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August 8, 2013

Mayor R. T. Rybak
Council President Johnson
City of Minneapolis
350 S. 5th Street
Minneapolis, MN 55415

RE: CITY OF MINNEAPOLIS/XCEL ENERGY PARTNERSHIP

Dear Mayor Rybak and Council President Johnson:

Over the past few months, Xcel Energy has met with Minneapolis council members, staff, and many stakeholders to gain better understanding of how we can help the city achieve its energy goals. In particular, we carefully reviewed both the city's Climate Action Plan and the January 3, 2013, recommendations of the Citizen's Energy Advisory Committee (CEAC).

We see much common ground and believe we can effectively collaborate with the city, building on our long history of working together. Xcel Energy is committed to Minneapolis's vibrant future and will work to provide the city with even more choices for reliable, clean, cost-effective energy.

This letter outlines our commitment to working constructively with Minneapolis on these issues, and proposes an ongoing dialogue that further defines specific action plans. The key issues we identified include:

Environmental Goals

- *Renewable Investments.* We understand the interest in increasing renewable energy sources within the city. Leveraging our extensive experience with solar energy in Colorado, we will help expedite the development of community solar within Minneapolis. In addition, we commit to explore making a solar investment at our Riverside power plant.
- *Interconnecting Renewable Energy Projects in Minneapolis.* Xcel Energy will build on our experience with interconnecting renewable energy projects and explore with Minneapolis potential process improvements related to our standard contract for renewable energy projects and to address other real and perceived barriers related to the expected growing development of renewable energy in Minneapolis.
- *Energy Efficiency.* We would like to explore with you ways we can increase participation in our energy efficiency programs to help position Minneapolis businesses and residents for competitive success.

These commitments will represent an important step in achieving the Climate Action Plan goal of increasing local renewable energy and relate to CEAC recommendation #5.

Reliability

- *Reliability Reporting.* We understand the city's interest in gaining a better understanding of energy issues and our performance. To that end, we commit to provide reports regarding city-specific service reliability and to work with you on the format and frequency of that reporting. Because our information systems do not organize reliability information by city, we will need to work jointly with the city to develop a method of producing this information in a manner that is feasible for Xcel Energy and usable for the city.
- *System Investments.* We likewise understand the interest in ensuring a robust grid that is poised for future development and growth, as well as potential future energy sources. We propose to provide on an annual basis our plans for investments in the Minneapolis grid to both ensure reliable service and evolve to meet future needs, including more distributed generation and smart-grid features.
- *Service Quality.* We propose to meet with you annually to review the reliability performance of our service within Minneapolis and planned investments in our system within Minneapolis. These reviews will include information and assessment of more localized areas experiencing higher-than-normal outage levels and our plans for addressing them.

These commitments relate to CEAC recommendations #7, 8, 10 and 11.

On-going Dialogue

- *Working Group.* We propose to form a joint Xcel Energy – Minneapolis Sustainability Working Group to develop specific implementation plans related to the city's Climate Action Plan and other sustainability initiatives. The city's Climate Action Plan includes a goal of reducing carbon emissions 30 percent by 2025, the current goal established by state law. We can help the city achieve or exceed its goal, given our commitment to reduce carbon emissions 30 percent by 2020.
- *Other Issues and Initiatives.* We are interested in developing more service offerings for customers, including options for obtaining additional renewable energy, and welcome your input to the design of these offerings. For example, we will explore with Minneapolis the potential to link renewable energy and energy efficiency to city infrastructure such as the Xcel Energy-owned street lights. Another area of mutual interest is energy usage data and the associated privacy needs and concerns. We support the city's participation in the working group in the Minnesota Public Utilities Commission docket on this issue and look forward to a productive engagement with the city and other interested parties. We know you have interests in other issues that

we are open to better understanding. We would like to work with city staff on the best forum for ongoing collaboration and idea exchange to ensure we continue to advance our mutual understanding of these issues.

In addition to helping the city achieve its Climate Action Plan goals, this commitment relates to CEAC recommendations #1 and 18.

Commitment

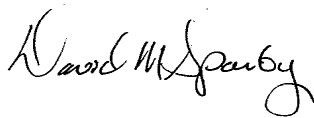
I believe these initiatives represent a sizable commitment to helping Minneapolis achieve its goals. We are committed to the city's long-term success and vitality, and look forward to continuing to make this place a great place to live and work.

Mayor Rybak and Council President Johnson, please know that we are proposing these initiatives in the spirit of the strong and long-standing partnership between Minneapolis and Xcel Energy. Let me assure you that we consider these actions to be next steps in our work with you on energy services, sustainability and climate change, rather than a first or last step. As we work to develop these initiatives, we must of course ensure that our investments are in the best interest of all our Minnesota customers and that we obtain any necessary approvals.

If the city were to adopt a resolution authorizing the city to acquire Xcel Energy's property to create a municipal utility, we feel it would be difficult to move forward with the proposed actions presented in this letter. I am sure you can understand this perspective and hope you agree. I believe we can accomplish much more by working constructively together.

I look forward to your response, and to a continued strong partnership between the city of Minneapolis and Xcel Energy. Please feel free to contact me at (612) 330-7752, or Laura McCarten at (612) 330-5723.

Sincerely,



David M. Sparby

Cc: Council Member Colvin Roy
Council Member Glidden
Council Member Goodman
Council Member Gordon
Council Member Hodges
Council Member Hofstede
Council Member Lilligren
Council Member Quincy
Council Member Reich
Council Member Samuels
Council Member Schiff
Council Member Tuthill
City Coordinator Aasen