

**MINNESOTA  
STATE  
BOARD OF  
INVESTMENT**



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**Mansco Perry**

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June 16, 2020

Mr. Ben Fowke  
Chairman and Chief Executive Officer  
Xcel Energy, Inc.  
414 Nicollet Mall  
Minneapolis, MN 55401

Dear Chairman Fowke:

As the Executive Director and Chief Investment Officer of the Minnesota State Board of Investment ("SBI"), I am responsible for overseeing the SBI's investment portfolio. The SBI invests nearly \$100 billion dollars in state retirement, trust, and cash funds, including assets of the three major Minnesota statewide pension systems. The vast majority of the pension system beneficiaries are Minnesota residents, many of whom are Xcel Energy customers.

As part of its investment beliefs, the SBI recognizes the importance of addressing ESG risk throughout the investment portfolio. The Board believes addressing the long-term investment risks associated with climate change is critical to ensuring the long-term success of the investment portfolio.

Additionally, the SBI is a signatory to the Climate Action 100+, an investor initiative that aims to partner with companies to enhance corporate governance of climate risk, reduce greenhouse gas emissions, and strengthen climate-related financial disclosures at companies with great opportunities to address the global systemic risk posed by climate change.

To date, over 450 investors with ~\$40 trillion in assets under management have signed up to support the Climate Action 100+ initiative, equivalent to more than one-third of all assets under management, globally.

As a member of the Climate Action 100+ initiative, the SBI participates in various engagement efforts with portfolio companies, including Xcel Energy.

The SBI would like to commend Xcel Energy on its commitment to provide carbon free electricity to its customers by 2050. This is an important step in protecting the long-term value of the company for shareholders while addressing the urgent problem of climate change. The company's early leadership set an example that other electric utilities in the United States have followed.

The Xcel Energy Board of Directors should be commended for its enhanced oversight of the emission reduction goal and setting benchmarks to trigger compensation awards. This type of accountability gives shareholders like the SBI assurance that the Xcel Energy Board is fulfilling its duties in a meaningful way.

While the SBI recognizes that these steps provide a strong foundation for decarbonizing Xcel Energy's energy supply business, the SBI request that Xcel Energy continue to address certain long-term issues related to decarbonizing its energy supply and the SBI encourages the company to build upon its leadership. Specifically, the SBI would like to continue to engage with Xcel Energy on the following topics:

First, the SBI would like to better understand Xcel Energy's continued use and development of natural gas infrastructure. As renewable energy infrastructure becomes cheaper, the SBI is concerned that new long-term investments in natural gas will result in stranded assets as Xcel Energy transitions to carbon free electricity. As a long-term investor, the SBI would like to see Xcel Energy invest in high value, economically viable forms of renewable energy that will provide long-term value to the company and its customers.

Second, the SBI strongly encourages Xcel Energy to adopt a policy to provide disclosures in accordance with the Task Force on Climate-Related Financial Disclosures (or "TCFD"). The TCFD reporting framework provides critical transparency as to how Xcel Energy is progressing toward the 2050 goal. It is important for investors to understand Xcel Energy's progress in terms of governance, strategy, risk management, and metrics and targets. Shareholders must be able to assess the risks and opportunities to the company when making investment decisions. Furthermore, TCFD reporting is an important factor in holding management and the Board accountable with respect to the 2050 goal.

Finally, the SBI would like the company to specifically address its plan for a just transition to producing carbon free electricity. Xcel Energy's operations employ thousands of Minnesotans, and the SBI recognizes that the transition to renewable energy could result in displacement amongst Xcel Energy's labor force. The SBI believes that minimizing disruption in the labor force and communities that host Xcel Energy facilities is important to maintaining long-term value to the company.

Thank you for your time and attention to these matters. The SBI looks forward to engaging with Xcel Energy on these topics in the future and welcome any dialogue with the Xcel Energy Board and executive management.

Sincerely,



Mansco Perry III  
Executive Director and Chief Investment Officer  
Minnesota State Board of Investment

cc: Wendy Mahling, Corporate Secretary, Xcel Energy, Inc.