NOTICE OF PUBLIC SERVICE COMPANY OF COLORADO 1800 LARIMER STREET, DENVER, COLORADO 80202-5533 TO IMPLEMENT A DECREASE IN ELECTRIC BASE RATES THROUGH A NEGATIVE GENERAL RATE SCHEDULE ADJUSTMENT FOR THE IMPACTS OF THE FEDERAL TAX CUTS AND JOBS ACT

You are hereby notified that Public Service Company of Colorado ("Public Service" or the "Company") has filed with the Colorado Public Utilities Commission ("Commission"), in compliance with the Public Utilities Law, Advice No. 1768 – Electric ("Advice Letter") to decrease base rates by $42,352,067 (an annualized reduction of $67,491,120) through a negative General Rate Schedule Adjustment ("GRSA") from June 1, 2018 to December 31, 2018, and extending from January 1, 2019, until new rates are implemented pursuant to the Company's next filed rate case. This rate adjustment is consistent with the proposed Revised TCJA Settlement of the Company, Trial Staff of the Colorado Public Utilities Commission, and the Colorado Office of Consumer Counsel filed on April 27, 2018. The proposed Revised TCJA Settlement has not yet been considered or approved by the Colorado Public Utilities Commission. The Company proposes to implement a negative 4.19 percent GRSA, which is applicable to all electric base rate schedules in the Company's Colorado P.U.C. No. 8 – Electric tariff, to become effective June 1, 2018, if approved by the Commission. This revision accounts for the changes due to the passing of the Federal Tax Cuts and Jobs Act ("TCJA") in December 2017, which (among other things) included a reduction to corporate federal income tax rates effective January 1, 2018.

On December 22, 2017, the TCJA was signed, which enacts a material reduction to the United States federal corporate income tax rate from 35 percent to 21 percent. The Company has worked with stakeholders to ensure the benefits of TCJA for the entire 2018 calendar year flow back to customers.

Pursuant to the Commission's Decision Opening the TCJA Proceeding, Proceeding No. 18M-0074EG, the Company calculated the difference between the Company's tax liabilities before and after the TCJA, based on a 2013 test year. (The Company's last Phase I electric rate case, the 2014 Electric Rate Case [Proceeding No. 14AL-0660E], used a 2013 test year to set rates.) Public Service Electric Department's deferred regulatory liability for calendar year 2018 is $101,223,739. In the determination of the $101.2 million deferred regulatory liability, the Company has calculated the flow back of the excess accumulated deferred income taxes ("ADIT") for plant accounts using the average remaining life method, or ARAM. The flow back period for non-plant pension and benefit accounts is 10 years, and the flow back period for non-plant – all other accounts is 5 years. Under the proposed Revised TCJA Settlement, the benefits to customers from the deferred regulatory liability will be reflected through both a reduction to base rates effective June 1, 2018 (the subject of the Advice Letter), and the accelerated recovery of the Legacy Pre-Paid Pension asset (the asset but not accelerated recovery was approved in a prior rate case).

Of this $101.2 million deferred regulatory liability, the revenue requirement attributable to the change to the federal income tax rate from 35 percent to 21 percent is $42,352,067. This amount includes a carrying cost of $363,107 for the TCJA-related deferred regulatory liability. Under the proposed Revised TCJA Settlement and the Advice Letter, this entire amount of approximately $42.4 million will be returned to customers through a negative GRSA effective June 1, 2018, through December 31, 2018. The negative 4.19 percent GRSA will continue into 2019, until the effective date of new rates from the Company's next rate case filing.

Under the proposed Revised TCJA Settlement, within 60 to 90 days after the end of 2018, the Company will submit a compliance filing to true up this amount (based only on variances in estimated revenues), and any over- or under-recovery will be returned or charged to customers through the GRSA. Within 60 to 90 days after new base rates take effect or the end of 2019, whichever is later, the Company will submit a compliance filing to true up this amount (based only on variances in estimated revenues). Any over- or under-recovery will be returned or charged to customers either through a GRSA or a credit through an existing cost recovery mechanism.

The remaining deferred regulatory liability amount of $59,234,780 is not addressed through the proposed negative GRSA in the Advice Letter. Under the proposed Revised TCJA Settlement, for 2018 the remaining amount of $59,234,780 will be used to recover the Legacy Pre-Paid Pension Asset. The recovery of the Legacy Pre-Paid Pension Asset was previously approved in the Company's 2014 Electric Rate Case. Effective January 1, 2019, the annual recovery of this asset will be reduced to $33,732,619, consistent with the change to the annual impact of the negative GRSA during 2019. Such recovery will continue until the effective date of new rates from the Company's next rate case filing.

Under the proposed Revised TCJA Settlement, the Company will accrue a carrying cost on the TCJA-related deferred regulatory liability amounts starting January 1, 2018. The refund portion of this deferred regulatory liability (the subject of the advice letter) will accrue interest based on the current Federal Reserve Bank Prime Loan Rate (that rate is 4.75 percent) through December 31, 2018. Under the proposed Revised TCJA Settlement, the portion of this deferred regulatory liability applicable to the Legacy Pre-Paid Pension Asset will accrue interest at the currently authorized cost of debt of 4.67 percent through the effective date of new rates.

The projected impacts of the Company's filing for June 2018 with and without the GRSA are shown below.

<u>Projected Monthly Bill Comparison with and without the GRSA</u>

Customer Class	Projected June 2018 without GRSA ($/Month)	Projected June 2018 with GRSA ($/Month)	Change in Average Bill ($/Month)	Change in Average Bill (%/Month)
Residential (R)	$72.09	$70.16	($1.93)	-2.68 %
Small Commercial (C)	$137.14	$133.07	($4.07)	-2.97 %
Secondary General (SG)	$2,492.98	$2,429.90	($63.08)	-2.53 %
Primary General (PG)	$38,701.80	$37,830.38	($871.42)	-2.25 %
Transmission General (TG)	$863,402.30	$846,726.78	($16,675.52)	-1.93 %

In accordance with 4 *Code Of Colorado Regulations ("CCR")* 723-3-3002(d), copies of the current and proposed GRSA Rider summarized above and as filed with the Commission are available for examination and explanation at the main office of Public Service, 1800 Larimer Street, Suite 1400, Denver, Colorado 80202-5533, or at the Commission office, 1560 Broadway, Suite 250, Denver, Colorado 80202-5143. Customers who have questions may call the Commission at 303-894-2000, call Xcel Energy at 1-800-895-4999, fax to Xcel Energy at 1-800-895-2895, or e-mail to inquire@xcelenergy.com.

Anyone who desires may file written comments or objections to the proposed action. Written comments or objections shall be filed with the Commission, 1560 Broadway, Suite 250, Denver, Colorado, 80202-5143 or e-mailed to: dora_puc_website@state.co.us on or before 10 days before the proposed effective date of June 1, 2018. The Commission will consider all written comments and objections submitted prior to the evidentiary hearing on the advice letter. The filing of written comments or objections by itself will not allow you to participate as a party in any proceeding on the proposed action. If you wish to participate as a party in this matter, you must file written intervention documents in accordance with Rule 1401 of the Commission's Rules of Practice and Procedure or any applicable Commission order.

The Commission may hold a hearing to determine what rates, rules and regulations will be authorized. If a hearing is held, the Commission may suspend the proposed rates, rules or regulations. The rates, rules and regulations ultimately authorized by the Commission may or may not be the same as those proposed, and may include rates that are higher or lower.

The Commission may hold a public hearing in addition to an evidentiary hearing on the advice letter. If such a hearing is held, members of the public may attend and make statements even if they did not file comments, objections or interventions. If the application is uncontested or unopposed, the Commission may determine the matter without hearing and without further notice. Anyone desiring information regarding if and when a hearing may be held shall submit a written request to the Commission or, alternatively, shall contact the External Affairs section of the Commission at 303-894-2070 or 1-800-456-0858. Notices of proposed hearings will be available on the Commission website under "News Releases" or through the Commission's e-filing system.

By: Scott B. Brockett
Director, Regulatory Administration