

# Destination **2050** Building the Future

2018 Environmental, Social and Governance Report for the  
Edison Electric Institute and American Gas Association Templates



Xcel Energy is a major U.S. energy provider that delivers electricity and natural gas to millions of homes and businesses across eight Western and Midwestern states. Powering the lives of our customers and communities is at the core of what we do each day, and managing our economic, social and environmental responsibilities is fundamental to how we operate. That is why leading the clean energy transition is a strategic priority for us — creating opportunities to grow our business as we build a more affordable, clean and sustainable energy future for those we serve.

## Xcel Energy's clean energy progress.



Achieved a generation portfolio that is **25%** renewable and expect to deliver **60%** renewable energy by 2030 as we achieve our carbon goals



Reduced carbon emissions **38%** since 2005, surpassing the overall reduction goal of EPA's Clean Power Plan



Aspiration to deliver **100% carbon-free electricity by 2050** and reduce carbon emissions **80% by 2030** — goals that align with temperature targets of the Paris climate agreement

### Forward Looking Statements:

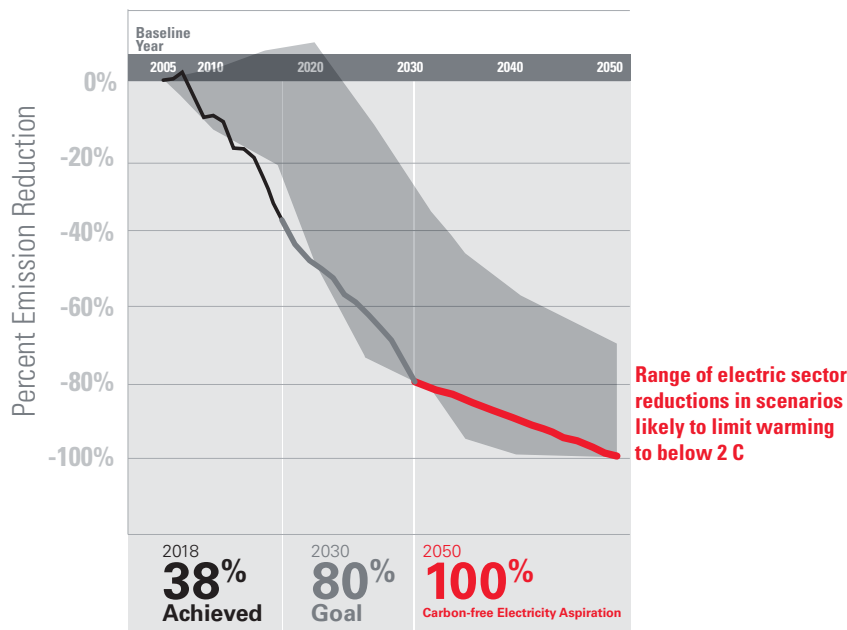
This material contains forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward looking statements include projected carbon emissions reduction, changes in generation portfolio, planned retirements, and planned capital investments and are identified in this document by the words "anticipated", "approximately", "assuming", "believe", "expect", "goal", "initiated", "plan", "potential", "proposed", "recommends", "vision", "will", "would" and similar expressions. Actual results may vary materially. Forward-looking statements speak only as of the date they are made, and we expressly disclaim any obligation to update any forward-looking information. Factors that could cause actual results to differ materially include, but are not limited to: general economic conditions, including the availability of credit, actions of rating agencies and their impact on capital expenditures; business conditions in the energy industry; competitive factors; unusual weather; effects of geopolitical events; including war and acts of terrorism; changes in federal or state legislation; outcomes of regulatory proceedings; actions of regulatory bodies; and other risk factors listed from time to time by Xcel Energy in reports filed with the SEC.

## Leading the Clean Energy Transition

Xcel Energy was first in the industry to announce an ambitious commitment to serve customers with 100% carbon-free electricity by 2050 and reduce carbon emissions 80% from 2005 levels by 2030. We believe that we can cost-effectively achieve our 2030 goal with the renewable and carbon-free generation and energy storage technologies available today. Fulfilling our 2050 carbon-free aspiration will require new technologies, as well as favorable policy and stakeholder support.

For over a decade, we have managed the risk of climate change and carbon policy through a clean energy strategy that consistently reduces carbon emissions while serving customers with reliable, affordable energy. Since 2005, we have reduced carbon emissions company-wide by 38% from the electricity that serves customers — a level that surpasses the goal of EPA's Clean Power Plan and the U.S. commitment under the Paris climate agreement, many years ahead of schedule.

### Xcel Energy's carbon vision aligns with emission reduction scenarios likely to limit warming to 2 C.



According to analysis by climate modelers from the University of Denver, Xcel Energy's carbon reduction goals (in gray and red) align with emission scenarios (in dark gray shaded area) that are likely to limit warming to 2 C.

Our clean energy strategy will continue building upon four focus areas that are changing the way we produce and deliver energy for customers today.

#### These focus areas include:

- Investing in wind and solar under our Steel for Fuel growth strategy and offering customers more renewable energy choices
- Helping customers manage their energy use and bills through efficiency and rebate programs and encouraging strategic electrification of other sectors, such as transportation
- Maintaining carbon-free nuclear plants
- Transforming the electric grid by retiring or reducing the operation of aging coal plants and replacing the energy with low-carbon natural gas, renewables and advanced technologies

As we continue to increase renewable energy, we will need technologies that enable renewable integration. These technologies include carbon-free 24/7 technologies not yet commercially available at the cost and scale needed to achieve our 2050 aspiration. We are working with others in the industry and are advocating for significant research and development and for supportive state and federal policies to ensure advanced, clean technologies are ready to deploy in the coming decades.

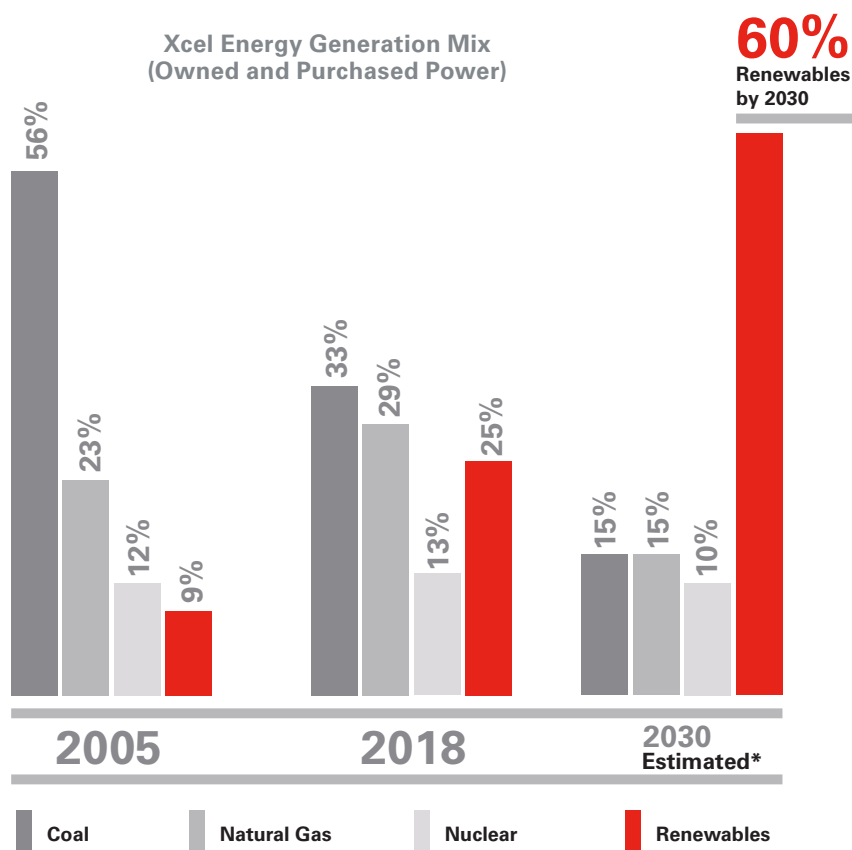
Read Xcel Energy's Carbon Report that details our carbon vision, the scientific analysis of our goals and how we manage risks associated with climate change at [xcelenergy.com/carbon](https://www.xcelenergy.com/carbon).

## Investing in Clean Energy

In the next five years, our capital plans call for investing billions in clean energy projects — from renewable energy resources and associated transmission to advanced grid technology. Xcel Energy operates in regions of the United States with some of the best wind and solar resources for producing electricity, and we plan to capitalize on this. Under our Steel for Fuel growth strategy, we are investing in renewable projects where construction costs are offset by lower fuel and operating costs.

We are currently implementing the country's largest multi-state wind plan with 12 new wind farms coming on line by the end of 2021, and will add more wind through our Colorado Energy Plan. The new projects will increase our wind ownership to approximately, 4,400 megawatts or nearly 40% of our wind portfolio.

**Xcel Energy's energy mix is evolving to rely more on renewable sources.**



\*Results are estimated and reflect potential scenarios that achieve 80% reduction in carbon emissions by 2030; actual system depends on various factors, including regulatory approval of future plans.

In addition, we offer a growing portfolio of renewable energy choice programs, which are among the largest and most successful in the country. Our Renewable\*Connect® program provides customers in Colorado, Minnesota and Wisconsin a more flexible, convenient and cost-effective option for acquiring up to 100% renewable energy.

## Managing Energy Use

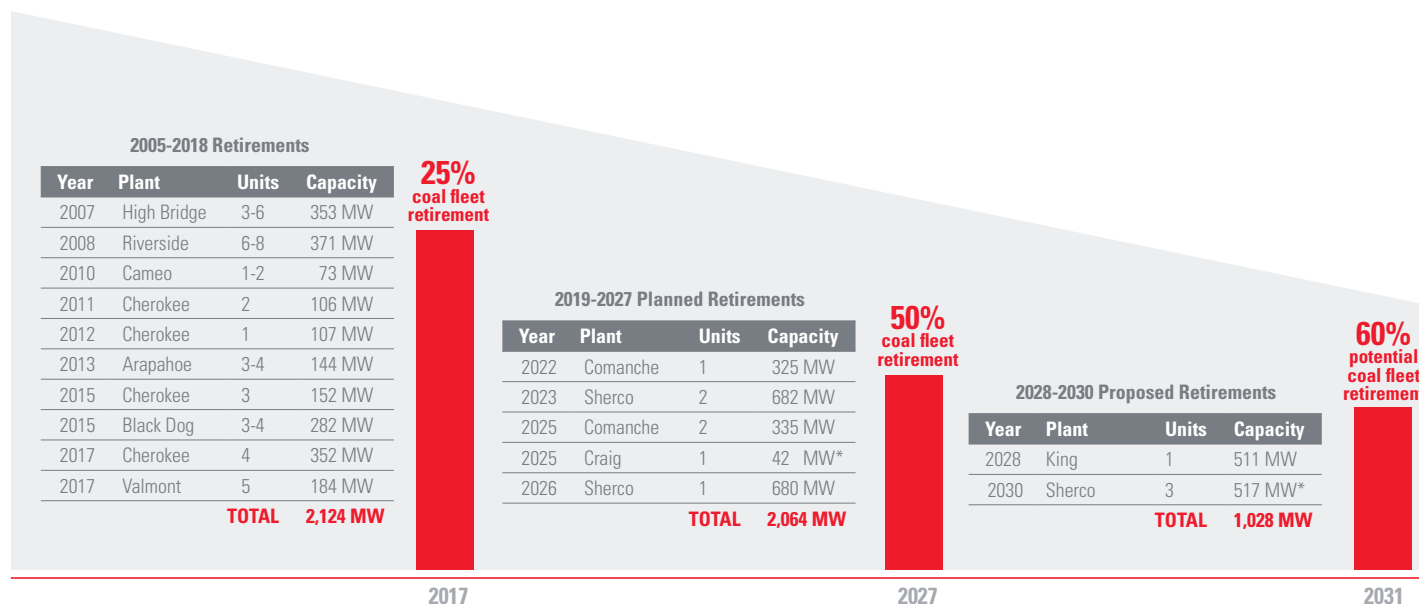
To empower customers who want to reduce their carbon footprints even further, we offer a comprehensive portfolio of more than 150 energy efficiency programs. We spent nearly \$256 million on programs in 2018 and provided customers \$141 million in rebates. Customers saved more than a terawatt hour of electricity for the year, enough to power 160,000 typical homes, and 1.6 million dekatherms of natural gas, enough to fuel 20,000 typical homes.

## Transitioning from Fossil Fuels

We are committed to making the transition to clean energy responsibly and thoughtfully. Particularly as we retire coal units, we work closely with affected communities and employees, and have managed plant closures to date through attrition and employee transfers.

We continue to partner on economic development with communities where we are retiring coal units. This includes helping to retain business as we have done in Pueblo, Colorado, by working on a long-term pricing agreement with EVRAZ Rocky Mountain Steel — the town's second-largest employer. The agreement is crucial for EVRAZ to continue its operations in Pueblo and allow for expansion in the future. In Becker, Minnesota, we are working with the city to attain new business and have attracted a large Google data center and Northern Metals Recycling to the area.

**Xcel Energy will retire 23 coal units from 2005 to 2027, representing approximately 50% of owned coal-fueled capacity.**



## Regional Clean Energy Efforts

Xcel Energy's clean energy plans are driven at a state level to reflect local priorities. Our four operating companies work closely with state regulators, policy makers and other stakeholders to support regional interests. Combined, these regional efforts will help achieve our company-wide goal to reduce carbon emissions 80% by 2030.

### Colorado (Public Service Company of Colorado)

Our Colorado Energy Plan is a transformative step toward a clean energy future for the state. In August 2018, state regulators approved the plan, which provides for more than \$2.5 billion of investment in Colorado, including \$1 billion by Xcel Energy.

#### The plan includes:

- The early retirement of 660 megawatts of coal-fueled generation
- The addition of 1,100 megawatts of wind, up to 700 megawatts of solar and 380 megawatts of existing natural gas resources; Xcel Energy would own 500 megawatts of the wind and all of the natural gas resources
- The largest stand-alone proposal to add 275 megawatts of large-scale battery storage

## **Upper Midwest (Northern States Power-Minnesota, Northern States Power-Wisconsin)**

We submitted our new Upper Midwest Energy Plan to Minnesota regulators in July 2019.

### **The plan proposes the following:**

- The early retirement of two remaining coal-fueled plants in the region — the Allen S. King Plant in 2028 and Sherco Unit 3 in 2030
- Extending the operating license of the Monticello Nuclear Generating Plant from 2030 to 2040, and continuing to run the Prairie Island Nuclear Generating Plant through its current license period of 2033 and 2034
- Acquiring the Mankato natural gas combined-cycle plant and constructing the Sherco combined-cycle plant
- Adding 4,000 megawatts of utility-scale renewable resources, including at least 3,000 megawatts of universal solar and replacing approximately 1,200 megawatts of wind generation.
- Adding approximately 1,700 megawatts of firm peaking resources, which may include combustion turbines, energy storage and demand response
- Greatly expanding energy efficiency and demand response programs

## **Texas and New Mexico (Southwestern Public Service Company)**

Our plans in the Southwest focus on keeping customer energy bills low, powering economic development and using the region's natural resources in the most efficient way to serve customers. Under our multi-state wind plan, we are developing 1,230 megawatts of wind power in New Mexico and Texas, of which we will own 1,000 megawatts. To reliably connect the additional renewable energy resources to meet demand, we are investing \$1.2 billion in new transmission and substations to be installed or upgraded from 2018 to 2022.

## **Reducing methane emissions from the natural gas distribution system**

Xcel Energy's natural gas service delivers clean, affordable energy to approximately 2 million customers in Colorado, Michigan, Minnesota, North Dakota and Wisconsin. We also operate some gas transmission in South Dakota and Texas. Natural gas is an extremely safe and efficient way to heat homes, from both a cost and environmental perspective, especially in locations with cold weather. With more than 2,200 miles of transmission and 35,000 miles of distribution pipelines in service, we plan to add approximately 750 miles of new pipeline over the next five years.

Methane releases from our natural gas distribution system make up a small part of our total greenhouse gas emissions — less than 1%. We are nonetheless committed to better understanding, tracking and minimizing these releases.

We have voluntarily reduced methane emissions since 2008 by participating in EPA's Natural Gas STAR program. As a founding member of the program's Methane Challenge launched in 2016, we committed to reduce methane releases at least 50% from the venting of pipelines during scheduled construction. We are also investing in operational improvements that reduce methane emissions while improving the overall safety and efficiency of the natural gas system.

### **These improvements include:**

- Replacing all the cast iron pipe and working to eliminate the remaining unprotected steel pipe on our system
- Using pressure reductions and other methods to reduce methane emissions during pipeline maintenance and repairs
- Replacing high-bleed controllers on our distribution and high-pressure pipelines

Beyond our direct operations, we recognize that most greenhouse gas emissions associated with natural gas are from the production, compression and long-distance transmission by suppliers and the end-use by consumers.

### **Xcel Energy participates in several industry efforts focused on solving these challenges, including:**

- The Natural Gas Downstream Initiative, a collaborative effort with other major gas utilities focused on addressing the regulatory and technical issues associated with natural gas in a low-carbon future
- The Natural Gas Supply Collaborative to work with our natural gas suppliers and other stakeholders to address upstream emissions

## **Cultivating an engaging and rewarding workplace**

To solve tomorrow's energy challenges and serve our customers, Xcel Energy is building its future workforce. We take a proactive approach to planning and identifying the skills we need to meet our energy and service objectives. This includes aligning our talent strategies to build diverse workforce pipelines, offering extensive employee training and engagement opportunities, recognizing employee achievements, cultivating a safety culture and developing effective leaders that hold employees accountable for achieving results.

### Through our workforce management efforts in 2018:

- More than 96% of employees who participate in the Connect4Performance program met with their leaders quarterly to discuss job performance, development and alignment with company goals
- Of newly hired employees, 24% had ethnically diverse backgrounds and 10% were veterans, as we aim to reflect the diversity of the communities we serve and capitalize on the leadership and technical skills of veterans through recruiting efforts
- Safety continues to be a core value and injuries are 55% lower since launching our Journey to Zero safety effort in 2009

## Corporate Strategy and ESG/Sustainability Governance

At Xcel Energy, we manage our economic, environmental and social responsibilities through our corporate strategy and governance structure, which enable decision makers across the company to effectively address current and emerging risks and opportunities.

Our corporate strategy includes three priorities that align with the company's economic, environmental and social responsibilities to produce sustainable outcomes.

| Lead the Clean Energy Transition                                                                                                                                                                                                              | Keep Bills Low                                                                                                                                                                                                                 | Enhance the Customer Experience                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Environmental Responsibilities</b> <ul style="list-style-type: none"><li>• Renewable Energy</li><li>• Advanced Technologies</li><li>• Climate Change</li><li>• Air Quality</li><li>• Waste Management</li><li>• Water Management</li></ul> | <b>Economic Responsibilities</b> <ul style="list-style-type: none"><li>• Affordable Energy</li><li>• Economic Development</li><li>• Supply Chain</li><li>• Public Policy</li><li>• Governance, Ethics and Compliance</li></ul> | <b>Community Responsibilities</b> <ul style="list-style-type: none"><li>• Energy Reliability</li><li>• Safety</li><li>• Physical and Cybersecurity</li><li>• Energy Efficiency</li><li>• Community Giving</li><li>• Customer Satisfaction</li><li>• Labor Practices and Workforce Development</li></ul> |

Xcel Energy's governance structure integrates the company's responsibilities at all levels, starting with strong leadership from the board and executive team. We also tie performance to compensation, including executive long-term incentives based on carbon reductions.

|                                           |                                                                                                                                                                                                                                                      |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Board Oversight</b>                    | Our board of directors, led by the chairman, president and CEO, oversees ESG/sustainability-related initiatives through four committees: Governance, Compensation and Nominating; Audit; Operations, Nuclear, Environmental and Safety; and Finance. |
| <b>Executive Oversight and Management</b> | The executive team plans and executes on strategies for achieving Xcel Energy's priorities and ESG/sustainability-related initiatives.                                                                                                               |
| <b>Business Area Management</b>           | Each business area is responsible for executing on company goals and aspects of ESG/sustainability.                                                                                                                                                  |
| <b>Operating Companies</b>                | Operating companies implement our corporate strategy and plans that address ESG/sustainability and fulfill our corporate responsibilities.                                                                                                           |

For decades, Xcel Energy has fostered a culture of compliance and ethical business conduct. Our Code of Conduct serves as the foundation that all employees, contractors and the board of directors are expected to follow, along with corporate policies that set rules and guidelines in areas such as safety, environmental leadership, community giving and political contributions. We publish annual reports for our Corporate Compliance and Business Conduct program and lobbying and political contributions on [xcelenergy.com](https://www.xcelenergy.com).

**Please see Xcel Energy's annual Corporate Responsibility Report for more information on our economic, environmental and social performance and management at [xcelenergy.com/CorporateResponsibility](https://www.xcelenergy.com/CorporateResponsibility).**