MOODY'S
INVESTORS SERVICE

CREDIT OPINION
24 December 2021

Update

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RATINGS

Public Service Company of Colorado

Domicile	Colorado, United States
Long Term Rating	A3
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Natividad Martel, CFA +1.212.553.4561
VP-Senior Analyst
natividad.martel@moodys.com

Domenic Giovannone +1.212.553.1647
Associate Analyst
domenic.giovannone@moodys.com

Michael G. Haggarty +1.212.553.7172
Associate Managing Director
michael.haggarty@moodys.com

Jim Hempstead +1.212.553.4318
MD - Global Infrastructure & Cyber Risk
james.hempstead@moodys.com

Public Service Company of Colorado

Update to credit analysis

Summary

Public Service Company of Colorado's (PSCO) credit profile reflects its regulated vertically integrated electric and natural gas distribution utility operations in Colorado. Our view that the regulatory environment in Colorado is credit supportive reflects PSCO's access to several cost recovery mechanisms that reduce regulatory lag.

We also consider several recent constructive multi-party settlement agreements entered into in October and November 2021. These agreements address the utility's Electric Resource Plan (November 2021) and several outstanding regulatory items (October 2021). These include the recovery of $550 million, as requested by the utility, related to the sizeable amount of incremental natural gas and fuel and purchased energy costs incurred in February 2021. However, the long recovery period of between 24 and 30 months, without compensation for cost of carry, as well as the length of the still ongoing regulatory proceeding (expected CPUC's decision 1Q2022), temper our view of the supportiveness of the regulatory environment.

PSCO has not started to recover these costs, leading to a material deterioration in the utility's financial credit metrics for the last twelve month period ended September 2021. These include a ratio of CFO before changes in working capital (CFO pre-W/C) to debt of around 12% which is weak for the utility's A3 credit rating. That said, we assume this deterioration will be temporary. We expect that (i) the utility's gradual recovery of the February 2021 deferred costs and (ii) a credit supportive outcome of its pending electric rate case (new rates expected to become effective in April 2022) will help PSCO to report credit metrics that are supportive of its current credit rating. Specifically, we expect that PSCO will report a ratio of CFO pre-W/C to debt of at least 20% starting in 2022.

PSCO ranks as the largest subsidiary in the Xcel Energy Inc. (Xcel, Baa1 stable) family in terms of rate base (around 39% of consolidated rate base at year-end 2020) as well as funds from operations (35%-38%). In contrast to its three sister utility companies, PSCO's dividend distributions are not subject to regulatory restrictions based, for example, on debt-to-book capitalization ratios.

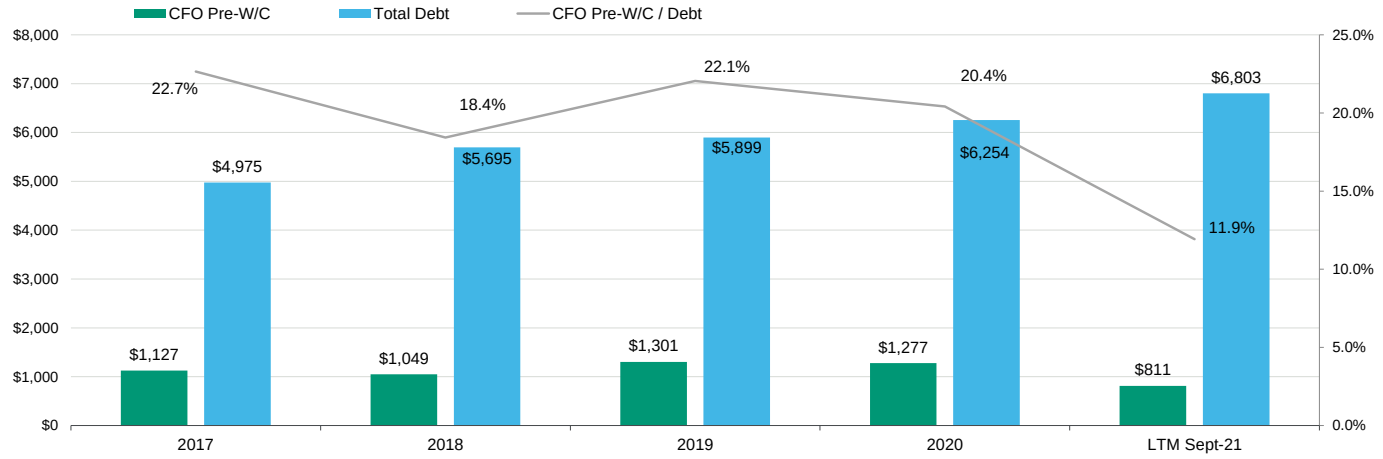
Recent Developments

On November 24, 2021, PSCO entered into a partial agreement with several intervenors in connection with the Electric Resource Plan that the utility filed with the Colorado Public Utilities Commission (CPUC) in March 2021. If the CPUC approves the terms of the agreement, with a decision expected during the 1Q2022, PSCO would fully exit coal-fired generation in 2034. The agreement includes the conversion of the Pawnee coal-fired facility to natural gas by January 2026 and its retirement by 2041, as well as the retirement

of Comanche Unit 3 in 2034 (see ESG considerations below). The CPUC's approval of the agreement would include authority to recover incremental generation system costs to meet carbon emission reduction targets through a Clean Energy Plan Rider.

On November 1, Xcel announced that it is committing to becoming an overall net-zero energy company by 2050. This goal includes aiming to achieve net-zero greenhouse gas emissions (GHG) from its natural gas business by 2050. This adds to the company's previous target of providing 100% carbon-free electricity to customers by the same year.

Exhibit 1
Historical CFO Pre-W/C, Total Debt and CFO Pre-W/C to Debt ($MM)



Source: Moody's Financial Metrics

Credit strengths

» Vertically integrated regulated utility that operates in a credit supportive regulatory environment

» Numerous riders and trackers that reduce regulatory lag

» CFO pre-working capital to debt ratio should recover significantly in 2022

Credit challenges

» Delayed recovery of incremental February gas costs is a material drag on 2021 cash flow

» Pipeline integrity rider will expire in 2021 while request for a wildfire rider was recently denied

» Exposure to wildfire risk and moderate carbon transition risk

Rating outlook

PSCO's stable outlook is supported by the expectation that the regulatory environment will remain overall credit supportive despite the uncertainty faced with the recovery of the February 2021 fuel costs. The stable outlook also reflects our expectation that its key credit metrics will recover next year, including CFO pre-W/C to debt of at least 20%.

Factors that could lead to an upgrade

» The utility's ratings could experience positive momentum if higher than anticipated regulatory relief and/or cost savings allow it to record CFO pre-W/C to debt in excess of 23%.

Factors that could lead to a downgrade

» The ratings could be downgraded if we there is a deterioration in the credit supportiveness of the regulatory environment, or if its credit metrics remain weak; specifically, if its CFO pre-W/C to debt ratio stays below 19% in 2022.

Key indicators

Exhibit 2
Public Service Company of Colorado

	Dec-17	Dec-18	Dec-19	Dec-20	LTM Sept-21
CFO Pre-W/C + Interest / Interest	6.6x	5.7x	6.5x	6.2x	4.3x
CFO Pre-W/C / Debt	22.7%	18.4%	22.1%	20.4%	11.9%
CFO Pre-W/C – Dividends / Debt	15.9%	11.8%	14.3%	7.1%	5.1%
Debt / Capitalization	40.1%	41.7%	40.2%	39.8%	39.9%

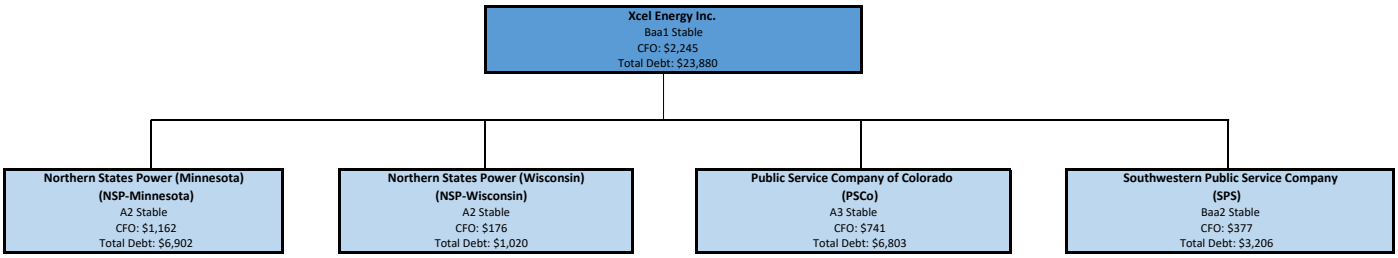
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-financial Corporations.
Source: Moody's Financial Metrics

Profile

Public Service Company of Colorado (PSCO, A3 stable) is the largest integrated utility in Colorado, where it serves 1.5 million electric customers (2020 rate base: $9.2 billion) and 1.4 million natural gas customers (2020 rate base: $3 billion). The utility also renders transmission services in the Southwest Power Pool (SPP) which, along with its wholesale operations, are subject to the Federal Energy Regulatory Commission's (FERC) purview (2020 rate base: $763 million).

As depicted in Exhibit 3, PSCO's parent, Xcel Energy Inc. (Xcel, Baa1 stable), is a holding company with utility operations in eight states serving around 3.7 million electric and about 2.1 million natural gas customers. PSCO is one of the largest subsidiaries in terms of regulated rate base and contributions to Xcel's consolidated funds from operations (FFO) between 35-38%.

Exhibit 3
Xcel Energy Inc. Organizational Chart (LTM 3Q2021)
($ in millions)



Source: Xcel Energy Inc., Moody's Financial Metrics

Detailed credit considerations

Access to several credit supportive rate adjustment mechanisms, although some rider requests have been denied or not extended

Our analysis of PSCO considers the supportive regulatory environment in Colorado. Its electric and natural gas retail operations, subject to the CPUC's oversight, represent the bulk of the utility's operations. The electric operations accounted for around 75% of its 2020 total retail revenues. PSCO's exposure to FERC's regulatory framework is limited. The utility's wholesale and transmission services (SPP) accounted in aggregate for under 10% of its total electric revenues at year-end 2019.

Our view of the supportive regulatory environment in Colorado acknowledges that the utility benefits from several rate adjustment mechanisms (see Exhibit 4) that allow to adjust rates between rate cases. They help to reduce regulatory lag, a credit positive.

Exhibit 4
Summary of key regulatory mechanisms available to PSCO

	Multi-year Rate Plans	Forward Test Year	Interim Rates	Fuel Recovery Mechanism	Capacity Recovery Mechanism	Renwable Rider	Transmisison Rider	Pension Deferral Mechanism	Property Tax Deferral/True-up	Decoupling
PSCO	Allowed	Allowed	Allowed	√	√	√	√	√	√	√

Source: Xcel Energy Inc., regulatory filings

These automatic adjustment mechanisms include a Revenue Decoupling Adjustment (RDA). This pilot program included in PSCO's 2019 electric rate case (initially approved in 2017), applies from 2020 through 2023. The adjustments, subject to annual true-ups, apply to residential and metered small commercial and industrial (C&I) customers that do not pay a demand charge. The program's refunds and surcharges are subject to a 3% cap of forecasted base rate revenue. This cap lead the utility to report a regulatory liability (i.e. refundable amounts) of $51 million at year-end 2020 following a material increase by nearly 7% in residential customer electric demand. Its application caused some contentiousness and the CPUC has indicated during the annual filing review process that it may revisit the 3% cap in a future regulatory proceeding. As part of the aforementioned multi-party settlement agreement entered into in October 2021, a challenge regarding the refunds was settled with PSCO agreeing to refund $41 million of this deferred balance (regulatory liability) to its electric customers.

In general, we view the decoupling mechanism as credit positive because it enhances the predictability of the utility's cash flow. However, we also note that non-volumetric demand charges for large C&I customers helps to slightly mitigate the impact of power demand volatility on PSCO's cash flow. As a point of reference, in 2020, PSCO recorded a 4.2% contraction in revenues generated from C&I customers compared to a 4.8% reduction in sales (leap-year adjusted) to this customer class amid the economic disruptions caused by the pandemic (weather-adjusted: -4.5%). As a result, C&I customers accounted for around 57% of the utility's retail sales at year-end 2020 (2019: nearly 60%). The sales reduction helped to explain PSCO's declining actual RoE of 8.1% (2019: 8.69%). During the nine month period ended September 2021, PSCO reported a slight recovery in electric sales to C&I customers that increased by 1% compared to the same period in 2019. During this period in 2021, the residential customer power demand continued growing by 2.1% (weather adjusted: +2.2%). Despite that growth, for the last twelve month (LTM) period ended September 2021, its RoE of 8.2% (per GAAP) was low and remained below its authorized RoE, a credit negative.

Similar to its sister companies, PSCO's hedging strategy reflects the CPUC's authorized hedging policy. It remains to be seen if, similar to other jurisdictions, the February 2021 winter storm event could result in changes in the authorized hedging policies. For its local natural gas distribution (LDC) operations, the authorized program allows the utility to hedge around 50% of estimated natural gas usage through a combination of physical storage and financial instruments. However, we understand that PSCO's electric operations do not hedge the fuel procured to generate power.

Exhibit 5
Summary of key financial parameters including authorized and actual RoEs and applicable regulatory plans

		Authorized RoE	W/A Earned RoE (actual)			Regulatory Plan
			2018	2019	2020	
PSCo	Electric - Co	9.30%	8.93%	7.62%	8.73%	Filed 2022 FTY; decision expected 2022 Q1
	NG- Co	9.20%	8.68%	6.81%	8.78%	Rates affective April 2021; retroactive November 2020
	Wholesale - PSCo	*	*	*	*	

*Authorized RoE for PSCo transmission and production formula = 9.72%
Source: Company presentations

Pending CPUC approval of the November 2021 settlement agreement, PSCO's recovery mechanisms could be expanded to include a Clean Energy Plan Revenue (CEPR) rider.

On a negative note, in 2021, the CPUC denied the utility's request to implement a wildfire rider to recover incremental wildfire related investments through 2025 (total planned: $325 million). Earlier this year, the utility had asked to extend the Pipeline System Integrity Adjustment (PSIA) Rider through the end of 2024 for the recovery of $464 million in natural gas pipeline project costs over three years. However, in October 2021, the CPUC approved the rider PSIA only through the end of 2021 following an agreement entered into with the Colorado Energy Office. The utility's base rates will reflect the investments recovered under the rider, effective January 2022. However, it will defer the recovery of (depreciation: $9 million) and a return on $143 million in project costs in 2022 which will be subject to rate case proceedings , a credit negative.

Constructive relationship with stakeholders

Our opinion that the utility's relationship with stakeholders in Colorado, including the CPUC, is generally supportive considers (i) the outcomes of several regulatory proceedings completed during 2020 as well as (ii) the multi-party settlement agreements entered into by the utility during 2021.

The regulatory proceedings completed during 2020 includes the settlement of the utility's 2020 natural gas rate case, which was credit positive. The authorized net increase (October 2020 Order) of $77 million equaled nearly 61% of the (net) step-up in rates requested by the utility in February 2020. We also consider the CPUC's decision to revise, in May 2020 (final order issued in July), its prior decision related to the fully litigated 2019 electric rate case (order issued in February 2020) as credit supportive.

However, on a less positive note, there have been several instances of litigation and court appeals. These include PSCO's appeal in August 2020 of some items included in the CPUC decision in the 2019 electric rate case, including the implementation of a true-up surcharge to be reflected retroactively in rates (February 2020). The District Court of Denver County's ruling on this appeal is pending. In March 2020, the court ruled on appeals in PSCO's 2017 natural gas rate case, appealed in 2019, with the decision on some items in favor of the CPUC and others with PSCO.

The outcome of PSCO's pending electric rate case, filed in July 2021, will be an important indicator of the status of the utility's relationship with stakeholders. The utility requested a total increase in base rates of nearly $470 million, consisting of (i) a step up in base rates by $343 million to reflect incremental investments net of any increase in revenues due to load growth, based on future test year ended December 31, 2022, as well as (ii) the transfer to base rates of a total of $126.7 million currently collected under riders. Specifically, the transmission rider (TCA) and some costs related to the Cheyenne Ridge windfarm that the utility currently collects through the retail electric commodity adjustment (ECA). PSCO's request is premised on an equity layer of 55.64% which is close to the currently authorized ratio of 55.61%. However, it is also based on a 10% return on equity (RoE) which is above the RoE of 9.30% currently authorized for PSCO's electric operations.

In November 2021, eight intervenors filed testimony with their recommended total increase (including the transfer of riders) ranging between 46% and 82% of the utility's total ask. One key driver of the difference is the intervenors' recommended RoE that ranges between 8.9% and 9.20%. We also note that the Staff recommended an equity layer of 55.71% while the Colorado Energy Consumers (CEC) recommended a reduction to 49.47% which we would view as credit negative. If the parties do not reach a settlement before the end of December 2021, hearings will start in January 2022. The CPUC's decision is expected during the 1Q2022, in line with the

statutory 210-day time frame for rate case outcomes in Colorado. If exceeded, the state law allows the implementation of interim rates.

We view the terms of PSCO's partial multi-party agreement, entered into in November 2021, related to its Electric Resource Plan as constructive. As described in the ESG considerations section below, the parties agreed on dates for the conversion of the utility's coal-fired facilities to natural gas, including Comanche Unit 3 by 2034 that will also be subject to maximum capacity factors starting in 2025. The parties also agreed that the PSCO will include the recovery of the remaining book value of the Craig and Hayden units that aggregate around $105 million as part of its ongoing electric rate case. The CPUC's decision will determine whether accelerated depreciation or recovery through a regulatory asset (with return on and of the remaining book value) will apply.

The parties agreed that Pawnee will not be subject to an accelerated retirement (remaining book value prior to conversion: $179.1 million). For Comanche Unit 3, the parties agreed that PSCO will maintain its current depreciation levels while securitization (return of only) could be also considered in a future regulatory proceeding to be filed post-2030. PSCO estimates that the securitization amount related to this plant could aggregate $668 million (including a book value of $626 million). Moreover, the parties agreed on a plan to replace this capacity with renewable resources as well as on implementing a carbon price-driven dispatch of the utility's system starting in the summer of 2022, after receiving FERC authorization. Importantly, if approved by the CPUC, the utility will be able to recover Incremental generation system costs to meet carbon emission reduction targets through a Clean Energy Plan Revenue (CEPR) rider. This rider was authorized in Colorado upon enactment of Senate Bill 19-236 in 2019, with rate adjustments subject to a cap (currently: 1.5% of retail customer bills).

Drawn out proceeding to recover February 2021 incremental fuel costs creates uncertainty and compares unfavorably to supportive actions in other affected jurisdiction

We view the utility's ability to enter into several settlement agreements during 2021 as credit supportive. However, the settlement agreements in connection with PSCO's Electric Resource Plan (partial agreement entered into in November 2021), as well as to address several pending regulatory items (comprehensive agreement entered into October 2021), were not unanimous. As a result, hearings are required before the CPUC makes a final decision, creating some uncertainty.

For example, the Colorado Office of the Utility Consumer Advocate (UCA) did not sign the settlement agreement that PSCO entered with the CPUC Staff and the Colorado Energy Office (CEO), to address four outstanding regulatory items. The terms of the settlement included (i) the aforementioned refund under the decoupling mechanism; (ii) the recovery of the incremental natural gas, fuel and purchased energy costs incurred in February 2021; as well as the utility's agreement to forgo recovery of (iii) power costs (around $14 million) incurred during the extended outage of the Comanche Unit 3 during 2020 and (iv) incremental bad debt expenses (around $11 million).

The most important item is the recovery of $610 million of incremental costs incurred in February 2021, driven by severe winter weather. We estimate that these costs were around 39% of the utility's total related costs reported during the 2018-2020 period.

The CPUC's approval of the agreement would allow the utility to recover the requested deferred balance of $550 million, in contrast to the CPUC Staff's initial recommendation that included a total disallowance of $204 million. The agreement would allow the recovery of $263 million of net natural gas, fuel and purchased energy costs incurred by the electric utility operations over a 24 month period, starting in January 2022. The recovery of the balance of $287 million (natural gas utility operations) would expand to over 30 months, starting in April 2022. The CPUC's decision is expected during the first quarter of 2022. This adds some uncertainty, particularly because the UCA's (not a party in the agreement) recommendation is to disallow around $131 million or around 24% of the total deferred balance. The lengthy agreed recovery period as well as the drawn out and controversial nature regulatory proceeding compare unfavorably to the majority of other jurisdictions that were affected by the spike in natural gas prices in February 2021, which acted faster and more decisively.

Credit metrics expected to recover following this year's material deterioration

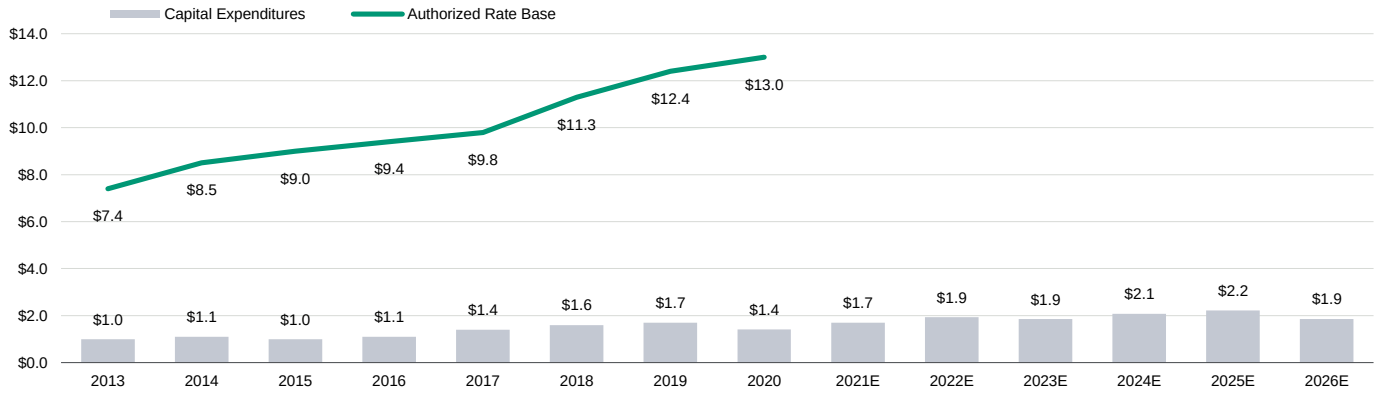
Exhibit 1 and 2 depict the recent deterioration in PSCO's credit metrics, including the ratio of CFO pre-W/C to debt that dropped to around 12% for the twelve month period ended September 30, 2021.

In 2020, the utility's cash flow benefited from the completion of the electric (Order in May 2020) and natural gas (Order in October 2020) rate cases with the rate increase in 2020 aggregating $92 million, increased wholesale transmission revenues as well as the rate adjustments associated with riders. These items helped to offset the impact of the contraction the retail electric sales by around 2.2%. Also, the favorable authorized equity layer of 55.6% (natural gas and electric operations) compared to peers allowed the utility to mitigate the impact of its elevated investment program (see Exhibit 6) on its financial credit metrics, another credit positive.

In 2021, the utility's cash flow also benefited from riders, the full year of the authorized rate increases approved in 2020 and the recovery in sales. However, the material impact of the deferred balance of unrecovered costs incurred in February 2021 caused a significant deterioration in the ratio of CFO pre-W/C to debt. Excluding this extraordinary item, we estimate that PSCO's ratio of CFO pre-W/C to debt would have hovered around 20% for the LTM period ended September 2021. We expect a credit supportive outcome of the pending 2021 electric rate case which, along with a slight moderation in the investment program and the gradual recovery (between 2022 and 2024) of the February 2021 costs, will help the utility to report financial metrics that are supportive of its current A3 credit rating. We assume that the utility will be able report a ratio of CFO pre-W/C to debt above 20%, on a sustained basis, depending on the rate case.

PSCO plans to invest total of $9.9 billion over the 2022-2026 period although it also discloses that additional investments are possible in connection with its Electric Resource Plan, buyouts of PPAs and the repowering of windfarms going forward. According to the current plan, investments in PSCO's electric operations account for the majority of its planned capex (around 72%) with the majority designated for the utility's distribution (33%) and transmission (28%) operations. PSCO has not earmarked any investments in renewable projects following the completion of the 500 MW Cheyenne Ride windfarm early in 2020. In absolute terms, the utility's capex program remains elevated compared to the around $7.5 billion invested during the 2016-2020 period. However, we note some moderation in its investments in relative terms as we calculate that on average, PSCO's annual capital outlays will represent around 2.0x (below 2.5x) the utility's depreciation expense during the 2022-2026 period (compared to a ratio of nearly 2.7x during the 2016-2020 period).

Exhibit 6
PSCO's rate base and 2013-2026 historical and projected capital expenditure plan
$ in billions



Source: Xcel Energy Inc.

ESG considerations

Environmental considerations incorporated into our analysis of PSCO are primarily related to carbon dioxide regulations as well as the natural gas distribution operations' clean-up expenses related to manufactured gas plants (MGP) and also methane emissions. Our analysis considers ultimate parent Xcel's commitment to becoming an overall net-zero energy company by 2050. This goal includes aiming to achieve net-zero greenhouse gas emissions (GHG) from its natural gas business as well as 100% carbon-free electricity to customers by the same year.

PSCO estimates that the implementation of the aforementioned November 2021 multi-party settlement agreement in connection with its Electric Resource Plan (process initiated in March 2021) would reduce its carbon emissions by 87% in 2030 (from 2005 levels).

At year-end 2020, PSCO's installed coal-fired facilities aggregated nearly 2,000 MW (2011: 3,000 MW) and accounted for 26% of its energy supply. Except for Comanche Unit 3 (completion: 2010), the rest of the plants are more than 35 years old with their old vintage contributing to their declining capacity factors.

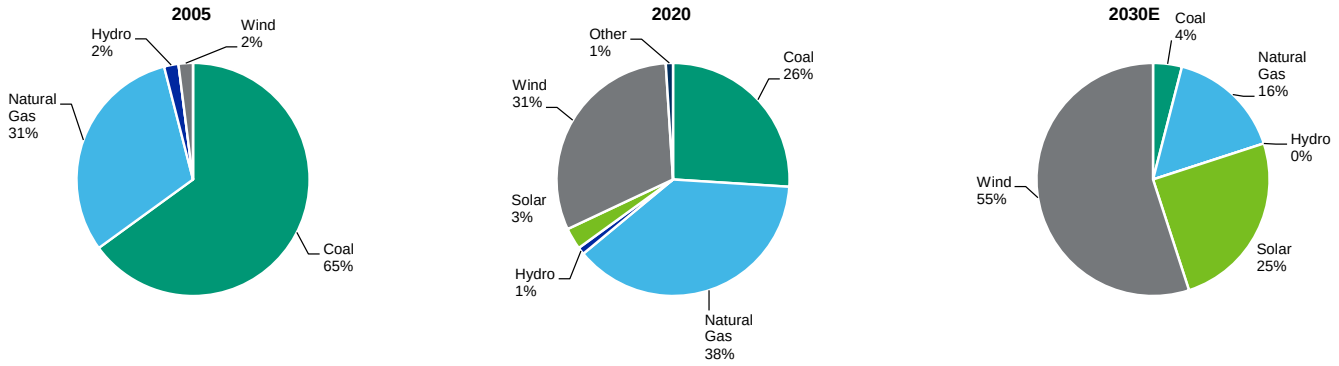
According to the Colorado Energy Plan (CEP), approved in 2018, PSCO will retire the coal-fired Comanche plant's Unit 1 in 2022 and Unit 2 in 2025. As part of the CEP, PSCO's rate base will also include two windfarms (total installed capacity: 1,100 MW) while it will procure additional renewable resources of over 1.3 gigawatt capacity of wind and solar projects under Power Purchase Agreements (PPA). Some of these third party projects include a combination of battery storage (275 MW).

Pending the CPUC's approval of the November 2021 settlement agreement, the utility will convert the Pawnee coal-fired facility (2026; final retirement in 2041) to natural gas while it will shut down the rest of its coal-fired facilities, as follows: Craig Unit 2 in 2028, Hayden Units 1 and 2 in 2028 and 2027 as well as Comanche Unit 3 by 2034. The parties also agreed to limit the operations of Comanche Unit 3 that will target annual capacity factor of 50% starting in 2025, and be subject to a maximum capacity factor of 60% in 2025. This factor will decline to 33% by 2029 (with additional adjustment to be considered in a future regulatory proceeding).

In November 2021, the parties also agreed that PSCO will add total of 2,300 MW of wind, 1,600 MW of solar as well as 1,300 MW of flexible dispatchable resources and 400 MW in storage capacity. For example, to replace Comanche Unit 3's capacity, PSCO will launch a separate resource solicitation in the 2027/2028 timeframe. As per the agreement, out of this incremental renewable capacity, the utility will be allowed to own projects with a net book value equivalent to Comanche Unit 3's net book value (estimated at $626 million at the time of the retirement). Additional investments in PSCO's transmission networks will be also required to enable the expansion in renewables. For example, PSCO expects a regulatory decision regarding the Colorado's Power Pathway transmission expansion project by February 2022.

The combination of these retirements and the addition of owned and purchased solar and wind resources explain the material increase in the total contribution (80%) of renewables to PSCO's energy supply expected in 2030 (2020: around 35%).

Exhibit 7
2005-2030 planned development of PSCO's energy mix



Source: Xcel Energy Inc.

Except for Comanche Unit 3, the net book value of the other three facilities is relatively modest (total around $284 million), and largely reflects environmental compliance investments. We assume a credit supportive decision from the CPUC that allows the recovery of the plant's remaining rate base, which also contributes to our view that the utility's exposure to carbon transition risk is moderate . As mentioned above, the utility agreed to forgo the recovery of the purchased power cost during Comanche Unit 3' extended outage in 2020 (affected by the loss of a turbine oil in June 2020) but the legal claims from the two co-owners of the facility are still ongoing. However, we anticipate a negative outcome would not be material for PSCO.

The planned retirement of the coal-fired facilities will further reduce PSCO's fixed costs which, along with the lower fuel costs associated with renewable resources and the flow back to customers of tax savings (including the windfarms' Production Tax Credits) help the utility to limit the impact from its material investments on its customers' bills. Concurrently, similar to its sister companies, PSCO is also seeking to terminate some of its more expensive PPAs, another credit positive. That said, in July 2021, the CPUC upheld the Administrative Law Judge's ruling against the approval of the termination of solar PPA with KEPCO (regulatory asset: $41 million).

In October 2020, the CPUC opened a docket in relation to statewide emission reduction goals adopted in House Bill 19-1261. The investigation will focus on topics such as options available to reduce emissions and decarbonize retail natural gas, including the potential for electrification of current natural gas loads. However, the review will also focus on cost effective means of maintaining safety following a decrease in the number of customers as well as the impact on low-income customers that remain on the system. Importantly, it also aims to understand and minimize the utilities' exposure to stranded assets.

This proceeding creates some uncertainty but we also acknowledge that as a hybrid utility, providing both electric and natural gas services, PSCO is somewhat less affected than a pure natural gas distribution company. We also believe that the CPUC's deliberate and early approach will allow PSCO to be better positioned to manage the carbon transition risk of its natural gas operations. The electrification of the natural gas system would also present incremental investment opportunities to the utility.

We also understand that PSCO's equipment was not involved in ignition of any of the major wildfires that affected Colorado this year. In its financial statements at year-end 2020, the utility disclosed that it had earmarked around $324 million in investments to reduce its exposure to wildfire risk during the 2021-2025 period.

Social risks are primarily related to demographic and societal trends as well as customer and regulatory relations.

Corporate governance considerations include financial policy and we note that a strong financial position is an important characteristic for managing environmental and social risks amid the utility's elevated capital expenditure program.

Liquidity analysis

Like its sister companies, PSCO has its own separate $700 million committed credit facility scheduled to mature in June 2024. The facility back-stops a $700 million CP-program. At the end of September 2021, the utility had $692 million available under this credit facility (letters of credit outstanding: $8 million). The facility provides for same day funding and borrowings are not subject to conditionality, including the need to represent the lack of a material adverse change. We anticipate the utility will be able to continue to comfortably comply with the only financial covenant embedded in the facility, namely a total debt to capitalization ratio below 65%. As of September 2021, the ratio was 44% (year-end 2020: 44%).

PSCO also participates in a regulated money pool with its sister companies (since October 2020, including NSP-Wisconsin). As of September 2021 and year-end 2020, PSCO's $250 million borrowing limit was fully available. This money pool allows for short-term loans among those utility subsidiaries and allows for short-term loans from Xcel to the utilities. However, it does not permit loans from the utilities to Xcel.

PSCO's next debt maturity consists of $300 million in first mortgage bonds due in September 2022. Xcel has publicly disclosed that PSCO will issue $600 million of first mortgage bonds in 2022 following the $750 million first mortgage bonds issuance completed in June 2021. This issuance was upsized compared to the $400 million issuance initially planned for 2021 to strengthen the utility's liquidity in the aftermath of the spike in the fuel, natural gas and purchased energy costs in February 2021.

However, we also note that during 2021 Xcel continued making equity contributions to PSCO which allowed the utility to meet its authorized capital structure following last year's authorized increase in its equity layer. For the LTM period ended September 2021, these contributions aggregated $635 million (2020: $856 million). The total contributions exceeded its dividend distributions of $467 million (2020: $831 million) during the same period. Going forward, Xcel will manage its equity contributions and PSCO's dividend policy so as to meet its regulatory capital structure.

Next year, we anticipate that PSCO will fund its capital requirements, including investments (2022: $1.9 billion), largely with internally generated cash flows (as a point of reference for the LTM September 2021 excluding the impact of the deferred February 2021

incremental costs: nearly $1.3 billion) and a combination of short- and long-term debt. Xcel disclosed earlier this year that it will make total contributions of $125 million across the company's four pension plans (PSCO's contribution: $45 million; 2020: $50 million).

Rating methodology and scorecard factors

Moody's evaluates PSCO's financial performance relative to the Regulated Electric and Gas Utilities rating methodology published in June 2017. As depicted in the grid below, the company's scorecard-indicated outcome based on historical as well as projected average key credit metrics is A2, the same as its assigned senior unsecured rating.

Exhibit 8
Public Service Company of Colorado

Regulated Electric and Gas Utilities Industry Scorecard [1][2]	Current LTM 9/30/2021		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	5.6x	A	5.5x - 6.5x	Aa
b) CFO pre-WC / Debt (3 Year Avg)	17.6%	Baa	19% - 22%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	8.4%	Ba	10% - 12%	Baa
d) Debt / Capitalization (3 Year Avg)	39.9%	A	37% - 40%	A
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		A3		A3
b) Actual Rating Assigned		A3		A3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 9/30/2021(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
[4] Standard risk grid for financial strength.
Source: Moody's Financial Metrics

Appendix

Exhibit 9
Peer Comparison [1]

	Public Service Company of Colorado A3 (Stable)			Indiana Michigan Power Company A3 (Stable)			PacifiCorp A3 (Stable)		
(In US millions)	FYE Dec-19	FYE Dec-20	LTM Sept-21	FYE Dec-19	FYE Dec-20	LTM Sept-21	FYE Dec-19	FYE Dec-20	LTM Sept-21
Revenue	4,237	4,183	4,706	2,307	2,242	2,322	5,068	5,341	5,543
CFO Pre-W/C	1,301	1,277	811	658	809	713	1,470	1,481	1,637
Total Debt	5,899	6,254	6,803	3,399	3,287	3,389	8,004	8,879	9,373
CFO Pre-W/C + Interest / Interest	6.5x	6.2x	4.3x	5.7x	7.7x	7.0x	4.6x	4.4x	4.6x
CFO Pre-W/C / Debt	22.1%	20.4%	11.9%	19.4%	24.6%	21.0%	18.4%	16.7%	17.5%
CFO Pre-W/C – Dividends / Debt	14.3%	7.1%	5.1%	17.0%	22.0%	15.3%	16.2%	16.7%	17.5%
Debt / Capitalization	40.2%	39.8%	39.9%	49.3%	46.3%	46.6%	42.3%	43.0%	42.6%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months.
Source: Moody's Financial Metrics

Exhibit 10

Cash flow and credit metrics [1]

CF Metrics	Dec-17	Dec-18	Dec-19	Dec-20	LTM Sept-21
As Adjusted					
FFO	**1,163**	**1,082**	**1,348**	**1,217**	**1,391**
+/- Other	-36	-33	-47	60	-580
CFO Pre-WC	**1,127**	**1,049**	**1,301**	**1,277**	**811**
+/- ΔWC	74	-54	-44	-87	-70
CFO	**1,201**	**995**	**1,257**	**1,190**	**741**
- Div	334	375	457	831	467
- Capex	1,445	1,564	1,706	1,674	1,479
FCF	**-578**	**-944**	**-906**	**-1,315**	**-1,205**
(CFO Pre-W/C) / Debt	22.7%	18.4%	22.1%	20.4%	11.9%
(CFO Pre-W/C - Dividends) / Debt	15.9%	11.8%	14.3%	7.1%	5.1%
FFO / Debt	23.4%	19.0%	22.9%	19.5%	20.4%
RCF / Debt	16.7%	12.4%	15.1%	6.2%	13.6%
Revenue	4,043	4,086	4,237	4,183	4,706
Interest Expense	201	221	235	245	249
Net Income	486	461	578	575	637
Total Assets	16,026	17,349	19,008	20,351	21,653
Total Liabilities	10,247	11,116	12,077	12,770	13,354
Total Equity	5,779	6,233	6,931	7,581	8,299

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months.
Source: Moody's Financial Metrics

Ratings

Exhibit 11

Category	Moody's Rating
PUBLIC SERVICE COMPANY OF COLORADO	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Sr Unsec Bank Credit Facility	A3
Commercial Paper	P-2
PARENT: XCEL ENERGY INC.	
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2

Source: Moody's Investors Service

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