

XCEL ENERGY INC  
Form 10-Q  
May 02, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549



# FORM 10-Q

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

For the quarterly period ended March 31, 2008

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-3034

## **Xcel Energy Inc.**

(Exact name of registrant as specified in its charter)

**Minnesota**

(State or other jurisdiction of  
incorporation or organization)

**41-0448030**

(I.R.S. Employer Identification No.)

**414 Nicollet Mall, Minneapolis, Minnesota**

(Address of principal executive offices)

**55401**

(Zip Code)

Registrant's telephone number, including area code **(612) 330-5500**

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 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. (Check one):  Large accelerated filer  Accelerated filer  Non-accelerated filer  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.

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**Class**  
Common Stock, \$2.50 par value

**Outstanding at April 25, 2008**  
430,857,162 shares

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

## XCEL ENERGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| (Thousands of Dollars, Except Per Share Data)  | Three Months Ended<br>March 31, |              |
|--|---------------------------------|--------------|
|  | 2008                            | 2007         |
| <b>Operating revenues</b>  |                                 |              |
| Electric utility   | \$ 1,973,314                    | \$ 1,815,803 |
| Natural gas utility  | 1,034,127                       | 927,422      |
| Other  | 20,947                          | 20,437       |
| Total operating revenues   | 3,028,388                       | 2,763,662    |
| <b>Operating expenses</b>  |                                 |              |
| Electric fuel and purchased power utility  | 1,088,080                       | 979,571      |
| Cost of natural gas sold and transported utility                                     | 823,127                         | 740,782      |
| Cost of sales other  | 5,453                           | 6,025        |
| Other operating and maintenance expenses   | 482,909                         | 467,567      |
| Depreciation and amortization  | 219,288                         | 213,413      |
| Taxes (other than income taxes)  | 79,413                          | 78,176       |
| Total operating expenses   | 2,698,270                       | 2,485,534    |
| <b>Operating income</b>  | 330,118                         | 278,128      |
| Interest and other income, net   | 8,884                           | 816          |
| Allowance for funds used during construction equity                                  | 14,220                          | 7,576        |
| <b>Interest charges and financing costs</b>  |                                 |              |
| Interest charges includes other financing costs of \$4,991 and \$6,271, respectively | 132,171                         | 127,303      |
| Allowance for funds used during construction debt                                    | (9,527)                         | (7,206)      |
| Total interest charges and financing costs   | 122,644                         | 120,097      |
| Income from continuing operations before income taxes                                | 230,578                         | 166,423      |
| Income taxes   | 76,584                          | 47,909       |
| Income from continuing operations  | 153,994                         | 118,514      |
| Income (loss) from discontinued operations, net of tax                               | (877)                           | 1,197        |
| Net income   | 153,117                         | 119,711      |
| Dividend requirements on preferred stock   | 1,060                           | 1,060        |
| Earnings available to common shareholders  | \$ 152,057                      | \$ 118,651   |
| <b>Weighted average common shares outstanding (thousands)</b>                        |                                 |              |
| Basic  | 429,563                         | 408,003      |
| Diluted  | 434,853                         | 432,054      |
| <b>Earnings per share basic</b>  |                                 |              |
| Income from continuing operations  | \$ 0.35                         | \$ 0.29      |
| Discontinued operations  |                                 |              |

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|   |    |      |    |      |
|---|----|------|----|------|
| Earnings per share basic                        | \$ | 0.35 | \$ | 0.29 |
| <b>Earnings per share diluted</b>               |    |      |    |      |
| Income from continuing operations               | \$ | 0.35 | \$ | 0.28 |
| Discontinued operations                         |    |      |    |      |
| Earnings per share diluted                      | \$ | 0.35 | \$ | 0.28 |
| <b>Cash dividends declared per common share</b> | \$ | 0.23 | \$ | 0.22 |

See Notes to Consolidated Financial Statements

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

(Thousands of Dollars)

|   | Three Months Ended<br>March 31,<br>2008 | 2007       |
|---|---|------------|
| <b>Operating activities</b>   |   |            |
| Net income  | \$ 153,117                              | \$ 119,711 |
| Remove loss (income) from discontinued operations                             | 877                                     | (1,197)    |
| Adjustments to reconcile net income to cash provided by operating activities: |   |            |
| Depreciation and amortization   | 226,271                                 | 222,733    |
| Nuclear fuel amortization   | 13,388                                  | 11,554     |
| Deferred income taxes   | 87,361                                  | 43,060     |
| Amortization of investment tax credits  | (1,948)                                 | (2,427)    |
| Allowance for equity funds used during construction                           | (14,220)                                | (7,576)    |
| Undistributed equity in earnings of unconsolidated affiliates                 | (510)                                   | (695)      |

- Market Disruption Risk.* Certain events have had a disruptive effect on the securities markets, such as terrorist attacks (including the terrorist attacks in the United States on September 11, 2001), war and other geopolitical events, earthquakes, storms and other disasters. In addition, the equity and debt capital markets in the United States and internationally have recently experienced a financial crisis that has caused a significant decline in the value and liquidity of many securities. In response to the crisis, the U.S. and other governments and the Federal Reserve and certain foreign central banks took steps to support financial markets. The withdrawal of this support could also negatively affect the value and liquidity of certain securities. The Fund cannot predict the effects of similar events in the future on the markets or economy of Chile or other countries and this market environment could make identifying investment risks and opportunities especially difficult for the Investment Adviser.

- Tax Risk.* The Fund may invest in securities of which the federal income tax treatment may not be clear or may be

subject to recharacterization by the U.S. Internal Revenue Service (the "IRS") or the Chilean Servicio de Impuestos Internos (the "Chilean IRS"). It could be more difficult for the Fund to comply with the United States tax requirements applicable to regulated investment companies, or with the Chilean tax requirements applicable to foreign investors, if the tax characterization of the Fund's investments or the tax treatment of the income from such investments were successfully challenged by the IRS or by the Chilean IRS.

- *Repurchase Agreements Risk.* Repurchase agreements may involve risks in the event of counterparty default or insolvency of the seller, including possible delays or restrictions with respect to the Fund's ability to dispose of the underlying securities, and the possibility that the collateral might not be sufficient to cover any losses incurred by the Fund.

- *Securities Lending Risk.* In connection with its loans of portfolio securities, the Fund may be exposed to the risk of delay in recovery of the loaned securities or possible loss of rights in the collateral should the borrower become insolvent. The Fund also bears the risk of loss on the investment of cash collateral. There is also the risk that, in the event of default by the borrower, the collateral might not be sufficient to cover any losses incurred by the Fund. There can be no assurance that the return to the Fund from a particular loan, or from its loans overall, will exceed the related costs and any related losses.
  
- *Foreign Custody.* The Fund's custodian generally holds the Fund's non-U.S. securities and cash in non-U.S. bank sub-custodians and securities depositories generally in Chile. Regulatory oversight of non-U.S. banks and securities depositories may differ from that in the U.S. Additionally, laws applicable to non-U.S. banks and securities depositories may limit the Fund's ability to recover its assets in the event the non-U.S. bank, securities depository or issuer of a security held by the Fund goes bankrupt.
  
- *Tax Considerations.* The Fund intends to qualify and to continue to qualify as a regulated investment company under the Internal Revenue Code. If it so qualifies, it generally will be relieved of U.S. federal income tax on its investment company taxable income and net capital gains, if any, which it distributes to shareholders in accordance with requirements under the Internal Revenue Code. In order to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to minimize its U.S. federal income tax liability, it is the Fund's policy to distribute substantially all of its net income and capital gains, if any, to shareholders. To the extent that the Fund has earnings available for distribution, its distributions in the hands of shareholders may be treated as ordinary dividend income, although certain distributions may be reported by the Fund as capital gain distributions, which would be treated as long-term capital gain, or qualified dividend income, which may be eligible for long-term capital gain tax rates for a shareholder if certain holding period rules are satisfied by the Fund and the shareholder. However, at this time, the Fund does not expect material amounts of its dividends to be treated as qualified income. Dividends and capital gains distributions paid by the Fund are not expected to qualify for the corporate dividends-received deduction. Distributions in excess of the Fund's current and accumulated earnings and profits will first reduce a shareholder's basis in his shares and, after the shareholder's basis is reduced to zero, will constitute capital gains to the shareholder who holds his shares as capital assets. Subject to certain limitations imposed by the Internal Revenue Code, foreign taxes withheld from distributions or otherwise paid by the Fund may be creditable or deductible by U.S. shareholders for U.S. federal income tax purposes, if the Fund is eligible to and makes an election to treat the shareholders as having paid those taxes for U.S. federal income tax purposes. No assurance can be given that the Fund will be eligible to make this election each year, but it intends to do so if it is eligible. If the election is made, the foreign withholding taxes paid by the Fund will be includable in the U.S. federal taxable income of shareholders. Non-U.S. investors may not be able to credit or deduct the foreign taxes, but they may be deemed to have additional income from the Fund equal to their share of the foreign taxes paid by the Fund subject to U.S. withholding tax. Investors should review carefully the information discussed under the heading "Taxation" and should discuss with their tax advisers the specific tax consequences of investing in the Fund.

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### Investment Adviser

Aberdeen Asset Managers Limited serves as the investment adviser to the Fund ( AAML or the Investment Adviser ) pursuant to an advisory contract with the Fund (the Advisory Agreement ). AAML, a Scottish company, is authorized and regulated in the U.K. by the Financial Conduct Authority and is a U.S. registered investment adviser under the Investment Advisers Act of 1940, as amended (the Advisers Act ). The Investment Adviser is located at Bow Bells House, 1 Bread Street, London, U.K., EC4M 9HH.

The Investment Adviser is a wholly-owned subsidiary of Aberdeen Asset Management PLC ( Aberdeen PLC ), which is the parent company of an asset management group managing approximately \$317.9 billion in assets as of June 30, 2013 for a range of pension funds, financial institutions, investment trusts, unit trusts, offshore funds, charities and private clients, in addition to U.S. registered investment companies. The registered offices of Aberdeen PLC are located at 10 Queen s Terrace, Aberdeen, Scotland AB 10 1 YG. Aberdeen PLC, its affiliates and subsidiaries are referred to collectively herein as Aberdeen. Aberdeen PLC was formed in 1983 and was first listed on the London Stock Exchange in 1991.

The Advisory Agreement provides that the Fund will pay the Investment Adviser a fee computed at the annual rate of 1.20% of the first \$50 million of the Fund s Average Weekly Base Amount (as defined below), 1.15% of amounts from \$50-100 million, 1.10% of amounts from \$100-150 million, 1.05% of amounts from \$150-200 million and 1.00% of amounts over \$200 million, calculated weekly and paid quarterly. Average Weekly Base Amount is defined in the Advisory Agreement as the average of the lesser of the market value of the Fund s outstanding shares and the Fund s net assets, determined as of the last trading day of each week during a quarter. Effective March 6, 2013, the Investment Adviser has contractually agreed to waive 0.21% of the annual advisory fee based on the Fund s Average Weekly Base Amount, calculated weekly and paid quarterly. The contractual advisory fee waiver shall continue in effect until March 1, 2014, unless otherwise agreed by the Investment Adviser and the Fund. Prior to March 6, 2013, the Investment Adviser voluntarily waived an equal portion of its advisory fee.

### Portfolio Managers

The Fund is managed by the Global Emerging Markets Team. The following persons have the most significant responsibility for the day-to-day management of the Fund s portfolio Devan Kaloo, Head of Emerging Markets; Fiona Manning, CFA, Investment Manager; Andy Brown, CFA, Investment Manager; Stephen Parr, Investment Manager; and Nick Robinson, CFA, Investment Manager. See Management of the Fund Portfolio Management.

### Administrator

Brown Brothers Harriman & Co. ( BBH & Co. ), 40 Water Street, Boston, MA 02109, is U.S. administrator for the Fund and certain other U.S. registered closed end funds advised by AAML and its affiliates (the Funds ). The Funds pay BBH & Co. monthly for administrative and fund accounting services, at an annual rate of .02% of the Funds aggregate assets up to \$250 million, .015% for the next \$250 million, and .01% in excess of \$500 million. Each Fund pays its pro rata portion of the fee based on its level of assets.

BTG Pactual Chile S.A. Administradora de Fondos de Inversión de Capital Extranjero (formerly, Celfin Capital S.A. Administradora de Fondos de Capital Extranjero) ( BTG Pactual Chile, and collectively with BBH & Co., the Administrator ) serves as the Fund s Chilean administrator. For its services, BTG Pactual Chile is paid a fee, out of the advisory fee payable to AAML that is calculated weekly and paid quarterly at an annual rate of 0.05% of the Fund s average weekly market value or net assets (whichever is

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lower). In addition, BTG Pactual Chile receives a supplemental administration fee paid by AAML and an annual reimbursement of out-of-pocket expenses and an accounting fee. See Management of the Fund Administrator.

**Custodian** BBH & Co., 40 Water Street, Boston, MA 02109, acts as the Fund's custodian. See Management of the Fund Custodian.

**Transfer Agent** Computershare Trust Company, N.A., 250 Royall Street, Canton, MA 02021, serves as the Fund's stock transfer agent and dividend paying agent. See Management of the Fund Transfer Agent.

**Dividends and Distributions** The Board of Directors has implemented a managed distribution policy of paying quarterly distributions at an annual rate, set once a year, that is a percentage of the rolling average of the Fund's prior four quarter-end net asset values. The current rolling distribution rate is 10%, but this rate may be changed by the Board in response to, among other things, market conditions. The distributions are made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital. Any distributions made from paid-in-capital would represent a return of a stockholder's original investment in the Fund. A return of capital to stockholders would reduce the Fund's net asset value and, over time, potentially increase the Fund's expense ratio. A return of capital reduces the amount of a stockholder's tax basis in such stockholder's shares. When a stockholder sells shares in the Fund, the amount, if any, by which the sales price exceeds the stockholder's basis in the Fund's shares is gain subject to tax. There can be no assurance that the Board will continue a managed distribution policy. See Dividends and Distributions.

The exact amount of distributable income for each fiscal year can only be determined as of the end of the Fund's fiscal year, December 31. Under Section 19 of the 1940 Act, the Fund is required to indicate the sources of certain distributions to shareholders. The estimated distribution composition may vary from quarter to quarter because it may be materially impacted by future income, expenses and realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated. Based on generally accepted accounting principles, for the semi-annual period ended June 30, 2013, which includes the distribution payable on July 12, 2013, referenced in the Financial Highlights, the Fund estimates that the distributions consisted of 14% net investment income, 1% short-term capital gains, 34% net realized long-term capital gains and 51% return of capital.

The Fund's policy is to distribute at least annually to its stockholders substantially all of its net investment income. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses (including capital loss carryover); however, it currently expects to distribute any excess annually to its stockholders.

Dividends, interest and net realized capital gains may be remitted out of Chile at any time, subject to a 10% Chilean tax. The 10% Chilean tax is not applicable to capital gains from the sale of shares of open corporations fulfilling certain requirements, from publicly traded bonds issued by certain entities or companies, or from mutual fund quotas, provided certain requirements are met. No tax is applied

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against remittances of capital after the five-year investment period required by Chilean law, provided that if the Fund's Taxable Profit Fund (Fondo de Utilidades Tributables) has retained taxable or financial earnings that have not been distributed, then a remittance of capital is applied first to such retained earnings subject to the 10% tax. Once the retained earnings have been remitted, then the repatriated capital is



not subject to tax. See Taxation Chilean Taxes.

Dividend Reinvestment and Direct  
Stock Purchase Plan

Computershare Trust Company, N.A. sponsors and administers a Dividend Reinvestment and Direct Stock Purchase Plan (the Plan ), which is available to shareholders. Additional information about the Plan and a brochure that includes the terms and conditions of the Plan may be obtained at [www.computershare.com/buyaberdeen](http://www.computershare.com/buyaberdeen) or by calling Computershare Trust Company, N.A. at 1-800-647-0584. For both purchases and reinvestment purposes, shares acquired through the Plan will be purchased in the open market at the current share price and cannot be issued directly by the Fund.

Taxation

Withholding and/or other taxes may apply in the countries in which the Fund invests, which will reduce the Fund's cash return in those countries. The Fund intends to elect, when eligible, to pass-through to the Fund's shareholders the ability to claim (subject to limitations) a deduction or credit for the amount of foreign income and similar taxes paid by the Fund. Tax considerations for an investor in the Fund are summarized under Taxation. See also Risks and Special Considerations.

SUMMARY OF FUND EXPENSES

|   |       |
|---|-------|
| Shareholder Transaction Expenses  |       |
| Maximum Sales Load (as a percentage of offering price)(1)   | %     |
| Offering Expenses (as a percentage of offering price)(1)  | %     |
| Dividend Reinvestment and Cash Purchase Plan Fees(2)  | None  |
| Annual Operating Expenses (as a percentage of average net assets attributable to the Fund's common stock) |       |
| Management Fee(3)   | 1.14% |
| Other Expenses(4)(5)  | 0.63% |
| Total Annual Operating Expenses(6)  | 1.77% |

(1) If the Shares are sold or through underwriters, the Prospectus Supplement will set forth any applicable sales load and the estimated offering expenses.

(2) If you participate in the Dividend Reinvestment and Direct Stock Purchase Plan sponsored and administered by Computershare Trust Company, N.A., you will be subject to any fees imposed by Computershare Trust Company, N.A.

(3) See Management of the Fund The Investment Adviser for additional information. The management fee excludes taxes paid by the Fund.

(4) Other Expenses have been estimated for the current fiscal year.

(5) Includes an administration fee of 0.02% of average net assets attributable to the Fund's common stock. See Management of the Fund - Administrator for additional information.

(6) The Investment Adviser has contractually agreed to waive 0.21% of the annual advisory fee based on the Fund's Average Weekly Base Amount, calculated weekly and paid quarterly. The Average Weekly Base Amount is defined as the average of the lesser of the market value of the Fund's outstanding shares and the Fund's net assets, determined as of the last trading day of each week during a quarter. The net total annual operating expenses after applying the advisory fee waiver is 1.56%. The contractual advisory fee waiver shall continue in effect until March 1, 2014, unless otherwise agreed by the Investment Adviser and the Fund.

**Example**

An investor would pay the following expenses on a \$1,000 investment in the Fund, assuming a 5% annual return:

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|    | One Year |    | Three Years |    | Five Years |    | Ten Years |
|----|----------|----|-------------|----|------------|----|-----------|
| \$ | 16       | \$ | 49          | \$ | 85         | \$ | 185       |

The above table and example are intended to assist investors in understanding the various costs and expenses directly or indirectly associated with investing in Shares of the Fund. The Example assumes that all dividends and other distributions are reinvested at net asset value and that the percentage amounts listed in the table above under Total Annual Operating Expenses remain the same in the years shown. The above table and example and the assumption in the example of a 5% annual return are required by regulations of the SEC that are applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund's Shares. For more complete descriptions of certain of the Fund's costs and expenses, see Management of the Fund and Expenses.

**The example should not be considered a representation of past or future expenses, and the Fund's actual expenses may be greater than or less than those shown. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.**

## FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Fund's financial performance. Information is shown for the Fund's last ten fiscal years and most recent fiscal half-year. Certain information reflects financial results for a single Fund Share. The following information (other than the information presented for the six months ended June 30, 2013) has been audited by PricewaterhouseCoopers LLP (PwC), independent registered public accounting firm for the Fund. The report of PwC for the fiscal year ended December 31, 2012, together with the financial statements of the Fund, are included in the Fund's December 31, 2012 Annual Report, and the Fund's unaudited financial statements are included in the Fund's June 30, 2013 Semi-Annual Report and are incorporated by reference into the SAI, which is available upon request.

|  | For the Fiscal Years Ended December 31, |            |            |            |            |            |            |  |
|--|---|------------|------------|------------|------------|------------|------------|--|
|  | 6/30/2013                               | 2012       | 2011       | 2010       | 2009       | 2008       | 2007       |  |
| <b>PER SHARE OPERATING PERFORMANCE (a)</b>   |   |            |            |            |            |            |            |  |
| Net asset value, beginning of period   | \$ 15.05                                | \$ 14.49   | \$ 22.05   | \$ 18.77   | \$ 11.05   | \$ 18.78   | \$ 17.33   |  |
| Net investment income  | 0.11                                    | 0.13       | 0.16       | 0.04       | 0.11       | 0.20       | 0.11       |  |
| Net realized and unrealized gain/(loss) on investments and foreign currency related transactions | (1.63)                                  | 2.02       | (4.89)     | 6.64       | 8.68       | (7.01)     | 3.85       |  |
| Net increase/(decrease) in net assets resulting from operations                                  | (1.52)                                  | 2.15       | (4.73)     | 6.68       | 8.79       | (6.81)     | 3.96       |  |
| Dividends and distributions to shareholders:   |   |            |            |            |            |            |            |  |
| Net investment income  | (0.77)                                  | (0.13)     | (0.13)     | (0.01)     | (0.33)     | (0.16)     | (0.12)     |  |
| Net realized gain  |   | (1.47)     | (2.75)     | (3.45)     | (0.74)     | (0.76)     | (2.39)     |  |
| Total dividends and distributions to shareholders  | (0.77)                                  | (1.60)     | (2.88)     | (3.46)     | (1.07)     | (0.92)     | (2.51)     |  |
| Anti-dilutive impact due to capital shares tendered  |   |            |            | 0.06       |            |            |            |  |
| Increase to Net Assets Value due to shares issued through shelf offering                         |   | 0.01       | 0.05       |            |            |            |            |  |
| Net asset value, end of period   | \$ 12.76                                | \$ 15.05   | \$ 14.49   | \$ 22.05   | \$ 18.77   | \$ 11.05   | \$ 18.78   |  |
| Market value, end of period  | \$ 13.30                                | \$ 15.09   | \$ 15.04   | \$ 22.67   | \$ 17.90   | \$ 9.82    | \$ 22.00   |  |
| <b>Total Investment Return</b>   |   |            |            |            |            |            |            |  |
| <b>Based on: (b)</b>   |   |            |            |            |            |            |            |  |
| Market value   | (6.89)%                                 | 10.74%     | (22.72)%   | 49.48%     | 93.78%     | (51.78)%   | 49.56%     |  |
| Net asset value  | (10.44)%(f)                             | 14.64%(f)  | (23.48)%   | 38.65%     | 80.58%     | (36.43)%   | 24.65%     |  |
| <b>Ratio/Supplementary Data</b>  |   |            |            |            |            |            |            |  |
| Net assets, end of period (000 omitted)  | \$ 119,810                              | \$ 141,305 | \$ 134,469 | \$ 168,153 | \$ 190,851 | \$ 112,362 | \$ 190,448 |  |
| Average net assets (000 omitted)   | \$ 140,713                              | \$ 145,864 | \$ 153,354 | \$ 176,275 | \$ 156,471 | \$ 175,102 | \$ 206,623 |  |
| Ratio of expenses to average net assets, net of fee waivers(c)                                   | 1.87%(d)                                | 1.75%      | 1.86%      | 2.07%      | 1.94%      | 1.89%      | 1.79%      |  |
| Ratio of expenses to average net assets, excluding fee waivers(c)                                | 2.21%(d)                                | 1.97%      | 2.00%      | 2.20%      | 2.02%      | 1.89%      | 1.79%      |  |
|  | 1.53%(d)                                | 1.50%      | 1.60%      | 1.84%      | 1.58%      | 1.50%      | 1.56%      |  |

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|   |          |       |       |        |        |        |        |
|---|----------|-------|-------|--------|--------|--------|--------|
| Ratio of expenses to average net assets, excluding taxes net of fee waivers |          |       |       |        |        |        |        |
| Ratio of net investment income to average net assets                        |          |       |       |        |        |        |        |
|   | 1.44%(d) | 0.82% | 0.88% | 0.21%  | 0.71%  | 1.13%  | 0.55%  |
| Portfolio turnover rate   | 0.15%(e) | 7.68% | 7.30% | 41.45% | 12.77% | 27.33% | 23.29% |

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(a) Based on average shares outstanding

(b) Total investment return is calculated assuming a purchase of common stock on the first day and a sale on the last day of each reporting period. Dividends and distributions, if any, are assumed, for purposes of reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(c) Ratios include the effect of Chilean taxes.

(d) Annualized

(e) Not annualized

(f) The total return shown above includes the impact of financial statement rounding of the NAV per share.

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|  | For the Fiscal Years Ended December 31, |          |          |          |
|--|---|----------|----------|----------|
|  | 2006                                    | 2005     | 2004     | 2003     |
| <b>PER SHARE OPERATING PERFORMANCE (a)</b>   |   |          |          |          |
| Net asset value, beginning of year   | \$ 14.16                                | \$ 15.68 | \$ 14.48 | \$ 8.39  |
| Net investment income  | 0.01                                    | 0.11     | 0.16     | 0.07     |
| Net realized and unrealized gain/(loss) on investments and foreign currency related transactions | 4.28                                    | 2.71     | 3.27     | 6.47     |
| Net increase/(decrease) in net assets resulting from operations                                  | 4.29                                    | 2.82     | 3.43     | 6.54     |
| Dividends and distributions to shareholders:   |   |          |          |          |
| Net investment income  | (0.03)                                  | (0.07)   | (0.47)   | (0.08)   |
| Net realized gain  | (1.09)                                  | (4.27)   | (1.76)   | (0.37)   |
| Total dividends and distributions to shareholders  | (1.12)                                  | (4.34)   | (2.23)   | (0.45)   |
| Anti-dilutive impact due to capital shares tendered  |   |          |          |          |
| Increase to Net Assets Value due to shares issued through shelf offering                         |   |          |          |          |
| Net asset value, end of year   | \$ 17.33                                | \$ 14.16 | \$ 15.68 | \$ 14.48 |
| Market value, end of year  | \$ 16.92                                | \$ 17.65 | \$ 13.99 | \$ 14.10 |
| <b>Total Investment Return Based on: (b)</b>   |   |          |          |          |
| Market value   | 2.35%                                   | 57.74%   | 14.93%   | 100.72%  |
| Net asset value  | 30.66%                                  |          |          |          |