Public Service Company of Colorado
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Underlying the 2018 HTY Cost of Service Study

Line No.	Description	Previously Established Principals & Adjustments	New Proposed Principals & Adjustments	Witness Supporting Adjustment
	Rate Base			
1	Rate Base is calculated using a year-end balance method for plant and plant-related items, except for Inventory balances, non-plant related balances, and Cash Working Capital.	Yes		Deborah Blair
2	The coal, oil, and natural gas used for electric generation inventory is calculated using an average of the 12 monthly balances.	Yes		Deborah Blair
3	Materials and supplies inventory and other non-plant rate base items, such as customer deposits, and customer advances for construction, will be calculated using a thirteen-month average of month-end balances.	Yes		Deborah Blair
4	The ADIT balances are calculated using the year-end balances and incorporates the effects of bonus depreciation as applicable.	Yes		Deborah Blair
5	The net ADIT balances are a reduction to rate base, as opposed to a cost-free component in the capital structure.	Yes		Deborah Blair
6	All plant-related ADIT balances are reported by plant account.	Yes		Deborah Blair
7	Adjustments to ADIT include eliminating amounts that are not included in the cost of service calculation and including adjustments related to plant adjustments.	Yes		Deborah Blair
8	Full normalization is the method of accounting for income taxes allowing the Company to provide for deferred taxes on all book/tax timing differences, including any offset to ADIT for net operating losses ("NOL") or NOL carry forward.	Yes		Deborah Blair
9	Excess/Deficient ADIT associated with TCJA is included in rate base, reflecting the amortization of excess/deficient plant and non-plant ADIT through 2020.	No	Yes	Laurie Wold and Naomi Koch
	Adjustment to ADIT to include 1/2 of amortization of pre-1971 ITC	No - amortization expired at the end of 2016		Deborah Blair
10	Rate Base adjustments and specific assignments of plant to either the Colorado PUC jurisdiction or the FERC jurisdiction are made the year-end balances to match the method of measuring rate base.	Yes		Deborah Blair
11	Adjustments to Rate Base for known and measurable changes occurring outside the test year are generally not made.	No	2018 HTY includes adjustments for 2019 plant and plant-related costs related to AGIS, Wildfire Mitigation, and 2019 Capital Additions expected in service before 1/1/2020	Deborah Blair
12	Include Pre-Funded Allowance for Funds Used During Construction ("AFUDC") liability, Accumulated Reserve for Depreciation, ADIT, depreciation expense and income tax expense associated with the Comanche project that was included in rate base earning a current return in prior rate cases.	Yes		Laurie Wold
13	Include Pre-Funded AFUDC liability, Accumulated Reserve for Depreciation, ADIT, depreciation expense and income tax expense associated with the transmission CWIP that is included in rate base earning a current return in the Transmission Cost Adjustment ("TCA").	Yes		Laurie Wold
14	Include Excess AFUDC asset, Accumulated Reserve for Depreciation, ADIT, depreciation expense, and income taxes associated with the Clean Air Clean Job Act ("CACJA") projects, resulting in the difference between the FERC AFUDC rate and the Company's Return on Rate Base ("RORB") accumulated through the end of 2014.	Yes		Laurie Wold
15	Intangible plant in-service and plant-related accounts are functionalized.	Yes		Deborah Blair
16	Common plant is allocated to the electric department based on a study of all common plant assets that assigns an allocation method for each type of asset.	Yes		Deborah Blair
17	Construction Work in Progress ("CWIP") is included in rate base with an Allowance for Funds Used During Construction ("AFUDC") offset to earnings.	No		Deborah Blair
18	Contractor retentions are eliminated from the CWIP balance	No		Deborah Blair

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19	Include an adjustment to ADIT and Deferred Income Tax expense associated with the interest on CWIP.	No		Deborah Blair
20	Eliminate 50% of the investment in specific distribution substations serving Holy Cross Rural Electric Association from Plant In-Service ("PIS"), Accumulated Reserve for Depreciation, ADIT, Depreciation Expense, and Income Tax Expense.	Yes		Deborah Blair
21	Eliminate a portion of the Pawnee turbine blade project that exceeded the Commission-ordered expenditure cap from PIS, Accumulated Depreciation, ADIT, Depreciation Expense and Income Tax Expense.	Yes		Deborah Blair
22	Eliminate Ponnequin Wind Assets that are recovered through the Renewable Energy Standard Adjustment ("RESA") from PIS, Accumulated Reserve for Depreciation, ADIT, Depreciation Expense and Income Tax Expense.	No - Retired at the end of 2015		Deborah Blair
23	Eliminate street light assets sold to the City of Golden	No	Yes	Deborah Blair
24	Capital lease assets are not included in rate base.	Yes		Deborah Blair
25	Include the acquisition premium in rate base associated with the purchase of the Calpine Assets, recorded in FERC Accounts 114 and 115; and amortize the acquisition adjustment over the remaining depreciable life of the assets recorded in FERC Account 407.	Yes		Deborah Blair
26	Plant Held for Future Use ("PHFU") is included in rate base.	Yes		Deborah Blair
27	Include Southeast Water Rights recorded in PHFU in rate base at a debt-only return; by eliminating the rate base balance and including a credit in Miscellaneous Revenue equaling an amount for the debt-only return.	Yes		Deborah Blair
28	The Metro Ash Disposal site located in Bennett, Colorado will not be included in rate base.	Yes - the Metro Ash Disposal site was transferred to Non-Utility Property in 2015		Deborah Blair
29	Include Regulatory Assets in Rate Base associated with early plant retirements and additional removal costs in compliance with the 2009 Rate Case, the CACJA case, the 2016 Depreciation Rate proceeding, and the early retirement of Comanche approved in the Accelerated Depreciation/RESA Reduction Case .	Yes		Laurie Wold
30	Eliminate a portion of the materials and supplies inventory balance allocated to construction-related projects.	Yes		Deborah Blair
31	Cash Working Capital components are: electric fuel and purchased power costs, O&M expense (both directly incurred by the Company and charges from Xcel Energy Services Inc.), paid time off, incentive pay, taxes other than income taxes, federal and state income taxes and franchise and sales taxes.	Yes		Deborah Blair
32	Cash Working Capital factors are based on a lead-lag study.	Yes		Deborah Blair
33	Legacy Pre-Paid Pension Asset and related ADIT balances at December 31, 2014 will be amortized over 15 years. The unamortized balances of the Legacy Pre-Paid Pension Asset and the associated ADIT will be included in rate base on a pre-tax basis.	No - Balance is zero before the end of 2019		Richard Schrubbe
34	New Pre-Paid Pension Asset and related ADIT balances after December 31, 2014 will be included in rate base on a pre-tax basis.	No	Yes - Proposing a year-end balance	Richard Schrubbe
35	Retiree medical (FAS 106), will be included in rate base on a pre-tax basis at a 13-month average balance.	Yes		Richard Schrubbe
36	Self-insured long term disability (FAS 112), and non-qualified pension assets/liabilities will be included in rate base on a pre-tax basis at a 13-month average balance.	No	Yes	Richard Schrubbe
37	Unamortized balances of other regulatory assets and liabilities are included in rate base at a 13-month average balance.	Yes		Deborah Blair
38	Include a Deferred Tax Asset in rate base associate with the Rush Creek Wind project Federal Production Tax Credits ("PTC's") if Public Service is in a Federal Tax NOL position, and not able to use the PTC's in the current year.	Yes - 2018 HTY is not in an NOL tax position		Deborah Blair
39	Deductions from rate base include customer deposits and customer advances for construction.	Yes		Deborah Blair

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Line No.	Description	Previously Established Principals & Adjustments	New Proposed Principals & Adjustments	Witness Supporting Adjustment
	Revenue			
40	Present revenues used to derive the revenue deficiency is based on billed revenues, adjusted to eliminate the revenues billed on various recovery mechanisms, e.g., ECA, PCCA, DSMCA, ISOC, TCA, CACJA, and RESA.	Yes		Deborah Blair
41	Retail base rate revenue does not include unbilled revenue, or adjustments for customer additions or losses to the test year sales.	Yes		Deborah Blair
42	Eliminate the street lights revenues from the street lights sold to the City of Golden	No	Yes	Deborah Blair
43	Adjustments to present revenues to annualize customers at year end.	No	Yes	Deborah Blair
44	The revenues collected for the Electric Affordability Program ("EAP") that are included in the Service & Facility monthly charge are not included in base rates.	Yes		Deborah Blair
45	Electric energy and demand sales are normalized for weather.	Yes		Jannell Marks
46	Adjust Street Light Maintenance revenue for new rates.	Yes		Michelle Applegate
47	Adjustments are made to eliminate other revenue amounts not included in retail base rates, e.g., rate refunds, Quality of Service Plan incentives, DSM incentives, Joint Operating Agreement revenue, wholesale related transmission and ancillary service revenues, unbilled transmission revenues, ISOC, deferred fuel revenues Hybrid Renewable Credits, Medical exemption revenue, customer data report revenue and discounts given to certain contract customers under §40-3-104.3(2)(a).	Yes		Deborah Blair
48	Residential late payment revenue is eliminated from base rates.	Yes		Deborah Blair
49	Eliminate out of period adjustments from Miscellaneous Revenue.	Yes		Deborah Blair
50	Adjust Other Revenues and O&M credits for changes in rates related to Charges for Rendering Services tariff.	Yes		Michelle Applegate
51	Eliminate the revenue associated with the Mutual Aid work in Puerto Rico.	No	Yes	Chad Nickell
52	Include an adjustment to other Electric Revenue for the partial rate recovery of the Southeast Water Rights.	Yes		Deborah Blair
53	Include a revenue credit equal to 50% of the oil and gas royalty revenue recorded as non-utility revenue.	No	2018 HTY includes 0% sharing with customers	Brooke Trammell
	Fuel, Purchased Power, and O&M Expenses			
54	Fuel expenses, purchased power energy and demand expenses and purchased wheeling expenses recovered through the fuel and purchased power recovery mechanisms are eliminated.	Yes		Deborah Blair
55	Reclassify Fuel Handling and Transportation expenses recorded in fuel accounts that are recovered in base rates.	Yes		Deborah Blair
56	All labor expenses recorded in FERC Accounts 501 and 547 will be reclassified from fuel expense to Production O&M expense.	Yes		Deborah Blair
57	Include adjustments to O&M expenses for known and measurable changes occurring both in the test period (in-period adjustments), and outside the test year (out-of-period adjustments).	Yes		Deborah Blair
58	Out-of-period adjustments to O&M expense are generally not made for items expected to occur more than one year after the test year has ended.	Yes		Deborah Blair
59	Eliminate O&M expenses that are not recovered through base rates, but rather recovered through other recovery mechanisms.	Yes		Deborah Blair
60	Eliminate all O&M associated with incremental wholesale sales.	Yes		Deborah Blair
61	Eliminate the margins associated with the Company's trading activities that are returned to customers through the ECA mechanism.	Yes		Deborah Blair
62	Eliminate 50% of the O&M expenses associated with the Proprietary and Generation Book trading activities, as set forth in the ECA tariff.	Yes		Deborah Blair
63	Annualize the Rush Creek wind assets O&M expenses	No	Yes	Deborah Blair
64	Include 10 year amortization of the costs to acquire the Calpine Facilities, including legal, accounting and outside consulting fees recorded in Production O&M expense, beginning December 2010.	Yes		Deborah Blair

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Line No.	Description	Previously Established Principals & Adjustments	New Proposed Principals & Adjustments	Witness Supporting Adjustment
65	Include merit increases for bargaining and non-bargaining employees that occurred during the test period and within one year after the end of the test period; include related adjustments to payroll taxes.	Yes		Deborah Blair
66	Accounting adjustments are made to eliminate or add expenses to accurately state the Test Year.	Yes		Deborah Blair
67	Eliminate expenses associated with the Mountain West regional transmission group.	No	Yes	Connie Paoletti
68	Include 2019 level of Transmission and Distribution O&M associated with Wildfire Mitigation.	No	Yes	Connie Paoletti and Chad Nickell
69	Eliminate the amortization of vegetation management costs associated with the Mountain Pine Beetle ("MPB") trees approved by the Commission in Proceeding No. 14AL-0660E that expires December 31, 2017.	No - the amortization of MBP expired at the end of 2017		Deborah Blair
70	Include the Advanced Grid Intelligence System ("AGIS") O&M expenses.	No	Yes - Included through 2019	Chad Nickell and Dave Harkness
71	Include an adjustment to Distribution O&M expenses for additional revenue for the changes to the Charges for Rendering Services tariff.	Yes		Michelle Applegate
72	Eliminate the Distribution O&M expenses associated with the sale of street lights to the City of Golden.	No	Yes	Deborah Blair
73	Eliminate the incremental Distribution O&M expenses associated with the Mutual Aid to Puerto Rico.	No	Yes	Chad Nickell
74	Include customer deposit interest as an adjustment to Customer Operations expense.	Yes		Deborah Blair
75	Exclude Demand Side Management costs from base rates at the level of $89,263,631 as set in Proceeding No. 09AL-299E.	Yes		Deborah Blair
76	Eliminate program administration costs recovered through the Renewable*Connect charge.	No	Yes	Deborah Blair
77	Eliminate advertising expenses related to marketing, promotion, community relations, image, and political ads.	Yes		Deborah Blair
78	Include safety, conservation and customer program related advertising costs in the cost of service.	Yes		Deborah Blair
79	All lobbying expenses and donations booked in FERC Account 426 are not included in the cost of service.	Yes		Deborah Blair
80	Included an adjustment to eliminate the expenses associated with the long-term portion of the officers' incentive compensation, net of portion attributable to environmental goals.	Yes	Yes - Requesting Time Based incentives	Michael Knoll
81	Include annual incentive pay capped at 15 percent of base pay levels.	No - Met requirement in 2017 Rate Case	Yes - Included AIP at target	Brooke Trammell and Mike Knoll
82	Eliminate discretionary pay.	Yes		Deborah Blair
83	Eliminate employee expenses not in compliance with corporate travel guidelines.	Yes		Deborah Blair
84	Eliminate the lease expense associated with the dark fiber assets.	No - Assets transferred and lease ended in 2017		Deborah Blair
85	Eliminate a portion of the expenses associated with the corporate aircraft.	Yes		Deborah Blair
86	Eliminate A&G and Distribution O&M expenses associated with work on the City of Boulder municipalization and separation.	No	Yes	Deborah Blair and Adam Dietenberger
87	Include additional shared asset costs associated with AGIS that will be charged to other Operating Companies for use of these assets booked in FERC Account 922.	No	Yes	Chad Nickell and Laurie Wold
88	Include an adjustment to pension and benefit and workers' compensation expense to reflect the level in 2019 based on the most recent actuarial study.	Yes		Richard Schrubbe
89	Adjust active healthcare expense for claims incurred-but-not-reported	Yes		Richard Schrubbe
90	Adjust retiree medical expenses to eliminate the negative expense and reduce the regulatory asset in rate base.	No	Yes	Richard Schrubbe
91	Eliminate the portion of pension expense relating to employee compensation for AIP above the Company's target incentive compensation.	No - Met requirement in 2017 Rate Case		Brooke Trammell

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Line No.	Description	Previously Established Principals & Adjustments	New Proposed Principals & Adjustments	Witness Supporting Adjustment
92	Eliminate termination benefits for executive officer's recorded in compliance with SFAS 88.	No - Not applicable to 2018 HTY		Richard Schrubbe
93	Include the amortization of the Legacy Pre-Paid Pension balance net of the associated ADIT at December 31, 2014.	No - Amortization ended in July 2019		Richard Schrubbe
94	Eliminate the pension expenses that were deferred in 2018 above the level of pension expenses from the prior electric rate case, Proceeding No. 14AL-0660E.	No	Yes	Deborah Blair
95	Include an adjustment to regulatory commission expense to reflect the level of CPUC annual regulatory fees based on one year following the test year.	Yes		Deborah Blair
96	Include an amortization of rate case expense to recover the incremental costs of current electric rate case.	Yes		Michelle Applegate
97	Eliminate amortization of rate cases expenses from prior electric rate case, Proceeding No. 14AL-0660E.	No - Amortization ended December 2017		Deborah Blair
98	Cost allocation between regulated and non-regulated business activities is based on the Cost Allocation and Assignment Manual.	Yes		Melissa Schmidt
	Depreciation and Amortization Expense			
99	Depreciation expense is based on the depreciation and amortization rates approved in Proceeding No. 16A-0231E.	No	Yes	Laurie Wold
100	Include adjustments to depreciation expense to correspond with adjustments made to plant .	Yes		Deborah Blair
101	Include amortization of Pre-Funded AFUDC associated with Comanche 3 and TCA CWIP included in rate base without an AFUDC offset to earnings.	Yes		Deborah Blair
102	Include amortization of Excess AFUDC associated with CACJA projects.	Yes		Deborah Blair
103	Include amortizations of regulatory assets for retired generating units.	Yes		Laurie Wold
104	Include an adjustment to annualize the depreciation expense at the year-end level.	Yes		Deborah Blair
105	Include 2019 level of Depreciation expense associated with 2019 plant additions expected to be in-service before January 1, 2020.	No	Yes	Laurie Wold
106	Include the amortization of property taxes deferred above the level of expense from the last electric rate case, Proceeding No. 14AL-0660E, through December 31, 2018.	No	Yes	Deborah Blair
107	Include the amortization of qualified and non-qualified pension expenses deferred above the level of expense from the last electric rate case, Proceeding No. 14AL-0660E, through December 31, 2018.	No	Yes	Deborah Blair
108	Include the amortization of the Innovative Clean Technology ("ICT") capital and O&M expenses deferred through December 31, 2018.	No	Yes	Deborah Blair and Jack Ihle
109	Include the amortization of Colorado Use Tax liability applicable to purchases for the period 2014 through 2017.	No	Yes	Naomi Koch
110	Include the amortization of the gain on sale of depreciable property.	No	Yes	Brooke Trammell
111	Include an amortization of the costs associated with the AGIS CPCN projects deferred through December 31, 2018.	No	Yes	Deborah Blair
	Taxes Other Than Income Taxes			
112	Include known changes to property taxes that are expected one year following the end of the test period.	Yes		Naomi Koch
113	Adjust property taxes allocated to the electric department based on the plant balances from the prior calendar year.	Yes		Deborah Blair
114	Include amortization of property taxes deferred through December 31, 2019.	Yes		Deborah Blair
115	Eliminate the amortization of property taxes incurred in 2012, 2013 and 2014, as approved by the Commission in Proceeding No. 14AL-0660E, that will end effective December 31, 2017.	Yes		Deborah Blair
116	Enterprise Zone Investment Tax Credits that were previously a tax credit in the income tax calculation are now recorded as a credit in FERC Account 408, Taxes Other Than Income Taxes	No	Yes	Naomi Koch
117	Include an adjustment to payroll taxes for any adjustment to test period employee labor costs.	Yes		Deborah Blair

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	Income Taxes			
118	Current Federal and State income taxes are calculated as follows: taxable income less synchronized interest expense, taxable additions/deductions are added, and permanent tax differences are added, then state and federal income tax rates are applied.	Yes		Deborah Blair
119	Federal Income Tax Rate reflects current rate.	Yes	Yes, the Federal Income Tax Rate is 21% effective January 1, 2018	Naomi Koch
120	State Income Tax Rate is a composite of Colorado and California state income taxes	No, only reflected Colorado state income tax rate	Yes	Naomi Koch
121	Deferred income tax expense, income tax credits and the amortization of investment tax credits are added to the cost of service.	Yes		Deborah Blair
122	Adjustments to current and deferred taxes are made to correspond with adjustments made to plant.	Yes		Deborah Blair
123	Included deferred taxes associated with interest on CWIP.	Yes		Deborah Blair
124	Adjustments to current and deferred taxes are made to eliminate items not included in the cost of service.	Yes		Deborah Blair
125	Adjustments to current and deferred taxes are made to reflect the new depreciation rates.	Yes		Laurie Wold
126	Include adjustments to income taxes and deferred income taxes if the Company is in a NOL tax position.	Yes	Yes - 2018 HTY is not in a NOL tax position	Deborah Blair
127	Include one year amortization of the excess/deficient ADIT due to TCJA.	No	Yes	Laurie Wold and Naomi Koch
128	Income tax expenses are reduced for the Manufacturing Production Tax deduction.	No - repealed with the TCJA		Naomi Koch
129	Federal Production Tax Credits are eliminated from the income tax calculation, as these are recovered through the ECA.	Yes		Deborah Blair
	Gain on the Sale of Property & AFUDC Offset to Earnings			
130	Include any gain on the disposition of emission credits (SO_2 allowances) due to the Department of Energy auction.	Yes		Deborah Blair
131	Gain or loss on the sale of land is shared between the Company and customers.	No	Yes	Brooke Trammell
132	Eliminate the amortization of the gain on the sale of steel rail cars, net of actual one-time costs, approved by the Commission in Proceeding No. 06S-234EG that expires December 31, 2016.	No - Amortization expired at the end of 2016		Deborah Blair
133	Include an offsetting adjustment to earnings for AFUDC.	No		Deborah Blair
134	AFUDC addition to earnings is based on actual test-period expenses and is not annualized, if rate base is calculated using a 13-month average; if rate base is calculated using a year-end balance, AFUDC addition to earnings is annualized at the year-end level.	No		Deborah Blair
	Capital Structure			
135	The capital structure is based on actual book year-end balances .	No	Proposing to use March 31, 2019 capital structure	Sarah Soong
136	Eliminate Notes Payable/Notes Receivable with subsidiaries from debt component in capital structure.	Yes		Sarah Soong
137	Eliminate investment in subsidiaries, subsidiary retained earnings, net non-utility plant, other investments, other funds and other comprehensive income from the equity component in capital structure.	Yes		Sarah Soong
138	The cost of debt is the actual costs and corresponds with the debt balances in the capital structure, and includes bond premiums or discounts, underwriting expenses, and other expenses of issue, and amortization of the long-term credit facility.	Yes		Sarah Soong
139	The cost of debt is calculated by dividing the debt costs by the gross debt balance, which is known as the "par value" method	Yes		Sarah Soong
	Jurisdictional Allocators and Direct Assignments			
140	All cost of service line items are allocated to the retail jurisdiction based on either a fundamental allocator or a derived allocator. The fundamental allocators are either demand or energy related. The demand fundamental allocation factors are calculated based on the calendar year 12 Coincident-Peak method.	Yes		Deborah Blair

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141	Direct assignment of any cost of service item to either retail or the wholesale jurisdiction is identified.	Yes		Deborah Blair
142	Direct assignments are made to wholesale jurisdiction for: a) distribution substations and meters in gross plant; and, b) customer billing and customer assistance expenses.	Yes		Deborah Blair
143	Direct assignments are made to retail jurisdiction for distribution substations.	Yes		Deborah Blair
144	SmartGridCity is directly assigned to electric retail, e.g., Plant, Accumulated Reserve for Depreciation, ADIT, Depreciation Expense.	Yes		Deborah Blair
145	AGIS is directly assigned to electric retail, e.g., Plant, Accumulated Reserve for Depreciation, ADIT, Depreciation Expense.	Yes		Deborah Blair
146	Customer Resource System ("CRS") is directly assigned to electric retail, e.g., Plant, Accumulated Reserve for Depreciation, ADIT, Depreciation Expense.	Yes		Deborah Blair
147	Rent expense in FERC Account 930.1 has been analyzed to determine direct assignments to retail or allocated based on labor.	Yes		Deborah Blair
148	Directly assign Transmission fees and Industry Association Dues to electric retail jurisdiction.	Yes		Deborah Blair