

September 3, 2021

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

Subject: 2020 ASC 715 Valuation Results for SPS and Xcel Services

Dear Rick:

Below is an exhibit summarizing the 2020 ASC 715 Benefit Cost/(Income) for the SPS and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The 2020 U.S. GAAP results are based on participant data as of January 1, 2019 projected to the end of the year based on status changes through November 30, 2019, and retiree medical claims experience from May 2016 through June 2019.

The combined 2020 cost/(income) for SPS and Xcel Services is \$0.9 million, which is consistent with 2019. The factors impacting cost are summarized below (\$ in millions).

	SPS	Xcel Services	Total
2019 Cost	(\$0.3)	\$1.2	\$0.9
1. Expected liability demographics/experience	0.1	0.1	0.2
2. Impact of actual demographic changes	0.0	0.0	0.0
3. Impact of claims cost changes	(0.2)	0.0	(0.2)
4. Impact of updated mortality tables and projection scale	0.0	0.0	0.0
5. Impact of discount rate change	0.1	0.1	0.2
6. Impact of asset performance	(0.3)	(0.2)	(0.5)
7. Impact of expected return on assets assumption	0.3	0.0	0.3
8. Impact of Cadillac tax repeal	0.0	0.0	0.0
2020 Cost	(\$0.3)	\$1.2	\$0.9

Mark Afdahl
 Director
 Suite 1700
 8400 Normandale Lake Boulevard
 Minneapolis, MN 55437

T +1 952 842 7000
 D 952 842 6445
 C 612 387 8623
 F 952 806 2445
 E Mark.Afdahl@willistowerswatson.com
 W willistowerswatson.com

The following are the notable changes impacting the cost between 2019 and 2020:

1. The expected increase for 2020 cost is primarily driven by the expiration of prior service credit amortization base from a prior plan change that decreased benefits.
2. The impact of actual demographic changes includes the impact of census data updates. These updates did not impact 2020 cost.
3. The impact of claims cost changes includes updates to the per capita claims cost assumption. This decreased the 2020 cost. The per capita claims cost increased 0.8% overall (1.3% pre-65 and 2.2% post-65), versus an expected increase of 6.5% for pre-65, 5.3% for post-65. The expected Medicare Part D reimbursement for eligible retirees decreased 2.2% versus an expected increase of 5.3%.
4. The mortality assumption was updated to the PriH-2012 Collar distinct tables, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2019 methodology. These changes did not impact 2020 cost.
5. The discount rate used to determine the 2020 cost was 3.47%, a decrease from the 4.32% discount rate used to determine the 2019 cost. This increased the 2020 cost.
6. The actual investment return during 2019 was higher than expected, which decreased 2020 cost.
7. The expected asset return was decreased from 5.30% to 4.50%. This increased the 2020 cost.
8. The repeal of the Affordable Care Act's Cadillac tax did not impact 2020 cost.

Economic Assumptions

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

	2020	2019
Discount Rate	3.47%	4.32%
Expected Return on Assets Assumption – VEBA (Bargaining/Non bargaining)	4.50%	5.30%
Initial Medical Trend – Pre-65	6.00%	6.50%
Initial Medical Trend – Post-65	5.10%	5.30%
Ultimate Medical Trend	4.50%	4.50%
Year Ultimate Trend is Reached	2023	2023

ACTUARIAL CERTIFICATION

Except as otherwise provided herein, the results presented above are based on the data, assumptions, methods, 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, 2020 dated February 28, 2020.

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 Willis Towers Watson's prior written consent. Willis Towers Watson 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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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 Xcel Energy Inc. Willis Towers Watson has concurred with these assumptions and methods. U.S. GAAP requires that each significant assumption "individually represent the best estimate of a particular future event."

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.

Sincerely,



Mark A. Afdahl, FSA
Director, Retirement



Ali Rehan Rattansi, ASA
Associate Director, Retirement

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

Beth Fernandez, Willis Towers Watson
Kristoff Hendrickson, Willis Towers Watson
Scott Lund, Willis Towers Watson
Jim Shaddy, Willis Towers Watson
Emily Shaikoski, Willis Towers Watson

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		
2019						
SPS ¹	879	1,741	(2,039)	(466)	(420)	(305)
Xcel Services ¹	43	1,132	(33)	(565)	676	1,253
Total Xcel Energy	922	2,873	(2,072)	(1,031)	256	948
						(25,825)
						1,587

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	4.32%
Expected Return on Assets	5.30%
Medical Trend	6.50%
Initial (2018)	5.30%
Ultimate	4.50%
Year Ultimate Reached	2023

Assumed Mortality Table

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 S 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.

	Amortizations				January 1 Prepaid (Accrued)	Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost		
2020						
SPS ¹	1,021	1,448	(1,897)	(425)	(411)	(264)
Xcel Services ¹	54	968	(37)	(365)	577	1,197
Total Xcel Energy	1,075	2,416	(1,934)	(790)	166	933
						(25,087)
						1,645

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	3.47%
Expected Return on Assets	4.50%
Medical Trend	6.00%
Initial (2019)	5.10%
Ultimate	4.50%
Year Ultimate Reached	2023

Assumed Mortality Table

Bargaining:

Non-bargaining:

PTH-2012 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SO MP-2019 methodology.
 PTH-2012 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted S MP-2019 methodology.
 Contribution for SPS equals net cost for 2020, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2020.
 See 2020 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)

	Amortizations					Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss	
2022						
Discontinued Operations ¹						
Xcel Energy Nuclear						
NSP - MN ²						
NSP - WI						
PSCO						
SPS ³	812	956	(1,728)	(425)	(730)	-
Xcel Services ³						
XEPC (former EEM)	34	722	(7)	(278)	710	1,527
Total Xcel Energy						

¹Includes NRG, BMG, Viking, Natrogas, Cheyenne, Quixx and UE.

²Includes Eloigne and Seren.

³Includes 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		

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

PrtH-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 May 12, 2021 letter for additional information on data, assumptions, models, methods, and plan provisions.

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