

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

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IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF)
COLORADO FOR APPROVAL OF ITS) PROCEEDING NO. 23A-____E
2024-2026 TRANSPORTATION)
ELECTRIFICATION PLAN.)

DIRECT TESTIMONY AND ATTACHMENT OF KELLI L. DUFFY

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

May 15, 2023

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LIST OF ATTACHMENTS

Attachment KLD-1	2024-2026 Transportation Electrification Plan Revenue Requirement Model
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1 I. **INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND**
2 **RECOMMENDATIONS**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Kelli L. Duffy. My business address is 1800 Larimer Street, Denver,
5 Colorado 80202.

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

7 A. I am employed by Xcel Energy Services, Inc. ("XES") as Principal Rate Analyst.
8 XES is a wholly owned subsidiary of Xcel Energy Inc. ("Xcel Energy") and provides
9 an array of support services to Public Service Company of Colorado ("Public
10 Service" or the "Company") and the other utility operating company subsidiaries of
11 Xcel Energy on a coordinated basis.

12 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

13 A. I am testifying on behalf of Public Service.

1 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.**

2 A. As Principal Rate Analyst, I am responsible for technical expertise and support for
3 jurisdictional cost of service studies and revenue requirement determinations. A
4 description of my qualifications, duties and responsibilities is set forth in my
5 Statement of Qualifications at the conclusion of my testimony.

6 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

7 A. The purpose of my Direct Testimony is to present annual revenue requirements
8 for the Company's proposed 2024-2026 Transportation Electrification Plan ("TEP"
9 or "Plan") and support a proposed ten-year depreciation rate for stationary battery
10 energy storage system ("BESS") investments that Public Service will undertake as
11 part of the TEP.

12 **Q. HOW ARE THE REMAINING SECTIONS OF YOUR DIRECT TESTIMONY**
13 **ORGANIZED?**

14 A. In Section II of my Direct Testimony, I present annual revenue requirements for
15 the proposed TEP and support Public Service's proposal to continue recovering
16 TEP costs through the Company's Transportation Electrification Programs
17 Adjustment ("TEPA") rider. Then, in Section III of my Direct Testimony, I support
18 Public Service's proposed ten-year depreciation rate for BESS investments that
19 the Company will undertake through the TEP.

1 **Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT**
2 **TESTIMONY?**

3 A. Yes, I am sponsoring Attachment KLD-1: 2024-2026 TEP Revenue Requirement
4 Model, which was prepared by me or under my direct supervision.

5 **Q. WHAT RECOMMENDATIONS DO YOU SUPPORT THROUGH YOUR DIRECT**
6 **TESTIMONY?**

7 A. I recommend that the Commission:

- 8 • Approve continued recovery of annual revenue requirements associated
9 with the 2024-2026 TEP through the TEPA rider, as established through
10 Commission Proceeding No. 20A-0204E; and
11 • Approve a ten-year depreciation rate for BESS investments included in the
12 2024-2026 TEP.

1 **II. 2024-2026 TEP REVENUE REQUIREMENT**

2 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?**

3 A. The purpose of this section of my Direct Testimony is to present annual revenue
4 requirements for the 2024-2026 TEP and support Public Service's proposal to
5 continue recovering TEP costs through the TEPA rider.

6 **Q. WHAT ARE THE COMPONENTS OF THE TEP ANNUAL REVENUE**
7 **REQUIREMENT?**

8 A. As reflected in Public Service's Commission-approved TEPA rider, the TEP annual
9 revenue requirement includes a return, equal to the Company's weighted average
10 cost of capital ("WACC"), on capital investments and rebates; the plant-related
11 ownership costs associated with such investments, including depreciation and
12 amortization, accumulated deferred income taxes, and income tax expense; the
13 annual amortization expense associated with rebates; and operation and
14 maintenance ("O&M") expenses. As reflected in the TEPA rider, Public Service
15 recovers TEP rebates through a regulatory asset amortized over ten years and
16 with a return at the Company's WACC.

17 To avoid double recovery, Public Service credits the TEP annual revenue
18 requirement for certain revenues separately generated by TEP assets. For
19 example, customers that choose to use an EV charger provided by Public Service
20 will pay a monthly charge on their bill, and the resulting revenues from such
21 monthly charges will decrease the amount of revenue Public Service needs to
22 collect through the TEP. Additionally, any revenue generated by Company-owned

1 public charging stations will decrease the costs necessary to operate them and,
2 likewise, the amount of revenue Public Service needs to collect through the TEPA.

3 **Q. HAVE YOU ESTIMATED ANNUAL REVENUE REQUIREMENTS FOR THE**
4 **2024-2026 TEP?**

5 A. Yes. Using the budget presented by Company witness Mr. Jean-Baptiste Jouve,
6 I have estimated the annual revenue requirement for each year of the Plan.
7 The annual revenue requirement for each year of the TEP is presented in Table
8 KLD-D-1 below.

9 **Table KLD-D-1: 2024-2026 TEP Annual Revenue Requirement**

	2024	2025	2026
Total Revenue Requirement	\$21,534,532	\$44,680,464	\$79,375,417
Operating Revenue	\$962,108	\$6,040,431	\$22,865,154
Revenue Deficiency	\$20,572,423	\$38,640,033	\$56,510,263

10 **Q. HAVE YOU ALSO PREPARED AN ESTIMATE OF ANNUAL REVENUE**
11 **REQUIREMENTS THAT INCLUDES ONGOING REVENUE REQUIREMENTS**
12 **FROM PRIOR TEP YEARS?**

13 A. Yes, the annual revenue requirement for each year of the 2024-2026 TEP,
14 including ongoing revenue requirements from prior TEP years is included in
15 Table KLD-D-2.

**Table KLD-D-2: 2024-2026 TEP Annual Revenue Requirement Including Ongoing
2021-2023 TEP Revenue Requirement**

	2024	2025	2026
Total Revenue Requirement	\$25,794,716	\$48,794,283	\$83,283,538
Operating Revenue	\$962,108	\$6,040,431	\$22,865,154
Revenue Deficiency	\$24,832,608	\$42,753,852	\$60,418,384

Public Service has also undertaken consideration of certain EV supply infrastructure (“EVSI”) projects that are not included in the 2021-2023 TEP nor the 2024-2026 TEP, as approved through Commission Proceeding No. 19A-0471E. The revenue requirement associated with these EVSI projects is recovered through base rates rather than the TEPA rider. The 2024-2026 ongoing revenue requirement associated with EVSI projects is reflected in Table KLD-D-3.

**Table KLD-D-3: 2024-2026 Revenue Requirements Associated with EVSI Projects
Approved through Commission Proceeding No. 19A-0471E**

	2024	2025	2026
Revenue Requirement	\$959,035	\$929,007	\$879,201

As described in Company witness Mr. Derek Klingeman’s Direct Testimony, Public Service has relied on the revenue requirements presented in Tables KLD-D-2 and KLD-D-3 to determine the Company’s compliance with the statutory retail rate impact cap for each TEP year under § 40-1-103.3(6), C.R.S.

1 **Q. ARE YOU PROVIDING ANY ATTACHMENTS TO SUPPORT YOUR**
2 **CALCULATION OF THE ABOVE REVENUE REQUIREMENTS?**

3 A. Yes. Attachment KLD-1 is the revenue requirement model used to calculate the
4 above revenue requirements.

5 **Q. PLEASE DESCRIBE HOW PUBLIC SERVICE CURRENTLY RECOVERS THE**
6 **COSTS ASSOCIATED WITH THE 2021-2023 TEP.**

7 A. Public Service recovers the costs associated with the 2021-2023 TEP through the
8 TEPA rider, approved through Commission Proceeding No. 20A-0204E. Public
9 Service currently updates TEPA rates through an advice letter filed on October 1
10 of each year to take effect the following January 1. Through this annual filing,
11 Public Service updates TEPA rates to reflect: (1) the forecasted annual revenue
12 requirement for the following year; (2) any applicable financial incentive the
13 Company has earned under the Equity performance incentive mechanism from the
14 previous year, (3) the difference between the actual and forecasted TEP revenue
15 requirement for the previous year, and (4) over- or under- recovered amounts due
16 to a difference between actual and forecasted billing volumes (the balance,
17 positive or negative of actual TEPA revenues received less forecasted TEPA
18 revenues intended to be recovered through the TEPA). The TEPA also
19 incorporates an asymmetric carrying charge with a WACC return that applies to
20 excess revenues that need to be returned to customers.

1 **Q. WHY DOES PUBLIC SERVICE SUPPORT CONTINUED COST RECOVERY**
2 **THROUGH THE TEPA?**

3 A. Public Service supports continued cost recovery through the TEPA for the same
4 reasons the Commission approved its implementation through Decision No. C21-
5 0017, in Proceeding No. 20A-0204E. In that decision, the Commission recognized
6 that Senate Bill 19-077 expressly authorizes cost recovery through a rider and
7 agreed with Public Service and other parties that “a successful TEP will require the
8 Company to make significant new investments that are not included in current base
9 rates.”¹ The Commission expressed concern that “the cost recovery delay
10 associated with recovering TEP expenditures through only a Phase I rate case
11 might require Public Service to scale back its investments,” and “such incentive
12 structure would be inconsistent with the objectives” of the TEP legislation.² This
13 reasoning applies with equal force to Public Service’s 2024-2026 TEP, which is
14 designed to accelerate the transformation of the EV market in our service territory
15 even further.

¹ Commission Decision No. C21-0017, ¶¶ 67-68 (mailed January 11, 2021) in Proceeding No. 20A-0204E.

² *Id.*

1 **III. DEPRECIATION FOR NEW CAPITAL INVESTMENTS**

2 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?**

3 A. The purpose of this section of my Direct Testimony is to support Public Service's
4 proposed ten-year depreciation rate for certain programs where BESS
5 investments are proposed for the Company to undertake through the TEP.

6 **Q. WHAT IS THE PURPOSE OF THESE INVESTMENTS?**

7 A. As supported by Company witness Andre Gouin, Public Service proposes to
8 implement a program that includes demonstration projects to enable Residential
9 customers to rent BESS equipment to use in conjunction with home EV charging.
10 It proposes a similar program with demonstration projects for Commercial
11 customers to rent BESS equipment to support direct current fast charging
12 ("DCFC"), and an additional demonstration project under the Innovation portfolio
13 that will enable the Company to explore the potential for BESS equipment to
14 mitigate grid impacts associated with DCFC charging.

15 **Q. WHY DOES PUBLIC SERVICE RECOMMEND A TEN-YEAR DEPRECIATION**
16 **RATE FOR THESE BESS ASSETS?**

17 A. Public Service supports a ten-year depreciation rate for multiple reasons. Public
18 Service plans to offer the BESS equipment rental option to Residential customers
19 in conjunction with EV charger rental services offered under Schedule EVC (known
20 as the "EV Accelerate At Home" program), and EV chargers are already subject to
21 a ten-year depreciation rate. While depreciation rates usually do not have a direct
22 impact on the customer experience, they are an integral component of our

1 programs under Schedule EVC because these programs allow customers to buy
2 out their rental equipment based on the estimated undepreciated balance of the
3 rented equipment. The programs also provide customers a path to complete
4 ownership once the equipment is fully depreciated (i.e., at the end of ten years).
5 Public Service is concerned that applying inconsistent depreciation rates across
6 categories of related equipment that a customer may choose to rent under
7 Schedule EVC would cause customer confusion and make it more challenging to
8 educate customers about their options to acquire their rental equipment.

9 Second, while we have not yet determined the manufacturer(s) that Public
10 Service will ultimately purchase the BESS equipment from, manufacturers for
11 Residential BESS equipment generally extend a ten-year warranty.³ Public
12 Service believes these manufacturer warranties provide a sufficient and
13 reasonable basis to expect Residential BESS equipment to have an average
14 useful life of ten years. The BESS equipment that will support DCFC stations is
15 similar in nature to the batteries that support Public Service's Community
16 Resiliency Initiative, which are consistently depreciated on a ten-year schedule.

³ *E.g.*, Tesla Powerwall Limited Warranty, https://www.tesla.com/sites/default/files/pdfs/powerwall/Powerwall_Warranty_USA_2-0.pdf (last visited March 21, 2023); Limited Warranty for LG Energy Storage System, https://www.lg.com/us/ess/pdf/LGEUS_Residential_ESS_Limited_Warranty.pdf (March 21, 2023); *Solar battery warranties: what's covered, and what's not?*, EnergySage, <https://news.energysage.com/solar-battery-warranties-whats-covered-whats-not/> (last visited March 21, 2023).

1 **Q. HOW WILL PUBLIC SERVICE CATEGORIZE THESE BESS ASSETS IN ITS**
2 **BOOKS AND RECORDS?**

3 **A.** Public Service proposes to record the BESS assets under FERC Account No. 371,
4 which also applies to EV charger investments. This FERC Account applies to
5 installations on customer premises.

1 **IV. CONCLUSION**

2 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

3 A. I recommend that the Commission:

- 4 • Approve continued recovery of annual revenue requirements associated
5 with the 2024-2026 TEP through the TEPA rider, as established through
6 Commission Proceeding No. 20A-0204E; and
7 • Approve a ten-year depreciation rate for BESS investments included in the
8 TEP.

9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 A. Yes.

Statement of Qualifications

Kelli L. Duffy

Ms. Kelli Duffy graduated from the University of Denver in 2007 with a Bachelor of Science in Business Administration in International Business. In 2010, Ms. Duffy received a Master in Business Administration degree with a focus on International Business Practices from American International College.

From 2011-2018, Ms. Duffy worked for several small companies, mainly in the oil & gas industry, as a Finance Operations Manager, where Ms. Duffy was responsible for the oversight and management of the financial transactions of the business and the assistance of strategic financial planning.

In October of 2018, Ms. Duffy joined the Revenue Requirements department of XES as a Senior Rate Analyst, preparing cost of service studies and various regulatory and internal reports for the Company's retail and wholesale jurisdictions. In August of 2021, Ms. Duffy was promoted to Principal Rate Analyst, where her current role is to assist in project supervision and preparation for jurisdictional cost of service studies.

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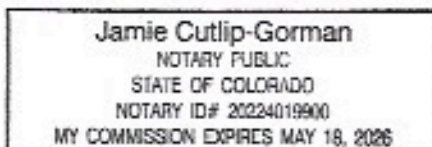
AFFIDAVIT OF KELLI L. DUFFY
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

I, Kelli L. Duffy, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the same testimony orally and would present the same attachments if asked under oath.

Dated at Denver, Colorado, this 9th day of May, 2023.

Kelli Duffy
Kelli L. Duffy
Principal Rate Analyst

Subscribed and sworn to before me this 9th day of May, 2023.



Jamie L. Cutlip-Gorman
Notary Public

My Commission expires May 18, 2026