BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN PUBLIC SERVICE COMPANY'S APPLICATION FOR: (1) REVISION OF ITS RETAIL RATES UNDER ADVICE NOTICE NO. 312; (2) AUTHORITY TO ABANDON THE PLANT X UNIT 1, PLANT X UNIT 2, AND CUNNINGHAM UNIT 1 GENERATING STATIONS AND AMEND THE ABANDONMENT DATE OF THE TOLK GENERATING STATION; AND (3) OTHER ASSOCIATED RELIEF,	)	**CASE NO. 22-00286-UT**
SOUTHWESTERN PUBLIC SERVICE COMPANY,	)	
APPLICANT.	)	

DIRECT TESTIMONY

of

RICHARD R. SCHRUBBE

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	**Meaning**
ADIT	Accumulated Deferred Income Taxes
Adjusted Base Period	Base Period Adjusted for Known & Measurable Items
Base Period	July 1, 2021 through June 30, 2022
Commission	New Mexico Public Regulation Commission
ERISA	Employee Retirement Income Security Act
EROA	Expected Return on Assets
FAS	Statement of Financial Accounting Standard
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
HSA	Health Savings Account
IBNR	Incurred But Not Reported
IRC	Internal Revenue Code
Linkage Period	July 1, 2022 through June 30, 2023
LTD	Long-Term Disability
NCE	New Century Energies
O&M	Operation and Maintenance
PBGC	Pension Benefit Guaranty Corporation
PBO	Projected Benefit Obligation

Acronym/Defined Term	**Meaning**
SPS	Southwestern Public Service Company, a New Mexico corporation
Future Test Year Period	July 1, 2023 through June 30, 2024
VEBA	Voluntary Employee Beneficiary Association
WACC	Weighted Average Cost of Capital
WTW	Willis Towers Watson
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

Case No. 22-00286-UT
Direct Testimony
of
Richard R. Schrubbe

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

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. On whose behalf are you testifying in this proceeding?

A. I am filing testimony on behalf of Southwestern Public Service Company, a New Mexico corporation ("SPS"). SPS is a wholly-owned electric utility subsidiary of Xcel Energy Inc. ("Xcel Energy").

Q. By whom are you employed and in what position?

A. I am employed by Xcel Energy Services Inc. ("XES"), the service company subsidiary of Xcel Energy, as Vice-President of Business Area Finance.

Q. Please briefly outline your responsibilities as Vice-President of Business Area Finance.

A. My responsibilities include the oversight and management of the Business Area Finance group, which includes Energy Supply, Transmission, Distribution, Gas Engineering & Operations, Nuclear, and Corporate Services. Within that group, I oversee budget planning, reporting, and analysis. I am also responsible for 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 for Xcel Energy and its subsidiaries. I am also responsible for coordinating the benefits operation and maintenance ("O&M") and capital budgeting and forecasting processes, as well as the monthly analysis of actual results against these budgets and forecasts.

Q. Please describe your educational background.

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

Q. Please describe your professional experience.

A. From 2000 to 2005, I was employed by the DoALL 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 XES as a Consultant. I became the Manager of Corporate Accounting in 2010 and the Director of Corporate and Benefits Accounting in 2013. Additionally, in 2014, I was assigned responsibilities associated with the oversight of the administration of XES, including accounting, billing, allocations, policies and procedures, service agreements, internal audits, external audits, and external reporting to state and federal regulatory agencies. In 2016, I was promoted to my current position, which includes oversight of the Employee Benefits business area.

Q. Have you testified or filed testimony previously before any regulatory authorities?

A. Yes. I testified on SPS's behalf in New Mexico Public Regulation Commission ("Commission") Case No. 17-00255-UT on pension and other post-employment benefit expenses, active health care expenses, and the proper treatment of SPS's prepaid pension asset, among other issues. I also submitted pre-filed testimony to the Commission on those same issues in Case Nos. 20-00238-UT, 19-00170-UT, and 15-00296-UT. In addition, I have testified and submitted pre-filed written testimony on pension and benefit issues in numerous cases before the Public Utility Commission of Texas, the Colorado Public Utilities Commission, and the Minnesota Public Utilities Commission.

II. ASSIGNMENT AND SUMMARY OF TESTIMONY

Q. What is your assignment in this proceeding?

A. My testimony supports SPS's request to recover its non-cash Employee Benefits O&M expense. In particular, I support SPS's request to recover the O&M expenses associated with the following types of benefits:

- a defined benefit qualified pension plan that provides eligible employees with a defined amount upon retirement;
- a non-qualified pension restoration benefit that allows SPS 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 and retirees;
- self-insured long-term disability ("LTD") benefits;[1]
- active health care, which includes medical, dental, pharmaceutical, and vision coverage;
- third-party insured LTD benefits;
- life insurance;
- miscellaneous health-related benefits;
- workers' compensation benefits;
- the 401(k) defined contribution plan matching expense; and

[1] The qualified pension expense, non-qualified pension expense, retiree medical expense, and self-insured LTD expense are all calculated by SPS's outside actuary, Willis Towers Watson ("WTW"). At various places in this testimony, I refer to them as the "actuarially calculated costs."

- certain types of miscellaneous retirement-related benefits.

I first describe the benefits themselves and explain why they are reasonable and necessary for SPS to attract and retain employees. I next quantify the benefit amounts in the Base Period, the Linkage Period, and the Future Test Year Period,[2] and I justify the changes in the Employee Benefit O&M expense amounts between those periods.

In addition to supporting SPS's request to recover its reasonable and necessary employee benefits, I describe SPS's prepaid pension asset. I also explain why the prepaid pension asset should be included in rate base and should earn a return equal to SPS's weighted average cost of capital ("WACC").

Q. Please summarize your testimony and recommendations.

A. I recommend that the Commission allow SPS to recover its Employee Benefit O&M expenses, which are summarized in my Attachment RRS-2. Those Employee Benefit O&M expenses are reasonable and necessary for SPS to attract and retain the employees it needs to provide safe and reliable electric service in New Mexico.

[2] I define the Base Period, the Linkage Period, and the Future Test Year Period in the next section of my testimony.

I also recommend that the Commission allow SPS to include its prepaid pension asset in rate base and to earn a WACC return on that asset. The Commission has recognized in prior cases that the prepaid pension asset is a used and useful utility asset because it helps to reduce qualified pension expense and because it helps to attract and retain employees. Nothing has changed to justify a different result in this case.

Q. Is any other SPS witness addressing compensation or benefit issues?

A. Yes. SPS witness Michael P. Deselich discusses the cash compensation paid by SPS and the overall reasonableness of Xcel Energy's Total Rewards Package, which consists of both the cash and non-cash components of the compensation and benefits offered to SPS and XES employees.

Q. How were the New Mexico retail jurisdictional amounts in your testimony and attachments calculated?

A. Throughout this testimony, I quantify the expense and asset amounts on a New Mexico retail basis based upon the jurisdictional allocation percentages SPS witness Stephanie N. Niemi uses to develop the New Mexico retail revenue requirement in her Attachment SNN-6. Ms. Niemi is responsible for calculating jurisdictional allocation percentages that apply to the various cost components in the cost of service. My staff and I conferred with Ms. Niemi and her staff to determine these New Mexico retail jurisdictional amounts presented in my testimony and attachments. If the percentages used to allocate amounts to the New Mexico retail jurisdiction change, those new allocation percentages will need to be applied to the total company numbers to derive updated New Mexico retail amounts. Attachment RRS-1 contains the total company numbers and the jurisdictional percentages used to derive the New Mexico retail amounts in my testimony.

Q. Were Attachments RRS-1, RRS-2 and RRS-5 through RRS-8 prepared by you or under your direct supervision and control?

A. Yes.

Q. Are Attachments RRS-3, RRS-4, and RRS-9 true and correct copies of the documents that you have represented them to be?

A. Yes.

III. EMPLOYEE BENEFITS O&M EXPENSES

Q. What topics do you cover in this section of your testimony?

A. In this section, I will discuss O&M expenses associated with the Employee Benefits business area and explain that those expenses are reasonable and necessary for the provision of utility service. Consistent with the NMPRC Future Test Year Period Rule,[3] for each of the (1) Base Period[4] and Adjusted Base Period,[5] (2) Linkage Period,[6] and (3) Future Test Year Period,[7] I break down the Employee Benefits costs by Federal Energy Regulatory Commission ("FERC") account, detail the associated elements of cost, and fully explain, support, and justify the Employee Benefits data. I also identify the Employee Benefits business area's contribution to the material variances between the Adjusted Base Period and Future Test Year Period costs identified by SPS witness Stephanie Niemi, and I describe

[3] 17.1.3.1 NMAC et seq.

[4] SPS's base period in this proceeding begins July 1, 2021 and ends June 30, 2022 (the "Base Period").

[5] SPS's adjusted base period in this proceeding is the Base Period adjusted as described by SPS witness Stephanie Niemi (the "Adjusted Base Period").

[6] SPS's "Linkage Period" in this proceeding begins July 1, 2022 and ends June 30, 2023. Per the Future Test Year Period Rule, it covers the period of time between the end of the Base Period and the beginning of the Future Test Year Period and includes the required "Linkage Data" as that term is defined in 17.1.3.7(H) NMAC.

[7] SPS's future test year period in this proceeding begins July 1, 2023 and ends June 30, 2024 (the "Future Test Year Period").

the Employee Benefits cost drivers expected to contribute to these material variances.

A. Overview of Employee Benefits Services and Associated Expenses

1. Qualified Pension Expense

Q. Please describe SPS's qualified pension plan and the nature of the costs.

A. The qualified pension plan is a traditional defined benefit pension plan, which promises bargaining employees monthly pension annuity payments based upon their level of pay and years of service. It 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 SPS.

Q. Do accounting rules and laws determine the cost for SPS's pension plan?

A. Yes. Qualified pension costs are calculated under Statement of Financial Accounting Standard ("FAS") 87, Employers' Accounting for Pensions,[8] which is one of the Generally Accepted Accounting Principles ("GAAP"). However, FAS 87 does not dictate how a company must fund the pension plan. The funding of the

[8] In 2009, FAS 87 was renamed Accounting Standard Codification 715-30, but for the sake of simplicity and continuity, I will continue to use the FAS terminology in this testimony.

plan is determined based upon prudent business practices, with constraints imposed by the requirements of the Pension Protection Act of 2006, the Employee Retirement Income Security Act ("ERISA"), and the Internal Revenue Code ("IRC"):

- there are minimum required contributions;
- there are maximum contributions that can be deducted for tax purposes; and
- SPS has a fiduciary responsibility to prudently protect the interests of the plan participants and beneficiaries.

The minimum and maximum funding rules set forth under the Pension Protection Act, ERISA, and the IRC are different from the methodology used under FAS 87 to determine pension cost. Over the long run, the cumulative employer contributions made to a plan should equal the cumulative recognized pension expense calculated under FAS 87, but in the short and intermediate run there can be significant differences. Those differences are recorded on the balance sheet as a prepaid pension asset if cumulative contributions exceed cumulative recognized pension expense, or as an unfunded liability if cumulative recognized pension expense exceeds cumulative contributions.

Q. How is the qualified pension cost calculated under FAS 87?[9]

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

1. the value of pension benefits that employees will earn during the current year (service cost);
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 ("EROA"));
4. recognition of costs (or income) resulting from experience that differs from the 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).

[9] I describe the calculation of qualified pension expense in more detail than I do the calculation of other Employee Benefit O&M expenses, primarily because the discussion of the qualified pension expense calculation helps describe the origin of the prepaid pension asset, which I discuss later in my testimony.

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 ("PBO") due to the passage of time. Measuring the PBO 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, EROA, calculated?

A. The dollars in the pension trust are invested in a portfolio of stocks, bonds, commodities, and other types of income-producing assets. The EROA is determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets. The market-related value of plan assets for SPS is a calculated value that recognizes changes in the fair value in a systematic and rational manner over five years.

Q. With regard to the fourth component, what are the unrecognized gains and losses?

A. Unrecognized gains and losses are the asset gains and losses or the liability gains and losses from prior periods. In effect, those asset or liability gains and losses arise when the experience in a prior period differ from what was expected.

Q. Please explain the distinction between asset gains and losses and liability gains and losses.

A. SPS experiences an asset gain when the actual return in a particular year exceeds the EROA for that year, and SPS experiences an asset loss when the actual return is less than the EROA for that year. Suppose, for example, that the plan has an EROA of 7% on $1 billion of pension trust assets, which would produce an expected return of $70 million. If the actual return in that year is 9%, the plan earns a return of $90 million, which produces an asset gain of $20 million. Of course, the opposite can also occur. If the EROA is 7% and the actual return on the assets is 5%, the plan realizes a $20 million asset loss.[10]

Liability gains and losses arise when the components of pension cost affecting the PBO differ from expectations. Those components include such things as the discount rate, the expected number of retirements, mortality rates, and wage increases. For example, if SPS assumes a 4% discount rate at the beginning of the year but the actual discount rate measured at year end for the next year turns out to be 5%, SPS will have a liability gain because the higher discount rate reduces the amount SPS must set aside to satisfy future pension liabilities.

[10] The $20 million loss in this example is not an actual loss in the value of the trust assets. In the example, the pension has earned a return of $50 million, meaning that the value of the trust's assets has increased by $50 million, all else being equal. But because the expected return was $70 million, the pension trust records a $20 million actuarial loss.

Q. Is the distinction between asset gains and losses and liability gains and losses important?

A. Yes. The distinction is important because the asset gains and losses are phased in over time, whereas the liability gains and losses are not. Asset gains and losses are phased into an amortization "pool," for lack of a better term, over a five-year period. Liability gains and losses are not phased in, but instead are placed into the amortization pool in a single year. Because gains and losses may reflect refinements in estimates as well as real changes in economic values, and because some gains in one period may be offset by losses in another or vice versa, FAS 87 does not require recognition of gains and losses as a component of net pension cost in the period in which they arise.

Q. Please describe what you mean by the term "phase-in" of gains or losses.

A. The term "phase-in" is used to describe the process of moving asset gains or losses into an amortization pool. Under FAS 87, the asset gains or losses are incorporated into the calculation of pension cost over a period of five years. Thus, 20% of an asset gain or loss is phased into the amortization pool during the first year after the gain or loss occurs, another 20% is phased into the amortization pool during the second year after the gain or loss occurs, and so forth until the fifth year, when the full amount of the asset gain or loss is phased-in. Unlike asset gains or losses, liability gains and losses are not phased in, as I mentioned earlier. The gains and losses that enter the amortization pool are then amortized over a specific period of years if they satisfy the criteria I discuss below.

Q. Why does SPS phase-in asset gains and losses and then amortize them over the average years to retirement of active employees?

A. When SPS moved to FAS 87 accounting in 1987, it elected to phase-in asset gains and losses and to amortize these gains and losses over a period not to exceed the average remaining service life (average years to retirement) of employees. The purpose of the election was to reduce financial statement volatility in individual accounting periods by ensuring that gains and losses are spread out over time, and that they are not recognized in just the period that they occur. This phase-in and amortization approach reduces volatility in recognized costs by smoothing gains and losses over the longest allowed duration.

Q. Why are asset gains and losses phased-in but not liability gains and losses?

A. The assumptions used to establish pension liability (e.g., mortality rates, discount rates, etc.) typically do not vary greatly from year to year, and therefore the drafters of FAS 87 did not consider it necessary to require the phase-in of liability gains and losses. In contrast, the market returns on pension fund assets can vary greatly from year to year, as evidenced by the dramatic difference between the EROA and the actual returns that SPS experienced on its pension fund assets in 2019.[11] Because of the effects that such volatility would have on businesses' income statements, the drafters of FAS 87 decided that it was appropriate to phase-in market gains and losses.

Q. How are unrecognized gains and losses amortized?

A. SPS aggregates its current year's gains or losses with the prior years' gains or losses to calculate a net unamortized gain or loss. That net unamortized gain or loss is then compared to the present value of the PBO and to the market-related value of the assets in the pension trust. If the net unamortized gain or loss is outside a 10% corridor – that is, if it is more than 10% of the greater of the PBO or the market-related value of the trust assets – SPS must amortize that net gain or loss. If amortization of the unrecognized gains or losses 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. For SPS's bargaining employees this is approximately 15 years, and for SPS's non-bargaining employees it is approximately 10 years.

[11] For example, in 2019, the EROA was approximately 7.0%, but the actual return exceeded 20.0%. In other years, the actual return has been less than the EROA.

Q. Returning to the five elements of FAS 87 pension cost, what is the fifth element – unrecognized prior service cost?

A. Unrecognized prior service cost results from pension plan amendments that 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, but does not include the 10% 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 following calculation:

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

Q. Is the annual pension cost produced by this formula always a positive number?

A. No. In some years, the negative amounts in the calculation (i.e., the EROA and the gains resulting from the difference between expected and actual experience from prior periods) can be larger than the positive amounts. When that happens, the annual pension cost is negative. And if that occurs in a rate case test year, the annual pension cost included in the cost of service may be a negative number, which reduces the overall cost of service.

2. Non-Qualified Pension Expense

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 $245,000 per year. In addition, the maximum amount of compensation that can be included in determining benefits in a qualified pension plan is $305,000. 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 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 that result from changes in the discount rate.

3. Retiree Medical Expense

Q. Please describe SPS's retiree medical plan and the plan expenses.

A. SPS's plan consists primarily of retiree medical benefits, but it also includes retiree life and dental insurance. SPS eliminated those benefits for all active non-bargaining employees more than ten years ago, and SPS bargaining employees hired on or after January 1, 2012 are no longer eligible to receive retiree medical benefits. However, many of SPS's bargaining employees remain eligible for the benefit, as do many current retirees.

Q. How are the 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 are identical to FAS 87, with one exception: whereas the pension asset gains and losses are phased into the loss amortization calculation by 20% each year, retiree medical asset gains and losses are not.

Q. Has SPS established a trust and made contributions assets to fund the retiree medical benefits?

A. Yes. The retiree medical benefits are paid from a Voluntary Employee Beneficiary Association ("VEBA") trust. SPS makes periodic contributions to the VEBA trust, and the trust pays benefits from the returns on the assets in the trust.

4. Self-Insured Long-Term Disability Expense

Q. Please describe the self-insured LTD benefit in more detail and explain how it is accounted for.

A. The self-insured LTD costs are attributable to benefits provided by SPS 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.

SPS 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 later in my testimony, SPS purchases an insurance plan from an outside insurance provider that assumes the risk. In a self-insured plan, SPS provides the benefits to the covered individuals and therefore effectively acts as the insurer. For the self-insured piece, SPS is required to accrue for LTD costs under FAS 112, Employers' Accounting for Post-Employment Benefits. The FAS 112 accrual represents the expected 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.

5. 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 active employees. Those costs include medical, pharmacy, dental and vision claims, administrative fees, employee withholdings, pharmacy rebates, Health Savings Account ("HSA") contributions, transitional reinsurance fees, trustee fees, and interest income.

6. Third Party-Insured Long-Term Disability

Q. Please describe the third party-insured LTD costs that SPS incurs.

A. As explained earlier, SPS 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, SPS 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 groups of employees are covered under the third party-insured benefit?

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

7. Life Insurance

Q. Please describe the life insurance cost that SPS 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% of base pay and to SPS bargaining employees at 50% of base pay. Employees also have the option to purchase additional life insurance.

8. Miscellaneous Health and Welfare Benefits

Q. What types of miscellaneous health and welfare benefit programs does SPS offer to its employees?

A. The types of costs included in the miscellaneous health and welfare 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 HSAs.

9. Third-Party Insured Workers Compensation

Q. Please briefly describe SPS's third-party-insured workers' compensation program.

A. For employees injured on or after August 1, 2001, all workers compensation benefits are covered under a third-party-insured program. The only cost to Xcel Energy for this benefit cost is the insurance premium. In a third-party-insured plan, SPS purchases an insurance plan from an outside insurance provider who 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. How are third-party-insured workers' compensation amounts determined?

A. The actuaries of the vendor from whom SPS purchases the insurance calculate the workers' compensation premium amounts. While we do not know exactly how the actuaries derive these amounts, they presumably base the costs on company-specific historical loss data and payroll to determine exposure related to the policy period.

10. 401(k) Match

Q. Please briefly describe SPS's 401(k) match plan.

A. SPS'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, SPS'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 SPS 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. It is based on the amount that employees contribute as a percentage of their salary with a maximum match of 4%. For the majority of SPS's workforce, the employee must contribute 8% of eligible income for SPS to contribute the maximum company match of 4% of eligible income. The remaining employees, who are in the Traditional Plan, receive a maximum match of $1,400.

11. 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. Do the Employee Benefits O&M expenses discussed in the previous subsections include native SPS costs? If yes, please explain.

A. Yes. Native SPS costs are those costs incurred directly by SPS associated with the provision of electric service to customers. These costs include labor, materials, and other non-fuel O&M costs. For example, the benefit loadings for SPS employees are native costs.

Q. Do the Employee Benefits O&M expenses discussed in the previous subsections include affiliate charges? If yes, please explain.

A. Yes. Affiliate charges are primarily those costs associated with services provided by XES—Xcel Energy's service company—to SPS. These services are in addition to, and not duplicative of, the services that SPS employees provide. Affiliate charges can also include services provided to SPS by other Operating Companies or affiliated interests. For example, benefit loadings for XES employees are affiliate costs.

Q: How are the affiliate charges assigned or allocated to SPS?

A: As explained in detail in SPS witness Nicole L. Doyle's direct testimony, affiliate costs are directly charged or allocated to SPS "at cost" pursuant to Appendix A to the Service Agreement between XES, SPS and the other Operating Companies.

Q. Are the services grouped within the Employee Benefits business area necessary for SPS's operations?

A. Yes. SPS must provide a market-competitive suite of compensation and benefits to attract and retain the employees needed to provide safe and reliable electric service to New Mexico customers. Without those benefits, all of which are common in the utility industry, SPS would be at a severe disadvantage in the labor market. At the very least, SPS would have to offer employees and potential employees much higher cash compensation to make up for the lack of benefits.

Q. Are any of the Employee Benefits affiliate services provided to SPS duplicated elsewhere in XES or in any other Xcel Energy subsidiary, such as SPS itself?

A. No. Within XES, none of the services provided by the Employee Benefits business area are duplicated elsewhere. No other Xcel Energy subsidiary performs these services for the Operating Companies. In addition, SPS does not perform these services for itself.

Q. Do SPS's New Mexico retail customers benefit from the services associated with the specific Employee Benefits O&M expenses that you sponsor?

A. Yes. As I explained earlier, the Employee Benefits O&M expenses enable SPS to attract and retain the employees that provide safe and reliable electric service to SPS's New Mexico customers.

B. Presentation of Employee Benefits O&M Expense Data

Q. At a high level, how does SPS present O&M expenses in this proceeding?

A. SPS presents its O&M data in three separate views. In Attachment SNN-10, SPS witness Stephanie Niemi presents SPS's O&M expenses by FERC account and FERC account subcategory[12] for the following periods: (1) the Base Period and Adjusted Base Period, (2) the Linkage Period, and (3) the Future Test Year Period.[13] This attachment also identifies the variance between the Adjusted Base Period[14] expenses and Future Test Year Period expenses by FERC account or FERC account subcategory and highlights where material variances exist.[15]

[12] Consistent with 17.1.3.16(B)(1) NMAC, each FERC account has been subdivided where necessary to a level that is sufficient to identify cost drivers and demonstrate where variations between the Adjusted Base Period and Future Test Year Period occur (a "FERC account subcategory").

[13] *See* 17.1.3.12 NMAC; 17.1.3.15 NMAC; 17.1.3.16(B) NMAC.

[14] SPS notes that 17.1.3.6 NMAC states that the objective of the Rule is to "provide for a complete and comprehensive rate case filing that, by including full explanations and justifications of changes in items between the *adjusted base period*, linkage data and future test year period as required by this rule should minimize the amount of discovery needed by commission staff…and intervenors to analyze a filing." 17.1.3.6 NMAC (emphasis added). 17.1.3.7 NMAC defines "material change" or "material variance" as "a change or variance in cost between the *adjusted base period* and the future test year period." 17.1.3.7(J) NMAC (emphasis added). Later, however, 17.1.3.17(A) NMAC states that "[f]or any material changes between *base period* and future test year period, cost drivers shall be separately identified, explained and justified as well as linked to the historical base period and any linkage data." 17.1.3.17(A) NMAC (emphasis added). And 17.1.3.18(B) NMAC directs an applicant to include in a side-by-side comparison with "a column showing actual expenditures during the *base period*; a column showing the estimated expenditures during the future test year period; a column showing the variance between the two; and a column providing an explanation (or a reference to the written testimony requirement under Subsection D of this section) for the differences between the *base period* data and the future test period estimates, including occurrences which took place in the linkage data." 17.1.3.18(B) NMAC (emphasis added). Consistent with the Future Test Year Period Rule's objective and the material variance definition and to ensure an apples-to-apples comparison throughout all relevant data, SPS focuses on Adjusted Base Period amounts, rather than Base Period amounts, when presenting variation data in testimony. Nonetheless, to ensure compliance with the NMPRC Future Test Year Period Rule, SPS has included the variance between the Base Period expenses and Future Test Year expenses in Ms. Niemi's Attachment SNN-10.

[15] *See* 17.1.3.16(B) NMAC; 17.1.3.18(B) NMAC.

Separately, in Attachment SNN-10, Ms. Niemi presents a more granular view of this same data. There, the expenses included in each FERC account or FERC account subcategory are further divided into elements of cost.[16] This view of the O&M data is presented on both a total company and New Mexico Retail basis.[17]

Finally, in Attachment SNN-10, Ms. Niemi presents SPS's O&M expenses for the same three periods by Business Area. Each Business Area's expenses are presented by FERC account or FERC account subcategory, as appropriate.[18] Next, the expenses in each FERC account or FERC account subcategory are further divided by cost element.[19] This view of the O&M data is presented on both a total company and New Mexico Retail basis as well.[20] I and SPS's other business area witnesses fully explain, justify, and support all the O&M data presented by Ms. Niemi for their applicable business areas.[21] We also identify, fully explain, and justify any business area cost drivers that contributed to material variances between

[16] *See* 17.1.3.16(B) NMAC.

[17] *See* 17.1.3.16(B) NMAC.

[18] *See* 17.1.3.16(B) NMAC; 17.1.3.16(B)(1)-(2) NMAC.

[19] *See* 17.1.3.16(B) NMAC; 17.1.3.16(B)(1)-(2) NMAC.

[20] *See* 17.1.3.16(B) NMAC

[21] *See* 17.1.3.6 NMAC; 17.1.3.14 NMAC; 17.1.3.17 NMAC; 17.1.3.18 NMAC.

the Adjusted Base Period and the Future Test Year Period identified by Ms. Niemi.[22]

Q. Which Business Area O&M expenses do you sponsor?

A. I sponsor the Employee Benefits O&M expenses.

Q. What FERC accounts are captured within the Employee Benefits O&M expenses?

A. The following table identifies the FERC accounts that include Employee Benefits O&M expenses.

Table RRS-1

FERC Account	Account Description
925	Injuries and Damages
926	Employee Pensions and Benefits

All Employee Benefits O&M expenses are recorded in FERC Account 926 except for workers' compensation expense, which is recorded in FERC Account 925.

Q. Do you detail the elements of cost assigned to Employee Benefits costs?

A. Yes. The categories of costs set forth Column A of Attachment RRS-2 are the elements of costs for the Employee Benefits business area.

[22] *See* 17.1.3.17(A) NMAC; 17.1.3.17(D) NMAC.

Q. Please explain what you mean when you use the term "elements of cost."

A. The Future Test Period Rule defines the phrase "elements of cost" to mean types of cost such as labor, materials, outside services, contract costs, important clearings, and all other types of cost combined as one category.[23] I use the term in this manner throughout my testimony.

C. Full Explanations, Justifications, and Support for Employee Benefits Data

Q. Does your testimony explain and justify quantities, assumptions, expectations, activity changes and the like associated with the Employee Benefits data presented herein?

A. Yes. In this section of my testimony I fully explain, justify, and support the Employee Benefits data presented for the Base Period and Adjusted Base Period, the Linkage Period, and the Future Test Year Period.

Q. Does your testimony include full explanations and justifications of changes between the Adjusted Base Period, the Linkage Period, and the Future Test Year Period associated with the Employee Benefits data presented herein?

A. Yes. In this section of my testimony, I fully explain and justify changes between the Adjusted Base Period, the Linkage Period, and the Future Test Year Period.

[23] *See* 17.1.3.7(F) NMAC.

1. Base Period and Adjusted Base Period

Q. What is the Base Period in this proceeding?

A. SPS's Base Period in this proceeding is the historical 12-month period beginning July 1, 2021, and ending June 30, 2022.

Q. What were the actual Employee Benefits expenses incurred by SPS during the Base Period?

A. During the Base Period, the Employee Benefits business area incurred $8,615,189 in total O&M expenses on a New Mexico jurisdictional basis ($26,559,867 total company).

Q. Please summarize the expenses reflected in the FERC accounts and elements of cost encompassed within the Base Period data sponsored by you.

A. The FERC accounts are FERC Accounts 925 and 926, and the elements of cost are listed in Column A of Attachment RRS-2.

Q. Did SPS adjust the Base Period O&M expenses to arrive at Adjusted Base Period amounts?

A. Yes. SPS made known and measurable adjustments to the active health care amount and the third-party insured workers' compensation amount.

Q. Please explain the known and measurable adjustment to the Base Period active health care expense.

A. 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 SPS receives a bill for that care.[24] Therefore, the actual amount of active health care expense was not available at the time SPS recorded its per book amount near the end of June 2022. Because SPS needs to close its books before it receives all of those health care claims, it takes the actual amounts recorded through a certain point in the year and estimates the additional amount that will be incurred but not reported ("IBNR") by the end of the period, which is the IBNR reserve. During the following quarter, SPS 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. Is SPS proposing to make any known and measurable changes to the active health care expense for events occurring after the end of the Base Period?

A. Yes. SPS is requesting a known and measurable adjustment of $80,682 on a New Mexico retail basis ($248,735 total company) for active health care expense to reflect the IBNR adjustment.

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

Q. Please explain the known and measurable adjustment to the third-party insured workers' compensation expense.

A. SPS received a one-time captive distribution from its workers' compensation carrier during the Base Period. Because that captive distribution is non-recurring, it is necessary to remove it from the cost of service in order to make the Adjusted Base Period amount representative of normal workers' compensation expense. This adjustment results in an addition of $103,581 on a New Mexico retail basis ($319,332 total company).

Q. Did SPS make any annualizations to the Base Period O&M expenses to arrive at the Adjusted Base Period amounts?

A. No.

Q. Did SPS make any normalizations to the Base Period O&M expenses to arrive at the Adjusted Base Period amounts?

A. None other than the removal of the one-time captive distribution that I discussed in an earlier answer.

Q. Are there any other expenses that would otherwise fall within the Employee Benefits that SPS is not seeking recovery of or which the Commission's rules/orders exclude from recovery?

A. No.

Q. Have you prepared an attachment showing the adjustments to arrive at the Adjusted Base Period amounts?

A. Yes. Attachment RRS-2 identifies all of the adjustments made to the Employee Benefits Base Period amounts.

Q. Are the Employee Benefits O&M expenses incurred during the Base Period as adjusted in the Adjusted Base Period and identified on Attachment RRS-2 reasonable and necessary?

A. Yes. The Employee Benefits O&M expenses enable SPS to attract and retain the employees that provide safe and reliable electric service to SPS's New Mexico customers. Absent those benefits, SPS would find it difficult to attract and retain employees. At the very least, SPS would have to pay much higher cash compensation to make up for the absence of benefits.

2. Linkage Period

Q. What is the Linkage Period in this proceeding?

A. SPS's Linkage Period in this proceeding begins July 1, 2022 and ends June 30, 2023.

Q. What is "Linkage Data"?

A. The term "linkage data" refers to a specific and detailed description of all line items for the period of time between the end of the Base Period and the beginning of the

Future Test Year Period required by the rule to create a "verifiable link" between Future Test Year Period data and Base Period data.[25] The rule states that linkage data does not constitute a test period, but instead is provided for the purpose of validating the information contained in the Future Test Year Period.[26]

Q. What are the estimated Employee Benefits expenses SPS expects to incur during the Linkage Period?

A. During the Linkage Period, the Employee Benefits business area expects to incur $8,837,496 in total expenses on a New Mexico jurisdictional basis ($25,100,738 total company).

Q. How were these amounts derived?

A. SPS derived the Employee Benefit O&M costs for the Linkage Period as follows:

- For the four types of costs that are actuarially determined (qualified pension expense, non-qualified pension expense, retiree medical expense and self-insured LTD expense), SPS used the forecast prepared by WTW. Please refer to Attachment RRS-4 to my direct testimony.

- For the active health care costs in the Linkage Period, SPS escalated the Adjusted Base Period amount by 5% for medical claims and 10% for pharmacy claims. Those percentages are based upon health care cost trend assumptions provided by WTW.

- For the 401(k) match cost, SPS applied the 401(k) match percentage to the proposed base pay amounts for the Linkage Period. Mr. Deselich describes

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[25] Rule 17.1.3.7(H) NMAC.

[26] *Id.*

the proposed change to base pay between the Base Period and the Linkage Period.

- For the remaining Employee Benefit O&M expenses, SPS carried forward the Base Period numbers into the Linkage Period without any adjustments other than those attributable to the increase in the New Mexico retail jurisdictional allocator.[27]

Q. Please summarize the expenses reflected in the FERC accounts and elements of cost encompassed within the Linkage Period data sponsored by you.

A. The FERC accounts and elements of cost are the same as those identified in the Base Period. Attachment RRS-2 identifies all of the associated elements of cost and expense amounts.

Q. Please explain the changes between the Adjusted Base Period and Linkage Period for Employee Benefits O&M expenses.

A. The qualified pension expense is projected to decline from $2,078,849 on a New Mexico retail basis ($6,408,909 total company) to $1,365,738 on a New Mexico retail basis ($3,879,043 total company) between the Base Period and the Linkage Period. That decline of $713,112 on a New Mexico retail basis ($2,529,866 total company) is expected to occur primarily due to a decrease in the Net Loss Amortization component of the actuarial calculation in the Linkage Period compared to the Base Period. In addition, the qualified pension trust has

[27] The New Mexico retail tab of Attachment RRS-2 identifies the known and measurable adjustments that are attributable solely to a change in the jurisdictional allocators.

experienced significant gains in prior years, and those gains help reduce qualified pension expense on a going-forward basis as they impact the EROA component of the actuarial calculation.

The non-qualified pension expense is projected to decline from $137,896 ($425,121 total company) to $67,358 ($191,313 total company) between the Base Period and the Linkage Period. That decline of $70,538 ($233,808 total company) is primarily due to a decrease in the Net Loss Amortization component of the actuarial calculation and an increase in the discount rate.

The retiree medical expense is projected to increase from $(147,328) on a New Mexico retail basis ($(454,199) total company) to $(107,201) ($(304,478) total company) between the Base Period and the Linkage Period. That increase of $40,127 ($149,721 total company) is expected to occur because of the expiration of Prior Service Credit amortization bases resulting from benefit changes made to transition retirees to the Medicare exchange. Even with that increase, however, the retiree medical expense will still be negative, meaning that it reduces the cost of service.

The self-insured LTD expense is projected to decline from $8,265 ($25,480 total company) to $4,394 ($12,479 total company) from the Base Period to the Linkage Period. That decline of $4,394 on a New Mexico retail basis ($13,001 total company) is expected because the number of former employees who are eligible for that benefit is declining year-over-year.

The active health care expense is projected to increase from $4,980,885 on a New Mexico retail basis ($15,355,629 total company) to $5,601,053 ($15,908,415 total company) between the Base Period and the Linkage Period. SPS calculated the Linkage Period amount by applying a 5% escalation factor to medical claims and a 10% escalation factor to pharmacy claims. SPS obtained those active health care cost trend assumptions from WTW.

Finally, the 401(k) match expense is projected to increase from $1,096,042 on a New Mexico retail basis ($3,379,000 total company) to $1,206,220 ($3,425,972 total company). That increase of $110,178 ($46,972 total company) will occur because the base pay amount to which the 401(k) match percentage is applied will increase between the Base Period and the Linkage Period.[28] Mr. Deselich supports that increase in the base pay amount between the Base Period and the Linkage Period.

[28] The New Mexico retail number is larger than the total company number because the New Mexico retail number also includes an adjustment to account for the change in jurisdictional allocators between the Adjusted Base Period and the Linkage Period.

Q. Have you provided a specific and detailed description of all line items for the Linkage Period data sponsored by you?

A. Yes. Please see Attachment RRS-2.

Q. Are the Employee Benefits O&M expenses SPS expects to incur during the Linkage Period as identified on Attachment RRS-2 reasonable and necessary?

A. Yes. As noted in my testimony, many of the amounts will remain the same between the Base Period and Linkage Period, and several of the amounts are projected to be significantly lower in the Linkage Period than they were in the Base Period.

Q. Is the Linkage Period data presented in a way that provides a reasonable approximation of jurisdictional amounts for Future Test Year Period comparison purposes?

A. Yes. As explained by Ms. Niemi, the Future Test Year Period jurisdictional allocators were applied to the Linkage Period data presented in Attachment RRS-2.

Q. Does the Linkage Period provide verifiable information that allows Commission Staff and Intervenors to assess the validity of the information contained in the Future Test Year Period discussed in the next section of your testimony?

A. Yes. The linkage data presented provides the necessary support to link the Future Test Year Period amounts to the Adjusted Base Period amounts. Approximately half of the amounts remain the same from the Base Period to the Future Test Year

Period. For the remaining amounts, the Linkage Period data connects the Base Period amounts to the Future Test Year Period Amounts.

3. Future Test Year Period Data

Q. What is the Future Test Year Period?

A. SPS's Future Test Year Period in this proceeding is the 12-month period beginning July 1, 2023 and ending June 30, 2024.

Q. What are the forecasted Employee Benefits expenses included in the Future Test Year Period that SPS is requesting recovery of in this case?

A. During the Future Test Year Period, the Employee Benefits business area expects to incur $8,234,244 in total expenses on a New Mexico jurisdictional basis ($23,387,349 total company). The specific types and amounts of Employee Benefit O&M expenses for the Future Test Year Period appear in Attachment RRS-2.

Q. How were these amounts derived?

A. SPS derived the Employee Benefit O&M costs for the Future Test Year Period as follows:

- For the four types of costs that are actuarially determined (qualified pension expense, non-qualified pension expense, retiree medical expense and self-insured LTD expense), SPS used the forecast prepared by WTW. Please refer to Attachment RRS-4 to my direct testimony.

- For the active health care costs in the Future Test Year Period, SPS escalated the Linkage Period amount by 5% for medical claims and 10% for pharmacy claims. SPS based that percentage increase on health care cost trend assumptions provided by WTW.

- For the 401(k) match cost, SPS applied the 401(k) match percentage to the updated base pay amounts for the Future Test Year Period. Mr. Deselich describes the proposed change to base pay between the Linkage Period and the Future Test Year Period.

- For the remaining Employee Benefit O&M expenses, SPS carried forward the Linkage Period numbers into the Future Test Year Period without any adjustments.

Q. Was the method used in developing the Future Test Year Period O&M expenses based on the Employee Benefits business area's most recently available data?

A. Yes. The actuarially determined costs for the Future Test Year Period were based on WTW's most recent forecasts for that period. The active health care amount for the Future Test Year Period is based on the most recent forecast for year-over-year health care cost increases by WTW. Finally, the increase in the 401(k) match costs is based on the match percentage applied to the proposed base pay increase from the Linkage Period to the Future Test Year Period.

Q. How, if at all, do the amounts used in the Future Test Year Period relate to the Linkage Period amounts?

A. The Future Test Year Period amounts and the Linkage Period amounts are the same for the following Employee Benefits O&M expense:

- third-party insured LTD expense,
- life insurance expense,
- miscellaneous benefit-related expenses,
- miscellaneous retirement-related expenses, and
- workers' compensation expenses.

The Future Test Year Period active health care costs relate to the Linkage Period active health care costs because the Linkage Period amount is escalated by 5% for medical claims and 10% for pharmacy claims to reach the Future Test Year Period amount. Similarly, the Future Test Year Period 401(k) match costs relate to the Linkage Period 401(k) match costs because both are calculated by applying the same match percentage to the requested amount of base pay in that period.

The actuarially determined amounts are based on WTW's assumptions during the Future Test Year Period, which may differ from assumptions in the Base Period and Linkage Period.

Q. Please explain the changes between the Linkage Period Employee Benefits O&M expenses and the Future Test Year Period expenses.

A. As noted in the prior answer, the Future Test Year Period amounts and the Linkage Period amounts are the same for the following Employee Benefits O&M expenses:

- third-party insured LTD expense,

- life insurance expense,
- miscellaneous benefit-related expenses,
- miscellaneous retirement-related expenses, and
- workers' compensation expenses.

Thus, there are no changes for those amounts between the Linkage Period and the Future Test Year Period.

The change between the Linkage Period amount and the Future Test Year Period amount for active health care is attributable to the 5% escalation factor for medical claims and 10% escalation for pharmacy claims that SPS applied to the Linkage Period active health care amount. SPS based those percentage increases on health care cost trend assumptions provided by WTW.

The change between the Linkage Period amount and the Future Test Year Amount for 401(k) match expense is attributable to the increase in base pay to which the 401(k) match percentage is applied. Mr. Deselich supports the proposed increase to base pay between the Linkage Period and the Future Test Year Period.

Finally, the changes in the actuarially determined amounts between the Linkage Period and the Future Test Year Period are attributable to the assumptions used by WTW in the actuarial calculations, along with the incorporation of gains and losses from prior years. For more detail regarding the assumptions used by WTW, please refer to pages 7-8 of Attachment RRS-4.

Q. How, if at all, do the amounts used in the Future Test Year Period relate to the Base Period amounts?

A. The Future Test Year Period amounts and the Adjusted Base Period amounts are the same for the following Employee Benefits O&M expenses:

- third-party insured LTD expense,
- life insurance expense,
- miscellaneous benefit-related expenses,
- miscellaneous retirement-related expenses, and
- workers' compensation expenses.

Thus, there are no changes for those amounts between the Adjusted Base Period and the Future Test Year Period.

The change between the Adjusted Base Period amount and the Future Test Year Period amount for active health care is attributable to two years' worth of the 5% escalation factor for medical claims and the 10% escalation for pharmacy claims. As noted earlier, SPS based those percentage increases on health care cost trend assumptions provided by WTW.

The change between the Linkage Period amount and the Future Test Year Amount for 401(k) match expense is attributable to the 401(k) match percentage being applied to two years of proposed base pay increases. Mr. Deselich supports the proposed increase to base pay between the Linkage Period and the Future Test Year Period.

Finally, the changes in the actuarially determined amounts between the Adjusted Base Period and the Future Test Year Period are attributable to the assumptions used by WTW in the actuarial calculations, along with the incorporation of gains and losses from prior years. For more detail regarding the assumptions used by WTW, please refer to pages 7-8 of Attachment RRS-4.

Q. Are the FERC accounts and elements of cost used for the Future Test Year Period the same or similar to those appearing in the Base Period and Linkage Period?

A. Yes. The FERC accounts appear in Column B of Attachment RRS-2, and the elements of cost appear in Column A of Attachment RRS-2.

Q. Please summarize the expenses reflected in the elements of cost encompassed within the Future Test Year Period data sponsored by you.

A. Attachment RRS-2 identifies all of the associated elements of cost and expense amounts.

Q. Were any expenses that would have otherwise fallen within the Employee Benefits O&M expenses in the Future Test Year Period excluded from SPS's request for recovery?

A. No.

Q. Has SPS calculated the differences by FERC account between the Adjusted Base Period and the Future Test Year Period?

A. Yes. Ms. Niemi's Attachment SNN-10 shows the differences by FERC account between the Adjusted Base Period and the Future Test Year Period. This attachment contains:

1. a column showing actual expenditures during the Adjusted Base Period;[29]
2. a column showing the estimated expenditures during the Future Test Year Period;
3. a column showing the variance between the two; and
4. a column providing an explanation or reference to the written testimony that explains the differences between the Adjusted Base Period data and the Future Test Year Period estimates.

[29] As described in footnote 14 above, SPS has focused on Adjusted Base Period amounts here, rather than Base Period amounts, to ensure an apples-to-apples comparison.

Q. What does the Future Test Year Period Rule deem a material variance in cost between the Adjusted Base Period and Future Test Year Period?

A. The Future Test Year Period Rule defines "material change" or "material variance" as a change or variance in cost between the Adjusted Base Period and Future Test Year Period for a FERC account that exceeds 6% and $100,000 Total Company.[30]

Q. Did the Employee Benefits business area contribute to any material changes between the Adjusted Base Period and Future Test Year Period?

A. Yes, with respect to FERC Account 926. No, with respect to FERC Account 925. The amount I sponsor for FERC Account 925, which includes the workers' compensation expense, remained the same between the Adjusted Base Period and the Future Test Year Period.

Q. With respect to FERC Account 926, please separately identify, explain, and justify the cost driver(s) for each material change and link it to the Adjusted Base Period and Linkage Period data.

A. Insofar as FERC Account 926 is concerned, the variance between the Adjusted Base Period and the Future Test Year Period is $(1,316,989) ($(3,740,585) total company), a reduction of 14.1%. The primary cost driver for the reduction in FERC Account 926 expense is the decrease in qualified pension expense between the

[30] *See* 17.1.3.7(J)(1) NMAC.

Adjusted Base Period and the Future Test Year Period, which is approximately $5.0 million on a total company basis. A reduction in non-qualified pension expense from $425,121 to $185,237 on a total company basis is also a cost driver of the overall decrease. As I explained earlier, those reductions are attributable in part to decreases in the Net Loss Amortization component of actuarial calculation. The qualified pension expense reduction is also attributable to the incorporation of prior-period gains. The asset gains for the SPS Bargaining Plan and the NCE Non-Bargaining Plan exceeded 20% in 2019, 17% in 2020, and 8% in 2021.

The decreases in qualified and non-qualified pension expense are offset to some extent by the increase of approximately $1.4 million in active health care costs on a total company basis between the Adjusted Base Period and Future Test Year Period. As I explained earlier, the cost drivers for those increases are the health care cost trend assumptions provided by WTW. In addition, retiree medical expense increased by $271,204 on a total company basis between the Adjusted Base Period and the Future Test Year Period. The cost driver for that increase as noted above is due to the credit associated with the prior service credit amortization being fully amortized in 2023. The increase is due to the expiration of prior service credit amortization bases from benefit charges made to transition retirees to the Medicare exchange.

The Linkage Period data shows the intermediate steps for all of the amounts that changed between the Adjusted Base Period and the Future Test Year Period. As noted earlier, several of the changes between the Adjusted Base period and the Linkage Period are attributable solely to a change in the jurisdictional allocators.

Q. In conclusion, what is the total dollar amount of Employee Benefit costs SPS requests in this case on a Total Company and New Mexico Retail basis?

A. SPS requests that it be allowed to recover $8,234,244 ($23,387,349 total company) of Employee Benefits O&M costs.

Q. Are these Employee Benefits O&M expenses reasonable and necessary?

A. Yes. The Employee Benefits O&M expenses enable SPS to attract and retain the employees that provide safe and reliable electric service to SPS's New Mexico customers. Absent those benefits, SPS would find it difficult to attract and retain employees. At the very least, SPS would have to pay much higher cash compensation to make up for the absence of benefits.

V. SPS'S PREPAID PENSION ASSET

Q. What topic do you discuss in this section of your testimony?

A. I describe SPS's prepaid pension asset, and I explain that the net prepaid pension asset should be included in rate base and should earn a return at SPS's WACC.

Q. What is a prepaid pension asset?

A. A prepaid pension asset represents the difference between: (1) the cumulative actuarially determined net periodic pension cost calculated in accordance with FAS 87; and (2) the cumulative cash contributions to the pension trust fund.

Q. Please provide an example of how the difference arises.

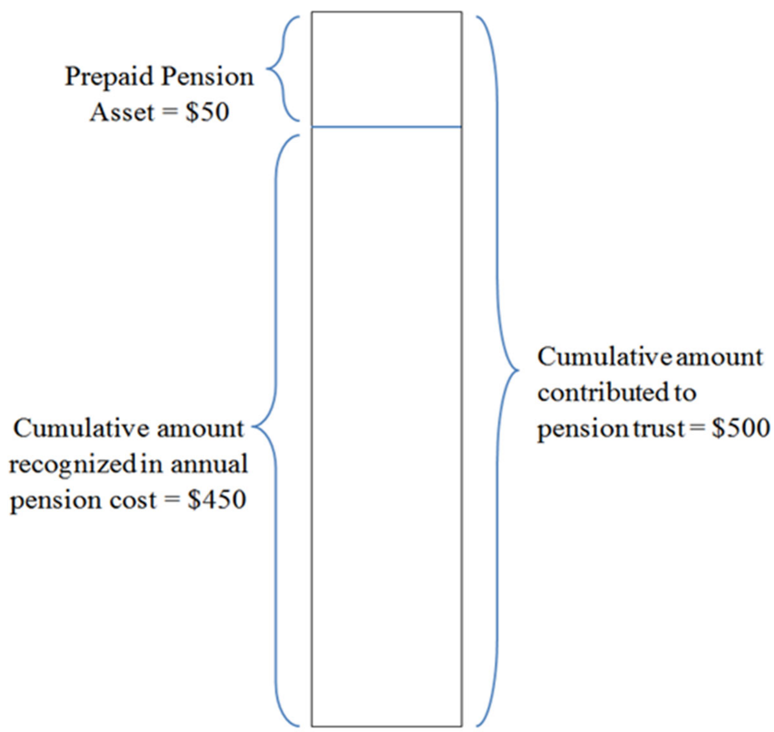
A. Suppose that the pension plan has been in existence for five years, and that the cash contribution to the pension trust for each of five years has been $100 million. Further suppose that the pension cost calculated in accordance with FAS 87 has been $90 million in each of those five years. Table RRS-3 (shows how the excess of cash contributions each year creates a cumulative prepaid pension asset:

Table RRS-3 (amounts in millions)

Year	Pension Contribution	Pension Cost	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 cumulative cash contributions of $500 million and cumulative pension cost of $450 million, which produces a prepaid pension asset of $50 million, as shown in Figure RRS-1:

Figure RRS-1 (amounts in millions)



Q. Why are the contributions and cost different in any given year?

A. As I explained earlier in my discussion of qualified pension expense, the annual pension expense calculation is governed by FAS 87, but the contributions are driven by federal law requirements under ERISA, the IRC, and the Pension Protection Act. Although the cost and contribution calculations both use accrual methodologies, the assumptions, attribution methods, and periods of time over which the costs are required to be recognized are different and thus can often result in different annual amounts.

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 utility makes the contributions, they are essentially locked away. Moreover, all of the earnings on the assets in the trust are locked away.

Q. Does SPS currently have a prepaid pension asset?

A. Yes. The prepaid pension asset balance as of June 30, 2022 was $50,237,989 on a New Mexico retail basis ($154,513,640 total company). The thirteen-month average of SPS's net prepaid pension asset balance as of June 30, 2024 is forecasted to be $51,775,321 on a New Mexico retail basis ($146,720,227 total company).[31]

Q. Is SPS seeking to include that prepaid pension asset in rate base?

A. Yes. SPS is requesting Commission approval to include the prepaid pension asset in rate base and to earn a return on the asset at the WACC that SPS has proposed in this case, which is 7.85%.

[31] The net prepaid pension asset that appears in the cost of service is $146,720,227 on a total company basis. That is the net of the prepaid qualified pension asset of $146,930,657 and the non-qualified pension unfunded liability of $(210,430). See Attachment RRS-7.

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 earn a return at the utility's WACC, regardless of whether they are funded by shareholders or customers. For example, Accumulated Deferred Income Taxes ("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. The same is true for the shareholder prepayments in the prepaid pension asset.

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 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, inclusive of contributions, 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.[32] Suppose, for example, that a pension trust has assets of $500 million and is expected to earn a return of 7% 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.

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-2 (next page), 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.

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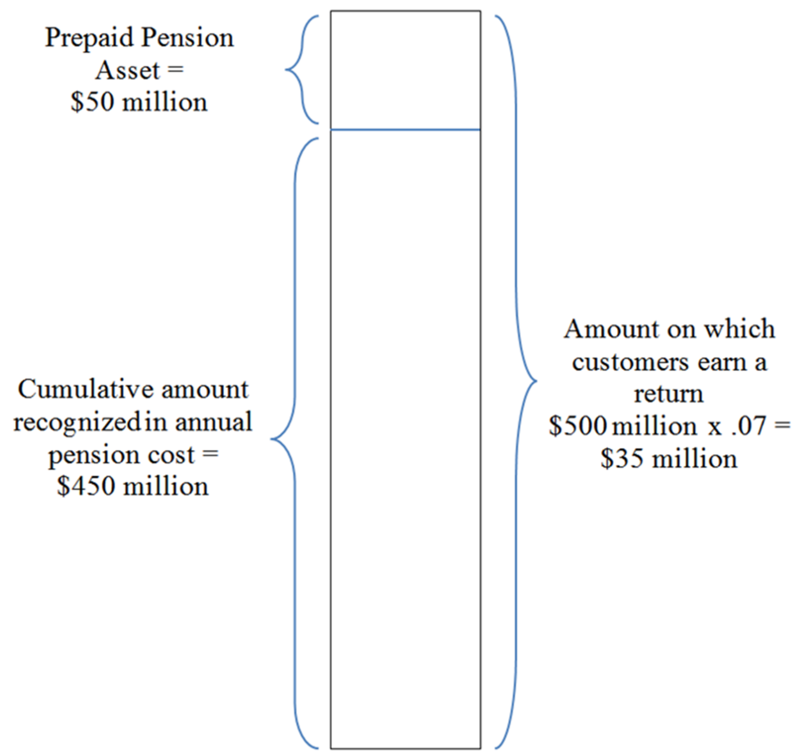
[32] I explained earlier in my testimony that annual pension expense is calculated in accordance with the following formula:

	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

Figure RRS-2[33]



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

[33] 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 SPS's actual prepaid pension asset. How much are SPS's New Mexico retail customers saving in annual pension cost as a result of the prepaid pension asset?

A. As Table RRS-4 shows, SPS's New Mexico retail customers are saving $3.3 million on a total company basis in annual pension costs because of the return on the prepaid pension asset.

Table RRS-4

Pension Plan	Total Company Qualified Prepaid Pension Asset 13-Month Average	EROA	Total Company Cost Reduction from Prepaid Pension Asset	New Mexico Retail Cost Reduction from Prepaid Pension Asset
Prepaid Pension for Regulatory Purposes	$146,930,657	6.39%	$9,388,869	$3,313,332

Q. Please explain SPS's request regarding its prepaid pension asset.

A. SPS is requesting that the net prepaid pension asset, which is $51,657,423 on a New Mexico retail basis, be included in rate base to provide a corresponding return to shareholders. The calculation to support the prepaid pension asset thirteen-month average can be found in my Attachment RRS-7, and the cumulative qualified prepaid pension asset balance since the adoption of FAS 87 can be found in my Attachment RRS-8.

Q. If SPS had an unfunded accrued cost 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 SPS's FAS 106 retiree medical balance, FAS 87 non-qualified expense balance, and FAS 112 LTD balance. For those elements of cost, the cumulative amount of expense recognized for GAAP purposes is larger than the cumulative contributions by SPS to the trusts. Thus, SPS has reduced its rate base to reflect those accrued liabilities.

Q. Is SPS'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, SPS's requested WACC is 7.85% and the weighted average of the 2022 EROA for the SPS Bargaining Plan and the New Century Energies ("NCE") Non-Bargaining Plan is 6.39%.[34]

Q. Given that the WACC is higher than the EROA, it is 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:

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[34] The EROA for the SPS Bargaining Plan is 6.35%, and the EROA for the NCE Non-Bargaining Plan is 6.60%. The weighted average of those amounts is 6.39%.

1. The SPS pension plan balance on which customers earn an EROA return is much larger than the balance on which they pay a WACC return.
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 balance of the SPS prepaid pension asset on which customers earn an EROA return is much larger than the balance on which they pay a WACC return.

A. The 6.39% weighted-average EROA is applied to the full amount of the SPS prepaid pension asset, which totals approximately \$3.3 million on a New Mexico retail basis.[35] As shown in Table RRS-4, that reduces the pension expense included in rates by more than \$3.3 million per year on a New Mexico retail basis. In contrast, SPS is asking that customers pay a 7.85% percent WACC return on approximately \$37 million because the net prepaid pension asset included in rate base is reduced by offsets for ADIT and for the unfunded liabilities for non-qualified pension, FAS 106 and FAS 112. Because the balance on which

[35] The amount SPS seeks to include in rate base is \$51.7 million, but that includes the offset for the non-qualified pension unfunded liability. As noted earlier, qualified pension expense is reduced by the return on the full amount of the prepaid pension asset, which is \$3.3 million.

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 thirteen-month average balance of the XES Plan net prepaid pension asset associated with the New Mexico retail electric retail jurisdiction is approximately $33.6 million. With an EROA of 6.60% for the XES Plan, SPS's New Mexico retail customers receive the benefit of $2.2 million of return, and that amount reduces the pension expense included in rates on a dollar-for-dollar basis. SPS'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 SPS 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 insure 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 SPS.

Q. Are the variable premiums applicable to underfunded plans increasing?

A. Yes. For 2022, the variable-rate premium for a single-employer plan such as that of SPS is $48 per $1,000 of unfunded vested benefits.

Q. Are SPS's pension plans currently underfunded?

A. Yes. And absent the prepaid pension asset, the plan would be further underfunded.[36]

[36] 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. 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 SPS pension plans would be further underfunded by $51.7 million on a New Mexico retail basis ($146.7 million total company).

Q. By how much would the PBGC premiums increase in 2022 in the absence of the prepaid pension asset?

A. The PBGC premiums would be $0.5 million higher in 2022 on a New Mexico retail basis without the prepaid pension asset.

Q. Are PBGC premiums included in the annual pension cost?

A. Yes. PBGC premiums are included in the annual pension cost calculation. Therefore, the existence of the prepaid pension asset avoids the need for SPS's New Mexico retail customers to pay an additional $0.5 million of annual pension expense in 2022.

Q. Can you demonstrate mathematically that, because of the three factors you have discussed, SPS's New Mexico retail customers benefit from the prepaid pension asset even when they pay a WACC return on that asset?

A. Yes. Table RRS-5 (below) shows that SPS's New Mexico customers receive approximately $3.3 million of benefit as a result of EROA that is applied to the SPS prepaid pension asset. In addition, they receive $2.2 million of return on the XES prepaid pension asset, even though they pay no return on that asset. Because of the prepaid pension asset, customers also avoid $0.5 million PBGC premiums. Together, those amounts save customers more than $6 million in annual pension expense that would otherwise be included in base rates.

In contrast, after offsetting the pension-related ADIT and unfunded pension-related liabilities, the net prepaid pension asset included in rate base is $37.4 million. Multiplying that amount by the 7.85% WACC requested by SPS results in a return of approximately $2.9 million on a New Mexico retail basis. Even when that amount is grossed up for taxes, the total amount paid by customers is $3.8 million, which is $2.3 million less than the savings that customers realize from the prepaid pension asset.[37] In other words, even when the prepaid pension asset is appropriately included in rate base, customers receive a $2.3 million net benefit from the asset.

[37] If the Commission were to approve a WACC lower than 7.85%, the net benefit to customers would be even larger than $2.3 million.

Table RRS-5

All Amounts are New Mexico Retail

Prepaid pension asset balance (excluding the XES prepaid pension asset)	$51,851,829	a
Weighted average EROA for SPS Bargaining and NCE Non-Bargaining Plans	6.39%	b
Initial return benefit to customers	3,313,332	a * b = c
Balance of XES prepaid pension asset	33,585,922	d
EROA for XES prepaid pension asset	6.60%	e
Return on XES prepaid pension asset	2,216,671	d * e = f
Avoided PBGC premiums	577,070	g
Total annual reduction in rates attributable to prepaid pension assets	6,107,073	c + f + g = h
Prepaid pension asset net of ADIT and after unfunded liability offsets	37,445,229	i
Requested WACC	7.85%	j
Requested return on prepaid pension asset	2,939450	i * j = k
Tax gross-up factor	1.2877	l
Total return paid by customers	3,785,201	k * l = m
Net benefit to customers from prepaid pension asset	2,321,872	h – m = n

Q. Would including SPS's prepaid pension asset in rate base be consistent with New Mexico precedent?

A. Yes. In Case No. 12-00350-UT, the Commission allowed SPS to include its prepaid pension asset in rate base and to earn a WACC return on it.[38] The New Mexico Attorney General appealed that issue to the New Mexico Supreme Court, which upheld the Commission's decision to include the prepaid pension asset in rate base:

> It is uncontested that SPS investors made contributions to the pension fund that are required by law. These contributions exceeded expenses and generating earnings that effectively reduced SPS's – and consequently the ratepayers' – pension expense. Had the ratepayers advanced the contributions to the pension fund, their contributions would not have been included in rate base. [Citation omitted]. However, because the ratepayers did not make the contributions, the investors, not the ratepayers, absorbed the cost of funding the pension program, and therefore the net prepaid pension asset was property included in the rate base.[39]

In Case No. 17-00255-UT, the Commission again rejected parties' arguments that SPS's prepaid pension asset should be excluded from rate base and should earn no return.[40]

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[38] Case No. 12-00350-UT, Final Order Partially Adopting Recommended Decision at 11 (Mar. 26, 2014).

[39] *New Mexico Attorney General v. New Mexico Public Regulation Comm'n*, 2015-NMSC-032 at ¶ 21.

[40] Case No. 17-00255-UT, Final Order Adopting Recommended Decision with Modifications at 17-18 (Sept. 5, 2018).

Q. Is there any material difference between the prepaid pension assets at issue in those earlier cases and the prepaid pension asset that SPS seeks to include in rate base in this case?

A. No.

Q. Please summarize SPS's request with respect to the prepaid pension asset.

A. SPS requests that the prepaid pension asset be included in rate base and that the prepaid pension asset be allowed to earn a WACC. That is how other prepayments are treated, including prepayments by customers, and there is no reason to treat the prepaid pension asset differently. Moreover, customers realize a significantly greater rate reduction from the prepaid pension asset than the return they are asked to pay, so it is reasonable and equitable for the prepaid pension asset to be included in rate base and to earn a WACC return. Finally, including the prepaid pension asset in rate base is consistent with Commission precedent and New Mexico Supreme Court precedent.

Q. Does this conclude your pre-filed direct testimony?

A. Yes.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN PUBLIC SERVICE COMPANY'S APPLICATION FOR: (1) REVISION OF ITS RETAIL RATES UNDER ADVICE NOTICE NO. 312; (2) AUTHORITY TO ABANDON THE PLANT X UNIT 1, PLANT X UNIT 2, AND CUNNINGHAM UNIT 1 GENERATING STATIONS AND AMEND THE ABANDONMENT DATE OF THE TOLK GENERATING STATION; AND (3) OTHER ASSOCIATED RELIEF,	)	**CASE NO. 22-00286-UT**
SOUTHWESTERN PUBLIC SERVICE COMPANY,	)	
APPLICANT.	)	

VERIFICATION

On this day, November 18, 2022, I, Richard R. Schrubbe, swear and affirm under penalty of perjury under the law of the State of New Mexico, that my testimony contained in Direct Testimony of Richard R. Schrubbe is true and correct.

/s/ Richard R. Schrubbe
RICHARD R. SCHRUBBE

Southwestern Public Service Company

Total Company Amounts and Jurisdictional Percentages

Line No.	Witness	Description	Page No.	Line No.	Total Company Amount	Number Scale	Allocator (Name)	Allocator (%)	NM Retail Amount
1	Schrubbe	Employee Benefits (Base Period)	32	7 & 8	$ 26,559,867	dollars	LABXAG	0.324369	$ 8,615,189
2	Schrubbe	Active Health Care (Base Period) -K&M Adj	33	16 & 17	$ 248,735	dollars	LABXAG	0.324369	$ 80,682
3	Schrubbe	Third-Party-Insured Workers' Compensation (Base Period) - K&M Adj	34	7 & 8	$ 319,332	dollars	LABXAG	0.324369	$ 103,581
4	Schrubbe	Employee Benefits (Linkage Period)	36	8	$ 25,100,738	dollars	LABXAG	0.352081	$ 8,837,496
5	Schrubbe	Qualified Pension (Base Period)	37	14 & 15	$ 6,408,909	dollars	LABXAG	0.324369	$ 2,078,849
6	Schrubbe	Qualified Pension (Linkage Period)	37	15 & 16	$ 3,879,043	dollars	LABXAG	0.352081	$ 1,365,738
7	Schrubbe	Qualified Pension (K&M Adjustment)	37	17 &16	$ 2,529,866	dollars	Various	Various	$ 713,112
8	Schrubbe	Non-Qualified Pension (Base Period)	38	4 & 5	$ 425,121	dollars	LABXAG	0.324369	$ 137,896
9	Schrubbe	Non-Qualified Pension (Linkage Period)	38	5	$ 191,313	dollars	LABXAG	0.352081	$ 67,358
10	Schrubbe	Non-Qualified Pension (K&M Adjustment)	38	6	$ 233,808	dollars	Various	Various	$ 70,538
11	Schrubbe	**FAS 106** Retiree Medical (Base Period	38	9& 10	$ (454,199)	dollars	LABXAG	0.324369	$ (147,328)
12	Schrubbe	**FAS 106** Retiree Medical (Linkage Period)	38	10	$ (304,478)	dollars	LABXAG	0.352081	$ (107,201)
13	Schrubbe	**FAS 106** Retiree Medical (K&M Adjustment)	38	12	$ 149,721	dollars	Various	Various	$ 40,127
14	Schrubbe	**FAS 112** Self-Insured LTD (Base Period)	38	17	$ 25,480	dollars	LABXAG	0.324369	$ 8,265
15	Schrubbe	**FAS 112** Self-Insured LTD (Linkage Period)	38	18	$ 12,479	dollars	LABXAG	0.352081	$ 4,394
16	Schrubbe	**FAS 112** Self-Insured LTD (K&M Adjustment)	38	19	$ 13,001	dollars	Various	Various	$ 4,394
17	Schrubbe	Active Health Care (Base Period)	39	3 & 4	$ 15,355,629	dollars	LABXAG	0.324369	$ 4,980,885
18	Schrubbe	Active Health Care (Linkage Period)	39	4 & 5	$ 15,908,415	dollars	LABXAG	0.352081	$ 5,601,053
19	Schrubbe	401(k) Match (Base Period)	39	9 & 10	$ 3,379,000	dollars	LABXAG	0.324369	$ 1,096,042
20	Schrubbe	401(k) Match (Linkage Period)	39	10 & 11	$ 3,425,972	dollars	LABXAG	0.352081	$ 1,206,220
21	Schrubbe	401(k) Match (K&M Adjustment)	39	11	$ 46,972	dollars	Various	Various	$ 110,178
22	Schrubbe	Employee Benefits (Future Test Year)	41	10 & 11	$ 23,387,349	dollars	LABXAG	0.352081	$ 8,234,244
23	Schrubbe	FERC Account 926 (Linkage Period)	48	16	$ (3,740,585)	dollars	LABXAG	0.352081	$ (1,316,989)
24	Schrubbe	Employee Benefits	50	7	$ 23,387,349	dollars	LABXAG	0.352081	$ 8,234,244
25	Schrubbe	Prepaid Pension (Base Period)	53	11 & 12	$ 154,513,640	dollars	LABOR	0.325136	$ 50,237,989
26	Schrubbe	Prepaid Pension (Future Test Year)	53	14	$ 146,720,227	dollars	LABOR	0.352885	$ 51,775,321

BP allocators are different than LP and TY allocators
LP and TY allocators are the same

Southwestern Public Service Company

	A	B	C	D	E	F	G	H	I
1	**Benefit**	**FERC Account**	**Base Period 12 Months Ended 6.30.2022**	**Known & Measurable Adjustments**	**Base Period Adjusted**	**Known & Measurable Adjustments**	**Linkage Period 12 Months Ended 6.30.2023**	**Known & Measurable Adjustments**	**Future Test Year Period 12 Months Ended 6.30.2023**
2	Qualified Pension	926	$6,408,909	$0	$6,408,909	($2,529,866)	$3,879,043	($2,503,464)	$1,375,579
3	Non-Qualified Pension	926	425,121	-	$425,121	(233,808)	191,313	(6,076)	185,237
4	FAS 106 Retiree Medical	926	(454,199)	-	($454,199)	149,721	(304,478)	121,483	(182,995)
5	FAS 112 Long-Term Disability (Self-Insured)	926	25,480	-	$25,480	(13,001)	12,479	(10,511)	1,968
6	Active Health Care	926	15,106,894	248,735	$15,355,629	552,787	15,908,415	588,050	16,496,465
7	Long-Term Disability (Third-Party-Insured)	926	557,873	-	$557,873	-	557,873	-	557,873
8	Life Insurance	926	112,675	-	$112,675	-	112,675	-	112,675
9	Miscellaneous Benefit Programs and Costs	926	563,917	-	$563,917	-	563,917	-	563,917
10	401(k) Match	926	3,379,000	-	$3,379,000	46,972	3,425,972	97,129	3,523,101
11	Miscellaneous Retirement-Related Costs	926	194,721	-	$194,721	-	194,721	-	194,721
12	Workers Compensation (Third-Party-Insured)	925	239,476	319,332	$558,808	-	558,808	-	558,808
13	**Total Pension and Benefits Expense**		**$26,559,867**	**$568,067**	**$27,127,934**	**($2,027,196)**	**$25,100,738**	**($1,713,389)**	**$23,387,349**
14									

15	**K&M Adjustment:**		**Period:**	**Amount:**	**Comments:**
16	Active Health Care		Base Period	$ 248,734.88	IBNR Adjustment. See pages 33-34 of Testimony for explanation.
17	Workers Compensation (Third-Party-Insured)		Base Period	$ 319,332.00	Add back one-time captive distribution. See pages 34-35 of Testimony for explanation.
18	Qualified Pension		Linkage Period	$ (2,529,865.80)	Adjustment based on actuarial estimate prepared by Willis Towers Watson. See pages 38-39 of Testimony for further discussion of drivers.
19	Non-Qualified Pension		Linkage Period	$ (233,808.49)	Adjustment based on actuarial estimate prepared by Willis Towers Watson. See page 39 of Testimony for further discussion of drivers.
20	FAS 106 Retiree Medical		Linkage Period	$ 149,721.14	Adjustment based on actuarial estimate prepared by Willis Towers Watson. See page 39 of Testimony for further discussion of drivers.
21	FAS 112 Long-Term Disability (Self-Insured)		Linkage Period	$ (13,001.25)	Adjustment based on actuarial estimate prepared by Willis Towers Watson. See pages 39-40 of Testimony for further discussion of drivers.
22	Active Health Care		Linkage Period	$ 552,786.57	Adjustment based on WTW trend assumptions for Active Health Care (5%) and pharmacy (10%). See page 40 of Testimony f
23	401(k) Match		Linkage Period	$ 46,971.78	Adjustment based on budgeted merit increases for bargaining and Non-bargaining employees. See page 40 of Testimony for f
24	Qualified Pension		FTY Period	$ (2,503,464.50)	Adjustment based on actuarial estimate prepared by Willis Towers Watson. See Testimony at page 42 for further discussion of drivers.
25	Non-Qualified Pension		FTY Period	$ (6,075.57)	Adjustment based on actuarial estimate prepared by Willis Towers Watson. See Testimony at pages 42-43 for further discussion of drivers.
26	FAS 106 Retiree Medical		FTY Period	$ 121,483.26	Adjustment based on actuarial estimate prepared by Willis Towers Watson. See Testimony at pages 42-43 for further discussion of drivers.
27	FAS 112 Long-Term Disability (Self-Insured)		FTY Period	$ (10,511.03)	Adjustment based on actuarial estimate prepared by Willis Towers Watson. See Testimony at pages 42-43 for further discussion of drivers.
28	Active Health Care		FTY Period	$ 588,049.88	Adjustment based on WTW trend assumptions for Active Health Care (5%) and pharmacy (10%). See page 43 of Testimony.
29	401(k) Match		FTY Period	$ 97,128.92	Adjustment based on budgeted merit increases for bargaining and Non-bargaining employees. See page 43 of Testimony.

All amounts are total company

Southwestern Public Service Company

	A	B	C	D	E	F	G	H	I	
1	**Benefit**	**FERC Account**	**Base Period 12 Months Ended 6.30.2022**	**Known & Measurable Adjustments**	**Base Period Adjusted**	**Known & Measurable Adjustments due to Cost Change**	**Known & Measurable Adjustments due to Change in Jurisdictional Allocators**	**Linkage Period 12 Months Ended 6.30.2023**	**Known & Measurable Adjustments**	**Future Test Year Period 12 Months Ended 6.30.2023**
2	Qualified Pension	926	$2,078,849	$0	$2,078,849	($890,718)	$177,607	$1,365,738	($881,423)	$484,315
3	Non-Qualified Pension	926	137,896	-	137,896	(82,320)	11,782	67,358	(2,139)	65,218
4	FAS 106 Retiree Medical	926	(147,328)	-	(147,328)	52,714	(12,587)	(107,201)	42,772	(64,429)
5	FAS 112 Long-Term Disability (Self-Insured)	926	8,265	-	8,265	(4,577)	706	4,394	(3,701)	693
6	Active Health Care	926	4,900,203	80,682	4,980,885	194,626	425,542	5,601,053	207,041	5,808,094
7	Long-Term Disability (Third-Party-Insured)	926	180,957	-	180,957	-	15,460	196,417	-	196,417
8	Life Insurance	926	36,548	-	36,548	-	3,122	39,671	-	39,671
9	Miscellaneous Benefit Programs and Costs	926	182,917	-	182,917	-	15,628	198,545	-	198,545
10	401(k) Match	926	1,096,042	-	1,096,042	16,538	93,639	1,206,220	34,197	1,240,417
11	Miscellaneous Retirement-Related Costs	926	63,161	-	63,161	-	5,397	68,558	-	68,558
12	Workers Compensation (Third-Party-Insured)	925	77,679	103,581	181,260	-	15,486	196,746	-	196,746
13	**Total Pension and Benefits Expense**		**$8,615,189**	**$184,263**	**$8,799,452**	**($713,737)**	**$751,782**	**$8,837,496**	**($603,252)**	**$8,234,244**
14										

WillisTowersWatson

June 4, 2021

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

2021 US GAAP COST RESULTS AND 2022-2026 COST ESTIMATES

Dear Rick:

This letter summarizes the final 2021 US GAAP costs (prior to potential settlement charges) and updated 2022-2026 US GAAP cost estimates for the Xcel Energy Qualified Pension Plans, Nonqualified Pension Plan, Retiree Medical and Life Plan, Long-Term Disability (LTD) plan and Workers' Compensation plan. Final 2021 funding results are expected later this year after the 2019 and 2020 valuations are revised for funding relief provided under ARPA. Results for the plans noted below have been updated from the results provided February 5, 2021 and May 12, 2021:

2021 census data and final discount rate for the LTD and Workers' Compensation plans 2021 costs and 2022-2026 cost estimates for all other plans are unchanged from May 12, 2021.

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.

LONG-TERM DISABILITY AND WORKERS' COMPENSATION RESULTS

The combined 2021 cost/(income) for the Workers' Compensation plan and the Long-Term Disability plan is $1.5 million, which is unchanged from the 2021 estimated cost/(income) for the plans provided in February. The final discount rate used for these plans remains unchanged at 2.53%.

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RESULTS EXHIBITS

Final 2021 benefit costs (prior to potential/final settlement charges) and 2022-2026 benefit cost forecasts are attached to the end of this letter. Except as noted above, benefit cost results and forecasts are unchanged from the results provided on February 5, 2021. 2021 benefit costs and estimates of 2022-2026 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. Non-Bargaining Pension Plan (South) [NCE Non-Bargaining Plan]
- New Century Energies Inc. Retirement Plan for SPS Bargaining Unit Employees and Former Non-Bargaining Unit Employees [SPS Bargaining Plan]
- New Century Energies Inc. Retirement Plan for PSCo Bargaining Unit Employees and Former Non-Bargaining Unit Employees [PSCo Bargaining Plan]
- Xcel Energy Nonqualified Defined Benefit Plan
- 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 2021 costs to 2022 estimated costs, prior to regulatory effects and potential qualified plan 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 2021	**$102.7**	**$4.3**	**($3.8)**	**$0.5**	**$1.0**	**$104.7**
Historical asset performance	(16.2)	0.0	0.0	0.0	0.0	(16.2)
Expected liability, asset, and loss amortization changes	(14.7)	(0.1)	1.0	(0.3)	(0.8)	(14.9)
Initial 2022 Estimate	**$71.8**	**$4.2**	**($2.8)**	**$0.2**	**$0.2**	**$73.6**

[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.

DATA, ASSUMPTIONS, METHODS, MODELS AND PLAN PROVISIONS FOR BENEFIT COSTS

The 2021 benefit costs, and estimated 2022-2026 costs reflect the following data, assumptions, models, methods and plan provisions:

Data

For the qualified and nonqualified pension plans, and the retiree medical plan, the 2021 benefit cost results and estimates for 2022-2026 are based on participant data as of January 1, 2020, projected to the end of the year based on status, compensation and benefit changes through November 30, 2020, and known retirements for December 2020. Actual new entrants through November 30, 2020 and expected new entrants through December 31, 2020 are included for the pension plans. For the Long-Term Disability and Workers' Compensation plans, the 2021 benefit cost results and estimated costs for 2022-2026 are based on participant data as of January 1, 2021.

Economic Assumptions

The key assumptions used to determine the actual 2021 and estimated 2022-2026 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 4, 2021 Results
Benefit Cost	
Discount Rate – ASC 715:	
Xcel Energy Pension Plan	2.65%
NCE Non-Bargaining Pension Plan	2.50%
SPS Bargaining Pension Plan	2.84%
PSCo Bargaining Pension Plan	2.83%
Nonqualified Pension Plan	2.47%
Retiree Medical and Life Insurance Plan	2.65%
Workers' Compensation and LTD	2.53%
Expected Return on Assets Assumption – Pension:	
Xcel Energy Pension Plan	6.60%
NCE Non-Bargaining 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/Non-Bargaining)	4.10%
Discount Rate – Aggregate Cost	6.60%
Salary Scale[1]	3.75%
Initial Medical Trend:	
Pre-Medicare	5.50%
Post-Medicare	5.00%
Ultimate Medical Trend	4.50%
Year Ultimate Trend is Reached	2026

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

- The interest rate for converting lump sums to annuities and annuities to lump sums was updated from 3.25% to 2.50% in all years. The pre-PPA lump sum conversion interest rate was updated from 2.50% to 1.75%.
- The interest crediting rate for the 5% cash balance formula was updated from 2.50% to 1.75%. The interest crediting rate for the Retirement Spending Account was updated from 2.50% to 1.25%.

Demographic Assumptions

- Participant counts from January 1, 2020 were adjusted for terminations/retirements as described above under Data. Actual new entrants through November 30, 2020 and expected new entrants through December 31, 2020 are included for the pension plans. No additional changes in headcount levels are assumed.
- The mortality improvement scale was updated from an adjusted SOA MP-2019 methodology to an adjusted SOA MP-2020 methodology.
- The mortality assumption for converting between lump sums and annuities was updated to the prescribed IRS tables for conversions in 2021 and 2022 and projected for 2022 and later conversions with static mortality improvements using MP-2020.
- Termination rates, retirement rates, lump sum election assumptions and spouse age and participation for Retiree Medical Plan were updated based on a review of recent experience and future expectations.
- 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 8.00% (12.00% increase pre-65, 5.70% increase post-65), compared to an expected increase of 6.00% for pre-65 and 5.10% for post-65. The expected Medicare Part D reimbursement for eligible retirees increased 0.20% versus an expected increase of 5.10%. The Medicare Part D reimbursement eligibility assumption for current and future M/M retirees that pay 100% of the retiree premiums was updated from indefinite eligibility to eligibility up to the year 2050.
- The initial retiree medical trend assumption for non-HRA benefits was updated from 4.90% to 5.00% for Medicare eligible participants and years to ultimate 4.50% trend rate was lengthened from 2 to 5 years for both pre and Medicare eligible retirees.
- The retiree medical trend assumption for Medicare eligible retirees receiving an HRA contribution was decreased from 2.00% per year to 0.00% per year.
- A retiree medical liability for current unused HRA balances is reflected in the retiree medical valuation. The liability has been calculated based on $3,200,000 of current unused HRA balances, with an expected future utilization equal to 55% of the current unused balance drawn down evenly over 10 years.

For additional economic and demographic assumption details, see our December 31, 2020 valuation report appendices dated March 16, 2021.

Pension Contributions

The forecasts reflect actual 2021 contributions of $125 million made on January 4, 2021. At this time, the contribution forecasts have not been updated for final 2020 asset returns, discount rate levels or the funding relief provisions of the American Rescue Plan Act (ARPA). The cost estimates included in this letter reflect the planned contributions provided by Xcel Energy for 2022 through 2026. Contribution forecasts will be re-evaluated when final 2021 funding results are available later this year. The table below summarizes the amounts assigned to each plan over the forecast period:

	Year					
Plan	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Xcel Energy Pension Plan	$ 65.0	$ 48.0	$ 70.0	$ 90.0	$ 75.0	$ 0.0
NCE Non-Bargaining Plan	14.0	12.0	15.0	5.0	5.0	0.0
SPS Bargaining Plan	10.0	5.0	0.0	5.0	15.0	0.0
PSCo Bargaining Plan	36.0	35.0	15.0	55.0	60.0	5.0
Total Contribution	**$ 125.0**	**$ 100.0**	**$ 100.0**	**$ 155.0**	**$ 155.0**	**$ 5.0**

- Contributions in 2022 and beyond are assumed to be paid on January 15th and assigned to the prior plan year.

Plan Provision Updates

There have been no changes to plan provisions since the prior valuation.

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.

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 Xcel Energy Inc. Willis Towers Watson has concurred with these assumptions and methods, except for the expected rate of return on plan assets selected as of January 1, 2021. A complete evaluation of the expected return assumption was outside the scope of Willis Towers Watson's assignment and would have required substantial additional work that we were not engaged to perform. Based on information Willis Towers Watson received from Xcel Energy, we believe the expected return on plan assets assumption does not significantly conflict with what would be reasonable as it is not significantly biased. U.S. GAAP requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Willis Towers Watson, 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.

Xcel Energy Inc. uses the standards set out in ASC 715 to calculate pension cost for each plan in total; pension cost for the subsidiaries is calculated based on plan assets allocated to each subsidiary in proportion to the PBO for each subsidiary. Beginning in fiscal 2010, Discontinued Operations is allocated assets in proportion to its PBO, similar to non-discontinued operations. The gain/(loss) amortization is allocated to each subsidiary in proportion to the gain/(loss) balance for each subsidiary (excluding deferred asset gains and losses). This methodology is consistent with former NSP's methodology since 1998 and has been applied to the former NCE pension plans since January 1, 2001. A similar methodology is used for the ASC 715 costs for the Retiree Medical and Life Plan, except separate asset accounts are used for each subsidiary.

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.

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 Willis Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Willis Towers Watson's prior written consent. Willis Towers Watson accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

Except as otherwise provided herein, for all plans other than Workers' Compensation and LTD the results presented are based on the data, assumptions, methods, models and plan provisions outlined in our February 5, 2021 letter and the actuarial valuation reports to determine accounting requirements for the plan year ending December 31, 2020 and beginning January 1, 2021 dated March 16, 2021. For the Workers' Compensation and LTD 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, 2021 to be delivered later this month. 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.

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,

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Director, Retirement

Kristoff M. Hendrickson, FSA, EA
Director, Retirement

Ali Rehan Rattansi, ASA, EA
Associate Director, Retirement

cc: Todd Degrugillier — Xcel Energy Inc.
Darla Figoli — Xcel Energy Inc.
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XCEL ENERGY INC. - Qualified Pension Plans
Cost by Legal Entity
($ in Thousands)

2021	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]	-	2,044	(4,263)	-	3,553	1,334	-	N/A	N/A	37,850	2,649	80,128
Xcel Energy Nuclear	6,024	2,889	(6,016)	(214)	1,111	3,794	-	3,675	3,365	(6,870)	3,797	114,229
NSP - MN	23,508	21,941	(45,631)	179	32,968	32,965	-	28,136	25,760	328,001	29,346	874,567
NSP - WI	5,244	3,910	(8,150)	(24)	5,028	6,008	-	N/A	N/A	45,654	5,182	154,058
Xcel Services[3]	26,755	18,660	(38,828)	(985)	17,242	22,844	-	N/A	N/A	109,357	24,009	737,012
XEPC (former EMI)	-	14	(28)	-	8	(6)	-	N/A	N/A	12	17	526
Total XEPP	61,531	49,458	(102,916)	(1,044)	59,910	66,939	-	31,811	29,125	514,004	65,000	1,960,520
NCE Non-Bargaining Pension Plan												
Discontinued Operations - Cheyenne	-	88	(200)	-	155	43	-	N/A	N/A	1,552	179	3,665
PSCo	3,829	4,516	(10,292)	(165)	3,877	1,765	-	N/A	N/A	20,196	9,657	188,758
SPS	2,660	2,059	(4,666)	(137)	2,576	2,492	-	N/A	N/A	20,190	4,164	86,992
Total NCE	6,489	6,663	(15,158)	(302)	6,608	4,300	-	N/A	N/A	41,938	14,000	279,415
SPS Bargaining Plan												
SPS	7,869	13,164	(25,026)	-	11,524	7,531	-	N/A	N/A	129,909	10,000	474,732
Total SPS	7,869	13,164	(25,026)	-	11,524	7,531	-	N/A	N/A	129,909	10,000	474,732
PSCo Bargaining Plan												
Discontinued Operations - Cheyenne	-	277	(505)	-	467	239	-	N/A	N/A	6,398	292	10,162
PSCo	28,219	34,128	(62,428)	16	28,702	28,637	-	N/A	N/A	265,590	35,708	1,239,490
Total PSCo	28,219	34,405	(62,933)	16	29,169	28,876	-	N/A	N/A	271,988	36,000	1,249,652
Total Xcel Energy	104,108	103,690	(206,033)	(1,330)	107,211	107,646	-	31,811	29,125	957,839	125,000	3,964,319

[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	2.65%
NCE	2.50%
SPS	2.84%
PSCo	2.83%
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 4, 2021 letter for additional information on data, assumptions, methods, models and plan provisions.
Contributions already made are allocated in accordance with the January 4, 2021 contribution directives.

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

2021	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	-	-	(54)	-	(38)	(1,224)	91
Xcel Energy Nuclear	41	10	-	-	(34)	-	17	(786)	48
NSP - MN	37	77	-	-	289	-	403	(430)	436
NSP - WI	18	13	-	-	11	-	42	(436)	61
PSCo[3]	30	50	-	-	223	-	303	44	285
SPS	18	47	-	-	157	-	222	(471)	273
Xcel Services[4]	872	762	-	130	1,560	-	3,324	(18,397)	6,488
XEPC (former EMI)	-	-	-	-	(2)	-	(2)	(22)	-
Total Xcel Energy	1,016	975	-	130	2,150	-	4,271	(21,722)	7,682

[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 and UE
[3] Includes Fort St. Vrain
[4] Includes Eloigne

Assumptions

Discount Rate	2.47%
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 4, 2021 letter for additional information on data, assumptions, methods, models and plan provisions.

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

2021	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]	-	170	(64)	(111)	48	43	(4,235)	567
Xcel Energy Nuclear	10	26	-	95	(12)	119	(1,049)	23
NSP - MN[2]	170	1,820	(67)	(3,014)	1,606	515	(39,500)	6,539
NSP - WI	42	325	(9)	(337)	300	321	(6,324)	1,061
PSCo	806	10,600	(15,972)	(3,762)	3,473	(4,855)	64,341	-
SPS[3]	849	982	(1,769)	(425)	(759)	(1,122)	(12,514)	-
Xcel Services[3]	37	743	(6)	(365)	741	1,150	(12,098)	1,592
XEPC (former EMI)	-	1	-	-	(4)	(3)	(112)	1
Total Xcel Energy	1,914	14,667	(17,887)	(7,919)	5,393	(3,832)	(11,491)	9,783

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

[2]Includes Eloigne and Seren.

[3]Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	2.65%	
Expected Return on Assets	4.10%	
Medical Trend	Pre-65	Post-65
Initial (2021)	5.50%	5.00%
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 4, 2021 letter for additional information on data, assumptions, models, methods, and plan provisions.

Exhibit VI

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

Fiscal Year Ending	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
U.S. GAAP	Actual	Actual	Budget	Budget	Budget	Budget	Budget
Discount Rate- Workers' Compensation	3.41%	2.53%	2.53%	2.53%	2.53%	2.53%	2.53%
Former NSP - Workers' Compensation [1]							
MN/SD	707	355	160	148	137	128	119
MI/WI	(46)	117	2	2	3	1	1
Subtotal	661	472	162	150	140	129	120
Former NCE - Workers' Compensation [1]							
Colorado - PSCo	95	59	29	28	27	26	23
Deductible States - Workers' Compensation							
Deductible States - SPS (KS, OK, NM, and TX)	-	-	-	-	-	-	-
Total Xcel Energy Workers' Compensation	**756**	**531**	**191**	**178**	**167**	**155**	**143**
Discount Rate - LTD Income	3.41%	2.53%	2.53%	2.53%	2.53%	2.53%	2.53%
LTD Income							
Discontinued Operations - Cheyenne	(27)	(16)	2	1	-	1	-
Discontinued Operations [2]	93	62	15	13	13	12	11
NSP-MN	516	579	129	122	114	107	99
NSP-WI	(54)	148	28	27	24	23	22
PSCo	177	91	16	14	11	9	7
SPS	79	29	5	3	2	1	-
Utility Engineering	(3)	(2)	-	1	1	1	-
Xcel Services	93	122	5	3	4	3	2
XEPC	-	2	-	-	-	-	-
Total Xcel Energy LTD Income	**874**	**1,015**	**200**	**184**	**169**	**157**	**141**
Total Xcel Energy U.S. GAAP	**1,630**	**1,546**	**391**	**362**	**336**	**312**	**284**

[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.*
[2] *Includes NRG, BMG, Viking and Natrogas.*

The LTD and Workers' Compensation plan results reflect the final discount rate and 2021 census data.

See June 4, 2021 letter for additional information on data, assumptions, models, methods, and plan provisions.

Willis Towers Watson

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.

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.

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,

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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.

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]	-	2,115	(4,189)	-	2,464	390	-	N/A	N/A	34,755	1,672	71,330
Xcel Energy Nuclear	4,814	2,791	(5,525)	(214)	116	1,982	-	2,571	2,641	(8,814)	2,221	94,727
NSP - MN	20,720	21,050	(41,649)	179	19,956	20,256	-	19,489	20,024	268,819	16,837	718,100
NSP - WI	4,487	3,977	(7,874)	(24)	2,925	3,491	-	N/A	N/A	36,136	3,161	134,826
Xcel Services[3]	25,598	20,222	(40,028)	(985)	9,396	14,203	-	N/A	N/A	85,011	16,098	686,626
XEPC (former EMI)	-	15	(29)	-	5	(9)	-	N/A	N/A	41	11	488
Total XEPP	55,619	50,170	(99,294)	(1,044)	34,862	40,313	-	22,060	22,665	415,948	40,000	1,706,097
NCE Non-Bargaining Pension Plan												
Discontinued Operations - Cheyenne	-	91	(178)	-	115	28	-	N/A	N/A	1,659	-	3,166
PSCo	3,486	4,856	(10,025)	(165)	2,189	341	-	N/A	N/A	27,676	-	167,722
SPS	2,468	2,265	(4,673)	(137)	1,478	1,401	-	N/A	N/A	20,403	-	78,728
Total NCE	5,954	7,212	(14,876)	(302)	3,782	1,770	-	N/A	N/A	49,738	-	249,616
SPS Bargaining Plan												
SPS	7,158	14,051	(27,212)	-	7,153	1,150	-	N/A	N/A	128,497	-	459,392
Total SPS	7,158	14,051	(27,212)	-	7,153	1,150	-	N/A	N/A	128,497	-	459,392
PSCo Bargaining Plan												
Discontinued Operations - Cheyenne	-	268	(500)	-	333	101	-	N/A	N/A	6,630	-	8,887
PSCo	25,339	36,107	(70,082)	16	16,193	7,573	-	N/A	N/A	297,537	10,000	1,184,014
Total PSCo	25,339	36,375	(70,582)	16	16,526	7,674	-	N/A	N/A	304,167	10,000	1,192,901
Total Xcel Energy	94,070	107,808	(211,964)	(1,330)	62,323	50,907	-	22,060	22,665	898,350	50,000	3,608,006

[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 are allocated based on PBO for each legal entity.

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]	-	2,026	(4,287)	-	2,091	(170)	-	N/A	N/A	36,037	1,641	68,593
Xcel Energy Nuclear	4,657	2,800	(5,924)	(214)	(200)	1,119	-	1,871	2,114	(8,575)	2,272	94,961
NSP - MN	21,167	20,433	(43,217)	179	15,738	14,300	-	13,714	15,499	265,400	16,655	696,165
NSP - WI	4,556	3,920	(8,290)	(24)	2,221	2,383	-	N/A		35,806	3,182	133,029
Xcel Services[3]	25,345	19,994	(42,291)	(985)	6,416	8,479	-	N/A	N/A	86,906	16,239	678,807
XEPC (former EMI)	-	14	(30)	-	4	(12)	-	N/A	N/A	61	11	478
Total XEPP	55,725	49,187	(104,039)	(1,044)	26,270	26,099	-	15,585	17,613	415,635	40,000	1,672,033
NCE Non-Bargaining Pension Plan												
Discontinued Operations - Cheyenne	-	85	(169)	-	98	14	-	N/A	N/A	1,631	-	2,952
PSCo	3,427	4,702	(10,053)	(165)	1,644	(445)	-	N/A	N/A	27,335	-	162,477
SPS	2,392	2,192	(4,687)	(137)	1,106	866	-	N/A	N/A	19,002	-	76,172
Total NCE	5,819	6,979	(14,909)	(302)	2,848	435	-	N/A	N/A	47,968	-	241,601
SPS Bargaining Plan												
SPS	7,060	13,967	(28,754)	-	5,093	(2,634)	-	N/A	N/A	127,347	-	456,886
Total SPS	7,060	13,967	(28,754)	-	5,093	(2,634)	-	N/A	N/A	127,347	-	456,886
PSCo Bargaining Plan												
Discontinued Operations - Cheyenne	-	254	(496)	-	271	29	-	N/A	N/A	6,529	-	8,456
PSCo	24,809	35,921	(74,221)	16	11,341	(2,134)	-	N/A	N/A	299,964	10,000	1,178,169
Total PSCo	24,809	36,175	(74,717)	16	11,612	(2,105)	-	N/A	N/A	306,493	10,000	1,186,625
Total Xcel Energy	93,413	106,308	(222,419)	(1,330)	45,823	21,795	-	15,585	17,613	897,443	50,000	3,557,145

[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 are allocated based on PBO for each legal entity.

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

				Amortizations					
2022	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]	-	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.

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]	-	14	-	-	(43)	-	(29)	(1,053)	87
Xcel Energy Nuclear	45	8	-	-	(43)	-	10	(783)	28
NSP - MN	41	56	-	-	206	-	303	(41)	321
NSP - WI	19	12	-	-	8	-	39	(377)	48
PSCo[3]	34	43	-	-	179	-	256	231	227
SPS	26	38	-	-	110	-	174	(342)	207
Xcel Services[4]	714	137	-	-	52	-	903	(4,800)	462
XEPC (former EMI)	-	-	-	-	(2)	-	(2)	(18)	-
Total Xcel Energy	879	308	-	-	467	-	1,654	(7,183)	1,380

[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 and UE
[3] Includes Fort St. Vrain
[4] Includes Eloigne

Assumptions

Discount Rate	2.67%
Salary Scale	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

Estimates reflect a 5% load on the projected liabilities to reflect the potential for demographic experience that is less favorable than expected.
See June 30, 2022 letter for additional information on data, assumptions, methods, models and plan provisions.

XCEL ENERGY INC. - Nonqualified 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	Settlement Charge[1]	Net Cost	January 1 Prepaid (Accrued)	Expected Benefit Payments
Discontinued Operations[2]	-	12	-	-	(39)	-	(27)	(937)	75
Xcel Energy Nuclear	47	9	-	-	(38)	-	18	(765)	27
NSP - MN	43	50	-	-	180	-	273	(23)	297
NSP - WI	20	11	-	-	7	-	38	(368)	47
PSCo[3]	35	39	-	-	157	-	231	202	184
SPS	27	34	-	-	96	-	157	(309)	194
Xcel Services[4]	741	145	-	-	43	-	929	(5,241)	589
XEPC (former EMI)	-	-	-	-	(1)	-	(1)	(16)	-
Total Xcel Energy	913	300	-	-	405	-	1,618	(7,457)	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 and UE
[3] Includes Fort St. Vrain
[4] Includes Eloigne

Assumptions

Discount Rate	2.67%
Salary Scale	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

Estimates reflect a 5% load on the projected liabilities to reflect the potential for demographic experience that is less favorable than expected.
See June 30, 2022 letter for additional information on data, assumptions, methods, models and plan provisions.

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.

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]	-	173	(67)	(10)	45	141	(2,709)	546
Xcel Energy Nuclear	7	27	-	20	(12)	42	(1,263)	26
NSP - MN[2]	142	1,724	(138)	(606)	868	1,990	(26,032)	5,557
NSP - WI	35	313	(25)	(70)	169	422	(4,223)	882
PSCo	502	10,472	(15,044)	(31)	1,358	(2,743)	74,582	-
SPS[3]	730	999	(1,675)	(84)	(554)	(584)	(10,566)	-
Xcel Services[3]	33	783	(42)	(33)	424	1,165	(10,558)	1,539
XEPC (former EMI)	-	-	-	-	(3)	(3)	(105)	1
Total Xcel Energy	1,449	14,491	(16,991)	(814)	2,295	430	19,126	8,551

[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.

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]	-	162	(70)	-	45	137	(2,304)	532
Xcel Energy Nuclear	6	27	-	-	(12)	21	(1,279)	30
NSP - MN[2]	136	1,614	(144)	-	869	2,475	(22,465)	5,173
NSP - WI	32	297	(26)	-	169	472	(3,763)	812
PSCo	445	9,972	(14,559)	-	1,353	(2,789)	77,325	-
SPS[3]	715	977	(1,644)	-	(556)	(508)	(9,982)	-
Xcel Services[3]	30	760	(44)	-	425	1,171	(10,184)	1,533
XEPC (former EMI)	-	-	-	-	(3)	(3)	(101)	1
Total Xcel Energy	1,364	13,809	(16,487)	-	2,290	976	27,247	8,081

[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.

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.

Southwestern Public Service Company

Total Cost Amounts from Actuarial Reports

	QUALIFIED PENSION				OPEB RETIREE MEDICAL			
	2021	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**
SPS-NCE	2,492,000	1,666,000	1,401,000	866,000				
SPS-Barg	7,531,000	3,881,000	1,150,000	(2,634,000)				
SPS Total	10,023,000	5,547,000	2,551,000	(1,768,000)	(1,122,000)	(906,000)	(584,000)	(508,000)
Xcel Service	22,844,000	17,839,000	14,203,000	8,479,000	1,150,000	950,000	1,165,000	1,171,000
	(1)	(5)	(6)	(7)	(3)	(8)	(9)	(10)
	5011500	2773500						

Calculation of Total Cost Amounts to Cost of Service Amounts

	QUALIFIED PENSION			OPEB RETIREE MEDICAL		
	Base Period 12 Months Ending 6/30/22	**Linkage Period 12 Months Ending 6/30/23**	**Test Year Period 12 Months Ending 6/30/24**	**Base Period 12 Months Ending 6/30/22**	**Linkage Period 12 Months Ending 6/30/23**	**Test Year Period 12 Months Ending 6/30/24**
SPS						
SPS-NCE Total Cost	2,114,500	1,533,500	1,133,500			
SPS-Barg Total Cost	5,706,000	2,515,500	(742,000)			
Total SPS	7,820,500	4,049,000	391,500	(1,014,000)	(745,000)	(546,000)
Percent to SPS O&M FERC 926	55.37%	55.37%	55.37%	55.37%	55.37%	55.37%
Amount to SPS O&M FERC 926	4,330,461	2,242,061	216,786	(561,484)	(412,530)	(302,338)
Xcel Service						
Xcel Service Total Cost	20,341,500	16,021,000	11,341,000	1,050,000	1,057,500	1,168,000
Percent to SPS O&M FERC 926	10.22%	10.22%	10.22%	10.22%	10.22%	10.22%
Amount to SPS O&M FERC 926	2,078,439	1,636,982	1,158,793	107,286	108,052	119,343
Affiliate Charges	9	-	-	-	-	-
Total Amount to SPS O&M	**6,408,909**	**3,879,043**	**1,375,579**	**(454,197)**	**(304,478)**	**(182,995)**

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

Southwestern Public Service Company

Total Cost Amounts from Actuarial Reports

	NON-QUALIFIED PENSION				FAS 112 LONG-TERM DISABILITY AND WORKERS COMPENSATION			
	2021	2022	2023	2024	2021	2022	2023	2024
SPS	222,000	184,000	174,000	157,000	29,000	30,000	4,000	2,000
Xcel Service	3,324,000	2,797,000	903,000	929,000	122,000	57,000	3,000	3,000
	(2)	(11)	(12)	(13)	(4)	(14)	(14)	(14)

Calculation of Total Cost Amounts to Cost of Service Amounts

	NON-QUALIFIED PENSION			FAS 112 LONG-TERM DISABILITY AND WORKERS COMPENSATION			TOTAL NON-QUALIFIED PENSION, FAS 112 LONG-TERM DISABILITY & FAS 112 WORKERS COMPENSATION		
	Base Period 12 Months Ending 6/30/22	Linkage Period 12 Months Ending 6/30/23	Test Year Period 12 Months Ending 6/30/24	Base Period 12 Months Ending 6/30/22	Linkage Period 12 Months Ending 6/30/23	Test Year Period 12 Months Ending 6/30/24	Base Period 12 Months Ending 6/30/22	Linkage Period 12 Months Ending 6/30/23	Test Year Period 12 Months Ending 6/30/24
SPS									
SPS Total Cost	203,000	179,000	165,500	29,500	17,000	3,000	232,500	196,000	168,500
Percent to SPS O&M FERC 926	55.37%	55.37%	55.37%	55.37%	55.37%	55.37%	55.37%	55.37%	
Amount to SPS O&M FERC 926	112,407	99,118	91,643	16,335	9,413	1,661	128,743	108,531	93,304
Xcel Service									
Xcel Service Total Cost	3,060,500	1,850,000	916,000	89,500	30,000	3,000	3,150,000	1,880,000	919,000
Percent to SPS O&M FERC 926	10.22%	10.22%	10.22%	10.22%	10.22%	10.22%	10.22%	10.22%	
Amount to SPS O&M FERC 926	312,714	189,028	93,594	9,145	3,065	307	321,858	192,093	93,901
Affiliate Charges	-	-	-	-	-	-	-	-	-
Total Amount to SPS O&M	**425,121**	**288,146**	**185,237**	**25,480**	**12,479**	**1,968**	**450,601**	**300,625**	**187,205**

2) Attachment RRS-2, Exhibit II Page 1 of 6
4) Attachment RRS-2, Exhibit VI
11) Attachment RRS-3, Exhibit II Page 1 of 6. (Does not include Settlement Charge)
12) Attachment RRS-3, Exhibit II Page 1 of 6.
13) Attachment RRS-3, Exhibit II Page 1 of 6.
14) Attachment RRS-3, Exhibit VI

Southwestern Public Service Company

Southwestern Public Service Company
Calculation of Health and Welfare Costs and the Active Health Care Known and Measurable Adjustment

Calculation of Total Cost Amounts to Cost of Service Amounts

	ACTIVE HEALTH CARE			MISC BENEFIT PROGRAMS AND LIFE INSURANCE			TOTAL HEALTH AND WELFARE		
	Historical Test Year 12 Months Ended 6/30/22	Linkage Period 12 Months Ended 6/30/23	Future Test Year 12 Months Ended 6/30/23	Historical Test Year 12 Months Ended 6/30/22	Linkage Period 12 Months Ended 6/30/23	Future Test Year 12 Months Ended 6/30/23	Historical Test Year 12 Months Ended 6/30/22	Linkage Period 12 Months Ended 6/30/23	Future Test Year 12 Months Ended 6/30/23
SPS									
Total Cost Per Book Amount	18,334,883						18,334,883		
Adjust to Incurred Basis	58,749						58,749		
Total Cost on Incurred Basis	18,393,632	18,807,020	19,245,922	935,916	935,916	935,916	19,329,548	19,742,936	20,181,838
Percent to SPS O&M FERC 926	55.50%	55.50%	55.50%	55.37%	55.37%	55.37%	55.37%	55.49%	55.49%
Amount to SPS O&M FERC 926	10,208,619	10,437,525	10,680,559	518,247	518,247	518,247	10,726,865	10,955,771	11,198,805
Xcel Service									
Total Cost Per Book Amount	48,450,216						48,450,216		
Adjust to Incurred Basis	1,912,035						1,912,035		
Total Cost on Incurred Basis	50,362,251	53,532,041	56,908,683	7,009,563	7,009,563	7,009,563	57,371,814	60,541,604	63,918,246
Percent to SPS O&M FERC 926	10.22%	10.22%	10.22%	10.22%	10.22%	10.22%	10.22%	10.22%	10.22%
Amount to SPS O&M FERC 926	5,146,989	5,470,870	5,815,886	716,218	716,218	716,218	5,863,207	6,187,088	6,532,104
Affiliate/Other Charges	21	20	20	1	1	1	22	21	21
Total									
Amount to SPS O&M FERC 926	**15,355,629**	**15,908,415**	**16,496,465**	**1,234,466**	**1,234,466**	**1,234,466**	**16,590,094**	**17,142,880**	**17,730,930**

Southwestern Public Service Company

Southwestern Public Service Company
Average Balances Qualified and Non-Qualified Pension

FERC Account	SAP Object Account	Account Desciption	Jun LTD (2023)	Jul LTD (2023)	Aug LTD (2023)	Sep LTD (2023)	Oct LTD (2023)	Nov LTD (2023)	Dec LTD (2023)	Jan LTD (2024)	Feb LTD (2024)	Mar LTD (2024)	Apr LTD (2024)	May LTD (2024)	June LTD (2024)	13 Month Average
Prepaid Pension Asset - Qualified																
128	1472071	Other Special Funds	$ 19,692,500	$ 20,187,750	$ 20,683,000	$ 21,178,250	$ 21,673,500	$ 22,168,750	$ 22,664,000	$ 23,316,500	$ 23,969,000	$ 24,621,500	$ 25,274,000	$ 25,926,500	$ 26,579,000	
182.3	1151021	FAS 158 Reg Asset Pensi	$ 7,278,000	$ 7,278,000	$ 7,278,000	$ 6,670,000	$ 6,670,000	$ 6,670,000	$ 6,062,000	$ 6,062,000	$ 6,062,000	$ 5,591,500	$ 5,591,500	$ 5,591,500	$ 5,121,000	
182.3	1402006	FAS 158 RA Pension Cont	$ (7,278,000)	$ (7,278,000)	$ (7,278,000)	$ (6,670,000)	$ (6,670,000)	$ (6,670,000)	$ (6,062,000)	$ (6,062,000)	$ (6,062,000)	$ (5,591,500)	$ (5,591,500)	$ (5,591,500)	$ (5,121,000)	
182.3	1402006	FAS 158 Reg Asset Pensi	$ 127,932,253	$ 127,224,419	$ 126,516,586	$ 125,808,753	$ 125,100,919	$ 124,393,086	$ 123,685,253	$ 123,180,086	$ 122,674,919	$ 122,169,753	$ 121,664,586	$ 121,159,419	$ 120,654,253	
Total Prepaid Pension Asset - Qualified			$ 147,624,753	$ 147,412,169	$ 147,199,586	$ 146,987,003	$ 146,774,419	$ 146,561,836	$ 146,349,253	$ 146,496,586	$ 146,643,919	$ 146,791,253	$ 146,938,586	$ 147,085,919	$ 147,233,253	**$ 146,930,657**
Prepaid Pension Asset - Non-Qualified																
FERC Account	**SAP Object Account**	**Account Desciption**														
182.3	1402001	FAS 158 Reg Asset Nqual	$ 356,874	$ 353,151	$ 349,429	$ 345,706	$ 341,984	$ 338,261	$ 334,538	$ 331,290	$ 328,041	$ 324,792	$ 321,543	$ 318,294	$ 315,046	
182.3	1151001	FAS 158 RA Non Qualified Curr	$ (41,828)	$ (41,828)	$ (41,828)	$ (40,407)	$ (40,407)	$ (40,407)	$ (38,986)	$ (38,986)	$ (38,986)	$ (38,986)	$ (38,986)	$ (38,986)	$ (38,986)	
182.3	1402001	FAS 158 RA NQual Pensio	$ 41,828	$ 41,828	$ 41,828	$ 40,407	$ 40,407	$ 40,407	$ 38,986	$ 38,986	$ 38,986	$ 38,986	$ 38,986	$ 38,986	$ 38,986	
242	2244031	A/P NonQualified Pen Po	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	$ (220,000)	
219	3152011	OCI NonQ Pension FAS 158	$ 714,536	$ 709,092	$ 703,648	$ 698,204	$ 692,759	$ 687,315	$ 681,871	$ 677,120	$ 672,369	$ 667,618	$ 662,867	$ 658,115	$ 653,364	
228.3	2421036	Accrued Nonqual Pension	$ (1,066,667)	$ (1,072,000)	$ (1,077,333)	$ (1,082,667)	$ (1,088,000)	$ (1,093,333)	$ (1,098,667)	$ (909,750)	$ (914,833)	$ (919,917)	$ (925,000)	$ (930,083)	$ (935,167)	
Total Prepaid Pension Asset - Non-Qualified			$ (215,257)	$ (229,757)	$ (244,257)	$ (258,757)	$ (273,257)	$ (287,757)	$ (302,257)	$ (121,340)	$ (134,424)	$ (147,507)	$ (160,590)	$ (173,674)	$ (186,757)	**$ (210,430)**
Total Net Prepaid Pension Costs			$ 147,409,496	$ 147,182,413	$ 146,955,329	$ 146,728,246	$ 146,501,163	$ 146,274,079	$ 146,046,996	$ 146,375,246	$ 146,509,496	$ 146,643,746	$ 146,777,996	$ 146,912,246	$ 147,046,496	**$ 146,720,227**

Southwestern Public Service Company

Southwestern Public Service
Prepaid Qualified Pension Asset

($ in Thousands)	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***
	Aug. 31	**Aug. 31**	**Aug. 31**	**Aug. 31**	**Aug. 31**	**Aug. 31**	**Aug. 31**	**Aug. 31**	**Aug. 31**	**Sep. - Dec.**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**
	1988	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**Transition**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Begining Balance Pension Asset (Liability)	$ 2,706	$ 3,724	$ 3,902	$ 4,531	$ (5,955)	$ (7,207)	$ (7,347)	$ (7,039)	$ (7,045)	$ (6,905)	$ (6,548)	$ -	$ 24,611	$ 40,087	$ 61,359	$ 82,503	$ 105,044	$ 121,580	$ 132,757	$ 143,309	$ 150,827	$ 158,778
Pension (Expense) Credit Accrual	$ 1,018	$ (471)	$ (1,332)	$ (2,464)	$ (2,487)	$ (1,354)	$ (761)	$ (1,097)	$ (855)	$ 9	$ 12,645	$ 15,175	$ 15,476	$ 21,352	$ 21,131	$ 22,235	$ 16,536	$ 11,177	$ 9,102	$ 6,934	$ 7,951	$ 10,738
Net Employer Contributions	$ -	$ 649	$ 1,961	$ -	$ 1,235	$ 1,214	$ 1,069	$ 1,091	$ 995	$ 348	$ (6,097)		$ -	$ -	$ -	$ -	$ -	$ -	$ 1,450	$ 584	$ -	$ -
Other				$ (8,022)								$ 9,436		$ (80)	$ 14	$ 306						
Ending Balance Pension Asset (Liability)	$ 3,724	$ 3,902	$ 4,531	$ (5,955)	$ (7,207)	$ (7,347)	$ (7,039)	$ (7,045)	$ (6,905)	$ (6,548)	$ -	$ 24,611	$ 40,087	$ 61,359	$ 82,503	$ 105,044	$ 121,580	$ 132,757	$ 143,309	$ 150,827	$ 158,778	$ 169,516

Southwestern Public Service Company

Southwestern Public Service
Prepaid Qualified Pension Asset

($ in Thousands)	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Actual***	***Forecast***	***Forecast***	***Forecast***
	Dec. 31	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Dec. 31**
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Begining Balance Pension Asset (Liability)	$ 169,516	$ 184,514	$ 178,721	$ 171,936	$ 167,329	$ 167,773	153,681	147,626	144,174	153,002	144,091	148,121	150,099	154,447	148,900	146,349
Pension (Expense) Credit Accrual	$ 6,644	$ (5,793)	$ (11,961)	$ (17,624)	$ (21,571)	$ (16,829)	(17,706)	(15,404)	(14,566)	(13,732)	(11,512)	(11,145)	(10,023)	(5,547)	(2,551)	1,768
Net Employer Contributions	$ 8,354	$ -	$ 5,176	$ 13,060	$ 22,015	$ 4,869	11,651	18,088	23,503	8,033	17,916	14,428	14,526	-	-	-
Other				$ (44)		$ (2,132)		(6,135)	(109)	(3,212)	(2,374)	(1,305)	(155)	-	-	-
Ending Balance Pension Asset (Liability)	$ 184,514	$ 178,721	$ 171,936	$ 167,329	$ 167,773	$ 153,681	$ 147,626	$ 144,174	$ 153,002	$ 144,091	$ 148,121	$ 150,099	$ 154,447	$ 148,900	$ 146,349	$ 148,117

Trend Assumptions

Medical

Medical Pharmacy Trend

Medical underwriting trend encompasses several components. It is not solely the price inflation for a given medical service unit. The components found in trend include the following:

- **Unit price inflation**: Annual price inflation for a fixed “market basket” of services
- **Technology and intensity**: The additional cost of newer, more expensive technology and services (advanced imaging, advancements in prescription drugs, etc.).
- **Utilization**: Greater use of medical services over time. Driven by an aging population and the availability of greater medical technology.
- **Cost-shifting**: Typically occurs as a result of costs being held down (fixed fee schedules for government programs such as Medicare and Medicaid) which are passed on to private payers, notably employer-sponsored medical plans.
- **Plan design leveraging (high deductible plans)**: When plans with high member cost sharing (such as deductibles >$1,000) don’t periodically increase their fixed cost elements (deductibles, out-of-pocket maximums), they tend to experience a “leveraged” (higher) trend due to medical trend pushing more people above deductibles and out-of-pocket maximums each year.
- **Impact of large claims**: The incidence of large claims in a population is another factor affecting observed trend.

The factors above in large part explain why observed medical trends have exceeded historical CPI increases by a significant margin. Currently, medical trends are still roughly twice the rate of CPI.

Survey data shows that medical cost is expected to rise between 6.5% and 7.6% in 2022

1. Pricewaterhouse Coopers medical cost trend: Behind the numbers 2022

- Expected medical and Rx cost increase 6.5%

https://www.pwc.com/us/en/industries/health-industries/library/assets/pwc-hri-behind-the-numbers-2022.pdf

2. Aon Carrier Trend Report

- Expected medical cost increase 7.4%

https://insights-north-america.aon.com/research/2022-global-medical-trend-rates-report

3. Willis Towers Watson Global Medical Trends Survey Report

- Expected medical cost increase 7.6%

https://www.wtwco.com/en-US/Insights/2021/11/2022-global-medical-trends-survey-report

Summary

The total cost trend is based on expected cost increases for medical, specialty pharmacy and non-specialty pharmacy as they have different expected cost increases:

- Based on our analysis we expect medical cost trend to be 5% and pharmacy trend in total to be 10%,
  - 10% pharmacy trend is made up of a Specialty pharmacy trend of 13% and a Non-specialty pharmacy trend of 3%
- Each pricing group has a different split of the total cost between medical and pharmacy cost, but we expect the total trend to fall between 5.5% and 6.0%