

**Public Service Company of Colorado
Comparison of Regulatory Principles and Adjustments
Underlying the MYP Test Years and HTY Cost of Service Studies**

Line No.	Description	MYP Test Years 2018 - 2020	HTY 2016
1	Rate Base is calculated using a 13-month average balance method, except for Accumulated Deferred Income Taxes ("ADIT") and Cash Working Capital	Yes	No
2	The ADIT balances are calculated using the end of year balances and prorated consistent with IRS guidelines	Yes	No
3	Rate Base is calculated using a year-end balance method for plant and plant-related items, except for inventory balances, non-plant balances and Cash Working Capital	No	Yes
4	Common plant is allocated to the gas department based on a study of all common plant assets that assigns an allocation method for each type of asset	Yes	Yes
5	Adjustment to eliminate all plant and plant-related costs associated with the Pipeline System Integrity Adjustment ("PSIA") rider in the HTY and 2018 before the PSIA rolls into base rates January 1, 2019	Yes	Yes
6	Adjustment to Plant in Service and plant-related items for projects not related to the gas department, e.g., SmartGridCity	Yes	Yes
7	Capital lease assets are not included in rate base	Yes	Yes
8	Plant Held for Future Uses is included in rate base	Yes	Yes
9	Gas stored underground inventory balance is not included in base rates, as it is recovered through the Gas Cost Adjustment. The balance is eliminated from rate base	Yes	Yes
10	Contractor retentions are eliminated from the CWIP balance	No	Yes
11	Construction Work in Progress ("CWIP") is included in rate base with an Allowance for Funds Used During Construction ("AFUDC") offset to earnings	No	Yes
12	Adjustments to Rate Base for known and measurable changes occurring outside the test year are generally not made	Yes	Yes
13	The materials and supplies inventory balance is calculated using a 13-month average	Yes	Yes
14	Eliminate a portion of the materials and supplies inventory balance allocated to construction-related projects	Yes	Yes

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15	Cash Working Capital components are: natural gas purchased for resale costs, O&M expense (both directly incurred by the Company and charges from Xcel Energy Services Inc.), paid time off, incentive pay, taxes other than income taxes, federal and state income taxes and franchise and sales taxes	Yes	Yes
16	Cash Working Capital factors are based on a lead-lag study	Yes	Yes
17	Net ADIT balances are a reduction to rate base, as opposed to a cost-free component in the capital structure	Yes	Yes
18	ADIT balances will be functionalized	Yes	Yes
19	Legacy Pre-Paid Pension Asset and related ADIT balances at December 31, 2014 will be amortized over 15 years. The 13-month average of the unamortized balances of the Pre-Paid Pension Asset and the associated ADIT will be included in rate base on a pre-tax basis	Yes	No
20	Legacy Pre-Paid Pension Asset and related ADIT balances at December 31, 2014 will be amortized over 15 years. The year-end unamortized balances of the Pre-Paid Pension Asset and the associated ADIT will be included in rate base on a pre-tax basis	No	Yes
21	New Pre-Paid Pension Asset and related ADIT after December 31, 2014 will be included in rate base on a pre-tax basis at a 13-month average balance	Yes	No
22	New Pre-Paid Pension Asset and related ADIT after December 31, 2014 will be included in rate base on a pre-tax basis at a year-end unamortized balance	No	Yes
23	Unamortized balances of other regulatory assets and liabilities are included in rate base at a 13 month average balance in the 2018 - 2020 MYP and year-end balance in the 2016 HTY	Yes	Yes
24	Retiree medical (FAS 106), self-insured long term disability (FAS 112), and non-qualified pension assets/liabilities will be included in rate base on a pre-tax basis at a 13-month unamortized balance	Yes	No

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25	Retiree medical (FAS 106), self-insured long term disability (FAS 112), and non-qualified pension assets/liabilities will be included in rate base on a pre-tax basis at a year-end unamortized balance.	No	Yes
26	Eliminate ADIT related to items not included in the cost of service	Yes	Yes
27	Adjustments are made to ADIT associated with any plant adjustments	Yes	Yes
28	Include an adjustment to ADIT and Deferred Income Tax expense associated with the interest on CWIP	No	Yes
29	Full normalization is the method of accounting for income taxes allowing the Company to provide for deferred taxes on all book/tax timing differences	Yes	Yes
30	Include an offset to ADIT for any net operating losses ("NOL") or NOL carry forward due to bonus depreciation	Yes	Yes
31	Deductions from rate base include customer deposits and customer advances for construction	Yes	Yes
32	Present revenues used to derive the revenue deficiency is based on billed revenues, adjusted to eliminate the revenues billed on various recovery mechanisms, e.g., GCA, gas DSMCA, and PSIA	Yes	Yes
33	Retail base rate revenue does not include unbilled revenue, or adjustments for customer additions or losses to the test year sales	Yes	Yes
34	Adjustments to present revenues to annualize customers at year end	No	Yes
35	The revenues collected for the Gas Affordability Program ("GAP") that are included in the Service & Facility monthly charge are not included in base rates	Yes	Yes
36	Test year gas sales are normalized for weather	Yes	Yes
37	Adjustments are made to eliminate other revenue amounts not included in retail base rates, e.g., rate refunds, Quality of Service Plan incentives, and PSIA deferred costs	Yes	Yes
38	Residential late payment revenue is eliminated from base rates.	Yes	Yes
39	Include an adjustment to revenue to remove the PSIA in base rates amount in 2016 and 2018 before the PSIA rolls into base rates January 1, 2019	Yes	Yes

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Line No.	Description	MYP Test Years 2018 - 2020	HTY 2016
40	Adjust Other Revenues and O&M credits for changes in rates related to charges for rendering service.	Yes	Yes
41	Include an adjustment to revenue to eliminate the Craig and Gunnison compression projects revenue previously paid directly by Atmos Energy.	Yes	No
42	Eliminate all gas purchased for resale and deferred gas costs	Yes	Yes
43	Eliminate the expenses associated with the Front Range Pipeline	Yes	Yes
44	Include pro forma adjustments to O&M expenses for known and measurable changes occurring both in the test period (in-period adjustments), and outside the test year (out-of-period adjustments)	No	Yes
45	Out-of-period adjustments to O&M expense are generally not made for items expected to occur more than one year after the test year has ended	No	Yes
46	Eliminate O&M expenses that are not recovered through base rates, but rather recovered through other mechanisms	Yes	Yes
47	Include merit increases for bargaining and non-bargaining employees that occurred during the test period and within one year after the end of the test period	Yes	Yes
48	Accounting adjustments are made to eliminate or add expenses to accurately state the Test Year	Yes	Yes
49	Include annual incentive pay capped at 15 percent of base pay levels	Yes	Yes
50	Eliminate the amortization of the deferred Transmission Integrity Management Programs which expired September 4, 2016	No	Yes
51	Eliminate all costs recovered through the PSIA rider, including depreciation and income tax expenses in the HTY and 2018 before the PSIA rolls into base rates January 1, 2019	Yes	Yes
52	Include an adjustment to Distribution O&M, A&G and payroll costs associated with taking the existing Gas Emergency Response 1.0 program to the forecasted December 31, 2017 level	Yes	Yes

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53	Include an adjustment to Distribution O&M expenses to bring the amount in base rates for the Damage prevention program to the actual level as of December 31, 2016	Yes	Yes
54	Include customer deposit interest as an adjustment to Customer Operations expense	Yes	Yes
55	Exclude Demand Side Management costs from base rates	Yes	Yes
56	Eliminate advertising expenses related to marketing, promotion, community relations, image, and political ads	Yes	Yes
57	Include safety, conservation and customer program related advertising costs in the cost of service	Yes	Yes
58	All lobbying expenses and donations booked in FERC Account 426 are not included in the cost of service	Yes	Yes
59	Included an adjustment to eliminate the expenses associated with the long-term portion of the officers' incentive compensation	Yes	Yes
60	Reclassify labor costs from gas purchased for resale FERC account 807 to Other Gas Supply O&M expense	Yes	Yes
61	Eliminate discretionary pay	Yes	Yes
62	Eliminate employee expenses not in compliance with corporate travel guidelines	Yes	Yes
63	Eliminate 91.45 percent of expenses associated with the corporate aircraft	Yes	Yes
64	Include an adjustment to pension and benefit and workers' compensation expense to reflect the level in 2017 based on the most recent actuarial study	No	Yes
65	Forecast pension and benefit and workers' compensation expense in the MYP based on the most recent actuarial study	Yes	No
66	Include an amortization of rate case expense to recover the incremental costs of current gas rate case	Yes	Yes
67	Eliminate amortization of rate cases expenses from prior gas rate case, Docket No. 15AL-0135G	Yes	Yes
68	Gain or loss on the sale of land retained by the company and gain or loss on the sale of assets split 50/50 between the company and customers	Yes	Yes

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Line No.	Description	MYP Test Years 2018 - 2020	HTY 2016
69	Cost allocation between regulated and non-regulated business activities is based on the Cost Allocation and Assignment Manual	Yes	Yes
70	Depreciation expense is based on the depreciation rates approved in Proceeding No. 15AL-0135G, with limited changes proposed to common, general, and transmission and distribution gas mains functions	Yes	Yes
71	Include adjustments to depreciation and amortization expense to correspond with adjustments made to plant	Yes	Yes
72	Include an adjustment to annualize the depreciation expense at the year-end level	No	Yes
73	Include an amortization of the environmental clean up costs at the Boulder Manufactured Gas Plant site	Yes	Yes
74	Eliminate property taxes associated with Front Range Pipeline	Yes	Yes
75	Include known changes to property taxes that are expected to occurred in the test period	Yes	Yes
76	Adjust property taxes allocated to the gas department based on the plant balances from the prior calendar year	Yes	Yes
77	Include an adjustment to payroll taxes for any adjustment to test period employee labor costs	Yes	Yes
78	Current Federal and State income taxes are calculated as follows: taxable income is determined by using the return on rate base, then synchronized interest expense is deducted, taxable additions/deductions are added, and permanent tax differences are added, then state and federal income tax rates are applied	Yes	Yes
79	Adjustments to current and deferred taxes are made to correspond with adjustments made to plant, to include interest on CWIP, or to exclude amounts not in the cost of service	Yes	Yes
80	Income tax credits and the amortization of investment tax credits are added to the cost of service	Yes	Yes
81	Include an offsetting adjustment to earnings for AFUDC	No	Yes

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Line No.	Description	MYP Test Years 2018 - 2020	HTY 2016
82	AFUDC addition to earnings is based on actual test-period expenses and is not annualized, if rate base is calculated using a 13-month average; if rate base is calculated using a year-end balance, AFUDC addition to earnings is annualized at the year-end level	No	Yes
83	The capital structure is based on actual book balances using the same valuing method as Rate Base, e.g. 13-month average balance or year-end balance	Yes	Yes
84	Eliminate Notes Payable/Notes Receivable with subsidiaries from debt component in capital structure	Yes	Yes
85	Eliminate investment in subsidiaries, subsidiary retained earnings, net non-utility plant, other investments, other funds and other comprehensive income from the equity component in capital structure	Yes	Yes
86	The cost of debt corresponds with the debt balances in the capital structure, and includes bond premiums or discounts, underwriting expenses, and other expenses of issue	Yes	Yes
87	The cost of debt is calculated by dividing the debt costs by the gross debt balance, which is known as the "par value" method	Yes	Yes
88	All cost of service line items are allocated to the retail jurisdiction based on either a fundamental allocator or a derived allocator. The fundamental allocators include the peak day demand, annual consumption and the total number of customers	Yes	Yes

Notes:

1. O&M expense adjustments were made to the HTY and then indexed forward to the MYP. The only adjustment actually made in addition to the indexed amounts is the adjustment for the Gas Emergency Response 2.0 Program.