



April 29, 2022

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

Subject: 2021 ASC 715 Valuation Results for SPS and Xcel Services

Dear Rick:

Below is an exhibit summarizing the 2021 ASC 715 Benefit Cost/(Income) for the SPS and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The 2021 U.S. GAAP results are based on participant data as of January 1, 2020 projected to the end of the year based on status changes through November 30, 2020, and retiree medical claims experience from March 2017 through June 2020.

The combined 2021 cost/(income) for SPS and Xcel Services is \$0.0 million, a \$0.9 million decrease from 2020. The factors impacting cost are summarized below (\$ in millions).

	SPS	Xcel Services	Total
2020 Cost	(\$0.3)	\$1.2	\$0.9
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	(0.2)	0.0	(0.2)
4. Impact of updated mortality table and projection scale	0.0	0.0	0.0
5. Impact of discount rate change	0.0	0.1	0.1
6. Impact of asset performance	(0.1)	0.0	(0.1)
7. Impact of expected return on assets assumption	0.2	0.0	0.2
8. Impact of updated medical trend rates	0.0	0.0	0.0
9. Impact of reflecting unused HRA balances and assumption update	(0.5)	(0.1)	(0.6)
10. Impact of forward looking demographic assumptions	(0.2)	0.0	(0.2)
2021 Cost	(\$1.2)	\$1.2	\$0.0

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The following are the notable changes impacting the cost between 2020 and 2021:

1. The expected changes to the plans' service cost and liabilities related to demographic experience for both plans did not impact 2021 cost.
2. The impact of actual demographic changes includes the impact of census data updates. These updates decreased the 2021 cost.
3. The impact of claims cost changes includes updates to the per capita claims cost assumption. The per capita claims cost increased approximately 8.0% (12.00% increase in pre-65 and 5.70% post-65), versus an expected increase of 6.0% for pre-65, 5.1% for post-65. The expected Medicare Part D reimbursement for eligible retirees increased 0.2% versus an expected increase of 5.1%. The Medicare Part D reimbursement eligibility assumption for current and future M/M retirees that pay 100% of retiree premiums was updated from indefinite eligibility to eligibility up to the year 2050. The impact of these updates decreased the 2021 cost.
4. The mortality improvement scale was updated from an adjusted SOA MP-2019 methodology to an adjusted SOA MP-2020 methodology. This change did not impact the 2021 cost.
5. The discount rate used to determine the 2020 cost was 2.65%, a decrease from the 3.47% discount rate used to determine the 2020 cost. This update did not impact the 2021 cost.
6. The actual investment return during 2020 was higher than expected, which decreased 2021 cost.
7. The expected asset return was decreased from 4.50% to 4.10%. This increased the 2021 cost.
8. The initial retiree medical trend assumption for non-HRA benefits was updated from 4.90% to 5.00% for Medicare eligible participants and years to ultimate 4.50% trend rate was lengthened from 2 to 5 years for both pre- and Medicare eligible retirees. The impact of these updates did not impact the 2021 cost.
9. Updated retiree medical liability for current unused HRA balances was reflected. In addition, the retiree medical trend assumption for Medicare eligible retirees receiving an HRA contribution was decreased from 2.00% per year to 0.00% per year. The impact of these updates decreased the 2021 cost.
10. The impact of updating the termination rates, retirement rates, participant rates and spouse age assumptions from the 2020 experience study. The impact of these updates decreased the 2021 cost.

Economic Assumptions

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

	2021	2020
Discount Rate	2.65%	3.47%
Expected Return on Assets Assumption – VEBA (Bargaining/Non bargaining)	4.10%	4.50%
Initial Medical Trend – Pre-65	5.50%	6.00%
Initial Medical Trend – Post-65	5.00%	5.10%
Ultimate Medical Trend	4.50%	4.50%
Year Ultimate Trend is Reached	2026	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, 2021 dated March 16, 2021. 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

https://wtwonline.sharepoint.com/sites/tctclient_609084_2022RETANN/Documents/2021 FAS 106 Cost_SPS and XS_04292022.docx

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		
2020							
SPS ¹	1,021	1,448	(1,897)	(425)	(411)	(12,837)	-
Xcel Services ¹	54	968	(37)	(365)	577	(12,250)	1,645
Total Xcel Energy	1,075	2,416	(1,934)	(790)	166	(25,087)	1,645

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	3.47%
Expected Return on Assets	4.50%
Medical Trend	Pre-65
Initial (2019)	6.00%
Ultimate	5.10%
Year Ultimate Reached	4.50%
Assumed Mortality Table	2023

Bargaining: PriH-2012 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SO MP-2019 methodology.

Non-bargaining: PriH-2012 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SO 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.

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

¹Includes Executive Life Insurance benefits.

Assumptions

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

Bargaining: PriH-2012 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SO 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 SO 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.

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

EXHIBIT III
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	Amortizations					January 1 Prepaid (Accrued)	Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss		
2023							
Discontinued Operations ¹							
Xcel Energy Nuclear							
NSP - MN ²							
NSP - WI							
PSCo							
SPS ³	730	999	(1,675)	(84)	(554)	(10,566)	-
Xcel Services ³	33	783	(42)	(33)	424	(10,558)	1,539
XEPC (former EMI)							
Total Xcel Energy							

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

²Includes Eloigne and Seren.

³Includes Executive Life Insurance benefits.

Assumptions

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

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 June 30, 2022 letter for additional information on data, assumptions, methods, models and plan provisions.

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