



**WHEREAS:** A transition to a low carbon economy is occurring, and action to reduce global demand for carbon-based energy is accelerating. Coal, the most carbon intensive fossil fuel, is a key driver of climate change. Controlling climate change will require a dramatic reduction in coal use, which is likely to result in coal infrastructure being “stranded”, i.e., devalued or written off at a loss. The growing risk that fossil fuel infrastructure will be stranded is termed “carbon asset risk.” Coal infrastructure can be stranded due to many reasons:

- *Lower-carbon technology deployed at scale.* Hydraulic fracturing and lower costs for solar and wind infrastructure have caused power markets to become more competitive.
- *Large utility customers moving to clean energy.* As of November 2016, 83 companies including Apple, GM, and Walmart made commitments to achieve 100% renewable energy use, creating pressure on utilities to meet demand for clean energy or lose large customers. (RE100).
- *Coal demand decreasing while coal costs rise.* In response to climate change, utilities are rapidly switching from coal to lower carbon fuels, which is reducing coal demand. At the same time, coal production costs are increasing, and are projected to continue rising through 2040. (Annual Energy Outlook, Energy Information Agency, 2016). Reduced coal demand amidst rising costs has decimated coal profitability, as demonstrated by coal company bankruptcies like that of Peabody Energy. As this cycle continues and the coal industry shrinks, coal supply to utilities could be disrupted. Coal supply disruptions could accelerate the stranding of utility coal infrastructure and threaten utilities’ ability to deliver reliable power.

Across the U.S., climate change driven market forces such as these have already stranded coal assets. For example, in 2016 AEP posted a \$2.3 billion write down, NRG reported a \$6.4 billion dollar loss, and FirstEnergy posted a \$1.1 billion loss -- all related to uneconomic coal plants.

Though XCEL Energy is taking important and admirable steps to become more sustainable, it still burns the 11<sup>th</sup> highest amount of coal in the nation and generates the 11<sup>th</sup> highest amount of carbon pollution. (Benchmarking Utility Air Emissions, Ceres, 2015). Shareholders respectfully request increased transparency as to the scope and potential financial losses carbon asset risk poses to XCEL.

**BE IT RESOLVED:** Shareholders request that XCEL prepare a report assessing the Company’s risk of stranded assets resulting from global climate change and related fossil fuel demand reductions, including a quantitative analysis of potential short and long term financial losses due to its fossil fuel generation facilities being stranded. The report should be at reasonable cost and omit proprietary information.