

## Summary Report 3C



NSP-MN  
Total Company - Electric Utility  
2017 Budget vs. 2018 Budget  
O&M by FERC Account  
(\$000's)

FERC	2017 Budget	2018 Budget	Variance	% Variance
561.3 Load Disp-Trans Serv/Sch	26	27	1	3.2%
561.5 Rel/Plan/Standards Dev	952	968	16	1.6%
561.6 Trans Service Studies	39	40	1	3.0%
561.7 Gen Interconn Studies	245	248	3	1.2%
561.8 Rel/Plan/Standards Dev Serv	2,379	2,519	140	5.9%
562 Trans Oper Station Exp	1,904	1,945	42	2.2%
563 Trans Oper OH Lines	2,491	2,495	4	0.1%
564 UG LIne Exp	1	1	0	0.0%
566 Trans Oper Misc Exp	118,447	123,993	5,547	4.7%
567 Trans Rents	2,358	2,366	8	0.3%
568 Trans Mtce Super & Eng	124	127	4	2.9%
570 Tran Mnt of Station Equip	7,737	7,859	122	1.6%
571 Trans Mt of Overhead Line	7,585	7,209	(376)	-5.0%
572 Trans Maint of UG lines	224	169	(55)	-24.4%
573 Trans Mtc of Misc Plt Mjr	24	26	2	8.2%
575.1 Operation Supervision	214	220	6	2.7%
575.2 DA & RT Mkt Admin	390	393	3	0.8%
575.5 Ancillary Serv Mkt Admin	181	182	0	0.2%
575.6 Mkt Monitoring/Compliance	39	38	(1)	-1.4%
575.8 Regional Market Rents	17	18	0	1.0%
580 Dist Oper Sup & Eng	9,994	10,241	247	2.5%
581 Dist Load Dispatching	7,797	7,879	81	1.0%
582 Dist Op Station Exp	3,087	3,155	67	2.2%
583 Dist Oper Overhead Lines	1,860	1,993	133	7.2%
584 Dist Op UG Elec lines	7,150	7,346	196	2.7%
585 Dist Oper Streetlight	1,822	1,894	72	3.9%
586 Dist Oper Meter Exp	3,434	4,081	647	18.8%
587 Dist Oper Cust Install	4,179	4,286	107	2.6%
588 Dist Oper Misc Exp	18,518	18,430	(88)	-0.5%
589 Dist Rents	4,237	4,272	36	0.8%
590 Dist Mtc Super & Eng	451	468	17	3.9%
592 Dist Mt of Station Equip	7,981	7,804	(177)	-2.2%
593 Dist Mtc of Overhead LInes	41,229	40,112	(1,117)	-2.7%
594 Dist Mt of Undergrnd Line	12,626	12,531	(95)	-0.7%
595 Dist Mt of Line Transform	2,621	2,681	61	2.3%
596 Dist Mtc of Streetlights	910	951	41	4.5%
597 Dist Mtc of Meters	155	156	1	0.9%
598 Dist Maint of Dist Plant	1	1	0	0.0%
901 Cust Acct Supervise	55	53	(2)	-3.7%
902 Cust Acct Meter Read	19,866	20,165	299	1.5%
903 Cust Acct Recrds & Coll	25,838	26,039	201	0.8%
904 Cust Acct Uncollect	13,707	13,584	(122)	-0.9%
908 Customer Asst Expense	1,719	1,759	41	2.4%
909 Cust Serv Instruct Adver	1,048	1,037	(10)	-1.0%
912 Sales Demo & Sales	7	8	0	2.6%
920 A&G Salaries	71,956	74,624	2,668	3.7%

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FERC	2017 Budget	2018 Budget	Variance	% Variance
921 A&G Office & Supplies	56,598	57,280	682	1.2%
922 A&G Admn Transfer Crdt	(49,052)	(45,588)	3,464	-7.1%
923 A&G Outside Services	22,369	19,963	(2,407)	-10.8%
924 A&G Property Insurance	10,781	11,391	610	5.7%
925 A&G Injuries & Damages	16,682	17,459	777	4.7%
926 A&G Pen & Ben	84,601	86,009	1,408	1.7%
928 A&G Regulatory Comm Exp	6,166	6,362	195	3.2%
929 A&G Duplicate Chrg Crdt	(4,986)	(4,986)	0	0.0%
930.1 A&G General Advertising	3,350	3,431	81	2.4%
930.2 A&G Misc General Exp	3,516	3,320	(196)	-5.6%
931 A&G Rents	38,220	39,015	796	2.1%
935 A&G Maint of Gen PLT	1,800	1,814	13	0.7%
<b>Grand Total</b>	<b>1,204,772</b>	<b>1,226,555</b>	<b>21,783</b>	<b>1.8%</b>





## **Budget Process**

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The annual budget process is comprised of several activities to project earnings and rate base for each Xcel Energy subsidiary as well as Xcel Energy in total. The portions of the annual process covered in this documentation are mainly Business Area Operating and Maintenance expenses and Business Area capital expenditures.

The Business Area Operating and Maintenance expenses and the Business Area Capital Expenditures are developed within each Business Area in Xcel Energy. The budgeting effort associated with these items is coordinated by Corporate and the Business Area finance groups. Following this section of budget documentation are the budget instructions, which were distributed by Corporate as part of the budget process.

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

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

### ***Business Area Operating and Maintenance Expenses***

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

#### Labor

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

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

#### Non-labor

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

#### Overall

Each labor and non-labor budget record is assigned to a JDE Business Unit, JDE object account and JDE subledger that are used to assign the expense to the appropriate legal entity and utility as well as provide the translation to the appropriate FERC account. The assignment to the account string is also used as the basis to develop electric or gas cost of service studies.

### ***Business Area Capital Expenditures***

Each Business Area identifies its capital requirements for the budget year and at least four additional years (resulting in a required five-year capital projection) and assigns them to individual budget projects. A listing of the 2016 - 2018 Capital Expenditure projects is provided for each Business Area in Schedules 5 and 5a.

### ***Jurisdictional Assignment***

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

### ***Budget Review***

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





## *Corporate Budget Instructions*

### *2016-2020 O&M Budget and Capital Budget*





Date: April 22, 2015  
From: Greg Robinson, Director, Financial Performance and Reporting  
Reference: O&M and Capital Budget Instructions

The Financial Budget is a key component of the framework for developing supportable and attainable financial plans by legal entity, utility and jurisdiction. It is used to evaluate actual performance and aids management in making business decisions and monitoring ongoing financial performance for each Operating Company (OpCo) and Xcel Energy (or the Company) consolidated. We must continue to increase the effectiveness of our overall business planning processes to successfully execute our strategic, operational and financial plans within the evolving dynamic environments that we conduct business. Specifically, within the budget process, we have developed some guiding principles to help us on this journey:

- Key assumptions within our strategic, operating and resource plans will drive our annual budget and quarterly forecasts;
- OpCo Presidents have significant decision-making authority for their OpCo and must collaborate with Business Area Leadership in developing each OpCo business plan;
- OpCo Presidents must collaborate together in arranging for services performed by the "shared service" business areas;
- Budget detail should be at the highest level possible that allows each organization to run its business effectively and account for its costs in the proper FERC accounts;
- **Operations and Maintenance budgets (O&M)** will consist of **5 years** of monthly detail;
- O&M forecasts, or updates to the budget, will reflect planned changes with OpCo and business area leadership support; and
- **5-year Capital budgets** are developed and updated between annual budget cycles to accurately and timely reflect any major changes to our capital investment plans.

The attached Corporate Budget Instructions (Budget Instructions), including the budget calendar herein, have been prepared considering these guiding principles and are to be used in preparing the 2016-2020 O&M Budgets and the 2016-2020 Capital Expenditure Budgets, including estimated project in-service dates. The following corporate guidance, and policies and procedures for preparing business area and legal entity budgets help ensure the Company's O&M and Capital budgets are accurate, well documented and consistent with the Company's ongoing business planning.

The following are changes in our budgeting process that were incorporated in the last budget create cycle.

- Business areas (primarily Distribution) should use subledger 99999995 (Gas Labor) and 99999996 (Electric Labor) in place of 99999999 for Capital Labor to identify the split between Electric and Gas Labor costs. This is explained on page 9.
- Business areas should also use subledger 99999993 (Gas Transportation) and 99999994 (Electric Transportation) in place of 99999997 for Capital Non-Labor Transportation to identify the split between Electric and Gas Transportation costs. This is explained on pp 19 & 20.
- A new object for Dues-Lobbying (723823) has been created. The object was set up due to the fact that not every business area can utilize the lobbying Service Company allocator and we need to report this amount on various regulatory filings. This is explained on page 20.



Other than those changes, expectations for this year's budget development have not changed significantly from last year. Those expectations include the following:

**O&M Budgeting:**

- Budgets are well documented and supported by workpapers with clear assumptions linking the budget assumptions to historical data (actuals).
- Identify business drivers for cost increases, identify areas where cost reductions have occurred as the result of productivity improvements, adhere to established policies and procedures, and are accurately input into budgeting tools
- Data and supporting documentation are clear, with the ability to understand and explain changes when comparing on an object or Federal Energy Regulatory Commission (FERC) account basis
- Significant expenditures are budgeted in the same object account and FERC account where the actuals are expected to be charged
- Budgets incorporate lessons learned and measurable changes resulting from variance analyses

**Capital and Deferred Budgeting:**

In addition to the above expectations,

- Conservation Investment Programs (CIP) and Demand Side Management (DSM), as well as other rate recovery rider expenses and capital projects must be separately identified and budgeted
- Capital project cash flows are accurate beginning with the bridge year (actuals through March 2015 & forecast April-December 2015), carrying forward continuously through the budget period of 2016-2020, and in-service dates must be consistent with current project schedules, including the bridge year
- Careful attention is paid to routine parent work order details and accounting
- A focus on capital plant in-service is made such that, all current actual Construction Work in Progress (CWIP) balances are examined and work orders that represent plant being used are placed in service in the accounting records before the budget begins.

Your business area financial leaders should be your first point of contact, however, if you have general budget questions or require additional information, please feel free to call me at 612-215-4631.

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# 2016 / 2020 O&M and CapEx Budget Development Timeline

For Calendar Year 2015 as of April 22, 2015

April 1, 2015	PeopleSoft load into FMS
April 27, 2015	Issue O&M and Capital Spending Guidelines
<b>May 7-8, 2015</b>	<b>Preliminary review of Capital budgets with Operating Company and senior leadership</b>
May 11, 2015	May forecast close in FMS (no more changes to 2015 until after budget create on May 27)
May 12, 2015	Pass preliminary data to CAA / Week of the 18th for business area capital corrections
<b>May 18, 2015</b>	<b>Lock forecast for finalizing presentations (no changes to capital without approval)</b>
<b>May 19, 2015</b>	<b>Base data complete for capital / business area presentations due to corporate</b>
May 19, 2015	Pass capital data to CAA for analysis
<b>May 20, 2015</b>	<b>Capital presentation distributed to FC in advance of meeting</b>
<b>May 21, 2015</b>	<b>Financial Council review and approval of capital budgets (assumes that we can get a meeting set up for this date)</b>
<b>May 22, 2015</b>	<b>Initial Finance Committee presentation / Board Letter due to Teresa Madden</b>
May 26, 2015	Create 2016-2020 Budget version in FMS (after this point, capital is final and no O&M changes can be made without approval. Any O&M changes after this point would also need to be made in two versions – budget and forecast). System available on May 27.
May 29, 2015	Pass Final Capital Budget to CAA
<b>May 29, 2015</b>	<b>Second Review of Finance Committee Capital presentation / Board materials</b>
<b>June 1-5, 2015</b>	<b>Incorporate Final Capital Changes with Executive Approval</b>
<b>June 5, 2015</b>	<b>Final Review of Finance Committee Capital presentation / Board materials</b>
June 9, 2015	June forecast closes in FMS
<b>June 11, 2015</b>	<b>Board Dry Run</b>
June 18, 2015	Plant-related costs due back from Capital Asset Accounting (one week later than initially assumed)
<b>June 18, 2015</b>	<b>O&amp;M Financial Council Presentations Due to Corporate</b>
<b>June 23, 2015</b>	<b>Board Finance Committee meeting</b>
<b>June 24, 2015</b>	<b>Board of Directors meeting (Capital approval)</b>
<b>June 25, 2015</b>	<b>Financial Council Review/Approval of O&amp;M Budget</b>

## Financial Council related items

### Board related items

System / process related items

The business areas may also provide business area specific deadlines for completion and review that must be met. Please contact the designated financial liaison/representative for your business area for specific dates (see [Business Area Contacts](#)).

The Corporate Budget Calendar is also available on the [Corporate Budgeting Home Page](#).