



# First Quarter 2018 Earnings Report Presentation

April 26, 2018



# Safe Harbor

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Except for the historical statements contained in this presentation, the matters discussed herein, are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements, including our 2018 earnings per share guidance and assumptions, are intended to be identified in this document by the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “objective,” “outlook,” “plan,” “project,” “possible,” “potential,” “should” 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 in Xcel Energy’s Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2017 and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of Xcel Energy Inc. and its subsidiaries (collectively, Xcel Energy) to obtain financing on favorable terms; business conditions in the energy industry; including the risk of a slow down in the U.S. economy or delay in growth, recovery, trade, fiscal, taxation and environmental policies in areas where Xcel Energy has a financial interest; customer business conditions; actions of credit rating agencies; competitive factors including the extent and timing of the entry of additional competition in the markets served by Xcel Energy; unusual weather; effects of geopolitical events, including war and acts of terrorism; cyber security threats and data security breaches; state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rates or have an impact on asset operation or ownership or impose environmental compliance conditions; structures that affect the speed and degree to which competition enters the electric and natural gas markets; costs and other effects of legal and administrative proceedings, settlements, investigations and claims; financial or regulatory accounting policies imposed by regulatory bodies; outcomes of regulatory proceedings; availability or cost of capital; and employee workforce factors.

# 2018 Highlights

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- Demonstrated outstanding operational excellence:
  - Storm recoveries in Minnesota and Colorado
  - Nuclear plants running at 100% capacity
  - Mutual aid to Puerto Rico
- Created new role of Chief Customer and Innovation Officer
  - Hired Brett Carter to continue focus on enhancing the customer experience
- Received approval from the New Mexico commission for 1,230 MW of new wind
- Continued to make progress on the Colorado Energy Plan
  - Evaluating bids
  - Preparing a range of portfolios to present to the Commission
- Increased dividend 5.6%
- Reaffirmed 2018 EPS guidance of \$2.37 to \$2.47

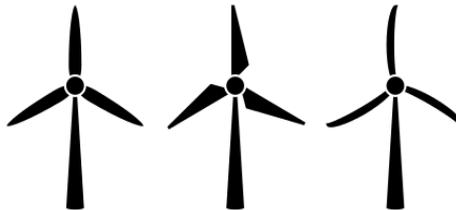
# Steel for Fuel

Capital recovery costs offset by lower fuel and O&M costs and tax credits

**3,680 MW  
of new wind  
by 2021 (83% owned)**

Rush Creek  
Blazing Star 1 & 2  
Lake Benton  
Foxtail  
Hale  
Sagamore  
Dakota Range

Crowned Ridge  
Freeborn  
630 MW of PPAs



High efficiency wind:

- Displaces coal and natural gas fuel
- Significant customer savings

**Lower Fuel Costs**

**Lower O&M**

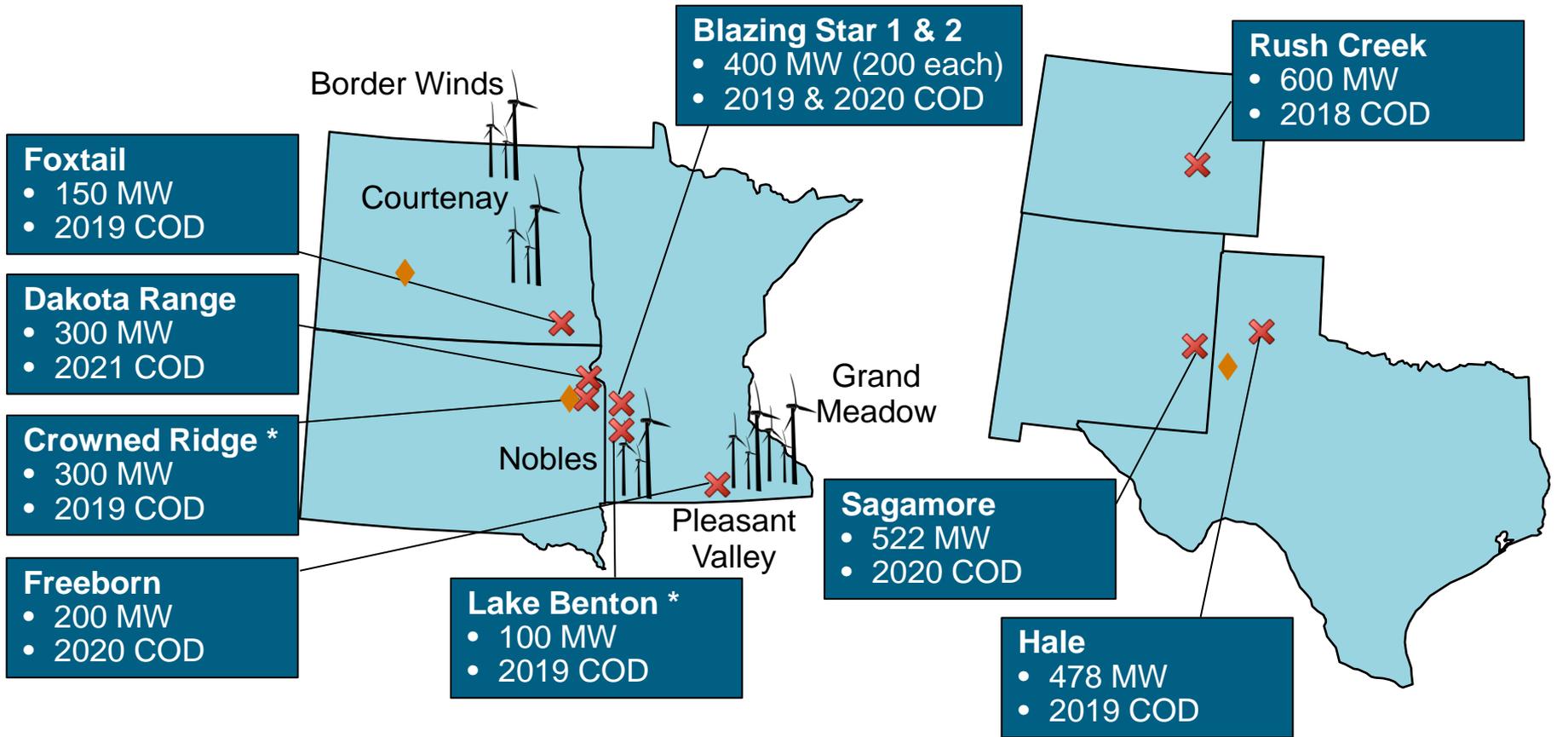
**Capture PTC**

**Lower Emissions**

Economic, zero-emission energy enabled by:

- High wind capacity factors in our states
- Supportive regulatory environment
- Production tax credit

# Clean Energy Transition - Renewables



 = Operational owned facilities totaling ~850 MW  
 = Proposed owned facilities totaling ~3,050 MW

 = Proposed PPAs totaling ~630 MW  
 = Build-own-transfer

# SPS Wind Proposal

## 1,230 MW Proposal

### Sagamore

- Self-Build
- 522 MW
- 2020 COD
- New Mexico



### Hale

- Self-Build
- 478 MW
- 2019 COD
- Texas



### Bonita

- PPA
- 230 MW
- 2019 COD
- Texas



Total capital investment of ~\$1.6 billion

Significant customer savings

Settlements in principle reached in Texas and New Mexico

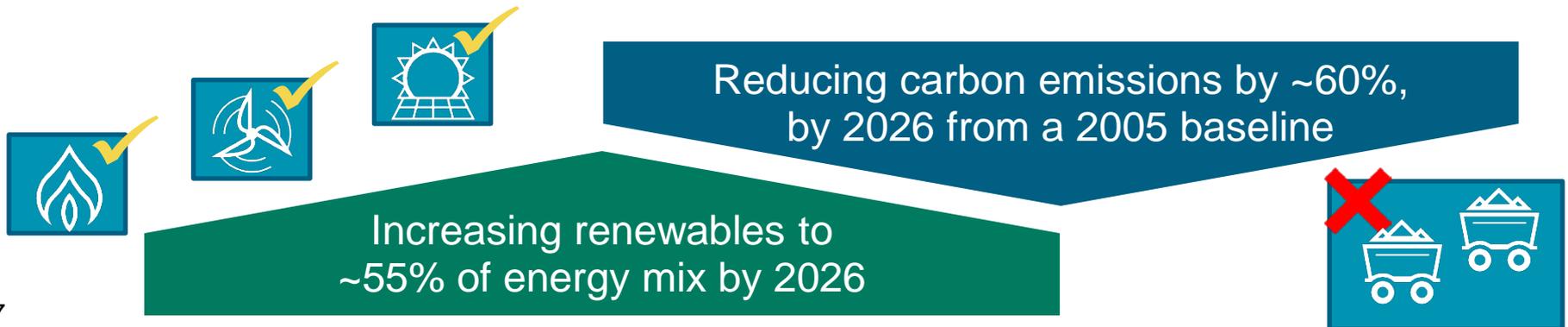
New Mexico Commission approved the wind proposal in March 2018

Texas Commission expected to discuss the proposal on April 27

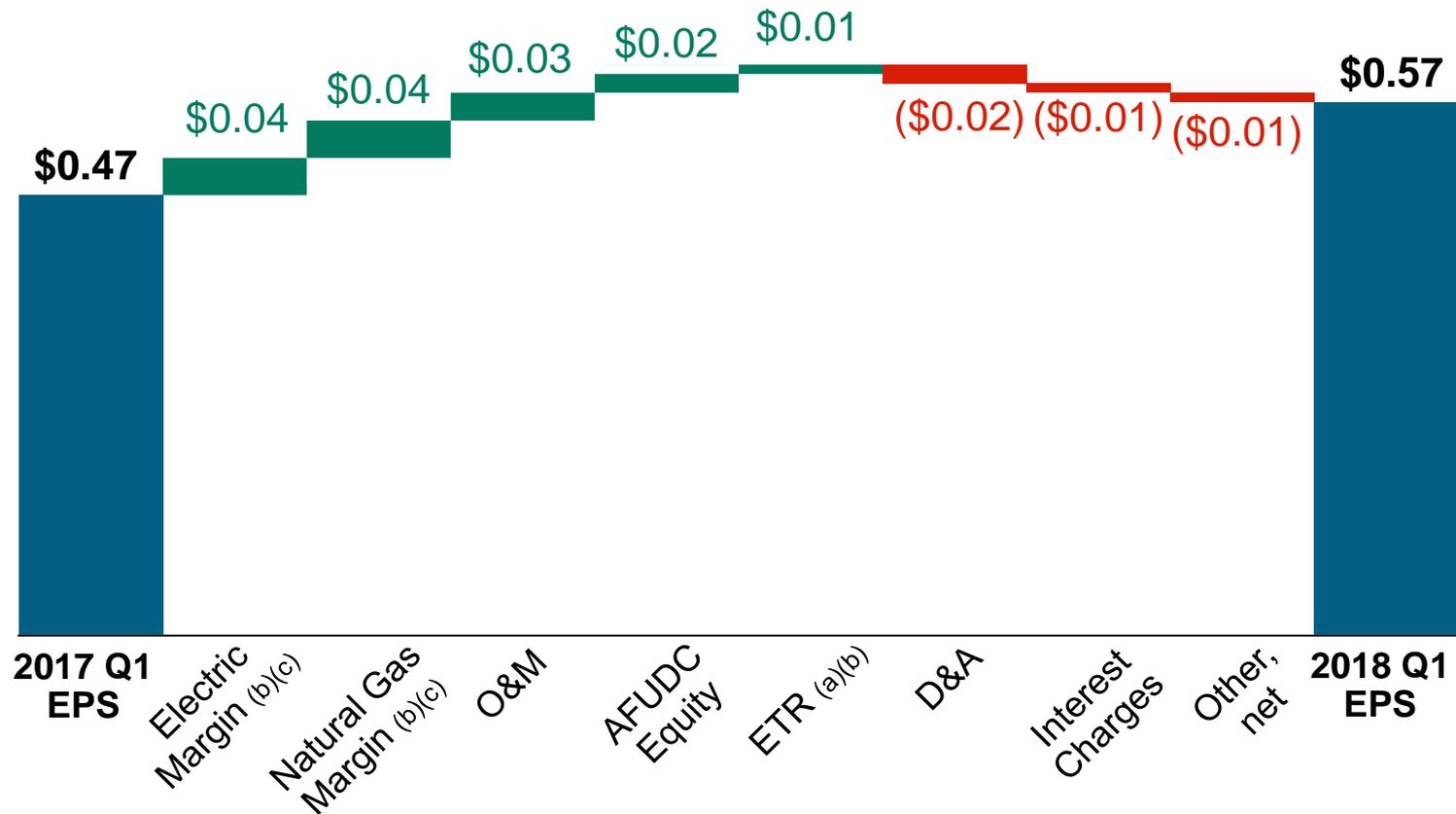
# Colorado Energy Plan

- Early retirement of 660 MW of coal generation:
  - Comanche 1 (325 MW) by 2022
  - Comanche 2 (335 MW) by 2025
- New renewable proposal:
  - Targeted ownership: 50% renewables; 75% natural gas and/or storage
  - Up to 1,000 MW of wind
  - Up to 700 MW of solar
  - Up to 700 MW of natural gas and/or storage
  - Potential capital investment estimated at approximately \$1 billion
- Commission decision anticipated in summer 2018

No increase in customer bills



# Quarterly GAAP & Ongoing EPS Change



- a) ETR includes the impact of an additional \$4 million of wind Production Tax Credits (PTCs), which are largely flowed back to customers through electric margin
- b) Excludes the impact of tax reform; TCJA is expected to be earnings neutral
- c) Combined margins include ~\$0.04 of positive weather impacts (post decoupling)

# EPS Results by Operating Company

Operating Company	First Quarter	
	2018	2017
PSCo	\$ 0.26	\$ 0.22
NSPM	0.22	0.19
SPS	0.07	0.05
NSPW	0.06	0.04
Equity earnings	0.01	0.01
Regulated utility	0.62	0.51
Holding company and other	(0.05)	(0.04)
<b>Total GAAP and ongoing diluted EPS</b>	<b>\$ 0.57</b>	<b>\$ 0.47</b>

# Colorado Multi-Year Natural Gas Rate Case

(\$ Millions)	2018	2019	2020	Total
New Revenue Request	\$63	\$33	\$43	\$139
PSIA revenue conversion to base rates	<u>0</u>	<u>94</u>	<u>0</u>	<u>94</u>
Total	\$63	\$127	\$43	\$233
Projected YE Rate Base (\$ Billions)	\$1.5	\$2.3	\$2.4	

- PSCo filed a Colorado multi-year natural gas rate case in June 2017 requesting:
  - rate increase of \$139 million over 3 years
  - ROE of 10.0% and equity ratio of 55.25%
- Provisional rates, subject to refund, were implemented on January 1, 2018
- In February 2018, the ALJ approved a settlement between PSCo and CPUC which reduced provisional rates by \$20 million to address the impacts of TCJA
- In April 2018, PSCo filed for an extension of the PSIA rider
- Commission decision expected later in the year

# Texas Electric Rate Case

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- In August 2017, SPS filed a Texas electric rate case
  - Requested a net electric rate increase of \$55 million
  - ROE of 10.25% and equity ratio of 53.97%
  - Based on a historic 12-month ended June 30, 2017 test year
- In February 2018, SPS filed testimony indicating a ~\$32 million revenue requirement reduction due to TCJA and recommended an equity ratio of 58%
- Procedural schedule:
  - PUCT Staff direct testimony – May 2, 2018
  - PUCT Staff and intervenor cross-rebuttal testimony – May 14, 2018
  - SPS rebuttal testimony – May 23, 2018
  - Hearings – June 4-14, 2018
  - Commission decision – fourth quarter 2018
  - New rates expected to be effective retroactive to January 2018

# New Mexico Electric Rate Case

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- In October 2017, SPS filed a New Mexico electric rate case
  - Requested an electric rate increase of \$43 million
  - ROE of 10.25% and equity ratio of 53.97%
  - Based on a historic test year ended June 30, 2017
- In February 2018, SPS filed testimony indicating a ~\$11 million revenue requirement reduction due to TCJA and recommended an equity ratio of 58%
- Procedural schedule:
  - SPS rebuttal testimony – May 2, 2018
  - Hearings – May 15-25, 2018
  - Commission decision and implementation of final rates anticipated in the second half of 2018

# Tax Reform

- Beneficial to our customers
- Estimated to be mildly accretive to long-term earnings
- No change to 2018 EPS guidance or long-term EPS growth rate objective
- Will work with regulators on customer refunds and preservation of credit ratings

## Potential Tax Impacts

### Assuming no Regulatory Actions

- Lowers revenue requirements by ~\$400 million
- Lower tax shield on holding company debt: earnings drag of ~\$20 million
- Higher rate base CAGR for same Cap Ex
- One-time, non-cash write-off of deferred tax and credits of \$23 million in 2017

## Potential Regulatory Options

### for Tax Savings and Credit Ratings

- Accelerate asset depreciation
- Increase equity ratios
- Modify capital investment
- Avoid or defer future rate cases
- Fund certain long-dated obligations
- Customer refunds

### Actions to mitigate impact on credit ratings:

- Reduce capital expenditures by ~\$500 million
- Issue ~\$300 million of incremental equity beyond DRIP/benefits

# 2018 Financing Plan

Issuer	Security	Amount (millions)
Hold Co	Senior Unsecured Bonds	\$750
NSPM	First Mortgage Bonds	\$300
NSPW	First Mortgage Bonds	\$200
PSCo	First Mortgage Bonds	\$750
SPS	First Mortgage Bonds	\$350
Xcel Energy plans to issue ~\$300 million of equity in 2018 in addition to ~\$75 million of equity to be issued through the dividend reinvestment program and benefit programs annually.		

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

# 2018 GAAP & Ongoing Earnings Guidance

**GAAP & Ongoing EPS Guidance Range: \$2.37 – \$2.47**

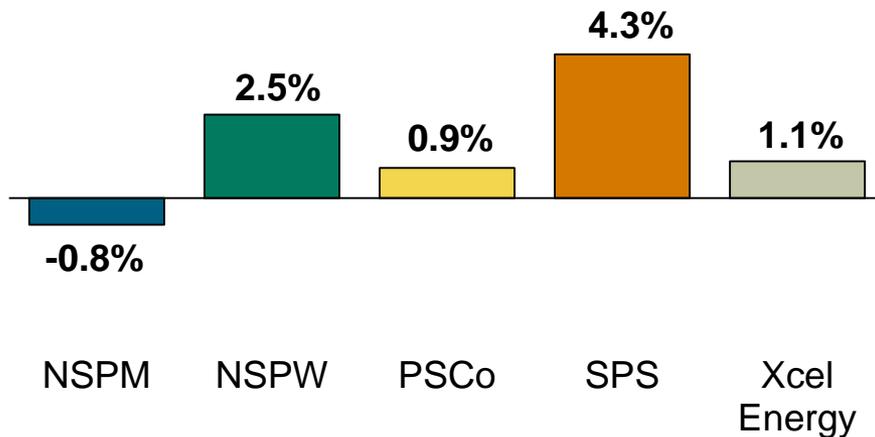
<b>Earnings Drivers</b>	<b>Key Assumptions</b>
Regulatory proceedings	Constructive outcomes in all proceedings
Weather	Normal weather
W/A electric sales	Increase 0% to 0.5%
W/A natural gas sales	Increase 0% to 0.5%
Capital rider revenue	Increase \$30 million - \$40 million
O&M expenses	Flat
Depreciation expense	Increase \$120 million - \$130 million; change reflects PSCo rate case dismissal, which delays implementation of new rates
Property taxes	Increase ~\$30 million - \$40 million
Interest exp. (net of AFUDC-debt)	Increase \$30 million - \$40 million
AFUDC-equity	Increase ~\$20 million - \$30 million
Effective tax rate (ETR)	~15-17%; ETR range may decrease to ~8-10% as state commissions provide clarity and direction as to the treatment of excess deferred taxes that resulted from the TCJA.

Ongoing earnings could differ from those prepared in accordance with GAAP due to 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 diluted EPS to corresponding GAAP diluted EPS.

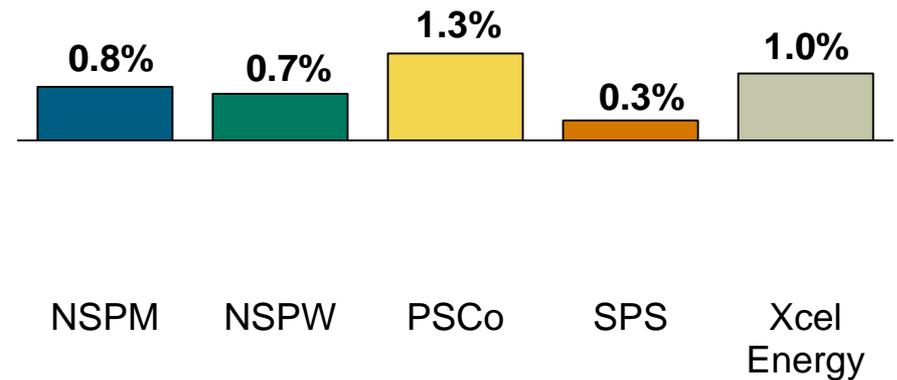
# Appendix

# Economic, Sales, and Customer Data

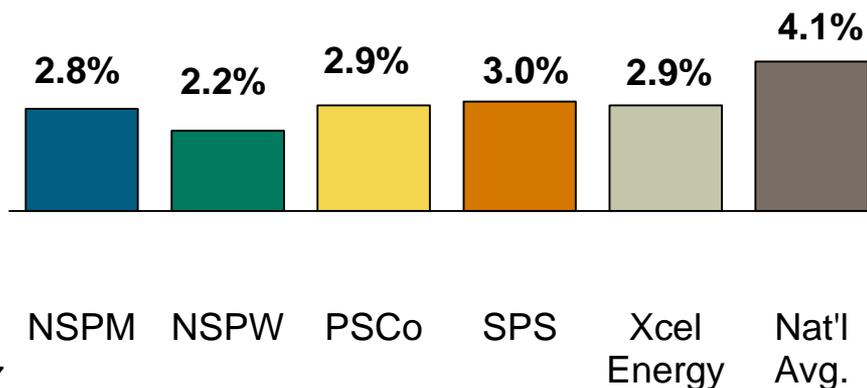
## 2018 Q1 W/A Electric Sales Growth



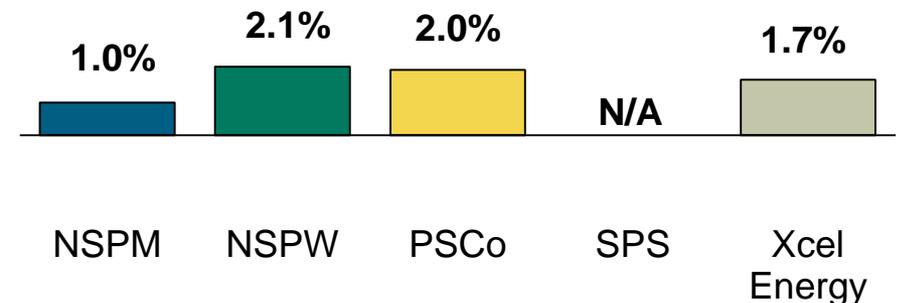
## 2018 Q1 YoY Electric Customer Growth



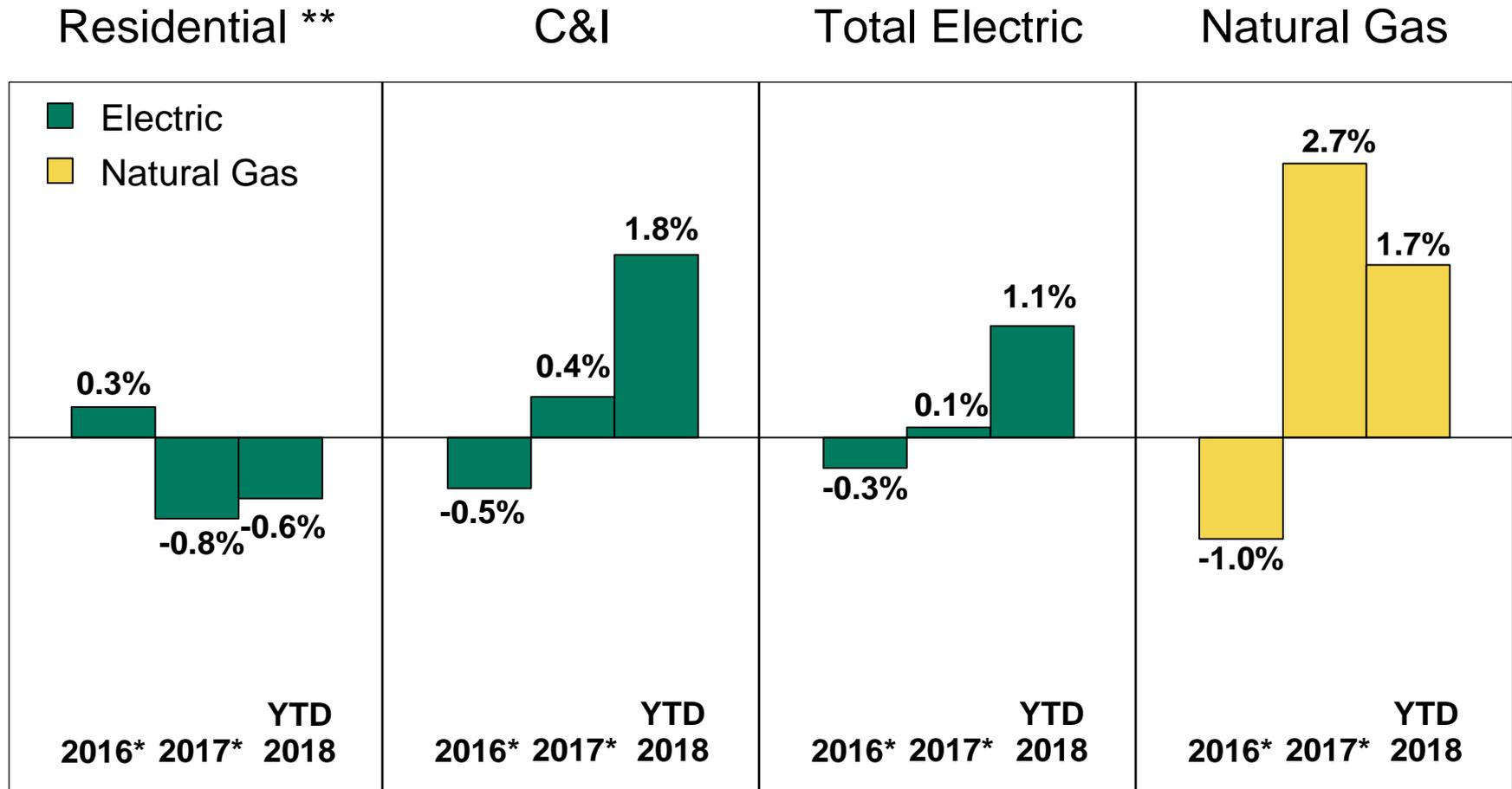
## March Unemployment



## 2018 Q1 W/A Nat. Gas Sales Growth



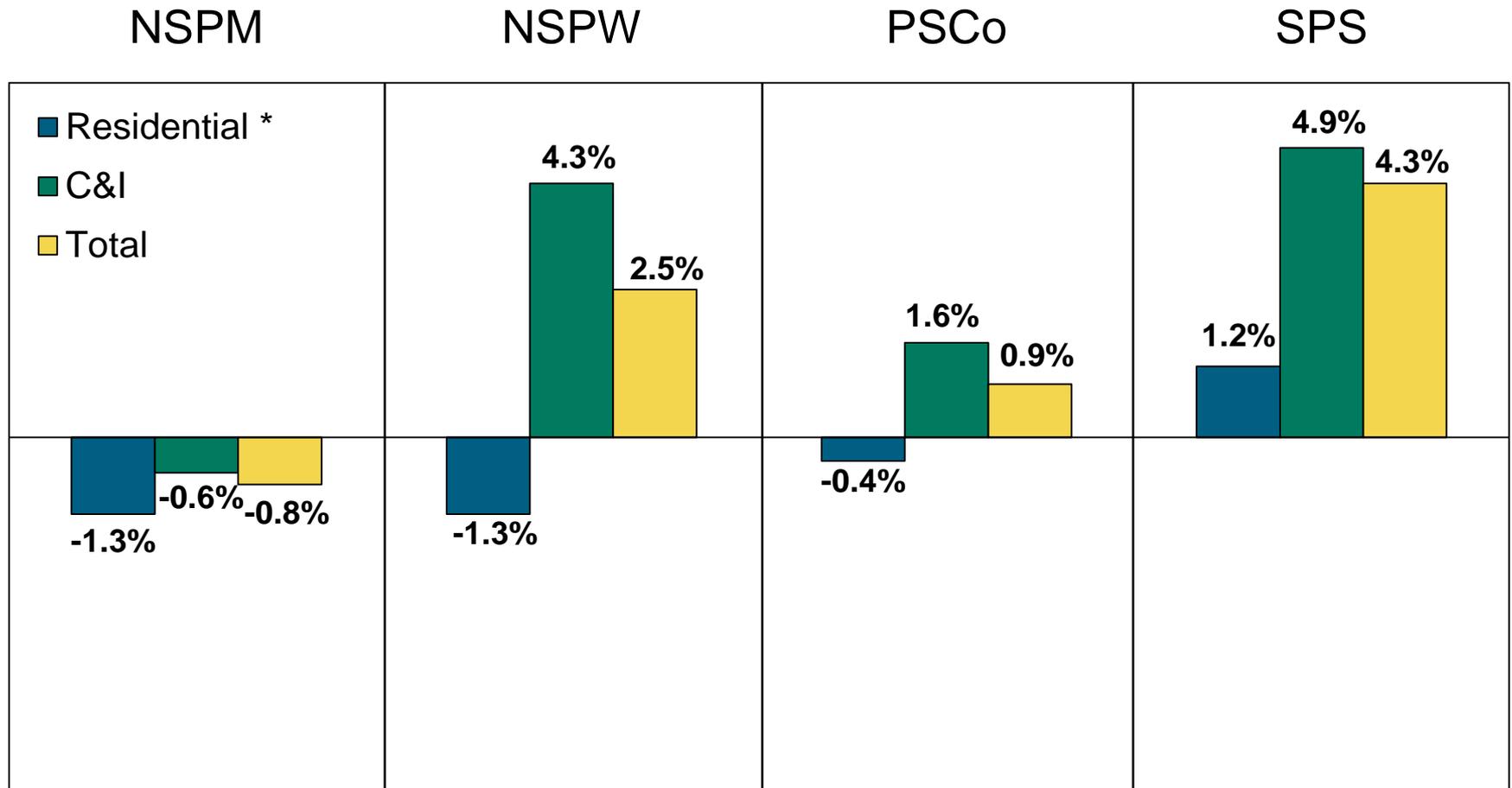
# Xcel Energy W/A Sales Growth



\* Adjusted to exclude the impact of leap day

\*\* Extreme weather variations, wind chill and cloud cover may not be reflected in growth (decline) estimates

# 2018 YTD W/A Electric Sales Growth

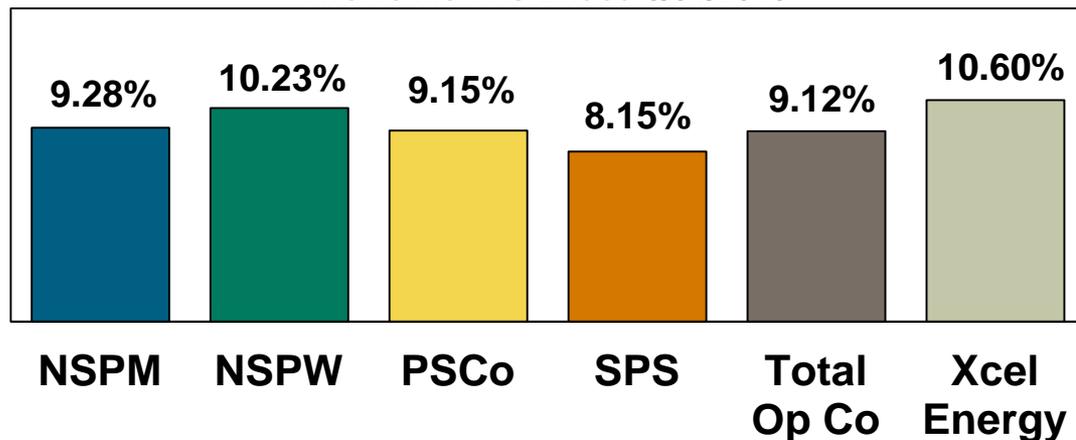


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# ROE Results – GAAP & Ongoing Earnings

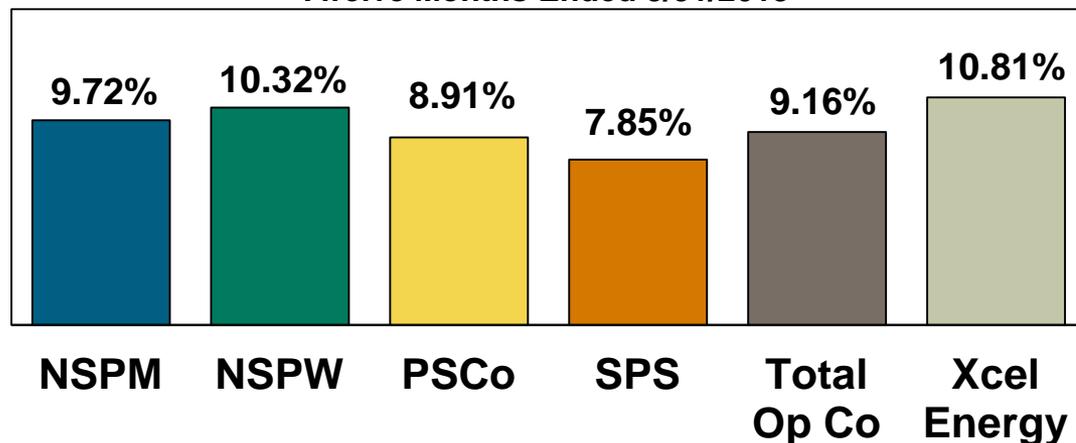
## GAAP ROE

Twelve Months Ended 3/31/2018

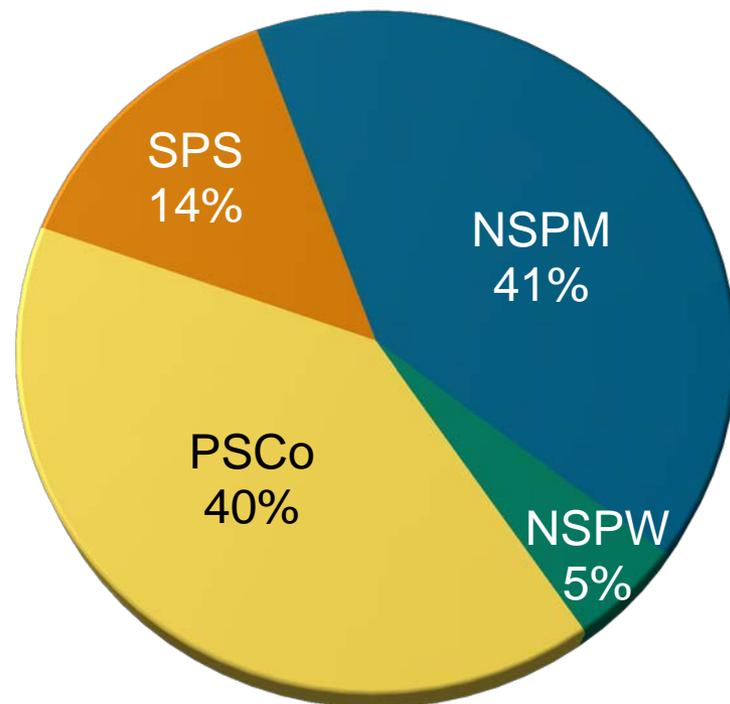


## Ongoing ROE \*

Twelve Months Ended 3/31/2018



2017E Rate Base  
\$25.2 billion



\* Ongoing earnings exclude an estimated one-time, non-cash, income tax expense of approximately \$23 million recognized in Q4 2017 upon the enactment of the TCJA

# Upcoming 2018 Second Quarter Events

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<b>Events</b>	<b>Dates</b>
Mid-Atlantic NDR	May 8-9
Xcel Energy Annual Shareholder Meeting	May 16
AGA Financial Forum	May 20-22
Bank of America Merrill Lynch West Coast Conference	May 30-31