



**2022 Budget Documentation
Strategy Planning and External Affairs**

Major Business Functions and Key Activities

Introduction

The Strategy Planning and External Affairs organization is part of Xcel Energy Services, Inc and provides Xcel Energy's business strategy development, communications and federal regulatory and legislative initiatives. The organization identifies strategies that promote the company's value in a variety of business, policy and energy-related areas. Among other things, it develops strategies associated with sustainability, climate change, renewable energy, utility regulation, federal tax policy, energy markets, transmission and innovative technologies. It is also responsible for both business planning and generation resource planning. The organization develops Xcel Energy's public policy positions and ensures those positions create value for the corporation, its customers and its many stakeholders. The organization designs and advocates for federal and state policies and represents the company before U.S. Congress and various federal agencies. Finally, it is responsible for Xcel Energy's strategic communications and public relations.

The Federal Government Affairs organization promotes the company's interests in the federal policy development process, working directly with congressional and administration officials on a range of issues affecting our customers, shareholders and the communities we operate in. The group also leads the company's efforts to coordinate as necessary with national trade associations such as the Edison Electric Institute, Nuclear Energy Institute, and the American Gas Association.

The Federal Regulatory Affairs group leads the company's efforts related to the Federal Energy Regulatory Commission (FERC) and the North American Electric Corporation (NERC) on policy and regulatory issues including wholesale transmission and markets matters and electric grid reliability. Activities include management of the company's filings and protesting and commenting on rulemakings, third party filings and reliability standards. The group also advises internal personnel on tariff and regulatory requirements and provides enterprise-wide oversight of compliance with FERC and NERC requirements.

The Environmental Policy group is responsible for advancing Xcel Energy's public policy strategy in a way that ensures the company's positions create value for customers, shareholders, and many stakeholders. The organization designs and advocates for federal and state policies in the areas of climate and clean energy. It also supports the company's environmental, social and governance reporting.

Strategy, Planning and External Affairs is responsible for working with Senior Executives and Senior Management to ensure operating companies overall business plan and long-term strategy development is aligned with all organizational processes, systems, and structures. This involves the coordination of existing planning groups and tools to develop the business plans consistently throughout the organization.

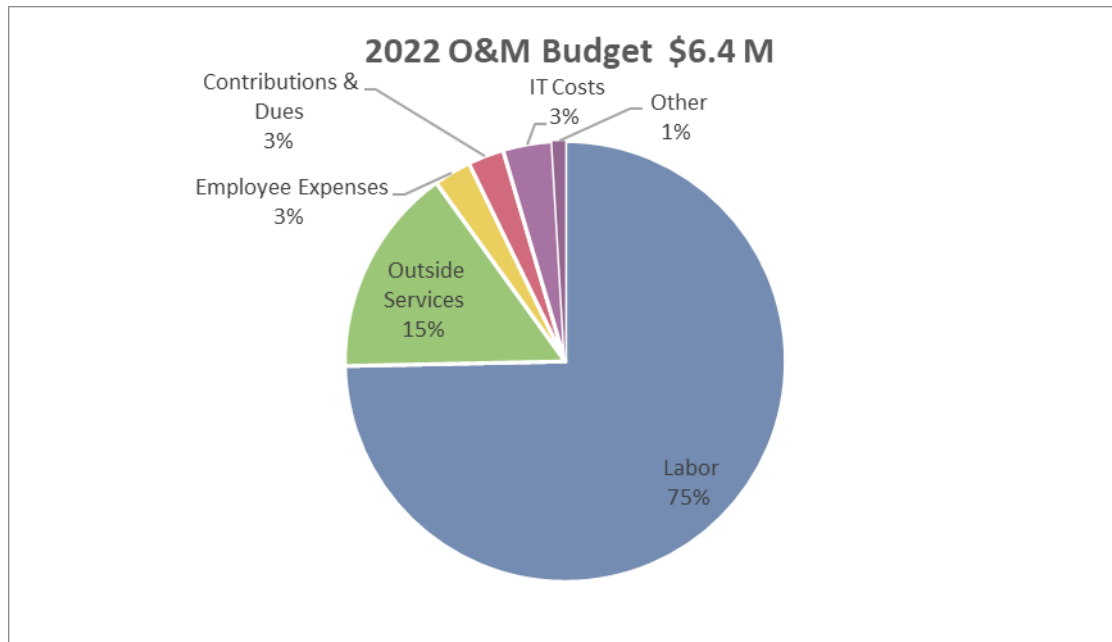
Strategy and Planning group helps facilitate corporate strategy and ensure that our goals, metrics, resource plans, and business plans focus on the long-term stability and direction of our organization. This team provides insight and analysis on competitive intelligence analysis, industry assessments and benchmarking studies. The group also oversees Company's long-term strategic planning activities for all operating companies, which includes facilitating and developing asset and financial plans for the Operating Companies. Resource plans developed directs the systems, processes and personnel required to prepare, file and secure needed key stakeholder support and regulatory approval of effective and prudent long-term resource plans to continue to meet customers' existing and forecasted future electric needs. In implementing these plans, Strategy and Planning directs competitive bidding power supply resource solicitation processes to procure needed capacity and energy to meet current and forecasted customer demand and energy requirements with a key emphasis on achieving cost reductions in the Xcel supply portfolios for each of the four Xcel Energy operating utilities while also meeting reliability and environmental requirements and Corporate objectives.

The Strategic Communications team provides overall governance of our external brand and reputational messaging. They provide guidance and strategy on how we address critical issues and how we position Xcel Energy within our industry, with our customers and the communities that we serve. This team also supports communication on AGIS initiative across jurisdictions. They provide communications services support to major business areas including writing, graphic design, video production, senior leadership meeting and event

Major Business Functions and Key Activities

planning as well as supporting the internal communications channels. They also provide executive-level support in CEO communications, investor relations and messaging and branding around our growth efforts.

2022 NSPM O&M Budget Major Cost Drivers



Labor – Labor for the Strategy Planning & External Affairs organization is made up of exempt, benefit and non-benefit personnel to perform the key activities described under the Major Business and Key Activities section.

Outside Services – Outside Services spend is primarily related to the contract labor and consulting for the AGIS initiative and Consulting services related to meeting the strategic priorities of the organization.

Employee Expenses – Employee expenses for internal and external business travel, training, and professional conferences.

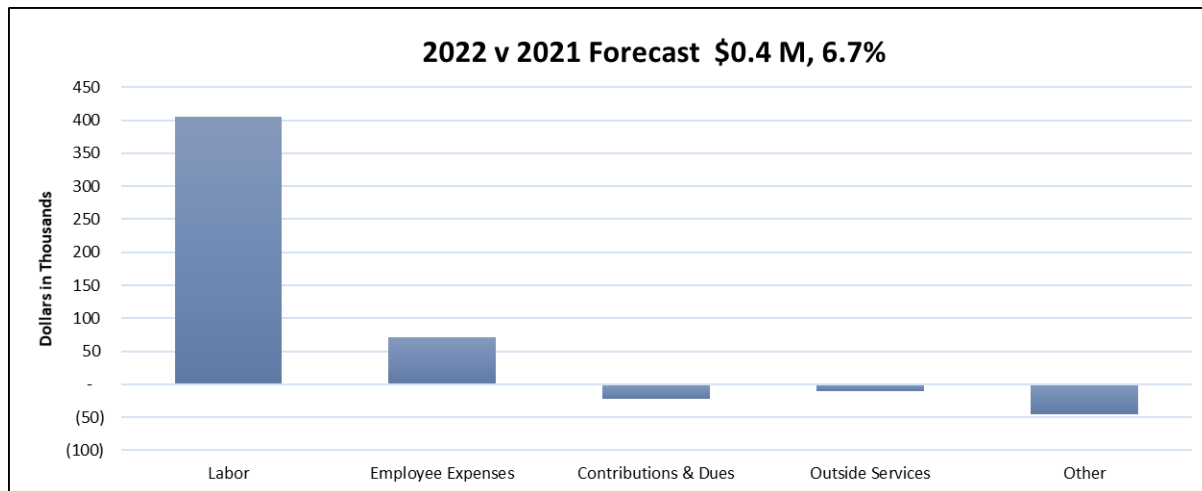
IT Costs - Includes annual subscription fees to various corporate financial resources, including S&P Global Market Intelligence, and Bloomberg Finance.

Contributions & Dues - Contributions & Dues includes items such as professional association dues, community sponsorships, lobbying activity, utility associations, and charitable contributions.

Other – Primarily expenses for printing/copying services of the annual report and corporate responsibility report.

2022 NSPM Walk Forward of Major Cost Drivers

2021 July Year End Forecast to 2022 Budget	
2021 July Year End Forecast	5,952
Labor	405
Employee Expenses	71
Contributions & Dues	(22)
Outside Services	(11)
Other	(45)
2022 Budget	6,350



Labor – Base productive and non-productive labor costs are increased based on three percent merit increases. The budget includes an updated workforce plan and full staffing levels.

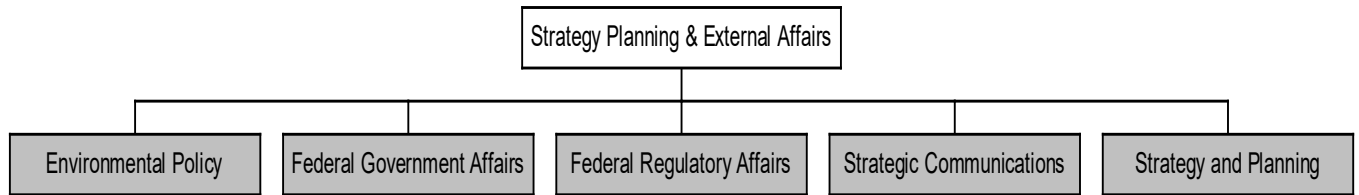
Employee Expenses – Increased year-over-year expenses are driven by reduced activity in 2021 due to companywide travel restrictions. 2022 is budgeted at 70 percent of 2019 levels with a marginal increase compared to 2021 in expected activity levels for the organization to achieve its objectives.

Contributions & Dues – Year-over-year decrease in Lobbying-Dues due to one-time additional contributions in 2021 to support political associations affiliated with the company's strategic plan. The additional contribution will not continue in 2022.

Outside Services – Year-over-year decrease is due to additional spend on tax consulting in 2021 which will not continue in 2022, (\$0.2M). The decrease was offset by increases for: (1) general consulting supporting Senior Management's long-term strategy development, \$0.1M and (2) spend on environmental federal policy strategy, \$0.1M. Contract labor and consulting spend for AGIS initiative communications is flat to 2021.

Other – Decrease in annual printing expenses for the annual report and corporate responsibility report.

Functional Organization Chart



Cost Allocation Methodologies

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

Operating Company Direct Charges:

Strategy Planning and External Affairs direct charges non-labor costs to the specific legal entity for which the services were performed or costs incurred.

Service Company Direct Charges:

Service Company charges are direct charged whenever possible. Strategy Planning and External Affairs direct charges most labor and non-labor costs to the specific legal entity for which the services were performed or costs incurred.

Service Company Allocated Charges:

When direct charging is not practical, or where services performed are not specifically related to a legal entity, Strategy Planning and External Affairs allocates labor and non-labor costs to the legal entities benefiting from the services performed or costs incurred. 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
200070	161	Corporate Strategy & Business Development - Corporate Governance	Corporate Strategy & Business Development - Corporate Governance includes the labor and non-labor costs associated with providing leadership for the implementation of company-wide business strategies and plans; portfolio management including the evaluation of potential opportunities for mergers, acquisitions and divestitures; providing financial, analytical and reporting support; researching and providing business intelligence information. 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.
200078	410	Governmental Affairs	Governmental Affairs includes the labor and non-labor costs associated with the interpretation of laws regulations and environmental policy to ensure compliance and cost effectiveness for Xcel Energy customers and stockholders Internal legislative policy development and issues management, appraise management and internal customers of political and policy trends and developments, develop and maintain relationships with regulatory officials and staff.
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).
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

Cost Allocation Methodologies

			nuclear) and resource planning and acquisition including purchase power and account management.
200163	181	Employee Communications	Employee Communications includes the labor and non-labor costs for the development and enhancement of employee awareness and understanding of the company's strategies, priorities, decisions and performance objectives. It develops and produces regular communication vehicles, including TODAY (daily news bulleting on intranet); XTRA (monthly print publication for all employees and retirees); All Managers E-mail (real-time communication for employees who supervise and manage others); Focus on Financials for all employees; targeted communications for specific business areas, such as Human Resources, and employee meetings.
200177	418	Rates & Regulation - Electric	Rates & Regulation - Electric includes the labor and non-labor costs for determining the regulated utilities' electric utility revenue requirements and rates for electric customers regulatory strategy, coordinating the regulatory compliance requirements, establishing and maintaining relationships with regulatory bodies, policy development of regulatory and legislative strategy, preparing and organizing rate case filings.

Approvals

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

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

Raynard Gray

Manager, Business Area Finance

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

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2022 Budget Documentation

Corporate Other

Northern States Power Company - Minnesota (NSPM)

Major Business Functions and Key Activities

Introduction

Corporate Other includes the costs that are not directly attributable to a specific business area. 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.

A&G Charges to Capital: Each month, A&G overheads are applied to capital work orders that contain overhead eligible charges. During the month end close process, overheads are applied to each eligible install and removal type work order. The PowerPlan system gathers all eligible current month expenditures for each work order and applies the A&G percentage rate to those expenditures. This amount is then applied to work orders with the offsetting credit amount charged to the A&G capital clearing work order using the current monthly overhead rate. The credits to A&G overhead O&M to transfer those costs to the Capital overhead pool (debit) are recorded within Corporate Other.

A/P and Corporate Credit Card Accruals: The Company records unassigned monthly credit card expenses to Corporate Other business area as a reversing entry in order to correctly record the liability associated with employee expenses.

Credit Card Rebates: The credit rebates we receive from our credit card vendors for rebates earned by using the credit cards. These credits offset NSPM expenses within Corporate Other.

Company Use: Offsetting credits are recorded to the Corporate Other business area in Miscellaneous Operating and Maintenance (O&M) credits (Federal Energy Regulatory Commission (FERC) account 929, Administrative & General (A&G) Duplicate Charge Credit) for facilities that are company owned and use utility services that are provided by the company. For example, if an electric distribution substation uses electricity from the company grid, the cost of that electricity is charged to distribution. Similar transactions are recorded when a gas department facility uses gas and the steam department uses steam.

Non-regulated Overheads: Credits are recorded to the Corporate Other business area in Miscellaneous O&M credits (FERC account 922, A&G Admin Transferred Credit) to offset labor overheads, A&G overheads and the corporate residual applied to non-regulated business activities to insure fully allocated costing for services provided to the non-regulated businesses.

NSP Transmission Joint Ventures: Credits are recorded to the Corporate Other business area in Miscellaneous O&M credits (FERC account 922, A&G Admin Transferred Credit) to offset the A&G expenses allowable per contract that are billed to 3rd party partners. This is to recover administrative costs that are not direct charged to the project – it's a debit to our JV partners' receivables and a credit back to NSPM/W FERC 922.

Transmission Interchange: The Interchange Agreement, (I/A), is a FERC approved tariff that provides for the inter-company sharing of production and transmission costs of Northern States Power Company – Minnesota (NSPM) and Northern States Power Company – Wisconsin (NSPW). Fluctuations in cost are related to plant investment and business area expenses.

2022 Corporate Other Budget

Corporate Other: NSPM 2022 O&M Budget Chart (Dollars in Thousands)		
Transmission Interchange		127,820
Company Use Credits		(5,898)
Non-Regulated OH Allocation		(1,659)
A&G to Capital		(860)
Credit Card rebates		(522)
Other		(806)
2022 O&M Budget	\$	118,075

2022 Walk Forward of Major Cost Drivers

Corporate Other: NSPM 2022 O&M Budget Chart (Dollars in Thousands)		
2021 July Year-End O&M Forecast	\$	111,288
Transmission Interchange		7,458
Other		(672)
2022 O&M Budget	\$	118,075

2022 Walk Forward of Major Cost Drivers

Transmission Interchange (\$7.5M increase in 2022): The Interchange Agreement, (I/A), is a FERC approved tariff that provides for the inter-company sharing of production and transmission costs of Northern States Power Company – Minnesota (NSPM) and Northern States Power Company – Wisconsin (NSPW). Fluctuations in cost are related to plant investment and business area expenses. The significant driver for the increase is due to increased transmission line investments going into service across many individual projects (largest new project being the Bayfield Second Circuit).

Functional Organization Chart

Corporate Other does not have an organization chart.

Cost Allocation Methodologies

The method used to distribute costs to the legal entity and utility include:

Operating Company Direct Charges:

Corporate Other, whenever possible, direct charges non-labor to the specific legal entity for which the costs were incurred and uses specific business units on the operating companies.

Service Company Direct Charges:

Not applicable

Service Company Allocated Charges:

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.

<u>Allocating Cost Center</u>	<u>JDE Subledger Code</u>	<u>Allocating Cost Center Name</u>	<u>Description</u>
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.

Approvals

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

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

Andy List
Manager, O&M and Capital Reporting & Analysis

Approved By: _____ /s/ _____ Date: 10/7/2021

Melissa Ostrom
Director, Financial Forecasting and Reporting

2022 Budget Documentation

Financial Operations

Major Business Functions and Key Activities

Introduction

Financial Operations leads financial governance and delivers superior financial services. Reporting to the Chief Financial Officer are the Controller's Organization, Investor Relations, Tax Services, Financial Planning & Corporate Development, and the Treasurer's Organization.

Customer Value

Chief Financial Officer

The Executive Vice President and CFO provides financial leadership to Xcel Energy, and provides leadership, policies and controls to Financial Operations and business areas. In close partnership with leaders within the organization, the CFO facilitates the mission, goals and objective for Investor Relations, Tax Services, Controller, and Finance & Corporate Development.

Controller's Organization

The Senior Vice President and Controller serves as the Principal Accounting Officer and provides financial policies, controls, financial governance and leadership to the company. Additionally, the Controller is responsible for the financial close process; property accounting, including depreciation for the fixed assets of various legal entities; and researching, documenting and resolving complex technical accounting issues for the preparation and filing of external reports to regulatory authorities and others. The Controller develops and maintains service agreements between the Service Company and operating companies and maintains and updates Service Company allocations. Accounting and reporting support for Commercial Operation's regulatory mechanisms and, managing compliance with state and federal regulatory reporting requirements, also falls under the Controller's purview, providing rate case support for and regulatory analysis.

Investor Relations

The Investor Relations team develops investor relations programs, communications, presentation and supporting materials to ensure an appropriate financial valuation of Xcel Energy by the financial community. As the financial community engages Xcel Energy, the group responds to investor questions and requests for information and organizes meetings with current and prospective investors. Feedback from these interactions is provided to management, advising on key issues affecting Xcel Energy's position in the investment community.

Tax Services

Tax Services is responsible for providing proactive tax counseling to executive management, business areas, and subsidiaries to mitigate the impact of taxation on operations and strategic business decisions, and potential transactions. The team monitors federal and state tax legislation, legal developments and rulemaking activities in the income tax, sales/use tax and property tax areas, and defends the company's tax positions before various taxing authorities, as well as administering federal, state and local income, sales/use and property tax audits, protests and appeals, and testifying on key company tax issues. The team also prepares and files consolidated federal and state income tax returns and payments; property and sales/use tax returns and payments for the utility companies.

Finance & Corporate Development

The Senior Vice President of Financial Planning is responsible for the oversight, governance and consolidation of budgets and forecasts across the company. The organization creates a working partnership with business areas to facilitate and assist with the development of annual five-year budgets, and monthly forecast updates, as well as preparation and consolidation of financial results and variance to senior leadership and the Xcel Energy Board of Directors.

Major Business Functions and Key Activities

The Finance organization also provides revenue and cost of service analysis, expert testimony and support for rate cases and other regulatory filings; regulatory guidance related to budget development to meet rate case filing requirements. Additionally, the team creates forecasts of retail and system load and energy, jurisdictional peak demand and load management; and the production cost model used to develop forecasts of fuel and purchased power costs to serve energy requirements of our customers; and to support rate case and regulatory filings.

Corporate Development is responsible for identification, evaluation, negotiation and execution of corporate growth opportunities including acquisitions, divestitures and joint ventures.

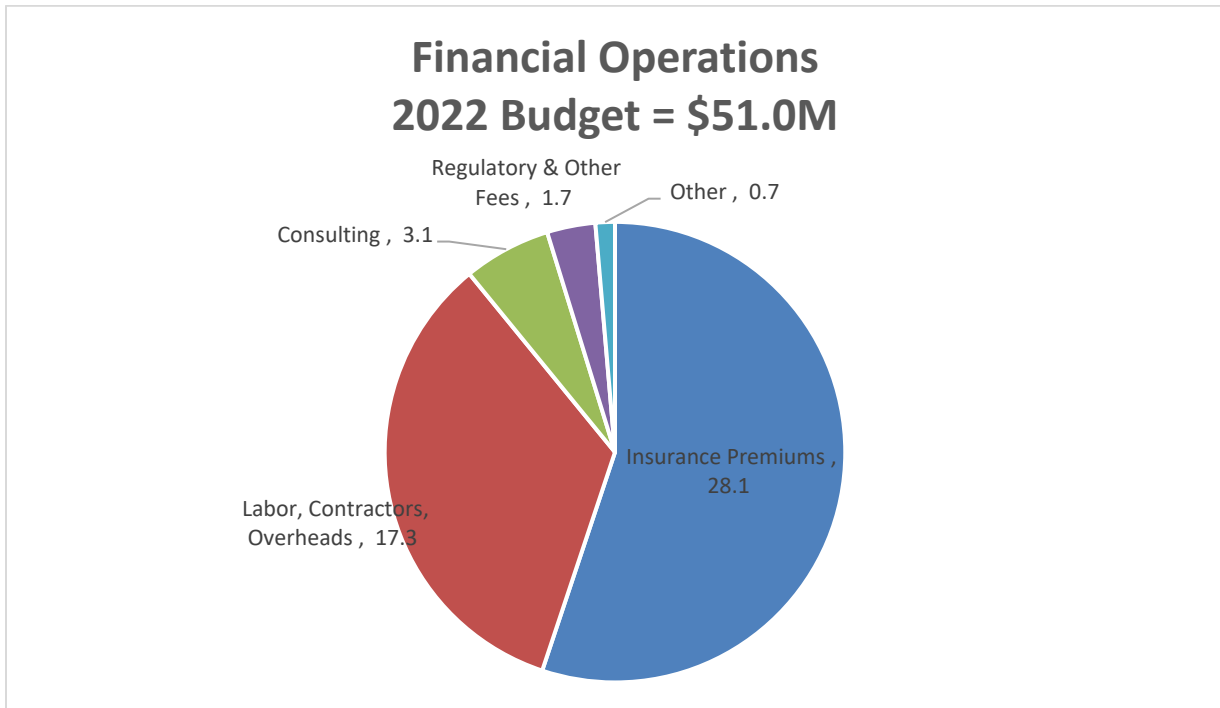
Treasurer

The Treasurer is responsible for developing and executing Xcel Energy's financing plans by managing business relationships with Xcel Energy's financial services suppliers. Additionally, the treasurer manages the company's daily liquidity and coordinates cash flows for each Xcel Energy legal entity, including commercial paper issuance and bank facility drawdowns. The Treasurer issues bank loans, corporate guarantees and letters of credit, long-term debt and equity securities for Xcel Energy and each of the regulated utilities.

The Treasurer also manages the hazard insurance portfolio for the company, providing corporate-wide protection of assets from catastrophic loss using risk financing mechanisms, including captive risk retention and design and negotiation of insurance contracts with commercial and industry mutual underwriters.

Investment and pension management duties include coordinating with Xcel Energy's investment advisor to perform asset allocation studies for the pension trust, the nuclear decommissioning trust and the VEBA trust assets, as well as Directing cash movements and investment account rebalancing required for the various trusts.

2022 NSPM O&M Budget Major Cost Drivers



Insurance – includes property; general, excess and auto liability; nuclear, cyber, fiduciary and directors and officers insurance

Labor and Contract – Labor for the Financial Operations 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, tax consulting, regulatory compliance, cost studies and auditing co-source support

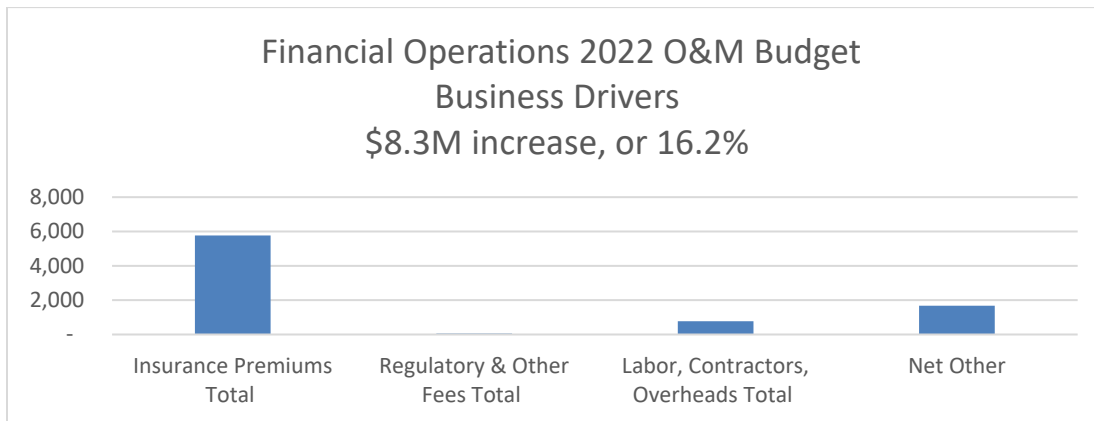
Regulatory & Other Fees – Bank charges, licenses fees and permits, and ratemaking fees.

Other – Primarily employee related expenses.

2022 NSPM Walk Forward of Major Cost Drivers

Financial Operations NSPM 2022 O&M Budget Chart		
(Dollars in thousands)		
2021 July Year-End O&M Forecast		\$43,466
Insurance		5,275
Insurance - Surplus	1,867	
Insurance - Property	1,309	
Ins-General Liability	(72)	
Ins-Excess Liability	1,705	
Misc. Other Insurance	466	
Regulatory & Other Fees		(28)
Shareholder Related Expenses	76	
Bank Charges	(136)	
Other Fees	33	
Labor		736
Company Labor with merit incr	800	
Contract Labor for Staff Aug	(64)	
Net Other		1,565
2022 O&M Budget		\$51,013

2022 NSPM Walk Forward of Major Cost Drivers



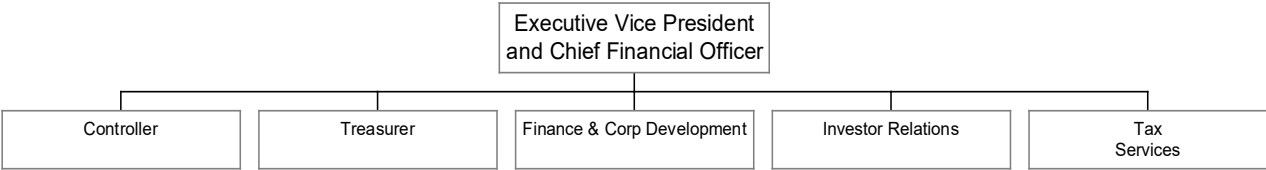
Insurance: Primarily driven by increases in premiums for property and excess liability policies. Factors for the increase include the company's total asset base, recent loss history, as well as general insurance market conditions.

Regulatory & Other Fees: Bank charges, licenses fees and permits, and ratemaking fees.

Labor: Increased costs for internal labor due to three percent merit increases, headcount changes and partially offset by decreased by reduced reliance on staff augmentation contractors.

Other: Usage of external consulting increasing to normal levels versus 2021 coupled with increased employee expenses related to return to office post pandemic.

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
200065	116	Investor Relations - Corporate Governance	Investor Relations - Corporate Governance includes the labor and non-labor costs for communications to investors and the financial community, providing management with feedback from investors, assisting in the communication to investors of debt and equity securities issuances, assists in the development of presentations for Board of Directors, develops and delivers Xcel Energy's credit story to credit rating agencies, develops and presents Xcel Energy's investment story to investors, reviews all public financial documents for accuracy and completeness and distributes all financial releases. 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.
200068	141	Corporate Finance, Treasury & Cash Management - Corporate Governance	Corporate Finance, Treasury & Cash Management - Corporate Governance includes the labor and non-labor costs related to equity and debt securities issuance, relationships with financial institutions, cash management, investing activities and monitoring the capital markets, holding company commercial paper transactions, compliance with debt covenants, corporate-wide protection of assets from catastrophic loss using risk financing mechanisms including captive risk retention and design and negotiation of insurance contracts with commercial and industry mutual underwriters (Service Company portion of Auto Liability, Cyber, and various other insurance policies), supervising the asset management firms for the Pension Fund and 401k benefits. 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

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
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.
200070	161	Corporate Strategy & Business Development - Corporate Governance	Corporate Strategy & Business Development - Corporate Governance includes the labor and non-labor costs associated with providing leadership for the implementation of company-wide business strategies and plans; portfolio management including the evaluation of potential opportunities for mergers, acquisitions and divestitures; providing financial, analytical and reporting support; researching and providing business intelligence information. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
200080	135	Capital Asset Accounting	Capital Asset Accounting includes the labor and non-labor costs associated with operating and non-operating company capital asset accounting, budgeting, regulatory reporting, business area support for utility areas, and operating company budgeting support.
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.
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).
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).
200091	147	Captive Insurance	Captive Insurance - The Property Loss Control Engineers services includes the labor and non-labor costs for each primary Operating Company(s) as well as all of Energy Supply Services. Having an expertise in an area, they lend support to each other and members of Energy Supply, and the Utilities Group, throughout the corporation. Fire Protection, Transformer Maintenance, Turbine Characteristics, Policies and Procedures are some of the areas in which expertise has been developed. This expertise is then shared on a regular basis to the benefit of all OpCo's and it is further shared at periodic Engineering meetings hosted by Hazard Insurance, which bring together Engineers from the OpCo's, the Property Loss Control Engineers and Insurance Company representatives to promote Loss Control.

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.
200098	468	Electric Transmission FERC 566	Electric Transmission FERC 566 services include Transmission electric labor and non-labor costs associated with accounting, budgeting, regulatory reporting, and capital asset accounting.
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).
200102	470	Gas Distribution FERC 880	Gas Distribution FERC 880 services include gas Distribution labor and non-labor costs associated with accounting, budgeting, regulatory reporting, and capital asset accounting.
200105	125	Accounting & Reporting - NSPM & NSPW	Accounting & Reporting - NSPM & NSPW includes the labor and non-labor costs associated with NSPM & NSPW accounting, budgeting, regulatory reporting, sales and use taxes, business area support for utility areas, operating company budgeting support, and capital asset accounting.
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.
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.

Cost Allocation Methodologies

Allocating Cost Center	JDE Subledger Code	Allocating Cost Center Name	Description
200133	128	Proprietary Trading - Back Office	Proprietary Trading - Back Office includes the labor and non-labor costs associated with the accounting support and vice president oversight of proprietary trading activities. This allocator should be primarily used by Accounting and Finance, or others providing Administrative & General (A&G) activities when the trading deal doesn't involve Xcel Energy Utility generating resources, which is also considered non-asset-based trading activity.
200178	417	Rates & Regulation	Rates & Regulation includes the labor and non-labor costs for determining the regulated utilities' revenue requirements and rates for electric and gas customers regulatory strategy, coordinating the regulatory compliance requirements, establishing and maintaining relationships with regulatory bodies, policy development of regulatory and legislative strategy, preparing and organizing rate case filings.

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

Group President, Utilities

NSPM President

Major Business Functions and Key Activities

Introduction

The NSPM President organization consists of the following key areas: Regulatory & Government Affairs, Community Relations and Large Account Management. The organization is responsible for meeting financial goals, improving customer satisfaction, identifying new market opportunities and ensuring regulatory compliance.

Customer Value

The NSPM President organization provides oversight and input into the NSPM business plan developed by the operational areas and works to maximize results. The business plan is designed with both short- and long-term views so that immediate issues are addressed without sacrificing the long-term sustainability of the system. Customers benefit from the integration through the successful execution of the plan designed to provide reliable energy and to support the environment.

The Regulatory & Government Affairs area provides technical analysis and consulting services on issues that impact rate recovery, pricing, regulatory policy and regulatory compliance. These organizations provide testimony to support company positions in regulatory proceedings and coordinate the preparation of expert testimony of subject matter experts in other business areas. Regulatory & Government Affairs also manages ongoing communications with regulators to ensure constructive relationships and sharing of timely and accurate information so that both Regulators and Xcel Energy decision makers have the necessary facts to understand the implications of their actions on customers, shareholders, employees and the industry.

The Community Relations area is responsible for the important priority of improving or maintaining relationships with the states and communities in which Xcel Energy operates. In all territories we serve, the company is a leader in corporate giving and employee volunteerism. Each group plays a significant role in engaging managed account customers, constituents, and businesses through grass roots efforts and appealing to elected leaders. The knowledge gained through these interactions assists the company in shaping strategy in on legislative bills championed or opposed, to protect the interests of our customers.

The Large Account Management department is responsible for working with the 1,500 largest business customers in the jurisdiction. The department's focus is to be a strategic resource to key customers on rates, reliability, energy efficiency, and project management. Account Managers are a single point of contact for both large regional and national customers to assist in customer extensions, reliability improvements, and project support while helping customers meet their sustainability and energy efficiency needs.

Major Business Functions and Key Activities

Operating Company President - Northern State Power - Minnesota (NSPM)

Community Relations

- Serves as a single point of contact for regional and local governments regarding outage communication, governmental billing and service issues, construction activities, municipal franchise renewals, utility service, and community events and activities.
- Coordinates new customer acquisitions for gas, electric, and builder developer relationships.
- Provides a single customer service contact for large business customers, assisting them with issues such as new service construction, billing, reliability, contracts, and participation in Demand Side Management (DSM) programs.

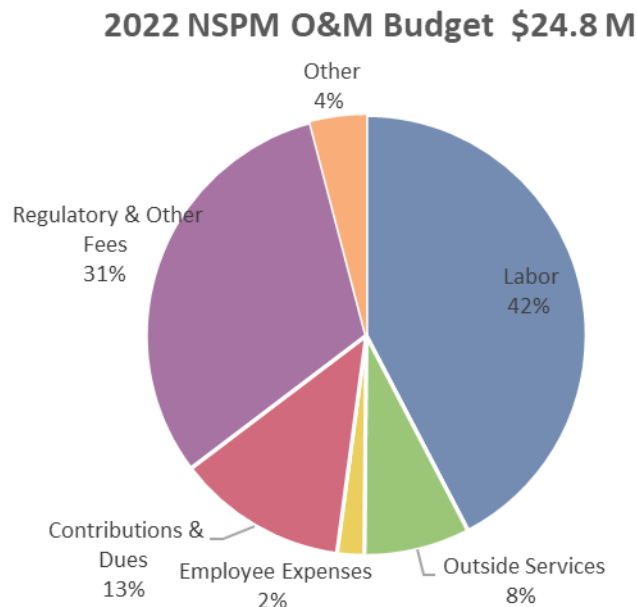
Regulatory & Government Affairs

- The lead group for filing and securing approvals of rate cases, resource plans, construction applications, compliance filings and other miscellaneous filings before state and/or federal regulatory agencies.
- Leads company efforts in pricing and rate design, fuel cost recovery and various other cost recovery mechanisms, regulatory policy analysis, customer contract negotiations, revenue forecasting for budgets and long-range planning. Assists Revenue Analysis Group in CFO organization in preparing financial analysis and revenue requirements to support various internal needs and external company filings with regulatory agencies.
- Coordinates company participation in state and federal regulatory proceedings. Consults with other Xcel Energy regulatory departments and other business areas to support their regulatory needs. Acts as liaison between company business areas and regulatory agencies.
- Determines the appropriate policy direction, alternatives, and primary directive for Xcel Energy's regulatory and legislative strategy.
- Takes lead in securing regulatory approval of initiatives to meet legislative mandates.
- Internal legislative policy development and issues management.
- Informs management and internal customers of political and policy trends and developments.
- Manages state-level policy development to create positive outcomes for the company.
- Develops and maintain relationships with public officials and staff.
- Lobbies elected officials and reports lobbying activities.
- Operates, expands, and reports activities of Xcel Energy political action committees, as required/authorized by law.
- Educates employees on policy issues and election activities.

Large Account Management

- Work with customers to develop energy efficiency pipeline of projects to exceed DSM goals.
- Facilitate customer needs with area engineering, design, billing, and managing contracts along with credit and collection activity
- Outage Communications, interface with Area Engineering, Control Center, Ops & Customer.

2022 Total NSPM O&M Budget Major Cost Drivers



Costs are categorized as Labor, Regulatory & Other Fees, Contributions & Dues and Outside Services.

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

Regulatory & Other Fees – Direct and Indirect regulatory fees are an allocation of costs from the state of MN regulating agencies. Direct fees are costs associated with NSPM dockets. Indirect fees are an allocation of agency costs that are not captured through direct assessments.

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

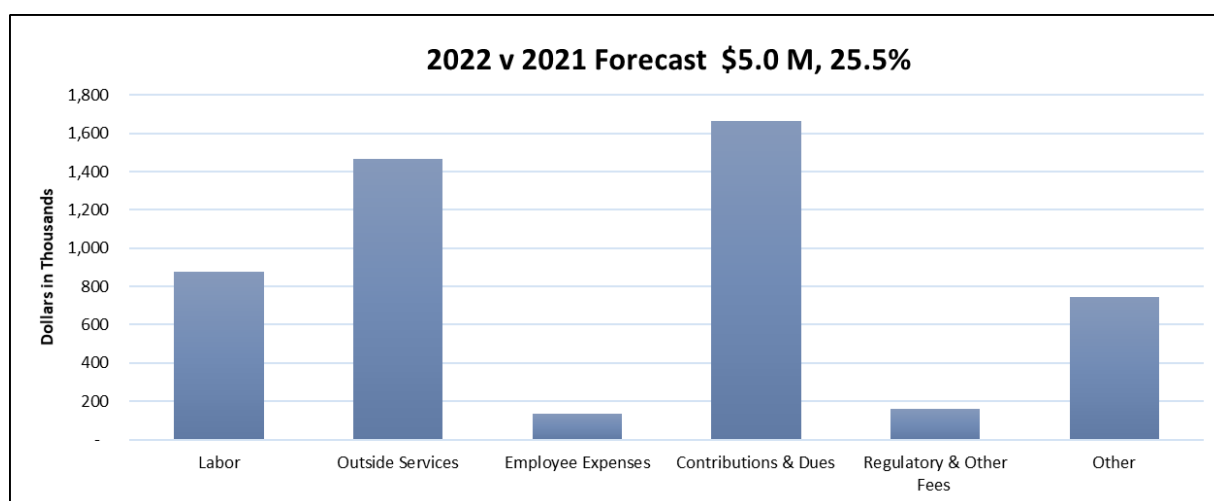
Employee Expenses – Employee expenses for travel, continued legal education, professional association dues, training and professional conferences.

Outside Services – Consulting services related to organizational, regulatory and community efforts focused on meeting the strategic priorities of the NSPM President organization.

Other – Primarily consists of funding for strategic planning initiatives. Materials expenses to support daily operations and communication with customers and Advertising to support strategic priorities such as customer acquisition are also included.

2022 Total NSPM Walk Forward of Major Cost Drivers

2021 July Year End Forecast to 2022 Budget	
2021 July Year End Forecast	19,786
Labor	876
Outside Services	1,465
Employee Expenses	137
Contributions & Dues	1,662
Regulatory & Other Fees	159
Other	742
2022 Budget	24,827



Labor – Increase is primarily due to the annual merit cycle and increased total headcount of eight to support the NSPM President's priorities in Regulatory, Account Management and Community Relations organizations. The timing of hiring open positions and the budget representing a fully staffed organization, less normal attrition also contributes to the year-over-year increase.

Outside Services – Increased Consulting spend in: (1) Community Relations due to expanded scope with an existing consultant Rapp Strategies who supports public affairs strategy, \$0.9M, (2) supporting the extension of nuclear fleet, \$0.1M, (3) and general legislative matters and lobbying support, \$0.4M.

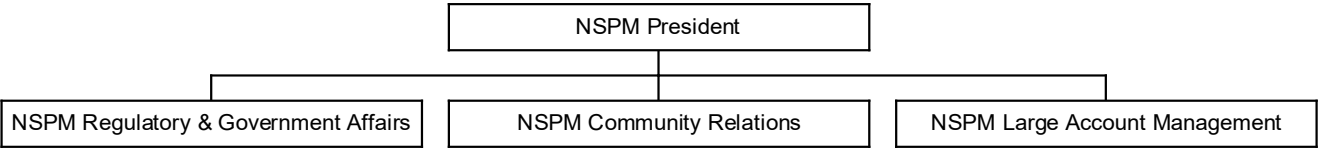
Employee Expenses – Increased year-over-year expenses are driven by reduced activity in 2021 due to companywide travel restrictions. 2022 is budgeted at 2021 activity levels with a marginal increase in expected activity levels for the organization to achieve its objectives.

Contributions & Dues – Increase is driven by reduced activity in 2020 and 2021 due to economic impact of COVID 19. 2022 is budgeted to return to normal activity levels for the organization to achieve its objectives. Drivers include costs not recovered from rate payers associated with community sponsorships, association dues and corporate sponsored tickets.

Regulatory & Other Fees – Indirect and direct fees are increased based upon anticipated revenue changes and case filings.

Other – Primarily consists of funding for strategic planning initiatives.

Functional Organization Chart



Cost Allocation Methodologies

This business area direct charges all costs to the NSPM Company. There are no service company cost allocation methodologies used.

Approvals

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

Prepared By: _____ /s/ _____ Date: 10/13/2021
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Adam Dietenberger
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Approved By: _____ /s/ _____ Date: 10/15/2021
Rich Schrubbe
AVP, Financial Analysis and Planning

2022 Budget Documentation

General Counsel

Introduction

General Counsel provides critical legal and strategy services to Xcel Energy, its operating companies and its subsidiaries with a focus on advancing strategic objectives. In addition to Legal Services, General Counsel includes Claims Services and Corporate Secretary.

Customer Value

The Legal Services group anticipates and fulfills the legal needs of Xcel Energy Inc., its Board of Directors, Officers, Subsidiaries, Business Areas, and Corporate Operations Areas. It provides services related to a myriad of complex legal issues related to corporate governance and compliance, securities, labor and employment law, litigation, contracts, franchises, rates and regulation, environmental matters, real estate, and other legal matters. In addition, Legal Services supports Xcel Energy and its subsidiaries in fulfilling Corporate and Business Area strategies, ranging from maintaining and improving stakeholder and regulatory relationships to continued leadership on environmental issues.

The Claims Services group provides effective, efficient, and professional claims services for Xcel Energy's matters related to casualty, public, and legal entity claims against the company; ranging from simple liability claims to catastrophic loss investigations. When the company is entitled to indemnity or compensation from insurers or other third parties for losses or damages to company equipment and or facilities, Claims Services helps ensure that the company recovers amounts sufficient to compensate it for loss, to the extent possible. In addition to Legal Services support, the Claims group also provides as needed support to the Operating Companies and subsidiaries in their respective service territories and jurisdictions.

The Corporate Secretary group provides a variety of support services to Xcel Energy Inc. and its subsidiaries. Services include management of Board of Directors, Shareholder's meetings and Director recruitment. This team develops and coordinates the enterprise efforts to fulfill our strategic plans. These efforts are shaped to drive alignment and collective action to deliver on our corporate vision and strategic priorities.

Major Business Functions and Key Activities

The General Counsel Business Area is a part of Xcel Energy Services Inc. (XES) and provides a variety of support services to Xcel Energy Inc. and its subsidiaries. These services are provided in accordance with the XES Service Agreements entered with each subsidiary. The Service Agreements are administered in accordance with Federal Energy Regulatory Commission (FERC) regulations regarding public utility holding companies.

Office of the General Counsel

Office of the General Counsel includes oversight of the work performed by Claims Services & Legal Services.

Legal Services

- Anticipates and fulfills the legal needs of Xcel Energy, its Board of Directors, officers, legal entities, business areas, and corporate operations in a responsive, timely and accurate manner to protect the assets and to minimize potential liability, which benefits company stakeholders: customers, shareholders, and employees.
- Provides services related to corporate governance and compliance, securities, labor and employment law, litigation, contracts, franchises, rates and regulation, environmental matters, real estate, and other legal matters.
- Supports Xcel Energy and its subsidiaries in fulfilling corporate and business area strategies ranging from maintaining/improving stakeholder and regulatory relationships to continued leadership on environmental issues.

Claims Services

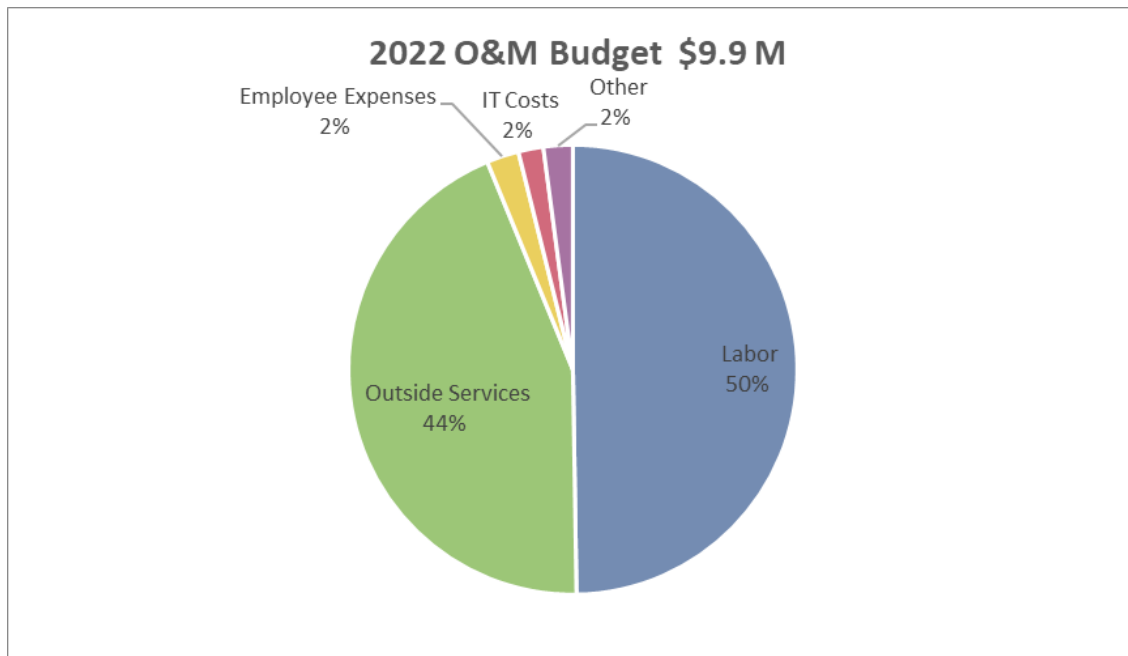
- Provides effective, efficient and professional 24 x 7 claims services for Xcel Energy's matters related to casualty, public and legal entity claims against the company; ranging from simple liability claims to investigations of catastrophic loss investigations. Pursues indemnification or compensation for losses or damages to company equipment and/or facilities.
- Supports Legal Services and the operating companies in their respective service territories within regional jurisdictions. Occasionally, Claims Services may be asked to provide services to an Xcel Energy non-utility subsidiary (e.g., Eloigne).
- Provides training seminars for employees to ensure compliance with claims investigation procedures.

Corporate Secretary

Corporate governance practices:

- Board of Directors:
 - Ensure SEC, Nasdaq and legal compliance
 - Manage the creation & coordination of meeting materials and maintain official company records
 - Annual Shareholders meeting
- Corporate Governance:
 - Annual review of charters and other governance documents
 - Board and Committee evaluations
 - Investor outreach
- Regulatory Filings:
 - Proxy Statement and Section 16 transactions
 - FERC Interlock and Informational Filings
 - Secretary of State annual reports
- Subsidiary Management
 - Quarterly Operating Company Board Meetings
 - Resolutions: Annual Officer and Director election, Dividend, Capital Investment Projects
 - Entity management

2022 NSPM O&M Budget Major Cost Drivers



Labor – Labor for the General Counsel organization is made up of exempt, benefit and non-benefit personnel to perform the key activities described under the Major Business and Key Activities section.

Outside Services – Expenses for outside legal costs (outside law firms, experts, court reporters, etc.).

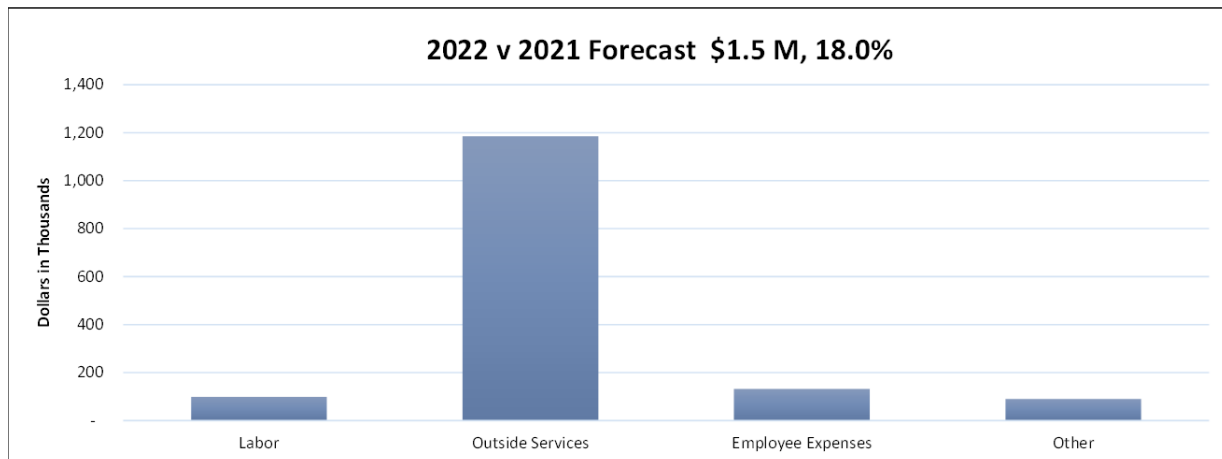
Employee Expenses – Employee expenses for travel, continued legal education, professional association dues, training and professional conferences.

IT Costs – IT costs are primarily for software support and maintenance costs associated with Legal Services' software applications.

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

2022 Walk Forward of Major Cost Drivers

2021 July Year End Forecast to 2022 Budget	
2021 July Year End Forecast	8,359
Labor	98
Outside Services	1,185
Employee Expenses	131
Other	90
2022 Budget	9,864



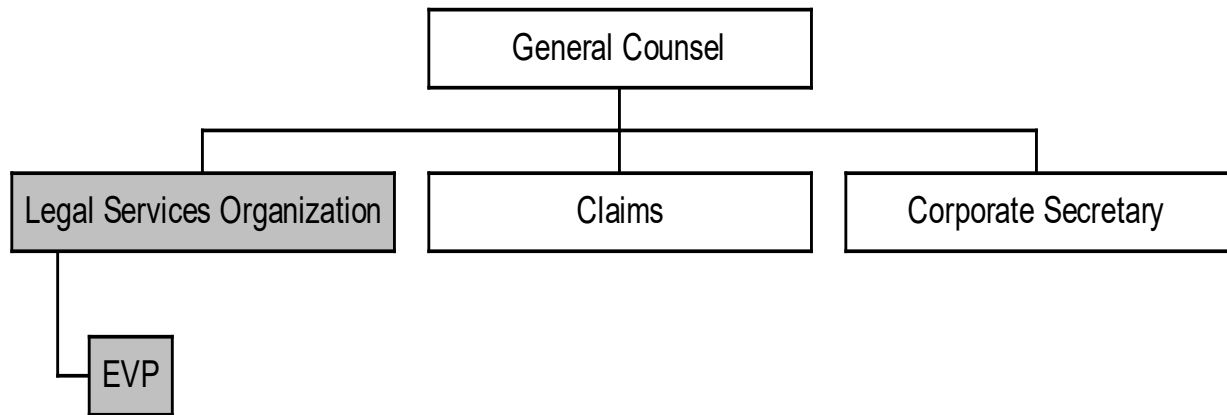
Labor – Base productive and non-productive labor costs are increased based on three percent merit increases. The budget includes an updated workforce plan and full staffing levels.

Outside Services – Expenses for outside legal costs fluctuate year-to-year due to the number, type, and magnitude of legal matters or increase/decrease in outside legal fees. The increase consists of: (1) additional support in Corporate and Employment legal practice areas, \$0.8M, (2) anticipated litigation, \$0.5M, and (3) asset transactions and other increases, \$0.7M. The increases are offset by: (1) decreases in Transmission related Real Estate and Federal Regulatory legal practice areas, (\$0.1M), (2) decrease in Regulatory Commission expenses in a non-rate filing year (\$0.3M), (3) miscellaneous matters spend (\$0.3M).

Employee Expenses – Increased year-over-year expenses are driven by reduced activity in 2021 due to companywide travel restrictions. 2022 is budgeted at 2021 activity levels with a marginal increase in expected activity levels for the organization to achieve its objectives.

Other – Incremental increase for normal activity in IT Costs, \$18K and Insurance Premiums, \$30K.

Functional Organization Chart



Cost Allocation Methodologies

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

Operating Company Direct Charges:

General Counsel direct charges non-labor outside legal counsel costs to the specific legal entity for which the services were performed or costs incurred.

Service Company Direct Charges:

Service Company charges are direct charged whenever possible. General Counsel direct charges most labor and non-labor costs to the specific legal entity for which the services were performed or costs incurred.

Service Company Allocated Charges:

When direct charging is not practical, or where services performed are not specifically related to a legal entity, General Counsel allocates labor and non-labor costs to the legal entities benefiting from the services performed or costs incurred. 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.
200071	171	Legal - Corporate Governance	Legal - Corporate Governance includes the labor and non-labor costs for anticipating and fulfilling the legal needs of Xcel Energy, its Board of Directors, officers, legal entities, business areas and corporate operations to protect the company's assets and to minimize potential liability. Provides services related to labor and employment law pertaining to Service Company employees, litigation, contracts, rates and regulation, environmental matters and other legal matters. Supports Xcel Energy and its subsidiaries in fulfilling corporate and business area strategies ranging from maintaining/improving regulatory relationships to continued leadership on environmental issues. Corporate governance activities are generally services that are performed on behalf of all Xcel Energy operating companies and affiliates, including Xcel Energy Inc.
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.
200093	174	Legal - OpCo's & TransCo's	Legal - OpCo's & TransCo's services include the labor and non-labor costs for operating companies legal services related to: labor and employment law, litigation, rates and regulation, environmental matters, real estate and contracts.
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.



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.

Approvals

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

Prepared By: _____ /s/ _____ Date: 10/15/2021 _____

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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 & Planning

Before the Minnesota Public Utilities Commission
State of Minnesota

In the Matter of the Application of Northern States Power Company Minnesota
d/b/a Xcel Energy
For Authority to Increase Rates for the Gas Utility
Service in the State of Minnesota

Docket No. G002/GR-21-678

IHS Markit Guideline Analysis

November 2021

**OVERVIEW OF
COMPARSION OF 2022 NSPM OPERATING EXPENSES
TO IHS-INFLATED 2020ACTUAL EXPENSES**

Background

The Company has prepared an analysis comparing budgeted 2022 operating expenses to 2020 actual expenses, inflated to 2022 levels using IHS Markit (IHS) industry indexing as a guideline for future cost increases.

Analysis Provided

The analysis consists of analytical explanations (by FERC account number) for significant differences between the 2022 budget amounts and the 2020 actual costs and provides the respective expected costs levels based on IHS-Inflated 2020 actuals.

Use of Indexing

The corresponding 2020 and 2022 IHS Index for each FERC account was applied to the 2020 actuals to create a guideline expectation for 2022 for comparison to 2022 budget amounts included in NSPM's 2022 test year rate filing.

Certain accounts, such as gas production and gathering, do not have a IHS Index, because few utilities are gas producers. For amounts that did not have a IHS Index available, the 2020 actuals were not inflated in determining a 2022 expectation.

Budgeting by FERC Account

NSPM 2022 expenses have been budgeted by FERC account. In addition to this comparison of IHS guideline expenses to 2022 budget accounts, the Budget Documentation filed with this case (Volume 6) includes a summary of operating and maintenance expenses by FERC account and cost object account for 2022 budget and the 2020 actual amounts. Finally, budget workpapers that provide additional support are available for review upon request.

Explanations of Deviations

Explanations were provided for all significant deviations between the 2022 budgeted expense of \$112.688 million and the IHS escalated 2020 amounts. These explanations are on a FERC

**OVERVIEW OF
COMPARSION OF 2022 NSPM OPERATING EXPENSES
TO IHS-INFLATED 2020 ACTUAL EXPENSES**

Explanations of Deviations (continued)

account-by-account basis within the following exhibit NSPM O&M IHS Analysis. We have also provided an overall explanation of the aggregate deviation for each major expense category (production, distribution, etc.). Deviation explanations for certain smaller accounts were also included to provide the Commission with further information on the cost of labor and materials, or changes in the scope of project activity, from 2020 to 2022.

In this regard, it is important to understand that the IHS Index for individual FERC accounts represents a projected average benchmark for all utilities across the country at a point in time (in our case, the second quarter of 2021). Reasonable variations from the national average should be expected because NSPM, or any other individual utility, would not necessarily reflect the national average. In any year, individual utilities will have their own operating and maintenance programs designed to address the unique needs of their facilities at that time.

***EXPLANATIONS OF 2022 DEVIATIONS
FROM IHS MARKIT GUIDELINES*****Summary**

NSPM's total 2022 budgeted O&M levels are \$7,474K higher than the 2020 actual levels and are \$1,443K higher than the IHS expectations for 2022 cost levels based on hypothetical indexed growth of 2020 actual costs levels.

	Production & Storage	Transmission	Distribution	Cust. Accts	Cust Serv & Inform	Sales	A&G	Total
IHS-Inflated 2020 Guideline	5,453,778	3,041,861	44,234,898	14,641,881	1,307,659	44,682	27,164,487	95,889,246
2022 NSPM Budget	6,331,238	2,744,922	46,325,971	13,863,370	1,274,120	30,522	26,762,318	97,332,460
Deviation	877,460	(296,939)	2,091,073	(778,511)	(33,540)	(14,160)	(402,170)	1,443,214
% Deviation	16.1%	-9.8%	4.7%	-5.3%	-2.6%	-31.7%	-1.5%	1.5%

PRODUCTION AND STORAGE EXPENSES

The 2022 budgeted production and storage expenses are higher than 2020 production and storage expenses, as escalated using the appropriate IHS Markit (IHS) indexes to 2022 levels by \$877K due to anticipated remediation costs for former MGP sites.

MANUFACTURED GAS PRODUCTION**FERC 733 – Gas Mixing**

The costs included within this account consist of the cost of labor and other expenses incurred in operating equipment for mixing natural gas and manufactured gas, or vaporized liquefied petroleum gases for delivery to the distribution system.

FERC 735 – Gas Miscellaneous Production Expenses

The costs included within this account shall include the cost labor and other expenses incurred in manufacturing gas production operations.

FERC 736 – Gas Production Rents

The costs included within this account include rents for property of others used, occupied or operated in connection with manufactured gas production operations.

FERC 742 – Maintenance of Production Equipment

The costs included within this account consist primarily of labor, materials used and expenses incurred in the maintenance of equipment used for the production of manufactured gas.

NATURAL GAS PRODUCTION & GATHERING

FERC 759 – Other Gas Production Expenses

The costs included within this account consist of labor, materials used and expenses incurred in producing and gathering natural gas that are not specifically provided for or are not readily assignable to other gas production expense accounts.

FERC 760 – Natural Gas Production Rents

The costs included within this account consist of rents of property used, occupied or operated in connection with the production and gathering of natural gas, other than for land and land rights held for the supply of natural gas.

OTHER GAS SUPPLY EXPENSES

FERC 803 – Natural Gas Transmission Line Purchases

This account shall include the cost, at point of receipt by the utility, of natural gas purchased at points along the utility's transmission lines not within gas fields or production areas, excluding purchases at the outlets of products extraction plants includible in account 802.

FERC 807 – Purchased Gas Expenses

This account includes expenses incurred directly in connection with the purchase of gas for resale. This account includes expenses of computing volumes of gas purchased, and items directly related to gas purchases which are not includible in other accounts.

FERC 812 – Gas Used for Other Utility Operations - Credit

The costs included within this account consist of concurrent credits for charges of the gas department for gas consumed from the common system supply for operating and utility purposes.

FERC 813 – Gas Supply Expenses - Steam

The costs included within this account consist of labor, materials used and expenses incurred in connection with gas supply functions which are not includible in other accounts.

UNDERGROUND STORAGE EXPENSES

FERC 824 – Other Gas Storage Expenses

The costs included within this account consist of labor, materials used and expenses incurred in operating underground storage plant, and other underground storage expenses which are not includible in other accounts.

FERC 834 – Maintenance of Compressor Station Equipment

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of compressor station equipment.

STORAGE EXPENSES

FERC 840 – Other Gas Storage – Supervision and Engineering

The costs included within this account consist of labor, materials used and expenses incurred in the general supervision and direction of the operation of other storage facilities.

FERC 841 – Other Gas Storage – Operation and Labor Expenses

The costs included within this account consist of labor, materials used and expenses incurred in operating storage holders and other storage equipment.

FERC 842 – Other Gas Storage – Rents

The costs included within this account include rents for property of others used, occupied or operated in connection with other storage operations.

FERC 843 – Other Gas Storage – Maintenance Supervision and Engineering

The costs included within this account consist of labor, materials used and expenses incurred in the general supervision and direction of maintenance of other storage facilities.

FERC 843.2 – Other Gas Storage – Maintenance of Structures & Improvements

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of structures.

FERC 843.3 – Other Gas Storage – Maintenance of Gas Holders

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of gas holders.

FERC 843.4 – Other Gas Storage – Maintenance of Purification Equipment

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of purification equipment.

FERC 843.5 – Other Gas Storage – Maintenance of Liquefaction Equipment

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of liquefaction equipment.

FERC 843.6 – Other Gas Storage – Maintenance of Vaporizing Equipment

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of vaporizing equipment.

FERC 843.7 – Other Gas Storage – Maintenance of Compressor Equipment

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of compressor equipment.

FERC 843.8 – Other Gas Storage – Maintenance of Measuring & Regulating Equipment

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of measuring and regulating equipment.

FERC 843.9 – Other Gas Storage – Miscellaneous Equipment Maintenance Expenses

The costs included within this account consist of labor, materials used and expenses incurred in maintenance of miscellaneous equipment.

LIQUIFIED NATURAL GAS EXPENSES

FERC 847.2 – LNG – Maintenance of Structures and Improvements

The costs included within this account consist of labor, materials used and expenses incurred in maintenance of structures and improvements.

FERC 847.3 – LNG – Maintenance of LNG Processing Terminal Equipment

The costs included within this account consist of labor, materials used and expenses incurred in maintenance of LNG terminal processing equipment.

FERC 847.5 – LNG – Maintenance of Measuring and Regulating Equipment

The costs included within this account consist of labor, materials and expenses incurred in the maintenance of measuring and regulating equipment

TRANSMISSION EXPENSES

The 2022 budgeted transmission expenses are lower than the 2020 transmission expenses, as escalated using the appropriate IHS Indexes to 2022 levels by (\$297K).

TRANSMISSION OPERATION EXPENSES

FERC 850 – Transmission Operation Supervision and Engineering

The costs included within this account consist of labor and expenses incurred in the general supervision and direction of the operation of the transmission system as a whole.

FERC 851 – System Control and Load Dispatching

The costs included within this account consist of labor, materials used and expenses incurred in dispatching and controlling the supply and flow of gas through the system.

FERC 856 – Transmission – Mains Expenses

The costs included within this account consist of labor, materials used and expenses incurred in operating transmission mains.

FERC 859 – Transmission – Miscellaneous Equipment Expenses

The costs included within this account consist of labor, materials used and expenses incurred in operating transmission equipment and other transmission system expenses which are not includible in other accounts.

FERC 860 – Transmission - Rents

The costs included within this account include rents for property of others used, occupied or operated in connection with the operation of the transmission system. This account also includes costs associated with rentals paid for regulator sites, railroad crossings, rights-of-way and payments to governmental bodies

TRANSMISSION MAINTENANCE EXPENSES

FERC 861 – Transmission Maintenance Supervision and Engineering

The costs included within this account consist of labor and expenses incurred in the general supervision and direction of maintenance of the transmission system as a whole.

FERC 863 – Transmission – Maintenance of Mains

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of transmission mains.

FERC 865 – Transmission Maintenance of Measuring and Regulating Equipment

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of measuring and regulating station equipment.

DISTRIBUTION EXPENSES

The 2022 budgeted distribution expenses are higher than the 2020 distribution expenses, as escalated using the appropriate IHS Indexes to 2022 levels, by \$2,091K due primarily to costs in excess of inflation for locate activities.

DISTRIBUTION OPERATION EXPENSES

FERC 870 – Distribution Operation Supervision and Engineering

The costs included within this account consist of labor and expenses incurred in the general supervision and direction of the operation of the distribution system.

FERC 871 – Distribution Load Dispatching

The costs included within this account consist of labor, materials used and expenses incurred in dispatching and controlling the supply and flow of gas through the distribution system.

FERC 874 – Distribution Mains and Services Expenses

The costs included in this account consist of labor, materials used and expenses incurred in the operation of distribution system mains and services.

FERC 875 – Distribution Measuring and Regulating Station - General

The costs included within this account consist of labor, materials used and expenses incurred in the operation of general distribution measuring and regulating stations.

FERC 876 – Distribution Measuring and Regulating Station - Industrial

The costs included within this account consist of labor, materials used and expenses incurred in the operation of large measuring and regulating stations located on local distribution systems to serve specific commercial and industrial customers.

FERC 877 – Distribution Measuring and Regulating Station – City Gate

The costs included within this account consist of labor, materials used and expenses incurred in the operation of measuring and regulating stations used to measure and regulate the receipt of gas at entry points to the distribution system.

FERC 878 – Meter and House Regulator Expenses

The costs included within this account consist of labor, materials used and expenses incurred in connection with removing, resetting, changing, testing, and servicing customer meters and house regulators.

FERC 879 – Customer Installations Expenses

The costs included within this account consist of labor, materials used and expenses incurred in work on customer installations.

FERC 880 – Miscellaneous Distribution Expenses

The costs included within this account consist of labor, materials used and expenses incurred in the distribution system operation not provided for elsewhere.

FERC 881 – Distribution Rents

The costs included within this account consist of rents of property used, occupied or operated in connection with the distribution system.

DISTRIBUTION MAINTENANCE EXPENSES

FERC 885 – Distribution Maintenance Supervision and Engineering

The costs included in this account consist of labor and expenses incurred in the general supervision and direction of maintenance of the distribution system.

FERC 887 – Distribution - Maintenance of Mains

The costs included in this account consist of labor, materials used and expenses incurred in the maintenance of distribution mains.

FERC 888 – Maintenance Compressor Station Equipment

The costs included within this account consist of labor, materials used and expenses incurred in maintenance of distribution compressor station equipment.

FERC 889 – Maintenance of Measuring and Regulating Station - General

The costs included within this account consist of labor, materials used and expenses incurred in maintenance of distribution general measuring and regulating station equipment.

FERC 890 – Maintenance of Measuring and Regulating Station - Industrial

The costs included within this account consist of labor, materials used and expenses incurred in maintenance of distribution industrial measuring and regulating station equipment.

FERC 891 – Maintenance of Measuring and Regulating Station – City Gate

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of measuring and regulating stations used to measure and regulate the receipt of gas at entry points to the distribution system.

FERC 892 – Distribution Maintenance of Services

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of distribution services.

FERC 893 – Maintenance of Meters and House Regulators

The costs included within this account consist of labor, materials used and expenses incurred in the maintenance of meters and house regulators.

CUSTOMER ACCOUNTS EXPENSES

The 2022 budgeted Customer Accounts expenses are lower than the 2020 Customer Accounts expenses, as escalated using the appropriate IHS Indexes to 2022 levels by (\$779K) due primarily to the impact of COVID-19 on bad debt expense in 2020.

CUSTOMER ACCOUNTS EXPENSES

FERC 901 – Supervision

The costs included within this account consist of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities.

FERC 902 – Meter Reading Expenses

The costs included within this account consist of labor and materials used and expenses incurred in reading customer meters.

FERC 903 – Customer Records and Collection Expenses

The costs included within this account consist of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collection and complaints.

FERC 904 – Uncollectible Accounts

The costs included within this account consist of amounts to provide for losses from uncollectible utility revenues.

FERC 905 – Miscellaneous Customer Accounts Expenses

The costs included within this account consist of labor, materials used and expenses incurred that are not covered in other customer accounts.

CUSTOMER SERVICE AND INFORMATIONAL EXPENSES

The 2022 budgeted Customer Service and Informational Expenses are lower than the 2020 Customer Service and Informational Expenses, as escalated using the appropriate IHS Indexes to 2022 levels, by (\$34K).

CUSTOMER SERVICE EXPENSES

FERC 908 – Customer Assistance Expenses

The costs included within this account consist of labor, materials used and expenses incurred in providing instructions or assistance to customers to encourage safe, efficient and economical use of the utility's service.

FERC 909 – Informational and Instructional Expenses

The costs included within this account consist of labor, materials used, and expenses incurred in activities to convey information to customers regarding the use of gas services. The use of gas services includes the safety aspects and conservation of natural gas energy.

FERC 910 – Miscellaneous Customer Service and Informational Expenses

The costs included within this account consist of labor, materials used, and expenses incurred in connection with customer service and informational activities which are not includible in other customer information expense accounts.

SALES EXPENSES

The 2022 budgeted Sales Expenses are lower than the 2020 costs, escalated by the appropriate IHS Markit index to 2022 levels, by (\$15K).

SALES EXPENSES

FERC 912 – Demonstration and Selling Expenses

This account includes the cost of labor, materials used, and expenses incurred in promotional, demonstrating, and selling activities.

FERC 913 – Advertising Expenses

This account includes the cost of labor, materials used, and expenses incurred in advertising designed to promote or retain the use of utility services.

ADMINISTRATIVE AND GENERAL EXPENSES

The total 2022 budgeted gas Administrative and General expenses are lower than the 2020 costs escalated by the appropriate IHS Markit index to 2022 levels, by (\$402K), primarily due to lower benefits costs offset by increased costs associated with IT software and network costs.

ADMINISTRATIVE AND GENERAL EXPENSES

FERC 920 – Administrative and General Salaries

The costs included within this account consist of the total compensation expenses associated with employees of the Company that are properly chargeable to utility operations and not chargeable directly to a particular operating function.

FERC 921 – Office Supplies and Expenses

The costs included within this account consist of office supplies and expenses incurred in connection with the general administration of the Company's operation.

FERC 922 – Administrative Expenses Transferred – Credit

This account includes a credit for administrative expenses recorded in FERC accounts 920 and 921 which are transferred to construction and non-utility accounts.

FERC 923 – Outside Services Employed

The costs included within this account consist of fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or other account.

FERC 924 – Property Insurance

The costs included within this account consist of the cost of insurance to protect the utility against losses and damages to property used in its utility operation.

FERC 925 – Injuries and Damages

The costs included within this account consist of the cost of insurance or reserve accruals for injuries and damage claims, losses not covered by insurance, and expenses incurred in settlement of injuries and damages claims.

FERC 926 – Employee Pension and Benefits

The costs included within this account primarily consist of employee medical and pension costs.

FERC 928 – Regulatory Commission Expenses

The costs included within this account consist of expenses properly incurred by the Company in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission.

FERC 929 – Duplicate Charges – Credit

This account includes credits for charges that may be made to operating expenses or to other accounts for the use of utility service from its own supply.

FERC 930.1 – General Advertising Expenses

This account includes the cost of labor, materials used and expenses incurred in advertising and related activities.

FERC 930.2 – Miscellaneous General Expenses

This account includes the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere.

FERC 931 – Rents

The costs included within this account consist of rents of property used, occupied or operated in connection with the customer accounts, customer service and informational, sales, and general and administrative functions of the utility.

FERC 932 – Maintenance of Structures

The costs included within this account consist of costs assignable to customer accounts, sales and administrative and general functions of labor, materials used and expenses incurred in the maintenance of property, office furniture and equipment.

FERC 935 – Maintenance of General Plant

The costs included within this account consist of costs assignable to customer accounts, sales and administrative and general functions of labor, materials used and expenses incurred in the maintenance of general plant.

	Production & Storage	Transmission	Distribution	Cust. Accts	Cust Serv & Inform	Sales	A&G	Total
IHS-Inflated 2020 Guideline	5,453,778	3,041,861	44,234,898	14,641,881	1,307,659	44,682	27,164,487	95,889,246
2022 NSPM Budget	6,331,238	2,744,922	46,325,971	13,863,370	1,274,120	30,522	26,762,318	97,332,460
Deviation	877,460	(296,939)	2,091,073	(778,511)	(33,540)	(14,160)	(402,170)	1,443,214
% Deviation	16.1%	-9.8%	4.7%	-5.3%	-2.6%	-31.7%	-1.5%	1.5%

**Northern States Power Company Minnesota
Gas O&M Comparison
2022 Budget vs. 2020 Actual**

		2020 Actuals	IHS Markt Index	2021 Inflated	IHS Markt Index	2022 Inflated	2022 Budget	2022 Budget Compared to IHS Deviation	% Deviation
Manufactured Gas Production Expenses									
		[PROTECTED DATA BEGINS]							
710	MFD PRD-E&S	-				-	-	-	0.00%
717	MFD PRD EXP-Liquified Petroleum	-				-	-	-	0.00%
723	P/A-Fuel for LP Gas Process	-				-	-	-	0.00%
728	Liquefied Petroleum Gas - Excluded	-				-	-	-	0.00%
733	Gas Mix Expenses	61,107				61,107	-	(61,107)	0.00%
735	Miscellaneous Production Expenses	(57,932)				(57,932)	1,002,161	1,060,093	-1829.89%
736	Rents	2,030				2,030	2,660	630	31.01%
741	Gas Production-Maintenance of Structures	-				-	-	-	0.00%
742	Maintenance of Production Equipment	-				-	-	-	0.00%
Total Manufactured Gas Production Expenses		5,206				5,206	1,004,821	999,615	19201.96%
Natural Gas Production and Gathering									
750	Operation Supervision & Engineering	-				-	-	-	0.00%
751	Production Maps and Records	-				-	-	-	0.00%
752	Gas Wells Expenses	-				-	-	-	0.00%
753	Field Lines Expenses	-				-	-	-	0.00%
754	Field Compressor Station Expenses	-				-	-	-	0.00%
755	Field Compressor Fuel and Power	-				-	-	-	0.00%
756	Field Measuring and Regulating Station Expenses	-				-	-	-	0.00%
757	Purification Expenses	-				-	-	-	0.00%
758	Gas Well Royalties	-				-	-	-	0.00%
759	Other Expenses	61,624				61,624	2,074	(59,550)	-96.63%
760	Rents	3,232				3,232	2,553	(679)	-21.01%
761	Maintenance Supervision & Engineering	-				-	-	-	0.00%
762	Maintenance of Structures and Improvements	-				-	-	-	0.00%
763	Maintenance of Producing Gas Wells	-				-	-	-	0.00%
764	Maintenance of Field Lines	-				-	-	-	0.00%
765	Maintenance of Field Compressor Station Equipment	-				-	-	-	0.00%
766	Maintenance of Field Meas and Reg Sta Equipment	-				-	-	-	0.00%
767	Maintenance of Purification Equipment	-				-	-	-	0.00%
768	Maintenance of Drilling and Cleaning Equipment	-				-	-	-	0.00%
769	Maintenance of Other Equipment	-				-	-	-	0.00%
Total Natural Gas Production and Gathering		64,856				64,856	4,627	(60,229)	-92.87%
Products Extraction									
770	Operation Supervision & Engineering	-				-	-	-	0.00%
771	Operation Labor	-				-	-	-	0.00%
772	Gas Shrinkage	-				-	-	-	0.00%
773	Fuel	-				-	-	-	0.00%
774	Power	-				-	-	-	0.00%
775	Materials	-				-	-	-	0.00%
776	Operation Supplies and Expenses	-				-	-	-	0.00%
777	Gas Processed by Others	-				-	-	-	0.00%
778	Royalties on Products Extracted	-				-	-	-	0.00%
779	Marketing Expenses	-				-	-	-	0.00%
780	Products Purchased for Resale	-				-	-	-	0.00%
781	Variation in Products Inventory	-				-	-	-	0.00%
782	Extracted Products Used by the Utility-CR	-				-	-	-	0.00%
783	Rents	-				-	-	-	0.00%
784	Maintenance Supervision & Engineering	-				-	-	-	0.00%
785	Maintenance of Structures and Improvements	-				-	-	-	0.00%
786	Maintenance of Extraction and Refining Equipment	-				-	-	-	0.00%
787	Maintenance of Pipe Lines	-				-	-	-	0.00%
788	Maintenance of Extracted Products Storage Equipment	-				-	-	-	0.00%

**Northern States Power Company Minnesota
Gas O&M Comparison
2022 Budget vs. 2020 Actual**

	2020 Actuals	IHS Markit Index	2021 Inflated	IHS Markit Index	2022 Inflated	2022 Budget	2022 Budget Compared to IHS Deviation	% Deviation
789 Maintenance of Compressor Equipment	-				-	-	-	0.00%
790 Maintenance of Gas Measuring and Reg Equipment	-				-	-	-	0.00%
791 Maintenance of Other Equipment	-				-	-	-	0.00%
Total Products Extraction	-				-	-	-	0.00%
Exploration and Development								
795 Delay Rentals	-				-	-	-	0.00%
796 Nonproductive Well Drilling	-				-	-	-	0.00%
797 Abandoned Leases	-				-	-	-	0.00%
798 Other Exploration	-				-	-	-	0.00%
Total Exploration and Development	-				-	-	-	0.00%
Other Gas Supply Expenses								
800 Natural Gas Well Head Purchases	-				-	-	-	0.00%
800.1 Natural Gas Well Head Purchases, Intracompany Transfers	-				-	-	-	0.00%
801 Natural Gas Field Line Purchases	-				-	-	-	0.00%
802 Natural Gas Gasoline Plant Outlet Purchases	-				-	-	-	0.00%
803 Natural Gas Transmission Line Purchases	27,638				27,638	-	(27,638)	0.00%
804 Natural Gas City Gate Purchases - Excluded	-				-	-	-	0.00%
804.1 Liquefied Natural Gas Purchases - Excluded	-				-	-	-	0.00%
805 Other Gas Purchases	-				-	-	-	0.00%
805.1 Purchased Gas Cost Adjustments - Excluded	-				-	-	-	0.00%
806 Exchange Gas	-				-	-	-	0.00%
807 Purchased Gas Expense	10,402				10,402	225,204	214,802	2065.06%
807.1 Well Expenses-Purchased Gas	-				-	-	-	0.00%
807.2 Operation of Purchased Gas Measuring Stations	-				-	-	-	0.00%
807.3 Maintenance of Purchased Gas Measuring Stations	-				-	-	-	0.00%
807.4 Purchased Gas Calculations Expenses	-				-	-	-	0.00%
807.5 Other Purchased Gas Expenses	-				-	-	-	0.00%
808.1 Gas Withdrawn from Storage-Debit - Excluded	-				-	-	-	0.00%
808.2 Gas Delivered to Storage-Credit - Excluded	-				-	-	-	0.00%
809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit	-				-	-	-	0.00%
809.2 Deliveries of Natural Gas for Processing-Credit	-				-	-	-	0.00%
810 Gas Used for Compressor Station Fuel-Credit	-				-	-	-	0.00%
811 Gas Used for Products Extraction-Credit	-				-	-	-	0.00%
812 Gas Used for Other Utility Operations-Credit	-				-	-	-	0.00%
813 Other Gas Supply Expenses	615,825				615,825	274,475	(341,350)	-55.43%
Total Other Gas Supply Expenses	653,865				653,865	499,679	(154,186)	-23.58%
Underground Storage Expenses								
814 Operation Supervision & Engineering	-				-	-	-	0.00%
815 Maps and Records	-				-	-	-	0.00%
816 Wells Expenses	-				-	-	-	0.00%
817 Lines Expenses	-				-	-	-	0.00%
818 Compressor Station Expenses	-				-	-	-	0.00%
819 Compressor Station Fuel and Power	-				-	-	-	0.00%
820 Measuring and Regulating Station Expenses	-				-	-	-	0.00%
821 Purification Expenses	-				-	-	-	0.00%
822 Exploration and Development	-				-	-	-	0.00%
823 Gas Losses	-				-	-	-	0.00%
824 Other Expenses	93				99	-	(99)	0.00%
825 Storage Well Royalties	-				-	-	-	0.00%
826 Rents	73				76	-	(76)	0.00%
830 Maintenance Supervision & Engineering	-				-	-	-	0.00%
831 Maintenance of Structures and Improvements	-				-	-	-	0.00%
832 Maintenance of Reservoirs and Wells	-				-	-	-	0.00%

**Northern States Power Company Minnesota
Gas O&M Comparison
2022 Budget vs. 2020 Actual**

	2020 Actuals	IHS Markit Index	2021 Inflated	IHS Markit Index	2022 Inflated	2022 Budget	2022 Budget Compared to IHS Deviation	% Deviation
833 Maintenance of Lines	-				-	-	-	0.00%
834 Maintenance of Compressor Station Equipment	19,614				21,127	-	(21,127)	0.00%
835 Maint of Measuring and Regulating Station Equipment	-				-	-	-	0.00%
836 Maintenance of Purification Equipment	-				-	-	-	0.00%
837 Maintenance of Other Equipment	-				-	-	-	0.00%
Total Underground Storage Expenses	19,780				21,302	-	(21,302)	0.00%
Storage Expenses								
840 Operation Supervision & Engineering	-				-	-	-	0.00%
841 Operation Labor and Expenses	1,315,413				1,423,771	1,361,495	(62,275)	-4.37%
842 Other Storage Expense	29,260				30,675	37,751	7,076	23.07%
843 Other Storage Expense-Maintenance Super	-				-	-	-	0.00%
843.1 Maintenance Supervision and Engineering	-				-	-	-	0.00%
843.2 Maintenance of Structures and Improvements	89,228				100,811	-	(100,811)	0.00%
843.3 Maintenance of Gas Holders	(29,716)				(32,111)	-	32,111	0.00%
843.4 Maintenance of Purification Equipment	-				-	-	-	0.00%
843.5 Maintenance of Liquefaction Equipment	-				-	-	-	0.00%
843.6 Maintenance of Vaporizing Equipment	154,485				163,102	-	(163,102)	0.00%
843.7 Maintenance of Compressor Equipment	4,524				4,851	-	(4,851)	0.00%
843.8 Maintenance of Measuring and Reg Equipment	528				564	-	(564)	0.00%
843.9 Maintenance of Other Equipment	36,434				39,774	-	(39,774)	0.00%
Total Storage Expenses	1,600,156				1,731,437	1,399,246	(332,191)	-19.19%
Liquefied Natural Gas Terminaling & Processing Expenses								
844.1 Operations Supervision and Engineering	130,538				142,174	-	(142,174)	0.00%
844.3 Liquefaction Processing Labor and Expenses	677,204				731,776	1,174,125	442,349	60.45%
844.5 Measuring and Regulating Labor and Expenses	-				-	-	-	0.00%
846.2 Other Expenses	147,699				156,618	147,038	(9,580)	-6.12%
847.1 Maintenance Supervision and Engineering	23,700				25,739	-	(25,739)	0.00%
847.2 Maintenance of Structures and Improvements	272,439				307,805	-	(307,805)	0.00%
847.3 Maintenance of LNG Processing Terminal Equipment	1,494,659				1,612,453	2,101,701	489,248	30.34%
847.5 Maintenance of Measuring and Regulating Equipment	512				547	-	(547)	0.00%
Total Liquefied Natural Gas Terminaling & Processing Expenses	2,746,751				2,977,112	3,422,864	445,752	14.97%
Transmission Expenses								
850 Operation Supervision & Engineering	529,184				574,590	904,039	329,449	57.34%
851 System Control & Load Dispatching	148,655				162,454	148,650	(13,803)	-8.50%
852 Communication System Expenses	-				-	-	-	0.00%
853 Compressor Station Labor and Expenses	-				-	-	-	0.00%
854 Gas for Compressor Station Fuel	-				-	-	-	0.00%
855 Other Fuel and Power for Compressor Stations	-				-	-	-	0.00%
856 Mains Expenses	1,885,166				2,037,184	1,531,371	(505,814)	-24.83%
857 Measuring and Regulating Station Expenses	19,715				21,273	-	(21,273)	0.00%
858 Transmission and Compression of Gas by Others - Excluded	-				-	-	-	0.00%
859 Other Expenses	85,466				90,633	69,191	(21,441)	-23.66%
860 Rents	54,782				57,431	68,658	11,227	19.55%
861 Maintenance Supervision & Engineering	-				-	-	-	0.00%
862 Maintenance of Structures and Improvements	-				-	-	-	0.00%
863 Maintenance of Mains	77,641				84,274	22,942	(61,332)	-72.78%
864 Maintenance of Compressor Station Equipment	-				-	-	-	0.00%
865 Maint of Measuring and Regulating Station Equipment	13,043				13,956	-	(13,956)	0.00%
866 Maintenance of Communication Equipment	64				65	70	5	7.64%
867 Maintenance of Other Equipment	-				-	-	-	0.00%
Total Transmission Expenses	2,813,716				3,041,861	2,744,922	(296,939)	-9.76%

**Northern States Power Company Minnesota
Gas O&M Comparison
2022 Budget vs. 2020 Actual**

		2020 Actuals	IHS Markt Index	2021 Inflated	IHS Markt Index	2022 Inflated	2022 Budget	2022 Budget Compared to IHS Deviation	% Deviation
Distribution Expenses									
870	Operation Supervision & Engineering	4,762,833				5,159,400	6,143,519	984,120	19.07%
871	Distribution Load Dispatching	3,755,043				4,072,219	3,813,388	(258,831)	-6.36%
872	Compressor Station Labor and Expenses	-				-	-	-	0.00%
873	Compressor Station Fuel and Power	-				-	-	-	0.00%
874	Mains and Services Expenses	11,391,084				12,281,094	14,599,659	2,318,565	18.88%
875	Measuring and Regulating Station Expenses-General	568,368				610,066	290,007	(320,059)	-52.46%
876	Measuring and Regulating Station Expenses-Industrial	6,809				7,308	-	(7,308)	0.00%
877	Measur and Regul Station Exp-City Gate Check Station	33,906				36,393	-	(36,393)	0.00%
878	Meter and House Regulator Expenses	(1,879,276)				(2,005,918)	(2,347,605)	(341,687)	17.03%
879	Customer Installations Expenses	1,448,099				1,548,049	1,393,850	(154,199)	-9.96%
880	Other Expenses	9,983,906				10,530,757	10,727,537	196,779	1.87%
881	Rents	1,529,441				1,603,411	1,684,651	81,239	5.07%
885	Maintenance Supervision & Engineering	702,922				764,692	385,086	(379,606)	-49.64%
886	Maintenance of Structures and Improvements	-				-	-	-	0.00%
887	Maintenance of Mains	2,398,135				2,602,808	1,798,275	(804,533)	-30.91%
888	Maintenance of Compressor Station Equipment	574,690				619,460	218,923	(400,536)	-64.66%
889	Maint of Measuring and Regulating Station Equip-General	351,819				376,417	260,341	(116,076)	-30.84%
890	Maint of Measuring and Regulating Station Equip-Industrial	1,432				1,532	-	(1,532)	0.00%
891	Maint of Measur and Regul Station Equip-City Gate Check Station	1,977				2,116	-	(2,116)	0.00%
892	Maintenance of Services	4,467,531				4,797,044	5,441,410	644,366	13.43%
893	Maintenance of Meters and House Regulators	1,155,552				1,228,050	1,916,931	688,880	56.10%
894	Maintenance of Other Equipment	-				-	-	-	0.00%
Total Distribution Expenses		41,254,271				44,234,898	46,325,971	2,091,073	4.73%
Customer Accounts Expenses									
901	Supervision	30,748				33,080	33,369	289	0.87%
902	Meter Reading Expenses	5,419,553				5,780,724	5,160,122	(620,601)	-10.74%
903	Customer Records & Collection Expenses	5,298,613				5,706,593	6,135,702	429,110	7.52%
904	Uncollectible Accounts	3,082,843				3,082,843	2,510,744	(572,099)	-18.56%
905	Misc. Customer Accounts Expenses	35,355				38,642	23,433	(15,208)	-39.36%
Total Customer Accounts Expenses		13,867,111				14,641,881	13,863,370	(778,511)	-5.32%
Customer Service & Informational Expenses									
906	Customer Service & Informational Expenses	-				-	-	-	0.00%
907	Supervision	-				-	-	-	0.00%
908	Customer Assistance Expenses	977,136				1,059,965	960,479	(99,487)	-9.39%
909	Informational & Instructional Expenses	217,134				223,777	271,584	47,807	21.36%
910	Misc. Customer Service & Informational Expenses	23,352				23,917	42,056	18,140	75.84%
Total Customer Service & Informational Expenses		1,217,622				1,307,659	1,274,120	(33,540)	-2.56%
Sales Expenses									
911	Supervision	-				-	-	-	0.00%

**Northern States Power Company Minnesota
Gas O&M Comparison
2022 Budget vs. 2020 Actual**

		2020 Actuals	IHS Markt Index	2021 Inflated	IHS Markt Index	2022 Inflated	2022 Budget	2022 Budget Compared to IHS Deviation	% Deviation
912	Demonstrating & Selling Expenses	41,000				44,405	30,487	(13,917)	-31.34%
913	Advertising Expenses	-				-	-	-	0.00%
916	Misc. Sales Expenses	268				278	35	(243)	-87.43%
Total Sales Expenses		41,268				44,682	30,522	(14,160)	-31.69%
A&G Expenses									
920	Administrative & General Salaries	8,323,667				8,748,896	7,315,194	(1,433,702)	-16.39%
921	Office Supplies & Expenses	4,009,897				4,257,317	4,815,498	558,181	13.11%
922	Administrative Expenses Transferred-Credit	(3,738,933)				(3,738,933)	(4,398,173)	(659,241)	17.63%
923	Outside Services Employed	1,558,698				1,636,662	1,603,662	(33,000)	-2.02%
924	Property Insurance	308,675				327,171	584,411	257,240	78.63%
925	Injuries & Damages	1,323,107				1,387,930	1,704,007	316,077	22.77%
926	Employee Pension & Benefits	6,949,303				7,384,642	8,297,100	912,458	12.36%
927	Franchise Requirements	-				-	-	-	0.00%
928	Regulatory Commission Expenses	789,091				852,058	612,393	(239,664)	-28.13%
929	Duplicate Charges-Credit	(130,939)				(130,939)	(316,656)	(185,717)	141.83%
930.1	General Advertising Expenses	271,579				280,077	276,517	(3,560)	-1.27%
930.2	Misc. General Expenses	459,918				476,009	550,313	74,304	15.61%
931	Rents	5,435,420				5,668,081	5,672,513	4,432	0.08%
932	Maintenance of Structures	14,719				15,517	-	(15,517)	0.00%
935	Maintenance of General Plant	(0)				(0)	45,539	45,539	-396864121.61%
Total A&G Expenses		25,574,203				27,164,487	26,762,318	(402,170)	-1.48%
Total O&M Expense		89,858,806				95,889,246	97,332,460	1,443,214	1.51%

PROTECTED DATA ENDS]

IHS Markit Inc.
Gas Utility Operations and Maintenance Costs: Combined Labor, Materials and Services
Gas Storage Expenses: Combined Labor, Materials and Services
Second Quarter 2021 Forecast

	2020	2021	2022
UNDERGROUND STORAGE	[PROTECTED DATA BEGINS]		
Total Operation and Maintenance: JGUSOM			
Percent Change			
Operation: JGUSO			
Percent Change			
Supervision and Eng. 814: JGS&E814			
Percent Change			
Maps and Records 815: JGUS815			
Percent Change			
Wells 816: JGUS816			
Percent Change			
Lines 817: JGUS817			
Percent Change			
Compressor Stations 818: JGUS818			
Percent Change			
Comp. Sta. Fuel & Power 819*: JGUS819MS			
Percent Change			
Mea. and Reg. Stations 820: JGUS820			
Percent Change			
Purification Expenses 821: JGUS821			
Percent Change			
Exploration and Develop. 822: JGUS822			
Percent Change			
Other Expenses 824: JGUS824			
Percent Change			
Rents 826: JRENT			
Percent Change			
Maintenance: JGUSM			
Percent Change			
Supervision and Eng. 830: JGS&E830			
Percent Change			
Structures 831: JGUS831			
Percent Change			
Reservoirs and Wells 832: JGUS832			
Percent Change			
Lines 833: JGUS833			
Percent Change			
Comp. Sta. Equip. 834: JGUS834			
Percent Change			
Mea. and Reg. Sta. Equip. 835: JGUS835			
Percent Change			
Purification Equip. 836: JGUS836			
Percent Change			
Other Equip. 837: JGUS837			
Percent Change			
OTHER STORAGE			
Total Operation and Maintenance: JGOSOM			
Percent Change			
Operation: JGOSO			
Percent Change			
Supervision and Eng. 840: JGS&E840			
Percent Change			
Operation Expenses 841: JGOS841			
Percent Change			
Rents 842: JRENT			
Percent Change			
Fuel 842.1*: JGOS8421MS			
Percent Change			
Power 842.2*: JGOS8422MS			
Percent Change			
Maintenance: JGOSM			
Percent Change			
Supervision and Eng. 843.1: JGS&E8431			
Percent Change			
Structures 843.2: JGOS8432			
Percent Change			
Gas Holders 843.3: JGOS8433			
Percent Change			
Purification Equip. 843.4: JGOS8434			
Percent Change			
Liquefaction Equip. 843.5: JGOS8435			
Percent Change			
Vaporizing Equip. 843.6: JGOS8436			
Percent Change			
Comp. Sta. Equip. 843.7: JGOS8437			
Percent Change			
Mea. and Reg. Sta. Equip 843.8: JGOS8438			
Percent Change			
Other Equip. 843.9: JGOS8439			
Percent Change			
	[PROTECTED DATA ENDS]		

* These accounts receive no weight in forming the total operation and total operation and maintenance cost indexes

IHS Markit Inc.
Gas Utility Operations and Maintenance Costs: Combined Labor, Materials and Services
LNG Terminaling and Processing Expenses: Combined Labor, Materials and Services
Second Quarter 2021 Forecast

	2020	2021	2022
LNG TERMINALING and PROCESSING	[PROTECTED DATA BEGINS]		
Total Operation and Maintenance: JGLNGOM			
Percent Change			
Operation: JGLNGO			
Percent Change			
Supervision and Eng. 844.1: JGS&E8441			
Percent Change			
LNG and Liquef. Proc. 844.2&3: JGLNG8442&3			
Percent Change			
LNG Transportation 844.4: JGLNG8444			
Percent Change			
Mea. and Reg. Stations 844.5: JGLNG8445			
Percent Change			
Compressor Stations 844.6: JGLNG8446			
Percent Change			
Communication Expenses 844.7: JGLNG8447			
Percent Change			
System Control & Load Disp. 844.8: JGLNG8448			
Percent Change			
Fuel 845.1*: JGLNG8451MS			
Percent Change			
Power 845.2*: JGLNG8452MS			
Percent Change			
Rents 845.3: JRENT			
Percent Change			
Other Expenses 846.2: JGLNG8462			
Percent Change			
Maintenance: JGLNGM			
Percent Change			
Supervision and Eng. 847.1: JGS&E8471			
Percent Change			
Structures 847.2: JGLNG8472			
Percent Change			
LNG Processing Equip. 847.3: JGLNG8473			
Percent Change			
LNG Trans. Equip. 847.4: JGLNG8474			
Percent Change			
Mea. and Reg. Sta. Equip. 847.5: JGLNG8475			
Percent Change			
Comp. Sta. Equip. 847.6: JGLNG8476			
Percent Change			
Communication Equip. 847.7: JGLNG8477			
Percent Change			
Other Equip. 847.8: JGLNG8478			
Percent Change			
	[PROTECTED DATA ENDS]		

* These accounts receive no weight in forming the total operation and total operation and maintenance cost indexes

IHS Markit Inc.

Gas Utility Operations and Maintenance Costs: Combined Labor, Materials and Services

Gas Transmission and Distribution Expenses: Combined Labor, Materials and Services

Second Quarter 2021 Forecast

	2020	2021	2022
TRANSMISSION EXPENSES	[PROTECTED DATA BEGINS]		
Total Operation and Maintenance: JGTOM			
Percent Change			
Operation: JGTO			
Percent Change			
Supervision and Eng.: JGS&E850			
Percent Change			
System Control & Load Dispatching 851:: JGT851			
Percent Change			
Communication Expenses 852: JGT852			
Percent Change			
Compressor Stations 853: JGT853			
Percent Change			
Gas For Comp. Stations 854*: JGT854MS			
Percent Change			
Other Fuel & Power for Comp. Stat. 855*: JGT855MS			
Percent Change			
Mains 856: JGT856			
Percent Change			
Mea. and Reg. Stations 857: JGT857			
Percent Change			
Other Expenses 859: JGT859			
Percent Change			
Rents 860: JRENT			
Percent Change			
Maintenance: JGTM			
Percent Change			
Supervision and Eng. 861: JGS&E861			
Percent Change			
Structures 862: JGT862			
Percent Change			
Mains 863: JGT863			
Percent Change			
Comp. Sta. Equip 864: JGT864			
Percent Change			
Mea. and Reg. Sta. Equip. 865: JGT865			
Percent Change			
Communication Equip. 866: JGT866			
Percent Change			
Other Equip. 867: JGT867			
Percent Change			
DISTRIBUTION EXPENSES			
Total Operation and Maintenance: JGDOM			
Percent Change			
Operation: JGDO			
Percent Change			
Supervision and Eng. 870: JGS&E870			
Percent Change			
Load Dispatching 871: JGD871			
Percent Change			
Compressor Stations 872: JGD872			
Percent Change			
Comp. Sta. Fuel and Power 873*: JGD873			
Percent Change			
Mains 874: JGD874			
Percent Change			
Mea. and Reg. Stations 875-77: JGD875&6&7			
Percent Change			
Meter and House Regulators 878: JGD878			
Percent Change			
Cus. Installations 879: JGD879			
Percent Change			
Other Expenses 880: JGD880			
Percent Change			
Rents 881: JRENT			
Percent Change			
Maintenance: JGDM			
Percent Change			
Supervision and Eng. 885: JGS&E885			
Percent Change			
Structures 886: JGD886			
Percent Change			
Mains 887: JGD887			
Percent Change			
Comp. Sta. Equip 888: JGD888			
Percent Change			
Mea. and Reg. Sta. Equip 889-91: JGD889&90&91			
Percent Change			
Services 892: JGD892			
Percent Change			
Meter and House Regulators 893: JGD893			
Percent Change			
Other Equip 894: JGD894			
Percent Change			
	PROTECTED DATA ENDS]		

* These accounts are given no weight in forming the total operation and total operation and maintenance cost indexes

IHS Markit Inc.

Gas Utility Operations and Maintenance Costs: Combined Labor, Materials and Services
Gas Customer Accounts; Customer Service and Information; Sales; and Administrative and
General Expenses: Combined Labor, Materials and Services
Second Quarter 2021 Forecast

	2020	2021	2022
CUSTOMER ACCOUNTS	[PROTECTED DATA BEGINS]		
Operation: JGCAO			
Percent Change			
Supervision and Eng. 901: JES&E901			
Percent Change			
Meter Reading Exp. 902: JGCA902			
Percent Change			
Cus. Records and Collections 903: JGCA903			
Percent Change			
Miscellaneous 905: JGCA905			
Percent Change			
CUSTOMER SERVICE and INFORMATION			
Operation: JGCSIO			
Percent Change			
Supervision 907: JES&E907			
Percent Change			
Customer Assistance 908: JGCSI908			
Percent Change			
Info. and Instruc. Advertising 909: JGCSI909			
Percent Change			
Miscellaneous 910: JGCSI910			
Percent Change			
SALES			
Operation: JGSALO			
Percent Change			
Supervision 911: JES&E911			
Percent Change			
Demonstr. and Selling 912: JGSAL912			
Percent Change			
Advertising 913: JGSAL913			
Percent Change			
Miscellaneous 916: JGSAL916			
Percent Change			
ADMINISTRATIVE and GENERAL			
Total Operation and Maintenance: JGADGOM			
Percent Change			
Operation: JGADGO			
Percent Change			
Admin and General 920: JGADG920			
Percent Change			
Office Supplies 921: JGADG921MS			
Percent Change			
Outside Services 923: JGADG923MS			
Percent Change			
Property Insurance 924: JGADG924MS			
Percent Change			
Injuries and Damages 925: JGADG925MS			
Percent Change			
Pensions and Benefits 926: JGADG926MS			
Percent Change			
Franchise Fees 927: JGADG927MS			
Percent Change			
Regulatory Commission Exp. 928: JGADG928MS			
Percent Change			
General Advertising 930.1: JGADG9301			
Percent Change			
Miscellaneous 930.2: JGADG9302			
Percent Change			
Rents 931: JRENT931			
Percent Change			
Maintenance			
General Plant 932: JGADG932			
Percent Change			
	[PROTECTED DATA ENDS]		

Budget Translation
Analysis of Miscellaneous Expenses

Filing Requirement

The Commission order in Docket No. E-002/GR-91-001 states, as item 6b, the following requirement: “the Company shall file translation reports linking cost element, cost activity, and project budgeting mechanisms on a common and consistent basis to ensure a proper audit trail” (page 92 of the November 27, 1991 Order).

The body of the Commission order in Docket No. E-002/GR-91-001 states on page 25 in item 2: “File translation reports linking cost element, cost activity, and project budgeting mechanisms on a common and consistent basis to ensure an accurate accounting for expenses contained in ‘default’ cost elements like MS16.” (the budget system used by the Company at the time of the 1991 electric rate case filing identified components of cost using various cost elements such as Labor 10, Employee Expenses 11 etc. In that budget system a miscellaneous cost element Other Expenses 16 was used for items not specifically assignable to other cost components.)

The Commission order in Docket No. E-002/GR - 92-1185 states as item 10 the following requirement:

“In its next general rate case filing, the Company shall be exempted from including the following items: ...translation reports linking cost element, cost activity, and project budgeting mechanisms on a common and consistent basis to assure an audit trail ...Separately but contemporaneously with its next general rate case filing, however, the Company shall file this information with the Commission, serve copies on the Department and the RUD-OAG and make this information available for review by other parties upon their request.”

Compliance

The Company implemented a new budget system in 2014, Financial Management System (FMS), and a new financial management system in 2016, Systems, Applications, and Products in Data Processing (SAP). FMS is configured to build budgets consistent with actual accounting data. FMS assigns labor and non-labor costs to an SAP cost center, an SAP cost element, and an SAP internal order. This accounting string is used to assign the cost to the appropriate legal entity as well as provide the translation to the appropriate FERC account and the basis to develop electric or gas cost of service studies.

Volume 6 of the filing contains budget documentation supporting the operating and maintenance expense for the 2022 test year for each business area. Schedule 3 includes a breakdown of the 2022 budgeted cost for each business area by cost elements. Schedule 4 provides a breakdown of the 2022 budgeted cost for each business area by FERC account. Both schedules also provide a comparison to 2020 actual costs. Explanations for significant changes between 2020 actual and 2022 budget operating and maintenance expenses, which link to the account variances shown on Schedule 4, are also provided in the budget documentation. In addition, budget work papers that provide additional support are available for review upon request.

To address the requirement to provide additional information on miscellaneous other costs, descriptions for all of the Operating and Maintenance SAP cost elements were reviewed to identify those where the descriptions were not clear. Through this process two SAP cost objects were identified:

5600871	Other
5600781	O and M Credits - Other

The attached document provides additional descriptive details of the 2022 budgeted costs/credits included in these two SAP cost elements for the NSPM legal entity gas utility.

Legal Entity - NSP-MN
Gas Utility
Object Account

Business Area

Additional Description of Cost/Credit

2022
Budget

5600871 Other	All other miscellenaous costs across many Business Areas	Miscellaneous charges across many Business Areas that were not included in other cost elements.	\$55,614
5600781 O and M Credits - Other	Benefits & Loadings	Credit related to the Human Resources Call Center which is already reflected in the NSPM labor loadings.	(\$48,766)
5600781 O and M Credits - Other	Corporate Other	Non-regulated overhead allocation for non-regulated activities for NSPM are allocated a portion of administrative and general costs to insure the regulated utility isn't subsidizing the non-utility business. The overhead allocation methods for NSPM are described in their Cost Assignment and Allocation Manuals (CAAM) filed with their respective Public Utilities Commission which amounted to (\$106K) in the 2022 Budget.	(\$106,286)
5600781 O and M Credits - Other	Financial Operations	System generated credits reflecting a reimbursement from captive insurance	(\$23,465)

Capital Substitution/Contingent Fund Process and Reports

Filing Requirement

The Commission order in Docket No. E-002/GR-92-1185 states as item 10 the following requirement:

“In its next general rate case filing, the Company shall be exempted from including the following items: ...month-by-month and year-end summary reports of contingency fund transactions and project substitutions. Separately but contemporaneously with its next general rate case filing, however, the Company shall file this information with the Commission, serve copies on the Department and the RUD-OAG and make this information available for review by other parties upon their request.”

Compliance

At the time of NSP’s electric rate case filing in 1992, the Company would set aside a portion of the capital budget authorization for each business area into a contingency fund. During the year the contingent fund would be utilized for one of the following reasons:

- (1) Existing project requiring additional authorization
- (2) Existing project returning unused authorization
- (3) New project requiring original authorization
- (4) Canceled project returning authorization

A contingent fund summary report was prepared that showed the projects that either required or returned amounts to the contingency fund. The contingent fund transactions represented a transfer of project authorization amounts. These amounts were not necessarily indicative of capital expenditure budget deviations.

Beginning in the mid-1990s, the Company moved away from the use of contingency funds as a general practice, and no longer routinely authorized unspecified capital budget amounts. Instead, business areas were required to budget all non-blanket capital related expenditures on a project-specific basis. During the year, as budgeted projects were changed or eliminated, and new projects were identified, each business area evaluated the changes and with consideration of the total budgeted amount available, revised their project list accordingly. If additional money was required to fund the updated project list, approval from the executive finance committee was necessary.

The Company’s current process is similar. Each business area is responsible for identifying specific non-blanket projects in the budgeting process. Throughout the year each business area manages their capital spending in accordance with the approved budget levels. As new projects are identified, and changes to existing projects are made and approved, the project lists are updated. On a monthly basis, the capital budget for each business area is reviewed by the executive Finance Council. This review includes a comparison of year-to-date expenditures as compared to the budget, a year-end forecast, and a status review of deviations. If it is necessary to reassign the capital budget it is

done at the discretion of the Finance Council and is based on the benefits of the projects being funded.

Summaries of the processes used for Gas and Business Systems, those business areas representing a majority of the 2022 capital budget, are included as Attachments A and B

Business Systems

Capital Project Substitution and Change Process

Technology Funding Process

The Technology Investment Governance process is used throughout the year to evaluate new projects that were not identified in the original budget. New projects considered for funding may be a result of any of the following:

- New regulatory requirements
- Changes in business direction after the creation of the budget, resulting in shifts to specific project priority
- Where the Portfolio Management categorization and ranking process identifies projects with higher value

“Repurposing” Process

As projects are eliminated, changed, or come in under the allocated budget amount, the associated funds may be “repurposed”. A portfolio prioritization and balancing process is used to evaluate new demand or changes to the existing projects. This means that the dollars may be allocated to other existing projects, or to new projects identified through the Technology Investment Governance process stated above. If an existing project changes in scope, size, timing, etc., the forecast is updated to reflect the new budgeted amount.

The Business Systems exhibit provided lists projects by Unifier ID, which is the project ID used by the organization based on its data strategy. Each SAP work breakdown structure (WBS) is tied to a Unifier project ID. Exhibit 1 is a list of projects that were budgeted and not executed in 2020, and those that were not funded, but spent in 2020.

**Business Systems Capital
2020 NSPM Actual vs. Budget**

Project ID	Description	Actual	Budget	Variance	Reference
BSPRJ000051	ADMS - Advanced Distribution Management System	8,214,330	4,460,207	3,754,122	
BSPRJ000410	IT Blanket		(15,501,432)	15,501,432	A
BSPRJ000751	Enterprise Synchrophaser Expansion Project	175,165		175,165	
BSPRJ000865	AMI	4,092,320	11,415,654	(7,323,334)	
BSPRJ000924	New Wind Farms	2,039,616	1,986,110	53,506	
BSPRJ000929	IT Service Request Automation	(13,199)		(13,199)	
BSPRJ000933	DEMS Upgrade AKA Dynamic EMS (DEMS) Environment Phase 4	4,507,698	16,182,367	(11,674,669)	
BSPRJ000934	CIP Substation Compliance Reporting Work Stream 2	504,310	858,240	(353,930)	
BSPRJ000947	Core HR Application (Payroll Benefits)	502,027	8,102,461	(7,600,434)	
BSPRJ000954	Next Generation Desktop	3,400,930	1,917,180	1,483,750	
BSPRJ000965	SAP Continuous Improvements Placeholder	732,233	2,262,000	(1,529,767)	
BSPRJ000967	Facility IT Investments	206,275	1,116,913	(910,638)	
BSPRJ000973	TWR Replacement	571,929	405,679	166,250	
BSPRJ000985	NSP- MN System Replacement	887,480		887,480	
BSPRJ000986	2018 CRS Tech Stack Upgrade and Win 10	494,618	176,240	318,378	
BSPRJ000995	IT Blanket-Security		7,965,000	(7,965,000)	A
BSPRJ001014	Customer Care IVR Upgrades	2,180,824	1,870,510	310,314	
BSPRJ001034	2019 IT INFS Network Refresh	(1,010,719)	5,002	(1,015,721)	
BSPRJ001035	2019 Planned PC Refresh	120,747		120,747	
BSPRJ001036	2019 Planned Server Refresh	319,614		319,614	
BSPRJ001037	2019 Storage Project	191,056		191,056	
BSPRJ001045	2020 EMS Infrastructure Refresh	94,071	125,000	(30,929)	
BSPRJ001050	2020 IT INFS Network Refresh	5,853,692	1,893,750	3,959,942	
BSPRJ001051	2020 Planned PC Refresh	2,566,745	2,669,651	(102,906)	
BSPRJ001052	2020 Planned Server Refresh	481,377	750,000	(268,623)	
BSPRJ001053	2020 Storage Project	4,159,679	1,700,000	2,459,679	
BSPRJ001071	CRS Tech Stack Upgrade	446,962		446,962	
BSPRJ001074	eGRC Phase IV - SOx and Corp Compliance	373,105	379,403	(6,298)	
BSPRJ001103	Security Services Upgrade	293,709	51,530	242,179	
BSPRJ001111	Teradata-Hadoop HW Purchase	952,515	785,228	167,287	
BSPRJ001118	Diagnostic Center Ph 5		328,890	(328,890)	
BSPRJ001130	Cash Management System Replacement	221,881	586,108	(364,227)	
BSPRJ001131	PowerPlan App Upgrade 2018	115,888		115,888	
BSPRJ001144	Enterprise Database Security Phase II	362,020	176,802	185,218	
BSPRJ001157	Customer Service Console - Single Screen	(126,003)		(126,003)	
BSPRJ001167	WAN NSPMN	4,624,086	11,240,000	(6,615,914)	
BSPRJ001191	2020 Oracle Licenses	1,852,250	1,420,703	431,547	
BSPRJ001195	Safety Observations & Predictive Analytics	80,517	279,560	(199,043)	
BSPRJ001200	Host Intrusion Prevention for Servers	148,528	254,348	(105,820)	
BSPRJ001240	Meridium Upgrade	701,069	1,902,040	(1,200,971)	
BSPRJ001265	Video Conferencing Enablement	675,460	906,560	(231,100)	
BSPRJ001266	Active Directory Refresh 2020		386,840	(386,840)	
BSPRJ001267	Internet Explorer Refresh 2019		773,690	(773,690)	
BSPRJ001273	Remote Branch Office		814,944	(814,944)	
BSPRJ001286	VDI Refresh	37,607	1,289,472	(1,251,865)	
BSPRJ001290	Data Center Refresh	113,148	742,810	(629,662)	
BSPRJ001291	Windows Server OS Refresh	1,299,976		1,299,976	
BSPRJ001309	Cyber Ark (Support and Services Account)	252,669		252,669	
BSPRJ001321	Active Directory Upgrade 2016	796,640	375,870	420,770	
BSPRJ001323	Emptoris Contract Management Replacement	1,011,739	2,015,520	(1,003,781)	
BSPRJ001329	Security Camera Upgrade	184,550		184,550	
BSPRJ001351	NMS 2.X Upgrade Project	824,190	2,348,040	(1,523,850)	
BSPRJ001353	SubTran Portal Upgrade	1,789	625,450	(623,661)	
BSPRJ001362	Purchase Power Agreement Contract Management	118,621	688,900	(570,279)	
BSPRJ001365	PI Data Integrations	141,172	88,030	53,142	
BSPRJ001370	MT Security Computer System Upgrade	5,508	1,028,780	(1,023,272)	
BSPRJ001375	Knowledge Relay, Primavera Reporting	627,946		627,946	
BSPRJ001392	Security Camera Upgrade 2019	104,972		104,972	
BSPRJ001393	Security Camera Upgrade 2020	112,358	175,000	(62,642)	
BSPRJ001418	Site Scope and BSM Replacement	1	240,648	(240,647)	
BSPRJ001422	Rugged Tablets Refresh		500,000	(500,000)	

**Business Systems Capital
2020 NSPM Actual vs. Budget**

Project ID	Description	Actual	Budget	Variance	Reference
BSPRJ001423	Planned Printer Refresh 2020	513,316		513,316	
BSPRJ001432	Mobile Application Modernization		354,600	(354,600)	
BSPRJ001435	VoIP Refresh	1,042,449	375,000	667,449	
BSPRJ001437	TRIRIGA Mobile		452,400	(452,400)	
BSPRJ001439	DRMS Phase II (Demand Response Management System) Phase II		1,939,320	(1,939,320)	
BSPRJ001441	Technology License 2020	3,843,586	491,700	3,351,886	
BSPRJ001447	Unifier Upgrade	221,187		221,187	
BSPRJ001448	Transmission Asset Health Analytics	2,013,301	2,242,470	(229,169)	
BSPRJ001460	Multi-Factor Authentication - maturation	290,531		290,531	
BSPRJ001468	SailPoint Phase 5	498,942		498,942	
BSPRJ001469	Software Asset Management	419,907	406,969	12,938	
BSPRJ001471	SharePoint - Nuclear	1,043,871	200,000	843,871	
BSPRJ001480	Network Automation Platform Implementation	(3,573,163)		(3,573,163)	
BSPRJ001483	Strategic Fiber Deployment	6,997,326		6,997,326	
BSPRJ001493	Cyber Security Data Lake	382,793	68,661	314,132	
BSPRJ001498	UI FMS Stabilization	283,949		283,949	
BSPRJ001504	Virtual Emergency Operations Center (EOC)	272,763	152,396	120,367	
BSPRJ001505	Voice Agent Project Idea	152,707	152,604	103	
BSPRJ001506	Gas Plant SCADA Replacement	983,212		983,212	
BSPRJ001516	AutoSys Refresh 2019	153,174		153,174	
BSPRJ001520	UI CREV and RIS with PlannerDash	707,811		707,811	
BSPRJ001522	General Counsel Document Management	674,767		674,767	
BSPRJ001525	ISO Interface & Settlement Replacement	113,994		113,994	
BSPRJ001538	Mankato Plant On-Boarding	81,684	499,999	(418,315)	
BSPRJ001539	Bentley OpenUtilities Designer (BUD) Upgrade	959,260		959,260	
BSPRJ001554	Upgrade XpressRequest	501,109		501,109	
BSPRJ001559	Enterprise Purge Archive	250,712		250,712	
BSPRJ001566	Documentum 16.4 Upgrade	120,391		120,391	
BSPRJ001568	Upgrade Corporate Financial Model (CFM)	347,579		347,579	
BSPRJ001574	Primavera Upgrade	262,963		262,963	
BSPRJ001579	PTT Phase 3 (WAM)	486,673		486,673	
BSPRJ001580	Unmanned Aircraft Systems Program	255,410		255,410	
BSPRJ001584	Data Discovery	290,342		290,342	
BSPRJ001586	MRAS Upgrade to 64 Bit Operating System	136,112		136,112	
BSPRJ001589	OT Shared Services	1,601,878	587,750	1,014,128	
BSPRJ001593	Avaya Cloud Voice Deployment	5,956,623		5,956,623	
BSPRJ001595	Monitoring and Diagnostics (M&D) Center On-line Thermal Performance	601,731		601,731	
BSPRJ001596	Legal Hold Custodian Management	117,416		117,416	
BSPRJ001612	Cloud - SAST_DAST	301,602		301,602	
BSPRJ001615	OT Monitoring 2020	624,053		624,053	
BSPRJ001616	Email Advanced Threat Protection	2,660,890		2,660,890	
BSPRJ001621	Nuclear Meridium APM Implementation	2,071,278		2,071,278	
BSPRJ001623	Archer 2020	121,589		121,589	
BSPRJ001624	Risk Assessment as a Service	427,557		427,557	
BSPRJ001625	Application Performance Monitoring	1,566,072		1,566,072	
BSPRJ001627	PI for Wind farms	377,276		377,276	
BSPRJ001635	Oracle Exadata Refresh	2,923,125		2,923,125	
BSPRJ001658	Adobe Flash Remediation	434,700		434,700	
BSPRJ001663	Planned PC Refresh	5,365,595		5,365,595	
BSPRJ001664	Printer Refresh	186,336		186,336	
BSPRJ001667	ServiceNow	2,549,305		2,549,305	
BSPRJ001669	Business Systems Resiliency Project	1,572,875		1,572,875	
BSPRJ001670	Kafka Data Streaming	1,645,896		1,645,896	
BSPRJ001684	Blue Prism Licenses	109,891		109,891	
BSPRJ001694	F5 Renewal	2,522,121		2,522,121	
BSPRJ001696	Motorola LMR Core Upgrade	2,378,505		2,378,505	
BSPRJ001709	Oracle Java 3 licensing 3 year	755,216		755,216	
BSPRJ001721	Rational License Purchase 2020	775,449		775,449	
BSPRJ001724	Ansible Automation and Licensing	1,236,552		1,236,552	
BSPRJ001730	Digital Ops Factory	294,739		294,739	
BSPRJ001731	Digital Ops Factory - Nuclear Lighthouse	595,474		595,474	

**Business Systems Capital
2020 NSPM Actual vs. Budget**

Project ID	Description	Actual	Budget	Variance	Reference
BSPRJ001772	Field Area Network (FAN)	575,294	12,516,776	(11,941,482)	
BSPRJ001774	Distribution Load Planning and Forecast Tool	3,188,653	1	3,188,652	
BSPRJ000990	XpressNET and PowerSource Productivity Enhancements		250,970	(250,970)	
BSPRJ001011	2018 EMS Infrastructure Refresh		247,000	(247,000)	
BSPRJ001057	2020 Planned Mobile (MDT) Refresh		2,434,870	(2,434,870)	
BSPRJ001388	SAP Purge Archive		1,315,770	(1,315,770)	
(blank)	FLISR		362,692	(362,692)	
	Projects with actuals or budget between \$100K/(\$100K)	1,373,021	562,091	810,930	
Total		123,267,057	106,379,737	16,887,321	

Notes:
A: "Blanket" structures are used to fund projects from a budget and forecast perspective. These structures will not contain actuals.

Gas Operations

Capital Project Substitution and Change Process

The Capacity Planning organization within Gas Operations analyzes system performance, load patterns and anticipated new customer growth projections to identify projects to be funded during the “budget” year. These projects are scored through a risk model and funded based on the authorized budget levels established through the Corporate Budgeting process.

During the “budget” year, Stage Gate and Capital Review Committee (CRC) processes are used to add new projects, modify current, or cancel existing projects. New projects identified through the Stage Gate or CRC processes are scored and funded as funds become available from modified or canceled projects.

Management of Undesignated Capital Account

The un-designated capital account contains an amount of money that has been budgeted and set aside for unanticipated capital projects (catastrophic event, emergent new business work, emergent mandated relocation work, unexpected regulatory action, etc.). This fund, representing \$6,906,000 in the 2022 Budget is used to fund new projects that are identified and approved throughout the year that were not included in the budget. This money is a placeholder in the budget system and never charged against. If a project fits the criteria and is approved, the money is moved to that specific project and deducted from the un-designated account as necessary. The same can be true in reverse. If a project is cancelled for a reason (not needed, under budget, out of time, project cancelled, etc.) then the money that was budgeted is reduced from the specific project and added back to the un-designated account.

Exhibit 1 is a list of projects that were funded and not executed in 2020, and those that were not funded, but were emerging projects.

Gas Operations Capital - NSPM - MN Jurisdiction

Budgeted Projects with No Actuals

WBS L2	Description	Major Category	2020 Actuals	2020 Budget
E.0000018.102	NSPM Pipe Trans and IP - GUIC Betterment	ASSET HEALTH & RELIABILITY	-	2,020,000
E.0010033.002	NSPM\Delano\Delano Reinforcement	CAPACITY	-	900,000
E.0010006.002	MN - Gas Mandates WCF	MANDATES	-	837,000
E.0010001.003	MN - Gas New Business WCF	NEW BUSINESS	-	783,000
E.0010038.003	NPT/MPW/M024 relocation	MANDATES	-	350,000
E.0010011.006	MN - Gas Asset Health WCF	ASSET HEALTH & RELIABILITY	-	281,000
E.0010023.001	MN - Gas Communication Equip. Blanket	FLEET, TOOLS & COMM	-	234,000
	Projects less than \$200,000		-	575,000
			-	5,980,000

Projects with No Budgets

WBS L2	Description		2020 Actuals	2020 Budget
E.0010043.019	MN - Programmatic Main Replacements	GUIC	5,469,494	-
E.0010080.013	MN/Wescott LNG/Cold Box Replacement	ASSET HEALTH & RELIABILITY	3,948,481	-
E.0010038.032	MN/Nisswa/2019 County Rd 13 Reconst	MANDATES	3,147,826	-
E.0010033.015	MN/SE/ML/CSAH 27 Madison Lake Recon	MANDATES	2,178,639	-
E.0010080.015	MN/Sibley Valve Replacement	ASSET HEALTH & RELIABILITY	1,809,469	-
E.0000042.002	MN/WBL/County Rd B Replact-NSP DMR	GUIC	1,631,141	-
E.0000045.001	MN/NPT/Langdon Line Replacement	GUIC	1,244,852	-
E.0010075.031	MN/Nisswa/2019 County Rd 13 Reconst	ASSET HEALTH & RELIABILITY	939,536	-
E.0010080.014	MN/Wescott Gas Production-LNG	ASSET HEALTH & RELIABILITY	850,323	-
E.0010033.008	MN/Lake Elmo/H008-Hudson Blvd Reloc	MANDATES	833,734	-
E.0010075.021	MN/MHD/Replace Line Heater at MHD T	ASSET HEALTH & RELIABILITY	736,108	-
E.0010033.019	MN/NW/Saukview Dr Reinforcement Pro	CAPACITY	721,307	-
E.0010048.012	MN/WBL/NB/285th Ave-15000 of 4 PE ma	CAPACITY	686,398	-
E.0010043.008	MN/STC/Royalton 6"Poly Reinforceme	CAPACITY	670,014	-
E.0010075.029	MN/NW/Delano & Watertown MAOP Split	CAPACITY	647,550	-
E.0010038.034	MN/STP/Old Ford Site 12" Relo	MANDATES	538,313	-
E.0010043.017	MN/SE/LC/LAKESHORE DR (HWY61) 2020	ASSET HEALTH & RELIABILITY	522,730	-
E.0010038.033	MN/NPT/MPW/Mayer, Mayhill & Dennis	MANDATES	483,435	-
E.0010048.006	MN/NW/Becker/Hwy 10 - Industrial BL	CAPACITY	352,542	-
E.0010080.017	MN/Maplewood Truck Unloading Statio	ASSET HEALTH & RELIABILITY	310,115	-
E.0010048.008	MN/SE/St.Clair/607th Ave TBS Odoriz	ASSET HEALTH & RELIABILITY	245,547	-
E.0010053.006	NSPM/GDIST/PRESSURE MONITOR ERXs MN	FLEET, TOOLS & COMM	232,333	-
	Projects less than \$200,000		(1,353,587)	-
			26,846,299	-