



Letter to shareholders

August 2016

Dear shareholders:

Xcel Energy reported second quarter 2016 GAAP and ongoing earnings of \$197 million, or \$0.39 per share, compared with GAAP and ongoing earnings of \$197 million, or \$0.39 per share, during the same period of 2015. Contributing factors include higher electric and natural gas margins, which were offset by depreciation, interest charges and property taxes.

The following table provides a reconciliation of ongoing earnings per share (EPS) to GAAP EPS:

Diluted Earnings (Loss) Per Share	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Ongoing diluted EPS	\$ 0.39	\$ 0.39	\$ 0.86	\$ 0.85
Loss on Monticello life cycle management/extended power uprate project ^(a)	—	—	—	\$ (0.16)
GAAP diluted EPS	\$ 0.39	\$ 0.39	\$ 0.86	\$ 0.69

(a) See Note 6 of the earnings release.

Executive changes

Earlier this summer, we celebrated the retirement of Chief Financial Officer Teresa Madden after a long and distinguished career and welcomed Bob Frenzel, our new CFO, who joined Xcel Energy from Energy Future Holdings, Inc., where he served as senior vice president and chief financial officer for Luminant, its competitive power generating subsidiary. Prior to that, Bob served as senior vice president of strategy and corporate development.

Frank Prager, Vice President of Policy and Federal Affairs, joined my executive team in a move that underscores the importance of policy matters. We also opened a new office in Washington, D.C. to have an even better presence on Capitol Hill, as the changing regulatory environment is so critical to our business.

U of M Study

A study released by the Humphrey School at the University of Minnesota cited our CapX2020 project as a model for its collaborative efforts in getting transmission built and preparing the grid for more large-scale renewable projects to address climate change. The study took a comprehensive look at the CapX2020 effort, ranging from the common vision for the grid, governance among partners, and the level of engagement and outreach to policy makers, landowners, and other stakeholders that allowed a major expansion of transmission capacity to move forward relatively seamlessly. This type of third-party endorsement is extremely helpful to our efforts and enhances our reputation as a utility that knows how to get things done for the benefit of our customers.



A recent study cited our CapX2020 project as a model for its collaborative efforts in getting transmission built and preparing the grid for more large-scale renewable projects to address climate change.

Important information for shareholders

Wells Fargo shareowner services features online account management through Shareowner Online. Shareowner Online is the convenient and secure way to manage your account. Enroll in the Direct Stock Purchase Plan, update your account, purchase or sell stock, get tax information and forms, review and print your record of transactions and much more, quickly and conveniently. Begin by visiting shareowneronline.com.

If you receive a dividend by check each quarter, consider signing up for direct deposit. Your dividend payment will be deposited into the authorized bank account on the dividend payable date, which eliminates inconveniences due to late or lost mail. You may request a direct deposit authorization form by calling Wells Fargo Shareowner Services at **877.778.6786**.

Consider depositing certificated shares into book entry at Wells Fargo and avoid the cost of certificate replacement due to loss, theft or destruction. To deposit your certificate(s) into book entry, send original certificate(s), including a letter of instructions, to Wells Fargo Shareowner Services, 1110 Centre Pointe Curve, Suite 101, MAC N9173-010, Mendota Heights, Minn. 55120. You will receive a confirmation of the deposit from Wells Fargo.

Storm response

We continue to receive recognition for our outstanding storm response. For the fourth time in five years, the Edison Electric Institute honored us with a major storm recovery award – this was in response to the three-day blizzard in December in our Texas and New Mexico service territory. Our storm response team has been very busy this summer, particularly in Minnesota and Wisconsin following a wave of severe thunderstorms, but they continue to deliver for our customers when they need us most.

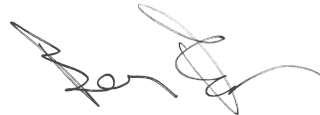
Other recent events

I wanted to mention a few other notable events since last quarter:

- Our stock closed at an all-time high of \$45.33 per share on July 6
- Edison Electric Institute confirmed that we achieved top quartile safety performance last year—a great result that acknowledges the progress we've made on our Journey to Zero safety efforts
- Ceres, a nonprofit organization focused on investor-related climate change and sustainability issues, recently ranked Xcel Energy No. 4 for renewable energy as a percentage of sales
- We held ribbon-cutting ceremonies at Border Winds, an Xcel Energy-owned wind farm in north central North Dakota that generates enough electricity to power nearly 80,000 homes, and at 401 Nicollet, our new office building in downtown Minneapolis

We hope you enjoy the rest of the summer. Thank you for your continued trust in Xcel Energy.

Sincerely,



Ben Fowke
Chairman, President and CEO

Forward-looking statements

Certain the matters discussed herein, including statements about our expected 2016 ongoing earnings, proposed capital investments and the expected on the completion of solar facilities, are forward-looking statements that are subject to certain risks, uncertainties and assumptions. 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, 2015, 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 slow down 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; availability of cost of capital; and employee work force factors.