Public Service Company of Colorado Annual Report 1983

Contents

Annual Meeting

Date: Thursday, May 3, 1984

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

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

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

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

Investor Relations
Douglas S. Robertson

Shareholder Services
Roger C. McClary

Description of Business

Public Service Company of Colorado's principal business is to provide electric, natural gas and steam heating services. It is the largest investor-owned utility in Colorado, serving approximately 75% of the state's three million people, including those living in the Denver metropolitan area.

The Company's consolidated financial statements include the results of its subsidiary operations. Subsidiary companies include: Cheyenne Light, Fuel and Power Company, providing electricity and natural gas primarily in Cheyenne, Wyoming; Home Light and Power Company, an electric utility serving the Greeley, Colorado area; Fuel Resources Development Co., engaged in the exploration, development and production of natural gas and oil throughout the Rocky Mountain region; Western Slope Gas Company, a natural gas transmission company; Bannock Center Corporation, engaged in real estate investment; and 1480 Welton, Inc., which owns utility-related real estate.

Statement of Corporate Purpose

Public Service Company of Colorado is dedicated and committed to serving the needs and interests of its customers, employees and shareholders.

Customers

The Company will provide high quality electric, natural gas and steam services to customers within its service territory efficiently and effectively. The Company's objective is to provide these services at reasonable and affordable prices, while maintaining sound financial integrity.

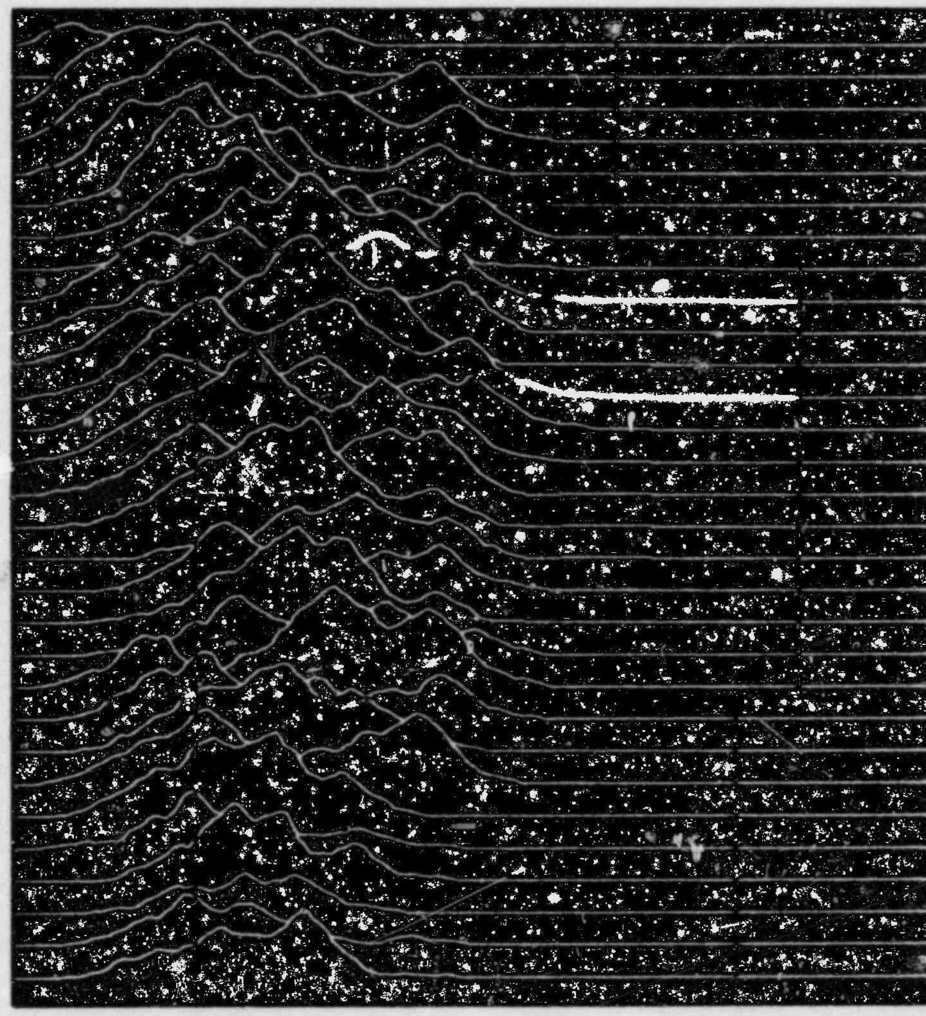
Employees

The Company will provide a quality work environment for its employees. Corporate objectives are best accomplished through highly motivated, committed employees. Employees have authority to execute their responsibility and are held accountable for their results. They are given the training and resources to accomplish their goals and will be compensated on the basis of their performance.

Shareholders

The Company's objective is to earn a fair and competitive return on its shareholders' investment, provide a consistent annual increase in common stock dividends and not dilute shareholder equity.

Service Territory

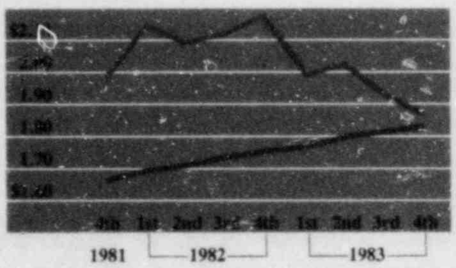


Public Service Company's service territory embraces practically all o Colorado's most populous areas. Company employees, facilities and service equipment are positioned geographically throughout the stat part of the overall commitment to service reliability.

Financial Highlights

Financial	1983	1982	% Change
Earnings Per Share	$1.86	$2.17	(14.3)
Dividends Paid Per Share	$1.82	$1.74	4.6
Return on Average Equity	11.2%	13.1%	(14.5)
Common Equity Ratio (Year-End)	41.5%	40.1%	3.5
Operating Revenues (000)	$1,628,641	$1,590,039	2.4
Operating Expenses (000)	$1,449,146	$1,401,791	3.4
Net Income (000)	$ 106,379	$ 116,496	(8.7)
Capital Expenditures (000)	$ 195,485	$ 230,039	(15.0)
Plant Investment (000)	$3,065,348	$2,909,228	5.4
Operations			
Electric Revenues (000)	$ 853,743	$ 843,436	1.2
Kilowatt-Hour Sales (Millions)	15,654	15,433	1.4
Electric Customers	892,569	865,006	3.2
Gas Revenues (000)	$ 761,629	$ 732,334	4.0
Mcf Sales (000)	177,585	189,762	(6.4)
Gas Customers	744,348	718,456	3.6

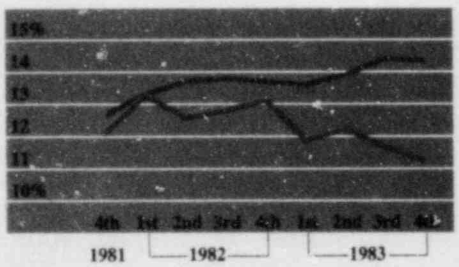
Earnings & Dividends Per Share (12 months ended)



■ Earnings

■ Dividends Paid

Return on Equity* (12 months ended)

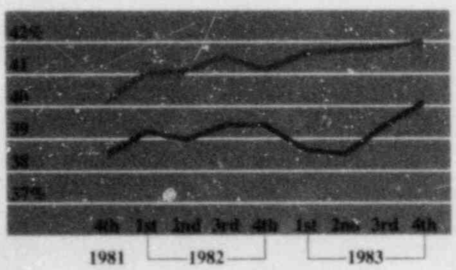


■ PSCo

■ Industry Average (Source: Argus Research)

* Average Common Equity

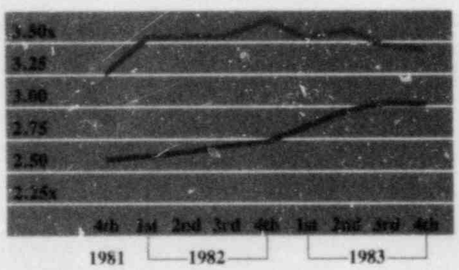
Common Equity Ratio



■ PSCo

■ Industry Average (Source: Argus Research)

Pretax Coverage of Interest Expenses (12 months ended)



■ PSCo

■ Industry Average (Source: Argus Research)

Front Cover

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Year in Retrospect

Financial Measures Remain Strong

Most of the measures of our financial performance during 1983 remained in line with our objectives. We have a solid balance sheet, including a lower percentage of debt and higher common stock equity. Our cash flow is stronger and the percentage of cash generated from operations for construction spending is at a record high.

Our interest expenses remained virtually unchanged in 1983, providing for a strong ratio of pretax income to total interest charges on our debt securities. The percentage of earnings derived from construction credits remained below 10%. The overall quality of earnings remained above industry averages.

Economy, Higher Costs Suppress 1983 Earnings

Earnings per share and return on shareholders investment in 1983 were unsatisfactory. Earnings were $1.86, compared with $2.17 in 1982. Return on shareholder investment was 11.2%, a drop from the 13.1% of the previous year.

These downturns were caused, in part, by substantial cutbacks by industrial electric and natural gas customers hit hard by the past recession, higher non-fuel operating costs, no increases in rates, and a 4.8% increase in the average number of common shares outstanding.

We believe this setback is temporary and our immediate task is to restore earnings to levels closer to those authorized by the Colorado Public Utilities Commission. Electric and gas sales growth is forecasted to be higher in 1984 and we have requested a rate increase to help us accomplish this task.

Dividend Rate Increased To $1.84

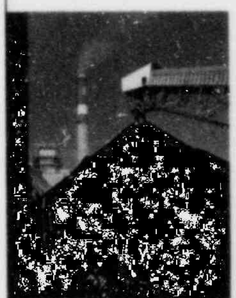
In March 1983, the Board of Directors raised the quarterly dividend rate on all shares of common stock to 46 cents, a 4.5% increase over the previous rate of 44 cents. At the current rate, annual dividends are $1.84 per share. Our objective is for a consistent annual increase in dividends.

Higher Credit Ratings For Company Securities

Moody's Investor Service and Standard & Poor's Corporation upgraded their credit ratings of Public Service Company's long-term debt and preferred stock to a strong Single A. The upgradings are recognition by the rating agencies that we have improved substantially our financial condition since losing a Double A rating in 1980. We want to regain that Double A rating.

Rate Increase Request Totals $123 Million

On November 18, 1983, we requested an increase in electric, natural gas and steam heating rates which would increase annual revenues by 8.4% or $123 million. We requested and were permitted to put $43 million of that total into effect on December 18, 1983. If the final decision, expected this spring, permits less than the interim amount, customers will receive a refund.



Coal Is Primary Source of Fuel

Low-sulfur coal from Colorado and Wyoming is the major source of fuel used in the production of electricity. Our generating units consumed 6.9 million tons in 1983, accounting for most of our electric generation.

Coal will continue to provide more than 90% of our electric generation through the balance of this century. It is the least expensive fossil fuel for us and we have long-term supply contracts.

Two Resign From Commission

Andra Schmidt was appointed in early 1983 to the Colorado Public Utilities Commission for a term that expires in January 1989. Schmidt took the seat vacated by Duane Woodard, who resigned.

Daniel Muse resigned from the CPUC effective January 31, 1984. A new commissioner will be appointed to the remainder of Muse's term, which ends in January 1985.

Edythe Miller is the Chairwoman of the CPUC. She is serving a second six-year term of office, which expires in January 1987.

Construction Spending On Downward Trend

Construction expenditures in 1983 totaled $195 million, down from the $230 million spent in 1982 and sharply lower than the $269 million budgeted for 1983. The lower spending continued the downward trend characteristic of recent years.

Internal cash generation was 71% of 1983's net construction spending, a record level, and up from 65% in 1982 and 47% in 1981.

The only financing in 1983 was the sale of $42 million of tax-exempt pollution control revenue bonds to finance equipment on existing generating units.

Non-Utility Operations Limited In Scope

Our diversification into oil and gas exploration and real estate investments through our subsidiaries Fuel Resources Development Co. (Fuelco) and Bannock Center Corporation are limited ventures designed to complement our principal business: utility service.

Fuelco had a larger than expected year-end after tax write-off of approximately $1.6 million for certain non-productive assets which resulted in a net loss of $1.2 million in 1983.

About $3.1 million was spent in 1983 by Bannock Center Corporation as it continued to consolidate its assemblage of property near downtown Denver. Its total assets were $37 million as of year-end 1983.

Dividend Reinvestment Participation Rises

Participation in the Company's Dividend Reinvestment Plan continued to increase during 1983. At year-end, 45% of all shareholders were enrolled in the Plan. This is up from 40% participation during 1982. During 1983, the Company realized $32.9 million from the Plan.

Shareholder Meetings Held in Seven Cities

Approximately 850 Company shareholders and 600 representatives of the financial community attended meetings held by the Company in seven cities. The meetings are part of a continuing program to open new lines of communications between management and investors, and to improve recognition and marketability of our securities. Similar meetings will be held in five cities during 1984.

Management Commentary

There is no such thing anymore as an "ordinary" year. Providing electricity and natural gas to customers has become an extraordinarily complicated responsibility. Each year brings a new set of circumstances, challenges and opportunities.

The electric and gas utility industry is in a period of slower sales growth, compared with the rapid growth experienced during the 1960s and early 1970s. Sales growth in Colorado also will slow down, but is still forecasted to be well above the national average through the rest of the decade.

We have adjusted our operating plans and corporate directions to conform with these new forecasts for growth. In broad terms, we will concentrate on providing service at the lowest cost consistent with continued high reliability and quality. In this way we will minimize the adverse effect of rising prices on energy sales.

New Trends In Growth

Let's look at the future and a few of the specific trends that will influence our decisions during the next few years. We expect the bulk of our electric and gas sales growth to come from the residential and commercial sectors. Industrial sales, particularly those in mining and steel, were severely curtailed during the recession. We expect these sales to recover at a slow pace over the next few years.

Our service territory is caught up in the economy's transition from energy-intensive manufacturing industries to the less energy-intensive information process and service industries.

The rising costs of utility services have increased our awareness and sensitivity in helping customers adjust to a changing utility environment. We are committed to providing electricity and gas at the most reasonable prices. A broad range of programs has been implemented to inform, educate and assist the consumer in using our services efficiently.

Energy Supply Strategy

Our long-term energy supply strategy is changing because of the pool of surplus electric power resulting from industry's slower growth rate. We have entered into purchased power contracts to utilize some of this surplus power at economically attractive prices. This strategy also enables us to defer building expensive new generating plants without risking serious degradation in the quality of our service.

We have enough purchased power under contract to supplement our generating capability. We are assured of an adequate supply of electricity to meet projected peak-demand periods in the near-term. Included in this supply is reserve capability sufficient to cover periods of maintenance and power outages. Additional transmission lines will provide expanded access into the western power pool network.

This strategy has enabled us to reduce construction expenditures substantially, allowing us to defer construction of additional major generating capacity to the benefit of our overall financial condition. This is an enviable position compared with many utilities struggling to complete expensive new plants. We now have more time to achieve the financial strength we believe will be necessary before undertaking a major expansion program.

Progress Temporarily Slowed

Four years ago our financial condition began to improve. Today, many of the measures of our financial health are better than at any time in the past four years and compare favorably with the industry in general.

In 1983, we were successful in having our bonds and preferred stock upgraded to a strong Single A credit rating. Our balance sheet was strengthened, as was the overall quality of our earnings. Moreover, we were able to increase the dividend in keeping with our objective of consistent, annual increases.

We were unable to achieve satisfactory levels of earnings per share and return on shareholders' investment. Earnings were $1.86, compared to $2.17 in 1982. Return on shareholder investment was 11.2%, below the 13.1% earned in 1982 and the 15.7% allowed by the Colorado Public Utilities Commission. These earnings were affected by lower levels of electric and gas consumption by large industrial customers, higher non-fuel operating costs and inadequate revenues from rates.

Rate Increase Necessary

Revenues, at present rate levels, are simply inadequate to cover the cost of doing business. Our last general rate increase was granted in late 1981. Operating costs continued to increase, but at a slower rate since 1981.

Many of our customers have been experiencing economic hardships because of the past recession. We felt we had a responsibility to help them through this difficult period. We shared their burden by resisting price increases for as long as possible.

However, we could not defer the need for a rate increase indefinitely. Because we believed the major impact of the recession was past and the rapid rise in our gas costs was moderating, we asked for a modest increase in our base rate prices in late 1983. Details of this request and an analysis of our operating and financial positions are presented for your evaluation in this report.

Our immediate future will be characterized by efforts to increase sales, reduce construction expenditures, effectively use firm purchased power from other utilities and continue the battle against higher operating costs. We intend to manage our current resources wisely and seek those opportunities that will bring profitability on a long-term basis.

We would be remiss if we did not acknowledge the importance of our employees who perform all the necessary jobs inherent in high quality utility service. We thank them for their past efforts and rely on their talents and commitment to the future.

We make special mention of Robert "Ed" Kelly, Vice President for Fuel Supply and Gas Operations, who retired on September 1 after 40 years of service. His expertise in the gas business was extremely valuable in guiding our Company through a continuing period of growth and accomplishment.

For the Board of Directors,

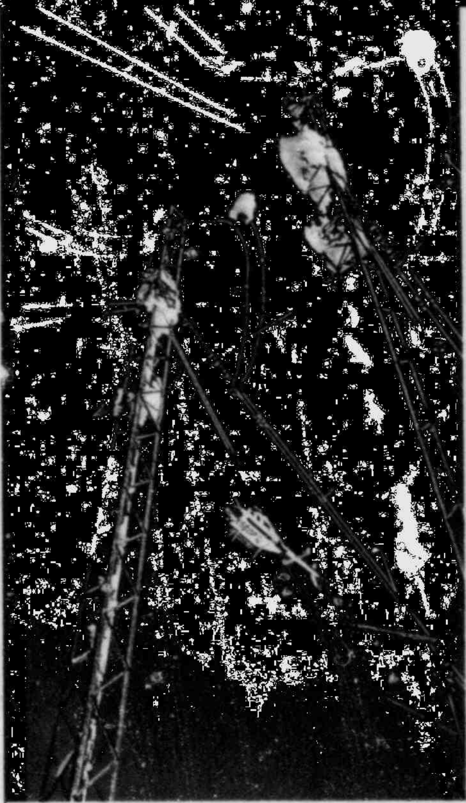
R. T. Person
Chairman of the Board

R. F. Walker

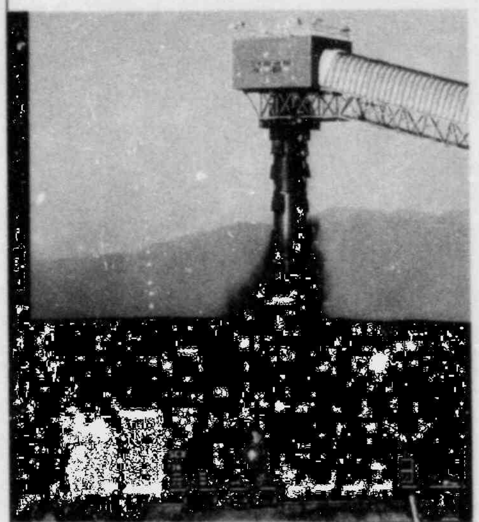
R. F. Walker
President and
Chief Executive Officer

February 3, 1984

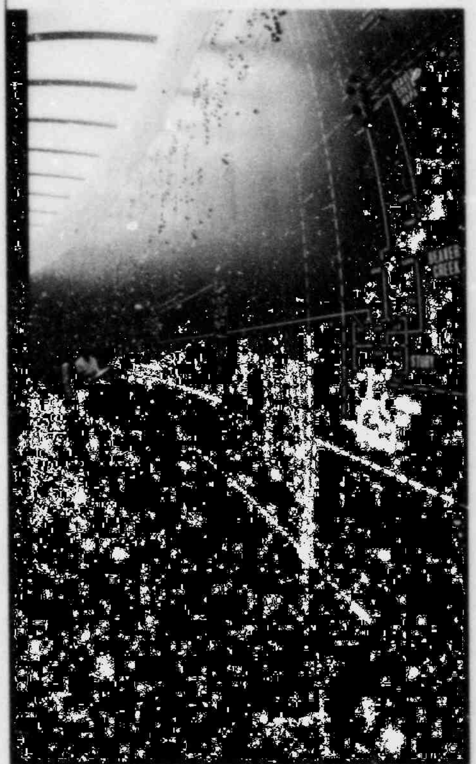
Fleets of service vehicles and sophisticated equipment are maintained at Company service centers located throughout Colorado. These vehicles are used on a daily basis to perform normal maintenance and scheduled repair work and stand ready on a 24-hour basis to be rushed into emergency service.



Helicopters play an important role in enabling Company work crews to install and maintain transmission facilities in the rugged terrain of the Colorado Rockies. These transmission lines are vital links in distributing electricity to all our customers and in bringing supplementary electric power from other utilities.



Coal is shipped via unit trains to our generating stations throughout the state. Coal is and will continue to be the primary fuel used by the Company to generate electricity.



This huge map board brings the entire electric distribution system into sharp focus. The board monitors electric load patterns and pinpoints immediately areas where emergency outages occur.

Dimensions in Utility Service

Electric technology has not advanced to the point where large quantities of power can be stored economically for future use. Consequently, we must produce and deliver electricity at the moment our customers use it. How many people think about that fact when flicking a light switch? We at Public Service Company do.

It is critical that we are able to analyze accurately customer consumption. One important way is by a complex study of usage patterns on an hourly, daily, seasonal and annual basis.

The anticipated peak demand determines how much capability, including purchased power, must be available. We include in this amount reserve capability sufficient to allow for maintenance and forced outage of major generating capacity. This insures reliability to our customers.

In 1983, we had a total capability of 3,512 megawatts available to meet anticipated maximum demand. This total included 3,107 megawatts of Company-owned generation and 405 megawatts of firm purchased power under contract with other utilities.

System peak demand was 2,968 megawatts, reached on December 21. This left us with an 18.3% reserve margin or 544 megawatts. Normally, the annual peak demand of the Company and its subsidiaries combined occurs in the summer. Severe weather conditions caused the peak to occur in December.

Surplus power from other western utilities was plentiful in 1983. Cost of that power averaged 2.5 cents per kilowatt hour, about 30% lower than 1982. We used this price situation to advantage by making spot purchases to supplement generation during periods when maintenance was being performed on operating units. Customers benefited from this price reduction by receiving refunds under the Electric Cost Adjustment policy.

Our electric system is a complex network of human and technical resources. Eight generating stations—six coal-fired, one nuclear-powered and one oil- and gas-fired—form the heart of our system. Electric generation by class of fuel in 1983 was coal, 93%; nuclear, 6%; and oil and gas, 1%.

The complexity of our system becomes more apparent when one considers that in addition to these generating stations we have hundreds of substations and transformers; approximately 15,000 miles of transmission and distribution lines; countless poles and wires; nearly 7,000 skilled men and women; service vehicles, equipment and tools; and sophisticated computer technology.

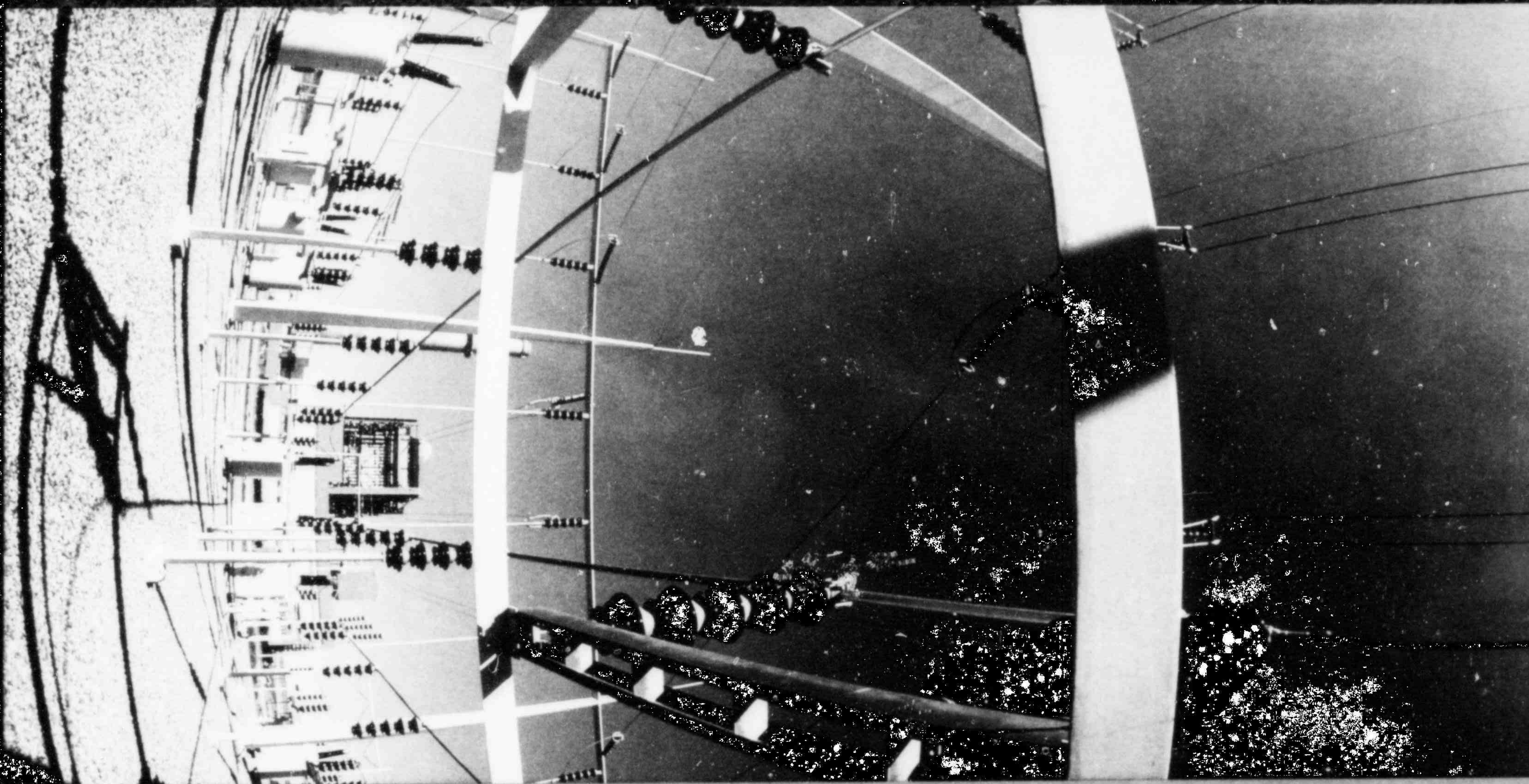
At year-end the Company had 136 million tons of coal under contract. Nearly 7 million tons of coal were used in 1985; that translates into almost 200 railroad carloads each day. Coal will be the primary fuel used in generation for the rest of the century.

The coal used in our generating plants comes from Colorado and Wyoming. It is in abundant supply and low in sulfur content. Our delivered coal costs average about one-third less than the electric utility industry averages. The comparative gas cost for us is three times that of coal and oil is about four times higher.

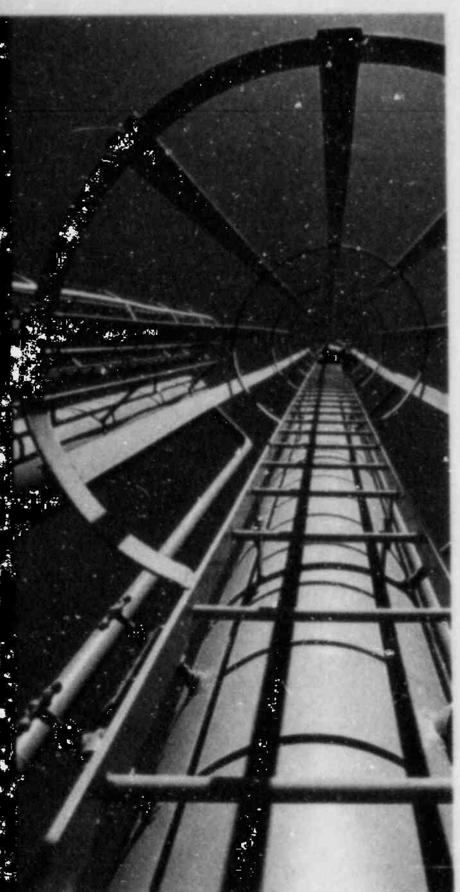
The outlook for the demand in electric energy through the 1980s is characterized by modest growth. Projections of the compound annual rate of growth in major components of our operation are: customers 3%; electric sales 3.4%; and peak demand 3%.

Energy management in the balance of the 1980s will focus on improving the efficiency of our present generating stations, expanding transmission and distribution facilities, utilizing economic surplus power from other utilities and negotiating beneficial firm purchased power agreements. We will maintain our strong energy supply position through the 1980s, while shaping the financial and regulatory climate necessary to permit construction of additional generating facilities needed to meet anticipated demands in the 1990s.

Electricity is delivered from generating stations to its final destination at the speed of light. As quickly as electricity is produced in the turbine inside the generating station, it is rushed through transmission and distribution facilities to our customers.



1984	915,874	16.3	93%	1984
1985	945,237	16.8	91%	1985
1986	974,528	17.5	91%	1986
1987	1,003,907	18.0	89%	1987
1988	1,032,917	18.6	90%	1988



Western Slope Gas Company facilities near Rangely, Colorado are part of that subsidiary's network of pipelines, compressor stations and storage units that serve Public Service Company customers and other large users of natural gas.

Practically all of our customers use natural gas for heating. It provides a reliable and efficient method of keeping people warm and comfortable wherever they may gather during the cold weather periods.

The supply of natural gas has improved substantially under phased deregulation. The Company's main concern is to keep prices as reasonable as possible so customers will continue to use gas as a major energy source.

Natural gas lines being installed for our subsidiary Western Slope Gas Company are indicative of the Company's expanding network of gas transmission facilities to meet future customer demand.

Natural gas is a vital component of Public Service Company's vision of Colorado's energy future. It is high in energy value, reliable, efficient, clean-burning and low in cost compared to most fuels. Nearly all of our customers count on natural gas for everyday heating needs.

We delivered 177.6 billion cubic feet of gas in 1983. Gas sales produce 47% of our total revenues and 12% of our pretax operating income. We purchase our natural gas primarily from Colorado Interstate Gas Company (CIG) and from our subsidiary, Western Slope Gas Company.

Our gas distribution network, including subsidiary operations, consists of more than 13,000 miles of transmission, distribution and gathering facilities and storage units capable of holding 17.8 million cubic feet, insuring that we have an ample supply during winter peak demand periods. Our supply was more than adequate during the sub-zero cold wave in December 1983, when record amounts of gas were needed.

The cost of gas has been the industry's dominant issue since the inception of phased deregulation in 1978. We believed that legislation providing for phased deregulation was necessary to increase the country's available gas supply. Financial incentives to producers ignited an upsurge in drilling and exploration. The intent of the deregulation legislation is to equalize the prices of natural gas and fuel oil by 1985, when the price of all new natural gas will be deregulated.

New sources of gas, developed from 1978 to the present, came on line faster than the market could absorb the resulting higher prices. As prices rose, industrial customers used less gas and found alternative energy sources. Residential customers used less. The declining price of oil brought competitive pressure on the price of gas.

The fundamentals of supply and demand are starting to work. Producers are reacting to these "signals" in the marketplace by reducing gas prices. By the end of 1983 it appeared that the unit cost of gas to our customers would be lower during the 1983-1984 winter than at any time since 1978. However, the amount of gas used is determined by weather and individual consumption habits.

We expect market demand and supply forces eventually will come into a better balance. The process of deregulation has to be gradual because the economic principles at work here need time to reach a workable level and the consumer must be given ample opportunity to adjust to the changing gas industry environment.

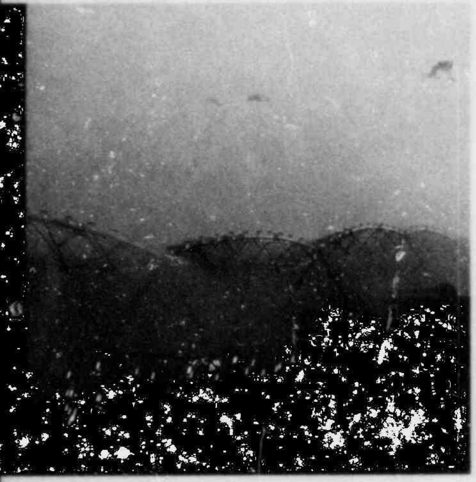
Our primary goal is to keep the price of gas to the consumer as low as possible within the framework of this changing situation. We believe that, in the long run, the consumer will continue to rely on gas as a major energy source if it can be purchased at reasonable prices.

Our subsidiary, Western Slope Gas Company, performs several important functions in helping us meet our objectives in the natural gas business. Western Slope is a pipeline company that buys gas from producers and transports it to Public Service Company and to other large users. Western Slope also takes on the specialized role of negotiating for corporate supply at favorable prices and storing large amounts of gas to bring about balance between supply and demand in a fluctuating market.

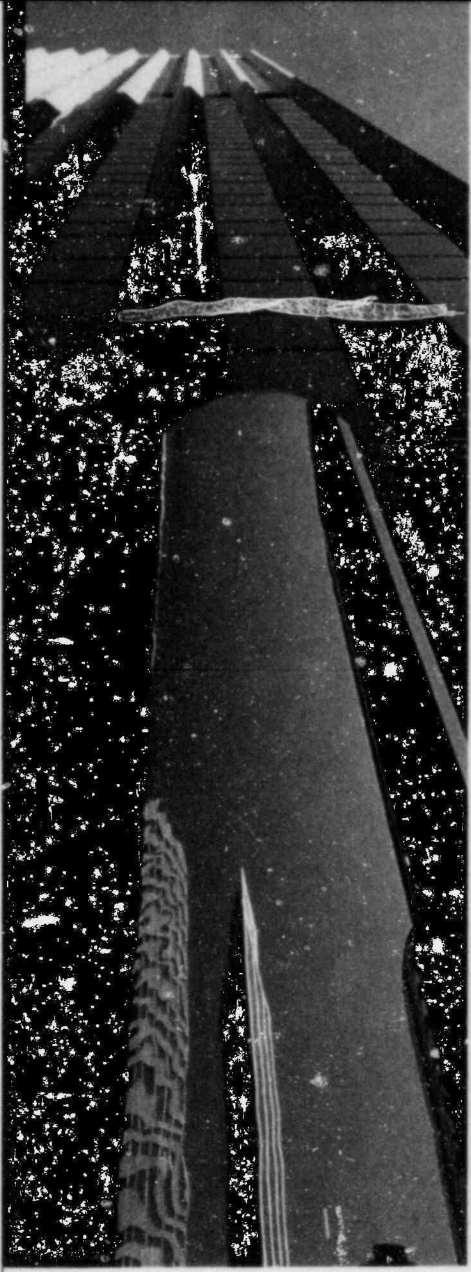
Phased deregulation of the natural gas industry has succeeded in substantially improving the supply of natural gas and bringing prices more in line with the cost of production. The Company's major concern now is helping customers adjust to this necessary process of change.


Bcf Sales
Gas Customers
1984
170.1
765,912
1984
1985
173.1
793,070
1985
1986
179.9
818,825
1986
1987
190.0
844,459
1987
1988
197.7
869,882
1988

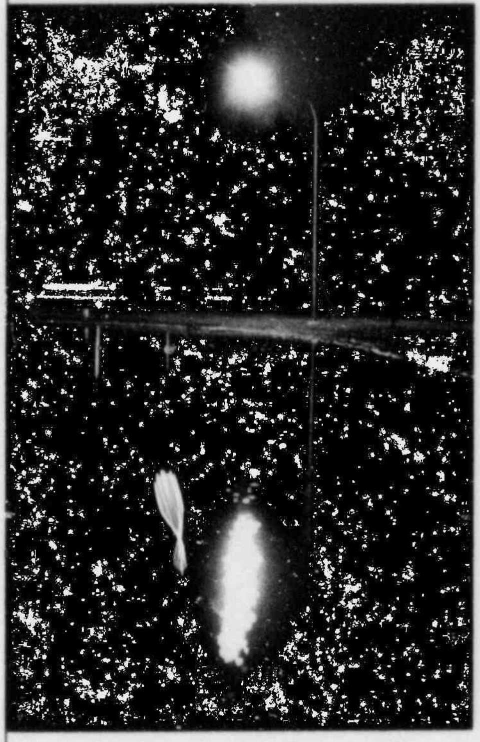
Our service territory brings together a variety of residential lifestyles. Many communities are located throughout the Rocky Mountain region, broadening the dimensions in utility service and the way the Company meets its obligations to provide them with adequate and reliable service.



Utility services make an important contribution to the vitality of the agricultural segment of Colorado's economy.



Public Service Company provides nearly all of the electric, gas and steam services in the Denver metropolitan area. The new super structures in the downtown area reflect Denver's emergence as the hub city of the Rocky Mountain west.



Providing electricity for street and other outdoor lighting is another dimension in the broad scope of utility services. The Company has a program to upgrade all street lighting throughout its service territory by the end of the 1980s.

Dimensions In Utility Service

A **service company.** The dimensions of utility service are as broad and diverse as the territory we serve. The quality of that service is an important consideration in evaluating our performance and potential.

Company franchises cover a wide and diverse geographical area in Colorado and southern Wyoming. This includes the Denver metropolitan area, where 70% of the Company's customers live. It is this Front Range area that provides much of the impetus for the state's economic vitality and growth.

Commercial and industrial customers consumed twice the amount of electricity and about the same amount of natural gas as our residential customers. Office buildings, shopping centers, manufacturing plants and high-tech industries form the lifeline of a regional economy that has been more stable and secure than the economy in most parts of the country. Utility services are a critical element in keeping those lifelines open.

The Rocky Mountain environment adds another dimension to the broad concept of service. Tourism, recreation, mining, agriculture, and cattle and sheep raising thrive throughout our service territory. This economic diversification and the varied landscape of our service area present us with a set of challenges different from those faced by many utilities.

It takes special skills, training and equipment to keep utility facilities serving customer needs in our unique service territory. In the event of power outages, continuously-monitored systems pinpoint problem areas, and repair crews and equipment are rushed in to restore service day or night.

Not only are we dedicated to maintaining a reliable energy network, but we are committed to maintaining it in an environmentally acceptable way. Construction and installation techniques are constantly being developed so that we can control our costs and still preserve the aesthetic value of the land.

The millions of dollars worth of pollution-control equipment at electric generating stations is an investment in the quality of life in Colorado. We believe that economic growth and clean land, air and water are compatible with any scenario for the future of utility services.

Changes in utility service in the 1980s and 1990s will take on a dimension far different than we've experienced in the past 10 years. Growth is still very much a part of our future, but it will be slower, steadier and more manageable. We believe growth is important because it enables us to utilize our facilities in a more cost-effective manner and provides a healthy stimulus for increased revenues and net income.

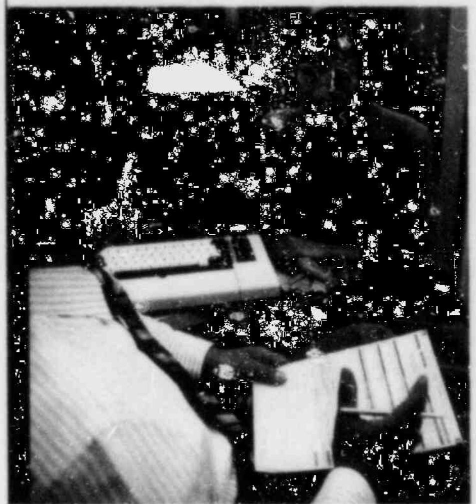
Another significant factor affecting utility service is the changing emphasis from a manufacturing and mining economy to one that is computer-based and service-oriented. These ever-present changes in the way customers use electricity and gas and the unique characteristics of our service territory require the flexibility and imagination which are part of our long-range planning process.

Emergency repair crews are on standby 24 hours-a-day to respond to emergency power outages anywhere in the Company's diversified service area.


GORDON
WILLIAMS

Helicopter pilots survey "hard-to-reach" transmission facilities on a regular basis to make sure they're in proper working order, assuring customers of uninterruptible service.

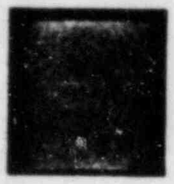
Public Service Company contributes to community development with reliable electric service to commercial customers such as shopping centers, office buildings and business, cultural and recreational facilities.



Personal Account Representatives provide assistance to customers who have a legitimate need for help in paying utility bills. These reps are trained to help individuals find proper assistance and avoid service interruptions.

Specially-trained employees conduct Home Energy Audits for residential customers. Through the audit, our employees provide valuable information such as an analysis of how and where energy is used, where heat is lost, furnace efficiency modifications, estimated cost savings and tax credit information on energy-saving improvements.

Dimensions In Utility Service



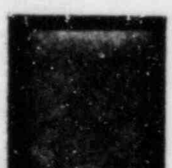
A people company. "I smell gas." "I can't get the furnace pilot light on." "I can't pay my bill this month." "What kind of insulation is best?" "Which uses more electricity, my microwave oven or my electric toaster oven?" "How can I transfer stock to my son's name?" "Do I get a tax credit for caulking my windows?"

Questions. Hundreds of them every day from the people served by Public Service Company. Giving answers and assistance is part of what it means to be in the business of providing utility services.

Communications. Never before have effective communications been such an important element in the operation of a utility. Men and women, trained in the major aspects of our business, relate on a person-to-person basis with customers, shareholders, the media, regulators and legislators.

Our communications take many forms. A personal accounts representative works with a customer who has financial problems because the customer is unemployed, elderly, handicapped, has a low income or numerous dependents. Skilled technicians respond promptly to locate gas leaks and make safety checks on furnaces, water heaters and other electric or gas appliances. Trained representatives in our Customer Information Center give advice on residential energy conservation and offer free educational materials. Energy consultants provide home energy audits. Customer service representatives handle inquiries about billing and service.

On the broader scale, Public Service people are speaking at seminars, business and community meetings and at shareholder meetings throughout the country. Interest focuses on today's utility issues: deregulation of natural gas, nuclear energy, inflation, interest rates, rate relief and the economy.



A dominant issue in 1983 was the continuing concern about the cost of utility services. In addition to communicating extensively on the issues and attempting to clarify common misconceptions about utility costs, we continued to offer special help to customers in need.

We received approximately 6,500 customer service calls each working day — over 1.7 million calls during 1983 — asking for assistance and information. Our Company has several customer assistance programs. Working with some 300 community agencies, our customer service representatives devoted about 30,000 employee-hours to helping individuals work out their problems and avoid service interruptions.

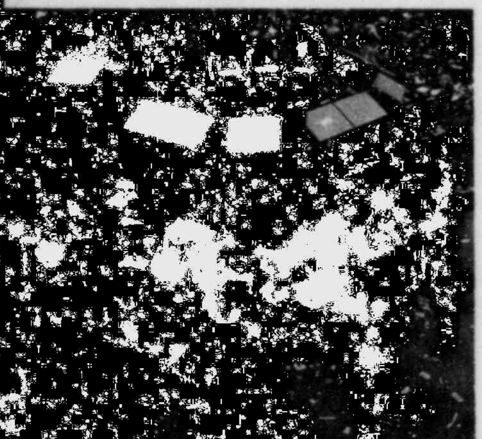
We established the Energy Assistance Foundation in 1982 to help customers who face emergencies or extreme hardships to cope with increased utility costs. In 1983, we again contributed $100,000 to the Foundation and matched contributions from other sources up to an additional $150,000. Distribution of funds from the Foundation is administered by the Salvation Army.

The essential ingredient in providing utility services is people. Our Company brings together people with an extensive range of skills, work backgrounds and career objectives. They operate and maintain our facilities, read meters, work on construction and repair crews, interact directly with customers, and perform the variety of behind-the-scenes administrative and service functions.

We are committed to compensation, training and career-development policies that will enable us to keep and attract the quality talent needed to provide the kind of utility service that complements the changing face of the Colorado economy.

Our children are at the leading edge of a new age of information processing. The transition from a manufacturing-oriented economy to a computer-based economy will influence the way our people plan to meet the utility needs of our customers.

Nearly 45% of our shareholders are investing in their future through the Company's Dividend Reinvestment Plan which offers a discount on the purchase of common stock, eliminates brokerage fees and provides a convenient way to make their investment grow.



Public Service Company common and preferred stock is listed on the New York Stock Exchange under the ticker symbol "PSR." Total trading volume during 1983 was more than 33 million shares, the most active year in Company history.

The number of our common shareholders increased to 73,556 in 1983. We have shareholders in all 50 states. They represent a broad range of occupations and many have reached retirement age. Approximately 72% of our 49 million shares outstanding are owned by individuals as holders of record.

Company President R. F. Walker visits with shareholders throughout the country as part of a continuing series of information meetings. These meetings give management an opportunity to meet person-to-person with shareholders and answer any questions concerning the utility business.

The investor perspective. Our philosophy and overall corporate planning process are designed to achieve a financial strategy that satisfies investor expectations and provides flexibility in a changing utility environment.

An important element in this strategy has been the reduction of capital expenditures while maintaining long-range plans to satisfy future utility service requirements. Construction expenditures in 1983 totaled $195 million, which was $74 million under budget. This continues a downward trend through the early 1980s from an all-time high of $321 million in 1979.

The 1984 budget has been set at $266 million, of which $36 million is for subsidiary operations. This is a forecast only and we fully expect to spend less.

The improvements in our financial condition are reflected in the higher quality of our earnings, the financial community's interest in our future and the market's activity in our securities. Many of the traditional measures of our financial health remain strong.

The percentage of construction expenditures produced from internal cash sources reached 71% in 1983, a far cry from the 19% in 1979. Our objective is to exceed 50% during periods such as now when no new plants are being built. The combination of higher cash generation and lower spending eliminated the need for the public sale of first mortgage bonds or common stock in 1983. We raised $42 million by selling tax-exempt pollution control revenue bonds to upgrade air quality equipment on existing plants.

Capitalization ratios have also improved steadily. Debt, including debt due within one year, decreased to 46.4% and preferred stock to 11.7%. Common equity climbed to 41.9%. Our long range objective is to be closer to 45% long-term debt, 10% preferred stock and 45% common equity.

Our pretax income was 3.4 times higher than our interest expenses, a drop from 3.7 times in 1982. Our long range objective is at least 3.5 times and we expect to exceed that objective in 1984.

As a result of these and other improvements in our financial measures, both major rating agencies, Moody's Investor Service and Standard & Poor's Corporation, raised our long-term debt securities to a strong Single A credit

rating in the spring of 1983. Our objective is to eventually regain a Double A credit rating.

In March, 1983 the Board of Directors increased the annual dividend rate to $1.84. This is a 4.5% increase over the $1.76 rate that was in effect during 1982. The increase is in keeping with our objective of consistent annual increases. Our Company has paid common stock dividends every year since 1943, when we became a publicly traded investor-owned company.

The success of our efforts to provide and manage the utility resources for a growing service territory rests firmly on the continued development of a strong financial condition. One critical element in this pursuit is that revenues compensate us adequately for our costs.

On August 22, 1983 we requested higher electric rates that would have increased annual revenues $57.4 million, or 7.5%. We believe that this request was within guidelines already allowed by the Commission. Consequently, we proposed that the rates go into effect on November 15 and the CPUC bypass the lengthy hearing process. On November 2, the CPUC turned down the proposal and suspended the request for formal hearings. We immediately withdrew the request.

On November 18, 1983, we requested an increase in our electric, natural gas and steam heating service base rates which would increase our overall revenues by 8.4% or $123 million. On December 18, we were permitted to place into effect a revenue increase of $43 million, subject to refund pending a final CPUC decision on our full request. Formal hearings began in late January. We expect a final decision in the spring.

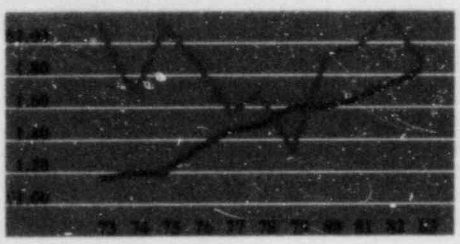
We will also strengthen our financial condition by continuing to use effective management techniques, pursuing constructive regulatory policies and developing favorable public perceptions.

The Company's commitment to providing high quality utility service is equalled only by the commitment to provide shareholders with a fair and competitive return on their investment. We believe our shareholders rely on us for sound management of their investment and a growth that will help them achieve their own personal objectives.

Selected Financial Data and Ratios

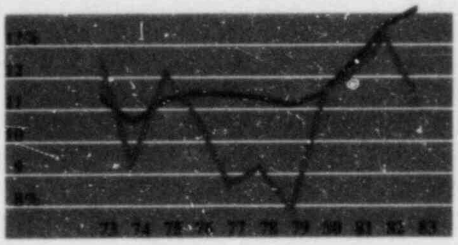
	Year Ended December 31,						
	1983	1982	1981	1980	1979	1978	1973
	(Thousands of Dollars)						
Operating Revenues:							
Electric	$ 853,743	843,436	742,104	640,749	507,587	421,732	$189,467
Gas	761,629	732,334	582,434	502,919	410,537	303,300	116,872
Other	13,269	14,269	11,633	11,976	8,386	4,746	2,160
	1,628,641	1,590,039	1,336,171	1,155,644	926,510	729,778	308,499
Operating Expenses:							
Fuel used in generation	172,802	184,386	170,128	182,581	175,896	117,491	37,769
Gas purchased for resale	611,283	587,187	462,291	388,852	310,129	224,840	63,141
Purchased power	98,978	101,664	113,235	91,414	29,425	22,722	2,193
Other operating expenses	260,773	226,919	192,639	168,114	162,858	132,647	59,857
Maintenance	64,123	58,418	49,735	46,646	37,092	28,249	14,787
Depreciation	91,577	86,431	73,529	61,480	55,933	49,541	32,168
Taxes (other than income taxes)	55,647	53,631	64,001	40,433	38,033	35,424	27,883
Income taxes	93,763	103,155	67,914	52,190	26,826	25,601	10,215
	1,449,146	1,401,791	1,193,472	1,031,710	836,192	636,515	248,013
Operating Income	179,495	188,248	142,699	123,934	90,318	93,263	60,486
Other Income and Deductions	5,814	5,664	21,821	20,226	12,588	6,196	11,270
Interest Charges	78,930	77,416	63,765	59,133	47,097	41,758	29,805
Net Income	106,379	116,496	100,755	85,027	55,809	57,701	41,951
Preferred dividend requirements	16,661	16,661	16,661	15,020	13,536	13,536	6,556
Earnings Available for Common Stock	$ 89,718	99,835	84,094	70,007	42,273	44,165	$ 35,395
Earnings Per Average Share	$1.86	2.17	1.97	1.92	1.35	1.66	$2.10
Dividends Per Share:							
Paid	$1.82	1.74	1.66	1.60	1.60	1.49½	$1.18
Declared	$1.84	1.76	1.68	1.60	1.60	1.53	$1.19
Common Stock Shares Outstanding (000):							
Average	48,135	45,948	42,728	36,412	31,225	26,572	16,878
Year-end	49,182	47,020	44,896	39,990	32,326	29,250	17,010

Earnings & Dividends Per Share



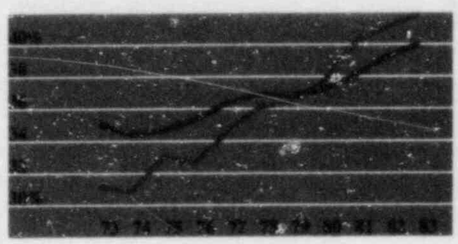
Earnings
Dividends Paid

Return on Equity*



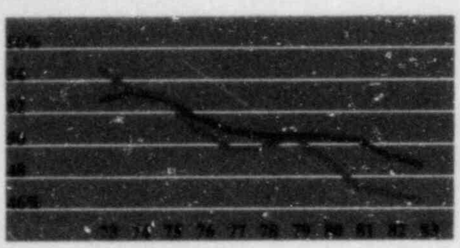
PSCo
Industry Average (Source: EEI)
* Average Common Equity

Common Equity Ratio



PSCo
Industry Average (Source: EEI)

Debt Ratio

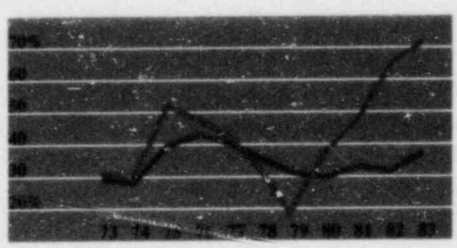


PSCo
Industry Average (Source: EEI)

Pretax Coverage of Interest Expenses

PSCo
Industry Average (Source: EEI)

Internal Cash Generation*

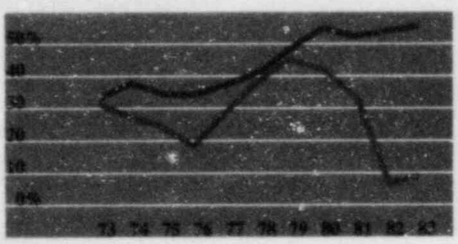


PSCo
Industry Average (Source: EEI)
* % of Net Construction Expenditures

Financial Data

	1983	1982	1981	1980	1979	1978	1973
Total Assets (millions)	$2,665	2,575	2,422	2,205	2,000	1,746	$1,090
Long-term Debt (millions)	$ 886	891	866	840	767	711	$ 525
Preferred Stock (millions):							
Subject to mandatory redemption	$ 88	89	89	89	64	64	$ 30
Not subject to mandatory redemption	$ 140	140	140	140	140	140	$ 105
Common Equity (millions)	$ 821	785	736	656	555	516	$ 300
Capitalization Ratios — Year-End:							
Long-term debt (incl. due within 1 yr.)	45.9%	45.6	45.8	48.9	48.3	49.0	53.1%
Short-term borrowings	1.0%	2.6	3.2	0.5	3.9	1.5	3.0%
Preferred stock (incl. due within 1 yr.)	11.6%	11.7	12.1	13.1	12.9	14.1	13.6%
Common equity	41.5%	40.1	38.9	37.5	34.9	35.4	30.3%
Total Capitalization (millions)	$1,979	1,959	1,895	1,751	1,591	1,456	$ 989
Gross Construction Expenditures (millions)	$195.5	230.0	256.7	262.6	320.8	209.9	$160.4
Rates of Return Earned:							
Total capitalization (Oper. Income)	9.2%	9.9	7.8	7.1	5.9	6.5	6.3%
Avg. common equity (Net to Common)	11.2%	13.1	12.1	11.6	7.9	9.1	12.8%
Pretax Coverage of Interest Expenses	3.42x	3.67	3.24	2.86	2.50	2.74	2.75x
Payout Ratio on Dividends Paid	97.8%	80.2	84.3	83.3	118.5	90.1	56.2%
Book Value Per Share — Year-End	$16.70	16.69	16.39	16.40	17.18	17.63	$17.61
Market Price Per Share — Year-End	$18.50	17.38	14.25	14.25	13.38	16.75	$16.75
Dividend Yield — Year-End	9.9%	10.1	11.8	11.2	12.0	9.6	7.2%
Number of Employees — Year-End	6,857	6,794	6,424	6,145	6,310	6,082	5,547

AFDC* (% of Earnings)

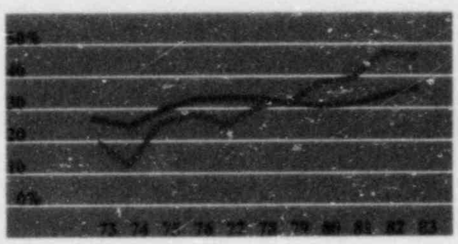


■ **PSCo**

■ **Industry Average** (Source: EEI)

* Allowance for Funds Used During Construction

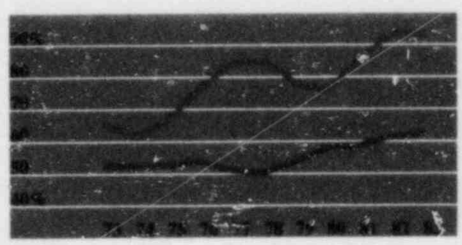
Effective Income Tax Rate



■ **PSCo**

■ **Industry Average** (Source: EEI)

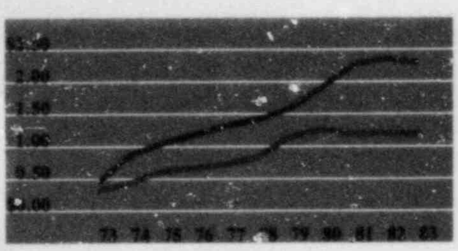
Electric Generation By Coal



■ **PSCo**

■ **Industry Average** (Source: EEI)

Composite Fuel Cost Per Million BTU*

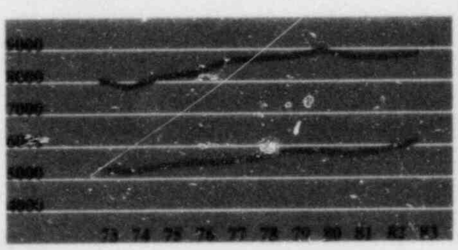


■ **PSCo**

■ **Industry Average** (Source: EEI)

* British Thermal Units

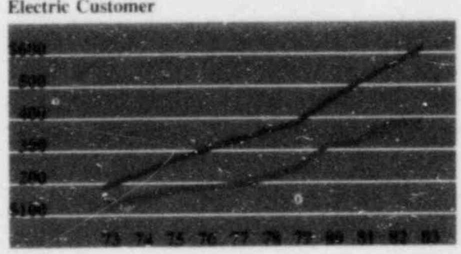
Average Annual Residential Kilowatt-Hour Usage



■ **PSCo**

■ **Industry Average** (Source: EEI)

Average Annual Revenue Per Residential Electric Customer



■ **PSCo**

■ **Industry Average** (Source: EEI)

Electric Service Statistics

	1983	1982	1981	1980	1979	1978	1973
Kilowatt-Hour Sales (millions)	**15,654**	15,433	15,473	15,194	14,659	13,754	9,465
% Change	**1.4%**	(0.3)	1.8	3.6	6.6	6.8	8.8%
Customers (000)	**892.6**	865.0	846.1	820.5	794.5	764.8	609.8
% Change	**3.2%**	2.2	3.1	3.3	3.9	4.3	6.9%
Avg. Annual Residential Kwh Usage	**6,076**	5,963	5,734	5,937	5,913	5,724	5,383
% Change	**1.9%**	4.0	(3.4)	0.4	3.3	3.7	4.0%
Avg. Residential Revenue Per Kwh	**6.45¢**	6.52	5.74	5.12	4.19	3.75	2.67¢
% Change	**(1.1)%**	13.6	12.1	22.7	11.7	4.2	1.5%
Average Annual Revenue Per Residential Customer	**$392**	389	329	304	248	215	$144
% Change	**0.8%**	18.2	8.3	22.7	15.4	8.0	5.4%
Net Effective Capability at Time of Peak—Megawatts	**3,512 (w)**	3,401 (s)	3,116 (s)	3,072 (s)	2,743 (s)	2,594 (s)	2,094 (s)
Net Firm System Peak Load (Mw)	**2,968**	2,892	2,820	2,776	2,642	2,559	1,762
% Change	**2.6%**	2.6	1.6	5.1	3.2	5.0	5.4%
Reserve Margin at Time of Peak	**18.3%**	17.6	10.5	10.7	3.8	1.4	18.8%
Generation by Class of Fuel:							
Coal	**93.4%**	94.0	85.3	76.1	79.2	85.0	65.3%
Natural Gas	**0.9%**	1.4	8.4	17.8	17.6	12.1	28.7%
Oil	**0.4%**	0.3	0.3	0.8	1.8	2.9	6.0%
Nuclear	**5.3%**	4.3	6.0	5.3	1.4	—	—
Avg. Cost Per Unit of Fuel:							
Coal — Ton	**$23.87**	22.95	21.84	18.81	16.60	13.90	$6.72
Natural Gas — Mcf	**$ 4.07**	3.81	3.12	2.68	2.00	1.30	$0.31
Oil — Barrel	**$27.35**	38.01	39.96	26.37	17.19	13.03	$6.09
Avg. Fuel Cost Per MMBTU	**$ 1.23**	1.23	1.23	1.30	1.10	0.85	$0.35

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

Natural Gas Service Statistics

	1983	1982	1981	1980	1979	1978	1973
Bcf Gas Sales	**177.6**	189.8	176.1	203.3	213.3	206.7	217.7
% Change	**(6.4)%**	7.7	(13.4)	(4.7)	3.2	4.3	10.3 %
Customers (000)	**744.3**	718.5	701.3	680.6	658.2	633.6	542.4
% Change	**3.6%**	2.4	3.0	3.4	3.9	4.0	5.7 %
Average Annual Residential Mcf Usage	**120.2**	125.0	112.9	140.1	157.3	151.2	187.9
% Change	**(4.0)%**	10.7	(19.4)	(10.9)	4.0	3.3	6.3 %
Annual Heating Degree Days	**6,429**	6,109	4,570	5,768	6,396	6,006	6,112
% Change	**5.2%**	33.7	(20.8)	(9.8)	6.5	15.6	4.0 %
Average Residential Revenue Per Mcf	**$4.61**	4.11	3.48	2.70	2.08	1.64	$0.68
% Change	**12.2%**	18.1	28.9	29.8	26.6	14.8	3.2 %
Average Annual Revenue Per Residential Customer	**$554**	513	393	378	327	249	$128
% Change	**8.0%**	30.7	3.9	15.4	31.7	18.7	9.7 %
Daily Availability — (MMcf)	**1,459**	1,462	1,457	1,425	1,371	1,304	1,188
Maximum Peak-Day Sendout (MMcf)	**1,356**	1,302	1,278	1,246	1,143	1,160	1,037
% Change	**4.1%**	1.9	2.6	9.0	(1.5)	2.7	(3.4)%

Consolidated Financial Information

Report of Management

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

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

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

The accompanying financial statements have been examined by Arthur Young & Company, independent accountants, whose report is on page 54.

DD Hock

D. D. Hock
Vice President and
Chief Accounting Officer

R. F. Walker

R. F. Walker
President and
Chief Executive Officer

February 3, 1984

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

The following factors, which may not be indicative of future operations or earnings, have had a significant effect upon the results of operations during 1983 and 1982.

Results of Operations

Operating revenues in 1983 did not keep pace with operating costs as a result of declining gas sales and only nominal electric sales growth, lack of sufficient additional rate relief, and, to a lesser degree, continuing inflation.

Electric revenues have increased in each of the two years primarily as a result of increases in base rates and, in 1983, a modest increase in sales volume. While residential sales have increased in each year, due in part to customer growth, electric revenues were adversely affected in both years by decreases in sales to industrial customers as a result of the slow economic recovery for this customer group.

Gas revenues continued to increase in each of the two years primarily as a result of increases in base rates and the recovery of the increased cost of gas purchased for resale through the adjustment clause of the gas tariff. Gas sales volume increased in 1982 but decreased in 1983. Despite colder than normal weather, all classes of gas sales in 1983 were depressed by the overall impact of a slow economic recovery and the effect of continued energy conservation throughout the Company's service area. The most significant portion of the decrease in 1983 gas sales occurred in the industrial customer category.

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

	1983	1982
	(Millions of Dollars)	
Electric revenues:		
Base rate increases	$ 8.3	$109.2
Energy cost adjustment	(12.8)	(0.3)
Sales volume and other changes	14.8	(7.6)
Net increase	$ 10.3	$101.3
Gas revenues:		
Base rate increases	$ 5.1	$ 25.0
Gas cost adjustment	92.7	86.4
Sales volume and other changes	(68.5)	38.5
Net increase	$ 29.3	$149.9

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

	1983	1982
	(Millions of Dollars)	
Fuel used in generation	$(11.6)	$ 14.3
Gas purchased for resale	24.1	124.9
Purchased power	(2.7)	(11.6)
Other operating expenses	33.9	34.3
Maintenance	5.7	8.7
Depreciation	5.2	12.9
Taxes (other than income taxes)	2.2	(10.4)
Income taxes	(9.4)	35.2
Net increase	$ 47.4	$208.3

The cost of fuel used in generation decreased in 1983 as a result of a decrease in generation along with relatively stable fuel prices. While more energy was purchased in 1983 than in 1982, significantly lower unit prices caused a decrease in the cost of purchased power also. In 1982 the increase in the cost of fuel used in generation and the decrease in the cost of purchased power reflected the impact of placing Unit 1 of the Pawnee Steam Electric Generating Station (Pawnee) in service in December 1981. The trade-off between generation and purchase of energy as it occurred in 1983 and 1982 is a consequence of the Company's energy management programs by means of which, through the use of several agreements which provide for the purchase of power from neighboring utilities, the Company attempts to optimize the mix of internal and external sources of electric energy using the lowest cost energy available at any given time.

Higher gas prices from the Company's supplier of natural gas caused gas purchased for resale to increase in 1983, despite a decrease in the volume of gas purchased. Gas purchased for resale increased in 1982 as a result of higher gas prices coupled with increased sales due to colder than normal weather.

Other operating and maintenance expenses have increased since 1981 primarily as a result of higher payroll and related expenses, the effects of general inflation on the prices of materials and services, and increased expenses associated with system expansion, including the commercial operation of Unit 1 of Pawnee. Depreciation expense has also increased in each year due to plant additions.

Allowance for funds used during construction (AFDC), both equity funds and borrowed funds, decreased in 1982 as a result of expenditures for Unit 1 of Pawnee being transferred from construction work in progress to plant in service.

Impact of Inflation and Changing Prices

The financial statements are prepared in accordance with generally accepted accounting principles and are based on the results of business transactions as recorded in actual amounts of dollars at the time of each transaction. However, during periods of changing prices, these financial data based on actual historical costs tend to become distorted and fail to reflect real economic costs or value. For example, in capital intensive industries, such as the utility industry, the cost of maintaining productive capacity has been particularly affected by significant long-term inflation. Very simply, depreciation expense on utility property, plant and equipment which is charged against current earnings for assets acquired in the past does not reflect the inflated cost of acquiring similar assets at current prices. As a result, higher profits may be reported on a continuing basis with no accompanying gain in real purchasing power or economic value. (See Note 13 of Notes to Consolidated Financial Statements.)

Liquidity and Capital Resources

At December 31, 1983 the Company and its subsidiaries estimated the cost of their construction program, including AFDC and other capital requirements, in 1984, 1985, and 1986 to be as follows:

	1984	1985	1986
	(Thousands of Dollars)		
Company:			
Electric			
Production	$ 94,522	$ 72,504	$133,968
Transmission	34,259	43,143	26,015
Distribution	50,500	51,459	55,372
Other	583	364	371
Gas	24,335	24,722	24,329
General	26,037	22,816	24,309
Subtotal	230,236	215,008	264,364
Subsidiaries	35,635	39,992	30,098
Total construction	265,871	255,000	294,462
Less: AFDC	17,383	20,746	16,445
Add: Sinking funds and debt maturities	23,679	17,908	16,453
Total capital requirements	$272,167	$252,162	$294,470

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

At December 31, 1983 the Company and its subsidiaries estimated that their 1984-1986 capital requirements would be met with funds provided from the following sources:

Sources	1984	1985	1986
	(Thousands of Dollars)		
External	$ 77,247	$188,127	$ 52,933
Net change in short-term borrowings and investments	67,565	(34,530)	6,563
Internal	127,355	98,565	234,974
Total sources	$272,167	$252,162	$294,470

For 1984 the Company and its subsidiaries anticipate raising external funds of approximately $38 million from the sale of common stock through the Company's Automatic Dividend Reinvestment and Common Stock Purchase Plan and its Employee Stock Ownership Plan, $18.4 million from the sale of subsidiary unsecured long-term debt and $20.8 million from pollution control revenue bond proceeds held in trust. These financing plans are subject to change depending on market and business conditions and changes, if any, in the construction plans of the Company and its subsidiaries. Plans for sales of securities beyond 1984 have not been formalized at this time.

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

The Company's Indenture permits the issuance of additional first mortgage bonds to the extent of 60% of the value of net additions to the Company's utility property, provided net earnings before depreciation, taxes on income and interest expense for a recent twelve month period are at least 2.5 times annual interest requirements on all bonds to be outstanding. At December 31, 1983 the amount of net additions would permit (and the net earnings test would not prohibit) the issuance of approximately $363,000,000 of additional bonds at an assumed annual interest rate of 13.76%. Coverage at December 31, 1983 was 4.89 times.

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, 1983, gross income available under this requirement would permit the Company to issue approximately $691,000,000 of additional preferred stock at an assumed annual dividend rate of 12.81% (assuming no additional long-term debt is issued). Coverage at December 31, 1983 was 3.02 times.

The Company's Restated Articles of Incorporation prohibit, without preferred shareholder approval, the issuance or assumption of unsecured indebtedness, other than for refunding purposes, greater than 15% of the aggregate of (i) the total principal amount of all bonds or other securities representing secured indebtedness of the Company, then outstanding, and (ii) the total of the capital and surplus of the Company, as then recorded on its books. At December 31, 1983 the Company had outstanding unsecured indebtedness, including subsidiary indebtedness which is guaranteed by the Company, in the amount of $62,793,000. The maximum amount permitted under this limitation was approximately $286,000,000 at December 31, 1983.

Arrangements for bank lines of credit totaled $111,849,000 at December 31, 1983. The entire amount of these arrangements was available to the Company at December 31, 1983.

Consolidated Balance Sheet

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

Assets	1983	1982
	(Thousands of Dollars)	
Property, Plant and Equipment, at cost:		
Electric	$2,259,281	$2,151,961
Gas	544,537	514,714
Steam and other	50,307	44,049
Common to all departments	159,863	140,314
Construction in progress	4,208	27,522
	3,018,196	2,878,560
Less accumulated provision for depreciation	831,949	744,110
	2,186,247	2,134,450
Nuclear fuel	47,152	30,668
	2,233,399	2,165,118
Investments, at cost	3,114	433
Current Assets:		
Cash	10,234	10,466
Temporary cash investments	59,519	9,503
Accounts receivable, less provision for uncollectible accounts (1983—$3,287; 1982—$3,033)	157,102	170,416
Notes receivable	19	292
Fuel inventory, at average cost	54,248	60,334
Materials and supplies, at average cost	51,116	48,861
Gas in underground storage, at cost (LIFO)	15,901	14,004
Prepaid expenses	2,886	2,779
Other	—	1,189
Total Current Assets	351,025	317,844
Deferred Charges:		
Deferred gas and electric costs (Note 1)	62,280	58,179
Debt expense (being amortized)	8,996	8,010
Other	6,189	25,189
	77,465	91,378
Total Assets	$2,665,003	$2,574,773

See accompanying notes.

Capital and Liabilities

	1983	1982
	(Thousands of Dollars)	
Common Equity:		
Common stock (Note 2)	$ 652,115	$ 616,346
Retained earnings	169,299	168,517
	821,414	784,863
Preferred Stock (Note 2):		
Not subject to mandatory redemption	140,008	140,008
Subject to mandatory redemption at par	88,200	89,400
Long-term Debt (Note 3)	885,810	891,334
	1,935,432	1,905,605
Current Liabilities:		
Notes payable and commercial paper (Note 4)	19,790	51,387
Long-term debt due within one year	22,219	2,289
Preferred stock subject to mandatory redemption within one year (Note 2)	1,200	—
Accounts payable	194,632	194,972
Dividends payable	26,789	24,867
Customers' deposits	7,194	6,161
Accrued taxes	66,121	69,027
Accrued interest	18,396	18,084
Amount subject to refund (Note 12)	25,766	20,877
Other	26,048	13,727
Total Current Liabilities	408,155	401,391
Deferred Credits:		
Customers' advances for construction	46,367	31,569
Investment credit (being amortized over the productive lives of the related property)	148,927	138,525
Accumulated deferred income taxes (Note 8)	122,260	92,583
Other	3,862	5,100
	321,416	267,777
Commitments and Contingencies (Note 6)		
Total Capital and Liabilities	$2,665,003	$2,574,773

Consolidated Statement of Income

Years ended December 31, 1983, 1982 and 1981
Public Service Company of Colorado
and Subsidiaries

	1983	1982	1981
	(Thousands of Dollars Except Per Share Data)		
Operating Revenues:			
Electric	$ 853,743	$ 843,436	$ 742,104
Gas	761,629	732,334	582,434
Other	13,269	14,269	11,633
	1,628,641	1,590,039	1,336,171
Operating Expenses:			
Fuel used in generation	172,802	184,386	170,128
Gas purchased for resale	611,283	587,187	462,291
Purchased power	98,978	101,664	113,235
Other operating expenses	260,773	226,919	192,639
Maintenance	64,123	58,418	49,735
Depreciation	91,577	86,431	73,529
Taxes (other than income taxes) (Note 9)	55,847	53,631	64,001
Income taxes (Note 8)	93,763	103,155	67,914
	1,449,146	1,401,791	1,193,472
Operating Income	179,495	188,248	142,699
Other Income and Deductions:			
Allowance for equity funds used during construction (Note 1)	5,158	2,029	17,648
Miscellaneous income and deductions—net	656	3,635	4,173
	185,309	193,912	164,520
Interest Charges:			
Interest on long-term debt	77,109	73,000	66,481
Amortization of debt discount and expense less premium	502	544	650
Other interest	4,866	8,422	7,667
Allowance for borrowed funds used during construction (Note 1)	(3,547)	(4,550)	(11,033)
	78,930	77,416	63,765
Net Income	106,379	116,496	100,755
Dividend Requirements on Preferred Stock	16,661	16,661	16,661
Earnings Available for Common Stock	$ 89,718	$ 99,835	$ 84,094
Shares of Common Stock Outstanding (thousands):			
Year-end	49,182	47,020	44,896
Average	48,135	45,948	42,728
Earnings Per Average Share of Common Stock Outstanding	$1.86	$2.17	$1.97
Dividends Per Share of Common Stock:			
Paid	$1.82	$1.74	$1.66
Declared	$1.84	$1.76	$1.68

See accompanying notes.

Consolidated Statement of Retained Earnings

Years ended December 31, 1983, 1982 and 1981
Public Service Company of Colorado
and Subsidiaries

	1983	1982	1981
		(Thousands of Dollars)	
Retained Earnings at Beginning of Year	$168,517	$150,166	$141,248
Net Income	106,379	116,496	100,755
	274,896	266,662	242,003
Dividends:			
On cumulative preferred stock:			
$100 par value:			
4.20% series	420	420	420
4-1/4% series	744	744	744
4-1/2% series	293	293	293
4.64% series	742	742	742
4.90% series	735	735	735
4.90% 2nd series	735	735	735
7.15% series	1,787	1,787	1,787
7.50% series	2,250	2,250	2,250
8.40% series	2,890	2,890	2,890
12.50% series	3,125	3,125	3,125
$25 par value:			
8.40% series	2,940	2,940	2,940
	16,661	16,661	16,661
On common stock:			
$1.84 per share in 1983, $1.76 per share in 1982 and $1.68 per share in 1981	88,916	81,225	72,984
	105,577	97,886	89,645
Expense of Issuing Stock	20	259	2,192
	105,597	98,145	91,837
Retained Earnings at End of Year	$169,299	$168,517	$150,166

See accompanying notes.

Consolidated Statement of Source of Funds For Plant Construction Expenditures

Years ended December 31, 1983, 1982 and 1981
Public Service Company of Colorado
and Subsidiaries

	1983	1982	1981
		(Thousands of Dollars)	
Source of Funds:			
Funds from Operations:			
Net Income	$106,379	$116,496	$100,755
Non-cash Charges (Credits) Against Income			
Not Involving Working Capital in the Current Period:			
Depreciation charged to operating expenses	91,577	86,431	73,529
Depreciation charged to clearing and other accounts	9,005	6,538	6,000
Allowance for funds used during construction	(8,705)	(6,579)	(28,680)
Investment credit — net of amortization	10,403	10,615	22,147
Deferred income taxes	29,525	29,340	22,579
Funds from Operations	238,184	242,841	196,330
Dividends:			
On preferred stock	(16,661)	(16,661)	(16,661)
On common stock	(88,916)	(81,225)	(72,984)
Funds Retained in the Business	132,607	144,955	106,685
Funds from Financing — Net Proceeds:			
Proceeds from sale of common stock	35,719	30,222	69,154
Proceeds from sale of first mortgage bonds	—	—	49,531
Proceeds from sale of pollution control bonds and notes	9,123	384	28,489
Proceeds from issue of long-term notes	8,782	27,661	1,633
Funds from Financing	53,624	58,267	148,807
Funds from Settlement Agreement (Note 11)	38,601	24,513	7,993
Reduction in Long-term Debt	(24,322)	(2,322)	(54,611)
Other Sources (Applications) — Net	12,687	(44,210)	800
Total Funds Available	213,197	181,203	209,674
Increase (Decrease) in Working Capital	26,417	(42,257)	(18,393)
Net Plant Construction Expenditures	186,780	223,460	228,067
Allowance for Funds Used During Construction	8,705	6,579	28,680
Gross Plant Construction Expenditures	$195,485	$230,039	$256,747
Increase (Decrease) in Components of Working Capital:			
Current Assets:			
Cash	$ (232)	$ (9,827)	$ 11,384
Temporary cash investments	50,016	5,001	551
Accounts and notes receivable	(13,587)	40,859	6,691
Fuel inventory	(6,086)	(5,370)	5,025
Materials and supplies	2,255	2,554	6,474
Other	815	(35,731)	10,631
	33,181	(2,514)	40,756
Current Liabilities:			
Notes payable and commercial paper	(31,597)	(9,743)	52,020
Long-term debt due within one year	19,930	(448)	(14,489)
Accounts payable	(340)	21,094	11,569
Accrued liabilities	(2,594)	20,906	8,981
Other	21,365	7,934	1,068
	6,764	39,743	59,149
Increase (Decrease) in Working Capital	$ 26,417	$(42,257)	$(18,393)

See accompanying notes.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

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

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

Depreciation rates include provisions for disposal and removal costs of property, plant and equipment, including the nuclear plant. Total depreciation expense in 1983 approximates an annual rate of 3.52% on the average cost of depreciable properties. Fuelco uses the unit-of-production depreciation method for accounting purposes. For income tax purposes, the Company and its subsidiaries use accelerated depreciation and other elections provided by the tax laws.

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

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

Deferred income taxes:
In an order dated November 1, 1977, the CPUC allowed as an operating expense a provision for certain deferred income taxes resulting from the use of accelerated depreciation on property additions made on or after December 1, 1975. Effective December 1, 1977, the Company began providing for these deferred income taxes. The CPUC in an order dated December 1, 1981, with respect to the Company's application for a rate increase, authorized the Company to take advantage of the Accelerated Cost Recovery System normalization provided by the Economic Recovery Tax Act of 1981 for property acquired after December 31, 1980.

In compliance with the Federal Energy Regulatory Commission (FERC) Order 144, deferred taxes are provided for all book-tax timing differences to the extent included in FERC jurisdictional rates. For CPUC jurisdictional purposes deferred taxes are not provided on other book-tax timing differences, except for differences in amortization relating to certain pollution control facilities, the nuclear fuel and spare parts.

In an order dated November 14, 1978, the CPUC allowed Western Slope Gas Company (Western) to include as an operating expense the provision for deferred income taxes resulting from the use of accelerated depreciation on property additions made on or after April 1, 1977. Deferred taxes are not provided on other book-tax timing differences.

In accordance with an order dated June 13, 1969, from the Public Service Commission of Wyoming, Cheyenne Light, Fuel and Power Company provides for deferred federal income taxes on the difference between depreciation as computed for accounting purposes and tax purposes.

In accordance with an order from the CPUC, Home Light and Power Company provides for deferred income taxes on the difference between straight line depreciation and accelerated depreciation.

In accordance with the requirements of the Financial Accounting Standards Board (FASB), 1480 Welton, Inc., Fuelco and Bannock provide for deferred income taxes on all book-tax timing differences.

Investment credit:
The investment credits are being deferred and amortized to income over the productive lives of the related property.

The Employee Stock Ownership Plan was established, effective January 1, 1976, to enable the Company to claim under the Tax Reduction Act of 1975 and the Tax Reform Act of 1976 an additional one percent investment credit on its 1976-1982 consolidated federal tax returns for contributions to a trustee for eligible employees. Contributions were made in cash or the Company's Common Stock and, if cash, were invested in the Company's Common Stock. The Plan also enabled the Company to claim an additional one-half percent investment credit to the extent employee contributions were matched by the Company. The Plan also permited limited additional contributions by employees.

Effective January 1, 1983, the Employee Stock Ownership Plan was amended and restated, subject to approval by the Internal Revenue Service, to reflect the changes brought about by the Economic Recovery Tax Act of 1981. The investment-based tax credits for contributions to such a plan have been replaced, with payroll-based tax credits. This change enables the Company to claim a tax credit equal to one-half percent of the annual compensation of all employees covered by the Plan. As before, the Company contributions to the Plan are made in cash or the Company's Common Stock and, if cash, are invested in the Company's Common Stock. No provisions exist for matching or limited additional contributions by employees.

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

Allowance for funds used during construction (AFDC):
AFDC, which does not represent current cash earnings, is defined in the system of accounts prescribed by the FERC and the CPUC as the net cost during the period of construction of borrowed funds used for construction purposes, and a reasonable rate on funds derived from other sources. In accordance with such system of accounts, the Company capitalizes AFDC as a part of the cost of utility plant, with a credit to nonoperating income for the portion of AFDC attributable to equity funds and a reduction of interest charges for the portion of AFDC attributable to borrowed funds. The capitalization of AFDC results in the inclusion of AFDC in rate base and the recovery thereof through future billings to customers. In its November 1977 order, the CPUC

Notes to Consolidated Financial Statements

(continued)

directed that in the future, the Company is to capitalize AFDC at its authorized rate of return, but not to exceed the amount allowed by the formula prescribed by the FERC. Accordingly, the rates used by the Company in 1981 were 10.19% for the first eleven months and 10.75% for December. For 1982 and 1983, the rate used was 10.75%. These rates represented the Company's authorized rates of return at that time and did not exceed the amount allowed by the formula prescribed by the FERC.

Deferred gas and electric costs:
In compliance with a CPUC order effective September 7, 1982, the Company revised its Gas Cost Adjustment (GCA) tariff provisions and established deferred accounting procedures for certain gas costs. The order allows for a semi-annual recalculation of the GCA increment with an annual deferral of the difference between actual gas costs and the amounts recovered from customers through the GCA.

Effective September 7, 1982, pursuant to an order from the CPUC, Western established deferred accounting procedures for certain gas costs. The order allows for a semi-annual recalculation of the Purchased Gas Adjustment (PGA) increment with a semi-annual deferral of the difference between actual gas costs and the amounts recovered from customers through the PGA.

In compliance with an order from the Public Service Commission of Wyoming, Cheyenne Light, Fuel and Power Company utilizes deferred accounting procedures for certain gas and electric costs. The order allows for an annual recalculation of the Electric Cost Adjustment and GCA increments with an annual deferral of the difference between actual electric and gas costs and the amounts recovered from customers.

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

2. Capital Stock

	1983		1982	
	Shares	**Amount** (Thousands of Dollars)	**Shares**	**Amount** (Thousands of Dollars)
Cumulative preferred stock, $100 par value:				
Authorized	3,000,000		3,000,000	
Issued and outstanding:				
Not subject to mandatory redemption:				
4.20% series	100,000	$ 10,000	100,000	$ 10,000
4-1/4% series (includes $7,500 premium)	175,000	17,508	175,000	17,508
4-1/2% series	65,000	6,500	65,000	6,500
4.64% series	160,000	16,000	160,000	16,000
4.90% series	150,000	15,000	150,000	15,000
4.90% 2nd series	150,000	15,000	150,000	15,000
7.15% series	250,000	25,000	250,000	25,000
Total	1,050,000	$105,008	1,050,000	$105,008
Subject to mandatory redemption:				
7.50% series	300,000	$ 30,000	300,000	$ 30,000
8.40% series	344,000	34,400	344,000	34,400
12.50% series	250,000	25,000	250,000	25,000
	894,000	89,400	894,000	89,400
Less: Preferred stock subject to mandatory redemption within one year	(12,000)	(1,200)	—	—
Total	882,000	$ 88,200	894,000	$ 89,400

2. Capital Stock

(continued)

	1983		1982	
	Shares	Amount (Thousands of Dollars)	Shares	Amount (Thousands of Dollars)
Cumulative preferred stock ($25), $25 par value:				
Authorized	4,000,000		4,000,000	
Issued and outstanding:				
Not subject to mandatory redemption:				
8.40% series	1,400,000	$ 35,000	1,400,000	$ 35,000
Common stock, $5 par value:				
Authorized	80,000,000		80,000,000	
Issued and outstanding	49,182,153	$245,911	47,019,528	$235,098
Premium on common stock		406,204		381,248
Total		$652,115		$616,346

Changes in common stock and premium on common stock for the three years ended December 31, 1983 are as follows:	Price range per share	Common stock	Premium on common stock
		(Thousands of Dollars)	
Balance, January 1, 1981		$199,949	$314,442
895,405 shares sold under Dividend Reinvestment Plan	$12.94 to 14.69	4,477	7,530
475,073 shares sold under Employee Stock Ownership Plan	$13.50 to 14.56	2,375	4,114
21,960 shares sold to employees	$11.50	110	143
12,041 shares sold to employees	$13.13	60	98
3,501,707 shares sold the the public and employees	$15.00	17,509	35,017
Balance, December 31, 1981		224,480	361,344
1,611,582 shares sold under Dividend Reinvestment Plan	$13.00 to 16.00	8,058	14,875
504,264 shares sold under Employee Stock Ownership Plan	$13.81 to 15.38	2,521	4,952
7,743 shares sold to employees	$15.00	39	77
Balance, December 31, 1982		235,098	381,248
1,990,151 shares sold under Dividend Reinvestment Plan	$15.79 to 18.25	9,951	22,918
172,474 shares sold under Employee Stock Ownership Plan	$16.69 to 17.69	862	2,038
Balance, December 31, 1983		$245,911	$406,204

Notes to Consolidated Financial Statements

(continued)

During 1984 the Company will offer to repurchase 12,000 shares of the 7.50% cumulative preferred series subject to mandatory redemption at $100 per share plus accrued dividends to the date set for repurchase. Consequently, this preferred stock to be redeemed has been reclassified as preferred stock subject to mandatory redemption within one year. No other changes in preferred stock occurred in the three years ended December 31, 1983.

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

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

Subject to mandatory redemption:
7.50% series: $105 on or prior to August 31, 1984, reducing each year thereafter by $.25 per share until August 31, 2003, after which the redemption price is $100; 8.40% series: $112 on or prior to July 31, 1984, $105 on or prior to July 31, 1985, and reducing each year thereafter by $.25 per share until July 31, 2004, after which the redemption price is $100; 12.50% series: $106.25 on or prior to June 30, 1984, $105.21 on or prior to June 30, 1985, $104.17 on or prior to June 30, 1986, $103.13 on or prior to June 30, 1987, $102.09 on or prior to June 30, 1988, and $101.05 on or prior to June 30, 1989, after which the redemption price is $100.

In 1984 and in each year thereafter, the Company will offer to repurchase up to 12,000 shares of the 7.50% series at $100 per share, plus accrued dividends to the date set for repurchase; starting in 1985 and in each year thereafter, the Company will offer to repurchase up to 13,760 shares of the 8.40% series at $100 per share, plus accrued dividends to the date set for repurchase; starting in 1986 and in each year thereafter, the Company will set aside in a sinking fund an amount sufficient for the redemption of 50,000 shares of the 12.50% series at $100 per share, plus accrued dividends to the date set for redemption. The Company shall be entitled, at its option, on any one of the sinking fund redemption dates, to redeem up to 50,000 shares of the 12.50% series, in addition to the shares otherwise required to be redeemed on such sinking fund redemption date, at $100 per share plus an amount equal to the accrued and unpaid dividends thereon to such sinking fund redemption date; provided, however, that the option of the Company to so redeem up to 50,000 additional shares of the 12.50% series may be exercised only once.

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

3. Long-term Debt

	1983	1982
	(Thousands of Dollars)	
Public Service Company of Colorado:		
First mortgage bonds:		
3-1/8% series, due October 1, 1984	$ —	$ 20,000
15% series, due March 1, 1987	50,000	50,000
4-3/8% series, due May 1, 1987	30,000	30,000
4-5/8% series, due May 1, 1989	20,000	20,000
4-1/2% series, due October 1, 1991	30,000	30,000
4-5/8% series, due March 1, 1992	8,800	8,800
4-1/2% series, due June 1, 1994	35,000	35,000
5-3/8% series, due May 1, 1996	35,000	35,000
5-7/8% series, due July 1, 1997	35,000	35,000
6-3/4% series, due July 1, 1998	25,000	25,000
8-3/4% series, due September 1, 2000	35,000	35,000
7-1/4% series, due February 1, 2001	40,000	40,000
7-1/2% series, due August 1, 2002	50,000	50,000
7-5/8% series, due June 1, 2003	50,000	50,000
9-3/8% series, due October 1, 2005	49,500	49,500
8-1/4% series, due November 1, 2007	50,000	50,000
9-1/4% series, due October 1, 2008	50,000	50,000
16-1/4% series, due December 1, 2011	49,500	50,000
Pollution Control Series A, 5-7/8%, due March 1, 2004	24,000	24,000
Pollution Control Series B:		
6-5/8%, due December 1, 1985	10,500	10,500
7-1/8%, due December 1, 1990	2,000	2,000
7-5/8%, due December 1, 1995	2,500	2,500
8%, due December 1, 2004	35,000	35,000
Pollution Control Series C:		
7-1/4%, due October 1, 2004	15,000	15,000
7-3/8%, due October 1, 2005	1,960	1,960
7-3/8%, due October 1, 2006	2,105	2,105
7-3/8%, due October 1, 2007	2,260	2,260
7-3/8%, due October 1, 2008	2,425	2,425
7-3/8%, due October 1, 2009	26,250	26,250
Pollution Control Series D:		
13-3/4%, due November 1, 2011	27,380	27,380
Less amounts held in construction fund	(479)	(41)
Pollution Control Series E:		
9-1/8%, due May 1, 2013	42,000	—
Less amounts held in construction fund	(31,192)	—
Unamortized premium	1,181	1,275
Unamortized discount	(1,196)	(936)
	804,494	814,978
Cheyenne Light, Fuel and Power Company:		
First mortgage bonds:		
3-3/4% series, due May 1, 1985	847	870
5-1/2% series, due April 1, 1990	1,278	1,302
7-7/8% series, due April 1, 2003	4,000	4,000
Unsecured notes, due December 31, 1988, interest rates are based on the certificate of deposit rates at Northern Trust Company	3,000	3,000

Notes to Consolidated Financial Statements

(continued)

3. Long-Term Debt

(continued)

	1983	1982
	(Thousands of Dollars)	
Western Slope Gas Company:		
Unsecured promissory notes:		
10%, due September 25, 1986	2	3
7-3/4%, due December 1, 1997	20,000	20,000
10.35%, due December 1, 1999	10,000	10,000
1480 Welton, Inc.:		
4-3/4% secured notes, payable in equal quarterly installments of $168,388 to June 1, 1992 covering principal and interest	4,229	4,688
6%-12% mortgage notes, due in installments through 1987	270	106
Secured promissory note, due in annual installments to January 9, 1984, interest rate at prime rate less 2%	—	72
Secured promissory note, due January 25, 1988, interest rate fluctuates with the prime rate	—	11,859
12.50% secured promissory note, due March 1, 1998	13,310	—
Fuel Resources Development Co.:		
Unsecured note, due January 1, 1986, interest rate fluctuates with the New York Federal Funds rate	10,000	10,000
Home Light and Power Company:		
First mortgage bonds:		
4% series, due February 1, 1986	357	366
5-1/2% series, due September 1, 1989	320	328
6% series, due April 1, 1997	684	699
7-7/8% series, due December 1, 2002	2,088	2,125
10-3/8% series, due January 1, 2003	3,460	3,520
Bannock Center Corporation:		
5-1/8%-14% mortgage notes, due in installments through 1999	7,471	3,418
	$885,810	$891,334

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 and the mortgage bonds and notes of subsidiaries.

The aggregate annual maturities and sinking fund requirements during the five years subsequent to December 31, 1983 are: $25,938,000 (1984), $16,438,000 (1985), $5,938,000 (1986), $85,638,000 (1987) and $5,638,000 (1988) for the Company; and $2,279,000 (1984), $8,793,000 (1985), $13,653,000 (1986), $3,320,000 (1987) and $3,442,000 (1988) for its subsidiaries. The Company may satisfy its sinking fund obligations through the application of property additions, and Cheyenne Light, Fuel and Power Company may satisfy $60,000 of its sinking fund obligation annually through the application of property additions.

4. Notes Payable

Information regarding notes payable for the years ended December 31, 1983 and 1982 is as follows:

	1983	1982
	(Thousands of Dollars)	
Notes payable to banks (weighted average interest rate 10.48% at December 31, 1983 and 11.83% at December 31, 1982)	$ 6,350	$13,137
Commercial paper (weighted average interest rate 9.75% at December 31, 1983 and 9.26% at December 31, 1982)	13,440	38,250
	$19,790	$51,387
Maximum amount outstanding at any month-end during the period	$19,790	$72,481
Weighted average amount (based on the daily outstanding balance) outstanding for the period (weighted average interest rate 9.63% for the year ended December 31, 1983 and 12.23% for the year ended December 31, 1982)	$10,637	$47,937

5. Bank Lines of Credit, Compensating Bank Balances and Bankers' Acceptance Facilities

Arrangements for bank lines of credit totaled $111,849,000 at December 31, 1983 and $112,362,000 at December 31, 1982. These lines of credit consisted of $17,549,000 at December 31, 1983 and $18,062,000 at December 31, 1982 maintained by compensating balances and $94,300,000 at December 31, 1983 and 1982 maintained by fee payments in lieu of balances. The compensating bank balance arrangements provide that the Company maintain average compensating balances in the amount of $877,450 for the period ended December 31, 1983 and $1,806,200 for the period ended December 31, 1982, and do not legally restrict the right of the Company to withdraw these compensating cash balances. These bank lines of credit are also used to support the Company's issuance of commercial paper. At the Company's request, arrangements for bankers' acceptance facilities amounting to $10,000,000 at December 31, 1982 were discontinued July 1, 1983. These arrangements were not supported by fees or compensating balances. In addition, on December 31, 1983, the Company had confirmed uncommitted bank lines of credit totalling $53,000,000 that are not supported by fees or compensating balances. These uncommitted lines of credit were reduced, at the Company's request, from $207,000,000 at December 31, 1982. The Company, generally, may borrow under these uncommitted preapproved lines of credit upon request, however, the banks have no firm commitment to make such loans.

6. Commitments and Contingencies

Commitments made by the Company for the purchase of various items of plant and equipment aggregated approximately $192,000,000 at December 31, 1983 and $135,000,000 at December 31, 1982.

Rent and lease expense charged to operations aggregated approximately $6,600,000 in 1983, $6,000,000 in 1982 and $6,600,000 in 1981.

The aggregate estimated commitments as of December 31, 1983 under long-term leases are as follows:

Year	Commitments
	(Thousands of Dollars)
1984	$ 3,785
1985	3,281
1986	2,411
1987	1,674
1988	1,683
1989 and later	10,553

The Company has entered into various leases for transportation equipment and miscellaneous office equipment which would be classified as capital leases as defined by the Securities and Exchange Commission and the FASB in Statement No. 13, *"Accounting for Leases."* The Company has been advised by the CPUC that it has not adopted Financial Accounting Statement No. 13 and it has instructed the Company to continue to adhere to the existing Uniform System of Accounts. Had these leases been capitalized, the balance sheet at December 31, 1983 and 1982 would include in property, plant and equipment $11,330,000 and $11,243,000, respectively, representing capitalized leases with an accumulated amortization of $3,043,000 at December 31, 1983 and $2,185,000 at December 31, 1982. Long-term debt would include noncurrent obligations under capital leases of $7,670,000 at December 31, 1983 and $8,506,000 at December 31, 1982, and current liabilities would include current obligations under capital leases of $882,000 and $825,000, respectively. The charges to the income statement representing total lease payments recorded as rent expense were greater by $5,000 in 1983, and less by $58,000 in 1982, and $87,000 in 1981, than the amounts that would have been charged as amortization and interest expense had these leases been capitalized.

The Internal Revenue Service has under examination the Federal income tax returns of the Company and certain of its subsidiaries for 1970 through 1979. The examiners propose to include in income, contract refunds on the Fort St. Vrain Nuclear Generating Station which were recorded as a reduction of the plant cost and part of the amounts received in the 1979 contract settlement for this plant (see Note 11). The Company is resisting these proposals and believes that the final outcome of these matters will not have a material effect on the reported financial position or results of operations of the Company.

Notes to Consolidated Financial Statements

(continued)

7. Retirement Plan

Total provision for pension expense under the Company's noncontributory defined benefit retirement plan covering all eligible employees was $18,495,000 in 1983, $15,636,000 in 1982 and $13,708,000 in 1981. The Company's policy is to fund pension cost accrued. A comparison of accumulated plan benefits and plan net assets as of the end of the plan's fiscal years, June 30, 1983 and 1982, is as follows:

	1983	1982
	(Thousands of Dollars)	
Actuarial present value of accumulated plan benefits:		
Vested	$110,800	$ 97,000
Nonvested	12,400	10,700
Total	$123,200	$107,700
Market value of net assets available for benefits	$214,623	$150,813

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9½%. The actuarial present value of accumulated plan benefits is generally based on employees' history of pay and service and other appropriate factors as of the benefit valuation date and does not include anticipated future increases in employee compensation. Evaluations of accumulated plan benefits as of December 31, 1983 and 1982 were not made. However, the market values of the net assets available for benefits at these dates were approximately $220,992,000 and $186,601,000, respectively.

Effective December 1, 1978, the Company's Board of Directors began authorizing supplemental payments to retired employees and surviving beneficiaries for employees who retired prior to January 1, 1977. These payments were approximately $385,000 in 1983, $442,000 in 1982 and $472,000 in 1981. They did not constitute an employee pension benefit plan and were subject to approval annually. Payments were made from the general assets of the Company. Effective December 1, 1983 the retirement plan was amended to provide supplemental payments as part of the regular employee pension benefit payments.

8. Income Tax Expense

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

	1983	1982	1981
	(Thousands of Dollars)		
Tax computed at statutory rate on pre-tax accounting income	$92,037	$100,956	$77,702
Increase (decrease) in tax from:			
Difference between tax and book depreciation	6,492	5,327	4,255
Allowance for funds used during construction	(3,940)	(2,985)	(13,167)
Amortization of investment credit	(5,666)	(5,026)	(4,399)
State income taxes, net of federal income tax benefit	3,829	3,885	2,399
Other — net	1,011	998	1,124
Total income tax expense	$93,763	$103,155	$67,914
Income tax expense consists of the following:			
Current income taxes:			
Federal	$48,418	$ 58,026	$22,149
State	5,417	5,174	1,039
	53,835	63,200	23,188
Deferred income taxes:			
Nuclear fuel and spare parts	28	777	1,264
Accelerated amortization	1,069	1,201	439
Accelerated depreciation	28,911	26,666	18,217
Intangible drilling costs	144	806	1,466
Lease and well impairments — net	(1,749)	(294)	1,168
Capitalized interest	513	40	25
Other book-tax timing differences	609	144	—
	29,525	29,340	22,579
Charge equivalent to reduction in income taxes due to deferred investment tax credit, net of amortization	10,403	10,615	22,147
Total income tax expense	$93,763	$103,155	$67,914

The Company has state investment tax credit carryovers totalling $5,029,000, expiring in 1988, 1989 and 1990, available to offset future state income taxes.

9. Taxes (Other Than Income Taxes)

	1983	1982	1981
	(Thousands of Dollars)		
Real estate and personal property taxes	$36,332	$35,057	$33,667
Franchise taxes	952	1,111	16,664
Social security taxes	13,403	11,903	9,969
City and state use taxes	4,713	5,746	3,794
Miscellaneous taxes	3,628	2,360	2,296
	$59,028	$56,177	$66,390
Charged:			
Directly to income:			
Operating expenses	$55,847	$53,631	$64,001
Other	160	170	159
To property, plant and equipment and various clearing accounts	3,021	2,376	2,230
	$59,028	$56,177	$66,390

10. Segments of Business

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

	Electric	Gas	Other	Total
	(Thousands of Dollars)			
Operating revenues	$ 853,743	$761,629	$ 13,269	$1,628,641
Operating expenses, excluding depreciation	544,488	711,756	7,562	1,263,806
Depreciation	72,355	17,485	1,737	91,577
Total operating expenses	616,843	729,241	9,299	1,355,383
Operating income*	$ 236,900	$ 32,388	$ 3,970	$ 273,258
Plant construction expenditures**	$ 142,536	$ 43,427	$ 9,522	$ 195,485
Identifiable assets, December 31, 1983:				
Utility plant**	$1,769,303	$394,047	$ 70,049	$2,233,399
Materials and supplies	$ 43,475	$ 7,608	$ 33	51,116
Fuel inventory	$ 54,080	$ —	$ 168	54,248
Gas in underground storage	$ —	$ 15,901	$ —	15,901
Other corporate assets				310,339
				$2,665,003

* Before income taxes and interest expense
** Includes allocation of common utility property

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

	Electric	Gas	Other	Total
		(Thousands of Dollars)		
Operating revenues	$ 843,436	$732,334	$ 14,269	$1,590,039
Operating expenses, excluding depreciation	527,568	673,587	11,050	1,212,205
Depreciation	69,014	16,156	1,261	86,431
Total operating expenses	596,582	689,743	12,311	1,298,636
Operating income*	$ 246,854	$ 42,591	$ 1,958	$ 291,403
Plant construction expenditures**	$ 142,268	$ 55,922	$ 31,849	$ 230,039
Identifiable assets, December 31, 1982:				
Utility plant**	$1,724,232	$377,891	$ 62,995	$2,165,118
Materials and supplies	$ 41,117	$ 7,697	$ 47	48,861
Fuel inventory	$ 60,105	$ —	$ 229	60,334
Gas in underground storage	$ —	$ 14,004	$ —	14,004
Other corporate assets				286,456
				$2,574,773

Segment information for the year ended December 31, 1981 is as follows:

	Electric	Gas	Other	Total
		(Thousands of Dollars)		
Operating revenues	$ 742,104	$582,434	$ 11,633	$1,336,171
Operating expenses, excluding depreciation	499,709	547,071	5,249	1,052,029
Depreciation	58,043	13,753	1,733	73,529
Total operating expenses	557,752	560,824	6,982	1,125,558
Operating income*	$ 184,352	$ 21,610	$ 4,651	$ 210,613
Plant construction expenditures**	$ 191,491	$ 38,546	$ 26,710	$ 256,747
Identifiable assets, December 31, 1981:				
Utility plant**	$1,703,138	$308,023	$ 68,682	$2,079,843
Materials and supplies, excluding $192 of merchandise for resale	$ 36,738	$ 8,733	$ 644	46,115
Fuel inventory	$ 65,475	$ —	$ 229	65,704
Gas in underground storage	$ —	$ 12,728	$ —	12,728
Other corporate assets				217,271
				$2,421,661

* Before income taxes and interest expense
** Includes allocation of common utility property

11. Fort St. Vrain Settlement

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

12. Amount Subject to Refund

Western is the defendent in lawsuits brought by two gas producers who claim underpayment for gas purchases under contracts containing "favored nations" provisions. To protect Western in the event of further claims under other contracts having similar provisions, the CPUC on September 7, 1977, granted Western's application to increase rates subject to refund. As of December 31, 1983, the amount at issue under all such contracts was approximately $24.9 million, including interest, of which approximately $1.7 million had accumulated prior to September 7, 1977. Western and legal counsel believe that the prices paid to producers are in accordance with the provisions of the contracts and that the position of Western in this matter will be sustained. In the event that Western's position is not sustained and final settlement of these claims results in Western being responsible for additional costs for gas purchased prior to September 7, 1977, Western will apply to the CPUC for rate relief to recover these costs.

Western is also a defendant in a lawsuit brought by Amoco Production Company (Amoco) alleging underpayment for gas purchases in accordance with the natural gas purchase contract between the parties. The amount at issue at December 31, 1983 is estimated to be $6.2 million, including interest, to Amoco and other parties having ownership interests in those wells. To protect Western in the event of further claims under this contract, Western filed and was granted permission by the CPUC in August 1981 to include in the PGA those additional costs which may be incurred in the future. In the event Western receives an adverse ruling, it will be necessary to apply to the CPUC for rate relief to recover approximately $3.6 million accumulated prior to August 1981.

13. Effects of Changing Prices (Unaudited)

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

Two methods have been prescribed for measuring the effects of changing prices. The *Constant Dollar* method restates historical financial data to units of equivalent purchasing power by applying the Consumer Price Index for All Urban Consumers (CPI-U) to the original historical cost of the Company's surviving property, plant and equipment. Constant Dollar adjusted information indicates how the Company has been affected by the decline in purchasing power of the dollar (general inflation).

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

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

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

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

As prescribed in FASB Statement No. 33, income taxes were not adjusted to reflect the effects of changing prices. This requirement is appropriate, since current income tax policy ignores the effects of inflation in measuring taxable income and the higher depreciation expense experienced under *Constant Dollar* and *Current Cost* accounting is not tax deductible. The Company's effective income tax rate, when taxable income has been adjusted for inflation, is 91% under the *Constant Dollar* method and 129% under the *Current Cost* method for 1983, both of which exceed the reported effective tax rate of 47% and the statutory rate of 49% for Federal and state taxes.

Statement of Income from Continuing Operations Adjusted for Changing Prices
For the year ended December 31, 1983

	As Reported/ Historical Cost	Constant Dollar/ Average 1983 Dollars	Current Cost/ Average 1983 Dollars
	(Thousands of Dollars)		
Operating revenues	$1,628,641	$1,628,641	$1,628,641
Depreciation expense	91,577	188,421	219,283
Other operating expenses and other income and deductions	1,430,685	1,430,685	1,430,685
	1,522,262	1,619,106	1,649,968
Income (loss) from continuing operations (excluding adjustment to net recoverable amount)	$ 106,379	$ 9,535*	$ (21,327)

*Including the adjustment to net recoverable amount, the income from continuing operations on a constant dollar basis would have been $20,082 for 1983.

Effects of Changing Prices on Common Stockholders' Equity
For the year ended December 31, 1983

	Constant Dollar/Avg. 1983 Dollars	Current Cost/Avg. 1983 Dollars
	(Thousands of Dollars)	
Current annual costs in excess of the historical cost of property, plant and equipment not recoverable in rates as depreciation expense under current regulatory policy:		
Effects of cumulative inflation reported as an additional provision for depreciation expense	$ 96,844	$127,706
Reported as an adjustment to net recoverable amount (Note A)	(10,547)	(33,058)
	86,297	94,648
Excess of specific price level changes ($190,962)** in the current year over the general price level changes ($182,611)		(8,351)
Offsetting effect of debt financing (Note B)	(49,231)	(49,231)
Net erosion of common stockholders' equity	$ 37,066	$ 37,066

**At December 31, 1983, current cost of property, plant and equipment, net of accumulated depreciation was $4,719,189, while historical cost (or net cost recoverable through depreciation) was $2,233,399.

Note A. Adjustment to Net Recoverable Amount

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

Note B. Offsetting Effect of Debt Financing (Gain From Decline in Purchasing Power of Net Amounts Owed)

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

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

Five-Year Comparison of Selected Financial Data
Adjusted for Effects of Changing Prices
In Average 1983 Dollars (except "As reported" amounts)

	Year Ended December 31,				
	1983	1982	1981	1980	1979
	(Thousands of Dollars Except Per Share Data)				
Operating Revenues:					
As reported	$1,628,641	$1,590,039	$1,336,171	$1,155,644	$ 926,510
Adjusted to constant dollars	1,628,641	1,638,904	1,463,122	1,397,730	1,271,555
Income (loss) from continuing operations (excluding adjustment to net recoverable amount):					
As reported	106,379	116,496	100,755	85,027	55,809
Adjusted to constant dollars	9,535	29,097	24,809	28,533	18,749
Adjusted to current cost	(21,327)	(11,457)	(18,187)	(19,811)	(40,082)
Income (loss) per common share (after dividend requirements on preferred stock):					
As reported	1.86	2.17	1.97	1.92	1.35
Adjusted to constant dollars (excluding adjustment to net recoverable amount)	(.15)	.26	.15	.30	.01
Adjusted to current cost	(.79)	(.62)	(.86)	(1.04)	(1.88)
Excess (deficiency) of increase in specific prices over changes in the general price level after adjustment to net recoverable amount	41,409	16,901	(70,252)	(136,895)	(167,296)
Gain from decline in purchasing power of net amounts owed	49,231	66,572	118,417	161,051	178,545
Net assets at year-end at net recoverable amount	806,288	789,980	773,337	755,832	719,902
Cash dividends declared per common share:					
As reported	1.84	1.76	1.68	1.60	1.60
Adjusted to constant dollars	1.84	1.81	1.83	1.94	2.21
Market price per common share at year-end:					
As reported	18.50	17.38	14.25	14.25	13.38
Adjusted to constant dollars	18.16	17.49	14.97	16.43	17.35
Average consumer price index*	298.5	289.6	272.6	246.8	217.5

* Base year 1967 = 100.0

14. Quarterly Financial Data (Unaudited)

Summarized quarterly data (dollars in thousands except for per share amounts) for 1983 and 1982 are as follows:

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

	1982			
	Three months ended			
	March 31	June 30	September 30	December 31
Operating revenues	$486,782	$358,577	$314,848	$429,832
Operating income	$ 59,463	$ 40,443	$ 42,928	$ 45,414
Net income	$ 42,088	$ 21,967	$ 24,470	$ 27,971
Earnings available for common stock*	$ 37,923	$ 17,802	$ 20,305	$ 23,806
Average common shares outstanding (thousands)	45,136	45,548	46,253	46,855
Earnings per average common share*	$0.84	$0.39	$0.44	$0.51

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

Report of Certified Public Accountants

The Board of Directors
and Shareholders
Public Service Company of Colorado

We have examined the accompanying consolidated balance sheet of Public Service Company of Colorado and subsidiaries at December 31, 1983 and 1982, and the related consolidated statements of income, retained earnings and source of funds for plant construction expenditures for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Public Service Company of Colorado and subsidiaries at December 31, 1983 and 1982, and the consolidated results of operations and source of funds for plant construction expenditures for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

Arthur Young & Company
Denver, Colorado
February 3, 1984

Board of Directors and Officers

Board of Directors

Robert T. Person
Denver, CO (1957)
Chairman of the Board
Age 69

Richard F. Walker
Denver, CO (1976)
President and Chief Executive Officer
Age 59

William T. Blackburn
Denver, CO (1965)
Resident Partner
Vaughey, Vaughey & Blackburn
(Independent Oil Producers)
Age 67

Doris M. Drury, PhD
Denver, CO (1975)
University of Denver
Professor of Economics
Chairman, Center for Business
and Economic Forecasting
Age 57

Thomas T. Farley*
Pueblo, CO (1983)
Attorney at Law
Petersen & Fonda Professional Corp.
Age 49

George B. McKinley
Grand Junction, CO (1976)
President and Chief Executive Officer
Central Bancorporation, Inc.
Age 56

John A. McKinney**
Denver, CO (1979)
Chairman of the Board and
Chief Executive Officer
Manville Corporation
Age 60

C. Keith Millen
Denver, CO (1969)
Senior Vice President of Operations
Age 61

Will F. Nicholson, Jr.
Denver, CO (1981)
President
Colorado National Bankshares, Inc.
Age 54

Bryant O'Donnell
Denver, CO (1972)
Executive Vice President and
General Counsel
Age 58

Nicholas R. Petry
Denver, CO (1961)
Chairman of the Board
Petry-Vappi Construction Company
Managing Partner of
N. G. Petry Construction Company
Age 65

J. Michael Powers
Cheyenne, WY (1978)
President
Powers Builders' Supply
Age 41

Jack W. Rouse
Denver, CO (1982)
Sr. Vice President, Utility Services
Age 63

*Thomas T. Farley, Attorney, was elected as a member of the Board of Directors succeeding Robert E. Kelly, Vice President, Fuel Supply & Gas Operations, who retired on September 1.

**On February 21, 1984 Keith L. Brown, a private investor, was elected a member of the Board of Directors succeeding John A. McKinney, Chairman and CEO of Manville Corp., who resigned from the Board. Mr. Brown has been president of Brown Investment Corp. in Denver and recently served as U.S. Ambassador to the Kingdom of Lesotho in Africa.

( ) Year elected to the Board of Directors

Ages as of December 31, 1983

Executive Committee

Robert T. Person
Richard F. Walker
William T. Blackburn
George B. McKinley
Nicholas R. Petry

Audit Committee

Doris M. Drury
J. Michael Powers
Will F. Nicholson, Jr.

Executive Officers

Robert T. Person (47)
Chairman of the Board
Age 69

Richard F. Walker (34)
President and Chief Executive Officer
Age 59

Bryant O'Donnell (33)
Executive Vice President and
General Counsel
Age 58

C. Keith Millen (37)
Senior Vice President, Operations
Age 61

Jack W. Rouse (37)
Senior Vice President, Utility Services
Age 63

James N. Bumpus (19)
Vice President, Finance and Treasurer
Age 49

Clark B. Ewald (24)
Vice President, Employee Relations
Age 49

J. Kenneth Fuller (35)
Vice President, Electric
Engineering and Planning
Age 60

John M. Hassoldt* (33)
Vice President, Gas Operations
Age 54

Delwin D. Hock (21)
Vice President, Accounting
and Secretary
Age 48

Oscar R. Lee (33)
Vice President, Electric Production
Age 57

Robert T. Person Jr. (12)
Vice President, Public Affairs
Age 41

James H. Ranniger (25)
Vice President, Rates and Regulations
Age 47

*John M. Hassoldt, Vice President, Gas Operations, succeeded Robert E. Kelly as an Executive Officer.

( ) Denotes years of service with the Company through December, 1983

Ages as of December 31, 1983

Board of Directors and Officers

(continued)

Other Officers

Ronald E. Donovan (29)
Assistant Vice President
Division Support Services
Age 56

Dan McNellis (31)
Assistant Vice President
Governmental Affairs
Age 55

Richard R. Midwinter (34)
Controller and Assistant Secretary
Age 58

Dale V. Fetchenhier (26)
Assistant Secretary
Age 50

Richard C. Kelly (16)
Assistant Secretary
Age 37

Steven R. Loeshelle (11)
Assistant Secretary
and Assistant Treasurer
Age 34

John E. Martin (35)
Assistant Secretary
Age 60

Glenn M. Steepleton (9)
Assistant Secretary
Age 60

Leo L. Beem (36)
Assistant Treasurer
Age 62

Richard L. Hunt (17)
Assistant Treasurer
Age 41

Susan G. Pollack (12)
Assistant Treasurer
Age 39

Douglas S. Robertson (5)
Assistant Treasurer
Age 41

Homer R. Sessions (6)
Assistant Treasurer
Age 58

( ) Denotes years of service with the Company through December, 1983

Ages as of December 31, 1983

Managers, Geographic Divisions

N. Keith Coombe (31)
High Plains
Age 55

Robert J. Cottle (35)
Northeast Metropolitan
Age 61

Robert J. Fairchild (44)
Front Range
Age 62

Ronald L. French (31)
Pueblo
Manager, Southern Region
Age 56

M. Gordon Parker (35)
Southeast Metropolitan
Age 61

Douglas C. Lockhart (19)
Mountain
Age 41

Robert E. Moninger (36)
Northern
Age 63

Ross C. King, Jr. (18)
Denver Metropolitan
Age 42

Lawrence F. Petrini (28)
San Luis Valley
Age 53

Wallace K. Reed (37)
Boulder
Manager, Foothills Region
Age 59

Harold L. Rust (28)
Platte Valley
Age 48

Louis W. Supancic (32)
Southwest Metropolitan
Age 61

N. James Temple, Jr. (37)
Western
Manager, Western Region
Age 63

Robert J. Vidick (28)
Northwest Metropolitan
Age 56

( ) Denotes years of service with the Company through December, 1983

Ages as of December 31, 1983

Managers Subsidiary Companies

James N. Bumpus (19)
President
Bannock Center Corp.
Age 49

Michael J. Geile (19)
Vice President and General Manager
Home Light & Power Company
Age 41

John M. Hassoldt (33)
Vice President and General Manager
Western Slope Gas Company
Age 54

James L. Higday (33)
President and General Manager
Cheyenne Light, Fuel
and Power Company
Manager, Northern Region
Age 61

Robert F. Jonas (36)
Vice President and General Manager
Fuel Resources Development Co.
Age 60

( ) Denotes years of service with the Company through December, 1983

Ages as of December 31, 1983.

Legal Counsel

Kelly, Stansfield & O'Donnell
Denver, Colorado

Auditors

Arthur Young & Company
1670 Broadway, Suite 2500
Denver, Colorado

Transfer Agents and Registrars for All Issues of Capital Stock

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

Registrar
Central Bank of Denver
Denver, Colorado

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

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

Shareholder Communications Survey

1983 Annual Report

1. How much of PSCo's 1983 Annual Report did you read?

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

2. Is the 1983 Annual Report easy to read and understand?

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

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

	Outstanding---------------►Poor									
1983 In Retrospect	1	2	3	4	5	6	7	8	9	10
Management Commentary	1	2	3	4	5	6	7	8	9	10
Dimensions In Utility Service:										
Electricity	1	2	3	4	5	6	7	8	9	10
Natural Gas	1	2	3	4	5	6	7	8	9	10
A Service Company	1	2	3	4	5	6	7	8	9	10
A People Company	1	2	3	4	5	6	7	8	9	10
The Investor Perspective	1	2	3	4	5	6	7	8	9	10
Operating and Financial Data	1	2	3	4	5	6	7	8	9	10
Shareholder Information	1	2	3	4	5	6	7	8	9	10
Charts	1	2	3	4	5	6	7	8	9	10

4. Please rate the overall PSCo 1983 Annual Report by circling the number below which best describes your overall impression:

Overall, I feel the 1983 Annual Report is — Outstanding---------------►Poor
1 2 3 4 5 6 7 8 9 10

Quarterly Reports

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

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

6. How would you describe the Quarterly Reports readability?

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

7. Please rate the PSCo 1983 Quarterly Reports by circling the number below which best describes your overall impression:

Overall, I felt the 1983 Quarterly Reports were — Outstanding---------------►Poor
1 2 3 4 5 6 7 8 9 10

Communications Programs

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

☐ very good ☐ adequate
☐ good ☐ inadequate

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

☐ yes ☐ mostly ☐ not entirely ☐ no

10. What is your Zip Code? ____________________.

Regional Shareholder Meetings

Public Service Company of Colorado will continue to hold regional shareholder meetings during 1984. Invitations to attend these meetings have been sent to shareholders who own Public Service Company stock in their name and who live within a 50-mile radius of the cities listed below.

If you wish to attend a meeting and have not already received a letter from us, please complete and return this card, indicating the meeting you wish to attend. We will send you the materials necessary for admittance.

Meetings will be held in the following areas on the indicated dates:

☐ Chicago — June 12th (tentative)
☐ St. Louis — June 13th (tentative)
☐ Seattle —September
☐ Fort Lauderdale — October
☐ Tampa/St. Petersburg — October

Additional Information and Duplicate Mailings

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

☐ **Statistical Review 1973-1983**
☐ **Form 10-K**
☐ **Dividend Reinvestment Plan Information**
☐ **Currently receive more than one copy of Annual Report.** Please eliminate report mailings for (fill in account number(s) from Annual Report mailing label):

____
____
____

Please Print:

NAME ____________________

STREET AND NUMBER ____________________

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Denver CO 80201-9958

Public Service

Public Service
Company of Colorado
P.O. Box [illegible]
Denver, Colorado [illegible]
(303) 571-7511

[illegible]
Public
Service Co.

Public Service Company of Colorado

16805 WCR 19 1/2, Platteville, Colorado 80651

March 23, 1984
Fort St. Vrain
Unit #1
P-84090

Director of Nuclear Reactor Regulation
ATTN: Mr. Roger S. Boyd, Director
Division of Project Management
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

Docket No. 50-267

Dear Mr. Boyd:

Enclosed are eight copies of the 1983 Public Service Company of Colorado Annual Report which are being submitted for your information and use per Regulatory Guide 10.1 and Title 10, Code of Federal Regulations, Part 50.

Very truly yours,

Don Warembourg

Don Warembourg
Manager, Nuclear Production

DW/djm

Enclosures

M004 1/6 Original To: Region IV