



# 2017 Year End Earnings Report Presentation

February 7, 2018



# Safe Harbor

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Except for the historical statements contained in this presentation, 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, 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.

# 2017 Highlights

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- Completed CapX2020 project with over 800 miles of transmission lines
- Strong nuclear performance: 91% capacity factor, shorter outages and lower costs
- Named #1 utility wind provider by AWEA for the 12<sup>th</sup> consecutive year
- Completed multi-year SAP implementation
- Achieved earnings guidance for the 13<sup>th</sup> consecutive year
- Increased dividend 5.9%, the 14<sup>th</sup> straight year of dividend increases
- Revised long-term EPS growth objective to 5-6%
- Lowered O&M expenses by 1%
- Received approval for 1,550 MW of wind in Upper Midwest
- Proposed to build and own a 300 MW wind farm in South Dakota
- Reached settlements in principle in Texas and New Mexico for 1,230 MW of new wind
- Filed the Colorado Energy Plan, which proposes early retirement of coal units and additional renewables and natural gas generation
- Received approval of a four-year MYP electric rate case in Minnesota
- Resolved decoupling and advanced grid proposals in Colorado

# Tax Reform

- Beneficial to our customers
- Estimated to be mildly accretive to long-term earnings
- No change to 2018 EPS guidance or long-term EPS growth rate objective
- Will work with regulators on customer refunds and preservation of credit ratings

## Potential Tax Impacts

### Assuming no Regulatory Actions

- Lowers revenue requirements by ~\$400 million
- Lower tax shield on holding company debt: earnings drag of ~\$20 million
- Higher rate base CAGR for same Cap Ex
- One-time, non-cash write-off of deferred tax and credits of \$23 million in 2017

## Potential Regulatory Options

### for Tax Savings and Credit Ratings

- Accelerate asset depreciation
- Increase equity ratios
- Modify capital investment
- Avoid or defer future rate cases
- Fund certain long-dated obligations
- Customer refunds

### Actions to mitigate impact on credit ratings:

- Reduce capital expenditures by ~\$500 million
- Issue up to \$300 million of incremental equity beyond DRIP/benefits

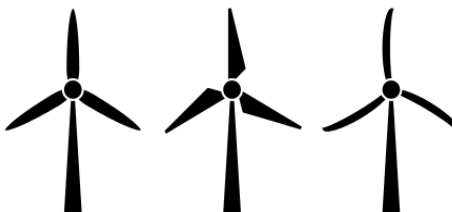
# Steel for Fuel

Capital recovery costs offset by lower fuel and O&M costs and tax credits

**3,680 MW  
of new wind  
by 2021 (83% owned)**

Rush Creek  
Blazing Star 1 & 2  
Lake Benton  
Foxtail  
Hale  
Sagamore  
Dakota Range

Crowned Ridge  
Freeborn  
630 MW of PPAs



High efficiency wind:

- Displaces coal and natural gas fuel
- Significant customer savings

**Lower Fuel Costs**

**Lower O&M**

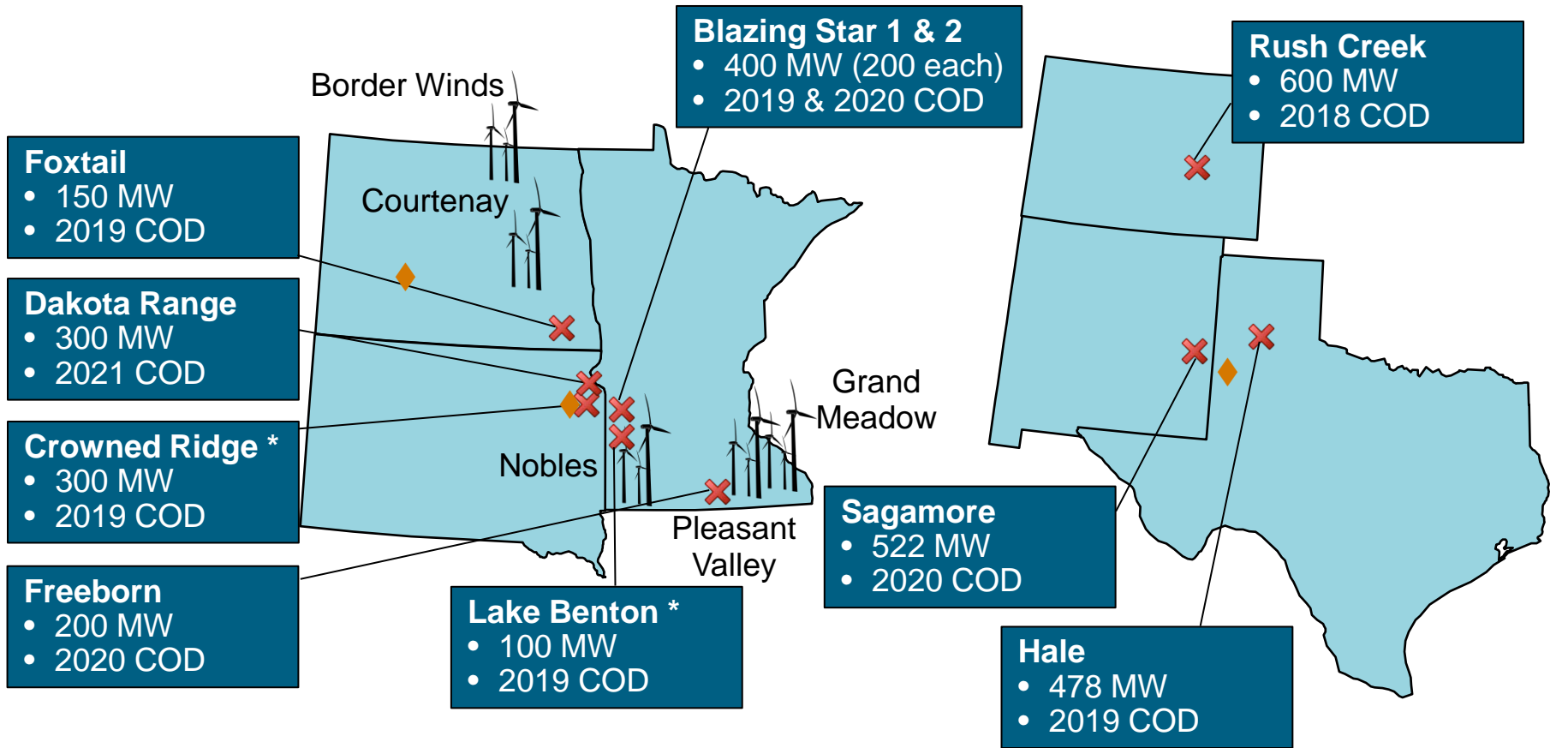
**Capture PTC**



**Lower Emissions**



Economic, zero-emission energy enabled by:

- High wind capacity factors in our states
- Supportive regulatory environment
- Production tax credit

# Clean Energy Transition - Renewables



 = Operational owned facilities totaling ~850 MW  
 = Proposed owned facilities totaling ~3,050 MW

 = Proposed PPAs totaling ~630 MW  
 = Build-own-transfer

# SPS Wind Proposal

## 1,230 MW Proposal

### Sagamore

- Self-Build
- 522 MW
- 2020 COD
- New Mexico



### Hale

- Self-Build
- 478 MW
- 2019 COD
- Texas



### Bonita

- PPA
- 230 MW
- 2019 COD
- Texas



Total capital investment of ~\$1.6 billion

Settlements in principle reached in Texas and New Mexico

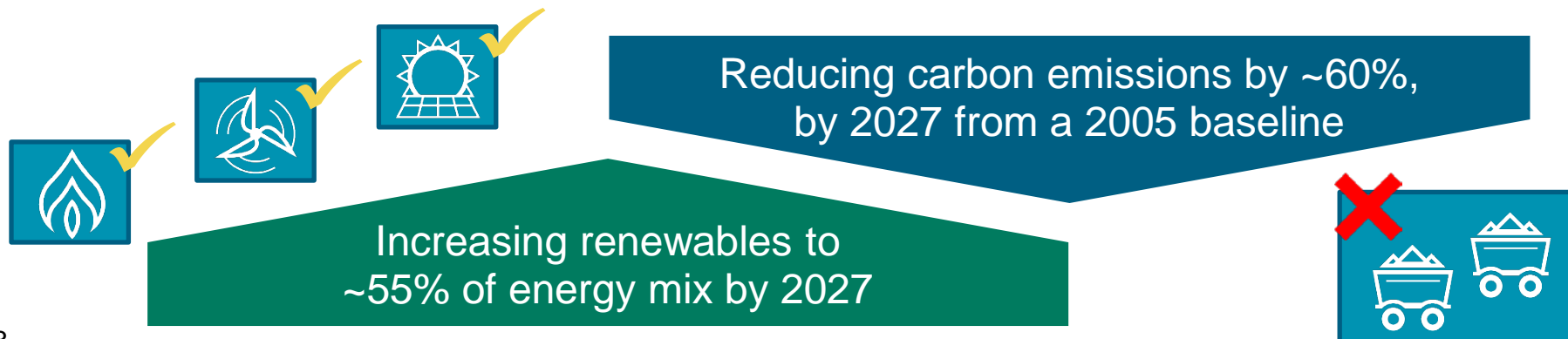
Commissions expected to rule on proposal in 2018 Q1

Significant customer savings

# Colorado Energy Plan

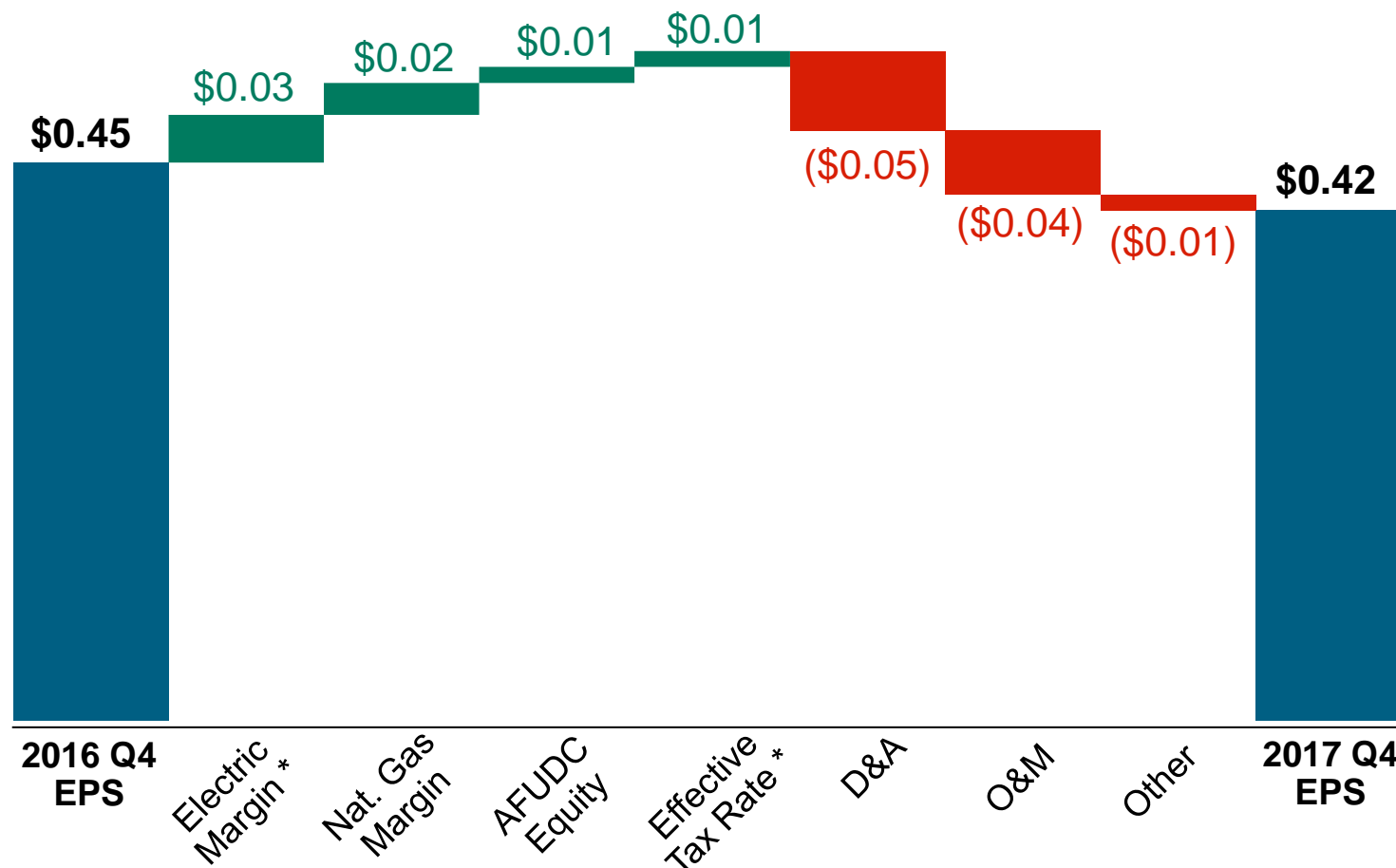
- Early retirement of 660 MW of coal generation:
  - Comanche 1 (325 MW) by 2022
  - Comanche 2 (335 MW) by 2025
- New renewable proposal:
  - Targeted ownership: 50% renewables; 75% natural gas and/or storage
  - Up to 1,000 MW of wind
  - Up to 700 MW of solar
  - Up to 700 MW of natural gas and/or storage
  - Potential capital investment of up to \$1.5 billion
- Commission decision anticipated in summer 2018

No increase in customer bills



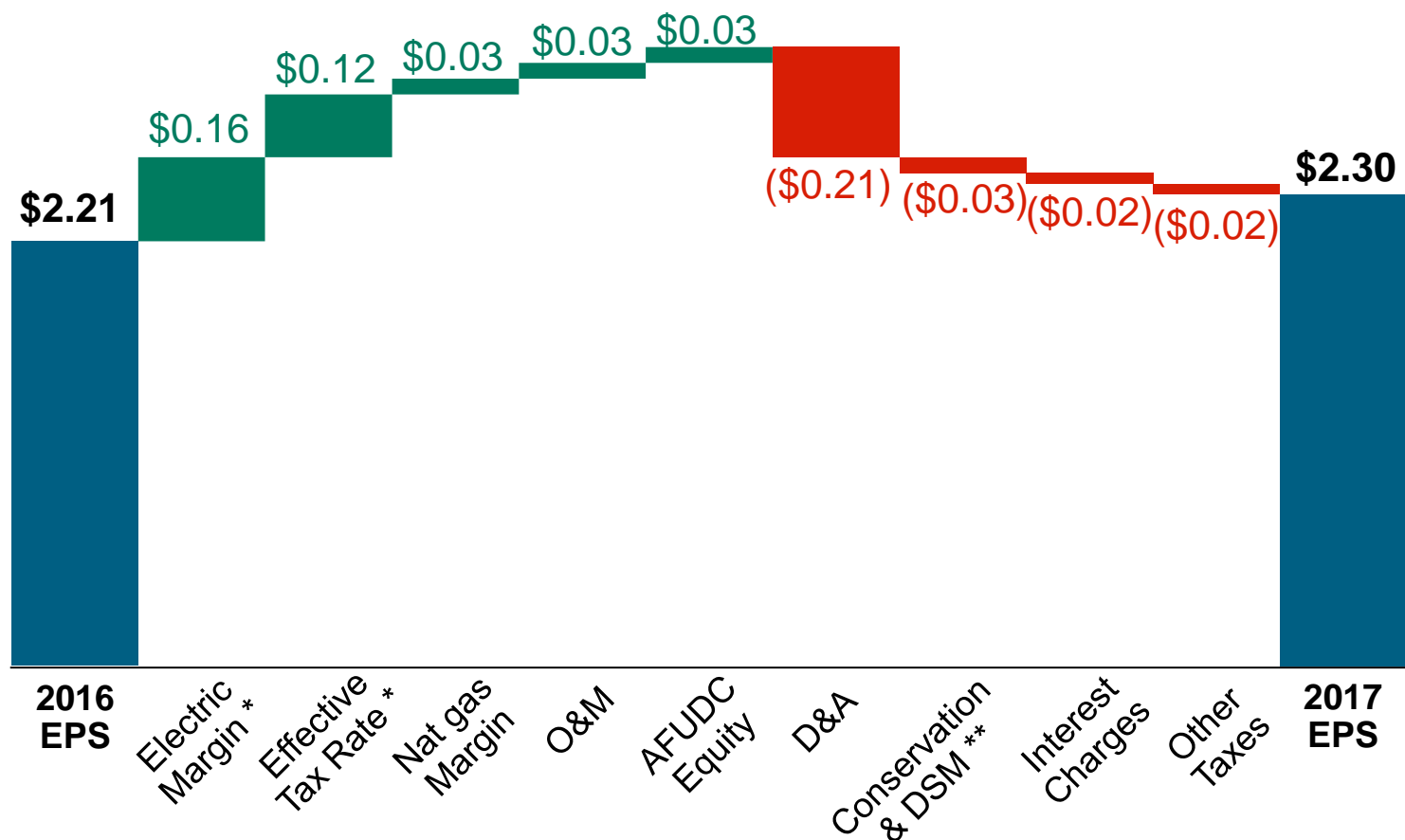


# Quarterly Ongoing EPS Change



\* ETR includes the impact of an additional \$2 million of wind PTCs for the three months ended Dec. 31, 2017, which are largely flowed back to customers through electric margin, and excludes (\$0.05) impact of the TCJA Combined margins include ~\$0.01 of positive weather impacts (post decoupling)

# Annual Ongoing EPS Change



\* ETR includes the impact of an additional \$20 million of wind PTCs for the twelve months ended Dec. 31, 2017, which are largely flowed back to customers through electric margin, and excludes (\$0.05) impact of the TCJA

\*\* Offset by higher revenues included in electric margin

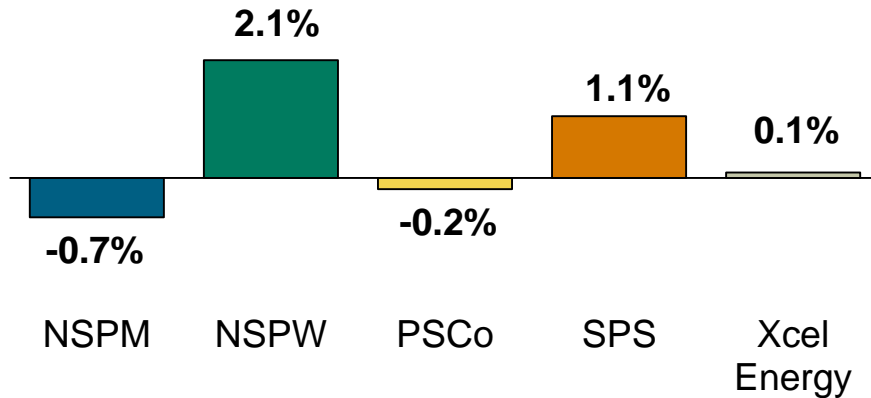
Combined margins include ~(\$0.01) of negative weather impacts (post decoupling)

# EPS Results by Operating Company

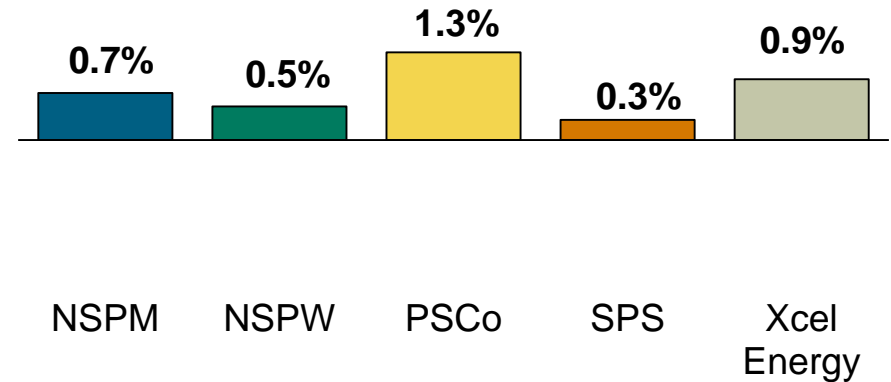
Operating Company	Q4		Full Year	
	2017	2016	2017	2016
NSPM	\$ 0.15	\$ 0.21	\$ 0.96	\$ 0.96
PSCo	0.19	0.17	0.97	0.91
SPS	0.06	0.06	0.31	0.30
NSPW	0.04	0.03	0.16	0.14
Equity earnings	0.05	0.01	0.07	0.05
Regulated utility	0.49	0.48	2.47	2.35
Holding company and other	(0.12)	(0.04)	(0.22)	(0.15)
<b>Total GAAP diluted EPS</b>	<b>\$ 0.37</b>	<b>\$ 0.45</b>	<b>\$ 2.25</b>	<b>\$ 2.21</b>
Impact of TCJA	0.05	-	0.05	-
<b>Total ongoing diluted EPS</b>	<b>\$ 0.42</b>	<b>\$ 0.45</b>	<b>\$ 2.30</b>	<b>\$ 2.21</b>

# Economic, Sales, and Customer Data

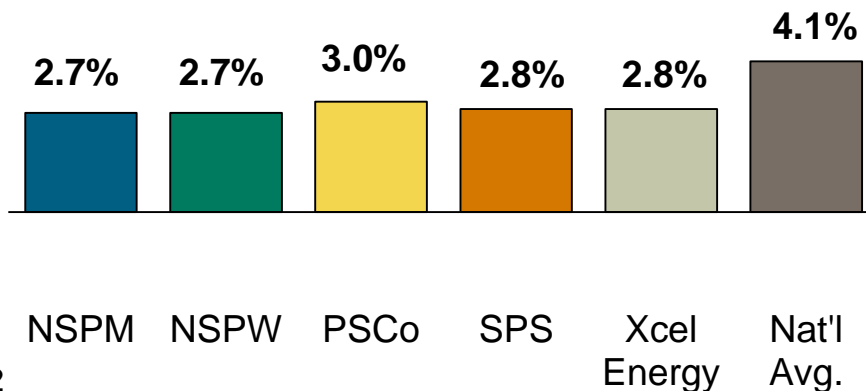
2017 W/A Electric Sales Growth  
(adjusted for leap day)



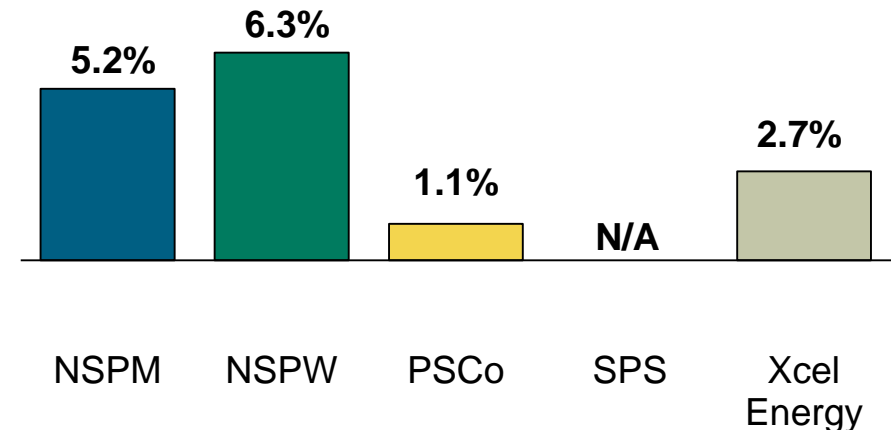
2017 YoY Electric Customer Growth



December Unemployment



2017 W/A Nat. Gas Sales Growth  
(adjusted for leap day)



# Texas Electric Rate Case

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- In August 2017, SPS filed a Texas electric rate case
  - Requested a net electric rate increase of \$55 million (5.8%)
  - ROE of 10.25% and equity ratio of 53.97%
  - Electric rate base of ~\$1.9 billion
  - Based on a historic 12-month ended June 30, 2017 test year
- Tax reform impacts expected to be addressed in the rate case
- Procedural schedule:
  - Intervenor testimony – February 22, 2018
  - PUCT Staff testimony – March 1, 2018
  - PUCT Staff and intervenor cross-rebuttal testimony – March 22, 2018
  - SPS rebuttal testimony – March 23, 2018
  - Hearings – April 10-20, 2018
  - Commission decision – third quarter 2018
  - New rates expected to be effective retroactive to January 2018

# New Mexico Electric Rate Case

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- In October 2017, SPS filed a New Mexico electric rate case
  - Requested an electric rate increase of \$43 million
  - ROE of 10.25% and equity ratio of 53.97%
  - Electric rate base of ~\$885 million
  - Based on a historic test year ended June 30, 2017
- Tax reform impacts expected to be addressed in the rate case
- Procedural schedule:
  - Staff and intervenor testimony – April 13, 2018
  - SPS rebuttal testimony – May 2, 2018
  - Hearings – May 15-25, 2018
  - Commission decision and implementation of final rates anticipated in the second half of 2018

# Colorado Multi-Year Natural Gas Rate Case

(\$ Millions)	2018	2019	2020	Total
New Revenue Request	\$63	\$33	\$43	\$139
PSIA revenue conversion to base rates	<u>0</u>	<u>94</u>	<u>0</u>	<u>94</u>
Total	\$63	\$127	\$43	\$233
Projected YE Rate Base (\$ Billions)	\$1.5	\$2.3	\$2.4	

- PSCo filed a Colorado natural gas multi-year rate case in June 2017
  - Requested a natural gas rate increase of \$139 million over 3 years
  - Requested an ROE of 10.0% and equity ratio of 55.25%
  - Includes transfer of \$94 million of PSIA rider - no impact on customer bills
  - Rate base in 2019 reflects the roll-in of capital associated with the PSIA rider
- Interim rates, subject to refund, were implemented on January 1, 2018
- Commission decision expected in March or April 2018
- Tax reform impacts expected to be addressed in the rate case or a separate proceeding

# Colorado Multi-Year Electric Rate Case

(\$ Millions)	2018	2019	2020	2021	Total
New Revenue Request	\$74	\$75	\$60	\$36	\$245
CACJA & TCA revenue	<u>133</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>133</u>
Total	\$207	\$75	\$60	\$36	\$378
Projected YE Rate Base (\$ Billions)	\$6.8	\$7.1	\$7.3	\$7.4	

- PSCo filed a Colorado electric multi-year rate case in October 2017
  - Requested an electric rate increase of \$245 million over 4 years
  - Requested an ROE of 10.0% and equity ratio of 55.25%
  - Transfer of CACJA & TCA riders will not impact customer bills
- Interim rates, subject to refund, will be effective on June 1, 2018
- Procedural schedule:
  - Supplemental direct testimony – April 16, 2018
  - Answer testimony – May 31, 2018
  - Rebuttal and cross-answer testimony – July 10, 2018
  - Hearings – August 21-31, 2018
  - Decision anticipated by the end of 2018
- Tax reform impacts expected to be addressed in the rate case or a separate proceeding



# Financing Plan

Issuer	Security	Amount (millions)	Timing
Hold Co	Senior Unsecured	\$750	2018
NSPM	First Mortgage Bonds	\$300	
NSPW	First Mortgage Bonds	\$200	
PSCo	First Mortgage Bonds	\$750	
SPS	First Mortgage Bonds	\$350	
Xcel Energy plans to issue ~\$300 million of incremental equity, in addition to \$385 million of equity issued through the dividend reinvestment program/benefit programs during the five year forecast time period			

Financing plans are subject to change, depending on capital expenditures, regulatory outcomes, internal cash generation, market conditions and other factors.

# 2018 GAAP & Ongoing Earnings Guidance

**GAAP & Ongoing EPS Guidance Range: \$2.37 – \$2.47**

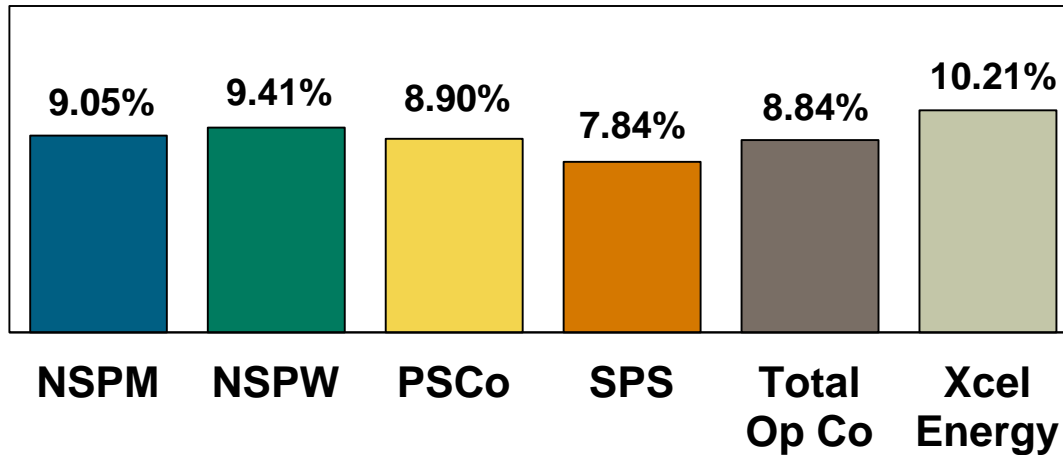
<b>Earnings Drivers</b>	<b>Key Assumptions</b>
Regulatory proceedings	Constructive outcomes in all proceedings
Weather	Normal weather
W/A electric sales	Increase 0% to 0.5%
W/A natural gas sales	Decline 0% to (0.5%)
Capital rider revenue	Increase \$30 million - \$40 million
O&M expenses	Flat
Depreciation expense	Increase \$150 million - \$160 million; ~\$20 million of increase is for renewable development fund, which is earnings neutral
Property taxes	Increase ~\$30 million - \$40 million
Interest exp. (net of AFUDC-debt)	Increase \$20 million - \$30 million
AFUDC-equity	Increase ~\$20 million - \$30 million
Effective tax rate	~8-10%; reflecting lower tax rate due to TCJA, including excess deferred taxes and PTCs that flow back to customers through margins. ETR would otherwise be ~21-23%.

Ongoing earnings could differ from those prepared in accordance with GAAP due to unplanned and/or unknown adjustments. Xcel Energy is unable to forecast if any of these items will occur or provide a quantitative reconciliation of the guidance for ongoing diluted EPS to corresponding GAAP diluted EPS.

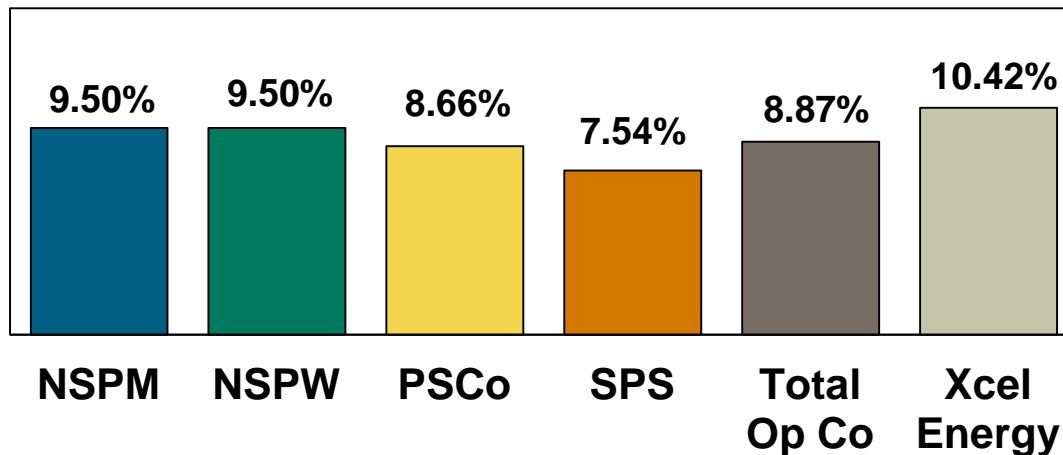
# Appendix

# ROE Results – GAAP & Ongoing Earnings

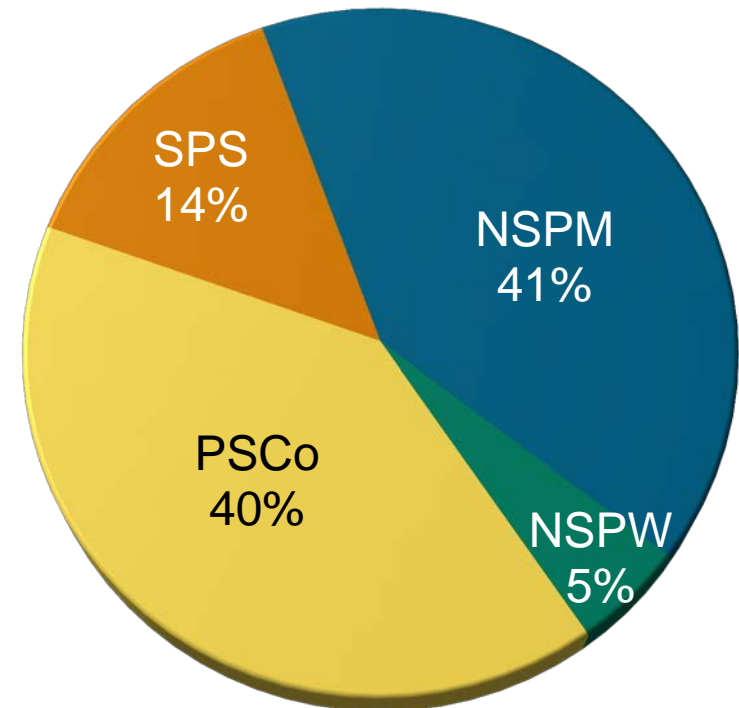
## 2017 GAAP ROE



## 2017 Ongoing ROE \*

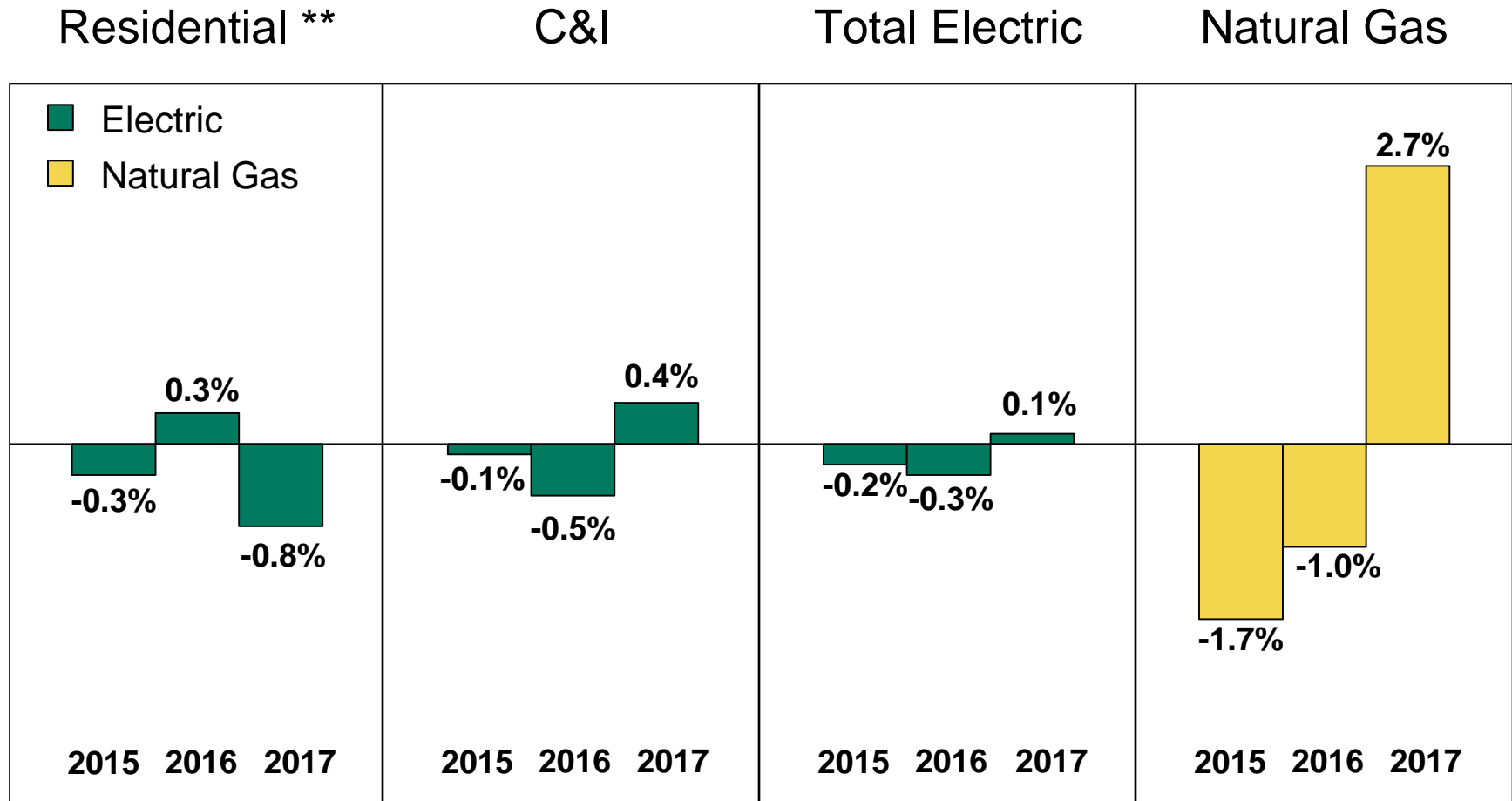


## 2016 Rate Base \$24.0 billion



\* Ongoing earnings exclude an estimated one-time, non-cash, income tax expense of approximately \$23 million recognized upon the enactment of the TCJA

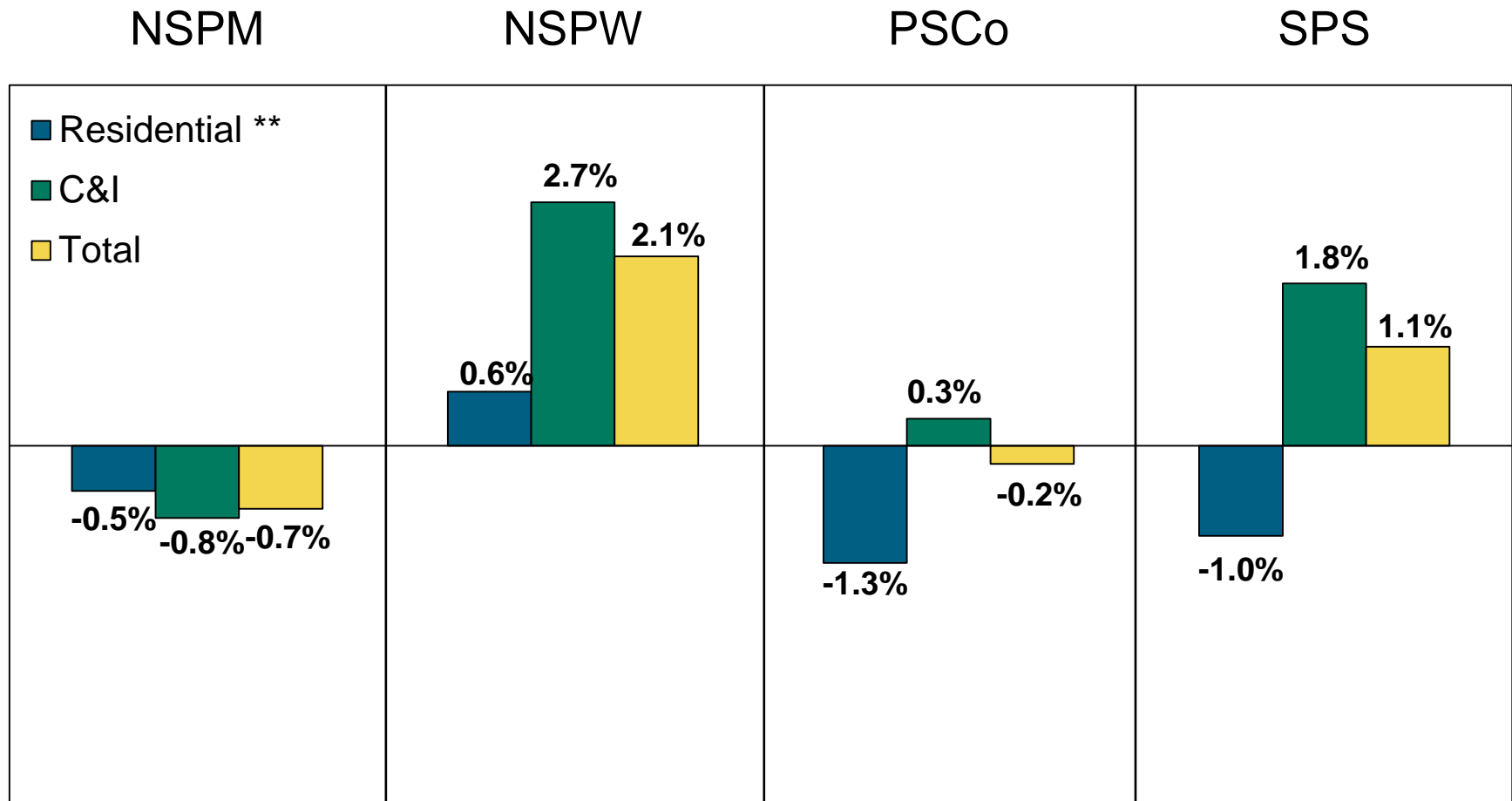
# Xcel Energy W/A Sales Growth \*



\* Adjusted to exclude the impact of leap day

\*\* Extreme weather variations, wind chill and cloud cover may not be reflected in weather-normalized and actual growth (decline) estimates

# 2017 W/A Electric Sales Growth \*



\* Adjusted to exclude the impact of leap day

\*\* Extreme weather variations, wind chill and cloud cover may not be reflected in weather-normalized and actual growth (decline) estimates

# Upcoming 2018 First Quarter Events

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Events	Dates
Barclays Credit Conference	February 27
Morgan Stanley Conference	February 27
Bank of America Merrill Lynch Conference	February 28
UBS Europe Meetings	March 19-21