

The Company has listed below any material changes that have taken effect since January 1, 2014. For additional information, please refer to the Public Service Company of Colorado FERC Form 3-Q for Q2 2014, Notes to Financial Statements.

**I. FERC Uniform System of Accounts Changes**

None

**II. FERC Form No. 1 Reporting Requirements Changes**

None

**III. Accounting Policy/Practice Changes**

***FERC Order 552 Final Order Interpretation*** – During a recent FERC Audit of Southwestern Public Service Company, it was brought to the Company’s attention a concern about the classification of interest on regulatory balances. The Federal Energy Regulatory Commission (“FERC”) issued a final rule on Order No. 552, effective January 1, 1993 which reads, “the Commission will require that deferred returns and/or carrying charges accrued on regulatory assets and liabilities be credited to Account 421, Miscellaneous Non-operating Income, or charged to Account 431, Other Interest Expense, as appropriate.” Regulatory precedent supports this treatment in recent orders which reference Order No. 552 requiring that deferred returns and/or carrying charges accrued on regulatory assets be credited to Account 421. Public Service had been recording interest on regulatory balances to FERC Account 419, Interest and Dividend Income. In 2014, Public Service made reclassification entries to move these balances from FERC Account 419 to FERC Account 421. The table below summarizes the reclassifications. There is no impact to the Production Formula Rate Template for this accounting change.

Electric DSM	\$74,879.86
Gas DSM	\$320,879.86
Other regulatory balances	\$189,421.98

***Interruptible Credit Option – 3 mil adder*** – Public Service offers a service to large customers whereby they receive a monthly bill credit in exchange for being willing to interrupt their service when called upon by the Company. Customers are notified of the interruption event and are given the option to comply with the interruption, or to buy through the interruption. If the customer opts to buy through the interruption, the customer will be charged the average cost of fuel required to support the interruptible load. In addition, an adder of \$.003/kWh is levied to cover the administrative costs of the program. Previously, the \$.003/kWh adder was included in the per kWh fuel cost charged to the customer. In 2014, the accounting was changed to remove the revenue billed for the adder from fuel cost and record the adder revenue to an FERC Account 456, Other Electric Revenue. These revenues have been eliminated from the Production Formula Rate Template, as these are recovered from retail customers. .

**IV. GAAP-Related Items**

None

**V. FERC Ratemaking Orders Applicable to the Formula Rate**

None

**VI. Service Company Statistical Change to Specific Allocators**

In 2014, the Three-Factor Allocator used to allocate common utility costs in FERC Account 408, Taxes Other Than Income Tax and FERC Accounts 920-924, 927-935, Administrative and General Expenses, among electric, gas and thermal operations was updated to correct a formula used to calculate the weighted average of operating revenue, plant in service and supervised Operating and Maintenance expense (“O&M”). Prior to 2014, the numerator of the formula added the operating revenue, plant in service and supervised O&M for each utility type (electric, gas and thermal) and the denominator of the formula added the total operating revenue, plant in service and supervised O&M. In 2014, this calculation was corrected so that the utility percentage of each allocator is calculated first and then divided by 3 to calculate the weighted average percentage of all three factors. Below is a summary of the change as of July 2014 YTD.

	2014 Actual			2014 Using 2013 Method		
	Electric	Gas	Thermal	Electric	Gas	Thermal
<b>Percentage</b>	78.5718%	20.9412%	0.4870%	79.6402%	20.0339%	0.3259%
<b>FERC Account 408</b>	\$ (79,850)	\$ (21,282)	\$ (495)	\$ (80,936)	\$ (20,360)	\$ (331)
<b>FERC Accounts 920-924, 927-935</b>	\$40,807,850	\$ 10,876,235	\$ 252,933	\$ 41,362,746	\$ 10,405,010	\$ 169,263

	Difference		
	Electric	Gas	Thermal
<b>Percentage</b>	-1.0684%	0.9073%	0.1611%
<b>FERC Account 408</b>	\$ 1,086	\$ (922)	\$ (164)
<b>FERC Accounts 920-924, 927-935</b>	\$ (554,895)	\$ 471,225	\$ 83,671

**VII. Other**

None