or it is not feasible to do.

2015 Local Supply Chain Spending

State	Spending
Colorado	$ 693,701,000
Minnesota	$ 692,152,000
North Dakota	$ 229,700,000
South Dakota	$ 4,693,000
Wisconsin	$ 232,547,000
Michigan	$ 139,339,000
Texas	$ 382,331,000
New Mexico	$ 33,806,000
TOTAL LOCAL SPEND	$ 2,408,269,000

Among many other things, the Supply Chain organization is involved in negotiating contracts for everything from day-to-day business necessities (e.g., office supplies and furniture) to capital items used to construct, operate and maintain our generation and transmission assets (e.g., transmission poles and transformers); implementing vendor, supplier and contractor management strategies and policies; handling accounts payable; and implementing company-wide sourcing and procurement strategies to achieve cost savings.

We sort our annual supply chain spending into 36 categories with more than 800 sub-categories. This data is used to determine risk, opportunity and negotiation leverage with suppliers. We employ a systematic sourcing method to get needed materials and services to the right place at the right time for the right price. The five-step sourcing process used to select suppliers includes: preparation; request for information; request for proposal; contract evaluation and negotiation; and implementation. Four key business objectives—each associated with specific initiatives—drive our supply chain strategy:

- maximize investment yield
- achieve operational excellence
- manage risk and opportunities
- support community and environmental leadership

We have developed guidelines for bid analysis for all categories of spend. Within these guidelines, up to 20 percent of the bid analysis weight can be allocated to social and environmental factors such as safety performance, diversity and green performance.

2015 Supply Chain Spending Categories

Aggregates	Electrical Materials & Equipment	Marketing and DSM	Staff Augmentation
Battery	Engineering Services	Meters	Steel Structures
Boiler Systems	Environmental	MRO Materials	Transformers
Cable and Wire	Fleet	Other Plant Systems	Transportation Services
Chemicals Gases and Lubes	Gas Materials	Property Services	Travel Services
Circuit Breakers	HR and Benefits	Radiation Protection	Turbine and Generator Systems
Construction	IT and Telecom	Revenue Cycle	Vegetation Management
Consulting Services	Logistics Integrator	Safety	Wind
Dry Fuel Storage	Maintenance Services	Solar	Wood Poles

Monitoring Suppliers and Managing Risk

We have a Supplier Qualification program that uses services from Dunn & Bradstreet to monitor all active suppliers for Office of Foreign Assets Control (OFAC), Excluded Parties List System (EPLS), OSHA and EPA violations, as well as criminal proceedings and disaster events. We assess suppliers' financial health, safety and use of diverse subcontractors before contracting with them, and suppliers who will have access to confidential data from Xcel Energy must undergo a data security review. We also periodically conduct key risk assessments, looking at categories such as commodity price risk, contract quality and governance processes.

All contractors who provide services or materials at company sites are required to complete a contractor health and safety questionnaire and submit five years of safety-related performance data. Our contractor safety department reviews this data and may reject a contractor or require a safety improvement plan. We continue to monitor safety performance once a contract is implemented.

All contracts include a clause requiring suppliers to abide by equal employment opportunity and affirmative action mandates prohibiting discrimination on the basis of race, color, religion, sex, national origin, actual or perceived sexual orientation or gender identity of an individual, or physical or mental disability. Additionally, all suppliers are expected to comply with our Code of Conduct.

Supplier Classifications

We classify our suppliers in four tiers based on a combination of overall supplier spend and criticality or risk to operations. Critical suppliers provide key materials and services required to support daily operations. Tier 1 suppliers, including those who are critical to our operations, are part of our Supplier Relationship Management program. The program enables us to build longer-term contracts with these strategic suppliers and implement continuous improvement initiatives to benefit both the supplier and Xcel Energy in terms of costs and operations.

Suppliers are also tiered based on their total spend. See below:

Tier	Annual Spending	No. of Suppliers	% of Annual Spend
Tier 1	More than $10 million	56	57%
Tier 2	Between $4-10 million	72	14%
Tier 3	Between $1-4 million	247	16%
Tier 4	Less than $1 million	5,497	14%

We support suppliers in non-tier 1 spend classifications through collaborative initiatives and programs. For example, Xcel Energy is a founding member of the ITASCA-Project in the Twin Cities, which is dedicated to helping smaller local suppliers grow through procurement opportunities. The ITASCA-Project group is made up of chief supply chain personnel from large corporations, such as Xcel Energy, U.S. Bank, Target, United Health and General Mills, who meet monthly to discuss ideas for supporting the local economy by growing the capacity of small- and medium-sized businesses.

Supplier Diversity Program

Our corporate policies underscore our commitment to supplier diversity by recognizing that it is in our best interest to encourage a broad base of supplier relationships. Using diverse suppliers contributes to the economic growth and expansion of the communities we serve. Our policy is to offer these businesses the opportunity to compete in our procurement for products and services. We develop and strengthen business relationships with diverse suppliers by:

- Conducting outreach efforts to seek, identify and encourage supplier diversity in our procurement processes
- Facilitating alliances and partnering
- Educating businesses about our procurement and business processes
- Identifying and encouraging subcontracting (tier two) opportunities with major suppliers when direct participation is not possible

We are an active member of the Edison Electric Institute's Supplier Diversity Best Practices Group, as well as the National Minority Supplier Development Council, the Women's Business Enterprise National Council and most local chambers of commerce in our operating territories. In 2015, we spent $395 million with diverse suppliers, directly and indirectly.

Annual Spending with Diverse Suppliers

	Dollars spent	% of total purchases
2015	**395 million**	**10.3%**
2014	$385 million	10.3%
2013	$365 million	9.3%
2012	$265 million	8.7%
2011	$248 million	8.3%
2010	$209 million	7.1%
2009	$153 million	6.9%
2008	$181 million	7.2%

2015 Spending with Diverse Suppliers by State

	Dollars spent
Colorado	$75.0 million
Michigan	$1.2 million
Minnesota	$57.4 million
New Mexico	$21.1 million
North Dakota	$18.4 million
South Dakota	$1.6 million
Texas	$44.3 million
Wisconsin	$5.1 million
Other	$171.2 million

Environmental Policy and Management

Our Approach

Protecting the environment is one of Xcel Energy's core values that we expect our employees and others working for us to embody and practice at all times. Our commitment is based on a foundation of outstanding regulatory compliance, as we aim to meet and surpass the many environmental rules and requirements that guide our operations. Going beyond compliance, our goal is to help lead the industry and meet the growing expectations of the customers and communities we serve—who want more of their energy from renewable sources, more options for saving energy and fewer emissions and other impacts from our operations.

Environmental Policy

Our approach to environmental policy is practical, as we seek to balance environmental benefits with providing our customers affordable, reliable energy. We pursue proactive emission reductions and clean energy initiatives that support stakeholder interests and produce measurable environmental improvement while also controlling costs and strengthening the energy grid long term.

Xcel Energy has a stated corporate environmental policy that sets expectations for aligning our business practices with corporate commitments and environmental requirements. All company employees, contractors and vendors are required to follow the policy.

We advance environmental initiatives and sometimes oppose new regulations or policies to protect the interests of our customers, communities and shareholders. Engagement is essential to our efforts so we regularly discuss environmental and clean energy issues with policymakers, regulators, the environmental community and other energy providers.

As we engage on issues, we keep the following principles in mind:

- Xcel Energy strives to comply with all environmental regulations. We have developed and are continually improving our environmental management system to meet the compliance challenges of the next decade, including the growing complexity of environmental regulation.

- On behalf of customers, we have invested substantially in environmental improvements and clean energy. We continue to look for ways to proactively reduce environmental risk. These efforts in anticipation of laws and regulations can offer significant value in the form of lower long-term cost to customers. Xcel Energy's proactive emissions reduction projects, such as Clean Air Clean Jobs and the Minnesota Metro Emissions Reduction Project, have allowed us to avoid the cost and disruption seen in other parts of the industry.

- We believe that environmental and climate policy should appropriately recognize the environmental benefits of our proactive efforts.

- Environmental and climate policy should drive forward the development of new, cost-effective clean energy technologies. As the nation's No. 1 utility provider of wind energy and a leader in solar and energy efficiency programs, we are optimistic about the future opportunities that clean energy technologies present.

- Cascading environmental mandates, such as stack-by-stack or emission-specific compliance requirements, should be coordinated on a system-wide basis to maximize cost effectiveness and environmental benefits.

- Flexibility mechanisms, such as alternative compliance options and market-based environmental programs, should be incorporated to implement rules. Flexibility yields real cost benefits to customers while maintaining environmental benefits.

Environmental Management System

We have a formal environmental management system designed to ensure continuous improvement and compliance with all applicable environmental requirements. Our management system provides:

Oversight	Board of directors—Nuclear, Environment and Safety Committee
	Chairman, president and CEO
	Executive Committee
	Environmental Policy department
	Environmental Services department
Risk analysis	Goals and performance indicators at corporate and operating levels
	Multidisciplinary teams for developing new compliance programs
	Environmental Audit program
Policies & procedures	Corporate environmental policy
	Formal, documented procedures
	Regular monitoring of new, evolving regulatory activity
Monitoring	Compliance tracking system
	Monthly performance reporting
	Routine facility audits
Follow-up for compliance gaps	Tracking for corrective action and internal audit findings
Training and communication	New employee orientation
	Site and topic specific employee training
	Updates and information communicated through internal channels

2015 Compliance Results

We strive to operate in compliance with all federal, state and local rules and regulations. However, there are occasions when regulatory agencies issue notices of violation (NOVs) or other types of notifications of potential noncompliance for alleged exceedances of permit limits or regulatory requirements. These NOVs can potentially result in fines or penalties. Often there can be disputes about the alleged noncompliance, and even when it is our view that we remained in compliance, settlements are often reached to avoid the transaction costs of litigation and to cooperate with the regulatory agencies.

Every year as part of our internal and ongoing efforts to self-identify and self-correct any potential noncompliance issues, we conduct our own facility audits. In 2015, we conducted 89 internal environmental audits to help ensure compliance.

2015 Compliance Activity

Activity	**2015**
Notices of Violation or Compliance Advisories	2
Penalties Paid	$0
External Agency Audits or Inspections	83
Internal Audits Conducted to Ensure Compliance	89

Environmental Expenditures for 2015

Environmental costs include payments for nuclear plant decommissioning, storage and ultimate disposal of spent nuclear fuel, disposal of hazardous materials and waste, remediation of contaminated sites and monitoring of discharges to the environment. Increasingly stringent regulation has caused higher operating expenses and capital expenditures for environmental compliance.

Costs charged to operating expenses for environmental monitoring and disposal of hazardous materials and waste, including nuclear decommissioning and spent nuclear fuel disposal expenses, were approximately:

- $292 million in 2015
- $292 million in 2014

- $275 million in 2013
- $263 million in 2012
- $265 million in 2011
- $256 million in 2010
- $225 million in 2009
- $213 million in 2008
- $173 million in 2007

More detailed information regarding nuclear decommissioning and spent nuclear fuel disposal expenses is provided in our 2015 Form 10-K.

Capital expenditures for environmental improvements at regulated facilities were approximately:
- $184 million in 2015
- $373 million in 2014
- $517 million in 2013
- $255 million in 2012
- $48 million in 2011
- $473 million in 2010
- $89 million in 2009
- $230 million in 2008

Climate Change and Greenhouse Gas Emissions

Our Approach

Through our proactive clean energy strategy, we are leading the responsible transition to a more sustainable energy future—one that offers lower emissions while being more responsive to customers, more efficient and low cost, and more reliant on advanced technologies. As we work to transform our operations and the industry, we continue to focus on the fundamentals, making sure we provide the safe, reliable, affordable energy that customers expect from us. Nothing in our business can be accomplished without collaboration—it is a cornerstone of our efforts. Together with our customers, policymakers and other stakeholders, we have promoted policies and programs that enable significant progress and emission reductions.

Clean Energy Strategy

Xcel Energy continues to reduce emissions and deliver energy from a diverse mix of sources, including clean, renewable energy, while maintaining a reliable system that offers affordable energy costs. Our proactive approach has achieved the following progress:

- We are adding clean wind and solar power to our energy mix. For the past 12 years the American Wind Energy Association has ranked Xcel Energy the nation's No. 1 utility provider of wind energy. Today wind energy is one of our primary sources of electric generation, and we are committed to increasing the use of solar energy too.
- Through our extensive portfolio of energy efficiency and renewable energy programs, we are partnering with customers to save energy and support their environmental priorities. Through our investment in energy efficiency for 2015, customers saved more than a billion kilowatt hours of electricity, enough to power more than 137,000 homes annually, and 1.7 million dekatherms of natural gas, enough to power more than 20,000 homes annually.
- For more than a decade, we have modernized our traditional generating fleet by retiring aging coal plants and taking advantage of cleaner, low-priced natural gas. Between 2005 and 2017, we will have retired about 25 percent of the coal-fueled capacity that we own.

As a result of our clean energy strategy, we have reduced carbon dioxide emissions 24 percent since 2005. Our greenhouse gas strategy is focused on the carbon dioxide emitted during the production of electricity because these emissions make up 98 percent of our total greenhouse gases.

The U.S. Environmental Protection Agency, the Center for Climate and Energy Solutions and The Climate Registry have recognized Xcel Energy with a 2016 Climate Leadership Award for excellence in greenhouse gas management because of our commitment and progress in reducing carbon dioxide emissions.

In addition, we annually participate in the CDP's Climate Change program and receive high marks for our disclosure efforts. In 2015, Xcel Energy had a disclosure score of 95, compared to the average utility industry score of 87 and the program average of 84.

Projected Emission-Reduction Targets

Through existing and proposed energy plans, Xcel Energy is currently on pace to achieve a 30 percent carbon dioxide emission-reduction target by 2020, compared to 2005 levels, with the potential to reduce these emissions up to 40 percent by 2030. Projected emission reductions are based on current plans, as well as customer load forecasts—both of which are subject to change. While we aim to measurably

reduce emissions and are confident in meeting our projected targets, the future can be unpredictable. A number of economic, regulatory and technological changes may occur that will consequently change our plans and load forecasts, thus changing our associated emission projections.

To reinforce our commitment to clean energy and reducing carbon emissions, 30 percent of Xcel Energy's executive long-term incentive compensative is based on achieving a 23 percent average reduction in carbon emissions from 2005 levels over the three-year period 2015 to 2017. This same incentive structure has been carried forward for 2016 to 2018 and is based on achieving an average 27 percent reduction from 2005 levels for the three-year period.

Carbon Regulation

In early August 2015, the U.S. Environmental Protection Agency finalized the Clean Power Plan to regulate carbon dioxide emissions from the nation's existing power plants. It is one of the most significant environmental regulations in the history of the U.S. power sector, with the potential to change how we produce and consume electricity in this country.

After the rule was finalized, 27 states and a number of industry groups filed legal challenges. All of the cases against the rule were consolidated into one case before the U.S. Court of Appeals for the D.C. Circuit. Some of the states challenging the rule also asked the court to delay implementation until legal issues were decided.

In January 2016, the D.C. Circuit Court decided that the rule should remain in effect while it considers the merits of the legal challenge. Unsatisfied with this outcome, many of the plaintiffs asked the Supreme Court to delay implementation of the rule. In early February 2016, the Supreme Court decided to delay implementation of the rule until the legal issues are decided. The D.C. Circuit Court has now scheduled oral arguments before its full panel on Sept. 27, 2016.

This stay adds more uncertainty to the rule, creating up to two years of delay. At the earliest, a decision from the D.C. Circuit Court is not expected until fall 2016, following oral arguments. This means the Supreme Court could hear the case sometime in 2017, depending on when the D.C. Circuit Court issues its decision.

We believe that U.S. climate policy remains a strong likelihood for the industry, although the rule's future is now more uncertain. Moving forward, Xcel Energy will work with our states and stakeholders, as we always have, on efforts to create a more sustainable, reliable and affordable energy future.

Since the Supreme Court's ruling, most of our states have suspended efforts to address the Clean Power Plan while Colorado and Minnesota are continuing to move forward in a limited way. Each of our states is unique, and we respect their individual legal and policy decisions. Our goal is to position our states and customers, no matter their approach, for the best future outcome. Since the Clean Power Plan was originally proposed, we have encouraged our states to develop sound plans that take reasonable and cost-effective approaches to providing reliable energy service while reducing carbon dioxide emissions. This makes sense whether the Clean Power Plan moves forward or not.

If the Clean Power Plan does move forward, we are urging the EPA to recognize the value of existing efforts. The rule's current 2012 baseline should not move forward in the event of rule changes or delays. A clear sign that ongoing efforts since 2012 will be recognized can preserve the momentum on carbon reductions, support new investment and treat states and customers fairly if the rule is resumed or

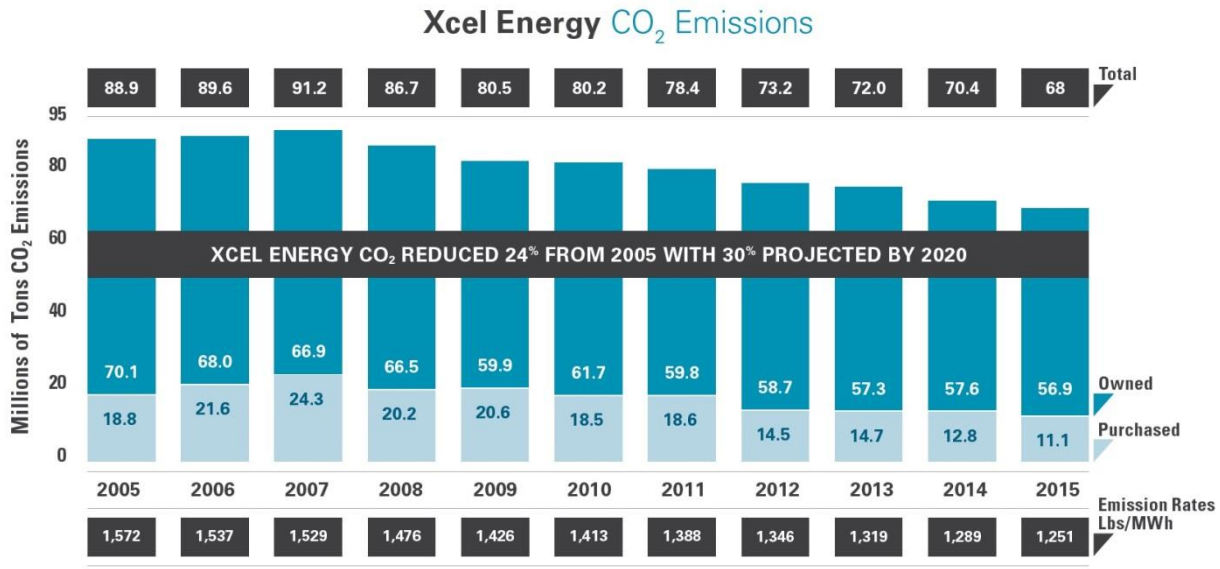
changed. Also, providing clear incentives and credit for coal plant retirements becomes even more important under the stay. In any finalized rule or state plan, utilities that commit to retire coal should keep the benefits for their customers.

In addition to the Clean Power Plan, the EPA also finalized two other rules for regulating carbon dioxide emissions from the electric utility sector at the same time it finalized the Clean Power Plan. A regulation for new power plants sets maximum carbon dioxide emission rates for coal and natural gas combined-cycle units built after January 2014. It effectively bans the construction of new coal power plants unless about half of the carbon emissions can be captured and stored. This rule has limited implications for Xcel Energy since we have no plans for new coal plants.

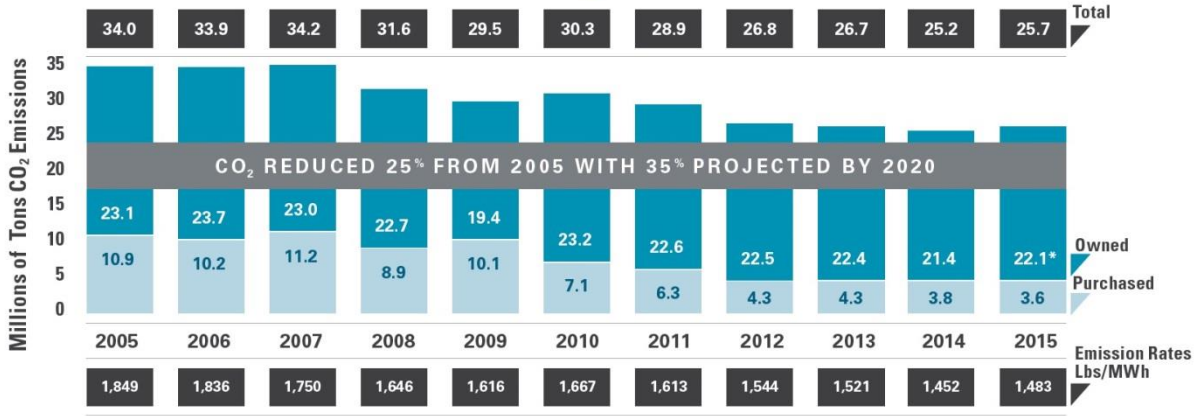
The new rule for modified and reconstructed sources—existing sources where a modification increases hourly emission rates or where a retrofit exceeds half the capital cost of a new unit—requires a combination of best operating practices and equipment upgrades to meet a lower emission rate. The corresponding standard for modified or reconstructed natural gas combined-cycle units is the same as the standard for new units. We do not anticipate difficulty in meeting this requirement should any of our units become subject to it.

All three of the new rules were originally part of President's Climate Action Plan announced in 2013.

Emission Reporting



Colorado CO_2 Emissions



* Xcel Energy's owned CO_2 emissions increased in 2015 because Pawnee Generating Station was back in service after an extended outage to install new emission controls.

Upper Midwest CO_2 Emissions

(Michigan, Minnesota, North Dakota, South Dakota, Wisconsin)

Southwest CO_2 Emissions

(New Mexico, Texas)

Methodology
Our CO_2 emission charts show emissions from electricity produced at Xcel Energy generating plants and purchased from other suppliers. A system emission rate is included for each year. It provides the pounds of CO_2 emissions produced for each megawatt-hour of electricity generated or supplied.

Emissions reported here include biogenic CO_2 from biomass power generation, as well as fossil CO_2 emissions. However, biogenic CO_2 is effectively carbon neutral, since compared to fossil fuels, the CO_2 released from biomass combustion is part of a relatively short-term cycling of CO_2 between ecosystems and the atmosphere.

We publicly report annual CO_2 emissions, as well as other greenhouse gases, through a number of different reporting programs, including The Climate Registry, The Carbon Disclosure Project and the U.S. Environmental Protection Agency's mandatory greenhouse gas reporting rule. These programs each use a unique reporting protocol and may represent emissions differently. While reporting protocols and formats vary, the information we report comes from the same data sources.

Xcel Energy uses a methodology established by the U.S. Environmental Protection Agency for reporting greenhouse gas emissions. We follow The Climate Registry's protocol for greenhouse gas reporting and use The Climate Registry's comprehensive and electric utility specific protocols. The Climate Registry bases its protocols on both the World Resources Institute (WRI) standards and the ISO 14000 standards on environmental management.

Third-party assurance and verification
The Climate Registry is a nonprofit organization established to provide consistent and transparent standards for calculating, verifying and reporting greenhouse gas emissions into a single registry for North America. We recognize the value and importance of using a formal emissions protocol and completing third-party verification for emissions reporting. We joined TCR as a founding member in 2007, and so far, have third-party verified and registered all of our CO_2 emissions from 2005 through 2014.

Methane Emissions

Methane emissions from Xcel Energy's natural gas distribution system make up less than 1 percent of the company's total greenhouse gas emissions. Nevertheless, we have worked to cost effectively prevent methane emissions through a combination of proactive system improvements and other efforts implemented as part of our voluntary participation in the U.S. Environmental Protection Agency's Natural Gas STAR program.

In 2015, we reported methane emissions from our natural gas distribution system to be approximately 575.7 million cubic feet. Emissions were reported under the U.S. Environmental Protection Agency's Greenhouse Gas Reporting Program, based on factors that the EPA provides to calculate emissions. Since Xcel Energy became a Natural Gas STAR Partner in 2008, we have reduced the company's natural gas emissions by a total of 303 million cubic feet— equivalent to the carbon dioxide emissions of nearly 20,000 homes using electricity.

Xcel Energy's methane emission reduction efforts include:

- Replacing the cast iron pipe and unprotected steel pipe on our system, originally installed 50 to 100 years ago. In 2014, Xcel Energy completed replacing all 880 miles of cast iron in Colorado and Minnesota.

- Using pressure reductions and other methods to reduce methane emissions during pipeline maintenance and repairs.
- Replacing high-bleed controllers on our distribution and high-pressure pipelines. We are currently working to replace the high-bleed controllers in our processing plants and are considering new programs to modernize the high-bleed controllers at our storage fields and compressor stations to reducing emissions at these facilities.

Xcel Energy joined the EPA's Natural Gas STAR Methane Challenge Program in March of 2016 as one of forty-one founding members to further our commitment to reduce methane emissions from the natural gas distribution system. Joining the Methane Challenge supports our proactive approach to operating and maintaining the natural gas system that benefits customers. While we have already taken significant steps to reduce methane, we believe more can be done. Under the program, we initially plan to address one of the larger emission sources, the venting of pipelines during scheduled construction projects. Through a combination of methods, we estimate that we can reduce by about half the escaping methane emissions from venting pipelines during scheduled construction.

Xcel Energy also continues to work with the natural gas industry and environmental organizations to understand methane emissions from the delivery system. Participating in research studies is important so that we fully understand the potential issues associated with providing our customers energy service.

Xcel Energy is a member the Natural Gas Downstream Initiative, a collaborative effort with other major gas utilities, facilitated by MJ Bradley & Associates. It supports the work of leading natural gas local distribution companies to identify and encourage advanced programs that accelerate infrastructure investment and lead to the effective management and reduction of methane emissions within natural gas distribution systems. The initiative is focused on opportunities that can substantially reduce methane emissions and support safe, reliable and cost-effective service.

In 2013, Xcel Energy was one of 12 utilities that participated in a major study to measure methane emission rates along the natural gas distribution system. The study, led by researchers at Washington State University and the Environmental Defense Fund, found that upgrades to metering and regulating stations, changes in pipeline materials and better instruments for detecting pipeline leaks have led to methane emissions that are from 36 to 70 percent lower than current Environmental Protection Agency estimates. Results of the study were published in Environmental Science & Technology in early 2015.

Renewable Energy

Our Approach

Renewable energy sources play an important role in our diverse energy supply and the responsible transition to a more sustainable energy future. As an early adopter of wind and solar energy, we are well positioned to meet the renewable standards of the states we serve, but our interest goes beyond these requirements. Our customers and the communities we serve want and expect more. They look to Xcel Energy to meet their clean energy needs in the most economical, reliable way. To that end, we continue to seek cost-effective opportunities to acquire new renewable energy sources and to offer customers additional program options that fulfill their interests.

Xcel Energy Renewable Energy Portfolio

2015 Renewable Energy Capacity (in MW-AC)										
	Wind	Hydro	Solar					Biomass	RDF/ Landfill	Total
			Large Universal	Community Gardens	On-site		Total Solar			
					Solar Rewards	Non-Solar Rewards				
Colorado	2,566	66	137	14	222	3	**376**	-	3	3,011
Southwest	1,775	-	50	0	7	-	**57**	-	-	1,832
Upper Midwest	2,216	312	5	<1	15	6	**26**	189	109	2,852
Total	**6,557**	**378**	**192**	**14**	**244**	**9**	**459**	**189**	**112**	**7,695**

Compliance with State Renewable Energy and Portfolio Standards

Xcel Energy is on pace to surpass renewable energy requirements in the states we serve through at least 2030. New Mexico is an exception, where the company anticipates meeting the state's wind energy requirement through 2024 and has requested a waiver for acquiring additional solar energy from large, universal solar power plants due to constraints under the state's Reasonable Cost Threshold (RCT).

Summary of State Renewable Energy and Portfolio Standards

Colorado Renewable Energy Standard	30 percent of retail sales by 2020, with 3 percent from distributed generation (DG), including at least 1.5 percent from retail net-metered DG resources and up to 1.5 percent from wholesale DG resources (defined as resources ≤30 megawatts located in Colorado)
Michigan Renewable Portfolio Standard	10 percent by 2015
Minnesota Renewable Portfolio Standard	18 percent in 2015. 30 percent by 2020 with at least 24 percent of sales from wind; 1.5 percent of sales from solar energy by 2020, with at least 10 percent of this from on-site solar under 20 kW
New Mexico Renewable Portfolio Standard	20 percent by 2020
North Dakota Renewable Portfolio Objective	10 percent by 2015 (no objective beyond 2015)*
South Dakota Renewable Portfolio Objective	10 percent by 2015 (no objective beyond 2015)*
Texas Renewable Portfolio Standard	Based on statewide capacity, Xcel Energy's requirement is 3.42 percent of retail sales in 2015
Wisconsin Renewable Portfolio Standard	Statewide goal of 10 percent by year-end 2015, and each utility must increase renewable energy 6 percent over its baseline; for Xcel Energy this is 12.89 percent in 2015

*Indicates the state has a voluntary renewable energy objective rather than a mandated standard

Renewable Energy Credits

A renewable energy certificate or credit (REC) is created for every megawatt-hour of renewable electricity generated (1 REC = 1 MWh). RECs are created by statute or voluntary trading programs to promote market-based, cost-effective development of renewable energy. RECs can be disaggregated or separated from the underlying renewable energy and sold separately to utilities and other consumers.

Xcel Energy uses RECs to confirm or validate compliance with state renewable energy standards throughout our service territory. Our company carefully tracks its REC ownership and works to comply with the rules and best practices around renewable energy claims. Only parties that own or retire RECs can claim to use the renewable energy, according to the Federal Trade Commission's Green Guides. Although, renewable energy separated from or without the associated REC can retain its value and be used for compliance with environmental regulations.

We continue to look for ways to increase the value of the renewable energy on our systems through the sale of RECs. In several states, Xcel Energy has more renewable energy on its system than is needed for compliance with renewable energy standards. Based on market opportunities and the anticipated

expiration of RECs, we sell some of our RECs. In 2015, we sold nearly 1.3 million RECs, about 279,000 more than in 2014. The renewable energy that generated these RECs came from Colorado, New Mexico, Texas and the Upper Midwest. Our customers benefit by sharing in any profits associated with the sales. REC sales make up a minor portion of our REC holdings. For example in 2015, we sold about 5 percent of the RECs that we generated for that year.

Consistent with The Climate Registry protocols, Xcel Energy does not presently adjust its carbon dioxide emissions reporting for REC sales. However, because the treatment of carbon dioxide attributes associated with REC sales under future greenhouse gas reporting protocols is uncertain, we have calculated that under an alternative carbon-reporting scenario emissions associated with REC sales would add less than 1 percent of emissions to our total carbon dioxide emissions for 2015. This alternative assumes the avoided carbon emissions related to renewable energy are added back to the company's overall emissions when RECs are transferred.

2015 REC Sales Transactions by Vintage Sold

	2009	2010	2012	2013	2014	2015	2016	Total
Colorado			--	--	5,600	660,228	206,847	872,675
Southwest			--	--	37,000	300,000	--	337,000
Upper Midwest			59,400	550	20,000	--	--	79,950
Total			**59,400**	**550**	**62,600**	**960,228**	**206,847**	**1,289,625**

Renewable Development Fund

Xcel Energy's Renewable Development Fund (RDF) supports the startup, expansion and attraction of renewable electric energy projects and companies in Minnesota. The RDF also stimulates research and development into renewable electric energy technologies. Our RDF efforts are designed to increase the market penetration of renewable electric energy resources at reasonable costs, which benefits customers. RDF is financed by our Minnesota and Wisconsin electricity customers.

Projects that receive an RDF grant award are evaluated by a seven-member advisory board consisting of two representatives of environmental organizations, one representative of the Prairie Island Indian Community, an industrial/commercial customer representative, a residential customer representative and two Xcel Energy representatives. Xcel Energy recommends projects for the MPUC to approve.

Wind Energy

Our Approach

As our most cost-effective renewable energy option, wind power is an important component of Xcel Energy's diverse energy supply. It provides clean energy that reduces emissions, and when we lock in favorable prices under long-term contracts, it can also protect customers from the rising cost of fossil fuels and environmental compliance. The American Wind Energy Association has ranked Xcel Energy the nation's No. 1 utility wind energy provider for the past 12 years. We continually work to strengthen our forecasting and other operating capabilities to improve the predictability and cost of integrating the significant wind resources on our systems.

Current Wind Additions

We announced plans in 2013 to grow our wind generation portfolio by 1,900 megawatts or nearly 40 percent through nine new, cost-effective projects. By the end of 2015, we had completed seven of the projects totaling 1,500 megawatts, with the remaining two projects set for completion in 2016. Xcel Energy owns and operates two new wind farms added last year in the Upper Midwest, Pleasant Valley and Border wind farms. We also broke ground in 2015 on the Courtenay Wind Farm that we will own and operate.

Xcel Energy's newest wind projects totaling 1,900 megawatts of added capacity include:

- 200-megawatt Limon III Wind Project, Colo. (2014)
- 250-megawatt Golden West Wind Project, Colo. (2015)
- 199-megawatt Mammoth Plains Wind Energy Center, Okla. (2014)
- 250-megawatt Palo Duro Wind Energy Center, Texas (2014)
- 250-megawatt Roosevelt Wind Ranch in Roosevelt County, N.M. (2015)
- 200-megawatt Pleasant Valley Wind Farm, Minn. (2015)
- 150-megawatt Border Wind Farm, N.D. (2015)
- 200-megawatt Odell Wind Farm, Minn. (2016)
- 200-megawatt Courtenay Wind Farm, N.D. (2016)

For the future, we have proposed adding another 1,800 megawatts of wind energy through our Upper Midwest Resource Plan. This includes capitalizing on the extension of federal tax credits by installing up to 1,500 megawatts of new wind energy by 2020 to help reduce the cost to customers.

In Colorado, as part of our comprehensive Colorado strategy for our energy future, we have proposed constructing and owning 600 megawatts of new wind generation and 90 miles of new transmission in eastern Colorado. If approved, the project will provide the lowest cost wind generation on our Colorado system and is expected to save customers more than $400 million over the next 25 years. To take advantage of federal tax credits, we have proposed to begin construction by the end of 2016 to ensure completion by the end of 2018. The all-Colorado wind project will be locally designed, manufactured, constructed and owned. Vestas will provide 300 two-megawatt wind turbines, manufactured in Brighton, Pueblo and Windsor, Colo.

Both the Upper Midwest Resource Plan and our Colorado wind proposal are before our public utilities commissions for consideration.

Wind Forecasting

Xcel Energy has used WindWX since 2009—one of the most advanced wind-production forecasting systems in the world. Through a multi-year research and development project with Global Weather Corp. (GWC), an affiliate company of the National Center for Atmospheric Research (NCAR), we helped develop this highly detailed wind-forecasting system.

Wind generation is difficult to forecast due to its variability. Most weather forecasting models are designed to generate information about winds near ground level rather than at 200 to 300 feet, where turbine hubs are typically located. Also, landscape features such as hills and trees can reshape wind speeds and directions, causing turbulence in ways that can greatly influence the amount of energy produced.

The WindWX system uses real-time, turbine-level operating data and applies sophisticated algorithms to forecast the amount of wind power that will be produced. Through ongoing work with GWC, forecasts for a 168-hour period are provided every 15 minutes across Xcel Energy's entire service territory—from the hills of western Minnesota to the plains of eastern Colorado and the flat expanses of the Texas Panhandle.

The forecasts, now available worldwide through GWC, are designed to help utilities make better commitment and dispatch decisions, including opportunities to power down less efficient power plants when sufficient winds are forecasted to help meet customer electric demands.

So far, we have improved our wind forecasting accuracy by nearly 35 percent, and better forecasting and other operations improvements have saved our customers a total of $60.6 million in fuel costs through end of 2015.

We are now finishing a third phase of our forecasting project to further enhance the sophistication of the WindWX technology. The effort seeks to improve forecasting accuracy and visualization of our renewable generation portfolio by focusing on extreme weather events, introducing probabilities into the forecasting process, and exploring solar forecasting behind the customer meter. NCAR scientists and engineers are developing systems to quantify the risk of sudden changes in wind or potentially damaging icing events and to predict the amount of energy to be produced by private solar panels on an hourly basis.

Improved Wind Integration Efforts

While wind energy prices have declined to the point where wind can compete with new natural gas-fueled generation, wind generation can be challenging to operate and integrate on the electric system. Although improved forecasting helps to manage the cost, operational costs will continue to rise as wind production increases.

Xcel Energy continues to improve processes and seek additional opportunities to lower integration costs, including:

- Cycling base-load fossil fuel units offline to accommodate more wind generation; the approach reduces fuel costs, and in 2015, helped to avoid about 278,200 tons carbon dioxide emissions.
- Using set-point controls for wind farms in combination with Automatic Generation Control of thermal units that let wind farms continue to operate at peak levels while fossil fuel production is reduced.
- Establishing a 30-minute flexibility reserve; after studying the amount of wind energy typically lost within 30 minutes, we implemented the new practice, which dramatically reduced reserve costs while maintaining system reliability.

- Adding more flexible production resources that can be ramped up and down more efficiently to work with variable wind generation, such as the new combined-cycle natural gas facility installed at Cherokee Generating Station in Colorado under our Clean Air-Clean Jobs project

Xcel Energy's Colorado system is somewhat unique in that it is small and serves a limited geographic area, which can present challenges for integrating high levels of variable wind energy. Wind generation served 19 percent of our Colorado electric load needs in 2015 and helped avoid nearly five million tons of carbon emissions. For system reliability reasons, we had to curtail about 3 percent of our total wind generation for the year. To manage the cost and overall impact of curtailments, the company has taken the following steps:

- Negotiating purchase power agreements that include free curtailment hours.
- Conducting a special screening as part of the resource planning process to account for curtailment costs as we evaluate future resources.
- Exploring opportunities to increase the flexibility of our Colorado system by developing a larger, organized market in the West; as a step in this direction, the company received approval from the Federal Energy Regulatory Commission to begin in summer 2016 the joint dispatch of its resources with the resources of other Colorado utilities to allow for more efficient and cost-effective, real-time system operations.

Wind Records

We continue to set new system records for wind generation because of our significant capacity and ongoing efforts to improve system operations through better forecasting and other measures. We have consistently achieved hourly wind generation records on our systems, but in Colorado on Oct. 2, 2015, we achieved a daily milestone when wind generation provided more than 55 percent of our customers' energy for 24 hours.

Below is an overview of our daily system wind records:

System	Percent of Load Served	Date
Colorado	55.5%	Oct. 2, 2015
Southwest	50.8%	Nov. 15, 2015
Upper Midwest	41.3%	Nov. 8, 2015
Xcel Energy Total	45.3%	April 15, 2016

Below is an overview of our hourly system wind records:

System	Percent of Load Served	Date	Time
Colorado	67.6%	April 6, 2016	12-1 a.m.
Southwest	57.6%	April 5, 2016	4-5 a.m.
Upper Midwest	55.7%	April 14, 2016	2-3 a.m.
Xcel Energy Total	55.6%	April 16, 2016	1-2 a.m.

Solar Energy

Our Approach

The customers and communities we serve increasingly want solar power as an energy source to meet their needs. After all, solar energy is clean, renewable and provides customers options, all while the technology continues to become more efficient and affordable. For these reasons, solar is an important and growing part of our diverse energy supply. We support and want to provide our customers all forms of solar generation to meet their interests, from large, universal solar projects that provide power to serve all customers, to local community gardens and private rooftop systems that power individual homes and businesses.

Current Solar Energy Additions

Xcel Energy increased the solar energy on our systems in 2015 by more than 130 megawatts—or 40 percent. At the end of the year, we began purchasing power from the new 50-megawatt SunPower Solar Star Colorado III project, which is large enough to power more than 15,000 average-size homes annually. We also helped customers install more than 5,700 private solar energy projects for their homes and businesses and added 11 new community solar gardens to our systems during the year.

In 2016, we will add about 520 megawatts of universal solar to benefit all customers—nearly triple the capacity we have today—and enough to power about 124,000 homes annually. We plan to purchase energy from the following solar power plants under construction:

120-megawatt Comanche Solar Project, Colo.
100-megawatt North Star Solar Project, Minn.
62-megawatt Marshall Solar Project, Minn.
100-megawatt Aurora Solar Project, Minn.
70-megawatts Chaves County Solar, N.M.
70-megawatts Roswell Solar, LLC, N.M.

In addition, we expect to help our customers add about 23 megawatts-AC in new private, rooftop solar energy systems in 2016 through our Solar*Rewards® programs in Colorado and Minnesota. Through Solar*Rewards®Community®, we project adding approximately 200 megawatts-AC of new solar community garden projects through our Minnesota program, with an additional four megawatts-AC through our Colorado program.

Universal Solar Serving Xcel Energy Customers in 2015

Investing in universal solar power is an opportunity to further diversify our energy supply and meet customer interest in clean energy. At the end of 2015, we had 190 megawatts of large, universal solar on our systems, enough to power about 54,000 homes. These solar power plants provide clean, solar energy at the lowest cost, to the greatest number of people in the communities Xcel Energy serves because of the benefits that come with economies of scale.

Universal Solar on Xcel Energy Systems (As of Yearend 2015)

Facility and Owner	System Type	Size (AC)	Location	Online
SunEdison Alamosa	Combination concentrating and flat-plate photovoltaic	6.95 MW	Alamosa, Colo.	2007
SunPower Greater Sandhill	High efficiency photovoltaic	19 MW	Alamosa, Colo.	2010
SunEdison	Ground-mounted photovoltaic (five 10-MW sites)	50 MW	Lea and Eddy counties, New Mexico	2011
Iberdrola Renewables San Luis Valley Solar	Central photovoltaic	30 MW	Alamosa, Colo.	2012
Cogentrix Alamosa Solar Generating Project	Central, concentrating photovoltaic	30 MW	Alamosa, Colo.	2012
Solar Technology Acceleration Center (SolarTAC)	Multiple technologies	0.5 MW	Aurora, Colo.	2012
SunPower Solar Star Colorado III	Photovoltaic	50 MW	Mosca, Colo.	2015
Best Power Intl. St. John's Solar Farm	Photovoltaic	0.32 MW	Collegeville, Minn.	2010
Best Power Intl. School Sisters of Notre Dame Solar Park	Photovoltaic	0.718 MW	Blue Earth County, Minn.	2015
Ecos Energy Slayton Solar	Photovoltaic	1.66 MW	Slayton, Minn.	2013

Customer Solar Energy Options

Xcel Energy offers a range of solar energy programs to meet the different needs and interests of our customers. Our Solar*Rewards program in Colorado, Minnesota and New Mexico provides incentives to customers interested in installing private rooftop systems for their homes and businesses to help make the systems more affordable. In turn, the program and the renewable energy credits associated with the solar energy produced enable us to meet state renewable energy standards.

Through Solar*Rewards Community, we provide customers in Colorado and Minnesota a convenient solar option, without having to install or maintain their own panels. Customers can sign up to participate in a local community solar garden through a garden developer. In Wisconsin, we now offer Solar*Connect Community℠ that gives customers the option to sign up and participate in an Xcel Energy community solar garden project.

We also have proposed offering additional programs in Colorado and Minnesota that give customers the option to participate in solar power by subscribing through Xcel Energy. These premium programs, currently under review with our public utilities commissions, would provide our customers easy, convenient and flexible options for designating that up to 100 percent of their energy come from clean, renewable sources.

Advancing Solar Technology: SolarTAC

After celebrating its grand opening in 2011, the Solar Technology Acceleration Center (SolarTAC) in Aurora, Colo., is now a world-class facility for demonstrating and validating some of the most advanced solar technologies available. Today, technology projects occupy most of the 74-acre site.

Xcel Energy recognized early the benefit to customers and became SolarTAC's original founding member, an investment that has paid off. Several large-scale solar technologies fine-tuned at SolarTAC are now in commercial operation as part of arrays in New Mexico and Colorado producing more cost-effective and reliable solar power for our customers. Developers also have been able to make adjustments for cold weather conditions before installing technology in our service area.

Xcel Energy has a unique opportunity at SolarTAC to study solutions to solar integration in a real-world environment, separate from the system that serves customers. We have installed a community energy storage project that is testing a more cost-effective way to integrate solar power in areas with high solar production. Working with the Electric Power Research Institute (EPRI), we are testing a 25-kilowatt battery integrated with four small photovoltaic installations that simulate a neighborhood with multiple rooftop solar power systems. We plan to compile the final results and wrap up the project in 2016.

In 2011, we installed a 1.5 megawatt battery provided by Younicos (formerly Xtreme Power) at SolarTAC to evaluate how energy storage can aid in operating a distribution system with energy from large-scale solar facilities. Solar energy produced by a nearby solar array onsite was channeled through the battery before going to the grid. The study concluded in 2014 and a final report was produced, which overviews how the project provided greater insight and understanding into the abilities of battery storage to integrate variable solar generation.

In addition to the testing work, solar projects operating at SolarTAC are connected to the Xcel Energy electric system and serve our customers. Through agreements with SolarTAC participants, we purchase about 500 kilowatts of solar power produced at the site.

In 2016, SolarTAC will begin its next evolution. A portion of the site will be dedicated to GridNXT at SolarTAC, an effort to support the demonstration of advanced technologies for integrating distributed generation at the edge or end of the electric distribution system.

New Mexico Community Solar Program

Xcel Energy owns four photovoltaic systems located on community partner sites in eastern and southeastern New Mexico through our New Mexico Community Solar program. Installed in 2009 and 2010, the systems total 77 kilowatts and feature different types of technology, including rooftop and ground-mounted solar photovoltaic panels and single- and dual-axis panels. Projects are located at Clovis High School, Eastern New Mexico University-Roswell and Xcel Energy's Hobbs Service Center. A key component of the program is educational outreach. We provide energy curriculum developed specifically for New Mexico schools. Students, as well as the general public, are able to access live and historical data measuring ambient temperatures, wind speed and levels of solar production at the sites.

Protecting Air Quality

Our Approach

We continually evaluate our power plant operations and look for cost-effective opportunities to reduce emissions and stay ahead of clean air requirements. Our clean energy strategy includes comprehensive projects, such as Clean Air Clean Jobs in Colorado and the Metro Emissions Reduction Program in Minnesota that significantly reduce air emissions while transforming our fleet of generating plants for the future. Through these efforts, we have installed state-of-the-art emission controls on some plants while retiring and replacing aging coal plants with cleaner, more flexible natural gas. Natural gas-fueled plants have half the emissions of coal, but also operate more efficiently with variable wind and solar generation. As environmental regulations become more challenging, our proactive approach is proving cost effective for customers, helping us avoid the expense and disruption that others in our industry are experiencing as they work to meet new requirements.

Emissions Reduction Projects

We have a number of retirement, efficiency and emission control projects that are underway or were completed this past year which will reduce emissions and modernize our generating fleet.

Efficiency, Control and Retirement Projects 2015-2016

Location	Project Description	Completion Date
COLORADO		
Hayden Units 1-2	Clean Air Clean Jobs emission control project: Install selective catalytic reduction to reduce NOx	2015 (Unit 1 - complete) 2016 (Unit 2)
Cherokee Unit 3	Clean Air Clean Jobs emission reduction project: Retired in 2015	2015 (complete)
Cherokee Unit 4	Clean Air Clean Jobs emission reduction project: Switch fuel from coal to natural gas by yearend 2017	2017
Valmont Unit 5	Clean Air Clean Jobs emission reduction project: Retire by yearend 2017	2017
SOUTHWEST		
Harrington Units 1-3	Installed activated carbon injection systems for achieving the goal to reduce mercury emissions by 90 percent	2015 (complete)
Tolk Units 1-2	Installed of activated carbon injection systems for achieving the goal to reduce mercury emissions by 90 percent	2015 (complete)
UPPER MIDWEST		
Sherco Units 1-2	Optimized coal mill operations to reduce NOx emissions	2015 (complete)
Black Dog Units 3 and 4	Retired in second quarter 2015	2015 (complete)
Bayfront Unit 5	Ceased coal operations in 2015, switching operations to natural gas	2015 (complete)

Clean Air Clean Jobs
Xcel Energy worked with a coalition of policymakers and legislators to support the passage of Colorado's Clean Air-Clean Jobs Act in 2010. Under the legislation, we were directed to propose and implement a comprehensive plan for reducing emissions of nitrogen oxides by at least 80 percent from 900 megawatts of coal-fueled generation.

We are now nearing completion of our Clean Air-Clean Jobs project, which has been underway since 2011 after being approved by the Colorado Public Utilities Commission following extensive public review. In 2015, a new, highly efficient natural gas combined-cycle unit at our Cherokee Generating Station began operations. It will replace approximately 700 megawatts of coal-fueled generation scheduled for retirement by the end of 2017. Xcel Energy has now retired five aging coal units under the project, representing about 522 megawatts. Additionally, we are installing modern emission controls at two remaining coal plants, Pawnee and Hayden generating stations and will switch a fourth unit at Cherokee plant from coal to natural gas.

Once complete, the entire effort will reduce emissions of nitrogen oxides approximately 86 percent, sulfur dioxide by 83 percent and mercury by 82 percent from plants included in the project. System wide in Colorado, it will contribute to a projected reduction in carbon dioxide emissions of at least 35 percent by 2020 from 2005 levels.

Our Clean Air-Clean Jobs project is part of Colorado's State Implementation Plan to address Regional Haze. It also will help the state and Xcel Energy meet other upcoming environmental requirements, including the EPA's Clean Power Plan. The entire effort will cost approximately $1 billion and is estimated to have an average-annual rate impact of approximately 2 percent over a 10-year period.

Regulatory Developments

Interstate Air Quality
The Cross State Air Pollution Rule addresses long-range transport of particulate matter and ozone by requiring reductions in sulfur dioxide and nitrogen oxides from utilities in the eastern half of the United States using an emissions trading program. For Xcel Energy, the rule applies in Minnesota, Wisconsin and Texas. After extensive legal battles involving a number of states and industry, the EPA began administering the rule in 2015. We are complying with the rule.

Regional Haze and Visibility
The Clean Air Act may require power plants to install emission controls to reduce alleged haze and visibility impacts of sulfur dioxide, nitrogen oxides and particulate matter emissions on national parks and wilderness areas. The regional haze state implementation plans for Minnesota and Colorado have received final approval. Xcel Energy has completed all required emission reduction projects, except for the remaining Clean Air Clean Jobs projects that apply to Cherokee Unit 4, Valmont Unit 5 and Hayden Unit 2. These projects are underway and due to be completed by the end of 2017.

In January 2016, the EPA issued its final regional haze rule requiring reduced emissions at Texas power plants, with the goal of improving visibility in Guadalupe Mountains National Park in southwest Texas and Big Bend National Park in southern Texas. Xcel Energy's Tolk Generating Station near Muleshoe, Texas, is among the plants for which the EPA has prescribed new emissions controls through the rule. Under the final rule, Tolk is required to meet a new emissions limit for sulfur dioxide by February of 2021, based on

the expected performance of dry scrubbers. Installing scrubbers on the plant is estimated to cost approximately $600 million.

Because this rule exposes our customers to significantly higher energy costs while producing very little, if any, improvement to visibility in national parks, we have taken legal action against the rule on behalf of our customers. We believe that the EPA failed to appropriately weigh the full impact and cost of its plan against the benefits. We expect this issue to be decided in late 2017 to early 2018.

The EPA is currently evaluating Best Available Retrofit Technology (BART) in relation to visibility at Class I protected areas in Texas and neighboring states. The agency recently issued an information request to Xcel Energy asking for a list of BART eligible units, which means a further analysis of the impacts to visibility may be required of these units. EPA is expected to issue a proposed rule by December of 2016.

Ozone

Ozone, commonly referred to as smog, is formed from the reaction of nitrogen oxides (NO_x) and volatile organic compounds (VOCs) in the presence of sunlight. Ozone levels are highest in the summer months. In October of 2015, the EPA finalized a new ozone standard of 70 ppb. The impacts of this new standard are as follows:

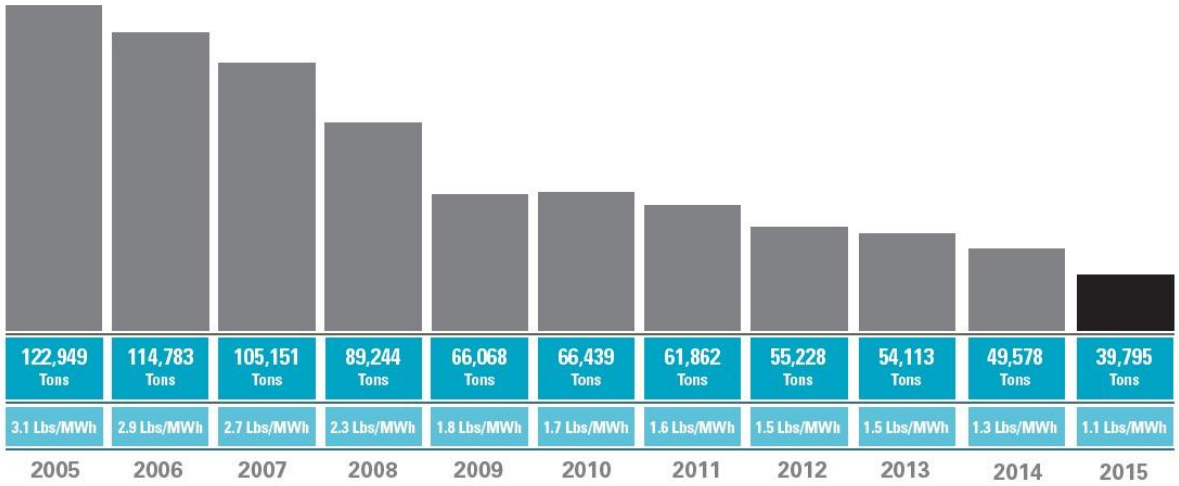
- **Upper Midwest:** We expect that areas where we operate in Minnesota and Wisconsin will be in attainment with the ozone standard of 70 parts per billion. The Allen S. King Generating Station is equipped with state-of-the-art selective catalytic reduction equipment for controlling NO_x. The three units at the Sherco Generating Station are equipped with low-NOx burners. We have reduced NO_x at our Minnesota coal-fueled plants by more than 65 percent since 2005.

- **Colorado:** With an ozone standard of 70 parts per billion, we expect that portions of Colorado will continue to be in non-attainment for ozone. The new standard may slightly increase the size of the current Denver Metro nonattainment area and potentially adds some new nonattainment areas on the Western Slope near Grand Junction and Durango. Reducing NO_x was a primary driver of Colorado's Clean Air-Clean Jobs Act. Under the act, Xcel Energy is implementing a plan that will reduce NO_x by 86 percent, compared to 2008 levels, from the units involved. We are retiring six aging coal units and replacing the power through a new, more efficient combined-cycle natural gas plant at Cherokee Generating Station. We also have installed state-of-the-art selective catalytic reduction equipment for controlling NO_x at Pawnee Generating Station, and are completing installation of selective catalytic reduction equipment on the two units at Hayden Generating Station.

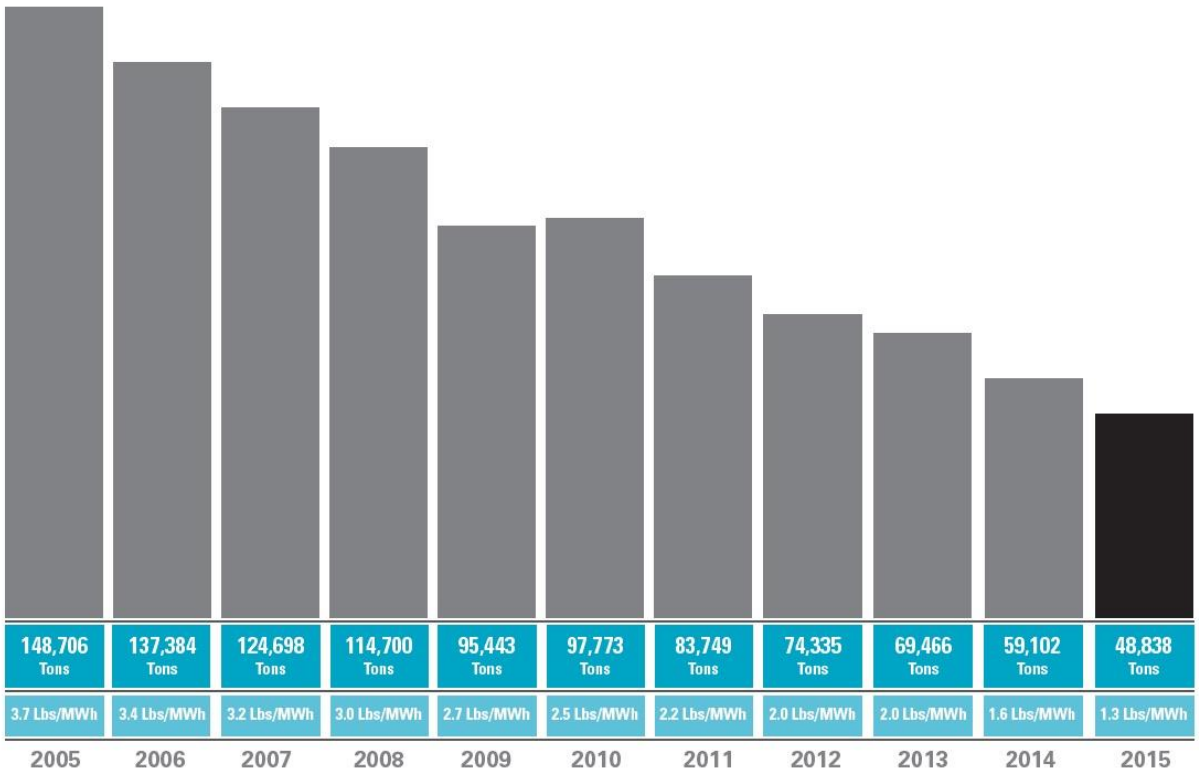
- **Southwest:** We expect that areas where we operate in Texas and New Mexico will be in attainment with an ozone standard of 70 parts per billion. Randall County is currently close to and within the standard using current data. Future data, as reviewed by the EPA, will determine attainment status during the designation process. The EPA currently projects that this area will meet the new ozone standard. All of the units at our two coal-fueled plants in Texas—Harrington and Tolk—are equipped with low-NO_x burners and use advanced neural networks that continually adjust operations to achieve efficiency and reduce emissions.

Air Emission Reductions

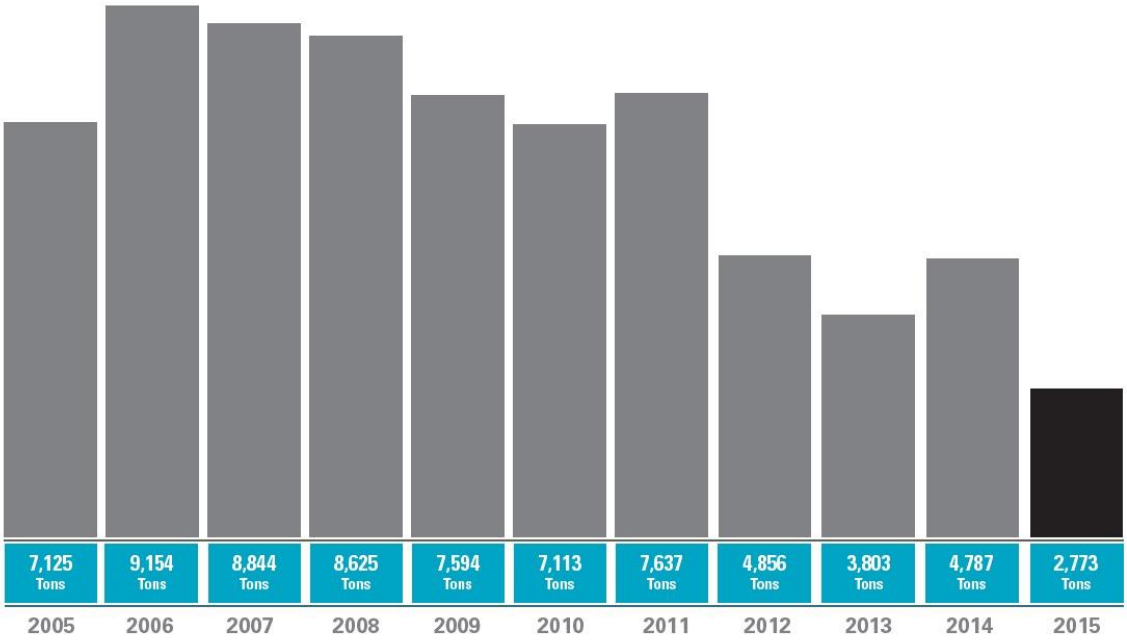
Xcel Energy has reduced emissions of nitrogen oxides and sulfur dioxide by approximately 67 percent since 2005.



Nitrogen Oxide Emissions (owned generation)



Sulfur Dioxide Emissions (owned generation)



Particulate Matter Emissions (owned generation)

Mercury and Other Hazardous Substances

Our Approach

As we implement our clean energy strategy and diversify our energy supply, Xcel Energy is reducing releases of mercury and other hazardous substances, in addition to reducing carbon and air emissions. We also have been proactive in installing emission controls at our power plants that ensure we meet new EPA requirements targeted at these releases. Since 2005, Xcel Energy has reduced mercury emissions 85 percent from the generating plants we own and operate, while the releases that we report under the EPA's Toxic Release Inventory program are down more than 40 percent, compared to 2005 levels.

Mercury and Air Toxics

The EPA in 2011 for the first time released national standards for mercury and other hazardous air pollutants from power plants. Coal- and oil-fueled units larger than 25 megawatts were required to meet new emission limits under the Mercury and Air Toxics Standard (MATS). The MATS took effect on April 15, 2015, and applies specifically to mercury, acid gases (hydrochloric acid) and non-mercury metals, such as arsenic, beryllium and lead.

Xcel Energy was well positioned and currently meets MATS.

- Our Clean Air Clean Jobs project in Colorado is eliminating or reducing emissions as we retire aging coal units. Plus, the remaining coal units on our Colorado system are equipped with controls that meet all MATS emission requirements.
- We have installed activated carbon controls on the units at our Harrington and Tolk plants in Texas with the goal of reducing mercury emissions by 90 percent.
- We currently use activated carbon injection to control mercury emissions at our Sherco and Allen S. King plants in Minnesota, which were required by state statute. Plus, we have made sulfur dioxide control improvements at Sherco to meet regional haze requirements. In 2015, we ceased remaining coal operations at the Bay Front plant in Wisconsin and also at Black Dog plant in Minnesota.

After the MATS took effect for the industry, the Supreme Court ruled in June 2015 that the EPA violated its statutory authority by inappropriately ignoring the cost of the MATS. The court left the rule in effect while the EPA responded. The EPA published a brief supplemental notice in December 2015 that finds the consideration of cost does not change its original conclusion that it is appropriate and necessary to regulate mercury and other hazardous air pollutants from power plants under the Clean Air Act. While the MATS rule could be tied up in the courts for years, Xcel Energy has addressed its emissions.

Community Right to Know and the Toxic Release Inventory Program

For three decades, the U.S. Environmental Protection Agency has administered the Emergency Planning and Community-Right-to-Know Act or EPCRA. The program is intended to help communities protect residents from potential chemical hazards. Under EPCRA, residents have the "right-to-know" about chemicals in their communities. Each year facilities in specific industries that manufacture, process or use the nearly 650 substances identified under the program must report their releases to air, land and water. The EPA manages the information in a publicly available database under the Toxic Release Inventory (TRI) program.

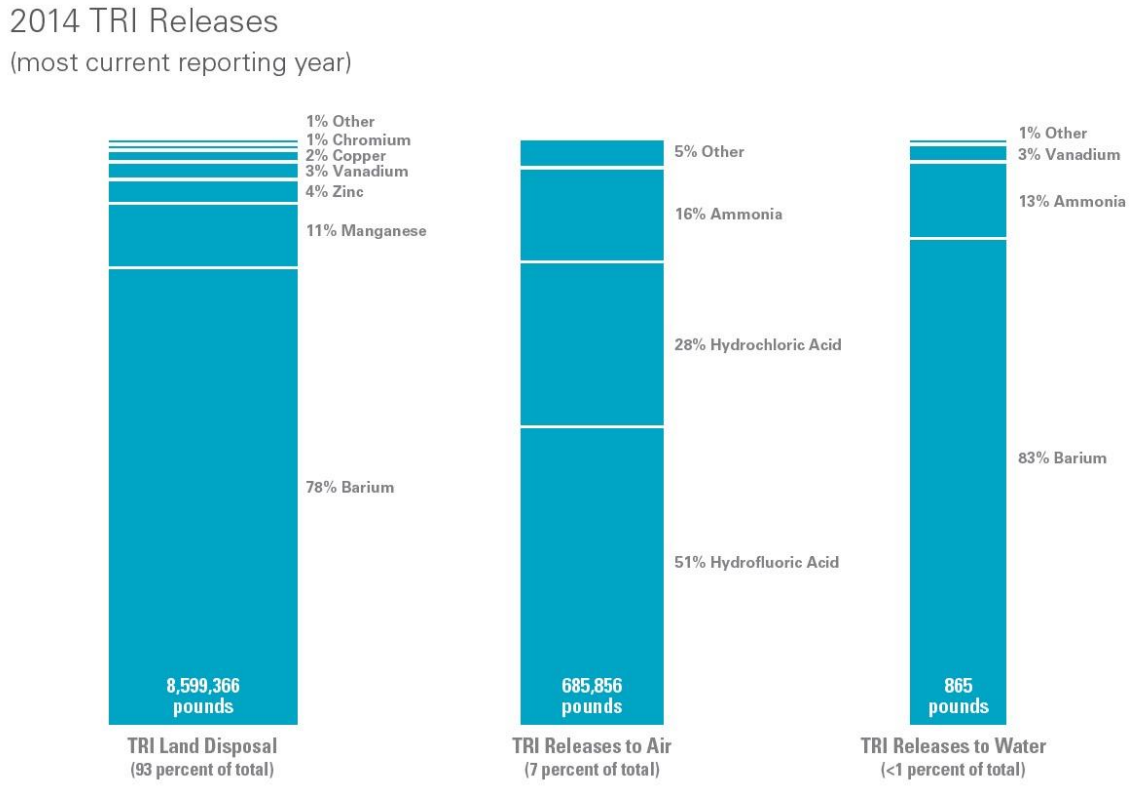
We report to the EPA annually our releases, which are the result of using coal, oil and refuse-derived fuel (processed municipal solid waste) to produce electricity. These fuels contain trace amounts of TRI reportable substances, including barium, chromium, copper, lead, manganese, mercury, nickel and zinc.

When the fuels are combusted, they release these substances. We report releases by facility, and a facility's releases may change slightly from year-to-year since they are based on the amount of electricity produced and the associated fuel that is consumed. Releases also may vary because of minor differences in fuel composition and mineralogy depending on the mine or other fuel source.

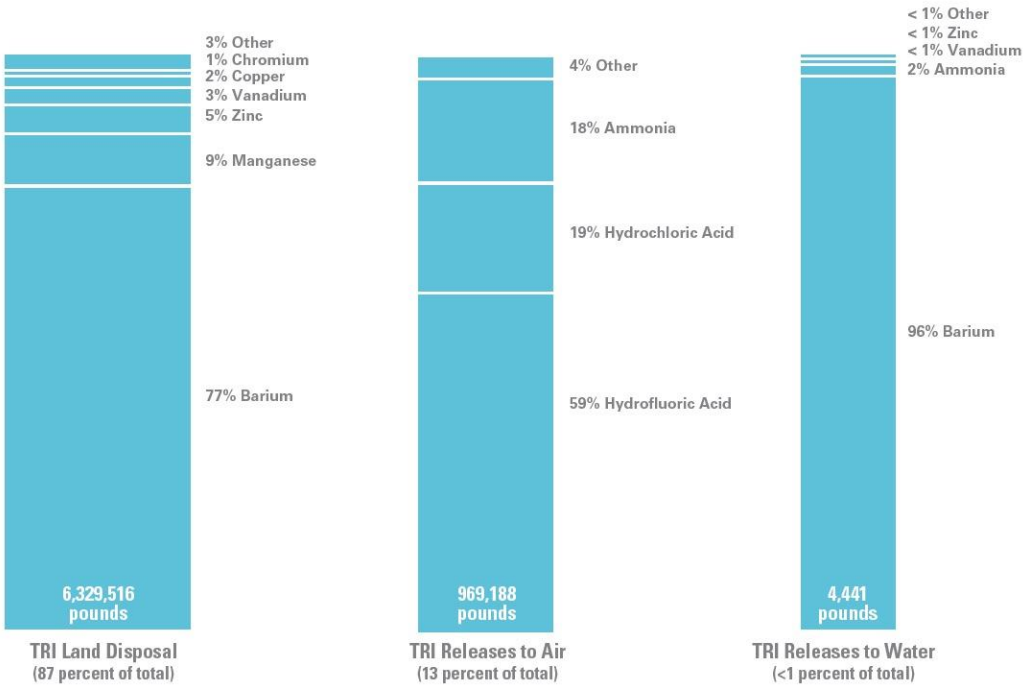
The majority of our TRI releases are controlled at our facilities as part of the combustion residuals or coal ash that we capture and prevent from entering the air. We capture about 80 to 90 percent of these substances and safely dispose of them in managed landfills, along with the coal ash where they are contained. Some of the ash we capture is reused for beneficial purposes, such as concrete products, roadbed material and other encapsulated uses.

TRI releases disposed in managed landfills have generally increased because of new air emission controls at some of our coal-fueled power plants and changing regulatory requirements. In total, we have reduced TRI releases as we retire aging coal plants and repower them with natural gas or replace the energy with wind and solar power.

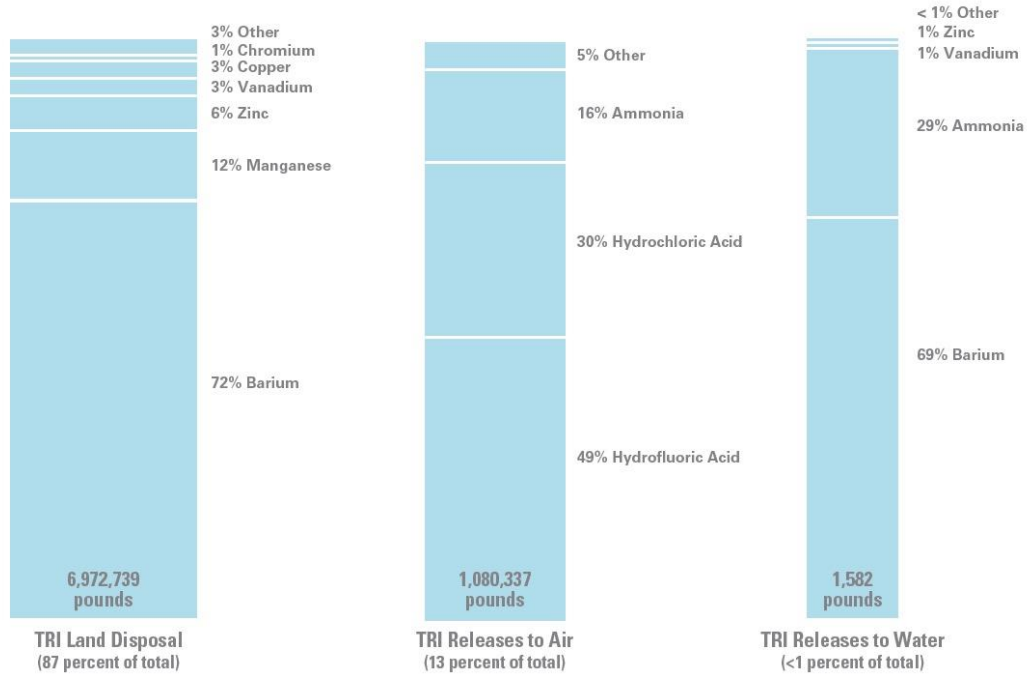
Since 2005, our TRI releases have been reduced by more than 40 percent.



2013 TRI Releases



2012 TRI Releases



Releases provided here are from 12 generating plants in locations throughout our service territory. For individual plant information visit the EPA's TRI Explorer website or contact corporateresponsibility@xcelenergy.com.

Water Management

Our Approach

A reliable water source is essential to producing power at our hydroelectric and thermal generating plants. We carefully manage our water resources by seeking responsible and secure supply options, working to conserve water where we can and ensuring we maintain water quality, especially when water is used and then returned to the environment.

Water Use

Xcel Energy uses water to generate electricity. At our hydroelectric plants rushing water is the fuel that operates plant turbines to produce power. But by far, most of our water use occurs at thermal generating plants where water is used to produce steam for generating electricity and also for cooling equipment.

Cooling makes up more than 95 percent of a thermal power plant's water needs, depending on plant operations. Thermal plants generally use one of two cooling options that are uniquely designed for optimal heat transfer to water. This allows the plants to operate at maximum efficiency and generate the most electricity possible from the fuel source.

Open-loop Cooling.
Water is taken from a river, lake or reservoir and used to cool and condense the steam that drives turbines to produce electricity. Water is then returned to the river, lake or reservoir in accordance with all state and federal permits or requirements and in a condition that protects water quality for human use and the environment. Nearly all of Xcel Energy's thermal power plants in the Upper Midwest and one plant in Colorado (Valmont Generating Station) use open-loop cooling, also referred to as once-through cooling.

Closed-loop Cooling.
Water runs through towers to cool and condense the steam used to drive turbines to produce electricity. Cooling towers require relatively low water volumes to operate efficiently. They are operated to minimize water withdrawals by reusing water multiple times in the cooling water system, and can also provide reuse water for other plant operations. Nearly all of Xcel Energy's thermal power plants in Colorado, Texas and New Mexico and one plant in Minnesota (Sherco Generating Station) use closed-loop cooling. A portion of the water in closed-loop cooling systems may be returned to the river, lake or reservoir in accordance with all state and federal permits or requirements. Water may also be stored in evaporation ponds.

Several advanced, closed-loop cooling technologies are now available that may be built into new thermal plants for reducing water use. While these systems require less water for cooling equipment, they may be less efficient for producing electricity and are best incorporated into facilities located in areas with extreme water scarcity that warrant the use of more expensive technology.

Hybrid Cooling
Both water and air are used for cooling. Air cooling reduces the need for water when ambient air temperature is sufficient to support the necessary cooling, but uses water during other times of the year when heat transfer to air is inefficient. Electric production with hybrid cooling requires more fuel and produces less electricity than water cooling because of the less efficient steam cycle and additional electric load required by cooling fans. Unit 3 at Xcel Energy's Comanche Generating Station in Colorado uses hybrid cooling.

Dry cooling
Air cooling is used to condense steam. In addition to being expensive to construct, dry cooling uses more fuel and produces less electricity than water cooling, due to a less efficient steam cycle and additional

electric load required by cooling fans. Additionally, heat transfer limitations during some months may limit plant generation capacity, potentially requiring additional power purchases to support system demands. Xcel Energy does not currently operate thermal plants that use dry cooling.

Managing Water Supply

Thermal Operations in the West and Southwest

In the semi-arid and arid states where we operate—Colorado, New Mexico and Texas—water is acquired for our thermal and hydroelectric plants through water rights and other agreements. We have strategic water resource plans that are updated annually to reflect our current operational requirements, local climate conditions and water use. Throughout the year we conduct a variety of activities to accurately predict and plan for future water supplies, which include forecasting plant water requirements based on anticipated electric generation; accounting for the water we need and use; monitoring snowpack reports; and studying stream flow forecasts, seasonal climate projections and changes to the Ogallala aquifer—the primary aquifer that underlies much of the region in Texas and New Mexico that we serve.

We have pursued an integrated water supply portfolio strategy, including owned or self-supplied water rights, reservoir storage, groundwater rights and a number of other supplies, including municipal and recycled water supplies. Our portfolio includes water from geographically diverse areas, including trans-basin water imported from other basins. This diversity is critical for maintaining a resilient, reliable water supply in the arid, climatically variable western United States.

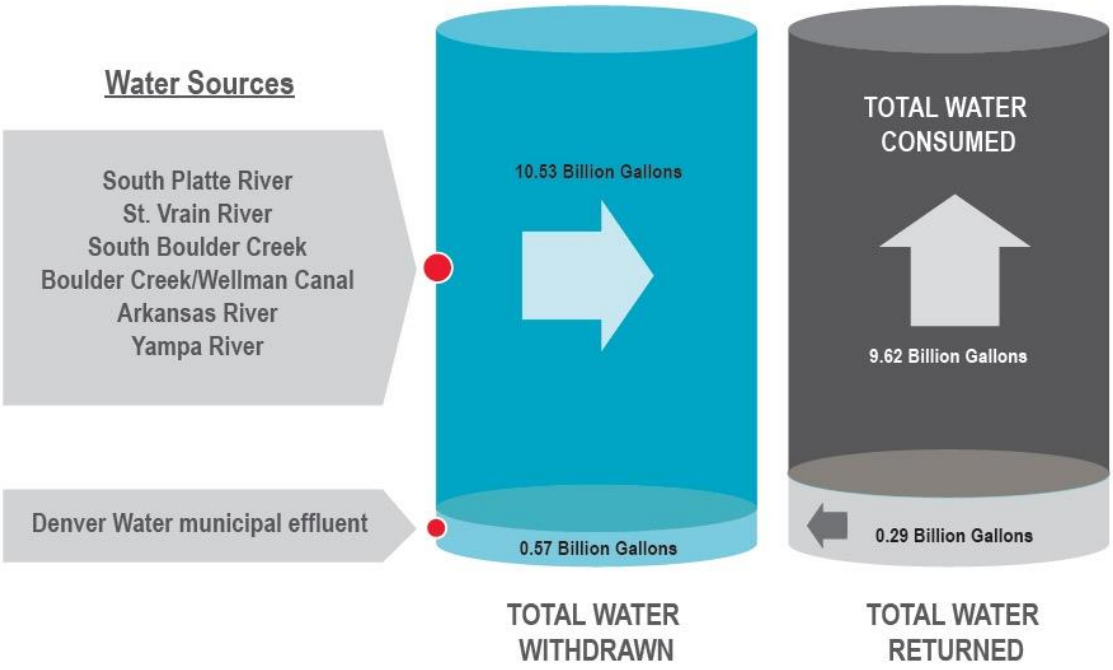
Xcel Energy is a Tier 1 water supplier, which means we own water supplies dedicated for our own use. In Colorado, our owned water supplies or rights are available depending on regional water supply conditions in accordance with Colorado's prior appropriation system. The recent historic multi-year drought in the West identified weaknesses in the regional water supply. Xcel Energy expended significant resources to address these issues and improve our water supply and the resiliency of our systems.

Other Tier 1 suppliers that we do business with responded similarly to drought conditions and improved their water supplies. They also adopted drought response plans to identify concrete steps for ensuring that suppliers meet their municipal and industrial water supply obligations. Further, they pursued the acquisition of geographically diverse water supplies originating in other river basins, enhancing the resiliency of their systems.

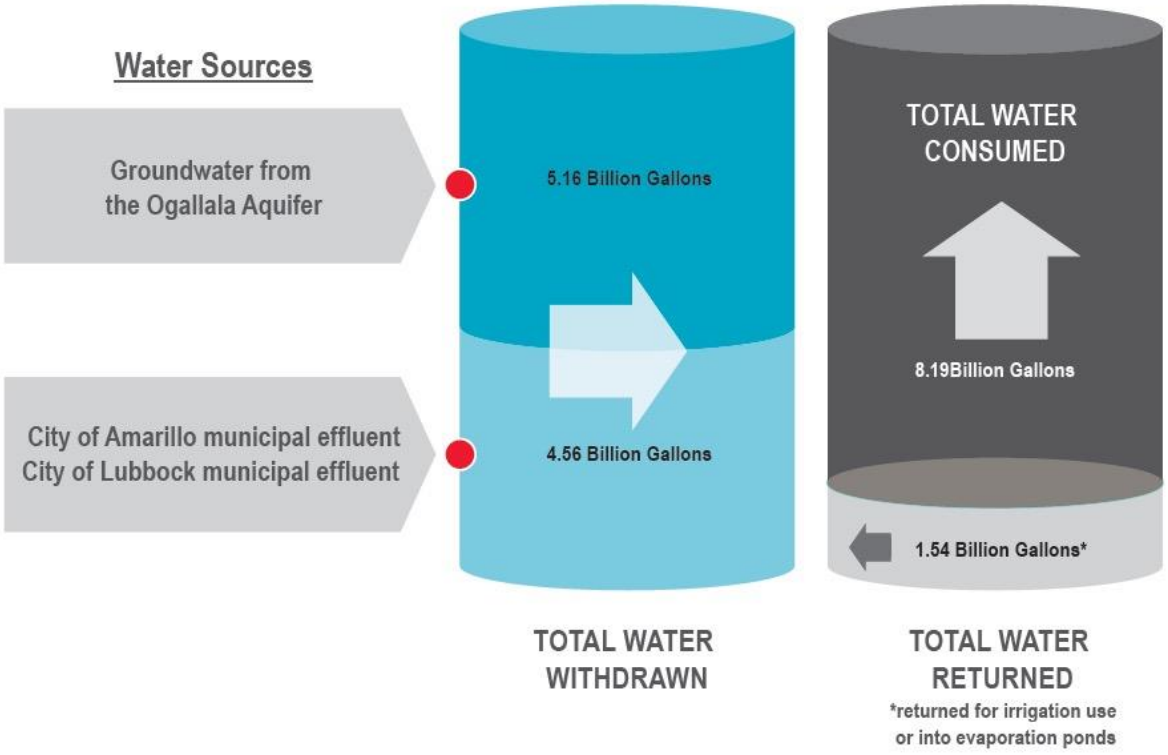
Finally, Xcel Energy has pursued recycled water where available and feasible, which minimizes the competition between water needs for power generation and needs for environmental, recreational, municipal or other industrial uses. Recycled water use has the added benefit of increasing the reliability of our water supply portfolio because it is virtually drought-proof.

According to the Colorado Division of Water Resources Cumulative Yearly Statistics 1996-2008, thermoelectric power generation makes up less than 0.5 percent of the state’s water usage, with agriculture making up 86 percent of usage and the remainder going to meet municipal, recreational and other industrial needs. We anticipate the western and southwestern portions of our service area will experience drought conditions in the future. We continue to work with water boards, management organizations, farmers and ranchers, utilities and local communities to develop innovative partnerships and agreements to help meet different water needs during dry times.

2015 Colorado Water Supply and Consumption

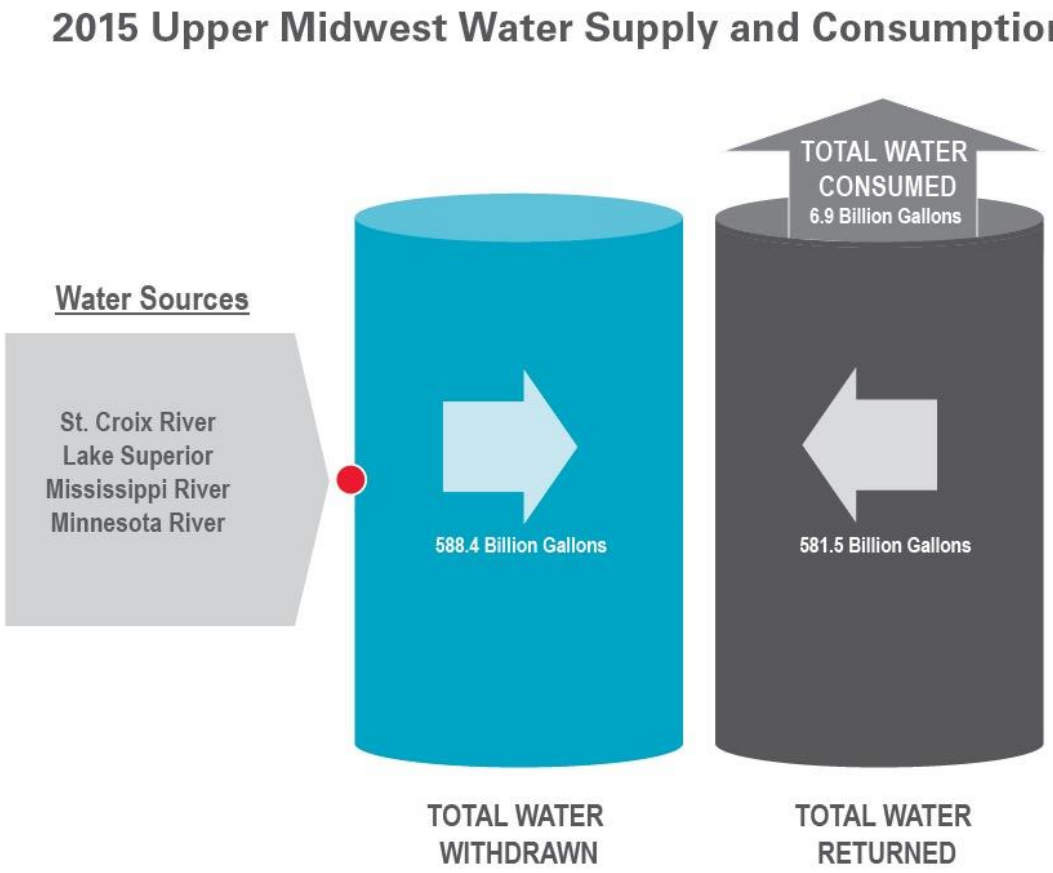


2015 Southwest Water Supply and Consumption



Thermal Operations in the Upper Midwest

In Minnesota, Wisconsin and other northern states where water is more abundant, our thermal plants are permitted to use and return water to nearby rivers and other waterways. We also take a strategic approach to water use in these areas by monitoring weather patterns and using meteorological forecasting models to predict and prepare for an adequate water supply during times when unusually dry conditions are likely to persist. During drought years, we evaluate the use of alternative cooling options for each facility and implement prudent temporary measures to provide supplemental thermal cooling. In time of energy emergencies, our permits have provisions that allow some plant operating flexibility, along with additional environmental monitoring requirements to ensure protection of aquatic wildlife and biota.



Hydroelectric Operations

Xcel Energy operates 26 hydroelectric plants, including six in Colorado, 19 in Wisconsin and one in Minnesota. These plants are built on rivers and other waterways where rushing water can flow through turbine generators to produce electricity. The Cabin Creek Generating Station near Georgetown, Colo., is a pumped-storage hydroelectric plant and is unique to our system. Water is pumped from a lower reservoir to an upper reservoir where the water is released through a tunnel to turn turbine generators.

Hydroelectric plants do not consume water in the generation process even though water does naturally evaporate from reservoirs. We work with environmental and wildlife agencies to ensure plans are in place for monitoring watering quality, protecting aquatic life, ensuring minimum stream flow, preventing erosion, and controlling noxious weeds and other invasive plants.

Xcel Energy's hydroelectric plants operate on the following waterways; many of these are open to public recreation:

Colorado	Minnesota	Wisconsin
Lower Clear Creek	Mississippi River	Chippewa River
South Fork Arkansas River		Apple River
South Clear Creek		Red Cedar River
Colorado River		Namekagon River
Animas River and tributaries		Montreal River
San Miguel River and tributaries		White River
		Flambeau River
		St. Croix River

Maintaining Water Quality

All of our large plants in Texas and New Mexico, as well as several plants in Colorado, are zero-discharge facilities—no process water is discharged from the plant site. Instead, it can be reused for growing crops or disposed through evaporation ponds.

Other plants, especially those in Minnesota and Wisconsin, use once-through cooling where water is taken from a river or other waterway and returned to the environment. At all our plants where we return or discharge water, we systematically treat, monitor and analyze the water to ensure we are meeting discharge requirements and to protect the aquatic environment. It is important that we return the water we use to rivers and waterways in a usable condition and in compliance with stringent regulatory requirements.

Recent Regulatory Developments

Waters of the United States

In June 2015, the EPA and U.S. Army Corps of Engineers finalized the new definition of what water bodies and topographic features are considered Waters of the United States (WOTUS), broadening the scope of waters subject to federal jurisdiction under the Clean Water Act. The new rule defines seven categories of waters that are jurisdictional, several of which are very broad and can allow case-by-case determinations. Under the new definition, more utility projects are subject to federal Clean Water Act jurisdiction. Xcel Energy, along with other industries and states, raised concerns about the scope of the rule throughout the rulemaking process. Multiple states, including most of the states we serve, are suing the EPA on grounds that the final rule impinges on state rights, exceeds its authority and is unconstitutional. In October 2015, an appellate court issued a nation-wide stay of the new rule. The prior definition of WOTUS is now in place pending outcome of the ongoing litigation.

Water Quality

The EPA periodically evaluates advances in water treatment technology, and if advanced technology is demonstrated to be widely available, it will update Effluent Limitations Guidelines (ELG) under the Clean Water Act. The EPA published its final, revised ELG in November 2015. The final rule applies to power plants that use coal, natural gas, oil or nuclear materials as fuel and discharge treated effluent to surface waters, as well as to utility-owned landfills that receive coal combustion residuals. Since the ELG is implemented in individual facility National Pollution Discharge Elimination System (NPDES) permits, the impact to Xcel Energy facilities is not immediate. As permits are renewed the new ELG will be

implemented, if appropriate. Facilities will be required to comply no sooner than November 1, 2018 but no later than December 31, 2023. For Xcel Energy, we have three impacted facilities: Sherco, King and Comanche plants. We are currently evaluating compliance technologies for these facilities.

Cooling Water Intake

The EPA has been developing rules for cooling water intake structures under section 316(b). Under the final rule published in August 2014, closed-cycle cooling towers are not mandated, but all power plants using more than two million gallons of surface water per day are required to take measures to reduce aquatic impacts. Xcel Energy is undertaking impingement and entrainment studies at its qualifying facilities. The results of these studies will determine the extent of modifications needed. Facilities with less two million gallons of intake will install flow meters to ensure the intake is not exceeded.

Water Conservation

Our water consumption associated with power generation has decreased approximately 30 percent from 2005 to 2015. We look for cost-effective opportunities to conserve water and have developed a number of innovative efforts to reduce water usage at our plants, especially the use of fresh or high quality water.

- Through our operations we use water as efficiently as possible. Water is circulated through the cooling process at our closed-loop plants multiple times — up to 25 times at some plants. When it is no longer suitable for cooling, water is used in coal-ash handling processes, with emission controls, for site irrigation and other uses.
- In Texas, we use recycled municipal effluent at our Harrington, Nichols and Jones facilities, and our Tolk plant uses effluent from Plant X for a portion of its water supply.
- Recycled municipal water from metro Denver is used for cooling water at the Cherokee generating plant. Overall, this recycled water accounts for more than 40 percent of Cherokee's water consumption and about 10 percent of our total water consumption in Colorado.
- We have reduced water use 30 to 50 percent for Comanche Unit 3 by incorporating a low-water use system with hybrid cooling technology that provides additional air cooling capability.
- Once the Clean Air Clean Jobs project is complete with the retirement of about 700 megawatts of coal-fueled generation, we anticipate decreasing overall system water usage in Colorado by about 15 percent.
- Diversifying our energy supply can help reduce water usage. The more than 15 percent of wind and solar power on our systems does not require water.
- When customers save energy through our energy efficiency programs, they also help save water.

Water Partnerships, Innovative Agreements and Stakeholder Efforts

Water is a fundamental resource that has become more stressed as communities grow and as weather patterns fluctuate. In addition to people, water affects habitat and wildlife. Through engagement in the communities we serve—including participation on water boards, in management organizations and in regulatory forums—we are finding solutions and forming partnerships. We also have supported local projects and community initiatives through the Xcel Energy Foundation.

Innovative Agreements, Partnerships and Stakeholder Efforts

- Xcel Energy personnel participate regularly in stakeholder organizations for the water basins in which the company has interests. Plus, our staff serves on boards and as officers overseeing eight ditch companies in Colorado where the company owns significant water rights. Conflicts involving water are often identified and resolved through these organizations and boards.

- We own very senior water rights on the Colorado River that are used to operate the Shoshone Hydroelectric Generating Plant. To help meet water needs within the city of Denver and surrounding suburbs, we have an agreement to “relax” a portion of our water requirements for Shoshone during dry years. In 2013, Colorado experienced below-average moisture, which marked the first year that we implemented this agreement, which was originally established with Denver Water in 2006. Rather than maintaining 1,250 cubic feet per second in the river to run Shoshone, we reduced our use to 704 cfs and allowed Denver Water and other Colorado Front Range water providers to store river flows above this amount for municipal use.
- We have an agreement with the city of Longmont in northern Colorado that helps preserve high quality water for municipal use. We exchange annually up to 5,000 acre-feet of high quality water acquired under our water rights with the city’s lowest quality water or effluent. The city routinely discharges its effluent to the South Platte River where we take it to use at our power plants, including Fort St. Vrain, Cherokee and Pawnee generating plants. We have a similar agreement with the city of Westminster to provide high quality water from Clear Lake in exchange for municipal effluent to use at our plants.
- In dry years Colorado farmers typically lack the full water supply needed for growing crops. Through a mutually beneficial agreement, we buy limited quantities of water that farmers have available and use it in our power plants. Under this arrangement, farmers are compensated, helping them financially during dry years.
- The Xcel Energy Foundation funds a statewide initiative of the Colorado Foundation for Water Education to help raise awareness about water as a limited and valuable resource. By connecting Coloradans with information and activities focused on water, including library and museum exhibits, speakers and video presentations and a water website, the CFWE strives to motivate residents to become more proactive participants in the state’s water future and increase support for better managing and protecting Colorado’s water and waterways. In addition to providing funding, Xcel Energy water resources staff volunteer with and support this effort.

Waste Management

Our Approach

Xcel Energy has high standards for managing the waste from our operations. In keeping with our company's core value to protect the environment, we have an excellent record in meeting and surpassing the rules that govern how our waste is managed. When possible, we seek innovative solutions and opportunities to reduce, reuse and recycle these materials.

Coal Ash Management

Coal-fueled power plants produce a number of coal combustion residuals or byproducts commonly referred to as coal ash. In 2015, our generating plants consumed about 26.9 million tons of coal, supplied from mines in Colorado and the Powder River Basin in Wyoming.

Throughout our system, we try to recycle coal ash whenever possible for beneficial use, such as in concrete products, roadbed material, soil stabilization, engineered-fill material and more. We reused nearly 30 percent of the ash our plants produced in 2015. At our Texas coal-fueled plants, 100 percent of the ash is beneficially used replacing products that would normally be generated from natural resources. As we install and operate new emission controls at our plants, such as scrubbers and activated carbon for controlling mercury emissions, the ash composition changes, making it potentially less desirable for beneficial use.

Ash that is not reused is properly disposed either in company- or third-party owned and operated landfill sites. More detailed information on our coal ash management practices is available on XcelEnergy.com.

Coal Ash Summary (estimated in tons)

	2013		2014		2015	
	Produced	**Reused**	**Produced**	**Reused**	**Produced**	**Reused**
Colorado	931,002	394,522	874,062	290,353	955,489	144,771
Southwest	324,244	324,244	335,074	335,074	280,710	280,710
Upper Midwest	658,392	123,697	886,106	186,428	770,347	155,962
TOTAL	**1,913,638**	**842,463**	**2,095,242**	**811,855**	**2,006,546**	**581,443**

New Rule for Managing and Disposing Coal Ash

The U.S Environmental Protection Agency's final rule for coal combustion residuals became effective in October 2015. The new rule regulates coal ash as a non-hazardous waste under Subtitle D of the Resource Conservation and Recovery Act (RCRA-D). It establishes minimum national standards for the design, operation and closure of landfills and surface impoundments. Beneficial use of coal ash as defined in the rule is exempted. We believe Xcel Energy's facilities are well positioned to comply with the new rule without significant impact to operations and cost. A number of parties, including industry and nongovernmental organizations, are challenging the rule, and this litigation may result in modifications to the rule.

Waste Disposition Summary (in tons)

In 2015, the increase in hazardous waste is the result of special boiler maintenance work at our power plants. The increase in asbestos is due to facility improvement projects.

	2012	2013	2014	2015
Hazardous	98	42	65	553
Universal[1]	30	35	37	64
PCB related[2]	449	438	335	342
Asbestos	2,221	553	271	1,755
Scrap metal	6,345	14,242	5,753	5,235
Special[3]	10,633	8,924	15,050	12,676

[1] Universal waste includes regulated waste such as fluorescent light bulbs, rechargeable batteries and mercury switches.

[2] PCBs (polychlorinated biphenyls) are chemicals controlled under the Toxic Substances Control Act. PCBs were historically used in transformer oil.

[3] Special waste includes oily materials recovered from our operations, such as rags, filters, soil and water.

Wood Poles

As an electricity provider, wood poles make up a large part of our business and a significant waste stream. Each year, we beneficially reuse about 6,500 wood poles. In Colorado, about 90 percent of the wood poles that cannot be returned to stock or refurbished for reuse are donated to the Wild Animal Sanctuary in Keenesburg, Colo. The organization uses them for fencing, platforms and other structures on its 400-acre preserve for lions, tigers, bears and other wild creatures. The partnership with the Wild Animal Sanctuary is unique because of the volume of poles the organization can accept. We donate wood poles in other parts of our service territory, but recipients must have someone trained and qualified to safely load and remove the poles from Xcel Energy locations. Additionally, they must comply with Xcel Energy requirements around the use and management of the poles.

PCB Phase-out Effort

We have been phasing out equipment that contains PCBs from our transmission and distribution system for many years. The Toxic Substances Control Act of 1979 defines PCB equipment as equipment containing oil having a PCB concentration of 500 parts per million (ppm) or more, while PCB-contaminated equipment has oil with a PCB concentration of 50 to 499 ppm.

Xcel Energy has made dedicated efforts to remove all known PCB equipment from its system, including transformers, capacitors and other regulated categories of equipment. This equipment was targeted, removed and replaced with non-PCB equipment. In many cases, we retrofitted systems to accommodate the removal and replacement of regulated equipment with non-PCB equipment.

Other phase-out efforts include the replacement of regulated equipment with non-PCB equipment as systems are upgraded. Any regulated equipment removed from the field is disposed of and replaced with non-PCB equipment unless there are extenuating circumstances associated with the design or procurement of the equipment. Xcel Energy personnel are trained on PCB regulations and the proper identification, handling, removal and disposal of this equipment to facilitate phase-out efforts. Aside from PCBs that are occasionally discovered during facility upgrade projects in small sealed or previously untested specialized equipment, most of the PCB and PCB-contaminated equipment left on our system is the result of cross-contamination occurring during manufacturing or maintenance activities prior to or shortly after the adoption of the Toxic Substances Control Act.

PCB Contaminated Equipment and Oil Removed from the Xcel Energy System

	2012	2013	2014	2015
PCB and PCB-contaminated oil (gallons disposed)	53,470	23,075	25,951	34,782
PCB and PCB-contaminated equipment (units removed from service)	721	714	764	711

Legacy Manufactured Gas Plant Projects

In the 1800s up until the mid-1900s, gas was manufactured using coal, oil and petroleum. It was used as natural gas is today, primarily for heating, cooking and street lighting. The EPA estimates that thousands of manufactured gas plants or MGP facilities operated in the United States between 1815 and 1960. They were owned by municipalities and corporations, including predecessor companies to today's electric utilities. MGPs produced a variety of wastes and byproducts, including coal tar. Some of the waste and byproducts were sold for reuse or disposed off-site, and some were left at plant sites. Given the extensive history of our operating companies—going back more than 100 years—Xcel Energy has inherited legacy MGP sites. All the plant facilities were closed and dismantled years ago, and some of the properties where the MGP once operated have been sold. Over the years, Xcel Energy has worked cooperatively with environmental agencies and communities to successfully investigate and/or remediate former MGP sites.

Ashland

Xcel Energy is part of an extensive remediation project underway in Ashland, Wis. During the late 1800s and early 1900s, the lakefront in Ashland was one of the busiest industrial ports in the country. It was the site not only of a legacy MGP, but also other industrial operations. The MGP was operated at the site from 1885 to 1947 and provided gas for street lighting and businesses. Later, the site was used for a city-owned landfill and waste water treatment plant. In Wisconsin, we have owned a portion of the Ashland site since 1986. The site is being cleaned under the supervision of the EPA and the Wisconsin Department of Natural Resources (WDNR). The EPA has identified several parties responsible for the cleanup. Under an agreement with the U.S. Department of Justice, the EPA and WDNR, we have conducted Phase I of the project, which includes remediation of the impacted soils and groundwater at the site. The soil cleanup was completed in early 2015. A long-term groundwater pump and treatment program is now underway.

Discussions are ongoing with the EPA regarding who will pay for or perform Phase II of the cleanup involving lake sediments and what remedy will be implemented. The EPA has recommended a hybrid remedy, which involves both dry excavation and wet conventional dredging methodologies. We believe this hybrid remedy is not safe or feasible to implement. Another possibility is a wet conventional dredging-only remedy, which is contingent upon the completion of a successful wet dredge pilot study. In 2015, we constructed a breakwater at the site to serve as wave attenuation and containment for a wet dredge pilot study and full-scale sediment remedy at the site. The wet dredge pilot study is expected to begin in spring 2016.

Habitat protection and biodiversity

Our Approach

Xcel Energy has a long history of addressing wildlife protection, including avian protection, land restoration and fish management. We recognize our operations can impact wildlife and important habitat, so we take extra steps to protect these special resources.

Avian Protection Plans

Transmission line structures and equipment can be attractive to birds for roosting and building nests and can pose a collision hazard resulting in risk of death or injury. Migratory birds and bald and golden eagles are protected by federal laws—the Migratory Bird Treaty Act (MBTA) and Bald and Golden Eagle Protection Act (BGEPA). Our Avian Protection Plans (APPs) are a critical initiative to the company's compliance with the MBTA and BGEPA. In 2002, Xcel Energy operating companies entered into separate voluntary Memorandums of Understanding (MOUs) with the U.S. Fish and Wildlife Service (USFWS) to work together to address avian issues throughout the company's service territory and to develop an APP for each Xcel Energy operating company.

As part of the APP, each operating company developed a schedule for retrofitting facilities that were determined to pose a higher risk for bird injuries or deaths. Distribution and transmission designers and engineers have had great success in getting the required retrofits completed in a timely manner. All retrofits have been completed in our Colorado, Texas and New Mexico service territories. In our Upper Midwest service territory, we have finished the highest priority lines and poles and are working through the next level of retrofit projects. In Colorado, we have retrofitted almost 1,700 locations, and in our Texas and New Mexico region, we have retrofitted about 750 locations. We will retrofit an additional 546 locations in Texas and New Mexico during routine maintenance activities in the coming years. In the Upper Midwest, we have a retrofit program in place and continue to retrofit locations, with more than 200 locations completed so far. Additionally, the APP for the Upper Midwest region has been updated to reflect current design standards to ensure the continued success of these avian protection measures. The APPs for Colorado, Texas and New Mexico will be updated in 2016.

The MOUs also include Xcel Energy employees reporting injured or dead birds using the company's online reporting form. Designers and troublemen then analyze whether reasonable retrofits or marking of lines with bird flight diverters would minimize an avian incident from occurring at that location in the future. This reporting and retrofit evaluation process helps to ensure compliance with the MBTA and BGEPA and demonstrates Xcel Energy's commitment to taking responsible actions for avian protection.

Protecting birds and bats near wind turbines

Xcel Energy works with the wind project developer, the U.S. Fish and Wildlife Service (USFWS) and appropriate state wildlife/natural resource agencies during wind turbine project siting and permitting to ensure wind turbine locations are not in major flyway areas or critical habitat for population-sensitive threatened and endangered species. For our newer projects, we ensure that the developer has prepared a detailed Bird and Bat Conservation Strategy that addresses steps to be taken to identify and mitigate impacts to avian and bat species during both construction and operation of the wind turbine project. We perform additional studies and monitoring after construction as part of the permitting process to confirm that the wind turbine operations are not causing impacts to bird populations. When protected avian species build nests in close proximity to existing wind turbines, we evaluate turbine curtailment as well as other options to avoid and minimize impacts. We also report injuries or fatalities to the USFWS and

appropriate state agencies to ensure that additional mitigation measures can be developed if necessary. Xcel Energy purchases generation from wind energy companies that have performed similar permitting, reporting, reviews and/or studies.

Osprey Nests

Ospreys are federally protected raptors that have seen recent reintroduction success in the Midwest following decades of restoration and conservation efforts. Ospreys benefit from the presence of power lines by using distribution poles and transmission structures for nesting. However, osprey nests built on utility poles may pose a threat to the birds and can jeopardize system reliability through outages and damage to electrical equipment. Xcel Energy environmental staff, linemen and field crews have been actively involved in erecting alternate nest platforms adjacent to and taller than the lines in known osprey nesting areas to provide more attractive and safer nesting sites while protecting system reliability. Xcel Energy also works closely with communities and civic group volunteers to help evaluate utility poles near high-quality osprey habitat, to identify alternate sites and to assist with building and installing safe osprey nest platforms.

Bird Cam

Xcel Energy has installed web-based cameras in nest boxes at our generating plants to help increase awareness for conservation efforts. Our nine bird cams feature six different species: bald eagles, great horned owls, herons, kestrels, osprey and peregrine falcons.

Karner Blue Butterfly Partnership

Xcel Energy continues to be a proud partner in the conservation and protection of the Karner blue butterfly—a small, federally endangered butterfly restricted to habitats—most prevalent in Wisconsin—that support wild lupine plants. In 1999, Xcel Energy partnered with the Wisconsin Department of Natural Resources (DNR) and other stakeholders to prepare an innovative statewide Habitat Conservation Plan (HCP). As part of the HCP, Xcel Energy voluntarily agreed to various mitigation, land management and conservation commitments. Xcel Energy's Wisconsin environmental staff continues to participate in annual meetings with the DNR and other utilities to evaluate ongoing conservation efforts. The staff also leads lupine and butterfly field surveys to ensure that company activities, such as transmission line rebuilds and new gas pipeline construction, will not result in adverse impacts to the Karner blue butterfly and its habitat.

Pollinator Habitat Enhancement

The decline of pollinator species—including bees, wasps and butterflies—and the resulting ecological and economic consequences—such as impacts to food production—is quickly becoming a critical environmental issue. Utility right-of-ways present ideal opportunities for creating and enhancing pollinator habitat through modifying land management practices such as mowing frequency, reseeding mixtures and pesticide spraying practices while still managing to maintain system safety and reliability.

Xcel Energy actively seeks opportunities to participate in pollinator habitat restoration efforts as part of the nation's overall Pollinator Initiative established in 2014. A project team has been crated to identify potential pollinator planting sites and track our progress at existing sites. We have partnered with nonprofit organizations, agencies and communities to use a diverse pollinator seed mix along portions of the CapX2020 transmission line rights-of-way in North Dakota, Minnesota and Wisconsin.

Our company has renewed its support for the St. Croix River Watershed Monarch Conservation Program. We have pledged to work with the USFWS to create or restore at least 50 acres of pollinator-friendly

habitat near our facilities, including outside the Allen S. King Generating Station in Oak Park Heights, Minn.

We also are a key partner with the USFWS in conservation efforts across Minnesota for the monarch butterfly. A significant portion of the Monarch Mitigation Corridor, which essentially parallels Interstate-35 from Minnesota to Texas, coincides with Xcel Energy's northern service territory.

Northern Long-eared Bat

The USFWS published a final rule in April 2015 listing the northern long-eared bat as a threatened species under the Endangered Species Act (ESA) due to declining populations from a widespread disease threatening the bat's health. This year, the USFWS issued a final 4(d) rule that authorizes incidental take outside of areas where the bat is known to hibernate (i.e., its hibernacula) that occurs during otherwise lawfully conducted activities within the species' range. For tree removal activities, additional conservation measures must be followed. The bat's habitat range extends across all five Upper Midwest states in Xcel Energy's service territory. We are working with our vegetation management crews to ensure right-of-way maintenance work is performed consistently with the requirements of the listing decision and interim rule.

Greater Sage-Grouse Conservation Plan

In Colorado, Xcel Energy helped develop the Northern Eagle/Southern Routt Greater Sage-Grouse Conservation Plan and is a signatory on the plan. This plan describes and sets forth a strategy for long-term management of the greater sage-grouse in concert with other resource values and land uses at a landscape scale. It serves as the beginning of a cooperative effort between private landowners and state and federal agencies to conserve greater sage-grouse and their habitats in Northern Eagle and Southern Routt counties.

Lesser Prairie-Chicken Conservation Agreement

Xcel Energy has voluntarily entered into a conservation agreement with the Western Association of Fish and Wildlife Agencies (WAFWA) pursuant to the Lesser Prairie-Chicken Range-Wide Conservation Plan to mitigate impacts to this species of prairie grouse in areas where we operate. The USFWS listed the lesser prairie-chicken as a threatened species in 2014 due to the rapid decline in its population over the past 15 years. In 2015, a court vacated this listing on procedural grounds.

Range lands in our Colorado, New Mexico and Texas service territories serve as important habitat for the lesser prairie-chicken, and under the conservation agreement, Xcel Energy will implement conservation measures that help protect this habitat. The company paid an enrollment fee of $60,000, and will pay future mitigation fees based on anticipated development activities. We also agreed to follow avoidance, minimization and mitigation measures during operation, maintenance and new construction activities. These measures may include burying distribution lines within a certain distance of active breeding areas and using mono-pole construction in certain lesser prairie-chicken habitat areas.

The goal of the WAFWA conservation plan is to increase the population of the species from about 17,000 birds currently to 67,000 birds across the range states of Colorado, Kansas, New Mexico, Oklahoma and Texas. Since the program began, more than 180 companies have enrolled about 11 million acres across the five states, and have committed $47.5 million for habitat conservation. Based on a 2015 WAFWA survey, these efforts along with abundant spring rainfall and other conservation initiatives have helped increase the lesser prairies-chicken population by approximately 25 percent from 2014 to 2015.

Vegetation Management

Xcel Energy's Vegetation Management department manages millions of trees across approximately 50,000 miles of distribution right-of-way and 19,000 miles of transmission right-of-way throughout our service territory. For more than 20 years, the Arbor Day Foundation has recognized us as a Tree Line USA utility for our commitment to proper tree pruning, planting and care.

The department uses industry best practices such as integrated vegetation management. Integrated vegetation management encompasses a progressive system of information gathering and assists the department with developing compliant solutions to vegetation control near electric and natural gas facilities. The practice focuses on achieving such ends in an environmentally sensitive, socially responsible and cost-effective manner.

In addition, pruning methods comply with standards set by the American National Standards Institute and the Tree Care Industry Association, which are endorsed by the International Society of Arboriculture.

Our practices seek to balance our customers' need for reliable energy while respecting the natural environment that surrounds our facilities. For example, we work with landowners to determine if trees and other vegetation can be deemed compatible with safe operation of our electric lines.

In our efforts to comply with governmental regulation and to better ensure electric system reliability, our transmission line vegetation management program emphasizes the removal of incompatible vegetation to promote long-term vegetation control. In many cases, this means removing trees in areas where trees had been pruned in the past.

We employ manual and mechanized clearing where the vegetation is too tall for herbicide applications. When necessary, our contractors apply herbicides that are registered by the U.S. Environmental Protection Agency and the appropriate state regulatory agency. The herbicides are applied by licensed applicators.

Tyrone Property Restoration

Xcel Energy originally acquired the 4,400-acre Tyrone property in Dunn County, Wis., in the 1960s and 1970s as a potential nuclear generating plant site. The plant was never built, and for more than four decades the land became home to permanent tree stands and trash sites. Areas of the property also were eroded and rutted from unauthorized off-road vehicle use.

In 2008, following a detailed field inspection of the property, Xcel Energy crews cleaned up trash sites and posted signs to keep motorized vehicles off the property. Our ongoing activities have included converting existing agricultural lands into prairie and forest, harvesting timber to promote regeneration, planting trees and monitoring grassland birds to determine if restoration practices are increasing bird nesting population.

With help from the Wisconsin Department of Natural Resources and nonprofit conservation organizations, we have worked to restore areas of the property into five kinds of land: oak savanna, floodplain savanna, sand blow prairie, dry sand prairie and goat prairie. Of the four kinds of prairie communities at Tyrone, sand barrens and floodplain savanna are considered globally rare. In 2007, there were only 32 acres of managed prairie at Tyrone. Since then, Xcel Energy has established more than 1,000 acres of different types of prairie.