BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN PUBLIC SERVICE COMPANY'S APPLICATION FOR REVISION OF ITS RETAIL RATES UNDER ADVICE NOTICE NO. 255,	)	**CASE NO. 15-00139-UT**
SOUTHWESTERN PUBLIC SERVICE COMPANY,	)	
APPLICANT.	)	

DIRECT TESTIMONY

of

GREGORY J. ROBINSON

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

TABLE OF CONTENTS

GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
CWIP	Construction Work in Progress
IRC	Investment Review Council
ISD	In-service Date
O&M	Operation and Maintenance
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS
Operating Company	One of the Operating Companies
RFP	Rate Filing Package
SPP	Southwest Power Pool
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	Calendar Year 2016
Total Company or total company	Total SPS (before any jurisdictional allocation)
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

Attachment	Description
GJR-1	Budget Instructions for both the Corporate and Financial Budgets (*Filename*: GJR-1.doc)
GJR-2	IRC Charter (*Filename*: GJR-2.pdf)
GJR-3	Property & Security Services Capital Additions (*Filename*: GJR-3.xls)
GJR-4	Operating Results and Financial Data for 2012-2014 (*See Folder:* Testimony/04 - Robinson/GJR-4)

Case No.15-00139-UT
Direct Testimony
of
Gregory J. Robinson

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Gregory J. Robinson. My business address is 414 Nicollet Mall, Minneapolis, Minnesota 55401.

Q. On whose behalf are you testifying in this proceeding?

A. I am filing testimony on behalf of Southwestern Public Service Company, a New Mexico corporation ("SPS") and wholly-owned electric utility subsidiary of Xcel Energy Inc. ("Xcel Energy"). Xcel Energy is a registered holding company that owns several electric and natural gas utility operating companies.[1]

Q. By whom are you employed and in what position?

A. I am employed by Xcel Energy Services Inc. ("XES"), the service company subsidiary of Xcel Energy, as Director of Financial Performance and Reporting.

[1] Xcel Energy is the parent company of four wholly-owned electric utility operating companies: Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS (collectively, "Operating Companies"; individually, "Operating Company"). Xcel Energy's natural gas pipeline subsidiary is WestGas InterState, Inc. Xcel Energy also has two transmission-only operating companies, Xcel Energy Southwest Transmission Company, LLC and Xcel Energy Transmission Development Company, LLC, both of which are regulated by the Federal Energy Regulatory Commission.

Q. Please briefly outline your responsibilities as Director of Financial Performance and Reporting.

A. I am responsible for oversight and management of the corporate Operation and Maintenance ("O&M") and capital budget and forecast processes for Xcel Energy and its subsidiaries. I am also responsible for internal financial reporting and financial statement analysis for Xcel Energy.

Q. Please describe your educational background.

A. I received my Bachelor of Arts degree in Accounting from Gustavus Adolpus College in Saint Peter, Minnesota. In 2003, I received a Masters of Business Administration degree, with an emphasis in finance, from the University of Minnesota.

Q. Please describe your professional experience.

A. I have been employed by XES since April 2011, first as the Manager of O&M & Capital Reporting and Analysis, then as the Director of Financial Performance and Reporting. Prior to that time I was employed by Ecolab Inc., as a business area finance manager. I was also employed by Jostens Inc. in a similar capacity.

Q. Do you hold a professional license?

A. I have an inactive Certified Public Accountant certificate from the State of Minnesota.

Q. Have you submitted testimony to any regulatory authorities?

A. Yes. I have submitted testimony to the Colorado Public Utilities Commission regarding Xcel Energy's budget process.

II. ASSIGNMENT AND SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. What is your assignment in this proceeding?

A. My testimony addresses two topics:

(1) My testimony outlines Xcel Energy's rigorous budget processes and explains how the processes ensure that the budget represents a reasonable forecast of the costs to be incurred in calendar year 2016 ("Test Year").

(2) I also support SPS's request for Property and Security Services capital additions for the Utilities & Corporate Services business area.

In addition, I sponsor schedules Q-3, Q-4, Q-5, and Q-6 of the Rate Filing Package ("RFP"), as well as the additional financial information provided in accordance with Rule 17.1.3.13 NMAC, which has been provided as Attachment GJR-4. This attachment is being provided in electronic format on Attachment EDE-1(Media) to the Direct Testimony of Evan D. Evans.

Q. Please summarize the conclusions and recommendations in your testimony.

A. Xcel Energy's budget processes are designed to ensure that the costs of providing service to customers are accurately forecasted and recorded to the appropriate entities. We begin with a careful review of our budget year plans, including an evaluation of necessary and appropriate changes in the scope of work and the resources required to perform that work. These budget judgments are subject to significant and regular review through a rigorous governance process that facilitates business area accountability and executive involvement and oversight.

Xcel Energy's processes emphasize the importance of accuracy, as demonstrated by our:

- Rigorous budgeting process – from the centralized development of spending guidelines and analysis to ensure budgeted costs reflect the most efficient level of costs, to the governance of major capital expenditures and executive reporting and oversight;
- Recognition of changes, such as the loss of a major customer, and changing trends, such as the economy and customer usage, in our budgeting and forecast processes;
- Regular and consistent monitoring, analysis and response to budget variances stemming from necessary changes in our plans, as well as unforeseen or unknowable events.

With respect to Property and Security Services capital additions, SPS intends to place in service $8,160,146 (total company) in capital additions for the

time period January 1, 2015 through December 31, 2016. Those capital additions are reasonable and necessary for SPS to provide safe and reliable electric utility service for its customers.

III. BUDGETS AND THE TEST YEAR

Q. What will this portion of your testimony address?

A. I will demonstrate that:

- The budget process is designed to create as accurate a forecast as possible of the costs SPS will incur in delivering service to its customers during the Test Year.
- Our process is transparent at every level, requires the business areas to assess and appropriately respond to business realities, and emphasizes the importance of budgeting accuracy and efficiency.
- The Xcel Energy Financial Council, Xcel Energy and SPS Boards of Directors, and Financial Performance and Reporting Department personnel provide significant executive oversight of the budget process.

A. Responsibilities of the Financial Performance and Reporting Department

Q. What are the overall responsibilities of the Financial Performance and Reporting Department with respect to the financial budget process?

A. My organization establishes and manages the overall corporate project plan and governance for creating the budget. We facilitate the establishment of corporate guidelines that govern the annual financial budget process for each of Xcel Energy's Operating Companies, including SPS. A centralized group within my organization, the O&M and capital team, develops the budget calendar and the

budget instructions that are issued each year. This group oversees the budget process, ensuring that all deadlines are met and governance steps occur as required.

In addition, each business area is assigned to a Business Area Finance director or manager who manages the overall process for the business area to ensure that the corporate O&M and capital expenditure budgets and the budgets for each of the operating utility subsidiaries reflect as accurate a forecast as possible. They are also responsible for ensuring that the budget reflects the most efficient level of cost consistent with our obligations to deliver reliable utility service to our customers now and in the future.

B. Financial Budget Process

Q. Is there a group within Xcel Energy that has overall responsibility for financial governance?

A. Yes, the Xcel Energy Financial Council.

Q. What is the Financial Council and who are its members?

A. The Financial Council is responsible for approving the five-year O&M Budget and Capital Expenditure Budget for each of the Operating Companies, as well as monitoring the financial performance of SPS (and the other Operating

Companies) and Xcel Energy during the course of each year. It is chaired by Teresa Madden, Executive Vice President and Chief Financial Officer, and includes senior Xcel Energy executives and Operating Company presidents.

Q. Please describe the financial budget process in general terms.

A. Every year a five-year financial forecast is prepared that is used by executive management to anticipate each of the operating utility's financial needs, make major strategic decisions, and develop supportable and attainable financial plans for each operating utility and Xcel Energy overall. The O&M and capital expenditure budgets for each of Xcel Energy's Operating Companies are key components of the Xcel Energy financial forecast.

Q. Please describe Xcel Energy's financial governance process in more detail.

A. The financial governance process consists of the financial forecast process and the processes Xcel Energy has in place to consistently monitor performance in comparison to the budget.

As explained more fully below, once the Financial Council approves the five year budget for each of the Operating Companies, the budget is considered final and is used for monthly monitoring and as the starting point to reflect any changes that may occur after the budget is approved.

This process allows business plans and financial forecasts to be adjusted on a continuing basis. For example, a business area may face cost increases or projects that were not anticipated at the time the budget was created, or may need to reduce, delay, or accelerate spending in response to unforeseen or changed circumstances. These changes can be properly reflected in our business plans and forecasts. Xcel Energy also evaluates whether an increase or decrease in the original budget for that business area is necessary.

Q. Please describe the annual budgeting process.

A. The detailed annual budget process starts with development of the Corporate Budget Calendar, which provides the framework the business areas must work within to develop both their O&M and capital expenditure budgets. The O&M and capital budgeting processes can generally be divided into three phases: corporate instructions and guidelines; business area budget creation; and finally, senior management review and approval.

Q. Please generally describe the three O&M and capital budget phases.

A. During the first phase, the Corporate Budget Instructions are prepared and distributed to the business area financial representatives and leadership. During the second phase, each business area, in conjunction with its finance support

team, develops an internal budget that provides sufficient time for internal reviews and checkpoints. The third and final phase is the senior management review and approval process. Requirements associated with developing budget documentation and variance analyses are woven throughout the process.

Q. Please explain the differences between the annual financial budget process and the monthly forecast updates.

A. The annual Financial Budget Process is focused on developing a five-year O&M Budget and Capital Expenditure Budget and is a very thorough, detailed process with many checkpoints and governance steps throughout. The starting point for the 2016-2020 five year budget is the most recent five year (2015-2019) forecast, which was prepared in February 2015. Beginning each February, the Financial Council reviews the current forecast and establishes budget guidelines for the new five-year O&M and capital budgets. Business areas then review their current five-year forecast and re-evaluate spending priorities. This review requires them to gather detailed information on budget assumptions, and perform detailed and comprehensive analyses.

As I stated earlier, the monthly forecast process is part of Xcel Energy's budget governance. Financial Performance and Reporting compares actual results

to the budget and requires the business areas to explain variances and update their forecasts as appropriate. This monthly governance process encourages timely identification of impacts associated with business areas' response to unforeseen circumstances.

Q. Has SPS used a forecast in this case?

A. Yes. The most recent five-year financial forecast was prepared in February 2015 and that forecast provides the basis for SPS's capital additions request in this case.

C. Corporate Information for Budgeting Process

Q. Please explain the purpose of the budget instructions.

A. The Budget Instructions are the primary resource for the business areas to use in developing their individual budgets. These instructions articulate the guiding principles of the budget process, as well as the development expectations for both the O&M and capital budgets. The budget instructions for both the corporate and financial budgets are provided as Attachment GJR-1.

Q. Are the budget instructions the only instruction the business areas use in developing their budgets?

A. No. The Budget Instructions are only the initial guidance provided during the budgeting cycle. As it is necessary for the business areas to factor their strategic

priorities and annual plans into their budgets, each business area may also provide instructions specific to its organization. The business areas must balance their strategic and operational priorities, plans, and realities with the overall budget guidance to develop a realistic and accurate forecast of expected costs.

Q. You stated that budget guidelines for each Operating Company are provided to the business areas at the beginning of the budget process. How are these guidelines developed?

A. The starting point for developing the budget guidelines is the most recent five-year financial forecast. In developing these guidelines, the Financial Council reviews this forecast and considers Xcel Energy's business plans and a number of other factors, including updated sales forecasts, fuel costs, and other significant revenue and expenses that may have a significant impact on financial results. Five-year capital spending levels are particularly important because they will determine financing needs. In addition, the Financial Council considers regulatory, legislative, environmental, and operational requirements that may have a significant impact on Xcel Energy or individual Operating Companies.

Q. What is the purpose of the budget guidelines?

A. The budget guidelines establish parameters for O&M and capital expenditures for each business area and, on a consolidated basis, each operating utility. The guidelines are one of the tools that Xcel Energy uses to provide discipline and governance in the budget process. In any budget process, demand for O&M and capital budget dollars typically exceeds financial capacity. The budget guidelines help to set expectations for the business areas by making it clear that they will be expected to justify and explain any significant deviations from the general budget guidance. The business areas are required to explain the items in their budgets, identify items that are not included in the budgets but have been considered, and discuss emerging issues or risks. This information allows leadership to determine whether the budget represents an appropriate level of spending for the time period at issue.

Q. Were any significant revenue or expense assumption changes considered as the 2015-2019 budget guidelines were being developed?

A. Yes. As discussed by SPS witness Janelle Marks, increasing retail sales within the large commercial and industrial sector are expected due to added loads driven by oil-related businesses' increase in production in southeast New Mexico. In

addition, as discussed by SPS witness John Fulton, there are several large transmission projects going into service during 2015 and the Test Year. Large Southwest Power Pool ("SPP") projects also result in both higher transmission revenues and higher expenses paid to other utilities through the SPP. These revenues and expenses are discussed by SPS witness Mr. Freitas. These trends have been taken into consideration in developing the budget.

D. Capital Expenditure Budget

Q. Who is responsible for preparing the capital expenditure budgets for each business area?

A. Each business area vice president defines the level of participation in the initial development of capital expenditure budgets.

Each business area has an assigned finance representative who works with the designated employees in each organization to gather data and supporting assumptions and compile the budget. The information is consolidated and the budget is reviewed at various levels within the functional groups until ultimately it is reviewed and approved by the senior business area executives.

Q. What is the next step after the business areas have completed their recommended capital budgets?

A. After the business areas review and approve their "bottom-up" budgets, business area leadership meets with their Operating Company President to present their recommendations. At this stage, each Operating Company President is responsible for reviewing the total budgets for his or her Operating Company across all business areas.

Since budget guidelines are also developed on an Operating Company basis, the Operating Company President has a foundation on which to evaluate business area budgets that are either above or below the budget guidelines, and can evaluate the reasons for each business area coming in over or under the budget guidelines. Based on the needs within the Operating Company, the Operating Company President may request changes either within a business area budget or across the business areas.

After incorporating any modifications requested by the Operating Company Presidents, the capital expenditure budgets are presented to the Financial Council. The same iterative process used up to this point is repeated at

the Financial Council, meaning additional research and analysis may be required and/or adjustments are made.

Q. In addition to the processes mentioned above, are additional governance steps taken in the development of the capital budget?

A. Yes. There are additional governance steps for major capital projects (defined as non-routine projects exceeding $10 million).

The capital budget includes a comprehensive listing of major projects and "routine" project construction work. Many of the major projects are planned and completed over multiple calendar years. Accordingly, each business area develops its capital budget from a starting construction work in progress ("CWIP") balance, where applicable, and forecasts future capital expenditures for the current bridge year (the remainder of the current year in which the budget is prepared) and for the next five years.

In-service dates must be provided for all capital expenditures or, in the case of routine projects, a closing pattern must be applied. Once the five-year capital expenditure budget has been approved by the Financial Council, personnel complete all plant-related accounting activities necessary to prepare a cost of service. These activities include moving capital expenditures from CWIP to Plant

In Service, calculating deferred taxes, and determining depreciation expense, which become the basis for the test year in a rate case filing.

In terms of governance, new major projects with spending that begins in the next year must be reviewed by the Investment Review Council ("IRC"). The IRC reviews each project, ensures that the project assumptions are understood and properly analyzed, and provides approval. Projects approved by the IRC are then submitted to the Financial Council for review and approval.

Projects greater than $50 million, once approved by the Financial Council, must then be reviewed and approved by the Xcel Energy and SPS Boards of Directors at their next scheduled board meetings. These project approvals are a key part of the annual capital budget governance process. The IRC charter outlines the various roles and responsibilities of each group and is provided as Attachment GJR-2.

Q. Please summarize the levels of review given to the budgets.

A. All capital expenditure budgets are reviewed at various levels in the Xcel Energy organization: Business area management, Operating Company management, Financial Council, and the Board(s) of Directors.

Business area management reviews the developed budgets several times during the budget cycle. These reviews include the analysis of long-term trends; discussion of what costs should be reduced based on process efficiencies or changing business requirements; identification of cost pressures and business risks; emerging regulatory requirements; and alignment with strategic objectives. Each business area has multiple internal reviews prior to finalizing the budget that is reviewed by the Financial Council. These reviews are intended to ensure that the budget includes a reasonable forecast of costs, and is as accurate as possible.

Once the business area budgets are complete, corporate analysis and review begins. Budget documentation review sessions are held, and information necessary for Financial Council review is gathered and summarized for presentation.

Financial Council review meetings are typically held in a series of four hour review sessions held over a two-day period. Each business area presents its proposed budget, explaining key strategic objectives, cost trends, cost pressures, and how cost efficiencies or reductions were incorporated into the budget. At the conclusion of the review sessions, the business areas make any resulting adjustments and the budgets are considered final.

E. Capital Expenditure and Project Oversight

Q. Please describe the process in place for capital expenditure and project oversight.

A. As business areas assess their operating needs and identify potential capital projects, they evaluate and prioritize. The scope, cost, and timing of projects are evaluated and prioritized within the business area, resulting in an aggregate projection of recommended capital expenditures for each of the next several years.

Corporate management, supported by the Financial Performance and Reporting group, reviews the aggregate forecast of capital spending for each Operating Company and Xcel Energy, in total, on a periodic basis. In addition to the formal annual budgeting process described above, capital spending projections are revised monthly through forecasting updates. These reviews evaluate strategic priorities, resource planning requirements, overall funding capability, and capital allocation priorities and constraints.

With input from corporate management, the business areas continually manage their planned level of capital spending, taking into account changing business priorities, new operating and regulatory requirements, and funding

constraints. High priority capital projects are identified, and those that satisfy established criteria are submitted for corporate governance approval.

After the requisite level of approval is obtained, the project is designed to appropriate specifications and assigned to a capital work order. Staff and management are assigned to perform and oversee the completion of planned work, materials, vendors, and project timing. As the project proceeds, the business area monitors its actual capital spending in relation to budgeted/approved levels.

Business area capital spending is also aggregated and monitored on an Operating Company level and at the total Xcel Energy level. Corporate management, again supported by the Financial Performance and Reporting group, conducts ongoing reviews of planned capital spending through discussions at regularly-scheduled meetings of the Financial Council, Operating Company leadership meetings, and the Financial Performance Team. In addition, a quarterly capital review process is undertaken to evaluate the current year's capital forecast, all previously-approved capital projects greater than $50 million, and the updated five-year capital spending forecast.

As discussed previously, the Financial Council oversees the process for approval and authorization of major capital projects, based on corporate governance guidelines.

F. Budget Accuracy

Q. You have referred many times to the efforts to achieve budget accuracy. Why does Xcel Energy place such an emphasis on budgeting accuracy?

A. Xcel Energy's ability to accurately forecast its results from operations is a key factor in maintaining credibility with customers, regulators, and the investment community. That, in turn, requires that Xcel Energy and each of the Operating Companies, including SPS, follow a budget process that is transparent and accurately reflects the O&M and capital expenditures that will be incurred during the budget period. It also requires that Xcel Energy and the Operating Companies, including SPS, have in place processes that facilitate regular and consistent monitoring and forecast updates of actual spending compared to budgets to reflect the dynamic nature of the business.

Q. How do Xcel Energy and the Operating Companies ensure their budgets are accurate?

A. First, it is important to recognize that "budgeting accuracy" does not mean that every budgeted dollar is spent in exactly the same way that it was forecast to be spent. What is important is that collectively the budgets reflect a reasonable prediction of costs to be incurred by each business area to allow the Operating Companies to deliver electric and gas services to their customers.

Business areas and the Operating Companies are required to function within their budgets or within approved forecasted changes. However, Xcel Energy recognizes that certain circumstances may arise that will result in deviations from the budget, both positive and negative. For example, there may be delays in obtaining the necessary permits to begin construction, a customer may withdraw a request for a particular project, or the timing of a project may change based on a change in priority within our overall project portfolio. It is not uncommon for actual capital expenditures to deviate from budgeted levels. As discussed previously, regular comparison of actual expenditures to budgeted levels maintains appropriate focus on expenditure levels and facilitates any necessary adjustments responsive to the dynamic nature of the business.

That said, Xcel Energy enforces budgeting accuracy by emphasizing the importance of accurately projecting expenditures for the coming year at every level of the budget process. Xcel Energy's financial performance process is transparent at every level so that variances between actual expenditures and the budget will come to light and be explained as part of the monthly review process.

Updated capital forecasts are reviewed at monthly Financial Performance Team meetings led by the Financial Performance and Reporting group. Each finance representative discusses whether variances are timing-related, unplanned items that can be absorbed, or if they may require an adjustment to the year-end forecast. The updated forecast is then reviewed by the Financial Council.

The Financial Performance and Reporting group prepares and distributes a monthly report to the Xcel Energy Board of Directors, which includes current month and year-to-date results as compared to the budget. Each Operating Company president and business area vice president has a monthly process for reviewing monthly results with their management team, using the information described above.

By implementing a process that is transparent at every level, including many layers of review and analysis, Xcel Energy ensures that business area

managers are accountable for the budgets they develop, and that Xcel Energy has an oversight process to identify, review, and approve deviations as they occur.

Q. Have SPS's actual expenditures been consistent with the budget over the time period 2011 through 2014?

A. Yes. The comparison of SPS's budgeted to actual capital expenditures and O&M expenses set out below in Tables GJR-1 and GJR-2 demonstrates that Xcel Energy's budgeting processes result in a budget that is highly accurate.

Table GJR-1

Comparison of Capital Budget to Actual Expenditures for 2011 through 2014

Year	**Actuals** ($)	**Budget** ($)	**Variance** ($)	**Variance %**
2011	301,910,000	315,912,000	(14,002,000)	-4.4%
2012	388,801,000	459,643,000	(70,842,000)	-15.4%
2013	555,285,000	489,764,000	65,521,000	13.4%
2014	541,783,000	512,277,000	24,506,000	4.7%

Table GJR-2

Comparison of O&M Budget to Actual Expenditures for 2011 through 2014

Year	Actuals ($)	Budget ($)	Variance ($)	Variance %
2011	256,760,000	259,953,000	(3,193,000)	-1.2%
2012	256,764,000	258,265,000	(1,501,000)	-0.6%
2013	272,439,000	274,450,000	(2,011,000)	-0.7%
2014	280,821,000	282,709,000	(1,888,000)	-0.7%

Q. What caused the variances from the capital budget in 2012 and 2013?

A. The variance in 2012 occurred because federal courts postponed implementation of the Environmental Protection Agency's Cross State Air Pollution Rule. SPS had expected to incur $73,850,000 in costs in 2012 related to compliance with the rule. When this amount is removed from the comparison, actual capital expenses in 2012 exceeded the budget by 0.8%.

The variance in 2013 was primarily driven by the advance purchase of structures related to the TUCO Mooreland project in the amount of $57,769,000. When this amount is removed from the comparison, actual expenses in 2013 exceeded the budget by 1.9%.

Overall, the comparison of budgeted to actual expenses for both the capital and O&M budgets demonstrates that Xcel Energy's budgeting processes are rigorous and result in budget accuracy.

IV. PROPERTY & SECURITY SERVICES CAPITAL ADDITIONS

Q. As part of this rate case, is SPS requesting to include any Property & Security Services capital additions in its rate base?

A. Yes. SPS is seeking to include $8,160,146 (total company) of Property & Security Services capital additions that will be placed in service during the period January 1, 2015 through December 31, 2016. The testimony of SPS witness Arthur P. Freitas discusses allocation of the total company dollar amount among SPS's jurisdictions (New Mexico retail, Texas retail and wholesale).

Q. What services does Property & Security Services provide?

A. Property & Security Services is responsible for providing and maintaining safe facilities that comply with the most recent safety standards and security requirements, as well as balancing business requirements of the employees and environment. Property & Security Services implements building security features, manages leases, and provides interior and exterior building maintenance for office buildings, service centers, and regional and customer offices.

Q. Please describe the Property & Security Services capital additions SPS is asking to include in its rate base.

A. SPS is requesting rate base treatment for the Property & Security Services capital additions that SPS intends to make during calendar years 2015 and 2016. These projects fall under five major categories:

- Building Renovation & Remodel — this category covers projects involving major site remodels;
- Unbudgeted Emergencies — this category covers routine projects that was established to cover the cost of unexpected events that SPS expects, based on history, will occur from time to time;
- Corporate Security — this category covers the installation of security devices such as security cameras, doors and fences;
- Mechanical & Electrical — this category covers the replacement or major upgrades of mechanical and electrical systems; and

- Furniture & Equipment — this category covers furniture replacements at SPS's facilities, as well as the replacement of other major equipment.

Q. Please describe the process for ranking and funding Property & Security Services capital projects.

A. Early each year, corporate facilities are evaluated by Property & Security staff to identify projects for inclusion in the capital budget for the following year. New items identified are categorized and prioritized along with existing multi-year capital projects. Projects that are related to safety have the highest priority. Other projects are reviewed with relevant Operating Company staff to verify need and priority. The final project list for a given year is based on funding all safety projects first, and funding the balance of projects based on priority in consideration of overall Xcel Energy capital guidelines.

With respect to safety, projects such as new or replacement fire alarm systems, uninterruptible power supply, fire suppressing sprinkler systems, and building code requirements are all funded to assure safety compliance with local government jurisdictions.

Projects such as office consolidations, mechanical equipment replacements, and structural projects that are not safety-related are funded based on highest cost-benefit analysis and return on investment. Projects that are more appearance–related, such as office furniture, landscaping, and improvements to common building areas, are funded based on comparison to existing building standards. For example, projects that are most likely to bring facility conditions to established standards are funded before those that have less benefit.

Q. Have you prepared an attachment that provides a list of the Property & Security Services capital additions that SPS is requesting in this case?

A. Yes. Attachment GJR-3 provides a list of Property & Security Services capital additions to plant-in-service for the 24-month period of January 1, 2015 through December 31, 2016.

Q. Please describe the information in Attachment GJR-3, which provides details about the dollar amounts closing to plant-in-service for Property & Security Services capital additions.

A. Attachment GJR-3 provides the following information:

Column A	Parent Work Order Number	Provides the parent work order number for the project.
Column B	Category	Provides a high level category to which similar projects are assigned.
Column C	Description	Provides a short description of the parent work order.
Column D	Estimated ISD	Provides the estimated in-service date ("ISD") of the parent work order
Columns E	2015	Provides plant additions expected in calendar year 2015.
Column F	2016	Provides plant additions expected in calendar year 2016.
Column G	Total Period (Jan. 1 2015 – Dec. 31, 2016	Provides the total plant additions expected to in calendar years 2015 and 2016.

Q. What is the dollar amount of the Property & Security Services capital additions for each of the five major categories you listed earlier?

A. *Building Renovation & Remodel*. The total planned investments categorized in the Building Renovation & Remodel category amount to $4.4 million, and account for nearly 55% of the total Property & Security Services capital additions. Some of the major projects include renovations at the Clovis, Pampa, and Plainview Service Centers. There is also $1.5 million included in this category for the Amarillo Technical Center and Training Facility.

Unbudgeted Emergencies. SPS expects to invest over $1 million in projects that fall under the Unbudgeted Emergencies category.

Corporate Security. The amount of total planned investments included in the Corporate Security category is $0.8 million. These projects include security enhancements of SPS's's buildings and physical assets.

Mechanical & Electrical. SPS expects to invest approximately $0.5 million to upgrade or replace major electrical and mechanical systems.

Furniture & Equipment. The amount of total planned investment included in the General Furniture & Equipment category is $0.4 million. These projects include the purchase and replacement of office furniture and equipment.

Most of the project amounts listed by workorder in Attachment GJR-3 show the aggregate amount for specific type of investment such as building renovations or roof replacements. Each type of investment typically includes multiple projects at various locations.

Q. On Attachment GJR-3, in Column D – Estimated ISD there are a number of line items with dates of "Routine." Are these valid line items?

A. Yes, these line items represent routine work done during each of the years shown on Attachment GJR-3. "Routine" means that there are many actual work orders, each with its ownISD. For simplicity, the forecast assumes that a percentage of the parent work order balance is closed to plant in-service each month.

Q. What are the primary business drivers affecting the capital expenditures shown on Attachment GJR-3?

A. The primary drivers for capital projects are safety, code compliance, environmental sustainability, productivity and efficiency, maintaining existing building infrastructure systems, and emergency response preparedness.

Xcel Energy's commitment to safety is a core corporate value. Property & Security Services is critical to providing a safe, functional environment at each facility. This includes compliance with the latest safety requirements mandated

by various regulatory bodies for life safety systems such as fire extinguishers, emergency lighting, exit routes and sprinklers as well as fundamental aspects of the interior planning such as the placement of furniture. Revisions of building code regulations on a federal, state, or local level also impact the facilities in each jurisdiction and create a need to regularly update Xcel Energy's facilities to comply with the latest standards.

Xcel Energy makes a concerted effort to promote environmental sustainability as a part of operating its field and administrative facilities. Facilities are managed in a manner consistent with Xcel Energy's environmental leadership vision, to be responsible by nature. Xcel Energy's goal is to bring awareness of its sustainability efforts to employees at all locations to increase the employees desire to take an active role in energy savings, water conservation, and recycling. A changing workforce creates a need for changes in work space. As Xcel Energy's workforce, including at SPS, becomes younger due to the retirement of many employees, requirements for work space are changing to accommodate a more mobile workforce. The changes in facilities associated with Xcel Energy's workforce strategy include office space setup, video conferencing features, and other telecommuting technology features.

The critical nature of utility services requires strong business continuity plans for disasters and emergencies. The facilities in which SPS operates must be available for emergency responses. Management regularly monitors SPS's preparedness to operate in unforeseen circumstances that impacts facilities planning and operation.

Q. Please generally describe how the Property and Security Services business area develops cost estimates for proposed capital additions.

A. After a request or need for a capital improvement has been identified, a design consultant is engaged for the request to create a design package for the project. The design package is then sent to a professional estimating firm for pricing. Additionally, past experience and historical information is utilized to further improve the accuracy of cost estimates.

Property and Security Services identifies short and long-term facilities needs in coordination with facility and project managers. The needs are typically greater than the organizations' ability to refund them, so Property and Security Services has implemented a careful, methodical approach for evaluating and prioritizing SPS's needs and any proposed investments. The evaluation considers factors such as facility safety, which is a high priority, SPS's requests,

opportunities for increased efficiencies, and urgency of equipment replacement in relation to potential consequences of equipment failure. Reviews are also conducted on an ongoing basis as new needs arise and priorities change and sometimes result in deferring projects in order to match the available funds.

Q. As an example, please explain how cost estimates were derived for the Amarillo Technical Center Training Facility and the Clovis Service Center Renovation and Consolidation projects.

A. Work on the Amarillo Technical Center Training Facility included creating a facility with classrooms, labs, and field training space to host safety compliance training required by the Occupational Safety and Health Administration and apprenticeship training, as well as accommodate the growing needs of Transmission Line Construction, Substation Construction, Vegetation Management, and Material Coordination personnel. This project is scheduled to be in service in December 2015. The $1.5 million cost estimate for this project includes the following components shown in Table GJR-3 below:

Table GJR-3

Internal Engineering Costs	$129,625
General Contractor Costs	155,550
Structural	115,000
Roofing	110,000
Electrical	100,000
External Engineering & Design	103,700
Interior Finishes (paint, carpet, tiles, etc.)	95,000
Furniture/Furnishings	80,000
General Conditions (trailers, temp utilities)	80,000
Internal Administrative Labor	77,775
Walls, Doors & Frames, Windows	75,000
Technology Costs	70,000
Mechanical, Plumbing, HVAC	65,000
Other Project Costs	279,483
Total Project Costs	$1,536,133

The Clovis Service Center Renovation and Consolidation project consolidates the current two facilities in Clovis into one facility. In order to consolidate costs and resources, the employees currently residing at the customer office will be relocated to the service center. This project includes renovating the existing office space at the service center, and adding more space for stores/warehousing functions and the truck bay. This project is scheduled to be in service in November 2015. The $2.1 million cost estimate for this project includes the following components as shown in Table GJR-4 below:

Table GJR-4

Internal Engineering Costs	$190,499
General Contractor Costs	211,666
Electrical	171,600
Structural	191,400
External Engineering & Design	141,110
Interior Finishes (paint, carpet, tiles, etc.)	85,800
General Conditions (trailers, temp utilities)	124,586
Internal Administrative Labor	105,833
Walls, Doors & Frames, Windows	141,889
Technology Costs	147,870
Mechanical, Plumbing, HVAC	250,500
Other Project Costs	346,052
Total Project Costs	$2,108,805

Q. Please explain how Property & Security Services capital costs are managed.

A. Once capital projects are approved through the budgeting process, they are reviewed on a monthly basis to compare the monthly budget to actual expenditures. Each project's budget is updated monthly with a current forecast for all remaining months, including current year to date spend. Further review compares year-to-date actual expenditures with year-to-date forecasts and year-end forecasts. Deviations are identified and recommendations are reviewed and approved. Changes to budgeted project costs are reported to the finance department on a monthly basis.

When a project's actuals costs will exceed the original budget or an unbudgeted emergency occurs, all lower priority projects included in that year's budget are reviewed to determine whether they can be delayed or removed to cover the costs of those emergencies. For example, a parking lot that is not sloped correctly and is creating unsafe ice patches would be a higher priority than replacing the lighting or windows to increase efficiency, which can be delayed to a future year.

Q. In your opinion, are the Property & Security Services capital additions presented in Attachment GJR-3 reasonably reflective of what is expected to be placed in service during the 24-month period?

A. Yes, for the reasons discussed above in my testimony.

Q. In your opinion, are the Property & Security Services capital additions presented in Attachment GJR-3 reasonable and necessary for SPS to provide safe and reliable electric service to its customers?

A. Yes, for the reasons discussed above in my testimony.

V. CONCLUSION

Q. Were Attachments GJR-1 through GJR-4 prepared by you or under your direct supervision and control?

A. Yes.

Q. Were the RFP schedules that you sponsor prepared by you or under your direct supervision and control?

A. Yes.

Q. Do you incorporate the RFP schedules that you sponsor into your testimony?

A. Yes.

Q. Does this conclude your pre-filed direct testimony?

A. Yes.

VERIFICATION

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

GREGORY J. ROBINSON, first being sworn on his oath, states:

I am the witness identified in the preceding direct testimony. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.

GREGORY J. ROBINSON

SUBSCRIBED AND SWORN TO before me this 26th day of May, 2015.

VIRGINIA J SAILOR
NOTARY PUBLIC - MINNESOTA
MY COMMISSION EXPIRES 1/31/16

Notary Public, State of Minnesota
My Commission Expires: 1/31/16

Corporate Budget Instructions

2015-2019 O&M Budget and Capital Budget

Date: March 3, 2014

From: Greg Robinson, Director, Financial Performance and Reporting

Reference: O&M and Capital Budget Instructions

The Financial Budget is a key component of the framework for developing supportable and attainable financial plans by legal entity, utility and jurisdiction. It is used to evaluate actual performance and aids management in making business decisions and monitoring ongoing financial performance for each Operating Company (OpCo) and Xcel Energy (or the Company) consolidated. We must continue to increase the effectiveness of our overall business planning processes to successfully execute our strategic, operational and financial plans within the evolving dynamic environments that we conduct business. Specifically, within the budget process, we have developed some guiding principles to help us on this journey:

- Key assumptions within our strategic, operating and resource plans will drive our annual budget and quarterly forecasts;
- OpCo Presidents have significant decision-making authority for their OpCo and must collaborate with Business Area Leadership in developing each OpCo business plan;
- OpCo Presidents must collaborate together in arranging for services performed by the "shared service" business areas;
- Budget detail should be at the highest level possible that allows each organization to run its business effectively and account for its costs in the proper FERC accounts;
- **Operations and Maintenance budgets (O&M)** will consist of **5 years** of monthly detail;
- O&M forecasts, or updates to the budget, will reflect planned changes with OpCo and business area leadership support; and
- **5-year Capital budgets** are developed and updated between annual budget cycles to accurately and timely reflect any major changes to our capital investment plans.

The attached Corporate Budget Instructions (Budget Instructions), including the budget calendar herein, have been prepared considering these guiding principles and are to be used in preparing the 2015-2019 O&M Budgets and the 2015-2019 Capital Expenditure Budgets, including estimated project in-service dates. The following corporate guidance, and policies and procedures for preparing business area and legal entity budgets help ensure the Company's O&M and Capital budgets are accurate, well documented and consistent with the Company's ongoing business planning.

There are only a couple of significant changes in our budgeting process compared to prior years.

- Business areas (primarily Distribution) should use subledger 99999995 (Gas Labor) and 99999996 (Electric Labor) in place of 99999999 for Capital Labor to identify the split between Electric and Gas Labor costs. This is explained on page 9.
- Business areas should also use subledger 99999993 (Gas Transportation) and 99999994 (Electric Transportation) in place of 99999997 for Capital Non-Labor Transportation to identify the split between Electric and Gas Transportation costs. This is explained on pp 19 & 20.
- A new object for Dues-Lobbying (723823) has been created. The object was set up due to the fact that not every business area can utilize the lobbying Service Company allocator and we need to report this amount on various regulatory filings. This is explained on page 20.

- **Instructions related to PTT labor budgeting are being drafted. These instructions will be distributed as soon as they are available. See page 12.**

Other than those changes, expectations for this year's budget development have not changed significantly from last year. Those expectations include the following:

O&M Budgeting:

- Budgets are well documented and supported by workpapers with clear assumptions linking the budget assumptions to historical data (actuals).
- Identify business drivers for cost increases, identify areas where cost reductions have occurred as the result of productivity improvements, adhere to established policies and procedures, and are accurately input into budgeting tools
- Data and supporting documentation are clear, with the ability to understand and explain changes when comparing on an object or Federal Energy Regulatory Commission (FERC) account basis
- Significant expenditures are budgeted in the same object account and FERC account where the actuals are expected to be charged
- Budgets incorporate lessons learned and measurable changes resulting from variance analyses

Capital and Deferred Budgeting:

In addition to the above expectations,

- Conservation Investment Programs (CIP) and Demand Side Management (DSM), as well as other rate recovery rider expenses and capital projects must be separately identified and budgeted
- Capital project cash flows are accurate beginning with the bridge year (actuals through March 2014 & forecast April-December 2014), carrying forward continuously through the budget period of 2015-2019, and in-service dates must be consistent with current project schedules, including the bridge year
- Careful attention is paid to routine parent work order details and accounting
- A focus on capital plant in-service is made such that, all current actual Construction Work in Progress (CWIP) balances are examined and work orders that represent plant being used are placed in service in the accounting records before the budget begins.

Your business area financial leaders should be your first point of contact, however, if you have general budget questions or require additional information, please feel free to call me at 612-215-4631.

Table of Contents

2015 / 2019 O&M and CapEx Budget Development Timeline

For Calendar Year 2014 as of March 03, 2014

March 3, 2014	Budget Instructions issued
March 14, 2014	Issue Budget Documentation & Workpaper Requirements
Mid to late March 2014	Issue O&M and Capital Spending Guidelines
March 18, 2014	PeopleSoft Load in CBS for 2015/2019 Budgeting Cycle
March 18 – May 9, 2014	Validation of Labor Utilization and other O&M forecast data validation before budget create
April 24, 2014	Final Budget Capital Repository (Energy Delivery)
April 24, 2014	**Final O&M and Capital Budgets due in CBS (O&M will remain open until May 9th, any changes would have to be made to both the budget & May 2014 forecast)**
April 24, 2014	Final Budget Power Plant Feed (Corporate/Energy Supply)
April 25, 2014	Create 2015-2019 Budget version in CBS
May 2, 2014	**Capital Financial Council Presentations due to Corporate**
May 9, 2014	**Final O&M (labor and non-labor) due in CBS**
May 9, 2014	**Finalize 2015-2019 Budget version in CBS (labor loadings)**
May 12 - 13, 2014	**Financial Council Review/Approval of Capital Budgets**
May 23, 2014	**Pass Final Capital Budget to CAA**
June 2 – 6, 2014	**Incorporate Final Capital Changes with Executive Approval**
June 19, 2014	**O&M Financial Council Presentations Due to Corporate**
June 26, 2014	**Financial Council Review/Approval of O&M Budget**
July 14, 2014	**Preliminary Budget Documentation Due: Narrative only**
July 14-July 31, 2014	Review of Preliminary Narrative
August 1, 2014	**Final Budget Documentation: Narrative only Due**
August 29, 2014	**Budget Workpapers Due**

Green=Key capital dates
Blue=Key O&M dates
Red=Key budget system dates

The business areas may also provide business area specific deadlines for completion and review that must be met. Please contact the designated financial liaison/representative for your business area for specific dates (see *Business Area Contacts*).

The Corporate Budget Calendar is also available on the *Corporate Budgeting Home Page.*

Navigation Guide and References

Background

The O&M and Capital Reporting and Analysis department (Budgeting) within the Chief Financial Officer's (CFO's) organization is responsible for the coordination of two components of the corporate budget - the five-year O&M budget and the five-year Capital budget using the CompetiSoft Budgeting System (CBS). The business areas, functional areas and legal entities across Xcel Energy input their O&M and Capital budget details into CBS.

The Budget Instructions summarize the corporate information that business areas need to prepare. The Budget Instructions are issued to members of the Financial Performance Team and all of the business area representatives. The business area's representative on the Financial Performance Team will be the principal contact throughout the budgeting cycle. They are also responsible for integrating the Budget Instructions and policies with business-area-specific instructions and communicating the integrated package to all members of their organization that will be participating in the budgeting process. The Budget Instructions are also available on the *Corporate Budgeting Home Page*.

The Budget Instructions are organized to be effective, efficient and as user friendly as possible for the business areas. The preceding first section of the Budget Instructions provides an overview of the purpose and importance of the corporate budget, major changes from last year's Budget Instructions, and expectations of business areas in preparing budgets. The preceding Corporate Budget Calendar is provided and contains important dates for key activities throughout the budget cycle.

Immediately following this section is information related to using the Budget Instructions and who to contact to answer budgeting questions. Following that, the main body of the Budget Instructions is organized into three sections: Budgeting Labor Costs, O&M Budgeting and Capital Budgeting. Each of these sections provides users with relevant budgeting information (General Guidance), corporate assumptions and directives (Assumptions) and "must do" specific instructions (Requirements) to use in preparing that portion of their budgets. Appendices have also been included to provide users with budget tool and accounting policy information, as well as a glossary of terms applicable to budgeting.

As users prepare their budgets, they should remember that budgeting is a key component of the framework for developing supportable and attainable financial plans by legal entity, utility and jurisdiction.

Navigation Guide

Several features have been included to facilitate the use of the electronic version of these Budget Instructions in the development of O&M and Capital budgets:

- The Table of Contents allows users to click on a topic and be automatically directed to that specific section.
- Throughout the document "links" have been inserted. Users are automatically directed to the document being referred to when clicking on these "links" or underlined text.
- The Corporate Budget Calendar highlights the important corporate deadlines for the input and review associated with the budget process. It is essential that users adhere to the dates provided in the Budget Instructions. Business areas may provide supplemental instructions and may also establish business area specific deadlines for input and review of budget data that must be met. Please contact the designated financial liaison/representative for your business area for specific dates (see *Budget Help*).

- Guidelines for preparing the required Budget Documentation (a resource based summary of budget activity by business area) and Workpapers (detailed information to support budget dollars and related documentation) will also be distributed in March 2014. See the *Budget Documentation & Workpaper Guidelines* published on the Corporate Budgeting Home Page for more information.
- A Glossary of budget terms and acronyms is included in the Appendices.

References

This document provides links to the Corporate Budgeting Home Page where you can find electronic versions of the Budget Instructions and the Budget Documentation & Workpaper Guidelines as well as links to other helpful tools and information, including:

CBS References

- *CBS Training Guide*
- *Rules for Project Date Moves*
- *Troubleshooting CBS – FAQs*

General Information

- *Budget Documentation & Workpaper Guidelines*
- Business Systems Contacts
- *Company Travel and Employee Expense Reimbursement Policy*
- *Dues and Other Guidelines*
- *Environmental Budget Guidelines*
- *FERC Uniform Systems of Accounts Manual*
- *JD Edwards Regulatory Ledger Training*
- *JD Edwards Training*
- *Personal Communication Device Policy*
- *Service Company Training*
- *The Print Shop Price Sheet*

O&M References

- *Corporate Escalation Rates*
- *General Guidelines for Classifying Labor and Expenses to A&G or FERC Functional Accounts Policy*
- *O&M Object Account Description*
- *Employee Expenses Accounting Guide*

Capital References

- *Capital Asset Accounting Policy - Capital Budget Principles*
- *Capital Expenditure Budget Requirements Matrix*
- *Reason Code Definitions*

Budget Assistance

For questions on the budgeting process or treatment of area-specific O&M and Capital costs, contact the representatives below or call the Budget Hotline at 612-330-6077.

Energy Supply	Shelly Koch (NSP O&M)	612-330-5808
Bill Wilcox	David Mills (SPS O&M)	806-378-2727
Financial leader	David E Olson (PSCo O&M)	303-628-2967
	Leslie Warner-Garcia (ES Service Organization O&M)	303-628-2861
	Katie Remmen (ES Capital, Engineering & Construction)	612-330-5860
Operations Services	Linda Richards (Team Lead/Capital Policy and SVP - Operations)	303-571-7443
John Phibbs	Tabitha Moore (SVP Operations, Supply Chain – Warehouse and Energy Supply Logistics)	612-330-5719
Financial Leader	Ruth Montoya (Commercial Operations)	303-571-7333
	Andre Duncan (Supply Chain, Purchasing and Fleet)	612-330-5886
	Gregory Imhoff (Supply Chain – Warehouse and Energy Supply Logistics and Commercial Operations)	
Nuclear Generation	Erica Meyer Olson (Marquette Plaza)	612-215-4564
Linda Erickson	Eric McGuire (Marquette Plaza)	612-337-2331
Financial Leader	Mark Aeling (Manager, Budgeting and Reporting, Prairie Island)	651-388-1121 x5228
	Diane VanDeWalker (Prairie Island)	651-388-1121 x4183
	Jim Johnson (Prairie Island)	651-388-1121 x7301
	Marcia Heigl (Manager, Budgeting and Reporting, Monticello)	763-271-5899
	Lisa Kaveny (Monticello)	763-271-5140
	Ranae Cipala (Monticello)	763-271-5109
	Kevin Stern (Monticello)	763-295-1036
Nuclear Amortization	Charles Jacobs (Manager)	612-330-2834
Karen Everson	Andrew Knudsen	612-330-5572
Financial leader		
Distribution Operations/Gas Systems	Liz Gauna-Giacomini (O&M Manager, NSPW Dist Operations)	612-330-1982
	Cherie McMillan (Capital Manager)	303-571-3644
John Phibbs	Nicole Reitmeier (SPS Dist Operations)	612-330-6276
Financial leader	Kim Kistler (PSCo Dist Operations)	303-571-7910
	Nate Harrington (NSPM Dist Operations)	612-330-5869
	Dolores Landavazo (Dist Bus Ops, Elect Engineering and Plan & Perf)	303-294-2129
	Lana McKenna (Gas Engineering and Operations)	612-330-6859
Transmission	Mary Ohland (Capital)	612-330-1920
Scott Watson	Bob Kappers (Capital)	612-330-1980
Financial leader	Laurie Wold (O&M Team Lead)	612-330-5510
	Christina Rode (O&M Support)	303-571-7408

Benefits	Todd Degrugillier (Manager)	612-330-6557
Rick Schrubbe	Kris Lindemann	612-330-5508
Financial leader		
Corporate Services Finance	Kim Locker (Director, Business Area Finance)	303-294-2364
Kim Locker	Nate Young (Manager, Budget and Reporting)	303-294-2258
Financial leader	Steve Rohlwing (Manager, Budgeting and Reporting)	303-294-2474
	Kimberly Hardy (Business Systems – O&M, Corporate Secretary, CAO and Resource Planning)	303-294-2010
	Cindy Curry (Business Systems - Capital)	303-571-7881
	Yen Van (Business Systems – Capital)	303-294-2053
	Kiem Thang (Customer Care, Bad Debt)	303-571-6523
	Keith Tanzyus (Property Services and Security)	303-294-2322
	Cindy McShane (Safety)	303-571-7359
	Deanne Mencimer (Human Resources, Demand Side Management (DSM), Aviation)	303-294-2055
Shared Services	Raynard Gray (Manager, Budgeting and Reporting)	303-294-2488
Janet Schmidt-Petree	Stacey Alvarez (Revenue Group)	303-294-2297
Financial leader	Peggy Stevens (CEO, External Affairs, Financial Operations)	303-294-2817
	Doug Jennings (Corporate Other, General Counsel)	

Capital Asset Accounting Business Area Liaisons

Budget Organization	CAA Liaison	Phone
Corporate Services	David Adams	303-294-2094
Transmission	Ray Hetherington	612-330-5565
Distribution	Becky Dean	303-294-2395
Energy Supply NSPM	Carol Callahan	612-330-7659
Energy Supply NSPW	Dave Amans	715-737-2495
Energy Supply PSCo	Kris Jenson	612-330-5583
Energy Supply SPS	Denise LeGault	303-294-2093
Nuclear Generation	Jake Miller	612-330-1959

Budgeting Labor Costs

On March 18, 2014, a PeopleSoft load into CBS will update the current forecast to reflect any personnel changes that have occurred since the January 2014 PeopleSoft load. These are the current merit increases assumed for 2015-2019:

2015-2016

Company	BENEFIT	EXEMPT	NON-BENEFIT	OTHER-BENEFIT	UNION*
NSPM	3.00%	3.00%	3.00%	3.00%	2.50%
NSPW	3.00%	3.00%	3.00%	3.00%	2.50%
PSCo	3.00%	3.00%	3.00%	3.00%	3.00%
SPS	3.00%	3.00%	3.00%	3.00%	3.00%
XES	3.00%	3.00%	3.00%	3.00%	N/A

2017-2019

Company	BENEFIT	EXEMPT	NON-BENEFIT	OTHER-BENEFIT	UNION*
NSPM	3.00%	3.00%	3.00%	3.00%	3.00%
NSPW	3.00%	3.00%	3.00%	3.00%	3.00%
PSCo	3.00%	3.00%	3.00%	3.00%	3.00%
SPS	3.00%	3.00%	3.00%	3.00%	3.00%
XES	3.00%	3.00%	3.00%	3.00%	N/A

* - Union increases should be budgeted based on the specific contract. These rates are the best estimates as of March 1, 2014 and are subject to change.

Labor expense budgets are created by identifying projected employee levels and appropriate wage rates for each budget year. The wage rate of each active employee will already be in the system at the beginning of the budget process through the PeopleSoft load. The budget system also includes estimated overall wage percentage increases by labor category (union vs. non-union, etc.) that are applied to each employee's wage rate to estimate the budget year labor dollars. Labor budgets should be direct charged when possible to the company benefitting from the services to be provided.

General Guidance

Labor Resources

Xcel Energy employees are divided by labor resource categories in order to better define their assignment to JD Edwards (JDE) business units. The resource categories are:

- Exempt – full-time salaried employees
- Benefit – hourly full-time non-union employees
- Other benefit – hourly part-time benefit employees
- Non-benefit – hourly part-time temporary employees without benefits
- Union – full-time hourly bargaining employees
- Contract – see the document titled *O&M Object Account Description* published on the Corporate Budgeting Home Page for specific JDE object account uses
- Premium time – shift differential pay
- Overtime – straight time, double time or time and one-half by each labor category

Labor Management

Throughout the year, PeopleSoft data will be refreshed in CBS after normal wage increases go into effect. These updates take place in January (NSPM, NSPW and Nuclear union), March (non-bargaining), July (PSCo union) and November (SPS union). Users will be notified when these refreshes occur and are required to validate headcount following the update. Users are also required to verify that employee labor includes annual wage increases; especially if new employees are added after the wage increases are loaded.

Assumptions

General Wage Increase

A general wage increase will be applied in the 2015-2019 budgets systematically as noted above. For bargaining employees, the wage increase will be based on the contract agreements with additional guidance from Compensation and Executive management for the years not covered by a contract.

Hours Per Month

Available labor dollars in CBS are calculated based on the available hours per month. The number of available hours per month varies from year to year, depending on the timing of weekdays/weekends for each calendar month. The schedule below shows the hours per month used in the calculation of the monthly spread of hours in CBS.

	Exempt, Benefit, Union & Other Benefit				
Year	**2015**	**2016**	**2017**	**2018**	**2019**
Jan	176	168	176	184	184
Feb	160	168	160	160	160
Mar	176	184	184	176	168
Apr	176	168	160	168	176
May	168	176	184	184	184
Jun	176	176	176	168	160
Jul	184	168	168	176	184
Aug	168	184	184	184	176
Sep	176	176	168	160	168
Oct	176	168	176	184	184
Nov	168	176	176	176	168
Dec	184	176	168	168	176
Total Hrs	**2,088**	**2,088**	**2,080**	**2,088**	**2,088**

	Non-Benefit (no paid holidays)				
Year	**2015**	**2016**	**2017**	**2018**	**2019**
Jan	168	160	168	176	176
Feb	160	168	160	160	160
Mar	176	184	184	176	168
Apr	176	168	160	168	176
May	160	168	176	176	176
Jun	176	176	176	168	160
Jul	176	160	160	168	176
Aug	168	184	184	184	176
Sep	168	168	160	152	160

Oct	176	168	176	184	184
Nov	160	168	168	168	160
Dec	176	168	160	160	168
Total Hrs	**2,040**	**2,040**	**2,032**	**2,040**	**2,040**

Incentives

The executive officer and corporate incentive plan programs are budgeted corporately at the legal entity level. Business areas should not include any amounts in their budgets for these compensation programs. Business area specific incentives and bonuses are discussed in the O&M Budgeting section of these instructions (see *Employee Incentives and Other Compensation*).

Employee benefit Labor Loadings *(Pension Plan and 401K, Healthcare, Worker's Compensation, Incentive & Payroll Taxes)*

Employee benefit labor loadings are calculated within CBS and are budgeted corporately at the legal entity level. Business areas should not include any amounts in their budgets for these loadings. The labor loading rates will be applied by CBS to budgeted productive labor with the resulting labor loads following budgeted labor to produce a total labor budget by JDE business unit.

Non-Productive Labor Loading

Non-Productive labor loadings are also performed within CBS. Non-Productive Time (NPT) is time that an employee is not working because of Paid Time Off (PTO), floating holidays, jury duty, etc. In order to accurately develop rates for non-productive labor, it is critical to have an accurate monthly pattern of base wages. This requires an accurate count of employees and accurate rates for each employee. On an annual basis, CBS allocates approximately 83% of wages to productive labor and approximately 17% to non-productive labor. The non-productive labor loading rate is applied to O&M productive labor to determine the amount of O&M non-productive labor to record in object account 711143-Non-Productive Labor.

Attrition / Vacancy Labor Loading

A negative attrition / vacancy rate will be loaded based upon productive labor in order to account for expected corporate vacancy rates. The following JDE object accounts are used to record attrition / vacancy:

- 618099 - Fuel Handling Labor-Attrition
- 618419 - Fuel Procurement Labor-Attrition
- 618429 - Nuclear Fuel Procurement Labor-Attrition
- 711146 - Productive Labor-Attrition
- 730380 - CWIP Productive Labor-Attrition
- 747125 - Clr Productive Labor-Attrition
- 748118 - Def Productive Labor-Attrition
- 740398 - RWIP Productive Labor-Attrition

Business areas should remove all negative pseudos (vacant positions) currently in CBS for attrition / vacancy. Managers should not be budgeting for attrition / vacancy. Business areas are responsible for managing to the total of productive labor less attrition / vacancy.

Requirements

Naming Convention for Pseudos

Due to ongoing pseudo reporting, a naming convention has been designed in order to report on the types of pseudos in each business area. In the 255 character description field, pseudos must begin with one of the following two character designations followed by a dash (-):

- **Replacement (PR)** – Employees who have been terminated or transferred and a replacement is anticipated. Generally a pseudo for a position that is currently vacant, possibly for a position that will be vacant in the near future, assumes the current employee is zeroed out now or in the near future.
- **New Hire (PN)** – New positions that have been formally approved as part of the workforce plan. Generally a pseudo for a position that adds to total staffing level due to a new or expanded function.
- **Advanced Hire (PA) –** Positions that will be vacated in the future where multiple years of training are required by the position or a union contract.
- **Intern (PI) -** A pseudo to identify open intern positions.

Labor Utilization Validation

After the March 18th PeopleSoft load has been completed, users should verify in CBS that the employees and base wages for each JDE business unit are correct. Please add, delete or create pseudos (vacant positions), and update wage rates, where necessary, to reflect promotions, etc. If a new pseudo is created, users must fill in the appropriate hours in the NPT box for each year. See the *CBS Training Guide* published on the Corporate Budgeting Home Page for more information. Each business area is responsible for reviewing all of their labor departments to verify the following:

1. Labor is fully utilized (i.e., distributed to O&M or Capital)
2. Employees are shown under the correct labor department
3. Pseudos are eliminated in all cases where the vacant position has been filled
4. Pseudos have been added for those positions that are approved as part of the workforce plan, but not yet filled
5. Employees that need to be transferred to another labor department have had a personnel action form (PAF) completed prior to making the transfer in CBS

Users should run a labor utilization report in CBS to assist in validating that labor is fully utilized. As noted on the Corporate Budgeting Calendar, the period from March 18th through May 9th will be used to complete a final corporate check on labor utilization, and to ensure labor aligns with the workforce plan. Please contact Bryan Simonson at 612-215-4646 for any questions regarding labor utilization.

O&M Labor

O&M labor entered into CBS must be entered using object account of 711142–Productive Labor.

Capital Labor

Labor that is direct charged to a capital work order or capital Engineering and Supervision (E&S) work order should be entered into CBS in object account 730390-CWIP Productive Labor, or 740399-RWIP Productive Labor, with a subledger “99999999” and a subledger type “W.” ***Please, DO NOT USE subledgers 99999997 or 99999998 any more to budget for standard capital labor. However, there is one exception to this rule. If the labor is for capital work that will be part of an IT project, then use the 99999998 subledger. Make sure to work with your Business Systems contact on this.***

- The Distribution business area should use subledger 99999995 (Gas Labor) and 99999996 (Electric Labor) in place of 99999999 to identify the split between Electric and Gas Labor costs.

O&M Budgeting

The purpose of the Corporate O&M budget is to plan O&M expenses for the next five years. The business areas are responsible for developing the five-year detailed O&M budget by legal entity and business area, and entering the information into the current forecast version of CBS. Detailed O&M budgeting is required for 2015-2019.

Each business area is responsible for reviewing its O&M budget to ensure that it is consistent with on-going business planning requirements. After the business area executive has approved the budget, it is presented to the Financial Council for their approval. If the Financial Council requests any revisions, the changes are made in CBS by the business areas.

There are two types of expenses included as part of the O&M budgets: labor expenses and non-labor expenses. The labor expense portion of the O&M budget was discussed in the previous section. Non-labor expenses are budgeted in several categories or cost components. These categories are identified for each business area and are designed to assist in providing an overall summary of major cost component areas that are discussed later in this section.

General Guidance

CBS Instructions

The O&M input tool for the 2015-2019 budget is CBS. CBS is configured to build budgets consistently with actual accounting data. JDE is set up to interface with CBS. JDE loads actual accounting data into CBS and the Allocation Ledger System (ALS) for comparison and variance analysis. Business areas are accountable for the reporting of budgeted information and variance analysis from all reporting views including, but not limited to, legal entity, business area and regulatory reporting. The Business Objects reporting tool provides several universes that can be used for this variance analysis.

All budgeting occurs in the current forecast version. Periodic copies may be made to coincide with the various deadlines. Additional information regarding the specific dates of the copies will be communicated as the budget process progresses.

The following documents have been prepared to assist users. See the links below, or reference the document that is also published on the Corporate Budgeting Home Page.

CBS Training Guide

CBS Tool Link

Troubleshooting CBS – FAQ's

JDE Subledger and Subsidiary Field Guidance

Each labor and non-labor budget record is assigned to an account string (JDE business unit, JDE object account and JDE subledger (when necessary)). The account string is used to assign the expense to the appropriate legal entity, as well as the appropriate FERC account and utility (e.g., gas, electric). This assignment to the account string is also used as the basis to develop electric or gas cost of service studies. It is important to budget to the same object and FERC where you expect your actuals to be charged. Instructions on JDE subledger fields and subsidiary fields used in the development of O&M budgets is contained in the Appendices, and can be accessed by the following link: *JDE Guidance*.

Budgeting Principles

Labor costs of employees reporting to, and non-labor costs controlled by, the management of each group must be 100% budgeted and paid for by that manager. For example, the manager who chooses the consulting company and oversees its work pays the charges for consultants and contractors. Cross-charges between departments do not move the budget dollars or variance responsibility to another area. It is recognized that some invoices, such as corporate dues, may be split among management when agreed to by all parties.

Assumptions

Environmental

Environmental expenses associated with air, water and waste remediation should be budgeted in accordance with the *Environmental Budget Guidelines* published on the Corporate Budgeting Home Page.

Subscriptions On-Line

Object account 725005-Subscriptions On-Line, should include expenses for subscriptions and reference materials which are received using an online tool, or reports or data which are received electronically using an online tool. Examples include any Information Service Provider (ISP) or third-party hosted systems provider.

Facilities

The Property Services organization is responsible for budgeting all O&M costs for facilities managed by Property Services (e.g., headquarters, call centers, service centers) including: facility rental or lease costs, and all costs associated with the ongoing activities necessary to operate and maintain the leased and owned facilities, unless covered by the rental or lease agreement. This includes such items as climate control, lighting, snow removal, lawn service, landscaping, grounds maintenance, mowing and sprinkler systems when not covered by the applicable rental or lease agreement.

Facilities space and O&M costs are budgeted by Property Services, except for the following:

- Fleet, Sourcing, and Logistics as these areas budget their facilities costs within their own clearing accounts,
- Energy Supply which budgets for their own plant facilities operations and maintenance costs, and
- Electric and gas use costs at operational facilities, such as gas regulators sites, microwave and radio towers, power plants, substations, etc.

Requests for facility services (O&M and capital) should be submitted to Property Services. For more information, please contact Keith Tanzyus at 303-294-2322.

Copiers – Business Systems Managed Copiers Only

Business Systems will manage and budget for the corporate copier program. Business areas will remain responsible for paper, color toner, and special request copier costs, including copier lease, maintenance, usage (meter) charges, toner, and staples. Contact Dave Dalum at 612-330-5899 or Jon Rouse at 612-330-1905 if you have questions about whether or not your copier is managed by Business Systems or is considered a special request copier.

Printing Services

Business areas will remain responsible for budgeting their printing costs. The Print Shop Price Sheet provides estimated costs for various print shop services.

Budget printing costs to JDE object account 714100-Print/Copy-Other for O&M expense, 748170-Def Materials for deferred expense, account 731800-CWIP Materials for Capital expense, or 747510-Clrg-Print/Copy for clearing expense.

Postage/Carrier (e.g., FedEx)/Inter-Company Mailings

Business areas are responsible for budgeting all USPS postage. All FedEx, UPS and other carrier mailings will continue to be charged in full to the sender's business area and are not budgeted by Property Services. Intercompany mailings will continue to be budgeted by Property Services; therefore the Business areas are not responsible for budgeting these costs.

Budget postage costs to JDE object account 723400-Postage for O&M expense, 748210-Def Postage for deferred expense, and 747920-Clr Postage for clearing expense.

Facility Waste

Property Services will continue to manage and budget for waste containers at Property Services managed facilities. These containers are intended for common facility waste only (i.e., the contents of employee, office, and lunchroom waste containers). Business areas will be responsible for managing and budgeting for the disposal of project and equipment waste (i.e., poles, cross arms, hardware, and equipment containers).

Information Technology (IT)

All IT capital project budgets are budgeted by Business Systems and should not be part of the business areas' budgets. This includes software implementations, as well as hardware capital purchases for PCs, LANs and printers that meet the capital guidelines. Business areas should not budget for software/hardware projects. However, there are certain exceptions to this rule. For example, plant control systems and related hardware are included in the Energy supply budget. If you have any questions, contact Emily Ahachich at 612-330-6054. Also, as referenced in the preceding Capital Labor section, all capital labor associated with an IT project should be budgeted by the business area using subledger 99999998. Make sure to work with your Business Systems contact on this. For more detail visit the IT Governance (Uniform Policy).

If you have a new IT initiative, such as a new application system, new support or a non-standard purchase, please contact the Business Systems area directly to discuss your initiative. The contact list can be found under the following link Business Systems Contacts. This information is important so that Business Systems can budget and plan accordingly.

Efficient use of personal computing assets enables Xcel Energy to leverage volume purchases, minimize support costs through product standardization, promote compatibility between IT assets and Xcel Energy's computing environment, monitor compliance with software licensing/data security, and maximize return on investment by carefully managing the lifecycle and use of these assets. For additional information about IT management standards please refer to the following link: *Business Systems Standard*

PTT Project Tracking

Instructions for PTT Project Tracking are currently being developed. The new set of instructions will be delivered to the business areas as soon as they are available.

Insurance Premiums

Liability and property insurance (insurance expense related to insurable accidental events) will be budgeted corporately by the Hazard Insurance department. Business areas should not include any

amounts in their budgets. If you have any questions, contact Mike Anderson at 612-215-5366 or John Hernick at 612-215-5349.

Supply Chain Sourcing - Category Management

Supply Chain Sourcing (Supply Chain) has identified certain key categories of spend for which it gathers market information and leverages spend of the company to pursue strategic contracting strategies, including price reductions, volume discounts, lead time preferences, etc. All budgets impacted by the categories below should contact the assigned category manager for the most current information regarding price assumptions for the spend category.

Category	**Category Manager**
Boiler Systems and Turbine Generator Services	William Smith
Cable & Wire, Circuit Breakers and Transformers	David Reitz
Logistics Integration	Rick Pelletier
Chemicals, Gases and Lubes, Safety Materials, MRO Materials and Engineering Services	Craig Fried
Construction, Engineering and Maintenance Services	Brian Owen
Metal Structures, Wood Poles and Vegetation Management	Stacey Barajas
Construction, Other Plant Systems and Maintenance Services	Steve Scholz
Environmental and Professional Services	Ime Udo
Electric, Gas, Outdoor Lighting, Fleet and Meter Materials, and Transportation Services	Ryan Thompson

Purchasing Rates

Each business area is responsible for budgeting for the purchasing overhead loading. A purchasing overhead loading rate of approximately 1.0% (actual allocation rates may differ slightly depending upon jurisdictional procurement activity and compliance with Corporate Policies) is to be applied to all purchases of material and services subject to a transactional limit. Purchasing overhead loads are subject to a cap of $3,500 per purchase order, per invoice line. For example, an invoice of $550,000 for material purchases for one purchase order would receive a purchasing overhead load of $3,500. To avoid under/over clearing of costs, true-ups are posted quarterly. Purchasing overhead loads do not apply to nuclear purchases. For more information, contact Linda Richards at 303-571-7443 or Andre Duncan at 612-330-5886.

Business areas are also responsible for budgeting Supply Chain labor and expenses in instances where sourcing/purchasing employees are performing work for a specific capital project. Capital project codes must be supplied to the Supply Chain sourcing and purchasing personnel prior to commencing work on a project in order to accurately charge labor and any associated expenses.

Warehouse Rates

Each business area is responsible for budgeting warehouse overhead loads within their materials object account. To avoid under/over clearing of costs, true-ups are posted quarterly. The warehouse overhead loads are used to offset costs incurred by storeroom personnel for receiving, handling, storing, and issuing materials, as well as to offset any costs incurred by the Logistics central support group.

Due to different charging methodologies and systems, different rates apply for the Distribution and Transmission business areas in comparison to the Energy Supply organization, as described below:

Energy Supply: The following rates will be applied to material purchases with the warehouse overhead load being limited to $3,500 per purchase order. Hayden and Sherco are excluded from the warehouse overhead loading process as those costs are direct charged. For more information, contact Ken Heupel at 720-497-2040.

NSPM	4.50%
NSPW	0.65%
PSCo	4.50%
SPS	4.75%

Distribution and Transmission: The following rates will be applied to material purchases with the warehouse overhead load being limited to $3,500 per purchase order, per invoice line. For more information, contact Linda Richards at 303-571-7443 or Tabitha Moore at 612-330-5719.

NSPM	15%
NSPW	14%
PSCo	13%
SPS	8%

Joint Ownership Share

Special accounting treatment may apply when budgeting costs to jointly owned facilities. For guidance, please contact:

Carrie Dyer	303-294-2385	General joint ownership accounting
Chris Keiss	970-276-2226	Hayden Station (PSCo)
Stan Rogers	719-549-3752	Comanche Station (PSCo)
Annie Lord	719-549-0321	Comanche Unit 3 (PSCo)
Todd Griesert	763-261-3106	Sherco Station (NSPM)
Dan Mittelstaedt	612-330-6164	CAPX 2020 (O&M)

Direct Support of Outages at Prairie Island or Monticello Nuclear Plants

The direct support of nuclear outage related expenses (i.e., labor and employee expenses) may be eligible to be amortized over the nuclear plant operating cycle. If you plan to support nuclear outages during this budget cycle, please contact Marcia Heigl for Monticello at 763-271-5899 and/or Mark Aeling for Prairie Island at 651-388-1121 x5228 for a determination whether the work meets the outage accounting policy and for a subledger to use in the development of the budget.

Requirements

Budget Documentation and Workpapers

Budget Documentation is required for all business areas by operating company. This is a broad, resource based summary of budget activity for each business area. The format and level of detail required is consistent for all of the business areas and operating companies. See the *Budget Documentation & Workpaper Guidelines* published on the Corporate Budgeting Home Page for specific requirements and templates. A checklist is provided in the Budget Documentation & Workpaper Guidelines. Please use this in preparing your documentation. It is important to remember that maintaining well-documented budget assumptions and explanations to support your budget is a critical element of managing the business and may be used to support forecasted test year rate case filings.

Budget Workpapers are also an integral part of the budget process for all business areas. Budget Workpapers should provide detailed information to support budget dollars and budget documentation.

IT O&M Requests

All requests for IT products and services (adds/moves/changes, hardware, software, IT support, systems access, security updates, etc.) must be submitted through *Mercury*, the company's IT request system. Business areas that expect to need new IT products and services for the 2015-2019 budget years should communicate this to the Business Systems Business Technology Executives (BTEs) (see Business Systems Contacts.) The BTEs need to incorporate these expenses in the Business Systems budget, and the BTE's need to prioritize and approve these IT initiatives.

Monthly Budgets

For the budget to be useful in managing the company's business and monitoring financial performance, it is critical that the monthly budget accurately reflects when users expect to incur expenses during the year. Best estimates of when planned costs will be charged to a JDE business unit should be used in the development of the monthly budget, as this provides support for estimating cash flow requirements. The monthly budget is as important as the annual budget. The monthly budget deviations (and forecast updates), which are reported throughout the year, are a primary indicator used to monitor financial performance throughout the year. The monthly budget estimates may also be used in the event of a rate case filing in which the test period crosses two calendar years. Do not budget the same amount for each month unless the budgeted expense is anticipated to be incurred in this manner. Any escalation of costs should be based on known factors such as historical costs or anticipated increases. Your basis for increase should be well documented as part of your budget workpapers. For general inflation increase estimates refer to the *Corporate Escalation Rates* published on the Corporate Budgeting Home Page.

Third-Party Billings

Business areas must include in their O&M budget all expenses that are billed to third parties (i.e., parties outside of the Xcel Energy holding company system). Examples of third-party billings include: relocating distribution and transmission facilities for the accommodations of others, repairing damages to company property and working on customer owned electric distribution facilities. The proceeds from third-party billings must be accounted for in the revenue accounts, so do NOT net the proceeds with the O&M expenses, and do NOT enter the revenue into CBS. Revenues for billing work orders in JDE will automatically be calculated in ALS and then sent to CFM. Business areas do NOT need to send their revenue information to Financial Forecasting for input into CFM since the revenues will automatically be calculated. However, revenues related to billings NOT set up as billing work orders in JDE, need to be submitted to Financial Forecasting for inclusion in CFM.

For example, if NSPM incurs $2,000 in O&M expense for right-of-way maintenance of a transmission line that is billed to another utility company (not part of the Xcel Energy holding company system), the $2,000 expense is budgeted in O&M expense, and the proceeds from the billing are budgeted in CFM under Other Electric Revenue. Please contact Amanda Johnson at 612-330-5588 if you have billings outside of the JDE billing work order process.

Capital billings should not be included in the O&M budget, but rather as capital expenditures using the appropriate object account for such billing.

Xcel Energy Services (the Service Company or XES) must bill all O&M costs to another Xcel Energy company. Once the O&M costs are billed to the appropriate Xcel Energy company, they can then be billed to the third party. Generally, the Service Company expenses are billed to one of the operating companies, unless the third party billing is for additional expenses incurred for an Xcel Energy company that has been sold. In that case, Service Company bills the intermediate or parent holding company of the

sold company, and then the intermediate or parent holding company bills the third party. Revenue is recorded on the company (operating or holding company) that billed the third party and not on the Service Company.

Employee Incentives and Other Compensation

Incentives
Any business area specific incentive cost that is in addition to, or different from, executive officer or corporate incentive plan programs must be budgeted within each business area in object account 711230-Incentive. Costs budgeted to this object account must be for incentive plans that have been pre-approved by Human Resources.

Bonuses
Any business area specific bonuses above and beyond the corporate incentive plan program must be budgeted within each business area to object account 711270-Other Compensation. The Spot-On Bonus Program is budgeted at the corporate level and should not be included in business area budgets.

Employee Performance Recognition
This includes employee performance recognition such as Thank You's, Above & Beyond awards, Premiere Choice awards, company store items and recognition meals presented to acknowledge employees for a specific business related action or result. This should not be budgeted by individual business areas as it is budgeted corporately in object 721850.

Safety Recognition
Safety Recognition is the responsibility of individual business areas. Object account 721800 should be used to budget for any safety related recognition.

Life Events
Life events include promotions, retirements or special occasions. These should be budgeted by individual business areas in object 721810.

Non-Recoverable Recognition
This object account 721851 is for year-end celebrations, which is only to be used if there is corporate approval and notification from management that funds are available. This will be evaluated each year and is at the discretion of the Company. This should not be budgeted by individual business areas, or used for actuals without corporate approval.

Consulting Services and Contract Labor

Legal Consulting Expenses
The General Counsel business area is responsible for managing all legal matters, including engaging and approving the use of outside legal vendors. Internal business clients and in-house counsel may reach an agreement that business areas will bear the cost of certain legal matters. General Counsel will relay this information to the appropriate finance person in the particular business area. During the budget process, business areas must contact General Counsel to convey information related to projects that are anticipated during the 2015-2019 budget years that require assistance from General Counsel.

Contact Deb Meuwissen at 612-215-4545 or Raynard Gray at 303-294-2488 if you have any extraordinary projects that will require significant legal services, so the General Counsel budget can be planned.

Other Consulting Expenses
For additional guidance on budgeting consulting and professional services in JDE object accounts please see the document *O&M Object Account* Description published on the Corporate Budgeting Home Page.

Contract Labor
Object account 712110-Contract Labor should only be used for expenses for persons who are engaged in short-term (less than a year), temporary or special purpose work that is supervised by a company employee. It includes temporary labor payable to a third party that replaces company labor for routine daily activities. It does not include expenses for employees of the company.

Contract LT Outside Services
Object account 713050-Contract LT Outside Services, should include expenses for persons who are engaged in long-term (more than a year) special purpose work. It includes, but is not limited to, the following services: tree trimming, meter reading, construction crews, scanning and imaging invoices or professional outside services that have material costs. It does not include: facilities operations and maintenance, printing, copying, office machine maintenance, cell phones, office supplies or expenses for employees of the company.

IT-Personal Communication Devices and IT Supplies

Each business area is responsible for budgeting Mobile Devices and consumable supplies for their business area. Budget Mobile Device costs in object account 715600-Personal Communication Devices.

Monthly Stipends for Services:

- Mobile Voice/Text Service $50
- Mobile Voice/Text and Data Service $75
- Tablet Mobile Data Services (company owned) $30
- Tablet Mobile Data Services (employee owned) $20

Reimbursement maximum for devices every two years:

- Mobile Devices $100
- Accessories $70
- Activation/upgrade $30

For information on Mobile Devices, refer to *Mobile Device Standard*

Budget fax machine leases in your business area in object account 723130-Equipment Rental. Fax machine leases should be budgeted by the business area primarily using the machine, unless otherwise covered by Property Services.

Budget other IT supplies (printer cartridges, pager batteries, projectors, etc.) in your business area using object account 714000-Materials.

Budget other printing service costs (e.g., Kinko's) in your business area using object account 714100-Print/Copy–Other.

Note that the following JDE object accounts can only be used by IT:

- 715100 - IT Hardware Maintenance
- 715200 - IT Hardware Purchases
- 715300 - Software Purchases

- 715400 - Software Licenses
- 715500 - Software Maintenance
- 715700 - Network Services
- 715710 - Network Voice
- 715720 - Network Data
- 715730 - Network Telecom
- 715740 - Network Radio/Pgr/MW
- 715800 - Mainframe Services
- 715810 - Distributed Systems Services
- 715820 - App Dev & Maint
- 715830 - Project Office
- 715900 – Application Service Provider

Employee Expenses

Employee Expenses include non-office supplies, reimbursable expenses incurred on the job, individual training, and similar items. When traveling, this includes meals, food items (including catering for onsite/offsite meeting refreshments), offsite meeting/events, lodging, parking, telephone calls, tolls and other transportation expenses.

The following sample object accounts are available to accurately account for employee expenses: Also refer to *the Sum Total Expense Report Object Account Codes* for a complete list including definitions of expense types and their corresponding JDE object accounts.

- 721005 - Airfare
- 721010 - Car Rental
- 721015 - Taxi/Bus
- 721020 - Mileage
- 721025 - Conferences/Seminars/Training
- 721030 - Hotel
- 721035 - Meals – Employees
- 721040 - Meals – Including Non-Employees
- 721045 - Parking
- 721050 - Per Diem
- 721055 - Safety Equipment
- 723850 – Recognition - Entertainment
- 721060 - Other

All employees are expected to use sound judgment and plan business travel to minimize costs. In addition, Xcel Energy has negotiated discount or contract rates with its preferred vendors. As budgets are developed for employee expenses, take this information into consideration. The *Company Travel and Employee Expense Reimbursement Policy* also includes additional information. In addition to these items, there are specific requirements for the employee expenses addressed below.

Entertainment expenses are not considered employee expenses and should not be budgeted in the above accounts. Entertainment, including travel, meals and alcohol, should be budgeted in object account 723855-Other Deductions. Tickets for entertainment events should be budgeted in object account 723854-Deductions Corp Tickets. The *Company Travel and Employee Expense Reimbursement Policy* includes additional information on Entertainment expenses. The following are examples of entertainment accounts:

- 723854 – Entertainment - Tickets

- 723855 – Entertainment – Meals

Hotels
Carlson Wagonlit advises that hotel costs are expected to increase year over year by approximately 5%.

Air Travel
Use object account 721005-EE Airfare for all air travel costs. Budget air travel expenses in the JDE business unit that will be used when booking your flight.

Corporate Travel – There are no direct passenger charge backs for travel on the Xcel Energy corporate aircraft. Corporate aircraft expenses will reside in the Aviation Services' budget. Business areas are not responsible for budgeting for these expenses. Travel on corporate aircraft is limited. See the *Company Travel and Employee Expense Reimbursement Policy* for priority in using company aircraft. If you have any questions, contact Jennie Ator at 303-571-6728.

Commercial Travel – For the 2014 budget, see table below for the fees that will be processed against the BMO card (last column). It is highly recommended to use the GetThere travel tool to book air/hotel/car to take advantage of corporate discounting and other benefits. Each area is responsible for budgeting the service fee in addition to their air travel costs. Carlson Wagonlit advises that airfare is expected to increase year over year by approximately 2.6%.

Rental Cars
Carlson Wagonlit advises that rental car rates are expected to increase year over year by approximately 2%.

Description:		Base 2013 Fee Structure Point of Sale (charges that were on your BMO card for 2013)	Estimated 3% increase for 2014 (additional increases each year for 2015-2019)
Unassisted online		$11.21	$11.55
Car/hotel only unassisted online		$9.17	$9.45
Assisted online - Domestic			
Minneapolis assisted		$28.79	$29.65
Automation assisted		$28.79	$29.65
Assisted online - International			
Minneapolis assisted		$28.79	$29.65
Automation assisted		$28.79	$29.65
Agent Initiated - Domestic		$30.57	$31.49
Agent Initiated- International		$30.57	$31.49

Car /hotel only - agent initiated		$5.10	$5.25
Car/hotel only assisted online		$9.17	$9.45

For additional information, please see *Company Travel and Employee Expense Reimbursement Policy*.

Corporate Tickets
Tickets purchased for Nuggets/Timberwolves basketball games, Wild/Avalanche hockey games, Twins/Rockies baseball games, Broncos/Vikings football games, Opera, Orchestra Association and other social events should be budgeted to JDE object account 723854-Deductions Corp Tickets. Budget food and drinks purchased at these events to JDE object account 723855-Other Deductions.

Employee Move-Related Costs
Business areas are responsible for budgeting the costs associated with adds/moves/changes that relate to physically moving boxes or building/changing cube walls. The average cost of moving an employee is $500. Budget these costs to object account 723040-Adds/Moves/Changes. Property Services will charge the costs to your JDE business unit as they occur. If you have any questions, contact the appropriate representative for your state (see *Project/Tenant Services Contacts*).

Spouse Expenses
Executive approval must be obtained before spouse expenses can be included as a company expense. Spouse expenses may include airfare, lodging and meals incurred on an approved business trip, or for attending company functions/festivities. Budget officer's spouse or delegated employee's spouse expenses to JDE object account 723855-Other Deductions. In addition, these costs must be billed to the Xcel Energy Holding Company. To ensure these costs are billed to the Holding Company use the JDE subledger “999101” with a subledger type “W.”

Office Supplies Expense

Use object account 721500-Office Supplies to budget for office supplies. Office supplies include pens, pencils, paperclips, paper (copier, tablets, etc.), staplers, staples, toner cartridges, calculators, holders and containers for any of the above items, calendars, hole punches, desk cleaning supplies (Clorox wipes, canned air for blowing off dust and dirt, etc.), folders/binders (3-ring, report, etc.), tape (scotch, duct, masking, etc.), tape dispensers, computer accessories (mouse pads, wrist pads, monitor risers, etc.), envelopes, Post-Its, glue, phone headsets, and similar items. *Note: Keyboards and mice must be coded to IT Hardware Purchases.*

Do not code office supplies to Employee Expenses or Materials.

Transportation

Fleet Vehicle and Equipment Rates
To facilitate budgeting, all fleet vehicles and equipment for 2015-2019 will be charged by the hour. This approach works best to accommodate the use of the Passport Work Management System, and will enable fleet costs to flow to projects on a daily basis.

In order to comply with Corporate accounting guidelines, rates are reviewed each month and adjusted periodically as needed.

Each business area is responsible for budgeting both the O&M and Capital components for owned and rented vehicles and equipment charged through Fleet Focus. A list of units assigned under each manager area will be provided to the business areas for validation as part of this budget cycle.

Fleet costs are required to be budgeted at a detailed level in the appropriate JDE object, see list below. Any capital object account (73XXXX or 74XXXX) should use the 99999997 subledger with a type of W. Your transportation costs should be budgeted 100%, similar to the labor 100% utilization of labor.

- 618305 – Fuel Handling Fleet
- 681023 – COGS Transportation Fleet (HomeSmart only)
- 722000 – O&M Transportation Fleet Cost
- 732700 – CWIP Transportation Fleet Cost
- 742700 – RWIP Transportation Fleet Cost
- 747810 – Clearing Transportation Fleet Cost
- 748195 – Deferred Transportation Fleet Cost

The rates are designed to cover all of the costs associated with the vehicle or equipment. If you have any additional questions, please contact any of the following people: Overall – Gary Tucker at 612-630-4481, Linda Richards at 303-571-7443, Andre Duncan at 612-330-5886, Vicky Earnest at 612-6300-4457 or Wes Worthley at 612-630-4508.

Pool Cars
Pool vehicles are available in the following locations:

- Colorado: Lipan Distribution Center (LDC), Materials Distribution Center (MDC), 1800 Larimer, Boulder Service Center, Grand Junction Service Center
- Texas: Amarillo Tower, Amarillo I-40 Garage, Amarillo Southwest, Lubbock
- New Mexico: Roswell
- Minnesota: Chestnut Service Center, 414 Nicollet, Maple Grove Service Center, Rice Street Service Center, St. Cloud Service Center, Newport Service Center, White Bear Lake Service Center, Faribault Service Center, Mankato Service Center
- North Dakota: Fargo
- Wisconsin: Sky Park, Rice Lake Service Center, Menomonie Service Center, Ashland Service Center, Abbotsford Service Center, Amery Service Center, Hudson Service Center, La Crosse Service Center, Eau Claire Western Ave. Service Center
- Michigan: Ironwood Service Center

Pool vehicles are supported by the Fleet organization. Each business area is responsible for budgeting for pool car usage. These costs will be charged back to each user's JDE business unit.

Casual Use Rate
Employees using their personal vehicles for company business are reimbursed via SumTotal at the IRS Standard Mileage rate (2014 = $0.56 per mile). This expense must be budgeted under Employee Expenses as in the past. Casual Mileage is analyzed quarterly, and employees consistently averaging over 1,000 miles per month in Casual Mileage should be transitioned to an assigned company vehicle. Please contact Gary Tucker at 612-630 4481 if this is the case.

Capital Non-labor Transportation Costs
To further support the Operations Finance analysis for supply chain, we are asking this year that the business areas not only budget 100% of labor with splits to O&M and Capital, but also ***budget 100% of transportation costs with splits to O&M and capital, as well. When identifying the capital component, please use the 99999997 subledger, with a type W***. Please note that we should not budget costs to transportation for labor or travel-related transportation expenses (such as car rental, taxi, or bus). The transportation objects (72xxxx, 73xxxx, or 74xxxx) should be used for Fleet supported costs only (bucket trucks, pool cars, etc).

- The Distribution business area should use subledger 99999993 (Gas Transportation) and 99999994 (Electric Transportation) in place of 99999997 to identify the split between Electric and Gas Transportation costs.

Dues, Contributions and Sponsorships

A company policy has been implemented regarding dues, contributions and sponsorships to ensure that the company remains in compliance with reporting and regulatory requirements.

See the document called *Dues and Other Guidelines* on the Corporate Budgeting Home Page for the policy related to each type of expense.

- A new object for Dues-Lobbying (723823) has been added to the *Dues and Other Guidelines* document this year. This should be used for the portion of dues, including CPA dues, which support lobbying. The object was set up because not every business area can be set up with the lobbying Service Company allocator and we need to report this amount on various regulatory filings. Corporate Accounting set the object up for certain BU types, including all Service Company BU's. Please contact Corporate Accounting if you need this object set up for your specific BU.

Please contact Julie Rushton at 612-330-2809 for questions related to due, contributions and sponsorships and contact Mary Pope 612-330-6574 regarding regulatory treatment.

O&M Projects with Special Rate Treatment

All eligible O&M projects and/or eligible expenditures associated with rate riders or other special rate treatment must be updated with the most accurate estimates for the budget, as well as monthly forecast updates. Each project should be budgeted separately to facilitate identification. Examples of such projects/expenditures include the various distribution initiatives associated with the Central Corridor project.

Legal Settlement Expenses

Xcel Energy business areas are responsible for bearing the costs of legal settlements not covered by insurance. Allowance for settlements should be budgeted under object account 723480-Injuries & Damages by the business areas at a high level, not specific to any particular matter, based on the business area's three-year historical average settlements paid. Verify that you've budgeted to the correct utility (electric, gas, common) as well. During the budget process, business areas should contact the General Counsel business area to coordinate information and budgets for settlements anticipated during the 2015-2019 budget years. Contact Deb Meuwissen at 612-215-4545 or Raynard Gray at 303-294-2488.

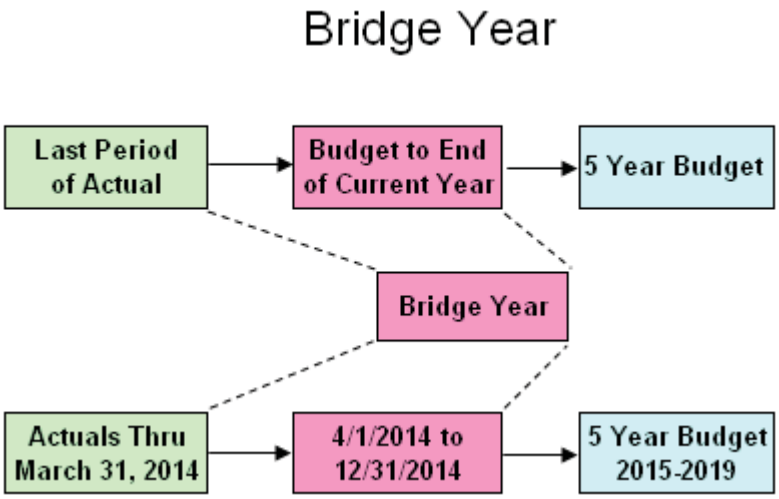
Capital Budgeting

The budgeting of capital expenditures and additions to plant in service includes identifying and prioritizing resources to support operations and future plant investments. The capital forecast, maintained and periodically updated in CBS, covers a minimum six-year (72 month) planning horizon including the year to date actuals (Jan-Mar 2014) and the current year's forecast (Apr-Dec 2014), often referred to as the bridge year (see diagram below). The company uses the comparison of capital budgets to actual performance to help determine if projects are on schedule and are consistent with on-going business planning requirements. **Thus providing good estimated in-service dates or closing patterns for projects is important and drives the change in rate base and impacts the income statement forecast of Allowance for Funds Used During Construction (AFUDC) and depreciation expense. In summary, your capital forecast must be verified against the "Checklist for Capital Forecasts", which includes the following and more:**

- Capital expenditures separated into object accounts for CWIP, Removal Work In Progress (RWIP), and Customer Contributions in Aid of Construction (CIAC). (If replacing an asset, then RWIP must be forecast.)
- Estimated in-service date or closing pattern aligned with the expenditure pattern
- Forecast for all parent work orders including those with a CWIP/RWIP balance after April 2014 accounting close

What is a Capital Budget?
The capital budget is a combination of: CWIP expenditures (spend to install an asset); RWIP expenditures (spend to remove an asset); and estimated in-service dates (or closing patterns), to arrive at the budgeted plant in-service (a major component of rate base). The budgeted plant in-service and related items (depreciation, AFUDC, etc) is an important input to cost of service studies used to support rate filings before various Commissions. More than likely the budget forecast will be used to support various filings with the state commissions. If this data is sent to a commission, you may be called upon to answer questions about your forecast from the commission staff and other outside parties.

What is a Bridge Year?
The bridge year information is used to compute the beginning plant balances for the 2015 budget. Finally, capital forecasts support the estimation of the cash flow needs for the company into the future. All of these reasons make it important that the capital budget accurately reflect the expenditures and expected in-service dates for the bridge year and upcoming budget period and is consistent with the requirements stated below



General Guidance

Capital budgets must meet the capitalization criteria and minimum levels of detail. In addition, proper documentation must include a description of each project and a financial explanation as to how expenditures were derived. Describe the benefits of the capital project, such as: productivity, process efficiency, reliability, safety, required due to law or covenant, etc. When writing descriptions and

justifications for capital projects, please be as precise as possible. Refer to the *Capital Asset Accounting Policy - Capital Budget Principles* for additional information.

Support for routine projects requires a five-year expenditure and in-service history, or the assumptions used to develop the expenditure pattern and closing pattern. Closing patterns are developed to move dollars out of CWIP to plant in-service based upon their historic construction period for routines or completed phase of construction for non-routine projects. Construction completed in phases (more than one estimated in-service date per parent work order) has a closing pattern called "percent of work complete". Contact Capital Asset Accounting (CAA) if you need a project set up to close to plant in-service in phases for the budget. See the CAA Business Area Liaison list for contacts.

Capital budgeting data requirements for all projects are six years (i.e., 2014-2019) of monthly expenditures beginning with the remaining months of the forecast for the current bridge year (i.e., May to December 2014, assuming actual expenditures through April 2014), estimated in-service dates and closing patterns, where applicable. To capture total project expenditures, current forecasts must be reviewed and updated. In addition, actual CWIP balances need to be reviewed for estimated in-service dates, as well as any additional expenditure. Please see the "Requirements" section for more information.

Assumptions

Corporate Escalation Rates

Business areas, when preparing their six-year budgets (i.e., 2014-2019) of capital and O&M data, should NOT use "current year" dollars, but should use an appropriate escalation factor to cover costs for inflation. For general inflation increase estimates refer to the *Corporate Escalation Rates* published on the Corporate Budgeting Home Page. Other economic drivers may exist that require the use of more specific escalation factors for certain expenditures, such as nuclear fuel, steel or copper or long lead-time items such as power transformers. The support for all factors used should be well documented. Contact Supply Chain for relevant pricing information on many key categories.

Capital PC Refresh and IT Asset Management

Efficient use of personal computing assets enables Xcel Energy to leverage volume purchases, minimize support costs through product standardization, promote compatibility between IT assets and Xcel Energy's computing environment, monitor compliance with software licensing/data security, and maximize return on investment by carefully managing the lifecycle and use of these assets. . For additional information about IT management standards please refer to the following link: *Business Systems Standard*

IT Asset Management will determine an appropriate schedule for refreshing personal computers (PCs). At the start of the year, a list of the PCs to be refreshed during the year will be generated with a tentative schedule. The schedule will be maintained and updated during the course of the year.

Requirements for PCs outside of the refresh schedule will be closely scrutinized. The following justifications are acceptable for securing a new workstation: 1) hiring of a new employee, 2) PC lost or stolen, and 3) malfunctioning PC that is not repairable. Please refer to the section below for requesting and budgeting new PCs that are not included in the refresh project.

Budgeting for New IT Initiatives

All IT capital project budgets are budgeted by Business Systems and should not be part of the business areas' budgets. This includes software implementations, as well as hardware capital purchases for PCs,

LANs and printers that meet the capital guidelines. Business areas should not budget for software/hardware projects. If you have any questions, contact Diane Prentis at 612-330-5744.

If you have a new IT initiative, such as a new application system, new support or a non-standard purchase, please contact Business Systems area directly to discuss your initiative. The contact list can be found under the following link Business Systems Contacts. This information is important so that Business Systems can budget and plan accordingly.

Overheads – E&S and A&G

CAA does not add E&S and Administrative and General (A&G) overheads to the expenditure stream for project budgets or forecasts as part of its budget processing. These project overheads are assumed to be ***included*** in the capital expenditure forecast provided. Each business area should assess the potential impact to their projects, especially for E&S charges for their large projects, and budget accordingly.

Allowance for Funds Used During Construction

Capital expenditures input by the business areas should **not** include AFUDC, which is calculated outside of CBS by CAA. CAA manages the actual accounting for AFUDC as well as the AFUDC associated with forecasted capital expenditures.

Environmental

Environmental capital expenditures associated with air, water and waste remediation should be budgeted in accordance with the *Environmental Budget Guidelines* published on the Corporate Budgeting Home Page. A clear distinction is made in the guidelines and Capitalization Policy identifying environmental charges that can be capitalized verses those that are required to be expensed.

Demand Side Management

Costs associated with Demand Side Management (DSM) or Conservation Investment Program (CIP) are not included in the capital forecast unless the resulting transaction involves a capital asset. Most DSM or CIP assets are accounted for as regulatory assets. These costs should be budgeted with a deferred parent work order, which is different than a capital parent work order. There are specific rules for these deferred work orders and they require Corporate Accounting approval. If you have any questions, contact Deanne Mencimer at 303-294-2055.

Capital Help

If you need assistance from CAA, contact the CAA Hotline at 612-330-6490.

In addition, please refer to the *Capital Budget/Forecast-Parent Checklist* on the CAA website. This checklist should be used for the budget and every month a capital forecast is reviewed and modified to assure that there is no missing information in the data provided. This checklist will be used as a basis to measure how accurate and complete the capital budget/forecast you provide is.

Requirements

The total of capital expenditures for each of the next six years is significant and accordingly, we must prepare detailed budgets with transparency on where these amounts are being planned. The information below explains how to prepare your budgets to facilitate accurate budgeting and forecasting. CAA maintains the accounting policies and procedures and should be consulted, as needed, to insure proper accounting.

The primary balance sheet items that are impacted by **capital expenditures and estimated in-service dates or closing patterns** are CWIP, Plant In-Service, Accumulated Depreciation and Plant-Related Accumulated Deferred Income Taxes. Income statement influences include AFUDC and depreciation expense. The capital expenditures and dates are gathered across the business areas using CBS, Tamcast and Workbook and passed along to PowerPlant for the calculations of plant additions, book and tax depreciation, equity and debt AFUDC, and deferred income tax expense. The accurate forecasting of these amounts requires that the capital data (both spend and dates) be gathered and input into CBS, Tamcast or Workbook in accordance with the designed financial system and business process requirements.

Capital Expenditures

Accurate Monthly Expenditure Pattern - One of the critical responsibilities of the CFO organization is to ensure that sufficient cash is available to cover cash requirements. To accomplish this, the company must be able to derive meaningful cash flow forecasts from the financial budget and its monthly forecasts. Even though an expenditure is booked to capital; a dollar is spent and that dollar must be available to be paid out. The Financial Operations organization needs the pattern of expenditures from the budget or the forecast to assure that funds are available and consistent with long-term and short-term financing plans.

The cash flows or expenditures are provided when input into CBS, Tamcast or Workbook and these expenditures can be patterned or levelized, but should be representative of what one expects the monthly pattern of actual expenditures to be. This is important because the Company will plan its cash needs based on the expected cash outflows for construction. A large expenditure that was not anticipated could cause the company to incur higher than necessary carrying charges to obtain the funds than it may have if it could have planned for the large outflow of cash.

Separate Install Expenditures from Removal Expenditures - Capital expenditures cover both the capital dollars spent to install and remove capital assets. Expenditures associated with removal, as part of an asset retirement, should be budgeted as RWIP not CWIP. The importance of this is threefold:

1. RWIP does not accumulate AFUDC, whereas CWIP does,
2. RWIP is considered part of rate base for rate making when it is spent; CWIP is not part of rate base until it becomes an addition to plant in-service.
3. Estimated removal expense has been recovered from rate payers through the depreciation expense in the past, whereas CWIP will be recovered through depreciation expense in the future

If a project includes removing an existing asset before a new one is installed those removal expenditures should be budgeted as such. An estimate can be used to split the project expenditures and the removal estimate is entered into CBS, Tamcast or Workbook by using the RWIP JDE object accounts 740000-743350. Removal and installation expenditures can be tracked through the same parent work order. If significant salvage transactions are anticipated, they should be considered. It may be desirable to budget or forecast removal net of any salvage.

Alignment of Estimated In-Service Dates

Accurate estimated in-service dates are **critical** to ensuring that the financial systems (PowerPlant and CFM) know when to stop AFUDC, when to move the constructed asset from CWIP to plant in-service, and when to start book and tax depreciation. Also, for most projects, they are included in rate cases (rate base) when they are forecasted to move from CWIP to plant in-service.

For specific capital projects, the estimated in-service date must align with the expenditure pattern.

The in-service date is when commercial operation begins, such as when the line is energized or main pressurized. If a project has two or more phases of construction with different in-service dates, contact one of the CAA Business Area liaisons for assistance to set up a special closing pattern, called percent of work complete (see "Percent of Work Complete" section for more information).

The estimated in-service date is not the same as the estimated complete date. Typically, there are trailing expenditures, such as restoration, after the in-service date until the complete date. Each time a user updates their expenditures forecast, estimated in-service dates also need to be re-evaluated. It is also important to reevaluate and revise estimated in-service dates for projects expected to go in-service in the bridge year, 2013. The bridge year information computes the beginning plant in-service balances for the 2014 Budget. Inaccurate estimated in-service dates can negatively impact the forecast accuracy of depreciation expense, AFUDC, and plant in-service.

The general rules for the forecast expenditures alignment with dates:

- estimated in-service date **should not** be past the last month of the forecasted expenditures,
- there should be **no more than three months** (four months for Nuclear operations) of expenditures past the estimated in-service date (for large projects, the spend may go beyond three months),
- the estimated complete date cannot be before the estimated in-service date,
- the estimated complete date should be at the end of the last expenditure.

Routine projects are treated as short-term construction projects that are generally ready for service the month of the construction expenditures. For example, construction expenditures for routine projects like battery replacements at substations or general plant equipment forecasted in May will go into service in May for budget or forecast purposes.

For routine projects closing patterns must be aligned with the expenditures pattern. There are several closing patterns to choose from for routine projects that in-service a certain portion of the CWIP or RWIP balance (built from beginning actual CWIP/RWIP balance plus forecast spend for a project plus AFUDC on the CWIP portion) based on the number of months of construction or other percent.

Closing patterns are developed to move dollars out of CWIP to plant in-service based upon the estimated construction period. For these kinds of routines the rules set forth by closing patterns are used to move dollars from CWIP to plant in-service **until** the estimated in-service date is reached, then that is used to move dollars from CWIP to plant in-service for any additional expenditures. Please refer to the illustration below that shows the roll forward example of a routine project with CWIP activity:

Routine Parent work order with Est In-service Date 12/31/2013 and Closing Pattern "4 Mo Construct (40%)"

			Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
a		CWIP Beginning Balance	1,000,000	724,800	589,080	446,448	-	-
b		CWIP Forecasted Expenditures	200,000	250,000	150,000	300,000	50,000	25,000
c		AFUDC	8,000	7,000	5,000	5,000		
d	(a+b+c)	CWIP Balance Available to Close	1,208,000	981,800	744,080	751,448	50,000	25,000
e	(d x g)	CWIP Plant Additions (Closings)	(483,200)	(392,720)	(297,632)	(751,448)	(50,000)	(25,000)
f	(d + e)	CWIP Ending Balance	724,800	589,080	446,448	-	-	-
g		Closing Pattern (%)	40%	40%	40%	100%	100%	100%

Closing patterns are also used to move RWIP to accumulated depreciation reserve (these don't close to plant in-service, but impact net plant) based upon the estimated construction period. The rules set forth

by closing patterns are used to move dollars from RWIP to reserve **until** the estimated completion date is reached, then that is used to move dollars from RWIP to reserve for any additional expenditures

Routine Parent work order with Est Completion Date 02/1/2014 and Closing Pattern "4 Mo Construct (40%)"

			Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
a		RWIP Beginning Balance	1,000,000	720,000	582,000	439,200	443,520	296,112
b		RWIP Forecasted Expenditures	200,000	250,000	150,000	300,000	50,000	25,000
c		AFUDC	-	-	-	-	-	-
d	(a+b+c)	RWIP Balance Available to Close	1,200,000	970,000	732,000	739,200	493,520	321,112
e	(d x g)	Depr Reserve Additions (Closings)	(480,000)	(388,000)	(292,800)	(295,680)	(197,408)	(321,112)
f	(d + e)	RWIP Ending Balance	720,000	582,000	439,200	443,520	296,112	-
g		Closing Pattern (%)	40%	40%	40%	40%	40%	100%

If you are forecasting a routine project for the entire forecast period (2014-2019) you may want to set the estimated in-service date past the forecast period, to avoid CWIP/RWIP balance to close 100 percent to plant within the forecast period; and it is suggested to set it no more than 5 years out from the last forecast period (i.e., 2024 for this budget). Please note that the estimated complete date cannot be more than 30 years from the estimated start date, and the estimated in-service date cannot be past the estimated complete date.

Percent of Work Complete – For the parent work orders with multiple phases of construction, a single specific estimated in-service date will not work. Either a percent or dollar amount should be identified for specific periods to move CWIP or RWIP to plant in-service or Accumulated Depreciation Reserve, respectively. The last phase of the project will use the estimated in-service date to close the remaining CWIP and estimated completion date the remaining RWIP. For those parent work orders that have CWIP and RWIP forecasted expenditures and have percent work complete closing patterns, the RWIP portion can be set up to close on the estimated complete date, the same dates as the percent set up for the CWIP portion, or a different pattern altogether. CAA will need to work with you on setting these up.

If parents are set up for each phase of the project related to the estimated in-service date one could avoid using percentage of work completed closing method.

1. ***Other-*** Do not budget or forecast spend on parent projects that have a status of cancelled, posted to Continuing Property Records (CPR), completed, in-service, or unitized. If you do use these parents to forecast expenditures, the actual in-service date will be used to move dollars from CWIP to Plant in-service in the forecast, which means forecasted spend will be in-serviced in the same month as the spend occurs, since the actual in-service date will be in the past.

Current Year Projects and Projects with CWIP Balances

All projects with actual CWIP balances must be reviewed for both spend and estimated dates. If the estimated in-service date is in the past, the project must be evaluated for either additional expenditures to be budgeted and estimated in-service date to be changed or the asset is used and useful and children work orders need to be in-serviced. Make every effort to have work orders in-serviced as soon as they are used and useful assets. It is important that the starting month of forecast has an accurate starting CWIP balance. Also, all open projects must be evaluated for expenditures for 2014 and beyond and the estimated in-service date must also be reviewed and updated if necessary.

Asset Retirements

Asset retirement is the removal or abandonment of an asset (or part of an asset if it meets the capitalization policy) from the field, and the removal of said asset from the CAA CPR. Because forecasted asset retirements are not recorded in any of the budgeting systems, planned (forecasted) large asset retirements need to be communicated to CAA during the budget process timeframe. It is important for both depreciation expense and tax depreciation to identify the retirements in the forecast.

The routine Transmission and Distribution (T&D) mass property retirements are forecasted based on historical data; however if there are any known large and unusual planned retirements, they need to be communicated to your CAA liaison in advance. See the CAA Liaison contacts for T&D at the end of the Capital Budgeting section

The Production asset retirements, in the budget, are processed based on planned retirements of individual large property groups (a whole property unit system or some major component of such system) or production plant. If there are plans to retire large production assets or any generating plants that may go off-line and become fully retired in the 2014-2019 cycle please provide plant name and projected date of decommissioning to Dave Amans in CAA (for contact information please refer to the CAA Liaison section at the end of this Capital Budgeting Instructions). The information from previous forecast is maintained by CAA and provided back to BA for the updates every budget/forecast cycle. CAA will then work with you to determine the specific asset(s) to retire in the forecast once information is gathered.

Legal Expenditures

Legal expenditures related to deferred or capital projects may warrant inclusion in the total expenditure of the project and are to be budgeted within the respective business area's deferred or capital budget. Business areas having capital projects or deferred expenditures, which may include legal expenses, must contact the General Counsel business area, who will provide the estimated budget for these projects to the business areas and will monitor legal expenditures associated with the project. Contact Deb Meuwissen at 612-215-4545 or Raynard Gray at 303-294-2488 if you have any questions.

Capitalization Policy

Every parent work order, upon initiation, is validated for consistency with the Capitalization Policy (i.e., accounting guidance applicable for actual book activity should be applied to budget and forecast data). This is true for every child work order as well. Occasionally, a project changes scope from the time it was budgeted to the time the actual work begins. If the actual work no longer meets the criteria for capitalization, the work cannot be capitalized even though the dollars reside in the capital budget. To avoid surprises between the budget and actual project expenditures, it is imperative that detail information be provided **before** initiation of the parent work order so that CAA can do the Capitalization Policy test quickly. **Please note that CAA policy is to validate projects within 3 days of receipt. During the busy budget season, CAA may need the full 3 days to complete validation, so please plan accordingly. Likewise, if hundreds of projects are sent at once to CAA to validate, turn around time may be longer.**

Level of Detail

All parent work orders budgeted within CBS and PowerPlant must identify the proper utility (i.e., electric, gas) and functional class (i.e., steam production, transmission) consistent with the FERC Uniform System of Accounts. The *Capital Expenditure Budget Requirements Matrix* included in the Appendices, summarizes the level of detail required. This level of detail is achieved in the budget by choosing the appropriate **Funding Project Type** when setting up your parent work order. This level of detail is required to identify depreciable from non-depreciable plant. It also captures plant accounts, which use different depreciation rates. This information must be budgeted for each operating company, as the approved depreciation rates vary by company.

The Regulatory department uses plant information for establishing electric and gas utility rates. There is a minimum level of detail at which projects cannot be further combined. All business areas must follow these requirements. For example, transmission substation work cannot be combined with the transmission line work. The matrix includes a listing of the applicable 300 level FERC accounts where such budgeted capital expenditures are typically closed to plant in-service. Also, see below for the detail required for parent work orders with special rate treatment.

Transmission Serving Generation or Distribution Serving Generation **–** For projects with interconnection facilities and network upgrades associated with generation facilities, specific funding project types should be used. **Please note that there are new funding project types for transmission serving generation work** (distribution serving generation can be set up based on business need) and this distinction must be made when setting up your projects for budgeting. This is important for ratemaking purposes. The distinction is made based upon the primary purpose for installing the transmission or distribution assets, rather than budget ownership. The budgeting guideline on this topic is included in the Appendices. Also the Transmission Interconnection & Network Glossary and Transmission Serving Generation Ownership Scenarios documents posted on the CAA web page (Transmission Serving Generation).

Parent Project Naming Conventions and Grandparent Summarization

Capital budgets and forecasts are used in rate case filings. It is important to consider how you name your project. Make sure that the parent project name provides important identifying information and is not misleading. Naming conventions may be used by your business area to facilitate easier identification of related projects, for instance, those related to a particular generating plant. Also, words that are descriptive help in understanding what the project is for. For example if parent description contains the key words indicating removal work (replace, remove, relocate, etc.) make sure that the RWIP dollars are forecasted. In addition, upon setting up your project you must choose a grandparent, which is another means to summarize types of projects. The grandparents are used to summarize and present CWIP and RWIP data in rate case schedules and testimony and should help explain the type of project. Projects related to each other, even if in different business segments, should be budgeted, have the same grandparent and dates should be in-sync. If you think you need a new grandparent, that is not currently in the CBS dropdown list, please choose the “Need New Grandparent” grandparent and then call your business area financial representative to discuss. The business area financial representative should then call the CAA liaison for the business area to discuss.

Separately Budget Capital Projects with Special Rate Treatment

Estimated in-service dates and expenditures affect the budgeted or actual revenue collected for rate rider projects as well as projects having special rate treatment (e.g., PSCo Transmission Cost Adjustment (TCA) also called Senate Bill 100). These projects are considered “Projects of Interest” and require prioritized reviews and updates. Therefore, CBS, Tamcast or Workbook should be updated with the most accurate estimates for the budget as well as monthly forecast updates, for both expenditures and estimated in-service dates. Each project must have separate parent work order numbers. CAA uses a unique Class Code tag on parent work orders to assure proper processing through rate case preparation. The specific Class Codes are provided by and approved by the rate areas. **Please contact the Rates and Regulatory department concerning all projects that qualify for special rate treatment.**

Any capital expenditures unrelated to the project (i.e., not subject to special rate treatment) must be budgeted to a separate parent work order. Thus, parent work orders requiring special rate treatment should have only the capital expenditures that are included in the approved regulatory orders or legislative mandates. Budget any removal expenditures associated with these projects in RWIP JDE object accounts 740000-743350, since removal expenditures do not qualify for any AFUDC calculations.

Type of Charges Incurred

Capital expenditures primarily include employee labor and benefits, contract labor, materials and other direct expenditures. AFUDC charges are calculated outside of CBS and should not be included as part of a users budgeted capital expenditures. AFUDC is added and becomes a component of the total construction charges included with the parent and child work orders within the Company's financial systems.

Reason Codes

Within the CBS system, the Company has established reason codes, which provide information about each parent work order that is used for internal reporting purposes to better understand and track expenditures. For example, the reason code, replace/refurbish should be applied to projects related to replacing worn-out or damaged or degraded equipment. These capital expenditures can then be distinguished from investments to serve new customers. While this information does not impact the forecast balance sheet or income statement, it provides useful information for management and is required. For more information on reason codes please see *Reason Code Definitions* published on the Corporate Budgeting Home Page.

Customer Contributions in Aid of Construction, Reimbursements, and Customer Advances

Non-refundable contributions in aid of construction (CIAC) (non-refundable CIAC, not customer advance or refundable CIAC) and other capital reimbursements from third parties are a common component of certain capital expenditures within the Delivery and Transmission business areas.

Non-refundable CIAC typically received for additional facilities installed for customers should be included in the capital expenditure forecast where applicable and can be supported with historical trends. Each business area needs to budget for non-refundable CIAC using JDE object accounts 733400-733460. Refundable CIAC or customer advances are not forecasted within CBS.

Customer reimbursements for relocating facilities to accommodate customers (other than Department of Transportation (DOT) customers), should be budgeted using object account 743150. For DOT customers, use object account 743160 to budget the credit.

Joint Ownership Share

The OpCo's have joint ownership capital projects, where the OpCo pays the full construction expenditures, then is reimbursed by the third party or joint owner, such as Comanche 3, Sherco 3, and Transmission CapX2020. With joint ownership projects, it is recommended to budget capital expenditures gross, the full amount, then record a credit to the appropriate joint ownership object account CWIP Joint Ownership 733340-733346 or RWIP Joint Ownership 743150-743160.

Capital Asset Accounting Business Area Liaisons

Budget Organization	CAA Liaison	Phone
Corporate Services	David Adams	303-294-2094
Transmission	Ray Hetherington	612-330-5565
Distribution	Becky Dean	303-294-2395
Energy Supply NSPM	Carol Callahan	612-330-7659
Energy Supply NSPW	Dave Amans	715-737-2495
Energy Supply PSCo	Kris Jenson	612-330-5583
Energy Supply SPS	Denise LeGault	303-294-2093
Nuclear Generation	Jake Miller	612-330-1959

Appendices

JDE Guidance

JDE Subledger Field

In order to charge out all costs, a subledger field must be entered on all budget lines using a Service Company JDE business unit. Since no JDE business unit can charge the Service Company, the subledger cannot be another Service Company JDE business unit.

There are no construction projects for the Service Company. For a shared asset (an asset used by more than one legal entity, for example 1800 Larimer building), you must contact Capital Asset Accounting and Keith Tanzyus at 303-294-2322 before setting up the project, as accounting for shared assets is a manual process.

For all operating company JDE business units, entering a subledger may not be required. The subledger must not be a Service Company JDE business unit. If a subledger is entered, this represents a cross-charge to the specified O&M or capital work order or JDE business unit within the same legal entity or to another legal entity. All capital projects require the use of an 8-digit subledger. If a subledger is entered, a subledger type of W must be entered.

For more information on JDE account coding, see *JD Edwards Training*.

JDE Subsidiary Field

Do not enter subsidiary values 97, 98 or 99 when budgeting or recording actuals in expense object accounts. These subsidiaries are automatically generated in JDE during the service billing process to identify incoming, outgoing or allocated indirect charges. For budget data this is completed within ALS. For the legal entity view and business area reporting, you can tell if charges received were incoming from or outgoing to another company or department, or indirectly allocated from the Service Company by the subsidiary field. Transactions that are **direct charged** (not allocated) from one department or company to another have a JDE subsidiary of 97 or 99 in the JDE account string. Transactions that are **indirectly allocated** from the Service Company have a JDE subsidiary of 98 in the JDE account string. The subsidiaries are automatically added to the account string, so **do not enter subsidiaries when deriving income statement account numbers**. Subsidiary values on actual balance sheet accounts provide additional account information such as location (i.e., city, state, etc.).

Incoming charges – Subsidiary 97 - Your specific JDE business unit was entered into the subledger field by another JDE business unit.
Outgoing charges – Subsidiary 99 – You entered another JDE business unit in the subledger field in order to bill the charges to that business unit.
Indirect charges – Subsidiary 98 – Allocated charges from the Service Company

Example of Direct Charge from Operating Company to Operating Company:

	Company	Business Unit	Object Acct	Subsidiary	Subledger	Amount
Original	NSPM	801598-NSPM	714000		803599-PSCo	700
Outgoing	NSPM	801598	714000	99	803599	-700
Incoming	PSCo	803599	714000	97	801598	700

Example of Allocated Charge from Service Company Using a 3-Digit Allocation Code:

	Company	Business Unit	Object Acct	Subsidiary	Subledger	Amount
Original	XS	601000	711142		121	1,000
Allocation	XS	601000	711142		121	-1,000
Allocation	XS	601000	711142	98	999232-PSCo	377.40
Allocation	XS	601000	711142	98	999233-SPS	140.70
Allocation	XS	601000	711142	98	699109-PSR	.70
Allocation	XS	601000	711142	98	999011-1480	.70
Allocation	XS	601000	711142	98	999230-NSPM	414.10
Allocation	XS	601000	711142	98	999231-NSPW	66.30
Allocation	XS	601000	711142	98	498725-Reddy	.10
Outgoing	XS	50	Revenue			-1,000
Indirect Chg	PSCo	999232	711142	98	601000	377.40
Indirect Chg	SPS	999233	711142	98	601000	140.70
Indirect Chg	PSR	699109	711142	98	601000	.70
Indirect Chg	1480	999011	711142	98	601000	.70
Indirect Chg	NSPM	999230	711142	98	601000	414.10
Indirect Chg	NSPW	999231	711142	98	601000	66.30
Indirect Chg	Reddy	498725	711142	98	601000	.10

Note: These examples exclude inter-company receivable/payable entries that are also automatically generated by JDE during service billing.

FERC, Utility, and State Jurisdiction Accounting

Each business area is responsible for the appropriate utility (electric, gas, thermal and non-utility) and FERC designation on their business areas' budgeted O&M dollars. The JDE business unit and object account determine the utility and FERC account. Each JDE business unit and object has category codes attached to it that determine which utility and FERC account the account string translates to. Here is a brief description of some of the main category codes:

Utility Category Codes
Account category code 20 – electric, gas, thermal, non-utility and common (if this field is populated it overrides BU category code 3)
BU category code 3 – electric, gas, thermal, non-utility and common

FERC Category Codes
Account category code 21 – FERC account (if this field is populated it overrides BU category code 21)
BU category code 21 – FERC account

Other Category Codes
BU category code 4 – A&G, operating, maintenance, etc.
BU category code 5 – functional class such as distribution, production, sales, gas storage, etc.
BU category code 6 – location code which helps determine the applicable state jurisdiction

For any costs directly attributed to a specific jurisdiction, ensure the location code (BU category code 6) on the JDE business unit is correct (if there is no subledger). If there is a subledger, verify the location code on the subledger is correct.

For additional information on translating JDE account strings to FERC account and utility, please see the document titled *JD Edwards Regulatory Ledger Training* on the Regulatory Accounting Training webpage.

Capital Expenditure Budget Requirements Matrix

Utility/Functional Class	CFM: Financial Forecasting (Plant Chart of Accounts)	CBS & PowerPlant Budget Requirements (Parent Work Order)	In-Service Plant: FERC Accounts
Electric Utility			
Steam Production	◦ Land and land rights including water rights	◦ Land and land rights including water rights	◦ 310.0 – Land ◦ 310.1 – Land Rights
	◦ Total assets by facility except for a few that are separated by unit due to different depreciation rates, such as Sherco and Comanche	◦ Depreciable assets by facility, except where individual units are jointly-owned by third parties or use different depreciation rates (Sherco 3 and Comanche 3)	◦ 311 – Structures & Improvements ◦ 312 – Boiler Plant Equipment ◦ 314 – Turbogenerator Unit ◦ 315 – Accessory Electric Equipment ◦ 316 – Miscellaneous Power Plant Equipment
Nuclear Production	◦ Total assets by facility	◦ Land and land rights	◦ 320.0 – Land ◦ 320.1 – Land Rights
		◦ Depreciable assets by facility	◦ 321 – Structures & Improvements ◦ 322 – Reactor Plant Equipment ◦ 323 – Turbogenerator Unit ◦ 324 – Accessory Electric Equipment ◦ 325 – Miscellaneous Power Plant Equipment
Nuclear Fuel	◦ Total assets by facility	◦ Total assets by facility	◦ 120.2 – Nuclear Fuel Materials and Assemblies – Stock ◦ 120.3 – Nuclear Fuel Assemblies in Reactor ◦ 120.4 – Spent Nuclear Fuel

Utility/Functional Class	CFM: Financial Forecasting (Plant Chart of Accounts)	CBS & PowerPlant Budget Requirements (Parent Work Order)	In-Service Plant: FERC Accounts
Hydro Production	◦ Total assets with no facility separation	◦ Land and land rights	◦ 330.0 – Land ◦ 330.1 – Land Rights
		◦ Depreciable assets by facility	◦ 331 – Structures & Improvements ◦ 332 – Reservoirs, Dams & Waterways ◦ 333 – Waterwheels, Turbines & Generators ◦ 334 – Accessory Electric Equipment ◦ 335 – Miscellaneous Power Plant Equipment ◦ 336 – Roads, Railroads & Bridges
Other Production	◦ Land and land rights	◦ Land and land rights	◦ 340.0 – Land, ◦ 340.1 – Land Rights
	◦ Depreciable assets by facility	◦ Depreciable assets by facility	◦ 341 – Structures & Improvements ◦ 342 – Fuel Holders, Producers & Accessories ◦ 343 – Prime Movers ◦ 344 –Generators ◦ 345 – Accessory Electric Equipment ◦ 346 – Miscellaneous Power Plant Equipment
Transmission	◦ Land and easements	◦ Land ◦ Easements	◦ 350 – Land ◦ 350 – Land Rights
	◦ Substations	◦ Substations	◦ 352 – Structures & Improvements ◦ 353 – Station Equipment
	◦ Substations	◦ Substations - Transmission Serving Generation	◦ 352 and 353
	◦ Lines	◦ Lines	◦ 354 – Towers & Fixtures ◦ 355 – Poles & Fixtures ◦ 356 – Overhead Conductor & Devices ◦ 357 – Underground Conduit

Utility/Functional Class	CFM: Financial Forecasting (Plant Chart of Accounts)	CBS & PowerPlant Budget Requirements (Parent Work Order)	In-Service Plant: FERC Accounts
			◦ 358 – Underground Conductor & Devices
			◦ 359 – Roads & Trails
	◦ Lines	◦ Lines – Transmission Serving Generation	◦ 354 - 358
Distribution (By state)	◦ Land and easements	◦ Land	◦ 360 – Land
		◦ Easements	◦ 360 – Land Rights
	◦ Substations	◦ Substations	◦ 361 – Structures & Improvements
			◦ 362 – Station Equipment
	◦ Lines	◦ Lines	◦ 364 – Towers & Fixtures
			◦ 365 – Overhead Conductor & Devices
			◦ 366 – Underground Conduit
			◦ 367 – Underground Conductor & Devices
	◦ Other	◦ Other	◦ 368 – Line Transformers
			◦ 369 – Services
			◦ 370 – Meters
			◦ 371 – Installs on Customer's Premises
		◦ Street Lighting	◦ 373 – Street Lighting & Signal Systems
General Property	◦ Non-depreciable	◦ Intangibles	◦ 301 – Organizational Costs
			◦ 302 – Franchises & Consents
		◦ Land	◦ 389 – Land
		◦ Easements	◦ 389 – Land Rights
	◦ Software	◦ Software	◦ 303 – Computer Software
	◦ Buildings	◦ Buildings	◦ 390 – Structures & Improvements
	◦ Transportation Equipment	◦ Transportation Equipment	◦ 392 – Transportation Equipment
			◦ 396 – Power Operated Equipment
	◦ General Equipment (Includes communication for PSCo and SPS)	◦ Furniture & Equipment	◦ 391 – Office Furniture & Equipment

Utility/Functional Class	CFM: Financial Forecasting (Plant Chart of Accounts)	CBS & PowerPlant Budget Requirements (Parent Work Order)	In-Service Plant: FERC Accounts
		◦ Network Equipment	◦ 391 – Office Furniture & Equipment
		◦ Tools & Equipment	◦ 393 – Stores Equipment ◦ 394 – Tools, Shop & Garage Equipment ◦ 395 – Laboratory Equipment ◦ 398 – Miscellaneous Equipment
	◦ Communication Equipment (for the NSPM and NSPW only)	◦ Communication Equipment	◦ 397 – Communication Equipment
		◦ Telecommunication Equipment	◦ 397 – Telecommunication Equipment
Gas Utility			
Manufactured Production	◦ Total Assets	◦ Land ◦ Depreciable assets	◦ 304 – Land ◦ 305 – Structures & Improvements ◦ 311 – Liquefied Petroleum Gas Equipment ◦ 320 – Other Equipment
Gathering Production	◦ Total Assets (PSCo Only)	◦ Easements ◦ Depreciable assets	◦ 325.4 –Rights-of-way ◦ 327 – Field Compressor Station Structures ◦ 328 – Field Measuring & Regulating Station Structures ◦ 329 – Other Structures ◦ 332 – Field Lines ◦ 333 – Field Compressor Station Equipment ◦ 334 – Field Measuring & Regulating Station Equipment
Extraction Production	◦ Total Assets (PSCo Only)	◦ Land and easements ◦ Depreciable assets	◦ 340.1 – Land, ◦ 340.2 – Land Rights ◦ 341 – Structures &

Utility/Functional Class	CFM: Financial Forecasting (Plant Chart of Accounts)	CBS & PowerPlant Budget Requirements (Parent Work Order)	In-Service Plant: FERC Accounts
			Improvements ◦ 342 – Extraction & Refining Equipment ◦ 343 – Pipe Lines ◦ 344 – Extracted Product Storage Equipment ◦ 345 – Compressor Equipment ◦ 346 – Gas Measuring & Regulating Equipment ◦ 347 – Other Equipment
Underground Storage	◦ Total Assets	◦ Land and easements ◦ Depreciable assets	◦ 350.1 – Land, ◦ 350.2 –Rights-of-way ◦ 352.1 – Storage Leasehold and Rights ◦ 352.2 – Reservoirs ◦ 352.3 – Non-recoverable Natural Gas ◦ 353 – Lines ◦ 354 – Compressor Station Equipment ◦ 355 – Measuring & Regulating Equipment ◦ 356 – Purification Equipment
Other Storage	◦ Total Assets	◦ Land and easements ◦ Depreciable assets	◦ 360.1 – Land ◦ 360.2 – Land Rights ◦ 361 – Structures & Improvements ◦ 362 – Gas Holders ◦ 363 – Purification Equipment ◦ 363.1 – Liquefaction Equipment ◦ 363.2 – Vaporizing Equipment ◦ 363.3 – Compressor Equipment ◦ 363.4 – Measuring & Regulating Equipment ◦ 363.5 – Other

Utility/Functional Class	CFM: Financial Forecasting (Plant Chart of Accounts)	CBS & PowerPlant Budget Requirements (Parent Work Order)	In-Service Plant: FERC Accounts
			Equipment
Transmission (By state)	◦ Land and easements	◦ Land ◦ Easements	◦ 365.1 – Land ◦ 365.1 – Land Rights, ◦ 365.2 – Rights of Way
	◦ Depreciable Assets	◦ Depreciable assets	◦ 366 – Structures & Improvements ◦ 367 – Mains ◦ 368 – Compressor Station Equipment ◦ 369 – Measuring & Regulating Station Equipment ◦ 370 – Communication Equipment ◦ 371 – Other Equipment
Distribution (By state)	◦ Land and easements	◦ Land ◦ Easements	◦ 374 – Land ◦ 374 – Land Rights
	◦ Mains, TBS, Meters and Regulators	◦ Mains and TBS; includes services	◦ 375 – Structures & Improvements ◦ 376 – Mains ◦ 380 – Services
		◦ Meters and Regulators	◦ 381 – Meters (includes 382 – Meter Installations, 383 – Regulators, and 384 – Regulator Installations) ◦ 387 – Other Equipment
General Property	◦ Non-depreciable	◦ Intangibles	◦ 301 – Organizational Costs, ◦ 302 – Franchises & Consents
		◦ Land ◦ Easements	◦ 389 – Land ◦ 389 – Land Rights
	◦ Software	◦ Software	◦ 303 – Computer Software
	◦ Buildings	◦ Buildings	◦ 390 – Structures & Improvements
	◦ Transportation Equipment	◦ Transportation Equipment	◦ 392 – Transportation Equipment ◦ 396 – Power Operated

Utility/Functional Class	CFM: Financial Forecasting (Plant Chart of Accounts)	CBS & PowerPlant Budget Requirements (Parent Work Order)	In-Service Plant: FERC Accounts
			Equipment
	◦ General Equipment (Includes communication for PSCo only)	◦ Furniture & Equipment	◦ 391 – Office Furniture & Equipment
		◦ Network Equipment	◦ 391 – Office Furniture & Equipment
		◦ Tools & Equipment	◦ 393 – Stores Equipment ◦ 394 – Tools, Shop & Garage Equipment ◦ 395 – Laboratory Equipment ◦ 398 – Miscellaneous Equipment
	◦ Communication Equipment (Includes communication for NSPM and NSPW only)	◦ Communication Equipment	◦ 397 – Communication Equipment
	◦	◦ Telecommunication Equipment	◦ 397 – Telecommunication Equipment
Thermal Utility			
Production	◦ Land ◦ Depreciable Assets	◦ Land ◦ Depreciable assets	◦ 310 – Land ◦ 311 – Structures & Improvements ◦ 312 – Boiler Plant Equipment ◦ 315 – Accessory Electric Equipment ◦ 316 – Miscellaneous Power Plant Equipment
Distribution	◦ Depreciable assets	◦ Depreciable assets	◦ 376 – Mains ◦ 378 – Measuring & Regulating Equipment – General ◦ 380 – Services ◦ 381 – Meters ◦ 382 – Meter Installations
General Property	◦ Software	◦ Software	◦ 303 – Computer Software
	◦ General Equipment	◦ Tools & Equipment	◦ 391 – Office Furniture & Equipment

Utility/Functional Class	CFM: Financial Forecasting (Plant Chart of Accounts)	CBS & PowerPlant Budget Requirements (Parent Work Order)	In-Service Plant: FERC Accounts
			◦ 393 – Stores Equipment ◦ 394 – Tools, Shop & Garage Equipment ◦ 395 – Laboratory Equipment ◦ 398 – Miscellaneous Equipment
Non-Utility			
Production & Other	◦ Non-depreciable assets	◦ Non-depreciable assets	◦ 121 – Non-utility Property
	◦ Depreciable assets	◦ Depreciable assets	◦ 121 – Non-utility Property
Common Utility			
General Property	◦ Intangibles	◦ Intangibles	◦ 301 – Organizational Costs ◦ 302 – Franchises & Consents
		◦ Land	◦ 389 – Land
		◦ Easements	◦ 389 – Land Rights
	◦ Software	◦ Software	◦ 303 – Computer Software
	◦ Buildings	◦ Buildings	◦ 390 – Structures & Improvements
	◦ Transportation Equipment	◦ Transportation Equipment	◦ 392 – Transportation Equipment ◦ 396 – Power Operated Equipment
	◦ General Equipment	◦ Furniture & Equipment	◦ 391 – Office Furniture & Equipment
		◦ Network Equipment	◦ 391 – Office Furniture & Equipment
		◦ Tools & Equipment	◦ 393 – Stores Equipment ◦ 394 – Tools, Shop & Garage Equipment ◦ 398 – Miscellaneous Equipment
	◦ Communication Equipment	◦ Communication Equipment	◦ 397 – Communication Equipment
		◦ Telecommunication Equipment	◦ 397 – Telecommunication Equipment

Transmission/Distribution Serving Generation Budgeting Guideline

Questions to Ask:

What is the primary purpose of a connection to the transmission or distribution network or an upgrade to the network?

If the answer is generation (a.k.a production), then the project should be set up as a Transmission Serving Generation project or as a Distribution Serving Generation project. The setup of the project function should NOT be determined by who has budget responsibility for the project. The parent project should be set up with the funding project type of Transmission or Distribution (Lines or Subs) Serving Production.

If it is a Transmission Serving Generation or Distribution Serving Generation project, who has budgetary responsibility for the project?

Budget responsibility does not change the classification of the project as Transmission (or Distribution) Serving Generation.

- **If Energy Supply owns the generation assets**
  Energy Supply should have budget responsibility for the Interconnection project; the project will be classified on the books as a Transmission (or Distribution) asset; and for ratemaking purposes, it will be treated like production plant.

  Any Network Upgrades may be budgeted by either Energy Supply or Transmission (the departments must come to an agreement).

- **If an Independent Power Producer owns the generation assets**
  Transmission has the budget responsibility for the Interconnection project (there will be a Contribution in Aid of Construction paid by the Independent Power Producer offsetting the capital cost in the budget); the project will be classified on the books as a Transmission (or Distribution) asset; and for ratemaking purposes it will be treated like production plant.

  Any Network Upgrades should be budgeted by Transmission. Again, the Independent Power Producer will pay a CIAC.

- **If Energy Supply owns the generation assets, but an Independent Transmission Provider owns the interconnection project**
  Energy Supply should budget the project and will pay a CIAC to the Independent Transmission Provider; the project will be classified on the books as a Transmission (or Distribution) asset; and for ratemaking purposes it will be treated like production plant.

  If Network Upgrade assets will be owned by Xcel Energy, then those upgrades may be budgeted by either Energy Supply or Transmission (the departments must come to an agreement).

  If Network Upgrade assets will be owned by the Independent Transmission Provider, then those upgrades should be budgeted by Energy Supply (who will pay a CIAC to the Independent Transmission Provider).

Glossary of Terms and Acronyms

A&G, Administration and General.

A&G Capital Overhead. Administrative and General is a capital overhead that assigns the labor from certain departments that are considered general office functions to capital projects. The amount is based upon a biennial study that looks at the budgeted labor for these departments and the amount of time they dedicate to capital functions.

ALS. Allocation Ledger System - processes CBS data using service billing functionality similar to JDE and presents the legal entities' O&M and Capital budgets in an allocated view. Managerial view data is also maintained in ALS for reporting.

AFUDC. Allowance for Funds Used During Construction represents the cost of financing or funding a project before it is in its revenue-generating phase. Using a FERC specified formula, AFUDC is calculated and added to the capital project and at the same time is recognized as either income (the equity component) or an offset to interest expense (the debt component). When the project goes into service the capitalized cost of the debt and equity is part of depreciation expense, which is a component of the customer's rate.

Blanket Child Work Orders. The blanket child work orders are a summation of many smaller dollar, high volume capital jobs that are grouped together because of the similar nature of the work, i.e., meters or new business blankets.

Bridge Year. Refers to the current year in which there are some actuals and some forecast months. It is a term used in the capital budgeting process to reference the year that precedes the budget years. The bridge year information is used to compute the beginning plant balances for the first year of the budget, and thus is an important component of the budget.

BTE. Business Technology Executives are within the Business Systems organization and are assigned to each business area. Representative names are included in the Budget Instructions in the applicable sections.

Business Area. Refers to the areas within the Company that operate as an organizational unit. Examples are: Transmission Energy Supply; Distribution Operations; Corporate Services; etc. For internal reporting, it is an aggregate of JDE Business Units.

CAA. Capital Asset Accounting

CBS. The CompetiSoft Budgeting System - the corporate input tool used for preparing O&M and Capital budgets.

CFM. The CompetiSoft Forecasting Model - the corporate tool used for financial planning/forecasting.

CFO Chief Financial Officer

Child Work Order. This is the work order where the actual jobs costs are accumulated. These are often called just work orders without the prefix "child". The forecasting does not occur at the child work order level.

CIAC. Contribution in Aid of Construction.

CIP. Conservation Investment Program

Closing Pattern. Developed for forecast purposes to move dollars out of CWIP to plant in-service based upon their historic construction period for routines or completed phase of construction for non-routine projects.

Cost Components. A group of object accounts or categories of costs. Examples include employee expenses, contract labor and consulting costs.

CWIP**.** Construction Work in Progress is the spend to install an asset. The balance represents construction work not yet completed but in process.

Deferred Work Orders**.** Used to capture costs associated with regulatory assets, regulatory liabilities deferred assets and deferred liabilities. For additional information contact Regulatory Accounting.

DSM. Demand Side Management

E&S Overhead**.** Engineering and Supervision Overhead is an overhead that is used to allocate indirect costs associated with construction from the engineering departments.

FERC. Federal Energy Regulatory Commission

ISP. Information Service Provider

In-Service Date. In general, this is the date upon which the construction project has been turned over from the construction manager to the operations manager. In the financial forecast process, this date is called the estimated in-service date and it triggers moving the dollars from CWIP to plant in-service, AFUDC to stop and book/tax depreciation to start (see *Capital Asset Accounting Policy - Capital Budget Principles*).

JDE. JD Edwards – the general ledger system used by the company

JDE Business Unit. JDE Business Unit is a six-digit number that represents the department or department structure. For some departments the capital work is assigned a different JDE Business Unit than the operating work. In PowerPlant, this number is shown in the department field.

NPT. Non-productive time

NSPM. Northern States Power Company – Minnesota

NSPW. Northern States Power Company – Wisconsin

O&M. Operating and Maintenance

OpCo. Operating Company – includes the four operating companies in the Xcel Energy holding company system. They are NSPM, NSPW, PSCo, and SPS.

Percent of Work Complete. A closing pattern developed for a specific parent project work order that has multiple construction in-service phases. The pattern is developed based on input from the project owner, including the forecasted CWIP balance and the dates of an in-service phase and either the amount to in-service or percent of the CWIP balance to in-service.

PSCo. Public Service Company of Colorado

PTO. Paid time off

Parent Work Order. A parent work order is the terminology used by the JD Edwards system and is synonymous with the term Funding Project used in the PowerPlant system. It is the level at which the budget/forecast data is gathered and reported. Actual project expenditures for capital work are never recorded to the parent work order, but may be summed up and reported at the parent wok order level. Many child work orders can be grouped under one parent work order.

Routine Parent Work Order. A capital project that contains ready-made or quickly installed capital assets such as transportation equipment, network equipment, distribution meters, line transformers, or substation batteries. Previously these were referred to as blanket parent work orders.

RWIP. Removal Work In Progress is the spend to remove an asset. The balance represents removal work not yet completed but in process.

SPS. Southwestern Public Service Company

T&D. Transmission and Distribution

Vacancy Rate.. Refers to an annualized rate that is budgeted to account for positions that are estimated to be open at any point during the year.

Date: 12/1/2014

To: All Xcel Energy Business Areas

From: IRC Members (Karen Hyde, Christopher Haworth, George Tyson and Brian Van Abel)

Re: IRC Policy and Process Guidance

Since 2007, we implemented the Investment Review Committee (IRC) in our capital budgeting process to ensure a rigorous review of Xcel Energy's capital spending, to optimize investment projects to achieve maximum value for the company, and to generally improve our financial management practices. This memorandum provides additional guidance to business units on the IRC process and requirements.

In advance of the annual budget review meetings with Financial Council, new capital projects with $10 million or more in spend are required to be reviewed and approved by the IRC. The IRC review is required prior to the earlier of (a) Xcel Energy making any commitments that would require the company to move forward with a given project; or (b) spending associated with the project is added to the current year or subsequent year's capital budget.

The IRC has 6 primary objectives: 1) to develop potential risk management and hedging strategies, 2) to ensure optimal investment timing consistent with regulatory plans and ensure prudence, 3) to evaluate the cash flow returns relative to the cost of capital, 4) to assess key modeling and analysis assumptions and ensure that the Business Area has evaluated the associated operational risks, 5) to coordinate specific accounting and tax research, and 6) to determine financing requirements and balance sheet impacts. In order to ensure that these objectives are met through the approved projects, the IRC will track the projects throughout their life-cycle.

Funding authority remains outside of the scope of the IRC. For more information on the funding authority please see the "Corporate Governance Approval Requirements and Quarterly Update of Approved Projects" memorandum, sent by Greg Robinson. This memorandum will be updated each quarter in conjunction with the quarterly capital review meetings.

Review Threshold

All Business Areas must submit a list of projects with $10 million or more of total spend to the IRC Members for initial review. This list shall separately detail the following: 1) a recommendation of the projects requiring formal IRC review, as supported by the Business Unit's ranking criteria; 2) a recommendation of the projects to be excluded from formal IRC

review (example: routine maintenance projects). The IRC Members will use the list to ultimately determine the projects that require formal approval.

Requirements of Business Unit Sponsor

To ensure a thorough project review, at least 3-4 weeks prior to the IRC meeting, the Business Unit Sponsor is required to provide certain information to the IRC staff. The Sponsor needs to provide the IRC staff with general information about the project such as a project description, timetable and projected costs along with more specific information necessary to evaluate the financial, operational and regulatory benefits and prudency of the project. The specific information required from the project sponsor for the IRC review is listed below in Appendix A.

IRC Updates

The Project Sponsor should provide the IRC with an update whenever:

- projected costs are significantly different (15% - 20% or more) than the original forecast;
- the project initiation or in-service dates change, causing a change in revenue recovery assumptions;
- other material changes occur to the assumptions or project drivers, such as changes to the long-term load forecast; important developments in regulatory proceedings impacting the project; or changes in vendors' pricing, terms or conditions.

This information should be tracked by the Project Sponsors for the IRC along with any adjustments to the initial project assumptions and anticipated benefits.

In the event that a project is projected to reach the $10 million level in actual spend, but has not yet been reviewed by the IRC nor been exempted from the review requirements by the members of the IRC for a specific reason, then the Project Sponsor should report that project to the IRC immediately, so that it can be incorporated appropriately into the IRC process and subsequent meetings/reporting.

IRC Staff Functions

The review of all IRC projects by the IRC staff considers the financial, operational and regulatory perspectives necessary to meet the objectives of the IRC outlined above. The financial analysis is focused on the projected IRR and includes any accounting or tax implications associated with the project. The operational analysis reviews the operational risk assumptions of the project including the Business Unit's risk evaluation. The regulatory analysis considers both the prudency of the project as well as the recovery mechanism associated with the project. Please see Appendix B below for more details on this analysis.

The projects will be tracked in a database in conjunction with Financial Performance and Reporting.

IRC Meetings and Communication of IRC Results

Within 1 week of the IRC meeting, the IRC staff will provide meeting minutes to the IRC Members and to the Business Unit Sponsors. The IRC Members and Business Unit Sponsors must provide an approval signature within 2 days of receipt of the minutes. The minutes will include a description of the IRC decision, an overview of the meeting, and details of items needed before a given project moves on to Financial Council (if applicable).

Appendix A - Requirements from Business Unit Sponsor

To ensure a thorough project review, at least 3-4 weeks prior to the IRC meeting, the Business Unit Sponsor must submit the following information to the IRC staff.

Project Description:

- Project description and characteristics (example: CC Plant – heat rate, capacity factor, CON date, vendors and contractors, etc.). Purpose of project and other qualitative and quantitative benefits.
- In-service date(s) and any flexibility either earlier or later on timing.
- Project status and timeline.
- Contact Person: The IRC staff will have questions during its analysis. Please provide a contact to answer project related questions.

Project Costs:

- Capital expenditures by year, including any amounts already incurred, as well as any ongoing capital expenditures following the project's in-service date. This should also include the cost sensitivities for these numbers and the drivers of those sensitivities.
- Annual O&M: If O&M does not have consistent pattern, the full O&M schedule by year should be provided. This should also include the cost sensitivities and the drivers of those sensitivities. Please detail the amount of incremental O&M vs. existing O&M.
- O&M savings or other cost avoidances. This should also include details to determine the type and validity of these savings.
- Any costs that are married to these costs (examples: transmission upgrades associated with a new power plant or additional servers required to support new software).
- Budget status: Is this project included in the budget (or replacing an existing budgeted project)? If so, please provide the budget by year for both capital expenditures and O&M.

Support:

- Demonstration of prudency: What alternatives were analyzed? Why were they not chosen? What is the risk/cost of not doing the project? [Quantify if possible]
- Assumptions used for all analysis (including assumptions for alternatives, determination of need, sensitivities, project costs, cost/benefit, etc.)
- Financial and Operational risks being mitigated by the project
- Business Area risk evaluation, analysis and ranking of their IRC projects
- Alignment of project with corporate strategy

Other:

- Initial presentation for IRC meeting: The presentation should cover the information above. Details and backup schedules (example: load forecasts) can be provided in an appendix, as appropriate.
- Project updates as necessary to the extent the following changes occur:
    - projected costs are significantly different (15% - 20% or more) than the original forecast:

- the project initiation or in-service dates change, causing a change in revenue recovery assumptions;
- other material changes occur to the project assumptions or project drivers, such as changes to the long-term load forecast; important developments in regulatory proceedings impacting the project; or changes in vendors' pricing, terms or conditions.

Appendix B - IRC Staff Functions

The IRC staff will analyze each project that requires approval. This analysis will include the following information:

Financial:

- Shareholder return and risks: This includes: a) IRR with sensitivities and drivers, b) possible methods to improve the IRR (examples: coordination with planned rate case/rider timing, business structure, recovery mechanisms, etc.). The IRR analysis will incorporate jurisdictional allocations, book and tax lives, O&M, regulatory recovery, etc.
- Determine any accounting and tax implications.
- Budget variance analysis.
- Account for costs married to the project, as well as, mutually exclusive projects.

Operational:

- Review operational risk assumptions and project ranking methodology to ensure various operational risks are being evaluated by the Business Areas and that recommended projects are consistent with the project ranking approach utilized.

Regulatory:

- Review of prudency: This includes review of cost/benefit analysis, alternatives (ratepayer PVRR), etc.
- Regulatory recovery assurances and risks.

General:

- Determine how the project relates to target spending levels, corporate strategy, financing limits, and corporate financial statements (examples: credit ratios, embedded ROE, etc.)
- Review and confirm the adequacy of project assumptions. Ensure that corporate guidelines were followed.
- Ask relevant questions on a project-by-project basis.

In addition to the responsibilities outlined above, the IRC Staff will maintain a database of all IRC projects. This database will facilitate presenting an OpCo level portfolio view of all IRC projects.

Southwestern Public Service Company

Property Services Capital Additions
January 1,2015 to December 31, 2016

Line No.	Parent Workorder (A)	Category (B)	Description (C)	Estimated ISD (D)	2015 (E)	2016 (F)	Total (G)
1	10987194	PS-Corporate Security	SPS E Corp Sec Furn	Routine	$ 469,140	$ 380,133	$ 849,273
2	11225130	PS-Furniture & Equipment	Office Furn & Equipment	Routine	162,165	233,129	395,294
3	11225140	PS-Roads & Gates	Roads and Gates	Routine	-	310,601	310,601
4	11225142	PS-Electrical	Electrical	Routine	88,738	16,907	105,645
5	11225147	PS-Mechanical	Mechanical	Routine	94,490	329,466	423,956
6	11225152	PS-Unbudgeted Emergencies	Unbudgeted Emergencies	Routine	448,244	589,801	1,038,045
7	11977152	General Building	Amarillo Substation Renovation	12/31/15	0	-	0
8	11977154	PS-Building Renovation & Remodel	Amarillo Tech Ctr New Training Fac	12/31/15	1,536,133	-	1,536,133
9	11977165	PS-Building Renovation & Remodel	Clovis SC Reno & Consolid - Ba	11/30/15	2,108,805	-	2,108,805
10	11977168	PS-Building Renovation & Remodel	Pampa SC Renovation	9/30/16	-	25,036	25,036
11	11977169	PS-Building Renovation & Remodel	Plainview Renovation	9/30/16	-	757,173	757,173
12	12034137	General Land	Borger Customer Office Sell & Retir	3/31/15	231,561	-	231,561
13	12076245	PS-Misc Building	SPS Energy Management	12/31/15	378,624	-	378,624
14	**Grand Total**				**$ 5,517,900**	**$ 2,642,246**	**$ 8,160,146**

Attachment GJR-4

is provided in

electronic format in

Attachment EDE-1(Media) to the Direct Testimony of Evan D. Evans