

## Letter to shareholders

April 2018



*Xcel Energy crews restore power in Puerto Rico following the devastation of Hurricane Maria.*

### Dear shareholders:

Xcel Energy enjoyed a solid first quarter in 2018 punctuated by strong earnings, increased sales and progress on our strategic priorities. We received regulatory approval from New Mexico on our wind proposal and made progress with various commissions on the optimal way to return tax reform benefits to our customers.

Xcel Energy reported first quarter 2018 GAAP and ongoing earnings of \$0.57 per share, compared to \$0.47 per share during the first quarter of 2017. While we were 10 cents ahead of last year, it was largely driven by weather deviations and expense timing.

Our first quarter electric sales, on a weather-adjusted basis, grew 1.1 percent, reflecting strong growth of 1.8 percent in our commercial and industrial classes. Residential electric sales declined 0.6 percent. Weather-adjusted natural gas sales increased 1.7 percent in the quarter.

### Investing for a clean energy future

Securing approval from the New Mexico commission was a major milestone to proceed with our nation-leading wind investment of 12 wind farms in seven states. The Texas commission is expected to rule on our southwest wind proposal shortly. With the exception of Dakota Range, which is awaiting final approval from the Minnesota commission, all of our wind projects are expected to be in service by the end of 2020 in order to receive the full production tax credit. Dakota Range, a 300-megawatt wind farm in South Dakota, is our first proposed wind project that will go into service after the phasedown of the production tax credit begins, showing that we can still deliver wind at an excellent price.

We are also making good progress on our Colorado Energy Plan, which proposes new wind, solar and natural gas generation combined with the early retirement of coal units. The Colorado commission in March ruled that we can submit our more aggressive proposal to transition the coal fleet in the state. We are developing several proposals for the commission to consider. Due to the strong response and attractive pricing levels from our request for proposal, we've revised our potential capital investment for our Colorado Energy Plan to be approximately \$1 billion, which is not reflected in our current capital or financing plan.

### Keeping bills low

Operating our plants as efficiently as possible is an important way to keep bills low for our customers. Last year, our nuclear fleet operated at its highest capacity factor since 2010 while simultaneously reducing costs by \$25 million. That momentum continued in 2018 as the fleet realized a 100 percent capacity factor in the first quarter. Improving operational efficiency is expected to contribute to flat O&M expenses for the fourth consecutive year.

As part of our thoughtful response to tax reform, we are partnering with regulators in each of our states to provide customer benefits while preserving cash flow to maintain our credit metrics. For example, we reached a settlement with several parties to utilize the benefits of tax reform for our electric operations in Colorado to refund \$42 million to customers and use \$59 million to accelerate the amortization of an existing pre-paid pension asset. The settlement is pending commission approval.

# Join us at the Annual Meeting

Xcel Energy's Annual Shareholders' Meeting will be held Wednesday, May 16, at 11:00 a.m. Central at River's Edge Convention Center, 10 4th Avenue South, St. Cloud, Minnesota. At the meeting, we will outline accomplishments and challenges, conduct company business, announce voting results and answer your questions.

You must RSVP by May 11 to attend. Please contact Xcel Energy's Corporate Secretary department by email at [corporatesecretary@xcelenergy.com](mailto:corporatesecretary@xcelenergy.com) or by telephone at 612.215.5391 to RSVP.

If you are not able to join us in person, consider listening to a webcast of the meeting, which will be available simultaneously and also archived on the Investor Relations page of [xcelenergy.com](http://xcelenergy.com). Please visit the Investors Relations page on [xcelenergy.com](http://xcelenergy.com) to view this and other shareholder communication.

## Enhancing the customer experience

The upcoming retirement of Executive Vice President and CAO Marvin McDaniel provided me the opportunity to design our structure in a way that furthers our efforts to enhance the customer experience. To that end, I'm pleased to report that I have hired Brett Carter to the new role of Executive Vice President – Chief Customer and Innovation Officer. Brett comes to Xcel Energy from Bank of America and has also served in leadership roles with Duke Energy. I'm excited for Brett to join our organization in May and thank Marvin for his 30 years of dedicated service to our organization.

I want to close by mentioning the extraordinary efforts of more than 200 employees who traveled to Puerto Rico during the first quarter to help restore power to our fellow citizens and those who stayed back to cover our regular work in our service territories. I had the opportunity to visit our crews in late March and can't emphasize enough how proud I am of the work they did in challenging conditions. It's the kind of work they do for our customers every day.

I look forward to seeing you at our upcoming Annual Shareholders' Meeting on May 16 in St. Cloud, Minnesota.

Sincerely,



**Ben Fowke**  
Chairman, President and CEO

## Forward-looking statements

Except for the historical statements contained in this release, the matters discussed herein, are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements, including our 2018 earnings per share guidance and assumptions, are intended to be identified in this document by the words "anticipate," "believe," "estimate," "expect," "intend," "may," "objective," "outlook," "plan," "project," "possible," "potential," "should" 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. The following factors, in addition to those discussed in Xcel Energy's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2017 and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of Xcel Energy Inc. and its subsidiaries (collectively, Xcel Energy) to obtain financing on favorable terms; business conditions in the energy industry; including the risk of a slowdown in the U.S. economy or delay in growth, recovery, trade, fiscal, taxation and environmental policies in areas where Xcel Energy has a financial interest; customer business conditions; actions of credit rating agencies; competitive factors including the extent and timing of the entry of additional competition in the markets served by Xcel Energy; unusual weather; effects of geopolitical events, including war and acts of terrorism; cyber security threats and data security breaches; state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rates or have an impact on asset operation or ownership or impose environmental compliance conditions; structures that affect the speed and degree to which competition enters the electric and natural gas markets; costs and other effects of legal and administrative proceedings, settlements, investigations and claims; financial or regulatory accounting policies imposed by regulatory bodies; outcomes of regulatory proceedings; availability or cost of capital; and employee work force factors.