MINNESOTA DEPARTMENT OF COMMERCE

85 7TH PLACE EAST, SUITE 500
SAINT PAUL, MINNESOTA 55101-2198
MN.GOV/COMMERCE
651.539.1500 FAX: 651.539.1547
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December 29, 2016

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E,G002/S-16-887

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (DOC) in the following matter:

> Northern States Power Company's Request for Approval of its 2017 Capital Structure Prior to Issuing Securities.

The petition was filed on October 31, 2016 by:

> Brian Van Abel
> Vice President and Treasurer
> Xcel Energy Services
> 414 Nicollet Mall, 4th Floor
> Minneapolis, MN 55401

The DOC recommends approval with conditions, and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst

JK/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. E,G002/S-16-887

I. SUMMARY OF NORTHERN STATES POWER'S PROPOSAL

On October 31, 2016, Northern States Power Company (NSP-MN or the Company) petitioned the Minnesota Public Utilities Commission (Commission) for approval of its proposed 2017 capital structure (*Petition*). The Company is seeking:

- Approval of its proposed 2017 capital structure and total capitalization;
- Continuation of the ability to issue securities within the approved capital structure ranges;
- Approval of the 2017 capital structure to remain valid until the Commission issues an Order approving NSP-MN's 2018 capital structure;
- Continuation of flexibility to use risk-management instruments to reduce the cost of capital;
- Continuation of the variance of Minnesota Rules part 7825.1000, subpart 6 to allow NSP-MN to treat borrowings under multi-year credit agreements as short-term debt; and
- Approval to have discretion to enter into financing to replace outstanding long-term debt instruments with less expensive securities, and to enter into tax-exempt financing for pollution control construction programs.

II. DETAILS OF NSP-MN'S PROPOSAL

NSP-MN requested approval of its estimated 2017 capital structure. The Company estimated that its capital structure on December 31, 2017 will be:

Northern States Power Company 2017 Proposed Capital Structure
(Amounts in millions of dollars)
December 31, 2017 (Estimated)

	Amount	Percent
Common Equity	$5,594	52.40%
Long-Term Debt	$4,948	46.30%
5-Year Credit Facility	$0	0.00%
Short-Term Debt	$135	1.30%
Total Capitalization	$10,677	100.00%
Contingency	$523	
Total with Contingency	$11,200	

The Company also presented a maximum capital structure for December 31, 2017 in its filing. That capital structure is:

Northern States Power Company 2017 Maximum Capital Structure
(Amounts in millions of dollars)
December 31, 2017 (Estimated)

	Amount	Percent
Common Equity	$5,594	51.80%
Long-Term Debt	$4,948	45.80%
Borrowings Under 5-Year Credit Facility	0	0.00%
Short-Term Debt	$265	2.50%
Total Capitalization	$10,807	100.00%
Contingency	$393	
Total with Contingency	$11,200	

NSP-MN's proposed capital structure is limited to the Minnesota operating utility and the following wholly-owned first-tier subsidiaries:

- United Power & Land Company (UP&L), which owns real estate (primarily land); and

- NSP Nuclear Corporation, which is the parent holding company for NSP-MN's Nuclear Management Company, an inactive company.

Specific provisions for which the Company seeks approval include:

- A total capitalization of $11,200 million, including a contingency of $523 million; (total of $10,677 million without the contingency);

- A total capitalization contingency of $523 million, approximately 4.9 percent of the proposed total capitalization of $10,677 million;

- A range of ±10 percent around the proposed 2017 year-end common equity ratio of 52.4 percent, resulting in an equity range of 47.16 percent to 57.64 percent;

- A limit on short-term debt, not to exceed 15 percent of the total capitalization;

- A continuation of the variance allowing NSP-MN to enter into a multi-year credit agreement under which any direct borrowings made by the Company would be counted as short-term debt;

- The flexibility to issue common equity, and long- and short-term debt provided that the Company remains within the approved total capitalization and short-term debt and equity ranges or does not exceed them for a period of more than 60 days;

- Continued permission to use risk management instruments that qualify for hedge accounting treatment under the Financial Accounting Standards Board's Accounting Standards Codification 815 (ASC No. 815), to manage price, duration or interest-rate risk on securities;

- Approval of the requested 2017 capital structure until issuance of an Order approving NSP-MN's 2018 capital structure; and

- Approval to have discretion to enter into financings to replace the outstanding long-term debt instruments with less expensive securities, and to enter into tax-exempt financings for pollution control construction programs.

NSP-MN also set forth its planned securities activity in 2017. NSP-MN's statements about its plans include:

- *Equity.* In 2017, NSP-MN expects total equity infusions from its parent company, Xcel Energy, Inc. (Xcel) of approximately $104 million to maintain the Company's target equity ratio range proposed above.

- *Long-term debt.* The forecasted year-end 2017 long-term debt ratio is 46.3 percent and includes a $600 million debt issuance.[1] The proceeds of this new debt issuance will be used to retire $500 million in outstanding long-term debt, repay short-term debt, fund NSP-MN's utility construction program, and for other general corporate purposes. Attachment H of the Company's filing provides

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[1] The Company estimates long-term debt issuance of $600 million in the November of 2017.

details of the Company's July 2016 through December 2017 sources of funds and the Company's capital requirements. (DOC Attachment No. 5)[2]

- *Short-term debt.* NSP-MN plans to issue short-term debt in an amount not to exceed 15 percent of total capitalization to provide funds for NSP-MN utility operations, investments in the utility money pool, interim financing for NSP-MN construction expenditures, and loans to NSP-MN's wholly-owned subsidiary NSP Nuclear Corporation.

III. ANALYSIS

The Minnesota Department of Commerce, Division of Energy Resources' (Department or DOC) analysis of a public utility's annual capital structure filing requires;

- A determination that the changes proposed for the affected utility's capital structure are consistent with Minnesota Stat. §216B.49;
- A review of the filing to ensure that the affected utility has provided all the information required by Minn. Rules 7825.1000 – 7825.1500; and
- A review the filing to ensure that the affected utility has provided all the information required by specific Commission Orders.

Turning to the statutory requirements, Minn. Stat. §216B.49, subd. 3 states that:

> It is unlawful for any public utility organized under the laws of this state to offer or sell any security or, if organized under the laws of any other state or foreign country, to subject property in this state to an encumbrance for the purpose of securing the payment of any indebtedness unless the security issuance of the public utility is first approved by the commission . . ..

Further, Minn. Stat. §216B.49, subd. 4 states in part that:

> If the commission shall find that the proposed security issuance is reasonable and proper and in the public interest and will not be detrimental to the interests of the consumers and patrons affected thereby, the commission shall by written order grant its permission for the proposed public financing.

Based on the above statutes, the DOC discusses the reasonableness of both NSP-MN's projected capital structures and its request to allow the issuance of various securities.

[2] DOC Attachment 1 provides an index of DOC Attachments 2 through 8 to facilitate referencing these documents.

A. CAPITAL STRUCTURE

To check the reasonableness of NSP-MN's proposed and proposed maximum 2017 year-end capital structures, the DOC compared the equity ratios in the Company's capital structures with the average equity ratio of electric utilities that are risk-comparable to NSP-MN. DOC Attachment 2 contains this analysis. Table 1 provides a summary of the information included in that attachment.

Table 1 – Comparison of NSP-MN's Proposed and Proposed Maximum Year-End 2017 Capital Structures to 2015 Year-End Capital Structures for Risk-Comparable Electric Utilities (%s)

Description	Common Equity	Long-Term Debt	Short-Term Debt	Preferred Stock
Comparable Group Average[3]	44.57	49.33	5.30	0.79
Proposed 12/31/17 Capital Structure	52.40	46.30	1.30	0.00
NSP-MN's Difference from Average	**7.83 higher**	**3.03 lower**	**4.00 lower**	**0.79 lower**
Proposed 2017 Maximum Capital Structure	51.80	45.80	2.4	0.00
NSP-MN's Difference from Average	**7.23 higher**	**3.53 lower**	**2.90 lower**	**0.79 lower**

The year-end 2015 average equity ratio for publicly traded electric utilities with bond ratings from A to BBB-[4] was 44.57 percent. Their year-end 2015 average long-term debt ratio was 49.33 percent. The DOC notes that the Company's proposed equity ratios of 52.40 and 51.30 percent, respectively, under its proposed and maximum capital structures are higher than the group's average equity ratio, and the Company's proposed debt ratios are lower than the group's average debt ratios. Therefore, the proposed NSP-MN capital structures do not raise concerns about equity ratios that are too low to ensure the financial health of the Company. Consequently, the DOC concludes that NSP-MN's proposed 2017 capital structures are appropriate from this perspective.

[3] Source: Compustat Data for Standard & Poor's Research Insight, November 30, 2016.
[4] NSP-MN's Standard and Poor's long-term bond rating is A.

B. CONTINGENCIES

1. Common Equity Ratio

NSP requested a ±10 percent contingency range around the requested common equity ratio. This range is as follows:

	Estimated Contingency Range		
	Average	Low	High
Common Equity	52.4%	47.16%	57.64%

The Department concludes that this range is reasonable because it has historically provided the Company with adequate financial flexibility, kept NSP-MN on sound financial footing, and allowed the Commission sufficient oversight. The Company has also identified a planned equity infusion from Xcel Energy Inc. in 2017 that is expected to keep the common equity ratio within the proposed range.

2. Short-Term Debt and Total Capitalization

a. Short-term debt

NSP-MN requested a contingency to issue short-term debt not to exceed 15 percent of total capitalization at any time while the 2017 capital structure is in effect. This request for flexibility is consistent with the flexibility allowed by the Commission for the Company's 2016 capital structure. The DOC concludes that the 15 percent cap would allow the Company needed and reasonable flexibility given short-term fluctuations in the Company's revenues and expenditures.

b. Total capitalization

The proposed total capitalization with contingency of $11,200 million includes a contingency amount of $523 million, or about 4.9 percent of the total capitalization without contingency. This proposed contingency would allow flexibility in the Company's funding of utility construction and unforeseen business or financial conditions that might develop during the year. Based on the above discussion, the DOC concludes that NSP-MN's request for contingency of $523 million for total capitalization is reasonable.

C. CONTINUANCE OF THE VARIANCE FOR MULTI-YEAR CREDIT AGREEMENT

Minnesota Rule 7825.1000, subp. 6 defines "short-term security" as follows:

> "Short-term security" means any unsecured security with a date of maturity of no more than one year form the date of issuance; and containing no provisions for automatic renewal or "roll over" at the option of either the obligee or obligor.

NSP-MN was granted a variance to Minnesota Rules part 7825.1000, subpart 6 in the 2005 Capital Structure Order[5] allowing the Company to treat borrowings under a multi-year credit facility (MYCF) as captured in the short-term debt authorization of up to 15 percent of total capitalization. The Commission also granted the Company a continuation of this variance in its 2006 through 2016 Annual Capital Structure Orders. The variance was granted with the provision that the Company report on its use of multi-year credit facilities. The Company included that report as Attachment C of its *Petition*.

NSP-MN stated that it entered into a five-year revolving credit facility for $500 million on June 20, 2016 (June 2016 Agreement). It is an amendment and extension to the $500 million, five-year credit facility that was signed by the Company in October 2014. The new agreement has substantially the same terms and conditions as the prior agreement. The June 2016 Agreement allows the Company to extend the life of the October 2014 Agreement. It also provides an option to increase the size of the amount NSP-MN can borrow under the Agreement as well as the potential to extend the maturity of the Agreement.

1. Frequency of Use and Amounts Borrowed

Attachment C of the Petition shows that the Company hasn't borrowed any funds under the credit facility over the period January 2014 through August of 2016. Consistent with past practice, the Department has included a copy of this information from the *Petition* as DOC Attachment 3.

2. Rates and Financing Costs

As indicated earlier, the Company did not borrow any money from its credit facility for the period January 2014 through August 2016. According to the information included in Attachment C of the Petition, the multi-year credit facility cost NSP approximately $1.0 million annually in 2014 and 2015. The 2016 year-to-date figures included in the Petition when extrapolated to a full 12 months provide a similar amount. Under the Agreement, NSP agreed to pay: "a rate per annum . . . equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1% and (c) the Eurodollar Rate for one month Interest Period on such day . . . plus 1%.[6, 7]

The Department developed a comparison of these different interest rates for the 2014-2016 time period in an effort to illustrate why even though NSP-MN has access to the MYCF, it doesn't borrow funds under that Agreement. Table 2 provides this comparison.

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[5] Docket No. E,G002/S-04-1794.
[6] Multi-Year Credit Agreement Compliance Filing dated June 8, 2016 in Docket Nos. E,G999/CI-08-1416 and E,G002/S-15-948, Attachment A at page 1.
[7] The NYFRB Rate means for any day, the greater of (a) the Federal Funds Effective Rate in effect that day and (b) the Overnight Bank Funding Rate in effect on such day.

Table 2 – Comparison of NSP-MN Actual 2014-2016 Short-Term Interest Expense for Commercial Paper and Other Funding Options Under the MYCF (avg %/yr)

			Average Annual Rate by Year			
Line No.	Funding Source		2014	2015	2016	
1.	Commercial Paper/Money Pool	[1]	0.26	0.44	0.55	[5]
2.	Overnight Fed Funds	[2]	0.59	0.63	0.88	[5]
3.	1 Month Libor	[3]	1.16	1.20	1.48	[5]
4.	Prime Rate	[4]	3.25	3.26	3.50	[5]
Notes:						
	[1] Information provided in response to DOC IR #1					
	[2] Information provided by Federal Reserve Economic Data (FRED)					
	[3] Information provided by FRED					
	[4] Information provided by FRED					
	[5] Year-to-Date Figures					

The information in Table 2 demonstrates that NSP-MN's use of commercial paper as the funding source for its quotidian short-term credit needs makes sense economically.

Based on the credit facility's fees and the explanation of the benefits of the credit facility as provided by NSP-MN in its Attachment C of the *Petition* the DOC concludes that the direct costs associated with the credit facility and NSP-MN's use of the credit facility are reasonable. The DOC offers further discussion of the cost effectiveness of the Company's MYCF in section F.3 below.

3. Intended Uses of Financing

The current five-year revolving credit facility is used primarily for commercial paper back-up but can also provide for direct borrowings from the banks that support the credit agreement.

In addition, letters of credit may be issued using the revolving credit facility as a liquidity back-up.

For the period January 2014 through August 2016, the lack of borrowing activity under the Agreement suggests that it was less expensive for NSP-MN to borrow short-term debt from its money pool or directly from financial institutions. The information included in Table 2 also supports this conclusion. However, the credit facility is needed as an insurance instrument for periods in which the financial markets are tight and there is lack of liquidity in the short-term debt markets.

4. Continuation of the Variance to Minn. Rule Part 7825.1000, Subpart 6

The Company asserts in its 2017 Petition that the requested variance meets the three-part test for variance as provided for by Commission rules under Minn. Rule 7829.3200. The three parts of the test are:

a. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;

b. Granting the variance would not adversely affect the public interest; and

c. Granting the variance would not conflict with standards imposed by law.

The Company supported its assertion as follows:

a. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule

As discussed in the Company's Attachment C, the Company's request involves the use of a multi-year credit facility as if it were short-term debt. If this variance is not allowed, the burden is that such direct borrowings under a multi-year credit facility would not be available, unless the Commission allows greater flexibility with regard to long-term debt. Because the purposes and manner in which these funds would be used resemble traditional use of short-term securities, the Company concluded that any borrowing from the multi-year credit facility should be counted as short-term debt and should be subject to the 15-percent limit. Without the ability to use these facilities, an additional consequence may be an unfavorable reaction by credit rating agencies that view these as enhanced liquidity structures without which fewer financing options would exist.

b. Granting the variance would not adversely affect the public interest

The Commission retains oversight over these types of issues through annual capital structure filings, which set the 15 percent limit, the equity ratio, and the equity ratio ranges. These parameters assure that the Company will continue to have a capital structure that meets the public interest. In addition, these instruments allow the Company to lock in liquidity and fee structures for several years, which is also in the public interest.

c. Granting the variance would not conflict with standards imposed by law

This variance would not conflict with law.

The Company indicated that it believes a continuation of the variance is appropriate. Because the intended use of such facilities is to meet short-term funding requirements, the Company believes that granting this variance offers the most direct and consistent way of addressing this issue.

The Department recommends the Commission grant the Company's request for a rule variance.

D. FLEXIBILITY TO ISSUE SECURITIES

As discussed earlier in these comments, NSP-MN expects the following security issuances in 2017:

- $104 million equity infusion from its parent company, Xcel Energy, Inc.;
- $600 million of long-term debt; and
- short-term debt, not to exceed 15 percent of total capitalization.

The proceeds from these issuances are expected to be used to retire a bond issuance of up to $500 million, fund NSP-MN's Utility Construction Program, invest in the utility money pool, make short-term loans to NSP-MN's Nuclear Corporation, and for other general corporate purposes.

The Company's planned issuances would allow it to maintain an appropriate capital structure and to finance its expected expenditures as described in the Company's Attachment H. Consistent with past practice, the Department has included a copy of this information from the *Petition* as DOC Attachment 4. The Department concludes that the Company's expected issuances of securities are reasonable.

E. COMPLIANCE WITH COMMISSION RULES

Beginning with the requirements listed by Minn. Rules 7825.1000 – 7825.1500, the Department's review indicates that NSP-MN has provided information relevant to the Commission's requirements.

F. ADDITIONAL FILING REQUIREMENTS

1. Commission Order in Docket No. E,G999/CI-08-1416

On May 12, 2009, the Commission issued an "Order Augmenting Information Required in Connection with Securities Issuances and Annual Capital Structure Filings" (Docket No. E,G999/CI-08-1416).[8] Points 1 and 3 of the Order state:

> 1. In addition to the information currently provided, the utilities' annual capital structure filings shall include an exhibit providing a general projection of capital needs, projected expenditures, anticipated sources, and anticipated timing, with the understanding that such exhibit is not intended to require dollar-for-dollar on the uses identified in the exhibit or to limit issuances to project-specific financing. The exhibit need not list short-term, recurring security issuances.

[8] These Ordering Points have been included in subsequent capital structure Orders.

3. Starting with the utilities' next annual capital structure filings, the utilities shall include a report of actual issuances and uses of the funds from the prior year. The report will be for information purposes only and need not cover short-term, recurring security issuances.

a. *Point 1*

NSP-MN's Attachment N (DOC Attachment No. 5) provides the general projections of capital needs and expenditures as required by Point 1 of the Commission's May 12 Order. NSP-MN projects approximately $923 million in investments in 2017. This forecasted expenditure includes investments in nuclear projects, energy supply, transmission projects and distribution system improvements. NSP-MN's Attachment H (DOC Attachment No. 4) provides the estimated funding sources of equity, long-term debt, short-term debt and internal funds (retained earnings financing) for 2017. Attachment H also provides the uses of the funding sources. Attachment N provides projections of NSP-MN's expenditures over the period 2017 through 2021 (DOC Attachment No. 5).

Based on the above discussion and its review of Xcel's petition, the DOC concludes that Xcel's petition complies with the requirements of Point 1 of the Commission's May 2009 Order.

b. Point 3

Regarding Point 3 of the Commission's May 12, 2009 Order, the Company summarized its issuance activities in 2015 in Attachment H of the *Petition* as follows (DOC Attachment No. 4):

- Equity Infusion: $346 million;
- Long-Term Debt Issuance: $600 million and
- Long-Term Debt Retirement: $250 million.

This results in net financings of $696 million which when combined with an amount short-term debt/internal funds of $1,057 million was equal to the total NSP-MN use of funds in 2015 of $1,753 million.

The proceeds from the equity infusion, long-term debt, short-term debt and internal funds were used to maintain an appropriate capital structure, to finance the Company's investments in 2015, and to refinance outstanding long-term debt.

A comparison between the actual and projected 2015 uses is provided in the Company's Attachment N (DOC Attachment 5). As noted earlier, Attachment H (DOC Attachment No. 4) provides the Company's actual issuances in 2015.

For 2015, the Company received $346 million in equity and issued $600 million of long-term debt (Issuance date: August 15, 2015. Issuance terms: $300 million with a 30-year maturity at a 4.0% interest rate and $300 million with a 5-year maturity with a 2.20% interest rate). The proceeds from the loan were used to pay outstanding short-term debt and to retire $250 million in long-term debt.

The Company's Attachment N also provides a comparison of projected versus actual expenditures for 2015. Expenditures are divided into five general categories: Energy Supply, Nuclear, Distribution, Transmission and Other. Table 3 summarizes this information.

Table 3 – Comparison of 2015 NSP-MN Capital Investment

Project Category	2015 Year-End Estimate	2015 Year-End Actuals	Nominal Variance (Millions of $)	Percentage Variance
Energy Supply	773	763	-10	-1.3%
Nuclear	284	286	2	0.7%
Distirbution	301	294	-7	-2.4%
Transmission	291	288	-3	-1.0%
Other	120	121	1	0.8%
Total	1769	1752	-17	-1.0%

There were no significant deviations from projected expenditures in any of the five categories listed (where "significant" is defined as 10 percent above or below budget).

Based on its review of NSP-MN's petition, the DOC concludes that the Company's petition complies with Point 3 of the Commission's May 12, 2009 Order.

2. Commission Order in Docket No. E,G002/S-09-1161

On January 15, 2010, the Commission issued an Order in NSP-MN's petition for approval of its capital structure for issuance of securities. Point 2 of the Commission's Order states:

> The Company shall develop and use in its next annual securities filing, a schedule showing, for various time periods, the planned investment for each project.

The *Petition* includes Attachment N, which shows NSP-MN's projected investment by project for each of the years 2017 through 2021. Based on its review of the Company's Attachment N, the DOC concludes that the Company's filing complies with the requirements of Point 2 of the Commission's January 15, 2010 Order in Docket No. E,G002/S-09-1161. DOC Attachment 5 contains a copy of NSP-MN's Attachment N.

3. Commission Order in Docket No. E,G002/S-15-948

On April 8, 2016, the Commission issued an Order in NSP-MN's petition for approval of its capital structure for issuance of securities. Bullet points 13 and 14 of the Commission's Order required NSP:

> . . .to include a discussion of the purpose(s) that the NSP Nuclear Corporation serves and the advantages and disadvantages of having NSP Nuclear Corporation structured as a first-tier subsidiary as opposed to being treated similarly to NSP-MN's other generation facilities in its next capital structure filing.
>
> . . . to meet with the Department and other interested parties in an effort to identify a cost-benefit analysis that can provide the Commission with a frame-work for determining if the Company's current debt management practices are cost-effective for all the services provided related to the Multi-Year Credit Agreement. The analysis should be included in the Company's 2017 Annual Capital Structure filing.

a. Point 13

NSP-MN provides this discussion on pages 13 and 14 of the *Petition.* The Company notes: "The Company has made significant progress on its assessment and believes that as long as no issues are identified that would advise against dissolving NMC, it will be able to resolve the remaining accounting issues and dissolve NMC by December 31, 2016."

The DOC concludes that the Company's filing complies with the requirements of Point 13 of the Commission's April 8, 2016, Order in Docket No. E,G002/S-15-948. The Department also requests that NSP-MN provide an update regarding their efforts in the Company's Reply Comments in this proceeding.

b. Point 14

The Company provided a lengthy and thorough discussion of the cost-effectiveness of the Company's current debt management practices in Attachment O of the *Petition*.[9] NSP-MN also provided a presentation that summarized the sale of $350 million of 30-year First Mortgage Bonds on May 23, 2016 and met with the Department in late October to review that information.[10]

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[9] Included as DOC Attachment 6.
[10] Included as DOC Attachment 8.

Cost-Effectiveness of Company's Bond Issuances

Xcel provided a summary table for Secured Utility Bond issues with a 30-year term on page 3 of Part 3 of Attachment I of the *Petition*."[11] The table listed the results of 20 bond sales by utilities for the period from January 1 through September 15, 2016. NSP-MN was responsible for one of the transactions; it issued $350 of 30-year debt on May 23, 2016. Table 4 contains the comparison for NSP-MN's 30-year bond issuance.

Table 4 – Comparison of Secured 30-Year Bond Issuances by U.S. Utilities With an Aa3 Credit Rating between January 1 and September 15, 2016

Line No.	Issuer	Rating	Size ($mn)	Coupon (%)	Spread (bps)	N/C (bps)
1.	Duke Energy Progress LLC	Aa3	450	3.70%	123	1
2.	DTE Electric Company	Aa3	300	3.70%	110	5
3.	Duke Energy Indiana LLC	Aa3	500	3.75%	115	5
4.	Public Service Electric & Gas Company	Aa3	550	3.80%	120	-4
5.	**Average**		**450**	**3.74%**	**117**	**4**
6.	**Median**		**475**	**3.73%**	**117.5**	**5**
7.	Northern States Power Company (MN)	Aa3	350	3.60%	100	--

The coupon rate and the spread to the 30-year U.S. Treasury Bond (T-bill) for the NSP-MN offering are the lowest identified in the group. The final column (new concession or N/C) relates to the discount Xcel provided to the bond's purchasers (in basis points). This amount was lower than three of the four similar transactions for 30-year bonds for utilities with an identical Moody's Credit Rating.

These results suggest that the Company (and its Underwriters) did a good job of issuing the debt -- they sold it for a lower interest rate and the difference (spread) between the coupon rate on NSP-MN's bond and the 30-year T-bill was the lowest of the five sales listed.
The Department concludes that for 2016, the Company issued its May 23, 2016 bond offering in a cost effective manner.

Cost-Effectiveness of NSP-MN's Credit Facility

NSP-MN provided the annual direct costs of the Agreement, which are approximately $1 million, in Attachment C. The Company also identified the following benefits associated with the MYCF in Attachment C.

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[11] Included as DOC Attachment 7.

- More efficient for cost management, as legal fees are not incurred every year as it would be for a 364-day facility.
- Up-front fees are amortized over multiple years, rather than 12 months (as with the 364-day facility).
- Reduces potential increased costs associated with roll-over risk. By locking in favorable borrowing rates and commitment fees for multiple years, the Company avoids the risk of market conditions on an annual basis.
- Most multi-year facilities have options to increase the size or extend the maturity, allowing for financing flexibility through the credit facility term.
- The Company can terminate the facility prior to its maturity and re-syndicate if even more favorable market pricing exists.

NSP-MN didn't attempt to quantify the benefits it identified in Attachment C.

In Attachment O, the Company reviewed the "Financing Process Overview." In that attachment, NSPM identified three additional benefits associated with the MYCF – 1) acts as a line of credit, 2) provides access to commercial paper markets and 3) supports relationships with financial experts. The Company also provided a discussion of the benefits associated with the MYCF on an anecdotal basis. NSPM noted:

> For example, NSPM can currently issue overnight commercial paper for about 60 basis points with very short notice. In contrast, if NSPM had no revolving credit agreement, a longer dated instrument such as a two or three year bond at 1.50% or greater [would be required?]. Not only is this inefficient cash management, as the Company would initially have more cash than it needs, it would be more expensive than commercial paper. Additionally, under a scenario with no credit agreement, NSPM's credit ratings would decline, and the cost of a two- or three- year loan would increase significantly.[12]

The Company also provided a cost comparison that used 2015 actuals on page 7 of the presentation provided to the Department at our meeting in late October 2016.[13] NSP-MN identified its actual short-term cost of debt as 0.93% in the example. It also estimated its 2015 cost of borrowing under the MYCF to be 1.85%. The Company asserted that if it didn't have the MYCF and was required to hold cash for its short-term credit needs, the cash would be financed at NSP-MN's full cost of capital of 11%.

In an effort to provide the Commission with a comparison of the costs and benefits of the MYCF when compared to other funding sources, the Department used the information NSP-MN provided to develop its own estimate of NSP-MN's short-term borrowing costs for 2015. The Department included a third alternative, the Prime Lending Rate (Prime Rate) as

[12] Attachment O, page 4 of 5.
[13] A copy of the presentation is included as DOC Attachment 8.

identified by the Federal Reserve as the interest rate NSP-MN would have paid if the MYCF had not been in place.

The Department's analysis found that NSP-MN would have paid approximately $425,000 more in interest expense in 2015 if it had borrowed funds only from the MYCF to cover its short-term needs in 2015. The DOC also estimated that the Company would have paid $2.3 million more in interest expense if it had simply borrowed money at the Prime Rate instead of making use of the commercial paper/MYCF option. Table 5 summarizes this information.

Table 5 – Comparison of Short-Term Debt Costs for Different Funding Sources in 2015

Line No.	Funding Source	Cost ($/yr)	Difference
1.	Commercial Paper/MYCF	$927,510	$0
2.	MYCF Only	$1,353,584	$426,074
3.	Prime-Rate	$3,258,629	$2,331,119

These results are consistent with the Department's earlier analysis and suggest that the Company's current approach for borrowing funds for its short-term capital needs is the lowest cost option available.

Cost-Benefit Framework

The Company's efforts to issue cost-effective short-and long-term debt provide the two-cornerstones for this framework. The Company has demonstrated in this filing that it has been successful in these endeavors over the past year.

The Department examined the extent to which the 21 banks that are the counter-parties to the NSP-MN's MYCF profit from that Agreement.

The banks benefit as a result of the opportunity those banks have to compete for underwriting fees associated with NSP-MN's bond issuances. The Department calculates that NSP-MN paid $10,112,520 in underwriting discounts (fees) during the period from January 2014 through April 2016. Table 6 summarizes this information. The underwriting fees paid to the banks associated with NSP-MN's bond issuances may also help explain the counterparty banks' largesse in regards to the fee structure and interest rates charged within the MYCF.

Table 6 – Annual NSP-MN Underwriting Discount (Fees) ($/yr)

Line No.	Year	Underwriting Fees
1.	2014	$ 2,625,000
2.	2015	$ 4,425,000
3.	2016 YTD	$ 3,062,500
4.	Total	$ 10,112,500

From the banks' perspective, some of the 21 at least, generated $12,844,216 ($10,112,500 + $2,731,696 from the MYCF) in fee revenue from NSP-MN during the 28 month period in question.

The banks charged NSP-MN the $10.1 million in fees for services rendered in the support of the Company's bond issuances. Those costs form part of the calculation of NSP-MN's flotation cost adjustment which is added to its preliminary return-on-equity in the Company's general rate proceedings.

As the Company noted on page 8 of the presentation in the presentation it provided to the Department in a meeting on this topic in late October 2016:

> The one-time up front debt underwriting fees associated with a new bond are transparent and consistent across the investment grade utility sector based on the term of debt.
>
> - 5 year debt: 60 basis points
> - 10 year debt: 65 basis points
> - 30 year debt: 87.5 basis points.

This "transparent and consistent" fee structure suggests, to the Department at least, that the banks in question may have colluded as to the level of their fees. The Department concludes that the Commission has a limited scope of action regarding this issue. We have no recommendation on this issue at this time.

Returning to Order point 14, the Department concludes that the Company has fulfilled its requirements under this Order point and notes that it did meet with Company representatives to review the presentation included in DOC Attachment 8 in late October of 2016.

G. PERMISSION TO USE RISK-MANAGEMENT INSTRUMENTS

The Company requested that the Commission continue to allow the Company to use risk-management instruments when appropriate to manage price, duration, or interest-rate risk on securities. The DOC concludes that it is reasonable to allow the Company the flexibility to use these instruments provided that they are consistent with the goal of ensuring that costs are reasonable. The Company's use of the instruments should also be consistent with NSP-MN's corporate risk-management policy and required officer approvals. Only instruments that qualify for hedge accounting treatment under ASC No. 815 should be considered.

IV. RECOMMENDATIONS

The Department recommends that the Commission take the following actions regarding Xcel's capital structure petition:

-
- Approve NSP-MN's requested 2017 capital structure; this approval to be in effect until the 2018 Capital Structure Order is issued.
- Approve a 10 percent range around NSP-MN's common equity ratio of 52.4 percent (i.e., a range of 47.16 to 57.64 percent).
- Approve NSP-MN's total capitalization contingency of $523 million (i.e. a total capitalization of $11,200, including the $523 million).
- Approve NSP-MN's short-term debt issuance not to exceed 15 percent of total capitalization at any time while the 2017 Capital Structure is in effect.
- Continue the variance authorizing NSP-MN to enter into multi-year credit agreements and issue associated notes thereunder, but require NSP-MN to also continue to report on its use of such facilities, including
    - How often they are used,
    - The amount involved;
    - Rates and financing costs,
    - The intended uses of the financing, and
    - For any period in which Xcel sells bonds, a comparison over a six-month period of the results of all bond issuances by other utilities.
- Approve NSP-MN's request to issue securities provided that the Company remain within the contingency ranges or does not exceed them for more than 60 days.
- Require NSP-MN to obtain the Commission's pre-approval of any issuance expected to result in the Company remaining outside the contingency ranges for more than 60 days.
- Approve NSP-MN's flexibility to use risk management instruments that qualify for hedge accounting treatment under Accounting Standard Codification No. 815.
- Require NSP-MN to include an exhibit providing a general projection of capital needs, projected expenditures, anticipated sources, and anticipated timing, with the understanding that such exhibit is not intended to require dollar-for-dollar on

the uses identified in the exhibit or to limit the issuances to project-specific financing in in its next capital structure filing. The exhibit need not list short-term recurring security issuances.

- Require NSP-MN to include a report of actual issuances and uses of funds from the prior year in its next annual capital structure filing. The report will be for information purposes only and need not cover short-term recurring security issuances.

- Require NSP-MN to develop and use in its next annual securities filing, a schedule showing, for various time periods, the planned investment for each project.

- Require, within 20 days of each non-recurring security issuance, NSP-MN to file for informational purposes only an after-the-fact report providing the following information: 1) the type of security issued; 2) the total amount issued; 3) the purpose of the issuance; 4) the issuance cost associated with the security issuance; and 5) the total cost of the security issuance, including details such as interest rate or cost per share of common equity issued.

The Department also requests that NSP-MN provide an update regarding their efforts to dissolve NMC in the Company's Reply Comments in this proceeding.

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DOC Attachment 1 – List of Attachments

1. DOC Attachment 1 – List of Attachments
2. DOC Attachment 2 – DOC Comparable Group Capital Structure Analysis
3. DOC Attachment 3 – Attachment C of the filing
4. DOC Attachment 4 – Attachment H of the filing
5. DOC Attachment 5 - Attachment N of the filing
6. DOC Attachment 6 – Attachment O of the filing.
7. DOC Attachment 7 – Part 3 of Attachment I of the filing
8. DOC Attachment 8 – NSP-MN Presentation of Cost-Effectiveness of Debt Management Practices

NSP-MN Comparable Group Capital Structure Analysis

Line No.	Company	S&P Debt Rating	Long Term Debt	Short Term Debt	Common Equity	Preferred Stock	Total Cap Structure %
1.	BLACK HILLS CORP	BBB	51.91	2.52	45.56	0.000	100.0
2.	DOMINION RESOURCES	BBB	61.80	7.40	30.81	0.000	100.0
3.	EDISON INTERNATIONAL	BBB+	43.41	5.12	43.46	8.017	100.0
4.	EL PASO ELECTRIC CO	BBB	53.50	0.68	45.82	0.000	100.0
5.	EMPIRE DISTRICT ELECTRIC CO	BBB	49.27	2.70	48.03	0.000	100.0
6.	ENTERGY CORP	BBB	55.18	2.46	41.11	1.252	100.0
7.	EXELON CORP	BBB	48.39	1.02	50.16	0.428	100.0
8.	FIRSTENERGY CORP	BBB-	58.42	5.26	36.32	0.000	100.0
9.	HAWAIIAN ELECTRIC INDS	BBB	48.03	3.18	47.87	0.916	100.0
10.	IDACORP INC	BBB	44.85	0.90	54.26	0.000	100.0
11.	NEXTERA	A-	49.79	9.52	40.69	0.000	100.0
12.	OTTER TAIL CORP	BBB	46.06	1.02	52.92	0.000	100.0
13.	PEPCO HOLDINGS INC	BBB+	45.38	11.37	42.00	1.254	100.0
14.	PINNACLE WEST CAPITAL CORP	BBB+	38.23	6.70	55.08	0.000	100.0
15.	PNM RESOURCES INC	BBB	43.06	11.50	45.14	0.302	100.0
16.	PORTLAND GENERAL ELECTRIC CO	BBB	48.19	8.50	43.31	0.000	100.0
17.	PPL CORP	BBB	53.14	8.46	38.40	0.000	100.0
18.	SOUTHERN COMPANY	A	44.77	9.48	42.85	2.904	100.0
19.	UIL	BBB	53.90	3.01	43.09	0.004	100.0
20.	**Comparable Group Average 12/31/2015**		**49.33**	**5.30**	**44.57**	**0.79**	**100.0**
21.	Standard Deviation		5.78	3.70	6.09	1.90	
22.	Minimum		38.23	0.68	30.81	0.00	
23.	Maximum		61.80	11.50	55.08	8.02	
24.	**NSP-MN Proposed 12/31/2017Cap Structure**		**46.30**	**1.30**	**52.40**	**0.00**	**100.0**
25.	Difference from Comparable Group Average		-3.03	-4.00	7.83	-0.79	
26.	**NSP-MN Proposed Maximum 2017 Cap Structure**		**45.80**	**2.40**	**51.80**	**0.00**	**100.00**
27.	Difference from Comparable Group Average		-3.53	-2.90	7.23	-0.79	

Source: Compustat Data Base November 30, 2016

NSP-MN 2017 Annual Capital Structure Filing
Report on Use of Multi-Year Credit Facilities

Background

On June 20, 2016 NSP-MN executed its current $500 million multi-year credit agreement as a result of amending and extending the October 14, 2014 agreement. The June 20, 2016 agreement extends the term of the agreement to June 20, 2021 and allows NSP-MN to continue to realize the favorable terms and credit fees it has realized since 2012. The June 20, 2016 agreement provides for the future flexibility to extend the life or upsize the amount of the facility.

The Commission first issued a variance allowing multi-year credit agreements to be treated as short-term debt in its March 15, 2005 ORDER IN THE MATTER OF NORTHERN STATES POWER COMPANY'S REQUEST FOR APPROVAL OF ITS 2005 CAPITAL STRUCTURE in Docket No. E,G002/S-04-1794 (the "2005 Capital Structure Order"). The 2005 Capital Structure Order, and the subsequent capital structure orders, in exchange for allowing multi-year agreements to be treated as short-term debt, required the Company to report on the use of such facilities. Under the current requirements in the 2016 Capital Structure Order, this report needs to include: how often they are used, the amount involved, the rates and financing costs, and the intended uses of the financing.

The Intended Use and How Often the Facility is Used

The current five-year revolving credit facility will continue to be used primarily for commercial paper back-up but can also provide for direct borrowings from the banks which directly support the credit agreement. The credit agreement also serves as liquidity back-up for letters of credit the Company may issue. Please see Attachment C, Page 3 for direct borrowings under the credit facility during the last three years. As shown on Page 3, there were no direct borrowings under the multi-year credit facility between January 2014 and August 2016. During this time the Company utilized its commercial paper program. The last time the Company borrowed directly from the banks that support the credit agreement was in November 2008 and December 2008 due to the lack of liquidity in the short-term debt markets. The Company no longer provides short-term liquidity to NSP-Wisconsin as NSP-Wisconsin initiated its own commercial paper program in March 2011.

Amount Involved, Rates and Financing Costs
See Attachment C, page 3 for this information.

Advantages of Multi-Year Credit Facilities
Some advantages of the current multi-year facility include:

- More efficient for cost management, as legal fees are not incurred every year as it would be for a 364-day facility.
- Up-front fees are amortized over multiple years, rather than 12 months (as with the 364-day facility).
- Reduces potential increased costs associated with roll-over risk. By locking in favorable borrowing rates and commitment fees for multiple years, the Company avoids the risk of market conditions on an annual basis.
- Most multi-year facilities have options to increase the size or extend the maturity, allowing for financing flexibility through the credit facility term.
- The Company can terminate the facility prior to its maturity and re-syndicate if even more favorable market pricing exists.

NSPMN 2017 Annual Capital Structure Filing
Report on Use of Multi-Year Credit Facility - Direct Borrowings
January 2014 to August 2016

Note: There have been no direct bank borrowings under the multi-year credit facility since December of 2008.
NSP-MN uses it credit agreement primarily as a backup facility for its commercial paper program.

2014	Credit Facility 1/	Avg. Direct Borrowings) 2/	Interest-only Rate %	Monthly Interest Expense $	Monthly Credit Facility Fees	Monthly Cost Amortization 3/	Total Interest + Fee + Amort.
January	500,000,000	**$0**	0.000%	$0	$51,787	$43,788	$95,575
February	500,000,000	**$0**	0.000%	$0	$37,437	$39,659	$77,096
March	500,000,000	**$0**	0.000%	$0	$41,430	$43,773	$85,203
April	500,000,000	**$0**	0.000%	$0	$39,705	$42,388	$82,092
May	500,000,000	**$0**	0.000%	$0	$40,999	$43,774	$84,773
June	500,000,000	**$0**	0.000%	$0	$39,676	$42,402	$82,078
July	500,000,000	**$0**	0.000%	$0	$40,998	$42,523	$83,521
August	500,000,000	**$0**	0.000%	$0	$40,998	$42,523	$83,521
September	500,000,000	**$0**	0.000%	$0	$39,675	$41,152	$80,827
October	500,000,000	**$0**	0.000%	$0	$40,998	$44,193	$85,191
November	500,000,000	**$0**	0.000%	$0	$39,675	$38,751	$78,426
December	500,000,000	**$0**	0.000%	$0	$40,998	$40,281	$81,279
Weighted Average			0.000%				
Total				$0	$494,375	$505,207	$999,582
		Weighted Average Rate on Borrowings			**Fees as % of Aggregate Credit Line**		
2014 Cost	**500,000,000**		**0.000%**		**0.20%**	500,000,000	**4/**

2015	Credit Facility 1/	Avg. Direct Borrowings) 2/	Interest-only Rate %	Monthly Interest Expense $	Monthly Credit Facility Fees	Monthly Cost Amortization 3/	Total Interest + Fee + Amort.
January	500,000,000	**$0**	0.000%	$0	$40,984	$40,291	$81,275
February	500,000,000	**$0**	0.000%	$0	$37,018	$36,513	$73,531
March	500,000,000	**$0**	0.000%	$0	$40,984	$40,291	$81,275
April	500,000,000	**$0**	0.000%	$0	$39,497	$38,949	$78,446
May	500,000,000	**$0**	0.000%	$0	$40,765	$50,139	$90,904
June	500,000,000	**$0**	0.000%	$0	$39,462	$39,032	$78,494
July	500,000,000	**$0**	0.000%	$0	$40,778	$40,291	$81,069
August	500,000,000	**$0**	0.000%	$0	$40,778	$40,291	$81,069
September	500,000,000	**$0**	0.000%	$0	$39,571	$39,031	$78,602
October	500,000,000	**$0**	0.000%	$0	$41,036	$46,611	$87,647
November	500,000,000	**$0**	0.000%	$0	$40,036	$39,014	$79,050
December	500,000,000	**$0**	0.000%	$0	$41,510	$40,206	$81,716
Weighted Average			0.000%				
Total				$0	$482,420	$490,658	$973,078
		Weighted Average Rate on Borrowings			**Fees as % of Aggregate Credit Line**		
2015 Cost	**500,000,000**		**0.000%**		**0.19%**	500,000,000	**4/**

2016	Credit Facility 1/	Avg. Direct Borrowings) 2/	Interest-only Rate %	Monthly Interest Expense $	Monthly Credit Facility Fees	Monthly Cost Amortization 3/	Total Interest + Fee + Amort.
January	500,000,000	**$0**	0.000%	$0	$41,510	$40,315	$81,825
February	500,000,000	**$0**	0.000%	$0	$38,832	$37,714	$76,546
March	500,000,000	**$0**	0.000%	$0	$41,510	$40,315	$81,825
April	500,000,000	**$0**	0.000%	$0	$40,206	$39,014	$79,220
May	500,000,000	**$0**	0.000%	$0	$41,528	$40,315	$81,843
June	500,000,000	**$0**	0.000%	$0	$40,188	$38,656	$78,845
July	500,000,000	**$0**	0.000%	$0	$41,689	$39,364	$81,053
August	500,000,000	**$0**	0.000%	$0	$42,066	$39,702	$81,768
September	500,000,000						
October	500,000,000						
November	500,000,000						
December	500,000,000						
Weighted Average			0.000%				
Total				$0	$327,529	$315,395	$642,924
		Weighted Average Rate on Borrowings			**Fees as % of Aggregate Credit Line**		
2016 Cost	**500,000,000**		**0.000%**		**0.19%**	500,000,000	**4/ & 5/**

1/ Credit facilities in place include the July 27, 2012 five-year agreement from July 27, 2012 through October 13, 2014 and the October 14, 2014 through June 19, 2016. The current five-year agreement dated June 20, 2016, was an extension of the 2014 agreement with minor amendments. NSP-MN may resyndicate its credit agreement to amend, extend or due to expiration of an existing agreement.

2/ Avg. Direct Borrowings are the average of daily outstanding direct borrowings under the credit facility.

3/ Actual credit facility fees recorded on NSPM's books include amortization of one-time up-front costs, and ongoing annual administrative fees.

4/ In March 2011, NSPM resyndicated a new facility for $500M and NSPW executed its own $150M facility. Both were amended/extended in July 2012, October 2014, and June 2016.

5/ 2016 fees as % of aggregate credit line have been pro-rated for the entire year.

2017 CAPITAL STRUCTURE FINANCING ASSUMPTIONS

AND CAPITAL REQUIREMENTS

NORTHERN STATES POWER COMPANY - MINNESOTA

2017 Capital Structure Financing Assumptions

($ in Thousands)

	Jul-Dec 2016	Jan-Dec 2017	
Sources:			
Financings: Long Term			
Equity Infusions	$5,000	$104,000	
Long-Term Debt Issuances	$0	$600,000	(a)
Subtotal	$5,000	$704,000	
Uses:			
Retirements/Redemptions			
Long-Term Debt	$0	$500,000	(b)
Subtotal	$0	$500,000	
Net Financings			
Equity Infusions	$5,000	$104,000	(c)
Long-Term Debt	$0	$100,000	
Total	$5,000	$204,000	
Uses:			
2017 Utility Capital Requirements		**Millions**	(d)
Energy Supply		$363	
Nuclear		$269	
Distribution		$324	
Transmission		$133	
Other		$107	
Total-NSP Minnesota		$1,196	
Short-Term Debt/Internal Funds		$992	(e)

(a) The Company forecasts a bond issue in 4th Quarter 2017 of up to $600 million.
(b) The Company will consider calling a bond in 4th Quarter 2017 of up to $500 million.
(c) To maintain target capital structure ratios, the Company receives planned equity infusions from its parent company, Xcel Energy Inc.
(d) 3rd Quarter 2016 Budget Information (greater detail provided in Attachment N).
(e) Capital expenditures will be financed with a combination of the $204 million net financings, and $992 million short-term debt/internal funds.
Please see Attachment M for monthly forecast source and use, and Attachment N for capital expenditure detail.

Issuance and Use of Funds from the Prior Year (2015)

Comments:

1) In 2015 the Company issued $600 million of FMBs.

2) The Company received $346 million in equity from its parent during 2015.
This equity is used to re-balance the capital structure to maintain its target equity ratio, repay short-term debt and fund utility capital expenditures.

3) The Company retired $250 million of long-term debt in 2015.
4) The Company spent approximately $1.8 billion on capital expenditures in 2015.
5) The Company used approximately $1,057 million internal funds/short-term debt to help finance capital expenditures.

$Millions **Financings**	**2015 Year**
Issuance: Long Term Financings	
1) Long-Term Debt Issuances	$600.0
2) Equity Infusions	$346.0
Subtotal	$946.0
Use: Retirements/Redemptions	
3) Long-Term Debt	$250.0
Net Financings	**$696.0**
Utility Capital Requirements	
Energy Supply	$763
Nuclear	$286
Distribution	$294
Transmission	$288
Other	$121
4) Total-NSP Minnesota	$1,753
5) Short-Term Debt/Internal Funds	**$1,057**

Planned Investments (Excluding AFUDC)

$Millions	2015				2016					
Project	2015 Year-End Estimate (a)	2015 Year-End Actuals	2015 Variance		2016 Projection as filed (a)	2016 YTD Actual Through August 31st	2016 Sept Thru Year-End Estimate	2016 Year-End Estimate	2016 Variance from prior filing	
Energy Supply – Total	**773**	**763**	**(10)**		**325**	**196**	**137**	**333**	**8**	
- Wind	668	650	(17)	(b)	203	130	73	203	0	
- Sherco environmental	-	-	-		-	-	-	-	-	
- Black Dog Repowering	-	-	-		-	-	-	-	-	
- Black Dog CT's	7	11	4		59	16	24	40	(19)	(e)
- Black Dog site remediation	12	10	(1)		12	5	6	10	(2)	
- Other Energy Supply	86	91	5		51	45	35	80	28	
Nuclear - Total	**284**	**286**	**3**		**278**	**80**	**197**	**277**	**(1)**	
- Prairie Island Unit 2 Generator Replacement	(4)	(4)	(0)		0	(0)	-	(0)	(0)	
- Prairie Island Extended Power Uprate & LCM	19	33	14	(c)	2	4	(0)	4	2	
- Other nuclear	3	3	(0)		-	2	(2)	(0)	(0)	
- Nuclear fuel	91	90	(2)		119	58	59	116	(2)	
- Other nuclear	174	164	(9)		157	16	141	157	(0)	
Distribution – Total	**301**	**294**	**(7)**		**295**	**218**	**74**	**292**	**(3)**	
- Gas	87	88	0		85	52	33	85	0	
- Electric	214	207	(7)		210	166	41	207	(3)	
Transmission – Total	**291**	**288**	**(3)**		**157**	**96**	**36**	**132**	**(25)**	
+ CapX 2020	78	68	(9)		21	19	5	25	4	
+ Midtown Hiawatha Project	0	1	0		-	(0)	-	(0)	(0)	
+ Sioux Falls Northern 115kv Loop	18	17	(1)		2	5	1	7	5	
+ Big Stone-Brookings 345 kv Line	6	8	2		40	29	15	44	4	
+ Southwest Twin Cities	7	6	(1)		1	2	1	2	1	
- Other transmission	182	187	5		93	41	13	54	(39)	
Other	**120**	**121**	**1**		**127**	**98**	**54**	**152**	**25**	(f)
Total – NSP-Minnesota	**1,770**	**1,753**	**(16)**	(d)	**1,182**	**688**	**498**	**1,186**	**4**	(g)

2015 Variance Comments

(a) 2015 and 2016 as filed in Petition dated October 27, 2015, Docket No. E,G002/S-15-948.
(b) Driven primarily by lower than expected costs on the Borders wind project.
(c) PI EPU/LCM came in higher than forecast primarily due to increased project installation costs for the U2 generator replacement.
(d) Overall 2016 Capital Expenditures are down $16.4M primarily related to lower wind farm construction costs.

2016 Variance Comments

(e) Black Dog CT's permitting process is taking longer than expected delaying construction.
(f) Other cost increases are driven by timing, a shift of technology costs into 2016.
(g) Overall, 2016 Capital expenditures are approximately equal to the total projection as filed in prior docket.

Planned Investments (Excluding AFUDC)

$Millions	2017 - 2021						
	Forecast as of September 2016						
Project	**2017 (a)**	**Current 2017**	**2018**	**2019**	**2020**	**2021**	
Energy Supply – Total	**114**	**363**	**260**	**651**	**542**	**115**	
- Black Dog CT's	32	32	5	0	0	0	
- Black Dog site remediation	10	8	8	13	17	1	
- Wind	0	151	122	530	424	0	(b)
- Potential PPA buyout	0	100	15	0	0	0	
- Other Energy Supply	72	72	110	108	101	114	
Nuclear - Total	**270**	**269**	**270**	**216**	**127**	**191**	
- Prairie Island LCM (incl. generator replacement)	1	2	62	1	0	0	
- Nuclear fuel	116	115	63	123	57	113	
- Other nuclear	153	152	146	92	70	78	
Distribution – Total	**285**	**324**	**358**	**369**	**387**	**506**	
- Gas	75	84	94	99	104	111	
- Electric	210	240	264	270	283	395	(c)
Transmission – Total	**156**	**133**	**172**	**179**	**227**	**264**	
+ CapX 2020	-1	6	0	0	0	0	
+ Big Stone-Brookings 345 kv Line	31	15	1	0	0	0	
- Other transmission	126	112	171	179	227	264	
Other	**99**	**107**	**112**	**102**	**123**	**143**	
Total – NSP-Minnesota	**923**	**1,196**	**1,172**	**1,517**	**1,406**	**1,219**	(d)

(a) 2017 as filed in Docket No. E,G002/S-15-948, Attachment N, Page 2 of 2.

2017 Key Variances from 2017 Estimate in Docket No. E,G002/S-15-948
(b) Includes incremental wind as part of the Resource Planning Process
(c) Includes grid infrastructure improvements and technology
(d) Overall, the current 2017 estimate of $1.196, is approximately $273 million greater than the $923 million forecast in Docket No. E, G002/S-15-948. This increase is primarily driven by the wind project and potential PPA buyout.

NORTHERN STATES POWER COMPANY – MINNESOTA
FINANCING PROCESS

1. Financing Strategy

2. Costs and Benefits of Multi-Year Credit Facility

NORTHERN STATES POWER COMPANY – MINNESOTA
FINANCING PROCESS OVERVIEW

The Company provides this discussion in response to the 2016 Capital Structure Order requirement to meet with the Department of Commerce in an effort to develop a cost-benefit analysis for the multi-year credit agreement. We developed cost and benefit information similar to that provided by other utilities in their capital structure annual petitions. We provided the information to the Department on September 28, 2016 and met with the Department to discuss the information on October 27, 2016. We provide this information below.

NSPM finances its operations and utility construction program with a combination of internally generated funds, short-term debt, long-term debt, and equity infusions from its parent, Xcel Energy Inc. – and does so in a manner that supports its credit metrics and rating.

Internally Generated Funds. NSPM's funds from operations are typically insufficient to cover all of its capital investment activities. As a result, NSPM must look to external sources for its funding needs, and is typically in a net borrowing position.

Short-Term Debt and the Credit Facility. Short-term debt in the form of commercial paper is the lowest cost of external financing for NSPM. The credit rating agencies require a backup liquidity source to the commercial paper program in the form of a credit facility agreement. In June 2016, NSPM amended and extended its $500 million five-year credit facility to continue the favorable cost structure existing since the 2012 credit agreement was executed. The Company filed its 20-day compliance report with the Commission on July 8, 2016.

Long-Term Debt. When the Company's short-term debt balance reaches a high level within the credit facility capacity and is expected to stay at that level or increase, NSPM will consider issuing a bond. NSPM will also issue a bond if a large existing bond is set to mature in the near future.

A. Credit Facility Benefits

The credit facility agreement is a critical financing tool and provides NSPM with necessary liquidity to cost-effectively fund its short-term operations. Liquidity is a measure of the extent to which an organization has cash – or access to cash – to meet immediate and short-term obligations. As we described above, we typically do not have sufficient funds from our operations to meet all of our financial obligations;

failure to timely meet our obligations would be considered a technical default that could lead to bankruptcy, and all the associated negative consequences such as credit rating downgrades, increased cost of capital, loss of access to capital. These negative consequences would increase costs to customers for potentially long periods of time, until we were able to restore our credit ratings.

We draw on the facility in extreme circumstances, as it represents the highest short-term debt cost financing immediately available to the Company. There have been only a few of these extreme circumstances in the recent past, most notably the market close on and after September 11, 2001 and the economic collapse in 2008. We required access to short-term funds to repay our maturing commercial paper, and the credit facility is by design the mechanism to provide this essential backup liquidity.

The fact that we have only drawn on the credit facility rarely in the past does not mean that it has limited benefits. Its liquidity function is critical to the Company and viewed as so by the credit rating agencies. Standard & Poor's states in a commentary regarding liquidity that:[1]

> *Liquidity is an important component of financial risk across the entire rating spectrum. Unlike most other rating factors within an issuer's risk profile, a lack of liquidity could precipitate the default of an otherwise healthy entity. Accordingly, liquidity is an independent characteristic of a company, measured on an absolute basis, and the assessment is not relative to industry peers or other companies in the same rating category.*

It also acts like an insurance policy in the market. Without the facility, we would be unable to access the commercial paper market, which is the lowest-cost debt available to fund our short-term operational needs. In that case, we would either have to maintain significant amounts of cash or take term loans – both of which would be more costly for customers. In addition, the facility provides for the issuance of letters of credit a form of guarantee required for certain operational projects within our utility business functions.

The credit facility also supports relationships with financial experts. NSPM's $500 million credit facility is supported by 21 banks that have a credit rating of A- or higher by at least one of the three major credit agencies (S&P, Moody's, or Fitch). The lending banks are regional, national, and international and may specialize in one or more of the following corporate treasury services: cash management/treasury services,

[1] Standard and Poor's Ratings Services, *Methodology and Assumptions: Liquidity Descriptors for Global Corporate Issuers* (December 16, 2014).

short-term investments, letters of credit, long-term debt or equity or other security underwriting, derivatives, trustee and shareholder services, strategic consulting, pension fund management and other services. The Company maintains ongoing dialogue with its lending banks to stay current on world events, market conditions, new financing structures, utility bond performance in the secondary market, and updated credentials of the various banks.

Having a credit facility is a common practice for corporations. NSPM's credit facility is $500 million, less than 20 percent of the Xcel Energy family of credit facilities totaling $2.75 billion. Other prominent local companies with large credit facilities include Target at $2.25 billion, General Mills at $3.4 billion, Best Buy at $1.25 billion and 3M at $2.25 billion.

B. Costs of Credit Facility

The ongoing annual costs associated with NSPM's credit facility are tied to its senior unsecured debt credit ratings.

Pricing Level	Debt Ratings Moody's/ S&P	Commitment Fee	Eurodollar Loan Margin	ABR Loan Margin	Fully Drawn
I	**≥Aa3/AA-**	6.0	75.0	0	75.0
II	**A1/A+**	7.5	87.5	0	87.5
III	**A2/A**	**10.0**	**100.0**	**0**	**100.0**
IV	**A3/A-**	12.5	112.5	12.5	112.5
V	**Baa1/BBB+**	17.5	125.0	25.0	125.0
VI	**≤Baa2/BBB**	22.5	150.0	50.0	150.0

With a credit rating of A2 from Moody's and A- from S&P, NSPM falls within Tier III where annual commitment fees are 10 basis points on the unused portion of the credit facility. NSPM's annual commitment fees are approximately $500,000. In addition, NSPM amortizes over the life of the agreement approximately $500,000 of one-time upfront costs incurred to execute the credit agreement.

NSPM has been fortunate to enjoy the same fee schedule since 2012. This is not expected to continue, as banking reserve requirements continue to increase – yet the banks have not increased the ongoing fees.

C. Cost of Not Having a Credit Facility

As we outlined above, the Company must have a credit facility to conduct its business. Without a credit facility, NSPM would lose its key liquidity source and would suffer negative credit rating impacts – both of which increase costs to customers. NSPM would have less options for access to capital, incur increased costs for term loans, and its overall cost of capital would increase due to the negative credit rating impacts.

Rating agencies evaluate a company's ability to make interest payments on its outstanding debt. Lack of access to immediate liquidity via commercial paper or a credit facility would be of major consequence to the Company's credit rating. A lower credit rating would increase the Company's overall cost of capital, and therefore costs to customers. In addition, rather than having efficient low-cost access to commercial paper backed by a credit facility, NSPM would use bank loans or issue two or three year bonds to finance its short-term financing needs – both options being more costly than having a multi-year revolving credit facility and issuing commercial paper.

For example NSPM can currently issue overnight commercial paper for about 60 basis points with very short notice. In contrast, if NSPM had no revolving credit agreement, a longer dated instrument such as a two or three year bond at 1.50% or greater.[2] Not only is this inefficient cash management, as the Company would initially have more cash than it needs, it would be more expensive than commercial paper. Additionally, under a scenario with no credit agreement, NSPM's credit ratings would decline, and the cost of a two- or three-year loan would increase significantly.

Finally, if NSPM were to consistently carry high levels of cash to service its long-term debt and invest in utility capital expenditure programs, we would need to determine the appropriate rate treatment – such as including the cash balance amount in ratebase, which would earn the full cost of capital return.

D. Long-Term Debt

NSPM leverages its relationships with the 21 banks (Bank Group) that support the Company through the credit agreement. As discussed above, one of the jobs of the capital investment bank is to provide ongoing market information and discuss future opportunities for the Company's financing activities. Through dialogue, experience,

[2] Based on NSPM's current credit rating.

and correspondence with other Treasurers or Finance Executives, NSPM determines the strengths of the various bankers that support the credit agreement.

The size of a long-term debt issuance will affect the number of banks assigned to the bond offering. Too many banks are inefficient and cumbersome for timeliness, market assessment updates and legal document review. Too few banks on a bond issuance may not provide the necessary diversification regarding pricing and terms. From the banks assigned to the offering, the Company selects a Lead Bank(s) and Co-Managers to market and sell the transaction.

The fees paid to a bank for bond offerings are market standard and based on the maturity of the bond offering. For a five-year bond, the fees are 60 basis points multiplied by the principal amount of the bond. For ten and 30-year bonds, the fees are 65 basis points and 87.5 basis points, respectively.

NSPM uses its diverse and strong Bank Group to lead the bond offerings. In addition to the diversity, the Bank Group provides strong capabilities – making it unnecessary to actively search out additional banking relationships for ancillary services. Additionally, offering ancillary services to banks that do not support the credit requirements of NSPM would jeopardize the existing Bank Group members continued support.

E. Summary

NSPM issues securities based on the current market standard practices. NSPM finances in a way to support its credit rating and manage the overall cost of capital in a manner similar to other investment grade companies. Commercial paper is the most efficient manner and lowest cost of external borrowing for NSPM. Credit rating agencies require a credit facility to provide liquidity support for the commercial paper program. NSPM issues long-term debt when short-term debt levels are consistently high, or to fund maturing long-term debt. Long-term debt is priced in the competitive capital market where the transaction results in the lowest pricing the market will bear, while maintaining a strong investor base for the bond.

NSPM's long-term debt issuances are market standard and consistent with the practices of major companies in and outside of the utility industry. NSPM's bank group consists of an extremely strong and diverse group of regional, national, and international banks that are experts in the utility industry. Neither NSPM nor its customers would benefit if the Company were to seek services outside of the bank group and jeopardize the existing bank group member support.

BOND ISSUANCE MARKET INFORMATION

$350M LONG-TERM DEBT ISSUED IN 2016

A. Transaction Overview

B. Comparable Bond Offerings

Northern States Power Company

3.600% First Mortgage Bonds Due 2046

May 23, 2016

Northern States Power Company (Minnesota)
$350 Million 30-Year First Mortgage Bonds

Transaction Overview

May 23, 2016

$350,000,000

Xcel Energy

3.600% First Mortgage Bonds due 2046

Tranche:	30-Year Fixed
Ratings:	Aa3/A/A+ (Stable/Stable/Stable)
Size:	$350 Million
Initial Price Thoughts:	T+120 bps
Price Guidance:	T+105 bps (+/-5 bps)
Fixed Spread:	T+100 bps
Coupon:	3.600%
Yield:	3.633%
Reoffer Price:	99.402%
Total Orders:	763.3 Million
Total Accounts:	73
Oversubscription:	2.2x

Joint Bookrunner
Billing & Delivery Agent

Bank of America Merrill Lynch

Transaction Highlights

- On May 23rd, Northern States Power Company—a Minnesota Company (Aa3/A/A+) announced a $350mm, will not grow, 30-year transaction to the market
- Northern States Power was last in the new issue market in August 2015 for a $600mm offering of 5- and 30-year notes
- The Company intends to use the net proceeds for general corporate funds and apply a portion of such net proceeds to the repayment of short-term debt borrowings
- BofA Merrill Lynch served as an Active Joint Bookrunner and Billing & Delivery on the transaction

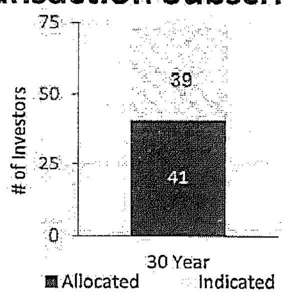
Pricing Highlights

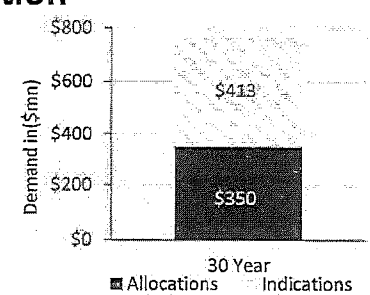
- On the back of a constructive market open, 12 issuers accessed the market in addition to Northern States Power
  - Despite having $10.6bn price on the day, Northern States Power was able to garner ample demand to achieve the tightest possible pricing on its 30-year notes offering
- The orderbook grew steadily throughout the morning peaking at ~$1.2bn or 3.4x oversubscribed
- Given the substantial demand, Northern States Power was able to tighten 15 bps between IPTs and Guidance with the ability to tighten an additional 5 bps at launch
- With a limited number of drops, the Company was able to price a $350 million transaction at T+100 bps, the tight end of guidance
- The final orderbook totaled $763 million (2.2x oversubscribed)

Additional Highlights

- 73 investors provided initial indications of interest, but only 41 received allocations
- There were six investors with indications greater than $50mm; the highest allocation was $45mm
- The top 25 investors made up 80% of indications and 99% of overall allocations, highlighting the high quality nature of the book
- New issue concession for the offering was flat (0 bps)
- This transaction marks the second lowest 30-year coupon for Northern States Power
- The new 30-year notes ultimately freed to trade 2 bps tighter

Transaction Subscription





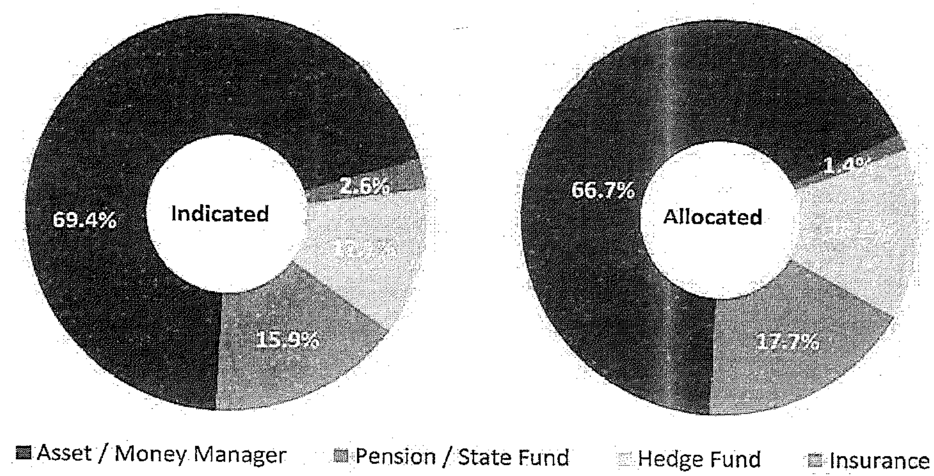
Pre-Announcement Secondary Levels

	Ratings Mdy's / S&P	Maturity	Coupon	Treasury Spread	G-Spread
Northern States Power Co M/N	Aa3 / A	Aug-45	4.000%	T+100	-
Public Service Electric & Gas Co.	Aa3 / A	Mar-46	3.800%	T+105	-
NextEra Energy Capital Holdings Inc.	Aa2 / A	Oct-44	4.050%	T+100	-

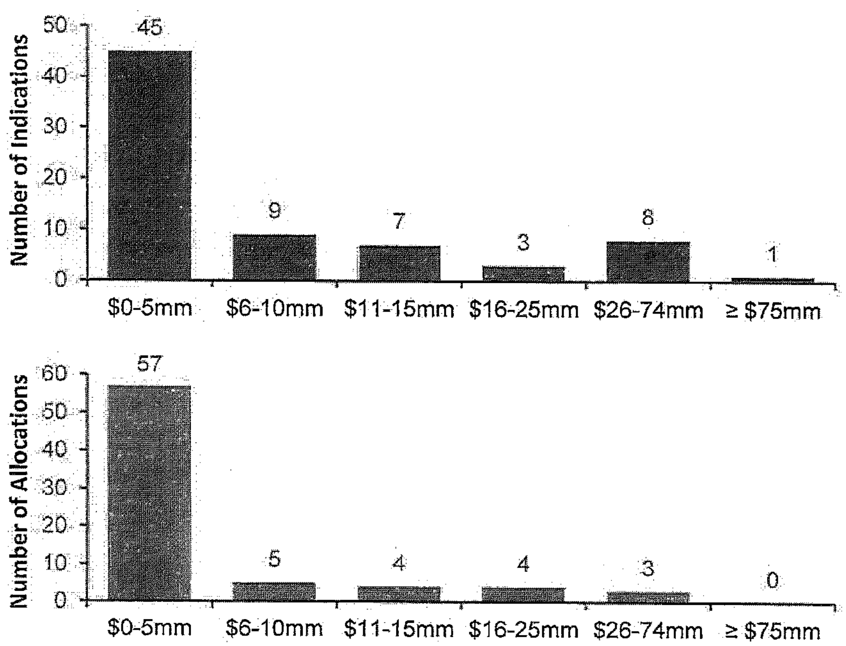
Case Study & Transaction Overview
Investor Distribution

Investor Breakdown

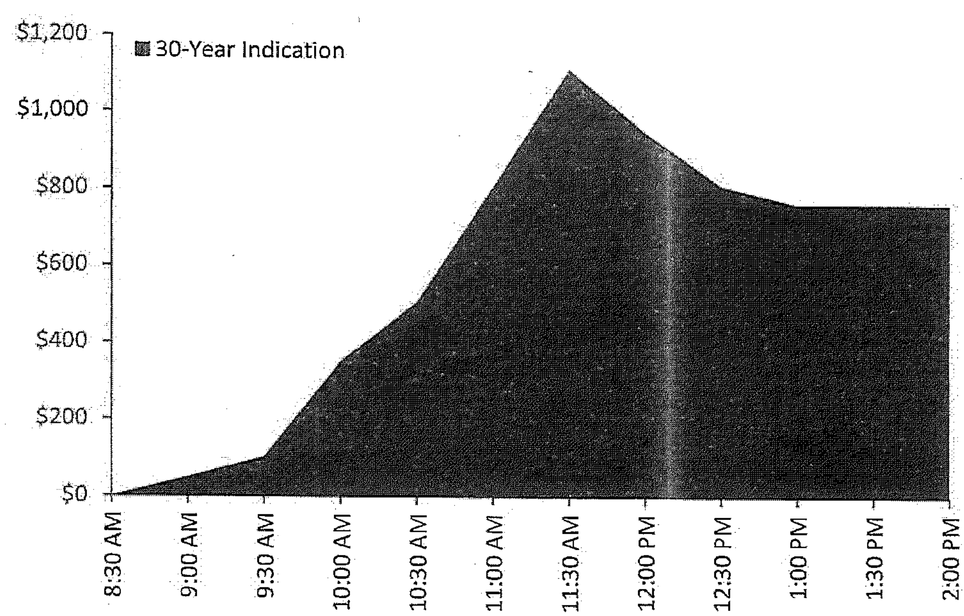
Investor Type	# of Investors	Indications	Allocations
Asset / Money Manager	39	$529.61	$242.90
Insurance	17	$121.00	$64.50
Hedge Fund	13	$92.63	$51.50
Pension / State Fund	4	$20.10	$5.10
Total:	73	$763.34	$364.00



Size Breakdown of Indications & Allocations



Orderbook Build



Utility Bonds issued January 1, 2016 through September 15, 2016

30 year Secured Utility Bonds

Date	Issuer	Moody's / S&P At Issue	Amount ($MM)	Coupon	Maturity	Issue Spread	IPTs	Guidance	IPTs to Pricing	Book Size
13-Sep-16	Duke Energy Progress LLC	Aa3 / A	450	3.700%	15-Oct-46	+123 bps	+135-140	+125a (+/- 2)	-17 bps	2.4x
6-Sep-16	Duke Energy Florida LLC	A1 / A	600	3.400%	01-Oct-46	+120 bps	+130a	+120#	-10 bps	2.7x
15-Aug-16	Oncor Electric Delivery Company *	A3 / A	175	3.750%	01-Apr-45	+110 bps	+125-130	-	-20 bps	n/a
5-Aug-16	Southwestern Public Service Co	A2 / A	300	3.400%	15-Aug-46	+110 bps	+125a	+105a (+/- 5)	-20 bps	2.0x
1-Aug-16	Consumers Energy Company	A1 / A	450	3.250%	15-Aug-46	+105 bps	+120a	+110a (+/- 5)	-15 bps	3.6x
20-Jun-16	Union Electric Company (Ameren MO) *	A2 / A	150	3.650%	15-Apr-45	+120 bps	+135-140	+125a (+/- 5)	-17.5 bps	5.0x
20-Jun-16	Duke Energy Ohio, Inc.	A2 / A	250	3.700%	15-Jun-46	+125 bps	+140a	+130a (+/- 5)	-15 bps	2.8x
20-Jun-16	Commonwealth Edison Company	A2 / A-	700	3.650%	15-Jun-46	+120 bps	+140a	+125a (+/- 5)	-20 bps	2.9x
8-Jun-16	South Carolina Electric & Gas Co.	A3 / A	425	4.100%	15-Jun-46	+160 bps	+165-170	+165a (+/- 5)	-7.5 bps	1.8x
6-Jun-16	Public Service Co of Colorado	A1 / A	250	3.550%	15-Jun-46	+105 bps	+115a	+105a (+/- 5)	-10 bps	2.5x
23-May-16	**Northern States Power Company (MN)**	Aa3 / A	350	3.600%	15-May-46	**+100 bps**	+120a	+105a (+/- 5)	-20 bps	2.3x
17-May-16	Indianapolis Power & Light Company **	A2 / BBB+	350	4.050%	01-May-46	+150 bps	+165a	+150-155	-15 bps	2.0x
16-May-16	Tri-State Generation & Transmission	A3 / A	250	4.250%	01-Jun-46	+170 bps	+190a	-	-20 bps	2.8x
10-May-16	DTE Electric Company	Aa3 / A	300	3.700%	01-Jun-46	+110 bps	+120a	+115a (+/- 5)	-10 bps	2.0x
9-May-16	Duke Energy Indiana LLC	Aa3 / A	500	3.750%	15-May-46	+115 bps	+130a	+115a (+/- 3)	-15 bps	1.8x
15-Apr-16	Oglethorpe Power Corporation	Baa1 / A	250	4.250%	01-Apr-46	+180 bps	+212.5a	-	-32.5 bps	5.2x
8-Mar-16	Duke Energy Carolinas LLC	Aa2 / A	500	3.875%	15-Mar-46	+127 bps	+145-150	+130a (+/- 3)	-20.5 bps	3.8x
7-Mar-16	Idaho Power Company	A1 / A-	120	4.050%	01-Mar-46	+135 bps	+150-155	+140a (+/- 5)	-17.5 bps	3.5x
29-Feb-16	Public Service Electric & Gas Company	Aa3 / A	550	3.800%	01-Mar-46	+120 bps	+140-145	+125a (+/- 5)	-17.5 bps	2.5x
7-Mar-16	Entergy Louisiana LLC*	A2 / A-	200	4.950%	15-Jan-45	+244 bps	5.25%a	5.20%a (+/-5)	-10 bps	3.3x

All 30 year	Maximum	+180 bps
	Minimum	+100 bps
	Average	+127 bps
Aa3/A only	Maximum	+123 bps
	Minimum	+100 bps
	Average	+114 bps

Data Summary

102 Utility Debt Issues

41 Secured Opcos

19 Secured Opco 30 year terms

22 Unsecured Opcos

43 Holdco/Other

30 Yr. Bond Spread Comparison	Maximum	Minimum	Average
Secured 30 year	+180 bps	+100 bps	+127 bps
Secured 30 year Aa3/A	+123 bps	+100 bps	+114 bps
Unsecured 30 year	+200 bps	+112 bps	+153 bps
Holdco/Other 30 year	+238 bps	+150 bps	+192 bps

Date	Issuer	Moody's / S&P At Issue	FMB	Amount ($MM)	Coupon	Maturity	IPTs	Guidance	IPTs to Pricing	Issue Spread	NIC	Book Size	Call Structure	Fixed / Float	Tenor	Security
15-Sep-16	Arizona Public Service Company	A2 / A-		250	2.550%	15-Sep-26	T+105-110	+90-95	-20 bps	+90 bps	+5 bps	2.6x	3 mo par call	Fixed	10	Unsecured Opco
14-Sep-16	PECO Energy Company	Aa3 / A-	✓	300	1.700%	15-Sep-21	+70a	+55a (+/- 5)	-20 bps	+50 bps	--	4.0x	1 mo par call	Fixed	5	Secured Opco
13-Sep-16	Washington Gas Light Company	A1 / A+		250	3.796%	15-Sep-46	+155a	+135a (+/- 2)	-22 bps	+133 bps	n/a	4.7x	6 mo par call	Fixed	30	Unsecured Opco
13-Sep-16	Duke Energy Progress LLC	Aa3 / A	✓	450	3.700%	15-Oct-46	+135-140	+125a (+/- 2)	-17 bps	+123 bps	+1 bps	2.4x	6 mo par call	Fixed	30	Secured Opco
12-Sep-16	Interstate Power & Light Company	Baa1 / A-		300	3.700%	15-Sep-46	+150a	+135-140	-15 bps	+135 bps	+5 bps	3.3x	6 mo par call	Fixed	30	Unsecured Opco
8-Sep-16	Southern Company Gas Capital Corp	Baa1 / A-		350	2.450%	01-Oct-23	+135a	+105a (+/- 5)	-35 bps	+100 bps	n/a	8.2x	2 mo par call	Fixed	7	Unsecured Opco
8-Sep-16	Southern Company Gas Capital Corp	Baa1 / A-		550	3.950%	01-Oct-46	+185-190	+170a (+/- 5)	-25 bps	+165 bps	-6 bps	5.1x	6 mo par call	Fixed	30	Unsecured Opco
7-Sep-16	Public Service Electric & Gas Company	Aa3 / A	✓	425	2.250%	15-Sep-26	low 90s	+75-80	-18 bps	+75 bps	--	4.2x	3 mo par call	Fixed	10	Secured Opco
6-Sep-16	Duke Energy Florida LLC	A1 / A	✓	600	3.400%	01-Oct-46	+130a	+120#	-10 bps	+120 bps	+3 bps	2.7x	6 mo par call	Fixed	30	Secured Opco
16-Aug-16	Entergy Corporation	Baa3 / BBB		750	2.950%	01-Sep-26	+160a	+145a (+/- 5)	-20 bps	+140 bps	-5 bps	3.1x	3 mo par call	Fixed	10	Holdco
15-Aug-16	Oncor Electric Delivery Company *	A3 / A	✓	175	3.750%	01-Apr-45	+125-130	-	-20 bps	+110 bps	-3 bps	n/a	6 mo par call	Fixed	30	Secured Opco
15-Aug-16	Baltimore Gas & Electric	A3 / A-		350	2.400%	15-Aug-26	+115a	+90a (+/- 2)	-27 bps	+88 bps	n/a	4.2x	3 mo par call	Fixed	10	Unsecured Opco
15-Aug-16	Baltimore Gas & Electric	A3 / A-		500	3.500%	15-Aug-46	+145-150	+125a (+/- 2)	-27 bps	+123 bps	n/a	3.3x	6 mo par call	Fixed	30	Unsecured Opco
10-Aug-16	Black Hills Corporation	Baa1 / BBB		400	3.150%	01-Jan-27	+185a	+170a (+/- 5)	-20 bps	+165 bps	+3 bps	4.4x	6 mo par call	Fixed	10	Holdco
10-Aug-16	Black Hills Corporation	Baa1 / BBB		300	4.200%	15-Sep-46	+220a	+205a (+/- 5)	-20 bps	+200 bps	--	4.6x	6 mo par call	Fixed	30	Holdco
9-Aug-16	Duke Energy Corporation	Baa1 / BBB+		750	1.800%	01-Sep-21	+105a	+75a (+/- 5)	-35 bps	+70 bps	n/a	5.0x	1 mo par call	Fixed	5	Holdco
9-Aug-16	Duke Energy Corporation	Baa1 / BBB+		1,500	2.650%	01-Sep-26	+140a	+120a (+/- 5)	-25 bps	+115 bps	--	4.9x	3 mo par call	Fixed	10	Holdco
9-Aug-16	Duke Energy Corporation	Baa1 / BBB+		1,500	3.750%	01-Sep-46	+175a	+155a (+/- 5)	-25 bps	+150 bps	+2 bps	4.8x	6 mo par call	Fixed	30	Holdco
8-Aug-16	CenterPoint Energy Houston Electric LLC	A1 / A	✓	300	2.400%	01-Sep-26	+100a	+85a (+/- 2)	-17 bps	+83 bps	-2 bps	3.3x	3 mo par call	Fixed	10	Secured Opco
5-Aug-16	Southwestern Public Service Co	A2 / A	✓	300	3.400%	15-Aug-46	+125a	+105a (+/- 5)	-20 bps	+110 bps	--	2.0x	6 mo par call	Fixed	30	Secured Opco
4-Aug-16	Dominion Resources, Inc.	Baa2 / BBB		500	1.600%	15-Aug-19	+110a	+90a (+/- 5)	-25 bps	+85 bps	-5 bps	4.5x	none	Fixed	3	Holdco
4-Aug-16	Dominion Resources, Inc.	Baa2 / BBB		400	2.000%	15-Aug-21	+125a	+105a (+/- 5)	-25 bps	+100 bps	-5 bps	6.3x	1 mo par call	Fixed	5	Holdco
4-Aug-16	Dominion Resources, Inc.	Baa2 / BBB		400	2.850%	15-Aug-26	+160a	+140a (+/- 5)	-25 bps	+135 bps	-5 bps	5.5x	3 mo par call	Fixed	10	Holdco
2-Aug-16	Keyspan Gas East Corp **	A2 / A-		700	2.742%	15-Aug-26	+125a	+120#	-5 bps	+120 bps	+16 bps	1.8x	3 mo par call	Fixed	10	Unsecured Opco
2-Aug-16	Massachusetts Electric Co **	A3 / A-		500	4.004%	15-Aug-46	+160a	+175a (+/- 5)	+15 bps	+170 bps	n/a	1.6x	6 mo par call	Fixed	30	Unsecured Opco
1-Aug-16	Consumers Energy Company	A1 / A	✓	450	3.250%	15-Aug-46	+120a	+110a (+/- 5)	-15 bps	+105 bps	--	3.6x	6 mo par call	Fixed	30	Secured Opco
25-Jul-16	Piedmont Natural Gas Co Inc	A2 / A		300	3.640%	01-Nov-46	+150a	+140a (+/- 5)	-15 bps	+135 bps	n/a	3.1x	6 mo par call	Fixed	30	Unsecured Opco
29-Jun-16	ITC Holdings Corporation	Baa2 / BBB+		400	3.250%	30-Jun-26	very low	+185a (+/- 5)	-25 bps	+180 bps	--	5.5x	3 mo par call	Fixed	10	Holdco
20-Jun-16	Union Electric Company (Ameren MO) *	A2 / A	✓	150	3.650%	15-Apr-45	+135-140	+125a (+/- 5)	-17.5 bps	+120 bps	+5 bps	5.0x	6 mo par call	Fixed	30	Secured Opco
20-Jun-16	Duke Energy Ohio, Inc.	A2 / A	✓	250	3.700%	15-Jun-46	+140a	+130a (+/- 5)	-15 bps	+125 bps	+10 bps	2.8x	6 mo par call	Fixed	30	Secured Opco
20-Jun-16	Commonwealth Edison Company	A2 / A-	✓	500	2.550%	15-Jun-26	+110a	+95a (+/- 5)	-22.5 bps	+87.5 bps	+5 bps	3.4x	3 mo par call	Fixed	10	Secured Opco
20-Jun-16	Commonwealth Edison Company	A2 / A-	✓	700	3.650%	15-Jun-46	+140a	+125a (+/- 5)	-20 bps	+120 bps	+5 bps	2.9x	6 mo par call	Fixed	30	Secured Opco
14-Jun-16	Consolidated Edison Co. of NY	A2 / A-		550	3.850%	15-Jun-46	+145a	+145a (+/- 5)	-3 bps	+142 bps	+17 bps	1.4x	6 mo par call	Fixed	30	Unsecured Opco
13-Jun-16	Entergy Arkansas Inc.*	A2 / A-	✓	55	3.500%	01-Apr-26	+115a	+95a (+/- 5)	-25 bps	+90 bps	+2 bps	3.6x	3 mo par call	Fixed	10	Secured Opco
13-Jun-16	Westar Energy, Inc.	A2 / A	✓	350	2.550%	01-Jul-26	+110a	+100a (+/- 5)	-15 bps	+95 bps	+5 bps	1.4x	3 mo par call	Fixed	10	Secured Opco
9-Jun-16	Emera US Finance LP	Baa3 / BBB		500	2.150%	15-Jun-19	+165a	+130a (+/- 5)	-40 bps	+125 bps	n/a	n/a	none	Fixed	3	Holdco
9-Jun-16	Emera US Finance LP	Baa3 / BBB		750	2.700%	15-Jun-21	+190a	+150a (+/- 5)	-40 bps	+150 bps	n/a	n/a	1 mo par call	Fixed	5	Holdco
9-Jun-16	Emera US Finance LP	Baa3 / BBB		750	3.550%	15-Jun-26	+230a	+195a (+/- 5)	-40 bps	+190 bps	n/a	n/a	3 mo par call	Fixed	10	Holdco
9-Jun-16	Emera US Finance LP	Baa3 / BBB		1,250	4.750%	15-Jun-46	+270a	+235a (+/- 5)	-40 bps	+230 bps	n/a	n/a	6 mo par call	Fixed	30	Holdco
8-Jun-16	South Carolina Electric & Gas Co.	A3 / A	✓	425	4.100%	15-Jun-46	+165-170	+165a (+/- 5)	-7.5 bps	+160 bps	+10 bps	1.8x	6 mo par call	Fixed	30	Secured Opco
8-Jun-16	South Carolina Electric & Gas Co.*	A3 / A	✓	75	4.500%	01-Jun-64	+210-215	+210#	-3.5 bps	+210 bps	+25 bps	2.0x	6 mo par call	Fixed	50	Secured Opco
6-Jun-16	PSEG Power LLC	Baa1 / BBB+		700	3.000%	15-Jun-21	low 200s	+185a (+/- 5)	-27.5 bps	+180 bps	n/a	2.0x	1 mo par call	Fixed	5	Genco
6-Jun-16	Public Service Co of Colorado	A1 / A	✓	250	3.550%	15-Jun-46	+115a	+105a (+/- 5)	-10 bps	+105 bps	+5 bps	2.5x	6 mo par call	Fixed	30	Secured Opco
31-May-16	Southern California Gas Company	Aa2 / A+	✓	500	2.600%	15-Jun-26	+95a	+80a (+/- 2)	-17 bps	+78 bps	+1 bps	2.2x	3 mo par call	Fixed	10	Secured Opco
23-May-16	Northern States Power Company (MN)	Aa3 / A	✓	350	3.600%	15-May-46	+120a	+105a (+/- 5)	-20 bps	+100 bps	--	2.3x	6 mo par call	Fixed	30	Secured Opco
23-May-16	NSTAR Electric Company	A2 / A		250	2.700%	01-Jun-26	+100a	+95a (+/- 5)	-10 bps	+90 bps	+2 bps	2.4x	3 mo par call	Fixed	10	Unsecured Opco
19-May-16	The Southern Company	Baa2 / BBB+		500	1.550%	01-Jul-18	+110a	+75a (+/- 5)	-40 bps	+70 bps	n/a	4.4x	none	Fixed	2	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		1,000	1.850%	01-Jul-19	+120a	+85a (+/- 5)	-40 bps	+80 bps	n/a	3.6x	none	Fixed	3	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		1,500	2.350%	01-Jul-21	+135a	+105a (+/- 5)	-35 bps	+100 bps	n/a	3.1x	1 mo par call	Fixed	5	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		1,250	2.950%	01-Jul-23	+160a	+135a (+/- 5)	-30 bps	+130 bps	n/a	3.0x	2 mo par call	Fixed	7	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		1,750	3.250%	01-Jul-26	+175a	+150a (+/- 5)	-30 bps	+145 bps	n/a	3.1x	3 mo par call	Fixed	10	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		500	4.250%	01-Jul-36	+190a	+170a (+/- 5)	-25 bps	+165 bps	n/a	3.6x	6 mo par call	Fixed	20	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		2,000	4.400%	01-Jul-46	+205a	+185a (+/- 5)	-25 bps	+180 bps	n/a	2.8x	6 mo par call	Fixed	30	Holdco
18-May-16	Entergy New Orleans Inc.	Baa2 / A-	✓	85	4.000%	01-Jun-26	+137.5-	-	+70 bps	+213 bps	n/a	n/a	3 mo par call	Fixed	10	Secured Opco
17-May-16	Indianapolis Power & Light Company **	A2 / BBB+	✓	350	4.050%	01-May-46	+165a	+150-155	-15 bps	+150 bps	+5 bps	2.0x	6 mo par call	Fixed	30	Secured Opco
16-May-16	Tri-State Generation & Transmission	A3 / A	✓	250	4.250%	01-Jun-46	+190a	-	-20 bps	+170 bps	n/a	2.8x	6 mo par call	Fixed	30	Co-op
16-May-16	Entergy Louisiana, LLC	A2 / A-	✓	325	3.050%	01-Jun-31	mid 100s	+140a (+/- 5)	-15 bps	+135 bps	+10 bps	1.9x	3 mo par call	Fixed	15	Secured Opco
16-May-16	San Diego Gas & Electric Company	Aa2 / A+	✓	500	2.500%	15-May-26	+95a	+80a (+/- 2)	-17 bps	+78 bps	+3 bps	2.8x	3 mo par call	Fixed	10	Secured Opco
13-May-16	AGL Capital Corporation	Baa1 / BBB+		350	3.250%	15-Jun-26	+175a	+160a (+/- 2)	-17 bps	+158 bps	n/a	3.1x	3 mo par call	Fixed	10	Holdco
13-May-16	CenterPoint Energy Houston Electric LLC	A1 / A	✓	300	1.850%	01-Jun-21	+70-75	+70a (+/- 3)	-7 bps	+67 bps	+2 bps	1.8x	1 mo par call	Fixed	5	Secured Opco
12-May-16	PPL Capital Funding, Inc.	Baa2 / BBB+		650	3.100%	15-May-26	+150a	+140a (+/- 5)	-15 bps	+135 bps	--	2.1x	3 mo par call	Fixed	10	Holdco
12-May-16	Cleco Corporate Holdings LLC	Baa3 BBB-		535	3.743%	01-May-26	low 200s	+200a (+/- 2)	-14.5 bps	+198 bps	n/a	2.6x	3 mo par call	Fixed	10	Holdco
12-May-16	Cleco Corporate Holdings LLC	Baa3 BBB-		350	4.973%	01-May-46	mid 200s	+240a (+/- 2)	-12 bps	+238 bps	n/a	2.0x	6 mo par call	Fixed	30	Holdco
11-May-16	Consolidated Edison Inc	A3 / BBB+		500	2.000%	15-May-21	+105a	+90a (+/- 5)	-22 bps	+83 bps	n/a	5.0x	1 mo par call	Fixed	5	Holdco
10-May-16	Entergy Mississippi Inc	A3 / A-	✓	375	2.850%	01-Jun-28	+120a	-	-10 bps	+110 bps	+7 bps	2.0x	3 mo par call	Fixed	12	Secured Opco
10-May-16	DTE Electric Company	Aa3 / A	✓	300	3.700%	01-Jun-46	+120a	+115a (+/- 5)	-10 bps	+110 bps	+5 bps	2.0x	6 mo par call	Fixed	30	Secured Opco
9-May-16	Duke Energy Indiana LLC	Aa3 / A	✓	500	3.750%	15-May-46	+130a	+115a (+/- 3)	-15 bps	+115 bps	+5 bps	1.8x	6 mo par call	Fixed	30	Secured Opco
3-May-16	Arizona Public Service Company	A2 / A-		350	3.750%	15-May-46	+125a	+115a (+/- 3)	-13 bps	+112 bps	--	2.1x	6 mo par call	Fixed	30	Unsecured Opco
2-May-16	CMS Energy Corporation	Baa2 / BBB		300	3.000%	15-May-26	+140-145	+125a (+/- 5)	-23.5 bps	+120 bps	-4 bps	6.3x	3 mo par call	Fixed	10	Holdco

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15-Apr-16	Oglethorpe Power Corporation	Baa1 / A	✓	250	4.250%	01-Apr-46	+212.5a	-	-32.5 bps	+180 bps	-10 bps	5.2x	6 mo par call	Fixed	30	Co-op
11-Apr-16	Sierra Pacific Power Company	A2 / A+	✓	400	2.600%	01-May-26	+110a	+95a (+/- 5)	-20 bps	+90 bps	n/a	3.5x	3 mo par call	Fixed	10	Secured Opco
4-Apr-16	Exelon Corporation	Baa2 / BBB-		300	2.450%	15-Apr-21	+155a	+130a (+/- 5)	-30 bps	+125 bps	--	12.3x	1 mo par call	Fixed	5	Holdco
4-Apr-16	Exelon Corporation	Baa2 / BBB-		750	3.400%	15-Apr-26	+195a	+170a (+/- 5)	-30 bps	+165 bps	-9 bps	5.1x	3 mo par call	Fixed	10	Holdco
4-Apr-16	Exelon Corporation	Baa2 / BBB-		750	4.450%	15-Apr-46	+225a	+195a (+/- 5)	-35 bps	+190 bps	-12 bps	4.0x	6 mo par call	Fixed	30	Holdco
28-Mar-16	NextEra Energy Capital Holdings	Baa1 / BBB+		500	2.300%	01-Apr-19	+155a	+135a (+/- 5)	-25 bps	+130 bps	n/a	4.6x	none	Fixed	3	Holdco
21-Mar-16	El Paso Electric Company *	Baa1 / BBB		150	5.000%	01-Dec-44	+220a	n/a	-20 bps	+200 bps	n/a	3.0x	6 mo par call	Fixed	30	Unsecured Opco
17-Mar-16	Entergy Louisiana LLC	A2 / A-	✓	425	3.250%	01-Apr-28	+145-150	+140a (+/- 5)	-13.5 bps	+135 bps	+10 bps	1.9x	3 mo par call	Fixed	12	Secured Opco
8-Mar-16	Duke Energy Carolinas LLC	Aa2 / A	✓	500	2.500%	15-Mar-23	+105-110	+90a (+/- 3)	-20.5 bps	+87 bps	-3 bps	3.6x	2 mo par call	Fixed	7	Secured Opco
8-Mar-16	Duke Energy Carolinas LLC	Aa2 / A	✓	500	3.875%	15-Mar-46	+145-150	+130a (+/- 3)	-20.5 bps	+127 bps	-3 bps	3.8x	6 mo par call	Fixed	30	Secured Opco
8-Mar-16	Entergy Texas Inc	Baa1 / A-	✓	125	2.550%	01-Jun-21	+135-140	n/a	-13.5 bps	+125 bps	n/a	2.0x	1 mo par call	Fixed	5	Secured Opco
7-Mar-16	Idaho Power Company	A1 / A-	✓	120	4.050%	01-Mar-46	+150-155	+140a (+/- 5)	-17.5 bps	+135 bps	--	3.5x	6 mo par call	Fixed	30	Secured Opco
7-Mar-16	Entergy Louisiana LLC*	A2 / A-	✓	200	4.950%	15-Jan-45	5.25%a	5.20%a (+/-	-10 bps	+244 bps	+19 bps	3.3x	30NC10	Fixed	30	Secured Opco
7-Mar-16	Brooklyn Union Gas**	A2 / A-		500	3.407%	10-Mar-26	+165a	+155a (+/- 5)	-15 bps	+150 bps	+5 bps	2.7x	3 mo par call	Fixed	10	Unsecured Opco
7-Mar-16	Brooklyn Union Gas**	A2 / A-		500	4.504%	10-Mar-46	+195-200	+185a (+/- 5)	-17.5 bps	+180 bps	+5 bps	2.0x	6 mo par call	Fixed	30	Unsecured Opco
7-Mar-16	Eversource Energy	Baa1 / A-		250	2.500%	15-Mar-21	+140a	+115a (+/- 3)	-28 bps	+112 bps	-5 bps	4.0x	1 mo par call	Fixed	5	Holdco
7-Mar-16	Eversource Energy	Baa1 / A-		250	3.350%	15-Mar-26	+175a	+150a (+/- 3)	-28 bps	+147 bps	-5 bps	4.0x	3 mo par call	Fixed	10	Holdco
3-Mar-16	Xcel Energy, Inc.	A3 / BBB+		400	2.400%	15-Mar-21	+125-130	+110a (+/- 3)	-20.5 bps	+107 bps	--	3.2x	1 mo par call	Fixed	5	Holdco
3-Mar-16	Xcel Energy, Inc.*	A3 / BBB+		350	3.300%	15-Jun-25	+155a	+140a (+/- 3)	-18 bps	+137 bps	--	2.9x	6 mo par call	Fixed	10	Holdco
2-Mar-16	Edison International	A3 / BBB		400	2.950%	15-Mar-23	+150-155	+135a (+/- 5)	-23.5 bps	+130 bps	n/a	4.0x	2 mo par call	Fixed	7	Holdco
2-Mar-16	Georgia Power Company	A3 / A-		325	2.400%	01-Apr-21	+130a	+115a (+/- 5)	-20 bps	+110 bps	-5 bps	3.7x	1 mo par call	Fixed	5	Unsecured Opco
2-Mar-16	Georgia Power Company***	A3 / A-		325	3.250%	01-Apr-26	+170a	+150a (+/- 5)	-25 bps	+145 bps	-5 bps	5.8x	3 mo par call	Fixed	10	Unsecured Opco
29-Feb-16	Public Service Electric & Gas Company	Aa3 / A	✓	300	1.900%	15-Mar-21	+90-95	+75a (+/- 5)	-17.5 bps	+70 bps	-4 bps	4.8x	1 mo par call	Fixed	5	Secured Opco
29-Feb-16	Public Service Electric & Gas Company	Aa3 / A	✓	550	3.800%	01-Mar-46	+140-145	+125a (+/- 5)	-17.5 bps	+120 bps	-4 bps	2.5x	6 mo par call	Fixed	30	Secured Opco
29-Feb-16	Indiana Michigan Power Company	Baa1 / BBB		400	4.550%	15-Mar-46	lo 200s	+200a (+/- 5)	-20 bps	+195 bps	--	3.3x	6 mo par call	Fixed	30	Unsecured Opco
23-Feb-16	Pacific Gas & Electric Co	A3 / BBB		600	2.950%	01-Mar-26	+145-150	+130a (+/- 5)	-23.5 bps	+125 bps	-1 bps	3.3x	3 mo par call	Fixed	10	Unsecured Opco
3-Feb-16	National Rural Utilities Cooperative	A1 / A	✓	350	1.650%	18-Feb-19	+95-100	+80#	-17.5 bps	+80 bps	-1 bps	3.6x	none	Fixed	3	Co-op
3-Feb-16	National Rural Utilities Cooperative	A1 / A	✓	350	2.700%	15-Feb-23	+125-130	+115#	-12.5 bps	+115 bps	+6 bps	2.3x	2 mo par call	Fixed	7	Co-op
12-Jan-16	Virginia Electric & Power Co	A2 / A-		750	3.150%	15-Jan-26	+120-125	+110a (+/- 5)	-17.5 bps	+105 bps	+4 bps	2.9x	3 mo par call	Fixed	10	Unsecured Opco
8-Jan-16	Black Hills Corporation	Baa1 / BBB		250	2.500%	11-Jan-19	+155-160	+135-140	-20 bps	+135 bps	-5 bps	3.4x	none	Fixed	3	Holdco
8-Jan-16	Black Hills Corporation	Baa1 / BBB		300	3.950%	15-Jan-26	very low	+185-190	-20 bps	+185 bps	-5 bps	2.8x	6 mo par call	Fixed	10	Holdco
8-Jan-16	Alabama Power Company	A1 / A-		400	4.300%	02-Jan-46	+160a	+140a (+/- 2)	-20 bps	+140 bps	-3 bps	3.0x	none	Fixed	Fixed	Unsecured Opco
5-Jan-16	Entergy Arkansas Inc.	A3 / A-	✓	325	3.500%	01-Apr-26	+155a	+135a (+/- 5)	-25 bps	+130 bps	+3 bps	6.2x	3 mo par call	Fixed	10	Secured Opco

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14-Sep-16	PECO Energy Company	Aa3 / A-	✓	300	1.700%	15-Sep-21	+70a	+55a (+/- 5)	-20 bps	+50 bps	--	4.0x	1 mo par call	Fixed	5	Secured Opco
13-Sep-16	Duke Energy Progress LLC	Aa3 / A	✓	450	3.700%	15-Oct-46	+135-140	+125a (+/- 2)	-17 bps	+123 bps	+1 bps	2.4x	6 mo par call	Fixed	30	Secured Opco
7-Sep-16	Public Service Electric & Gas Company	Aa3 / A	✓	425	2.250%	15-Sep-26	low 90s	+75-80	-18 bps	+75 bps	--	4.2x	3 mo par call	Fixed	10	Secured Opco
6-Sep-16	Duke Energy Florida LLC	A1 / A	✓	600	3.400%	01-Oct-46	+130a	+120#	-10 bps	+120 bps	+3 bps	2.7x	6 mo par call	Fixed	30	Secured Opco
15-Aug-16	Oncor Electric Delivery Company *	A3 / A	✓	175	3.750%	01-Apr-45	+125-130	-	-20 bps	+110 bps	-3 bps	n/a	6 mo par call	Fixed	30	Secured Opco
8-Aug-16	CenterPoint Energy Houston Electric LLC	A1 / A	✓	300	2.400%	01-Sep-26	+100a	+85a (+/- 2)	-17 bps	+83 bps	-2 bps	3.3x	3 mo par call	Fixed	10	Secured Opco
5-Aug-16	Southwestern Public Service Co	A2 / A	✓	300	3.400%	15-Aug-46	+125a	+105a (+/- 5)	-20 bps	+110 bps	--	2.0x	6 mo par call	Fixed	30	Secured Opco
1-Aug-16	Consumers Energy Company	A1 / A	✓	450	3.250%	15-Aug-46	+120a	+110a (+/- 5)	-15 bps	+105 bps	--	3.6x	6 mo par call	Fixed	30	Secured Opco
20-Jun-16	Union Electric Company (Ameren MO) *	A2 / A	✓	150	3.650%	15-Apr-45	+135-140	+125a (+/- 5)	-17.5 bps	+120 bps	+5 bps	5.0x	6 mo par call	Fixed	30	Secured Opco
20-Jun-16	Duke Energy Ohio, Inc.	A2 / A	✓	250	3.700%	15-Jun-46	+140a	+130a (+/- 5)	-15 bps	+125 bps	+10 bps	2.8x	6 mo par call	Fixed	30	Secured Opco
20-Jun-16	Commonwealth Edison Company	A2 / A-	✓	500	2.550%	15-Jun-26	+110a	+95a (+/- 5)	-22.5 bps	+87.5 bps	+5 bps	3.4x	3 mo par call	Fixed	10	Secured Opco
20-Jun-16	Commonwealth Edison Company	A2 / A-	✓	700	3.650%	15-Jun-46	+140a	+125a (+/- 5)	-20 bps	+120 bps	+5 bps	2.9x	6 mo par call	Fixed	30	Secured Opco
13-Jun-16	Entergy Arkansas Inc.*	A2 / A-	✓	55	3.500%	01-Apr-26	+115a	+95a (+/- 5)	-25 bps	+90 bps	+2 bps	3.6x	3 mo par call	Fixed	10	Secured Opco
13-Jun-16	Westar Energy, Inc.	A2 / A	✓	350	2.550%	01-Jul-26	+110a	+100a (+/- 5)	-15 bps	+95 bps	+5 bps	1.4x	3 mo par call	Fixed	10	Secured Opco
8-Jun-16	South Carolina Electric & Gas Co.	A3 / A	✓	425	4.100%	15-Jun-46	+165-170	+165a (+/- 5)	-7.5 bps	+160 bps	+10 bps	1.8x	6 mo par call	Fixed	30	Secured Opco
8-Jun-16	South Carolina Electric & Gas Co.*	A3 / A	✓	75	4.500%	01-Jun-64	+210-215	+210#	-3.5 bps	+210 bps	+25 bps	2.0x	6 mo par call	Fixed	50	Secured Opco
6-Jun-16	Public Service Co of Colorado	A1 / A	✓	250	3.550%	15-Jun-46	+115a	+105a (+/- 5)	-10 bps	+105 bps	+5 bps	2.5x	6 mo par call	Fixed	30	Secured Opco
31-May-16	Southern California Gas Company	Aa2 / A+	✓	500	2.600%	15-Jun-26	+95a	+80a (+/- 2)	-17 bps	+78 bps	+1 bps	2.2x	3 mo par call	Fixed	10	Secured Opco
23-May-16	Northern States Power Company (MN)	Aa3 / A	✓	350	3.600%	15-May-46	+120a	+105a (+/- 5)	-20 bps	+100 bps	--	2.3x	6 mo par call	Fixed	30	Secured Opco
18-May-16	Entergy New Orleans Inc.	Baa2 / A-	✓	85	4.000%	01-Jun-26	+137.5-	-	+70 bps	+213 bps	n/a	n/a	3 mo par call	Fixed	10	Secured Opco
17-May-16	Indianapolis Power & Light Company **	A2 / BBB+	✓	350	4.050%	01-May-46	+165a	+150-155	-15 bps	+150 bps	+5 bps	2.0x	6 mo par call	Fixed	30	Secured Opco
16-May-16	Tri-State Generation & Transmission	A3 / A	✓	250	4.250%	01-Jun-46	+190a	-	-20 bps	+170 bps	n/a	2.8x	6 mo par call	Fixed	30	Co-op
16-May-16	Entergy Louisiana, LLC	A2 / A-	✓	325	3.050%	01-Jun-31	mid 100s	+140a (+/- 5)	-15 bps	+135 bps	+10 bps	1.9x	3 mo par call	Fixed	15	Secured Opco
16-May-16	San Diego Gas & Electric Company	Aa2 / A+	✓	500	2.500%	15-May-26	+95a	+80a (+/- 2)	-17 bps	+78 bps	+3 bps	2.8x	3 mo par call	Fixed	10	Secured Opco
13-May-16	CenterPoint Energy Houston Electric LLC	A1 / A	✓	300	1.850%	01-Jun-21	+70-75	+70a (+/- 3)	-7 bps	+67 bps	+2 bps	1.8x	1 mo par call	Fixed	5	Secured Opco
10-May-16	Entergy Mississippi Inc	A3 / A-	✓	375	2.850%	01-Jun-28	+120a	-	-10 bps	+110 bps	+7 bps	2.0x	3 mo par call	Fixed	12	Secured Opco
10-May-16	DTE Electric Company	Aa3 / A	✓	300	3.700%	01-Jun-46	+120a	+115a (+/- 5)	-10 bps	+110 bps	+5 bps	2.0x	6 mo par call	Fixed	30	Secured Opco
9-May-16	Duke Energy Indiana LLC	Aa3 / A	✓	500	3.750%	15-May-46	+130a	+115a (+/- 3)	-15 bps	+115 bps	+5 bps	1.8x	6 mo par call	Fixed	30	Secured Opco
15-Apr-16	Oglethorpe Power Corporation	Baa1 / A	✓	250	4.250%	01-Apr-46	+212.5a	-	-32.5 bps	+180 bps	-10 bps	5.2x	6 mo par call	Fixed	30	Co-op
11-Apr-16	Sierra Pacific Power Company	A2 / A+	✓	400	2.600%	01-May-26	+110a	+95a (+/- 5)	-20 bps	+90 bps	n/a	3.5x	3 mo par call	Fixed	10	Secured Opco
17-Mar-16	Entergy Louisiana LLC	A2 / A-	✓	425	3.250%	01-Apr-28	+145-150	+140a (+/- 5)	-13.5 bps	+135 bps	+10 bps	1.9x	3 mo par call	Fixed	12	Secured Opco
8-Mar-16	Duke Energy Carolinas LLC	Aa2 / A	✓	500	2.500%	15-Mar-23	+105-110	+90a (+/- 3)	-20.5 bps	+87 bps	-3 bps	3.6x	2 mo par call	Fixed	7	Secured Opco
8-Mar-16	Duke Energy Carolinas LLC	Aa2 / A	✓	500	3.875%	15-Mar-46	+145-150	+130a (+/- 3)	-20.5 bps	+127 bps	-3 bps	3.8x	6 mo par call	Fixed	30	Secured Opco
8-Mar-16	Entergy Texas Inc	Baa1 / A-	✓	125	2.550%	01-Jun-21	+135-140	n/a	-13.5 bps	+125 bps	n/a	2.0x	1 mo par call	Fixed	5	Secured Opco
7-Mar-16	Idaho Power Company	A1 / A-	✓	120	4.050%	01-Mar-46	+150-155	+140a (+/- 5)	-17.5 bps	+135 bps	--	3.5x	6 mo par call	Fixed	30	Secured Opco
7-Mar-16	Entergy Louisiana LLC*	A2 / A-	✓	200	4.950%	15-Jan-45	5.25%a	5.20%a (+/-5)	-10 bps	+244 bps	+19 bps	3.3x	30NC10	Fixed	30	Secured Opco
29-Feb-16	Public Service Electric & Gas Company	Aa3 / A	✓	300	1.900%	15-Mar-21	+90-95	+75a (+/- 5)	-17.5 bps	+70 bps	-4 bps	4.8x	1 mo par call	Fixed	5	Secured Opco
29-Feb-16	Public Service Electric & Gas Company	Aa3 / A	✓	550	3.800%	01-Mar-46	+140-145	+125a (+/- 5)	-17.5 bps	+120 bps	-4 bps	2.5x	6 mo par call	Fixed	30	Secured Opco
3-Feb-16	National Rural Utilities Cooperative Finance	A1 / A	✓	350	1.650%	18-Feb-19	+95-100	+80#	-17.5 bps	+80 bps	-1 bps	3.6x	none	Fixed	3	Co-op
3-Feb-16	National Rural Utilities Cooperative Finance	A1 / A	✓	350	2.700%	15-Feb-23	+125-130	+115#	-12.5 bps	+115 bps	+6 bps	2.3x	2 mo par call	Fixed	7	Co-op
5-Jan-16	Entergy Arkansas Inc.	A3 / A-	✓	325	3.500%	01-Apr-26	+155a	+135a (+/- 5)	-25 bps	+130 bps	+3 bps	6.2x	3 mo par call	Fixed	10	Secured Opco

Date	Issuer	Moody's / S&P At Issue	FMB	Amount ($MM)	Coupon	Maturity	IPTs	Guidance	IPTs to Pricing	Issue Spread	NIC	Book Size	Call Structure	Fixed / Float	Tenor	Security
8-Jan-16	Alabama Power Company	A1 / A-		400	4.300%	02-Jan-46	+160a	+140a (+/- 2)	-20 bps	+140 bps	-3 bps	3.0x	none	Fixed	30	Unsecured Opco
13-Sep-16	Washington Gas Light Company	A1 / A+		250	3.796%	15-Sep-46	+155a	+135a (+/- 2)	-22 bps	+133 bps	n/a	4.7x	6 mo par call	Fixed	30	Unsecured Opco
12-Sep-16	Interstate Power & Light Company	Baa1 / A-		300	3.700%	15-Sep-46	+150a	+135-140	-15 bps	+135 bps	+5 bps	3.3x	6 mo par call	Fixed	30	Unsecured Opco
8-Sep-16	Southern Company Gas Capital Corp	Baa1 / A-		550	3.950%	01-Oct-46	+185-190	+170a (+/- 5)	-25 bps	+165 bps	-6 bps	5.1x	6 mo par call	Fixed	30	Unsecured Opco
15-Aug-16	Baltimore Gas & Electric	A3 / A-		500	3.500%	15-Aug-46	+145-150	+125a (+/- 2)	-27 bps	+123 bps	n/a	3.3x	6 mo par call	Fixed	30	Unsecured Opco
2-Aug-16	Massachusetts Electric Co **	A3 / A-		500	4.004%	15-Aug-46	+160a	+175a (+/- 5)	+15 bps	+170 bps	n/a	1.6x	6 mo par call	Fixed	30	Unsecured Opco
25-Jul-16	Piedmont Natural Gas Co Inc	A2 / A		300	3.640%	01-Nov-46	+150a	+140a (+/- 5)	-15 bps	+135 bps	n/a	3.1x	6 mo par call	Fixed	30	Unsecured Opco
14-Jun-16	Consolidated Edison Co. of NY	A2 / A-		550	3.850%	15-Jun-46	+145a	+145a (+/- 5)	-3 bps	+142 bps	+17 bps	1.4x	6 mo par call	Fixed	30	Unsecured Opco
3-May-16	Arizona Public Service Company	A2 / A-		350	3.750%	15-May-46	+125a	+115a (+/- 3)	-13 bps	+112 bps	--	2.1x	6 mo par call	Fixed	30	Unsecured Opco
21-Mar-16	El Paso Electric Company *	Baa1 / BBB		150	5.000%	01-Dec-44	+220a	n/a	-20 bps	+200 bps	n/a	3.0x	6 mo par call	Fixed	30	Unsecured Opco
7-Mar-16	Brooklyn Union Gas**	A2 / A-		500	4.504%	10-Mar-46	+195-200	+185a (+/- 5)	-17.5 bps	+180 bps	+5 bps	2.0x	6 mo par call	Fixed	30	Unsecured Opco
29-Feb-16	Indiana Michigan Power Company	Baa1 / BBB		400	4.550%	15-Mar-46	lo 200s	+200a (+/- 5)	-20 bps	+195 bps	--	3.3x	6 mo par call	Fixed	30	Unsecured Opco
15-Sep-16	Arizona Public Service Company	A2 / A-		250	2.550%	15-Sep-26	T+105-110	+90-95	-20 bps	+90 bps	+5 bps	2.6x	3 mo par call	Fixed	10	Unsecured Opco
15-Aug-16	Baltimore Gas & Electric	A3 / A-		350	2.400%	15-Aug-26	+115a	+90a (+/- 2)	-27 bps	+88 bps	n/a	4.2x	3 mo par call	Fixed	10	Unsecured Opco
2-Aug-16	Keyspan Gas East Corp **	A2 / A-		700	2.742%	15-Aug-26	+125a	+120#	-5 bps	+120 bps	+16 bps	1.8x	3 mo par call	Fixed	10	Unsecured Opco
23-May-16	NSTAR Electric Company	A2 / A		250	2.700%	01-Jun-26	+100a	+95a (+/- 5)	-10 bps	+90 bps	+2 bps	2.4x	3 mo par call	Fixed	10	Unsecured Opco
7-Mar-16	Brooklyn Union Gas**	A2 / A-		500	3.407%	10-Mar-26	+165a	+155a (+/- 5)	-15 bps	+150 bps	+5 bps	2.7x	3 mo par call	Fixed	10	Unsecured Opco
2-Mar-16	Georgia Power Company***	A3 / A-		325	3.250%	01-Apr-26	+170a	+150a (+/- 5)	-25 bps	+145 bps	-5 bps	5.8x	3 mo par call	Fixed	10	Unsecured Opco
23-Feb-16	Pacific Gas & Electric Co	A3 / BBB		600	2.950%	01-Mar-26	+145-150	+130a (+/- 5)	-23.5 bps	+125 bps	-1 bps	3.3x	3 mo par call	Fixed	10	Unsecured Opco
12-Jan-16	Virginia Electric & Power Co	A2 / A-		750	3.150%	15-Jan-26	+120-125	+110a (+/- 5)	-17.5 bps	+105 bps	+4 bps	2.9x	3 mo par call	Fixed	10	Unsecured Opco
8-Sep-16	Southern Company Gas Capital Corp	Baa1 / A-		350	2.450%	01-Oct-23	+135a	+105a (+/- 5)	-35 bps	+100 bps	n/a	8.2x	2 mo par call	Fixed	7	Unsecured Opco
2-Mar-16	Georgia Power Company	A3 / A-		325	2.400%	01-Apr-21	+130a	+115a (+/- 5)	-20 bps	+110 bps	-5 bps	3.7x	1 mo par call	Fixed	5	Unsecured Opco

30 year	maximum	+200 bps
	minimum	+112 bps
	average	+153 bps

Date	Issuer	Moody's / S&P At Issue	FMB	Amount ($MM)	Coupon	Maturity	IPTs	Guidance	IPTs to Pricing	Issue Spread	NIC	Book Size	Call Structure	Fixed / Float	Tenor	Security
10-Aug-16	Black Hills Corporation	Baa1 / BBB		300	4.200%	15-Sep-46	+220a	+205a (+/- 5)	-20 bps	+200 bps	--	4.6x	6 mo par call	Fixed	30	Holdco
9-Aug-16	Duke Energy Corporation	Baa1 / BBB+		1,500	3.750%	01-Sep-46	+175a	+155a (+/- 5)	-25 bps	+150 bps	+2 bps	4.8x	6 mo par call	Fixed	30	Holdco
9-Jun-16	Emera US Finance LP	Baa3 / BBB		1,250	4.750%	15-Jun-46	+270a	+235a (+/- 5)	-40 bps	+230 bps	n/a	n/a	6 mo par call	Fixed	30	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		2,000	4.400%	01-Jul-46	+205a	+185a (+/- 5)	-25 bps	+180 bps	n/a	2.8x	6 mo par call	Fixed	30	Holdco
12-May-16	Cleco Corporate Holdings LLC	Baa3 BBB-		350	4.973%	01-May-46	mid 200s	+240a (+/- 2)	-12 bps	+238 bps	n/a	2.0x	6 mo par call	Fixed	30	Holdco
4-Apr-16	Exelon Corporation	Baa2 / BBB-		750	4.450%	15-Apr-46	+225a	+195a (+/- 5)	-35 bps	+190 bps	-12 bps	4.0x	6 mo par call	Fixed	30	Holdco
16-May-16	Tri-State Generation & Transmission	A3 / A	✓	250	4.250%	01-Jun-46	+190a	-	-20 bps	+170 bps	n/a	2.8x	6 mo par call	Fixed	30	Co-op
15-Apr-16	Oglethorpe Power Corporation	Baa1 / A	✓	250	4.250%	01-Apr-46	+212.5a	-	-32.5 bps	+180 bps	-10 bps	5.2x	6 mo par call	Fixed	30	Co-op
19-May-16	The Southern Company	Baa2 / BBB+		500	4.250%	01-Jul-36	+190a	+170a (+/- 5)	-25 bps	+165 bps	n/a	3.6x	6 mo par call	Fixed	20	Holdco
16-Aug-16	Entergy Corporation	Baa3 / BBB		750	2.950%	01-Sep-26	+160a	+145a (+/- 5)	-20 bps	+140 bps	-5 bps	3.1x	3 mo par call	Fixed	10	Holdco
10-Aug-16	Black Hills Corporation	Baa1 / BBB		400	3.150%	01-Jan-27	+185a	+170a (+/- 5)	-20 bps	+165 bps	+3 bps	4.4x	6 mo par call	Fixed	10	Holdco
9-Aug-16	Duke Energy Corporation	Baa1 / BBB+		1,500	2.650%	01-Sep-26	+140a	+120a (+/- 5)	-25 bps	+115 bps	--	4.9x	3 mo par call	Fixed	10	Holdco
4-Aug-16	Dominion Resources, Inc.	Baa2 / BBB		400	2.850%	15-Aug-26	+160a	+140a (+/- 5)	-25 bps	+135 bps	-5 bps	5.5x	3 mo par call	Fixed	10	Holdco
29-Jun-16	ITC Holdings Corporation	Baa2 / BBB+		400	3.250%	30-Jun-26	very low	+185a (+/- 5)	-25 bps	+180 bps	--	5.5x	3 mo par call	Fixed	10	Holdco
9-Jun-16	Emera US Finance LP	Baa3 / BBB		750	3.550%	15-Jun-26	+230a	+195a (+/- 5)	-40 bps	+190 bps	n/a	n/a	3 mo par call	Fixed	10	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		1,750	3.250%	01-Jul-26	+175a	+150a (+/- 5)	-30 bps	+145 bps	n/a	3.1x	3 mo par call	Fixed	10	Holdco
13-May-16	AGL Capital Corporation	Baa1 / BBB+		350	3.250%	15-Jun-26	+175a	+160a (+/- 2)	-17 bps	+158 bps	n/a	3.1x	3 mo par call	Fixed	10	Holdco
12-May-16	PPL Capital Funding, Inc.	Baa2 / BBB+		650	3.100%	15-May-26	+150a	+140a (+/- 5)	-15 bps	+135 bps	--	2.1x	3 mo par call	Fixed	10	Holdco
12-May-16	Cleco Corporate Holdings LLC	Baa3 BBB-		535	3.743%	01-May-26	low 200s	+200a (+/- 2)	-14.5 bps	+198 bps	n/a	2.6x	3 mo par call	Fixed	10	Holdco
2-May-16	CMS Energy Corporation	Baa2 / BBB		300	3.000%	15-May-26	+140-145	+125a (+/- 5)	-23.5 bps	+120 bps	-4 bps	6.3x	3 mo par call	Fixed	10	Holdco
4-Apr-16	Exelon Corporation	Baa2 / BBB-		750	3.400%	15-Apr-26	+195a	+170a (+/- 5)	-30 bps	+165 bps	-9 bps	5.1x	3 mo par call	Fixed	10	Holdco
7-Mar-16	Eversource Energy	Baa1 / A-		250	3.350%	15-Mar-26	+175a	+150a (+/- 3)	-28 bps	+147 bps	-5 bps	4.0x	3 mo par call	Fixed	10	Holdco
3-Mar-16	Xcel Energy, Inc.*	A3 / BBB+		350	3.300%	15-Jun-25	+155a	+140a (+/- 3)	-18 bps	+137 bps	--	2.9x	6 mo par call	Fixed	10	Holdco
8-Jan-16	Black Hills Corporation	Baa1 / BBB		300	3.950%	15-Jan-26	very low	+185-190	-20 bps	+185 bps	-5 bps	2.8x	6 mo par call	Fixed	10	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		1,250	2.950%	01-Jul-23	+160a	+135a (+/- 5)	-30 bps	+130 bps	n/a	3.0x	2 mo par call	Fixed	7	Holdco
2-Mar-16	Edison International	A3 / BBB		400	2.950%	15-Mar-23	+150-155	+135a (+/- 5)	-23.5 bps	+130 bps	n/a	4.0x	2 mo par call	Fixed	7	Holdco
3-Feb-16	National Rural Utilities Cooperative Finance	A1 / A	✓	350	2.700%	15-Feb-23	+125-130	+115#	-12.5 bps	+115 bps	+6 bps	2.3x	2 mo par call	Fixed	7	Co-op
9-Aug-16	Duke Energy Corporation	Baa1 / BBB+		750	1.800%	01-Sep-21	+105a	+75a (+/- 5)	-35 bps	+70 bps	n/a	5.0x	1 mo par call	Fixed	5	Holdco
4-Aug-16	Dominion Resources, Inc.	Baa2 / BBB		400	2.000%	15-Aug-21	+125a	+105a (+/- 5)	-25 bps	+100 bps	-5 bps	6.3x	1 mo par call	Fixed	5	Holdco
9-Jun-16	Emera US Finance LP	Baa3 / BBB		750	2.700%	15-Jun-21	+190a	+150a (+/- 5)	-40 bps	+150 bps	n/a	n/a	1 mo par call	Fixed	5	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		1,500	2.350%	01-Jul-21	+135a	+105a (+/- 5)	-35 bps	+100 bps	n/a	3.1x	1 mo par call	Fixed	5	Holdco
11-May-16	Consolidated Edison Inc	A3 / BBB+		500	2.000%	15-May-21	+105a	+90a (+/- 5)	-22 bps	+83 bps	n/a	5.0x	1 mo par call	Fixed	5	Holdco
4-Apr-16	Exelon Corporation	Baa2 / BBB-		300	2.450%	15-Apr-21	+155a	+130a (+/- 5)	-30 bps	+125 bps	--	12.3x	1 mo par call	Fixed	5	Holdco
7-Mar-16	Eversource Energy	Baa1 / A-		250	2.500%	15-Mar-21	+140a	+115a (+/- 3)	-28 bps	+112 bps	-5 bps	4.0x	1 mo par call	Fixed	5	Holdco
3-Mar-16	Xcel Energy, Inc.	A3 / BBB+		400	2.400%	15-Mar-21	+125-130	+110a (+/- 3)	-20.5 bps	+107 bps	--	3.2x	1 mo par call	Fixed	5	Holdco
6-Jun-16	PSEG Power LLC	Baa1 / BBB+		700	3.000%	15-Jun-21	low 200s	+185a (+/- 5)	-27.5 bps	+180 bps	n/a	2.0x	1 mo par call	Fixed	5	Genco
4-Aug-16	Dominion Resources, Inc.	Baa2 / BBB		500	1.600%	15-Aug-19	+110a	+90a (+/- 5)	-25 bps	+85 bps	-5 bps	4.5x	none	Fixed	3	Holdco
9-Jun-16	Emera US Finance LP	Baa3 / BBB		500	2.150%	15-Jun-19	+165a	+130a (+/- 5)	-40 bps	+125 bps	n/a	n/a	none	Fixed	3	Holdco
19-May-16	The Southern Company	Baa2 / BBB+		1,000	1.850%	01-Jul-19	+120a	+85a (+/- 5)	-40 bps	+80 bps	n/a	3.6x	none	Fixed	3	Holdco
28-Mar-16	NextEra Energy Capital Holdings	Baa1 / BBB+		500	2.300%	01-Apr-19	+155a	+135a (+/- 5)	-25 bps	+130 bps	n/a	4.6x	none	Fixed	3	Holdco
8-Jan-16	Black Hills Corporation	Baa1 / BBB		250	2.500%	11-Jan-19	+155-160	+135-140	-20 bps	+135 bps	-5 bps	3.4x	none	Fixed	3	Holdco
3-Feb-16	National Rural Utilities Cooperative Finance	A1 / A	✓	350	1.650%	18-Feb-19	+95-100	+80#	-17.5 bps	+80 bps	-1 bps	3.6x	none	Fixed	3	Co-op
19-May-16	The Southern Company	Baa2 / BBB+		500	1.550%	01-Jul-18	+110a	+75a (+/- 5)	-40 bps	+70 bps	n/a	4.4x	none	Fixed	2	Holdco

30 year	maximum	+238 bps
	minimum	+150 bps
	average	+192 bps

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NSPM Financing Overview

Minnesota Department of Commerce

September 28, 2016

General Financing Process at NSPM

- NSPM finances consistent with supporting its credit rating with a combination of:
  - Internally generated funds,
  - Short-term debt,
  - Long-term debt, and
  - Equity infusions from its parent, Xcel Energy Inc.
- NSPM is typically in a net borrowing position as NSPM's internal funds from operations are less than NSPM's capital requirements
- Short-term debt in the form of Commercial Paper (CP) is the lowest cost of external financing
- Credit rating agencies require a credit agreement to serve as back-up liquidity source for the CP program
- When CP reaches a high level or a large existing bond is to mature, NSPM will issue a first mortgage bond

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NSPM's Credit Facility

- Supported by 21 banks that are a combination of regional, national and international and have a credit rating of A- or higher by one of the agencies.
- In addition to providing lending support, supporting banks may specialize in a number of treasury services, for example:
  - Cash management,
  - Letters of credit,
  - Long term debt, equity or other securities underwriting,
  - Trustee services, and
  - Consulting.
- NSPM recently extended the maturity of its $500 million 5-year credit agreement to June 2021 to maintain the same favorable cost structure that NSPM has experienced since 2012.
- Compliance report filed with MPUC on July 8, 2016 (Docket Nos. E,G999/CI-08-1416 and E,G002/S-15-948)

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NSPM Credit Facility – Benefits

- *A critical financing tool* that provides NSPM with the ability to:
  - Have same day access to cash
  - Maintain its liquidity profile which is required to support the credit ratings: provides the required back up for the CP program, the most efficient and lowest cost of external financing, NSPM overnight CP rate is currently 60 basis points
  - Provide for letter of credit issuances required for certain projects
  - Provide for direct borrowings under the credit facility if the commercial paper markets are closed.
- *Established relationships with financial experts*
  - The company maintains on-going dialogue with the supporting banks to discuss market conditions, global events, financing structures, utility bond performance comparisons, and updated credentials of the banks.

NSPM Credit Facility – Costs

- Cost Components:
  - Up front one time issuance cost[1] (2016): 0.750 million, or approximately 15 bps
  - Interest rate: Eurodollar rate plus margin of 100 bps, ranges from 75 - 150 bps[2]
  - Annual fee: 10 bps, ranges from 6 - 22.5 bps[3]
- With an A2 from Moody's and A- from S&P, NSPM pays annual commitment fees of 10 basis points, which is approximately $0.500 million
- NSPM has paid fees based on the same pricing grid since 2012. Although bank costs have increased as banking reserve requirements continue to become more stringent , the banks have not yet increased the cost to us.

[1] Issuance cost includes commitment fee and legal expenses.
[2] Based on NSPM senior unsecured credit rating.
[3] Based on NSPM senior unsecured credit rating.

Senior Unsecured Credit Ratings and Associated Fees (basis points)

Pricing Level	Debt Ratings Moody's/S&P	Commitment Fee	Eurodollar Loan Margin	ABR Loan Margin	Fully Drawn
I	≥Aa3/AA-	6.0	75.0	0	75.0
II	A1/A+	7.5	87.5	0	87.5
III	**A2/A**	**10.0**	**100.0**	**0**	**100.0**
IV	A3/A-	12.5	112.5	12.5	112.5
V	Baa1/BBB+	17.5	125.0	25.0	125.0
VI	≤Baa2/BBB	22.5	150.0	50.0	150.0

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Consequences of NSPM Having No Credit Facility

- *Negative credit rating impacts,* because NSPM would lose its key liquidity source. The rating agencies assess:
  - NSPM's ability to make interest payments and other fixed obligations
  - NSPM's overall liquidity to manage its ongoing business cash needs
  - the strength of NSPM's relationship with the banks that provide credit facility support.
- *Increased cost of capital,* because alternative financing is expensive and less efficient.
- Without a revolving credit facility:
  - NSPM's borrowing cost would be higher due to a weaker credit rating,
  - Instead of being in a net borrowing position at an annual cost of 1 to 1.5%, NSPM would often need to be in a cash position, and
  - NSPM would enter into term loans, which would be more expensive than the existing CP program and revolving credit agreement.[4]

[4] The term loans would be included in the regulated capital structure and cost, and the cash asset would have to be recognized as a part of rate base and carry a revenue requirement cost (last allowed ROR of 7.34% grossed up for taxes is approximately 11%).

NSPM Cost Comparison: *Illustrated using 2015 Actuals*

- In 2015, NSPM's actual cost of short-term debt was under 1 percent:
  - Credit facility fees were 0.49%,
  - CP cost was 0.44%
- If NSPM would have used direct borrowings under the credit agreement, the cost would have been approximately 1.85 percent:
  - Credit facility fees of 0.49%,
  - Direct borrowings at 30 day LIBOR +100 = 1.35%
- If NSPM had no credit facility and held cash, the cash would be financed at full cost of capital = 11%

YEAR 2015 ACTUAL SHORT TERM DEBT AND COST

	Month End Short Term Debt NSPM 1/	Average of Daily Balances 2/	Monthly Interest Expense 3/	Monthly Fees Expense 4/	CP Average Short Term Debt Cost
2015 Jan	$204,000,000	$216,741,935	$74,805	$40,984	
Feb	$158,000,000	$158,750,000	$45,141	$37,018	
Mar	$76,000,000	$101,935,484	$41,440	$40,984	
Apr	$48,000,000	$30,800,000	$11,381	$39,497	
May	$204,000,000	$103,580,645	$35,410	$40,765	
Jun	$117,000,000	$169,416,667	$59,352	$39,462	
Jul	$117,000,000	$126,806,452	$45,643	$40,778	
Aug	$0	$28,322,581	$9,278	$40,778	
Sep	$0	$0	$0	$39,571	
Oct	$0	$0	$0	$41,036	
Nov	$62,000,000	$9,800,000	$2,788	$40,036	
Dec	$223,000,000	$257,032,258	$119,852	$41,510	
Total			$ 445,090	$ 482,420	
Average	$ 100,750,000	$100,265,502	**0.44%**	**0.49%**	**0.93%**

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Long-Term Debt Overview

- When CP is high or a large existing bond is set to mature, NSPM will issue first mortgage bonds
- NSPM has established relationships with the 21 banks in the Credit Facility that provide it credit support.
  - The Company utilizes its supporting banks in various roles in the debt underwriting process depending on the strength and specialization of the banks
- The one-time up front debt underwriting fees associated with a new bond are transparent and consistent across the investment grade utility sector based on the term of debt. (Upfront fees are amortized over bond life.)
    - 5 year debt: 60 basis points
    - 10 year: 65 basis points
    - 30 year: 87.5 basis points
- The debt is priced in the competitive capital market, i.e., investors compete for the security. The transaction results in the lowest pricing while maintaining a strong investor base for the bond offering.

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Summary

- NSPM finances in a method to support its credit rating
- Commercial paper is the most efficient and lowest cost of external borrowing for NSPM.
- Credit rating agencies require a credit facility to provide liquidity support for a CP program.
- NSPM has enjoyed the same fee structure for past five years on credit facility
- Long term debt is priced in the competitive capital market (i.e., investors compete for the security). The transaction results in the lowest pricing while maintaining a strong investor base for the bond.

NSPM Recent Issuance Highlights – May 2016

- On May 23, 2016 NSPM announced a $350 million, 30-year First Mortgage Bond
- Initial price thoughts were 120 basis points over the 30-year Treasury Bond
- Order book grew to $1.2 billion, or 3.4x over-subscribed
- Given the substantial demand, NSPM was able to tighten the spread substantially
- While some investors dropped from the order book, NSPM was able to tighten the spread to price at T+100 while maintaining investor interest of $763 million or 2.2x oversubscribed
- The interest rate of 3.60% is the 2nd lowest 30-year coupon for NSPM
- Four banks, 87.5 bps underwriting fees (approximately $3 million) for 30-year term
- Compliance filing made June 17, 2016 (Docket Nos. E,G999/CI-08-1416 and E,G002/S-15-948)

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