# Public Service Company of Colorado

# Annual Report

# 1984

Original to
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## Contents



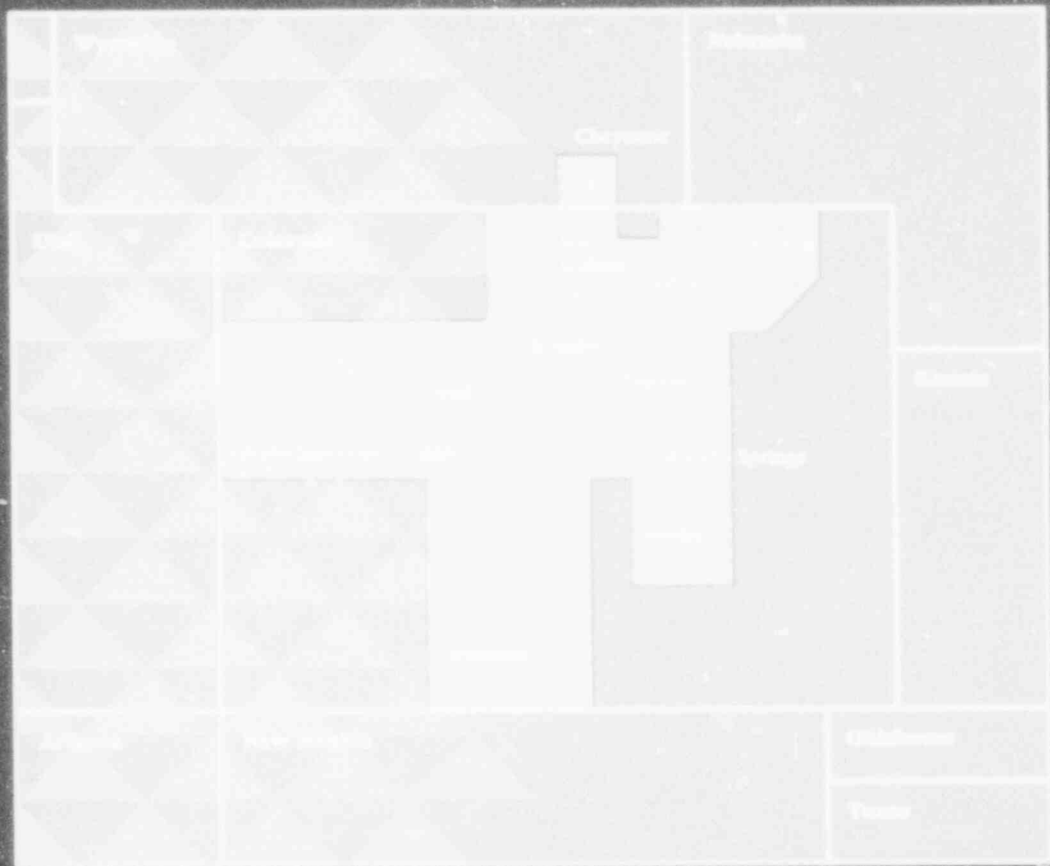
### Annual Meeting

**Date:** Thursday, May 2, 1985

**Place:** Public Service Company of Colorado Corporate Headquarters 550 15th Street Denver, Colorado 12th Floor Auditorium

**Time:** 2:00 p.m. (MDT)

Notice of the Annual Meeting, proxy statements and forms are mailed approximately 30 days before the meeting date.



### Service Territory

Public Service Company of Colorado is the largest investor-owned utility in Colorado, spanning virtually all of the state's major population centers and the Cheyenne, Wyoming area.

### For Information


Write or call:
Public Service
Company of Colorado
550 15th Street
Denver, Colorado 80202
(303) 571-7511

**Investor Relations**
Douglas S. Robertson

**Shareholder Services**
Roger C. McClary


### Corporate Principles

During 1984 the management of Public Service Company defined the following corporate principles as the standard for all its programs and strategies in meeting the commitment to shareholders, customers and employees:

- Constant attention to our customers' needs.
- Financial strength and profitability.
- A high quality of work life for our employees.
- Emphasis on performance and rewards that recognize contribution.
- Competent managers at all levels.
- Fairness in our dealings with suppliers.
- Visibility in the community as a good corporate citizen.
- High ethical and moral standards in all we do.

## Corporate Purpose

Public Service Company of Colorado is in the business of providing reliable electric, natural gas and steam services to approximately 75% of the state's three million-plus people, including 1.9 million people in the Denver metropolitan area.

We are an investor-owned utility, subject to government regulation. Using sound management principles, we seek the maximum value from all available assets. In this way, we can fulfill our three most fundamental objectives: a solid, competitive financial condition that results in market appreciation for our shareholders; quality utility services at a cost customers can afford in the prevailing economic environment; a stable working environment for our employees and opportunities for their personal career development.

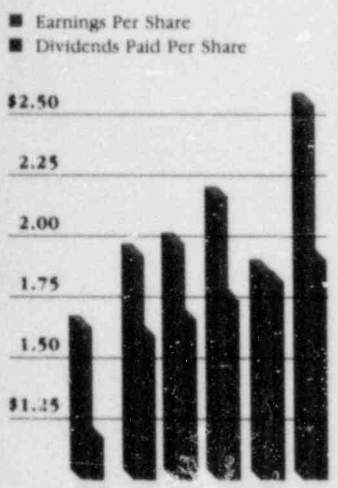
We are a leader in the utility industry because of the success in meeting responsibilities to shareholders, customers, employees and the community. We face the future with a commitment to continue to develop as a dynamic organization adaptable to change and confident of even greater success in the years ahead.

# Financial and Operations Highlights

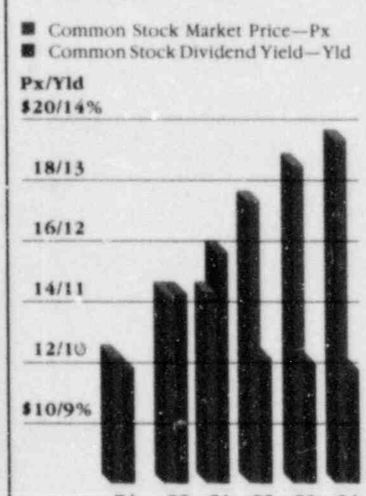
| Financial | 1984 | 1983 | % Change |
|---|---|---|---|
| Earnings Per Share | $2.55 | $1.86 | 37.1 |
| Dividends Paid Per Share | $1.90 | $1.82 | 4.4 |
| Return on Average Common Shareholder Equity | 15.0% | 11.2% | 33.9 |
| Common Shareholder Equity — % of Capitalization (year-end) | 44.1% | 41.5% | 6.3 |
| Operating Revenues (000) | $1,802,024 | $1,628,641 | 10.6 |
| Operating Expenses (000) | $1,591,704 | $1,449,146 | 9.8 |
| Net Income (000) | $ 145,247 | $ 106,379 | 36.5 |
| Capital Expenditures (000) | $ 196,551 | $ 195,485 | 0.5 |
| Gross Plant Investment (000) | $3,281,869 | $3,118,249 | 5.2 |
| Number of Employees | 6,894 | 6,857 | 0.5 |
| Common Stock Shareholders | 73,702 | 73,556 | 0.2 |
| Common Stock Shares Outstanding (000) | 51,632 | 49,182 | 5.0 |

| Operations | | | |
|---|---|---|---|
| Electric Revenues (000) | $ 999,628 | $ 853,743 | 17.1 |
| Kilowatt-Hour Sales (Millions) | 17,005 | 15,654 | 8.6 |
| Electric Customers | 919,267 | 892,569 | 3.0 |
| Gas Revenues (000) | $ 790,068 | $ 761,629 | 3.7 |
| Mcf Deliveries (000) | 198,474 | 177,585 | 11.8 |
| Gas Customers | 771,532 | 744,348 | 3.7 |

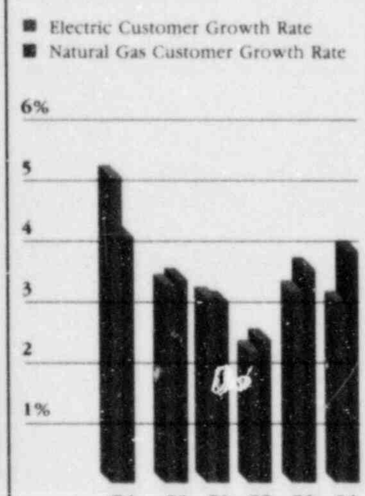
**Earnings & Dividends Per Share**



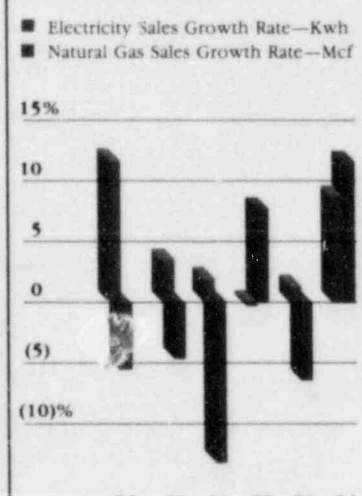

**Year End Stock Price & Dividend Yield**




**Customer Growth–Electric and Gas**




**Sales Growth–Electric and Gas**



# Year in Retrospect

**Earnings Reach Record High**
■ Earnings per share in 1984 climbed to $2.55, a 37% increase over 1983. This is the highest level in Company history. Several developments contributed to this performance: the better-than-average increase in the number of electric and natural gas customers; the implementation of higher rates; the recovery in the rate of growth of energy sales exceeded expectations. The earnings improvement brought the return on equity to 15%.

**Energy Sales Rebound From Depressed 1983**
■ Electricity sales jumped 8.6% and natural gas deliveries increased 11.8% after a weak performance in 1983. These increases surpassed our projections because of the near-record cold winter weather in 1983-1984 and the improved economic situation in our service territory. The 17.1% increase in electricity sales to the industrial sector alone is one of the strongest indications that our major industrial customers are recovering from the effects of the recession on their operations.

**New Rates To Raise Annual Revenues $60.6 Million**
■ We were permitted by the Colorado Public Utilities Commission (CPUC) to increase rates 4.2%, which should raise our annual revenues by $60.6 million. We requested in late 1983 a rate increase of $123.2 million. The CPUC allowed us in December 1983 to put $43 million of that request into effect on an interim basis. In May, the CPUC authorized an increase of an additional $17.6 million.

**Nuclear Plant Outage Raises Refund Issue**
■ We charged $7.2 million against 1984 pre-tax income in anticipation of possible requirements to make refunds to customers because the Fort St. Vrain Nuclear Generating Station did not meet CPUC operating standards in 1983 and 1984. A refund of $591,000 was made to customers in May. No additional refunds will be made pending the outcome of legal and regulatory proceedings.

**Annual Dividend Rate Increased to $1.92**
■ In March 1984 the Board of Directors approved a 4.3% increase in the quarterly dividend rate to 48 cents per share, or $1.92 per share annually. We believe a consistent pattern of annual increases, declared at the same time each year, is important to strengthen our competitive position in capital markets.

**Changes Made In Dividend Reinvestment**
■ Several modifications in the Automatic Dividend Reinvestment Plan became effective January 1, 1985. The reinvestment of dividends on common shares will be limited to an annual total of $1,500 per shareholder account. This is the maximum amount permitted by the dividend exclusion provision of the Economic Recovery Tax Act of 1981. Once the limit is reached, dividends will be paid in cash. The 5% discount on reinvested dividends, preferred dividend reinvestment and the optional cash payment feature have been eliminated from the plan. These changes were made to ensure the continuing availability of qualifying new issue shares.

**Non-Regulated Businesses In Growth Plans**
■ Limited investments into non-regulated businesses continue to be a component of our long-range corporate strategy. Through our subsidiary, Fuel Resources Development Co. (Fuelco), we are investing in natural gas and oil exploration properties in a six-state area in the Rocky Mountain region. Fuelco's gross revenues in 1984 amounted to $10.3 million, compared to $10.2 million in 1983. Net income was $1.2 million, compared with a $1.2 million loss in 1983. The natural gas sales volume was 2,478,593 Mcf and crude oil sales volume totaled 86,465 barrels. Fuelco had a working interest in 341 wells at year end; 270 of these wells are producing.

**Real Estate Subsidiary Unveils Long-Term Plan**
■ Bannock Center Corp. announced a comprehensive long-term potential land-use plan for the future development of prime property near downtown Denver. We have extensive holdings in utility-related properties and these operations already involve us deeply in the life of the communities we serve. The investment in commercial real estate is a natural extension of the real estate aspects of our business. Bannock Center offers an opportunity to provide exciting urban design as part of Denver's long-range efforts to enhance the quality of its downtown area.

**Colorado Establishes A Consumer Counsel**
■ The Colorado Office of Consumer Counsel was established by the State Legislature effective July 1, 1984. Supervised by the Attorney General, the new agency will represent consumers in proceedings conducted by the CPUC. The agency is funded through an assessment on the regulated utility companies.

**Lehr Named To CPUC Seat**
■ Ronald L. Lehr was confirmed by the Colorado Senate in March 1984 to serve on the CPUC the remaining 10 months of the term of Daniel Muse who resigned on January 31, 1984. The term expired January 31, 1985, and Lehr has been re-confirmed by the Colorado Senate to serve a six-year term. Lehr is a Denver lawyer who has worked for the state's energy conservation office. The other commissioners are Edythe S. Miller, chairwoman, and Andra I. Schmidt.

**Shareholder Meetings Attract 1,200 Guests**
■ More than 1,200 shareholders and members of the financial community met personally with management during the 1984 series of regional meetings held in five cities. Meetings for 1985 are listed on the survey card attached to the last page of this Annual Report.

# Management Commentary

The principles by which we have managed the Company to a much-improved financial condition and to a strong performance in 1984 form the cornerstone of our business plan for the next five years.

We faced a critical challenge in 1979 to turn ourselves away from the disruptions caused by an energy malaise and a stinging inflation rate. At that time, we set ambitious goals that enabled us to pinpoint problem areas, determine the level of financial strength desired and formulate precise programs for improvement. These goals provided the framework for the decisions and actions that put us on the road to financial recovery. They have led us to a point where now we can plan the future with programs for increased profitability.

Because the business of running a utility has become more complex, the quality of management as a gauge for measuring the merits of our Company as an investment is more important than ever before. A well-defined and clearly communicated set of basic objectives enables investors to evaluate our performance by standards other than historical results and track our progress and potential from year to year.

Two equally important fundamental principles underlie our entire management philosophy and strategy. The first is to provide customers with adequate and reliable service at the lowest cost possible. The second is to reach a highly competitive level of financial strength and profitability.

Because customers generally use less energy as prices increase, it is difficult to satisfy both of these principles. However, we believe a workable balance can be reached in serving company and customer alike by minimizing the cost of services and maximizing the use of our production facilities.

Effective cost-control innovations are part and parcel of our efforts to reduce the price of electric and gas service. Comprehensive measures at every level of the Company have held the line on all costs, especially non-fuel and non-capital expenses. We are putting the latest managerial and technological concepts to work for us and we are confident that we will be successful in this effort.

Economic activity in our service territory and the state's population during the next five years are projected to increase at a healthy rate. This growth will provide some cushion against future economic changes that could have an adverse affect on our business. It is difficult to formulate a precise energy supply strategy because customers' energy usage habits are changing. This is particularly true in the non-residential sector as the essence of our economy shifts from mining, manufacturing and agriculture to high technology and service industries. Our stature as a regulated monopoly does not shield us from the competition of an increasing array of developing energy options in this changing business environment.

Our goals and programs for 1985 continue to reflect the principles of constant attention to customer needs and maintaining financial integrity and profitability. Listed are some major programs:

- Natural gas will be marketed with a new emphasis. We will seek the opportunities offered by a changing gas industry now characterized by surplus supply, market competition and declining gas prices.
- Electricity will be marketed in a manner that emphasizes managing and limiting growth of the maximum demand on our system. We will continue to combine our generating capabilities with available purchased power to achieve the best balance of supply and cost.
- Engineering and design work will continue on the second unit at Pawnee based on an in-service target date of 1991. This will assure us of adequate generating capability in the 1990s. However, construction will not begin until we are confident it can be completed without detriment to the best interests of shareholders and customers.
- We are committed to returning the Fort St. Vrain Nuclear Generating Station to operational status as soon as possible. We will oppose the CPUC-initiated regulations imposed against the plant in 1984.
- We will continue to be aggressive in protecting our rights to serve our existing territory. We will carefully evaluate opportunities for expanding the service territory.
- We are taking the necessary steps to ensure the renewal of our franchise to serve the city and county of Denver.
- We have implemented a new system that changes the way we motivate, evaluate and compensate our employees. Our commitment is to place greater emphasis on employee performance and rewards for contribution and competence. The achievement of all corporate goals depends on the skills and motivation of our employees. We have reviewed our commitment to enhance the effective development and utilization of our human resources.

The successes of the last five years and the optimism with which we view the next five years must be attributed in great measure to our employees. We compliment them for their contributions in making us the company we are today and for all that we can be.

R. T. Person
Chairman of the Board

R. F. Walker
President and
Chief Executive Officer

February 8, 1985

*President and Chief Executive Officer R. F. Walker (left) and Chairman of the Board R. T. Person confer before one of several meetings with shareholders held throughout the year.*

# Financial Performance

**We reached record high earnings in 1984 and we believe the quality of our earnings to be among the best in the utility industry.**

**With lower construction spending and a higher cash flow, we have strengthened our balance sheet and improved our capital structure. These improvements give us the flexibility to withstand future economic and financial market upheavals.**

Our financial condition was stronger in 1984 than at any time in many years. We are meeting many of the financial goals essential to our continuing effort to meet broader corporate objectives. We are now in a position to view the rest of this decade with increased optimism. We believe this strong position holds the potential for increased profitability.

It is important in evaluating this success and our expectations for the future that we consider not only management's efforts and the resulting financial statistics, but the intangible factors that influence our business. Our performance in 1984 is a case in point.

Earnings per share in 1984 were $2.55, highest in the Company history. Several developments combined to produce this notable result. Electricity and gas sales in the 1984 first quarter improved dramatically from depressed levels of late 1983 and continued strong through the rest of the year. Weather played a big hand in that first-quarter surge as Denver's winter temperatures were the second coldest in history. About 75% of our customers are in the Denver area.

Electricity sales for the year increased 8.6% and gas deliveries were up 11.8%, reflecting weather conditions and the economic recovery being experienced in our service territory. Industrial customers emerged from the lethargy of the recession. Electric and gas sales to that sector alone jumped 17.1% and 6.2%, respectively. Sales also benefitted from the 3% rate of growth in our electric customer base, and a 3.7% increase in gas customers.

We were authorized by the Colorado Public Utilities Commission (CPUC) to put $43 million of a $123.2 million rate increase request into effect on an interim basis in December 1983. In May, the CPUC allowed us an additional $17.6 million, bringing the total amount of the rate increase granted on an annual basis to $60.6 million.

The 1984 earnings improvement resulted in an increased return on average equity to 15%. This is the highest level we've been able to achieve in recent decades and it is our objective to remain in the 14% range in 1985.

We charged $7.2 million against pre-tax income contingent on possible refunds because the Fort St. Vrain Nuclear Generating Station did not meet operating standards established by the Colorado Public Utilities Commission. This amount includes $591,000 refunded to customers in May because the plant did not operate in January and February 1983. Additional refunds related to the plant's operation from March 1983 to October 1984 are being considered by the CPUC.

In August, the CPUC issued an order requiring refunds based on revised operating standards beginning in November and continuing each month following that the plant does not meet these standards. The refund for November and December amounts to $960,000.

*Communications that clearly define our objectives, philosophy and programs are essential in competing for investment dollars in today's marketplace. Using all appropriate media, we provide our shareholders, the financial community and customers with timely, concise and understandable information. This enables them to more fully evaluate our performance and investment prospects.*

# Financial Performance

**We serve a growing service territory and that translates into increased revenues and income.**

**We do not expect to seek financing for construction purposes during the next couple of years because of our strong cash position.**

**Our objective is to maintain a consistent pattern of increasing the dividend every year.**

We requested and received in Denver District Court a stay of that order while the court reviews the case, but we are required to escrow the refund amounts.

Earnings in 1985 may not reach the record high of $2.55 per share recorded in 1984. Winter temperatures may not be as severe as the record cold temperatures of a year ago. There will be further charges made against net income in connection with the operating difficulties at Fort St. Vrain.

The quality of our earnings is important in maintaining sound credit ratings. We are now rated a strong single A and our immediate objective is to move up to a double A. The double A rating will put us in a stronger position if we begin building a second unit at Pawnee. This stronger credit rating will enable us to withstand the effects of possible adverse economic conditions on our business and maintain the access to capital markets needed to complete our construction program without undue delay.

Two important measures of earnings quality are the effective income tax rate and pre-tax coverage of interest expense. Our effective income tax rate was up to 49% in 1984. The pre-tax coverage ratio was 4.35 times. Our objective over the long-term is to maintain a ratio of 3.5 times or higher.

Our capitalization ratios have improved steadily during our financial resurgence. Our level of debt as a percentage of capitalization is 44.4%. Our objective is to keep debt at 45% or less of capitalization.

Our common stock equity ratio was 44.1% at year end. Our objective is to reach about 45%. We review our capital structure objectives regularly in light of the most current economic and financial conditions. The current objectives should enable us to finance our construction without straining the financial integrity we have achieved.

The steady reduction since 1980 in spending for construction projects is a major reason for our strong financial condition. Spending in 1984 was $196.6 million. This amount represents 9.7% of capitalization. Our objective is to hold spending on average to 12% of capitalization.

We generated internally from our operations $168.1 million in 1984, or 90% of construction spending. We expect to stay well above our long-term objective of 50% in 1985. We do not anticipate the need to seek financing for construction purposes in 1985 or 1986.

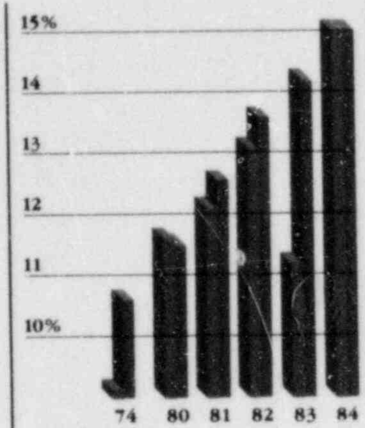
Consistency has been the key element with respect to our dividend policy. In March 1984 the Board of Directors increased the annual dividend rate to $1.92 from $1.84. Our objective is a consistent pattern of increasing the dividend every year and intend to make the amount of the increase no less than that of the previous year.

*The tight controls on construction expenditures during the past five years have strengthened our financial condition. Yet, we continue to meet the growing energy needs of our customers by maximizing the efficiency of our electric system generating and transmission facilities.*

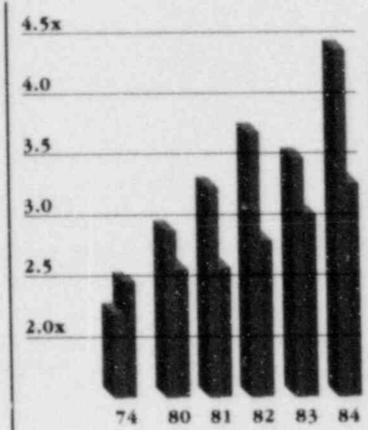
# Financial Charts

■ PSCo
■ Industry Average

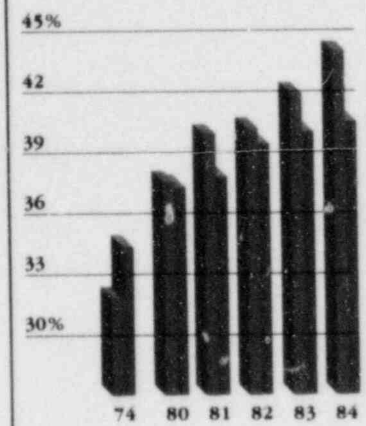
**Return on Equity**
This is the measure that tells common shareholders how well our Company is doing with its shareholders' investment. It is the primary indicator of profitability for shareholders and measures the actual average return earned for each of the years indicated.



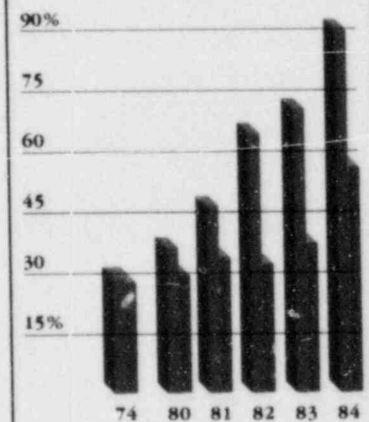

**Pretax Coverage of Interest Expenses**
A measure of protection or safety of the interest expenses paid to bondholders by our Company for the money borrowed. It is like a homeowner who must have monthly income so many times his monthly mortgage payments on his home. Our objective is to have annual income before taxes at least 3.5 times our annual interest payments.



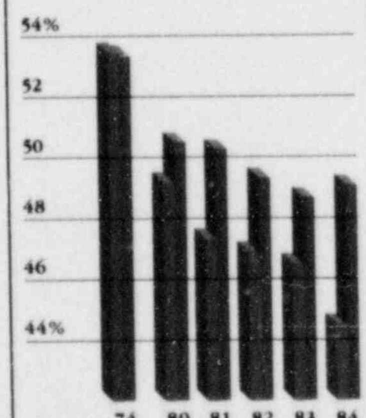

**Common Equity Ratio**
The amount of shareholder investment as a percent of the total $2 billion invested in our Company. Our objective is to have about 45% of total investment or capitalization in shareholder equity.




**Internal Funds Generation**
The amount of funds obtained from Company operations available for spending on new or existing utility plant. Our objective is for at least 50% of our annual spending to come from operations. The higher this percentage, the less financing we must do.

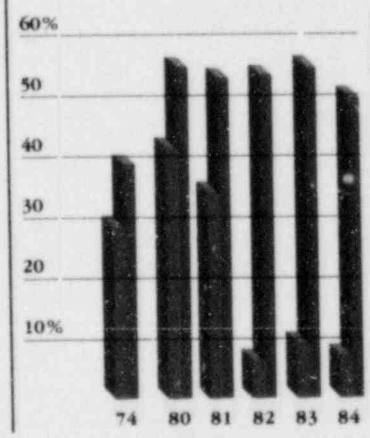



**Debt Ratio**
The proportion of borrowed funds as compared with the total $2 billion invested in our Company. Our objective is to hold debt to about 45% of total investment.

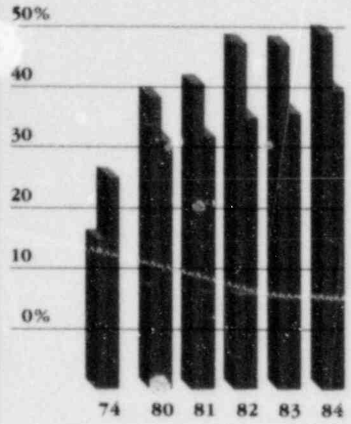



**AFDC*-% of Earnings**
The proportion of earnings derived from certain non-cash additions to income based on the composite cost of funds used to finance construction work in progress. The lower this ratio the higher the quality of reported earnings per share.

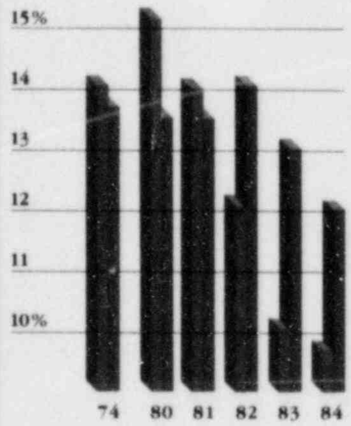
*Allowance for Funds Used During Construction



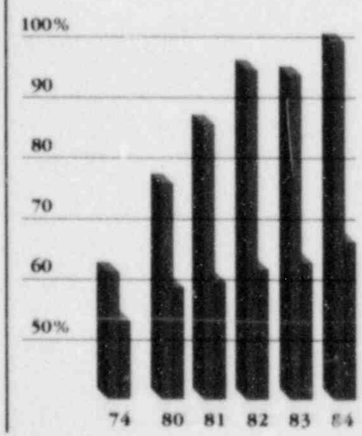
**Effective Income Tax Rate**
A measure of income taxes as a % of pretax income. A full Federal and State statutory rate (48.7%) more fully recognizes current and deferred taxes resulting primarily from accelerated depreciation of plant assets.




**Construction Expenditures as a % of Capitalization**
The portion of total investment (capitalization) in our Company being spent annually on new or existing utility plant. Our objective is not to spend more than 12% of our current $2 billion capitalization in one year.

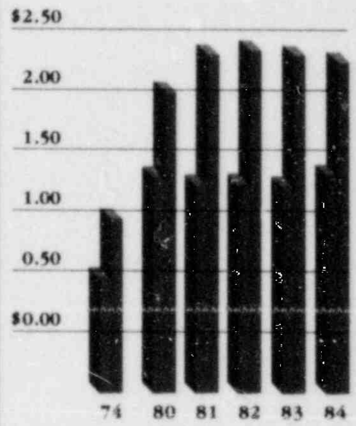



**Electric Generation by Coal**
The proportion of our electric generation that is produced by burning coal. Coal is abundant and the least expensive fuel for our Company. It is also low in sulfur.

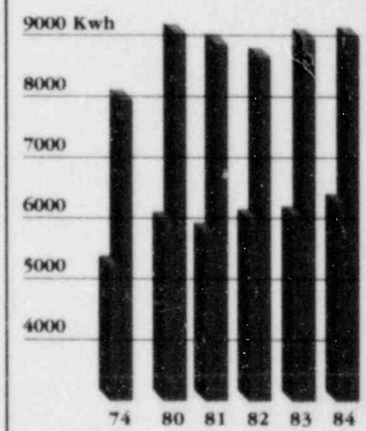



**Composite Fuel Costs***
Our average cost of fuels used in the generation of electricity has been relatively stable in recent years and is well below the average for the industry. The primary reason is our low cost of coal and that it represents over 90% of the fuel we use.

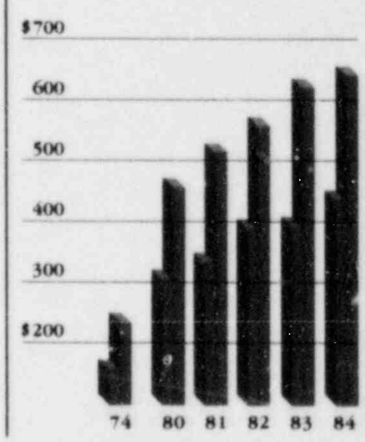
*Million British Thermal Units




**Average Annual Residential Kilowatt-Hour Usage**
This measures the amount of electricity used by our residential customers every year. Colorado's climate reduces the need for air conditioning. Natural gas is the primary heating fuel, further reducing residential electric use. As a result, electric consumption is below the national average.




**Average Annual Revenue Per Residential Electric Customer**
Our average annual residential electric utility bill is well below the national average. With lower fuels and operating expenses, we believe utility bills will moderate from the rapid increases experienced in recent years.



# Electric Operations

**Long-term purchased power contracts supplement our strong electric generation position and give us the opportunity to further strengthen our financial position before undertaking the construction of a new generating unit.**

Adequate. Economical. Reliable. These words long have described our standards for providing electric energy. Demand and usage of that energy is changing. A volatile economy breeds uncertainty about how electricity will be used in the future. Nevertheless, our commitment to adequate, economical and reliable electric energy not only remained steadfast in 1984 but is the driving force behind corporate strategy for the future.

**Adequate.** Our supply position was excellent again in 1984. During the summer peak load periods, our Company's net generating capacity was 3,035 megawatts. In addition, we had firm contracts to purchase 755 megawatts of capacity from other utilities. The maximum demand on our system reached 2,968 megawatts on July 19, which is exactly the same as the 1983 peak which came in December 1983. Our capability, including purchases, at the time of the 1984 peak was 3,790 megawatts or 27.7% above the amount of electricity demanded. Based on our installed generating capability, firm purchased power contracts with other utilities and projected maximum demand, we expect a reserve margin in 1985 of about 28%.

**Economical.** We controlled costs to our customers in three significant ways in 1984. First, we substituted economically priced purchased power, when available, for power generated from our least-efficient generating units. The savings appeared in the Electric Cost Adjustment on our customers' bills which reflects the cost of power we pass on to them on a dollar-for-dollar basis.

Second, we continued to reap the benefits of using coal as a primary fuel in generating electricity. The supply of coal in our area is abundant. It is the least expensive fuel that we can purchase for generation. Coal costs in 1984 were $1.28 per million British Thermal Units (Btu). The utility industry on average pays $1.72 per million Btu.

Third, we continued to offer customers a broad range of information programs about using electricity in the most efficient and cost-effective ways.

**Reliable.** We combine several major strategies in developing energy sources that will strengthen our system reliability. As part of our overall program to expand and maximize the output of existing facilities, we completed improvements to a unit at our Valmont Plant and brought the second unit at our Zuni Station in downtown Denver back into service in 1984. The newly activated capacity offset to some degree the unavailability of the Fort St. Vrain Nuclear Generating Station which was shut down for maintenance and repairs.

The system average generating unit availability factor in 1984 was 85.6%. Our four largest generating units alone, located at the Pawnee, Cherokee and Comanche plants, accounted for 52.9% of total system electric energy requirements and had a composite availability factor of 87.2%. Pawnee, the Company's largest generating unit, had a

*Our strategy to keep ahead of the growth in demand for electric energy rests in the engineering and planning function. We are continually considering the need for new distribution facilities and transmission lines as well as planning for the maintenance and upgrading of existing facilities. We also have completed a large portion of the design and engineering work on a new generating unit at the site of our Pawnee plant.*

# Electric Operations

**Our installed generating capability and firm purchased power contracts give us a projected reserve margin of about 28% in 1985.**

**We have deferred the completion of a second 500 megawatt unit at our Pawnee Plant site until 1991. We have already completed a large portion of the engineering and design work and have ordered major equipment.**

relatively trouble-free year in 1984. The plant was available at full capacity nearly 96% of the time. This is an outstanding reliability record for a facility of its size.

We continue to consider additional transmission lines to tap potential pools of surplus power from nearby utilities. New lines, together with the upgrading of existing lines, will enable us to transmit enough power through our system to meet all customer demands.

Our objectives and approach to adequate, economical and reliable electric service throughout the rest of the decade have taken on new dimensions. We have put more emphasis on assessing energy trends that will determine consumption. We must identify the driving forces behind customer usage, isolate their effects and determine which factors are likely to be important. The more accurately we project demand, the better we can balance system supply and the needs of customers.

Our service territory is growing. Growth is important to our success because it enables us to utilize our facilities in a cost-effective manner, resulting in increased sales.

Electric customer growth is forecasted at an annual average rate of 3% through the 1980s. Electricity sales are anticipated to increase at an annual rate of 3% to 4% during the same period. The maximum demand on our system at any given time is the basis on which we determine how much capability is needed. We estimate that maximum demand will increase on the average about 3% each year.

Our strategy to keep ahead of this growth includes the preliminary planning of an additional generating unit. We have long-term agreements with neighboring utilities to purchase, at economical prices, enough electric energy to supplement our strong generating position. We are aware that the current power surplus is temporary. For the time being, this surplus situation gives us the option of deferring another generating unit while our financial ability to support such construction becomes stronger.

We have deferred the date of commercial operation of a second 500-megawatt unit at our Pawnee plant site until 1991. About 43% of the engineering and design work on the unit is completed and major equipment has been ordered. This activity will continue at an appropriate level so that we will have at least 50% of the engineering and design completed prior to the start of construction.

Emphasis throughout the 1980s will continue to be placed on maximizing the efficiency of present generating units, maintaining a high availability factor, load management, controlling costs through effective fuel management and taking advantage of economical purchased power. This will give us a competitive position that will encourage our customers to continue to choose electricity as a primary energy source.

*The reliability of our electric system is greatly enhanced by the huge map board which enables our operators to monitor electric load patterns and pinpoint immediately areas where emergency outages occur. This sophisticated system brings the entire electric distribution system into focus at a glance.*

# Natural Gas Operations

**The per unit price of natural gas to our customers has decreased during the past two years because of the industry's surplus supply situation.**

**Natural gas is effectively marketable as an energy source because it is high in energy value, reliable, clean-burning and efficient.**

The era of phased deregulation, legislated in 1978 and completed January 1, 1985, is changing the environment in which we operate our natural gas business. Prior to 1978 the per unit price of natural gas to consumers was artificially low. Phased deregulation initially brought about sharp increases in the price of gas and consumers responded by conserving more or switching to alternate fuels. Phased deregulation also spurred a significant increase in drilling and exploration activity. Consequently, the gas industry has been moving from an economy of scarcity to an economy of surplus.

This surplus has brought about new market disciplines and a competitive situation that has enabled prices to decrease during the past two years. Our major supplier, Colorado Interstate Gas Co. (CIG), cut its rates 3.1% in 1984 and a total of 14% since October 1982. CIG has capitalized on the surplus situation by renegotiating many of the contracts through which it buys gas from producers.

We also have taken advantage of the buyers' market by making short-term purchases at competitive prices. We believe that with the deregulation of gas prices now complete we will be able to provide our customers with some further modest cost savings in 1985.

We will shift marketing emphasis in 1985 to pursue opportunities offered by the industry's new environment. Natural gas is effectively marketable as an energy source because it is high in energy value, reliable, efficient and clean-burning. With more stable prices, we believe customers in our service territory will use more gas for heating and other purposes during the next five years. Furthermore, we are in a better position to compete for interruptible industrial customers who have been considering using cheaper alternative fuels and purchasing gas on the open market.

The number of gas customers is expected to increase at an annual average rate of about 3% through the remainder of the 1980s. Gas sales during this period are forecasted to increase about 2%. Our gas marketing effort will add impetus to this growth.

Our gas distribution system is extensive and capable of handling maximum customer demand. In 1984, we delivered 198.5 billion cubic feet of gas. That is 11.8% more than in 1983. We have the capability to store 11.7 billion cubic feet of gas at any given time, providing a more-than-adequate supply to meet a surge in demand caused by cold weather. This was evident during the record-setting winter of 1983-1984, when we were able to deliver all the gas needed by customers during an extended period of sub-zero temperatures.

*Hand-held meter reading computers were implemented in 1984 to improve the overall efficiency in reading both electric and gas meters and providing long-range cost savings to customers. We are continually evaluating the latest technological developments and other initiatives in reaching our fundamental objectives of running our business as efficiently as possible and providing utility services to the customer at affordable costs.*

# Natural Gas Operations

**Through our subsidiary, WestGas, we will continually search the gas market for the most economical prices.**

**We will shift our marketing emphasis in 1985 and the years ahead to focus on the advantages of natural gas as an efficient energy source and the fact that it is available at a competitive price.**

The strategies we develop in response to the evolving era in the natural gas industry encompasses our subsidiary company Western Gas Supply Co. (WestGas), the new name for Western Slope Gas Company. The company name was changed to reflect WestGas' expanding operations and to show that WestGas operates throughout Colorado and not only on the state's Western Slope.

WestGas operates as a pipeline company that negotiates and buys gas at favorable prices from producers and transports it to Public Service Company and other large users. Nearly 70% of its sales are to Public Service Company. WestGas also maintains the large storage units that help to hold down costs and further increase the reliability of our service. WestGas' total revenues in 1984 amounted to $209 million, 31% of which were from customers other than Public Service Company.

During the last half of the 1980s, WestGas will expand its role in our gas supply operations. WestGas will search through the breadth of the market for gas that can be purchased at the most economical prices. It is also studying the feasibility of bringing gas to new residential markets, carefully following industrial development and remaining alert to unusual opportunities for growth, such as wholesale gas sales to other utilities or to small towns.

With today's surplus condition, our emphasis will be on providing gas to the customer at the lowest possible price. The surplus supply situation is expected to continue for the foreseeable future. The successful realization of our basic objectives in the coming year will prepare us adequately to bring the advantages of natural gas to our customers and to further strengthen our position in this business.

*Our subsidiary Western Gas Supply Company, renamed WestGas this past year, operates as an intrastate gas pipeline company that purchases gas from producers and transports it to Public Service Company and other large users. WestGas is a vital part of our extensive gas distribution system which puts us in a strong position to shift our marketing emphasis and seek new opportunities offered by the surplus supply condition in today's changing natural gas industry.*

# Shareholder Information

The Company's common stock ($5 par value) is listed for trading on the New York, Midwest and Pacific Stock Exchanges under the ticker symbol "PSR." Quotes may be obtained in daily newspapers where the common stock is listed as "PSvCol" in the New York Stock Exchange listing table.

| Year | Total Volume | Average Daily Volume |
|---|---|---|
| 1984 | 33,670,400 | 133,085 |
| 1983 | 32,911,900 | 130,086 |
| 1982 | 21,198,000 | 83,787 |

| Year | Common Shares Outstanding | Shareholders Common | Shareholders Preferred |
|---|---|---|---|
| 1984 | 51,632,451 | 73,702 | 5,875 |
| 1983 | 49,182,153 | 73,556 | 6,009 |
| 1982 | 47,019,528 | 70,710 | 6,128 |

Three series of cumulative preferred stock are actively traded (see chart below). All other series are not actively traded and market prices are not published.

| Series | Where Listed |
|---|---|
| 4¼% ($100 par value) | American Stock Exchange |
| 7.15% ($100 par value) | New York Stock Exchange |
| 8.40% ($25 par value) | New York Stock Exchange |

### Where to Buy Stock

■ The Company's common and preferred stock may be purchased through a brokerage firm. A shareholder of record holding the Company's common stock in his/her name may purchase common stock with no service charge or commission through the Company's Automatic Dividend Reinvestment and Common Stock Purchase Plan (the "DRP") (see section entitled "Dividend Reinvestment Plan" for details).

### Where to Sell Stock

■ The Company's common or preferred stock held in certificate form may be sold through a brokerage firm. Shares held in the DRP by the Company for a participant must be ordered out in certificate form by the participant and sold through a brokerage firm.

### Dividend Reinvestment Plan

■ The Company's DRP provides common shareholders with an economical and convenient method for purchasing additional shares of the Company's common stock without the payment of brokerage commissions or service charges.

Dividends reinvested through the DRP are used to purchase common stock at the average of the high and low sale prices of the common stock as reported on the consolidated tape on each investment date. Common shareholders whose shares are registered in names other than their own may participate in the DRP for the reinvestment of dividends, provided the broker or fiduciary who holds such stock in nominee name is willing to participate in the DRP.

A DRP statement, reflecting the transaction occurring on each investment date, is mailed to the participants as soon as practicable after such investment date.

Effective January 1, 1985 the DRP was modified, eliminating the following: the 5% discount on reinvested dividends; participation with preferred dividends; and optional cash payments. In addition, the reinvestment of dividends on common stock has been limited to $1,500 per year. Complete details are contained in the DRP prospectus.

A prospectus describing the DRP and enrollment information can be obtained from the Shareholder Services Department by writing or by calling (303) 571-7514.

**Dividend Reinvestment Plan Statistics**

| Year | Shareholder Participants | % of Total | Shares Participating | % of Total |
|---|---|---|---|---|
| 1984 | 35,092 | 48.0 | 18,898,244 | 37.1 |
| 1983 | 32,410 | 44.6 | 16,193,645 | 33.3 |
| 1982 | 28,486 | 40.3 | 12,507,578 | 26.6 |

| Year | Funds Collected | Shares Issued | Average Price |
|---|---|---|---|
| 1984 | $41,044,000 | 2,450,298 | $16.75 |
| 1983 | $32,869,000 | 1,990,151 | $16.51 |
| 1982 | $22,933,000 | 1,611,582 | $14.23 |

### Open Market Plan

■ At current participation levels the Company's DRP does not have sufficient shares authorized but unissued to complete 1985. Therefore, the Company will consider an open market dividend reinvestment plan to replace the current DRP when the authorized shares are exhausted.

The specifics of an open market type dividend reinvestment plan have not yet been determined. However, continuing with the Company's policy of keeping our shareholders informed, the operational procedures will be sent to all shareholders as quickly as the information becomes available.

### Transfer Agents

■ The Company is the principal transfer agent for its common and preferred stock. Central Bank of Denver is the principal registrar.

For additional convenience in transferring stock, Morgan Guaranty Trust Company of New York is retained as co-transfer agent and co-registrar. Effective March 1, 1985 the services of Bank of America NTSA as co-transfer agent and co-registrar were discontinued. While Bank of America has served as co-transfer agent and co-registrar for many years, steadily declining volumes of certificates transferred on the West Coast make the continuation of services there uneconomical.

### How to Transfer Stock

■ A transfer of stock is required whenever the registration of a stock certificate is changed. A change in registration generally occurs when stock held in other than "nominee or street name" is sold. Changes of name, co-owners, tenancy, etc. also require a transfer.

A transfer can be accomplished by properly filling in the stock assignment form on the reverse side of the stock certificate and endorsing the assignment form exactly as the registration is shown on the face of the certificate. The signature(s) of the transferor must be guaranteed either by a commercial bank or a brokerage firm that is a member of one of the major stock exchanges. The certificate with the properly completed assignment can then be sent to the Company or to the co-agent for transfer. It is recommended that certificates be sent *registered* or *certified* mail.

### Stock Registration

■ The purchaser has the choice of having the stock delivered or leaving it with the broker. Stock left with the broker is generally held in the brokerage firm's name and referred to as "street name" stock. The purchaser is generally referred to as the beneficial owner.

A purchaser who elects to take physical possession of the stock receives a certificate(s) representing the number of shares purchased. The stock is registered on the Company's books in the name of the purchaser who becomes a shareholder of record.

### Safekeeping of Certificates

■ When stock certificates are received, it is recommended that the certificates be safeguarded by placing them in a secure place such as a bank safety deposit box. A separate certificate record should be maintained including each certificate number, purchase date, date of issue, amount paid and the exact registration. *The Company does not safe keep certificates for shareholders.*

### Lost or Stolen Certificates

■ If a stock certificate is lost or stolen, notification should be sent immediately to the Company so a "stop" can be placed on the missing certificate. The letter should contain as much information as possible describing the certificate; in particular, certificate number, date issued, and registration. Once a "stop" has been placed on the missing certificate, an affidavit will be sent which must be completed, signed, notarized and returned before a replacement certificate can be issued. An irrevocable indemnity bond for the lost stock certificate is also required. The cost is about 2% of the market value of the missing certificate, calculated at time the indemnity bond is issued.

Information regarding lost or stolen certificates should be sent to Shareholder Services Department, (Room 160B), P.O. Box 840, Denver, CO 80201.

### Dividends

■ Dividends on common stock, as declared by the Board of Directors, are generally payable on the first day of February, May, August and November of each year. The Company pays regular quarterly dividends on its preferred stock on the first of March, June, September, and December of each year.

Dividends paid on stock held in "street name" are paid to the holder of record, generally a brokerage firm or bank nominee. The dividends are then redistributed to beneficial owners by the brokerage firm or bank in accordance with the beneficial owners' instructions.

Shareholders of record receive dividends directly from the Company unless such shareholder has elected to reinvest dividends through the Company's DRP.

### Dividends Not Received

■ Dividend checks are mailed so as to reach shareholders on the dividend payment date. Shareholders who do not receive their dividend check on the appropriate dividend payment date should contact the Shareholder Services Department. However, it is suggested that such contact be delayed about 7 days after the dividend payment date to allow for any delay in mail delivery.

The accompanying tables show the ranges of closing common and preferred stock prices as shown on the consolidated tape and dividends paid on common stock by quarter for 1984 and 1983.

| Common Stock | 4th | 3rd | 2nd | 1st |
|---|---|---|---|---|
| **1984** | | | | |
| High | 19⅝ | 18½ | 18⅛ | 18¾ |
| Low | 17⅝ | 16⅞ | 16¼ | 16⅝ |
| Last Trade | 19⅝ | 18¼ | 17½ | 17½ |
| Div. Declared | .48 | .48 | .48 | .48 |
| Div. Paid | .48 | .48 | .48 | .46 |
| **1983** | | | | |
| High | 19 | 18¼ | 17⅞ | 17¾ |
| Low | 17¼ | 16⅛ | 16⅝ | 16⅝ |
| Last Trade | 18½ | 17⅝ | 17¼ | 17⅝ |
| Div. Declared | .46 | .46 | .46 | .46 |
| Div. Paid | .46 | .46 | .46 | .44 |

| Cumulative Preferred Stock | 4th | 3rd | 2nd | 1st |
|---|---|---|---|---|
| **4¼ Series** | | | | |
| 1984 High | 35½ | 33 | 33½ | 35¾ |
| Low | 31½ | 30½ | 30½ | 33 |
| 1983 High | 36 | 36 | 38 | 37⅛ |
| Low | 32 | 32 | 34 | 33 |
| **7.15% Series** | | | | |
| 1984 High | 59 | 59¼ | 59⅝ | 60 |
| Low | 53½ | 52½ | 51¾ | 55 |
| 1983 High | 60 | 62 | 63⅝ | 62 |
| Low | 54 | 57⅝ | 58½ | 58½ |
| **8.40% Series ($25)** | | | | |
| 1984 High | 18½ | 17⅜ | 17⅞ | 18¾ |
| Low | 16½ | 16¼ | 16⅜ | 16¾ |
| 1983 High | 19⅜ | 18¾ | 19⅜ | 19⅛ |
| Low | 17 | 16⅞ | 18 | 17¾ |

# Financial & Statistical Data

| | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1974 |
|---|---|---|---|---|---|---|---|
| **Total Assets (millions)** | $2,862 | 2,716 | 2,607 | 2,422 | 2,205 | 2,000 | $1,235 |
| **Common Equity (millions)** | $ 894 | 821 | 785 | 736 | 656 | 555 | $ 332 |
| **Preferred Stock (millions):** | | | | | | | |
| Subject to mandatory redemption at par | $ 87 | 88 | 89 | 89 | 89 | 64 | $ 64 |
| Not subject to mandatory redemption | $ 140 | 140 | 140 | 140 | 140 | 140 | $ 105 |
| **Long-Term Debt (millions)** | $ 883 | 886 | 891 | 866 | 840 | 767 | $ 577 |
| **Short-Term Borrowings (millions)*** | $ 21 | 44 | 54 | 64 | 26 | 65 | $ 25 |
| **Total Capitalization (millions)** | $2,025 | 1,979 | 1,959 | 1,895 | 1,751 | 1,591 | $1,103 |
| **Capitalization Ratios — Year-End:** | | | | | | | |
| Common equity | 44.1% | 41.5 | 40.1 | 38.9 | 37.5 | 34.9 | 30.1% |
| Preferred stock (Incl. due within 1 yr.) | 11.3% | 11.6 | 11.7 | 12.1 | 13.1 | 12.9 | 15.4% |
| Long-term debt (Incl. due within 1 yr.) | 44.4% | 45.9 | 45.6 | 45.8 | 48.9 | 48.3 | 52.3% |
| Notes payable and commercial paper | 0.2% | 1.0 | 2.6 | 3.2 | 0.5 | 3.9 | 2.2% |
| **Gross Construction Expenditures (millions)** | $196.6 | 195.5 | 230.0 | 256.7 | 262.6 | 320.8 | $151.9 |
| % of Total Capitalization | 9.7% | 9.9 | 11.7 | 13.5 | 15.0 | 20.2 | 13.8% |
| **Funds Generated Internally (millions)** | $168.1 | 132.6 | 145.0 | 106.7 | 84.6 | 55.7 | $ 41.2 |
| % of Net Construction Expenditures | 90.0% | 71.0 | 64.9 | 46.8 | 36.2 | 18.5 | 28.7% |
| **Rates of Return Earned:** | | | | | | | |
| Total capitalization (Oper. income) | 10.4% | 9.2 | 9.9 | 7.8 | 7.1 | 5.9 | 6.1% |
| Avg. common equity (Net to common) | 15.0% | 11.2 | 13.1 | 12.1 | 11.6 | 7.9 | 9.1% |
| **Pretax Coverage of Interest Expenses** | 4.35x | 3.42 | 3.67 | 3.24 | 2.86 | 2.50 | 2.21x |
| **Effective Income Tax Rate** | 49% | 47 | 47 | 40 | 38 | 33 | 12% |
| **Payout Ratio on Dividends Paid** | 74.5% | 97.8 | 80.2 | 84.3 | 83.3 | 118.5 | 73.6% |
| **Dividend Yield — Year-End** | 9.9% | 9.9 | 10.1 | 11.8 | 11.2 | 12.0 | 9.9% |
| **Market Price Per Share:** | | | | | | | |
| High | $ 19⅝ | 19 | 17⅝ | 15 | 15¼ | 17⅜ | $ 17¾ |
| Low | $ 16¼ | 16⅛ | 13⅜ | 12¾ | 11⅛ | 12⅞ | $ 9¾ |
| Year-End Close | $ 19⅜ | 18½ | 17⅜ | 14¼ | 14¼ | 13⅜ | $ 12⅛ |
| **Book Value Per Share** | $17.31 | 16.70 | 16.69 | 16.39 | 16.40 | 17.18 | $16.94 |
| **Common Stock Volume:** | | | | | | | |
| Daily Average — (000) | 133.1 | 130.0 | 84.4 | 52.1 | 51.5 | 37.9 | 10.1 |
| Annual — (000) | 33,670 | 32,910 | 21,198 | 13,204 | 13,034 | 9,587 | 2,565 |
| **Number of Employees — Year-End** | 6,894 | 6,857 | 6,794 | 6,424 | 6,145 | 6,310 | 5,590 |

**Financial & Statistical Data**
The information contained on the following three pages is most frequently sought by investors and members of the financial community. A more comprehensive set of pertinent historical, financial and statistical information is contained in a supplemental publication to the Annual Report. The publication is entitled Financial & Statistical Review (or Factbook) and is available upon request by completing the card attached to the back of the Annual Report.

This section includes information for the period 1979-1984 and the year 1974. This enables investors and analysts to compute compound growth rates for the last five-year and ten-year periods.

* Includes debt due within one year, notes payable and commercial paper, and preferred stock subject to mandatory redemption within one year.

# Operating Revenues, Income and Earnings Data

| | Year Ended December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1974 |
| **Operating Revenues:** | | | (Millions of Dollars) | | | | |
| Electric | $ 999.6 | 853.7 | 843.4 | 742.1 | 640.7 | 507.6 | $224.2 |
| % Change | 17.1% | 1.2 | 13.7 | 15.8 | 26.2 | 20.4 | 18.3 % |
| Gas | 790.1 | 761.6 | 732.3 | 582.4 | 502.9 | 410.5 | 134.9 |
| % Change | 3.7% | 4.0 | 25.7 | 15.8 | 22.5 | 35.3 | 15.4 % |
| Other | 12.3 | 13.3 | 14.3 | 11.6 | 12.0 | 8.4 | 3.2 |
| Total Revenues | 1,802.0 | 1,628.6 | 1,590.0 | 1,336.1 | 1,155.6 | 926.5 | 362.3 |
| % Change | 10.6% | 2.4 | 19.0 | 15.6 | 24.7 | 27.0 | 17.4 % |
| **Operating Expenses:** | | | | | | | |
| Fuel used in generation | 188.9 | 172.8 | 184.4 | 170.1 | 182.6 | 175.9 | 54.9 |
| Purchased power | 161.9 | 99.0 | 101.7 | 113.2 | 91.4 | 29.4 | 2.1 |
| Gas purchased for resale | 606.6 | 611.3 | 587.2 | 462.3 | 388.9 | 310.1 | 78.3 |
| Total Energy Costs | 957.4 | 883.1 | 873.3 | 745.6 | 662.9 | 515.4 | 135.3 |
| % Change | 8.4% | 1.1 | 17.1 | 12.5 | 28.6 | 41.2 | 31.2 % |
| % of Revenues | 53.1% | 54.2 | 54.9 | 55.8 | 57.4 | 55.6 | 37.3 % |
| Payroll charged to operating expenses | 183.1 | 174.4 | 153.3 | 125.7 | 119.1 | 105.0 | 58.7 |
| % Change | 5.0% | 13.8 | 22.0 | 5.5 | 13.4 | 11.3 | 13.1 % |
| % of Revenues | 10.2% | 10.7 | 9.6 | 9.4 | 10.3 | 11.3 | 16.2 % |
| Other operating expenses (ex. payroll) | 84.3 | 86.3 | 73.6 | 67.0 | 49.0 | 57.9 | 11.1 |
| Maintenance | 72.5 | 64.1 | 58.4 | 49.7 | 46.6 | 37.1 | 17.0 |
| Depreciation | 96.9 | 91.6 | 86.4 | 73.5 | 61.5 | 55.9 | 36.4 |
| Taxes (other than income taxes) | 60.0 | 55.8 | 53.6 | 64.0 | 40.4 | 38.0 | 32.8 |
| Income taxes | 137.5 | 93.8 | 103.2 | 67.9 | 52.2 | 26.8 | 5.4 |
| Total Operating Expenses | 1,591.7 | 1,449.1 | 1,401.8 | 1,193.4 | 1,031.7 | 836.1 | 296.7 |
| % Change | 9.8% | 3.4 | 17.5 | 15.7 | 23.4 | 31.4 | 19.6 % |
| % of Revenues | 88.3% | 89.0 | 88.2 | 89.3 | 89.3 | 90.2 | 81.9 % |
| **Operating Income** | 210.3 | 179.5 | 188.2 | 142.7 | 123.9 | 90.4 | 65.6 |
| % Change | 17.2% | (4.6) | 31.9 | 15.2 | 37.2 | (3.2) | 8.4 % |
| % of Revenues | 11.7% | 11.0 | 11.8 | 10.7 | 10.7 | 9.7 | 18.1 % |
| **Other Income and Deductions** | 15.3 | 5.8 | 5.7 | 21.8 | 20.2 | 12.5 | 8.9 |
| **Interest Charges** | 80.3 | 78.9 | 77.4 | 63.7 | 59.1 | 47.1 | 36.1 |
| **Net Income** | 145.3 | 106.4 | 116.5 | 100.8 | 85.0 | 55.8 | 38.4 |
| % Change | 36.5% | (8.7) | 15.6 | 18.6 | 52.3 | (3.3) | (8.6)% |
| % of Revenues | 8.1% | 6.5 | 7.3 | 7.5 | 7.4 | 6.0 | 10.6 % |
| **Preferred Dividend Requirements** | 16.7 | 16.7 | 16.7 | 16.7 | 15.0 | 13.5 | 9.6 |
| **Earnings Available for Common Stock** | $ 128.6 | 89.7 | 99.8 | 84.1 | 70.0 | 42.3 | $ 28.8 |
| % Change | 43.4% | (10.1) | 18.7 | 20.1 | 65.5 | (4.3) | (18.6)% |
| % of Revenues | 7.1% | 5.5 | 6.3 | 6.3 | 6.1 | 4.6 | 8.0 % |
| **Earnings Per Average Share** | $2.55 | 1.86 | 2.17 | 1.97 | 1.92 | 1.35 | $1.63 |
| **Dividends Per Share:** | | | | | | | |
| Paid | $1.90 | 1.[illegible]2 | 1.74 | 1.66 | 1.60 | 1.60 | $1.20 |
| Declared | $1.92 | 1.8[illegible] | 1.76 | 1.68 | 1.60 | 1.60 | $1.20 |
| **Common Stock Shares Outstanding (000):** | | | | | | | |
| Average | 50,440 | 48,135 | 45,948 | 42,728 | 36,412 | 31,225 | 17,657 |
| Year-end | 51,632 | 49,182 | 47,020 | 44,896 | 39,990 | 32,326 | 19,607 |

**Operating Revenues, Income and Earnings Data**
Operating revenues are derived from four basic sources: (1) customer growth, (2) customer consumption, (3) rate increases or decreases authorized by Federal and State regulatory authorities, and (4) fuel cost adjustments. Because increases or decreases in the costs for fuels used in electric generation, power purchased from other utilities and gas purchased for resale to customers are automatically passed on to customers on a dollar for dollar basis, the increase or decrease in these costs are included in operating revenues. These costs are subtotaled below in energy costs and can vary the growth rates of operating revenues from year to year.

# Electric Service Statistics

| | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1974 |
|---|---|---|---|---|---|---|---|
| **Kilowatt-Hour Sales (millions)** | 17,005 | 15,654 | 15,433 | 15,473 | 15,194 | 14,659 | 10,602 |
| % Change | 8.6% | 1.4 | (0.3) | 1.8 | 3.6 | 6.6 | 12.0 % |
| **Customers (000)** | 919.3 | 892.6 | 865.0 | 846.1 | 820.5 | 794.5 | 640.8 |
| % Change | 3.0% | 3.2 | 2.2 | 3.1 | 3.3 | 3.9 | 5.1 % |
| **Avg. Annual Residential Kwh Usage** | 6,268 | 6,076 | 5,963 | 5,734 | 5,937 | 5,913 | 5,225 |
| % Change | 3.2% | 1.9 | 4.0 | (3.4) | 0.4 | 3.3 | (2.9)% |
| **Avg. Residential Revenue Per Kwh** | 6.95¢ | 6.45 | 6.52 | 5.74 | 5.12 | 4.19 | 2.92 ¢ |
| % Change | 7.8% | (1.1) | 13.6 | 12.1 | 22.2 | 11.7 | 9.4 % |
| **Average Annual Revenue Per Residential Customer** | $ 436 | 392 | 389 | 329 | 304 | 248 | $ 152 |
| % Change | 11.2% | 0.7 | 18.2 | 8.3 | 22.7 | 15.4 | 6.1 % |
| **Net Effective Capability at Time of Peak—Megawatts** | 3,790 (s) | 3,512 (w) | 3,401 (s) | 3,116 (s) | 3,072 (s) | 2,743 (s) | 2,162 (w) |
| **Net Firm System Peak Load (Mw)** | 2,968 | 2,968 | 2,892 | 2,820 | 2,776 | 2,642 | 1,924 |
| % Change | —% | 2.6 | 2.6 | 1.6 | 5.1 | 3.2 | 9.2 % |
| **Reserve Margin at Time of Peak** | 27.7% | 18.3 | 17.6 | 10.5 | 10.7 | 3.8 | 12.4 % |
| **Generation by Class of Fuel:** | | | | | | | |
| Coal | 97.9% | 93.4 | 94.0 | 85.3 | 76.1 | 79.2 | 61.2 % |
| Natural Gas | 1.1% | 0.9 | 1.4 | 8.4 | 17.8 | 17.6 | 36.1 % |
| Oil | 0.1% | 0.4 | 0.3 | 0.3 | 0.8 | 1.8 | 2.7 % |
| Nuclear | 0.9% | 5.3 | 4.3 | 6.0 | 5.3 | 1.4 | — % |
| **Avg. Cost Per Unit of Fuel:** | | | | | | | |
| Coal — Ton | $23.81 | 23.87 | 22.95 | 21.84 | 18.81 | 16.60 | $ 7.44 |
| Natural Gas — Mcf | $ 3.62 | 4.07 | 3.81 | 3.12 | 2.68 | 2.00 | $ 0.43 |
| Oil — Barrel | $32.63 | 27.35 | 38.01 | 39.96 | 26.37 | 17.19 | $13.40 |
| **Avg. Fuel Cost Per MMBTU** | $ 1.30 | 1.23 | 1.23 | 1.22 | 1.29 | 1.08 | $ 0.47 |

(s) summer peak load (w) winter peak load

# Natural Gas Service Statistics

| | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1974 |
|---|---|---|---|---|---|---|---|
| **Bcf Gas Deliveries** | 198.5 | 177.6 | 189.8 | 176.1 | 203.3 | 213.3 | 205.4 |
| % Change | 11.8 % | (6.4) | 7.7 | (13.4) | (4.7) | 3.2 | (5.6)% |
| **Customers (000)** | 771.5 | 744.3 | 718.5 | 701.3 | 680.6 | 658.2 | 564.6 |
| % Change | 3.7 % | 3.6 | 2.4 | 3.0 | 3.4 | 3.9 | 4.1 % |
| **Average Annual Residential Mcf Usage** | 129.2 | 120.2 | 125.0 | 112.9 | 140.1 | 157.3 | 164.1 |
| % Change | 7.5 % | (3.8) | 10.7 | (19.4) | (10.9) | 4.0 | (12.7)% |
| **Annual Heating Degree Days** | 6,786 | 6,429 | 6,109 | 4,570 | 5,768 | 6,396 | 5,911 |
| % Change | 5.6 % | 5.2 | 33.7 | (20.8) | (9.8) | 6.5 | (3.3)% |
| **Average Residential Revenue Per Mcf** | $4.37 | 4.61 | 4.11 | 3.48 | 2.70 | 2.08 | $0.82 |
| % Change | (5.2)% | 12.2 | 18.1 | 28.9 | 29.8 | 26.6 | 20.8 % |
| **Average Annual Revenue Per Residential Customer** | $ 565 | 554 | 513 | 393 | 378 | 327 | $ 135 |
| % Change | 2.0 % | 8.0 | 30.7 | 3.9 | 15.4 | 31.7 | 5.5 % |
| **Daily Availability — (MMcf)** | 1,464 | 1,459 | 1,462 | 1,457 | 1,425 | 1,371 | 1,221 |
| **Maximum Peak-Day Sendout (MMcf)** | 1,284 | 1,356 | 1,302 | 1,278 | 1,246 | 1,143 | 1,068 |
| % Change | (5.3)% | 4.1 | 1.9 | 2.6 | 9.0 | (1.5) | 3.0 % |

# Consolidated Financial Information



# Report of Management

The accompanying financial statements of Public Service Company of Colorado and subsidiaries have been prepared by Company personnel in conformity with generally accepted accounting principles consistent with the Uniform System of Accounts of the Federal Energy Regulatory Commission. The integrity and objectivity of the data in these financial statements are the responsibility of management. Financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

The Company maintains and enforces a system of internal accounting controls, which is designed to provide reasonable assurance, on a cost effective basis, as to the integrity, objectivity and reliability of the financial records. This system includes a program of internal audits to assure management that proper procedures and methods of operation are used to implement the plans, policies and directives of management.

The accounting and internal control procedures of the Company are reviewed by the Audit Committee of the Board of Directors. The Committee, which is composed of directors who are not employees of the Company, meets regularly with the Company's management, the internal audit staff and the independent accountants.

The accompanying financial statements have been examined by Arthur Young & Company, independent accountants, whose report is on page 46.

D D Hock

D. D. Hock
Vice President and
Chief Accounting Officer

R. F. Walker

R. F. Walker
President and
Chief Executive Officer

February 8, 1985

# Management's Discussion and Analysis of Financial Condition and Results of Operations

The following factors, which may not be indicative of future operations or earnings, have had a significant effect upon the results of operations during 1984 and 1983.

**Results of Operations**

Significantly higher electric revenues in 1984, as compared to 1983, are attributable to the impact of an increase in sales volume, particularly to commercial and industrial customers, a 5.51% increase in base rates granted to the Company by the CPUC and the recovery of increased energy costs through the Electric Cost Adjustment (ECA). While electric revenues increased only slightly in 1983 due to nominal sales growth, in 1984 an improved economy, record cold temperatures and total customer growth of 3% all helped to bring about an 8.6% increase in total electric sales. Commercial and industrial sales, which increased by only 2% in 1983, increased 11% in 1984.

Gas revenues increased in 1984 by approximately the same amount as in 1983, although for different reasons. In 1983 the recovery of the increased cost of gas purchased for resale through the adjustment clause of the gas tariff more than offset a decrease in sales volume. In 1984 gas revenues increased as a result of an 11.8% increase in total gas deliveries and a 3.12% increase in base rates granted to the Company by the CPUC. Gas revenues in 1984 would have been higher had it not been for the decreased price of gas purchased and the impact of supplier refunds which are passed on to customers. The improved economy, record cold temperatures, lower gas prices and total customer growth of more than 3% contributed to the increase in gas deliveries in 1984.

Electric and gas operating revenues reflect the effects of rate increases and cost adjustment clauses on prices of units sold. Operating revenues also reflect the volume changes in unit sales. The foregoing factors contributed to annual increases in revenues over revenues for the preceding year as indicated in the following table:

| | 1984 | 1983 |
|---|---|---|
| | (Millions of Dollars) | |
| Electric revenues: | | |
| Base rate increases | $ 38.3 | $ 8.3 |
| Electric cost adjustment | 38.9 | (12.8) |
| Sales volume and other changes | 68.7 | 14.8 |
| Net increase | $145.9 | $ 10.3 |
| Gas revenues: | | |
| Base rate increases | $ 19.1 | $ 5.1 |
| Gas cost adjustment | (69.0) | 92.7 |
| Sales volume and other changes | 78.3 | (68.5) |
| Net increase | $ 28.4 | $ 29.3 |

The increases (decreases) in operating expenses from the preceding year were as follows:

| | 1984 | 1983 |
|---|---|---|
| | (Millions of Dollars) | |
| Fuel used in generation | $ 16.1 | $(11.6) |
| Purchased power | 63.0 | (2.7) |
| Gas purchased for resale | (4.7) | 24.1 |
| Other operating expenses | 6.6 | 33.9 |
| Maintenance | 8.4 | 5.7 |
| Depreciation | 5.3 | 5.2 |
| Taxes (other than income taxes) | 4.2 | 2.2 |
| Income taxes | 43.7 | (9.4) |
| Net increase | $142.6 | $ 47.4 |

Fuel used in generation expense increased in 1984 due, in part, to the effect of monthly adjustments to fuel expense which are made to match the total of certain fuel costs with the amounts currently recovered from customers through the ECA. Fuel used in generation was also charged in 1984 for potential customer refunds related to plant performance at the Fort St. Vrain Nuclear Generating Station. (See Note 11 of Notes to Consolidated Financial Statements.) A small decrease in generation of energy in 1984 and an offsetting small increase in the per unit cost of fuel resulted in only $1 million of the increase in fuel used in generation expense. In 1983 fuel used in generation expense decreased as a result of a decrease in generation along with relatively stable per unit costs of fuel.

Purchased power expense was much higher in 1984 due to a large increase in the amount of energy purchased and, to a lesser extent, increases in the per unit cost of energy purchased. The Company purchased more power in 1984 than in 1983 to take advantage of the availability of low cost power. Purchased power expense decreased in 1983 due to lower per unit costs which outweighed the effect of an increase in the amount of energy purchased.

Gas purchased for resale expense decreased in 1984 even though the volume of gas purchased increased. The main reasons were lower per unit costs from the Company's supplier of natural gas and the impact of approximately $17.4 million in FERC mandated refunds from suppliers. In 1983 higher per unit costs from the Company's supplier of natural gas caused gas purchased for resale to increase, despite a decrease in the volume of gas purchased.

Other operating and maintenance expenses have increased in 1983 and 1984 primarily as a result of higher payroll and related expenses, the effects of general inflation on the prices of materials and services, and increased expenses associated with regular system expansion. In 1984 an additional factor contributing to the increase in maintenance expense was increased maintenance at the Fort St. Vrain Nuclear Generating Station. (See Note 11 of Notes to Consolidated Financial Statements.) Depreciation expense has increased in each year due to plant additions.

In 1984 a substantial increase in income taxes resulted from an increase in income before income taxes.

The significant increase in miscellaneous income and deductions-net in 1984 is due to an increase in the Company's temporary cash investments which increased interest income.

**Impact of Inflation and Changing Prices**

An analysis of the effects of inflation and changing prices is included in the Notes to Consolidated Financial Statements. (See Note 13 of Notes to Consolidated Financial Statements.)

**Liquidity and Capital Resources**

At December 31, 1984 the Company and its subsidiaries estimated the cost of their construction program, including AFDC and other capital requirements, in 1985, 1986 and 1987 to be as follows:

| | 1985 | 1986 | 1987 |
|---|---|---|---|
| Company: | | (Thousands of Dollars) | |
| Electric | | | |
| Production | $ 96,762 | $ 42,564 | $110,394 |
| Transmission | 27,881 | 41,940 | 5,741 |
| Distribution | 76,797 | 84,098 | 69,349 |
| Gas | 24,466 | 22,680 | 21,699 |
| General | 31,877 | 32,798 | 29,530 |
| Subtotal | 257,783 | 224,080 | 236,713 |
| Subsidiaries | 43,262 | 43,834 | 29,458 |
| Total construction | 301,045 | 267,914 | 266,171 |
| Less: AFDC | 11,780 | 11,791 | 10,570 |
| Add: Sinking funds and debt maturities | 70,857 | 78,019 | 40,895 |
| Total capital requirements | $360,122 | $334,142 | $296,496 |

The Company's objectives for the financing of these capital requirements include internal generation of at least one-half of the funds required, maintenance of a sound capitalization structure consisting of not less than 40% common equity, not more than 45% long-term debt and the balance in preferred stock, and the maintenance of high credit ratings for its securities.

At December 31, 1984 the Company and its subsidiaries estimated that their 1985-1987 capital requirements would be met with funds provided from the following sources:

| Sources | 1985 | 1986 | 1987 |
|---|---|---|---|
| | | (Thousands of Dollars) | |
| External | $115,581 | $ 49,557 | $ 79,800 |
| Net change in short-term borrowings and investments | 73,814 | 68,781 | (25,445) |
| Internal | 170,727 | 215,804 | 242,141 |
| Total sources | $360,122 | $334,142 | $296,496 |

At December 31, 1984 the Company and its subsidiaries had $128.1 million invested in various short-term money instruments. As indicated in the above table, the liquidation of such investments is anticipated to be used in 1985 and 1986 to finance the Company's capital requirements. In 1987 the Company's investments in short-term money instruments are anticipated to increase from 1986 levels.

For 1985, in addition to the use of short-term invested capital of $73.8 million, the Company and its subsidiaries anticipate raising external funds of approximately $14.5 million from the sale of common stock through the Company's Automatic Dividend Reinvestment and Common Stock Purchase Plan, $45.4 million from the sale of subsidiary unsecured long-term debt and $5.7 million from pollution control revenue bond proceeds held in trust. The Company anticipates issuing $50,000,000 First Mortgage Bonds in 1985 in order to redeem its First Mortgage Bonds, 15% Series due 1987, prior to maturity. The financing plans are subject to change depending on market and business conditions and changes, if any, in the construction plans of the Company and its subsidiaries. Plans for sales of securities beyond 1985 have not been formalized at this time.

The construction estimates shown above are subject to continuing review and adjustment. Actual expenditures may vary from such estimates due to factors such as changes in business conditions, environmental requirements, availability and cost of labor and materials and other costs. In addition, unless it appears that the Company's objectives for the financing of its construction expenditures in future years can be attained without significant common equity dilution from substantial sales of common stock below book value, such estimated construction expenditures will be reduced. Under such circumstances, construction will be limited to commitments previously made, such as the installation of pollution control equipment required to bring the Company's facilities into compliance with various governmental standards, regulations or variances and to the maintenance of existing facilities.

The Company's Indenture permits the issuance of additional first mortgage bonds to the extent of 60% of the value of net additions to the Company's utility property, provided net earnings before depreciation, taxes on income and interest expense for a recent twelve month period are at least 2.5 times annual interest requirements on all bonds to be outstanding. At December 31, 1984 the amount of net additions would permit (and the net earnings test would not prohibit) the issuance of approximately $383,000,000 of additional bonds at an assumed annual interest rate of 12.85%. Coverage at December 31, 1984 was 6.07.

The Company's Restated Articles of Incorporation prohibit the issuance of additional preferred stock without preferred shareholder approval, unless the gross income available for the payment of interest charges for a recent twelve month period is at least 1.5 times the total of (1) the annual interest requirements on all indebtedness to be outstanding for more than one year and (2) the annual dividend requirements on all preferred stock to be outstanding. At December 31, 1984 gross income available under this requirement would permit the Company to issue approximately $1,219,000,000 of additional preferred stock at an assumed annual dividend rate of 11.50%. Coverage at December 31, 1984 was 3.91.

The Company's Restated Articles of Incorporation prohibit, without preferred shareholder approval, the issuance or assumption of unsecured indebtedness, other than for refunding purposes, greater than 15% of the aggregate of (i) the total principal amount of all bonds or other securities representing secured indebtedness of the Company, then outstanding, and (ii) the total of the capital and surplus of the Company, as then recorded on its books. At December 31, 1984 the Company had outstanding unsecured indebtedness, including subsidiary indebtedness which is guaranteed by the Company, in the amount of $46,427,000. The maximum amount permitted under this limitation was approximately $294,000,000 at December 31, 1984.

Arrangements for bank lines of credit totaled $65,000,000 at December 31, 1984 at which time $62,125,000 was available to the Company.

# Consolidated Balance Sheet

December 31, 1984 and 1983
Public Service Company of Colorado and Subsidiaries

| Assets | 1984 | 1983 |
|---|---|---|
| | (Thousands of Dollars) | |
| **Property, Plant and Equipment, at cost:** | | |
| Electric | $2,357,444 | $2,259,281 |
| Gas | 574,838 | 544,537 |
| Steam and other | 52,337 | 50,307 |
| Common to all departments | 177,229 | 159,863 |
| Construction in progress (Note 11) | 55,850 | 57,109 |
| | 3,217,698 | 3,071,097 |
| Less accumulated provision for depreciation | 926,705 | 831,949 |
| | 2,290,993 | 2,239,148 |
| Nuclear fuel | 64,171 | 47,152 |
| | 2,355,164 | 2,286,300 |
| **Investments, at cost** | 4,892 | 3,114 |
| **Current Assets:** | | |
| Cash | 11,302 | 10,234 |
| Temporary cash investments | 128,057 | 59,519 |
| Accounts receivable, less provision for uncollectible accounts (1984—$4,566; 1983—$3,287) | 170,253 | 150,102 |
| Recoverable purchased gas and electric energy costs—net (Note 1) | 28,993 | 67,575 |
| Notes receivable | 113 | 19 |
| Fuel inventory, at average cost | 61,169 | 54,248 |
| Materials and supplies, at average cost | 54,948 | 51,116 |
| Gas in underground storage, at cost (LIFO) | 14,980 | 15,901 |
| Prepaid expenses | 2,850 | 2,886 |
| **Total Current Assets** | 472,665 | 411,600 |
| **Deferred Charges:** | | |
| Debt expense (being amortized) | 8,315 | 8,996 |
| Other | 20,620 | 6,189 |
| | 28,935 | 15,185 |
| **Total Assets** | $2,861,656 | $2,716,199 |

See accompanying notes.

| Capital and Liabilities | 1984 | 1983 |
|---|---|---|
| | | (Thousands of Dollars) |
| **Common Equity:** | | |
| Common stock (Note 2) | $ 693,160 | $ 652,115 |
| Retained earnings | 200,573 | 169,299 |
| | 893,733 | 821,414 |
| **Preferred Stock (Note 2):** | | |
| Not subject to mandatory redemption | 140,008 | 140,008 |
| Subject to mandatory redemption at par | 86,824 | 88,200 |
| **Long-Term Debt (Note 3)** | 883,188 | 885,810 |
| | 2,003,753 | 1,935,432 |
| **Current Liabilities:** | | |
| Notes payable and commercial paper (Note 4) | 2,875 | 19,790 |
| Long-term debt due within one year | 15,957 | 22,219 |
| Preferred stock subject to mandatory redemption within one year (Note 2) | 2,576 | 1,200 |
| Accounts payable | 199,602 | 194,632 |
| Dividends payable | 28,949 | 26,789 |
| Customers' deposits | 7,908 | 7,194 |
| Accrued taxes | 71,444 | 66,121 |
| Accrued interest | 18,178 | 18,396 |
| Amount subject to refund (Note 12) | 31,460 | 25,766 |
| Other | 34,447 | 24,343 |
| **Total Current Liabilities** | 413,396 | 406,450 |
| **Deferred Credits:** | | |
| Customers' advances for construction | 62,553 | 46,367 |
| Investment credit (being amortized over the productive lives of the related property) | 160,425 | 148,927 |
| Accumulated deferred income taxes (Note 8) | 147,893 | 122,260 |
| Funds from Settlement Agreement (Note 11) | 68,501 | 52,901 |
| Other | 5,135 | 3,862 |
| | 444,507 | 374,317 |
| **Commitments and Contingencies (Notes 6 and 11)** | | |
| **Total Capital and Liabilities** | $2,861,656 | $2,716,199 |

# Consolidated Statement of Income

Years ended December 31, 1984, 1983 and 1982
Public Service Company of Colorado and Subsidiaries

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | (Thousands of Dollars Except Per Share Data) | | |
| **Operating Revenues:** | | | |
| Electric | $ 999,628 | $ 853,743 | $ 843,436 |
| Gas | 790,068 | 761,629 | 732,334 |
| Other | 12,328 | 13,269 | 14,269 |
| | 1,802,024 | 1,628,641 | 1,590,039 |
| **Operating Expenses:** | | | |
| Fuel used in generation | 188,889 | 172,802 | 184,386 |
| Purchased power | 161,928 | 98,978 | 101,664 |
| Gas purchased for resale | 606,558 | 611,283 | 587,187 |
| Other operating expenses | 267,416 | 260,773 | 226,919 |
| Maintenance | 72,475 | 64,123 | 58,418 |
| Depreciation | 96,883 | 91,577 | 86,431 |
| Taxes (other than income taxes) (Note 9) | 60,051 | 55,847 | 53,631 |
| Income taxes (Note 8) | 137,504 | 93,763 | 103,155 |
| | 1,591,704 | 1,449,146 | 1,401,791 |
| **Operating Income** | 210,320 | 179,495 | 188,248 |
| **Other Income and Deductions:** | | | |
| Allowance for equity funds used during construction (Note 1) | 6,042 | 5,158 | 2,029 |
| Miscellaneous income and deductions—net | 9,267 | 656 | 3,635 |
| | 225,629 | 185,309 | 193,912 |
| **Interest Charges:** | | | |
| Interest on long-term debt | 78,988 | 77,109 | 73,000 |
| Amortization of debt discount and expense less premium | 520 | 502 | 544 |
| Other interest | 4,513 | 4,866 | 8,422 |
| Allowance for borrowed funds used during construction (Note 1) | (3,639) | (3,547) | (4,550) |
| | 80,382 | 78,930 | 77,416 |
| **Net Income** | 145,247 | 106,379 | 116,496 |
| **Dividend Requirements on Preferred Stock** | 16,661 | 16,661 | 16,661 |
| **Earnings Available for Common Stock** | $ 128,586 | $ 89,718 | $ 99,835 |
| **Shares of Common Stock Outstanding (thousands):** | | | |
| Year-end | 51,632 | 49,182 | 47,020 |
| Average | 50,440 | 48,135 | 45,948 |
| **Earnings Per Average Share of Common Stock Outstanding** | $2.55 | $1.86 | $2.17 |
| **Dividends Per Share of Common Stock:** | | | |
| Paid | $1.90 | $1.82 | $1.74 |
| Declared | $1.92 | $1.84 | $1.76 |

See accompanying notes.

# Consolidated Statement of Retained Earnings

Years ended December 31, 1984, 1983 and 1982
Public Service Company of Colorado and Subsidiaries

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | | (Thousands of Dollars) | |
| **Retained Earnings at Beginning of Year** | $169,299 | $168,517 | $150,166 |
| **Net Income** | 145,247 | 106,379 | 116,496 |
| | 314,546 | 274,896 | 266,662 |
| **Dividends:** | | | |
| On cumulative preferred stock: | | | |
| $100 par value: | | | |
| 4.20% series | 420 | 420 | 420 |
| 4-1/4% series | 744 | 744 | 744 |
| 4-1/2% series | 293 | 293 | 293 |
| 4.64% series | 742 | 742 | 742 |
| 4.90% series | 735 | 735 | 735 |
| 4.90% 2nd series | 735 | 735 | 735 |
| 7.15% series | 1,787 | 1,787 | 1,787 |
| 7.50% series | 2,250 | 2,250 | 2,250 |
| 8.40% series | 2,890 | 2,890 | 2,890 |
| 12.50% series | 3,125 | 3,125 | 3,125 |
| $25 par value: | | | |
| 8.40% series | 2,940 | 2,940 | 2,940 |
| | 16,661 | 16,661 | 16,661 |
| On common stock: | | | |
| $1.92 per share in 1984, $1.84 per share in 1983 and $1.76 per share in 1982 | 97,324 | 88,916 | 81,225 |
| | 113,985 | 105,577 | 97,886 |
| **Other Deductions (Additions) — Net** | (12) | 20 | 259 |
| | 113,973 | 105,597 | 98,145 |
| **Retained Earnings at End of Year** | $200,573 | $169,299 | $168,517 |

See accompanying notes.

# Consolidated Statement of Source of Funds For Plant Construction Expenditures

Years ended December 31, 1984, 1983 and 1982
Public Service Company of Colorado and Subsidiaries

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| **Source of Funds:** | | (Thousands of Dollars) | |
| **Funds from Operations:** | | | |
| **Net Income** | $145,247 | $106,379 | $116,496 |
| **Non-cash Charges (Credits) Against Income** | | | |
| **Not Involving Working Capital in the Current Period:** | | | |
| Depreciation charged to operating expenses | 96,883 | 91,577 | 86,431 |
| Depreciation charged to clearing and other accounts | 10,860 | 9,005 | 6,538 |
| Allowance for funds used during construction | (9,681) | (8,705) | (6,579) |
| Investment credit — net of amortization | 11,498 | 10,403 | 10,615 |
| Deferred income taxes | 27,269 | 29,525 | 29,340 |
| **Funds from Operations** | 282,076 | 238,184 | 242,841 |
| **Dividends:** | | | |
| On preferred stock | (16,661) | (16,661) | (16,661) |
| On common stock | (97,324) | (88,916) | (81,225) |
| **Funds Retained in the Business** | 168,091 | 132,607 | 144,955 |
| **Funds from Financing — Net Proceeds:** | | | |
| Proceeds from sale of common stock | 41,041 | 35,719 | 30,222 |
| Proceeds from sale of pollution control bonds | 11,476 | 9,123 | 384 |
| Proceeds from issue of long-term notes | 8,124 | 8,782 | 27,661 |
| **Funds from Financing** | 60,641 | 53,624 | 58,267 |
| **Funds from Settlement Agreement (Note 11)** | 23,586 | 38,601 | 24,513 |
| **Reduction in Long-Term Debt** | (22,183) | (24,322) | (2,322) |
| **Other Sources and Applications — Net** | 10,854 | 16,788 | 10,224 |
| **Total Funds Available** | 240,989 | 217,298 | 235,637 |
| **Increase in Working Capital** | 54,119 | 30,518 | 12,177 |
| **Net Plant Construction Expenditures** | 186,870 | 186,780 | 223,460 |
| **Allowance for Funds Used During Construction** | 9,681 | 8,705 | 6,579 |
| **Gross Plant Construction Expenditures** | $196,551 | $195,485 | $230,039 |
| **Increase (Decrease) in Components of Working Capital:** | | | |
| **Current Assets:** | | | |
| Cash | $ 1,068 | $ (232) | $ (9,827) |
| Temporary cash investments | 68,538 | 50,016 | 5,001 |
| Accounts and notes receivable | 20,245 | (20,587) | 40,859 |
| Recoverable purchased gas and electric energy costs — net | (38,582) | 8,207 | 18,480 |
| Fuel inventory | 6,921 | (6,086) | (5,370) |
| Materials and supplies | 3,832 | 2,255 | 2,554 |
| Other | (957) | 2,004 | 223 |
| | 61,065 | 35,577 | 51,920 |
| **Current Liabilities:** | | | |
| Notes payable and commercial paper | (16,915) | (31,597) | (9,743) |
| Long-term debt due within one year | (6,262) | 19,930 | (448) |
| Accounts payable | 4,970 | (340) | 21,094 |
| Accrued liabilities | 5,105 | (2,594) | 20,906 |
| Other | 20,048 | 19,660 | 7,934 |
| | 6,946 | 5,059 | 39,743 |
| **Increase in Working Capital** | $ 54,119 | $ 30,518 | $ 12,177 |

See accompanying notes.

# Notes to Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

**Consolidation:**
The Company follows the practice of consolidating the accounts of its significant subsidiaries.

**Depreciation policy:**
The Company and its subsidiaries, except Fuel Resources Development Co. (Fuelco), use straight-line depreciation for accounting purposes. Composite rates are used for the various classes of depreciable assets.

Depreciation rates include provisions for disposal and removal costs of property, plant and equipment, including the nuclear plant. Total depreciation expense in 1984 approximates an annual rate of 3.55% on the average cost of depreciable properties. Fuelco uses the unit-of-production depreciation method for accounting purposes. For income tax purposes, the Company and its subsidiaries use accelerated depreciation and other elections provided by the tax laws.

Pursuant to an order of the Public Utilities Commission of the State of Colorado (CPUC), the composite depreciation rates include a provision for the estimated cost of decommissioning the nuclear plant after its service life. Funds equal to the provision for decommissioning costs are transferred to an independent trustee and can be used only for the decommissioning of the nuclear plant.

Replacements and betterments representing units of property are capitalized. Items that represent less than units of property are charged to operations as maintenance. The cost of units of property retired, together with cost of removal, less salvage, is charged in full against the accumulated provision for depreciation.

**Income taxes:**
The Company and its subsidiaries file consolidated state and federal income tax returns. Income taxes are allocated to the subsidiaries based on separate company computations of taxable income or loss.

The Company and its regulated subsidiaries provide for deferred income taxes to the extent allowed by regulatory agencies, including deferred taxes arising from the use of accelerated depreciation, accelerated cost recovery, qualifying accelerated amortization and timing differences due to deferred gas and electric costs. In addition, the Company provides for deferred taxes on book-tax timing differences arising from the Fort St. Vrain Nuclear Generating Station contract settlement, from customer refunds not meeting the economic performance test recently required by the Tax Reform Act of 1984 and for all book-tax timing differences included in Federal Energy Regulatory Commission (FERC) jurisdictional rates. In accordance with the requirements of the Financial Accounting Standards Board (FASB), 1480 Welton, Inc., Fuelco and Bannock Center Corporation provide for deferred taxes arising from all book-tax timing differences.

Investment tax credits are deferred and amortized to income over the productive lives of the related property. The Economic Recovery Tax Act of 1981 enables the Company to claim an additional tax credit for contributions to the Employee Stock Ownership Plan. Contributions, which are based on the annual compensation of eligible employees, are made in cash or the Company's common stock and, if cash, are invested in the Company's common stock. These additional tax credits for 1984 and 1983 are based on one-half percent of the annual compensation of employees covered by the plan.

**Amortization of debt premium, discount and expense:**
Debt premium, discount and expense is being amortized by charges to income over the respective original lives of the applicable issues.

**Allowance for funds used during construction (AFDC):**
AFDC, which does not represent current cash earnings, is defined in the system of accounts prescribed by the FERC and the CPUC as the net cost during the period of construction of borrowed funds used for construction purposes, and a reasonable rate on funds derived from other sources. In accordance with such system of accounts, the Company capitalizes AFDC as a part of the cost of utility plant, with a credit to nonoperating income for the portion of AFDC attributable to equity funds and a reduction of interest charges for the portion of AFDC attributable to borrowed funds. The capitalization of AFDC results in the inclusion of AFDC in rate base and the recovery thereof through future billings to customers. In an order dated November, 1977, the CPUC directed that the Company is to capitalize AFDC at its authorized rate of return, but not to exceed the amount allowed by the formula prescribed by the FERC. Accordingly, the rate used by the Company in 1982 and 1983 was 10.75%. For the first five months of 1984, the rate used was 10.75% and for the last seven months the rate used was 10.21%. These rates represented the Company's authorized rates of return at that time and did not exceed the amount allowed by the formula prescribed by the FERC.

**Recoverable purchased gas and electric energy costs — net:**
The Company, Cheyenne Light, Fuel and Power Company (Cheyenne), and Western Gas Supply Company (WestGas) recover certain purchased gas and electric energy costs, in excess of amounts recovered through base rates, from their retail customers through various gas and electric cost adjustment tariffs. These cost adjustment tariffs, which include a provision for the collection of deferred purchased gas and electric energy costs, are revised periodically as prescribed by

# Notes to Consolidated Financial Statements

(continued)

the appropriate regulatory agencies. The deferred costs are the difference between actual costs incurred and the amounts currently recovered from customers. A substantial portion of this deferred amount represents the costs incurred to provide gas and electric energy which customers have used but for which they have not been billed.

Reclassifications have been made in the 1983 consolidated balance sheet and the 1983 and 1982 consolidated statements of source of funds for plant construction expenditures, to reflect the substant ally current nature of the recoverable purchased gas and electric energy costs — net. These reclassificatic ns have been made for comparative purposes and have no effect on net income.

**Revenues:**
The Company reads customers' meters on a cycle basis, and renders bills each month. Revenues are recorded when the customers are billed.

**2. Capital Stock**

| | 1984 | | 1983 | |
|---|---|---|---|---|
| | Shares | Amount (Thousands of Dollars) | Shares | Amount (Thousands of Dollars) |
| **Cumulative preferred stock, $100 par value:** | | | | |
| Authorized | 3,000,000 | | 3,000,000 | |
| Issued and outstanding: | | | | |
| Not subject to mandatory redemption: | | | | |
| 4.20% series | 100,000 | $ 10,000 | 100,000 | $ 10,000 |
| 4-¼ % series (includes $7,500 premium) | 175,000 | 17,508 | 175,000 | 17,508 |
| 4-½ % series | 65,000 | 6,500 | 65,000 | 6,500 |
| 4.64% series | 160,000 | 16,000 | 160,000 | 16,000 |
| 4.90% series | 150,000 | 15,000 | 150,000 | 15,000 |
| 4.90% 2nd series | 150,000 | 15,000 | 150,000 | 15,000 |
| 7.15% series | 250,000 | 25,000 | 250,000 | 25,000 |
| Total | 1,050,000 | $105,008 | 1,050,000 | $105,008 |
| Subject to mandatory redemption: | | | | |
| 7.50% series | 300,000 | $ 30,000 | 300,000 | $ 30,000 |
| 8.40% series | 344,000 | 34,400 | 344,000 | 34,400 |
| 12.50% series | 250,000 | 25,000 | 250,000 | 25,000 |
| | 894,000 | 89,400 | 894,000 | 89,400 |
| Less: Preferred stock subject to mandatory redemption within one year | (25,760) | (2,576) | (12,000) | (1,200) |
| Total | 868,240 | $ 86,824 | 882,000 | $ 88,200 |
| **Cumulative preferred stock ($25), $25 par value:** | | | | |
| Authorized | 4,000,000 | | 4,000,000 | |
| Issued and outstanding: | | | | |
| Not subject to mandatory redemption: | | | | |
| 8.40% series | 1,400,000 | $ 35,000 | 1,400,000 | $ 35,000 |
| **Common stock, $5 par value:** | | | | |
| Authorized | 80,000,000 | | 80,000,000 | |
| Issued and outstanding | 51,632,451 | $258,162 | 49,182,153 | $245,911 |
| Premium on common stock | | 434,998 | | 406,204 |
| Total | | $693,160 | | $652,115 |

| Changes in common stock and premium on common stock for the three years ended December 31, 1984 are as follows: | Price range per share | Common stock | Premium on common stock |
|---|---|---|---|
| | | (Thousands of Dollars) | |
| **Balance, January 1, 1982** | | $224,480 | $361,344 |
| 1,611,582 shares sold under Dividend Reinvestment Plan | $13.00 to 16.00 | 8,058 | 14,875 |
| 504,264 shares sold under Employee Stock Ownership Plan | $13.81 to 15.38 | 2,521 | 4,952 |
| 7,743 shares sold to employees | $15.00 | 39 | 77 |
| **Balance, December 31, 1982** | | 235,098 | 381,248 |
| 1,990,151 shares sold under Dividend Reinvestment Plan | $15.79 to 18.25 | 9,951 | 22,918 |
| 172,474 shares sold under Employee Stock Ownership Plan | $16.69 to 17.69 | 862 | 2,038 |
| **Balance, December 31, 1983** | | 245,911 | 406,204 |
| 2,450,298 shares sold under Dividend Reinvestment Plan | $15.85 to 18.44 | 12,251 | 28,794 |
| **Balance, December 31, 1984** | | $258,162 | $434,998 |

During 1985 the Company must offer to repurchase 12,000 shares of the 7.50% cumulative preferred series subject to mandatory redemption and 13,760 shares of the 8.40% cumulative preferred series subject to mandatory redemption at $100 per share plus accrued dividends to the date set for repurchase. Consequently, this preferred stock to be redeemed has been classified as preferred stock subject to mandatory redemption within one year. During 1984 the Company offered to repurchase 12,000 shares of the 7.50% cumulative preferred series subject to mandatory redemption at $100 per share plus accrued dividends to the date set for repurchase, however, the offer was not accepted and the shares of the preferred stock were not repurchased. No other changes in preferred stock occurred in the three years ended December 31, 1984.

The preferred stock may be redeemed at the option of the Company upon at least 30, but not more than 60, days' notice in accordance with the following schedule of prices plus an amount equal to the accrued dividends to the date fixed for redemption:

**$100 par value:**
**Not subject to mandatory redemption:**
4.20% series: $101; 4-1/4% series: $101; 4-1/2% series: $101; 4.64% series: $101; 4.90% series: $101; 4.90% 2nd series: $101; 7.15% series: $102.50 prior to March 1, 1987, and $101 on and after that date.

**Subject to mandatory redemption:**
7.50% series: $104.75 on or prior to August 31, 1985, reducing each year thereafter by $.25 per share until August 31, 2003, after which the redemption price is $100; 8.40% series: $105 on or prior to July 31, 1985, and reducing each year thereafter by $.25 per share until July 31, 2004, after which the redemption price is $100; 12.50% series: $105.21 on or prior to June 30, 1985, $104.17 on or prior to June 30, 1986, $103.13 on or prior to June 30, 1987, $102.09 on or prior to June 30, 1988, and $101.05 on or prior to June 30, 1989, after which the redemption price is $100.

In 1985 and in each year thereafter, the Company must offer to repurchase up to 12,000 shares of the 7.50% series at $100 per share, plus accrued dividends to the date set for repurchase, and up to 13,760 shares of the 8.40% series at $100 per share, plus accrued dividends to the date set for repurchase; starting in 1986 and in each year thereafter, the Company must set aside in a sinking fund an amount sufficient for the redemption of 50,000 shares of the 12.50% series at $100 per share, plus accrued dividends to the date set for redemption. The Company shall be entitled, at its option, on any one of the sinking fund redemption dates, to redeem up to 50,000 shares of the 12.50% series, in addition to the shares otherwise required to be redeemed on such sinking fund redemption date, at $100 per share plus an amount equal to the accrued and unpaid dividends thereon to such sinking fund redemption date; provided, however, that the option of the Company to so redeem up to 50,000 additional shares of the 12.50% series may be exercised only once.

**$25 par value:**
**Not subject to mandatory redemption:**
8.40% series: $26.50 prior to December 1, 1986, $25.75 thereafter but prior to December 1, 1991, and $25.25 on or after that date.

# Notes to Consolidated Financial Statements

(continued)

**3. Long-Term Debt**

| | 1984 | 1983 |
|---|---|---|
| | (Thousands of Dollars) | |
| Public Service Company of Colorado: | | |
| First mortgage bonds: | | |
| 15% series, due March 1, 1987 | $ 50,000 | $ 50,000 |
| 4-3/8% series, due May 1, 1987 | 30,000 | 30,000 |
| 4-5/8% series, due May 1, 1989 | 20,000 | 20,000 |
| 4-1/2% series, due October 1, 1991 | 30,000 | 30,000 |
| 4-5/8% series, due March 1, 1992 | 8,800 | 8,800 |
| 4-1/2% series, due June 1, 1994 | 35,000 | 35,000 |
| 5-3/8% series, due May 1, 1996 | 35,000 | 35,000 |
| 5-7/8% series, due July 1, 1997 | 35,000 | 35,000 |
| 6-3/4% series, due July 1, 1998 | 25,000 | 25,000 |
| 8-3/4% series, due September 1, 2000 | 35,000 | 35,000 |
| 7-1/4% series, due February 1, 2001 | 40,000 | 40,000 |
| 7-1/2% series, due August 1, 2002 | 50,000 | 50,000 |
| 7-5/8% series, due June 1, 2003 | 50,000 | 50,000 |
| 9-3/8% series, due October 1, 2005 | 49,500 | 49,500 |
| 8-1/4% series, due November 1, 2007 | 50,000 | 50,000 |
| 9-1/4% series, due October 1, 2008 | 50,000 | 50,000 |
| 16-1/4% series, due December 1, 2011 | 49,000 | 49,500 |
| Pollution Control Series A, 5-7/8%, due March 1, 2004 | 24,000 | 24,000 |
| Pollution Control Series B: | | |
| 6-5/8%, due December 1, 1985 | — | 10,500 |
| 7-1/8%, due December 1, 1990 | 2,000 | 2,000 |
| 7-5/8%, due December 1, 1995 | 2,500 | 2,500 |
| 8%, due December 1, 2004 | 35,000 | 35,000 |
| Pollution Control Series C: | | |
| 7-1/4%, due October 1, 2004 | 15,000 | 15,000 |
| 7-3/8%, due October 1, 2005 | 1,960 | 1,960 |
| 7-3/8%, due October 1, 2006 | 2,105 | 2,105 |
| 7-3/8%, due October 1, 2007 | 2,260 | 2,260 |
| 7-3/8%, due October 1, 2008 | 2,425 | 2,425 |
| 7-3/8%, due October 1, 2009 | 26,250 | 26,250 |
| Pollution Control Series D: | | |
| 13-3/4%, due November 1, 2011 | 27,380 | 27,380 |
| Less amounts held in construction fund | (479) | (479) |
| Pollution Control Series E: | | |
| 9-1/8%, due May 1, 2013 | 42,000 | 42,000 |
| Less amounts held in construction fund | (19,715) | (31,192) |
| Unamortized premium | 1,091 | 1,181 |
| Unamortized discount | (1,145) | (1,196) |
| Capital lease obligations, 10.88%-14.65%, due in installments through April 1, 1995 | 4,331 | — |
| | 809,263 | 804,494 |
| Cheyenne Light, Fuel and Power Company: | | |
| First mortgage bonds: | | |
| 3-3/4% series, due May 1, 1985 | — | 847 |
| 5-1/2% series, due April 1, 1990 | 1,253 | 1,278 |
| 7-7/8% series, due April 1, 2003 | 4,000 | 4,000 |
| Unsecured notes, due December 31, 1988, interest rates are based on the certificate of deposit rates at Northern Trust Company | 2,250 | 3,000 |

| | 1984 | 1983 |
|---|---|---|
| | (Thousands of Dollars) | |
| Western Gas Supply Company: | | |
| Unsecured promissory notes: | | |
| 10%, due September 25, 1986 | 1 | 2 |
| 7-3/4%, due December 1, 1997 | 20,000 | 20,000 |
| 10.35%, due December 1, 1999 | 9,333 | 10,000 |
| 1480 Welton, Inc.: | | |
| 4-3/4% secured notes, payable in equal quarterly installments of $168,388 to June 1, 1992 covering principal and interest | 3,748 | 4,229 |
| 7-1/2%-12% mortgage notes, due in installments through 1987 | 135 | 270 |
| 12.50% secured promissory note, due March 1, 1998 | 12,890 | 13,310 |
| 10% unsecured promissory notes, due in annual installments through October 3, 1988 | 726 | — |
| Fuel Resources Development Co.: | | |
| Unsecured note, due January 1, 1986, interest rate fluctuates with the New York Federal Funds rate | 3,600 | 10,000 |
| Home Light and Power Company: | | |
| First mortgage bonds: | | |
| 4% series, due February 1, 1986 | 348 | 357 |
| 5-1/2% series, due September 1, 1989 | 313 | 320 |
| 6% series, due April 1, 1997 | 672 | 684 |
| 7-7/8% series, due December 1, 2002 | 2,050 | 2,088 |
| 10-3/8% series, due January 1, 2003 | 3,400 | 3,460 |
| Bannock Center Corporation: | | |
| Unsecured note payable, due June 29, 1986, interest rate fluctuates with the New York Federal Funds rate | 6,950 | — |
| 5-1/8%-14% mortgage notes, due in installments through July 1, 1992 | 2,256 | 7,471 |
| | $883,188 | $885,810 |

Substantially all properties of the Company and its subsidiaries, other than expressly excepted property, are subject to the liens securing the Company's First Mortgage Bonds or the mortgage bonds and notes of subsidiaries.

The aggregate annual maturities and sinking fund requirements during the five years subsequent to December 31, 1984 are: $16,874,000 (1985), $6,181,000 (1986), $85,918,000 (1987), $5,957,000 (1988) and $25,806,000 (1989) for the Company; and $5,080,000 (1985), $14,445,000 (1986), $3,630,000 (1987), $3,684,000 (1988) and $2,525,000 (1989) for its subsidiaries. The Company may satisfy its sinking fund obligations through the application of property additions, and Cheyenne may satisfy $60,000 of its sinking fund obligation annually through the application of property additions.

### 4. Notes Payable and Commercial Paper

Information regarding notes payable and commercial paper for the years ended December 31, 1984 and 1983 is as follows:

| | 1984 | 1983 |
|---|---|---|
| | (Thousands of Dollars) | |
| Notes payable to banks (weighted average interest rate 9.55% at December 31, 1984 and 10.48% at December 31, 1983) | $2,875 | $ 6,350 |
| Commercial paper (weighted average interest rate 9.75% at December 31, 1983) | — | 13,440 |
| | $2,875 | $19,790 |
| Maximum amount outstanding at any month-end during the period | $5,850 | $19,790 |
| Weighted average amount (based on the daily outstanding balance) outstanding for the period (weighted average interest rate 11.03% for the year ended December 31, 1984 and 9.63% for the year ended December 31, 1983) | $3,674 | $10,65[illegible] |

# Notes to Consolidated Financial Statements

(continued)

### 5. Bank Lines of Credit and Compensating Bank Balances

Arrangements for bank lines of credit totaled $65,000,000 at December 31, 1984, and were maintained entirely by fee payments in lieu of compensating balances. These lines of credit were reduced at the Company's request effective July 1, 1984, from $111,849,000 at December 31, 1983, consisting of $17,549,000 maintained by compensating balances and $94,300,000 maintained by fee payments in lieu of balances. The compensating bank balance arrangements provided that the Company maintain average compensating balances in the amount of $877,450 for the six-month period ending June 30, 1984, $877,450 for the six-month period ending December 31, 1983 and $1,806,200 for the six-month period ending June 30, 1983. These bank lines of credit are also used to support the Company's issuance of commercial paper. At the Company's request, confirmed uncommitted bank lines of credit totalling $53,000,000 at December 31, 1983 were discontinued during 1984. The Company generally may borrow under uncommitted preapproved lines of credit upon request, however, the banks have no firm commitment to make such loans.

### 6. Commitments and Contingencies

Commitments made for the purchase of various items of plant and equipment aggregated approximately $127,000,000 at December 31, 1984.

The Internal Revenue Service has completed an examination of the federal income tax returns of the Company and its subsidiaries for the years 1970 through 1979. The audit results for 1970 through 1974 are in the litigation process while the periods 1975 through 1979 are in various stages of appeals within the Internal Revenue Service. The examiners propose to include in income, contract refunds on the Fort St. Vrain Nuclear Generating Station which were recorded as a reduction of the plant cost and part of the amounts received in the 1979 contract settlement for this plant (see Note 11). The Company is resisting these proposals and believes that the final outcome of these matters will not have a material effect on the reported financial position or results of operations of the Company.

### 7. Postretirement Benefits

Total provision for pension expense under the Company's noncontributory defined benefit retirement plan covering all eligible employees was $19,116,000 in 1984, $18,495,000 in 1983 and $15,636,000 in 1982. The Company's policy is to fund pension cost accrued. A comparison of accumulated plan benefits and plan net assets as of the end of the plan's fiscal years, June 30, 1984 and 1983, is presented below:

| | 1984 | 1983 |
|---|---|---|
| | (Thousands of Dollars) | |
| Actuarial present value of accumulated plan benefits: | | |
| Vested | $138,200 | $110,800 |
| Nonvested | 14,100 | 12,400 |
| Total | $152,300 | $123,200 |
| Market value of net assets available for benefits | $220,233 | $214,623 |

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9½%. The actuarial present value of accumulated plan benefits is generally based on employees' history of pay and service and other appropriate factors as of the benefit valuation date and does not include anticipated future increases in employee compensation. Evaluations of accumulated plan benefits as of December 31, 1984 and 1983 were not made. However, the market values of the net assets available for benefits at these dates were approximately $252,106,000 and $220,992,000, respectively.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees become eligible for these benefits if they reach either early or normal retirement age while working for the Company. The cost of providing health care and life insurance benefits to active, retired and disabled employees, which is expensed as either claims or insurance premiums are paid, amounted to $16,973,000 in 1984. The cost of providing these benefits for the 1,539 retired employees is not separable from the cost of providing benefits for the 7,013 active and disabled employees.

## 8. Income Tax Expense

Total income tax expense was different from the amount computed by applying the federal statutory rate to pre-tax accounting income. The reasons for this difference are as follows:

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | | (Thousands of Dollars) | |
| Tax computed at statutory rate on pre-tax accounting income | $130,064 | $92,037 | $100,956 |
| Increase (decrease) in tax from: | | | |
| Difference between tax and book depreciation | 7,425 | 6,492 | 5,327 |
| Allowance for funds used during construction | (4,439) | (3,940) | (2,985) |
| Amortization of investment credit | (6,233) | (5,666) | (5,026) |
| State income taxes, net of federal income tax benefit | 6,383 | 3,829 | 3,885 |
| Other — net | 4,304 | 1,011 | 998 |
| Total income tax expense | $137,504 | $93,763 | $103,155 |
| Income tax expense consists of the following: | | | |
| Current income taxes: | | | |
| Federal | $ 89,869 | $48,418 | $ 58,026 |
| State | 8,868 | 5,417 | 5,174 |
| | 98,737 | 53,835 | 63,200 |
| Deferred income taxes: | | | |
| Fort St. Vrain contract settlement | (861) | 28 | 777 |
| Accelerated amortization | 1,032 | 1,069 | 1,201 |
| Accelerated depreciation | 29,716 | 28,911 | 26,666 |
| Intangible drilling costs | 280 | 144 | 806 |
| Lease and well impairments — net | (308) | (1,749) | (294) |
| Capitalized interest | 15 | 513 | 40 |
| Other book-tax timing differences | (9) | 609 | 144 |
| Customer refunds | (2,596) | — | — |
| | 27,269 | 29,525 | 29,340 |
| Charge equivalent to reduction in income taxes due to deferred investment tax credit, net of amortization | 11,498 | 10,403 | 10,615 |
| Total income tax expense | $137,504 | $93,763 | $103,155 |

The Company has state investment tax credit carryovers totalling $3,554,000, expiring in 1989, 1990 and 1991, available to offset future state income taxes.

Deferred tax provisions are not recorded on certain book-tax timing differences. As of December 31, 1984 the cumulative net amount of such timing differences was $465,298,000. The tax effect of this amount is not recorded currently as regulatory commission procedures will result in such costs being charged to customers when the timing differences reverse and the tax effects are paid.

# Notes to Consolidated Financial Statements

(continued)

**9. Taxes (Other Than Income Taxes)**

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | | (Thousands of Dollars) | |
| Real estate and personal property taxes | $36,460 | $36,332 | $35,057 |
| Franchise taxes | 1,062 | 952 | 1,111 |
| Social security taxes | 14,764 | 13,403 | 11,903 |
| City and state use taxes | 5,631 | 4,713 | 5,746 |
| Miscellaneous taxes | 5,699 | 3,628 | 2,360 |
| | $63,616 | $59,028 | $56,177 |
| Charged: | | | |
| Directly to income: | | | |
| Operating expenses | $60,051 | $55,847 | $53,631 |
| Other | 542 | 160 | 170 |
| To property, plant and equipment and various clearing accounts | 3,023 | 3,021 | 2,376 |
| | $63,616 | $59,028 | $56,177 |

**10. Segments of Business**

Segment information for the year ended December 31, 1984 is as follows:

| | Electric | Gas | Other | Total |
|---|---|---|---|---|
| | | | (Thousands of Dollars) | |
| Operating revenues | $ 999,628 | $790,068 | $12,328 | $1,802,024 |
| Operating expenses, excluding depreciation | 644,025 | 708,467 | 4,825 | 1,357,317 |
| Depreciation | 76,368 | 18,898 | 1,617 | 96,883 |
| Total operating expenses | 720,393 | 727,365 | 6,442 | 1,454,200 |
| Operating income* | $ 279,235 | $ 62,703 | $ 5,886 | $ 347,824 |
| Plant construction expenditures** | $ 142,495 | $ 45,152 | $ 8,904 | $ 196,551 |
| Identifiable assets, December 31, 1984: | | | | |
| Utility plant** | $1,863,856 | $414,346 | $76,962 | $2,355,164 |
| Materials and supplies | $ 47,402 | $ 7,511 | $ 35 | 54,948 |
| Fuel inventory | $ 60,897 | $ — | $ 272 | 61,169 |
| Gas in underground storage | $ — | $ 14,980 | $ — | 14,980 |
| Other corporate assets | | | | 375,395 |
| | | | | $2,861,656 |

* Before income taxes
** Includes allocation of common utility property

Segment information for the year ended December 31, 1983 is as follows:

| | Electric | Gas | Other | Total |
|---|---|---|---|---|
| | | | | (Thousands of Dollars) |
| Operating revenues | $ 853,743 | $761,629 | $ 13,269 | $1,628,641 |
| Operating expenses, excluding depreciation | 544,488 | 711,756 | 7,562 | 1,263,806 |
| Depreciation | 72,355 | 17,485 | 1,737 | 91,577 |
| Total operating expenses | 616,843 | 729,241 | 9,299 | 1,355,383 |
| Operating income* | $ 236,900 | $ 32,388 | $ 3,970 | $ 273,258 |
| Plant construction expenditures** | $ 142,536 | $ 43,427 | $ 9,522 | $ 195,485 |
| Identifiable assets, December 31, 1983: | | | | |
| Utility plant** | $1,822,204 | $394,047 | $ 70,049 | $2,286,300 |
| Materials and supplies | $ 43,475 | $ 7,608 | $ 33 | 51,116 |
| Fuel inventory | $ 54,080 | $ — | $ 168 | 54,248 |
| Gas in underground storage | $ — | $ 15,901 | $ — | 15,901 |
| Other corporate assets | | | | 308,634 |
| | | | | $2,716,199 |

Segment information for the year ended December 31, 1982 is as follows:

| | Electric | Gas | Other | Total |
|---|---|---|---|---|
| | | | | (Thousands of Dollars) |
| Operating revenues | $ 843,436 | $732,334 | $ 14,269 | $1,590,039 |
| Operating expenses, excluding depreciation | 527,568 | 673,587 | 11,050 | 1,212,205 |
| Depreciation | 69,014 | 16,156 | 1,261 | 86,431 |
| Total operating expenses | 596,582 | 689,743 | 12,311 | 1,298,636 |
| Operating income* | $ 246,854 | $ 42,591 | $ 1,958 | $ 291,403 |
| Plant construction expenditures** | $ 142,268 | $ 55,922 | $ 31,849 | $ 230,039 |
| Identifiable assets, December 31, 1982: | | | | |
| Utility plant** | $1,756,375 | $377,891 | $ 62,995 | $2,197,261 |
| Materials and supplies | $ 41,117 | $ 7,697 | $ 47 | 48,861 |
| Fuel inventory | $ 60,105 | $ — | $ 229 | 60,334 |
| Gas in underground storage | $ — | $ 14,004 | $ — | 14,004 |
| Other corporate assets | | | | 286,456 |
| | | | | $2,606,916 |

* Before income taxes
** Includes allocation of common utility property

# Notes to Consolidated Financial Statements

(continued)

**11. Fort St. Vrain Nuclear Generating Station**

**Settlement agreement:**

On June 27, 1979, the Company and the prime contractor for the Fort St. Vrain Nuclear Generating Station (Fort St. Vrain), General Atomic Company (GAC), entered into a Settlement Agreement, a Services Agreement and a Fuel and Fabrication Agreement satisfying and settling all contracts and claims between the Company and GAC relative to Fort St. Vrain. Among other things, the terms of these Agreements include the following: (a) GAC paid to the Company $60,000,000 as an adjustment of the plant cost for the reduction in the plant's capacity from 330 Mw at 80% capacity to 200 Mw at 60% capacity factor; and (b) GAC contributed to the Company, between 1980 and 1984, $97,050,427 for the cost of replacing the 130 Mw reduction in capacity at Fort St. Vrain with future electric generation facilities.

Funds received from GAC per item (b) above and not yet expended for new plant construction at the end of 1984 have been recorded as deferred credits on the consolidated balance sheet. Reclassifications have also been made in the 1983 consolidated balance sheet and the 1983 and 1982 consolidated statements of source of funds for plant construction expenditures to reflect net replacement capacity payments received previous to 1984 as deferred credits rather than as reductions to the construction work in progress balance. These reclassifications have been made for comparative purposes and have no effect on net income.

**Replacement power penalty:**

The CPUC has authorized an ongoing examination of purchased power costs as they relate to replacement power deemed to be necessary when generation from Fort St. Vrain falls below a specified level of production. On March 6, 1984 the CPUC ordered the Company to refund $591,474, including interest, for the failure of Fort St. Vrain to generate at a specified level during the months of January and February, 1983. The refund amount was determined in accordance with a formula which sets the specific level of performance equivalent to a 53.15% annual capacity factor based on a 200 Mw generation level.

Hearings were held in June, 1984 regarding the Company's electric cost adjustment (ECA) filings for the period March, 1983 through September, 1983. As in the hearings regarding the January and February, 1983 ECA filings, the main issue in these hearings was the purchased power costs incurred by the Company due to the alleged substandard Fort St. Vrain generation for this time period. The hearings examiner has not yet issued a decision. Hearings for the time period subsequent to September, 1983 have not yet been scheduled, however, the total estimated refund liability for the time period March, 1983 through October, 1984 is approximately $5.7 million, including interest, and that amount has been recorded to cover this contingency.

**Incentive plan:**

Fort St. Vrain is included by the CPUC in the Company's rate base so that rates billed to customers for energy delivered include amounts designed to cover costs associated with Fort St. Vrain. In response to Fort St. Vrain's historically reduced levels of generation, on August 8, 1984 the CPUC issued a decision requiring potential refunds through the Company's ECA for periods when the revenues collected under base rates attributable to Fort St. Vrain exceed the value of the energy produced by the plant during such period. Under this "incentive plan," such energy is valued at the same avoided cost rate as an equivalent amount of energy sold to the Company by a cogenerator or small power producer. For any period in which Fort St. Vrain fails to produce sufficient energy valued as set forth above, the Company would be required to refund the difference on a monthly basis through the ECA. Accordingly, the refund calculation, which is intended to take the place of the replacement power penalty mechanism, will be applied to the period subsequent to November 1, 1984. The Company has filed an appeal with the District Court in and for the City and County of Denver, State of Colorado, for the purpose of reversing the CPUC decision and has obtained a stay pending appeal.

According to the calculation set forth in the CPUC's decision, the estimated refund for November, 1984 was approximately $320,000 and the monthly amounts will increase by increments of approximately $320,000 per month up to a maximum of approximately $3.8 million per month should the plant not operate for a full year subsequent to November 1, 1984. The actual amount to be refunded to customers through the ECA is contingent upon the performance of Fort St. Vrain. The calculation of the refund incorporates the performance of Fort St. Vrain on a rolling 12-month basis or over the number of months in which the CPUC decision has been in effect if less than 12 months. The Company has recorded $959,833 as a charge against earnings in 1984 to cover potential refunds for November and December.

In January, 1984 Fort St. Vrain was shut down in order to initiate a scheduled refueling operation and associated modification/maintenance activities. On June 12, 1984, following the completion of this work, electric generation was supplied by Fort St. Vrain to the Company's system. Power was being gradually increased when a series of events occurred that caused Fort St. Vrain to be automatically shut down on June 23, 1984. During the automatic shut down process, six control rod pairs failed to insert automatically. Following evaluation and investigation of this event by the Company and the Nuclear Regulatory Commission (NRC), the Company has undertaken the refurbishing of all of the 37 pairs of control rod drives and certain other engineering modifications and equipment replacements at the station.

The CPUC's August 8, 1984 decision creates a potential refund exposure to the Company in view of the fact that the Company believes that the refurbishing, modifications, and replacements at Fort St. Vrain cannot be completed until Spring, 1985. In addition, the Company must resolve issues raised by the NRC as to the conduct of operations at Fort St. Vrain. NRC approval will be required to restart the plant, and the Company cannot predict when this approval will be obtained. When the plant becomes operational, the potential monthly refund exposure will decrease based on the 12-month performance average in accordance with the CPUC decision.

**1981-1982 Capacity factor test:**
Intervenors have appealed a November 8, 1983 CPUC decision regarding the Fort St. Vrain capacity factor test during 1981 and 1982 by filing an appeal on January 5, 1984 in the District Court in and for the City and County of Denver. On September 11, 1984 the District Court issued a decision overturning the CPUC's decision that Fort St. Vrain met the 50% capacity factor standard during the designated time period, the effect of which is a potential refund exposure to the Company of $23 million. The Company has filed an appeal with the Supreme Court of the State of Colorado.

## 12. Amount Subject to Refund

WestGas is the defendent in lawsuits brought by two gas producers who claim underpayment for gas purchases under contracts containing "favored nations" provisions. To protect WestGas in the event of further claims under all contracts having similar provisions, the CPUC on September 7, 1977 granted WestGas' application to increase rates subject to refund. As of December 31, 1984 and 1983 the amount at issue under all such contracts was approximately $30.7 million and $24.9 million, respectively, including interest, of which approximately $2.1 million had accumulated prior to September 1977. In the event that WestGas' position is not sustained and final settlement of these claims results in WestGas being responsible for additional costs for gas purchased prior to September 7, 1977 WestGas will apply to the CPUC for rate relief to recover these costs.

WestGas was also a defendant in a lawsuit brought by Amoco Production Company (Amoco) alleging underpayment for gas purchases in accordance with the natural gas purchase contract between the parties. The amount at issue at December 31, 1984 and 1983 was estimated to be $6.5 million and $6.2 million, respectively, including interest, to Amoco and other parties having ownership interests in those wells. On February 5, 1985 the United States Court of Appeals for the Tenth Circuit granted judgment in favor of WestGas.

## 13. Effects of Changing Prices (Unaudited)

The following supplementary Current Cost information is supplied in accordance with the requirements of the amended FASB Statement No. 33, "Financial Reporting and Changing Prices," in order to provide certain information about the effects of changes in specific prices on the historical cost financial data of the Company. This supplementary information should be viewed as an estimate rather than as a precise measure.

Current Cost adjusted information is historical financial data adjusted to reflect changes in the specific prices of the Company's property, plant and equipment from the date these assets were acquired to the present. This estimated cost of replacing the productive capacity of existing plant assets is primarily determined by indexing surviving property, plant and equipment (including land, land rights, property held for future use, and construction work in progress) by the Handy-Whitman Index of Public Utility Construction Costs. Current Cost adjusted information indicates how the Company has been affected by the increased cost of maintaining its existing productive capacity. The specific prices of the Company's assets may have increased more or less than prices in general.

While the rate-making process gives no recognition to the current cost of replacing property, plant and equipment, based on past practices the Company believes it will be allowed to earn on the increased cost of its net investment when replacement of facilities actually occurs.

As shown in the following statement, income from continuing operations under the Current Cost method is lower than that determined under the historical cost method used for the primary financial statements. Of the revenue and expense elements from which the income figure is derived, only depreciation expense has been restated by applying the Company's depreciation rates to the indexed amounts of Current Cost adjusted property, plant and equipment. All other income statement items are considered to have been effectively transacted at average price levels for the current year, and accordingly have not been restated.

Fuel inventories, the cost of fuel used in generation, and gas purchased for resale have not been restated from their historical cost in nominal dollars. Regulation limits the recovery of fuel and purchased gas costs through the operation of adjustment clauses or adjustments in basic rate schedules to actual costs. For this reason fuel and gas inventories are effectively monetary assets.

# Notes to Consolidated Financial Statements

(continued)

As prescribed in FASB Statement No. 33, income taxes were not adjusted to reflect the effects of changing prices. This requirement is appropriate, since current income tax policy ignores the effects of inflation in measuring taxable income and the higher depreciation expense experienced under Current Cost accounting is not tax deductible. The Company's effective income tax rate, when taxable income has been adjusted for inflation, is 93% using Current Cost accounting for 1984, which exceeds the reported effective tax rate of 49% and the statutory rate of 49% for federal and state taxes.

All data reported "In Average 1984 Dollars" have been restated to units of equivalent purchasing power as measured by the average Consumer Price Index for All Urban Consumers for 1984.

**Statement of Income from Continuing Operations Adjusted for Changing Prices**
For the year ended December 31, 1984

| | As Reported/ Historical Cost | Current Cost/ Average 1984 Dollars |
|---|---|---|
| | (Thousands of Dollars) | |
| Operating revenues | $1,802,024 | $1,802,024 |
| Depreciation expense | 96,883 | 230,994 |
| Other operating expenses and other income and deductions | 1,559,894 | 1,559,894 |
| | 1,656,777 | 1,790,888 |
| Income from continuing operations | $ 145,247 | $ 11,136 |

**Effects of Changing Prices on Common Stockholders' Equity**
For the year ended December 31, 1984

| | Current Cost/Avg. 1984 Dollars |
|---|---|
| | (Thousands of Dollars) |
| Current annual costs in excess of the historical cost of property, plant and equipment not recoverable in rates as depreciation expense under current regulatory policy: | |
| Effects of cumulative inflation reported as an additional provision for depreciation expense | $134,111 |
| Reported as an adjustment to net recoverable amount (Note A) | (45,422) |
| | 88,689 |
| Excess of general price level changes ($185,437) in the current year over the specific price level changes ($182,039)* | 3,398 |
| Offsetting effect of debt financing (Note B) | (52,259) |
| Net erosion of common stockholders' equity | $ 39,828 |

*At December 31, 1984, current cost of property, plant and equipment, net of accumulated depreciation, was $4,729,804, while historical cost (or net cost recoverable through depreciation) was $2,355,164.

**Note A. Adjustment to Net Recoverable Amount**
Under the CPUC and FERC rate-making provisions to which the Company is subject, only the historical cost of plant is recoverable in revenues as an amount equal to depreciation expense. Therefore, the portion of the cost of plant stated in terms of Current Cost which differs from the historical cost of plant has been reflected as the "Adjustment to Net Recoverable Amount."

**Note B. Offsetting Effect of Debt Financing (Gain From Decline in Purchasing Power of Net Amounts Owed)**
This memorandum caption shows the net effect of inflationary value changes on those Company assets and liabilities carried on the balance sheet at fixed or determinable monetary settlement amounts. During a period of inflation, holders of monetary assets sustain a loss of general purchasing power while holders of monetary liabilities experience a gain. The Company's "Offsetting Effect of Debt Financing" is primarily attributable to the substantial amount of debt and preferred stock which has been used to finance property, plant and equipment. (In calculating this gain, preferred stock has been classified as a monetary item, which is consistent with its treatment for rate-making purposes.) Such amount does not represent funds available for distribution to shareholders.

To properly reflect the economics of rate regulation, the "Adjustment to Net Recoverable Amount" and the "Offsetting Effect of Debt Financing" should both be included in the calculation of income from continuing operations.

**Five-Year Comparison of Selected Financial Data Adjusted for Effects of Changing Prices**
In Average 1984 Dollars (except "As reported" amounts)

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 1984 | 1983 | 1982 | 1981 | 1980 |
| | (Thousands of Dollars Except Per Share Data) | | | | |
| **Operating Revenues:** | | | | | |
| **As reported** | $1,802,024 | $1,628,641 | $1,590,039 | $1,336,171 | $1,155,644 |
| Adjusted to average 1984 dollars | 1,802,024 | 1,697,933 | 1,708,633 | 1,525,372 | 1,457,198 |
| **Income (loss) from continuing operations:** | | | | | |
| **As reported** | 145,247 | 106,379 | 116,496 | 100,755 | 85,027 |
| Adjusted to current cost | 11,136 | (22,234) | (11,944) | (18,961) | (20,654) |
| **Income (loss) per common share (after dividend requirements on preferred stock):** | | | | | |
| **As reported** | 2.55 | 1.86 | 2.17 | 1.97 | 1.92 |
| Adjusted to current cost | (.11) | (.82) | (.65) | (.90) | (1.08) |
| Excess (deficiency) of increase in specific prices over changes in the general price level after adjustment to net recoverable amount | 42,024 | 43,171 | 17,620 | (73,241) | (142,719) |
| Gain from decline in purchasing power of net amounts owed | 52,259 | 51,326 | 69,404 | 123,455 | 167,903 |
| Net assets at year-end at net recoverable amount | 879,044 | 840,592 | 823,591 | 806,239 | 787,990 |
| **Cash dividends declared per common share:** | | | | | |
| **As reported** | 1.92 | 1.84 | 1.76 | 1.68 | 1.60 |
| Adjusted to average 1984 dollars | 1.92 | 1.92 | 1.89 | 1.91 | 2.02 |
| **Market price per common share at year-end:** | | | | | |
| **As reported** | 19.38 | 18.50 | 17.38 | 14.25 | 14.25 |
| Adjusted to average 1984 dollars | 19.06 | 18.93 | 18.23 | 15.61 | 17.13 |
| Average consumer price index (Base year 1967 = 100.0) | 311.2 | 298.5 | 289.6 | 272.6 | 246.8 |

# Notes to Consolidated Financial Statements

(continued)

### 14. Quarterly Financial Data (Unaudited)

Summarized quarterly data (dollars in thousands except for per share amounts) for 1984 and 1983 are as follows:

| | 1984 | | | |
|---|---|---|---|---|
| | Three months ended | | | |
| | March 31 | June 30 | September 30 | December 31 |
| Operating revenues | $587,067 | $417,708 | $348,786 | $448,463 |
| Operating income | $ 68,235 | $ 43,631 | $ 43,392 | $ 55,062 |
| Net income | $ 52,210 | $ 27,507 | $ 27,499 | $ 38,031 |
| Earnings available for common stock* | $ 48,045 | $ 23,342 | $ 23,334 | $ 33,866 |
| Average common shares outstanding (thousands) | 49,538 | 50,129 | 50,736 | 51,359 |
| Earnings per average common share* | $0.97 | $0.47 | $0.46 | $0.66 |

| | 1983 | | | |
|---|---|---|---|---|
| | Three months ended | | | |
| | March 31 | June 30 | September 30 | December 31 |
| Operating revenues | $525,132 | $409,505 | $302,424 | $391,580 |
| Operating income | $ 52,025 | $ 43,511 | $ 39,499 | $ 44,460 |
| Net income | $ 34,080 | $ 24,988 | $ 21,484 | $ 25,827 |
| Earnings available for common stock* | $ 29,915 | $ 20,823 | $ 17,319 | $ 21,662 |
| Average common shares outstanding (thousands) | 47,310 | 47,797 | 48,426 | 49,007 |
| Earnings per average common share* | $0.63 | $0.44 | $0.36 | $0.44 |

* Due to rounding, quarterly figures do not add to annual total.

# Report of Certified Public Accountants

The Board of Directors and Shareholders
Public Service Company of Colorado

We have examined the accompanying consolidated balance sheets of Public Service Company of Colorado and subsidiaries at December 31, 1984 and 1983, and the related consolidated statements of income, retained earnings and source of funds for plant construction expenditures for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Public Service Company of Colorado and subsidiaries at December 31, 1984 and 1983, and the consolidated results of operations and source of funds for plant construction expenditures for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

Arthur Young & Company
Denver, Colorado
February 8, 1985

# Board of Directors and Officers

## Board of Directors

**Robert T. Person**
Denver, CO (1957)
Chairman of the Board
Age 70

**Richard F. Walker**
Denver, CO (1976)
President and Chief Executive Officer
Age 60

**William T. Blackburn**
Denver, CO (1965)
Resident Partner
Vaughey, Vaughey & Blackburn (Independent Oil Producers)
Age 68

**Keith L. Brown**
Denver, CO (1984)
President
Brown Investment Corporation
Age 59

**Doris M. Drury**, PhD
Denver, CO (1975)
University of Denver
Professor of Economics
Chairman, Center for Business and Economic Forecasting
Age 58

**Thomas T. Farley**
Pueblo, CO (1983)
Attorney at Law
Petersen & Fonda Professional Corp.
Age 50

**George B. McKinley**
Denver, CO (1976)
President and Chief Executive Officer
Central Bancorporation, Inc.
Age 57

**C. Keith Millen**
Denver, CO (1969)
Senior Vice President, Operations
Age 62

**Will F. Nicholson, Jr.**
Denver, CO (1981)
President
Colorado National Bankshares, Inc.
Age 55

**Bryant O'Donnell**
Denver, CO (1972)
Executive Vice President and General Counsel
Age 59

**Nicholas R. Petry**
Denver, CO (1961)
Chairman of the Board
Petry-Vappi Construction Company
Managing Partner of N. G. Petry Construction Company
Age 66

**J. Michael Powers**
Cheyenne, WY (1978)
President
Powers Builders' Supply
Age 42

**Jack W. Rouse**
Denver, CO (1982)
Senior Vice President, Utility Services
Age 64

( ) Year elected to the Board of Directors

Ages as of December 31, 1984

## Executive Committee

**Robert T. Person**
**Richard F. Walker**
**George B. McKinley**
**Will F. Nicholson, Jr.**
**Nicholas R. Petry**

## Audit Committee

**Doris M. Drury**
**Thomas T. Farley**
**J. Michael Powers**

## Executive Officers

**Robert T. Person**
Chairman of the Board
Age 70 (47)

**Richard F. Walker**
President and Chief Executive Officer
Age 60 (35)

**Bryant O'Donnell**
Executive Vice President and General Counsel
Age 59 (34)

**C. Keith Millen**
Senior Vice President, Operations
Age 62 (38)

**Jack W. Rouse**
Senior Vice President, Utility Services
Age 64 (38)

**James N. Bumpus**
Vice President, Finance and Treasurer
Age 50 (20)

**Ronald E. Donovan**
Vice President, Division Support Services
Age 57 (30)

**Clark B. Ewald**
Vice President, Employee Relations
Age 50 (25)

**J. Kenneth Fuller**
Vice President, Electric Engineering and Planning
Age 61 (36)

**John M. Hassoldt**
Vice President, Gas Operations
Age 55 (34)

**Delwin D. Hock**
Vice President, Accounting and Secretary
Age 49 (22)

**Oscar R. Lee, Jr.**
Vice President, Electric Production
Age 58 (34)

**Robert T. Person, Jr.**
Vice President, Public Affairs
Age 42 (13)

**James H. Ranniger**
Vice President, Rates and Regulations
Age 48 (26)

( ) Denotes years of service with the Company through December, 1984

Ages as of December 31, 1984

# Board of Directors and Officers

(continued)

## Other Officers

**Dan McNellis**
Assistant Vice President
Governmental Affairs
Age 56 (32)

**Richard R. Midwinter**
Controller and Assistant Secretary
Age 59 (35)

**Dale V. Fetchenhier**
Assistant Secretary
Age 51 (27)

**Richard C. Kelly**
Assistant Secretary
Age 38 (17)

**Steven R. Loeshelle**
Assistant Secretary and Assistant Treasurer
Age 35 (3)

**John E. Martin**
Assistant Secretary
Age 61 (36)

**Glenn M. Steepleton**
Assistant Secretary
Age 61 (10)

**Richard L. Hunt**
Assistant Treasurer
Age 42 (18)

**Susan G. Pollack**
Assistant Treasurer
Age 40 (13)

**Douglas S. Robertson**
Assistant Treasurer
Age 42 (6)

**Homer R. Sessions**
Assistant Treasurer
Age 59 (7)

## Managers, Geographic Divisions

**N. Keith Coombe**
High Plains
Age 56 (32)

**Robert J. Fairchild**
Front Range
Age 63 (45)

**Ronald L. French**
Pueblo
Manager, Southern Region
Age 57 (32)

**Ross C. King, Jr.**
Denver Metropolitan
Age 43 (19)

**Douglas C. Lockhart**
Mountain
Age 42 (20)

**Robert E. Moninger**
Northern
Age 64 (37)

**M. Gordon Parker**
Southeast Metropolitan
Age 62 (35)

**Lawrence F. Petrini**
Northeast Metropolitan
Age 54 (29)

**Wallace K. Reed**
Boulder
Manager, Foothills Region
Age 60 (38)

**Harold L. Rust**
Platte Valley
Age 49 (29)

**George A. Senkus**
San Luis Valley
Age 48 (17)

**Louis W. Supancic**
Southwest Metropolitan
Age 62 (33)

**N. James Temple, Jr.**
Western
Manager, Western Region
Age 64 (38)

**Robert J. Vidick**
Northwest Metropolitan
Age 57 (29)

## Managers, Subsidiary Companies

**James N. Bumpus**
President
Bannock Center Corp.
Age 50 (20)

**Clark B. Ewald**
President
1480 Welton
Age 50 (25)

**Michael J. Geile**
Vice President and General Manager
Home Light & Power Company
Age 42 (20)

**John M. Hassoldt**
President
Western Gas Supply Company
Age 55 (34)

**James L. Higday**
President
Cheyenne Light, Fuel and Power Company
Manager, Northern Region
Age 62 (34)

**Robert F. Jonas**
President
Fuel Resources Development Co.
Age 61 (37)

( ) Denotes years of service with the Company through December, 1984

Ages as of December 31, 1984

## Legal Counsel

**Kelly, Stansfield & O'Donnell**
Denver, Colorado

## Auditors

**Arthur Young & Company**
707 17th St., Suite 3800
Denver, Colorado

## Transfer Agents and Registrars for All Issues of Capital Stock

Principal Transfer Agent, Dividend Paying Agent, Dividend Reinvestment Plan Agent
**Public Service Company of Colorado**
Denver, Colorado

Registrar
**Central Bank of Denver**
Denver, Colorado

Co-Transfer Agents and Co-Registrars
**Morgan Guaranty Trust Company of New York**
New York, New York
***Bank of America National Trust and Savings Association**
San Francisco, California

* Services as Co-Transfer Agent and Co-Registrar terminated effective March 1, 1985

Please take a few minutes to compl.te and return the postage-paid, self-addressed cards below. The top card is a brief survey which will help us make our communications with you as effective as possible. The bottom card concerns our upcoming regional shareholder meetings and how to get additional information about the Company or your investment.

## Shareholder Communications Survey

### 1984 Annual Report

**1.** How much of PSCo's 1984 Annual Report did you read?

☐ all ☐ ¼ to ½
☐ ¾ or more ☐ less than ¼
☐ ½ to ¾ ☐ none

**2.** Is the 1984 Annual Report easy to read and understand?

☐ very readable ☐ somewhat difficult
☐ somewhat readable ☐ very difficult

**3.** Please circle the number which represents your feelings about the quality of information, presentation, and readability of the following:

| | Outstanding | | | | | | | | | Poor |
|---|---|---|---|---|---|---|---|---|---|---|
| **Corporate Purpose** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **1984 In Retrospect** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **Management Commentary** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **Financial Performance** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **Financial Charts** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **Electric Operations** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **Natural Gas Operations** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **Shareholder Information** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **Operating & Financial Data** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

**4.** Please rate the overall PSCo 1984 Annual Report by circling the number below which best describes your overall impression:

| | Outstanding | | | | | | | | | Poor |
|---|---|---|---|---|---|---|---|---|---|---|
| **Overall, I feel the 1984 Annual Report is —** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

### Quarterly Reports

**5.** How much of PSCo's Quarterly Reports do you read?

☐ all ☐ less than ½
☐ more than ½ ☐ none

**6.** How would you describe the Quarterly Reports readability?

☐ very readable ☐ somewhat difficult
☐ somewhat readable ☐ very difficult

**7.** Please rate the PSCo 1984 Quarterly Reports by circling the number below which best describes your overall impression:

| | Outstanding | | | | | | | | | Poor |
|---|---|---|---|---|---|---|---|---|---|---|
| **Overall, I felt the 1984 Quarterly Reports were —** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

### Communications Programs

**8.** How would you describe PSCo's shareholder and investor relations programs?

☐ very good ☐ adequate
☐ good ☐ inadequate

**9.** Do you feel you are being adequately informed about PSCo activities?

☐ yes ☐ mostly ☐ not entirely ☐ no

**10.** What is your Zip Code? ____________.

## Regional Shareholder Meetings

Public Service Company of Colorado will continue to hold regional shareholder meetings and participate in Investors Fairs through the National Association of Investment Clubs in 1985. Invitations to attend these meetings will be sent to shareholders who own Public Service Company stock in their name and who live within a 50-mile radius of the cities listed below.

Shareholders are welcome to bring guests to the meetings. If you wish to attend a meeting and do not receive an invitation, please complete and return this card indicating the meeting(s) you wish to attend. We will send you the materials necessary for admittance.

Regional shareholder meetings will be held in the following areas on the indicated dates:

☐ **Morristown, N.J. — June 18**
☐ **New York City — June 19**
☐ **Hartford — September**
☐ **Boston — September**
☐ **San Francisco — November**
☐ **Phoenix — November**

National Association of Investment Clubs Investors Fairs will be held as indicated below:

☐ **Milwaukee — March 30**
☐ **Kansas City — May 11**
☐ **Omaha — June 1**

### Additional Information and Duplicate Mailings

Shareholders interested in receiving the publications or additional information listed below, or those who receive duplicate mailings of the Annual Report, are asked to check the appropriate box. Fill in account number, name and address and mail this postage-paid card.

☐ **Statistical Review 1974-1984**
☐ **Form 10-K**
☐ **Dividend Reinvestment Plan Information**
☐ **Currently receive more than one copy of Annual Report.** Please eliminate report mailings for (fill in account number(s) from Annual Report mailing label):

____________
____________
____________

*Please Print:*

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Street and Number ____________

City ____________

State ____________ Zip ____________

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**Company of Colorado**
P.O. Box 840
Denver, Colorado 80201
(303) 571-7511

Public Service Company of Colorado

16805 WCR 19 1/2, Platteville, Colorado 80651

March 18, 1985
Fort St. Vrain
Unit #1
P-85090

Director of Nuclear Reactor Regulation
Division of Project Management
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

ATTN: Mr. Roger S. Boyd, Director

Docket No. 50-267

SUBJECT: Public Service Company of Colorado 1984 Annual Report

Dear Mr. Boyd:

Enclosed are eight copies of the 1984 Public Service Company of Colorado Annual Report which are being submitted for your information and use per Regulatory Guide 10.1 and Title 10, Code of Federal Regulations, Part 50.

Sincerely,

J. W. Gahm

J. W. Gahm
Manager, Nuclear Production
Fort St. Vrain Nuclear
Generating Station

JWG:dr

Enclosures

Original
To: Region 4

M004
1/8