The Company has listed below any material changes that have taken effect since January 1, 2015. For additional information, please refer to the Public Service Company of Colorado FERC Form 1 for Q4 2015, Notes to Financial Statements.

I. FERC Uniform System of Accounts Changes

There were no material changes

II. FERC Form No. 1 Reporting Requirements Changes

Demand sales made to wholesale customers under the Comanche 3 back-up service agreements are now excluded from the peak kW quantities listed in FERC Form 1, page 401b; and from the Wholesale production formula template (Schedule I) used to develop the Production Demand rates and true-ups. Demand sales volumes have also been adjusted to include the volume equivalent sales associated with the Comanche 3 back-up service revenues. This refinement to the peak demand calculations in the FERC Form 1 is reflected in 2015 reports and prospectively.

III. Accounting Policy/Practice Changes

Asset Relocations – Asset relocation costs can now be capitalized if the location of an existing in-service asset interferes with the ability to complete a current capital construction project. The relocation must be completed during the construction period and must be an Xcel Energy project. This change was implemented on a prospective basis only.

IV. GAAP-Related Items

Revenue Recognition — In May 2014, the FASB issued Revenue from Contracts with Customers, Topic 606 (ASU No. 2014-09), which provides a framework for the recognition of revenue, with the objective that recognized revenues properly reflect amounts an entity is entitled to receive in exchange for goods and services. The new guidance also includes additional disclosure requirements regarding revenue, cash flows and obligations related to contracts with customers. As a result of the FASB’s July 2015 deferral of the standard’s required implementation date, the guidance is effective for interim and annual reporting periods beginning after December 15, 2017. PSCo is currently evaluating the impact of adopting ASU 2014-09 on its financial statements.

Consolidation — In February 2015, the FASB issued Amendments to the Consolidation Analysis, Topic 810 (ASU No. 2015-02), which reduces the number of consolidation models and amends certain consolidation principles related to variable interest entities. This guidance will be effective for interim and annual reporting periods beginning after December 15, 2015, and early adoption is permitted. PSCo does not expect the implementation of ASU 2015-02 to have a material impact on its financial statements.

Presentation of Debt Issuance Costs — In April 2015, the FASB issued Simplifying the Presentation of Debt Issuance Costs, Subtopic 835-30 (ASU No. 2015-03), which amends existing guidance to require the presentation of debt issuance costs on the balance sheet as a deduction from the carrying amount of the related debt, instead of an asset. This guidance will be effective for interim and annual reporting periods beginning after December 15, 2015, and early adoption is permitted. Other than the prescribed reclassification of assets to an offset of debt on the balance sheets, PSCo does not expect the implementation of ASU 2015-03 to have a material impact on its financial statements.

Fair Value Measurement — In May 2015, the FASB issued Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), Topic 820 (ASU No. 2015-07), which removes the requirement to categorize fair value measurements using a net asset value methodology in the fair value hierarchy. This guidance will be effective on a retrospective basis, effective for interim and annual reporting periods beginning after December 15, 2015, and early adoption is permitted. Other than the reduced disclosure requirements, PSCo does not expect the implementation of ASU 2015-07 to have a material impact on its financial statements.

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

V. FERC Ratemaking Orders Applicable to the Formula Rate

Compliance Filing to Implement ROE Settlement Agreement – On October 28, 2014, the Commission issued a Letter Order accepting the uncontested Settlement Agreement filed on September 2, 2014 in Docket Nos. ER12-1589, EL12-77 and EL13-86. Pursuant to the October 28, 2014 Order, on December 3, 2014, the Company made a Compliance filing to implement the approved Settlement Agreement to lower the Return on Equity to 9.72% in the Production and Transmission Formula Rate Templates. On January 28, 2015, the Commission approved the Company's December 3, 2014 Compliance Filings.

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. We are waiting for Commission approval of the Compliance 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. We are waiting for Commission approval of the Compliance filing. 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.

Proration of Accumulated Deferred Income Taxes – On April 12, 2016, the Commission approved the Company's proposed revisions to its transmission formula rate and production formula rate templates to prorate its Accumulated Deferred Income Taxes (ADIT), filed on November 2, 2015 in Docket Nos. ER16-236 and ER16-239. The Company's filing was 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, 2016, the Company made a Compliance filing to implement the changes in the tariff. We are waiting for Commission approval of the Compliance filing.

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 and ER16-1733. The case is currently pending.

VI. Service Company Statistical Change to Specific Allocators

There were no material changes.

VII. Other

Retail Deferral of Employee Pension Expenses – On February 24, 2015, the Colorado Public Utilities Commission approved a Settlement Agreement in PSCo's 2014 Electric Rate Case, in Proceeding No. 14AL-0660E, that established a pension tracking mechanism. PSCo is allowed to defer retail employee pension expenses above a certain baseline in a regulatory asset account and will be able to recover the deferred expenses in a future retail rate case. In 2015, employee pension expenses were greater than the baseline, and therefore, PSCo recorded a regulatory asset and correspondingly reduced FERC Account 926, Employee Pension and Benefits expenses by $1,759,831. For purposes of the Transmission Formula Rate template, the pension expense deferral amount recorded to FERC Account 926 was reversed on Table 18, Workpaper C-2.

Consolidated Appropriations Act, 2016 - In December 2015, the Consolidated Appropriations Act, 2016 (Act) was signed into law. The Act provides for the following:

- Immediate expensing, or "bonus depreciation," of 50 percent for property placed in service in 2015, 2016, and 2017; 40 percent for property placed in service in 2018; and 30 percent for property placed in service in 2019. Additionally, some longer production period property placed in service in 2020 will be eligible for bonus depreciation;

- Productions tax credits (PTCs) at 100 percent of the credit rate ($0.023 per kilowatt hour (KWh)) for wind energy projects that begin construction by the end of 2016; 80 percent of the credit rate for projects that begin construction in 2017; 60 percent of the credit rate for projects that begin construction in 2018; and 40 percent of the credit rate for projects that begin construction in 2019. The wind energy PTC was not extended for projects that begin construction after 2019;
- Investment tax credits (ITCs) at 30 percent for commercial solar projects that begin construction by the end of 2019; 26 percent for projects that begin construction in 2020; 22 percent for projects that begin construction in 2021; and 10 percent for projects thereafter;
- Research and experimentation (R&E) credit was permanently extended; and
- Delay of two years (until 2020) of the excise tax on certain employer-provided health insurance plans.

The accounting related to the Act was recorded beginning in the fourth quarter of 2015 because a change in tax law is accounted for beginning in the period of enactment.