

XCEL ENERGY INC
Form 10-Q
May 10, 2016

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

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

For the quarterly period ended March 31, 2016

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, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting 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)

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 Outstanding at May 4, 2016

Common Stock, \$2.50 par value 507,952,795 shares

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Certifications Pursuant to Section 302	1
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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 March 31	
	2016	2015
Operating revenues		
Electric	\$2,185,119	\$2,224,863
Natural gas	565,689	715,996
Other	21,465	21,360
Total operating revenues	2,772,273	2,962,219
Operating expenses		
Electric fuel and purchased power	861,852	950,132
Cost of natural gas sold and transported	312,117	472,371
Cost of sales — other	8,245	10,049
Operating and maintenance expenses	577,410	585,830
Conservation and demand side management program expenses	57,436	53,805
Depreciation and amortization	320,020	273,098
Taxes (other than income taxes)	145,323	136,626
Loss on Monticello life cycle management/extended power uprate project	—	129,463
Total operating expenses	2,282,403	2,611,374
Operating income	489,870	350,845
Other income, net	4,250	3,161
Equity earnings of unconsolidated subsidiaries	13,182	7,776
Allowance for funds used during construction — equity	13,113	12,660
Interest charges and financing costs		
Interest charges — includes other financing costs of \$6,336 and \$5,698, respectively	156,443	144,940
Allowance for funds used during construction — debt	(5,990)	(6,144)
Total interest charges and financing costs	150,453	138,796
Income before income taxes	369,962	235,646
Income taxes	128,650	83,580
Net income	\$241,312	\$152,066
Weighted average common shares outstanding:		
Basic	508,667	506,983
Diluted	509,150	507,393

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Earnings per average common share:

Basic	\$0.47	\$0.30
Diluted	0.47	0.30

Cash dividends declared per common share	\$0.34	\$0.32
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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 March 31	
	2016	2015
Net income	\$241,312	\$152,066
Other comprehensive income		
Pension and retiree medical benefits:		
Amortization of losses included in net periodic benefit cost, net of tax of \$142 and \$569, respectively	211	876
Derivative instruments:		
Net fair value decrease, net of tax of \$(2) and \$(7), respectively	(4) (11
Reclassification of losses to net income, net of tax of \$604 and \$382, respectively	938	585
	934	574
Marketable securities:		
Net fair value increase, net of tax of \$0 and \$0, respectively	—	1
Other comprehensive income	1,145	1,451
Comprehensive income	\$242,457	\$153,517

See Notes to Consolidated Financial Statements

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

	Three Months Ended March 31	
	2016	2015
Operating activities		
Net income	\$241,312	\$152,066
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	323,761	277,388
Conservation and demand side management program amortization	1,162	1,451
Nuclear fuel amortization	25,750	28,465
Deferred income taxes	160,379	82,773
Amortization of investment tax credits	(1,307)	(1,384)
Allowance for equity funds used during construction	(13,113)	(12,660)
Equity earnings of unconsolidated subsidiaries	(13,182)	(7,776)
Dividends from unconsolidated subsidiaries	11,481	9,876
Share-based compensation expense	13,099	10,225
Loss on Monticello life cycle management/extended power uprate project	—	129,463
Net realized and unrealized hedging and derivative transactions	5,576	12,778
Other	(388)	—
Changes in operating assets and liabilities:		
Accounts receivable	(4,780)	(291)
Accrued unbilled revenues	129,444	183,974
Inventories	88,570	92,010
Other current assets	(16,635)	56,685
Accounts payable	(22,063)	(99,029)
Net regulatory assets and liabilities	34,404	146,097
Other current liabilities	(44,929)	34,642
Pension and other employee benefit obligations	(118,774)	(85,469)
Change in other noncurrent assets	(1,196)	(5)
Change in other noncurrent liabilities	(8,508)	(25,885)
Net cash provided by operating activities	790,063	985,394
Investing activities		
Utility capital/construction expenditures	(700,319)	(770,609)
Proceeds from insurance recoveries	—	24,241
Allowance for equity funds used during construction	13,113	12,660
Purchases of investments in external decommissioning fund	(109,373)	(387,826)
Proceeds from the sale of investments in external decommissioning fund	104,280	386,111
Investments in WYCO Development LLC and other	(260)	(321)
Other, net	(1,548)	(2,645)
Net cash used in investing activities	(694,107)	(738,389)
Financing activities		
Repayments of short-term borrowings, net	(663,000)	(50,500)
Proceeds from issuance of long-term debt	747,127	—
Repayments of long-term debt	(333)	(455)

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Proceeds from issuance of common stock	—	1,411
Purchase of common stock for settlement of equity awards	(789) —
Dividends paid	(162,410) (144,025)
Net cash used in financing activities	(79,405) (193,569)
Net change in cash and cash equivalents	16,551	53,436
Cash and cash equivalents at beginning of period	84,940	79,608
Cash and cash equivalents at end of period	\$101,491	\$133,044
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	\$(164,511)	\$(161,717)
Cash received for income taxes, net	7,414	62,697
Supplemental disclosure of non-cash investing and financing transactions:		
Property, plant and equipment additions in accounts payable	\$192,818	\$239,905
Issuance of common stock for reinvested dividends and 401(k) plans	7,703	14,433

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)

	March 31, 2016	Dec. 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 101,491	\$ 84,940
Accounts receivable, net	729,386	724,606
Accrued unbilled revenues	525,423	654,867
Inventories	520,054	608,584
Regulatory assets	317,489	344,630
Derivative instruments	23,293	33,842
Deferred income taxes	180,513	140,219
Prepaid taxes	180,825	163,023
Prepayments and other	154,143	155,734
Total current assets	2,732,617	2,910,445
Property, plant and equipment, net	31,433,406	31,205,851
Other assets		
Nuclear decommissioning fund and other investments	1,917,709	1,902,995
Regulatory assets	2,897,502	2,858,741
Derivative instruments	55,612	51,083
Other	32,998	32,581
Total other assets	4,903,821	4,845,400
Total assets	\$ 39,069,844	\$ 38,961,696
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	\$ 656,516	\$ 657,021
Short-term debt	183,000	846,000
Accounts payable	809,656	960,982
Regulatory liabilities	272,647	306,830
Taxes accrued	525,934	438,189
Accrued interest	148,112	166,829
Dividends payable	172,704	162,410
Derivative instruments	27,553	29,839
Other	392,446	490,197
Total current liabilities	3,188,568	4,058,297
Deferred credits and other liabilities		
Deferred income taxes	6,493,644	6,293,661
Deferred investment tax credits	67,112	68,419
Regulatory liabilities	1,373,140	1,332,889
Asset retirement obligations	2,639,628	2,608,562
Derivative instruments	167,299	168,311

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Customer advances	221,683	228,999
Pension and employee benefit obligations	812,998	941,002
Other	285,743	261,756
Total deferred credits and other liabilities	12,061,247	11,903,599
Commitments and contingencies		
Capitalization		
Long-term debt	13,148,395	12,398,880
Common stock — 1,000,000,000 shares authorized of \$2.50 par value; 507,952,795 and 507,535,523 shares outstanding at March 31, 2016 and Dec. 31, 2015, respectively	1,269,882	1,268,839
Additional paid in capital	5,889,939	5,889,106
Retained earnings	3,620,421	3,552,728
Accumulated other comprehensive loss	(108,608)	(109,753)
Total common stockholders' equity	10,671,634	10,600,920
Total liabilities and equity	\$39,069,844	\$38,961,696

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	Accumulated	Total
	Shares	Par Value	Additional Paid In Capital	Earnings	Other Comprehensive Loss	Common Stockholders' Equity
Three Months Ended March 31, 2016 and 2015						
Balance at Dec. 31, 2014	505,733	\$ 1,264,333	\$ 5,837,330	\$ 3,220,958	\$ (108,139)	\$ 10,214,482
Net income				152,066		152,066
Other comprehensive income					1,451	1,451
Dividends declared on common stock				(163,120)		(163,120)
Issuances of common stock	931	2,326	893			3,219
Share-based compensation			6,772			6,772
Balance at March 31, 2015	506,664	\$ 1,266,659	\$ 5,844,995	\$ 3,209,904	\$ (106,688)	\$ 10,214,870
Balance at Dec. 31, 2015	507,536	\$ 1,268,839	\$ 5,889,106	\$ 3,552,728	\$ (109,753)	\$ 10,600,920
Net income				241,312		241,312
Other comprehensive income					1,145	1,145
Dividends declared on common stock				(173,619)		(173,619)
Issuances of common stock	417	1,043	(3,755)			(2,712)
Purchase of common stock for settlement of equity awards			(789)			(789)
Share-based compensation			5,377			5,377
Balance at March 31, 2016	507,953	\$ 1,269,882	\$ 5,889,939	\$ 3,620,421	\$ (108,608)	\$ 10,671,634

See Notes to Consolidated Financial Statements

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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 March 31, 2016 and Dec. 31, 2015; the results of its operations, including the components of net income and comprehensive income, and changes in stockholders' equity for the three months ended March 31, 2016 and 2015; and its cash flows for the three months ended March 31, 2016 and 2015. All adjustments are of a normal, recurring nature, except as otherwise disclosed. Management has also evaluated the impact of events occurring after March 31, 2016 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, 2015 balance sheet information has been derived from the audited 2015 consolidated financial statements included in the Xcel Energy Inc. Annual Report on Form 10-K for the year ended Dec. 31, 2015. These 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, 2015, filed with the SEC on Feb. 19, 2016. 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, 2015, appropriately represent, in all material respects, the current status of accounting policies and are incorporated herein by reference.

2. Accounting Pronouncements

Recently Issued

Revenue Recognition — In May 2014, the Financial Accounting Standards Board (FASB) issued Revenue from Contracts with Customers, Topic 606 (Accounting Standards Update (ASU) No. 2014-09), which provides a framework for the recognition of revenue, with the objective that recognized revenues properly reflect amounts an entity is entitled to receive in exchange for goods and services. The new guidance also includes additional disclosure requirements regarding revenue, cash flows and obligations related to contracts with customers. The guidance is effective for interim and annual reporting periods beginning after Dec. 15, 2017. Xcel Energy is currently evaluating the impact of adopting ASU 2014-09 on its consolidated financial statements.

Presentation of Deferred Taxes — In November 2015, the FASB issued Balance Sheet Classification of Deferred Taxes, Topic 740 (ASU No 2015-17), which eliminates the requirement to present deferred tax assets and liabilities as current and noncurrent on the balance sheet based on the classification of the related asset or liability, and instead requires classification of all deferred tax assets and liabilities as noncurrent. This guidance will be effective for interim and annual reporting periods beginning after Dec. 15, 2016, and early adoption is permitted. Other than the prescribed classification of all deferred tax assets and liabilities as noncurrent, Xcel Energy does not expect the implementation of ASU 2015-17 to have a material impact on its consolidated financial statements.

Classification and Measurement of Financial Instruments — In January 2016, the FASB issued Recognition and Measurement of Financial Assets and Financial Liabilities, Subtopic 825-10 (ASU No. 2016-01), which among other changes in accounting and disclosure requirements, replaces the cost method of accounting for non-marketable equity securities with a model for recognizing impairments and observable price changes, and also eliminates the available-for-sale classification for marketable equity securities. Under the new guidance, other than when the consolidation or equity method of accounting is utilized, changes in the fair value of equity securities are to be recognized in earnings. This guidance will be effective for interim and annual reporting periods beginning after Dec. 15, 2017. Xcel Energy is currently evaluating the impact of adopting ASU 2016-01 on its consolidated financial statements.

Leases — In February 2016, the FASB issued Leases, Topic 842 (ASU No. 2016-02), which, for lessees, requires balance sheet recognition of right-of-use assets and lease liabilities for all leases. Additionally, for leases that qualify as finance leases, the guidance requires expense recognition consisting of amortization of the right-of-use asset as well as interest on the related lease liability using the effective interest method. This guidance will be effective for interim and annual reporting periods beginning after Dec. 15, 2018, and early adoption is permitted. Xcel Energy is currently evaluating the impact of adopting ASU 2016-02 on its consolidated financial statements.

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Stock Compensation — In March 2016, the FASB issued Improvements to Employee Share-Based Payment Accounting, Topic 718 (ASU 2016-09), which amends existing guidance to simplify several aspects of accounting and presentation for share-based payment transactions, including the accounting for income taxes and forfeitures, as well as presentation in the statement of cash flows. This guidance will be effective for interim and annual reporting periods beginning after Dec. 15, 2016, and early adoption is permitted. Xcel Energy is currently evaluating the impact of adopting ASU 2016-09 on its consolidated financial statements.

Recently Adopted

Consolidation — In February 2015, the FASB issued Amendments to the Consolidation Analysis, Topic 810 (ASU No. 2015-02), which reduces the number of consolidation models and amends certain consolidation principles related to variable interest entities. Xcel Energy implemented the guidance on Jan. 1, 2016, and other than the classification of certain real estate investments held within the Nuclear Decommissioning Trust as non-consolidated variable interest entities, the implementation did not have a significant impact on its consolidated financial statements.

Presentation of Debt Issuance Costs — In April 2015, the FASB issued Simplifying the Presentation of Debt Issuance Costs, Subtopic 835-30 (ASU No. 2015-03), which requires the presentation of debt issuance costs on the balance sheet as a deduction from the carrying amount of the related debt, instead of presentation as an asset. Xcel Energy implemented the new guidance as required on Jan. 1, 2016, and as a result, \$94.5 million of deferred debt issuance costs are presented as a deduction from the carrying amount of long-term debt on the consolidated balance sheet as of March 31, 2016, and \$91.8 million of such deferred costs were retrospectively reclassified from other non-current assets to long-term debt on the consolidated balance sheet as of Dec. 31, 2015.

Fair Value Measurement — In May 2015, the FASB issued Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), Topic 820 (ASU No. 2015-07), which eliminates the requirement to categorize fair value measurements using a net asset value (NAV) methodology in the fair value hierarchy. Xcel Energy implemented the guidance on Jan. 1, 2016, and the implementation did not have a material impact on its consolidated financial statements. For related disclosures, see Note 8 to the consolidated financial statements.

3. Selected Balance Sheet Data

(Thousands of Dollars)	March 31, 2016	Dec. 31, 2015
Accounts receivable, net		
Accounts receivable	\$778,953	\$776,494
Less allowance for bad debts	(49,567)	(51,888)
	\$729,386	\$724,606
(Thousands of Dollars)	March 31, 2016	Dec. 31, 2015
Inventories		
Materials and supplies	\$298,345	\$290,690
Fuel	172,098	202,271
Natural gas	49,611	115,623
	\$520,054	\$608,584

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(Thousands of Dollars)	March 31, 2016	Dec. 31, 2015
Property, plant and equipment, net		
Electric plant	\$36,604,585	\$36,464,050
Natural gas plant	5,017,324	4,944,757
Common and other property	1,720,351	1,709,508
Plant to be retired ^(a)	34,606	38,249
Construction work in progress	1,486,070	1,256,949
Total property, plant and equipment	44,862,936	44,413,513
Less accumulated depreciation	(13,790,489)	(13,591,259)
Nuclear fuel	2,450,363	2,447,251
Less accumulated amortization	(2,089,404)	(2,063,654)
	\$31,433,406	\$31,205,851

In 2017, PSCo expects to both early retire Valmont Unit 5 and convert Cherokee Unit 4 from a coal-fueled ^(a) generating facility to natural gas, as approved by the Colorado Public Utilities Commission (CPUC). Amounts are presented net of accumulated depreciation.

4. Income Taxes

Except to the extent noted below, Note 6 to the consolidated financial statements included in Xcel Energy Inc.'s Annual Report on Form 10-K for the year ended Dec. 31, 2015 appropriately represents, in all material respects, the current status of other income tax matters, and are incorporated herein by reference.

Federal Tax Loss Carryback Claims — In 2012, 2013, 2014 and 2015, Xcel Energy identified certain expenses related to 2009, 2010, 2011, 2013, 2014 and 2015 that qualify for an extended carryback beyond the typical two-year carryback period. As a result of a higher tax rate in prior years, Xcel Energy recognized a tax benefit of approximately \$5 million in 2015, \$17 million in 2014 and \$12 million in 2013 and \$15 million in 2012.

Federal Audit — Xcel Energy files a consolidated federal income tax return. In the third quarter of 2012, the Internal Revenue Service (IRS) commenced an examination of tax years 2010 and 2011, including the 2009 carryback claim. As of March 31, 2016, the IRS had proposed an adjustment to the federal tax loss carryback claims that would result in \$14 million of income tax expense for the 2009 through 2011 and 2013 claims, the recently filed 2014 claim, and the anticipated claim for 2015. In the fourth quarter of 2015, the IRS forwarded the issue to the Office of Appeals (Appeals); however, the outcome and timing of a resolution is uncertain. The statute of limitations applicable to Xcel Energy's 2009 through 2011 federal income tax returns expires in December 2016 following an extension to allow additional time for the Appeals process. In the third quarter of 2015, the IRS commenced an examination of tax years 2012 and 2013. As of March 31, 2016, the IRS had not proposed any material adjustments to tax years 2012 and 2013.

State Audits — Xcel Energy files consolidated state tax returns based on income in its major operating jurisdictions of Colorado, Minnesota, Texas, and Wisconsin, and various other state income-based tax returns. As of March 31, 2016, Xcel Energy's earliest open tax years that are subject to examination by state taxing authorities in its major operating jurisdictions were as follows:

State	Year
Colorado	2009
Minnesota	2009
Texas	2009

Wisconsin 2011

In February 2016, the state of Texas began an audit of years 2009 and 2010. As of March 31, 2016, the state of Texas had not proposed any adjustments, and there were no other state income tax audits in progress.

Unrecognized Tax Benefits — The unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual effective tax rate (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 of cash to the taxing authority to an earlier period.

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A reconciliation of the amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	March 31, Dec. 31,	
	2016	2015
Unrecognized tax benefit — Permanent tax positions	\$ 26.3	\$ 25.8
Unrecognized tax benefit — Temporary tax positions	96.2	94.9
Total unrecognized tax benefit	\$ 122.5	\$ 120.7

The unrecognized tax benefit amounts were reduced by the tax benefits associated with net operating loss (NOL) and tax credit carryforwards. The amounts of tax benefits associated with NOL and tax credit carryforwards are as follows:

(Millions of Dollars)	March 31, Dec. 31,	
	2016	2015
NOL and tax credit carryforwards	\$ (38.5)	\$ (36.7)

It is reasonably possible that Xcel Energy's amount of unrecognized tax benefits could significantly change in the next 12 months as the IRS Appeals and audit progress, the Texas audit progresses and other state audits resume. As the IRS Appeals, IRS audit, and Texas audit progress, it is reasonably possible that the amount of unrecognized tax benefit could decrease up to approximately \$58 million.

The payable for interest related to unrecognized tax benefits is partially offset by the interest benefit associated with NOL and tax credit carryforwards. The payables for interest related to unrecognized tax benefits at March 31, 2016 and Dec. 31, 2015 were not material. No amounts were accrued for penalties related to unrecognized tax benefits as of March 31, 2016 or Dec. 31, 2015.

5. Rate Matters

Except to the extent noted below, the circumstances set forth in Note 12 to the consolidated financial statements included in Xcel Energy Inc.'s Annual Report on Form 10-K for the year ended Dec. 31, 2015, appropriately represent, in all material respects, the current status of other rate matters, and are incorporated herein by reference.

NSP-Minnesota

Pending and Recently Concluded Regulatory Proceedings — Minnesota Public Utilities Commission (MPUC)

NSP-Minnesota – Minnesota 2016 Multi-Year Electric Rate Case — In November 2015, NSP-Minnesota filed a three-year electric rate case with the MPUC. The rate case is based on a requested return on equity (ROE) of 10.0 percent and a 52.50 percent equity ratio. The request is detailed in the table below:

Request (Millions of Dollars)	2016	2017	2018
Rate request	\$ 194.6	\$ 52.1	\$ 50.4
Increase percentage	6.4	% 1.7	% 1.7
Interim request	\$ 163.7	\$ 44.9	N/A
Rate base	\$ 7,800	\$ 7,700	\$ 7,700

NSP-Minnesota also proposed a five-year alternative plan that would extend the rate plan two additional years. In addition, NSP-Minnesota has requested the MPUC encourage parties to engage in a formal mediation type procedure as outlined by Minnesota's rate case statute which may streamline the settlement process.

In December 2015, the MPUC approved interim rates for 2016. The MPUC deferred making a decision on incremental interim rates for 2017 and indicated that NSP-Minnesota could bring back its request in the fourth quarter of 2016.

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The major components of the requested rate increase are summarized below:

(Millions of Dollars)	2016	2017	2018	Total
2014 multi-year rate case items:				
Excess depreciation reserve	\$26.0	\$51.0	\$—	\$77.0
Department of Energy (DOE) settlement	25.7	—	—	25.7
Monticello life cycle management (LCM)/extended power uprate (EPU)	11.2	(1.6)	(1.5)	8.1
	62.9	49.4	(1.5)	110.8
Additional items:				
Capital investments	128.7	12.8	44.6	186.1
Property taxes	30.2	7.6	5.2	43.0
NOL carryforwards	(6.3)	(24.5)	(6.5)	(37.3)
Other costs	(20.9)	6.8	8.6	(5.5)
	131.7	2.7	51.9	186.3
Total rate request	\$194.6	\$52.1	\$50.4	\$297.1

The next steps in the procedural schedule are expected to be as follows:

- Intervenors' direct testimony — June 14, 2016;
- Rebuttal testimony — Aug. 9, 2016;
- Surrebuttal testimony — Sept. 16, 2016;
- Settlement conference — Sept. 26, 2016;
- Evidentiary hearing — Oct. 4-7, 2016;
- Administrative Law Judge (ALJ) report — Feb. 21, 2017; and
- MPUC order — June 1, 2017.

NSP-Minnesota – 2016 Transmission Cost Recovery (TCR) Filing — In October 2015, NSP-Minnesota submitted its 2016 TCR filing with the MPUC, requesting recovery of \$19.2 million of 2016 transmission investment costs not included in electric base rates. This filing included an option to keep approximately \$59.1 million of revenue requirements associated with two CapX2020 projects completed in 2015 within the TCR rider or to include these revenue requirements in electric base rates during the interim rate implementation of the next electric rate case. In November 2015, NSP-Minnesota submitted an update to its TCR filing in which it confirmed that it was requesting the MPUC approve keeping the two CapX2020 projects in the TCR rider, increasing the revenue requirements to \$78.3 million, until the conclusion of the 2016 Minnesota electric rate case.

In April 2016, NSP-Minnesota received comments from the Minnesota Department of Commerce (DOC) requesting additional support for the costs incurred for the CapX2020 La Crosse-Madison project and the CapX2020 Big Stone-Brookings project, as well as the updated financial impact for the actual non-prorated accumulated deferred income tax (ADIT) as opposed to the forecasted prorated ADIT used in the cost recovery calculations. An MPUC decision is expected later in 2016.

NSP-Minnesota – Nuclear Project Prudence Investigation — In 2013, NSP-Minnesota completed the Monticello LCM/EPU project. The multi-year project extended the life of the facility and increased the capacity from 600 to 671 megawatts (MW) in 2015. The Monticello LCM/EPU project expenditures were approximately \$665 million. Total capitalized costs were approximately \$748 million, which includes allowance for funds used during construction (AFUDC). In 2008, project expenditures were initially estimated at approximately \$320 million, excluding AFUDC.

In 2013, the MPUC initiated an investigation to determine whether the final costs for the Monticello LCM/EPU project were prudent. In March 2015, the MPUC voted to allow for full recovery, including a return, on approximately \$415 million of the total plant costs (inclusive of AFUDC), but only allow recovery of the remaining \$333 million of costs with no return on this portion of the investment over the remaining life of the plant. Further, the MPUC determined that only 50 percent of the investment was considered used-and-useful for 2014. As a result of these determinations, Xcel Energy recorded an estimated pre-tax loss of \$129 million in the first quarter of 2015, after which the remaining book value of the Monticello project represented the present value of the estimated future cash flows.

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NSP-Wisconsin

Pending Regulatory Proceedings — Public Service Commission of Wisconsin (PSCW)

Wisconsin 2017 Electric and Gas Rate Case — On April 1, 2016, NSP-Wisconsin filed a request with the PSCW for an increase in annual electric rates of \$17.4 million, or 2.4 percent, and an increase in natural gas rates by \$4.8 million, or 3.9 percent, effective January 2017.

The electric rate request is for the limited purpose of recovering increases in (i) g