

XCEL ENERGY INC
Form 10-Q
July 28, 2017

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, 2017

or

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

Commission File Number: 001-3034

Xcel Energy Inc.

(Exact name of registrant as specified in its charter)

Minnesota

41-0448030

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

414 Nicollet Mall

Minneapolis, Minnesota

55401

(Address of principal executive offices)

(Zip Code)

(612) 330-5500

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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

(Do not check if 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

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

Class	Outstanding at July 24, 2017
Common Stock, \$2.50 par value	507,762,881 shares

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This Form 10-Q is filed by Xcel Energy Inc. Xcel Energy Inc. wholly owns the following subsidiaries: Northern States Power Company, a Minnesota corporation (NSP-Minnesota); Northern States Power Company, a Wisconsin corporation (NSP-Wisconsin); Public Service Company of Colorado (PSCo); and Southwestern Public Service Company (SPS). Xcel Energy Inc. and its consolidated subsidiaries are also referred to herein as Xcel Energy. NSP-Minnesota, NSP-Wisconsin, PSCo and SPS are also referred to collectively as utility subsidiaries. The electric production and transmission system of NSP-Minnesota and NSP-Wisconsin, which is operated on an integrated basis and is managed by NSP-Minnesota, is referred to collectively as the NSP System. Additional information on the wholly owned subsidiaries is available on various filings with the Securities and Exchange Commission (SEC).

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PART I — FINANCIAL INFORMATION

Item 1 — FINANCIAL STATEMENTS

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(amounts in thousands, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Operating revenues				
Electric	\$2,338,017	\$2,224,142	\$4,637,077	\$4,409,261
Natural gas	289,839	258,899	915,542	824,588
Other	17,072	16,808	38,731	38,273
Total operating revenues	2,644,928	2,499,849	5,591,350	5,272,122
Operating expenses				
Electric fuel and purchased power	919,099	855,968	1,844,320	1,717,820
Cost of natural gas sold and transported	114,320	90,071	479,454	402,188
Cost of sales — other	8,178	8,332	16,765	16,577
Operating and maintenance expenses	578,133	596,978	1,164,563	1,174,388
Conservation and demand side management expenses	64,860	55,916	132,393	113,352
Depreciation and amortization	365,720	322,534	730,924	642,554
Taxes (other than income taxes)	134,926	138,469	277,020	283,792
Total operating expenses	2,185,236	2,068,268	4,645,439	4,350,671
Operating income	459,692	431,581	945,911	921,451
Other income, net	2,608	1,560	9,054	5,810
Equity earnings of unconsolidated subsidiaries	7,541	9,617	15,416	22,799
Allowance for funds used during construction — equity	16,386	14,730	30,699	27,843
Interest charges and financing costs				
Interest charges — includes other financing costs of \$5,876, \$6,630, \$11,734 and \$12,966, respectively	164,195	162,980	330,129	319,423
Allowance for funds used during construction — debt	(7,613)	(6,684)	(14,635)	(12,674)
Total interest charges and financing costs	156,582	156,296	315,494	306,749
Income before income taxes	329,645	301,192	685,586	671,154
Income taxes	102,389	104,397	219,053	233,047
Net income	\$227,256	\$196,795	\$466,533	\$438,107
Weighted average common shares outstanding:				
Basic	508,542	508,930	508,411	508,789
Diluted	509,135	509,490	508,955	509,311

Earnings per average common share:

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Basic	\$0.45	\$0.39	\$0.92	\$0.86
Diluted	0.45	0.39	0.92	0.86
Cash dividends declared per common share	\$0.36	\$0.34	\$0.72	\$0.68

See Notes to Consolidated Financial Statements

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Net income	\$227,256	\$196,795	\$466,533	\$438,107
Other comprehensive income				
Pension and retiree medical benefits:				
Amortization of losses included in net periodic benefit cost, net of tax of \$608, \$550, \$1,223 and \$407, respectively	956	865	1,904	1,076
Derivative instruments:				
Net fair value increase, net of tax of \$17, \$7, \$17 and \$5, respectively	26	12	26	8
Reclassification of losses to net income, net of tax of \$511, \$594, \$1,045 and \$1,198, respectively	803	936	1,628	1,874
	829	948	1,654	1,882
Marketable securities:				
Net fair value increase, net of tax of \$0, \$0, \$0 and \$0, respectively	1	—	1	—
Other comprehensive income	1,786	1,813	3,559	2,958
Comprehensive income	\$229,042	\$198,608	\$470,092	\$441,065

See Notes to Consolidated Financial Statements

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

	Six Months Ended June 30	
	2017	2016
Operating activities		
Net income	\$466,533	\$438,107
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	738,280	650,336
Conservation and demand side management program amortization	1,509	2,323
Nuclear fuel amortization	57,003	58,267
Deferred income taxes	309,239	252,889
Amortization of investment tax credits	(2,557)	(2,613)
Allowance for equity funds used during construction	(30,699)	(27,843)
Equity earnings of unconsolidated subsidiaries	(15,416)	(22,799)
Dividends from unconsolidated subsidiaries	23,507	22,910
Share-based compensation expense	31,892	24,454
Net realized and unrealized hedging and derivative transactions	217	3,903
Other, net	(2,441)	(388)
Changes in operating assets and liabilities:		
Accounts receivable	16,906	35,042
Accrued unbilled revenues	121,333	65,159
Inventories	65,433	81,880
Other current assets	(84,024)	69,493
Accounts payable	(52,349)	27,805
Net regulatory assets and liabilities	1,498	34,264
Other current liabilities	(190,184)	(151,589)
Pension and other employee benefit obligations	(140,479)	(108,562)
Change in other noncurrent assets	(6,676)	(6,363)
Change in other noncurrent liabilities	(16,706)	(21,649)
Net cash provided by operating activities	1,291,819	1,425,026
Investing activities		
Utility capital/construction expenditures	(1,473,793)	(1,413,129)
Proceeds from insurance recoveries	—	1,595
Allowance for equity funds used during construction	30,699	27,843
Purchases of investment securities	(368,266)	(319,880)
Proceeds from the sale of investment securities	350,448	262,321
Investments in WYCO Development LLC and other	(7,683)	(2,170)
Other, net	(5,483)	100
Net cash used in investing activities	(1,474,078)	(1,443,320)
Financing activities		
Proceeds from (repayments of) short-term borrowings, net	392,000	(399,000)
Proceeds from issuance of long-term debt	394,046	1,337,430
Repayments of long-term debt	(250,397)	(579,976)
Repurchases of common stock	(2,943)	(789)

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Dividends paid	(355,250)	(335,113)
Other	(18,291)	(12,487)
Net cash provided by financing activities	159,165	10,065
Net change in cash and cash equivalents	(23,094)	(8,229)
Cash and cash equivalents at beginning of period	84,476	84,940
Cash and cash equivalents at end of period	\$61,382	\$76,711
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	\$(301,350)	\$(293,954)
Cash (paid) received for income taxes, net	(3,853)	61,345
Supplemental disclosure of non-cash investing and financing transactions:		
Property, plant and equipment additions in accounts payable	\$233,250	\$252,370
Issuance of common stock for equity awards	18,505	13,497

See Notes to Consolidated Financial Statements

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

	June 30, 2017	Dec. 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$61,382	\$84,476
Accounts receivable, net	759,378	776,289
Accrued unbilled revenues	608,499	729,832
Inventories	542,044	604,226
Regulatory assets	375,020	363,655
Derivative instruments	78,487	38,224
Prepaid taxes	196,247	106,697
Prepayments and other	135,493	138,682
Total current assets	2,756,550	2,842,081
Property, plant and equipment, net	33,543,843	32,841,750
Other assets		
Nuclear decommissioning fund and other investments	2,231,588	2,091,858
Regulatory assets	3,023,128	3,080,867
Derivative instruments	50,410	50,189
Other	255,470	248,532
Total other assets	5,560,596	5,471,446
Total assets	\$41,860,989	\$41,155,277
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	\$505,345	\$255,529
Short-term debt	784,000	392,000
Accounts payable	973,642	1,044,959
Regulatory liabilities	261,171	220,894
Taxes accrued	339,966	457,392
Accrued interest	175,849	172,901
Dividends payable	182,795	172,456
Derivative instruments	28,019	26,959
Other	439,917	503,953
Total current liabilities	3,690,704	3,247,043
Deferred credits and other liabilities		
Deferred income taxes	7,130,715	6,784,319
Deferred investment tax credits	60,659	63,216
Regulatory liabilities	1,386,675	1,383,212
Asset retirement obligations	2,849,532	2,782,229
Derivative instruments	136,255	148,146
Customer advances	190,640	195,214

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Pension and employee benefit obligations	975,606	1,112,366
Other	225,215	223,965
Total deferred credits and other liabilities	12,955,297	12,692,667
Commitments and contingencies		
Capitalization		
Long-term debt	14,091,833	14,194,718
Common stock — 1,000,000,000 shares authorized of \$2.50 par value; 507,762,881 and 507,222,795 shares outstanding at June 30, 2017 and Dec. 31, 2016, respectively	1,269,407	1,268,057
Additional paid in capital	5,881,475	5,881,494
Retained earnings	4,079,068	3,981,652
Accumulated other comprehensive loss	(106,795)	(110,354)
Total common stockholders' equity	11,123,155	11,020,849
Total liabilities and equity	\$41,860,989	\$41,155,277

See Notes to Consolidated Financial Statements

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

	Common Stock Issued			Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stockholders' Equity
	Shares	Par Value	Additional Paid In Capital			
Three Months Ended June 30, 2017 and 2016						
Balance at March 31, 2016	507,953	\$ 1,269,882	\$ 5,889,939	\$ 3,620,421	\$ (108,608)	\$ 10,671,634
Net income				196,795		196,795
Other comprehensive income					1,813	1,813
Dividends declared on common stock				(173,563)		(173,563)
Issuances of common stock	—	—	(187)			(187)
Share-based compensation			6,642			6,642
Balance at June 30, 2016						