

**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, 2020 or

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

**Public Service Company of Colorado**

(Exact name of registrant as specified in its charter)

**Colorado** (State or Other Jurisdiction of Incorporation or Organization)      **001-03280** (Commission File Number)      **84-0296600** (IRS Employer Identification No.)  
**1800 Larimer, Suite 1100 Denver CO** (Address of Principal Executive Offices)      **80202** (Zip Code)

**(303) 571-7511**  
(Registrant's Telephone Number, Including Area Code)

**N/A**  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
N/A	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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

<u>Class</u>	<u>July 31, 2020</u>
Common Stock, \$0.01 par value	100 shares

Public Service Company of Colorado meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to such Form 10-Q.

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### **SIGNATURES**

Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

This Form 10-Q is filed by Public Service Company of Colorado (PSCo). PSCo is a wholly owned subsidiary of Xcel Energy Inc. Additional information on Xcel Energy is available in various filings with the Securities and Exchange Commission (SEC). This report should be read in its entirety.

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## Definitions of Abbreviations

### *Xcel Energy Inc.'s Subsidiaries and Affiliates (current and former)*

e prime	e prime inc.
NSP-Minnesota	Northern States Power Company, a Minnesota corporation
NSP-Wisconsin	Northern States Power Company, a Wisconsin corporation
PSCo	Public Service Company of Colorado
SPS	Southwestern Public Service Company
Utility subsidiaries	NSP-Minnesota, NSP-Wisconsin, PSCo and SPS
Xcel Energy	Xcel Energy Inc. and subsidiaries

### *Federal and State Regulatory Agencies*

CPUC	Colorado Public Utilities Commission
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
SEC	Securities and Exchange Commission

### *Electric, Purchased Gas and Resource Adjustment Clauses*

DSM	Demand side management
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### *Other*

AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
C&I	Commercial and Industrial
CCR	Coal combustion residual
CCR Rule	Final rule (40 CFR 257.50 - 257.107) published by the EPA regulating the management, storage and disposal of CCRs as a nonhazardous waste
CEO	Chief executive officer
CFO	Chief financial officer
COVID-19	Novel coronavirus
ETR	Effective tax rate
FASB	Financial Accounting Standards Board
GAAP	Generally accepted accounting principles
IPP	Independent power producing entity
MDL	Multi district litigation
MGP	Manufactured gas plant
NOL	Net operating loss
O&M	Operating and maintenance
PPA	Power purchase agreement
PTC	Production tax credit
ROE	Return on equity
RTO	Regional Transmission Organization
VIE	Variable interest entity

### *Measurements*

MW	Megawatts
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## Forward-Looking Statements

Except for the historical statements contained in this report, the matters discussed herein are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements, assumptions and other statements are intended to be identified in this document by the words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “objective,” “outlook,” “plan,” “project,” “possible,” “potential,” “should,” “will,” “would” and similar expressions. Actual results may vary materially. Forward-looking statements speak only as of the date they are made and we expressly disclaim any obligation to update any forward-looking information. The following factors, in addition to those discussed elsewhere in this Quarterly Report on Form 10-Q and in other securities filings (including PSCo’s Annual Report on [Form 10-K](#) for the fiscal year ended Dec. 31, 2019 and subsequent securities filings), could cause actual results to differ materially from management expectations as suggested by such forward-looking information: uncertainty around the impacts and duration of the COVID-19 pandemic; operational safety; successful long-term operational planning; commodity risks associated with energy

markets and production; rising energy prices and fuel costs; qualified employee work force and third-party contractor factors; ability to recover costs, changes in regulation; reductions in our credit ratings and the cost of maintaining certain contractual relationships; general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of PSCo and its subsidiaries to obtain financing on favorable terms; availability or cost of capital; our customers' and counterparties' ability to pay their debts to us; assumptions and costs relating to funding our employee benefit plans and health care benefits; tax laws; effects of geopolitical events, including war and acts of terrorism; cyber security threats and data security breaches; seasonal weather patterns; changes in environmental laws and regulations; climate change and other weather; natural disaster and resource depletion, including compliance with any accompanying legislative and regulatory changes; and costs of potential regulatory penalties.

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**PART I — FINANCIAL INFORMATION****ITEM 1 — FINANCIAL STATEMENTS**

**PUBLIC SERVICE CO. OF COLORADO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
*(amounts in millions)*

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
<b>Operating revenues</b>				
Electric	\$ 715.4	\$ 692.7	\$ 1,427.2	\$ 1,434.2
Natural gas	186.2	207.6	517.7	676.7
Steam and other	9.5	9.7	22.9	22.1
Total operating revenues	911.1	910.0	1,967.8	2,133.0
<b>Operating expenses</b>				
Electric fuel and purchased power	258.4	240.7	529.2	544.9
Cost of natural gas sold and transported	49.8	69.9	187.4	342.4
Cost of sales — steam and other	3.0	3.9	6.0	8.4
Operating and maintenance expenses	189.3	200.3	393.8	399.5
Demand side management expenses	36.1	32.2	71.7	64.4
Depreciation and amortization	158.1	148.1	314.5	295.0
Taxes (other than income taxes)	55.4	52.2	108.6	105.9
Total operating expenses	750.1	747.3	1,611.2	1,760.5
<b>Operating income</b>	161.0	162.7	356.6	372.5
Other income (expense), net	1.6	(0.3)	(0.2)	0.6
Allowance for funds used during construction — equity	11.4	5.0	20.0	9.1
<b>Interest charges and financing costs</b>				
Interest charges — includes other financing costs of \$1.8, \$1.6, \$3.5 and \$3.2, respectively	62.9	57.7	123.0	117.1
Allowance for funds used during construction — debt	(4.7)	(2.4)	(8.5)	(4.9)
Total interest charges and financing costs	58.2	55.3	114.5	112.2
<b>Income before income taxes</b>	115.8	112.1	261.9	270.0
Income tax expense	7.7	10.6	25.1	29.7
<b>Net income</b>	<u>\$ 108.1</u>	<u>\$ 101.5</u>	<u>\$ 236.8</u>	<u>\$ 240.3</u>

See Notes to Consolidated Financial Statements

**PUBLIC SERVICE CO. OF COLORADO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
*(amounts in millions)*

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
<b>Net income</b>	\$ 108.1	\$ 101.5	\$ 236.8	\$ 240.3
<b>Other comprehensive income</b>				
Derivative instruments:				
Reclassification of loss to net income, net of tax of \$0.1, \$0.1, \$0.2, and \$0.2, respectively	0.3	0.3	0.6	0.6
Total other comprehensive income	0.3	0.3	0.6	0.6
<b>Total comprehensive income</b>	<u>\$ 108.4</u>	<u>\$ 101.8</u>	<u>\$ 237.4</u>	<u>\$ 240.9</u>

See Notes to Consolidated Financial Statements

**PUBLIC SERVICE CO. OF COLORADO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
*(amounts in millions)*

	<b>Six Months Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net income	\$ 236.8	\$ 240.3
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	316.7	297.4
Deferred income taxes	8.7	2.8
Amortization of investment tax credits	(1.2)	(1.3)
Allowance for equity funds used during construction	(20.0)	(9.1)
Provision for bad debts	10.8	6.8
Net realized and unrealized hedging and derivative transactions	(1.4)	(2.2)
Changes in operating assets and liabilities:		
Accounts receivable	24.5	56.4
Accrued unbilled revenues	65.3	77.2
Inventories	20.4	16.5
Prepayments and other	6.6	0.5
Accounts payable	(83.4)	(111.8)
Net regulatory assets and liabilities	41.0	80.0
Other current liabilities	(86.1)	(94.6)
Pension and other employee benefit obligations	(46.7)	(43.5)
Other, net	(8.0)	0.5
Net cash provided by operating activities	484.0	515.9
<b>Investing activities</b>		
Utility capital/construction expenditures	(917.6)	(632.5)
Investments in utility money pool arrangement	(366.0)	(131.0)
Repayments from utility money pool arrangement	366.0	131.0
Net cash used in investing activities	(917.6)	(632.5)
<b>Financing activities</b>		
Repayments of short-term borrowings, net	—	(86.0)
Borrowings under utility money pool arrangement	1,311.0	58.0
Repayments under utility money pool arrangement	(1,350.0)	(8.0)
Proceeds from issuance of long-term debt	735.2	391.6
Repayments of long-term debt	—	(400.0)
Capital contributions from parent	778.4	332.2
Dividends paid to parent	(574.1)	(190.4)
Other, net	(0.3)	—
Net cash provided by financing activities	900.2	97.4
Net change in cash, cash equivalents and restricted cash	466.6	(19.2)
Cash, cash equivalents and restricted cash at beginning of period	11.4	33.4
Cash, cash equivalents and restricted cash at end of period	\$ 478.0	\$ 14.2
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	\$ (106.9)	\$ (107.4)
Cash paid for income taxes, net	(17.5)	(28.7)
Supplemental disclosure of non-cash investing and financing transactions:		
Accrued property, plant and equipment additions	\$ 113.2	\$ 113.1
Inventory transfers to property, plant and equipment	17.4	15.4
Operating lease right-of-use assets	8.2	653.4
Allowance for equity funds used during construction	20.0	9.1

See Notes to Consolidated Financial Statements

**PUBLIC SERVICE CO. OF COLORADO AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
*(amounts in millions, except share and per share data)*

	<u>June 30, 2020</u>	<u>Dec. 31, 2019</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 478.0	\$ 11.4
Accounts receivable, net	284.3	303.9
Accounts receivable from affiliates	13.0	52.7
Accrued unbilled revenues	227.7	293.9
Inventories	154.1	192.0
Regulatory assets	87.2	64.0
Derivative instruments	8.0	7.2
Prepayments and other	57.1	55.9
Total current assets	<u>1,309.4</u>	<u>981.0</u>
Property, plant and equipment, net	16,927.8	16,155.0
Other assets		
Regulatory assets	1,045.5	1,038.1
Derivative instruments	0.4	—
Operating lease right-of-use assets	541.0	574.0
Other	257.1	259.4
Total other assets	<u>1,844.0</u>	<u>1,871.5</u>
Total assets	<u>\$ 20,081.2</u>	<u>\$ 19,007.5</u>
<b>Liabilities and Equity</b>		
Current liabilities		
Current portion of long-term debt	\$ 400.0	\$ 400.0
Borrowings under utility money pool arrangement	—	39.0
Accounts payable	354.6	573.3
Accounts payable to affiliates	63.8	43.9
Regulatory liabilities	103.7	69.2
Taxes accrued	123.3	202.1
Accrued interest	55.8	53.4
Dividends payable to parent	104.6	111.5
Derivative instruments	13.2	8.7
Operating lease liabilities	91.8	85.8
Other	85.9	98.8
Total current liabilities	<u>1,396.7</u>	<u>1,685.7</u>
Deferred credits and other liabilities		
Deferred income taxes	1,880.1	1,850.8
Deferred investment tax credits	21.6	22.8
Regulatory liabilities	2,299.0	2,036.8
Asset retirement obligations	329.5	324.0
Derivative instruments	47.6	52.5
Customer advances	170.6	173.6
Pension and employee benefit obligations	164.5	211.9
Operating lease liabilities	477.2	517.6
Other	152.3	150.9
Total deferred credits and other liabilities	<u>5,542.4</u>	<u>5,340.9</u>
Commitments and contingencies		
Capitalization		
Long-term debt	5,722.0	4,984.7
Common stock — 100 shares authorized at \$0.01 par value; 100 shares outstanding at June 30, 2020 and Dec. 31, 2019, respectively	—	—
Additional paid in capital	5,693.7	4,939.4
Retained earnings	1,752.4	2,083.4
Accumulated other comprehensive loss	(26.0)	(26.6)
Total common stockholder's equity	<u>7,420.1</u>	<u>6,996.2</u>
Total liabilities and equity	<u>\$ 20,081.2</u>	<u>\$ 19,007.5</u>

See Notes to Consolidated Financial Statements

**PUBLIC SERVICE CO. OF COLORADO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY (UNAUDITED)**  
*(amounts in millions, except share data)*

	Common Stock Issued			Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stockholder's Equity
	Shares	Par Value	Additional Paid In Capital			
<b>Three Months Ended June 30, 2020 and 2019</b>						
<b>Balance at March 31, 2019</b>	100	\$ —	\$ 4,390.5	\$ 2,023.1	\$ (25.2)	\$ 6,388.4
Net income				101.5		101.5
Other comprehensive income					0.3	0.3
Dividends declared to parent				(104.9)		(104.9)
Contribution of capital by parent			227.8			227.8
<b>Balance at June 30, 2019</b>	<u>100</u>	<u>\$ —</u>	<u>\$ 4,618.3</u>	<u>\$ 2,019.7</u>	<u>\$ (24.9)</u>	<u>\$ 6,613.1</u>
<b>Balance at March 31, 2020</b>						
<b>Balance at March 31, 2020</b>	100	\$ —	\$ 4,989.4	\$ 2,108.9	\$ (26.3)	\$ 7,072.0
Net income				108.1		108.1
Other comprehensive income					0.3	0.3
Dividends declared to parent				(464.6)		(464.6)
Contribution of capital by parent			704.3			704.3
<b>Balance at June 30, 2020</b>	<u>100</u>	<u>\$ —</u>	<u>\$ 5,693.7</u>	<u>\$ 1,752.4</u>	<u>\$ (26.0)</u>	<u>\$ 7,420.1</u>
<b>Six Months Ended June 30, 2020 and 2019</b>						
	Common Stock Issued			Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stockholder's Equity
	Shares	Par Value	Additional Paid In Capital			
<b>Six Months Ended June 30, 2020 and 2019</b>						
<b>Balance at Dec. 31, 2018</b>	100	\$ —	\$ 4,340.5	\$ 1,983.2	\$ (25.5)	\$ 6,298.2
Net income				240.3		240.3
Other comprehensive income					0.6	0.6
Dividends declared to parent				(203.8)		(203.8)
Contribution of capital by parent			277.8			277.8
<b>Balance at June 30, 2019</b>	<u>100</u>	<u>\$ —</u>	<u>\$ 4,618.3</u>	<u>\$ 2,019.7</u>	<u>\$ (24.9)</u>	<u>\$ 6,613.1</u>
<b>Balance at Dec. 31, 2019</b>						
<b>Balance at Dec. 31, 2019</b>	100	\$ —	\$ 4,939.4	\$ 2,083.4	\$ (26.6)	\$ 6,996.2
Net income				236.8		236.8
Other comprehensive income					0.6	0.6
Dividends declared to parent				(567.1)		(567.1)
Contribution of capital by parent			754.3			754.3
Adoption of ASC Topic 326				(0.7)		(0.7)
<b>Balance at June 30, 2020</b>	<u>100</u>	<u>\$ —</u>	<u>\$ 5,693.7</u>	<u>\$ 1,752.4</u>	<u>\$ (26.0)</u>	<u>\$ 7,420.1</u>

See Notes to Consolidated Financial Statements

**PUBLIC SERVICE CO. OF COLORADO 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 U.S. GAAP, the financial position of PSCo and its subsidiaries as of June 30, 2020 and Dec. 31, 2019; the results of its operations, including the components of net income, comprehensive income and changes in stockholder's equity for the three and six months ended June 30, 2020 and 2019; and its cash flows for the six months ended June 30, 2020 and 2019. All adjustments are of a normal, recurring nature, except as otherwise disclosed. Management has also evaluated the impact of events occurring after June 30, 2020, 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, 2019, balance sheet information has been derived from the audited 2019 consolidated financial statements included in the PSCo Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019. 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 PSCo Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, filed with the SEC on Feb. 21, 2020. Due to the seasonality of PSCo'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 PSCo Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, appropriately represent, in all material respects, the current status of accounting policies and are incorporated herein by reference.

**2. Accounting Pronouncements****Recently Adopted**

**Credit Losses** — In 2016, the FASB issued *Financial Instruments - Credit Losses, Topic 326 (ASC Topic 326)*, which changes how entities account for losses on receivables and certain other assets. The guidance requires use of a current expected credit loss model, which may result in earlier recognition of credit losses than under previous accounting standards.

PSCo implemented the guidance using a modified-retrospective approach, recognizing a cumulative effect charge of \$0.7 million (after tax) to retained earnings on Jan. 1, 2020. Other than first-time recognition of an allowance for doubtful accounts on accrued unbilled revenues, the Jan. 1, 2020, adoption of ASC Topic 326 did not have a significant impact on PSCo's consolidated financial statements.

**3. Selected Balance Sheet Data**

(Millions of Dollars)	June 30, 2020	Dec. 31, 2019
<b>Accounts receivable, net</b>		
Accounts receivable	\$ 308.2	\$ 324.9
Less allowance for bad debts	(23.9)	(21.0)
Accounts receivable, net	\$ 284.3	\$ 303.9

(Millions of Dollars)	June 30, 2020	Dec. 31, 2019
<b>Inventories</b>		
Materials and supplies	\$ 62.8	\$ 62.6
Fuel	67.2	77.1
Natural gas	24.1	52.3

Total inventories	\$ 154.1	\$ 192.0
<b>(Millions of Dollars)</b>	<b>June 30, 2020</b>	<b>Dec. 31, 2019</b>
<b>Property, plant and equipment, net</b>		
Electric plant	\$ 14,601.5	\$ 14,361.9
Natural gas plant	4,778.1	4,631.4
Common and other property	1,133.3	1,113.5
Plant to be retired <sup>(a)</sup>	291.5	259.9
Construction work in progress	1,251.8	912.7
Total property, plant and equipment	22,056.2	21,279.4
Less accumulated depreciation	(5,128.4)	(5,124.4)
Property, plant and equipment, net	\$ 16,927.8	\$ 16,155.0

<sup>a)</sup> In 2018, the CPUC approved early retirement of PSCo's Comanche Units 1 and 2 in approximately 2022 and 2025, respectively. PSCo also expects Craig Unit 1 to be retired early in 2025. Amounts are presented net of accumulated depreciation.

#### 4. Borrowings and Other Financing Instruments

##### Short-Term Borrowings

PSCo meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under its credit facility and the money pool.

**Money Pool** — Xcel Energy Inc. and its utility subsidiaries have established a money pool arrangement that allows for short-term investments in and borrowings between the utility subsidiaries. Xcel Energy Inc. may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in Xcel Energy Inc.

Money pool borrowings for PSCo were as follows:

(Amounts in Millions, Except Interest Rates)	Three Months Ended June 30, 2020	Year Ended Dec. 31, 2019
Borrowing limit	\$ 250	\$ 250
Amount outstanding at period end	—	39
Average amount outstanding	94	7
Maximum amount outstanding	250	50
Weighted average interest rate, computed on a daily basis	0.92 %	2.29 %
Weighted average interest rate at period end	N/A	1.63 %

**Commercial Paper** — Commercial paper outstanding for PSCo was as follows:

(Amounts in Millions, Except Interest Rates)	Three Months Ended June 30, 2020	Year Ended Dec. 31, 2019
Borrowing limit	\$ 700	\$ 700
Amount outstanding at period end	—	—
Average amount outstanding	24	154
Maximum amount outstanding	166	432
Weighted average interest rate, computed on a daily basis	0.71 %	2.67 %
Weighted average interest rate at period end	N/A	N/A

**Letters of Credit** — PSCo uses letters of credit, generally with terms of one year, to provide financial guarantees for certain operating obligations. There were \$8 million and \$9 million of letters of credit outstanding under the credit facility at June 30, 2020 and Dec. 31, 2019, respectively. The contract amounts of these letters of credit approximate their fair value and are subject to fees.

**Revolving Credit Facility** — In order to use its commercial paper program to fulfill short-term funding needs, PSCo must have a revolving credit facility in place at least equal to the amount of its commercial paper borrowing limit and cannot issue commercial paper in an aggregate amount exceeding available capacity under this credit facility. The credit facility provides short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings.

PSCo has the right to request an extension of the revolving credit facility termination date for two additional one-year periods. All extension requests are subject to majority bank group approval.

At June 30, 2020, PSCo had the following committed revolving credit facility available (in millions of dollars):

Credit Facility <sup>(a)</sup>	Outstanding <sup>(b)</sup>	Available
\$ 700	\$ 8	\$ 692

(a) This credit facility expires in June 2024.

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

All credit facility bank borrowings, outstanding letters of credit and outstanding commercial paper reduce the available capacity under the credit facility. PSCo had no direct advances on the credit facility outstanding at June 30, 2020 and Dec. 31, 2019.

### Long-Term Borrowings

During the six months ended June 30, 2020, PSCo issued \$375 million in 1.90% first mortgage bonds due Jan. 15, 2031 and \$375 million of 2.70% first mortgage bonds due Jan. 15, 2051.

## 5. Revenues

Revenue is classified by the type of goods/services rendered and market/customer type. PSCo's operating revenues consists of the following:

(Millions of Dollars)	Three Months Ended June 30, 2020			
	Electric	Natural Gas	All Other	Total
<b>Major revenue types</b>				
Revenue from contracts with customers:				
Residential	\$ 243.8	\$ 117.7	\$ 2.8	\$ 364.3
C&I	351.5	39.1	5.6	396.2
Other	11.7	—	—	11.7
<b>Total retail</b>	<b>607.0</b>	<b>156.8</b>	<b>8.4</b>	<b>772.2</b>
Wholesale	41.5	—	—	41.5
Transmission	13.8	—	—	13.8
Other	14.5	23.4	—	37.9
<b>Total revenue from contracts with customers</b>	<b>676.8</b>	<b>180.2</b>	<b>8.4</b>	<b>865.4</b>
Alternative revenue and other	38.6	6.0	1.1	45.7
<b>Total revenues</b>	<b>\$ 715.4</b>	<b>\$ 186.2</b>	<b>\$ 9.5</b>	<b>\$ 911.1</b>

(Millions of Dollars)	Three Months Ended June 30, 2019			
	Electric	Natural Gas	All Other	Total
<b>Major revenue types</b>				
Revenue from contracts with customers:				
Residential	\$ 211.5	\$ 130.1	\$ 2.8	\$ 344.4
C&I	384.4	49.4	5.7	439.5

Other	11.8	—	—	11.8
<b>Total retail</b>	<b>607.7</b>	<b>179.5</b>	<b>8.5</b>	<b>795.7</b>
Wholesale	29.1	—	—	29.1
Transmission	11.6	—	—	11.6
Other	6.5	23.3	—	29.8
<b>Total revenue from contracts with customers</b>	<b>654.9</b>	<b>202.8</b>	<b>8.5</b>	<b>866.2</b>
Alternative revenue and other	37.8	4.8	1.2	43.8
<b>Total revenues</b>	<b>\$ 692.7</b>	<b>\$ 207.6</b>	<b>\$ 9.7</b>	<b>\$ 910.0</b>

**Six Months Ended June 30, 2020**

(Millions of Dollars)	Electric	Natural Gas	All Other	Total
<b>Major revenue types</b>				
Revenue from contracts with customers:				
Residential	\$ 481.3	\$ 335.1	\$ 5.9	\$ 822.3
C&I	703.5	116.9	14.8	835.2
Other	23.9	—	—	23.9
<b>Total retail</b>	<b>1,208.7</b>	<b>452.0</b>	<b>20.7</b>	<b>1,681.4</b>
Wholesale	88.8	—	—	88.8
Transmission	27.2	—	—	27.2
Other	29.3	53.2	—	82.5
<b>Total revenue from contracts with customers</b>	<b>1,354.0</b>	<b>505.2</b>	<b>20.7</b>	<b>1,879.9</b>
Alternative revenue and other	73.2	12.5	2.2	87.9
<b>Total revenues</b>	<b>\$ 1,427.2</b>	<b>\$ 517.7</b>	<b>\$ 22.9</b>	<b>\$ 1,967.8</b>

**Six Months Ended June 30, 2019**

(Millions of Dollars)	Electric	Natural Gas	All Other	Total
<b>Major revenue types</b>				
Revenue from contracts with customers:				
Residential	\$ 456.6	\$ 441.5	\$ 5.3	\$ 903.4
C&I	752.3	169.7	14.5	936.5
Other	24.3	—	—	24.3
<b>Total retail</b>	<b>1,233.2</b>	<b>611.2</b>	<b>19.8</b>	<b>1,864.2</b>
Wholesale	86.4	—	—	86.4
Transmission	25.0	—	—	25.0
Other	18.1	54.9	—	73.0
<b>Total revenue from contracts with customers</b>	<b>1,362.7</b>	<b>666.1</b>	<b>19.8</b>	<b>2,048.6</b>
Alternative revenue and other	71.5	10.6	2.3	84.4
<b>Total revenues</b>	<b>\$ 1,434.2</b>	<b>\$ 676.7</b>	<b>\$ 22.1</b>	<b>\$ 2,133.0</b>

## 6. Income Taxes

Note 7 to the consolidated financial statements included in PSCo's Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, represents, in all material respects, the current status of other income tax matters except to the extent noted below and are incorporated herein by reference.

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

	Six Months Ended June 30	
	2020	2019
Federal statutory rate	21.0 %	21.0 %
State tax (net of federal tax effect)	3.7	3.7
(Decreases) increases in tax from:		
Wind PTCs	(9.8)	(9.4)
Plant regulatory differences <sup>(a)</sup>	(4.7)	(3.4)
Other tax credits, net of NOL & tax credit allowances	(1.1)	(1.0)
Other (net)	0.5	0.1
Effective income tax rate	9.6 %	11.0 %

<sup>(a)</sup> Regulatory differences for income tax primarily relate to the credit of excess deferred taxes to customers through the average rate assumption method. Income tax benefits associated with the credit of excess deferred credits are offset by corresponding revenue reductions.

**Federal Audits** — PSCo is a member of the Xcel Energy affiliated group that files a consolidated federal income tax return. Statute of limitations applicable to Xcel Energy's federal income tax returns expire as follows:

Tax Years	Expiration
2009 - 2013	September 2020
2014 - 2016	June 2021

In 2017, the IRS concluded the audit of tax years 2012 and 2013 and proposed an adjustment that would impact Xcel Energy's NOL and ETR. Xcel Energy filed a protest with the IRS. In April 2020, Xcel Energy and Appeals reached an agreement and no material adjustments were required.

In 2018, the IRS began an audit of tax years 2014 - 2016. As of June 30, 2020, no adjustments have been proposed.

**State Audits** — PSCo is a member of the Xcel Energy affiliated group that files consolidated state income tax returns. As of June 30, 2020, PSCo's earliest open tax year subject to examination by state taxing authorities under applicable statutes of limitations is 2009. There are currently no state income tax audits in progress.

**Unrecognized Benefits** — Unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual ETR. In addition, the unrecognized tax benefit balance includes temporary tax positions for which ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the ETR but would accelerate the payment to the taxing authority to an earlier period.

Unrecognized tax benefits — permanent vs temporary:

(Millions of Dollars)	June 30, 2020	Dec. 31, 2019
Unrecognized tax benefit — Permanent tax positions	\$ 8.0	\$ 7.4
Unrecognized tax benefit — Temporary tax positions	4.5	4.6
Total unrecognized tax benefit	\$ 12.5	\$ 12.0

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

(Millions of Dollars)	June 30, 2020	2019
NOL and tax credit carryforwards	\$ (8.1)	\$ (8.3)

Net deferred tax liability associated with the unrecognized tax benefit amounts and related NOLs and tax credits carryforwards were \$5.7 million and \$5.0 million for June 30, 2020 and Dec. 31, 2019, respectively.

As the IRS audit progresses and state audits resume, it is reasonably possible that the amount of unrecognized tax benefit could decrease up to approximately \$7.6 million in the next 12 months.

Payable for interest related to unrecognized tax benefits is partially offset by the interest benefit associated with NOL and tax credit carryforwards.

Interest payable related to unrecognized tax benefits:

(Millions of Dollars)	June 30, 2020	Dec. 31, 2019
Payable for interest related to unrecognized tax benefits at beginning of period	\$ (1.1)	\$ (0.7)
Interest expense related to unrecognized tax benefits	(0.9)	(0.4)
Payable for interest related to unrecognized tax benefits at end of period	<u>\$ (2.0)</u>	<u>\$ (1.1)</u>

No amounts were accrued for penalties related to unrecognized tax benefits as of June 30, 2020 and Dec. 31, 2019.

## 7. Fair Value of Financial Assets and Liabilities

### Fair Value Measurements

Accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires disclosures about assets and liabilities measured at fair value. A hierarchical framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance.

- Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices;
- Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, or priced with models using highly observable inputs; and
- Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those valued with models requiring significant management judgment or estimation.

Specific valuation methods include:

*Cash equivalents* — The fair values of cash equivalents are generally based on cost plus accrued interest; money market funds are measured using quoted net asset value.

*Interest rate derivatives* — The fair values of interest rate derivatives are based on broker quotes that utilize current market interest rate forecasts.

**Commodity derivatives** — The methods used to measure the fair value of commodity derivative forwards and options utilize forward prices and volatilities, as well as pricing adjustments for specific delivery locations and are generally assigned a Level 2 classification. When contractual settlements relate to inactive delivery locations or extend to periods beyond those readily observable on active exchanges or quoted by brokers, the significance of the use of less observable forecasts of forward prices and volatilities on a valuation is evaluated and may result in Level 3 classification.

#### **Derivative Instruments Fair Value Measurements**

PSCo enters into derivative instruments, including forward contracts, futures, swaps and options, for trading purposes and to manage risk in connection with changes in interest rates, utility commodity prices and vehicle fuel prices.

**Interest Rate Derivatives** — PSCo enters into various instruments that effectively fix the yield or price on a specified benchmark interest rate for an anticipated debt issuance for a specific period. These derivative instruments are generally designated as cash flow hedges for accounting purposes, with changes in fair value prior to settlement recorded as other comprehensive income.

At June 30, 2020, accumulated other comprehensive loss related to settled interest rate derivatives included \$1.2 million of net losses expected to be reclassified into earnings during the next 12 months as the hedged transactions impact earnings, including forecasted amounts for unsettled hedges, as applicable.

**Wholesale and Commodity Trading Risk** — PSCo conducts various wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy, energy-related instruments and natural gas-related instruments, including derivatives. PSCo is allowed to conduct these activities within guidelines and limitations as approved by its risk management committee, comprised of management personnel not directly involved in activities governed by this policy.

**Commodity Derivatives** — PSCo enters into derivative instruments to manage variability of future cash flows from changes in commodity prices in its electric and natural gas operations, as well as for trading purposes. This could include the purchase or sale of energy or energy-related products, natural gas to generate electric energy, natural gas for resale and vehicle fuel.

PSCo enters into derivative instruments that mitigate commodity price risk on behalf of electric and natural gas customers but may not be designated as qualifying hedging transactions. Changes in the fair value of non-trading commodity derivative instruments are recorded as other comprehensive income or deferred as a regulatory asset or liability. The classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms.

As of June 30, 2020, PSCo had no commodity contracts designated as cash flow hedges.

PSCo enters into commodity derivative instruments for trading purposes not directly related to commodity price risks associated with serving its electric and natural gas customers. Changes in the fair value of these commodity derivatives are recorded in electric operating revenues, net of amounts credited to customers under margin-sharing mechanisms.

Gross notional amounts of commodity forwards and options:

<b>(Amounts in Millions)</b> <sup>(a)(b)</sup>	<b>June 30, 2020</b>	<b>Dec. 31, 2019</b>
Megawatt hours of electricity	19.3	9.3
Million British thermal units of natural gas	69.2	32.2

(a) Amounts are not reflective of net positions in the underlying commodities.

(b) Notional amounts for options are included on a gross basis, but are weighted for the probability of exercise.

**Consideration of Credit Risk and Concentrations** — PSCo continuously monitors the creditworthiness of the counterparties to its interest rate derivatives and commodity derivative contracts prior to settlement and assesses each counterparty's ability to perform on the transactions set forth in the contracts. The impact of credit risk was immaterial to the fair value of unsettled commodity derivatives presented in the consolidated balance sheets.

PSCo's most significant concentrations of credit risk with particular entities or industries are contracts with counterparties to its wholesale, trading and non-trading commodity activities. At June 30, 2020, five of PSCo's 10 most significant counterparties for these activities, comprising \$112.3 million, or 77%, of this credit exposure, had investment grade credit ratings from S&P Global Ratings, Moody's Investor Services or Fitch Ratings. Three of the 10 most significant counterparties, comprising \$15.0 million, or 10%, of this credit exposure, were not rated by these external agencies, but based on PSCo's internal analysis, had credit quality consistent with investment grade. Two of these significant counterparties, comprising \$6.7 million, or 5%, of this credit exposure, had credit quality less than investment grade, based on external and internal analysis. Seven of these significant counterparties are independent system operators, municipal or cooperative electric entities, RTO's or other utilities.

The impact of derivative activity:

(Millions of Dollars)	Pre-Tax Fair Value Gains (Losses) Recognized During the Period in:	
	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities
<b>Three Months Ended June 30, 2020</b>		
<b>Other derivative instruments</b>		
Natural gas commodity	\$ —	\$ (2.8)
Total	\$ —	\$ (2.8)
<b>Six Months Ended June 30, 2020</b>		
<b>Other derivative instruments</b>		
Natural gas commodity	\$ —	\$ (2.8)
Total	\$ —	\$ (2.8)
<b>Three Months Ended June 30, 2019</b>		
<b>Other derivative instruments</b>		
Natural gas commodity	\$ —	\$ (1.5)
Total	\$ —	\$ (1.5)
<b>Six Months Ended June 30, 2019</b>		
<b>Other derivative instruments</b>		
Natural gas commodity	\$ —	\$ (1.5)
Total	\$ —	\$ (1.5)

(Millions of Dollars)	Pre-Tax (Gains) Losses Reclassified into Income During the Period from:		Pre-Tax Gains (Losses) Recognized During the Period in Income
	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	
<b>Three Months Ended June 30, 2020</b>			
<b>Derivatives designated as cash flow hedges</b>			
Interest rate	\$ 0.4 <sup>(a)</sup>	\$ —	\$ —
Total	\$ 0.4	\$ —	\$ —
<b>Other derivative instruments</b>			
Commodity trading	\$ —	\$ —	\$ (1.4) <sup>(b)</sup>
Total	\$ —	\$ —	\$ (1.4)
<b>Six Months Ended June 30, 2020</b>			
<b>Derivatives designated as cash flow hedges</b>			
Interest rate	\$ 0.8 <sup>(a)</sup>	\$ —	\$ —
Total	\$ 0.8	\$ —	\$ —
<b>Other derivative instruments</b>			
Commodity trading	\$ —	\$ —	\$ (5.3) <sup>(b)</sup>
Natural gas commodity	—	3.4 <sup>(c)</sup>	(3.4) <sup>(c)</sup>
Total	\$ —	\$ 3.4	\$ (8.7)

(a) Amounts are recorded to interest charges.

(b) Amounts are recorded to electric operating revenues. Portions of these gains and losses are subject to sharing with electric customers through margin-sharing mechanisms and deducted from gross revenue as appropriate.

(c) Amounts for the three and six months ended June 30, 2020, included no settlement gain or losses on derivatives entered to mitigate natural gas price risk for electric generation recorded to electric fuel and purchased power, subject to cost-recovery mechanisms and reclassified to a regulatory asset, as appropriate. Remaining derivative settlement losses for the three and six months ended June 30, 2020, relate to natural gas operations and are recorded to cost of natural gas sold and transported. These gains and losses are subject to cost-recovery mechanisms and reclassified out of income to a regulatory asset or liability, as appropriate.

(Millions of Dollars)	Pre-Tax (Gains) Losses Reclassified into Income During the Period from:		Pre-Tax Gains (Losses) Recognized During the Period in Income
	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	
<b>Three Months Ended June 30, 2019</b>			
<b>Derivatives designated as cash flow hedges</b>			
Interest rate	\$ 0.4 <sup>(a)</sup>	\$ —	\$ —
Total	\$ 0.4	\$ —	\$ —
<b>Other derivative instruments</b>			
Commodity trading	\$ —	\$ —	\$ 3.3 <sup>(b)</sup>
Total	\$ —	\$ —	\$ 3.3
<b>Six months ended June 30, 2019</b>			
<b>Derivatives designated as cash flow hedges</b>			
Interest rate	\$ 0.8 <sup>(a)</sup>	\$ —	\$ —
Total	\$ 0.8	\$ —	\$ —
<b>Other derivative instruments</b>			
Commodity trading	\$ —	\$ —	\$ 4.7 <sup>(b)</sup>
Natural gas commodity	—	(1.3) <sup>(c)</sup>	(2.0) <sup>(c)</sup>
Total	\$ —	\$ (1.3)	\$ 2.7

(a) Amounts are recorded to interest charges.

(b) Amounts are recorded to electric operating revenues. Portions of these gains and losses are subject to sharing with electric customers through margin-sharing mechanisms and deducted from gross revenue as appropriate.

(c) Amounts for the three and six months ended June 30, 2019, included no settlement gain or losses on derivatives entered to mitigate natural gas price risk for electric generation recorded to electric fuel and purchased power, subject to cost-recovery mechanisms and reclassified to a regulatory asset, as appropriate. Remaining derivative settlement losses for the three and six months ended June 30, 2019, relate to natural gas operations and are recorded to cost of natural gas sold and transported. These gains and losses are subject to cost-recovery mechanisms and reclassified out of income to a regulatory asset or liability, as appropriate.

PSCo had no derivative instruments designated as fair value hedges during the three and six months ended June 30, 2020 and 2019.

**Credit Related Contingent Features** — Contract provisions for derivative instruments that PSCo enters into, including those accounted for as normal purchase-normal sale contracts and therefore not reflected on the consolidated balance sheets, may require the posting of collateral or settlement of the contracts for various reasons, including if PSCo's credit ratings are downgraded below its investment grade credit rating by any of the major credit rating agencies, or for cross-default contractual provisions if there was a failure under other financing arrangements related to payment terms or other covenants. At June 30, 2020 and Dec. 31, 2019, there were no derivative instruments in a liability position with such underlying contract provisions.

Certain derivative instruments are also subject to contract provisions that contain adequate assurance clauses. These provisions allow counterparties to seek performance assurance, including cash collateral, in the event that PSCo's ability to fulfill its contractual obligations is reasonably expected to be impaired. PSCo had no collateral posted related to adequate assurance clauses in derivative contracts as of June 30, 2020 and Dec. 31, 2019.

**Recurring Fair Value Measurements** — PSCo's derivative assets and liabilities measured at fair value on a recurring basis:

(Millions of Dollars)	June 30, 2020						Dec. 31, 2019					
	Fair Value			Fair Value Total	Netting <sup>(a)</sup>	Total	Fair Value			Fair Value Total	Netting <sup>(a)</sup>	Total
	Level 1	Level 2	Level 3				Level 1	Level 2	Level 3			
<b>Current derivative assets</b>												
Other derivative instruments:												
Commodity trading	\$ 2.9	\$ 17.0	\$ 1.0	\$ 20.9	\$ (18.2)	\$ 2.7	\$ 1.9	\$ 11.1	\$ 0.9	\$ 13.9	\$ (10.1)	\$ 3.8
Natural gas commodity	—	5.3	—	5.3	—	5.3	—	3.4	—	3.4	—	3.4
Total current derivative assets	\$ 2.9	\$ 22.3	\$ 1.0	\$ 26.2	\$ (18.2)	\$ 8.0	\$ 1.9	\$ 14.5	\$ 0.9	\$ 17.3	\$ (10.1)	\$ 7.2
<b>Noncurrent derivative assets</b>												
Other derivative instruments:												
Commodity trading	\$ 1.1	\$ 10.8	\$ —	\$ 11.9	\$ (11.5)	\$ 0.4	\$ 0.4	\$ 8.1	\$ 1.1	\$ 9.6	\$ (9.6)	\$ —
Total noncurrent derivative assets	\$ 1.1	\$ 10.8	\$ —	\$ 11.9	\$ (11.5)	\$ 0.4	\$ 0.4	\$ 8.1	\$ 1.1	\$ 9.6	\$ (9.6)	\$ —

(Millions of Dollars)	June 30, 2020						Dec. 31, 2019					
	Fair Value			Fair Value Total	Netting <sup>(a)</sup>	Total	Fair Value			Fair Value Total	Netting <sup>(a)</sup>	Total
	Level 1	Level 2	Level 3				Level 1	Level 2	Level 3			
<b>Current derivative liabilities</b>												
Other derivative instruments:												
Commodity trading	\$ 2.5	\$ 24.8	\$ 0.1	\$ 27.4	\$ (18.2)	\$ 9.2	\$ 1.7	\$ 16.7	\$ —	\$ 18.4	\$ (13.1)	\$ 5.3
Natural gas commodity	—	4.0	—	4.0	—	4.0	—	3.4	—	3.4	—	3.4
Total current derivative liabilities	\$ 2.5	\$ 28.8	\$ 0.1	\$ 31.4	\$ (18.2)	\$ 13.2	\$ 1.7	\$ 20.1	\$ —	\$ 21.8	\$ (13.1)	\$ 8.7
<b>Noncurrent derivative liabilities</b>												
Other derivative instruments:												
Commodity trading	\$ 1.2	\$ 43.1	\$ 18.0	\$ 62.3	\$ (14.7)	\$ 47.6	\$ 0.4	\$ 47.0	\$ 14.7	\$ 62.1	\$ (9.6)	\$ 52.5
Total noncurrent derivative liabilities	\$ 1.2	\$ 43.1	\$ 18.0	\$ 62.3	\$ (14.7)	\$ 47.6	\$ 0.4	\$ 47.0	\$ 14.7	\$ 62.1	\$ (9.6)	\$ 52.5

<sup>(a)</sup> PSCo nets derivative instruments and related collateral in its consolidated balance sheet when supported by a legally enforceable master netting agreement, and all derivative instruments and related collateral amounts were subject to master netting agreements at June 30, 2020 and Dec. 31, 2019. At both June 30, 2020 and Dec. 31, 2019, derivative liabilities include no obligations to return cash collateral and the right to reclaim cash collateral of \$3.2 million and \$3.0 million, respectively. The counterparty netting amounts presented exclude settlement receivables and payables and non-derivative amounts that may be subject to the same master netting agreements.

Changes in Level 3 commodity derivatives:

(Millions of Dollars)	Three Months Ended June 30	
	2020	2019
Balance at April 1	\$ (14.6)	\$ (0.1)
Settlements	(0.3)	—
Net transactions recorded during the period:		
(Losses) gains recognized in earnings <sup>(a)</sup>	(2.2)	0.3
Balance at June 30	\$ (17.1)	\$ 0.2
(Millions of Dollars)	Six Months Ended June 30	
	2020	2019
Balance at Jan. 1	\$ (12.7)	\$ 0.1
Settlements	(1.1)	(0.9)
Net transactions recorded during the period:		
(Losses) gains recognized in earnings <sup>(a)</sup>	(3.3)	1.0
Balance at June 30	\$ (17.1)	\$ 0.2

<sup>(a)</sup> Amounts relate to commodity derivatives held at the end of the period.

PSCo recognizes transfers between levels as of the beginning of each period. There were no transfers of amounts between levels for derivative instruments for the three and six months ended June 30, 2020 and 2019.

**Fair Value of Long-Term Debt**

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

June 30, 2020	Dec. 31, 2019
Carrying	Carrying

<b>(Millions of Dollars)</b>	<b>Amount</b>	<b>Fair Value</b>	<b>Amount</b>	<b>Fair Value</b>
Long-term debt, including current portion	\$ 6,122.0	\$ 7,250.8	\$ 5,384.7	\$ 6,039.3

Fair value of PSCo's long-term debt is estimated based on recent trades and observable spreads from benchmark interest rates for similar securities. Fair value estimates are based on information available to management as of June 30, 2020 and Dec. 31, 2019, and given the observability of the inputs, fair values presented for long-term debt were assigned as Level 2.

## 8. Benefit Plans and Other Postretirement Benefits

### Components of Net Periodic Benefit Cost (Credit)

	Three Months Ended June 30			
	2020	2019	2020	2019
	Pension Benefits		Postretirement Health Care Benefits	
<b>(Millions of Dollars)</b>				
Service cost	\$ 7.6	\$ 6.4	\$ 0.1	\$ 0.1
Interest cost <sup>(a)</sup>	11.4	12.9	3.2	3.9
Expected return on plan assets <sup>(a)</sup>	(17.6)	(17.1)	(4.4)	(4.7)
Amortization of prior service credit <sup>(a)</sup>	(0.7)	(0.8)	(1.0)	(1.3)
Amortization of net loss <sup>(a)</sup>	7.5	6.3	0.4	0.7
Net periodic benefit cost (credit)	8.2	7.7	(1.7)	(1.3)
Credits not recognized due to effects of regulation	(0.3)	1.8	1.0	0.2
Net benefit cost (credit) recognized for financial reporting	\$ 7.9	\$ 9.5	\$ (0.7)	\$ (1.1)
	Six Months Ended June 30			
	2020	2019	2020	2019
	Pension Benefits		Postretirement Health Care Benefits	
<b>(Millions of Dollars)</b>				
Service cost	\$ 15.3	\$ 12.8	\$ 0.1	\$ 0.2
Interest cost <sup>(a)</sup>	22.9	25.8	6.4	7.8
Expected return on plan assets <sup>(a)</sup>	(35.3)	(34.2)	(8.7)	(9.4)
Amortization of prior service credit <sup>(a)</sup>	(1.4)	(1.7)	(1.9)	(2.7)
Amortization of net loss <sup>(a)</sup>	14.9	12.7	0.8	1.5
Net periodic benefit cost (credit)	16.4	15.4	(3.3)	(2.6)
Credits not recognized due to effects of regulation	0.3	3.6	1.6	0.5
Net benefit cost (credit) recognized for financial reporting	\$ 16.7	\$ 19.0	\$ (1.7)	\$ (2.1)

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

In January 2020, contributions of \$150.0 million were made across four of Xcel Energy's pension plans, of which \$50.0 million was attributable to PSCo. Xcel Energy does not expect additional pension contributions during 2020.

## 9. Commitments and Contingencies

The following include commitments, contingencies and unresolved contingencies that are material to PSCo's financial position.

### Legal

PSCo is involved in various litigation matters in the ordinary course of business. The assessment of whether a loss is probable or is a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. Management maintains accruals for losses probable of being incurred and subject to reasonable estimation.

Management is sometimes unable to estimate an amount or range of a reasonably possible loss in certain situations, including but not limited to, when (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss.

For current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, would have a material effect on PSCo's financial statements. Unless otherwise required by GAAP, legal fees are expensed as incurred.

**Gas Trading Litigation** — e prime is a wholly owned subsidiary of

Xcel Energy. e prime was in the business of natural gas trading and marketing but has not engaged in natural gas trading or marketing activities since 2003. Multiple lawsuits seeking monetary damages were commenced against e prime and its affiliates, including Xcel Energy, between 2003 and 2009 alleging fraud and anticompetitive activities in conspiring to restrain the trade of natural gas and manipulate natural gas prices. Cases were all consolidated in the U.S. District Court in Nevada.

Two cases remain active which include an MDL matter consisting of a Colorado purported class (Breckenridge) and a Wisconsin purported class (Arandell Corp.).

*Breckenridge/Colorado* — In February 2019, the MDL panel remanded Breckenridge back to the U.S. District Court in Colorado.

*Arandell Corp.* — In February 2019, the case was remanded back to the U.S. District Court in Wisconsin. Plaintiffs are seeking class certification. It is uncertain when the court will rule on this issue.

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

## **Environmental**

### ***MGP, Landfill and Disposal Sites***

PSCo is cooperating with the City of Denver on an environmental investigation of the Rice Yards Site in Denver, Colorado, which had various historic industrial uses by multiple parties, including railroad, maintenance shop, scrap metal yard and MGP operations.

In June 2020, PSCo resolved claims by the current property owner and agreed to contribute up to a maximum of \$9.3 million towards future environmental investigation, remediation and mitigation measures over the next 15 years.

In addition to the Rice Yards Site, PSCo is currently investigating, remediating or performing post-closure actions at two other MGP, landfill or other disposal sites across its service territory.

PSCo has recognized its best estimate of costs/liabilities that will result from final resolution of these issues, however, the outcome and timing is unknown. In addition, there may be insurance recovery and/or recovery from other potentially responsible parties, offsetting a portion of costs incurred.

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

*Coal Ash Regulation* — PSCo's operations are subject to federal and state regulations that impose requirements for handling, storage, treatment and disposal of solid waste. Under the CCR Rule, utilities are required to complete groundwater sampling around their CCR landfills and surface impoundments. Currently, PSCo has six regulated ash units in operation.

PSCo is conducting groundwater sampling and where appropriate, implementing assessment of corrective measures at certain CCR landfills and surface impoundments. In 2019, groundwater monitoring consistent with the CCR Rule was conducted. Statistically significant levels above background concentrations were detected at four locations.

Subsequently, assessment monitoring samples were collected at these locations and, based on the results, PSCo is evaluating options for corrective action at two locations. At one location, monitoring results indicate potential offsite impacts to groundwater. Until PSCo completes its assessment, it is uncertain what impact, if any, there will be on the operations, financial condition or cash flows.

In August 2018, the United States Court of Appeals for the District of Columbia Circuit ruled that the EPA cannot allow utilities to continue to use unlined impoundments (including clay lined impoundments) for the storage or disposal of coal ash. In November 2019, the EPA proposed rules in response to this decision that, if finalized in their current form, may require PSCo to expedite closure of one coal ash impoundment that was not previously required to close. In March 2020, the EPA published a proposed CCR Rule amendment that, if adopted, would allow unlined impoundments that 'perform as effectively' as lined ones to continue to operate under a state or federal CCR permit program. PSCo is pursuing options to provide alternative storage capacity consistent with the CCR Rule until the generating units are retired in 2025.

Closure costs for existing impoundments are included in the calculation of the asset retirement obligation liability.

### VIEs

Under certain PPAs, PSCo purchases power from IPPs for which PSCo is required to reimburse fuel costs, or to participate in tolling arrangements under which PSCo procures the natural gas required to produce the energy that it purchases. These specific PPAs create a variable interest in the IPP.

PSCo had approximately 1,518 MW and 1,442 MW of capacity under long-term PPAs at June 30, 2020 and Dec. 31, 2019, respectively, with entities that have been determined to be VIEs. PSCo concluded that these entities are not required to be consolidated in its consolidated financial statements because it does not have the power to direct the activities that most significantly impact the entities' economic performance. Agreements have expiration dates through 2032.

## 10. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive loss, net of tax, for the three and six months ended June 30, 2020 and 2019:

(Millions of Dollars)	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Gains and Losses on Cash	Defined Benefit Pension and Postretirement	Total	Gains and Losses on Cash	Defined Benefit Pension and Postretirement	Total
	Flow Hedges	Items		Flow Hedges	Items	
Accumulated other comprehensive loss at April 1	\$ (23.8)	\$ (2.5)	\$ (26.3)	\$ (25.0)	\$ (0.2)	\$ (25.2)
Losses reclassified from net accumulated other comprehensive loss:						
Interest rate derivatives (net of taxes of \$0.1, \$—, \$0.1 and \$—, respectively) <sup>(a)</sup>	0.3	—	0.3	0.3	—	0.3
Net current period other comprehensive income	0.3	—	0.3	0.3	—	0.3
Accumulated other comprehensive loss at June 30	\$ (23.5)	\$ (2.5)	\$ (26.0)	\$ (24.7)	\$ (0.2)	\$ (24.9)

(a) Included in interest charges.

(Millions of Dollars)	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Gains and Losses on Cash	Defined Benefit Pension and Postretirement	Total	Gains and Losses on Cash	Defined Benefit Pension and Postretirement	Total
	Flow Hedges	Items		Flow Hedges	Items	
Accumulated other comprehensive loss at Jan. 1	\$ (24.1)	\$ (2.5)	\$ (26.6)	\$ (25.3)	\$ (0.2)	\$ (25.5)
Losses reclassified from net accumulated other comprehensive loss:						
Interest rate derivatives (net of taxes of \$0.2, \$—, \$0.1 and \$—, respectively) <sup>(a)</sup>	0.6	—	0.6	0.6	—	0.6
Net current period other comprehensive income	0.6	—	0.6	0.6	—	0.6
Accumulated other comprehensive loss at June 30	\$ (23.5)	\$ (2.5)	\$ (26.0)	\$ (24.7)	\$ (0.2)	\$ (24.9)

(a) Included in interest charges.

## 11. Segment Information

PSCo evaluates performance based on profit or loss generated from the product or service provided. These segments are managed separately because the revenue streams are dependent upon regulated rate recovery, which is separately determined for each segment.

PSCo has the following reportable segments:

- *Regulated Electric* — The regulated electric utility segment generates electricity which is transmitted and distributed in Colorado. This segment includes sales for resale and provides wholesale transmission service to various entities in the United States. Regulated electric utility also includes PSCo's wholesale commodity and trading operations; and
- *Regulated Natural Gas* — The regulated natural gas utility segment transports, stores and distributes natural gas in portions of Colorado.

PSCo presents Other, which includes operating segments with revenues below the necessary quantitative thresholds. Those operating segments primarily include steam revenue, appliance repair services and non-utility real estate activities.

Asset and capital expenditure information is not provided for PSCo's reportable segments because as an integrated electric and natural gas utility, PSCo operates significant assets that are not dedicated to a specific business segment and reporting assets and capital expenditures by business segment would require arbitrary and potentially misleading allocations, which may not necessarily reflect the assets that would be required for the operation of the business segments on a stand-alone basis.

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To report income from operations for regulated electric and regulated natural gas utility segments, the majority of costs are directly assigned to each segment. However, some costs, such as common depreciation, common O&M expenses and interest expense are allocated based on cost causation allocators. A general allocator is used for certain general and administrative expenses, including office supplies, rent, property insurance and general advertising.

PSCo's segment information for the three and six months ended June 30:

(Millions of Dollars)	Three Months Ended June 30	
	2020	2019
<b>Regulated Electric</b>		
Operating revenues	\$ 715.4	\$ 692.7
Intersegment revenues	0.1	0.1
Total revenue	\$ 715.5	\$ 692.8
Net income	89.0	84.8
<b>Regulated Natural Gas</b>		
Operating revenues	\$ 186.2	\$ 207.6
Net income	16.0	17.6
<b>All Other</b>		
Operating revenues <sup>(a)</sup>	\$ 9.5	\$ 9.7
Net income (loss)	3.1	(0.9)
<b>Consolidated Total</b>		
Operating revenues <sup>(a)</sup>	\$ 911.2	\$ 910.1
Reconciling eliminations	(0.1)	(0.1)
Total operating revenues	\$ 911.1	\$ 910.0
Net income	108.1	101.5

(a) Operating revenues include \$1.1 million of other affiliate revenue for the three months ended June 30, 2020 and 2019.

(Millions of Dollars)	Six Months Ended June 30	
	2020	2019
<b>Regulated Electric</b>		
Operating revenues	\$ 1,427.2	\$ 1,434.2
Intersegment revenues	0.2	0.2
Total revenue	\$ 1,427.4	\$ 1,434.4
Net income	163.0	167.2
<b>Regulated Natural Gas</b>		
Operating revenues	\$ 517.7	\$ 676.7
Intersegment revenues	(0.1)	0.1
Total revenue	\$ 517.6	\$ 676.8
Net income	68.1	76.8
<b>All Other</b>		
Operating revenues <sup>(a)</sup>	\$ 22.9	\$ 22.1
Net income (loss)	5.7	(3.7)
<b>Consolidated Total</b>		
Operating revenues <sup>(a)</sup>	\$ 1,967.9	\$ 2,133.3
Reconciling eliminations	(0.1)	(0.3)
Total operating revenues	\$ 1,967.8	\$ 2,133.0
Net income	236.8	240.3

(a) Operating revenues include \$2.2 million of other affiliate revenue for the six months ended June 30, 2020 and 2019.

## ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Discussion of financial condition and liquidity for PSCo is omitted per conditions set forth in general instructions H(1)(a) and (b) of Form 10-Q for wholly owned subsidiaries. It is replaced with management's narrative analysis of the results of operations set forth in general instructions H(2)(a) of Form 10-Q for wholly owned subsidiaries (reduced disclosure format).

### Non-GAAP Financial Measures

The following discussion includes financial information prepared in

accordance with GAAP, as well as certain non-GAAP financial measures such as electric margin, natural gas margin and ongoing earnings. Generally, a non-GAAP financial measure is a measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are adjusted from measures calculated and presented in accordance with GAAP. PSCo's management uses non-GAAP measures for financial planning and analysis, for reporting of results, in determining performance-based compensation and communicating its earnings outlook to analysts and investors. Non-GAAP financial measures are intended to supplement investors' understanding of our performance and should not be considered alternatives for financial measures presented in accordance with GAAP. These measures are discussed in more detail below and may not be comparable to other companies' similarly titled non-GAAP financial measures.

### ***Electric and Natural Gas Margins***

Electric margin is presented as electric revenues less electric fuel and purchased power expenses. Natural gas margin is presented as natural gas revenues less the cost of natural gas sold and transported. Expenses incurred for electric fuel and purchased power and the cost of natural gas are generally recovered through various regulatory recovery mechanisms. As a result, changes in these expenses are generally offset in operating revenues.

Management believes electric and natural gas margins provide the most meaningful basis for evaluating our operations because they exclude the revenue impact of fluctuations in these expenses. These margins can be reconciled to operating income, a GAAP measure, by including other operating revenues, cost of sales-other, O&M expenses, conservation and DSM expenses, depreciation and amortization and taxes (other than income taxes).

### **Results of Operations**

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PSCo's net income was approximately \$236.8 million for the six months ended June 30, 2020, compared with approximately \$240.3 million for the prior year. The decrease in year-to-date earnings was driven by lower sales and demand revenue primarily due to COVID-19, higher depreciation, interest charges and lower natural gas margins due to unfavorable weather, partially offset by higher AFUDC, an increase in electric margins (regulatory outcomes offset lower sales due to COVID-19) and lower O&M.

#### **Electric Margin**

Electric revenues and fuel and purchased power expenses are impacted by fluctuations in the price of natural gas and coal used in the generation of electricity. However, these price fluctuations have minimal impact on electric margin due to fuel recovery mechanisms that recover fuel expenses. In addition, electric customers receive a credit for PTCs that are generated in a particular period.

Electric revenues and margin:

(Millions of Dollars)	Six Months Ended June 30	
	2020	2019
Electric revenues	\$ 1,427.2	\$ 1,434.2
Electric fuel and purchased power	(529.2)	(544.9)
Electric margin	\$ 898.0	\$ 889.3

Changes in electric margin:

(Millions of Dollars)	2020 vs. 2019	
Regulatory rate outcome	\$	15.5
Estimated impact of weather		5.3
Wholesale transmission revenue (net)		3.4
PTCs		0.5
Sales and demand <sup>(a)</sup>		(23.7)
Other, net		7.7
Total increase in electric margin	\$	8.7

<sup>(a)</sup> Sales decline excludes weather impact, net of decoupling.

### Natural Gas Margin

Natural gas expense varies with changing sales and the cost of natural gas. However, fluctuations in the cost of natural gas have minimal impact on natural gas margin due to natural gas cost recovery mechanisms.

Natural gas revenues and margin:

(Millions of Dollars)	Six Months Ended June 30	
	2020	2019
Natural gas revenues	\$ 517.7	\$ 676.7
Cost of natural gas sold and transported	(187.4)	(342.4)
Natural gas margin	\$ 330.3	\$ 334.3

Changes in natural gas margin:

(Millions of Dollars)	2020 vs. 2019	
Estimated impact of weather	\$	(6.2)
Sales decline		(2.9)
Transport sales		(2.3)
Infrastructure and integrity riders		6.5
Other, net		0.9
Total decrease in natural gas margin	\$	(4.0)

### Non-Fuel Operating Expenses and Other Items

**O&M Expenses** — O&M expenses decreased \$5.7 million, or 1.4%, for the six months ended June 30, 2020, compared with the prior year. The decrease was primarily due to cost mitigation efforts to offset the negative impacts of COVID-19 including allocation of workforce, material and supply management, performance of maintenance, as well as, the outcome of the CPUC's rehearing of the Colorado 2019 electric rate case. Decreases were partially offset by increased gas emergency response costs and strategic initiative amounts including increased spending on customer experience transformation and advanced grid infrastructure.

**Depreciation and Amortization** — Depreciation and amortization expense increased \$19.5 million, or 6.6%, for the six months ended June 30, 2020, compared with the prior year. The increase was primarily due to normal system expansion and new electric rates implemented in March 2020, partially offset by a decrease in amortization of pension regulatory assets.

**AFUDC, Equity and Debt** — AFUDC increased \$14.5 million for the six months ended June 30, 2020, compared with the prior year. The increase was primarily due to the Cheyenne Ridge wind farm.

**Interest Charges** — Interest charges increased \$5.9 million, or 5.0%, for the six months ended June 30, 2020, compared with the prior year.

The increase was primarily due to higher debt levels to fund capital investments, partially offset by lower long-term and short-term interest rates.

**Income Taxes** — Income tax expense decreased \$4.6 million for the six months ended June 30, 2020, compared with the same period in 2019. The decrease was primarily driven by an increase in plant regulatory differences and lower pretax earnings. ETR was 9.6% for the six months ended June 30, 2020, compared with 11.0% for the same period in 2019, largely due to the items referenced above.

See Note 6 to the consolidated financial statements.

### **Public Utility Regulation**

The FERC and various state and local regulatory commissions regulate PSCo. The electric and natural gas rates charged to PSCo's customers are approved by the FERC or the regulatory commissions in the states in which they operate.

The rates are designed to recover plant investment, operating costs and an allowed return on investment. PSCo request changes in rates for utility services through filings with governing commissions.

Changes in operating costs can affect PSCo's financial results, depending on the timing of rate case filings and implementation of final rates. Other factors affecting rate filings are new investments, sales, conservation and DSM efforts, and the cost of capital. In addition, the regulatory commissions authorize the ROE, capital structure and depreciation rates in rate proceedings. Decisions by these regulators can significantly impact PSCo's results of operations.

Except to the extent noted in Regulation above, the circumstances set forth in Public Utility Regulation included in Item 7 of PSCo's Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019 and in Item 2 of PSCo's Quarterly Report on [Form 10-Q](#) for the quarterly period ended March 31, 2020, appropriately represent, in all material respects, the current status of public utility regulation and are incorporated by reference.

**Pending and Recently Concluded Regulatory Proceedings**

Mechanism	Utility Service	Amount Requested (in millions)	Filing Date	Approval	Additional Information
<b>CPUC</b>					
Rate Case	Natural Gas	\$127	February 2020	Pending	<p>In February 2020, PSCo filed a rate case with the CPUC seeking a net increase to retail gas rates of \$126.8 million, reflecting a \$144.5 million increase in base rate revenue, partially offset by \$17.7 million of costs previously authorized through the Pipeline Integrity rider. The request was based on a 9.95% ROE, an equity ratio of 55.81% and a historic test year as of Sept. 30, 2019, adjusted for known and measurable differences for the 12-month period ended Sept. 30, 2020. In June 2020, PSCo revised its net increase to \$121 million.</p> <p>In July 2020, PSCo, the CPUC Staff and various intervenors filed a comprehensive unopposed settlement, which results in a net increase to retail gas rates of \$77.3 million, reflecting a \$94.1 million increase in base rate revenue, partially offset by \$16.8 million of costs previously authorized through the Pipeline Integrity rider. The settlement is based on:</p> <ul style="list-style-type: none"> <li>• A ROE of 9.20%;</li> <li>• An equity ratio of 55.62%; and</li> <li>• A historic test year as of Sept. 30, 2019, utilizing a year-end rate base, and incorporating a known and measurable adjustment for the Tungsten to Black Hawk pipeline as of April 30, 2020.</li> </ul> <p>Rates will be implemented on April 1, 2021 and will be retroactively effective back to November 2020. In July 2020, the Administrative Law Judge granted an unopposed motion to schedule a hearing for Aug. 13, 2020 to review the settlement.</p>
Rate Case	Electric	\$158	May 2019	Received	<p>In 2019, PSCo filed a request with the CPUC seeking a net rate increase of \$108.4 million, based on a requested ROE of 10.2% and an equity ratio of 55.6%.</p> <p>In February 2020, the CPUC issued a written decision, resulting in an estimated \$34.9 million net base rate revenue increase. The CPUC decision included a 9.3% ROE, an equity ratio of 55.61%, based on a current test year ended Aug. 31, 2019, implementation of decoupling in 2020 and other items.</p> <p>In May 2020, the CPUC deliberated on PSCo's request for rehearing and revised its prior decision on the test year calculation, return on prepaid pension and medical assets, a disallowance of a capital investment for the Comanche Unit 3 superheater and Board compensation. In July 2020, the CPUC's written decision was received. As a result, electric rates will increase approximately \$12 million, retroactive back to Feb. 25, 2020. In addition, as a part of the rehearing, the CPUC plans to discuss the merits of opening an investigation of Comanche Unit 3 performance.</p>
Rate Case Appeal	Natural Gas	N/A	April 2019	Pending	<p>In April 2019, PSCo filed an appeal seeking judicial review of the CPUC's prior ruling regarding PSCo's last natural gas rate case (approved in December 2018). The appeal requested review of the following: denial of a return on the prepaid pension and retiree medical assets; the use of a capital structure not based on the actual historical test year; and use of an average rate base methodology rather than a year-end rate base methodology.</p> <p>In March 2020, The District Court of Denver County ruled in favor of allowing the prepaid pension assets to be included in rate base; but it upheld the CPUC treatment of the retiree medical assets and capital structure methodology. The CPUC did not appeal the decision allowing inclusion of the prepaid pension assets in rate base.</p>

**PSCo 2020 Rider Filings**

In July 2020, PSCo filed Wildfire and Advanced Grid rider requests with the CPUC instead of filing a comprehensive electric rate case in 2020.

**Wildfire Protection Rider** — Seeks to establish a Wildfire Protection Rider to recover incremental costs associated with system investments to reduce wildfire risk. The rider would be effective no later than June 2021 and continue through 2025. Wildfire Protection capital additions are projected to total approximately \$325 million. Forecasted annual revenue requirements from 2021 through 2025 are as follows:

(in Millions)	2021	2022	2023	2024	2025
Forecasted annual revenue requirement	\$ 17	\$ 24	\$ 29	\$ 32	\$ 34

**Advanced Grid Rider** — Seeks to establish an Advanced Grid Rider to recover incremental costs associated with the Advanced Grid Intelligence and Security Initiative (AGIS). The rider would be effective

no later than May 2021 and continue through 2025. The PSCo portion of the AGIS initiative is projected to total approximately \$850 million of capital additions. Forecasted annual revenue requirements from 2021 through 2025 are as follows:

(in Millions)	2021	2022	2023	2024	2025
Forecasted annual revenue requirement	\$ 53	\$ 69	\$ 83	\$ 89	\$ 99

**PSCo — Comanche Unit 3**

PSCo is part owner of Comanche Unit 3, a 750 MW, coal-fueled electric generating unit. PSCo is the operating agent under the joint ownership agreement. In June 2020, the unit experienced loss of turbine oil during start-up which damaged the plant. It is currently anticipated that Comanche Unit 3 will recommence operations in the fourth quarter of 2020. Replacement and repair of damaged systems in excess of a \$2 million deductible are expected to be recovered through insurance policies. PSCo has obtained replacement power for a portion of the unit's output through purchase power agreements.

## **Boulder Municipalization**

In 2011, Boulder passed a ballot measure authorizing the formation of an electric municipal utility, subject to certain conditions. Subsequently, there have been various legal proceedings in multiple venues with jurisdiction over Boulder's plan. In 2014, the Boulder City Council passed an ordinance to establish an electric utility. PSCo challenged the formation of this utility and the Colorado Court of Appeals ruled in PSCo's favor, vacating a lower court decision. In June 2018, the Colorado Supreme Court rejected Boulder's request to dismiss the case and remanded it to the Boulder District Court. The case was then settled in June 2019 after Boulder agreed to repeal the ordinance establishing the utility.

Boulder has filed multiple separation applications with the CPUC, which have been challenged by PSCo and other intervenors. In September 2017, the CPUC issued a written decision, agreeing with several key aspects of PSCo's position. The CPUC has approved the designation of some electrical distribution assets for transfer, subject to Boulder completing certain filings.

In the fourth quarter of 2018, the Boulder City Council also adopted an Ordinance authorizing Boulder to begin negotiations for the acquisition of certain property or to otherwise condemn that property after Feb. 1, 2019. In the first quarter of 2019, Boulder sent PSCo a notice of intent to acquire certain electric distribution assets. In the third quarter of 2019, Boulder filed its condemnation litigation, which was later dismissed by the Boulder District Court in September 2019 on the grounds that Boulder had not completed the pre-requisite CPUC process and filings. Boulder is currently appealing this order. In October 2019, the CPUC approved the subsequent filings regarding asset transfers outside of substations, reaffirmed its 2017 decision on assets outside of substations and closed the CPUC proceeding.

In December 2019, Boulder filed a new condemnation action despite its ongoing appeal of the last condemnation case. PSCo subsequently filed a motion to dismiss or stay the new condemnation action. In February 2020, Boulder filed an application under section 210 of the Federal Power Act asking FERC to order PSCo to interconnect its facilities with a future Boulder municipal utility under Boulder's preferred terms and conditions.

In July 2020, PSCo reached a settlement with certain Boulder officials that would end the city's effort to municipalize. The settlement, if approved, would result in a 20-year franchise arrangement (with multiple opt-out conditions), an energy partnership, an undergrounding agreement and establish how the municipalization would move forward if Boulder exercised an opt-out. The settlement will require approval by the Boulder City Council in August 2020 and will further require approval by the citizens of Boulder in a ballot referendum in November 2020.

## **Environmental**

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### **Environmental Regulation**

In July 2019, the EPA adopted the Affordable Clean Energy rule, which requires states to develop plans for greenhouse gas reductions from coal-fired power plants. The state plans, due to the EPA in July 2022, will evaluate and potentially require heat rate improvements at existing coal-fired plants. It is not yet known how these state plans will affect our existing coal plants, but they could require substantial additional investment, even in plants slated for retirement. PSCo believes, based on prior state commission practice, the cost of these initiatives or replacement generation would be recoverable through rates.

## **ITEM 4 — CONTROLS AND PROCEDURES**

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### **Disclosure Controls and Procedures**

PSCo maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in reports that it files

or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the CEO and CFO, allowing timely decisions regarding required disclosure.

As of June 30, 2020, based on an evaluation carried out under the supervision and with the participation of PSCo's management, including the CEO and CFO, of the effectiveness of its disclosure controls and the procedures, the CEO and CFO have concluded that PSCo's disclosure controls and procedures were effective.

#### **Internal Control Over Financial Reporting**

No changes in PSCo's internal control over financial reporting occurred during the most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, PSCo's internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **ITEM 1 — LEGAL PROCEEDINGS**

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PSCo is involved in various litigation matters in the ordinary course of business. The assessment of whether a loss is probable or is a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. Management maintains accruals for losses probable of being incurred and subject to reasonable estimation.

Management is sometimes unable to estimate an amount or range of a reasonably possible loss in certain situations, including but not limited to, when (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss.

For current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, would have a material effect on PSCo's financial statements. Unless otherwise required by GAAP, legal fees are expensed as incurred.

See Note 9 to the consolidated financial statements and Part I Item 2 for further information.

**ITEM 1A — RISK FACTORS**

There have been no material changes from the risk factors disclosed in our [Form 10-K](#) for the year ended Dec. 31, 2019 except as follows:

***We face risks related to health epidemics and other outbreaks, which may have a material effect on our financial condition, results of operations and cash flows.***

The global outbreak of COVID-19 is currently impacting countries, communities, supply chains and markets. A high degree of uncertainty continues to exist regarding COVID-19, the duration and magnitude of business restrictions, re-shut downs, if any, and the level and pace of economic recovery. While we are implementing contingency plans, there are no guarantees these plans will be sufficient to offset the impact of COVID-19.

We cannot ultimately predict whether it will have a material impact on our liquidity, financial condition, or results of operations. Nor can we predict the impact of the virus on the health of our employees, our supply chain or our ability to recover higher costs associated with managing through the pandemic.

PSCo's risk factors are documented in Item 1A of Part I of its Annual Report on [Form 10-K](#) for the year ended Dec. 31, 2019, which is incorporated herein by reference, as well as other information set forth in this report, which could have a material impact on our financial condition, results of operations and cash flows.

**ITEM 6 — EXHIBITS**

\* Indicates incorporation by reference

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3.01*	<a href="#">Amended and Restated Articles of Incorporation dated July 15, 1998</a>	PSCo Form 10-Q for the quarter ended Sept. 30, 2017	001-03280	3.01
3.02*	<a href="#">Amended and Restated Bylaws of PSCo, dated Jan. 25, 2019</a>	PSCo Form 10-K for the year ended Dec. 31, 2018	001-03280	3.02
4.01*	<a href="#">Supplemental Indenture dated as of May 1, 2020, between PSCo and U.S. Bank National Association, as successor Trustee, creating \$375 million principal amount of 2.70% First Mortgage Bonds, Series No. 35 due 2051, and \$375 million principal amount of 1.90% First Mortgage Bonds, Series No. 36 due 2031</a>	PSCo Form 8-K dated May 15, 2020	001-03280	4.01
31.01	<a href="#">Principal Executive Officer's certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>			
31.02	<a href="#">Principal Financial Officer's certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>			
32.01	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>			
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH	Inline XBRL Schema			
101.CAL	Inline XBRL Calculation			
101.DEF	Inline XBRL Definition			
101.LAB	Inline XBRL Label			
101.PRE	Inline XBRL Presentation			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Public Service Company of Colorado**

July 31, 2020

By: /s/ JEFFREY S. SAVAGE

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

/s/ BRIAN J. VAN ABEL

Brian J. Van Abel  
Executive Vice President, Chief Financial Officer and Director  
(Principal Financial Officer)

**CERTIFICATION**

I, Ben Fowke, certify that:

1. I have reviewed this report on Form 10-Q of Public Service Company of Colorado;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

/s/ BEN FOWKE

Ben Fowke

Chairman, Chief Executive Officer and Director

(Principal Executive Officer)

## CERTIFICATION

I, Brian J. Van Abel, certify that:

1. I have reviewed this report on Form 10-Q of Public Service Company of Colorado;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

/s/ BRIAN J. VAN ABEL

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Brian J. Van Abel

Executive Vice President, Chief Financial Officer and Director  
(Principal Financial Officer)

**OFFICER CERTIFICATION**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Public Service Company of Colorado (PSCo) on Form 10-Q for the quarter ended June 30, 2020, as filed with the SEC on the date hereof (Form 10-Q), each of the undersigned officers of PSCo certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of PSCo as of the dates and for the periods expressed in the Form 10-Q.

Date: July 31, 2020

/s/ BEN FOWKE

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Ben Fowke

Chairman, Chief Executive Officer and Director  
(Principal Executive Officer)

/s/ BRIAN J. VAN ABEL

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Brian J. Van Abel

Executive Vice President, Chief Financial Officer and Director  
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to PSCo and will be retained by PSCo and furnished to the SEC or its staff upon request.