

Public Service Company of Colorado  
Production Formula Rate Template  
Twelve Months Ended December 31, 2012  
Section 4 a VI- Variance Analysis

Line No.	Description	2012 Actuals		2012 Estimated		Explain (Increases) (a)	Explain (Decreases) (a)	Ref
		FERC	Total Electric	Total Electric	\$\$ Change			
1	OPERATION							
2	Supervision and Engineering	560	5,266,726	6,697,182	(1,430,456)	-21.36%	NO	YES 1
3	Load Dispatching - Reliability	561.1	3,603	55,197	(51,594)	-93.47%	NO	NO
4	Load Dispatching - Monitor & Operate Transmission System	561.2	4,404,095	2,432,498	1,971,597	81.05%	YES	NO 2
5	Load Dispatching - Transmission Service & Scheduling	561.3	51,911	981,507	(929,596)	-94.71%	NO	YES 3
6	Scheduling, System Control & Dispatch Services	561.4	136,998	-	136,998	0.00%	NO	NO
7	Reliability, Planning and Standards Development	561.5	867,912	552,146	315,766	57.19%	NO	NO
8	Transmission Service Studies (1)	561.6	(186,455)	424,505	(610,960)	-143.92%	NO	YES
9	Generation Interconnection Studies	561.7	1,227	609,886	(608,659)	-99.80%	NO	YES 4
10	Reliability, Planning & Standards Development Services	561.8	2,045,543	62,424	1,983,119	3176.87%	YES	NO 5
11	Station Expenses	562	916,921	769,116	147,805	19.22%	NO	NO
12	Overhead Line Expenses	563	1,817,828	2,169,474	(351,646)	-16.21%	NO	NO
13	Underground Lines Expense	564	21,936	-	21,936	0.00%	NO	NO
14	Transmission of Electricity by Others	565	24,423,652	32,305,469	(7,881,817)	-24.40%	NO	NO
15	Miscellaneous Transmission Expenses	566	1,778,546	460,788	1,317,758	285.98%	YES	NO 6
16	Rents	567	2,078,384	1,897,731	180,653	9.52%	NO	NO
17	Total Operation		43,628,827	49,417,922				
18								
19	MAINTENANCE							
20	Supervision and Engineering	568	60,730	106,387	(45,657)	-42.92%	NO	NO
21	Structures	569	-	-	-	0.00%	NO	NO
22	Computer Hardware	569.1	-	-	-	0.00%	NO	NO
23	Computer Software	569.2	-	-	-	0.00%	NO	NO
24	Communication Equipment	569.3	-	-	-	0.00%	NO	NO
25	Miscellaneous Regional Transmission Plant	569.4	-	-	-	0.00%	NO	NO
26	Station Equipment	570	4,831,934	3,054,111	1,777,823	58.21%	YES	NO 7
27	Overhead Lines (2)	571	3,967,482	4,083,485	(116,003)	-2.84%	NO	NO
28	Underground Lines	572	22,527	-	22,527	0.00%	NO	NO
29	Miscellaneous Transmission Plant	573	11,690	-	11,690	0.00%	NO	NO
30	Total Maintenance		8,894,363	7,243,983				
31								
32	TOTAL TRANSMISSION		52,523,190	56,661,906				

Note (a): Per the Implementation Procedures Section 3 a VIII Variance Analysis- explanations are need when an "expense or revenue component, when tried-up is both 5% and \$500,000 above or below the projected value."

**Explanations:**

- 1 Transmission (\$1.7M) - System Protection had reduced Engineering expense required for the CAPE Relay Checking Model due to a change in CAA policy that allowed a portion of this work to be capitalized, as well as 2 openings that were unfilled for several months; Additionally, \$438K for Control Center labor expense was charged to FERC 561.2 to most accurately align with the business area function.
- 2 Transmission \$1.7M - Load Dispatch-Monitor and Operate Transmission System (FERC 561.2) increased due to reassignment of labor costs from FERC 561.3 (\$930K) and FERC 560 (\$438K) to most accurately align with the business area function of the Control Center. The remaining increase is due to 5 open positions (1 Manager and 4 Operators) that were hired at the beginning of 2012. The labor was budgeted, but the overtime for experienced Operators, required for 2 years of job-shadowing/ training was not.
- 3 Transmission - Load Dispatch-Transmission Service & Scheduling (FERC 561.3) decreased due to reassignment of Control Center Operator labor costs to FERC 561.2 (\$930K) to most accurately align with the business area function.
- 4 Transmission \$13K - This FERC is where labor for reimbursable facility studies for generation interconnections is booked. The reimbursement comes to Xcel as miscellaneous revenue. The \$390K in operation expense was off-set by \$363K in reimbursements to revenue. The remaining balance is due to studies that are active, but not yet complete and have not been billed to the customer.
- 5 Transmission \$1.9M - NERC fees are paid under FERC 561.8, but were budgeted under FERC 928, which had a (\$1.8M) variance to budget. This change was made per guidance from Regulatory Accounting to better align the expense with the FERC account.
- 6 Distribution \$1.1M - Facility Attachment revenue - actuals offset in FERC 587
- 7 Transmission \$1.4M - Due to increasing NERC compliance standards, Substations increased O&M spending to address Adaptive Reliability Centered Maintenance (ARCM). ARCM initiative primarily utilized long-term contractors to perform the work \$1.118M. Additional items requiring increased spending \$281K included repairs on 2 transformers and 2 portable substations.

Public Service Company of Colorado  
 Production Formula Rate Template  
 Twelve Months Ended December 31, 2012  
 Section 4 a VI- Variance Analysis  
 Administrative and General Expenses

Line No.	FERC	Account Description	2012 Actuals		2012 Estimated		Explain (Increases) (a)	Explain (Decreases) (a)	Ref
			Total Electric	Total Electric	\$\$ Change	% Change			
1	920	Administrative and general salaries	34,827,369	36,572,238	(1,744,868)	-4.77%	NO	NO	
2	921	Office supplies and expenses	25,608,461	31,046,412	(5,437,951)	-17.52%	NO	YES	1
3	922	Administrative expenses transferred— Credit	(32,037,433)	(35,786,368)	3,748,934	-10.48%	NO	NO	
4	923	Outside services employed	11,626,227	12,045,379	(419,151)	-3.48%	NO	NO	
5	924	Property insurance	5,114,166	4,398,124	716,043	16.28%	YES	NO	2
6	925	Injuries and damages	8,333,158	7,984,850	348,308	4.36%	NO	NO	
7	926	Employee pensions and benefits	75,323,428	81,888,458	(6,565,030)	-8.02%	NO	YES	3
8	927	Franchise requirements	-	-	-	0.00%	NO	NO	
9	928	Regulatory commission expenses	8,300,447	8,569,515	(269,068)	-3.14%	NO	NO	
10	929	Duplicate charges—Credit	(2,315,165)	(3,073,912)	758,747	-24.68%	NO	NO	
11	930.1	General Advertising Expenses	2,333,222	2,304,265	28,957	1.26%	NO	NO	
12	930.2	Miscellaneous general expenses	6,087,221	4,842,138	1,245,082	25.71%	YES	NO	4
13	931	Rents	19,473,011	22,645,138	(3,172,127)	-14.01%	NO	YES	5
14	935	Maintenance of general plant	254,563	386,410	(131,847)	-34.12%	NO	NO	
15		Subtotal	\$ 156,050,250	\$ 173,822,646	(17,772,396)	-10.22%			

Note (a): Per the Implementation Procedures Section 3 a VIII Variance Analysis- explanations are need when an "expense or revenue component, when tried-up is both 5% and \$500,000 above or below the projected value."

**Explanations:**

- Corporate Services (\$4.3M) - Decrease of (\$1.1M) in facilities costs incorrectly budgeted in FERC 921, (actuals correctly hit FERC 931). There were (\$1.6M) in information technology costs shifted to NSPM during 2012 due to a change in the Shared Asset calculation, which has been updated to include Nuclear computers. Also had a decrease of (\$870K) for a delay in software maintenance from 2012 to 2013, and a (\$750K) reduction in application and development costs from IBM.
- Financial Operations - \$748K of actuals over budget in 2012 for PSCo Electric property insurance was related to PSCo's share of insurance for joint venture power plants that were not reflected accurately in the budget (Craig, Comanche and Hayden). Some of this was budgeted to common, with an offsetting credit of (\$32K) in Gas 924, object account 723510. PSCo's share of the Hayden portion was budgeted to the Hayden subsidiary.
- Benefits (\$6.4M) - Mainly due to lower retiree medical (\$3.6M), active healthcare and health and welfare (\$2.7M), 401(k) match (\$356K), PSCo share of Hayden benefit loadings (\$325K) and FAS 112 long-term disability costs (\$166K), offset by higher qualified pension \$308K, FAS 88 settlement expense \$235K and retirement related consulting costs \$155K.
- Energy Supply (\$1.5M) - Craig, Hayden and Comanche 3 partnership credit load increase.
- Corporate Services (\$3.2M) - facilities cost of \$1.1M (see explanation for FERC 921). There was a (\$4.3M) reduction in network equipment shared asset costs allocated to PSCo; this decrease in partially offset by in increase in FERC 922 of \$1.9M.