Letter to shareholders

October 2016

Dear shareholders:

We are pleased to share that Xcel Energy's third quarter 2016 earnings were 90 cents per share, compared with 84 cents per share in third quarter 2015. Improved electric and natural gas margins, largely due to rate increases and capital rider recovery, were a significant factor in the increase. Sales increased 1.6 percent (weather adjusted) compared to the same period last year. Favorable weather also played a role, and we continue to hold the line on O&M expenses.

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

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
Diluted Earnings (Loss) Per Share	2016	2015	2016	2015
Ongoing diluted EPS	$ 0.90	$ 0.84	$ 1.76	$ 1.69
Loss on Monticello life cycle management/extended power uprate project [a]	–	–	–	$ (0.16)
GAAP diluted EPS	$ 0.90	$ 0.84	$ 1.76	$ 1.53

(a) See Note 6 of the earnings release.

The Courtenay Wind Farm in central North Dakota will be fully operational by the end of 2016. Numerous wind projects are expected to generate hundreds of millions of dollars in fuel savings for our customers.

With nine months of the year completed, we are very confident in our ability to achieve our 2016 ongoing earnings guidance—for the 12th straight year—and are narrowing the range to $2.17 to $2.22 per share. We also are initiating 2017 ongoing earnings guidance of $2.25 to $2.35 per share, which is consistent with our long-term earnings per share growth objective of 4 percent to 6 percent.[1]

Third quarter and year-to-date results demonstrate the ongoing success of our strategic plan, which includes establishing longer-term rate compacts and executing our "steel for fuel" strategy of delivering wind energy through capital investments that we believe will drive earnings growth with no material impact on the customer bill.

Expanding wind

In September, the Colorado Commission approved our request to develop a $1 billion wind farm in eastern Colorado. We have begun preliminary work on the 600-megawatt Rush Creek wind project—one of the largest wind farms east of the Rockies—which is expected to begin serving customers in 2018.

The Minnesota Commission approved our Upper Midwest Resource Plan, which includes retiring two coal units at our Sherco facility and adding significant amounts of renewable energy. We have issued a request for proposals to add 1,500 megawatts of wind generation, half of which we plan to build and own. These projects, along with the Courtenay Wind Farm in North Dakota that will be fully operational before

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year end, are expected to generate hundreds of millions of dollars in fuel savings for our customers, which will offset our capital costs. This is the benefit of our “steel for fuel” strategy—earnings growth with no material impact on the customer bill.

Rate settlements
Consistent with our strategy to implement longer-term rate compacts in our jurisdictions, we reached a settlement with the majority of parties in our Minnesota electric rate case that would provide revenue certainty through 2019. The $185 million agreement is pending final approval, which is expected by June 2017.

In October, the Wisconsin Commission verbally approved a combined rate increase of approximately $27 million. We also reached a settlement in principal in our Texas electric rate case.

Capital forecast
We have updated our capital forecast and now expect to invest $18.4 billion over the five-year period starting in 2017. The capital forecast, expected to drive annual rate base growth of 5.4% (using 2015 as a base), reflects a significant increase in renewable investments across our service territories.

Community impact
Giving back to the communities we serve is part of our DNA. A great example is our United Way campaign that is just concluding. We expect to raise a record $3 million to support our communities that the company will match dollar for dollar. We also held very successful Day of Service events in September in which hundreds of Xcel Energy employees, along with their families and friends, volunteered for various nonprofit organizations across our service territory. It was an outstanding illustration of employee commitment that makes all of us proud to work for Xcel Energy. We plan to use that spirit and commitment to finish a successful 2016.

Sincerely,

Ben Fowke
Chairman, President and CEO

(1) See note 6 in our 2016 third quarter earnings release for more information about our use of non-GAAP numbers and a reconciliation of ongoing earnings to GAAP earnings.

Forward-looking statements
Certain the matters discussed herein, including statements about our expected 2016 and 2017 ongoing earnings, our capital forecast and the planned development and operation of new wind farms, 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.

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