

Employee benefit Labor Loadings (*Pension Plan and 401K, Healthcare, Worker's Compensation, Incentive & Payroll Taxes*)

Employee benefit labor loadings are calculated within FMS and are budgeted corporately at the legal entity level. Business areas should not include any amounts in their budgets for these loadings. The labor loading rates will be applied by FMS to budgeted productive labor with the resulting labor loads following budgeted labor to produce a total labor budget by JDE business unit.

Non-Productive Labor Loading

Non-Productive labor loadings are also performed within FMS. Non-Productive Time (NPT) is time that an employee is not working because of Paid Time Off (PTO), floating holidays, jury duty, etc. In order to accurately develop rates for non-productive labor, it is critical to have an accurate monthly pattern of base wages. This requires an accurate count of employees and accurate rates for each employee on an annual basis. The non-productive labor loading rate is applied to O&M productive labor to determine the amount of O&M non-productive labor to record in object account 711143-Non-Productive Labor.

Attrition / Vacancy Labor Loading

A negative attrition / vacancy rate will be loaded based upon productive labor in order to account for expected corporate vacancy rates. The following JDE object accounts are used to record attrition / vacancy:

- 618099 - Fuel Handling Labor-Attrition
- 618419 - Fuel Procurement Labor-Attrition
- 618429 - Nuclear Fuel Procurement Labor-Attrition
- 711146 - Productive Labor-Attrition
- 730380 - CWIP Productive Labor-Attrition
- 747125 - Clr Productive Labor-Attrition
- 748118 - Def Productive Labor-Attrition
- 740398 - RWIP Productive Labor-Attrition

Business areas should remove all negative pseudos (vacant positions) currently in FMS for attrition / vacancy. Managers should not be budgeting for attrition / vacancy. Business areas are responsible for managing to the total of productive labor less attrition / vacancy.

Requirements

Naming Convention for Pseudos

Pseudo positions in FMS are budgeted through the labor input switchboard in the Workforce Planning section.

- Pseudo positions in FMS are required to be added at the correct position description/job title that the pseudo position is for. This no longer required the previously used naming convention. Please see attached for more information regarding adding of Pseudo positions *FMS Training Guide*.

After the April 1, 2015 has been completed, users should verify in FMS that the employees and base wages for each JDE business unit are correct. Please add, delete or create pseudos (vacant positions), and update wage rates, where necessary, to reflect promotions, etc. If a new pseudo is created, users must fill in the appropriate hours in the NPT box for each year. Each business area is responsible for reviewing all of their labor departments to verify the following:

1. Labor is fully utilized (i.e., distributed to O&M or Capital)
2. Employees are shown under the correct labor department
3. Pseudos are eliminated in all cases where the vacant position has been filled
4. Pseudos have been added for those positions that are approved as part of the workforce plan, but not yet filled

5. Employees that need to be transferred to another labor department have had a personnel action form (PAF) completed prior to making the transfer in FMS

Users should run a labor utilization report in FMS to assist in validating that labor is fully utilized. As noted on the Corporate Budgeting Calendar, the period from March 18th through May 9th will be used to complete a final Ali Umer at 612-330-7647 for any questions regarding labor utilization.

O&M Labor

O&M labor entered into FMS must be entered using object account of 711142–Productive Labor.

Capital Labor

Labor that is direct charged to a capital work order or capital Engineering and Supervision (E&S) work order should be entered into FMS in object account 730390-CWIP Productive Labor, or 740399-RWIP Productive Labor, with a subledger "99999999" and a subledger type "W." ***Please, DO NOT USE subledgers 99999997 or 99999998 any more to budget for standard capital labor. However, there is one exception to this rule. If the labor is for capital work that will be part of an IT project, then use the 99999998 subledger. Make sure to work with your Business Systems contact on this.***

- The Distribution business area should use subledger 99999995 (Gas Labor) and 99999996 (Electric Labor) in place of 99999999 to identify the split between Electric and Gas Labor costs.

O&M Budgeting

The purpose of the Corporate O&M budget is to plan O&M expenses for the next five years. The business areas are responsible for developing the five-year detailed O&M budget by legal entity and business area, and entering the information into the current forecast version of FMS. Detailed O&M budgeting is required for 2016-2020.

Each business area is responsible for reviewing its O&M budget to ensure that it is consistent with on-going business planning requirements. After the business area executive has approved the budget, it is presented to the Financial Council for their approval. If the Financial Council requests any revisions, the changes are made in FMS by the business areas.

There are two types of expenses included as part of the O&M budgets: labor expenses and non-labor expenses. The labor expense portion of the O&M budget was discussed in the previous section. Non-labor expenses are budgeted in several categories or cost components. These categories are identified for each business area and are designed to assist in providing an overall summary of major cost component areas that are discussed later in this section.

General Guidance

FMS Instructions

The O&M input tool for the 2016-2020 budget is FMS. FMS is configured to build budgets consistently with actual accounting data. JDE is set up to interface with FMS. Business areas are accountable for the reporting of budgeted information and variance analysis from all reporting views including, but not limited to, legal entity, business area and regulatory reporting. The Business Objects reporting tool provides several universes that can be used for this variance analysis.

All budgeting occurs in the current forecast version. Periodic copies may be made to coincide with the various deadlines. Additional information regarding the specific dates of the copies will be communicated as the budget process progresses.

Please work with your Business Area Finance Subject Matter Expert for any questions or training for FMS.

JDE Sub-ledger and Subsidiary Field Guidance

Each labor and non-labor budget record is assigned to an account string (JDE business unit, JDE object account and JDE sub-ledger (when necessary)). The account string is used to assign the expense to the appropriate legal entity, as well as the appropriate FERC account and utility (e.g., gas, electric). This assignment to the account string is also used as the basis to develop electric or gas cost of service

studies. It is important to budget to the same object and FERC where you expect your actuals to be charged. Instructions on JDE sub-ledger fields and subsidiary fields used in the development of O&M budgets is contained in the Appendices, and can be accessed by the following link: [JDE Guidance](#).

Budgeting Principles

Labor costs of employees reporting to, and non-labor costs controlled by, the management of each group must be 100% budgeted and paid for by that manager. For example, the manager who chooses the consulting company and oversees its work pays the charges for consultants and contractors. Cross-charges between departments do not move the budget dollars or variance responsibility to another area. It is recognized that some invoices, such as corporate dues, may be split among management when agreed to by all parties.

Assumptions

Environmental

Environmental expenses associated with air, water and waste remediation should be budgeted in accordance with the [Environmental Budget Guidelines](#) published on the Corporate Budgeting Home Page.

Subscriptions On-Line

Object account 725005-Subscriptions On-Line, should include expenses for subscriptions and reference materials which are received using an online tool, or reports or data which are received electronically using an online tool. Examples include any Information Service Provider (ISP) or third-party hosted systems provider.

Facilities

The Property Services organization is responsible for budgeting all O&M costs for facilities managed by Property Services (e.g., headquarters, call centers, service centers) including: facility rental or lease costs, and all costs associated with the ongoing activities necessary to operate and maintain the leased and owned facilities, unless covered by the rental or lease agreement. This includes such items as climate control, lighting, snow removal, lawn service, landscaping, grounds maintenance, mowing and sprinkler systems when not covered by the applicable rental or lease agreement.

Facilities space and O&M costs are budgeted by Property Services, except for the following:

- Fleet, Sourcing, and Logistics as these areas budget their facilities costs within their own clearing accounts,
- Energy Supply which budgets for their own plant facilities operations and maintenance costs, and
- Electric and gas use costs at operational facilities, such as gas regulators sites, microwave and radio towers, power plants, substations, etc.

Requests for facility services (O&M and capital) should be submitted to Property Services. For more information, please contact Keith Tanzyus at 303-294-2322.

Copiers – Business Systems Managed Copiers Only

Business Systems will manage and budget for the corporate copier program. Business areas will remain responsible for paper, color toner, and special request copier costs, including copier lease, maintenance, usage (meter) charges, toner, and staples. Contact Dave Dalum at 612-330-5899 or Jon Rouse at 612-330-1905 if you have questions about whether or not your copier is managed by Business Systems or is considered a special request copier.

Printing Services

Business areas will remain responsible for budgeting their printing costs. The [Print Shop Price Sheet](#) provides estimated costs for various print shop services.

Budget printing costs to JDE object account 714100-Print/Copy-Other for O&M expense, 748170-Def Materials for deferred expense, account 731800-CWIP Materials for Capital expense, or 747510-Clrg-Print/Copy for clearing expense.

Postage/Carrier (e.g., FedEx)/Inter-Company Mailings

Business areas are responsible for budgeting all USPS postage. All FedEx, UPS and other carrier mailings will continue to be charged in full to the sender's business area and are not budgeted by Property Services. Intercompany mailings will continue to be budgeted by Property Services; therefore the Business areas are not responsible for budgeting these costs.

Budget postage costs to JDE object account 723400-Postage for O&M expense, 748210-Def Postage for deferred expense, and 747920-Clr Postage for clearing expense.

Facility Waste

Property Services will continue to manage and budget for waste containers at Property Services managed facilities. These containers are intended for common facility waste only (i.e., the contents of employee, office, and lunchroom waste containers). Business areas will be responsible for managing and budgeting for the disposal of project and equipment waste (i.e., poles, cross arms, hardware, and equipment containers).

Information Technology (IT)

All IT capital project budgets are budgeted by Business Systems and should not be part of the business areas' budgets. This includes software implementations, as well as hardware capital purchases for PCs, LANs and printers that meet the capital guidelines. Business areas should not budget for software/hardware projects. However, there are certain exceptions to this rule. For example, plant control systems and related hardware are included in the Energy supply budget. If you have any questions, contact Emily Ahachich at 612-330-6054. Also, as referenced in the preceding Capital Labor section, all capital labor associated with an IT project should be budgeted by the business area using subledger 99999998. Make sure to work with your Business Systems contact on this. For more detail visit the [IT Governance \(Uniform Policy\)](#).

If you have a new IT initiative, such as a new application system, new support or a non-standard purchase, please contact the Business Systems area directly to discuss your initiative. The contact list can be found under the following link [Business Systems Contacts](#). This information is important so that Business Systems can budget and plan accordingly.

Efficient use of personal computing assets enables Xcel Energy to leverage volume purchases, minimize support costs through product standardization, promote compatibility between IT assets and Xcel Energy's computing environment, monitor compliance with software licensing/data security, and maximize return on investment by carefully managing the lifecycle and use of these assets. For additional information about IT management standards please refer to the following link: [Business Systems Standard](#)

PTT Project Tracking

Instructions for PTT Project Tracking are currently being developed. The new set of instructions will be delivered to the business areas as soon as they are available.

Insurance Premiums

Liability and property insurance (insurance expense related to insurable accidental events) will be budgeted corporately by the Hazard Insurance department. Business areas should not include any amounts in their budgets. If you have any questions, contact Tatyana Dunagan at 612-215-5375 or Sithana Loftus at 612-330-5606.

Supply Chain Sourcing - Category Management

Supply Chain Sourcing (Supply Chain) has identified certain key categories of spend for which it gathers market information and leverages spend of the company to pursue strategic contracting strategies, including price reductions, volume discounts, lead time preferences, etc. All budgets impacted by the categories below should contact the assigned category manager for the most current information regarding price assumptions for the spend category.