

Letter to shareholders

July 2017



The Minnesota commission approved our proposal to build seven wind farms in the Upper Midwest.

Dear shareholders:

Xcel Energy delivered solid results in the second quarter, and we are well on the way to meeting our full-year earnings guidance for the 13th consecutive year. At the same time, we achieved important regulatory approvals that will bring tremendous value to our customers and shareholders over the longer term.

We reported GAAP and ongoing earnings of 45 cents per share in the second quarter, compared to 39 cents per share in the same period of 2016, reflecting higher electric and natural gas margins to recover infrastructure investments, and strong cost management.

In a significant regulatory ruling, the Minnesota commission approved our four-year electric rate case for 2016-2019. This was Xcel Energy's first multi-year electric rate case approved in Minnesota and provides price predictability for our customers and a longer runway so we can better manage our investment portfolio.

Steel for Fuel

Earlier this year as part of our Steel for Fuel strategy, we announced the largest, multi-state wind filing in the country – 3,400 megawatts of wind energy from 11 wind farms across our service territory. All wind farms are planned to be operational by the end of 2020 to take full advantage of the federal production tax credit that will generate additional customer savings. We plan to own about 80% of this new capacity, which could result in capital investment in new renewable projects of \$4.2 billion over the next five years.

We made significant progress on Steel for Fuel in the second quarter:

- Construction of the 600-megawatt Rush Creek Wind Project in Colorado has begun, and the project is progressing as planned. Scheduled to be completed in 2018, Rush Creek will produce enough electricity to power 325,000 homes.
- Earlier this month, the Minnesota commission approved our proposal to add 1,550 megawatts of wind capacity – 1,150 megawatts of ownership and 400 megawatts of PPAs – from seven wind farms in the Upper Midwest. These wind farms will increase our regional wind output by approximately 70 percent, producing enough energy to power more than 800,000 homes. The projects will also drive significant economic development by providing up to 1,500 construction jobs and millions of dollars in annual property tax and lease payments.
- Our Texas and New Mexico wind projects – 1,000 megawatts of self-build wind and 230 megawatts of PPAs – are currently undergoing regulatory review.

In addition to lowering customer bills, Steel for Fuel provides excellent organic growth opportunities and delivers significant environmental benefits. By investing in carbon-free renewable energy as part of our clean energy strategy, we expect to reduce carbon emissions 45 percent by 2021 compared to a 2005 baseline and plan to deliver even more carbon reductions in the future.

Biomass contracts

Just as Steel for Fuel provides low-cost energy for our customers, we are working closely with regulators and legislatures to terminate or modify four biomass power-purchase agreements that will generate significant customer savings. Pending regulatory approval, we expect to make a \$100 million capital investment to exit or modify the four biomass contracts and provide economic development to the impacted communities. This initiative will deliver approximately \$650 million of net customer savings over the next 10 years.

Important information for shareholders

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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**.

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Progress in Colorado

Affordability matters to customers, but nothing is more important than reliability. We're pleased that the Colorado commission approved a settlement agreement to deploy new and innovative technologies on the grid. Our Advanced Grid initiative will feature advanced metering infrastructure and a communication network, which will enhance grid reliability, improve the customer experience, and enable new programs and rate structures. The settlement also spreads the \$612 million capital investment over a longer time frame, deferring about \$120 million of capital investment beyond our \$18.4 billion capital forecast that ends in 2021.

The Colorado commission also approved a revenue decoupling mechanism on a trial basis over the next five years that will help us better align with our customers' energy savings goals.

Delivering for our customers

In my last shareholder letter, I mentioned Xcel Energy's excellent response to Ice Storm Jupiter, the worst storm to hit the Texas Panhandle in nearly 20 years. Not surprisingly, our dedicated employees were honored with the EEI Emergency Recovery Award. It was the third consecutive year Xcel Energy has won this award for excellence in storm response. I was fortunate to say thank you in person to many of our crew members in May in conjunction with the opening of our new regional headquarters in Amarillo and our Annual Shareholders Meeting.

I also want to commend our storm response crew, particularly in Minnesota and Wisconsin, following back-to-back storms in early June that knocked out power to 165,000 customers. In addition to quickly and safely restoring power, we also made great strides to improve how we keep customers informed during outages through our new online storm center, mobile app, and enhanced notification system. These new resources better help our customers manage expectations when storms damage the grid.

Working in conjunction with our regulators, we will continue our effort to build value for our customers and shareholders by keeping our costs flat, reducing carbon and improving the customer experience. Thank you for joining us on this journey.

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 2017 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, 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.