

September 3, 2020

Mr. Rick Schrubbe
 AVP, Financial Analysis and Planning
 Xcel Energy Inc.
 401 Nicollet Mall
 3rd Floor
 Minneapolis, MN 55401

Subject: 2019 ASC 715 Valuation Results for SPS and Xcel Services

Dear Rick:

Below is an exhibit summarizing the 2019 ASC 715 Benefit Cost/(Income) for the SPS and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The 2019 U.S. GAAP results are based on participant data as of January 1, 2018 projected to the end of the year based on status changes through November 30, 2018, and retiree medical claims experience from May 2015 through April 2018.

The combined 2019 cost/(income) for SPS and Xcel Services is \$0.9 million, which is consistent with 2018. The factors impacting cost are summarized below (\$ in millions).

	SPS	Xcel Services	Total
2018 Cost	(\$0.6)	\$1.5	\$0.9
1. Expected liability demographics/experience	(0.1)	0.0	(0.1)
2. Impact of actual demographic changes	0.1	(0.2)	(0.1)
3. Impact of claims cost changes	(0.1)	(0.1)	(0.2)
4. Impact of updated retirement rates and decrement timing	0.0	0.0	0.0
5. Impact of discount rate change	0.1	(0.2)	(0.1)
6. Impact of asset performance	0.1	0.2	0.3
7. Impact of expected rate of return change	0.2	0.0	0.2
2019 Cost	(\$0.3)	\$1.2	\$0.9

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The following are the notable changes impacting the cost between 2018 and 2019:

1. The expected decreases in the plans' service cost and liabilities related to demographic experience for both plans decreased 2019 cost.
2. The impact of actual demographic changes includes the impact of census data updates. The impact of these updates increased the 2019 cost for SPS and decreased the 2019 cost for Xcel Services.
3. The impact of claims cost changes includes updates to the per capita claims cost assumption. This decreased the 2019 cost. The per capita claims cost increased 1.9% overall (0.3% pre-65 and 2.2% post-65), versus an expected increase of 7.0% for pre-65 and 5.5% for post-65 coverage. The expected Medicare Part D reimbursement for eligible retirees decreased 3.0% versus an expected increase of 5.5%.
4. The expected rates of retirement were updated to reflect later retirement ages and the decrement timing model was updated to reflect terminations and retirements at the middle of the year. These changes offset resulting in minimal changes to the 2019 cost.
5. The discount rate used to determine the 2019 cost was 4.32%, an increase from the 3.62% discount rate used to determine the 2018 cost. This increased the 2019 cost for SPS and decreased the 2019 cost for Xcel Services.
6. The actual investment return during 2018 was lower than expected, which increased 2019 cost.
7. The expected rate of return was reduced from 5.80% to 5.30%, which increased 2019 cost.

Economic Assumptions

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

	2019	2018
Discount Rate	4.32%	3.62%
Expected Return on Assets Assumption – VEBA (Bargaining/Non bargaining)	5.30%	5.80%
Initial Medical Trend – Pre-65	6.50%	7.00%
Initial Medical Trend – Post-65	5.30%	5.50%
Ultimate Medical Trend	4.50%	4.50%
Year Ultimate Trend is Reached	2023	2023

ACTUARIAL CERTIFICATION

As requested by Xcel Energy Inc., this report provides results of the actuarial valuations of the Xcel Energy Inc. employee benefit plans indicated above. Additional details on the data, assumptions, methods, and plan provisions can be found in the 2019 valuation report dated March 29, 2019. This letter should be viewed as a subset of this report and should not be used for other purposes, distributed to others outside Xcel Energy Inc. or relied upon by any other person without prior written consent from Willis Towers Watson US LLC. Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

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

In preparing these results, we have relied upon information and data provided to us orally and in writing by Xcel Energy Inc. and other persons or organizations designated by Xcel Energy Inc. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency.

The results summarized in this letter involve actuarial calculations that require assumptions about future events. Xcel Energy Inc. is responsible for the selection of the assumptions. We believe that the assumptions used in this report are reasonable for the purposes for which they have been used.

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

The undersigned consultants with actuarial credentials meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC.

Sincerely,



Mark A. Afdahl, FSA
Director, Retirement



Ali Rehan Rattansi, ASA
Associate Director, Retirement

http://natct.internal.towerswatson.com/clients/609084A/XcelIRETActuarial-2020/Documents/Other Projects/PRW Cost by Legal Entity/2019 FAS 106 Cost_SPS and XS_09032020.docx

Cc: Todd Degrugillier, Xcel Energy Inc.
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XCEL ENERGY INC. - Postretirement Benefits
ASC 715 Results by Legal Entity
(\$ in Thousands)

	Amortizations					Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss	
2018						
SPS ¹	1,118	1,641	(2,460)	(404)	(453)	(13,779)
Xcel Services ¹	62	1,077	(44)	(657)	989	(13,142)
Total Xcel Energy	1,180	2,718	(2,504)	(961)	536	(26,921)
						1,654
						1,654

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	3.62%
Expected Return on Assets	5.80%
Medical Trend	Pre-65
Initial (2018)	7.00%
Ultimate	4.50%
Year Ultimate Reached	2023
Assumed Mortality Table	2023

Bargaining:

Non-bargaining:

RPH-2014 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2016 methodology.
RPH-2014 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2016 methodology.

Contribution for SPS equals net cost for 2018, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2018.

See 2018 valuation report for additional information on data, assumptions, methods and plan provisions.

2019

	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss	January 1 Prepaid (Accrued)	Contribution
SPS ¹	879	1,741	(2,039)	(466)	(420)	(13,234)	-
Xcel Services ¹	43	1,132	(33)	(665)	676	(12,591)	1,587
Total Xcel Energy	922	2,873	(2,072)	(1,031)	256	(25,825)	1,587

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	4.32%
Expected Return on Assets	5.30%
Medical Trend	Pre-65
Initial (2018)	6.50%
Ultimate	4.50%
Year Ultimate Reached	2023
Assumed Mortality Table	2023

Bargaining:

Non-bargaining:

RPH-2014 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SC MP-2016 methodology.
RPH-2014 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SC MP-2016 methodology.

Contribution for SPS equals net cost for 2019, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2019.

See 2019 valuation report for additional information on data, assumptions, methods and plan provisions.