



**Northern States Power Company
Before the
Minnesota Public Utilities Commission**

Application for Authority to
Increase Gas Rates in Minnesota
Docket No. G002/GR-21-678

November 1, 2021

Volume 5

Budget Summary, Documentation, &
Supplemental Budget Information

BUDGET SUMMARY and NARRATIVES

Volume 5

Table of Contents

1. Executive Summary
2. Summary Reports
 1. Operating and Maintenance expense comparisons with variance explanations by FERC function between 2020 Actual and 2022 Budget for NSPM Gas
 2. (2A) Operating and Maintenance expense comparison by cost element for NSPM Gas between 2020 Actual and 2022 Budget
 3. (3A) Operating and Maintenance expense comparison by FERC account for NSPM Gas between 2020 Actual and 2022 Budget
3. Budget Process
4. O&M Budget Narratives (2022)
 - A. GAS OPERATIONS
 - B. OPERATION SERVICES
 - C. BENEFITS
 - D. CUSTOMER AND INNOVATION
 - Business Systems
 - Customer Care
 - Bad Debt
 - Chief Customer and Innovation Officer
 - E. HUMAN RESOURCES AND EMPLOYEE SERVICES
 - Human Resources, Corporate Giving, Enterprise Learning and Technical Training, and Workforce Relations and Safety
 - Property Services and Aviation
 - F. SHARED SERVICE ORGANIZATIONS
 - Chief Executive Officer
 - Risk, Audit and Compliance
 - Strategy Planning and External Affairs
 - Corporate Other
 - Financial Operations
 - NSPM President
 - General Counsel

Budget Summary and Narratives (Volume 5) – Table of Contents
(continued)

5. Inflation Trend Analysis
6. Budget Translation / Analysis of Miscellaneous Expenses
7. Capital Substitution / Contingent Process and Reports

Introduction

The purpose of the budget summary, process, and documentation contained in Volumes 5 and 6 and of this filing is to provide information supporting the 2022 operating and maintenance (O&M) expense and 2022 capital expenditure budgets for the utility companies that make up Northern States Power Company – Minnesota (NSPM).

This Executive Summary is designed to provide an overview of the Budget Documentation and explain how the different components fit together.

Summary-level NSPM Gas Utility (NSPM Gas) reports are provided in the “Summary Reports” tab of this Volume 5. These reports show the 2020 actual versus 2022 budget O&M expenses, summarized across all business areas:

Summary Report 1 compares O&M expense by function between the 2020 actual and 2022 budget for NSPM Gas. The report includes an analysis of the major categories of cost changes over the two-year period.

Summary Report 2 compares O&M expense by cost element between the 2020 actual and 2022 budget (2A) periods for NSPM Gas.

Summary Report 3 compares O&M expense by FERC account between the 2020 actual and 2022 budget (3A) periods for NSPM Gas.

These reports reflect NSPM total gas utility costs. These exhibits reflect business area costs in total prior to Minnesota gas jurisdictional allocations and any test year adjustments, so not all of the above costs are reflected in the cost of service, nor are the costs all part of our request for rate recovery in this proceeding.

A description of the budgeting process is provided in the Budget Process tab of this Volume 5.

The O&M Budget Narratives section of Volume 5 includes detailed narrative, variance explanations, and expense schedule information for the 2022 Test Year (TY) with walk forward information starting with the July 2021 year-end forecast. These summaries are organized by Business Area.

Volume 5 of the budget documentation concludes with the IHS Markit Guideline Analysis of 2020 actuals to the 2022 budget amounts, the budget translation documents, and the capital substitutions and contingent fund reports. The IHS Markit Guideline Analysis includes both (1) analytical explanations (by FERC account) for significant differences between the 2022 budget and levels expected based on IHS Markit-inflated 2020 actuals and (2) a numeric summary of the inflated 2020 actual amounts compared to the 2022 budget amounts. The budget translation documents include translation reports linking cost element, cost activity, and project budgeting mechanisms on a common and consistent basis to ensure a proper audit trail. And the capital substitutions and contingent fund reports include information on the Company’s capital substitutions and contingent fund processes and reports for the primary capital business areas.

Volume 6 Variance Explanations compares the 2020 actual versus 2022 budget O&M expenses by FERC account. The Variance Explanations then provide, for any variances

of at least \pm \$500,000 and at least five percent, an explanation of the reasons for the observed variance.

Supporting Schedules are provided in Volume 6, as well, which provide information on billings, O&M by cost element, O&M by FERC account, and capital budgets. The billing information is provided for the 2022 budget. O&M information is provided in several formats by cost element and FERC account, providing variance information to allow comparisons between 2020 to 2022. Finally, capital budget information for 2022 is included by business area and by business area by utility.

Volume 6 concludes with Supplemental Reports for the most recent three historical annual periods of 2018 through 2020. The Supplemental Reports section provides Xcel Energy Financial Performance Team (FPT) Reports summarizing total NSPM Company actual and budget O&M and capital expenditures by business area, including the annual budget variance and explanations. The process for compiling and reporting O&M and capital expenditure variance information changed significantly in 2019, resulting in a different deliverable for that year. Under the current process, Monthly Performance Review meetings are held with each business area and the final deliverable is a summarized presentation with explanations for the capital and O&M variance drivers for NSPM. The total variance for NSPM and each business area is provided along with a description of primary variance drivers. This section also contains summaries of the most recent three years of historical O&M expenses for NSPM Gas. Three annual schedules provide the actual and budget expenditures, including the variance and percent variance. The O&M expenses are organized by functional class and listed by FERC account. Summaries of the most recent three years of historical NSPM capital expenditures, organized by project, are also included in this section.

The remainder of this Executive Summary provides an overview of Xcel Energy's corporate organization, followed by more detailed descriptions of the information contained within Volumes 5 and 6.

Xcel Energy Operating Companies

Budget information for the following companies was developed during the budget effort:

- Northern States Power Company – Minnesota (NSPM), aka Operating Company (OpCo)
- Northern States Power Company – Wisconsin (NSPW)
- Public Service Company of Colorado (PSCo)
- Southwestern Public Service Company (SPS)
- Xcel Energy Services Inc. (XES), aka Service Company (Svc Co), which includes services provided to the subsidiaries of Xcel Energy

The materials provided within Volume 5 and 6 include budget information specific to NSPM as well as any XES costs that are allocated to NSPM.

NSPM is a direct subsidiary of Xcel Energy Inc. NSPM is an operating utility engaged in the generation, transmission, distribution, and sale of electricity in Minnesota, North Dakota, and South Dakota. NSPM also purchases, distributes, and sells natural gas to retail customers and transports customer-owned gas in Minnesota and North Dakota. NSPM provides electric utility service to approximately 1.5 million customers and gas utility service to approximately 0.5 million customers.

NSPW is a direct subsidiary of Xcel Energy Inc. NSPW is an operating utility engaged in the generation, transmission, distribution, and sale of electricity to approximately 300,000 customers in northwestern Wisconsin and in the western portion of the Upper Peninsula of Michigan. NSPW is also engaged in the purchase, distribution, and sale of natural gas to retail customers and transports customer-owned gas in the same service territory to approximately 100,000 customers.

PSCo is a direct subsidiary of Xcel Energy Inc. PSCo is an operating utility engaged principally in the generation, purchase, transmission, distribution, and sale of electricity and the purchase, transportation, distribution, and sale of natural gas. PSCo serves approximately 1.5 million electric and 1.4 million natural gas customers in Colorado.

SPS is a direct subsidiary of Xcel Energy Inc. SPS is an operating utility engaged primarily in the generation, purchase, transmission, distribution, and sale of electricity. SPS serves approximately 400,000 electric customers in portions of Texas and New Mexico. A major portion of SPS' retail electric operating revenues is derived from operations in Texas.

XES is a direct subsidiary of Xcel Energy Inc. XES provides various administrative, managerial, environmental, and other support services to the other subsidiary companies of Xcel Energy Inc.

Corporate Organization

Budget documentation is provided for each of the internal utility company business areas and the XES business areas that provide support to the utility companies. Each of the business areas has a senior officer responsible for its operation. There have been modifications to the organization of these business areas since the time of our last gas rate case. The business areas are listed below:

- Gas Operations
 - The NSPM Gas Operations organization provides for the safe and reliable delivery of natural gas service to customers in Minnesota and North Dakota. It contains the following key areas: Gas Operations, Gas Programs, Gas Transmission, Gas Engineering, Integrity Work, Gas Regulatory & Strategy, and Business Operation.
- Operation Services
 - Business area that manages Xcel Energy's Commercial Operations, electric and gas fuel supply, and Supply Chain functions
- Benefits
 - Support area that contains the summary of labor additive costs, including payroll taxes, non-productive labor costs, insurance and pension costs, incentive costs, and workers' compensation costs
- Customer and Innovation
 - Business areas that provide integrated services to Xcel Energy and its operating companies in the following areas: Business Systems, Customer Care, Bad Debt, and Customer and Innovation.
- Human Resources and Employee Services
 - Business areas that provide integrated services to Xcel Energy and its operating companies in the following areas: Human Resources and Employee Services, Talent Strategy and Transformation, Total Rewards, Workforce Strategy and Consulting and HR Strategy and Performance. Also includes Property Services and Aviation.
- Other Shared Services Organizations
 - Chief Executive Officer (CEO) includes the Chairman's Fund and Chief Executive Officer
 - Risk, Audit and Compliance helps to ensure the integrity of company finances and operations through robust risk analytics, audit services and compliance with corporate ethics and other policies.

Corporate Organization (continued)

- Strategic Planning and External Affairs identifies strategies that promote the company's value in a variety of business, policy and energy-related areas.
- Corporate Other contains the following functions: company use credits, overhead charges to affiliates, A&G charges to capital, non-regulated overheads, and permanent income tax differences. Detailed descriptions of each business function are described under the major business functions and key activities section of the narrative.
- Financial Operations leads financial governance and delivers superior financial services.
- NSPM President, manages Rates and Regulatory Affairs, and Community Relations

- General Counsel provides critical legal and strategy services to Xcel Energy, its operating companies and its subsidiaries with a focus on advancing strategic objectives.

Budget Documentation – Volume 5

Budgeting is the foundation and framework for developing supportable and attainable financial plans by legal entity, utility, and jurisdiction. Budget documentation provides a consistent basis for business planning and budget reviews, facilitates any necessary budget adjustments, provides transparency and a clear audit trail, and supports rate case filings.

The format of each business area's budget documentation is consistent and is generally comprised of the major sections discussed below:

Narrative Documentation

Major Business Functions and Key Activities

Introduction

This section generally describes the organization, primary focus, and overall responsibilities of the sub-areas included in the business area being discussed.

Customer Value

This section discusses the key priorities, strategic initiatives, and elements of the business area and how they optimize direct benefit to the customer. Examples include productivity improvements, overhaul management of the generation plants, environmental initiatives, infrastructure modernization and new technologies, increasing capacity requirements, and compliance with reliability standards to ensure the safe delivery of our energy products.

Walk Forward of Major Cost Drivers

This section consists of two parts: Walk forward schedules of the business drivers and amounts that comprise the majority of the increases and/or decreases in O&M costs in the form of tables and bar graphs comparing the 2021 July year-end forecast to the 2022 budget. The walk forward tables are prepared on an activity-based perspective and include high-level explanations of the cost level changes. Detailed explanations are provided for each major cost driver following the walk forward table. This section also includes the Major Cost Categories, which provide the business area's total 2022 O&M budgets and the major spend components in the form of a pie chart. In some cases, brief explanations of some of the components are also provided.

Expenses of business areas that are specific to NSPM have been provided at that level. Business areas that provide support to all of Xcel Energy's operating companies reflect their total 2022 budget O&M expenses.

Budget Documentation (continued)

Functional Organization Chart

This section includes an organizational chart that identifies all areas that fit within the organizational entity being discussed. For some business areas, there is no applicable functional organizational chart (e.g., Benefits). In these cases, “Not applicable” is noted on this page.

Major Business Functions and Key Activities

This section generally describes the overall responsibilities of each of the areas included in the organizational chart.

Cost Allocation Methodologies

This section is applicable to business areas that manage costs in XES that must be assigned to legal entities within Xcel Energy. Primary cost assignment or allocation methods used to distribute the business area’s budget dollars between legal entities and utilities are shown here. This includes explanations of how each area’s costs are assigned directly, or if allocated, the allocation methodology used. Company witness Mr. Ross L. Baumgarten provides a complete list of allocation methodologies in his Direct Testimony at Exhibit___(RLB-1), Schedule 4.

The allocation methods used to distribute costs to legal entity and utility are identified below. Whenever possible, costs are charged directly to the relevant operating company.

Operating Company Direct Charges – Costs incurred by a particular operating company. For example, the relevant operating company pays insurance premiums for operating company-specific policies. These premiums are charged directly to that operating company.

Service Company Direct Charges – Costs incurred by the Service Company on behalf of an operating company. For example, some Budgeting personnel may be involved in a specific operating company initiative. Any Service Company labor costs associated with this initiative are billed directly to the relevant operating company.

Service Company Allocated Charges – Costs for which a unique operating company cannot be determined, or which are incurred on behalf of all operating companies. For example, general budgeting services are provided on a centralized basis for all Xcel Energy legal entities. The Service Company labor costs associated with these services are allocated to the legal entities using allocations. The descriptions and specific allocation methods used by the various functional areas within business area being discussed are provided in a table.

Budget Documentation – Volume 6

Variance Explanations

This section contains explanations for significant changes between the 2020 actual and 2022 budget O&M expenses, shown by FERC account, for the NSPM Company - gas utility. The explanations are aggregated to include each business area's activities that contributed a variance within the specific FERC account of at least $\pm\$500,000$ and at least five percent over the two-year period. These explanations cover the variances shown in the 2020 to 2022 documentation of Schedule 4, Volume 6 of the budget documentation.

The first report within the Variance Explanations section of Volume 6 - Budget Documentation included in the filing is titled "Summary Report 1." This high-level report summarizes the NSPM Company - gas utility's O&M expenses by FERC account function. This report subtotals the expenses recorded within the functional FERC accounts (Manufactured Gas Production, Storage, Transmission and Distribution) and also subtotals the expenses recorded to Customer, Sales, and Administrative and General accounts. The report includes the respective change and the percentage change over the two-year period for each of the account groups.

Two additional summary reports provide the O&M expenses by FERC account. The first of the two summary reports provides the expenses recorded within the functional FERC accounts. The second report provides a summary of the expenses recorded within the Customer, Sales, and Administrative and General FERC accounts. Together, these two reports summarize the total NSPM Company gas utility expenses by account for the 2020 actual and 2022 budget periods. The two reports also include the respective change and the percentage change over the two-year period for the accounts. Variance explanation reference numbers have been included on the two summary reports to be used as a key to the respective accounts' variance explanations.

A variance explanation report follows each of the two additional summary reports. The variance explanation reports include the variance explanation's reference number, the FERC account number, the variance explanation, and the two-year variance amount. In addition, offsetting variance amounts that have been budgeted to other FERC accounts are indicated on this report. Finally, the net remaining variance amount reflected under the FERC account being explained is identified.

Budget Documentation (continued)

Supporting Schedules

The following budget schedules are included for each business area:

Schedule 1 – Analysis of Billings

This schedule summarizes business area total O&M expenses by Operating Company direct billed, Service Company direct billed, and Service Company allocated charges. The purpose of this schedule is to provide a breakdown of the amount of budgeted O&M expenses of each business area that originated in the Operating Company, the amount directly assigned to the Operating Company from the Service Company, and the amount that was assigned to the Operating Company from the Service Company through an allocation. Note: The Service Company total on Schedule 1 equals the NSPM total from Schedule 2, Service Company Billings.

Schedule 2 – Service Company Billings Only

This schedule summarizes the amount of billings from each business area that manages Service Company costs to NSPM and the other Xcel Energy subsidiaries. This schedule is intended to provide the amount of budgeted billings from each business area that manages Service Company costs, how much of those costs are billed to each Xcel Energy utility legal entity, and the amount billed to other non-regulated subsidiaries of Xcel Energy. Note: The NSPM total from Schedule 2, Service Company Billings, equals the Service Company total on Schedule 1.

Schedule 3 – NSPM O&M by Cost Element Account

The purpose of this schedule is to provide comparisons of actual O&M expenses recorded in 2020 by cost element account to the 2022 expense budget for the total NSPM Company and by business area. This schedule summarizes and compares the O&M expenses by cost element account for the total NSPM Company. The first report set aggregates the expenses over all business areas, for all utilities. The second report set provides this comparison separated and subtotaled for each business area, including the grand total amount for the NSPM Company, for all utilities. The third set provides the total NSPM Company by utility (e.g. electric, gas, and non-utility), with aggregate expenses over all business areas. The fourth set provides the total NSPM Company by utility, with costs separated by business area.

Budget Documentation (continued)

Supporting Schedules

Schedule 4 – NSPM O&M by FERC Account (All Utilities)

The purpose of this schedule is to provide comparisons of actual O&M expenses recorded in 2020 by FERC account to the 2022 expense budget for the total NSPM Company and by business area. This schedule summarizes and compares the O&M expenses by FERC account for the total NSPM Company. The first report set aggregates the expenses over all business areas, for all utilities. The second report set provides this comparison separated and subtotaled for each business area, including the grand total amount for the NSPM Company, for all utilities. The third set provides the total NSPM Company by utility (e.g. electric, gas, and non-utility), with aggregate expenses over all business areas. The fourth set provides the total NSPM Company by utility, with costs separated by business area.

Schedule 5 – NSPM 2022 Capital Budgets (All Utilities)

The purpose of these schedules is to provide a listing of the NSPM capital projects by business area and the amounts that are included in the 2022 capital expenditure budgets. This schedule is not applicable for all business areas. If a business area has no capital expenditures budgeted they are not included on Schedule 5. The first set of reports provides this information for the total NSPM Company, across all utilities. The second set of reports provides the information for the total NSPM Company, by utility (e.g. electric, gas, and common).

Supplemental Reports

2018 - 2020 Financial Performance Team (FPT) O&M Reports

This section contains explanations for significant differences between the NSPM Company's year-end actual and budget business area departmental O&M expenses for the previous three years. The purpose of these schedules is to provide the Company's historical actual versus budget performance and provide explanations for variances. The process for compiling and reporting O&M variance information changed significantly in 2019, resulting in a different deliverable for that year. Under the current process, Monthly Performance Review meetings are held with each business area and the final deliverable is a summarized presentation with explanations for the O&M variance drivers for NSPM. The total variance for NSPM and each business area is provided along with a description of primary variance drivers.

The FPT Reports provided in this section are those referenced by Company witness Melissa L. Ostrom within her direct testimony discussion regarding the accuracy of the Company's budgets to its actual costs. These reports are consistent with the values shown in Table 3 – NSPM Total Company Actual versus Budget O&M within her testimony.

The total O&M amounts summarized on the FPT reports include NSPM Company electric, gas, and non-utility expenditures. Therefore, they do not match the total O&M expenses identified on the NSPM Company's three-year historical gas utility O&M expense schedules described in the following section.

2018 - 2020 NSPM Company Gas Utility O&M Expenses

This section contains summaries of the most recent three years of historical O&M expenses for the NSPM Company gas utility. Annual schedules provide the actual and budget expenditures, including the variance and percent variance for the periods 2018 through 2020. The expenses are summarized by FERC functional class and listed by FERC account. The expenses summarized in these schedules reflect the departmental expenses incurred by the Company's business areas. These summaries do not include non-utility below the line FERC accounts. The purpose of these schedules is to enable comparison of the NSPM Company's annual actual and budget gas utility O&M expenses by FERC account over the most recent three historical years.

The schedules in this section are consistent with those shown in Table 4 – NSPM Gas Utility Actual versus Budget O&M in Company witness Melissa L. Ostrom's direct testimony discussion regarding the accuracy of the Company's budgets to its actual costs.

2018 - 2020 Financial Performance Team (FPT) Capital Expenditure Reports

This section contains explanations for significant differences between the NSPM Company's year-end actual and budgeted business area departmental capital expenditures for the previous three years. The purpose of these schedules is to provide the Company's historical actual versus budget performance and provide explanations for variances. The process for compiling and reporting capital expenditure variance information changed significantly in 2019, resulting in a different deliverable for that year. Under the current process, Monthly Performance Review meetings are held with each business area and the final deliverable is a summarized presentation with explanations for the capital variance drivers for NSPM. The total variance for NSPM and each business area is provided along with a description of primary variance drivers.

The FPT schedules provided in this section are those referenced by Company witness Melissa L. Ostrom in her direct testimony discussion regarding the accuracy of the Company's budgets to its actual cost. These reports are consistent with the values shown in Table 2 – NSPM Total Company Actual versus Budget Capital within her testimony.

The total capital expenditure amounts summarized on the FPT reports include NSPM Company electric, gas, and common utility expenditures.

Summary Reports

There are three summary reports for NSPM Gas:

Summary Report

- 1 Operating and Maintenance expense comparisons with variance explanations by FERC function between 2020 Actual and 2022 Budget for NSPM Gas
- 2 Operating and Maintenance expense comparison by cost element between 2020 Actual and 2022 Budget for NSPM Gas
- 3 Operating and Maintenance expense comparison by FERC account between 2020 Actual and 2022 Budget for NSPM Gas

Summary Report 1

2020 Actual vs. 2022 Budget

O&M by Function

Northern States Power - MN

Gas

(Thousands of Dollars)

Function	2020 Actual	2022 Budget	2020 - 2022 Variance	2020 - 2022 % Change	Avg Annual % Change	
Manufactured Gas Production Expenses	5	1,005	1,000	19202.0%	1289.3%	(1)
Natural Gas Production and Gathering	65	5	(60)	-92.9%	-73.3%	
Products Extraction	0	0	0	0.0%	0.0%	
Exploration and Development	0	0	0	0.0%	0.0%	
Other Gas Supply Expenses	654	500	(154)	-23.6%	-12.6%	
Underground Storage Expenses	20	0	(20)	-100.0%	-100.0%	
Storage Expenses	4,347	4,822	475	10.9%	5.3%	
Transmission Expenses	2,814	2,745	(69)	-2.4%	-1.2%	
Distribution Expenses	41,254	46,326	5,072	12.3%	6.0%	(2)
Total Gas Functional O&M	49,159	55,402	6,244	12.7%	6.2%	
Customer Accounts	13,867	13,863	(4)	0.0%	0.0%	
Customer Service	1,218	1,274	56	4.6%	2.3%	
Sales	41	31	(11)	-26.0%	-14.0%	
Administrative & General	25,574	26,762	1,188	4.6%	2.3%	(3)
Non-Operating	312	268	(44)	-14.1%	-7.3%	
Sum:	90,171	97,601	7,430	8.2%	4.0%	

The variances are primarily made up of the following costs:

(1) Manufactured Gas Production Expenses

2022 Original Variance	1,000	19202.0%	1289.3%
Increased costs for anticipated remediation at former NSPM Manufactured Gas Plant (MGP) sites.	(1,000)		
Remaining Variance	(0)	-7.4%	-3.8%

(2) Distribution Expenses

2022 Original Variance	5,072	12.3%	6.0%
Increased labor and contractor costs primarily related to gas engineering/design and gas operations work focused around the gas plants and compliance-driven activities.	(1,300)		
Increased labor, materials and transportation for insourcing expenses tied to locate activities, and increases in contract costs and volumes related to contractor locate activities in support of providing safe and reliable gas systems.	(1,500)		
Increased labor, materials, COV and transportation related to gas compliance work, such as leak surveys, in support of gas system integrity.	(1,400)		
Increased labor and materials primarily related to compliance-driven maintenance work, as well as increased gas emergency response support, to ensure safe and reliable systems.	(1,115)		
Remaining Variance	(243)	-0.6%	-0.3%

(3) Administrative & General

2022 Original Variance	1,188	4.6%	2.3%
Increased Benefit costs primarily due to higher health and welfare (\$0.9M) and pension expense	(1,348)		
Increased IT Costs, including software licenses and maintenance and network data to support additional investments in IT assets	(605)		
Decreased Benefit costs primarily due to lower performance share plan costs (\$0.7M), annual incentive (\$0.2M) and restricted stock units (\$0.1M).	1,050		
Remaining Variance	285	1.1%	0.6%

Summary Report 2A

NSP-MN Total Company - O&M Gas Utility and Non-Utility 2020 Actual vs. 2022 Budget O&M by Cost Component (\$000's)

Account	2020 Actual	2022 Budget	Variance	% Variance
5540001 Productive Labor	29,949	38,979	9,030	30%
5540009 Labor Budget Adjustment	-	(132)	(132)	#DIV/0!
5540180 Premium Time Labor	275	-	(275)	-100%
5540185 Other Compensation Accruals	83	-	(83)	-100%
5540200 Medical Insurance Non Loading	16	-	(16)	-100%
5540205 Workers Comp Non Loading	(0)	-	0	-100%
5540210 Incentive Non Loading	533	410	(123)	-23%
5540220 Labor Overtime	3,804	-	(3,804)	-100%
5540230 Incentive	31	-	(31)	-100%
5540240 Performance Share Plan & Deferred Comp I	1,330	365	(964)	-73%
5540250 Restricted Stock Units	633	497	(136)	-21%
5540255 Other Benefits Compensation	17	210	193	1145%
5540260 Other Compensation	29	2	(28)	-95%
5540270 Welfare Fund	186	-	(186)	-100%
5600001 Contract Labor	2,237	616	(1,621)	-72%
5600006 Consulting Professional Services Other	1,373	1,305	(68)	-5%
5600016 Consulting Professional Eng and Design	61	-	(61)	-100%
5600021 Consulting Professional Services Legal	394	306	(88)	-22%
5600026 Consulting Professional Svcs Accounting	147	180	34	23%
5600031 Consulting Legal Regulatory	30	2	(28)	-93%
5600041 Outside Vendor Contract	3,351	15,329	11,978	357%
5600051 Outside Services	5,250	4,231	(1,019)	-19%
5600066 Materials	1,173	4,931	3,757	320%
5600068 Material Consumption	433	-	(433)	-100%
5600069 Service Consumption	6,032	-	(6,032)	-100%
5600070 Material - Direct Purchase	4,131	-	(4,131)	-100%
5600071 MS Inventory Adjust - Obsolete Materials	-	20	20	#DIV/0!
5600073 Material Small Cap Purchases	1	-	(1)	-100%
5600075 Transportation Fuel	0	36	35	10782%
5600091 Print and Copy Cost - Other	45	26	(19)	-42%
5600096 Print and Copy Cost - SEC Filings	3	2	(1)	-33%
5600101 Legal - Other	3	1	(2)	-65%
5600106 Equipment Maintenance	9	-	(9)	-100%
5600111 Equipment Maintenance - Customer Care	7	8	1	14%
5600116 IT Hardware Maintenance	152	171	20	13%
5600121 IT Hardware Purchases	60	44	(16)	-26%
5600126 Software License Purchase - Perpetual	14	38	23	160%
5600131 Software License Purchase - Term	566	1,012	446	79%
5600136 Software Maintenance	2,112	2,333	221	10%
5600141 Network Services	3	58	55	2118%
5600146 Network Voice	0	1	0	357%
5600151 Network Data	1,111	895	(216)	-19%
5600156 Network Telecommunication	0	3	3	1445%
5600161 Network Radio	102	43	(59)	-58%
5600166 Mainframe Services	41	59	18	45%
5600171 Distributed Systems Services	38	42	4	12%
5600176 Application Development and Maintenance	1,610	1,607	(3)	0%
5600186 Software - ASP	147	211	64	44%
5600191 Employee Expenses Airfare	49	93	43	88%
5600196 Employee Expenses Car Rental	11	11	0	3%
5600201 Employee Expenses Taxi and Bus	4	9	5	129%

Summary Report 2A

NSP-MN Total Company - O&M Gas Utility and Non-Utility 2020 Actual vs. 2022 Budget O&M by Cost Component (\$000's)

Account	2020 Actual	2022 Budget	Variance	% Variance
5600206 Employee Expenses Mileage	165	90	(76)	-46%
5600211 Employee Expenses Conf Seminar Trng	54	63	8	15%
5600216 Employee Expenses Hotel	77	113	37	48%
5600221 Employee Expenses Meals	215	60	(155)	-72%
5600226 Employee Expenses Meals Non-Employee	9	15	6	59%
5600231 Employee Expenses Parking	7	14	7	94%
5600236 Employee Expenses Per Diem	22	-	(22)	-100%
5600241 Employee Expenses Safety Equipment	390	7	(383)	-98%
5600246 Employee Expenses Other	70	825	755	1076%
5600251 Employee Expense Personal Communication	212	53	(159)	-75%
5600256 Office Supplies	55	151	97	176%
5600261 Workforce Administration Expense	33	20	(12)	-38%
5600271 Safety Recognition	9	5	(5)	-50%
5600276 Life Events	3	3	1	19%
5600281 Employee Performance Recognition	52	68	16	30%
5600286 Non - Recoverable Recognition	7	-	(7)	-100%
5600291 Transportation Fleet Cost	3	2,739	2,736	84706%
5600296 Janitorial - Routine	179	178	(1)	-1%
5600301 Janitorial - Special	28	-	(28)	-100%
5600306 Fire Life Safety Maintenance	15	19	4	26%
5600311 General Interior Exterior Maintenance	362	293	(69)	-19%
5600316 Use Costs	1,103	1,215	112	10%
5600321 Lawn Care Maintenance Costs	18	16	(2)	-12%
5600326 Sewer Maintenance Costs	9	1	(8)	-90%
5600331 Snow Removal Costs	138	176	38	28%
5600336 Trash Removal Costs	60	36	(23)	-39%
5600341 Water Use Costs	34	31	(3)	-9%
5600351 Moves Adds Changes	28	47	19	67%
5600356 Energy	1,655	2,323	668	40%
5600361 AR - Reserve Change	1,249	-	(1,249)	-100%
5600366 Non - Energy	179	187	9	5%
5600381 Rent - Space	(2)	13	15	-679%
5600382 Rent - Equipment	94	100	7	7%
5600396 Rent - Equipment Customer Care	0	0	(0)	-97%
5600431 Lease Costs	845	870	25	3%
5600436 Postage	932	963	30	3%
5600446 Injuries and Damages Other	0	-	(0)	-100%
5600451 Insurance - Property	404	565	161	40%
5600456 Insurance - General Liability	424	513	89	21%
5600461 Insurance - Excess Liability	438	716	278	63%
5600466 Insurance - Auto Liability	13	20	6	48%
5600471 Insurance - Directors and Officers	95	115	21	22%
5600476 Insurance - Fiduciary	28	27	(1)	-4%
5600481 Insurance - Other	5	8	3	67%
5600482 Insurance - Cyber	29	36	7	25%
5600506 Insurance - Surplus	(108)	-	108	-100%
5600511 Advertising - Brand Image	77	76	(0)	-1%
5600516 Advertising - General	7	20	13	169%
5600521 Advertising - Brand Sponsorship	187	178	(9)	-5%
5600526 Advertising - Conservation DSM	1	-	(1)	-100%
5600531 Advertising - Conservation Other	0	15	15	10422%

Summary Report 2A

NSP-MN Total Company - O&M Gas Utility and Non-Utility 2020 Actual vs. 2022 Budget O&M by Cost Component (\$000's)

Account		2020 Actual	2022 Budget	Variance	% Variance
5600536	Communication - Conservation DSM	2	-	(2)	-100%
5600546	Customer Program - Advertising	6	5	(1)	-15%
5600561	Customer Program - Promotion	24	25	1	5%
5600566	Customer Program - Non-Recoverable	1	2	1	285%
5600571	Safety Advertising	164	238	74	45%
5600576	Safety Information	53	0	(53)	-99%
5600581	Mandated Regulatory Notices	0	0	0	16%
5600586	Mandated Inserts Communication	-	18	18	#DIV/0!
5600591	Dues - Professional Association	22	45	24	107%
5600596	Dues - Utility Association Other	23	24	1	7%
5600601	Dues - Utility Association	313	402	89	28%
5600606	Dues - Lobbying	45	31	(15)	-33%
5600616	Dues - Chamber of Commerce	16	19	3	18%
5600621	Dues - Social Service	1	1	(0)	-13%
5600626	Contributions - Charitable	124	30	(94)	-76%
5600631	Contributions - Community Sponsorships	56	108	53	95%
5600636	Contributions - Civic and Political	6	4	(3)	-41%
5600641	Contributions - Economical Development	26	21	(4)	-17%
5600656	Fees - Directors	107	91	(16)	-15%
5600661	Fees - Remarketing and Rating	41	33	(8)	-21%
5600671	Fees - Regulatory Direct	180	236	57	31%
5600676	Fees - Regulatory Indirect	364	375	11	3%
5600681	Fees - Regulatory NARUC	0	0	0	21%
5600691	Shareholder Related Expenses	8	22	14	174%
5600696	Deductions - Corporate Tickets	23	24	2	7%
5600701	Deductions - Other	8	12	4	57%
5600706	Bank Charges	48	55	7	14%
5600712	Quarterly BMO Rebates	(14)	(33)	(20)	144%
5600716	Gas Cleanup Costs	(757)	1,000	1,757	-232%
5600721	Environmental Permits and Fees	4	2	(2)	-50%
5600726	License Fees and Permits	282	410	127	45%
5600731	Penalties	94	0	(94)	-100%
5600776	O and M Credits - Meter Transfer Install	(6,713)	(5,466)	1,247	-19%
5600781	O and M Credits - Other	(444)	(179)	266	-60%
5600791	O and M Credits - AG to Capital	(36)	(55)	(19)	51%
5600796	O and M Credits - Company Elec and Gas	(141)	(317)	(175)	124%
5600857	Rebates	40	2	(38)	-95%
5600861	Shared Asset Costs	6,277	6,670	393	6%
5600866	Shared Assets - Owning Co Credit	(3,539)	(4,131)	(592)	17%
5600871	Other	203	56	(147)	-73%
5600896	Online Information Services	164	468	305	186%
5600946	Cust Billing Srvcs to Other	(28)	-	28	-100%
5600951	Purchasing Overhead Expense	-	0	0	#DIV/0!
5600963	PowerPlan Overheads	0	-	(0)	-100%
5610000	External Settlement Labor	560	-	(560)	-100%
5610001	External Settlement Labor Ben-Injuries	8	-	(8)	-100%
5610002	External Settlement Labor Ben-Pension	132	-	(132)	-100%
5610003	External Settlement Contract Labor	0	-	(0)	-100%
5610004	External Settlement Consulting	0	-	(0)	-100%
5610005	External Settlement Contract Outside Ven	7,759	-	(7,759)	-100%
5610006	External Settlement Materials	28	-	(28)	-100%

Summary Report 2A

NSP-MN Total Company - O&M Gas Utility and Non-Utility 2020 Actual vs. 2022 Budget O&M by Cost Component (\$000's)

Account		2020 Actual	2022 Budget	Variance	% Variance
5610007	External Settlement Employee Expense	4	-	(4)	-100%
5610008	External Settlement Transportation	(0)	-	0	-100%
5610009	External Settlement Miscellaneous	64	-	(64)	-100%
5610011	External Settlement Overhead	132	-	(132)	-100%
5610017	External Settlement Incentive	0	-	(0)	-100%
8000000	Prod Labor Bargaining Benefit Group 1	7	-	(7)	-100%
8000005	Prod Labor Bargaining Benefit Group 6	1	-	(1)	-100%
8000020	Prod Labor Non-Bargaining Benefit Grp 1	290	-	(290)	-100%
8000021	Prod Labor Non-Bargaining Benefit Grp 2	(5)	-	5	-100%
8000023	Prod Labor Non-Bargaining Benefit Grp 4	(2)	-	2	-100%
8000025	Prod Labor Non-Bargaining Benefit Grp 6	(0)	-	0	-100%
8000030	Prod Labor Non-Barg Nuclear Ben Grp 1	0	-	(0)	-100%
8000036	Productive Labor Bargaining No Load	(1)	-	1	-100%
8000037	Productive Labor Non-Barg No Load	(0)	-	0	-100%
8000100	Premium	1	-	(1)	-100%
8000105	Overtime	15	-	(15)	-100%
8000110	Other Compensation	(2)	-	2	-100%
8000115	Other Compensation Craft Welfare Fund	1	-	(1)	-100%
8010000	Budget Prod Labor Barg Benefit Group 1	-	223	223	#DIV/0!
8010020	Budget Prod Labor Non-Barg Benefit Grp 1	-	77	77	#DIV/0!
8100000	Non-Prod Labor Bargaining Benefit Grp 1	3,494	-	(3,494)	-100%
8100020	Non-Prod Labor Non-Bargaining Ben Grp 1	2,956	-	(2,956)	-100%
8100023	Non-Prod Labor Non-Bargaining Ben Grp 4	10	-	(10)	-100%
8100030	Non-Prod Labor Non-Barg Nuc Ben Grp 1	4	-	(4)	-100%
8100105	Pension & Insurance	8,527	-	(8,527)	-100%
8100110	401K Match	(0)	1,024	1,024	-3607379%
8100115	Qualified Pension	(0)	2,592	2,592	-1404485%
8100120	Nonqualified Pension	0	31	31	442123%
8100125	FAS 88 Settlement Expense	1	-	(1)	-100%
8100130	Exec Nonqualified Deferred Comp Match	0	4	4	1337379%
8100140	Other Pension - Consult	0	51	51	6420647%
8100150	Active Healthcare	(0)	4,260	4,260	-2408797%
8100155	Miscellaneous Benefit Programs and Costs	(0)	198	198	-5276692%
8100160	Life LTD and Business Travel Insurance	(0)	279	279	-1642922%
8100165	Retiree Medical	(0)	15	15	-88298%
8100170	FAS 112 LTD	(0)	11	11	-175571%
8100190	Workers' Compensation - FAS 112 Costs	(0)	12	12	-208794%
8100195	Workers' Compensation - Ins and Other	371	285	(86)	-23%
8100200	Annual Incentive	1,677	1,423	(255)	-15%
8100260	Purchasing - Overhead	310	-	(310)	-100%
8100315	Warehouse - Overhead	245	-	(245)	-100%
8100502	NonProd NonBarg Labor G1_OH Alloc	(0)	-	0	-100%
8100507	401K Match_OH Alloc	(0)	12	12	-2393356%
8100508	Qualified Pension_Overhead Allocation	(0)	(41)	(41)	50342%
8100509	Nonqualified Pension_Overhead Allocation	0	(3)	(3)	-1034164%
8100510	FAS 88 Settlement Expense_OH Allocation	0	-	(0)	-100%
8100511	Exec Nonqual Def Comp Match_OH Alloc	0	(1)	(1)	-430888%
8100512	Other Pension - Consult_OH Allocation	0	(13)	(13)	-131977%
8100513	Active Healthcare_Overhead Allocation	0	(94)	(94)	-135169%
8100514	Misc Benefit Programs and Costs_OH Alloc	(0)	(13)	(13)	848148%
8100515	Life LTD and Bus Travel Ins OH Alloc	(0)	(10)	(10)	251008%

Summary Report 2A

NSP-MN Total Company - O&M Gas Utility and Non-Utility 2020 Actual vs. 2022 Budget O&M by Cost Component (\$000's)

Account	2020 Actual	2022 Budget	Variance	% Variance
8100516 Retiree Medical_Overhead Allocation	(0)	(1)	(1)	49153%
8100517 FAS 112 LTD_Overhead Allocation	0	(0)	(0)	-8178%
8100526 Workers' Comp-FAS 112_OH Allocation	0	(0)	(0)	-10274%
8100527 Workers' Comp-Ins and Other_OH Alloc	0	(8)	(8)	-7639%
8100528 Annual Incentive_Overhead Allocation	0	46	45	57921%
8100530 Purchasing_OH Allocation	31	-	(31)	-100%
8100531 Warehouse_OH Allocation	9	-	(9)	-100%
8100550 Fleet-Base Rates	3,940	-	(3,940)	-100%
8100551 Fleet-Idle Time	(1,162)	-	1,162	-100%
8100552 Fleet-Utilization	(0)	-	0	-100%
8110000 Budget Non-Prod Labor Barg Benefit Grp 1	-	53	53	#DIV/0!
8110020 Budget Non-Prod Labor Non-Barg Ben Grp 1	-	15	15	#DIV/0!
8110040 Budget Attrition	-	(12)	(12)	#DIV/0!
8200500 Facilities - Labor	(17)	-	17	-100%
8200501 Fac - Incentive	(0)	-	0	-100%
8200505 Facilities - Labor Benefits Inj and Dam	(0)	-	0	-100%
8200506 Facilities - Labor Benefits Pens and Ben	(3)	-	3	-100%
8200510 Facilities - Contract Labor	(0)	-	0	-100%
8200515 Facilities - Consulting	(1)	-	1	-100%
8200520 Facilities - Contract Outside Vendors	(4)	-	4	-100%
8200525 Facilities - Materials	(3)	-	3	-100%
8200530 Facilities - Employee Expense	(0)	-	0	-100%
8200535 Facilities - Transportation	(0)	-	0	-100%
8200540 Facilities - Miscellaneous	(148)	-	148	-100%
8200550 Facilities - Overhead	(0)	-	0	-100%
8200751 Service Co-AG Overhead-Direct	(0)	-	0	-100%
8300000 Labor-Settle_Indirect	(33)	-	33	-100%
8300005 Labor Benefits Inj and Dam-Settle_Indir	(1)	-	1	-100%
8300006 Labor Benefits Pens and Ben-Settle_Indir	(8)	-	8	-100%
8300020 Contract Outside Vendors-Settle_Indir	(3)	-	3	-100%
8300025 Materials-Settle_Indirect	(412)	-	412	-100%
8300050 Overhead-Settle_Indirect	(22)	-	22	-100%
8300100 Labor-Settle_Direct	(7,371)	-	7,371	-100%
8300101 Incentive-Settle_Direct	(303)	-	303	-100%
8300105 Labor Benefits Inj and Dam-Settle_Direct	(74)	-	74	-100%
8300106 Labor Benefits Pens and Ben-Settle_Dir	(1,715)	-	1,715	-100%
8300110 Contract Labor-Settle_Direct	(1,341)	-	1,341	-100%
8300115 Consulting-Settle_Direct	(203)	-	203	-100%
8300120 Contract Outside Vendors-Settle_Dir	(1,429)	-	1,429	-100%
8300125 Materials-Settle_Direct	(269)	-	269	-100%
8300130 Employee Expense-Settle_Direct	(287)	-	287	-100%
8300135 Transportation-Settle_Direct	(9)	-	9	-100%
8300140 Miscellaneous-Settle_Direct	(43)	-	43	-100%
8300150 Overhead-Settle_Direct	(64)	-	64	-100%
RLJE	(19)	-	19	-100%
Grand Total	90,171	97,601	7,430	8%

Summary Report 3A

NSP-MN Total Company - Gas and Non-Utility 2020 Actual vs. 2022 Budget O&M by FERC Account (\$000's)

FERC	FERC Description	2020 Actual	2022 Budget	Variance	% Variance
408100	Tax Other Than Income Tax - Property	(96)	-	96	-100%
426100	Donations	205	160	(45)	-22%
426300	Penalties	94	0	(94)	-100%
426400	Expendit for cert civic, politic and related activ	68	71	3	5%
426500	Other deductions	41	37	(4)	-10%
590000	Maintenance supervision and engineering	(0)	-	0	-100%
594000	Maintenance of underground lines	(0)	-	0	-100%
733000	Gas Mix Expenses	61	-	(61)	-100%
735000	Miscellaneous Production Expenses	(58)	1,002	1,060	-1830%
736000	Rents	2	3	1	31%
759000	Other expenses	62	2	(60)	-97%
760000	Rents	3	3	(1)	-21%
803000	Natural Gas Transmission Line Purchases	28	-	(28)	-100%
807000	Purchased Gas Expense	10	225	215	2065%
813000	Other Gas Supply Expenses	616	274	(341)	-55%
824000	Other expenses	0	-	(0)	-100%
826000	Rents	0	-	(0)	-100%
834000	Maintenance of Compressor Station Equipment	20	-	(20)	-100%
841000	Operation Labor and Expenses	1,315	1,361	46	4%
842000	Other Storage Expense	29	38	8	29%
843200	Maintenance of Structures and Improvements	89	-	(89)	-100%
843300	Maintenance of Gas Holders	(30)	-	30	-100%
843600	Maintenance of Vaporizing Equipment	154	-	(154)	-100%
843700	Maintenance of Compressor Equipment	5	-	(5)	-100%
843800	Maintenance of Measuring and Reg Equipment	1	-	(1)	-100%
843900	Maintenance of Other Equipment	36	-	(36)	-100%
844100	Operation Supervision & Engineering	131	-	(131)	-100%
844300	Liquefaction Processing Labor and Expenses	677	1,174	497	73%
846200	Other expenses	148	147	(1)	0%
847100	Maintenance supervision and engineering	24	-	(24)	-100%
847200	Maintenance of Structures and Improvements	272	-	(272)	-100%
847300	Maintenance of LNG Processing Terminal Equipn	1,495	2,102	607	41%
847500	Maintenance of Measuring and Regulating Equip	1	-	(1)	-100%
850000	Operation Supervision & Engineering	529	904	375	71%
851000	System Control & Load Dispatching	149	149	(0)	0%
856000	Mains Expenses	1,885	1,531	(354)	-19%
857000	Measuring and Regulating Station Expenses	20	-	(20)	-100%
859000	Other expenses	85	69	(16)	-19%
860000	Rents	55	69	14	25%
863000	Maintenance of Mains	78	23	(55)	-70%
865000	Maint of Measuring and Regulating Station Equip	13	-	(13)	-100%
866000	Maintenance of Communication Equipment	0	0	0	10%
870000	Operation Supervision & Engineering	4,763	6,144	1,381	29%
871000	Distribution Load Dispatching	3,755	3,813	58	2%
874000	Mains and Services Expenses	11,391	14,600	3,209	28%
875000	Measuring and Regulating Station Expenses-Gen	568	290	(278)	-49%
876000	Measuring and Regulating Station Expenses-Indu	7	-	(7)	-100%

Summary Report 3A

NSP-MN Total Company - Gas and Non-Utility 2020 Actual vs. 2022 Budget O&M by FERC Account (\$000's)

FERC	FERC Description	2020 Actual	2022 Budget	Variance	% Variance
877000	Measur and Regul Station Exp-City Gate Check St	34	-	(34)	-100%
878000	Meter and House Regulator Expenses	(1,879)	(2,348)	(468)	25%
879000	Customer Installations Expenses	1,448	1,394	(54)	-4%
880000	Other expenses	9,984	10,728	744	7%
881000	Rents	1,529	1,685	155	10%
885000	Maintenance Supervision & Engineering	703	385	(318)	-45%
887000	Maintenance of Mains	2,398	1,798	(600)	-25%
888000	Maintenance of Compressor Station Equipment	575	219	(356)	-62%
889000	Maint of Measuring and Regulating Station Equip	352	260	(91)	-26%
890000	Maint of Measuring and Regulating Station Equip	1	-	(1)	-100%
891000	Maint of Measur and Regul Station Equip-City Ga	2	-	(2)	-100%
892000	Maintenance of Services	4,468	5,441	974	22%
893000	Maintenance of Meters and House Regulators	1,156	1,917	761	66%
901000	Supervision	31	33	3	9%
902000	Meter reading expenses	5,420	5,160	(259)	-5%
903000	Customer records and collection expenses	5,299	6,136	837	16%
904000	Uncollectable Accounts - Commodity	2,904	2,323	(581)	-20%
904001	Uncollectable Accounts - Non Commodity	179	187	9	5%
905000	Miscellaneous customer accounts expenses	35	23	(12)	-34%
908000	Customer assistance expenses	977	960	(17)	-2%
909000	Informational and instruction advertising expens	217	272	54	25%
910000	Miscell customer service and informational expe	23	42	19	80%
912000	Demonstrating and selling expenses	41	30	(11)	-26%
916000	Miscellaneous Sales Expense	0	0	(0)	-87%
920000	Administrative and general salaries	8,324	7,315	(1,008)	-12%
921000	Office supplies and expenses	4,010	4,815	806	20%
922000	Administrative expenses transferred-Credit	(3,739)	(4,398)	(659)	18%
923000	Outside services employed	1,559	1,604	45	3%
924000	Property insurance	309	584	276	89%
925000	Injuries and damages	1,323	1,704	381	29%
926000	Employee pensions and benefits	6,949	8,297	1,348	19%
928000	Regulatory commission expenses	789	612	(177)	-22%
929000	Duplicate charges-Credit	(131)	(317)	(186)	142%
930100	General advertising expenses	272	277	5	2%
930200	Miscellaneous general expenses	460	550	90	20%
931000	Rents	5,435	5,673	237	4%
932000	Maintenance of Meters and House Regulators	15	-	(15)	-100%
935000	Maintenance of general plant	(0)	46	46	-418393914%
Grand Total		90,171	97,601	7,430	8%

Budget Process

The annual budget process is comprised of several activities to project earnings and rate base for each Xcel Energy subsidiary as well as Xcel Energy in total. The portions of the annual process covered in this documentation are mainly business area operating and maintenance (O&M) expense and business area capital expenditures.

The business area O&M expense and the capital budget are developed within each business area in Xcel Energy. The budgeting effort associated with these items is coordinated by Corporate and each business area finance group.

The O&M and capital budgets are developed at the Xcel Energy subsidiary company level. O&M expense budgeted at Xcel Energy Services (XES) are assigned to each of the other Xcel Energy subsidiaries as part of the budget process, resulting in complete O&M budgets for each subsidiary company. Capital investments are not budgeted at XES and therefore, no assignment process is necessary.

The business areas are not responsible for budgeting expenses to the jurisdictional level. Once the budgets are developed and XES expenses are assigned, the Revenue Requirements business area assigns each utility's total expense to the proper jurisdictions. In addition, in the development of the cost of service projections, Revenue Requirements may make specific regulatory adjustments to the budget levels consistent with the requirements of that jurisdiction.

Business Area Operating and Maintenance Expenses

Each business area is responsible for developing an operating and maintenance expense budget for each legal entity and XES. There are two primary types of expenses included as part of these budgets: labor expenses and non-labor expenses.

Labor

Labor expense budgets are created by identifying projected employee levels and appropriate wage rates. The wage rate of each active employee is loaded into the system at the beginning of the budget process. Estimated overall wage percentage increases for each Xcel Energy subsidiary and labor category (union vs. non-union, etc.) are also loaded into the budget system and applied to each employee's wage rate to estimate the budget year total labor dollars.

Employee benefit and other employee wage-related costs including payroll taxes, medical costs, pension costs, etc. are budgeted at a Corporate level.

Non-labor

Non-labor expenses are budgeted into several categories. These categories are identified for each business area in Schedule 3 of Volume 6. These categories are designed to assist in providing an overall summary of major cost component areas.

Overall

Each labor and non-labor budget record is assigned to an internal order (IO) which is attached to a work breakdown structure (WBS). The IO has an independent attribute called an SAP requesting cost center, which identifies which business area owns that budget. In addition, the budgeted information is linked to attributes on the IO, which includes cost element (GAAP account), regulatory indicator (FERC account), and profit center, which identifies which state/utility the charge is related to, in order to assign the expense to the appropriate legal entity. The assignment to the profit center is used as the basis to develop electric or gas cost of service, as there are separate profit centers for

common, electric, gas, thermal, or other. Common costs are allocated by FERC account to electric, gas, and thermal utilities as applicable.

Business Area Capital Expenditures

Each Business Area identifies its capital requirements for the budget year and at least four additional years (resulting in a required five-year capital projection) and assigns them to individual budget projects. A listing of the 2020 - 2022 Capital budgets for projects is provided for each business area in Schedules 5 and 5A in Volume 6.

Jurisdictional Assignment

Revenue Requirements is responsible for assigning each utility operating and maintenance expense and the capital expenditure amounts to the jurisdictions served. The assignments are based on various factors consistent with the requirements of that jurisdiction.

Budget Review

Budgets are reviewed at several levels in the Xcel Energy organization. Business area management reviews the developed budget several times during the budget cycle. Prior to the budget cycle closing, budgets are reviewed and accepted at the executive management level of Xcel Energy. The earnings budgets and capital budgets are then presented to the Board of Directors to complete the review process.

2022 Budget Documentation

**Gas Operations
Business Area**

Major Business Functions and Key Activities

Narrative Overview

This narrative covers the Gas Operations business areas that are supported by the testimony of Joni Zich. These business areas work together to support gas customers, as well as maintain a safe and reliable gas system. This narrative is focused on the work completed by these organizations for the NSPM gas utility. It is organized as follows:

Gas Operations

- Introduction
- Customer value
- Spend by functional area (Gas Utility)
- Headcount information

Financial Information

- 2021 forecast by cost category
- 2021 to 2022 walk forward
- 2022 budget by cost category

Gas Operations

The NSPM Gas Operations organization provides for the safe and reliable delivery of natural gas service to customers in Minnesota and North Dakota. It contains the following key areas: Gas Operations, Gas Programs, Gas Transmission, Gas Engineering, Integrity Work, Gas Regulatory & Strategy, and Business Operation. Each is summarized below:

- **Gas Operations** – Gas Metro & GEO Operations, Gas Emergency Response, Gas Metering Systems & Support
- **Gas Programs** – Damage Prevention, Corrosion Prevention
- **Gas Transmission, Control Center and Plant Operations** – Control Centers, Gas Plants, Gas Transmission Operations
- **Gas Engineering** – Gas Contracting, Process & Control, Project Management, High Pressure Engineering
- **Integrity Work** – GUIC, PHMSA Gas Transmission Rule
- **Gas Regulatory & Strategy** – Capacity Planning, Investment Delivery, Natural Gas Services, Governance, Regulatory & Strategy
- **Business Operations** – Continuous Improvement, Engineering Support, Geospatial Technology

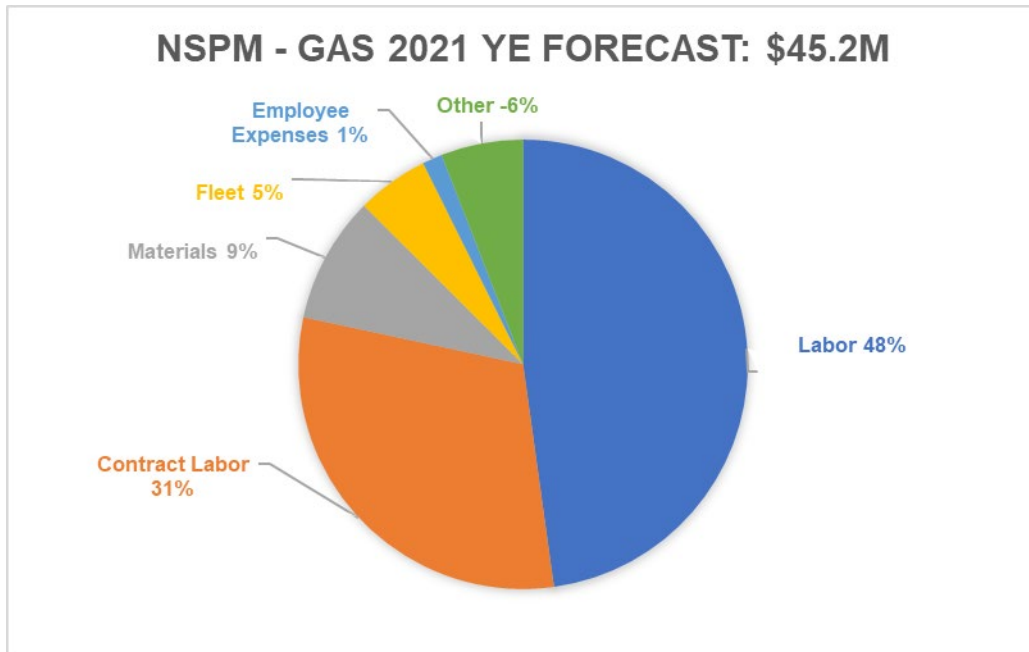
Customer Value

Gas Operations seeks to continuously add customer value by maintaining a safe and reliable gas distribution system for the effective delivery of natural gas service to our customers. We accomplish this by making prudent investments in the delivery system for the purposes of adding capacity, improving reliability, and replacing assets as necessary to maintain reliable and safe system performance. We also provide for safe and reliable performance through routine and prudent maintenance activities on the gas system. Gas Operations budgets for various gas maintenance and asset replacement programs specifically for this purpose.

Financial Information

The NSPM Gas Operations O&M budget will increase from \$45.1 million in the 2021 forecast to \$49.0 million in the 2022 budget. This increase is primarily driven by activities such as Labor Normalization, Damage Prevention Insourcing, Inflation, MGP, PHMSA Transmission Rule work and Gas Plants support, and is slightly offset by a year-over-year reduction in integrity work.

2021 NSP Minnesota Gas Utility O&M Forecast by Major Cost Element:



2022 Gas Walk Forward of Major Cost Drivers

Gas Operations - Northern States Power Minnesota (Gas Utility) Walk Forward (Dollars in Millions)	
2021 July YE Forecast	\$ 45.2
Major Drivers	
Labor Increase	\$2.1
Damage Prevention Insourcing	1.0
Inflation	0.9
MGP	0.6
PHMSA Gas Transmission Rule	0.5
Gas Plants Support	0.3
2021 Wescott Regulatory Fee	(0.5)
Integrity Work	(1.4)
Other	0.3
2022 Budget	\$ 49.0

Labor Increase

- \$2.1M increased Labor expense excluding Damage Prevention headcount additions to fund critical initiatives in Gas Plants, IMMO and the module replacement program

Damage Prevention Insourcing

- \$1.0M increased Gas Programs Labor, Materials and Fleet expenses to reduce long term DP O&M Pressures

Inflation

- \$0.9M based on three percent increase from 2021 Labor Costs and one percent increase from 2021 Non-Labor Costs

Manufactured Gas Plants (MGP)

- \$0.6M investment in environmental clean-up for manufactured gas plants

PHMSA Gas Transmission Rule

- \$0.5M investment to comply with new PHMSA guidelines

Gas Plants – Labor / COV

- \$0.3M based on increase in Labor costs related to Gas Plant operations and maintenance to provide clean and reliable energy

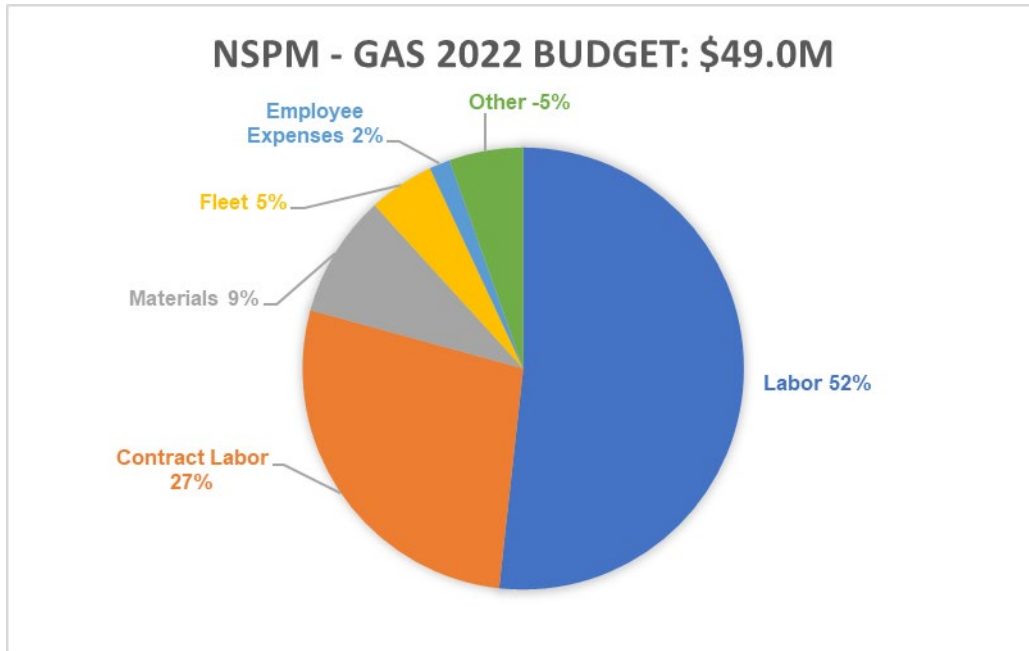
2021 Wescott Regulatory fee

- \$(0.5M) fee in 2021 not expected in 2022

Integrity Work

- \$(1.4M) reduction to activities around Gas Utility Infrastructure Cost (GUIC) rider work

2022 Gas Operations NSP Minnesota Gas Utility O&M Budget by Major Cost Element:



Cost Allocation Methodologies

The methods used to distribute costs to legal entity and utility include:

Operating Company Direct Charges:

The Gas Operations organizations operating company employees direct charge their labor and expenses to the legal entity that is receiving the benefit of their service.

Service Company Direct Charges:

The Gas Operations organization Service Company employees direct charge their labor and expenses to the legal entity that is receiving the benefit of their service whenever possible.

Approvals

This document has been checked for errors in calculations and content.

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2022 Budget Documentation
Operation Services

Major Business Functions and Key Activities

Introduction

Operation Services includes Executive VP (EVP) Operations, Chief of Staff, Supply Chain and Commercial Operations. Alignment seeks to standardize processes, share best practices, and efficiencies of scale to improve productivity and control operating costs.

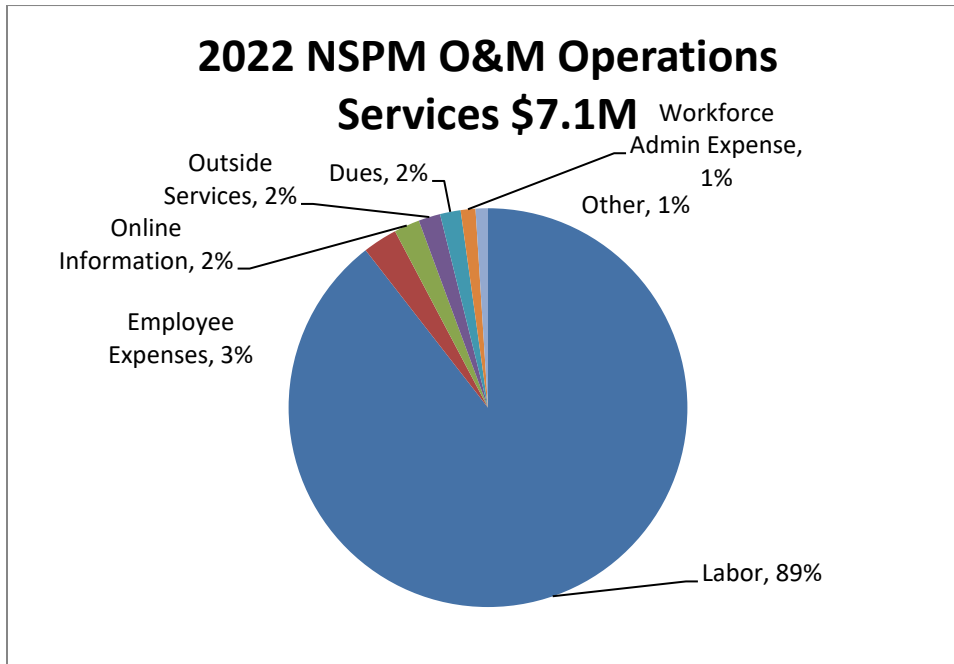
The organization's primary responsibility is to provide for the safe and reliable generation, transmission and distribution of electricity and natural gas to customers.

Customer Value

A centralized Operations organization facilitates economies of scale and knowledge transfer. Efficiency and productivity efforts across the Operations organization have helped offset rising costs and limited the growth in operating and maintenance expenses, as well as improved the cost efficiency of our capital projects.

O&M Budget Major Cost Drivers

Operation Services – NSPM O&M Budget Major Cost Drivers for Xcel Energy



Labor – Ops Services represents EVP Operations, Chief of Staff, Supply Chain and Commercial Operations. Labor also includes our Supplemental Incentive Program (SIP).

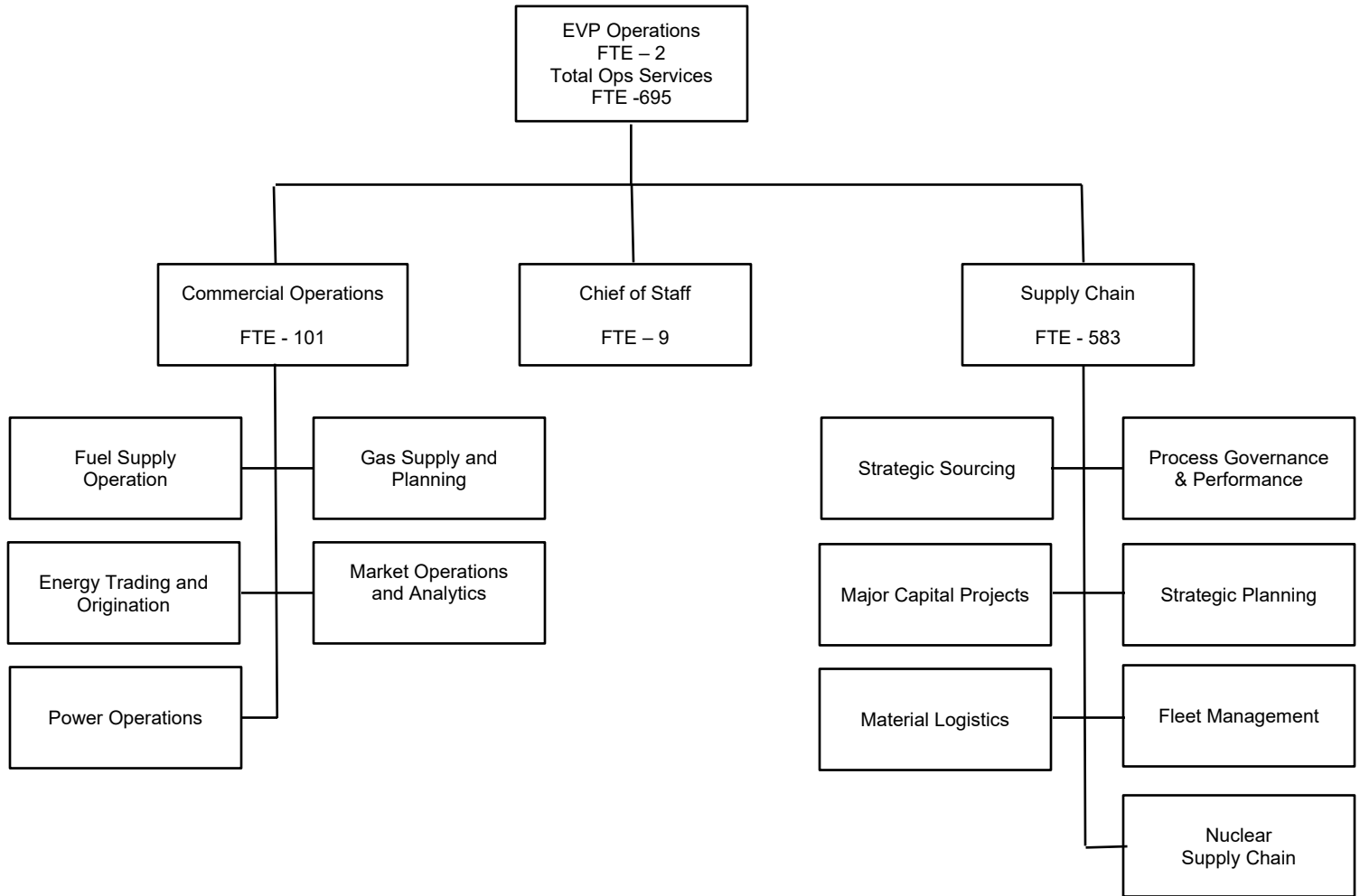
Employee Expenses – Employee expenses for travel, continued education, and professional conferences.

All Other – Online Information, Outside Services, Dues, Workforce Admin and Other.

Walk Forward of Major Cost Drivers

Dollars in Thousands (NSPM)		
2021 July Year-End Forecast		7,785
Base Pay - 3%		147
Other Increases		156
Non-labor increases from one-time 2020 reductions	156	
Other Decreases		(1,019)
Supplemental Incentive Plan for the Trading Organization	(1,182)	
Labor force job code changes	164	
2022 Budget		7,070

Functional Organization Chart



Functional Organization Chart

Operations Services, under the EVP Operations, consist of Chief of Staff, Supply Chain, and Commercial Operations.

Executive Vice President of Generation

The Executive Vice President of Generation department consists of the Executive Vice President of Generation and an administrative assistant.

The main accountabilities of the Executive Vice President of Generation department are to set the direction of the operations business plan, guide operations according to the established business plan, and provide guidance and support for the operations of Energy Supply and Nuclear, while also supporting the other areas of Operations, which include Distribution Operations, Gas Engineering & Operations and Transmission through the following business areas:

- Chief of Staff
- Commercial Operations
- Supply Chain

Chief of Staff

The Chief of Staff is responsible for:

- Boosting productivity and performance through key improvements, particularly in our operations and generations areas, which allows us to further contribute to the company's bottom line in these uncertain economic times;
- Adding customer value by continuing to provide customers with reliable service and affordable power, today and well into the future;
- Working smarter by automating and streamlining essential work processes and procedures; and
- Mitigating risk by ensuring employee knowledge transfer – capturing and retaining the hard-earned expertise of our veteran employees for the ongoing benefit of future generations of employees.

Commercial Operations

The Commercial Operations area provides power operations, fuel procurement and energy trading services for Xcel Energy Operating Companies electric customers.

Core functions include the following:

Fuel Supply, Gas Supply & Gas Resource Planning

- Fuel Supply is responsible for the purchase of fuels required to operate the power plants for the four operating companies. Xcel Energy uses a strategy to diversify fuel sources to reduce fuel availability risks and secure more competitive bid prices, which potentially reduces customers' fuel costs. The following departments fall under this organization: Fuel Supply Operations (solid fuels), Gas Resource Planning (gas commodity), and Gas Supply & Planning (pipeline transmission).
- Procures and manages annual coal Xcel Energy's various jurisdictions;
- Develops long-term test burn strategies for the company's coal plants;
- Coordinates rail transportation of coal;
- Purchases and schedules the transportation of natural gas; and
- Plans for long-term gas commodity and transportation needs

Power Operations

- Manages the portfolio of Company owned generation and resources under long-term contracts to ensure safe, reliable, and economic supply of electricity to customers
- Dispatches electric generation resources and interfaces with regional electricity markets
- Coordinates maintenance of system resources, including both season maintenance scheduling and urgent needs

Functional Organization Chart

Trading Origination

- Buys and sells wholesale electric capacity and energy for long-term transactions for proprietary and regulated asset books;
- Maintains market knowledge in regions surrounding operating companies;
- Acquires transmission service to support the above requirements.

Market Operations

- Guides the company's participation in existing and new regional transmission organizations
- Participates in the development of regional electric reliability standards and in establishing business practices and related commercial standards
- Interacts with state and federal regulatory agencies, as well as independent market monitors, regarding market operations and related activity

Supply Chain

The Supply Chain organization is designed to reduce overall costs of asset ownership through sourcing savings; improving operational performance in support of the operating companies and business units; managing risk inherent in contracting goods and services; and supporting Xcel Energy's social and environmental leadership.

The following departments fall under this organization and are responsible for the sourcing and procurement of goods and services for Xcel Energy; materials management supporting the of Energy Supply, Nuclear, Distribution Operations, Gas Engineering & Operations and Transmission business areas; investment recovery; and Xcel Energy's fleet management functions:

- Strategic Sourcing
- Major Capital Projects
- Material Logistics
- Process Governance & Performance
- Strategic Planning
- Fleet Management
- Nuclear Supply Chain

Strategic Sourcing

Strategic Sourcing provides services which include selecting and negotiating with suppliers, preparing bid packages and analyzing bids, managing contracts, and procuring goods and services needed by Xcel Energy. Goods and services are procured through a competitive bidding process that includes not only evaluation of price and other criteria such as the reliability of the supplier and its ability to meet the bid specifications. This process is applied to most goods and services contracts.

Major Capital Projects

Major Capital Projects provides services which include selecting and negotiating with suppliers, preparing bid packages and analyzing bids, managing contracts, and procuring of goods and services needed for major capital projects and Energy Supply sourcing, including, but not limited to, the construction of renewable power generation and construction of transmission power lines or substations.

Material Logistics

Material Logistics provides services which include materials and supplies inventory management for the four operating companies for Energy Supply, Nuclear, Gas, Transmission and Distribution. This includes responsibility for storeroom operations to receive and issue materials, perform inventory cycle counts, material strategy/planning/forecasting, provide equipment and material control and accounting in coordination with the Finance department. In addition, these services include establishing policies and procedures to provide appropriate and consistent inventory management practices throughout the business areas. Also included in this area is the salvaging and selling of materials that are no longer in use or used materials such as copper wire removed from retired facilities then recycled and resold.

Functional Organization Chart

Process Governance and Performance

They assist the Supply Chain organization with the implementation of sustainable improvements for critical processes, and they ensure we have the right IT systems and that they are utilized appropriately.

Strategic Planning

Strategic Planning works to develop and manage a high-level Sourcing plan and SRM Program, and to provide commodity and spend analysis and reporting in order to support Supply Chain objectives.

Fleet Management

Fleet Management provides services which include working with the four operating companies to determine its vehicle requirements, performing life cycle analysis of the fleet, setting maintenance schedules, managing the garage functions and developing standards for the types of vehicles needed. The size of the vehicle fleet and the types of vehicles needed are analyzed to ensure that Xcel Energy is efficiently utilizing its fleet. For example, renting may be recommended for a specialty truck that would sit in the yard and be used only a few times in a year resulting in a reduction in the number of vehicles. By setting appropriate maintenance schedules, the life cycle of the equipment is maximized.

Nuclear Supply Chain

Nuclear Sourcing and Materials Management supports the functions of engineering, nuclear fuel supply, regulatory assurance and supply chain activities to provide strategic direction and uphold the standards of excellence in these organizations.

Cost Allocation Methodologies

The allocation methods used to distribute costs to legal entity and utility include:

Operating Company Direct Charges

Costs incurred directly by a particular operating company. For example, the relevant operating company pays insurance premiums for operating-company-specific policies. These premiums are shown as direct charges to that operating company.

Service Company Direct Charges

Costs incurred by the Service Company on behalf of an operating company. For example, some Budgeting personnel may be involved in a specific operating company initiative (e.g., a rate case or other regulatory filing). Any Service Company labor costs associated with this initiative are billed directly to the relevant operating company.

Service Company Allocated Charges

Costs for which a unique operating company cannot be determined, or which are incurred on behalf of all operating companies. For example, general Budgeting services are provided on a centralized basis for all Xcel Energy legal entities. The Service Company labor costs associated with these services are allocated to the legal entities using allocations. The primary methods utilized for each service area are described below. Please see Exhibit__(RLB-1), Schedule 4 for a complete list of the Company's allocators.

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200063	110	Executive - Corporate Governance	Executive Corporate Governance includes the labor and non-labor costs for executive corporate management, long-term business strategy development and other programs that ensure the continuity and development of management. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200132	413	Payment & Reporting	Payment & Reporting services includes the labor and non-labor costs associated with processing payments to vendors, providing audit research and reconciliation support for Accounts Payable transactions, preparing statistical and 1099 reporting, and administering the purchase card programs.
200134	144	Proprietary Trading - Front/Mid Office FERC 557	Proprietary Trading - Front/Mid Office FERC 557 includes the labor and non-labor costs associated with proprietary trading activities which are short term transactions undertaken in the wholesale electric markets where electricity is purchased for the purpose of selling it. Also included are supporting activities: evaluating the credit worthiness of counterparties, reviewing contracts to ensure that regulations are being complied with, evaluating profitability and appropriateness of trades to ensure they are in the best interest of shareholders and rate payers, and ensuring that trades identified as proprietary appropriately fall into that category.
200136	415	Energy Markets - Fuel	Energy Markets - Fuel includes the labor and non-labor costs for planning and implementing power supply portfolios to provide reliable service to native load and to capitalize on market opportunities including purchasing fuel for the operating companies' electric generation system (excluding nuclear) and resource planning and acquisition including purchase power and account management.

Cost Allocation Methodologies

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200146	429	Energy Markets - Regulated Trading	Energy Markets - Regulated Trading services include the labor and non-labor costs of providing electric trading services to the operating companies' electric generation systems, including load management, system optimization and origination.
200174	145	Generation Trading/Native Hedge - Mid Office FERC 557	Generation Trading/Native Hedge - Mid Office FERC 557 includes the labor and non-labor costs associated with independent evaluation and risk measurement of trading and generation book transactions, including preparing daily P&L (profit and loss) reports and individual trader profit and loss reports for the prop book, daily generation book valuation reports for each system showing all net fuel positions and any forward sales values and/or hedges, ensuring that margin reporting follows all SEC rules and GAAP reporting and that credit and risk policies and procedures are complied with.

Approvals

This document has been checked for errors in calculations and content.

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2022 Budget Documentation

Benefits

Major Business Functions and Key Activities

BENEFIT COSTS PROCESSED THROUGH THE LABOR LOADING PROCESS ARE ALLOCATED FOLLOWING LABOR. THEREFORE, ALL LABOR LOADING COSTS ARE REFLECTED IN THE LABOR LOADING ACCOUNTS ASSOCIATED WITH EACH BUSINESS AREA. ALL BUSINESS AREAS PROVIDE EXPLANATIONS EXCLUDING THESE LABOR LOADING COSTS, AS THE BENEFITS AREA IS RESPONSIBLE FOR EXPLAINING THEM. THESE COSTS ARE BEST UNDERSTOOD AND EXPLAINED AT THE CORPORATE LEVEL, NOT AT THE INDIVIDUAL BUSINESS AREA LEVEL, AND THEREFORE ARE EXPLAINED AS A WHOLE IN THE BENEFITS AREA. THIS SECTION IS A SUMMARY OF THOSE COSTS.

Health & Welfare

Active Health Care

The active health care budget consists of active employee healthcare costs. Active employee healthcare includes costs associated with medical, dental, prescription drug and vision plan options. Cigna, Delta Dental, Express Scripts and Vision Service Plan (VSP) provide these plan options. The budget calculations for Xcel Energy's active healthcare programs are based on trended claims and administration fee experience related to each plan. An outside actuarial consulting company, Willis Towers Watson, provides these budget cost estimates.

Life Insurance

Group life and accidental death and dismemberment insurance costs are developed based on premium negotiations between Xcel Energy and insurance vendors. Life insurance plans are provided by MetLife. The budget calculations are provided by Benefits Accounting.

Post Retirement Medical

Xcel Energy accrues for post-retirement medical costs under accounting rule FAS 106. The net periodic post-retirement cost consists of service cost, interest cost, return on plan assets and the amortization of prior service costs and plan gains and losses caused by deviations from plan assumptions. Willis Towers Watson provides the budget cost estimates.

Long-term Disability

Xcel Energy accrues for long-term disability under accounting rule FAS 112 for all NSP bargaining employees disabled before 1/1/2014 and all other employees disabled before 1/1/2008. All employees disabled after these dates are covered under a fully insured plan.

Accounting rule FAS 112 requires an accrual for all future expected disability benefit payments for employees who Xcel Energy believes will not return to work. Willis Towers Watson provides these budget cost estimates. The fully insured plan for long-term disability insurance is provided by The Hartford and the budget calculations are provided by Benefits Accounting.

Miscellaneous Benefits Programs and Costs

Xcel Energy provides numerous other health and welfare benefits to employees. They consist of programs such as the Employee Assistance Program, adoption assistance, leave administration, business travel accident insurance, health improvement programs, tuition reimbursement program, the HR Service Center to answer benefits and payroll questions, monthly maintenance fees for health saving accounts and the administration of flex spending accounts that include health, dependent care and transportation. Budget calculations are based on prior year trends, anticipated costs and administration fee experience related to each program.

Major Business Functions and Key Activities

Pension & Retirement Related

Pension

There are four different pension plans that include a variety of pension formulas. The pension formulas include Pension Equity, NSP Traditional, NCE Account Balance, PSCo Traditional, SPS Traditional and 5 Percent Cash Balance.

Xcel Energy Services, NSPW, Public Service Company of Colorado (PSCo) and Southwestern Public Service Company (SPS) recognize pension costs under ASC 715 (formerly FAS 87). NSPM continues to recognize pension costs based on the aggregate cost method (ACM). However, ASC 715 was adopted as required for GAAP accounting. The difference between ASC 715 and the ACM is recorded as a deferred credit as allowed by FAS 71.

Willis Towers Watson provides the budget cost estimates.

401(k) Match

There are three 401(k) Savings Plans (SPS, PSCo and Xcel Energy 401(k) Savings Plan). The 401(k) plan is a retirement savings plan for employees. Effective 5/6/2002, the Xcel Energy Employee Stock Ownership Plan was merged into the Xcel Energy 401(k) Savings Plan. There is also a retirement plan (NMC Savings and Retirement Plan) which contains a 401(k) component, with an employer matching contribution as well as an additional company non-contributory component. The Vanguard Group is our current record keeper and trustee for the 401(k) and NMC plans. The Plans are funded through voluntary pre-tax and after-tax contributions from participants and additional matching contributions from Xcel Energy. The 401(k) match and the NMC non-contributory match are included in the benefits budget and are calculated by Benefits Accounting. The budget calculations are based on prior year trends, adjusted for salary increases and anticipated changes, if any.

Miscellaneous Items

Other items also included are nonqualified pension which includes supplemental employee retirement plans (SERP), retirement related consulting costs, compensation consulting costs and deferred compensation. These budget estimates are provided by Willis Towers Watson, Benefits Accounting and the Total Compensation department.

Incentive and Recognition

Annual Incentive

The individual annual incentive budget is based on current eligible employees, their base salary and any applicable assumed base salary increases, and the percent of targeted incentive.

Xcel Energy's Total Compensation department provides the incentive accruals and budget calculations. For NSPM and NSPW, annual incentive is not part of the benefit labor loadings; it is recorded directly in operations & maintenance (O&M).

Performance-based Restricted Stock Units

Performance-based Restricted Stock Units (PBRSU) seek to link the interest of executives and select employees with customers and shareholders. Key determinants for the grants are: (a) meeting certain time-based criteria, (b) Total Shareholder Return (TSR) ranking, and (c) attainment of certain environmental emissions reduction targets. If the performance measure in the grant is not achieved at the three year measurement, all associated PBRSU's are forfeited. The actual number of PBRSU's and the grant price of the units are based on the closing market price of Xcel Energy common stock on the date of grant,

Benefits

Major Business Functions and Key Activities

competitive practices and position. Units vest at the end of the three year service period after the date of grant with graded payouts dependent on meeting different levels of performance. The budget reflects 100 percent of target performance. The values for the future grants are provided by the Total Compensation department. These costs are recorded directly in O&M and do not go through the labor loading process.

Performance Share Plan

The Performance Share Plan provides executives with the potential to earn awards based on company performance relative to peer companies on two performance measurements: Total Shareholder Return (TSR) and stock price. TSR is measured cumulatively over a three-year period using overlapping cycles. Company TSR is measured against the executive compensation peer group. At the end of each three-year performance period, executives receive an award that correlates the extent to which the Company's TSR out-performs or under-performs the peer group. Potential payouts of the awards range from zero to 200%. They are paid based on the closing stock price on the day before the Board of Director's approval. The Total Compensation department and Benefits Accounting provides the budget estimates, and the budget reflects 100% of target performance. These costs are recorded directly in O&M and do not go through the labor loading process.

Other

Also included are the following:

- Years of Contribution program (service anniversary awards). The Total Compensation department provides the budget estimates.
- Employee performance recognition, which consists of Above & Beyond awards, company store items and recognition meals presented to acknowledge employees for a specific business-related action or result that aligns with the Company's overall strategic priorities. The Total Compensation department provides the budget estimates.
- Spot On Awards, a performance based cash award program for non-exempt employees. The Total Compensation department provides the budget estimates.

These costs are recorded directly in O&M and do not go through the labor loading process.

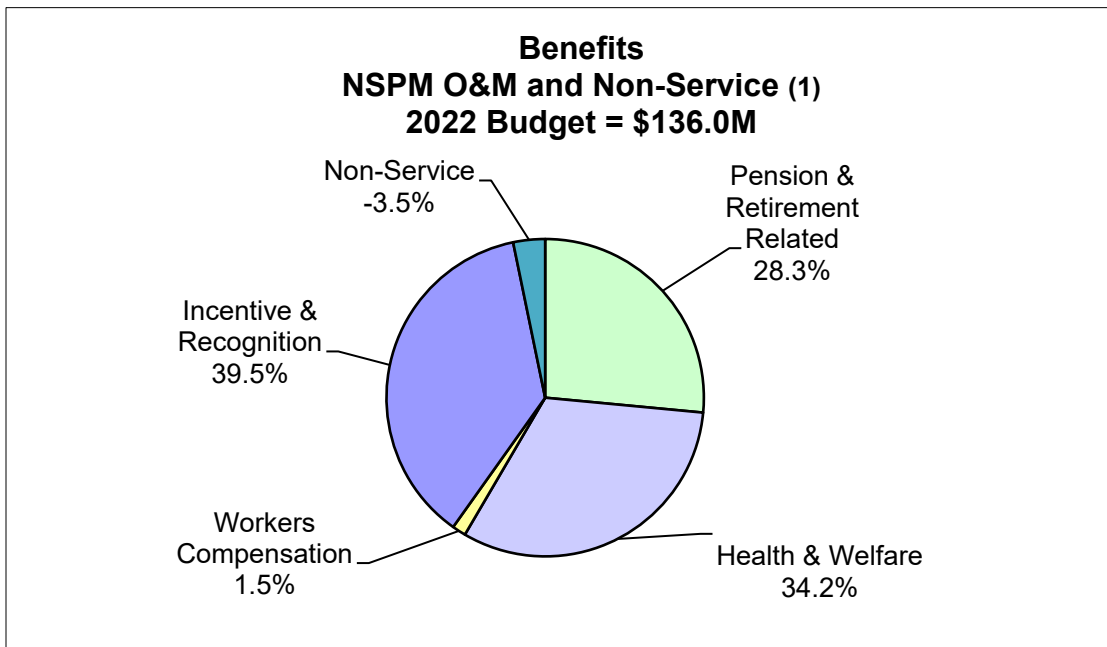
Workers Compensation

Xcel Energy provides workers compensation benefits under the FAS 112 accounting standard to employees who are former or inactive employees after employment, but before retirement. Post-employment benefits are all types of benefits provided to former or inactive employees, beneficiaries and covered dependents. Those benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits and disability related benefits (including workers compensation). Willis Towers Watson provides this budget cost estimate. Xcel Energy also pays claims for employees who were injured prior to 8/1/2001 when the Company was self-insured.

For employees who experience injuries after 8/1/2001, all workers compensation benefits are covered under an insured program. The only cost to Xcel Energy for this benefit cost is the insurance premium. The Hazard Insurance department within Xcel Energy provides the budget estimate for the insurance premium, which is obtained from outside vendors.

2022 Major Cost Categories

Cost Components	Benefits NSPM O&M and Non-Service (1) 2022 Budget
Pension & Retirement Related	\$38,544
Health & Welfare	46,460
Workers Compensation	2,041
Incentive & Recognition	53,695
Non-Service (non-O&M)	(4,711)
Total	\$136,029



2022 Major Cost Categories

(1) O&M and Non-Service is now used instead of O&M. New FASB guidance (ASU No. 2017-07) establishes that only the service cost component of pension cost may be presented as a component of operating income. As a result, all non-service costs are recorded to other income/expense (non-O&M). In order to capture all of the expense, and be comparable to prior cases, both O&M and non-service costs were included. This guidance did not impact FERC.

Health & Welfare – The major cost categories are healthcare (medical, pharmacy and dental costs) for both active employees and retirees, long-term disability costs, life insurance and various other programs and health and welfare related costs.

Pension & Retirement Related – The major cost categories are qualified and nonqualified pension costs, 401(k) match costs, employer retirement contribution for nuclear bargaining employees and retirement related consulting costs.

Incentive & Recognition – The major cost categories are annual incentive, performance based restricted stock units, performance share plan, deferred compensation interest, Spot On Awards, corporate recognition and the Years of Contribution (Service Anniversary Program).

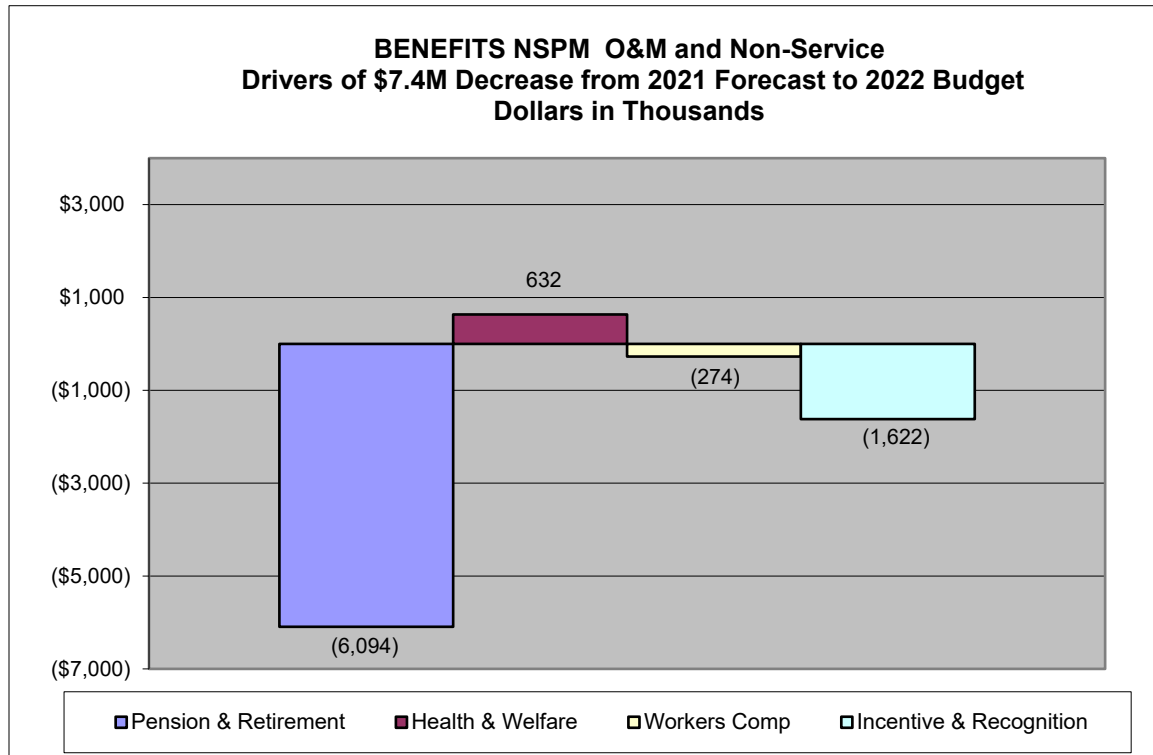
Workers Compensation – The major cost categories are workers compensation insurance premiums and FAS 112 workers compensation expense.

Functional Organization Chart

This section includes a high level walk forward schedule of the business drivers and amounts that comprise the majority of increases and/or decreases in costs beginning with the 2021 forecast, to the 2022 budget.

NSPM

Summary - 2021 Forecast to 2022 Budget



Functional Organization Chart

Main Business Drivers

Benefits NSPM O&M and Non-Service Walk Forward from 2021 Forecast to 2022 Budget (Dollars in Thousands)		
2021 O&M and Non-Service Forecast		\$143,387
<u>Pension & Retirement Related</u>		(6,094)
Lower non-service actuarial (non-O&M) costs	(6,007)	
Lower qualified pension costs	(761)	
Higher 401k match costs mainly due to projected annual merit increases	476	
Higher non-qualified pension costs	36	
Net Other	161	
<u>Health & Welfare</u>		632
Higher health & welfare costs mainly due to active healthcare inflation	928	
Lower FAS 112 long-term disability costs	(289)	
Lower retiree medical costs	(8)	
<u>Workers Compensation</u>		(274)
Lower workers compensation costs	(274)	
<u>Incentive & Recognition</u>		(1,622)
Lower restricted stock unit costs	(1,687)	
Lower deferred comp expense	(1,019)	
Lower performance share plan costs	(296)	
Higher annual incentive costs mainly due to projected annual salary increases	1,032	
Net Other	348	
2022 O&M and Non-Service Budget		\$136,029

Functional Organization Chart

Functional Organization Chart

Benefits does not have an organization chart.

Cost Allocation Methodologies

Operating Company Direct Charges:

The following costs are direct charged:

- Annual incentive costs for NSPM and NSPW
- Performance based restricted stock units
- Performance share plan
- Deferred compensation
- Spot On Awards
- Corporate recognition and Years of Contribution

Service Company Direct Charges:

Service Company direct charges result from the labor loading process (as explained below) and are direct charged to the cost centers where labor was charged.

Service Company Allocated Charges:

Service Company allocated charges either result from the labor loading process (as explained below) and are allocated to the cost centers where labor was charged, or are allocated via an indirect allocation. The primary methods utilized for each service area are described below. Please see Exhibit__(RLB-1), Schedule 4 for a complete list of the Company's allocators.

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200063	110	Executive - Corporate Governance	Executive Corporate Governance includes the labor and non-labor costs for executive corporate management, long-term business strategy development and other programs that ensure the continuity and development of management. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.

Cost Allocation Methodologies

Labor Loadings:

The following costs are budgeted and processed through the labor loading process and distributed or direct charged to the business units where labor was charged:

- Qualified and nonqualified pension
- 401(k) match
- Nuclear employer retirement contribution
- Retirement related consulting costs
- FAS 106 retiree medical
- Active healthcare
- Health and welfare related costs
- Life and LTD insurance premiums
- Business travel insurance costs
- FAS 112 long-term disability
- Workers compensation
- Annual incentive costs for Xcel Energy Services Inc.

Labor Loading Process:

The accounting process for labor loadings contains two separate processes:

1. The first process is the accrual of benefit costs in the clearing accounts. Accruals include the actual costs of retirement, insurance, incentive and workers compensation.
2. The second process is the allocation of benefit costs for retirement, insurance, incentive and workers compensation using the labor loading rates. A separate rate is calculated for each type of benefit cost, for each legal entity and for each budget period. Benefit cost loadings for workers compensation are calculated by multiplying all productive labor by the associated workers compensation labor loading rates. Benefit cost loadings for retirement, insurance and incentive are calculated by multiplying benefit productive labor by the associated labor loading rates. All benefit cost labor loadings are charged to the cost center where labor was charged.

Approvals

This document has been checked for errors in calculations and content.

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2022 Budget Documentation

Customer and Innovation

Business Systems

Major Business Functions and Key Activities

Introduction

Business Systems provides the technologies and supporting services necessary for system reliability, security, operational decision-making, and improving customer support along with business capabilities for Xcel Energy, Inc.

The Business Systems organization consists of five groups further described below:

- Governance, Strategy, and Performance (GS&P)
- Enterprise Architecture
- Infrastructure and Network
- Application Delivery
- Digital Analytics & Innovation

Customer Value

- Governance, Strategy, and Performance
 - Responsible for the overall management and coordination of the Business Systems organization. This includes all information technology (IT) development, operations, governance, oversights, and communications
 - Promotes innovation and transformation in the Company by leveraging technology to create business value
 - Provides oversight and reporting regarding compliance activities, working to timely minimize risk
 - Provides talent management tools, including skills inventory and workforce management
 - Is accountable for developing and executing the strategic plan to optimize the IT footprint including:
 - Establishing and maintaining a financial review cadence by partnering with Business Area Finance
 - Improving the transparency of IT spending
 - Establishing and maintaining a portfolio prioritization framework based on strategic objectives, risks, and potential constraints
 - Project Management Office, a component of Governance, Strategy & Performance:
 - Provides standards, processes, services, and information essential for sound and efficient capital portfolio management and project execution
 - Ensures that IT projects deliver desired business value, and the risks associated with IT projects and programs are mitigated
- Enterprise Architecture
 - Translates business vision and strategy into effective enterprise change by aligning technology direction and facilitating evolution
 - Leads transformation of emerging and standardized technologies that promote speed, agility, and efficiency in Xcel Energy's IT footprint, while ensuring solution direction and consistency with Enterprise Architecture standards
- Infrastructure and Shared Services
 - Data Center Services – responsible for data center facilities, compute, storage, backup, disaster recovery, and active directory
 - Network Operational Technology (OT) Services – responsible for connectivity (fiber/wireless), OT network, and field technicians
 - End-User Services – responsible for client support, unified communications, desktop engineering, patching and application deployment

Major Business Functions and Key Activities

- Network IT Services – responsible for application balancing, edge security, transport (WAN), engineering (LAN), voice
- Platform & Automation – responsible for cloud engineering, automation, engineering enablement, and monitoring
- IT Service Management – responsible for IT service and process management, INOC, and service desk
- Business Management – responsible for portfolio management, project management, business in-take, financial management, and process and governance
- Application Delivery
 - Partners with business areas enterprise-wide to develop and align strategic technology solutions.
 - Evaluates and partners with a large range of technology vendors to increase productivity for the Company's large internal customer base.
 - Enhances business applications across the enterprise in order to achieve value metrics and/or mitigate risks. This is accomplished by using Demand and Release Management practices, by making use of new and existing applications/tools, and by partnering with colleagues across Business Systems teams.
 - The organization is made up of Functional Analysts, Consultants, Solution Architects, Business Managers, Project Managers, and Program Managers, who report to Directors which focus on supporting the Operations, Corporate, and Customer areas of Xcel Energy.
- Digital Analytics and Innovation
 - Focused on enabling business process innovation through analytics, mobile, automation, and design thinking.
 - Program Execution and Business Management is responsible for program and project delivery along with coordinating business management activities across the group. In addition, this area serves to manage the HR application delivery team.
 - Enterprise Services focuses on managing the enterprise data and analytics teams and tools along with the Company's mobility platforms.
 - Customer Experience Transformation is focused on supporting the technical delivery for the Company's CXT Program. This area also houses the Salesforce Center of Excellence and a Digital Transformation Support assurance team.
 - SAP Center of Excellence focuses on maintaining, updating/patching, and improving SAP, the Company's enterprise resource planning (ERP) software.
 - Digital Ops Factory focuses on initiatives for the Company to gain efficiencies from moving to a digital state.

Advanced Grid Initiative

The Advanced Grid Intelligence & Security (AGIS) initiative is a comprehensive plan that will advance the Company's electric and gas distribution systems, provide customers with more choices, and enhance the way the Company serves its customers. AGIS provides the foundation for an interactive, intelligent, and efficient grid system that will be even more reliable and better prepared to meet the energy demands of the future. The core components of AGIS are the Advanced Distribution Management System (ADMS); Advanced Metering Infrastructure (AMI); the Field Area Network (FAN); Integrated Volt-VAr Optimization (IVVO); and Fault Location Isolation and Service Restoration (FLISR). More specifically:

- Advanced Distribution Management System (ADMS) is a foundational system for operational hardware and software applications. It acts as a centralized decision support system that assists control room personnel, field operating personnel, and engineers with the monitoring, control and optimization of the electric distribution grid. ADMS also includes the data enhancements for the Geospatial Information System (GIS), which is a foundational data repository that provides location and specification information for all of the physical assets that make up the distribution system. ADMS uses this information to maintain the as-operated electrical model and advanced applications.
- Advanced Meter Infrastructure (AMI) is an integrated system of advanced meters, communication networks, and data processing and management systems that enables secure two-way communication between Xcel Energy's business and operational data systems and customer meters. AMI provides a central source of information that is shared through the communications network with many components of an intelligent grid design.
- Field Area Network (FAN) is the communications network that will enable communications between the existing communications infrastructure at the Company's substations, ADMS, AMI, and the new intelligent field devices associated with advanced grid applications.
- Integrated Volt-VAr Optimization (IVVO) is a significant additional component supported by ADMS, as it automates and optimizes the operation of the distribution voltage regulating and VAr control devices to reduce electrical losses, electrical demand, and energy consumption; and is intended to provide increased distribution system ability to host distributed energy resources.
- Fault Location Isolation and Service Restoration (FLISR) involves software and automated switching devices, as an additional component of the ADMS, that reduce the frequency and duration of customer outages. These automated switching devices detect feeder mainline faults, isolate the fault by opening section switches, and restore power to un-faulted sections by closing tie switches to adjacent feeders as necessary.

Overall, Business Systems is responsible for integrating AGIS systems and data with other back office applications existing at the Company. For example, Business Systems will implement the FAN that allows intelligent field devices, ADMS, AMI, and other systems to connect. Business Systems has already implemented many foundational components of the AMI software for use in Colorado and in Minnesota for the Residential Time of Use (TOU) pilot. This same software will provide features and data processing to support a full Minnesota rollout, and will be enhanced to support Minnesota requirements for capacity, performance, security, and functionality. From the AMI head-end, a combination of new or enhanced interfaces will be built to transfer the data to other applications, such as ADMS, the meter data management system, the billing and customer service system, and the asset inventory management system.

The interfaces will transfer large volumes of data in a small amount of time. The Company will be obtaining significantly more data from the field devices than it has in the past. This increase in data

Advanced Grid Initiative

consumption will require additional space for storage and a data management plan to ensure that Xcel Energy is keeping the necessary data only for as long as it is needed. The new software, additional server hardware, and increase in quantity of data stored will all need to be supported, which will require an increase in the Business Systems support personnel.

Customer Experience Transformation Initiative

The Customer Experience Transformation Initiative (CXT) is a comprehensive plan to build upon and focus on enhancing customer relationships through new and improved services/products. CXT looks to reimagine customer experiences by transforming processes and associated technologies thereby expanding the Company's role in customers' lives. There is a focus of building upon Xcel Energy's strong foundation of offering reliable, safe energy by delivering smarter, simple, and seamless experiences for customers.

In building out a next-generation, integrated, scalable, and secure platform to deliver an industry leading experience for customers, the Business Systems organization will be relied upon to provide expertise in developing and maintaining the customer experience platform, which will be used to support new capabilities and experiences. This platform will be a foundational enterprise asset and will help position the Company for future success by focusing on key areas:

- Enhancing the Digital Experience
- Improving Personalization and Preference
- Streamline Data Aggregation and Distribution
- Update Core Systems
- Provide Tools for Future Enablement

Overall, Business Systems is responsible for building the technological vision, blueprint, and architecture necessary to make the desired customer experience a reality. This includes mobile application development, API development, Cloud development, system and software integration, data governance, data aggregation, and data science. The CXT program focuses on continuous improvement to empower the Company to adapt an agile and sustainable approach into the future.

Major Cost Drivers

Network Services - costs related to the maintenance of existing circuits, phones, microwave and radio systems, along with other IT network infrastructure assets. Network activities provide operation and management of the Company's internal and external data transmission requirements. Network services are budgeted based on a price times a quantity. These costs are dependent upon Xcel Energy's service usage levels and the number of assets in use.

Software Licenses & Maintenance - payments to vendors for license agreements associated with various applications and desktop tools used by the Company to perform services. These payments cover licensing, updates, support patches, fixes, and technical support.

Labor – all benefit and non-benefit Business Systems employees.

Distributed Systems Services (DSS) – support and maintenance of servers, data storage, personal computers, printers, and similar components of the overall computing environment. As the number of servers grows, so does the amount of storage because each new server requires storage to function. Since the 2016 NSPM electric rate case, we had an increase in servers of 3,340, bringing the total to 5,580.

Application Development & Maintenance (ADM) - services to develop, enhance, maintain, and consult on new or existing IT software and hardware applications.

Contract Labor & Consulting – fees and expenses for professional consultants or knowledge-based experts that are not employees of the Company. This category also includes staff augmentation through staffing agencies.

Shared Assets - This category reflects the allocation of Business Systems costs to or from the NSPM operating company, depending on where the asset was purchased and how an investment will be utilized between Xcel Energy operating companies. The dollars associated with this category are, in a sense, a true-up of costs related to a certain investment by assigning to the appropriate jurisdiction(s). This number fluctuates in part based on the jurisdiction in which an investment is purchased, consistent with our cost allocation policy. For example, the dollars in this account will decrease when an asset is purchased in NSPM but is also utilized in other operating companies.

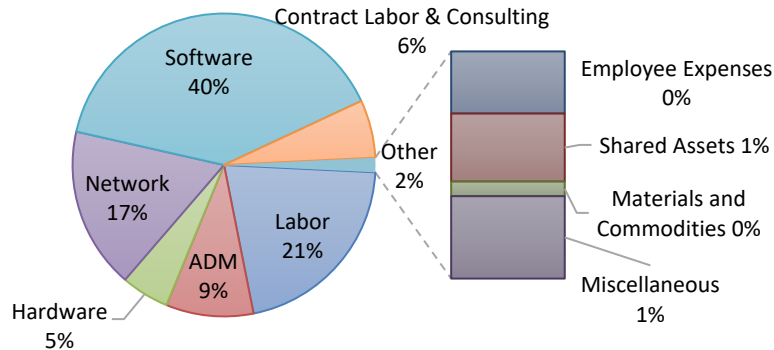
Hardware Purchases and Maintenance – vendor contracts to support hardware systems. This cost category also includes miscellaneous hardware equipment purchases, such as batteries, memory cards, keyboards, headsets, and related technical tools.

Employee Expenses – primarily related to employee travel, occurring on an as-needed basis.

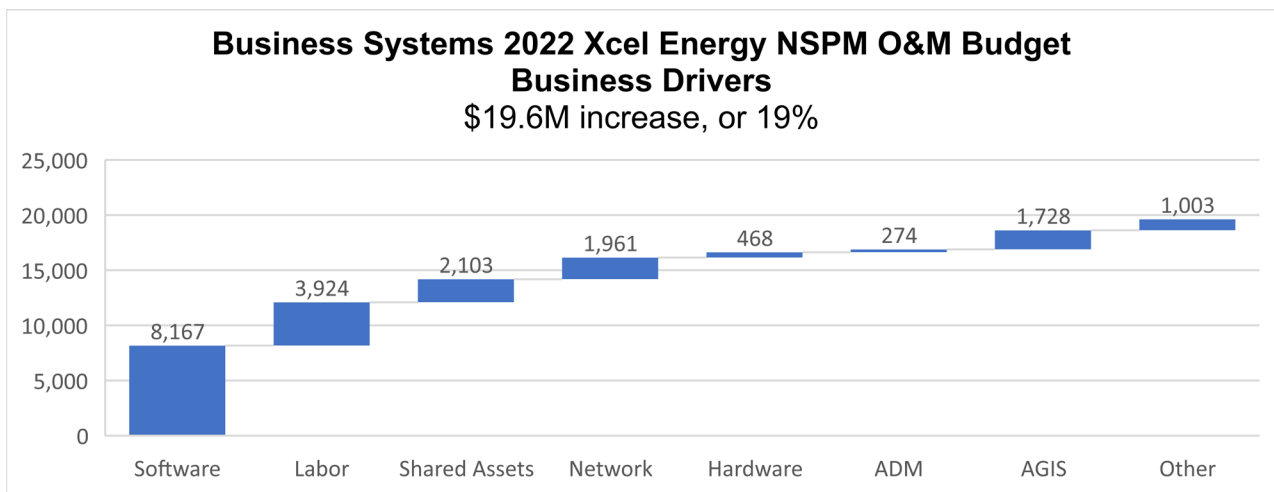
Mainframe - costs for maintaining the centralized applications running on the mainframe computer, which serve multiple business needs such as batch processing for customer billing and meter reading.

Other – consists of administrative materials, fleet expenses, donations, dues and fees, and internal building moves.

**Business Systems
2022 NSPM O&M Budget = \$120.9M**



Business Systems 2022 Xcel Energy O&M Budget Walk Forward (Dollars in thousands)		
2021 July Year-End O&M Forecast		\$101,280
Software		8,167
Software Maintenance	2,827	
Software Licenses	2,943	
Software – ASP	392	
Online Information Services	2,005	
Labor		3,924
Internal Labor	3,011	
Contract Labor & Consulting	913	
Network Services		1,961
Hardware		468
Hardware Maintenance & Purchases	(70)	
Distributed Systems Services	109	
Mainframe Services	429	
Application Development & Maintenance		274
Shared Assets		2,103
AGIS		1,728
Internal Labor	(31)	
Contract Labor & Consulting	1,042	
Hardware Maintenance & Purchases	455	
Software Maintenance & Purchases	609	
Application Development & Maintenance	5	
Miscellaneous	(352)	
Net Other		1,003
2022 O&M Budget		\$120,908



Software: Includes the following: Software Maintenance, Software License Purchases (term and perpetual), Software Application Service Provider (ASP), and Online Information Services costs. Software includes expenses for payments to vendors for license agreements associated with various applications and desktop tools used by the Company to perform services. These payments cover updates, support patches, fixes, licenses, subscription fees, and technical support. There are five major drivers of increase to the 2022 budget in addition to continued overall increasing costs in the industry. First, software costs are driven by net new projects resulting in trailing maintenance needs. Second, there are increased licensing costs driven by users and upgrades. Third, maintenance and support must be updated to limit vulnerabilities. Fourth, as the AGIS initiative continues to evolve, additional Software is required to support the program. Fifth, as the CXT initiative begins to move to a supported run-steady state within Business Systems, additional Software is required to support the program. Overall, these factors translate to increased software license and maintenance costs.

Labor (Internal): Base pay increase estimate for 2022 is three percent. Additional internal labor increases are due to in-sourcing initiatives of converting contractors to full-time employees as part of the organization's strategy. Employee headcount is managed through a workforce plan process that monitors changes and includes attrition information as well as emergent needs. Changes to employee headcount for replacement related to attrition or for new headcount require assessment of the need for the personnel, the associated risks with not filling the position, and alternative options.

Labor (Contract Labor & Consulting): Consists of fees and expenses for professional consultants or knowledge-based experts who are not employees of the Company, including staff augmentation. Overall, the budget is expected to increase in 2022 due to continued increase volume in capital projects, staff augmentation needs, and consulting with trusted advisors for contract negotiations.

Shared Assets - This category reflects the allocation of Business Systems costs to or from the NSPM operating company, depending on where the asset was purchased and how an investment will be utilized between Xcel Energy operating companies. The dollars associated with this category are, in a sense, a true-up of costs related to a certain investment by assigning to the appropriate jurisdiction(s). This number fluctuates in part based on the jurisdiction in which an investment is purchased, consistent with our cost allocation policy.

Network Services: Network system growth in 2022 reflects the increased usage of the organization's network to support new applications, demand for greater speed, and the need for additional capacity to support existing systems. These usage and demand needs increase each year, driven by technology advances, as new requirements or capabilities are identified, and sites are added. Additional increased costs have resulted from the need to upgrade and replace aging components of the network especially with a shift from analog circuits to digital circuits. For example, the SCADA circuits that have been in place for many years for transmission and distribution purposes are based on analog technology. New digital circuits now require maintenance to remain current. Another example is the Company's

investment in expanding the wireless network to aid productivity. This expansion places new assets in service that must be maintained.

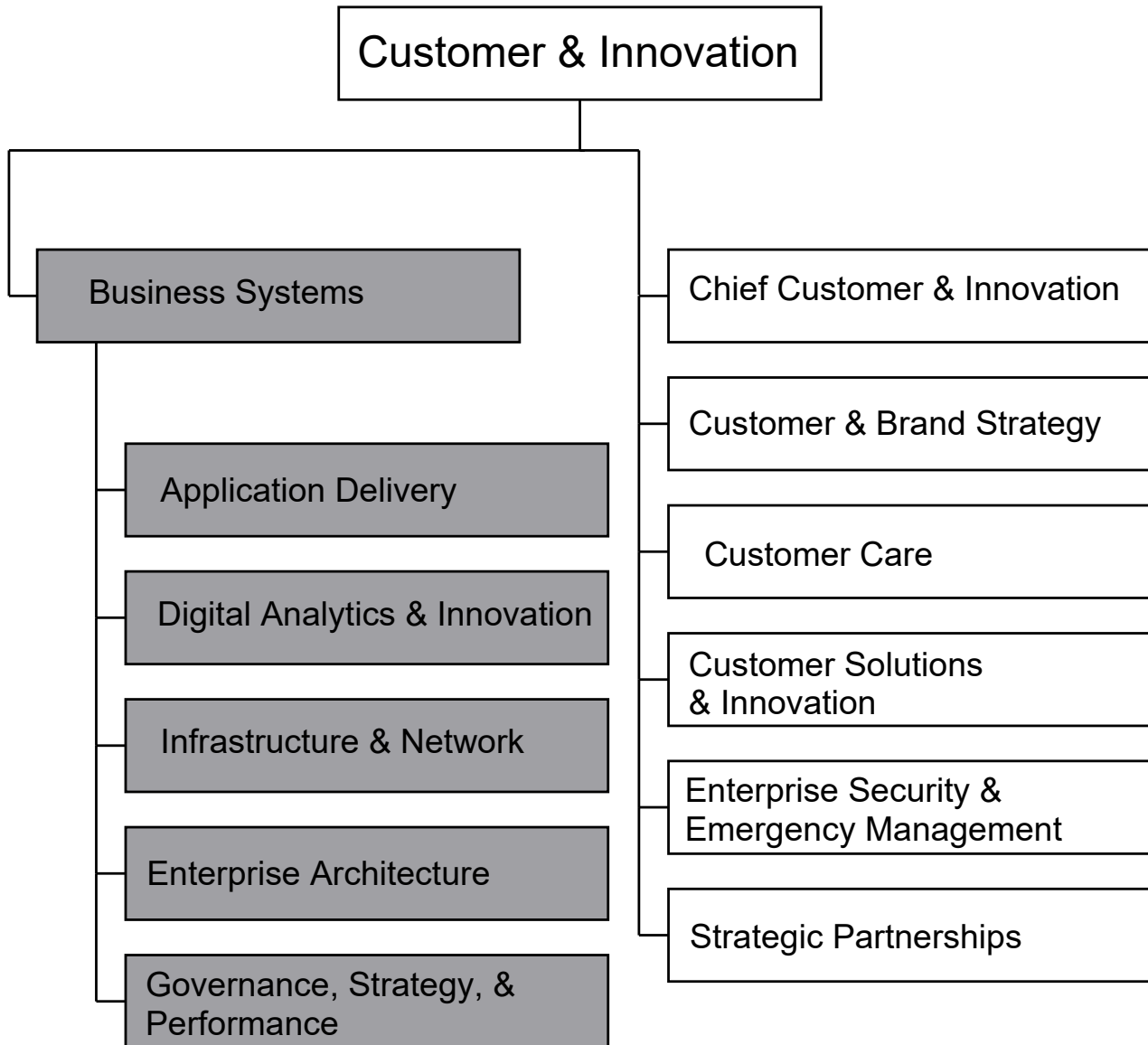
Hardware Maintenance: These costs relate largely to vendor contracts maintained to support hardware systems. Costs for this category are expected to fluctuate based on the work being performed. The major driver of the increase is related to the maintenance costs required to support the new hardware.

Application Development and Maintenance (ADM): ADM costs continue to remain relatively flat due largely to contract renegotiations with IBM and Accenture. This has been partially offset by adding Cognizant for SAP support. In addition, the Company continues to thoroughly evaluate its application portfolio on a regular basis in effort to limit new development for those applications that are considered end-of-life. Contracts with IBM, Accenture, and Cognizant include a Cost of Living Adjustment, which is estimated at three percent annually for IBM contracts, four percent for Accenture per the current agreement, and three percent for Cognizant. Higher spending is primarily driven by these COLAs.

AGIS: The types of O&M costs Business Systems is incurring and expects to incur for AGIS include hardware support, costs for the AMI head-end software (which is a shared asset), data storage, annual software maintenance, labor for software support and project oversight, and application support, which includes ongoing testing, review of processes, and application of security patches to respond to evolving threats.

Other: Includes several smaller spend categories with the primary being Employee Expenses

Functional Organizational Chart



Cost Allocation Methodologies

Method of Assigning IT and Telecommunications Costs

Business Systems charges costs (on the invoice, timesheet, expense report or other source document) either directly to the operating company(ies) benefiting from the service or to an indirect allocation internal order set up to allocate charges at set percentages to the operating companies for a specific system application or type of service. Small amounts of operating company direct costs are charged for union technicians in Northern States Power-Minnesota (NSPM), Northern States Power-Wisconsin (NSPW) and Southwestern Public Service Company (SPS).

The allocation methods used to distribute costs to legal entity and utility include:

Operating Company Direct Charges:

Business Systems costs associated with NSPM, NSPW, PSCo, and SPS union network technology support are directly charged to the applicable operating company. Union technician labor, employee expenses, wireless communication devices, fleet costs and other expenses (including safety glasses, gloves, and boots) are charged to cost centers that are owned by the corresponding legal entity.

Service Company Direct Charges:

IT services, performed for a specific operating company or affiliate, are directly charged to that specific operating company.

Business Systems is primarily a Service Company organization, with the exception of union technicians as noted above. Most costs are more efficient and effective when processed through the Service Company and charged directly when possible.

Service Company Allocated Charges:

The indirect allocation internal orders charge using a cost causative method to the companies benefiting from the system application or service. Different types of costs for providing the same application are charged to the same indirect allocating cost center, thus ensuring billing consistency. For example, costs for distributed systems support, application development and maintenance, and server fees are charged to internal orders that settle to allocating cost centers that allocate to the companies benefiting from this application based on a three-factor formula of assets, revenue and number of employees.

Costs that can be identified as benefiting a particular service function are charged to an indirect allocation internal order using the approved allocation method for that service function. For instance, personal computer support for the Internal Audit business area is allocated using the approved three-factor formula of assets, revenue and number of employees assigned to the Internal Audit function.

The indirect allocations are set up and monitored by the Service Company Accounting department, similar to the other Service Company indirect allocations. Charging the cost directly to the proper account as the cost is incurred eliminates or significantly reduces the number of transactions recorded to the clearing account. This process provides an audit trail for tracking charges back to the original source document and better regulatory reporting on how the costs are allocated.

The primary methods utilized for each service area are described below. Please see Exhibit ____ (RLB-1), Schedule 4 for a complete list of the Company's allocators.

Cost Allocation Methodologies

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200063	110	Executive Corporate Governance	Executive Corporate Governance includes the labor and non-labor costs for executive corporate management, long-term business strategy development and other programs that ensure the continuity and development of management. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200066	121	Accounting, Reporting & Tax - Corporate Governance	Accounting, Reporting & Tax - Corporate Governance includes the labor and non-labor costs associated with preparing and filing consolidated reporting and financial statements, preparing consolidated budgets, completing the consolidation process, maintaining the books and records of Xcel Energy Inc. and Service Company, composing the corporate-wide regulatory accounting policy and compliance, Sarbanes-Oxley (SOX) documentation and compliance, and Chief Financial Officer activities related to the Audit Committee. Provides financial leadership to Xcel Energy and provides policies, controls, and leadership to the Financial Operations business area. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200072	180	Communications - Corporate Governance	Communications - Corporate Governance includes the labor and non-labor costs to assist and ensure Executive Management, Investor Relations and others communicate appropriately with shareholders, the public, and other key stakeholder audiences. Key projects include: development and production of the annual report and other communications to investors; speeches, videos, and major presentations delivered by top executives; and speeches, displays, video and presentations for the company's annual meeting of shareholders. Media Relations contributes to building Xcel Energy's reputation by developing media and public relations strategies for major company initiatives and issues; responding to news media inquiries; working pro-actively with the media to forward story ideas and information about company events, policies and actions, and providing media training for company spokespersons. Media Relations also plays a key role in crisis communications and emergency preparedness efforts. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200079	409	Federal Lobbying	Federal Lobbying services includes the labor and non-labor costs for federal and state lobbying activities and the federal Political Action Committee (PAC).
200081	120	Accounting, Reporting & Taxes	Accounting, Reporting & Taxes services includes the labor and non-labor costs for preparation of operating and non-operating financial statements, tax returns and reporting, performing accounting for the employee benefit plans, ensuring compliance with applicable laws and regulations of the operating and non-operating companies; composing the corporate-wide regulatory accounting policy, and coordinating the budgeting process with the operating and non-operating companies.
200086	170	Legal & Claims Services	Legal & Claims Services includes the labor and non-labor costs for operating and non-operating legal services related to: labor and employment law, litigation, rates and regulation, environmental matters, real estate, contracts, and claims services related to casualty, public, and company claims.
200087	123	Accounting, Reporting & Tax - Regulated	Accounting, Reporting & Tax - Regulated includes the labor and non-labor costs associated with operating company revenue accounting, budgeting, regulatory reporting, sales and use taxes, business area support for utility areas, operating company budgeting support, and capital asset accounting.

Cost Allocation Methodologies

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200096	431	Energy Markets - Business Services	Energy Markets Business Services includes the labor and non-labor costs for financial analysis, budgeting and administrative support, managerial reporting and business planning and process initiatives, independent daily forward valuation and risk measurement of commodity transactions and system fuel and purchase power requirements to meet system loads, as well as proprietary or trading transactions; creates retail system load and energy forecasts providing regular updates to senior management and analyses of key drivers, reviews and provides comments to dealmakers on non-standard agreements and associated confirmation agreements in the areas of coal supply, gas supply, wood fuel, rail, trucking, structured power purchases and nuclear/uranium concentrates and services; provides analyses for electric/gas hedge studies and sensitivities; creates load management forecast, jurisdictional peak demand forecasts, and cost of service studies for energy trading and marketing.
200097	533; 535; 539; 542	Accounting and Finance Software Applications Maintenance	Accounting and Finance Software Applications Maintenance services include the labor and non-labor operating costs for the application development and maintenance of the software applications used for accounting and finance business functions.
200108	N/A	Advanced Metering Infrastructure (AMI)	Advanced Metering Infrastructure (AMI) includes the labor and non-labor costs associated with AMI.
200111	544	Enterprise Application Integration (EAI)	Enterprise Application Integration (EAI) includes the labor and non-labor costs associated with the management of information systems infrastructure and working with IT Project Managers to ensure that new systems are positioned to function as successfully as possible in terms of overall performance and communication with other systems.
200112	562	Mainframe Charges	Mainframe Charges include labor and non-labor costs related to mainframe expenses for development, maintenance, and licensing. The Mainframe is comprised of three applications: Time, Gas Management System, and Monitoring Device Management System applications. This is used primarily by the Business Systems Organization.
200115	514	Miscellaneous Applications	Miscellaneous Applications includes the labor and non-labor costs associated with the management of information systems infrastructure and working with IT project managers to ensure that new systems are positioned to function as successfully as possible in terms of overall performance and communication with other systems.
200116	441	Distribution Electric Supervision & Engineering (S&E) FERC 580	Distribution Electric Supervision & Engineering (S&E) FERC 580 services includes the labor and expenses incurred in the general supervision and direction of the operation of the electric distribution system.
200118	527	Distribution Electric Load Dispatching/EMS FERC 581	Distribution Electric Load Dispatching/EMS FERC 581 services include labor, materials used, and expenses incurred in load dispatching operations pertaining to the distribution of electricity. This includes Energy Management Systems (EMS) which provides supervisory control and data acquisition (SCADA) of substation devices through Remote Terminal Units (RTU's).
200119	506; 507; 559	Distribution Electric & Gas Miscellaneous FERC 588 & 880	Distribution Electric & Gas Miscellaneous FERC 588 & 880 services include labor, materials used, and expenses incurred in distribution system operation not provided for elsewhere. This includes software system labor and non-labor costs for the maintenance that support the electric and gas distribution to our customers as well as non-capital engineering & supervision costs.

Cost Allocation Methodologies

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200124	526	Transmission Electric Load Dispatch-Monitor and Operate Transmission System FERC 561.2	Transmission Electric Load Dispatch-Monitor and Operate Transmission System FERC 561.2 services include labor, materials used, and expenses incurred to monitor, assess and operate the power system and individual transmission facilities in real-time to maintain safe and reliable operation of the transmission system. This also includes the expense incurred to manage transmission facilities to maintain system reliability and to monitor the real-time flows and direct actions according to regional plans and tariffs as necessary.
200126	423; 440; 525	Utilities Group Administrative & General (A&G) FERC 921	Utilities Group Administrative & General (A&G) FERC 921 services includes the labor and non-labor costs for utilities group leadership, management and support services for the Distribution, Transmission, transportation and supply chain areas.
200128	445	Distribution Gas Miscellaneous FERC 880	Distribution Gas Miscellaneous FERC 880 services include the cost of distribution maps and records, distribution office expenses, and the cost of miscellaneous labor and materials used, and expenses incurred in gas distribution systems. Additionally, the labor and non-labor costs for non-capital engineering and supervision.
200131	531	Distribution & Transmission Gas System Control and Load Dispatching FERC 851 & 871	Distribution & Transmission Gas System Control and Load Dispatching FERC 851 & 871 include the cost of labor, materials used, and expenses incurred in dispatching and controlling the supply and flow of gas through the gas distribution and transmission systems. Additionally, costs include the labor and non-labor costs for the application development and maintenance of the Gas SCADA system.
200134	144	Proprietary Trading - Front/Mid Office FERC 557	Proprietary Trading - Front/Mid Office FERC 557 includes the labor and non-labor costs associated with proprietary trading activities which are short term transactions undertaken in the wholesale electric markets where electricity is purchased for the purpose of selling it. Also included are supporting activities: evaluating the credit worthiness of counterparties, reviewing contracts to ensure that regulations are being complied with, evaluating profitability and appropriateness of trades to ensure they are in the best interest of shareholders and rate payers, and ensuring that trades identified as proprietary appropriately fall into that category.
200135	414	Energy Supply Business Resources	Energy Supply Business Resources services includes the labor and non-labor costs of performance analysis, specialists and analytical services provided to the operating companies' generation facilities.
200147	554	Business Objects	Business Objects includes the labor and non-labor costs for the application that provides critical reporting from data universes and tables.
200148	500; 524	Business Systems	Business Systems services includes the costs of providing assistance to computer users across the company. Specifically computer technology risk, software maintenance on applications Distributed to all users (e.g. Microsoft PC tools), governance and project management over all IT projects, fixed management fees with outside vendors, business analytics costs, corrective and preventative maintenance, security, data backup and recovery, help desk, and amortization of outside vendor fees and costs that are not specific to an application that has a specific allocator.
200149	534	Customer & Enterprise Solutions (CES)	Customer & Enterprise Solutions (CES) includes the labor and non-labor costs for the leadership of the Customer & Enterprise Solutions organization and their administrative support staff.

Cost Allocation Methodologies

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200150	520	Interactive Voice Response (IVR)	Interactive Voice Response (IVR) includes the labor and non-labor costs for the application development and maintenance of the Interactive Voice Response system which interacts with a customer calling Xcel Energy call centers. It is intended to help service customers without invoking a call center agent. If the call needs to be handled by an agent, account information and the reason for the call is determined which helps route the call to the appropriate agent.
200152	436	Customer Care FERC 902	Customer Care FERC 902 services includes the labor and non-labor costs for meter reading of retail and wholesale customers and determining consumption for billing purposes as well as executing field collections.
200154	403	Customer Service Information Technology (IT) FERC 903	Customer Service Information Technology (IT) FERC 903 services includes the labor and non-labor costs for IT applications related customer billing to customers, call center support and credit and collections.
200155	435	Customer Care FERC 903	Customer Care FERC 903 services includes the labor and non-labor costs for contact centers, remittance processing, credit and collections, customer resource management, and contact center training. This allocation is used when all four jurisdictions are benefiting from the services such as responding to residential customer inquiries regarding billings and outages, handling inbound credit calls, outbound collections calls, managing accounts receivables, training call center staffs, developing contact center call forecasts.
200159	405	Customer Service Information Technology (IT) NSPM & NSPW FERC 903	Customer Service Information Technology (IT) NSPM & NSPW FERC 903 services includes the labor and non-labor costs for IT applications related customer billing to customers, call center support and credit and collections. This allocation is used when NSPM & NSPW jurisdictions are benefiting from the services.
200160	439	Customer Care NSPM & NSPW FERC 903	Customer Care NSPM & NSPW FERC 903 services includes the labor and non-labor costs for contact centers, and credit and collections, such as responding to commercial customers inquiries at the Business Solution Center. This is primarily used by the Customer Care organization when NSPM and NSPW jurisdictions are benefiting from the services.
200164	198	Payroll	Payroll services include the labor and non-labor costs for processing payroll including consolidation of time collection, calculation of salaries and wages, administration of employee deductions, account Distribution and reconciliation, allocation and accounting for employment taxes and compliance reports.
200165	515; 521; 552	Employee Management Systems	Employee Management Systems includes the labor and non-labor costs for the Security Operations Center (SOC), Time capture and processing for payroll and accounting and Human Resources software. These applications and services provide services for the whole company related to enterprise security, including physical access, security monitoring and investigations, payroll and time accounting and employee information databases.
200166	190; 197; 199	Human Resources (Diversity/Safety/Employee Relations)	Human Resources (Diversity/Safety/Employee Relations) includes the labor and non-labor costs for work performed for operating and affiliate company employees, such as diversity programs, providing workforce relations resources for labor agreements, arbitration, and training. Manage, design, and implement Corporate Safety initiatives. Staffing administration for non-bargaining positions and provides Affirmative Action plans (development) and government audit management (compliance).

Cost Allocation Methodologies

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200168	517	Gas Management System (GMS) FERC 866 & 880	Gas Management System (GMS) FERC 866 & 880 supports Xcel Energy gas transportation business including contracts, nominations/allocation, end-user measurement, imbalance management, and input for billing. also supports gas system supply, other balancing services. Costs include labor and non-labor for the application development and maintenance of the Gas Management System.
200169	504; 537; 553	Energy Supply Systems Miscellaneous FERC 417.1, 506, 539, & 549	Energy Supply Systems Miscellaneous FERC 417.1, 506, 539, & 549 includes the labor and non-labor costs for the non-critical applications that support the Energy Supply area. Such as Emissions Tracker, Labworks, SAP WAM, Documentum and Meridian.
200170	518; 540	Meter Reading and Monitoring Systems FERC 902	Meter Reading and Monitoring Systems FERC 902 includes the labor and non-labor operating costs for the application development and maintenance of the software applications needed to read and monitor gas and electric meters, including Meter Data Lake.
200171	503; 555	Customer Resource System (CRS) FERC 903	Customer Resource System (CRS) FERC 903 includes the labor and non-labor costs for the CRS system, specifically, application development and maintenance costs, licensing fees, server system costs and technology risk costs specific to disaster recovery of this application. CRS is Xcel Energy's customer service and billing system.
200172	523	Network	Network services include the labor and non-labor costs for the operation, maintenance, and management of Xcel Energy's internal and external Information Technology Network. This includes circuits, firewalls and communication assets.
200176	412	Marketing & Sales	Marketing & Sales services includes the labor and non-labor costs for marketing and sales services for the operating companies for their customers including strategic planning, segment identification, business analysis, sales planning, customer service, promoting products to the business market, and providing regulatory and policy support with respect to utility energy efficiency and demand response program design, evaluation, measurement and verification, cost effectiveness testing , and cost recovery.
200180	528	EMS-Shared (Energy Management System-SCADA) FERC 556, 561.2, & 581	EMS-Shared (Energy Management System-SCADA) FERC 556, 561.2, & 581 provides supervisory control and data acquisition of substation devices through Remote Terminal Units (RTU's). EMS-Shared system includes the labor and non-labor costs for the application development and maintenance of the Electric Transmission, Distribution and Production Plant information operations.
200184	516	PowerPlan	PowerPlan includes the labor and non-labor operating costs for PowerPlan, which is the capital asset business system which includes the following modules. Fixed Assets, Power Tax, Property Tax, Projects, Budgets, Cost Repository, Depreciation studies and Depreciation forecast. This includes the application development and maintenance costs, licensing fees, server system costs and technology risk costs specific to disaster recovery of this application.

Benefits of Allocation of Costs Methodologies

- Allocates Business Systems costs using a more cost-causative driver per system application or service
- Increases the number of allocation cost pools, resulting in more accurate billing of costs
- Uses consistent method of charging costs for specific system applications or services

Cost Allocation Methodologies

- Uses SAP to allocate costs, thereby increasing efficiency in processing and making allocation methods more transparent than a journal entry from a feeder system
- Improves regulatory reporting
- Is centrally established and monitored by Service Company Accounting, similar to other Service Company indirect allocations, enabling better control
- Creates a better audit trail by eliminating or significantly reducing transactions recorded to the IT clearing account.

Approvals

This document has been checked for errors in calculations and content.

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2022 Budget Documentation

Customer and Innovation

Customer Care

Major Business Functions and Key Activities

Introduction

The Customer Care organization is a part of Xcel Energy Services Inc. and provides a variety of support services to Xcel Energy Inc., its subsidiaries and customers. Services include Billings Services & Operations, Contact Center, Credit and Collections, Customer Care, Measurement and Analytics, Customer Policy and Assistance, and Meter Reading, Revenue Assurance & Field Collections.

Customer Value

Each business area within Customer Care plays its own role in providing customer value.

Billing Services & Operations focuses on securing revenue through timely, accurate, and cost-effective billing services and cash processing operations. Primary Functions are Retail Billing (residential, commercial, industrial), Cash/Remittance Processing, Meter Data Translation, Billing & Payment Exception Processing, Vendor Contract Management, Gas Transportation, Non-Commodity Billing, Taxing, Addressing, Bill Statements, Letters & Notices, System Testing, Complex Billing, MPUC/OAG Compliance, SOX Controls, and Benchmark Reporting.

Contact Center's mission is to deliver the highest quality and consistent customer experience. Functions include enhancing our customers' experience and proactively attaining energy efficiency, products and service goals through the Residential Customer Contact Centers, Business Solution Center, Energy Expert Team, Correspondence, Residential Property Management Team and Specialists.

Credit and Collections focuses on the use of a variety programs and methods to secure payments on delinquent accounts, to optimize cash flow and minimize bad debt; along with vacant premise management.

Customer Care, Measurement and Analytics creates value by managing employee talent training and quality assurance, planning and forecasting, operational management, workforce management, performance reporting, advanced analytics, vendor management and fiscal oversight for all of Customer Care.

Customer Policy and Assistance focuses on communicating with employees and customers, tracking and improving business area performance and processes, working with customers to resolve complaints, and managing customer policies and low-income assistance.

Meter Reading, Revenue Assurance & Field Collections' role is to ensure that all the energy our customers use is accurately measured, billed and paid for. Operational excellence, performance improvement, employee engagement, accurate readings, revenue protection and customer satisfaction are all part of Meter Reading's value proposition. Meter reading services are provided by Landis+Gyr (Cellnet). Advanced Metering Infrastructure (AMI) deployment will reduce headcounts due to improved automated reading capabilities. Deployment delays or disapproval of AMI deployment may impact these Meter Reading costs.

The Customer Care business area is a part of Xcel Energy Services Inc. and provides customer-related support services to Xcel Energy Inc. and its subsidiaries. These services are provided in accordance with Service Agreements that exist between the applicable subsidiaries. The Service Agreements are administered in accordance with Federal Energy Regulatory Commission regulations and, when required, are presented to the Minnesota Public Utilities Commission for review and approval.

The Customer Care organization is comprised of the following major areas: Billing Services & Operations, Contact Center, Credit & Collections, Customer Care, Measurement and Analytics, Customer Policy and

Major Business Functions and Key Activities

Assistance, and Meter Reading, Revenue Assurance & Field Collections. The major business functions and key activities for each area are summarized below.

Billing Services & Operations

Major Functions

Billing Services & Operations is responsible for working through billing and cash exception, meter data translation, delivery of billing statements, letters, and notices, remittance processing, and customer receivables for all Xcel Energy retail residential, industrial, large and small commercial customers across all jurisdictions.

Key Activities

- Manage retail customer billing, cash, and lockbox processing
- Research and process all billing and cash exceptions
- Manage billing and cash vendor relationships with associated contracts
- Provide escalated customer service assistance regarding billing and cash issue resolution
- Manage non-commodity bills, manual bills, gas transportation and daily gas, and meter data translation

Contact Center

Major Functions

Contact Center is responsible for the operation of the residential customer service and business solutions centers.

Key Activities

- Respond to customer inquiries through multiple channels. Typical contact types include:
 - Establish, transfer and /or disconnect service
 - Analyze and explain customers' bills
 - Negotiate payment arrangements
 - Consult and offer services and options
 - Handle gas/electric calls, including emergencies

Credit & Collections

Major Functions

The Credit and Collections organization is responsible for accounts receivable management and internal credit support.

Key Activities

- Manage accounts receivables through credit cycle to mitigate bad debt expense and manage Days Sales Outstanding
- Manage collections of delinquent accounts
- Manage in-bound and outbound collections contacts with customers

Major Business Functions and Key Activities

Customer Care, Measurement and Analytics

Major Functions

Customer Care, Measurement and Analytics is responsible for overall organizational operation support, Contact Center staff training and quality assurance.

Key Activities

- Train and provide quality assurance monitoring for phone staff
- Develop Contact Center call forecasts, scheduling, regulatory reporting, and manage real-time Contact Center operations
- Provide planning and forecasting, operational management, workforce management, performance reporting, advanced analytics, vendor management and fiscal oversight for all of Customer Care.

Customer Policy and Assistance

Major Functions

Customer Policy and Assistance is responsible for communicating with employees and customers, managing customer policies, and low-income programs.

Key Activities

- Circulate communications to Customer Care staff and provide information to customers
- Resolve customer complaints
- Track and monitor organizational performance, customer data privacy processes and improve internal processes
- Manage and implement low-income programs and provide service support to low-income customers and agencies

Meter Reading, Revenue Assurance and Field Collections

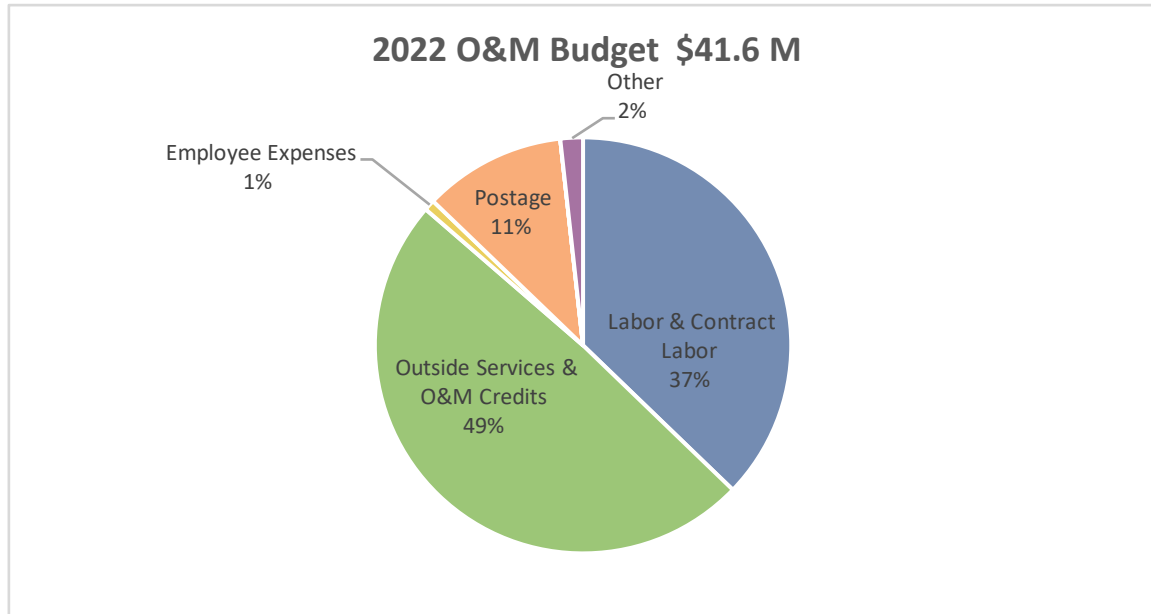
Major Functions

Meter Reading, Revenue Assurance, and Field Collections is responsible for customer meter reads, field credit collections, and revenue assurance across all jurisdictions.

Key Activities

- Read meters
- Execute field collections and disconnections/reconnections for nonpayment
- Investigate tampering of service for theft and public safety

2022 Customer Care Xcel Energy O&M Major Cost Drivers



Costs are categorized as Labor and Contract Labor, Outside Services and O&M Credits, Postage, Transportation Fleet Costs, and Employee Expenses.

Labor and Contract Labor – Labor for the Customer Care organization is made up of exempt, part-time and full-time benefit, non-benefit, and union employees to perform the key activities described under the Major Business and Key Activities section. Contract labor is primarily utilized in Billing Services and Meter Reading. Billing Services uses contractors to help backfill labor in their Billing Operations and Cash Processing departments. Meter Reading uses contractor labor to execute field collections in NSPM.

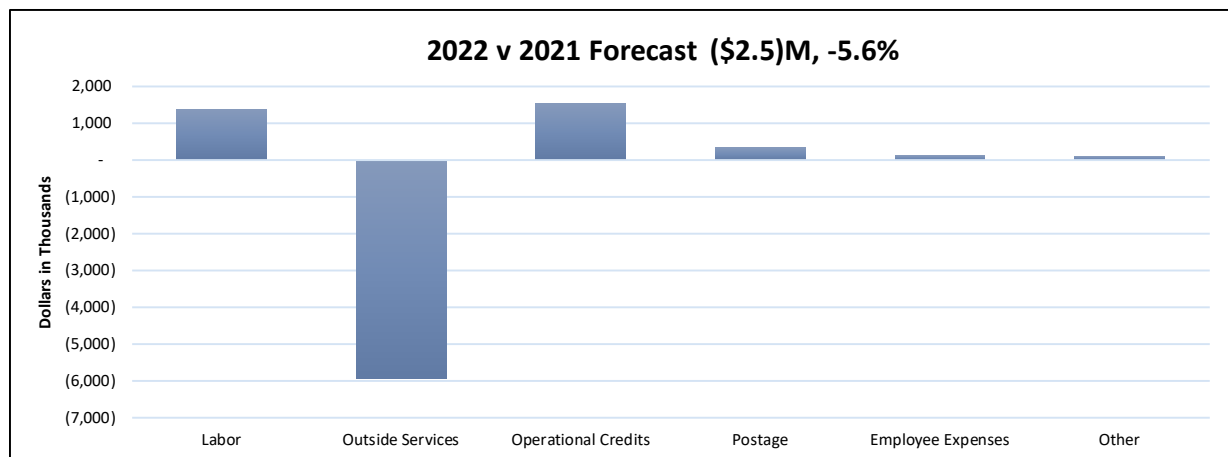
Outside Services and O&M Credits – Customer Care uses outside services in most of its business areas. Billing Services uses DST Output to process the Company's bills and letters and notices. Credit and Collections utilizes third-party collection agencies to assist in collecting on delinquent accounts. In addition, outside companies are used to make courtesy calls when customers' payments are late. Credit checks and information needed to research customer accounts are also outsourced to various companies. The Contact Center uses Language Line to help in language translation to assist agents in conversations with customers. The Resource Management group utilizes outside services to assist in overflow outage call handling and outbound contacts. Credit Policy, within Customer Policy and Assistance, has budget dollars for a monthly fee associated with data breach support from a third-party vendor. A large part of outside services resides in the Meter Reading area. The Company uses an outside company to perform most of the Company's automated meter reads. Meter Reading also outsources reconnecting customers' power and performing commercial and industrial reads, interval reads and other special contracted reads. The increase in Outside Services is offset by O&M Credit reimbursement from Cell net for the costs associated with any meter readers that are retained to read any non-automated and non-performing electric meters in NSPM.

Postage – Postage is primarily made up of the mailing costs to send out bills and letters and notices to Xcel Energy's customers.

Transportation Fleet Costs – Many of the meter readers utilize company-owned vehicles. The Company will charge back a cost to the Meter Reading business units for the use of these vehicles.

Functional Organization Chart

2021 July Year End Forecast to 2022 Budget	
2021 July Year End Forecast	44,107
Labor	1,368
Outside Services	(5,961)
Operational Credits	1,525
Postage	349
Employee Expenses	141
Other	103
2022 Budget	41,633



The major cost drivers from an organizational perspective are:

Labor:

The increase in labor consists of: (1) three percent base pay increase, \$0.4M, (2) anticipated XE1 saving in 2021, \$0.8M, (3) suspended field collections and residential manual meter reading activities resulting in lower labor costs in 2020, \$0.3M, offset by (4) estimated severance accrual reversal (\$0.1M) in 2022.

Outside Services:

The decrease in Outside Services consists of: (1) Cellnet contract renegotiation where it eliminated a contract cost escalation factor and lower cost per read in 2022, (\$4.8M), (2) anticipated AMI savings (\$1.3M), offset by (3) higher anticipated outsourcing Quality Assurance call monitoring in 2022, \$0.1M.

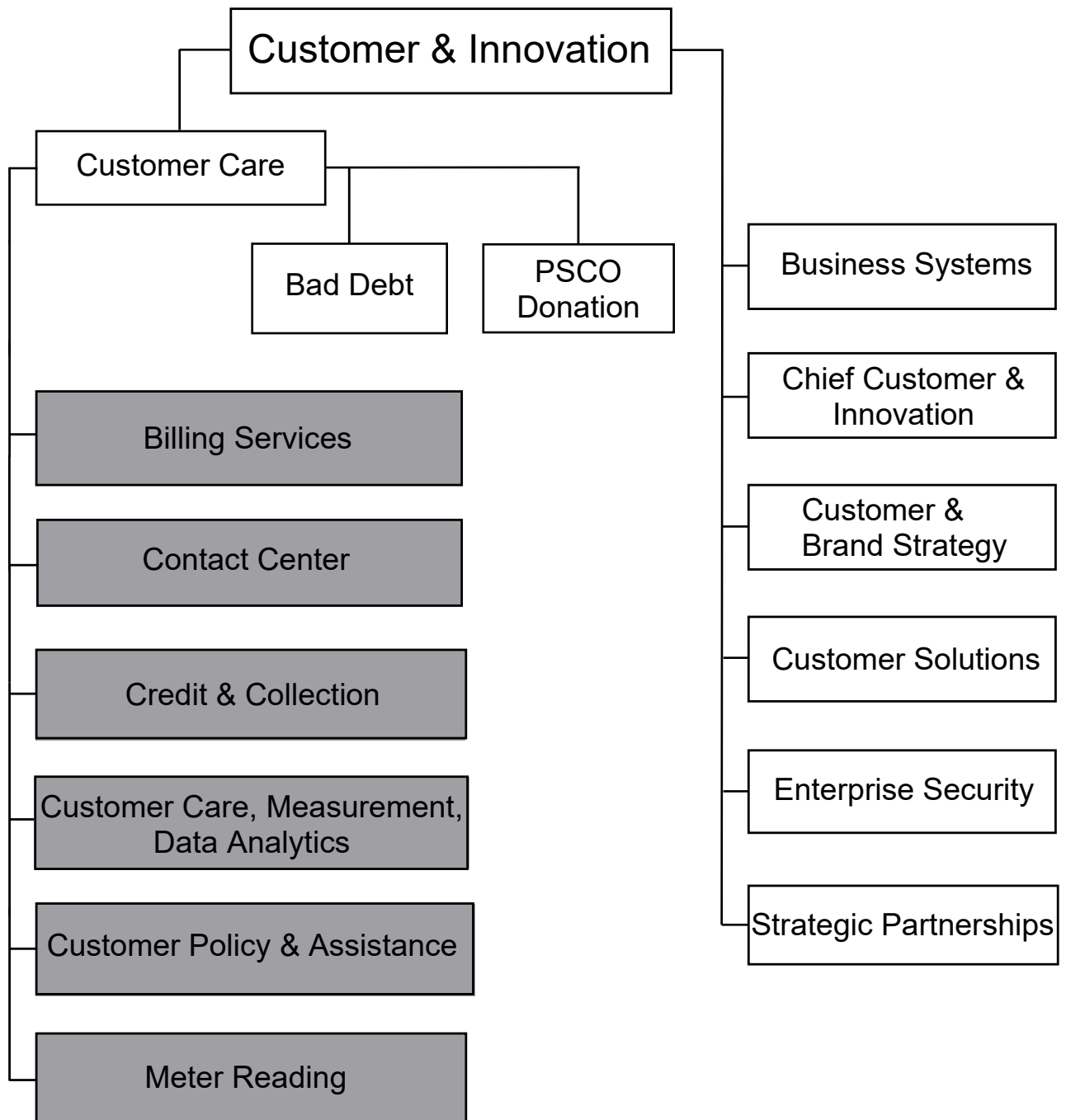
Operational Credits

Operational Credits are based on credits received from Cellnet. Xcel Energy receives a credit or money back for every meter when the Company must read it manually which should have been serviced by Cellnet. Operational Credits elimination in 2022 according to the Cellnet contractual schedule due to improved automated reading capabilities results in Meter Reading cost to increase by \$1.5M.

Postage

Postage is projected to increase by \$0.3M in 2022. The budget assumes an eight percent increase in postage rates offset by paperless billing savings in 2022.

Functional Organization Chart



Cost Allocation Methodologies

Service Company Allocated Charges:

Operating Company Direct Charges are costs incurred directly by a particular operating company. For example, the relevant operating company pays insurance premiums for operating-company-specific policies. These premiums are shown as direct charges to that operating company.

Service Company Direct Charges are costs incurred by the Service Company on behalf of an operating company. For example, some Budgeting personnel may be involved in a specific operating company initiative (e.g., a rate case or other regulatory filing). Any Service Company labor costs associated with this initiative are billed directly to the relevant operating company.

Service Company Allocated Charges are costs for which a unique operating company cannot be determined or which are incurred on behalf of all operating companies. For example, general Budgeting services are provided on a centralized basis for all Xcel Energy legal entities. The Service Company labor costs associated with these services are allocated to the legal entities using allocations. The primary methods utilized for each service area are described above. Please see Exhibit__(RLB-1), Schedule 4 for a complete list of the Company's allocators.

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200151	447	Customer Billing FERC 903	Customer Billing FERC 903 includes the labor and non-labor costs related to the delivery of billing statements, letters and notices to Xcel customers including postage and outside services costs, oversight and administration of customer billing area, research of billing exceptions, providing escalated customer service assistance with regard to billing issues resolution, and process remittances and receivables. This allocation is used when all four jurisdictions are benefiting from the services.
200152	436	Customer Care FERC 902	Customer Care FERC 902 services includes the labor and non-labor costs for meter reading of retail and wholesale customers and determining consumption for billing purposes as well as executing field collections.
200155	435	Customer Care FERC 903	Customer Care FERC 903 services includes the labor and non-labor costs for contact centers, remittance processing, credit and collections, customer resource management, and contact center training. This allocation is used when all four jurisdictions are benefiting from the services such as responding to residential customer inquiries regarding billings and outages, handling inbound credit calls, outbound collections calls, managing accounts receivables, training call center staffs, developing contact center call forecasts.
200156	437	Customer Care FERC 901	Customer Care FERC 901 services includes the labor and non-labor costs for the leadership of the customer care organization and their administrative support staff such as consulting costs to support overall Customer Care organizational operations.
200160	439	Customer Care NSPM & NSPW FERC 903	Customer Care NSPM & NSPW FERC 903 services includes the labor and non-labor costs for contact centers, and credit and collections, such as responding to commercial customers inquiries at the Business Solution Center. This is primarily used by the Customer Care organization when NSPM and NSPW jurisdictions are benefiting from the services.
200161	446	Customer Care Low Income Assistance FERC 908	Customer Care Low Income Assistance FERC 908 services includes the labor and non-labor costs associated with the low income energy customer program such as answering calls from customers for referral to low income assistance agencies, providing information to the agencies in order to process applications for assistance, take pledges/commitments from agencies and process payments from agencies.

Approvals

This document has been checked for errors in calculations and content.

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Director, Shared Services Finance

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Chris Cardenas

VP, Customer Care

2022 Budget Documentation

Customer and Innovation

Bad Debt

Major Business Functions and Key Activities

Introduction

An estimate of the amount of billed commodity revenue that will ultimately become uncollectible is required so that expenses match the commodity and non-commodity revenue received during the period. In order to make an accurate estimate, it is necessary to use recent data to the extent it is representative of what can be expected in the budgeted periods.

Bad Debt Expense is recognized in the Legal Entity where the customer account being written off resides.

Corporate Services Bad Debt Expense is comprised of Commodity (Class “C”) write offs and recoveries, Non-Commodity (Class “N”) write offs and recoveries and change in accounts receivable reserve.

Bad Debt

Major Functions

Bad Debt Expense represents expense to an Xcel Energy legal entity for a customer account determined to be uncollectible and written off. Components of bad debt expense include:

- Write-offs – customer accounts written off
- Recoveries – amounts recovered after being written off
- Changes in Accounts Receivable (AR) Reserve – changes in balance sheet reserve for AR based on AR reserve model.

Measurement and Forecasting

Commodity bad debt expense is forecasted and measured based on a percentage of billed commodity revenue on a monthly and an annual basis.

The percentage used for the budget for NSP MN is typically about 0.35 percent based on the average of 2013-2019 actual bad debt expense as a percentage of revenue. The budget for 2022 required additional consideration as the impacts of the COVID-19 pandemic on expected uncollectible accounts over these years.

The assumptions used in this budget period were as follows:

The commodity bad debt 2022 budget is calculated by using bad debt expense as a percentage of billed commodity revenue from 2010 for Xcel Energy including (\$1.1M) Propensity to Pay (P2P) and (\$0.8M) Worldwide Network Services (WNS) savings then the cost was allocated to NSPM based on 2020 actuals NSPM allocation percentage. The bad debt as percentage of revenue is 0.40 percent based on similar anticipation recovery after great recession due to the financial impacts of the housing bubble and subsequent subprime mortgage crisis in 2008. The Company anticipated that there are less write-off and bankruptcies related to pandemic in 2022 which is less than 2021.

The non-commodity bad debt for 2022 budget is calculated by using the average of actual non-commodity bad debt from 2017 to 2020.

2022 NSPM Walk Forward of Major Cost Drivers

2021 July Year End Forecast to 2022 Budget	
2021 July Year End Forecast	18,505
Revenue Variance	1,760
Rate Variance	(2,130)
2022 Budget	18,134



2022 NSPM Walk Forward of Major Cost Drivers

The major cost drivers from an organizational perspective are:

July 2021 Forecast commodity bad debt includes \$2.9M COVID-19 incremental bad debt expense on billed commodity revenue.

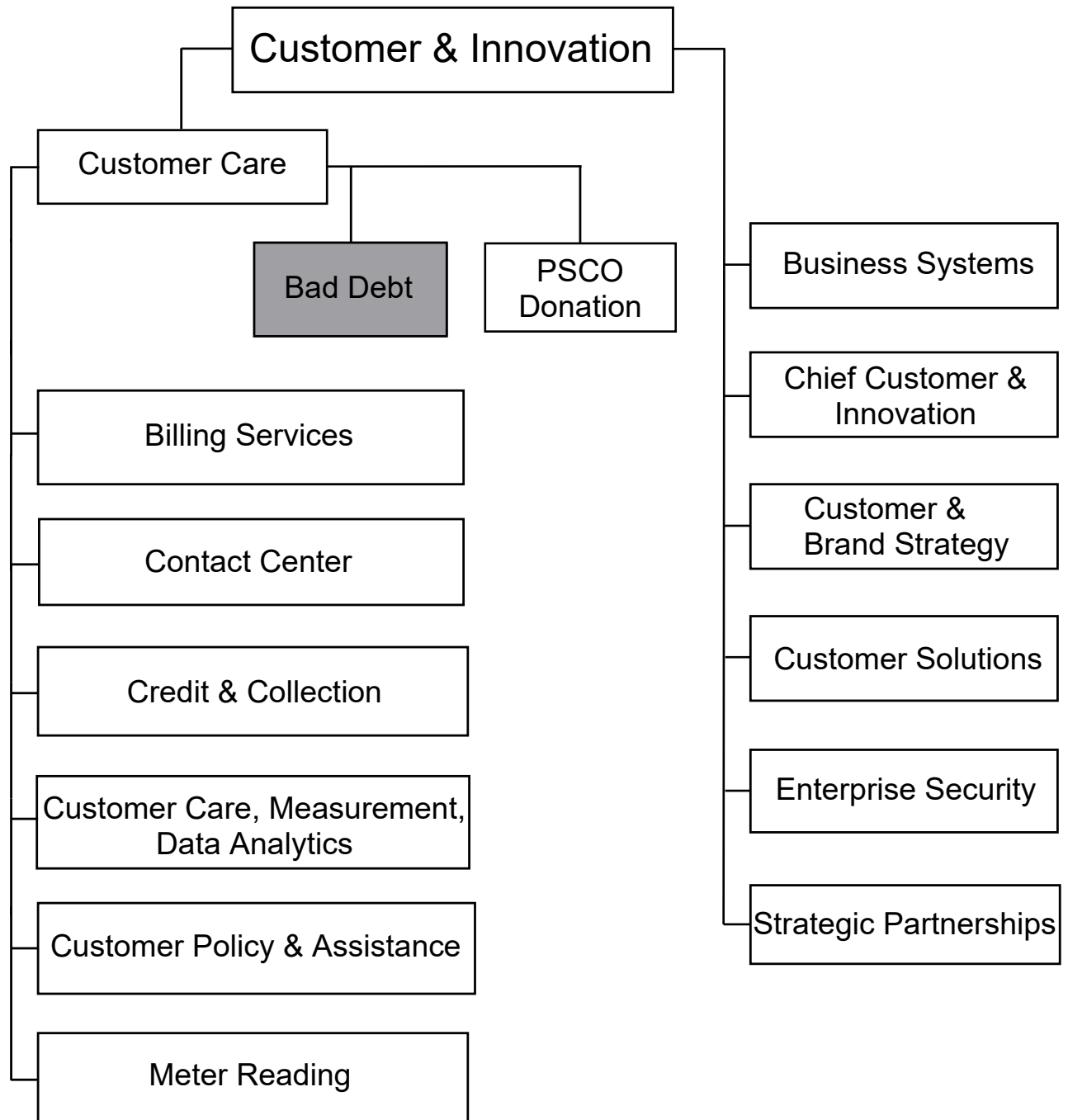
The Company anticipated bad debt to be impacted by recording incremental costs on arrearages and uncollectible expenses attributable to COVID-19 based on experience in past economic downturns and knowledge of the payment patterns for the various customer classes, resulting in increased reserves for billed account receivable with the resulting impact on reserves. The Company adjusted July 2021 bad debt year end forecast by increasing bad debt as percentage of billed commodity revenue to be the same as 2009 where there was great recession due to the financial impacts of the housing bubble and subsequent subprime mortgage crisis. July 2021 bad debt as percentage of revenue including (\$0.8M) anticipated bad debt reduction from better collection effort in addition to (\$1.1M) P2P and (\$0.8M) WNS savings is 0.45 percent.

Bad debt expense decreased (\$0.4M) from the July 2021 year end forecast to the 2022 budget. The change is primarily made up of two drivers: Operating Company billed commodity revenue and percent of bad debt to revenue.

Total billed commodity revenue in the July 2021 Forecast is \$4.1B compared to \$4.5B in 2022 Budget. The total impact to bad debt expense resulting from the change in total billed commodity revenues is \$1.7M.

Percent of total bad debt expense to billed commodity revenue is 0.45 percent in the July 2021 Forecast compared to 0.40 percent in 2022 budget. For 2021, the Company used bad debt expense as a percentage of billed commodity revenue from 2009 for Xcel Energy including (\$0.8M) anticipated bad debt reduction from better collection effort in addition to (\$1.1M) P2P and (\$0.8M) WNS savings then the cost was allocated to NSPM based on 2020 actuals NSPM allocation %. For 2022, the Company used bad debt expense as a percentage of billed commodity revenue from 2010 for Xcel Energy including (\$1.1M) P2P and (\$0.8M) WNS savings then the cost was allocated to NSPM based on 2020 actuals NSPM allocation %. The total impact to bad debt expense resulting updating the percent of bad debt expense to billed commodity revenues is (\$2.1M).

Functional Organization Chart



Cost Allocation Methodologies

The methods used to distribute costs to a legal entity and utility include:

Operating Company Direct Charges:

Bad Debt Expense is expensed in the Legal Entity where the customer account being written off resides.

Service Company Allocated Charges:

Not applicable.

Service Company Direct Charges:

Not applicable.

Approvals

This document has been checked for errors in calculations and content.

Prepared By: _____ /s/ _____

Date: 10/14/2021

Kiem Thang

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Date: 10/13/2021

Adam Dietenberger

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Approved By: _____ /s/ _____

Date: 10/13/2021

Chris Cardenas

VP, Customer Care

2022 Budget Documentation

Customer and Innovation

Chief Customer and Innovation Officer

Major Business Functions and Key Activities

Introduction

The Customer and Innovation organization is a part of Xcel Energy Services Inc. and provides critical services to meet the needs of Xcel Energy's employees, technology users and energy customers. These services are provided in accordance with Service Agreements entered into with each subsidiary. The Service Agreements are administered in accordance with Federal Energy Regulatory Commission (FERC) regulations.

The Chief Customer and Innovation Officer (CCIO) has oversight of eight groups: The Business Systems and Customer Care related groups are documented separately; this document outlines costs as they pertain to the remaining groups within Customer and Innovation.

Chief Customer and Innovation Officer, provides ongoing support and leadership to Business Systems, Customer Care, Enterprise Security Services, Customer and Brand Strategy, Customer Solutions and Innovation, Innovation and Transformation Office, Strategic Partnerships and the non-regulated operations of HomeSmart.

Business Systems, the technology business area of the Customer and Innovation group, manages the company's information technology (IT) infrastructure to ensure that technology and security needs are met within the context of the enterprise's business goals.

Customer Care, provides a wide range of services including operating contact centers to provide a high quality and consistent customer experience, performing meter reading, billing services and credit and collections activities and managing the overall customer experience through training and quality assurance.

Enterprise Security Services, is responsible for both the cyber and physical security to employees, protecting assets, performing investigations and incident response and assisting in regulatory compliance.

Customer and Brand Strategy, services include producing and supervising the overall brand strategy and the placement of advertising and sponsorships. Additionally, the group manages our customer insights and experience related activities, as well as digital channel management.

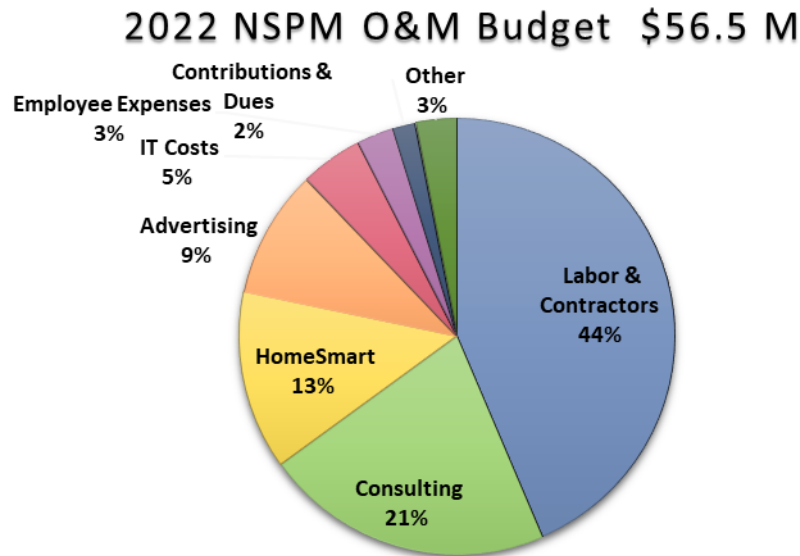
Customer Solutions and Innovation, provides customer related services to support the activities of Xcel Energy Inc. and its' subsidiaries. These services include Demand Side Management (DSM) product development and management, Renewable product management, product strategy and development, DSM strategy, and economic development.

Innovation and Transformation Office, manages enterprise wide projects and initiatives, to facilitate process redesign and continuous improvement, encourage collaboration across business areas and evaluate new and emerging technologies. Additionally provides project and change management support to the enterprise.

Strategic Partnerships, focused on the identification and evaluation of opportunities to partner with outside entities to improve products and services provided by the enterprise, as well as, the development of electric vehicle and transportation initiatives.

2022 Walk Forward of Major Cost Drivers* (NSPM)

* Excludes Business Systems and Customer Care as they are addressed in separate documents.



Labor – Assumed staffing level and wages drive the costs of labor.

Consulting – Costs incurred for initiatives and programs where outside expertise is required. Primarily focused on the development of new products, services and improved experiences for both internal and external stakeholders

HomeSmart – Non-regulated business that provides repair, replacement, and maintenance of major appliances and systems. These costs are not recovered from ratepayers.

Advertising – Spending related to both brand advertising and various sponsorships

Employee Expenses – Employee expenses for travel, continued education, and professional conferences.

IT Costs - Represents the support and maintenance costs for software and hardware technology and costs related to network services.

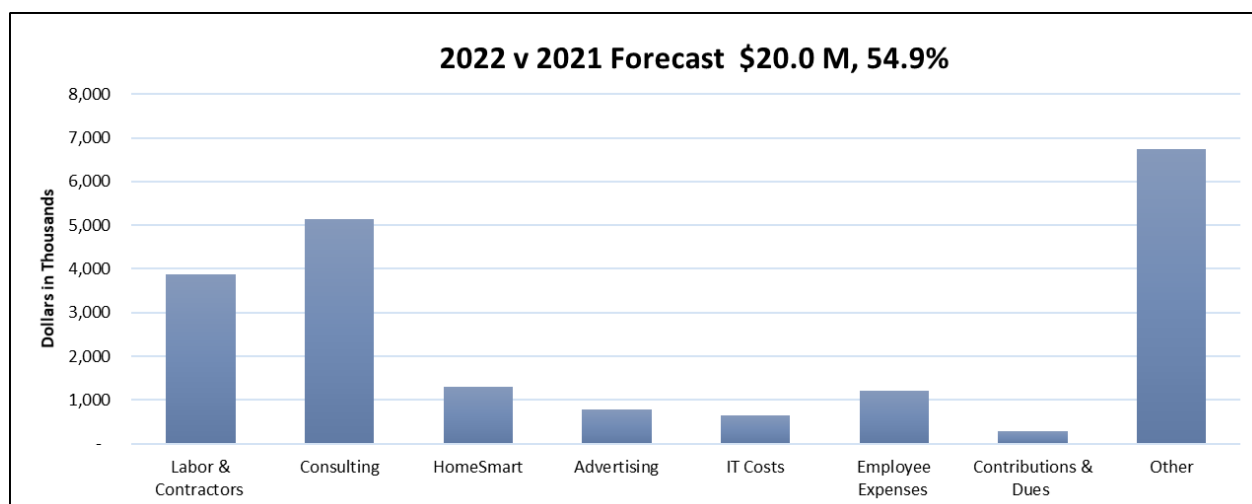
Contributions & Dues – includes items such as professional association dues, community sponsorships, civic and political activity, utility associations, charitable contributions, and other deductions.

Other – Includes the support and maintenance costs for software and hardware technology and costs related to network services, materials as well as bank charges, workforce administration expenses, license fees and permits, fleet costs, postage, employee workspace moves/adds/changes, and overheads.

2022 Walk Forward of Major Cost Drivers* (NSPM)

* Excludes Business Systems and Customer Care as they are addressed in separate documents.

2021 July Year End Forecast to 2022 Budget	
2021 July Year End Forecast	36,457
Labor & Contractors	3,868
Consulting	5,150
HomeSmart	1,310
Advertising	784
IT Costs	653
Employee Expenses	1,217
Contributions & Dues	275
Other	6,739
2022 Budget	56,454



The major cost drivers from an organizational perspective are:

Labor: Increase is primarily due to the annual merit cycle as well as the timing of hiring open positions and the budget representing a fully staffed organization, less normal attrition.

Consulting: Drivers for increased consulting include support for multiple initiatives ramping up in 2022. Distributed Intelligence work within the Innovation group, new focus on electric transportation, creation of more robust cyber defenses, and focus on more strategic revenue streams.

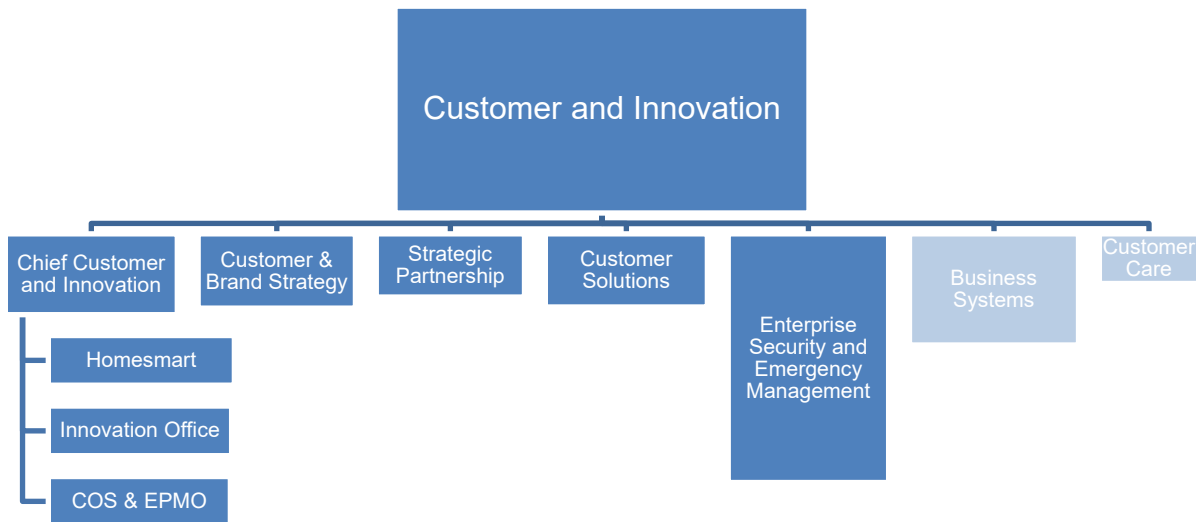
HomeSmart – Non-regulated business that provides repair, replacement, and maintenance of major appliances and systems. These costs are not recovered from ratepayers.

Advertising: Increase driven by broadened scope of advertising and brand imaging related to electric vehicles.

Employee Expenses: Increase in employee expenses due to a return to more normal corporate travel and employee presence on property.

Other: Primarily driven by increased spend related to cyber and physical security to respond to an everchanging risk environment and investments in new projects and innovative technologies.

Functional Organization Chart



Cost Allocation Methodologies

The primary methods utilized for each service area are described below. Please see Exhibit__(RLB-1), Schedule 4 for a complete list of the Company's allocators.

Operating Company Direct Charges are costs incurred directly by a particular operating company. For example, the relevant operating company pays insurance premiums for operating-company-specific policies. These premiums are shown as direct charges to that operating company.

Service Company Direct Charges are costs incurred by the Service Company on behalf of an operating company. For example, some Budgeting personnel may be involved in a specific operating company initiative (e.g., a rate case or other regulatory filing). Any Service Company labor costs associated with this initiative are billed directly to the relevant operating company.

Service Company Allocated Charges are costs for which a unique operating company cannot be determined or which are incurred on behalf of all operating companies. For example, general Budgeting services are provided on a centralized basis for all Xcel Energy legal entities. The Service Company labor costs associated with these services are allocated to the legal entities using allocations. The primary methods utilized for each service area are described above. Please see Exhibit__(RLB-1), Schedule 4 for a complete list of the Company's allocators.

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200063	110	Executive - Corporate Governance	Executive Corporate Governance includes the labor and non-labor costs for executive corporate management, long-term business strategy development and other programs that ensure the continuity and development of management. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200074	529; 549; 551; 561	Corporate Systems – Corporate Governance	Corporate Systems – Corporate Governance includes the labor and non-labor costs for enterprise-wide corporate systems.
200108	N/A	Advanced Metering Infrastructure (AMI)	Advanced Metering Infrastructure (AMI) includes the labor and non-labor costs associated with AMI.
200121	474	Distribution Electric & Gas and Transmission Gas Miscellaneous FERC 588, 880, & 859	Distribution Electric & Gas and Transmission Gas Miscellaneous FERC 588, 880, & 859 services include gas distribution, gas transmission, and electric distribution labor and non-labor costs associated with accounting, budgeting, and regulatory reporting.
200122	442	Transmission Electric Supervision & Engineering (S&E) FERC 560	Transmission Electric Supervision & Engineering (S&E) FERC 560 services include labor and expenses incurred in the general supervision and direction of the operation of the electric transmission system as a whole.
200149	534	Customer & Enterprise Solutions (CES)	Customer & Enterprise Solutions (CES) includes the labor and non-labor costs for the leadership of the Customer & Enterprise Solutions organization and their administrative support staff.
200152	436	Customer Care FERC 902	Customer Care FERC 902 services includes the labor and non-labor costs for meter reading of retail and wholesale customers and determining consumption for billing purposes as well as executing field collections.
200153	185	Customer Safety Advertising & Information Costs	Customer Safety Advertising & Information costs services includes the labor and non-labor costs associated with public safety advertising, information and education.

Cost Allocation Methodologies

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200154	403	Customer Service Information Technology (IT) FERC 903	Customer Service Information Technology (IT) FERC 903 services includes the labor and non-labor costs for IT applications related customer billing to customers, call center support and credit and collections.
200162	519	Call Logging and Quality Management (CL/QM) FERC 903	Call Logging and Quality Management (CL/QM) FERC 903 includes the labor and non-labor operating costs for the application development and maintenance of the Call Logging and Quality Management system which is used to monitor and record calls for contact center training and leadership teams.
200171	503; 555	Customer Resource System (CRS) FERC 903	Customer Resource System (CRS) FERC 903 includes the labor and non-labor costs for the CRS system, specifically, application development and maintenance costs, licensing fees, server system costs and technology risk costs specific to disaster recovery of this application. CRS is Xcel Energy's customer service and billing system.
200805	N/A	HomeSmart Revenue – Non-Utility 417.1	HomeSmart Revenue – Non-Utility 417,1 includes the labor and non-labor costs, including but not limited to business administration, advertising, marketing, software and technology costs related to all HomeSmart activity (Equipment Sales, Service Plan, and Service Call) across MN & CO Jurisdictions.

Approvals

This document has been checked for errors in calculations and content.

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AVP, Financial Analysis and Planning

2022 Budget Documentation

**Human Resources and Employee Services:
Human Resources, Corporate Giving, Enterprise Learning and Technical
Training, and Workforce Relations and Safety**

Major Business Functions and Key Activities

Introduction

Human Resources and Employee Services (HR) provides programs and services that attract, retain, and engage the employees necessary for the success of Xcel Energy businesses. These programs encompass the full employee life cycle. In addition to specific programs and services, HR, on behalf of Xcel Energy businesses, ensures that business areas are in full legal compliance with all HR-related laws and regulations, and tracks and reports information as required (e.g. compensation and benefits information and all equal employment opportunity (EEO) employment data).

HR consists of Human Resources, Corporate Giving, Enterprise Learning and Technical Training, and Workforce Relations and Safety. Additionally, Property Services and Aviation are included in Human Resources and Employee Services, but the budget overview is provided in a separate narrative.

Customer Value

Xcel Energy's HR organization is responsible for the design and administration of programs that enable the company to attract, retain and engage the employees necessary for the success of Xcel Energy businesses. Specifically, HR is responsible for the recruitment, selection and development of employees; the design and administration of various compensation and benefits programs; and compliance with state and federal law. HR's objective is to ensure that such programs are market competitive, financially sustainable, and do not result in unreasonable costs for Xcel Energy customers. HR provides the tools and guidance to set employee performance goals in alignment with company strategy. HR helps manage and monitor compliance with employee labor laws. HR provides a call center to assist employees and managers with transactions including benefits enrollment, personnel and pay changes, and general HR questions and inquiries. HR's centralized role builds efficiencies for the business by streamlining HR operations and executing on a long-term strategic vision.

Due to a changing industry and workforce transition, Xcel Energy is facing a number of workforce challenges, for example, the ability to attract and retain a qualified workforce which could have an adverse impact on operations. This requires that HR optimize the Company's investments in human capital to maintain service levels while keeping overall customer rates as reasonable as possible. We have made it our mission to proactively shape an environment that attracts, retains, and engages high performing employees who fit well in Xcel Energy's culture. With an emphasis on a performance-based culture, we have implemented a number of effective programs and improved our use of technology to strengthen planning, recruitment, and retention efforts.

VP Human Resources – Executive office for the entire organization containing senior leadership and department wide administrative functions.

Talent Strategy & Transformation – Creates value by aligning our human resources capability and capacity with our long term business goals. The outcome of our talent strategy ensures we are: hiring the right talent, building our leadership bench strength, and enhancing our reputation as an inclusive & diverse employer.

- Talent Acquisition – Identifying, attracting, assessing, and selecting the right talent at the right time
- Training – Preparing our workforce to meet current business challenges, compliance standards and regulatory requirements
- Workforce Planning and Organizational Design – A consistent, data-driven approach to get the right people in the right jobs while integrating budgeting and planning cycles, and enabling leaders to optimize the decisions about their workforce. Provides tools and guiding principles to enable leaders to create the right organizational structure, jobs, and/or roles to meet business objectives and support the Company's strategic direction

Major Business Functions and Key Activities

- Culture – Energizing and enabling our workforce through diversity & inclusion and employee networking groups

Total Rewards - Responsible for delivering on Xcel Energy's employment value proposition by designing and delivering a total rewards package that is financially sustainable, market competitive, and employee valued. Our Total Rewards programs are built on a foundation of physical, financial, and emotional wellness with a focus on shared accountability between the employee and the company. Additionally, we reward based on performance and invest in employees with development.

- Benefit Plan Design - Developing a comprehensive package of health and welfare programs. Developing and administering retirement programs that are competitive with the utility industry to attract our specialized workforce including a 401(k) plan and a Cash Balance pension plan for new hires.
- Compensation - Providing base pay and short and long term incentives that in entirety align with 50% of the utility industry while recognizing the need to differentiate pay based on performance.
- Leadership development – Develop current and future leaders to improve company results, enhance leaders' skill sets, and to build Xcel Energy's leadership pipeline through a variety of leadership programs.
- Succession Planning – Matching our highest potential employees with our most critical opportunities to ensure business continuity through leadership.
- Employee Development – Design and manage learning opportunities to meet employee development needs, address career aspirations, and prepare for the future workforce through a variety of options such as developmental career assignments, customized mentoring and tuition reimbursement.
- Performance Management – Create a high performance-based culture with tools and guidance to create, accelerate and sustain high employee performance.
- HR Operations and Payroll - Administering benefits and pay programs.
- HR Service Center - Interfacing with Xcel Energy employees and retirees on pay and benefits questions.

Workforce Strategy & Consulting - Delivers value by working in close partnership and as a key advisor to business area leaders on a broad range of workforce strategies, actions, and practices.

- Strategic Consulting - Leads business areas through planning process to address future workforce needs, gaps, and solutions while ensuring alignment with corporate priorities and objectives
- HR Business Support – Supports business area management on full range of HR subjects and transactions
- Program Implementation Support - Leads implementation of HR programs within the business area
- Employment compliance - Ensures consistent application of HR policies and processes to minimize business area and corporate liability

HR Strategy & Performance – Aligns HR and Employee Services efforts with Company strategy, providing business oversight, strategic planning, communications, analytics, and consulting.

- Workforce Analytics – Provides data-driven insights about Xcel Energy's workforce in order to improve company performance, enable leader accountability, and support the workforce transformation.
- Strategic Communications – Oversees and provides strategic consultation for communications from HR to employees and executive teams.
- O&M budget – Partners with Financial Operations to monitor the O&M budget and ensure alignment with company objectives
- Strategic Planning – Ensures the development and execution of a strategic plan for HR that aligns with Xcel Energy's business goals and workforce objectives
- Employee Engagement – Administers annual Employee Engagement survey and provides consultative services to enable workforce engagement.

Major Business Functions and Key Activities

Enterprise Learning & Tech Training – Aligns HR and Employee Services efforts with Company strategy, providing enterprise learning and technical training.

- Enterprise Learning – Oversees the company-wide non-technical training.
- Nuclear Corporate Training – Oversees the training of nuclear employees and contractors.
- Operations Technical Training – Oversees the training of all non-nuclear technical employees and contractors.

Corporate Giving – Drive focused strategy-driven charitable programs that contribute to the success of Xcel Energy by supporting the economic strength and cultural vitality of our customer base, building goodwill among constituents, encouraging employee engagement and establishing the company's commitment to good corporate citizenship.

- Work with the Xcel Energy Foundation to invest in nonprofits that are aligned with Xcel Energy focus areas. Aiming to keep our communities desirable places to learn, work, and live.
- Administration of the annual United Way campaign. Support the long-standing tradition of employee giving, and leverages the United Way reach and reputation to extend the impact of our generosity and engagement
- Administration of the matched employee giving and volunteer contribution programs to create meaningful opportunities for employees to engage in their interest and service their communities

Workforce Relations and Safety – Support Xcel Energy in the development of safe, well trained, engaged and productive employees. Support Front Line Leadership Development, Improve Communications, Manage Workforce Transition, Align With Business Unit Partners, and last but not least, Employee Development and Accountability.

- Workforce Relations provides management support for grievances, positive discipline and bargaining employee relations issues. Workforce Relations represents the company in the negotiation and administration of Collective Bargaining Agreements. This team also oversees Equal Employment Opportunity (EEO) and employee relations, assisting employees and managers with investigation and consultation on matters of discrimination, harassment, policy violations, and workplace behavior.
- Safety is a core value at Xcel Energy. Our safety team works to lead the company on the Journey to Zero workplace injuries, and to provide for the safety of our customers and communities through appropriate programs and policies.

2022 Walk Forward of Major NSPM Cost Drivers



Labor & Contractors – HR employees design and administer multiple health, welfare, compensation, recruitment and selection, retirement, payroll, HR administration, labor relations, diversity, health services, learning and talent management programs, as well as provide consultation and advice to the business to manage workforce issues. HR uses contract outside vendors for staffing & recruitment administration and payroll & benefits program administration.

Employee Expenses – Employee expenses for travel, continued education, and professional conferences.

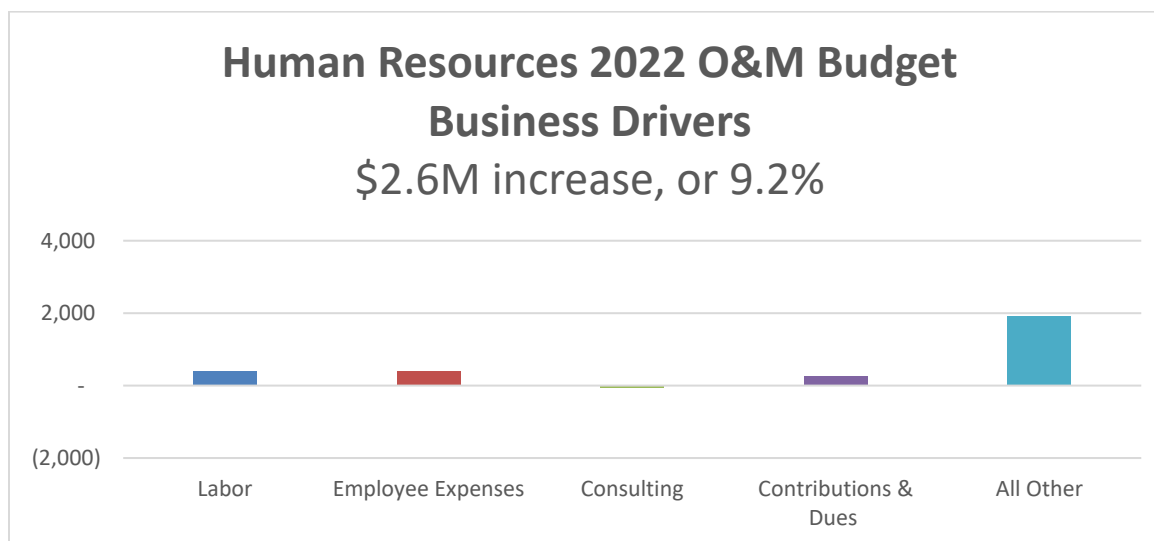
Contributions and Dues – Corporate giving funding of the Xcel Energy foundation, United Way campaign, Xcel Energy cost of company matched donations, and other charitable/community endeavors.

Consulting and Outside Services – consulting costs are incurred for compensation, recruitment, selection and workforce planning, employee engagement, leadership training, and health services.

All Other – Misc fees, postage and other general administrative costs.

2022 Walk Forward of Major NSPM Cost Drivers

Human Resources 2022 O&M Budget Chart	
(Dollars in thousands)	
2021 July Year-End O&M Forecast	\$25,373
Labor	392
Company Labor with merit increase	160
Contract Labor for Staff Aug	232
Other	0
Employee Expenses	394
Consulting	(54)
Consulting Professional Services Other	(56)
Consulting Professional Services Accounting	2
Contributions & Dues	266
Dues	266
Net Other	1,921
2022 O&M Budget	\$28,292



Labor & Contractors – Base productive and non-productive labor costs are increased based on three percent base pay increases as well as the anticipation that the organization will be fully staffed in 2022.

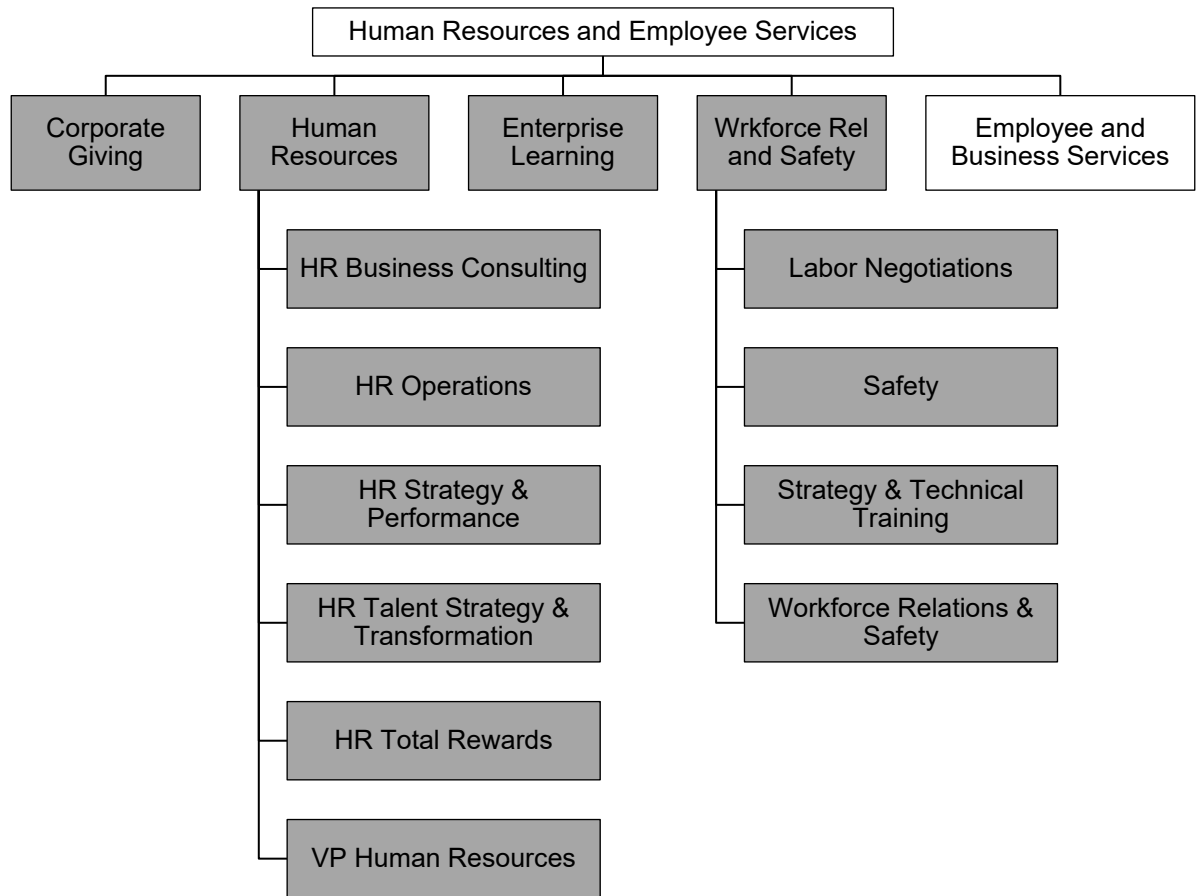
Employee Expenses – Increase driven assumed return to work and the workforce resuming some amount of travel and conference/training attendance.

2022 Walk Forward of Major NSPM Cost Drivers

Contributions and Dues – Increase driven primarily by an increase in charitable related contributions versus the 2021 forecast

Other –The primary driver of this increases in spend across a variety of categories including software licenses, workforce administration expense, materials, advertising, and other costs.

Functional Organization Chart



Cost Allocation Methodologies

The methods used to distribute costs to a legal entity and utility include:

Operating Company Direct Charges are costs incurred directly by a particular operating company. For example, the relevant operating company pays insurance premiums for operating-company-specific policies. These premiums are shown as direct charges to that operating company.

Service Company Direct Charges are costs incurred by the Service Company on behalf of an operating company. For example, some Budgeting personnel may be involved in a specific operating company initiative (e.g., a rate case or other regulatory filing). Any Service Company labor costs associated with this initiative are billed directly to the relevant operating company.

Service Company Allocated Charges are costs for which a unique operating company cannot be determined or which are incurred on behalf of all operating companies. For example, general Budgeting services are provided on a centralized basis for all Xcel Energy legal entities. The Service Company labor costs associated with these services are allocated to the legal entities using allocations. The primary methods utilized for each service area are described below. Please see Exhibit __ (RLB-1), Schedule 4 for a complete list of the Company's allocators.

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200063	110	Executive - Corporate Governance	Executive Corporate Governance includes the labor and non-labor costs for executive corporate management, long-term business strategy development and other programs that ensure the continuity and development of management. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200073	189	Human Resources - Corporate Governance	Human Resources - Corporate Governance includes the labor and non-labor costs for executive officers' and Service Company employees' compensation plans, corporate HR policies, executive policy benefit plans, payroll services for Service Company and the employees' handbook. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200164	198	Payroll	Payroll services include the labor and non-labor costs for processing payroll including consolidation of time collection, calculation of salaries and wages, administration of employee deductions, account Distribution and reconciliation, allocation and accounting for employment taxes and compliance reports.
200165	515; 521; 552	Employee Management Systems	Employee Management Systems includes the labor and non-labor costs for the Security Operations Center (SOC), Time capture and processing for payroll and accounting and Human Resources software. These applications and services provide services for the whole company related to enterprise security, including physical access, security monitoring and investigations, payroll and time accounting and employee information databases.
200166	190; 197; 199	Human Resources (Diversity/Safety/Employee Relations)	Human Resources (Diversity/Safety/Employee Relations) includes the labor and non-labor costs for work performed for operating and affiliate company employees, such as diversity programs, providing workforce relations resources for labor agreements, arbitration, and training. Manage, design, and implement Corporate Safety initiatives. Staffing administration for non-bargaining positions and provides Affirmative Action plans (development) and government audit management (compliance).

Approvals

This document has been checked for errors in calculations and content.

Prepared By: _____ /s/ _____ Date: 10/17/2021

Jack Haggard
Finance Manager

Approved By: _____ /s/ _____ Date: 10/13/2021

Adam Diitenberger
Director, Shared Services Finance

Approved By: _____ /s/ _____ Date: 10/11/2021

Rick Schrubbe
AVP, Financial Planning & Analysis

2022 Budget Documentation

Human Resources and Employee Services:

Property Services and Aviation

Major Business Functions and Key Activities

Introduction

The Property Services organization is a part of Xcel Energy Services Inc. and provides a variety of support services to Xcel Energy Inc. and its subsidiaries. Property Services includes management and maintenance of property and facilities, corporate mail, printing services, and facility space utilization.

The Aviation and Travel Services organization is a part of Xcel Energy Services Inc. and provides a variety of support services to Xcel Energy Inc. and its subsidiaries. Aviation Services includes corporate aircraft operation and maintenance.

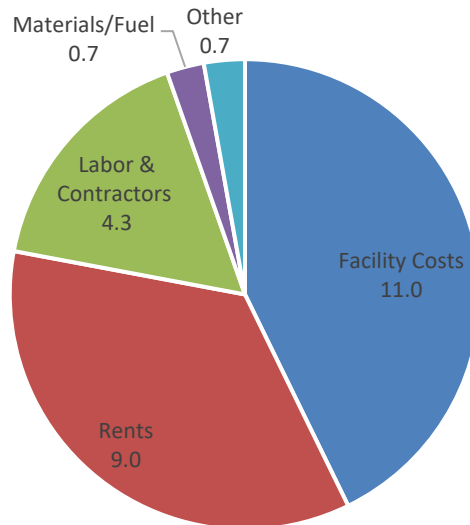
Customer Value

Property Services provides essential corporate services so employees can concentrate on serving Xcel Energy customers and the communities in which the company operates. Property Services operates and maintains corporate facilities, programs, and the real estate portfolio to maximize property utilization and functionality through activities such as site master planning, lease management, centralized mail and print services, records management, maintenance, and capital improvements.

Property Services also makes important contributions to corporate costs savings through programs such as facility energy audits and facility space utilization.

2022 NSPM Major Cost Drivers

Property Services & Aviation 2022 O&M Budget = 25.6M



Labor & Contractors – Labor for Property Services and Aviation organization is made up of exempt and benefit personnel to perform the key activities described under the Major Business Functions and Key Activities section.

Rents – Rents, leases, and property taxes for buildings in the entire Xcel Energy service territory, as well as two aircraft operated by the Aviation group leased through Bank of America.

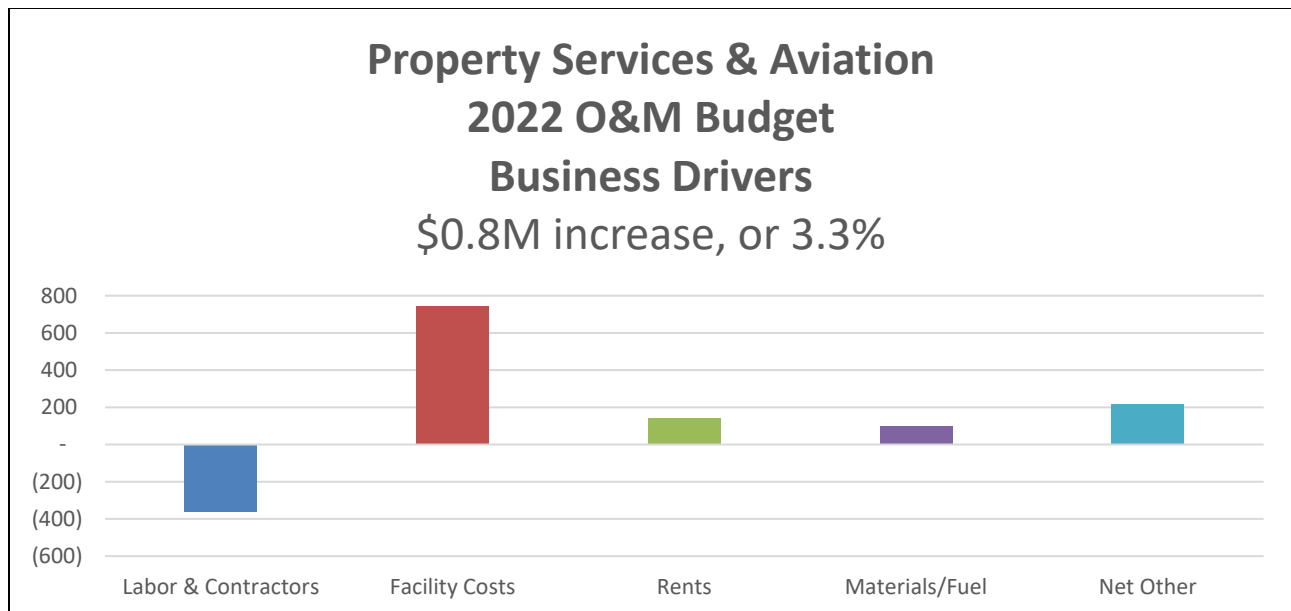
Facilities Costs – Property management and maintenance for buildings, generators, elevators, forklifts, compactors, fire systems, janitorial services, parking lot sweeping, snow removal and window and floor washing. Also, includes all utility and use costs such as electric, gas, water, sewer, and trash removal costs.

Materials/Fuel – Driven mainly by fuel for Aviation’s two aircraft. Balance of spend are materials needed for facilities maintenance and repairs.

All Other – Includes employee expense, consulting, fleet costs, postage, employee workspace moves/adds/changes, and copiers.

2022 NSPM Walk Forward of Major Cost Drivers

Property Services & Aviation 2022 O&M Budget Chart	
(Dollars in thousands)	
2021 July Year-End O&M Forecast	\$24,977
Labor	(317)
Company Labor with merit increase	(164)
Contract Labor for Staff Aug	(153)
Facility Costs	603
Rents	146
Materials/Fuel	70
Net Other	151
2022 O&M Budget	\$25,630



2022 NSPM Walk Forward of Major Cost Drivers

The major cost drivers from an organizational perspective are:

Labor & Contractors: Reduction driven by some vacancies in 2021 not being filled or being repurposed, as well as some contractor costs being planned for under Facility Costs.

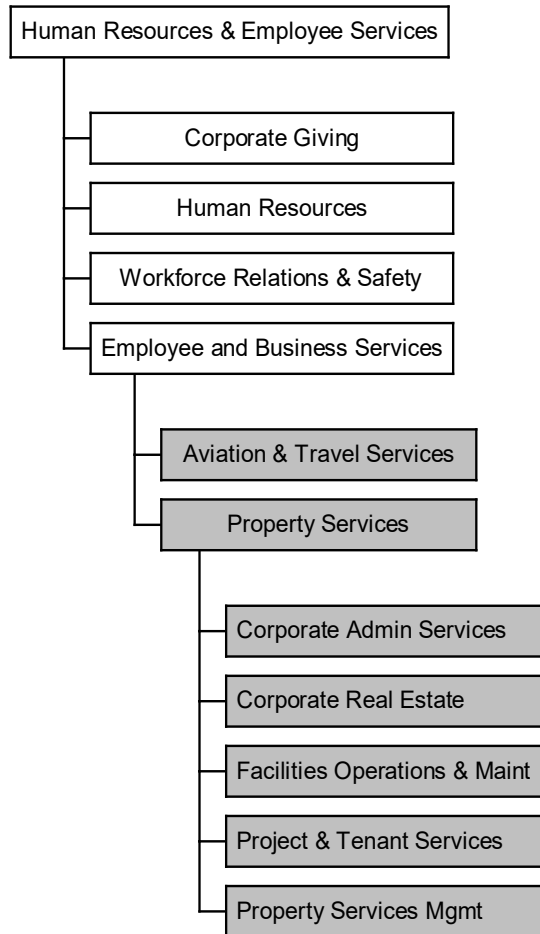
Facilities Costs: The increase captures annual contract escalations and assumed year-over-year increased cost of services. As well as increased provisions for snow removal and utility costs based on historic trends.

Rent: Increase in rent accounts for annual lease and property tax escalations, along with any planned renegotiated leases and associated fees.

Fuel Costs / Material: Increase driven by assumed increase travel assumptions for 2022's return to work.

All Other: Increase driven by planned employee related expenses and cube restacks as office staff return to work.

Functional Organization Chart



Functional Organization Chart

Property Services

Corporate Administrative Services

- Sorts and coordinates mail delivery.
- Coordinates and executes copy and print services for customer requests of all size projects.
- Coordinates and provides receptionist and switchboard conference call arrangements and meeting room requests.
- Provides personnel to answer calls to request service or report problems.
- Develops record retention schedules, analyzes current filing systems, assists in developing or converting file systems, and manages document destruction and off-site document storage.

Corporate Real Estate

- Provides negotiation, implementation and management of the cost and allocation of office space leased and owned by Xcel Energy and affiliates.
- Develops a long-range plan of action for managing and deploying the real estate portfolio through consultation with management and analysis of business drivers that will influence efficient property utilization.
- Provides negotiation for acquisition, disposition, donation, exchange and lease of real property and facilities for Xcel Energy. These services include drafting and finalization of applicable and pertinent documentation to complete transactions.
- Manages real estate and land issues. Tasks include services related to resolving encroachment issues, trespass, condemnations, dedications, licenses, access agreements, leases and easements.
- Supports business areas pursuing special projects such as indenture filings, sale or acquisition of property, and protestation of taxes.

Facilities Operations and Maintenance

- Provides for operations and maintenance, janitorial services, capital improvements, grounds keeping and snow removal, signage, lighting, window washing, pest control and all other functions normally included in operating and maintaining facilities. Services also include negotiation, implementation and management of the associated costs.
- Implements special requests for site support for facilities that are not included in the Property Services portfolio of services.

Project and Tenant Services

- Designs, plans and coordinates facility projects, manages construction, designs employee workspace and relocation space projects, manages facility space utilization, and business area and space standards.
- Consults on special projects or studies requested by business areas, including engineering and design for civil and mechanical issues, building code compliance and training.
- Acts as primary contact for business area and customer facility requests. Coordinates employee moves, project planning, site visits and audits and conducts strategic planning.

Property Services Management

- Provides leadership, vision and management direction for the operations of Property Services.
- Reviews and approves policies, operational controls and the services portfolio of the Property Services organization.

Functional Organization Chart

Aviation & Travel Services

Aviation & Travel Services

- Provides air travel via two aircraft, leased by Xcel Energy Services Inc. from Bank of America Corporation, for Xcel Energy business purposes
- Provides scheduling, aircraft maintenance, operational administration and miscellaneous travel services to Xcel Energy employees for business purposes. Commercial travel services are administered by the Supply Chain organization.

Cost Allocation Methodologies

The methods used to distribute costs to a legal entity and utility include:

Operating Company Direct Charges are costs incurred directly by a particular operating company. For example, the relevant operating company pays insurance premiums for operating-company-specific policies. These premiums are shown as direct charges to that operating company.

Service Company Direct Charges are costs incurred by the Service Company on behalf of an operating company. For example, some Budgeting personnel may be involved in a specific operating company initiative (e.g., a rate case or other regulatory filing). Any Service Company labor costs associated with this initiative are billed directly to the relevant operating company.

Service Company Allocated Charges are costs for which a unique operating company cannot be determined or which are incurred on behalf of all operating companies. For example, general Budgeting services are provided on a centralized basis for all Xcel Energy legal entities. The Service Company labor costs associated with these services are allocated to the legal entities using allocations. The primary methods utilized for each service area are described below. Please see Exhibit__(RLB-1), Schedule 4 for a complete list of the Company's allocators.

Including the above Property Services uses the following methods to allocate facility costs to legal entities and utilities:

- Costs associated with facilities that benefit only the Operating Company where they are located are allocated across that specific Operating Company.
- Costs associated with facilities that are determined to benefit multiple Operating Companies (such as Corporate Headquarters or Call Centers) are allocated to the benefitting Operating Companies by specific allocators which are updated quarterly.

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200063	110	Executive - Corporate Governance	Executive Corporate Governance includes the labor and non-labor costs for executive corporate management, long-term business strategy development and other programs that ensure the continuity and development of management. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200073	189	Human Resources - Corporate Governance	Human Resources - Corporate Governance includes the labor and non-labor costs for executive officers' and Service Company employees' compensation plans, corporate HR policies, executive policy benefit plans, payroll services for Service Company and the employees' handbook. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200164	198	Payroll	Payroll services include the labor and non-labor costs for processing payroll including consolidation of time collection, calculation of salaries and wages, administration of employee deductions, account Distribution and reconciliation, allocation and accounting for employment taxes and compliance reports.
200165	515; 521; 552	Employee Management Systems	Employee Management Systems includes the labor and non-labor costs for the Security Operations Center (SOC), Time capture and processing for payroll and accounting and Human Resources software. These applications and services provide services for the whole company related to enterprise security, including physical access, security monitoring and investigations, payroll and time accounting and employee information databases.
200166	190; 197; 199	Human Resources (Diversity/Safety/Employee Relations)	Human Resources (Diversity/Safety/Employee Relations) includes the labor and non-labor costs for work performed for operating and affiliate company employees, such as diversity programs, providing workforce relations resources for labor agreements, arbitration, and training. Manage, design, and implement Corporate Safety initiatives. Staffing administration for non-bargaining positions and provides Affirmative Action

Cost Allocation Methodologies

			plans (development) and government audit management (compliance).
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Approvals

This document has been checked for errors in calculations and content.

Prepared By: _____ /s/ _____ Date: 10/17/2021 _____

Jack Haggard

Manager, Shared Services Finance

Approved By: _____ /s/ _____ Date: 10/13/2021 _____

Adam Dietenberger

Director, Shared Services Finance

Approved By: _____ /s/ _____ Date: 10/11/2021 _____

Richard Schrubbe

AVP, Financial Analysis and Planning

2022 Budget Documentation

Chief Executive Officer (CEO)

Major Business Functions and Key Activities

Introduction

The Chief Executive Officer (CEO) business area includes the CEO and support staff and the budget for the Chairman's Fund and the Board of Director's meetings, compensation and recruitment.

The CEO oversees the vision, mission, values and strategic priorities of Xcel Energy:

Vision

We will be the preferred and trusted provider of the energy our customers need.

Mission

We provide our customers the safe, clean, reliable energy services they want and value at a competitive price.

Values

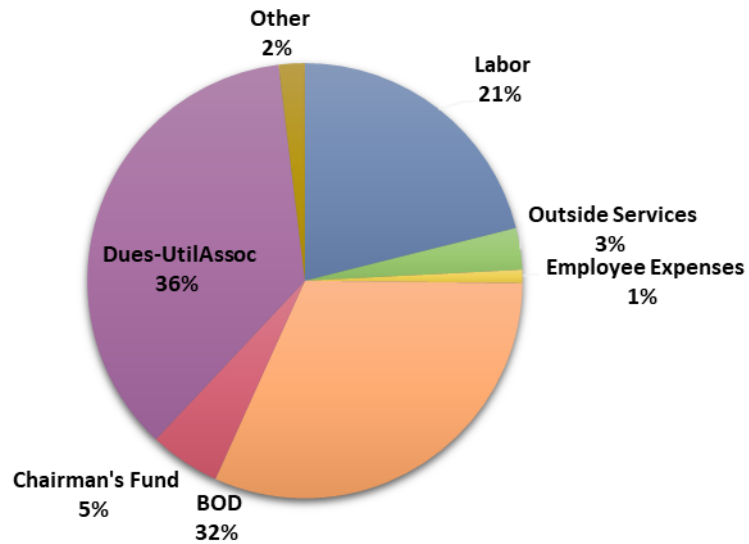
Our values reflect our core beliefs — who we are, how we conduct our business and the importance of our customers. They guide us in our work and in our interactions with each other.

Strategic Priorities

Lead the Clean Energy Transition
Enhance the Customer Experience
Keep Bills Low

The Chairman's Fund contributions enhance Xcel Energy's leadership in emerging utility technologies, allowing for recognized involvement in projects that hold strategic, environmental, relationship and/or public relations value.

2022 NSPM O&M Budget \$5.0 M



Utility Association Dues: Corporate dues include the Edison Electric Institute (EEI), the American Gas Association (AGA), American Clean Power (ACP), and American Renewable Energy (AREA). The portion of corporate dues used for lobbying is not recovered from ratepayers.

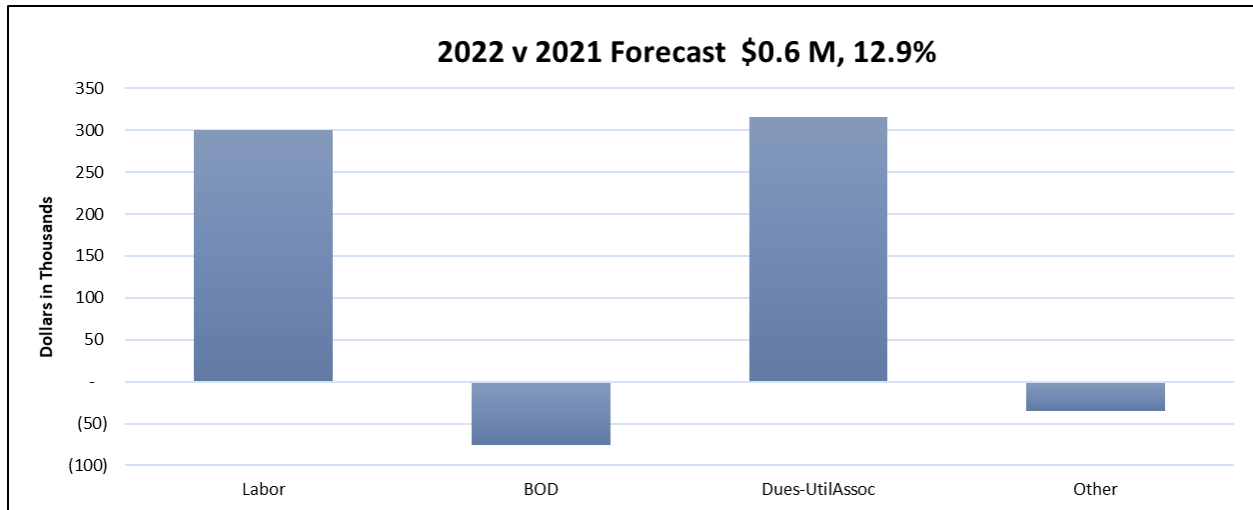
Chairman's Fund: Contributions and sponsorships are not recovered from ratepayers.

Board of Directors: Board of Director compensation, meeting and travel expenses and recruiting costs to fill open director positions and compensation studies.

Consulting: Consulting is comprised of services provided for public relations, culture change effort and executive communications efforts.

2022 Walk Forward of Major Cost Drivers

2021 July Year End Forecast to 2022 Budget	
2021 July Year End Forecast	4,464
Labor	300
BOD	(76)
Chairman's Fund	70
Dues-UtilAssoc	316
Other	(35)
2022 Budget	5,041



Labor: Budget includes funding for a new Executive Chairman of the Board position.

Board of Directors: The decrease is driven reduced search firm expenses.

Utility Association Dues: The increase is driven by anticipated renewable energy commitments.

Chairman, President and Chief
Executive Officer

Cost Allocation Methodologies

The methods used to distribute costs to legal entity and utility.

Operating Company Direct Charges:

Direct Charges are costs incurred directly by a particular operating company. Whenever possible, the CEO organization direct charges items to the specific legal entities for which the service was performed or cost incurred.

Service Company Direct Charges:

Service Company Direct Charges are costs incurred by the Service Company on behalf of an operating company. For example, some Budgeting personnel may be involved in a specific operating company initiative (e.g., a rate case or other regulatory filing). Any Service Company labor costs associated with this initiative are billed directly to the relevant operating company.

Service Company Allocated Charges:

Service Company Allocated Charges are costs for which a unique operating company cannot be determined or which are incurred on behalf of all operating companies. For example, general Budgeting services are provided on a centralized basis for all Xcel Energy legal entities. The Service Company labor costs associated with these services are allocated to the legal entities using allocations. The primary methods utilized for each service area are described above. Please see Exhibit__(RLB-1), Schedule 4 for a complete list of the Company's allocators.

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200063	110	Executive - Corporate Governance	Executive Corporate Governance includes the labor and non-labor costs for executive corporate management, long-term business strategy development and other programs that ensure the continuity and development of management. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200075	114	Board of Directors - Corporate Governance	Board of Directors - Corporate Governance includes the labor and non-labor costs related to the Board of Directors (BOD). BOD costs may include Directors fees, retirement expenses and replacement fees; Board/Committee meetings and BOD related consulting. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200088	127; 133	Accounting, Reporting, Tax & Audit Services - Regulated Electric	Accounting, Reporting, Tax & Audit Services - Regulated Electric includes the labor and non-labor costs associated specifically with operating company electric utility revenue accounting, budgeting, regulatory reporting, sales and use taxes, business area support for utility areas, operating company budgeting support, capital asset accounting auditing operating companies , evaluating and improving risk management, ethical conduct and the implementation of best practices for operating companies electric utility, conducting financial operations and information system audits, performing audits and reviews for compliance with regulatory and legal requirements and contracts with vendors and other parties; establishing and reviewing internal controls for operating companies electric utility, establishing and reviewing SOX compliance requirements/control testing and evaluating contract risks for the operating companies electric utility. Additionally, costs for electric association dues including Edison Electric Institute (EEI).
200101	164	Legal Gas	Legal Gas services include the labor and non-labor costs for operating companies gas utility legal services related to: labor and employment law, litigation, rates and regulation, environmental matters, real estate and contracts. This is primarily used by the General Counsel area.

Approvals

This document has been checked for errors in calculations and content.

Prepared By: _____ /s/ _____ Date: 10/12/2021 _____

Raynard Gray
Manager, Business Area Finance

Approved By: _____ /s/ _____ Date: 10/13/2021 _____

Adam Dietenberger
Director, Business Area Finance

Approved By: _____ /s/ _____ Date: 10/11/2021 _____

Rick Schrubbe
AVP, Financial Analysis and Planning

2022 Budget Documentation

Risk, Audit and Compliance

Major Business Functions and Key Activities

Introduction

Risk Management helps to ensure the integrity of company finances and operations through robust risk analytics, audit services and compliance with corporate ethics and other policies. Reporting to the Chief Risk Officer are Risk Management & Audit Services and Corporate Compliance.

Customer Value

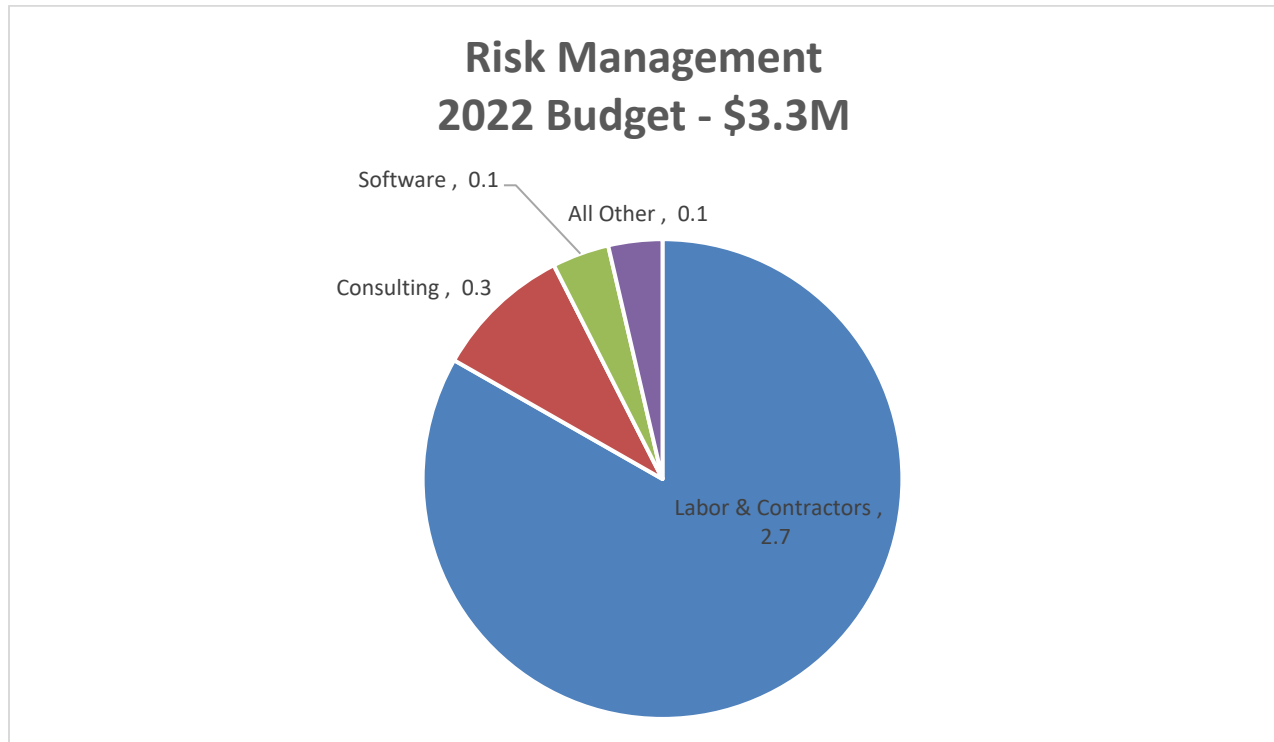
Risk Management & Audit Services

The Vice President and Chief Risk Officer (CRO) provides leadership and oversight to the Risk Management organization, as well as facilitating and serving as a member of quarterly meetings of the Corporate Risk Management Oversight Committee and the Risk Management Committee. The CRO also participates as a member of the Transaction Review Committee, the Corporate Compliance and Business Conduct Council and the Investment Review Committee and has regular interaction with various other corporate governance councils and committees.

Audit Services adds value and improves operations at Xcel Energy by serving as an independent, objective assurance, and consulting function. The group helps Xcel Energy achieve its goals and objectives by assisting management in the effective performance of duties and responsibilities by evaluating and improving risk management, internal controls, corporate governance, ethical conduct and the adoption of best practices

Corporate Compliance

Our corporate compliance and business conduct team ensures governance of our customer and corporate information and oversees our corporate compliance program. They also ensure continuity of our business should a corporate event, significant natural disaster or other event compromises our ability to serve customers.

Risk, Audit and Compliance – 2022 NSPM O&M Budget Major Cost Drivers

Labor and Contractors – the Risk Management organization is made up of exempt, benefit, non-benefit, and contracted personnel to perform the key activities described under the Major Business and Key Activities section.

Consulting – primarily for financial audits, regulatory compliance, cost studies and auditing co-source support

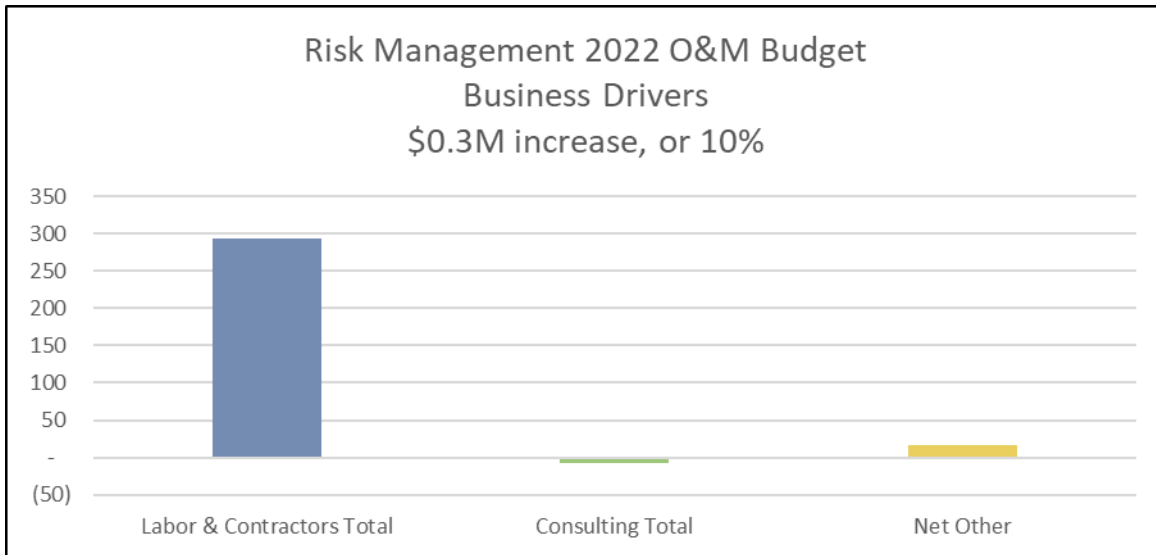
Software – Online information services subscription.

All Other – Primarily employee related expenses.

2022 Walk Forward of Major NSPM Cost Drivers

Risk Management 2021 NSPM O&M Budget Chart	
(Dollars in thousands)	
2021 July Year-End O&M Forecast	\$2,962
Labor	293
Company Labor with merit increase	363
Contract Labor for Staff Aug	(66)
Other	(3)
Consulting	(7)
Consulting Professional Services - Accounting	51
Consulting Professional Services - Other	(57)
Net Other	17
2022 O&M Budget	\$3,265

2022 Walk Forward of Major NSPM O&M Cost Drivers *(continued)*



Labor: Primarily driven by three percent merit increases for internal labor offset by decreased reliance on contract labor

Consulting: Decreased use of consulting by performing some of those functions by department staff.

Other: Increase primarily in employee expenses in 2022 due to employee return to work and assumed increased travel.

Cost Allocation Methodologies

The allocation methods used to distribute costs to legal entity and utility include:

Operating Company Direct Charges

Costs incurred directly by a particular operating company. For example, the relevant operating company pays insurance premiums for operating-company-specific policies. These premiums are shown as direct charges to that operating company.

Service Company Direct Charges

Costs incurred by the Service Company on behalf of an operating company. For example, some Budgeting personnel may be involved in a specific operating company initiative (e.g., a rate case or other regulatory filing). Any Service Company labor costs associated with this initiative are billed directly to the relevant operating company.

Service Company Allocated Charges

Costs for which a unique operating company cannot be determined or which are incurred on behalf of all operating companies. For example, general Budgeting services are provided on a centralized basis for all Xcel Energy legal entities. The Service Company labor costs associated with these services are allocated to the legal entities using allocations. The primary methods utilized for each service area are described below. Please see Exhibit__(RLB-1), Schedule 4 for a complete list of the Company's allocators.

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200063	110	Executive - Corporate Governance	Executive Corporate Governance includes the labor and non-labor costs for executive corporate management, long-term business strategy development and other programs that ensure the continuity and development of management. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200067	131	Audit Services - Corporate Governance	Audit Services corporate governance includes the labor and non-labor costs associated with the financial operations and information system audits of the holding company and service company; evaluating and improving risk management, corporate internal control guidelines and procedures; ethical conduct and the implementation of best practices, reviewing financial reporting requirements and controls under Sarbanes-Oxley legislative requirements, auditing of consolidated financial statements and activities related to the Audit Committee, performing audits and reviews for compliance with regulatory and legal requirements on contracts with vendors and other parties, providing consulting services to management for operational and process improvement reviews, assistance in internal investigations of fraud, administering the corporate compliance hotline, conflict of interest investigations, or other potential violations of the Xcel Energy Code of Conduct. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200069	143	Risk Management - Corporate Governance	Risk Management Corporate Governance includes the labor and non-labor costs of providing administration of the Transaction Review Committee which handles contract and deal approvals for Commercial Operations, Resource Planning and Energy Supply, provides analysis associated with key risks facing Xcel Energy Inc., negotiates and manages required security (e.g., bank letters of credit, bonds and guarantees among others); reviews and approves all documents requiring Contracts area sign-off. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200088	127; 133	Accounting, Reporting, Tax & Audit Services - Regulated Electric	Accounting, Reporting, Tax & Audit Services - Regulated Electric includes the labor and non-labor costs associated specifically with operating company electric utility revenue accounting, budgeting, regulatory reporting, sales and use taxes, business area support for utility areas, operating company budgeting support, capital asset accounting auditing operating companies, evaluating and improving risk management, ethical conduct and the implementation of best practices for operating companies electric utility, conducting financial operations and information system audits, performing audits and reviews for compliance with regulatory and legal requirements and contracts with vendors and other parties; establishing and reviewing internal controls for operating companies electric utility, establishing and reviewing SOX compliance requirements/control testing and evaluating contract risks for the operating companies electric utility. Additionally, costs for electric association dues including Edison Electric Institute (EEI).
200089	132	Audit Services - OpCo's & TransCo's	Audit Services - OpCo's & TransCo's includes the labor and non-labor costs for auditing operating companies, evaluating and improving risk management, ethical conduct and the implementation of best practices for operating companies, conducting financial operations and information system audits, performing audits and reviews for compliance with regulatory and legal requirements and contracts with vendors and other parties; establishing and reviewing internal controls for operating companies, establishing and reviewing SOX compliance requirements/control testing and evaluating contract risks for the operating companies.
200090	146	Risk Management - OpCo's & TransCo's	Risk Management - OpCo's & TransCo's includes the labor and non-labor costs of oversight and administrative of operating company risk management work, working with counterparties to establish enabling agreements with operating companies, risk management reports including all operating companies (such as CDAD - Contract Development, Approval & Delegation or TRC- Transaction Review Committee Reporting).
200100	134	Accounting, Reporting, Tax & Audit Services – Regulated Gas	Accounting, Reporting, Tax & Audit Services – Regulated Gas includes the labor and non-labor costs associated specifically with gas utility revenue accounting, budgeting, regulatory reporting, sales and use taxes, business area support for utility areas, capital asset accounting, auditing, evaluating and improving risk management, ethical conduct and the implementation of best practices for operating companies gas utility, conducting financial operations and information system audits, performing audits and reviews for compliance with regulatory and legal requirements and contracts with vendors and other parties; establishing and reviewing internal controls for operating companies gas utility, establishing and reviewing SOX compliance requirements/control testing and evaluating contract risks for the operating companies gas utility. Additionally, costs for gas association dues including American Gas Association (AGA).
200134	144	Proprietary Trading - Front/Mid Office FERC 557	Proprietary Trading - Front/Mid Office FERC 557 includes the labor and non-labor costs associated with proprietary trading activities which are short term transactions undertaken in the wholesale electric markets where electricity is purchased for the purpose of selling it. Also included are supporting activities: evaluating the credit worthiness of counterparties, reviewing contracts to ensure that regulations are being complied with, evaluating profitability and appropriateness of trades to ensure they are in the best interest of shareholders and rate payers, and ensuring that trades identified as proprietary appropriately fall into that category.
200174	145	Generation Trading/Native Hedge - Mid Office FERC 557	Generation Trading/Native Hedge - Mid Office FERC 557 includes the labor and non-labor costs associated with independent evaluation and risk measurement of trading and generation book transactions, including preparing daily P&L (profit and loss) reports and individual trader profit and loss reports for the prop book, daily generation book valuation reports for each system showing all net fuel positions and any forward sales values and/or hedges, ensuring that margin reporting follows all SEC rules and GAAP reporting and that credit and risk policies and procedures are complied with.

Approvals

This document has been checked for errors in calculations and content.

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