

The Company has listed below any material changes that have taken effect since January 1, 2016. For additional information, please refer to the Public Service Company of Colorado FERC Form No. 1 for 2016, Notes to Financial Statements.

I. FERC Uniform System of Accounts Changes

There were no material changes.

II. FERC Form No. 1 Reporting Requirements Changes

There were no material changes.

III. Accounting Policy/Practice Changes

On January 1, 2016, Xcel Energy and all affiliates, including PSCo, implemented a new SAP general ledger system. Generally, the system change did not materially impact most areas of accounting; however, any changes that did occur are discussed below:

Overhead Rates – Engineering and Supervision – The Engineering and Supervision (“E&S”) Overhead is used by engineering departments to assist in assigning their labor and certain other department costs to those maintenance and construction projects to which they support, where it is not cost beneficial to track and direct charge the job. In 2016, the process for defining the rate by which the E&S overhead pools are charged to construction has changed to result in a complete clearing of the overhead pool each month. In previous years, an overhead rate was manually calculated monthly based on forecasted dollars to be charged to the overhead pool and forecasted charges eligible for the overheads. In addition, with the conversion from JDE to SAP, the E&S functions were consolidated at higher levels as was the capital/O&M allocation. In 2015 the allocation of capital and O&M was tied to an individual task on a work order. A study was performed prior to SAP implementation to group several individual tasks into 5 overall categories. As a result, the capital/O&M allocation in SAP is an overall average of the individual tasks. Additionally, costs are spread over fewer FERC accounts within the same functional FERC group.

Overhead Rates – Joint Venture Administrative and General – With the implementation of SAP in 2016, PSCo’s share of the Joint Venture Administrative and General (“A&G”) overhead costs are charged to FERC Account 922, Administrative Expenses Transferred-Credit, instead of FERC Account 930.2, Miscellaneous General Expenses. PSCo receives a credit in FERC Account 922 for the total amount of A&G overhead billed to the joint owners, including PSCo. As a result of this change, PSCo’s share of the overhead cost and the total credit it receives is netted within FERC Account 922. This accounting is consistent with the Company’s other joint ventures.

Fleet Residue Charges - Fleet Focus is the software used by the Company to assign fleet costs to the fleet units by business area. Any costs or credits left in the fleet balance sheet accounts (residue) are then transferred back to the business areas. Prior to January 1, 2016, the residue in the balance sheet accounts was manually cleared each quarter. With the implementation of SAP, the residue is cleared monthly.

Purchasing and Warehouse Overhead - With the implementation of SAP in 2016, purchasing and warehouse overhead costs are cleared monthly from the cost pools instead of quarterly.

Derivation of Construction Work in Progress (“CWIP”) and Retirement Work in Progress (“RWIP”) - With the implementation of SAP in 2016, charges are allocated to an internal order (“I/O”) to CWIP, RWIP, or an expense based on the Unit Estimate split by expenditure type. This

occurs through the PowerPlan derivation process. Previously, charges were specifically identified as CWIP, RWIP, or expense based on the object account selected on the transaction.

In addition, there were other Accounting changes in 2016, as follows:

Capital Policy Changes – Effective January 1, 2016, capitalization of certain end of life rebuild and overhaul activities that result in the extension of the useful life of the equipment beyond the original expectations are now able to be capitalized when certain criteria are met. If the end of life rebuilds result in significant modifications to the equipment and extend the life beyond original expectations, they are now able to be capitalized even without replacement of the underlying asset, i.e., rebuilding all internal parts of a pump instead of replacing the entire pump. Previously, the capital policy only allowed capitalization if the property unit was replaced.

Accounts Receivable – City of Parachute – This receivable account changed from FERC Account 142, Customer Accounts Receivable, to FERC Account 186, Misc. Deferred Debits, since it is a long-term receivable due from the City of Parachute for an overpayment of franchise fees for about \$500K.

Equity Reclassification - From 2001 to 2015, PSCo received contributions of capital from the parent company, allocations of holding company tax benefit, and allocations of unitary tax. These transactions were recorded in FERC Account 207, Premium on Capital Stock. The FERC USoA defines Account 207 as the excess of cash received over the par value when stock is issued. When the operating companies receive a contribution of capital from the parent company, an allocation of holding company tax benefit, or an allocation of unitary tax, no stock is being issued. Thus the FERC USoA would dictate the transaction should be recorded to Account 211 and not recorded to Account 207. A reclass entry was made in December 2016 to move \$2B from Account 207 to Account 211.

Energy Imbalance Amounts – Effective January 1, 2016, PSCo changed the FERC accounting treatment for the purchase of Energy Imbalance Services. This activity was previously recorded in FERC Account 565, Transmission of Electricity by Others. Based on the tariff, Energy Imbalance Service equates to the difference that occurs between the scheduled and the actual delivery of energy to the load, as such these charges relate to the purchase of energy and are properly recorded in FERC Account 555, Purchased Power.

Production Formula Rate True Ups – In 2016, the Production Formula Rate True Ups are treated as either a Regulatory Asset recorded in FERC Account 182.3 or as a Regulatory Liability recorded in FERC Account 254. In previous years these balances were recorded in FERC Account 173, Accrued Utility Revenues or in FERC Account 242, Miscellaneous Accrued Liabilities. This change aligns the treatment of Production Formula Rate True Ups with the treatment of Transmission Formula Rate True Ups.

Commodity Management Software Life True-up - Phase 4 of the Commodity Management Software was in-serviced in 2014 and assigned an incorrect life of 5 years rather than 10 years as was determined for Phases 1 through 3 of the project. A correction was made to update the remaining life on these assets to 10 years effective in March 2016, and PSCo recorded an expense true-up to reverse the excess depreciation taken under the previously assigned life. This asset is recorded as Common General Plant in FERC Account 303, Miscellaneous Intangible Plant (Software). The true-up to Common Depreciation and Amortization expense is \$431,000.

IV. GAAP-Related Items

Presentation of Debt Issuance Costs—In April 2015, the FASB issued Simplifying the Presentation of Debt Issuance Costs, Subtopic 835-30(ASU No. 2015-03), which requires the presentation of debt issuance costs on the balance sheet as a deduction from the carrying amount of the related debt, instead of presentation as an asset. Xcel Energy implemented the new guidance as required on Jan. 1, 2016, and there was no change to the FERC treatment of debt issuance costs.

Presentation of Deferred Taxes — In November 2015, the FASB issued Balance Sheet Classification of Deferred Taxes, Topic 740 (ASU No. 2015-17), which eliminates the requirement to present deferred tax assets and liabilities as current and noncurrent on the consolidated balance sheet based on the classification of the related asset or liability, and instead requires classification of all deferred tax assets and liabilities as noncurrent. Xcel Energy early adopted the new guidance in the fourth quarter of 2016 for purposes of its GAAP financial statements, however there was no change to the FERC balance sheet presentation of deferred taxes, which requires presentation of deferred taxes in FERC accounts 190, 281, 282 and 283.

Interest on Customer-related Activity - In 2016, PSCo began recording interest on customer-related activity to Operating Income. Previously this had been reported as Non-operating Income. There was no change to the FERC reporting of this activity. The impact of the change to Operating Income was as follows (amounts shown in debit/credit format):

Operating Revenue – Electric:	(\$1,878,960.42)
Operating Revenue – Natural Gas:	\$64,558.39
Operating Expense – Electric Fuel and Purchased Power:	\$3,209,200.56
Operating Expense – Cost of sales – steam and other:	(\$1,357.58)

Interest on customer-related activity now follows the underlying transactions and is recorded to the same accounts. For example, interest on the Renewable Energy Standard Adjustment (RESA) follows the RESA transactions to Electric Fuel and Purchased Power, regardless of whether the interest for a given period is income or expense.

V. FERC Ratemaking Orders Applicable to the Formula Rate

Ancillary Service Schedule Tariff Revisions for Wind Integration – On March 3, 2016, the Commission issued a Letter Order accepting the Settlement Agreement filed on October 19, 2015 in Docket No. ER14-1969. Under the Settlement Agreement, the Company will make several revisions to the Xcel Energy Operating Companies Joint Open Access Transmission Tariff (OATT) relating to the provision of certain ancillary services effective January 1, 2015. On April 4, 2016, the Company made a Compliance filing to implement the Settlement Agreement that provides for changes to Ancillary Service Schedules 3, 3A and 16 of the OATT. On June 16, 2016, the Commission issued a Letter Order approved the Company's Compliance filing.

Ancillary Service Schedule Revisions to Transmission Formula Template for Wind Integration – On June 13, 2016, the Company filed to modify the Transmission formula rate template for revisions to the Regulation and Frequency Response Service and the Flex Reserve Service in order to ensure compliance with the tariff records approved by the Commission in Docket No. ER14-1969, effective January 1, 2015, in Docket Nos. ER16-1916 and ER16-1917. The changes are ministerial, and included: (A) incorporating workpapers to the formula rates for the calculation of Schedules 3, 3A, and 16; (B) incorporating necessary revisions to ensure the

revenue credits are calculated correctly; and (C) modifying certain terms in the tariff records for Schedules 3, 3A, and 16, consistent with the intent of the parties to the Settlement Agreement. On August 11, 2016, the Commission issued a Letter order approving the Company's filing.

Ancillary Service Schedule Credit Revisions to Production Formula Rate Template for Wind Integration – On June 13, 2016, the Company filed to modify the Production Formula Rate Template for credits associated with the provision of Regulation and Frequency Response Service and the Flex Reserve Service in order to ensure compliance with the tariff records approved by the Commission in Docket No. ER14-1969, effective January 1, 2015, in Docket Nos. ER16-1918 and ER16-1919. On August 11, 2016, the Commission issued a Letter order approving the Company's filing.

Transmission Loss Factors – On March 17, 2016, the Commission issued a Letter Order accepting the Settlement Agreement to reduce the Company's Loss Factors filed on December 31, 2015 in Docket No. ER15-266. Under the Settlement Agreement, the Company updated the transmission and distribution loss factors applicable to transmission service on PSCo's transmission and distribution systems in PSCo's Balancing Area Authority, under the OATT, effective January 1, 2014. On April 18, 2016, the Company made a Compliance filing to update the OATT for these changes in the Settlement Loss Factors. On May 9, 2016, the Company filed to revise its wholesale production formula rates, including the FCA, to reflect the losses underlying the Settlement Loss Factors approved by the Commission in accordance with the Settlement, to be effective as of January 1, 2014 in Docket No. ER16-1650. On June 28, 2016, the Commission issued Letter Orders approving the Company's Compliance filing to update the Settlement Loss Factors in the OATT and approving the Company's filing to revise its wholesale production formula rates, including the FCA.

Proration of Accumulated Deferred Income Taxes – On April 12, 2016, the Commission approved the Company's proposed revisions to its transmission and production formula rate templates to prorate its Accumulated Deferred Income Taxes ("ADIT"), filed on November 2, 2015. The Company's filings were made to ensure it has calculated ADIT in accordance with the proration formula in IRS regulation section 1.167(1)-1(h)(6), effective January 1, 2016. On May 12, the Company made a Compliance filing to implement the changes in the tariff in Docket Nos. ER16-236-002 and ER16-239-002. On August 9, 2016 and August 16, 2016, the Commission issued Letter Orders approving the Company's Compliance filings.

Revisions to Production Formula Rate Template Implementation Procedures eTariff Records – On January 11, 2016, the Company filed to correct the eTariff record version of Appendix B which comports with the Appendix B Implementation Procedures attached to the 2012 Settlement in Docket No. ER11-2853-000, in Docket No. ER16-713-000. PSCo requested the eTariff record be accepted for filing effective September 1, 2011, the effective date of the other compliance revisions to the PSCo Tariff included with the July 25, 2012 compliance filing and accepted by the Compliance Letter Order. On March 20, 2016, the Commission issued a Letter Order approving the Company's filing.

Refiling of Current Market Tariff Records – On April 15, 2016, the Company filed an administrative filing to migrate the Tariff Records currently filed under PSCo's Tariff ID 1000 (PSCo Market Tariffs) to new Tariff ID 1001, in Docket No. ER16-1428-000, effective April 16, 2016. The Company has recently transitioned to a new electronic tariff (or "eTariff") filing software product. This and all other filings related to the migration effort do not substantively alter PSCo's tariffs, service agreements or rates schedules. In addition, on April 15, 2016, the Company filed to cancel PSCo's Tariff ID 1000, in Docket No. ER16-1436-000. On June 9, 2016 and June 29, 2016, the Commission issued Letter Orders approving the Company's filings.

Refiling of Current Open Access Transmission Tariff (“OATT”) Records – On April 15, 2016, the Company filed an administrative filing to migrate the Tariff Records currently filed under PSCo’s Tariff ID 2000 to new Tariff ID 2001, in Docket No. ER16-1422-000, effective April 16, 2016. The Company has recently transitioned to a new electronic tariff (or “eTariff”) filing software product. This and all other filings related to the migration effort do not substantively alter PSCo’s tariffs, service agreements or rates schedules. In addition, on April 15, 2016, the Company filed to cancel PSCo’s Tariff ID 2000, in Docket No. ER16-1427-000. On June 9, 2016 and August 16, 2016, the Commission issued Letter Orders approving the Company’s filings.

Cherokee Units 5, 6 and 7 Depreciation Rates – On May 18, 2016, the Company filed to include the addition of an initial depreciation rate for Cherokee Units 5, 6 and 7 in its production and transmission formula rate templates effective July 29, 2015, the date the units were placed in service, in Docket Nos. ER16-1730, ER16-1731, ER16-1733, and ER16-1734 . On June 30, 2016, the Commission issued a Letter Order approving the Company’s filing.

Burlington Wheeling Changes in the Production Formula Rate Template – On June 20, 2016, the Company filed to revise the Production Formula Rate Template to provide consistency between the Burlington Purchase Power Agreement and the PSCo Tariff to reflect that the charges associated with the new wheeling arrangement accepted in Docket No. ER14-2567 should no longer be billed to Burlington under the PSCo Tariff’s formula rate, in Docket Nos. ER16-1961-000 and ER16-1963-000, effective October 1, 2014. On August 12, 2016, the Commission issued a Letter Order approving the Company’s filing.

Update to Revenue Credits for Ancillary Services in Production Formula Rate Template – On July 19, 2016, the Company filed to revise the Production Formula Rate Template to simplify the revenue credit determination and the ability for customers to validate credits. The filing has no impact on rates. The Company requested an effective date of September 16, 2016, in Docket No. ER16-2232-000. On September 13, 2016, the Commission issued a Letter Order approving the Company’s filing.

Transmission Formula Rate Template Ministerial Filing – On September 16, 2016, PSCo filed to modify its Transmission Formula Rate Template. The revisions are ministerial in nature and are necessary, in part, to reflect a new SAP general ledger accounting system adopted by the Xcel Energy Services Inc. and the Xcel Energy Operating Companies for fiscal year 2016 (Docket Nos. ER16-2697-000 and ER16-2598-000). On November 9, 2016, the Commission issued a Letter Order approving the Company’s filing.

Production Formula Rate Template Ministerial Filing – On September 27, 2016, PSCo filed to modify its Production Formula Rate Template. The revisions are ministerial in nature and are necessary, in part, to reflect a new SAP general ledger accounting system adopted by the Xcel Energy Services Inc. and the Xcel Energy Operating Companies for fiscal year 2016 (Docket Nos. ER16-2673-000 and ER16-2674-000). On November 22, 2016, PSCo filed a motion to withdraw the filings. Through informal discussions with Commission Staff, PSCo became aware of certain apparent errors in the production formula rate template references, and therefore, determined that it should withdraw the filings, and then resubmit the proposed revisions to the PSCo Tariff production formula rate templates to correct the reference errors, with the same effective dates as proposed in these dockets. On December 7, 2016, PSCo refiled to modify its Production Formula Rate Template, with the reference errors corrected (Docket Nos. ER17-500-000 and ER17-501-000). On January 1, 2016, the Commission issued a Letter Order approving the Company’s filing.

VI. Service Company Statistical Change to Specific Allocators

Updated Methodology for the Rate and Regulation Service Function – As a result of the 2015 Affiliate Interest filing with the Minnesota Public Utilities Commission, Xcel Energy Services Inc. updated the method for allocating costs incurred by the Rates and Regulation service function to use the newly created Direct Labor Ratio starting January 1, 2016. A definition of the new ratio is below and it replaces the use of the Revenue Ratio as the method for allocating costs. It also removes the option of using the Labor Dollars ratio.

Direct Labor Ratio – Based on fully-loaded direct-charged Rates and Regulation labor dollars charged to individual operating affiliates by the Rates and Regulation service function. The numerator of which is the fully-loaded direct-charged labor dollars to individual operating affiliates by Rates and Regulation service function and the denominator of which is the total fully-loaded direct-charged labor dollars to all affiliates by the Rates and Regulation service function.

VII. Other

There were no material changes.