Southwestern Public Service Company

Balance Sheet

Line No.	Account Title	(a) Base Period	(b) Test Year Period	Difference [4]
1	**Utility Plant**			
2	Utility Plant	$ 9,248,464,147	$ 9,914,613,292	$ 666,149,145 [2]
3	Construction Work In Progress	1,075,370,126	0	(1,075,370,126) [2]
4	**Total Utility Plant**	**$ 10,323,834,273**	**$ 9,914,613,292**	**$ (409,220,981)**
5	(Less) Accum. Prov. For Depr., Amort. & Depl.	2,631,026,143	2,856,215,786	225,189,643 [2]
6	**Net Utility Plant**	**$ 7,692,808,130**	**$ 7,058,397,506**	**$ (634,410,624)**
7	**Other Property and Investments**			
8	Nonutility Plant	$ 4,422,200	$ 4,422,200	$ -
9	(Less) Accum. Prov. For Depr. and Amort.	463,643	463,643	-
10	Investments in Assoc. Companies	-	-	-
11	Investments in Subsidiary Companies	-	-	-
12	Noncurrent Portion of Allowances	-	-	-
13	Other Investments	3,140,110	3,140,110	-
14	Special Funds	-	-	-
15	Long-Term Portion of Derivative Instrument Assets	10,266,586	10,266,586	-
16	**Total Other Property and Investments**	**$ 17,365,253**	**$ 17,365,253**	**$ -**
17	**Current and Accrued Assets**			
18	Cash	$ -	$ -	$ -
19	Special Deposits	-	-	-
20	Working Fund	100,500	100,500	-
21	Temporary Cash Investments	6,388,048	6,388,048	-
22	Notes Receivable	-	-	-
23	Customer Accounts Receivable	88,456,804	88,456,804	-
24	Other Accounts Receivable	58,944,695	58,944,695	-
25	(Less) Accum. Prov. For Uncollectible Acct. - Credit	7,340,160	7,340,160	-
26	Notes Receivable from Associated Companies	-	-	-
27	Accounts Receivable from Associated Companies	11,072,178	11,072,178	-
28	Fuel Stock	6,993,635	6,371,683	(621,952) [2]
29	Fuel Stock Expenses Undistributed	-	-	-
30	Residuals (Elec) and Extracted Products	-	-	-
31	Plant Materials and Operating Supplies	22,274,956	21,716,287	(558,669) [2]
32	Merchandise	136,358	136,358	-
33	Other Materials and Supplies	-	-	-
34	Nuclear Materials Held for Sale	-	-	-
35	Allowances	3,836,962	-	(3,836,962) [2]
36	(Less) Noncurrent Portion of Allowances	-	-	-
37	Stores Expense Undistributed	-	-	-
38	Prepayments	4,979,700	4,918,949	(60,751) [2]
39	Advances for Gas	-	-	-
40	Interest and Dividends Receivable	-	-	-
41	Rents Receivable	531,657	531,657	-
42	Accrued Utility Revenues	118,637,212	118,637,212	-
43	Miscellaneous Current and Accrued Assets	-	-	-
44	Derivative Instrument Assets	24,562,184	24,562,184	-
45	(Less) Long-Term Portion of Derivative Instrument Assets	10,266,586	10,266,586	-
46	**Total Current and Accrued Assets**	**$ 329,308,143**	**$ 324,229,810**	**$ (5,078,333)**

Southwestern Public Service Company

Balance Sheet

Line No.	Account Title	(a) Base Period	(b) Test Year Period	Difference [4]
47	**Deferred Debits**			
48	Unamortized Debt Expenses	$ 26,481,938	$ 26,481,938	$ -
49	Extraordinary Property Losses	-	-	-
50	Unrecovered Plant and Regulatory Study Costs	-	-	-
51	Other Regulatory Assets	407,995,802	197,279,477	(210,716,325) [2]
52	Prelim. Survey and Investigation Charges (Electric)	-	-	-
53	Prelim. Survey and Investigation Charges (Gas)	-	-	-
54	Clearing Accounts	(61)	(61)	-
55	Temporary Facilities	-	-	-
56	Miscellaneous Deferred Debits	5,638,446	239,121	(5,399,325) [2]
57	Def. Losses from Disposition of Utility Plant	-	-	-
58	Research, Develop and Demonstration Expenditures	-	-	-
59	Unamortized Loss on Reacquired Debt	21,257,129	21,257,129	-
60	Accumulated Deferred Income Taxes	286,724,863	277,576,224	(9,148,639) [2]
61	Unrecovered Purchased Gas Costs	-	-	-
62	**Total Deferred Debits**	**$ 748,098,117**	**$ 522,833,828**	**$ (225,264,289)**
63	**Total Assets and Other Debits**	**$ 8,787,579,643**	**$ 7,922,826,397**	**$ (864,753,246)**
64	**Proprietary Capital**			
65	Common Stock Issued	$ 100	$ 100	$ -
66	Preferred Stock Issued	-	-	-
67	Capital Stock Subscribed	-	-	-
68	Stock Liability for Conversion	-	-	-
69	Premium on Capital Stock	362,132,084	362,132,084	-
70	Other Paid-in Capital	2,433,795,695	2,074,110,895	(359,684,800) [3]
71	Installments Received on Capital Stock	-	-	-
72	(Less) Discount on Capital Stock	-	-	-
73	(Less) Capital Stock Expense	9,033,435	9,033,435	-
74	Retained Earnings	510,186,988	510,186,988	-
75	Unappropriated Undistributed Subsidiary Earnings	-	-	-
76	Other Comprehensive Income	(1,318,329)	(1,318,329)	-
77	(Less) Reacquired Capital Stock	-	-	-
78	**Total Proprietary Capital**	**$ 3,295,763,103**	**$ 2,936,078,303**	**$ (359,684,800)**
79	**Long-Term Debt**			
80	Bonds	$ 2,450,000,000	$ 2,089,004,879	$ (360,995,121) [3]
81	(Less) Reacquired Bonds	-	-	-
82	Advances from Associated Companies	-	-	-
83	Other Long-Term Debt	350,000,000	350,000,000	-
84	Unamortized Premium on Long-Term Debt	8,483,375	8,483,375	-
85	(Less) Unamortized Discount on Long-Term Debt-Debit	18,296,381	18,296,381	-
86	**Total Long-Term Debt**	**$ 2,790,186,994**	**$ 2,429,191,873**	**$ (360,995,121)**
87	**Other Noncurrent Liabilities**			
88	Obligations Under Capital Leases-Noncurrent	$ 469,324,289	$ 469,324,289	$ -
89	Accumulated Provision for Property Insurance	-	-	-
90	Accumulated Provision for Injuries and Damages	-	-	-
91	Accumulated Provision for Pensions and Benefits	46,528,755	53,759,481	7,230,726 [2]
92	Accumulated Miscellaneous Operating Provisions	356,926	384,819	27,893 [2]
93	Accumulated Provision for Rate Refunds	41,569	41,569	-
94	Long-Term Portion of Derivative Instrument Liabilities	10,145,561	10,145,561	-
95	Long-Term Portion of Derivative Instrument Liab. - Hedges	-	-	-
96	Asset Retirement Obligation	80,016,023	80,016,023	-
97	**Total Other Noncurrent Liabilities**	**$ 606,413,123**	**$ 613,671,743**	**$ 7,258,620**

Southwestern Public Service Company

Balance Sheet

Line No.	Account Title	(a) Base Period	(b) Test Year Period	Difference [4]
98	**Current and Accrued Liabilities**			
99	Notes Payable	$ -	$ -	$ -
100	Accounts Payable	235,084,131	235,084,131	-
101	Notes Payable to Associated Companies	10,000,000	10,000,000	-
102	Accounts Payable to Associated Companies	16,724,308	16,724,308	-
103	Customer Deposits	6,006,369	6,056,369	50,000 [2]
104	Taxes Accrued	52,358,437	52,358,437	-
105	Interest Accrued	33,350,765	33,350,765	-
106	Dividends Declared	55,015,450	55,015,450	-
107	Matured Long-Term Debt	-	-	-
108	Matured Interests	-	-	-
109	Tax Collections Payable	6,828,502	6,828,502	-
110	Miscellaneous Current and Accrued Liabilities	1,561,275	1,561,275	-
111	Obligations Under Capital Leases-Current	27,752,374	27,752,374	-
112	Derivative Instrument Liabilities	13,710,286	13,710,286	-
113	(Less) Long-Term Portion of Derivative Instrument Liabilities	10,145,561	10,145,561	-
114	Derivative Instrument Liabilities - Hedges	-	-	-
115	(Less) Long-Term Portion of Derivative Instr. Liab. - Hedges	-	-	-
116	**Total Current and Accrued Liabilities**	**$ 448,246,336**	**$ 448,296,336**	**$ 50,000**
117	**Deferred Credits**			
118	Customer Advances for Construction	$ -	$ -	$ - [2]
119	Accumulated Deferred Investment Tax Credits	65,548	65,548	-
120	Deferred Gains from Disposition of Utility Plant	-	-	-
121	Other Deferred Credits	22,878,302	22,878,302	-
122	Other Regulatory Liabilities	620,039,679	12,843,785	(607,195,894) [2]
123	Unamortized Gain on Reacquired Debt	-	-	-
124	Accumulated Deferred Income Taxes[1]	1,003,986,558	1,459,800,508	455,813,950 [2]
125	**Total Deferred Credits**	**$ 1,646,970,087**	**$ 1,495,588,143**	**$ (151,381,944)**
126	**Total Liabilities and Other Credits**	**$ 8,787,579,643**	**$ 7,922,826,397**	**$ (864,753,246)**

(c) Explanation of Adjustments

The Base Period information presented in the I Series Schedules is directly from SPS's 2020 Third Quarter FERC Form 3. Notes to Financial Statements are included in FERC Form 3. Please see page 4-5 for the Balance Sheet-related notes and pages 6-17 for the Notes to Financial Statements from SPS's 2020 Third Quarter FERC Form 3.

(1) This amount reflects the total of lines 62 through 64 on the FERC Form 3.

(2) Adjusted to match the amount included in the Test Year Period cost of service. See Note 4.

(3) Adjusted in order to balance the Test Year Period. See Note 4.

(4) "Difference" column displayed in lieu of "Adjustments" due to the way the cost of service and this schedule are prepared. Line items on this schedule that are included in the cost of service reflect amounts from corresponding items in the Test Year Period cost of service. However, most of the line items on this schedule are not present in the cost of service, including the entire equity section of this schedule. Because the cost of service does not include all balance sheet items, certain liability balances were also adjusted for the Test Year Period column in order to balance the assets and liabilities of the Test Year Period balance sheet. For this schedule, all other balances in the Test Year Period column reflect those in the Base Period column. Please refer to the Direct Testimony of SPS witness Stephanie N. Niemi for explanations of cost of service adjustments.

(5) The Test Year Period cost of service will not directly tie to the financial information presented in the I Series Schedules because certain accounting and regulatory adjustments are made to the cost of service study that are not reflected in these schedules. Please refer to the Direct Testimony of Stephanie N. Niemi for explanations of these cost of service adjustments.

Document Accession #: 20201125-8011 Filed Date: 11/25/2020

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	11/25/2020	2020/Q3

FOOTNOTE DATA

Schedule Page: 110 Line No.: 2 Column: c

Includes operating leases in accordance with Accounting Standards Codification (ASC) Topic 842 and FERC Docket No. AI19-1-000.

Account 101.1	
Finance Lease Asset	$ -
Operating Right of Use Asset	497,076,664
Total	$ 497,076,664

Schedule Page: 110 Line No.: 52 Column: c

The balance is comprised of Texas Renewable Energy Credit Allowances of $3,836,962

Schedule Page: 110 Line No.: 52 Column: d

The balance is comprised of Texas Renewable Energy Credit Allowances of $3,753,904

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	11/25/2020	2020/Q3

FOOTNOTE DATA

Schedule Page: 112 Line No.: 26 Column: c

Includes operating leases in accordance with Accounting Standards Codification (ASC) Topic 842 and FERC Docket No. AI19-1-000.

Schedule Page: 112 Line No.: 49 Column: c

Includes operating leases in accordance with Accounting Standards Codification (ASC) Topic 842 and FERC Docket No. AI19-1-000.

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Southwestern Public Service Company	(1) [X] An Original (2) [ ] A Resubmission	11/25/2020	End of 2020/Q3

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	11/25/2020	2020/Q3

NOTES TO FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies

The significant accounting policies set forth in Note 1 to the financial statements in the Southwest Public Service Company's (SPS) Annual Report on Federal Energy Regulatory Commission (FERC) Form 1 for the year ended Dec. 31, 2019, appropriately represent, in all material respects, the current status of accounting policies and are incorporated herein by reference.

Business and System of Accounts - SPS is a wholly-owned subsidiary of Xcel Energy Inc. that is principally engaged in the generation, purchase, transmission, distribution and sale of electricity. SPS is subject to regulation by the FERC and state utility commissions.

Basis of Accounting - The accompanying financial statements were prepared in accordance with the accounting requirements of the FERC as set forth in the Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP:

- Current maturities of long-term debt are included as long-term debt, while GAAP requires such maturities to be classified as current liabilities.
- Deferred financing costs are included as deferred debits in the FERC presentation in contrast to the GAAP presentation in which they are included as a deduction from the carrying amount of long-term debt.
- Accumulated deferred income taxes are shown as long-term assets and liabilities at their gross amounts in the FERC presentation, in contrast to the GAAP presentation as net long-term assets and liabilities.
- Regulatory assets and liabilities are classified as current and noncurrent for GAAP presentation, while FERC requires all regulatory assets and liabilities to be classified as noncurrent deferred debits.
- Unrecognized tax benefits are recorded for temporary adjustments in accounts established for accumulated deferred income taxes in the FERC presentation, in contrast to its GAAP presentation as taxes accrued and other noncurrent liabilities.
- Removal costs for future removal obligations are classified as accumulated depreciation within the utility plant accounts in the FERC presentation and regulatory liabilities in the GAAP presentation.
- Certain commodity trading purchases and sales transactions are presented gross as expenses and revenues for FERC presentation; however the net margin is reported as net sales for GAAP presentation.
- Various expenses such as donations, lobbying, and other non-regulatory expenses are presented as other income and deductions for FERC presentation and reported as operating expenses for GAAP presentation.
- Income tax expense related to utility operations is shown as a component of utility operating expenses in the FERC presentation, in contrast to its GAAP presentation as a below-the-line deduction from operating income.
- For certain capital projects where there is recovery of a return on construction work in progress (CWIP), certain amounts of allowance for funds used during construction (AFUDC) are not recognized in CWIP for GAAP. While for FERC presentation, they are recorded in CWIP but the benefit is deferred as a liability and amortized over the life of the property as a reduction of costs.
- Non-service cost components of net periodic benefit costs that are reported on the income statement are recorded as operation expenses in the FERC presentation and as other income, net for GAAP presentation. Non-service costs that are eligible for capitalization are recorded as a component of net utility plant in the FERC presentation and as regulatory assets for GAAP.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
	(1) X An Original	(Mo, Da, Yr)	
Southwestern Public Service Company	(2) __ A Resubmission	11/25/2020	2020/Q3

NOTES TO FINANCIAL STATEMENTS (Continued)

If GAAP were followed these financial statement line items would have values greater/(lesser) than those shown by FERC presentation of:

(Millions of Dollars)		
Balance Sheet:		
Net utility plant	$	(324.3)
Current assets		77.7
Current liabilities		82.2
Other long-term assets		107.5
Long-term debt and other long-term liabilities		(221.2)
Statement of Income:		
Operating revenue	$	119.6
Operating expenses		114.2
Other income and deductions		(4.5)
Net interest charges		3.0
Statement of Cash Flows:		
Cash provided by operating activities	$	0.4
Cash used in investing activities		—
Cash provided by financing actvities		0.1

Accounting Pronouncements - In 2016, the FASB issued Financial Instruments - Credit Losses, Topic 326 (ASC Topic 326), which changes how entities account for losses on receivables and certain other assets. The guidance requires use of a current expected credit loss model (CECL), which may result in earlier recognition of credit losses than under previous accounting standards.

On May 7, 2020 the FERC issued guidance in Docket No. AI20-2-000 approving use of Account 439, Adjustments to Retain Earnings, to record the cumulative adjustment to beginning retained earnings for the implementation of ASC Topic 326. SPS implemented the guidance using a modified-retrospective approach, recognizing a cumulative effect charge of $0.1 million (after tax) to adjustments to retained earnings (Account 439). Other than first-time recognition of an allowance for doubtful accounts on accrued unbilled revenues, the Jan. 1, 2020 adoption of ASC Topic 326 did not have a significant impact on SPS' financial statements.

Subsequent Events - Management has evaluated the impact of events occurring after Sept. 30, 2020 up to Oct. 29, 2020, the date SPS' GAAP financial statements were issued and has updated such evaluation for disclosure purposes through the date of this report. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

2. Borrowings and Other Financing Instruments

Short-Term Borrowings

SPS meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under its credit facility and the money pool.

Money Pool — Xcel Energy Inc. and its utility subsidiaries have established a money pool arrangement that allows for short-term investments in and borrowings between the utility subsidiaries. Xcel Energy Inc. may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in Xcel Energy Inc.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	11/25/2020	2020/Q3

NOTES TO FINANCIAL STATEMENTS (Continued)

Money pool borrowings for SPS were as follows:

(Amounts in Millions, Except Interest Rates)	Three Months Ended Sept. 30, 2020	Year Ended Dec. 31, 2019
Borrowing limit	$ 100	$ 100
Amount outstanding at period end	10	—
Average amount outstanding	—	8
Maximum amount outstanding	10	100
Weighted average interest rate, computed on a daily basis	0.09 %	2.42 %
Weighted average interest rate at period end	0.90	N/A

Commercial Paper — Commercial paper outstanding for SPS was as follows:

(Amounts in Millions, Except Interest Rates)	Three Months Ended Sept. 30, 2020	Year Ended Dec. 31, 2019
Borrowing limit	$ 500	$ 500
Amount outstanding at period end	—	—
Average amount outstanding	—	72
Maximum amount outstanding	—	316
Weighted average interest rate, computed on a daily basis	N/A	2.68 %
Weighted average interest rate at period end	N/A	N/A

Letters of Credit — SPS uses letters of credit, generally with terms of one year, to provide financial guarantees for certain operating obligations. At both Sept. 30, 2020 and Dec. 31, 2019, there were $2 million of letters of credit outstanding under the credit facility. The contract amounts of these letters of credit approximate their fair value and are subject to fees.

Revolving Credit Facility — In order to use its commercial paper program to fulfill short-term funding needs, SPS must have a revolving credit facility in place at least equal to the amount of its commercial paper borrowing limit and cannot issue commercial paper in an aggregate amount exceeding available capacity under this credit facility. The line of credit provides short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings.

SPS has the right to request an extension of the revolving credit facility termination date for two additional one-year periods. All extension requests are subject to majority bank group approval.

As of Sept. 30, 2020, SPS had the following committed revolving credit facility available (in millions of dollars):

Credit Facility (a)	Drawn (b)	Available
$ 500	$ 2	$ 498

(a) Expires in June 2024.

(b) Includes outstanding letters of credit.

All credit facility bank borrowings, outstanding letters of credit and outstanding commercial paper reduce the available capacity under the credit facility. SPS had no direct advances on the credit facility outstanding as of Sept. 30, 2020 and Dec. 31, 2019.

Long-Term Borrowings

During the nine months ended Sept. 30, 2020, SPS issued $350 million of 3.15% first mortgage bonds due May 1, 2050.

3. Income Taxes

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	11/25/2020	2020/Q3

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5 to the financial statements included in SPS' Annual Report on FERC Form 1 for the year ended Dec. 31, 2019 represents, in all material respects, the current status of other income tax matters except to the extent noted below, and are incorporated herein by reference.

Federal Tax Loss Carryback Claims — In 2020, Xcel Energy identified certain expenses related to tax years 2009-2011 that qualify for an extended carryback claim. SPS is not expected to accrue any income tax expense related to this adjustment.

Federal Audits — SPS is a member of the Xcel Energy affiliated group that files a consolidated federal income tax return. Statute of limitations applicable to Xcel Energy's federal income tax returns expire as follows:

Tax Years	Expiration
2014 — 2016	July 2021

Additionally, the statute of limitations related to the federal tax loss carryback claim referenced above has been extended. Xcel Energy has recognized its best estimate of income tax expense that will result from a final resolution of this issue; however, the outcome and timing of a resolution is unknown.

In 2017, the Internal Revenue Service (IRS) concluded the audit of tax years 2012 and 2013 and proposed an adjustment that would impact Xcel Energy's net operating loss (NOL) and effective tax rate (ETR). Xcel Energy filed a protest with the IRS. In April 2020, Xcel Energy and Office of Appeals reached an agreement and no material adjustments were required.

In 2018, the IRS began an audit of tax years 2014 - 2016. In July 2020, Xcel Energy and the IRS reached an agreement and the related benefit was recognized.

State Audits — SPS is a member of the Xcel Energy affiliated group that files consolidated state income tax returns. As of Sept. 30, 2020, SPS' earliest open tax year subject to examination by state taxing authorities under applicable statutes of limitations is 2011. As of Sept. 30, 2020, there are no state income tax audits in progress.

Unrecognized Benefits — The unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual ETR. In addition, the unrecognized tax benefit balance includes temporary tax positions for which ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the ETR but would accelerate the payment to the taxing authority to an earlier period.

Unrecognized tax benefits — permanent vs temporary:

(Millions of Dollars)	Sept. 30, 2020	Dec. 31, 2019
Unrecognized tax benefit — Permanent tax positions	$ 2.9	$ 3.7
Unrecognized tax benefit — Temporary tax positions	0.1	1.5
Total unrecognized tax benefit	$ 3.0	$ 5.2

Unrecognized tax benefits were reduced by tax benefits associated with NOL and tax credit carryforwards:

(Millions of Dollars)	Sept. 30, 2020	Dec. 31, 2019
NOL and tax credit carryforwards	$ (2.2)	$ (4.4)

As the IRS and state audits resume, it is reasonably possible that the amount of unrecognized tax benefit could decrease up to approximately $0.6 million in the next 12 months.

Payables for interest related to unrecognized tax benefits were not material and no amounts were accrued for penalties related to unrecognized tax benefits as of Sept. 30, 2020 and Dec. 31, 2019, respectively.

4. Fair Value of Financial Assets and Liabilities

Fair Value Measurements

Accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires disclosures about assets and liabilities measured at fair value. A hierarchical framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance.

- Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices;
- Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, or priced with models using highly observable inputs; and
- Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those valued with models requiring significant management judgment or estimation.

Specific valuation methods include:

Cash equivalents — The fair values of cash equivalents are generally based on cost plus accrued interest; money market funds are measured using quoted net asset value.

Interest rate derivatives — The fair values of interest rate derivatives are based on broker quotes that utilize current market interest rate forecasts.

Commodity derivatives — The methods used to measure the fair value of commodity derivative forwards and options utilize forward prices and volatilities, as well as pricing adjustments for specific delivery locations and are generally assigned a Level 2 classification. When contractual settlements relate to inactive delivery locations or extend to periods beyond those readily observable on active exchanges or quoted by brokers, the significance of the use of less observable forecasts of forward prices and volatilities on a valuation is evaluated, and may result in Level 3 classification.

Electric commodity derivatives held by SPS include transmission congestion instruments, generally referred to as financial transmission rights (FTRs), purchased from Southwest Power Pool, Inc. (SPP). FTRs purchased from an Regional Transmission Organization (RTO) are financial instruments that entitle or obligate the holder to monthly revenues or charges based on transmission congestion across a given transmission path. The value of an FTR is derived from and designed to offset, the cost of transmission congestion. In addition to overall transmission load, congestion is also influenced by the operating schedules of power plants and the consumption of electricity pertinent to a given transmission path. Unplanned plant outages, scheduled plant maintenance, changes in the relative costs of fuels used in generation, weather and overall changes in demand for electricity can each impact the operating schedules of the power plants on the transmission grid and the value of an FTR.

If forecasted costs of electric transmission congestion increase or decrease for a given FTR path, the value of that particular FTR instrument will likewise increase or decrease. Given the limited observability of important inputs to the value of FTRs between auction processes, including expected plant operating schedules and retail and wholesale demand, fair value measurements for FTRs have been assigned a Level 3. Non-trading monthly FTR settlements are expected to be recovered through fuel and purchased energy cost recovery mechanisms, and therefore changes in the fair value of the yet to be settled portions of FTRs are deferred as a regulatory asset or liability. Given this regulatory treatment and the limited magnitude of FTRs relative to the electric utility operations of SPS, the numerous unobservable quantitative inputs pertinent to the value of FTRs are insignificant to the financial statements of SPS.

Derivative Instruments Fair Value Measurements

SPS enters into derivative instruments, including forward contracts, for trading purposes and to manage risk in connection with changes in interest rates and electric utility commodity prices.

Interest Rate Derivatives — SPS may enter into various instruments that effectively fix the interest payments on certain floating rate debt obligations or effectively fix the yield or price on a specified benchmark interest rate for an anticipated debt issuance for a specific period. These derivative instruments are generally designated as cash flow hedges for accounting purposes. As of Sept. 30, 2020, accumulated other comprehensive loss related to interest rate derivatives included $0.1 million of net losses expected to be reclassified into earnings during the next 12 months as the related hedged interest rate transactions impact earnings, including forecasted amounts for unsettled hedges, as applicable.

Wholesale and Commodity Trading Risk — SPS conducts various wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy and energy-related instruments, including derivatives. SPS is allowed to conduct these activities within guidelines and limitations as approved by its risk management committee, comprised of management personnel not directly involved in the activities governed by this policy.

Commodity Derivatives — SPS enters into derivative instruments to manage variability of future cash flows from changes in commodity prices in its electric utility operations. This could include the purchase or sale of energy or energy-related products and FTRs.

Amounts in Millions [(a)]	Sept. 30, 2020	Dec. 31, 2019

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NOTES TO FINANCIAL STATEMENTS (Continued)

Megawatt hours of electricity	8.3	6.4

(a) Amounts are not reflective of net positions in the underlying commodities.

Consideration of Credit Risk and Concentrations — SPS continuously monitors the creditworthiness of counterparties to its interest rate derivatives and commodity derivative contracts prior to settlement, and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Impact of credit risk was immaterial to the fair value of unsettled commodity derivatives presented on the balance sheets.

SPS' most significant concentrations of credit risk with particular entities or industries are contracts with counterparties to its wholesale, trading and non-trading commodity activities. At Sept. 30, 2020, three of the 10 most significant counterparties for these activities, comprising $17.9 million, or 41%, of this credit exposure, had investment grade ratings from S&P Global Ratings, Moody's Investor Services or Fitch Ratings. Six of the 10 most significant counterparties, comprising $25.5 million, or 59%, of this credit exposure, were not rated by external rating agencies, but based on SPS' internal analysis, had credit quality consistent with investment grade. One of these significant counterparties, comprising $0.1 million or 0.3% of this credit exposure, had credit quality less than investment grade, based on internal analysis. 10 of these significant counterparties are municipal or cooperative electric entities, RTOs or other utilities.

Impact of Derivative Activities on Income and Accumulated Other Comprehensive Loss — There were no gains or losses and immaterial losses related to interest rate derivatives reclassified from accumulated other comprehensive loss into earnings for the three and nine months ended Sept. 30, 2020 and 2019, respectively.

Changes in the fair value of FTRs resulting in pre-tax net losses of $2.5 million and $5.0 million were recognized for the three and nine months ended Sept. 30, 2020, respectively, which were reclassified as regulatory assets and liabilities. There were immaterial and $4.7 million of pre-tax net gains recognized for the three and nine months ended Sept. 30, 2019, respectively, which were reclassified as regulatory assets and liabilities. The classification as a regulatory asset or liability is based on expected recovery of FTR settlements through fuel and purchased energy cost recovery mechanisms.

FTR settlement gains of $2.3 million and $3.6 million were recognized for the three and nine months ended Sept. 30, 2020, respectively and were recorded to operation expenses. Settlement gains of $1.7 million and $1.5 million were recognized for the three and nine months ended Sept. 30, 2019, respectively, and were recorded to operation expenses. These derivative settlement gains and losses are shared with electric customers through fuel and purchased energy cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.

SPS had no derivative instruments designated as fair value hedges during the three and nine months ended Sept. 30, 2020 and 2019.

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Recurring Fair Value Measurements — SPS' derivative assets and liabilities measured at fair value on a recurring basis:

	Sept. 30, 2020						Dec. 31, 2019					
	Fair Value			Fair Value Total	Netting (a)	Total	Fair Value			Fair Value Total	Netting (a)	Total
(Millions of Dollars)	Level 1	Level 2	Level 3				Level 1	Level 2	Level 3			
Current derivative assets												
Other derivative instruments:												
Electric commodity	$ —	$ —	$ 11.2	$ 11.2	$ (0.1)	$ 11.1	$ —	$ —	$ 11.8	$ 11.8	$ —	$ 11.8
Total current derivative assets	$ —	$ —	$ 11.2	$ 11.2	$ (0.1)	11.1	$ —	$ —	$ 11.8	$ 11.8	$ —	11.8
Purchase Power Agreements (PPAs) (b)						3.2						3.2
Current derivative instruments						$ 14.3						$ 15.0
Noncurrent derivative assets												
PPAs (b)						$ 10.3						$ 12.6
Noncurrent derivative instruments						$ 10.3						$ 12.6

	Sept. 30, 2020						Dec. 31, 2019					
	Fair Value			Fair Value Total	Netting (a)	Total	Fair Value			Fair Value Total	Netting (a)	Total
(Millions of Dollars)	Level 1	Level 2	Level 3				Level 1	Level 2	Level 3			
Current derivative liabilities												
Other derivative instruments:												
Electric commodity	$ —	$ —	$ 0.1	$ 0.1	$ (0.1)	$ —	$ —	$ —	$ 0.1	$ 0.1	$ —	$ 0.1
Total current derivative liabilities	$ —	$ —	$ 0.1	$ 0.1	$ (0.1)	—	$ —	$ —	$ 0.1	$ 0.1	$ —	0.1
PPAs (b)						3.6						3.6
Current derivative instruments						$ 3.6						$ 3.7
Noncurrent derivative liabilities												
PPAs (b)						$ 10.1						$ 12.8
Noncurrent derivative instruments						$ 10.1						$ 12.8

(a) SPS nets derivative instruments and related collateral on its balance sheets when supported by a legally enforceable master netting agreement, and all derivative instruments and related collateral amounts were subject to master netting agreements at Sept. 30, 2020 and Dec. 31, 2019. At Sept. 30, 2020 and Dec. 31, 2019, derivative assets and liabilities

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include no obligations to return cash collateral or rights to reclaim cash collateral. The counterparty netting excludes settlement receivables and payables and non-derivative amounts that may be subject to the same master netting agreements.

(b) During 2006, SPS qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

Changes in Level 3 commodity derivatives for the three and nine months ended Sept. 30, 2020 and 2019:

	Three Months Ended Sept. 30	
(Millions of Dollars)	**2020**	**2019**
Balance at July 1	$ 15.7	$ 22.2
Purchases	0.3	4.4
Settlements	(1.3)	(5.2)
Net transactions recorded during the period:		
Net losses recognized as regulatory assets and liabilities	(3.6)	(4.3)
Balance at Sept. 30	$ 11.1	$ 17.1

	Nine Months Ended Sept. 30	
(Millions of Dollars)	**2020**	**2019**
Balance at Jan. 1	$ 11.7	$ 14.7
Purchases	21.1	25.5
Settlements	(18.2)	(24.9)
Net transactions recorded during the period:		
Net (losses) gains recognized as regulatory assets and liabilities	(3.5)	1.8
Balance at Sept. 30	$ 11.1	$ 17.1

SPS recognizes transfers between levels as of the beginning of each period. There were no transfers of amounts between levels for derivative instruments for the three and nine months ended Sept. 30, 2020 and 2019.

Fair Value of Long-Term Debt

Other financial instruments for which the carrying amount did not equal fair value:

	Sept. 30, 2020		Dec. 31, 2019	
(Millions of Dollars)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Long-term debt	$ 2,790.2	$ 3,314.4	$ 2,442.9	$ 2,706.1

Fair value of SPS' long-term debt is estimated based on recent trades and observable spreads from benchmark interest rates for similar securities. Fair value estimates are based on information available to management as of Sept. 30, 2020 and Dec. 31, 2019 and given the observability of the inputs, fair values presented for long-term debt were assigned as Level 2.

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NOTES TO FINANCIAL STATEMENTS (Continued)

5. Benefit Plans and Other Postretirement Benefits

Components of Net Periodic Benefit Cost (Credit)

	Three Months Ended Sept. 30			
	2020	2019	2020	2019
(Millions of Dollars)	Pension Benefits		Postretirement Health Care Benefits	
Service cost	$ 2.4	$ 2.2	$ 0.3	$ 0.2
Interest cost	4.5	5.0	0.3	0.4
Expected return on plan assets	(7.4)	(7.1)	(0.5)	(0.5)
Amortization of prior service credit	—	—	(0.1)	(0.1)
Amortization of net loss (gain)	3.3	2.8	(0.1)	(0.1)
Net periodic benefit cost (credit)	2.8	2.9	(0.1)	(0.1)
Effects of regulation	0.5	0.5	—	—
Net benefit cost (credit) recognized for financial reporting	$ 3.3	$ 3.4	$ (0.1)	$ (0.1)

	Nine Months Ended Sept. 30			
	2020	2019	2020	2019
(Millions of Dollars)	Pension Benefits		Postretirement Health Care Benefits	
Service cost	$ 7.2	$ 6.6	$ 0.7	$ 0.7
Interest cost	13.4	15.1	1.1	1.3
Expected return on plan assets	(22.0)	(21.5)	(1.4)	(1.5)
Amortization of prior service credit	(0.1)	(0.1)	(0.3)	(0.4)
Amortization of net loss (gain)	9.9	8.5	(0.3)	(0.3)
Net periodic benefit cost (credit)	8.4	8.6	(0.2)	(0.2)
Effects of regulation	1.5	1.3	—	—
Net benefit cost (credit) recognized for financial reporting	$ 9.9	$ 9.9	$ (0.2)	$ (0.2)

In January 2020, contributions of $150.0 million were made across four of Xcel Energy’s pension plans, of which $14.4 million was attributable to SPS. Xcel Energy does not expect additional pension contributions during 2020.

6. Commitments and Contingencies

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The following include commitments, contingencies and unresolved contingencies that are material to SPS' financial position.

Legal

SPS is involved in various litigation matters in the ordinary course of business. The assessment of whether a loss is probable or is a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. Management maintains accruals for losses probable of being incurred and subject to reasonable estimation. Management is sometimes unable to estimate an amount or range of a reasonably possible loss in certain situations, including but not limited to, when (1) the damages sought are indeterminate, (2) the proceedings are in the early stages or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss.

For current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, would have a material effect on SPS' financial statements. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Rate Matters and Other

SPP Open Access Transmission Tariff (OATT) Upgrade Costs — Under the SPP OATT, costs of transmission upgrades may be recovered from other SPP customers whose transmission service depends on capacity enabled by the upgrade. SPP had not been charging its customers for these upgrades, even though the SPP OATT had allowed SPP to do so since 2008. In 2016, the FERC granted SPP's request to recover these previously unbilled charges and SPP subsequently billed SPS approximately $13 million.

In July 2018, SPS' appeal to the D.C. Circuit over the FERC rulings granting SPP the right to recover these previously unbilled charges was remanded to the FERC. In February 2019, the FERC reversed its 2016 decision and ordered SPP to refund the charges retroactively collected from its transmission customers, including SPS, related to periods before September 2015.

In March 2020, SPP and Oklahoma Gas & Electric separately filed petitions for review of FERC's orders at the D.C. Circuit. SPS has intervened in both appeals in support of FERC. Any refunds received by SPS are expected to be given back to SPS customers through future rates.

In October 2017, SPS filed a separate related complaint against SPP asserting that SPP has assessed upgrade charges to SPS in violation of the SPP OATT. In March 2018, the FERC issued an order denying the SPS complaint in its entirety and found SPP's calculations to be consistent with the SPP Tariff. SPS filed a request for rehearing in April 2018. The FERC issued a tolling order granting a rehearing for further consideration in May 2018. If SPS' complaint results in additional charges or refunds, SPS will seek to recover or refund the amounts through future SPS customer rates.

SPP Filing to Assign GridLiance Facilities to SPS Rate Zone — In August 2018, SPP filed a request with the FERC to amend its OATT to include the costs of the GridLiance High Plains, LLC facilities in the SPS rate zone. In a previous filing, the FERC determined that some of these facilities did not qualify as transmission facilities under the SPP OATT. SPP's proposed tariff changes resulted in an increase in the annual transmission revenue requirement of $9.5 million per year, with $6 million allocated to SPS' retail customers. The remaining $3.5 million would be paid by other wholesale loads in the SPS rate zone.On March 16, 2020, GridLiance also filed additional rate increases for 2020 which would raise their annual revenue requirement to $13.6 million, with approximately $8.7 million allocated to SPS' retail customers. The hearing portion of this proceeding was concluded on Sept. 11, 2020. The initial post-hearing brief was filed on Oct. 27, 2020 and the administrative law judge's decision on this case is expected on Feb. 3, 2021. The FERC will then rule on the judge's decision and either sustain it, overturn it, or order further proceedings. SPS has incurred approximately $12.6 million in associated charges as of Sept. 30, 2020.

Contract Termination — SPS and Lubbock Power & Light are parties to a 25-year, 170 MW partial requirements contract. Lubbock Power & Light has initiated discussions with SPS concerning the interpretation of contractual terms related to early termination and default. If the parties are unable to reach resolution, the contract calls for the matter to proceed to arbitration.

Environmental

Manufactured Gas Plant, Landfill and Disposal Sites — SPS is currently remediating a former disposal site. SPS has recognized its best estimate of costs/liabilities that will result from final resolution of these issues, however, the outcome and timing is unknown. In addition, there may be insurance recovery and/or recovery from other potentially responsible parties, offsetting a portion of costs incurred.

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7. Supplementary Cash Flow Data

	Nine Months Ended Sept. 30	
(Millions of Dollars)	2020	2019
Supplemental disclosure of cash flow information		
Cash paid for interest (net of amounts capitalized)	$ (65.6)	$ (60.3)
Cash received (paid) for income taxes, net	4.0	(4.4)
Supplemental disclosure of non-cash investing and financing transactions		
Accrued property, plant and equipment additions	$ 111.1	$ 67.5
Inventory transfers to property, plant and equipment	21.9	18.7
Operating lease right of use assets	—	548.3
Allowance for equity finds used during construction	23.9	22.2

Southwestern Public Service Company

Income Statement

Line No.	Account Title	(a) Base Period	(b) Test Year Period	Difference [4]
1	**Utility Operating Income**			
2	Operating Revenues	$ 1,723,804,360	$ 1,351,975,363	$ (371,828,997) [3]
3	**Utility Operating Expenses**			
4	Operation Expenses	$ 1,031,138,822	$ 519,871,622	$ (511,267,200) [3]
5	Maintenance Expenses	51,528,226	61,147,030	9,618,804 [3]
6	Depreciation Expenses	243,113,567	346,317,783	103,204,216 [3]
7	Depreciation Expenses for Asset Retirement Obligation	1,789,823	-	(1,789,823)
8	Amortization & Depletion of Utility Plant	26,584,855	30,006,406	3,421,551 [3]
9	Amortization of Utility Plant Acq. Adjustment	-	-	-
10	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs	-	-	-
11	Amortization of Conversion Expenses	-	-	-
12	Regulatory Debits	6,070,839	(591,931)	(6,662,770) [3]
13	(Less) Regulatory Credits	76,364,475	5,216,899	(71,147,576) [3]
14	Taxes Other Than Income Taxes	84,560,225	94,949,504	10,389,279 [3]
15	Income Taxes - Federal	(43,131,308)	80,589,578	123,720,886 [3]
16	Income Taxes - Other	(3,320,272)	8,134,953	11,455,225 [3]
17	Provision for Deferred Income Taxes	255,962,305	66,457,537	(189,504,768) [2][3]
18	(Less) Provision for Deferred Income Taxes	217,177,911	-	(217,177,911) [2][3]
19	Investment Tax Credit Adj. - Net	(52,421)	(52,421)	(0) [3]
20	(Less) Gains from Disposition of Utility Plant	-	-	-
21	Losses from Disposition of Utility Plant	-	-	-
22	(Less) Gains from Disposition of Allowances	91,803	-	(91,803) [3]
23	Losses from Disposition of Allowances	-	-	- [3]
24	Accretion Expense	3,373,125	-	(3,373,125) [3]
25	**Total Utility Operating Expenses**	**$ 1,363,983,597**	**$ 1,201,613,164**	**$ (162,370,433)**
26	**Net Utility Operating Income**	**$ 359,820,763**	**$ 150,362,200**	**$ (209,458,563)** [3]
27	**Other Income and Deductions**			
28	**Other Income**			
29	**Nonutility Operating Income**			
30	Revenues from Merchandising, Jobbing and Contract Work	$ -	$ -	$ -
31	(Less) Costs and Exp. Of Merch., Jobbing and Contr. Work	-	-	-
32	Revenues from Nonutility Operations	157,746	157,746	-
33	(Less) Expenses of Nonutility Operations	196,148	196,148	-
34	Nonoperating Rental Income	-	-	-
35	Equity in Earnings of Subsidiary Companies	-	-	-
36	Interest and Dividend Income	589,411	589,411	-
37	Allowance for Other Funds Used During Construction	28,546,835	28,546,835	-
38	Miscellaneous Nonoperating Income	(162,481)	(162,481)	-
39	Gain on Disposition of Property	50,789	50,789	-
40	**Total Other Income**	**$ 28,986,152**	**$ 28,986,152**	**$ -**
41	**Other Income Deductions**			
42	Loss on Disposition of Property	$ 109,478	$ 109,478	$ -
43	Miscellaneous Amortization	-	-	-
44	Miscellaneous Income Deductions[1]	2,238,470	2,238,470	-
45	**Total Other Income Deductions**	**$ 2,347,948**	**$ 2,347,948**	**$ -**

Southwestern Public Service Company

Income Statement

Line No.	Account Title	(a) Base Period	(b) Test Year Period	Difference [4]
46	**Taxes Applicable to Other Income and Deductions**			
47	Taxes Other Than Income Taxes	$ 21,852	$ 21,852	$ -
48	Income Taxes - Federal	(1,451,818)	(1,451,818)	-
49	Income Taxes - Other	(110,081)	(110,081)	-
50	Provision for Deferred Income Taxes	244,626	244,626	-
51	(Less) Provision for Deferred Income Taxes - Cr.	-	-	-
52	Investment Tax Credit Adj. - Net	-	-	-
53	(Less) Investment Tax Credits	-	-	-
54	**Total Taxes on Other Income and Deductions**	**$ (1,295,421)**	**$ (1,295,421)**	**$ -**
55	**Net Other Income and Deductions**	**$ 27,933,625**	**$ 27,933,625**	**$ -**
56	**Interest Charges**			
57	Interest on Long-Term Debt	$ 105,986,479	$ 105,986,479	$ -
58	Amortization of Debt Discount and Expense	1,651,760	1,651,760	-
59	Amortization of Loss on Reacquired Debt	809,827	809,827	-
60	(Less) Amortization of Premium on Debt - Credit	-	-	-
61	(Less) Amortization of Gain on Reacquired Debt - Credit	-	-	-
62	Interest on Debt to Associated Companies	527,672	527,672	-
63	Other Interest Expense	4,802,969	4,802,969	-
64	(Less) Allow. for Borrowed Funds Used During Constr. - Cr.	12,594,002	12,594,002	-
65	**Net Interest Charges**	**$ 101,184,705**	**$ 101,184,705**	**$ -**
66	**Income Before Extraordinary Items**	**$ 286,569,683**	**$ 77,111,120**	**$ (209,458,563)**
67	**Extraordinary Items**			
68	Extraordinary Income	$ -	$ -	$ -
69	(Less) Extraordinary Deductions	-	-	-
70	Net Extraordinary Items	-	-	-
71	Income Taxes - Federal and Other	-	-	-
72	**Extraordinary Items After Taxes**	**$ -**	**$ -**	**$ -**
73	**Net Income**	**$ 286,569,683**	**$ 77,111,120**	**$ (209,458,563)**

(c) Explanation of Adjustments

The Base Period information presented in Schedule I-2 is derived by utilizing SPS's 2019 FERC Form 1 annual results, minus the first nine months 2019 results (Column (c) on SPS's 2019 Third Quarter FERC Form 3), plus the first nine months 2020 results (Column (c) on SPS's 2020 Third Quarter FERC Form 3).

Please see pages 3-4 for the Income Statement-related notes from SPS's 2019 FERC Form 1, pages 5-6 for the Income Statement-related notes from SPS's 2019 Third Quarter FERC Form 3, page 7 for the Income Statement-related notes from SPS's 2020 Third Quarter FERC Form 3, and pages 8-38 for the Notes to Financial Statements from SPS's 2019 FERC Form 1. Notes to Financial Statements from SPS's 2020 Third Quarter FERC Form 3 are provided with Schedule I-1.

(1) This amount derived from the total of lines 45 through 49 on the applicable FERC Form 1 and FERC Form 3s.

(2) SPS does not have the detail to split deferred income taxes between FERC Accounts 410.1 and 411.1 in the Test Year Period.

(3) Adjusted to match the amount included in the Test Year Period Cost of Service. See Note 4.

(4) "Difference" column displayed in lieu of "Adjustments" due to the way the cost of service and this schedule are prepared. Line items on this schedule that are included in the cost of service reflect amounts from corresponding items in the Test Year Period cost of service. However, most of the line items on this schedule are not present in the cost of service, including the non-utility items. For this schedule, all other balances in the Test Year Period column reflect those in the Base Period column. Please refer to the Direct Testimony of Stephanie N. Niemi for explanations of cost of service adjustments.

(5) The Test Year Period cost of service will not directly tie to the financial information presented in the I Series Schedules because certain accounting and regulatory adjustments are made to the cost of service study that are not reflected in these schedules. Please refer to the Direct Testimony of Stephanie N. Niemi for explanations of these cost of service adjustments.

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FOOTNOTE DATA

Schedule Page: 114 Line No.: 4 Column: c

Includes $16.6 million of demand-side management program expenses.

Schedule Page: 114 Line No.: 4 Column: d

Includes $17.7 million of demand-side management program expenses.

Schedule Page: 114 Line No.: 12 Column: c

TX 47527 TCRF Billings	$ 5,466,386
Hale Excess Over Revenue Requirement	550,365
NM RPS Rider Amort	5,636,914
TX Restruct Recoverable Meter	34,898
NM Z2 Amort	520,490
TX Z2 Amort	1,309,429
	$13,518,482

Schedule Page: 114 Line No.: 12 Column: d

NM RPS Rider Amort	$ 7,348,258
TX Restruct Recoverable Meter	34,898
NM Z2 Amort	135,907
TX Z2 Amort	1,231,989
	$ 8,751,052

Schedule Page: 114 Line No.: 13 Column: c

ARO Reg Credits Electric	$ 2,756,564
Amort of Inc Capital RL	53,949
NM Lg Cust Cap Amort	1,851,317
TX 49831 Cost Deferrals	13,523,666
TX 47527 Settlement-Interest	48,162
	$18,233,658

Schedule Page: 114 Line No.: 13 Column: d

ARO Reg Credits Electric	$ 1,532,213
Amort of Inc Capital RL	53,949
NM Lg Cust Cap Amort	2,109,921
Retail Recovery of Credit Dist. - Funded	(948)
Retail Recovery of PTP Revenue Clawback	527
Retail Recovery of Z2	36,509
TX 47527 Revenue Accrual	5,346,815
	$ 9,078,986

Schedule Page: 114 Line No.: 22 Column: c

Gain-Disposition of SO2 Allowances	$ 59
SO2 Texas Retail Sharing	(16)
SO2 New Mexico Retail Sharing	(32)
Gain-Disposition of REC Allowances	(16)
	$ (5)

Schedule Page: 114 Line No.: 22 Column: d

Gain-Disposition of SO2 Allowances	$ 62
SO2 Texas Retail Sharing	(18)
SO2 New Mexico Retail Sharing	(35)
SO2 Amortization	5,439
Gain-Disposition of REC Allowances	6,415
	$ 11,863

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Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	04/02/2020	2019/Q4

FOOTNOTE DATA

Schedule Page: 114 Line No.: 22 Column: g

Gain-Disposition of SO2 Allowances	$	59
SO2 Texas Retail Sharing		(16)
SO2 New Mexico Retail Sharing		(32)
Gain-Disposition of REC allowances		(16)
	$	(5)

Schedule Page: 114 Line No.: 22 Column: h

Gain-Disposition of SO2 Allowances	$	62
SO2 Texas Retail Sharing		(18)
SO2 New Mexico Retail Sharing		(35)
SO2 Amortization		5,439
Gain-Disposition of REC Allowances		6,415
	$	11,863

Schedule Page: 114 Line No.: 39 Column: c

Unnatural balance due to interest due to customers related to overcollected deferred fuel balances

Schedule Page: 114 Line No.: 40 Column: c

Sale of distribution service center

Schedule Page: 114 Line No.: 46 Column: c

Income on Company owned life insurance

Schedule Page: 114 Line No.: 46 Column: d

Income on Company owned life insurance

Schedule Page: 114 Line No.: 54 Column: d

Unnatural balances for FERC 409 are relatively common because there is not an account for income tax benefits. Therefore, all income tax benefits and detriments are recorded in current tax expense.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	10/29/2019	2019/Q3

FOOTNOTE DATA

Schedule Page: 114 Line No.: 12 Column: c

NM RPS Rider Amort	$4,397,421
TX Z2 Amort	982,072
NM Z2 Amort	390,368
TX Restruct Recoverable Meter	$26,174
TCRF Recoup Docket #48886	5,456,080
New Mexico Case No. 17-00044-UT Hale: Suspension Period Accrual	582,860
	$11,834,974

Schedule Page: 114 Line No.: 12 Column: d

NM RPS Rider Amort	$5,730,226
TX Restruct Recoverable Meter	26,174
NM Z2 Amort	5,784
	$5,762,184

Schedule Page: 114 Line No.: 12 Column: e

NM RPS Rider Amort	$ 1,484,172
TX Z2 Amort	327,357
NM Z2 Amort	130,123
TX Restruct Recoverable Meter	8,725
TCRF Recoup Docket No. 48886	2,612,854
New Mexico Case No. 17-00044-UT Hale: Suspension Period Accrual	582,860
	$ 5,146,091

Schedule Page: 114 Line No.: 12 Column: f

NM RPS Rider Amort	$1,791,101
TX Restruct Recoverable Meter	8,725
NM Z2 Amort	5,784
	$1,805,610

Schedule Page: 114 Line No.: 13 Column: c

ARO Reg Credits Electric	$1,810,375
Amort of Inc Capital RL	40,462
Accrual of RPS LCC	1,851,317
TCRF Recoup Interest	48,162
TX Docket No. 49831	1,810,051
	$5,560,367

Schedule Page: 114 Line No.: 13 Column: d

TX 47527 Revenue Accrual	$4,963,047
RPS Large Customer Cap	2,109,921
ARO Reg Credits Electric	1,130,859
Amort of Inc Capital RL	40,462
Retail recovery Z2	36,088
	$8,280,377

Schedule Page: 114 Line No.: 13 Column: e

ARO Reg Credits Electric	$836,358
Amort of Inc Capital RL	13,487
Accrual of NM LCC refunds	1,851,317

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	10/29/2019	2019/Q3

FOOTNOTE DATA

TCRF Recoup interest	48,162
TX Docket No. 49831	1,810,051
	$4,559,375

Schedule Page: 114 Line No.: 13 Column: f

TX 47527 Revenue Accrual	($1,147,616)
Retail Recovery Z2	36,401
ARO Reg Credits Electric	382,246
Amort of Inc Capital RL	13,487
	($715,483)

Schedule Page: 114 Line No.: 19 Column: c

Unnatural balance in FERC 411.4 cause by the income tax provision accruals resulting in a tax benefit instead of a tax expense.

Schedule Page: 114 Line No.: 19 Column: e

Unnatural balance in FERC 411.4 cause by the income tax provision accruals resulting in a tax benefit instead of a tax expense.

Schedule Page: 114 Line No.: 22 Column: c

Unnatural balance in FERC 411.8 is caused by a billing correction.

Schedule Page: 114 Line No.: 22 Column: g

Unnatural balance in FERC 411.8 is caused by a billing correction.

Schedule Page: 114 Line No.: 39 Column: c

Unnatural balance in FERC 421 is driven by interest accruals related to the New Mexico RPS rider and Texas. The interest accrual for 2019 RPS rider is a debit rather than a credit because the mechanism is over recovered. The interest accrual for TX is related to interest due on the over recovery of fuel.

Schedule Page: 114 Line No.: 39 Column: e

Unnatural balance in FERC 421 is driven by interest accruals related to the New Mexico RPS rider and Texas. The interest accrual for 2019 RPS rider is a debit rather than a credit because the mechanism is over recovered. The interest accrual for TX is related to interest due on the over recovery of fuel.

Schedule Page: 114 Line No.: 46 Column: c

Income on Company owned life insurance.

Schedule Page: 114 Line No.: 46 Column: e

Income on Company owned life insurance.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) _ A Resubmission	11/25/2020	2020/Q3

FOOTNOTE DATA

Schedule Page: 114 Line No.: 4 Column: c

Includes $12.2 million of demand-side management program expenses.

Schedule Page: 114 Line No.: 4 Column: d

Includes $12.9 million of demand-side management program expenses.

Schedule Page: 114 Line No.: 12 Column: c

TX 49831 TOTI accrual	2,622,527
NM RPS Rider Amort	1,822,531
NM Z2 Amortization	390,368
TX Restruct Recoverable Meter	26,174
TX TCRF Billings	(100)
Hale Excess Over Revenue Req	$ (77,703)
TX Z2 Amortization reversal	(396,466)
	$ 4,387,331

Schedule Page: 114 Line No.: 12 Column: d

NM RPS Rider Amort	$ 4,397,421
TX Z2 Amort	$ 982,072
NM Z2 Amort	$ 390,368
TX Restruct Recoverable Meter	$ 26,174
TX 48886 TCRF Recoup Rider	$ 5,456,080
NM 17-00044-UT Suspension period accrual	$ 582,860
	$11,834,974

Schedule Page: 114 Line No.: 13 Column: c

TX 49831 Revenue Surcharge Accrual	69,892,800
ARO Reg Credits Electric	$ 4,216,761
Large Customer Cap Refund	2,395,569
2018 Over Recovery Amort	675,211
Amort of Inc Capital RL	40,462
2018 Over Recovery Interest Amort	(5,953)
TX 49831 Cost Deferral reversals	(13,523,666)
	$63,691,184

Schedule Page: 114 Line No.: 13 Column: d

ARO Reg Credits Electric	$ 1,810,375
Amort of Inc Capital RL	$ 40,462
Accrual of RPS RCC	$ 1,851,317
TCRF Recoup Interest	$ 48,162
TX Docket #49831	$ 1,810,051
	$ 5,560,367

Schedule Page: 114 Line No.: 15 Column: c

Unnatural balances in FERC 409.1 are not uncommon as the provision accruals may result in a tax benefit instead of a tax expense throughout the year.

Schedule Page: 114 Line No.: 15 Column: d

Unnatural balances in FERC 409.1 are not uncommon as the provision accruals may result in a tax benefit instead of a tax expense throughout the year.

Schedule Page: 114 Line No.: 16 Column: c

Unnatural balances in FERC 409.1 are not uncommon as the provision accruals may result in a tax benefit instead of a tax expense throughout the year.

Schedule Page: 114 Line No.: 19 Column: c

Unnatural balance in FERC 411.4 cause by the income tax provision accruals resulting in a tax benefit instead of a tax expense.

Schedule Page: 114 Line No.: 19 Column: d

Unnatural balance in FERC 411.4 cause by the income tax provision accruals resulting in a

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Southwestern Public Service Company	(1) [X] An Original (2) [ ] A Resubmission	04/02/2020	End of 2019/Q4

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company		04/02/2020	2019/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies

General - Southwest Public Service Company (SPS) is engaged in the regulated generation, purchase, transmission, distribution and sale of electricity. SPS is subject to regulation by the Federal Energy Regulatory Commission (FERC) and state utility commissions.

Business and System of Accounts - SPS is a wholly-owned subsidiary of Xcel Energy Inc. that is principally engaged in the generation, purchase, transmission, distribution and sale of electricity. SPS is subject to regulation by the FERC and state utility commissions.

Basis of Accounting - The accompanying financial statements were prepared in accordance with the accounting requirements of the FERC as set forth in the Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP:

- Current maturities of long-term debt are included as long-term debt, while GAAP requires such maturities to be classified as current liabilities.
- Deferred financing costs are included as deferred debits in the FERC presentation in contrast to the GAAP presentation in which they are included as a deduction from the carrying amount of long-term debt.
- Accumulated deferred income taxes are shown as long-term assets and liabilities at their gross amounts in the FERC presentation, in contrast to the GAAP presentation as net long-term assets and liabilities.
- Regulatory assets and liabilities are classified as current and noncurrent for GAAP presentation, while FERC requires all regulatory assets and liabilities to be classified as noncurrent deferred debits.
- Unrecognized tax benefits are recorded for temporary adjustments in accounts established for accumulated deferred income taxes in the FERC presentation, in contrast to its GAAP presentation as taxes accrued and other noncurrent liabilities.
- Removal costs for future removal obligations are classified as accumulated depreciation within the utility plant accounts in the FERC presentation and regulatory liabilities in the GAAP presentation.
- Certain commodity trading purchases and sales transactions are presented gross as expenses and revenues for FERC presentation; however the net margin is reported as net sales for GAAP presentation.
- Various expenses such as donations, lobbying, and other non-regulatory expenses are presented as other income and deductions for FERC presentation and reported as operating expenses for GAAP presentation.
- Income tax expense related to utility operations is shown as a component of utility operating expenses in the FERC presentation, in contrast to its GAAP presentation as a below-the-line deduction from operating income.
- For certain capital projects where there is recovery of a return on construction work in progress (CWIP), certain amounts of allowance for funds used during construction (AFUDC) are not recognized in CWIP for GAAP. While for FERC presentation, they are recorded in CWIP but the benefit is deferred as a liability and amortized over the life of the property as a reduction of costs.
- Non-service cost components of net periodic benefit costs that are reported on the income statement are recorded as operation expenses in the FERC presentation and as other income, net for GAAP presentation. Non-service costs that are eligible for capitalization are recorded as a component of net utility plant in the FERC presentation and as regulatory assets for GAAP.

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Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	04/02/2020	2019/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

If GAAP were followed, these financial statement line items would have values greater/(lesser) than those shown by FERC presentation of:

(Millions of Dollars)	Dec. 31, 2019
Balance Sheet	
Net utility assets	$ (348.0)
Current assets	25.7
Current liabilities	125.4
Other long-term assets	229.3
Long-term debt and other long-term liabilities	(218.4)
Statement of Income	
Operating revenues	53.2
Operating expenses	34.1
Other income and deductions	1.0
Interest and finance charges	(5.5)

Use of Estimates — SPS uses estimates based on the best information available in recording transactions and balances resulting from business operations. Estimates are used on items such as plant depreciable lives or potential disallowances, asset retirement obligations (AROs), certain regulatory assets and liabilities, tax provisions, uncollectible amounts, environmental costs, unbilled revenues, jurisdictional fuel and energy cost allocations and actuarially determined benefit costs. Recorded estimates are revised when better information becomes available or actual amounts can be determined. Revisions can affect operating results.

Regulatory Accounting — SPS accounts for income and expense items in accordance with accounting guidance for regulated operations. Under this guidance:

- Certain costs, which would otherwise be charged to expense or other comprehensive income, are deferred as regulatory assets based on the expected ability to recover the costs in future rates; and
- Certain credits, which would otherwise be reflected as income or other comprehensive income, are deferred as regulatory liabilities based on the expectation the amounts will be returned to customers in future rates or because the amounts were collected in rates prior to the costs being incurred.

Estimates of recovering deferred costs and returning deferred credits are based on specific ratemaking decisions or precedent for each item. Regulatory assets and liabilities are amortized consistent with the treatment in the rate setting process.

If changes in the regulatory environment occur, SPS may no longer be eligible to apply this accounting treatment and may be required to eliminate regulatory assets and liabilities from its balance sheet. Such changes could have a material effect on SPS' results of operations, financial condition and cash flows.

See Note 2 for further information.

Income Taxes — SPS accounts for income taxes using the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. SPS defers income taxes for all temporary differences between pretax financial and taxable income and between the book and tax bases of assets and liabilities. SPS uses rates that are scheduled to be in effect when the temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) 04/02/2020	2019/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

The effects of SPS' tax rate changes are generally subject to a normalization method of accounting. Therefore, the revaluation of most its net deferred taxes upon a tax rate reduction results in the establishment of a net regulatory liability, which will be refundable to utility customers over the remaining life of the related assets. A tax rate increase would result in the establishment of a similar regulatory asset.

Tax credits are recorded when earned unless there is a requirement to defer the benefit and amortize it over the book depreciable lives of the related property. The requirement to defer and amortize tax credits only applies to federal investment tax credits (ITCs) related to public utility property. Utility rate regulation also has resulted in the recognition of regulatory assets and liabilities related to income taxes. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

SPS follows the applicable accounting guidance to measure and disclose uncertain tax positions that it has taken or expects to take in its income tax returns. SPS recognizes a tax position in its financial statements when it is more likely than not that the position will be sustained upon examination based on the technical merits of the position. Recognition of changes in uncertain tax positions are reflected as a component of income tax expense.

SPS reports interest and penalties related to income taxes within the other income and interest charges in the statements of income.

Xcel Energy Inc. and its subsidiaries, including SPS, files consolidated federal income tax returns as well as consolidated or separate state income tax returns. Federal income taxes paid by Xcel Energy Inc. are allocated to its subsidiaries based on separate company computations. A similar allocation is made for state income taxes paid by Xcel Energy Inc. in connection with consolidated state filings. Xcel Energy Inc. also allocates its own income tax benefits to its direct subsidiaries.

See Note 4 for further information.

Utility Plant and Depreciation — Utility plant is stated at original cost. The cost of plant includes direct labor and materials, contracted work, overhead costs and allowance for funds used during construction (AFUDC). The cost of plant retired is charged to accumulated depreciation and amortization. Amounts recovered in rates for future removal costs are recorded as regulatory liabilities. Significant additions or improvements extending asset lives are capitalized, while repairs and maintenance costs are charged to expense as incurred. Maintenance and replacement of items determined to be less than a unit of property are charged to operating expenses as incurred. Planned maintenance activities are charged to operating expense unless the cost represents the acquisition of an additional unit of property or the replacement of an existing unit of property.

Utility plant is tested for impairment when it is determined that the carrying value of the assets may not be recoverable. A loss is recognized in the current period if it becomes probable that part of a cost of a plant under construction or recently completed plant will be disallowed for recovery from customers and a reasonable estimate of the disallowance can be made. For investments in utility plant that are abandoned and not expected to go into service, incurred costs and related deferred tax amounts are compared to the discounted estimated future rate recovery, and a loss is recognized, if necessary.

SPS records depreciation expense using the straight-line method over the plant's useful life. Actuarial life studies are performed and submitted to the state and federal commissions for review. Upon acceptance by the various commissions, the resulting lives and net salvage rates are used to calculate depreciation. Depreciation expense, expressed as a percentage of average depreciable property, was 2.9% in 2019, 2.9% in 2018 and 2.8% in 2017.

AROs — SPS accounts for AROs under accounting guidance that requires a liability for the fair value of an ARO to be recognized in the period in which it is incurred if it can be reasonably estimated, with the offsetting associated asset retirement costs capitalized as a long-lived asset. The liability is generally increased over time by applying the effective interest method of accretion, and the capitalized costs are depreciated over the useful life of the long-lived asset. Changes resulting from revisions to the timing or amount of expected asset retirement cash flows are recognized as an increase or a decrease in the ARO. SPS also recovers through rates certain future plant removal costs in addition to AROs. The accumulated removal costs for these obligations are reflected in the balance sheets as a regulatory liability.

See Note 7 for further information.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Benefit Plans and Other Postretirement Benefits — SPS maintains pension and postretirement benefit plans for eligible employees. Recognizing the cost of providing benefits and measuring the projected benefit obligation of these plans requires management to make various assumptions and estimates.

Certain unrecognized actuarial gains and losses and unrecognized prior service costs or credits are deferred as regulatory assets and liabilities, rather than recorded as other comprehensive income, based on regulatory recovery mechanisms.

See Note 6 for further information.

Environmental Costs — Environmental costs are recorded when it is probable SPS is liable for remediation costs and the liability can be reasonably estimated. Costs are deferred as a regulatory asset if it is probable that the costs will be recovered from customers in future rates. Otherwise, the costs are expensed. If an environmental expense is related to facilities currently in use, such as emission-control equipment, the cost is capitalized and depreciated over the life of the plant.

Estimated remediation costs are regularly adjusted as estimates are revised and remediation proceeds. If other participating potentially responsible parties (PRPs) exist and acknowledge their potential involvement with a site, costs are estimated and recorded only for SPS' expected share of the cost.

Future costs of restoring sites are treated as a capitalized cost of plant retirement. The depreciation expense levels recoverable in rates include a provision for removal expenses. Removal costs recovered in rates before the related costs are incurred are classified as a regulatory liability.

See Note 7 for further information.

Revenue from Contracts with Customers — Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. SPS recognizes revenue that corresponds to the price of the energy delivered to the customer. The measurement of energy sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is recognized.

SPS does not recognize a separate financing component of its collections from customers as contract terms are short-term in nature. SPS presents its revenues net of any excise or sales taxes or fees.

SPS participates in Southwest Power Pool, Inc. (SPP). SPS recognizes sales to both native load and other end use customers on a gross basis in electric revenues and cost of sales. Revenues and charges for short-term wholesale sales of excess energy transacted through regional transmission organizations (RTOs) are also recorded on a gross basis. Other revenues and charges related to participating and transacting in RTOs are recorded on a net basis in cost of sales.

Cash and Cash Equivalents — SPS considers investments in instruments with a remaining maturity of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable and Allowance for Bad Debts — Accounts receivable are stated at the actual billed amount net of an allowance for bad debts. SPS establishes an allowance for uncollectible receivables based on a policy that reflects its expected exposure to the credit risk of customers.

As of Dec. 31, 2019 and 2018, the allowance for bad debts was $5.3 million and $5.6 million, respectively.

Inventory — Inventory is recorded at average cost.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Fair Value Measurements — SPS presents cash equivalents, interest rate derivatives and commodity derivatives at estimated fair values in its financial statements. Cash equivalents are recorded at cost plus accrued interest; money market funds are measured using quoted net asset values (NAVs). For interest rate derivatives, quoted prices based primarily on observable market interest rate curves are used to establish fair value. For commodity derivatives, the most observable inputs available are generally used to determine the fair value of each contract. In the absence of a quoted price, SPS may use quoted prices for similar contracts or internally prepared valuation models to determine fair value. For the pension and postretirement plan assets published trading data and pricing models, generally using the most observable inputs available, are utilized to estimate fair value for each security.

See Note 5 and 6 for further information.

Derivative Instruments — SPS uses derivative instruments in connection with its utility commodity price and interest rate activities, including forward contracts, futures, swaps and options. Any derivative instruments not qualifying for the normal purchases and normal sales exception are recorded on the balance sheets at fair value as derivative instruments. Classification of changes in fair value for those derivative instruments is dependent on the designation of a qualifying hedging relationship. Changes in fair value of derivative instruments not designated in a qualifying hedging relationship are reflected in current earnings or as a regulatory asset or liability. Classification as a regulatory asset or liability is based on expected recovery of derivative instrument settlements through fuel and purchased energy cost recovery mechanisms. Interest rate hedging transactions are recorded as a component of interest expense.

Normal Purchases and Normal Sales — SPS enters into contracts for purchases and sales of commodities for use in its operations. At inception, contracts are evaluated to determine whether a derivative exists and/or whether an instrument may be exempted from derivative accounting if designated as a normal purchase or normal sale.

See Note 5 for further information.

Commodity Trading Operations — Pursuant to the joint operating agreement (JOA) approved by the FERC, some of the commodity trading margins from Public Service Company of Colorado (PSCo) are apportioned to NSP-Minnesota and Southwestern Public Service Company (SPS). Commodity trading activities are not associated with energy produced from PSCo's generation assets or energy and capacity purchased to serve native load. Commodity trading contracts are recorded at fair market value and commodity trading results include the impact of all margin-sharing mechanisms. See Note 7 for further discussion.

Other Utility Items

AFUDC — AFUDC represents the cost of capital used to finance utility construction activity. AFUDC is computed by applying a composite financing rate to qualified CWIP. The amount of AFUDC capitalized as a utility construction cost is credited to other nonoperating income (for equity capital) and interest charges (for debt capital). AFUDC amounts capitalized are included in SPS' rate base for establishing utility rates.

Alternative Revenue — Certain rate rider mechanisms (including DSM programs) qualify as alternative revenue programs. These mechanisms arise from costs imposed upon the utility by action of a regulator or legislative body related to an environmental, public safety or other mandate. When certain criteria are met, including expected collection within 24 months, revenue is recognized equal to the revenue requirement, which may include incentives and return on rate base items. Billing amounts are revised periodically for differences between total amount collected and revenue earned, which may increase or decrease the level of revenue collected from customers. Alternative revenues arising from these programs are presented on a gross basis and disclosed separately from revenue from contracts with customers.

Conservation Programs — SPS has implemented programs in its jurisdictions to assist customers in conserving energy and reducing peak demand on the electric system. These programs include commercial motor, air conditioner and lighting upgrades, as well as residential rebates for participation in air conditioner interruption and home weatherization.

The costs incurred for some demand side management (DSM) programs are deferred as permitted by the applicable regulatory jurisdiction. For those programs, costs are deferred if it is probable future revenue will be provided to permit recovery of the incurred cost. Revenues recognized for incentive programs designed for recovery of lost margins and/or conservation performance incentives are limited to amounts expected to be collected within 24 months from the annual period in which they are earned. SPS recovers approved conservation program costs in base rate revenue or through a rider.

Emission Allowances — Emission allowances are recorded at cost, including broker commission fees. The inventory accounting model is utilized for all emission allowances and sales of these allowances are included in electric revenues.

Renewable Energy Credits (RECs) — Cost of RECs that are utilized for compliance is recorded as electric fuel and purchased power expense. SPS reduces recoverable fuel costs for the cost of RECs and records that cost as a regulatory asset when the amount is recoverable in future rates.

Sales of RECs are recorded in electric revenues on a gross basis. Cost of these RECs and amounts credited to customers under margin-sharing mechanisms are recorded in electric fuel and purchased power expense.

Segment Information — SPS has only one reportable segment. SPS is a wholly owned subsidiary of Xcel Energy Inc. and operates in the regulated electric utility industry providing wholesale and retail electric service in the states of Texas and New Mexico.

Subsequent Events — Management has evaluated the impact of events occurring after Dec. 31, 2019 up to Feb. 21, 2020, the date SPS' GAAP financial statements were issued and has updated such evaluation for disclosure purposes through March 30, 2020. These financial statements contain all necessary adjustments and disclosures resulting from that evaluation.

2. Regulatory Assets and Liabilities

Regulatory assets and liabilities are created for amounts that regulators may allow to be collected or may require to be paid back to customers in future electric rates. SPS would be required to recognize the write-off of regulatory assets and liabilities in net income or other comprehensive income if changes in the utility industry no longer allow for the application of regulatory accounting guidance under GAAP.

Components of regulatory assets:

(Millions of Dollars)	Remaining Amortization Period	Dec. 31, 2019	Dec. 31, 2018
Regulatory Assets			
Pension and retiree medical obligations	Various	$ 210.6	$ 232.0
Excess deferred taxes — Tax cuts and jobs act (TCJA)	Various	53.6	55.8
Recoverable deferred taxes on AFUDC recorded in plant	Plant lives	34.1	27.9
Net AROs (a)	Plant lives	26.9	25.7
Conservation programs (b)	One to two years	0.6	0.1
Other	Various	11.2	18.6
Total regulatory assets		$ 337.0	$ 360.1

(a) Includes amounts recorded for future recovery of AROs.

(b) Includes costs for conservation programs, as well as incentives allowed in certain jurisdictions.

Components of regulatory liabilities:

(Millions of Dollars)	Remaining Amortization Period	Dec. 31, 2019	Dec. 31, 2018
Regulatory Liabilities			

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Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	04/02/2020	2019/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Deferred income tax adjustments and TCJA refunds [(a)]	Various	$ 541.8	$ 571.9
Gain from asset sales	Various	2.4	2.4
Deferred electric energy costs	Less than one year	81.7	56.6
Other	Various	50.0	48.1
Total regulatory liabilities [(b)]		$ 675.9	$ 679.0

(a) Includes the revaluation of recoverable/regulated plant accumulated deferred income taxes (ADIT) and revaluation impact of non-plant ADIT due to the TCJA.

(b) Revenue subject to refund of $3.9 million for 2019 and none for 2018 is included in other current liabilities.

At Dec. 31, 2019 and 2018, SPS' regulatory assets not earning a return primarily included the unfunded portion of pension and retiree medical obligations and net AROs. In addition, SPS' regulatory assets included $56.5 million and $50.5 million at Dec. 31, 2019 and 2018, respectively, of past expenditures not earning a return. Amounts primarily related to formula rates, losses on reacquired debt and certain rate case expenditures.

3. Borrowings and Other Financing Instruments

Short-Term Borrowings

SPS meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under its credit facility and the money pool.

Money Pool — Xcel Energy Inc. and its utility subsidiaries have established a money pool arrangement that allows for short-term investments in and borrowings between the utility subsidiaries. Xcel Energy Inc. may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in Xcel Energy Inc.

Money pool borrowings for SPS were as follows:

(Millions of Dollars, Except Interest Rates)	Year Ended Dec. 31	
	2019	2018
Borrowing limit	$ 100	$ 100
Amount outstanding at period end	—	—
Average amount outstanding	8	29
Maximum amount outstanding	100	100
Weighted average interest rate, computed on a daily basis	2.42%	1.96%
Weighted average interest rate at end of period	N/A	N/A

Commercial Paper — Commercial paper outstanding for SPS was as follows:

(Millions of Dollars, Except Interest Rates)	Year Ended Dec. 31	
	2019	2018
Borrowing limit	$ 500	$ 400
Amount outstanding at period end	—	42
Average amount outstanding	72	30
Maximum amount outstanding	316	144
Weighted average interest rate, computed on a daily basis	2.68%	2.27%
Weighted average interest rate at end of period	N/A	2.80

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Letters of Credit — SPS may use letters of credit, typically with terms of one year, to provide financial guarantees for certain operating obligations. At Dec. 31, 2019 and 2018, there were $2 million of letters of credit outstanding under the credit facility. The contract amounts of these letters of credit approximate their fair value and are subject to fees.

Credit Facility — In order to use its commercial paper program to fulfill short-term funding needs, SPS must have a revolving credit facility in place at least equal to the amount of its commercial paper borrowing limit and cannot issue commercial paper in an aggregate amount exceeding available capacity under this credit facility. The line of credit provides short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings.

Amended Credit Agreement — In June 2019, SPS entered into an amended five-year credit agreement with a syndicate of banks. The amended credit agreements have substantially the same terms and conditions as the prior credit agreements with the exception of the following:

- Maturity extended from June 2021 to June 2024; and
- Borrowing limit increased from $400 million to $500 million.

The line of credit provides short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings.

Features of SPS' credit facility:

Debt-to-Total Capitalization Ratio (a)		Amount Facility May Be Increased (millions)	Additional Periods for Which a One-Year Extension May Be Requested (b)
2019	2018		
46%	46%	$50	2

(a) The SPS credit facility has a financial covenant requiring that the debt-to-total capitalization ratio be less than or equal to 65%.

(b) All extension requests are subject to majority bank group approval.

The credit facility has a cross-default provision that SPS will be in default on its borrowings under the facility if SPS or any of its future significant subsidiaries whose total assets exceed 15% of SPS' total assets default on indebtedness in an aggregate principal amount exceeding $75 million.

If SPS does not comply with the covenant, an event of default may be declared, and if not remedied, any outstanding amounts due under the facility can be declared due by the lender. As of Dec. 31, 2019, SPS was in compliance with all financial covenants.

SPS had the following committed credit facilities available as of Dec. 31, 2019.

Credit Facility (a)	Drawn (b)	Available
$500	$2	$498

(a) This credit facility matures in June 2024.

(b) Includes letters of credit and outstanding commercial paper.

All credit facility bank borrowings, outstanding letters of credit and outstanding commercial paper reduce the available capacity under the credit facility. SPS had no direct advances on the facility outstanding at Dec. 31, 2019 and 2018.

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Long-Term Borrowings and Other Financing Instruments

Generally, all property of SPS is subject to the lien of its first mortgage indenture. Debt premiums, discounts and expenses are amortized over the life of the related debt. The premiums, discounts and expenses for refinanced debt are deferred and amortized over the life of the new issuance.

Long-term debt obligations for SPS as of Dec. 31 (millions of dollars):

Financing Instrument	Interest Rate	Maturity Date	2019	2018
First mortgage bonds	3.30%	June 15, 2024	$ 150	$ 150
First mortgage bonds	3.30	June 15, 2024	200	200
Unsecured senior notes	6.00	Oct. 1, 2033	100	100
Unsecured senior notes	6.00	Oct. 1, 2036	250	250
First mortgage bonds	4.50	Aug. 15, 2041	200	200
First mortgage bonds	4.50	Aug. 15, 2041	100	100
First mortgage bonds	4.50	Aug. 15, 2041	100	100
First mortgage bonds	3.40	Aug. 15, 2046	300	300
First mortgage bonds	3.70	Aug. 15, 2047	450	450
First mortgage bonds (b)	4.40	Nov. 15, 2048	300	300
First mortgage bonds (a)	3.75	June 15, 2049	300	—
Unamortized discount			(7)	(4)
Unamortized debt issuance cost			(23)	(20)
Total long-term debt			$ 2,420	$ 2,126

(a) 2019 financing

(b) 2018 financing

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Maturities of long-term debt:

(Millions of Dollars)	
2020	$ —
2021	—
2022	—
2023	—
2024	350

Capital Stock — SPS has the following preferred stock:

Preferred Stock Authorized (Shares)	Par Value of Preferred Stock	Preferred Stock Outstanding (Shares) 2019 and 2018
10,000,000	1.00	—

Dividend Restrictions — SPS dividends are subject to the FERC's jurisdiction, which prohibits the payment of dividends out of capital accounts. Dividends are solely to be paid from retained earnings. SPS is required to be current on particular interest payments before dividends can be paid.

SPS' state regulatory commissions additionally impose dividend limitations, which are more restrictive than those imposed by the FERC.

Requirements and actuals as of Dec. 31, 2019:

Equity to Total Capitalization Ratio - Required Range		Equity to Total Capitalization Ratio - Actual (a)
Low	High	2019
45.0%	55.0%	54.4%

(a) Excludes short-term debt.

Unrestricted Retained Earnings	Total Capitalization	Limit on Total Capitalization (a)
$ 535.0million	$ 5.3billion	N/A

(a) SPS may not pay a dividend that would cause it to lose its investment grade bond rating.

4. Income Taxes

Federal Audit — SPS is a member of the Xcel Energy affiliated group that files a consolidated federal income tax return. Statute of limitations applicable to Xcel Energy's consolidated federal income tax returns expire as follows:

Tax Year(s)	Expiration
2009 - 2013	June 2020
2014 - 2016	September 2020

In 2015, the IRS commenced an examination of tax years 2012 and 2013. In 2017, the IRS concluded the audit of tax years 2012 and 2013 and proposed an adjustment that would impact Xcel Energy's net operating loss (NOL) and effective tax rate (ETR). Xcel Energy filed a protest with the IRS. As of Dec. 31, 2019, the case has been forwarded to the Office of Appeals and Xcel Energy has recognized its best estimate of income tax expense that will result from a final resolution of this issue; however, the outcome and timing of a resolution is unknown.

In 2018, the IRS began an audit of tax years 2014 - 2016. As of Dec. 31, 2019 no adjustments have been proposed.

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State Audits — SPS is a member of the Xcel Energy affiliated group that files consolidated state income tax returns. As of Dec. 31, 2019, SPS' earliest open tax year that is subject to examination by state taxing authorities under applicable statutes of limitations is 2009. There are currently no state income tax audits in progress.

Unrecognized Tax Benefits — Unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual ETR. In addition, the unrecognized tax benefit balance includes temporary tax positions for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the ETR but would accelerate the payment to the taxing authority to an earlier period.

Uncertainty in Income Taxes — The FERC has not fully adopted the guidance for uncertainty in income taxes. Accordingly, SPS has recorded its unrecognized tax benefits for temporary adjustments, including NOL and tax credit carryforwards, in accounts established for accumulated deferred income taxes.

Unrecognized tax benefits - permanent vs temporary:

(Millions of Dollars)	December 31, 2019	December 31, 2018
Unrecognized tax benefit — Permanent tax positions	$ 3.7	$ 3.0
Unrecognized tax benefit — Temporary tax positions	1.5	1.5
Total unrecognized tax benefit	$ 5.2	$ 4.5

Changes in unrecognized tax benefits:

(Millions of Dollars)	2019	2018
Balance at Jan. 1	$ 4.5	$ 4.3
Additions based on tax positions related to the current year	0.7	0.6
Reductions based on tax positions related to the current year	(0.1)	(0.1)
Additions for tax positions of prior years	0.2	0.1
Reductions for tax positions of prior years	(0.1)	(0.3)
Settlements with taxing authorities	—	(0.1)
Balance at Dec. 31	$ 5.2	$ 4.5

Unrecognized tax benefits were reduced by tax benefits associated with NOL and tax credit carryforwards:

(Millions of Dollars)	2019	Dec. 31, 2018
NOL and tax credit carryforwards	$ (4.4)	$ (3.8)

As the IRS Appeals and federal audit progresses and state audits resume, it is reasonably possible that the amount of unrecognized tax benefit could decrease up to approximately $3.7 million in the next 12 months.

Payable for interest related to unrecognized tax benefits is partially offset by the interest benefit associated with NOL and tax credit carryforwards.

Interest payable related to unrecognized tax benefits:

(Millions of Dollars)	2019	2018
Receivable (payable) for interest related to unrecognized tax benefits at Jan. 1	$ 0.7	$ 0.5
Interest income related to unrecognized tax benefits	—	0.2
Receivable for interest related to unrecognized tax benefits at Dec. 31	$ 0.7	$ 0.7

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No amounts were accrued for penalties related to unrecognized tax benefits as of Dec. 31, 2019 and 2018.

Other Income Tax Matters — NOL amounts represent the tax loss that is carried forward and tax credits represent the deferred tax asset. NOL and tax credit carryforwards as of Dec. 31 were as follows:

(Millions of Dollars)	2019	2018
Federal tax credit carryforwards	$ 31.7	$ 7.4
State NOL carryforwards	1.2	2.9

Federal carryforward periods expire between 2024 and 2039 and state carryforward periods expire between 2025 and 2036.

Total income tax expense from operations differs from the amount computed by applying the statutory federal income tax rate to income before income tax expense.

Effective income tax rate for years ended Dec. 31:

	2019	2018 (a)
Federal statutory rate	21.0%	21.0%
State income tax on pretax income, net of federal tax effect	2.2%	2.3%
Increases (decreases) in tax from:		
Wind production tax credits	(7.9)	—
Plant regulatory differences (b)	(5.0)	(4.8)
Amortization of excess nonplant deferred taxes	(0.9)	(1.2)
Other tax credits, net of NOL & tax credit allowances	(0.6)	(0.7)
Adjustments attributable to tax returns	(0.1)	(1.5)
Other, net	0.2	0.3
Effective income tax rate	8.9%	15.4%

(a) Prior periods have been reclassified to conform to current year presentation.

(b) Regulatory differences for income tax primarily relate to the credit of excess deferred taxes to customers through the average rate assumption method. Income tax benefits associated with the credit of excess deferred credits are offset by corresponding revenue reductions.

Components of income tax expense for years ended Dec. 31:

(Millions of Dollars)	2019	2018
Current federal tax (benefit) expense	$ (4.0)	$ 12.3
Current state tax expense	0.6	2.3
Current change in unrecognized tax expense	0.7	0.7
Deferred federal tax expense	22.4	20.0
Deferred state tax expense	6.0	3.6
Deferred income tax credits	(0.1)	(0.1)
Other	—	0.1
Total income tax expense	$ 25.6	$ 38.9

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Components of deferred income tax expense as of Dec. 31:

(Millions of Dollars)	2019	2018
Deferred tax expense (benefit) excluding items below	$ 52.1	$ 45.8
Amortization and adjustments to deferred income taxes on income tax regulatory assets and liabilities	(23.8)	(22.0)
Tax benefit (expense) allocated to other comprehensive income, net of adoption of ASU No. 2018-02, and other	0.1	(0.2)
Deferred tax expense	$ 28.4	$ 23.6

Components of the net deferred tax liability as of Dec. 31:

(Millions of Dollars)	2019	2018 (a)
Deferred tax liabilities:		
Differences between book and tax bases of property	$ 854.3	$ 772.8
Operating lease assets	115.8	—
Regulatory assets	(85.7)	(90.9)
Pension expense	33.1	32.3
Other	—	$ 4.0
Total deferred tax liabilities	$ 917.5	$ 718.2
Deferred tax assets:		
Differences between book and tax bases of property	$ 87.5	$ 84.9
Operating lease liabilities	115.8	—
Tax credit carryforward	31.7	7.4
Regulatory liabilities	(24.1)	(23.2)
Deferred fuel costs	18.3	12.7
Other employee benefits	5.8	5.6
NOL carryforward	0.1	0.2
Other	13.5	13.8
Total deferred tax assets	248.6	101.4
Net deferred tax liability	$ 668.9	$ 616.8

(a) Prior periods have been reclassified to conform to current year presentation.

In December 2017, SPS remeasured our deferred tax assets and liabilities to the new federal corporate income tax rate of 21%. After filing the 2017 tax return, we completed a final remeasurement of our 2017 deferred tax assets and liabilities to the new corporate tax rate. SPS received guidance from some jurisdictions in 2018 and started the amortization of the deficient and excess ADIT for those jurisdictions. The Protected ADITs, which are required by IRS normalization rules to be provided to customers, are amortized according to the rules of the Average Rate Assumption Method (ARAM) with amortization occurring over the remaining book life of the individual assets. The Unprotected ADITs, are amortized according to each jurisdiction. The Nonplant Unprotected have amortization periods of 5 years. While, Plant Unprotected will use ARAM.

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The amount of deficient and excess accumulated deferred income tax assets and liabilities that are considered protected and unprotected as of December 31, 2019 and 2018 is reflected below.

(Millions of Dollars)	Dec. 31, 2019		Dec. 31, 2018	
Account	182.3	254	182.3	254
Protected				
Plant	$ —	$ 456.4	$ —	$ 468.9
Nonplant	53.3	—	54.8	—
Unprotected				
Plant	—	65.8	—	69.8
Nonplant	0.3	17.9	1.0	$ (23.0)
Total				
Plant	$ —	$ 522.2	$ —	$ 538.7
Nonplant	$ 53.6	$ 17.9	$ 55.8	$ (23.0)

Excess and deficient accumulated deferred income taxes (ADITs) in 2019 were amortized in the Statement of Income as follows:

(Millions of Dollars)	Dec. 31, 2019
Protected	
Plant	$ (7.3)
Nonplant	0.7
Unprotected	
Plant	(2.2)
Nonplant	(3.4)
Total	
Plant	$ (9.5)
Nonplant	$ (2.7)

5. Fair Value of Financial Assets and Liabilities

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires disclosures about assets and liabilities measured at fair value. A hierarchical framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance.

- Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices;
- Level 2 — Pricing inputs are other than quoted prices in active markets but are either directly or indirectly observable as of the reporting date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using highly observable inputs; and
- Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those valued with models requiring significant management judgment or estimation.

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Specific valuation methods include:

Cash equivalents — The fair values of cash equivalents are generally based on cost plus accrued interest; money market funds are measured using quoted NAVs.

Interest rate derivatives — The fair values of interest rate derivatives are based on broker quotes that utilize current market interest rate forecasts.

Commodity derivatives — The methods used to measure the fair value of commodity derivative forwards and options utilize forward prices and volatilities, as well as pricing adjustments for specific delivery locations, and are generally assigned a Level 2 classification. When contractual settlements relate to inactive delivery locations or extend to periods beyond those readily observable on active exchanges or quoted by brokers, the significance of the use of less observable forecasts of forward prices and volatilities on a valuation is evaluated, and may result in Level 3 classification.

Electric commodity derivatives held by SPS include transmission congestion instruments, generally referred to as financial transaction rights (FTRs), purchased from SPP. FTRs purchased from an RTO are financial instruments that entitle or obligate the holder to monthly revenues or charges based on transmission congestion across a given transmission path. The value of an FTR is derived from, and designed to offset, the cost of transmission congestion. In addition to overall transmission load, congestion is also influenced by the operating schedules of power plants and the consumption of electricity pertinent to a given transmission path. Unplanned plant outages, scheduled plant maintenance, changes in the relative costs of fuels used in generation, weather and overall changes in demand for electricity can each impact the operating schedules of the power plants on the transmission grid and the value of an FTR.

If forecasted costs of electric transmission congestion increase or decrease for a given FTR path, the value of that particular FTR instrument will likewise increase or decrease. Given the limited observability of important inputs to the value of FTRs between auction processes, including expected plant operating schedules and retail and wholesale demand, fair value measurements for FTRs have been assigned a Level 3. Non-trading monthly FTR settlements are expected to be recovered through fuel and purchased energy cost recovery mechanisms, and therefore changes in the fair value of the yet to be settled portions of FTRs are deferred as a regulatory asset or liability. Given this regulatory treatment and the limited magnitude of FTRs relative to the electric utility operations of SPS, the numerous unobservable quantitative inputs pertinent to the value of FTRs are immaterial to the financial statements of SPS.

Derivative Fair Value Measurements

SPS enters into derivative instruments, including forward contracts, for trading purposes and to manage risk in connection with changes in interest rates and electric utility commodity prices.

Interest Rate Derivatives — SPS may enter into various instruments that effectively fix the interest payments on certain floating rate debt obligations or effectively fix the yield or price on a specified benchmark interest rate for an anticipated debt issuance for a specific period. These derivative instruments are generally designated as cash flow hedges for accounting purposes. As of Dec. 31, 2019, accumulated other comprehensive losses related to interest rate derivatives included $0.1 million net losses expected to be reclassified into earnings during the next 12 months as the related hedged interest rate transactions impact earnings, including forecasted amounts for unsettled hedges, as applicable.

Wholesale and Commodity Trading Risk — SPS conducts various wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy and energy-related instruments, including derivatives. SPS is allowed to conduct these activities within guidelines and limitations as approved by its risk management committee, comprised of management personnel not directly involved in the activities governed by this policy.

Commodity Derivatives — SPS enters into derivative instruments to manage variability of future cash flows from changes in commodity prices in its electric utility operations. This could include the purchase or sale of energy or energy-related products and FTRs.

Gross notional amounts of commodity FTRs at Dec. 31, 2019 and 2018:

(Amounts in Millions) [(a)]	Dec. 31, 2019	Dec. 31, 2018
Megawatt hours of electricity	6.4	5.5

(a) Amounts are not reflective of net positions in the underlying commodities.

Consideration of Credit Risk and Concentrations — SPS continuously monitors the creditworthiness of counterparties to its interest rate derivatives and commodity derivative contracts prior to settlement, and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Impact of credit risk was immaterial to the fair value of unsettled commodity derivatives presented in the balance sheets.

SPS' most significant concentrations of credit risk with particular entities or industries are contracts with counterparties to its wholesale, trading and non-trading commodity activities. At Dec. 31, 2019, three of the ten most significant counterparties for these activities, comprising $12.2 million or 35% of this credit exposure, had investment grade ratings from Standard & Poor's, Moody's or Fitch Ratings. Six of the ten most significant counterparties, comprising $22.1 million or 65% of this credit exposure, were not rated by external rating agencies, but based on SPS' internal analysis, had credit quality consistent with investment grade. One of these significant counterparties, comprising $0.1 million or less than 1% of this credit exposure, had credit quality less than investment grade, based on internal analysis. Nine of these significant counterparties are municipal or cooperative electric entities, RTOs or other utilities.

Qualifying Cash Flow Hedges — Financial impact of qualifying interest rate cash flow hedges on SPS' accumulated other comprehensive loss, included in the statements of common stockholder's equity and in the statements of comprehensive income:

(Millions of Dollars)	2019	2018
Accumulated other comprehensive loss related to cash flow hedges at Jan. 1	$ (0.7)	$ (0.8)
After-tax net realized losses on derivative transactions reclassified into earnings	—	0.1
Accumulated other comprehensive loss related to cash flow hedges at Dec. 31	$ (0.7)	$ (0.7)

Pre-tax losses related to interest rate derivatives reclassified from accumulated other comprehensive loss into earnings were immaterial, $0.1 million and $0.1 million for the years ended Dec. 31, 2019 and 2018, respectively.

Changes in the fair value of FTRs resulting in pre-tax net gains of $6.5 million and $7.0 million recognized for the years ended Dec. 31, 2019 and 2018, respectively, were reclassified as regulatory assets and liabilities. The classification as a regulatory asset or liability is based on expected recovery of FTR settlements through fuel and purchased energy cost recovery mechanisms.

FTR settlement gains of $6.0 million and $4.4 million were recognized for the years ended Dec. 31, 2019 and 2018, respectively, and were recorded to electric fuel and purchased power. These derivative settlement gains and losses are shared with electric customers through fuel and purchased energy cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.

SPS had no derivative instruments designated as fair value hedges during the years ended Dec. 31, 2019 and 2018.

Recurring Fair Value Measurements — The following table presents for each of the fair value hierarchy levels, SPS' derivative assets and liabilities measured at fair value on a recurring basis at Dec. 31, 2019 and 2018:

	Dec. 31, 2019						Dec. 31, 2018					
	Fair Value						Fair Value					
(Millions of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Netting (a)	Total	Level 1	Level 2	Level 3	Fair Value Total	Netting (a)	Total
Current derivative assets												
Other derivative instruments:												
Electric commodity	$ —	$ —	$ 11.8	$ 11.8	$ —	$ 11.8	$ —	$ —	$ 14.9	$ 14.9	$ (0.2)	$ 14.7
Total current derivative assets	$ —	$ —	$ 11.8	$ 11.8	$ —	11.8	$ —	$ —	$ 14.9	$ 14.9	$ (0.2)	14.7
PPAs (b)						3.2						3.1
Current derivative instruments						$ 15.0						$ 17.8
Noncurrent derivative assets												
PPAs (b)						12.6						15.8
Noncurrent derivative instruments						$ 12.6						$ 15.8
Current derivative liabilities												
Other derivative instruments:												
Electric commodity	$ —	$ —	$ 0.1	$ 0.1	$ —	$ 0.1	$ —	$ —	$ 0.2	$ 0.2	$ (0.2)	$ —
Total current derivative liabilities	$ —	$ —	$ 0.1	$ 0.1	$ —	0.1	$ —	$ —	$ 0.2	$ 0.2	$ (0.2)	—
PPAs (b)						3.6						3.6
Current derivative instruments						$ 3.7						$ 3.6
Noncurrent derivative liabilities												
PPAs (b)						12.8						16.4
Noncurrent derivative instruments						$ 12.8						$ 16.4

(a) SPS nets derivative instruments and related collateral in its balance sheet when supported by a legally enforceable master netting agreement, and all derivative instruments and related collateral amounts were subject to master netting agreements at Dec. 31, 2019 and 2018. At both Dec. 31, 2019 and 2018, derivative assets and liabilities include no obligations to return cash collateral or rights to reclaim cash collateral. The counterparty netting excludes settlement receivables and payables and non-derivative amounts that may be subject to the same master netting agreements.

(b) During 2006, SPS qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

Changes in Level 3 commodity derivatives for the years ended Dec. 31, 2019 and 2018:

(Millions of Dollars)	Year Ended Dec. 31 2019	Year Ended Dec. 31 2018
Balance at Jan. 1	$ 14.7	$ 12.7
Purchases	26.7	32.3
Settlements	(34.2)	(41.6)
Net transactions recorded during the period:		
Net gains recognized as regulatory assets	4.5	11.3
Balance at Dec. 31	$ 11.7	$ 14.7

SPS recognizes transfers between levels as of the beginning of each period. There were no transfers of amounts between levels for derivative instruments for 2017 – 2019.

Fair Value of Long-Term Debt

As of Dec. 31, other financial instruments for which the carrying amount did not equal fair value:

(Millions of Dollars)	2019 Carrying Amount	2019 Fair Value	2018 Carrying Amount	2018 Fair Value
Long-term debt	$ 2,442.9	$ 2,706.1	$ 2,146.5	$ 2,139.8

Fair value of SPS' long-term debt is estimated based on recent trades and observable spreads from benchmark interest rates for similar securities. Fair value estimates are based on information available to management as of Dec. 31, 2019 and 2018, and given the observability of the inputs, fair values presented for long-term debt were assigned as Level 2.

6. Benefit Plans and Other Postretirement Benefits

Pension and Postretirement Health Care Benefits

Xcel Energy, which includes SPS, has several noncontributory, defined benefit pension plans that cover almost all employees. Generally, benefits are based on a combination of years of service and average pay. Xcel Energy's policy is to fully fund into an external trust the actuarially determined pension costs subject to the limitations of applicable employee benefit and tax laws.

In addition to the qualified pension plans, Xcel Energy maintains a SERP and a nonqualified pension plan. The SERP is maintained for certain executives that were participants in the plan in 2008, when the SERP was closed to new participants. The nonqualified pension plan provides benefits for compensation that is in excess of the limits applicable to the qualified pension plans, with distributions funded by Xcel Energy's consolidated operating cash flows. Obligations of the SERP and nonqualified plan as of Dec. 31, 2019 and 2018 were $39 million and $33 million, respectively, of which $2 million was attributable to SPS in both years. In 2019 and 2018, Xcel Energy recognized net benefit cost for the SERP and nonqualified plans of $4 million in 2019 and 2018, of which immaterial amounts were attributable to SPS.

Xcel Energy, which includes SPS, bases the investment-return assumption on expected long-term performance for each of the asset classes in its pension and postretirement health care portfolios. For pension assets, Xcel Energy considers the historical returns achieved by its asset portfolio over the past 20 years or longer period, as well as long-term projected return levels. Xcel Energy and SPS continually review pension assumptions.

Pension cost determination assumes a forecasted mix of investment types over the long-term.

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- Investment returns in 2019 were above the assumed level of 6.78%;
- Investment returns in 2018 were below the assumed level of 6.78%; and
- In 2020, Xcel Energy's expected investment-return assumption is 6.78%.

Pension plan and postretirement benefit assets are invested in a portfolio according to Xcel Energy's return, liquidity and diversification objectives to provide a source of funding for plan obligations and minimize contributions to the plan, within appropriate levels of risk. The principal mechanism for achieving these objectives is the asset allocation given the long-term risk, return, correlation and liquidity characteristics of each particular asset class. There were no significant concentrations of risk in any industry, index or entity. Market volatility can impact even well-diversified portfolios and significantly affect the return levels achieved by the assets in any year.

State agencies also have issued guidelines to the funding of postretirement benefit costs. SPS is required to fund postretirement benefit costs for Texas and New Mexico amounts collected in rates. These assets are invested in a manner consistent with the investment strategy for the pension plan.

Xcel Energy's ongoing investment strategy is based on plan-specific investment recommendations that seek to minimize potential investment and interest rate risk as a plan's funded status increases over time. The investment recommendations result in a greater percentage of long-duration fixed income securities being allocated to specific plans having relatively higher funded status ratios and a greater percentage of growth assets being allocated to plans having relatively lower funded status ratios.

Plan Assets

For each of the fair value hierarchy levels, SPS' pension plan assets measured at fair value:

	Dec. 31, 2019 (a)					Dec. 31, 2018 (a)				
(Millions of Dollars)	**Level 1**	**Level 2**	**Level 3**	**Measured at NAV**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Measured at NAV**	**Total**
Cash equivalents	$ 18.9	$ —	$ —	$ —	$ 18.9	$ 21.6	$ —	$ —	$ —	$ 21.6
Commingled funds	202.5	—	—	144.8	347.3	128.6	—	—	132.5	261.1
Debt securities	—	98.2	0.6	—	98.8	—	98.1	—	—	98.1
Equity securities	12.1	—	—	—	12.1	14.4	—	—	—	14.4
Other	(16.8)	0.7	—	(2.8)	(18.9)	0.2	0.8	—	(4.0)	(3.0)
Total	$ 216.7	$ 98.9	$ 0.6	$ 142.0	$ 458.2	$ 164.8	$ 98.9	$ —	$ 128.5	$ 392.2

(a) See Note 5 for further information on fair value measurement inputs and methods.

For each of the fair value hierarchy levels, SPS' proportionate allocation of the total postretirement benefit plan assets that were measured at fair value:

	Dec. 31, 2019 (a)					Dec. 31, 2018 (a)				
(Millions of Dollars)	**Level 1**	**Level 2**	**Level 3**	**Measured at NAV**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Measured at NAV**	**Total**
Cash equivalents	$ 2.2	$ —	$ —	$ —	$ 2.2	$ 1.8	$ —	$ —	$ —	$ 1.8
Insurance contracts	—	4.9	—	—	4.9	—	4.3	—	—	4.3
Commingled funds:	6.7	—	—	7.4	14.1	12.8	—	—	3.8	16.6
Debt securities:	—	22.1	0.1	—	22.2	—	17.2	—	—	17.2
Equity securities:	—	—	—	—	—	—	—	—	—	—
Other	—	0.2	—	—	0.2	—	0.1	—	—	0.1

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Total	$ 8.9	$ 27.2	$ 0.1	$ 7.4	$ 43.6	$ 14.6	$ 21.6	$ —	$ 3.8	$ 40.0

(a) See Note 5 for further information on fair value measurement inputs and methods.

Immaterial assets were transferred in or out of Level 3 for 2019. No assets were transferred in or out of Level 3 for 2018.

Funded Status — Comparisons of the actuarially computed benefit obligation, changes in plan assets and funded status of the pension and postretirement health care plans for Xcel Energy are presented in the following table:

	Pension Benefits		Postretirement Benefits	
(Millions of Dollars)	**2019**	**2018**	**2019**	**2018**
Change in Benefit Obligation:				
Obligation at Jan. 1	$ 477.8	$ 515.9	$ 41.8	$ 47.0
Service cost	8.8	9.7	0.9	1.1
Interest cost	20.1	18.4	1.7	1.6
Plan amendments	—	—	—	—
Actuarial loss (gain)	44.2	(34.8)	0.4	(5.1)
Plan participants' contributions	—	—	0.6	0.6
Benefit payments (a)	(32.1)	(31.4)	(2.2)	(3.4)
Obligation at Dec. 31	$ 518.8	$ 477.8	$ 43.2	$ 41.8
Change in Fair Value of Plan Assets:				
Fair value of plan assets at Jan. 1	$ 392.2	$ 433.2	$ 40.0	$ 44.1
Actual return on plan assets	80.2	(17.6)	5.1	(1.3)
Employer contributions	17.9	8.0	0.1	—
Plan participants' contributions	—	—	0.6	0.6
Benefit payments	(32.1)	(31.4)	(2.2)	(3.4)
Fair value of plan assets at Dec. 31	$ 458.2	$ 392.2	$ 43.6	$ 40.0
Funded status of plans at Dec. 31	$ (60.6)	$ (85.6)	$ 0.4	$ (1.8)
Amounts recognized in the Balance Sheet at Dec. 31:				
Noncurrent assets	—	—	0.4	—
Noncurrent liabilities	(60.6)	(85.6)	—	(1.8)
Net amounts recognized	$ (60.6)	$ (85.6)	$ 0.4	$ (1.8)
Significant Assumptions Used to Measure Benefit Obligations:				
Discount rate for year-end valuation	3.49%	4.31%	3.47%	4.32%
Expected average long-term increase in compensation level	3.75	3.75	N/A	N/A
Mortality table	Pri-2012	RP-2014	Pri-2012	RP-2014
Health care costs trend rate — initial: Pre-Medicare	N/A	N/A	6.00%	6.50%
Health care costs trend rate — initial: Post-Medicare	N/A	N/A	5.10%	5.30%
Ultimate trend assumption — initial: Pre-Medicare	N/A	N/A	4.50%	4.50%
Ultimate trend assumption — initial: Post-Medicare	N/A	N/A	4.50%	4.50%
Years until ultimate trend is reached	N/A	N/A	3	4

(a) Includes approximately $6.8 million in 2019 and $6.9 million in 2018, of lump-sum benefit payments used in the determination of a settlement charge.

Accumulated benefit obligation for the pension plan was $481.1 million and $445.8 million as of Dec. 31, 2019 and 2018, respectively.

Net Periodic Benefit Cost (Credit) — Net periodic benefit cost (credit) other than service cost component is included in other income in the statement of income.

Components of net periodic benefit cost (credit) and the amounts recognized in other comprehensive income and regulatory assets and liabilities are as follows:

	Pension Benefits		Postretirement Benefits	
(Millions of Dollars)	**2019**	**2018**	**2019**	**2018**
Service cost	$ 8.8	$ 9.7	$ 0.9	$ 1.1
Interest cost	20.1	18.4	1.7	1.6
Expected return on plan assets	(28.6)	(28.3)	(2.0)	(2.5)
Amortization of prior service credit	(0.1)	(0.1)	(0.5)	(0.4)
Amortization of net loss	11.3	14.1	(0.4)	(0.4)
Settlement charge [(a)]	2.4	3.2	—	—
Net periodic pension cost (credit)	13.9	17.0	(0.3)	(0.6)
Costs not recognized due to effects of regulation	0.9	(2.2)	—	—
Net benefit cost (credit) recognized for financial reporting	$ 14.8	$ 14.8	$ (0.3)	$ (0.6)
Significant Assumptions Used to Measure Costs:				
Discount rate	4.31%	3.63%	4.32%	3.62%
Expected average long-term increase in compensation level	3.75	3.75	—	—
Expected average long-term rate of return on assets	6.78	6.78	5.30	5.80

(a) A settlement charge is required when the amount of all lump-sum distributions during the year is greater than the sum of the service and interest cost components of the annual net periodic pension cost. In 2019 and 2018, as a result of lump-sum distributions during the 2019 and 2018 plan years, SPS recorded a total pension settlement charge of $2.4 million and $3.2 million in 2019 and 2018, respectively. A total of $0.6 million and $0.7 million of that amount was recorded in the income statement in 2019 and 2018, respectively.

	Pension Benefits		Postretirement Benefits	
(Millions of Dollars)	**2019**	**2018**	**2019**	**2018**
Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost:				
Net loss	$ 209.7	$ 230.9	$ (11.9)	$ (9.6)
Prior service credit	(1.1)	(1.2)	(1.4)	(1.8)
Total	$ 208.6	$ 229.7	$ (13.3)	$ (11.4)
Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost Have Been Recorded as Follows Based Upon Expected Recovery in Rates:				
Noncurrent deferred debits	$ 208.6	$ 229.7	$ —	$ —
Noncurrent deferred credits	—	—	(13.3)	(11.4)
Total	$ 208.6	$ 229.7	$ (13.3)	$ (11.4)

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Measurement date	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018

Cash Flows — Cash funding requirements can be impacted by changes to actuarial assumptions, actual asset levels and other calculations prescribed by the funding requirements of income tax and other pension-related regulations. Required contributions were made in 2017 - 2020 to meet minimum funding requirements.

Total voluntary and required pension funding contributions across all four of Xcel Energy's pension plans were as follows:

- $150 million in January 2020, of which $14 million was attributable to SPS;
- $154 million in 2019, of which $18 million was attributable to SPS; and
- $150 million in 2018, of which $8 million was attributable to SPS.

For future years, Xcel Energy and SPS anticipate contributions will be made as necessary.

The postretirement health care plans have no funding requirements under income tax and other retirement-related regulations other than fulfilling benefit payment obligations, when claims are presented and approved. Additional cash funding requirements are prescribed by certain state and federal rate regulatory authorities. Xcel Energy's voluntary postretirement funding contributions were as follows:

- Expects to contribute approximately $10 million during 2020;
- $15 million during 2019;
- $11 million during 2018; and
- Amounts attributable to SPS were immaterial.

Target asset allocations:

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
Domestic and international equity securities	37%	35%	15%	18%
Long-duration fixed income securities	30	32	—	—
Short-to-intermediate fixed income securities	14	16	72	70
Alternative investments	17	15	9	8
Cash	2	2	4	4
Total	100%	100%	100%	100%

Plan Amendments — Xcel Energy, which includes SPS, amended the Xcel Energy Inc. Nonbargaining Pension Plan (South) in 2017 to reduce supplemental benefits for non-bargaining participants as well as to allow the transfer of a portion of non-qualified pension obligations into the qualified plans.

In 2019 and 2018, there were no plan amendments made which affected the benefit obligation.

Projected Benefit Payments

SPS' projected benefit payments:

(Millions of Dollars)	Projected Pension Benefit Payments	Gross Projected Postretirement Health Care Benefit Payments	Expected Medicare Part D Subsidies	Net Projected Postretirement Health Care Benefit Payments
2020	$ 30.7	$ 2.9	$ —	$ 2.9
2021	29.4	2.9	—	2.9
2022	30.3	2.9	—	2.9
2023	30.4	2.9	—	2.9
2024	30.4	2.8	—	2.8
2025-2029	153.5	13.2	0.1	13.1

Defined Contribution Plans

Xcel Energy, which includes SPS, maintains 401(k) and other defined contribution plans that cover most employees. The expense to these plans for SPS was approximately $3 million in 2019 and 2018.

7. Commitments and Contingencies

Legal

SPS is involved in various litigation matters that are being defended and handled in the ordinary course of business. The assessment of whether a loss is probable or is a reasonable possibility, and whether the loss or a range of loss is estimable, often involves complex judgments about future events. Management maintains accruals for losses that are probable of being incurred and subject to reasonable estimation.

Management may be unable to estimate an amount or range of a reasonably possible loss in certain situations, including when (1) the damages sought are indeterminate, (2) the proceedings are in the early stages or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss.

For current proceedings not specifically reported herein, management does not anticipate the ultimate liabilities, if any, arising from such current proceedings would have a material effect on SPS' financial statements. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Rate Matters

Texas Fuel Reconciliation — In December 2018, SPS filed an application with the Public Utilities Commission of Texas (PUCT) for reconciliation of fuel costs for the period Jan. 1, 2016, through June 30, 2018, to determine whether all fuel costs incurred were eligible for recovery. In December 2019, the PUCT issued an order disallowing recovery of costs for Texas customers related to two specific solar PPAs. These PPAs were previously approved by the NMPRC as reasonable, necessary and economic. SPS recorded a total disallowance of approximately $6 million in December 2019.

SPP OATT Upgrade Costs — Under the SPP open access transmission tariff (OATT), costs of transmission upgrades may be recovered from other SPP customers whose transmission service depends on capacity enabled by the upgrade. SPP had not been charging its customers for these upgrades, even though the SPP OATT had allowed SPP to do so since 2008. In 2016, the FERC granted SPP's request to recover previously unbilled charges and SPP subsequently billed SPS approximately $13 million.

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In July 2018, SPS' appeal to the United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit) over the FERC rulings granting SPP the right to recover previously unbilled charges was remanded to the FERC. In February 2019, the FERC reversed its 2016 decision and ordered SPP to refund charges retroactively collected from its transmission customers, including SPS, related to periods before September 2015. In April 2019, several parties, including SPP, filed requests for rehearing. Timing of a FERC response to rehearing requests is uncertain. Any refunds received by SPS are expected to be given back to SPS customers through future rates.

In October 2017, SPS filed a separate complaint against SPP asserting SPP assessed upgrade charges to SPS in violation of the SPP OATT. The FERC granted a rehearing for further consideration in May 2018. Timing of FERC action on the SPS rehearing is uncertain. If SPS' complaint results in additional charges or refunds, SPS will seek to recover or refund the amounts through future SPS customer rates.

SPP Filing to Assign GridLiance Facilities to SPS Rate Zone — In August 2018, SPP filed a request with the FERC to amend its OATT to include costs of the GridLiance High Plains, LLC. facilities in the SPS rate zone. In a previous filing, the FERC determined that some of these facilities did not qualify as transmission facilities under the SPP OATT.

In September 2018, SPS protested the proposed SPP tariff charges, and asked the FERC to reject the SPP filing. On Oct. 31, 2018, the FERC issued an order accepting the proposed charges, subject to refund, as of Nov. 1, 2018, and set the case for settlement hearing procedures. Hearings are scheduled for May 2020, with the ALJs' initial decision expected in October 2020. SPS has incurred approximately $6 million in associated charges as of Dec. 31, 2019.

SPS Filing to Modify Wholesale Transmission Rates — In 2018, SPS filed revisions to its wholesale transmission formula rate. The proposal includes an update to depreciation rates for transmission plant. The new formula rate would also provide a credit to customers of "excess" ADIT resulting from the TCJA and recover certain wholesale regulatory commission expenses.

Proposed changes would increase wholesale transmission revenues by approximately $9.4 million, with approximately $4.4 million of the total recovered in SPP regional transmission rates. SPS proposed formula rate changes be effective Feb. 1, 2019.

In January 2019, the FERC issued an order accepting the proposed rate changes as of Feb. 1, 2019, subject to refund and settlement procedures. On Dec. 23, 2019, SPS filed a Stipulation and Agreement of Settlement. If approved by the FERC, the settlement would implement the requested depreciation and TCJA related changes, but would not modify current treatment of wholesale regulatory commission expenses.

Environmental

New and changing federal and state environmental mandates can create financial liabilities for SPS, which are normally recovered through the regulated rate process.

Site Remediation — Various federal and state environmental laws impose liability where hazardous substances or other regulated materials have been released to the environment. SPS may sometimes pay all or a portion of the cost to remediate sites where past activities of SPS' predecessors or other parties have caused environmental contamination. Environmental contingencies could arise from various situations, including sites of former manufactured gas plants (MGPs); and third-party sites, such as landfills, for which SPS is alleged to have sent wastes to that site.

MGP, Landfill or Disposal Sites — SPS is currently remediating the site of a former facility. SPS has recognized its best estimate of costs/liabilities that will result from final resolution of these issues, however, the outcome and timing is unknown. In addition, there may be insurance recovery and/or recovery from other potentially responsible parties, offsetting a portion of costs incurred.

Environmental Requirements — Water and Waste

Federal Clean Water Act (CWA) Waters of the U.S. (WOTUS) Rule — In 2015, the United States Environmental Protection Agency (EPA) and Corps published a final rule that significantly broadened the scope of waters under the CWA that are subject to federal jurisdiction, referred to as "WOTUS". In 2019, the EPA repealed the 2015 rule and published a draft replacement rule. Until a final rule is issued, SPS cannot estimate potential impacts, but anticipates costs will be recoverable through regulatory mechanisms.

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Federal CWA Effluent Limitation Guidelines (ELG) — In 2015, the EPA issued a final ELG rule for power plants that discharge treated effluent to surface waters as well as utility-owned landfills that receive coal combustion residuals (CCRs). In 2017, the EPA delayed the compliance date for flue gas desulfurization wastewater and bottom ash transport until November 2020. After 2020, SPS estimates that ELG compliance costs will be immaterial. The EPA, however, is conducting a rulemaking process to revise certain effluent limitations and pretreatment standards, which may impact compliance costs. SPS anticipates these costs will be fully recoverable through regulatory mechanisms.

Environmental Requirements — Air

Regional Haze Rules — The regional haze program requires sulfur dioxide (SO_2), nitrogen oxide and particulate matter emission controls at power plants to reduce visibility impairment in national parks and wilderness areas. The program includes BART and reasonable further progress. Texas' first regional haze plan has undergone federal review as described below.

BART Determination for Texas: The EPA has issued a revised final rule adopting a BART alternative Texas only SO_2 trading program that applies to all Harrington and Tolk units. Under the trading program, SPS expects the allowance allocations to be sufficient for SO_2 emissions. The anticipated costs of compliance are not expected to have a material impact; and SPS believes that compliance costs would be recoverable through regulatory mechanisms.

Several parties have challenged whether the final rule issued by the EPA should be considered to have met the requirements imposed in a Consent Decree entered by the United States District Court for the District of Columbia that established deadlines for the EPA to take final action on state regional haze plan submissions. The court has required status reports from the parties while the EPA works on the reconsideration rulemaking.

In December 2017, the National Parks Conservation Association, Sierra Club, and Environmental Defense Fund appealed the EPA's 2017 final BART rule to the Fifth Circuit and filed a petition for administrative reconsideration. In January 2018, the court granted SPS' motion to intervene in the Fifth Circuit litigation in support of the EPA's final rule. The court has held the litigation in abeyance while the EPA decided whether to reconsider the rule. In August 2018, the EPA started a reconsideration rulemaking, which was supplemented by an additional agency notice in November 2019. It is not known when the EPA will make a final decision on this proposal.

Reasonable Progress Rule: In 2016, the EPA adopted a final rule establishing a federal implementation plan for reasonable further progress under the regional haze program for the state of Texas. The rule imposes SO_2 emission limitations that would require the installation of dry scrubbers on Tolk Units 1 and 2, with compliance required by February 2021. Investment costs associated with dry scrubbers could be $600 million. SPS appealed the EPA's decision and obtained a stay of the final rule.

In March 2017, the Fifth Circuit remanded the rule to the EPA for reconsideration, leaving the stay in effect. In a future rulemaking, the EPA will address whether SO_2 emission reductions beyond those required in the BART alternative rule are needed at Tolk under the "reasonable progress" requirements. The EPA has not announced a schedule for acting on the remanded rule.

Implementation of the National Ambient Air Quality Standard (NAAQS) for SO_2 — The EPA has designated all areas near SPS' generating plants as attaining the SO_2 NAAQS with an exception. The EPA issued final designations, which found the area near the Harrington plant as "unclassifiable." The area near the Harrington plant is to be monitored for three years and a final designation is expected to be made by December 2020.

If the area near the Harrington plant is designated nonattainment in 2020, the Texas Commission on Environmental Quality (TCEQ) will need to develop an implementation plan, designed to achieve the NAAQS by 2025. The TCEQ could require additional SO_2 controls at Harrington as part of such a plan. SPS cannot evaluate the impacts until the final designation is made and any required state plans are developed. SPS believes that should SO_2 control systems be required for a plant, compliance costs or the costs of alternative cost-effective generation will be recoverable through regulatory mechanisms and therefore does not expect a material impact on results of operations, financial condition or cash flows.

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AROs — AROs have been recorded for SPS' assets.

SPS' AROs were as follows:

	2019					
(Millions of Dollars)	**Jan. 1, 2019**	**Amounts Incurred** (a)	**Amounts Settled** (b)	**Accretion**	**Cash Flow Revisions** (c)	**Dec. 31, 2019**
Electric						
Steam and other production	$ 22.0	$ —	$ (1.6)	$ 1.4	$ 29.5	$ 51.3
Wind	—	16.0	—	0.4	—	16.4
Distribution	9.1	—	—	0.4	—	9.5
Common	1.3	—	—	—	(1.2)	0.1
Total liability	$ 32.4	$ 16.0	$ (1.6)	$ 2.2	$ 28.3	$ 77.3

(a) Amounts incurred related to the Hale wind farm placed in service in 2019.

(b) Amounts settled related to asbestos abatement projects.

(c) In 2019, AROs were revised for changes in timing and estimates of cash flows. Changes in steam production AROs primarily related to the cost estimates to remediate ponds at production facilities.

	2018			
(Millions of Dollars)	**Jan. 1, 2018**	**Accretion**	**Cash Flow Revisions** (a)	**Dec. 31, 2018** (b)
Electric				
Steam and other production	$ 20.3	$ 1.2	$ 0.5	$ 22.0
Distribution	7.0	0.3	1.8	9.1
Common	1.2	0.1	—	1.3
Total liability	$ 28.5	$ 1.6	$ 2.3	$ 32.4

(a) In 2018, AROs were revised for changes in timing and estimates of cash flows. Changes in electric distribution AROs were primarily related to increased labor costs.

(b) There were no ARO amounts incurred or settled in 2018.

Indeterminate AROs — Outside of the recorded asbestos AROs, other plants or buildings may contain asbestos due to the age of many of SPS' facilities, but no confirmation or measurement of the cost of removal could be determined as of Dec. 31, 2019. Therefore, an ARO has not been recorded for these facilities.

Leases

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SPS evaluates contracts that may contain leases, including PPAs and arrangements for the use of office space and other facilities, vehicles and equipment. Under the Financial Accounting Standards Board Accounting Standards Codification Topic 842, adopted by SPS on Jan. 1, 2019, a contract contains a lease if it conveys the exclusive right to control the use of a specific asset. A contract determined to contain a lease is evaluated further to determine if the arrangement is a finance lease.

ROU assets represent SPS' rights to use leased assets. In accordance with FERC requirements as provided in Docket No. AI19-1-000, starting in 2019, the present value of future operating lease payments are recognized in Account 227 and Account 243. These amounts, adjusted for any prepayments or incentives, are recognized as operating lease ROU assets in Account 101.1.

Most of SPS' leases do not contain a readily determinable discount rate. Therefore, the present value of future lease payments is calculated using the estimated incremental borrowing rate (weighted-average of 4.4%). SPS has elected the practical expedient under which non-lease components, such as asset maintenance costs included in payments, are not deducted from minimum lease payments for the purposes of lease accounting and disclosure. Leases with an initial term of 12 months or less are classified as short-term leases and are not recognized on the balance sheet.

Operating lease ROU assets in Account 101.1:

(Millions of Dollars)	Dec. 31, 2019
PPAs	$ 500.3
Other	48.0
Gross operating lease ROU assets	548.3
Accumulated amortization	(25.9)
Net operating lease ROU assets	$ 522.4

Components of lease expense:

(Millions of Dollars)	2019	2018
Operating leases		
PPA capacity payments	$ 48.1	$ 51.1
Other operating leases (a)	4.9	7.9
Total operating lease expense (b)	$ 53.0	$ 59.0

(a) Includes short-term lease expense of $1.5 million, $1.1 million for 2019 and 2018, respectively.

(b) PPA capacity payments and expense for other operating leases are included in electric fuel and purchased power on the statements of income.

Future commitments under operating leases as of Dec. 31, 2019 in Accounts 227 and 243:

(Millions of Dollars)	PPA (a) (b) Operating Leases	Other Operating Leases	Total Operating Leases
2020	$ 46.2	$ 3.4	$ 49.6
2021	46.2	3.3	49.5
2022	46.2	3.4	49.6
2023	46.2	3.4	49.6
2024	46.2	3.5	49.7
Thereafter	404.5	51.3	455.8
Total minimum obligation	635.5	68.3	703.8
Interest component of obligation	(160.0)	(21.6)	(181.6)

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Present value of minimum obligation	475.5	46.7	522.2
Less current portion			(26.9)
Noncurrent operating lease liabilities			$ 495.3
Weighted-average remaining lease term in years			14.1

(a) Amounts do not include PPAs accounted for as executory contracts and/or contingent payments, such as energy payments on renewable PPAs.

(b) PPA operating leases contractually expire at various dates through 2033.

Future commitments under operating leases as of Dec. 31, 2018:

(Millions of Dollars)	PPA (a) (b) Operating Leases	Other Operating Leases	Total Operating Leases
2019	$ 46.7	$ 5.2	$ 51.9
2020	46.2	5.2	51.4
2021	46.2	5.1	51.3
2022	46.2	5.1	51.3
2023	46.2	5.1	51.3
Thereafter	450.8	56.3	507.1

(a) Amounts do not include PPAs accounted for as executory contracts and/or contingent payments, such as energy payments on renewable PPAs.

(b) PPA operating leases contractually expire at various dates through 2033.

PPAs and Fuel Contracts

Non-Lease PPAs — SPS has entered into PPAs with other utilities and energy suppliers with various expiration dates through 2024 for purchased power to meet system load and energy requirements and operating reserve obligations.

In general, these agreements provide for energy payments, based on actual energy delivered and capacity payments. Capacity payments are contingent on the IPP meeting contract obligations, including plant availability requirements. Certain contractual payments are adjusted based on market indices. The effects of price adjustments on financial results are mitigated through purchased energy cost recovery mechanisms.

Included in electric fuel and purchased power expenses for PPAs accounted for as executory contracts, were payments for capacity of $19.9 million, $57.6 million and $58.4 million in 2019, 2018 and 2017, respectively.

At Dec. 31, 2019, the estimated future payments for capacity that SPS is obligated to purchase pursuant to these executory contracts, subject to availability, were as follows:

(Millions of Dollars)	Capacity
2020	$ 12.3
2021	12.5
2022	12.7
2023	13.0
2024	5.9
Thereafter	—
Total	$ 56.4

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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NOTES TO FINANCIAL STATEMENTS (Continued)

Fuel Contracts — SPS has entered into various long-term commitments for the purchase and delivery of a significant portion of its coal and natural gas requirements. These contracts expire between 2020 and 2033. SPS is required to pay additional amounts depending on actual quantities shipped under these agreements.

Estimated minimum purchases under these contracts as of Dec. 31, 2019:

(Millions of Dollars)	Coal	Natural gas supply	Natural gas storage and transportation
2020	$ 96.7	$ 12.3	$ 28.9
2021	67.7	—	23.3
2022	38.8	—	17.4
2023	—	—	12.7
2024	—	—	6.7
Thereafter	—	—	26.3
Total	$ 203.2	$ 12.3	$ 115.3

8. Other Comprehensive Income

Changes in accumulated other comprehensive loss, net of tax, for the years ended Dec. 31:

	2019		
(Millions of Dollars)	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension and Postretirement Items	Total
Accumulated other comprehensive loss at Jan. 1	$ (0.7)	$ (0.7)	$ (1.4)
Other comprehensive loss before reclassifications (net of taxes of $0 and $(0.1), respectfully	—	(0.2)	(0.2)
Losses reclassified from net accumulated other comprehensive loss:			
Amortization of net actuarial loss (net of taxes of $0)	—	0.2 (a)	0.2
Net current period other comprehensive income (loss)	—	—	—
Accumulated other comprehensive loss at Dec. 31	$ (0.7)	$ (0.7)	$ (1.4)

(a) Included in the computation of net periodic pension and postretirement benefit costs. See Note 9 for further information.

	2018		
(Millions of Dollars)	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension and Postretirement Items	Total
Accumulated other comprehensive loss at Jan. 1	$ (0.8)	$ (0.7)	$ (1.5)

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	04/02/2020	2019/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Losses reclassified from net accumulated other comprehensive loss:			
Interest rate derivatives (net of taxes of $0)	0.1 (a)	—	0.1
Net current period other comprehensive income	0.1	—	0.1
Accumulated other comprehensive loss at Dec. 31	$ (0.7)	$ (0.7)	$ (1.4)

(a) Included in interest charges.

9. Related Party Transactions

Xcel Energy Services Inc. provides management, administrative and other services for the subsidiaries of Xcel Energy Inc., including SPS. The services are provided and billed to each subsidiary in accordance with service agreements executed by each subsidiary. SPS uses the service provided by Xcel Energy Services Inc. whenever possible. Costs are charged directly to the subsidiary and are allocated if they cannot be directly assigned.

Xcel Energy Inc., NSP-Minnesota, PSCo and SPS have established a utility money pool arrangement with the utility subsidiaries.

See Note 3 for further information.

Significant affiliate transactions among the companies and related parties for the years ended Dec. 31:

(Millions of Dollars)	2019	2018
Operating expenses:		
Other operating expenses — paid to Xcel Energy Services Inc.	$ 192.0	$ 195.1
Interest expense	0.2	0.6

Accounts receivable and payable with affiliates at Dec. 31 were:

	2019		2018	
(Millions of Dollars)	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
NSP-Minnesota	$ 4.2	$ —	$ 4.7	$ —
PSCo	—	0.4	—	0.7
Other subsidiaries of Xcel Energy Inc.	—	20.0	5.8	19.2
	$ 4.2	$ 20.4	$ 10.5	$ 19.9

10. Supplementary Cash Flow Data

(Millions of Dollars)	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	$ (83.6)	$ (71.2)
Cash received (paid) for income taxes, net	11.9	(10.6)
Supplemental disclosure of non-cash investing transactions:		
Utility plant additions in accounts payable	$ 94.5	$ 71.5
Inventory transfer additions in utility plant	23.3	22.5
Operating lease right-of-use assets	548.3	—
Allowance for equity funds used during construction	26.8	19.1

Southwestern Public Service Company

Statement of Changes in Financial Position

Line No.	Account Title	(a) Base Period	(b) Test Year Period	Difference [3]	
1	**Net Cash Flow from Operating Activities**				
2	Net Income	$ 286,569,682	$ 77,111,120	$ (209,458,562)	(1)
3	**Noncash Charges (Credits) to Income**				
4	Depreciation and Depletion	$ 247,259,591	$ 346,317,783	$ 99,058,192	(2)
5	Amortization of Premium, Discount & Debt Expense	2,461,587	2,461,587	-	
6	Amortization of Regulatory Assets & Liabilities	(66,459,820)	(66,459,820)	-	
7	Amortization of Software and Other	26,584,855	30,006,406	3,421,551	(2)
8	Deferred Income Taxes, Net	39,029,020	66,457,537	27,428,517	(2)
9	Investment Tax Credit Adjustment, Net	(52,421)	(52,421)	-	(2)
10	Net (Increase) Decrease in Receivables	(22,661,752)	(22,661,752)	-	
11	Net (Increase) Decrease in Inventory	(27,748,491)	(27,748,491)	-	
12	Net (Increase) Decrease in Allowances Inventory	(545,870)	(545,870)	-	
13	Net (Increase) Decrease in Payables and Accrued Expenses	14,327,197	14,327,197	-	
14	Net (Increase) Decrease in Other Regulatory Assets	(64,339,051)	(64,339,051)	-	
15	Net (Increase) Decrease in Other Regulatory Liabilities	(34,771,358)	(34,771,358)	-	
16	(Less) Allowance for Other Funds Used During Construction	28,546,835	28,546,835	-	
17	(Less) Undistributed Earnings from Subsidiary Companies	-	-	-	
18	Change in Accrued Utility Revenues	6,045,159	6,045,159	-	
19	Change in Other Current Assets and Liabilities	(177,855)	(177,855)	-	
20	Net Realized and Unrealized Hedging and Derivative Transactions	(38,091)	(38,091)	-	
21	Change in Other Noncurrent Liabilities and Deferreds	62,626,642	62,626,642	-	
22	**Net Cash Provided by (Used In) Operating Activities**	**$ 439,562,189**	**$ 360,011,886**	**$ (79,550,303)**	
23	**Cash Flows from Investment Activities:**				
24	Construction and Acquisition of Plant (Including Land):	$ -	$ -	$ -	
25	Gross Additions to Utility Plant	-	-	-	
26	Gross Additions to Common Utility Plant	(1,086,772,234)	(2,305,921,572)	(1,219,149,338)	(2)
27	Gross Additions to Nonutility Plant	-	-	-	
28	(Less) Allowance for Other Funds Used During Construction	(28,546,835)	(28,546,835)	-	
29	Other: Proceeds from Insurance Recoveries	-	-	-	
30	**Cash Outflows for Plant**	**$ (1,058,225,399)**	**$ (2,277,374,737)**	**$ (1,219,149,338)**	
31	Other: Miscellaneous Investing Activities	$ -	$ -	$ -	
32	Proceeds from Sale of Transmission Assets	-	-	-	
33	Investments in Utility Money Pool	(4,000,000)	(4,000,000)	-	
34	Repayments to Utility Money Pool	4,000,000	4,000,000	-	
35	**Net Cash Provided by (Used In) Investing Activities**	**$ (1,058,225,399)**	**$ (2,277,374,737)**	**$ (1,219,149,338)**	
36	**Cash Flows from Financing Activities**				
37	Proceeds from the Issuance of:				
38	Long-Term Debt	$ 342,716,536	$ 342,716,536	$ -	
39	Preferred Stock	-	-	-	
40	Common Stock	-	-	-	
41	Other: Capital Contribution from Parent	460,795,455	101,110,655	(359,684,800)	(2)
	Other: Borrowings Under Utility Money Pool	734,000,000	734,000,000	-	
42	Net Increase in Short-Term Debt	-	-	-	
43	Other: Borrowings from Utility Money Pool Arrangement	-	-	-	
44	Other: Borrowings to Utility Money Pool Arrangement	-	-	-	
45	**Cash Provided by Outside Sources**	**$ 1,537,511,991**	**$ 1,177,827,191**	**$ (359,684,800)**	

Southwestern Public Service Company

Statement of Changes in Financial Position

Line No.	Account Title	(a) Base Period	(b) Test Year Period	Difference [3]
46	Payment for Retirement of:			
47	Long-Term Debt	$ -	$ -	$ -
48	Preferred Stock	-	-	-
49	Common Stock	-	-	-
50	Other: Repayment of Utility Money Pool	(724,000,000)	(724,000,000)	-
	Other: (Taxes Paid - Share based awards)	(318,637)	(318,637)	-
51	Net Decrease in Short-Term Debt	-	-	-
52	Other: Repayments under Utility Money Pool Arrangement	-	-	-
53	Dividends on Preferred Stock	-	-	-
54	Dividends on Common Stock	(335,068,700)	(335,068,700)	-
55	**Net Cash Provided by (Used In) Financing Activities**	**$ 478,124,654**	**$ 118,758,491**	**$ (359,684,800)**
56	Net Decrease in Cash and Cash Equivalents	$ (140,538,556)	$ (1,798,604,361)	$ (1,658,065,805)
57	Cash and Cash Equivalents at Beginning of Period	**$ 147,027,104**	**$ 6,488,548**	**$ (140,538,556)**
58	Cash and Cash Equivalents at End of Period	**$ 6,488,548**	**$ (1,792,115,813)**	**$ (1,798,604,361)**

(c) Explanation of Adjustments
The Base Period information presented in Schedule I-3 is derived by utilizing SPS's 2019 FERC Form 1 annual results, minus the first nine months 2019 results (Column (b) on SPS's 2019 Third Quarter FERC Form 3), plus the first nine months of 2020 results (Column (b) on SPS's 2020 Third Quarter FERC Form 3).

Please see page 3 for the Cash Flow Statement-related footnotes from SPS's Third Quarter 2020 FERC Form 3. No Cash Flow Statement-related footnotes were filed for SPS's 2019 FERC Form 1 or SPS's 2019 Third Quarter FERC Form 3. Notes to Financial Statements from SPS's 2020 Third Quarter FERC Form 3 are provided with Schedule I-1. Notes to Financial Statements from SPS's 2019 FERC Form 1 are provided with Schedule I-2.

(1) Adjusted to match the Net Income calculated for the Test Year Period in Schedule I-2. See Note 3.

(2) Adjusted to match the amount included in the Test Year Period Cost of Service. See Note 3.

(3) "Difference" column displayed in lieu of "Adjustments" due to the way the cost of service and this schedule are prepared. Line items on this schedule that are included in the cost of service reflect amounts from corresponding items in the Test Year Period cost of service. However, most of the line items on this schedule are not present in the cost of service, including the entire equity section. For this schedule, all other balances in the Test Year Period column reflect those in the Base Period column. Please refer to the Direct Testimony of Stephanie N. Niemi for explanations of cost of service adjustments.

(4) The Test Year Period cost of service will not directly tie to the financial information presented in the I Series Schedules because certain accounting and regulatory adjustments are made to the cost of service studies that are not reflected in these schedules. Please refer to the Direct Testimony of Stephanie N. Niemi for explanations of these cost of service adjustments.

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FOOTNOTE DATA

Schedule Page: 120 Line No.: 90 Column: b

Cash (131)	$	-
Working Fund (135)		100,500
Temporary Cash Investments (136)		6,388,048
	$	6,488,548

Schedule Page: 120 Line No.: 90 Column: c

Cash (131)	$	39,748,040
Working Fund (135)		100,500
Temporary Cash Investments (136)		107,178,564
	$	147,027,104

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company	(1) X An Original (2) __ A Resubmission	11/25/2020	2020/Q3

FOOTNOTE DATA

Schedule Page: 120 Line No.: 90 Column: b

Cash (131)	$ -
Working Fund (135)	100,500
Temporary Cash Investments (136)	6,388,048
	$ 6,488,548

Schedule Page: 120 Line No.: 90 Column: c

Cash (131)	$ 39,748,040
Working Fund (135)	100,500
Temporary Cash Investments (136)	107,178,564
	$ 147,027,104