



Letter to shareholders

February 2017



Xcel Energy crews from all service territories successfully restored power during a series of holiday storms.

Dear shareholders:

We are pleased to report 2016 was an excellent year. We achieved our financial targets, made significant progress on our steel-for-fuel growth strategy, effectively managed costs (O&M expenses declined 0.1 percent) and achieved several positive regulatory outcomes.

Xcel Energy's 2016 GAAP and ongoing earnings were \$2.21 per share, compared to GAAP earnings of \$1.94 per share and ongoing earnings of \$2.09 per share in 2015. Rate increases and rider revenue to recover our capital investments contributed to these results. The 5.7 percent ongoing earnings growth rate is at the upper end of our guidance range of 4 to 6 percent annual growth. This was the 12th consecutive year that Xcel Energy met or exceeded its earnings guidance, and our total shareholder return was 17.1 percent.

We raised our dividend by 6.3 percent in 2016, marking the 13th consecutive year that we increased our dividend, and reaffirmed our 2017 earnings guidance of \$2.25 to \$2.35 per share. We also lowered our tax bill by utilizing the federal production tax credits for wind projects before they begin to phase out.

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

Diluted Earnings (Loss) Per Share	Three Months Ended Dec. 31		Twelve Months Ended Dec. 31	
	2016	2015	2016	2015
Ongoing diluted EPS	\$ 0.45	\$ 0.41	\$ 2.21	\$ 2.09
Loss on Monticello life cycle management/extended power uprate project ^(a)	—	—	—	\$ (0.16)
GAAP diluted EPS	\$ 0.45	\$ 0.41	\$ 2.21	\$ 1.94

(a) See note 6 in our 2016 year-end earnings release for more information about our use of non-GAAP numbers.

A successful year

For the 12th consecutive year, Xcel Energy was named the No. 1 utility wind energy provider in the country, and we are well positioned to continue that leadership. The Courtenay Wind Farm near Jamestown, North Dakota became fully operational in December. The 200-megawatt project will provide enough clean, renewable energy to power 105,000 homes in the Upper Midwest. In Colorado, the Rush Creek Wind Project is progressing as planned with initial project work under way. Construction of the 600-megawatt project, one of the largest east of the Rockies, will begin this year, and we expect the wind farm to begin generating power for our customers in 2018.

We received a robust response to our request for proposals to add up to 1,500 megawatts of wind capacity in the Upper Midwest. We plan to own roughly half of that wind generation and will file a recommendation on wind projects with the Minnesota commission in the first quarter of 2017. A decision is expected mid-year. These projects are part of our steel-for-fuel strategy to deliver hundreds of millions of dollars in fuel savings to our customers over the next 25 years, which will offset our capital costs and drive earnings growth and shareholder return with no material impact to the customer bill.

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 our Direct Stock Purchase Plan, update your account, purchase or sell stock, get tax information and forms, review and print records of transactions and much more, quickly and conveniently. Begin by visiting shareowneronline.com.

The 2016 1099-DIV forms began mailing to shareholders on Jan. 19, 2017. Contact Wells Fargo at **877.778.6786** if you do not receive your 2016 tax forms by Feb. 15, 2017. 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.

The Minnesota commission approved our Upper Midwest Resource Plan, which sets a course to reduce carbon emissions 60 percent by 2030 (from a 2005 baseline) as we transition away from coal and add significant renewables to our system. We also plan to maintain our nuclear fleet and develop long-range transition plans to protect our customers, employees and communities. The plan positions us to deliver 63 percent carbon-free energy by 2030 in the Upper Midwest.

We reached settlements in our Minnesota multi-year rate plan and Texas rate case, pending final approval, and resolved regulatory proceedings in other jurisdictions. In Colorado, we filed our Advanced Grid initiative — a \$500 million project through 2021 that, if approved, will improve the customer experience, enhance grid reliability and enable innovative rate structures.

Customer satisfaction

We made progress on our efforts to evolve into a more competitive, customer-focused organization. One of the ways we accomplish this is the continued rollout of our new SAP software system to develop efficiencies, save costs and improve the customer experience.

Our employees deliver for our customers each and every day, but we truly shine when inclement weather disrupts our service. In December, employees in all of our service territories battled storms that knocked out power to more than 100,000 customers. Our crews safely and quickly restored power despite challenging conditions so our customers could enjoy the holidays.

Moments like these matter, and we are proud of our reputation for excellent storm response. We know that serving our customers is paramount and will work hard to always deliver for you in 2017 and beyond. Thanks for the continued trust you place in us.

Sincerely,



Ben Fowle
Chairman, President and CEO

Forward-looking statements

Certain matters discussed herein, including our 2017 earnings per share guidance and capital forecasts, are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Forward-looking statements may be identified in this document by the words "anticipate," "believe," "estimate," "expect," "intend," "may," "outlook," "plan," "project," "possible," "potential," "should," "will" 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, 2015, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016, June 30, 2016 and Sept. 30, 2016, 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; outcomes of regulatory proceedings; availability or cost of capital; and employee work force factors.