

1 A. The XES legal expenses allocated to SPS are primarily related to labor and employment  
2 law, rates and regulation, environmental matters, and real estate and contracts. However,  
3 other than mere generalities, SPS witness Mr. Connelly has not provided any specific  
4 information regarding the applicability of work order 170 expenses to SPS's retail utility  
5 operations. Therefore, the company has not met its burden of proof that these legal  
6 expenses are reasonable and necessary. Additionally, both the corporate governance and  
7 non-corporate governance legal expenses are allocated to the Xcel subsidiaries based on  
8 the three factor formula.<sup>29</sup> Mr. Connelly does not explain how real estate and contract  
9 legal expenses are related to the number of employees, or how labor and employment law  
10 expenses are related to a subsidiary's assets and revenues. As a result, I recommend that  
11 50% of the work order 170 legal expenses be disallowed. My disallowance  
12 recommendation is very conservative given the complete lack of evidence supporting the  
13 reasonableness and necessity of the allocated legal costs. The recommended disallowance  
14 is \$279,434, which also includes a 50% disallowance to the Company's pro forma cost  
15 increase for this work order.

16 **Q. PLEASE EXPLAIN THE PURPOSE OF WORK ORDERS 196, 429, 431, 535, 541**  
17 **AND 542.**

18 A. These work orders are used to capture the labor and non-labor costs associated with  
19 Xcel's regulated trading and marketing functions conducted in the wholesale electric  
20 supply markets. Although SPS's Texas retail markets would be expected to benefit from  
21 wholesale market trading operations at times, SPS has provided no evidence that the

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<sup>29</sup> Corporate governance (work order 171) legal expense adjustments are incorporated in my Schedule CAS-10.

1 allocators used to distribute these costs are indicative of the costs incurred by and benefits  
2 received by retail ratepayers. The regulated trading costs incurred under work order 429  
3 are allocated to the subsidiaries in proportion to Mwh hours sold by each subsidiary.  
4 There is absolutely no relationship between SPS's total annual Mwh production and the  
5 corporation's wholesale market trading activities. The company conducts energy sales  
6 and purchases in the wholesale markets based on the amount of excess generation  
7 available on its system, hourly generation costs, as well as customer power demands. It  
8 does not conduct wholesale sales based on its share of the total Xcel system Mwh energy  
9 production.

10 Work order 431 includes additional budgeting, financial analysis and planning  
11 costs associated with Xcel's energy trading and marketing operations. The work order  
12 431 costs are allocated to the subsidiaries based on the three factor allocator. Work order  
13 196 is incurred for operating company employees working on trading, and is allocated  
14 based on the number of employees. Work order 196, 429 and 431 cost allocations to SPS  
15 should be disallowed for several reasons. For one, the company has not provided any  
16 evidence that Xcel's energy trading and marketing operations benefit Texas retail  
17 ratepayers in accordance with the Docket Nos. 29801 and 32766 stipulations. The  
18 company states in response to AXM RFI No. 15-8 that 90% of the margins earned for  
19 non-proprietary trading transactions flow back to ratepayers. Additionally, 40% of the  
20 proprietary trading margins are shared with ratepayers after a \$400,000 expense  
21 deduction. XES has charged SPS over \$3.359 million for both the direct and indirect

1 costs associated with the general and proprietary trading activities,<sup>30</sup> and the company  
2 does not explain how or whether these expenses have been considered in calculating  
3 either the general trading margins or proprietary margins.

4 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE ENERGY**  
5 **TRADING WORK ORDERS?**

6 A. I recommend that 100% of these costs be disallowed. The company has provided no  
7 evidence that XES wholesale trading activities benefit ratepayers in proportion to the  
8 allocators used to distribute the trading expenses. The company has not explained how  
9 the indirect (and direct) costs have been considered in the calculating of the ratepayer  
10 sharing mechanism. The total disallowed amounts are \$1,474,190. This disallowance  
11 includes work orders 535, 541 and 542, which are IT costs associated with the company's  
12 trading operations.

13 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR ENERGY SUPPLY ASSET**  
14 **MANAGEMENT COSTS.**

15 A. The costs incurred under the Energy Supply and Asset Management work order were  
16 primarily related to a 2004 lawsuit filed against Xcel Energy alleging that the operating  
17 companies have contributed to climate change through the discharge of greenhouse  
18 gases.<sup>31</sup> This lawsuit was dismissed by the U.S. District Court in 2005. However, the  
19 plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit, which in June  
20 2007 required the parties to file a ten page letter brief addressing a specific issue.  
21 According to information provided in SPS's response to OPUC RFI No. 4-3, XES

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<sup>30</sup> I will discuss the trading margin direct costs in the next section of my testimony.

<sup>31</sup> See SPS response to OPUC RFI No. 13-7. The RFI response states that a "majority" of the Energy Supply and Asset Management expenses were associated with the environmental lawsuit.

1 incurred over \$623,465 in the test year related to this lawsuit. This is an extraordinary  
2 charge for the amount of work performed in 2007.<sup>32</sup> Ostensibly, the only activity by XES  
3 (or its legal consultants) in the test year was related to the 2007 Letter Brief, and perhaps  
4 a letter filed in September.<sup>33</sup> Thus, the work order 430 expenses are unreasonable, and  
5 SPS's allocation for these work order expenses should not be recovered from ratepayers.  
6 Additionally, in the unlikely event that XES's 2007 lawsuit expenses could be justified,  
7 SPS has not provided any evidence that the expenses will be recurring. I recommend that  
8 the entire requested \$109,800 of SPS allocated work order 430 costs be disallowed.

#### 9 4. XES DIRECT CHARGED COSTS

10 **Q. PLEASE EXPLAIN YOUR ADJUSTMENTS FOR SPS TEST YEAR EXPENSES**  
11 **THAT WERE DIRECTLY CHARGED FROM XES.**

12 **A.** In addition to XES allocated three digit work orders, I have made several disallowances  
13 to the six and eight digit work orders. The reasons for the disallowances are varied.  
14 Several of the disallowed costs are not relevant to the SPS's Texas retail operations, and  
15 other costs are not recoverable under PURA. SPS also requests direct charges for several  
16 non-recurring expenses, and for expenses that are not reasonable and necessary. I discuss  
17 my direct charge disallowance recommendations below.

18 **Q. PLEASE EXPLAIN THE DIRECT COST DISALLOWANCE FOR DIRECT**  
19 **EXPENSES THAT ARE NOT APPLICABLE TO SPS'S TEXAS OPERATIONS.**

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<sup>32</sup> U.S. Court of Appeals for the Second Circuit, Docket No. 05-5104-CV, *State of Connecticut, et. al. v. American Electric Power Company, Inc., et. al.* My conclusion regarding docket activity for this appeal is based on my review of the court's docket activity report of this cause. Notably, the 2007 Letter Brief and the September letter were filed jointly on behalf of the utility company appellees, including Xcel.

<sup>33</sup> Full briefing of the issues and oral arguments were conducted in late 2005 and early 2006.

1 A. SPS has requested recovery of several costs that are for the sole benefit of the company's  
2 other regulatory jurisdictions, including New Mexico, Kansas and Oklahoma. SPS's  
3 Kansas and Oklahoma operations were divested in 2007, and ratepayers should not be  
4 required to pay for any costs associated with the divested operations. SPS has also  
5 charged Texas ratepayers for transmission, governmental affairs, customer care and  
6 regulatory costs associated with its New Mexico operations. Texas ratepayers should not  
7 be required to subsidize New Mexico utility operations. The disallowed direct costs are  
8 shown in Schedule CAS-14, page 1. The total disallowance is \$612,058.

9 **Q. PLEASE EXPLAIN YOUR DISALLOWANCE FOR DIRECT LOBBYING,**  
10 **GOVERNMENTAL AFFAIRS AND XCEL FOUNDATION COSTS.**

11 A. During the test year, XES direct charged SPS \$353,881 for governmental affairs  
12 expenses, \$12,912 for expenses related to the Xcel Foundation, and \$34,512 for lobbying  
13 expenses. Lobbying expenses are not recoverable under PURA, and I have testified  
14 regarding the problems associated with governmental affairs expenses in Section III. B of  
15 my testimony. I have also previously discussed the Xcel Energy Foundation costs, which  
16 the Company allegedly removed from its cost of service request. The total disallowance  
17 recommendation for this group of direct charges is \$381,740. The work order  
18 disallowances are show in Schedule CAS-14, p. 2.

19 **Q. PLEASE EXPLAIN YOUR DISALLOWANCES FOR DIRECT CHARGED**  
20 **LEGAL EXPENSES.**

21 A. SPS is asking to recover relatively small amounts of money for legal costs associated  
22 with divesting its Kansas and Oklahoma operations (TW04), as well as in-house legal

1 costs associated with certain litigation matters for which the company expects  
2 reimbursement from its insurance providers.<sup>34</sup> As I have discussed previously, Texas  
3 ratepayers should not be required to pay SPS's or Xcel's divestment expenses.  
4 Additionally, the expenses associated with the Kansas and Oklahoma sale are  
5 nonrecurring, and therefore should not be recovered from ratepayers. For the in-house  
6 legal costs, the company has not provided any evidence that these costs are reasonable  
7 and necessary. For example, it is not known if SPS was at fault for the legal claims. If  
8 the company was at fault, ratepayers should not be required to pay for the company's  
9 imprudent actions. Additionally, if SPS is expecting to be reimbursed by its insurance  
10 provider for any claims made against the company, then the company should utilize the  
11 settlement proceeds to cover the in-house legal expenses. The total amount of disallowed  
12 direct charged legal expenses is \$12,251.00. The disallowed legal costs are shown in  
13 Schedule CAS-14, p. 3.

14 **Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO DIRECT CHARGED**  
15 **REGULATORY AFFAIRS COSTS.**

16 A. Several of the regulatory affairs work orders were incurred for rate case expenses that do  
17 not benefit Texas retail customers. The Section 205 and Section 206 cases involve issues  
18 concerning Golden Spread Cooperative, which is one of SPS's major wholesale  
19 customers. Wholesale customer regulatory expenses should not be charged to the retail  
20 ratepayers.<sup>35</sup> The FERC transmission cases involve issues related to SPS's OATT  
21 wholesale transmission and ancillary service tariffs, which again should not be charged to

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<sup>34</sup> See SPS Response to OPUC RFI No. 3-9.

<sup>35</sup> See SPS Response to OPUC RFI No. 1-5.

1 retail ratepayers.<sup>36</sup> Finally, SPS has charged retail ratepayers for several very old (2001-  
2 2004) fuel factor and fuel reconciliation case expenses.<sup>37</sup> These dockets were closed  
3 before the company's 2007 test year, and ratepayers should not be required to  
4 retroactively pay for these expenses. The total amount disallowed for direct charged  
5 regulatory affairs costs is \$3,018,443. The disallowed direct charged work orders are  
6 shown in Schedule CAS-14, p. 4.

7 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR DIRECT CHARGED CREDIT**  
8 **AND COLLECTION COSTS.**

9 A. Company witness Mr. Floyd states that during 2007, the credit and collection activities  
10 that XES performed for SPS were transferred to SPS, and the costs will be recovered as a  
11 native SPS cost.<sup>38</sup> Therefore, because these costs are considered to be native expenses,  
12 the XES test year direct charges to SPS for credit and collections are nonrecurring and  
13 must be removed from SPS's affiliate expense request. I have disallowed \$123,658 of  
14 test year credit and collection costs. These disallowances are shown in Schedule CAS-  
15 14, p. 5.

16 **Q. PLEASE EXPLAIN YOUR ADJUSTMENTS FOR DIRECT CHARGED**  
17 **TRADING AND HEDGING COSTS?**

18 A. I have discussed the issues related to Xcel Energy's trading activities and trading  
19 expenses in the previous section of my testimony. In addition to the indirect trading  
20 expenses, SPS is also requesting \$1.829 million of direct trading charges from XES. As I  
21 stated previously, the company does not provide any evidence that XES allocated trading

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<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

<sup>38</sup> See SPS's Response to OPUC RFI No. 3-6.

1 expenses have been properly account for in the trading margin calculations.<sup>39</sup> Likewise,  
2 there is no evidence that the direct charged expenses have been properly account for. The  
3 direct charged expenses are shown in Schedule CAS-14, p. 6. I recommend the entire  
4 \$1,829,929 of directly charged trading costs be disallowed.

5 **Q. PLEASE EXPLAIN YOUR RECOMMENDED DISALLOWANCES IN THE**  
6 **MISCELLANEOUS CATEGORY.**

7 A. The miscellaneous expenses are exhibited on page 7 of Schedule CAS-14. The work  
8 order 10592056 expenses were incurred on behalf of an SPS wholesale customer  
9 (WTMPA), and therefore should not be charged to retail ratepayers. Likewise, the work  
10 order 351280 expenses are related to FERC jurisdictional wholesale power supply  
11 activities, and should not be covered from retail ratepayers<sup>40</sup>. Work order 498704  
12 expenses were incurred for market research related to customer perspectives about Xcel  
13 Energy within SPS.<sup>41</sup> The purpose of this research was partially related to promoting  
14 customer "brand awareness" of Xcel Energy, and will be used to promote the company's  
15 public image. Therefore, I recommend disallowance of the work order 498704 expenses  
16 on the basis that corporate branding and corporate public image expenses should not be  
17 charged to ratepayers. In the case of work order 999223, these expenses were incurred  
18 for an audit of Texas sales and use tax for 2001-2007. The study was done by Ryan and  
19 Company, the amount of tax refund received was \$37,636, and this tax refund was not  
20 passed through to Texas retail ratepayers.<sup>42</sup> The Company cannot quantify any

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<sup>39</sup> See SPS Response to AXM RFI No. 15-7, OPUC RFI Nos. 15-9, 15-10, and 15-11.

<sup>40</sup> See SPS Response to OPUC RFI No. 13-2.

<sup>41</sup> See SPS Responses to OPUC RFI Nos. 2-4 and 2-1 (CD).

<sup>42</sup> See SPS Response to OPUC RFI Nos. 1-2 and 6-26, AXM RFI No. 25-5, and OPUC RFI No. 17-2.



1 ratepayers benefits received from this audit, other than a “supposition” that test year sales  
2 and use tax expenses might be lower than what would otherwise be incurred. The Ryan  
3 and Company audit expenses are also non-recurring. There is no reason Texas ratepayers  
4 should pay for the sales and use tax audits for the 2001-2006 period when ratepayers  
5 received no measurable benefits from the audit. I recommend that the entire \$882,000 of  
6 audit expenses be disallowed.

7 Work orders 351030 and 351035 were incurred for the benefit of SPS’s wholesale  
8 customers, and should not be charged to retail ratepayers. Work order 351030 provides  
9 customer assistance to long-term wholesale customers, and work order 351035 expenses  
10 were incurred to develop and negotiate sales contracts with wholesale customers.<sup>43</sup>

11 **Q. DO THE DISALLOWED EXPENSES SHOWN IN SCHEDULE CAS-14, PAGES**  
12 **1-7, INCLUDE ANY PRO FORMA ADJUSTMENTS?**

13 **A.** No. The expenses shown are test year billed expenses, and do not include any pro-forma  
14 adjustments. The company did provide pro forma amounts for some of Schedule CAS-14  
15 work orders, but this information was only provided on a specific RFI basis. To avoid  
16 confusion, I utilized the test year requested amounts in my Schedule CAS-14  
17 adjustments. If the Commission accepts any or all of my disallowed direct charged costs,  
18 the Company should be required to provide test year requested amounts for all disallowed  
19 items.

20 **Q. WHAT ARE YOUR TOTAL RECOMMENDED DISALLOWANCE FOR SPS’S**  
21 **AFFILIATE EXPENSES?**

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<sup>43</sup> See SPS Response to OPUC RFI Nos. 2-11 and 2-12.

1 A. My recommended disallowance total for indirect costs is \$8,051,785.58. The  
2 recommended disallowance total for direct costs is \$8,134,635. The total disallowance  
3 recommendation for affiliate expenses is \$16,186,420. My recommended affiliate  
4 expense disallowances are summarized in Schedule CAS-15.

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 A. Yes it does.

## **APPENDIX A**

## EDUCATIONAL AND EMPLOYMENT HISTORY

CAROL A. SZERSZEN

### EDUCATION

Ph.D., Economics, 1979 University of Illinois (Urbana)

Ph.D. Fields: Labor Economics  
Public Finance  
Industrial Organization

M.S., Economics, 1975 University of Illinois (Urbana)

B.U.P., Urban Planning University of Illinois (Urbana)

### EMPLOYMENT HISTORY

Economist  
Office of Public Utility Counsel  
State of Texas  
January 1984 - present

Utility Specialist  
Iowa State Commerce Commission  
State of Iowa  
October 1981 - January 1984

Research Associate  
American Medical Association  
Health Care Research and Policy  
August 1980 - June 1981

Assistant Professor  
Introductory Economics and Transportation Regulation  
University of Wisconsin  
August 1979 - August 1980

Instructor  
Introductory Economics  
Illinois State University  
August 1978 - 1979

Research Grant  
University of Illinois Research Board  
Fall 1977 - August 1978

Teaching Assistant  
Introductory Economics  
University of Illinois  
Fall 1974 - Spring 1977

Testimony presented before the Iowa State Commerce Commission:

<u>Style</u>	<u>Subject</u>
RPU 83-24 Iowa Power & Light	Cost of Capital
RPU 82-12 Iowa Power & Light	Cost of Capital
RPU 82-49 Northwestern Bell	Labor Costs
RPU 83-14 Union Electric	Cost of Capital
RPU 84-7 Northwestern Bell	Labor Costs
Independent Commission Studies:	
INU 82-3	Iowa Utility Executive Compensation
INU 82-1	Northwestern Bell Salary and Wages

Testimony presented before the Texas Railroad Commission:

No. 5207 Lone Star Gas Company	Cost of Capital and Financial Integrity
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Testimony presented before the Federal Energy Regulatory Commission:

EC94-7-000 & EC94-7-898-000 El Paso Electric Company and Central and South West Services, Inc.	Merger Savings
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Testimony presented before the Texas Public Utility Commission:

No. 5560 Gulf States Utilities Company	Cost of Capital and Financial Integrity
No. 5640 Texas Utilities Electric Co.	Same as above
No. 5779 Houston Lighting & Power Company	Same as above
No. 6027 Lower Colorado River Authority	Same as above
No. 6200 Southwestern Bell Telephone Co.	Same as above
No. 6375 Central Power and Light Company	Same as above
No. 6525 Gulf States Utilities Company	Same as above
No. 6588 Southwestern Bell Telephone Co.	Declassification of Confidential Documents
Nos. 6765 and 6766 Houston Lighting & Power Company	Cost of Capital and Financial Integrity Executive Bonus Plan
Nos. 7195 and 6755 Gulf States Utilities Company	Interim Rate Relief
Nos. 7195 and 6755 Gulf States Utilities Company	Cost of Capital and Financial Integrity

No. 7289 West Texas Utilities Company	Deferral Accounting
No. 7375 Houston Lighting & Power Company	Deferral Accounting
No. 7510 West Texas Utilities Company	Cost of Capital and Financial Integrity
No. 8032 Lower Colorado River Authority	Debt Service Coverage Requirements
No. 7790 AT&T Communications	Determination of Market Dominance in Texas Inter-exchange Telecommunication Market
No. 8095 Texas-New Mexico Power Company	Cost of Capital
No. 7560 Central Power and Light Company	Deferral Accounting
No. 5610 GTE Southwest Incorporated	Cost of Capital
No. 8230 Houston Lighting & Power Company	Deferral Accounting
No. 8218 Inquiry of the General Counsel Into the WATS Prorate Credit	Effect of the WATS Prorate Elimination
No. 8363 El Paso Electric Company	Cost of Capital Diversification Program
No. 8425 Houston Lighting & Power Company	Cost of Capital Diversification, Economic Development Program and ERS Tariff
No. 8646 Central Power and Light Company	Cost of Capital Economic Development Tariff

No. 8928 Texas-New Mexico Power Company Nos. 8585 and 8218 Southwestern Bell Telephone Co.	Cost of Capital  Cost of Capital and Incentive Regulation Proposed Stipulation
Nos. 8892, 9069, 9165 El Paso Electric Company	Deferral Accounting
No. 9300 Texas Utilities Electric Co.	Cost of Capital
No. 9561 Central Power and Light Company	Cost of Capital
No. 9850 Houston Lighting & Power Company	Cost of Capital
No. 9945 El Paso Electric Company	Cost of Capital and Rate Moderation
No. 9981 Central Telephone Company	Cost of Capital
No. 10200 Texas-New Mexico Power Company	Cost of Capital
No. 11229 West Texas Utilities Company	Economic Development Tariff
No. 11371 Central Power & Light Company	Economic Development Tariff
No. 11292 Entergy Corporation and Gulf States Utilities Company	Merger-Related Acquisition Adjustment and Amortization Plan
No. 11735 Texas Utilities Electric Company	Cost of Capital Affiliate Transactions Purchased Power Risk
No. 11892 General Counsel Original Petition for Generic Proceeding	Purchased Power Risk



Regarding Purchased Power  
No. 11999  
Houston Lighting & Power Company

Economic Development Tariff

No. 12700  
El Paso Electric Company

Post-Bankruptcy  
Capitalization  
Merger Savings  
Investor Losses  
Lease Rejection Damages

No. 12957  
Houston Lighting & Power Company

Load Retention Customer  
Specific Pricing Tariff

No. 12820  
Central Power and Light Company

Cost of Capital  
Affiliate Transactions  
Economic Development Tariff

No. 12065  
Houston Lighting & Power Company

Cost of Capital  
Affiliate Transactions

No. 13943  
Gulf Coast Power Connect

Transmission Line CCN

No. 13369  
West Texas Utilities Company

Cost of Capital  
Affiliate Transactions  
Deferred Accounting

No. 14965  
Central Power and Light Company

Cost of Capital  
Affiliate Transactions  
Deferred Accounting  
Competitive Issues  
Remand

No. 14980  
Southwestern Public Service Company

Merger Savings Analysis

No. 16800  
Sprint Communications Company, L.P.

COA Application

No. 16705  
Entergy Gulf States

Cost of Capital  
Affiliate Transactions  
Competitive Issues

No. 17751 Texas-New Mexico Power Company	Cost of Equity Competitive Transition Plan
No. 21527 TXU Electric Company	Securitization
No. 21528 Central Power and Light Company	Securitization
No. 21953 Central Power and Light, West Texas Utilities and Southwest Electric Power Company	Business Separation Plan
No. 21956 Reliant Energy, Incorporated	Business Separation Plan
No. 22350 TXU Electric Company	Transmission and Distribution Affiliate Transactions
No. 22352 Central Power & Light	Transmission and Distribution Affiliate Transactions
No. 22353 Southwestern Electric Power Company	Transmission and Distribution Affiliate Transactions
No. 22354 West Texas Utilities	Transmission and Distribution Affiliate Transactions
No. 22356 Entergy Gulf States	Code of Conduct
No. 24040 TXU Electric Company	Price-to-Beat Fuel Factor
No. 25931 Texas-New Mexico Power Company	EWG Status for TNMP One
No. 26186 Southwestern Public Service Company	Fuel Reconciliation
No. 28045 Southwestern Electric Power Company	Fuel Reconciliation

No. 28840 AEP Texas Central Company	Cost of Capital Affiliate Expenses
No. 29526 CenterPoint Energy and Texas Genco, LP	Stranded Cost Calculation
No. 29206 Texas-New Mexico Power Company, First Choice Power, Inc. and Texas Generating Company, LP	Stranded Cost Calculation
No. 28813 Cap Rock Energy Corporation	Cost of Capital
No. 29801 Southwestern Public Service Company	Fuel Reconciliation
No. 30485 CenterPoint Energy Houston Electric, LLC	Securitization Financing Order
No. 30706 CenterPoint Energy Houston Electric, LLC	Competitive Transition Charge
No. 31056 AEP Texas Central Company and CPL Retail Energy, LP	Stranded Cost Calculation
No. 31544 Entergy Gulf States, Inc.	Transition to Competition Costs
No. 31994 Texas-New Mexico Power Company	Competition Transition Charge
No. 32475 AEP Texas Central Company	Securitization Financing Order
No. 32766 Southwestern Public Service Company	Cost of Capital Affiliate Expenses
No. 33309 AEP Texas Central Company	Cost of Capital
No. 33310 AEP Texas North Company	Cost of Capital

No. 33734  
Electric Transmission Texas, LLC

Affiliate Transaction Rule Waivers  
Cost of Equity

No. 34077  
Oncor Electric and Texas Energy  
Future Holdings, Limited

Texas Energy Future Holdings  
Acquisition of TXU Corp.

No. 34800  
Entergy Gulf States, Inc.

Cost of Capital  
Affiliate Transactions

No. 35763  
Southwestern Public Service Company

Cost of Capital  
Affiliate Transactions

## **SCHEDULES**

1

### DERIVATION OF THE STANDARD DCF FORMULA

The standard DCF formula:

$$(1) P_n = \sum_{h=1}^{\infty} \frac{D_h}{(1+k)^h}$$

can be expressed as:

$$(2) P_n = \sum_{h=1}^{\infty} D_h (1+k)^{-h}$$

where  $P_n$  = the current stock price.

Under the assumption of continuously compounded receipts, the present value of the stream of payments can be found by using integral calculus. Thus the present value of the stream of receipts in (2) can be given as the integral.

$$(3) P_n = \int_{h=0}^{\infty} D_h e^{-kh} dh$$

Dividends in period h can be expressed as:

$$D_h = D_0 e^{gh}$$

where  $g$  = the expected growth rate in book value per share and  $D_0$  is the current dividend payment.

Equation (3) can now be expressed as:

$$(4) P_n = \int_{h=0}^{\infty} D_0 e^{gh} e^{-kh} dh$$

Factoring out the constant term  $D_o$  and combining exponents gives us:

$$(5) P_n = D_o \int_{h=0}^{\infty} e^{gh - kh} dh, \text{ or}$$

$$P_n = D_o \int_{h=0}^{\infty} e^{-(k-g)h} dh$$

Integration of equation (5) yields the integral:

$$(6) P_n = \frac{D_o e^{-(k-g)h}}{k-g}$$

Equation (6) evaluated at  $h = \text{zero}$  and  $h = \infty$  yields:

$$(7) P_n = \frac{D_o}{k-g}, \text{ or by rearranging terms}$$

$$(8) k = \frac{D_o}{P_n} + g$$

**DEMONSTRATION THAT EXPECTED BOOK VALUE  
GROWTH IS EQUAL TO EXPECTED DIVIDEND GROWTH**

Let:  $B_t$  = Book value per share at time t

$E_t$  = Earnings per share at time t

$D_t$  = Dividends per share at time t

$r$  = expected earned return

$b$  = expected retention ratio

$g$  = expected growth rate in book value

$E_o$  =  $r B_o$

$D_o$  =  $(1-b) E_o = (1-b)rB_o$

$B_1$  =  $B_o (1+g)$

$E_1$  =  $rB_1$

$D_1$  =  $(1-b)E_1 = (1-b) r B_1 = (1-b)r B_o (1+g) = D_o (1+g)$

$D_1/D_o - 1$  =  $g$

Therefore, the expected dividend growth rate is equal to the expected book value growth rate.



**BOOK VALUE GROWTH WITH  
INCREASING EARNED RETURNS ON EQUITY**

<u>Period</u>	<u>Book Value</u>	<u>r</u>	<u>Earnings</u>	<u>b</u>	<u>Dividend</u>
1	\$100.00	.10	\$ 10.00	.40	\$ 6.00
2	104.00	.10	10.40	.40	6.24
3	108.16	.11	11.90	.40	7.14
4	112.92	.11	12.42	.40	7.45
5	117.89	.12	14.15	.40	8.49
6	123.55	.12	14.83	.40	8.90

Compound growth rate in dividends = 7.89%

Compound growth rate in earnings = 7.88%

Compound growth rate in book value = 4.23%

End of period br = 4.80%

Average br = 4.40%

**BOOK VALUE GROWTH WITH  
INCREASING PAYOUT RATIOS**

<u>Period</u>	<u>Book Value</u>	<u>r</u>	<u>Earnings</u>	<u>b</u>	<u>Dividend</u>
1	\$100.00	.10	\$ 10.00	.40	\$ 6.00
2	104.00	.10	10.40	.40	6.24
3	108.16	.10	10.82	.35	7.03
4	111.95	.10	11.20	.35	7.28
5	115.87	.10	11.59	.30	8.11
6	119.35	.10	11.94	.30	8.36

Compound growth rate in dividends = 6.63%

Compound growth rate in earnings = 3.55%

Compound growth rate in book value = 3.54%

End of period br = 3.00%

Average br = 3.50%

**BOOK VALUE GROWTH WITH INCREASING EARNED  
RETURNS ON BOOK AND INCREASING PAYOUT RATIOS**

<u>Period</u>	<u>Book Value</u>	<u>r</u>	<u>Earnings</u>	<u>b</u>	<u>Dividend</u>
1	\$100.00	.10	\$ 10.00	.400	\$ 6.00
2	104.00	.10	10.40	.400	6.24
3	108.16	.11	11.90	.364	7.57
4	112.49	.11	12.37	.364	7.88
5	116.98	.12	14.04	.333	9.36
6	121.66	.12	14.60	.333	9.74

Compound growth rate in dividends = 9.69%

Compound growth rate in earnings = 7.57%

Compound growth rate in book value = 3.92%

End of period br = 4.00%

Average br = 4.00%

FINANCIAL DATA FOR COMPARABLE UTILITY COMPANIES

Electric Utility	5 Year Historical Growth in Earnings - %	5 Year Historical Growth in Dividends - %	5 Year Historical Growth in Book Value - %	10 Year Historical Growth in Earnings - %	10 Year Historical Growth in Dividends - %	10 Year Historical Growth in Book Value - %	Projected 5 Year Growth in Earnings - %	Projected 5 Year Growth in Dividends - %	Projected 5 Year Growth in Book Value - %	2008 Dividend Paid Per Share	2009 Projected Dividend Per Share	2008 Earnings Per Share	2009 Projected Earnings Per Share	2008 Book Value	2009 Book Value	2011-13 Projected Dividend Per Share	2011-13 Projected Earnings Per Share	2011-13 Projected Book Value Per Share	Average High/Low Stock Price	2008 Dividend Yield	2009 Dividend Yield	2008 BR Growth Rate	2009 BR Growth Rate	Projected 5 Year BR Growth Rate
Con Ed	0.5	1.0	3.0	0.5	1.0	2.5	1.0	1.0	3.0	2.34	2.36	3.05	3.15	34.20	34.85	2.42	3.30	37.70	43.35	5.40%	5.44%	2.08%	2.27%	2.33%
Dominion Res	3.0	1.5	1.5	4.0	1.0	2.0	12.0	8.0	8.5	1.63	1.80	3.05	3.30	18.40	20.85	2.20	4.00	27.25	43.55	3.74%	4.13%	7.72%	7.19%	6.61%
Duke							4.5	4.5	2.5	0.90	0.94	1.30	1.35	17.20	17.65	1.06	1.50	19.00	18.70	4.81%	5.03%	2.33%	2.32%	2.32%
Exelon	12.5	23.0	4.0				9.0	6.0	9.0	2.02	2.10	4.15	4.30	16.25	17.90	2.40	6.00	24.25	81.05	2.49%	2.59%	13.11%	12.29%	14.86%
FirstEnergy	6.0	4.5	4.5	6.0	2.0	5.5	11.0	8.5	7.5	2.25	2.45	4.35	5.15	31.35	34.05	3.05	6.75	44.25	74.20	3.03%	3.30%	6.70%	7.93%	8.36%
Progress Energy	(4.5)	2.5	3.0		3.0	6.0	5.0	1.0	1.5	2.47	2.49	3.00	3.10	33.05	33.30	2.55	3.40	35.75	44.65	5.53%	5.58%	1.60%	1.83%	2.38%
Scana	4.0	6.5	4.0	3.5	1.0	4.5	4.5	4.0	5.5	1.84	1.92	3.00	3.10	26.60	28.30	2.10	3.50	33.50	38.85	4.74%	4.94%	4.36%	4.17%	4.18%
Alliant							2.5	5.5	6.5	1.72	1.80	2.85	2.95	25.60	27.10	2.00	3.25	32.50	39.95	4.31%	4.51%	4.41%	4.24%	3.85%
Alliant Energy	3.0	(10.5)	0.5	0.5	(5.0)	1.5	6.0	9.0	6.0	1.40	1.53	2.75	2.90	25.75	27.15	1.92	3.30	31.95	38.20	3.66%	4.01%	5.24%	5.05%	4.32%
Entergy	9.5	12.5	3.0	8.5	2.5	3.5	10.0	13.0	8.0	3.20	3.60	6.60	7.20	42.20	48.00	4.80	9.00	62.25	113.45	2.82%	3.17%	8.06%	7.50%	6.75%
Great Plains			4.5	0.5	0.5	1.5	1.0	0.0	1.5	1.66	1.66	1.60	1.70	17.90	17.95	1.66	2.00	18.50	26.45	6.28%	6.28%	-0.34%	0.22%	1.84%
OGE Energy	8.5		5.5	4.0		3.5	4.5	2.5	7.0	1.40	1.43	2.50	2.55	19.70	21.30	1.55	3.00	25.50	33.00	4.24%	4.33%	5.58%	5.26%	5.69%
Otter Tail	0.5	2.0	7.5	3.5	2.5	7.0	4.5	1.5	4.5	1.19	1.21	1.80	1.90	18.30	19.05	1.27	2.25	22.00	36.10	3.30%	3.35%	3.33%	3.62%	4.45%
Vectren	5.5	3.5	4.5				3.5	3.0	3.5	1.31	1.35	1.85	1.95	17.45	18.00	1.47	2.05	19.30	28.15	4.65%	4.80%	3.09%	3.33%	3.01%
Wisconsin Energy	9.0	(1.0)	7.0	5.5	(4.5)	4.0	8.0	9.5	6.5	1.08	1.24	2.80	3.25	27.95	29.65	1.60	4.25	36.00	45.80	2.36%	2.71%	6.15%	6.78%	7.36%
Hawaiian Electric	(3.0)		2.0	(0.5)	0.5	1.5	7.5	1.0	2.5	1.24	1.24	1.10	1.65	15.10	15.40	1.30	2.00	17.00	24.10	5.15%	5.15%	-0.93%	2.66%	4.12%
MDU Resources	14.0	5.5	11.5	13.5	5.0	12.5	7.0	6.5	9.5	0.60	0.64	2.00	2.05	14.90	16.25	0.76	2.50	21.00	29.20	2.05%	2.19%	9.40%	8.68%	8.29%
PG&E Corp.			16.5	1.5	(3.0)		5.0	9.0	5.5	1.56	1.68	2.95	3.20	24.10	25.70	2.04	3.50	28.95	41.00	3.80%	4.10%	5.77%	5.91%	5.04%
Portland General							7.0		4.5	0.97	1.01	1.80	2.00	21.90	23.05	1.20	2.25	26.00	24.80	3.91%	4.07%	3.79%	4.30%	4.04%
Sempra Energy	10.0	3.5	16.5	7.0	(2.5)	7.5	6.00	9.0	8.0	1.37	1.60	3.75	4.40	32.80	33.70	2.00	5.75	44.25	55.80	2.46%	2.87%	7.26%	8.31%	8.47%
Xcel Energy	(2.0)	(8.5)	(1.5)	(3.5)	(4.5)	(1.0)	7.5	3.0	4.5	0.94	0.97	1.50	1.55	15.25	15.90	1.06	2.00	18.50	21.15	4.44%	4.59%	3.67%	3.65%	5.08%
AVERAGE	4.78	3.29	5.42	3.63	(0.03)	4.13	6.05	5.28	5.50	1.58	1.668	2.750	2.986	23.62	25.00	1.924	3.598	29.781		3.961%	4.149%	4.876%	5.120%	5.40%

**SPOT DIVIDEND YIELDS FOR  
COMPARABLE UTILITY COMPANIES  
OCTOBER 3, 2008**

**Schedule CAS-5  
Page 1 of 1**

<b>Electric Utility</b>	<b>2009 Projected Dividend Per Share</b>	<b>October 3 Price</b>	<b>Dividend Yield</b>
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Con Ed	2.36	43.16	5.47%
Dominion Res	1.80	41.88	4.30%
Duke	0.94	17.36	5.41%
Exelon	2.10	60.19	3.49%
FirstEnergy	2.45	61.01	4.02%
Progress Energy	2.49	44.48	5.60%
Scana	1.92	37.52	5.12%
Allete	1.80	43.03	4.18%
Alliant Energy	1.53	31.08	4.92%
Entergy	3.60	86.65	4.15%
Great Plains	1.66	22.32	7.44%
OGE Energy	1.43	29.95	4.77%
Otter Tail	1.21	28.57	4.24%
Vectren	1.35	26.17	5.16%
Wisconsin Energy	1.24	44.62	2.78%
Hawaiian Electric	1.24	27.58	4.50%
MDU Resources	0.64	27.24	2.35%
PG&E Corp.	1.68	37.66	4.46%
Portland General	1.01	23.75	4.25%
Sempra Energy	1.60	49.37	3.24%
Xcel Energy	0.97	19.35	5.01%

<b>AVERAGE</b>	<b>1.668</b>	<b>38.235</b>	<b>4.52%</b>
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**HISTORICAL ANNUAL GROWTH RATES FOR  
COMPARABLE COMPANIES**

Past 5 year earnings growth	4.78%
Past 5 year dividend growth	3.29
Past 5 year book value growth	5.42
Past 10 year earnings growth	3.63
Past 10 year dividend growth	-.03
Past 10 year book value growth	4.13

**PROJECTED ANNUAL GROWTH RATES FOR  
COMPARABLE COMPANIES**

5 year projected earnings growth	6.05%
5 year projected dividend growth	5.28
5 year projected book value growth	5.5
2008 BR growth	4.88
2009 BR growth	5.12
5 year projected BR growth	5.4

**HISTORICAL SPREADS BETWEEN UTILITY  
BOND YIELDS AND ALLOWED EQUITY RETURNS  
1988 – 2007**

<b>YEAR</b>	<b>AUTHORIZED ROE</b>	<b>AVERAGE PUBLIC UTILITY BOND YIELD</b>	<b>RISK PREMIUM</b>
1988	12.79%	10.45%	2.34%
1989	12.97	9.66	3.31
1990	12.70	9.76	2.94
1991	12.55	9.21	3.34
1992	12.09	8.56	3.52
1993	11.41	7.56	3.85
1994	11.34	8.30	3.04
1995	11.55	7.91	3.64
1996	11.39	7.74	3.65
1997	11.4	7.63	3.77
1998	11.66	7.0	4.66
1999	10.77	7.55	3.22
2000	11.43	8.14	3.29
2001	11.09	7.72	3.37
2002	11.16	7.53	3.63
2003	10.97	6.61	4.36
2004	10.75	6.20	4.55
2005	10.54	5.67	4.87
2006	10.36	6.08	4.28
2007	10.36	6.11	4.25
<b>Average:</b>	<b>11.46%</b>	<b>7.67%</b>	<b>3.69%</b>



**XES CHARGES TO SPS  
2005 and 2007**

<b>CLASS OF SERVICE</b>	<b>2005 CHARGES</b>	<b>2007 CHARGES</b>	<b>% INCREASE</b>
Business Services	\$17,462,215.00	\$17,665,028.00	5.81%
Resource Planning and Acquisition	1,319,920.00	1,900,647.00	44.
Controller	5,339,766.00	6,136,966.00	28.8
Treasurer	1,904,701.00	2,332,820.00	22.48
Risk Management	921,633.00	1,033,897.00	12.18
CEO <sup>1</sup>	1,530,390.00	643,071.00	-58.
Audit Services	391,043.00	524,076.00	28.3
Portfolio Strategy and Business Development	368,833.00	312,309.00	-15.33
Investor Relations	214,671.00	193,260.00	-10.
CFO	112,245.00	134,920.00	20.2
Environmental Policy	113,648.00	117,691.00	3.56
Utility President <sup>2</sup>	2,870,240.00	538,899.00	-81.2
CAO	80,221.00	165,100.00	105.8
Human Resources	2,224,140.00	2,459,626.00	10.59
Claims Services	568.00	66,430.00	11,595.
Legal Services	1,092,775.00	1,448,745.00	32.57
VP General Counsel	96,567.00	251,710.00	160.65
ES Commercial Operations	2,818,688.00	2,876,089.00	2.04
ES Engineering and Construction	646,308.00	986,365.00	52.62
ES Environmental	1,569,436.00	2,043,415.00	30.2
ES President/Executive Office	119,157.00	583,319.00	389.5

<sup>1</sup> The 2005 CEO amount reflects a final retirement payment to a former CEO.

<sup>2</sup> Early in 2007, eighty XES employees who were in the Utility President Organization were moved to specific operating companies because it was determined that the employee functions were specific to an operating company.

CLASS OF SERVICE	2005 CHARGES	2007 CHARGES	% INCREASE
ES VP Fuels	744,966.00	779,365.00	4.62
ES VP Operations	829,919.00	874,945.00	5.43
Production Resources	5,081,730.00	5,712,125.00	12.41
Marketing	2,134,470.00	1,912,171.00	-10.41
Corporate Secretary	391,434.00	518,3342.00	32.4
Shareholder Relations	239,964.00	237,961.00	-.83
Corporate Communications	1,611,640.00	1,969,534.00	22.2
Aviation and Travel Services	411,786.00	524,942.00	27.8
Property Services	7,445,007.00	6,323,981.00	-15.06
VP Asset Management	1,626,982.00	2,051,898.00	26.12
Customer Care <sup>3</sup>	6,309,156.00	4,229,799.00	-33.
Government Regulatory Affairs	3,548,679.00	4,619,940.00	33.58
Transmission and Substations	2,565,293.00	2,696,573.00	5.11
Corporate Other	509,857.00	803,776.00	57.64
Company Benefits	Not available	1,337,932.00 <sup>4</sup>	Not available
<b>TOTAL:</b>	<b>\$74,648,048.00</b>	<b>\$80,334,735.00</b>	<b>7.62% (Average)</b>

<sup>3</sup> Cost decreases in 2007 occurred primarily as a result of moving the billing and collection agency outside costs from XES to the operating companies in 2007.

<sup>4</sup> The 2007 company benefits were not included in the total 2007 number.

## CORPORATE GOVERNANCE WORK ORDER DISALLOWANCES

TITLE	SPS TEST		PRO FORMA
	YEAR AMOUNT	DISALLOWANCE	
110 Executive	\$2,362,541.71	\$708,384.23	\$(825,929)
114 Board of Directors	364,832.32	109,541.48	0
115 Shareholder	237,985.67	71,445.97	477
116 Investor Relations	194,002.93	58,188.31	(1,133)
121 Accounting, Reporting and Taxes	736,882.01	221,183.49	(28,268)
122 Taxes	316,113.62	63,204.84	(32,417)
131 Audit Services	39,900.45	11,974.61	(2,227)
141 Finance & Treasury	314,709.83	94,495.43	18,254
143 Risk Management	453,095.73	135,833.33	2,996
161 Corporate Strategy & Business Development	497,869	468,238 <sup>1</sup>	0
171 Legal	438,441.29	135,535.26	(6,601)
180 Corporate Communications	354,955.56	106,492.20	(12,035)
189 Human Resources (Diversity, Safety, Employee Relations)	259,403.16	77,890.62	(24,866)
Total:	\$6,570,733.28	\$2,262,407.77	\$(911,749)

<sup>1</sup> The total test year amount for work order 461 as \$497,869. After proformas and exclusions, the total SPS requested amount was \$468,238.

**Non-Corporate Governance Three Digit Work Order Disallowances**

<b>WORK ORDER</b>	<b>TITLE</b>	<b>SPS TEST YEAR AMOUNT</b>	<b>DISALLOWED</b>	<b>PRO FORMA</b>
120	Accounting, Reporting and Taxes	\$797,352.09	\$159,311.67	\$17,515
130	Audit Services	316,113.62	63,204.84	5,493
140	Finance and Treasury	2,008.60	401.27	(23)
142	Risk Management	5,512.19	1103.73	11
181	Employee Communications	136,953.44	27,359.97	1,436
190	Human Resources (Diversity, Safety/Employee Relations)	1,170,750.76	234,277.66	8,258
198	Payroll	636,806.46	17,870.23	1,714
199	Human Resources Recruitment	147,709.66	29,506.15	(5,991)
200	Facilities	338,723.29	67,650.95	1,706
201	Facilities-Administration	42,437.88	8,459.45	0
413	Payment and Reporting	178,188	35,652.08	(8,945)
434	Shared Services-Financial Services	8,559.34	1,713.41	177
500	Business Systems	3,408,246.45	681,211.81	18,319
505	JDE	197,283.96	39,494.28	272
508	e-Business	9,724.92	1,943.44	213
509	Passport – All Modules	335,119.77	67,014.46	0

WORK ORDER	TITLE	SPS TEST YEAR AMOUNT	DISALLOWED	PRO FORMA
510	Passport - Accounts Payable	1110.46	222.09	0
512	Passport - Work Management	40,880	8,187.34	989
514	Miscellaneous Applications	1,756,103.14	351,653.17	1,874
515	People Soft	348,844.65	69,729.64	329
521	Time/PTRS	930,002	186,261.92	0
523	Network	2,206,078	441,700.	1,112
529	Mercury Interactive	93,412.01	18,654.76	0
533	CBS/ALS/CFM	51,681.23	10,340.69	4
539	Flipper	11,157.68	2,231.52	0
544	Enterprise Architecture Interface	32,135.76	6,419.16	0
550	Human Resources Systems	7,681.06	1,536.22	0
552	Security Systems	3,469.45	693.90	0
<b>Total:</b>		\$15,420,123.62	\$2,533,805.81	\$44,463.00

**Work Order Allocation Percentages To  
Non-Regulated Subsidiaries and Test Year Allocation Factors**

<b>WORK ORDER</b>	<b>CATEGORY</b>	<b>% ALLOCATED TO PARENT AND NON- UTILITY SUBSIDIARIES IN TEST YEAR</b>	<b>ALLOCATOR</b>
110	CG	10.22%	Assets, revenues and number of employees
114	CG	10.37	Assets, revenues and number of employees
115	CG	10.38	Assets, revenues and number of employees
116	CG	10.19	Assets, revenues and number of employees
120	NCG	.08	Assets, revenues and number of employees
121	CG	10.32	Assets, revenues and number of employees
122	CG	10.85	Assets, revenues and number of employees
130	NCG	.08	Assets, revenues and number of employees
131	CG	10.25	Assets, revenues and number of employees
140	NCG	.11	Assets, revenues and number of employees
141	CG	10.3	Assets, revenues and number of employees
142	NCG	.08	Assets, revenues and number of employees
143	CG	10.29	Assets, revenues and number of employees
160	Other	.08	Assets, revenues and number of employees
161	CG	10.3	Assets, revenues and number of employees
170	Other	.10	Assets, revenues and number of employees
171	CG	10.34	Assets, revenues and number of employees
180	CG	10.1	Assets, revenues and number of employees
181	NCG	.13	Number of employees
189	CG	.08	Assets, revenues and number of employees
190	NCG	.04	Number of employees
198	NCG	.12	Number of employees
199	NCG	.04	Number of employees

WORK ORDER	CATEGORY	% ALLOCATED TO PARENT AND NON- UTILITY SUBSIDIARIES IN TEST YEAR	ALLOCATOR
200	NCG	5.77	Square footage
201	NCG	.57	Assets, revenues and number of employees
413	NCG	.004	Number of invoices
434	NCG	0	Assets, revenues, number of employees
500	NCG	.08	Number of computers
505	NCG	10.32	Assets, revenues and number of employees
508	NCG	0	Number of employees
509	NCG	.03	Number of passport transactions
510	NCG	.03	Number of passport AP transactions
512	NCG	0	Number of passport WM Transactions
514	NCG	.47	Average of all software percentages
515	NCG	.11	Number of employees
521	NCG	.11	Number of employees
523	NCG	.04	Number of phones, number of radio, and Number of computers
529	NCG	0	Assets, revenues and number of employees
533	NCG	0	Assets, revenues and number of employees
539	NCG	0	Assets, revenues and number of employees
544	NCG	.48	Average of all software percentages
550	NCG	.04	Number of employees
552	NCG	.17	Number of employees

CG – Corporate Governance Work Order

NCG – Non-Corporate Governance Work Order

Other – Other Work Order

Other Three Digit Work Order Disallowances

WORK ORDER	TITLE	SPS TEST YEAR AMOUNT	DISALLOWANCES	PRO FORMA
160	Corporate Strategy and Business Development	\$47,662.00	\$47,940.00	\$0
170	Legal	552,068.77	279,434.00	6,799.00
182	Xcel Foundation	744,520.00	472.00	0
184	Branding	671,582.00	44,858.00	0
196	Human Resources-Trading	707.00	707.00	0
409	Federal Lobbying	1,729.00	1,729.00	0
410	Governmental Affairs	330,262.00	319,336.00	0
429	Energy Markets – Regulated Trading	542,387.00	499,037.00	0
430	Energy Supply	88,684.00	109,800.00	0
431	Energy Markets – Business Services	939,730.00	927,028.00	0
525	Utility of the Future	107,210.26	108,891.00	0
532	Utility Innovations – Advertising	12,236.00	1,636.00	0
535	Altra Power	18,777.00	18,777.00	0
541	Panorama	2,213.00	2,213.00	0
542	PCI	26,428.00	26,428.00	0
		\$4,086,196.03	\$2,388,286.00	\$6,799.00



**DISALLOWANCES FOR OTHER REGULATORY  
JURISDICTIONAL COSTS – DIRECT COSTS**

<b>WORK ORDER</b>	<b>DESCRIPTION</b>	<b>COSTS</b>
807696	Transm SPS OK SS ET A&G	\$2,390.00
807697	Transm SPS KS SS ET A&G	2,390.00
807698	Transm SPS OK NM ET A&G	6,138.00
807798	UP SPS NM SS ED	545.00
999909	NS General – SPS – NM	25,612.00
450023	CC – REV NM	559.00
493905	MKT CONS MKTS OK Elect	67.00
493906	MKT CONS MKTS NMEX Elect	19,849.00
624151	GRA SPS E Regulatory Exp – KS	6.00
807598	UP SPS NM SS GNL	20,171.00
624152	GRA SPS E Regulatory Exp – OK	730.00
624153	GRA SPS E Regulatory Exp – NM	82,431.00
629452	GRA SPS Rates and Reg – NM	348,445.00
629453	GRA SPS Rates and Reg – OK	2,558.00
628452	GRA SPS Gov Affairs – NM	91,219.00
434522	CC – MTR Rdg (Roswell NM) – SPS	8,948.00
		<u>8,948.00</u>
		Total: \$612,058.00

**DISALLOWED DIRECT CHARGED LOBBYING,  
GOVERNMENTAL AFFAIRS, AND THE XCEL FOUNDATION**

<b>WORK ORDER</b>	<b>DESCRIPTION</b>	<b>COSTS</b>
628450	GRA SPS Gov Affairs – K/N/O/T	\$53,244
628454	GRA SPS Gov Affairs – TX	275,826
995304	GRA NS Lobbying SPS – TX	34,512
500016	CS Foundation	12,912
995301	GRA NS Lobbying SPS – KS	5,246
		<u>                    </u>
		Total: \$381,740.00

**DISALLOWED DIRECT CHARGED LEGAL EXPENSES**

<b>WORK ORDER</b>	<b>DESCRIPTION</b>	<b>COSTS</b>
10619389	TW04	\$1,360
10734537	Para vs SPS Capture Ins. Reimb	1,942
10862115	Burnett v Cano Captive Ins. Rei	1,295
10862120	Hutchinson v SPS Captive Ins Rei	76
10862126	Interstate 40 Fire Captive Ins	468
10862137	Lopez-Liberty Mutual Captive Ins	463
10862140	Sheppard v Savage Captive Ins.	3,336
10797894	AC Ranch v SPS Captive Ins Rei	3,311
		<u>3,311</u>
		Total: \$12,251.00

**DISALLOWED DIRECT CHARGES FOR REGULATORY AFFAIRS COSTS**

<b>WORK ORDER</b>	<b>DESCRIPTION</b>	<b>COSTS</b>
889356	Transm SPS FERC ET 560	\$1,513,266
10654303	Section 205 – FERC Rate Case	16,031
10654307	Section 206 – Golden Spread	82
11033930	SPS 2007 FERC Tran Rate Case	3,408
10317402	Texas Fuel Factor – 2003	14,678
10382683	Texas Fuel Factor Oct – Nov. 2004	2,801
10193288	Texas Fuel Rec 2000-2001	30,358
10382665	Texas Fuel Rec 2002-2003	303
889355	Transm SPS FERC Old 561.2	483,181
889357	Transm SPS FERC ET 566	952,412
889363	Transm SPS FERC ET 570	1,923
Total:		\$3,018,443.00

**DISALLOWED DIRECT CHARGED CREDIT AND COLLECTIONS COSTS**

<b>WORK ORDER</b>	<b>DESCRIPTION</b>	<b>COSTS</b>
432012	CC-R- Dir CR & Coll – SPS CA	\$3,295
43222	CC Credit & Coll Sp Proj SPS	314
432712	CC-R- Collections – S SPS	11,079
432312	CC-R- Credit Support – S SPS	108,970
		<u>108,970</u>
Total:		\$123,658.00

**DISALLOWED DIRECT CHARGED TRADING AND HEDGING COSTS**

<b>WORK ORDER</b>	<b>DESCRIPTION</b>	<b>COSTS</b>
351040	ES SPS Trading Gen Sales	\$269,332
351016	CF SPS Prop Bk Trading Support	94,486
351017	CF SPS Gen Book Support	185,937
351018	SPS Trdg Native Hedge Support	123,265
351048	ES SPS Trading Native Hedge	329,253
351041	ES SPS Power Trading Prop	827,656
		<u>827,656</u>
		Total: \$1,829,929.00

**MISCELLANEOUS DIRECT CHARGED DISALLOWANCES**

<b>WORK ORDER</b>	<b>DESCRIPTION</b>	<b>COSTS</b>
498704	CC General SPS A&G	\$547,938.00
10592056	SPS Fuel Proc WTMPA	1,432.00
351280	RP – SPS Pwr Supply – WP-FERC 557	149,566.00
999223	CF SPS Acct., Rptng & Taxes	882,000.00
351030	RP – SPS Cust. Assistance Elec 908	523,204.00
351035	ES SPS Electric Sales	52,416.00
Total:		\$2,156,556.00

### **SUMMARY OF AFFILIATE COST DISALLOWANCES**

Allocated Corp Governance	\$3,174,156.77
Allocated Non-Corporate Governance	2,489,342.81
Allocated Other	2,388,286.00
Direct Other Regulatory Jurisdictions	612,058.00
Direct Lobbying, Governmental Affairs, Xcel Foundation	381,740.00
Direct Legal	12,251.00
Direct Regulatory Affairs	3,018,443.00
Direct Credit and Collections	123,658.00
Direct Trading and Hedging	1,829,929.00
Direct Miscellaneous	2,156,556.00

Total: \$16,186,420.58