



Credit Policy

(Northern States Power Company, a Minnesota Corporation)

Version 1.0

August, 2016

Section 1.0: Applicability

This policy sets forth the acceptable assurances of credit as referenced in the Minnesota Electric Rate Book – MPUC No. 2 (Tariff) for Northern States Power Company, a Minnesota Corporation and wholly owned subsidiary of Xcel Energy Inc.

Section 2.0: Definitions

Credit Assurance: Either an Irrevocable Standby Letter of Credit or a Guaranty in a form and format as specified herein.

Collateral: A Guaranty or Irrevocable Letter of Credit.

Company: Northern States Power Company, a Minnesota Corporation (d/b/a Xcel Energy)

Customer: The party requesting service under the Tariff.

Guarantor: Company which issues a corporate or parental credit support on behalf of a subsidiary or affiliated company.

Irrevocable Letter of Credit: Stand-by Letter of Credit issued by a bank as provided in Section 3.2 herein.

Net Worth: Total assets minus total liabilities as shown on the most recently audited financial statements.

Personal Guaranty of Payment and Performance (Guaranty): A Corporate or Parental Guaranty issued by a company (Guarantor) with stand-alone financial statements on behalf of a subsidiary or affiliated company as Credit support.

Tariff: The Minnesota Electric Rate Book – MPUC No. 2 for Northern States Power Company, a Minnesota Corporation and wholly owned subsidiary of Xcel Energy Inc.

Section 3.0: Acceptable Collateral Instruments

Section 3.1: Guaranty:

The Guarantor must have a Long-Term Senior Unsecured Credit Ratings equal to or greater than BBB- or equivalent from either S&P or Moody's and be

willing to provide a Guaranty substantive in nature to the version in Appendix A to this policy and which must be approved by the Company.

The Guarantor must also be a related party to the Customer and the amount of the Guaranty is limited to the lower of \$25 million or 3.2% of the Guarantor's Net Worth.

Section 3.2: Irrevocable Standby Letter of Credit

An Irrevocable Standby Letter of Credit from a bank chartered in the U.S. or a foreign bank with a U.S. branch office. The issuing bank must also be rated at least "A-" by Standard & Poor's rating agency and at least "A3" by Moody's Investors Service, Inc.

A format of the Letter of Credit, which should be substantive in nature to the version attached in Appendix B to this policy, must be approved by the Company prior to issuance.

Section 4.0: Posting of Collateral

All required Collateral must be posted prior to the start of the project. Collateral is deemed to be posted upon receipt by an authorized representative of the Company.

Section 5.0: Drawing of Collateral

The Company retains sole discretion to drawn upon the posted Collateral to satisfy any amounts outstanding when a payment is greater than 5 days past due or the Customer cancels the project.

Section 6.0: Return of Collateral

Any remaining Collateral will be returned upon the receipt of final payment for the project. In the event that the project is cancelled the Collateral will be returned after all amounts due the Company have been received.

Approved by Aakash Chandarana, Regional Vice President, Rates and Regulatory Affairs
August 11, 2016

APPENDIX A

GUARANTY

This Guaranty, dated as of _____, 2016 ("Effective Date"), is made by [*insert Guarantor name*] (the "Guarantor"), in favor of Northern States Power Company, a Minnesota corporation doing business as Xcel Energy ("Beneficiary").

WHEREAS, Beneficiary has entered into, or may enter into one or more interconnection agreements for [*describe project*] with [*insert full legal customer name*] ("*Counterparty*"). Each agreement, as heretofore or hereafter amended or modified, is herein individually called an "Agreement" and collectively are called the "Agreements," each is identified by [*describe the identifying characteristic*]. The [*insert identifier*] numbers are as follows:

- [*Insert number(s) here*];

WHEREAS, as a condition of, and as a material inducement for Beneficiary to enter into any one or more of the Agreements with Counterparty, Beneficiary is requiring Guarantor to enter into this Guaranty;

WHEREAS, Guarantor, by virtue of its interest in and relationship with Counterparty, deems it to be in Guarantor's best interest, based on sound business judgment, in that valuable direct and indirect benefits will be derived by Guarantor by virtue of any one or more of such Agreements, to execute and deliver this Guaranty to Beneficiary; and,

WHEREAS, the term "Agreement Obligations" as used herein, means all amounts (including, without limitation, the unpaid balance of the total amount shown in Exhibit "B" to each such Agreement and amounts payable as damages in case of default) to be paid by Counterparty to Beneficiary pursuant to the terms of each Agreement, whether such indebtedness, obligations or liabilities now exist or arise hereafter, as and when the same shall become due and payable in accordance with the terms of each such Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and the adequacy of which is hereby acknowledged by Guarantor, including in order for Guarantor to obtain the benefits resulting from Beneficiary's performance pursuant to one or more of the Agreements, Guarantor desires to enter into this Guaranty and hereby agrees as follows:

1. Guaranty. (a) Guarantor hereby absolutely, irrevocably, unconditionally and fully guarantees to the Beneficiary, its successors and assigns, the prompt and full payment of all Agreement Obligations.

(b) Guarantor hereby waives diligence, promptness, presentment, demand on Counterparty for payment, protest of nonpayment, notice of acceptance of this Guaranty, notice of or proof of reliance by Beneficiary, notice of acceleration or intent to accelerate, notice of dishonor, notice of the creation, renewal, extension or accrual of any of the Agreement Obligations, and all other notices of any kind with respect to any of the Agreement Obligations or this Guaranty. In addition, Guarantor's obligations hereunder shall not be affected by the existence, validity,

enforceability, perfection, impairment, or extent of any collateral securing any of the Agreement Obligations or of any liens thereon or therein. Beneficiary shall not be obligated to proceed against Counterparty before claiming under this Guaranty nor to file any claim relating to the Agreement Obligations in the event that Counterparty becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of Beneficiary so to file shall not affect Guarantor's obligations hereunder. Guarantor agrees that its obligations under this Guaranty constitute a guaranty of payment and not of collection.

2. Consents, Waivers and Renewals. (a) Guarantor agrees that Beneficiary, may at any time and from time to time, either before or after the maturity thereof, without notice to or further consent of Guarantor, extend the time of payment of, exchange or surrender any collateral for, or renew any of the Agreement Obligations, and may also make any agreement with Counterparty or with any other party to or person liable on any of the Agreement Obligations, or interested therein, for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between Beneficiary and Counterparty or any such other party or person, without in any way impairing or affecting this Guaranty. Guarantor agrees that Beneficiary may resort to Guarantor for payment of any of the Agreement Obligations, whether or not Beneficiary shall have resorted to any collateral security, or shall have proceeded against any other obligor principally or secondarily obligated with respect to any of the Agreement Obligations.

(b) Guarantor hereby waives all defenses, including, without limitation, all suretyship defenses (i.e. defenses which, pursuant to the laws of suretyship, would otherwise relieve a guarantor of its obligations under a guaranty), and agrees that it will remain bound and liable upon this Guaranty notwithstanding any such defenses, except however, Guarantor does not waive and hereby reserves the right to assert Certain Counterparty Defenses (as hereinafter defined). For purposes of this paragraph, the term "Certain Counterparty Defenses" shall mean only those defenses to payment of any Agreement Obligation which Counterparty may assert in good faith as a primary obligor under the Agreement, other than (i) defenses arising from the bankruptcy or insolvency of Counterparty, (ii) defenses arising from incapacity or lack of corporate or other authority to execute the Agreement, and (iii) as expressly provided herein.

3. Expenses. Additionally, Guarantor agrees to pay on demand all out-of-pocket costs and expenses (including without limitation the reasonable fees and disbursements of Beneficiary's counsel) incurred in the enforcement or protection of the rights of Beneficiary hereunder; provided that Guarantor shall not be liable for any expenses of Beneficiary if no payment under this Guaranty is due.
4. Amendments. No amendment of this Guaranty shall be effective unless such amendment is in writing and signed by Guarantor and Beneficiary. No waiver by Beneficiary of any provision of this Guaranty nor consent to any departure by Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by Beneficiary, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

5. Addresses for Notices. All notices and other communications provided for hereunder shall, unless otherwise specifically provided elsewhere herein; (i) be in writing and shall be addressed to the parties at their respective addresses set forth below or at such other addresses as shall be designated in a written notice to the other party; (ii) when mailed, be effective five (5) business days after being deposited in the U.S. mail, registered or certified, return receipt requested, postage prepaid; and (iii) when sent by overnight courier, upon delivery; or, in the case of personal delivery, when delivered at the following addresses:

if to the Guarantor: _____

if to Counterparty: _____

if to Beneficiary: Northern States Power Company,
a Minnesota corporation
c/o Xcel Energy Services Inc.
1800 Larimer Street, Suite 1300
Denver, CO 80202
Attn: Robert Schleissinger, Director, Contract
Development and Credit

6. Subrogation. The Guarantor will not exercise any right that it may now or hereafter acquire against Counterparty that arises from the existence, payment, performance or enforcement of the Guarantor's obligations under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of Beneficiary against Counterparty or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law (including, without limitation, the right to take or receive from Counterparty, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of such claim, remedy or right), unless and until all of the Agreement Obligations of Counterparty under all of the Agreements and all other amounts payable under this Guaranty shall have been paid to Beneficiary in full in cash (and not subject to disgorgement in bankruptcy or otherwise). If any amount shall be paid to the Guarantor in violation of the preceding sentence at any time prior to the payment in full in cash of the Agreement Obligations and all other amounts payable under this Guaranty, the Guarantor shall hold such amount in trust for the benefit of Beneficiary, which amount shall immediately be paid to Beneficiary by Guarantor to be credited and applied to the Agreement Obligations pursuant to the Agreements and all other amounts payable under this Guaranty, whether matured or unmatured. Subject to the foregoing, upon payment of all the Agreement Obligations and all other

amounts payable under this Guaranty, Guarantor shall be subrogated to all rights of Beneficiary against Counterparty and Beneficiary agrees to take, at Guarantor's expense, such steps as Guarantor may reasonably request to implement such subrogation.

7. Cumulative Rights. No failure on the part of Beneficiary to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Beneficiary of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to Beneficiary or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Beneficiary from time to time.
8. Representations and Warranties.
 - (a) Guarantor is a _____ [corporation/limited liability company] duly existing and in good standing under the laws of the State of _____.
 - (b) The execution, delivery and performance of this Guaranty have been duly authorized by all necessary corporate action and do not conflict with or violate any provision of law, any regulation, or Guarantor's charter, by-laws or other governance documents, or any agreement binding upon it.
 - (c) No consent, approval and authorization of, registration with, or declaration to any governmental authority are required in connection with the execution, delivery and performance of this Guaranty.
 - (d) This Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.
9. Continuing Guaranty. The Guaranty is a continuing guaranty and shall continue and remain in full force and effect and be binding upon the Guarantor and its successors and permitted assigns during the Term hereof with respect to all Agreement Obligations (whether now existing or arising in the future). In the event that any payment by Counterparty in respect of any Agreement Obligations is rescinded or must otherwise be returned for any reason whatsoever, this Guaranty shall remain in effect and the Guarantor shall remain liable hereunder in respect of such Agreement Obligations as if such payment had not been made.
10. Assignment. The Guarantor may assign its obligations under this Guaranty only with the prior written consent of Beneficiary. Any reasonable uncertainty on the part of Beneficiary concerning the ability on the part of any potential assignee of the Guarantor to carry out the Guarantor's obligations hereunder shall be considered a reasonable and sufficient basis for Beneficiary to withhold its consent, unless and until the potential assignee can satisfy Beneficiary, in Beneficiary's commercially reasonably exercised discretion, that the assignee is capable of fully performing the obligations of the Guarantor hereunder.

11. Governing Law and Jurisdiction. THE VALIDITY, CONSTRUCTION, INTERPRETATION AND EFFECT OF THIS GUARANTY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MINNESOTA, WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE. With respect to any suit, action or proceedings relating to this Guaranty ("Proceedings"), the Guarantor irrevocably: (a) submits to the non-exclusive jurisdiction of the courts of the State of Minnesota and the United States District Court located in Minneapolis, and (b) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over the Guarantor. Nothing in this Guaranty precludes Beneficiary from bringing Proceedings in any other jurisdiction nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.
12. Term. This Guaranty shall be effective as of the Effective Date and shall continue in full force and effect and be binding upon the Guarantor, and shall inure to the benefit of the Beneficiary and its successors and assigns, until such time as all the Agreement Obligations under each of the Agreements shall be indefeasibly paid, satisfied, performed and discharged in full, and all of the guaranties, covenants, duties, obligations and agreements of Guarantor hereunder shall have been duly paid, satisfied, performed or discharged in full (the "Term"). Notwithstanding the foregoing and anything else herein to the contrary, Guarantor may, by providing at least thirty (30) days prior written notice to Beneficiary, earlier terminate this Guaranty; provided that this Guaranty shall remain in full force and effect after such termination with respect to all Agreement Obligations and all other amounts owing by Guarantor hereunder, if any, incurred prior thereto, until such Agreement Obligations and such other amounts have been fully paid, satisfied, performed and discharged.
13. Waiver of Right to Trial by Jury. GUARANTOR WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS IT MAY HAVE UNDER THIS GUARANTY OR ANY AGREEMENT OBLIGATIONS OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS GUARANTY OR THE AGREEMENT AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.
14. Severability. In case any one or more of the provisions (or portions thereof) contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions (or portions thereof) shall not in any way be affected or impaired thereby.
15. Headings. The headings used herein are for purposes of convenience only and shall not be used in construing the provisions hereof.

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized officer effective as of the Effective Date.

[insert Name of Guarantor]

By: _____

Printed Name: _____

Title: _____

State of [insert state]
County of _____

The foregoing instrument was signed before me this _____, 2016 by _____, the _____ of [insert Name of Guarantor], a [insert corporate structure], on behalf of the company.

(Notary signature)

(SEAL BELOW)

(Commission expiration)

APPENDIX B

FORM OF LETTER OF CREDIT

LETTERHEAD OF ISSUING BANK

Areas to be filled in indicated in blue highlight,
no information should be filled in Exhibits A and C
at the time of issuance of the Letter of Credit

Date of Issuance: [Issuer to fill in], 20__

Irrevocable Standby Letter of Credit
No.: [Issuer to fill in]

Initial Expiration Date: [Issuer to fill in - but must be
at least 12 months after date of issuance]

Beneficiary: Northern States Power
Company, a Minnesota corporation

Applicant: [Issuer to fill in]

Address for Beneficiary:

Xcel Energy

Attn: [Issuer to fill in, Xcel Energy to
provide]

414 Nicollet Mall

Minneapolis, Minnesota 55401

As the issuing bank (“Issuer”), we, [Name of Issuing Bank], hereby establish this irrevocable Standby Letter of Credit No. [Issuer to fill in] (this “Letter of Credit”) in favor of the above-named beneficiary (“Beneficiary”) for the account of the above-named applicant (“Applicant”) in the total aggregate amount of USD \$ [Issuer to fill in, but Xcel Energy to inform Applicant of dollar amount needed] (U.S. Dollars).

Beneficiary may draw all or any portion of this Letter of Credit at any time and from time to time and Issuer will make funds immediately available to Beneficiary upon presentation of

Beneficiary's draft(s) at sight in the form attached hereto as Exhibit A ("Sight Draft"), drawn on Issuer and accompanied by this Letter of Credit. All Sight Draft(s) must be signed on behalf of Beneficiary, and signator must indicate his or her title or other official capacity. No other documents will be required to be presented. Issuer will effect payment under this Letter of Credit within 24 hours after presentment of the Sight Draft(s). Payment shall be made in U.S. Dollars with Issuer's own funds in immediately available funds.

Issuer will honor any Sight Draft(s) presented in compliance with the terms of this Letter of Credit at the Issuer's letterhead office, the office located at [Issuer to fill in], or any other full service office of the Issuer on or before the above stated expiration date, as such expiration date may be extended hereunder. Partial and multiple draws and presentations are permitted on any number of occasions, subject to the limitations in the following paragraph. Following any partial draw, Issuer will endorse this Letter of Credit and return the original to Beneficiary.

Issuer acknowledges that this Letter of Credit is issued pursuant to the provisions of those certain Interconnection Agreements between the Beneficiary and the affiliates of the Applicant set forth on Exhibit B hereto (each as may have been or may be amended from time to time, an "IA" and collectively the "IAs"). Notwithstanding any reference in this Letter of Credit to an IA or any other documents, instruments or agreements, or references in any IA or any other documents, instruments or agreements to this Letter of Credit, this Letter of Credit contains the entire agreement between Beneficiary and Issuer relating to the obligations of Issuer hereunder. Issuer acknowledges and agrees that (i) this Letter of Credit has been issued in an aggregate amount to comply with the individual security requirements of each individual IA, (ii) the obligations of each affiliate of Applicant under its corresponding IA are several and separate from the obligations of the other affiliates of Applicant under the other IAs, and (iii) with respect to any individual affiliate of Applicant and its corresponding IA, Beneficiary shall only be entitled to draws hereunder up to the corresponding maximum amount for such affiliate and IA as set forth on Exhibit B hereto.

This Letter of Credit will be automatically extended each year without amendment for a period of one year from the expiration date hereof, as extended, unless at least thirty (30) days prior to the expiration date, Issuer notifies Beneficiary by registered mail or overnight courier that it elects not to extend this Letter of Credit for such additional period. Notice of non-extension will be given by Issuer to Beneficiary at Beneficiary's address set forth herein or at such other address as Beneficiary may designate to Issuer in writing at Issuer's letterhead address.

This Letter of Credit is transferable in whole or in part, and the number of transfers is unlimited. Issuer agrees that it will affect any transfers immediately upon presentation to Issuer of this Letter of Credit and all amendments (if any) and a completed written transfer request in the form attached hereto as Exhibit C. Such transfer will be effected at no cost to Beneficiary. Any transfer fees assessed by Issuer will be payable solely by Applicant, and the payment of any transfer fees will not be a condition to the validity or effectiveness of the transfer or this Letter of Credit.

Issuer waives any rights it may have, at law or otherwise, to subrogate to any claims Beneficiary may have against Applicant or Applicant may have against Beneficiary.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600 (the "UCP"), except to the extent that the terms hereof are inconsistent with the provisions of the UCP, including but not

limited to Articles 14(B) and 36 of the UCP, in which case the terms of this Letter of Credit shall govern. With respect to Article 14(B) of the UCP, Issuer shall have a reasonable amount of time, not to exceed three (3) banking days following the date of Issuer's receipt of documents from the Beneficiary (to the extent required herein), to examine the documents and determine whether to take up or refuse the documents and to inform Beneficiary accordingly.

In the event of an act of god, riot, civil commotion, insurrection, war or any other cause beyond Issuer's control that interrupts Issuer's business and causes the place for presentation of this Letter of Credit to be closed for business on the last day for presentation, the expiry date of this Letter of Credit will be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.

ISSUER:

By: _____
AUTHORIZED SIGNATURE
Its: _____

EXHIBIT A
(TO LETTER OF CREDIT)

SIGHT DRAFT

\$ _____

At sight, pay to the order of [Name of Beneficiary to be inserted], the amount of USD \$ _____ (_____ and 00/100ths U.S. Dollars).

Drawn under [Name of Issuer to be inserted] Standby Letter of Credit No. _____ with respect to the following affiliate of Applicant: [Name of Project Phase Affiliate]

Dated: _____, 20____
[Name of Beneficiary to be inserted]
By:
Its Authorized Representative
[Title or Other Official Capacity to be inserted]

To: [Name and Address of Issuer to be inserted]

EXHIBIT C
(TO LETTER OF CREDIT)

FORM OF TRANSFER REQUEST

IRREVOCABLE STANDBY LETTER OF CREDIT NO: _____

CURRENT BENEFICIARY:

APPLICANT:

TO: [NAME OF ISSUING BANK]

The undersigned, as the current "Beneficiary" of the above referenced Letter of Credit, hereby requests that you reissue the Letter of Credit in favor of the transferee named below [INSERT TRANSFEREE NAME AND ADDRESS BELOW]:

From and after the date this transfer request is delivered to the Issuer, all rights of the undersigned Beneficiary in such Letter of Credit are transferred to the transferee, and the transferee shall have the sole rights as Beneficiary thereof, including sole rights relating to any amendments, whether increases or extensions or other amendments agreed between the parties, whether now existing or hereafter made. All amendments are to be advised directly to the transferee without necessity of any consent of or notice to the undersigned transferor.

DATED: _____

[NAME OF BENEFICIARY]

[NOTARY ACKNOWLEDGMENT]

By:
Name:
Title:

[TO BE SIGNED BY A PERSON PURPORTING TO BE AN AUTHORIZED REPRESENTATIVE OF THE BENEFICIARY AND INDICATING THEIR TITLE OR OTHER OFFICIAL CAPACITY, AND ACKNOWLEDGED BY A NOTARY PUBLIC.]