

NON-O&M UTILITY ALLOCATIONS

Introduction

Common Non-O&M Utility Allocations are applied to Common Costs that are recorded in non-O&M FERC accounts. Table C in this section lists the PSCo Allocation Methodology applied to each FERC account or range of FERC accounts.

Methodology

PSCo uses the following methods to allocate non-O&M Common Costs. These methods were developed to achieve the most cost-causative relationship that each FERC account or range of FERC accounts has with electric, gas, and thermal utility divisions.

Labor Allocator

The Labor Allocator is used to allocate Common Costs in FERC account 408 (payroll tax portion) to the electric, gas, and thermal utility divisions. The allocation is based on operating labor for the electric, gas, and thermal utility divisions. The allocator used in the current year is developed based on the previous years' actual operating labor.

Three-Factor Allocator

The Three-Factor Allocator is used to allocate Common Costs in FERC account 408 (other tax portion), 426.1-426.5 among electric, gas and thermal utility divisions. The allocation is based on the weighted average of operating revenue, plant in service and supervised O&M. The allocator used in the current year is developed based on the previous years' actual operating revenue, plant in service, and supervised O&M.

Common Plant Allocator

The Common Plant Allocator is used to allocate Common Costs in FERC accounts 408 (property tax portion), 403-407, 404, 411.6, 411.7, 411.10, and 413 among electric, gas, thermal, and non-regulated utility divisions. The allocation is based on an analysis of common plant. The allocator used in the current year is developed based on the previous years' actual common plant dollars.

Net Plant

The Net Plant Allocator is used to allocate Common Costs in FERC accounts 427-431 among electric, gas, and thermal utility divisions. The allocation is based on gross plant less accumulated depreciation. The allocator used in the current year is developed based on the previous years' actual gross plant and depreciation.

Gross Plant

The Gross Plant Allocator is used to allocate Common Costs in FERC accounts 419.1 and 432 among electric, gas, and thermal utility divisions. The allocation is based on gross plant. The allocator used in the current year is developed based on the previous years' actual gross plant.

TABLE B - O&M UTILITY ALLOCATIONS

FERC Account	Allocation Method	Basis for Allocation Selection
901-916 (excluding customer records and collections expense in FERC 903 and commodity bad debt in FERC 904)	Customer Allocator	Customer bill counts are a reasonable methodology to use to allocate common customer accounting and customer information and sales costs recorded in FERC accounts 901-916 because these costs are customer related costs, e.g., credit and collection, customer accounting, bad debt, etc.
903 (customer records and collection)	Customer Allocator	Customer bill counts are a reasonable methodology to use to allocate common customer accounting and customer information and sales costs recorded in FERC accounts 901-916 because these costs are customer related costs, e.g., credit and collection, customer accounting, bad debt, etc.
904 (commodity bad debt portion)	Revenue Allocator	A revenue allocator is a reasonable methodology to allocate commodity bad debt because these costs have a cost-causative relationship to uncollectible utility division revenues.
920-924	Three-factor Allocator	A three-factor allocator is a reasonable methodology to allocate these costs because there is no single allocator that could provide a cost causative link. A three-factor allocator that measures three distinct aspects of the Operating Company and results in an overall fair assignment of costs to the electric, gas and thermal utility divisions is used and is based on equally weighing operating revenue, plant in service and supervised O&M.
925-926	Labor Allocator	A labor allocator is a reasonable methodology to allocate Common Costs recorded in FERC accounts 925 & 926 because injuries and damages and pension and benefit costs have a cost causative relationship with labor.
927-935	Three-factor Allocator	A three-factor allocator is a reasonable methodology to allocate these costs because there is no single allocator that could provide a cost causative link. A three-factor allocator that measures three distinct aspects of the Operating Company and results in an overall fair assignment of costs to the electric, gas and thermal utility divisions is used and is based on equally weighing operating revenue, plant in service and supervised O&M.

TABLE C - NON-O&M UTILITY ALLOCATIONS

FERC Account	Allocation Method	Basis for Allocation Selection
403-407	Common Plant Allocator	The common plant allocator is a reasonable methodology to use to allocate Common Costs recorded in FERC accounts 403-407 because depreciation and amortization costs have a cost causative relationship to plant in service.
408 (property tax portion)	Common Plant Allocator	The common plant allocator is a reasonable methodology to use to allocate common property tax recorded in FERC account 408 because property tax has a cost causative relationship to plant in service.
408 (payroll tax portion)	Labor Allocator	A labor allocator is a reasonable methodology to use to allocate common payroll tax recorded in FERC account 408 because payroll tax has a cost causative relationship with labor.
408 (other tax portion)	Three-factor Allocator	A three-factor allocator is a reasonable methodology to allocate these costs because there is no single allocator that could provide a cost causative link. A three-factor allocator that measures three distinct aspects of the Operating Company and results in an overall fair assignment of costs to the electric, gas and thermal utility divisions is used and is based on equally weighing operating revenue, plant in service and supervised O&M.
411.1	Common Plant Allocator	The common plant allocator is a reasonable methodology to use to allocate Common Costs recorded in FERC account 411.1 because these gains/losses have a cost causative relationship to utility division plant in service.
411.6 & 411.7	Common Plant Allocator	The common plant allocator is a reasonable methodology to use to allocate Common Costs recorded in FERC accounts 411.6 and 411.7 because these gains/losses have a cost causative relationship to utility division plant in service.
413	Common Plant Allocator	The common plant allocator is a reasonable methodology to use to allocate Common Costs recorded in FERC account 413 because expenses on plant leased to others have a cost causative relationship to utility division plant
419.1	Gross Plant Allocator	A gross plant allocator is a reasonable methodology to use to allocate Common Costs recorded in FERC account 419.1 because AFUDC has a cost causative relationship to utility division plant in service.

426.1 - 426.5	Three-factor Allocator	A three-factor allocator is a reasonable methodology to allocate these costs because there is no single allocator that could provide a cost causative link. A three-factor allocator that measures three distinct aspects of the Operating Company and results in an overall fair assignment of costs to the electric, gas and thermal utility divisions is used and is based on equally weighing operating revenue, plant in service and supervised O&M.
427-431	Net Plant Allocator	A net plant allocator is a reasonable methodology to use to allocate Common Costs in FERC accounts 427-431 because interest/debt costs have a cost causative relationship to plant in service.
432	Gross Plant Allocator	A gross plant allocator is a reasonable methodology to use to allocate Common Costs recorded in FERC account 432 because AFUDC has a cost causative relationship to utility division plant in service.

VII. NON-REGULATED ACTIVITY ALLOCATIONS

INTRODUCTION

The purpose of this section is twofold. First, in further response to 4 CCR 723-3503(b)(IV), (V) and (VII) and 4 CCR 723-4503(b)(IV), (V) and (~~VIII~~VII), this section details the allocators used to apportion common A&G costs and common Customer Accounting Costs between the regulated activities and the non-regulated activities in the final step of fully distributing costs. Second, this section describes transactions between PSCo and non-regulated activities as required by 4 CCR 723-3503(b)(VI) and 4 CCR 723-4503(b)(VI).

NON-REGULATED ACTIVITY ALLOCATIONS

A&G

All non-regulated activities are allocated a portion of PSCo's common A&G costs. Common A&G costs are allocated to non-regulated activities on the basis of labor of each non-regulated activity. The Company utilizes labor dollars for regulated activities and non-regulated activities to allocate the common portion of A&G costs, recorded in FERC accounts 920-935, to the non-regulated activities.

Customer Accounting

Most non-regulated activities are also allocated a portion of PSCo's common Customer Accounting Costs. The distinction here is whether or not the non-regulated activity uses the customer accounting services of PSCo. For those activities that do use these services, common Customer Accounting Costs are allocated on the basis of revenues earned by each non-regulated activity. The Company utilizes revenue dollars for regulated activities and non-regulated activities to allocate the common portion of Customer Accounting Costs, recorded in FERC accounts 901-916, to the non-regulated activities. Excluded from the Common Costs in FERC accounts 901-916 are: FERC account 902, Meter Reading Expenses; FERC account 904, Uncollectible Accounts; and Demand Side Management costs in FERC account 908, Customer Assistance Expenses. These costs have been excluded because they are not pertinent to PSCo's non-regulated activities, as the non-regulated activities account for their own bad debt expenses separately.

TRANSACTIONS BETWEEN PSCo AND NON-REGULATED ACTIVITIES

Rule 3503(b)(VI) calls for “a description of each transaction between the Colorado utility and a non-regulated activity which occurred since the Colorado utility’s prior CAAM was filed and, for each transaction, a statement as to whether, for this Commission’s jurisdictional cost assignment and allocation purposes, the value of the transactions is at cost or market as applicable.” In the case of PSCo, the three main types of transactions that occur between the Company’s regulated and non-regulated activities are: 1) labor and non-labor costs provided by PSCo to run non-regulated activities, with the major categories of such costs being described in the Fully Distributed Cost Study 2) rent, utility, and common area costs for use of warehouse facilities, and 3) provision of gas and electric service by the electric and gas divisions to the Company’s non-regulated activities. I provide further information on each of these categories below.

- (1) The labor provided by PSCo to its non-regulated activities is priced according to the union labor contracts and is subject to certain overhead loading that represents the going market rate for such services. The majority of costs incurred by PSCo in the course of conducting its non-regulated activities are directly assigned to the non-regulated activity that causes the cost to be incurred. Such costs are recorded below the line in FERC account 417.1, Expenses of Nonutility Operations. For example, PSCo employees who perform work for HomeSmart are dedicated to the non-regulated activity and 100 percent of their labor costs, including appropriate labor loadings, are recorded directly in FERC account 417.1, Expenses of Nonutility Operations, as opposed to being recorded in electric, gas, or thermal divisions and then assigned or allocated to the non-regulated division. Similarly, 100 percent of the fleet expense incurred in the course of HomeSmart’s business is directly recorded in FERC account 417.1, Expenses of Nonutility Operations.
- (2) The payment of rent and related utility division and common area costs by PSCo to HomeSmart is determined based off of the ratio of square footage used by total leased square footage, actual utilities used, as well as a pro-rata share of common area costs. The costs incurred by HomeSmart are at market-rate and the payments made by PSCo are at HomeSmart’s cost. The payments received by HomeSmart are recorded directly in FERC account 417, Revenues from Nonutility Operations.
- (3) The provision of gas and electric service by the electric and gas divisions to the Company’s non-regulated activities are provided by the regulated activities at tariffed rates.

To the extent that PSCo incurs Common Costs from which both its non-regulated and regulated divisions benefit, such costs are allocated as described above in this section and in other sections of this manual.

VIII. SERVICE COMPANY ASSIGNMENTS AND ALLOCATIONS

OVERVIEW

This section addresses the requirements of 4 CCR 723-3503(b)(VIII).

The Service Company provides shared or common administrative and management services to all Operating Companies and affiliates in the Xcel Energy holding company system. The services provided include, but are not limited to: executive management, finance, accounting, financial reporting, treasury, corporate communications, property services, human resources, information technology, legal, regulatory, engineering, generation resource planning, construction, customer service, environmental and support services. The Service Company provides its services to Xcel Energy and its affiliates, at cost, pursuant to service agreements administered in accordance with the Public Utility Holding Company Act of 2005 with oversight by the FERC effective August 5, 2005. Accordingly, PSCo's affiliate transactions currently consist primarily of transactions from the Service Company for these services.

The cost assignments and/or allocations from the Service Company are under the jurisdiction of the FERC. The ACC methodologies are described in Table D.