



February 28, 2023

Mr. Rick Schrubbe  
 Vice President, Business Area Finance  
 Xcel Energy Inc.  
 401 Nicollet Mall  
 3<sup>rd</sup> Floor  
 Minneapolis, MN 55401

**Subject: 2022 ASC 715 Valuation Results for SPS and Xcel Services**

Dear Rick:

Below is an exhibit summarizing the 2022 ASC 715 Benefit Cost/(Income) for the SPS and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The 2022 U.S. GAAP results are based on participant data as of January 1, 2021 projected to the end of the year based on status changes through November 30, 2021, and retiree medical claims experience from May 2018 through June 2021.

The combined 2022 cost/(income) for SPS and Xcel Services is \$0.0 million, unchanged from 2021. The factors impacting cost are summarized below (\$ in millions).

	SPS	Xcel Services	Total
<b>2021 Cost</b>	<b>(\$1.2)</b>	<b>\$1.2</b>	<b>\$0.0</b>
1. Expected liability demographics/experience	0.0	0.0	0.0
2. Impact of actual demographic changes	0.1	0.0	0.1
3. Impact of claims cost and participants contribution changes	(0.1)	0.0	(0.1)
4. Impact of discount rate change	0.1	(0.1)	0.0
5. Impact of asset performance	0.1	(0.1)	0.0
<b>2022 Cost</b>	<b>(\$1.0)</b>	<b>\$1.0</b>	<b>\$0.0</b>

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The following are the notable changes impacting the cost between 2021 and 2022:

1. The expected changes to the plans' service cost and liabilities related to demographic experience for both plans did not impact 2022 cost.
2. The impact of actual demographic changes includes the impact of census data updates. The impact of these updates increased the 2022 cost.
3. The impact of claims cost changes includes updates to the per capita claims cost assumption. This decreased the 2022 cost. The per capita claims cost increased approximately 1.0% (2.70% decrease in pre-65 and 3.20% increase in post-65), versus an expected increase of 5.5% for pre-65, 5.0% for post-65. The expected Medicare Part D reimbursement for eligible retirees increased 9.0% versus an expected increase of 5.0%.
4. The discount rate used to determine the 2022 cost was 3.09%, an increase from the 2.65% discount rate used to determine the 2021 cost. This did not impact 2022 cost.
5. The actual investment return during 2021 was slightly lower than expected. This investment return, combined with actual benefit payment experience resulted in no overall impact on 2022 cost.

### Economic Assumptions

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

	2022	2021
Discount Rate	3.09%	2.65%
Expected Return on Assets Assumption – VEBA (Bargaining/Non bargaining)	4.10%	4.10%
Initial Medical Trend – Pre-65	5.30%	5.50%
Initial Medical Trend – Post-65	4.90%	5.00%
Ultimate Medical Trend	4.50%	4.50%
Year Ultimate Trend is Reached	2026	2026

### ACTUARIAL CERTIFICATION

Except as otherwise provided herein, the results presented above are based on the data, assumptions, methods, models, plan provisions and other information, outlined in the actuarial valuation report to determine accounting requirements for the plan for the plan year beginning January 1, 2022 dated March 2, 2022. Therefore, such information, and the reliances and limitations of the valuation report and its use, should be considered part of this letter.

This letter was prepared for your sole and exclusive use and on the basis agreed with you. It was not prepared for use by any other party and may not address their needs, concerns or objectives. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent. WTW accepts no responsibility for any consequences arising from any third party relying on this report or any advice relating to its contents.

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related intellectual property rights, the recipient will not have the right to reference or distribute this report to any other party, and the recipient will not place any reliance on this report that would result in the creation of any duty or liability by WTW to such recipient.

Xcel Energy Inc. may make a copy of this letter available to its auditors or appropriate governmental agencies of the plan or the plan sponsor, but we make no representation as to the suitability of this letter for any purpose other than that for which it is intended, as described above, and we accept no responsibility or liability to these third parties in this regard. Xcel Energy Inc. should draw the provisions of this paragraph to the attention of its auditors or appropriate governmental agencies when providing this report to them.

In preparing these results, we have relied upon information and data provided to us orally and in writing by Xcel Energy Inc. and other persons or organizations designated by Xcel Energy Inc. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have reviewed this data and information for overall reasonableness and consistency, but have neither audited nor independently verified this information.

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the postretirement welfare cost and other financial reporting have been selected by the Company. WTW has evaluated the assumptions used and believes that they do not significantly conflict with what would be reasonable. U.S. GAAP requires that each significant assumption “individually represent the best estimate of the plan’s future experience solely with respect to that assumption.”

The undersigned are members of the Society of Actuaries and meet the “Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States” relating to postretirement welfare plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC (“WTW”).

Sincerely,

**/s/ Mark Afdahl**  
Mark A. Afdahl, FSA  
Director, Retirement

**/s/ Ali Rehan Rattansi**  
Ali Rehan Rattansi, ASA  
Associate Director, Retirement

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

Beth Fernandez, WTW  
Kristoff Hendrickson, WTW  
Jon Nilson, WTW  
Jim Shaddy, WTW  
Emily Shaikoski, WTW

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

	Amortizations						January 1 Prepaid (Accrued)	Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss	Net Cost		
<b>2021</b>								
SPS <sup>1</sup>	849	982	(1,769)	(425)	(759)	(1,122)	(12,514)	-
Xcel Services <sup>1</sup>	37	743	(6)	(365)	741	1,150	(12,098)	1,592
Total Xcel Energy	886	1,725	(1,775)	(790)	(18)	28	(24,612)	1,592

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

**Assumptions**

Discount Rate	2.65%	
Expected Return on Assets	4.10%	
Medical Trend	Pre-65	Post-65
Initial (2021)	5.50%	5.00%
Ultimate	4.50%	4.50%
Year Ultimate Reached	2026	2026

Assumed Mortality Table

Bargaining:

PriH-2012 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology.

Non-bargaining:

PriH-2012 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology.

Contribution for SPS equals net cost for 2021, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2021.

See 2021 valuation report for additional information on data, assumptions, methods and plan provisions.

	Amortizations						January 1 Prepaid (Accrued)	Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss	Net Cost		
<b>2022</b>								
SPS <sup>1</sup>	755	1,024	(1,708)	(425)	(552)	(906)	(11,472)	-
Xcel Services <sup>1</sup>	35	808	(41)	(278)	426	950	(11,237)	1,629
Total Xcel Energy	790	1,832	(1,749)	(703)	(126)	44	(22,709)	1,629

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

**Assumptions**

Discount Rate	3.09%	
Expected Return on Assets	4.10%	
Medical Trend	Pre-65	Post-65
Initial (2022)	5.30%	4.90%
Ultimate	4.50%	4.50%
Year Ultimate Reached	2026	2026

Assumed Mortality Table

Bargaining:

PriH-2012 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology.

Non-bargaining:

PriH-2012 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology.

Contribution for SPS equals net cost for 2022, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2022.

See 2022 valuation report for additional information on data, assumptions, methods and plan provisions.

**XCEL ENERGY INC. - Postretirement Benefits**  
**U.S. GAAP Cost Estimates by Legal Entity**  
**(\$ in Thousands)**

**EXHIBIT III**  
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2024	Amortizations					Net Cost	January 1 Prepaid (Accrued)	Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss			
SPS <sup>3</sup>	475	1,413	(1,693)	-	(522)	(327)	(10,302)	-
Xcel Services <sup>3</sup>	19	1,127	(65)	-	237	1,318	(10,102)	1,942

*Assumptions*

Discount Rate	5.80%		
Expected Return on Assets	5.00%		
Medical Trend	Pre-Medicare	Post-Medicare	Medicare Part D
Initial (2023)	6.50%	5.50%	4.00%
Ultimate	4.50%	4.50%	2.50%
Year Ultimate Reached	2030	2030	2030

*Assumed Mortality Table*

- Bargaining: PriH-2012 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology.
- Non-bargaining: PriH-2012 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology.

Contributions for PSCo and SPS are assumed equal to the net cost, but not less than zero. Contributions for other legal entities are assumed equal to the expected benefit payments. See February 7, 2023 letter for additional information on data, assumptions, models, methods, and plan provisions.

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