Xcel Energy®

Forging Our Path

Corporate Responsibility Report **2014**

FORGING OUR PATH
Corporate Responsibility Report for 2014
A Report on the Economic, Environmental & Social Impacts of Xcel Energy

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 2014 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.

About Us

Minneapolis-based Xcel Energy is a major U.S. electricity and natural gas company operating in eight Western and Midwestern states. The company serves its 3.5 million electricity and 2 million natural gas customers with a leading portfolio of renewable resources and one of the most extensive offerings of energy management programs in the nation. Xcel Energy employs more than 11,000 full-time employees and is recognized for its commitment to hiring military veterans. The Xcel Energy Foundation donates about $13 million annually in communities the company serves.

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

Message from the CEO

To our stakeholders:

In a changing and challenging energy marketplace, Xcel Energy is exactly where we want to be: ***Forging Our Path*** for success and a more sustainable energy future. Achieving that goal means relying on fundamental values that are more important than ever, while determining new and innovative ways to satisfy our customers, care for our communities, support our employees and create value for our investors.

Year after year, we've delivered on the fundamentals. For a decade, we've met or exceeded our earnings guidance, and our balance sheet and credit metrics stayed strong. Our customer satisfaction results are consistently high. We turn in outstanding reliability and operational performances. Our portfolio of renewable energy resources is second to none, and we've been the No. 1 utility provider of wind energy in the nation for more than a decade. We are a mainstay in our communities, supporting them with corporate funding and volunteer efforts.

But we recognize more than anything that our customers want us to go above and beyond—and that is where we've set our sights. To guide that effort, we've developed a dynamic strategic action plan that focuses on improving the performance of our operating companies, expanding options for customers, growing our business and ensuring we have the technology and people we need to be competitive.

Customers are looking in particular for cleaner energy options and more control over their energy use. This year alone to keep our systems safe and reliable, we are investing more than $3 billion, and we'll invest $14.5 billion over the next five years. Beyond that, we are building an even more significant portfolio of renewable energy sources. By 2016, we plan to add 1,900 megawatts of wind energy across our service territory for a total of more than 7,000 megawatts.

Already among the top 10 utilities in the country for solar capacity, we are expanding solar energy across our service territory, but particularly in the Upper Midwest, where we recently announced a first-in-the-nation Clean Energy Partnership with the city of Minneapolis. The agreement charts a collaborative approach to enable the city to meet aggressive climate and energy goals.

In fact, Xcel Energy is on a path to reduce carbon dioxide (CO2) emissions 30 percent compared with 2005 levels by 2020. That makes us an industry leader in CO2 reduction. Beyond that, we've proposed a resource plan for the Upper Midwest that would double our renewable energy portfolio and reduce CO2 emissions 40 percent by 2030 in the region. With emission reductions as its driver, the plan gradually reduces our reliance on coal-fueled generating units but maintains a diversity of resources to keep costs reasonable. In the end, we would have an energy mix in the Upper Midwest that is more than 60 percent carbon free.

In Colorado, we are significantly reducing CO2 emissions by retiring six coal-fueled units and building a new natural gas-fueled plant as part of the state's Clean Air-Clean Jobs effort. Our transformed fleet of generating units is not only cleaner but more efficient and reliable.

Those efforts put us in a strong position as the U.S. Environmental Protection Agency (EPA) prepares to issue new rules to reduce greenhouse gases. At the same time, we are working with the EPA to advocate for recognition of the early action we've taken to reduce emissions— again, to protect the interests of our customers.

Finally, the most important element of our environmental leadership effort is the fact that we are delivering clean energy at a competitive price, which makes me particularly proud.

Our path forward relies on strong communities, and we think of them as our energy partners who benefit from clean, safe, reliable energy. Beyond that, we support them with corporate funding from the Xcel Energy Foundation, which in 2014 contributed more than $3.6 million to promote workforce development, STEM education, environmental stewardship and access to the arts. Our United Way campaign, which has been impressive over the years, resulted in more than $5.4 million to benefit the communities we serve—with the highest level of employee participation in our campaign to date.

Employees are especially important to our success. Day after day, they demonstrate their commitment to our customers and communities, understanding that their work is vital to the quality of people's lives. In return, we strive to provide employees a safe and welcoming workplace, give them the tools they need to do their best work, and ensure their compensation and benefits are fair.

For the past few years, our employee recruitment effort placed special emphasis on hiring military veterans because we recognize that vets are a good fit at Xcel Energy, with outstanding technical and leadership skills among other attributes. Those efforts have garnered us recognition as one of G.I. Job's Top 100 Military Friendly Employers for six years in a row, a distinction that places us among the top 2 percent of employers dedicated to hiring veterans.

Investors round out our list of stakeholders. To build value for them, we are focused in particular on growing our business, the final piece of our strategic action plan. We look for organic growth opportunities, but beyond that we are focusing in particular on growing our transmission and natural gas businesses—areas where we already have expertise.

In 2014, we created three independent transmission companies, or transcos, to give us the flexibility to compete in a competitive transmission market. While we are in the early days of pursuing growth in natural gas, we see great opportunities for new infrastructure as our industry works to address the EPA's proposed greenhouse gas rules. We will be building infrastructure but also considering upstream investments, which means looking at the potential of investing in a natural gas transmission pipeline or perhaps natural gas reserves.

Ours is an exciting business, and again, we are exactly where we want to be: moving forward with our customer and community partners, forging our path to success. As you read our report, you will see many more examples of how we are tackling the challenges ahead and of the success of our journey. We're glad you are along for the ride.

Sincerely,

Ben Fowke
Chairman, President and CEO

Operating Companies

Xcel Energy Inc.'s operations include the activity of four wholly owned utility subsidiaries that serve electric and natural gas customers in 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.

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, these companies make up the continuing regulated utility operations.

Xcel Energy Services (XES) is the service company for the Xcel Energy holding company system. XES 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.

Northern States Power Company-Minnesota (NSPM)

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

- Customers:
  - Electricity: 1,435,665
  - Natural gas: 498,719
- Communities served:
  - Minnesota
  - North Dakota
  - South Dakota

Northern States Power Company-Wisconsin (NSPW)

Wisconsin, Michigan
Electricity and natural gas service
Mark E. Stoering, president

- Customers:
  - Electricity: 254,547
  - Natural gas: 111,121
- Communities served:

    - Wisconsin
    - Michigan

Public Service Company of Colorado (PSCo)

Colorado
Electricity and natural gas service
David L. Eves, president

- Customers:
    - Electricity: 1,413,611
    - Natural gas: 1,347,459
- Communities served
    - Colorado

Southwestern Public Service Company (SPS)

Texas, New Mexico
Electricity service only
David T. Hudson, president

- Electricity customers: 386,019
- Communities served:
    - Texas
    - New Mexico

Company Strategy

The way we produce, distribute and use energy has changed over time. And it will continue to change. Over the next five to 10 years, it is possible that there will be more change in the utility industry than we have experienced in the last half century. We believe this requires a new approach to our operations and how we address the challenges facing our industry.

We launched the Strategic Call to Action to prepare our workforce for increased competition within our markets and to help grow our business. Through this effort, we are raising awareness among employees for the changes underway and reinforcing our commitment to customers, communities and the many stakeholders we serve. Employees play an important role in our success by looking for opportunities to streamline their work and by making smart investments — in both assets and customer services — that support the company's business objectives and help to lower costs. We continue to promote operational excellence, specifically seeking opportunities to use technology that improves our processes and workforce productivity.

To support execution of the call to action, Xcel Energy is implementing a strategic plan with four main objectives, presented within the company as "the four pillars." Focusing on these four objectives over the next several years will prepare Xcel Energy for competition and ensure the company is positioned for success in the changing utility landscape.

Objective	Improve the performance of our utility companies
Impacts, challenges, opportunities and stakeholder interests	• 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 earn the authorized return that each public utilities commission has provided us. • To accomplish this, we will pursue new longer-term, multi-year regulatory compacts in our jurisdictions, and we will implement stringent cost control measures.
Objective	Manage the workforce transition
Impacts, challenges, opportunities and stakeholder interests	• Developing the next generation workforce is critical to our continued success, especially since nearly half of our current workforce will be eligible to retire over the next 10 years. • Managing this transition challenges us to attract, train and retain the most skilled and highest performing employees. • As we assimilate new employees into our workforce, we will cultivate a culture that is forward thinking, team oriented and ready for competition. • We also must leverage our skilled workforce to be more efficient and productive, relying on advanced technology to perform their jobs more effectively.

Objective	Give customers more options and solutions
Impacts, challenges, opportunities and stakeholder interests	• Customers and communities depend on Xcel Energy to continue providing reliable, affordable energy—it is a critical service. • There also 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. • Xcel Energy is well positioned to provide energy solutions that compete on cost and quality with third-party offerings but we must have a regulatory framework in place that enables this.
Objective	Grow the business
Impacts, challenges, opportunities and stakeholder interests	• The energy grid and its reliability are a competitive advantage that cannot be matched cost effectively with alternative technology. • Xcel Energy must maintain the highest service quality while making smart investments in our infrastructure, processes and workforce. • Our infrastructure investments should align with the value that customers place on our products and services. • Through natural gas and transmission investments, we can build on our strengths to create growth that improves customer energy service with minimal impact to rates. • We are the energy experts and can demonstrate our knowledge and ability in delivering major projects on time and within budget, as well as in implementing advanced energy technologies.

A full description of our risk oversight and management processes is available in our 2014 10-K, along with a description of the risks associated with Xcel Energy's business.

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 ☐Energy and money saving opportunities ☐Easy billing and online account management ☐Neighborhood construction or repair work ☐Renewable energy ☐Information privacy ☐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 ☐Renewable energy consumer programs ☐Clean energy strategy ☐Operational excellence initiative ☐Data privacy process
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 (IPAD) plans ☐Online professional development resources ☐Tuition reimbursement ☐Power of 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 ☐ 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 ☐ 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	☐Corporate strategy that includes a fair return on investment, utility business investment and stakeholder alignment ☐Senior management presentations at investor conferences ☐One-on-one meetings with current and prospective shareholders ☐Analyst Day meetings in New York City ☐Participation in utility and retail shareholder organizations

**Often overlaps with community stakeholders*

Performance Measures

Xcel Energy annually sets goals to ensure performance around strategic priorities. The table below includes corporate and business unit targets, 2014 results and 2015 goals, specific to our economic, environmental and social performance.

Report Area	2014 Goal	2014 Performance	2015 Goal
Our Company	Meet earnings target range of $1.90 to $2.05	Ongoing diluted earnings per share were $2.03*	Meet earnings target range of $2.00 to $2.15 per share
	Meet authorized return target of 8.84 to 9.05 percent	Earned authorized return of 9.14 percent	Meet authorized return target of 9.0 percent
Customers	Achieve customer value survey rating of 86 percent	Achieved customer value rating of 87 percent	Achieve customer engagement index* rating of 683
	Achieve energy savings of 878 GWh**	Achieved energy savings of 909 GWh**	Achieve energy savings of 900 GWh**
	Achieve public safety index rating of 100	Achieved public safety index rating of 120	Achieve public safety index rating of 100
	Managed growth of operating and maintenance expenses at 2.2 percent	Managed growth of operating and maintenance expenses at 1.9 percent	Manage growth of operating and maintenance expenses at 1.0 percent
	Achieve SAIDI (System Average Interruption Duration Index) of 97 minutes	Achieved SAIDI rate of 88 minutes	Achieve SAIDI rate of 94 minutes
	Achieve UOR (Unplanned Outage Rate) of 5.0	Achieved UOR of 5.7	Achieve UOR of 4.9
	Achieve 47 percent employee participation in the annual United Way campaign	Achieved 52 percent employee participation in the annual United Way campaign	Achieve 47 percent employee participation in the annual United Way campaign
Workforce	Achieve OSHA recordable incident rate of 1.17 or lower	Achieved OSHA recordable incident rate of 1.00	Achieve OSHA recordable incident rate of 1.00 or lower
	Achieve employee engagement survey rate of 82	Achieved employee engagement survey rate of 82	Achieve employee engagement survey rate of 81

Environment	Achieve SO_2 intensity of 2.83 lbs/MWh	Achieved SO_2 intensity of 2.62 lbs/MWh	Achieve SO_2 intensity of 2.43 lbs/MWh
	Achieve NOx intensity of 1.74 lbs/MWh	Achieved NOx intensity of 1.61 lbs/MWh	Achieve NOx intensity of 1.57 lbs/MWh
	Reduce CO_2 emissions 30 percent from 2005 levels by 2020	Reduced CO_2 emissions 22 percent from 2005 levels	Reduce CO_2 emissions 30 percent from 2005 levels by 2020
	Meet Colorado and Minnesota Renewable Energy Standard goals of 30 percent by 2020	Estimated compliance with all state renewable standards and objectives through at least 2020	Meet Colorado and Minnesota Renewable Energy Standard goals of 30 percent by 2020

*A reconciliation to GAAP earnings per share is located in Item 7 of the Form 10-K.

**Includes only results for Colorado, Minnesota and New Mexico. Total energy savings for customers in all states was about 982 gigawatt-hours in 2014.

Governance

We have developed corporate governance policies that provide a high level of disclosure and have implemented numerous mechanisms to ensure board effectiveness.

Highlights

- We currently have 11 directors on our board, 10 of whom are classified as independent.
- Ben Fowke, chairman, president and CEO, is an inside director and is not considered independent.
- 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 currently serves as the lead independent director. Specific responsibilities and independent oversight provided by the lead director are defined in Xcel Energy's Corporate Governance Guidelines.
- 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 2014.
- Each director is a full and equal participant in the major strategic and policy decisions of the company.
- Our board committees include:
  - Operations, Nuclear, Environmental and Safety
  - Governance, Compensation and Nominating
  - Audit
  - Finance
- All board committee members are independent directors.
- 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; and 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. Read more about the diversity of our board.
- 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. More information regarding the orientation, education and evaluation processes for board members can be found in our Governance, Compensation and Nominating Committee charter.
- All directors are expected to adhere to our Code of Conduct, which complies with the requirements of the Sarbanes-Oxley Act of 2002.
- The board of directors and senior management meet frequently throughout the year to assess the company's economic, social and environmental performance and to plan for the future. Board members receive regular presentations, reports and white papers from various business groups within the company at meetings throughout the year.
- Our four operating company presidents are responsible for the social, environmental and economic topics relating to their respective operating companies. The board of directors is kept apprised of stakeholder feedback and concerns.
- Our company's 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, and 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.

- 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; and qualifications and independence of our independent external auditors. An Audit Committee report is included in our proxy statement.
- We regularly monitor activity to ensure conflicts of interest are avoided.

Find all of our corporate governance documents.
Read the biographies of our board of directors and our senior leadership team.
Learn more about our practices around information governance.

Board Communications

How to Contact the Board

You may 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, 5th floor
Minneapolis, MN 55401

Shareholders may propose actions for consideration at the annual meeting as outlined in our proxy statement. Detailed information about our corporate governance and executive compensation practices also is available in the proxy statement.

Corporate Compliance and Business Conduct

Conducting our business in an honest and ethical manner is one of our corporate values. It is the right thing to do and a foundation of our success. As a result, Xcel Energy has a solid reputation for good corporate governance. Our company's rigorous Corporate Compliance and Business Conduct (CCBC) program exists to identify and manage risks and improve the awareness of an ethical business culture; it is a cornerstone of how we do business.

Compliance and Business Conduct Governance

The Audit Committee of our board of directors is the governing authority for compliance and business conduct matters. As such, it is knowledgeable about the content, processes and operation of the program, and exercises reasonable oversight with respect to implementation and effectiveness. While the Audit Committee has overall CCBC program oversight, the Governance, Compensation & Nominating (GCN) Committee has oversight responsibilities for corporate policies. The GCN 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.

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.

Investigations and Resolving Conflicts

We encourage employees to discuss issues with their leaders. Numerous other reporting options also are available, including Xcel Energy's new enterprise investigations system, EthicsPoint. The system will be used by all areas that have responsibility for tracking, monitoring and reporting activities related to investigations for allegations of wrongdoing. EthicsPoint provides an enhanced web tool for reporting allegations, the ability for employees to ask questions about company policies, and improved data analytics for identifying patterns and trends. Anonymous reports are accepted. Every issue reported is investigated, and as necessary, appropriate responsive action is taken. Actions can range from communicating key messages to discipline to termination. 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.

Performance and Trends

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.

2014 CCBC Employee Survey Results

	Agree
I know what is expected of me	100%
I believe I would be protected from retaliation	94%
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	90%

Customer Data Privacy

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.

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 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.

To date, we have not experienced any significant breach of customers' sensitive personal or financial information. However, we did experience an event in 2013 that demonstrated our focus on protecting customer information. The event was caused by a printing error that resulted in one day's worth of printed bill statements for 16,000 Minnesota and North Dakota customers inadvertently including another customer's name, address, account and meter number, energy used and amount owed. We took appropriate steps to mitigate potential fraud by contacting affected residential customers and changing their customer account numbers unless they requested we not do so. We also offered affected business customers the option of establishing new account numbers.

We continue to be active and take a lead role in the national discussion around data privacy, confidentiality and security. We regularly speak on these issues in a number of forums, including public meetings related to the U.S. Department of Energy's initiative to develop a voluntary code of conduct for customer energy usage data (CEUD). In addition, we continue to be an active participant in state regulatory commission proceedings involving customer privacy in Colorado, Michigan and Minnesota.

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. Our customer communications have been recognized as leading examples of transparency and customer education for CEUD by noted privacy experts (see *Privacy by Design* white paper).

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

Read our Privacy Policy and learn more about how Xcel Energy manages privacy, confidentiality and security of customer data.

Financial Performance

For the tenth consecutive year, we have met or exceeded our earnings guidance. For the first time ever, we realized $1 billion in net income, and our market capitalization was more than $19 billion. Ongoing earnings in 2014 increased as a result of higher electric and natural gas margins due to rate increases in various jurisdictions, weather-normalized sales growth and lower interest charges. These positive factors were partially offset by the unfavorable impact of milder weather, as well as higher expected operating and maintenance expenses, property taxes and depreciation.

In 2014, total return for our investors was nearly 34 percent, with a dividend increase of 7 percent. Our ongoing earnings have grown approximately 6.5 percent and our dividend has grown approximately 3.8 percent annually from 2005 through 2014. 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 earnings guidance for 2015 is $2.00 to $2.15 per share.

Read more about our corporate strategy and priorities.
See how we plan to invest $14.5 billion in capital expenditures through 2019.

Financial Summary for 2014

Earnings	$1.0 billion
*Earnings per diluted share	$2.03
*Ongoing diluted earnings per share	$2.03
Economic Value Generated	
Total revenues	$11.7 billion
Electric utility revenues	$9.5 billion
Natural gas revenues	$2.1 billion
Other operating revenues	$78 million
Economic Value Distributed	
Electric fuel and purchased power costs	$4.2 billion
Cost of natural gas sold and transported	$1.4 billion
Employee compensation, including wages and benefits	$1.8 billion
Total corporate giving	$45 million
Interest charges and financing costs	$528 million
Common stock dividends	$561 million
Sales, use and property taxes	$784.8 million
Franchise fees	$180 million

Please see our 2014 10-K for detailed financial statements.
*A reconciliation to GAAP earnings per share is located in Item 7 of the Form 10-K.

About this Report

Reporting Period: Jan. 1, 2014 – Dec. 31, 2014
Date of Previous Report: May 2013
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 tenth year we have been reporting. 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 is convenient to use and provides easier access to information for our stakeholders. Throughout the report, we provide links to data and information published in our other corporate reports, such as the Form 10-K and the proxy statement. To promote the full report and encourage our stakeholders to access it online, we have produced a much shorter overview publication to distribute at our annual shareholders' meeting and other events.

As a regulated, public utility we interact with stakeholders on a daily basis through the dozens of requests and reports we file with our public utilities commissions; through our ongoing interactions with customers, both business and residential; and through 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

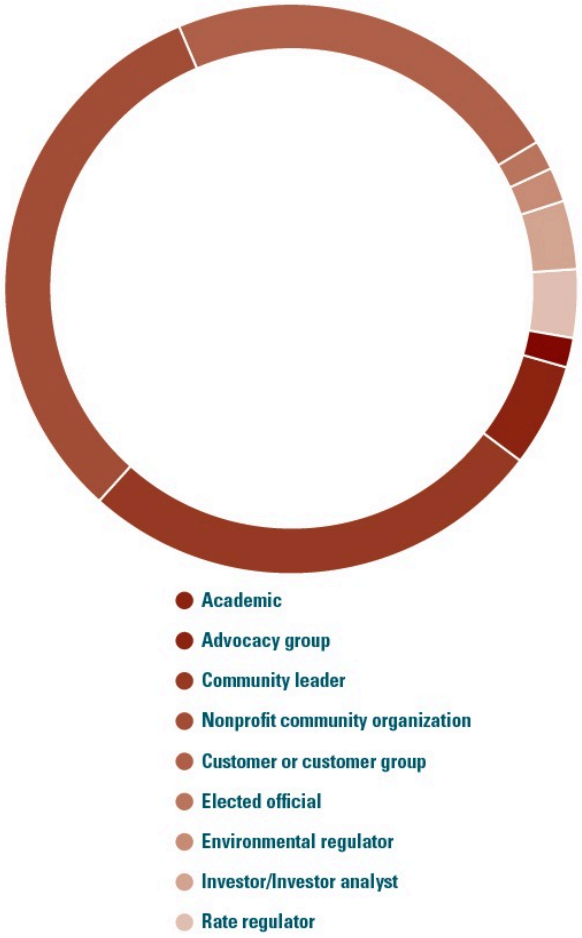
Xcel Energy continues to base its Corporate Responsibility Report on Global Reporting Initiative (GRI) guidelines, which we have used since 2008. This year we have used GRI's G4 guidelines and the Electric Utilities sector specific supplement as the framework for the report. We have tried to meet the intent and follow the G4 guidelines as closely as possible; however, there are instances where we track the information for disclosure differently or not at all, based on our company or stakeholder information needs. We have noted these items in the GRI index that accompanies our report.

Materiality Assessment

Consistent with GRI's G4 guidelines, we conducted our first materiality assessment for the report in early 2015. For our Corporate Responsibility Report, material issues are associated with Xcel Energy's potential impact on environmental, social and local economic matters that are important to Xcel Energy and its stakeholders. 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 different stakeholder groups distributed the questionnaire. We had 97 stakeholders from throughout Xcel Energy service territories complete questionnaires and results were weighted to reflect the customer base of our states.



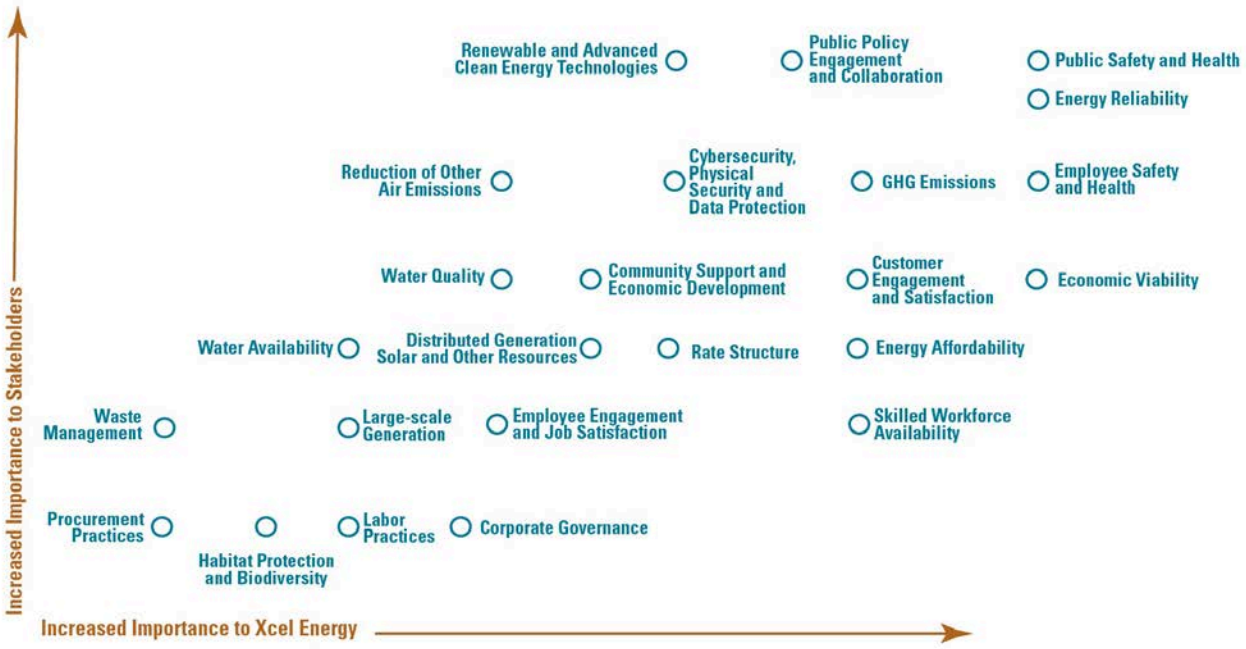
After the stakeholder results were compiled, we compared stakeholder interests to the interests of Xcel Energy and our strategic plan and objectives. Overall, the results confirmed that there is alignment among stakeholders and Xcel Energy when it comes to the issues that are most important for the future.

Through our strategic plan and objectives, as well as other corporate priorities, Xcel Energy is focused on those issues that stakeholders rated most highly, including:

- Energy reliability
- Public health and safety
- Public policy engagement and collaboration
- Renewable and advanced clean energy technologies
- Employee safety and health
- Greenhouse gas emissions
- Cybersecurity, physical security and data protection
- Customer engagement and satisfaction
- Economic viability of the utility
- Community support and economic development
- Energy affordability

The results have helped inform our business and have been used to improve the focus and quality of this report.

2014 Materiality Assessment Results



Learn more about Xcel Energy's materiality assessment in the GRI Index online.

Earning Customer Loyalty

At Xcel Energy, we are committed to giving customers the choices they want and delivering a positive experience each time our customers engage with us. We recognize that customer expectations are growing, and it is our goal to provide innovative solutions that build a loyal and satisfied customer base. Xcel Energy has been a leader in energy efficiency and conservation programs for more than two decades. We continue to expand our portfolio of renewable energy sources while developing new programs that give customers more control over the type of energy they use, as well as how they manage it. Our “Moments that Matter” customer experience initiative focuses on the four key opportunities we have to engage positively with customers: when they start their service, when they pay their bill, when they experience an outage and as they seek new ways to manage their energy. Of course, safety is a top priority. Above all else, we want customers who use our service and the people who live, work or gather near our facilities to be aware of possible hazards and to respond safely to them.

Highlights:

- Overall 94 percent of customers surveyed are satisfied with Xcel Energy. Our commitment to customers is validated through positive feedback in areas such as showing concern for safety, supporting renewable energy sources, providing reliable electricity service and being a good corporate citizen.
- Through one of the most extensive energy efficiency portfolios in the country, Xcel Energy offers residential and business customers nearly 100 programs to help manage their electricity use and nearly 50 programs for managing natural gas. In 2014, our customers saved 982 gigawatt-hours of electricity—enough to power more than 121,000 average-sized homes for a year—and 1.7 million dekatherms of natural gas—enough to fuel more than 20,000 homes for a year.
- In early 2014, Xcel Energy customers victimized by scams spiked, prompting us to launch an awareness campaign and make technology changes to help protect customers. By the end of the year, the number of customers impacted by scams was down 60 percent.
- Our Minnesota customers now have a choice of two solar energy programs, Solar*Rewards® and Solar*Rewards® Community®, both are similar to solar programs Xcel Energy also offers in other states. Through year-end 2014, Solar*Rewards had contributed about $357 million in incentives to help more than 25,500 customers in Colorado, New Mexico and Minnesota install solar panels.
- We have improved our response time to potential natural gas emergencies by more than 40 percent—measured from the time we receive the call to when we arrive on location.

Customer Numbers

Electricity Customers (as of year-end 2014)

	Residential	Large Commercial & Industrial	Small Commercial & Industrial	Public Authority & Other	Wholesale	Total
NSPM	**1,274,182**	**466**	**153,988**	**7,015**	**14**	**1,435,665**
Minnesota	1,117,871	429	130,422	6,249	14	1,254,985
North Dakota	79,206	18	12,475	342	--	92,041
South Dakota	77,105	19	11,091	424	--	88,639
NSPW	**214,350**	**114**	**38,939**	**1,144**	**--**	**254,547**
Wisconsin	206,651	112	37,673	1,098	--	245,534
Michigan	7,699	2	1,266	46	--	9,013
PSCo (All Colorado)	**1,202,621**	**334**	**156,809**	**53,824**	**23**	**1,413,611**
SPS	**302,922**	**214**	**76,553**	**6,323**	**7**	**386,019**
Texas	208,826	151	53,904	4,590	3	267,474
New Mexico	94,096	63	22,649	1,733	4	118,545
Total	**2,994,075**	**1,128**	**426,289**	**68,306**	**44**	**3,489,842**

Natural Gas Customers (as of year-end 2014)

	Residential	Commercial & Industrial	Transportation & Other	Total
NSPM	**456,191**	**42,504**	**24**	**498,719**
Minnesota	411,622	34,724	23	446,369
North Dakota	44,569	7,780	1	52,350
NSPW	**98,325**	**12,773**	**23**	**111,121**
Wisconsin	93,265	12,114	23	105,402
Michigan	5,060	659	--	5,719
PSCo (All Colorado)	**1,240,674**	**100,238**	**6,547**	**1,347,459**
Total	**1,795,190**	**155,515**	**6,594**	**1,957,299**

Customer Solutions

As customers become increasingly interested in making energy choices that meet their individual needs and preferences, Xcel Energy is providing solutions. Our diverse and innovative programs include more convenient payment options, rebates for energy efficient upgrades and the chance to make a difference by choosing renewable energy. In addition, we are working to meet the fueling needs of customers who choose to drive electric and natural gas vehicles. Customers are taking advantage of Xcel Energy's solutions in large numbers, and have expressed strong satisfaction with their ability to select programs and make their own energy decisions.

Energy Efficiency Programs

Xcel Energy has 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 also help the environment.

We have been a leader in energy efficiency and conservation since the 1990s, and currently offer nearly 150 electric and 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.

In 2014, Xcel Energy provided more than $86 million in rebates to residential and business customers. In total, our programs had nearly 2.8 million electricity and 886,000 natural gas participants—some of our customers participate in multiple programs.

Xcel Energy is 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

Our energy efficiency programs were nationally recognized in 2014. The U.S. Green Building Council (USGBC) staff and board of directors selected Xcel Energy as the Best Energy Service Provider/Utility in the nation, as part of the organization's Best of Building Awards that recognize the year's best green products, projects, organizations and individuals making an impact in green building. E Source ranked Xcel Energy's Colorado Energy Design Assistance program in its Top Technologies and Trends of 2014.

The program successfully improved the energy efficiency of commercial new construction projects by developing a unique tracking system to improve the program and allow more customers to participate. In addition, the USGBC Colorado recognized 12 Xcel Energy customers for their exemplary building projects at the Colorado Green Commercial Real Estate awards. Of the 17 projects nominated, 12

participated in Xcel Energy's energy efficiency programs, helping them maximize efficiency and earn a nomination.

See the details of our energy efficiency program results for 2014.

Energy Efficiency Open Houses and Customer Awards

We recognized 12 businesses in Colorado and six businesses in Minnesota for their individual efforts to save energy through our 2014 energy efficiency programs. These companies collectively saved more than 63 million kilowatt-hours of electricity and more than 1.3 million therms of natural gas. Awards were presented at our energy efficiency open houses in Denver and St. Paul. More than 400 business customers attended the Denver event, and more than 600 business customers attended the St. Paul 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. The St. Paul event included a technology showcase to educate customers on available options, including the latest lighting and variable frequency drive and controls equipment.

State-by-state Overview and Performance

Upper Midwest	
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 to encourage energy-wise choices and behavior in the home. In 2014, the residential electric efficiency products in Minnesota exceeded our participation and savings goals. The Home Lighting program was the leading performer among the electric programs, exceeding its energy savings goal by approximately 25 gigawatt-hours. The program experienced continued strong customer response to promotions and event marketing. The Residential Cooling, Energy Feedback and Refrigerator Recycling also contributed significant electric savings. The ENERGY STAR Homes® program more than doubled its electric savings in 2014, due in large part to combining efforts with CenterPoint Energy's new ENERGY STAR Homes gas program. Nearly all the residential natural gas programs exceeded our energy savings goals primarily because of high—and in some cases unprecedented—participation levels, including strong contributions from Heating System Rebate, Energy Feedback, ENERGY STAR Homes and Energy Efficient Showerheads programs.
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: • Demand response programs that help lower customers' electricity use during peak periods in exchange for lower rates or energy bill discounts • Equipment 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 their efficiency and conservation efforts • Holistic programs that combine awareness, study funding and equipment rebates within a single offering. These encourage long-term energy planning to help customers analyze, track and implement efficiency plans rather than ad-hoc efficiency projects • Business education, advertising and promotional efforts that increase awareness of energy use and conservation options, which drive behavioral changes and lead to future participation in our programs Electric efficiency and conservation programs for businesses showed strong results in 2014. Overall, the gas portfolio performance was strong due to a number of very large project completions that had been in the works for several years. Business New Construction had another outstanding year, bringing in more than 56 gigawatt-hours of savings—the culmination of focused efforts over the past few years, return of a healthy economy within the region and increased interest in green building certifications and practices. Growth in this market is expected to continue. The Lighting Efficiency and Process Efficiency programs produced more than 117 gigawatt-hours of energy savings. The holistic approach of Process Efficiency in particular encourages the development of targeted savings plans to encourage customers toward deeper and sustained efficiency improvements. 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.
Low-Income Programs	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 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. 2014 was our third 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 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 2014, the products in our residential programs performed very well, with the following electric and gas products exceeding their targets: ENERGY STAR® New Homes, High Efficiency Air Conditioning, Home Lighting & Recycling, Home Performance with ENERGY STAR, Refrigerator Recycling, School Education Kits and Water Heating. In addition, 1.5 percent of total residential natural gas rebates paid were attributed to Colorado Flood Victim Rebates—primarily through higher rebates for homeowners who rebuilt with high efficiency furnaces and water heaters.
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 2014, the performance of the electric products in Xcel Energy's business program exceeded target—at 127 percent of anticipated net generator kilowatt-hours. Lighting Efficiency was the largest contributor to business program achievements, as anticipated, followed by New Construction and Process Efficiency products due to economic improvements. In addition, Computer Efficiency, Data Centers and Compressed Air exceeded their electric savings targets due to improvements in the economy and increased activity with trade partners and manufacturers. The performance of our natural gas products in the business program exceeded the anticipated savings target by 45 percent in 2014. These achievements—aided by more construction growth due to improved economic conditions—resulted in higher participation and savings in our New Construction, Custom Efficiency and Energy Management Systems programs.
Low-income Programs	The primary objective of low-income programs is to reduce energy use in homes of low-income customers, thereby helping to reduce bills. The low-income program consists of the Single-Family Weatherization, Multi-Family Weatherization, Energy Savings Kit and Non-Profit Energy Efficiency programs. The programs analyze the natural gas and electric use of low-income customers and provide products, services and information to help them lower energy bills. In 2014, the main driver in the electric and gas low-income portfolio was our Multi-Family Weatherization program, which exceeded its anticipated performance due to higher than expected participation.
Southwest	
New Mexico	
	Xcel Energy offers a broad portfolio of programs to meet the needs of business, residential and low-income customers in our eastern New Mexico service territory. In 2014, our expanded program offerings saw strong performance and surpassed the annual goal. In our residential portfolio, the Home Lighting and Residential and Low-Income Home Energy Services programs far exceeded their goals. On the business side the Cooling and Motors & Drives programs were the strongest contributors toward the portfolio success.
Texas	
	We offer our Texas customers energy efficiency programs through third-party standard and custom contracts. These programs are provided to residential, low-income, small commercial, and commercial and industrial customers

Windsource®

Through our Windsource program, launched in 1998, we were an early adopter of wind energy. Windsource is a voluntary green energy program that gives customers the option to purchase more renewable energy, above what is provided in our standard energy supply.

Customers can purchase as little as one 100-kilowatt-hour block of renewable energy or opt to have 100 percent of their electricity consumption provided through Windsource. The Green-e Energy Program certifies that Windsource meets the environmental and consumer protection standards established by the nonprofit Center for Resource Solutions. Xcel Energy offers the program 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 2014 grew by about 15 percent compared to 2013.

Through Windsource, we sponsor the KidWind project, a nonprofit dedicated to equipping inquisitive learners and educators with renewable energy resources for the classroom and beyond. In 2014, 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.

2014 Windsource Results

	Customers			
	Residential	*Commercial & Industrial*	*Total*	*MWh*
NSPM (Minnesota)	39,003	268	39,271	173,837
NSPW (Wisconsin & Michigan)	4,778	55	4,833	12,126
PSCo (Colorado)	40,124	762	40,886	187,544
SPS (New Mexico)	818	90	908	3,973
TOTAL	**84,723**	**1,175**	**85,898**	**377,480**

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 2014, Xcel Energy had paid about $357 million in incentives to help customers install more than 25,500 photovoltaic (PV) systems, with a capacity of about 255 megawatts-DC.

Solar*Rewards Results

State (year program launched)	2014		Total	
	Systems	Capacity (MW-DC)	Systems	Capacity (MW-DC)
Colorado (2006)	6,242	46.70	24,516	234.8
Minnesota (2010)	277	4.35	957	12.2
New Mexico (2009)	14	0.09	129	7.84
Total	6,533	51.14	25,602	254.84

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. The largest systems installed under Solar*Rewards are located at Denver International Airport (four systems, 10 MW-DC), Colorado State University (two systems, 15.9 MW-DC) and Fort Carson Army Base (four systems, 15.9 MW-DC).

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.

Minnesota

In August 2014, Xcel Energy launched a new, redesigned and enhanced Solar*Rewards program for Minnesota customers. The redesign of Solar*Rewards encourages greater participation and seeks 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 will be 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.

In addition to Solar*Rewards, the state also supports a Made in Minnesota program with a budget of $15 million that the Department of Commerce (DOC) administers. 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

All Xcel Energy electricity customers in New Mexico are eligible to participate in Solar*Rewards as long as system equipment meets program requirements. Solar*Rewards supports the installation of systems at three program levels—small systems from 0.5 to 10 kilowatts, medium systems between 10.1 to 100 kilowatts and large systems from 100.1 kilowatts to 2 megawatts. The largest systems installed under Solar*Rewards belong to Haley Farms (350 kW-DC), RMS Foods (two systems, 199.68 kW-DC) and the City of Roswell (26 systems, 2.48 MW-DC).

Find information about Renewable Energy Credits or RECs.
Learn more about Xcel Energy's position on solar policy issues in 2014.

Community Solar Gardens

Xcel Energy's Solar*Rewards®Community® program gives customers in Colorado and Minnesota an option to invest in solar energy even if they cannot or do not want to install their own panels.

Under the program, solar developers apply to Xcel Energy to build and operate solar gardens, which are community-based, shared solar installations connected to the grid. Garden developers offer Xcel Energy customers various options to subscribe, lease or purchase a share of the garden's energy. Participating customers receive credits on their Xcel Energy electricity bills for their portion of energy that the solar garden produces.

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. The company to date has approved applications to install 25 solar gardens with a total capacity of about 18 megawatts. In 2014, the Colorado Public Utilities Commission approved an agreement between Xcel Energy, the solar industry and others that allows Solar*Rewards Community to acquire up to 30 megawatts of new solar garden capacity each year in 2015 and 2016. We plan to issue requests for proposals to fulfill this new requirement.

Solar*Rewards Community Colorado Results (as of 3/23/15)

	Completed	Under Development
Approved Gardens	14	11
Garden Capacity	9.6 MW-DC	8.5 MW-DC
Subscribers	532	n/a
Subscribed Capacity	9.3 MW-DC	n/a

Minnesota

Xcel Energy began accepting applications from garden developers in December 2014 for Solar*Rewards Community in Minnesota. The response has been tremendous with developers submitting applications for more than five times the number of garden projects anticipated. As of April 2015, we had received applications for 502 garden projects totaling about 560 megawatts-AC of power. All applications undergo an evaluation to ensure they meet program requirements, as well as an engineering review, prior to approval.

Under the program so far we have advanced applications totaling about 80 megawatts-AC. These applications are for projects that currently meet the state requirement which limits garden size to one megawatt or less. We plan to work with developers who proposed larger projects to scale them down to one megawatt. Approximately 95 percent of the garden applications received to date are for gardens of more than one megawatt.

We are poised to have one of the largest solar garden programs in the nation, with the first gardens expected to be online in 2015.

Find information about Renewable Energy Credits or RECs.
Learn more about Xcel Energy's work on solar policy issues in 2014.

Repowering Transportation

In Xcel Energy's service territory the market for electric and natural gas vehicles remains in the initial growth stages. Less than 1 percent of our customers currently own these vehicles, but according to information from the Electric Power Research Institute, two of the states Xcel Energy serves are leading the country in electric vehicle growth. Colorado is ranked eighth in the nation for electric car sales and Minnesota has one of the highest adoption rates for electric vehicles per capita. 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. Plus, fueling is becoming increasingly easier and more accessible.

As an energy provider, Xcel Energy has the unique opportunity to support customers and communities that want to participate in this vehicle market. We offer the safe, clean, reliable 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 supporting customers** who choose to repower their transportation
- **Get the rules right** by engaging stakeholders to develop policy and regulations that support the market in a way that is equitable and fair to all customers
- **Manage system impacts** by providing reliable and safe energy to fuel vehicles at an affordable cost to customers

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 all service territories, we work with auto manufacturers and station developers to build public fueling stations for both electric and natural gas vehicles. In 2014, we supported the installation of more than 10 new public fueling stations, plus provided electricity and natural gas to thousands of drivers that fuel at home or in their fleet parking lots.
- In early 2015, we filed a request with the Minnesota Public Utilities Commission to offer customers in the state a new electric vehicle (EV) rate, in addition to the time-of-day rate that we already offer customers in the Upper Midwest. Under the EV rate, customers use a separate meter for EV charging and are encouraged to shift their charging times to evening. Customers can save about 40 percent on their energy costs by charging their EVs off-peak in the late evening or early morning.

- 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, about two-thirds of our customers who drive EVs participate in one of Xcel Energy's renewable energy programs, including Windsource. In Minnesota, we collaborated with community partners and customers to promote the Zero Emissions Challenge, a Windsource offset for public charging stations.
- 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.
- Some Xcel Energy employees now drive electric vehicles to and from work. Under a pilot program, employees have the option to charge electric vehicles at Xcel Energy 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 natural gas fueling stations, we work individually with developers to help find ideal locations based on preferred gas pressure, vehicle traffic and fleet needs. To stay informed about electric vehicle purchases and system needs, we participate in the Electric Vehicle Information Exchange (EVIX) that helps us track vehicle sales throughout our service territory. We also receive monthly vehicle sales reports from auto manufacturers. Additionally, the electric vehicle charging pilot in Colorado, the use of electric vehicles in our fleet and market research continue to inform the company's strategy for the future.

Learn more about how we're helping to repower transportation.

Customer Engagement

Xcel Energy monitored customer perceptions of the company's performance through the Voice of the Customer (VOC) market research initiatives in 2014. VOC is a continual study where randomly selected customers are interviewed about various aspects of Xcel Energy, including reliability, communications, pricing, company programs and customer service.

In 2014, 94 percent of customers gave Xcel Energy positive marks for overall satisfaction. Xcel Energy's 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 second year as well, driven by favorable ratings of reasonable electricity rates and continually rising familiarity with energy efficiency programs offered. Finally, customers continue to provide high positive scores to Xcel Energy for being a good corporate citizen.

Beginning in 2015, we will monitor relationships between Xcel Energy and our residential and small- to medium-sized customers through the Customer Engagement Index (CEI), which evaluates three key components: brand trust, operational excellence and product experience. We will continue to survey large customers through our Voice of the Customer (VOC) relationship study.

2014 Overall Satisfaction with Xcel Energy (All Customers)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NSPM	91%	90%	93%	92%	94%	94%	96%	96%	95%	95%
NSPW	93%	94%	95%	94%	94%	95%	95%	96%	96%	95%
PSCo	82%	82%	89%	89%	92%	91%	91%	93%	93%	93%
SPS	92%	92%	93%	93%	95%	97%	97%	96%	97%	95%
Xcel Energy	88%	87%	91%	91%	93%	93%	94%	95%	95%	94%

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

Customer Experience

Multiple research sources show that customers engage with utilities for a very small amount of time—on average, only six minutes per year. Each customer touch point is an opportunity to build trust and relationships with our customers. We do this by adding convenience to all interactions, delivering digital improvements and driving engagement and participation.

At Xcel Energy, customer experience means focusing on customer perspectives to identify and deliver valuable solutions that can transform their experience with us. In 2013, Xcel Energy established a customer experience strategy focused on fine-tuning the company's customer touch points in an initiative called Moments that Matter. The four Moments that Matter are our best opportunities to change customer perceptions:

- **Start My Service: Building a Strong Relationship**
  Start My Service focuses on making a strong and lasting first impression that fosters trust and leaves the customer wanting to engage further with Xcel Energy. This moment addresses more than just the start service transaction—it sets a path for Xcel Energy to engage customers from day one.

- **Pay My Bill: Delivering Convenience and Choice**
  Pay My Bill addresses account management, billing and payment touch points for all customers. This moment is unique because there is consistent engagement—every customer experiences this in some way. There is a substantial opportunity to build relationships by informing customers of convenient and easy bill payment choices that align with their expectations. The Pay My Bill moment focuses on shifting away from a one-size-fits-all approach toward targeted and dynamic programs and messaging.

- **Understand My Outage: Providing Accurate, Relevant and Timely Information**
  Understand My Outage is built on the understanding that during outage events, customers want updated information to manage their lives and make decisions while their power is being restored. Research shows that customers value having accurate information and easy-to-use tools.

- **Manage My Energy: Engaging Through the Right Choices**
  Manage My Energy focuses on building and nurturing ongoing relationships with customers. It positions Xcel Energy as a trusted energy resource by delivering choices that meet customer needs and expectations.

Redesigned Website and New Outage Map

Late in 2014, we launched a redesigned website based on customer feedback. The site has a fresh look, additional tools, enhanced performance and more relevant organization. It also is mobile-friendly, so customers can find the information they need no matter where they are. Key elements of the new site include:

- A simplified design
- Faster navigation
- More interactive elements
- Automatic recognition of the customer's location
- New and enhanced online forms and tools

Also in 2014, an improved electric outage map was added to our website. Customers can report and monitor outages online, learning how many customers are affected by the outage in their area and when service is expected to be restored. In early 2015, a customer preference center will be introduced that offers proactive phone, text or email notifications on outage events to provide an even higher level of personalization and service. The new outage map is accessible at outagemap-xcelenergy.com.

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. In 2014, the program yielded 4,000 direct sign-ups to our energy efficiency and renewable programs. We gained exposure to more than 3 million people at community events and generated 21,000 targeted customer leads.

'This is How' Videos Help Customers Save Energy and Money

Xcel Energy has introduced a new video series: *This is How* features15 how-to videos demonstrating a range of conservation behaviors and projects to help customers save energy and money. The series was rolled out for testing in late 2014 at a kiosk in Minnesota's Shoreview Public Library, with plans to roll out more kiosks at other high-traffic public locations in other states this year. 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. See an example of one of the videos showing how to seal air leaks in your home.

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.

The awareness campaign provided guidance to customers through bill messages, emails and other communications. On the technology side, additional levels of security are being added to the company's Interactive Voice Response phone system before customers are provided certain account information. 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. At the end of last year, we estimated these changes helped reduce the number of customers victimized through scams by 60 percent.

Customers in Need

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.

In 2014, we helped provide nearly $29.4 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 to increase funding for 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

2014 Programs Available to Customers in Need

PROGRAM	DESCRIPTION	STATES AVAILABLE	# CUSTOMERS PARTICIPATING IN 2014
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	9,987
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	8,032
Low-income Discount Program	Qualifying participants receive a $15 discount each billing period.	MN	53,236
Low-income Energy Savings Programs	Our Home Energy Savings program offers free energy savings services and upgrades, including weather stripping, insulation, replacement of inefficient furnaces, water heaters, refrigerators, freezers and window/wall air conditioners,	MN	2,098 in Home Energy Savings, plus 1,430 Home Energy Squad and 2,238 Multi-family

	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.		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	16,190
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	544
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.	CO	1,263 (single-family residences) 28 (multi-family complexes) 7,786 (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	28 (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 conditioners and installation of radiant barriers are also offered.	NM	703

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. In March 2014 Xcel Energy made an donation of $100,000 to the fund.	WI	n/a
Income Eligible - Residential Rewards and Home Performance	Through the statewide Focus on Energy program, income-eligible customers are offered larger incentives than standard program participants for the purchase of energy efficient heating and cooling equipment. They are also offered reduced costs on professional home energy assessments and increased incentives to offset costs of recommended air-sealing and insulation improvements.	WI	n/a

Service Disconnects

If we are unsuccessful in our efforts to reach out to customers regarding payment issues, we disconnect service only as a last resort. 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 2014, we disconnected service to a total of 99,360 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, Customer Care leadership can decide to suspend disconnections during extreme weather or other emergency situations.

Learn more about energy assistance.

Public Safety

Safety is an important value at Xcel Energy, and we are committed to the safety of our employees and the public. We want our customers and the people who live, work or gather near our facilities to be aware of possible hazards and to respond safely to them. We provide comprehensive outreach programs to 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.

Public Safety Index

Our corporate scorecard includes a public safety index measure. Our goal for this index measure was 100, meaning that we need to meet or achieve 100 percent for each target outlined on the index below. While the goal for the entire index is consistently 100 each year, the different targets within the index increase annually.

2014 Public Safety Index Performance

Measure	Target	Description
Response time to gas emergency calls	26 minutes	To meet this target, the average response time of our total E1 gas emergency calls needed to be 26 minutes or less. The clock begins ticking when a call arrives at Customer Care and ends when our responders arrive at the site. In 2014, our average response time for gas emergency calls was 25 minutes.
Nuclear emergency response	95.5%	To meet this target, we needed to perform in a timely and accurate manner during at least 95.5% of all drill, exercise and actual nuclear emergency response opportunities throughout the year. In 2014, we performed timely and accurately to 97.5% of all nuclear emergency response opportunities.
Number of inadvertent dig-ins to Xcel Energy's underground gas or electric service	1.29 per 1,000 locates	To meet this target, we must have had less than 1.29 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 2014, we had 1.41 damages for every 1,000 locate tickets.

Assessments of the company's high-pressure gas system	220 HCA miles	To meet this target, we must have assessed historical and current integrity along 220 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 2014, we assessed 328 miles of pipeline in HCAs.

Public Safety Initiatives

We send direct mail to thousands of customers and offer free safety materials through our fulfillment programs and participation with other organizations, as described below. We also offer online safety resources for elementary educators, students and their parents and for third-party workers. Likewise, 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, social media sites and our electronic newsletters and billing statements.

We work closely with several national organizations that focus 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 2014, 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 9,600 website visits in 2014.
- Xcel Energy mailed safety posters to 61,318 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 more than 44,000 additional pieces of safety information to at-risk workers (excavators, plumbers, general contractors, etc.) to support 1,438 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 more than 144,000 excavators
  - MN CAER *Gopher State Newsletter* was mailed to 32,119 excavators
- **Public Officials**
  - PAPA *Public Officials Newsletter* was mailed to 18,009 public officials
  - MN CAER *Public Officials Newsletter* was mailed to 5,774 public officials
- **Emergency Officials**
  - PAPA *Pipeline Emergency Response Guide* was mailed to 4,366 emergency response agencies
  - MN CAER *Emergency Responder* books were provided to more than 2,700 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 conducted a train-the-trainer pilot program for emergency responders in Colorado enabling fire and law enforcement personnel to train their co-workers on safely responding to utility emergencies.
- We estimate that nearly 20,000 people watched our electricity safety demonstrations at the Minnesota State Fair in 2014.
- Xcel Energy provided hundreds of electricity and natural gas safety pamphlets at safety events throughout our service territory.
- We mailed information to 1,312 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 1,348 visits.
- Xcel Energy conducts numerous emergency drills each year, including about a dozen that involve local emergency responders from the communities we serve.

Learn more about customer safety & education.

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 is a corporate goal and 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.

Read more about pipeline safety.

PROVIDING COMMUNITY VALUE

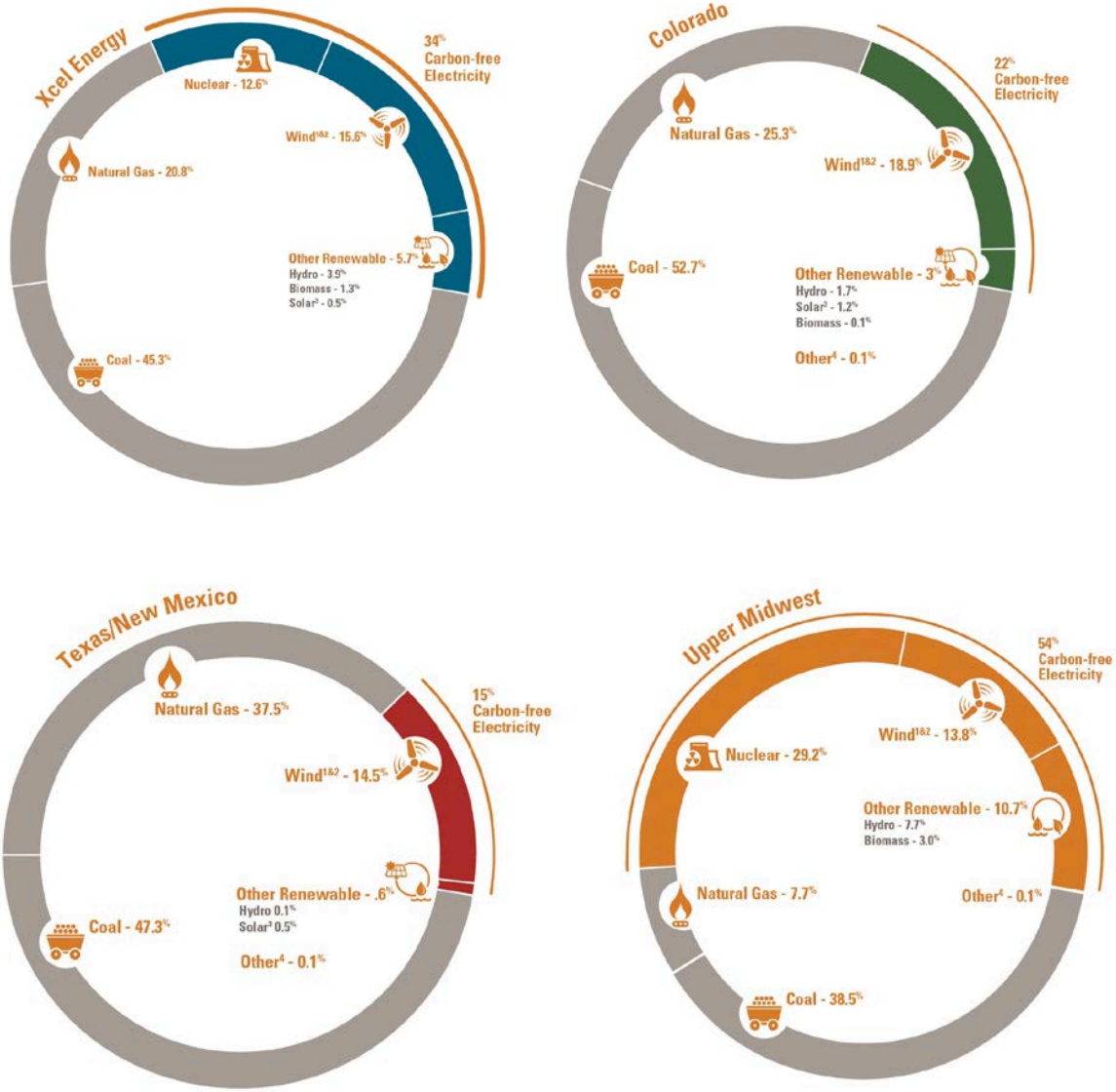
Xcel Energy is highly committed to the communities we serve. Over the next five years, we plan to invest $14.5 billion in our electric and natural gas businesses to ensure we continue to provide our communities with the safe, reliable and affordable energy they depend on, as well as energy with less environmental impact. The energy landscape is changing, and we are responding with a comprehensive, forward-thinking approach that includes strengthening our infrastructure and making sure it is resilient and secure. As Xcel Energy works to operate more competitively, controlling company costs, leveraging technology to improve our processes and working to establish longer-term regulatory agreements all play a key role in our future. To meet the interests of individual cities and towns, we are seeking to implement constructive solutions—such as the innovative Clean Energy Partnership we established with Minneapolis in 2014. We want to ensure our communities remain desirable places for everyone to live, work or own a business. Beyond our core business, our company and employees find ways through the Xcel Energy Foundation and our community giving efforts to contribute to the economic prosperity and quality of life in communities we serve.

Highlights:

- Xcel Energy's system reliability results consistently rank near the top one-third of U.S. electric utilities. On average, our customers have electricity more than 99.9 percent of the time.
- Xcel Energy's rates are competitive both nationally and in the states we serve. To help maintain affordable rates for customers, we are controlling costs. In 2014, we limited the growth of operating and maintenance expenses to 1.8 percent, within our goal range of below 2 percent.
- Last year we expanded natural gas service to three Minnesota communities previously served by more costly propane service, an arrangement that benefits both the community and Xcel Energy. We added 1,100 new customers to our system that will save money on their monthly energy bills while we expect to increase annual revenue by about $600,000.
- Xcel Energy proposed a groundbreaking new resource plan to serve communities in the Upper Midwest from 2016 to 2030. The plan charts a path to more than double the company's renewable energy portfolio and deliver a 40 percent reduction in carbon dioxide emissions by 2030, all while keeping costs reasonable for customers and maintaining a diverse mix of energy resources.
- Xcel Energy contributed more than $45 million to communities in 2014 through a combination of foundation giving, volunteer contributions, energy assistance and support for economic development. Contributing to this, our annual United Way campaign raised $5.2 million for local nonprofit agencies, with employee participation at the highest level yet.

Operations Numbers

2014 Energy Supply Resource Mix (owned and purchased)



[1]Includes wind energy de-bundled from renewable energy credits (RECs); learn more about RECs
[2]Includes wind energy purchased for Windsource
[3]Includes solar energy generated by customer-owned systems through Solar*Rewards
[4]"Other" includes small amounts of power purchased from a number of sources

2014 Owned and Purchased Generation (in MWh)

	Owned	Purchased	Total
Upper Midwest	33,633,367	12,511,710	46,145,077
Colorado	23,019,974	11,449,231	34,469,205
Texas/New Mexico	16,953,436	9,979,851	26,933,287
TOTAL	73,606,777	33,940,792	107,547,569

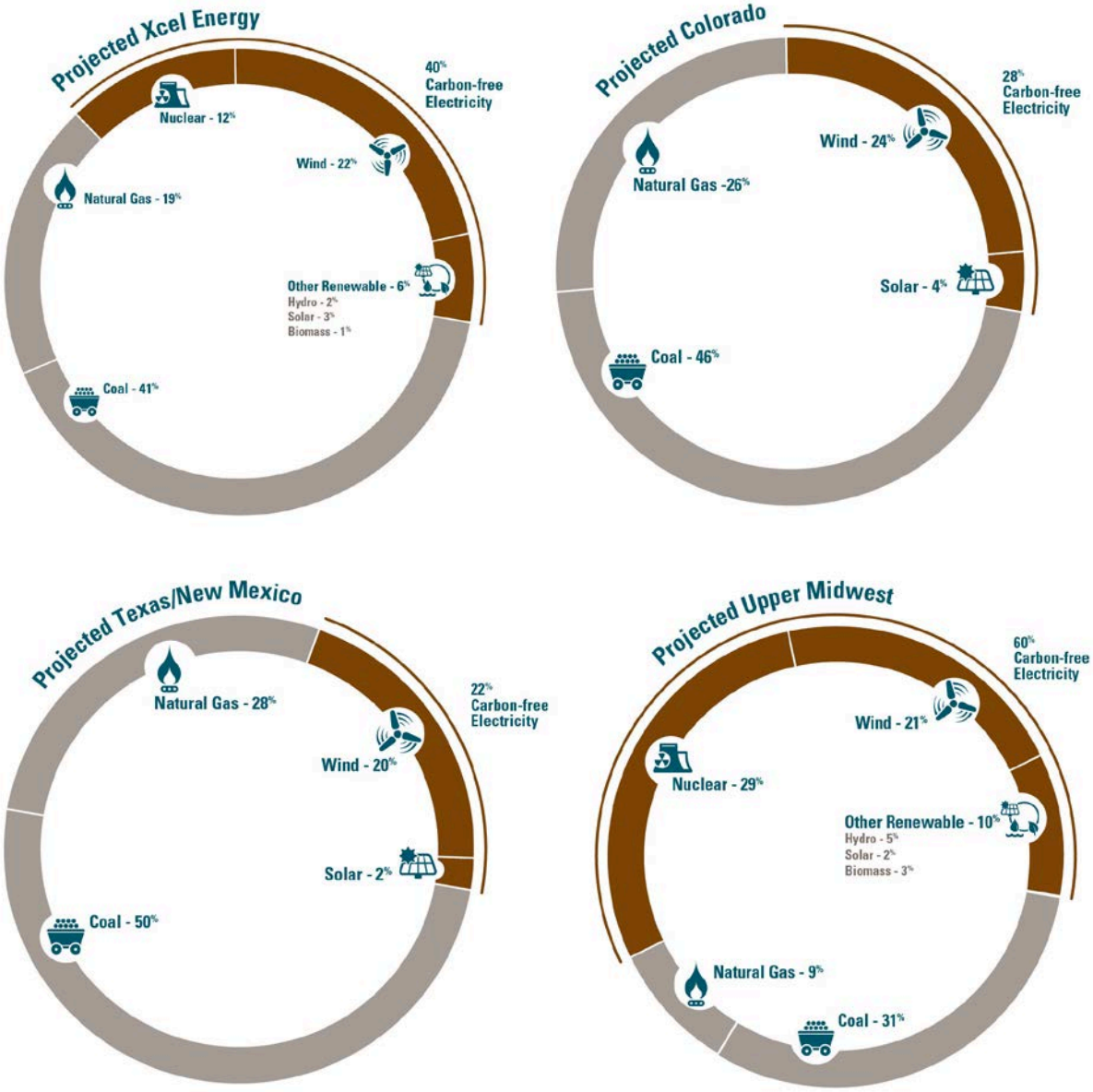
Owned Generating Plants

Type	Plants	Units	Net Dependable Capacity in Megawatts (MW)
Coal	12	25	7,409
Colorado	*6*	*11*	*2,673*
Upper Midwest	*4*	*9*	*2,651*
Texas/New Mexico	*2*	*5*	*2,085*
Natural Gas	25	70	6,877
Colorado	*7*	*18*	*2,045*
Upper Midwest	*10*	*31*	*2,472*
Texas/New Mexico	*8*	*21*	*2,360*
Nuclear	2	3	1,594
Upper Midwest	*2*	*3*	*1,594*
Hydro	26	79	377
Colorado	*6*	*11*	*236*
Upper Midwest	*20*	*68*	*141*
Wind*	3	238	327
Colorado	*1*	*37*	*25*
Upper Midwest	*2*	*201*	*302*
Solar	4	4	0.1
Texas/New Mexico	*4*	*<4*	*0.08*
Other	4	19	435
Upper Midwest	*4*	*19*	*435*
Total	76	438	17,019
Colorado	*20*	*77*	*4,979*
Upper Midwest	*42*	*331*	*7,595*
Texas/New Mexico	*14*	*26*	*4,445*

*Wind generation is based on net maximum capacity.

Learn more about Xcel Energy's power plants. Read about our nuclear plant operations on our website and in the Form 10-K.

2020 Projected Energy Supply Resource Mix (based on current plans and energy forecasts)



2014 Natural Gas Pipelines (measured in miles)

	Transmission	Distribution
NSPM	136	9,931
NSPW	--	2,316
PSCo	2,258	21,844
SPS	--	--
WestGas Interstate (WGI)*	11	--

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

2014 Electric Transmission and Distribution Lines

Throughout our service territory we operate 289,989 conductor miles of 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
NSPM	27,584	77,547	2,917	8,403	1,803	416	-	7,502	84,090
NSPW	9,936	26,945	-	1,152	-	1,575	-	1,746	32,408
PSCo	21,176	73,707	-	2,630	12,162	-	92	4,889	75,110
SPS	34,404	18,690	-	8,110	9,312	-	-	12,378	23,294
TOTAL	**93,100**	**196,889**	**2,917**	**20,295**	**23,277**	**1,991**	**92**	**26,515**	**214,902**

(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)

2014 System Average Interruption Duration Index (SAIDI)

The System Average Interruption Duration Index (SAIDI) measures the average number of minutes a typical customer was without power in a year.

Xcel Energy: 88
NSPM: 86
NSPW: 121
PSCo: 85
SPS: 80

2014 System Average Interruption Frequency Index

The System Average Interruption Frequency Index (SAIFI) measures the average number of power outages that an average customer experienced in a year.

Xcel Energy: 0.92
NSPM: 0.85
NSPW: 0.96
PSCo: 0.99
SPS: 0.86

2014 Customer Average Interruption Duration Index

The Customer Average Interruption Duration Index (CAIDI) measures the length of the average power outage in a year.

Xcel Energy: 95.55
NSPM: 101.43
NSPW: 125.35
PSCo: 85.32
SPS: 93.00

Reliable Energy

Keeping Xcel Energy's system reliable and secure is fundamentally important to our customers and communities. We never lose sight of this fact and are taking steps to ensure our reliability ranks among the best in the country now and well into the future. In 2014, Xcel Energy customers had electricity service 99.9 percent of the time on average. 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. Having a diverse mix of energy resources on our systems helps us to ensure reliability at a reasonable cost to customers while also managing the risks associated with relying too heavily on any one resource. As we invest in strengthening and upgrading our infrastructure, Xcel Energy always considers how to manage risk and choose the projects that provide the best value for communities.

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. 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 across state and federal agencies
- Establishing a clear reporting and federal agency responsibility structure in case of a cybersecurity event
- 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.

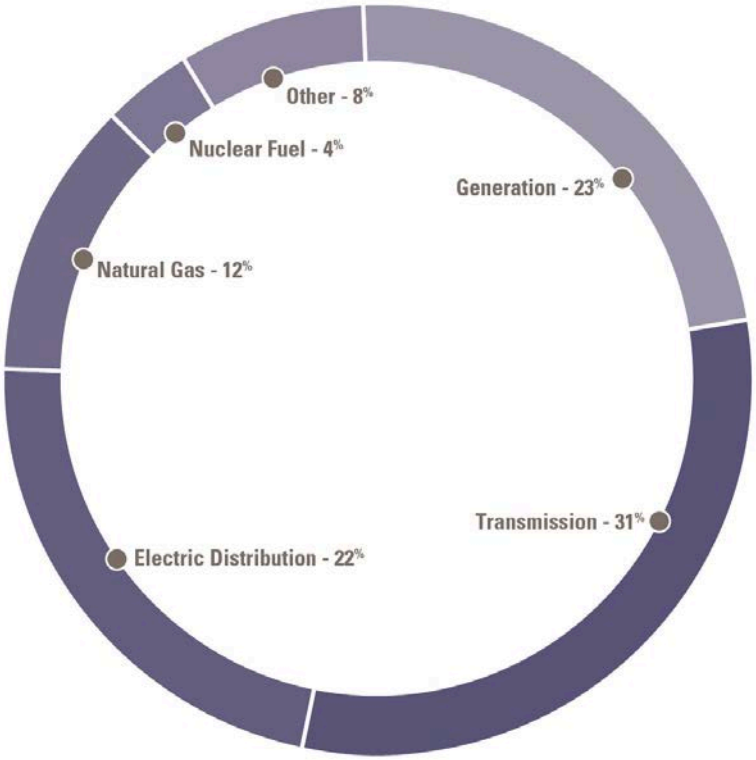
We continuously assess potential risks—natural, technical and terrorist. We carefully consider the consequences of each possible emergency and develop our response plans. To test our plans, we conduct several complex and multi-business unit reliability drills each year.

These drills challenge the organization with scenarios such as earthquakes, severe weather, major power or 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.

Infrastructure Investment

By investing in new infrastructure and modernizing existing infrastructure, we can be sure to maintain high reliability over time. In the next five years, Xcel Energy will invest $14.5 billion in projects that offer the most value for customers, while strengthening the safety and security of our system. Current low interest rates allow us to make necessary and innovative improvements at an affordable cost to customers.

2015-2019 $14.5 Billion Capital Investment Plan



Transmission and Natural Gas Investment for the Future

Xcel Energy has a strong track record of managing and completing complex construction projects under challenging and often changing conditions. Our expertise is particularly strong when it comes to building and upgrading transmission lines and natural gas pipeline, which is why we're focusing a significant portion of our infrastructure investment plans on growth opportunities in these two areas.

Transmission
For the communities we serve, transmission is an area of our business that continues to expand as we plan to maintain electric reliability, meet future load growth and seek ways to connect more renewable energy resources.

In 2014, we put more than 760 miles of new transmission lines into service and modernized 190 miles of existing lines, successfully executing more than $1 billion in capital investment in transmission. We plan to invest an additional $4.5 billion in transmission between 2015 and 2019 and have established three independent transmission companies to give us the flexibility to compete in the highly competitive transmission market. Xcel Energy is one of the largest builders of 345-kilovolt transmission in the United States, and we're able to do so at an average cost per mile that's lower than the national average.

Natural Gas
Xcel Energy currently operates 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 take advantage of the low cost of natural gas to meet customer demand for electricity at a competitive price, and we have managed to accelerate upgrades to our natural gas distribution system with minimum impact to customer bills.

We're still in the early days of pursuing growth in natural gas and are looking at opportunities for building 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 plans to regulate greenhouse gas emissions.

In 2014, we expanded natural gas service to three communities in Minnesota that were previously served only by propane. For customers, natural gas is more dependable, reliable and lower cost fuel than propane. Additionally, we replaced the last remaining cast iron pipe on our system, which will help ensure safety and reliability, and we completed 35 miles of natural gas transmission pipeline on time and on budget to bring natural gas to Cherokee Generating Plant in Colorado as part of our Clean Air Clean Jobs project.

Read about our transmission projects and organizations.
Learn more about natural gas production and distribution.

Resource Planning

Our commitment to provide customers with clean, affordable and reliable energy requires a diverse mix of electricity resources, which today includes coal, nuclear, natural gas and renewable resources. By having diversity in our energy supply, we capture the benefits associated with each resource, while also

minimizing the operational, financial and environmental risks that come with relying too heavily on any one resource.

Regulatory commissions in some of the major states we serve require us to submit resource plans at regularly established intervals. The plans generally assess the resources necessary to serve customers' future energy requirements. They also discuss our future energy efficiency program goals and summarize our transmission planning process and other resources we may need to acquire based on our studies of future load growth. The regulatory review for these plans includes input from customers and other stakeholders.

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 as well as environmental, business and community stakeholders. Xcel Energy and stakeholders have the opportunity to advocate for specific assumptions that will form the basis for subsequent plans.

If the resulting approved plan proposes to add resources to meet customer needs, Xcel Energy will release one or more requests for proposals (RFPs), which are either general or target specific energy production technologies. Stakeholders are given the opportunity to provide testimony on the best course of action concerning new resource additions with our public utilities commissions as the commissions rule on resources to be acquired.

Resource Planning Activity and Schedule

Region	Frequency of Filings	Last Filing	Next Filing
Colorado	At least every four years	October 31, 2011	October 31, 2015
New Mexico*	Every three years	July 16, 2012	July 2015
Upper Midwest	Every two to three years	January 2, 2015	To be determined by early 2016

*Texas has no resource plan filing requirement

Upper Midwest Resource Plan

In January 2015, Xcel Energy filed its Upper Midwest 2016-2030 Resource Plan with Minnesota Public Utilities Commission, outlining a long-term road map to a more sustainable and affordable energy future. By 2030, more than 60 percent of our Upper Midwest system's energy supply will be carbon free, while maintaining fuel diversity to hedge price and reliability risk and keeping energy costs affordable. The plan is driven by achieving aggressive reductions in CO_2 emissions from 2005 levels—at least a 30 percent reduction by 2020 and at least a 40 percent reduction by 2030.

In the plan, Xcel Energy proposes the following:

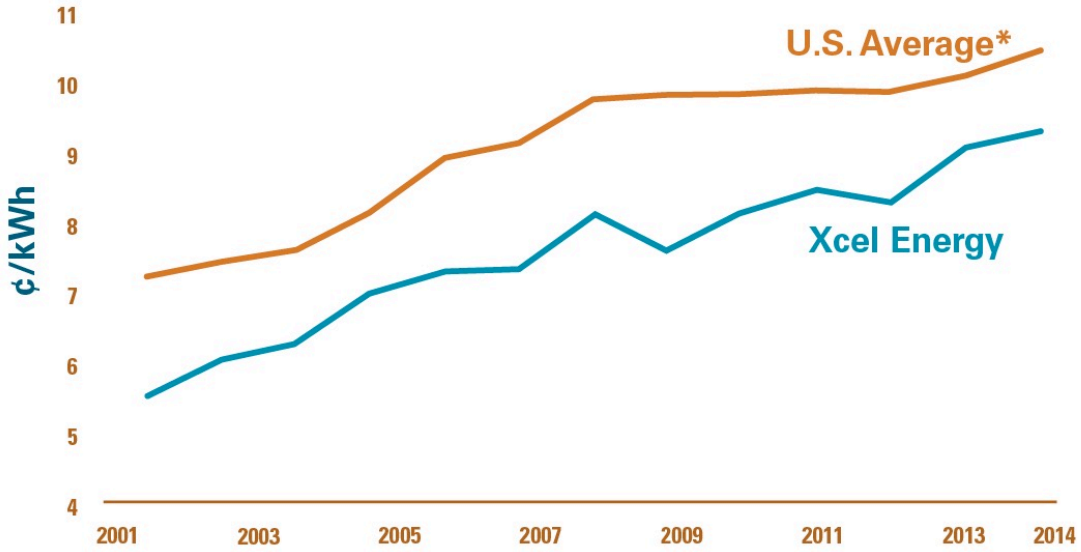
- Add approximately 1,800 megawatts of wind resources
- Add approximately 1,700 megawatts of large-scale solar resources and approximately 700 MW of customer-owned solar
- Continue to operate all of our coal plants through 2030 while gradually decreasing energy output and CO_2 emissions
- Add approximately 2,000 megawatts of natural gas-fueled plants
- Retain nuclear power, which emits no CO_2 emissions
- Maintain industry-leading energy efficiency programs

Related to the Upper Midwest Resource Plan is the e21 Initiative. The resource plan was filed weeks after the e21 Initiative released its Phase 1 Report in Minnesota and incorporates elements of the initiative.

Affordable Power

We understand that most customers are primarily concerned with the affordability and reliability of the products and services we provide. Even as we continue to modernize our infrastructure and bring more renewable energy onto our system, we have kept our retail electricity rates competitive with rates across the country and in the states we serve. We offer energy assistance programs for customers in need and also contribute funding to state and local energy assistance agencies each year.

Xcel Energy Electricity Rates Compared with 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, and in some years we do not achieve the rate. To operate effectively in a closely regulated business like ours, it's imperative that we stay in sync with the current demands of the public and policymakers.

The changes taking place within our industry will require that we further develop the current regulatory model. The electric system or "grid" that serves our customers is undergoing a transformation as advanced energy technologies become more viable and as customers demand new and expanded energy options. Our policies must consider this change and the rules that govern our industry will need to keep pace and evolve as demands on the grid grow. We must be able to continue investing to ensure the grid can serve its purpose, providing the network and support to connect customers with the energy services they need and want.

e21: A regulatory framework for the future

Xcel Energy is part of a diverse group of stakeholders working on recommendations for how to better align Minnesota's regulatory framework for electric utilities with changing policy goals, customer expectations and advanced technologies. Called e21, the initiative's goal is to help enable and shape the 21st century electricity system. It began through conversations and a willingness among stakeholders to voluntarily collaborate on a proactive process.

Over the course of a year, the group developed a set of Phase I recommendations, released in December 2014. The recommendations support a new utility business model that places less emphasis on selling an increasing amount of electricity and more on providing energy services and options to meet customer expectations. At a high-level the proposal includes:

- Shifting to a multi-year, performance-based rate plan for utilities
- Reforming the integrated resource planning process to enable comprehensive business plans guided by longer-term integrated resource analysis
- Providing more transparency to distribution system planning
- Creating a roadmap for grid modernization

Xcel Energy has expressed interest in the e21 recommendations through a letter to the Minnesota Public Utilities Commission (MPUC) that discusses how to turn the ideas into action. In our most recent resource plan for the Upper Midwest, we incorporate elements from e21. We also are supporting legislation in Minnesota for performance-based, multi-year rate plans.

The MPUC has expressed support for continuation of the e21 initiative, and work on Phase 2 of the effort began in spring 2015.

Learn more about the e21 initiative.

MANAGING OPERATIONS AND MAINTENANCE COSTS

We are focused on better managing costs by increasing productivity and becoming more efficient. In 2014, we publicly committed to limit the company's operations and maintenance cost growth to 2 percent or less annually. 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.

Currently we are focused on building a new general ledger as well as a new work and asset management (WAM) system, both using the SAP technology. The new general ledger will standardize and simplify financial accounting and reporting to enable us to make better business decisions. WAM will address the way we do business from start to finish, allowing us to standardize operations. Together, these efforts will enable us to be more competitive and meet our customers' expectations.

Supply Chain

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. 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. In 2014, we spent $3.8 billion with suppliers on normal goods and services, and 60 percent of that spend went to local suppliers, up from 53 percent in 2013. In addition, 60 percent of our 6,447 suppliers are locally based.

2014 Supply Chain 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.

2014 Local Supply Chain Spending

State	Spending
Colorado	$687,226,157
Minnesota	$642,809,570
North Dakota	$201,305,587
South Dakota	$3,934,039
Wisconsin	$169,278,034
Michigan	$106,562,241
Texas	$439,779,791
New Mexico	$23,636,009
TOTAL LOCAL SPEND	$2,274,531,428

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 31 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.

2014 Supply Chain Spending Categories

Aggregates	Engineering Services	Maintenance Services	Steel Structures
Boiler Systems	Environmental	Marketing and Communications Services	Transformers
Cable and Wire	Fleet	Meters	Transportation Services
Chemicals, Gases and Lubes	Gas Materials	MRO Materials	Travel Services
Circuit Breakers	HR and Benefits	Other Plant Systems	Turbine and Generator Systems
Construction	IT and Telecom	Property Services	Vegetation Management
Consulting Services	Logistics Integration	Revenue Cycle	Wood Poles
Electrical Materials and Equipment	Safety Materials	Staff Augmentation	

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. We have identified 39 critical suppliers who are considered tier 1, independent of how much we spend annually with them. 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	68	58%
Tier 2	Between $4-10 million	99	16%
Tier 3	Between $1-4 million	279	14%
Tier 4	Less than $1 million	6,001	12%

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 2014, we spent $385 million with diverse suppliers, directly and indirectly.

Annual Spending with Diverse Suppliers

	Dollars spent	% of total purchases
2014	**$385 million**	**10.3%**
2013	$364.7 million	9.3%
2012	$265.0 million	8.7%
2011	$248.0 million	8.3%
2010	$208.9 million	7.1%
2009	$153.1 million	6.9%
2008	$180.8 million	7.2%

2014 Spending with Diverse Suppliers by State

	Dollars spent
Colorado	$83.3 million
Michigan	$1.6 million
Minnesota	$74.1 million
New Mexico	$17.8 million
North Dakota	$0.2 million
South Dakota	$1.5 million
Texas	$32.4 million
Wisconsin	$7.5 million
Other	$166.1 million

Learn more about our supplier diversity program.

Community Investment

We serve the energy needs of hundreds of cities and towns throughout our service territory, and we are integral members of those communities. We are literally connected to the communities we serve through active and ongoing investment in their infrastructures.

We believe we have a responsibility to have a positive impact in all we do—as a good neighbor, community advocate and environmental steward. Our community impact is far-reaching—from charitable giving to employee volunteering to economic development and support for energy assistance programs.

2014 Xcel Energy Total Community Giving

Corporate Giving & Community Investment (managed through the Xcel Energy Foundation)	$12,965,125
Volunteer Time	$879,770
Energy Assistance	$29,391,730
Economic Development	$1,828,738
Total	**$45,065,363**

Learn about our support for energy assistance programs and our low-income energy efficiency 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 two officers who meet three times a year to approve monthly financial statements, as well as the annual budget. The board sets policy on a number of items, including the levels at which we provide matching funds for employee efforts and our focus areas for giving. They also oversee the foundation's investments. The majority of Xcel Energy Foundation funding comes from Xcel Energy shareholder dollars.

See the Xcel Energy Foundation board of directors and staff.

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

	2012	2013	2014
Focus Area Grants	**$3,928,486**	**$4,105,455**	**$3,680,428**
STEM education	$1,266,020	$1,412,510	$1,259,600
Environmental stewardship	$874,620	$884,600	$737,698
Workforce development	$1,151,080	$1,159,255	$1,100,500
Access to the arts	$636,766	$649,090	$582,630
United Way Contributions	**$5,761,246**	**$5,236,942**	**$5,439,368**
Employee contributions	$2,830,522	$2,753,178	$2,725,158
Company match & corporate gifts	$2,930,724	$2,431,346	$2,714,210
Company in-kind		$52,419	
Matching Gifts Program	**$1,619,269**	**$1,240,523**	**$1,409,731**
Employee contributions	$941,490	$660,836	$811,232
Company contributions	$677,779	$579,687	$598,499
Volunteer Matching Dollars	**$279,170**	**$236,480**	**$244,750**
Disaster Relief	**$134,491**	**$116,570**	**$122,605**
Employee contributions	$15,713	$8,410	$5,240
Company contributions	$118,778	$108,160	$117,365
Volunteer Paid Time Off (VPTO)			
VPTO Hours	14,690	13,017	16,179
VPTO Dollars	$537,834	$489,742	$635,020
Other Contributions	**$1,248,090**	**$1,298,497**	**$2,238,541**
In-kind Contributions	**$116,911**	**$95,211**	**$74,452**
Total	**$13,625,496**	**$12,819,430**	**$13,844,895**
Employee Volunteer Hours	**44,847**	**40,210**	**27,229**

**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 and Volunteer Energy. 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 2014, the foundation distributed more than $3.6 million in focus area grants to promote STEM education, workforce development, environmental stewardship, and access to the arts in the communities we serve. More than 402 organizations across our eight-state service territory received grants, averaging just over $8,500 each.

Education Focus Area Guidelines
Environment Focus Area Guidelines
Economic Sustainability Focus Area Guidelines
Arts & Culture Focus Area Guidelines

2014 Focus Area Funding by Operating Company

	STEM Education	Environmental Stewardship	Workforce Development	Access to the Arts	TOTAL
NSPM	$682,100	$333,500	$679,000	$338,700	$2,033,300
NSPW	$54,500	$25,500	$15,500	$48,930	$144,430
PSCo	$389,500	$321,698	$286,500	$92,500	$1,090,198
SPS	$133,500	$57,000	$119,500	$102,500	$412,500
TOTAL	**$1,259,600**	**$737,698**	**$1,100,500**	**$582,630**	**$3,680,428**

Signature Projects

STEM education is a major focus for the communities Xcel Energy serves. After all, a highly educated and trained workforce is imperative to local economic health because increasingly, more jobs require technical skills, including those in the energy industry. In part, our support for STEM comes from the overall importance to our company and the connection to Xcel Energy's future workforce demands. We know firsthand the need for workers in this field, as more than half of our current jobs require STEM degrees or extensive math and science skills.

In our two largest urban areas—greater Twin Cities in Minnesota and metro Denver in Colorado—we have supported signature projects to help build stronger community partnerships and foster STEM education in a more meaningful way.

Minnesota Signature Project

In 2014, Xcel Energy formed a partnership with a network of high performing public charter schools in north Minneapolis. Harvest Preparatory School and the Harvest Network of Schools serve about 1,300 primarily low-income students that are beating the odds and succeeding in school.

Under the partnership, the Xcel Energy Foundation provided a $50,000 signature grant for the organization to continue its mission. On the day of the check presentation, Xcel Energy employees, including chairman, president and CEO, Ben Fowke, worked with seventh graders on a special math problem to show how much energy is saved by replacing a few incandescent light bulbs with more energy-efficient compact fluorescent bulbs. This was just the beginning of hands-on work with the network. In early 2015, a team of Xcel Energy volunteer tutors began assisting students with math and reading in preparation for the spring Minnesota Comprehensive Assessments (MCAs). During Xcel Energy's annual Day of Service, employee volunteers also helped prepare the network's middle school grounds and the media center for the first day of school.

Colorado Signature Project

Xcel Energy partnered with the Colorado Education Initiative (CEI) through a signature project in support of the organization's Colorado Legacy Schools program. CEI is an independent nonprofit that collaborates with the Colorado Department of Education, schools and districts across the state to accelerate achievement for all Colorado students. Through Legacy Schools, they seek to dramatically increase student enrollment and success rates in AP math, science and English courses at Colorado high schools.

In addition to a $30,000 signature grant from the Xcel Energy Foundation, our employees are mentoring students at Arvada High School. The goal is to close the opportunity gap and motivate students interested in pursuing college and career pathways in science, technology, engineering and mathematics (STEM).

Xcel Energy volunteers met with students informally, led engaging events and accompanied students on field trips to expose them to multiple opportunities in STEM careers. This Xcel Energy signature project is now a model for the program's other industry partnerships in schools throughout Denver because of its success.

So far, results for the program show a 73 percent increase in AP scores for the 10 schools implementing the Legacy Schools initiative. CEI recognized Xcel Energy with a STEM Champion Award in 2014 for its support.

Xcel Energy was named a 2015 STEM Jobs℠ Approved Employer by Victory Media—a workforce development firm specializing in connecting classrooms to careers. This first-of-its-kind list rates companies on their responsiveness to creating and filling high-demand, high-growth STEM occupations. Being recognized as a top STEM employer shows job seekers that Xcel Energy is one of the best places to use their skills and the company is looking for the best to join its team.

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 the last five years has raised well over $2.5 million 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 2014 United Way campaign was one of the most successful, as we topped nearly every measure in our campaign history. A record number of employees participated this past year, contributing $2.7 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.

Contribution to Economic Development and Local Tax Payments

Xcel Energy is connected to the communities we serve through active and ongoing investment in their infrastructures, our local supply chain spending and the taxes we pay. We are active members in community chambers of commerce and economic development organizations throughout our service territory, and in 2014, contributed more than $1.8 million directly to these organizations. In addition, we often collaborate and work closely with our cities and towns as they try to attract and develop new business, expanding employment and revenue opportunities.

Our company also pays significant property and sales taxes. In many small communities, Xcel Energy is the largest tax payer.

2014 Sales, Use and Property Tax Payments (in millions)

	Payments
Colorado	$320.5
Kansas	$0.4
Michigan	$2.1
Minnesota	$338.6
New Mexico	$32.7
North Dakota	$3.0
Oklahoma	$0.4
South Dakota	$14.1
Texas	$46.9
Wisconsin	$26.1
Total	$784.80

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 2014, we distributed more than $180 million in franchise fees to the communities where we operate.

2014 Franchise Summary

	Cities with Agreements	Fees Collected and Paid
Colorado	120	$91,786,562
Upper Midwest	85	$68,575,931
Texas/New Mexico	94	$20,233,327

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 to help the city reach its Climate Action Plan goals. Building on a long history of collaboration, the partnership will explore innovative approaches and enhanced outcomes in energy efficiency and the use of renewable energy in Minneapolis.

This first-of-its-kind effort was formally approved in October 2014. At the end of the year, the White House and U.S. Department of Energy recognized Minneapolis for its commitment to clean energy as one of 16 Climate Action Champion cities.

In early 2015, the newly formed Clean Energy Partnership board held its first meeting and will be responsible for developing a work plan, as well as overall leadership and decision making for the effort. Minneapolis' adopted Climate Action Plan will shape the board's work plan and may include opportunities such as:

- Giving customers additional choices for how their energy is produced
- Increasing residential and business use of new and existing energy efficiency and renewable energy programs to help consumers control costs and reduce greenhouse gases
- Supporting the development of renewable energy in the city
- Exploring and implementing ways for the city to reduce its own energy use and increase its use of renewable energy

A community-based group that represents the diverse interests of the city called the Energy Vision Advisory Committee will provide recommendations on the board's work plan and gather feedback from critical Minneapolis communities. Learn more about the partnership at mplscleanenergypartnership.org

As part of the partnership, Xcel Energy and Minneapolis finalized a new 10-year franchise agreement, with the option to extend the agreement for up to 20 years.

Learn more at the Minneapolis Clean Energy Partnership website**.**

City of Boulder Pursues Municipal Utility

Xcel Energy has worked with the city of Boulder for years as it explored forming a municipal utility to take over the company's electric business in and around Boulder. The Colorado Public Utilities Commission (CPUC) confirmed in 2013 that the commission determines who serves Boulder County customers and the city of Boulder needs to provide the CPUC with its separation plans before moving forward with a condemnation case. In January 2014, Boulder appealed the CPUC's orders to Boulder District Court in early 2014, and by May, Boulder's City Council voted to form a municipal electric utility. In July, the city filed a condemnation case with Boulder District Court, formally beginning the process to attempt to take control of the electric assets in the area.

In early 2015, there were two key decisions from Boulder District Court related to Boulder's effort to form an electric utility. The Boulder District Court affirmed the CPUC's jurisdiction and ruling that prior to Boulder moving forward with a condemnation case, the CPUC must evaluate the city's plans to ensure that they will not harm non-Boulder customers and the state-wide electric system as it relates to safety and reliability as well as the CPUC's jurisdiction over the service of Boulder county customers. Most importantly, the CPUC routinely deals with these types of issues and has the expertise to properly evaluate the impacts of Boulder's plans on other customers. The court affirmed the CPUC orders in their entirety, ruling that Xcel Energy has a certificate to serve customers outside the city of Boulder and that this property right cannot be taken away from Xcel Energy unless the city can prove to the CPUC that Xcel Energy is unwilling or unable to serve these customers. The court specifically ruled that the CPUC provides protection to customers outside the city who have no vote, and therefore, no voice within the municipality. The court also ruled that the CPUC must decide how the Boulder electric system is to be separated from the Xcel Energy system, prior to the city condemning the facilities, so that the CPUC can assure the electric system outside Boulder remains effective, reliable and safe.

The Boulder District Court also dismissed Boulder's condemnation lawsuit. The dismissal validates the court's first ruling that confirmed the orders of the CPUC. Before Boulder moves forward with any condemnation case in the future, the CPUC must evaluate the city's separation plans. Boulder is currently revising its plan and indicated they intend to file it with the CPUC in the coming months.

In addition to the rulings in Boulder District Court, the Federal Energy Regulatory Commission (FERC) must approve the city of Boulder's plans as it relates to high voltage transmission assets and matters. As such, Xcel Energy asked FERC for a declaratory ruling, acknowledging that the FERC has jurisdiction over the transfer of assets greater than $10 million under the Federal Power Act.

At the end of 2014, the FERC weighed in on the case, granting Xcel Energy's request for a declaratory ruling and confirming its authority in the case. The FERC's decision supports the fact that there is a structured and necessary process Boulder must follow to protect the statewide electric system and all of our customers.

These decisions reinforce our position that there is a process to be followed which includes recognizing the important role both the CPUC and FERC play in maintaining the reliability of the grid and these commissions must be allowed to see the city's plans and make rulings prior to the city trying to condemn our business. This process will protect the effectiveness, reliability, and safety of the state-wide electric system and all of our customers.

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

More information and full legal briefs are available at Your Boulder Energy.

PROMOTING A SAFE, PRODUCTIVE WORKFORCE

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. As we strengthen the talent acquisition, development and management strategies at Xcel Energy, we never lose sight of our No. 1 priority—providing a safe work environment for all employees, every day of the year.

Highlights:

- Xcel Energy continues its Journey to Zero workplace injuries, with employees achieving their seventh consecutive best-ever safety performance. Injuries were down 21 percent in 2014 compared to 2013.
- In 2014, 82 percent of employees participated in Xcel Energy's annual workforce engagement survey, with 82 percent of the respondents providing favorable responses to overall engagement.
- Employees volunteered more than 16,000 hours in 2014 supporting more than 1,300 community organizations through our Volunteer Paid Time Off program. Each full-time employee is allowed to use up to 40 hours annually to support community efforts. In addition, more than 290 employees participate on nonprofit and community boards.
- New Hire Connection launched in 2014, a two-day, in-person orientation for all new employees. The program provides new hires with important information about the company and encourages them to develop lasting connections with others.
- We continue to rank favorably as one of G.I Job's Top 100 Military Friendly Employers, which recognizes companies in the top 2 percent of employers dedicated to hiring and supporting the nation's veterans. For 2015, we made the list for the sixth consecutive year and are ranked 22, up from 45 in 2014.

Workforce Numbers

2014 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.

State	Bargaining	Non-Bargaining	Craft/ Temporary	Total	% Represented by Unions	Management	Non-Management
CO	1,962	1,756	40	3,758	52.2%	540	1,216
DC		3	0	3	0.0%		3
MI	14	2	0	16	82.4%	1	2
MN	2,141	2,759	888	5,788	51.2%	940	1,819
ND	66	40	4	110	60.0%	11	29
NM	151	87	1	239	63.4%	24	62
SD	62	18	4	84	73.8%	6	12
TX	661	784	44	1,489	44.4%	175	609
WI	385	558	39	982	39.6%	93	465
Total	**5,442**	**6,007**	**1,020**	**12,469**	**50.3%**	**1,790**	**4,217**

* Please note that this employee count is different from the 10-K report because the information includes temporary employees and reflects workforce changes that happened immediately prior to year-end 2014 that were not recorded or reconciled until early 2015.

Projected Retirement Eligibility

	2019 (5-year)		2024 (10-year)	
	Bargaining	Non-bargaining	Bargaining	Non-bargaining
NSPM	35.6%	31.4%	51.4%	47.7%
NSPW	29.6%	40.8%	51.0%	55.3%
PSCo	38.7%	41.1%	48.9%	55.9%
SPS	16.4%	39.9%	29.0%	49.5%
Xcel Energy Services	Not applicable	25.4%	Not applicable	39.8%

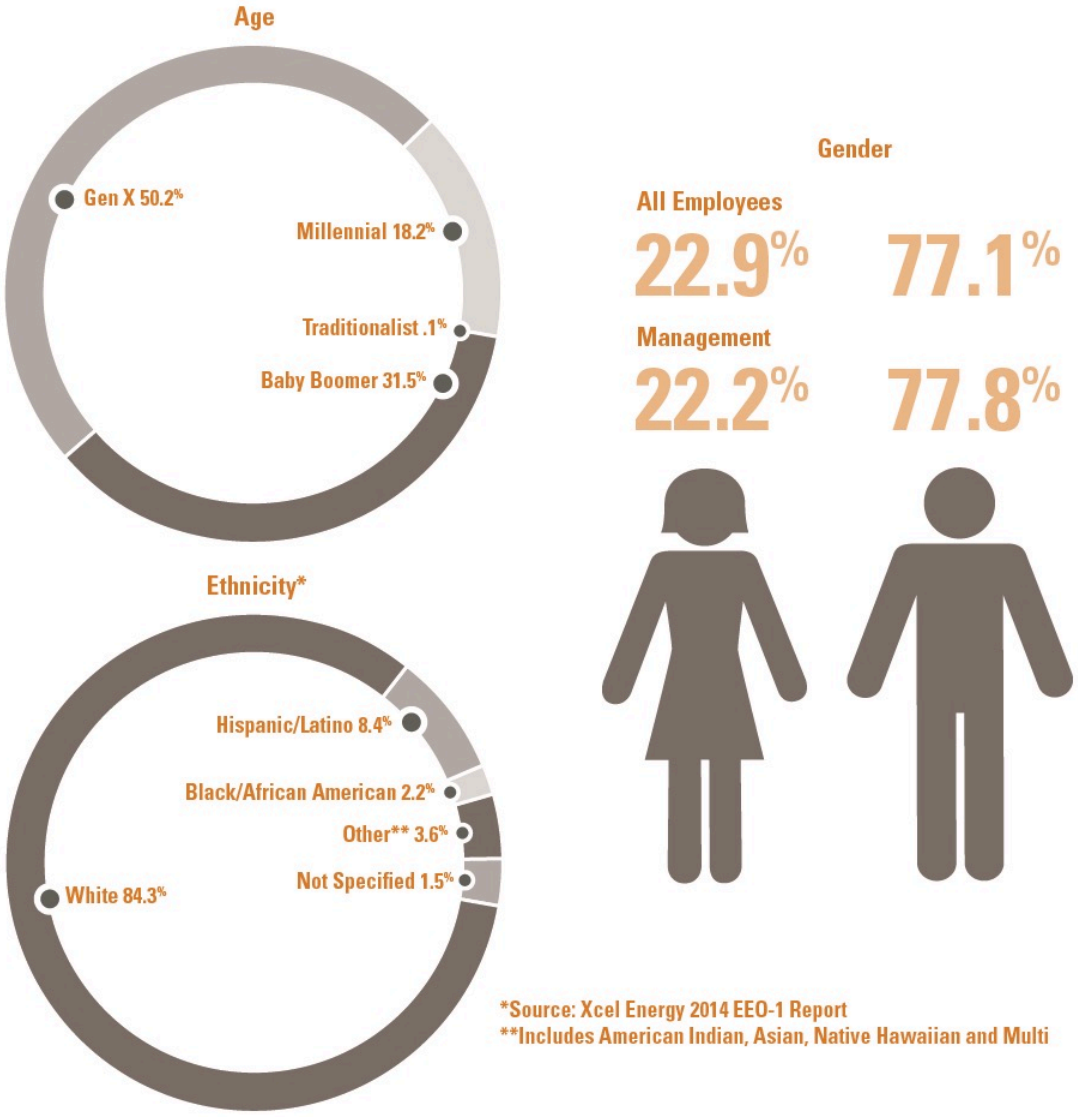
We project that in five years about 31 percent of our workforce will be eligible for retirement, increasing to about 46 percent of our workforce in 10 years. Please note that we do not expect all employees to retire once they become eligible.

2014 Employee Turnover

	Bargaining	Non-Bargaining
NSPM	5.2%	7.6%
NSPW	4.0%	8.4%
PSCo	6.3%	8.7%
SPS	7.3%	7.6%
Xcel Energy Services	Not applicable	15.0%

The average employee turnover for combined bargaining and non-bargaining employees in 2014 was 9 percent. About 33 percent of turnover was the result of retirements, about 45 percent were resignations and the remaining 22 percent includes turnover for other reasons, such as unsatisfactory performance, misconduct, severance or death.

Employee Demographics



Safety and Workforce Relations

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 325 workgroups, and of those groups, 76 percent have gone one year or more without an OSHA recordable injury. While recorded injuries were down 21 percent compared to 2013, 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.

OSHA Recordable Incident Rate (in days)

	EEI Top Quartile	Actual	Goal
2014	--	1.00	1.17
2013	1.19	1.24	1.42
2012	1.24	1.47	1.55
2011	0.99	1.68	1.74
2010	1.00	1.90	1.99
2009	1.19	2.11	2.23
2008	1.39	2.42	2.35
2007	1.61	2.61	2.19
2006	1.80	2.53	2.53
2005	2.04	2.76	--
2004	2.09	3.40	--
2003	2.39	3.62	--

Xcel Energy recorded 123 OSHA recordable injuries in 2014, 32 fewer injuries than in 2013. Strains and sprains continue to be the leading injury type, with lacerations and fractures as the next most frequent injury type.

Days Away, Restricted and Transferred Incident Rate (DART)

	EEI Top Quartile	Actual
2014	--	0.51
2013	0.63	0.68
2012	0.66	0.83
2011	0.55	1.02
2010	0.49	1.07
2009	0.58	1.21
2008	0.59	1.41
2007	0.79	1.41
2006	0.79	1.42
2005	0.93	1.39
2004	1.02	1.79
2003	1.06	2.01

Xcel Energy recorded 63 DART injuries in 2014, 22 fewer injuries than in 2013. DART measures the more severe types of injuries.

Employee Work-Related Fatalities

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

2014 CONTRACTOR SAFETY PERFORMANCE

The chart below reflects safety performance for contractors working on operation and maintenance, as well as capital projects.

	Hours worked	# of OSHA recordable injuries	Total case incident rate
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 3.7.

Policies and Training

We have 21 corporate safety policies in place to address occupational safety and health issues. These policies apply to both 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 safety and workforce relations—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. All employees or crews working on the job must be identified and emergency procedures must be put into place. 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 both 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 develops 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, multimedia presentations such as video- and computer-based training, and online. 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 2014, we entered the fifth 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 2014, we continued a number of important safety campaigns while also launching a number of new initiatives to help keep employees safe.

24/7 Work Injury Helpline and Nurse Pilot Project

Xcel Energy piloted an Occupational Health Nurse (OHN) program in 2014 to provide medical consultation for operations employees experiencing non-emergency work related injuries. Employees injured at work can contact an onsite OHN or a 24/7 Work Injury Helpline for help assessing their symptoms and recommendations for the best course of action.

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. In 2014, we focused on distracted driving. Employees were encouraged to pledge to avoid distractions while driving as part of a U.S. Department of Transportation campaign.

Ergonomics Campaign

Sprains and strains continue to be the leading type of injury at Xcel Energy, resulting in approximately 45 percent of all injuries and illnesses on an annual basis. Ergonomics sub-teams focus on three areas: education and training, tools and equipment, and policies and procedures. Two ergonomics specialists assist with training and education, assessments and sub-team work.

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.

OSHA's Electrical Power Generation, Transmission and Distribution Standard

The Occupational Safety and Health Administration (OSHA) revised the construction standard for electric power line work, making it more consistent with the corresponding general industry standard. The final rule became effective in July 2014. Xcel Energy launched an internal campaign with summaries and resources to explain revisions to standards to managers and employees.

Office and Non-Operational Area Safety Programs

Safety guides and resources were improved and made available for office workers and non-operational employees in 2014.

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.

Safety News

All safety news items are now aggregated in a single weekly communications available through an easily accessible, online safety news hub.

Who gives you permission to get hurt?

Injuries don't just impact those who are injured—they also affect families, friends and coworkers. The campaign encouraged employees to think about this question before taking any risks.

Winter Safety

Xcel Energy provided employees with safety tips and reminders to stay safe through the holidays and cold weather months.

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.

2014 Recipients of Life Sustaining Awards

Recipient	Position	Location
Albert Correa	Journeyman Lineman—Serviceman	Hereford, Texas
Jesse C Perez	Line Apprentice 4th Year	Seminole, Texas
Lonnie Todd Morris	Field Operator	Meeker, Colorado
Lynn A Dreher	Lead Service Fitter B	Lakewood, Colorado
Randy D Oehlert	Working Foreman B	Denver, Colorado
Rich Padilla	Field Operations Supervisor I	Lakewood, Colorado
Charles Garza	Senior Storekeeper	Arvada, Colorado
Donald R Goble	HU/IS Corporate Functional Area Manager	Minneapolis, Minnesota
Christopher (Troy) Myers	Associate Designer	Montevideo, Minnesota
Mark Frikken	Iron Worker Foreman	Minneapolis, Minnesota
Michele Huset	Billing Support Analyst	Roseville, Minnesota
Deanna Maslowski	Billing Specialist	Roseville, Minnesota
William Sconone	Meter Reader 1st 6 Months	Pueblo, Colorado
Austin McCracken	Groundman 1st Year	Golden, Colorado
Marissa Montoya	Project Manager	Denver, Colorado
Jose Campos	Designer Thereafter	Denver, Colorado

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.

Xcel Energy is still negotiating with the unions representing our employees in Colorado, Texas and New Mexico. Those contract disputes are scheduled to be resolved through interest arbitration in the later part of 2015, if not resolved through mutual agreement earlier.

Talent Strategy and Transformation

Over the next 10 years, nearly half of Xcel Energy's current workforce will be eligible to retire. While not everyone eligible will immediately retire, the company is facing both a challenge and an opportunity as we plan for the workforce of the future and envision what our workforce culture will be. 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.

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 2014, we developed 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.

Talent Pipeline and Attraction

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 2,263 requisitions in 2014, with internal candidates successfully filling about 828 (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 have started to place a higher 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 have actively reached out to more than 100 area high schools. In Colorado, we developed programs in cooperation with two

Denver area high schools. In Minnesota, we continued our partnership with Step-Up Achieve to hire high school interns for both office and field 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 2014, we averaged 96,341 visitors to our career website per month, and on average, attracted more than 6,100 external applicants per month. Additionally, we refined our recruitment messaging in order to more consistently articulate who Xcel Energy is as an employer and characteristics we seek in prospective employees.

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, by advertising relevant openings on nuclear engineering websites, we have been more successful in locating qualified applicants for these positions. 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 2014, 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. In May, we also signed a national Statement of Support with the Employer Support of the Guard and Reserve (ESGR), a Department of Defense office. While the number of veteran hires remained flat from 2013 to 2014, we increased the percent of external veteran applicants, especially in our Texas and New Mexico service territories.

Diversity outreach

Through our partnerships with 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 robust, qualified 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 2014, more than 1,500 Xcel Energy employees participated in half-day diversity and inclusion training sessions that were conducted throughout our service territory. In addition, more than 50 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.

Board Diversity

We seek diversity on our board of directors. In 2014, we had three women on our 11-member board of directors, one of whom is African American. We also have one board member who is Latino.

Business Resource Groups

To help achieve a more productive and inclusive workplace, Xcel Energy supports the formation and existence of Business Resource Groups (BRGs). Our BRGs are 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 whole company achieve Xcel Energy's business goals. More than 800 employees participate in our Business Resource Groups.

2014 Business Resource Group (BRG) Activity

BRG	FUNCTION	2014 EVENTS & ACCOMPLISHMENTS
GCEEE (General Counsel Employee Excellence and Equality Committee)	Aids the general counsel in fostering a spirit of inclusiveness throughout the company	Participated in *Step Up for Diversity* to grow relationships between our corporate counsel and a diverse mix of attorneys outside our company. Received Minority Corporate

		Counsel Association's 2014 Employer of Choice Award for the Western Region for commitment to diversity and creating and maintaining an inclusive workplace.
MOVE (Military Ombudsmen for Veterans and Employees)	Supports our active military employees and those who have served in the military by focusing on the development, implementation and communication of programs and policies centered on the welfare of veterans and their families	Hosted several *Serve Our Troops* events. G.I. Jobs named Xcel Energy one of the nation's 100 most military-friendly employers in recognition of our efforts to support veteran employees. The company also received Civilian Jobs' Most Valuable Employer (MVE) award.
Employee Connection Network	Connects new and existing employees and helps broaden all employees' understanding of Xcel Energy as a whole through networking opportunities, meet-ups and community service events	Established a presence in all four operating companies. Partnered with human resources to update the on-boarding program for new employees and hiring managers. In addition, the group hosts coffee chats and outings to baseball games to help build camaraderie.
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	Hosted a variety of employee awareness events and panel discussions for all employees in both Minnesota and Colorado on the safety of inclusion, legislative updates and strides for equality.
Tribal Wind	Supports diverse workforce initiatives and the Native American population through business initiatives, such as recruiting, retention, professional development and cultural awareness	Partnered with the Prairie Island Indian Community for a cultural awareness discussion and native dance. Promoted the Colorado Indian Education Foundation Scholarship program.
SOURCE (Strategic Organization Utilizing Resources for Career Enhancement)	Promotes career development, continued education, training and cultural awareness and addresses issues and concerns of people of color	Hosted a variety of employee events in Denver and Minneapolis. Conducted outreach at Manual High School in Denver to help build a pipeline of future applicants.

		Helped with the internship program and first-day internship orientation. Give an annual Legacy Award to an employee who creates a legacy of diversity and inclusion at Xcel Energy.
WIL (Women's Information Link)	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	Participated in career path presentations for middle school girls in Minnesota and Texas. Supported recruitment events and involvement opportunities with the Society of Women Engineers. Held WIL awareness events in Minnesota, Texas and Colorado.
WIN (Women's Interest Network)	Focuses on issues of interest to women, such as professional development and work/life balance	Provided a Power of WIN award to honor employees who help the Women's Interest Network efforts within the company. Held the third annual speed networking event in Minneapolis, offering employees the opportunity to network one-on-one with leaders in different parts of the company. Hosted various professional development opportunities, including speeches, plant tours and leadership panels.
!Xcelente¡	Increases visibility of Latino employees within the company and community, promotes professional development and shares Latino culture through awareness, inclusion and celebration	Participated and supported numerous diversity and inclusion events around the company. During the holiday season, !Xcelente¡ sponsored an event for all BRG members to get together and celebrate the work completed throughout the year.

COUNCIL FOR DIVERSITY AND INCLUSION

The Council for Diversity and Inclusion (CDI) is composed of leaders from each of our Business Resource Groups (BRGs). CDI's goal is to improve collaboration between BRGs 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.

The following are some of the CDI's initiatives to support our business priorities:

Initiatives in support of **Operating Effectiveness**

- Focus on business challenges and opportunities
- Gain and enhance regional support for diversity and inclusion through partnerships with leaders and employees
- Support the focus to increase the number of ambassadors in the communities where we live and serve

Initiatives in support of **Engagement**

- Host Xcel Energy leadership speaker series
- Expand BRG membership and involvement through special events
- Increase education by participating in employee events like the Knowledge Fairs and Day of Service

In addition, the following events took place in 2014:

- Ben Fowke, chairman, president and CEO of Xcel Energy, signed a National Statement of Support for Employer Support of the Guard and Reserve (ESGR). Paul Mock, national chairman of ESGR, and Tom Bullock, ESGR employer outreach director were with Fowke to witness the signing. Employers signing a statement of support pledge to:
    - Fully recognize, honor and enforce the Uniformed Services Employment and Reemployment Rights Act
    - Provide managers and supervisors with the tools to effectively manage those employees who serve in the Guard and Reserve
    - Appreciate the values, leadership and unique skills service members bring to the workforce and encourage opportunities to employee guardsmen, reservists and veterans
    - Continually recognize and support our country's service members and their families in peace, in crisis and in war
- Each quarter, approximately five to 10 employees from Xcel Energy attended Talent, Inclusion, Engagement, Diversity (TIED) events that are held with the different companies representing TIED. TIED is a leadership roundtable to bring together national and global organizations with a Colorado presence to share and establish best practices in workplace diversity and inclusion.

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.

Learn more about our supplier diversity program.

Employee Engagement

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.

Employee Input and Participation

Our 2014 employee engagement survey had an 82 percent participation rate with an 82 percent overall engagement score. A portion of the survey includes questions to assess employees' belief that management listens to and acts on issues identified in the annual survey. In addition to survey results, our leaders held employee focus groups this past year that identified areas where the company could improve. Based on analysis of all results, the company is focusing efforts on shortening the length of time to make decisions, as well as increasing process efficiencies.

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.

Power of Recognition

The Power of Recognition program supports employee engagement by providing tools for Xcel Energy leaders and employees to recognize individuals whose work supports the value, brand and goals of our company. We have a corporate budget of $1.2 million to support this program to ensure our employees are recognized for deserving efforts. In 2014, there were 12,101 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 2014, 1,714 years of contribution and 364 retirements were honored.

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 the 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 for up to 100 hours annually per employee at a rate of $10 per hour.
- **Matching Gifts**: The company matches employee and retiree charitable donations of $50 or more dollar for dollar, up to $750 for nonprofit organizations and up to $2,000 for higher education institutions.
- **Day of Service**: The company's largest volunteer day where employees demonstrate collectively their community spirit.
- **United Way**: Xcel Energy sponsors an annual United Way campaign and matches the pledges of employees, retirees and contractors.
- **Board service**: We currently have about 290 employees serving on nonprofit boards throughout Xcel Energy's service territories.

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.

Xcel Energy made a difference in numerous communities during our annual Day of Service on Sept. 6, 2014. More than 3,000 employees, family members, friends and even customers volunteered for about 80 nonprofit projects. Volunteers performed a number of tasks from packing food boxes to planting trees and cleaning. The total value of the time contributed for the one-day event was $271,000.

Political Action Committees

Xcel Energy sponsors six Political Action Committees (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.

2014 Xcel Energy Political Action Committee Activity

PAC	No. of Employees Participating	Total Employee Contributions to PACs in 2014*	Total Contributions to Candidates and Political Groups in 2014
Minnesota**	231	$36,969.37	$40,475.00
North Dakota	250	$7,477.37	$11,000.00
South Dakota	232	$7,539.12	$9,000.00
Texas/New Mexico (SCOPE)	335	$37,678.36	$57,050.00
Colorado (Western PAC)	278	$21,955.68	$21,300.00
Wisconsin	274	$29,663.98	$32,015.61
Federal PAC (XPAC)	445	$262,953.51	$202,750.00

* 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.

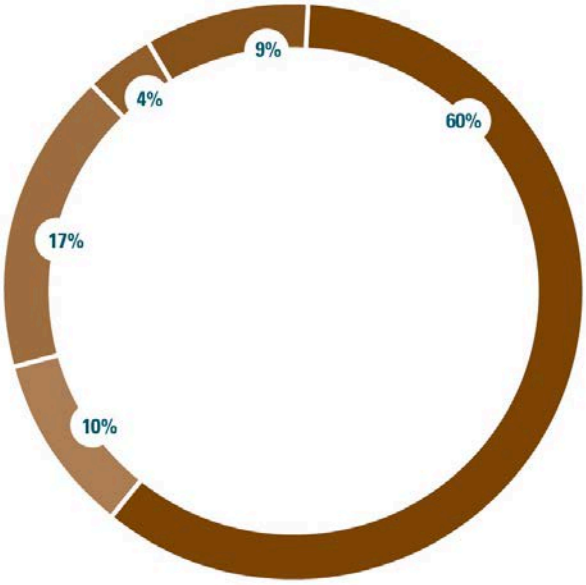
See our political contributions policy and annual report.

Total Rewards

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.

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.

Example Employee Statement



10%-Retirement Benefits Summary	$8,874
17%-Health and Welfare Benefits Summary	$15,653
4%-Other Cash Compensation	$3,784
9%-Pay for Time Off	$8,004
60%-Base Compensation	$55,062
Total Rewards Value	$91,377

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 is a demonstration of 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 allow employees to be fully engaged while working, yet able to exit the workforce at an appropriate age. At Xcel Energy, we balance financial and workforce objectives with providing a fair and market-based benefits package, resulting 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 2014, 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. More than 4,500 members participated in the program in the first year, with nearly 3,100 employees attending onsite biometric events to measure important health-related indicators, such as blood pressure, body mass index and cholesterol levels.

The number of participants in My Health Choices increased to more than 6,000 employees in 2014, and the company contributed nearly $2.4 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 2014. More than 550 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 2014

Onsite flu shot clinics	Over 4,700 seasonal flu shots were given at over 80 sites. An additional 1,400 flu shots were administered through our new pharmacy benefit.
Health assessments	1,856 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	1,579 plan members received just under $196,000 in reimbursements for exercising at least eight times per month.
Onsite yoga classes	More than 800 yoga classes were held at eight locations.
Wellness ambassadors	53 employees volunteered to be Xcel Energy wellness ambassadors at 35 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 the professional development of our employees and to 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 2014, employees completed a total of more than 420,073 internal learning opportunities. Additionally, our tuition reimbursement program provided approximately $979,000 to 352 employees in 2014.

2014 Professional Development Opportunities

Learning Programs	Completions in 2014	Opportunities
Online Courses	235,976 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	181,441 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	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. Almost 1,000 employees participated in leadership development programs last year.

2014 Leadership Development Opportunities

Program	Participants in 2014	Description
Talent Review	500+	Our talent review process identifies individuals who might be successors for critical positions at Xcel Energy. In all, about 230 key positions have been identified and more than 300 leaders have been assessed. Through this systematic process, executives and managers complete and 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 2014, 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.
Front Line Leadership Development	199	Leaders of bargaining unit employees participated in the first module of the Front Line Leader program, covering topics like safety, business acumen and giving and receiving feedback. Module two of the program consisted of learning labs, which are experiential sessions with intact work groups where leaders practiced what they learned in module one. In 2014, 61 learning labs were completed.

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's important for employees to see how their work impacts the larger organization.

During the 2014 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.

Although job-specific expectations for each individual contributor have varied in the past, in 2014 we identified five common competencies that align with our corporate values and will be used going forward:

- Accountability
- Customer and Stakeholder Engagement
- Job and Business Expertise

- Operational Excellence
- Relationship Focused

Similarly, all leaders at Xcel Energy are consistently evaluated on how well they perform in five areas of leadership:

- Strategist
- Operations Management
- Talent Management
- Self Management
- Relationship Management

At Xcel Energy, our leaders hold calibration sessions to discuss performance rating distributions within their organizations. Calibration supports a consistent application of the rating scale across the organization, as well as differentiation of ratings to provide more significant rewards to top performers.

Leading Environmental Commitment

Xcel Energy's clean energy strategy balances environmental improvement and cost while ensuring we continue to operate a reliable utility system. Our company is focused on making smart investment choices that customers want and value and that benefit the environment. These efforts include:

- Increasing the use of cost-effective renewable resources
- Helping customers better manage their energy use, save money and support the environment
- Modernizing our power plant fleet and retiring older, less efficient coal units

As we work toward a more diverse portfolio of cleaner, modern technologies, our system is stronger to better serve customers. For more than a decade, Xcel Energy continues to be ranked the No. 1 utility provider of wind energy in the United States, and we are applying the same dedication to increase the use of solar energy. Our portfolio of customer energy efficiency programs is extensive and recognized as one of the best in the country. We have spent the past decade implementing projects that reduce emissions and transform our generating plants. This began with the Minnesota Metro Emissions Reduction Project, which significantly reduced air emissions from our Twin Cities-area power plants, and continues today with the Clean Air Clean Jobs project in Colorado. Beyond our clean energy strategy, protecting the environment is one of our core values. From recycling in our office buildings to water management at our plants and protection of wildlife habitat on the land where we have power lines—it's part of our everyday operations.

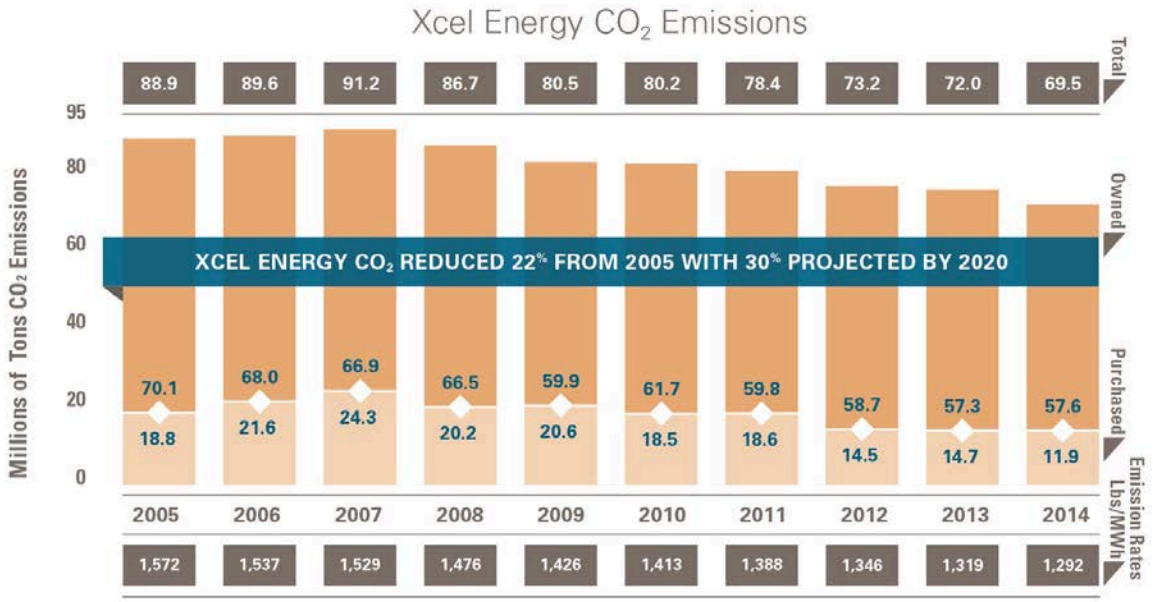
Highlights:

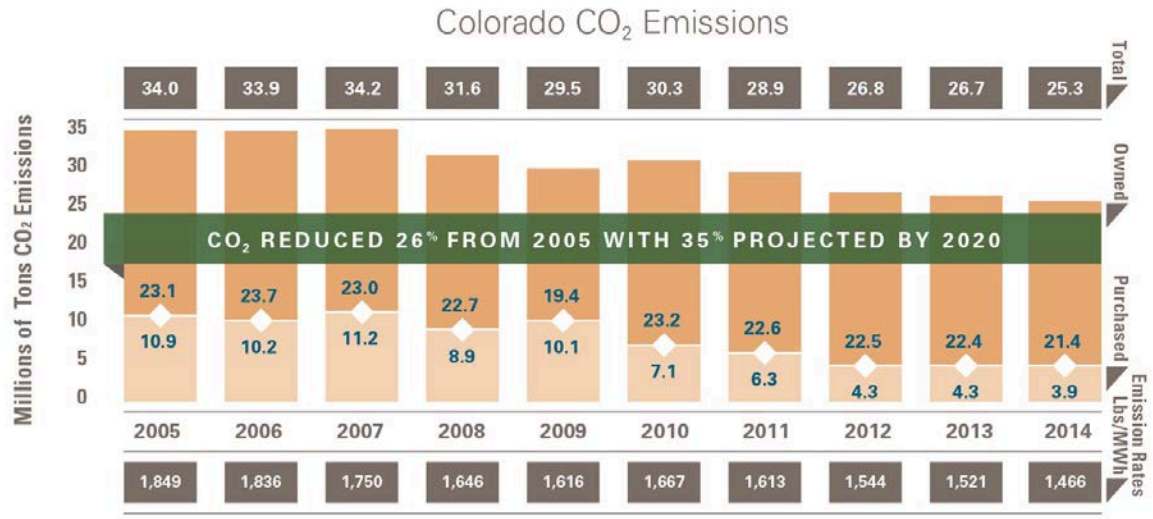
- Since 2005, Xcel Energy has reduced carbon dioxide emissions by 22 percent and projects a 30 percent reduction by 2020. If approved, our proposed Upper Midwest resource plan will reduce our carbon dioxide emissions in that region by 40 percent by 2030.
- According to the 2014 Ceres report: Benchmarking Utility Clean Energy, Xcel Energy is among the top U.S. utilities for renewable energy sales and energy efficiency saving. In 2014, wind energy was 16 percent of our total energy mix—four times the wind energy in the average U.S. energy supply, which is about 4 percent.
- We continue to set system records for wind production. Through advanced wind forecasting, we have improved our ability to predict wind availability by 40 percent, which has saved customers more than $49 million in fuel costs.
- Xcel Energy is well positioned to meet new requirements for mercury and other hazardous air pollutants beginning in 2015, thanks to early improvements made under comprehensive emission-reduction efforts in Minnesota and Colorado, as well as new controls installed at our coal-fueled plants in Texas.
- At Xcel Energy's power plants in Texas and New Mexico, about half of the water we use comes from recycled municipal effluent. It is a practice we helped pioneer decades ago to help save fresh water resources.
- Under the company's Avian Protection Plans, Xcel Energy has retrofitted more than 2,600 electric transmission and distribution locations with equipment to protect birds.

Emissions Numbers

Carbon Dioxide (CO_2) Emissions

Historical for 2014:





Texas New/New Mexico CO_2 Emissions

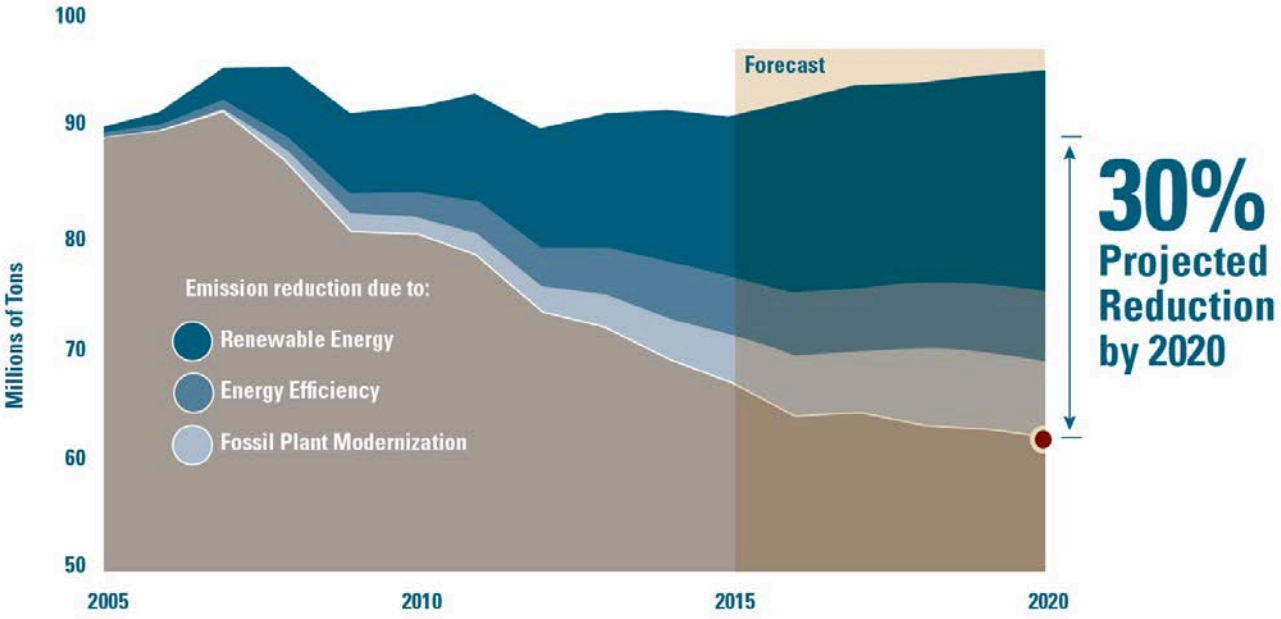
* Xcel Energy generating plants in Texas and New Mexico began operating under a new dispatch arrangement with the Southwest Power Pool in 2014. This arrangement, combined with an increase in the use of wind energy, resulted in unusually low carbon dioxide emissions for the year. In addition, future emission projections have increased for Xcel Energy's Texas/ New Mexico system because of an increase in projected load for 2020.

Upper Midwest CO_2 Emissions

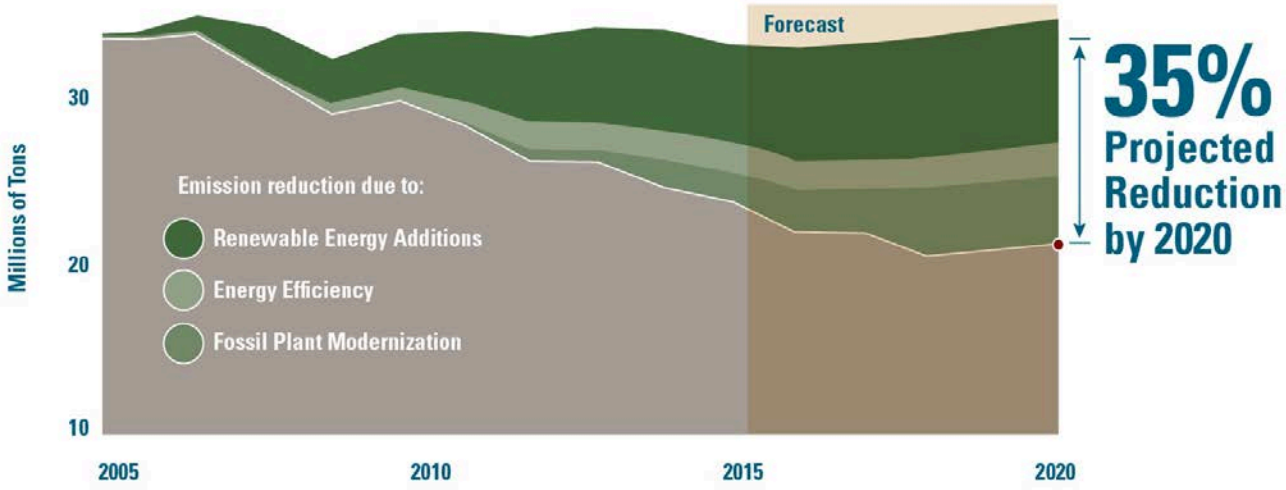
* Xcel Energy's owned CO_2 emissions increased in 2014 because Sherco Unit 3, the largest unit at the Sherco Generating Plant, was online for the full year after being down for repair from Nov. 2011 to Sept. 2013. Despite this annual increase, we remain on track to reduce CO_2 emissions by 35 percent by 2020 from 2005 levels.

Projected for 2020

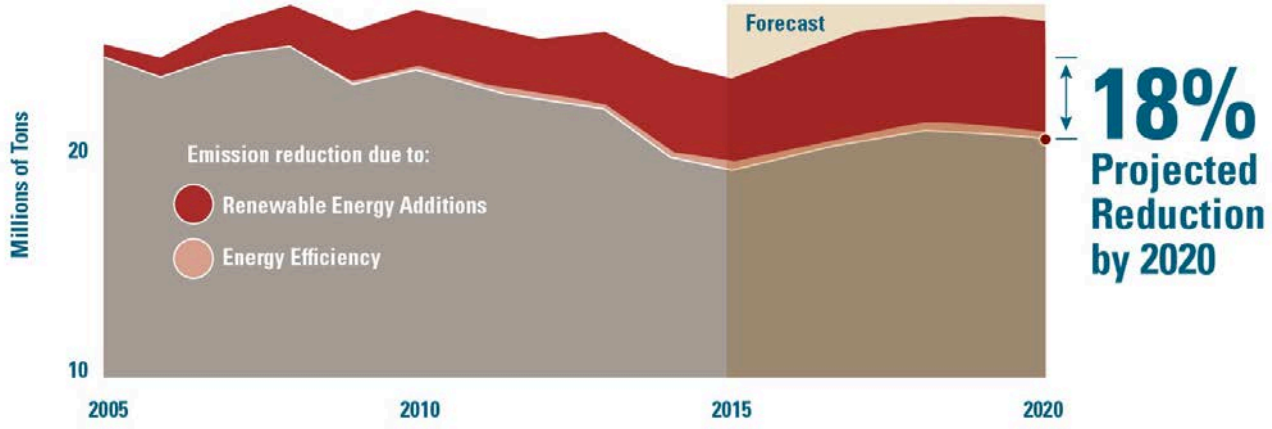
Xcel Energy



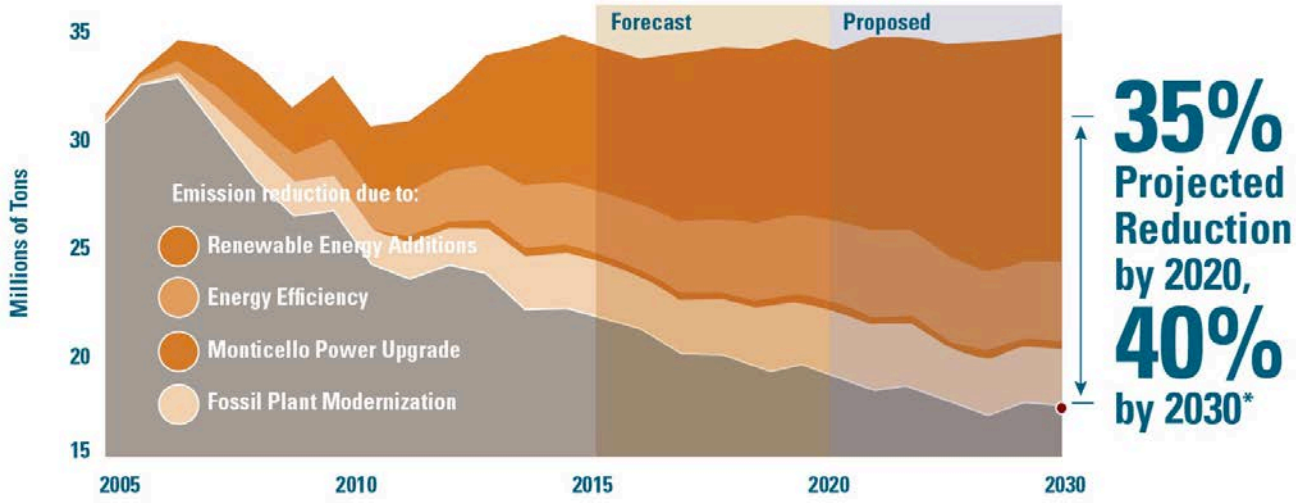
Colorado



Texas/New Mexico

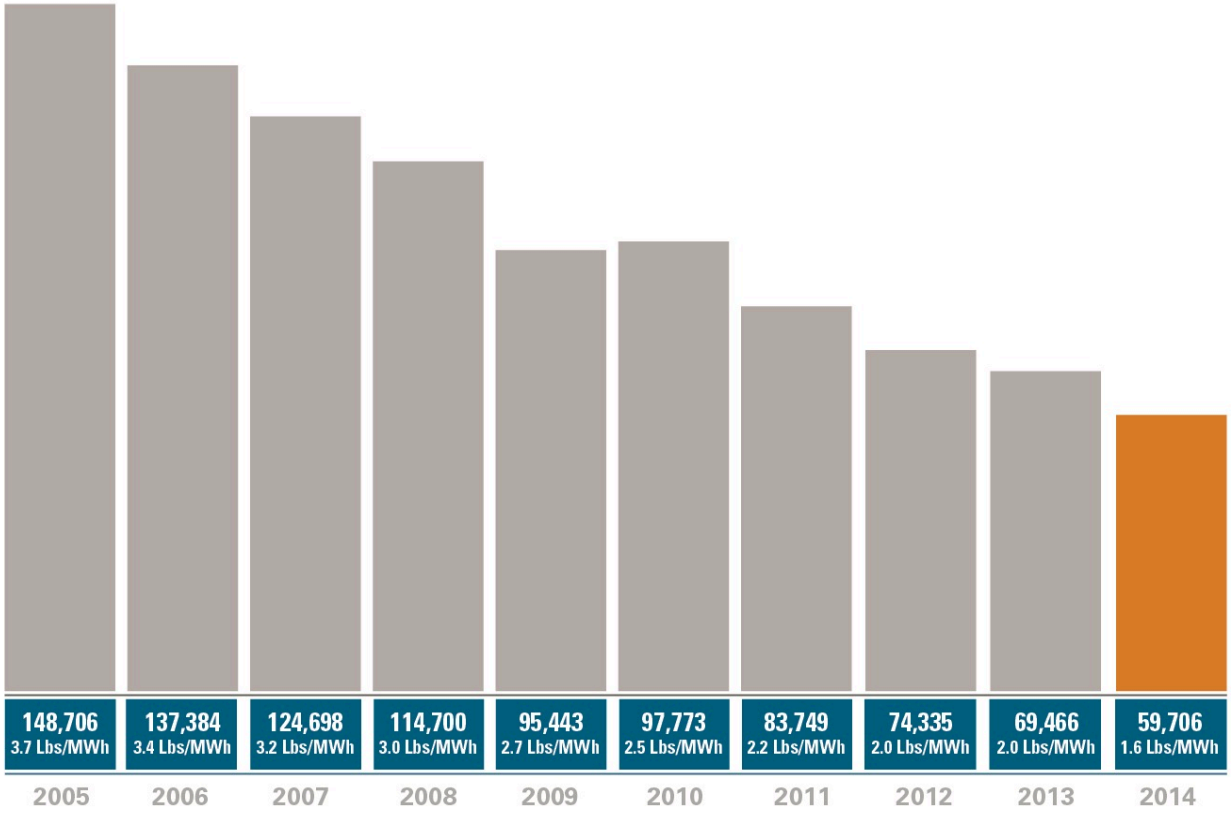


Upper Midwest

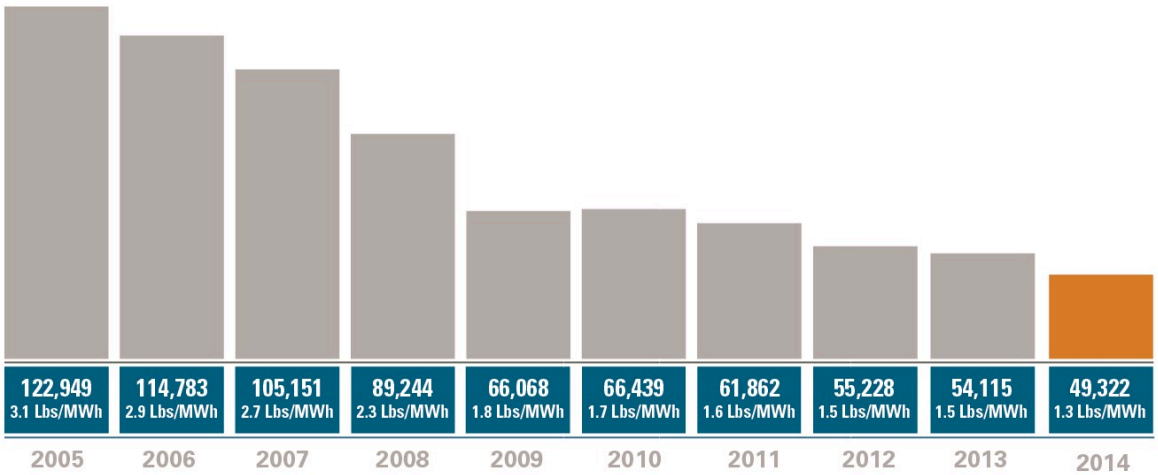


Air Emissions

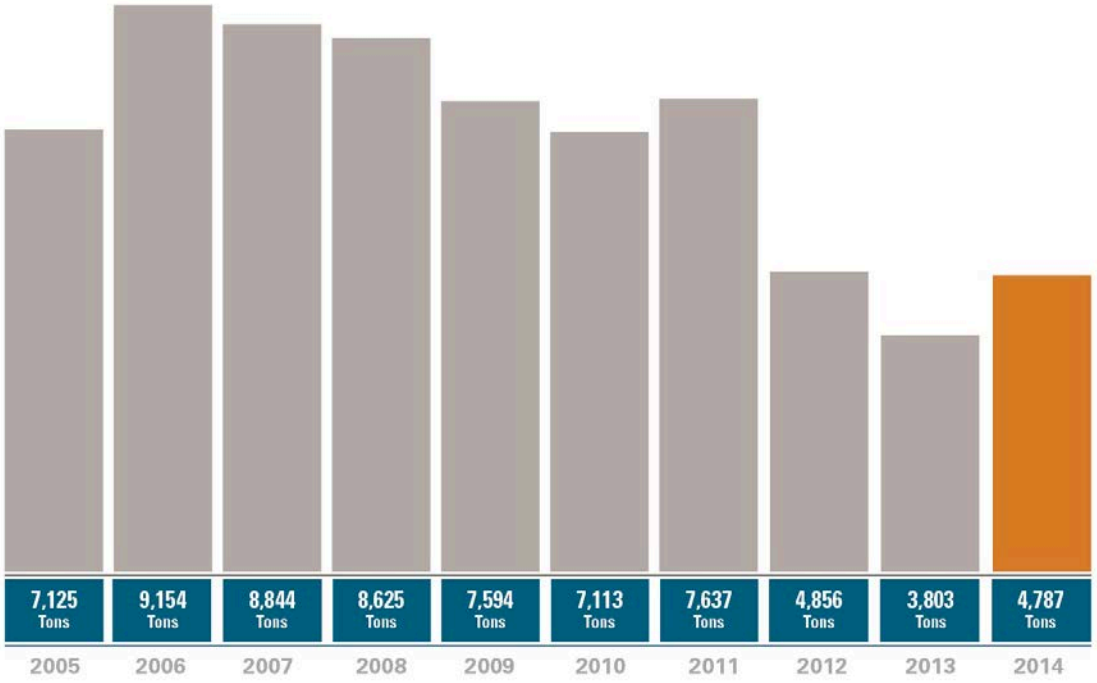
Xcel Energy has reduced emissions of nitrogen oxides (NO_x) and sulfur dioxide (SO_2) by nearly 60 percent since 2005.



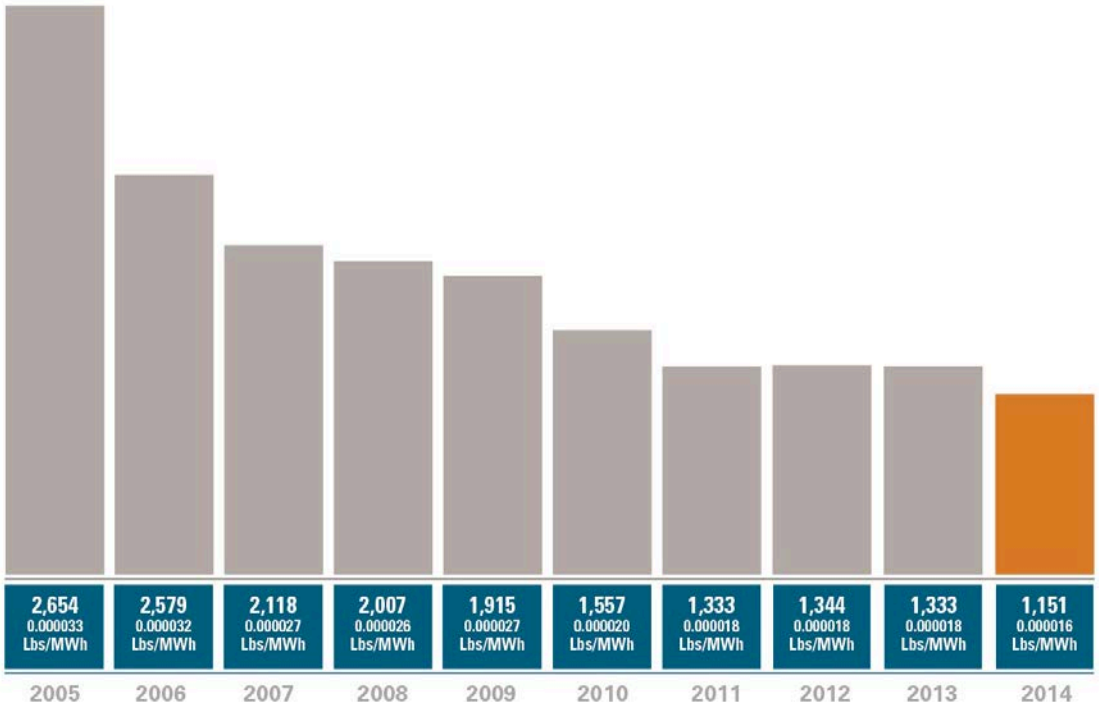
Sulfur Dioxide Emissions (owned generation)



Nitrogen Oxide Emissions (owned generation)



Particulate Matter Emissions (owned generation)



Mercury Emissions (owned generation)

Find Xcel Energy's current Toxic Release Inventory information filed with the U.S. Environmental Protection Agency.

Emissions Reporting and Reductions

Today our emissions are lower thanks to a combination of renewable energy, energy efficiency and power plant modernization efforts that include the retirement of older, less efficient coal units . Since 2005, we have reduced emissions of nitrogen oxides and sulfur dioxide by nearly 60 percent from the generating plants we own. We also are on track to surpass our goal for reducing carbon dioxide emissions 20 percent by 2020 from 2005 levels, with current projections indicating a 30 percent reduction companywide. Our clean energy strategy allows us to focus on those initiatives that produce the greatest benefits at the best price and positions us to meet future environmental regulations. Through this approach, we are meeting the many diverse—if not competing—interests of the people we serve by offering customers innovative solutions, keeping energy prices competitive, modernizing our infrastructure, investing in local economies and improving the environment.

CO_2 Emissions Reporting and Third-Party Assurance

The CO_2 emissions charts in this report show CO_2 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. Xcel Energy's projected emission reductions are based on our most current energy forecasts.

We have provided only CO_2, not other greenhouse gases, such as methane and nitrous oxide. These latter two emissions comprise less than 0.5 percent of total greenhouse gas emissions (CO_2 equivalent) from electricity generation. 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.

Electricity production is Xcel Energy's most significant source of emissions. We consistently report emissions associated with electricity production in short tons and in pounds per megawatt-hour in our annual form 10-K and Corporate Responsibility Report. This allows users of these reports to follow our company's emissions trend.

More comprehensive reporting of our greenhouse gas emissions is provided in the GRI Index for this report. See indicators G4-EN15, G4-EN16 and G4-EN17 for Xcel Energy's Scope 1, 2 and 3 greenhouse gas emissions.

Xcel Energy publicly reports 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.

Methodology

Xcel Energy uses methodology that the U.S. Environmental Protection Agency established 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 (TCR) 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. Xcel Energy recognizes 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 have since worked to third-party verify and register all of our CO_2 emissions going back to 2005. To date, verification and registration is complete for Xcel Energy's emissions in 2005, 2006, 2008, 2010 and 2011. We anticipate emissions for 2007 and 2009 will be verified and registered in 2015, and the process for verifying 2012 and 2013 emissions is underway.

To learn more about greenhouse gas reporting methodology and third-party assurance for our emissions, go online to The Climate Registry, the U.S. EPA greenhouse gas mandatory greenhouse gas reporting, the WRI protocol and ISO 14000.

Emissions reductions

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 facilities.

Efficiency, Control and Retirement Projects for 2014

Location	Project Description	Completion Date
COLORADO		
Pawnee	Clean Air Clean Jobs emission control project: Installation of a lime-spray dryer and selective catalytic reduction to reduce SO_2 and NOx	2014 (complete)
Hayden	Clean Air Clean Jobs emission control project: Installation of selective catalytic reduction on Units 1 and 2 to reduce NOx	2015 (Unit 1) 2016 (Unit 2)
Cherokee Unit 3	Retire Cherokee Unit 3 in 2015	2015
TEXAS/NEW MEXICO		
Tolk Unit 2	Low-NO_x burner and separated over-fire air equipment to reduce NO_x emissions about 30 percent.	2014 (complete)
Harrington 1-3 and Tolk 1-2	Installation of activated carbon injection systems for achieving the goal to reduce mercury emissions by 90 percent.	2014 (complete)
UPPER MIDWEST		
Sherco Units 1 and 2	Emission control upgrades: Sparger project for additional SO_2 reductions, as well as tuning and installation of combustion controls and coal mill improvements for additional NOx reductions	2014 (complete)
Sherco Units 1 and 2	Installation of activated carbon injection (ACI) systems for mercury emission control with a goal of 90 percent reduction	2014 (complete)
Bayfront 1 and 2	Installation of fabric filters for particulate control and activated carbon injection for mercury control	2014 (complete)
Black Dog Units 3 and 4	Retire Black Dog Unites 3 and 4 in second quarter 2015	2015
Bayfront Unit 5	Bayfront Unit 5 will cease coal operations in 2015	2015

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 (NOx) by at least 80 percent from 900 megawatts of coal-fueled generation.

We are now mid-way through implementation of our Clean Air Clean Jobs project, which the Colorado Public Utilities Commission approved at the end of 2010 after extensive public discussion and review. This year a new, highly efficient natural gas combined-cycle unit at our Cherokee Generating Plant will begin operations. It will replace about 700 megawatts of coal-fueled generation scheduled for retirement by 2018. So far, we have retired four aging coal units under the project, representing about 370 megawatts. In addition, the 152-megawatt, coal-fueled Cherokee Unit 3 will be retired this year.

Also under the project, we are installing modern emission controls at two remaining coal plants, Pawnee and Hayden generating plants, 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 by about 86 percent, sulfur dioxide by 83 percent and mercury by 82 percent from plants included in the project. System-wide, it will contribute to a projected reduction in carbon dioxide emissions of 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 U.S. EPA's proposed Clean Power Plan. The entire effort will cost about $1 billion and is estimated to have an average annual rate impact of approximately 2 percent over a 10-year period.

METHANE

Methane emissions from Xcel Energy's natural gas distribution system make up less than 1 percent of the company's total greenhouse gas emissions, most of which are attributed to processes associated with electricity production. 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 (EPA) Natural Gas STAR program.

In 2014, we reported methane emissions from our natural gas distribution system to be approximately 498 million cubic feet. Emissions were reported under the EPA'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 274 million cubic feet—enough natural gas to fuel about 2,100 homes for a year.

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 fall 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.

- Increasing efforts to prevent dig-ins and other damage to our systems. Our damage prevention program ranks in the top decile of utilities across the nation.
- 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.

Read more about environmental considerations with natural gas and find information on our natural gas system improvements.

Environmental Policy

Xcel Energy's environmental policy approach seeks to balance costs and environmental benefits while maintaining a reliable utility system. We pursue proactive emission reduction and clean energy strategies to improve the environment, control costs and meet the interests of our communities. It is a sensible approach to providing clean energy for our customers.

Our efforts have already reduced considerable future environmental costs to our customers and risk to shareholders. In 2014, we advanced environmental initiatives and opposed some regulations when necessary to protect the interests of our customers, communities and shareholders. We regularly engage in discussions with policymakers, regulators, energy providers, the environmental community and customers regarding environmental issues, with 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.

Policy and Regulatory Developments for 2014

The U.S. Environmental Protection Agency and state environmental regulators in 2014 continued to develop a broad set of environmental rules covering climate, air quality, water quality and coal ash that will likely require owners of many U.S. power plants to modify operations and install new environmental controls in the coming years. Meanwhile, continued low natural gas prices and declining prices for renewable energy have provided utilities with more cost-effective options. Many utilities are considering retiring aging coal plants and replacing them with natural gas-fueled generation rather than adding controls to meet new regulations.

Key policy, regulatory and legal developments this past year included:

- **Greenhouse gas rules for electric generating plants**
  Under the President's Climate Action Plan announced in 2013, the EPA proposed three separate rules regulating greenhouse gas (GHG) emissions from new, existing and modified or reconstructed power plants. The EPA plans to finalize all three rules in summer 2015.

  - The proposed rule for **new power plants** would set maximum 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 CO_2 emissions can be captured and stored. This rule has limited implications for Xcel Energy since we have no plans for new coal plants. Nonetheless, we opposed the carbon capture and storage (CCS) requirement in our comments to the EPA since CCS does not meet the statutory requirement as an "adequately demonstrated" technology.

  - The proposed rule for **existing coal and natural gas combined-cycle units** installed before January 2014 would set interim (2020-2029) and final (2030) maximum GHG emission rates (pounds of carbon dioxide per megawatt hour) for the electric system in each state. This rule, which the EPA calls its Clean Power Plan, is described in more detail in this report. Of the three greenhouse gas rules, the Clean Power Plan will by far have the most impact on our company and the industry.

  - The proposed 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—would require 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. The type of changes that might trigger these requirements are not common in the power industry.

- **Interstate air quality**
  The Cross State Air Pollution Rule (CSAPR) addresses long-range transport of particulate matter and ozone by requiring reductions in SO_2 and NO_x 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.

  Since the CSAPR was finalized, the rule has been subject to legal review before both the D.C. Circuit and the U.S. Supreme Court. The D.C. Circuit had vacated the rule and remanded it back

to the EPA in August 2012, but in 2014, The U.S. Supreme Court overruled the D.C. Circuit's ruling. Following this outcome, the EPA has begun to administer the CSAPR in 2015. While there are still remaining issues for the D.C. Circuit to rule on in 2015 that could change the status of the CSAPR, the rule is currently in effect and Xcel Energy is complying with the rule.

- **Texas/New Mexico.** Compliance costs for Xcel Energy's operations in Texas and New Mexico are expected to be a small fraction of what they would have been in 2012 when the rule was first planned for implementation. Multiple changes to our system in the region have substantially improved our ability to comply at a lower cost of about $7 million annually.

- **Upper Midwest.** With the retirement of Black Dog Units 3 and 4 in early 2015, we hold enough allowances to comply with the CSAPR in Minnesota at a low cost. However, we remain concerned that the final rule ignored considerable emissions reductions already achieved at the High Bridge and Riverside Plants. For Wisconsin, we have complied with the CSAPR's predecessor rule since 2009. We plan to cease coal operations at Bay Front Unit 5, which will help us operate within the CSAPR emission allowance allocation for SO_2, and we anticipate compliance with the CSAPR for NO_x through operational changes or allowance purchases.

- **Regional haze and visibility**

  The Clean Air Act may require power plants to install emission controls to reduce alleged haze and visibility impacts of SO_2, NO_x and particulate matter emissions on national parks and wilderness areas.

  - **Colorado.** The EPA approved Colorado's State Implementation Plan (SIP) for regional haze in 2012, which incorporates changes the company is implementing under its Clean Air Clean Jobs project, as well as emission controls installed at our Comanche plant. The changes address all currently known regional haze requirements. In addition, pending in the U.S. Court of Appeals for the 10th Circuit is WildEarth Guardians' challenge to Colorado's best available retrofit technology (BART) determination for Comanche.

  - **Minnesota.** The Minnesota Pollution Control Agency (MPCA) issued Minnesota's regional haze State Implementation Plan (SIP), which identifies as best available retrofit technology (BART) the installation of NO_x combustion controls and SO_2 scrubber upgrades at Units 1 and 2 of our Sherburne County Generating Plant (Sherco). The EPA has approved the SIP and accepted the emission limits for Sherco. Several environmental groups sued the EPA, asking the court to reverse the agency's decision approving Minnesota's haze plan and require the EPA to examine additional NO_x emission reductions as BART for Sherco Units 1 and 2. Separate litigation under the Reasonably Attributable Visibility Impairment (RAVI) provisions of the Clean Air Act alleges visibility impairment in Voyageurs and Isle Royale National Parks attributable to Sherco Units 1 and 2.

    Based on the current level of controls for particulate matter and the upgraded controls for SO_2 at Sherco Units 1 and 2, it is not expected that any further reductions of these pollutants would be required due to implementation of visibility programs. However, for NO_x, the outcome of either lawsuit could oblige Xcel Energy to consider either selective catalytic reduction controls (SCR) or retirement for these units. If the Regional Haze litigation results in new revisions to Minnesota's Regional Haze SIP, the currently selected controls for Sherco Units 1 and 2 might continue to be adequate, or the BART determination might be revised to

include SCR on one or both units. If the RAVI litigation results in a new BART determination process for Sherco Units 1 and 2, the currently selected controls might continue to be adequate, or the BART determination might be revised to include SCR on one or both units. In either case, we are concerned that a requirement for SCRs would not strike the right balance between the visibility improvement that might be predicted to occur and the additional cost for customers.

- **Texas/New Mexico.** Xcel Energy owns two coal-fueled electric generating plants, Harrington and Tolk, located in the Texas Panhandle. These plants are the backbone of our electricity system in the region and a primary reason that our electricity rates are so affordable. Both use low-sulfur coal, and early on, were equipped with particulate emission controls. We have installed low-NO_x burners on all units at Harrington and Tolk, and both plants use advanced neural networks that continually adjust operations to achieve efficiency and reduce emissions.

  In March 2009, the State of Texas submitted to the EPA a revision to its State Implementation Plan (SIP) for addressing regional haze over the first planning period that runs 2008 through 2018. Texas submitted this SIP revision to meet the requirements of the Clean Air Act and the EPA's rules that require states to prevent any future, and remedy any existing, manmade impairment of visibility to assure reasonable progress toward the national goal of achieving natural visibility conditions.

  The EPA proposed in 2014 to partially approve and partially disapprove the revision to the Texas SIP. The EPA's proposed Federal Implementation Plan (FIP) for Texas would impose costs on our operations in Texas that we believe are not justifiable. By requiring two new scrubbers on our Tolk units, the EPA is proposing that our customers expend hundreds of millions of dollars for a visibility benefit that is estimated to be insignificant.

  We believe that the EPA should not require the scrubber installations in this planning period. Instead, the agency should wait on this decision until updated data is available and the effect of new programs is known, rather than continuing to rely on data and modeling that are now more than 10 years old. In addition, by that time, we also would have a better sense of our compliance plans under the EPA's Clean Power Plan. This would allow for more comprehensive planning to assure the best economic and environmental benefit to our customers, without impacting long-term progress toward the goal of attaining natural visibility in Texas' national parks.

- **Mercury and Air Toxics.** Under national standards for mercury and other hazardous air pollutants from power plants, coal- and oil-fueled units larger than 25 megawatts are required to meet new emission limits. The standards apply to mercury, acid gases (hydrochloric acid) and non-mercury metals, such as arsenic, beryllium and lead. Our plants are complying with MATS requirements that took effect April 15, 2015. Some utilities and the mining industry have challenged MATS, but Xcel Energy is not part of this litigation. In November 2014, the Supreme Court agreed to hear the case.

  - **Colorado.** Xcel Energy is well positioned to comply with MATS thanks to our Clean Air Clean Jobs project. Plus, the remaining coal units on our Colorado system are equipped with controls that meet all MATS emission requirements.

- **Texas/New Mexico.** To comply with the new rule, we have installed activated carbon controls on the units at Harrington and Tolk generating plants with the goal of reducing mercury emissions by 90 percent.

- **Upper Midwest.** Xcel Energy is well positioned to comply with MATS thanks to early actions taken under the Metro Emission Reduction Project. Plus, we currently use activated carbon injection to control mercury emissions at Sherco and Allen S. King generating plants in Minnesota. Mercury controls were already required by Minnesota statute, and SO_2 control improvements were needed for regional haze requirements. We also will cease coal operations at Unit 5 of our Bay Front Generating Plant in Wisconsin and Units 3 and 4 at Black Dog Generating Plant in Minnesota.

- **Particulate matter.** The EPA in December 2012 lowered the annual air quality standard for $PM_{2.5}$ to 12 micrograms per cubic meter ($\mu g/m^3$) from the prior annual standard of 15 $\mu g/m^3$. In December 2014, the EPA finalized its area designations for the lower $PM_{2.5}$ annual standard and did not classify nonattainment areas in any of Xcel Energy's states.

- **Ozone.** Ozone, commonly referred to as smog, is formed from the reaction of oxides of nitrogen (NO_x) and volatile organic compounds (VOCs) in the presence of sunlight. Ozone levels are highest in the summer months. In 2008, the EPA finalized the current National Ambient Air Quality Standard (NAAQS) for ozone, setting the primary standard at 75 parts per billion (ppb). In November 2014, the agency proposed an updated Ozone NAAQS, proposing to set both the primary (public health) and secondary (public welfare) standards as eight-hour standards within a range of 65 to 70 ppb, and also seeking comment on levels for the primary standard as low as 60 ppb. Ozone levels in our states could exceed the new standard. For example, some areas in Minnesota may not attain a standard of 65 ppb. However, we do not know where the EPA will set the final standard, whether areas of Minnesota will be classified as nonattainment, and if so, whether the Minnesota Pollution Control Agency will seek additional NO_x emission reductions from power plants or focus instead on mobile and other sources.

- **Water quality.** The EPA in June 2013 published proposed Effluent Limitations Guidelines for power plants that use coal, natural gas, oil or nuclear materials as fuel and discharge treated effluent to surface waters, as well as utility-owned landfills that receive coal combustion residuals. The proposal includes eight potential approaches, differing in the number of waste streams covered, size of the units controlled and stringency of controls. More stringent effluent limitation guidelines may go into effect with the final rule, anticipated in September 2015. Under the current proposed rule, facilities would need to comply as soon as possible after July 2017 but no later than July 2022.

- **Waters of the United States.** In April 2014, the EPA and U.S. Army Corps of Engineers proposed a new definition of what water bodies and topographic features are considered Waters of the United States (WOTUS). This definition is the basis of the federal regulatory agencies' jurisdiction under the Clean Water Act and triggers numerous permitting and spill prevention requirements. For instance, any person that discharges dredged or fill material into WOTUS must obtain a permit. The revised definition could impact permitting and wetland mitigation requirements for infrastructure projects and complicate the siting and construction of wind and

solar facilities. Xcel Energy submitted comments on the EPA's proposed re-definition by the November 2014 deadline, and the agency is expected to issue a revised definition sometime in late spring 2015.

- **Coal combustion residuals**. In spring 2015, the EPA published its final rule for coal combustion residuals (CCR). The rule regulates CCRs or coal ash as a non-hazardous waste under Subtitle D of the Resource Conservation and Recovery Act (RCRA-D). The rule establishes minimum national standards for the design, operation and closure of landfills and surface impoundments. Beneficial use of CCRs as defined in the rule is exempted. The rule is unusual because it is self-implementing, with the EPA exercising no direct permitting or enforcement authority. Based on our initial review of the final rule, we believe our costs for the management and disposal of coal ash will not significantly increase under the new rule.

- **Cooling water intake**. The EPA has been developing rules for cooling water intake structures under section 316(b). Cooling water intake structures that previously met state site-specific Best Professional Judgment determination likely face more stringent regulations and require additional equipment to protect aquatic biota. Under the final rule released in May 2014, closed-cycle cooling towers are not mandated, but all power plants using more than 2 million gallons of surface water per day are required to take measures to reduce aquatic impacts. This could have significant impacts and costs at some Xcel Energy power plants.

Xcel Energy's Response to the EPA'S Clean Power Plan

In the absence of comprehensive national climate legislation, the EPA is using its Clean Air Act authority to develop regulations for new and existing power plants. Xcel Energy has been working with the EPA, our state clean air agencies, other utilities and environmental stakeholders, advocating for efficient and effective policy based on our experience. After all, our clean energy strategy serves as a model for how states and utilities can work together to reduce emissions at the lowest cost to customers. We share the goal of establishing a workable, cost-effective and legally defensible strategy to address greenhouse gases and have encouraged the EPA to make targeted fixes to the proposed rule. With all that Xcel Energy has accomplished for customers, we want to ensure that these potentially far-reaching regulations recognize the value of state clean energy programs and Xcel Energy's environmental leadership position.

The EPA's Clean Power Plan is the proposed rule for existing power plants under section 111(d) of the Clean Air Act. The proposal sets emission rate targets for the overall electric system in each state based on four building blocks that include:

- Coal unit efficiency improvements
- Shifting generation from coal to natural gas combined-cycle units
- Expansion of renewable energy and preservation of "at risk" nuclear capacity
- Energy efficiency.

State environmental agencies are required to submit implementation plans by summer 2016—with possible extension to summer 2017 or summer 2018 for states working jointly with other states—or else accept a federal plan the EPA designs. The proposed rule provides some flexibility, since states are not required to use the same combination of building blocks to achieve their goals as the EPA used in setting their goals.

Xcel Energy has significant concerns with the rule as proposed:

- It uses a 2012 baseline and effectively sweeps away credit for the proactive reductions Xcel Energy and its states achieved prior to 2012. It sets more stringent targets for clean energy leaders than for states that have done relatively less to date. This in effect punishes our customers, since the next increment of reductions in the proactive states is likely to be more expensive, and sends the signal that utilities and states should have delayed taking action until mandated to do so. The rule also has relatively weak incentives for further reductions prior to 2020.
- It imposes relatively stringent interim targets that require many states to achieve most of their 2030 goal by 2020 or soon thereafter. This could cause greater economic disruption, premature plant retirements and reliability issues, since the necessary infrastructure (gas pipelines, transmission, new power plants) cannot be built in such a short time after state plan approval.
- The building blocks are not technically feasible in all states, and the EPA has not fully considered the interactions among building blocks.
- The rule has significant legal shortcomings, representing an approach to regulation unprecedented under the Clean Air Act.
- The rule generally fails to recognize the integrated, interstate nature of the electricity system, and sets high barriers for states to collaborate. Emission reduction measures implemented in one state often have effects in other states, and cross-state collaboration may be desirable to take advantage of the lowest-cost CO_2 reduction opportunities across a region.

In short, the Clean Power Plan is unlike any other environmental rule in that compliance involves not the installation of a control technology, but an overall shift in energy policy toward lower-emitting resources.

Compliance would be analogous to state- or regional-level integrated resource planning, shifting toward more renewable energy and energy efficiency, increased natural gas use, reduced use and/or retirement of coal plants.

In response, Xcel Energy has proposed to the EPA targeted fixes that could better recognize early action by leading states and utilities, provide stronger incentives for further early action, and avoid the risks posed by the interim targets. We have urged the EPA to:

- Recognize the retirement of coal plants occurring prior to the 2012 baseline
- Account for the effect of renewable energy on the dispatch of natural gas combined-cycle plants
- Grant states the flexibility to establish their own emission reduction glide paths to the 2030 goal
- Allow leading renewable states to bank renewable energy for use in meeting their 2030 compliance obligations
- Fix technical problems in the rule that harm clean energy leaders

The EPA plans to finalize the Clean Power Plan in the summer of 2015. In the meantime, we have begun to work with the responsible agencies in several of our states to discuss key questions in the design of state implementation plans.

Environmental Considerations with Natural Gas Production

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 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. For instance, we are adding natural gas-fueled generating plants that will modernize and diversify our power plant fleet while also enhancing our ability to integrate more variable renewable energy.

The use of natural gas to produce electricity has lower emissions than coal, producing about half the carbon dioxide emissions for each megawatt-hour generated while also significantly reducing sulfur dioxide, nitrogen oxides, mercury, particulate matter and other emissions. From a resource standpoint, natural gas-fueled generation also significantly reduces water use on a per-megawatt-hour basis compared to coal and it produces no waste byproducts, like coal ash.

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 (EPA) 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.

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

In 2014, we signed on to the Natural Gas Downstream Initiative, a collaborative effort with other major gas utilities, facilitated by MJ Bradley & Associates. It will support 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.

Learn more about hydraulic fracturing.

Renewable Energy

Clean energy from renewable resources accounted for more than 20 percent of Xcel Energy's total energy supply in 2014, more than double what it was in 2005. We remain committed to expanding the use of renewable energy in the most economical way for customers.

As the No. 1 utility provider of wind energy in the country for 11 years running, we have found wind power to be the most cost-effective renewable resource. It has grown to become an important component of our diverse energy portfolio. In 2013, we proposed to expand our wind portfolio by about 40 percent over the next couple years, from 5,080 megawatts to 7,078 megawatts in 2016. We have made similar commitments to grow the use of solar power on our system through a range of resources—from large, central solar plants to community solar gardens to customer-owned solar panels. In fact, our solar portfolio will more than triple by the end of 2016.

As our renewable energy portfolio grows, we are working to better integrate these resources onto our systems too. Specifically, we have projects underway to improve system operations, forecasting and storage.

Current and Projected Renewable Energy Portfolio in Megawatts (MW)

	Wind	Hydro	Solar (AC)			Biomass	RDF/Landfill	Total
			Utility-Scale	On-Site	Total			
Colorado	2,342	65	87	170	257	-	3	**2,667**
Texas/ New Mexico	1,526	-	50	8	58	-	-	**1,584**
Upper Midwest	1,867	312	2	10	12	197	104	**2,492**
Total 2014	5,735	377	139	188	327	197	107	**6,743**
Projected year-end 2016	7,078	377	736	388	1,124	197	107	**8,883**
Projected by 2020*	8,231	590	736	583	1,319	210	105	**10,455**

*Projected capacity includes approximately 500 MW of short-term Texas QF wind. Projections also assume expiring PPA capacity is replaced. Onsite solar projections are estimated based on current plans.

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	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
New Mexico Renewable Portfolio Standard	20 percent by 2020
North Dakota Renewable Portfolio Objective	10 percent by 2015*
South Dakota Renewable Portfolio Objective	10 percent by 2015*
Texas Renewable Portfolio Standard	Based on statewide capacity, Xcel Energy's requirement is about 3 percent of retail sales in 2010 and 4 percent 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.

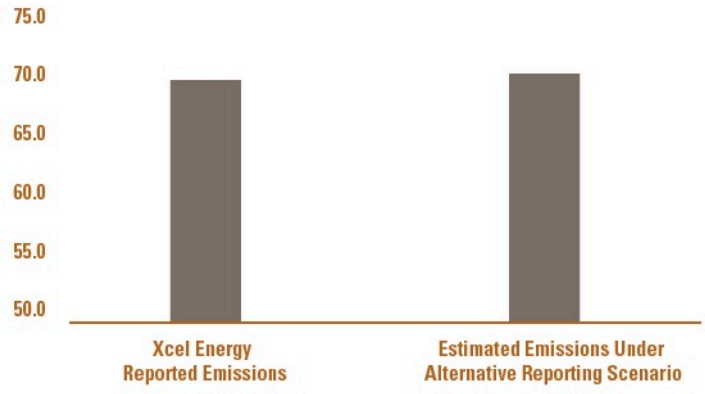
Xcel Energy uses RECs to confirm or validate compliance with state renewable energy standards throughout our service territory. Our company carefully tracks its REC ownership and works to comply with the rules and best practices around renewable energy claims. Generally, only parties that own or retire RECs can claim to use the renewable energy.

Strategy and Sales

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, we sell some of our extra RECs. In 2014, we sold about 1.14 million RECs, about one-third what was sold in 2013. 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.

Consistent with The Climate Registry protocols, Xcel Energy does not presently adjust its CO_2 reporting for REC sales. However, because the treatment of CO_2 attributes associated with REC sales under future greenhouse gas reporting protocols is uncertain, we have provided a chart to illustrate the potential effect

of an alternative CO_2 reporting scenario, in addition to the actual carbon dioxide emissions shared in this report. This alternative assumes the avoided CO_2 emissions related to renewable energy are added back to the company's overall emissions when RECs are transferred.



2014 Renewable Energy Credit (REC) Sales

Xcel Energy REC Sales by Vintage Year	2007	2009	2011	2012	2013	2014	Total
Colorado						283,203	283,203
Texas/New Mexico	11,803	5,671	62,863	188,285	169,957	100,000	538,579
Upper Midwest				47,824	74,873	199,950	322,647
Total	11,803	5,671	62,863	236,109	244,830	583,153	1,144,429

Wind Power

Wind power has become an important component to our diverse energy mix, as it is our most cost-effective renewable option. Our early actions to add wind energy at competitive prices and proactively comply with state renewable energy standards have benefitted customers and helped protect them against rising fuel and environmental compliance costs, all while reducing environmental impacts. For 11 consecutive years the American Wind Energy Association has ranked Xcel Energy the nation's No. 1 utility provider of wind energy. And the wind power on our systems continues to grow.

To take advantage of extremely competitive prices available in the market today, we will add nine new projects totaling 1,900 megawatts, enough to serve about 900,000 homes, throughout our service territory by 2016. Three of these projects were completed and began producing power last year.

The following wind power additions are underway:

- **Colorado**: Two projects totaling approximately 450 megawatts, for a system total of about 2,600 megawatts. The additions will save Colorado customers $231 million in fuel costs over 20 years. In October 2014, the 200-megawatt Limon III Wind Farm began operations.
- **Texas/New Mexico**: Three projects totaling almost 700 megawatts located in New Mexico, Oklahoma and Texas, for a total of more than 1,500 megawatts in wind purchases. The additions will save Texas-New Mexico customers between $481 million and $590 million in fuel costs over 20 years. At the end of 2014, the 199-megawatt Mammoth Plains Wind Energy Center in Oklahoma and the 249-megawatt Palo Duro Wind Energy Center in Texas began operations.
- **Upper Midwest**: Four projects totaling 750 megawatts in Minnesota and North Dakota for a system total of about 2,600 megawatts. The additions will save Upper Midwest customers about $225 million in fuel costs over 20 years.

Wind Records

Our significant wind energy resources and ongoing efforts to improve system operations through better forecasting and other measures have resulted in multiple system records in terms of the amount of wind energy available to serve customers. Around midnight on Nov. 1, 2014, we set a new hourly system record with wind producing more than 61 percent of the electricity on our Colorado system. High wind generation levels are becoming increasingly more common, 2 percent of the time this past year, wind exceeded 50 percent of our energy production in Colorado on an hourly basis.

Below is an overview of our peak hourly wind energy milestones in 2014:

System	Percent of Load Served	Date	Time
Upper Midwest	46%	April 27, 2014	3 a.m.
Colorado	61%	Nov. 1, 2014	12 a.m.
Texas/New Mexico	35%	Dec. 25, 2014	3 a.m.
Xcel Energy Total	38%	April 27, 2014	2 a.m.

Wind Forecasting

Xcel Energy completed its fifth year using WindWX—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 power production is difficult to forecast due to its variability. 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. In addition, most 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.

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. Xcel Energy receives royalties from the sale of WindWX to other utilities and uses the funds to pay for hosting services and further development on the system.

The system has increased our wind forecasting accuracy by nearly 40 percent since 2009, and we estimate that this has saved our customers a total of $49 million through year-end 2014. The project's success was honored in 2014 with a Colorado Governor's Award presented by Co-Labs, a nonprofit that works to inform the public about the breakthroughs and impacts from the state's 30 federally funded labs and research facilities

Xcel Energy, NCAR and GWC are currently collaborating on a third phase of the project to further enhance the sophistication of the WindWX technology. We are seeking to improve short-term forecasting, focusing on ramping and extreme weather events, introducing probabilities into the forecasting process, as well as exploring solar forecasting behind the customer meter. NCAR scientists and engineers are developing systems to help anticipate sudden changes in wind, to shut down turbines ahead of potentially damaging icing events and to predict the amount of energy to be produced by private solar panels on a daily 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 can be expensive to operate and integrate on the electric system. Although improved forecasting helps to manage this 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 less efficient base-load fossil fuel units offline to accommodate more wind generation; the approach reduces fuel costs and helps save about 233,000 tons of carbon dioxide emissions annually
- Using set-point controls and Automatic Generation Control of wind and thermal units, which lets wind farms operate at peak levels while reducing production from economical fossil fuel units
- 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 costs associated with carrying power reserves to balance our wind resources
- Adding more flexible production resources that can be ramped up and down more efficiently to work with variable wind generation, such as the new natural gas plant being installed under the Clean Air Clean Jobs program in Colorado

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 higher levels of wind energy. We curtail about 3 percent of our total wind generation to reliably achieve annual wind production levels around 20 percent. 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 filed with the Federal Energy Regulatory Commission to enable joint dispatch of its resources with the resources of other Colorado utilities to allow for more efficient and cost-effective, real-time system operations

Learn more about wind power on our system.
Find information on our Windsource program.

Solar Power

Xcel Energy is approaching solar energy with the same commitment that made our company the No. 1 utility provider of wind energy. We are investing in economical large-scale projects that serve all customers on our systems, in addition to offering customers the option to participate more through voluntary, customer-driven programs, such as Solar*Rewards® and Solar*Rewards® Community®.

Investing in solar power is an opportunity to further diversify our energy supply and meet customer interest in clean energy. At the end of 2014, we had more than 327 megawatts of solar on our system, enough to power about 71,000 homes and we have plans to more than triple this in 2016.

As we expand the use of solar power, we believe the policies that encourage its development must work for all customers. Our objective is to meet the preferences and interests of our customers in a way that treats everyone equally and fairly, whether you are a customer who chooses to invest in more renewable energy or not.

Large, Central Solar Energy (Utility-Scale)

Large-scale installations make solar power available at the lowest cost, to the greatest number of people in the communities Xcel Energy serves. We support the development of large, central solar because of the benefits that come with the economies of scale.

These systems are developed with more sophisticated technology in optimal locations to maximize sun exposure. They produce up to 50 percent more energy panel-for-panel than the typical rooftop installation, due in part to tracking technology that is used to follow the sun, compared to fixed panels on most rooftops. For these reasons, large projects are lower in cost—less than one half the cost of rooftop solar to install per kilowatt.

Xcel Energy had 139 megawatts-AC of large, central solar on its systems at the end of 2014, with the following expansion plans underway:

- **Colorado:** Two approved projects totaling 170 megawatts, including purchases from the120-megawatt Comanche Solar project in Pueblo, Colo., and the 50-megawatt SunPower San Luis Valley project near Alamosa, Colo.
- **Texas/New Mexico:** Two proposed projects totaling 140 megawatts, including purchases from two projects developed near Roswell, NM.
- **Upper Midwest:** Four approved projects totaling 287 megawatts, including a 100-megawatt purchase from the North Star Solar project near North Branch, Minn., a 62-megawatt purchase from the Marshall Solar project near Marshall, Minn., and a 25-megawatt purchase from the MN Solar I project near Tracy, Minn.; in addition, the Minnesota Public Utilities Commission approved the purchase of 100-megawatts from the Aurora Solar project to be built at 20 locations across Minnesota.

The table below outlines the large-scale solar projects that currently supply Xcel Energy's systems.

Large, Central Solar on Xcel Energy Systems

Facility 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	0.92 MW	Aurora, Colo.	2012
St. John's Solar Farm	Photovoltaic	0.32 MW	Collegeville, Minn.	2010
Slayton Solar	Photovoltaic	1.66 MW	Slayton, Minn.	2013

Learn more about SolarTAC and Xcel Energy's participation in this world-class solar testing and demonstration facility.

On-site Solar

Xcel Energy offers the Solar*Rewards® program in Colorado, Minnesota and New Mexico. We provide incentives to customers interested in installing solar systems on 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.

Read more about Xcel Energy's Solar*Rewards program.

Community Solar

Solar gardens offer a convenient option for customers to invest in solar energy, especially for those who cannot or do not want to install solar panels on site. In Colorado and Minnesota, Xcel Energy offers Solar*Rewards® Community® for customers who want to participate in a shared, centralized solar installation.

Read more about Xcel Energy's solar gardens programs.

Through our New Mexico Community Solar program, we own four photovoltaic systems located on community partner sites in eastern and southeastern New Mexico. The four systems installed in 2009 and 2010 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. Find information on the program website.

Learn more about solar power on our system.
Read about our work at SolarTAC.

Responsible Solar Policy

As the energy landscape continues to evolve and the use of renewable energy grows, it is critical that we incorporate renewable resources in a fair, efficient and sustainable manner. Xcel Energy's policy around solar and other clean energy resources is guided by these principles:

- We support the development of solar power as part of a diverse energy portfolio
- Cost should be a priority; all customers should have access to the lowest cost, most efficient renewable energy resources available
- Incentives supporting solar energy should be fair and transparent—subsidies should be reasonable and based on market pricing, and customers should know what and how they are contributing to develop clean energy sources
- Energy policy should meet the demand for clean energy in a manner that is equitable to all customers—those who choose to participate and those who do not
- All customers should pay their fair share of grid and system costs
- We will seek to offer customers a variety of solar options to meet different needs

Net Metering in Colorado

Net metering is the method used to determine how customers with solar panels are compensated for the energy their systems produce. It was originally designed as an incentive to encourage the early adoption of rooftop solar and to grow a fledgling industry. As panel prices drop and more customers install solar, we have become increasingly concerned with the effect of net metering on non-solar customers. While customers with rooftop solar still use and rely on the electric grid, they avoid paying for its upkeep under net metering—and those costs are unfairly shifted to non-solar customers. To address this issue, we have opened conversations with our regulators, the solar industry, customers and other interested stakeholders on how to make solar energy sustainable and practical for all.

In a plan submitted to the Colorado Public Utilities Commission (CPUC) in 2013, Xcel Energy proposed a way to improve the transparency of net metering by tracking and quantifying the costs that are shifted from solar customers to non-solar customers. In response, the Colorado Public Utilities Commission began a public process in 2014 to determine the future of net metering in the state. Xcel Energy is participating, along with the solar industry and other stakeholders, in a series of panel discussions with the Commission to examine:

- The present and expected impacts of net metering on Colorado utilities and their customers
- The costs and benefits associated with on-site solar energy
- The efforts of other states across the country to address net metering
- The technologies and policies around solar power

In addition to the panel discussions, all participating parties have submitted legal briefs to respond to specific Commission questions or interests.

Minnesota Community Solar Gardens

Xcel Energy is aggressively expanding solar power in Minnesota to meet the requirements of the state's new solar energy standard. Adopted in 2013, the standard requires investor-owned utilities to provide 1.5 percent of power from solar energy sources by 2020, and 10 percent of this requirement must come from on-site or rooftop solar.

Beyond the requirement, Xcel Energy wants to provide customers new options for using solar resources—something we know they want. Our Solar*Rewards and Solar*Rewards Community programs both play a role in this effort, in addition to the state's Made in Minnesota solar rooftop program administered by the Department of Commerce.

Xcel Energy's Solar*Rewards Community program launched in mid-December 2014, and through April 2015, we had received applications from third-party developers with plans to develop solar garden projects, totaling about 560 megawatts-DC of solar power. In March 2015, at the request of the Minnesota Public Utilities Commission, we submitted comments providing our perspective on how the program is unfolding.

As part of Minnesota's solar energy standard, the legislature considered and passed the concept of community solar gardens, envisioned as small-scale solar installations—up to one megawatt—that allowed neighbors, nonprofits, churches and businesses to share access to a centrally located solar installation.

Many of the applications for solar garden projects that we received through April 2015 are more similar to large-scale solar. State statute set the size limit for solar gardens at one megawatt; however, approximately 95 percent of the applications are for garden projects of more than one megawatt, with one as large as 40 megawatts. The size of these projects would likely require approving large-scale projects that will have significant cost for customers without the regulatory safeguards and oversight typically given to solar acquisitions of this size.

The impact of higher, small-scale solar pricing for large-scale solar developments will have a real impact on our customers. Small-scale solar gardens are more expensive to develop than large-scale developments, and the payment rate set under Solar*Rewards Community recognized this reality. We estimate that developing all of the garden applications received as of April 2015, including all those that

are over one-megawatt in size, would potentially increase rates by $60 million or more annually to customers who are not participating in solar gardens.

Xcel Energy has provided the commission the results to date and our perspective in hopes that any adjustments can be made in the program's early stages. We also have advanced garden projects totaling about 80 megawatts-DC that meet the one-megawatt size limit. We support the Solar*Rewards Community program and want it to succeed by getting the program right at the beginning. We have asked the commission to confirm our view of what constitutes a solar garden and is eligible for the Solar*Rewards Community program. In the interim, we will work with solar developers to keep the process moving forward.

Learn more about Xcel Energy's commitment to solar and our policy developments.

Other Renewable and Alternative Energy Resources

Besides wind and solar power, Xcel Energy has nearly 700 megawatts of other renewable and alternative energy resources on our system, including hydroelectric, biomass, waste-to-energy and refuse-derived fuel.

Learn more about other renewable resources on our system.

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.

In March 2014, the Minnesota Public Utilities Commission (MPUC) issued a written order approving our grant award recommendations for cycle 4, the latest funding cycle from the RDF. These recommendations include 29 grant awards totaling $42 million, as well as six projects to be held in reserve. Grants were awarded in the areas of energy production, research and development projects, and educational research initiatives. Nearly 70 renewable energy proposals were considered for funding, and those selected predominantly feature solar technologies. See the full list of projects funded.

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.

Learn more about the Renewable Development Fund.

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 $64,000 from customers in 2014, and no grant awards were made during the year.

Learn more about the Renewable Energy Trust.

Energy Efficiency

Energy efficiency is a cornerstone of our clean energy strategy. Today we help customers manage their energy consumption through one of the largest energy saving program portfolios in the United States. Customers save money, and we avoid emissions and the need to purchase or produce additional power.

Since we began consistently tracking energy efficiency results in 1992, we estimate our customers have saved enough electricity to help us avoid the need for approximately seventeen 250-megawatt generating plants. In 2014, Xcel Energy customers saved about 982 gigawatt-hours of electricity through our energy efficiency programs, enough to prevent more than 550,000 tons of CO_2 for the year, as well as other emissions. 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.

2014 Energy Efficiency Program Results: Conservation and Load Management*

State	Spending	Electric Conservation & Load Management			Gas	Gas Conservation
		Participants	Generator kW	Generator kWh	Participants	Dth Saved
MN	$ 100,858,729	2,092,507	114,023	481,325,941	582,405	849,698
CO	$ 76,962,284	601,572	80,957	391,615,207	276,026	606,995
WI	$ 11,288,934	8,119	10,303	55,524,707	5,912	296,285
TX	$ 2,557,292	1,445	5,010	11,961,804	NA	NA
NM	$ 7,809,444	35,245	6,649	36,435,342	NA	NA
SD	$ 773,574	89,136	2,651	4,452,786	NA	NA
MI	$ 355,670	2,730	0	1,377,030	563	8,482
ND	$ 375,522	398	479	7,626	1,609	13,567
Total	**$200,981,449**	**2,831,152**	**220,073**	**982,700,443**	**866,515**	**1,775,027**

**Achievements listed in this table are preliminary for 2014.*

Read about our energy efficiency programs for customers.

Conservation at Xcel Energy Facilities

Just as we encourage customers to use energy efficiently, Xcel Energy looks for opportunities to use energy more efficiently at our own facilities. In 2008, our Property Services department developed the Sustainable Facilities Management program to align its activities with the company's commitment to the environment. In 2014, three teams were organized to manage a number of environmental impacts associated with our buildings:

- Conservation Team
  - Energy management
  - Water conservation
- Environmental Safety Team
  - Indoor air quality
  - Water quality—well monitoring
  - Green cleaning
  - Site product safety—GREENGUARD Certified
  - Lighting fixture and refrigerant compliance
- Sustainable Design Team
  - LEED certification

The program's accomplishments include:

- More than 8 million kilowatt-hours have been saved through the energy management initiative over the past five years. In 2015, the company will save another 750,000 kilowatt-hours through targeted energy reductions.
- Over the past five years, 143,176 therms of natural gas have been saved through the initiative, and an additional 20,000 therms will be saved in 2015.
- Almost 4.2 million gallons of water have been saved over the past five years, and another 300,000 gallons are expected to be saved in 2015.

LEED Certified Facilities

We continue to seek LEED (Leadership in Energy and Environmental Design) certification for our facilities. LEED is a U.S. Green Building Council certification program that recognizes sustainable building strategies and practices. To receive LEED certification, building projects satisfy prerequisites and earn points to achieve different levels of certification. LEED certification has four levels—Certified, Silver, Gold and Platinum—based on achievement in five areas: sustainable site development, water savings, energy efficiency, materials selection and indoor environment quality.

Xcel Energy currently owns 14 facilities throughout our eight operating regions that are LEED certified:

Building	Location	Certification
1800 Larimer	Denver, Colo.	LEED Platinum Certified
401 Nicollet Mall Headquarters	Minneapolis, Minn.	LEED Silver Certified (registered)
Alamosa Service Center	Alamosa, Colo.	LEED Certified
Arvada Service Center	Arvada, Colo.	LEED Silver Certified
Ashland Service Center	Ashland, Wis.	LEED Silver Certified
Carlsbad Service Center	Carlsbad, N.M.	LEED Certified (pending)
Faribault Service Center	Faribault, Minn.	LEED Certified (pending)
Greeley Service Center	Greeley, Colo.	LEED Certified
Hugo Training Center	Hugo, Minn.	LEED Silver Certified (pending)
Montrose Service Center	Montrose, Minn.	LEED Certified
Maple Grove Fleet Building	Maple Grove, Minn.	LEED Certified
Newport Service Center	Newport, Minn.	LEED Certified
Red Wing Service Center	Red Wing, Minn.	LEED Certified (registered)
St. Cloud Service Center	St. Cloud, Minn.	LEED Certified (registered)

Learn more about LEED certification.

Clean Energy Partnerships

To keep pace with technological advancements and to address emerging issues, we participate in a number of successful, collaborative efforts. Through partnerships, we are able to join with others to learn about, test and promote technologies that offer the greatest promise for solving environmental concerns and for providing customers with more reliable, lower cost and cleaner energy in the future.

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. There are seven founding and sponsoring members that occupy 90 percent of the 74-acre site and have invested about $30 million in the SolarTAC.

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.

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, several solar installations operating at SolarTAC are connected to the Xcel Energy electric system and serve our customers. Through agreements with other SolarTAC participants, we purchase nearly a megawatt of solar power produced at the site.

Read more about SolarTAC and our battery storage projects.

Energy Innovation Corridor

Xcel Energy helped launch the Energy Innovation Corridor project in 2009 along with more than 20 diverse partners, including the cities of St. Paul and Minneapolis, Hennepin and Ramsey counties, three other utility companies, the state of Minnesota, the University of Minnesota and numerous chambers of commerce, nonprofits and businesses. This first-of-its kind clean energy and transportation model focused on advancements in four areas: renewable energy, transportation, energy efficiency and smart-grid technologies. The Energy Innovation Corridor extends along the 11-mile METRO Green Line light-rail transit route between St. Paul and Minneapolis. In 2014, the new METRO Green Line began serving the

Twin Cities—with one stop along its route, the more energy efficient and freshly renovated historic Union Depot, which earned LEED® Gold certification and includes electric vehicle charging stations.

The Energy Innovation Corridor has quickly become a showcase for clean energy and transportation technologies. It includes many solar energy systems helping to power buildings and homes along the corridor, thousands of energy efficiency projects implemented, and clean transportation projects, including nearly 60 electric vehicle charging stations now in use.

One project that Xcel Energy spearheaded as part of the Energy Innovation Corridor was SmartVAR. The SmartVAR pilot incorporated sophisticated capacitor controls and real-time information to intelligently monitor and control capacitor banks on the distribution system. The pilot successfully demonstrated an improvement in system efficiency by reducing losses on the distribution system, resulting in carbon reductions and energy savings. Because of this success, we embarked on an effort to install the technology on the distribution system throughout our service territory in Minnesota, North Dakota and South Dakota. By the end of 2014, we had installed 1,356 SmartVAR capacitor controls across 58 substations, which we estimate will save 11.5 million kilowatt-hours of electricity annually and reduce peak capacity by about 86 megawatts. The project will continue through 2016.

The Energy Innovation Corridor reports collective results for the entire effort from 2010 through the end of 2014 as saving nearly 411 million kilowatt-hours of electricity and 16.8 million therms of natural gas, as well as avoiding nearly 1.6 million tons of carbon dioxide.

Find full information about the Energy Innovation Corridor and project results.

Environmental Management

Managing our environmental responsibilities continues to grow more challenging as the rules become more complex. Every day we work to comply with a multitude of requirements designed to protect the air, water, land and wildlife surrounding our operations. By improving our environmental impact and lowering emissions through our proactive clean energy strategy, we reduce our compliance risk. We have in place a strong environmental management system that guides our compliance efforts. It is based on a corporate-wide environmental policy for which all employees are accountable.

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 & communication	New employee orientation
	Site and topic specific employee training
	Updates and information communicated through internal channels

Read our corporate environmental policy.

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 2014, we conducted about 76 internal audits to ensure compliance.

2014 Compliance Activity

Activity	2014
Notices of Violation or Compliance Advisories	5
Penalties Paid[1]	$7,500
External Agency Audits or Inspections	142
Internal Audits Conducted to Ensure Compliance	76

Learn more about Xcel Energy's Environmental Management System.

Environmental Expenditures for 2014

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.

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

- $361 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

Nuclear decommissioning and spent nuclear fuel disposal expense information is in our 2014 10-K .

Capital expenditures for environmental improvements at regulated facilities were approximately:

- $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

Waste Reporting

Coal Ash Management

Coal-fueled power plants produce a number of coal combustion residuals or byproducts commonly referred to as coal ash. Xcel Energy plants consumed about 28.1 million tons of coal in 2014, which is 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. Ash that is not reused is properly disposed.

Coal Ash Summary (estimated in tons)

	2012		2013		2014	
	Produced	**Reused**	**Produced**	**Reused**	**Produced**	**Reused**
Colorado	767,389	424,780	931,002	394,522	874,062	290,353
Texas/New Mexico	333,753	333,753	324,244	324,244	335,074	335,074
Upper Midwest	586,293	87,677	658,392	123,697	886,106	186,428
TOTAL	**1,687,435**	**846,210**	**1,913,638**	**842,463**	**2,095,242**	**811,855**

Learn more about Xcel Energy's coal ash management.

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 having a PCB concentration of 500 parts per million (ppm) or more, while PCB-contaminated equipment has 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 immediately 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

	2011	2012	2013	2014
PCB and PCB-contaminated oil (gallons disposed)	30,597	53,470	23,075	25,951
PCB and PCB-contaminated equipment (units removed from service)	454	721	714	764

Investment Recovery

Xcel Energy actively works to recycle material that is no longer used or usable. Recycling simultaneously diverts waste material from landfills while conserving natural resources by becoming raw materials for production of new products.

A unique program initiated in 2009 turns Xcel Energy's waste polyethylene plastic pipe into a versatile plastic lumber product. Excess waste pipe from natural gas construction projects is collected and consolidated at company locations to ship to a recycling facility, where the pipe is then transformed into plastic lumber.

The table below illustrated the Investment Recovery group's recycling activity over the last four-year period.

Recycled Waste Material Summary (in tons)

	2011	2012	2013	2014
Scrap metal	15,805	10,633	8,924	15,050
Used oil	2,239	1,547	1,719	3,070
Scrap polyethylene pipe	64	52	57	83

Waste Disposition Summary (in tons)

	2011	2012	2013	2014
Hazardous	47	98	42	65
Universal*	37	30	35	37
PCB related**	365	449	438	335
Asbestos	1,308	2,221	553	271
Special***	18,806	6,345	14,242	5,753

*Universal waste includes regulated waste such as fluorescent light bulbs, rechargeable batteries and mercury switches.
**PCBs (polychlorinated biphenyls) are chemicals controlled under the Toxic Substances Control Act. PCBs were historically used in transformer oil.
***Special waste includes oily materials recovered from our operations, such as rags, filters, soil and water.

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 U.S. Environmental Protection Agency (EPA) estimates that more than 50,000 manufactured gas plant (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. We currently have investigation and/or remediation activities underway at eight MGP sites across our service territory.

One of Xcel Energy's operating companies, Northern States Power Company-Wisconsin (NSPW), 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 the site of lumber and wood treatment facilities, as well as a loading area for railroads. 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. NSPW has 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 1 of the project, which includes remediation of the impacted soils and groundwater at the site. The project was completed in early 2015. In addition, we have initiated litigation against other potentially responsible parties (PRPs) for cost recovery of their fair share of the cleanup costs. Negotiations among the PRPs, EPA and WDNR are ongoing for the second phase of the remediation, which will address impacted sediments at the site in an area of Lake Superior's Chequamegon Bay.

Learn more about the Ashland, Wis., project.

Water Reporting

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 where water is used and then returned to the environment. For our hydro plants, water is the fuel that operates plant turbines to produce electricity. At thermal plants, we use water to produce steam and to cool equipment. Cooling makes up greater than 95 percent of a thermal power plant's water needs, depending on specific plant operations.

Thermal plants generally use one of two cooling options that are each uniquely designed for optimal heat transfer to water. This allows the plants to operate at maximum efficiency and to 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 generating plants in the Upper Midwest and one plant in Colorado (Valmont Generating Plant) 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 several times in the cooling water system, and can also provide recycled water for other plant operations. Nearly all of Xcel Energy's thermal generating plants in Colorado, Texas and New Mexico and one plant in Minnesota (Sherco Generating Plant) 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.

There are several advanced closed-loop cooling technologies that can be built into new thermal plants. 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** uses both air and water 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. Xcel Energy has one thermal unit in Colorado (Comanche Generating Plant, Unit 3) that uses hybrid cooling.
- **Dry cooling** uses only air cooling 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.

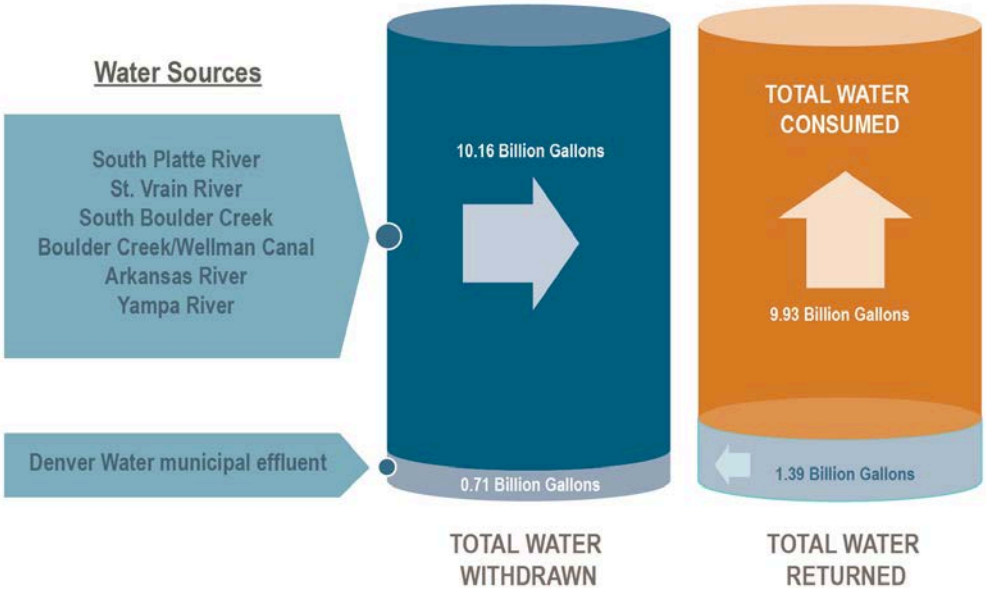
Other Tier 1 suppliers that we do business with responded similarly to drought conditions and improved their water supplies. They also adopted drought response plans to identify concrete steps for ensuring that suppliers meet their municipal and industrial water supply obligations. Further, they pursued 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.

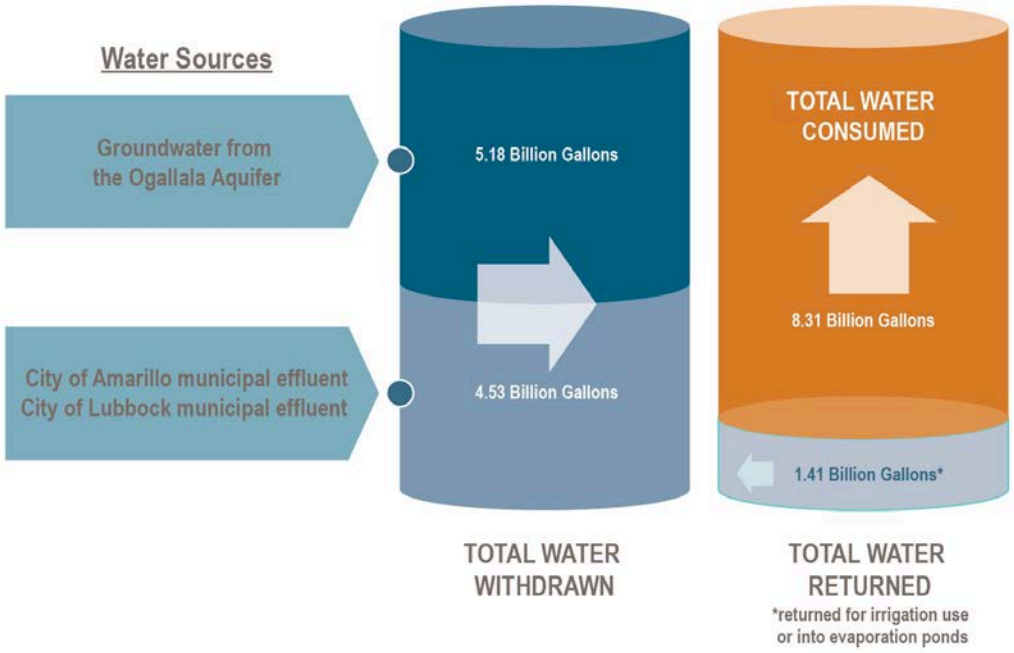
According to the Colorado Division of Water Resources Cumulative Yearly Statistics 1996-2008, thermoelectric power generation makes up less than 0.5 percent of the state’s water usage, with agriculture making up 86 percent of usage and the remainder going to meet municipal, recreational and other industrial 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.

Learn more about our innovative partnerships and agreements.

2014 Colorado Water Supply and Consumption



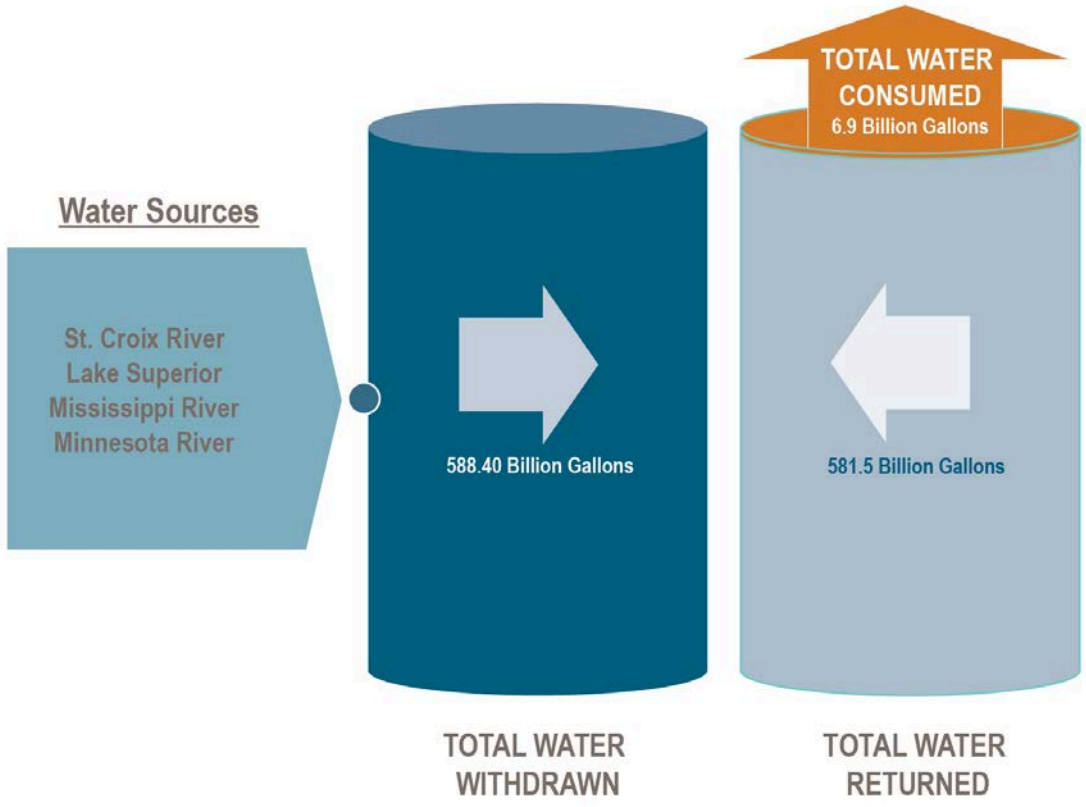
2014 Texas/New Mexico Water Supply and Consumption



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 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.

2014 Upper Midwest Water Supply and Consumption



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 Hydroelectric Plant 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 there will be naturally occurring evaporation 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

Maintaining Water Quality

All 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.

Water Conservation

Our water consumption has remained relatively flat since 2005 despite having increased electric production. 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.

In addition to saving water used for electric generation, we have efforts underway to conserve water in our office buildings and service centers. Learn more about our Sustainable Facilities Management program.

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. It is an environmental concern that affects habitat and wildlife, in addition to people. 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. Through the Xcel Energy Foundation, we also have supported local projects and community initiatives.

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 (cfs) 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 (CFWE) 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. In 2014, Xcel Energy hosted CFWE's Water/Energy Nexus tour at the Ft. St. Vrain Generating Plant and educated participants about water use for thermoelectric power generation in Colorado, as well as Xcel Energy's water use and water rights portfolio.

Biodiversity

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). A critical initiative to the company's compliance with the MBTA and BGEPA are our Avian Protection Plans (APP). 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 territories 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 completed retrofits on nearly 200 locations. Additionally, the APP for the Upper Midwest region is currently being 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 is a critical component of our 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 Avian and Bat Protection Plan 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. 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.

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.

See our bird cams.

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 fast 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 is actively seeking opportunities to participate in pollinator habitat restoration efforts. For example, 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.

Northern Long-eared Bat

In April 2015, the USFWS published a final rule 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. At the same time, the USFWS established an interim rule specifying measures it deems "necessary and advisable" to provide for the conservation of the bat. The interim rule includes certain exceptions from the ESA's "take" prohibition, including certain exceptions for utility rights-of-way and transmission corridors and an exception for removal of hazardous trees for the protection of human life or property. The USFWS expects to finalize the interim rule by the end of 2015. 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 U.S. Fish and Wildlife Service listed the lesser prairie-chicken as a threatened species on March 27, 2014 due to the rapid decline in its population over the past 15 years.

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.

Vegetation Management

Xcel Energy's Vegetation Management department manages millions of trees across more than 50,000 miles of distribution right-of-way (ROW) and 18,000 miles of transmission ROW throughout our service territory.

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.

Learn more about our vegetation management practices and planting the right tree in the right place.

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.