**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

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IN THE MATTER OF ADVICE NO. 1029-GAS OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO PUC NO. 6-GAS TARIFF TO INCREASE JURISDICTIONAL BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL GAS RATE SCHEDULES, AND MAKE OTHER PROPOSED TARIFF CHANGES EFFECTIVE FEBRUARY 29, 2024	)	**PROCEEDING NO. 24AL-_____G**

**<u>DIRECT TESTIMONY AND ATTACHMENTS OF</u>
<u>RICHARD R. SCHRUBBE</u>**

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

JANUARY 29, 2024

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DIRECT TESTIMONY AND ATTACHMENTS OF RICHARD R. SCHRUBBE

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DIRECT TESTIMONY AND ATTACHMENTS OF RICHARD R. SCHRUBBE

I. INTRODUCTION, QUALIFICATIONS, AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Richard R. Schrubbe. My business address is 401 Nicollet Mall, Minneapolis, Minnesota 55401.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am employed by Xcel Energy Services Inc. (“XES”) as the Vice President of Business Area Finance. XES, which is a wholly owned subsidiary of Xcel Energy Inc. (“Xcel Energy”), provides an array of support services to Public Service Company of Colorado (“Public Service” or the “Company”) and the other utility operating company subsidiaries of Xcel Energy.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THE PROCEEDING?

A. I am testifying on behalf of Public Service.

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.

A. As Vice President of Business Area Finance, I am responsible for overseeing the business area leaders of Energy Supply, Transmission, Distribution, Gas Engineering & Operations, and Corporate Services with respect to budget planning, reporting, and analysis. I oversee the accounting for all employee benefits programs, playing a liaison role with the Human Resources department, external actuaries, and senior management with benefit fiduciary roles. I am also responsible for coordinating the benefits operations and maintenance ("O&M") budgeting and forecasting processes, as well as the monthly analysis of actual results against these budgets and forecasts. A description of my qualifications, duties, and responsibilities is set forth after the conclusion of my Direct Testimony in my Statement of Qualifications.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. My Direct Testimony addresses four topics related to the Company's current employee pension expense and other non-cash employee benefit expense[1]:

1. I support Public Service's request to recover its reasonable and necessary actuarially determined pension and benefit expense, which is composed of:

    - qualified pension expense calculated under Statement of Financial Accounting Standard ("FAS") 87;[2]
    - non-qualified pension expense calculated under FAS 87;

[1] These expenses represent the Public Service's allocated and direct-assigned portion of costs for Company and XES employees who provide services to the Company.

[2] In 2009, FAS 87 was renamed Accounting Standards Codification 715-30, but for the sake of simplicity and continuity with prior cases, I will continue to refer to it in this testimony as "FAS 87." Similarly, I will refer to the other applicable accounting standards by their former FAS designations.

- retiree medical expense calculated under FAS 106; and
- self-insured long-term disability ("LTD") expense calculated under FAS 112;

2. I support the Company's request to recover its active health and welfare costs, which include costs incurred for active health care, miscellaneous benefits, life insurance, and third party-insured LTD benefits;
3. I support the Company's request to recover the reasonable and necessary costs incurred for workers' compensation benefits; and
4. I support the Company's request to recover other reasonable and necessary costs associated with benefits such as the 401(k) match, certain benefit-related consulting costs, and deferred compensation.

I quantify the amounts of those expenses for the twelve months ended December 31, 2021, which was the period utilized for O&M included in the test year in the Company's last gas rate case, Proceeding No. 22AL-0046G (also referred to as the "2022 Combined Gas Rate Case"); and for the 12 months ended September 30, 2023, with any known and measurable adjustments for calendar year 2023 that is the test year in this case ("2023 Test Year" or "Test Year"). I also discuss various adjustments for specific items, and I describe the factors that have caused the costs to change since 2021. In addition, I quantify the known and measurable adjustments, if any, that produce the requested amounts of pension and benefit expense in this case.

I also discuss Public Service's prepaid pension asset, and I support the Company's request to amortize the prepaid pension asset over a period of ten years, to include the unamortized balance in rate base, and to earn a return on it at the Company's Weighted Average Cost of Capital ("WACC"), consistent with recent Commission approvals. As part of that discussion, I:

- explain what a prepaid pension asset is and how it arises;
- describe the prior Colorado Public Utilities Commission ("Commission") proceedings that affected the balance of the prepaid pension asset;
- discuss the proposal to amortize the balance over a ten-year period; and
- discuss the rationale for allowing a WACC return on the unamortized prepaid pension asset balance.

Finally, I support the Company's prepaid retiree medical asset balance in a retiree Voluntary Employee Beneficiary Association ("VEBA")[3] trust, and the Company's request to include that asset in rate base and to earn a WACC return on it, consistent with precent Commission approvals. The justification for including the prepaid retiree medical asset in rate base and allowing it to earn a WACC return is identical to the justification for allowing the prepaid pension asset to be included in rate base – both assets represent prepayments that are used and useful because they produce earnings that reduce the current benefit expense on a dollar-for-dollar basis. The Company also makes a proposal to accelerate retirement of the prepaid retiree medical asset, consistent with the Commission's direction in the Company's last gas rate case.

[3] The retiree VEBA Trust exists for Public Service as a whole. As a result, management of and contributions to the retiree VEBA are done at the Public Service Company of Colorado level, not at the Gas or Electric Utility level.

Q. DOES ANY OTHER COMPANY WITNESS ADDRESS ISSUES RELATED TO COMPENSATION AND BENEFITS?

A. Yes. Three other Company witnesses address compensation and benefit issues in their Direct Testimonies:

- Mr. Michael P. Deselich supports the Company's request to recover cash and equity compensation paid to employees, including both base pay and incentive compensation, and he explains the plan design changes that the Company has made in recent years to control pension and benefit costs;
- Ms. Leah Lovley supports the accumulated deferred income tax ("ADIT") balances associated with the Company's pension and benefit-related balances; and
- Mr. Arthur P. Freitas's Cost of Service Study ("COSS") includes the current pension and benefit-related expense, and it reflects the prepaid pension asset and prepaid retiree medical asset amounts that the Company seeks to include in rate base.

Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT TESTIMONY?

A. Yes, I am sponsoring the following attachments:

- Attachment RRS-1A, which is a June 2022 Willis Towers Watson ("Willis") actuarial report;
- Attachment RRS-1B, which is a July 2022 Willis actuarial update;
- Attachment RRS-2, which is a June 2023 Willis actuarial report;
- Attachment RRS-3, which contains the requested amount of Gas Utility O&M amounts for qualified pension expense, non-qualified pension expense, retiree medical expense, and self-insured LTD expense;
- Attachment RRS-4, which includes the requested amount of Gas Utility O&M calculations for active health care;

- Attachment RRS-5, which summarizes the prepaid pension asset calculations;
- Attachment RRS-6, which reflects a 13-month average of the prepaid retiree medical asset balance and;
- Attachment RRS-7, which is a pension tracker schedule.

II. PENSION AND BENEFITS OVERVIEW

Q. PLEASE SUMMARIZE THE PENSION AND OTHER BENEFITS THAT THE COMPANY OFFERS TO ITS ELIGIBLE EMPLOYEES.

A. In addition to the cash and equity compensation discussed by Mr. Deselich, Public Service provides the following non-cash benefits to its employees:

- Pension and other post-employment benefits, which include:
    - a defined-benefit qualified pension plan that provides eligible employees with a defined-benefit amount upon retirement;
    - a non-qualified pension restoration benefit that allows Public Service to attract and retain employees who would otherwise be disadvantaged by the restrictions imposed under the qualified pension plan;
    - a retiree medical plan available to certain employees or former employees; and
    - LTD benefits;
- Active health and welfare benefits, which include medical, dental, pharmaceutical, vision, life insurance, and other miscellaneous benefits;
- Workers' compensation benefits; and
- Other types of benefits, including a 401(k) defined-contribution plan and certain types of deferred compensation.

Q. WHAT ARE THE REQUESTED AMOUNTS OF EXPENSE AMOUNTS FOR EACH OF THE ELEMENTS OF NON-CASH COMPENSATION OFFERED BY THE COMPANY?

A. Table RRS-D-1 below sets forth the Gas Utility O&M pension and benefit expense amounts for the twelve-month period ended December 31, 2021, the twelve-month period ending September 30, 2023, and for the 2023 Test Year in this case:

TABLE RRS-D-1

O&M Categories	12 Months Ended 12/31/2021	12 Months Ended 9/30/23	Adjustments	2023 Test Year
Qualified Pension	$7,818,232	$2,012,619	$(357,397)	$1,655,222
FAS 88 Qualified Pension Settlement				
Nonqualified Pension	266,705	104,369	6,181	110,550
FAS 88 Nonqualified Pension Settlement				
FAS 106 Retiree Medical	(955,981)	245,488	414,742	660,230
FAS 106 Retiree Medical to Zero	955,981			
FAS 112 Long-Term Disability (Self-Insured)	26,671	2,524	2,539	5,063
Active Health Care[4]	9,399,465	9,859,875	757,655	10,464,786
Life and Long-Term Disability (Third Party-Insured)	535,430	538,582	-	538,582
Miscellaneous Benefit Programs and Costs	362,794	422,064	-	422,064
401(k) Match	3,361,392	3,541,140	128,877	3,670,016
Miscellaneous Retirement-Related Costs	107,361	116,634	-	116,634
Workers' Compensation Self-Insured	11,947	(10,018)	16,182	6,164
Workers' Compensation Third Party-Insured	294,867	348,235	-	348,235
Total Pension and Benefits Expense	$21,228,883	$17,181,510	$968,779	$17,997,545

Q. DO THE GAS UTILITY O&M AMOUNTS INCLUDE COSTS ATTRIBUTABLE TO BOTH PUBLIC SERVICE AND XES EMPLOYEES?

A. Yes. The Gas Utility O&M amounts include the pension and benefit expense attributable to Public Service employees, and they also include an allocated share of the pension and benefit expense incurred by XES employees.

[4] The per book amount for active health care in the cost of service for the twelve months ended September 30, 2023 is $9,730,576. That amount is an estimate, and it must be adjusted to reflect health care claims that were incurred but not reported until after September 30, 2023. After adding the Incurred But Not Reported ("IBNR") amount, which is $129,299, and the known and measurable adjustment that is discussed in Section IV of my Direct Testimony, the requested amount reflects an adjustment of $757,655.

Q. DO YOU HAVE ANY OVERARCHING COMMENTS ABOUT THE GAS UTILITY O&M EXPENSE FOR PENSION AND BENEFITS THAT PUBLIC SERVICE IS REQUESTING APPROVAL OF IN THIS PROCEEDING?

A. Yes. I believe it is important to recognize that the overall Gas Utility O&M expense for pension and benefits will have declined by approximately $4.0 million between December 31, 2021 and the Test Year. Most of that decline is due to the reduction in qualified pension expense, which results from initiatives by the Company to reduce pension and benefit costs.

III. RECOVERY OF CURRENT PENSION AND OTHER POST-EMPLOYMENT BENEFITS EXPENSE

Q. WHAT TOPIC DO YOU DISCUSS IN THIS SECTION OF YOUR DIRECT TESTIMONY?

A. I discuss the actuarially determined amounts requested for qualified pension expense, non-qualified pension expense, retiree medical expense, and self-insured LTD benefits.

Q. WHAT DO YOU MEAN WHEN YOU REFER TO "ACTUARIALLY DETERMINED AMOUNTS" FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS?

A. Instead of being generated by the Company, the forward-looking amounts for qualified pension expense, non-qualified pension expense, retiree medical expense, and self-insured LTD and workers compensation benefits are calculated by Xcel Energy's outside actuarial firm, Willis, based on the application of well-established accounting and actuarial standards to Public Service's specific circumstances. This is why we are requesting 2024 actuarily forecasted amounts for the Test Year. For example, Willis calculates Public Service's pension costs using the methods prescribed by Generally Accepted Accounting Principles ("GAAP") and the Actuarial Standards of Practice, but Willis applies an expected return on assets that is based upon the assets in Public Service's own investment portfolio, and it incorporates prior-period gains and losses that reflect Public Service's own investment experience. Willis also uses mortality tables and salary increase assumptions that are tailored to the Company's specific employee population.

A. Qualified Pension

Q. PLEASE DESCRIBE THE COMPANY'S QUALIFIED PENSION PLAN AND THE NATURE OF THE COSTS OF THE PLAN.

A. The qualified pension plan is a traditional defined-benefit pension plan that promises bargaining-unit employees monthly pension annuity payments based upon their level of pay and years of service. The pension plan promises non-bargaining employees a choice of either a lump sum payout or a monthly pension annuity based upon their level of pay and years of service. Under a defined-benefit pension plan, the promised pensions are a commitment by Public Service.

Q. DO ACCOUNTING RULES AND LAWS DETERMINE THE COST FOR PUBLIC SERVICE'S PENSION PLAN?

A. Yes. As I testified earlier, Public Service accounts for the cost of its pension plan under the rules set forth in FAS 87, which prescribes the rules that companies must follow in determining whether their pension costs comply with GAAP.[5] However, FAS 87 does not dictate how a company must fund the plan. Funding of a qualified pension plan is based upon prudent business practices, with the following constraints imposed by the requirements of the Internal Revenue Code ("IRC") and the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended by the Pension Protection Act of 2006:

- There are minimum required contributions;

[5] FAS 87 is one of the Generally Accepted Accounting Principles. Because regulatory accounting must follow specific accounting standards unless superseded by regulatory requirements, FAS 87 is used for regulatory accounting by the vast majority of utility companies.

- There are maximum contributions that can be deducted for tax purposes; and
- The Company has a fiduciary responsibility to prudently protect the interests of the plan participants and beneficiaries.

The minimum and maximum funding rules set forth under ERISA, the IRC, and the Pension Protection Act use accrual methodologies, but they are different from the methodology used under FAS 87 to determine pension expense. Over the long run, the cumulative employer cash contributions made to a plan and the cumulative annual pension expense amounts should be equal. But in the short and intermediate runs, there can be significant differences.

Q. WHY ARE THE ANNUAL PENSION COST AND THE ANNUAL FUNDING REQUIREMENTS ESTABLISHED IN ACCORDANCE WITH DIFFERENT STANDARDS?

A. The requirements for funding pension plans differ from the requirements for calculating annual pension costs primarily because FAS 87 is designed to present an accurate picture of a company's annual pension expense for financial accounting purposes, whereas the pension funding requirements reflect different (and sometimes conflicting) goals of the United States Congress. On one hand, the members of Congress want to ensure that the pension plans affecting their constituents are adequately funded. On the other hand, Congress wants to limit the level of tax deductions by employers to avoid worsening the national budget deficit. Over the years, Congress has addressed its two conflicting goals at different times to address specific short-term needs, which has resulted in the following effects:

- Employers of adequately funded plans (as defined in Section 430 of the IRC, as amended by the Pension Protection Act of 2006) generally have flexibility in the amount that can be contributed in any one year so long as the cash contribution falls in the range between the minimum amount required and the maximum amount that is deductible for tax purposes.
- For employers who slip below the threshold of funding adequacy in a given year, a large minimum required contribution can be triggered and benefit restrictions may apply.

Given the differences between FAS 87 and the IRC funding rules, the cumulative accounting expenses and the cumulative cash contributions are rarely equal. As I will explain in more detail later in my Direct Testimony, cumulative cash contributions in excess of the cumulative accounting expenses result in a prepaid pension asset.[6] The prepaid pension asset represents the employer's cash contributions that will be recognized under GAAP as annual pension expense at some time in the future, but that have not been recognized to date.

1. <u>Determination of Annual Pension Costs</u>

Q. HOW IS ANNUAL PENSION COST DETERMINED UNDER FAS 87?

A. Under FAS 87, annual pension expense is composed of the following elements of cost:

(1) the present value of pension benefits that employees will earn during the current year (service cost);

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[6] If the annual pension expense recognized under FAS 87 exceeds the pension contributions in a given year, the prepaid pension asset will decline; if the annual pension expense is less than the pension contributions in a given year, the prepaid asset will increase.

(2) increases in the present value of the pension benefits that plan participants have earned in previous years (interest cost);

(3) investment earnings on the pension plan assets that are expected to be earned during the year (expected return on assets or “EROA”);

(4) recognition of costs (or income) from experience that differs from the assumptions, such as discount rate changes and actual investment earnings that differ from assumptions (amortization of unrecognized gains and losses); and

(5) recognition of the cost of benefit changes the plan sponsor provides for service the employees have already performed (amortization of unrecognized prior service cost).

Q. TAKING EACH OF THESE FIVE COMPONENTS IN ORDER, HOW IS THE SERVICE COST COMPONENT CALCULATED?

A. The service cost component recognized in a period is the actuarial present value of benefits attributed by the pension benefit formula to current employees’ service during that period. Actuarial assumptions are used to reflect the time value of money (the discount rate) and the probability of payment (assumptions as to mortality, turnover, early retirement, and so forth).

Q. NEXT, HOW IS THE INTEREST COST COMPONENT CALCULATED?

A. The interest cost component recognized in a fiscal year is determined as the increase in the projected benefit obligation due to the passage of time. Measuring the projected benefit obligation as a present value requires accrual of an interest cost at a rate equal to the assumed discount rate. Essentially, the interest cost identifies the time value of money by recognizing that anticipated pension benefit payments are one year closer to being paid from the pension plan.

Q. HOW IS THE THIRD COMPONENT, THE EROA, CALCULATED?

A. As I explained earlier, the Company makes periodic cash contributions to its pension plans. The pension plans invest that cash in a portfolio of assets such as stocks, bonds, real estates, and commodities in order to earn a return. Each year, the Company forecasts the expected long-term rate of return on those assets, which is the EROA. As explained in more detail later, the EROA offsets the service cost and interest cost components of the pension expense calculation, so the amount that Public Service expects to earn on the assets in the pension trust reduces the qualified pension expense charged to customers on a dollar-for-dollar basis.

Q. WITH REGARD TO THE FOURTH COMPONENT, WHAT ARE THE UNRECOGNIZED GAINS AND LOSSES?

A. Gains and losses are categorized as asset gains or losses, which result from changes in the value of the plan assets, or as liability gains or losses, which result from changes in the amount of the projected benefit obligation. Both types of changes result from experience that differs from what was assumed in a prior year or from changes in assumptions. FAS 87 does not distinguish between the sources of gains and losses.

Q. PLEASE DESCRIBE IN MORE DETAIL THE DIFFERENCE BETWEEN ASSET GAINS AND LOSSES, ON THE ONE HAND, AND LIABILITY GAINS AND LOSSES, ON THE OTHER.

A. Asset gains and losses are the differences between the actual return on assets during a period and the EROA for that same period. Suppose, for example, that the Company uses an EROA of 6.5 percent as the expected return on the pension trust assets in a particular year, but the actual return during that year is eight percent. Because the actual return exceeded the EROA, the plan has an asset gain of 1.50 percent in this example. In contrast, if the actual return is less than the EROA, the plan experiences an asset loss.

Similarly, liability gains and losses are the differences between the actual liability of the pension plan at the end of a measurement period and the expected liability at the end of a measurement period. For example, the plan may assume the discount rate will be four percent at the end of a period, but it is actually five percent. In that instance, the plan will experience a liability gain because the higher discount rate means less money must be set aside today to pay tomorrow's pension obligations. In contrast, if the discount rate falls, the plan experiences a liability loss because more money must be set aside to pay future pension obligations.

Q. ARE THE ASSET GAINS AND LOSSES AND LIABILITY GAINS AND LOSSES RECOGNIZED IMMEDIATELY UNDER FAS 87?

A. No. FAS 87 does not require recognition of the entire amount of gains and losses as a component of net pension cost in the period in which they arise. Instead, they may be phased in and amortized over a period of years. For example, a plan may phase in a gain or loss over a five-year period, and the portion of the gain or loss that is phased in may also be amortized over a period of years.

Q. WHY DOES FAS 87 ALLOW THE PHASE-IN OF GAINS AND LOSSES?

A. The gains in one period may be offset by losses in another, or vice versa. Moreover, some of the gains and losses may be attributable to a refinement in estimates, rather than actual economic gains or losses. Trying to capture all of the gains and losses in a single year would create significant volatility in financial reporting. Phasing in the gains and losses over a period of years avoids much of that volatility.

Q. HOW ARE UNRECOGNIZED GAINS AND LOSSES AMORTIZED?

A. At a minimum, amortization of unrecognized net gains or losses must be included as a component of net periodic pension cost for a year if, as of the beginning of the year, the unrecognized net gain or loss exceeds a “corridor” that is 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization is required, the amortization amount is equal to the amount of the unrecognized gain or loss in excess of the corridor divided by the average remaining future service of the active participants in the plan.

Q. TURNING NOW TO THE FIFTH COMPONENT OF THE QUALIFIED PENSION EXPENSE CALCULATION, WHAT IS PRIOR SERVICE COST AMORTIZATION?

A. Plan amendments can change benefits based on services rendered in prior periods. FAS 87 does not generally require the cost of providing such retroactive benefits (prior service cost) to be included in net periodic pension cost entirely in the year of the amendment, but instead provides for recognition over the future years.

Q. HOW IS UNRECOGNIZED PRIOR SERVICE COST AMORTIZED?

A. Unrecognized prior service cost is amortized in the same manner as unrecognized gains and losses, with the exception of the 10 percent corridor.

Q. PLEASE SUMMARIZE THE CALCULATION THAT IS REQUIRED TO BE USED UNDER FAS 87 TO QUANTIFY ANNUAL PENSION COST.

A. Annual pension cost is quantified using the five elements of cost listed in Table RRS-D-2:

TABLE RRS-D-2

	Current service cost
+	Interest cost
-	EROA
+/-	Loss (gain) due to difference between expected and actual experience of plan assets or liabilities from prior periods
+/-	Amortization of prior service cost
=	Annual pension expense

Q. IS THE ANNUAL PENSION COST PRODUCED BY THIS FORMULA ALWAYS A POSITIVE NUMBER?

A. No. In some years, the EROA and the gains resulting from the difference between expected and actual experience from prior periods can be larger than the combination of the service cost and interest cost, which means that the annual pension expense in that year is negative. If that occurs in a test year, customers pay no pension expense at all in rates during the time the rates are in effect, and in fact they receive a credit to the overall cost of service equal to the amount of the negative pension expense.

2. <u>Comparison of Qualified Pension Expense Amounts</u>

Q. WHAT AMOUNT OF QUALIFIED PENSION EXPENSE DID THE COMPANY INCUR DURING 2021?

A. During the twelve-months ended December 31, 2021, the Company's qualified pension expense was $7.8 million (Gas Utility O&M).

Q. WHAT AMOUNT OF QUALIFIED PENSION EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. The qualified pension expense was $2.0 million (Gas Utility O&M) during this period. That amount was quantified based on 2022 actuarial reports prepared by Willis and a 2023 actuarial report prepared by Willis. Those documents are being provided as Attachments RRS-1A and RRS-2 to my Direct Testimony.

Q. WHAT AMOUNT OF QUALIFIED PENSION EXPENSE IS PUBLIC SERVICE REQUESTING APPROVAL OF IN THIS CASE?

A. The Company is requesting that the Commission approve approximately $1.7 million (Gas Utility O&M) of qualified pension expense. That amount is based upon the 2024 qualified pension costs from Willis's May 2023 actuarial report, which is Attachment RRS-2 to my Direct Testimony. Attachment RRS-3 contains the Gas Utility O&M calculations of the qualified pension expense requested amounts.

Q. WHAT FACTORS CONTRIBUTED TO THE CHANGE IN QUALIFIED PENSION EXPENSE BETWEEN 2021 AND THE REQUESTED AMOUNT?

A. The major driver for the decrease in expense is due to a significant increase in the discount rate from the rate that was used in 2021.

Q. PLEASE DESCRIBE HOW DISCOUNT RATE CHANGES CONTRIBUTE TO THE DECREASED PENSION EXPENSE.

A. The discount rate assumption used has increased significantly since 2021, which resulted in gains to the pension plan. The table below shows the discount rates used in the past three years' qualified pension actuarial assumptions.

Table RRS-D-3
Impact of Discount Rate on Pension Plan

Pension Plan	2021 Discount Rate	2022 Discount Rate	2023 Discount Rate
Public Service Bargaining	2.83%	3.14%	5.82%
New Century Energies ("NCE") Non-Bargaining	2.50%	3.02%	5.80%
Xcel Energy Pension Plan	2.65%	3.07%	5.80%

The gains experienced from the higher discount rate are immediately recognized and included in the gain/loss amortization, mentioned above in the determination of the annual pension cost. This immediate recognition of these gains is different than gains or losses that may arise as a result of asset experience. Asset gains/losses are phased into the gain/loss amortization over five years.

Q. HAVE YOU PROVIDED THE NUMBERS AND ASSUMPTIONS THAT THE COMPANY USED TO QUANTIFY THE AMOUNT OF QUALIFIED PENSION EXPENSE THE COMPANY IS REQUESTING?

A. Yes. Attachment RRS-3 contains the Gas Utility O&M calculations of the qualified pension expense amounts requested in this case. The source documents for the numbers in Attachment RRS-3 are Attachments RRS-1A and RRS-2.

B. Non-Qualified Pension

Q. WHAT IS THE PURPOSE OF A NON-QUALIFIED PENSION PLAN?

A. A non-qualified pension plan is designed to provide comparable benefits to certain employees whose compensation exceeds the limits provided by tax law for deducting pension-related expense.

Q. HOW DOES A NON-QUALIFIED PENSION PLAN DIFFER FROM A QUALIFIED PENSION PLAN?

A. Qualified plans are those that "qualify" under Section 400 of the IRC, which confers significant tax advantages on both the employer and employee. Those advantages include:

- The employer receives a current tax deduction for contributions to the plan;
- The employee is not taxed on the contributions, but instead is taxed only when he or she receives benefits;
- The plan assets accumulate tax-free until they are distributed; and
- The plan assets are placed in a trust that is beyond the reach of creditors.

In exchange for those advantages, the employer and employee must strictly follow the restrictions set forth in the IRC, which include limits on the amount of annual benefits awarded to the employee. Currently, the IRC limits the maximum annual benefit that can be paid through a defined-benefit plan to $230,000 per year. In addition, the maximum amount of compensation that can be included in determining benefits in a qualified pension plan is $290,000.

In contrast, there is no statutory restriction on the amount of the benefit that may be offered under a non-qualified pension plan, which is used to restore the amount of retirement benefits that employees lose as a result of the limitations on the qualified plans.

Q. HOW ARE NON-QUALIFIED PENSION COSTS DETERMINED?

A. Non-qualified pension costs are determined under the same standard as qualified pension costs, which is FAS 87. Unlike the qualified pension, however, the non-qualified pension plan does not have trust assets set aside for the payment of the benefit. Therefore, it does not have an EROA. It also does not have prior-period asset gains or losses, although it may have prior-period liability gains and losses.

Q. DOES THE NON-QUALIFIED PENSION BENEFIT REPRESENT AN INCREMENTAL PENSION BENEFIT RELATIVE TO WHAT OTHER EMPLOYEES ARE RECEIVING?

A. No. To the contrary, the non-qualified pension benefit is necessary to ensure that executives and high-level managers receive the same level of pension benefits relative to their cash compensation as other employees. For example, an employee that is not eligible for the non-qualified pension benefit may accrue an annual qualified pension benefit that is equal to five percent of his or her cash compensation, but because of the IRC limits on deductibility, a more highly compensated employee may accrue an annual qualified pension benefit that is equal to only three percent of his or her cash compensation. The non-qualified pension benefit is necessary to ensure that some employees are not disadvantaged by the IRC limits on deductibility.

Q. WHAT AMOUNT OF NON-QUALIFIED PENSION EXPENSE DID THE COMPANY INCUR DURING 2021?

A. The non-qualified pension expense for 2021 was $266,705 (Gas Utility O&M).

Q. WHAT AMOUNT OF NON-QUALIFIED PENSION EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. The non-qualified pension expense during that time period was $104,369 (Gas Utility O&M). That amount was quantified based on 2022 actuarial reports prepared by Willis and a 2023 actuarial report prepared by Willis. Those documents are being provided as Attachments RRS-1A, RRS-1B, and RRS-2 to my Direct Testimony. Consistent with the qualified pension expense, the Company is asking that incentive compensation be set at target in this case without the 15 percent cap, so the Test Year amount does not include the impact of the cap.

Q. WHAT AMOUNT OF NON-QUALIFIED EXPENSE IS THE COMPANY REQUESTING APPROVAL OF IN THIS CASE?

A. The Gas Utility O&M non-qualified pension expense that Public Service is requesting for the Test Year is $110,550. That amount is based upon the 2024 costs from Willis's 2023 actuarial report, which is Attachment RRS-2 to my Direct Testimony, to reflect the most recent pension assumptions. This $6,181 increase in cost represents updating the non-qualified pension expense from the test year to the actuarially calculated amount for 2024.

Q. WHAT FACTORS CONTRIBUTED TO THE CHANGE IN NON-QUALIFIED PENSION EXPENSE BETWEEN 2021 AND THE REQUESTED AMOUNT?

A. The primary driver for the decrease in expense is the higher volume of payments to participants in 2022. As a result of these payments, the non-qualified pension plan had lower interest cost for part of 2022 and a full year of lower interest cost in 2023. In addition to the lower interest cost, the non-qualified pension plan had lower loss amortization after the payments.

Q. HAVE YOU PROVIDED THE NUMBERS AND ASSUMPTIONS THAT THE COMPANY USED TO DETERMINE ITS NON-QUALIFIED PENSION EXPENSE AMOUNTS REQUESTED IN THIS CASE?

A. Yes. Attachment RRS-3 contains the Gas Utility O&M calculations of the non-qualified pension expense requested amounts. Attachments RRS-1A, RRS-1B, and RRS-2 contain the source documents for those calculations.

C. <u>Retiree Medical</u>

Q. HOW ARE RETIREE MEDICAL COSTS DETERMINED?

A. Retiree medical costs are determined under FAS 106, Employers’ Accounting for Post-Retirement Benefits Other Than Pensions. The components and calculation of retiree medical expense are identical to the components and calculation of qualified pension expense under FAS 87, with one exception: The qualified pension asset gains and losses are phased into the gain/loss amortization calculation by 20 percent each year and then amortized over the average years to retirement for active employees. Retiree medical asset gains and losses are not phased in over time, but rather the total gain or loss is immediately put into the gain/loss amortization calculation in the subsequent year, and then amortized over the average years to retirement for active employees.

Q. PLEASE DESCRIBE PUBLIC SERVICE'S RETIREE MEDICAL PLAN AND THE PLAN EXPENSES.

A. The Company's plan consists primarily of retiree medical and pharmacy benefits, but it also includes retiree life and dental insurance. The Company eliminated those benefits for all active non-bargaining employees more than 10 years ago. Moreover, only bargaining employees hired, rehired or transferred to a Public Service bargaining position prior to July 1, 2003 are eligible for subsidized retiree medical benefits. Thus, the current expense for retiree medical benefits is a legacy of the prior programs.

Q. WHAT AMOUNT OF RETIREE MEDICAL EXPENSE DID THE COMPANY INCUR IN THE TWELVE MONTHS ENDING DECEMBER 31, 2021?

A. During 2021, the Company's retiree medical expense was $(955,981) (Gas Utility O&M).

Q. WHAT AMOUNT OF RETIREE MEDICAL EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. The Company's retiree medical expense was $245,488 (Gas Utility O&M) for that period. That amount was quantified based on 2022 actuarial reports prepared by Willis and a 2023 actuarial report prepared by Willis. Those documents are being provided as Attachments RRS-1A and RRS-2 to my Direct Testimony.

Q. WHAT AMOUNT OF RETIREE MEDICAL EXPENSE IS PUBLIC SERVICE REQUESTING APPROVAL OF IN THIS CASE?

A. Public Service is requesting approval of $660,230 of retiree medical expense in this case. That amount is based upon the 2024 retiree medical costs from Willis's May 2023 actuarial report, which is Attachment RRS-2 to my Direct Testimony. Attachment RRS-3 contains the Gas Utility O&M calculations of the retiree medical expense requested amounts.[7]

Q. WHAT FACTORS CONTRIBUTED TO THE CHANGE IN RETIREE MEDICAL EXPENSE BETWEEN 2021 AND THE REQUESTED AMOUNT?

A. The major driver for the increase in expense is due to 2022 asset losses which are required to be recognized immediately and the discount rate increase from 2022 (3.09 percent) to 2023 (5.80 percent).

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[7] After completing the cost of service for the 2023 Test Year, the Company discovered that the amount reflected in the cost of service for retiree medical expense is approximately $40,000 higher than the forecasted amount for 2024. The Company will make an adjustment to remove this amount from the cost of service in Rebuttal Testimony.

Q. HAVE YOU PROVIDED THE NUMBERS AND ASSUMPTIONS THAT THE COMPANY USED TO DETERMINE ITS RETIREE MEDICAL EXPENSE?

A. Yes. Attachment RRS-3 contains the Gas Utility O&M calculations of the retiree medical expense amounts. Attachments RRS-1A and RRS-2 contain the source documents for those calculations.

Q. WHAT DID THE COMMISSION DECIDE ON THE ISSUE OF WHETHER TO INCLUDE $0 OF RETIREE MEDICAL EXPENSE IN RATES, AS OPPOSED TO A NEGATIVE AMOUNT, IN THE 2022 COMBINED GAS RATE CASE?

A. In the Company's 2022 Combined Gas Rate Case, the Commission agreed with the Company and decided that the amount of retiree medical expense included in rates should be $0, instead of a negative amount.[8] However, in the test year the retiree medical expense is no longer negative, thus the company is requesting approval of the expense noted above. In Table RRS-D-1 above we have shown the removal of the negative retiree medical expense for calendar year 2021.

D. <u>Self-Insured Long-Term Disability</u>

Q. PLEASE DESCRIBE SELF-INSURED LTD AND EXPLAIN HOW IT IS ACCOUNTED FOR.

A. The LTD costs are attributable to benefits provided by the Company to former or inactive employees after employment but before retirement. The LTD plan provides employees with income protection by paying a portion of an employee's income while he or she is disabled by a covered physical or mental impairment.

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[8] Decision No. C22-0642 at ¶¶ 193-195 (mailed Oct. 25, 2022).

The Company has two types of LTD – a self-insured benefit and a third-party-insured benefit. In a third-party-insured plan, which I will discuss in more detail later in this testimony, Public Service purchases an insurance plan from an outside insurance provider that assumes the risk. In a self-insured plan, Public Service provides the benefits to the covered individuals and therefore effectively acts as the insurer. For the self-insured piece, Public Service is required to accrue for LTD costs under FAS 112, Employers' Accounting for Postemployment Benefits. The FAS 112 accrual represents the forecasted disability benefit payments for employees that are not expected to return to work.

Q. WHICH GROUPS OF EMPLOYEES ARE COVERED UNDER THE SELF-INSURED PLAN AND WHICH GROUPS ARE COVERED UNDER THE THIRD-PARTY-INSURED PLAN?

A. Within the LTD benefit, all employees disabled before January 1, 2008 are covered under the self-insured plan, and all employees disabled on and after January 1, 2008 are covered under a third-party-insured plan.

Q. WHAT AMOUNT OF SELF-INSURED LTD EXPENSE DID THE COMPANY INCUR DURING 2021?

A. The self-insured LTD benefit cost for the twelve months ending December 31, 2021 was $26,671 (Gas Utility O&M).

Q. WHAT AMOUNT OF SELF-INSURED LTD EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. The self-insured LTD benefit cost during that time was $2,524 (Gas Utility O&M). That amount was quantified based on 2022 actuarial reports prepared by Willis and a 2023 actuarial report prepared by Willis. Those documents are being provided as Attachments RRS-1A and RRS-2 to my Direct Testimony.

Q. WHAT AMOUNT OF SELF-INSURED LTD IS THE COMPANY REQUESTING APPROVAL OF IN THIS CASE?

A. The Company is requesting that the Commission approve $5,063 of self-insured benefit costs, which represent 2024 costs as compared to the Test Year. That amount is based upon the 2024 costs from Willis's June 2023 actuarial report, which is Attachment RRS-2 to my Direct Testimony, to reflect the most recent pension assumptions.

Q. HAVE YOU PROVIDED THE NUMBERS AND ASSUMPTIONS THAT THE COMPANY USED TO DETERMINE ITS SELF-INSURED LTD EXPENSE AMOUNTS REQUESTED IN THIS CASE?

A. Yes. Attachment RRS-3 contains the Gas Utility O&M calculations of the self-insured LTD expense amounts requested. Attachments RRS-1A and RRS-2 contain the source documents for those calculations.

E. Reasonableness of Public Service's Pension and Other Post-Employment Benefits Expense

Q. ARE THE AMOUNTS OF THE COMPANY'S PENSION AND OTHER POST-EMPLOYMENT BENEFITS EXPENSE REASONABLE?

A. Yes. The Company follows a well-established, objective, and verifiable process to determine the assumptions used within the actuarial calculations that yield the pension and other retirement benefits expense amounts. The assumptions and the actuarially calculated total cost amounts are reflected in Attachments RRS-1A, RRS-1B, RRS-2, and RRS-3, which are the actuarial attachments supporting the requested amounts. In addition, the reasonableness of Xcel Energy's Total Rewards Program design, which includes pension and other post-employment benefits, is discussed in Mr. Deselich's Direct Testimony.

IV. ACTIVE HEALTH AND WELFARE COSTS

Q. WHAT TOPICS DO YOU DISCUSS IN THIS SECTION OF YOUR DIRECT TESTIMONY?

A. I discuss four types of active health and welfare costs: (1) active health care costs; (2) third-party-insured LTD costs; (3) life insurance costs; and (4) miscellaneous benefit costs.

A. Active Health Care

Q. WHAT TYPES OF COSTS ARE INCLUDED IN ACTIVE HEALTH CARE?

A. Active health care costs are all costs associated with providing health care coverage to current employees. The costs include medical, pharmacy, dental and vision claims, administrative fees, employee withholdings, pharmacy rebates, Health Savings Account contributions, transitional reinsurance fees, trustee fees, and interest income.

Q. WHAT AMOUNT OF ACTIVE HEALTH CARE EXPENSE DID THE COMPANY INCUR DURING 2021?

A. The active health care expense for the twelve months ended December 31, 2021 was $9,399,465 (Gas Utility O&M).

Q. WHAT AMOUNT OF ACTIVE HEALTH CARE EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. The active health care expense incurred during that time was $9,859,875 (Gas Utility O&M).

Q. DOES THE INCURRED AMOUNT MATCH THE PER BOOK AMOUNT OF ACTIVE HEALTH CARE COSTS FOR THAT PERIOD OF TIME?

A. No. The per book numbers for active health care amounts include estimates because there is generally an average lag of approximately 30 days between when health care is provided and when Public Service receives a bill for that care.[9] Therefore, the actual amount of active health care expense was not available at the time Public Service recorded its per book amount. Because Public Service needs to close its books before it receives all of those health care claims, it takes the actual amounts recorded through the end of the year and estimates the additional amount that will be incurred but not reported by the end of the reporting period, which is the Incurred but not Reported ("IBNR") reserve. During the subsequent month(s), Public Service receives the actual amounts attributable to care provided in the last part of the prior period, and at that time it trues up the IBNR estimate to the actual incurred expense.

Q. WHAT IS THE AMOUNT OF THE ADJUSTMENT TO THE PER BOOK AMOUNT?

A. The adjustment to the per book amount is $129,299 (Gas Utility O&M). This adjustment is necessary to reflect the claims costs on an incurred basis. As mentioned above, as claims that are incurred in a prior year become known in the following year, a true-up to the IBNR reserve is recorded. Incurred adjustments to

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[9] The difference between the estimated amount and the actual amount is generally not material enough to restate Public Service's GAAP books when the actual amount becomes known.

per book amounts are necessary so that the amount reflects the actual claims incurred and not the estimated claims that were accrued in the period.

Q. WHY DID ACTIVE HEALTH CARE COSTS INCREASE BETWEEN 2021 AND SEPTEMBER 30, 2023?

A. It is not possible to know for certain, but the Company believes that the active health care costs likely increased between December 31, 2021 and September 30, 2023 because of an increase on the part of employees and their dependents to seek routine medical and dental following the pandemic. Additionally, the increase reflects normal inflationary cost increases.

Q. WHAT AMOUNT OF ACTIVE HEALTH CARE EXPENSE IS THE COMPANY REQUESTING APPROVAL OF IN THIS CASE?

A. Public Service is requesting that the Commission approve $10,617,530 for active health care expense. Please refer to Attachment RRS-4.

Q. PLEASE DISCUSS THE PROCESS THAT THE COMPANY UNDERTOOK TO DETERMINE THE ACTIVE HEALTH CARE AMOUNTS REQUESTED IN THIS CASE.

A. The Company first took the adjusted amount as of September 30, 2023 and then applied two known and measurable adjustments to arrive at the requested active health care amount for the Test Year:

1. The Company applied a six percent increase to the incurred medical amount, which increased costs by $534,425.

2. The Company applied a 10.00 percent increase to the incurred pharmacy amount, which increased costs by $223,230.

These adjustments result in an increase of $757,655 to the overall amount.

Q. WHAT IS THE COMPANY'S BASIS FOR USING THE MEDICAL AND PHARMACY HEALTH CARE TREND ASSUMPTIONS DESCRIBED ABOVE?

A. The assumptions reflect Willis's overall expectation of health care cost increases based on survey averages, carrier information, and an analysis of the broad health care market.

B. <u>Third-Party-Insured Long-Term Disability</u>

Q. PLEASE DESCRIBE THE THIRD-PARTY-INSURED LTD COSTS THAT THE COMPANY INCURS.

A. As explained earlier, the Company offers LTD coverage that provides benefits to former or inactive employees after employment but before retirement. The LTD plan provides employees with income protection by paying a portion of an employee's income while he or she is disabled by a covered physical or mental impairment. In a third-party-insured plan, Public Service purchases an insurance plan from an outside insurance provider that assumes the risk. The cost of the third-party-insured piece is simply the cost of the insurance premium incurred each year, along with any other miscellaneous costs.

Q. WHAT GROUPS OF EMPLOYEES ARE COVERED UNDER THE THIRD-PARTY-INSURED BENEFIT?

A. As noted earlier, all employees disabled on and after January 1, 2008 are covered under the third-party-insured plan.

Q. WHAT AMOUNT OF THIRD-PARTY-INSURED EXPENSE DID THE COMPANY INCUR DURING 2021?

A. The Company incurred $392,522 (Gas Utility O&M) in third-party-insured LTD expense during that time.

Q. WHAT AMOUNT OF THIRD-PARTY-INSURED EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. The Company incurred $404,264 (Gas Utility O&M) in third-party-insured LTD expense during that time.

Q. WHY DID THE THIRD-PARTY-INSURED LTD AMOUNT INCREASE FROM 2021 TO THE TWELVE-MONTH PERIOD ENDING SEPTEMBER 30, 2023?

A. As explained earlier, the third-party-insured LTD expense is based on the cost of the premium paid to the third-party insurer. The insurer sets the premium at a particular level based on participants, compensation levels, and claims experience.

Q. IS THE COMPANY REQUESTING ANY KNOWN AND MEASURABLE ADJUSTMENT TO THE EXPENSE FOR THIRD-PARTY-INSURED LTD?

A. No. At this time, Public Service does not have an updated premium for 2024, so it requests that the amount of third-party-insured LTD incurred during the twelve-month period ended September 30, 2023 serve as a reasonable proxy for the Company's third-party insured LTD costs in this case.

C. Life Insurance

Q. PLEASE DESCRIBE THE LIFE INSURANCE COST THAT THE COMPANY INCURS.

A. The life insurance category consists of life insurance premiums and offsetting employee life insurance withholdings. Life insurance is provided to non-bargaining employees at 100 percent of base pay and to Company bargaining unit employees at 50 percent of base pay. Employees also have the option to purchase additional life insurance.

Q. WHAT AMOUNT OF LIFE INSURANCE EXPENSE DID THE COMPANY INCUR DURING 2021?

A. During that period, the Company incurred $136,968 (Gas Utility O&M) of life insurance expense.

Q. WHAT AMOUNT OF LIFE INSURANCE EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. During that time period, Public Service incurred $131,598 (Gas Utility O&M) for life insurance benefits.

Q. WHAT FACTORS CONTRIBUTED TO THE CHANGE IN LIFE INSURANCE EXPENSE BETWEEN 2021 AND THE TWELVE-MONTH PERIOD ENDED SEPTEMBER30, 2023?

A. Life insurance expense decreased slightly between 2021 and the twelve-month period ended September 30, 2023 mainly due to participants and claims experience.

Q. IS THE COMPANY REQUESTING ANY KNOWN AND MEASURABLE ADJUSTMENT TO THE TEST YEAR EXPENSE FOR LIFE INSURANCE?

A. No. As with third-party insured LTD benefits, Public Service does not have an updated premium for 2024. Therefore, the Company asks the Commission to accept the amount incurred for life insurance during the twelve-month period ending September 30, 2023 as a reasonable proxy for costs going forward.

D. <u>Miscellaneous Benefits</u>

Q. WHAT TYPES OF MISCELLANEOUS BENEFIT PROGRAMS DOES PUBLIC SERVICE OFFER TO ITS EMPLOYEES?

A. The types of costs included in the miscellaneous benefit programs and costs category are:

- Tuition reimbursement;
- Employee Assistance Program costs;
- Wellness program costs;
- Costs incurred by the Human Resources Service Center to answer employee retirement or benefit questions;
- Health and welfare plan actuarial and audit fees;
- Administrative fees for short-term and long-term disability plans; and
- Administrative fees for employee flexible spending and health savings accounts.

Q. WHAT AMOUNT OF MISCELLANEOUS BENEFIT EXPENSE DID THE COMPANY INCUR DURING 2021?

A. During that period, the Company incurred $368,734 (Gas Utility O&M) in miscellaneous benefit costs.

Q. WHAT AMOUNT OF MISCELLANEOUS BENEFITS EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. Public Service incurred $424,783 (Gas Utility O&M) for miscellaneous benefits during that time.

Q. WHAT FACTORS CONTRIBUTED TO THE CHANGE IN MISCELLANEOUS BENEFITS EXPENSE BETWEEN 2021 AND THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. The miscellaneous benefit costs increased because employees increased their usage of the miscellaneous benefits during the period.

Q. IS THE COMPANY REQUESTING ANY KNOWN AND MEASURABLE ADJUSTMENT TO THE MISCELLANEOUS BENEFITS EXPENSE?

A. No. Public Service is requesting that the Commission approve the amount of miscellaneous benefits incurred during the twelve-month period ended September 30, 2023. That represents a reasonable proxy of the miscellaneous benefit costs going forward.

E. Reasonableness of Health and Welfare Costs

Q. ARE THE AMOUNTS OF PUBLIC SERVICE'S HEALTH AND WELFARE EXPENSE REASONABLE?

A. Yes. It is appropriate for the cost of service to include these benefits because they reflect a reasonable and necessary level of expense. As Mr. Deselich explains in more detail, Xcel Energy's compensation plans and benefits are required for Xcel Energy and its subsidiaries to attract, retain, and motivate employees needed to perform the work necessary to provide quality services for Public Service customers. Without these benefits, Public Service and XES would have to pay significantly higher current compensation to attract employees.

V. WORKERS' COMPENSATION EXPENSE

Q. IS PUBLIC SERVICE SEEKING RECOVERY OF THE COSTS ASSOCIATED WITH WORKERS' COMPENSATION BENEFITS?

A. Yes. Public Service is seeking recovery of expense associated with workers' compensation benefits.

Q. PLEASE BRIEFLY DESCRIBE PUBLIC SERVICE'S THIRD-PARTY-INSURED WORKERS' COMPENSATION PROGRAM.

A. For employees who are injured on or after August 1, 2001, all workers' compensation benefits are covered under an insured program. In a third-party-insured plan, Public Service purchases an insurance plan from an outside insurance provider that assumes the risk, and the cost of the third-party-insured piece is simply the cost of the insurance premium incurred each year, along with any other miscellaneous costs.

Q. WHAT AMOUNT OF THIRD-PARTY-INSURED EXPENSE DID THE COMPANY INCUR DURING 2021?

A. During that time, the Company incurred $294,867 (Gas Utility O&M) in third-party-insured workers' compensation benefits.

Q. WHAT AMOUNT OF EXPENSE DID PUBLIC SERVICE INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 FOR THIRD PARTY-INSURED WORKERS' COMPENSATION BENEFITS?

A. During that period Public Service incurred $348,235 (Gas Utility O&M) for third-party-insured workers' compensation benefits.

Q. WHY HAS THE REQUESTED AMOUNT INCREASED SINCE THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2021?

A. Third-Party Workers Compensation expense has increased slightly from calendar year 2021 due to participants, compensation levels, and claims experience.

Q. DOES PUBLIC SERVICE SELF-INSURE FOR ANY WORKERS' COMPENSATION LIABILITY?

A. Yes. Public Service self-insures for a small portion of its workers' compensation liability. The amount of that liability is actuarially calculated by Willis.

Q. WHAT AMOUNT OF SELF-INSURED WORKERS COMPENSATION EXPENSE DID THE COMPANY INCUR DURING 2021?

A. During that time, the Company incurred $11,947 (Gas Utility O&M) in third-party-insured workers' compensation benefits.

Q. WHAT AMOUNT OF SELF-INSURED WORKERS COMPENSATION EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. During that period Public Service incurred $(10,018) (Gas Utility O&M) for third-party-insured workers' compensation benefits.

Q. WHAT AMOUNT OF EXPENSE IS PUBLIC SERVICE REQUESTING FOR WORKERS' COMPENSATION BENEFITS?

A. Public Service is requesting recovery of $6,164 of workers' compensation expense.

Q. HOW DID PUBLIC SERVICE ARRIVE AT THE REQUESTED AMOUNT OF WORKERS' COMPENSATION EXPENSE?

A. The Company started with the twelve-month period ended September 30, 2023 workers' compensation expense as a reasonable proxy for its going-forward workers' compensation costs, but the Company increased that amount by $16,182 to reflect the updated actuarial estimate attributable to the self-insured portion of the workers' compensation benefit.

Q. IS IT REASONABLE FOR THE COST OF SERVICE TO INCLUDE WORKERS' COMPENSATION COSTS INCURRED BY PUBLIC SERVICE?

A. Yes. It is appropriate for the cost of service to include these benefits in the cost of service because they reflect a reasonable and necessary level of expense. Xcel Energy's workers' compensation plans and benefits are required for Xcel Energy and its subsidiaries to attract, retain, and motivate employees needed to perform the work necessary to provide quality services for Public Service customers. Without these benefits, Public Service and XES would have to pay significantly higher current compensation to attract employees.

VI. OTHER BENEFIT COSTS

Q. IS PUBLIC SERVICE SEEKING RECOVERY OF ANY RETIREMENT BENEFITS IN ADDITION TO THE ONES DISCUSSED EARLIER?

A. Yes. Public Service is also seeking recovery of 401(k) match costs and miscellaneous retirement-related costs.

A. 401(k) Match

Q. PLEASE BRIEFLY DESCRIBE PUBLIC SERVICE'S 401(K) MATCH PLAN.

A. Public Service's retirement income plan is based on a combination of a defined-benefit pension plan and a 401(k) plan, which is a defined-contribution plan. Unlike some defined-benefit pension plans, Public Service's defined-benefit pension plan is not intended to provide an employee's total retirement income. Rather, the defined-benefit pension plan and 401(k) plan are designed so that the two plans in combination provide retirement income to Public Service and XES employees.

Q. HOW ARE THE 401(K) MATCH COSTS DETERMINED?

A. The 401(k) plan is a defined-contribution plan to which employees must contribute in order to obtain employer matching. That employer match is based on the amount that employees contribute as a percentage of their salary, with a maximum match of four percent. For the majority of Public Service's workforce, the employee must contribute eight percent of eligible income for Public Service to contribute the maximum match of four percent of eligible income. The remaining employees, who are in the Traditional Plan, receive a maximum match of $1,400.

Q. WHAT AMOUNT OF 401(K) MATCH EXPENSE DID THE COMPANY INCUR DURING 2021?

A. During that period, the Company incurred $3,361,392 (Gas Utility O&M) in 401(k) match costs.

Q. WHAT AMOUNT OF 401(K) MATCH EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. During that time period, Public Service incurred $3,541,140 (Gas Utility O&M) for 401(k) benefits.

Q. WHAT AMOUNT OF 401(K) MATCH EXPENSE IS THE COMPANY REQUESTING APPROVAL OF IN THIS CASE?

A. Public Service is seeking recovery of $3,670,016.

Q. PLEASE DISCUSS THE PROCESS THAT THE COMPANY UNDERTOOK TO DETERMINE THE 401(K) AMOUNT REQUESTED IN THIS CASE

A. The Company first took the per book amount of $3,541,140 and then applied a known and measurable adjustment of $128,877 to arrive at the proposed amount of $3,670,016. Because the 401(k) match is based on the amount that employees contribute as a percentage of their salary, escalation factors of three percent and four percent (based on projected salary increases) have been applied to the actual non-bargaining and bargaining employee costs, respectively. For justification of the merit increase, please refer to Mr. Deselich's Direct Testimony.

B. Miscellaneous Retirement-Related Costs

Q. WHAT COSTS ARE INCLUDED IN MISCELLANEOUS RETIREMENT-RELATED COSTS?

A. This category includes costs such as 401(k) plan administration fees, compensation consulting and survey costs, retirement plan actuarial and audit fees, and a small amount for the deferred compensation plan.

Q. WHAT AMOUNT OF MISCELLANEOUS RETIREMENT-RELATED BENEFITS EXPENSE DID THE COMPANY INCUR DURING 2021?

A. During that period, the Company incurred $107,361 (Gas Utility O&M) in miscellaneous retirement-related benefits expense.

Q. WHAT AMOUNT OF MISCELLANEOUS RETIREMENT-RELATED BENEFITS EXPENSE DID THE COMPANY INCUR DURING THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. For miscellaneous retirement-related benefits, Public Service incurred $116,634 (Gas Utility O&M) expense during the twelve-month period ended September 30, 2023.

Q. WHAT FACTORS CONTRIBUTED TO THE CHANGE IN MISCELLANEOUS RETIREMENT-RELATED BENEFITS EXPENSE BETWEEN 2021 AND THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2023?

A. The miscellaneous retirement-related benefits increased during the twelve months ending September 30, 2023 because the Company's use of third-party consultants increased slightly as compared to 2021.

Q. WHAT AMOUNT OF MISCELLANEOUS RETIREMENT-RELATED BENEFITS IS PUBLIC SERVICE ASKING THE COMMISSION TO APPROVE?

A. The Company requests that the Commission approve recovery of $116,634 for miscellaneous retirement-related benefits. That amount, which was the per book cost during the twelve-month period ended September 30, 2023, represents a reasonable proxy of miscellaneous retirement-related benefit costs going forward.

C. Reasonableness of Other Benefit Costs

Q. IS IT REASONABLE FOR THE COST OF SERVICE TO INCLUDE THE 401(K) MATCH AND MISCELLANEOUS RETIREMENT-RELATED COSTS INCURRED BY PUBLIC SERVICE?

A. Yes. It is appropriate for the cost of service to include these benefit expenses because they reflect a reasonable and necessary level of expense. Xcel Energy's compensation plans and benefits are required for Xcel Energy and its subsidiaries to attract, retain, and motivate the employees needed to perform the work necessary to provide quality services for Public Service customers. Without these benefits, Public Service and XES would have to pay significantly higher current compensation to attract employees.

VII. PREPAID PENSION ASSET

Q. WHAT TOPIC DO YOU DISCUSS IN THIS SECTION OF YOUR DIRECT TESTIMONY?

A. I describe how a prepaid pension asset is established, and I explain the Company's request in this case to include the prepaid pension asset in rate base and to earn a return at the Company's WACC, consistent with current Commission-approved treatment.[10]

A. Creation of a Prepaid Pension Asset

Q. WHAT IS A PREPAID PENSION ASSET?

A. A prepaid pension asset represents the difference between: (1) the cumulative actuarially determined annual pension expense calculated in accordance with FAS 87 since the plan's inception, and (2) the cumulative cash amounts contributed by the Company to the pension trust fund since the plan's inception.

Q. CAN YOU PROVIDE AN EXAMPLE OF HOW THE DIFFERENCE ARISES?

A. Yes. Suppose that the pension plan has been in existence for five years, and that the cash contribution to the pension trust for each of the five years has been $100 million, whereas the annual pension expense calculated in accordance with FAS 87 has been $90 million in each of those five years. Table RRS-D-4 shows how the excess of cash contributions each year creates a cumulative prepaid pension asset:

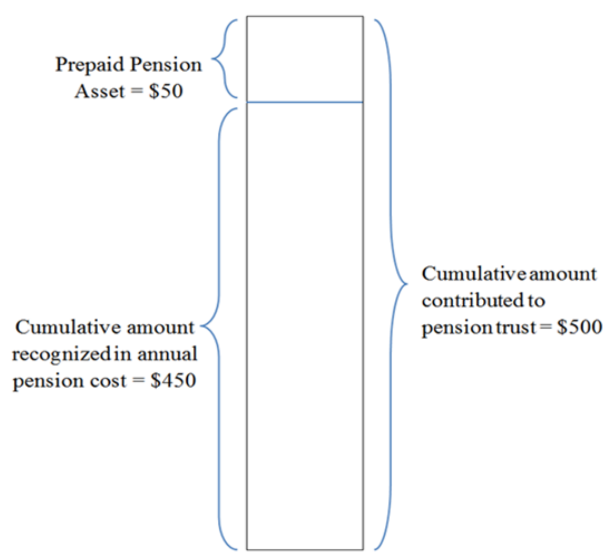
[10] *See* Proceeding No. 22AL-0046G, Decision No. C22-0642, ¶ 187 (mailed Oct. 25, 2022).

TABLE RRS-D-4 (AMOUNTS IN MILLIONS)

Year	Pension Contribution	Annual Pension Expense	Cumulative Prepaid Pension Asset
1	$100	$90	$10
2	$100	$90	$20
3	$100	$90	$30
4	$100	$90	$40
5	$100	$90	$50
Total	$500	$450	$50

At the end of the five-year period, the utility has made cumulative cash contributions of $500 million and has recognized cumulative annual pension expense of $450 million under GAAP, which produces a prepaid pension asset of $50 million, as shown in Figure RRS-D-1 below:

FIGURE RRS-D-1[11]



[11] The amounts in this figure and the other figures in my Direct Testimony are illustrative only. They do not represent Public Service's actual pension trust fund balances or its prepaid pension asset balance.

Q. CAN A UTILITY WITHDRAW THE PREPAID PENSION ASSET AND USE IT TO FUND CAPITAL REQUIREMENTS OR TO PAY FOR O&M EXPENSE?

A. No. Federal law prohibits the withdrawal of any amounts from the pension trust fund except for the payment of benefits and plan expenses. After the contributions are made, they are essentially locked away.

Q. IS IT ALSO POSSIBLE FOR THE CUMULATIVE RECOGNIZED ANNUAL PENSION EXPENSE TO BE HIGHER THAN THE CUMULATIVE CONTRIBUTIONS?

A. Yes. That leads to an accrued pension liability, which would be subtracted from rate base. In fact, Public Service currently has an accrued liability for its non-qualified pension plan and FAS 112 obligation, and that liability is used to reduce rate base.

B. Rationale for Allowing WACC Return on Prepaid Pension Asset

Q. PLEASE EXPLAIN PUBLIC SERVICE'S REQUEST REGARDING ITS PREPAID PENSION ASSET.

A. Public Service is requesting Commission approval to include the prepaid pension asset in rate base and to earn a return on that portion of the rate base at the 7.50 percent WACC that Public Service is asking the Commission to approve in this case.

Q. HAS THE COMPANY CREATED A SCHEDULE TO REFLECT THE UNDERLYING CALCULATION OF THE PREPAID PENSION ASSET IT SEEKS TO INCLUDE IN RATE BASE?

A. Yes. Attachment RRS-5 provides a detailed calculation of the year-end balances of the Legacy Prepaid Pension Asset and New Prepaid Pension Asset for the Public Service gas utility. Attachment RRS-5 also shows a summary of the Legacy and New Prepaid Pension Asset balances that the Company is seeking to include in rate base. The amount the Company is seeking to include in rate base is the net of the Legacy Prepaid Pension Asset, which has an asset balance, and the New Prepaid Pension Asset, which has an accrued liability balance.

Q. DO YOU RECOMMEND THAT THE COMMISSION INCLUDE THE PREPAID PENSION ASSET IN RATE BASE?

A. Yes. The standard ratemaking practice is for prepayments to be included in rate base and to earn a return at the utility's WACC. For example, ADIT balances, which reflect customer prepayments of taxes before they must be paid to the Internal Revenue Service, are subtracted from rate base, effectively earning a WACC return for customers.

Moreover, the prepaid pension asset is a used and useful utility asset because the pension plan earns a return on the prepaid pension asset, and that return reduces the pension expense included in rates on a dollar-for-dollar basis. There is no reason to treat the used and useful prepaid pension asset any differently than other used and useful assets, such as transmission and distribution lines.

Q. PLEASE EXPLAIN WHAT YOU MEAN WHEN YOU STATE THAT THE RETURN ON THE PREPAID PENSION ASSET REDUCES THE PENSION EXPENSE INCLUDED IN RATES ON A DOLLAR-FOR-DOLLAR BASIS.

A. As I explained in a prior section of my Direct Testimony, the assets in the pension trust are invested in stocks, bonds, and other asset classes. Under FAS 87, the total amount of the assets in the trust is multiplied by the expected return on those assets (i.e., the EROA), and the resulting amount reduces the annual pension expense on a dollar-for-dollar basis.[12] Suppose, for example, that a pension trust has assets of $500 million and is expected to earn a return of seven percent in the current year, for an annual return of $35 million. Under those assumptions, $35 million would be included in the annual pension cost calculation as a reduction to pension expense.

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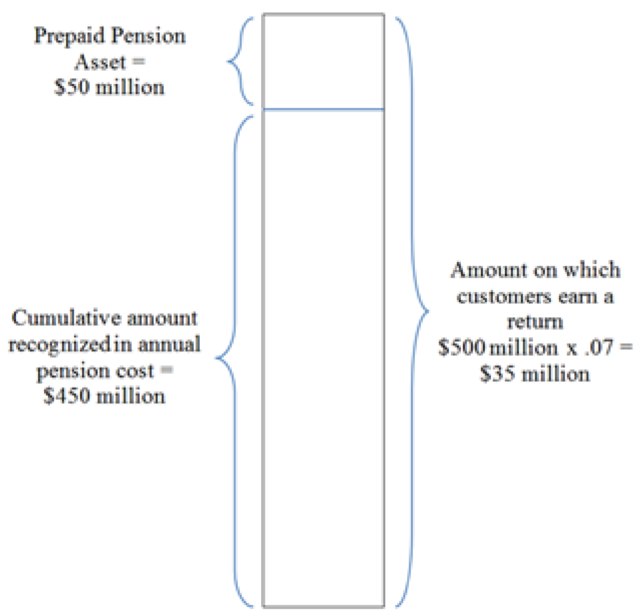
[12] I explained earlier in my Direct Testimony that annual pension expense is calculated in accordance with the following formula:

	Current service cost
+	Interest cost
-	EROA
+/-	Loss (gain) due to difference between expected and actual experience of plan assets or liabilities from prior periods
+/-	Amortization of unfunded prior service cost
=	Annual pension cost

Q. DOES THE PENSION TRUST ASSET BALANCE THAT IS MULTIPLIED BY THE EROA INCLUDE THE PREPAID PENSION ASSET?

A. Yes. As shown in Figure RRS-D-2 below, customers receive the benefit of the expected return on the entire amount of assets in the pension trust, not just the amount that has been recognized in annual pension cost.

FIGURE RRS-D-2[13]



That means all of the assets in the pension trust, including the assets that comprise the prepaid pension asset, are used and useful to Public Service's customers.

[13] The amounts in this figure are just examples that have been simplified for ease of understanding.

Q. PLEASE TURN NOW FROM THE HYPOTHETICAL EXAMPLES YOU HAVE BEEN DISCUSSING TO PUBLIC SERVICE'S ACTUAL PREPAID PENSION ASSET. HOW MUCH ARE PUBLIC SERVICE'S CUSTOMERS SAVING IN ANNUAL PENSION COST AS A RESULT OF THE PREPAID PENSION ASSET?

A. As Table RRS-D-5 below shows, the Company's customers are saving $3,350,009 million in annual pension costs because of the return on the prepaid pension asset.

TABLE RRS-D-5

	PSCo Gas Qualified Prepaid Pension Asset 13-Month Average	**Weighted Average EROA**	**Total Company Cost Reduction from Prepaid Pension Asset**
Prepaid Pension for Regulatory Purposes	$51,301,538	6.53%	$3,350,009

Q. PLEASE EXPLAIN THE COMPANY'S REQUEST REGARDING ITS PREPAID PENSION ASSET.

A. Public Service is requesting that the prepaid pension asset, which is $51.3 million, be included in rate base to provide a corresponding return. The calculation to support the prepaid pension asset 13-month average can be found in my Attachment RRS-5.

Q. IF PUBLIC SERVICE HAD AN ACCRUED LIABILITY INSTEAD OF A PREPAID PENSION ASSET, WOULD YOU BE RECOMMENDING THAT AMOUNT BE SUBTRACTED FROM RATE BASE?

A. Yes. In fact, that is the situation with the Company's FAS 112 LTD balance. For that element of cost, the cumulative amount of expense recognized for GAAP purposes is larger than the amount set aside to pay for it. Thus, Public Service has reduced its rate base to reflect the accrued liability.

Q. IS PUBLIC SERVICE'S REQUESTED WACC RETURN ON THE PREPAID PENSION ASSET HIGHER THAN THE EROA RETURN THAT CUSTOMERS EARN ON THE PREPAID PENSION ASSET?

A. Yes. In this case, Public Service's requested WACC is 7.50 percent and the weighted average of the EROA for the Public Service Bargaining Plan and the NCE Non-Bargaining Plan is 6.53 percent.[14]

Q. GIVEN THAT THE WACC IS HIGHER THAN THE EROA, IS IT FAIR TO CUSTOMERS TO USE THE WACC AS THE RETURN ON THE PREPAID PENSION ASSET?

A. Yes. It is fair and reasonable for customers to pay the WACC return for three separate reasons:

1. The Public Service pension plan balance on which customers earn an EROA return is much larger than the balance on which they pay a WACC return.

[14] The EROA for the Public Service Bargaining Plan is 6.50%, and the EROA for the NCE Non-Bargaining Plan is 6.75%. The weighted average of those amounts is 6.53%.

2. Customers earn a return on the XES prepaid pension asset, but they do not pay any return on that asset because it is not included in rate base for ratemaking purposes.

3. The prepaid pension asset allows the Company to avoid paying incremental Pension Benefit Guaranty Corporation ("PBGC") premiums that would otherwise be added to the pension expense paid by customers.

Q. PLEASE EXPLAIN THE FIRST REASON, WHICH IS THAT THE PREPAID PENSION ASSET BALANCE ON WHICH CUSTOMERS EARN AN EROA RETURN IS MUCH LARGER THAN THE BALANCE ON WHICH THEY PAY A WACC RETURN.

A. The 6.53 percent EROA is applied to the full amount of the Public Service prepaid pension asset, which totals approximately $51.3 million on a Gas Utility O&M basis. As shown in Table RRS-D-5, that reduces the pension expense included in rates by approximately $3.4 million per year. In contrast, Public Service's customers are being asked to pay a return on approximately $38.4 million because the net prepaid pension asset included in rate base is reduced by offsets for ADIT and for the unfunded liability associated with FAS 112. Because the balance on which customers earn a return is far larger than the balance on which they pay a return, customers realize a net benefit even when the WACC exceeds the EROA.

Q. THE SECOND REASON YOU LISTED EARLIER IS THAT CUSTOMERS EARN A RETURN ON THE XES PREPAID PENSION ASSET BUT DO NOT PAY A RETURN ON IT. WHAT IS THE BALANCE OF THE XES PLAN PREPAID PENSION ASSET?

A. The 13-month average balance of the XES Plan net prepaid pension asset is approximately $9.6 million. With an EROA of 7.25 percent for the XES Plan, Public Service's customers receive the benefit of $0.7 million of return, and that amount reduces the pension expense included in rates on a dollar-for-dollar basis. Public Service's customers, however, do not pay any return on the XES Plan prepaid pension asset.

Q. THE THIRD REASON YOU LISTED FOR WHY IT IS REASONABLE FOR CUSTOMERS TO PAY A WACC RETURN ON THE PREPAID PENSION ASSET IS THAT THE ASSET ALLOWS PUBLIC SERVICE TO AVOID INCURRING PBGC PREMIUMS THAT WOULD OTHERWISE BE INCLUDED WITHIN THE ANNUAL PENSION COST CHARGED TO CUSTOMERS. PLEASE DESCRIBE THE PBGC.

A. The PBGC is a federal agency established by Congress as part of ERISA to ensure pension benefits under private sector defined benefit pension plans. If a pension plan is terminated without sufficient money to pay all benefits, PBGC's insurance program will pay employees the benefits promised under the pension plan, up to the limits set by law. The funding for the PBGC comes partly from premiums charged to pension sponsors and partly from returns on assets held by the PBGC.

Q. WHAT TYPES OF PREMIUMS DOES THE PBGC CHARGE?

A. The PBGC charges two types of premiums: (1) a per capita premium that is charged to all single-employer defined benefit plans; and (2) a variable premium charged to underfunded plans. The amounts of the premiums are set by Congress and must be paid by sponsors of the defined benefit plans, such as Public Service.

Q. ARE THE VARIABLE PREMIUMS APPLICABLE TO UNDERFUNDED PLANS INCREASING?

A. Yes. For 2023, the variable-rate premium for a single-employer plan such as that of Public Service is $52 per $1,000 of unfunded vested benefits.

Q. ARE PUBLIC SERVICE'S PENSION PLANS CURRENTLY UNDERFUNDED?

A. Yes. And absent the prepaid pension asset, the plan would be further underfunded.[15]

Q. BY HOW MUCH WOULD THE PENSION PLANS BE UNDERFUNDED IN THE ABSENCE OF THE PREPAID PENSION ASSET?

A. In the absence of the prepaid pension asset, the Public Service pension plans would be further underfunded by $52.9 million.

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[15] As I explained earlier, a plan can be underfunded at the same time it has a prepaid pension asset because they measure different things. The prepaid pension asset is the amount by which cumulative contributions exceed cumulative recognized pension expense. A pension plan is underfunded when its pension benefit obligations exceed the value of its assets.

Q. DO PUBLIC SERVICE AND ITS CUSTOMERS AVOID THE PAYMENT OF PBGC PREMIUMS BECAUSE OF THE CONTRIBUTIONS THAT HELPED CREATE THE PREPAID PENSION ASSET?

A. Yes. Colorado customers received the benefit of reduced PBGC premiums in the Test Period, and Public Service projects that it will have additional PBGC savings in the future. The Company has not attempted to quantify the savings for purposes of this case, but the avoidance of incremental PBGC premiums produces actual savings.

Q. WOULD ALLOWING A WACC RETURN ON THE PREPAID PENSION ASSET BE CONSISTENT WITH COMMISSION PRECEDENT?

A. Yes. In Proceeding No. 17AL-0363G, the Commission allowed the Company to include the Gas department's prepaid pension asset in rate base and to earn a WACC return on that asset, consistent with the Denver District Court Order. In the Company's 2022 Combined Gas Rate Case, the Commission authorized the Company to include in rate base the prepaid pension asset and to earn a return at the Company's WACC consistent with the District Court Order.[16]

Q. PLEASE SUMMARIZE WHY IT IS REASONABLE FOR THE COMPANY TO CONTINUE TO EARN A WACC RETURN IN THIS CASE.

A. As I have explained, the prepaid pension asset is used and useful for providing utility service because the return on that asset reduces qualified pension expense

[16] Proceeding No. 22AL-0046G, Decision No. C22-0642, ¶¶ 185-187 (mailed Oct. 25, 2022).

on a dollar-for-dollar basis. Therefore, the prepaid pension asset should earn the same return that other used and useful assets earn.

Moreover, the prepaid pension asset is funded with a combination of debt and equity, not just debt. Therefore, equity investors are deprived of a fair return on the portion of their investment used to fund the pension trust if the Company did not earn a complete WACC return on the prepaid pension asset.

Finally, allowing something less than a WACC return on the prepaid pension asset would create a disincentive for the Company to make contributions to the pension trust, particularly when capital used to fund other assets earns the higher WACC return. Public Service will comply with its fiduciary duty to fund the pension trusts at the minimum required levels, but allowing only a lower return makes it more difficult to justify the contributions necessary to lead to full funding of the trusts.

VIII. PENSION-RELATED TRACKING AND REPORTING

Q. WHAT TOPICS DO YOU DISCUSS IN THIS SECTION OF YOUR TESTIMONY?

A. In this section of my Direct Testimony, I describe the regulatory tracker created in Proceeding No. 15AL-0135G for qualified pension expense and non-qualified pension expense. I quantify the tracker balance as of September 30, 2023, and I explain that the Company proposes to continue using the tracker for the rates set in this proceeding. In addition, I describe the reporting requirements approved by the Commission in Proceeding No. 15AL-0135G, and I explain that the Company has complied with those reporting requirements.

A. Pension Tracker

Q. DID THE COMMISSION APPROVE A PENSION EXPENSE TRACKING MECHANISM IN PROCEEDING NO. 15AL-0135G?

A. Yes. The Commission approved a tracker in that proceeding to "ensure that parties pay no more and no less than the costs of the pension."[17]

Q. HAS THE COMPANY COMPLIED WITH THE PENSION TRACKER REQUIREMENT IN THE SETTLEMENT AGREEMENT?

A. Yes. Attachment RRS-7 shows the cumulative tracker balance of $(4,974,161) broken out between qualified and non-qualified pension and the applicable amortizations to date, the Company has been tracking its qualified and

[17] Proceeding No. 15AL-0135G, Decision No. R15-1204 at ¶ 233 (mailed Nov. 16, 2015).

non-qualified pension costs against the $4,572,516 baseline established in the 2022 Combined Gas Rate Case.[18]

Q. WHAT IS THE CUMULATIVE BALANCE OF THE PENSION TRACKER?

A. As shown in Attachment RRS-7, the cumulative balance of the tracker is a $(4,974,161) regulatory liability that is owed to the customers. This cumulative balance is made up of $(4,907,292) related to qualified pension expense and $(66,870) related to non-qualified pension expense. The Company proposes to amortize this balance over 18 months. This proposed amortization is further explained in Mr. Freitas's Direct Testimony. As shown in Attachment RRS-7 the cumulative balance of approximately $(5.0) million is made up of the following two pieces:

- Cumulative Tracker Balance as of 9/30/2023: $(3,579,234)
- Cumulative Tracker Amortization through 10/31/2024: $(1,516,927)

Attachment RRS-7 shows a breakout of these two pieces between qualified and non-qualified pension.

Q. DOES THE COMPANY PROPOSE TO CONTINUE THE PENSION TRACKER AFTER THE RATES ESTABLISHED IN THIS CASE TAKE EFFECT?

A. Yes. The Company is proposing to continue the tracker going forward for both qualified and non-qualified pension expense. The baselines that Public Service

[18] The baselines established in proceeding No. 22AL-0046G were $4,343,836 for qualified pension expense and $228,680 for non-qualified pension expense.

proposes are $2,012,619 for qualified pension expense and $104,369 for non-qualified pension expense, which are the Test Year amounts in this case.

B. Pension-Related Reporting Requirements

Q. DID THE COMMISSION APPROVE PENSION REPORTING REQUIREMENTS FOR THE COMPANY IN PROCEEDING NO. 15AL-0135G?

A. Yes. The Commission directed Public Service to file annual reports providing actual and forecasted information for the three qualified pension plans that affect Public Service employees.[19]

Q. HAS THE COMPANY COMPLIED WITH THE ANNUAL PENSION REPORTING REQUIREMENTS THAT WERE APPROVED IN PROCEEDING NO. 15AL-0135G?

A. Yes. The Company has filed annual pension reports, including the most recent one filed on April 28, 2023.

[19] Proceeding No. 15AL-0135G, Decision No. R15-1204 at ¶ 233 (mailed Nov. 16, 2015).

IX. PREPAID RETIREE MEDICAL ASSET

Q. WHAT TOPIC DO YOU DISCUSS IN THIS SECTION OF YOUR TESTIMONY?

A. I address the Company's request to include its prepaid retiree medical asset in rate base and to earn a WACC return on that asset.[20]

Q. WHAT IS A PREPAID RETIREE MEDICAL ASSET?

A. A prepaid retiree medical asset is similar to a prepaid pension asset, except that it represents the difference between: (1) the cumulative annual retiree medical expense calculated under FAS 106 since the inception of FAS 106 accounting requirements starting in 1993;[21] and (2) the cumulative cash outlays to fund benefits under the plan, either through contributions made to the FAS 106 trust by the Company or direct payment of plan benefits over the same period of time.[22]The Company has accrued a retiree medical asset because its direct payments of benefits and its cumulative cash contributions to the VEBA trust collectively exceed the cumulative retiree medical expense recognized under FAS 106 since the inception of the retiree medical plan.

[20] Retiree medical expense calculated under FAS 106 is sometimes referred as Other Post-Employment Benefits, or "OPEB." To minimize the acronyms in my testimony, I will use the phrase "retiree medical" rather than "OPEB."
[21] Prior to 1992, retiree medical plans were accounted as a "pay-as-you-go" expense, where the annual expense was equal to the cash outlay for the benefits.
[22] The assets of a retiree medical plan are typically held in a VEBA trust, although benefits are not required to be funded exclusively through a trust.

Q. WHAT IS THE FORECASTED PREPAID RETIREE MEDICAL ASSET BALANCE AT DECEMBER 31, 2023?

A. The thirteen-month prepaid retiree medical asset balance is forecasted to be $18,954,196 on a Public Service Gas Utility O&M basis.[23] That is the amount the Company seeks to include in rate base. Please refer to Attachment RRS-7.

Q. DO CUSTOMERS BENEFIT FROM THE RETIREE MEDICAL ASSET?

A. Yes. The return on the assets in the VEBA trust reduces the retiree medical expense included in the cost of service. Therefore, it is reasonable to include the retiree medical asset in rate base and for the Company to earn a WACC return on it.

Q. HAS THE COMPANY HAD NEGATIVE RETIREE MEDICAL EXPENSE IN RECENT YEARS?

A. Yes. Public Service has had negative retiree medical expense since 2014. Prior to that, Public Service had positive retiree medical expense.

Q. PLEASE EXPLAIN WHAT NEGATIVE RETIREE MEDICAL EXPENSE IS.

A. Similar to pension expense, the annual retiree medical expense is the net of five cost components:

1. Current service cost;
2. Interest cost;
3. EROA;

[23] Public Service uses a thirteen-month average because the balance of the prepaid retiree medical asset varies from month to month.

4. Amortization of loss/(gain) due to difference between expected and actual experience of plan assets or liabilities from prior periods; and

5. Amortization of prior service cost/(credit).

Negative retiree medical expense refers to the circumstance in which the combination of the EROA, the prior-period gains (if any) and the amortization of prior service credit is greater than the combination of the current service cost, the interest cost, and the prior-period losses (if any). In the Company's case, the amortization of prior service cost/(credit) is an offset to expense due to changes the Company has made to reduce benefit levels.

Q. FOR RATEMAKING PURPOSES, DOES IT MAKE A DIFFERENCE WHETHER THE PREPAID RETIREE MEDICAL ASSET IS DERIVED FROM PUBLIC SERVICE CONTRIBUTIONS OR FROM NEGATIVE RETIREE MEDICAL EXPENSE?

A. No. Similar to a prepaid pension asset, there is no question that customers reap the benefit of that prepaid retiree medical asset because it remains in the trust and customers earn a market return on it. That market return is used to lower annual retiree medical expense, reducing the retiree medical expense included in the cost of service.

Q. DID THE COMMISSION APPROVE THE COMPANY'S REQUEST TO INCLUDE THE PREPAID RETIREE MEDICAL ASSET IN RATE BASE IN ITS LAST GAS RATE CASE?

A. Yes. The Commission authorized the Company to include the prepaid retiree medical asset in rate base with a return at the Company's WACC.[24]

Q. SHOULD THE COMMISSION APPROVE THE COMPANY'S REQUEST TO INCLUDE THE PREPAID RETIREE MEDICAL ASSET IN RATE BASE?

A. Yes. The reasons that I discussed in connection with the prepaid pension asset also apply to the retiree medical asset:

- The retiree medical asset is a prepayment by the Company, and it should be treated consistently with other prepayments, such as cash working capital and ADIT; and
- Customers effectively earn a market return on the retiree medical asset because the EROA reduces current annual retiree medical expense, and therefore the prepaid retiree medical asset is a used and useful utility asset.

Q. IN THE COMPANY'S 2022 COMBINED GAS RATE CASE, DID THE COMMISSION REQUIRE THE COMPANY TO ENGAGE IN ANY FURTHER ANALYSIS ABOUT ITS RETIREE MEDICAL ASSET?

A. Yes. The Commission also directed the Company in its next rate case "to put forward analysis and options for amortizing the prepaid retiree medical asset with an end goal of eliminating it from rate base in a reasonable timeframe."[25]

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[24] Proceeding No. 22AL-0046G, Decision No. C22-0642, ¶¶ 196-198 (mailed Oct. 25, 2022).
[25] Proceeding No. 22AL-0046G, Decision No. C22-0642, ¶ 198 (mailed Oct. 25, 2022).

Q. PLEASE DESCRIBE HOW THE COMPANY IS ADDRESSING THE COMMISSION'S DIRECTION IN THIS CASE.

A. Consistent with the discussion above, there are two primary ways the Company can work toward eliminating the prepaid retiree medical asset from rate base: scale back contributions that would otherwise increase the size of the asset, and amortize recovery of the asset over a shorter timeframe. Unless the Commission selects a different path, the Company intends to take actions on both fronts in this case.

Q. PLEASE EXPLAIN IN MORE DETAIL WHAT THE COMPANY IS PROPOSING.

A. The first item that increases the size of the asset is Company contributions to the VEBA trust. If the Company were to make a contribution to the trust in 2023 to equal expense, which has been its past practice, this would only increase the size of the asset at a time when the trust is already fully funded. Additionally, the goal of a VEBA trust is to ensure funding of retiree medical expenses over time, rather than to build up excess funding. To that end, if the Company were to continue making contributions each year, resulting in increased overfunding at the time of the asset's retirement, the excess funds left in the VEBA trust would be subject to a 100 percent governmental excise tax. In short, those excess funds would be paid to the government rather than returned to the Company, which would not benefit customers or the Company at that time. The VEBA Trust has sufficient funds to pay retiree medical benefits over the life of the plan. Therefore, consistent with the Commission's direction to find ways to help ensure the asset is retired sooner rather than later, it is most prudent to forego making contributions in 2023 and the foreseeable future.

Second, Public Service is proposing to create a new 15-year amortization of the prepaid retiree medical asset, similar to the approach taken to shorten the life of the prepaid pension asset. The goal of this approach is to accelerate the recognition of retiree medical cost over a period of time in order to eliminate the asset earlier than earlier than if the current prepayment status simply lingered over the life of the plan. To this end, the Company is requesting to amortize the forecasted balance as of December 31, 2023, which is $19,212,065, over 15 years. That would result in a $1,280,804 annual prepaid retiree medical asset amortization expense, which Company witness Mr. Freitas has included in the Company’s proposed cost of service.

Q. ARE THERE OPTIONS FOR THE COMMISSION TO ACCELERATE RESOLUTION OF THE PREPAID RETIREE MEDICAL ASSET EARLIER THAN 15 YEARS?

A. Yes. The Commission requested an analysis and options to retire the prepaid retiree medical asset. The amortization approach need not be applied over 15 years; rather, as set forth below, the Commission could select a shorter amortization period to further accelerate retirement of the asset. The math of this approach simply involves dividing the balance of the Public Service forecasted balance of the prepaid pension asset as of December 31, 2023 by the selected number of years. Table RRS-D-6 below shows the results of various amortization periods for this proposal to enable comparison of outcomes, with the ultimate goal of bringing the net impact to rate base is zero.

Table RRS-D-6
Amortization of Prepaid Pension Asset

PSCo Gas Balance 12/31/2023	$	19,212,065
Annual Amortization (4 years)	$	4,803,016
Annual Amortization (6 years)	$	3,202,011
Annual Amortization (8 years)	$	2,401,508
Annual Amortization (10 years)	$	1,921,207
Annual Amortization (12 years)	$	1,601,005
Annual Amortization (15 years)	$	1,280,804

Q. WHY IS THE COMPANY PROPOSING 15 YEARS?

A. While Public Service does not oppose a different amortization period, this period aligns with the approach to the prepaid pension asset while still keeping the annual customer impact low during the amortization period.

X. CONCLUSION

Q. DO YOU HAVE ANY CONCLUDING REMARKS REGARDING THE PENSION AND BENEFIT COSTS THAT YOU SUPPORT IN THIS CASE?

A. Yes. The pension and benefit requested amounts that I am supporting are reasonable and necessary costs of providing service to Public Service's customers, and therefore they should be included in the Company's revenue requirement. As I explained earlier in my Direct Testimony, the Company's overall pension and benefit expense has declined significantly since 2021, in large part because of the steps the Company has taken to modify its pension and benefit programs.

The Commission should also allow the Company to include its prepaid pension asset and prepaid retiree medical asset in rate base and to earn a return on those assets at the Company's WACC. Prepayments are routinely added to or subtracted from rate base, and there is no valid reason to treat the prepaid pension asset and prepaid retiree medical asset differently. In addition, customers realize a benefit from the assets in the form of earned market returns that reduce pension and retiree medical expense, and it would be inequitable to allow them to retain that benefit without paying any return on the asset.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Statement of Qualifications

Richard R. Schrubbe

I received a Bachelor of Science degree, with a major in finance, from Marquette University in 1996.

From 2000 to 2005, I was employed by the Do ALL Company, first as a Staff Accountant, later as Assistant Controller, and then as Corporate Controller. From 2005 to 2007, I was employed by Wilsons Leather as a Financial Analyst.

In 2007, I joined Xcel Energy as a Consultant. I became the Manager of Corporate Accounting in 2010 and the Director of Corporate and Benefits Accounting in 2013. In 2017, I became the Area Vice President for Financial Analysis and Planning. In 2022, I was promoted to Vice President of Business Area Finance. My current role includes overseeing the accounting for all employee benefits programs, playing a liaison role with the Human Resources department, external actuaries, and senior management with benefit fiduciary roles. I am also familiar with the applicable laws, regulatory rules, and ratemaking practices regarding Xcel Energy's recovery of pension and benefits costs and assets in its many jurisdictions.

I have testified in the Company's last four gas base rate cases before the Colorado Public Utilities Commission, which were Proceeding Nos. 22AL-0046G, 20AL-0049G, 17AL-0363G and 15AL-0135G, on pension and other post-employment benefit expenses, active health care expenses, and the proper treatment of a prepaid pension asset, among other issues. I have also submitted pre-filed direct and rebuttal testimony in the Company's last four Phase I electric rate cases in Colorado, Proceeding Nos. 22AL-

0530E, 21AL-0317E, 19AL-0268E, and 14AL-0660E, on those same issues. In addition, I have testified before the Minnesota Public Utilities Commission, the Public Utility Commission of Texas, and the New Mexico Public Regulation Commission on pension and benefit issues.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *

IN THE MATTER OF ADVICE NO. 1029-GAS OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO PUC NO. 6-GAS TARIFF TO INCREASE JURISDICTIONAL BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL GAS RATE SCHEDULES, AND MAKE OTHER PROPOSED TARIFF CHANGES EFFECTIVE FEBRUARY 29, 2024	)	PROCEEDING NO. 24AL-_____G

AFFIDAVIT OF RICHARD R. SCHRUBBE
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

I, Richard R. Schrubbe, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the same testimony orally and would present the same attachments if asked under oath.

Dated at Minneapolis, Minnesota, this 23rd day of January, 2024.

Richard R. Schrubbe
Vice President, Business Area Finance

Subscribed and sworn to before me this 23rd day of January, 2024.

Suzanne L Anderson
Notary Public
Minnesota
My Commission Expires 1/31/2027

Notary Public

My Commission
expires 1/31/2027

June 30, 2022

Mr. Richard R. Schrubbe
AVP, Financial Analysis & Planning
Xcel Energy Inc.
401 Nicollet Mall
3rd Floor
Minneapolis, Minnesota 55401

2022 VALUATION RESULTS AND 2023-2027 BENEFIT COST ESTIMATES - UPDATED

Dear Rick:

This letter summarizes the results of the 2022 valuations for Xcel Energy's qualified pension plans, Retiree Medical and Life plan, and Long-Term Disability (LTD) and Workers' Compensation plans. This letter includes final results for the Long-Term Disability and Workers' Compensation plans, while results for all other plans are unchanged from our May 13, 2022 letter.

Attached to this letter are benefit cost exhibits and an exhibit that provides plan specific details of the cost reconciliations for the qualified pension plans.

Pension plan funding

Summary of key results

The key results for each plan are provided in the following table:

($ in millions)	Xcel Energy Pension Plan	NCE Nonbargaining Plan	SPS Bargaining Plan	PSCo Bargaining Plan
Effective interest rate	5.33%	5.27%	5.42%	5.41%
Contribution requirements for the 2022 plan year (as of January 1, 2022)				
Minimum required contribution before funding balance	$19.6	$0.0	$0.0	$0.0
Minimum required contribution after funding balance	$0.0	$0.0	$0.0	$0.0
2022 PBGC premiums (due by October 15, 2022)				
Estimated PBGC flat rate premiums	$1.0	$0.1	$0.2	$0.6
PBGC variable rate premiums	$0.0	$0.0	$0.0	$0.0
Total PBGC premiums	$1.0	$0.1	$0.2	$0.6

The April 2022 funding balance election for the Xcel Energy Pension Plan satisfied all requirements due in calendar year 2022 with the remaining minimum ($3.2 million as of January 1, 2022) due by January 15, 2023. Additionally, the April 2022 funding balance elections exceeded the 2022 plan year minimum funding requirements for the SPS Bargaining Plan ($1.8 million excess) and the PSCo Bargaining Plan ($5.4 million excess). The excess elections can be revoked prior to December 31, 2022. We will discuss revocation of the excess in more detail with you during the upcoming contribution planning analysis.

Funded status

A plan's funded status is measured by comparing the present value of plan benefits to the value of plan assets. The following table summarizes the 2022 plan year funded percentages:

Minimum funding and benefit restrictions – 2022 ($ in millions)	Xcel Energy Pension Plan	NCE Nonbargaining Plan	SPS Bargaining Plan	PSCo Bargaining Plan
1. Effective interest rate	5.33%	5.27%	5.42%	5.41%
2. Target liability as of January 1	$1,379.4	$210.8	$336.3	$910.8
3. Actuarial value of assets as of January 1[1]	$1,668.2	$257.8	$448.6	$1,165.4
4. Funding balance as of January 1	$251.5	$24.2	$87.5	$220.1
5. Funded percentage before funding balance reduction from plan assets [(3) / (2)]	120.9%	122.3%	133.4%	128.0%
6. Funded percentage with funding balance reduction from plan assets (FTAP) [((3) – (4)) / (2)]	102.7%	110.8%	107.4%	103.8%
7. Preliminary Adjusted Funding Target Attainment Percentage (AFTAP)[2]	120.9%	122.3%	133.4%	128.3%

[1] Includes present value of receivable contributions
[2] If actuarial value of assets/target liability >= 100%, the AFTAP matches line 5; otherwise it matches line 6

Benefit restrictions

Based on the 2022 funding results, benefit restrictions are not expected to apply for the 2022 plan year since the preliminary AFTAP for each plan exceeds 80.0%. We will provide our certification of the funded status prior to the September 30, 2022 deadline.

Funding balances

The following summarizes the funding balance activity for the Xcel Energy pension plans.

($ in millions)	Xcel Energy Pension Plan	NCE Nonbargaining Plan	SPS Bargaining Plan	PSCo Bargaining Plan
Funding balances at January 1, 2021	**$281.8**	**$21.6**	**$88.0**	**$187.6**
Funding balances used for the 2021 plan year	(65.9)	0.0	(7.1)	(21.6)
Excess contributions expected to be elected to be added to funding balance[1]	15.8	0.6	0.0	40.5
Investment experience adjustments	19.8	2.0	6.6	13.5
Amount of funding balance forfeited for AFTAP purposes	0.0	0.0	0.0	0.0
Funding balances at January 1, 2022	**$251.5**	**$24.2**	**$87.5**	**$220.0**

[1] No elections have been made as of June 30, 2022. Results shown assume Xcel Energy elects to create the maximum available amount of funding balance. WTW will discuss the funding balance creation elections with Xcel Energy in the next few weeks and election forms will be provided shortly thereafter.

PBGC premiums

The PBGC variable rate premium amounts in the table on page two are based on the Alternative Premium Funding Target for all four plans. Once an election is made to change methods, that election cannot be changed again for five years. The Xcel Energy Pension Plan and SPS Bargaining Plan are currently eligible to change methods while the NCE Nonbargaining Plan and PSCo Bargaining Plan are locked-in to the alternative method until 2025. With no variable rate premiums due in 2022, we do not recommend any method changes for 2022 premiums and will evaluate again next year.

Mr. Richard R. Schrubbe
June 30, 2022

ERISA 4010 funded status

An ERISA 4010 filing is required if any 4010 Funding Target Attainment Percentage (4010 FTAP) for a plan within the controlled group of the plan sponsor is less than 80%. For this purpose, the target liability is calculated using interest rates that do not reflect interest rate stabilization and plan assets are reduced by the amount of the prefunding balance. This determination is done as of the valuation date for the plan year ending within the information year ending December 31, 2022 (i.e., the 2022 plan year). The valuation date for the 2022 plan year is January 1, 2022. The January 1, 2022 4010 FTAPs for all Xcel Energy pension plans are as follows:

4010 FTAP – 2022 ($ in millions)	Xcel Energy Pension Plan	NCE Nonbargaining Plan	SPS Bargaining Plan	PSCo Bargaining Plan
1. Effective interest rate	2.77%	2.68%	2.92%	2.91%
2. Target liability as of January 1	$1,718.5	$256.4	$448.9	$1,202.8
3. Actuarial value of assets as of January 1	$1,668.2	$257.8	$448.6	$1,165.4
4. Funding balance as of January 1	$251.5	$24.2	$87.5	$220.1
5. Funded percentage with funding balance reduction from plan assets (4010 FTAP) [((3) – (4)) / (2)]	82.4%	91.1%	80.5%	78.6%

Based on the results above, a filing will be required for the 2022 information (fiscal) year unless an additional contribution for the 2021 plan year of at least $16.9 million (as of January 1, 2022 plus interest to the contribution date) is made to the PSCo Bargaining Plan and no additional funding balance is created. The deadline for this contribution is September 15, 2022. Alternatively, $16.9 million of funding balance may be forfeited by December 31, 2022 (or $16.9 million less than the maximum amount available is created by September 15, 2022) such that the 4010 FTAP for the PSCo Bargaining Plan is at least 80%. If no action is taken and a 4010 filing is required for the 2022 information year, the submission deadline will be April 15, 2023. We will discuss the alternatives in more detail with you during the upcoming contribution planning analysis.

Long-term disability and workers' compensation results

The combined 2022 cost/(income) for the Workers' Compensation plan and the Long-Term Disability plan is ($0.2) million, which is $1.0 million lower than the 2022 estimated cost/(income) for the plans provided in February. The updated results reflect the following changes:

- A final discount rate of 2.93%. The discount rate has been updated from 3.03% used to determine the estimates provided in February to reflect final cash flows based on the 2022 census data and valuation assumptions.
- Addition of 17 participants that were identified as continuing to receive benefits past age 65 in the valuation census review.
- Updated the LTD payment amounts to reflect an assumed Social Security offset upon reaching Social Security Normal Retirement (age 67), for participants under age 67 as of January 1, 2022. The offset is assumed to be $1,200 per month which increases at an inflation rate of 2.25%.

Results exhibits

Final 2022 benefit costs (prior to potential/final settlement charges) and 2023-2027 benefit cost forecasts are attached to the end of this letter. Except as noted on page one of this letter, benefit cost results and forecasts are unchanged from the results provided on February 4, 2022. 2022 benefit costs and estimates of 2023-2027 benefit costs summarized by legal entity are presented in the attached exhibits as follows:

- Exhibit I: Benefit Cost Estimates – Qualified Pension Plans
- Exhibit II: Benefit Cost Estimates – Nonqualified Pension Plans
- Exhibit III: Benefit Cost Estimates – Retiree Medical and Life Insurance Plan
- Exhibit IV: Liabilities – LTD and Workers' Compensation
- Exhibit V: Claims and Expenses – LTD and Workers' Compensation
- Exhibit VI: Benefit Cost Estimates – LTD and Workers' Compensation
- Exhibit VII: Benefit Cost Reconciliation Details – Qualified Pension Plans

Plans valued

The attached exhibits include estimates for the following employee benefit plans maintained by Xcel Energy Inc. (Xcel Energy):

- Xcel Energy Pension Plan
- Xcel Energy Inc. Nonbargaining Pension Plan (South) [NCE Nonbargaining Plan]
- New Century Energies Inc. Retirement Plan for SPS Bargaining Unit Employees and Former Nonbargaining Unit Employees [SPS Bargaining Plan]
- New Century Energies Inc. Retirement Plan for PSCo Bargaining Unit Employees and Former Nonbargaining Unit Employees [PSCo Bargaining Plan]
- Xcel Energy Nonqualified Defined Benefit Plan, including:
  - Xcel Energy SERP
  - SPS SERP
  - Employment Agreements
  - Fort St. Vrain Nuclear Operations Personnel Plan
  - NMC SERP Part A
- Xcel Energy Retiree Medical and Life Insurance Plan (including Executive Life Insurance)
- Xcel Energy Workers' Compensation
- Xcel Energy Long-Term Disability (LTD) Income

Forecast results

Forecast results are based on the information summarized below.

The following provides a reconciliation of actual 2022 costs to 2023 estimated costs, prior to regulatory effects and potential settlement charges:

Reconciliation of benefit costs (prior to regulatory effects and potential settlement charges)

($ in millions)	Qualified Pension[1]	Nonqualified Pension	Retiree Medical	Workers' Compensation	Long Term Disability	Total
Final 2022[2]	**$71.6**	**$3.6**	**($4.9)**	**$1.3**	**($1.5)**	**$70.1**
Historical asset performance	(12.0)	0.0	0.0	0.0	0.0	(12.0)
Expected liability, asset, and loss amortization changes	(8.9)	(0.2)	5.3	(1.1)	1.6	(3.3)
Reduced loss amortization from estimated 2022 settlement charge	0.0	(1.7)	0.0	0.0	0.0	(1.7)
Initial 2023 estimate	**$50.7**	**$1.7**	**$0.4**	**$0.2**	**$0.1**	**$53.1**

[1] Qualified Pension Plan costs reflect the assumption that NSP-MN and Xcel Energy Nuclear costs are determined under the Aggregate Cost Compensation Method. No additional regulatory deferrals have been reflected. See Exhibit VII for additional details.
[2] Not including estimated 2022 settlement charges or potential remeasurement impacts.

Data, assumptions, methods and plan provisions for benefit costs

The 2022 benefit costs, and estimated 2023-2027 costs reflect the following data, assumptions, methods and plan provisions:

Data

Results for 2022-2027 are based on participant data as of January 1, 2021 projected to the end of the year based on status, compensation and benefit changes through November 30, 2021 and known retirements for December 2021. Actual new entrants through November 30, 2021 and expected new entrants through December 31, 2021 are included for the pension plans. For the Workers' Compensation and Long-Term Disability plan, the 2022 benefit cost results and estimated cost for 2023-2027 are based on participant data as of January 1, 2022.

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Economic assumptions

The key assumptions used to determine the actual 2022 and estimated 2023-2027 benefit cost results are provided below. The assumptions used to calculate the cost under the aggregate cost method are the same as used to prepare the ASC 715 results, except as noted. Actual asset returns net of administrative expenses are assumed to equal the expected return on assets assumptions throughout the forecast period.

	June 30, 2022 results
Benefit cost	
Discount rate – ASC 715:	
Xcel Energy Pension Plan	3.07%
NCE Nonbargaining Pension Plan	3.02%
SPS Bargaining Pension Plan	3.14%
PSCo Bargaining Pension Plan	3.14%
Nonqualified Pension Plan	2.67%
Retiree Medical and Life Insurance Plan	3.09%
Workers' Compensation and LTD	2.93%
Expected return on assets assumption – Pension:	
Xcel Energy Pension Plan	6.60%
NCE Nonbargaining Pension Plan	6.60%
SPS Bargaining Pension Plan	6.35%
PSCo Bargaining Pension Plan	6.35%
Weighted average expected return	6.49%
Expected return on assets assumption – VEBA (Bargaining/Nonbargaining)	4.10%
Discount rate – aggregate cost	6.60%
Salary scale[1]	3.75%
Initial medical trend:	
Pre-Medicare	5.30%
Post-Medicare	4.90%
Ultimate medical trend	4.50%
Year ultimate trend is reached	2026

[1] Career average of age-graded table (nonbargaining) and service-graded table (bargaining)

- The interest rate for converting lump sums to annuities and annuities to lump sums was updated from 2.50% to 2.90% in all years. The pre-PPA lump sum conversion interest rate was updated from 1.75% to 2.00%.
- The interest crediting rate for the 5% cash balance formula was updated from 1.75% to 2.00%. The interest crediting rate for the Retirement Spending Account was updated from 1.25% to 1.50%.

Demographic assumptions

- Active participant counts are assumed to remain level throughout the forecast period.
- Participant counts from January 1, 2021 were adjusted for terminations/retirements as described above under Data. Actual new entrants through November 30, 2021 and expected new entrants through December 31, 2021 are included for the pension plans.
- The mortality assumption for converting between lump sums and annuities was updated to the prescribed IRS tables for conversions in 2022 and projected for 2023 and later conversions with static mortality improvements using MP-2021.
- The assumed per capita claims costs were updated for the Xcel Energy Retiree Medical and Life Insurance Plan. The assumed per capita claims costs increased approximately 1.0% (2.7% decrease pre-65, 3.2% increase post-65), compared to an expected increase of 5.5% for pre-65 and 5.0% for post-65. The expected Medicare Part D reimbursement for eligible retirees increased 9.0% versus an expected increase of 5.0%.

For additional economic and demographic assumption details, see our December 31, 2021 valuation report appendices dated February 28, 2022 and March 4, 2022.

Pension contributions

The forecasts reflect actual 2022 contributions of $50 million made on January 3, 2022. At this time, the contribution forecasts have not been updated for final 2021 asset returns and discount rate levels. The cost estimates included in this letter reflect the planned contributions provided by Xcel Energy for 2023 through 2027 with the exception of a $10 million shift from PSCo to XEPP in 2023 to offset the final 2022 contribution allocation. Contribution forecasts will be re-evaluated later this year. The table below summarizes the amounts assigned to each plan over the forecast period:

	Year					
	2022	2023	2024	2025	2026	2027
Xcel Energy Pension Plan	$ 10.0	$ 40.0	$ 40.0	$ 40.0	$ 40.0	$ 0.0
NCE Nonbargaining Plan	0.0	0.0	0.0	0.0	0.0	0.0
SPS Bargaining Plan	0.0	0.0	0.0	0.0	0.0	0.0
PSCo Bargaining Plan	40.0	10.0	10.0	10.0	10.0	0.0
Total Contribution	**$ 50.0**	**$ 50.0**	**$ 50.0**	**$ 50.0**	**$ 50.0**	**$ 0.0**

- Contributions in 2023 and beyond are assumed to be paid on January 15th and assigned to the prior plan year.

Plan provision updates

All plan provisions valued are the same as our 2022 valuation reports dated March 4, 2022, including the December 8, 2021 benefit increases for certain individuals in the Xcel Energy Pension Plan and NCE Nonbargaining Plan.

Data, assumptions, methods and plan provisions for pension plan funding

Data

The 2022 pension funding results are based on data as of January 1, 2022 as summarized in the data memo delivered May 11, 2022 and June 30, 2022.

Economic assumptions

All economic assumptions for the funding results are the same as noted above under the Benefit Cost section, except the discount rates and interest rates for converting between form of payment types. These assumptions are prescribed by IRS regulations. The discount rates and form of payment conversions are based on the following 3-segment rates:

- 3-segment rates reflecting stabilization (4.75% / 5.18% / 5.92%)
- 3-segment rates not reflecting stabilization (1.07% / 2.68% / 3.36%)
- Applicable month: September

Demographic assumptions

All demographic assumptions for the funding results are the same as noted above under the Benefit Cost section, except the mortality assumption. The mortality assumption reflects the IRS prescribed static mortality assumption for 2022 valuations.

Plan provision updates

All plan provisions valued for the funding results are the same as the January 1, 2021 valuations, except the benefits for certain individuals in the Xcel Energy Pension Plan and the NCE Nonbargaining Plan were increased effective December 8, 2021.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information discussed below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by Xcel Energy Inc. and other persons or organizations designated by Xcel Energy Inc. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by Xcel Energy Inc., may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

For benefit cost**,** the measurement date is December 31, 2021. The benefit obligations were measured as of the Company's December 31, 2021 fiscal year-end and are based on participant data as of the census date, January 1, 2021. We have projected forward benefit obligations to the end of the year, adjusting for benefit payments, expected growth in benefit obligations, changes in key assumptions and plan provisions, and changes in participant status and compensation through November 30, 2021. The Workers' Compensation and Long-Term Disability plan was based on January 1, 2022 census data.

Information about the fair value of plan assets and the general ledger account balances for the pension plan cost at December 31, 2021, which reflect the expected funded status of the plan was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined by the Company in consultation with its tax advisors and independent accountants.

Per the company's accounting policy, we have not allocated any surplus assets to discontinued operations within each accounting plan.

For the minimum funding results, liabilities and assets were measured as of the January 1, 2022 valuation date.

Assumptions and methods under U.S. GAAP

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 the Company. WTW has evaluated the assumptions used and believes that they do not significantly conflict with what would be reasonable. U.S. GAAP requires that each significant assumption “individually represent the best estimate of the plan’s future experience solely with respect to that assumption.”

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by WTW, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

Please see the actuarial valuation reports to determine accounting requirements for the plan year ending December 31, 2021 and beginning January 1, 2022 dated February 28, 2022 and March 4, 2022 for additional details. Note that any subsequent changes in methods or assumptions for the December 31, 2021 measurement date will change the results shown in this report.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in the valuation report.

Assumptions and methods under ERISA and the Internal Revenue Code for funding purposes

The plan sponsor selected, as prescribed by regulation, key assumptions and funding methods (including the mortality assumption, asset valuation method and the choice among prescribed interest rates) employed in the development of the results presented in this report and communicated them to us in the letter dated April 8, 2022.

To the extent not prescribed by ERISA, the Internal Revenue Code and regulatory guidance from the Treasury and the IRS, or selected by the sponsor, the actuarial assumptions and methods employed in the development of the results presented in this report have been selected by WTW, with the concurrence of the plan sponsor. It is beyond the scope of this actuarial valuation to analyze the reasonableness and appropriateness of prescribed methods and assumptions, or to analyze other sponsor elections from among the alternatives available for prescribed methods and assumptions.

Other than prescribed assumptions, ERISA and the Internal Revenue Code require the use of assumptions each of which is “reasonable (taking into account the experience of the plan and reasonable expectations), and which, in combination, offer the actuary’s best estimate of anticipated experience under the plan.” The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by WTW, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions. Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in the valuation report.

Limitations on use

This report is provided subject to the terms set out herein and, in our engagement, letter dated June 1, 2011 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of Xcel Energy Inc. and its auditors in connection with our actuarial valuation of the pension plans as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. Xcel Energy Inc. may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require Xcel Energy Inc. to provide them this report, in which case Xcel Energy Inc. will use best efforts to notify WTW in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent. WTW accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

Except as otherwise provided herein, for all plans other than LTD, the accounting results presented are based on the data, assumptions, methods, models and plan provisions outlined in our February 4, 2022 letter and the actuarial valuation reports to determine accounting requirements for the plan year ending December 31, 2021 and beginning January 1, 2022 dated February 28, 2022 and March 4, 2022. For the LTD and Workers' compensation plans, the results presented are based on the data, assumptions, methods, models and plan provisions outlined in our reports for the plan year beginning January 1, 2022 to be delivered later next month. The minimum funding results are also based on the actuarial valuation reports to determine funding requirements for the plan year beginning January 1, 2021 dated September 30, 2021, with updates to the assumptions and data as noted above. Therefore, the descriptions of the data, assumptions, methods, models, plan provisions and limitations of the valuation and its use should be considered part of this letter report.

Professional qualifications

The undersigned consulting actuaries 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 pension and postretirement welfare plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC (WTW).

NEXT STEPS

If you have any questions or would like to discuss, please contact Mark at 952-842-6445, Kristoff at 952-842-6359 or Ali at 952-842-6225.

Sincerely,

Mark A. Afdahl

Kristoff Hendrickson

Alirehan Rattansi

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https://wtwonline.sharepoint.com/sites/tctclient_609084_2022RETANN/Documents/L_06302022_Schrubbe_2022_Cost_Funding.docx

XCEL ENERGY INC. - Qualified Pension Plans
Cost by Legal Entity
($ in Thousands)

2022	Service Cost	Interest Cost	Expected Return on Assets	Amortizations: Prior Service Cost	Amortizations: Net (Gain)/Loss	Net Cost	Settlement Charge [1]	Aggregate Cost Compensation Method	Aggregate Cost 20-year Amortization Method	January 1 Prepaid (Accrued)	Contribution	PBO
Xcel Energy Pension Plan (XEPP)												
Discontinued Operations[2]	-	2,207	(4,202)	-	2,680	685	-	N/A	N/A	35,029	411	74,675
Xcel Energy Nuclear	5,028	2,807	(5,334)	(214)	370	2,657	-	3,003	2,913	(6,689)	532	96,209
NSP - MN	22,030	22,313	(42,291)	179	23,248	25,479	-	24,376	23,649	289,923	4,375	780,985
NSP - WI	4,793	4,092	(7,772)	(24)	3,460	4,549	-	N/A	N/A	39,906	779	140,856
Xcel Services[3]	25,870	20,614	(39,189)	(985)	11,529	17,839	-	N/A	N/A	98,950	3,900	704,838
XEPC (former EMI)	-	15	(28)	-	5	(8)	-	N/A	N/A	30	3	498
Total XEPP	57,721	52,048	(98,816)	(1,044)	41,292	51,201	-	27,379	26,562	457,149	10,000	1,798,061
NCE Non-Bargaining Pension Plan												
Discontinued Operations - Cheyenne	-	97	(191)	-	123	29	-	N/A	N/A	1,688	-	3,382
PSCo	3,547	5,043	(10,295)	(165)	2,470	600	-	N/A	N/A	28,276	-	175,115
SPS	2,543	2,374	(4,840)	(137)	1,726	1,666	-	N/A	N/A	22,069	-	83,587
Total NCE	6,090	7,514	(15,326)	(302)	4,319	2,295	-	N/A	N/A	52,033	-	262,084
SPS Bargaining Plan												
SPS	7,271	14,113	(26,220)	-	8,717	3,881	-	N/A	N/A	132,378	-	461,057
Total SPS	7,271	14,113	(26,220)	-	8,717	3,881	-	N/A	N/A	132,378	-	461,057
PSCo Bargaining Plan												
Discontinued Operations - Cheyenne	-	281	(522)	-	371	130	-	N/A	N/A	6,451	309	9,315
PSCo	25,903	36,244	(67,389)	16	20,041	14,815	-	N/A	N/A	272,661	39,691	1,187,695
Total PSCo	25,903	36,525	(67,911)	16	20,412	14,945	-	N/A	N/A	279,112	40,000	1,197,010
Total Xcel Energy	96,985	110,200	(208,273)	(1,330)	74,740	72,322	-	27,379	26,562	920,672	50,000	3,718,212

[1] Settlement accounting may be required if lump sum benefit payments exceed the sum of service cost and interest on a plan by plan basis. No settlements have been estimated at this time.
[2] Includes NRG, BMG, Viking, Natro Gas, Utility Engineering, Seren, Quixx, Crockett, QPS and MEC
[3] Includes Eloigne

Assumptions

Discount Rate - U.S. GAAP	
XEPP	3.07%
NCE	3.02%
SPS	3.14%
PSCo	3.14%
Discount Rate - Aggregate Normal Cost	6.60%
Salary Scale	3.75%
Expected Return on Assets	
XEPP	6.60%
NCE	6.60%
SPS	6.35%
PSCo	6.35%
Assumed Mortality Table	
Bargaining Participants	Pri-2012 Blue Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology
Non-bargaining Participants	Pri-2012 White Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology

See June 30, 2022 letter for additional information on data, assumptions, methods, models and plan provisions.
Contributions already made are allocated in accordance with the January 3, 2022 contribution directives.
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XCEL ENERGY INC. - Nonqualified Pension Plans
Cost by Legal Entity
($ in Thousands)

2022	Service Cost	Interest Cost	Expected Return on Assets	Amortizations: Prior Service Cost	Amortizations: Net (Gain)/Loss	Settlement Charge[1]	Net Cost	January 1 Prepaid (Accrued)	Expected Benefit Payments
Discontinued Operations[2]	-	16	-	-	(53)	-	(37)	(1,181)	91
Xcel Energy Nuclear	41	7	-	-	(52)	-	(4)	(803)	16
NSP - MN	38	60	-	-	228	-	326	(59)	344
NSP - WI	17	12	-	-	7	-	36	(391)	50
PSCo[3]	31	45	-	-	200	-	276	237	270
SPS	24	40	-	-	120	-	184	(378)	220
Xcel Services[4]	655	530	-	-	1,612	14,700	17,497	(19,150)	31,847
XEPC (former EMI)	-	-	-	-	(2)	-	(2)	(20)	-
Total Xcel Energy	806	710	-	-	2,060	14,700	18,276	(21,745)	32,838

[1] Estimated assumes an August 1 measurement date, $31.4 million of lump sums and no additional gains or losses upon remeasurement. Additional 2022 lump sums will result in additional charges.
[2] Includes NRG, BMG, Viking, Natrogas, Quixx, Seren and UE
[3] Includes Fort St. Vrain
[4] Includes Eloigne

Assumptions

Discount Rate	2.67%
Salary Scale (career average)	3.75%
Assumed Mortality Table	Pri-2012 White Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology

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

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

2022	Service Cost	Interest Cost	Expected Return on Assets	Amortizations: Prior Service Cost	Amortizations: Net (Gain)/Loss	Net Cost	January 1 Prepaid (Accrued)	Contribution
Discontinued Operations[1]	-	184	(65)	(88)	44	75	(3,206)	572
Xcel Energy Nuclear	8	27	-	95	(11)	119	(1,168)	24
NSP - MN[2]	148	1,851	(133)	(3,014)	876	(272)	(32,408)	6,104
NSP - WI	36	331	(24)	(337)	169	175	(5,051)	1,003
PSCo	570	10,964	(15,534)	(2,316)	1,356	(4,960)	69,622	-
SPS[3]	755	1,024	(1,708)	(425)	(552)	(906)	(11,472)	-
Xcel Services[3]	35	808	(41)	(278)	426	950	(11,237)	1,629
XEPC (former EMI)	-	-	-	-	(3)	(3)	(109)	1
Total Xcel Energy	1,552	15,189	(17,505)	(6,363)	2,305	(4,822)	4,971	9,333

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

[2]Includes Eloigne and Seren.

[3]Includes Executive Life Insurance benefits.

Assumptions

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

Assumed Mortality Table

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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Exhibit VI
Page 1 of 1

Xcel Energy Inc. - LTD and Workers' Compensation
Benefit Cost Estimates by Legal Entity
($ in Thousands)

Fiscal Year Ending	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
U.S. GAAP	Actual	Actual	Budget	Budget	Budget	Budget	Budget
Discount Rate- Workers' Compensation	2.53%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%
Former NSP - Workers' Compensation [1]							
MN/SD	355	836	181	169	157	146	135
MI/WI	117	444	1	2	2	-	2
Subtotal	472	1,280	182	171	159	146	137
Former NCE - Workers' Compensation [1]							
Colorado - PSCo	59	(26)	28	26	25	24	22
Deductible States - Workers' Compensation							
Deductible States - SPS (KS, OK, NM, and TX)	-	-	-	-	-	-	-
Total Xcel Energy Workers' Compensation	**531**	**1,254**	**210**	**197**	**184**	**170**	**159**
Discount Rate - LTD Income	2.53%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%
LTD Income							
Discontinued Operations - Cheyenne	(16)	(18)	1	1	-	-	-
Nuclear Operations	62	(303)	7	5	5	3	3
NSP-MN	579	(762)	104	90	78	67	57
NSP-WI	148	(575)	14	11	9	7	7
PSCo	91	104	15	13	11	8	7
SPS	29	30	4	2	1	-	1
Utility Engineering	(2)	(5)	1	-	1	-	-
Xcel Services	122	57	3	3	3	2	2
XEPC	2	-	-	-	-	-	-
Total Xcel Energy LTD Income	**1,015**	**(1,472)**	**149**	**125**	**108**	**87**	**77**
Total Xcel Energy U.S. GAAP	**1,546**	**(218)**	**359**	**322**	**292**	**257**	**236**

[1] *Results for former NSP states include income replacement and medical benefits as well as reserve for bankrupt insurers. Colorado results include reserve for bankrupt insurers.*

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

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XCEL ENERGY INC. - Nonqualified Pension Plans
2022 Remeasurement Cost Impacts by Legal Entity
($ in Thousands)

ASC 715 Net Pension Cost	Full Year Costs	5.5 Month (July 15 through December 31) Costs		
	Prior to Settlement (June 30th results)	Prior to Settlement (June 30th results prorated)	Post Settlement [4]	Remeasurement Cost Impacts [4]
Nonqualified Pension Plans				
Discontinued Operations[1]	(37)	(17)	(11)	6
Xcel Energy Nuclear	(4)	(2)	(3)	(1)
NSP - MN	326	149	138	(11)
NSP - WI	36	17	16	(1)
PSCo[2]	276	127	111	(16)
SPS	184	84	77	(7)
Xcel Services[3]	2,797	1,282	374	(908)
XEPC (former EMI)	2	1	1	
Total XEPP	3,576	1,639	701	(938)

[1] Includes NRG, BMG, Viking, Natrogas, Quixx, Seren and UE.
[2] Fort St. Vrain.
[3] Includes Eloigne
[4] Benefit obligations and service costs reflect census data as of January 1, 2022 after removal of participants that received lump sums from January 1, 2022 through July 15, 2022. Obligations have been projected to July 15, 2022 using annuity benefit payments with no additional demographic gains or losses.

Assumptions for post settlement costs

Discount rate - U.S. GAAP	4.80%
Salary scale	3.75%
PPA lump sum conversion rate	4.50%
Cash balance interest crediting rate	3.00%
Assumed mortality table	Pri-2012 White Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology.

See June 30, 2022 letter and July 25, 2022 letter for additional information on data, assumptions, methods, models and plan provisions.

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( )	( )	( )	-

June 2, 2023

Mr. Richard R. Schrubbe
AVP, Financial Analysis & Planning
Xcel Energy Inc.
401 Nicollet Mall, 3rd Floor
Minneapolis, Minnesota 55401

2023 VALUATION RESULTS AND 2024-2028 BENEFIT COST ESTIMATES

Dear Rick:

This letter summarizes the results of the 2023 valuations for Xcel Energy's qualified pension plans, Retiree Medical and Life plan, and Long-Term Disability (LTD) and Workers' Compensation plans. This letter includes final results for the Long-Term Disability and Workers' Compensation plans, while results for all other plans are unchanged from our February 7, 2023 letter.

Attached to this letter are benefit cost exhibits and an exhibit that provides plan specific details of the cost reconciliations for the qualified pension plans.

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Pension plan funding

Summary of key results

The key results for each plan are provided in the following table:

($ in millions)	Xcel Energy Pension Plan	NCE Nonbargaining Plan	SPS Bargaining Plan	PSCo Bargaining Plan
Effective interest rate	5.18%	5.14%	5.26%	5.26%
Contribution requirements for the 2023 plan year (as of January 1, 2023)				
Minimum required contribution before funding balance	$88.4	$10.0	$10.7	$34.4
Minimum required contribution after funding balance	$0.0	$0.0	$0.0	$0.0
2023 PBGC premiums (due by October 15, 2023)				
PBGC flat rate premiums	$1.1	$0.1	$0.2	$0.6
Estimated PBGC variable rate premiums	$2.6	$1.1	$0.0	$4.3
Total PBGC premiums	$3.7	$1.2	$0.2	$4.9

No quarterly contributions are required for the 2023 plan year so the minimum required contributions are due by September 15, 2024. Quarterly contributions will be required for all four plans for the 2024 plan year, beginning April 15, 2024.

Funded status

A plan's funded status is measured by comparing the present value of plan benefits to the value of plan assets. The following table summarizes the 2023 plan year funded percentages:

Minimum funding and benefit restrictions – 2023 ($ in millions)	Xcel Energy Pension Plan	NCE Nonbargaining Plan	SPS Bargaining Plan	PSCo Bargaining Plan
1. Effective interest rate	5.18%	5.14%	5.26%	5.26%
2. Target liability as of January 1	$1,371.8	$207.8	$346.4	$933.6
3. Actuarial value of assets as of January 1[1]	$1,405.6	$213.9	$388.5	$1,000.0
4. Funding balance as of January 1	$235.4	$19.8	$69.7	$175.4
5. Funded percentage before funding balance reduction from plan assets (3. / 2.)	102.5%	102.9%	112.2%	107.1%
6. Funded percentage with funding balance reduction from plan assets (FTAP) [(3. – 4.) / 2.]	85.3%	93.4%	92.0%	88.3%
7. Preliminary Adjusted Funding Target Attainment Percentage (AFTAP)[2]	102.5%	102.9%	112.2%	107.1%

[1] Includes present value of receivable contributions
[2] If actuarial value of assets/target liability >= 100%, the AFTAP matches line 5; otherwise it matches line 6

Benefit restrictions

Based on the 2023 funding results, benefit restrictions are not expected to apply for the 2023 plan year since the preliminary AFTAP for each plan exceeds 80.0%. We will provide our certification of the funded status prior to the September 30, 2023 deadline.

Funding balances

The following summarizes the funding balance activity for the Xcel Energy pension plans.

($ in millions)	Xcel Energy Pension Plan	NCE Nonbargaining Plan	SPS Bargaining Plan	PSCo Bargaining Plan
Funding balances at January 1, 2022	**$251.5**	**$24.2**	**$87.5**	**$220.1**
Funding balances used for the 2022 plan year	(16.5)	0.0	0.0	0.0
Excess contributions elected to be added to funding balance	42.8	0.0	0.0	0.0
Investment experience adjustments	(42.4)	(4.4)	(17.8)	(44.7)
Amount of funding balance forfeited for AFTAP purposes	0.0	0.0	0.0	0.0
Funding balances at January 1, 2023	**$235.4**	**$19.8**	**$69.7**	**$175.4**

PBGC premiums

The PBGC variable rate premium (VRP) amounts presented are based on the Alternative Premium Funding Target for the NCE Nonbargaining Plan and PSCo Bargaining Plan and the Standard Premium Funding Target for the Xcel Energy Pension Plan and SPS Bargaining Plan. Once an election is made to change methods, that election cannot be changed again for five years. The NCE Nonbargaining Plan and PSCo Bargaining Plan are locked-in to the alternative method until 2025. The Xcel Energy Pension Plan and SPS Bargaining Plan results in this letter assume that a change is made to the standard method as that is beneficial for the 2023 premium filing. We will continue to monitor interest rates and will discuss with Xcel prior to issuing the final premium filings.

($ in millions)	Xcel Energy Pension Plan	NCE Nonbargaining Plan	SPS Bargaining Plan	PSCo Bargaining Plan
1. Participant count	11,688	1,625	2,179	6,502
2. Flat rate premium ($96 x 1.)	**$1.1**	**$0.1**	**$0.2**	**$0.6**
3. Unfunded vested liability	$50.4	$49.7	$0.0	$231.3
4. VRP based on unfunded liability (5.2% x 3.)	$2.6	$2.6	$0.0	$12.0
5. VRP based on per participant cap ($652 x 1.)	$7.6	$1.1	$1.4	$4.3
6. VRP (minimum of 4. And 5.)	**$2.6**	**$1.1**	**$0.0**	**$4.3**
7. Contribution to Avoid VRP (as of September 15, 2023)	**$52.3**	**$51.6**	**$0.0**	**$240.1**

ERISA 4010 funded status

An ERISA 4010 filing is required if any 4010 Funding Target Attainment Percentage (4010 FTAP) for a plan within the controlled group of the plan sponsor is less than 80%. For this purpose, the target liability is calculated using interest rates that do not reflect interest rate stabilization and plan assets are reduced by the amount of the prefunding balance. This determination is done as of the valuation date for the plan year ending within the information year ending December 31, 2023 (i.e., the 2023 plan year). The valuation date for the 2023 plan year is January 1, 2023. The January 1, 2023 4010 FTAPs for all Xcel Energy pension plans are as follows:

4010 FTAP – 2023 ($ in millions)	Xcel Energy Pension Plan	NCE Nonbargaining Plan	SPS Bargaining Plan	PSCo Bargaining Plan
1. Effective interest rate	3.13%	3.04%	3.23%	3.23%
2. Target liability as of January 1	$1,655.2	$244.6	$437.5	$1,171.6
3. Actuarial value of assets as of January 1	$1,405.6	$213.9	$388.5	$1,000.0
4. Funding balance as of January 1	$235.4	$19.8	$69.7	$175.4
5. Funded percentage with funding balance reduction from plan assets (4010 FTAP) [(3. – 4.) / 2.]	70.7%	79.3%	72.9%	70.4%

Based on the results above, a filing will be required for the 2023 information (fiscal) year unless additional contributions for the 2022 plan year of at least $153.9 million, $1.7 million, $31.3 million and $112.7 million (amounts as of January 1, 2023, plus interest to the contribution date) are made to the Xcel Energy Pension Plan, NCE Nonbargaining Plan, SPS Bargaining Plan and PSCo Bargaining Plan respectively, and no additional funding balance is created. The deadline for these contributions is September 15, 2023. Alternatively, funding balance equal to the contribution amounts stated above may be forfeited by December 31, 2023 (or the contribution amount less than the maximum amount available is created by September 15, 2023) such that the 4010 FTAP for the Plans are at least 80%. If no action is taken and a 4010 filing is required for the 2023 information year, the submission deadline will be April 15, 2024. We will discuss the alternatives in more detail with you during the upcoming contribution planning analysis.

Long-term disability and workers' compensation results

The combined 2023 cost/(income) for the Workers' Compensation plan and the Long-Term Disability plan is ($1.0) million, which is $0.2 million of additional income than the 2023 estimated cost/(income) for the plans provided in February. The updated results reflect the following changes:

- A final discount rate of 5.80%. The discount rate has been updated from 5.79% used to determine the estimates provided in February to reflect final cash flows based on the 2023 census data and valuation assumptions.
- Updated census and claims data as of January 1, 2023.

Results exhibits

Final 2023 benefit costs (prior to potential settlement charges) and 2024-2028 benefit cost forecasts are attached to the end of this letter. Except as noted on page one of this letter, benefit cost results and forecasts are unchanged from the results provided on February 7, 2023. 2023 benefit costs and estimates of 2024-2028 benefit costs summarized by legal entity are presented in the attached exhibits as follows:

- Exhibit I: Benefit Cost Estimates – Qualified Pension Plans
- Exhibit II: Benefit Cost Estimates – Nonqualified Pension Plans
- Exhibit III: Benefit Cost Estimates – Retiree Medical and Life Insurance Plan
- Exhibit IV: Liabilities – LTD and Workers' Compensation
- Exhibit V: Claims and Expenses – LTD and Workers' Compensation
- Exhibit VI: Benefit Cost Estimates – LTD and Workers' Compensation
- Exhibit VII: Benefit Cost Reconciliation Details – Qualified Pension Plans

Plans valued

The attached exhibits include estimates for the following employee benefit plans maintained by Xcel Energy Inc. (Xcel Energy):

- Xcel Energy Pension Plan
- Xcel Energy Inc. Nonbargaining Pension Plan (South) [NCE Nonbargaining Plan]
- New Century Energies Inc. Retirement Plan for SPS Bargaining Unit Employees and Former Nonbargaining Unit Employees [SPS Bargaining Plan]
- New Century Energies Inc. Retirement Plan for PSCo Bargaining Unit Employees and Former Nonbargaining Unit Employees [PSCo Bargaining Plan]
- Xcel Energy Nonqualified Defined Benefit Plans (including SERPs and Employment Agreements)
- Xcel Energy Retiree Medical and Life Insurance Plan (including Executive Life Insurance)
- Xcel Energy Workers' Compensation
- Xcel Energy Long-Term Disability (LTD) Income

Forecasts

Forecast results are based on the information summarized below.

The following provides a reconciliation of actual 2023 costs to 2024 estimated costs, prior to regulatory effects and potential settlement charges:

Reconciliation of benefit costs (prior to regulatory effects and potential settlement charges)

($ in millions)	Qualified Pension[1]	Nonqualified Pension	Retiree Medical	Workers' Compensation	Long Term Disability	Total
Final 2023[2]	**$52.0**	**$1.7**	**$6.7**	**($0.5)**	**($0.5)**	**$59.4**
Historical asset performance	3.8	0.0	0.0	0.0	0.0	3.8
Expected liability, asset, and loss amortization changes	(3.5)	0.0	0.2	0.8	0.7	(1.8)
Initial 2024 estimate	**$52.3**	**$1.7**	**$6.9**	**$0.3**	**$0.2**	**$61.4**

[1] Qualified Pension Plan costs reflect the assumption that NSP-MN and Xcel Energy Nuclear costs are determined under the Aggregate Cost Compensation Method. No additional regulatory deferrals have been reflected. See Exhibit VII for additional details.
[2] Not including estimated 2023 settlement charges or potential remeasurement impacts.

Data, assumptions, methods, and plan provisions for benefit costs

The 2023 benefit costs, and estimated 2024-2028 costs reflect the following data, assumptions, methods and plan provisions:

Data

Results for 2023-2028 are based on participant data as of January 1, 2022 projected to the end of the year based on status, compensation and benefit changes through November 30, 2022 and known retirements for December 2022. Actual new entrants through November 30, 2022 and expected new entrants through December 31, 2022 are included for the pension plans. For the Workers' Compensation and Long-Term Disability plan, the 2023 benefit cost results and estimated cost for 2024-2028 are based on participant data as of January 1, 2023.

Economic assumptions

The key assumptions used to determine the actual 2023 and estimated 2024-2028 benefit cost results are provided below. The assumptions used to calculate the cost under the aggregate cost method are the same as used to prepare the ASC 715 results, except as noted. Actual asset returns net of administrative expenses are assumed to equal the expected return on assets assumptions throughout the forecast period.

	June 2023 results
Benefit cost	
Discount rate – ASC 715:	
Xcel Energy Pension Plan	5.80%
NCE Nonbargaining Pension Plan	5.80%
SPS Bargaining Pension Plan	5.80%
PSCo Bargaining Pension Plan	5.82%
Nonqualified Pension Plan	5.77%
Retiree Medical and Life Insurance Plan	5.80%
Workers' Compensation and LTD	5.80%
Expected return on assets assumption – Pension:	
Xcel Energy Pension Plan	7.25%
NCE Nonbargaining Pension Plan	6.75%
SPS Bargaining Pension Plan	7.00%
PSCo Bargaining Pension Plan	6.50%
Weighted average expected return	6.93%
Expected return on assets assumption – VEBA (Bargaining/Nonbargaining)	5.00%
Discount rate – aggregate cost	7.25%
Salary scale[1]	4.25%
Initial medical trend:	
Pre-Medicare	6.50%
Post-Medicare	5.50%
Medicare Part D	4.00%
Ultimate medical trend – Medical	4.50%
Ultimate medical trend – Medicare Part D	2.50%
Year ultimate trend is reached	2030

[1] Career average of age-graded table (nonbargaining) and service-graded table (bargaining)

- The interest rate for converting lump sums to annuities and annuities to lump sums was updated from 2.90% to 5.50% in all years. The pre-PPA lump sum conversion interest rate was updated from 2.00% to 4.00%.

- The interest crediting rate for the 5% cash balance formula was updated from 2.00% to 4.00%. The interest crediting rate for the Retirement Spending Account was updated from 1.50% to 5.75%.

Demographic assumptions

- Active participant counts are assumed to remain level throughout the forecast period.
- Participant counts from January 1, 2022 were adjusted for terminations/retirements as described above under Data. Actual new entrants through November 30, 2022 and expected new entrants through December 31, 2022 are included for the pension plans.
- The assumed per capita claims costs were updated for the Xcel Energy Retiree Medical and Life Insurance Plan. The actual 2023 per capita claims costs increased approximately 9.1% (23.6% increase pre-65, 2.3% increase post-65), compared to an expected increase of 5.3% for pre-65 and 4.9% for post-65. The expected Medicare Part D reimbursement for eligible retirees increased 2.4% versus an expected increase of 4.9%.

For additional economic and demographic assumption details, see our December 31, 2022 valuation report appendices dated February 28, 2023.

Pension contributions

The forecasts reflect actual 2023 contributions of $50 million made on January 3, 2023. At this time, the contribution forecasts have not been updated for final 2022 asset returns and discount rate levels and additional contributions or different allocations may be required to meet minimum requirements. The cost estimates included in this letter reflect the planned contributions provided by Xcel Energy for 2024 through 2028. Contribution forecasts will be re-evaluated later this year. The table below summarizes the amounts assigned to each plan over the forecast period:

	Year					
($ in millions)	2023	2024	2025	2026	2027	2028
Xcel Energy Pension Plan	$ 50.0	$ 45.0	$ 45.0	$ 45.0	$ 45.0	$ 45.0
NCE Nonbargaining Plan	0.0	5.0	5.0	5.0	5.0	5.0
SPS Bargaining Plan	0.0	0.0	0.0	0.0	0.0	0.0
PSCo Bargaining Plan	0.0	0.0	0.0	0.0	0.0	0.0
Total Contribution	**$ 50.0**	**$ 50.0**	**$ 50.0**	**$ 50.0**	**$ 50.0**	**$ 50.0**

- Contributions in 2024 and beyond are assumed to be paid on January 15th and assigned to the prior plan year.

Plan provision updates

All plan provisions valued are the same as our 2023 valuation reports dated February 28, 2023, including the extension of the “greater-of” conversion basis through December 31, 2025 for NSP bargaining employees in the Xcel Energy Pension Plan.

Data, assumptions, methods, and plan provisions for pension plan funding

Data

The 2023 pension funding results are based on data as of January 1, 2023 as summarized in the data memo delivered May 30, 2023.

Economic assumptions

All economic assumptions for the funding results are the same as noted above under the Benefit Cost section, except the discount rates and interest rates for converting between form of payment types. These assumptions are prescribed by IRS regulations. The discount rates and form of payment conversions are based on the following 3-segment rates:

- 3-segment rates reflecting stabilization (4.75% / 5.00% / 5.74%)
- 3-segment rates not reflecting stabilization (1.41% / 3.09% / 3.58%)
- Applicable month: September

Demographic assumptions

All demographic assumptions for the funding results are the same as noted above under the Benefit Cost section, except the mortality assumption. The mortality assumption reflects the IRS prescribed static mortality assumption for 2023 valuations.

Plan provision updates

All plan provisions valued for the funding results are the same as the January 1, 2022 valuations, except the Xcel Energy Pension Plan provisions were updated to reflect extension of the “greater-of” conversion basis through December 31, 2025 for NSP bargaining employees.

Actuarial certification

US GAAP Accounting - Qualified, Nonqualified and Retiree Medical Plans

US GAAP Accounting results for the qualified, nonqualified and retiree medical plans are included to provide you with a comprehensive set of results for 2023. Please see our February 7, 2023 forecast letter and February 28, 2023 reports for more information on these results.

Long-term Disability and Workers' Compensation Plans

Except as otherwise provided herein, the results included in this letter are based on the data, assumptions, methods, models, 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, 2023 dated to be delivered in the next few weeks. Therefore, such information, and the reliances and limitations of the valuation report and its use, should be considered part of this letter report. The undersigned consulting actuaries 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 pension and postretirement welfare plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC ("WTW").

Minimum funding results

Purpose of valuation

Xcel Energy Inc. (the Company) retained Willis Towers Watson US LLC ("WTW"), to perform an actuarial valuation of the Xcel Energy Pension Plan, NCE Nonbargaining Plan, SPS Bargaining Plan, and PSCo Bargaining Plan for the purpose of determining the following:

1. The minimum required contribution in accordance with ERISA and the Internal Revenue Code (IRC) for the plan year beginning January 1, 2023.

2. An assessment of ERISA §4010 reporting requirements for the plan for 2023.

3. Determination of the Funding Target Attainment Percentage (FTAP) under IRC §430(d)(2), as reported in the Annual Funding Notice required under ERISA §101(f).

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information discussed below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by Xcel Energy Inc. and other persons or organizations designated by Xcel Energy Inc. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by Xcel Energy Inc., may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

For the minimum funding results, liabilities and assets were measured as of the January 1, 2023 valuation date.

Assumptions and methods under ERISA and the Internal Revenue Code for funding purposes

The plan sponsor selected, as prescribed by regulation, key assumptions and funding methods (including the mortality assumption, asset valuation method and the choice among prescribed interest rates) employed in the development of the results presented in this report and communicated them to us in the letter dated May 25, 2023.

To the extent not prescribed by ERISA, the Internal Revenue Code and regulatory guidance from the Treasury and the IRS, or selected by the sponsor, the actuarial assumptions and methods employed in the development of the results presented in this report have been selected by WTW, with the concurrence of the plan sponsor. It is beyond the scope of this actuarial valuation to analyze the reasonableness and appropriateness of prescribed methods and assumptions, or to analyze other sponsor elections from among the alternatives available for prescribed methods and assumptions.

Other than prescribed assumptions, ERISA and the Internal Revenue Code require the use of assumptions each of which is “reasonable (taking into account the experience of the plan and reasonable expectations), and which, in combination, offer the actuary’s best estimate of anticipated experience under the plan.” The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by WTW, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions. Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in the valuation report.

Limitations on use

This report is provided subject to the terms set out herein and, in our engagement, letter dated June 1, 2011 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of Xcel Energy Inc. and its auditors in connection with our actuarial valuation of the pension plans as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. Xcel Energy Inc. may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require Xcel Energy Inc. to provide them this report, in which case Xcel Energy Inc. will use best efforts to notify WTW in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent. WTW accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

The minimum funding results are also based on the actuarial valuation reports to determine funding requirements for the plan year beginning January 1, 2022 dated September 29, 2022, with updates to the data, assumptions, methods, models, and plan provisions as noted above. Therefore, the descriptions of the data, assumptions, methods, models, plan provisions and limitations of the valuation and its use should be considered part of this letter report.

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Professional qualifications

The undersigned consulting actuaries 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 pension and postretirement welfare plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC (WTW).

Next steps

If you have any questions or would like to discuss, please contact Mark at 952-842-6445, Kristoff at 952-842-6359 or Ali at 952-842-6225.

Sincerely,

/s/ Mark Afdahl	**/s/ Kristoff Hendrickson**	**/s/ Ali Rehan Rattansi**
Mark A. Afdahl, FSA, EA	Kristoff M. Hendrickson, FSA, EA	Ali Rehan Rattansi, ASA, EA
Director, Retirement	Director, Retirement	Associate Director, Retirement

cc:	Todd Degrugillier — Xcel Energy Inc.	Melissa Ostrom — Xcel Energy Inc.
	Rachel Filippi — Xcel Energy Inc.	Greg Zick — Xcel Energy Inc.
	Levi Glines — Xcel Energy Inc.	Mark Anderson — WTW
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	Yen Ly — Xcel Energy Inc.	Jim Shaddy — WTW
	Garrett Mikrut — Xcel Energy Inc.	Emily Shaikoski — WTW

XCEL ENERGY INC. - Qualified Pension Plans
Cost by Legal Entity
($ in Thousands)

2023	Service Cost	Interest Cost	Expected Return on Assets	Amortizations: Prior Service Cost	Amortizations: Net (Gain)/Loss	Net Cost	Settlement Charge [1]	Aggregate Cost Compensation Method	Aggregate Cost 20-year Amortization Method	January 1 Prepaid (Accrued)	Contribution	PBO
Xcel Energy Pension Plan (XEPP)												
Discontinued Operations[2]	-	3,168	(4,076)	-	1,540	632	-	N/A	N/A	30,165	2,013	57,482
Xcel Energy Nuclear	3,920	4,029	(5,187)	(214)	(360)	2,188	-	3,398	3,411	(9,042)	2,623	73,506
NSP - MN	17,195	31,654	(40,755)	222	11,753	20,069	-	26,979	27,077	231,069	20,656	583,547
NSP - WI	3,791	6,142	(7,906)	(21)	1,585	3,591	-	N/A	N/A	30,575	3,965	111,490
Xcel Services[3]	23,075	32,284	(41,545)	(985)	3,902	16,731	-	N/A	N/A	66,917	20,743	589,576
Total XEPP	47,981	77,277	(99,469)	(998)	18,420	43,211	-	30,377	30,488	349,684	50,000	1,415,601
NCE Non-Bargaining Pension Plan												
Discontinued Operations - Cheyenne	-	134	(166)	-	38	6	-	N/A	N/A	1,525	-	2,445
PSCo	2,925	7,545	(9,438)	(165)	453	1,320	-	N/A	N/A	24,927	-	137,586
SPS	2,214	3,659	(4,583)	(137)	407	1,560	-	N/A	N/A	18,521	-	67,890
Total NCE	5,139	11,338	(14,187)	(302)	898	2,886	-	N/A	N/A	44,973	-	207,921
SPS Bargaining Plan												
SPS	4,778	19,370	(28,281)	-	1,195	(2,938)	-	N/A	N/A	128,497	-	345,723
Total SPS	4,778	19,370	(28,281)	-	1,195	(2,938)	-	N/A	N/A	128,497	-	345,723
PSCo Bargaining Plan												
Discontinued Operations - Cheyenne	-	384	(509)	-	71	(54)	-	N/A	N/A	6,630	-	6,939
PSCo	15,938	50,101	(67,005)	16	1,684	734	-	N/A	N/A	297,537	-	894,432
Total PSCo	15,938	50,485	(67,514)	16	1,755	680	-	N/A	N/A	304,167	-	901,371
Total Xcel Energy	73,836	158,470	(209,451)	(1,284)	22,268	43,839	-	30,377	30,488	827,321	50,000	2,870,616

[1] Settlement accounting may be required if lump sum benefit payments exceed the sum of service cost and interest on a plan by plan basis. No settlements have been estimated at this time.
[2] Includes NRG, BMG, Viking, Natro Gas, Utility Engineering, Seren, Quixx, Crockett, QPS, MEC, and XEPC (former EMI)
[3] Includes Eloigne

Assumptions

Discount Rate - U.S. GAAP	
XEPP	5.80%
NCE	5.80%
SPS	5.80%
PSCo	5.82%
Discount Rate - Aggregate Normal Cost	7.25%
Salary Scale	4.25%
Expected Return on Assets	
XEPP	7.25%
NCE	6.75%
SPS	7.00%
PSCo	6.50%
Assumed Mortality Table	
Bargaining Participants	Pri-2012 Blue Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology
Non-bargaining Participants	Pri-2012 White Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology

See June 2, 2023 letter for additional information on data, assumptions, methods, models and plan provisions.
Contributions already made are allocated in accordance with the January 3, 2023 contribution directives.
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XCEL ENERGY INC. - Qualified Pension Plans
Cost by Legal Entity
($ in Thousands)

2024	Service Cost	Interest Cost	Expected Return on Assets	Amortizations: Prior Service Cost	Amortizations: Net (Gain)/Loss	Net Cost	Settlement Charge[1]	Aggregate Cost Compensation Method	Aggregate Cost 20-year Amortization Method	January 1 Prepaid (Accrued)	Contribution	PBO
Xcel Energy Pension Plan (XEPP)												
Discontinued Operations[2]	-	3,031	(3,919)	-	1,583	695	-	N/A	N/A	31,595	1,793	54,877
Xcel Energy Nuclear	3,784	4,073	(5,266)	(214)	(376)	2,001	-	3,356	3,435	(8,607)	2,403	73,552
NSP - MN	17,264	30,690	(39,685)	222	11,542	20,033	-	25,442	26,044	231,656	18,220	557,597
NSP - WI	3,790	6,111	(7,901)	(21)	1,556	3,535	-	N/A		30,949	3,608	110,407
Xcel Services[3]	23,062	32,067	(41,461)	(985)	3,818	16,501	-	N/A	N/A	70,929	18,976	580,708
Total XEPP	47,900	75,972	(98,232)	(998)	18,123	42,765	-	28,798	29,479	356,522	45,000	1,377,141
NCE Non-Bargaining Pension Plan												
Discontinued Operations - Cheyenne	-	125	(158)	-	45	12	-	N/A	N/A	1,519	58	2,299
PSCo	2,923	7,340	(9,252)	(165)	550	1,396	-	N/A	N/A	23,607	3,333	133,223
SPS	2,157	3,516	(4,435)	(137)	452	1,553	-	N/A	N/A	16,961	1,609	64,308
Total NCE	5,080	10,981	(13,845)	(302)	1,047	2,961	-	N/A	N/A	42,087	5,000	199,830
SPS Bargaining Plan												
SPS	4,825	19,393	(28,271)	-	1,440	(2,613)	-	N/A	N/A	131,435	-	346,427
Total SPS	4,825	19,393	(28,271)	-	1,440	(2,613)	-	N/A	N/A	131,435	-	346,427
PSCo Bargaining Plan												
Discontinued Operations - Cheyenne	-	368	(487)	-	100	(19)	-	N/A	N/A	6,684	-	6,659
PSCo	15,987	50,026	(66,136)	16	2,537	2,430	-	N/A	N/A	296,803	-	893,813
Total PSCo	15,987	50,394	(66,623)	16	2,637	2,411	-	N/A	N/A	303,487	-	900,472
Total Xcel Energy	73,792	156,740	(206,971)	(1,284)	23,247	45,524	-	28,798	29,479	833,531	50,000	2,823,870

[1] Settlement accounting may be required if lump sum benefit payments exceed the sum of service cost and interest on a plan by plan basis. No settlements have been estimated at this time.
[2] Includes NRG, BMG, Viking, Natro Gas, Utility Engineering, Seren, Quixx, Crockett, QPS, MEC, and XEPC (former EMI)
[3] Includes Eloigne

Assumptions

Discount Rate - U.S. GAAP	
XEPP	5.80%
NCE	5.80%
SPS	5.80%
PSCo	5.82%
Discount Rate - Aggregate Normal Cost	7.25%
Salary Scale	4.25%
Expected Return on Assets	
XEPP	7.25%
NCE	6.75%
SPS	7.00%
PSCo	6.50%
Assumed Mortality Table	
Bargaining Participants	Pri-2012 Blue Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology
Non-bargaining Participants	Pri-2012 White Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology

See June 2, 2023 letter for additional information on data, assumptions, methods, models and plan provisions.
Contributions are allocated based on PBO for each legal entity.
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XCEL ENERGY INC. - Nonqualified Pension Plans
Cost by Legal Entity
($ in Thousands)

2023	Service Cost	Interest Cost	Expected Return on Assets	Amortizations: Prior Service Cost	Amortizations: Net (Gain)/Loss	Settlement Charge[1]	Net Cost	January 1 Prepaid (Accrued)	Expected Benefit Payments
Discontinued Operations[2]	-	28	-	-	(61)	-	(33)	(1,163)	91
Xcel Energy Nuclear	31	13	-	-	(54)	-	(10)	(798)	22
NSP - MN	7	100	-	-	183	-	290	9	321
NSP - WI	-	20	-	-	(1)	-	19	(379)	48
PSCo[3]	29	78	-	-	178	-	285	387	232
SPS	-	75	-	-	99	-	174	(387)	219
Xcel Services[4]	527	264	-	-	143	-	934	(3,382)	589
Total Xcel Energy	594	578	-	-	487	-	1,659	(5,713)	1,522

[1] Settlement accounting may be required if lump sum benefit payments exceed the sum of service cost and interest cost. No settlements have been estimated at this time.

[2] Includes NRG, BMG, Viking, Natrogas, Quixx, Seren, UE, and XEPC (former EMI)

[3] Includes Fort St. Vrain

[4] Includes Eloigne

Assumptions

Discount Rate	5.77%
Salary Scale	4.25%
Assumed Mortality Table	Pri-2012 White Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology

See June 2, 2023 letter for additional information on data, assumptions, methods, models and plan provisions.

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XCEL ENERGY INC. - Nonqualified Pension Plans
Cost by Legal Entity
($ in Thousands)

				Amortizations					
2024	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss	Settlement Charge[1]	Net Cost	January 1 Prepaid (Accrued)	Expected Benefit Payments
Discontinued Operations[2]	-	26	-	-	(53)	-	(27)	(1,039)	79
Xcel Energy Nuclear	34	15	-	-	(48)	-	1	(766)	23
NSP - MN	8	93	-	-	173	-	274	40	292
NSP - WI	-	19	-	-	-	-	19	(350)	45
PSCo[3]	32	76	-	-	167	-	275	334	189
SPS	-	71	-	-	95	-	166	(342)	199
Xcel Services[4]	577	291	-	-	154	-	1,022	(3,727)	586
Total Xcel Energy	651	591	-	-	488	-	1,730	(5,850)	1,413

[1] Settlement accounting may be required if actual lump sum payments exceed the sum of service cost and interest cost. No settlements have been estimated at this time.

[2] Includes NRG, BMG, Viking, Natrogas, Quixx, Seren, UE, and XEPC (former EMI)

[3] Includes Fort St. Vrain

[4] Includes Eloigne

Assumptions

Discount Rate	5.77%
Salary Scale	4.25%
Assumed Mortality Table	Pri-2012 White Collar, as adjusted for 2019 Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2020 methodology

Estimates reflect a 5% load on the projected liabilities to reflect the potential for demographic experience that is less favorable than expected.

See June 2, 2023 letter for additional information on data, assumptions, methods, models and plan provisions.

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

2023	Service Cost	Interest Cost	Expected Return on Assets	Amortizations: Prior Service Cost	Amortizations: Net (Gain)/Loss	Net Cost	January 1 Prepaid (Accrued)	Contribution
Discontinued Operations[1]	-	269	(68)	(10)	30	221	(2,380)	538
Xcel Energy Nuclear	4	36	-	20	(17)	43	(1,287)	26
NSP - MN[2]	68	2,558	(235)	(606)	423	2,208	(26,304)	5,612
NSP - WI	17	458	(43)	(70)	91	453	(4,014)	939
PSCo	463	16,375	(15,371)	(31)	1,362	2,798	76,792	2,798
SPS[3]	481	1,437	(1,727)	(84)	(523)	(416)	(10,718)	-
Xcel Services[3]	20	1,183	(62)	(33)	242	1,350	(10,765)	2,013
Total Xcel Energy	1,053	22,316	(17,506)	(814)	1,608	6,657	21,324	11,926

[1]Includes NRG, BMG, Viking, Natrogas, Cheyenne, Quixx, UE and XEPC (former EMI).
[2]Includes Eloigne and Seren.
[3]Includes Executive Life Insurance benefits.

Assumptions

	Pre-Medicare	Post-Medicare	Medicare Part D
Discount Rate	5.80%		
Expected Return on Assets	5.00%		
Medical Trend	Pre-Medicare	Post-Medicare	Medicare Part D
Initial (2023)	6.50%	5.50%	4.00%
Ultimate	4.50%	4.50%	2.50%
Year Ultimate Reached	2030	2030	2030

Assumed Mortality Table

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 2, 2023 letter for additional information on data, assumptions, methods, models and plan provisions.

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

2024	Service Cost	Interest Cost	Expected Return on Assets	Amortizations: Prior Service Cost	Amortizations: Net (Gain)/Loss	Net Cost	January 1 Prepaid (Accrued)	Contribution
Discontinued Operations[1]	-	249	(71)	-	28	206	(2,063)	512
Xcel Energy Nuclear	4	36	-	-	(18)	22	(1,304)	28
NSP - MN[2]	67	2,388	(247)	-	418	2,626	(22,900)	5,026
NSP - WI	16	428	(45)	-	88	487	(3,528)	803
PSCo	411	15,703	(14,859)	-	1,362	2,617	76,792	2,617
SPS[3]	475	1,413	(1,693)	-	(522)	(327)	(10,302)	-
Xcel Services[3]	19	1,127	(65)	-	237	1,318	(10,102)	1,942
Total Xcel Energy	992	21,344	(16,980)	-	1,593	6,949	26,593	10,928

[1]Includes NRG, BMG, Viking, Natrogas, Cheyenne, Quixx, UE and XEPC (former EMI).
[2]Includes Eloigne and Seren.
[3]Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	5.80%		
Expected Return on Assets	5.00%		
Medical Trend	Pre-Medicare	Post-Medicare	Medicare Part D
Initial (2023)	6.50%	5.50%	4.00%
Ultimate	4.50%	4.50%	2.50%
Year Ultimate Reached	2030	2030	2030

Assumed Mortality Table

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 2, 2023 letter for additional information on data, assumptions, methods, models and plan provisions.

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Xcel Energy Inc. - LTD and Workers' Compensation
Benefit Cost Estimates by Legal Entity
($ in Thousands)

Fiscal Year Ending	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
U.S. GAAP	Actual	Actual	Budget	Budget	Budget	Budget	Budget
Discount Rate- Workers' Compensation	2.93%	5.80%	5.80%	5.80%	5.80%	5.80%	5.80%
Former NSP - Workers' Compensation [1]							
MN/SD	836	(841)	260	245	232	222	210
MI/WI	444	412	1	2	2	1	1
Subtotal	1,280	(429)	261	247	234	223	211
Former NCE - Workers' Compensation [1]							
Colorado - PSCo	(26)	(78)	40	39	36	33	32
Deductible States - Workers' Compensation							
Deductible States - SPS (KS, OK, NM, and TX)	-	-	-	-	-	-	-
Total Xcel Energy Workers' Compensation	**1,254**	**(507)**	**301**	**286**	**270**	**256**	**243**
Discount Rate - LTD Income	2.93%	5.80%	5.80%	5.80%	5.80%	5.80%	5.80%
LTD Income							
Discontinued Operations - Cheyenne	(18)	(20)	1	1	-	-	-
Nuclear Operations	-	(338)	10	8	6	5	4
NSP-MN	(1,065)	(95)	155	132	115	99	86
NSP-WI	(575)	(38)	21	17	14	12	11
PSCo	104	(27)	23	19	15	12	11
SPS	30	(6)	4	2	2	-	-
Utility Engineering	(5)	(5)	1	1	1	1	-
Xcel Services	57	15	4	3	3	2	1
Total Xcel Energy LTD Income	**(1,472)**	**(514)**	**219**	**183**	**156**	**131**	**113**
Total Xcel Energy U.S. GAAP	**(218)**	**(1,021)**	**520**	**469**	**426**	**387**	**356**

[1] *Results for former NSP states include income replacement and medical benefits as well as reserve for bankrupt insurers.*
Colorado results include reserve for bankrupt insurers.
See June 2, 2023 letter for additional information on data, assumptions, models, methods, and plan provisions.

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Southwestern Public Service Company

Calculation of Actuarially Determined Pension and Benefit Amounts

Total Cost Amounts from Actuarial Reports

	QUALIFIED PENSION			OPEB RETIREE MEDICAL		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**
PSCo-NCE	600,000	1,320,000	1,396,000			
PSCo-Barg	14,815,000	734,000	2,430,000			
PSCo Total	15,415,000	2,054,000	3,826,000	(4,960,000)	2,798,000	2,617,000
Xcel Service	17,839,000	16,731,000	16,501,000	950,000	1,350,000	1,318,000
	(1)	(5)	(6)	(3)	(7)	(8)

Calculation of Total Cost Amounts to Cost of Service Amounts

	QUALIFIED PENSION			OPEB RETIREE MEDICAL		
	HTY 12 Months Ending 9/30/23	**Proposed Amount 12 Months Ending 12/31/24**	**Known & Measurable Incr/(Decr) from Test Year**	**HTY 12 Months Ending 9/30/23**	**Proposed Amount 12 Months Ending 12/31/24**	**Known & Measurable Incr/(Decr) from Test Year**
PSCo						
PSCo-NCE Total Cost	1,140,750	1,396,000	255,250			
PSCo-Barg Total Cost	4,254,250	2,430,000	(1,824,250)			
Total PSCo	5,395,000	3,826,000	(1,569,000)	858,500	2,617,000	1,758,500
Percent to PSCo Gas O&M FERC 926	21.12%	21.12%		21.12%	21.12%	
Amount to PSCo Gas O&M FERC 926	1,139,386	808,024	(331,362)	181,309	552,692	371,383
Xcel Service						
Xcel Service Total Cost	17,008,000	16,501,000	(507,000)	1,250,000	1,318,000	68,000
Percent to PSCo Gas O&M FERC 926	5.13%	5.13%		5.13%	5.13%	
Amount to PSCo Gas O&M FERC 926	873,228	847,198	(26,030)	64,178	67,669	3,491
Affiliate Charges	5	-	(5)	1	-	(1)
Proposed Adjustment				-	-	-
Total Amount to PSCo Gas O&M	**2,012,619**	**1,655,222**	**(357,397)**	**245,488**	**620,361**	**374,873**

1) Attachment RRS-1.A, Exhibit I Page 1 of 6
3) Attachment RRS-1.A, Exhibit III Page 1 of 6
5) Attachment RRS-2, Exhibit I Page 1 of 6
6) Attachment RRS-2, Exhibit I Page 2 of 6
7) Attachment RRS-2, Exhibit III Page 1 of 6
8) Attachment RRS-2, Exhibit III Page 2 of 6

Southwestern Public Service Company

Calculation of Actuarially Determined Pension and Benefit Amounts

Total Cost Amounts from Actuarial Reports

	NON-QUALIFIED PENSION			FAS 112 LONG-TERM DISABILITY			FAS 112 WORKERS COMPENSATION		
	2022*	2023	2024	2022	2023	2024	2022	2023	2024
PSCo	260,500	285,000	275,000	104,000	(27,000)	23,000	(26,000)	(78,000)	40,000
Xcel Service	1,889,042	934,000	1,022,000	57,000	15,000	4,000			-
	(2)	(9)	(10)	(4)	(4)	(4)	(4)	(4)	(4)

Calculation of Total Cost Amounts to Cost of Service Amounts

	NON-QUALIFIED PENSION			FAS 112 LONG-TERM DISABILITY			FAS 112 WORKERS COMPENSATION		
	HTY 12 Months Ending 9/30/23	Proposed Amount 12 Months Ending 12/31/24	Known & Measurable Incr/(Decr) from Test Year	HTY 12 Months Ending 9/30/23	Proposed Amount 12 Months Ending 12/31/24	Known & Measurable Incr/(Decr) from Test Year	HTY 12 Months Ending 9/30/23	Proposed Amount 12 Months Ending 12/31/24	Known & Measurable Incr/(Decr) from Test Year
PSCo									
PSCo Total Cost	274,295	275,000	705	5,750	23,000	17,250	(65,000)	40,000	105,000
Percent to PSCo Gas O&M FERC 926	21.12%	21.12%		21.12%	21.12%		15.41%	15.41%	
Amount to PSCo Gas O&M FERC 926	57,929.28	58,078	149	1,214	4,857	3,643	(10,017.86)	6,164.00	16,182
Xcel Service									
Xcel Service Total Cost	904,500	1,022,000	117,500	25,500	4,000	(21,500)	-	-	-
Percent to PSCo Gas O&M FERC 926	5.13%	5.13%		5.13%	5.13%		5.13%	5.13%	
Amount to PSCo Gas O&M FERC 926	46,439	52,472	6,033	1,309	205	(1,104)	-	-	-
Affiliate Charges	1	-	(1)	-	-	-	-	-	-
Total Amount to PSCo Gas O&M	**104,369**	**110,550**	**6,181**	**2,524**	**5,063**	**2,539**	**(10,018)**	**6,164**	**16,182**

2) Attachment RRS-1.B
4) Attachment RRS-2, Exhibit VI
9) Attachment RRS-2, Exhibit II Page 1 of 6.
10) Attachment RRS-2, Exhibit II Page 2 of 6.
11) Attachment RRS-2, Exhibit VI

* Due to a mid-year FAS 88 settlement the Company was required to have WTW remeasure the non-qualified pension expense. As a result the non-qualified pension expense changed mid-year. Calendar year 2022 expense represents 6.5 months of the cost prior to settlement and 5.5 months of the remeasured cost post settlement. See Attachment RRS-1.B for a summary of the cost.

Attachment RRS-4
Public Service Company
Calculation of Active Health Care and Miscellaneous Benefit Programs and Life Insurance

Calculation of Total Cost Amounts to Cost of Service Amounts

	ACTIVE HEALTH CARE 12 Months Ending 9/30/23	MISC BENEFIT PROGRAMS AND LIFE AND LTD INSURANCE 12 Months Ending 9/30/23	TOTAL COST 12 Months Ending 9/30/23
PSCo			
Total Cost Per Book Amount	32,205,603		32,205,603
Adjust to Incurred Basis	496,634		496,634
Total Cost on Incurred Basis	32,702,237	2,501,629	35,203,866
Known & Measureable Adjustment	2,519,567		2,519,567
Adjusted Total Cost	35,221,804	2,501,629	37,723,433
Percent to PSCo Gas O&M FERC 926	21.02%	21.12%	21.02%
Amount to PSCo Gas O&M FERC 926	7,402,979	528,327	7,931,306
Xcel Service			
Total Cost Per Book Amount	55,723,087		55,723,087
Adjust to Incurred Basis	1,005,192		1,005,192
Total Cost on Incurred Basis	56,728,279	8,420,311	65,148,590
Known & Measureable Adjustment	4,392,874	-	4,392,874
Adjusted Total Cost	61,121,153	8,420,311	69,541,464
Percent to PSCo Gas O&M FERC 926	5.26%	5.13%	5.24%
Amount to PSCo O&M FERC 926	3,214,525	432,317	3,646,842
Affiliate Charges/Other Adjustments	26	2	28
Amount to PSCo Gas O&M FERC 926	**10,617,530**	**960,646**	**11,578,176**

		PSCo Gross Gas Prepaid Pension Asset													
1		2023													
2		**Dec 2022 Year End**	**Jan 2023**	**Feb 2023**	**Mar 2023**	**Apr 2023**	**May 2023**	**Jun 2023**	**Jul 2023**	**Aug 2023**	**Sep 2023**	**Oct 2023 (Est)**	**Nov 2023 (Est)**	**Dec 2023 (Est)**	
3	**GAAP Prepaid Pension Asset (PPA)**														
4	Beginning Balance		322,462,369	322,294,119	322,122,869	321,951,619	321,780,369	321,609,119	321,437,869	321,266,619	321,095,369	320,924,119	320,752,869	320,581,619	
5	Contributions														
6	Pension Expense		(171,250)	(171,250)	(171,250)	(171,250)	(171,250)	(171,250)	(171,250)	(171,250)	(171,250)	(171,250)	(171,250)	(171,250)	
7	FAS 88 Settlement		3,000												
8	Ending Balance	322,462,369	322,294,119	322,122,869	321,951,619	321,780,369	321,609,119	321,437,869	321,266,619	321,095,369	320,924,119	320,752,869	320,581,619	320,410,369	
9	Percent to PSCO Gas	32.33%	32.33%	32.33%	32.33%	32.03%	32.03%	32.03%	32.03%	32.03%	32.03%	32.03%	32.03%	32.03%	
10	Amount to PSCo Gas	104,263,622	104,210,135	104,154,150	104,098,935	103,078,237	103,023,918	102,969,021	102,913,552	102,857,581	102,801,870	102,747,014	102,692,157	102,637,300	
11															
12	**GAAP PSCo Gas PPA by Category**														
13	Legacy PPA (1)		85,608,406	85,608,406	85,608,406	85,608,406	85,608,406	85,608,406	85,608,406	85,608,406	85,608,406	85,608,406	85,608,406	85,608,406	
14	New PPA		18,601,729	18,545,744	18,490,529	17,469,831	17,415,512	17,360,615	17,305,146	17,249,175	17,193,464	17,138,608	17,083,751	17,028,894	
15	Total GAAP PPA	104,263,622	104,210,135	104,154,150	104,098,935	103,078,237	103,023,918	102,969,021	102,913,552	102,857,581	102,801,870	102,747,014	102,692,157	102,637,300	
16															
17	**Regulatory Offsets**														
18	Beginning Balance		(49,975,331)	(50,306,672)	(50,638,012)	(50,969,352)	(51,300,692)	(51,632,032)	(51,963,372)	(52,294,713)	(52,626,053)	(52,957,393)	(53,288,733)	(53,620,073)	
19	Regulatory Amortization	(28,826,596)	(331,340)	(331,340)	(331,340)	(331,340)	(331,340)	(331,340)	(331,340)	(331,340)	(331,340)	(331,340)	(331,340)	(331,340)	
20	Pension Tracker	-	-	-	-	-	-	-	-	-	-	-	-	-	
21	TCJA Impact	(21,148,736)	-	-	-	-	-	-	-	-	-	-	-	-	
22	Ending Balance	(49,975,331)	(50,306,672)	(50,638,012)	(50,969,352)	(51,300,692)	(51,632,032)	(51,963,372)	(52,294,713)	(52,626,053)	(52,957,393)	(53,288,733)	(53,620,073)	(53,951,413)	
23															**13-Month Average as of 12.31.23**
24	**PPA for Regulatory Purposes**	**54,288,290**	**53,903,464**	**53,516,138**	**53,129,583**	**51,777,545**	**51,391,885**	**51,005,649**	**50,618,839**	**50,231,528**	**49,844,477**	**49,458,281**	**49,072,084**	**48,685,887**	**51,301,819**

PSCo Gas Prepaid Retiree Medical Asset

		HTY													FCST			13 Month Avg.	
Line Number	**Description**	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023 FCST	Nov 2023 FCST	Dec 2023 FCST	**13 Month Average 9/31/2023**	**Forecasted 13 Month Average 12/31/2023**
1	**GAAP Prepaid Retiree Medical Asset**																		
2	Beginning Balance	76,910,582	77,837,352	77,959,512	78,878,536	76,792,256	76,984,642	77,357,138	77,625,651	77,405,244	78,175,833	78,452,728	78,607,504	78,505,891	79,312,912	79,298,783	79,262,009		
3	Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-					
4	Retiree Medical Expense	413,333	413,333	413,333	413,333	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)		
5	Retiree Medical Benefit Payments/Other	513,437	(291,174)	505,691	(2,499,614)	425,553	605,663	501,679	12,759	1,003,756	510,061	387,943	131,554	1,040,187	219,038	196,392	233,897		
6	Ending Balance	77,837,352	77,959,512	78,878,536	76,792,256	76,984,642	77,357,138	77,625,651	77,405,244	78,175,833	78,452,728	78,607,504	78,505,891	79,312,912	79,298,783	79,262,009	79,262,739		
7	Percent to PSCO Gas	32.33%	32.33%	32.33%	32.33%	32.33%	32.33%	32.33%	32.03%	32.03%	32.03%	32.03%	32.03%	32.03%	32.03%	32.03%	32.03%		
8	Amount to PSCo Gas	25,166,721	25,206,265	25,503,918	24,829,684	24,892,108	25,012,403	25,099,261	24,795,783	25,042,762	25,131,453	25,180,884	25,148,061	25,406,366	25,401,840	25,390,060	25,390,294	25,108,897	25,132,381
9																			
10	**Regulatory Offsets**																		
11	Beginning Balance	(5,860,628)	(5,934,139)	(6,017,965)	(6,101,790)	(6,178,039)	(6,178,039)	(6,178,039)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)		
12	FAS 106 to Zero Reg Liability	(73,512)	(83,826)	(83,826)	(76,249)	-	-	(190)	-	-	-	-	-	-	-	-	-		
13	Ending Balance	(5,934,139)	(6,017,965)	(6,101,790)	(6,178,039)	(6,178,039)	(6,178,039)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,178,229)	(6,141,201)	(6,178,185)
14																			
15	**Prepaid Balance for Regulatory Purposes**	**19,232,582**	**19,188,300**	**19,402,127**	**18,651,645**	**18,714,069**	**18,834,364**	**18,921,032**	**18,617,554**	**18,864,533**	**18,953,224**	**19,002,655**	**18,969,832**	**19,228,137**	**19,223,611**	**19,211,831**	**19,212,065**	**18,967,696**	**18,954,196**
16																			
	SAP Balance																		
	Variance																		

	Cumulative Tracker Balance as of 9.30.23	Less: LTD Amortization Through 9.30.2022	Total Net Tracker Balance
Qualified Pension Tracker	(2,754,769)	(2,152,523)	(4,907,292)
Non-Qualified Pension Tracker	(702,466)	635,596	(66,870)
Total	**(3,457,234)**	**(1,516,927)**	**(4,974,161)**