

March 15, 2013

Mr. Mark P. Moeller  
Director, Financial Performance and Reporting  
Xcel Energy Inc.  
414 Nicollet Mall  
4th Floor  
Minneapolis, MN 55401

**Subject: 2012 ASC 715 Valuation Results for PSCo and Xcel Services**

Dear Mark:

Below is an exhibit summarizing the 2012 ASC 715 Benefit Cost for the PSCo and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The calculations reflect January 1, 2012 census data and retiree medical claims experience from May 2009 through April 2011.

The combined 2012 cost for PSCo and Xcel Services is \$19.8 million, a \$2 million decrease from 2011. The decrease in cost is summarized below (\$ in millions).

	PSCo	Xcel Services	Total
<b>2011 Cost (provided May 10, 2011)</b>	<b>\$21.1</b>	<b>\$0.7</b>	<b>\$21.8</b>
1. Expected liability demographics/experience	(1.0)	(0.1)	(1.1)
2. Impact of actual demographic changes	(3.2)	(0.2)	(3.4)
3. Impact of mortality table change	0.5	0.1	0.6
4. Impact of discount rate change	1.6	0.0	1.6
5. Impact of spouse election assumption change	(1.1)	0.0	(1.1)
6. Impact of change in expected return on assets	2.5	0.0	2.5
7. Impact of plan change	(3.9)	0.0	(3.9)
8. Impact of asset performance	2.6	0.2	2.8
<b>2012 Cost (provided June 7, 2012)</b>	<b>\$19.1</b>	<b>\$0.7</b>	<b>\$19.8</b>

The following are the notable changes impacting the expense between 2011 and 2012:

1. Assuming no actuarial gains or losses (i.e. terminations and retirements as expected and 2011 asset returns equal the 7.50% assumption), the 2012 expense was expected to decrease from the prior year for PSCo and Xcel Services. The anticipated decrease for PSCo and Xcel Services is largely driven by the expected earnings on the assets exceeding the expected change in the liabilities.
2. Updating the census data and per capita claims cost from January 1, 2011 to January 1, 2012 decreased the 2012 expense for PSCo and Xcel Services. The decrease in expense is largely due to favorable claims experience that resulted in an approximate 1.1% increase in post-65 claims versus an expected increase of 6.5%.

3. The mortality table used to determine the 2012 expense was updated from the RP-2000 table with no mortality improvements to the RP-2000 blue/white collar adjusted table with 12 years of mortality improvements using projection scale AA. All current bargaining employees are assumed to follow the blue collar adjusted table and all current nonbargaining employees are assumed to follow the white collar adjusted table.
4. The discount rate used to determine the 2012 expense was 5.00%, a decrease from the 5.50% discount rate used to determine the 2011 expense.
5. The assumption of spouses electing medical coverage used to determine 2012 expense was 90%, a decrease from the 100% assumption used to determine 2011 expense.
6. The expected return on assets assumption used to determine 2012 expense was 6.75%, a decrease from the 7.50% assumption used to determine 2011 expense.
7. The 2012 expense includes the impact of increased drug co-pays for PSCo retirees and elimination of dental and vision benefits for some nonbargaining retirees.
8. The 2011 actual investment return was approximately 0%, which was lower than the 7.50% expected return on assets assumption.

### Assumptions

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

	2012	2011
Discount Rate	5.00%	5.50%
Expected Return on Assets Assumption – VEBA	6.75%	7.50%
Initial Medical Trend	6.3125%	6.50%
Ultimate Medical Trend	5.00%	5.00%
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 2012 valuation report. 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.

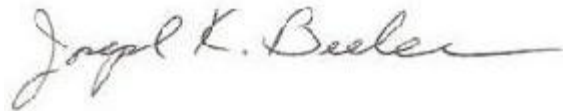
In our opinion, all calculations are in accordance with US GAAP and the procedures followed and the results presented are in conformity with applicable actuarial standards of practice.

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



Joseph K. Beeler, FSA  
Consulting Actuary

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

Beth Fernandez, Towers Watson  
Kevin Ryan, Towers Watson  
Jim Shaddy, Towers Watson

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

2011	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	3,625	28,391	(27,961)	11,004	(2,913)	8,942	21,088	(23,265)	24,979
Xcel Services <sup>1</sup>	3	1,815	(230)	-	(1,485)	578	681	(10,799)	681
Total Xcel Energy	3,628	30,206	(28,191)	11,004	(4,398)	9,520	21,769	(34,064)	25,660

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

*Assumptions*

Discount Rate	5.50%
Expected Return on Assets	7.50%
Medical Trend	
Initial (2011)	6.50%
Ultimate	5.00%
Year Ultimate Reached	2019

Assumed mortality table is RP-2000.

See 2011 valuation report for additional information on data, assumptions, methods and plan provisions.

Contributions for PSCo and Xcel Services equal net cost plus regulatory amortization for PSCo.

2012	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	2,825	24,527	(25,056)	11,004	(5,150)	10,930	19,080	(19,946)	22,966
Xcel Services <sup>1</sup>	3	1,747	(74)	-	(1,709)	782	749	(11,746)	749
Total Xcel Energy	2,828	26,274	(25,130)	11,004	(6,859)	11,712	19,829	(31,692)	23,715

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

*Assumptions*

Discount Rate	5.00%
Expected Return on Assets	6.75%
Medical Trend	
Initial (2012)	6.3125%
Ultimate	5.00%
Year Ultimate Reached	2019

Assumed Mortality Table

Bargaining	RP-2000 Blue Collar projected with scale AA to 2012 for all participants
Nonbargaining	RP-2000 White Collar projected with scale AA to 2012 for all participants

See 2012 valuation report for additional information on data, assumptions, methods and plan provisions.

Contributions for PSCo and Xcel Services equal net cost plus regulatory amortization for PSCo.