Public Service®

Public Service
Company of Colorado

2420 W. 26th Avenue, Suite 100D, Denver, Colorado 80211

March 29, 1991
Fort St. Vrain
Unit No. 1
P-91110

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D.C. 20555

Docket No. 50-267

SUBJECT: Annual Financial Report

Gentlemen:

Enclosed are ten (10) copies of the 1990 Annual Report for Public Service Company of Colorado, including the certified financial statement for 1990. This document is submitted for your information and use in accordance with 10 CFR 50.71(b).

Very truly yours,

Lawrence Brey

H. L. Brey, Manager
Nuclear Licensing and
Resource Management Division

HLB/DCG:blt

Enclosures

cc: Regional Administrator, Region IV
611 Ryan Plaza Dr. Suite 1000
Arlington, TX 76011

Mr. J. B. Baird
Senior Resident Inspector
Fort St. Vrain

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Our Energy Force
Annual Report

Our Business

Public Service Company of Colorado is an electric, natural gas and thermal energy utility serving approximately 75 percent of Colorado's three million people, including the Denver metropolitan area. The company's consolidated financial statements include the results of its subsidiary operations:

Cheyenne Light, Fuel & Power Company, an electric and natural gas company serving the Cheyenne, Wyoming area;

Fuel Resources Development Co., an oil and gas exploration, development and production company with operations throughout the Rocky Mountain region;

Western Gas Supply Company, a natural gas transmission company;

Bannock Center Corporation, a real estate investment company;

Welton Properties, a company that owns and manages utility real estate;

PS Colorado Credit Corporation and P.S.R. Investments, Inc., two finance subsidiaries;

Natural Fuels Corporation, which sells compressed natural gas as a transportation fuel to retail markets.

Public Service Company of Colorado 1990 Annual Report

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Our Greatest Resource

In the past, corporate America tended to look the same, to share the same culture. That cliche has been rejected at Public Service Co. The one constant among our employees is that they value diversity and understand how perspectives from many different and talented individuals can join to achieve the common goal of corporate profitability and good citizenship.

Differing cultures, races, backgrounds and opinions are part of our strength, and we feel that we are well on our way to achieving a truly pluralistic work force.

Now the management challenge is to give our employees the freedom to seek opportunities, to make each problem their own, and through teamwork find solutions that benefit our customers and shareholders. Our senior management team is leading and empowering our employees so that they can get the job done.

Percentage of Male, Female and Minority Employees at Year-End 1989 and 1990

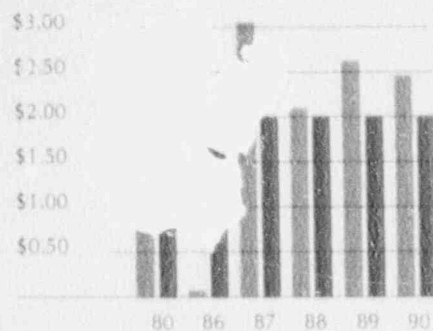
	Male		Female		Native American		Asian/ Pacific Islanders		Hispanic		Black		Total Minority		White	
	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990
Total Work Force	5,109	4,999	1,527	1,612	13	18	83	86	842	860	371	383	1,309	1,347	5,327	5,264
% of Total	76.9	75.6	23.0	24.4	0.2	0.2	1.3	1.3	12.7	13.0	5.6	5.7	19.6	20.4	80.2	79.6
Management	817	804	117	131	0	1	12	12	48	55	25	31	85	99	849	836
% of Management	87.5	85.9	12.6	14.0	0	0.1	1.3	1.2	5.1	5.9	2.7	3.3	9.1	10.6	90.9	89.4
Non-Management	4,292	4,195	1,410	1,481	13	17	71	74	794	805	346	352	1,224	1,248	4,478	4,428
% of Non-Management	75.3	73.9	24.7	26.0	0.2	0.3	1.3	1.3	13.9	14.2	6.1	6.2	21.5	21.9	78.5	78.0

Financial and Operations Highlights

Financial	**1990**	1989	% Change
Earnings Per Share	**$2.49**	$2.59	(3.9)
Dividends Paid Per Share	**$2.00**	$2.00	–
Return on Average Common Shareholder Equity	**14.3%**	15.4%	(7.1)
Common Shareholder Equity–% of Capitalization (year-end)	**42.0%**	41.4%	1.4
Operating Revenues (000)	**$1,733,939**	$1,740,566	(0.4)
Operating Expenses (000)	**$1,495,533**	$1,49[illegible],466	0.1
Net Income (000)	**$ 146,144**	$ 1[illegible]8,[illegible]	(1.8)
Construction Expenditures (000)	**$ 261,221**	$ 17[illegible],418	49.8
Gross Plant Investment (000)	**$4,038,771**	$3,8[illegible]5,283	5.6
Number of Employees	**6,611**	[illegible],636	(0.4)
Common Stock Shareholders	**55,945**	56,075	(0.2)
Common Stock Shares Outstanding (000)	**54,320**	52,807	2.9
Operations			
Electric Revenues (000)	**$1,145,915**	$1,139,471	0.6
Kilowatt-Hour Sales (Millions)	**20,148**	19,716	2.2
Electric Customers	**990,633**	983,616	0.7
Gas Revenues (000)	**$ 561,712**	$ 577,282	(2.7)
Mcf Deliveries (000)	**210,927**	202,203	4.3
Gas Customers	**865,399**	853,065	1.4

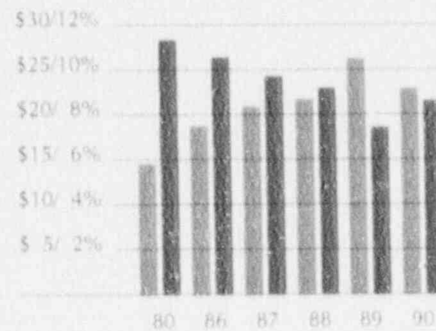
Earnings and Dividends Per Share

■ Earnings Per Share
■ Dividends Paid Per Share



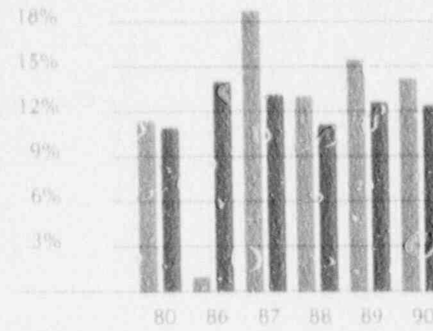
Year-End Stock Price and Dividend Yield

■ Common Stock Market Price–$
■ Common Stock Dividend Yield–%



Return on Equity

■ PSCo
■ Industry average (1990 est.)



Primary indicator of profitability, measuring actual return on shareholder equity. 14.4% is currently authorized by regulation.

Earnings/Dividends

Public Service Co. earned $2.49 per share in 1990, paid common stock dividends of $2.00 per share and attained a 14.3 percent return on common equity.

In November, the company began offering an Electronic Funds Transfer Program to shareholders currently receiving dividends by check. Through this program, these shareholders can have dividends electronically deposited directly to their bank accounts.

At a Glance

Energy

In 1990, the company's natural gas deliveries grew 4.3 percent over the previous year. This resulted in revenues of $561.7 million on 210.9 billion cubic feet delivered to customers. Electricity sales in 1990 grew 2.2 percent over 1989, with resulting revenues of $1.1 billion, representing sales of 20.1 billion kilowatt hours.

Rates

On January 31, 1991, Public Service Co. filed a rate case with the Colorado Public Utilities Commission, its first rate filing in nearly eight years. The company is seeking to lower overall electricity revenues by 0.82 percent and to increase overall natural gas revenues by 4.30 percent. These changes would increase the company's annual revenues by $13.4 million and bring the company's authorized rate of return on equity to 13.75 percent. It is anticipated that the hearings to fix total gas and electric revenues will be completed in late 1991.

Management Changes

Bryant O'Donnell, retired director, executive vice president and general counsel of Public Service Co., passed away September 1, 1990. In 1979, having served on the company's board of directors since 1972, Mr. O'Donnell became of counsel to the law firm of Kelly, Stansfield & O'Donnell and joined the company as executive vice president and general counsel. He retired in 1989. In addition, Dan R. McNellis, retired vice president of governmental and environmental affairs, passed away September 13, 1990. Mr. McNellis worked for Public Service Co. for 41 years and retired in 1988.

Also in 1990, Ralph Sargent III was named company treasurer, assuming executive management responsibility for treasury operations, financial research and analysis and corporate planning.

In March 1991, Robert T. Person, Jr., vice president of public affairs, resigned after 20 years with the company, to establish a consulting practice in communications and public affairs.

Fort St. Vrain

Defueling of the Fort St. Vrain Nuclear Generating Station was initiated in 1989 in preparation for the decommissioning and conversion of the plant to a gas-fired facility. In January 1991, the company received approval from the Nuclear Regulatory Commission to change its radiological emergency response plan for Fort St. Vrain. The change more accurately reflects the potential for emergency situations during defueling, decommissioning and repowering activities at the plant in its current shutdown mode.

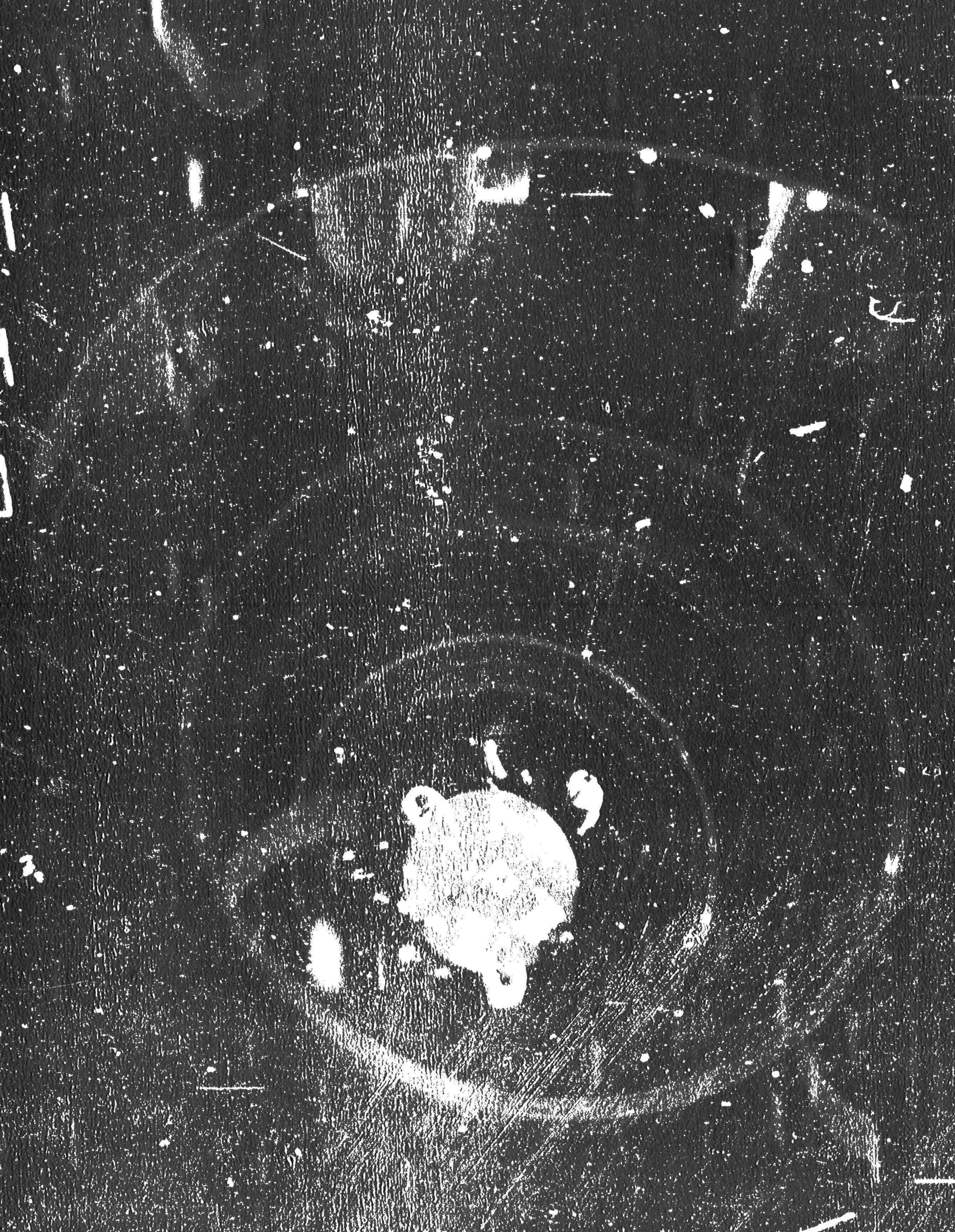
In its efforts to look for environmentally preferable ways of repowering Fort St. Vrain, Public Service Co. began a joint study to determine the possibility of installing a solar powered system at the plant, in conjunction with the planned use of natural gas as a fuel. The study will assess both the resource and economic feasibility of converting a portion of the plant to solar.

In February 1991, following unsuccessful negotiations, the company and the Department of Energy filed complaints against Idaho Governor Cecil Andrus for refusing to allow shipment of spent nuclear fuel to the DOE's Idaho National Engineering Laboratory. In addition, the company has begun construction on a temporary fuel storage facility at Fort St. Vrain. The facility may be used to store the plant's spent nuclear fuel until shipment to a DOE facility can begin.

Acquisition Opportunities

To meet future energy needs, Public Service Co. is focusing on a strategy of investigating and pursuing investment and acquisition opportunities. The company is pursuing one such opportunity through its recent filing of a reorganization plan for the bankrupt Colorado-Ute Electric Association. This proposal, which would enable the company to acquire a majority of Colorado-Ute's generation and transmission assets, was filed jointly with the Oregon-based PacifiCorp.

In another acquisition effort, the company offered to acquire the Colorado and Kansas electric properties of Centel Corporation. Although this offer proved unsuccessful, the company will continue to examine viable acquisition opportunities.



Last year's annual report emphasized that the company had embarked on a new course to enhance the value of our shareholders' investment. 1990 was a year of transition during which we invested in various business opportunities that will enable us to reach our goal of earnings growth at a minimum of one percent above the average inflation rate. In spite of the many challenges we faced in 1990, we were able to achieve earnings of $2.49 per share, which was somewhat better than we anticipated, due primarily to higher electric sales and less impact from rate adjustments.

To Our Shareholders

As we look toward the future, we are taking an aggressive leadership role in the energy business and have adopted several strategies which we believe will position us for the changes and competition we confront.

Because the vast majority of our business is regulated, the key to achieving our earnings goal is to convince our regulators to use regulatory principles which provide the necessary incentives for us to optimize results for both our shareholders and our customers. In that regard, we reached an agreement with the Colorado Public Utilities Commission during 1990 to file a rate case in January 1991. This case, which requests a $13.4 million increase in the company's annual revenues, is our first since 1983. Our approach is based upon the regulatory principles and incentives we believe are appropriate for the business environment and challenges we face in 1991 and beyond.

We continued our endeavors to improve earnings through promoting growth in our existing markets and acquiring new ones. We launched a newly invigorated marketing and sales program focused on understanding and meeting every facet of the energy needs of our customers, and continued to pursue acquisition opportunities in our core gas and electric businesses. In that regard, we made an offer to acquire the Colorado and Kansas electric properties of Centel Corporation, which proved unsuccessful. Our efforts to acquire a major part of the electric generating and transmission system of the bankrupt Colorado-Ute Electric Association moved a step closer to fruition when early in 1991 we were joined by PacifiCorp of Portland, Oregon, in submitting a comprehensive reorganization plan to the bankruptcy court. Confirmation of a final plan is expected by July of 1991.

The company's Executive Policy and Strategy Group sets the strategic foundation upon which corporate goals are built and communicated throughout the organization.

The pursuit of opportunities on the gas side of our business played a vital role in our growth strategy. Through our subsidiaries, Fuelco and WestGas, we initiated significant new coal seam gas drilling, gathering and processing projects in the San Juan Basin of southwestern Colorado. WestGas also gained access to growing Midwest markets through the purchase of an existing pipeline in northeastern Colorado, and progress continued on the TransColorado Gas Transmission joint venture project to build a pipeline to transport western Colorado gas to the West Coast and Midwest markets. We also formed another joint venture—Natural Fuels Corporation—to build the infrastructure and develop the market for compressed natural gas as a transportation fuel for fleet vehicles.

Most of our investment in the electric segment of our business was in transmission and distribution additions to serve load growth and the installation of state-of-the-art environmental control systems at our major power plants. It is significant to note that all of our power plants comply with the new sulfur dioxide emission standards of the recently amended Clean Air Act. Moreover, we were the only company in the western United States selected to participate in two projects in the Department of Energy's Clean Coal III program to enhance environmental technology.

In 1990, the Colorado Public Utilities Commission approved our electric demand side management program which will reduce peak demand on our electric system by 100 megawatts. The program includes provisions which will enable the company to recover its costs and earn a return on demand side investments.

The defueling of the Fort St. Vrain nuclear plant was initiated late in 1989 in preparation for the decommissioning and conversion of the plant. Unfortunately, we were unable to continue the defueling process beyond early February 1990 when the Governor of Idaho refused to permit shipments of the fuel to the Department of Energy facility in his state. For the balance of the year, we continued to work with the DOE to resolve the Governor's objections. Even though all substantive issues have been satisfactorily addressed, the Governor continues to withhold approval for shipment, which forced the company and the DOE to file separate complaints in Federal District Court to obtain a court order authorizing the shipment. We are confident that we will ultimately prevail in this matter. However, in order to be certain that the defueling of the plant can be completed by no later than July 1992, we are proceeding with construction of an on-site storage facility.

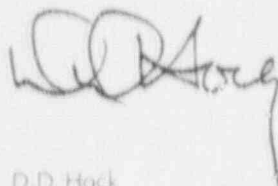
During 1990, we made the decision to pursue the early dismantlement approach for decommissioning the plant and a plan for proceeding on that basis was filed with the Nuclear Regulatory Commission. Should early dismantlement not prove feasible because we are unable to obtain necessary regulatory authorization, SAFSTOR decommissioning would still be viable. In either event, we intend to convert the plant to a 330 megawatt gas-fired unit to be operational by 1995, and are studying the feasibility of incorporating solar technology in this project.

As we consider the critical issues before us, it is important to remember that more than ever before our people—our energy force—are the difference between success and failure. One of our major efforts in 1990 was the implementation of our Service Excellence program in every organizational unit in the company. This program is driven by the basic concept that every employee serves customers and that people who are empowered to do their jobs in the best way possible will respond with performance which ensures that the company will reach its financial and other corporate goals.

The challenges ahead for our company require visionary leadership and we are relying upon our Executive Policy and Strategy Group to set the course leading to enhancement of shareholder value. The views and insights of this executive group are shared in the following pages.

As reflected on the cover of this report, Public Service Company of Colorado is an energetic, pro-active company. We are the people coming to work before the sun comes up...the linemen making repairs in a hailstorm...the gas service people relighting pilot lights in the early hours of the morning...the managers holding strategic planning sessions on weekends...the team that shares the work and rewards of providing energy to our customers.

We are a company with a proud history and a promising future.



D.D. Hock
Chairman, President and Chief Executive Officer
Public Service Company of Colorado

Clark B. Ewald

Successfully tapping Public Service Co.'s "energy force" can be achieved only if a dynamic leadership team is committed to involving its employees in its daily decisions. A thorough understanding of how each employee can contribute to the company's success–coupled with a strategic approach–will enable Public Service Co. to achieve its objective of at least 1 percent real growth in earnings.

Below, members of the senior management team address some strategic issues and discuss solutions that will enable Public Service Co. of Colorado to use this new operating philosophy to meet emerging customer needs and enhance shareholder value.

Hard Won Strategies

Clark B. Ewald
Senior Vice President, Customers

We will achieve our goals and realize our vision only if our customers know that we're meeting their energy needs in ways that demonstrate real value. And to better meet their needs, we're educating and empowering our employees and equipping them to formulate innovative solutions to the energy demands of our residential, business and industrial customers.

Rather than simply responding to customer problems or inquiries, our sales people are seizing the initiative. We're offering our customers cost-saving strategies that make real sense to homeowners and help businesses prosper and grow. In the long run, it's this approach that will increase our markets and enhance our bottom line. We realize that our success depends on the success of our customers.

Our employees' recognition of the need to be customer-driven will keep us competitive and enable us to prosper as the utility industry goes through fundamental change. Where it still exists, we'll continue to benefit from the basic social contract that protects our territory in exchange for our obligation to serve. Where the contract has eroded, we are ready to respond quickly to the demands of our customers and provide them with new energy options.

A. E. "Pete" Middents

A. E. "Pete" Middents
Senior Vice President, Gas Operations

The vision Clark talks about has been embraced by our Gas Operations team as well. Because the company is involved in three major gas industry businesses–production, transmission and distribution–it's critical that we closely integrate our internal activities so that we can serve many different kinds of customers.

A good example of how we harmonize our efforts was our strategy for dealing with a co-generation plant that commenced operations in 1990. A short-sighted solution would have been to simply purchase the power the plant produced. Instead, we adopted a customer-service strategy that enabled us to benefit our shareholders and our customers. We built the pipeline that transports natural gas to the plant, we supply a significant portion of the fuel, and we purchase the electricity the plant generates.

We're using this same resourcefulness to pursue growth opportunities that didn't exist two or three years ago. For example, we are a joint venture partner in a project that will open up additional gas transmission and sales markets throughout the United States. And, I'm very bullish on the future growth potential of our program to develop a market for the use of natural gas as a vehicular fuel. There's no question that sound strategy and involved employees can enhance our ability to target profitable new markets in the natural gas business.

Patrick W. McCarter
Senior Vice President, Electric Operations

As strategic managers, we also are aggressively looking for ways to achieve our corporate goals through the careful management of our resources. In Electric Operations, we determined capital spending priorities through a disciplined process that enabled us to trim our proposed 1991 budget by more than 36 percent.

Patrick W. McCarter

James R. McCotter

This same strategy should allow us to meet the growing electricity needs of our customers over the next decade without building expensive new generation. We are crafting a plan to balance our future needs through existing contracts to purchase regional excess capacity, through the purchase of power from non-utility generators, through the conversion of our Fort St. Vrain nuclear plant, through demand side management programs to reduce our peak demand growth and through taking advantage of acquisition opportunities. We also are utilizing a new program to extend the life of our current steam plants.

We are very confident that this new approach to meeting future regional electricity needs will directly benefit our customers, as well as positively impact Colorado's economic development efforts for years to come.

James R. McCotter
Senior Vice President, Corporate Affairs and Resources

In addition to properly managing our resources, we will continue to rely on Service Excellence as a vital tool in helping us meet the needs of our customers and realize our earnings goal. I think we, as a senior management group, have done a solid job of describing our earnings vision. But the buy-in by our employees really clicked when we conducted discussion sessions throughout the company. This interaction set the stage for a truly participatory work environment that gives all of us, whatever our jobs, a knowledge of how we impact the bottom line.

This new way of thinking is also expressed in our commitment to the community and the environment. Our customers and shareholders should be proud of our efforts at our Cherokee power plant, where we have the world's largest project to reduce sulphur-dioxide emissions through sodium injection. This is only one example of many efforts that have allowed us to take a leading role in the battle for clean air. It is rewarding to see that our programs to reduce power plant emissions and promote clean-burning natural gas vehicles and fireplaces are being recognized by a host of communities throughout Colorado.

A. Clegg Crawford
Vice President, Nuclear Operations

Our commitment to the environment and to leading-edge technologies also has prompted us to explore the possibility of incorporating a solar energy capability into our Fort St. Vrain Plant, as we carry out our efforts to convert the plant to a gas-fired facility. Our first priorities, of course, are to successfully defuel and decommission the plant. But the challenge of including a solar capability has sparked new enthusiasm among our engineers and technicians.

A. Clegg Crawford

Richard C. Kelly

Indeed, the positive effects of the company's Service Excellence approach on our work ethic, on the morale and performance of our employees and on the growth of a new spirit within the company have produced many tangible results.

One good example can be found in our employees' efforts to achieve and exceed performance targets which produced a savings of more than $3 million in 1990. And this was no accident. As we do a better job of communicating our goals and improving our service, both inside and outside the company, these successes will become the norm.

Richard C. Kelly
Senior Vice President, Finance and Chief Financial Officer

Throughout the company we've had exceptional success in addressing a key issue during 1990—the allocation of resources. In our 1991 planning cycle, we established corporate capital and expense limits and carefully allocated resources based on the strategic needs of each major organization.

We fully recognize that this allocation process must remain flexible, however, and that we must be prepared to shift our resources to the most attractive earnings opportunities.

Our key objective has been to move away from simply keeping track of our financial resources and to communicate to each company organization a clear understanding of how it contributes to the profitability of the whole company. This will ensure that each spending and investment decision moves us a step closer to our earnings goal.

Accountability is the key. When you set goals and know you are accountable, the purpose and vision of the enterprise become clear to everyone. With our emphasis on strategic management and Service Excellence, this executive team is sending a clear signal that every employee decision affects the performance of the corporation.

Continuing the focus on cost-effective operations, Public Service Co. secured a lease on a new corporate headquarters facility to take advantage of attractive Denver real estate rates and to meet the company's present and future needs more efficiently.

A participatory work environment allows all employees to positively impact the company's bottom line, as well as enhance the quality of service provided to diverse customer groups.

Colorado's role as a major transportation and trade center continues to expand as construction proceeds on the new Denver airport.

A Unified Goal

Public Service Co. of Colorado's new strategic vision and a revitalized employee spirit are driving the changes necessary for the company to achieve its goal of increasing its earnings by at least 1 percent more than the average inflation rate. This goal of enhancing the value of the company for our shareholders, customers and employees cannot, however, be realized through the actions of management alone. Our "Path 2" philosophy centers on a dynamic leadership team committed to involving employees directly in daily decision making and to emphasizing the highest quality service both inside and outside the company.

A "business as usual" approach has not been acceptable for some time at Public Service Co. Employees are committed to looking for new ways to solve old problems and are determined to listen closely to their customers and to be driven by their needs.

One essential concept that allows us to move toward our Path 2 earnings goal is a companion program called Service Excellence. Through Service Excellence's theme of empowering our work force, we are improving efficiency and the quality of service provided to our diverse customer groups. In turn, this participatory work environment allows all employees to positively impact the company's bottom line.

Our unified goal assures our future as the energy provider chosen by a dynamic, changing marketplace.

Colorado Optimism

Colorado remains on an economic growth path, despite concerns of recession elsewhere in the nation. The outlook is optimistic. A heightened "quality of life" mandate continues to top corporate agendas and invigorate our entrepreneurs. Colorado is an ideal destination for many relocating and expanding companies from around the world. Our state's unsurpassed natural beauty and recreational opportunities encourage people to move here. An educated, aware and dedicated work force enables companies to settle and thrive in Colorado.

Construction is under way at the new Denver airport, which promises to position Colorado as a major transportation center for international travel and trade. The new airport is targeted for completion in 1993. Public Service Co. has begun work on providing vital electricity and natural gas service to the energy-intensive aviation facilities and the related growth they will generate.

Denver's new Colorado Convention Center and a world-class shopping mall are stimulating the region's growth. The Convention Center enjoyed a successful start in 1990, and bookings continue to surpass its first year's expectations. This facility will continue to play a meaningful role in the revitalization of downtown Denver. Additionally, the new Cherry Creek shopping center has placed Denver on the same retailing scale with the largest American cities.

Bringing it all together have been Denver's progressive voters who have stepped up to the plate and made determined commitments to the future. In addition to the money earmarked for the new Denver airport, they have passed several important infrastructure bond issues totaling more than $430 million in the past two years. Voters also endorsed a plan to construct a new baseball stadium in the area's bid to bring a major league baseball team to Colorado.

Public Service Co. is maintaining its commitment to sensible economic growth, and many other large corporations have joined our efforts to stimulate development throughout the state.

Meeting customer needs and expanding our businesses go hand in hand with helping to create an environment that will continue to attract people searching for a quality lifestyle. Our efforts have been focused in three primary areas—reducing power plant emissions, building support for alternative vehicle fuels and natural gas vehicles, and promoting the use of clean-burning natural gas logs and fireplaces. The company also recently adopted an environmental policy which commits us to go beyond what is legally required to reduce the impact of our operations on the environment.

Ensuring the Future

We are a leader in the quest for cleaner Colorado air and are deeply involved in a 1991 study to resolve some unanswered questions about the secondary sources of Denver's Brown Cloud. An earlier air quality study showed Public Service Co.'s contribution to primary sources to be insignificant.

Our efforts are paying off, and we value our quarter billion-dollar investment in environmental protection equipment and power plant controls, which includes state-of-the-art particulate-removing baghouses on nine of our generating units. We have constructed the largest full-scale project of its kind to reduce sulphur dioxide emissions at our Cherokee power plant. We have demonstrated that we can reduce these emissions by 50 percent, which will further minimize their impact on the environment. In addition, the company is involved in two projects under the Department of Energy's Clean Coal Technology III program. These programs are designed to achieve significant reductions in sulfur dioxide, nitrogen oxide and carbon dioxide emissions.

All of our power plants currently meet the emissions requirements of the recently amended federal Clean Air Act. While other utilities need to add expensive control equipment to their generating facilities, we already comply with the sulfur dioxide emissions levels set for the year 2000.

In a less traditional area, our commitment to the natural gas vehicular transportation business represents obvious opportunities to increase natural gas sales. During 1990, the company entered into the $100-billion annual transportation fuels market through the formation of Natural Fuels Corp., a joint venture with Colorado Interstate Gas Co. and Julander Platt Nelson, Inc. of Denver. Natural Fuels offers fleet operators a viable alternative to gasoline—compressed natural gas, which is the cleanest burning, and most economical and domestically abundant transportation fuel available today.

This new venture opened its first commercial natural gas vehicle conversion and service center in June 1990. In addition, Natural Fuels joined forces with Amoco Oil to operate natural gas fueling facilities at several Amoco gasoline stations along Colorado's Front Range. Natural Fuels expects to move into new markets in other states in the next few years.

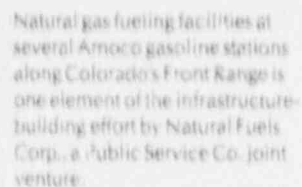
We also are attempting to take advantage of the market demands for clean fuels with the construction of the Synhytech project by Fuelco, our gas and oil exploration and development subsidiary. Synhytech is being built at a Pueblo, Colo., landfill and will produce clean synthetic diesel fuel and other marketable products from the methane gas created by the decaying garbage. Putting this waste gas to a positive use also will help reduce landfill contributions to the "greenhouse" concern. Production at the plant is expected to begin later in 1991.

These efforts to keep our environment clean also represent substantial earnings opportunities for Public Service Co., and we are ideally positioned to meet growing market demands.

An additional opportunity can be found in the strict anti-wood-burning ordinances in effect in Denver and many other Colorado cities. Our program to encourage residential customers to convert their wood-burning fireplaces to natural gas benefits both Public Service Co. and the pristine Colorado environment.

We are achieving excellent results with our natural gas log and fireplace marketing program. As cities throughout the country begin adopting air-quality restrictions, and builders respond to consumers' demands for more environmentally compatible homes, we are selling our marketing approach to other utilities as well.

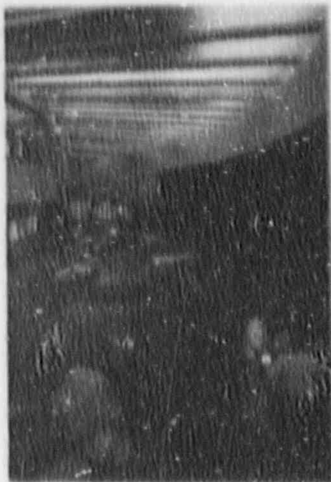
Important elements in the success of these environmental protection efforts are the company's empowerment philosophy and employee enthusiasm. We are an environmental and business opportunity leader in Colorado. These primary marketing efforts—coupled with numerous programs ranging from employee ride-sharing to tree-planting promotions—contributed to the selection of Public Service Co. as the 1990 Clean Air Colorado Co-Partner of the Year by the Colorado Department of Health.



Natural gas fueling facilities at several Amoco gasoline stations along Colorado's Front Range is one element of the infrastructure-building effort by Natural Fuels Corp., a Public Service Co. joint venture.

Increasing consumer demands for environmentally compatible homes and the importance of preserving the Colorado environment have prompted excellent customer response to the company's natural gas log fireplace program.

The largest full-scale project of its kind to reduce sulfur dioxide emissions at the company's Cherokee power plant has successfully reduced emissions by 50 percent, further minimizing environmental impact.



For the next decade, the company will rely on a variety of sources to meet the growing demand for electricity. Pictured, is the company's nerve center where its electricity supply strategy is carried out on a daily basis.

This recently completed interconnection project in northeastern Colorado has significantly increased the amount of natural gas that the company can export to growing Midwest markets.

In Southwestern Colorado, WestGas has successfully expanded its Arkansas Loop Gas Processing facility to gather and process more natural gas for delivery to interstate pipelines.

Natural Gas: An Avenue of Growth

We remain committed to our traditional natural gas supply business. As another avenue toward our earnings goal, we've explored several non-traditional areas that are closely tied to this core business. We envision, for example, significant earnings potential in the transmission of natural gas to markets outside the Rocky Mountain region. Today, the Rocky Mountain region supplies approximately 8 percent of the gas requirements of the continental United States, yet it has approximately 19 percent of the proven natural gas reserves and more than 26 percent of the probable gas reserves. The distinct economical and environmental advantages linked to clean-burning natural gas have led to a dramatic increase in demand for this fuel throughout the entire country.

A central objective of our WestGas subsidiary is to play a direct role in building the pipeline infrastructure that will move Rocky Mountain region natural gas outside our traditional service area. This effort has led to the creation of TransColorado Gas Transmission, a joint venture with KN Energy, Inc., and Questar Pipeline Co., in western Colorado. This venture involves the construction of a 316-mile pipeline through western Colorado to transport natural gas to the growing California and Midwest markets.

We also recently expanded our transmission system in northeastern Colorado through the purchase of a pipeline that connects the Denver-Julesburg Basin to the Williams Natural Gas Co. and Trailblazer pipelines. This pipeline system will enhance WestGas' ability to serve the Midwest gas market as well as provide additional supply options for Front Range markets.

Another expansion is underway at WestGas' Arkansas Loop Gas Processing facility in southwestern Colorado, which gathers and processes gas in the San Juan Basin for delivery to interstate pipelines. This expansion project is increasing our facility's capacity by 50 million cubic feet per day.

With the Rocky Mountain region's abundant natural gas resources, we're in the right place at the right time. And, Colorado and our neighboring states have nearly half of America's coal seam methane reserves. With new drilling and completion technologies, our Fuelco subsidiary is able to produce gas trapped in these large coal deposits. During 1990, Fuelco participated in the drilling of approximately 45 coal seam wells, the majority of which are in Colorado's San Juan Basin.

Although our primary focus remains on the traditional business of providing natural gas to an expanding customer base throughout Colorado, these new efforts and an entrepreneurial employee spirit are helping to assure that the company's earnings goal can be met.

Our Energy Business

Strategic Course for Electric Operations

We continue to concentrate on our core business in Electric Operations. We do not anticipate the need to build any new power plants during this decade. Rather, to meet future electricity needs, we will rely primarily on existing contracts for excess capacity in our region, on non-utility generators of which approximately 850 megawatts are under contract, on the planned natural gas conversion of Fort St. Vrain, and on various asset acquisition opportunities.

Additionally, we have committed to a variety of "demand side management" projects designed to reduce the growth of our peak demand for electricity. By working with customers to develop energy-efficient methods to lessen their electricity demand, we are able to reduce peak requirements on our supply system and thus defer the need to build or purchase expensive new generating capacity. Our demand side management program—one of the nation's largest—will reduce increases in our peak demand growth by 100 megawatts by 1995, or roughly enough electricity to meet the needs of a community of 100,000 people. In December, the Colorado Public Utilities Commission approved the program and provided a mechanism that allows us to not only recover the cost of our demand side management investments, but to profit from our efforts if they meet a success criterion established by the CPUC.

Our strategic approach and determined efforts to be innovative have spawned a new program to extend the life of our steam power plants, which were built to last approximately 35 years. Using a new process we call our "Plant Evaluation and Enhancement Program," we have found that we can extend the use of our facilities—at a dramatically lower cost than new construction—through detailed inspections and modifications and, in some cases, the installation of replacement components.

Joined together, these strategies enable us to continue to offer some of the lowest electricity rates in the nation.

As we look further into the future to determine how we best can meet the growing needs of our customers, we will move from a supply strategy of purchasing surplus western power to a strategy of power plant investment.

An example of this strategic change can be seen in our reorganization plan for the bankrupt Colorado-Ute Electric Association. The proposal, filed jointly with the Oregon-based PacifiCorp on February 22, 1991, calls for Public Service Co. to acquire 606 megawatts of electric generating capacity, approximately 1,800 miles of transmission facilities and most other assets not acquired by PacifiCorp. Public Service Co. will continue to look for other prudent acquisition opportunities throughout this decade.

Taking the Lead

As a result of our Service Excellence program, our customers sense a new openness and willingness to adapt to dynamic situations. It is abundantly clear that by having a thorough knowledge of our customers and establishing stronger communications with them, we can be more successful in providing the most energy-efficient, cost-effective solutions to their changing energy needs.

Our Marketing and Sales organizations have capitalized on new opportunities that go well beyond our traditional relationships through increased customer understanding and a flexible marketing approach. Analyzing the energy and transportation requirements of a grocery chain as an integrated enterprise instead of a series of individual stores has enabled us to propose the conversion of the chain's vehicle fleet to compressed natural gas and to suggest ways to increase the efficiency of its processing plant operations. We also are studying the conversion of a Colorado ski resort's main power sources for ski lifts and snow-making equipment from electricity to natural gas, which would eliminate the need to add expensive new capacity to the electric substation serving the area.

Another illustration of our responsiveness to customer needs occurred when one of our major customers, a refinery in Denver, began looking at alternatives to purchasing electricity from us. We took the initiative and developed a strategy to meet their needs by viewing this challenge from their perspective. We decided to relocate a combustion turbine, which was no longer needed, from the Grand Junction area to the refinery and add a system to provide waste heat for use in the refining process. This careful and creative planning and allocation of resources have allowed us to offer the customer a competitively priced product while utilizing an existing asset, rather than buying new equipment.

We are finalizing a new compensation system that will further motivate our sales people to search for new opportunities that benefit our customers and also contribute to corporate profitability. The importance of this compensation program is measured by its ability to get us closer to our customers and to better understand their needs. Their success is our success.

Regulatory Environment

The company's "Path 2" principles and earnings goal have been a compelling motivator, to look for profit opportunities in a variety of areas. However, non-traditional business opportunities cannot overshadow the importance of managing the regulatory environment of our core business. We recognize that our ability to obtain and earn an appropriate rate of return and to have our prices reflect appropriate regulatory principles is paramount to meeting our aggressive earnings goal.

On January 31, 1991, the company filed a rate case with the Colorado Public Utilities Commission, requesting that the commission allow us to decrease overall electricity costs by 0.82 percent and to increase overall natural gas costs by 4.30 percent. This action followed the filing of a complaint case by the Office of Consumer Counsel alleging over earnings and related negotiations with the commission's staff. These changes would increase the company's annual revenue by $13.4 million and would bring the company's authorized rate of return on equity to 13.75 percent. We anticipate the rate hearings and related process will be completed in late 1991.

Our philosophy in these proceedings—our first rate case in nearly eight years—includes a qualitative approach that establishes our active commitment to conservation, the environment and the communities we serve, and urges that these efforts be considered by the commission in reaching its decision. Our rate proposal is designed to allow the company to share the results of the achievements, efficiency efforts and successes of our employees with our shareholders and customers.

This progressive concept of sharing the fruits of a company's exceptional efforts with its owners was supported by the commission early in 1991, when it said it would allow Public Service Co. to retain $3.25 million of a $67 million refund the company was instrumental in securing from its principal gas supplier.

Company employees are empowered to formulate innovative solutions to the energy needs of industrial, business and residential customers. At this Denver oil refinery, (far left and below) the company responded to the potential loss of a major customer with a creative solution that will benefit both parties.

Addressing the individual needs of specific customer groups, such as the energy-consuming ski industry, will enable the company to remain as the best energy provider in an increasingly competitive marketplace.

Because early childhood development programs offer one of the greatest hopes for ensuring success in school, Public Service Co. is focusing a strong portion of its employee and financial support on this educational need.

Public Service Co. continues to make direct contributions, either financial or in significant volunteer efforts, to programs directed at making our communities better places to live, work and do business. Creating better communities is good business for Public Service Co.

Strengthening our Commitment

During 1990, we modified our philosophy and approach to corporate giving. We became more focused, more directed and more strategic in our efforts and contributions. For example, we now concentrate less on donating to individual causes or special interests and more on significant social issues that are the root causes of critical community problems. Beginning in 1991, we will commit the major portion of our corporate contributions and volunteer resources to two targeted program areas—early childhood development and senior citizens.

In the area of early childhood development, Public Service Co. recently provided major support for the Denver Public Schools' Family Resource Schools Project. This program emphasizes parental involvement, recognizing that children whose parents have been actively involved with their early learning environment are more successful in later schooling. Related efforts include providing services for children and their families in areas such as mental health, nutrition, parenting and job placement, as well as recreation programs and academic enrichment activities outside of the school environment.

Hundreds of Public Service Co. employees and their families volunteer their time and a caring spirit to deliver "Share the Warmth" baskets to senior citizens. The essence of the program has been the time employees have spent talking with the people they visit.

How well our country competes in the global marketplace of the future will be determined by our children's education today. By correcting problems at an early age, we believe we can help win the war on illiteracy and poverty. We have established our direction and reaffirmed our efforts and strategy to create a better future for our communities.

Senior citizens represent the fastest growing segment of America's population. They also are a group whose special needs and problems are often overlooked. The number of seniors 60 years old and over in the Denver metro area alone will increase by 80 percent by 2010. Following our tradition of making a difference in our communities, Public Service Co. is focusing on ways to enrich the lives of our seniors.

We continue to put our energy back into the community through organizations like the United Way, the Colorado Energy Assistance Foundation, the League of United Latin American Citizens, the Colorado Historical Society, the United Negro College Fund and many others.

The company's commitment to the communities it serves also is demonstrated in its aggressive economic development efforts. This endeavor helped create the Boulder Technology Incubator, which provides management services and resources for technologically-based start-up businesses. Pictured is a new technology developed by Surface Solutions, Inc., which is capable of depositing very uniform corrosion and wear-resistant coatings on the inside surfaces of cylinders, tubes and pipes.

Setting the Pace

The utility industry is changing. We believe that simply to change with it will not be enough to achieve our ambitious earnings goals. We must set the pace by responding quickly to the marketplace, utilizing the full potential of our work force and anticipating the needs of our customers—before their demands are met by our competition.

1990 was the year that "Path 2" came into focus for our employees, and in 1991 and beyond our customers and shareholders will realize the benefits. We're making the transition through teamwork and a 121-year heritage of serving the people of Colorado with integrity, dedication and ingenuity.

OPERATING STATISTICS

Public Service Company of Colorado and Subsidiaries

Natural Gas Service Statistics

	1990	1989	1988	1987	1986	1985	1980
Bcf Gas Deliveries	**210.9**	202.2	194.5	179.3	176.3	191.4	203.3
% Change	**4.3%**	4.0	8.5	1.7	(7.9)	(3.6)	(4.7)%
Customers (000)	**865.4**	853.1	841.4	832.0	819.7	794.6	680.6
% Change	**1.4%**	1.4	1.1	1.5	3.2	3.0	3.4%
Average Annual Residential Mcf Usage	**112.0**	112.7	116.3	109.5	105.6	120.4	140.1
% Change	**(0.6)%**	(3.1)	6.2	3.7	(12.3)	(6.8)	(10.9)%
Annual Heating Degree Days	**5,575**	5,810	5,958	5,436	5,321	6,365	5,768
% Change	**(4.0)%**	(2.5)	9.6	2.2	(16.4)	(6.2)	(9.8)%
Average Residential Revenue Per Mcf	**$3.78**	3.81	3.82	3.88	4.13	4.19	$2.70
% Change	**(0.8)%**	(0.3)	(1.5)	(6.1)	(1.4)	(4.1)	29.8%
Average Annual Revenue Per Residential Customer	**$420**	430	441	25	436	505	$378.0
% Change	**(2.3)%**	(2.5)	3.8	(2.5)	(13.7)	(10.6)	15.4%
Daily Availability–(MMcf)	**1,875**	1,595	1,517	1,471	1,461	1,457	1,425
Maximum Peak-Day Sendout (MMcf)	**1,875**	1,497	1,170	1,094	1,080	1,258	1,246
% Change	**8.2%**	27.9	6.9	1.3	(14.1)	(2.0)	9.0%

Electric Service Statistics

	1990	1989	1988	1987	1986	1985	1980
Kilowatt-Hour Sales (millions)	**20,148**	19,716	19,194	18,357	17,928	17,535	15,194
% Change	**2.2%**	2.7	4.6	2.4	2.2	3.1	3.6%
Customers (000)	**990.6**	983.6	974.0	967.1	958.0	941.4	820.5
% Change	**0.7%**	1.0	0.7	0.9	1.8	2.4	3.3%
Average Annual Residential Kwh Usage	**6,445**	6,348	6,403	6,258	6,152	6,230	,937
% Change	**1.5%**	(0.9)	2.3	1.7	(1.3)	(0.6)	0.4%
Average Residential Revenue Per Kwh	**7.02¢**	7.11	7.18	7.18	7.33	7.14	5.12¢
% Change	**(1.3)%**	(1.0)	–	(2.0)	2.7	2.7	22.2%
Average Annual Revenue Per Residential Customer	**$453**	451	460	449	451	445	$304
% Change	**0.4%**	(2.0)	2.5	(0.4)	1.3	2.1	22.7%
Net Effective Capability at Time of Peak–Megawatts	**4,327(w)**	3,912(s)	3,911(s)	3,672(s)	3,64 (s)	3,952(w)	3,072(s)
Net Firm System Peak Load (Mw)	**3,589**	3,484	3,362	3,298	3,237	3,024	2,776
% Change	**3.0%**	3.6	1.9	1.9	7.0	2.6	5.1%
Reserve Margin at Time of Peak	**20.6%**	12.3	16.3	11.3	12.5	30.5	10.7%
Generation by Class of Fuel:							
Coal	**98.3%**	92.9	91.1	94.6	98.1	98.8	76.1%
Natural Gas	**1.6%**	2.9	3.5	3.8	1.3	1.0	17.8%
Oil	**0.1%**	0.2	0.1	0.1	0.1	0.2	0.8%
Nuclear	–	4.0	5.3	1.5	0.5	–	5.3%
Average Cost Per Unit of Fuel:							
Coal–Ton	**$21.44**	21.41	22.39	25.05	24.18	23.64	$18.81
Natural Gas–Mcf	**$ 2.07**	2.1	2.27	2.19	2.84	3.38	$ 2.68
Oil–Barrel	**$27.85**	30	28.65	22.82	24.93	32.76	$26.37
Average Fuel Cost Per MMBTU	**$ 1.17**	1.17	1.25	1.34	1.30	1.28	$ 1.29

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

FINANCIAL AND STATISTICAL DATA

Public Service Company of Colorado and Subsidiaries

(Millions of Dollars Except as Noted)

	1990	1989	1988	1987	1986	1985	1980
Operating Revenues:							
Electric	**$1,145.9**	1,139.5	1,116.0	1,075.8	1,045.6	1,022.3	$ 640.7
Gas	**561.7**	577.3	591.4	563.3	596.6	714.3	502.9
Other	**26.3**	23.9	23.0	18.3	15.7	10.9	12.0
Total Revenues	**$1,733.9**	1,740.7	1,730.4	1,657.4	1,657.9	1,747.5	$1,155.6
Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Method	**$ 146.1**	148.8	125.0	143.7	123.8	110.7	$ 85.0
Extraordinary Item	–	–	–	–	(101.4)	–	–
Cumulative Effect to 1/1/87 of Accruing Unbilled Revenues	–	–	–	29.6	–	–	–
Net Income	**146.1**	148.8	125.0	173.3	22.4	110.7	85.0
Preferred Dividend Requirements	**12.4**	12.6	12.8	13.2	15.7	16.6	15.0
Earnings Available for Common Stock	**$ 133.7**	136.2	112.2	160.1	6.7	94.1	$ 70.0
Earnings Per Share:							
Before extraordinary item and cumulative effect of a change in accounting method	**$2.49**	2.59	2.14	2.49	2.06	1.81	$1.92
Extraordinary item	–	–	–	–	(1.93)	–	–
Cumulative effect to 1/1/87 of accruing unbilled revenues	–	–	–	0.56	–	–	–
Total	**$2.49**	2.59	2.14	3.05	0.13	1.81	$1.92
Dividends Per Share:							
Paid	**$2.00**	2.00	2.00	2.00	2.00	1.98	$1.60
Declared	**$2.00**	2.00	2.00	2.00	2.00	2.00	$1.60
Common Stock Shares Outstanding:							
Average (000)	**53,626**	52,559	52,457	52,414	52,349	52,114	36,412
Year-end (000)	**54,320**	52,807	52,458	52,457	52,399	52,333	39,990
Total Assets	**$3,230**	3,045	2,984	2,934	2,918	2,995	$2,205
Common Equity	**$ 964**	905	865	858	801	898	$ 656
Preferred Stock:							
Subject to mandatory redemption at par	**46**	49	52	54	67	79	89
Not subject to mandatory redemption	**140**	140	140	140	140	140	140
Long-Term Debt	**883**	904	933	909	835	928	840
Short-Term Borrowings*	**259**	186	162	196	191	13	26
Total Capitalization	**$2,292**	2,184	2,152	2,157	2,034	2,058	$1,751
Capitalization Ratios–Year-End:							
Common equity	**42.0%**	41.4	40.2	39.8	39.4	43.6	37.5%
Preferred stock (incl. due within 1 yr.)	**8.3%**	8.8	9.0	9.1	10.5	11.0	13.1%
Long-term debt (incl. due within 1 yr.)	**40.4%**	42.8	44.7	42.2	42.7	45.3	48.9%
Notes payable and commercial paper	**9.3%**	7.6	6.1	8.9	7.4	0.1	0.5%
Construction Expenditures	**$261.2**	174.4	162.8	127.6	195.7	237.5	$262.6
% of Total capitalization	**11.4%**	8.0	7.6	5.9	9.6	11.5	15.0%
Cash Generated Internally**	**$174.6**	172.3	192.8	47.9	130.6	157.3	$ 84.6
% of Construction expenditures***	**67.7%**	99.7	118.8	38.0	67.1	67.3	36.2%
Rates of Return Earned:							
Total capitalization (Oper. income)	**10.4%**	11.3	10.2	10.7	11.7	9.0	7.1%
Avg. common equity before extraordinary item and a change in accounting method (Net to common)	**14.3%**	15.4	13.0	15.7	12.7	10.5	11.6%
Avg. common equity (Net to common)	**14.3%**	15.4	13.0	19.3	0.8	10.5	11.6%
Pretax Coverage of Interest Expense	**3.07x**	3.02	2.81	3.91	2.52	3.45	2.86x
Effective Income Tax Rate	**34%**	31	33	46	37****	48	38%
Payout Ratio on Dividends Paid	**80.3%**	77.2	93.5	65.6	1,538.5	109.4	83.3%
Book Value Per Share	**$17.74**	17.13	16.49	16.35	15.29	17.15	$16.40
Number of Employees–Year-End	**6,611**	6,636	6,559	6,476	6,503	7,044	6,145

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

**Cash provided from operations net of cash used for dividends; 1980 calculated as funds generated internally.

***Calculated as cash provided from operations net of cash used for dividends divided by construction expenditures net of AFDC-equity component. 1980 calculated as funds generated internally as a % of net construction expenditures.

****Before extraordinary item

Results of Operations

Earnings per share were $2.4[illegible], $2.59 and $2.14 in 1990, 1989 and 1988, respectively. The comparability of these amounts, however, is affected by the recognition during 1989 and 1988 of certain non-recurring items, as discussed below. In particular, since August 1989 Fort St. Vrain operating and maintenance expenses (excluding present value adjustments to the defueling and decommissioning liability) have not been reflected in operating expenses on the consolidated statements of income but have been charged directly against the defueling and decommissioning liability on the consolidated balance sheets (see Note 2. Fort St. Vrain Nuclear Generating Station in the Notes to Consolidated Financial Statements). The inclusion of Fort St. Vrain operating and maintenance expenses in operating expenses in and prior to August 1989 had the effect of reducing earnings per share in 1989 and 1988 by approximately 19 cents and 35 cents, respectively. In addition, the recognition in 1988 of $63.8 million ($39.6 million after-tax) of additional Fort St. Vrain defueling and decommissioning expenses had the effect of reducing 1988 earnings per share by approximately 75 cents.

Revenues

The moderate increase in 1990 electric operating revenues, when compared to 1989, is primarily due to an increase in electric sales volume and the positive effect of the revisions in the negotiated electric retail base rate reductions. As discussed in greater detail below under Rate Issues, base rate reductions amounted to approximately $24 million in 1990 as compared to $36 million and $30 million in 1989 and 1988, respectively. A 2.2% increase in sales volume was primarily attributable to a 0.7% increase in customer growth. These positive factors contributing to the higher 1990 revenues were offset, in part, by a reduction in energy costs recovered through the Electric Cost Adjustment (ECA). Prior to the cessation of operations at Fort St. Vrain and in accordance with the 1986 Fort St. Vrain Stipulation and Settlement Agreement, the ECA included a provision for generation from the nuclear plant. Termination of such operations has resulted in the elimination of this provision, consequently, ECA recoveries are lower during the current period. Higher sales volume in conjunction with the recovery of increased energy costs through the ECA served to increase electric operating revenues in 1989 when compared to the preceding year. A 2.7% increase in the 1989 electric sales volume over 1988, of which the majority was from sales to industrial and commercial customers, resulted primarily from a 1% increase in total customer growth.

The continued decline in the cost of gas from suppliers, which is passed on to customers through the gas cost adjustment, coupled with lower gas sales (which exclude transported gas and gas gathering and processing activities) of 1.3% in 1990 and 2.5% in 1989, when compared to the respective preceding year, were the primary reasons for the lower gas revenues. Total gas deliveries, however, increased 4.3% and 4% in 1990 and 1989, respectively, as a result of a substantial increase in gas gathering and processing activities and transportation services. The per unit fee charged for transportation services, while significantly less than the per unit amount charged for a sale to a similar customer, provides an operating margin equivalent to the margin earned on gas sold. Consequently, the 1990 and 1989 revenues have been adversely affected by this change in customer delivery mix without a corresponding impact on operating income. In addition and similar to gas transportation services, the per unit fee charged for gathering and processing activities is also significantly less than the per unit amount charged for the sale of gas. Therefore, increases in such activities will not have as great of an impact on gas revenues as increases in deliveries from the sale of gas.

Electric and gas operating revenues reflect the effect of rate changes and cost adjustment clauses on prices of units sold. Operating revenues also reflect the volume changes in unit sales and deliveries. The foregoing factors all contributed to annual changes in revenues when compared to revenues for the preceding years as indicated in the following table.

	(Millions of Dollars)	
	1990	1989
Electric revenues:		
Base rate changes	**$ 13.3**	$ (16.7)
Electric cost adjustment	**(26.3)**	16.1
Sales volume and other changes	**19.4**	24.1
Net increase	**$ 6.4**	$ 23.5
Gas revenues:		
Gas cost adjustment	**$ (10.6)**	$ (9.2)
Volumes delivered and other changes	**(5.0)**	(5.0)
Net decrease	**$ (15.6)**	$ (14.2)

Operating Expenses

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

	(Millions of Dollars)	
	1990	1989
Fuel used in generation	**$ 1.0**	$ 0.1
Purchased power	**6.9**	39.3
Gas purchased for resale	**(21.8)**	(21.7)
Other operating expenses	**2.8**	22.8
Defueling and decommissioning expenses	**—**	(63.8)
Maintenance	**(1.2)**	(7.8)
Depreciation	**3.7**	1.9
Taxes (other than income taxes)	**2.6**	7.0
Income taxes	**7.4**	5.5
Net increase (decrease)	**$ 1.1**	$ (16.7)

Fuel used in generation expense increased slightly in 1990 when compared to 1989. A minimal increase in the per unit cost of coal coupled with a moderate increase in generation at the Company's fossil fueled facilities were the primary factors contributing to this increase. Despite increased generation in 1989, fuel used in generation expense remained

relatively stable when compared to 1988. Lower per unit fuel costs in 1989, when compared to the preceding period, contributed to the minimal change in fuel used in generation expense.

Purchased power expense increased in 1990, when compared to the same period a year ago, primarily as a result of an increase in Kwh purchases. The increase, however, was partially offset by a decrease in purchased power expense adjustments which correlate to the reduction in operating revenues associated with the ECA. Purchased power expense increased in 1989 over 1988, even though the amount of energy purchased declined, due to higher per unit costs for the energy purchased. The Company has purchased in each of the past two years, when compared to the respective preceding year, an increasing amount of energy from Qualifying Facilities (QF's) which charge a higher rate per Kwh than the Company's other suppliers of power. The Company is required to purchase power from certain QF's and expects total purchases from QF's to increase in the future due to regulatory requirements. In addition, higher per unit costs for the energy purchased from the Company's other suppliers of power also contributed to the increases in purchased power expense.

Gas purchased for resale expense decreased significantly in 1990 and 1989 when compared to the respective preceding year. The decrease in both periods is attributable to lower gas sales of 1.3% and 2.5%, respectively, coupled with a continued decline in the per unit cost of gas purchased.

While nuclear operating and maintenance costs have been excluded from the calculation of earnings since the cessation of operations at Fort St. Vrain in August 1989 (such costs are now being charged against the defueling and decommissioning liability), the 1990 other operating and maintenance expenses remained relatively stable when compared to 1989. Higher administrative and general expenses during the current year coupled with increased expenses at the Company's other production and distribution facilities served to minimize the change in other operating and maintenance expenses. General increases in the cost of labor, materials and supplies as well as a $10.7 million increase in the present value adjustment to the defueling and decommissioning liability were the primary factors contributing to the 1989 increase in other operating and maintenance expenses over 1988 (see Note 2. Fort St. Vrain Nuclear Generating Station in the Notes to Consolidated Financial Statements).

As a result of a reassessment of the estimated cost of the defueling and decommissioning activities in 1988, an additional expense of approximately $63.8 million ($39.6 million after-tax or 75 cents per share) was recognized during that period (see Note 2. Fort St. Vrain Nuclear Generating Station in the Notes to Consolidated Financial Statements).

The slight increase in 1990 and 1989 depreciation expense, when compared to the respective preceding year, is primarily attributable to plant additions. In 1988, however, the depreciation rates were revised upon completion of a comprehensive depreciation study which concluded that the estimated depreciable lives of various Company facilities should be extended. Therefore, the 1988 depreciation expense was reduced by approximately $8.4 million ($5.9 million after-tax or 11 cents per share) (see Note 1. Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements).

Taxes other than income taxes increased in 1990 and 1989, when compared to the respective preceding year, primarily as a result of higher property taxes. Increases in the mill levies as well as higher assessed property values contributed to the higher property taxes in both years.

Higher income before income taxes contributed to the increase in 1990 income tax expense when compared to the corresponding amount for 1989. This increase, however, was offset by an increase in tax deductions for which no deferred taxes were provided. Despite significant tax adjustments that occurred in 1989, the increase in 1989 income tax expense, when compared to 1988, was for the most part attributable to increased income before income taxes. In June 1989, the estimate of deferred taxes for the period January 1, 1987 through June 30, 1989, to be recognized as a result of taxable contributions in aid of construction under the Tax Reform Act of 1986, as revised, resulting in a decrease in income tax expense of approximately $16.9 million. This decrease, however, was offset by other 1989 tax adjustments that increased income tax expense, including those triggered by the early cessation of operations at Fort St. Vrain. The deferred tax benefits associated with the 1986 Fort St. Vrain extraordinary loss were recognized at higher tax rates than those in effect for such actual deductions included in the 1989 tax return. Consequently, this difference in rates resulted in decreased tax benefits of approximately $8.9 million.

The substantial decline in 1989 miscellaneous income and deductions—net, when compared to 1988, resulted from the recognition in 1988 of gains on the sale of various land sites.

Interest expense in 1990 declined primarily due to a decrease in interest expense on long-term debt. The decline was the result of the retirement of $35.5 million in first mortgage bonds and $25.0 million in medium-term notes in the first quarter of 1990. The decrease resulting from these retirements was mitigated by the increased interest expense associated with $75.0 million in first mortgage bonds issued in July 1990. While total 1989 interest expense was virtually unchanged when compared to 1988, there was a decline in long-term interest expense which was more than offset by an increase in other interest expense, reflecting a change in the amount of long- and short-term debt outstanding.

During 1990, the total number of shares of common stock issued and outstanding increased by 1,513,025 shares primarily due to increased activity in the Dividend Reinvestment Plan which served to negatively impact earnings per share by approximately $0.04.

Recently Issued Accounting Standards Not Yet Adopted

In December 1990, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 106–"Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106) which establishes the accounting and reporting standards for postretirement benefits other than pensions. The statement requires the accrual, during the years that an employee renders service to the Company, of the expected cost of providing postretirement benefits to the employee and the employee's beneficiaries and covered dependents. The statement is effective for fiscal years beginning after December 15, 1992, with early adoption encouraged. The Company has not yet determined when the standard will be adopted, or how it will be implemented, nor has the Company quantified its financial impact when ultimately adopted. Although the effect of adoption has not been fully determined, due to anticipated future regulatory treatment the Company does not expect adoption to have a material effect on results of operations.

In December 1989, the FASB issued Statement of Financial Accounting Standards No. 103–"Accounting for Income Taxes–Deferral of the Effective Date of FASB Statement No. 96" which postponed mandatory adoption of Statement of Financial Accounting Standards No. 96–"Accounting for Income Taxes" (SFAS 96) to fiscal years beginning after December 15, 1991. SFAS 96 establishes new financial accounting and reporting standards to recognize tax liabilities and assets that result from an enterprise's activities during the current and preceding years. The FASB is currently re-evaluating specific provisions of SFAS 96 and intends to amend the standard. The Company believes application of the new standard will not significantly impact the Company's reported net worth in the year it is adopted.

Rate Issues

On February 4, 1988, the Company, the Colorado Office of Consumer Counsel (OCC) and the staff of The Public Utilities Commission of the State of Colorado (CPUC) reached an electric rate reduction agreement in response to the Company's earnings in excess of regulatory authorization. Effective April 1, 1988, the Company's electric rates were reduced 2.75%, or approximately $27.2 million for a twelve month period. Effective April 1, 1989, a rate reduction of 3.19% became effective for the subsequent twelve month period in place of the 2.75% rate reduction. Effective June 1989, the 3.19% rate reduction was revised to 4.29% for the remaining ten months of the twelve month period. The Company was authorized to extend the 4.29% rate reduction until May 1990 and to implement a 1.11% reduction in place of the 4.29% until November 27, 1990. In addition, the Company agreed to refund amounts earned in excess of regulatory authorization, if any, for the period January 1, 1990 until November 27, 1990. The Company does not believe earnings during this period were in excess of regulatory authorization.

As a result of the above rate reductions, for the twelve month periods ended December 31, 1990, 1989 and 1988, electric revenues were reduced by approximately $24.0 million, $36.0 million and $19.4 million, respectively.

In addition, effective November 14, 1987, the rules and applicability of various electric rate classifications were revised by the CPUC. This revision gave certain electric customers the opportunity to change rate classifications which resulted in a 1988 revenue reduction of approximately $10.4 million.

The Company filed a rate case with the CPUC on January 31, 1991, requesting a $13.4 million increase in the Company's revenue levels based on a test year ending September 30, 1990. Specific provisions of the filing include, among other things, a 0.82% decrease in electric rates and a 4.30% increase in gas rates from the current rates reflecting an authorized return on year-end September 30, 1990 rate base of 10.68% and an authorized rate of return on equity of 13.75%. In addition, the Company is asking for inclusion in rate base of the Construction Work In Progress balance at September 30, 1990, full normalization of all income taxes (currently, the Company normalizes certain tax and book differences, as required, pursuant to federal tax law), recovery from customers of postretirement benefit accruals and an imputed capital structure for regulatory purposes that appropriately allocates the Fort St. Vrain write-downs to all components of the capital structure, rather than to common equity alone. An OCC complaint, which was filed March 29, 1990, has been consolidated into the rate case. The complaint contends, among other things, that the Company's authorized 14.4% return on equity is unreasonable. The Company has agreed, upon conclusion of the rate case, to a rate adjustment which will recognize the difference, if any, between the new rates resulting from the complaint case and those in effect from November 27, 1990 through September 30, 1991.

The Company expects that the CPUC staff, the OCC and others will challenge all or part of this rate filing. The CPUC is expected to issue its order at the end of October 1991. While the Company believes that the requested rate increase is just and reasonable, there can be no assurance that such request will be granted. An adverse ruling on any of a number of issues in the case, including but not limited to a decrease in the authorized rate of return on common equity below the 13.75% level requested, could result in an overall rate decrease.

On November 21, 1990, the CPUC approved the Company's request to implement various rate adjustments designed to eliminate the cross subsidization which existed between the electric and gas departments. Such rate adjustments are effective for the period November 27, 1990 through November 1, 1991 and coincide with the discontinuation of the 1.11% electric rate reduction discussed above. Elimination of the cross subsidization is achieved through a negative 1.41% electric adjustment and a positive 2.77% gas adjustment. These adjustments will result in an offsetting $12.4 million revenue change in each department. It is anticipated that the cross subsidization issue currently inherent in base rates will be addressed in the current rate case.

On January 7, 1991, the CPUC approved a $3.2 million incentive award to the Company for legal efforts expended in obtaining a refund from Colorado Interstate Gas (CIG), a primary gas supplier of the Company. The Company, however, has not received the final written order from the CPUC. The amount will be recognized in income when final approval is received from the CPUC. The award was for the Company's efforts in pursuing and obtaining the Gas Search Refund of approximately $58.2 million, plus interest, from CIG. The refund will be made in four annual installments, the first of which was received in September 1990.

Environmental Issues

The Lowry Landfill in southeast metropolitan Denver has been designated by the Environmental Protection Agency (EPA) as a Superfund site pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Under CERCLA, the EPA notified Potentially Responsible Parties (PRPs) of their potential liability for the cleanup of the site. The Company, which used the site for disposal of trash and neutralized liquids generated in its boiler cleaning process, has been named along with many others as a PRP at the Lowry Landfill. The EPA has begun its remedial investigations and feasibility studies at the Lowry Landfill for the purposes of identifying the appropriate method of cleanup, its attendant cost, and the allocation of the cleanup cost among various PRPs. The Company is actively participating in the Lowry Landfill *De Minimis* Group which was organized as a result of the EPA's declaration that it would seek a *de minimis* settlement at Lowry Landfill. The EPA requested that the PRPs organize themselves to negotiate a settlement for the PRPs whose contribution of waste at the Lowry Landfill is minimal in volume and toxicity. In addition to the Lowry Landfill, the Company has identified several sites where cleanup of hazardous waste may be required. The Company fully intends to pursue the recovery of all costs incurred for such projects through insurance coverage and/or the regulatory process.

On November 15, 1990, President Bush signed into law the Clean Air Act Amendments of 1990 aimed at lowering the acidity of rainfall in the United States. The Amendments require coal burning power plants to reduce sulfur dioxide (SO_2) and nitrogen oxide (NOx) emissions to specified levels. The Company is currently meeting the emission standards placed on SO_2 through the use of low sulfur coal. The Company will be required to modify certain boilers to reduce NOx emissions. It is anticipated that under current regulatory principles, any costs incurred by the Company would be recovered from its customers.

On October 7, 1988, the results of the Metro Denver Brown Cloud Study, along with a ten point recommendation, were released by the Governor of the State of Colorado. In response, the Company will attempt to reduce SO_2 emissions 50% by applying SO_2 reduction technology on all of its major metropolitan area generating units and to reduce NOx emissions 20% by modifying those generating units by the end of 1992.

Impact of Inflation and Changing Prices

Capital intensive industries, such as the utility industry, are particularly affected by significant long-term inflation. Very simply, depreciation on utility property, plant and equipment, which is charged against earnings for assets acquired in the past, does not reflect the inflated cost of acquiring similar assets. Consequently, higher profits may be reported on a continuing basis with no accompanying gain in real purchasing power or economic value. However, the stabilization of inflation at relatively low levels has minimized this impact on the current operating results.

Liquidity and Capital Resources

Historical Cash Flows

Cash provided by operations increased $3.8 million in 1990, when compared to 1989, despite a net increase in Fort St. Vrain defueling and decommissioning expenditures charged to the liability of approximately $27.4 million (actual expenditures increased $24.1 million while the present value adjustments declined $3.3 million resulting in the net increase of $27.4 million). A $28.8 million increase in 1990 refunds from gas suppliers served to more than offset the higher defueling and decommissioning expenditures.

Cash used in investing activities was $113.4 million higher during 1990 than in 1989. An additional $86.8 million in 1990 construction expenditures as well as the funding of premiums on corporately held insurance policies using temporary cash investments (cash equivalents) in 1990 rather than longer-term investments as in the past, accounted for the majority of this change.

Financing activities required $73.6 million less cash in 1990 than in 1989. The primary factors contributing to this decrease were the net effect of a $19.3 million increase resulting from the issuance of common stock, the issuance of $75.0 million, 9⅞% first mortgage bonds in July 1990 and a $37.8 million net increase in short-term borrowings offset by

by the redemption of $35.5 million in first mortgage bonds and $25.0 million in medium-term notes in 1990.

Net cash provided by operations in 1989 decreased $20.6 million, when compared to 1988, despite an increase in net income of $23.8 million. This difference resulted primarily from $63.8 million in defueling and decommissioning charges included in 1988 net income which did not represent cash requirements of that period.

Prospective Capital Requirements and Sources

At December 31, 1990, the Company and its subsidiaries estimated the cost of their construction program, including Allowance For Funds Used During Construction (AFDC) and other capital requirements, in 1991, 1992 and 1993 to be as follows:

	(Thousands of Dollars)		
	1991	1992	1993
Company:			
Electric			
Production*	$ 40,641	$ 60,635	$ 36,872
Transmission	15,778	26,871	20,066
Distribution	76,069	64,851	66,659
Gas	27,182	28,713	22,115
General	58,881	59,900	41,908
Subtotal	226,551	240,970	187,620
Subsidiaries	80,256	44,734	45,772
Total construction	306,807	285,704	233,392
Less: AFDC	10,668	11,581	8,029
Add: Sinking funds and debt maturities	34,661	88,751	4,958
Add: Fort St. Vrain Decommissioning/Defueling/repowering**	76,959	42,998	85,043
Total capital requirements***	$407,759	$405,872	$315,364

*Capital requirements for Electric Production are net of Department of Energy funding of clean coal technology projects of $12.6 million for the 1991-1993 period.

**Capital requirements for decommissioning, defueling and repowering assume the early dismantlement/decommissioning approach and are net of escrow funds available.

***Total capital requirements do not include capital costs for acquisitions.

The construction program of the Company and its subsidiaries is subject to continuing review and adjustment. In particular, actual construction expenditures for the electric system may vary from the estimates due to changes in projected load growth, the desired reserve margin and the availability of purchased power, as well as alternative plans for meeting the Company's long-term energy needs. In addition, actual decommissioning and defueling expenses may exceed the estimates due to a variety of factors.

At December 31, 1990, the Company and its subsidiaries estimated that their 1991-1993 capital requirements would be met principally with approximately $614.5 million from external sources and with funds from operations. Plans for the sale of securities during the forecast period have not been formalized at this time. The Company and its subsidiaries may meet their external capital requirements through the issuance of first mortgage bonds or common stock, by increasing the level of intermediate-term borrowing under PS Colorado Credit Corporation's (PSCCC) medium-term note program or through short-term borrowing under committed and uncommitted bank borrowing arrangements discussed below. The financing needs are subject to continuing review and can change depending on market and business conditions and changes, if any, in the construction plans of the Company and its subsidiaries.

In 1989, the Company amended the Automatic Dividend Reinvestment and Common Stock Purchase Plan whereby its shareholders may purchase additional shares of common stock of the Company through the reinvestment of cash dividends at a 3% discount and optional cash payments with no price discount. The 1991-1993 proceeds from the dividend reinvestment plan, estimated at approximately $109 million, will also provide funds to meet the capital requirements of the Company.

At December 31, 1990, the Company and its subsidiaries (excluding PSR Investments, Inc. (PSRI)) had temporary cash investments of $6.6 million. PSRI held investments totaling $25.3 million, of which $11.7 million are classified as temporary cash investments.

As of December 31, 1990, PSCCC had borrowed $133.1 million in short-term debt, for use primarily in the purchase of the Company's customer accounts receivable and fossil fuel inventories. PSCCC may periodically convert short-term debt to intermediate-term debt securities. As of December 31, 1990, PSCCC had $10.0 million in intermediate-term debt outstanding. The level of financing of PSCCC is tied directly to daily changes in the level of the Company's outstanding customer accounts receivable and monthly changes in fossil fuel inventories. The Company expects that the amount of financing associated with PSCCC will vary minimally from year-to-year although seasonal fluctuations in the level of assets will cause corresponding fluctuations in the level of associated financing.

In 1990, the Company filed a registration statement with the Securities and Exchange Commission for the issuance of $500 million principal amount of first mortgage bonds of which $200 million was designated for a secured medium-term note program. Subsequent to year-end 1990, $55 million principal amount of medium-term notes were issued.

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, 1990, the amount of net additions would permit (and the net earnings test would not prohibit) the issuance of approximately $272.0 million of new bonds (in addition to the $200 million principal amount of secured medium-term notes discussed above) at an

assumed annual interest rate of 9.95%. Coverage under the net earnings test, at December 31, 1990, was 6.11.

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, 1990, gross income available under this requirement would permit the Company to issue approximately $1.3 billion of additional preferred stock at an assumed annual dividend rate of 8.75%. Coverage of gross income to interest charges, at December 31, 1990, was 3.83.

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 (1) the total principal amount of all bonds or other securities representing secured indebtedness of the Company, then outstanding, and (2) the total of the capital and surplus of the Company, as then recorded on its books. At December 31, 1990, the Company had outstanding unsecured indebtedness, including subsidiary indebtedness with the credit support of the Company, in the amount of $167.1 million. The maximum amount permitted under this limitation was approximately $298.7 million at December 31, 1990.

Arrangements for bank lines of credit totaled $150 million in committed lines and $150 million in uncommitted lines at December 31, 1990, at which time $231 million was available to the Company and certain of its subsidiaries. The Company could generally borrow under uncommitted preapproved lines of credit upon request; however, the banks had no firm commitment to make such loans.

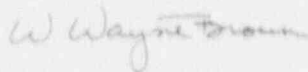
On February 8, 1991, the Company and PSCCC jointly entered into a credit facility with several banks providing $300 million in bank lines of credit. The facility consists of $150 million in available commitments and $150 million in deferred commitments. The available commitments will be used primarily to support the issuance of commercial paper by the Company and PSCCC and are available for direct borrowing thereunder. The deferred commitments are standby committed lines of credit that can be activated with five business days notice. Generally, the banks as participants in the facility would have no obligation to continue their commitments if there has been a material adverse change in the business or financial condition of the Company. The facility, which expires February 6, 1992, replaced the $300 million of individually arranged bank lines of credit in effect at the time this facility was entered into (see Note 6, Bank Lines of Credit and Compensating Bank Balances in the Notes to Consolidated Financial Statements).

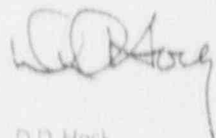
Report of Management

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 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. Management has considered the internal auditor's and the independent public accountants' recommendations during the year concerning the Company's system of internal controls and has taken actions that we believe are cost effective in the circumstances. Management believes that, as of December 31, 1990, the Company's system of internal controls is adequate to accomplish the objectives discussed above. Furthermore, the accounting procedures and internal control system of the Company are reviewed by the Audit Committee of the Board of Directors.

The accompanying financial statements have been examined by Arthur Andersen & Co., independent public accountants. Management has made available to Arthur Andersen & Co. all the Company's financial records and related data, as well as representations we believe to be valid and appropriate.





W. Wayne Brown
Principal Accounting Officer

D.D. Hock
Chief Executive Officer

February 26, 1991

Report of the Audit Committee of the Board of Directors

The Board of Directors of the Company addresses its oversight responsibility for the consolidated financial statements through its Audit Committee. The Audit Committee meets regularly with the independent certified public accountants and the internal auditors to discuss results of their audit work and their evaluation of the adequacy of the internal controls and the quality of financial reporting.

In fulfilling its responsibilities in 1990, the Audit Committee recommended to the Board of Directors, subject to shareholder approval, the selection of the Company's independent certified public accountants. The Audit Committee reviewed the overall scope and specific plans of the independent certified public accountants' and internal auditor's respective audit plans, and discussed the independent certified public accountants' management letter recommendations, app ved their general audit fees, and reviewed their non-audit services to the Company.

The committee meetings are designed to facilitate open communications between internal auditing, independent certified public accountants, and the Audit Committee. To ensure auditor independence, both the independent certified public accountants and internal auditors have full and free access to the Audit Committee.

J. Michael Powers, Chairman
Audit Committee

February 26, 1991

Report of Independent Public Accountants

The Board of Directors and Shareholders of Public Service Company of Colorado

We have audited the accompanying consolidated balance sheets of Public Service Company of Colorado (a Colorado corporation) and subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Service Company of Colorado and subsidiaries as of December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

As more fully discussed in Note 2 to the consolidated financial statements, realization of the Company's investment in its Fort St. Vrain Nuclear Generating Station (approximately $69.7 million at December 31, 1990) as well as the tax effects of previously recognized tax deductions associated with such investment for which no deferred taxes were required to be provided (approximately $9.3 million at December 31, 1990) is primarily dependent on the ultimate resolution of the repowering issue, the eventual outcome of which cannot be determined at this time. In addition, as more fully discussed in Note 2 to the consolidated financial statements, the adequacy of the Company's recorded liability for defueling and decommissioning its Fort St. Vrain Nuclear Generating Station (approximately $95.4 million at December 31, 1990) is primarily dependent on the successful resolution of certain spent fuel storage and shipment issues and the successful development and implementation of a plan to dismantle, decommission and repower the Fort St. Vrain Nuclear Generating Station as a conventional facility. The outcome of the above issues cannot be determined at this time. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Arthur Andersen & Co.
Denver, Colorado

February 26, 1991

CONSOLIDATED STATEMENTS OF INCOME

Public Service Company of Colorado and Subsidiaries — *Years ended December 31, 1990, 1989 & 1988*

	(Thousands of Dollars Except Per Share Data)		
	1990	1989	1988
Operating Revenues:			
Electric	**$1,145,915**	$1,139,471	$1,115,964
Gas	**561,712**	577,282	591,493
Other	**26,312**	23,913	22,984
	1,733,939	1,740,666	1,730,441
Operating Expenses:			
Fuel used in generation	**166,784**	165,801	165,709
Purchased power	**301,910**	295,025	255,746
Gas purchased for resale	**358,263**	380,078	401,814
Other operating expenses	**332,516**	329,991	307,149
Defueling and decommissioning expenses (Note 2)	**-**	-	63,764
Maintenance	**85,522**	86,755	94,560
Depreciation	**106,527**	102,831	100,941
Taxes (other than income taxes) (Note 10)	**70,033**	67,430	60,434
Income taxes (Note 9)	**73,978**	66,557	61,045
	1,495,533	1,494,468	1,511,162
Operating Income	**238,406**	246,198	219,279
Other Income and Deductions:			
Allowance for equity funds used during construction (Note 1)	**3,444**	1,581	516
Miscellaneous income and deductions - net	**1,590**	1,485	5,610
	243,440	249,264	225,405
Interest Charges:			
Interest on long-term de'..	**75,075**	77,627	79,001
Amortization of debt discount and expense less premium	**1,543**	1,385	1,300
Other interest	**23,949**	23,456	20,433
Allowance for borrowed funds used during construction (Note 1)	**(3,271)**	(2,044)	(348)
	97,296	100,424	100,386
Net Income	**146,144**	148,840	125,019
Dividend Requirements on Preferred Stock	**12,439**	12,645	12,850
Earnings Available for Common Stock	**$ 133,705**	$ 136,195	$ 112,169
Shares of Common Stock Outstanding (thousands):			
Year-end	**54,320**	52,807	52,458
Average	**53,626**	52,559	52,457
Earnings Per Average Share of Common Stock Outstanding	**$2.49**	$2.59	$2.14
Dividends Per Share of Common Stock:			
Paid	**$2.00**	$2.00	$2.00
Declared	**$2.00**	$2.00	$2.00

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

Public Service Company of Colorado and Subsidiaries

December 31, 1990 & 1989

	(Thousands of Dollars)	
Assets	1990	1989
Property, Plant and Equipment, at cost:		
Electric	$2,650,088	$2,579,761
Gas	808,818	717,689
Steam and other	97,985	74,403
Common to all departments	258,745	262,448
Construction in progress	145,333	109,245
	3,960,969	3,743,546
Less accumulated provision for depreciation	1,412,443	1,339,278
	2,548,526	2,404,268
Fort St. Vrain related property (Note 2)	77,802	81,737
Less accumulated provision for depreciation	17,067	17,862
	60,735	63,875
Total Property, Plant and Equipment	2,609,261	2,468,143
Investments, at cost	116,029	92,841
Current Assets:		
Cash	8,928	6,850
Temporary cash investments	18,256	46,440
Accounts receivable, less provision for uncollectible accounts (1990–$4,370; 1989–$5,235)	127,845	136,223
Gas refund receivable	14,979	–
Accrued unbilled revenues	66,506	64,164
Recoverable purchased gas and electric energy costs–net (Note 1)	65,870	55,516
Fuel inventory, at average cost	33,427	34,368
Materials and supplies, at average cost	71,919	76,937
Gas in underground storage, at cost (LIFO)	13,701	16,092
Prepaid expenses	11,453	6,757
Other	831	269
Total Current Assets	433,715	443,616
Deferred Charges:		
Debt expense (being amortized)	7,182	7,407
Recoverable nuclear plant and decommissioning costs	5,025	11,725
Gas refund receivable	29,957	–
Other	29,073	21,205
	71,237	40,337
Total Assets	$3,230,242	$3,044,937

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

Capital and Liabilities	1990	1989
	(Thousands of Dollars)	
Common Equity:		
Common stock (Note 3)	$ 751,149	$ 718,296
Retained earnings	212,514	186,284
	963,663	904,580
Preferred Stock (Note 3):		
Not subject to mandatory redemption	140,008	140,008
Subject to mandatory redemption at par	46,368	48,944
Long-Term Debt (Note 4)	883,199	904,129
	2,033,238	1,997,661
Noncurrent Liabilities:		
Defueling and decommissioning liability (Note 2)	13,197	85,100
Gas refund liability	29,957	—
	43,154	85,100
Current Liabilities:		
Notes payable and commercial paper (Note 5)	213,833	153,208
Long-term debt due within one year	42,235	30,217
Preferred stock subject to mandatory redemption within one year (Note 3)	2,576	2,576
Accounts payable	177,753	164,434
Dividends payable	30,236	29,531
Customers' deposits	15,071	14,576
Accrued taxes	64,876	61,462
Accrued interest	20,701	20,185
Gas refund liability	41,162	3,890
Current portion of defueling and decommissioning liability (Note 2)	82,169	57,205
Other	48,918	43,042
Total Current Liabilities	739,530	580,327
Deferred Credits:		
Customers' advances for construction	40,768	35,816
Unamortized investment tax credit	139,616	144,598
Accumulated deferred income taxes (Note 9)	225,359	191,072
Other	8,577	10,363
	414,320	381,849
Commitments and Contingencies (Notes 2 and 7)		
Total Capital and Liabilities	$3,230,242	$3,044,937

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Public Service Company of Colorado and Subsidiaries — *Years ended December 31, 1990, 1989 & 1988*

(Thousands of Dollars)

	1990	1989	1988
Retained Earnings at Beginning of Year	**$186,284**	$155,232	$147,944
Net Income	**146,144**	148,840	125,019
	332,428	304,072	272,963
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	**1,755**	1,845	1,935
8.40% series	**2,254**	2,370	2,485
$25 par value:			
8.40% series	**2,940**	2,940	2,940
	12,405	12,613	12,816
On common stock:			
$2.00 per share in 1990, 1989 and 1988	**107,509**	[illegible]	104,915
	119,914	[illegible]	117,731
Retained Earnings at End of Year	**$212,514**	[illegible]	$155,232

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Public Service Company of Colorado and Subsidiaries — *Years ended December 31, 1990, 1989 & 1988*

			(Thousands of Dollars)
	1990	1989	1988
Operating Activities:			
Net income	$ 146,144	$ 148,840	$ 125,019
Adjustments to reconcile net income to cash flows:			
Defueling and decommissioning expenses	–	–	63,764
Depreciation and amortization	113,426	115,763	115,834
Investment tax credit-net	(4,982)	(5,267)	(6,342)
Deferred income taxes	34,287	37,020	(8,221)
Allowance for equity funds used during construction	(3,444)	(1,581)	(516)
Change in accounts receivable	9,012	13,338	(6,050)
Change in inventories	5,959	(14,037)	1,530
Change in other current assets	(30,552)	(9,254)	(3,052)
Change in accounts payable	13,319	21,609	11,782
Change in other current liabilities	77,507	40,998	11,839
Change in deferred amounts	(27,959)	12,319	15,777
Change in noncurrent liabilities	(52,837)	(85,323)	(24,666)
Other	13,896	15,533	13,834
Net Cash Provided by Operating Activities	293,776	289,958	310,532
Investing Activities:			
Construction expenditures	(261,221)	(174,418)	(162,806)
Allowance for equity funds used during construction	3,444	1,581	516
Proceeds from disposition of equipment	4,686	2,025	1,132
Purchase of other investments	(48,986)	(129,861)	(31,974)
Sale of other investments	25,798	137,827	24,440
Net Cash Used in Investing Activities	(276,279)	(162,846)	(168,692)
Financing Activities:			
Proceeds from sale of common stock	27,881	6,570	23
Proceeds from sale of long- and medium-term notes and bonds	83,684	19,843	73,902
Redemption of long- and medium-term notes and bonds	(94,008)	(48,228)	(30,539)
Proceeds from short-term borrowings	142,793	222,790	660,225
Repayment of short-term borrowings	(82,168)	(199,950)	(714,532)
Redemption of preferred stock	(2,576)	(2,576)	(2,576)
Dividends on common stock	(106,753)	(105,002)	(104,914)
Dividends on preferred stock	(12,456)	(12,662)	(12,868)
Net Cash Used in Financing Activities	(43,603)	(117,215)	(131,279)
Net Increase (Decrease) in Cash and Temporary Cash Investments	(26,106)	9,897	10,561
Cash and Temporary Cash Investments at Beginning of Year	53,290	43,393	32,832
Cash and Temporary Cash Investments at End of Year	$ 27,184	$ 53,290	$ 43,393

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Public Service Company of Colorado and Subsidiaries

1. Summary of Significant Accounting Policies

Consolidation

Public Service Company of Colorado (the Company) follows the practice of consolidating the accounts of its significant subsidiaries. All significant intercompany items and transactions have been eliminated.

Revenue Recognition

The Company and its subsidiaries accrue for estimated unbilled revenues for services provided after the meters were last read on a cycle billing basis through the end of each fiscal period.

In 1990, the Company and its subsidiaries revised the accounting treatment of refunds from gas suppliers which are passed on to customers. Previously, these amounts were deducted from both gas revenues and gas purchased for resale expense at the time of receipt with no effect on income. Beginning in 1990, such deductions are no longer reflected in the income statement although the refunds received and corresponding liability to customers are recorded on the balance sheet. Revenues and expenses for prior years have been restated to reflect this change.

Statements of Cash Flows

Accounting policy: For purposes of the statements of cash flows, the Company and its subsidiaries consider all temporary cash investments to be cash equivalents. These temporary cash investments are securities having original maturities of three months or less or having longer maturities but with put dates of three months or less.

Income taxes and interest (excluding capitalized interest) paid:

	(Thousands of Dollars)		
	1990	1989	1988
Income taxes	$43,119	$ 37,672	$86,599
Interest	$98,789	$101,677	$97,621

Non-cash transactions: During 1990, 197,862 shares of common stock, valued at market price on date of issuance (approximately $5.0 million), were issued to the Employees' Savings and Stock Ownership Plan of Public Service Company of Colorado and Participating Subsidiary Companies. An estimated issuance value was recognized in other operating expenses during 1990. This stock issuance was not a cash transaction and is not reflected as a source of cash in the statements of cash flows. No material non-cash investing or financing transactions were recorded during 1989 or 1988.

Depreciation Policy

The Company and its subsidiaries 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.

In 1988, following a comprehensive depreciation study, the Company revised its depreciation rates to reflect an increase in the estimated depreciable lives of various Company facilities. The effect of this change was a decrease in 1988 depreciation expense of $8.4 million ($5.9 million after-tax or 11 cents per share). Total depreciation expense in 1990 approximates an annual rate of 3.10% on the average cost of depreciable properties.

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.

Fuel Resources Development Co. (Fuelco) also uses the unit-of-production depreciation method for producing oil and gas properties. For income tax purposes, the Company and its subsidiaries use accelerated depreciation and other elections provided by the tax laws.

Income Taxes

The Company and its significant 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 Western Gas Supply Company (WestGas) and Cheyenne Light, Fuel and Power Company (Cheyenne) 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 unbilled revenues which include deferred gas and electric costs. In addition, the Company currently provides for deferred taxes on book-tax timing differences arising from items associated with Fort St. Vrain (see Note 2), from certain customer refunds and for all book-tax timing differences included in Federal Energy Regulatory Commission (FERC) jurisdictional rates. All of the Company's non-regulated subsidiaries, 1480 Welton, Inc., Fuelco, Bannock Center Corporation (BCC), PSR Investments, Inc., and PS Colorado Credit Corporation (PSCCC), provide for deferred taxes arising from all book-tax timing differences.

Investment tax credits are no longer available to the Company and its subsidiaries as a result of the Tax Reform Act of 1986. Previously recorded investment tax credits have been deferred and are being amortized to income over the productive lives of the related property.

Amortization of Debt Premium, Discount and Expense

Debt premium, discount and expense is being amortized to income over the respective original lives of the applicable

issues or as directed by The Public Utilities Commission of the State of Colorado (CPUC).

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. The Company capitalizes AFDC as a part of the cost of utility plant. The following range of AFDC rates were used for the years 1990, 1989 and 1988:

	1990	1989	1988
AFDC rates	8.76%-10.21%	9.78%-10.21%	9.73%-10.21%

Recoverable Purchased Gas and Electric Energy Costs–Net
The Company, Cheyenne and 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 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 yet been billed.

Reclassification
Certain items in the 1989 and 1988 Consolidated Financial Statements have been reclassified to conform to the 1990 manner of presentation.

2. Fort St. Vrain Nuclear Generating Station

Investment in Fort St. Vrain
On August 29, 1989, the Company announced its decision to end nuclear operations at Fort St. Vrain. The decision was based on the financial impact of an anticipated lengthy outage necessary to repair the plant's steam generator system coupled with the plant's history of reduced levels of generation. The Company commenced the defueling process as discussed below in the section entitled "Defueling."

As a consequence of limited operations at Fort St. Vrain and the removal from rate base in 1986 of the Company's investment in Fort St. Vrain assets, numerous losses have been recognized in previous years including the write down of a substantial portion of the total investment in Fort St. Vrain and the recognition of estimated future unrecoverable defueling and decommissioning expenses.

The recovery of the remaining investment in Fort St. Vrain (approximately $60.7 million at December 31, 1990), as well as the tax effects of previously recognized tax deductions associated with such investment for which no deferred taxes were required to be provided (approximately $9.3 million at December 31, 1990), is primarily dependent on the ultimate resolution of the repowering issue discussed below. If it becomes probable that all or a portion of such investment and/or the related taxes will not be recovered, the Company will recognize an expense equal to the unrecoverable amounts at the time such unrecoverable amounts can be reasonably estimated.

As a result of the plant's operating performance during 1989 and 1988, Fort St. Vrain did not produce revenues adequate to offset expenses. Therefore, shortfalls of approximately $30.1 million ($18.8 million after-tax or 36 cents per share) and $35.6 million ($20.4 million after-tax or 39 cents per share) in unrecoverable operating and capital expenditures were recorded during 1989 and 1988, respectively. Included in the unrecoverable expenses for 1989 and 1988 are present value adjustments to the defueling and decommissioning liability of approximately $14.2 million and $3.5 million, respectively. Expenses for 1990 also reflect present value adjustments of approximately $10.9 million. In addition, 1990 expenses include approximately $8.2 million associated with impaired nuclear assets, the majority being comprised of the write down of nuclear materials and supplies inventory.

Decommissioning and Repowering
The Company originally contemplated the SAFSTOR approach for decommissioning Fort St. Vrain. This approach assumes the removal of the spent fuel segments from the reactor to storage upon cessation of operations at the plant, and the preparation of the nuclear portion of the plant for a prolonged decay period (approximately 55 years), after which decommissioning would be completed with the four-year dismantlement of the reactor. Due to uncertainties surrounding long-term maintenance, cost escalation, regulatory and environmental issues associated with this approach, the Company is currently exploring the feasibility of an early dismantlement/decommissioning approach for Fort St. Vrain. Under either the SAFSTOR or the early dismantlement/decommissioning approach, the Company anticipates that repowering the facility as a natural gas fired plant would commence upon completion of removal of the spent fuel from the reactor building, and is not dependent upon the completion of decommissioning.

The Company believes that early dismantlement/decommissioning and repowering could be accomplished utilizing one of the following three approaches.

a. The approval by the appropriate regulatory agency of a long-term fixed price purchase power tariff for power produced by the repowered plant which would be designed to provide sufficient funds to recover the repowering costs, including all early dismantlement/decommissioning costs not otherwise provided for, as well as the cost of operations.

b. Receipt by the Company of traditional rate base treatment of the costs of the repowered plant (including all early dismantlement/decommissioning costs not otherwise provided for).

c. The development of an arrangement in which the Company and independent third parties would form a new entity that would fund the early dismantlement/decommissioning and repowering of the Fort St. Vrain facility. The cost of such activities not otherwise provided for would be recovered by the new entity through the sale of power to the Company and/or other customers of the new entity and the Company's purchased power expense would be recovered from its customer.

Costs

Following is a reconciliation of the recorded defueling and decommissioning cost estimate as of September 30, 1986, when the plant was removed from rate base, to December 31, 1990.

	(Thousands of Dollars)
Defueling and decommissioning liability–9/30/86	$ 95,404
Revision in original estimate–9/30/88	63,764
	159,168
Present value adjustments accrued	28,530
Defueling expenditures	(86,775)
Decommissioning expenditures	(5,557)
Defueling and decommissioning liability–12/31/90	$ 95,366*
*Defueling (including cost of constructing a six segment ISFSI)	$ 59,880
Decommissioning	35,486
	$ 95,366

While the early dismantlement/decommissioning approach may be a better alternative in some respects, the Company has concluded, based on studies prepared by Westinghouse Electric Corporation, that the inflation adjusted remaining cost of such an approach including completion of defueling (approximately $202 million net of expenditures to date) will be approximately $107 million in excess of the defueling and decommissioning liability currently recorded on the Company's books. The Company believes any of the three early dismantlement/decommissioning and repowering approaches discussed above, if successfully implemented, would not require the recognition of this deficiency. However, resolution of a significant number of matters will be required in order to achieve such successful implementation, including the establishment of an appropriate cost recovery mechanism, obtaining approvals from the Nuclear Regulatory Commission (NRC), the CPUC and possibly the FERC and other regulatory agencies, as well as negotiating satisfactory contractual arrangements and obtaining satisfactory financing. As a result, there is no assurance that any of the three early dismantlement/decommissioning approaches outlined above can ultimately be consummated. In the event the Company determines an early dismantlement/decommissioning and repowering approach could not be adopted without recognition of the deficiency, the Company intends to pursue the SAFSTOR method, which remains a viable option.

On November 5, 1990, the Company submitted a proposed early dismantlement/decommissioning plan to the NRC. In all three early dismantlement/decommissioning scenarios described above, the Company would retain responsibility for the NRC license until completion of decommissioning.

The Company believes that if SAFSTOR were currently being pursued, the defueling and decommissioning liability recorded on a present value basis would be adequate assuming successful resolution of the defueling issues discussed below. In order to arrive at the most realistic estimate of the financial impact of the SAFSTOR defueling and decommissioning costs (approximately $213 million in 1990 dollars net of expenditures through December 31, 1990), over the time period anticipated, the 1990 SAFSTOR cost studies include escalation of expenditures at an average annual rate of 5.4% and discounting these annual expenditures to present value at a rate of 9%. If the Company is unsuccessful in implementing an early dismantlement/decommissioning approach and, therefore, subsequently returns to the SAFSTOR method, the Company believes the recorded defueling and decommissioning liability would be sufficient except to the extent amounts will have been expended for unrecoverable early dismantlement/decommissioning activities. At December 31, 1990, expenditures to date for such activities were not considered to be significant.

Because of the significant number of uncertainties discussed above and the fact that the decommissioning plan is subject to NRC approval and may be reviewed by other regulatory agencies, there can be no assurance that the actual cost of defueling and decommissioning will not exceed the estimated liability. The original cost estimate included a contingency provision that allowed some flexibility for revisions in the defueling and decommissioning plans without a corresponding change in the estimated liability. However, under current SAFSTOR assumptions the contingency provision has been exhausted. Under either the SAFSTOR or early dismantlement/decommissioning approach, the Company could be required to revise the estimated cost of defueling and decommissioning because of any changes which may be required in the decommissioning plan by the NRC or others or because of the resolution of other uncertainties such as the disposal of spent fuel as discussed below.

Defueling

After the cessation of operations at Fort St. Vrain, NRC approvals and license amendments necessary for defueling were obtained and defueling of the reactor core commenced on November 27, 1989. The equivalent of two of the six remaining spent fuel segments contained in the

reactor core were placed in the facility's temporary storage wells, filling them to capacity. Without resolution of the issues relating to the disposal of spent fuel discussed below, the Company cannot proceed with the removal of any additional fuel from the reactor core.

In 1965, the Company, the Atomic Energy Commission (now the Department of Energy (DOE)) and General Dynamics entered into an agreement to construct Fort St. Vrain. The 1965 agreement, as amended and modified, requires the DOE to designate a facility for the temporary storage and processing of Fort St. Vrain's first eight spent fuel segments. Pursuant to the terms of an agreement dated April 1, 1980, among the Company, the DOE and General Dynamics, DOE designated its Idaho National Engineering Laboratory (INEL) for receipt of the Fort St. Vrain spent fuel segments. Currently, three spent fuel segments from Fort St. Vrain reside at this facility. On June 24, 1983, the Company and the DOE entered into a federal repository contract for the disposal of spent nuclear fuel and/or high-level radioactive waste from Fort St. Vrain beginning with fuel segment 9.

Although the DOE is required by federal statute to provide a repository for permanent receipt and disposal of spent nuclear fuel beginning in 1998, it currently estimates that this schedule will not be met until 2010. The establishment of the DOE repository will be required for permanent storage of the equivalent spent fuel elements of segment 9. Although some temporary storage presently exists at Fort St. Vrain, an on-site independent spent fuel storage installation (ISFSI) will be required for the equivalent spent fuel elements of segment 9 unless other arrangements can be made for the interim storage of these elements. The Company is currently pursuing with the DOE the processing of the equivalent spent fuel elements of segment 9 at the Idaho facility in conjunction with the processing of the first eight segments.

Despite the Company's arrangements with the DOE, the Governor of Idaho announced, in a letter to the DOE dated September 15, 1989, that the State of Idaho is unwilling to accept any additional spent nuclear fuel segments from Fort St. Vrain for storage purposes. In an October 18, 1990 letter forwarding comments on a proposed Environmental Assessment Study prepared by the DOE relating to the shipment and storage of Fort St. Vrain spent fuel in Idaho, the Governor indicated this policy would continue until there is firm progress on the part of the DOE in establishing permanent repositories for the safe disposition of nuclear waste. In addition, the Governor stated that a complete Environmental Impact Statement be prepared. In a letter to the Company dated February 6, 1991, the Governor reiterated his position that shipments of spent fuel from Fort St. Vrain would not be accepted in the State of Idaho.

On February 7, 1991, the DOE stated in a letter to the Governor of Idaho that it had legal authority to accept the spent nuclear fuel, based on the 1965 contract discussed above, and that the DOE was in compliance with the National Environmental Policy Act (NEPA) requirements for the environmental assessments on transportation, receipt and storage of the spent fuel.

On February 7, 1991, the Company filed a complaint in the U.S. District Court for the District of Idaho against the Governor of Idaho asking that the Governor's ban on shipments of Fort St. Vrain spent fuel into Idaho be declared unconstitutional and that the Governor be enjoined from taking any action to ban such shipments of spent fuel into Idaho. On February 8, 1991, the Governor of Idaho petitioned for review in the U.S. Court of Appeals for the Ninth Circuit against the DOE asking for a declaratory judgment that the DOE is not in compliance with the requirements of the Nuclear Waste Policy Act (NWPA) and applicable environmental laws, including NEPA, with respect to its agreement to accept and store the Fort St. Vrain spent fuel at the INEL and that the DOE be enjoined from accepting any such spent fuel at the INEL until such requirements are satisfied.

On February 13, 1991, the Governor of Idaho exercised his claimed right under the NWPA to disapprove DOE's action in designating the INEL as the facility for storing nuclear waste from Fort St. Vrain by providing notice of such disapproval to the Speaker of the House of Representatives and the President Pro Tempore of the Senate. Because the DOE does not purport to be acting pursuant to the NWPA, the Company believes that the Governor's disapproval is ineffective.

On February 19, 1991, the DOE filed a complaint in the U.S. District Court for the District of Idaho against the Governor of Idaho. Similar to the action filed by the Company, the DOE is seeking to have the Governor's actions declared unconstitutional and preempted by Federal law and to enjoin the Governor from interfering in any manner in the transportation to and receipt by the INEL of the Fort St. Vrain spent fuel segments. On February 20, 1991, the DOE moved to consolidate its case with the Company's case.

While the Company will seek expeditious resolution of the issues discussed above, the Company is uncertain as to when or how they will be resolved. Either delay in the scheduled completion of defueling beyond December 1, 1991 or the actual utilization of the ISFSI currently being constructed at the plant for the storage of spent nuclear fuel could result in costs which have not yet been provided for by the Company. The amount of such costs is dependent on both the length of delay in completion of defueling, if any, and whether or not the ISFSI is utilized.

In the event the fuel shipment issues remain unresolved at December 1, 1991, the Company may commence with the defueling of the reactor to the ISFSI. The Company began construction of the ISFSI for the interim storage of spent fuel segments 4-9 in order to safeguard against any potential future delays in the defueling process. Defueling to the ISFSI

could be completed by July 31, 1992, resulting in an eight month delay at an estimated cost of approximately $2.6 million per month for a total of approximately $21 million. In addition, while the previously recognized defueling and decommissioning liability includes a provision for the estimated cost of licensing and constructing a six segment ISFSI, the on-going ISFSI maintenance costs as well as the ISFSI decommissioning costs were not included since actual utilization of an ISFSI had not been considered to be probable. Such costs, assuming storage of the fuel in the ISFSI until 2020, when the spent fuel would be shipped to the Federal repository, are estimated to be approximately $22 million, determined on a present value basis. These expenditures were escalated at an average annual rate of 5.4% and discounted to present value at a rate of 9%. Costs associated with the removal and shipment of the fuel from the ISFSI to the Federal repository in 2020 are assumed to be the responsibility of the DOE and, therefore, are excluded from this estimate. Hence, under the assumptions outlined above, total unprovided for costs would be approximately $43 million. However, the Company cannot predict at this time the amount of the unprovided for costs, if any, or the timing of the recognition of such costs.

The Company has notified the DOE that it is the Company's intention to seek reimbursement from the DOE for costs resulting from fuel shipping delays and additional costs associated with the ISFSI. At this time, the Company is uncertain as to the ultimate outcome of this matter.

Funding

Under NRC regulations, the Company is required to make filings with, and obtain the approval of, the NRC regarding certain aspects of the Company's decommissioning proposals. The plan must provide for the technical and operational aspects of decommissioning and specify that provision will be made for the costs of decommissioning (not including defueling) through NRC prescribed methods of advance funding which are: lump sum prepayment into a fund, escrow of funds annually up to expenditure date, or insurance or similar form of financial guarantee. The NRC regulations specify that advance funding must be in place prior to the cessation of operations. However, in the case of prematurely shut down plants, the financial arrangements consistent with the above regulations must be in place prior to beginning decommissioning.

The Company has set aside funds for decommissioning in trust accounts that have a combined value of approximately $25.4 million at December 31, 1990. Approximately $19.1 million of this amount represents funds recovered from customers and the earnings from the trust accounts. The remaining $6.3 million, which was contributed to the trust accounts in 1989 and 1990, represents funds not recovered from customers. Approximately $1.7 million remains to be collected from customers by the end of 1991.

As previously discussed, a proposed early dismantlement/decommissioning plan has been submitted to the NRC. The ultimate financial plan for the early dismantlement/decommissioning of Fort St. Vrain is dependent on the final approach selected in terms of the three options previously discussed.

Prior to the November 5, 1990 filing of the early dismantlement/decommissioning plan with the NRC, the Company had filed a SAFSTOR decommissioning plan and requested an exemption from the NRC funding rule requiring advance funding to be in place prior to the cessation of operations. The effect of the exemption would be to allow the Company to fund the estimated decommissioning costs for the SAFSTOR option in accordance with the financial plan submitted to the NRC as part of the Company's preliminary SAFSTOR decommissioning plan. The financial plan states that the Company will escrow (in addition to the existing trust balances as well as funds to be recovered from customers) approximately $4.5 million annually between 1990 and 2008 (the end of the operating license), so that the total funds escrowed, together with the anticipated earnings thereon, will be sufficient to fund the total decommissioning costs during the SAFSTOR decay and dismantlement periods. The Company would expect to fund the amounts to be escrowed annually from either debt instruments and/or operating funds of the Company and its subsidiaries. The exemption request is now pending with the NRC.

Defueling and other fuel related costs, of which the majority are scheduled to occur between 1989 and 1992 and which the Company is not required to prefund, are being paid from a combination of debt instruments and/or operating funds of the Company and its subsidiaries.

Nuclear Insurance

The Price Anderson Act, as amended, limits the public liability of a licensee for a single nuclear incident at its nuclear power plant to the amount of financial protection available through liability insurance and deferred premium assessment charges, currently approximately $7.8 billion, which includes a 5% surcharge. Financial protection for this exposure is provided by private insurance and an indemnity agreement with the NRC. Effective July 1, 1989, the Company maintains $200 million of private insurance, the amount required by the NRC. In the event of a nuclear incident involving a licensed commercial power plant in the United States that results in damages in excess of the private liability insurance, each reactor licensee, including the Company, is responsible to share in the liability up to the maximum amount through a deferred premium assessment. The maximum amount the Company would be required to pay in respect of each incident at a United States nuclear plant would be approximately $66 million (which includes a 5% surcharge), indexed every five years for inflation, provided that not more than $10 million would be payable per incident in any one year.

In addition to its liability insurance, the Company maintains $1.06 billion in nuclear property insurance. NRC regulations further require that policy proceeds be used to first make the reactor safe and stable, and then to decontaminate the reactor site. Coverage of the first $500 million of potential loss is provided by private insurance with the remaining $560 million being provided by a mutual insurance company, Nuclear Electric Insurance Limited. Under this insurance policy, NEIL II, the Company is also subject to retrospective premium assessments if losses exceed the accumulated funds available to the insurer. The present maximum assessment for incidents occurring during a policy year is approximately $6.2 million.

Effective February 1, 1991, the NRC granted the Company's exemption request that the nuclear property insurance coverage be reduced from $1.06 billion to $169 million.

3. Capital Stock

	1990		1989	
	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
4¼% series (includes $7,500 premium)	175,000	17,508	175,000	17,508
4½% 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	228,000	$ 22,800	240,000	$ 24,000
8.40% series	261,440	26,144	275,200	27,520
	489,440	48,944	515,200	51,520
Less: Preferred stock subject to mandatory redemption within one year	(25,760)	(2,576)	(25,760)	(2,576)
Total	463,680	$ 46,368	489,440	$ 48,944
Cumulative preferred stock, $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	140,000,000		80,000,000	
Issued and outstanding	54,320,248	$271,601	52,807,223	$264,036
Premium on common stock		479,548		454,260
		$751,149		$718,296

Changes in common stock and premium on common stock for the three years ended December 31, 1990, are as follows:

(Thousands of Dollars)

	Average Price Per Share	Common Stock	Premium on Common Stock
Balance, January 1, 1988		$262,283	$447,420
1,305 share adjustment	$17.38	6	17
Balance, December 31, 1988		262,289	447,437
348,733 shares issued under the Dividend Reinvestment Plan	$24.53	1,744	6,811
615 share adjustment	$23.75	3	12
Balance, December 31, 1989		264,036	454,260
197,862 shares issued under the Employees' Savings Plan	$25.13	989	3,983
1,315,163 shares issued under the Dividend Reinvestment Plan	$21.20	6,576	21,305
Balance, December 31, 1990		$271,601	$479,548

On February 26, 1991, the Company's Board of Directors declared a dividend of one common share purchase right (right) on each outstanding share of the Company's common stock. All future common shares issued will contain this right. Each right stipulates an initial purchase price of $55 per share but also prescribes a means whereby the resulting effect is such that, under the circumstances described below, shareholders would be entitled to purchase additional shares of common stock at 50% of the prevailing market price at the time of exercise. The rights are not currently exercisable, and would become exercisable if certain events occurred related to a person or group acquiring or attempting to acquire 20% or more of the outstanding shares of common stock of the Company.

In the event a takeover results in the Company being merged into an acquiror, the unexercised rights could be used to purchase shares in the acquiror at 50% of market price. Subject to certain conditions, if a person or group acquires 20%, but no more than 50%, of the Company's common stock, the Company's Board of Directors may exchange each right held by shareholders other than the acquiring person or group for one share of common stock (or its equivalent).

If a person or group successfully acquires 80% of the Company's common stock for cash, after tendering for all of the common stock, and satisfies certain other conditions, the rights would not operate. The rights expire on March 22, 2001; however, the rights may be redeemed by the Board of Directors for one cent at any time prior to the acquisition of 20% of the common stock by a potential acquiror.

At the May, 1990 Annual Meeting of Shareholders, the Company's shareholders voted to increase the number of authorized shares of common stock from 80,000,000, to 140,000,000.

During each of the years 1990, 1989 and 1988, the Company repurchased 12,000 shares of the 7.50% cumulative preferred series 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 purchase. No other changes in preferred stock occurred in the three years ended December 31, 1990.

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; 4¼% series: $101; 4½% series: $101; 4.64% series: $101; 4.90% series: $101; 4.90% 2nd series: $101; 7.15% series: $101.

Subject to mandatory redemption:
7.50% series: $103.25 on or prior to August 31, 1991, reducing each year thereafter by $0.25 per share until August 31, 2003, after which the redemption price is $100; 8.40% series: $103.50 on or prior to July 31, 1991, and reducing each year thereafter by $0.25 per share until July 31, 2004, after which the redemption price is $100.

In 1991 and in each year thereafter, the Company must offer to repurchase 12,000 shares of the 7.50% series at $100 per share, plus accrued dividends to the date set for repurchase, and 13,760 shares of the 8.40% series at $100 per share, plus accrued dividends to the date set for repurchase. Consequently, this preferred stock to be redeemed was classified as preferred stock subject to mandatory redemption within one year in the December 31, 1990 consolidated balance sheet.

$25 par value:

Not subject to mandatory redemption:
8.40% series: $25.75 prior to December 1, 1991, and $25.25 on or after that date.

4. Long-Term Debt

	(Thousands of Dollars)	
	1990	1989
Public Service Company of Colorado:		
First mortgage bonds:		
4½% series, due October 1, 1991	**$ –**	$ 30,000
4⅝% series, due March 1, 1992	**8,800**	8,800
8.95% series, due May 1, 1992	**75,000**	75,000
4½% series, due June 1, 1994	**35,000**	35,000
5⅜% series, due May 1, 1996	**35,000**	35,000
5⅞% series, due July 1, 1997	**35,000**	35,000
6¾% series, due July 1, 1998	**25,000**	25,000
8¾% series, due September 1, 2000	**35,000**	35,000
7¼% series, due February 1, 2001	**40,000**	40,000
7½% series, due August 1, 2002	**50,000**	50,000
7⅝% series, due June 1, 2003	**50,000**	50,000
9⅜% series, due October 1, 2005	**49,500**	49,500
8¼% series, due November 1, 2007	**50,000**	50,000
9¼% series, due October 1, 2008	**50,000**	50,000
9⅞% series, due July 1, 2020	**75,000**	–
13% series, due March 1, 2015	**–**	35,500
Pollution Control Series A,		
5⅞%, due March 1, 2004	**24,000**	24,000
Pollution Control Series B:		
7⅝%, due December 1, 1995	**2,500**	2,500
8%, due December 1, 2004	**35,000**	35,000
Pollution Control Series C:		
7¼%, due October 1, 2004	**15,000**	15,000
7⅜%, due October 1, 2005	**1,960**	1,960
7⅜%, due October 1, 2006	**2,105**	2,105
7⅜%, due October 1, 2007	**2,260**	2,260
7⅜%, due October 1, 2008	**2,425**	2,425
7⅜%, due October 1, 2009	**26,250**	26,250
Pollution Control Series E,		
9⅛%, due May 1, 2013	**42,000**	42,000
Pollution Control Series F,		
7⅜%, due November 1, 2009	**27,250**	27,250
Unamortized premium	**615**	688
Unamortized discount	**(13,920)**	(10,155)
Capital lease obligations, 14.65%, due in installments through April 1, 1995	**2,202**	2,695
	$782,947	$777,778

	(Thousands of Dollars)	
	1990	1989
Cheyenne Light, Fuel and Power Company:		
7⅞% First mortgage bonds, due April 1, 2003	$ 4,000	$ 4,000
10.70% unsecured notes, due September 1, 1995	8,000	8,000
Western Gas Supply Company:		
Unsecured promissory notes:		
7½%, due December 31, 1997	20,000	20,000
10.35%, due in installments through December 1, 1999	4,667	5,333
11.60%, due May 1, 2015	5,000	5,000
12.875%, due May 1, 2025	10,000	10,000
Unamortized discount	(305)	(317)
1480 Welton, Inc.:		
12.50% secured promissory note, due in installments through March 1, 1998	8,906	9,792
13.25% secured promissory note, due in installments through October 1, 2016	32,709	32,868
Fuel Resources Development Co.:		
Unsecured note, due June 30, 1992, interest rate fluctuates with the New York Federal Funds rate (5.93% at December 31, 1990)	7,000	–
Bannock Center Corporation:		
Unsecured note due June 30, 1990, interest rate fluctuates with the New York Federal Funds rate	–	21,425
8% mortgage note, due in installments through January 1, 1992	200	250
PS Colorado Credit Corporation:		
8.30% to 8.75% unsecured notes, maturing January 16, 1991 to February 5, 1991	–	10,000
Natural Fuels Corporation:		
Capital lease obligations, 8⅛% due in installments through December 31, 199-	75	–
	$883,199	$904,129

The Company registered $150,000,000 in First Mortgage Bonds with the Securities and Exchange Commission (SEC) in November 1986. In July 1990, the Company issued the remaining $75,000,000 of such bonds at 9⅞%, due July 1, 2020. In October 1990, the Company filed a registration statement with the SEC relating to $500,000,000 principal amount First Mortgage Bonds of which $200,000,000 was subsequently designated for a medium-term note program. Subsequent to year-end, $55,000,000 in medium-term notes were issued as shown below. The Company will continue from time to time to offer such bonds based on market conditions and other factors.

Principal	Interest Rate	Maturity Date
$20,000,000	8.55%	1/11/95
15,000,000	8.82%	1/15/96
10,000,000	8.38%	1/12/94
10,000,000	8.375%	1/17/94

In March 1990, the Company redeemed $35,500,000 of the 13% First Mortgage Bonds, due March 1, 2015, paying a redemption premium of $3,766,000. This redemption premium as well as the unamortized debt expense attributable to the 13% bonds are being amortized through 2003 as authorized by the CPUC.

In addition, BCC's unsecured note payable was not extended beyond December 30, 1990. On January 2, 1991, a $23,500,000 unsecured note, due March 25, 1991, variable interest rate, was issued. In the interim, although not reflected in the consolidated financial statements, an intercompany note receivable/payable between the Company and BCC for $23,500,000 at 9.5%, was outstanding at December 31, 1990. BCC is in the process of securing other financing arrangements.

As of December 31, 1990, PSCCC had in place a program to sell its private medium-term notes, with maturities from nine months to ten years, up to an amount of $100,000,000 outstanding at any one time. As of December 31, 1990, PSCCC had issued $49,500,000 of its medium-term notes, of which $39,500,000 have been redeemed. At December 31, 1990 and 1989, PSCCC had outstanding $10,000,000 and $35,000,000 in medium-term notes, respectively, of which $10,000,000 and $25,000,000, respectively, were due to mature within one year.

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, 1990 are:

Year	Maturities	Sinking Fund Requirements	Total
1991	$42,235,000	$4,693,000	$46,928,000
1992	93,448,000	4,605,000	98,053,000
1993	2,698,000	[illegible]605,000	7,303,000
1994	37,974,000	4,255,000	42,229,000
1995	13,102,000	4,255,000	17,357,000

The Company expects to satisfy its sinking fund obligations through the application of property additions, and Cheyenne expects to satisfy $60,000 of its sinking fund obligations annually through the application of property additions.

5. Notes Payable and Commercial Paper

Information regarding notes payable and commercial paper for the years ended December 31, 1990 and 1989 is as follows:

	(Thousands of Dollars) 1990	1989
Notes payable to banks (weighted average interest rate 8.54% at December 31, 1990 and 0% at December 31, 1989)	$ 68,[illegible]	$ 18
Commercial paper (weighted average interest rate 9.06% at December 31, 1990 and 9.00% at December 31, 1989)	145,100	153,190
	$213,833	$153,208
Maximum amount outstanding at any month-end during the period	$254,230	$165,000
Weighted average amount (based on the daily outstanding balance) outstanding for the period (weighted average interest rate 8.44% for the year ended December 31, 1990 and 9.26% for the year ended December 31, 1989)	$163,736	$142,225

6. Bank Lines of Credit and Compensating Bank Balances

Arrangements for committed bank lines of credit totaled $150,000,000 at December 31, 1990 and 1989, and were maintained entirely by fee payment in lieu of compensating balances. The unused committed lines of credit at December 31, 1990 and 1989 were $136,000,000 and $150,000,000, respectively. Certain of the agreements for these credit lines require that investment grade status be maintained to ensure commitment. These bank lines of credit are primarily used to support the issuance of commercial paper by the Company and PSCCC, but also allow for direct borrowing thereunder.

Arrangements for uncommitted bank lines of credit totaled $150,000,000 at December 31, 1990 and $200,000,000 at December 31, 1989. The unused uncommitted bank lines of credit at December 31, 1990 and 1989 were $95,000,000 and $200,000,000, respectively. The Company and its subsidiaries generally may borrow under uncommitted preapproved lines of credit upon request; however, the banks have no firm commitment to make such loans.

On February 8, 1991, the Company and PSCCC jointly entered into a credit facility with several banks providing $300,000,000 in bank lines of credit. The facility consists of $150,000,000 in available commitments and $150,000,000 in deferred commitments. The available commitments will be used primarily to support the issuance of commercial paper by the Company and PSCCC and are available for direct borrowing thereunder. The deferred commitments are standby committed lines of credit that can be activated with five business days notice. Generally, the banks as participants in the facility would have no obligation to continue their commitments if there has been a material adverse change in the business or financial condition of the Company. The facility, which matures February 6, 1992, replaced the $300,000,000 individually arranged bank lines of credit in effect at the time this facility was entered into.

7. Commitments and Contingencies

Revenue Subject to Refund

On July 18, 1990, the Company, the Colorado Office of Consumer Counsel (OCC), and the staff of the CPUC reached a joint stipulation agreement on procedural issues for a proposed rate case. As agreed to, the Company filed a rate case on January 31, 1991 in determination of the Company's revenue requirements. An OCC complaint, which was filed March 29, 1990, has been consolidated into the rate case. The complaint contends, among other things, that the Company's authorized 14.4% return on equity is unreasonable. Also as agreed, the Company will refund amounts earned in excess of the 14.4% regulatory authorization, if any, for the period January 1, 1990 until November 27, 1990. The Company does not believe earnings during this period were in excess of regulatory authorization. In addition, the Company has agreed, upon conclusion of the rate case, to a rate adjustment which will recognize the difference, if any, between the new rates resulting from the complaint case and those in effect from November 27, 1990 through September 30, 1991.

Purchase Requirements

Coal: At December 31, 1990, the Company had in place long-term contracts for the purchase of coal for existing power plants through 1997 and for the Pawnee Steam Electric Generating Station Proposed Unit 2 from its completion through 2013. The minimum remaining quantities to be purchased under these contracts total 104 million tons. The coal purchase prices are subject to periodic adjustment for inflation and market conditions. Total estimated take or pay obligations, based on current prices, were approximately $817 million at December 31, 1990.

Natural Gas: The Company and its regulated subsidiaries have entered into long-term contracts expiring through 2004 for the purchase of natural gas in anticipation of future requirements. In general, purchase prices under these contracts are based on market price formulas. Total estimated take or pay obligations, based on current prices, were $662 million at December 31, 1990.

Purchased power: The Company and Cheyenne have entered into agreements for purchased power to meet system load and energy requirements, to replace generation from Company-owned units under maintenance and outages, and to provide the Company's operating reserve obligation to the Inland Power Pool. These agreements expire on various dates through the year 2026. The price of the energy purchased is determined by contracts, which have been accepted for filing by the FERC, providing generally for recovery by the sellers of their costs. The suppliers under these contracts have obtained financing for their facilities based on such contracts. Total payments associated with such contracts were $178 million (1990), $172 million (1989) and $128 million (1988). The following table shows the fixed portion of commitments under these contracts (payable provided power is available) for each of the next five years and in the aggregate.

Years ending December 31	(Thousands of Dollars)
1991	$ 123,562
1992	130,215
1993	154,489
1994	161,980
1995	168,311
1996 and thereafter	1,957,671
Total	$2,696,228

In addition, the Company has other long-term purchased power contracts expiring through 2017 that include firm purchase commitments. These contracts similarly provide for the recovery by sellers of their costs. Estimated firm

commitments (payable provided power is available) under these contracts total $1.2 billion.

Historically, all minimum coal, natural gas and purchased power requirements have been met.

Miscellaneous Purchases: Commitments made for the purchase of various items of plant and equipment aggregated approximately $134 million at December 31, 1990.

Fort St. Vrain

See Note 2 for certain contingencies relating to Fort St. Vrain.

Customer Accounts Receivable

The Company is required to provide service and grant credit to customers within its service territory. The Company may require security deposits prior to providing service to customers depending upon an assessment of credit worthiness.

The Company has reviewed its customer base for concentrations of credit risk and has determined that no individual customer or group of customers engaged in similar activities represent a material concentration of credit risk to the Company.

Environmental

Lowry Landfill: The Lowry Landfill in southeast metropolitan Denver has been designated by the Environmental Protection Agency (EPA) as a Superfund site pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Under CERCLA, the EPA notified Potentially Responsible Parties (PRPs) of their potential liability for the cleanup of the site. The Company, which used the site for disposal of trash and neutralized liquids generated in its boiler cleaning process, has been named along with many others as a PRP at the Lowry Landfill. The EPA has begun its remedial investigations and feasibility studies at the Lowry Landfill for the purposes of identifying the appropriate method of cleanup, its attendant cost, and the allocation of the cleanup cost among various PRPs. The Company is actively participating in the Lowry Landfill *De Minimis* Group which was organized as a result of the EPA's declaration that it would seek a *de minimis* settlement at Lowry Landfill. The EPA requested that the PRPs organize themselves to negotiate a settlement for the PRPs whose contribution of waste at the Lowry Landfill is minimal in volume and toxicity. In addition to the Lowry Landfill, the Company has identified several sites where cleanup of hazardous waste may be required. The Company fully intends to pursue the recovery of all costs incurred for such projects through insurance coverage and/or the regulatory process.

Clean Air: On November 15, 1990, President Bush signed into law the Clean Air Act Amendments of 1990 aimed at lowering the acidity of rainfall in the United States. The Amendments require coal burning power plants to reduce sulfur dioxide (SO_2) and nitrogen oxide (NOx) emissions to specified levels. The Company is currently meeting the emission standards placed on SO_2 through the use of low sulfur coal. The Company will be required to modify certain boilers to reduce NOx emissions. It is anticipated that under current regulatory principles, any costs incurred by the Company would be recovered from its customers.

On October 7, 1988 the results of the Metro Denver Brown Cloud Study, along with a ten point recommendation, were released by the Governor of the State of Colorado. In response, the Company will attempt to reduce SO_2 emissions 50% by applying SO_2 reduction technology on all of its major metropolitan area ge[illegible] to reduce NOx emissions 20% by mod[illegible] generating units by the end of 1992.

Leasing Program

The Company has in place a leasing program which includes a provision whereby the Company indemnifies the lessor for all liabilities which might arise from the acquisition, use, or disposition of the leased property.

No provision has been made in the financial statements for any of the above commitments and contingencies.

8. Postretirement Benefits

The Company and its significant subsidiaries maintain a noncontributory defined benefit pension plan covering substantially all employees. The benefits were based on the employees' years of service, up to a maximum of 35 years, and average final compensation. On January 1, 1991, an amendment became effective which removed the 35 year limitation.

The Company and its subsidiaries' funding policy is to contribute annually, at a minimum, the amount necessary to satisfy the Internal Revenue Service funding standards. The net pension expense (credit) in 1990, 1989 and 1988 was comprised of:

	(Thousands of Dollars)		
	1990	1989	1988
Service cost	$ 11,441	$ 8,426	$ 7,967
Interest cost on projected benefit obligation	31,436	28,565	27,680
Loss (return) on plan assets	1,773	(74,705)	(37,713)
Amortization of net transition asset at adoption of Statement of Financial Accounting Standards No. 87	(3,674)	(3,674)	(3,674)
Other items	(38,726)	39,836	4,186
Net pension expense (credit)	$ 2,250	$ (1,548)	$ (1,554)

A comparison of the actuarially computed benefit obligations and plan net assets at December 31, 1990 and December 31, 1989, is presented on the following table. Plan assets are stated at fair value and are comprised primarily of corporate debt and equity securities, a real estate fund and government securities held either directly or in commingled funds.

	(Thousands of Dollars)	
	1990	1989
Actuarial present value of benefit obligations:		
Vested	**$ 275,487**	$ 271,445
Nonvested	**23,088**	21,817
	298,575	293,262
Effect of projected future salary increases	**87,333**	79,574
Projected benefit obligation for service rendered to date	**385,908**	372,836
Plan assets at fair value	**(392,913)**	(406,551)
Excess of plan assets over projected benefit obligation	**7,005**	33,715
Unrecognized net loss (gain)	**27,550**	(1,660)
Prior service cost not yet recognized in net periodic pension cost	**12,474**	9,916
Unrecognized net transition asset at January 1, 1986, being recognized over 17 years	**(44,084)**	(47,758)
Prepaid pension asset (accrued pension liability)	**$ 2,945**	$ (5,787)

Significant assumptions used in determining net periodic pension cost and the projected benefit obligation were:

	1990	1989	1988
Discount rate	8.9%	8.7%	9.6%
Expected long-term increase in compensation level	5.5%	5.5%	5.5%
Expected weighted average long-term rate of return on assets	11%	11%	11%

Variances between actual experience and assumptions for costs and returns on assets are amortized over the average remaining service lives of employees in the plan.

During 1986, the Company and its subsidiaries offered to employees, age 55 and older with 20 years or more of service, a special incentive for early retirement in the form of increased pension benefits, to be paid from the pension trust fund, and a one-time cash bonus. Approximately 550 employees elected to retire under this program. The cost of this program, determined in accordance with Statement of Financial Accounting Standards No. 88–"Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", was approximately $25.2 million. This cost is being amortized to pension expense over 4.3 years as authorized by the CPUC.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits for retired employees. A significant portion of the employees become eligible for these benefits if they reach either early or normal retirement age while working for the Company or its subsidiaries. The cost of providing health care and life insurance benefits to active, retired and disabled employees amounted to $30.4 million, $27.3 million and $26.2 million in 1990, 1989 and 1988, respectively. The 1990 cost of providing these benefits was $7.5 million for the 2,338 retired employees and $22.9 million for the 6,709 active and disabled employees. The prior years cost of providing these benefits for the retired employees (2,284 in 1989 and 2,250 in 1988) is not separable from the cost of providing benefits for the active and disabled employees (6,623 in 1989 and 6,645 in 1988).

In December 1990, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 106–"Employers' Accounting for Postretirement Benefits Other Than Pensions", which establishes the accounting and reporting standards for postretirement benefits other than pensions. The statement requires the accrual, during the years that an employee renders service to the Company, of the expected cost of providing postretirement benefits to the employee and the employee's beneficiaries and covered dependents. The statement is effective for fiscal years beginning after December 15, 1992, with early adoption encouraged. The Company has not yet determined when the standard will be adopted, or how it will be implemented, nor has the Company quantified its financial impact when ultimately adopted. Although the effect of adoption has not been fully determined, due to anticipated future regulatory treatment, the Company does not expect adoption to have a material effect on results of operations.

9. Income Tax Expense

Income tax expense consists of the following:

			(Thousands of Dollars)
	1990	1989	1988
Current income taxes:			
Federal	$ 40,742	$ 30,174	$ 61,517
State	3,931	4,630	14,091
	44,673	34,804	75,608
Deferred income taxes (benefits) related to:			
Contributions in aid of construction	(3,300)	(11,082)	–
Accelerated depreciation	23,893	19,064	23,028
Net unbilled revenues	(2,780)	(14,784)	(8,332)
Fort St. Vrain plant abandonment	327	42,647	–
Fort St. Vrain defueling and decommissioning	21,596	8,052	(25,141)
Alternative minimum tax	(5,114)	(2,180)	–
Other book-tax timing differences	(335)	(4,697)	2,224
	34,287	37,020	(8,221)
Investment tax credit, net of amortization	(4,982)	(5,267)	(6,342)
Total income taxes	$ 73,978	$ 66,557	$ 61,045

Deferred tax provisions are not recorded on certain book-tax timing differences. As of December 31, 1990, the cumulative net amount of such timing differences was $364,724,000. 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 related taxes are paid.

As a result of the Tax Reform Act of 1986, the Company determines its income tax liability to be the greater of regular income tax or alternative minimum tax (AMT). As of December 31, 1990, the Company has recorded an excess AMT liability over regular tax liability of approximately $7.3 million. This excess becomes a credit which may be applied against future regular tax liabilities.

During June 1989, the Company and its regulated subsidiaries revised their estimate of the deferred taxes to be recognized as a result of taxable customer contributions in aid of construction under the Tax Reform Act of 1986. The recognition of such deferred tax assets for the period January 1, 1987 through June 30, 1989, which had not previously been provided for, reduced 1989 total income tax expense and increased net income by approximately $16.9 million. For financial reporting purposes, deferred tax assets are netted against deferred tax liabilities.

A reconciliation of the statutory U.S. income tax rates and the effective tax rates is as follows:

(Thousands of Dollars)

	1990		1989		1988	
Tax computed at statutory rate on pre-tax accounting income	**$74,842**	**34.0%**	$73,235	34.0%	$63,265	34.0%
Increase (decrease) in tax from:						
Difference between tax and book depreciation	**(1,215)**	**(0.5)**	1,067	0.5	224	0.1
Allowance for funds used during construction	**(2,122)**	**(1.0)**	(1,226)	(0.6)	(290)	(0.2)
Amortization of investment tax credit	**(5,195)**	**(2.4)**	(5,378)	(2.5)	(6,889)	(3.7)
State income taxes, net of federal income tax benefit	**2,588**	**1.2**	3,060	1.4	8,644	4.6
Customer contributions in aid of construction	**1,321**	**0.6**	(7,794)	(3.6)	8,263	4.5
Amortization of bond call premium	**293**	**0.1**	226	0.1	226	0.1
Fort St. Vrain plant abandonment	**548**	**0.3**	10,908	5.1	–	–
Net unbilled revenues	**(1,020)**	**(0.5)**	(2,178)	(1.0)	(3,609)	(1.9)
Other–net	**3,938**	**1.8**	(5,363)	(2.5)	(8,789)	(4.7)
Total income taxes	**$73,978**	**33.6%**	$66,557	30.9%	$61,045	32.8%

In December 1989, the FASB issued Statement of Financial Accounting Standards No. 103–"Accounting for Income Taxes–Deferral of the Effective Date of FASB Statement No. 96" which postponed mandatory adoption of Statement of Financial Accounting Standards No. 96–"Accounting for Income Taxes" (SFAS 96) to fiscal years beginning after December 15, 1991. SFAS 96 establishes new financial accounting and reporting standards to recognize tax liabilities and assets that result from an enterprise's activities during the current and preceding years. The FASB is currently re-evaluating specific provisions of SFAS 96 and intends to amend the standard. The Company believes application of the new standard will not significantly impact the Company's reported net worth in the year it is adopted.

10. Supplementary Income Statement Information

(Thousands of Dollars)

	1990	1989	1988
Taxes (other than income taxes)			
Real estate and personal property taxes	**$41,307**	$39,567	$34,403
Social security taxes	**19,951**	18,237	17,092
City and state use taxes	**8,625**	7,540	5,778
Miscellaneous taxes	**5,823**	6,324	6,518
	$75,706	$71,668	$63,791
Charged:			
Directly to income–			
Operating expenses	**$70,033**	$67,430	$60,434
Other	**124**	129	175
To property, plant and equipment and various other accounts	**5,549**	4,109	3,182
	$75,706	$71,668	$63,791

11. Segments of Business

Segment information for the year ended December 31, 1990 is as follows:

(Thousands of Dollars)

	Electric	Gas	Other	Total
Operating revenues	$1,145,915	$561,712	$ 26,312	$1,733,939
Operating expenses, excluding depreciation and income taxes	806,287	503,415	5,326	1,315,028
Depreciation	79,950	23,669	2,908	106,527
Total operating expenses*	886,237	527,084	8,234	1,421,555
Operating income*	$ 259,678	$ 34,628	$ 18,078	$ 312,384
Plant construction expenditures**	$ 150,780	$105,233	$ 5,208	$ 261,221
Identifiable assets, December 31, 1990–				
Utility plant**	$1,939,301	$569,108	$100,852	$2,609,261
Materials and supplies	$ 60,404	$ 11,486	$ 29	71,919
Fuel inventory	$ 33,219	$ –	$ 208	33,427
Gas in underground storage	$ –	$ 13,701	$ –	13,701
Other corporate assets				501,934
				$3,230,242

Segment information for the year ended December 31, 1989 is as follows:

(Thousands of Dollars)

	Electric	Gas	Other	Total
Operating revenues	$1,139,471	$577,282	$23,913	$1,740,666
Operating expenses, excluding depreciation and income taxes	813,128	511,123	829	1,325,080
Depreciation	78,658	20,849	3,324	102,831
Total operating expenses*	891,786	531,972	4,153	1,427,911
Operating income*	$ 247,685	$ 45,310	$19,760	$ 312,755
Plant construction expenditures**	$ 112,750	$ 54,135	$ 7,533	$ 174,418
Identifiable assets, December 31, 1989–				
Utility plant**	$1,886,444	$488,592	$93,107	$2,468,143
Materials and supplies	$ 66,857	$ 10,045	$ 35	76,937
Fuel inventory	$ 34,251	$ –	$ 117	34,368
Gas in underground storage	$ –	$ 16,092	$ –	16,092
Other corporate assets				449,397
				$3,044,937

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

Segment information for the year ended December 31, 1988 is as follows:

(Thousands of Dollars)

	Electric	Gas***	Other	Total
Operating revenues	$1,115,964	$591,493	$22,984	$1,730,441
Operating expenses, excluding depreciation and income taxes	827,185	519,423	2,568	1,349,176
Depreciation	77,913	19,764	3,264	100,941
Total operating expenses*	905,098	539,187	5,832	1,450,117
Operating income*	$ 210,866	$ 52,306	$17,152	$ 280,324
Plant construction expenditures**	$ 118,079	$ 43,322	$ 1,405	$ 162,806
Identifiable assets, December 31, 1988–				
Utility plant**	$1,859,498	$464,817	$89,095	$2,413,410
Materials and supplies	$ 58,546	$ 10,924	$ 40	69,510
Fuel inventory	$ 27,593	$ –	$ 165	27,758
Gas in underground storage	$ –	$ 14,681	$ –	14,681
Other corporate assets				459,083
				$2,984,442

*Before income taxes
**Includes allocation of common utility property
***Gas operating revenues and operating expenses have been restated to reflect a revision in the treatment of gas refunds received from suppliers. These changes had no effect on operating income (see Note 1).

12. Operating Leases

The Company and its subsidiaries maintain operating lease agreements for equipment and facilities used in the normal course of business. The majority of these leases are under a leasing program that has initial noncancelable terms of one year. Other operating leases have various terms and may be renewed or replaced. Rental expense for the years ended December 31, 1990, 1989 and 1988 was $18.4 million, $11.0 million and $5.2 million, respectively. At December 31, 1990, future minimum rental payments applicable to noncancelable operating leases were as follows:

	(Thousands of Dollars)
Years ending December 31	
1991	$ 20,500
1992	18,083
1993	15,346
1994	12,033
1995	7,799
1996 and thereafter	45,240
Total minimum lease payments	$119,001

13. Quarterly Financial Data (Unaudited)

The following summarized quarterly information for 1990 and 1989 is unaudited but includes all adjustments (consisting only of normal recurring accruals) which the Company considers necessary for a fair presentation of the results for the periods. Information for any one quarterly period is not necessarily indicative of the results which may be expected for a twelve month period due to seasonal and other factors.

(Thousands—except per share data)

1990 Three Months Ended	March 31	June 30	September 30	December 31
Operating revenues[1]	$513,322	$418,669	$364,380	$437,568
Operating income	$ 66,197	$ 52,622	$ 57,114	$ 62,473
Net income	$ 42,289	$ 30,188	$ 34,259	$ 39,408
Earnings available for common stock[2]	$ 39,162	$ 27,061	$ 31,149	$ 36,332
Average common shares outstanding	53,072	53,440	53,802	54,188
Earnings per average common share[2]	$0.74	$0.51	$0.58	$0.67

[1] Operating revenues and gas purchased for resale expense for the three months ended March 31, June 30 and September 30 have been restated to reflect a revision in the treatment of gas refunds received from suppliers. These revisions had no effect on income (see Note 1).
[2] Due to rounding, quarterly figures do not add to annual total.

(Thousands—except per share data)

1989 Three Months Ended	March 31	June 30	September 30	December 31
Operating revenues	$544,669	$389,579	$382,989	$423,429
Operating income	$ 68,196	$ 64,503	$ 46,821	$ 66,678
Net income	$ 43,672	$ 39,478	$ 23,539	$ 42,151
Earnings available for common stock[1]	$ 40,494	$ 36,300	$ 20,378	$ 39,024
Average common shares outstanding	52,458	52,458	52,570	52,749
Earnings per average common share	$0.77	$0.69	$0.39	$0.74

[1] Due to rounding, quarterly figures do not add to annual total.

SHAREHOLDER INFORMATION

Public Service Company of Colorado and Subsidiaries

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
1990	44,091,100	174,273
1989	37,383,000	148,345
1988	47,247,600	186,749
1987	57,761,200	229,211

Year	Common Shares Outstanding	Shareholders Common	Shareholders Preferred
1990	54,320,248	55,945	4,313
1989	52,807,223	56,075	4,466
1988	52,457,875	59,256	4,693

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 Boston 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 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 may be ordered out in certificate form by the participant and sold through a brokerage firm or may be sold through the DRP by sending in the appropriate form. Shares held in the DRP for a participant will not be sold for that participant between the record date for a dividend and the time when the records have been updated to reflect the reinvestment of such dividend.

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.

Dividends reinvested through the DRP are used to purchase shares of common stock directly from the Company. The Company will issue the shares to the plan participants at a 3% discount from the average of the high and low sale prices of the common stock, as reported on the consolidated tape on the dividend payment 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.

Participants may also invest optional cash payments through the DRP in amounts ranging from a minimum of $25 per payment to a maximum of $100,000 per year. The same amount of money need not be sent with each payment, and there is no obligation to make an optional cash payment each month. Optional cash payments must be received by the 20th day of the month. Such payments received after the 20th day of the month will be deemed, for reinvestment purposes, to have been received in the next month.

The purchase price of shares acquired with optional cash payments is the average of the high and low sale prices of the common stock, as reported on the consolidated tape on the investment date. Common stock purchased directly from the Company will be credited to the participants' accounts as of the 21st day of the month or, if the market is closed on such day, the next day on which trading occurs.

A prospectus describing the DRP and enrollment information can be obtained from the Shareholder Services Department by writing or by calling (800) 635-0566 or (303) 571-7514.

Transfer Agent

The Company is the sole transfer agent and registrar for its common and preferred stock.

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 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 the time the indemnity bond is issued.

Information regarding lost or stolen certificates should be sent to Public Service Co. of Colo., P.O. Box 840, Denver, CO 80201, Attn: Shareholder Services, Room 160-B.

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 or has authorized direct deposit of dividends to a financial institution.

Dividends also can be deposited directly into shareholders' bank accounts through the electronic funds transfer (EFT) service. Shareholders who have summer and winter residences, who travel extensively, or who do not want to make trips to their banks find this service beneficial. For further information, call (800) 635-0566 or (303) 571-7514.

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 ten days after the dividend payment date to allow for any delay in mail delivery.

Stale Dated Checks

Dividend and liquidation checks issued prior to August 1, 1990 will no longer be honored by Central Bank of Denver. Shareholders with stale dated checks are requested to contact Shareholder Services for replacement instructions.

Address Changes

Please notify Shareholder Services *promptly* of your address changes. Be sure to give us your name, old address, new address and your Shareholder Account Number. Mail to: Public Service Co. of Colo., P.O. Box 840, Denver, CO 80201, Attn: Shareholder Services, Room 160-B.

Prompt notification will help to ensure your receipt of dividends or reinvestment statements. Please include telephone numbers on all correspondence.

Common and Preferred Closing Stock Prices

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 1990 and 1989.

Common Stock	4th	3rd	2nd	1st
1990				
High	23⅜	21½	23¼	26½
Low	20⅝	20	20⅛	22¼
Last Trade	23½	20¾	21⅛	23⅛
Div. Dec.	.50	.50	.50	.50
Div. Paid	.50	.50	.50	.50
1989				
High	27	25⅜	23¼	21¼
Low	23½	22¼	20⅛	20
Last Trade	26½	25	22¼	20¼
Div. Dec.	.50	.50	.50	.50
Div. Paid	.50	.50	.50	.50

Cumulative Preferred Stock	4th	3rd	2nd	1st
4¼% Series				
1990 High	46	46½	45	47
Low	44	43¼	43¼	43
1989 High	46	45	43½	44½
Low	43½	42½	40½	41½
7.15% Series				
1990 High	76	75	75¼	78¼
Low	71	73½	72	73
1989 High	79	78⅜	75⅜	71½
Low	74½	74	68¼	68¼
8.40% Series ($25)				
1990 High	23⅞	22⅞	23½	24
Low	21⅛	21½	21⅛	22½
1989 High	23⅜	23⅜	22½	[illegible]
Low	22⅜	22¾	20⅝	20½

Dividend Reinvestment Plan Statistics

Year	Shareholder Participants	% of Total	Shares Participating	% of Total
1990	28,065	50.2	12,327,468	22.7
1989	26,651	47.5	7,483,628	14.2
1988	24,939	42.1	7,017,429	13.4

Annual Meeting

DATE: Tuesday, May 7, 1991
PLACE: Colorado Convention Center, 700 14th Street, Denver, Colorado—Lobby A
TIME: 2:00 p.m. (MDT)
Notice of the Annual Meeting, proxy statements and cards are mailed approximately 30 days before the meeting date.

For Information Write or Call:

Public Service Company of Colorado
550 15th Street, Room 160-B, Denver, Colorado 80202
(800) 635-0566 (303) 571-7514

Investor Relations

Susan G. Pollack and Michael D. Pritchard

Shareholder Services

Roger C. McClary and Marjorie Murray

SHAREHOLDER COMMUNICATIONS SURVEY

1990 ANNUAL REPORT

1. How much of PSCo's 1990 Annual Report did you read?

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

2. Is the 1990 Annual Report easy to read and understand?

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

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

	Outstanding									Poor
Financial Highlights	1	2	3	4	5	6	7	8	9	10
At A Glance	1	2	3	4	5	6	7	8	9	10
To Our Shareholders	1	2	3	4	5	6	7	8	9	10
Hard Won Strategy	1	2	3	4	5	6	7	8	9	10
Ensuring The Future	1	2	3	4	5	6	7	8	9	10
Natural Gas	1	2	3	4	5	6	7	8	9	10
Electric Operations	1	2	3	4	5	6	7	8	9	10
Taking The Lead	1	2	3	4	5	6	7	8	9	10
Regulatory Environment	1	2	3	4	5	6	7	8	9	10
Shareholder Information	1	2	3	4	5	6	7	8	9	10

4. Please rate the overall 1990 Annual Report by circling the number which best describes your feelings on the following:

	Outstanding									Poor
Candor	1	2	3	4	5	6	7	8	9	10
Overall Impression	1	2	3	4	5	6	7	8	9	10

QUARTERLY REPORTS

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

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

6. Were the 1990 Quarterly Reports easy to read and understand?

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

7. Please rate PSCo 1990 Quarterly Reports by circling the number below which best describes your overall impression:

	Outstanding									Poor
Overall, I felt the 1990 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
- ☐ good
- ☐ adequate
- ☐ inadequate

9. Are you being adequately informed about PSCo activities?

☐ yes ☐ mostly ☐ not entirely ☐ no

10. Is there any information you would add? ______

11. What is your Zip Code? ______

SHAREHOLDER PROFILE

Please circle one answer to each question.

How is your stock registered?

1. To you or a family member
2. In nominee or street name

Age category?

1. Under 25
2. 25-44
3. 45-64
4. 65 or over

PSCo shares owned? (include dividend reinvestment)

1. Under 50
2. 50-100
3. 101-500
4. 501-1,000
5. 1,001-2,000
6. Over 2,000

How long have you been a PSCo shareholder?

1. Less than 1 year
2. 1-2 years
3. 3-5 years
4. 6-10 years
5. 11-20 years
6. Over 20 years

Principal reason for holding PSCo stock?

1. Dividend income
2. Long-term growth
3. Income plus growth
4. Other ______

Which most influenced you to acquire PSCo stock?

1. Personal research
2. Stockbroker
3. Friend or relative
4. Gift/inheritance
5. Financial publication
6. Other ______

What most concerns you about PSCo? ______

What is your Zip Code? ______

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.

- ☐ **Financial and Statistical Review 1980-1990**
- ☐ **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):

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City ______

State ______ Zip ______

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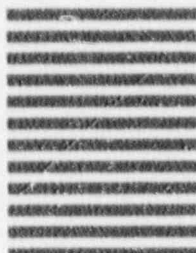

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DENVER CO 80201-9716

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Board of Directors

D.D. Hock
Denver, CO (1985)
Chairman of the Board,
President and
Chief Executive Officer
Age 55

Collis P. Chandler, Jr.
Denver, CO (1985)
President
Chandler & Associates, Inc.
Age 64

Doris M. Drury, PhD
Denver, CO (1975)
Regis College
Executive Director,
MBA program
President, Center for Business
and Economic Forecasting
Age 64

Thomas T. Farley
Pueblo, CO (1983)
Attorney at Law
Petersen & Fonda
Professional Corp.
Age 56

Gayle L. Greer
Denver, CO (1986)
Vice President, American
Television
and Communications
Corporation
Age 49

A. Barry Hirschfeld
Denver, CO (1988)
President, A.B. Hirschfeld
Press, Inc.
Age 48

George B. McKinley
Evanston, WY (1976)
President
First McKinley Corp.
Age 63

Will F. Nicholson, Jr.
Denver, CO (1981)
Chairman of the Board
and President
Colorado National
Bankshares, Inc.
Age 61

J. Michael Powers
Cheyenne, WY (1978)
President, Powers Brick and Tile
and Powers Products Co.
Age 48

Thomas E. Rodriguez
Denver, CO (1986)
President, Thomas E. Rodriguez &
Associates, P.C.
Age 46

Rodney E. Slifer
Vail, CO (1988)
Partner
Slifer, Smith & Frampton
Age 56

W. Thomas Stephens
Denver, CO (1989)
Chairman, President, and
Chief Executive Officer
Manville Corporation
Age 48

Robert G. Tointon
Greeley, CO (1988)
President
Phelps-Tointon, Inc.
Age 57

( ) Year elected to the
Board of Directors

Ages as of December 31, 1990

Executive Committee

D.D. Hock
Doris M. Drury
George B. McKinley
Will F. Nicholson, Jr.
Robert G. Tointon

Audit Committee

J. Michael Powers
Thomas T. Farley
Gayle L. Greer
Thomas E. Rodriguez

Pension Investment Committee

W. Thomas Stephens
Collis P. Chandler, Jr.
A. Barry Hirschfeld
Rodney E. Slifer

Compensation Committee

Doris M. Drury
George B. McKinley
Will F. Nicholson, Jr.
W. Thomas Stephens
Robert G. Tointon

Executive Officers

D.D. Hock
Chairman of the Board,
President and
Chief Executive Officer
Age 55 (28)

Clark B. Ewald
Senior Vice President,
Customers
Age 56 (31)

Richard C. Kelly
Senior Vice President,
Finance and
Chief Financial Officer
Age 44 (22)

Patrick W. McCarter
Senior Vice President
Electric Operations
Age 53 (31)

James R. McCotter
Senior Vice President,
General Counsel and
Corporate Secretary
Age 47 (15)

A.E. Middents
Senior Vice President,
Gas Operations
Age 52 (30)

A.C. Crawford
Vice President,
Nuclear Operations
Age 58 (1)

Dale V. Fetchenhier
Vice President,
Information Technology
and Services
Age 57 (33)

Ross C. King
Vice President,
Regional Customer Operations
Age 49 (24)

William J. Martin
Vice President,
Electric Engineering
and Planning
Age 59 (33)

Earl E. McLaughlin, Jr.
Vice President,
Marketing,
Customer Services
and Support Services
Age 50 (30)

Robert T. Person, Jr.*
Vice President,
Public Affairs
Age 48 (19)

James H. Ranniger
Vice President,
Regulation and
Distribution Operations
Age 54 (32)

Marilyn E. Taylor
Vice President,
Human Resources
Age 48 (3)

Ralph Sargent III
Treasurer
Age 41 (12)

Other Officers

W. Wayne Brown
Assistant Secretary
Age 40 (18)

Anthony J. DeNovellis
Assistant Secretary
and Auditor
Age 42 (20)

George P. Green
Assistant Secretary
Age 54 (28)

Steven R. Loeshelle
Assistant Secretary and
Assistant Treasurer
Age 41 (9)

Marilyn B. Pollard
Assistant Secretary
Age 53 (29)

Stephen H. Whitcomb
Assistant Secretary
Age 40 (15)

Richard L. Hunt
Assistant Treasurer
Age 48 (24)

Susan G. Pollack
Assistant Treasurer
Age 46 (19)

Managers, Geographic Divisions

Joseph Augustine, Jr.
Denver Metropolitan
Age 44 (20)

Bill L. Croley
Pueblo
Manager, Southern Region
and Pueblo Division
Age 50 (18)

David P. Davia
Boulder
Age 45 (22)

Michael J. Geile
Home Light
Age 48 (26)

W. Bruce Hansford
Front Range
Age 49 (22)

Kenneth L. Headrick
Northern
Manager, Foothills Region
Age 51 (30)

Douglas C. Lockhart
Western
Age 48 (26)

Joseph O. Marquez
San Luis Valley
Age 53 (30)

Phillip L. Noll
Mountain
Age 51 (32)

Lawrence F. Petrini
Southeast Metropolitan
Age 60 (35)

George A. Senkus
Southwest Metropolitan
Age 54 (23)

Peter West
North Metropolitan
Age 41 (18)

Presidents Subsidiary Companies

D.D. Hock
Bannock Center Corporation
1480 Welton, Inc.
Green and Clear Lakes Company
P.S. Colorado Credit Corporation
P.S.R. Investments, Inc.
Age 55 (28)

A.E. Middents
Fuel Resources
Development Co.
Western Gas Supply Company
Age 52 (30)

Phillip D. Shaffer
Cheyenne Light, Fuel
and Power Company
Age 45 (17)

Rajeana Gable
National Fuels Corporation
Age 37 (15)

Other Principal Subsidiary Officers

Richard F. Braun
Executive Vice President
and Chief Operating Officer
Fuel Resources Development Co.
Age 61 (1)

Linn T. Leeburg
Vice President and
General Manager
Western Gas Supply Co.
Age 48 (24)

Legal Counsel

Kelly, Stansfield & O'Donnell
Denver, Colorado

Independent Public Accountants

Arthur Andersen & Co.
717-17th Street,
Suite 1900
Denver, Colorado

*Resigned 3-1-91

( ) Denotes years of service or
association with the Company
through December, 1990

Ages as of December 31, 1990

Transfer Agent and Registrar for all Issues of Capital Stock

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

Design: Elaine Shiramizu Graphic Design   Principal Photographer: David X. Tejada