

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

\* \* \* \* \*

IN THE MATTER OF ADVICE LETTER )  
NO. 1906-ELECTRIC OF PUBLIC )  
SERVICE COMPANY OF COLORADO )  
TO REVISE ITS COLORADO PUC NO. )  
8-ELECTRIC TARIFF TO REVISE )  
JURISDICTIONAL BASE RATE ) PROCEEDING NO. 22AL-XXXXE  
REVENUES, IMPLEMENT NEW BASE )  
RATES FOR ALL ELECTRIC RATE )  
SCHEDULES, AND MAKE OTHER )  
TARIFF PROPOSALS EFFECTIVE )  
DECEMBER 31, 2022. )

**DIRECT TESTIMONY AND ATTACHMENTS OF ADAM R. DIETENBERGER**

**ON**

**BEHALF OF**

**PUBLIC SERVICE COMPANY OF COLORADO**

**November 30, 2022**

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**DIRECT TESTIMONY AND ATTACHMENTS OF ADAM R. DIETENBERGER**

1 I. **INTRODUCTION, QUALIFICATIONS, AND PURPOSE OF TESTIMONY**

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

3 A. My name is Adam R. Dietenberger. My business address is 401 Nicollet Mall,  
4 Minneapolis, Minnesota 55401.

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

6 A. I am employed by Xcel Energy Services Inc. (“XES”) as Director, Business Area  
7 Finance. XES is a wholly-owned subsidiary of Xcel Energy Inc. (“Xcel Energy”),  
8 and provides an array of support services to Public Service Company of Colorado  
9 (“Public Service” or the “Company”) and the other utility operating company  
10 subsidiaries of Xcel Energy on a coordinated basis.

11 Q. **ON WHOSE BEHALF ARE YOU TESTIFYING IN THE PROCEEDING?**

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

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

2 A. As Director, Business Area Finance, I am responsible for supporting the financial  
3 aspects of Xcel Energy's Shared Corporate Business Areas (also known as  
4 "Shared Corporate Services" organizations), including the coordination of the  
5 Shared Corporate Services organizations' five-year operations and maintenance  
6 ("O&M") expense budgets, the five-year capital expenditure budgets, the monthly  
7 forecast updates (both for the current year and the five-year plan, as needed), and  
8 analyzing actual results against these budgets and forecasts. A description of my  
9 qualifications, duties, and responsibilities is set forth after the conclusion of my  
10 Direct Testimony in my Statement of Qualifications.

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

12 A. The purpose of my Direct Testimony is to discuss Xcel Energy's rigorous budget  
13 processes and explain how the processes ensure that the overall capital and O&M  
14 amounts presented in this case are a reasonable forecast of the total amount of  
15 capital additions that will be placed in service in 2022 and 2023 and the Company's  
16 expected 2023 operations and maintenance ("O&M") expenses.

17 In addition, I provide specific support for Shared Corporate Services' capital  
18 additions and O&M expenses, that are allocated to Public Service retail electric  
19 and included in the 2023 test year ("Test Year") cost of service that is presented  
20 by Company witness Mr. Arthur P. Freitas. The Company's last electric rate case  
21 was Proceeding No. 21AL-0317E (the "2021 Electric Phase I"), in which a test year  
22 ending December 31, 2021 was approved as agreed to in a unanimous settlement.  
23 As a result, I provide support for Shared Corporate Services' capital additions

1 placed into service since the Company's 2021 Electric Phase I, from January 1,  
2 2022 through the year-end 2023. I also support Shared Corporate Services' O&M  
3 included in the Test Year. Public Service's Test Year in this rate case is based on  
4 historical O&M costs for the 12 months ended June 30, 2022. The Company also  
5 made two adjustments to Shared Corporate Services' historical O&M costs to set  
6 a level of O&M expenses that is representative of the level expected when rates  
7 are in effect. I note that while Technology Services falls under the Shared  
8 Corporate Services organization, the capital and O&M expenses for Technology  
9 Services are supported by Company witnesses Ms. Megan N. Scheller and Mr.  
10 Michael O. Remington.

11 **Q. HOW IS THE REMAINDER OF YOUR DIRECT TESTIMONY ORGANIZED?**

12 A. In Section II of my testimony, I discuss Xcel Energy's corporate budget processes.  
13 In Section III of my testimony, I discuss the accuracy of the Company's capital and  
14 O&M forecasts. In Section IV of my testimony, I support Shared Corporate  
15 Services' functions and activities, budgeting process and budget management,  
16 and capital additions and O&M expense.

17 **Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT**  
18 **TESTIMONY?**

19 A. Yes, I am sponsoring Attachments ARD-1 through ARD-4, which were prepared  
20 by me or under my direct supervision. The attachments are as follows:

- 21 • Attachment ARD-1: Capital Additions for January 1, 2021 – December  
22 31, 2023;
- 23 • Attachment ARD-2: July 1, 2021 through June 30, 2022 Operations and  
24 Maintenance by Cost Element; and

1  
2

- Attachment ARD-3: July 1, 2021 through June 30, 2022 Operations and Management by FERC Account.



1     **II.     XCEL ENERGY’S FINANCIAL BUDGETING AND FORECASTING PROCESS**

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

3     A.     In this section of my Direct Testimony, I explain Xcel Energy’s enterprise-wide  
4           budgeting processes. I also explain why this robust budgeting process and Xcel  
5           Energy’s cost management processes support Public Service’s proposed Test  
6           Year.

7     **Q.     HOW DOES YOUR DISCUSSION OF THE COMPANY’S OVERALL  
8           BUDGETING PROCESS DIFFER FROM THE BUDGETING DISCUSSIONS  
9           CONTAINED IN EACH BUSINESS AREA’S TESTIMONIES?**

10    A.     My testimony focuses on the corporate level budgeting processes and provides  
11           additional detail on how Xcel Energy makes decisions at the overall corporate level  
12           about business area budgets and how Xcel Energy manages overall Company  
13           expenditures on an ongoing basis once budgets are set. I provide this information  
14           to support the Company’s request for a 2023 Test Year.

15           The business area witnesses in this case discuss in detail how they  
16           prioritize projects, develop budgets, and manage ongoing spending. They  
17           describe how they review and assess priorities and make necessary expenditure  
18           changes through trade-offs in spending – both within individual departments and  
19           between departments within their own business area - on an ongoing basis. In my  
20           Direct Testimony, I discuss how this assessment and prioritization occurs at the  
21           corporate level between business areas, where there are generally more projects  
22           and work to be done than Xcel Energy has the capacity to fund. This overall  
23           prioritizing and balancing between business areas occurs both during the

1 budgeting process and through ongoing monthly discussions, and benefits  
2 customers by working constantly to ensure individual expenditures are necessary  
3 and appropriate as system and customer needs evolve. I describe the flexible and  
4 iterative nature of this process, as budgets are reviewed, refined, and reprioritized  
5 to meet overall operating company and customer needs, and respond to changing  
6 circumstances.

7 **A. Overview of Xcel Energy's Budget Process**

8 **Q. WHAT IS THE PURPOSE OF XCEL ENERGY'S BUDGETING PROCESS?**

9 A. Xcel Energy's budget processes are designed to ensure that the costs of providing  
10 service to customers are accurately forecasted and recorded to the appropriate  
11 entities. This process begins with a careful review of our budget year plans,  
12 including an evaluation of necessary and appropriate changes in the scope of work  
13 and the resources required to perform that work. These budgets are subject to  
14 significant and regular review through a rigorous governance process that  
15 facilitates business area accountability and executive involvement and oversight.

16 Xcel Energy's budget process emphasizes the importance of accuracy, as  
17 demonstrated by its:

- 18 • rigor, from the centralized development of spending guidelines and  
19 analysis to ensure budgeted costs reflect the most efficient level of  
20 costs, to the governance of major capital expenditures and executive  
21 reporting and oversight;
- 22 • recognition of changes, such as the loss of a major customer, and  
23 changing trends, such as the economy and customer usage, in our  
24 budgeting and forecast processes; and
- 25 • regular and consistent monitoring, analysis and response to budget  
26 variances stemming from necessary changes in our plans, as well as

1                   unforeseen or unknowable events.

2   **Q.   WHAT ARE THE PRIMARY OUTCOMES OF THE FINANCIAL BUDGET**  
3   **PROCESS?**

4   A.   The financial budget process:

5                   • Establishes and manages the overall corporate project plan and  
6                   governance for creating the budget.

7                   • Facilitates establishment of the corporate guidelines for the annual  
8                   financial budget process for each of Xcel Energy's operating utility  
9                   subsidiaries, including Public Service.

10                  • Ensures that the corporate O&M and capital expenditure budgets and  
11                  the budgets for each of the operating utility subsidiaries reflect as  
12                  accurate a forecast as possible of the costs the Company will incur to  
13                  deliver utility service during the next year.

14                  • Ensures that the O&M and capital expenditure budgets reflect an  
15                  efficient level of cost consistent with the Company's obligations to deliver  
16                  reliable utility service to its customers now and in the future.

17                  • Engages the budget managers within business areas as they develop  
18                  their budgets.

19   **Q.   PLEASE PROVIDE AN OVERVIEW OF XCEL ENERGY'S FINANCIAL BUDGET**  
20   **PROCESS.**

21   A.   Every year Xcel Energy prepares and utilizes O&M and capital expenditures  
22   budgets for each of Xcel Energy's operating utility subsidiaries, including Public  
23   Service, which becomes part of Xcel Energy's overall rolling five-year financial  
24   budget. The five-year financial information is used by executive management to  
25   anticipate and support each of the operating utilities' financial needs and to make  
26   major strategic decisions. The financial budget is a key component of the overall

1 framework used by Xcel Energy to develop supportable and attainable financial  
2 plans for each operating utility.

3 **Q. WHAT ARE THE MAJOR STEPS OF THE ANNUAL FINANCIAL BUDGET**  
4 **PROCESS FOR PUBLIC SERVICE?**

5 A. While I have separated the budgeting process into discrete steps for discussion  
6 purposes, I note that each of the first four steps encompasses multiple activities.  
7 The work completed during these phases is fluid and the process is iterative,  
8 involving as much back and forth discussion as necessary – between the business  
9 area, the Finance organizations, and corporate and operating company leadership  
10 – to ensure that the final approved O&M and capital budgets provide a reasonable  
11 estimate of the costs that will be incurred to provide customers with safe and  
12 reliable electric service. The five primary steps in the process are:

- 13 1) Financial Planning and Guidance Development;
- 14 2) Business Area Budget Development;
- 15 3) Financial Council and Operating Company Review and Approval;
- 16 4) Xcel Energy and Public Service Boards of Directors' Approval; and
- 17 5) Ongoing Financial Governance.

18 **B. Financial Planning and Guidance Development**

19 **Q. TURNING TO THE FIRST STEP, HOW IS THE FINANCIAL GUIDANCE**  
20 **DEVELOPED?**

21 A. The starting point for developing the financial guidance is the most recent five-year  
22 financial forecast. Beginning each February, the Financial Council reviews this  
23 information, considering Xcel Energy's business plans and a number of other

1 factors. Of particular importance in this review are known and expected changes  
2 to business area O&M and capital plans as well as the five-year capital spending  
3 levels, which will drive the amount of financing needs. After considering this  
4 information and emergent business area needs, the Financial Council establishes  
5 financial guidance for the new five-year O&M and capital budgets. The Financial  
6 Council is chaired by Xcel Energy's Chief Financial Officer and its members consist  
7 of the senior executives of the Xcel Energy and the operating company Presidents.

8 **Q. WHAT ELSE DOES THE FINANCIAL COUNCIL FACTOR IN WHEN**  
9 **DETERMINING INITIAL BUSINESS AREA FINANCIAL GUIDANCE?**

10 A. The Financial Council also looks at any new legislation or regulatory requirements  
11 that may impact spending in the next five years. For example, the Company  
12 considered the impacts of COVID-19 pandemic in 2020 and 2021 when developing  
13 financial guidance for 2022-2026. The Financial Council also assesses the current  
14 portfolio of projects and how any expected changes will impact customer rates. In  
15 addition to reviewing changes related to new requirements or that are necessary  
16 to maintain or improve reliability, safety, and satisfaction of regulatory  
17 requirements, the Financial Council assesses where there may be opportunities to  
18 mitigate risk or to work toward meeting state policy goals or advance priorities our  
19 customers or regulators have communicated.

1 **Q. HOW DOES THE COMPANY ENSURE THAT EACH BUSINESS AREA**  
2 **UNDERSTANDS THE SPENDING GUIDANCE AND FOLLOWS CONSISTENT**  
3 **PROCEDURES TO DEVELOP A BUDGET?**

4 A. Each five-year budgeting cycle is initiated with a meeting where business areas,  
5 operating companies, and finance collaborate to align on initiatives and priorities  
6 that should be included in the next budget. The meeting includes discussions on  
7 corporate strategy and other key initiatives in addition to a financial overview to  
8 guide the planning and budgeting process. For example, at the 2022 planning  
9 meeting, the Supply Chain business area discussed the impacts of inflation on our  
10 ability to source both capital and O&M materials and services. Business areas  
11 and the operating companies are encouraged to share with the broad group  
12 specific priorities, unique opportunities, or challenges they are facing. After the  
13 meeting, each business area and operating company also meets to discuss the  
14 financial information, challenges, opportunities, and priorities in detail. Finance  
15 then begins its work with each business area to build a budget that takes the  
16 outcomes of these discussions into consideration.

17 **C. Business Area Budget Development**

18 **Q. PLEASE DESCRIBE WHAT OCCURS DURING THE BUSINESS AREA**  
19 **BUDGET DEVELOPMENT PHASE.**

20 A. Managers within each business area, in conjunction with managers from business  
21 area finance, develop their budgets for each of the next five years. The schedule  
22 during this phase is designed to provide sufficient time for building the O&M and  
23 capital budgets, as well as allowing for internal reviews and checkpoints before the

1 budgets are submitted for senior management review. During this phase, each  
2 business area assesses its operating needs and identifies potential capital  
3 projects. The scope, cost, and timing of these projects are evaluated and  
4 prioritized within the business area by operating company, resulting in an  
5 aggregate projection of recommended capital expenditures for each of the next  
6 five years. At the same time, the business areas forecast their labor, material,  
7 equipment, and other needs to build a projection of the O&M levels needed to  
8 support their area over the next five years. The business area's O&M and capital  
9 budgets are then consolidated by the corporate finance team along with  
10 preliminary information necessary to estimate the overall financial forecast and all  
11 this information is presented for internal review prior to the presentation to the  
12 Financial Council later in the fall.

13 **Q. WHO IS RESPONSIBLE FOR PREPARING THE O&M AND CAPITAL**  
14 **EXPENDITURE BUDGETS FOR EACH BUSINESS AREA?**

15 A. Because each business area is different, the specific roles and functions of the  
16 business area personnel involved in the process vary between business areas. In  
17 general, the assigned business area finance representative works with identified  
18 employees in each business area to compile the budget, including gathering the  
19 required data and development of supporting assumptions. The information is  
20 consolidated and reviewed at various levels within the functional areas, and then  
21 reviewed and approved by the senior business area executive before budgets are  
22 submitted to corporate finance for consolidation and further review processes.

1 **Q. WHAT IS THE BASIS FOR EACH BUSINESS AREA'S O&M BUDGETS?**

2 A. The budget is built from the bottom up by individual components, such as  
3 employee labor, contract labor, consulting costs, and materials expense while also  
4 considering, along the way, the spending guidance I previously discussed.  
5 However, each business area determines the most accurate method of  
6 establishing costs for each budget category it manages. In the example of labor,  
7 current salary and headcount data is fed from our payroll system to our budgeting  
8 system. Planned headcount additions or reductions over the five-year period are  
9 incorporated into the budget system based on current workforce plans; projected  
10 merit increases are applied by the corporate budgeting group based on  
11 assumptions provided and approved by Human Resources. Thus, business areas  
12 are able to use judgment to determine the most appropriate means for developing  
13 budgets for each category of spend.

14 **Q. ARE BUSINESS AREA CAPITAL EXPENDITURE BUDGETS DEVELOPED**  
15 **BASED ON THE SAME ANALYSIS AS O&M BUDGETS?**

16 A. No, due to the nature of capital work, capital expenditure budgets are developed  
17 using a different approach than O&M. The capital expenditure budget is a listing  
18 of specific projects and routine project construction work. Many large projects in  
19 the business areas are planned and completed over multiple calendar years. To  
20 capture total budgeted capital expenditures for these multi-year projects, each  
21 business area develops the capital budget for each project from a starting  
22 Construction Work In Progress (CWIP) balance, where applicable, and forecasts



1 of future capital expenditures for the current “bridge” year (the remainder of the  
2 current year in which the budget is prepared) and for the next five years.

3 Capital expenditure budgets also identify specific in-service dates or, in the  
4 case of routine projects, apply a defined closing pattern, such as those included in  
5 the electric distribution budget, which defines and applies in-service dates. Once  
6 the five-year capital expenditure budget has been approved by the Financial  
7 Council (as described below), the Company performs all of the plant-related  
8 accounting activities needed to develop the cost-of-service analysis for the Test  
9 Year. This information includes moving capital expenditures from CWIP to Plant  
10 In-Service as projects are completed, calculating deferred taxes and depreciation  
11 expense, and other related costs. Company witness Mark P. Moeller describes  
12 this process in more detail in his Direct Testimony.

13 **Q. CAN YOU EXPLAIN MORE ABOUT ROUTINE PROJECTS AND HOW THEIR**  
14 **OVERSIGHT IS HANDLED?**

15 A. Routine projects, also referred to as programs, are defined as those that are part  
16 of the normal course of business and occur each year. Examples of routine  
17 projects in the electric distribution area include the purchase of replacement  
18 meters and transformers, and replacement of poles, or annual refresh projects in  
19 Technology Services that replace computing devices on a planned schedule.  
20 These types of transactions occur each year, with the only variables typically being  
21 the number and cost of units being purchased or replaced.

22 These routine project categories are included as part of the annual capital  
23 budget review process and the monthly forecast review process discussed in the

1 following sections of my testimony. Upon completion of the five-year capital  
2 expenditure budget, the Investment Review Committee (“IRC”) receives a full  
3 report of the Capital Program spend, including program descriptions and budget  
4 assumptions. The IRC is responsible for reviewing any new capital projects having  
5 capital expenditures greater than \$15 million. The primary objectives of the IRC  
6 are to:

- 7 • develop potential risk management and hedging strategies for large projects  
8 and assess alternatives;
- 9 • ensure optimal investment timing consistent with regulatory plans;
- 10 • evaluate cash flow returns relative to the cost of capital;
- 11 • assess key modeling and analysis assumptions and ensure that the business  
12 area has evaluated the associated operational risks;
- 13 • identify regulatory recovery paths; and
- 14 • determine financing requirements and balance sheet impacts.

15 Additionally, the IRC has discretion to escalate any of the programs  
16 included in this report to Financial Council for their additional review. Variances in  
17 planned purchase or activity levels are reviewed and approved as part of that  
18 process.

19 **Q. PLEASE DESCRIBE THE BUSINESS AREA REVIEW PROCESS AND HOW IT**  
20 **RELATES TO THE OVERALL BUDGETING PROCESS.**

21 A. Business area management reviews the developing budgets several times during  
22 the budget cycle. These reviews may consider:

- 23 • the analysis of long-term trends;
- 24 • discussion of what costs should be reduced based on process  
25 efficiencies or changing business requirements;

- 1 • identification of cost pressures and business risks, including the current  
2 inflationary environment;
- 3 • emerging regulatory requirements; and
- 4 • alignment with strategic objectives.

5 Each business area completes iterative reviews of its budget prior to  
6 finalizing the budget that is submitted to the Financial Council for approval. These  
7 reviews are intended to ensure that the budget is a reasonable and representative  
8 forecast of costs for the budget period and that cost components are well  
9 understood in preparation for the review meetings with the Financial Council.  
10 During this process, the business area meets on an as-needed basis with the  
11 operating company presidents, senior financial executives, and senior operations  
12 leadership to discuss the preliminary budgets. The purpose of these meetings is  
13 to help prioritize projects within the area, as well as across the Company, and to  
14 understand how these preliminary budgets compare to the financial and spending  
15 guidance I previously discussed. Emergent cost pressures are discussed, along  
16 with how these preliminary budgets align with the regulatory priorities of each  
17 operating company and the Company's ability to finance the work. This process  
18 is designed to be iterative, giving each group ample opportunity to provide input  
19 into the budgets that are proposed to the operating company Presidents and the  
20 Financial Council.

1 **D. Operating Company and Financial Council Review and Approval**

2 **Q. DOES OPERATING COMPANY LEADERSHIP ALSO REVIEW THE**  
3 **PROPOSED BUDGETS AS THEY ARE BEING DEVELOPED?**

4 A. Yes. As I mention above, business areas meet on an as-needed basis with  
5 operating company presidents and others to discuss preliminary budgets.  
6 Additionally, after the business areas have finalized their proposed budgets,  
7 business area leadership meets with the operating company president to present  
8 their finalized recommendations for the pending budget cycle. Each operating  
9 company president is responsible for reviewing the budgets for his or her operating  
10 company across all business areas and has the opportunity to recommend  
11 changes to the budgets before they are presented to Financial Council.

12 Because budget guidance is also developed on an operating company  
13 basis, the operating company president has a foundation on which to evaluate  
14 business area budgets that are either above or below the budget guidance, and  
15 can evaluate the reasons for each business area coming in over or under this  
16 guidance. Based on needs within the operating company, its president may  
17 request changes either within a business area budget or across the business  
18 areas.

19 **Q. WHAT FACTORS DOES OPERATING COMPANY LEADERSHIP AND LATER**  
20 **THE IRC AND FINANCIAL COUNCIL CONSIDER AS THEY ARE REVIEWING**  
21 **THE PROPOSED BUDGETS?**

22 A. These reviews take into consideration rate and customer impacts, cost pressures,  
23 emergent issues, priorities presented by the business areas, and areas of strategic

1 and business risk to our stakeholders. They also consider regulatory requirements  
2 and operational needs at the state level, the financial position of the operating  
3 company, and key strategic decisions that need to be made in the near future.  
4 These overall reviews of expenditures at the corporate level are conducted to  
5 balance needs across business areas and develop and approve budgets  
6 necessary to support an appropriate portfolio of projects from an operating  
7 company perspective, and the work necessary to continue to provide safe reliable  
8 service to customers.

9 **Q. WHAT OCCURS AFTER THE OPERATING COMPANY LEADERSHIP**  
10 **REVIEWS THE BUDGETS?**

11 A. After incorporating any modifications by the operating company presidents, the  
12 O&M and capital expenditure budgets are presented to the Financial Council.

13 **Q. WHAT OCCURS AFTER REVIEW OF A PROJECT BY THE IRC?**

14 A. For projects having capital expenditures greater than \$15 million but less than \$25  
15 million, the IRC may approve the project, seek more information, or request that  
16 the business area re-evaluate certain assumptions before the project is included  
17 in the Company's budget. For example, the IRC may request additional  
18 information regarding such questions as how the business area is optimizing  
19 spending and in-service plans, how proposals compare to business area priorities,  
20 what alternatives were considered, how proposals are consistent with overall  
21 business strategy, and risk issues. For projects having capital expenditures  
22 greater than \$25 million, after review by the IRC, a project will either be  
23 recommended for presentation to the Financial Council for approval or the

1 business area will be asked to re-evaluate various assumptions before proceeding  
2 in the budget governance process. In addition, the IRC reviews projects with  
3 variances of more than 15 percent or 20 percent (depending on the size of the  
4 project) from their original approval.

5 **Q. IF A PROJECT OF THE STATED THRESHOLDS IS APPROVED BY THE IRC,**  
6 **WHAT PROCESS DOES THE FINANCIAL COUNCIL UNDERTAKE IN ITS**  
7 **REVIEW?**

8 A. The same iterative process used up to this point is repeated at the Financial  
9 Council, meaning additional research and analysis may be required and/or budget  
10 adjustments made. At the conclusion of the Financial Council review sessions, the  
11 business areas make any resulting adjustments, the budgets are considered final,  
12 and the final budgets are presented to the Boards of Directors for approval.

13 **E. Xcel Energy and Public Service Boards of Directors' Approval**

14 **Q. PLEASE DESCRIBE THE APPROVAL OF BUDGETS BY THE XCEL ENERGY**  
15 **AND PUBLIC SERVICE BOARDS OF DIRECTORS.**

16 A. After Financial Council review and approval, the five-year capital budget is  
17 presented to the Xcel Energy Board of Directors. This review is focused around  
18 the upcoming year, as well as major changes compared to the previous year's five-  
19 year budget. The Board of Directors also reviews and determines whether to  
20 approve any new projects with total project spend in excess of \$50 million, and any  
21 previously approved project that is seeking re-approval because of significant  
22 changes to overall spend.

1           As part of a separate process, the Public Service Board of Directors  
2 approves the upcoming year's total capital budget, all new projects greater than  
3 \$50 million, and the upcoming year's O&M budget. Because members of Public  
4 Service's Board of Directors also hold seats on the Financial Council, they also  
5 review and approve the full five-year O&M and capital budgets as part of that  
6 separate process. Thus, the Public Service Board of Directors has multiple  
7 opportunities to review, question, and ultimately approve the Company's budget.

8       **F.    Ongoing Financial Governance**

9       **Q.    WHAT OCCURS AFTER THE FINANCIAL COUNCIL AND XCEL ENERGY**  
10       **BOARD OF DIRECTORS APPROVE THE ANNUAL BUDGET?**

11      A.    The ongoing financial governance process consists of a monthly monitoring of Xcel  
12 Energy's and the operating companies' performance in comparison to the budget  
13 at Monthly Performance Review Meetings, previously referred to as Financial  
14 Performance Team Meetings. After the Financial Council approves the five-year  
15 budget for each of the utility operating companies, it is locked down to prevent  
16 further changes. This facilitates the monitoring and update processes during the  
17 first budget year (the year following the year in which the budget is prepared) to  
18 reflect changes in business conditions and operations that were not anticipated at  
19 the time the budget was approved.

20           Once the next financial year begins, the Finance area compares actual  
21 results to the O&M and capital budgets by business area and by Operating  
22 Company, and requires the business areas to explain variances and update their  
23 forecasts as appropriate.

1           This ongoing financial governance process allows us to continue to monitor  
2           our business plans and financial forecasts. For example, a business area may  
3           face cost increases or new projects not anticipated at the time the budget was  
4           created, or may need to reduce, delay, or accelerate spending in response to  
5           unforeseen or changed circumstances. The monthly forecasting process allows  
6           us to evaluate whether an increase above original budget levels for a business  
7           area is needed, to consider such changes in the context of overall Company needs  
8           and demands, and then to properly reflect any necessary and appropriate changes  
9           in our business plans and forecasts. Monthly O&M and capital variances and  
10          updated year-end forecasts are reviewed monthly with the Financial Council as  
11          well as operating company leadership.

12   **Q.   WHAT OCCURS AT THE MONTHLY PERFORMANCE REVIEW MEETINGS?**

13   A.   Each business area finance representative discusses variances between actual  
14          and budgeted expenditures and whether the variances are timing related. The  
15          business area representative will also discuss any unplanned items that have  
16          arisen and whether they can be absorbed, or if they will require an adjustment to  
17          the year-end forecast. Each business area is responsible for managing to their  
18          original budget as approved, so when unforeseen cost increases or decreases  
19          occur, the business area makes every attempt to absorb these within their budget  
20          by reprioritizing other work. If they are unable to do so, the business area brings  
21          forward the requested forecast change through the Monthly Performance Review  
22          meetings. The high-level variances and updated forecasts are reviewed monthly  
23          with the Financial Council.



1 **Q. DOES THE COMPANY REVIEW EVERY CAPITAL PROJECT DURING THE**  
2 **MONTHLY PERFORMANCE REVIEW MEETINGS?**

3 A. No, given the high volume of capital projects, the various systems used to plan  
4 and manager each project and resource restrictions not every capital project tis  
5 reviewed at the monthly performance review meetings. The monthly meeting are  
6 focused on the major variance drivers, which generally are only a handful of  
7 specific projects. These variances could be due to either project that were included  
8 in the original budget and are now delayed or emergent work that a business area  
9 had to prioritize over previously planned projects.

10 **G. Applying Budgeting and Forecasting Principles to the Test Year**

11 **Q. PLEASE EXPLAIN WHY IT IS APPROPRIATE FOR PUBLIC SERVICE TO USE**  
12 **FORECASTED AMOUNTS AS THE PRIMARY BASIS FOR THE TEST YEAR**  
13 **CAPITAL AND O&M EXPENSES.**

14 A. Regardless of whether a business is looking backward and developing  
15 adjustments to historical capital spending or looking forward to future overall  
16 spending, the business must make estimates and exercise prudent judgment to  
17 arrive at a reasonably accurate reflection of future budgets. The advantage of a  
18 forward-looking budget process is that it is a more robust, top-to-bottom look at all  
19 future projects and planned expenditures. While project implementation can and  
20 does change from the time of original budget development through updated  
21 forecasts, a forward-looking process tends to be timelier than a historical process  
22 with adjustments.

1 **Q. IS IT POSSIBLE FOR ANY BUSINESS TO DEVELOP A BUDGET (BASED ON**  
2 **EITHER HISTORICAL ACTUAL COSTS OR FUTURE SPENDING**  
3 **EXPECTATIONS) THAT WILL PRECISELY REFLECT A COMPANY'S ACTUAL**  
4 **DOLLAR-BY-DOLLAR SPENDING?**

5 A. No. It is important to recognize that no business can ensure that every budgeted  
6 dollar is spent in exactly the same way that it was initially forecasted to be spent.  
7 Nor would this be a reasonable expectation, as it would preclude a company from  
8 being flexible or responding to emergencies, unexpected changes in the business,  
9 in customers' needs, statewide policy, or in the marketplace as a whole. What is  
10 important is that overall, the Company's budgets reflect a reasonable level of costs  
11 and are reasonably representative of the costs the Company will incur to deliver  
12 electric utility services to its customers during each year of the budget periods.

13 To provide more detail regarding this concept, Public Service's experience  
14 providing electric service informs the Company that circumstances arise that result  
15 in both increases and decreases in spending compared to the budget. For  
16 example, it is not uncommon for a budgeted capital expenditure to be delayed or  
17 cancelled due to project issues prompted by siting, permitting, or changes in  
18 customer needs. The list of potential investments that need to be made at any  
19 given time always outpaces the Company's funding and labor resource capacities.  
20 For that reason, when a project is delayed or cancelled, the Company typically will  
21 re-prioritize and substitute a different project or focus area in its place.

22 Conversely, if a project needs to be accelerated or if spending estimates on  
23 a specific project prove to be too low, the Company may delay a different project

1 to avoid exceeding the spending level the Company has the financial capacity to  
2 fund. While spending on a project-by-project basis never matches up exactly with  
3 the Company's original budgets, Public Service's actual overall budget spending  
4 tends to be accurate, as demonstrated by the comparison of actual to budget  
5 performance for 2019 to 2021 for both capital and O&M expenditures as I describe  
6 in Section III. Thus, the Company's budgeting and forecasting processes serve as  
7 tools for both estimating capital expenditures and imposing financial discipline on  
8 behalf of its customers and investors.

9 **Q. HOW DOES PUBLIC SERVICE PLAN FOR POTENTIAL VARIANCES IN ITS**  
10 **ESTIMATES FOR INDIVIDUAL CAPITAL PROJECTS?**

11 A. Public Service's capital project budgets and forecasts reflect the Company's best  
12 estimate of the actual cost that will be incurred to complete a particular project at  
13 a particular point in time. These estimates are developed using the best  
14 information that Public Service has available. In many cases, they are developed  
15 with very specific information (vendor quotes, engineering estimates, resource  
16 plans, etc.). When less information is available, estimates are frequently  
17 developed using historical information about how much it cost to complete  
18 comparable projects in the past.

19 Given the nature of Public Service's business, the Company must estimate  
20 the costs of certain very large projects, expected to span multiple years, and that  
21 contain a number of large, unknown variables. Generally, these are long-term  
22 construction projects with scope, timing, or price risk considerations. The process  
23 for developing the budgets for these projects typically involves contracting third

1 party engineering firms to develop estimates. The Company then runs its own  
2 estimating model as a check. In other instances, the business unit develops  
3 estimates in a less formal consultation with contractors, based on the Company's  
4 own prior experience, or some combination of these processes.

5 Due to the size and complexity of such projects, prudent business practice  
6 requires that the Company use initial scoping estimates to account for some of the  
7 variability of large, very early-phase projects between the results produced by the  
8 different estimating models. Because large projects typically go into service  
9 several years in the future, there are frequently many unknown variables that need  
10 to be accounted for with contingencies in the applicable project estimates early in  
11 the budgeting process. However, as time progresses and more information is  
12 known, these initial scoping estimates are replaced with more refined estimates in  
13 later versions of the budget. The Company's forecasted capital additions for the  
14 Test Year typically represent refined estimates commensurate with the status of  
15 the project.

16 The most important point to consider is that while the Company employs a  
17 variety of methods to build its capital project budgets, its overall capital budgets  
18 and forecasts do closely track with actual spend, as discussed in Section III. This  
19 is due, in part, to the fact that while some projects may come in over budget and  
20 some projects may come in under budget, over the entire Company these  
21 variances tend to cancel each other out.

1 **Q. DOES THE ABILITY TO REVISE BUDGETS FOR FUTURE YEARS INDICATE**  
2 **THAT THE INITIAL BUDGETS ARE TOO HIGH OR UNRELIABLE?**

3 A. No. Current budgets for future years are based on currently projected operational  
4 needs, circumstances, requirements, and available funding, making them accurate  
5 and reasonably representative based on currently known information.

6 **Q. ARE THE TEST YEAR FORECASTS AN APPROPRIATE BASIS ON WHICH TO**  
7 **SET RATES FOR PUBLIC SERVICE?**

8 A. Yes. As I discussed, Public Service employs a rigorous budgeting process that  
9 enables our capital and O&M forecasts to reflect, as accurately as possible based  
10 on current information, the expenditures the Company will incur to deliver utility  
11 service during the forecast period. The process allows the business areas to  
12 determine their spending requirements, have their assumptions challenged and  
13 refined to align with overall Company vision and operating company initiatives,  
14 resulting in a well-balanced plan that can be relied upon to set rates.

1                   **III.    ACCURACY OF CORPORATE FORECAST**

2   **Q.    PLEASE DESCRIBE THE BUDGET ANALYSES THE COMPANY HAS**  
3   **COMPLETED TO SUPPORT ITS TEST YEAR REQUEST.**

4   A.    The Company has performed analysis of the budget proposed in the Test Year to  
5   various prior comparison periods. For capital investments, the Company has  
6   compared its actual to budget capital performance for 2019 through 2021. For  
7   O&M, the Company compared actual to budget performance for this same three-  
8   year period, and completed analyses comparing our overall 2023 Test Year O&M  
9   budget to actual and forecasted costs for various periods.

10   **A.    Capital Budget Analysis**

11   **Q.    PLEASE SUMMARIZE YOUR CONCLUSIONS ABOUT THE 2023 TEST YEAR**  
12   **CAPITAL BUDGET, BASED ON YOUR VARIANCE ANALYSIS.**

13   A.    Table ARD-D-1 below shows that on average over the past three years, Public  
14   Service's total actual capital spending has exceeded budgets by approximately 9  
15   percent for the total Public Service Company. This total variance is being heavily  
16   influenced by a large shift in Cheyenne Ridge Wind project in 2019 of \$122 million  
17   when the project moved to a self-build project and higher investment in our gas  
18   system in all three years for a total of \$153 million. If the wind project and gas  
19   system investment variances are removed, the Company's actual spending only  
20   varied from the budgets by less than 3.5 percent. This demonstrates that our  
21   capital budgets are a reasonable estimate of the capital spending necessary to  
22   provide our customers with reliable electric service.

1

**Table ARD-D-1**  
**Public Service Total Company Actual versus Budget Capital Expenditures**  
**(\$ millions)**

<b>Year</b>	<b>Budget Amount</b>	<b>Actual Amount</b>	<b>\$ Variance</b>	<b>% Variance</b>
<b>2021</b>	\$1,682	\$1,626	(\$56)	-3.34%
<b>2020</b>	\$1,498	\$1,599	\$101	6.74%
<b>2019</b>	\$1,383	\$1,767	\$384	27.7%
<b>2019-2021 Total</b>	<b>\$4,563</b>	<b>\$4,992</b>	<b>\$429</b>	<b>9.4%</b>

2 **Q. CAN YOU PROVIDE ADDITIONAL EXPLANATION FOR THE VARIANCES IN**  
3 **2019?**

4 A. Yes. The increase in capital spend is primarily due to the following: (1) \$122 million  
5 for additional investment in Cheyenne Ridge Wind Farm as it moved to a self-build  
6 project; (2) \$126 million related to new business, asset health and reliability and  
7 mandates in our Gas Systems Business Area; (3) \$96 million in Distribution for  
8 asset health and reliability investments driven by storm and wildfire activities and  
9 the overall pole replacement program, and (4) \$40 million for Transmission  
10 primarily due to the CEP Rush Creek II project and other non-budgeted activity.

11 **Q. CAN YOU PROVIDE ADDITIONAL EXPLANATION FOR THE VARIANCES IN**  
12 **2020?**

13 A. Yes. The increase is primarily driven by the following: (1) \$60 million related to  
14 Distribution for asset health and reliability investments for priority pole  
15 replacements, cable replacements, and wildfire; (2) \$34 million related to additional  
16 investment in technology related projects in our infrastructure and networks area;

1 and (3) \$20 million in Gas Systems primarily for new business and asset health  
2 and reliability projects.

3 **Q. CAN YOU PROVIDE ADDITIONAL EXPLANATION FOR THE VARIANCES IN**  
4 **2021?**

5 A. Yes. The underrun is primarily driven by the following: (1) \$53 million related to  
6 Distribution related spend with the primary drivers being capacity projects, new  
7 business investments, and EV programs; (2) \$16 million related to Transmission  
8 projects as a result of permitting delays and a major line rebuild project; and (3) \$9  
9 million relate to Energy Supply primarily due to project delays at Cabin Creek and  
10 Zuni generating stations. These underruns were offset by overruns of \$19 million  
11 related to additional investment in technology related projects in our infrastructure  
12 and networks area and software to enable new capabilities.

13 **B. O&M Budget Analysis**

14 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS ABOUT THE COMPANY'S O&M**  
15 **BUDGETS OVER THE LAST THREE FISCAL YEARS, BASED ON YOUR**  
16 **ANALYSES.**

17 A. Our analyses demonstrate that our O&M budgets, which over the past three years  
18 have varied on average by 3.6 percent in total compared to actual results for the  
19 Total Public Service Company, are a reasonable estimate of the costs to be  
20 incurred to provide our customers with reliable electric service. These conclusions  
21 are illustrated by Table ARD-D-2 below. As shown in this table, the variance in  
22 2019 is the largest variance noted at approximately 7.7 percent overrun to budget,  
23 which is due largely to Distribution related spend on storms, wildfire, and labor.



1 For years 2020 and 2021, the actuals results were very close to our budgeted level  
2 of spend.

3

**Table ARD-D-2**

**Public Service Total Company Actual versus Budget O&M (\$ millions)**

<b>Year</b>	<b>Budget Amount</b>	<b>Actual Amount</b>	<b>\$ Variance</b>	<b>% Variance</b>
<b>2021</b>	\$805	\$829	\$24	2.98%
<b>2020</b>	\$803	\$807	\$4	0.00%
<b>2019</b>	\$750	\$808	\$58	7.73%
<b>Three-Year Total</b>	<b>\$2,358</b>	<b>\$2,444</b>	<b>\$86</b>	<b>3.6%</b>

4 **Q. PLEASE PROVIDE AN OVERVIEW OF WHAT VARIANCE ANALYSES**  
5 **INDICATE ABOUT THE COMPANY'S BUDGETING PROCESSES.**

6 A. These analyses show that our budgeting processes and our 2023 Test Year  
7 budget is a reasonable and representative estimate of the costs to be incurred to  
8 provide our customers with reliable electric service. As these analyses  
9 demonstrate, although the Company works to manage within our budgets by re-  
10 prioritizing initiatives to absorb unforeseen cost increases, we exceed these  
11 budgets when additional investments are needed or unplanned work is required to  
12 provide reliable service to our customers. Where budgets exceed actuals and  
13 such deviation is within the Company's control, the Company learns and adjust to  
14 better prepare our budgets for the following year. Company witness Mr. Freitas

1 further discusses how our budget information supports our Test Year request, from  
2 a revenue requirement perspective.

1 **IV. SHARED CORPORATE SERVICES**

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

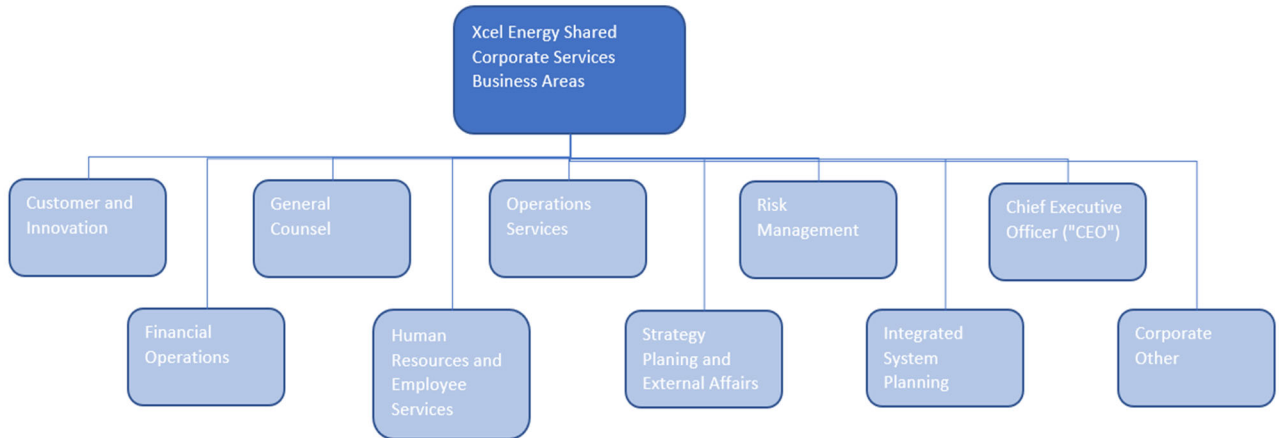
3 A. In this section of my Direct Testimony, I first provide an overview of the functions  
4 and the types of work completed by Shared Corporate Services. I then discuss  
5 Shared Corporate Services' budgeting process and budget management process.  
6 I also support the Company's capital additions included in the proposed Test Year,  
7 followed by presentation of and support for the Company's Shared Corporate  
8 Services' O&M expense.

9 **A. Shared Corporate Services Functions and Activities**

10 **Q. PLEASE DESCRIBE THE KEY FUNCTIONS AND SERVICES OF XCEL**  
11 **ENERGY'S SHARED CORPORATE SERVICES.**

12 A. The Shared Corporate Services Business Areas conduct a variety of activities on  
13 behalf of Xcel Energy and its operating companies, including Public Service.  
14 Figure ARD-D-1 illustrates the 10 Business Areas that comprise Shared Corporate  
15 Services within XES, which I describe in more detail below:

**Figure ARD-D-1: Shared Corporate Services Within XES**



- 1       •       *Customer and Innovation:* Provides services needs of energy customers of  
2 the Xcel Energy system companies, including those of Public Service. Customer  
3 and Innovation includes several functional groups, including the Chief Customer  
4 and Innovation Office, Customer Care, Customer Solutions and Innovation, Clean  
5 Transportation and Strategic Partnerships, and the Operating Company  
6 Presidents area for Xcel Energy’s four operating companies, providing leadership  
7 to the individual utility companies as well as customer and community outreach  
8 support.
- 9       •       *Financial Operations:* Leads financial governance for Xcel Energy and its  
10 operating companies, including Public Service, and delivers financial support for  
11 the enterprise. Financial Operations consists of several functional groups,  
12 including the Controller’s organization, Investor Relations, Business Development,  
13 Tax Services, Financial Planning and Analysis, Revenue Requirements, and the  
14 Treasurer’s Organization.
- 15       •       *Operations Services:* Provides a single centralized Operations support  
16 organization that includes Commercial Operations, Clean Fuels and Operations  
17 Chief of Staff with a goal of using standardized processes, shared best practices,  
18 and efficiencies of scale to ensure productivity and control operating costs.  
19 Operations Services provides support to the Energy Supply, Transmission, and  
20 Distribution Business Areas.
- 21       •       *General Counsel:* Provides strategic services to Xcel Energy, its operating  
22 companies and its subsidiaries, in addition to legal and claims services. This area  
23 also includes services to ensure compliance with corporate ethics and other  
24 policies.

1 • *Risk Management*: Helps to ensure the integrity of company finances and  
2 operations through robust risk analytics, audit services and compliance with  
3 corporate ethics and other policies. This business area also includes the Supply  
4 Chain, Accounts Payable and Fleet business areas.

5 • *Strategy, Planning, and External Affairs*: Provides Xcel Energy's business  
6 strategy development, communications, and federal regulatory and legislative  
7 initiatives. Also includes the Enterprise Security and Emergency Management  
8 group that provides services to maintain and enhance both our cyber and physical  
9 security environment.

10 • *Chief Executive Officer ("CEO")*: The CEO group includes the CEO and  
11 support staff, and the budget for the Chairman's Fund. This group oversees the  
12 vision, mission, and values of Xcel Energy, balancing the customer demands for  
13 reliable, affordable energy with Xcel Energy's (and, in turn, Public Service's) goal  
14 of creating a clean energy future.

15 • *Human Resources and Employee Services*: Provides services to meet the  
16 needs of employees of Xcel Energy and its operating companies, including Public  
17 Service. Human Resources and Employee Services includes several functional  
18 groups including Human Resources, Property Services, Aviation, Workforce  
19 Relations, and Corporate Giving.

20 • *Integrated Systems Planning*: The Integrated Systems Planning group  
21 includes the Resource Planning function and will ultimately be responsible for the  
22 long-term strategic planning for our operations areas.

23 • *Corporate Other*: Corporate Other includes costs that are not directly  
24 attributable to a specific Shared Corporate group. Corporate Other contains the  
25 following types of costs, credits, and charges: Company use credits, overhead  
26 charges to affiliates, shared assets, Administrative & General ("A&G") charges to  
27 capital, non-regulated overheads, and permanent income tax differences.

28 **Q. HOW ARE CAPITAL ADDITIONS AND O&M FOR SHARED CORPORATE**  
29 **SERVICES ALLOCATED BETWEEN OPERATING COMPANIES?**

30 A. When certain projects, such as the Lipan Distribution Center Renovation project  
31 described later in my Direct Testimony, are developed and implemented solely for  
32 Public Service or other individual operating companies, the costs are directly  
33 assigned to that operating company. In other cases, common projects are

1 allocated across Xcel Energy's operating companies. In her Direct Testimony,  
2 Company witness Ms. Nicole L. Doyle explains the Company's cost allocation and  
3 assignment process for appropriately allocating costs for Shared Corporate  
4 Services to the Public Service Electric Department.

5 **Q. DO ALL OF THE BUSINESS AREAS WITHIN SHARED CORPORATE**  
6 **SERVICES HAVE ACTUAL OR FORECASTED CAPITAL ADDITIONS**  
7 **BETWEEN JANUARY 1, 2022 AND DECEMBER 31, 2023?**

8 A. No, the only Business Areas within Shared Corporate Services with capital  
9 additions are Strategy, Planning and External Affairs (specifically the Enterprise  
10 Security budget category), Human Resources and Employee Services (specifically  
11 the Property Services budget category), and Risk Management (specifically the  
12 Fleet budget category). Capital additions for all three groups are discussed below.  
13 Company witness Mr. Remington addresses the Technology Services related  
14 capital additions, in his Direct Testimony.

15 **Q. PLEASE DESCRIBE THE ENTERPRISE SECURITY, PROPERTY SERVICES,**  
16 **AND FLEET BUDGET CATGORIES GROUPS.**

17 A. The Enterprise Security budget category, which is part of the Strategy, Planning  
18 and External Affairs Business Area, implements various security projects related  
19 to both cyber and physical security. The Property Services budget category, which  
20 is part of the Human Resources and Employee Services Business Area,  
21 implements building security features, manages leases, and provides interior and  
22 exterior building maintenance for office buildings, service centers, and regional and  
23 customer offices. The Fleet budget category, which is part of the Risk

1 Management Business Area, supports vehicle and equipment needs of the Energy  
2 Supply, Transmission, and Distribution Business Areas with a variety of services.  
3 As a result, these three groups undertake the majority of capital projects within the  
4 Shared Corporate Services Business Areas, apart from the Technology Services  
5 capital additions discussed by Mr. Remington.

6 **B. Shared Corporate Services Budgeting and Planning**

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

8 A. In this section of my Direct Testimony, I discuss the factors that influence Xcel  
9 Energy's Shared Corporate Services budget and detail the process that Property  
10 Services, Fleet, and Enterprise Security use to develop and refine their budgets  
11 each year. I also discuss the methods Public Service uses to evaluate and rank  
12 new capital projects proposed within these categories.

13 **Q. WHAT ARE THE PRIMARY BUSINESS DRIVERS AFFECTING SHARED  
14 CORPORATE SERVICES' CAPITAL EXPENDITURES?**

15 A. As I mentioned above, and explain in more detail below, Property Services, Fleet,  
16 and Enterprise Security are three of the primary Shared Corporate Services  
17 Business Areas to place capital additions in service in 2022 and 2023.

18 **Q. WHAT TYPES OF CAPITAL INVESTMENTS ARE MADE BY PROPERTY  
19 SERVICES?**

20 A. Property Services' capital investments have been grouped into four primary  
21 drivers: Office Furniture and Equipment, Building Renovations and Improvements,  
22 Miscellaneous Building Projects, and Roads and Gates. All of these capital budget  
23 areas are described below:

- 1 • *Office Furniture and Equipment:* Includes furniture replacements, audio/  
2 visual equipment purchases, and general tools and equipment.
- 3 • *Building Renovations and Improvements:* Includes both the acquisition  
4 of new buildings and improvements made to existing buildings, which  
5 can include remodeling and the build out of new space/capacity, and  
6 other necessary improvements to remain in compliance with regulations  
7 and normal standards.
- 8 • *Miscellaneous Building Projects:* Includes routine non-customer  
9 electrical projects, several garage door replacements, and other  
10 mechanical projects.
- 11 • *Roads and Gates:* Includes work related to constructing, improving, and  
12 maintaining roads and gates throughout Public Service's service  
13 territory.

14 **Q. WHAT TYPES OF CAPITAL INVESTMENTS ARE MADE BY FLEET?**

15 A. The Fleet category primarily consists of additions related to the replacement of  
16 vehicles, trailers, and construction equipment. Fleet asset replacements are by  
17 far the largest portion of capital additions in this category, but this category also  
18 includes investments to repair existing fleet assets to extend their useful life,  
19 investments in garage tools to inspect and repair fleet assets, and investments in  
20 Xcel Energy-owned fueling depots.

21 **Q. WHAT TYPES OF CAPITAL INVESTMENTS ARE MADE BY ENTERPRISE  
22 SECURITY?**

23 A. Enterprise Security was created in late 2016 to consolidate the various security  
24 operations of Xcel Energy and is a new budget owning group as of 2020. Prior to  
25 2020 the associated capital investments were included in both the Technology  
26 Services and Property Services business areas. As the Enterprise Security group  
27 matured and the capital needs have increased, a discreet capital budget was



1 created within the area for physical and Operations Technology (“OT”) Security  
2 related investments. The Cybersecurity investments remain as part of Technology  
3 Services. Enterprise Security has one budget category: Security. Security  
4 projects monitor, detect, prevent, and remediate unauthorized access to Xcel  
5 Energy’s physical infrastructure, such as installing card readers to control access  
6 to Xcel Energy buildings; and monitoring assets, such as cameras, sensors, and  
7 internal intercom systems. Other Security projects include assets to improve Xcel  
8 Energy’s operational monitoring and software assets to gather and analyze data  
9 for cyber security purposes.

10 **Q. PLEASE DESCRIBE THE PROCESS FOR DETERMINING HOW TO DEPLOY**  
11 **CAPITAL FOR CAPITAL PROJECTS FOR PROPERTY SERVICES.**

12 A. Early each year, corporate facilities are evaluated to identify projects for inclusion  
13 in the capital budget for the following year. New items identified are categorized  
14 and prioritized along with existing multi-year capital projects. Projects that are  
15 related to safety are the highest priority. Other projects are reviewed with relevant  
16 operating company staff to verify need and priority. The final list is based on  
17 funding all projects impacting safety, code or regulatory requirements (e.g.,  
18 Environmental Protection Agency, and Occupational Safety and Health Act  
19 regulations) or business growth. The balance of projects is based on priority in  
20 consideration of the overall Xcel Energy capital guidelines.

21 For instance, projects such as new or replacement fire alarm systems,  
22 uninterruptible power supply, fire suppressing sprinkler systems, and building

1 code-related projects are all funded to assure safety and compliance with local  
2 government jurisdictions.

3 Projects such as office consolidations, mechanical equipment  
4 replacements, and structural projects that are not safety-related are prioritized  
5 based on business needs. Projects that are more aesthetics-related—such as  
6 office furniture, landscaping, and improvements to common building areas—are  
7 funded in comparison to existing building standards.

8 **Q. DOES PROPERTY SERVICES MAINTAIN A FIVE- OR 10-YEAR MASTER**  
9 **PLAN RELATED TO FACILITY INVESTMENTS?**

10 A. No, there is no five- or 10-year master plan as it relates to the facilities that Property  
11 Services manages and maintains. Instead, Property Services manages its  
12 properties, supporting the Company's delivery of electric service, as an overall  
13 portfolio and prioritizes investments based on a number of factors. The individual  
14 facility managers are continually assessing the state of properties they manage  
15 and identifying the necessary projects to maintain the sites' safety and  
16 functionality. Additionally, the Property Services group meets with both the  
17 Operations teams and operating company leadership to understand future needs  
18 and requirements of the Company. All of this information is evaluated and  
19 incorporated into the decision-making process of which projects to pursue and  
20 when.

1 **Q. WHAT ARE THE FACTORS THAT PROPERTY SERVICES USES TO**  
2 **PRIORITIZE THE FACILITY INVESTMENTS?**

3 A. Property Services' leadership and the various site managers meeting frequently  
4 both internally and with the Operations and other Shared Corporate Services  
5 groups to assess the condition of our facilities and to gather input on both the  
6 current and future business needs of the other business areas. Factors considered  
7 include age and general condition of the building, upcoming lease expirations, the  
8 likelihood of lease renewals, anticipated growth in specific service areas, major  
9 public works projects (i.e., new/expanded road or industrial parks), market  
10 conditions, and availability for property. All of these factors are then evaluated and  
11 considered during the annual five-year budget cycle described above.

12 **Q. PLEASE PROVIDE AN EXAMPLE OF HOW ONE OF THESE FACTORS COULD**  
13 **IMPACT THE TEST YEAR CAPITAL BUDGET.**

14 A. For example, the expansion of a two-lane highway to a four lane highway could  
15 potentially lead to increased development of the surrounding area, either through  
16 the construction of additional housing or through business development. Analysis  
17 by our operations planning team may result in the determination that the current  
18 service center for that area is no longer adequate to serve the expected growth,  
19 either due to increased response times due to increased distance or that the  
20 current site is too small to accommodate the higher volume of work. In this case,  
21 the Property Services team would begin evaluating options to meet the need  
22 identified by the operations team. The solution could include the construction of a  
23 new service center, expansion of an existing service center, or an evaluation of

1 service territories. This determination may also result in the delay of upgrades or  
2 other capital investment as the current site if it is determined that the Company  
3 does not need the site long term. All of this information is then used to inform the  
4 ranking and funding process described above.

5 **Q. PLEASE DESCRIBE THE BUDGETING PROCESS FOR RANKING AND**  
6 **FUNDING CAPITAL PROJECTS FOR FLEET.**

7 A. Each year an analysis is performed during the planning process to identify which  
8 fleet units will be replaced. The primary tool used is the total cost ownership model,  
9 which takes into account the following inputs: age, number of miles, total hours,  
10 repair costs, maintenance costs, cost of repair parts, and labor costs for repairs of  
11 each fleet unit. These inputs track all costs associated with owning, operating,  
12 repairing, and maintaining our fleet vehicles during their entire life span.

13 **Q. HOW IS THE TOTAL COST OF OWNERSHIP MODEL USED TO DEVELOP THE**  
14 **BUDGET FOR FLEET ASSET REPLACEMENTS?**

15 A. Each year, Xcel Energy examines the total cost of ownership for each of our  
16 existing fleet assets to determine which fleet needs to be replaced in that year. In  
17 particular, a fleet unit is identified for replacement when the costs of owning,  
18 operating, repairing, and maintaining a fleet unit exceed the average cost of  
19 replacing that unit or when customer service is negatively impacted due to  
20 increased instances of breakdowns. This condition-based assessment process  
21 means that in one year, the most need for replacing fleet assets may be within one  
22 operational company or within one business area. As a result, the annual budget

1 for fleet asset replacements for an Xcel Energy jurisdiction may fluctuate year over  
2 year.

3 **Q. WHY IS IT IMPORTANT TO REPLACE AGING FLEET ASSETS WHEN THESE**  
4 **CRITERIA ARE MET?**

5 A. Replacing our fleet in accordance with these criteria both reduces the total overall  
6 cost to operate and maintain the Xcel Energy's fleet as well as maintaining the  
7 reliability and safety of our fleet assets. Age is the single biggest driver of  
8 maintenance and repair costs for fleet assets. The cost to repair and maintain  
9 older fleet assets is much higher than for newer assets as they tend to require  
10 more frequent and more extensive maintenance and repairs. As a result, it is  
11 important to track the maintenance and repair costs of aging fleet assets to make  
12 sure that we replace fleet when the costs of these repairs exceed replacement  
13 costs.

14 Older fleet assets are also not as reliable as newer fleet assets, and this  
15 can impact customer service since our crews rely on these vehicles and equipment  
16 to perform their work. Further, older fleet assets are not as safe as newer assets  
17 as they are not equipped with the latest safety technology and have a higher risk  
18 of catastrophic component failures. Newer fleet assets also have improved fuel  
19 economy as compared to older vehicles, thus providing fuel savings and reduced  
20 emissions.

1 **Q. PLEASE DESCRIBE THE PROCESS FOR PRIORITIZING CAPITAL**  
2 **PROJECTS FOR ENTERPRISE SECURITY.**

3 A. Each year, the Enterprise Security group evaluates the need for future capital  
4 investment to maintain and improve both our physical and cyber security  
5 environments. This evaluation results in a list of prioritized projects for inclusion in  
6 the upcoming capital budget. New items identified are categorized and prioritized  
7 along with existing multi-year capital projects. Projects are reviewed against  
8 industry standards, internal and external assessment results, and overall business  
9 need. The final list of projects is also reviewed in consideration of overall Xcel  
10 Energy capital guidelines.

11 **Q. WHAT PROCESS DOES THE COMPANY FOLLOW TO MANAGE AND**  
12 **CONTAIN ITS CAPITAL COSTS FOR SHARED CORPORATE SERVICES?**

13 A. The Company uses multiple processes to manage and contain capital costs for  
14 Shared Corporate Services. As previously discussed, the budget targets are  
15 established and reviewed early in the budgeting process to allow Shared  
16 Corporate Services to develop plans to meet those targets. The resulting plans  
17 are then reviewed by multiple levels within the Company. Last, the Financial  
18 Operations organization continually reviews actual spend versus the budget to  
19 determine if costs are exceeding targets and why.



1 The amounts in Table ARD-D-4 are stated on a Total Company (Public Service)  
2 basis, meaning that they include both electric utility-specific projects and common  
3 electric/gas projects stated at the total Public Service level. More detail on the  
4 Shared Corporate Service's capital additions for January 1, 2022 to December 31,  
5 2023 are included in Attachment ARD-1 (2021 - 2023 capital additions).

6 **Q. PLEASE DESCRIBE THE PRIMARY DRIVERS OF THE COMPANY'S**  
7 **INVESTMENT IN SHARED CORPORATE SERVICES IN 2022 AND 2023.**

8 A. The primary drivers for Property Services and Fleet capital additions within the  
9 Shared Corporate Business Areas in 2022 and 2023 are:

- 10 • *Projects Taken on in the Normal Course of Activity:* Includes necessary  
11 improvements, maintenance, and safety and reliability improvements  
12 that are completed in the normal course of business.
- 13 • *Service Center Renovations and Replacements:* Construction at  
14 service center locations to address aging infrastructure, safety, code  
15 changes, productivity, environmental sustainability, lease expirations  
16 and other physical property needs.
- 17 • *Fleet:* The majority of the investments in this category relate to the  
18 replacement of vehicles, trailers, and construction equipment as  
19 necessary based on an assessment of their age and condition. This  
20 category also includes investments to replace infrastructure at  
21 Company-owned fueling depots, fleet repairs to extend the life of fleet  
22 assets, and the purchase of garage tools needed to repair fleet assets.

23 **2. Property Services Capital Additions**

24 **Q. PLEASE DESCRIBE THE MAJOR PROJECTS WITHIN THE PROPERTY**  
25 **SERVICES CAPITAL CATEGORY IN 2022-2023.**

26 A. The major projects described below account for approximately 89% of the 2022-  
27 2023 capital additions totaling \$57.1 million for Property Services.



- 1
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- *Golden Service Center Project:* This project involves the construction of a new service center facility on existing Company property adjacent to the existing Lookout Service Center to replace the Golden and Table Mountain Service Centers. Due to recent addition of street roundabouts near the service center entrance, the site can no longer be accessed by certain trucks and other equipment as this larger equipment cannot make the turn radiuses required for these roundabouts. Also, the site has the potential for redevelopment due to its location. This project is planned to be completed in 2022 with total plant additions of \$17.2 million.
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- *Aurora Service Center Land Acquisition:* This project involves the purchase of land in Aurora, Colorado that will be used to construct a new service center in 2022 as the lease at the existing service center facility in the east Denver metro area will not be renewed because the existing building and site do not meet our operational needs. For example, certain areas of the existing building are not insulated, limiting their usefulness during cold weather periods. The existing site also has limited laydown and yard space and poor drainage. Significant investment would be needed to renovate and upgrade the current building and site. The new Gateway Service Center will support the Denver International Airport and surrounding Denver industrial corridor. This project is planned to be completed in 2022 with total plant additions of \$2.8 million.
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- *Fort Collins Land Acquisition:* This project involves the purchase of land in Fort Collins, Colorado that will be used to design and construct a new service center in 2024/2025 as the lease at the existing service center facility is set to expire and the current site does not meet the future needs of operations and is in poor condition. The new building will be approximately 25,000 square feet and consist of office space, truck storage, warehouse, and fleet repair. The site will also have a storage yard and exterior lay down space. This purchase is expected to be completed in 2022 with total plant additions of \$3.4 million.
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- *South Network Control Center Switch Gear Upgrade and Generator Replacement Project:* This project will replace old breakers, generators, and diesel fuel systems to improve the reliability and performance of the electric system at the South Network Control Center. The project is planned to be completed in 2023 with \$4.6 million of capital additions.
- 38
- 39
- 40
- 41
- *Lipan Distribution Center Transportation Garage Project:* This is the primary fleet garage for Public Service and serves Public Service's largest service center. This project involves renovating the existing fleet garage by demolishing the interior of the garage, originally constructed

1 in 1918, and constructing a new modern interior. A new interior is  
2 needed to accommodate the size and space requirements to make  
3 repairs on larger trucks and construction equipment in Public Service's  
4 current fleet. This renovation will also enable more fleet assets to  
5 repaired at the same time inside the garage. This project is planned to  
6 be completed in 2023 with total plant additions of \$16.4 million.

- 7
- 8 • *Office Furniture and Equipment Common:* These capital additions total  
9 approximately \$1.8 million in 2022 and \$1.6 million in 2023. The  
10 additions are primarily related to furniture replacements, workstations,  
11 audio/visual equipment purchases, and general tools and equipment.  
12 For example, as we move towards a hybrid work environment the need  
13 to have conference rooms that are enabled for virtual meetings  
14 increases and that investment would be captured under this type of  
addition.
  - 15 • *PSCo Fleet/Employee EV Charging:* These capital additions total  
16 approximately \$3.0 million in 2022 and \$0.5 million in 2023. The projects  
17 consist of the installation of charging stations at Company-owned sites  
18 to facilitate the transition of our fleet vehicles from internal combustion  
19 vehicles to electric vehicles, as well as to support employee charging of  
20 personal electric vehicles. The work includes the necessary electrical  
21 conduit and upgrades as well as charging units. The actual vehicle  
22 purchases are included in the Fleet capital additions as our transition is  
23 executed.

24 **3. Enterprise Security Capital Additions**

25 **Q. PLEASE DESCRIBE THE MAJOR CAPITAL PROJECTS FOR ENTERPRISE**  
26 **SECURITY IN 2022-2023.**

27 A. Enterprise Security capital additions from 2022-2023 will total approximately \$9.6  
28 million. Projects in this category primarily include physical security investments  
29 such as card reader panel replacements and upgrades and the installation of  
30 additional security cameras for monitoring of the Company's sites. In 2022,  
31 Enterprise Security will in-service a new risk dashboard software which will be  
32 used to monitor Xcel Energy's risk exposure and enable the management of the  
33 overall security program in a more holistic manner. In 2022-2023, Public Service

1 will also be making investments in its Operation Technology (“OT”) Cyber Security  
2 Program.

3 **Q. PLEASE DESCRIBE THE OT CYBER SECURITY PROGRAM.**

4 A. The OT Cyber Security Program is designed to enhance the cyber security  
5 capabilities in the operations environment. The program consists of six areas of  
6 emphasis: Governance, Information Protection, Asset Management, Security  
7 Logging and Monitoring, Vulnerability and Patch Management, and Response  
8 Planning. For each of these six areas, the Enterprise Security team will partner  
9 with operations leaders to implement solutions to enhance the current cyber  
10 security environment, as well as implement new solutions to address areas of  
11 opportunity. Examples of these solutions includes the deployment of Dragos  
12 monitoring sensors at various sites across Gas, Transmission, and Energy Supply  
13 to detect intrusions on our systems, firewall upgrades and additions at our wind  
14 facilities, the expansion of various cybersecurity software platforms currently in  
15 limited use, setting up a test lab for vulnerability scanning, standardizing the patch  
16 management program across operations, enhanced testing, training and  
17 continuous improvement of incident response plans. The program is projected to  
18 have \$6.5 million of capital additions in 2022-2023.

19 **4. Fleet Capital Additions**

20 **Q. PLEASE DESCRIBE THE CAPITAL INVESTMENTS FOR FLEET IN 2022-2023.**

21 A. Fleet capital additions for 2022-2023 are expected to total approximately \$40.6  
22 million. These costs represent the necessary replacement of fleet vehicles and  
23 construction equipment that are in poor condition and have become less reliable

1 and costlier to maintain. Public Service utilizes fleet vehicles and equipment to  
2 travel to work sites, perform construction work, and to quickly respond to  
3 emergencies.

4 **Q. CAN YOU PROVIDE A FURTHER BREAKDOWN OF THESE FLEET**  
5 **REPLACEMENTS?**

6 A. Yes. The \$40.6 million in Fleet investments includes replacement of various Fleet  
7 units in both 2022 and 2023. For 2022, the capital additions of \$13.2 million  
8 represent of 11 passenger cars, 15 light-duty trucks, 70 medium and heavy-duty  
9 trucks, 76 trailers, and 7 pieces of special use equipment. For 2023, the capital  
10 additions of \$27.4 million represent of 20 passenger cars, 103 light-duty trucks, 88  
11 medium and heavy-duty trucks, 15 trailers, and 36 pieces of special use  
12 equipment.

13 **Q. WILL ANY OF THESE FLEET VEHICLES REPLACED WITH ELECTRIC**  
14 **VEHICLES?**

15 A. Yes. For the 2022 and 2023 capital additions 49 units will be replaced with electric  
16 vehicles. The new units will be a mix of passenger vehicles, medium and heavy-  
17 duty trucks and one electric bucket truck.

18 **Q. HOW CAN THE COMMISSION BE CONFIDENT THE COMPANY WILL**  
19 **MANAGE ITS SHARED CORPORATE SERVICES-RELATED CAPITAL**  
20 **PROJECTS INCLUDED IN 2022-2023 TO ENSURE THE FINAL, ACTUAL**  
21 **COSTS ARE REASONABLE AND PRUDENT?**

22 A. As discussed above, the Shared Corporate Services capital additions for 2022-  
23 2023, presented in Attachment ARD-1 have been, or will be, prudently incurred,

1 reasonable in cost, and used and useful in supporting Public Service's ability to  
2 provide safe and reliable electric service to its customers. These capital additions  
3 were carefully planned and necessary to make building repairs and renovations,  
4 provide fleet assets for our employees to perform their job duties or travel to work  
5 sites, and to install security measures to protect our physical facilities. As I  
6 discussed these projects were evaluated and selected through a rigorous  
7 budgeting process and we will monitor the execution and implementation of  
8 projects to ensure that the capital costs are prudently incurred to provide safe and  
9 reliable service to Public Service's customers.

1           **D.     SHARED CORPORATE SERVICES O&M EXPENSES**

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 the Company's  
4           Shared Corporate Services' O&M expenses for the 12-month period ended June  
5           30, 2022,<sup>2</sup> as adjusted for: (1) adjustments described below; and (2) labor and non-  
6           labor costs as discussed and quantified by Company witnesses Mr. Michael P.  
7           Deselich and Mr. Freitas, as the appropriate level of Shared Corporate Services  
8           O&M expense in the Test Year. I also describe the drivers of changes in O&M  
9           expenses as compared to 2021 actual O&M expenses. Finally, I discuss the  
10          adjustments that Public Service proposes to make to Shared Corporate Services'  
11          O&M expenses included in the proposed Test Year.

12          **Q.     WHAT ARE THE TYPES OF COSTS THAT SHARED CORPORATE SERVICES**  
13          **INCURS FOR O&M?**

14          A.     As noted earlier in my Direct Testimony, Shared Corporate Services consist of  
15          functions largely performed by Xcel Energy Services on behalf of each operating  
16          company, with costs allocated to Public Service as discussed by Company witness  
17          Ms. Doyle in her Direct Testimony. These functions include the following types of  
18          O&M activities:

- 19                   •    *Financial Operations*: Includes functional costs, consisting of primarily  
20                   labor and contractor / consulting costs (such as auditors), and insurance  
21                   costs;

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<sup>2</sup> Technology Services' O&M expenses are discussed by Company witness Mr. Remington.

- 1 • *General Counsel*: Primary costs include labor and outside legal and  
2 consulting costs;<sup>3</sup>
- 3 • *Risk Management*: Primary costs include labor and consulting costs  
4 related to providing audit, risk, supply chain and fleet services;
- 5 • *Strategy Planning and External Affairs*: Primary costs include labor and  
6 consulting, and labor and consulting costs for enterprise security;
- 7 • *Chief Executive Officer*: Includes primarily labor and consulting costs;  
8
- 9 • *Customer and Innovation (not including Technology Services)*: Includes  
10 customer care (consisting primarily of labor and contractor costs for the  
11 call center), bad debt expense, marketing costs, brand advertising (not  
12 recovered from customers), labor and consulting for the Public Service  
13 Company president, regulatory fees, and labor and consulting costs for  
14 the policy and regulatory areas;
- 15 • *Human Resources and Employee Services*: Includes costs related to  
16 property services (consisting primarily of lease costs, maintenance and  
17 janitorial services, snow removal, utility costs for facilities, and labor for  
18 the facilities department), human resources, and employee services  
19 costs;
- 20 • *Operations Services*: Includes commercial operations, clean fuels and  
21 operations services related costs, primarily labor and consulting;
- 22 • *Integrated System Planning*: Includes labor and consulting costs related  
23 to resource planning function; and
- 24 • *Corporate Other*: Includes company use credits, overhead charges to  
25 affiliates, shared assets, A&G charges to capital, non-regulated  
26 overheads, and permanent income tax differences.

27 **Q. WHAT WERE SHARED CORPORATE SERVICES' ACTUAL O&M COSTS FOR**  
28 **THE 12-MONTH PERIOD ENDED JUNE 30, 2022?**

29 A. Shared Corporate Services' actual O&M expenses for the 12-month period ended  
30 June 30, 2022 totaled \$152.8 million (excluding Technology Services). Table

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<sup>3</sup> This does not include outside legal or consulting costs deferred and recovered as part of rate case expense.

1 ARD-D-4 below breaks down the amount of overall O&M costs by the categories I  
 2 discussed above. Attachment ARD-2 and Attachment ARD-3 provide an  
 3 accounting of these expenses by Cost Element and FERC account, respectively.

4 **Table ARD-D-4**  
**Shared Corporate Services O&M**  
**Public Service Electric**  
**(Dollars in Millions)**

<b>Business Area</b>	<b>12-Months Ending June 30, 2022</b>
Financial Operations	\$28.9
Operations Services	\$4.9
General Counsel	\$7.3
Chief Executive Officer	\$2.7
Customer and Innovation (excluding Technology Services)	\$68.5
Human Resources and Employee Services	\$24.5
Integrated Systems Planning	\$1.1
Risk Management	\$2.4
Strategy, Planning and External Affairs	\$8.5
Corporate Other	\$4.3
<b>Total*</b>	<b>\$152.8</b>

5 **Q. PLEASE COMPARE SHARED CORPORATE SERVICES' ACTUAL O&M**  
 6 **COSTS FOR 2021 TO O&M COSTS FOR THE 12 MONTHS ENDED JUNE 30,**  
 7 **2022.**

8 A. Table ARD-D-5 below compares the 2021 actual O&M costs to actuals for the 12-  
 9 months ended June 30, 2022, by category, and adds the Test Year adjustments  
 10 to arrive at the Test Year amounts.



1  
 2

**Table ARD-D-5  
 O&M Comparison**

<b>Category</b>	<b>2021 Calendar Year</b>	<b>12- Months Ended June 30, 2022</b>	<b>Test Year Adjustments</b>	<b>Test Year</b>
Financial Operations	\$30.1	\$28.9	\$5.6	\$34.5
Operations Services	\$4.9	\$4.9		\$4.9
Risk Management	\$2.6	\$2.4		\$2.4
General Counsel	\$6.3	\$7.3		\$7.3
Chief Executive Officer	\$2.4	\$2.7		\$2.7
Customer and Innovation (excluding Technology Services)	\$65.0	\$68.5		\$68.5
Human Resources and Employee Services	\$23.2	\$24.5	\$1.3	\$25.8
Integrated System Planning	\$1.2	\$1.1		\$1.1
Strategy, Planning and External Affairs	\$9.9	\$8.5		\$8.5
Corporate Other	(\$2.3)	\$4.3		\$4.3
<b>Total*</b>	<b>\$143.3</b>	<b>\$152.8</b>	<b>\$6.9</b>	<b>\$159.7</b>
*There may be differences between the sum of individual category amounts and "Total" amounts due to rounding.				

1 **Q. PLEASE DISCUSS THE MAJOR DRIVERS OF THE DIFFERENCES SHOWN IN**  
2 **THE TABLE ABOVE.**

3 A. The differences in the table above are primarily driven by two categories of spend  
4 and the Test Year adjustments. The increases in the Customer and Innovation  
5 and Corporate Other categories account for \$10.1 million of the \$16.4 million  
6 difference between the 2021 actual O&M and the Test Year O&M. The Test Year  
7 adjustments account for an additional \$6.9 million of the difference between the  
8 2021 actual O&M and the Test Year O&M. The remaining categories net to a (\$0.6  
9 million) reduction to overall O&M.

10 **Q. WHAT WERE THE PRIMARY DRIVERS OF THE INCREASES TO O&M**  
11 **BETWEEN THE 2021 ACTUAL O&M EXPENSES AND O&M EXPENSES FOR**  
12 **THE 12 MONTHS ENDED JUNE 30, 2022?**

13 A. The drivers are:

14 • *Labor*: Labor increase of \$2.8 million is primarily due to increased  
15 headcount and annual merit increases. Increase in resources is  
16 primarily related to the Customer and Innovation area adding resources  
17 maintain high quality customer service and to support new customer  
18 related programs and regulatory initiatives. The annual merit increase  
19 is supported by Company witness Mr. Deslich.

20 • *Bad Debt*: Bad Debt, which is included in the Customer and Innovation  
21 business area, increased \$5.5 million which is primarily due to  
22 outstanding accounts receivable balances becoming more aged and  
23 therefore a higher reserve percentage is applied to reflect the increased  
24 risk of collection. This results in a higher bad debt expense being  
25 recorded as our reserves grow. Additionally, increased sales will result  
26 in higher bad debt expense as bills grow and larger balances work  
27 through the aging process.

28 • *Insurance*: Insurance costs, which are included in the Financial  
29 Operations area, have increased \$0.8 million. The primary drivers of  
30 these increases are policies related to excess liability coverage. These

1 policies are renewed annually with many factors influencing the overall  
2 level of premiums. Examples of these factors include loss history,  
3 overall market conditions, risk level and overall level of assets to be  
4 insured.

- 5 • *Outside Services*: Costs in this area have increased by \$2.9 million  
6 primarily due to the reduction in the Colorado Wildfire deferral credit from  
7 2021 to 2022. Additionally, the Company experienced higher costs for  
8 outside legal support in 2022 due to the volume of litigation.  
9

10 **Q. IS THE COMPANY PROPOSING ANY ADJUSTMENTS TO ITS SHARED**  
11 **CORPORATE SERVICES' O&M EXPENSES?**

12 A. Yes, the Company is proposing two adjustments to the Shared Corporate Services  
13 O&M expenses.

14 The first adjustment is related to insurance premiums and adjusts the  
15 historical premium expense to an updated amount due to renewals of the policies.  
16 Insurance premiums can increase due to several factors including the general  
17 insurance market, loss history both specific to the Company and to the industry in  
18 general and the total value of the assets insured. The Company has included an  
19 adjustment to the Test Year to reflect the increased premiums that the Company  
20 will incur on policies renewed in 2022 that will be in effect during the Test Year.

21 The second adjustment is related to the lease payments on the various  
22 facilities that the Company rents from others. These leases are multi-year  
23 agreements of varying lengths, and these agreements generally contain automatic  
24 increases to the lease payments on an annual basis. This adjustment captures  
25 the impact of the annual rent increases that the Company will incur in the Test  
26 Year.

1 **Q. IS THE COMPANY'S SHARED CORPORATE SERVICES O&M EXPENSES**  
2 **FOR THE 12-MONTH PERIOD ENDED JUNE 30, 2022 WITH THE TEST YEAR**  
3 **ADJUSTMENTS A REASONABLE BASIS ON WHICH TO ESTABLISH O&M**  
4 **COSTS FOR THE TEST YEAR?**

5 A. Yes. The Company's Shared Corporate Services O&M costs expenses for the 12-  
6 month period ended June 30, 2022 with the adjustments are reasonably  
7 representative of the Company's forecasted O&M costs for establishing the Test  
8 Year.

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

10 A. Yes, it does.

## **Statement of Qualifications**

### **Adam R. Dietenberger**

I received a Bachelor of Science degree, with majors in accounting and finance, from the University of Minnesota in 2004. I also hold an Inactive CPA certificate from the State of Minnesota.

My current position with XES is Director, Business Area Finance, Shared Corporate Services. In this role, my responsibilities include supporting the financial aspects of the shared service organizations including the coordination of the shared service organizations' five-year O&M expense budgets and the five-year capital expenditure budgets, the monthly forecast updates of these five-year plans, and analysis of actual results against these budgets and forecasts. Prior to my current role, I was employed as the Senior Manager, Service Company Accounting and Cash Processes. I was responsible for the general administration of XES, including accounting, billing, allocations, policies and procedures, service agreements, internal audits, external audits and external reporting to state and federal regulatory agencies. Additionally, I managed Xcel Energy's Cash Processes group, which is responsible for monitoring and reconciling the cash activity, long term debt and other related items for all Xcel Energy affiliates and subsidiaries.

I have been employed by XES since May 2008, first as a Senior Accountant, then as a Corporate Accounting Consultant, then as Manager, Corporate Accounting.

Prior to joining XES, I was employed by Deloitte LLP, where I performed financial statement audits for companies in various industries, including energy and utilities, healthcare, and manufacturing.

I have filed testimony previously before the Colorado Public Utilities Commission on behalf of Public Service Company of Colorado in Proceeding Nos. 22AL-0046G, 21AL-0317E, 20AL-0049G, 19AL-0268E, 17AL-0649E, and 17A-0363G as part of both my current role and my previous role as Senior Manager, Service Company Accounting and Cash Processes. I have also filed testimony before the Public Utility Commission of Texas in Docket Nos. 49831, 45524, and 51802 the New Mexico Public Regulation Commission in Case Nos. 15-00139-UT, 15-00296-UT, and 16-00269-UT; and the Minnesota Public Utilities Commission on behalf of Northern States Power Company, a Minnesota corporation, in Docket No. E002/GR-15-826.

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

\* \* \* \*

IN THE MATTER OF ADVICE LETTER )  
NO. 1906-ELECTRIC OF PUBLIC )  
SERVICE COMPANY OF COLORADO )  
TO REVISE ITS COLORADO PUC NO. )  
8-ELECTRIC TARIFF TO REVISE )  
JURISDICTIONAL BASE RATE ) PROCEEDING NO. 22AL-XXXXE  
REVENUES, IMPLEMENT NEW BASE )  
RATES FOR ALL ELECTRIC RATE )  
SCHEDULES, AND MAKE OTHER )  
TARIFF PROPOSALS EFFECTIVE )  
DECEMBER 31, 2022. )

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AFFIDAVIT OF ADAM R. DIETENBERGER  
ON BEHALF OF  
PUBLIC SERVICE COMPANY OF COLORADO

---

I, Adam R. Dietenberger, 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 Minneapolis, Minnesota, this 22<sup>nd</sup> day of November, 2022.



Adam R. Dietenberger  
Director, Business Area Finance

Subscribed and sworn to before me this 22 day of 11, 2022.



Notary Public

My Commission expires 01/31/2026

