

Public Service Company of Colorado
Comparison of Regulatory Principles and Adjustments
Underlying the 2022 CTY and 2021 HTY Cost of Service Studies

Line No.	Description	CTY 2022	HTY 2021	Witness Supporting Adjustment
	Rate Base			
1	Rate Base is calculated using a 13-month average balance method, except for Fuel Inventory, Non-Plant Related Accumulated Deferred Income Taxes ("ADIT") and Cash Working Capital.	Yes	No	Arthur Freitas
2	Rate Base is calculated using a year-end balance method for plant and plant-related items, except for Fuel Inventory, non-plant rate base balances, and Cash Working Capital.	No	Yes	Arthur Freitas
3	The gas stored underground inventory balance is collected through the GCA and has been eliminated from rate base.	Yes	Yes	Arthur Freitas
4	Materials and supplies inventory and other non-plant rate base items, such as customer deposits, customer advances for construction, and regulatory assets and liabilities will be calculated using a thirteen-month average of month-end balances.	Yes	Yes	Arthur Freitas
5	The Plant related ADIT balances are calculated using a 13-month average and the Non-Plant related ADIT balances are calculated using the average of the beginning of the year and end of year balances ("BOY/EOY") and are prorated consistent with IRS guidelines and will incorporate the effects of bonus depreciation as applicable.	Yes	No	Arthur Freitas
6	Intangible plant in-service and plant-related accounts are functionalized.	Yes	Yes	Arthur Freitas
7	Common plant is allocated to the gas department based on a study of all common plant assets that assigns an allocation method for each type of asset.	Yes	Yes	Arthur Freitas
8	Capital lease assets are not included in rate base.	Yes	Yes	Arthur Freitas
9	Plant Held for Future Use ("PHFU") is included in rate base.	Yes	Yes	Arthur Freitas
10	Construction Work in Progress ("CWIP") is included in rate base with an Allowance for Funds Used During Construction ("AFUDC") offset to earnings.	Yes	Yes	Arthur Freitas
11	Rate Base adjustments and specific assignments of plant to either the Colorado PUC jurisdiction or the FERC jurisdiction are made either using the year-end balances or the 13-month average balances to match the method of measuring rate base.	Yes	Yes	Arthur Freitas
12	Reclassify common general projects related to the AGIS projects to move it out of Common General plant and move it to Electric General plant.	Yes	Yes	Arthur Freitas
13	Adjustments are made to Accumulated Reserve for Depreciation for any annualization of depreciation expenses or adjustments to depreciation expense for new depreciation rates.	Yes	Yes	Arthur Freitas
14	Eliminate a portion of the materials and supplies inventory balance allocated to construction-related projects.	Yes	Yes	Arthur Freitas
15	The net ADIT balances are a reduction to rate base, as opposed to a cost-free component in the capital structure. The plant-related ADIT balances are reported by plant account. Adjustments to ADIT include eliminating amounts that are not included in the cost of service calculation and including adjustments related to plant adjustments.	Yes	Yes	Arthur Freitas

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16	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	Yes	Arthur Freitas
17	Excess/Deficient ADIT associated with Tax Cuts and Jobs Act of 2017 ("TCJA") is included in rate base, reflecting the amortization of excess/deficient plant and non-plant ADIT.	Yes	Yes	Arthur Freitas
18	Include an adjustment to ADIT and Deferred Income Tax expense associated with the interest on CWIP.	Yes	Yes	Arthur Freitas
19	Include an adjustment to prorate ADIT as required by IRS regulations.	Yes	N/A	Laurie Wold
20	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	Yes	Arthur Freitas
21	Cash Working Capital factors are based on a lead-lag study.	Yes	Yes	Arthur Freitas
22	Retiree medical (FAS 106), 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.	Yes	Yes	Arthur Freitas
23	Unamortized balances of other regulatory assets and liabilities are included in rate base at a 13-month average balance.	Yes	Yes	Arthur Freitas
24	Deductions from rate base include customer deposits and customer advances for construction.	Yes	Yes	Arthur Freitas
	Revenue			
25	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	Yes	Arthur Freitas
26	Retail base rate revenue does not include unbilled revenue, or adjustments for customer additions or losses to the test year sales.	Yes	Yes	Arthur Freitas
27	Adjustments to present revenues to annualize customers at year end.	No	Yes	Arthur Freitas
28	The revenues collected for the Gas Affordability Program ("GAP") that are included in the Service & Facility monthly charge are not included in base rates.	Yes	Yes	Arthur Freitas
29	Gas sales are normalized for weather using 10 years of data including the test year.	Yes	Yes	Arthur Freitas
30	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	Yes	Arthur Freitas
31	Residential late payment revenue is eliminated from base rates.	Yes	Yes	Arthur Freitas
32	Adjust Other Revenues and O&M credits for changes in rates related to Charges for Rendering Services tariff.	Yes	Yes	N. Mason Harrison
	Fuel and O&M Expenses			
33	Purchased Gas costs are eliminated from the determination of the revenue requirement.	Yes	Yes	Arthur Freitas
34	Expenses associated with the Front Range Pipeline are eliminated from the cost of service.	Yes	Yes	Arthur Freitas
35	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).	No	Yes	Arthur Freitas

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36	Out-of-period adjustments to O&M expense are generally not made for items expected to occur more than one year after the HTY test year has ended.	No	Yes	Arthur Freitas
37	Include merit increases for bargaining and non-bargaining employees that occurred during the test period and within one year after the end of the HTY test period; include related adjustments to payroll taxes.	Yes	Yes	Michael Knoll
38	Include an adjustment to Distribution O&M expenses for additional revenue for the changes to the Charges for Rendering Services tariff.	Yes	Yes	N. Mason Harrison
39	Eliminate advertising expenses related to marketing, promotion, community relations, image, and political ads.	Yes	Yes	Arthur Freitas
40	Include an adjustment to Distribution O&M for a change in Damage Prevention costs.	Yes	Yes	Lauren Gilliland
	Include an adjustment to Transmission O&M for a change in Integrity Management costs.	Yes	Yes	Lauren Gilliland
41	Include customer deposit interest as an adjustment to Customer Operations expense.	Yes	Yes	Arthur Freitas
42	Demand Side Management costs are eliminated from the cost of service.	Yes	Yes	Arthur Freitas
43	Include safety, conservation and customer program related advertising costs in the cost of service.	Yes	Yes	Arthur Freitas
44	Labor expenses recorded in purchased gas expenses are reclassified to FERC Account 807, Other Gas Supply	Yes	Yes	Arthur Freitas
45	Eliminated expenses for mineral rights management related to electric operations	Yes	Yes	Arthur Freitas
46	Adjust 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	Yes	Yes	Arthur Freitas
47	All lobbying expenses and donations booked in FERC Account 426 are not included in the cost of service.	Yes	Yes	Arthur Freitas
48	Included an adjustment to eliminate the expenses associated with the long-term portion of the officers' incentive compensation, net of the environmental targets and the time-based portion at the target level.	Yes	Yes	Michael Knoll
49	Annual incentive pay ("AIP") above 100 percent of target are excluded from the cost of service	Yes	Yes	Michael Knoll
50	Eliminate discretionary pay.	Yes	Yes	Michael Knoll
51	Eliminate 50 percent of Investor Relation expenses in the cost of service.	Yes	Yes	Arthur Freitas
52	Eliminate employee expenses not in compliance with corporate travel guidelines.	Yes	Yes	Arthur Freitas
53	Eliminate a portion of the expenses associated with the corporate aircraft.	Yes	Yes	Arthur Freitas
54	Include an adjustment to pension and benefit and workers' compensation expense to reflect the most recent actuarial study.	Yes	Yes	Rick Schrubbe
55	Adjust active healthcare expense for claims incurred-but-not-reported	Yes	Yes	Rick Schrubbe
56	Adjust retiree medical expenses to eliminate the negative expense and reduce the regulatory asset in rate base.	Yes	Yes	Rick Schrubbe
57	Eliminate the pension expenses that were deferred above the level of pension expenses from the prior gas rate case.	Yes	Yes	Arthur Freitas

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58	Regulatory commission expenses associated with the Commission administration fees are annualized at the most current level	Yes	Yes	Arthur Freitas
59	Eliminate amortization of rate cases expenses from the prior gas rate case.	Yes	Yes	Arthur Freitas
60	Include an amortization of rate case expense to recover the incremental costs of current electric rate case.	Yes	Yes	Marci McKoane
61	Cost allocation between regulated and non-regulated business activities is based on the Cost Allocation and Assignment Manual.	Yes	Yes	Ross Baumgarten
	Depreciation Expense			
62	Per Book Depreciation expense is based on the depreciation and amortization rates approved in Proceeding No. 20AL-0049G.	Yes	Yes	Laurie Wold
63	Include adjustments to depreciation expense to correspond with adjustments made to plant.	Yes	Yes	Arthur Freitas
64	Include adjustment to reflect the depreciation rates for common plant included in Settlement of Proceeding No. 21AL-	Yes	Yes	Laurie Wold
65	Annualize depreciation expense at the year-end level.	No	Yes	Arthur Freitas
	Amortization Expense			
66	Eliminate the amortization of property taxes approved by the Commission in Proceeding No. 20AL-0049G, and include any unamortized amount in the level of property tax expenses being amortized in this case.	Yes	Yes	Arthur Freitas
67	Include an amortization of the environmental clean up costs at the Boulder and Denver Manufactured Gas Plant site.	Yes	Yes	Marci McKoane
68	Include amortization of property taxes above the level of expenses approved in the last electric rate case, Proceeding No. 20AL-0049G	Yes	Yes	Arthur Freitas
69	Include amortization of the unamortized balance of the qualified and non-qualified pension expense deferral that was approved in Proceeding No. 20AL-0049G	Yes	Yes	Arthur Freitas
70	Include amortization of the previously approved regulatory asset for damage prevention expenses above the baseline set in Proceeding No.20AL-0049G	Yes	Yes	Arthur Freitas
71	Include an amortization of the difference in Colorado State Income Tax rate change from the 2020 Gas Combined Rate Case.	Yes	Yes	Arthur Freitas
	Taxes Other Than Income Taxes			
72	Include an adjustment to payroll taxes for any adjustment to test period employee labor costs.	Yes	Yes	Arthur Freitas
73	Include known changes to property taxes that are expected to occurred in the test period.	Yes	Yes	Naomi Koch
74	Eliminate property taxes associated with Front Range Pipeline	Yes	Yes	Arthur Freitas
	Income Taxes			
75	Current Federal and State income taxes are calculated as follows: taxable income is determined by using the return on rate base, then synchronized interest expense is deducted, taxable additions/deductions are added, and permanent tax differences are added, then state and federal income tax rates are applied.	Yes	Yes	Arthur Freitas
76	Federal and State Income Tax Rates reflects current rates.	Yes	Yes	Arthur Freitas
77	Deferred income tax expense, income tax credits and the amortization of investment tax credits are added to the cost of service.	Yes	Yes	Arthur Freitas

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78	Adjustments to current and deferred taxes are made to correspond with adjustments made to plant.	Yes	Yes	Arthur Freitas
79	Included deferred taxes associated with interest on CWIP.	Yes	Yes	Arthur Freitas
80	Adjustments to current and deferred taxes are made to eliminate items not included in the cost of service.	Yes	Yes	Arthur Freitas
81	Include adjustments to income taxes and deferred income taxes if the Company is in a NOL tax position.	Yes	Yes	Arthur Freitas
	AFUDC Offset to Earnings			
82	Include an offsetting adjustment to earnings for AFUDC.	Yes	Yes	Arthur Freitas
83	AFUDC addition to earnings is based on actual test-period expenses and is not annualized if rate base is calculated using a 13-month average; if rate base is calculated using a year-end balance, AFUDC addition to earnings is annualized at the year-end level.	Yes	Yes	Arthur Freitas
	Capital Structure			
84	The capital structure is based on 13-month average balances.	Yes	Yes	Paul Johnson
85	Short-term debt is included in the capital structure.	Yes	Yes	Paul Johnson
86	Adjustments are made to the capital structure to eliminate the following items: 1) notes payable/receivable with subsidiaries; 2) investment in subsidiaries; 3) subsidiary retained earnings; 4) net non-utility plant; 5) other investments at cost; 6) other funds; and 7) other	Yes	Yes	Paul Johnson
87	The cost of debt is calculated using the par value method and corresponds with the debt balances in the capital structure, and includes bond premiums or discounts, underwriting expenses, other expenses of issue, and amortization of the long-term credit facility	Yes	Yes	Paul Johnson
	Jurisdictional Allocators and Direct Assignments			
88	The allocation between the Gas Department retail and wholesale jurisdictions is performed on a line-by-line basis for both rate base and earnings, and based on the methodology last approved by the Commission	Yes	Yes	Arthur Freitas