

Commodity Trading Function Credit and Performance Risk Management Policy

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Revision 9.3

Confidential and Proprietary Information

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Section 1 Corporate Overview

Xcel Energy Inc. (Xcel Energy) is headquartered in Minneapolis, MN. Xcel Energy's marketing/trading operations are undertaken by its regulated public utility subsidiaries, Northern States Power Company , a Minnesota corporation ("NSP"); Northern States Power Company, a Wisconsin corporation ("NSP-W"); Public Service Company of Colorado, a Colorado corporation (PSCo); and Southwestern Public Service Company, a New Mexico corporation (SPS) (collectively referred to as the "Operating Companies" or "OpCo's"). NSP, NSP-W, and PSCo are combination electric and gas utility companies that supply a substantial portion of their electric requirements from their own generating resources (both wholly-owned and long-term purchased power) and participate in the wholesale marketing of electric energy. SPS is exclusively an electric utility that also supplies a substantial portion of its electric requirements from its own resources and participates in the wholesale marketing of electric energy. Xcel Energy Services Inc. (XES) is a wholly-owned subsidiary of Xcel Energy and coordinates a variety of business activities on behalf of the Xcel Energy Operating Companies, including, on an agency basis, many business activities relating to the marketing and trading of energy related commodities and products.

Section 2 Purpose

Section 2.1 Overview

The purpose of the Commodity Trading Function Credit and Performance Risk Management Policy (Policy) is to define the governance, controls and procedures within which the Xcel Energy Inc. ***Commodity Trading Function*** (CTF) shall operate in accordance with Xcel Energy's CTF Credit and Performance Risk Management Policy in their management of performance risks. The objective is to facilitate prudent and profitable purchases, sales and other financial/commercial transactions in order to most effectively manage the costs to utility customers and protect the investment of stockholders. This Policy supersedes the Xcel Energy Markets Wholesale Credit and Performance Risk Policy approved on August 12, 2010. As required by the Xcel Energy Derivative Risk Management Uniform Policy 2.3 (Uniform Policy), the Xcel Energy Corporate Risk Management Oversight Committee (CRMOC) must approve material changes (e.g., Risk Management Committee membership, Credit Approval authority) to this Policy and all subsequent revisions to this policy. In the event of conflict between this Policy and the Uniform Policy, the Uniform Policy shall govern.

Commodity Trading Function: the combination of all of the following activities:

- Management of all fuel supply for the generation of electricity
- Wholesale electricity (and related products & services) purchase and sale for the purpose of optimizing the load/resource balance of all Operating Companies and minimizing costs to native load customers
- Wholesale electricity (and related products & services) purchase and sale for the purpose of optimizing shareholder value
- Management of Renewable Energy Credits (RECs) and Emission Allowance Credits to optimize their value and ensure Company compliance with federal and state regulations

- Natural gas purchased for resale to end-user LDC customers
- Operation of energy commodity hedging programs in accordance with Federal and State regulation, and corporate risk appetite
- Management of services related to the above
- Transactions executed by authorized personnel

Every employee and contractor of the following CTF Areas must read, understand and comply with this Policy and sign the appropriate acknowledgement form (Attachments 1 - employees and Attachment 2 - contractors, respectively):

- Commercial Operations/Front Office
- Risk Strategy & Control
- Corporate Assistant Controller (limited to Utility Accounting)

The information in this Policy is considered to be the sole confidential and proprietary property of Xcel Energy and its associated Operating Companies. No part of the Policy may be distributed to parties outside of Xcel Energy without the explicit written approval of the Senior Director Commodity Risk Management of XES unless required by a court of competent jurisdiction or regulatory body.

Section 2.2 Credit Risk, Performance Risk, and Total Credit Exposure Definitions

Credit Risk is defined for purposes of this Policy as the potential financial loss that could be incurred, should a counterparty default on financial payment of any wholesale commodity or related service transaction agreement with the CTF.

Performance Risk is defined as the failure of a CTF counterparty to contractually perform in some fashion other than payment (i.e.; not deliver or not accept delivery). In the case of non-supply (or non-delivery to an OpCo), the CTF would be required to replace the supply at then prevailing market prices and to potentially incur additional costs should the current market price exceed the originally contracted price thereby resulting in a "positive" difference. Therefore, the performance risk exposure is measured by marking the market value of the transaction (Mark-to-Market). Performance risk includes the potential costs to be incurred under any contract default (sale, purchase, or other contractual relationship).

Total Credit Exposure is the sum total of any outstanding Credit Risk plus any aggregate Mark-to-Market.

Total Credit Exposure will be computed daily for all counterparties by OpCo's and aggregated (when appropriate) monthly across all Xcel Energy operations for which the Credit function is responsible. The calculation is as follows:

+ Past due A/R (confirmed)
+ Prior month scheduled deliveries (net of purchases where contractually allowed)
+ Current month unpaid delivered and/or unpaid scheduled deliveries (net of purchases where contractually allowed) whether flowed, or not

+ Mark-to-market (MTM); sum of all forward net physical and net financial purchase and sale transactions
= Total Credit Exposure

Definitions of terms used above are as follows:

- Past due A/R reflects all unpaid billed amounts that are past due. Settlement week amounts due are assumed paid by the system reports. These amounts are monitored and adjusted manually if determined to be unpaid.
- Prior month unpaid scheduled deliveries (net) reflect deliveries based on scheduled volumes and contracted price.
- Current month unpaid scheduled deliveries (net) reflect deliveries based on scheduled volumes and contracted price or readily available proxy price.
- Mark-to-market exposure reflects the net present value, relative to market, of all future committed transactions (physical and financial maintained separately). It quantifies future performance risks of counterparties who are purchasing from and/or selling to the Operating Companies of Xcel Energy.

Section 3 Governance

Section 3.1 Xcel Energy Corporate Risk Management

The Xcel Energy Board of Directors, through a board resolution, delegated authority to the CRMOC to authorize credit approval authorities, credit exposure limits, grant exception approvals for exposures that fall outside of the CTF policy authority, approve credit risk management policies, and review compliance. The CRMOC consists of the Xcel Energy Chairman, President & Chief Executive Officer (CEO) (ex-officio member); Executive Vice President & Chief Financial Officer (CFO); Executive Vice President & Group President, Operations; Executive Vice President, Group President, Utilities; Senior Vice President & Treasurer; Senior Vice President & Controller; and Vice President & Chief Risk & Audit Officer (CRAO).

Section 3.2 Xcel Energy Commercial Operations Risk Management

The Commercial Operations Risk Management Committee (RMC) operates as defined in the Commodity Risk Management and Compliance Policy to ensure that commodity credit and performance risks are managed in accordance with Xcel Energy policies and directives. The RMC is also authorized to approve Policy revisions such as additions (but not deletions) to required reporting. Any deletions would require approval by the CRMOC. Non-material changes such as Department and Management Title revisions, grammar, punctuation, and format revisions, and exhibits may be approved by the Director, Contract and Credit Strategy or designee.

The management positions that comprise the RMC and their responsibilities are listed below:

The Vice President and Chief Risk & Audit Officer (CRAO) reports to the Xcel Energy Executive Vice President and CFO and is a member of the CRMOC and as such has primary responsibility for cross-communication of issues.

The Vice President, Commercial Operations reports to the Executive Vice President and Group President, Operations, and is responsible for implementation of Xcel Energy's commercial business plan and short-term on-system and off-system trading, while operating within the approved credit policies and procedures. This role is also responsible for the procurement and transportation of all fuel for Xcel Energy generation plants, and ensuring an adequate, reliable and economic supply of gas for the LDC customers.

The Senior Vice President and Controller (or designee) reports to the Executive Vice President and CFO and is responsible for all back office functions.

Legal Department Representative (as appointed by Xcel Energy's General Counsel) has shared responsibilities with The Director, Risk Control and Systems, and Regulatory Administration for monitoring FERC, CFTC and anti-trust compliance.

The following Xcel Energy management has direct risk management oversight responsibility for the CTF:

Vice President and CRAO reports to the Executive Vice President, CFO and is responsible for the measurement and reporting of the CTF credit and performance risk exposures to Xcel Energy senior management as well as ensuring compliance with credit limits, policy, and procedures. This position is also a member of both the RMC and CRMOC described above in this Section 3.

Senior Director, Commodity Risk Management reports to the Vice President and CRAO, and has the following responsibilities:

- Establish and/or seek approval of counterparty credit lines within the limits and authority outlined in Appendices A, A1 and B.
- Ensures that exposures above approved credit lines are identified, reviewed, reported, and appropriate action taken (See Section 4.3 and 4.4).
- Measure and report Xcel Energy's dollar-weighted portfolio credit quality monthly (expressed as an S&P equivalent rating).
- Negotiate and/or approve the credit-related provisions of Operating Company enabling agreements. Bank commodity and trading agreements will be negotiated like any other enabling agreement; however, prior to execution will require the approval of Xcel Energy Treasury (this will allow Treasury to determine if the pending contract impacts any of their existing agreements with the bank under borrowing facilities, or other Treasury/Finance contractual relationships).
- Ensure that any material deviations from Xcel Energy's standard contract provisions are referred to General Counsel for review and approval.

Director, Contract and Credit Strategy reports to the Senior Director, Commodity Risk Management and has the following responsibilities:

- Assist in the establishment of and/or seeking approval of counterparty credit lines within the limits and authority outlined in Appendices A, A1 and B.
- Report and/or make available electronically, counterparty and portfolio net exposure as required by the CRMOC, RMC and applicable policies.
- Build, maintain and update credit files, as appropriate, on all counterparties.
- Measure and report total counterparty credit exposure.
- Control the exchange of credit information to ensure compliance with anti-trust regulations.
- Administer credit procedures for the CTF and assist in collection procedures as agreed to for the CTF with the applicable accounting groups.
- Promote counterparty understanding and appreciation of the financial condition and creditworthiness of Xcel Energy's Operating Companies.

Assist areas outside of the CTF in reviewing transactions, as necessary, in regard to credit issues with potential counterparties and/or credit enhancement supporting documents.

Section 4 Limits and Procedures

Section 4.1 Credit Analysis and Approval

The Senior Director, Commodity Risk Management and the Director, Contracts Development and Credit establish review & analysis procedures and approval criteria for counterparty credit applications. Factors considered include type of business entity applying for credit, the nature of the transaction, and evaluation of the risk associated with the term of existing and/or pending contracts. Information provided directly by the counterparty will be validated as appropriate. Third party data sources such as rating agency credit and financial analysis will be used when available.

Credit Approval Requirements Prior to Transaction

It is a requirement under this policy that an executed enabling agreement, approved tariff, or other approved documentation reviewed and approved through the Xcel Energy Contract Development, Approval, and Delegation (CDAD) process be in place prior to authorizing transactions under a credit line. In the event that an enabling agreement or other contractual arrangement is in place – but, for whatever reason, a credit line is not yet approved, or is inactivated, rescinded, or no longer in effect – front office personnel must first obtain Credit approval prior to entering into any transaction (oral or written). Front office business personnel are expected to present the initial request for credit review/approval to XES Contract Development and Credit including basic credit counterparty contact information, the nature and details of the proposed transaction, and any additional relevant information needed for conducting a credit review and in conjunction with contract negotiations.

Exceptions to Prior Credit Approval

Real-time and up to three days forward (4 or 5 days for 3 or 4-day weekends, respectively) purchases under existing Enabling Agreements may be consummated with any counterparties other than those specifically prohibited whether or not Credit Limits are already approved, provided that product is received prior to payment. Normal, real-time documentation is required.

Front office personnel can sell Emergency Energy (as the term is defined in the NERC Region/RTO where the counterparty resides) to Load-Serving Entities (LSEs) regardless of credit available. The Director, Contracts Development and Credit or designee will contact the counterparty to arrange for collateral or prepayment, if possible.

Credit Review and Approval Criteria

Counterparties may be assigned a credit line based upon limits in conforming with Appendix A (Credit Limits), Appendix A1 (Credit Limits Cooperative, Municipal and Public Power Agencies) and Appendix B (Approval Authority). If bond or corporate ratings from multiple agencies result in conflicting or split ratings, then the lower of the ratings shall be used.

Internal ratings will be developed using appropriate methodology and/or models approved by the Vice President and CRAO. Negative or positive rating outlooks and trends, credit watch status, and any deterioration of financial and general business conditions may also result in an internal decision to lower a rating. For counterparties that do not have a senior unsecured rating (unenhanced by third party support) from S&P or Moody's, or if such counterparty has not been rated by one of the major rating agencies (including but not limited to S&P and/or Moody's), a modified S&P and/or Moody's rating, or an equivalent internal rating will be developed and assigned. Financial statements, third party information, industry sector and other relevant data secured from the counterparty and other sources will be used to assess financial condition and assign an appropriate internal proxy rating (Appendix C). Any counterparty that is part of the U.S. federal government or their agencies (collectively, "Federal Agencies") are also reviewed. If either S&P or Moody's has issued a rating for one of the specific Federal Agencies, then the lower of either of those ratings shall be used. If neither S&P or Moody's has rated the respective single Federal Agency, then an implied rating of the current of the lower S&P or Moody's rating for the U.S. Government shall be used. Federal Agencies are exempt from the Credit Limit Matrix constraints (Appendix A), but still subject to the Approval Authority levels (Appendix B).

Pools, ISOs, RTOs, Exchanges, Electronic Platforms, Clearinghouses, and similar legal constructs will qualify by review of their membership, participation controls and policies. Contracts Development and Credit will estimate creditworthiness, using best available data, based on the size and financial condition of the legal construct and its participating members to determine an internal rating. Approval shall comply with the policy constraint exhibits.

Any credit line approved by the CRMOC must be re-presented to the CRMOC on an annual basis at the 4th quarter CRMOC meeting for continued credit line approval.

FERC-Filed Requirements Counterparties

Any Counterparty which has a requirements contract filed at FERC that does not contain or permit a demand for collateral, and which exceeds the Credit Limit parameters outlined in Appendices A and A1 of this Policy, shall only qualify for unsecured credit based on the following:

- Commercially reasonable exposure caps as proposed by the Vice President & CRAO and approved by the CRMOC for all such contractual relationships.

- The exposure amount requested will be based on contractual requirements and limited by a Risk Management due diligence evaluation.

- Counterparties experiencing financial stress will be approached for exposure mitigation. If not obtained, the CRMOC will be advised of Risk Management's efforts and recommendations for consideration, including the possibility of seeking a unilateral modification of the applicable contract at the FERC.

Request for Additional Credit Extension

If, upon referring to the Credit Report posted on the Risk Management Home Page, front office personnel require that additional credit be extended to a specific counterparty to consummate a pending transaction, they must first notify the Contracts Development and Credit staff for approval. Contracts Development and Credit staff will consider each request on a case-by-case basis. Only after receiving approval from an authorized member of the Contracts Development and Credit group may the front office commit to the proposed transaction.

Section 4.2 Credit Availability Adjustments

Available credit may be increased or decreased based on, but not limited to, changes in:

- Credit ratings and their outlooks and trends including credit watch status
- Financial condition based upon the review of new information
- Payment practices and performance
- Peer comparison
- Regulatory actions and trends
- Merger or acquisition
- Unique generation and capacity issues
- Public record/legal events

The Director, Contract and Credit Strategy (or designee), will monitor counterparty credit status and current trends and will recommend and seek approval of changes in credit limits as necessary. Upon the reduction of counterparty's credit limit, Contracts Development and Credit staff will update all files and reports. When the reduction in Credit Limit causes the credit limit to fall below the Total Credit Exposure for a counterparty, it will be reported to the RMC and reviewed in accordance with Section 4.3 herein.

Section 4.3 Exceeding Credit Availability

Total Credit Exposure will be compared to the approved credit limit per counterparty for each Xcel Energy OpCo.

If a counterparty's Total Credit Exposure exceeds the approved Credit Limit, then the Credit Department will determine the cause of the overage. Depending upon the outcome of the Credit Department's investigation, one of the following actions shall result:

1. If the overage was caused by a deliberate trade, an incremental trade, by a trader not first checking to verify that there was any available credit, or other Policy violation, then the Credit Department will notify the Director Contracts Development and Credit for further action to be taken pursuant to Section 4.4 herein. In addition, the Credit Department will review to determine if an increase in credit line is warranted, if additional credit support or assurance is required, or if an increase is not permitted within the Credit Policy matrix in Appendices A and B. If an increase is not permitted within approved Credit Policy limits, then a trade halt shall be placed upon that counterparty with notice to the RMC until such time that there is sufficient credit available to support additional transactions.

2. If the exceedance was caused by a fluctuation on Mark-to-Market valuations, and not additional or incremental trading activity, then a Policy was not actually violated and no compliance issues exists. However, the Credit Department will review to determine if an increase is warranted, if additional credit support or assurance is required, or if an increase is not permitted within the Credit Policy matrix in Appendices A and B. If an increase is not permitted within approved Credit Policy limits, then either: (a) an immediate trade halt shall be placed upon that counterparty until such time that there is sufficient credit available to support additional transactions; or (b) the appropriate signatory may approve a temporary Credit Line within their approval limits to allow incremental or continued business outside of a trade halt. The Director, Contract and Credit Strategy shall then notify the RMC that the exceedance has occurred, an appropriate review was conducted, and advise of either the (a) or (b) options above. Risk Management shall notify the CRMOC in those instances when there are no available remedies within this Policy to address the exceedance.

Section 4.4 Credit Policy Violations

The Compliance function within Contracts Development and Credit (Compliance) will review, record, and communicate violations of this Policy to the responsible personnel, their management and governance groups as required by the Violation Severity Criteria document maintained by Compliance. Violations of this Policy will result in appropriate remedial or disciplinary action based on the most recent issue of the Violation Severity Criteria issued by Compliance (Exhibit B).

Section 5 Credit Risk Measurement and Reporting

Section 5.1 Credit Risk Monitoring

Risk Operations staff will create, publish and monitor credit risk reports on a daily basis by appropriate deadline determined by the Manager, Market Risk Reporting. This includes review of internal Counterparty exposure reports, reports from various credit reporting services, financial and market intelligence data, market price volatility and liquidity, payment history and performance.

Section 5.2 Credit and Performance Risk Diversification

Diversification of counterparty credit and performance risk mitigates the risk associated with concentrating an excessively high percentage of exposure in a few counterparties. In the event that any given counterparty exposure exceeds 20% of the entire combined Xcel Energy Operating Companies' portfolio exposure managed by Market Risk Reporting (including physical, financial, and mark-to-market), the Vice President and CRAO and the Vice President, Commercial Operations will submit an evaluation and a strategy plan to mitigate the risk, if appropriate, to CTF and CFO management.

The Senior Director, Commodity Risk Management or designee, may place concentration limits for a particular line of business in an effort to prevent any counterparty from having credit exposure greater than either the overall 20% credit exposure for Xcel Energy and/or prevent the supply risks associated with having such a large supply concentration from a single counterparty. Any concentration limits imposed by the Senior Director, Commodity Risk Management or designee will be reported on Exhibit C.

The credit quality of the Xcel Energy Operating Companies' account portfolio will be analyzed at least monthly by calculating a dollar-weighted average credit rating of the portfolio. The credit quality results will be compared to the portfolio benchmark standard rating of S&P investment grade for senior unsecured long-term debt (unenhanced by third-party support) of BBB. Failure to meet or exceed this quality standard will result in a review and possible requirement by the RMC to execute credit enhancements or other credit mitigation options.

Section 5.3 Credit Risk Reporting

Counterparties approved for purchases and/or sales transactions, and their available credit, will be provided each business day, **by appropriate deadline determined by the Manager, Market Risk Reporting** to front office personnel and other interested parties.

The following reports will be provided monthly to CTF and CFO management:

- Top ten counterparty consolidated exposures (aggregated across all Operating Companies)
- Average dollar-weighted Xcel Energy portfolio credit rating

Section 6 Credit Enhancements

Credit enhancements may be used to:

- Establish initial credit lines for counterparties who have not been approved for open credit based solely on their own creditworthiness,
- Justify further credit to counterparties who have reached or surpassed limits previously established by counterparty credit review,
- Mitigate problem financial conditions such as changes in external or internal ratings, warranting action in order to reduce credit risk, and
- Lower the probability of default and permit higher credit limits that have the potential to increase profitable transactions.

The creditworthiness/limits of the entities issuing enhancements will be re-evaluated taking the enhancement into consideration. Xcel Energy legal counsel shall be consulted to approve enhancement instrument provisions when deemed material and beyond the expertise of the Senior Director, Commodity Risk Management and/or the Vice President and CRAO. All credit enhancement templates and any material changes thereto shall be approved by Xcel Energy legal counsel or the Director, Contract Development and Credit or qualified designee. Any credit support shall be received prior to making firm contractual commitments/deliveries. The Senior Director, Commodity Risk Management may make exceptions upon receiving satisfactory written assurances from the issuer/counterparty. The Senior Director, Commodity Risk Management or designee may authorize sales as contingent upon receipt of a credit enhancement.

Acceptable credit support and/or enhancements include, but are not limited to, the following:

- Irrevocable Standby Letter of Credit (LOC)
- Prepayment
- Guaranty
- Cash, through an escrow arrangement with (preferred) or without a perfected security interest. Cash received with a perfected security interest should avoid characterization as a preference item in the event of a bankruptcy of the counterparty.

Section 7 Credit Exposure Mitigation

All contract approval shall conform to the Xcel Energy CDAD process. No purchase or sales transactions with counterparties that require credit exposure mitigation may be committed to or performed without the completion and approval of required documents and sign-offs.

Section 8 Other Credit Maintenance Items

Section 8.1 Financial Review and Credit Files

Contracts Development and Credit will produce and maintain credit files on all counterparties. Contents of files will vary according to counterparty type. Credit file formats can include both physical and electronic files. Counterparty files will contain documents that may include the following items:

- All counterparties with credit limits enabling transactions under this policy, whether open, partially secured or secured credit has been extended, must be financially reviewed at least annually. Documentation of this review will be maintained in the credit file along with all necessary approvals. The annual review shall be conducted by the Credit Department on the most recent audited, fiscal year-end financial statement available. Quarterly or interim data may be considered if available along with the latest audited fiscal report (the Credit Approval). Periodic reviews may be conducted on a quarterly or semi-annual schedule, if appropriate, utilizing unaudited or interim data. The signed Credit Approval shall be documented in the Credit file.
- An approved credit limit for a Counterparty may be reallocated among OpCo's, base agreements, and/or commodities, based on actual usage and to reflect actual trading activities, by the level of the approver of the original credit limit or any designee, so long as the total aggregate credit limit approved is not increased and the re-allocation is re-evaluated on the next review date in the Counterparty file.
- Issuers of Letters of Credit (Issuing Banks) shall be reviewed annually to determine the creditworthiness and financial viability of the issuer.
- Internal rating confirmation documentation shall be included in the file and attached to the Credit Approval. If the rating is derived from an external agency and is publicly available, then it may be included and placed in the credit file.
- The last three years of audited financial statements (if available) or the financial statements of the last two years on a new account or review (if available) shall be maintained in the credit file.
- Financial analysis spreadsheet attached to the Credit Approval.
- Relevant correspondence and any relevant market materials and web research shall be maintained in the credit file.
- Market materials/web research

Section 8.2 Accounts Receivable Maintenance and Collections

Utility Accounting (under management of the Senior Vice President & Controller) will initiate a response to the counterparty for any underpayment or non-payment of a receivable, or overstatement of an Xcel Energy Operating Company payable. If possible or available, receivable and payable balances will be netted via a negotiated/written agreement. Collection of amounts past due will be handled following established collection procedures agreed to by

Contract Development and Credit and the applicable accounting group. Unless requested by business area, Contract Development and Credit will not perform collections.

Utility and Gas Accounting (under management of the Senior Vice President & Controller) shall communicate to the Contract Development and Credit Department if a counterparty's Accounts Receivable balance becomes past-due. At such time, Credit will determine if the reason and cause for the past due amount is warranted in suspending sales to the counterparty until such time that the past-due balance is remedied.

Section 8.3 Credit Terms for Sales and Purchases

Sale credit terms and purchase payment terms are agreed to by written contract provisions. In general, physical commodity transactions are billed out the first part of each month for transactions through the previous month's end. Settlement (or payment dates) for each commodity are normally:

- The 20th of the month (power)
- The 25th of the month (natural gas)

Section 8.4 Credit Services for Other Business Units

Business areas outside of CTF can and do contact the Contract Development and Credit group for assistance with credit related topics specific to their business area. Contract Development and Credit will advise, review and approve the format of credit documents. If the business area is not governed under this Policy, Contract Development and Credit is acting in an advisory role and is not approving credit extensions embedded in any credit document, enhancement or provision. Credit granting authority resides within the business area unless or until the business area falls under the governance of this Policy or by mutual agreement between Contract Development and Credit and the business area.

Section 9 Employee Compliance with FERC ORDER 717

FERC Order 717 establishes the protocol for corporate shared service functions which monitor Risk for both Wholesale Merchant Function and Non Public Transmission Information. It is a violation of FERC Order 717 for support staff to share Non Public Transmission Information with Merchant Function Employees. Appropriate processes and procedures are in place to restrict Wholesale Merchant Function employees' access to Non Public Transmission Information.

Section 10 Employee Compliance with Credit and Performance Risk Policy

Section 10.1 Employee Compliance Acknowledgment

All employees and contractors of those Business Areas specified in Section 2.1 of this Policy are required to read, understand and comply with this Policy. As an Xcel Energy operating policy, employees and contractors agree to abide by the conditions of this Policy when they sign the required Policy Compliance Acknowledgement form (see Attachments 1 and 2 herein).

Appendix A
Credit Limits

Long-Term Senior Unsecured Credit Ratings (Unenhanced by Third-Party Support)

S&P bond rating or equivalent*	Quality	Max Net Worth Limit %	Max Class Limit (Millions)
AAA to AA+	Prime	9.6%	$90
AA to AA-	Very High Grade	8.0%	$85
A+	Very High Grade	7.2%	$85
A	Upper Medium Grade	6.2%	$80
A-	Upper Medium Grade	5.6%	$75
BBB+	Upper Medium Grade	4.8%	$65
BBB	Medium Grade	4.0%	$45
BBB-	Medium Grade	3.2%	$25
Below BBB-	Sub-Investment Grade	1.6%	$ 5

* For equivalents, see Appendix C.

Approvals for individual counterparties which may be exceptions to the limits provided in the above matrix shall be as follows: up to $25 Million may be approved by the RMC; approvals which are exceptions to the limits provided above in excess of $25 Million must be approved by the CRMOC. The Vice President and CRAO and/or the Senior Director, Commodity Risk Management will be authorized to approve up to $250,000 outside of the policy constraints (not to exceed six months duration (without additional review and approval)). The intent of this exception is to accommodate unusual operational requirements that occasionally arise and do not conform to policy guidelines, yet make commercial sense when all factors are weighed. The dollar limit and cap keep such risks contained and diversified. Security will be obtained when possible.

Appendix A1
Credit Limits
Cooperative, Municipal and Public Power Agencies

Long-Term Senior Unsecured Credit Ratings (Unenhanced by Third-Party Support)

S&P Bond Rating or Equivalent	Quality/Grade	Max Limit % Applied to the > of Net PP&E, or Annual Sales	Max Class Limit (Millions $)
AAA	Prime	20%	90
AA	Very High	20%	85
A+	Very High	20%	85
A	Upper Medium	18%	80
A-	Upper Medium	16%	75
BBB+	Upper Medium	16%	65
BBB	Medium	13%	45
BBB-	Medium	8%	25

* For equivalents, see Appendix C.

Approvals for individual counterparties which may be exceptions to the limits provided in the above matrix shall be as follows: up to $25 Million may be approved by the RMC; approvals which are exceptions to the limits provided above in excess of $25 Million must be approved by the CRMOC. The Vice President and CRAO and/or the Senior Director, Commodity Risk Management will be authorized to approve up to $250,000 outside of the policy constraints (not to exceed six months duration (without additional review and approval)). The intent of this exception is to accommodate unusual operational requirements that occasionally arise and do not conform to policy guidelines, yet make commercial sense when all factors are weighed. The dollar limit and cap keep such risks contained and diversified. Security will be obtained when possible.

Appendix B
Approval Authority

Below is an approval hierarchy to be used in conjunction with the credit limits listed in Appendices A and A1.

Position	Authority Limit (up to and including)
CRMOC	Over $90 million
Executive Vice President and CFO	$90 million
Unanimous Approval of: ♦ VP and CRAO ♦ VP, Commercial Operations ♦ SVP and Controller	$50 million
VP and CRAO	$25 million
Senior Director, Commodity Risk Management	As delegated with approval of VP and CRAO and Referenced as Exhibit A of this policy
Director, Contract and Credit Strategy	As delegated with approval of VP and CRAO and Referenced as Exhibit A of this policy
Senior Credit Risk Reporting Analyst	As delegated with approval of VP and CRAO and Referenced as Exhibit A of this policy

The CRMOC will take into account but not be constrained by credit limits in Appendices A.

Appendix C
Credit Rating Equivalents Matrix

Long-Term Senior Unsecured Issue Ratings

S&P	Moody's		Quality
AAA	Aaa		Prime
AA+	Aa1		Prime
AA	Aa2		Very High
AA-	Aa3		Very High
A+	A1		Very High
A	A2		Upper Medium
A-	A3		Upper Medium
BBB+	Baa1		Upper Medium
BBB	Baa2		Medium
BBB-	Baa3		Medium

Appendix D

Xcel Energy Corporate Policy Approval

This policy, dated November 17, 2011, is approved by the Xcel Energy Inc. Corporate Risk Management Oversight Committee (CRMOC), as required by the Xcel Energy Derivative Risk Management Uniform Policy.

The Xcel Energy Inc. Corporate Risk Management Oversight Committee shall approve any material amendment or change to this policy.

Original Document was signed on ___/___/_____, and is on file with the Compliance function within Contract Development and Credit.

_____

Xcel Energy Inc. EVP and CFO

_____

Xcel Energy Inc. EVP and Group President, Operations

_____

Xcel Energy Inc. EVP, Group President, Utilities

_____

Xcel Energy Inc. SVP and Treasurer

_____

Xcel Energy Inc. SVP and Controller

_____

XES VP and CRAO

ATTACHMENT 1

Xcel Energy Commodity Trading Function Credit and Performance Risk Policy Compliance Acknowledgement for Employees

I have read the Xcel Energy Inc. Commodity Trading Function Credit and Performance Risk Policy (Policy) and understand that it is a requirement of my employment with Xcel Energy to abide by this Policy and fulfill all duties assigned to my position.

I recognize that it is a requirement of my employment to report any violations of this Policy and any other work related activities that may increase risk in any form to Xcel Energy.

I agree to keep all Corporate information, written or verbally disclosed, confidential. I also recognize that copying, distributing, or communicating any aspect of this Policy or any general or specific corporate information that is considered by management to be proprietary information will be considered a violation of this Policy.

I understand that any willful violation will result in immediate disciplinary action and/or dismissal.

I understand that my employment by Xcel Energy is employment at will; that is, my employment can be terminated by me or by Xcel Energy with or without cause and with or without notice.

I acknowledge that this policy does not govern any activities related to mergers, acquisitions and divestitures. Such activities are governed by the corporate uniform policy "Mergers, Acquisitions and Divestitures".

Any questions regarding this Policy/Code of Conduct should be forwarded to:

Director, Contract and Credit Strategy
303-571-7208

Understood and Agreed to by:

Employee _____
(Print name)

_____
(Sign name)

Date: ____/____/_____

ATTACHMENT 2

Xcel Energy Commodity Trading Function Credit and Performance Risk Policy Compliance Acknowledgement for Contractors

I have read the Xcel Energy Inc. Commodity Trading Function Credit and Performance Risk Policy (Policy) and understand that it is a requirement of my contract with Xcel Energy to abide by this Policy and fulfill all duties assigned to my position.

I recognize that it is a requirement of my contract to report any violations of this Policy and any other work related activities that may increase risk in any form to Xcel Energy.

I agree to keep all Corporate information, written or verbally disclosed, confidential. I also recognize that copying, distributing, or communicating any aspect of this Policy or any general or specific corporate information that is considered by management to be proprietary information will be considered a violation of this Policy.

I understand that any willful violation could result in contract termination.

I understand that my contract with Xcel Energy is equivalent to employment at will; that is, my contract can be terminated by me or by Xcel Energy with or without cause and with or without notice.

I acknowledge that this policy does not govern any activities related to mergers, acquisitions and divestitures. Such activities are governed by the corporate uniform policy "Mergers, Acquisitions and Divestitures".

Any questions regarding this Policy/Code of Conduct should be forwarded to:

Director, Contract and Credit Strategy
303-571- 7208

Understood and Agreed to by:

Contractor: _____
(Print name)

_____
(Sign name)

Date: ____/____/_____

Exhibit A

Authority Limits

	Authority Limit (up to and including)
Senior Director, Commodity Risk Management	$15 Million
Director, Contract and Credit Strategy	$10 Million
Lead Analyst, Risk Operations and Credit	$5 Million

Exhibit B

Guideline and Process for Identification, Classification, Reporting, and Resolution of Commodity and Credit Risk Violations

To help ensure consistency in reporting of exceptions/violations of Xcel Energy Risk Management policies, and in response to internal audit recommendations a guideline has been developed by which to judge the severity of policy exceptions/violations. As has always been the practice in the past, each violation will still be judged on its own merits, using the guidelines below as a preliminary screen. Risk Management will also use this document as a preliminary guideline on how to respond to various levels of violation severity.

CLASSIFICATION	CRITERIA
MINOR	Occasional occurrence is unlikely to cause any material financial or regulatory harm to Xcel Energy.

Recommended Management Action:

- Verbal review of violated policy stipulation with employee by their immediate upstream management.
- Written response on Exception Report Worksheet by violator; direct supervisor response (optional; not required).

MODERATE	Occasional occurrence could potentially cause some material financial or regulatory harm to Xcel Energy, **OR** At the RMC's discretion, the second occurrences of the same type of Minor Violation by the same person in any rolling 4-week period may be classified as Moderate.

Recommended Management Action:

- Mandatory written response on Exception Report Worksheet by both violator and his/her direct supervisor.
- Review of Violation report by the Commercial Operations Risk Management Committee (RMC) within one month of issuance of the final Report.

MAJOR	Even occasional occurrences could potentially cause major material financial or regulatory harm to Xcel Energy, **OR** At the RMC's discretion, a second occurrence of the same type of Moderate Violation by the same person in any

rolling 3-Month period may be classified as a Major Violation,

OR

At the RMC's discretion, a third occurrence of the same type of Minor Violation by the same person in any rolling 4-week period may be classified as a Major Violation,

OR

At the RMC's discretion, a third occurrence of a Moderate Violation in a rolling 3 month period, or a fourth occurrence of a Minor Violation in a rolling 4-week period could constitute a second Major Violation.

Recommended Management Response:

- Mandatory written response on Exception Report Worksheet by both violator and his direct supervisor; to include violation mitigation strategy, if needed.
- Mandatory review of completed Exception/Violation Worksheet by the Xcel Energy RMC Operating Group within one week of completion of Report.
- Possible Interview of Employee and Immediate Manager by Xcel Energy RMC Operating Group

It is recognized that some types of violations are difficult to categorize. Also, a certain amount of judgment needs to be applied on a case-by-case basis due to circumstances. For example, three minor violations made by someone new to Xcel before he/she even received a report on the 1st violation would probably NOT constitute a major violation; whereas three minor violations by a veteran employee made due to careless or sloppy performance may apply. Another example may be when a Credit Exceedance for a given Operating Company can be resolved by simply reallocating Credit Available with another of the Xcel's Operating Companies, Violation Severity may be reduced at the discretion of the RMC. On the other hand, showing open disregard for policy stipulations (especially in the presence of subordinates) may escalate the severity originally assigned to a given violation. As stated previously, the severity of any violation may be adjusted, based on circumstances discovered after the initial report is sent to the violator and his/her supervisor for their response.

The RMC will review all moderate and major policy violations, with the goal of making a unanimous recommendation on final violation severity and any corrective action. If a unanimous recommendation cannot be made, the matter shall be presented to the Corporate Risk Management Oversight Committee (CRMOC), who shall make a final ruling on Violation Severity and recommend corrective action. Notwithstanding the foregoing, actual disciplinary measures taken in response to violations remain at the discretion of the violator's direct management chain, should be consistently applied, and be appropriate for the severity level and frequency of violations. As with any disciplinary measures taken, action taken in response to policy violations should be in accordance with Xcel Energy's established Workforce Relations Policies (e.g., Positive Discipline Process, Peer Group Resolution). Please contact Human Resources with any questions regarding contemplated disciplinary measures resulting from Policy Violations.

Exhibit C

Applicable Natural Gas Concentration Limits

Portfolio	Hedge Plans	Concentration Limit (Volumetric)
PSCo	PSCo LDC PSCo Gen	30%
NSP Minn	NSPM LDC	30%
NSP Wisc	NSPW LDC	No Limit*
Xcel	All	30%

***** Volume too small to impose limits

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