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 June 30, 2019 or**

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

| | |
|---|---|
| **001-3034** | **41-0448030** |
| (Commission File Number) | (I.R.S. Employer Identification No.) |

(Registrant, State of Incorporation or Organization, Address of Principal Executive Officers and Telephone Number)

## Xcel Energy Inc.

Minnesota

**414 Nicollet Mall**

**Minneapolis Minnesota 55401**

**612 330-5500**

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 |

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 and 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 | July 25, 2019 |
|---|---|
| Common Stock, $2.50 par value | 515,010,683 shares |

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

## ABBREVIATIONS AND INDUSTRY TERMS

***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 |
| WYCO | WYCO Development, LLC |
| 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 |
| EPA | United States Environmental Protection Agency |
| FERC | Federal Energy Regulatory Commission |
| IRS | Internal Revenue Service |
| MPUC | Minnesota Public Utilities Commission |
| NDPSC | North Dakota Public Service Commission |
| NMPRC | New Mexico Public Regulation Commission |
| NMSC | New Mexico Supreme Court |
| NRC | Nuclear Regulatory Commission |
| OAG | Minnesota Office of the Attorney General |
| PSCW | Public Service Commission of Wisconsin |
| PUCT | Public Utility Commission of Texas |
| SDPUC | South Dakota Public Utility Commission |
| 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 |
| TCA | Transmission cost adjustment |
| TCR | Transmission cost recovery adjustment |
| TCRF | Transmission cost recovery factor |

***Other***

| | |
|---|---|
| ACE | Affordable Clean Energy |
| AFUDC | Allowance for funds used during construction |
| ASC | FASB Accounting Standards Codification |
| ASU | FASB Accounting Standards Update |
| C&I | Commercial and Industrial |
| CACJA | Clean Air Clean Jobs Act |
| CAPM | Capital Asset Pricing Model |
| 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 |
| CIG | Colorado Interstate Gas Company, LLC |
| CT | Combustion turbine |
| CWIP | Construction work in progress |
| DCF | Discounted Cash Flows |
| DOC | Department of Commerce |
| DR | Demand response |
| DRC | Development Recovery Company |
| 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 |
| IPP | Independent power producing entity |
| LIUNA | Laborers' International Union of North America |
| 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 |
| PPA | Purchased power 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. |
| TCJA | 2017 federal tax reform enacted as Public Law No: 115-97, commonly referred to as the Tax Cuts and Jobs Act |
| TOs | Transmission owners |

***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 2019 EPS guidance, long-term EPS and dividend growth rate, 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, 2018, and subsequent securities filings), could cause actual results to differ materially from management expectations as suggested by such forward-looking information: 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; ability of subsidiaries 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; operational safety, including our nuclear generation facilities; successful long-term operational planning; commodity risks associated with energy markets and production; rising energy prices; costs of potential regulatory penalties; effects of geopolitical events, including war and acts of terrorism; cyber security threats and data security breaches; fuel costs; and employee work force and third party contractor factors.

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**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 June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Operating revenues** | | | | |
| Electric | $ 2,249 | $ 2,348 | $ 4,574 | $ 4,617 |
| Natural gas | 308 | 292 | 1,102 | 954 |
| Other | 20 | 18 | 42 | 38 |
| Total operating revenues | 2,577 | 2,658 | 5,718 | 5,609 |
| | | | | |
| **Operating expenses** | | | | |
| Electric fuel and purchased power | 813 | 935 | 1,727 | 1,867 |
| Cost of natural gas sold and transported | 112 | 104 | 591 | 479 |
| Cost of sales — other | 10 | 8 | 19 | 17 |
| Operating and maintenance expenses | 586 | 578 | 1,184 | 1,135 |
| Conservation and demand side management expenses | 65 | 69 | 137 | 139 |
| Depreciation and amortization | 439 | 377 | 872 | 760 |
| Taxes (other than income taxes) | 142 | 137 | 292 | 282 |
| Total operating expenses | 2,167 | 2,208 | 4,822 | 4,679 |
| | | | | |
| **Operating income** | 410 | 450 | 896 | 930 |
| | | | | |
| Other income (expense) | 2 | (2) | 6 | (1) |
| Equity earnings of unconsolidated subsidiaries | 9 | 9 | 19 | 16 |
| Allowance for funds used during construction — equity | 20 | 26 | 40 | 49 |
| | | | | |
| **Interest charges and financing costs** | | | | |
| Interest charges — includes other financing costs of $6, $6, $13 and $12, respectively | 189 | 175 | 379 | 346 |
| Allowance for funds used during construction — debt | (10) | (11) | (20) | (22) |
| Total interest charges and financing costs | 179 | 164 | 359 | 324 |
| | | | | |
| **Income before income taxes** | 262 | 319 | 602 | 670 |
| Income taxes | 24 | 54 | 49 | 114 |
| **Net income** | $ 238 | $ 265 | $ 553 | $ 556 |
| | | | | |
| **Weighted average common shares outstanding:** | | | | |
| Basic | $ 516 | $ 510 | $ 515 | $ 509 |
| Diluted | 518 | 510 | 517 | 510 |
| | | | | |
| **Earnings per average common share:** | | | | |
| Basic | $ 0.46 | $ 0.52 | $ 1.07 | $ 1.09 |
| Diluted | 0.46 | 0.52 | 1.07 | 1.09 |

See Notes to Consolidated Financial Statements

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Net income** | $ 238 | $ 265 | $ 553 | $ 556 |
| **Other comprehensive income** | | | | |
| Pension and retiree medical benefits: | | | | |
| Net pension and retiree medical gains arising during the period, net of tax of $0, $0, $1 and $0, respectively | 1 | — | 3 | — |
| Amortization of losses included in net periodic benefit cost, net of tax of $0, $1, $0 and $1, respectively | — | 1 | 1 | 2 |
| | 1 | 1 | 4 | 2 |
| Derivative instruments: | | | | |
| Net fair value decrease, net of tax of $(3), $0, $(5) and $0, respectively | (10) | — | (17) | — |
| Reclassification of losses to net income, net of tax of $0 | 1 | 1 | 2 | 1 |
| | (9) | 1 | (15) | 1 |
| Other comprehensive (loss) income | (8) | 2 | (11) | 3 |
| **Comprehensive income** | $ 230 | $ 267 | $ 542 | $ 559 |

See Notes to Consolidated Financial Statements

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

| | Six Months Ended June 30 | |
|---|---|---|
| | 2019 | 2018 |
| **Operating activities** | | |
| Net income | $ 553 | $ 556 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 881 | 769 |
| Nuclear fuel amortization | 58 | 62 |
| Deferred income taxes | 47 | 110 |
| Allowance for equity funds used during construction | (40) | (49) |
| Equity earnings of unconsolidated subsidiaries | (19) | (16) |
| Dividends from unconsolidated subsidiaries | 20 | 18 |
| Share-based compensation expense | 35 | 10 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 122 | (11) |
| Accrued unbilled revenues | 115 | 115 |
| Inventories | 25 | 101 |
| Other current assets | 19 | 39 |
| Accounts payable | (157) | (1) |
| Net regulatory assets and liabilities | 25 | 143 |
| Other current liabilities | (195) | (247) |
| Pension and other employee benefit obligations | (139) | (142) |
| Other, net | (16) | (20) |
| Net cash provided by operating activities | 1,334 | 1,437 |
| **Investing activities** | | |
| Utility capital/construction expenditures | (1,689) | (1,854) |
| Purchases of investment securities | (488) | (367) |
| Proceeds from the sale of investment securities | 478 | 357 |
| Other, net | (9) | (1) |
| Net cash used in investing activities | (1,708) | (1,865) |
| **Financing activities** | | |
| Proceeds (repayments) from short-term borrowings, net | 559 | (132) |
| Proceeds from issuances of long-term debt | 819 | 1,186 |
| Repayments of long-term debt, including reacquisition premiums | (400) | (1) |
| Dividends paid | (387) | (359) |
| Other, net | (11) | (17) |
| Net cash provided by financing activities | 580 | 677 |
| Net change in cash and cash equivalents | 206 | 249 |
| Cash and cash equivalents at beginning of period | 147 | 83 |
| Cash and cash equivalents at end of period | $ 353 | $ 332 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest (net of amounts capitalized) | $ (344) | $ (313) |
| Cash received (paid) for income taxes, net | 54 | (3) |
| Supplemental disclosure of non-cash investing and financing transactions: | | |
| Accrued property, plant and equipment additions | $ 304 | $ 266 |
| Inventory transfers to property, plant and equipment | 40 | 35 |
| Operating lease right-of-use assets | 1,843 | — |
| Allowance for equity funds used during construction | 40 | 49 |

| | | |
|---|---|---|
| Issuance of common stock for equity awards | 32 | 35 |

See Notes to Consolidated Financial Statements

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

| | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 353 | $ 147 |
| Accounts receivable, net | 737 | 860 |
| Accrued unbilled revenues | 639 | 755 |
| Inventories | 483 | 548 |
| Regulatory assets | 425 | 464 |
| Derivative instruments | 86 | 87 |
| Prepaid taxes | 41 | 79 |
| Prepayments and other | 175 | 154 |
| Total current assets | 2,939 | 3,094 |
| | | |
| Property, plant and equipment, net | 37,651 | 36,944 |
| | | |
| Other assets | | |
| Nuclear decommissioning fund and other investments | 2,573 | 2,317 |
| Regulatory assets | 3,145 | 3,326 |
| Derivative instruments | 23 | 34 |
| Operating lease right-of-use assets | 1,763 | — |
| Other | 490 | 272 |
| Total other assets | 7,994 | 5,949 |
| Total assets | $ 48,584 | $ 45,987 |
| | | |
| **Liabilities and Equity** | | |
| Current liabilities | | |
| Current portion of long-term debt | $ 553 | $ 406 |
| Short-term debt | 1,597 | 1,038 |
| Accounts payable | 1,057 | 1,237 |
| Regulatory liabilities | 442 | 436 |
| Taxes accrued | 342 | 450 |
| Accrued interest | 180 | 174 |
| Dividends payable | 209 | 195 |
| Derivative instruments | 66 | 61 |
| Other | 614 | 463 |
| Total current liabilities | 5,060 | 4,460 |
| | | |
| Deferred credits and other liabilities | | |
| Deferred income taxes | 4,319 | 4,165 |
| Deferred investment tax credits | 51 | 54 |
| Regulatory liabilities | 5,139 | 5,187 |
| Asset retirement obligations | 2,647 | 2,568 |
| Derivative instruments | 121 | 129 |
| Customer advances | 198 | 199 |
| Pension and employee benefit obligations | 850 | 994 |
| Operating lease liabilities | 1,647 | — |
| Other | 190 | 206 |
| Total deferred credits and other liabilities | 15,162 | 13,502 |
| | | |
| Commitments and contingencies | | |
| Capitalization | | |

| | | | | |
|---|---|---|---|---|
| Long-term debt | | 15,996 | | 15,803 |
| Common stock — 1,000,000,000 shares authorized of $2.50 par value; 514,865,476 and 514,036,787 shares outstanding at June 30, 2019 and Dec. 31, 2018, respectively | | 1,287 | | 1,285 |
| Additional paid in capital | | 6,190 | | 6,168 |
| Retained earnings | | 5,024 | | 4,893 |
| Accumulated other comprehensive loss | | (135) | | (124) |
| Total common stockholders' equity | | 12,366 | | 12,222 |
| Total liabilities and equity | $ | 48,584 | $ | 45,987 |

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 | | | | | |
|---|---|---|---|---|---|---|
| | Shares | Par Value | Additional Paid In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Common Stockholders' Equity |
| **Three Months Ended June 30, 2019 and 2018** | | | | | | |
| **Balance at March 31, 2018** | 508,662 | $ 1,272 | $ 5,903 | $ 4,510 | $ (124) | $ 11,561 |
| Net income | | | | 265 | | 265 |
| Other comprehensive income | | | | | 2 | 2 |
| Dividends declared on common stock ($0.38 per share) | | | | (195) | | (195) |
| Issuances of common stock | 236 | — | 10 | | | 10 |
| Share-based compensation | | | 7 | — | | 7 |
| **Balance at June 30, 2018** | 508,898 | $ 1,272 | $ 5,920 | $ 4,580 | $ (122) | $ 11,650 |
| | | | | | | |
| **Balance at March 31, 2019** | 514,668 | $ 1,287 | $ 6,173 | $ 4,996 | $ (127) | $ 12,329 |
| Net income | | | | 238 | | 238 |
| Other comprehensive loss | | | | | (8) | (8) |
| Dividends declared on common stock ($0.41 per share) | | | | (209) | | (209) |
| Issuances of common stock | 197 | — | 10 | | | 10 |
| Share-based compensation | | | 7 | (1) | | 6 |
| **Balance at June 30, 2019** | 514,865 | $ 1,287 | $ 6,190 | $ 5,024 | $ (135) | $ 12,366 |

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 | | | | Accumulated Other | Total Common |
|---|---|---|---|---|---|---|
| | Shares | Par Value | Additional Paid In Capital | Retained Earnings | Comprehensive Loss | Stockholders' Equity |
| **Six Months Ended June 30, 2019 and 2018** | | | | | | |
| **Balance at Dec. 31, 2017** | 507,763 | $ 1,269 | $ 5,898 | $ 4,413 | $ (125) | $ 11,455 |
| Net income | | | | 556 | | 556 |
| Other comprehensive income | | | | | 3 | 3 |
| Dividends declared on common stock ($0.76 per share) | | | | (389) | | (389) |
| Issuances of common stock | 1,157 | 3 | 24 | | | 27 |
| Repurchases of common stock | (22) | — | (1) | | | (1) |
| Share-based compensation | | | (1) | — | | (1) |
| **Balance at June 30, 2018** | 508,898 | $ 1,272 | $ 5,920 | $ 4,580 | $ (122) | $ 11,650 |
| | | | | | | |
| **Balance at Dec. 31, 2018** | 514,037 | $ 1,285 | $ 6,168 | $ 4,893 | $ (124) | $ 12,222 |
| Net income | | | | 553 | | 553 |
| Other comprehensive income | | | | | (11) | (11) |
| Dividends declared on common stock ($0.81 per share) | | | | (419) | | (419) |
| Issuances of common stock | 834 | 2 | 20 | | | 22 |
| Repurchases of common stock | (6) | — | — | | | — |
| Share-based compensation | | | 2 | (3) | | (1) |
| **Balance at June 30, 2019** | 514,865 | $ 1,287 | $ 6,190 | $ 5,024 | $ (135) | $ 12,366 |

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 accounting principles generally accepted in the United States of America (GAAP), the financial position of Xcel Energy Inc. and its subsidiaries as of June 30, 2019 and Dec. 31, 2018; the results of its operations, including the components of net income and comprehensive income, and changes in stockholders' equity for the three and six months ended June 30, 2019 and 2018; and its cash flows for the six months ended June 30, 2019 and 2018. All adjustments are of a normal, recurring nature, except as otherwise disclosed. Management has also evaluated the impact of events occurring after June 30, 2019 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, 2018 balance sheet information has been derived from the audited 2018 consolidated financial statements included in the Xcel Energy Inc. Annual Report on Form 10-K for the year ended Dec. 31, 2018. 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, 2018, filed with the SEC on Feb. 22, 2019. 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, 2018, appropriately represent, in all material respects, the current status of accounting policies and are incorporated herein by reference.

## 2. Accounting Pronouncements

***Recently Issued***

***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. ASC Topic 326 is effective for interim and annual periods beginning on or after Dec. 15, 2019, and will be applied on a modified-retrospective approach through a cumulative-effect adjustment to retained earnings as of Jan. 1, 2020. Xcel Energy is currently evaluating the impact of adoption of the new standard on its consolidated financial statements.

***Recently Adopted***

***Leases*** — In 2016, the FASB issued *Leases*, *Topic 842 (ASC Topic 842)*, which provides new accounting and disclosure guidance for leasing activities, most significantly requiring that operating leases be recognized on the balance sheet. Xcel Energy adopted the guidance on Jan. 1, 2019 utilizing the package of transition practical expedients provided by the new standard, including carrying forward prior conclusions on whether agreements existing before the adoption date contain leases and whether existing leases are operating or finance leases; ASC Topic 842 refers to capital leases as finance leases.

Specifically for land easement contracts, Xcel Energy has elected the practical expedient provided by *ASU No. 2018-01 Leases: Land Easement Practical Expedient for Transition to Topic 842*, and as a result, only those easement contracts entered on or after Jan. 1, 2019 will be evaluated to determine if lease treatment is appropriate.

Xcel Energy also utilized the transition practical expedient offered by *ASU No. 2018-11 Leases: Targeted Improvements* to implement the standard on a prospective basis. As a result, reporting periods in the consolidated financial statements beginning Jan. 1, 2019 reflect the implementation of ASC Topic 842, while prior periods continue to be reported in accordance with *Leases, Topic 840 (ASC Topic 840)*. Other than first-time recognition of operating leases on its consolidated balance sheet, the implementation of ASC Topic 842 did not have a significant impact on Xcel Energy's consolidated financial statements. Adoption resulted in recognition of approximately $1.7 billion of operating lease ROU assets and current/noncurrent operating lease liabilities. See Note 10 for leasing disclosures.

## 3. Selected Balance Sheet Data

| (Millions of Dollars) | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| **Accounts receivable, net** | | |
| Accounts receivable | $ 786 | $ 915 |
| Less allowance for bad debts | (49) | (55) |
| | $ 737 | $ 860 |

| (Millions of Dollars) | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| **Inventories** | | |
| Materials and supplies | $ 272 | $ 271 |
| Fuel | 164 | 170 |
| Natural gas | 47 | 107 |
| | $ 483 | $ 548 |

| (Millions of Dollars) | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| **Property, plant and equipment, net** | | |
| Electric plant | $ 43,006 | $ 41,472 |
| Natural gas plant | 6,289 | 6,210 |
| Common and other property | 2,215 | 2,154 |
| Plant to be retired [(a)] | 290 | 322 |
| CWIP | 1,745 | 2,091 |
| Total property, plant and equipment | 53,545 | 52,249 |
| Less accumulated depreciation | (16,278) | (15,659) |
| Nuclear fuel | 2,859 | 2,771 |
| Less accumulated amortization | (2,475) | (2,417) |
| | $ 37,651 | $ 36,944 |

(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 June 30, 2019 | Year Ended Dec. 31, 2018 |
|---|---|---|
| Borrowing limit | $ 3,600 | $ 3,250 |
| Amount outstanding at period end | 1,597 | 1,038 |

| | | |
|---|---|---|
| Average amount outstanding | 1,313 | 788 |
| Maximum amount outstanding | 1,597 | 1,349 |
| Weighted average interest rate, computed on a daily basis | 2.83% | 2.34% |
| Weighted average interest rate at period end | 2.74 | 2.97 |

***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 June 30, 2019 and Dec. 31, 2018, there were $54 million and $49 million, respectively, 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.

***Credit Facilities*** — In order to use their 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.

***Amended Credit Agreements*** — In June 2019, Xcel Energy Inc., NSP-Minnesota, NSP-Wisconsin, PSCo and SPS entered into amended five-year credit agreements with a syndicate of banks. The total borrowing limit under the amended credit agreements was increased to $3.1 billion. The amended credit agreements have substantially the same terms and conditions as the prior credit agreements with the following exceptions:

- Maturity extended from June 2021 to June 2024.
- Borrowing limit for Xcel Energy was increased from $1.0 billion to $1.25 billion
- Borrowing limit for SPS was increased from $400 million to $500 million
- Added swingline subfacility for Xcel Energy up to $75 million

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.

As of June 30, 2019, Xcel Energy Inc. and its utility subsidiaries had the following committed credit facilities available:

| (Millions of Dollars) | Credit Facility [(a)] | Outstanding [(b)] | Available |
|---|---|---|---|
| Xcel Energy Inc. | $ 1,250 | $ 632 | $ 618 |
| PSCo | 700 | 231 | 469 |
| NSP-Minnesota | 500 | 213 | 287 |
| SPS | 500 | 2 | 498 |
| NSP-Wisconsin | 150 | 50 | 100 |
| Total | $ 3,100 | $ 1,128 | $ 1,972 |

(a) Expires in June 2024.

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

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 June 30, 2019 and Dec. 31, 2018.

***Term Loan Agreement*** — In December 2018, Xcel Energy Inc. renewed its $500 million 364 Day Term Loan Agreement. No additional capacity remains as loans borrowed and repaid may not be redrawn. The loan is unsecured and matures Dec. 3, 2019. Xcel Energy has an option to request an extension through Dec. 2, 2020.

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%. Interest is at a rate equal to either (i) the Eurodollar rate, plus 50.0 basis points, or (ii) an alternate base rate. Xcel Energy is also required to pay a commitment fee equal to 10 basis points per annum on any unborrowed portion.

As of June 30, 2019, Xcel Energy Inc.'s term loan borrowings were as follows:

| (Millions of Dollars) | Limit | Amount Used | Available |
|---|---|---|---|
| Xcel Energy Inc. | $ 500 | $ 500 | $ — |

### *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.

As of June 30, 2019, 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 | $ 23 | $ 52 |

### *Long-Term Borrowings*

During the six months ended June 30, 2019, Xcel Energy Inc. and its utility subsidiaries issued the following:

- PSCo issued $400 million of 4.05% first mortgage bonds due Sept. 15, 2049.
- Xcel Energy Inc. issued $130 million of 4.00% senior unsecured bonds due June 15, 2028.
- SPS issued $300 million of 3.75% first mortgage bonds due June 15, 2049.

***Forward Equity Agreements*** — In November 2018, Xcel Energy Inc. entered into forward sale agreements in connection with a completed $459 million public offering of 9.4 million shares of Xcel Energy common stock. The initial forward agreement was for 8.1 million shares with an additional agreement for 1.2 million shares that was exercised at the option of the banking counterparty. At June 30, 2019, the forward agreements could have been settled with physical delivery of 9.4 million common shares to the banking counterparty in exchange for cash of $452 million. The forward instruments could also have been settled at June 30, 2019 with delivery of approximately $100 million of cash or approximately 1.7 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 2018 public offering price for Xcel Energy's common stock of $49.00, 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 February 7, 2020. Depending on settlement timing and form of settlement, cash proceeds are expected to be approximately $450 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 $19.4 million and $38.5 million of equity through DRIP during the six months ended June 30, 2019 and year ended Dec. 31, 2018, respectively. 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:

| | Three Months Ended June 30, 2019 | | | |
|---|---|---|---|---|
| (Millions of Dollars) | Electric | Natural Gas | All Other | Total |
| **Major revenue types** | | | | |
| Revenue from contracts with customers: | | | | |
| Residential | $ 624 | $ 182 | $ 10 | $ 816 |
| C&I | 1,201 | 90 | 6 | 1,297 |
| Other | 31 | — | 1 | 32 |
| **Total retail** | 1,856 | 272 | 17 | 2,145 |
| Wholesale | 154 | — | — | 154 |
| Transmission | 127 | — | — | 127 |
| Other | 11 | 26 | — | 37 |
| **Total revenue from contracts with customers** | 2,148 | 298 | 17 | 2,463 |
| Alternative revenue and other | 101 | 10 | 3 | 114 |
| **Total revenues** | $ 2,249 | $ 308 | $ 20 | $ 2,577 |

| | Six Months Ended June 30, 2019 | | | |
|---|---|---|---|---|
| (Millions of Dollars) | Electric | Natural Gas | All Other | Total |
| **Major revenue types** | | | | |
| Revenue from contracts with customers: | | | | |
| Residential | $ 1,351 | $ 677 | $ 19 | $ 2,047 |
| C&I | 2,341 | 345 | 15 | 2,701 |
| Other | 63 | — | 2 | 65 |
| **Total retail** | 3,755 | 1,022 | 36 | 4,813 |
| Wholesale | 343 | — | — | 343 |
| Transmission | 258 | — | — | 258 |
| Other | 29 | 60 | — | 89 |
| **Total revenue from contracts with customers** | 4,385 | 1,082 | 36 | 5,503 |
| Alternative revenue and other | 189 | 20 | 6 | 215 |
| **Total revenues** | $ 4,574 | $ 1,102 | $ 42 | $ 5,718 |

| | Three Months Ended June 30, 2018 | | | |
|---|---|---|---|---|
| (Millions of Dollars) | Electric | Natural Gas | All Other | Total |
| **Major revenue types** | | | | |
| Revenue from contracts with customers: | | | | |
| Residential | $ 678 | $ 157 | $ 9 | $ 844 |
| C&I | 1,206 | 82 | 5 | 1,293 |
| Other | 33 | — | 2 | 35 |
| **Total retail** | 1,917 | 239 | 16 | 2,172 |
| Wholesale | 194 | — | — | 194 |
| Transmission | 132 | — | — | 132 |
| Other | 24 | 23 | — | 47 |
| **Total revenue from contracts with customers** | 2,267 | 262 | 16 | 2,545 |
| Alternative revenue and other | 81 | 30 | 2 | 113 |
| **Total revenues** | $ 2,348 | $ 292 | $ 18 | $ 2,658 |

| | Six Months Ended June 30, 2018 | | | |
|---|---|---|---|---|
| (Millions of Dollars) | Electric | Natural Gas | All Other | Total |
| **Major revenue types** | | | | |
| Revenue from contracts with customers: | | | | |
| Residential | $ 1,365 | $ 547 | $ 18 | $ 1,930 |
| C&I | 2,318 | 289 | 12 | 2,619 |
| Other | 66 | — | 4 | 70 |
| **Total retail** | 3,749 | 836 | 34 | 4,619 |
| Wholesale | 382 | — | — | 382 |
| Transmission | 255 | — | — | 255 |
| Other | 63 | 51 | — | 114 |
| **Total revenue from contracts with customers** | 4,449 | 887 | 34 | 5,370 |
| Alternative revenue and other | 168 | 67 | 4 | 239 |
| **Total revenues** | $ 4,617 | $ 954 | $ 38 | $ 5,609 |

## 6. Income Taxes

Except to the extent noted below, Note 7 to the consolidated financial statements included in Xcel Energy's Annual Report on Form 10-K for the year ended Dec. 31, 2018 represents, in all material respects, the current status of other income tax matters, and are incorporated herein by reference.

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Federal statutory rate | 21.0 % | 21.0 % | 21.0 % | 21.0 % |
| State tax (net of federal tax effect) | 5.0 | 5.1 | 5.0 | 5.0 |
| (Decreases) increases: | | | | |
| Wind PTCs | (11.9) | (5.4) | (10.0) | (5.8) |
| Plant regulatory differences [(a)] | (5.5) | (2.4) | (5.6) | (1.8) |
| Other tax credits and allowances (net) | (0.6) | (1.1) | (1.8) | (1.2) |
| Other (net) | 1.2 | (0.3) | (0.5) | (0.2) |
| Effective income tax rate | 9.2 % | 16.9 % | 8.1 % | 17.0 % |

[(a)] Regulatory differences for income tax primarily relate to the flow back of excess deferred taxes to customers through the average rate assumption method and the impact of AFUDC - Equity. Quarterly variations primarily relates to the deferral of the flow back of excess deferred taxes in 2018, as a result of pending regulatory decisions. Treatment of most tax reform items was established prior to the first quarter of 2019, resulting in a reduction in deferred amounts. Income tax benefits associated with the flow back of excess deferred credits are offset by corresponding revenue reductions and additional prepaid pension asset amortization.

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

| Tax Year(s) | Expiration |
|---|---|
| 2009 - 2013 | June 2020 |
| 2014 - 2016 | September 2020 |
| 2017 | September 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 June 30, 2019, 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 June 30, 2019, 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 June 30, 2019, 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 June 30, 2019, no material adjustments have been proposed.
- No other state income tax audits were in progress as of June 30, 2019.

***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 the 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) | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| Unrecognized tax benefit — Permanent tax positions | $ 30 | $ 28 |
| Unrecognized tax benefit — Temporary tax positions | 10 | 9 |
| Total unrecognized tax benefit | $ 40 | $ 37 |

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

| (Millions of Dollars) | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| NOL and tax credit carryforwards | $ (36) | $ (35) |

Net deferred tax liability associated with the unrecognized tax benefit amounts and related NOLs and tax credits carryforwards were $25 million at June 30, 2019 and $24 million at Dec. 31, 2018.

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 June 30, 2019 or Dec. 31, 2018.

## 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 1.8 million and 1.5 million for the three and six months ended June 30, 2019, respectively (0.4 million for the three and six months ended June 30, 2018).

## 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, hierarchical framework for measuring assets and liabilities and requires disclosure about assets and liabilities measured at fair value.

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.

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 the following:

*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 generally utilize observable forward prices and volatilities, as well as observable pricing adjustments for specific delivery locations, and are generally assigned a Level 2 classification. When contractual settlements relate to delivery locations for which pricing is relatively unobservable, or extend to periods beyond those readily observable on active exchanges or quoted by brokers, the significance of the use of less observable inputs 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 important 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 of Xcel Energy.

### *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 investment targets by asset class for the 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 $606 million and $450 million as of June 30, 2019 and Dec. 31, 2018, respectively, and unrealized losses were $15 million and $45 million as of June 30, 2019 and Dec. 31, 2018, respectively.

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

| | June 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | | |
| (Millions of Dollars) | Cost | Level 1 | Level 2 | Level 3 | NAV | Total |
| Nuclear decommissioning fund [(a)] | | | | | | |
| Cash equivalents | $ 27 | $ 27 | $ — | $ — | $ — | $ 27 |
| Commingled funds | 802 | — | — | — | 988 | 988 |
| Debt securities | 485 | — | 473 | 14 | — | 487 |
| Equity securities | 396 | 798 | 1 | — | — | 799 |
| Total | $ 1,710 | $ 825 | $ 474 | $ 14 | $ 988 | $ 2,301 |

(a) Reported in nuclear decommissioning fund and other investments on the consolidated balance sheet, which also includes $145 million of equity investments in unconsolidated subsidiaries and $126 million of rabbi trust assets and miscellaneous investments.

| | Dec. 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | | |
| (Millions of Dollars) | Cost | Level 1 | Level 2 | Level 3 | NAV | Total |
| Nuclear decommissioning fund [(a)] | | | | | | |
| Cash equivalents | $ 24 | $ 24 | $ — | $ — | $ — | $ 24 |
| Commingled funds | 758 | 79 | — | — | 819 | 898 |
| Debt securities | 466 | — | 436 | — | — | 436 |
| Equity securities | 401 | 697 | — | — | — | 697 |
| Total | $ 1,649 | $ 800 | $ 436 | $ — | $ 819 | $ 2,055 |

(a) Reported in nuclear decommissioning fund and other investments on the consolidated balance sheet, which also includes $141 million of equity investments in unconsolidated subsidiaries and $121 million of rabbi trust assets and miscellaneous investments.

For the three and six months ended June 30, 2019 and 2018, there was no transfer of amounts between levels.

Contractual maturity dates of debt securities in the nuclear decommissioning fund as of June 30, 2019:

| | Final Contractual Maturity | | | | |
|---|---|---|---|---|---|
| (Millions of Dollars) | Due in 1 Year or Less | Due in 1 to 5 Years | Due in 5 to 10 Years | Due after 10 Years | Total |
| Debt securities | $ 1 | $ 122 | $ 225 | $ 139 | $ 487 |

### *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:

| | June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| (Millions of Dollars) | Cost | Level 1 | Level 2 | Level 3 | Total |
| Rabbi Trusts [(a)] | | | | | |
| Cash equivalents | $ 13 | $ 13 | $ — | $ — | $ 13 |
| Mutual funds | 52 | 58 | — | — | 58 |
| Total | $ 65 | $ 71 | $ — | $ — | $ 71 |

| | Dec. 31, 2018 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| (Millions of Dollars) | Cost | Level 1 | Level 2 | Level 3 | Total |
| Rabbi Trusts [(a)] | | | | | |
| Cash equivalents | $ 16 | $ 16 | $ — | $ — | $ 16 |
| Mutual funds | 52 | 51 | — | — | 51 |
| Total | $ 68 | $ 67 | $ — | $ — | $ 67 |

(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 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 June 30, 2019, accumulated other comprehensive loss related to interest rate derivatives included $4 million of net losses expected to be reclassified into earnings during the next 12 months as the hedged transactions impact earnings.

As of June 30, 2019, Xcel Energy had unsettled interest rate swaps outstanding with a notional amount of $300 million. These interest rate derivatives were designated as cash flow hedges, and as such, changes in fair value are recorded to other comprehensive income.

***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 commission approved regulatory recovery mechanisms.

As of June 30, 2019, Xcel Energy had no commodity contracts designated as cash flow hedges.

Xcel Energy also 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] | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| MWh of electricity | 134 | 87 |
| MMBtu of natural gas | 95 | 92 |

(a) Not reflective of net positions in the underlying commodities.
(b) Notional amounts for options included on a gross basis, but are 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 June 30, 2019, six of Xcel Energy's 10 most significant counterparties for these activities, comprising $72 million or 36% 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 $21 million or 11% 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 $8 million or 4% of this credit exposure, had credit quality less than investment grade, based on external analysis. Nine of these significant counterparties are municipal or cooperative electric entities or other utilities.

Impact of derivative activity:

| | Pre-Tax Fair Value Gains (Losses) Recognized During the Period in: | |
|---|---|---|
| (Millions of Dollars) | Accumulated Other Comprehensive Loss | Regulatory (Assets) and Liabilities |
| **Three Months Ended June 30, 2019** | | |
| **Derivatives designated as cash flow hedges** | | |
| Interest rate | $ (13) | $ — |
| Total | $ (13) | $ — |
| **Other derivative instruments** | | |
| Electric commodity | $ — | $ 26 |
| Natural gas commodity | — | (2) |
| Total | $ — | $ 24 |
| **Six Months Ended June 30, 2019** | | |
| **Derivatives designated as cash flow hedges** | | |
| Interest rate | $ (22) | $ — |
| Total | $ (22) | $ — |
| **Other derivative instruments** | | |
| Electric commodity | $ — | $ 4 |
| Natural gas commodity | — | (2) |
| Total | $ — | $ 2 |
| **Three Months Ended June 30, 2018** | | |
| **Other derivative instruments** | | |
| Electric commodity | $ — | $ 37 |
| Total | $ — | $ 37 |
| **Six Months Ended June 30, 2018** | | |
| **Other derivative instruments** | | |

| | 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 June 30, 2019** | | | |
| **Derivatives designated as cash flow hedges** | | | |
| Interest rate | $ 1 [a] | $ — | $ — |
| Total | $ 1 | $ — | $ — |
| **Other derivative instruments** | | | |
| Commodity trading | $ — | $ — | $ 5 [b] |
| Total | $ — | $ — | $ 5 |
| **Six Months Ended June 30, 2019** | | | |
| **Derivatives designated as cash flow hedges** | | | |
| Interest rate | $ 2 [a] | $ — | $ — |
| Total | $ 2 | $ — | $ — |
| **Other derivative instruments** | | | |
| Commodity trading | $ — | $ — | $ 4 [b] |
| Electric commodity | — | 1 [c] | — |
| Natural gas commodity | — | (1) [d] | (4) [d] |
| Total | $ — | $ — | $ — |
| **Three Months Ended June 30, 2018** | | | |
| **Derivatives designated as cash flow hedges** | | | |
| Interest rate | $ 1 [a] | $ — | $ — |
| Total | $ 1 | $ — | $ — |
| **Other derivative instruments** | | | |
| Commodity trading | $ — | $ — | $ 2 [b] |
| Electric commodity | — | (3) [c] | — |
| Total | $ — | $ (3) | $ 2 |
| **Six Months Ended June 30, 2018** | | | |
| **Derivatives designated as cash flow hedges** | | | |
| Interest rate | $ 1 [a] | $ — | $ — |
| Total | $ 1 | $ — | $ — |
| **Other derivative instruments** | | | |
| Commodity trading | $ — | $ — | $ 10 [b] |
| Natural gas commodity | — | 2 [d] | (2) [d] |
| Total | $ — | $ 2 | $ 8 |

(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 and six months ended June 30, 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. Amounts for the three and six months ended June 30, 2018 included no such settlement gains or losses and $1 million of such settlement losses, respectively. Remaining settlement losses for the three and six months ended June 30, 2019 and 2018 related to natural gas operations and were

| | | |
|---|---|---|
| Electric commodity | $ — | $ 8 |
| Total | $ — | $ 8 |

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 and six months ended June 30, 2019 and 2018.

***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 June 30, 2019 and Dec. 31, 2018, $6 million and less than $1 million of derivative instruments were in a liability position with such underlying contract provisions, respectively, with no offsetting positions or posted collateral.

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 less than $1 million of collateral posted related to adequate assurance clauses in derivative contracts as of June 30, 2019 and Dec. 31, 2018**.**

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

| | June 30, 2019 | | | | | | Dec. 31, 2018 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fair Value | | | | | | Fair Value | | | | | |
| **(Millions of Dollars)** | **Level 1** | **Level 2** | **Level 3** | **Fair Value Total** | **Netting (a)** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Fair Value Total** | **Netting (a)** | **Total** |
| **Current derivative assets** | | | | | | | | | | | | |
| Other derivative instruments: | | | | | | | | | | | | |
| Commodity trading | $ 6 | $ 84 | $ 19 | $ 109 | $ (64) | $ 45 | $ 4 | $ 92 | $ 2 | $ 98 | $ (44) | $ 54 |
| Electric commodity | — | — | 38 | 38 | (1) | 37 | — | — | 25 | 25 | — | 25 |
| Natural gas commodity | — | 1 | — | 1 | — | 1 | — | 4 | — | 4 | — | 4 |
| Total current derivative assets | $ 6 | $ 85 | $ 57 | $ 148 | $ (65) | 83 | $ 4 | $ 96 | $ 27 | $ 127 | $ (44) | 83 |
| PPAs (b) | | | | | | 3 | | | | | | 4 |
| Current derivative instruments | | | | | | $ 86 | | | | | | $ 87 |
| **Noncurrent derivative assets** | | | | | | | | | | | | |
| Other derivative instruments: | | | | | | | | | | | | |
| Commodity trading | $ 1 | $ 48 | $ — | $ 49 | $ (40) | $ 9 | $ — | $ 27 | $ 5 | $ 32 | $ (14) | $ 18 |
| Total noncurrent derivative assets | $ 1 | $ 48 | $ — | $ 49 | $ (40) | 9 | $ — | $ 27 | $ 5 | $ 32 | $ (14) | 18 |
| PPAs (b) | | | | | | 14 | | | | | | 16 |
| Noncurrent derivative instruments | | | | | | $ 23 | | | | | | $ 34 |

| | June 30, 2019 | | | | | | Dec. 31, 2018 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fair Value | | | | | | Fair Value | | | | | |
| **(Millions of Dollars)** | **Level 1** | **Level 2** | **Level 3** | **Fair Value Total** | **Netting (a)** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Fair Value Total** | **Netting (a)** | **Total** |
| **Current derivative liabilities** | | | | | | | | | | | | |
| Derivatives designated as cash flow hedges: | | | | | | | | | | | | |
| Interest rate | $ — | $ 28 | $ — | $ 28 | $ — | $ 28 | $ — | $ 7 | $ — | $ 7 | $ — | $ 7 |
| Other derivative instruments: | | | | | | | | | | | | |
| Commodity trading | 7 | 75 | 15 | 97 | (77) | 20 | 4 | 88 | 2 | 94 | (60) | 34 |
| Electric commodity | — | — | 1 | 1 | (1) | — | — | — | — | — | — | — |
| Total current derivative liabilities | $ 7 | $ 103 | $ 16 | $ 126 | $ (78) | 48 | $ 4 | $ 95 | $ 2 | $ 101 | $ (60) | 41 |
| PPAs (b) | | | | | | 18 | | | | | | 20 |
| Current derivative instruments | | | | | | $ 66 | | | | | | $ 61 |
| **Noncurrent derivative liabilities** | | | | | | | | | | | | |
| Other derivative instruments: | | | | | | | | | | | | |
| Commodity trading | $ 1 | $ 31 | $ 13 | $ 45 | $ (8) | $ 37 | $ — | $ 18 | $ 1 | $ 19 | $ 17 | $ 36 |
| Total noncurrent derivative liabilities | $ 1 | $ 31 | $ 13 | $ 45 | $ (8) | 37 | $ — | $ 18 | $ 1 | $ 19 | $ 17 | 36 |
| PPAs (b) | | | | | | 84 | | | | | | 93 |
| Noncurrent derivative instruments | | | | | | $ 121 | | | | | | $ 129 |

(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 June 30, 2019 and Dec. 31, 2018. At both June 30, 2019 and Dec. 31, 2018, derivative assets and liabilities include $32 million of obligations to return cash collateral. At June 30, 2019 and Dec. 31, 2018, derivative assets and liabilities include rights to reclaim cash collateral of $13 million and $15 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 June 30 2019 | 2018 |
|---|---|---|
| Balance at April 1 | $ (7) | $ 19 |
| Purchases | 34 | 45 |
| Settlements | (16) | (20) |
| Net transactions recorded during the period: | | |
| Gains (losses) recognized in earnings [(a)] | 7 | (2) |
| Net gains recognized as regulatory assets and liabilities | 10 | 22 |
| Balance at June 30 | $ 28 | $ 64 |

| (Millions of Dollars) | Six Months Ended June 30 2019 | 2018 |
|---|---|---|
| Balance at Jan. 1 | $ 29 | $ 35 |
| Purchases | 38 | 46 |
| Settlements | (27) | (32) |
| Net transactions recorded during the period: | | |
| Losses recognized in earnings [(a)] | (11) | — |
| Net (losses) gains recognized as regulatory assets and liabilities | (1) | 15 |
| Balance at June 30 | $ 28 | $ 64 |

(a) These amounts relate to commodity derivatives held at the end of the period.

Xcel Energy recognizes transfers between fair value hierarchy levels as of the beginning of each period. There were no transfers of amounts between levels for derivative instruments for the three and six months ended June 30, 2019 and 2018.

***Fair Value of Long-Term Debt***

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

| | June 30, 2019 | | Dec. 31, 2018 | |
|---|---|---|---|---|
| (Millions of Dollars) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Long-term debt, including current portion | $ 16,549 | $ 18,218 | $ 16,209 | $ 16,755 |

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 June 30, 2019 and Dec. 31, 2018, 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)

| | Three Months Ended June 30 | | | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| (Millions of Dollars) | Pension Benefits | | Postretirement Health Care Benefits | |
| Service cost | $ 22 | $ 24 | $ — | $ 1 |
| Interest cost [(a)] | 36 | 33 | 6 | 5 |
| Expected return on plan assets [(a)] | (51) | (52) | (5) | (6) |
| Amortization of prior service credit [(a)] | (1) | (1) | (3) | (3) |
| Amortization of net loss [(a)] | 22 | 27 | 1 | 2 |
| Net periodic benefit cost (credit) | 28 | 31 | (1) | (1) |
| Credits (costs) not recognized due to the effects of regulation | 1 | (1) | — | — |
| Net benefit cost (credit) recognized for financial reporting | $ 29 | $ 30 | $ (1) | $ (1) |

| | Six Months Ended June 30 | | | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| (Millions of Dollars) | Pension Benefits | | Postretirement Health Care Benefits | |
| Service cost | $ 43 | $ 47 | $ 1 | $ 1 |
| Interest cost [(a)] | 72 | 67 | 11 | 11 |
| Expected return on plan assets [(a)] | (102) | (104) | (11) | (13) |
| Amortization of prior service credit [(a)] | (2) | (2) | (5) | (5) |
| Amortization of net loss [(a)] | 44 | 55 | 3 | 3 |
| Net periodic benefit cost (credit) | 55 | 63 | (1) | (3) |
| Credits (costs) not recognized due to the effects of regulation | 2 | (2) | 1 | — |
| Net benefit cost (credit) recognized for financial reporting | $ 57 | $ 61 | $ — | $ (3) |

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

In January 2019, contributions of $150 million were made across four of Xcel Energy's pension plans. On July 1, 2019, Xcel Energy made a $4 million contribution to the Xcel Energy Inc. Non-Bargaining Pension Plan (South) and does not expect any additional pension contributions during 2019.

## 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* - The MDL panel remanded Breckenridge back to the U.S. District Court in Colorado and assigned to a judge.

*Arandell Corp.* - In February 2019, Xcel Energy filed a no opposition motion to have the case remanded back to the U.S. District Court in Wisconsin. The motion was granted and the case has been remanded back to the District Court.

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

***Line Extension Disputes*** — In December 2015, the DRC filed a lawsuit seeking monetary damages in the Denver District Court, stating PSCo failed to award proper allowances and refunds for line extensions to new developments pursuant to the terms of electric and gas service agreements. The dispute involves claims by over fifty developers. In February 2018, the Colorado Supreme Court denied DRC's petition to appeal the Denver District Court's dismissal of the lawsuit, effectively terminating this litigation. However, in January 2018, DRC filed a new lawsuit in Boulder County District Court, asserting a single claim that PSCo was required to file its line extension agreements with the CPUC but failed to do so.

This claim is similar to the arguments previously raised by DRC. PSCo filed a motion to dismiss this claim, which was granted in May 2018. DRC subsequently filed an appeal to the Colorado Court of Appeals. Briefs have been filed and it is uncertain when a decision will be rendered.

PSCo has concluded that a loss is remote with respect to both of these matters as the service agreements were developed to implement CPUC approved tariffs and PSCo has complied with the tariff provisions. If a loss were sustained, PSCo believes it would be allowed to recover costs through traditional regulatory mechanisms. Amount or range in dispute is presently unknown and no accrual has been recorded for this matter.

**Rate Matters**

***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 has 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 agreed 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, the 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.

***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.

In October 2018, the FERC issued an ROE order that addressed the D.C. Circuit's actions. Under a new proposed two step ROE approach, the FERC indicated an intention to dismiss an ROE complaint if the existing ROE falls within the range of just and reasonable ROEs based on equal weighting of the DCF, CAPM, and Expected Earnings models. The FERC proposed that if necessary, it would then set a new ROE by averaging the results of these models plus a Risk Premium model.

The FERC subsequently made preliminary determinations in a November 2018 order that the MISO TO's base ROE in effect for the first complaint period (12.38%) was outside the range of reasonableness, and should be reduced. The FERC indicated its preliminary analysis using the new ROE approach resulted in a base ROE of 10.28% for the first complaint period, compared to the previously ordered base ROE of 10.32%. NSP-Minnesota has recognized a current refund liability consistent with its best estimate of the final ROE, pending further FERC action as early as the second half of 2019.

On March 21, 2019, the 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. Initial comments on both NOIs were due in June 2019, with reply comments due in the third quarter of 2019, pending further FERC action as early as the second half of 2019.

***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 Sept. 2015. In April 2019, several parties, including SPP, filed requests for rehearing. The timing of a FERC response to the rehearing requests 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 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 and restoration activities are anticipated to be completed in 2019 and groundwater treatment activities will continue for many years.

The current cost estimate for remediation and restoration of the entire site is approximately $190 million. At June 30, 2019 and Dec. 31, 2018, NSP-Wisconsin had a total liability of $26 million and $27 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 2012, the PSCW agreed to allow NSP-Wisconsin to pre-collect certain costs, to amortize costs over 10 years and to apply a 3% carrying cost to the unamortized regulatory asset.

***MGP, Landfill or Disposal Sites*** — PSCo is cooperating with the City of Denver on an environmental investigation of the Rice Yards Site in the Central Platte Valley of Denver, Colorado, which had various historic industrial uses by multiple parties, including railroad, maintenance shop, scrap metal yard, and MGP operations. In the 1990's, environmental remediation activities took place at the site under state oversight to accommodate the development of an amusement park and parking lots. 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, Xcel Energy is currently investigating or remediating 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 the costs incurred.

***Environmental Requirements — Water and Waste***

***Coal Ash Regulation*** — Xcel Energy's operations are subject to federal and state laws 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. By the end of 2019, only nine of Xcel Energy's regulated ash units are expected to be in operation. Xcel Energy is conducting groundwater sampling, and where appropriate, initiating the assessment of corrective measures and evaluating whether corrective action is required at any CCR landfills or surface impoundments.

Until Xcel Energy completes its assessment, it is uncertain what impact, if any, there will be on the operations, financial condition or cash flows.

**Leases**

Xcel Energy evaluates contracts that may contain leases, including PPAs and arrangements for the use of office space and other facilities, vehicles and equipment. Under ASC Topic 842, adopted by Xcel Energy on Jan. 1, 2019, a contract contains a lease if it conveys the exclusive right to control the use of a specific asset. A contract determined to contain a lease is evaluated further to determine if the arrangement is a finance lease.

ROU assets represent Xcel Energy's rights to use leased assets. Starting in 2019, the present value of future operating lease payments are recognized in other current liabilities and noncurrent operating lease liabilities. These amounts, adjusted for any prepayments or incentives, are recognized as operating lease ROU assets.

Most of Xcel Energy's leases do not contain a readily determinable discount rate. Therefore, the present value of future lease payments is calculated using the applicable Xcel Energy subsidiary's estimated incremental borrowing rate (weighted-average of 4.1%). Xcel Energy has elected the practical expedient under which non-lease components, such as asset maintenance costs included in payments, are not deducted from minimum lease payments for the purposes of lease accounting and disclosure.

Leases with an initial term of 12 months or less are classified as short-term leases and are not recognized on the consolidated balance sheet.

Operating lease ROU assets:

| (Millions of Dollars) | June 30, 2019 |
|---|---|
| PPAs | $ 1,642 |
| Other | 201 |
| Gross operating lease ROU assets | 1,843 |
| Accumulated amortization | (80) |
| Net operating lease ROU assets | $ 1,763 |

In 2019, ROU assets for finance leases are included in other noncurrent assets, and the present value of future finance lease payments is included in other current liabilities and other noncurrent liabilities. Prior to 2019, finance leases were included in property, plant and equipment, the current portion of long-term debt and long-term debt.

Xcel Energy's most significant finance lease activities are related to WYCO. WYCO is a joint venture with CIG to develop and lease natural gas pipeline, storage and compression facilities. Xcel Energy Inc. has a 50% ownership interest in WYCO. WYCO leases its facilities to CIG, and CIG operates the facilities, providing natural gas storage and transportation services to PSCo under separate service agreements.

PSCo accounts for its Totem natural gas storage service and Front Range pipeline arrangements with CIG and WYCO, respectively, as finance leases. Xcel Energy Inc. eliminates 50% of the finance lease obligation related to WYCO in the consolidated balance sheet along with an equal amount of Xcel Energy Inc.'s equity investment in WYCO.

Finance lease ROU assets:

| (Millions of Dollars) | June 30, 2019 |
|---|---|
| Gas storage facilities | $ 201 |
| Gas pipeline | 21 |
| Gross finance lease ROU assets | 222 |
| Accumulated amortization | (80) |
| Net finance lease ROU assets | $ 142 |

Components of lease expense:

| (Millions of Dollars) | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2019 |
|---|---|---|
| Operating leases | | |
| PPA capacity payments | $ 53 | $ 105 |
| Other operating leases [a] | 8 | 17 |
| Total operating lease expense [b] | $ 61 | $ 122 |
| | | |
| Finance leases | | |
| Amortization of ROU assets | $ 2 | $ 3 |
| Interest expense on lease liability | 5 | 9 |
| Total finance lease expense | $ 7 | $ 12 |

(a) Includes short-term lease expense of $2 million for three months ended June 30, 2019 and $3 million for six months ended June 30, 2019.

(b) PPA capacity payments are included in electric fuel and purchased power on the consolidated statements of income. Expense for other operating leases is included in O&M expense and electric fuel and purchased power.

NSP-Minnesota has requested regulatory approval to purchase the MEC in the third quarter of 2019. NSP-Minnesota currently receives energy and capacity from MEC under PPAs expiring in 2026 and 2039. Pending its expected purchase by NSP-Minnesota, operating lease liabilities at June 30, 2019 currently include a present value of $428 million for PPA capacity payments.

Future commitments under operating and finance leases as of June 30, 2019:

| (Millions of Dollars) | PPA [a] [b] Operating Leases | Other Operating Leases | Total Operating Leases | Finance Leases [c] |
|---|---|---|---|---|
| 2019 | $ 118 | $ 12 | $ 130 | $ 6 |
| 2020 | 237 | 25 | 262 | 14 |
| 2021 | 243 | 24 | 267 | 14 |
| 2022 | 226 | 27 | 253 | 12 |
| 2023 | 218 | 21 | 239 | 12 |
| Thereafter | 959 | 136 | 1,095 | 220 |
| Total minimum obligation | 2,001 | 245 | 2,246 | 278 |
| Interest component of obligation | (355) | (55) | (410) | (195) |
| Present value of minimum obligation | $ 1,646 | $ 190 | 1,836 | 83 |
| Less current portion | | | (189) | (4) |
| Noncurrent operating and finance lease liabilities | | | $ 1,647 | $ 79 |
| | | | | |
| Weighted-average remaining lease term in years | | | 9.7 | 37.2 |

(a) Amounts do not include PPAs accounted for as executory contracts and/or contingent payments, such as energy payments on renewable PPAs.

(b) PPA operating leases contractually expire at various dates through 2033.

(c) Excludes certain amounts related to Xcel Energy's 50% ownership interest in WYCO.

Future commitments under operating and finance leases as of Dec. 31, 2018:

| (Millions of Dollars) | PPA [a] [b] Operating Leases | Other Operating Leases | Total Operating Leases | Finance Leases [c] |
|---|---|---|---|---|
| 2019 | $ 207 | $ 32 | $ 239 | $ 14 |
| 2020 | 208 | 26 | 234 | 14 |
| 2021 | 210 | 25 | 235 | 14 |
| 2022 | 197 | 24 | 221 | 12 |
| 2023 | 186 | 22 | 208 | 12 |
| Thereafter | 883 | 154 | 1,037 | 220 |
| Total minimum obligation | | | | 286 |
| Interest component of obligation | | | | (201) |
| Present value of minimum obligation | | | | $ 85 |

(a) Amounts do not include PPAs accounted for as executory contracts and/or contingent payments, such as energy payments on renewable PPAs.

(b) PPA operating leases contractually expire at various dates through 2033.

(c) Excludes certain amounts related to Xcel Energy's 50% ownership interest in WYCO.

**Variable Interest Entities**

NSP-Minnesota, PSCo and SPS purchase power from IPPs and are required to reimburse the IPPs for natural gas or biomass 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 associated IPP.

The Xcel Energy utility subsidiaries had approximately 3,986 MW and 3,770 MW of capacity under long-term PPAs as of June 30, 2019 and Dec. 31, 2018, respectively, with entities that have been determined to be variable interest entities. Xcel Energy has concluded that these entities are not required to be consolidated in its financial statements because it does not have the power to direct the activities that significantly impact the entities' economic performance. These agreements have various 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 June 30, 2019 and Dec. 31, 2018, 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 $58 million and $69 million at June 30, 2019 and Dec. 31, 2018, 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 and six months ended June 30, 2019 and 2018:

| | Three Months Ended June 30, 2019 | | | Three Months Ended June 30, 2018 | | |
|---|---|---|---|---|---|---|
| **(Millions of Dollars)** | **Gains and Losses on Cash Flow Hedges** | **Defined Benefit Pension and Postretirement Items** | **Total** | **Gains and Losses on Cash Flow Hedges** | **Defined Benefit Pension and Postretirement Items** | **Total** |
| Accumulated other comprehensive loss at April 1 | $ (66) | $ (61) | $ (127) | $ (58) | $ (66) | $ (124) |
| Other comprehensive (loss) gain before reclassifications (net of taxes of $(3), $0, $0 and $0, respectively) | (10) | 1 | (9) | — | — | — |
| Losses reclassified from net accumulated other comprehensive loss: | | | | | | |
| Interest rate derivatives (net of taxes of $0) [(a)] | 1 | — | 1 | 1 | — | 1 |
| Amortization of net actuarial loss (net of taxes of $0, $0, $0 and $1, respectively) [(b)] | — | — | — | — | 1 | 1 |
| Net current period other comprehensive income | (9) | 1 | (8) | 1 | 1 | 2 |
| Accumulated other comprehensive loss at June 30 | $ (75) | $ (60) | $ (135) | $ (57) | $ (65) | $ (122) |

| | Six Months Ended June 30, 2019 | | | Six Months Ended June 30, 2018 | | |
|---|---|---|---|---|---|---|
| **(Millions of Dollars)** | **Gains and Losses on Cash Flow Hedges** | **Defined Benefit Pension and Postretirement Items** | **Total** | **Gains and Losses on Cash Flow Hedges** | **Defined Benefit Pension and Postretirement Items** | **Total** |
| Accumulated other comprehensive loss at Jan. 1 | $ (60) | $ (64) | $ (124) | $ (58) | $ (67) | $ (125) |
| Other comprehensive (loss) gain before reclassifications (net of taxes of $(5), $1, $0 and $0, respectively) | (17) | 3 | (14) | — | — | — |
| Losses reclassified from net accumulated other comprehensive loss: | | | | | | |
| Interest rate derivatives (net of taxes of $0) [(a)] | 2 | — | 2 | 1 | — | 1 |
| Amortization of net actuarial loss (net of taxes of $0, $0, $0 and $1, respectively) [(b)] | — | 1 | 1 | — | 2 | 2 |
| Net current period other comprehensive income | (15) | 4 | (11) | 1 | 2 | 3 |
| Accumulated other comprehensive loss at June 30 | $ (75) | $ (60) | $ (135) | $ (57) | $ (65) | $ (122) |

(a) Included in interest charges.

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

## 12. Segment Information

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 are each separately and regularly reviewed by Xcel Energy's chief operating decision maker. Xcel Energy evaluates performance by each utility subsidiary based on profit or loss generated from the product or service provided.

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.
- *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.

- *All Other* - Operating segments with revenues below the necessary quantitative thresholds are included in this category. Those 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 $145 million and $141 million as of June 30, 2019 and Dec. 31, 2018, 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 and six months ended June 30:

| | Three Months Ended June 30 | |
|---|---|---|
| **(Millions of Dollars)** | **2019** | **2018** |
| **Regulated Electric** | | |
| Operating revenues from external customers | $ 2,249 | $ 2,348 |
| Intersegment revenue | 1 | — |
| Total revenues | $ 2,250 | $ 2,348 |
| Net income | 249 | 264 |
| **Regulated Natural Gas** | | |
| Operating revenues from external customers | $ 308 | $ 292 |
| Net income | 23 | 27 |
| **All Other** | | |
| Total operating revenue | $ 20 | $ 18 |
| Net loss | (34) | (26) |
| | | |
| **Consolidated Total** | | |
| Total revenue | $ 2,578 | $ 2,658 |
| Reconciling eliminations | (1) | — |
| Consolidated total revenue | $ 2,577 | $ 2,658 |
| Net income | 238 | 265 |

| | Six Months Ended June 30 | |
|---|---|---|
| **(Millions of Dollars)** | **2019** | **2018** |
| **Regulated Electric** | | |
| Operating revenues from external customers | $ 4,574 | $ 4,617 |
| Intersegment revenue | 1 | 1 |
| Total revenues | $ 4,575 | $ 4,618 |
| Net income | 482 | 483 |
| **Regulated Natural Gas** | | |
| Operating revenues from external customers | $ 1,102 | $ 954 |
| Intersegment revenue | 1 | 1 |
| Total revenues | $ 1,103 | $ 955 |
| Net income | 128 | 121 |
| **All Other** | | |
| Total operating revenue | $ 42 | $ 38 |
| Net loss | (57) | (48) |
| | | |
| **Consolidated Total** | | |
| Total revenue | $ 5,720 | $ 5,611 |
| Reconciling eliminations | (2) | (2) |
| Consolidated total revenue | $ 5,718 | $ 5,609 |
| Net income | 553 | 556 |

## 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 and six months ended June 30, 2019 and 2018, 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 June 30 2019 | Three Months Ended June 30 2018 | Six Months Ended June 30 2019 | Six Months Ended June 30 2018 |
|---|---|---|---|---|
| PSCo | $ 0.20 | $ 0.24 | $ 0.47 | $ 0.50 |
| NSP-Minnesota | 0.19 | 0.18 | 0.41 | 0.40 |
| SPS | 0.11 | 0.11 | 0.22 | 0.18 |
| NSP-Wisconsin | 0.02 | 0.03 | 0.06 | 0.09 |
| Equity earnings of unconsolidated subsidiaries | 0.01 | 0.01 | 0.02 | 0.02 |
| Regulated utility [(a)] | 0.53 | 0.58 | 1.18 | 1.19 |
| Xcel Energy Inc. and other | (0.06) | (0.06) | (0.11) | (0.10) |
| **Total [(a)]** | $ 0.46 | $ 0.52 | $ 1.07 | $ 1.09 |

(a) Amounts may not add due to rounding.

***Summary of Earnings***

***Xcel Energy*** — Xcel Energy's earnings decreased $0.06 per share for the second quarter of 2019 and $0.02 per share year-to-date. Earnings reflect higher electric and natural gas margins primarily due to non-fuel riders and regulatory rate outcomes, more than offset by 5 cents per share of unfavorable weather, increased depreciation, interest and operating and maintenance expenses.

***PSCo*** — Earnings decreased $0.04 per share for the second quarter of 2019 and $0.03 per share year-to-date. The decrease in year-to-date earnings was driven by higher O&M and depreciation partially offset by the timing of gas rates in 2018 and higher gas sales.

***NSP-Minnesota*** — Earnings increased $0.01 per share for the second quarter of 2019 and $0.01 per share year-to-date. The increase in year-to-date earnings primarily reflects higher electric margins driven by rate case outcomes, partially offset by increased depreciation and O&M expenses.

***SPS*** — Earnings were flat for the second quarter of 2019 and increased $0.04 per share year-to-date. Year-to-date results reflect higher electric margin attributable to rate case outcomes, sales growth and lower purchased capacity costs, despite unfavorable weather. Higher electric margin and AFUDC associated with the Hale County wind project were partially offset by increased depreciation, O&M and interest expenses.

***NSP-Wisconsin*** — Earnings decreased $0.01 per share for the second quarter of 2019 and $0.03 per share year-to-date, largely due to unfavorable weather, higher depreciation and O&M expenses.

***Xcel Energy Inc. and other*** — 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 2019 EPS compared with the same period in 2018:

| Diluted Earnings (Loss) Per Share | Three Months Ended June 30 | Six Months Ended June 30 |
|---|---|---|
| **GAAP and ongoing diluted EPS — 2018** | **$ 0.52** | **$ 1.09** |
| Components of change — 2019 vs. 2018 | | |
| Higher electric margins | 0.03 | 0.14 |
| Lower ETR [(a)] | 0.03 | 0.10 |
| Higher natural gas margins | 0.01 | 0.05 |
| Higher depreciation and amortization | (0.09) | (0.16) |
| Higher O&M | (0.01) | (0.07) |
| Higher interest charges | (0.02) | (0.05) |
| Higher taxes (other than income taxes) | (0.01) | (0.01) |
| Other (net) | — | (0.02) |
| **GAAP and ongoing diluted EPS — 2019** | **$ 0.46** | **$ 1.07** |

(a) Includes flow back of PTCs and timing of tax reform regulatory decisions, which are primarily offset in revenue.

### 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 and the amount of natural gas or electricity historically used per degree of temperature. Weather deviations from normal levels can affect Xcel Energy's financial performance.

Degree-day or Temperature-Humidity Index (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. Heating degree-days (HDD) is the measure of the variation in the weather based on the extent to which the average daily temperature falls below 65° Fahrenheit. Cooling degree-days (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 20-year 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.

Percentage increase (decrease) in normal and actual HDD, CDD and THI:

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | 2019 vs. Normal | 2018 vs. Normal | 2019 vs. 2018 | 2019 vs. Normal | 2018 vs. Normal | 2019 vs. 2018 |
| HDD | 16.9 % | 0.1% | 15.0 % | 12.8 % | 0.3% | 11.0 % |
| CDD | (45.2) | 59.1 | (71.4) | (45.5) | 59.7 | (65.1) |
| THI | (26.7) | 108.1 | (64.6) | (26.9) | 107.4 | (64.5) |

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

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | 2019 vs. Normal | 2018 vs. Normal | 2019 vs. 2018 | 2019 vs. Normal | 2018 vs. Normal | 2019 vs. 2018 |
| Retail electric | $ (0.024) | $ 0.065 | $ (0.089) | $ (0.005) | $ 0.067 | $ (0.072) |
| Firm natural gas | 0.004 | 0.002 | 0.002 | 0.022 | 0.003 | 0.019 |
| Total (excluding decoupling) | $ (0.020) | $ 0.067 | $ (0.087) | $ 0.017 | $ 0.070 | $ (0.053) |
| Decoupling — Minnesota | 0.006 | (0.030) | 0.036 | 0.001 | (0.032) | 0.033 |
| Total (adjusted for decoupling) | $ (0.014) | $ 0.037 | $ (0.051) | $ 0.018 | $ 0.038 | $ (0.020) |

***Sales Growth (Decline)*** — Sales growth (decline) for actual and weather-normalized sales in 2019 compared to the same period in 2018:

| | Three Months Ended June 30 | | | | |
|---|---|---|---|---|---|
| | PSCo | NSP-Minnesota | SPS | NSP-Wisconsin | Xcel Energy |
| **Actual** | | | | | |
| Electric residential | (6.5)% | (10.7)% | (13.2)% | (9.0)% | (9.4)% |
| Electric C&I | (1.4) | (6.2) | 2.6 | (2.5) | (2.3) |
| Total retail electric sales | (2.9) | (7.5) | (0.5) | (4.2) | (4.2) |
| Firm natural gas sales | 19.6 | (1.2) | N/A | (10.7) | 10.5 |

| | Three Months Ended June 30 | | | | |
|---|---|---|---|---|---|
| | PSCo | NSP-Minnesota | SPS | NSP-Wisconsin | Xcel Energy |
| **Weather-normalized** | | | | | |
| Electric residential | 0.3% | 0.8 % | 1.9% | 1.7 % | 0.8% |
| Electric C&I | 0.7 | (3.6) | 4.5 | (0.6) | — |
| Total retail electric sales | 0.6 | (2.4) | 3.9 | — | 0.2 |
| Firm natural gas sales | 5.3 | 4.8 | N/A | (7.9) | 4.4 |

| | Six Months Ended June 30 | | | | |
|---|---|---|---|---|---|
| | PSCo | NSP-Minnesota | SPS | NSP-Wisconsin | Xcel Energy |
| **Actual** | | | | | |
| Electric residential | (1.7)% | (4.0)% | (4.2)% | (2.8)% | (3.1)% |
| Electric C&I | (0.4) | (3.7) | 3.4 | (2.4) | (0.8) |
| Total retail electric sales | (0.8) | (3.8) | 1.9 | (2.5) | (1.5) |
| Firm natural gas sales | 17.1 | 5.7 | N/A | (0.8) | 11.9 |

| | Six Months Ended June 30 | | | | |
|---|---|---|---|---|---|
| | PSCo | NSP-Minnesota | SPS | NSP-Wisconsin | Xcel Energy |
| **Weather-normalized** | | | | | |
| Electric residential | 0.3% | 0.5 % | 2.8% | 0.9 % | 0.8% |
| Electric C&I | 0.4 | (2.5) | 4.6 | (1.6) | 0.2 |
| Total retail electric sales | 0.4 | (1.6) | 4.1 | (0.9) | 0.4 |
| Firm natural gas sales | 4.7 | 1.1 | N/A | (3.7) | 3.0 |

***Weather-normalized Electric Sales Growth (Decline)***

- PSCo — Higher residential sales growth reflects customer additions, partially offset by lower use per customer. C&I growth was due to an increase in customers and higher use per customer, predominately from the fabricated metal and metal mining industries.
- NSP-Minnesota — Higher residential sales growth reflects customer additions, partially offset by lower use per customer. Decline in C&I sales was due to lower use per customer (self-generation), which was partially offset by an increase in customers. Decreased sales to C&I customers were driven by the energy and manufacturing sectors.

- SPS — Residential sales grew largely due to higher use per customer and customer additions. Higher C&I sales was primarily due to increased use per customer, driven by the oil and natural gas industry in the Permian Basin.
- NSP-Wisconsin — Residential sales growth was primarily attributable to customer additions and higher use per customer. The decline in C&I sales was due to lower use per customer and decreased sales to the mining, manufacturing and food services sectors, partially offset by customer additions.

***Weather-normalized Natural Gas Sales Growth***

- Natural gas sales reflect an increase in the number of customers combined with higher customer use.

**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 June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Electric revenues | $ 2,249 | $ 2,348 | $ 4,574 | $ 4,617 |
| Electric fuel and purchased power | (813) | (935) | (1,727) | (1,867) |
| Electric margin | $ 1,436 | $ 1,413 | $ 2,847 | $ 2,750 |

Changes in electric margin:

| (Millions of Dollars) | Three Months Ended June 30, 2019 vs. 2018 | Six Months Ended June 30, 2019 vs. 2018 |
|---|---|---|
| Non-fuel riders [(a)] | $ 21 | $ 57 |
| Regulatory rate outcomes (Minnesota, New Mexico, North and South Dakota) | 19 | 47 |
| Lower purchased capacity costs | 9 | 15 |
| Demand revenue | 11 | 13 |
| Implementation of lease accounting standard (offset in interest expense and amortization) | 5 | 11 |
| Wholesale transmission revenue (net) | 3 | 11 |
| Estimated impact of weather (net of Minnesota decoupling) | (40) | (32) |
| Timing of tax reform regulatory decisions (offset in income tax) | (6) | (19) |
| Other (net) | 1 | (6) |
| Total increase in electric margin | $ 23 | $ 97 |

(a) Includes approximately $20 million and $32 million, respectively, of additional PTC benefit (grossed-up for tax) as compared to the same periods in 2018, which are flowed back to customers.

**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 June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Natural gas revenues | $ 308 | $ 292 | $ 1,102 | $ 954 |
| Cost of natural gas sold and transported | (112) | (104) | (591) | (479) |
| Natural gas margin | $ 196 | $ 188 | $ 511 | $ 475 |

Changes in natural gas margin:

| (Millions of Dollars) | Three Months Ended June 30, 2019 vs. 2018 | Six Months Ended June 30, 2019 vs. 2018 |
|---|---|---|
| Retail rate increase (Colorado) | $ — | $ 12 |
| Estimated impact of weather | 1 | 12 |
| Infrastructure and integrity riders | 2 | 7 |
| Retail sales growth | 2 | 4 |
| Transport sales | 1 | 3 |
| Conservation revenue (offset by expenses) | (1) | (3) |
| Other (net) | 3 | 1 |
| Total increase in natural gas margin | $ 8 | $ 36 |

**Non-Fuel Operating Expenses and Other Items**

***O&M Expenses*** — O&M expenses increased $8 million, or 1.4%, for the second quarter of 2019 and $49 million, or 4.3%, year-to-date. Significant changes are summarized below:

| (Millions of Dollars) | Three Months Ended June 30, 2019 vs. 2018 | Six Months Ended June 30, 2019 vs. 2018 |
|---|---|---|
| Distribution | $ 4 | $ 23 |
| Business systems | 7 | 11 |
| Gas operations | 3 | 4 |
| Plant generation | (4) | 3 |
| Other (net) | (2) | 8 |
| Total increase in O&M expenses | $ 8 | $ 49 |

- Distribution expenses were higher due to storms, labor and overtime;
- Business systems costs were higher due to increased customer experience transformation program expenses; and
- Natural gas operation expenses increased due to pipeline maintenance.

***Depreciation and Amortization*** — Depreciation and amortization increased $62 million, or 16.4%, for the second quarter of 2019 and $112 million, or 14.7%, year-to-date. Increase was primarily driven by the Rush Creek wind project being placed in-service (recovered in riders), additional amortization of a prepaid pension asset in Colorado related to tax reform settlements (offset in income taxes) and other capital investments.

***Taxes (Other than Income Taxes)*** — Taxes (other than income taxes) increased $5 million, or 3.6%, for the second quarter of 2019 and $10 million, or 3.5%, year-to-date. Increase was primarily due to higher property taxes in Colorado and Minnesota (net of deferred amounts).

***AFUDC, Equity and Debt*** — AFUDC decreased $7 million for the second quarter of 2019 and $11 million year-to-date. Decrease was primarily due to the Rush Creek wind project being placed in-service in 2018, partially offset by the Hale wind project, which went into service in June 2019, and other capital investments.

***Interest Charges*** — Interest charges increased $14 million, or 8.0%, for the second quarter of 2019 and $33 million, or 9.5%, year-to-date. Increase was primarily due to higher debt levels to fund capital investments, changes in short-term interest rates and implementation of lease accounting standard (offset in electric margin).

***Income Taxes*** — Income taxes decreased $30 million for the second quarter of 2019 compared with 2018. The decrease was primarily driven by lower pretax earnings, an increase in wind PTCs and an increase in plant-related regulatory differences. Wind PTCs flow back to customers and do not have a material impact on net income. The ETR was 9.2% for the second quarter of 2019 compared with 16.9% for the same period in 2018, largely due to the adjustments above.

Income taxes decreased $65 million for the first six months of 2019 compared with 2018. The decrease was primarily driven by an increase in wind PTCs, an increase in plant-related regulatory differences, lower pretax earnings and a reversal of a valuation allowance. Wind PTCs flow back to customers and do not have a material impact on net income. The ETR was 8.1% for the first six months of 2019 compared with 17.0% for the same period in 2018, largely due to the adjustments above. See Note 6 to the consolidated financial statements for further information.

***Regulation***

***FERC and State 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.

***Recently Filed Regulatory Proceedings***

***NSP-Wisconsin — Rate Case Settlement*** — In May 2019, NSP-Wisconsin filed an application with the PSCW seeking approval of a rate case settlement with various intervenors for 2020-2021.

For NSP-Wisconsin's electric utility, the settlement agreement results in no change to base rates through Dec. 31, 2021. For the natural gas utility, there would be a $3.2 million (4.6%) decrease to base rates, effective Jan. 1, 2020, and no additional changes to base rates through Dec. 31, 2021.

Key elements of the settlement include:

Electric:

- Allowed ROE of 10.0%;
- Allowed equity ratio of 52.5%;
- Retain expected fuel cost savings from new wind farms for the NSP System;
- Allow deferral of pension settlement costs, if any, for 2019-2021;
- Utilize a portion of tax reform benefits to offset revenue deficiency;
- Allow deferral of certain large customer non-fuel cost of service impacts and bad debt expense in 2019-2021; and
- Apply an earnings sharing mechanism for 2020 and 2021. The mechanism would return to customers 50% of earnings between 10.25% and 10.75% ROE and 100% of earnings equal to or in excess of 10.75% ROE.

Natural Gas:

- Utilize tax reform benefits of $22.3 million to offset a portion of the regulatory asset for remediation of the MGP site in Ashland, WI.

On Aug. 1, 2019, the PSCW verbally approved the settlement agreement as filed with one minor modification, to remove the deferral of pension settlement accounting costs for 2021. NSP-Wisconsin anticipates a final written order in September 2019.

***PSCo — Colorado 2019 Electric Rate Case*** — In May 2019, PSCo filed a request with the CPUC seeking a net rate increase of approximately $158 million, or 5.7%. The filing also requests the transfer of $249 million of rider revenue to base rates, which will not impact overall customer bills as the revenue is currently being recovered through various riders. The request is based on a ROE of 10.35%, an equity ratio of 56.46%, a historic test year ended Dec. 31, 2018 (adjusted for 2019 capital investment) and incorporates the full impact of tax reform. PSCo has requested rates effective Jan. 1, 2020.

| **Revenue Request (Millions of Dollars)** | **2020** |
|---|---|
| Changes since 2014 rate case: | |
| Plant-related growth 2013-2018 | $ 85 |
| O&M savings, sales growth and other cost reductions | (89) |
| Forecasted 2019 capital additions | 49 |
| Advanced Grid Intelligence and Security grid modernization | 39 |
| Updated cost of capital | 32 |
| Previously approved depreciation rates | 28 |
| Incremental wildfire mitigation | 14 |
| **Net increase to revenue** | **158** |
| Previously authorized costs: | |
| CACJA, TCA and Rush Creek [(a)] | 249 |
| **Total base revenue request [(c)]** | **$ 408** |
| | |
| **Expected year-end rate base [(b)]** | **$ 8,221** |

(a) Roll-in of CACJA, TCA and Rush Creek Wind Project (excluding PTCs) amounts into base rates will not impact total revenue as costs are currently recovered from customers through riders or the fuel clause.

(b) Base rate request does not include the impact of the proposed Colorado Energy Plan.

(c) Amounts may not add due to rounding.

The procedural schedule is as follows:

- Answer testimony — Sept. 6, 2019
- Rebuttal testimony — Oct. 8, 2019
- Evidentiary hearing — Nov. 4-13, 2019
- Statement of position — Nov. 22, 2019

***SPS — New Mexico 2019 Electric Rate Case*** — 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 a ROE of 10.35%, a 54.77% equity ratio, a rate base of approximately $1.3 billion and a historic test year with rate base additions through Aug. 31, 2019. SPS anticipates final rates will go into effect in the second or third quarter of 2020.

SPS' net revenue increase to New Mexico consumers is expected to be approximately $26 million, or 5.7%, due to fuel cost reductions and PTCs attributable to wind energy provided by the Hale Wind Project. PTCs are being credited to customers through the fuel clause.

The following table summarizes SPS' base rate increase request:

| Revenue Request (Millions of Dollars) | | |
|---|---|---|
| Hale Wind Farm | $ | 28 |
| Other plant investment | | 22 |
| Wholesale sales reduction | | 17 |
| Allocator changes due to load growth | | 15 |
| Depreciation rate change (including Tolk) | | 15 |
| Base rate sales growth | | (41) |
| Other, net | | (5) |
| **New revenue request** | $ | 51 |

The procedural schedule is as follows:

- Intervention deadline — Sept. 16, 2019
- Filing of stipulation, if any — Nov. 15, 2019
- Staff and intervenor testimony or testimony in support of a stipulation — Nov. 22, 2019
- Testimony in opposition to a stipulation, if any — Dec. 6, 2019
- Rebuttal testimony — Dec. 20, 2019
- Public hearing begins — Jan. 7, 2020
- End of 9-month suspension — April 30, 2020

***Other Pending and Recently Concluded Regulatory Proceedings***

| Mechanism | Utility Service | Amount Requested (in millions) | Filing Date | Approval | Additional Information |
|---|---|---|---|---|---|
| | | | | | **NSP-Minnesota (MPUC)** |
| TCR | Electric | $98 | November 2017 | Pending | In May 2019, the MPUC issued a verbal order setting an ROE of 9.06% and recovery of 2017-2018 expenses related to advanced grid investments. A final order is expected in the third quarter of 2019. |
| 2018 GUIC | Natural Gas | $23 | November 2017 | Pending | In May 2019, the MPUC issued a verbal order setting an ROE of 9.04%. A final order is expected in the third quarter of 2019. |
| 2019 GUIC | Natural Gas | $29 | November 2018 | Pending | Proposed ROE of 10.25%. Timing of the MPUC decision is uncertain. |
| RES | Electric | $23 | November 2017 | Pending | In May 2019, the MPUC issued a verbal order setting an ROE of 9.06%. A final order is expected in the third quarter of 2019. |
| | | | | | **PSCo (CPUC)** |
| Rate Case | Steam | $7 | May 2019 | Pending | In May 2019, PSCo filed an unopposed Settlement Agreement with CPUC Staff and the City of Denver. The settlement reflects a ROE of 9.67% for AFUDC purposes, an equity ratio of 56.04% and utilization of tax reform benefits. Final rates would be effective in October 2020, with an initial step increase in October 2019. In July 2019, the Administrative Law Judge recommended that the settlement agreement be approved without modification. Settlement is pending a CPUC decision. |
| 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). Appeal requests review of the following: denial of a return on the prepaid pension and retiree medical assets; the use of a capital structure that is not based on the actual historical test year level; and the use of an average rate base methodology rather than a year-end rate base methodology. The District Court of Denver County has adopted a briefing schedule that will conclude in October 2019. Timeline on a final ruling is unknown at this point. |
| | | | | | **SPS (PUCT)** |
| Rate Case | Electric | $54 | August 2017 | Received | In November 2018, SPS filed an application with the PUCT requesting permission to recover $5.4 million in unbilled TCRF revenue from January 23, 2018 through June 9, 2018. Application was approved in an order dated June 13, 2019. |
| | | | | | **SPS (NMPRC)** |
| Rate Case | Electric | $43 | October 2017 | Received | In February 2019, SPS and the NMPRC settled SPS' appeal to the NMSC regarding NMPRC's previous rate case order, including a $10.2 million refund of retroactive TCJA benefits. As a result, the NMPRC issued revised orders eliminating the retroactive refund and SPS reversed its previously recorded regulatory liability. The order also increased the ROE from 9.1% to 9.56% and the equity ratio from 51% to 53.97%, resulting in a prospective annual base rate increase of $4.5 million (incremental to $8.1 million approved in the initial order). New rates were effective March 11, 2019. |

See Rate Matters within Note 10 to the consolidated financial statements for further information.

***NSP-Minnesota — MEC Acquisition*** — In November 2018, NSP-Minnesota reached an agreement with Southern Power Company to purchase the 760 MW natural gas CC facility for approximately $650 million. NSP-Minnesota currently purchases the energy and capacity of this facility through PPAs. The acquisition is projected to provide net customer savings of approximately $50 million to $150 million over the life of the plant.

In May 2019, NSP-Minnesota entered into a partial settlement agreement with several environmental organizations and the LIUNA. Under the terms of the agreement, the settling parties supported the MEC acquisition and NSP-Minnesota agreed to include (in its preferred plan in the Minnesota resource plan filing) early retirement of the Sherco 3 and King coal plants, as well as 3,000 MW of solar additions before 2030.

In May 2019, the FERC approved the purchase. In July 2019, the DOC and OAG recommended the MPUC deny approval of the Mankato acquisition. The DOC and OAG also recommended that if the MPUC were to approve the transaction, that the Commission disallow all or a portion of the acquisitions adjustment as well as require certain other customer protections. The MPUC is expected to hold hearings and make a decision in the third quarter.

***NSP-Minnesota — Minnesota Resource Plan*** — In July 2019, NSP-Minnesota filed its Minnesota resource plan, which runs through 2034. The preferred plan would result in an 80% carbon reduction by 2030 and puts NSP 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. The MPUC is anticipated to make a final decision on the resource plan in late 2020 or the first half of 2021.

***NSP-Minnesota — Jeffers Wind and Community Wind North Repowering Acquisition*** — In December 2018, NSP-Minnesota filed a request with the MPUC seeking approval to acquire the Jeffers and Community Wind North wind facilities in western Minnesota from Longroad Energy. The wind farms, currently contracted under PPAs with NSP-Minnesota, will have approximately 70 MW of capacity after being repowered. The repowering and acquisition are expected to be complete by December 2020 and qualify for the 100% PTC benefit. The $135 million asset acquisition is projected to provide customer savings of approximately $7 million over the life of the facilities, compared to the amended PPAs. The FERC approved the acquisition in July 2019.

The DOC filed initial comments in support of NSP-Minnesota continuing to contract for the assets under the amended PPAs, but not the acquisition, pending additional information, including a purchase and sales agreement. NSP-Minnesota subsequently filed additional information, including an executed purchase and sale agreement, to address DOC concerns. Reply comments are due in August, with an MPUC decision expected in the second half of 2019.

**Public Utility Regulation**

Except to the extent noted below and in Regulation above, the circumstances set forth in Public Utility Regulation included in Item 1 of Xcel Energy's Annual Report on Form 10-K for the year ended Dec. 31, 2018 and in Item 2 of Xcel Energy Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019, appropriately represent, in all material respects, the current status of public utility regulation and are incorporated by reference.

**NSP-Minnesota**

***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 Mankato-Winnebago 345 KV transmission line (estimated cost of $108 million), consistent with a Minnesota state ROFR statute. The complaint challenged the constitutionality of the state ROFR 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. It is uncertain when a decision will be rendered.

***MISO Generator Replacement Tariff Change*** — In February 2019, MISO filed to modify the generator interconnection provisions of its tariff to allow generator replacements at existing generation sites. The tariff changes would facilitate the proposed Sherco 1 and 2 coal to natural gas conversion project. Xcel Energy and other parties filed comments in support of the tariff changes. NextEra Energy and the Sierra Club, among others, protested the proposal. In May 2019, FERC issued an order approving the tariff revisions.

**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, 2018 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, 2018 appropriately represent, in all material respects, the current status of nuclear power operations, and are incorporated by reference.

**NSP-Wisconsin**

***2018 Electric Fuel Cost Recovery*** — NSP-Wisconsin's electric fuel costs for 2018 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 $3.5 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 2019, NSP-Wisconsin filed with the PSCW to provide a refund of approximately $3.7 million to customers and proposed for it to be issued in September 2019.

**SPS**

***Wind Development*** — In 2018, the NMPRC and PUCT approved SPS' proposal to add 1,230 MW of new wind generation, including construction and ownership of the 478 MW hale and 522 MW Sagamore wind farms. The Hale wind project was placed into commercial operation in June 2019.

SPS is currently waiting to receive the transmission cost estimate from SPP for Sagamore, which is necessary to determine the final cost of the project before construction can start. Sagamore is expected to go into service in late 2020. SPS' capital investment for Hale and Sagamore is expected to be approximately $1.6 billion.

***Texas State (ROFR) Request for Declaratory Order*** — In 2017, SPS and SPP filed a joint petition with the PUCT for a declaratory order regarding SPS' ROFR. SPS contended that Texas law grants an incumbent electric utility the ROFR to construct new transmission facilities located in the utility's service area. The PUCT subsequently issued an order finding that SPS does not possess an exclusive right to construct and operate transmission facilities. SPS filed an appeal in the fourth quarter of 2018. Subsequent to that appeal, in May 2019, the Texas legislature passed and the Governor signed into law Senate Bill 1938, thus making SPS' appeal moot. A motion is pending at the Court of Appeals to dismiss the appeal for mootness. Senate Bill 1938 grants incumbent utilities a ROFR to build transmission when the transmission 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 set forth in Senate bill 1938 to be unconstitutional. SPS expects to intervene in this litigation in support of the PUCT and the Senate Bill 1938.

**Texas Fuel Reconciliation —** In December 2018, SPS filed an application to the PUCT for reconciliation of fuel costs for the period Jan. 1, 2016, through June 30, 2018, where it will be determined whether all fuel costs incurred during the period were eligible for recovery. Parties in the proceeding have asserted that certain Texas retail fuel costs of up to approximately $4 million, should not be found to be reasonable or prudent, in particular regarding two purchase power agreements for solar power. The hearing was held in July 2019; we are unable to predict the outcome of this proceeding at this time.

### *Environmental Matters*

In June 2019, the EPA issued the final ACE rule to replace the Obama-era Clean Power Plan. The final ACE rule may require implementation of heat rate improvement projects at some of our coal-fired power plants. It is not known what the costs associated with the final rule might be until state plans are developed to implement the final regulation. 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

Xcel Energy Inc. and its subsidiaries 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, when necessary, 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 Xcel Energy expects that the counterparties will perform under the contracts underlying its derivatives, the contracts expose Xcel Energy to some credit and non-performance risk.

Though no material non-performance risk currently exists with the counterparties to Xcel Energy's commodity derivative contracts, distress in the financial markets may in the future impact that risk to the extent it impacts those counterparties. Distress in the financial markets may also impact the fair value of the securities in the nuclear decommissioning fund and master pension trust, as well as Xcel Energy's ability to earn a return on short-term investments of excess cash.

***Commodity Price Risk*** — Xcel Energy Inc.'s utility subsidiaries are exposed to commodity price risk in their 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 for various fuels used in generation and distribution activities. Commodity price risk is also managed through the use of financial derivative instruments. Xcel Energy's risk management policy allows it to manage commodity price risk within each rate-regulated operation to the extent such exposure exists.

***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's risk management policy allows management to conduct these activities within guidelines and limitations as approved by its risk management committee, which is made up of management personnel not directly involved in the activities governed by this policy.

At June 30, 2019, the fair values by source for net commodity trading contract assets were as follows:

| | | Futures / Forwards | | | | |
|---|---|---|---|---|---|---|
| **(Millions of Dollars)** | **Source of Fair Value** | **Maturity Less Than 1 Year** | **Maturity 1 to 3 Years** | **Maturity 4 to 5 Years** | **Maturity Greater Than 5 Years** | **Total Futures/ Forwards Fair Value** |
| NSP-Minnesota | 1 | $ (3) | $ 6 | $ 2 | $ — | $ 5 |
| NSP-Minnesota | 2 | 9 | (2) | (2) | (4) | 1 |
| PSCo | 1 | 2 | 2 | — | — | 4 |
| | | $ 8 | $ 6 | $ — | $ (4) | $ 10 |

| | | Options | | | | |
|---|---|---|---|---|---|---|
| **(Millions of Dollars)** | **Source of Fair Value** | **Maturity Less Than 1 Year** | **Maturity 1 to 3 Years** | **Maturity 4 to 5 Years** | **Maturity Greater Than 5 Years** | **Total Futures/ Forwards Fair Value** |
| NSP-Minnesota | 2 | $ 4 | $ 2 | $ — | $ — | $ 6 |
| | | $ 4 | $ 2 | $ — | $ — | $ 6 |

1 — Prices actively quoted or based on actively quoted prices.

2 — Prices based on models and other valuation methods.

Changes in the fair value of commodity trading contracts before the impacts of margin-sharing mechanisms for the six months ended June 30, were as follows:

| **(Millions of Dollars)** | **2019** | **2018** |
|---|---|---|
| Fair value of commodity trading net contract assets outstanding at Jan. 1 | $ 17 | $ 16 |
| Contracts realized or settled during the period | (8) | (4) |
| Commodity trading contract additions and changes during the period | 7 | 5 |
| Fair value of commodity trading net contract assets outstanding at June 30 | $ 16 | $ 17 |

At June 30, 2019, a 10% increase in market prices for commodity trading contracts would decrease pretax income from continuing operations by approximately $2 million, whereas a 10% decrease would increase pretax income from continuing operations by approximately $2 million. At June 30, 2018, a 10% increase in market prices for commodity trading contracts would decrease pretax income from continuing operations by an immaterial amount, whereas a 10% decrease would increase pretax income from continuing operations by approximately $1 million.

Xcel Energy Inc.'s utility subsidiaries' wholesale and commodity trading operations measure the outstanding risk exposure to price changes on transactions, 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 transactions, contracts and obligations over a particular period of time under normal market conditions.

The VaRs for the NSP-Minnesota and PSCo commodity trading operations, 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 June 30 | VaR Limit | Average | High | Low |
|---|---|---|---|---|---|
| 2019 | $ 1.05 | $ 3.00 | $ 0.93 | $ 1.26 | $ 0.68 |
| 2018 | 0.11 | 3.00 | 0.16 | 0.44 | 0.06 |

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

***Nuclear Fuel Supply*** — NSP-Minnesota is scheduled to take delivery of approximately 49% of its remaining 2019 and approximately 50% of its 2020 enriched nuclear material requirements from sources that could be impacted by events in Ukraine and extended sanctions against Russia. Long-term, through 2024, NSP-Minnesota is scheduled to take delivery of approximately 35% 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.

Disruptions in third party nuclear fuel supply contracts due to bankruptcies or change of contract assignments have not materially impacted NSP-Minnesota's operational or financial performance.

***Interest Rate Risk*** — Xcel Energy is subject to the risk of fluctuating interest rates in the normal course of business. Xcel Energy's 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 June 30, 2019 and 2018, a 100-basis-point change in the benchmark rate on Xcel Energy's variable rate debt would impact pretax interest expense annually by approximately $17 million and $8 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 also maintains a nuclear decommissioning fund, as required by the NRC. The nuclear decommissioning fund is subject to interest rate risk and equity price risk. At June 30, 2019, the fund was invested in a diversified portfolio of cash equivalents, debt securities, equity securities, and other investments. These investments may be used only for activities related to nuclear decommissioning. Given the purpose and legal restrictions on the use of nuclear decommissioning fund assets, any realized and unrealized gains and losses on securities in the nuclear decommissioning fund, including any other-than-temporary impairments, are deferred as a component of the regulatory asset for nuclear decommissioning. Since the accounting for nuclear decommissioning recognizes that costs are recovered through rates, fluctuations in equity prices or interest rates affecting the nuclear decommissioning fund do not have a direct impact on earnings.

***Credit Risk*** — Xcel Energy Inc. and its subsidiaries are also exposed to credit risk. Credit risk relates to the risk of loss resulting from counterparties' nonperformance on their contractual obligations. Xcel Energy Inc. and its subsidiaries maintain credit policies intended to minimize overall credit risk and actively monitor these policies to reflect changes and scope of operations.

At June 30, 2019, a 10% increase in commodity prices would have resulted in an increase in credit exposure of $14 million, while a decrease in prices of 10% would have resulted in an increase in credit exposure of $16 million. At June 30, 2018, a 10% increase in commodity prices would have resulted in an increase in credit exposure of $24 million, while a decrease in prices of 10% would have resulted in an increase in credit exposure of $6 million.

Xcel Energy Inc. and its subsidiaries conduct standard credit reviews for all counterparties. Xcel Energy employs additional credit risk control mechanisms when appropriate, such as letters of credit, parental guarantees, standardized master netting agreements and termination provisions that allow for offsetting of positive and negative exposures. 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 Xcel Energy's credit risk.

**Fair Value Measurements**

Xcel Energy follows accounting and disclosure guidance on fair value measurements that contains a hierarchy for inputs used in measuring fair value and requires disclosure of the observability of the inputs used in these measurements. 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 continuously monitors the creditworthiness of the counterparties to its commodity derivative contracts and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Given this assessment and the typically short duration of these contracts, the impact of discounting commodity derivative assets for counterparty credit risk was not material to the fair value of commodity derivative assets at June 30, 2019. 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 regulatory assets and liabilities. Classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms. Xcel Energy also assesses the impact of its own credit risk when determining the fair value of commodity derivative liabilities. The impact of discounting commodity derivative liabilities for credit risk was immaterial to the fair value of commodity derivative liabilities at June 30, 2019.

## Liquidity and Capital Resources

### Cash Flows

| | Six Months Ended June 30 | |
|---|---|---|
| (Millions of Dollars) | 2019 | 2018 |
| Cash provided by operating activities | $ 1,334 | $ 1,437 |

Net cash provided by operating activities decreased $103 million for the six months ended June 30, 2019 compared with the six months ended June 30, 2018. Decrease was primarily due to: increased refunds associated with TCJA, higher purchased gas payable amounts in December 2018 (price and volume increased due to colder weather), decreases in purchased power accounts payable and changes in accounts payable due to timing, partially offset by changes in accounts receivable (due to milder weather in 2019).

| | Six Months Ended June 30 | |
|---|---|---|
| (Millions of Dollars) | 2019 | 2018 |
| Cash used in investing activities | $ (1,708) | $ (1,865) |

Net cash used in investing activities decreased $157 million for the six months ended June 30, 2019 compared with the six months ended June 30, 2018. Decrease was primarily attributable to Rush Creek being placed into service in 2018 and Hale being placed into service in June 2019, partially offset by additional capital expenditures for Foxtail and Blazing Star wind facilities, nuclear refueling costs and transmission investments.

| | Six Months Ended June 30 | |
|---|---|---|
| (Millions of Dollars) | 2019 | 2018 |
| Cash provided by financing activities | $ 580 | $ 677 |

Net cash provided by financing activities decreased $97 million for the six months ended June 30, 2019 compared with the six months ended June 30, 2018. Decrease was primarily attributable to repayments of previously existing long-term debt and lower proceeds from issuance of long-term debt, partially offset by higher net proceeds from short-term borrowings needed for subsidiary equity infusions to maintain required equity ratios.

### 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 July 2019, Xcel Energy made a $4 million contribution to the Xcel Energy Inc. Non-Bargaining Pension Plan (South);
- In January 2019, contributions of $150 million were made across four of Xcel Energy's pension plans;
- In 2018, contributions of $150 million were made across four of Xcel Energy's pension plans; and
- 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.

***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 July 29, 2019, 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 | $ 663 | $ 587 | $ 1 | $ 588 |
| PSCo | 700 | 373 | 327 | 1 | 328 |
| NSP-Minnesota | 500 | 203 | 297 | 1 | 298 |
| SPS | 500 | 2 | 498 | 242 | 740 |
| NSP-Wisconsin | 150 | 55 | 95 | 1 | 96 |
| Total | $ 3,100 | $ 1,296 | $ 1,804 | $ 246 | $ 2,050 |

(a) Credit facilities expire in June 2024.
(b) Includes outstanding commercial paper and letters of credit.

***Term Loan Agreement*** — In December 2018, Xcel Energy Inc. renewed its $500 million 364-Day Term Loan Agreement. No additional capacity remains as loans borrowed and repaid may not be redrawn.

As of June 30, 2019, Xcel Energy Inc.'s term loan borrowings were as follows:

| (Millions of Dollars) | Limit | Amount Used | Available |
|---|---|---|---|
| Xcel Energy Inc. | $ 500 | $ 500 | $ — |

***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.

As of June 30, 2019, 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 | $ 23 | $ 52 |

***Commercial Paper*** — 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.

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

| (Amounts in Millions, Except Interest Rates) | Three Months Ended June 30, 2019 | Year Ended Dec. 31, 2018 |
|---|---|---|
| Borrowing limit | $ 3,600 | $ 3,250 |
| Amount outstanding at period end | 1,597 | 1,038 |
| Average amount outstanding | 1,313 | 788 |
| Maximum amount outstanding | 1,597 | 1,349 |
| Weighted average interest rate, computed on a daily basis | 2.83% | 2.34% |
| Weighted average interest rate at period end | 2.74 | 2.97 |

***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.

***2019 Planned Financing Activity*** — During 2019, 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 and anticipated issuing the following debt securities:

| Issuer | Security | Amount | Status | Tenor | Coupon |
|---|---|---|---|---|---|
| PSCo | First Mortgage Bonds | $ 400 million | Completed | 30 Year | 4.05% |
| Xcel Energy Inc. | Senior Unsecured Bonds | 130 million | Completed | 9 Year | 4.00 |
| SPS | First Mortgage Bonds | 300 million | Completed | 30 Year | 3.75 |
| Xcel Energy Inc. | Senior Unsecured Bonds | 600 million | Pending | N/A | N/A |
| NSP-Minnesota | First Mortgage Bonds | 900 million | Pending | N/A | N/A |
| PSCo | First Mortgage Bonds | 550 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 2018, Xcel Energy Inc. entered into forward sale agreements in connection with a completed $459 million public offering of 9.4 million shares of Xcel Energy common stock. The initial forward agreement was for 8.1 million shares with an additional agreement for 1.2 million shares that was exercised at the option of the banking counterparty. At June 30, 2019, the forward agreements could have been settled with physical delivery of 9.4 million common shares to the banking counterparty in exchange for cash of $452 million. The forward instruments could also have been settled at June 30, 2019 with delivery of approximately $100 million of cash or approximately 1.7 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 2018 public offering price for Xcel Energy's common stock of $49.00, 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 February 7, 2020. Depending on settlement timing, cash proceeds are expected to be approximately $450 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.

**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 2019 Earnings Guidance*** — Xcel Energy's 2019 GAAP and ongoing earnings guidance is a range of $2.55 to $2.65 per share.[(a)] Key assumptions:

- 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 be relatively consistent with 2018 levels.
- Weather-normalized retail firm natural gas sales are projected to be within a range of 2.0% to 3.0% over 2018 levels.
- Capital rider revenue is projected to increase $115 million to $125 million (net of PTCs) over 2018 levels. PTCs are flowed back to customers, through capital riders and reductions to electric margin.
- Purchase capacity costs are expected to decline $25 million to $30 million compared with 2018 levels.
- O&M expenses are projected to decrease approximately 2.0% from 2018 levels.
- Depreciation expense is projected to increase approximately $135 million to $145 million over 2018 levels. Depreciation expense includes $34 million for the amortization of a prepaid pension asset at PSCo, which is tax reform related and will not impact earnings. A significant portion of the change in depreciation expense reflects an adjustment for the new lease accounting standard, which reclassifies certain expense from electric fuel and purchase power to depreciation and amortization with no impact on earnings.
- Property taxes are projected to increase approximately $15 million to $25 million over 2018 levels.
- Interest expense (net of AFUDC - debt) is projected to increase $80 million to $90 million over 2018 levels.
- AFUDC - equity is projected to decrease approximately $20 million to $30 million from 2018 levels.
- The ETR is projected to be approximately 8% to 10%. The ETR reflects benefits of PTCs which are flowed back to customers through electric margin and will not impact 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 diluted EPS.

***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% off of a 2018 base of $2.43 per share, which represents the mid-point of the original 2018 guidance range of $2.37 to $2.47 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.

## Item 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management's Discussion and Analysis — Derivatives, Risk Management and Market Risk under Item 2.

## 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 chief executive officer (CEO) and chief financial officer (CFO), allowing timely decisions regarding required disclosure. As of June 30, 2019, 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 that are being defended and handled in the ordinary course of business. The assessment of whether a loss is probable or is a reasonable possibility, and whether a loss or a range of loss is estimable, often involves a series of complex judgments regarding future events. Management maintains accruals for losses that are probable of being incurred and subject to reasonable estimation. Management may be unable to estimate an amount or range of a reasonably possible loss in certain situations, including but not limited to when (1) damages sought are indeterminate, (2) proceedings are in the early stages, or (3) 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.

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

## Item 1A — RISK FACTORS

Xcel Energy Inc.'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, 2018, which is incorporated herein by reference. There have been no material changes from the risk factors previously disclosed in the Form 10-K.

## Item 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

***Purchases of Equity Securities by the Issuer and Affiliated Purchasers***

For the quarter ended June 30, 2019, no equity securities that are registered by Xcel Energy Inc. pursuant to Section 12 of the Securities Exchange Act of 1934 were purchased by or on behalf of us or any of our affiliated purchasers.

**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. | Xcel Energy Inc. Form 8-K dated Feb. 17, 2016 | 001-03034 | 3.01 |
| 4.01* | Supplemental Indenture No. 7 dated as of June 1, 2019 between SPS and U.S. Bank National Association, as Trustee, creating 3.75% First Mortgage Bonds, Series No. 7 due 2049 | SPS Form 8-K dated June 18, 2019 | 001-03789 | 4.02 |
| 10.01* | Third Amended and Restated Credit Agreement, dated as of June 7, 2019 among Xcel Energy Inc., as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Swingline Lender, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, Wells Fargo Bank, National Association, MUFG Bank, Ltd., and Citibank, N.A., as Documentation Agents | Xcel Energy Inc. Form 8-K dated June 7, 2019 | 001-03034 | 99.01 |
| 10.02* | Third Amended and Restated Credit Agreement, dated as of June 7, 2019 among NSP-Minnesota, as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, Wells Fargo Bank, National Association, MUFG Bank, Ltd., and Citibank, N.A., as Documentation Agents | Xcel Energy Inc. Form 8-K dated June 7, 2019 | 001-03034 | 99.02 |
| 10.03* | Third Amended and Restated Credit Agreement, dated as of June 7, 2019 among PSCo, as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, Wells Fargo Bank, National Association, MUFG Bank, Ltd., and Citibank, N.A., as Documentation Agents | Xcel Energy Inc. Form 8-K dated June 7, 2019 | 001-03034 | 99.03 |
| 10.04* | Third Amended and Restated Credit Agreement, dated as of June 7, 2019 among SPS, as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, Wells Fargo Bank, National Association, MUFG Bank, Ltd., and Citibank, N.A., as Documentation Agents | Xcel Energy Inc. Form 8-K dated June 7, 2019 | 001-03034 | 99.04 |
| 10.05* | Third Amended and Restated Credit Agreement, dated as of June 7, 2019 among NSP-Wisconsin, as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, Wells Fargo Bank, National Association, MUFG Bank, Ltd., and Citibank, N.A., as Documentation Agents | Xcel Energy Inc. Form 8-K dated June 7, 2019 | 001-03034 | 99.05 |

| | |
|---|---|
| 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 | The following materials from Xcel Energy Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Balance Sheets, (v) the Consolidated Statements of Common Stockholders' Equity, (vi) Notes to Consolidated Financial Statements, and (vii) document and entity information. |

## 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.**

Aug. 1, 2019

By: /s/ JEFFREY S. SAVAGE

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

/s/ ROBERT C. FRENZEL

Robert C. Frenzel
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

**Exhibit 31.01**

# 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: Aug. 1, 2019

/s/ BEN FOWKE

Ben Fowke
Chairman, President, Chief Executive Officer and Director
(Principal Executive Officer)

**Exhibit 31.02**

# CERTIFICATION

I, Robert C. Frenzel, 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: Aug. 1, 2019

/s/ ROBERT C. FRENZEL

Robert C. Frenzel
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.01**

**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 June 30, 2019, 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: Aug. 1, 2019

/s/ BEN FOWKE

Ben Fowke
Chairman, President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ ROBERT C. FRENZEL

Robert C. Frenzel
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.