



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020 or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Xcel Energy Inc.

(Exact name of registrant as specified in its charter)

Minnesota

(State or Other Jurisdiction of Incorporation or Organization)

001-3034

(Commission File
Number)

41-0448030

(IRS Employer Identification No.)

414 Nicollet Mall Minneapolis Minnesota

(Address of Principal Executive Offices)

55401

(Zip Code)

612 330-5500

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last
Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$2.50 par value	XEL	Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	April 30, 2020
Common Stock, \$2.50 par value	525,170,820 shares

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Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

This Form 10-Q is filed by Xcel Energy Inc. Additional information is available on various filings with the Securities and Exchange Commission (SEC).

Xcel Energy Inc.'s Subsidiaries and Affiliates (current and former)

NSP-Minnesota	Northern States Power Company, a Minnesota corporation
NSP System	The electric production and transmission system of NSP-Minnesota and NSP-Wisconsin operated on an integrated basis and managed by NSP-Minnesota
NSP-Wisconsin	Northern States Power Company, a Wisconsin corporation
PSCo	Public Service Company of Colorado
SPS	Southwestern Public Service Co.
Utility subsidiaries	NSP-Minnesota, NSP-Wisconsin, PSCo and SPS
WGI	West Gas Interstate
Xcel Energy	Xcel Energy Inc. and its subsidiaries

Federal and State Regulatory Agencies

CPUC	Colorado Public Utilities Commission
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DOC	Department of Commerce
DOE	Department of Energy
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
MPUC	Minnesota Public Utilities Commission
NMPRC	New Mexico Public Regulation Commission
NRC	Nuclear Regulatory Commission
OAG	Minnesota Office of the Attorney General
PSCW	Public Service Commission of Wisconsin
PUCT	Public Utility Commission of Texas
SEC	Securities and Exchange Commission

Electric, Purchased Gas and Resource Adjustment Clauses

DSM	Demand side management
FCA	Fuel clause adjustment
GUIC	Gas utility infrastructure cost rider
RES	Renewable energy standard
TCR	Transmission cost recovery adjustment

Other

AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
AXM	Alliance of Xcel Municipalities
C&I	Commercial and Industrial
CC	Combined cycle
CCR	Coal combustion residual
CCR Rule	Final rule (40 CFR 257.50 - 257.107) published by the EPA regulating the management, storage and disposal of CCRs as a nonhazardous waste
CDD	Cooling degree-days
CEO	Chief executive officer
CFO	Chief financial officer
COVID-19	Novel coronavirus
CT	Combustion turbine
CWIP	Construction work in progress
DR	Demand response
DRIP	Dividend Reinvestment and Stock Purchase Program
EPS	Earnings per share
ETR	Effective tax rate
FASB	Financial Accounting Standards Board
FTR	Financial transmission right
GAAP	Generally accepted accounting principles
GE	General Electric
HDD	Heating degree-days
IPP	Independent power producing entity

LLC	Limited liability company
MDL	Multi district litigation
MEC	Mankato Energy Center
MGP	Manufactured gas plant
MISO	Midcontinent Independent System Operator, Inc.
NAV	Net asset value
NOI	Notice of inquiry
NOL	Net operating loss
O&M	Operating and maintenance
OATT	Open Access Transmission Tariff
OPUC	Office of Public Utility Counsel
PPA	Power purchase agreement
PTC	Production tax credit
ROE	Return on equity
ROFR	Right-of-first refusal
ROU	Right-of-use
RTO	Regional Transmission Organization
SMMPA	Southern Minnesota Municipal Power Agency
SPP	Southwest Power Pool, Inc.
THI	Temperature-humidity index
TIEC	Texas Industrial Energy Consumers
TOs	Transmission owners
VIE	Variable interest entity

Measurements

KV	Kilovolts
MMBtu	Million British thermal Units
MW	Megawatts
MWh	Megawatt hours

Forward-Looking Statements

Except for the historical statements contained in this report, the matters discussed herein are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements, including the 2020 EPS guidance, long-term EPS and dividend growth rate objectives, future sales, future bad debt expense, and future operating performance, as well as assumptions and other statements are intended to be identified in this document by the words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “objective,” “outlook,” “plan,” “project,” “possible,” “potential,” “should,” “will,” “would” 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 elsewhere in this Quarterly Report on Form 10-Q and in other securities filings (including Xcel Energy’s Annual Report on [Form 10-K](#) for the fiscal year ended Dec. 31, 2019, and subsequent securities filings), could cause actual results to differ materially from management expectations as suggested by such forward-looking information: uncertainty around the impacts and duration of the COVID-19 pandemic; operational safety, including our nuclear generation facilities; successful long-term operational planning; commodity risks associated with energy markets and production; rising energy prices and fuel costs; qualified employee work force and third-party contractor factors; ability to recover costs, changes in regulation and subsidiaries’ ability to recover costs from customers; reductions in our credit ratings and the cost of maintaining certain contractual relationships; general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of Xcel Energy Inc. and its subsidiaries to obtain financing on favorable terms; availability or cost of capital; our customers’ and counterparties’ ability to pay their debts to us; assumptions and costs relating to funding our employee benefit plans and health care benefits; our subsidiaries’ ability to make dividend payments; tax laws; effects of geopolitical events, including war and acts of terrorism; cyber security threats and data security breaches; seasonal weather patterns; changes in environmental laws and regulations; climate change and other weather; natural disaster and resource depletion, including compliance with any accompanying legislative and regulatory changes; and costs of potential regulatory penalties.

PART I — FINANCIAL INFORMATION
ITEM 1 — FINANCIAL STATEMENTS

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(amounts in millions, except per share data)

	Three Months Ended March 31	
	2020	2019
Operating revenues		
Electric	\$ 2,203	\$ 2,325
Natural gas	583	794
Other	25	22
Total operating revenues	2,811	3,141
Operating expenses		
Electric fuel and purchased power	797	914
Cost of natural gas sold and transported	285	479
Cost of sales — other	9	10
Operating and maintenance expenses	579	597
Conservation and demand side management expenses	74	72
Depreciation and amortization	463	433
Taxes (other than income taxes)	149	150
Total operating expenses	2,356	2,655
Operating income	455	486
Other (expense) income, net	(11)	4
Equity earnings of unconsolidated subsidiaries	11	9
Allowance for funds used during construction — equity	23	20
Interest charges and financing costs		
Interest charges — includes other financing costs of \$7 and \$6, respectively	199	189
Allowance for funds used during construction — debt	(10)	(10)
Total interest charges and financing costs	189	179
Income before income taxes	289	340
Income tax (benefit) expense	(6)	25
Net income	<u>\$ 295</u>	<u>\$ 315</u>
Weighted average common shares outstanding:		
Basic	526	515
Diluted	527	516
Earnings per average common share:		
Basic	\$ 0.56	\$ 0.61
Diluted	0.56	0.61

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(amounts in millions)

	Three Months Ended March 31	
	2020	2019
Net income	\$ 295	\$ 315
Other comprehensive loss		
Pension and retiree medical benefits:		
Net pension and retiree medical gains arising during the period, net of tax of \$0 and \$1, respectively	—	2
Reclassifications of loss to net income, net of tax of \$0	1	1
Derivative instruments:		
Net fair value decrease, net of tax of \$(3) and \$(2), respectively	(10)	(7)
Reclassification of losses to net income, net of tax of \$0	2	1
Total other comprehensive loss	(7)	(3)
Total comprehensive income	<u>\$ 288</u>	<u>\$ 312</u>

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(amounts in millions)

	Three Months Ended March 31	
	2020	2019
Operating activities		
Net income	\$ 295	\$ 315
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	466	438
Nuclear fuel amortization	33	31
Deferred income taxes	34	26
Allowance for equity funds used during construction	(23)	(20)
Equity earnings of unconsolidated subsidiaries	(11)	(9)
Dividends from unconsolidated subsidiaries	11	10
Share-based compensation expense	26	19
Changes in operating assets and liabilities:		
Accounts receivable	7	(114)
Accrued unbilled revenues	149	92
Inventories	33	84
Other current assets	(31)	(33)
Accounts payable	(201)	4
Net regulatory assets and liabilities	101	153
Other current liabilities	(77)	(36)
Pension and other employee benefit obligations	(157)	(145)
Other, net	14	(22)
Net cash provided by operating activities	669	793
Investing activities		
Capital/construction expenditures	(1,607)	(844)
Purchases of investment securities	(835)	(305)
Proceeds from the sale of investment securities	830	300
Other, net	6	(3)
Net cash used in investing activities	(1,606)	(852)
Financing activities		
Proceeds from short-term borrowings, net	1,170	214
Proceeds from issuances of long-term debt	—	392
Repayments of long-term debt, including reacquisition premiums	—	(400)
Dividends paid	(204)	(187)
Other, net	(33)	(13)
Net cash provided by financing activities	933	6
Net change in cash, cash equivalents and restricted cash	(4)	(53)
Cash, cash equivalents and restricted cash at beginning of period	248	147
Cash, cash equivalents and restricted cash at end of period	<u>\$ 244</u>	<u>\$ 94</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	\$ (207)	\$ (190)
Cash received (paid) for income taxes, net	—	—
Supplemental disclosure of non-cash investing and financing transactions:		
Accrued property, plant and equipment additions	\$ 284	\$ 238
Inventory transfers to property, plant and equipment	33	18
Operating lease right-of-use assets	—	1,659
Allowance for equity funds used during construction	23	20

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(amounts in millions, except share and per share data)

	March 31, 2020	Dec. 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 244	\$ 248
Accounts receivable, net	839	837
Accrued unbilled revenues	561	713
Inventories	488	544
Regulatory assets	508	488
Derivative instruments	45	55
Prepaid taxes	68	43
Prepayments and other	230	185
Total current assets	2,983	3,113
Property, plant and equipment, net	40,776	39,483
Other assets		
Nuclear decommissioning fund and other investments	2,429	2,731
Regulatory assets	3,130	2,935
Derivative instruments	39	22
Operating lease right-of-use assets	1,260	1,672
Other	516	492
Total other assets	7,374	7,852
Total assets	\$ 51,133	\$ 50,448
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	\$ 1,102	\$ 702
Short-term debt	1,765	595
Accounts payable	996	1,294
Regulatory liabilities	456	407
Taxes accrued	553	466
Accrued interest	167	192
Dividends payable	226	212
Derivative instruments	52	38
Operating lease liabilities	143	194
Other	379	468
Total current liabilities	5,839	4,568
Deferred credits and other liabilities		
Deferred income taxes	4,492	4,509
Deferred investment tax credits	48	49
Regulatory liabilities	5,342	5,077
Asset retirement obligations	2,734	2,701
Derivative instruments	183	175
Customer advances	202	203
Pension and employee benefit obligations	622	785
Operating lease liabilities	1,163	1,549
Other	196	186
Total deferred credits and other liabilities	14,982	15,234
Commitments and contingencies		

Capitalization		
Long-term debt	17,010	17,407
Common stock — 1,000,000,000 shares authorized of \$2.50 par value; 525,033,594 and 524,539,000 shares outstanding at March 31, 2020 and Dec. 31, 2019, respectively	1,313	1,311
Additional paid in capital	6,659	6,656
Retained earnings	5,478	5,413
Accumulated other comprehensive loss	(148)	(141)
Total common stockholders' equity	13,302	13,239
Total liabilities and equity	\$ 51,133	\$ 50,448

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY (UNAUDITED)
(amounts in millions, shares in thousands)

	Common Stock Issued			Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stockholders' Equity
	Shares	Par Value	Additional Paid In Capital			
Three Months Ended March 31, 2020 and 2019						
Balance at Dec. 31, 2018	514,037	\$ 1,285	\$ 6,168	\$ 4,893	\$ (124)	\$ 12,222
Net income				315		315
Other comprehensive loss					(3)	(3)
Dividends declared on common stock (\$0.41 per share)				(210)		(210)
Issuances of common stock	637	2	10			12
Repurchases of common stock	(6)	—	—			—
Share-based compensation			(5)	(2)		(7)
Balance at March 31, 2019	<u>514,668</u>	<u>\$ 1,287</u>	<u>\$ 6,173</u>	<u>\$ 4,996</u>	<u>\$ (127)</u>	<u>\$ 12,329</u>
Balance at Dec. 31, 2019	524,539	\$ 1,311	\$ 6,656	\$ 5,413	\$ (141)	\$ 13,239
Net income				295		295
Other comprehensive loss					(7)	(7)
Dividends declared on common stock (\$0.43 per share)				(227)		(227)
Issuances of common stock	495	2	10			12
Share-based compensation			(7)	(1)		(8)
Adoption of ASC Topic 326				(2)		(2)
Balance at March 31, 2020	<u>525,034</u>	<u>\$ 1,313</u>	<u>\$ 6,659</u>	<u>\$ 5,478</u>	<u>\$ (148)</u>	<u>\$ 13,302</u>

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (UNAUDITED)

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly, in accordance with U.S. GAAP, the financial position of Xcel Energy Inc. and its subsidiaries as of March 31, 2020 and Dec. 31, 2019; the results of its operations, including the components of net income and comprehensive income, and changes in stockholders' equity for the three months ended March 31, 2020 and 2019; and its cash flows for the three months ended March 31, 2020 and 2019. All adjustments are of a normal, recurring nature, except as otherwise disclosed. Management has also evaluated the impact of events occurring after March 31, 2020, up to the date of issuance of these consolidated financial statements. These statements contain all necessary adjustments and disclosures resulting from that evaluation. The Dec. 31, 2019, balance sheet information has been derived from the audited 2019 consolidated financial statements included in the Xcel Energy Inc. Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019. Notes to the consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP on an annual basis have been condensed or omitted pursuant to such rules and regulations. For further information, refer to the consolidated financial statements and notes thereto, included in the Xcel Energy Inc. Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, filed with the SEC on Feb. 21, 2020. Due to the seasonality of Xcel Energy's electric and natural gas sales, interim results are not necessarily an appropriate base from which to project annual results.

1. Summary of Significant Accounting Policies

The significant accounting policies set forth in Note 1 to the consolidated financial statements in the Xcel Energy Inc. Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, appropriately represent, in all material respects, the current status of accounting policies and are incorporated herein by reference.

2. Accounting Pronouncements

Recently Adopted

Credit Losses — In 2016, the FASB issued *Financial Instruments - Credit Losses, Topic 326 (ASC Topic 326)*, which changes how entities account for losses on receivables and certain other assets. The guidance requires use of a current expected credit loss model, which may result in earlier recognition of credit losses than under previous accounting standards.

Xcel Energy implemented the guidance using a modified-retrospective approach, recognizing a cumulative effect charge of \$2 million (after tax) to retained earnings. Other than first-time recognition of an allowance for doubtful accounts on accrued unbilled revenues, the Jan. 1, 2020, adoption of ASC Topic 326 did not have a significant impact on Xcel Energy's consolidated financial statements.

3. Selected Balance Sheet Data

(Millions of Dollars)	March 31, 2020	Dec. 31, 2019
Accounts receivable, net		
Accounts receivable	\$ 897	\$ 892
Less allowance for bad debts	(58)	(55)
Accounts receivable, net	<u>\$ 839</u>	<u>\$ 837</u>

(Millions of Dollars)	March 31, 2020	Dec. 31, 2019
Inventories		
Materials and supplies	\$ 283	\$ 270
Fuel	170	191
Natural gas	35	83
Total inventories	<u>\$ 488</u>	<u>\$ 544</u>

(Millions of Dollars)	March 31, 2020	Dec. 31, 2019
Property, plant and equipment, net		
Electric plant	\$ 44,544	\$ 44,355
Natural gas plant	6,653	6,560
Common and other property	2,991	2,341
Plant to be retired ^(a)	217	259
CWIP	2,756	2,329
Total property, plant and equipment	57,161	55,844
Less accumulated depreciation	(16,730)	(16,735)
Nuclear fuel	2,913	2,909
Less accumulated amortization	(2,568)	(2,535)
Property, plant and equipment, net	<u>\$ 40,776</u>	<u>\$ 39,483</u>

^(a) In 2018, the CPUC approved early retirement of PSCo's Comanche Units 1 and 2 in approximately 2022 and 2025, respectively. PSCo also expects Craig Unit 1 to be retired early in 2025. Amounts are presented net of accumulated depreciation.

4. Borrowings and Other Financing Instruments

Short-Term Borrowings

Short-Term Debt — Xcel Energy Inc. and its utility subsidiaries meet their short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under their credit facilities and term loan agreements.

Commercial paper and term loan borrowings outstanding for Xcel Energy were as follows:

(Amounts in Millions, Except Interest Rates)	Three Months Ended March 31, 2020	Year Ended Dec. 31, 2019
Borrowing limit	\$ 4,300	\$ 3,600
Amount outstanding at period end	1,765	595
Average amount outstanding	1,404	1,115
Maximum amount outstanding	2,080	1,780
Weighted average interest rate, computed on a daily basis	2.05%	2.72%
Weighted average interest rate at period end	1.96	2.34

Letters of Credit — Xcel Energy Inc. and its subsidiaries use letters of credit, generally with terms of one year, to provide financial guarantees for certain operating obligations. At both March 31, 2020 and Dec. 31, 2019, there were \$20 million of letters of credit outstanding under the credit facilities. The contract amounts of these letters of credit approximate their fair value and are subject to fees.

Revolving Credit Facilities — In order to use commercial paper programs to fulfill short-term funding needs, Xcel Energy Inc. and its utility subsidiaries must have revolving credit facilities in place at least equal to the amount of their respective commercial paper borrowing limits and cannot issue commercial paper in an aggregate amount exceeding available capacity under these credit facilities. The lines of credit provide short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings.

As of March 31, 2020, Xcel Energy Inc. and its utility subsidiaries had the following committed revolving credit facilities available:

(Millions of Dollars)	Credit Facility ^(a)	Outstanding ^(b)	Available
Xcel Energy Inc.	\$ 1,250	\$ 449	\$ 801
PSCo	700	8	692
NSP-Minnesota	500	10	490
SPS	500	42	458
NSP-Wisconsin	150	76	74
Total	\$ 3,100	\$ 585	\$ 2,515

(a) Expires in June 2024.

(b) Includes outstanding commercial paper and letters of credit.

Xcel Energy Inc., NSP-Minnesota, PSCo, and SPS each have the right to request an extension of the revolving credit facility termination date for two additional one year periods. NSP-Wisconsin has the right to request an extension of the revolving credit facility termination date for an additional one year period. All extension requests are subject to majority bank group approval.

All credit facility bank borrowings, outstanding letters of credit and outstanding commercial paper reduce the available capacity under the respective credit facilities. Xcel Energy Inc. and its subsidiaries had no direct advances on the credit facilities outstanding as of March 31, 2020 and Dec. 31, 2019.

Term Loan Agreements — In March 2020, Xcel Energy Inc. entered into a \$700 million, 364-Day Term Loan Agreement. The loan is unsecured and matures March 22, 2021. Xcel Energy has an option to request an extension through March 21, 2022. The term loan includes one financial covenant, requiring Xcel Energy's consolidated funded debt to total capitalization ratio to be less than or equal to 65 percent. Interest is at a rate equal to either the Eurodollar rate, plus 60.0 basis points, or an alternate base rate.

As of March 31, 2020, Xcel Energy Inc.'s term loan borrowings were as follows:

(Millions of Dollars)	Limit	Amount Used	Available
Xcel Energy Inc.	\$ 1,200	\$ 1,200	\$ —

Bilateral Credit Agreement

In March 2019, NSP-Minnesota entered into a one year uncommitted bilateral credit agreement. The credit agreement is limited in use to support letters of credit. In March 2020, NSP-Minnesota renewed its bilateral credit agreement for an additional one-year term.

As of March 31, 2020, NSP-Minnesota's outstanding letters of credit under the Bilateral Credit Agreement were as follows:

(Millions of Dollars)	Limit	Amount Outstanding	Available
NSP-Minnesota	\$ 75	\$ 26	\$ 49

Long-Term Borrowings

During the three months ended March 31, 2020, Xcel Energy Inc. and its utility subsidiaries did not issue any long-term debt. On April 1, 2020, Xcel Energy Inc. issued \$600 million of 3.40% senior unsecured notes due June 1, 2030.

Forward Equity Agreements — In November 2019, Xcel Energy Inc. entered into forward sale agreements in connection with a completed \$743 million public offering of 11.8 million shares of Xcel Energy common stock. The initial forward agreement was for 10.3 million shares with an additional agreement for 1.5 million shares that was exercised at the option of the banking counterparty.

At March 31, 2020, the forward agreements could have been settled with physical delivery of 11.8 million common shares to the banking counterparty in exchange for cash of \$734 million. The forward instruments could also have been settled at March 31, 2020, with delivery of approximately \$19 million of cash or approximately 0.3 million shares of common stock to the counterparty, if Xcel Energy unilaterally elected net cash or net share settlement, respectively.

The forward price used to determine amounts due at settlement is calculated based on the November 2019, public offering price for Xcel Energy's common stock of \$62.69, increased for the overnight bank funding rate, less a spread of 0.75% and less expected dividends on Xcel Energy's common stock during the period the instruments are outstanding.

Xcel Energy may settle the agreements at any time up to the maturity date of Dec. 31, 2020. Depending on settlement timing, cash proceeds are expected to be approximately \$720 million to \$735 million.

Forward equity instruments were recognized within stockholders' equity at fair value at execution of the agreements and will not be subsequently adjusted until settlement.

Other Equity — Xcel Energy Inc. issued \$10 million of equity through the DRIP during both the three months ended March 31, 2020 and 2019. The program allows shareholders to elect dividend reinvestment in Xcel Energy Inc. common stock through a non-cash transaction.

5. Revenues

Revenue is classified by the type of goods/services rendered and market/customer type. Xcel Energy's operating revenues consists of the following:

(Millions of Dollars)	Three Months Ended March 31, 2020			
	Electric	Natural Gas	All Other	Total
Major revenue types				
Revenue from contracts with customers:				
Residential	\$ 676	\$ 355	\$ 11	\$ 1,042
C&I	1,066	180	9	1,255
Other	29	—	1	30
Total retail	1,771	535	21	2,327
Wholesale	166	—	—	166
Transmission	132	—	—	132
Other	17	32	—	49
Total revenue from contracts with customers	2,086	567	21	2,674
Alternative revenue and other	117	16	4	137
Total revenues	<u>\$ 2,203</u>	<u>\$ 583</u>	<u>\$ 25</u>	<u>\$ 2,811</u>

(Millions of Dollars)	Three Months Ended March 31, 2019			
	Electric	Natural Gas	All Other	Total
Major revenue types				
Revenue from contracts with customers:				
Residential	\$ 727	\$ 495	\$ 9	\$ 1,231
C&I	1,140	255	9	1,404
Other	32	—	1	33
Total retail	1,899	750	19	2,668
Wholesale	189	—	—	189
Transmission	131	—	—	131
Other	18	34	—	52
Total revenue from contracts with customers	2,237	784	19	3,040
Alternative revenue and other	88	10	3	101
Total revenues	\$ 2,325	\$ 794	\$ 22	\$ 3,141

6. Income Taxes

Note 7 to the consolidated financial statements included in Xcel Energy's Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, represents, in all material respects, the current status of other income tax matters except to the extent noted below, and are incorporated herein by reference.

The following table reconciles the difference between the statutory rate and the ETR:

	Three Months Ended March 31	
	2020	2019
Federal statutory rate	21.0 %	21.0 %
State tax (net of federal tax effect)	4.9	5.0
Decreases in tax from:		
Wind PTCs	(17.2)	(8.6)
Plant regulatory differences ^(a)	(8.4)	(5.7)
Other tax credits, net NOL & tax credit allowances	(0.9)	(2.7)
Other (net)	(1.5)	(1.6)
Effective income tax rate	<u>(2.1)%</u>	<u>7.4 %</u>

^(a)Regulatory differences for income tax primarily relate to the credit of excess deferred taxes to customers through the average rate assumption method. Income tax benefits associated with the credit of excess deferred credits are offset by corresponding revenue reductions.

Federal Audits — Statute of limitations applicable to Xcel Energy's consolidated federal income tax returns expire as follows:

Tax Years	Expiration
2009 - 2013	September 2020
2014 - 2016	June 2021

In 2015, the IRS commenced an examination of tax years 2012 and 2013. In 2017, the IRS concluded the audit of tax years 2012 and 2013 and proposed an adjustment that would impact Xcel Energy's NOL and ETR. Xcel Energy filed a protest with the IRS. As of March 31, 2020, the case has been forwarded to the Office of Appeals and Xcel Energy has recognized its best estimate of income tax expense that will result from a final resolution of this issue; however, the outcome and timing of a resolution is unknown.

In 2018, the IRS began an audit of tax years 2014 - 2016. As of March 31, 2020, no adjustments have been proposed.

State Audits — Xcel Energy files consolidated state tax returns based on income in its major operating jurisdictions and various other state income-based tax returns.

As of March 31, 2020, Xcel Energy's earliest open tax years (subject to examination by state taxing authorities in its major operating jurisdictions) were as follows:

State	Year
Colorado	2009
Minnesota	2009
Texas	2009
Wisconsin	2014

- In 2018, Wisconsin began an audit of tax years 2014 - 2016. As of March 31, 2020, no material adjustments have been proposed.
- No other state income tax audits were in progress as of March 31, 2020.

Unrecognized Benefits — Unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual ETR. In addition, the unrecognized tax benefit balance includes temporary tax positions for which ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the ETR but would accelerate the payment to the taxing authority to an earlier period.

Unrecognized tax benefits — permanent vs. temporary:

(Millions of Dollars)	March 31, 2020	Dec. 31, 2019
Unrecognized tax benefit — Permanent tax positions	\$ 36	\$ 35
Unrecognized tax benefit — Temporary tax positions	10	9
Total unrecognized tax benefit	\$ 46	\$ 44

Unrecognized tax benefits were reduced by tax benefits associated with NOL and tax credit carryforwards:

(Millions of Dollars)	March 31, 2020	Dec. 31, 2019
NOL and tax credit carryforwards	\$ (42)	\$ (40)

Net deferred tax liability associated with the unrecognized tax benefit amounts and related NOLs and tax credits carryforwards were \$30 million at March 31, 2020 and \$29 million at Dec. 31, 2019.

As the IRS Appeals and federal and state audits progress, it is reasonably possible that the amount of unrecognized tax benefit could decrease up to approximately \$28 million in the next 12 months.

Payables for interest related to unrecognized tax benefits were not material and no amounts were accrued for penalties related to unrecognized tax benefits as of March 31, 2020 or Dec. 31, 2019.

7. Earnings Per Share

Basic EPS was computed by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding. Diluted EPS was computed by dividing the earnings available to common shareholders by the diluted weighted average number of common shares outstanding.

Diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock (i.e., common stock equivalents) were settled. The weighted average number of potentially dilutive shares outstanding used to calculate diluted EPS is calculated using the treasury stock method.

Common Stock Equivalents — Xcel Energy Inc. has common stock equivalents related to forward equity agreements and time-based equity compensation awards.

Stock equivalent units granted to Xcel Energy Inc.'s Board of Directors are included in common shares outstanding upon grant date as there is no further service, performance or market condition associated with these awards. Restricted stock issued to employees is included in common shares outstanding when granted.

Share-based compensation arrangements for which there is currently no dilutive impact to EPS include the following:

- Equity awards subject to a performance condition; included in common shares outstanding when all necessary conditions for settlement have been satisfied by the end of the reporting period; and
- Liability awards subject to a performance condition; any portions settled in shares are included in common shares outstanding upon settlement.

Diluted common shares outstanding included common stock equivalents of 0.8 million and 1.2 million for the three months ended March 31, 2020 and 2019, respectively.

8. Fair Value of Financial Assets and Liabilities

Fair Value Measurements

Accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires disclosures about assets and liabilities measured at fair value. A hierarchical framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance.

- Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices;
- Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, or priced with models using highly observable inputs; and
- Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those valued with models requiring significant management judgment or estimation.

Specific valuation methods include:

Cash equivalents — The fair values of cash equivalents are generally based on cost plus accrued interest; money market funds are measured using quoted NAV.

Investments in equity securities and other funds — Equity securities are valued using quoted prices in active markets. The fair values for commingled funds are measured using NAVs. The investments in commingled funds may be redeemed for NAV with proper notice. Private equity commingled fund investments require approval of the fund for any unscheduled redemption, and such redemptions may be approved or denied by the fund at its sole discretion. Unscheduled distributions from real estate commingled funds investments may be redeemed with proper notice, however, withdrawals may be delayed or discounted as a result of fund illiquidity.

Investments in debt securities — Fair values for debt securities are determined by a third party pricing service using recent trades and observable spreads from benchmark interest rates for similar securities.

Interest rate derivatives — Fair values of interest rate derivatives are based on broker quotes that utilize current market interest rate forecasts.

Commodity derivatives — Methods used to measure the fair value of commodity derivative forwards and options utilize forward prices and volatilities, as well as pricing adjustments for specific delivery locations and are generally assigned a Level 2 classification. When contractual settlements relate to inactive delivery locations or extend to periods beyond those readily observable on active exchanges or quoted by brokers, the significance of the use of less observable forecasts of forward prices and volatilities on a valuation is evaluated and may result in Level 3 classification.

Electric commodity derivatives held by NSP-Minnesota and SPS include transmission congestion instruments, generally referred to as FTRs. FTRs purchased from a RTO are financial instruments that entitle or obligate the holder to monthly revenues or charges based on transmission congestion across a given transmission path.

The value of an FTR is derived from, and designed to offset, the cost of transmission congestion. In addition to overall transmission load, congestion is also influenced by the operating schedules of power plants and the consumption of electricity pertinent to a given transmission path. Unplanned plant outages, scheduled plant maintenance, changes in the relative costs of fuels used in generation, weather and overall changes in demand for electricity can each impact the operating schedules of the power plants on the transmission grid and the value of an FTR.

If forecasted costs of electric transmission congestion increase or decrease for a given FTR path, the value of that particular FTR instrument will likewise increase or decrease. Given the limited observability of certain inputs to the value of FTRs between auction processes, including expected plant operating schedules and retail and wholesale demand, fair value measurements for FTRs have been assigned a Level 3.

Non-trading monthly FTR settlements are included in fuel and purchased energy cost recovery mechanisms as applicable in each jurisdiction and therefore changes in the fair value of the yet to be settled portions of most FTRs are deferred as a regulatory asset or liability. Given this regulatory treatment and the limited magnitude of FTRs relative to the electric utility operations of NSP-Minnesota and SPS, the numerous unobservable quantitative inputs pertinent to the value of FTRs are insignificant to the consolidated financial statements.

Non-Derivative Fair Value Measurements

The NRC requires NSP-Minnesota to maintain a portfolio of investments to fund the costs of decommissioning its nuclear generating plants. Assets of the nuclear decommissioning fund are legally restricted for the purpose of decommissioning these facilities. The fund contains cash equivalents, debt securities, equity securities and other investments. NSP-Minnesota uses the MPUC approved asset allocation for the escrow and investment targets by asset class for both the escrow and qualified trust.

NSP-Minnesota recognizes the costs of funding the decommissioning over the lives of the nuclear plants, assuming rate recovery of all costs. Realized and unrealized gains on fund investments over the life of the fund are deferred as an offset of NSP-Minnesota's regulatory asset for nuclear decommissioning costs. Consequently, any realized and unrealized gains and losses on securities in the nuclear decommissioning fund are deferred as a component of the regulatory asset.

Unrealized gains for the nuclear decommissioning fund were \$454 million and \$706 million as of March 31, 2020 and Dec. 31, 2019, respectively, and unrealized losses were \$88 million and \$6 million as of March 31, 2020 and Dec. 31, 2019, respectively.

Non-derivative instruments with recurring fair value measurements in the nuclear decommissioning fund:

(Millions of Dollars)	March 31, 2020					
	Cost	Fair Value				Total
		Level 1	Level 2	Level 3	NAV	
Nuclear decommissioning fund ^(a)						
Cash equivalents	\$ 71	\$ 71	\$ —	\$ —	\$ —	\$ 71
Commingled funds	756	—	—	—	843	843
Debt securities	514	—	488	13	—	501
Equity securities	435	726	1	—	—	727
Total	\$ 1,776	\$ 797	\$ 489	\$ 13	\$ 843	\$ 2,142

(a) Reported in nuclear decommissioning fund and other investments on the consolidated balance sheet, which also includes \$158 million of equity investments in unconsolidated subsidiaries and \$129 million of rabbi trust assets and miscellaneous investments.

(Millions of Dollars)	Dec. 31, 2019					
	Cost	Fair Value				Total
		Level 1	Level 2	Level 3	NAV	
Nuclear decommissioning fund ^(a)						
Cash equivalents	\$ 33	\$ 33	\$ —	\$ —	\$ —	\$ 33
Commingled funds	733	—	—	—	935	935
Debt securities	489	—	495	13	—	508
Equity securities	485	962	2	—	—	964
Total	\$ 1,740	\$ 995	\$ 497	\$ 13	\$ 935	\$ 2,440

(a) Reported in nuclear decommissioning fund and other investments on the consolidated balance sheet, which also includes \$155 million of equity investments in unconsolidated subsidiaries and \$136 million of rabbi trust assets and miscellaneous investments.

For the three months ended March 31, 2020 and 2019, there were immaterial Level 3 nuclear decommissioning fund investments or transfer of amounts between levels.

Contractual maturity dates of debt securities in the nuclear decommissioning fund as of March 31, 2020:

(Millions of Dollars)	Final Contractual Maturity				Total
	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years	
Debt securities	\$ 11	\$ 81	\$ 205	\$ 204	\$ 501

Rabbi Trusts

Xcel Energy has established rabbi trusts to provide partial funding for future distributions of its supplemental executive retirement plan and deferred compensation plan.

Cost and fair value of assets held in rabbi trusts:

(Millions of Dollars)	March 31, 2020				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Rabbi Trusts ^(a)					
Cash equivalents	\$ 17	\$ 17	\$ —	\$ —	\$ 17
Mutual funds	57	56	—	—	56
Total	\$ 74	\$ 73	\$ —	\$ —	\$ 73

(Millions of Dollars)	Dec. 31, 2019				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Rabbi Trusts ^(a)					
Cash equivalents	\$ 17	\$ 17	\$ —	\$ —	\$ 17
Mutual funds	57	65	—	—	65
Total	\$ 74	\$ 82	\$ —	\$ —	\$ 82

(a) Reported in nuclear decommissioning fund and other investments on the consolidated balance sheet.

Derivative Instruments Fair Value Measurements

Xcel Energy enters into derivative instruments, including forward contracts, futures, swaps and options, for trading purposes and to manage risk in connection with changes in interest rates, utility commodity prices and vehicle fuel prices.

Interest Rate Derivatives — Xcel Energy enters into various instruments that effectively fix the interest payments on certain floating rate debt obligations or effectively fix the yield or price on a specified benchmark interest rate for an anticipated debt issuance for a specific period. These derivative instruments are generally designated as cash flow hedges for accounting purposes.

As of March 31, 2020, Xcel Energy had \$13 million of settlement payables related to interest rate swaps, which were paid in April 2020. These interest rate derivatives were designated as hedges and changes in fair value were recorded as other comprehensive income.

As of March 31, 2020, accumulated other comprehensive loss related to interest rate derivatives included \$5 million of net losses expected to be reclassified into earnings during the next 12 months as the hedged transactions impact earnings.

Wholesale and Commodity Trading Risk — Xcel Energy Inc.'s utility subsidiaries conduct various wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy, energy-related instruments and natural gas-related instruments, including derivatives. Xcel Energy is allowed to conduct these activities within guidelines and limitations as approved by its risk management committee, comprised of management personnel not directly involved in activities governed by this policy.

Commodity Derivatives — Xcel Energy enters into derivative instruments to manage variability of future cash flows from changes in commodity prices in its electric and natural gas operations, as well as for trading purposes. This could include the purchase or sale of energy or energy-related products, natural gas to generate electric energy, natural gas for resale, FTRs, vehicle fuel and weather derivatives.

Xcel Energy may enter into derivative instruments that mitigate commodity price risk on behalf of electric and natural gas customers, but may not be designated as qualifying hedging transactions. Changes in the fair value of non-trading commodity derivative instruments are recorded as other comprehensive income or deferred as a regulatory asset or liability. The classification as a regulatory asset or liability is based on approved regulatory recovery mechanisms.

As of March 31, 2020, Xcel Energy had no commodity contracts designated as cash flow hedges.

Xcel Energy enters into commodity derivative instruments for trading purposes not directly related to commodity price risks associated with serving its electric and natural gas customers. Changes in the fair value of these commodity derivatives are recorded in electric operating revenues, net of amounts credited to customers under margin-sharing mechanisms.

Gross notional amounts of commodity forwards, options and FTRs:

(Amounts in Millions) ^{(a)(b)}	March 31, 2020	Dec. 31, 2019
MWh of electricity	79	95
MMBtu of natural gas	149	110

(a) Not reflective of net positions in the underlying commodities.

(b) Notional amounts for options included on a gross basis but weighted for the probability of exercise.

Consideration of Credit Risk and Concentrations — Xcel Energy continuously monitors the creditworthiness of counterparties to its interest rate derivatives and commodity derivative contracts prior to settlement, and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Impact of credit risk was immaterial to the fair value of unsettled commodity derivatives presented in the consolidated balance sheets.

Xcel Energy's utility subsidiaries' most significant concentrations of credit risk with particular entities or industries are contracts with counterparties to their wholesale, trading and non-trading commodity activities.

As of March 31, 2020, six of Xcel Energy's 10 most significant counterparties for these activities, comprising \$154 million, or 56%, of this credit exposure, had investment grade credit ratings from S&P Global Ratings, Moody's Investor Services or Fitch Ratings. Three of the 10 most significant counterparties, comprising \$35 million, or 13%, of this credit exposure, were not rated by these external agencies, but based on Xcel Energy's internal analysis, had credit quality consistent with investment grade. One of these significant counterparties, comprising \$12 million or 4% of this credit exposure, had credit quality less than investment grade, based on internal analysis. Eight of these significant counterparties are municipal or cooperative electric entities, RTOs or other utilities.

Impact of derivative activity:

(Millions of Dollars)	Pre-Tax Fair Value Gains (Losses) Recognized During the Period in:	
	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities
Three Months Ended March 31, 2020		
Derivatives designated as cash flow hedges		
Interest rate	\$ (13)	\$ —
Total	(13)	—
Three Months Ended March 31, 2019		
Derivatives designated as cash flow hedges		
Interest rate	(9)	—
Total	(9)	—
Other derivative instruments		
Electric commodity	—	12
Natural gas commodity	—	4
Total	\$ —	\$ 16

	Pre-Tax (Gains) Losses Reclassified into Income During the Period from:		Pre-Tax Gains (Losses) Recognized During the Period in Income
(Millions of Dollars)	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	
Three Months Ended March 31, 2020			
Derivatives designated as cash flow hedges			
Interest rate	\$ 2 ^(a)	\$ —	\$ —
Total	2	—	—
Other derivative instruments			
Commodity trading	—	—	1 ^(b)
Electric commodity	—	(4) ^(c)	—
Natural gas commodity	—	5 ^(d)	(6) ^(d)
Total	—	1	(5)
Three Months Ended March 31, 2019			
Derivatives designated as cash flow hedges			
Interest rate	1 ^(a)	—	—
Total	1	—	—
Other derivative instruments			
Commodity trading	—	—	1 ^(b)
Electric commodity	—	1 ^(c)	—
Natural gas commodity	—	(1) ^(d)	(3) ^(d)
Total	\$ —	\$ —	\$ (2)

(a) Recorded to interest charges.

(b) Recorded to electric operating revenues. Portions of these gains and losses are subject to sharing with electric customers through margin-sharing mechanisms and deducted from gross revenue, as appropriate.

(c) Recorded to electric fuel and purchased power. These derivative settlement gains and losses are shared with electric customers through fuel and purchased energy cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.

(d) Amounts for both the three months ended March 31, 2020 and 2019 included no settlement gains or losses on derivatives entered to mitigate natural gas price risk for electric generation recorded to electric fuel and purchased power, subject to cost-recovery mechanisms and reclassified to a regulatory asset, as appropriate. Remaining settlement losses for the three months ended March 31, 2020 and 2019 related to natural gas operations and were recorded to cost of natural gas sold and transported. These gains and losses are subject to cost-recovery mechanisms and reclassified out of income to a regulatory asset or liability, as appropriate.

Xcel Energy had no derivative instruments designated as fair value hedges during the three months ended March 31, 2020 and 2019.

Credit Related Contingent Features — Contract provisions for derivative instruments that the utility subsidiaries enter, including those accounted for as normal purchase-normal sale contracts and therefore not reflected on the consolidated balance sheets, may require the posting of collateral or settlement of the contracts for various reasons, including if the applicable utility subsidiary's credit ratings are downgraded below its investment grade credit rating by any of the major credit rating agencies, or for cross default contractual provisions if there was a failure under other financing arrangements related to payment terms or other covenants. As of March 31, 2020 and Dec. 31, 2019, there were \$11 million and \$7 million derivative instruments in a liability position with such underlying contract provisions, respectively. Certain derivative instruments are also subject to contract provisions that contain adequate assurance clauses. Provisions allow counterparties to seek performance assurance, including cash collateral, in the event that a given utility subsidiary's ability to fulfill its contractual obligations is reasonably expected to be impaired. Xcel Energy had no collateral posted related to adequate assurance clauses in derivative contracts as of March 31, 2020 and Dec. 31, 2019.

Recurring Fair Value Measurements — Derivative assets and liabilities measured at fair value on a recurring basis:

	March 31, 2020						Dec. 31, 2019					
	Fair Value			Fair Value Total	Netting (a)	Total	Fair Value			Fair Value Total	Netting (a)	Total
(Millions of Dollars)	Level 1	Level 2	Level 3				Level 1	Level 2	Level 3			
Current derivative assets												
Other derivative instruments:												
Commodity trading	\$ 8	\$ 63	\$ 16	\$ 87	\$ (63)	\$ 24	\$ 3	\$ 51	\$ 24	\$ 78	\$ (52)	\$ 26
Electric commodity	—	—	18	18	—	18	—	—	21	21	(1)	20
Natural gas commodity	—	—	—	—	—	—	—	6	—	6	—	6
Total current derivative assets	<u>\$ 8</u>	<u>\$ 63</u>	<u>\$ 34</u>	<u>\$ 105</u>	<u>\$ (63)</u>	42	<u>\$ 3</u>	<u>\$ 57</u>	<u>\$ 45</u>	<u>\$ 105</u>	<u>\$ (53)</u>	52
PPAs ^(b)						3						3
Current derivative instruments						<u>\$ 45</u>						<u>\$ 55</u>
Noncurrent derivative assets												
Other derivative instruments:												
Commodity trading	\$ 10	\$ 38	\$ 22	\$ 70	\$ (45)	\$ 25	\$ 9	\$ 38	\$ 7	\$ 54	\$ (45)	\$ 9
Electric commodity	—	—	2	2	—	2	—	—	—	—	—	—
Total noncurrent derivative assets	<u>\$ 10</u>	<u>\$ 38</u>	<u>\$ 24</u>	<u>\$ 72</u>	<u>\$ (45)</u>	27	<u>\$ 9</u>	<u>\$ 38</u>	<u>\$ 7</u>	<u>\$ 54</u>	<u>\$ (45)</u>	9
PPAs ^(b)						12						13
Noncurrent derivative instruments						\$ 39						\$ 22

	March 31, 2020						Dec. 31, 2019						
	Fair Value			Fair Value Total	Netting ^(a)	Total	Fair Value			Fair Value Total	Netting ^(a)	Total	
(Millions of Dollars)	Level 1	Level 2	Level 3				Level 1	Level 2	Level 3				
Current derivative liabilities													
Derivatives designated as cash flow hedges:													
Interest rate	\$ —	\$ 13	\$ —	\$ 13	\$ —	\$ 13	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Other derivative instruments:													
Commodity trading	\$ 8	\$ 62	\$ 14	\$ 84	\$ (63)	\$ 21	\$ 4	\$ 59	\$ 15	\$ 78	\$ (63)	\$ 15	
Electric commodity	—	—	—	—	—	—	—	—	1	1	(1)	—	
Natural gas commodity	—	—	—	—	—	—	—	5	—	5	—	5	
Total current derivative liabilities	<u>\$ 8</u>	<u>\$ 75</u>	<u>\$ 14</u>	<u>\$ 97</u>	<u>\$ (63)</u>	<u>34</u>	<u>\$ 4</u>	<u>\$ 64</u>	<u>\$ 16</u>	<u>\$ 84</u>	<u>\$ (64)</u>	<u>20</u>	
PPAs ^(b)						18						18	
Current derivative instruments						<u>\$ 52</u>						<u>\$ 38</u>	
Noncurrent derivative liabilities													
Other derivative instruments:													
Commodity trading	<u>\$ 3</u>	<u>\$ 89</u>	<u>\$ 39</u>	<u>\$ 131</u>	<u>\$ (19)</u>	<u>\$ 112</u>	<u>\$ 2</u>	<u>\$ 79</u>	<u>\$ 32</u>	<u>\$ 113</u>	<u>\$ (13)</u>	<u>\$ 100</u>	
Total noncurrent derivative liabilities	<u>\$ 3</u>	<u>\$ 89</u>	<u>\$ 39</u>	<u>\$ 131</u>	<u>\$ (19)</u>	<u>112</u>	<u>\$ 2</u>	<u>\$ 79</u>	<u>\$ 32</u>	<u>\$ 113</u>	<u>\$ (13)</u>	<u>100</u>	
PPAs ^(b)						71						75	
Noncurrent derivative instruments						\$ 183						\$ 175	

(a) Xcel Energy nets derivative instruments and related collateral in its consolidated balance sheet when supported by a legally enforceable master netting agreement, and all derivative instruments and related collateral amounts were subject to master netting agreements at March 31, 2020 and Dec. 31, 2019. At both March 31, 2020 and Dec. 31, 2019, derivative assets and liabilities include \$32 million of obligations to return cash collateral and rights to reclaim cash collateral of \$6 million and \$11 million, respectively. Counterparty netting amounts presented exclude settlement receivables and payables and non-derivative amounts that may be subject to the same master netting agreements.

(b) During 2006, Xcel Energy qualified these contracts under the normal purchase exception. Based on this qualification, contracts are no longer adjusted to fair value and the previous carrying value of these contracts is being amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

Changes in Level 3 commodity derivatives:

(Millions of Dollars)	Three Months Ended March 31	
	2020	2019
Balance at Jan. 1	\$ 4	\$ 29

Xcel Energy recognizes transfers between levels as of the beginning of each period. There were no transfers of amounts between levels for derivative instruments for the three months ended March 31, 2020 and 2019.

Fair Value of Long-Term Debt

Other financial instruments which the carrying amount did not equal fair value:

Purchases	12	4
Settlements	(18)	(11)
Net transactions recorded during the period:		
Gains (losses) recognized in earnings ^(a)	6	(18)
Net gains (losses) recognized as regulatory assets and liabilities	1	(11)
Balance at March 31	<u>\$ 5</u>	<u>\$ (7)</u>

^(a) Amounts relate to commodity derivatives held at the end of the period.

	March 31, 2020		Dec. 31, 2019	
(Millions of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	\$ 18,112	\$ 19,864	\$ 18,109	\$ 20,227

Fair value of Xcel Energy's long-term debt is estimated based on recent trades and observable spreads from benchmark interest rates for similar securities. Fair value estimates are based on information available to management as of March 31, 2020 and Dec. 31, 2019, and given the observability of the inputs, fair values presented for long-term debt were assigned as Level 2.

9. Benefit Plans and Other Postretirement Benefits

Components of Net Periodic Benefit Cost (Credit)

(Millions of Dollars)	Three Months Ended March 31			
	2020		2019	
	Pension Benefits		Postretirement Health Care Benefits	
Service cost	\$ 24	\$ 22	\$ —	\$ —
Interest cost ^(a)	31	36	5	6
Expected return on plan assets ^(a)	(52)	(51)	(5)	(5)
Amortization of prior service credit ^(a)	(1)	(1)	(2)	(3)
Amortization of net loss ^(a)	25	22	1	1
Net periodic benefit cost (credit)	27	28	(1)	(1)
Credits not recognized due to effects of regulation	2	1	1	—
Net benefit cost (credit) recognized for financial reporting	\$ 29	\$ 29	\$ —	\$ (1)

^(a) Components of net periodic cost other than the service cost component are included in the line item "other (expense) income, net" in the consolidated statement of income or capitalized on the consolidated balance sheet as a regulatory asset.

In January 2020, contributions of \$150 million were made across four of Xcel Energy's pension plans. Xcel Energy does not expect additional pension contributions during 2020.

10. Commitments and Contingencies

The following include commitments, contingencies and unresolved contingencies that are material to Xcel Energy's financial position.

Legal

Xcel Energy is involved in various litigation matters in the ordinary course of business. The assessment of whether a loss is probable or is a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. Management maintains accruals for losses probable of being incurred and subject to reasonable estimation. Management is sometimes unable to estimate an amount or range of a reasonably possible loss in certain situations, including but not limited to when (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories.

In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss. For current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, would have a material effect on Xcel Energy's financial statements. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Gas Trading Litigation — e prime is a wholly owned subsidiary of Xcel Energy. e prime was in the business of natural gas trading and marketing but has not engaged in natural gas trading or marketing activities since 2003. Multiple lawsuits seeking monetary damages were commenced against e prime and its affiliates, including Xcel Energy, between 2003 and 2009 alleging fraud and anticompetitive activities in conspiring to restrain the trade of natural gas and manipulate natural gas prices. Cases were all consolidated in the U.S. District Court in Nevada. Two cases remain active which include an MDL matter consisting of a Colorado purported class (Breckenridge) and a Wisconsin purported class (Arandell Corp.).

Breckenridge/Colorado — In February 2019, the MDL panel remanded Breckenridge back to the U.S. District Court in Colorado.

Arandell Corp. — In February 2019, the case was remanded back to the U.S. District Court in Wisconsin. Plaintiffs are seeking class certification. It is uncertain when the court will rule on this issue.

Xcel Energy has concluded that a loss is remote for both remaining lawsuits.

Rate Matters

MEC Transactions — In November 2018, NSP-Minnesota reached an agreement with Southern Power Company (a subsidiary of Southern Company) to purchase MEC, a 760 MW natural gas combined cycle facility, for approximately \$650 million. In September 2019, the MPUC denied NSP-Minnesota's request to purchase MEC as a rate base asset. In January 2020, the MPUC approved Xcel Energy's plan to acquire MEC as a non-regulated investment and step into the existing PPAs with NSP-Minnesota. A newly formed non-regulated subsidiary of Xcel Energy completed the transaction to purchase MEC in January 2020.

In April 2020, Xcel Energy reached agreement to sell MEC to Southwest Generation for \$680 million, subject to working capital adjustments. Proceeds from the sale will primarily be used to reduce Xcel Energy's overall financing needs. The transaction is not anticipated to have a material impact on long-term earnings per share and is expected to close in the third quarter of 2020.

The sale will result in a gain, which Xcel Energy plans to use to fund its corporate giving efforts, including support related to COVID-19 recovery.

NSP-Minnesota — **Sherco** — In NSP-Minnesota's 2013 fuel reconciliation filing, the MPUC made recovery of replacement power costs associated with the 2011 incident at its Sherco Unit 3 plant provisional and subject to further review following conclusion of litigation commenced by NSP-Minnesota, SMMPA (Co-owner of Sherco Unit 3) and insurance companies against GE.

In 2018, NSP-Minnesota and SMMPA reached a settlement with GE. NSP-Minnesota notified the MPUC of its proposal to refund the GE settlement proceeds back to customers through the FCA. The insurance providers continued their litigation against GE and the case went to trial.

In 2018, GE prevailed in the lawsuit with the insurance companies, however, the jury found comparable fault, finding that GE was 52% and NSP-Minnesota was 48% at fault. At that point in the litigation, NSP-Minnesota was no longer involved in the case and was not present to make arguments about its role in the event. The specific issue leading to the fault apportionment was also not before the jury and not relevant to the outcome of the trial.

In January 2019, the DOC recommended that NSP-Minnesota refund \$20 million of previously recovered purchased power costs to its customers, based on the jury's apportionment of fault. The OAG recommended the MPUC withhold any decision until the underlying litigation by the insurance providers (currently under appeal) is concluded. The DOC subsequently filed comments agreeing with the OAG's recommendation to withhold a decision pending the outcome of any appeals. NSP-Minnesota filed reply comments arguing that the DOC recommendations are without merit and that it acted prudently in operating the plant and its settlement with GE was reasonable.

In March 2019, MPUC approved NSP-Minnesota's proposal to refund the GE settlement proceeds back to customers through the FCA. It also decided to withhold any decision as to NSP-Minnesota's prudence in connection with the incident at Sherco Unit 3 until after conclusion of the pending litigation between GE and NSP-Minnesota's insurers. The lower court's decision was affirmed on appeal. In March 2020, NSP-Minnesota's insurers filed a petition seeking additional review by the Minnesota Supreme Court, which remains pending.

MISO ROE Complaints — In November 2013 and February 2015, customers filed complaints against MISO TOs including NSP-Minnesota and NSP-Wisconsin. The first complaint argued for a reduction in the base ROE in MISO

transmission formula rates from 12.38% to 9.15%, and removal of ROE adders (including those for RTO membership). The second complaint sought to reduce base ROE from 12.38% to 8.67%. In September 2016, the FERC issued an order granting a 10.32% base ROE (10.82% with the RTO adder) effective for the first complaint period of Nov. 12, 2013 to Feb. 11, 2015 and subsequent to the date of the order. The D.C. Circuit subsequently vacated and remanded FERC Opinion No. 531, which had established the ROE methodology on which the September 2016 FERC order was based.

On March 21, 2019, FERC announced a NOI seeking public comments on whether, and if so how, to revise ROE policies in light of the D.C. Circuit Court decision. FERC also initiated a NOI on whether to revise its policies on incentives for electric transmission investments, including the RTO membership incentive.

In November 2019, the FERC issued an order adopting a new ROE methodology and settling the MISO base ROE at 9.88% (10.38% with the RTO adder), effective Sept. 28, 2016 and for the Nov. 12, 2013 to Feb. 11, 2015 refund period. The FERC also dismissed the second complaint. In December 2019, MISO TOs filed a request for rehearing. Customers also filed requests for rehearing claiming, among other points, that the FERC erred by dismissing the second complaint without refunds.

FERC accepted the requests for rehearing in January 2020, however, it is uncertain when the FERC will act on the requests or any other pending matters related to the 2019 NOIs. NSP-Minnesota has recognized a liability for its best estimate of final refunds to customers.

In March 2020, the FERC issued a Notice of Proposed Rulemaking regarding changes to its policies for transmission incentives, including a proposal to increase the RTO participation adder from 50 to 100 basis points and to make the adder available regardless of whether a utility's ongoing participation in the RTO is voluntary or required by legislation or a regulator. It is uncertain if or when this change will be adopted and implemented as a final order.

SPP OATT Upgrade Costs — Under the SPP OATT, costs of transmission upgrades may be recovered from other SPP customers whose transmission service depends on capacity enabled by the upgrade. SPP had not been charging its customers for these upgrades, even though the SPP OATT had allowed SPP to do so since 2008. In 2016, the FERC granted SPP's request to recover these previously unbilled charges and SPP subsequently billed SPS approximately \$13 million.

In July 2018, SPS' appeal to the D.C. Circuit over the FERC rulings granting SPP the right to recover these previously unbilled charges was remanded to the FERC. In February 2019, the FERC reversed its 2016 decision and ordered SPP to refund the charges retroactively collected from its transmission customers, including SPS, related to periods before September 2015. In April 2019, several parties, including SPP, filed requests for a rehearing. In February 2020, FERC issued an order rejecting all rehearing requests and providing certain clarifications. In March 2020, SPP and Oklahoma Gas & Electric separately filed petitions for review of FERC's orders at the D.C. Circuit. SPS has intervened in both appeals in support of FERC. The timing of an appeals decision is uncertain. Any refunds received by SPS are expected to be given back to SPS customers through future rates.

In October 2017, SPS filed a separate complaint against SPP asserting that SPP has assessed upgrade charges to SPS in violation of the SPP OATT. The FERC granted a rehearing for further consideration in May 2018. The timing of FERC action on the SPS rehearing is uncertain. If SPS' complaint results in additional charges or refunds, SPS will seek to recover or refund the amounts through future SPS customer rates.

Environmental

MGP, Landfill and Disposal Sites

Ashland MGP Site — NSP-Wisconsin was named a responsible party for contamination at the Ashland/Northern States Power Lakefront Superfund Site (the Site) in Ashland, Wisconsin. Remediation was completed in 2019 and restoration activities are anticipated to be completed in 2020. Groundwater treatment activities will continue for many years.

The current cost estimate for remediation and restoration of the entire site is approximately \$199 million. At March 31, 2020 and Dec. 31, 2019, NSP-Wisconsin had a total liability of \$22 million and \$23 million, respectively, for the entire site.

NSP-Wisconsin has deferred the unrecovered portion of the estimated Site remediation and restoration costs as a regulatory asset. The PSCW has authorized NSP-Wisconsin rate recovery for all remediation and restoration costs incurred at the Site. In its final December 2019 order approving 2020 and 2021 natural gas base rates, the PSCW authorized continued amortization of costs and application of a 3% carrying charge to the regulatory asset.

Rice Yards (Denver) MGP Site — PSCo is cooperating with the City of Denver on an environmental investigation of the Rice Yards Site in Denver, Colorado, which had various historic industrial uses by multiple parties, including railroad, maintenance shop, scrap metal yard and MGP operations.

The area is being redeveloped into residential and commercial mixed uses, and PSCo is in discussions with the current property owner regarding legal claims related to the Rice Yards Site.

In addition to the Rice Yards and Ashland Sites, Xcel Energy is currently investigating, remediating or performing post-closure actions at 11 other MGP, landfill or other disposal sites across its service territories.

Xcel Energy has recognized its best estimate of costs/liabilities that will result from final resolution of these issues, however, the outcome and timing is unknown. In addition, there may be insurance recovery and/or recovery from other potentially responsible parties, offsetting a portion of costs incurred.

Environmental Requirements — Water and Waste

Coal Ash Regulation — Xcel Energy's operations are subject to federal and state regulations that impose requirements for handling, storage, treatment and disposal of solid waste. Under the CCR Rule, utilities are required to complete groundwater sampling around their CCR landfills and surface impoundments. Currently, Xcel Energy has nine regulated ash units in operation.

Xcel Energy is conducting groundwater sampling and, where appropriate, implementing assessment of corrective measures at certain CCR landfills and surface impoundments. In 2019, groundwater monitoring consistent with the CCR Rule was conducted. In NSP-Minnesota, no results above the groundwater protection standards in the rule were identified. In PSCo, statistically significant increases above background concentrations were detected at four locations. Subsequently, assessment monitoring samples were collected, and PSCo is evaluating options for corrective action at two locations. Until PSCo completes its assessment, it is uncertain what impact, if any, there will be on the operations, financial condition or cash flows.

In August 2018, the D.C. Circuit ruled that the EPA cannot allow utilities to continue to use unlined impoundments (including clay lined impoundments) for the storage or disposal of coal ash. In November 2019, the EPA proposed rules in response to this decision. If finalized in their current form, these rules would require NSP-Minnesota to expedite closure plans for one impoundment at an estimated cost of \$4 million and the construction of a new impoundment at the cost of \$8 million. In 2019, NSP-Minnesota initiated the construction of this new impoundment, an ash pond, expected to be in service in 2020. Upon placing the new ash pond in service, the existing ash pond will be taken out of service, and closure activities as prescribed by the CCR Rule and the facility's National Pollutant Discharge Elimination System permit will be initiated.

In addition, the rules proposed by the EPA under the D.C. Circuit ruling may require PSCo to expedite the closure of one coal ash impoundment that was not previously required to close. PSCo is pursuing options through comment on the proposed rules or some other means to allow continued operation of this impoundment until the generating units are retired in 2025, at which time the impoundment would be closed.

Closure costs for existing impoundments are included in the calculation of the asset retirement obligation liability.

Leases

Operating lease liabilities at Dec. 31, 2019 include a present value of remaining lease payments of approximately \$400 million for the MEC PPAs. At March 31, 2020, NSP-Minnesota operating lease liabilities and related ROU assets are eliminated from Xcel Energy's consolidated balance sheet following the completed January 2020 purchase of MEC by Xcel Energy.

VIEs

Under certain PPAs, NSP-Minnesota, PSCo and SPS purchase power from IPPs for which the utility subsidiaries are required to reimburse fuel costs, or to participate in tolling arrangements under which the utility subsidiaries procure the natural gas required to produce the energy that they purchase. These specific PPAs create a variable interest in the IPP.

The utility subsidiaries had approximately 3,266 MW and 3,986 MW of capacity under long-term PPAs at March 31, 2020 and Dec. 31, 2019, respectively, with entities that have been determined to be VIEs. Xcel Energy concluded that these entities are not required to be consolidated in its consolidated financial statements because it does not have the power to direct the activities that most significantly impact the entities' economic performance. Agreements have expiration dates through 2041.

Other

Guarantees and Bond Indemnifications — Xcel Energy Inc. and its subsidiaries provide guarantees and bond indemnities, which guarantee payment or performance. Xcel Energy Inc.'s exposure is based upon the net liability under the specified agreements or transactions. Most of the guarantees and bond indemnities issued by Xcel Energy Inc. and its subsidiaries have a stated maximum amount. As of March 31, 2020 and Dec. 31, 2019, Xcel Energy Inc. and its subsidiaries had no assets held as collateral related to their guarantees, bond indemnities and indemnification agreements.

Guarantees and bond indemnities issued and outstanding for Xcel Energy were \$60 million and \$62 million at March 31, 2020 and Dec. 31, 2019, respectively.

Other Indemnification Agreements — Xcel Energy Inc. and its subsidiaries provide indemnifications through various contracts. These are primarily indemnifications against adverse litigation outcomes in connection with underwriting agreements, as well as breaches of representations and warranties, including corporate existence, transaction authorization and income tax matters with respect to assets sold. Xcel Energy Inc.'s and its subsidiaries' obligations under these agreements may be limited in terms of duration and amount. Maximum future payments under these indemnifications cannot be reasonably estimated as the dollar amounts are often not explicitly stated.

11. Other Comprehensive Loss

Changes in accumulated other comprehensive loss, net of tax, for the three months ended March 31, 2020 and 2019:

(Millions of Dollars)	Three Months Ended March 31, 2020		
	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension and Postretirement Items	Total
Accumulated other comprehensive loss at Jan. 1	\$ (80)	\$ (61)	\$ (141)
Other comprehensive loss before reclassifications (net of taxes of \$(3) and \$0, respectively)	(10)	—	(10)
Losses reclassified from net accumulated other comprehensive loss:			
Interest rate derivatives (net of taxes of \$0) ^(a)	2	—	2
Amortization of net actuarial loss (net of taxes of \$0) ^(b)	—	1	1
Net current period other comprehensive (loss) income	(8)	1	(7)
Accumulated other comprehensive loss at March 31	\$ (88)	\$ (60)	\$ (148)

^(a) Included in interest charges.

^(b) Included in the computation of net periodic pension and postretirement benefit costs.

Three Months Ended March 31, 2019

(Millions of Dollars)	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension and Postretirement Items	Total
Accumulated other comprehensive loss at Jan. 1	\$ (60)	\$ (64)	\$ (124)
Other comprehensive (loss) gain before reclassifications (net of taxes of \$(2) and \$1, respectively)	(7)	2	(5)
Losses reclassified from net accumulated other comprehensive loss:			
Interest rate derivatives (net of taxes of \$0) ^(a)	1	—	1
Amortization of net actuarial loss (net of taxes of \$0) ^(b)	—	1	1
Net current period other comprehensive (loss) income	(6)	3	(3)
Accumulated other comprehensive loss at March 31	\$ (66)	\$ (61)	\$ (127)

^(a) Included in interest charges.

^(b) Included in the computation of net periodic pension and postretirement benefit costs.

12. Segment Information

Xcel Energy evaluates performance by each utility subsidiary based on profit or loss generated from the product or service provided, including the regulated electric utility operating results of NSP-Minnesota, NSP-Wisconsin, PSCo and SPS, as well as the regulated natural gas utility operating results of NSP-Minnesota, NSP-Wisconsin and PSCo. These segments are managed separately because the revenue streams are dependent upon regulated rate recovery, which is separately determined for each segment.

Xcel Energy has the following reportable segments:

- **Regulated Electric** — The regulated electric utility segment generates, transmits and distributes electricity in Minnesota, Wisconsin, Michigan, North Dakota, South Dakota, Colorado, Texas and New Mexico. In addition, this segment includes sales for resale and provides wholesale transmission service to various entities in the United States. The regulated electric utility segment also includes wholesale commodity and trading operations; and
- **Regulated Natural Gas** — The regulated natural gas utility segment transports, stores and distributes natural gas primarily in portions of Minnesota, Wisconsin, North Dakota, Michigan and Colorado.

Xcel Energy presents Other, which includes operating segments, with revenues below the necessary quantitative thresholds. Those operating segments primarily include steam revenue, appliance repair services, non-utility real estate activities, revenues associated with processing solid waste into refuse-derived fuel and investments in rental housing projects that qualify for low-income housing tax credits.

Xcel Energy had equity investments in unconsolidated subsidiaries of \$158 million and \$155 million as of March 31, 2020 and Dec. 31, 2019, respectively, included in the natural gas utility and all other segments.

Asset and capital expenditure information is not provided for Xcel Energy's reportable segments. As an integrated electric and natural gas utility, Xcel Energy operates significant assets that are not dedicated to a specific business segment. Reporting assets and capital expenditures by business segment would require arbitrary and potentially misleading allocations which may not necessarily reflect the assets that would be required for the operation of the business segments on a stand-alone basis.

Certain costs, such as common depreciation, common O&M expenses and interest expense are allocated based on cost causation allocators across each segment. In addition, a general allocator is used for certain general and administrative expenses, including office supplies, rent, property insurance and general advertising.

Xcel Energy's segment information for the three months ended March 31:

(Millions of Dollars)	2020	2019
Regulated Electric		
Operating revenues from external customers	\$ 2,203	\$ 2,325
Net income	227	234
Regulated Natural Gas		
Operating revenues from external customers	\$ 583	\$ 794
Intersegment revenue	—	1
Total revenues	\$ 583	\$ 795
Net income	91	105
All Other		
Total operating revenue	\$ 25	\$ 22
Net loss	(23)	(24)
Consolidated Total		
Total revenue	\$ 2,811	\$ 3,142
Reconciling eliminations	—	(1)
Consolidated total revenue	\$ 2,811	\$ 3,141
Net income	295	315

ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis by management focuses on those factors that had a material effect on Xcel Energy's financial condition, results of operations and cash flows during the periods presented, or are expected to have a material impact in the future. It should be read in conjunction with the accompanying unaudited consolidated financial statements and the related notes to consolidated financial statements. Due to the seasonality of Xcel Energy's operating results, quarterly financial results are not an appropriate base from which to project annual results. The demand for electric power and natural gas is affected by seasonal differences in the weather. In general, peak sales of electricity occur in the summer months, and peak sales of natural gas occur in the winter months. As a result, the overall operating results may fluctuate substantially on a seasonal basis. Additionally, Xcel Energy's operations have historically generated less revenues and income when weather conditions are milder in the winter and cooler in the summer.

Non-GAAP Financial Measures

The following discussion includes financial information prepared in accordance with GAAP, as well as certain non-GAAP financial measures such as electric margin, natural gas margin, ongoing earnings and ongoing diluted EPS. Generally, a non-GAAP financial measure is a measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are adjusted from measures calculated and presented in accordance with GAAP. Xcel Energy's management uses non-GAAP measures for financial planning and analysis, for reporting of results to the Board of Directors, in determining performance-based compensation, and communicating its earnings outlook to analysts and investors. Non-GAAP financial measures are intended to supplement investors' understanding of our performance and should not be considered alternatives for financial measures presented in accordance with GAAP. These measures are discussed in more detail below and may not be comparable to other companies' similarly titled non-GAAP financial measures.

Electric and Natural Gas Margins

Electric margin is presented as electric revenues less electric fuel and purchased power expenses. Natural gas margin is presented as natural gas revenues less the cost of natural gas sold and transported. Expenses incurred for electric fuel and purchased power and the cost of natural gas are generally recovered through various regulatory recovery mechanisms. As a result, changes in these expenses are generally offset in operating revenues.

Management believes electric and natural gas margins provide the most meaningful basis for evaluating our operations because they exclude the revenue impact of fluctuations in these expenses. These margins can be reconciled to operating income, a GAAP measure, by including other operating revenues, cost of sales — other, O&M expenses, conservation and DSM expenses, depreciation and amortization and taxes (other than income taxes).

Earnings Adjusted for Certain Items (Ongoing Earnings and Ongoing Diluted EPS)

GAAP diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock (i.e., common stock equivalents) were settled. The weighted average number of potentially dilutive shares outstanding used to calculate Xcel Energy Inc.'s diluted EPS is calculated using the treasury stock method. Ongoing earnings reflect adjustments to GAAP earnings (net income) for certain items.

Ongoing diluted EPS is calculated by dividing the net income or loss of each subsidiary, adjusted for certain items, by the weighted average fully diluted Xcel Energy Inc. common shares outstanding for the period. Ongoing diluted EPS for each subsidiary is calculated by dividing the net income or loss of such subsidiary, adjusted for certain items, by the weighted average fully diluted Xcel Energy Inc. common shares outstanding for the period.

We use these non-GAAP financial measures to evaluate and provide details of Xcel Energy's core earnings and underlying performance. We believe these measurements are useful to investors to evaluate the actual and projected financial performance and contribution of our subsidiaries.

For the three months ended March 31, 2020 and 2019, there were no such adjustments to GAAP earnings and therefore GAAP earnings equal ongoing earnings for these periods.

Results of Operations

The only common equity securities that are publicly traded are common shares of Xcel Energy Inc. Diluted earnings and EPS of each subsidiary discussed below do not represent a direct legal interest in the assets and liabilities allocated to such subsidiary but rather represent a direct interest in our assets and liabilities as a whole.

GAAP and ongoing diluted EPS for Xcel Energy:

Diluted Earnings (Loss) Per Share	Three Months Ended March 31	
	2020	2019
PSCo	\$ 0.24	\$ 0.27
NSP-Minnesota	0.20	0.22
SPS	0.08	0.10
NSP-Wisconsin	0.06	0.05
Equity earnings of unconsolidated subsidiaries	0.01	0.01
Regulated utility ^(a)	0.60	0.65
Xcel Energy Inc. and Other	(0.04)	(0.04)
Total ^(a)	\$ 0.56	\$ 0.61

^(a) Amounts may not add due to rounding.

Summary of Earnings

Xcel Energy — Xcel Energy's earnings decreased \$0.05 per share for the first quarter of 2020. Earnings reflect the negative impact of weather. The impact of COVID-19 did not significantly impact first quarter 2020 results, but could have a material impact on our financial results going forward. See COVID-19 section below for further discussion.

PSCo — Earnings decreased \$0.03 per share for the first quarter of 2020, reflecting lower natural gas margins primarily due to unfavorable weather, higher depreciation and O&M, partially offset by higher electric margin and AFUDC.

NSP-Minnesota — Earnings decreased \$0.02 per share for the first quarter of 2020, driven by reduced natural gas margins primarily due to unfavorable weather as well as lower electric margin, which reflects the unfavorable weather experienced in North and South Dakota. NSP-Minnesota also recognized increased interest and higher depreciation, partially offset by lower O&M and income taxes.

SPS — Earnings decreased \$0.02 per share for the first quarter of 2020, reflecting lower electric margin primarily due to a 2019 NMPRC revised order eliminating a \$10 million retroactive refund of tax reform benefits. SPS also recognized additional depreciation and less AFUDC, partially offset by lower income taxes.

NSP-Wisconsin — Earnings increased \$0.01 per share for the first quarter of 2020, driven by reduced O&M and higher electric margin, partially offset by additional depreciation and lower natural gas margin.

Xcel Energy Inc. and Other — Primarily includes financing costs at the holding company.

Changes in GAAP and Ongoing Diluted EPS

Components significantly contributing to changes in 2020 EPS compared with the same period in 2019:

Diluted Earnings (Loss) Per Share	Three Months Ended March 31
GAAP and ongoing diluted EPS — 2019	\$ 0.61
Components of change — 2020 vs. 2019	
Higher depreciation and amortization	(0.04)
Lower electric and natural gas margins	(0.03)
Higher interest	(0.01)
Lower ETR ^(a)	0.03
Lower O&M	0.03
Lower other (expense) income, net ^(b)	(0.02)
Other (net)	(0.01)
GAAP and ongoing diluted EPS — 2020	\$ 0.56

^(a) Includes PTCs and timing of tax reform regulatory decisions, which are primarily offset in electric margin.

^(b) Decrease is primarily due to the performance of rabbi trust investments associated with deferred compensation, which is offset in O&M.

Statement of Income Analysis

The following summarizes the items that affected the individual revenue and expense items reported in the consolidated statements of income.

Estimated Impact of Temperature Changes on Regulated Earnings — Unusually hot summers or cold winters increase electric and natural gas sales, while mild weather reduces electric and natural gas sales. The estimated impact of weather on earnings is based on the number of customers, temperature variances, the amount of natural gas or electricity historically used per degree of temperature and excludes any incremental related operating expenses that could result due to storm activity or vegetation management requirements. As a result, weather deviations from normal levels can affect Xcel Energy's financial performance.

Degree-day or THI data is used to estimate amounts of energy required to maintain comfortable indoor temperature levels based on each day's average temperature and humidity. HDD is the measure of the variation in the weather based on the extent to which the average daily temperature falls below 65° Fahrenheit. CDD is the measure of the variation in the weather based on the extent to which the average daily temperature rises above 65° Fahrenheit. Each degree of temperature above 65° Fahrenheit is counted as one CDD, and each degree of temperature below 65° Fahrenheit is counted as one HDD. In Xcel Energy's more humid service territories, a THI is used in place of CDD, which adds a humidity factor to CDD. HDD, CDD and THI are most likely to impact the usage of Xcel Energy's residential and commercial customers. Industrial customers are less sensitive to weather.

Normal weather conditions are defined as either the 10, 20 or 30-year average of actual historical weather conditions. The historical period of time used in the calculation of normal weather differs by jurisdiction, based on regulatory practice. To calculate the impact of weather on demand, a demand factor is applied to the weather impact on sales. Extreme weather variations, windchill and cloud cover may not be reflected in weather-normalized estimates. There was no impact on sales for the first quarter of 2020 due to THI or CDD. Percentage change in normal and actual HDD:

	Three Months Ended March 31		
	2020 vs. Normal	2019 vs. Normal	2020 vs. 2019
HDD	(5.5)%	10.5%	(14.1)%

Weather — Estimated impact of temperature variations on EPS compared with normal weather conditions:

	Three Months Ended March 31		
	2020 vs. Normal	2019 vs. Normal	2020 vs. 2019
Retail electric	\$ (0.011)	\$ 0.018	\$ (0.029)
MN decoupling and sales true-up	0.006	(0.005)	0.011
Electric total	\$ (0.005)	\$ 0.013	\$ (0.018)
Firm natural gas	(0.007)	0.017	(0.024)
Total	\$ (0.012)	\$ 0.030	\$ (0.042)

Sales Growth (Decline) — Sales growth (decline) for actual and weather-normalized sales in 2020 compared to the same period in 2019:

	Three Months Ended March 31				
	PSCo	NSP-Minnesota	SPS	NSP-Wisconsin	Xcel Energy
Actual					
Electric residential	(0.9)%	(4.8)%	(1.4)%	(6.3)%	(3.0)%
Electric C&I	0.2	(3.9)	3.3	(0.4)	(0.6)
Total retail electric sales	(0.2)	(4.2)	2.3	(2.2)	(1.3)
Firm natural gas sales	(6.6)	(13.4)	N/A	(14.4)	(9.3)
	Three Months Ended March 31				
	PSCo ^(a)	NSP-Minnesota	SPS	NSP-Wisconsin	Xcel Energy
Weather-normalized					
Electric residential	1.0%	0.2 %	0.6%	1.6%	0.7 %
Electric C&I	0.6	(3.2)	3.4	0.4	(0.1)
Total retail electric sales	0.7	(2.2)	2.8	0.8	0.1
Firm natural gas sales	0.8	2.6	N/A	3.3	1.5

	Three Months Ended March 31 (Leap Year Adjusted)				
	PSCo ^(a)	NSP-Minnesota	SPS	NSP-Wisconsin	Xcel Energy
Weather-normalized					
Electric residential	(0.1)%	(0.9)%	(0.5)%	0.5 %	(0.4)%
Electric C&I	(0.5)	(4.3)	2.3	(0.7)	(1.2)
Total retail electric sales	(0.4)	(3.3)	1.7	(0.3)	(1.0)
Firm natural gas sales	(0.4)	1.4	N/A	2.1	0.4

^(a) CPUC approved a historical 10-year weather normalization approach for retail electric, effective March 1, 2020, which did not materially impact the weather-normalized calculation.

Weather-normalized and Leap-Year Adjusted Electric Sales Growth (Decline)

All companies were negatively impacted by COVID-19 in March 2020. In addition, the following items impacted sales in each of the companies:

- PSCo — Residential sales declined slightly due to lower use per customer, partially offset by an increase in customers. The decline in C&I was mainly due to lower use per customer, primarily led by the food products and service industries, partially offset by growth in the energy industry.
- NSP-Minnesota — Residential sales declined reflecting lower use per customer, partially offset by customer additions. The decline in C&I sales was a result of lower use by certain customers in the energy, manufacturing and services sectors, partially offset by customer growth.
- SPS — Residential sales decreased slightly primarily due to lower use per customer. C&I sales grew based on higher sales to large customers in the oil and natural gas industry in the Permian Basin.
- NSP-Wisconsin — Residential sales growth was primarily attributable to customer additions, partially offset by less use per customer. The decline in C&I sales was largely due to lower use per customer, partially offset by customer additions and decreased sales to the manufacturing sector, which was partially offset by an increase in the energy sector.

Weather-normalized and Leap-Year Adjusted Natural Gas Sales Growth (Decline)

- Natural gas sales reflect an increase in the number of customers combined with lower customer use and the negative impacts of COVID-19 in March 2020.

Electric Margin

Electric revenues and fuel and purchased power expenses are impacted by fluctuations in the price of natural gas, coal and uranium used in the generation of electricity. However, these price fluctuations have minimal impact on electric margin due to fuel recovery mechanisms that recover fuel expenses.

In addition, electric customers receive a credit for PTCs generated in a particular period.

Electric revenues and margin:

(Millions of Dollars)	Three Months Ended March 31	
	2020	2019
Electric revenues	\$ 2,203	\$ 2,325
Electric fuel and purchased power	(797)	(914)
Electric margin	\$ 1,406	\$ 1,411

Changes in electric margin:

(Millions of Dollars)	Three Months Ended March 31, 2020 vs. 2019
PTCs flowed back to customers (offset by a lower ETR)	\$ (23)
Estimated impact of weather (net of decoupling/sales true-up)	(13)
New Mexico tax reform related regulatory settlement (2019)	(10)
Regulatory rate outcomes (Colorado and Wisconsin)	13
Non-fuel riders	13
Wholesale transmission revenue (net)	5
Sales growth (excluding weather impact, net of decoupling/sales true-up)	4
Other (net)	6
Total decrease in electric margin	<u><u>\$ (5)</u></u>

Natural Gas Margin

Natural gas expense varies with changing sales and the cost of natural gas. However, fluctuations in the cost of natural gas has minimal impact on natural gas margin due to cost recovery mechanisms.

Natural gas revenues and margin:

(Millions of Dollars)	Three Months Ended March 31	
	2020	2019
Natural gas revenues	\$ 583	\$ 794
Cost of natural gas sold and transported	(285)	(479)
Natural gas margin	<u><u>\$ 298</u></u>	<u><u>\$ 315</u></u>

Changes in natural gas margin:

(Millions of Dollars)	Three Months Ended March 31, 2020 vs. 2019
Estimated impact of weather	\$ (17)
Transport sales	(2)
Regulatory rate outcomes (Wisconsin)	(1)
Retail sales growth	2
Infrastructure and integrity riders	1
Conservation revenue (offset in expenses)	1
Other (net)	(1)
Total decrease in natural gas margin	<u><u>\$ (17)</u></u>

Non-Fuel Operating Expenses and Other Items

O&M Expenses — O&M expenses decreased \$18 million, or 3.0%, for the first quarter of 2020. Significant changes are summarized as follows:

(Millions of Dollars)	Three Months Ended March 31, 2020 vs. 2019
Employee benefits	\$ (15)
Distribution	(10)
Generation	(2)
Strategic initiatives	7
Other (net)	2
Total decrease in O&M expenses	<u><u>\$ (18)</u></u>

- Employee benefits were lower primarily due to change in deferred compensation related liability, offset in Other (Expense) Income;
- Distribution expenses declined due to storms, labor and overtime;
- Generation expenses were lower from timing of maintenance and overhauls at power plants, partially offset by an increase in wind related amounts; and
- Strategic initiatives expenses were higher due to increased spending on customer experience transformation program expenses and advanced grid infrastructure.

Depreciation and Amortization — Depreciation and amortization increased \$30 million, or 6.9%, for the first quarter of 2020. Increase was primarily driven by the Hale, Lake Benton, and Foxtail wind facilities going into service, as well as normal system expansion. In addition, depreciation rates were increased in February 2020 as part of the Colorado electric rate case.

Other (Expense) Income — Other (Expense) Income decreased by \$15 million primarily due to the performance of rabbi trust investments, which is offset in O&M expense.

AFUDC, Equity and Debt — AFUDC increased \$3 million for the first quarter of 2020. Increase was primarily due to an increase in AFUDC recorded on various wind projects currently under construction.

Interest Charges — Interest charges increased \$10 million, or 5.3%, for the first quarter of 2020. Increase was primarily due to higher debt levels to fund capital investments, partially offset by lower long-term and short-term interest rates.

Income Taxes — Income taxes decreased \$31 million for the three months ended March 31, 2020. The decrease was primarily driven by an increase in wind PTCs, lower pretax earnings in 2020 and an increase in plant regulatory differences. Wind PTCs are credited to customers (recorded as a reduction to revenue) and do not have a material impact on net income. These were partially offset by a decrease in other tax credits. The ETR was (2.1%) for the first quarter of 2020 compared with 7.4% for the same period in 2019.

Public Utility Regulation

The FERC and various state and local regulatory commissions regulate Xcel Energy Inc.'s utility subsidiaries and WGI. The electric and natural gas rates charged to customers of Xcel Energy Inc.'s utility subsidiaries and WGI are approved by the FERC or the regulatory commissions in the states in which they operate.

The rates are designed to recover plant investment, operating costs and an allowed return on investment. Xcel Energy Inc.'s utility subsidiaries request changes in rates for utility services through filings with governing commissions.

Changes in operating costs can affect Xcel Energy's financial results, depending on the timing of rate case filings and implementation of final rates. Other factors affecting rate filings are new investments, sales, conservation and DSM efforts, and the cost of capital. In addition, the regulatory commissions authorize the ROE, capital structure and depreciation rates in rate proceedings. Decisions by these regulators can significantly impact Xcel Energy's results of operations.

Except to the extent noted below, the circumstances set forth in Public Utility Regulation included in Item 7 of Xcel Energy's Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019 appropriately represent, in all material respects, the current status of public utility regulation and are incorporated by reference.

NSP-Minnesota

Pending and Recently Concluded Regulatory Proceedings

Mechanism	Utility Service	Amount Requested (in millions)	Filing Date	Approval	Additional Information
MPUC					
2020 TCR	Electric	\$82	November 2019	Pending	In November 2019, NSP-Minnesota filed the 2020 TCR Rider. The filing included an ROE of 9.06%. Timing of an MPUC ruling is uncertain.
2019 GUIC	Natural Gas	\$29	November 2018	Received	In November 2018, NSP-Minnesota filed the 2019 GUIC Rider with the MPUC. The filing included an ROE of 10.25%. In January 2020, the MPUC approved an order setting an ROE of 9.04%.
2020 GUIC	Natural Gas	\$21	November 2019	Pending	In November 2019, NSP-Minnesota filed the 2020 GUIC Rider with the MPUC. The filing included an ROE of 9.04%. Timing of an MPUC ruling is uncertain.
2020 RES	Electric	\$102	November 2019	Pending	In November 2019, NSP-Minnesota filed the 2020 RES Rider with the MPUC. The requested amount includes a true-up for the 2019 rider of \$38 million and the 2020 requested amount of \$64 million. The filing included an ROE of 9.06%. Timing of an MPUC ruling is uncertain.
2020 Rate Case Stay Out Petition	Electric	N/A	November 2019	Received	In November 2019, NSP-Minnesota filed a three-year electric rate case with the MPUC, which included a stay-out petition. In December 2019, the MPUC verbally approved the stay-out petition including extension of the sales, capital and property tax true-up mechanisms and the delay of any increase to the Nuclear Decommissioning Trust annual accrual until Jan. 1, 2021. A written order of approval was received in March 2020.

NSP-Minnesota — Minnesota Resource Plan — In July 2019, NSP-Minnesota filed its Minnesota resource plan, which runs through 2034. The plan would result in an 80% carbon reduction by 2030 (from 2005) and puts NSP-Minnesota on a path to achieving its vision of being 100% carbon-free by 2050.

The preferred plan includes the following:

- Extends the life of the Monticello nuclear plant from 2030 to 2040;
- Continues to run the Prairie Island nuclear plant through current end of life (2033 and 2034);
- Includes the MEC acquisition and construction of the Sherco CC natural gas plant;
- Includes the early retirement of the King coal plant (511 MW) in 2028 and the Sherco 3 coal plant (517 MW) in 2030;
- Adds approximately 1,700 MW of firm peaking (CT, pumped hydro, battery storage, DR, etc.);
- Adds approximately 1,200 MW of wind replacement; and
- Adds approximately 4,000 MW of solar.

Intervening parties will provide recommendations and comments on the resource plan. NSP-Minnesota will provide updates to remove its ownership of MEC from the preferred plan. The MPUC required NSP-Minnesota to update its filing to address issues related to its decision on MEC, including certain new modeling scenarios. An updated filing will be made on June 30, 2020. The MPUC is anticipated to make a final decision on the resource plan in the first half of 2021.

NSP-Minnesota — Mower Wind Facility — In August 2019, NSP-Minnesota filed a petition with the MPUC to acquire the Mower wind facility from affiliates of NextEra Energy, Inc. for an undisclosed amount. The Mower facility is located in southeastern Minnesota and is currently contracted under a PPA with NSP-Minnesota through 2026. Mower is expected to continue to have approximately 99 MW of capacity following a planned repowering. The acquisition would occur after repowering, which is expected to be completed in 2020 and qualify for the full PTC. NSP-Minnesota will need approval from both the MPUC and FERC to complete the transaction. NSP-Minnesota filed reply comments addressing the DOC's concerns with the transaction in February 2020. The DOC filed supplemental comments in April 2020. Timing of MPUC and FERC decisions are uncertain.

Minnesota State ROFR Statute Complaint — In September 2017, LSP Transmission filed a complaint in the Minnesota District Court against the Minnesota Attorney General, MPUC and DOC. The complaint was in response to MISO assigning NSP-Minnesota and ITC Midwest, LLC to jointly own a new 345 KV transmission line from Mankato to Winnebago, Minnesota. The project was estimated to cost \$108 million and projected to be in-service by the end of 2021. It was assigned to NSP-Minnesota and ITC Midwest as the incumbent utilities, consistent with a Minnesota state ROFR statute.

The complaint challenged the constitutionality of the statute and is seeking declaratory judgment that the statute violates the Commerce Clause of the U.S. Constitution and should not be enforced. The Minnesota state agencies and NSP-Minnesota filed motions to dismiss. In June 2018, the Minnesota District Court granted the defendants' motions to dismiss with prejudice. LSP Transmission filed an appeal in July 2018. In September 2019, the estimate was updated to approximately \$140 million, due to various changes in build plans. In October 2019, oral arguments were held with the Eighth Circuit Court of Appeals. In February 2020, the Eighth Circuit of Appeals upheld the Minnesota District Court decision to dismiss. It is unknown whether LSP Transmission intends to appeal this decision.

Nuclear Power Operations

NSP-Minnesota owns two nuclear generating plants: the Monticello plant and the Prairie Island plant. See Note 12 to the consolidated financial statements of Xcel Energy's Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, for further information. The circumstances set forth in Nuclear Power Operations and Waste Disposal included in Item 1 of Xcel Energy's Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, appropriately represent, in all material respects, the current status of nuclear power operations, and are incorporated by reference.

NSP-Wisconsin

2019 Electric Fuel Cost Recovery — NSP-Wisconsin's electric fuel costs for 2019 were lower than authorized in rates and outside the 2% annual tolerance band, primarily due to increased sales to other utilities compared to the forecast used to set authorized rates. Under the fuel cost recovery rules, NSP-Wisconsin may retain approximately \$3.4 million of fuel costs and defer the amount of over-recovery in excess of the 2% annual tolerance band for future refund to customers. In March 2020, NSP-Wisconsin filed with the PSCW indicating an over-refund of approximately \$9.7 million. The PSCW will determine how the liability will be addressed with an order expected later in 2020.

PSCo

Pending and Recently Concluded Regulatory Proceedings

Mechanism	Utility Service	Amount Requested (in millions)	Filing Date	Approval	Additional Information
CPUC					
Rate Case	Natural Gas	\$127	February 2020	Pending	In February 2020, PSCo filed a rate case with the CPUC seeking a net increase to retail gas rates of \$126.8 million, reflecting a \$144.5 million increase in base rate revenue, partially offset by \$17.7 million of costs previously authorized through the Pipeline Integrity rider. The request is based on a 9.95% ROE, an equity ratio of 55.81% and a historic test year as of Sept. 30, 2019, adjusted for known and measurable differences for the 12-month period ended Sept. 30, 2020. The procedural schedule is as follows: • Answer testimony - May 13, 2020; • Rebuttal testimony - June 8, 2020; • Evidentiary hearing - July 7-17, 2020; • Statement of position - July 31, 2020; and • CPUC decision is expected in the second half of 2020 and rates are anticipated to be effective in November 2020.
Rate Case	Electric	\$158	May 2019	Pending	In 2019, PSCo filed a request with the CPUC seeking a net rate increase of \$108.4 million, based on a requested ROE of 10.2% and an equity ratio of 55.6%. In February 2020, the CPUC issued a written decision, resulting in an estimated \$34.9 million net base rate revenue increase. The CPUC decision included a 9.3% ROE, an equity ratio of 55.61%, based on a current test year ended Aug. 31, 2019 and the implementation of decoupling in 2020 and other items. Final rates were implemented on Feb. 25, 2020. PSCo filed an application for rehearing/reconsideration, which is expected to be heard by the CPUC in the second quarter of 2020.
Rate Case Appeal	Natural Gas	N/A	April 2019	Pending	In April 2019, PSCo filed an appeal seeking judicial review of the CPUC's prior ruling regarding PSCo's last natural gas rate case (approved in December 2018). The appeal requested review of the following: denial of a return on the prepaid pension and retiree medical assets; the use of a capital structure not based on the actual historical test year; and use of an average rate base methodology rather than a year-end rate base methodology. In March 2020, The District Court of Denver County ruled in favor of allowing the prepaid pension assets to be included in rate base; but it upheld the CPUC treatment of the retiree medical assets and capital structure methodology. The CPUC did not appeal the decision allowing inclusion of the prepaid pension assets in rate base.

SPS

Pending and Recently Concluded Regulatory Proceedings

Mechanism	Utility Service	Amount Requested (in millions)	Filing Date	Approval	Additional Information
NMPRC					
Rate Case	Electric	\$51	July 2019	Pending	In July 2019, SPS filed an electric rate case with the NMPRC seeking an increase in retail electric base rates of approximately \$51 million. The rate request is based on an ROE of 10.35%, an equity ratio of 54.77%, a rate base of approximately \$1.3 billion and a historic test year with rate base additions through Aug. 31, 2019. In December 2019, SPS revised its base rate increase request to approximately \$47 million, based on an ROE of 10.10% and updated information. The request also included an increase of \$14.6 million for accelerated depreciation including the early retirement of the Tolk coal plant in 2032. In January 2020, SPS and various parties filed an uncontested comprehensive stipulation. The stipulation includes a base rate revenue increase of \$31 million, an ROE of 9.45% and an equity ratio of 54.77%. The stipulation also includes an acceleration of depreciation on the Tolk coal plant to reflect early retirement in 2037, which results in a total increase in depreciation expense of \$8 million. The parties to the stipulation agreed not to oppose the full application of depreciation rates associated with the 2032 retirement date in SPS' next base rate case. A NMPRC decision is expected later in the year. SPS anticipates final rates will go into effect in the second or third quarter of 2020.

Texas 2019 Electric Rate Case — In August 2019, SPS filed an electric rate case with the PUCT seeking an increase in retail electric base rates of approximately \$141 million. The filing requests an ROE of 10.35%, a 54.65% equity ratio, a rate base of approximately \$2.6 billion and is built on a 12 month period that ended June 30, 2019. In September 2019, SPS filed an update to the electric rate case and revised its requested increase to approximately \$137 million.

On Feb. 10, 2020, the AXM, TIEC, OPUC and DOE filed testimony along with several other parties. On Feb. 18, 2020, the PUCT Staff filed testimony that included certain adjustments and various ring-fencing measures.

Proposed modifications to SPS' request:

(Millions of Dollars)	Staff	AXM	OPUC	TIEC	DOE
SPS Direct Testimony	\$ 137	\$ 137	\$ 137	\$ 137	\$ 137
Recommended base rate adjustments:					
ROE	(22)	(24)	(15)	(21)	(24)
Capital structure	(7)	(10)	—	(7)	(3)
Tolk/Harrington O&M disallowance	—	(7)	—	—	—
Distribution and Transmission Capital Disallowances ^(a)	(7)	—	—	—	—
Depreciation expense	(8)	(15)	(8)	(20)	—
Excess ADIT unprotected plant	—	—	(7)	—	—
Income Tax Expense Differences	(12)	—	—	—	—
Other, net	(6)	(6)	(1)	(1)	—
Total Adjustments	(62)	(62)	(31)	(49)	(27)
Total proposed revenue change	\$ 75	\$ 75	\$ 106	\$ 88	\$ 110

Recommended Position	Staff	AXM	OPUC ^(b)	TIEC	DOE
ROE	9.1%	9.0%	—%	9.2%	9.0%
Equity Ratio	51.00%	50.00%	—%	51.00%	53.00%

^(a) Staff recommends exclusion of approximately \$134 million in transmission, distribution, and general plant in service in this rate case resulting in an approximate \$7 million decrease to the revenue requirement.

^(b) OPUC did not provide a recommendation for an ROE or equity ratio. For illustrative purposes an ROE of 9.5% was used.

In March 2020, SPS filed an update to the electric rate case and revised its requested increase to approximately \$130 million, based on a requested ROE of 10.1%, a 54.65% equity ratio, rate base of approximately \$2.6 billion and historic test year ended June 30, 2019.

Revenue Request (Millions of Dollars)	
Hale Wind Farm	\$ 61
Capital investments	47
Depreciation rate change (including Tolk)	34
Cost of capital	8
Expiring purchased power contracts	(28)
Other, net	8
New revenue request	\$ 130

In May 2020, SPS and the intervening parties announced they have reached a constructive, unopposed settlement agreement in principle. We are working with intervening parties to document and file the settlement, which we expect to occur in the second quarter.

Final rates are expected to be retroactively applied as of Sept. 12, 2019. A decision from the PUCT is anticipated in the third quarter of 2020.

Texas State ROFR Litigation — In May 2019, the Governor signed into law Senate Bill 1938, which grants incumbent utilities a ROFR to build transmission infrastructure when it directly interconnects to the utility's existing facility. In June 2019, a complaint was filed in the United States District Court for the Western District of Texas claiming the new ROFR law to be unconstitutional. The Texas Attorney General has made a motion to dismiss the federal court complaint. In February 2020, the federal court complaint was dismissed. In March 2020, the ruling was appealed.

Texas Fuel Refund — Fuel and purchased power costs are recoverable in Texas through a fixed fuel factor, which is part of SPS' rates. The PUCT rule requires refunding or surcharging of under and over-recovered amounts, including interest, when they exceed 4% of the utility's annual fuel costs on a rolling 12-month basis, as allowed by the PUCT, if this condition is expected to continue.

Under the fuel cost recovery rules, SPS' 2019 total fuel and purchased power costs were over-collected by approximately \$39 million, including interest. In February 2020, SPS filed an application with the PUCT requesting to provide a net refund of \$39 million to customers to be issued beginning May 2020. In April 2020, interim rates were granted by a Texas administrative law judge. This case is pending final review and approval by the PUCT.

Environmental

Environmental Regulation

In July 2019, the EPA adopted the Affordable Clean Energy rule, which requires states to develop plans for greenhouse gas reductions from coal-fired power plants. The state plans, due to the EPA in July 2022, will evaluate and potentially require heat rate improvements at existing coal-fired plants. It is not yet known how these state plans will affect our existing coal plants, but they could require substantial additional investment, even in plants slated for retirement. Xcel Energy believes, based on prior state commission practice, the cost of these initiatives or replacement generation would be recoverable through rates.

Derivatives, Risk Management and Market Risk

We are exposed to a variety of market risks in the normal course of business. Market risk is the potential loss that may occur as a result of adverse changes in the market or fair value of a particular instrument or commodity. All financial and commodity-related instruments, including derivatives, are subject to market risk.

See Note 8 to the consolidated financial statements for further discussion of market risks associated with derivatives.

Xcel Energy is exposed to the impact of adverse changes in price for energy and energy-related products, which is partially mitigated by the use of commodity derivatives. In addition to ongoing monitoring and maintaining credit policies intended to minimize overall credit risk, management takes steps to mitigate changes in credit and concentration risks associated with its derivatives and other contracts, including parental guarantees and requests of collateral. While we expect that the counterparties will perform under the contracts underlying its derivatives, the contracts expose us to some credit and non-performance risk.

Distress in the financial markets may impact counterparty risk, the fair value of the securities in the nuclear decommissioning fund and pension fund and Xcel Energy's ability to earn a return on short-term investments.

Commodity Price Risk — We are exposed to commodity price risk in our electric and natural gas operations. Commodity price risk is managed by entering into long- and short-term physical purchase and sales contracts for electric capacity, energy and energy-related products and fuels used in generation and distribution activities. Commodity price risk is also managed through the use of financial derivative instruments. Our risk management policy allows it to manage commodity price risk within each rate-regulated operation per commission approved hedge plans.

Wholesale and Commodity Trading Risk — Xcel Energy conducts various wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy, energy-related instruments and natural gas-related instruments, including derivatives. Our risk management policy allows management to conduct these activities within guidelines and limitations as approved by its risk management committee.

Fair value of net commodity trading contracts as of March 31, 2020:

Futures / Forwards Maturity					
(Millions of Dollars)	Less Than 1 Year	1 to 3 Years	4 to 5 Years	Greater Than 5 Years	Total Fair Value
NSP-Minnesota ^(a)	\$ (1)	\$ 1	\$ 3	\$ 4	\$ 7
NSP-Minnesota ^(b)	4	(2)	(3)	(10)	(11)
PSCo ^(a)	1	—	—	—	1
PSCo ^(b)	(5)	(25)	(28)	—	(58)
	<u>\$ (1)</u>	<u>\$ (26)</u>	<u>\$ (28)</u>	<u>\$ (6)</u>	<u>\$ (61)</u>

Options Maturity					
(Millions of Dollars)	Less Than 1 Year	1 to 3 Years	4 to 5 Years	Greater Than 5 Years	Total Fair Value
NSP-Minnesota ^(b)	\$ 3	\$ —	\$ —	\$ —	\$ 3
	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3</u>

^(a) Prices actively quoted or based on actively quoted prices.

^(b) Prices based on models and other valuation methods.

Changes in the fair value of commodity trading contracts before the impacts of margin-sharing for the three months ended March 31:

(Millions of Dollars)	2020	2019
Fair value of commodity trading net contract (liabilities) assets outstanding at Jan. 1	\$ (59)	\$ 17
Contracts realized or settled during the period	—	(4)
Commodity trading contract additions and changes during the period	1	1
Fair value of commodity trading net contract (liabilities) assets outstanding at March 31	<u>\$ (58)</u>	<u>\$ 14</u>

At March 31, 2020, a 10% increase in market prices for commodity trading contracts would increase pre-tax income from continuing operations by approximately \$9 million, whereas a 10% decrease would decrease pre-tax income from continuing operations by approximately \$9 million. At March 31, 2019, a 10% increase in market prices for commodity trading contracts would increase pre-tax income from continuing operations by approximately \$8 million, whereas a 10% decrease would decrease pre-tax income from continuing operations by approximately \$8 million.

The utility subsidiaries' commodity trading operations measure the outstanding risk exposure to price changes on contracts and obligations that have been entered into, but not closed, using an industry standard methodology known as Value at Risk (VaR). VaR expresses the potential change in fair value on the outstanding contracts and obligations over a particular period of time under normal market conditions.

The VaRs for the NSP-Minnesota and PSCo commodity trading operations, excluding both non-derivative transactions and derivative transactions designated as normal purchase, normal sales, calculated on a consolidated basis using a Monte Carlo simulation with a 95% confidence level and a one-day holding period, were as follows:

(Millions of Dollars)	Three Months Ended March 31	VaR Limit	Average	High	Low
2020	\$ 0.8	\$ 3.0	\$ 0.5	\$ 1.0	\$ 0.3
2019	1.1	3.0	1.9	4.4	1.0

In November 2018, management temporarily increased the VaR limit to accommodate a 10-year transaction. NSP-Minnesota systematically hedging the transaction and the consolidated VaR returned below \$3 million in early January 2019.

Nuclear Fuel Supply — NSP-Minnesota has contracted for approximately 51% of its 2020 enriched nuclear material requirements from sources that could be impacted by sanctions against entities doing business with Iran. Those sanctions may impact the supply of enriched nuclear material supplied from Russia. Long-term, through 2030, NSP-Minnesota is scheduled to take delivery of approximately 30% of its average enriched nuclear material requirements from these sources. Alternate potential sources provide the flexibility to manage NSP-Minnesota's nuclear fuel supply. NSP-Minnesota periodically assesses if further actions are required to assure a secure supply of enriched nuclear material.

Interest Rate Risk — Xcel Energy is subject to interest rate risk. Our risk management policy allows interest rate risk to be managed through the use of fixed rate debt, floating rate debt and interest rate derivatives such as swaps, caps, collars and put or call options.

At March 31, 2020 and 2019, a 100-basis-point change in the benchmark rate on Xcel Energy's variable rate debt would impact pre-tax interest expense annually by approximately \$21 million and \$13 million, respectively.

See Note 8 to the consolidated financial statements for a discussion of Xcel Energy Inc. and its subsidiaries' interest rate derivatives.

NSP-Minnesota maintains a nuclear decommissioning fund, as required by the NRC. The nuclear decommissioning fund is subject to interest rate risk and equity price risk. The fund is invested in a diversified portfolio of cash equivalents, debt securities, equity securities, and other investments. These investments may be used only for purpose of decommissioning NSP-Minnesota's nuclear generating plants.

Realized and unrealized gains on the decommissioning fund investments are deferred as an offset of NSP-Minnesota's regulatory asset for nuclear decommissioning costs. Fluctuations in equity prices or interest rates affecting the nuclear decommissioning fund do not have a direct impact on earnings due to the application of regulatory accounting.

Changes in discount rates and expected return on plan assets impact the value of pension and postretirement plan assets and/or benefit costs.

Credit Risk — Xcel Energy is also exposed to credit risk. Credit risk relates to the risk of loss resulting from counterparties' nonperformance on their contractual obligations. The Company maintains credit policies intended to minimize overall credit risk and actively monitor these policies to reflect changes and scope of operations.

At March 31, 2020, a 10% increase in commodity prices would have resulted in an increase in credit exposure of \$21 million, while a decrease in prices of 10% would have resulted in an immaterial decrease in credit exposure. At March 31, 2019, a 10% increase in commodity prices would have resulted in an increase in credit exposure of \$29 million, while a decrease in prices of 10% would have resulted in an increase in credit exposure of \$7 million.

Xcel Energy conducts credit reviews for all counterparties and employs credit risk control, such as letters of credit, parental guarantees, master netting agreements and termination provisions. Credit exposure is monitored and when necessary, the activity with a specific counterparty is limited until credit enhancement is provided. Distress in the financial markets could increase our credit risk.

FAIR VALUE MEASUREMENTS

Xcel Energy uses derivative contracts such as futures, forwards, interest rate swaps, options and FTRs to manage commodity price and interest rate risk. Derivative contracts, with the exception of those designated as normal purchase-normal sale contracts, are reported at fair value.

The Company's investments held in the nuclear decommissioning fund, rabbi trusts, pension and other postretirement funds are also subject to fair value accounting.

See Note 8 to the consolidated financial statements for further discussion of the fair value hierarchy and the amounts of assets and liabilities measured at fair value that have been assigned to Level 3.

Commodity Derivatives — Xcel Energy monitors the creditworthiness of the counterparties to its commodity derivative contracts and assesses each counterparty's ability to perform on the transactions. The impact of discounting commodity derivative assets for counterparty credit risk was not material to the fair value of commodity derivative assets at March 31, 2020.

Adjustments to fair value for credit risk of commodity trading instruments are recorded in electric revenues. Credit risk adjustments for other commodity derivative instruments are deferred as other comprehensive income or deferred as regulatory assets and liabilities. Classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms. The impact of discounting commodity derivative liabilities for credit risk was immaterial at March 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

(Millions of Dollars)	Three Months Ended March 31	
	2020	2019
Cash provided by operating activities	\$ 669	\$ 793

Net cash provided by operating activities decreased \$124 million for the three months ended March 31, 2020 compared with the prior year. Decrease was primarily due to lower net income (excluding amounts related to non-cash operating activities (e.g., depreciation and amortization and deferred tax expenses)) and lower accounts payable due to a decrease in the cost of fuel.

(Millions of Dollars)	Three Months Ended March 31	
	2020	2019
Cash used in investing activities	\$ (1,606)	\$ (852)

Net cash used in investing activities increased \$754 million for the three months ended March 31, 2020 compared with the prior year. Increase was driven by capital expansion (primarily for wind projects) as well as the purchase of MEC in January 2020.

(Millions of Dollars)	Three Months Ended March 31	
	2020	2019
Cash provided by financing activities	\$ 933	\$ 6

Net cash provided by financing activities increased \$927 million for the three months ended March 31, 2020 compared with the prior year. Increase was primarily attributable to higher proceeds from issuances of short-term borrowings.

Capital Requirements

Xcel Energy expects to meet future financing requirements by periodically issuing short-term debt, long-term debt, common stock, hybrid and other securities to maintain desired capitalization ratios.

Pension Fund — Xcel Energy's pension assets are invested in a diversified portfolio of domestic and international equity securities, short-term to long-duration fixed income securities, and alternative investments, including private equity, real estate and hedge funds.

- In January 2020, contributions of \$150 million were made across four of Xcel Energy's pension plans.
- In 2019, contributions of \$154 million were made across four of Xcel Energy's pension plans.
- For future years, contributions will be made as deemed appropriate based on evaluation of various factors including the funded status of the plans, minimum funding requirements, interest rates and expected investment returns.

Capital Sources

Short-Term Funding Sources — Xcel Energy uses a number of sources to fulfill short-term funding needs, including operating cash flow, notes payable, commercial paper and bank lines of credit. The amount and timing of short-term funding needs depend on financing needs for construction expenditures, working capital and dividend payments.

Short-Term Investments — Xcel Energy Inc., NSP-Minnesota, NSP-Wisconsin, PSCo and SPS maintain cash operating and short-term investment accounts.

Revolving Credit Facilities — Xcel Energy Inc., NSP-Minnesota, PSCo and SPS each have the right to request an extension of the revolving credit facility for two additional one-year periods beyond the June 2024 termination date. NSP-Wisconsin has the right to request an extension of the revolving credit facility termination date for an additional one-year period. All extension requests are subject to majority bank group approval.

As of May 4, 2020, Xcel Energy Inc. and its utility subsidiaries had the following committed credit facilities available to meet liquidity needs:

(Millions of Dollars)	Credit Facility ^(a)	Drawn ^(b)	Available	Cash	Liquidity
Xcel Energy Inc.	\$ 1,250	\$ 107	\$ 1,143	\$ 311	\$ 1,454
PSCo	700	117	583	1	584
NSP-Minnesota	500	10	490	52	542
SPS	500	126	374	1	375
NSP-Wisconsin	150	55	95	1	96
Total	\$ 3,100	\$ 415	\$ 2,685	\$ 366	\$ 3,051

^(a) Credit facilities expire in June 2024.

^(b) Includes outstanding commercial paper and letters of credit.

Bilateral Credit Agreement

In March 2019, NSP-Minnesota entered into a one-year uncommitted bilateral credit agreement. The credit agreement is limited in use to support letters of credit. In March 2020, NSP-Minnesota renewed its bilateral credit agreement for an additional one-year term.

As of March 31, 2020, NSP-Minnesota's outstanding letters of credit under the Bilateral Credit Agreement were as follows:

(Millions of Dollars)	Limit	Amount Outstanding	Available
NSP-Minnesota	\$ 75	\$ 26	\$ 49

Short-Term Debt — Xcel Energy Inc., NSP-Minnesota, NSP-Wisconsin, PSCo and SPS each have individual commercial paper programs. The authorized levels for these commercial paper programs are:

- \$1.25 billion for Xcel Energy Inc.;
- \$700 million for PSCo;
- \$500 million for NSP-Minnesota;
- \$500 million for SPS; and
- \$150 million for NSP-Wisconsin.

In addition, in December 2019, Xcel Energy Inc. entered into a \$500 million 364-Day Term Loan Agreement that matures Dec. 1, 2020. Xcel Energy has an option to request an extension through Nov. 30, 2021. In March 2020, Xcel Energy Inc. entered into a \$700 million 364-Day Term Loan Agreement that matures March 22, 2021. Xcel Energy has an option to request an extension through March 21, 2022.

Short-term debt outstanding for Xcel Energy was as follows:

(Amounts in Millions, Except Interest Rates)	Three Months Ended March 31, 2020	Year Ended Dec. 31, 2019
Borrowing limit	\$ 4,300	\$ 3,600
Amount outstanding at period end	1,765	595
Average amount outstanding	1,404	1,115
Maximum amount outstanding	2,080	1,780
Weighted average interest rate, computed on a daily basis	2.05%	2.72%
Weighted average interest rate at period end	1.96	2.34

Money Pool — Xcel Energy received FERC approval to establish a utility money pool arrangement with the utility subsidiaries, subject to receipt of required state regulatory approvals. The utility money pool allows for short-term investments in and borrowings between the utility subsidiaries. Xcel Energy Inc. may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in Xcel Energy Inc. The money pool balances are eliminated in consolidation. NSP-Minnesota, PSCo and SPS participate in the money pool pursuant to approval from their respective state regulatory commissions. NSP-Wisconsin does not participate in the money pool.

2020 Planned Financing Activity — During 2020, Xcel Energy plans to issue approximately \$75 to \$80 million of equity through the DRIP and benefit programs. In addition, Xcel Energy Inc. and its utility subsidiaries issued or anticipate issuing the following debt securities:

Issuer	Security	Amount	Status	Tenor	Coupon
Xcel Energy Inc.	Senior Unsecured Notes	\$ 600 million	Completed	10 Year	3.4%
NSP-Minnesota	First Mortgage Bonds	700 million	Pending	N/A	N/A
NSP-Wisconsin	First Mortgage Bonds	100 million	Pending	N/A	N/A
PSCo	First Mortgage Bonds	750 million	Pending	N/A	N/A
SPS	First Mortgage Bonds	350 million	Pending	N/A	N/A

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

Forward Equity Agreements — In November 2019 Xcel Energy Inc. entered into forward equity agreements in connection with a completed \$743 million public offering of 11.8 million shares of common stock.

Off-Balance-Sheet Arrangements

Xcel Energy does not have any off-balance-sheet arrangements, other than those currently disclosed, that have or are reasonably likely to have a current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Earnings Guidance and Long-Term EPS and Dividend Growth Rate Objectives

Xcel Energy 2020 Earnings Guidance — Xcel Energy reaffirms 2020 EPS earnings guidance of \$2.73 to \$2.83 per share ^(a) ^(b), which assumes the implementation of contingency plans will be sufficient to offset the negative impacts of COVID-19 under the base case scenario. However, these contingency plans would not be sufficient to offset the negative impacts of COVID-19 under the severe scenario, which would likely result in earnings below the guidance range.

Key assumptions as compared with 2019 levels unless noted:

- Constructive outcomes in all rate case and regulatory proceedings.
 - Normal weather patterns for the remainder of the year.
 - Weather-normalized retail electric sales are projected to decline ~4%, under the base case scenario.
 - Weather-normalized retail firm natural gas sales are projected to decline ~1%, under the base case scenario.
 - Capital rider revenue is projected to increase \$45 million to \$55 million (net of PTCs). PTCs are credited to customers, through capital riders and reductions to electric margin.
 - O&M expenses are projected to decline approximately 4% to 5% under the base case scenario.
 - Depreciation expense is projected to increase approximately \$160 million to \$170 million.
 - Property taxes are projected to increase approximately \$35 million to \$45 million.
 - Interest expense (net of AFUDC - debt) is projected to increase \$60 million to \$70 million.
 - AFUDC - equity is projected to increase approximately \$25 million to \$35 million.
 - The ETR is projected to be approximately 0%. The ETR reflects benefits of PTCs which are credited to customers through electric margin and will not have a material impact on net income.
- (a) Ongoing earnings is calculated using net income and adjusting for certain nonrecurring or infrequent items that are, in management's view, not reflective of ongoing operations. Ongoing earnings could differ from those prepared in accordance with GAAP for 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 EPS to corresponding GAAP EPS.
- (b) The global outbreak of COVID-19 is currently impacting countries, communities, supply chains and markets. The ultimate severity of this event is uncertain and could have a material impact on our liquidity, financial condition, or results of operations.

Long-Term EPS and Dividend Growth Rate Objectives — Xcel Energy expects to deliver an attractive total return to our shareholders through a combination of earnings growth and dividend yield, based on the following long-term objectives:

- Deliver long-term annual EPS growth of 5% to 7% based off of a 2019 base of \$2.60 per share, which represents the mid-point of the original 2019 guidance range of \$2.55 to \$2.65 per share;
- Deliver annual dividend increases of 5% to 7%;
- Target a dividend payout ratio of 60% to 70%; and
- Maintain senior secured debt credit ratings in the A range.

COVID-19

The global outbreak of the COVID-19 pandemic has adversely impacted economic conditions worldwide. Efforts to control the spread of COVID-19 have led to shutdowns or curtailments of various industries, disrupting supply chains and markets. Beginning in mid-March, wide-spread government mandates (e.g., shelter-in-place) or other initiatives impacted our service territories. COVID-19 did not significantly impact first quarter 2020 results, but could have a material impact on our financial results in the future.

An overview of certain risk considerations or areas which have or could significantly impact us, is as follows:

Sales — In the first quarter of 2020, Xcel Energy experienced a decline in weather and leap year adjusted sales. The decline in sales was primarily due to pandemic related mandates implemented in March 2020 involving the temporary closure of non-essential businesses and state directives for individuals to stay-at-home. We experienced a substantive decline in April sales and expect that our future sales will be impacted due to stay-at-home and closure provisions in place and the impact of COVID-19 on the economy and its ultimate recovery.

Xcel Energy has decoupling and sales true-up mechanisms in Minnesota (all electric classes) and Colorado (residential and non-demand SC&I electric classes), which mitigate the impact of changes to sales levels as compared to a base line.

The following scenarios outline the potential impact of the pandemic on electric and natural gas sales and EPS, based on various assumptions of the duration of the stay-at-home provisions and economic recovery:

- **Mild Scenario** (severe impact through May with a V-shaped economic recovery), resulting in the following change in electric sales for 2020: an increase of approximately 1% in residential; a decline of approximately 4% in C&I; and a decline in total retail electric sales of approximately 2%. This sales decline would reduce EPS by approximately \$0.11.
- **Base Case Scenario** (severe impact through the second quarter with slower U-shaped recovery with lingering effects throughout 2020), resulting in the following change in electric sales for 2020: an increase of approximately 1% in residential; a decline of approximately 6% in C&I; and a decline in total retail electric sales of approximately 4%. This sales decline would reduce EPS by approximately \$0.17.
- **Severe Scenario** (severe impact through the third quarter followed by protracted challenged L-shaped recovery), resulting in the following change in electric sales for 2020: an increase of approximately 1% in residential; a decline of approximately 12% in C&I; and a decline in total retail electric sales of approximately 8%. This sales decline would reduce EPS by approximately \$0.37.
- The mild, base case and severe scenarios include a decrease in natural gas sales of 0%, 1% and 2%, respectively.
- Potential impacts due to other items could have negative EPS impact of \$0.02 to \$0.05, assuming constructive regulatory treatment.

Bad Debt — In March 2020, Xcel Energy announced it would not disconnect residential customers' electric or natural gas service during the virus outbreak. Certain states have issued additional limitations on charging late fees and extended protection to other customer classes. Bad debt expense could significantly increase due to regulatory orders, pandemic related economic impacts and customers hardship. However, several of our commissions are allowing the deferral of incremental COVID-19 related expense, including bad debt expense as discussed further under Regulatory.

Regulatory — Xcel Energy has received orders in Wisconsin, Texas and Michigan, allowing regulatory deferral of incremental COVID-19 costs as a regulatory asset subject to future determination of amount and timing of recovery. Costs include, but are not limited to, suspension of disconnections, waived late fees and other costs and/or foregone revenues. In addition, the Company has filed requests in Colorado, Minnesota, North Dakota, New Mexico and South Dakota to record a regulatory asset and defer all incremental expenses related to the pandemic.

We will continue to monitor these costs and assess whether the actions of the regulator provide the evidence necessary to defer amounts as regulatory assets. Xcel Energy serves the majority of its wholesale customers under formula transmission and production rates which true-up rates to actual costs to serve.

Contingency Plan — We are implementing contingency plans to reduce costs to offset the negative impact of COVID-19. Actions include reductions of employee expenses, consulting, variable compensation, delays of certain work activities, attrition and implementation of a hiring freeze. Based on these actions, our base case assumption is that 2020 O&M expenses will decline 4% to 5% compared with 2019. The ultimate level of O&M expenses will be dependent on actual sales levels.

In addition, we have received orders allowing the deferral of incremental pandemic related expenses in Texas, Wisconsin and Michigan. We are seeking regulatory authority to defer incremental expense in Minnesota, Colorado and other states.

We believe we can deliver earnings within our 2020 guidance range based on implementing contingency plans to offset the impact of the pandemic on sales and expense levels under the base case scenario. However, our contingency plans may not be able to offset the negative impact of COVID-19 under a severe scenario.

Supply Chain and Capital Expenditures — Xcel Energy's ability to meet customer energy requirements, respond to storm-related disruptions and maintain our capital expenditure program are dependent on maintaining an efficient supply chain. During the first quarter of 2020, Xcel Energy did not experience any material supply chain, contractor or employee disruptions that prevented us from performing maintenance or construction activity. As a result, we have not significantly adjusted our 2020 capital expenditure plan.

However, the situation is fluid and in April we were informed of supply chain disruptions, which will likely result in delays in the completion of two of our wind farms into 2021. We are working through these challenges to try to complete the projects this year, however, we believe these wind farms would meet the IRS continuous efforts criteria and qualify for 100% PTC benefit even if completed in 2021.

Pension — The funded status of the Xcel Energy pension plans was approximately 90% in January 2020. The funded status of the pension plan is estimated to be in the low 80% range, based on market conditions as of early May 2020.

Our disciplined pension plan management practices include maintaining a well-diversified growth portfolio across a diverse set of asset classes and an allocation to interest rate hedging instruments. Xcel Energy does not expect any material changes to its pension funding requirement at this time. In addition, Xcel Energy has pension trackers in Colorado and Texas, which allow us to defer amounts that are above or below a baseline.

Liquidity — Xcel Energy has taken steps to enhance its liquidity and believes it has more than adequate liquidity.

As a result of these actions, Xcel Energy currently has \$3.1 billion of available liquidity. In addition, there are other items that will enhance liquidity.

- Xcel Energy has an outstanding forward equity agreement in connection with a \$743 million public offering of 11.8 million shares. These shares have not been issued and we expect to settle this equity forward later in 2020.
- The MEC sale will result in approximately \$650 million of additional funds, after our previously-announced planned corporate giving, that can be used for general corporate purposes and enhanced liquidity.
- Xcel Energy continues to have access to the capital markets on favorable terms.

Customer Service & Reliability — Xcel Energy remains committed to continuing to safely deliver reliable services to our customers as families and communities face the COVID-19 pandemic. We have exercised our business continuity plans to safely serve our customers, protect our employees and ensure critical positions remain staffed.

Key actions include:

- Executing work-from-home practices for employees who can do their work remotely;
- Enhancing cleaning practices within our facilities;
- Providing proper personal protective equipment and following CDC and state guidelines;
- Conducting employee temperature checks;
- Changing work practices to promote social distancing;
- Splitting crews and staggering work times;
- Limiting employee entry into customer homes to emergency situations only; and
- Reminding customers of increased risks of scam activity.

Employees — The health and safety of our workforce is one of our core values, and we have taken several actions that reflect that during this pandemic:

- Continued pay for employees who have been quarantined;
- Expanded medical plan coverage for employees and their families to include 100% of COVID-19 medical costs;
- Offered up to an additional 80 hours of paid time off to employees for pandemic related illness;
- Expanded eligibility for our paid time off donation program to employees who have or are caring for a family member who has been diagnosed with the virus;
- Offered new anxiety and stress management tools, in addition to our existing Employee Assistance Program; and
- Provided resources and educational materials to support employees adjusting to distance learning with their children.

Communities — Xcel Energy is committed to the communities in which we operate. Early actions include the following:

- Plan to donate approximately \$20 million in corporate giving, including COVID-19 relief in 2020. Along with the Xcel Energy Foundation, we have already donated approximately \$1.5 million to support pandemic relief efforts across our eight-state footprint and implemented a virtual volunteering program;

- Donated over 300,000 masks to hospitals in the communities we serve; and launched a special \$300,000 COVID-19 two-to-one matching campaign, which provides a match for employee donations to impacted non-profit organizations, in addition to our standard employee matching gift programs; and
- Submitted a proposal to reduce our approved 2020 Fuel Forecast by \$25 million to provide immediate relief to our Minnesota customers during the pandemic and resulting economic downturn, which will be implemented across the three summer months equally.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes from Derivatives, Risk Management and Market Risk from our 2019 [Form 10-K](#).

ITEM 4 — CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Xcel Energy maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms. In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the CEO and CFO, allowing timely decisions regarding required disclosure.

As of March 31, 2020, based on an evaluation carried out under the supervision and with the participation of Xcel Energy's management, including the CEO and CFO, of the effectiveness of its disclosure controls and the procedures, the CEO and CFO have concluded that Xcel Energy's disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

No changes in Xcel Energy's internal control over financial reporting occurred during the most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, Xcel Energy's internal control over financial reporting.

Part II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

Xcel Energy is involved in various litigation matters in the ordinary course of business. The assessment of whether a loss is probable or is a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. Management maintains accruals for losses probable of being incurred and subject to reasonable estimation. Management is sometimes unable to estimate an amount or range of a reasonably possible loss in certain situations, including but not limited to when (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories.

In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss. For current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, would have a material effect on Xcel Energy's financial statements. Unless otherwise required by GAAP, legal fees are expensed as incurred.

See Note 10 to the consolidated financial statements and Part I Item 2 for further information.

ITEM 1A — RISK FACTORS

There have been no material changes from the risk factors disclosed in the 2019 [Form 10-K](#) except as follows:

We face risks related to health epidemics and other outbreaks, which may have a material effect on our financial condition, results of operations and cash flows.

The global outbreak of COVID-19 is currently impacting countries, communities, supply chains and markets. COVID-19 has not had a material impact on our first quarter results; however, we did experience a substantive drop in our sales in April. The severity of the outbreak is uncertain and we cannot ultimately predict whether it will have a material impact on our liquidity, financial condition, or results of operations. Nor can we predict the impact of the virus on the health of our employees, our supply chain or our ability to recover higher costs associated with managing through the pandemic.

Xcel Energy's risk factors are documented in Item 1A of Part I of its Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, which is incorporated herein by reference, as well as other information set forth in this report, which could have a material impact on our financial condition, results of operations and cash flows.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about our purchases of equity securities that are registered by Xcel Energy Inc. pursuant to Section 12 of the Exchange Act for the quarter ended March 31, 2020:

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
Jan. 1, 2020 - Jan. 31, 2020	—	\$ —	—	—
Feb. 1, 2020 - Feb. 29, 2020	—	—	—	—
March 1, 2020 - March 31, 2020 ^(a)	6,394	62.32	—	—
Total	6,394		—	—

^(a) Xcel Energy Inc. withholds stock to satisfy tax withholding obligations on vesting of awards of restricted stock under the Xcel Energy Executive Annual Incentive Award Plan.

ITEM 6 — EXHIBITS

* Indicates incorporation by reference

+ Executive Compensation Arrangements and Benefit Plans Covering Executive Officers and Directors

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3.01*	Amended and Restated Articles of Incorporation of Xcel Energy Inc.	Xcel Energy Inc. Form 8-K dated May 16, 2012	001-03034	3.01
3.02*	Bylaws of Xcel Energy Inc. as Amended on April 3, 2020	Xcel Energy Inc Form 8-K dated April 3, 2020	001-03034	3.01
4.01*	Supplemental Indenture No. 13, dated as of April 1, 2020 between Xcel Energy Inc. and Wells Fargo Bank, National Association as Trustee	Xcel Energy Inc. Form 8-K dated April 1, 2020	001-03034	4.01
10.01*	364-Day Term Loan Agreement dated as of March 23, 2020 among Xcel Energy Inc. as Borrower, the several lenders from time to time parties thereto, and U.S. Bank National Association, as Administrative Agent	Xcel Energy Inc. Form 8-K dated March 23, 2020	001-03034	10.01
10.02+	Eighth Amendment to the Xcel Energy Senior Executive Severance and Change-In-Control Policy			
31.01	Principal Executive Officer's certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.02	Principal Financial Officer's certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.01	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH	XBRL Schema			
101.CAL	XBRL Calculation			
101.DEF	XBRL Definition			
101.LAB	XBRL Label			
101.PRE	XBRL Presentation			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

XCEL ENERGY INC.

May 7, 2020

By: /s/ JEFFREY S. SAVAGE

Jeffrey S. Savage
Senior Vice President, Controller
(Principal Accounting Officer)

/s/ BRIAN J. VAN ABEL

Brian J. Van Abel
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

**Eighth Amendment
to the
Xcel Energy Senior Executive Severance and Change-In-Control Policy**

THIS EIGHTH AMENDMENT is made this 31st day of March, 2020, by Xcel Energy Inc. (the "Principal Sponsor").

WITNESSETH:

WHEREAS, the Principal Sponsor maintains the Xcel Energy Senior Executive Severance and Change-In-Control Policy (the "Policy"), and

WHEREAS, the Board of Directors of the Principal Sponsor (the "Board") has reserved the right to make amendments to the Policy, and

WHEREAS, the Governance, Compensation and Nominating Committee of the Board of Directors of the Principal Sponsor (the "Committee") has reserved the right to appoint or remove Participants under the Policy, and

WHEREAS, the Committee wishes to amend the Policy in certain respects to add a Participant to Schedule I to be effective March 31, 2020.

NOW, THEREFORE, the Policy is hereby amended as follows:

1. **Schedule I - Participants:** Schedule I to the Policy is hereby amended to add Brian Van Abel to the Schedule as a Tier I Participant as follows:

Name	Tier	Severance Multiple	Change-in-Control Multiple
Brian Van Abel	1	1	3

2. **Savings Clause.** Except as hereinabove set forth, the Xcel Energy Senior Executive Severance and Change-In-Control Policy shall continue in full force and effect.

IN WITNESS WHEREOF, Xcel Energy Inc. has caused this instrument to be enacted by its duly authorized officer as of the date set forth to be effective March 31, 2020.

XCEL ENERGY INC.

By: /s/ Darla Figoli

Its: Senior Vice President, CHRO

CERTIFICATION

I, Ben Fowke, certify that:

1. I have reviewed this report on Form 10-Q of Xcel Energy Inc. (a Minnesota corporation);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ BEN FOWKE

Ben Fowke

Chairman, Chief Executive Officer and Director
(Principal Executive Officer)

CERTIFICATION

I, Brian J. Van Abel, certify that:

1. I have reviewed this report on Form 10-Q of Xcel Energy Inc. (a Minnesota corporation);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ BRIAN J. VAN ABEL

Brian J. Van Abel

Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

OFFICER CERTIFICATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Xcel Energy Inc. (Xcel Energy) on Form 10-Q for the quarter ended March 31, 2020, as filed with the SEC on the date hereof (Form 10-Q), each of the undersigned officers of Xcel Energy certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Xcel Energy as of the dates and for the periods expressed in the Form 10-Q.

Date: May 7, 2020

/s/ BEN FOWKE

Ben Fowke

Chairman, Chief Executive Officer and Director
 (Principal Executive Officer)

/s/ BRIAN J. VAN ABEL

Brian J. Van Abel

Executive Vice President, Chief Financial Officer
 (Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Xcel Energy and will be retained by Xcel Energy and furnished to the SEC or its staff upon request.