

September 6, 2019

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

Subject: 2018 ASC 715 Valuation Results for SPS and Xcel Services

Dear Rick:

Below is an exhibit summarizing the 2018 ASC 715 Benefit Cost/(Income) for the SPS and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The 2018 U.S. GAAP results are based on participant data as of January 1, 2017 projected to the end of the year based on status changes through November 30, 2017 and known retirements for December 2017, and retiree medical claims experience from May 2015 through April 2017.

The combined 2018 cost/(income) for SPS and Xcel Services is \$0.9 million, a \$0.2 million increase from 2017. The increase in cost is summarized below (\$ in millions).

	SPS	Xcel Services	Total
2017 Cost	(\$0.8)	\$1.5	\$0.7
1. Expected liability demographics/experience	0.0	(0.1)	(0.1)
2. Impact of actual demographic changes	0.1	0.1	0.2
3. Impact of claims cost changes	0.1	(0.1)	0.0
4. Impact of trend assumption change	0.2	0.1	0.3
5. Impact of discount rate change	0.1	0.1	0.2
6. Impact of asset performance	(0.3)	(0.1)	(0.4)
7. Impact of excise tax legislative change	0.0	0.0	0.0
2018 Cost	(\$0.6)	\$1.5	\$0.9

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The following are the notable changes impacting the cost between 2017 and 2018:

1. The expected decrease for 2018 cost for Xcel Services is driven by expected decreases in the plans' service cost and liabilities related to demographic experience. The expected change due to demographic experience did not have a significant impact on the 2018 cost for SPS.
2. The impact of actual demographic changes includes the impact of census data updates. The impact of these updates increased the 2018 cost.
3. The impact of claims cost changes includes updates to the per capita claims cost assumption. This increased the 2018 cost for SPS and decreased the 2018 cost for Xcel Services. The per capita claims cost increased 2.5% overall, but increased approximately 9% for SPS, versus an expected increase of 5.5%. The expected Medicare Part D reimbursement for eligible retirees decreased 4.3% versus an expected increase of 5.5%.
4. The medical trend assumption was updated to an initial rate of 7.0% in 2018 for pre-65 claims costs and an initial rate of 5.5% in 2018 for post-65 claims costs, with both pre-65 and post-65 claims costs grading to an ultimate rate of 4.5% in 2023. This increased the 2018 cost.
5. The discount rate used to determine the 2018 cost was 3.62%, a decrease from the 4.13% discount rate used to determine the 2017 cost. This increased the 2018 cost.
6. The actual investment return during 2017 was higher than expected, which decreased 2018 cost.
7. The legislative excise tax was delayed to be introduced in 2022 instead of 2020. This did not have a significant impact on the 2018 cost for either plan.

Economic Assumptions

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

	2018	2017
Discount Rate	3.62%	4.13%
Expected Return on Assets Assumption – VEBA (Bargaining/Non bargaining)	5.80%	5.80%
Initial Medical Trend – Pre-65	7.00%	5.50%
Initial Medical Trend – Post-65	5.50%	5.50%
Ultimate Medical Trend	4.50%	4.50%
Year Ultimate Trend is Reached	2023	2019

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, 2018 dated April 30, 2018. 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 pension 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

http://natct.internal.towerswatson.com/clients/609084A/XcelRETActuarial-2018/Documents/Other Projects/PRW Cost by Legal Entity/2018 FAS 106 Cost_SPS and XS_02xx2019.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					Net Cost	January 1 Prepaid (Accrued)	Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss			
2017								
SPS ¹	875	1,659	(2,355)	(401)	(618)	(840)	(14,788)	-
Xcel Services ¹	44	1,161	(29)	(549)	864	1,491	(13,583)	1,748
Total Xcel Energy	919	2,820	(2,384)	(950)	246	651	(28,371)	1,748

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	4.13%
Expected Return on Assets	5.80%
Medical Trend	
Initial (2017)	5.50%
Ultimate	4.50%
Year Ultimate Reached	2019

Assumed Mortality Table

Bargaining:	RP-2014 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2016 methodology.
Non-bargaining:	RP-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 2017, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2017. See 2017 valuation report for additional information on data, assumptions, methods and plan provisions.

	Amortizations					Net Cost	January 1 Prepaid (Accrued)	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)	(558)	(13,779)	-
Xcel Services ¹	62	1,077	(44)	(557)	989	1,527	(13,142)	1,654
Total Xcel Energy	1,180	2,718	(2,504)	(961)	536	969	(26,921)	1,654

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	3.62%	
Expected Return on Assets	5.80%	
Medical Trend		
Initial (2018)	7.00%	5.50%
Ultimate	4.50%	4.50%
Year Ultimate Reached	2023	2023

Assumed Mortality Table

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.
Non-bargaining:	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.