

March 16, 2018

Mr. Rick Schrubbe
 AVP, Financial Analysis and Planning
 Xcel Energy Inc.
 401 Nicollet Mall
 3rd Floor
 Minneapolis, MN 55401

Subject: 2017 ASC 715 Valuation Results for SPS and Xcel Services

Dear Rick:

Below is an exhibit summarizing the 2017 ASC 715 Benefit Cost/(Income) for the SPS and Xcel Services legal entities in the Xcel Energy Retiree Medical and Life Insurance Plan. The 2017 U.S. GAAP results are based on participant data as of January 1, 2016 projected to the end of the year based on status changes through November 30, 2016 and known retirements for December 2016, and retiree medical claims experience from May 2014 through April 2016.

The combined 2017 cost/(income) for SPS and Xcel Services is \$0.7 million, a \$0.1 million increase from 2016. The increase in cost is summarized below (\$ in millions).

	SPS	Xcel Services	Total
2016 Cost	(\$0.8)	\$1.4	\$0.6
1. Expected liability demographics/experience	0.0	0.0	0.0
2. Impact of actual demographic changes	0.1	(0.1)	0.0
3. Impact of claims cost changes	0.0	0.1	0.1
4. Impact of mortality assumption change	0.0	0.0	0.0
5. Impact of discount rate change	0.0	0.1	0.1
6. Impact of asset performance	(0.1)	0.0	(0.1)
2017 Cost	(\$0.8)	\$1.5	\$0.7

Mark Afdahl
 Consultant
 Suite 1700
 8400 Normandale Lake Boulevard
 Minneapolis, MN 55437

T +1 952 842 7000
 D 952 842 6445
 C 612 387 8623
 F 952 806 2445
 E Mark.Afdahl@willistowerswatson.com
 W willistowerswatson.com

The following are the notable changes impacting the cost between 2016 and 2017:

1. The impact of actual demographic changes includes the impact of census data updates. This was not significant for either legal entity.
2. The impact of claims cost changes includes updates to the per capita claims cost assumption. The per capita claims cost increased 5.8% overall (8.2% pre-65 and 5.2% post-65), versus an expected increase of 6.0%. This increased the 2017 cost for Xcel Services slightly, but was not significant for SPS.
3. The mortality assumption was updated to reflect an additional year of actual mortality experience data. This was not significant for either legal entity.
4. The discount rate used to determine the 2017 cost was 4.13%, a decrease from the 4.65% discount rate used to determine the 2016 cost. This increased the 2017 cost slightly for Xcel Services but was not significant for SPS.
5. The actual investment return includes the impact of actual benefit payments and contributions during 2016. The net impact was a slight decrease to 2017 cost for SPS. The net impact on Xcel Services was not significant.

Economic Assumptions

The following primary economic assumptions were used in the current and prior year:

	2017	2016
Discount Rate	4.13%	4.65%
Expected Return on Assets Assumption – VEBA (Bargaining/Non bargaining)	5.80%	5.80%
Initial Medical Trend	5.50%	6.00%
Ultimate Medical Trend	4.50%	4.50%
Year Ultimate Trend is Reached	2019	2019

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 2017 valuation report dated March 31, 2017. 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.

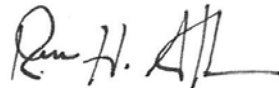
In our opinion, all calculations are in accordance with US GAAP and the procedures followed and the results presented are in conformity with applicable actuarial standards of practice.

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/609084A/XcelRETActuarial-2018/Documents/Other Projects/PRW Cost by Legal Entity/2017 FAS 106 Cost_SPS and XS_03162018.docx

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

Beth Fernandez, Willis Towers Watson
Kristoff Hendrickson, Willis Towers Watson
Scott Lund, Willis Towers Watson
Jim Shaddy, Willis Towers Watson
Jake Murette, Willis Towers Watson

XCEL ENERGY INC. - Postretirement Benefits
ASC 715 Results by Legal Entity
(\$ in Thousands)

	Amortizations						January 1 Prepaid (Accrued)	Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss	Net Cost		
2016								
SPS ¹	775	1,821	(2,377)	(401)	(583)	(765)	(16,081)	-
Xcel Services ¹	36	1,248	(44)	(549)	659	1,350	(13,339)	1,626
Total Xcel Energy	811	3,069	(2,421)	(950)	76	585	(29,420)	1,626

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	4.65%
Expected Return on Assets	5.80%
Medical Trend	
Initial (2016)	6.00%
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.

See 2016 valuation report for additional information on data, assumptions, methods and plan provisions.

Contribution for SPS equals net cost for 2016, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2016.

	Amortizations						January 1 Prepaid (Accrued)	Contribution
	Service Cost	Interest Cost	Expected Return on Assets	Prior Service Cost	Net (Gain)/Loss	Net Cost		
2017								
SPS ¹	875	1,659	(2,355)	(401)	(618)	(840)	(14,788)	-
Xcel Services ¹	44	1,161	(29)	(549)	864	1,491	(13,583)	1,748
Total Xcel Energy	919	2,820	(2,384)	(950)	246	651	(28,371)	1,748

¹Includes Executive Life Insurance benefits.

Assumptions

Discount Rate	4.13%
Expected Return on Assets	5.80%
Medical Trend	
Initial (2017)	5.50%
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-2016 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-2016 methodology.

See 2017 valuation report for additional information on data, assumptions, methods and plan provisions.

Contribution for SPS equals net cost for 2017, but not less than zero. Contribution for Xcel Services equals expected benefit payments during 2017.