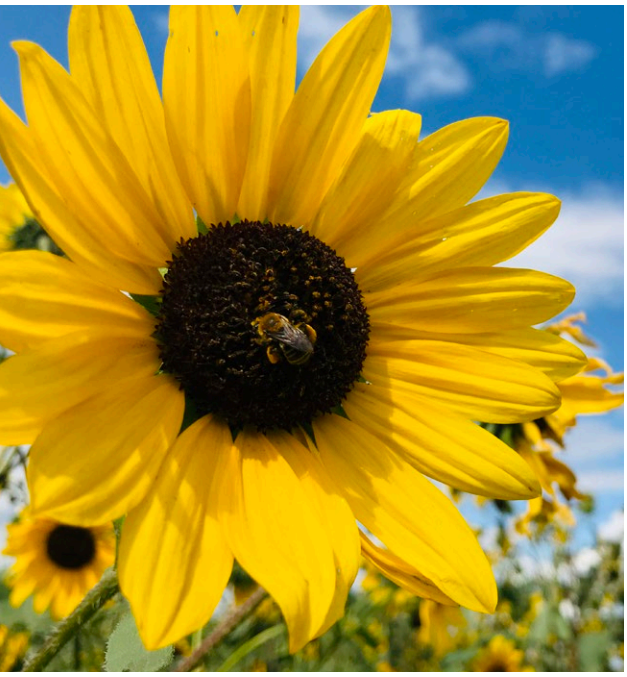
ENVIRONMENTAL MANAGEMENT

We have a comprehensive management system that promotes continuous improvement and ensures we fulfill our responsibility to protect the environment.

Each year, Xcel Energy delivers millions of megawatt hours of electricity and millions of cubic feet of natural gas to power homes, businesses and local economies across eight states. To manage the impact and risk of our operations on the environment, we have a corporate environmental policy and management system that serve as the cornerstone of our efforts.

We recognize that clean air, clean water and reducing waste are priorities for our customers and other stakeholders. They depend on us to be responsible stewards of our natural resources and to protect the environment as part of the reliable, affordable service we provide. We share these same expectations and demonstrate it through our operations and initiatives that seek to go beyond regulatory compliance to further minimize our environmental impact.

Our company has established a reputation as an environmental leader, something we never take for granted. We continue striving to build public trust and confidence through our focus on clean energy, strong compliance record and ongoing collaboration to address state and regional concerns.

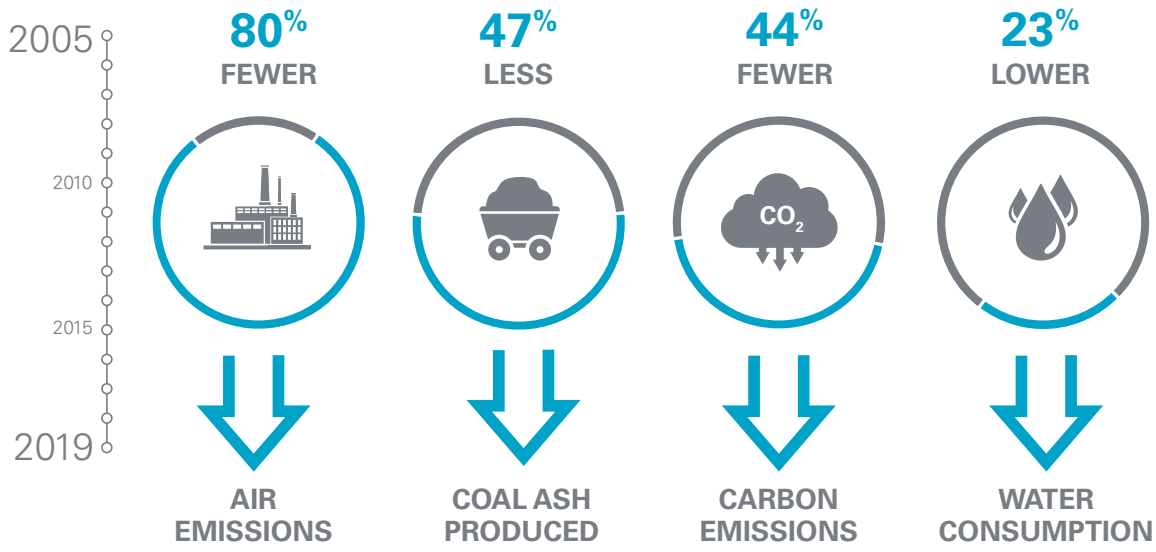


HIGHLIGHTS

- The Colorado Department of Public Health and Environment through its Environmental Leadership Program recognized Xcel Energy as a Gold Leader for the company's comprehensive Environmental Management System, as well as its clean energy leadership and environmental stewardship.
- Xcel Energy received a national Climate Leadership Award for top Organizational Leadership. The award recognizes our industry-leading carbon reduction efforts, as well as our support for customers and communities in achieving their clean energy goals.
- The Denver Metro Chamber of Commerce honored Xcel Energy as its Green Business of the Year in 2019. The award recognizes our unique ability to empower customers to achieve their clean energy goals while working toward our own aspiration to deliver 100% carbon-free electricity by 2050.

We have significantly reduced the environmental impact of our operations since 2005.

2005 TO 2019 ENVIRONMENTAL PROGRESS*



*Coal ash and air emissions are from Xcel Energy owned electric generation, and air emissions include sulfur dioxide and nitrogen oxides; water consumption is from the production of owned and purchased electricity, and carbon emissions are from the electricity provided to customers.

ENVIRONMENTAL POLICY

Xcel Energy's environmental policy lays the foundation for the company's commitment and approach to protecting the environment and sets expectations for aligning our business practices with this commitment.

Our policy is to pursue environmental excellence through our corporate strategy and daily operations, striving to demonstrate leadership by doing what is right and advancing initiatives that will benefit the environment. At the same time, it is important that we balance our environmental commitment with the ability to provide customers with reliable and affordable energy.

Examples of our environmental leadership include:

- Significantly reducing carbon emissions through our proactive clean energy strategy
- Reducing other air emissions beyond what is required by regulations
- Surpassing state-level renewable standards by adding more cost-effective wind and solar
- Offering a comprehensive portfolio of energy efficiency and renewable choice programs to meet the unique needs and interests of customers
- Conserving and reducing water consumption through electric generation
- Establishing more than 2,100 acres of pollinator habitat on land we manage

As part of our decision making, we consider opportunities to reduce emissions, eliminate waste and conserve resources, including taking additional steps to protect wildlife. We also regularly monitor our operations to ensure we are acting in an environmentally responsible manner, and if appropriate, take steps to improve our efforts. We support environmental research and development, as well as environmental projects and partnerships in our communities.

To fulfill the responsibilities of our corporate environmental policy, we have more than 40 policies, procedures and guidance documents that ensure our ongoing environmental performance and that help to foster our commitment to environmental excellence.

All Xcel Energy employees, as well as contractors and vendors, are expected to follow these policies, and our employees are trained and empowered to take responsibility for protecting the environment through their jobs.

ENVIRONMENTAL PRINCIPLES

Engaging with stakeholders is essential to our work in addressing policy issues involving energy and the environment. As we engage on these matters with our regulators, elected officials, community leaders and others, we keep the following principles in mind:

- **Proactive solutions.** On behalf of customers, we have invested substantially in clean energy and environmental improvements. We continue to look for ways to proactively address environmental issues, especially when we can improve efficiency and reduce costs.
- **Rewarding leadership.** We believe that environmental and clean energy policy should appropriately recognize the environmental benefits of the proactive efforts we have made on behalf of our customers and communities.
- **Supporting technology.** Environmental and clean energy policy should drive forward the development of new, cost-effective technologies. As a national leader in wind, as well as energy efficiency and renewable choice programs, we are optimistic about the future opportunities that clean energy technologies present. Additionally, we are committed to owning these resources to improve the overall value and cost savings to our customers and stakeholders.

- **Efficiency and cost effectiveness.** The most efficient and effective response to environmental mandates is not always stack-by-stack or emission-specific compliance requirements. In some cases, compliance should be coordinated on a system-wide basis to maximize cost effectiveness and environmental benefits. Our major emission reduction projects completed at generating plants in Colorado and Minnesota over the past 15 years are good examples of this.

- **Flexibility.** Flexibility mechanisms, such as alternative compliance options and market-based environmental programs, should be incorporated into environmental rules. Flexibility yields real cost benefits to customers while maintaining environmental benefits.

ENVIRONMENTAL MANAGEMENT SYSTEM

We have a comprehensive environmental management system designed to promote environmental excellence and ensure continuous improvement and compliance with all applicable environmental requirements. Although we have not used formal certification under ISO 14001, our environmental management system aligns with and enables the nine elements of the ISO 14001 standard, including: policies, responsibilities, environmental interaction, impacts, compliance, objectives and targets, monitoring and measurement, performance review and continuous improvement.

Our management system provides:	
Oversight	Board of Directors — Operations, Nuclear, Environmental and Safety Committee Chairman and CEO Executive Committee Environmental Policy department Environmental Services department
Risk analysis	Goals and performance indicators at corporate and operating levels Multidisciplinary teams for developing new compliance programs Environmental Audit program Regular risk assessments
Policies & procedures	Corporate environmental policy Formal, documented processes, procedures and standards Routine monitoring of new, evolving regulatory activity
Monitoring	Centralized and automated compliance tracking system that uses real-time data Monthly performance reporting Routine facility audits
Follow-up for compliance gaps	Tracking for corrective action and internal audit findings
Training and communication	New employee orientation Site and topic specific employee training and tracking Updates and information communicated through internal channels

COMPLIANCE RESULTS

We strive to operate in compliance with all federal, state and local rules and regulations. However, there are occasions when regulatory agencies issue notices of violation (NOVs) or other types of notifications of potential noncompliance for alleged exceedances of permit limits or regulatory requirements. These NOVs can result in fines or penalties. Often there can be disputes about the alleged noncompliance, and even when it is our view that we remained in compliance, settlements are often reached to avoid the transaction costs of litigation and to cooperate with the regulatory agency.

Every year as part of our internal and ongoing efforts to self-identify and self-correct any potential noncompliance issues, we conduct our own facility audits.

2019 Compliance Activity

Activity*	2017	2018	2019
Notices of Violation or Compliance Advisories	7	5	4
Penalties Paid	$14,949	$0	$3,035
External Agency Audits or Inspections	64	71	63
Internal Audits Conducted to Ensure Compliance	95	94	89

*Because of the regulatory process and timing, penalties are not typically paid in the same year that Notices of Violation or Compliance Advisories are issued.

We received two notices of violation and two administrative penalty orders in 2019 involving activities at our facilities in prior years. The following were considered minor infractions and a few included minor penalties:

- The Minnesota Pollution Control Agency (MPCA) issued an Administrative Penalty Order (APO) for a failed emissions test at the Sherco Generating Plant in 2017. At the time of the test, the plant implemented repairs and retested the unit with passing results. As part of the APO, we were assessed a penalty of $1,350.

- The New Mexico Environmental Department (NMED) issued a Notice of Violation (NOV) that involved Maddox Generating Plant failing to submit drinking water analysis results for disinfectant residuals in second and third quarters of 2016 to both NMED and EPA. A root-cause analysis was completed at the time of the incident, and the sampling and reporting procedure was revised to ensure all laboratory analytical results are properly reported.

- The Texas Commission on Environmental Quality (TCEQ) issued a NOV for failing to notify and receive approval from TCEQ Region 2 for a change to the emissions testing procedure at Jones Station Unit 3 in December 2018. On the date of the emissions testing, the contracted emissions testing company experienced equipment malfunctions that required changing to a sampling and testing method that varied from the approved procedure. Prior approval of the change was not obtained. Upon completing an incident assessment, a new emissions testing company was contracted, and corrective actions were taken to prevent a potential recurrence.

- The MPCA issued an APO for a failed emissions test of the flite conveyor dust collector at the Allen S. King Plant in March 2018. At the time of the test, results showed particulate emissions at a concentration above the permitted limit. The facility implemented repairs and retested the unit with passing results. As part of the APO, we were assessed a penalty of $1,685.

ENVIRONMENTAL EXPENDITURES

Environmental costs include payments for nuclear plant decommissioning, storage and ultimate disposal of spent nuclear fuel, disposal of hazardous materials and waste, remediation of contaminated sites and monitoring of discharges to the environment. As we have reduced emissions through the addition of environmental controls, the total costs of investing in and operating the controls has risen somewhat over time.

Environmental Expenditures

Expenditure Type	2017	2018	2019
Operating and Maintenance	$303	$309	$345
Capital	$61	$50	$30

More detailed information regarding nuclear decommissioning and spent nuclear fuel disposal expenses is provided in our 2019 Form 10-K.