

October 1, 2015

Mr. Rick Schrubbe
 Director, Corporate and Benefits Accounting
 Xcel Energy Inc.
 414 Nicollet Mall
 4th Floor
 Minneapolis, MN 55401

Subject: 2016 ASC 715 Estimated Benefit Costs for SPS and Xcel Services

Dear Rick:

Attached is an exhibit summarizing the estimated 2016 ASC 715 Benefit Cost/(Income) for the SPS and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The estimated 2016 U.S. GAAP results are based on participant data as of January 1, 2014 projected to the end of the year based on status changes through November 30, 2014 and known retirements for December 2014, and retiree medical claims experience from May 2012 through April 2014.

The 2016 estimated cost/(income) for SPS and Xcel Services is shown in the table below:

	SPS	Xcel Services
Estimated 2016 Cost/(Income)	(\$787,000)	\$1,499,000

The following are the notable assumptions used to develop the estimated 2016 cost/(income) amounts shown above:

1. The discount rate used to determine the estimated 2016 cost/(income) was 4.08%.
2. The expected return on assets assumption used to determine estimated 2016 cost/(income) was 5.80% for both the non-bargaining and bargaining VEBAs.
3. The initial medical trend assumption at was 6.50% at 2015, grading down 0.50% per year to an ultimate medical trend assumption of 4.50% for 2019 and after.
4. The mortality assumption used for bargaining participants was the RP-2014 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2014 methodology.

The mortality assumption used for non-bargaining participants was the RP-2014 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2014 methodology.

ACTUARIAL CERTIFICATION

As requested by Xcel Energy Inc., this report provides results of the actuarial valuations of the Xcel Energy Inc. employee benefit plans indicated above. Additional details on the data, assumptions, methods, and plan provisions can be found in the 2015 valuation report dated March 10, 2015 and in our May 7, 2015 forecast letter. This letter should be viewed as a subset of this report and should not be used for other purposes, distributed to others outside Xcel Energy Inc. or relied upon by any other person without prior written consent from Towers Watson Delaware Inc. Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

Xcel Energy Inc. may make a copy of this report available to auditors or appropriate governmental agencies of the plan or the plan sponsor, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the auditors in this regard. Xcel Energy Inc. should draw the provisions of this paragraph to the attention of the auditors or appropriate governmental agencies when providing this report to them.

In preparing these results, we have relied upon information and data provided to us orally and in writing by Xcel Energy Inc. and other persons or organizations designated by Xcel Energy Inc. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency.

The results summarized in this letter involve actuarial calculations that require assumptions about future events. Xcel Energy Inc. is responsible for the selection of the assumptions. We believe that the assumptions used in this report are reasonable for the purposes for which they have been used.

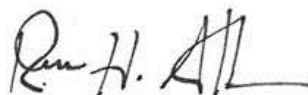
In our opinion, all calculations are in accordance with US GAAP and the procedures followed and the results presented are in conformity with applicable actuarial standards of practice.

The undersigned consultants with actuarial credentials meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc.

Sincerely,



Mark A. Afdahl, FSA
Consulting Actuary



Ross H. Athman, FSA
Consulting Actuary

http://natct.internal.towerswatson.com/clients/609084/RETActuarial-2015/Documents/Other Projects/PRW Cost by Legal Entity/2016 FAS 106 Estimated Cost_SPS and XS_10012015.docx

cc: Todd Degrugillier, Xcel Energy Inc.
Kris Lindemann, Xcel Energy Inc.

Beth Fernandez, Towers Watson
Scott Lund, Towers Watson
Joseph Sanches, Towers Watson
Jim Shaddy, Towers Watson

**XCEL ENERGY INC. - Postretirement Benefits
Benefit Cost Estimates by Legal Entity
(\$ in Thousands)**

2016	Amortizations								Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Transition (Asset)/Obligation	Prior Service Cost	Net (Gain)/Loss	Net Cost	January 1 Prepaid (Accrued)	
SPS ¹	939	1,764	(2,505)	-	(401)	(584)	(787)	(16,214)	-
Xcel Services ¹	44	1,180	(24)	-	(549)	848	1,499	(13,477)	1,548

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	4.08%
Expected Return on Assets	5.80%
Medical Trend	
Initial (2015)	6.50%
Ultimate	4.50%
Year Ultimate Reached	2019

Assumed Mortality Table

Bargaining:	RP-2014 Blue Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2014 methodology.
Non-bargaining:	RP-2014 White Collar headcount-weighted table adjusted for Xcel Energy mortality study, projected with generational mortality improvements using an adjusted SOA MP-2014 methodology.

Contributions for SPS are assumed equal to the net cost, but not less than zero. Contributions for Xcel Services are assumed equal to the expected benefit payments. See May 7, 2015 letter for additional information on data, assumptions, methods and plan provisions.