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April 1, 2015

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  
2014 Post-Retirement Benefits Other than Pensions**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act<sup>1</sup> and Section 35.13 of the Commission's regulations,<sup>2</sup> Public Service Company of Colorado ("PSCo" or "Company") submits for Commission review and acceptance the 2014 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 2014 (January 1, 2014 - December 31, 2014)<sup>3</sup> and in the True-up of PSCo's Transmission Formula Rates for Formula Rate Year 2014. PSCo also submits the actuarial reports prepared by Towers Watson Delaware Inc. ("Towers Watson") that support the proposed 2014 PBOP amount. For good cause shown, as set out herein, PSCo seeks an effective date of January 1, 2014 for PSCo's use of the 2014 PBOP amount in both the 2014 Production True-up and in the 2014 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 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

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<sup>1</sup> 16 U.S.C. § 824d.

<sup>2</sup> 18 C.F.R. § 35.13 (2012).

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

corporate and other services to PSCo and the other Xcel Energy Operating Companies.<sup>4</sup> 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.<sup>5</sup> In 2014, PSCo provided requirements production service under the Production Formula Rate to the City of Burlington, Colorado (“Burlington”), the town of Center, Colorado (“Center”), Grand Valley Rural Power Lines, Inc. (“Grand Valley”), Holy Cross Electric Association, Inc. (“Holy Cross”), Intermountain Rural Electric Association (“IREA”) and Yampa Valley Electric Association, Inc. (“Yampa Valley”) (collectively, the “PSCo Requirements Customers”). The Production Formula Rate consists of both the formula rate template to calculate the rate and the associated Production Implementation Procedures governing the population of the template and providing, *inter alia*, opportunities for Customer review of the True-up, discussions with the Company, discovery and, if the Customer(s) deem it necessary, challenges to the calculated formula rates.

The Production Implementation Procedures established in the April 11, 2012 settlement in Docket No. ER11-2853-000 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.<sup>6</sup>

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

<sup>5</sup> *Public Service Company of Colorado*, 139 FERC ¶ 61,250 (2012).

<sup>6</sup> Public Service Company of Colorado Assured Power and Energy Requirements Service Tariff, Attachment B, Formula Rate Implementation Procedures, Section 7.a. During preparation of this filing, PSCo discovered that the version of the Implementation Procedures set forth in the Commission’s eTariff system does not reflect the changes submitted in the compliance filing in Docket No. ER11-2853. PSCo is preparing a filing to correct the Production Implementation Procedures set forth in the eTariff system.

On July 25, 2012, PSCo submitted a compliance filing in Docket No. ER11-2853 reflecting Commission approval of the April 2012 settlement. The Commission issued a letter order accepting the compliance filing on May 15, 2013.<sup>7</sup>

As such, the use of the 2014 actual PBOP costs in the 2014 Production True-Up is consistent with the express provisions of the Production Implementation Procedures set forth in the 2012 settlement approved by and the compliance filing accepted by the Commission.<sup>8</sup>

## **B. The Transmission Formula Rate**

The Transmission Formula Rate is on file with the Commission, as accepted in Docket No. ER12-1589-000.<sup>9</sup> On December 23, 2013, the Commission issued a Letter Order approving PSCo's October 7, 2013 filing of an Offer of Partial Settlement of all issues except ROE.<sup>10</sup> The Partial Settlement Transmission Formula Rate template and associated Transmission Implementation Procedures were approved effective November 17, 2012, subject to the outcome of the reserved ROE issue. The PSCo compliance filing to implement the partial settlement was filed January 22, 2014, and accepted in a Letter Order dated August 13, 2014 in Docket No. ER12-1589-002. On October 28, 2014, the Commission approved a further stipulation and offer of settlement resolving, *inter alia*, the transmission ROE issue retroactive to July 1, 2012.<sup>11</sup> On January 28, 2015, the Commission accepted the PSCo's December 3, 2014 compliance filing modifying the Transmission Formula Rate to reflect the settlement ROE effective July 1, 2012.<sup>12</sup>

The Transmission Formula Rate also consists of both a Transmission Formula Rate template and associated Transmission Implementation Procedures. The Transmission Implementation Procedures accepted with the Partial Settlement are substantively similar to the Production Implementation Procedures with respect to the PBOPs:

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<sup>7</sup> *Public Service Company of Colorado*, unpublished letter order (May 15, 2013). On October 28, 2014, the Commission issued a letter order approving a stipulation and offer of settlement in Docket No. EL13-86-000 *et al.* reducing the return on equity ("ROE") set forth in the Production Formula Templates. See *Public Service Company of Colorado*, 149 FERC ¶ 61,077 (2014). The offer of settlement also modified the ROE for the Transmission Formula Rate.

<sup>8</sup> 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.

<sup>9</sup> On June 19, 2012, the Commission issued an "Order Conditionally Accepting and Suspending Rates and Establishing Hearing and Settlement Judge Procedures", accepting PSCo's revised Transmission Formula Rate, subject to refund, effective November 17, 2012. *Public Service Company of Colorado*, 139 FERC ¶ 61,223 (2012).

<sup>10</sup> *Public Service Company of Colorado*, 145 FERC ¶ 61,266 (2013).

<sup>11</sup> See *Public Service Company of Colorado*, 149 FERC ¶ 61,077 (2014). As noted, this settlement also modified the ROEs set forth in the Production Formula Templates.

<sup>12</sup> See *Public Service Company of Colorado*, unpublished letter order (January 28, 2015). The further ROE settlement did not result in any changes to the Transmission Formula Implementation Procedures.

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 1<sup>st</sup> 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 1<sup>st</sup> 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.<sup>13</sup> [Emphasis added.]

Again, the use of the 2014 actual PBOP costs in the 2014 Transmission True-Up is consistent with the express provisions of the Transmission Implementation Procedures as set forth in the Partial Settlement approved by the Commission and compliance filings accepted by the Commission.

## **II. Reasons for the 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 1<sup>st</sup> for approval of the actual PBOP costs and the supporting Actuarial Study for the

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<sup>13</sup> Xcel Energy Operating Cos. Joint Open Access Transmission Tariff, Attachment O-Public Service Company of Colorado Formulaic Rates, Appendix 1-Public Service Company of Colorado Transmission Formula Rate Implementation Procedures, Section 3.

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 filed and the Commission accepted PSCo's 2013 update to the actual PBOP costs for use in the 2013 Production True-up and Transmission True-up in Docket No. ER14-1637-000 by letter order dated January 29, 2015.<sup>14</sup> The instant filing would similarly update the 2014 PBOP costs for inclusion in the 2014 Production Formula True-up and Transmission Formula True-up.

PSCo is submitting the 2014 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 2014 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.

#### **A. Explanation of 2014 PBOB Amounts**

As noted earlier, XES employees provide services to PSCo and the other Xcel Energy operating subsidiaries, and a portion of the XES 2014 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 2014 Towers Watson report for PSCo reflects "Xcel Services" FAS 106 expenses for 2014. 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 2014, NSPM, NSPW, and SPS did as they also had done in previous years. As a result, a portion of the NSPM, NSPW, and SPS 2014 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 2014 PBOP costs, PSCo proposes to include in its FAS 106 expenses for 2014 the amounts directly attributed to PSCo, plus the amounts assigned to PSCo in 2014 from XES, NSPM, NSPW and SPS, less the amounts assigned by PSCo to the other 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 2014 PBOP costs booked by PSCo to be included in the Production and Transmission True-ups are less than the actual 2013 PBOP costs reflected in both the 2013 Trued-up Production and Transmission Rates. Accordingly, the trued-up PBOP component of the 2014 actual rates will be less than the actual PBOP component in the 2013 Production and Transmission Rates, a decrease of approximately \$3.24 million; *see Exhibit A*. The primary reasons for the decrease are:

- The expiration in 2013 of the initial transition obligation amortization;

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<sup>14</sup> *Public Service Company of Colorado*, unpublished letter order (January 29, 2015).

- Favorable claims experience that resulted in a less than expected increase in claims;
- Updated Mortality assumption;
- The discount rate increased in 2014 from 2013;
- Increased return on assets assumption for 2014 compared to 2013; and
- Better than expected actual return on investment in 2013, resulting in decreased 2014 cost.

As such, the 2014 PBOP update submitted herein will result in lower production and transmission rates than if the 2013 PBOP values were used in the annual true-ups.

#### **B. Processes Regarding 2014 Formula True-up, etc.**

PSCo will provide the Production Formula Rate Annual True-up for 2014 and the Transmission Formula Rate Annual True-up for 2014 to the affected PSCo customers on or before June 1, 2015, pursuant to the respective governing Implementation Procedures. As part of the Production and Transmission Annual True-ups, PSCo will true-up the 2014 Production and Transmission Estimated Rates that became effective January 1, 2014, for the period January 1, 2014 - December 31, 2014 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, 2015. One aspect of such Production and Transmission True-ups will be the 2014 PBOP charges.

Upon acceptance of the 2014 PBOP amount by the Commission, PSCo will reflect such amount in the True-up of the 2014 Production Estimated Rates to actual rates and in the True-up of the 2014 Transmission Estimated Rates to actual rates. This 2014 PBOP amount will be the PBOP amount that will be included in the respective formula rates until the 2015 update is submitted on or before April 1, 2016.

#### **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 2014 PBOP amount to be used in the June 2015 Production Formula and Transmission Formula True-ups as described above; and
3. Exhibit B, attached hereto, consisting of the Towers Watson actuarial report for PSCo and XES.

#### **IV. Request for Waiver of Filing and Notice Requirements**

PSCo submits this filing for the limited purpose of securing Commission review of PSCo's actual 2014 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, 2014, so the 2014 PBOP amount may be reflected in the true-up Production and Transmission Formula Rates for 2014. 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. Service/Posting**

PSCo will electronically serve a copy of the complete filing electronically on each of the six PSCo Requirements Customers taking service in 2014. PSCo will also post the PBOP filing on the Transmission OATT page of the Xcel Energy website ([www.xcelenergy.com](http://www.xcelenergy.com)) and provide electronic notice of this filing to its Wholesale Transmission Customers. PSCo will also 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 in Denver, Colorado.

#### **VI. 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, 5<sup>th</sup> Floor  
Minneapolis, MN 55401  
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Deborah A. Blair  
Director, Revenue Analysis  
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Phone: 303-294-2184  
Email: [deborah.blair@xcelenergy.com](mailto:deborah.blair@xcelenergy.com)

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 - (2013) /a					
2						
3	PSCo Direct Expense	2,365,000	67.41%	1,594,144	70.37%	1,121,747
4	NSPM Allocated to PSCo	6,805,000	0.04%	2,450	100.00%	2,450
5	NSPW Allocated to PSCo	1,356,000	0.00%	6	100.00%	6
6	SPS Allocated to PSCo	47,000	0.00%	0	100.00%	0
7	XES - Allocated to PSCo	2,644,000	27.46%	726,159	76.88%	558,307
8						
9	Total	13,217,000		2,322,758		1,682,509
10						
11	Actual Amount Included in Account 926 - (2014) /b					
12						
13	PSCo Direct Expense	(4,408,000)	66.01%	(2,909,848)	69.98%	(2,036,258)
14	NSPM Allocated to PSCo	5,138,000	0.01%	715	100.00%	715
15	NSPW Allocated to PSCo	1,089,000	0.01%	79	100.00%	79
16	SPS Allocated to PSCo	(151,000)	0.00%	(5)	100.00%	(5)
17	XES - Allocated to PSCo	2,279,000	27.07%	616,894	77.15%	475,926
18						
19	Total	3,947,000		(2,292,165)		(1,559,542)
20						
21	PSCo Account 926 2014 Reduction from 2013 Levels					(3,242,052)
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 17, 2015

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

**Subject: 2014 ASC 715 Valuation Results for PSCo and Xcel Services**

Dear Rick:

Below is an exhibit summarizing the 2014 ASC 715 Benefit Cost/(Income) for the PSCo and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The 2014 U.S. GAAP results are based on participant data as of January 1, 2013 projected to the end of the year based on status changes through November 30, 2013 and known retirements for December 2013, and retiree medical claims experience from May 2011 through April 2013.

The combined 2014 cost/(income) for PSCo and Xcel Services is (\$2.1) million, a \$7.1 million decrease from 2013. The decrease in cost is summarized below (\$ in millions).

	PSCo	Xcel Services	Total
<b>2013 Cost</b>	<b>\$2.4</b>	<b>\$2.6</b>	<b>\$5.0</b>
1. Expected liability demographics/experience	(2.5)	(0.1)	(2.6)
2. Impact of actual demographic changes	(3.6)	(0.1)	(3.7)
3. Impact of mortality assumption change	1.2	0.1	1.3
4. Impact of discount rate change	(1.5)	(0.2)	(1.7)
5. Impact of change in expected return on assets	(0.3)	0.0	(0.3)
6. Impact of asset performance	(0.1)	0.0	(0.1)
<b>2014 Cost</b>	<b>(\$4.4)</b>	<b>\$2.3</b>	<b>(\$2.1)</b>

The following are the notable changes impacting the cost between 2013 and 2014:

1. The expected decrease for 2014 cost is driven by the expiration of the initial transition obligation amortization in 2013 for PSCo and by expected decreases in the plans' service cost and liabilities related to demographic experience for each plan.
2. Updating the census data and per capita claims cost from the prior valuation decreased the 2014 cost for PSCo and Xcel Services. The decrease in cost is largely due to favorable claims experience that resulted in an approximate 2.9% increase in claims (1.8% pre-65, 4.1% post-65) versus an expected increase of 7.50%.
3. The mortality assumption was updated from the RP-2000 blue and white collar mortality tables projected to the valuation date using scale AA to the RP-2000 blue and white collar mortality

tables projected 7 years beyond the valuation date for retirees and 15 years beyond the valuation date for other participants.

4. The discount rate used to determine the 2014 cost was 4.82%, an increase from the 4.08% discount rate used to determine the 2013 cost.
5. The expected return on assets assumption used to determine 2014 cost was 6.75% for the non-bargaining VEBA, a change from the 6.25% assumption used to determine 2013 cost for the non-bargaining VEBA. The expected return on assets assumption used for the bargaining VEBA was 7.25% for both the 2014 cost and the 2013 cost.
6. The actual investment return during 2013 was better than expected, which decreased 2014 cost.

### Economic Assumptions

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

	2014	2013
Discount Rate	4.82%	4.08%
Expected Return on Assets Assumption – VEBA (Bargaining/Nonbargaining)	7.25%/6.75%	7.25%/6.25%
Initial Medical Trend	7.00%	7.50%
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 2014 valuation report dated May 30, 2014. 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-2015/Documents/Other Projects/PRW Cost by Legal Entity/2014 FAS 106 Cost\\_PSCo and XS\\_03172015.docx](http://natct.internal.towerswatson.com/clients/609084/RETActuarial-2015/Documents/Other Projects/PRW Cost by Legal Entity/2014 FAS 106 Cost_PSCo and XS_03172015.docx)

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

Beth Fernandez, Towers Watson  
Scott Lund, Towers Watson  
Joseph Sanches, Towers Watson  
Jim Shaddy, Towers Watson

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

2013	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	2,564	22,210	(29,227)	785	(7,666)	13,699	2,365	(13,677)	7,548
Xcel Services <sup>1</sup>	2	1,442	(50)	-	(764)	2,014	2,644	(11,965)	2,024
Total Xcel Energy	2,566	23,652	(29,277)	785	(8,430)	15,713	5,009	(25,642)	9,572

<sup>1</sup>Includes Executive Life Insurance benefits

**Assumptions**

Discount Rate	4.08%
Expected Return on Assets	
Bargaining	7.25%
Nonbargaining	6.25%
Medical Trend	
Initial (2013)	7.50%
Ultimate	4.50%
Year Ultimate Reached	2019

**Assumed Mortality Table**

Bargaining	RP-2000 Blue Collar projected with scale AA to 2013 for all participants
Non-bargaining	RP-2000 White Collar projected with scale AA to 2013 for all participants

See 2013 valuation report for additional information on data, assumptions, methods and plan provisions.

Contribution for PSCo equals net cost and contribution for Xcel Services equals expected benefit payments; contribution amount shown for PSCo prior to adjustments to FY13 Cost recognized in fourth quarter 2013

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 <sup>1</sup>	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

<sup>1</sup>Includes Executive Life Insurance benefits

**Assumptions**

Discount Rate	4.82%
Expected Return on Assets	
Bargaining	7.25%
Nonbargaining	6.75%
Medical Trend	
Initial (2013)	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 all other participants
Non-bargaining	RP-2000 White Collar projected with scale AA to 2021 for retirees and 2029 for all 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.