Section 1: 10-Q (10-Q)

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, 2017
or

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

Commission File Number: 001-3280

Public Service Company of Colorado
(Exact name of registrant as specified in its charter)

Colorado	**84-0296600**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1800 Larimer, Suite 1100	
Denver, Colorado	**80202**
(Address of principal executive offices)	(Zip Code)

(303) 571-7511
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 and 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 and post 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 ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐
(Do not check if 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.

Class	Outstanding at July 28, 2017
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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PART I — FINANCIAL INFORMATION

This Form 10-Q is filed by Public Service Company of Colorado, a Colorado corporation (PSCo). PSCo is a wholly owned subsidiary of Xcel Energy Inc. Xcel Energy Inc. wholly owns the following subsidiaries: Northern States Power Company, a Minnesota corporation (NSP-Minnesota); Northern States Power Company, a Wisconsin corporation (NSP-Wisconsin); PSCo; and Southwestern Public Service Company, a New Mexico corporation (SPS). NSP-Minnesota, NSP-Wisconsin, PSCo and SPS are also referred to collectively as utility subsidiaries. Additional information on Xcel Energy Inc. and its subsidiaries (collectively, Xcel Energy) is available on various filings with the Securities and Exchange Commission (SEC).

PART I — FINANCIAL INFORMATION

Item 1 — FINANCIAL STATEMENTS

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Operating revenues				
Electric	$ 729,920	$ 722,569	$ 1,441,308	$ 1,440,031
Natural gas	192,777	178,481	548,913	506,975
Steam and other	8,219	8,802	21,229	20,687
Total operating revenues	930,916	909,852	2,011,450	1,967,693
Operating expenses				
Electric fuel and purchased power	279,522	275,955	568,349	571,885
Cost of natural gas sold and transported	70,258	59,327	266,660	227,803
Cost of sales — steam and other	3,507	3,429	7,893	7,210
Operating and maintenance expenses	187,907	200,946	373,508	379,332
Demand side management expenses	29,928	29,356	58,032	57,079
Depreciation and amortization	117,513	109,909	232,507	218,790
Taxes (other than income taxes)	49,470	50,301	99,268	101,775
Total operating expenses	738,105	729,223	1,606,217	1,563,874
Operating income	192,811	180,629	405,233	403,819
Other income, net	1,832	844	5,549	1,293
Allowance for funds used during construction — equity	6,341	4,053	10,949	8,371
Interest charges and financing costs				
Interest charges — includes other financing costs of $1,543, $1,725, $3,064 and $3,464, respectively	46,424	46,570	92,306	92,318
Allowance for funds used during construction — debt	(2,438)	(1,617)	(4,344)	(3,227)
Total interest charges and financing costs	43,986	44,953	87,962	89,091
Income before income taxes	156,998	140,573	333,769	324,392
Income taxes	56,411	53,229	121,636	121,174
Net income	$ 100,587	$ 87,344	$ 212,133	$ 203,218

See Notes to Consolidated Financial Statements

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Net income	$ 100,587	$ 87,344	$ 212,133	$ 203,218
Other comprehensive income (loss)				
Pension and retiree medical benefits:				
Amortization of losses (gains) included in net periodic benefit cost, net of tax of $1, $1, $2 and $(134), respectively	1	2	2	(217)
Derivative instruments:				
Net fair value increase, net of tax of $0, $3, $0, and $2, respectively	—	4	—	2
Reclassification of losses to net income, net of tax of $153, $161, $305, and $324, respectively	250	262	496	526
Other comprehensive income	251	268	498	311
Comprehensive income	$ 100,838	$ 87,612	$ 212,631	$ 203,529

See Notes to Consolidated Financial Statements

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

	Six Months Ended June 30	
	2017	**2016**
Operating activities		
Net income	$ 212,133	$ 203,218
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	234,143	220,027
Demand side management program amortization	672	1,466
Deferred income taxes	126,252	126,796
Amortization of investment tax credits	(1,401)	(1,402)
Allowance for equity funds used during construction	(10,949)	(8,371)
Net realized and unrealized hedging and derivative transactions	1,951	(372)
Other	—	(388)
Changes in operating assets and liabilities:		
Accounts receivable	24,042	55,101
Accrued unbilled revenues	81,649	69,983
Inventories	38,452	39,833
Prepayments and other	(4,837)	34,979
Accounts payable	(51,894)	(22,032)
Net regulatory assets and liabilities	(2,499)	(37,452)
Other current liabilities	(67,418)	(72,786)
Pension and other employee benefit obligations	(16,543)	(15,676)
Change in other noncurrent assets	(717)	(337)
Change in other noncurrent liabilities	(228)	(18,169)
Net cash provided by operating activities	562,808	574,418
Investing activities		
Utility capital/construction expenditures	(609,369)	(524,086)
Proceeds from insurance recoveries	—	608
Allowance for equity funds used during construction	10,949	8,371
Investments in utility money pool arrangement	(777,000)	(437,000)
Repayments from utility money pool arrangement	625,000	437,000
Other, net	(657)	(1,460)
Net cash used in investing activities	(751,077)	(516,567)
Financing activities		
Repayments of short-term borrowings, net	(129,000)	(14,000)
Borrowings under utility money pool arrangement	40,000	123,000
Repayments under utility money pool arrangement	(40,000)	(83,000)
Proceeds from issuance of long-term debt	394,611	244,830
Repayments of long-term debt	—	(129,500)
Capital contributions from (to) parent	82,475	(31,162)
Dividends paid to parent	(161,312)	(167,288)
Other	(110)	—
Net cash provided by (used in) financing activities	186,664	(57,120)
Net change in cash and cash equivalents	(1,605)	731
Cash and cash equivalents at beginning of period	5,926	3,585
Cash and cash equivalents at end of period	$ 4,321	$ 4,316
Supplemental disclosure of cash flow information:		

Cash paid for interest (net of amounts capitalized)	$	(84,452)	$	(87,649)
Cash (paid) received for income taxes, net		(12,195)		40,849
Supplemental disclosure of non-cash investing transactions:				
Property, plant and equipment additions in accounts payable	$	103,774	$	75,934

See Notes to Consolidated Financial Statements

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

	June 30, 2017	Dec. 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 4,321	$ 5,926
Accounts receivable, net	278,981	304,900
Accounts receivable from affiliates	17,269	9,421
Investments in utility money pool arrangement	152,000	—
Accrued unbilled revenues	215,429	297,078
Inventories	166,938	202,220
Regulatory assets	79,221	103,783
Derivative instruments	4,190	10,934
Prepayments and other	39,396	34,559
Total current assets	957,745	968,821
Property, plant and equipment, net	13,265,886	12,849,799
Other assets		
Regulatory assets	966,270	958,429
Derivative instruments	888	3,398
Other	27,362	25,637
Total other assets	994,520	987,464
Total assets	$ 15,218,151	$ 14,806,084
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	$ 5,303	$ 5,270
Short-term debt	—	129,000
Accounts payable	362,799	376,186
Accounts payable to affiliates	40,034	98,797
Regulatory liabilities	87,657	101,110
Taxes accrued	99,774	171,862
Accrued interest	49,290	48,619
Dividends payable to parent	83,978	74,208
Derivative instruments	6,259	6,788
Other	74,509	73,022
Total current liabilities	809,603	1,084,862
Deferred credits and other liabilities		
Deferred income taxes	3,021,402	2,889,129
Deferred investment tax credits	29,260	30,661
Regulatory liabilities	505,132	512,933
Asset retirement obligations	295,648	289,563
Derivative instruments	5,259	7,828
Customer advances	160,021	162,742
Pension and employee benefit obligations	269,306	285,774
Other	61,383	62,201
Total deferred credits and other liabilities	4,347,411	4,240,831
Commitments and contingencies		
Capitalization		

Long-term debt	4,604,528	4,210,936
Common stock — 100 shares authorized at $0.01 par value; 100 shares outstanding at June 30, 2017 and Dec. 31, 2016, respectively	—	—
Additional paid in capital	3,778,821	3,633,216
Retained earnings	1,700,290	1,659,239
Accumulated other comprehensive loss	(22,502)	(23,000)
Total common stockholder's equity	5,456,609	5,269,455
Total liabilities and equity	$ 15,218,151	$ 14,806,084

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 accounting principles generally accepted in the United States of America (GAAP), the financial position of PSCo and its subsidiaries as of June 30, 2017 and Dec. 31, 2016; the results of its operations, including the components of net income and comprehensive income, for the three and six months ended June 30, 2017 and 2016; and its cash flows for the six months ended June 30, 2017 and 2016. All adjustments are of a normal, recurring nature, except as otherwise disclosed. Management has also evaluated the impact of events occurring after June 30, 2017 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, 2016 balance sheet information has been derived from the audited 2016 consolidated financial statements included in the PSCo Annual Report on Form 10-K for the year ended Dec. 31, 2016. 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, 2016, filed with the SEC on Feb. 24, 2017. 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, 2016, appropriately represent, in all material respects, the current status of accounting policies and are incorporated herein by reference.

2. Accounting Pronouncements

Recently Issued

Revenue Recognition — In May 2014, the Financial Accounting Standards Board (FASB) issued *Revenue from Contracts with Customers, Topic 606 (Accounting Standards Update (ASU) No. 2014-09)*, which provides a new framework for the recognition of revenue. PSCo expects its adoption will result in increased disclosures regarding revenue, cash flows and obligations related to arrangements with customers, as well as separate presentation of alternative revenue programs. PSCo has not yet fully determined the impacts of adoption for several aspects of the standard, including a determination whether and how much an evaluation of the collectability of regulated electric and gas revenues will impact the amounts of revenue recognized upon delivery. PSCo currently expects to implement the standard on a modified retrospective basis, which requires application to contracts with customers effective Jan. 1, 2018, with the cumulative impact on contracts not yet completed as of Dec. 31, 2017 recognized as an adjustment to the opening balance of retained earnings.

Classification and Measurement of Financial Instruments — In January 2016, the FASB issued *Recognition and Measurement of Financial Assets and Financial Liabilities, Subtopic 825-10 (ASU No. 2016-01)*, which eliminates the available-for-sale classification for marketable equity securities and also replaces the cost method of accounting for non-marketable equity securities with a model for recognizing impairments and observable price changes. Under the new standard, other than when the consolidation or equity method of accounting is utilized, changes in the fair value of equity securities are to be recognized in earnings. This guidance will be effective for interim and annual reporting periods beginning after Dec. 15, 2017. PSCo expects that the overall impacts of the Jan. 1, 2018 adoption will not be material.

Leases — In February 2016, the FASB issued *Leases, Topic 842 (ASU No. 2016-02)*, which for lessees requires balance sheet recognition of right-of-use assets and lease liabilities for most leases. This guidance will be effective for interim and annual reporting periods beginning after Dec. 15, 2018. PSCo has not yet fully determined the impacts of implementation. However, adoption is expected to occur on Jan. 1, 2019 utilizing the practical expedients provided by the standard. As such, agreements entered prior to Jan. 1, 2017 that are currently considered leases are expected to be recognized on the consolidated balance sheet, including contracts for use of office space, equipment and natural gas storage assets, as well as certain purchased power agreements (PPAs) for natural gas-fueled generating facilities. PSCo expects that similar agreements entered after Dec. 31, 2016 will generally qualify as leases under the new standard, but has not yet completed its evaluation of certain other contracts, including arrangements for the secondary use of assets, such as land easements.

Presentation of Net Periodic Benefit Cost — In March 2017, the FASB issued *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, Topic 715 (ASU No. 2017-07)*, which establishes that only the service cost element of pension cost may be presented as a component of operating income in the income statement. Also under the guidance, only the service cost component of pension cost is eligible for capitalization. PSCo has not yet fully determined the impacts of adoption of the standard, but expects that as a result of application of accounting principles for rate regulated entities, a similar amount of pension cost, including non-service components, will be recognized consistent with the current ratemaking treatment and that the impacts of adoption will be limited to changes in classification of non-service costs in the consolidated statement of income. This guidance will be effective for interim and annual reporting periods beginning after Dec. 15, 2017.

3. Selected Balance Sheet Data

(Thousands of Dollars)	June 30, 2017	Dec. 31, 2016
Accounts receivable, net		
Accounts receivable	$ 298,371	$ 324,512
Less allowance for bad debts	(19,390)	(19,612)
	$ 278,981	$ 304,900

(Thousands of Dollars)	June 30, 2017	Dec. 31, 2016
Inventories		
Materials and supplies	$ 71,245	$ 66,161
Fuel	54,485	66,429
Natural gas	41,208	69,630
	$ 166,938	$ 202,220

(Thousands of Dollars)	June 30, 2017	Dec. 31, 2016
Property, plant and equipment, net		
Electric plant	$ 12,455,436	$ 12,304,436
Natural gas plant	3,826,695	3,710,772
Common and other property	930,588	919,955
Plant to be retired [(a)]	17,820	31,839
Construction work in progress	658,741	484,340
Total property, plant and equipment	17,889,280	17,451,342
Less accumulated depreciation	(4,623,394)	(4,601,543)
	$ 13,265,886	$ 12,849,799

(a) In the second half of 2017, PSCo expects to both early retire Valmont Unit 5 and convert Cherokee Unit 4 from a coal-fueled generating facility to natural gas. PSCo also expects Craig Unit 1 to be early retired in approximately 2025. Amounts are presented net of accumulated depreciation.

4. Income Taxes

Except to the extent noted below, Note 7 to the consolidated financial statements included in PSCo's Annual Report on Form 10-K for the year ended Dec. 31, 2016 appropriately represents, in all material respects, the current status of other income tax matters, and are incorporated herein by reference.

Federal Audits — PSCo is a member of the Xcel Energy affiliated group that files a consolidated federal income tax return. The statute of limitations applicable to Xcel Energy's 2009 through 2013 federal income tax returns, following extensions, expires in December 2017.

In 2012, the Internal Revenue Service (IRS) commenced an examination of tax years 2010 and 2011, including a 2009 carryback claim. The IRS has proposed an adjustment to the federal tax loss carryback claims that would result in $14 million of income tax expense for the 2009 through 2011 claims, and the 2013 through 2015 claims. In 2016 the IRS audit team and Xcel Energy presented their cases to the Office of Appeals; however, the outcome and timing of a resolution is uncertain. PSCo is not expected to accrue any income tax expense related to this adjustment.

In the third quarter of 2015, the IRS commenced an examination of tax years 2012 and 2013. In the second quarter of 2017, the IRS proposed an adjustment to tax year 2012 that may impact Xcel Energy's net operating loss (NOL) and effective tax rate (ETR). Xcel Energy is evaluating the IRS' proposal and the outcome and timing of a resolution is uncertain.

State Audits — PSCo is a member of the Xcel Energy affiliated group that files consolidated state income tax returns. As of June 30, 2017, PSCo's earliest open tax year that is 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 — The 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 the 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 of cash to the taxing authority to an earlier period.

A reconciliation of the amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	**June 30, 2017**	**Dec. 31, 2016**
Unrecognized tax benefit — Permanent tax positions	$ 3.1	$ 2.9
Unrecognized tax benefit — Temporary tax positions	17.8	16.8
Total unrecognized tax benefit	$ 20.9	$ 19.7

The unrecognized tax benefit amounts were reduced by the tax benefits associated with NOL and tax credit carryforwards. The amounts of tax benefits associated with NOL and tax credit carryforwards are as follows:

(Millions of Dollars)	**June 30, 2017**	**Dec. 31, 2016**
NOL and tax credit carryforwards	$ (6.7)	$ (5.8)

It is reasonably possible that PSCo's amount of unrecognized tax benefits could significantly change in the next 12 months as the IRS Appeals and audit progress and state audits resume. As the IRS Appeals and audit progress, it is reasonably possible that the amount of unrecognized tax benefit could decrease up to approximately $11 million.

The payable for interest related to unrecognized tax benefits is partially offset by the interest benefit associated with NOL and tax credit carryforwards. A reconciliation of the beginning and ending amount of the payable for interest related to unrecognized tax benefits are as follows:

(Millions of Dollars)	**June 30, 2017**	**Dec. 31, 2016**
Payable for interest related to unrecognized tax benefits at beginning of period	$ (1.1)	$ (0.4)
Interest expense related to unrecognized tax benefits recorded during the period	(0.4)	(0.7)
Payable for interest related to unrecognized tax benefits at end of period	$ (1.5)	$ (1.1)

No amounts were accrued for penalties related to unrecognized tax benefits as of June 30, 2017 or Dec. 31, 2016.

5. Rate Matters

Except to the extent noted below, the circumstances set forth in Note 11 to the consolidated financial statements included in PSCo's Annual Report on Form 10-K for the year ended Dec. 31, 2016 and in Note 5 to PSCo's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, appropriately represent, in all material respects, the current status of other rate matters, and are incorporated herein by reference.

Pending and Recently Concluded Regulatory Proceedings — Colorado Public Utilities Commission (CPUC)

Multi-Year Natural Gas Rate Case — In June 2017, PSCo filed a multi-year request with the CPUC seeking to increase retail natural gas rates to recover capital investments and increased operating costs since PSCo's previous case in 2015. The request, detailed below, is based on forecast test years, a 10.0 percent return on equity (ROE) and an equity ratio of 55.25 percent.

Revenue Request (Millions of Dollars)	2018	2019	2020	Total
New revenue request	$ 63.2	$ 32.9	$ 42.9	$ 139.0
Pipeline System Integrity Adjustment (PSIA) revenue conversion to base rates [(a)]	—	93.9	—	93.9
Total	$ 63.2	$ 126.8	$ 42.9	$ 232.9
Expected Year-End Rate Base (Billions of dollars) [(b)]	$ 1.5	$ 2.3	$ 2.4	N/A

[(a)] The roll-in of PSIA rider revenue into base rates will not have an impact on customer bills or total revenue as these costs are already being recovered from customers through the rider. PSCo plans to request new PSIA rates for 2018 in November 2017. The recovery of new, incremental PSIA related investments in 2019 and 2020 are included in the base rate request.

[(b)] The additional rate base in 2019 predominantly reflects the roll-in of capital associated with the PSIA rider.

Final rates are expected to be effective in February 2018. In conjunction with the multi-year base rate step increases, PSCo is also proposing a stay-out provision and an earnings test through the end of 2020.

Annual Electric Earnings Test — PSCo must share with customers earnings that exceed the authorized ROE of 9.83 percent for 2015 through 2017, as part of an annual earnings test. In July 2017, the CPUC approved PSCo's 2016 earnings test, which does not result in any earnings sharing. The current estimate of the 2017 earnings test, based on annual forecasted information, did not result in the recognition of a liability as of June 30, 2017.

6. Commitments and Contingencies

Except to the extent noted below and in Note 5 above, the circumstances set forth in Notes 11 and 12 to the consolidated financial statements included in PSCo's Annual Report on Form 10-K for the year ended Dec. 31, 2016 and in Notes 5 and 6 to the consolidated financial statements included in PSCo's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, appropriately represent, in all material respects, the current status of commitments and contingent liabilities and are incorporated herein by reference. The following include commitments, contingencies and unresolved contingencies that are material to PSCo's financial position.

PPAs

Under certain PPAs, PSCo purchases power from independent power producing entities that own natural gas fueled power plants for which PSCo is required to reimburse natural gas 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 associated independent power producing entity.

PSCo had approximately 1,571 megawatts (MW) of capacity under long-term PPAs as of June 30, 2017 and Dec. 31, 2016, with entities that have been determined to be variable interest entities. PSCo has 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. These agreements have expiration dates through 2032.

Environmental Contingencies

Manufactured Gas Plant (MGP) Sites — PSCo is currently involved in investigating and/or remediating MGP sites. PSCo has identified three sites where former MGP disposal activities have or may have resulted in site contamination and are under current investigation and/or remediation. At some or all of these sites, there may be parties that have responsibility for some portion of any remediation. PSCo anticipates that the majority of the investigation or remediation at these sites will continue through at least 2018. PSCo had accrued $1.7 million for these sites at June 30, 2017 and Dec. 31, 2016, respectively. There may be insurance recovery and/or recovery from other potentially responsible parties to offset any costs incurred. PSCo anticipates that any significant amounts incurred will be recovered from customers.

Environmental Requirements

Water and Waste

Federal Clean Water Act (CWA) Waters of the United States Rule — In 2015, the EPA and the U.S. Army Corps of Engineers (Corps) published a final rule that significantly expands the types of water bodies regulated under the CWA and broadens the scope of waters subject to federal jurisdiction. The final rule will subject more utility projects to federal CWA jurisdiction, thereby potentially delaying the siting of new generation projects, pipelines, transmission lines and distribution lines, as well as increasing project costs and expanding permitting and reporting requirements. In October 2015, the U.S. Court of Appeals for the Sixth Circuit issued a nationwide stay of the final rule and subsequently ruled that it, rather than the federal district courts, had jurisdiction over challenges to the rule. In January 2017, the U.S. Supreme Court agreed to resolve the dispute as to which court should hear challenges to the rule. A ruling is expected by the end of 2017.

In February 2017, President Trump issued an executive order requiring the EPA and the Corps to review and revise the final rule. On June 27, 2017, the agencies issued a proposed rule that rescinds the 2015 final rule and reinstates the prior 1986 definition of "Water of the U.S."

Air

Greenhouse Gas (GHG) Emission Standard for Existing Sources (Clean Power Plan or CPP) — In 2015, the EPA issued its final rule for existing power plants. Among other things, the rule requires that state plans include enforceable measures to ensure emissions from existing power plants achieve the EPA's state-specific interim (2022-2029) and final (2030 and thereafter) emission performance targets.

The CPP was challenged by multiple parties in the D.C. Circuit Court. In February 2016, the U.S. Supreme Court issued an order staying the final CPP rule. In September 2016, the D.C. Circuit Court heard oral arguments in the consolidated challenges to the CPP. The stay will remain in effect until the D.C. Circuit Court reaches its decision and the U.S. Supreme Court either declines to review the lower court's decision or reaches a decision of its own.

In March 2017, President Trump signed an executive order requiring the EPA Administrator to review the CPP rule and if appropriate, publish proposed rules suspending, revising or rescinding it. Accordingly, the EPA has requested that the D.C. Circuit Court hold the litigation in abeyance until the EPA completes its work under the executive order. The D.C. Circuit granted the EPA's request to hold the litigation in abeyance until June 27, 2017, and is considering briefs by the parties on whether the court should remand the challenges to the EPA rather than holding them in abeyance, to determine whether and how the court continues or ends the stay that currently applies to the CPP. On June 9, 2017, the EPA submitted a proposed rule to the Office of Management and Budget entitled "Review of the Clean Power Plan."

Revisions to the National Ambient Air Quality Standard (NAAQS) for Ozone — In 2015, the EPA revised the NAAQS for ozone by lowering the eight-hour standard from 75 parts per billion (ppb) to 70 ppb. The Denver Metropolitan Area is currently not meeting the prior ozone standard and will therefore not meet the new, more stringent standard, however PSCo's scheduled retirement of coal fired plants in Denver that began in 2011 and will be completed in August 2017, should help in any plan to mitigate non-attainment. In June 2017, the EPA announced that it is delaying designations of nonattainment areas under the 2015 ozone NAAQS to October 2018 to allow it to complete its review of the 2015 ozone NAAQS.

Legal Contingencies

PSCo is involved in various litigation matters that are being defended and handled 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 such losses that are 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, arising from such current proceedings would have a material effect on PSCo's financial statements. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Employment, Tort and Commercial Litigation

Line Extension Disputes — In December 2015, Development Recovery Company (DRC) filed a lawsuit in Denver State Court, stating PSCo failed to award proper allowances and refunds for line extensions to new developments pursuant to the terms of electric and gas service agreements entered into by PSCo and various developers. The dispute involves claims by over fifty developers. In May 2016, the district court granted PSCo's motion to dismiss the lawsuit, concluding that jurisdiction over this dispute resides with the CPUC. In June 2016, DRC appealed the district court's dismissal of the lawsuit, and the Colorado Court of Appeals affirmed the lower court decision in favor of PSCo. In July 2017, DRC filed a petition to appeal the decision with the Colorado Supreme Court. It is uncertain whether the Colorado Supreme Court will grant the petition. DRC also brought a proceeding before the CPUC as assignee on behalf of two developers, Ryland Homes and Richmond Homes of Colorado. In March 2016, the ALJ issued an order rejecting DRC's claims for additional allowances and refunds. In June 2016, the ALJ's determination was approved by the CPUC. DRC did not file a request for reconsideration before the CPUC contesting the decision, but filed an appeal in Denver District Court in August 2016. DRC has requested a hearing for oral arguments, which has yet to be granted or set by the Denver District Court.

PSCo has concluded that a loss is remote with respect to this matter as the service agreements were developed to implement CPUC approved tariffs and PSCo has complied with the tariff provisions. Also, if a loss were sustained, PSCo believes it would be allowed to recover these costs through traditional regulatory mechanisms. The amount or range in dispute is presently unknown and no accrual has been recorded for this matter.

7. Borrowings and Other Financing Instruments

Short-Term Borrowings

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, 2017	Year Ended Dec. 31, 2016
Borrowing limit	$ 250	$ 250
Amount outstanding at period end	—	—
Average amount outstanding	—	21
Maximum amount outstanding	—	141
Weighted average interest rate, computed on a daily basis	N/A	0.73%
Weighted average interest rate at period end	N/A	N/A

Commercial Paper **—** PSCo meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under its credit facility and the money pool. Commercial paper outstanding for PSCo was as follows:

(Amounts in Millions, Except Interest Rates)	Three Months Ended June 30, 2017	Year Ended Dec. 31, 2016
Borrowing limit	$ 700	$ 700
Amount outstanding at period end	—	129
Average amount outstanding	109	24
Maximum amount outstanding	260	154
Weighted average interest rate, computed on a daily basis	1.19%	0.70%
Weighted average interest rate at period end	N/A	0.95

Letters of Credit **—** PSCo uses letters of credit, generally with terms of one year, to provide financial guarantees for certain operating obligations. At each of June 30, 2017 and Dec. 31, 2016, there were $3 million of letters of credit outstanding under the credit facility. The contract amounts of these letters of credit approximate their fair value and are subject to fees.

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.

At June 30, 2017, PSCo had the following committed credit facility available (in millions of dollars):

Credit Facility (a)	Drawn (b)	Available
$ 700	$ 3	$ 697

(a) This credit facility expires in June 2021.
(b) Includes outstanding 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, 2017 and Dec. 31, 2016.

Long-Term Borrowings

PSCo issued $400 million of 3.80 percent first mortgage bonds due June 15, 2047.

8. Fair Value of Financial Assets and Liabilities

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires certain 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. The three levels in the hierarchy are as follows:

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.

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 the following:

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 (NAV).

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 extend to periods beyond those readily observable on active exchanges or quoted by brokers, the significance of the use of less observable forecasts of long-term 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 interest payments on certain floating rate debt obligations or 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.

At June 30, 2017, accumulated other comprehensive losses related to interest rate derivatives included $1.0 million of net losses expected to be reclassified into earnings during the next 12 months as the related hedged interest rate 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's risk management policy allows management to conduct these activities within guidelines and limitations as approved by its risk management committee, which is made up of management personnel not directly involved in the 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 in 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. PSCo recorded immaterial amounts to income related to the ineffectiveness of cash flow hedges for the three and six months ended June 30, 2016.

Additionally, 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.

The following table details the gross notional amounts of commodity forwards and options at June 30, 2017 and Dec. 31, 2016:

(Amounts in Thousands) (a)(b)	**June 30, 2017**	**Dec. 31, 2016**
Megawatt hours of electricity	10,690	6,283
Million British thermal units of natural gas	17,677	42,203

(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.

The following tables detail the impact of derivative activity during the three months ended June 30, 2017 and 2016, on accumulated other comprehensive loss, regulatory assets and liabilities, and income:

(Thousands of Dollars)	Three Months Ended June 30, 2017				
	Pre-Tax Fair Value Losses Recognized During the Period in:		Pre-Tax Losses Reclassified into Income During the Period from:		
	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	Pre-Tax Losses Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ —	$ —	$ 403 (a)	$ —	$ —
Total	$ —	$ —	$ 403	$ —	$ —
Other derivative instruments					
Commodity trading	$ —	$ —	$ —	$ —	$ (192) (c)
Natural gas commodity	—	(1,621)	—	—	—
Total	$ —	$ (1,621)	$ —	$ —	$ (192)

(Thousands of Dollars)	Six Months Ended June 30, 2017				
	Pre-Tax Fair Value Losses Recognized During the Period in:		Pre-Tax Losses Reclassified into Income During the Period from:		
	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	Pre-Tax Gains (Losses) Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ —	$ —	$ 801 (a)	$ —	$ —
Total	$ —	$ —	$ 801	$ —	$ —
Other derivative instruments					
Commodity trading	$ —	$ —	$ —	$ —	$ 187 (c)
Natural gas commodity	—	(7,008)	—	282 (d)	(2,990) (d)
Total	$ —	$ (7,008)	$ —	$ 282	$ (2,803)

(Thousands of Dollars)	Three Months Ended June 30, 2016				
	Pre-Tax Fair Value Gains Recognized During the Period in:		Pre-Tax Losses Reclassified into Income During the Period from:		
	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	Pre-Tax Gains Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ —	$ —	$ 402 (a)	$ —	$ —
Vehicle fuel and other commodity	7	—	21 (b)	—	—
Total	$ 7	$ —	$ 423	$ —	$ —
Other derivative instruments					
Commodity trading	$ —	$ —	$ —	$ —	$ 211 (c)
Natural gas commodity	—	5,626	—	—	25 (d)
Total	$ —	$ 5,626	$ —	$ —	$ 236

(Thousands of Dollars)	Six Months Ended June 30, 2016 — Pre-Tax Fair Value Gains Recognized During the Period in: Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities	Pre-Tax Losses Reclassified into Income During the Period from: Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	Pre-Tax Gains (Losses) Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ —	$ —	$ 804 (a)	$ —	$ —
Vehicle fuel and other commodity	4	—	46 (b)	—	—
Total	$ 4	$ —	$ 850	$ —	$ —
Other derivative instruments					
Commodity trading	$ —	$ —	$ —	$ —	$ 228 (c)
Natural gas commodity	—	3,677	—	7,736 (d)	(3,236) (d)
Total	$ —	$ 3,677	$ —	$ 7,736	$ (3,008)

(a) Recorded to interest charges.

(b) Recorded to operating and maintenance (O&M) expenses.

(c) 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.

(d) Certain derivatives are utilized to mitigate natural gas price risk for electric generation and are recorded to electric fuel and purchased power, subject to cost-recovery mechanisms and reclassified to a regulatory asset, as appropriate. Amounts for the three and six months ended June 30, 2017 included no settlement gains or losses and $0.9 million of settlement gains, respectively. Amounts for the three and six months ended June 30, 2016 included an immaterial amount of settlement losses. The remaining derivative settlement gains and losses for the six months ended June 30, 2017 and 2016 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, 2017 and 2016. Therefore, no gains or losses from fair value hedges or related hedged transactions were recognized for these periods.

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. Given this assessment, as well as an assessment of the impact of PSCo's own credit risk when determining the fair value of derivative liabilities, the impact of credit risk was immaterial to the fair value of unsettled commodity derivatives presented in the consolidated balance sheets.

PSCo employs additional credit risk control mechanisms when appropriate, such as letters of credit, parental guarantees, standardized master netting agreements and termination provisions that allow for offsetting of positive and negative exposures. Credit exposure is monitored and, when necessary, the activity with a specific counterparty is limited until credit enhancement is provided.

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, 2017, five of PSCo's 10 most significant counterparties for these activities, comprising $5.9 million or 10 percent of this credit exposure, had investment grade credit ratings from Standard & Poor's, Moody's or Fitch Ratings. Four of the 10 most significant counterparties, comprising $21.7 million or 37 percent 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. Another of these significant counterparties, comprising $0.7 million or 1 percent of this credit exposure, had credit quality less than investment grade, based on ratings from external analysis. Eight of these significant counterparties are municipal or cooperative electric entities, or other utilities.

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 balance sheet, may require the posting of collateral or settlement of the contracts for various reasons, including if PSCo is unable to maintain its credit ratings. At June 30, 2017 and Dec. 31, 2016, there were no derivative instruments in a liability position with underlying contract provisions that required the posting of collateral or settlement of outstanding contracts if the credit ratings of PSCo were downgraded below investment grade.

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, 2017 and Dec. 31, 2016.

Recurring Fair Value Measurements — The following table presents, for each of the fair value hierarchy levels, PSCo's assets and liabilities measured at fair value on a recurring basis at June 30, 2017:

	June 30, 2017					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [(b)]	Total
Current derivative assets						
Other derivative instruments:						
Commodity trading	$ 702	$ 4,013	$ 2	$ 4,717	$ (3,220)	$ 1,497
Natural gas commodity	—	977	—	977	—	977
Total current derivative assets	$ 702	$ 4,990	$ 2	$ 5,694	$ (3,220)	2,474
PPAs [(a)]						1,716
Current derivative instruments						$ 4,190
Noncurrent derivative assets						
PPAs [(a)]						888
Noncurrent derivative instruments						$ 888
Current derivative liabilities						
Other derivative instruments:						
Commodity trading	$ 333	$ 3,986	$ 1	$ 4,320	$ (3,220)	$ 1,100
Total current derivative liabilities	$ 333	$ 3,986	$ 1	$ 4,320	$ (3,220)	1,100
PPAs [(a)]						5,159
Current derivative instruments						$ 6,259
Noncurrent derivative liabilities						
Other derivative instruments:						
Commodity trading	$ —	$ 11	$ —	$ 11	$ —	$ 11
Total noncurrent derivative liabilities	$ —	$ 11	$ —	$ 11	$ —	11
PPAs [(a)]						5,248
Noncurrent derivative instruments						$ 5,259

(a) During 2006, PSCo qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) 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, 2017. At June 30, 2017, derivative assets and liabilities include no obligations to return cash collateral or rights to reclaim cash collateral. The counterparty netting amounts presented exclude settlement receivables and payables and non-derivative amounts that may be subject to the same master netting agreements.

The following table presents, for each of the fair value hierarchy levels, PSCo's assets and liabilities measured at fair value on a recurring basis at Dec. 31, 2016:

	Dec. 31, 2016					
	Fair Value					
(Thousands of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [(b)]	Total
Current derivative assets						
Other derivative instruments:						
Commodity trading	$ 1,124	$ 5,453	$ —	$ 6,577	$ (5,137)	$ 1,440
Natural gas commodity	—	7,778	—	7,778	—	7,778
Total current derivative assets	$ 1,124	$ 13,231	$ —	$ 14,355	$ (5,137)	9,218
PPAs [(a)]						1,716
Current derivative instruments						$ 10,934
Noncurrent derivative assets						
Other derivative instruments:						
Natural gas commodity	$ —	$ 1,652	$ —	$ 1,652	$ —	$ 1,652
Total noncurrent derivative assets	$ —	$ 1,652	$ —	$ 1,652	$ —	1,652
PPAs [(a)]						1,746
Noncurrent derivative instruments						$ 3,398
Current derivative liabilities						
Other derivative instruments:						
Commodity trading	$ 1,386	$ 5,357	$ 22	$ 6,765	$ (5,137)	$ 1,628
Total current derivative liabilities	$ 1,386	$ 5,357	$ 22	$ 6,765	$ (5,137)	1,628
PPAs [(a)]						5,160
Current derivative instruments						$ 6,788
Noncurrent derivative liabilities						
PPAs [(a)]						$ 7,828
Noncurrent derivative instruments						$ 7,828

(a) During 2006, PSCo qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) 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 Dec. 31, 2016. At Dec. 31, 2016, derivative assets and liabilities include no obligations to return cash collateral or rights to reclaim cash collateral. The counterparty netting amounts presented exclude settlement receivables and payables and non-derivative amounts that may be subject to the same master netting agreements.

There were immaterial gains and losses recognized in earnings for Level 3 commodity trading derivatives in the three and six months ended June 30, 2017 and 2016.

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, 2017 and 2016.

Fair Value of Long-Term Debt

As of June 30, 2017 and Dec. 31, 2016, other financial instruments for which the carrying amount did not equal fair value were as follows:

	June 30, 2017		Dec. 31, 2016	
(Thousands of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	$ 4,609,831	$ 4,940,862	$ 4,216,206	$ 4,491,570

The fair value of PSCo's long-term debt is estimated based on recent trades and observable spreads from benchmark interest rates for similar securities. The fair value estimates are based on information available to management as of June 30, 2017 and Dec. 31, 2016, and given the observability of the inputs to these estimates, the fair values presented for long-term debt have been assigned a Level 2.

9. Other Income, Net

Other income, net consisted of the following:

(Thousands of Dollars)	Three Months Ended June 30 2017	Three Months Ended June 30 2016	Six Months Ended June 30 2017	Six Months Ended June 30 2016
Interest income	$ 609	$ 148	$ 984	$ 289
Other nonoperating income	1,326	747	4,747	1,080
Insurance policy expense	(103)	(51)	(182)	(76)
Other income, net	$ 1,832	$ 844	$ 5,549	$ 1,293

10. Segment Information

Operating results from the regulated electric utility and regulated natural gas utility are each separately and regularly reviewed by PSCo's chief operating decision maker. 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 utility, regulated natural gas utility and all other.

- PSCo's regulated electric utility segment generates, transmits and distributes electricity primarily in portions of Colorado. In addition, 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 commodity trading operations.
- PSCo's regulated natural gas utility segment transports, stores and distributes natural gas primarily in portions of Colorado.
- Revenues from operating segments not included above are below the necessary quantitative thresholds and are therefore included in the all other category. Those primarily include steam revenue, appliance repair services and nonutility 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.

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.

(Thousands of Dollars)	Regulated Electric	Regulated Natural Gas	All Other	Reconciling Eliminations	Consolidated Total
Three Months Ended June 30, 2017					
Operating revenues [(a)(b)]	$ 729,920	$ 192,777	$ 8,219	$ —	$ 930,916
Intersegment revenues	67	40	—	(107)	—
Total revenues	$ 729,987	$ 192,817	$ 8,219	$ (107)	$ 930,916
Net income	$ 87,403	$ 12,835	$ 349	$ —	$ 100,587

(Thousands of Dollars)	Regulated Electric	Regulated Natural Gas	All Other	Reconciling Eliminations	Consolidated Total
Three Months Ended June 30, 2016					
Operating revenues [(a)(b)]	$ 722,569	$ 178,481	$ 8,802	$ —	$ 909,852
Intersegment revenues	61	33	—	(94)	—
Total revenues	$ 722,630	$ 178,514	$ 8,802	$ (94)	$ 909,852
Net income (loss)	$ 79,328	$ 8,075	$ (59)	$ —	$ 87,344

[(a)] Operating revenues include $0 and $2 million of affiliate electric revenue for the three months ended June 30, 2017 and 2016.
[(b)] Operating revenues include $1 million of other affiliate revenue for the three months ended June 30, 2017 and 2016.

(Thousands of Dollars)	Regulated Electric	Regulated Natural Gas	All Other	Reconciling Eliminations	Consolidated Total
Six Months Ended June 30, 2017					
Operating revenues [(a)(b)]	$ 1,441,308	$ 548,913	$ 21,229	$ —	$ 2,011,450
Intersegment revenues	159	96	—	(255)	—
Total revenues	$ 1,441,467	$ 549,009	$ 21,229	$ (255)	$ 2,011,450
Net income	$ 163,547	$ 47,318	$ 1,268	$ —	$ 212,133

(Thousands of Dollars)	Regulated Electric	Regulated Natural Gas	All Other	Reconciling Eliminations	Consolidated Total
Six Months Ended June 30, 2016					
Operating revenues [(a)(b)]	$ 1,440,031	$ 506,975	$ 20,687	$ —	$ 1,967,693
Intersegment revenues	142	78	—	(220)	—
Total revenues	$ 1,440,173	$ 507,053	$ 20,687	$ (220)	$ 1,967,693
Net income	$ 151,864	$ 48,965	$ 2,389	$ —	$ 203,218

[(a)] Operating revenues include $1 million and $5 million of affiliate electric revenue for the six months ended June 30, 2017 and 2016, respectively.
[(b)] Operating revenues include $2 million of other affiliate revenue for the six months ended June 30, 2017 and 2016.

11. Benefit Plans and Other Postretirement Benefits

Components of Net Periodic Benefit Cost (Credit)

	Three Months Ended June 30			
	2017	2016	2017	2016
(Thousands of Dollars)	Pension Benefits		Postretirement Health Care Benefits	
Service cost	$ 6,820	$ 6,492	$ 192	$ 192
Interest cost	12,640	13,853	4,191	4,518
Expected return on plan assets	(17,134)	(17,692)	(5,476)	(5,575)
Amortization of prior service credit	(803)	(800)	(1,562)	(1,562)
Amortization of net loss	7,089	6,693	961	483
Net periodic benefit cost (credit)	8,612	8,546	(1,694)	(1,944)
Credits not recognized due to the effects of regulation	426	499	—	—
Net benefit cost (credit) recognized for financial reporting	$ 9,038	$ 9,045	$ (1,694)	$ (1,944)

(Thousands of Dollars)	Six Months Ended June 30 2017	2016	2017	2016
	Pension Benefits		Postretirement Health Care Benefits	
Service cost	$ 13,640	$ 12,958	$ 384	$ 384
Interest cost	25,280	27,702	8,382	9,036
Expected return on plan assets	(34,268)	(35,384)	(10,952)	(11,150)
Amortization of prior service credit	(1,606)	(1,607)	(3,124)	(3,124)
Amortization of net loss	14,178	13,386	1,922	966
Net periodic benefit cost (credit)	17,224	17,055	(3,388)	(3,888)
Credits not recognized due to the effects of regulation	1,162	1,265	—	—
Net benefit cost (credit) recognized for financial reporting	$ 18,386	$ 18,320	$ (3,388)	$ (3,888)

In January 2017, contributions of $150.0 million were made across four of Xcel Energy's pension plans, of which $16.8 million was attributable to PSCo. Xcel Energy does not expect additional pension contributions during 2017.

12. Other Comprehensive Income

Changes in accumulated other comprehensive loss, net of tax, for the three and six months ended June 30, 2017 and 2016 were as follows:

(Thousands of Dollars)	Three Months Ended June 30, 2017 Gains and Losses on Cash Flow Hedges	Defined Benefit and Postretirement Items	Total
Accumulated other comprehensive loss at April 1	$ (22,534)	$ (219)	$ (22,753)
Losses reclassified from net accumulated other comprehensive loss	250	1	251
Net current period other comprehensive income	250	1	251
Accumulated other comprehensive loss at June 30	$ (22,284)	$ (218)	$ (22,502)

(Thousands of Dollars)	Three Months Ended June 30, 2016 Gains and Losses on Cash Flow Hedges	Defined Benefit and Postretirement Items	Total
Accumulated other comprehensive loss at April 1	$ (23,574)	$ (219)	$ (23,793)
Other comprehensive income before reclassifications	4	—	4
Losses reclassified from net accumulated other comprehensive loss	262	2	264
Net current period other comprehensive income	266	2	268
Accumulated other comprehensive loss at June 30	$ (23,308)	$ (217)	$ (23,525)

(Thousands of Dollars)	Six Months Ended June 30, 2017 Gains and Losses on Cash Flow Hedges	Defined Benefit and Postretirement Items	Total
Accumulated other comprehensive loss at Jan. 1	$ (22,780)	$ (220)	$ (23,000)
Losses reclassified from net accumulated other comprehensive loss	496	2	498
Net current period other comprehensive income	496	2	498
Accumulated other comprehensive loss at June 30	$ (22,284)	$ (218)	$ (22,502)

(Thousands of Dollars)	Six Months Ended June 30, 2016 Gains and Losses on Cash Flow Hedges	Gains and Losses on Cash Flow Hedges	Total
Accumulated other comprehensive loss at Jan. 1	$ (23,836)	$ —	$ (23,836)
Other comprehensive loss before reclassifications	2	(219)	(217)
Losses reclassified from net accumulated other comprehensive loss	526	2	528
Net current period other comprehensive loss	528	(217)	311
Accumulated other comprehensive loss at June 30	$ (23,308)	$ (217)	$ (23,525)

Reclassifications from accumulated other comprehensive loss for the three and six months ended June 30, 2017 and 2016 were as follows:

(Thousands of Dollars)	Amounts Reclassified from Accumulated Other Comprehensive Loss	
	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016
Losses on cash flow hedges:		
Interest rate derivatives	$ 403 (a)	$ 402 (a)
Vehicle fuel derivatives	— (b)	21 (b)
Total, pre-tax	$ 403	$ 423
Tax benefit	(153)	(161)
Total, net of tax	$ 250	$ 262
Defined benefit pension and postretirement losses:		
Amortization of net loss	$ 2 (c)	$ — (c)
Total, pre-tax	2	—
Tax benefit	(1)	—
Total, net of tax	1	—
Total amounts reclassified, net of tax	$ 251	$ 262

(Thousands of Dollars)	Amounts Reclassified from Accumulated Other Comprehensive Loss	
	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Losses on cash flow hedges:		
Interest rate derivatives	$ 801 (a)	$ 804 (a)
Vehicle fuel derivatives	— (b)	46 (b)
Total, pre-tax	801	850
Tax benefit	(305)	(324)
Total, net of tax	$ 496	$ 526
Defined benefit pension and postretirement losses:		
Amortization of net loss	$ 4 (c)	$ — (c)
Total, pre-tax	4	—
Tax benefit	(2)	—
Total, net of tax	2	—
Total amounts reclassified, net of tax	$ 498	$ 526

(a) Included in interest charges.

(b) Included in O&M expenses.

(c) Included in the computation of net periodic pension and postretirement benefit costs. See Note 11 for details regarding these benefit plans.

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).

Financial Review

The following discussion and analysis by management focuses on those factors that had a material effect on PSCo's financial condition, results of operations and cash flows during the periods presented, or are expected to have a material impact in the future. It should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes to the consolidated financial statements. Due to the seasonality of PSCo's electric and natural gas sales, such interim results are not necessarily an appropriate base from which to project annual results.

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 are intended to be identified in this document by the words "anticipate," "believe," "estimate," "expect," "intend," "may," "objective," "outlook," "plan," "project," "possible," "potential," "should" and similar expressions. Actual results may vary materially. Forward-looking statements speak only as of the date they are made, and we expressly disclaim any obligation to update any forward-looking information. The following factors, in addition to those discussed 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, 2016 and subsequent securities filings), could cause actual results to differ materially from management expectations as suggested by such forward-looking information: general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of PSCo and its subsidiaries to obtain financing on favorable terms; business conditions in the energy industry; including the risk of a slow down in the U.S. economy or delay in growth, recovery, trade, fiscal, taxation and environmental policies in areas where PSCo has a financial interest; customer business conditions; actions of credit rating agencies; competitive factors including the extent and timing of the entry of additional competition in the markets served by PSCo and its subsidiaries; unusual weather; effects of geopolitical events, including war and acts of terrorism; cyber security threats and data security breaches; state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rates or have an impact on asset operation or ownership or impose environmental compliance conditions; structures that affect the speed and degree to which competition enters the electric and natural gas markets; costs and other effects of legal and administrative proceedings, settlements, investigations and claims; financial or regulatory accounting policies imposed by regulatory bodies; outcomes of regulatory proceedings; availability or cost of capital; and employee work force factors.

Results of Operations

PSCo's net income was approximately $212.1 million for 2017 year-to-date, compared with approximately $203.2 million for the same period of 2016. The increase is due to higher electric and natural gas margins and lower O&M expenses partially offset by increased depreciation.

Electric Revenues and Margin

Electric revenues and fuel and purchased power expenses are largely impacted by the fluctuation in the price of natural gas and coal used in the generation of electricity, but as a result of the design of fuel recovery mechanisms to recover current expenses, these price fluctuations have minimal impact on electric margin. The following table details the electric revenues and margin:

	Six Months Ended June 30	
(Millions of Dollars)	**2017**	**2016**
Electric revenues	$ 1,441	$ 1,440
Electric fuel and purchased power	(568)	(572)
Electric margin	$ 873	$ 868

The following tables summarize the components of the changes in electric revenues and electric margin for the six months ended June 30:

Electric Revenues

(Millions of Dollars)	2017 vs. 2016
Non-fuel riders	$ 3
Earnings test	2
Fuel and purchased power cost recovery	(6)
Other, net	2
Total increase in electric revenues	$ 1

Electric Margin

(Millions of Dollars)	2017 vs. 2016
Non-fuel riders	$ 3
Earnings test	2
Estimated impact of weather	(3)
Other, net	3
Total increase in electric margin	$ 5

Natural Gas Revenues and Margin

Total natural gas expense tends to vary with changing sales requirements and the cost of natural gas purchases. However, due to the design of purchased natural gas cost recovery mechanisms to recover current expenses for sales to retail customers, fluctuations in the cost of natural gas have little effect on natural gas margin. The following table details natural gas revenues and margin:

	Six Months Ended June 30	
(Millions of Dollars)	2017	2016
Natural gas revenues	$ 549	$ 507
Cost of natural gas sold and transported	(267)	(228)
Natural gas margin	$ 282	$ 279

The following tables summarize the components of the changes in natural gas revenues and natural gas margin for the six months ended June 30:

Natural Gas Revenues

(Millions of Dollars)	2017 vs. 2016
Purchased natural gas adjustment clause recovery	$ 38
Infrastructure and integrity rider	10
Retail rate decrease	(5)
Estimated impact of weather	(4)
Other, net	3
Total increase in natural gas revenues	$ 42

Natural Gas Margin

(Millions of Dollars)	2017 vs. 2016
Infrastructure and integrity rider	$ 10
Retail rate decrease	(5)
Estimated impact of weather	(4)
Other, net	2
Total increase in natural gas margin	$ 3

Non-Fuel Operating Expenses and Other Items

O&M Expenses — O&M expenses decreased $5.8 million, or 1.5 percent, for 2017 year-to-date. The decrease was primarily due to the timing of planned maintenance and overhauls and savings from cost management programs, partially offset by increases in employee benefits.

Allowance for Funds Used During Construction (AFUDC), Equity and Debt — AFUDC increased $3.7 million for 2017 year-to-date. The increase was primarily due to an increase in wind construction projects, particularly Rush Creek.

Depreciation and Amortization — Depreciation and amortization expense increased $13.7 million, or 6.3 percent, for 2017 year-to-date. The increase was primarily attributable to capital investments.

Income Taxes — Income tax expense increased $0.5 million for 2017 year-to-date. The increase in income tax expense was primarily due to higher pretax earnings in 2017, partially offset by increased permanent plant-related adjustments (e.g., AFUDC-equity) in 2017 and a tax expense for a state tax credit valuation allowance in 2016. The ETR was 36.4 percent for 2017 year-to-date, compared with 37.4 percent for the same period of 2016. The lower ETR in 2017 was primarily due to the adjustments referenced above.

Public Utility Regulation

Except to the extent noted below, the circumstances set forth in Public Utility Regulation included in Item 1 of PSCo's Annual Report on Form 10-K for the year ended Dec. 31, 2016 and Public Utility Regulation included in Item 2 of PSCo's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, appropriately represent, in all material respects, the current status of public utility regulation and are incorporated herein by reference.

Rush Creek Wind Ownership Proposal — In 2016, the CPUC granted PSCo a certificate of public convenience and necessity (CPCN) to build, own and operate a 600 MW wind generation facility in Colorado at Rush Creek. The CPCN includes a hard cost-cap of $1.096 billion (including transmission costs) and a capital cost sharing mechanism between customers and PSCo of 82.5 percent to customers and 17.5 percent to PSCo for every $10 million the project comes in below the cost-cap.

All major contracts required to complete the project have been executed including the Vestas turbine supply and balance of plant agreements. Vestas PTC components for safe harboring the facility have been fabricated and are currently being stored at Vestas facilities in Colorado. Construction of roads, collection systems, and foundations began in April 2017.

In June 2017, PSCo filed its report required under Colorado rules that require PSCo to consider Best Value Employment Metrics (BVEM) as a factor in selecting contractors for generation projects. On July 5, 2017, several building trades filed comments arguing that PSCo's Balance of Plant Contractor selection was inappropriate as it did not follow a more detailed and quantitative analysis. The trade unions argued that the BVEM deficiencies could be remedied through execution of a Project Labor Agreement on the project. PSCo filed its reply indicating that it satisfied the BVEM rule requirements on July 18, 2017, which was discussed by the CPUC on July 20, 2017. The CPUC took no action other than to request reconsideration of whether bidder's BVEM information can be provided as public information. PSCo is evaluating this request.

2016 Electric Resource Plan (ERP) — In May 2016, PSCo filed its 2016 ERP which included its estimated need for additional generation resources and its proposal to acquire those resources through a competitive Request for Proposal (RFP) process. The CPUC issued its decision on Phase I in late April 2017, approving the Phase I modeling assumptions to be used in Phase II and directed PSCo to file an updated capacity need prior to issuing any RFPs. PSCo plans to update the range of resource need to be considered within the competitive RFP process and issue the RFP in August 2017. The CPUC is expected to rule on the RFP results in the second quarter of 2018.

Advanced Grid Intelligence and Security — In July 2017, the CPUC approved PSCo's CPCN for implementation of its advanced grid initiative. The project incorporates installing advanced meters, implementing hardware and software applications to allow the distribution system to operate at a lower voltage (integrated volt-var optimization) and installing communications infrastructure. These major projects are expected to improve customer experience, enhance grid reliability and enable the implementation of new and innovative programs and rate structures.

In June 2017, the CPUC approved a settlement, which delayed the advanced meter deployment from 2017-2021 to 2019-2024. The total capital cost of the project is currently estimated to be approximately $537 million for 2017-2024. As a result of the settlement, approximately $120 million of capital investment was deferred to 2022-2024.

Decoupling Filing — In July 2016, PSCo filed a request with the CPUC to approve a partial decoupling mechanism, which would adjust annual revenues based on changes in weather normalized average use per customer for the residential and small commercial classes.

In July 2017, the CPUC issued a decision which approved the following key decisions regarding decoupling:

- Effective Jan. 1, 2018 through December 2023 (subject to establishing new rates in the next electric rate case);
- Applicable to the residential class and small commercial class;
- Based on total class revenues (subject to establishing the base period in the next electric rate case);
- Based on actual sales; and
- Subject to a soft cap of 3 percent on any annual adjustment.

PSCo plans to seek reconsideration of the order.

Boulder, Colo. Municipalization — In 2011, Boulder voters passed a ballot measure authorizing the formation of a municipal utility. In 2014, the Boulder City Council passed an ordinance to establish an electric utility. PSCo challenged the formation of this utility as premature because costs and system separation plans were not final. The Boulder District Court dismissed the case for lack of subject matter jurisdiction. PSCo appealed this decision. In September 2016, the Colorado Court of Appeals vacated the District Court's decision, and ultimately preserved PSCo's ability to challenge the utility formation. Boulder subsequently filed a Petition for Writ of Certiorari with the Colorado Supreme Court. The Supreme Court has not yet ruled whether it will exercise its discretion and review the petition.

In January 2015, the Boulder District Court affirmed a prior CPUC decision that Boulder cannot serve customers outside its city limits. The District Court also ruled the CPUC has jurisdiction over the transfer of any facilities to Boulder and how the systems are separated to preserve reliability, safety and effectiveness. In February 2015, the Boulder District Court also dismissed the condemnation action Boulder had filed. The CPUC must approve the separation plan before Boulder files its condemnation proceeding.

In July 2015, Boulder filed an application with the CPUC requesting approval of its proposed separation plan. PSCo filed a motion to dismiss Boulder's application. The CPUC dismissed a portion of Boulder's application, but allowed Boulder to supplement its application. Boulder filed its second supplemental application in September 2016. In March 2017, PSCo and other parties filed their testimony outlining their concerns about the Boulder separation plan and raised legal concerns about aspects of the plan.

In April 2017, despite extensive negotiations between PSCo and Boulder, the Boulder City Council voted to continue litigation for municipalization. Also, the CPUC ordered Boulder to file a third supplemental separation plan clearly laying out Boulder's proposal. Boulder proposed a plan that would cost approximately $75 million. Boulder proposed sharing of certain distribution and substation facilities and requested that PSCo be required to construct Boulder's new facilities and finance the construction. In June 2017, PSCo and other intervenors filed alternatives to Boulder's separation plan and opposed the sharing; contracting and financing aspects of the plan. Evidentiary hearings began July 26, 2017.

Mountain West Transmission Group (MWTG) — PSCo initiated discussions with six other transmission owners from the Rocky Mountain region to evaluate the merits of creating and operating pursuant to a joint transmission tariff that may increase wholesale market efficiency and improve regional transmission planning. In 2016, the MWTG established a non-binding memorandum of understanding to guide their process and issued a request for information to four established RTOs. In January 2017, the MWTG initiated preliminary discussions with the SPP to begin evaluation of the costs and benefits of MWTG participation in the SPP RTO. The CPUC has held informational meetings on certain issues including financial implications and reliability. If PSCo were to move forward with RTO participation, CPUC and FERC approval would be required. If approved, operations within the RTO would not be expected to begin until 2019, at the earliest. PSCo will evaluate its options later in 2017 and beyond.

Summary of Recent Federal Regulatory Developments

FERC

The FERC has jurisdiction over rates for electric transmission service in interstate commerce and electricity sold at wholesale, hydro facility licensing, natural gas transportation, asset transactions and mergers, accounting practices and certain other activities of PSCo, including enforcement of North American Electric Reliability Corporation mandatory electric reliability standards. State and local agencies have jurisdiction over many of PSCo's activities, including regulation of retail rates and environmental matters. See additional discussion in the summary of recent federal regulatory developments and public utility regulation sections of the PSCo Annual Report on Form 10-K for the year ended Dec. 31, 2016 and Quarterly Report on Form 10-Q for the quarterly period ended
March 31, 2017. In addition to the matters discussed below, see Note 5 to the consolidated financial statements for a discussion of other regulatory matters.

Status of FERC Commissioners — The FERC is normally comprised of five commissioners appointed by the President and confirmed by the Senate. There is currently only one sitting commissioner. Without three commissioners, the FERC does not have a quorum to act on contested matters. The lack of a quorum could affect the timing of FERC decisions on proposed rules or pending, newly submitted and future filings involving, among other things, contested electric rate matters and CPCNs for construction of interstate natural gas pipeline facilities to serve the utility subsidiaries. PSCo does not expect any disruption in operations or material delay in decisions on contested matters pending before the FERC. President Trump has submitted nominations to fill three of the vacant seats and has indicated his intent to submit one additional nomination. The three submitted nominations are pending confirmation by the full Senate.

Public Utility Regulatory Policies Act (PURPA) Enforcement Complaint against CPUC — In December 2016, Sustainable Power Group, LLC (sPower) petitioned the FERC to initiate an enforcement action in federal court against the CPUC under PURPA. The petition asserts that a December 2016 CPUC ruling, which indicated that a qualifying facility must be a successful bidder in a PSCo resource acquisition bidding process, violated PURPA and FERC rules. In January 2017, PSCo filed a motion to intervene and protest, arguing that the FERC should decline the petition. The CPUC filed a similar pleading. sPower has proposed to construct 800 MW of solar generation and 700 MW of wind generation in Colorado and seeks to require PSCo to contract for these resources under PURPA. If sPower were to prevail, PSCo's ability to select generation resources through competitive bidding would be negatively affected. However, due to a lack of quorum at the FERC, the FERC did not act on that petition within the sixty days contemplated by PURPA. Subsequently sPower filed a complaint for declaratory and injunctive relief in the United States District Court for the District of Colorado (District Court) requesting that the court find the bidding requirement in the CPUC qualifying facility rules to be unlawful. PSCo has intervened in that proceeding and the CPUC has filed a motion to dismiss. In June 2017, the United States Magistrate Judge (Magistrate) issued a recommendation to the District Court that sPower's complaint be dismissed because sPower failed to establish that it faced a substantial risk of harm. The Magistrate's recommendation is pending before the District Court.

Item 4 — CONTROLS AND PROCEDURES

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 chief executive officer (CEO) and chief financial officer (CFO), allowing timely decisions regarding required disclosure. As of June 30, 2017, 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

In 2016, PSCo implemented the general ledger modules of a new enterprise resource planning system to improve certain financial and related transaction processes. PSCo initiated deployment of work management systems modules and is continuing to implement additional modules including the conversion of existing work management systems to this same system during 2017. In connection with this ongoing implementation, PSCo is updating its internal control over financial reporting, as necessary, to accommodate modifications to its business processes and accounting systems. PSCo does not believe that this implementation will have an adverse effect on its 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

PSCo is involved in various litigation matters that are being defended and handled 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 such losses that are 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.

Additional Information

See Note 6 to the consolidated financial statements for further discussion of legal claims and environmental proceedings. See Part I Item 2 and Note 5 to the consolidated financial statements for a discussion of proceedings involving utility rates and other regulatory matters.

Item 1A — RISK FACTORS

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, 2016, which is incorporated herein by reference. There have been no material changes from the risk factors previously disclosed in the Form 10-K.

Item 6 — EXHIBITS

* Indicates incorporation by reference

\+ Executive Compensation Arrangements and Benefit Plans Covering Executive Officers and Directors

3.01*	Amended and Restated Articles of Incorporation dated July 15, 1998 (Form 10-K, Dec. 31, 1998, Exhibit 3(a)(1)).
3.02*	By-Laws of PSCo as Amended and Restated on Sept. 26, 2013. (Exhibit 3.02 to Form 10-Q/A for the quarter ended Sept. 30, 2013 (file no. 001-03280)).
4.01*	Supplemental Indenture No. 27 dated as of June 1, 2017 between PSCo and U.S. Bank National Association, as Trustee, creating $400 million principal amount of 3.80 percent First Mortgage Bonds, Series No. 30 due 2047. (Exhibit 4.01 to Form 8-K of PSCo dated June 19, 2017 (file no. 001-03280)).
31.01	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.
31.02	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.
32.01	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.01	Statement pursuant to Private Securities Litigation Reform Act of 1995.
101	The following materials from PSCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Balance Sheets, (v) Notes to Consolidated Financial Statements, and (vi) document and entity information.

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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 28, 2017	By:	/s/ JEFFREY S. SAVAGE
		Jeffrey S. Savage Senior Vice President, Controller (Principal Accounting Officer)
		/s/ ROBERT C. FRENZEL
		Robert C. Frenzel Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)

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Section 2: EX-31.01 (EXHIBIT 31.01)

Exhibit 31.01

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 28, 2017

/s/ BEN FOWKE

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

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Section 3: EX-31.02 (EXHIBIT 31.02)

Exhibit 31.02

CERTIFICATION

I, Robert C. Frenzel, 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 28, 2017

/s/ ROBERT C. FRENZEL

Robert C. Frenzel
Executive Vice President, Chief Financial Officer and Director
(Principal Financial Officer)

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Section 4: EX-32.01 (EXHIBIT 32.01)

Exhibit 32.01

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, 2017, 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 28, 2017

/s/ BEN FOWKE

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

/s/ ROBERT C. FRENZEL

Robert C. Frenzel
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.

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Section 5: EX-99.01 (EXHIBIT 99.01)

Exhibit 99.01

Public Service Company of Colorado Cautionary Factors

The Private Securities Litigation Reform Act provides a “safe harbor” for forward-looking statements to encourage such disclosures without the threat of litigation, providing those statements are identified as forward-looking and are accompanied by meaningful, cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the statement. Forward-looking statements are made in written documents and oral presentations of PSCo. These statements are based on management’s beliefs as well as assumptions and information currently available to management. Such forward-looking statements are intended to be identified in this document by the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “objective,” “outlook,” “plan,” “project,” “possible,” “potential,” “should” and similar expressions. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause PSCo’s actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

- Economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures;
- The risk of a significant slowdown in growth or decline in the U.S. economy, the risk of delay in growth recovery in the U.S. economy or the risk of increased cost for insurance premiums, security and other items as a consequence of past or future terrorist attacks;
- Trade, monetary, fiscal, taxation and environmental policies of governments, agencies and similar organizations in geographic areas where PSCo has a financial interest;
- Customer business conditions, including demand for their products or services and supply of labor and materials used in creating their products and services;
- Financial or regulatory accounting principles or policies imposed by the FASB, the SEC, the Federal Energy Regulatory Commission and similar entities with regulatory oversight;
- Availability of cost or capital such as changes in: interest rates; market perceptions of the utility industry, PSCo, Xcel Energy Inc. or any of its other subsidiaries; or security ratings;
- Factors affecting utility and nonutility operations such as unusual weather conditions; catastrophic weather-related damage; unscheduled generation outages, maintenance or repairs; unanticipated changes to fossil fuel or natural gas supply costs or availability due to higher demand, shortages, transportation problems or other developments; environmental incidents; cyber incidents; or electric transmission or natural gas pipeline constraints;
- Employee workforce factors, including loss or retirement of key executives, collective-bargaining agreements with union employees, or work stoppages;
- Increased competition in the utility industry or additional competition in the markets served by PSCo, Xcel Energy Inc. or any of its other subsidiaries;
- State, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures and affect the speed and degree to which competition enters the electric and natural gas markets; industry restructuring initiatives; transmission system operation and/or administration initiatives; recovery of investments made under traditional regulation; nature of competitors entering the industry; retail wheeling; a new pricing structure; and former customers entering the generation market;
- Environmental laws and regulations, including legislation and regulations relating to climate change, and the associated cost of compliance;
- Rate-setting policies or procedures of regulatory entities, including environmental externalities, which are values established by regulators assigning environmental costs to each method of electricity generation when evaluating generation resource options;
- Social attitudes regarding the utility and power industries;
- Cost and other effects of legal and administrative proceedings, settlements, investigations and claims;
- Technological developments that result in competitive disadvantages and create the potential for impairment of existing assets;
- Risks associated with implementations of new technologies; and
- Other business or investment considerations that may be disclosed from time to time in PSCo’s SEC filings, including “Risk Factors” in Item 1A of PSCo’s Form 10-K for the year ended Dec. 31, 2016, or in other publicly disseminated written documents.

PSCo undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors should not be construed as exhaustive.

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