Public policy

Xcel Energy engages in policy and regulatory issues important to ensuring our ability to provide all 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 will determine our future, representing the interests of our company and its many diverse 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 and guide decisions that impact the service we provide.

While we may not always share the same positions, we participate in industry, trade, business and other associations to provide our perspectives and to learn from the perspectives and experiences of others. 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.

Our policy priorities focus on advancing research of new clean energy technologies and developing the right conditions that allow technologies to be seamlessly adopted by our existing system, once they are ready. To help facilitate or accelerate our industry transformation, we are exploring targeted incentives and the right mandates that will not increase customer costs.

**2018 Results**

- When we announced the company’s industry-leading carbon vision in late 2018, policy makers, community leaders and environmental advocates from around the country expressed their support for our new goals. We worked extensively with stakeholders on this commitment to help confirm our goals and advocate for the policy objectives for achieving them.
• We worked with public utilities commissions in all of our states to determine how cost savings associated with major tax reforms passed by the U.S. Congress in late 2017 will be shared with our customers. Overall, our average electricity rates were 0.2% lower in 2018 due to customer refunds associated with the Tax Cuts and Jobs Act.
• The President’s National Infrastructure Advisory Council released its report on how the nation can best prepare for and recover from a catastrophic power outage. Xcel Energy’s chairman, president and CEO Ben Fowke participates on the council, and we were significant contributors to the report, which examines how our nation can strengthen its long-term power outage prevention and recovery capabilities.
• The 2018 Farm Bill signed into law at the end of the year includes a provision that we supported to authorize the U.S. Forest Service to work with utilities to manage vegetation adjacent to transmission rights-of-way on federal lands. The program supports overall forest health and can help protect utility infrastructure from wildfires.
• The U.S. House of Representatives passed a bill in spring 2018 that allows for consolidated interim storage facilities and encourages the finalization of a permanent repository for radioactive waste from the nation’s nuclear generating plants. We supported the bill and continue to work on a solution to this long-standing issue. In May 2019, our Chief Nuclear Officer testified in support of similar legislative proposals in the U.S. Senate.

Public Policy Principles

Our energy landscape is evolving, driven by new technologies and customers demanding new energy options and a reduced 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 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 grid is our economy’s greatest physical asset and utilities are its stewards.** More than a collection of wires, the 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.
Our society does not need a new business model for utilities in order to meet modern day challenges. 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.

**Advocacy for Innovation and Developing Advanced Energy Technologies**

We continue to engage in and work to address policy issues at all levels of government. One of those issues, and a significant objective for us going forward, is establishing a path for the development of advanced, carbon-free 24/7 technologies that we will need to fulfill our aspiration to serve customers with 100% carbon-free electricity by 2050.

Federal and state policies must support the development of new, carbon-free, 24/7 resources to complement our existing and growing portfolio of renewable energy, energy efficiency and demand response resources. We can also send clear signals to the market around price, capabilities and timing for when these technologies will be needed. In this way, utility resource plans provide the market signal — the state-level “technology pull” — from which the private sector and national laboratories and federal agencies can align their investments. This investment in further research and demonstration will help develop the carbon-free solutions we need at the cost and scale at which our sector will need them.

We are advocating for policies that help take advanced clean energy technologies from demonstration stage to commercialization by creating programs to manage cost and spread risk. In order for this to happen most effectively, it is important that developers leverage existing infrastructure and current market conditions. There is also opportunity to provide incentives for clean energy innovation and reducing barriers to new development. These incentives can be powerful mechanisms for deploying these technologies in the marketplace, but they require careful design. For that reason, we are working on policies that allow the efficient use of existing and new tax incentives.

**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 or expenditure 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.

**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 by participating in:

- **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 of our PACs are strictly voluntary, and there are no employment benefits based upon participation. Each complies with all applicable local, state and federal laws.

**2018 Xcel Energy Political Action Committee Activity**

<table>
<thead>
<tr>
<th>PAC</th>
<th>Employees Participating</th>
<th>Total Employee Contributions to PAC</th>
<th>Total Contributions Made to Candidates*</th>
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</thead>
<tbody>
<tr>
<td>Colorado (Western PAC)</td>
<td>327</td>
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<td>Minnesota**</td>
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<td>Texas/New Mexico (SCOPE)</td>
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<td>XPAC (federal PAC)</td>
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*Funds contributed by employees can accrue over multiple years and are not necessarily distributed in the same year they were contributed. Contributions vary by year and are typically lower in nonelection years or years when state legislatures are in session.

**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 report for transparency and informational purposes.

***With the exception of 24 North Dakota state PAC-only contributors, all contributions made to both the North Dakota and South Dakota state PACs were made via funds transferred from the Minnesota state PAC in compliance with all federal, state and local campaign finance laws.