

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

* * * * *

IN THE MATTER OF ADVICE NO. 961-)
GAS OF PUBLIC SERVICE COMPANY)
OF COLORADO TO REVISE ITS)
COLORADO PUC NO. 6-GAS TARIFF) PROCEEDING NO. 20AL-____G
TO INCREASE JURISDICTIONAL BASE)
RATE REVENUES, IMPLEMENT NEW)
BASE RATES FOR ALL GAS RATE)
SCHEDULES, AND MAKE OTHER)
PROPOSED TARIFF CHANGES)
EFFECTIVE MARCH 7, 2020)

DIRECT TESTIMONY AND ATTACHMENTS OF BROOKE A. TRAMMELL

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

February 5, 2020

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Attachment BAT-2	Public Service Gas Service Territory Map

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
2016 HTY	2016 Historical Test Year
2017 Gas Phase I	Proceeding No. 17AL-0363G
2019 Gas Phase II	Proceeding No. 19AL-0309G
AFUDC	Allowance for Funds Used During Construction
AIP	Annual Incentive Pay
CCOSS	Class Cost of Service Study
Commission	Colorado Public Utilities Commission
CLG	Large Commercial Gas Service
CSG	Small Commercial Gas Service
CWIP	Construction Work in Progress
DSMCA	Demand Side Management Cost Adjustment
Dth	Dekatherm
EIA	U.S. Energy Information Administration
FERC	Federal Energy Regulatory Commission
GCA	Gas Cost Adjustment
GRSA	General Rate Schedule Adjustment
HDHP	High Deductible Health Plan
HTY	Historical Test Year
MGP	Manufactured Gas Plant
O&M	Operations and Maintenance
ROE	Return on equity
RVP	Regional Vice President

<u>Acronym/Defined Term</u>	<u>Meaning</u>
PHMSA	Pipeline and Hazardous Materials Safety Administration
PSIA	Pipeline Safety Integrity Adjustment
Public Service or Company	Public Service Company of Colorado
RG	Residential Gas Service
ROE	Return on Equity
SCADA	Supervisory Control and Data Acquisition
TCJA	Tax Cuts and Jobs Act
Test Year	Public Service's gas department is using a test year ending September 30, 2020
TFL	Large Firm Gas Transportation Service
TFS	Small Firm Gas Transportation Service
TI	Interruptible Transportation Service
WACC	Weighted Average Cost of Capital
XES	Xcel Energy Services Inc.
Xcel Energy	Xcel Energy Inc.

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

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Brooke A. Trammell. My business address is 1800 Larimer Street,
Denver, Colorado 80202.

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

A. I am employed by Xcel Energy Services Inc. ("XES") as Regional Vice President,
Rates and Regulatory Affairs. XES is a wholly owned subsidiary of Xcel Energy
Inc. ("Xcel Energy") and provides an array of support services to Public Service
Company of Colorado ("Public Service" or the "Company") and the other utility
operating company subsidiaries of Xcel Energy on a coordinated basis.

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

A. I am testifying on behalf of Public Service.

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

2 A. As Regional Vice President, Rates and Regulatory Affairs, I am responsible for
3 providing leadership, direction, and technical expertise related to regulatory
4 processes and functions for Public Service. My duties include the design and
5 implementation of Public Service's regulatory strategy and programs, as well as
6 the direction and supervision of Public Service's regulatory activities, including
7 oversight of rate filings, administration of regulatory tariffs, rules, and forms,
8 regulatory case direction and administration, compliance reporting, and complaint
9 responses. A more detailed description of my qualifications, duties, and
10 responsibilities is set forth in my Statement of Qualifications at the conclusion of
11 my Direct Testimony.

12 **Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT**
13 **TESTIMONY?**

14 A. Yes, I am sponsoring Attachments BAT-1 through BAT-2. The attachments are
15 as follows:

- 16 • Attachment BAT-1: Gas Base Rate Revenue Request Summary; and
- 17 • Attachment BAT-2: Public Service Gas Service Territory Map

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

19 A. I am the Company's policy witness in this proceeding, and, in that role, I present
20 the Company's overall case to the Colorado Public Utilities Commission
21 ("Commission"). To support our request and inform the Commission's decision in
22 this proceeding, I discuss the context and drivers of this rate request and explain
23 how the Company's proposals are needed to facilitate our continued commitment

1 to be a proactive utility partner and provide the safe and reliable gas service that
2 our customers and communities depend on. More specifically:

- 3 • I present an overview of Public Service, briefly describe the operational
4 characteristics of our gas service, and discuss our commitment to
5 customers and our communities;
- 6 • I outline the Company's rate request, which has been necessitated
7 primarily by the capital investment that has been placed in service since
8 2016. I describe the connection between our previous gas rate cases and
9 this rate case, which reflects that the level of capital investment presented
10 in this proceeding is similar to what the Company originally presented in
11 its 2017 multi-year (2018, 2019, and 2020) rate case filing;
- 12 • I discuss that this is a combined Phase I (revenue requirement) and
13 Phase II (cost allocation and rate design) rate case. As part of this
14 discussion, I provide a summary of Public Service's base rate revenue
15 request, including a description of the test year presented in this
16 proceeding and the Company's rationale for proposing a return on equity
17 ("ROE") lower than that recommended by Company witness Ms. Ann E.
18 Bulkley. I also discuss the Company's class cost allocation, proposed
19 revenue distribution, and resulting revised base rates, along with the
20 estimated impact to our customers;
- 21 • I introduce the Company's witnesses providing supporting Direct
22 Testimony; and
- 23 • I provide the Company's requests of the Commission in this proceeding.

1 Overall, my Direct Testimony describes the Company's accomplishments
2 since the Company's last gas rate case, which was filed in 2017, and explains
3 how this rate proposal will support the Company's efforts going forward. I also
4 stress the importance of timely recovery of the Company's costs and how
5 regulatory lag, or the delay that can occur between the time investments begin
6 providing service to customers and when costs are recovered, impacts the
7 Company's credit quality, affects the Company's ability to earn at or near its
8 authorized return, and results in larger rate impacts to our customers in future
9 rate filings. We believe our rate request minimizes the negative impacts of
10 regulatory lag while remaining consistent with the Commission's guidance on test
11 year construction. The Company's requested base rate revenue requirement
12 represents our cost of providing safe and reliable gas service at the time revised
13 rates from this proceeding will be in effect, and therefore the resulting base rates
14 are just, reasonable, in the public interest, and should be approved by the
15 Commission.

16 **Q. PLEASE GENERALLY DESCRIBE THE COMPANY'S REQUEST IN THIS**
17 **PROCEEDING.**

18 A. The Company is requesting to set base rate revenue for Public Service's Gas
19 Department using a test year ending September 30, 2020 ("Test Year"), which is
20 reflective of Public Service's costs of providing safe, reliable, and affordable
21 service to customers as of the effective date of new rates established in this
22 proceeding. This Test Year has been constructed based on historical costs for
23 the 12 months ended September 30, 2019, adjusted for known and measurable

1 changes to operations and maintenance (“O&M”) expenses and revenue through
2 September 30, 2020, and capital additions expected to close to plant in-service
3 by September 30, 2020. The Test Year presented in this proceeding limits
4 reliance on forecasted information and adheres to the regulated ratemaking
5 concept of the matching principle.¹ As presented later in my Direct Testimony,
6 the Company’s total base rate revenue requirement for the Gas Department is
7 \$644,483,385, and, when compared to our present base rate revenue of
8 \$500,019,265, results in a base rate revenue deficiency of \$144,464,121. The
9 net base rate revenue increase after transferring certain costs currently
10 recovered through the Pipeline System Integrity Adjustment (“PSIA”) to base
11 rates is \$126,738,296.² A summary of the proposed base rate and overall
12 revenue change is contained in Attachment BAT-1 to my Direct Testimony. The
13 total net retail revenue change, after accounting for fuel (the Gas Cost
14 Adjustment (“GCA”)), and non-fuel revenue associated with the Demand Side
15 Management Cost Adjustment (“DSMCA”) and the PSIA, is approximately 14.7
16 percent. The Company’s request in this proceeding seeks to update base rates
17 from their current 2016 levels, and therefore the total net retail revenue change of

¹ As stated in Commission Decision No. C11-1373, at ¶ 51, Proceeding No. 11AL-387E (mailed Dec. 6, 2011), “[t]he matching principle holds that rate base investment, expenses, revenues, and all other components of a utility’s cost of service should correspond to another over the same time period or according to the same operating condition. The matching principle ensures that the cost of service reflects the operational relationships and interplay between rate base, expenses, and revenues in a manner that is representative of the period when the resulting rates will be in effect.” These concepts were discussed in the context of the “current test year” adopted by the Commission during its recent deliberations in the Company’s 2019 Electric rate case, Proceeding No. 19AL-0268E.

² The Company is seeking to transfer into base rates PSIA projects completed as of December 31, 2018 that have been through the April true-up process.

1 14.7 percent can really be viewed as less than a 3.75 percent average annual
2 change.

3 The Company is also filing a consolidated case, combining both a
4 traditional Phase I, or revenue requirement phase, with a Phase II, or cost
5 allocation and rate design phase, into one proceeding. Public Service requests
6 that as a result of this proceeding, base rates in its Gas Tariff be revised and
7 implemented to recover the Company's revenue requirement established in this
8 proceeding as opposed to establishing a General Rate Schedule Adjustment
9 ("GRSA") and subsequently filing a Phase II. As compared to currently effective
10 base rates, the average monthly residential customer bill is expected to increase
11 by \$6.44 and the average monthly Small Commercial customer bill is expected to
12 increase by \$19.51. As compared to the rates recommended for approval to go
13 into effect on March 1, 2020 as a result of the Company's most recent Phase II,
14 Proceeding No. 19AL-0309G ("2019 Gas Phase II"), the average monthly
15 residential customer bill is expected to increase by \$6.05 and the average
16 monthly small commercial customer bill is expected to increase by \$24.05. As
17 shown in Figures BAT-D-1 and BAT-D-2 later in my Direct Testimony, even after
18 the Company's proposed base rate increase, average residential customer bills
19 remain below average bills 10 years ago and additionally, based on American
20 Gas Association data, lower than the average residential bills of 90 percent of the
21 50 largest natural gas utilities in the country.

1 **Q. WHY IS THIS RATE REVIEW NECESSARY?**

2 A. There are a few key reasons that this rate review is necessary. Overall, the
3 Company's current base rates reflect the cost of providing service to customers
4 in 2016. This proceeding presents updates to our cost of service to incorporate
5 capital investment and changes in operating expenses, both increases and cost
6 savings, along with incremental revenue from customer growth on the system.

7 From January 1, 2017 through September 30, 2019, the Company has
8 invested approximately \$886 million³ to maintain the safety and reliability of our
9 system, manage system capacity, connect new customers, and perform
10 mandated activities. As part of our focus on system reliability and safety, we
11 have deployed additional Supervisory Control and Data Acquisition ("SCADA")
12 remote monitoring devices, a program that we started in 2012 and that is still
13 continuing today. This SCADA network provides enhanced visibility of our gas
14 system and a more accurate roadmap for proactively addressing potential
15 reliability issues. Thanks to the enhanced visibility and modeling of our system,
16 we are able to use this SCADA data to evaluate the reliability of our system and
17 evaluate the effects of the growth we have experienced to better understand how
18 our customers are actually using the system. In doing so, we identified a number
19 of discrete capacity projects necessary to continue serving our customers safely,
20 reliably, and affordably. These projects are key components of the capital
21 investment over the past four years and the revenue request in this proceeding,

³ This amount does not include retirements; however, both Attachment LJW-1 to the Direct Testimony of Ms. Laurie J. Wold, and the cost of service study presented as Attachment DAB-1 to the Direct Testimony of Ms. Deborah A. Blair include plant retirements through September 30, 2020.

1 and they are critical to ensuring that our system continues to provide reliable
2 service.

3 Additionally, we've responded to customer growth on our system and to
4 the needs of our communities. Over 96 percent of the customer growth in recent
5 years has occurred in the residential customer class, and we've connected
6 projects like the Sterling Ranch housing development in south Denver. Total
7 throughput has increased at an average annual rate of 4.1 percent over the past
8 five years, driven mostly by growth in the gas transportation sector of our gas
9 business, which also drives the need for capacity projects. In addition, we've
10 performed relocation projects mandated by city, county, and state authorities.
11 We continue to make necessary investments into 2020 and expect to place in
12 service an additional approximately \$406 million in needed capital by the end of
13 the third quarter to serve our gas customers.

14 At the same time, we have experienced changes in our operating costs.
15 Increases in O&M expense have occurred particularly in connection with our
16 safety-related Gas Emergency Response/Gas Trouble and Damage Prevention
17 Programs. As our network of pipeline infrastructure expands in response to
18 population growth, costs to maintain the system increase as well. There have
19 also been decreases in certain O&M costs that are reflective of effective cost-
20 control measures the Company has undertaken in recent years, particularly
21 related to active health care costs and pension and retirement programs.

22 Finally, while the number of customers we serve, particularly residential
23 customers, has grown, average use per customer (and thus, revenue per

1 customer) has been declining. Residential use per customer has exhibited a
2 declining trend for many years, with 2019 use per customer more than 11
3 percent lower than use per customer in 2003 and 5 percent lower than use per
4 customer in 2005.

5 In total, these investments and cost pressures, coupled with decreases in
6 use per customer, have rendered our present revenues deficient. As a result,
7 this rate case is necessary so the Company can continue to follow through on
8 our commitment to provide customers with an essential service and pursue our
9 strategic priorities.

10 **Q. WHAT ARE THE COMPANY'S STRATEGIC PRIORITIES AND HOW DO THEY**
11 **APPLY TO PUBLIC SERVICE'S GAS BUSINESS?**

12 A. The Company's strategic priorities are to lead the clean energy transition,
13 enhance the customer experience, and keep bills low.

14 **Lead the Clean Energy Transition:** As a leader in the clean energy
15 transition, Public Service is committed to reducing natural gas emissions from
16 our upstream producers and interstate pipelines, from the operation of our local
17 distribution system, and from our customers' homes and businesses. Our
18 Residential customers have reduced natural gas consumption more than 13
19 percent since 2000 through use of energy efficient appliances, implementation of
20 building practices that are increasingly more efficient, and through our portfolio of
21 conservation programs for customers. The methane emissions rate for our
22 natural gas system is currently less than 0.2 percent, a rate considered protective
23 of the environment. Capital investment presented in this proceeding will further

1 secure our natural gas system, making it tighter and cleaner, which will result in
2 fewer leaks and lower methane emissions. Methane emissions are also reduced
3 through replacement of cast iron and bare steel pipe with secure plastic and
4 protected steel.

5 **Enhance the Customer Experience:** Public Service is also focused on
6 enhancing the customer experience. Natural gas is the most efficient fuel for
7 heating homes and businesses, and more than 80 percent of the homes in
8 Colorado rely on natural gas for heating. Our customers also depend on natural
9 gas for heating their water, cooking their meals, and drying their clothes, as well
10 as supporting commercial and industrial economic activities in the state. It is a
11 tremendous responsibility to be the provider of a service that so profoundly
12 impacts our customers and communities.

13 In order to serve these needs, we must continue to invest in our system.
14 Public Service must adequately maintain, renew, and operate its compressor
15 stations, regulator stations, mains, and every other aspect of the gas system.
16 Aging assets must be replaced or rebuilt, and the Company must make strategic
17 investments in response to customer growth, which could otherwise cause a
18 capacity shortage on upstream distribution and transmission pipelines and
19 regulating facilities. Finally, in order to ensure firm gas service to customers on a
20 cold, winter morning, the Company must ensure adequate capacity across its
21 entire integrated system under even the most extreme conditions. The
22 Company's investments, and in particular the discrete capacity projects included

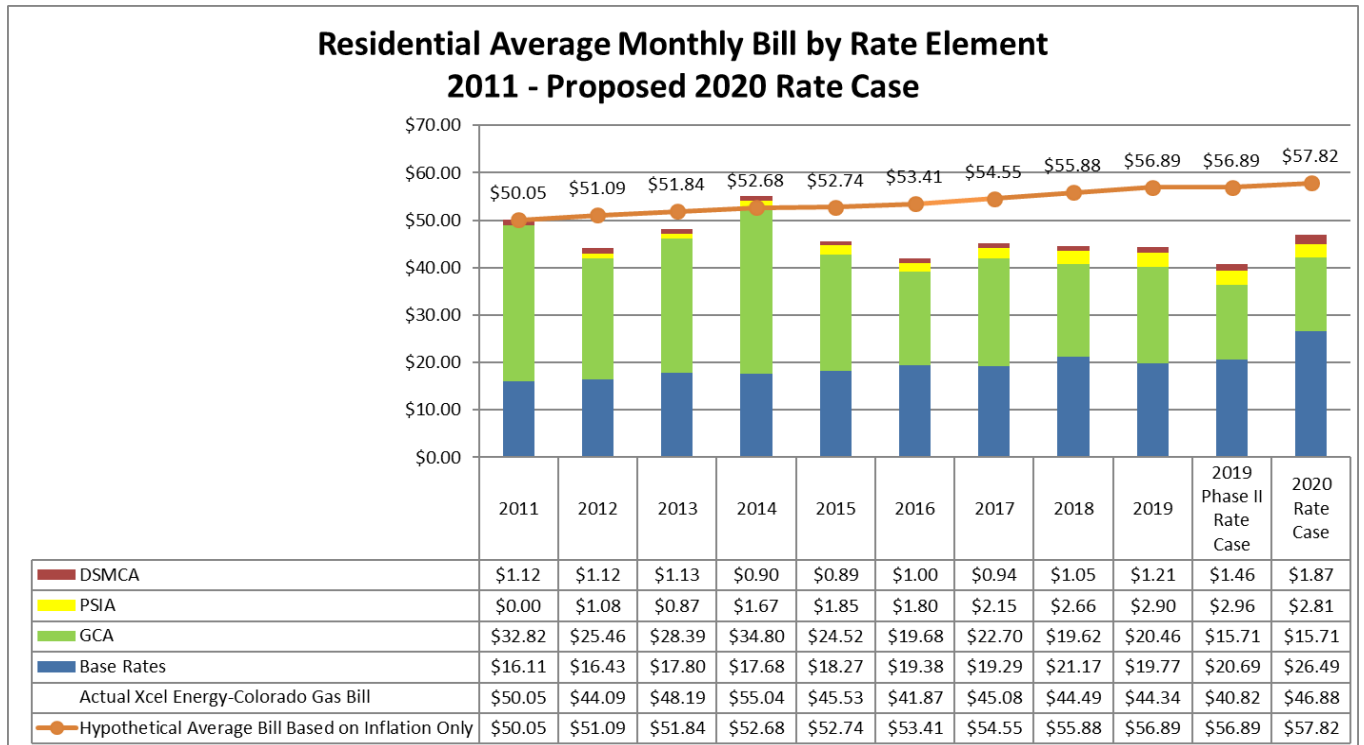
1 in this rate case, are a fundamental component of our ability to meet our
2 customers' needs at every hour of every day.

3 **Keep Bills Low:** Affordability remains a cornerstone of our business.
4 Even if the natural gas we deliver to customers is cleaner, safer, and more
5 reliable, the Company will not succeed in remaining our customers' trusted and
6 preferred provider if the service is not affordable. To that end, Public Service is
7 managing investment on the gas system in order to keep customer bills low, and
8 we have achieved noteworthy results:

- 9 • After this proposed change in base rates compared to current rates, Public
10 Service's average residential customer bill will be below the average
11 customer bill as it existed in 2011. Additionally, for the last 10 years,
12 increases in Public Service's average residential bills have been below the
13 rate of inflation as shown in Figure BAT-D-1 below.

1

Figure BAT-D-1: Residential Average Monthly Bill Comparison



2

- Public Service's average residential gas bills are the lowest in Colorado, are, as compared to our industry peers, among the lowest in the nation, and they will remain in the lowest quartile if our rate request in this proceeding is approved, as demonstrated in Figure BAT-D-2 below.⁴ In Figure BAT-D-2, the red and yellow bars indicate Public Service's average rate by MCF before and after this rate proposal, respectively.

3

4

5

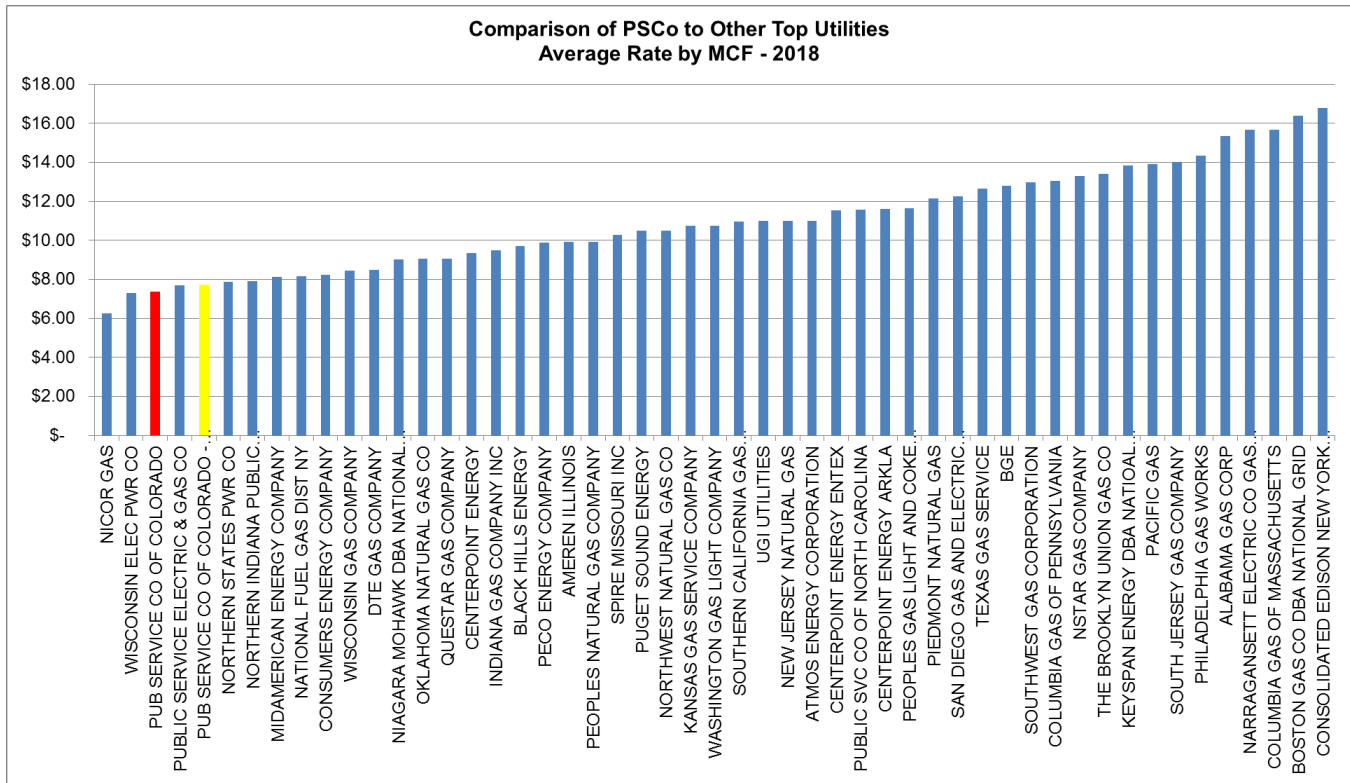
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7

⁴ The U.S. Energy Information Administration ("EIA") ranks Colorado 46 out of 50 in terms of average residential natural gas prices, with only Idaho, Montana and the Dakotas being less expensive.

1

Figure BAT-D-2



2 **Q. WHY IS IT IMPORTANT FOR PUBLIC SERVICE TO RECOVER ITS COSTS IN**
 3 **A TIMELY MANNER?**

4 A. The Company's last Phase I rate case was filed in 2017, in Proceeding No.
 5 17AL-0363G ("2017 Gas Phase I"). Through the decision in that case, portions
 6 of which are currently pending appeal at the State of Colorado District Court, the
 7 Commission ordered a 2016 historical test year ("2016 HTY"), based on a 13-
 8 month average rate base.⁵ The 2016 HTY focused on what had happened in the
 9 past, rather than what the state of the business was going to be at the time rates
 10 went into effect. Thus, the rates were outdated on the day they were

⁵ *Public Service Company of Colorado v. Public Utilities Commission of the State of Colorado*, Case No. 2019CV031427 (Denver Co., Colo., filed Apr. 10, 2019).

implemented. Nevertheless, the Company has and will continue to invest in its gas system in order to, among other things, maintain safety and reliability, provide service to new customers, and relocate facilities when required. These activities, which are part of the normal course of business, result in year-over-year increased capital expenditures and O&M expenses.

Q. WHAT HAVE BEEN THE COMPANY'S HISTORICAL EARNED RETURN ON EQUITY RESULTS?

A. As a result of the ongoing activities referenced above, which are separate from certain federally mandated integrity work also undertaken by the Company pursuant to Pipeline and Hazardous Materials Safety Administration ("PHMSA") regulations and for which capital costs are recovered through the PSIA cost recovery mechanism, the Company has been unable to earn its authorized return on equity ("ROE"), during the last 10 years. As shown on Table BAT-D-1 below, the Company last earned its authorized ROE in 2009.

Table BAT-D-1: Authorized vs. Earned Return on Equity Comparison

Year	PSCo Gas Authorized ROE	PSCo Gas Appendix A Earned ROE
2009	10.25%	10.77%
2010	10.25%	9.16%
2011	10.10%	8.78%
2012	10.10%	7.23%
2013	9.72%	9.01%
2014	9.72%	7.59%
2015	9.50%	6.04%
2016	9.50%	7.34%
2017	9.50%	6.64%
2018	9.35%	8.49%
2019	9.35%	7.46% estimated

1 **Q. WHAT IS THE PURPOSE OF THE COMMISSION'S AUTHORIZATION OF A**
2 **RETURN ON EQUITY FOR A UTILITY?**

3 A. One of rate regulation's fundamental purposes is to mimic competitive markets,
4 where a company's return is determined by a customer's willingness to pay for
5 the actual and perceived value they receive and the company's ability to manage
6 its costs to an amount lower than that level. Therefore, in such markets, the
7 profit margin of well-run companies should be superior to its competitors.

8 A utility, as a regulated natural monopoly, does not have that flexibility,
9 and instead relies on the Commission to step in to determine a reasonable
10 authorized ROE in lieu of the market determining such a factor. This should not
11 be interpreted as eliminating the need for a regulated ROE based on current
12 market data. Rather, this recognition that a well-run utility should experience a
13 superior margin should be considered when deciding where the utility's ROE
14 should be established within the range of reasonable outcomes. Additionally,
15 several regulatory commissions consider management performance in
16 determining the ROE result. Public Service's proactive steps to remove risk from
17 the system, decrease our emergency response times, and focus on damage
18 prevention efforts, among other things, while also offering bills to our customers
19 that are substantially lower than our peers, should guide the Commission
20 towards authorizing an ROE on the higher side of any reasonable range.

1 **Q. AT TEST YEAR-ADJUSTED PRESENT RATES, WHAT IS THE COMPANY'S**
2 **EARNED RETURN ON RATE BASE?**

3 A. To provide a slightly different but also meaningful comparison, as shown in
4 Attachment DAB-1 to the Direct Testimony of Deborah A. Blair, the Company's
5 overall (equity and debt) earned return on rate base under Test Year adjusted
6 present revenue is 2.46 percent. This is compared to the Company's currently-
7 authorized weighted average cost of capital of 7.12 percent from the 2017 Gas
8 Phase I.

9 **Q. WHAT CAUSES A UTILITY LIKE PUBLIC SERVICE TO NOT REALIZE ITS**
10 **AUTHORIZED RATE OF RETURN?**

11 A. There are many factors that can impact a utility's opportunity to earn its
12 authorized rate of return. At the outset, if the base rates established in a rate
13 case do not reflect the cost of current and ongoing provision of service, there will
14 be a degradation of the opportunity for the utility to earn its authorized return.
15 For Public Service, there are costs that are historically not permissible to recover
16 from customers that the Company has to overcome even before being able to
17 have an opportunity to achieve its authorized return. These costs are often
18 referred to as "below-the-line" costs and such costs have previously been
19 precluded from base rate recovery.

20 Generally, regulatory lag on invested capital, as well as cost
21 disallowances for above-the-line expenses, are the two main areas that further
22 contribute to revenue shortfalls that materially erode the Company's opportunity
23 to earn its authorized return. So while it is reasonable to exclude below-the-line

1 expenses from the revenue requirement, it is critical to set base rates in a
2 manner that is reflective of the reasonable and prudent current and ongoing cost
3 to serve our customers in order to provide a reasonable opportunity for Public
4 Service to earn its authorized return.

5 **Q. CAN YOU PROVIDE SOME EXAMPLES OF HOW REGULATORY LAG AND**
6 **COST DISALLOWANCES ERODE THE COMPANY'S OPPORTUNITY TO**
7 **EARN ITS AUTHORIZED ROE?**

8 A. Yes. One example of cost disallowance that continues to adversely impact the
9 Company's financial performance is recovery of the Annual Incentive Program
10 ("AIP") capped at 15 percent of base pay on an employee-by-employee basis,
11 instead of recovery of the target AIP amount. As discussed in more detail by
12 Company witness Mr. Michael T. Knoll in his Direct Testimony, the combination
13 of this 15 percent cap and the real-world necessity that Public Service must pay
14 a market-competitive level of compensation has the effect of preventing Public
15 Service from recovering the full cost of its market-competitive compensation
16 levels.⁶

17 A second factor that impairs the Company's opportunity to earn its
18 authorized ROE is the Commission's recent practice of ordering that rates be set
19 using an average rate base, rather than a year-end rate base, when the
20 Commission utilizes a historical test year to set base rates. This recent
21 ratemaking treatment has impaired the Company's ability to earn its authorized

⁶ In light of the Commission ordering the 15 percent AIP cap in both the 2017 Gas Phase I and, through oral deliberations, in the Company's 2019 Electric Phase I, the Company is including the 15 percent AIP cap in its cost of service solely to reduce the contested issues in this case.

1 return. Use of average rate base may be appropriate when rates are set using
2 future test years, but combining an average rate base with a historical test year,
3 or even a current test year, ensures that the Company will experience additional
4 regulatory lag and earnings erosion. Put simply, the use of an average rate base
5 prevents the Company from earning a return on a significant portion of plant that
6 is providing service to customers at the time the new rates go into effect.

7 Below is a simple, hypothetical example comparing the financial impact in
8 using average rate base for setting rates versus using a year-end rate base. As
9 this example demonstrates, using average rate base will result in significant
10 regulatory lag.

1 **Table BAT-D-2: Average Rate Base and Regulatory Lag**

	Plant Additions	Plant Ending Balance
Sep-19		\$ 2,800,000,000
Oct-19	\$ 100,000,000	\$ 2,900,000,000
Nov-19	\$ 100,000,000	\$ 3,000,000,000
Dec-19	\$ 100,000,000	\$ 3,100,000,000
Jan-20	\$ 100,000,000	\$ 3,200,000,000
Feb-20	\$ 100,000,000	\$ 3,300,000,000
Mar-20	\$ 100,000,000	\$ 3,400,000,000
Apr-20	\$ 100,000,000	\$ 3,500,000,000
May-20	\$ 100,000,000	\$ 3,600,000,000
Jun-20	\$ 100,000,000	\$ 3,700,000,000
Jul-20	\$ 100,000,000	\$ 3,800,000,000
Aug-20	\$ 100,000,000	\$ 3,900,000,000
Sep-20	\$ 100,000,000	\$ 4,000,000,000
Year End Balance		\$ 4,000,000,000
13 Month Avg Balance		\$ 3,400,000,000
Difference		\$ (600,000,000)

2 With the use of year-end rate base, however, it is appropriate to include an
 3 adjustment to revenue to reflect the level of customers at the end of the test year.
 4 This matches revenue with rate base and, as I discuss later in my Direct
 5 Testimony, the Company has included a year-end customer adjustment to
 6 revenue as of September 30, 2020.

7 **Q. HAS THE COMMISSION ALLOWED THE USE OF A YEAR-END RATE BASE**
 8 **UNDER CERTAIN CIRCUMSTANCES?**

9 Yes, but the Commission has more recently conditioned that treatment on the
 10 existence of certain “special circumstances” such as earnings attrition, inflation,
 11 and capital growth beyond the control of the utility. The Company disagrees that
 12 use of year-end rate base is only appropriate when these “special circumstances”

1 exist. However, even setting that argument aside, Public Service's Gas
2 Department has experienced earnings attrition and capital growth beyond its
3 control such that it satisfies the "special circumstances" the Commission has
4 articulated in prior cases.

5 Even further, a significant portion of the capital growth Public Service has
6 experienced on its gas system has been non-revenue generating capital, which
7 contributes even more to earnings attrition. As evidenced by the last several
8 years of underearning, it is difficult for the Company to achieve its authorized rate
9 of return given that much of the investment presented in this proceeding does not
10 generate incremental revenue, but instead is placed in service for purposes of
11 safety, reliability, or in response to new customer growth or mandated relocation
12 work. Public Service does not expect the Commission to excuse the Company
13 from its responsibility to make such investments, but the obligation to undertake
14 that work should be considered as a factor when deciding whether to establish
15 rates based on an average rate base or year-end rate base. In fact, historically,
16 the Commission has considered this relationship and the presence of earnings
17 attrition intensified by non-revenue generating capital growth to be a special or
18 extraordinary circumstance to warrant the use of year-end rate base. Mr.
19 Berman further discusses the appropriateness of year-end rate base in his Direct
20 Testimony.

1 **Q. ARE THERE ANY OTHER CIRCUMSTANCES THAT AFFECT THE**
2 **COMPANY’S ABILITY TO EARN ITS AUTHORIZED RETURN?**

3 A. Yes. The Company’s opportunity to earn its authorized rate of return can also be
4 affected by unexpected changes in operating conditions or capital investment
5 plans. Examples include significant storms or floods (e.g., the 2013 Colorado
6 floods), which damage infrastructure and require subsequent repairs in order to
7 ensure safe, reliable service to our customers; substantial changes in contracts
8 with vendors that increase O&M expenses within a given year; or changes to the
9 tax rates that are imposed on utility business activities. Changes in customer
10 behavior or class usage characteristics from prior test year periods can also have
11 a material impact on the Company’s ability to earn its authorized return. As
12 we’ve seen in recent years, shifts in the use per customer from year to year can
13 result in less revenue being collected to recover the same cost of installed
14 infrastructure, resulting in utility revenue below its authorized revenue
15 requirement, or cost of service.

16 **Q. WILL THE EARNINGS SHORTFALLS REFERENCED ABOVE CONTINUE**
17 **SHOULD THE COMPANY NOT RECEIVE A REASONABLE OUTCOME IN**
18 **THIS PROCEEDING?**

19 A. Yes. It is imperative that the Company receive a reasonable outcome in this
20 case, rather than one that continues to put pressure on its ability to earn its
21 authorized return. In proposing the Test Year, the Company is seeking to
22 capture capital investment that will be in service at the time new rates go into

1 effect in November 2020,⁷ as well as a level of O&M expense that is
2 representative of ongoing activity (while still maintaining some regulatory lag).
3 These changes in costs are offset by incremental revenue through September
4 30, 2020, reflective of a year-end customer adjustment, an appropriate matching
5 adjustment given the use of year-end rate base.

6 In taking this approach, the Company is seeking a base rate outcome that
7 can sustain our commitments to safety and reliability provide service, and fund
8 investments that are required to deliver on those commitments. Indeed, the
9 Company's obligation to invest in its gas system, provide service to new
10 customers, and relocate facilities when required does not cease on September
11 30, 2020, the end of the Test Year. Those obligations continue, and the
12 Company would be implementing new rates that would immediately result in a
13 deficiency and a need for additional rate relief absent an outcome that is
14 reflective of the Company's business when rates actually go into effect.

15 **Q. PLEASE ELABORATE.**

16 A. The decisions made by this Commission not only impact Public Service
17 customers and inform the Company's long-term planning, but they also send
18 signals to the investment community. Public Service competes for capital not
19 only with other utilities, but also with corporations in entirely different industries,
20 so it is crucial to secure the sound financial footing provided by a supportive

⁷ As indicated in the Company's Advice No. 961 filed contemporaneously herewith, the effective date for the changed tariffs accompanying this advice letter is March 7, 2020. However, as I explain later in my Direct Testimony, the Company requests that the Commission suspend the tariffs and set a hearing on the proposed rates and tariff changes, with an effective date of November 1, 2020, after suspension.

1 regulatory environment that provides for recovery of our prudent investments and
2 reasonable costs. Because the Company is a fully regulated utility,
3 Commission decisions have a direct and substantial impact on our operations
4 and financial health. When it comes to fundamental aspects of ratemaking
5 treatment, consistency and predictability are important, and reasonable
6 outcomes in rate cases allow the Company to structure proposals and initiatives
7 with a stable view of the future. Supportive regulatory outcomes also allow
8 Public Service to evolve our system and operations in ways that benefit our
9 customers, while balancing the interests of our Company and its shareholders.

1 **II. OVERVIEW OF PUBLIC SERVICE AND ITS GAS BUSINESS**

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

4 A. In this portion of my Direct Testimony, I provide an overview of Xcel Energy, as
5 well as Public Service. With respect to Public Service, I also provide customer
6 characteristics and information specific to our natural gas business. Company
7 witness Mr. Luke A. Litteken provides additional information specific to our
8 natural gas business, including detail on our natural gas operational priorities.

9 **Q. PLEASE PROVIDE AN OVERVIEW OF XCEL ENERGY.**

10 A. Xcel Energy is the parent holding company of four utility operating companies:
11 Public Service; Northern States Power Company, a Minnesota corporation;
12 Northern States Power Company, a Wisconsin corporation; and Southwestern
13 Public Service Company, a New Mexico corporation. Xcel Energy also owns a
14 small interstate pipeline company, WestGas Interstate, Inc. Through a
15 subsidiary, Xcel Energy Transmission Holding Company, LLC, Xcel Energy also
16 owns three transmission-only operating companies: Xcel Energy Southwest
17 Transmission Company, LLC; Xcel Energy Transmission Development
18 Company, LLC; and Xcel Energy West Transmission Company, LLC, all of which
19 are regulated by the Federal Energy Regulatory Commission ("FERC").

20 In total, through its four utility operating companies, which include Public
21 Service, Xcel Energy provides retail service in portions of eight states: Colorado,
22 Minnesota, Wisconsin, North Dakota, South Dakota, Michigan, Texas, and New
23 Mexico. For many years now, the core utility business has represented about 99

1 percent of Xcel Energy's total operating revenue. Xcel Energy has achieved
2 efficiencies among the operations of its utility subsidiaries through XES, which is a
3 centralized services company that provides and coordinates services and
4 activities across Xcel Energy's four utility operating companies on an "at-cost"
5 basis.

6 **Q. PLEASE GENERALLY DESCRIBE PUBLIC SERVICE'S RETAIL NATURAL**
7 **GAS SERVICE.**

8 A. Public Service is a combination electric, gas, and steam utility. Public Service's
9 gas operations distribute natural gas to approximately 1.4 million retail customers
10 in the State of Colorado and also provide gas transportation services to larger
11 retail customers on the Company's natural gas system. Sales service is the
12 more traditional utility offering in that the Company both procures natural gas for
13 customers and delivers, or distributes, this natural gas over its distribution
14 system. Transportation customers acquire their own natural gas supplies from
15 unregulated suppliers of their choice and arrange for the transportation of this
16 product across Public Service's system within the State of Colorado. The
17 Company then delivers the transportation customer's natural gas over its
18 distribution system to the end-use customer.

19 Commercial and industrial customers can choose either firm or
20 interruptible service. Firm service is typically not subject to curtailment and is
21 priced to include the cost of providing this reliability. Service to customers taking
22 interruptible service can be curtailed as needed to maintain system reliability.

1 **Q. HOW LONG HAS PUBLIC SERVICE PROVIDED UTILITY SERVICE TO**
2 **CUSTOMERS IN THE STATE OF COLORADO?**

3 A. The original predecessor of Public Service, the Denver Gas Company, was
4 founded on November 13, 1869. Public Service has proudly served Colorado
5 communities and their natural gas needs for over 150 years.

6 **Q. IS PUBLIC SERVICE A LARGE EMPLOYER AND TAXPAYER IN THE STATE**
7 **OF COLORADO?**

8 A. Yes. The Company's Gas Department employs approximately 535 employees to
9 operate and manage the system, of which about 82 percent are bargaining
10 employees. The Gas Department has also invested heavily in Colorado. As of
11 September 30, 2020, the Company's gross gas plant is forecasted to be about
12 \$5.6 billion, and our net plant is forecasted to be about \$4.0 billion.⁸ These
13 numbers are inclusive of PSIA investment, as all property tax is collected through
14 base rates. In addition, the Company also pays the most property tax of any
15 business in Colorado. Public Service's property tax expense for calendar year
16 2021 is forecasted at approximately \$237.02 million, of which about \$57.78
17 million is attributable to the Gas Department.

18 **Q. WHERE DOES PUBLIC SERVICE PROVIDE RETAIL GAS SERVICES WITHIN**
19 **COLORADO?**

20 A. As depicted in the map provided as Attachment BAT-2 to my Direct Testimony,
21 the Company's Mountain/Southern natural gas pipeline system extends north

⁸ Inclusive of unallocated common plant. The Gas Department portion of the unallocated common plant is approximately 28 percent of \$600 million net plant.

1 from the San Juan Basin in southern Colorado through the San Luis Valley over
2 Rollins Pass to the Front Range, and then terminates near the Wyoming border.
3 The Front Range System extends south from near the Wyoming state line
4 through the Denver metropolitan area. The system extends just across the
5 Douglas County line, through and including Highlands Ranch, and also includes
6 the City of Pueblo and its environs. The Western System also extends from
7 Grand Junction to Steamboat Springs on the Western Slope. The Company
8 operates facilities in 33 of the 64 counties within the State of Colorado.

9 Public Service's natural gas system is composed of over 2,000 miles of
10 transmission pipelines, over 22,000 miles of distribution pipelines, and over 1.1
11 million individual service lines. It also includes about 41,500 horsepower of
12 compression located at 19 distinct sites around the state, three natural gas
13 storage fields, and two gas processing plants. It is a diverse system, spanning
14 rural, suburban, and urban environments.

15 Public Service's system has direct access to major gas supply areas in
16 Colorado, including residue plants in the Denver-Julesburg Basin, the San Juan
17 Basin, and certain production fields on the Western Slope. Through gas
18 transportation capacity held on upstream interstate pipelines, Public Service also
19 is able to access major gas supply areas in Wyoming, Colorado, Utah, Texas,
20 Kansas, and Oklahoma.

21 **Q. DOES PUBLIC SERVICE PROVIDE OTHER NATURAL GAS SERVICES?**

22 A. Yes. Public Service also provides a small amount of gas transportation that is
23 delivered at interconnections with interstate pipelines for subsequent delivery

1 outside of Colorado. This activity is subject to the jurisdiction of FERC.
2 Consequently, the Company's testimony and requests in this proceeding only
3 address the Public Service retail natural gas, or intrastate, business, which is
4 subject to the Commission's jurisdiction.

5 **Q. PLEASE GENERALLY DESCRIBE THE CUSTOMER BASE FOR PUBLIC**
6 **SERVICE'S GAS DEPARTMENT.**

7 A. Public Service's natural gas customer base is composed of residential
8 customers, small and large commercial customers (Small General and Large
9 General), customers using interruptible natural gas service, and a small group of
10 customers using natural gas for decorative lighting. Commercial customers may
11 purchase their natural gas directly from Public Service (gas sales) or may elect to
12 secure their supply of natural gas from a third party and use our system to
13 transport the commodity from the receipt point to the delivery point (transport).

14 Residential customers are the largest group of customers in Public
15 Service's natural gas system, accounting for over 92 percent of total customers
16 in the Test Year. Residential usage accounts for nearly 40 percent of total gas
17 volumes. Large Commercial gas sales and transportation customers (Schedules
18 CLG and TFL) together account for over 37 percent of total usage, including fixed
19 price contracts, while small Commercial gas sales and transportation customers
20 (Schedules CSG and TFS) together account for over 17 percent of total
21 usage. Customers accepting interruptible service account for about 7.3 percent
22 of total volumes. These customers are subject to curtailment of service during
23 periods of high demand. The smallest customer group consists of a small

number of customers with decorative natural gas lighting. This rate option is effectively closed to new customers. Table BAT-D-3, below, reflects the average number of customers, the weather normalized annual consumption, and the base rate revenue collected from each of the natural gas rate schedules for the 12-month period ended September 30, 2020.

Table BAT-D-3:
Number of Customers and Revenue from the 12 Months Ending September 30, 2020

Rate Schedule	Number of Customers	%	Usage (Therms)	%	Adjusted TY Revenue (\$)	%
Residential (RG)	1,324,477	92.33%	1,023,001,068	38.52%	\$328,234,890	65.64%
Small Commercial (CSG)	100,858	7.03%	352,802,329	13.29%	\$ 92,708,124	18.54%
Large Commercial (CLG)	761	0.05%	64,418,810	2.43%	\$ 8,717,524	1.74%
Interruptible Sales (IG) and Transport (TI)	181	0.01%	194,010,243	7.31%	\$ 7,106,678	1.42%
Small Firm Transport (TFS)	6,404	0.45%	101,598,831	3.83%	\$ 16,572,510	3.31%
Large Firm Transport (TFL)	1,806	0.13%	919,685,557	34.63%	\$ 46,674,594	9.33%
Gas Lighting (RGL and CGL)	26	0.00%	7,245	0.00%	\$ 4,945	0.00%
Total	1,434,513	100.00%	2,655,524,083	100.00%	\$500,019,265	100.00%

Note: Gas Lighting 26 customer count represents number of mantles.

Q. HOW DO THESE CUSTOMER CHARACTERISTICS COMPARE TO PUBLIC SERVICE'S GAS CUSTOMER BASE IN THE 2016 HTY?

A. Company witness Mr. Steven Wishart discusses the change in customer count and sales volumes from the 2016 HTY to the Test Year in this proceeding; however, generally, increases in customer count have primarily occurred in the

1 residential class, and growth in throughput has primarily occurred in the
2 transportation sector.

1 **III. FRAMEWORK OF THIS RATE CASE**

2 **Q. PLEASE FURTHER DESCRIBE THE FORM OF THE COMPANY'S RATE**
3 **REQUEST IN THIS PROCEEDING.**

4 A. As mentioned earlier in my Direct Testimony, our rate case uses a test year for
5 the twelve months ending September 30, 2020, based on historical costs for the
6 12 months ended September 30, 2019, adjusted for known and measurable
7 O&M changes and revenue through September 30, 2020, and capital additions
8 expected to close to plant in-service by September 30, 2020. Ms. Blair sponsors
9 the cost of service study, which reflects a total base rate revenue requirement of
10 \$644,483,385. This is based on a proposed ROE of 9.95 percent, which is a
11 conservative ROE supported by the analysis conducted by Ms. Bulkley, a long-
12 term cost of debt of 4.08 percent, and a short-term cost of debt of 2.79 percent,
13 which are supported by Company witness Ms. Sarah E. Soong. Ms. Soong also
14 supports the Company's proposed capital structure, which is composed of 55.81
15 percent equity, 42.97 percent long-term debt, and 1.22 percent short-term debt.⁹
16 This results in an overall weighted average cost of capital ("WACC") of 7.33
17 percent.

18 When compared to test year present revenue of \$500,019,265, this
19 revenue requirement results in an increase in base rate revenue of
20 \$144,464,121. A portion of this revenue requirement is associated with certain

⁹ As discussed by Ms. Soong in her Direct Testimony, short-term debt is included in the capital structure provided that the Commission allows the Company to adhere to the principle that the inclusion of short-term debt necessitates the inclusion of Construction Work in Progress ("CWIP") in rate base, and including an Allowance for Funds Used During Construction ("AFUDC") offset to earnings and the use of an average capital structure.

1 PSIA projects that were completed and placed in service as of December 31,
2 2018, which means they have been subject to a prior prudency review before the
3 Commission. Since these project costs with a revenue requirement of
4 \$17,725,825 are currently recovered through the PSIA, transferring them from
5 rider recovery into base rates has a revenue neutral effect on customers.
6 Therefore, the net base rate revenue deficiency presented in this proceeding is
7 \$126,738,296.

8 As mentioned earlier in my Direct Testimony, a summary of the proposed
9 base rate and overall revenue change is contained in my Attachment BAT-1.
10 The total net retail revenue change, after accounting for fuel, the GCA, and non-
11 fuel revenue associated with the DSMCA and the PSIA, is approximately 14.7
12 percent. The Company's request in this proceeding seeks to update base rates
13 from their current 2016 levels, and therefore the total net retail revenue change of
14 14.7 percent can really be viewed as less than a 3.75 percent average annual
15 change.

16 In addition, all rate base components in the Test Year were calculated
17 using a year-end balance methodology, with the exception of the following, all of
18 which are discussed in more detail by Ms. Blair in her Direct Testimony:

- 19 • materials and supplies inventory balances and non-plant rate base items
20 were calculated using a 13-month average balance methodology;
- 21 • some pension and employment benefit-related assets were calculated
22 using a 13-month average balance methodology; and

- Cash Working Capital was calculated based on the Test Year operating expenses multiplied by a cash working capital factor premised on a lead-lag study.

To conform with the use of year-end rate base for the Test Year, and as explained in more detail by Ms. Blair, the Company has made a year-end customer adjustment to Test Year revenue, and has adjusted the accumulated reserve for depreciation to reflect the balance at the end of the Test Year, lowering the net rate base level used in the calculation of the revenue requirement.

Q. DOES THE COMPANY'S PROPOSED TEST YEAR ADHERE TO THE MATCHING PRINCIPLE?

A. Yes. The components of the Test Year have been matched to a 12-month period ending September 30, 2020 as discussed in more detail by Ms. Blair in her Direct Testimony, and as demonstrated in her Attachment DAB-3. O&M expenses included in the Test Year are actual expenses for the 12-month period ended September 30, 2019, adjusted for known and measurable changes to those per book expenses within one year of the end of that historical period and prior to the effective date of new rates. This results in an O&M level that is representative of that expected for the 12-month period ending September 30, 2020. Revenue and capital structure are presented using actual amounts through November 30, 2019 and forecasted amounts for the remaining months through September 30, 2020. By aligning all major components of the Test Year at September 30, 2020, the Company is adhering to the matching principle.

1 **Q. HOW IS THE COMPANY ADDRESSING THE CURRENT FOCUS OF THE**
2 **COMMISSION AND OTHER STAKEHOLDERS TO LIMIT RELIANCE ON**
3 **FORECASTED INFORMATION VERSUS ACTUAL DATA?**

4 A. As I described earlier in my Direct Testimony, in constructing the Test Year
5 proposed in this rate case, the Company has focused on achieving, to the extent
6 reasonably possible, three primary goals: 1) reflecting the Company's costs of
7 providing service at the time new rates established in this proceeding will be in
8 effect; 2) adhering to the matching principle; and 3) limiting reliance on
9 forecasted information. In recognition that the Company has based its request
10 on some forecasted information in this case in order to accomplish the first and
11 second goals, the Company is prepared to provide actual plant closing, cost of
12 debt, capital structure, revenue and potentially other information in discovery to
13 demonstrate the reasonableness of the estimates provided.

14 **Q. WHY IS THE COMPANY REQUESTING A 9.95 PERCENT ROE IN THIS**
15 **PROCEEDING?**

16 A. The Company's ROE expert, Ms. Bulkley, has recommended an ROE range of
17 9.75 percent to 10.25 percent in her Direct Testimony, with a recommended
18 authorized ROE of 10.10 percent. As noted by Ms. Bulkley, Public Service is
19 requesting a more conservative authorized ROE of 9.95 percent. We believe this
20 lower ROE request represents a reasonable compromise between balancing the
21 views of intervenors and the Company regarding the appropriate level of ROE,
22 and the legal requirement to provide the Company with an opportunity to earn a
23 return that is adequate to compensate its investors, maintain financial integrity,

1 and attract capital. The Company's ROE request is conservative compared with
2 the analytical results of the various financial models that Ms. Bulkley used to
3 estimate the cost of equity. Furthermore, the Company is optimistic that
4 requesting a lower authorized ROE than recommended by Ms. Bulkley may
5 assist in aligning intervenor recommended ROEs closer to that proposed by the
6 Company, thus avoiding the wide disparity in recommendations most recently
7 presented to the Commission in a rate case.

8 **Q. TURNING TO THE PHASE II ASPECT OF THIS RATE CASE, HOW HAS**
9 **PUBLIC SERVICE DEVELOPED THE REVISIONS TO ITS BASE RATES?**

10 A. Using the class cost of service study ("CCOSS"), the proposed base rate
11 revenue requirement has been allocated among Public Service's gas customer
12 classes based on the nature in which each class causes costs to be incurred on
13 the system. As a result of that class cost allocation, a revenue distribution by
14 customer class has been established and base rates have been designed to
15 collect these amounts. This revenue distribution reflects the full cost to serve
16 each customer class. In other words, the allocation of the proposed base rate
17 revenue requirement among customer classes has not been moderated for any
18 particular customer class. Mr. Wishart further discusses the Company's
19 proposed class cost allocation and revenue distribution, as well as the resulting
20 rate design, in his Direct Testimony.

1 **Q. HOW WOULD THE PROPOSED CHANGE IN BASE RATES AFFECT A**
2 **TYPICAL RESIDENTIAL CUSTOMER?**

3 A. The Company's currently-effective base rates are subject to a 24.19 percent
4 GRSA, with the base rates themselves determined through a Phase II rate case
5 proceeding filed in 2012. As required by the Commission, the Company filed the
6 2019 Gas Phase II on May 31, 2019.¹⁰ While a comprehensive settlement was
7 reached in that case, and a recommended decision approving that settlement
8 and authorizing implementation of new base rates was issued on January 22,
9 2020,¹¹ the new base rates will not become effective until March 1, 2020, and
10 that decision has not yet been approved by a final order of the Commission.
11 Accordingly, the Company is providing bill impacts based on both the currently
12 effective rates and the approved 2019 Gas Phase II rates in its customer notice,
13 which are reflected below.

¹⁰ *In the Matter of Advice No. 949-Gas filed by Public Service Company of Colorado to Revise Its Colorado PUC No. 6 – Gas Tariff to Reflect Revised Rates and Rate Schedules, Revise Its Transportation Tariff, and Make Other Proposed Tariff Changes to be Effective on Thirty-Days' Notice*, Proceeding No. 19AL-0309G (filed May 31, 2019).

¹¹ See Decision No. R20-0046 mailed on January 22, 2020 in the 2019 Gas Phase II.

1

**TABLE BAT-D-4:
 Average Monthly Bill Impacts Based on Current Rates**

	Average Monthly Bills			Total Change in Average Monthly Bill	
	Current Rates*	Rates Expected March 1st**	Proposed Rates	Proposed Rates versus Current Rates	
RESIDENTIAL GAS (RG)	\$40.43	\$40.82	\$46.88	\$6.44	15.9%
SMALL COMMERCIAL GAS (CSG)	\$167.26	\$162.72	\$186.78	\$19.51	11.7%
LARGE COMMERCIAL GAS (CLG)	\$2,879.78	\$2,931.69	\$3,282.05	\$402.27	14.0%
SMALL FIRM TRANSPORTATION (TFS)	\$552.44	\$518.46	\$590.98	\$38.54	7.0%
LARGE FIRM TRANSPORTATION (TFL)	\$4,347.59	\$4,420.17	\$4,992.58	\$644.99	14.8%
INTERRUPTIBLE TRANSPORTATION (TI)	\$25,324.74	\$25,111.45	\$26,343.09	\$1,018.35	4%

1 **IV. FACTORS DRIVING THE NEED FOR A CHANGE IN BASE RATES**

2 **Q. WHAT IS DRIVING THE CHANGE IN THE REVENUE REQUIREMENT FOR**
3 **PUBLIC SERVICE'S GAS DEPARTMENT?**

4 A. The primary driver of the proposed change in revenue requirement is nearly four
5 years of capital investment to maintain the safety and reliability of our gas system
6 since the Company's 2017 Gas Phase I, which set base rates using a 2016 HTY.
7 As described in more detail later in this section of my Direct Testimony, the
8 magnitude of this capital investment was largely previewed in the Company's
9 2017 Gas Phase I, in which the Company originally sought to implement new
10 base rates through a multi-year rate plan based on future test years. This
11 additional plant, along with associated increases in depreciation expense as a
12 result of an updated depreciation study, property taxes, and changes in O&M
13 expenses all drive an increased revenue requirement.

14 Table BAT-D-5 below presents the main revenue requirement drivers in
15 this rate case and indicates which Company witnesses are providing Direct
16 Testimony in support thereof.

1

Table BAT-D-5: Revenue Requirement Drivers

DESCRIPTION	AMOUNT (MILLIONS)	SUPPORTING WITNESS
Changes in rate base and related costs from 2017 Gas Phase I (including Capital Structure changes)	\$ 103.0	Luke A. Litteken – Gas Operations Adam R. Dietenberger – Shared Corporate Services Sridhar Koneru – Business Systems Ann E. Bulkley – ROE Sarah W. Soong – Capital Structure
Changes in O&M from 2017 Gas Phase I	\$ 21.9	Luke A. Litteken – Gas Operations Adam Dietenberger – Shared Corporate Services Sridhar Koneru – Business Systems Richard R. Schrubbe – Pension & Benefits Michael T. Knoll – Compensation
Impact of new depreciation study	\$ 5.2	Laurie J. Wold
Property tax baseline change	\$ 18.9	Naomi Koch
Amortizations of deferrals (over 36 months)	\$ 22.5	Steven P. Berman
Removal of amortizations from 2015 Gas Phase I	\$ (15.7)	Deborah A. Blair
Increase in Revenue from 2017 Gas Phase 1	\$(29.1)	Jannell E. Marks Deborah A. Blair
Net Base Rate Revenue Increase	\$ 126.7	

2 **Q. PLEASE SUMMARIZE THE PLANT ADDITIONS SINCE THE 2016 HTY, BY**
 3 **FUNCTION.**

4 A. The plant additions since the 2016 HTY (excluding the PSIA) are summarized in
 5 Table BAT-D-6 below.

Table BAT-D-6: Plant Additions Excluding PSIA Since 2016 HTY

Function	Plant Additions Since End of Test Year in Last Phase I Rate Proceeding (millions)
Transmission	\$ 165
Distribution	\$ 648
Production/General/Other	\$ 84
Common ¹²	\$ 395
Total Plant Additions	\$ 1,292

Q. HOW DOES THIS COMPARE TO THE FORECASTED PLANT ADDITION AMOUNTS FOR THE FUTURE TEST YEARS FILED IN THE 2017 GAS PHASE I?

A. The Company previewed the magnitude of plant additions being discussed in this rate case through the future test years filed in the 2017 Gas Phase I. At the time, the Company was projecting net plant of \$2.1 billion in the 2020 future test year compared to the \$2.4 billion of net plant in the Test Year proposed in this rate case (excluding any impacts of PSIA project roll-in). As shown on Table BAT-D-7 below, this represents less than a 13.7 percent difference in the Test Year compared to the Company's forecast three years out in the previously filed 2020 future test year.

¹² Represents total Company common plant. The Gas Department portion of the unallocated common plant is approximately 28 percent of the total Company amount.

Table BAT-D-7: Net Plant Comparison

	Current Case No PSIA	2019 FTY from 2017 Case No PSIA	2020 FTY from 2017 Case No PSIA	Variance Current to 2020 FTY	Variance %
Net Plant - Production	6,826,628	5,696,180	5,600,158	1,226,470	18.0%
Net Plant - Transmission	549,539,473	519,354,148	520,320,892	29,218,581	5.3%
Net Plant - Distribution	1,598,986,989	1,291,169,991	1,302,264,013	296,722,976	18.6%
Net Plant - Common/General/Other	277,823,820	271,039,002	272,191,140	5,632,680	2.0%
Net Plant Total	2,433,176,909	2,087,259,322	2,100,376,203	332,800,706	13.7%

Q. PLEASE SUMMARIZE THE OPERATIONAL INVESTMENTS MADE TO THE COMPANY'S GAS SYSTEM SINCE 2016.

A. Mr. Litteken addresses the operational capital investments made to the Company's gas system since the 2016 HTY in detail, and explains that safety and reliability are the keys areas of focus for Public Service's gas business. In addition, customer requests for new business, along with infrastructure relocations mandated by city, state, or federal authorities, are requiring additional investments on the gas system. Table BAT-D-8 categorizes the capital additions through September 2020, excluding investments made under the PSIA, according to these categories.

**Table BAT-D-8:
Gas Operations Capital Additions From 2016 HTY Through September 30, 2020**

CATEGORY	TOTAL (Millions)
Safety	\$ 40.8
Reliability	\$388.7
New Business	\$323.6
Mandated Relocations	\$ 77.2

1 As discussed in more detail by Mr. Litteken in his Direct Testimony,
2 investments made in the safety category are focused on maintaining the integrity
3 of Public Service's gas system assets so they can function as intended and
4 provide safe and reliable service to customers. In addition to overall integrity
5 efforts, key areas falling under this category include damage prevention,
6 emergency response, leak surveys, storage integrity programs, transmission
7 right-of-way clearing, and exposed pipe inspection and remediation.

8 **Q. PLEASE DISCUSS OPERATIONAL CAPITAL INVESTMENTS MADE IN THE**
9 **RELIABILITY CATEGORY.**

10 A. The reliability category is a key priority for the Company. As explained by Mr.
11 Litteken in his Direct Testimony, the SCADA system is our primary tool to monitor
12 system reliability, and Public Service's recent investments in adding SCADA
13 monitoring devices on the system have allowed the Company to better identify
14 and manage system reliability and capacity needs. Currently, the Company has
15 1,139 SCADA field monitoring devices on its system, and it is continuing to install
16 new remote SCADA monitoring devices at critical locations on its system in 2020
17 and 2021. This SCADA system collects real-time data from across the system
18 and converts it into useful, actionable data that is used in our gas control center.
19 The data is also utilized by our gas capacity engineers for system modeling for
20 project determination and evaluation purposes, as well as to ensure that there is
21 enough capacity to service our firm customers during the coldest peak design
22 hour, which typically occurs during the early morning hours on a cold winter day.

1 The use of SCADA, which is discussed in more detail by Mr. Litteken in
2 his Direct Testimony, has helped Public Service identify and address capacity
3 and reliability needs in an increasingly proactive manner that is beneficial to our
4 customers. In addition, the Company continues to undertake regular capacity
5 planning processes, which help identify additional necessary projects on our
6 system. Key discrete reliability and capacity projects included within the capital
7 additions since the 2016 HTY include the North Metro Pipeline Project and the
8 Tungsten-to-Blackhawk Project, both of which are addressed by Mr. Litteken in
9 his Direct Testimony. The North Metro Pipeline Project, which was completed in
10 May of 2019 at a final cost of \$51.7 million, was essential to ensure that the
11 Company can continue to meet the design day requirements of the Denver metro
12 area. The Tungsten-to-Black Hawk Project is a multi-year project with remaining
13 investment expected to be closed to plant in service by September 30, 2020 at a
14 cost of \$55.7 million. This project was designed to reinforce the high-pressure
15 gas supply to the communities of Idaho Springs, Black Hawk, Central City,
16 Empire, and Georgetown.

17 **Q. PLEASE DISCUSS THE NEW BUSINESS AND MANDATED RELOCATIONS**
18 **INVESTMENT CATEGORIES.**

19 A. Mr. Litteken provides more detail on both new business and mandated
20 relocations in his Direct Testimony. As he explains, capital investments in these
21 categories either fall into the discrete project or routines category, and requests
22 in these categories are typically precipitated by requests for service or
23 relocations of the Company's facilities. Routines, which are generally projects

less than \$300,000, comprise the majority of the total capital additions in these categories since the 2016 HTY. The more complex projects are considered to be discrete projects and, for new business, include the work undertaken to provide natural gas service to the new Sterling Ranch development in Littleton and the Gunnison and Craig compressor projects. All of these investments are required as part of the Company's obligation to serve, and to otherwise meet, federal, state, or local requirements.

Q. PLEASE SUMMARIZE THE INCREASED OPERATING EXPENSES SINCE THE 2016 HTY, BY FUNCTION.

A. The increased operating expenses since the 2016 HTY are summarized in Table BAT-D-9 below.

Table BAT-D-9: Increased Operating Expenses Since 2016 HTY

Function	Test Year Amount (millions)	2016 Amount (millions)	Variance (millions)
Production	\$ 1.1	\$ 0.5	\$ 0.6
Transmission	\$ 28.1	\$ 27.9	\$ 0.2
Distribution	\$ 116.2	\$ 98.0	\$ 18.2
A&G/Other	\$ 93.3	\$ 90.6	\$ 2.7
Total Operating Expenses	\$ 238.7	\$ 217.0	\$ 21.7

The O&M increases reflected in the Distribution function are, as discussed in more detail by Mr. Litteken in his Direct Testimony, driven by the Company's focus on safety, with most of the increases occurring in the Gas Emergency

1 Response/Gas Trouble and Damage Prevention Program categories. Thanks to
2 those increases, Public Service has made remarkable improvements in the time
3 it takes to respond to gas emergencies and has maintained industry leading, top
4 quartile position on damage prevention, both of which are discussed in greater
5 detail by Mr. Litteken.

6 **Q. HAS THE COMPANY TAKEN ACTIONS TO EITHER REDUCE OPERATING**
7 **EXPENSES OR LIMIT THE GROWTH OF THOSE EXPENSES?**

8 A. Yes. For example, as discussed in Mr. Michael T. Knoll's Direct Testimony, the
9 Company has made several health care-related design changes and undertaken
10 an array of initiatives to help mitigate health care costs. These initiatives include
11 the adoption of a high deductible health plan ("HDHP") for all bargaining and non-
12 bargaining employees as of January 1, 2016, a mandate that generic
13 prescriptions be used when available, unless there is a medical need, and the
14 outsourcing of the Family and Medical Leave Act administration, which has
15 resulted in greater efficiencies as well as cost savings. While these cost
16 reductions have been offset by the trend of increasing health care costs, the
17 adoption of HDHP for all employees has substantially mitigated the general
18 upward pressure on our active health care expenses.

19 Also, as discussed in Mr. Richard R. Schrubbe's Direct Testimony, in
20 2017, the Company eliminated future Retirement Savings Account contributions
21 and Social Security Supplements for participants that will not be retirement-
22 eligible by December 31, 2022.

V. INTRODUCTION OF COMPANY WITNESSES

Q. PLEASE INTRODUCE THE OTHER PUBLIC SERVICE WITNESSES SUPPORTING THE COMPANY'S REQUESTS IN THIS PROCEEDING AND DESCRIBE THEIR AREAS OF TESTIMONY.

A. In addition to my Direct Testimony, Public Service is presenting the Direct Testimonies of the following fourteen witnesses in support of its Direct case:

Table BAT-D-10: Company Witnesses

Witness	Area of Testimony
Luke A. Litteken	<ul style="list-style-type: none">• Presents an operational perspective on Public Service's natural gas business• Details the major drivers of changes in the Company's gas business since the 2016 HTY and the Company's focus on investing in system safety, reliability, meeting new customer needs, and mandated relocations• Supports capital additions and incremental increased O&M expenses since the 2016 HTY• Recommends continuation of deferred accounting for the Damage Prevention Program
Steven P. Berman	<ul style="list-style-type: none">• Discusses recent gas rate proceedings and impact on this case• Addresses key aspects of the Company's rate case, including year-end rate base, the prepaid pension and prepaid retiree medical assets• Requests continuation of deferrals and presents the Company's amortization requests• Supports the Company's rate case expenses• Supports the Company's changes to the PSIA tariff

Witness	Area of Testimony
Sarah W. Soong	<ul style="list-style-type: none"> • Discusses the financial topics that have important implications for the overall financial integrity of Public Service, including the significance of Commission decisions on ROE, capital structure, and associated costs of financing utility operations that should be used for setting rates in this proceeding for the Company's gas business • Presents Public Service's actual and forecasted cost of debt and capital structure for the Test Year • Discusses the Company's continuing need for financial flexibility and access to capital on reasonable terms • Supports Public Service's requested WACC
Ann E. Bulkley	<ul style="list-style-type: none"> • Provides an analysis of current capital market conditions and recommends an ROE for the Company based on those market conditions • Provides an assessment of the reasonableness of the proposed capital structure to be used for ratemaking purposes.
Laurie J. Wold	<ul style="list-style-type: none"> • Sponsors the plant-in-service and other plant-related balances in the Test Year • Supports the level of Test Year depreciation and amortization expense for gas utility accounts related to production, storage, transmission and distribution based on the Public Service Company of Colorado Gas Depreciation Rate Study at June 30, 2019 ("Depreciation Study"), which was performed by Alliance Consulting Group Inc. • Supports maintaining the depreciation rates approved in the 2017 Gas Phase I for gas and common general and intangible plant • Explains that bonus depreciation continues to exist for certain assets
Dane A. Watson	<ul style="list-style-type: none"> • Sponsors the Depreciation Study • Supports the recommended depreciation rate changes for Company assets based on the results of the Depreciation Study
Melissa L. Schmidt	<ul style="list-style-type: none"> • Sponsors the Company's Cost Assignment and Allocation Manual and the Fully Distributed Cost Study.
Adam R. Dietenberger	<ul style="list-style-type: none"> • Supports the Shared Corporate Services capital additions (excluding the Business Systems area) since the Company's 2017 Gas Phase I and through September 30, 2020 • Supports Shared Corporate Services O&M expenses for the Test Year (also excluding the Business Systems area)

Witness	Area of Testimony
Sridhar Koneru	<ul style="list-style-type: none"> • Supports Business Systems area plant-in-service capital additions since the Company's 2017 Gas Phase I and through September 30, 2020 • Supports the Business Systems O&M expenses for the Test Year
Michael T. Knoll	<ul style="list-style-type: none"> • Explains the Company's methodology to ensure that compensation is market-based • Addresses and justifies the reasonableness of the "Total Rewards Program," which is the term that Xcel Energy uses to describe the compensation and non-cash benefits offered to Xcel Energy employees • Demonstrates that the compensation amounts that Public Service asks the Commission to approve are conservative in light of our limiting of AIP to 15 percent of base pay
Richard R. Schrubbe	<ul style="list-style-type: none"> • Supports Public Service's request to recover its reasonable and necessary actuarially determined pension and benefit expense • Supports the Company's request to recover its active health and welfare costs • Supports the Company's request to recover the reasonable and necessary costs incurred for workers' compensation benefits • Supports the Company's request to recover other reasonable and necessary costs associated with benefits such as the 401(k) match, certain benefit-related consulting costs, and deferred compensation • Supports the Company's request to continue the pension expense tracker and to recover the current tracker balance • Supports the Company's request to include the prepaid pension asset and prepaid retiree medical asset in rate base and to earn a WACC return on those balances

Witness	Area of Testimony
Naomi Koch	<ul style="list-style-type: none">• Discusses the calculation of Public Service's income tax expense included in the cost of service and explains how the Accumulated Deferred Income Tax balance is created.• Provides updates to the TCJA impacts agreed to in the Company's 2017 Gas Phase I and associated recommendations• Presents recommendations related to the Colorado law change related to vendor fees, enacted in 2019 as part of Colorado House Bill 19-1245• Addresses the level of property tax expense included in the Test Year and ongoing deferral of property tax amounts
Jannell E. Marks	<ul style="list-style-type: none">• Presents weather normalization of the Company's historical dekatherm ("Dth") throughput for the 12 month period of October 1, 2018 to September 30, 2019, using a 20-year weather normalization methodology• Discusses the impact of utilizing a 10-year normal weather assumption for informational purposes• Discusses historical customer counts and gas throughput growth trends and the factors impacting those trends• Presents the Company's gas customer and Dth throughput for the 12 month period of October 1, 2019 to September 30, 2020.
Deborah A. Blair	<ul style="list-style-type: none">• Presents the Company's cost of service study and explains the rationale for the adjustments included in the cost of service study.• Presents an informational historical test year for the 12 months ended September 30, 2019 for comparative purposes.• Presents the amount related to completed projects being moved from the PSIA to the Test Year rate base, as well as the updated 2020 estimated PSIA revenue requirement, reflecting the movement of completed PSIA projects to rate base at the conclusion of this rate case.

Witness	Area of Testimony
Steven W. Wishart	<ul style="list-style-type: none">• Presents the CCOSS results and provides a description of and support for the methodology utilized by the Company to conduct the CCOSS• Discusses the Company's rate design principles and explains how the Company's proposed rates were developed• Presents the revenue proof to establish the fair recovery of the revenue requirement• Provides the bill impacts of the proposed base rate revenue increase and proposed rate design• Supports tariff and rate changes to the Company's gas tariff

1 **VI. REQUESTS OF THE COMMISSION AND CONCLUSION**

2 **Q. CAN YOU PLEASE SUMMARIZE THE KEY POINTS OF YOUR DIRECT**
3 **TESTIMONY?**

4 A. Yes. Public Service's requests in this consolidated case, which combines both a
5 traditional revenue requirement-focused Phase I and a cost allocation and rate
6 design-focused Phase II, are premised on its prudent investments to serve its
7 customers by focusing on gas infrastructure safety, reliability, support for new
8 customers, and mandated relocations. Because the Company's current base
9 rates reflect the cost of providing service to customers in 2016, a base rate
10 revenue increase is necessary to incorporate capital investment, as well as both
11 cost increases and cost savings, along with incremental revenue from customer
12 growth on the system. These investments have already resulted in safer, more
13 reliable, affordable gas service to our customers. Even after the Company's
14 proposed base rate increase, average residential customer bills remain both
15 below average bills of 10 years ago and lower than the average residential bills
16 of 90 percent of the 50 largest natural gas utilities in the country.

17 Further, the Company has structured its rate request and Test Year based
18 on historical costs for the 12-month period ended September 30, 2019, adjusted
19 for known and measurable changes to O&M expenses and revenue through
20 September 30, 2020, and capital additions expected to close to plant in-service
21 by September 30, 2020. The Test Year presented in this proceeding limits
22 reliance on forecasted information and adheres to the regulated ratemaking
23 concept of the matching principle, while reducing regulatory lag.

1 Finally, the Company proposes to allocate its base rate revenue
2 requirement among Public Service's gas customer classes consistent with the
3 extent to which each class causes costs to be incurred on the system. Public
4 Service then designed its rates to collect these amounts by customer class. This
5 revenue distribution reflects the full cost to serve each customer class, without
6 moderation for any particular class, and therefore aligns with cost-based
7 ratemaking and the additional rate design principles outlined by Mr. Wishart in his
8 Direct Testimony. The results base rates that are just, reasonable, consistent
9 with the public interest and should be approved by the Commission.

10 **Q. WHAT ARE THE REQUESTS OF THE COMPANY IN THIS COMBINED**
11 **PHASE I AND PHASE II RATE CASE?**

12 A. As described above and in the Direct Testimonies of other witnesses in this case,
13 Public Service specifically requests that the Commission issue the following key
14 approvals in this proceeding.

15 **Phase I Requests:**

16 In connection with the Phase I portion of this proceeding, Public Service requests
17 that the Commission approve:

- 18 1) A total revenue requirement of \$644,483,385, which, when compared to
19 present revenue of \$500,019,265, results in a base rate revenue deficiency
20 of \$144,464,121. The net base rate revenue increase after transferring
21 costs currently recovered through the Pipeline System Integrity Adjustment
22 ("PSIA") to base rates is \$126,738,296;
- 23 2) An overall WACC of 7.33 percent, based on a capital structure composed
24 of 55.81 percent equity, 42.97 percent long-term debt, and 1.22 percent
25 short-term debt; a long-term cost of debt of 4.08 percent and a short-term
26 cost of debt of 2.79 percent; and an ROE of 9.95 percent;

- 1 3) Inclusion in base rates of approximately \$1.292 billion of net investment in
2 utility infrastructure that has been placed into service or will be placed into
3 service as of September 30, 2020. Those capital additions are composed
4 of:
- 5 • \$165 million of transmission investment;
 - 6 • \$648 million of distribution investment;
 - 7 • \$84 million of production, general, and other investment; and
 - 8 • \$395 million of common investment.
- 9 4) Implementation of depreciation rates:
- 10 • Apply the depreciation rates resulting from the 2019 Depreciation
 - 11 Study to the net plant balances for gas utility production, storage,
 - 12 transmission, and distribution assets to quantify the Company's
 - 13 depreciation expense; and
 - 14 • Allow continuation of the current depreciation rates related to the
 - 15 gas utility general, common, and intangible general assets;
- 16 5) Recovery of \$1,810,118 in estimated total rate case expenses, inclusive of
17 \$1,584,177 in rate case expenses specifically related to this proceeding
18 and \$225,941 specifically related to the 2019 Gas Phase II, amortized over
19 36 months, and with a return on the unamortized balance at the Company's
20 WACC, as supported by Mr. Berman;
- 21 6) Known and measurable adjustments to O&M expenses as presented by
22 Ms. Blair and supported by other Company witnesses;
- 23
- 24 7) Authorization to transfer recovery of completed PSIA projects closed to
25 plant in service by December 31, 2018 from current PSIA recovery into
26 base rates and approval to implement the resulting updated 2020
27 estimated PSIA revenue requirement presented in Attachment DAB-13 to
28 Ms. Blair's Direct Testimony, and updated PSIA rates as supported by Mr.
29 Wishart;
- 30 8) Continuation of the property tax tracker and deferral consistent with the
31 base levels provided in the Company's direct case and approval to
32 amortize the property tax regulatory asset balance over a 36-month period
33 and earn a return on the unamortized balance at the Company's WACC, as
34 described in more detail by Mr. Berman;
- 35
- 36 9) Continuation of the pension expense tracker and deferral consistent with
37 the base levels provided in the Company's direct case and amortize the
38 pension expense regulatory asset balance over a 36-month period and
39 earn a return on the unamortized balance at the Company's WACC, as
40 described by Mr. Berman;

10) With respect to the prepaid pension asset balance:

- Authorize the Company to recover the Second Legacy Prepaid Pension Asset through a ten-year amortization;
- Allow the Company to earn a return on the unamortized balance of the Second Legacy Prepaid Pension Asset at the Company's WACC; and
- Authorize the Company to establish a Second New Prepaid Pension Asset to record and defer the difference between pension expense and pension contributions for the period after October 1, 2020, each as described by Mr. Schrubbe and Mr. Berman;

11) With respect to the Damage Prevention expense tracker:

- Authorize the Company to recover the regulatory asset attributable to the damage prevention program;
- Authorize the Company to amortize the recovery of the damage prevention regulatory asset balance over 36 months;
- Allow the Company to earn a return on the unamortized balance of the damage prevention regulatory asset at the Company's WACC; and
- Authorize the Company to continue the damage prevention tracker going forward with a baseline of \$17.3 million, as described by Mr. Litteken and Mr. Berman;

12) With respect to deferred accounting for manufactured gas plants ("MGP") liability:

- Authorize the Company to amortize the recovery of manufactured gas plants liability over 36 months, and earn a return on the unamortized balance at the Company's WACC, as further supported by Mr. Berman and Ms. Blair; and

13) Allow the Company to earn a return on the prepaid retiree medical asset balance at the Company's WACC, as supported by Mr. Schrubbe.

Phase II Requests:

In connection with the Phase II portion of this proceeding, Public Service requests that the Commission:

- Approve the Company's proposed functionalization, cost allocation, and revenue distribution by customer class resulting from the Company's CCOS;

- Approve the Company's proposed rate design and authorize implementation of the Company's proposed new base rates; and
- Approval of the proposed rate and other changes to our Gas tariff, as described in Advice No. 961 – Gas, and included as clean and redlined versions in attachments to the Direct Testimonies of Mr. Wishart and Mr. Berman.

Q. WHAT IS THE TIMING ASSOCIATED WITH THE COMPANY'S REQUESTS IN THIS PROCEEDING AND THE PROPOSED EFFECTIVE DATE OF NEW RATES?

A. Consistent with Commission Rules and Colorado Statutes, the effective date for the changed tariffs accompanying this advice letter is March 7, 2020. However, the Company requests that the Commission suspend the tariffs and set a hearing on the proposed rates and tariff changes, with an effective date of November 1, 2020, after suspension. The Company understands the Commission is likely to suspend the tariffs to allow for a hearing and associated processes. Due to the transportation-related changes that will be implemented prior to that date, the Company specifically requests an effective date on the first day of the month. The proposed effective date of November 1, 2020 is near the end of the maximum statutory suspension period of November 12, 2020. Implementing the new base rates on November 1, 2020 would provide for operational efficiencies and will also be less confusing for our customers.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Statement of Qualifications

Brooke A. Trammell

As the Regional Vice President of Rates and Regulatory Affairs, I am responsible for providing leadership, direction, and technical expertise related to regulatory processes and functions for Public Service. My duties include the design and implementation of Public Service's regulatory strategy and programs, and directing and supervising Public Service's regulatory activities, including oversight of rate cases and other related filings. Those duties include: administration of regulatory tariffs, rules, and forms; regulatory case direction and administration; compliance reporting; complaint response; and working with regulatory staffs and agencies. Additionally, I oversee the rate implementation procedures for all of Xcel Energy's utility operating companies.¹³ I have previously testified as a policy witness on behalf of Public Service in Proceeding Nos. 17AL-0363G, 18M-0401E, 18AL-0905E, 19AL-0268E, 19AL-0309G, and 19A-0425E.

I accepted the RVP position with Public Service in June 2018 after holding the Director of Customer and Community Relations position in another Xcel Energy Inc. subsidiary, Southwestern Public Service Company, since June 2016. From January 2014 to June 2016, I was Manager, Rate Cases and was responsible for the strategic oversight of SPS's regulatory activity in Texas after being promoted from Case

¹³ Xcel Energy Inc.'s operations include the activity of four wholly owned utility subsidiaries that serve electricity and natural gas customers in eight states. These utility subsidiaries, referred to as operating companies, are Northern States Power-Minnesota serving electric and natural gas customers in Minnesota, North Dakota, and South Dakota; Northern States Power-Wisconsin serving electric and natural gas customers in Wisconsin and Michigan; Southwestern Public Service Company serving electric customers in Texas and New Mexico; and Public Service serving electric and natural gas customers in Colorado.

Specialist, the position in which I started with Xcel Energy in September 2012. As a Case Specialist, I supported SPS's proceedings before regulatory authorities in Texas and New Mexico as well as the Federal Energy Regulatory Commission and led SPS's participation and policy analysis in administrative rulemaking proceedings in all jurisdictions.

Prior to Xcel Energy, I was employed with PNMR Services Company, a wholly-owned subsidiary of PNM Resources, Inc., the parent holding company of Public Service Company of New Mexico and Texas-New Mexico Power Company. I held various roles in the Pricing and Regulatory Services department including Rates Analyst II, Senior Rates Analyst and Project Manager, Federal Regulatory Affairs. In those positions, I provided cost of service, cost allocation, pricing, and rate design analysis to support general rate cases, audited rate calculations and filing packages, and managed regulatory filings and proceedings in the company's retail jurisdictions before managing PNM's regulatory proceedings before FERC and leading strategic regulatory and transmission policy initiatives.

I hold a Master of Business Administration degree from West Texas A&M University along with a Master of Arts degree in Economics with a specialization in Public Utility Regulation and a Bachelor of Science degree in Agricultural Economics and Agricultural Business from New Mexico State University.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

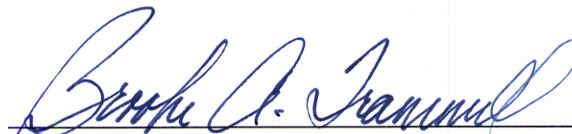
* * * *

IN THE MATTER OF ADVICE NO. 961-GAS OF)
PUBLIC SERVICE COMPANY OF COLORADO TO)
REVISE ITS COLORADO PUC NO. 6-GAS TARIFF)
TO INCREASE JURISDICTIONAL BASE RATE) PROCEEDING NO. 20AL-____G
REVENUES, IMPLEMENT NEW BASE RATES)
FOR ALL GAS RATE SCHEDULES, AND MAKE)
OTHER PROPOSED TARIFF CHANGES)
EFFECTIVE MARCH 7, 2020)

AFFIDAVIT OF BROOKE A. TRAMMELL
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

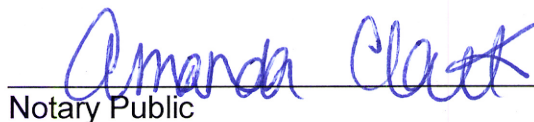
I, Brooke A. Trammell, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the same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

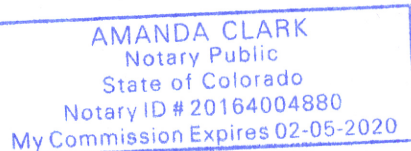
Dated at Denver, Colorado, this 3 day of Feb, 2020.



Brooke A. Trammell
Regional Vice President, Rates and Regulatory Affairs

Subscribed and sworn to before me this 3 day of Feb, 2020.


Notary Public



My Commission expires 2/5/2020