



James P. Johnson
Assistant General Counsel

414 Nicollet Mall, 5th Floor
Minneapolis, Minnesota 55401
Phone: 612-215-4592
Fax: 612-215-4544
James.P.Johnson@xcelenergy.com

March 25, 2016

VIA ELECTRONIC FILING

Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: Public Service Company of Colorado
Production Formula Rate Charges and Transmission Formula Rate Charges for
2015 Post-Retirement Benefits Other than Pensions
Docket No. ER16-____-000

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act¹ and Section 35.13 of the Commission's regulations,² Public Service Company of Colorado ("PSCo" or "Company") submits for Commission review and acceptance the 2015 amount for Post-Retirement Benefits Other than Pensions ("PBOP") booked to FERC Account 926, Employee Pensions and Benefits. PSCo will reflect such amount in the True-up of PSCo's Production Formula Rates for Formula Rate Year 2015 (January 1, 2015 - December 31, 2015)³ and in the True-up of PSCo's Transmission Formula Rates for Formula Rate Year 2015. PSCo also submits the actuarial reports prepared by Towers Watson Delaware Inc. ("Towers Watson") that support the proposed 2015 PBOP amount. For good cause shown, as set out herein, PSCo seeks an effective date of January 1, 2015 for PSCo's use of the 2015 PBOP amount in both the 2015 Production True-up and in the 2015 Transmission True-up.

I. BACKGROUND

PSCo is a wholly owned subsidiary of Xcel Energy Inc. ("Xcel Energy") and is a fully integrated electric utility that, *inter alia*, generates, transmits, distributes and sells electric energy

¹ 16 U.S.C. § 824d.

² 18 C.F.R. § 35.13 (2012).

³ The "Formula Rate Year" runs from January 1 to December 31 of the calendar year.

to retail and wholesale customers in the state of Colorado. Xcel Energy Services Inc. (“XES”) is the service company for the Xcel Energy holding company system and, *inter alia*, provides corporate and other services to PSCo and the other Xcel Energy Operating Companies.⁴ PSCo provides wholesale services regulated by the Commission with rates determined, *inter alia*, pursuant to both a Production Formula Rate and a Transmission Formula Rate.

A. The Production Formula Rate

The Production Formula Rate is on file with the Commission, as accepted in Docket No. ER11-2853-000.⁵ The Production Formula Rate consists of both the formula rate template to calculate the rate and the associated Production Implementation Procedures. The Production Implementation Procedures provide as follows:

With respect to the PBOP charges, the base amount shall be the actual accrued PBOP cost booked to FERC Account 926 for the Base Year used in the first Annual True-up after the Formula Rate is first applicable to Customers. Such actual accrued cost shall be based on an Actuarial Study. Specifically, the Estimated Charges for 2011 will reflect the actual accrued 2010 PBOP cost. The actual 2011 PBOP charges will be used in the 2012 Annual True-up of the 2011 Estimated Charges. On or before April 1, 2012, the supporting Actuarial Study for the actual 2011 PBOP charges will be filed with the Commission for approval under FPA Section 205 and provided to Customers. Thereafter, PSCo shall make a FPA Section 205 filing with the Commission on an annual basis, on or before April 1, to use the actual accrued PBOP cost for the Rate Year in the Annual True-up based on the Actuarial Study produced for the Rate Year. The amount PSCo will contribute to its external PBOP trust will be at a minimum equal to such actual accrued PBOP cost.⁶

As such, the use of the 2015 actual PBOP costs in the 2015 Production True-Up is consistent with the express provisions of the Production Implementation Procedures.⁷

⁴ Namely Northern States Power Company, a Minnesota corporation (“NSPM”), Northern States Power Company, a Wisconsin corporation (“NSPW”) and Southwestern Public Service Company (“SPS”).

⁵ See *Public Service Company of Colorado*, 139 FERC ¶ 61,250 (2012). See also *Public Service Company of Colorado* (May 15, 2013) delegated letter order (accepting compliance filing). In 2015, PSCo provided requirements production service under the Production Formula Rate to the City of Burlington, Colorado, the town of Center, Colorado, Grand Valley Rural Power Lines, Inc., Holy Cross Electric Association, Inc., Intermountain Rural Electric Association and Yampa Valley Electric Association, Inc. (collectively, the “PSCo Requirements Customers”).

⁶ Public Service Company of Colorado Assured Power and Energy Requirements Service Tariff, Attachment B, Formula Rate Implementation Procedures, Section 7.a.

⁷ The PBOP costs in the production formula rate template are not fixed values that require a filing to change the template. The PBOP amounts are entered into cells that can be changed. This limited Section 205 filing thus reports the value to be included when calculating the Production Formula True-up.

B. The Transmission Formula Rate

The Transmission Formula Rate is on file with the Commission, as accepted in Docket No. ER12-1589-000 et al.⁸ The Transmission Formula Rate also consists of both a Transmission Formula Rate template and associated Transmission Implementation Procedures. The Transmission Implementation Procedures are substantively similar to the Production Implementation Procedures with respect to the PBOPs:

The PBOP charges included in each Annual Update shall be the actual FERC-approved PBOP cost booked to FERC Account 926 for the Prior Rate Year.

On or before April 1 of each year, an Actuarial Study supporting PSCo's proposed actual PBOP costs for the prior Rate Year will be filed with the Commission for approval under FPA Section 205 ("PBOP Filing"). The PBOP Filing will be posted and provided to Customers. The actual PBOP costs for the prior Rate Year that are approved by FERC shall be used for the annual true-up ("Annual True-Up") of such prior Rate Year. PSCo expects, absent extraordinary circumstances, that the Commission will have acted on the April 1st PBOP filing in time for inclusion of the FERC-approved actual PBOP costs in the Annual True-Up of such prior Rate Year. In the event the Commission has not acted on the April 1st PBOP filing by the time PSCo posts the Annual True-Up, PSCo will include its actual costs pending approval from FERC in the initial posting of the Annual True-Up, but will ultimately reflect, before the true-up is finalized, the Commission-Approved PBOP costs for such prior Rate Year, if they are different.

With respect to the Estimated Rates for the upcoming Formula Rate Year, PSCo will use the budgeted PBOP costs for each such Rate Year in the Annual Update, subject to true-up. For example, the 2013 Estimated Rates will use the 2013 estimated PBOP costs but, by the time that the 2013 Estimated Rates are trued-up in 2014, PSCo will have and will use the FERC-approved actual 2013 PBOP costs in the Annual True-Up for Rate Year 2013. Similarly, the 2014 Estimated Rates will use the 2014 estimated PBOP costs, but when the 2014 Estimated Rates are trued-up in 2015, PSCo will have and will use the actual FERC-approved 2014 PBOP costs for the Annual True-Up of Rate Year 2014. Annually, PSCo will fund to an external trust the PBOP costs collected pursuant to the Formula Rate.⁹

⁸ See *Public Service Company of Colorado*, 139 FERC ¶ 61,223 (2012) (accepting PSCo's revised Transmission Formula Rate, subject to refund, effective November 17, 2012). See also *Public Service Company of Colorado*, 145 FERC ¶ 61,266 (2013) (accepting partial settlement including revised Transmission Implementation Procedures) and *Public Service Company of Colorado* (August 13, 2014) delegated letter order (accepting compliance filing). See also *Public Service Company of Colorado*, 149 FERC ¶ 61,077 (2014) (accepting settlement of reserved return on equity ("ROE") issue) and *Public Service Company of Colorado* (January 28, 2015) delegated letter order (accepting compliance filing). The ROE settlement also modified the ROEs set forth in the Production Formula Templates. The ROE settlement did not result in any changes to the Transmission Formula Implementation Procedures or Production Formula Implementation Procedures.

⁹ Xcel Energy Operating Cos. Joint Open Access Transmission Tariff, Attachment O-Public Service Company of

Again, the use of the 2015 actual PBOP costs in the 2015 Transmission True-Up is consistent with the express provisions of the Transmission Implementation Procedures.

II. REASONS FOR THIS FILING

As indicated, the Implementation Procedures in effect for both the Production Formula Rate and the Transmission Formula Rate require PSCo to make an annual filing on or before April 1st for approval of the actual PBOP costs and the supporting Actuarial Study for the previous calendar year. Once approved, the actual PBOP costs will be used in the Annual True-up for the Rate Year in both the Production Formula Rate and Transmission Formula Rate. PSCo is submitting the 2015 PBOP charges and the supporting Towers Watson actuarial report for Commission review as contemplated in the Production Implementation Procedures and Transmission Implementation Procedures referenced above. The Towers Watson report summarizes the 2015 expense results pursuant to the Financial Accounting Standards Board (“FASB”) Financial Accounting Standard No. 106 (“FAS 106”). The FASB requires that employers reflect incurred expenses and estimates for PBOPs expected to be paid to current employees after retirement.

PSCo filed and the Commission accepted PSCo’s 2014 update to the actual PBOP costs for use in the 2014 Production True-up and Transmission True-up in Docket No. ER15-1412-000 by letter order dated September 17, 2015.¹⁰ The instant filing would similarly update the 2015 PBOP costs for inclusion in the 2015 Production Formula True-up and Transmission Formula True-up.

A. Explanation of 2015 PBOB Amounts

As noted earlier, XES employees provide services to PSCo and the other Xcel Energy operating subsidiaries, and a portion of the XES 2015 FAS amount is assigned to PSCo, based on the labor charged to PSCo, and is recorded in PSCo’s FERC Account 926, Employee Pensions and Benefits expenses. The 2015 Towers Watson report for PSCo reflects “Xcel Services” FAS 106 expenses for 2015. Additionally, from time to time, employees of the other Xcel Energy Operating Companies charge time to PSCo for tasks performed on behalf of PSCo. In 2015, NSPM, NSPW, and SPS did as they also had done in previous years. As a result, a portion of the NSPM, NSPW, and SPS 2015 FAS 106 amounts are assigned to PSCo, based on the labor charge to PSCo and are recorded in PSCo’s FERC Account 926, Employee Pensions and Benefit expenses. PSCo also charged a small amount of time to other Xcel Energy Operating Companies, lowering the amount of FAS 106 expenses recorded on PSCo’s books. Therefore, in order for PSCo to fully recover its 2015 PBOP costs, PSCo proposes to include in its FAS 106 expenses for 2015 the amounts directly attributed to PSCo, plus the amounts assigned to PSCo in 2015 from XES, NSPM, NSPW and SPS, less the amounts assigned by PSCo to the other

Colorado Formulaic Rates, Appendix 1-Public Service Company of Colorado Transmission Formula Rate Implementation Procedures, Section 3.

¹⁰ *Public Service Company of Colorado* (September 17, 2015) delegated letter order.

Operating Companies. *See* Exhibit A hereto, which shows the total costs charged to PSCo. In the case of SPS, the net charge is negative for PSCo.

As shown on Exhibit A, the actual 2015 PBOP costs booked by PSCo to be included in the Production and Transmission True-ups are less than the actual 2014 PBOP costs reflected in both the 2014 Trued-up Production and Transmission Rates. Accordingly, the trued-up PBOP component of the 2015 actual rates will be less than the actual PBOP component in the 2014 Production and Transmission Rates, a decrease of approximately \$2.33 million; *see* Exhibit A. The primary reasons for the decrease are:

- Impact of demographic changes including census data updates and per capita cost assumptions;
- Decreased expected return on assets for both bargaining and non-bargaining
- Worse than expected actual return on investment in 2014, resulting in increased 2015 cost.
- Retirement decrement reductions, based on benefit formula, reduced 2015 cost;
- Updated mortality assumptions increased 2015 cost; and
- Decreased trend rate in HRA benefits reduced 2015 cost.

As such, the 2015 PBOP update submitted herein will result in lower production and transmission rates than if the 2014 PBOP values were used in the annual true-ups.

B. Processes Regarding 2015 Formula True-up, etc.

PSCo will provide the Production Formula Rate Annual True-up for 2015 and the Transmission Formula Rate Annual True-up for 2015 to the affected PSCo customers on or before June 1, 2016, pursuant to the respective governing Implementation Procedures. As part of the Production and Transmission Annual True-ups, PSCo will true-up the 2015 Production and Transmission Estimated Rates that became effective January 1, 2015, for the period January 1, 2015 - December 31, 2015 to PSCo's actual costs for the same period as reflected in PSCo's FERC Form No. 1, anticipated to be filed on or before April 15, 2016. One aspect of such Production and Transmission True-ups will be the 2015 PBOP charges.

Upon acceptance of the 2015 PBOP amount by the Commission, PSCo will reflect such amount in the True-up of the 2015 Production Estimated Rates to actual rates and in the True-up of the 2015 Transmission Estimated Rates to actual rates. This 2015 PBOP amount will be the PBOP amount that will be included in the respective formula rates until the 2016 update is submitted on or before April 1, 2017.

III. CONTENTS OF FILING

The filing consists of:

1. This transmittal letter;

2. Exhibit A, attached hereto, consisting of a combined Production and Transmission Workpaper – Post-Retirement Benefits Other than Pensions, with the proposed 2015 PBOP amount to be used in the June 2016 Production Formula True-up and Transmission Formula True-up as described above; and
3. Exhibit B, attached hereto, consisting of the Towers Watson actuarial report for PSCo and XES.

IV. REQUEST FOR WAIVER

PSCo submits this filing for the limited purpose of securing Commission review of PSCo's actual 2015 PBOP costs. PSCo does not propose, by this filing, to amend, supersede or, in any manner, change the provisions of the as-filed Production or Transmission formula rate templates. Given the limited scope of this filing, PSCo does not believe that Section 35.13 of the Commission's regulations is applicable to this filing. In the event that PSCo has misinterpreted such regulations, PSCo respectfully requests waiver of such requirements.

To the extent necessary, PSCo also respectfully requests waiver of the Commission's notice requirements to permit an effective date of January 1, 2015, so the 2015 PBOP amount may be reflected in the true-up Production and Transmission Formula Rates for 2015. Good cause exists for such waiver. The Production and Transmission Formula Rates permit PSCo to recover its legitimate costs, with an annual true-up of estimated rates to actual costs. It is Commission policy to grant waiver of its notice requirements where a rate change and its effective date are prescribed by a rate schedule on file with the Commission, such as the Production Formula Rate and Transmission Formula Template and their respective Implementation Procedures. *Central Hudson & Electric Corporation*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992). Further, PSCo is proposing to lower the 2014 true-up PBOP amount payable by the affected PSCo Customers from the PBOP amount currently reflected in the 2014 Estimated Rates paid by the PSCo Requirements Customers and PSCo Wholesale Transmission Customers in 2014, subject to true-up.

V. CORRESPONDENCE AND COMMUNICATIONS

Communications and correspondence with respect to this filing should be directed to the following:

James P. Johnson
Assistant General Counsel
Xcel Energy Services Inc.
414 Nicollet Mall, 5th Floor
Minneapolis, MN 55401
(612) 215-4592
james.p.johnson@xcelenergy.com

Deborah A. Blair
Director, Revenue Analysis
Xcel Energy Services Inc.
1800 Larimer, Suite 1400
Denver, CO 80202
(303) 294-2184
deborah.blair@xcelenergy.com

Ms. Kimberly Bose

March 25, 2016

Page 7 of 7

VI. SERVICE/POSTING

PSCo will electronically serve a copy of this filing on each of the six PSCo Requirements Customers taking production service in 2015. PSCo will also electronically serve notice of this filing on wholesale transmission service customers and post the PBOP filing on the Transmission OATT page of the Xcel Energy website (www.transmission.xcelenergy.com). PSCo will also electronically serve a copy of the filing to the Colorado Public Utilities Commission. A courtesy notice will also be served on the Commission's Director of the Division of Tariffs and Market Development (West). A copy of the filing is also posted for public inspection in the offices of PSCo at 1800 Larimer, Denver, Colorado.

VII. CONCLUSION

Please direct any questions regarding this filing to Ms. Blair or the undersigned. Thank you.

Respectfully submitted,

/s/ *James P. Johnson*

James P. Johnson
Assistant General Counsel
Xcel Energy Services Inc., on behalf of
Public Service Company of Colorado

cc: PSCo Requirements Customers
PSCo Wholesale Transmission Customers (via posting)
Colorado Public Utilities Commission

**Public Service Company of Colorado
Production/Transmission Formula Rate Template
Workpaper - Post-Employment Benefits Other than Pensions
Direct and Allocated**

| Line No. | Description | Total Cost | O&M % | O&M \$ | Electric % /c | O&M Electric \$ |
|----------|--|-------------|--------|-------------|---------------|-----------------|
| 1 | Actual Amount Included in Account 926 - (2014) /a | | | | | |
| 2 | | | | | | |
| 3 | PSCo Direct Expense | (4,408,000) | 66.01% | (2,909,848) | 69.98% | (2,036,258) |
| 4 | NSPM Allocated to PSCo | 5,138,000 | 0.01% | 715 | 100.00% | 715 |
| 5 | NSPW Allocated to PSCo | 1,089,000 | 0.01% | 79 | 100.00% | 79 |
| 6 | SPS Allocated to PSCo | (151,000) | 0.00% | (5) | 100.00% | (5) |
| 7 | XES - Allocated to PSCo | 2,279,000 | 27.07% | 616,894 | 77.15% | 475,926 |
| 8 | | | | | | |
| 9 | Total | 3,947,000 | | (2,292,165) | | (1,559,542) |
| 10 | | | | | | |
| 11 | Actual Amount Included in Account 926 - (2015) /b | | | | | |
| 12 | | | | | | |
| 13 | PSCo Direct Expense | (9,149,000) | 66.81% | (6,112,273) | 68.46% | (4,184,534) |
| 14 | NSPM Allocated to PSCo | 2,818,000 | 0.03% | 960 | 41.37% | 397 |
| 15 | NSPW Allocated to PSCo | 757,000 | 0.03% | 213 | 100.00% | 213 |
| 16 | SPS Allocated to PSCo | (881,000) | 0.00% | (14) | 100.00% | (14) |
| 17 | XES - Allocated to PSCo | 1,545,000 | 25.26% | 390,325 | 76.38% | 298,136 |
| 18 | | | | | | |
| 19 | Total | (4,910,000) | | (5,720,789) | | (3,885,801) |
| 20 | | | | | | |
| 21 | PSCo Account 926 2015 Reduction from 2014 Levels | | | | | (2,326,259) |
| 22 | | | | | | |
| 23 | Notes: | | | | | |
| 24 | Once established in the true-up for the first Formula Rate Year that rates are in effect, | | | | | |
| 25 | the amount for Post-Employment Benefits Other than Pensions shall be the amount recovered | | | | | |
| 26 | in the formula rate until a change is accepted and permitted by FERC pursuant to a | | | | | |
| 27 | Section 205 or 206 filing. | | | | | |
| 28 | | | | | | |
| 29 | Source: | | | | | |
| 30 | /a Approved in Docket No. ER14-1637-000 by letter order dated January 29, 2015 | | | | | |
| 31 | /b Towers Watson Actuarial Study, Attachment B | | | | | |
| 32 | /c Allocation amounts are the prorata share of actual allocable amounts of labor-related expense incurred by PSCo directly and in-turn | | | | | |
| 33 | those labor-related costs incurred by NSPM, NSPW and XES on behalf of PSCo. | | | | | |



March 18, 2016

Mr. Rick Schrubbe
Director, Corporate and Benefits Accounting
Xcel Energy Inc.
414 Nicollet Mall
4th Floor
Minneapolis, MN 55401

Subject: 2015 ASC 715 Valuation Results for PSCo and Xcel Services

Dear Rick:

Below is an exhibit summarizing the 2015 ASC 715 Benefit Cost/(Income) for the PSCo and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The 2015 U.S. GAAP results are based on participant data as of January 1, 2014 projected to the end of the year based on status changes through November 30, 2014 and known retirements for December 2014, and retiree medical claims experience from May 2012 through April 2014.

The combined 2015 cost/(income) for PSCo and Xcel Services is (\$7.6) million, a \$5.5 million decrease from 2014. The decrease in cost is summarized below (\$ in millions).

| | PSCo | Xcel Services | Total |
|--|----------------|---------------|----------------|
| 2014 Cost | (\$4.4) | \$2.3 | (\$2.1) |
| 1. Expected liability demographics/experience | (0.7) | (0.1) | (0.8) |
| 2. Impact of actual demographic changes | (10.5) | (0.8) | (11.3) |
| 3. Impact of mortality assumption change | 1.2 | 0.3 | 1.5 |
| 4. Impact of retirement decrements assumption changes | (1.3) | (0.1) | (1.4) |
| 5. Impact of HRA trend change | (0.8) | (0.7) | (1.5) |
| 6. Impact of discount rate change | 0.4 | 0.4 | 0.8 |
| 7. Impact of asset performance | 1.4 | 0.2 | 1.6 |
| 8. Impact of change in expected rate of return on assets | 5.6 | 0.0 | 5.6 |
| 2015 Cost | (\$9.1) | \$1.5 | (\$7.6) |

Mark Afdahl
Consultant
Suite 1700
8400 Normandale Lake Boulevard
Minneapolis, MN 55437

T +1 952 842 7000
D 952 842 6445
C 612 387 8623
F 952 806 2445
E Mark.Afdahl@willistowerswatson.com
W willistowerswatson.com

The following are the notable changes impacting the cost between 2014 and 2015:

1. The expected decrease for 2015 cost is driven by expected decreases in the plans' service cost and liabilities related to demographic experience for each plan.
2. The impact of actual demographic changes includes the impact of census data updates and updates to the per capita claims cost assumption. The net impact of these updates decreased the 2015 cost for PSCo and Xcel Services, primarily due to favorable per capita claims experience. Per capita claims decreased 8.6% versus an expected increase of 7.0%
3. The mortality assumption was changed from the RP-2000 tables (blue collar for bargaining participants and white collar for non-bargaining participants) projected with scale AA to 2021 for retirees and 2029 for other participants to the RPH-2014 tables (blue collar for bargaining participants and white collar for non-bargaining participants) projected with generational mortality improvements using an adjusted SOA MP-2014 methodology. This increased the 2015 cost.
4. Retirement decrements have been reduced (25% to 35% reduction from the current rates based on benefit formula), which reduced the 2015 cost.
5. The trend rate for the HRA benefits were changed from 5.0% to 2.0%, which reduced the 2015 cost.
6. The discount rate used to determine the 2015 cost was 4.08%, a decrease from the 4.82% discount rate used to determine the 2014 cost. This increased the 2015 cost.
7. The actual investment return during 2014 was worse than expected, which increased 2015 cost.
8. The expected return on assets assumption used to determine 2015 cost was 5.80% for both the non-bargaining and bargaining VEBAs, a change from the 6.75% assumption used to determine 2014 cost for the non-bargaining VEBA, and 7.25% used to determine 2014 cost for the bargaining VEBA. This increased the 2015 cost.

Economic Assumptions

The following primary economic assumptions were used in the current and prior year:

| | 2015 | 2014 |
|---|-------|-------------|
| Discount Rate | 4.08% | 4.82% |
| Expected Return on Assets Assumption – VEBA (Bargaining/Non bargaining) | 5.80% | 7.25%/6.75% |
| Initial Medical Trend | 6.50% | 7.00% |
| Ultimate Medical Trend | 4.50% | 4.50% |
| Year Ultimate Trend is Reached | 2019 | 2019 |

ACTUARIAL CERTIFICATION

As requested by Xcel Energy Inc., this report provides results of the actuarial valuations of the Xcel Energy Inc. employee benefit plans indicated above. Additional details on the data, assumptions, methods, and plan provisions can be found in the 2015 valuation report dated March 10, 2015. This letter should be viewed as a subset of this report and should not be used for other purposes, distributed to others outside Xcel Energy Inc. or relied upon by any other person without prior written consent from Towers Watson Delaware Inc. Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

Xcel Energy Inc. may make a copy of this report available to auditors or appropriate governmental agencies of the plan or the plan sponsor, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the auditors in this regard. Xcel Energy Inc. should draw the provisions of this paragraph to the attention of the auditors or appropriate governmental agencies when providing this report to them.

In preparing these results, we have relied upon information and data provided to us orally and in writing by Xcel Energy Inc. and other persons or organizations designated by Xcel Energy Inc. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency.

The results summarized in this letter involve actuarial calculations that require assumptions about future events. Xcel Energy Inc. is responsible for the selection of the assumptions. We believe that the assumptions used in this report are reasonable for the purposes for which they have been used.

In our opinion, all calculations are in accordance with US GAAP and the procedures followed and the results presented are in conformity with applicable actuarial standards of practice.

The undersigned consultants with actuarial credentials meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc.

Sincerely,



Mark A. Afdahl, FSA
Consulting Actuary



Ross H. Athman, FSA
Consulting Actuary

http://natct.internal.towerswatson.com/clients/609084/RETActuarial-2016/Documents/Other Projects/PRW Cost by Legal Entity/2015 FAS 106 Cost_PSCo and XS_03182016.docx

Cc: Todd Degrugillier, Xcel Energy Inc.
Kris Lindemann, Xcel Energy Inc.

Beth Fernandez, Willis Towers Watson
Scott Lund, Willis Towers Watson
Jim Shaddy, Willis Towers Watson
Jake Murette, Willis Towers Watson

XCEL ENERGY INC. - Postretirement Benefits
ASC 715 Results by Legal Entity
(\$ in Thousands)

| 2014 | Amortizations | | | | | | Net Cost | January 1 Prepaid (Accrued) | Contribution |
|----------------------------|---------------|---------------|------------------------------|----------------------------------|-----------------------|--------------------|----------|-----------------------------------|--------------|
| | Service Cost | Interest Cost | Expected Return on Assets | Transition (Asset)/Obligation | Prior Service Cost | Net (Gain)/Loss | | | |
| PSCo | 1,915 | 23,704 | (30,214) | - | (6,247) | 6,434 | (4,408) | (9,982) | - |
| Xcel Services ¹ | 74 | 1,479 | (44) | - | (549) | 1,319 | 2,279 | (13,292) | 1,738 |
| Total Xcel Energy | 1,989 | 25,183 | (30,258) | - | (6,796) | 7,753 | (2,129) | (23,274) | 1,738 |

¹Includes Executive Life Insurance benefits

Assumptions

| | |
|---------------------------|-------|
| Discount Rate | 4.82% |
| Expected Return on Assets | |
| Bargaining | 7.25% |
| Nonbargaining | 6.75% |
| Medical Trend | |
| Initial (2014) | 7.00% |
| Ultimate | 4.50% |
| Year Ultimate Reached | 2019 |

Assumed Mortality Table

| | |
|----------------|---|
| Bargaining | RP-2000 Blue Collar projected with scale AA to 2021 for retirees and 2029 for other participants |
| Non-bargaining | RP-2000 White Collar projected with scale AA to 2021 for retirees and 2029 for other participants |

See 2014 valuation report for additional information on data, assumptions, methods and plan provisions.

Contribution for PSCo equals net cost for 2014, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2014.

| 2015 | Amortizations | | | | | | Net Cost | January 1 Prepaid (Accrued) | Contribution |
|----------------------------|---------------|---------------|------------------------------|----------------------------------|-----------------------|--------------------|----------|-----------------------------------|--------------|
| | Service Cost | Interest Cost | Expected Return on Assets | Transition (Asset)/Obligation | Prior Service Cost | Net (Gain)/Loss | | | |
| PSCo | 928 | 17,498 | (23,803) | - | (6,247) | 2,475 | (9,149) | (1,837) | - |
| Xcel Services ¹ | 46 | 1,198 | (23) | - | (549) | 873 | 1,545 | (13,534) | 1,602 |
| Total Xcel Energy | 974 | 18,696 | (23,826) | - | (6,796) | 3,348 | (7,604) | (15,371) | 1,602 |

¹Includes Executive Life Insurance benefits.

Assumptions

| | |
|---------------------------|-------|
| Discount Rate | 4.08% |
| Expected Return on Assets | 5.80% |
| Medical Trend | |
| Initial (2015) | 6.50% |
| Ultimate | 4.50% |
| Year Ultimate Reached | 2019 |

Assumed Mortality Table

| | |
|-----------------|---|
| Bargaining: | RP-2014 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2014 methodology. |
| Non-bargaining: | RP-2014 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2014 methodology. |

See 2015 valuation report for additional information on data, assumptions, methods and plan provisions.

Contribution for PSCo equals net cost for 2015, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2015.