



RESPONSIBLE BY NATURE™

## **XCEL ENERGY NON-BARGAINING, EXEMPT EMPLOYEE ANNUAL INCENTIVE PROGRAM**

**Program Year: January 1 – December 31, 2019**

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## INTRODUCTION

Xcel Energy Inc. (individually and collectively with its affiliates and subsidiaries, “Xcel Energy” or “the Company”) offers a market-based total cash compensation package. Your total cash compensation includes your base salary and the opportunity to earn an annual incentive when the Company achieves its goals.

- Base salary is the fixed component of your total cash compensation. Generally it does not change unless you have a change in your job (such as a promotion), change in your status (such as full time to part time), or have a change in pay (such as an earned base pay increase).
- Xcel Energy’s Annual Incentive Program (the “Program”) is the variable component of your total cash compensation.
- Variable compensation is not guaranteed pay as it is subject to achievement of goals, including your own performance, and your contribution to team or company results.

The Program will be in effect from January 1 to December 31, 2019 (the “Program Year”), unless amended to end at an earlier date or terminated. In order for the Program to pay out year-end incentive awards in the Program Year, Xcel Energy must meet certain operating goals and a financial based affordability objective. Your incentive award is primarily based on corporate goal achievement and discretionary based on your individual contributions and performance.

The purpose of this document is to provide a high-level overview of the annual incentive program components and to outline the eligibility and administrative framework of the program. More detailed information regarding the program components can be found in XpressNET under Benefits/Pay/Incentives/Annual Incentive.

## PURPOSE OF THE PROGRAM

Incentive Programs are a variable portion of employee total cash compensation and are directly aligned with the achievement of certain corporate KPIs in addition to your individual contributions and performance.

Xcel Energy uses the Program to align employees’ goals with corporate and business goals, and to recognize and reward employees for results that contribute to the achievement of Xcel Energy’s key performance indicators (or KPIs), including those focused on reliability, our customers and our employees. It is also used to motivate employees to enhance the customer experience, innovate and drive continuous improvement.

The Program also supports the Company’s position as an employer of choice by:

- Offering a market-competitive total cash compensation package;
- Fostering the growth and development of employees; and
- Enabling the Company to attract, retain, motivate and reward employees whose performance and contribution meets or exceeds Company expectations.

## PARTICIPATION

The Program applies to regular, full and part-time status employees who are exempt, non-bargaining employees.

Newly hired or rehired employees must be actively employed by and working for Xcel Energy prior to October 1 of the Program Year to be eligible to participate in the year-end award portion of the Program for that Program Year.

Participants must also be actively employed by Xcel Energy on the day Program award payments are made in order to receive an incentive award under the program.

- Exceptions to active employment on the date awards are paid include: Involuntary Termination (with severance); Retirement; Death; Disability; or Qualified Leave of Absence.

For additional information regarding participation in the Program, see “Program Administration” beginning on page 7.

## PERFORMANCE COMPONENTS

The Program for 2019 is based on two performance components, Corporate and Individual:

Level	Component	Timing of Opportunity
Corporate	Corporate Scorecard KPIs include Reliability, Customer and Employee goals. Specific goals are listed on XpressNet at <a href="http://xpressnet/Our_Company/Planning_and_Performance/High_Level_Scorecards">http://xpressnet/Our Company/Planning and Performance/High Level Scorecards</a>	Year-end
Individual	a) Year-end award individual contributions and performance that can be aligned to your performance goals as determined with your manager*	Year-end
	b) I Deliver Award	Time Relevant
	c) Innovator Award	Time Relevant

\*The year-end Individual opportunity represents the largest portion of an eligible employee’s Individual Component.

## INCENTIVE TARGETS

Incentive targets are based on salary grade and correspond to varying weights or percentages for the corporate and individual performance components, as shown below.

Salary Plans and Grades <sup>1</sup>			Incentive Target	Components Weights <sup>2</sup>	
Exempt	Engineer	Trader		Corporate	Individual
N, O	--	--	■	10%	90%
--	A, B	--	■		
P, Q	C	001	■	20%	80%
--	D, E	--	■	30%	70%
R, S, T	--	002-006	■		
U, V	--	--	■	40%	60%
W	--	--	■		
X	--	--	■		

<sup>1</sup> Does not represent all salary plans. Other grades will be mapped accordingly. Eligibility for each participant is determined by salary plan or grade as tracked in the Human Resources information systems and not based on job title.

<sup>2</sup> Generally no award will be paid to an employee who was or is on a Performance Improvement Plan (PIP) or was or is part of any other performance improvement or disciplinary process during or after the Program Year. However, managers will have the discretion to provide awards to these employees in situations where the employee has demonstrated sufficient improvement in performance.

The year-end incentive is subject to proration based on an employee's eligible position(s) during the Program Year. For additional information on prorated awards, see page 9.

For an employee on a Developmental (or Rotational) Assignment, his or her annual incentive target percentage is based on the salary grade of the job held prior to accepting the Developmental (or Rotational) Assignment position.

The payout range for achievement of year-end incentive award goals (unless otherwise noted on the scorecard) can be anywhere from zero percent (0%) to one hundred fifty percent (150%), as noted on the following page. In no circumstance will the year-end incentive paid exceed 150% of the employee's year-end incentive opportunity.

There is no maximum payout restriction for the I Deliver and Innovator awards. That could result in an employee earning a total annual incentive payout greater than 150% of their incentive target by earning one or more of these awards based on superior contributions and performance.

**PROGRAM COMPONENTS**

**Corporate Scorecard – KPI**

The 2019 corporate scorecard goals focus on three priorities: Customer, Reliability, and Employee.

Priority	Key Performance Indicator	Threshold (50%)	Target (100%)	Maximum (150%)	KPI Weight
Enhance Customer Experience	Customer Satisfaction (residential raw score)	726	737	759	20%
Keep Bills Low	O&M Growth (over 2017)	2.0%	0%	(1.0%)	20%
Safety and Reliability	Employee Safety (DART)	0.61	0.49	0.45	20%
	Public Safety (gas emergency response)	85%	89%	94%	20%
	Electric System Reliability (SAIDI)	100	92	84	20%

\*\*If during the year, an event resulting in an employee fatality occurs in the course of business and the Company has achieved greater than threshold performance for the Days Award, Restricted or Transferred (DART) Recordable Incident Rate, the DART Recordable Incident Rate will be decreased to threshold for purposes of calculating the corporate KPI goal result. If during the year, an event resulting in an employee fatality does not occur and the Company experiences all of the following three conditions:

- 1) No employee has direct personal contact with an energized primary electric system that results in a DART Recordable injury
- 2) No employee experiences an unplanned natural gas ignition while working on company owned equipment that results in a DART Recordable injury
- 3) The Company has achieved greater than threshold performance for the DART Recordable Incident Rate

Then, the DART Recordable Incident Rate will be increased to Maximum for purposes of calculating the corporate KPI goal result.

Results are calculated in this manner:

Goal Achievement	Payout
Below Threshold	0%
Threshold to Target	50 % - 99.99% (based on a linear interpolation)
Target	100%
Target to Maximum	100.1%-149.99% (based on a linear interpolation)
Maximum	150%

*Results will be rounded to the second decimal.*

## **The Individual Component**

The purpose of the Individual Component is to focus and reward employees for their individual performance and contribution to team or company results during the Program Year and to motivate them to enhance the customer experience, innovate and drive continuous improvement. The Individual Component is comprised of three separate opportunities: Year-End Award, I Deliver Award and the Innovator Award.

**Year-End Award:** Your manager has discretion to determine your year-end individual component award from within a range of 0% to 150% of your year-end individual opportunity based on your contributions and performance over the Program Year.

Having an individual award range allows management to recognize and differentiate employees based on their level of contribution and performance, consistent with the Company's pay-for-performance philosophy. Differentiation occurs at all levels based on relative contribution and performance as well as the AIP budget available to the business area.

The Year-End Award represents the largest portion of an eligible employee's individual component opportunity.

**I Deliver Award:** Eligible employees or teams can be nominated for an I Deliver award. These awards allow management to provide timely rewards to eligible employees and teams who deliver greater than expected results that have an impact at a team or department level and are linked to supporting the company strategy. The exceptional work should stand out compared to what is expected from the individual in the course of performing his or her job and link to a benefit for our customers. Nominations are reviewed and approved by a designated group of management on a monthly basis.

**Innovator Award:** Eligible employees or teams can be nominated for an Innovator award. These awards provide timely rewards to eligible employees or teams who implement innovative, high-impact solutions or processes that result in measurable savings or significant customer benefits at a company-wide level. All Innovator Award nominations are reviewed and approved by a designated group of management on a quarterly basis.

## **FUNDING THE PROGRAM**

A prudent element of the Program is making sure the Company has the ability to pay for the annual incentives. Before the year-end award component of the Program will pay, an affordability trigger must be met as described below.

### **Earnings Per Share Determines Affordability**

An affordability trigger, based on EPS at \$2.55, must be achieved before any year-end award can be paid. The 2019 EPS is based on continuing operations and shall be adjusted to exclude the positive or negative earnings impacts for any one-time, unusual events if the impact of the event exceeds \$20 million on an after-tax basis.

The funding allocated to the I Deliver and Innovator awards are not subject to an affordability trigger.

The Corporate Scorecard results can be multiplied by a funding factor based on EPS. The funding factor is selected by the CEO from an assessment of results and is within the following funding guidelines:

- 50% - 100% for \$2.55 to \$2.60
- 100% - 150% for \$2.61+

In no case will a year-end award payment be greater than 150% of the year-end incentive opportunity. However, an employee could earn a total annual incentive payout greater than 150% of their incentive target if they are nominated and earn one or more I Deliver or Innovator awards during the course of the plan year.

## **PROGRAM ADMINISTRATION**

**Effective date of Program** The Annual Incentive Program covers a performance period of January 1 to December 31, 2019 and becomes effective at the start of that performance period (January 1). This is defined as the Program Year. The scorecard goals, as defined by the KPIs, are communicated to employee participants at or near the start of the performance period.

**Approval and Timing of Payment** After the 2019 financial statements are released, the Governance, Compensation & Nominating Committee of the Xcel Energy Inc. Board of Directors will review financial and corporate results. Actual year-end award payments will be made no later than two and a half months following the end of the relevant Program Year.

I Deliver and Innovator awards are reviewed and approved by Company management on a periodic basis. Award payments will be made as soon as administratively feasible after awards have been approved.

**Form of Payment** Annual incentive awards are paid in cash and payment will be made separately from the normal payment of wages. No deferrals can be made to the 401(k) Retirement Savings Program from annual incentive awards. Eligible employees may defer all or a portion of their year-end awards into the Xcel Energy Deferred Compensation Plan (“DCP,” see descriptions for details on eligibility). In addition, the Company, at its discretion, may allow deductions to be made from year-end incentive payments to Health Savings Accounts (HSA) as allowable under IRS regulations. The Company will deduct all legally required withholdings on cash payments, DCP deferral elections and/or HSA deduction.



## Eligibility

You must be considered a regular, non-bargaining exempt (full- or part-time) employee of Xcel Energy at any point during the Program Year.

Non-Exempt employees are not eligible for the Year-End and I Deliver awards but are eligible to receive an Innovator Award. Funding for Innovator Awards for non-exempt employees will come from sources outside of the Program.

Bargaining Unit employees, employees considered “temporary” and/or are interns, and independent contractors are not eligible to participate in the Program.

**Status Changes.** If an employee’s status changes from temporary to regular status prior to October 1<sup>st</sup> of the Program Year, the year-end portion of the incentive will be prorated based on the number of days worked after becoming a regular status employee. If the status changes from temporary to regular status after October 1<sup>st</sup>, the employee will not be eligible to participate in the year-end portion of the incentive for that Program Year.

If an employee’s status changes from non-bargaining to bargaining or vice versa, the year-end incentive will be prorated based on the number of days worked in an eligible non-bargaining status.

**Hired or Rehired During Program Year.** New employees hired or rehired during the Program Year must be hired or rehired and actively employed by and working for Xcel Energy prior to October 1 of the Program Year to be eligible to participate in the year-end portion of the incentive for that year.

It is recommended that an employee has completed at least one quarter of employment before being nominated for an I Deliver or Innovator award.

**Employed on Last Day of Program Year and Date of Payment.** You must be an active employee of Xcel Energy on December 31, 2019, and you must have continuous service through the day the year-end incentive award is paid, unless one of the following applies:

- Retirement, death, long-term disability (LTD), Qualified Leave of Absence (unpaid military leave and personal leave), involuntary termination with severance – Eligible for a prorated year-end incentive award based on individual performance during the length of qualifying active service (number of calendar days of service divided by number of calendar days in the Program Year) during the Program Year. Final year-end awards will be calculated and paid at the same time year-end awards are paid to active participants. Deferral and payment elections become null and void.

Employed on Date of Payment. You must have continuous service through the date of I Deliver and Innovator awards are paid, unless one of the following applies:

- Retirement, death, long-term disability (LTD), Qualified Leave of Absence (unpaid military leave and personal leave), involuntary termination with severance. I Deliver and Innovator awards will be paid at the same time these awards are paid to active participants.

If you are terminated for any other reason (e.g., voluntary resignation or involuntary termination for cause) during the Program Year, you lose all rights to any incentive through the date of your termination and will receive no award.

Generally no award will be paid to an employee who was or is on a Performance Improvement Plan (PIP) or was or is part of any other performance improvement or disciplinary process during or after the Program Year. However, managers will have the discretion to provide awards to these employees in situations where the employee has demonstrated sufficient improvement in performance.

If you participate in any other Xcel Energy incentive or commission program, or any incentive program established specifically as an alternative to this Program, you are not eligible to participate in the Xcel Energy Non-bargaining Exempt Employee Annual Incentive Program without prior approval. Additionally, I Deliver and Innovator Awards cannot be used to reward employees for actions covered under another type of program or agreement. The SVP of HR and Employee Services or his/her designee will resolve any disputes related to Program participation and administration.

**Calendar Days** All references in this Program booklet to number of calendar days will be based on 365 days in the year (including leap years).

### **Award Proration**

This list contains the most common proration scenarios. As additional situations arise that impact award proration they will be administered consistent with the scenarios outlined below and program administration practices.

Year-end incentive awards for the Program Year are prorated as follows:

- An eligible employee who is hired or who is transferred to/from /between an eligible position(s) during the Program Year is eligible for a year-end award based on the number of calendar days employed in a qualifying position. Award basis (incentive target and salary grade) is described on page 4.
- An eligible employee who retires, dies, qualifies for long-term disability (LTD), takes a leave of absence or is involuntarily terminated with severance is eligible for a year-end award based on the number of calendar days actively employed by Xcel Energy in an AIP eligible position.

- An eligible employee who changes from full-time to part-time status, or vice versa, is eligible for a year-end award based on the period of time within each status. An award range attributable to the full-time service period will be calculated in the same manner as awards are calculated for other full-time employees. In addition, an award range for the part-time service will be calculated in the same manner as other part-time employees. The results of these calculations will be added together and paid as one incentive award.
- An eligible employee who changes salary plans, incentive targets or has an annual salary change will receive a year-end award calculated for each period. The results of these calculations will be added together and paid as one incentive award.
- An employee who voluntarily resigns from Xcel Energy during the Program Year but is rehired and actively working prior to October 1<sup>st</sup> of the Program Year, forfeits any year-end incentive through the date the employee resigned. However, the employee is eligible for a prorated year-end award based on the number of days worked from the rehire date through the end of the Program Year, as long as the employee remains continuously employed through the date the year-end incentive payment is made.

#### **INCENTIVE AWARD PROGRAM RELATED INFORMATION**

- Chief Executive Officer** The Chief Executive Officer (or designee) will have full discretion and final authority to adopt, amend, alter or rescind the Program without advance notice for any reason at his/her sole discretion based upon financial or operating conditions or otherwise.
- No Right to Continued Employment** No individual shall have any claim or right to be granted an award under the Program, and the granting of an award shall not be construed as giving the participant the right of continued employment with Xcel Energy.