



PUBLIC POLICY

We engage in policy and regulatory issues important to providing our customers with the energy service and products they want and value.

As the energy industry continues to undergo a significant transformation, it is essential that we participate in the policy developments that determine our future, representing the interests of our company and its many stakeholders. With more than a century of experience in meeting the energy and financial needs of customers, communities and investors, we aim to share our expertise with policy makers and elected officials to better inform the decisions that impact the service we provide.

One of our policy focus areas is supporting the new and emerging technologies that will change how we serve our customers. This includes technologies that support new products and services for enhancing the customer experience, as well as advanced, zero-carbon 24/7 generation technologies and long-duration energy storage for achieving our carbon-free aspiration. Specifically, we support policy efforts that will springboard new research and development and will offer the right incentives to foster commercial demonstrations and early deployment of technology. Once new technologies become available, we need policy to accelerate adoption and streamline each phase of the process from siting and permitting to installation and operations.

We discuss issues and solutions with policy makers on all levels — local, state and federal. We also provide informal input and formal testimony and comments on proposed legislation and regulation. To help form partnerships or alliances for advancing our policy objectives, we participate in industry, trade, business and other associations. These memberships provide a pathway to achieve common goals with like-minded organizations, as well as the opportunity influence those organizations on issues where we do not always agree.



HIGHLIGHTS

- We continue to work closely with local, state and federal policy makers to address the COVID-19 pandemic. As our cities and states issued stay-at-home orders to slow the spread of the virus, we have ensured our essential employees can remain in the field to provide the energy service that our customers rely on, now more than ever. We have also engaged in discussions with federal policy makers about providing economic relief to businesses and households that need it most. The CARES Act, signed into law in March 2020, includes an additional \$900 million funding for the Low-Income Home Energy Assistance Program (LIHEAP) to help households with their energy bills.
- In New Mexico, we worked to support policy makers that adopted a new vision for the state's utilities to provide carbon-free electricity by 2045. The Energy Transition Act increases New Mexico's renewable portfolio standard to 50% by 2030, with a goal of 80% by 2040. We worked to ensure that regulators would take the affordability and reliability of electricity service and the availability of transmission into account as we add high levels of renewable energy to the power grid and transition to carbon-free electricity.
- In Colorado, we worked with a diverse group of stakeholders to develop legislation that provides regulatory certainty for pursuing our goal to reduce carbon emissions 80% by 2030 and aspiration for 100% carbon-free electricity by 2050. This was adopted along with a package of bills focused on achieving the state's clean energy future.
- In both Colorado and New Mexico, policy makers adopted new laws that allow us to develop programs to support customers in adopting electric vehicles (EVs). These new programs enable us to better plan for and build new infrastructure to support our customers' interest in EVs. We will work with stakeholders and regulators to develop products and programs that enable our customers to take advantage of low-cost renewable energy and ensure that chargers are available where they are needed.
- In 2020, Xcel Energy Chairman and CEO, Ben Fowke, will serve as Chairman of the Edison Electric Institute. In this role, he will help to guide the industry through challenges presented by the COVID-19 crisis while continuing to champion the development of clean firm-capacity energy technologies that the industry needs to achieve 100% carbon-free electricity.

POLITICAL CONTRIBUTIONS AND LOBBYING

Xcel Energy has a corporate policy that sets guidelines and rules for political contributions and to ensure all contacts with government officials meet legal and ethical standards.

Our board of directors, leadership and employees must comply with all federal laws restricting the making of political contributions using corporate funds in connection with elections for federal offices. When communicating about matters involving Xcel Energy, the board of directors, leadership and employees must accurately convey corporate messages and support the Xcel Energy brand. Xcel Energy's Political Contributions Report provides corporate contributions and dues paid to trade associations.

PUBLIC POLICY PRINCIPLES

Our energy landscape is evolving, driven by new technologies and customers demanding new energy options and a lower carbon footprint. In this new landscape, we are striving to meet the interests of individual customers while continuing to deliver safe, clean, reliable energy at an affordable cost and creating opportunities for our company to invest in the power grid. To meet the challenges ahead, we follow these four core principles as we support the transformation of our energy landscape.

- **Utilities are engines for innovation and deployment at scale.** The vertically integrated utility model with regulatory oversight is well-positioned to adapt to changing energy markets, new technologies, new customer preferences and community goals. This model provides inherent system value through efficiency, optimization and economies of scale that benefit all customers and balances the allocation of risks and benefits between the utility and its customers. As such, we are well-positioned to grow the market for value-added services — such as energy storage, microgrids, electric vehicles and solar power — and to do so at scale and in a manner that benefits all customers.
- **We can enable greater customer choice without eroding fundamental rate design principles.** Ideally, rates should reflect the cost of service provided to a customer and continue to prioritize affordability because reliable, affordable energy is essential to a strong economy and protecting low-income customers. Matching rates to price signals moves the system to a more efficient state of operation and options like time-of-use pricing can incentivize customers to shift energy use to more desirable times.
- **The power grid is our economy's greatest physical asset and utilities are its stewards.** More than a collection of wires, the power grid is an integrated system of plants, wires, transformers, substations, control systems and other equipment that is foundational to our economy. In our jurisdictions, the vertically integrated utility model — from supply to delivery — is the most effective way to economically maintain a reliable and secure grid and make the investments necessary to meet customer needs and achieve environmental goals.
- **Our economy will continue to electrify, and utilities should be the architects of that transition.** There are clear signs that our economy is undergoing a transformation to greater and cleaner electricity usage, and through lower-carbon electricity and electrification, we can further reduce greenhouse gas emissions. The transition must be done as part of a thoughtful, deliberate, policy process — one that builds upon past utility successes and engages customers and communities who wish to actively participate. If we have supportive public policy, the utility sector can enable a pathway to a low-carbon economy.

To meet today's challenges, our society does not need a new business model for utilities. We need a modernized version of the model that has been delivering for decades. The utility industry, and Xcel Energy as a leader in the industry, is well poised to meet these challenges in direct partnership with our regulators and our customers.

ENGAGING WITH TRADE AND OTHER ASSOCIATIONS

Xcel Energy belongs to major trade organizations for the electric and natural gas industries, as well as other business and industry associations. This includes the Edison Electric Institute, American Gas Association, American Wind Energy Association and Nuclear Energy Institute, among others. Associations offer public policy leadership, business intelligence and opportunities to attend topical conferences or forums. They also provide important government-industry coordination and keep us abreast of developments in areas such as safety, security, grid reliability and customer care.

Xcel Energy's Strategy, Planning and External Affairs business area coordinates the company's participation, continuously monitoring the positions and activities of our industry and other affiliations on important issues, such as security and climate change. Leaders and staff from throughout the company participate on boards, special committees or working groups and help to guide industry practices, policies and positions. Hundreds of member companies comprise our trade associations, representing different regions of the country and customer needs. Complete alignment with our positions is rare. However, one of the most valuable aspects of our participation is having a seat at the table and opportunity to influence others on issues where we may not agree.

INNOVATION POLICY FOR ADVANCED CLEAN ENERGY TECHNOLOGIES

After announcing our vision to provide 100% carbon-free electricity by 2050, we immediately began working on plans to reduce carbon emissions 80% by 2030 and focusing on advanced technologies to achieve our vision. We started organizing internally and exploring industry and other partnerships to support policy objectives to spur innovation. To advance the clean energy technologies we need to eliminate the remaining 20% of carbon from the power grid and provide 100% carbon-free electricity, we are pursuing the following policy objectives.

Research and Development

We believe Congress should significantly increase funding for research and development and focus funding specifically on large-scale carbon-free generation technologies. The Department of Energy and other entities should streamline research by avoiding duplication and allocating resources to the most promising technologies. National laboratories could develop technologies while federal agencies take on demonstration efforts.

Commercial Demonstration

Public-private partnerships and different incentive structures will be needed to encourage commercial demonstration of very new technologies. These are capital-intensive, "first-of-a-kind" energy projects that are in the very early phase of proving their application, where there is greater risk associated with demonstrating their capabilities.

Early Deployment

As technologies advance through the maturation process, beyond research and development and commercialization, they will continue to need the certainty of incentives. Deployment incentives, if designed and implemented correctly, would move projects from "first of a kind" to "nth of a kind" — from technologies in the early phase of proving their application to technologies moving toward market competitiveness. As technologies become more widely adopted and successful, incentives would phase out. In addition, policy models that support risk-sharing between public and private investors could also minimize the risk of deployment.

Supportive Infrastructure (Ecosystem)

Achieving net-zero carbon emissions from the electric sector will require a substantial investment in new and repurposed infrastructure. To accelerate adoption and ensure technologies can enter the market without delay, we must develop an ecosystem that gives the industry the ability to permit, site and interconnect generating facilities and their related infrastructure. This also includes day-one operations, ensuring the necessary public acceptance and a trained and ready workforce for the ongoing success of new technologies. Ecosystem strategy should be part of Congress's evaluation of innovation policies.

We report on developing technology in the Energy Innovation section of the Corporate Responsibility Report.

EMPLOYEE POLICY ENGAGEMENT

Grassroots advocacy is important to Xcel Energy because our industry is so complex. Xcel Energy employees can help educate their friends, neighbors and community leaders. We offer several ways for employees to become more involved.

- **Legislative Days:** We offer a special day at the capitol in each of our jurisdictions for employees to meet their elected officials and learn more about the legislative process.
- **Local events and meetings:** Employees can represent the company at community meetings and special events.
- **Political Action Committees:** Employees can voluntarily participate in seven different groups that are organized and run by employees.

Political Action Committees

Xcel Energy sponsors seven Political Action Committees or PACs organized and run by employees, six at the state level and one at the federal level. Participation in the company's PACs is completely voluntary and is part of the engagement opportunities that we offer employees.

Each of the company-sponsored PACs has its own board of directors elected by its members that make contribution decisions. All our PACs are strictly voluntary, and there are no employment benefits based upon participation. Each complies with all applicable local, state and federal laws.

2019 Xcel Energy Political Action Committee Activity

PAC*	Employees Participating**	Total Employee Contributions to PAC	Total Contributions to Candidates***
Minnesota****	277	\$44,271	\$41,100
North Dakota	296	\$2,651	\$0
South Dakota	275	\$3,254	\$500
Texas/New Mexico (SCOPE)	329	\$31,578	\$21,000
Colorado (Western PAC)	276	\$30,660	\$1,550
Wisconsin	285	\$21,563	\$17,450
Federal PAC (XPAC)	335	\$238,959	\$232,400

*State PAC programs comply with all federal and state laws and regulations, which in some cases restrict the amount of funds that can be contributed in non-election years.

**Xcel Energy has established a program that allows employees to voluntarily donate a portion of their salaries to a state PAC program and have that amount divided among our different state PACs. That employee is considered a member in each state PAC. Therefore, one employee who donates to our state PAC program would be counted as a member of the six different state PACs as reflected above.

***Funds contributed by employees can accrue over multiple years and are not necessarily distributed in the same year they were contributed. Contributions to candidates vary by year and are typically lower in nonelection years or years when state legislatures are in session. The total number of employees participating in PAC programs fluctuates throughout the year.

****The state PAC in Minnesota is operated outside of Xcel Energy in accordance with state law that prohibits the use of corporate resources to support the PAC; although, payroll deduction is specifically permitted in Minnesota. Activity for the Minnesota PAC is only included in this table for transparency and informational purposes.