

XCEL ENERGY INC  
Form PRE 14A  
March 16, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material pursuant to §240.14a-12

**XCEL ENERGY INC.**

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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**Benjamin G.S. Fowke III**

Chairman of the Board,

President &

Chief Executive Officer

April 2, 2012

Dear Shareholder:

To give those of you in a different region of our service territory an opportunity to meet with us, we are pleased to tell you that this year we are convening our annual meeting in Amarillo, Texas, the headquarters of our Southwestern Public Service Co. operating company. We are excited about widening the scope of our meeting, opening it up to shareholders we might not have met before and gathering in a part of the country that we have served for many years. We are looking forward to it.

The meeting itself will convene Wednesday, May 16, 2012, at 11 a.m. CDT, at Amarillo Civic Center 401 S. Buchanan, Amarillo, Texas. The doors will open at 10:15 a.m. CDT. We plan to talk about accomplishments and challenges, conduct the business portion of the meeting, announce voting results and answer your questions.

All shareholders as of the record date, or their duly appointed proxies, may attend the annual meeting. Remember, too, that you can listen to a webcast of the meeting at [www.xcelenergy.com](http://www.xcelenergy.com). You must reserve an admission ticket in order to attend. If you are a shareholder of record and plan to attend, please contact Xcel Energy's Corporate Secretary Department by e-mail at [CorporateSecretary@xcelenergy.com](mailto:CorporateSecretary@xcelenergy.com) or by telephone at (612) 215-5391 to reserve a ticket. Your ticket will be available for pick-up at the meeting. Requests to reserve admission tickets will be processed in the order in which they are received and must be received no later than May 11, 2012. In addition, state-issued photo identification will be required to gain admittance to the annual meeting. Parking is available at your own expense.

If you hold shares through an intermediary, such as a bank or broker, and you plan to attend, you will need to send a written request for a ticket either by regular mail, fax or e-mail, along with proof of share ownership, such as a bank or brokerage firm account statement or a letter from the broker, trustee, bank or nominee holding your shares, confirming ownership to: Shareholder Relations, Xcel Energy Inc., 414 Nicollet Mall, Suite 500, Minneapolis, Minnesota 55401-1993; fax: 612-215-4504; or e-mail: [CorporateSecretary@xcelenergy.com](mailto:CorporateSecretary@xcelenergy.com).

If you plan to attend the annual meeting, please review the annual meeting guidelines that appear on the back cover of this proxy statement.

Your vote is important. We encourage you to vote on the issues included in the proxy statement as soon as possible. You can vote electronically over the Internet, by telephone or by mailing a proxy card. Instructions about each of the options are included on your Notice of Internet Availability of Proxy Materials or your proxy card.

We hope to see you in Texas.

Sincerely,

Benjamin G.S. Fowke III

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**ANNUAL MEETING OF SHAREHOLDERS**

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**XCEL ENERGY INC.**

**414 Nicollet Mall**

**Minneapolis, Minnesota 55401-1993**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**Time** 11:00 a.m. CDT on Wednesday, May 16, 2012

**Place** Amarillo Civic Center, 401 S. Buchanan, Amarillo, Texas

- Purpose of Meeting**
- (1) To elect as directors the 11 nominees named in the attached proxy statement to hold office until the next annual meeting of shareholders and until their respective successors have been elected or appointed.
  - (2) To ratify the appointment of Deloitte & Touche LLP as Xcel Energy Inc.'s independent registered public accounting firm for 2012.
  - (3) To approve an amendment to our Restated Articles of Incorporation to eliminate cumulative voting in the election of directors.
  - (4) To approve other amendments to, and the restatement of, our Restated Articles of Incorporation.
  - (5) To cast a non-binding advisory vote on executive compensation.
  - (6) To vote on a shareholder proposal on the separation of the role of the Chairman and Chief Executive Officer, if properly presented at the Annual Meeting.
  - (7) To consider such other business as may properly come before the Annual Meeting or any adjournments thereof.

**Record**

**Date** You are entitled to vote if you were a shareholder at the close of business on March 20, 2012.

**Annual Meeting Admission** All shareholders as of the record date, or their duly appointed proxies, may attend the Annual Meeting. You must reserve an admission ticket in order to attend. If you are a shareholder of record and plan to attend, please contact Xcel Energy's Corporate Secretary Department by email at [CorporateSecretary@xcelenergy.com](mailto:CorporateSecretary@xcelenergy.com) or by telephone at (612) 215-5391 to reserve a ticket. Your ticket will be available for pick-up at the meeting. If you hold shares through an intermediary, such as a bank or broker, and you plan to attend, you will need to send a written request for a ticket either by regular mail, fax or email, along with proof of share ownership, such as a bank or brokerage firm account statement or a letter from the broker, trustee, bank or nominee holding your shares, confirming ownership to: Shareholder Relations, Xcel Energy Inc., 414 Nicollet Mall, Suite 500, Minneapolis, Minnesota 55401-1993; fax: 612-215 - 4504; or email: [CorporateSecretary@xcelenergy.com](mailto:CorporateSecretary@xcelenergy.com). Requests to reserve admission tickets will be processed in the order in which they are received and must be received no later than May 11, 2012. State-issued photo identification will be required to gain admittance to the Annual Meeting.

**Voting by Proxy** Please submit a proxy as soon as possible so that your shares can be voted at the Annual Meeting in accordance with your instructions. You may submit your proxy:

- (1) over the Internet;
- (2) by telephone; or
- (3) by mail.

For specific instructions, refer to the Questions and Answers beginning on page 1 of this proxy statement and the voting instructions on your Notice of Internet Availability of Proxy Materials or your proxy card.

A Notice of Internet Availability of Proxy Materials or this proxy statement and proxy card are being distributed on or about April 2, 2012.

By Order of the Board of Directors,

**CATHY J. HART**

*Corporate Secretary*

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on May 16, 2012.**

**Our 2012 Proxy Statement and Annual Report are available at *www.ematerials.com/xcl***

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**XCEL ENERGY INC.**

**414 Nicollet Mall**

**Minneapolis, Minnesota 55401-1993**

April 2, 2012

**PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 16, 2012**

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING**

**Q: Why Am I Receiving These Materials?**

A: You are receiving these proxy materials in connection with the solicitation by the Board of Directors of Xcel Energy Inc. (referred to in this proxy statement as Xcel Energy, the Company, we, us, and our ) of proxies to be voted at Xcel Energy's 2012 Annual Meeting of shareholders (the Annual Meeting ). You are requested to vote on the proposals described in this proxy statement. Xcel Energy has appointed Cathy J. Hart, Teresa S. Madden, and Scott M. Wilensky, or any of them with power of substitution, to vote all proxies properly executed and submitted by shareholders who are entitled to vote at the Annual Meeting, or any adjournment of the meeting.

**Q: Why Did I Only Receive a Notice Directing Me to the Internet Instead of the Proxy Statement and Annual Report?**

A: We are again providing shareholders access to our proxy on the Internet to reduce the amount of paper and the environmental impact from our Annual Meeting as well as the costs associated with mailing these materials to all shareholders. On April 2, 2012, we began mailing a Notice of Internet Availability of Proxy Materials (the Notice ) to some of our shareholders and posted our proxy materials on the website referenced in the Notice ([www.ematerials.com/xcl](http://www.ematerials.com/xcl)). As more fully described in the Notice, shareholders may choose to access our proxy materials on the website or may request to receive a printed set of our proxy materials. Shareholders can indicate a preference to receive a hard copy of the full package by contacting Wells Fargo Shareholder Relations at 1-866-697-9377. The full package choice will remain in effect until changed by the shareholder. If you are a beneficial owner and you want to receive separate copies of the Annual Report to shareholders and proxy statement in the future, you should contact your bank, broker, or other nominee record holder

**Q: What Are the Company's Voting Recommendations?**

A: Our Board recommends that you vote your shares as follows:

FOR each of the nominees to the Board (see pages 21-28);

FOR the ratification of the appointment of Deloitte & Touche LLP as Xcel Energy Inc.'s independent registered public accounting firm for 2012 (see page 29);

FOR the approval of an amendment to our Restated Articles of Incorporation to eliminate cumulative voting in the election of directors (see page 30);



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FOR the approval of other amendments to, and the restatement of, our Restated Articles of Incorporation (see page 31);

FOR approval of the non-binding advisory vote on executive compensation (see pages 32-33); and

AGAINST a shareholder proposal on the separation of the role of the Chairman and Chief Executive Officer (see pages 34-36).

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### **Q: What is the Difference between Holding Shares as a Shareholder of Record and as a Beneficial Owner?**

A: As summarized below, there are some distinctions between shares held of record and those owned beneficially:

**Shareholder of Record.** Your shares are registered directly in your name with our transfer agent, Wells Fargo Shareowner Services. As the shareholder of record, you have the right to vote your shares by proxy directly with the Company (by Internet, by telephone or by mail) or to vote in person at the Annual Meeting. If you do not vote in person or by proxy, your shares will not be voted.

**Beneficial Owner of Shares Held in Street Name.** Your shares are held in a stock brokerage account or by a bank or other nominee (sometimes this is referred to as street name). Your broker or nominee is considered the shareholder of record with respect to those shares and forwards proxy materials to you. As the beneficial owner, you have the right to direct your broker on how to vote and are also invited to attend the Annual Meeting. If you wish to vote your shares in person, you must provide us with a legal proxy from your broker.

### **Q: How Can I Vote My Shares?**

A: You may vote in person at the Annual Meeting, by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker or nominee. If you are a shareholder of record, you will be able to do this over the Internet, by telephone or by mail. ***Please help us save time and postage costs by voting through the Internet or by telephone.*** Each method is generally available 24 hours a day and will ensure that your vote is confirmed and posted immediately.

Shareholders of record (including participants in our Dividend Reinvestment and Stock Purchase Plan) may vote their shares as follows:

**By Internet** Go to the website at [www.ematerials.com/xcl](http://www.ematerials.com/xcl), 24 hours a day, seven days a week. You will need the control number that appears on your proxy card or on your Notice of Internet Availability of Proxy Materials. Internet voting is available until 11:59 p.m. EDT on May 15, 2012. You may incur telephone and Internet access charges if you vote by the Internet.

**By Telephone** Call 1-800-560-1965, 24 hours a day, seven days a week. You will need the control number that appears on your proxy card or on your Notice of Internet Availability of Proxy Materials. Telephone voting is available until 11:59 p.m. EDT on May 15, 2012.

**By Mail** If you received a full paper set of materials, date and sign your proxy card exactly as your name appears on your proxy card and mail it in the enclosed, postage-paid envelope. If you received a Notice of Internet Availability of Proxy Materials, you may request a proxy card by following the instructions in your Notice. You do not need to mail the proxy card if you are voting by Internet or telephone.

Beneficial owners will receive instructions from the holder of record (the bank, brokerage house or other nominee that holds your shares) that you must follow in order for your shares to be voted.

If you are a participant in one of our employee savings or stock ownership plans, your proxy card is a voting directive for shares allocated to your account. The trustee will vote the shares as instructed by you in your voting directive. If you do not return your voting directive by 11:59 p.m. EDT on May 11, 2012 the trustee will vote your allocated shares, along with all unallocated shares held in the plan, in the same proportion that all other allocated shares are voted.

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### **Q: What Happens if I Do Not Give Specific Voting Instructions?**

A: If you do not give specific voting instructions, how your shares are voted depends on whether you are a shareholder of record or a beneficial owner.

**Shareholders of Record.** If you are a shareholder of record and you either:

1. Indicate when voting on the Internet or by telephone that you wish to vote as recommended by the Board; or

2. Sign and return a proxy card without giving specific voting instructions;

then the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

**Beneficial Owners of Shares Held in Street Name.** If you are a beneficial owner of shares held in street name and do not provide specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote your shares on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, it will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a broker non-vote.

### **Q: Which Ballot Measures are Considered Routine or Non-Routine ?**

A. The proposals to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2012 (Proposal No. 2) and to make other amendments to, and the restatement of, our Restated Articles of Incorporation (Proposal No. 4) are considered routine under applicable rules. A broker or other nominee may generally vote on routine matters.

The election of directors (Proposal No. 1), the amendments to our Restated Articles of Incorporation to eliminate cumulative voting (Proposal No. 3), the advisory vote on executive compensation (Proposal No. 5), and the shareholder proposal are matters considered non-routine under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non-votes on Proposals No. 1, No. 3, No. 5 and No. 6.

### **Q: Can I Change My Vote?**

A: Yes. If you change your mind after voting your proxy and prior to the Annual Meeting, you can revoke your proxy and change your proxy instructions by signing another proxy with a later date, voting a second time by telephone or by the Internet prior to 11:59 p.m. EDT on May 15, 2012, or revoking your prior proxy and voting at the Annual Meeting. Alternatively, you may provide a written statement to the Company (attention: Corporate Secretary) of your intention to revoke your proxy.

### **Q: Is My Vote Confidential?**

A: Yes. Xcel Energy has adopted a confidential voting policy under which shareholder votes are revealed only to a non-employee proxy tabulator or an independent inspector of election, except (1) as necessary to meet legal requirements, (2) in a dispute regarding authenticity of proxies and ballots, (3) in the event of a proxy contest if the other party does not agree to comply with the confidential voting policy, and (4) where disclosure may be necessary for the Company to assert or defend claims.



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**Q: What is the Record Date and What Does it Mean?**

A: Only shareholders of record at the close of business on the record date, March 20, 2012, are entitled to receive notice of the Annual Meeting and to vote the shares of common stock that they held on the record date.

Each share of our common stock is entitled to one vote upon each matter presented at the Annual Meeting. On March 20, 2012, there were shares of common stock issued and outstanding.

**Q: What is the Quorum Requirement for the Annual Meeting?**

A: At March 20, 2012, there were shares representing votes entitled to vote at the Annual Meeting. We will have a quorum and be permitted to conduct business if a majority of the voting power of these shares is present at the Annual Meeting in person or by proxy. Abstentions and broker non-votes will be counted for the purpose of determining the presence of a quorum.

**Q: What is the Voting Requirement to Approve Each of the Proposals?**

A: **Election of Directors.** In the election of directors, you may vote FOR or AGAINST each of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. In order to elect a director, the shares voted FOR a nominee must exceed the shares voted AGAINST the nominee. A WITHHOLD vote will not have an impact on the election of directors. You are entitled to cumulatively vote your shares for one or more nominees as described more specifically under the heading Proposal No. 1 Election of Directors.

Under our Guidelines on Corporate Governance, if an incumbent director in an uncontested election does not receive a majority of the votes cast FOR, he or she must offer to tender his or her resignation to our Governance, Compensation and Nominating Committee. The Board, taking into account the Governance, Compensation and Nominating Committee's recommendation, will act on the offer of resignation and publicly disclose its decision within ninety days after the date of the certification of the election results. The Governance, Compensation and Nominating Committee, in making its recommendation, and the Board, in making its decision, may each consider any factors or other recommendations that it considers relevant and appropriate. Any director who has offered to tender his or her resignation will not participate in the decision regarding his or her resignation. If the director's resignation is not accepted by the Board, the director will continue to serve until the next annual meeting and until his or her successor is duly elected. If the director's resignation is accepted by the Board, the Board may fill any resulting vacancy or may elect to not fill the vacancy and decrease the size of the Board.

**Other Proposals.** For all other proposals, you may vote FOR, AGAINST or ABSTAIN. All such proposals, other than Proposal No. 5, require the affirmative FOR vote of a majority of the voting power of the shares present in person or by proxy and entitled to vote at the Annual Meeting. If you ABSTAIN on any of these proposals, except Proposal No. 5, it has the same effect as a vote AGAINST. A shareholder who does not vote in person or by proxy on a proposal (including a broker non-vote on a proposal) is treated as not present and not entitled to vote on that proposal.

With respect to Proposal No. 5, we will consider our shareholders to have approved, on an advisory, non-binding basis, our executive compensation if the shares voted FOR the proposal exceed the shares voted AGAINST. For purposes of this proposal, a vote to ABSTAIN and a failure to vote in person or proxy (including a broker non-vote) will have no effect on this proposal.

**Q: What Does it Mean if I Receive More Than One Notice of Internet Availability of Proxy Materials or Proxy Card or Voting Instruction Card?**

A: It means your shares are registered differently or are in more than one account. Please provide voting instructions for all notices, proxy cards and voting instruction cards you receive.

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**Q: Who Will Count the Vote?**

A: We retained an independent inspector to receive and tabulate the proxies and to certify the results. For the 2012 Annual Meeting, representatives of Wells Fargo Shareowner Services will tabulate the votes and act as the inspectors of election.

**Q: Who Pays for the Cost of Soliciting Votes for the Annual Meeting?**

A: We will bear the expense of preparing, printing and mailing this proxy material, as well as the cost of any solicitation. Some of our directors and officers, as well as management and non-management employees, may also contact you by telephone, mail, email or in person. You may also be solicited by means of news releases issued by Xcel Energy, postings on our website, [www.xcelenergy.com](http://www.xcelenergy.com), and advertisements in periodicals. We have also hired Morrow & Co., LLC to assist us in the solicitation of votes. We expect to pay Morrow & Co., LLC approximately \$17,500 for consultation services and preparation in connection with the solicitation, plus expenses. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to beneficial owners of our stock.

**Q: Does the Company Offer Shareholders Electronic Delivery of Proxy Materials?**

A: Yes. Xcel Energy offers shareholders the option to receive the Annual Report to shareholders and proxy statement electronically instead of receiving paper copies of these documents in the mail. You must consent to do so prior to the record date for the Annual Meeting.

To provide your consent for electronic delivery, please go to [www.xcelenergy.com](http://www.xcelenergy.com) and click on Investor Information and then Shareholder Information. Then look for information about requesting electronic delivery. As soon as the Annual Report to shareholders and proxy statement are available, electronic delivery participants will receive an e-mail with a link to the information and a control number to use to vote online.

**Q: What Happens if Additional Proposals are Presented at the Annual Meeting?**

A: Other than the proposals described in this proxy statement, we do not expect any matters to be presented for a vote at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, Cathy J. Hart, Teresa S. Madden, and Scott M. Wilensky, or any of them, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting. If for any unforeseen reason any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be recommended by the Governance, Compensation and Nominating Committee and nominated by the Board.

**Q: May I Propose Actions for Consideration at Next Year's Annual Meeting of Shareholders?**

A: Yes, you may submit proposals for consideration at future shareholder meetings as follows:

**To Be Included in the Proxy Statement.** Unless we indicate otherwise at a later date, in order for a shareholder proposal (other than a director nomination) to be considered for inclusion in the Company's proxy statement for next year's annual meeting, the written proposal must be received by the Corporate Secretary no later than 5:00 p.m. CST on December 3, 2012. These proposals must be in writing and sent to: Corporate Secretary, Xcel Energy Inc., 414 Nicollet Mall, Suite 500, Minneapolis, Minnesota 55401-1993. These proposals also need to comply with Securities and Exchange Commission (SEC) regulations regarding the inclusion of shareholder proposals in our proxy materials.

**To Be Raised from the Floor.** Similarly, unless we indicate otherwise at a later date, in order for a shareholder proposal or director nomination to be raised from the floor during next year's

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annual meeting, the shareholder's written notice must be received by the Corporate Secretary no later than February 15, 2013, and must contain certain information as required under our bylaws. The requirements for such notice are set forth in our bylaws, a copy of which can be found on our website, [www.xcelenergy.com](http://www.xcelenergy.com), under "About Us" Corporate Governance.

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### **CORPORATE GOVERNANCE**

Our Restated Articles of Incorporation and Restated Bylaws, together with Minnesota law and New York Stock Exchange and SEC rules, govern the Company. The Board of Directors operates under a set of written Guidelines on Corporate Governance. The Guidelines set forth the Company's corporate governance philosophy and the governance policies and practices that have been established to assist in governing the Company and its affiliates. Our Guidelines describe Board and committee membership criteria, the Board selection and member orientation process, director stock ownership guidelines and lead director responsibilities. Other important documents governing our corporate governance practices include our Committee Charters, Code of Conduct, our Political Contributions and Government Communication Policy and our Environmental Policy. Our Code of Conduct applies to all our officers, including our CEO, CFO and Chief Accounting Officer, as well as the employees and directors of Xcel Energy Inc., its wholly owned subsidiaries and affiliates. Any waivers, if any were necessary, of the Code of Conduct for our executive officers or directors may be made only by the Board of Directors or a committee of the Board.

All of our corporate governance materials are available on the Company's website at [www.xcelenergy.com](http://www.xcelenergy.com), under About Us. Copies of our corporate governance materials are also available free of charge to shareholders who request them. Requests must be in writing and sent to: Corporate Secretary, Xcel Energy Inc., 414 Nicollet Mall, Suite 500, Minneapolis, Minnesota 55401-1993. We will publish any amendments to the Code of Conduct and waivers of the Code of Conduct for our CEO, CFO and Chief Accounting Officer on our website.

#### **Key Governance Policies and Practices**

Xcel Energy is committed to effective corporate governance and ethical business conduct. Our Board believes that these values improve long-term performance. Our Board evaluates our policies on an ongoing basis to ensure they meet our Company's needs. Listed below are some of the significant corporate governance practices and policies we have adopted.

#### ***Shareholder Voting***

All members of our Board of Directors are elected annually by our shareholders.

Each director must be elected by a majority vote in uncontested elections. If an incumbent director in an uncontested election does not receive a majority of the votes cast FOR, he or she must offer to tender his or her resignation to our Governance, Compensation and Nominating Committee.

Shareholders have an annual advisory vote on executive compensation.

We have no supermajority shareholder approval provisions.

Our shareholders annually ratify the selection of our independent registered public accounting firm.

#### ***Board and Committee Practices under our Guidelines on Corporate Governance***

We have an independent lead director who is elected annually by the independent directors. Our Guidelines on Corporate Governance establish the role and responsibilities of the lead director. More information about that role and our Board structure can be found below in this section.

Directors may not serve on more than three public company boards of directors (including the Company) without the prior approval of the Governance, Compensation and Nominating Committee.





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Under our Guidelines, directors are to retire from the Board on or prior to the day of the annual meeting of shareholders after they turn 72 and, except for inside directors and directors first elected prior to August 18, 2000, are to serve no more than 15 years on the Board.

Directors are required to offer their resignations upon a change in their primary careers.

Our Board of Directors conducts executive sessions of independent directors at each regularly scheduled Board meeting. The lead director presides over each executive session of independent directors. Our Board committees also conduct executive sessions that are presided over by the Committee Chairs of their respective committees.

Our Board of Directors and Board committees have the authority to retain independent advisors.

Our Board of Directors conducts an annual assessment of the performance of the Board and its processes.

The members of each Board committee conduct an annual assessment of the performance of the committees on which they serve.

Under the Guidelines, the Governance, Compensation and Nominating Committee is required to evaluate the performance of the CEO on an annual basis, using objective criteria.

### ***Corporate Policies***

We maintain stock ownership guidelines for directors and executive officers. More information about these guidelines is contained under [Directors Compensation](#) *Director Stock Ownership Guidelines* and [Compensation, Discussion and Analysis](#) .

Our related-person transactions approval policy sets forth the standards for the review, approval and ratification by our Governance, Compensation and Nominating Committee of related-person transactions. See the discussion under [Information About Related Persons](#) .

We have a clawback policy in place that provides the Company the right to recover certain payments made to executives. We may recover annual and long-term incentive awards from an executive who is terminated from Xcel Energy for fraud or misconduct resulting in a restatement of Xcel Energy's earnings or financial statements or, for more recent awards, in the event the employee is terminated for fraud or misconduct.

We have an anti-hedging policy, under which all directors and employees are prohibited from hedging the Company's stock. See the discussion under the heading, [Compensation Discussion and Analysis](#) *What are the guidelines for stock ownership by executive officers?* .

We have a political contributions policy under which we disclose on an annual basis all corporate contributions to a candidate's campaign, or to an entity organized under Section 527 of the Internal Revenue Code, on our corporate website.

We have an environmental policy that sets forth our commitment to outstanding environmental compliance and our commitment to pursue industry-leading initiatives that enhance customer and shareholder value while demonstrating respect for our communities and concern for the environment.

**Board Leadership Structure**

The Xcel Energy Board of Directors is committed to effective and independent oversight of management and effective corporate governance. Our Board leadership structure, which is set forth in our Guidelines on Corporate Governance, promotes effective governance through the designated lead director and Board and committee composition and structure.

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First, the Board leadership structure, which includes a designated lead director and a combined position of Chairman and CEO, promotes effective governance. The combined position promotes strategy development, execution, and the provision of information, which are essential to effective governance. One of the key responsibilities of the Board is to develop strategic direction and hold management accountable for the execution of that strategy. Management and independent directors have different perspectives and roles in strategy development and execution. Management brings experience and expertise of the Company and the industry. An executive Chair who is familiar with the Company and industry is in the best position to define and develop strategy and work with the lead director to educate the Board and lead the development of strategy. The Company also believes that an executive Chair can more effectively provide information to the Board on the Company's opportunities, challenges and performance. Independent directors, represented by the lead independent director, bring experience and expertise from outside the Company and industry to strategy development.

The lead independent director is elected by and from the independent Board members for a one-year term. On May 18, 2011, the independent members of our Board of Directors elected Fredric W. Corrigan to serve as the lead director for a one-year term. The responsibilities of the lead independent director are outlined in our Guidelines on Corporate Governance and include the following:

Preside at all meetings of the Board at which the Chair is not present, including executive sessions of the independent directors;

Serve as a liaison between the Chair and the independent directors, maintain regular communications with the independent directors and focus director communication on critical issues;

Approve the agenda for the Board and, with the Chair, approve all materials provided to the directors;

Approve meeting schedules to ensure sufficient time is provided for discussion of agenda items;

Call meetings of the independent directors, as necessary;

Consult and communicate with major shareholders, if requested;

Chair executive sessions of the Board; and

Develop and maintain a process for CEO succession planning with the Governance, Compensation and Nominating Committee. The lead director and executive Chair both have responsibilities in providing information and contributing to effective governance by the Board. The Board believes that the balance of the two positions ensures the Board receives the information, experience and direction it needs to effectively govern.

Second, our Board and committee composition ensures independence. The Board currently has ten independent, non-employee directors among its eleven members. All committees are composed of independent, non-employee directors. The independent directors meet on a regular basis in executive sessions without the CEO or any other management present. The lead director presides at these executive sessions.

## **Board Oversight of Risk**

The goal of the Company's risk management process is to understand and manage material risk; management is responsible for identifying and managing the risks, while directors oversee and hold



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management accountable. Our risk management process has three parts: identification and analysis; management and mitigation; and communication and disclosure. Company management identifies and analyzes risks to determine materiality and other attributes like timing, probability and controllability. Management broadly considers our business, the utility industry, the domestic and global economy, and the environment to identify risks. Identification and analysis occurs formally through a key risk assessment process conducted by senior management, the securities disclosure process, the hazard risk management process, and internal auditing and compliance with financial and operational controls. Management also identifies and analyzes risk through its business planning process and development of goals and key performance indicators, which include risk identification to determine barriers to implementing the Company's strategy. At the same time, the business planning process identifies areas where a business area may take inappropriate risk to meet goals.

The goal of the risk management process is to mitigate the risks inherent in the implementation of the Company's strategy. The process for risk management and mitigation includes our Code of Conduct and other compliance policies, formal structures and groups, and overall business management. At a threshold level, the Company has developed a robust compliance program and promotes a culture of compliance, which mitigates risk. In addition to the Code of Conduct, the Company has compliance policies, training and reporting options. Building on the culture of compliance, the Company manages and mitigates risks through formal structures and groups, including Management Councils, Risk Committees, and the services of corporate areas such as internal audit, a corporate compliance officer and area, the corporate controller and legal services. While the Company has developed a number of formal structures for risk management, many material risks affect the business as a whole and are managed across business areas. The Company confronts legislative and regulatory policy and compliance risks, including risks related to climate change and emission of carbon dioxide, risks associated with the emission of pollutants such as SO<sub>2</sub> and NO<sub>x</sub> and risks for recovery of capital and operating costs; resource planning and other long-term planning risks, including resource acquisition risks; financial risks, including credit, interest rate and capital market risks; and macroeconomic risks, including risks related to economic conditions and changes in demand for the Company's products and services. Cross-cutting risks such as these are discussed and managed across business areas and coordinated by the Company's senior management.

Management provides information to the Board in presentations and communications over the course of the Board calendar. Senior management presents an assessment of key risks to the Board annually. The presentation of the key risks and the discussion provides the Board with information on the risks management believes are material, including the earnings impact, timing, likelihood and controllability. Based on this presentation, the Board reviews risks at an enterprise level and confirms risk management and mitigation are included in the Company's strategy. The Guidelines on Corporate Governance and committee charters define the scope of review and inquiry for the Board and committees. The standing committees also oversee risk management as part of their charters. Each committee has responsibility for overseeing aspects of risk and the Company's management and mitigation of the risk. The Board has overall responsibility for risk oversight. As described above, the Board reviews the key risk assessment process presented by senior management. This key risk assessment analyzes the most likely areas of future risk to the Company. The Board also reviews the performance and annual goals of each business area. This review, when combined with the oversight of specific risks by the committees, allows the Board to confirm risk is considered in the development of goals and that risk has been adequately considered and mitigated in the execution of corporate strategy.

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### **Director Independence**

For purposes of determining independence, we have adopted the following categorical standards for director independence in compliance with the listing standards of the New York Stock Exchange:

No director qualifies as independent unless the Board affirmatively determines, taking into account all of the relevant facts and circumstances, that the director has no material relationship with us or any of our subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with us or any of our subsidiaries);

A director who is an employee, or whose immediate family member is an executive officer, of the Company or any of our subsidiaries is not independent until four years after the end of such employment relationship;

A director who receives, or whose immediate family member receives, more than \$120,000 per year in direct compensation from us or any of our subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until four years after he or she ceases to receive more than \$120,000 per year in such compensation;

A director (a) who is a current partner or employee of the firm that is the Company's external auditor, or (b) whose immediate family member is a current partner of such firm, or (c) whose immediate family member is a current employee of such firm and personally worked on the Company's audit, or (d) who was, or whose immediate family member was, within the last four years a partner or employee of such a firm and personally worked on the Company's audit within that time, is not independent;

A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of our present executives or any of our subsidiaries' present executives serve on that company's compensation committee is not independent until four years after the end of such service or the employment relationship;

A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, us or any of our subsidiaries for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues is not independent until four years after falling below such threshold; and

A director who is an employee or representative of a significant supplier of any Xcel Energy business unit or legal entity will not be independent unless we entered into the relationship with the supplier as a result of competitive purchasing practices.

For purposes of determining whether a director is independent, the Board has determined that the receipt of regulated electric and gas service from the Company by a director, the director's immediate family member, or any entity of which the director is an affiliate does not constitute a material relationship.

The Board has affirmatively determined that all ten non-employee directors are independent. Mr. Fowke is the only management director on the Board and is not independent. In making this determination, the Board specifically considered transactions with U.S. Bancorp and UnitedHealth Group, all of which were entered into in the ordinary course of business. During 2011, the Company was a party to transactions with affiliates of U.S. Bancorp that resulted in payments to U.S. Bancorp of \$1.3 million, less than .01% of U.S. Bancorp's revenue. The nature of our payments to U.S. Bancorp included: trustee fees for serving as a trustee for three of our operating subsidiaries' indentures;

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commitment fees for U.S. Bancorp serving as one of 20 members of the banking group syndicate, but not one of the lead banks, for our and subsidiaries syndicated revolving credit facilities; and fees paid for serving as one of three underwriters, but not the lead underwriter, on a public debt securities offering by one of our subsidiaries. In this role U.S. Bancorp did not provide advice on deal structure or documentation, but rather provided information, along with the other two underwriters, of the general market for public debt securities and the impact of market conditions on the timing of the transaction, as well as marketing and selling a portion of the debt securities. In addition, during 2011, the Company also was a party to transactions with affiliates of UnitedHealth Group that resulted in payments of \$15.6 million to UnitedHealth Group, less than .02% of UnitedHealth Group's revenue. The nature of our payments to UnitedHealth Group included fees for administrative services for the Company's self-funded medical plans and certain of our health and welfare plans as well as premiums for certain retiree medical plans. UnitedHealth Group has not provided advisory services to the Company for actuarial or consulting services as part of these transactions and has not served as an insurance broker or been paid a commission or similar fee for these administrative services or related to the retiree medical policy.

After reviewing information about these transactions, the Board has deter