Attachment DAB-7
Page 1 of 4

Public Service Company of Colorado
Comparison of Regulatory Principles and Adjustments
Underlying the Cost of Service Study

`

Line No.	Description	Previously Established Principals & Adjustments	New Proposed Principals & Adjustments	Witness Supporting Adjustment
	Rate Base			
1	Rate Base is calculated using a year-end balance method for plant and plant-related items, except for Inventory balances, non-plant related balances, and Cash Working Capital.	Yes		Deborah Blair
2	The gas stored underground inventory balance is collected through the GCA and has been eliminated from rate base.	Yes		Deborah Blair
3	Materials and supplies inventory and other non-plant rate base items, such as customer deposits, and customer advances for construction, will be calculated using a thirteen-month average of month-end balances.	Yes		Deborah Blair
4	The ADIT balances are calculated using the year-end balances and incorporates the effects of bonus depreciation as applicable.	Yes		Deborah Blair
5	The net ADIT balances are a reduction to rate base, as opposed to a cost-free component in the capital structure.	Yes		Deborah Blair
6	All plant-related ADIT balances are reported by plant account.	Yes		Deborah Blair
7	Adjustments to ADIT include eliminating amounts that are not included in the cost of service calculation and including adjustments related to plant adjustments.	Yes		Deborah Blair
8	Full normalization is the method of accounting for income taxes allowing the Company to provide for deferred taxes on all book/tax timing differences, including any offset to ADIT for net operating losses ("NOL") or NOL carry forward.	Yes		Deborah Blair
9	Excess/Deficient ADIT associated with TCJA is included in rate base, reflecting the amortization of excess/deficient plant and non-plant ADIT.	Yes		Laurie Wold and Naomi Koch
10	Rate Base adjustments and specific assignments of plant to either the Colorado PUC jurisdiction or the FERC jurisdiction are made the year-end balances to match the method of measuring rate base.	Yes		Deborah Blair
11	Adjustments to Rate Base for known and measurable changes within 12 months of the historical data are included.	Yes		Deborah Blair
12	Accumulated reserve for depreciation is matched to the test year and level of depreciation expense included in the test year.	No	Yes	Deborah Blair
13	Intangible plant in-service and plant-related accounts are functionalized.	Yes		Deborah Blair
14	Common plant is allocated to the electric department based on a study of all common plant assets that assigns an allocation method for each type of asset.	Yes		Deborah Blair
15	Construction Work in Progress ("CWIP") is included in rate base with an Allowance for Funds Used During Construction ("AFUDC") offset to earnings.	Yes		Deborah Blair
16	Contractor retentions are eliminated from the CWIP balance	Yes		Deborah Blair
17	Include an adjustment to ADIT and Deferred Income Tax expense associated with the interest on CWIP.	Yes		Deborah Blair
18	Capital lease assets are not included in rate base.	Yes		Deborah Blair
19	Plant Held for Future Use ("PHFU") is included in rate base.	Yes		Deborah Blair
20	Eliminate a portion of the materials and supplies inventory balance allocated to construction-related projects.	Yes		Deborah Blair
21	Cash working capital components consist of gas purchased for resale, operation and maintenance expenses both directly incurred by the Company and charges from XES, paid time off, taxes other than income, federal and state income taxes, and franchise and sales taxes.	Yes		Deborah Blair
22	Cash Working Capital factors are based on a lead-lag study.	Yes		Deborah Blair
23	Pre-Paid Pension Asset and related ADIT balances will be included in rate base on a pre-tax basis.	No	Yes - Proposing a year-end balance	Richard Schrubbe
24	Retiree medical (FAS 106), will be included in rate base on a pre-tax basis at a 13-month average balance.	No	Yes	Richard Schrubbe
25	Self-insured long term disability (FAS 112), and non-qualified pension assets/liabilities will be included in rate base on a pre-tax basis at a 13-month average balance.	No	Yes	Richard Schrubbe
26	Unamortized balances of other regulatory assets and liabilities are included in rate base at a 13-month average balance.	Yes		Deborah Blair
27	Deductions from rate base include customer deposits and customer advances for construction.	Yes		Deborah Blair
	Revenue			
28	Retail base rate revenue does not include revenues expected to be billed through various recovery mechanisms: GCA, gas DSMCA, PSIA, and Gas Affordability Program ("GAP").	Yes		Deborah Blair

Public Service Company of Colorado
Comparison of Regulatory Principles and Adjustments
Underlying the Cost of Service Study

Attachment DAB-7
Page 2 of 4

Line No.	Description	Previously Established Principals & Adjustments	New Proposed Principals & Adjustments	Witness Supporting Adjustment
29	Retail base rate revenue does not include unbilled revenue, or adjustments for customer additions or losses to the test year sales.	Yes		Deborah Blair
30	Gas sales are normalized for weather	Yes		Deborah Blair
31	Adjustments are made to Other Gas Revenue to exclude revenues related to residential late payments, rate refunds, Quality of Service Plan bill credits, and Demand Side Management ("DSM") incentives	Yes		Deborah Blair
32	Adjustments to present revenues to annualize customers at the end of the test year.	No	Yes	Deborah Blair
33	The revenues collected for the Electric Affordability Program ("EAP") that are included in the Service & Facility monthly charge are not included in base rates.	Yes		Deborah Blair
34	Residential late payment revenue is eliminated from base rates.	Yes		Deborah Blair
35	Eliminate out of period adjustments from Miscellaneous Revenue.	Yes		Deborah Blair
36	Remove revenue the company collected in the test period from Atmos Energy for the Craig and Gunnison compressor projects in compliance with the decision in the 2017 Gas Phase I.	Yes		Deborah Blair
	Fuel and O&M Expenses			
37	Purchased Gas costs are eliminated from the determination of the revenue requirement.	Yes		Deborah Blair
38	Expenses associated with the Front Range Pipeline are eliminated from the cost of service.	Yes		Deborah Blair
39	Include adjustments to O&M expenses for known and measurable changes occurring both in the test period (in-period adjustments), and outside the test year (out-of-period adjustments).	Yes		Deborah Blair
40	Out-of-period adjustments to O&M expense are generally not made for items expected to occur more than one year after the test year has ended.	Yes		Deborah Blair
41	Eliminate O&M expenses that are not recovered through base rates, but rather recovered through other recovery mechanisms.	Yes		Deborah Blair
42	Include merit increases for bargaining and non-bargaining employees that occurred during the test period and within one year after the end of the test period; include related adjustments to payroll taxes.	Yes		Deborah Blair
43	Accounting adjustments are made to eliminate or add expenses to accurately state the Test Year.	Yes		Deborah Blair
44	Include customer deposit interest as an adjustment to Customer Operations expense.	Yes		Deborah Blair
45	Demand Side Management costs are eliminated from the cost of service.	Yes		Deborah Blair
46	Eliminate advertising expenses related to marketing, promotion, community relations, image, and political ads.	Yes		Deborah Blair
47	Include safety, conservation and customer program related advertising costs in the cost of service.	Yes		Deborah Blair
48	All lobbying expenses and donations booked in FERC Account 426 are not included in the cost of service.	Yes		Deborah Blair
49	Amounts paid to employees for their Annual Incentive Pay ("AIP") above 15 percent of base pay are excluded from the cost of service on person by person basis	Yes		Michael Knoll
50	Eliminate employee expenses not in compliance with corporate travel guidelines.	Yes		Deborah Blair
51	Eliminate a portion of the expenses associated with the corporate aircraft.	Yes		Deborah Blair
52	Include an adjustment to regulatory commission expense to reflect the level of CPUC annual regulatory fees based on one year following the test year.	Yes		Deborah Blair
53	Cost allocation between regulated and non-regulated business activities is based on the Cost Allocation and Assignment Manual.	Yes		Melissa Schmidt
54	Executive long-term incentive pay, net of the time-based component is excluded from the cost of service	Yes		Michael Knoll
55	Eliminate the costs associated with the Front Range Pipeline	Yes		Deborah Blair
56	Eliminate A&G and Distribution O&M expenses associated with work on the City of Boulder municipalization and separation.	No	Yes	Deborah Blair and Adam Dietenberger
57	Adjsut damage prevention program expenses to the actual amount in the test year by removing the credit booked to bring them to the tracker level established in the prior gas case.	Yes		Deborah Blair

Public Service Company of Colorado
Comparison of Regulatory Principles and Adjustments
Underlying the Cost of Service Study

Attachment DAB-7
Page 3 of 4

Line No.	Description	Previously Established Principals & Adjustments	New Proposed Principals & Adjustments	Witness Supporting Adjustment
58	Include an adjustment to pension and benefit and workers' compensation expense to reflect the level in the Test Year based on the most recent actuarial study.	Yes		Richard Schrubbe
59	Adjust active healthcare expense for claims incurred-but-not-reported	Yes		Richard Schrubbe
60	Adjust retiree medical expenses to eliminate the negative expense and reduce the regulatory asset in rate base.	Yes		Richard Schrubbe
61	Eliminate the portion of pension expense relating to employee compensation for AIP above 15% of base pay.	Yes		Richard Schrubbe
62	Include an amortization of Pre-Paid Pension balance at Sepember 30, 2020.	No - Amortization ended in July 2019		Richard Schrubbe
63	Eliminate the pension expenses that were deferred above the level of pension expenses from the prior gas rate case.	Yes		Deborah Blair
64	Include an amortization of rate case expense to recover the incremental costs of rate case.	Yes		Steven Berman
65	Included an adjustment to eliminate the expenses associated with the long-term portion of the officers' incentive compensation, net of the time based incentives.	Yes		Michael Knoll
66	Eliminate amortization of rate cases expenses from the prior gas rate case.	Yes		Deborah Blair
	Depreciation and Amortization Expense			
67	Depreciation expense is based on the depreciation rates approved in Proceeding No. 17AL-0363G.	Yes		Deborah Blair
68	Include adjustments to depreciation expense to correspond with adjustments made to plant .	Yes		Deborah Blair
69	Include the impact of a new depreciation rate study	No	Yes	Laurie Wold
70	Include an adjustment to annualize the depreciation expense at the end of the test year level.	Yes		Deborah Blair
71	Include the amortization of property taxes deferred above the level of expense from the last gas rate case, Proceeding No. 17AL-0363G, through December 31, 2020.	Yes		Deborah Blair
72	Include the amortization of qualified and non-qualified pension expenses deferred above the level of expense from the last gas rate case, Proceeding No. 17AL-0363G, through September 30, 2019.	No	Yes	Deborah Blair
73	Include an amortization of the environmental clean up costs at the Boulder Manufactured Gas Plant site.	Yes		Deborah Blair
74	Include the amortization of damage prevention program expenses deferred above the level of expense from the last gas rate case, Proceeding No. 17AL-0363G, through September 30, 2019.	Yes		Deborah Blair
75	Include an amortization of the Pre-Paid Pension Asset balance at September 30, 2020.	No	Yes	Richard Schrubbe
	Taxes Other Than Income Taxes			
76	Include known changes to property taxes that are expected one year following the end of the test yesar.	Yes		Naomi Koch
77	Adjust property taxes allocated to the gas department based on the plant balances from the prior calendar year.	Yes		Deborah Blair
78	Include amortization of property taxes deferred through December 31, 2020.	Yes		Deborah Blair
79	Eliminate the amortization of property taxes incurred in in the test year, as approved by the Commission in Proceeding No. 17AL-0363G, that will end effective March 31, 2020.	Yes		Deborah Blair
80	Eliminate property taxes associated with Front Range Pipeline	Yes		Deborah Blair
81	Include an adjustment to payroll taxes for any adjustment to test period employee labor costs.	Yes		Deborah Blair
	Income Taxes			
82	Current Federal and State income taxes are calculated as follows: taxable income less synchronized interest expense, taxable additions/deductions are added, and permanent tax differences are added, then state and federal income tax rates are applied.	Yes		Deborah Blair
83	Federal Income Tax Rate reflects current rate.	Yes		Naomi Koch
84	State Income Tax Rate is a composite of Colorado and California state income taxes	No, only reflected Colorado state income tax rate	Yes	Naomi Koch
85	Deferred income tax expense, income tax credits and the amortization of investment tax credits are added to the cost of service.	Yes		Deborah Blair
86	Adjustments to current and deferred taxes are made to correspond with adjustments made to plant.	Yes		Deborah Blair

Public Service Company of Colorado
Comparison of Regulatory Principles and Adjustments
Underlying the Cost of Service Study

Attachment DAB-7
Page 4 of 4

Line No.	Description	Previously Established Principals & Adjustments	New Proposed Principals & Adjustments	Witness Supporting Adjustment
87	Included deferred taxes associated with interest on CWIP.	Yes		Deborah Blair
88	Adjustments to current and deferred taxes are made to eliminate items not included in the cost of service.	Yes		Deborah Blair
89	Include adjustments to income taxes and deferred income taxes if the Company is in a NOL tax position.	Yes		Deborah Blair
90	Include one year amortization of the excess/deficient ADIT due to TCJA.	Yes		Laurie Wold and Naomi Koch
	AFUDC Offset to Earnings			
91	Include an offsetting adjustment to earnings for AFUDC.	No		Deborah Blair
	Capital Structure			
92	The capital structure is based on actual book year-end balances .	No	Proposing to use 13 month average balances ending September 30, 2020	Sarah Soong
93	Eliminate Notes Payable/Notes Receivable with subsidiaries from debt component in capital structure.	Yes		Sarah Soong
94	Eliminate investment in subsidiaries, subsidiary retained earnings, net non-utility plant, other investments, other funds and other comprehensive income from the equity component in capital structure.	Yes		Sarah Soong
95	The cost of debt is the actual costs and corresponds with the debt balances in the capital structure, and includes bond premiums or discounts, underwriting expenses, and other expenses of issue, and amortization of the long-term credit facility.	No	Proposing to use 13 month average balances ending September 30, 2020	Sarah Soong
96	The cost of debt is calculated by dividing the debt costs by the gross debt balance, which is known as the "par value" method	Yes		Sarah Soong
	Jurisdictional Allocators and Direct Assignments			
97	All cost of service line items are allocated to the retail jurisdiction based on either a fundamental allocator or a derived allocator. The fundamental allocators include the peak day demand, annual consumption and the total number of customers	Yes		Deborah Blair