

DOCKET NO. _____

APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION
PUBLIC SERVICE COMPANY FOR §
AUTHORITY TO CHANGE RATES § OF TEXAS

DIRECT TESTIMONY
of
NORA LINDGREN

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: LindgrenRRDirect.doc)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Commission	Public Utility Commission of Texas
FERC	Federal Energy Regulatory Commission
IVR	Interactive Voice Response
O&M	Operation and maintenance
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS
Operating Company	One of the Operating Companies
RFP	Rate Filing Package
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	October 1, 2019 through September 30, 2020
Total Company or total company	Total SPS (before jurisdictional allocation)
Update Period	October 1, 2020 through December 31, 2020
Updated Test Year	January 1, 2020 through December 31, 2020
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
NL-RR-1	Native SPS Costs for Meter Reading and Customer Records and Collections (<i>Filename: NL-RR-1.xlsx</i>)
NL-RR-2	Organization Chart - Customer Care (<i>Non-native format</i>)
NL-RR-3	Customer Payment Plan Data (<i>Non-native format</i>)
NL-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Allocation Method (<i>Filename: NL-RR-ABCD.xlsx</i>)
NL-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account (<i>Filename: NL-RR-ABCD.xlsx</i>)
NL-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account (<i>Filename: NL-RR-ABCD.xlsx</i>)
NL-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account (<i>Filename: NL-RR-ABCD.xlsx</i>)

**DIRECT TESTIMONY
OF
NORA LINDGREN**

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Nora C. Lindgren. My business address is 1414 West Hamilton
4 Avenue, Eau Claire, Wisconsin 54701

5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am filing testimony on behalf of Southwestern Public Service Company, a New
7 Mexico corporation (“SPS”) and wholly-owned electric utility subsidiary of Xcel
8 Energy Inc. (“Xcel Energy”).

9 **Q. By whom are you employed and in what position?**

10 A. I am employed by Xcel Energy Services Inc. (“XES”), the service company
11 subsidiary of Xcel Energy, as Senior Manager, Customer Policy and Assistance.

12 **Q. Please briefly outline your responsibilities as Director, Customer Operations.**

13 A. I am responsible for business support services of the Customer Care organization
14 for Xcel Energy’s four Operating Companies.¹ This responsibility includes
15 process efficiencies, resolving customer complaints, communications within the
16 organization, customer policy, and low-income programs.

17 **Q. Please describe your educational background.**

18 A. I hold a Bachelor of Arts degree in Biology from Metropolitan State University in
19 Saint Paul, Minnesota, with an emphasis on Environmental Communication. I

¹ The Operating Companies are: Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS.

1 have continued my professional development through credit and collections
2 focused training programs and conferences.

3 **Q. Please describe your professional experience.**

4 A. I have been employed with Xcel Energy for 11 years. Prior to 2013, I held
5 various positions within Xcel Energy’s Customer Contact Center and Credit and
6 Collections Call Center as I completed my degree. From 2013 to 2018, I served as
7 Supervisor, Credit and Collections for Xcel Energy. From 2018 to 2020, I served
8 as Manager, Credit and Collections where I was responsible to develop, maintain,
9 and implement policy and processes to ensure reductions of arrears, write-offs,
10 and key financial metrics including management of bad debt for Xcel Energy.
11 Beginning in July of 2020, I became the Senior Manager, Customer Policy and
12 Assistance.

1 **II. ASSIGNMENT AND SUMMARY OF TESTIMONY AND**
2 **RECOMMENDATIONS**

3 **Q. What is your assignment in this proceeding?**

4 A. I support the Updated Test Year (January 1, 2020 through December 31, 2020)²
5 operation and maintenance (“O&M”) expenses and administrative and general
6 expenses for activities and work performed by: (1) SPS employees and contract
7 resources for meter reading and third-party vendor costs for customer records and
8 collection expenses (also referred to as “native SPS costs”); and (2) the Customer
9 Care class of affiliate services. I also explain the accounting for and management
10 of SPS’s bad debt expense.

11 In regard to SPS’s native meter reading and customer records and
12 collection expenses, my testimony will:

- 13 • describe the types of services provided;
- 14 • explain how the services are reasonable and necessary for SPS’s
15 operations; and
- 16 • support the costs as reasonable and necessary for rate recovery
17 purposes.

18 In regard to the Customer Care affiliate class, my testimony will:

- 19 • describe the services included in the class;
- 20 • explain that those services are reasonable and necessary for SPS’s
21 operations;
- 22 • explain that the costs for those services are reasonable and necessary;

² The Test Year in this case is October 1, 2019 through September 30, 2020, and the Update Period is October 1, 2020 through December 31, 2020. The Updated Test Year consists of the last nine months of the Test Year and the three months in the Update Period. In addition to supporting the Updated Test Year costs, I have also reviewed the costs for the first three months of the Test Year for the classes I support and find those costs to be reasonable.

- 1 • explain that these services do not duplicate services that SPS provides
2 to itself through its own employees or that are provided from any other
3 source; and
- 4 • explain that each charge from SPS’s affiliates for these services is no
5 higher than the charges by those affiliates to any other entity for the
6 same or similar services.

7 In addition, I sponsor Schedule G-3 of SPS’s Rate Filing Package
8 (“RFP”). Schedule G-3 provides the policy for writing off bad debts and the
9 calculation of commodity bad debt expense. I support the effort to manage the
10 incidence of bad debt, which is reflected in the level of expense shown on the
11 schedule.

12 **Q. Please summarize the recommendations and conclusions in your testimony.**

13 A. *Native Costs* - The native amounts included in Attachment NL-RR-1 represent, at
14 a total company level (total SPS before jurisdictional allocation, “total company”
15 or “Total Company”), reasonable and necessary meter reading, customer records,
16 and customer collections related costs incurred directly by SPS to support SPS’s
17 ability to provide safe and reliable electric service to its Texas retail customers.
18 I recommend the Public Utility Commission of Texas (“Commission”) approve
19 those costs.

20 *Affiliate Costs* - The affiliate charges to SPS are included in Attachments
21 NLRR-A through NL-RR-D, and are addressed in more detail in Section IV of my
22 testimony. The estimated Updated Test Year costs that SPS seeks to recover for
23 the services of the Customer Care affiliate class of \$2,608,227 (total company)³
24 are reasonable and necessary because they support SPS’s ability to provide
25 electric service to its Texas retail customers.

³ This dollar amount reflects nine months of actual costs and three months of estimated costs.

- 1 • The costs are for services provided by the Customer Care business
2 area that are necessary for the provision of electric service by SPS,
3 including:
- 4 ○ oversight and administrative support for reading customer
5 meters;
- 6 ○ manual billing work, billing quality assurance, billing issue
7 resolution, and receiving and posting payments; operating the
8 customer contact centers that answer customer questions
9 regarding bills, services, and outages;
- 10 ○ providing collections services; and
- 11 ○ support and oversight for customer service operations.
- 12 • The costs for these services are reasonable because they are shared
13 with other affiliates, include reasonable personnel costs, and are
14 subjected to rigorous budgeting and cost control processes.
- 15 • SPS does not provide these services for itself, and the services do not
16 duplicate services provided by others.
- 17 • Each charge from SPS’s affiliate for these services is no higher than
18 the charge by those affiliates to any other entity for the same or similar
19 service.

20 Accordingly, I recommend the Commission approve SPS’s requested amount for
21 the Customer Care affiliate class.

22 ***Bad Debt Expense*** - SPS incurs bad debt expense when customers fail to pay
23 their bills. SPS’s write-off policy requires specific action—a write-off or further
24 collection efforts—when a customer account is 119 working days past the final
25 bill due date. SPS is requesting \$5,455,663 (total company)⁴ of bad debt expense
26 in this case. That amount is a native amount in Federal Energy Regulatory

⁴ The total company number consists of Customer Care-related commodity bad debt expense in the amount of \$6,414,707; Customer Care-related non-commodity bad debt expense in the amount of \$48,173; Corporate Other commodity bad debt expense in the amount of (\$370,802) and Distribution Operations non-commodity bad debt expense in the amount of (\$636,415). The Coporate Other commodity bad debt expense is sponsored by SPS witness Adam R. Dietenberger. The Distribution Operations non-commodity bad debt expense is sponsored by SPS witness Casey S. Meeks.

1 Commission (“FERC”) Account 904 Uncollectible Expenses for estimated
2 Updated Test Year as shown in Attachment NL-RR-1.

3 **Q. You mention that certain costs that you present in your testimony are**
4 **estimates. Please explain why this is the case and what items are estimates.**

5 A. As explained by SPS witness William A. Grant, SPS will be using an Updated
6 Test Year in this case. SPS’s initial filing presents actual affiliate O&M expenses
7 for the Test Year and estimated information for the Update Period. Accordingly,
8 the first nine months of SPS’s Updated Test Year (i.e., January 2020 through
9 September 2020) consist of actual cost information, and the last three months (i.e.,
10 October through December 2020) consist of estimated cost information. For this
11 reason, certain SPS witnesses refer to the Updated Test Year in direct testimony
12 as the “estimated Updated Test Year.”

13 Regarding the Customer Care affiliate costs I support, as explained by SPS
14 witness Ross L. Baumgarten, actual figures for October and November 2020 have
15 been provided and December 2020 figures have been estimated based on the
16 forecasted budget. However, these expenses have not gone through the full pro
17 forma adjustment review process.

18 **Q. Will your testimony be updated to replace the estimated costs that you**
19 **present and support with actual costs?**

20 A. Yes. SPS will file an update 45 days after this application has been filed. The
21 update will provide actual costs incurred to replace the estimates provided in the
22 application for the Update Period. As part of that process, Attachments NL-RR-A
23 through D will be updated by removing estimates of Customer Care affiliate

1 O&M expenses incurred by SPS during the Updated Test Year and then replacing
2 those estimates with actual expenses, which will be used to establish SPS's base
3 rates in this case.

4 **Q. Were Attachments NL-RR-1, NL-RR-2, NL-RR-3, and NL-RR-A through**
5 **NL-RR-D prepared by you or under your direct supervision and control?**

6 A. Yes, with respect to Attachments NL-RR-2 and NL-RR-3. Attachment NL-RR-1
7 was prepared by SPS witness Stephanie N. Niemi and her staff and is based on the
8 cost of service study. My staff and I have reviewed this attachment, and I believe
9 it to be accurate. Attachments NL-RR-A through NL-RR-D were prepared by
10 Mr. Baumgarten and his staff. My staff and I have reviewed these attachments,
11 and I believe them to be accurate. Although the same information provided in
12 Attachments NL-RR-A through NL-RR-D is presented in Mr. Baumgarten's
13 Attachments RLB-RR-A through RLB-RR-D, I have presented this information in
14 my testimony for the convenience of those reviewing my testimony.

15 **Q. Were the portions of the RFP schedule you sponsor prepared by you or**
16 **under your supervision and control?**

17 A. Yes.

18 **Q. Do you incorporate the portions of the RFP schedule sponsored by you into**
19 **this testimony?**

20 A. Yes.

1 **III. METER READING, CUSTOMER RECORDS, AND COLLECTION-**
2 **RELATED ACTIVITIES AND O&M COSTS**

3 **Q. What are the types of charges included in SPS's requested level of meter**
4 **reading, customer records, and collection-related expenses and total O&M**
5 **costs?**

6 A. The Customer Care component of the Customer and Innovation business area
7 provides a wide range of services that are necessary to support SPS's ability to
8 provide electric service to its Texas retail customers. The core functions provided
9 by Customer Care include meter reading, billing services, contact centers, credit
10 and collections, and customer operations. Within Customer Care, XES and SPS
11 employees have separate roles and responsibilities, but work in coordination with
12 each other and under the direction of the XES Customer Care business area
13 management to provide various types of services, including meter reading,
14 customer records, and customer collections.

15 Meter reading, customer records, and collection-related O&M expenses,
16 within the Customer and Innovation business area, include both native SPS costs
17 and affiliate charges. Native costs are those costs incurred directly by SPS
18 associated with the provision of electric service to customers. These costs include
19 labor, materials, and other non-fuel O&M costs. For example, the salaries of SPS
20 employees are native costs. In this section of my testimony, I discuss the
21 reasonableness and prudence of SPS's requested native costs relating to meter
22 reading, customer records, and customer collection expenses.

23 Affiliate expenses are those associated with services provided by XES to
24 SPS. XES is a centralized service company and the charges for its services are to

1 be provided “at cost,” or without profit. These services are in addition to, and not
2 duplicative of, the services that SPS employees provide. Finally, affiliate O&M
3 expenses also include charges to SPS from other Operating Companies or
4 affiliated interests. Similar to the charges from XES, these services are charged to
5 SPS “at cost” and generally involve oversight functions. Mr. Baumgarten
6 provides additional details regarding the methodology of charging affiliate costs
7 to SPS from XES and other affiliated interests. Starting in the next section of my
8 testimony, I discuss Customer Care affiliate O&M charges to SPS in more detail.

9 **Q. Please describe SPS’s native meter reading, customer records, and customer**
10 **collection expenses that SPS has included in its cost of service.**

11 A. These costs, which are provided on my Attachment NL-RR-1 and included in
12 FERC Accounts 902 and 903, include various services associated with the reading
13 of customer meters by SPS employees, as well as external vendor expenses and
14 postage to provide billing and collection services specifically for SPS customers.

15 With respect to meter reading, there were 63 SPS employees, including
16 those in management roles, in the Customer Care business area who perform
17 meter reading functions for SPS, as of December 2020. There were also 16
18 contract resources used to perform meter reading functions. These employees and
19 contract resources read and record usage data from customer meters, without
20 which SPS would be unable to bill customers for electricity consumption,
21 generate disconnection orders, and investigate energy theft, among other
22 activities. These meter reading activities, and associated labor, are directly
23 incurred by SPS in its provision of electric service to customers. Although XES
24 employees provide management, oversight, and administrative support for meter

1 reading, such activities are separate and distinct from the day-to-day management
2 of meter reading personnel that is provided by management-level employees at
3 SPS (e.g., completion of work assignments, scheduling, and verification of data).
4 Native costs relating to meter reading services performed by the Customer Care
5 group are recorded to FERC Account 902.

6 Regarding customer records and customer collections expenses, SPS
7 native costs include external vendor expenses to provide billing and collection
8 services specifically for SPS customers. These services include the creation,
9 printing, and mailing of SPS customer letters, notices, and bill statements, as well
10 as the generation of electronic bill images for SPS customers who receive their
11 bills electronically. Postage expense for mailed communications with SPS
12 customers are also included in these native costs. Native costs also include
13 expenses from credit agency vendors collecting past-due balances for SPS
14 customer accounts, and bank fees SPS reimburses to its customers due to billing
15 or collection errors. The native SPS costs for customer records and customer
16 collections described above are separate and distinct from the services provided
17 by the Customer Care affiliate class. Native costs relating to customer records
18 and collections-related activities performed by SPS employees and the Customer
19 Care group are recorded to FERC Account 903.

20 **Q. Are the native SPS costs for meter reading, customer records, and customer**
21 **collections-related expenses and associated O&M necessary and reasonable**
22 **for SPS's operations?**

23 A. Yes, these costs are necessary and reasonable and support SPS's ability to provide
24 safe and reliable service to its Texas retail customers. These costs are necessary

1 to ensure that SPS maintains the ability to meter, bill, and collect payment for the
2 electricity it provides. They are functions required by all utilities. Without them,
3 SPS would not be able to provide electric service to its customers. These costs
4 include labor, materials, and other non-fuel O&M costs. SPS witnesses Michael
5 P. Deselich and Richard R. Schrubbe provide testimony explaining that SPS's
6 labor and benefits costs are reasonable, and SPS witness Robert H. Kunze
7 provides testimony about explaining that the costs associated with the sourcing
8 and procurement of goods and services are reasonable.

1 **IV. AFFILIATE EXPENSES FOR THE CUSTOMER CARE**
2 **CLASS OF SERVICES**

3 **Q. Earlier in your testimony, you referred to an “affiliate class.” What do you**
4 **mean by the terms “affiliate class” or “affiliate class of services”?**

5 A. A portion of SPS’s costs reflects charges for services provided by a supplying
6 affiliate, specifically XES or one of the Operating Companies. These charges
7 have been grouped into various affiliate classes, or aggregations of charges, based
8 upon the business area, organization, or department that provided the service or,
9 in a few instances, the accounts that captured certain costs. In his direct
10 testimony, Mr. Baumgarten provides a detailed explanation of how the affiliate
11 classes were developed and are organized for this case.

12 **Q. Which affiliate class do you sponsor?**

13 A. I sponsor the Customer Care class of affiliate services.

14 **A. Summary of Affiliate Expenses for the Customer Care Class of**
15 **Services**

16 **Q. Where does the Customer Care affiliate class fit into the overall affiliate**
17 **structure?**

18 A. Attachment RLB-RR-6 to Mr. Baumgarten’s direct testimony provides a list and a
19 pictorial display of all affiliate classes, dollar amounts for those classes, and
20 sponsoring witness for each class. As seen on that attachment, the Customer Care
21 affiliate class was part of the Customer and Innovation business area during the
22 Updated Test Year. Attachment NL-RR-2 to my testimony is an organization
23 chart showing the Customer Care organization.

1 **Q. What services are grouped into the Customer Care affiliate class?**

2 A. The services that are grouped into the Customer Care affiliate class are meter
3 reading (oversight and administrative support), billing services, contact centers,
4 credit and collections, customer policy and assistance, and measurement and
5 analytics. Prior to July 2020 customer policy and assistance, and measurement
6 and analytics were combined as customer operations within Customer Care’s
7 affiliate class. As described previously, these services are separate and distinct
8 from costs incurred directly by SPS.

9 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
10 **requests, on a total company basis, for the Customer Care affiliate class?**

11 A. The following table summarizes the dollar amount of the estimated Updated Test
12 Year XES charges for the Customer Care affiliate class. I will update the table as
13 part of SPS’s 45-day case update filing to reflect the actual Updated Test Year
14 costs for the Customer Care affiliate class.

15 **Table NL-RR-1⁵**

Class of Services	Total XES Class Expenses	Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
		Requested Amount	% Direct Billed	% Allocated
Customer Care	35,553,651	2,608,227	1.31%	98.69%

⁵ **Total XES Class Expenses** is the Dollar amount of total Updated Test Year expenses that XES charged to all Xcel Energy companies for the services provided by this affiliate class. This is the amount from Column E in Attachment NL-RR-A. **Requested Amount** is SPS’s requested amount after exclusions and pro forma adjustments. **% Direct Billed** is the percentage of SPS’s requested XES expenses for the class that were billed 100% to SPS. **% Allocated** is the percentage of SPS’s requested XES expenses for the class that were allocated to SPS.

1 **Q. Please describe the attachments that support the information provided in**
2 **Table NL-RR-1.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the Customer Care affiliate class.

5 **Attachment NL-RR-A:** Provides a summary of the affiliate expenses for
6 this class during the Updated Test Year. The portion of the summary specific to
7 billings to SPS starts with the total of the XES expenses to SPS for the services
8 provided by this affiliate class and ends with the requested dollar amount of XES
9 expenses to SPS (total company) for this affiliate class after exclusions and pro
10 forma adjustments. The columns on this attachment provide the following
11 information:

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	Billing Method (Cost Center)	Shows the billing method that XES uses to charge the expenses to the affiliates, and the billing method short title. In his direct testimony, Mr. Baumgarten explains the billing methods and defines the codes.
Column D —	Allocation Method	Shows the allocation method applicable to the billing method (cost center).
Column E —	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	Shows XES billings to all legal entities for the affiliate class.
Column F —	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400 – 935)	Shows XES billings to all legal entities except SPS for the affiliate class.

Column G —	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Shows XES billings to SPS (total company) for the affiliate class.
Column H —	Exclusions	Shows the total dollars to be excluded from Column G. Exclusions reflect expenses not requested, such as expenses not allowed or other expenses excluded from the cost of service.
Column I —	Per Book	Shows XES billings to SPS (total company), for the affiliate class, after the exclusions shown in Column H. The dollar amount in Column I is Column G plus Column H.
Column J —	Pro Formas	Shows the total dollar amount of pro forma adjustments to the dollar amount in Column I. Pro forma adjustments reflect revisions for known and measurable changes to the Updated Test Year expenses.
Column K —	Requested Amount (Total Company)	Shows the requested amount (total company) for the affiliate class. The dollar amount in Column K is Column I plus Column J.
Column L —	% of class charges	Shows the percentage of affiliate class charges billed using the cost center.

1 In his direct testimony, Mr. Baumgarten provides a consolidated summary
2 of affiliate expenses billed to SPS for all classes during the Test Year and the
3 Updated Test Year.

4 **Attachment NL-RR-B(CD):** Provides the detail of the XES expenses for
5 the Customer Care affiliate class that are summarized on Attachment NL-RR-A.
6 The detail shows the XES expenses billed to SPS for the Customer Care affiliate
7 class, itemized by the amount, with each expense listed by individual activity and
8 billing method (cost center). When summed, these amounts tie to the amounts

1 shown on Attachment NL-RR-A, and the detail regarding the expenses is
2 organized to support that attachment. Specifically, the columns on this
3 attachment provide the following information.

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Legal Entity Receiving XES Expenses	Shows the legal entity (Xcel Energy or one of its subsidiaries) that received the XES expense.
Column C —	Affiliate Class	Lists the affiliate class.
Column D —	Cost Element	Provides the cost element number.
Column E —	Activity	Provides a short title for the activity.
Column F —	Billing Method (Cost Center)	Identifies the billing method and short title. In his direct testimony, Mr. Baumgarten explains the billing methods and defines the codes.
Column G —	FERC Account	Shows the FERC Account in which the expense was recorded for the operating companies.
Column H —	Total XES Billings for Class to All Companies (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities for the affiliate class.
Column I —	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities except SPS for the affiliate class.
Column J —	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to SPS for the affiliate class. Therefore, the sum of this column provides total billings to SPS and ties to the total dollar amount for the affiliate class in Column G of Attachment NL-RR-A.

Column K — Exclusions	Shows the total dollars excluded from Column J. The total dollar amount for the affiliate class in Column K ties to the total dollar amount for the affiliate class in Column H of Attachment NL-RR-A.
Column L — Per Book	Shows XES billings to SPS (total company) for the affiliate class after the exclusions shown in Column K. The dollar amount in Column L is Column J plus Column K. The total dollar amount for the affiliate class in Column L ties to the total dollar amount for the affiliate class in Column I of Attachment NL-RR-A.
Column M — Pro Formas	Shows the dollar amount of pro forma adjustments to the dollar amount in Column L. The total dollar amount for the affiliate class in Column M ties to the total dollar amount for the affiliate class in Column J of Attachment NL-RR-A.
Column N — Requested Amount (Total Company)	Shows the requested amount (total company) for the affiliate class. The dollar amount in Column N is Column L plus Column M. The total dollar amount for the affiliate class in Column N ties to the total dollar amount for the affiliate class in Column K of Attachment NL-RR-A.

1 Mr. Baumgarten also provides a consolidated summary of this information
2 for all affiliate classes during the Test Year and the Updated Test Year.

3 **Attachment NL-RR-C:** Both Attachments NL-RR-A and
4 NL-RR-B(CD) show exclusions to the XES expenses billed to SPS for the
5 Customer Care affiliate class (Attachment NL-RR-A, Column H; Attachment
6 NL-RR-B(CD), Column K). Attachment NL-RR-C provides detail about those

1 exclusions listed on Attachments NL-RR-A and NL-RR-B(CD). The columns on
2 Attachment NL-RR-C provide the following information.

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	FERC Account	Identifies the FERC Account and FERC Account description for the expense that has been excluded.
Column D —	Explanations for Exclusions	Provides a brief rationale for the exclusion.
Column E —	Exclusions (Total Company)	Shows the dollar amount of the exclusion.

3 In his direct testimony, Mr. Baumgarten describes the calculations
4 underlying the exclusions.

5 **Attachment NL-RR-D:** Both Attachments NL-RR-A and
6 NL-RR-B(CD) show pro forma adjustments to SPS's per book expenses for the
7 Customer Care affiliate class (Attachment NL-RR-A, Column J; Attachment NL-
8 RR-B(CD), Column M). Attachment NL-RR-D provides information about those
9 pro forma adjustments shown on Attachments NL-RR-A and NL-RR-B(CD).
10 The columns on Attachment NL-RR-D provide the following information.

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	FERC Account	Identifies the FERC Account and FERC Account description affected by the pro forma adjustment.
Column D —	Explanations for Pro Formas	Provides a brief rationale for the pro forma adjustment.

Column E — Sponsor Identifies the witness or witnesses who sponsor the pro forma adjustment.

Column F — Pro Formas (Total Company) Shows the dollar amount of the pro forma adjustment.

1 **Q. Does XES bill its expenses for the Customer Care affiliate class to SPS in the**
2 **same manner as it bills other affiliates for those expenses?**

3 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
4 allocating costs to affiliates other than SPS that it uses to bill and allocate those
5 costs to SPS.

6 **Q. Are there any exclusions to the XES billings to SPS for the Customer Care**
7 **affiliate class?**

8 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
9 expenses not allowed or other below-the-line items. Exclusions are shown on
10 Attachment NL-RR-A, Column H, and on Attachment NL-RR-B(CD), Column
11 K. The details for the exclusions are provided in Attachment NL-RR-C. Mr.
12 Baumgarten describes how the exclusions were calculated. In SPS's 45-day case
13 update, I will present an updated Attachment NL-RR-C that will provide actual
14 exclusions to replace any estimated exclusions included in my original
15 attachment.

16 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
17 **Customer Care affiliate class?**

18 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
19 Year expenses for known and measurable changes. Pro forma adjustments are
20 shown on Attachment NL-RR-A, Column J, and on Attachment NL-RR-B(CD),

1 Column M. The details for the pro forma adjustments, including the witness or
2 witnesses who sponsor each pro forma adjustment, are provided in Attachment
3 NL-RR-D. Given the time of SPS's initial filing, only the first nine months of the
4 Updated Test Year have completed the full pro forma adjustment review process.
5 In SPS's 45-day case update, I will present an updated Attachment NL-RR-D that
6 will complete the full pro forma adjustment review process for the last three
7 months of the Updated Test Year.

8 **Q. Attachment NL-RR-D shows that you are a sponsor for pro forma**
9 **adjustments for expenses for the Customer Care affiliate class during the**
10 **first nine months of the Updated Test Year that result in a net decrease for**
11 **the Customer Care affiliate class of \$5,514.33. Please explain the**
12 **adjustments.**

13 A. The adjustments that I sponsor: remove costs not benefitting SPS (a decrease of
14 \$325.96); remove below-the-line charges (a decrease of \$18.52); remove charges
15 associated with employee life/career events (a decrease of \$506.82); remove
16 charges associated with employee recognition awards (a decrease of \$3,783.23);
17 and remove charges associated with an incorrect cost center (a decrease of
18 \$879.71).⁶

19 **B. The Customer Care Class of Services are Necessary Services**

20 **Q. Are the services that are grouped in the Customer Care affiliate class**
21 **necessary for SPS's operations?**

22 A. Yes. The services grouped in the Customer Care affiliate class are necessary to
23 ensure that SPS maintains the ability to meter, bill, and collect payment for the

⁶ Numbers do not tie due to rounding.

1 electricity it provides and that customers have the ability to contact SPS regarding
2 service and billing issues. They are functions required by all utilities and without
3 which SPS would not be able to provide electric service to its customers.

4 **Q. What are the specific services that are provided to SPS by the Customer
5 Care affiliate class?**

6 A. The specific services that are provided to SPS by the Customer Care affiliate class
7 are in five major categories:

- 8 • **Meter Reading** – these services provide oversight, management, and
9 administrative support for reading customer meters;
- 10 • **Contact Centers** – these services include the operation of the
11 Residential Contact Centers and the Business Solutions Contact
12 Centers;
- 13 • **Billing Services** – these services include manual billing work, billing
14 quality assurance, billing issue resolution, and receiving and posting
15 customer payments;
- 16 • **Credit and Collections** – these services include management of
17 accounts receivables, minimizing customer receivable write-offs, and
18 operation of the Credit Contact Centers;
- 19 • **Customer Policy and Assistance** – these services include process
20 efficiencies, resolving customer complaints, communications within
21 the organization, customer policy, and low-income programs; and
- 22 • **Measurement and Analytics** – these services include staff training,
23 quality assurance, planning and forecasting, operational management,
24 workforce management, performance reporting, advanced analytics,
25 vendor management, and budget oversight.

26 **Q. Are any of the Customer Care class of services that are provided to SPS
27 duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as
28 SPS itself?**

29 A. No. Within XES, none of the services grouped in the Customer Care affiliate
30 class are duplicated elsewhere. No other Xcel Energy subsidiary performs these

1 services for the Operating Companies. In addition, SPS does not perform these
2 services for itself.

3 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
4 **Customer Care affiliate class of services?**

5 A. Yes. The services of the Customer Care affiliate class benefit SPS's customers in
6 many ways. For example, it is through the services of the Customer Care class
7 that SPS's customers: receive accurate and timely bills for the use of products
8 and services based on their measured consumption; have their payments
9 processed in an accurate and timely manner; request that service start or stop, ask
10 a question, voice a concern, enroll in a billing program, or report an outage or
11 emergency; and are able to discuss payment arrangements and assistance options
12 if they have difficulty paying their bills.

13 **C. The Customer Care Affiliate Class of Services are Provided at a**
14 **Reasonable Cost**

15 **Q. Are the costs of the Customer Care affiliate class of services reasonable?**

16 A. Yes, the costs of the Customer Care affiliate class of services are reasonable.
17 Because these services are provided through XES on a consolidated basis, SPS
18 benefits from economies of scale and the distribution of costs over multiple Xcel
19 Energy legal entities.

20 *1. Additional Evidence*

21 **Q. Is there additional evidence for a portion of the expenses that you present in**
22 **this testimony?**

23 A. Yes. Of the estimated Updated Test Year costs for the Customer Care class,
24 88.28% are compensation and benefits costs for XES personnel. Mr. Deselich

1 and Mr. Schrubbe establish that the level of Xcel Energy's compensation and
2 benefits is reasonable and necessary.

3 *2. Budget Planning*

4 **Q. Is a budget planning process applicable to the Customer Care class of**
5 **affiliate costs?**

6 A. Yes. Annual O&M budgets are created for the Customer and Innovation business
7 area, which includes the Customer Care organization and the Customer Care class
8 of affiliate costs, using guidelines developed at the corporate level. Each manager
9 within the Customer Care organization carefully reviews historical spend
10 information, identifies changes that will be coming in the future, and analyzes the
11 costs associated with those changes prior to submitting a proposed budget. The
12 budgeting process is discussed in more detail by Mr. Dietenberger.

13 **Q. During the fiscal year, does the Customer Care organization monitor its**
14 **actual expenditures versus its budget?**

15 A. Yes. Actual versus expected expenditures are monitored on a monthly basis by
16 management in the Customer Care organization. Deviations are evaluated each
17 month to ensure that costs are appropriate. In addition, action plans are developed
18 to mitigate variations in actual to budgeted expenditures. These mitigation plans
19 may either reduce or delay other expenditures so that overall spending complies
20 with the authorized budget.

21 **Q. Are employees within the Customer Care organization held accountable for**
22 **deviations from the budget?**

23 A. Yes. All management employees in Customer Care have specific budgetary goals
24 that are incorporated into their performance evaluations. Performance is

1 measured on a monthly basis to ensure adherence to the goals and provide for
 2 action plan development to address variances. All Customer Care managers are
 3 required to manage their expenses to support the budgetary goals. Failure to meet
 4 these performance targets will affect their performance evaluation and overall
 5 compensation.

6 *3. Cost Trends*

7 **Q. Please state the dollar amounts of the actual per book charges from XES to**
 8 **SPS for the Customer Care affiliate class of services for the three fiscal years**
 9 **preceding the end of the Updated Test Year and the estimated per book**
 10 **charges for the estimated Updated Test Year.**

11 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
 12 years), the actual per book and for the Updated Test Year, the estimated per book
 13 affiliate charges (Column I on Attachment NL-RR-A) from XES to SPS for the
 14 services grouped in the Customer Care affiliate class:

15 **Table NL-RR-2**

	Per Book Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Customer Care	\$2,507,919	\$2,450,162	\$2,853,406	\$2,548,408

16 **Q. What are the reasons for this trend?**

17 A. As can be seen in the table, there has been a slight increase in costs from 2017 to
 18 the Updated Test Year. However, the trend is down from calendar year 2019 to
 19 the Updated Test Year. Customer Care has realized ongoing operational
 20 efficiencies, process improvements, and work automation, and customers are

1 increasing their digital interactions. These factors have enabled labor cost
 2 decreases through headcount reductions. Specific to the Updated Test Year, there
 3 have been pandemic related reductions in hiring, overtime spend, and labor
 4 associated with field collections and manual meter reading activities. Employee
 5 expenses have also seen reductions as a result of pandemic-related travel and
 6 spending reductions.

7 *4. Staffing Trends*

8 **Q. Please provide the staffing levels for the Customer Care class of services for**
 9 **the three fiscal years preceding the end of the Updated Test Year and for the**
 10 **Updated Test Year.**

11 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
 12 years) and for the Updated Test Year, the average of the end of month staffing
 13 levels for the Customer Care class of services.

14 **Table NL-RR-3**

	Average of End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Customer Care	774	713	703	688

15 **Q. What are the reasons for this trend?**

16 A. The decrease in average staffing levels from 2017 to the Updated Test Year was
 17 primarily due to ongoing efforts to improve operational efficiencies and processes
 18 and automate work where possible and cost effective. Customers are also
 19 increasing their use of digital interaction channels, as new functionality and

1 enhancements have been added over time to the Interactive Voice Response
2 (“IVR”) system, www.xcelenergy.com and a mobile application launched in
3 2017. Customers can also set preferences to receive notifications to stay informed
4 during power outages and for billing and payment reminders. In combination,
5 these efforts have enabled Customer Care to avoid filling some positions that
6 were vacated through natural attrition and to reduce overall hiring needs. Several
7 Customer Care business areas have realized headcount reductions during this
8 period, including billing, credit and collections, and customer operations (now
9 split as customer policy and assistance, and measurement and analytics), with the
10 largest headcount reduction occurring in the contact centers. As indicated in other
11 portions of my testimony, pandemic-related impacts have been realized during the
12 Updated Test Year, including temporary changes to hiring plans.

13 5. *Cost Control and Process Improvement Initiatives*

14 **Q. Separate from the budget planning process, does the Customer Care affiliate**
15 **class take any steps to control its costs or to improve its services?**

16 A. Yes. Customer Care strives to improve its processes and deploy technology that
17 will enable the organization to operate more efficiently and effectively. The
18 following are examples of some initiatives that Customer Care has undertaken to
19 control costs and improve service:

- 20 • regularly forecasting call volumes, allowing the timing of hiring to be
21 adjusted on an ongoing basis and staffing to be managed and
22 scheduled to meet real-time workload needs;
- 23 • enhancing the IVR system to handle a wider range of calls quickly and
24 efficiently, allowing contact center agents to handle the more complex
25 calls from customers;

- 1 • focusing on segmented and proactive customer contacts in order to
- 2 manage bad debt expense and minimize the number of days that
- 3 revenue remains outstanding; and
- 4 • identifying opportunities to reduce errors, improve processes, increase
- 5 efficiency, and enhance customer satisfaction through process
- 6 improvement throughout Customer Care.

7 **Q. Does Customer Care track key statistics related to customer satisfaction?**

8 A. Yes. Customer Care tracks the number of customer complaints received. As
 9 shown on the following table, Texas customer complaints remain low, with the
 10 most common complaint type related to credit and collections activity.

11 **Table NL-RR-4**

Number of Customer Complaints (Texas Retail Customers – All Sources)					
2015	2016	2017	2018	2019	2020
56	65	75	73	54	30

12 Customer Care also tracks customer use of the IVR system, and
 13 satisfaction with both contact center agent interactions and IVR system
 14 interactions. As shown on the following tables, customer use of the IVR system
 15 has generally increased over time, and satisfaction with both agent calls and IVR
 16 calls is high.

17 **Table NL-RR-5**

IVR System Utilization (Texas Retail Customers)						
	2015	2016	2017	2018	2019	2020
Total Offered Calls (Agent and IVR)	1,249,935	1,177,483	1,191,821	1,167,823	1,244,544	1,214,405
% of calls handled by the IVR system	56.4%	55.3%	56.4%	59.8%	60.5%	64.5%

1

Table NL-RR-6

Voice of the Customer Transaction Survey (Texas Retail Customers)						
	2015	2016	2017	2018	2019	2020
Overall Satisfaction with Transaction ⁷	89.6%	89.6%	87.1%	85.5%	87.4%	84.1%
Overall Satisfaction with Transaction (IVR)	89.5%	91.3%	N/A	N/A	N/A	N/A

2

Beginning with data reported for 2017, Xcel Energy implemented a new customer experience platform through vendor MaritzCX to assess satisfaction for various channels, including agent and IVR experiences. Xcel Energy’s partnership with the new vendor eliminates the manual agent call transfer process, objectively manages the survey sampling process, and works to ensure a statistically representative sample. Results are loaded daily to interactive reporting dashboards for easier access. These enhancements facilitate more frequent results and more in-depth understanding.

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The former vendor transaction study also used a different scale than the new vendor for agent results. The former vendor used a 0-10 scale for the agent survey results, while the new vendor survey uses a 1-10 scale, both with a top three box range (8-10). The IVR survey scale remains a 1-5 scale with a top two box range (4-5). However, the IVR survey method changed to an automated

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⁷ The survey results report both IVR and Agent results combined for the years 2015 – 2016. Beginning in 2017, the survey reports Agent results only.

1 phone survey instead of a live phone survey to match the method of customer
2 interaction. The agent survey remains a live phone survey. Finally, IVR and
3 agent survey results are now reported separately, instead of being combined into
4 one score based on transaction channel volume. Because of these changes, data
5 reported starting with 2017 will be somewhat different than data reported for past
6 years. The data presented in Table NL-RR-6 reflects the changes in the survey
7 methodology starting in 2017.

8 **D. The Costs for the Customer Care Class of Services are Priced in a**
9 **Fair Manner**

10 **Q. For those costs that XES charges (either directly or through use of an**
11 **allocation) to SPS for the Customer Care class of services, does SPS pay any**
12 **more for the same or similar service than does any other Xcel Energy**
13 **affiliate?**

14 A. No. The XES charges to SPS for any particular service are no higher than the
15 XES charges to any other Xcel Energy affiliate. The costs charged for particular
16 services are the actual costs that XES incurred in providing those services to SPS.
17 A single, specific allocation method, rationally related to the cost drivers
18 associated with the service being provided, is used with each cost center (billing
19 method). In his direct testimony, Mr. Baumgarten discusses the selection of
20 billing methods and XES's method of charging for services in more detail.

21 **Q. How are the costs of the Customer Care affiliate class billed to SPS?**

22 A. Attachment NL-RR-B(CD) shows all of the costs in this class broken out by
23 activity and, in conjunction with Column C in Attachment NL-RR-A, shows the
24 billing method associated with each activity. Attachment NL-RR-A, shows the

1 allocation method (Column D) associated with each billing method (Column C)
2 used in the affiliate class.

3 In SPS's 45-day case update, I will present updated Attachments NL-RR-
4 A and NL-RR-B(CD) so that the entries for the last three months of the Updated
5 Test Year provide actual data and conform to the information provided for the
6 first nine months. In the event the predominant billing methods and associated
7 allocation methods for the Customer Care affiliate O&M expenses on my updated
8 Attachments NL-RR-A and NL-RR-B(CD) differ from those discussed below, I
9 will explain those differences in supplemental testimony in SPS's 45-day case
10 update filing.

11 **Q. What are the predominant allocation methods used for billing the costs that**
12 **SPS seeks to recover for the Customer Care affiliate class of services?**

13 A. All of the requested XES charges to SPS for this class were charged using one of
14 the following allocation methods:

- 15 • Number of Customers – 71.55% of XES charges to SPS -
16 \$1,866,102.01;
- 17 • Number of Customer Bills – 25.68% of XES charges to SPS -
18 \$669,868.78;
- 19 • Direct Billing – 1.31% of XES charges to SPS - \$34,172.11; and
- 20 • Number of Residential Customers – 1.46% of XES charges to SPS -
21 \$38,084.31.

22 **Q. Why is it appropriate to allocate costs based upon the “Number of**
23 **Customers” method for the costs captured in the cost centers that use that**
24 **allocation method?**

25 A. For the cost centers charged using the “Number of Customers” method as the
26 allocator, the costs are driven by the needs of customers. They include costs

1 associated with the Customer Care organization that operates the centralized
2 customer contact centers and handles the interface between individual customers
3 and each of the Operating Companies. For example, Cost Center 200155, which
4 uses the “Number of Customers” method as the allocator, includes labor costs
5 associated with responding to retail customer calls regarding power outages and
6 starting or stopping service. Accordingly, this cost center allocates costs among
7 the Operating Companies based upon the proportionate share of customers of
8 each Operating Company (i.e., the number of customers of a particular Operating
9 Company as a percentage of the total number of customers of all of the Operating
10 Companies). This allocation reflects cost causation and the distribution of the
11 benefits of the services received. For the cost centers that assign costs based upon
12 this allocation method, the per unit amounts charged by XES to SPS as a result of
13 the application of this allocation method are no higher than the unit amounts
14 billed by XES to other affiliates for the same or similar services and represent the
15 actual costs of the services.

16 **Q. Why is it appropriate to allocate costs based upon the “Number of Customer**
17 **Bills” method for the costs captured in the cost center that uses that**
18 **allocation method?**

19 A. The cost center charged using the “Number of Customer Bills” method as the
20 allocator captures the costs of billing services provided to the Operating
21 Companies, including manual billing work, oversight of customer billing, and
22 responding to customers regarding billing issues. For example, the labor costs
23 associated with manually calculating bills, billing quality assurance, and billing

1 corrections are collected in Cost Center 200151 and are allocated using this
2 allocation method. These costs are driven by the activities required to issue and
3 process bills for each Operating Company. Accordingly, the costs in this cost
4 center are allocated among the Operating Companies based on each legal entity's
5 proportionate share of customer bills (i.e., the number of customer bills processed
6 for a particular Operating Company as a percentage of the total number of
7 customer bills processed for all of the Operating Companies). This allocation
8 reflects cost causation and the distribution of the benefits of the services received.
9 For the cost centers that assign costs based upon this allocation method, the per
10 unit amounts charged by XES to SPS as a result of the application of this
11 allocation method are no higher than the unit amounts billed by XES to other
12 affiliates for the same or similar services and represent the actual costs of the
13 services.

14 **Q. Why is the "Direct Billing" method appropriate for assigning the costs**
15 **captured in the cost centers that use that allocation method?**

16 A. For the cost centers that are assigned using the "Direct Billing" method, the costs
17 normally reflect work that was performed specifically for SPS only. In some
18 cases, however, the direct billing occurred after the application of an off-line
19 allocator that tracks the relevant cost drivers. In either situation, the cost centers
20 charged using the "Direct Billing" method are appropriate because the assignment
21 of costs is in accordance with the distribution of benefits for the services received.
22 For example, employee labor costs associated with management meetings with a
23 local, low-income support agency specifically concerning low-income customer

1 assistance to SPS customers were assigned using the “Direct Billing” method.
2 The cost of these services benefited SPS, the work was performed specifically for
3 SPS alone, and the cost driver is SPS customers. Thus, the “Direct Billing”
4 method is appropriate because it assigns costs in accordance with cost causation
5 and benefits received. For the cost centers that assign costs using Direct Billing,
6 the per unit amounts charged by XES to SPS are no higher than the unit amounts
7 billed by XES to other affiliates for the same or similar services and represent the
8 actual costs of the services.

9 **Q. Why is it appropriate to allocate costs based upon the “Number of**
10 **Residential Customers” method for the costs captured in the cost center that**
11 **uses that allocation method?**

12 A. Cost Center 200161 – Customer Care Low-Income Assistance, which uses the
13 “Number of Residential Customers” method as the allocator, captures the costs
14 associated with the low-income assistance support for residential customers, such
15 as answering calls from customers for referral to low-income assistance agencies,
16 providing information to the agencies in order to process applications for
17 assistance, and processing payments from agencies. For example, the labor costs
18 associated with answering calls for referral are collected in Cost Center 200161
19 and allocated using this allocation method. These costs are driven by the
20 activities required to provide residential customer low-income assistance support
21 for each Operating Company. Thus, the costs in this cost center are allocated
22 among the Operating Companies based on each legal entity’s proportionate share
23 of residential customers. This allocation reflects cost causation and the

1 distribution of the benefits of the services received. For the cost centers that
2 assign costs based upon this allocation method, the per unit amounts charged by
3 XES to SPS as a result of the application of this allocation method are no higher
4 than the unit amounts billed by XES to other affiliates for the same or similar
5 services and represent the actual costs of the services.

1 **V. BAD DEBT EXPENSE**

2 **Q. What topic do you address in this section of your testimony?**

3 A. In this section of my testimony, I address SPS's accounting for and management
4 of bad debt expense. I also provide the amount of bad debt expense included in
5 SPS's request and discuss some of the impacts that the COVID-19 pandemic has
6 had on SPS's management of bad debt expense.

7 **Q. What is bad debt expense?**

8 A. Bad debt expense includes billed commodity revenue for electric service that is
9 considered uncollectible from customers. It also includes non-commodity
10 revenue that is considered uncollectible. Commodity revenue refers to the
11 revenue billed to SPS's customers for the cost of utility service, including fuel
12 charges and all regulated charges to customers, such as riders. This definition
13 represents virtually all of SPS's billed retail customer revenue. Non-commodity
14 bad debt typically includes comparatively minor ancillary charges such as
15 reconnection fees, damage claims, and service policy. Please refer to Schedule
16 G-3 in SPS's RFP for more information on SPS's commodity bad debt expense.

17 **Q. What is SPS's policy for writing off a customer account receivable as a bad
18 debt?**

19 A. SPS has a write-off policy that it follows with respect to customer accounts that
20 are past due. For SPS, when a customer account is 119 working days past the
21 final bill due date, the write-off policy requires specific actions. Smaller balances
22 (\$1,000 or less) are directly written off, while additional procedures are mandated
23 for larger balances.

1 **Q. What items affect commodity bad debt expense?**

2 A. All else being equal, commodity bad debt expense varies directly with commodity
3 revenues. Other factors affecting bad debt expense include changes in credit
4 policy, external considerations such as the economy, low-income energy
5 assistance programs, as well as the efficiency of SPS's supporting processes and
6 operations.

7 **Q. How does SPS account for bad debt expense?**

8 A. There are two major accounting entries that SPS makes on a monthly basis that
9 affect bad debt expense. First, the net write-off entry records the gross write-offs
10 less any recoveries during a particular month. Second, a reserve change entry is
11 accrued and recorded each month to properly reserve for the outstanding accounts
12 receivable balance at the end of each month.

13 **Q. Is bad debt expense accounted for separately for each of SPS's retail
14 jurisdictions?**

15 A. No. Bad debt expense is attributed to SPS on a total company basis. Ms. Niemi
16 calculates the jurisdictional amount of expense attributable to Texas in the cost of
17 service study she presents. SPS witness Richard M. Luth provides the allocation
18 of bad debt expense among SPS's Texas-retail customer classes in the class cost
19 of service study he presents.

20 **Q. What is the amount of bad debt expense on a total company basis included in
21 this filing?**

22 A. SPS seeks to recover \$5,455,663 of bad debt expense on a total company basis for
23 the Updated Test Year. That number represents actual amounts for each month of
24 the Updated Test Year.

1 **Q. How does SPS manage bad debt expense?**

2 A. The Customer Care group, which manages bad debt expense,⁸ has increased its
3 focus on managing bad debt expense through numerous actions over the last
4 several years. This includes increased and more targeted outbound campaigns to
5 contact past-due customers about their late payments; providing increased
6 opportunity for customers to use automated payment channels; insourcing staffing
7 in Credit Contact Centers to interact with customers; and increasing competition
8 between third-party collection agencies for debt placement.

9 **Q. Are there any notable current events impacting bad debt expense?**

10 A. Yes, the ongoing global COVID-19 pandemic has impacted the communities and
11 customers to whom we provide service and the economy which supports them.

12 **Q. Did SPS take any actions with respect to bad debt expense in response to the
13 COVID-19 pandemic?**

14 A. Yes. As discussed by SPS witness Bryan Davis, pursuant to the Commission's
15 order in Project No. 50664, in March 2020, SPS began deferring commodity bad
16 expense related to COVID-19. Additionally, since the start of the pandemic, SPS
17 has made extensive efforts to work with our customers to established flexible
18 payment arrangements.

19 **Q. Please summarize how SPS's efforts to offer extended payment plans have
20 impacted SPS.**

21 A. SPS always strives to work with our customers that need payment assistance.
22 Historically, most of our residential customers that are put on payment plans have

⁸ As noted earlier, a portion of SPS's bad debt expense originates in Distribution Operations, which is responsible for managing that portion of the expense.

1 had payment arrangement over one to three months. Since the beginning of the
2 pandemic in March 2020, however, the majority of residential customers that
3 have requested a payment plan arrangement have been placed on plans that allow
4 them to pay their balance over four months or more. For example, from March
5 through December 2019, approximately 41 percent of residential customers were
6 on payment plans longer than three months. For the same time period in 2020,
7 approximately 68 percent of residential customers were on payment plans longer
8 than three months. Similarly, SPS has also seen an increase in the percentage of
9 non-residential customers with extended payment plan arrangements.
10 Attachment NL-RR-3 is additional detail comparing payment plan arrangements
11 for March through December 2019 as compared to the same time period in 2020.

12 **Q. Please describe the information shown on Attachment NL-RR-3.**

13 A. There are separate tables for residential and non-residential customers shown on
14 Attachment NL-RR-3 with data for the time periods of March through December
15 2019 and March through December 2020. The “Installments” represents the
16 number of months for the payment plan. The “Count” row represents the number
17 of customers with payment plan arrangements based on the number of
18 installments. The “Amount” row represents the total dollars in arrears for the
19 installment period. Lastly, there are calculations provided regarding the average
20 duration (i.e. number of installments) of the payment plans.

21 **Q. What do you anticipate will be the full impacts of the COVID-19 pandemic
22 on SPS’s bad debt expense?**

23 A. It is uncertain. SPS continues to work with our customers that are facing financial
24 hardship as a result of the ongoing pandemic and plans to do so for the

1 foreseeable future. While we are all hopeful that the pandemic will end in the
2 coming months, when the pandemic will ultimately end is unknown.
3 Furthermore, as I just discussed, there has been an increase in the number of
4 customers that are on payment plans with extended payment deadlines. This,
5 coupled with the fact that SPS does not write-off past due account until 119 days
6 after the final due date, means that SPS will not know the full impact of the
7 pandemic on bad debt expense for some time.

8 **Q. How does SPS propose to address this uncertainty with bad debt expense?**

9 A. As discussed in more detail by Mr. Davis, SPS proposes to establish a bad debt
10 expense tracker so that SPS will ultimately collect its actual amount of bad debt
11 expense associated with the pandemic.

12 **Q. Does this conclude your pre-filed direct testimony?**

13 A. Yes.

Southwestern Public Service Company

Native SPS Costs for Meter Reading
and Customer Records and Collections

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Production					
1	500	Operation Supervision and Engineering	\$ 1,584,420	\$ 2,220,371	\$ 3,804,791
2	501.35	Coal Non-Mine; Non-Freight	\$ 32,900,061	\$ -	\$ 32,900,061
3	507.70	Coal Ash Sales	\$ (1,525,777)	\$ 1,603,318	\$ 77,540
4	502	Steam Expenses	\$ 10,813,001	\$ 300	\$ 10,813,301
5	505	Electric Expenses	\$ 9,365,875	\$ (6)	\$ 9,365,868
6	506	Miscellaneous Steam Power Expenses	\$ 9,583,693	\$ 4,165,010	\$ 13,748,704
7	507	Rents	\$ 29,041	\$ 3,320,913	\$ 3,349,954
8	509	Steam Operation SO2 Allowance Expense	\$ -	\$ -	\$ -
9	509.02	Allowances - NM Nox Expense Amortz	\$ 34,908	\$ -	\$ 34,908
10	510	Maintenance Supervision and Engineering	\$ 506,357	\$ 134,911	\$ 641,268
11	511	Maintenance of Structures	\$ 3,673,190	\$ 4,228	\$ 3,677,418
12	512	Maintenance of Boiler Plant	\$ 11,792,802	\$ 879,815	\$ 12,672,617
13	513	Maintenance of Electric Plant	\$ 6,855,891	\$ 400,864	\$ 7,256,756
14	514	Maintenance of Miscellaneous Steam Plant	\$ 9,297,296	\$ 19,963	\$ 9,317,259
15	546	Operation Supervision and Engineering	\$ (59,716)	\$ 465,664	\$ 405,948
16	546W	Operation Supervision and Engineering Wind	\$ 113,231	\$ 34,346	\$ 147,577
17	548	Generation Expenses	\$ 293,086	\$ 39,164	\$ 332,249
18	549	Misc Other Power Generation Expenses	\$ 342,737	\$ 358,506	\$ 701,243
19	549W	Misc Other Power Generation Expenses Wind	\$ 8,507,925	\$ -	\$ 8,507,925
20	550	Rents	\$ 11,758	\$ 364,276	\$ 376,034
	550W	Rents Wind	\$ 5,319,674	\$ -	\$ 5,319,674
21	551	Maintenance Supervision and Engineering	\$ 1,180	\$ 449,473	\$ 450,653
22	552	Maintenance of Structures	\$ 234,508	\$ (1)	\$ 234,507
23	553	Maintenance of Generating and Electric Equipment	\$ 1,605,028	\$ 424,153	\$ 2,029,181
24	553W	Maintenance of Generating and Electric Equipment Wind	\$ 4,398,462	\$ 1,289	\$ 4,399,751
25	554	Maintenance of Misc Other Power Generation Plant	\$ (67,888)	\$ 11,490	\$ (56,398)
26	554W	Maintenance of Misc Other Power Generation Plant Wind	\$ 4,104,846	\$ -	\$ 4,104,846
27	556	System Control and Load Dispatching	\$ -	\$ 1,095,557	\$ 1,095,557
28	557	Purchased Power Other	\$ (5,214,908)	\$ 1,952,664	\$ (3,262,244)
29	557.90	REC Costs	\$ 4,110,497	\$ -	\$ 4,110,497
30		Total Production O&M Expense	\$ 118,611,178	\$ 17,946,268	\$ 136,557,446

Southwestern Public Service Company

Native SPS Costs for Meter Reading
and Customer Records and Collections

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Transmission					
31	560	Operation Supervision and Engineering	\$ 1,046,989	\$ 6,958,673	\$ 8,005,661
32	561.1	Load Dispatch - Reliability	\$ (169,941)	\$ -	\$ (169,941)
	561.11	Load Dispatch - Reliability	\$ 170,599	\$ -	
33	561.2	Load Dispatch - Monitor and Operate Trans. System	\$ 2,098,567	\$ 1,195,630	\$ 3,294,196
34	561.4	Scheduling, System Control and Dispatching Services	\$ 3,637,403	\$ -	\$ 3,637,403
35	561.4W	Scheduling, System Control and Dispatching Services - Wholesale	\$ 1,065,179	\$ -	\$ 1,065,179
36	561.5	Reliability, Planning and Standards Development	\$ -	\$ 27,616	\$ 27,616
37	561.6	Transmission Service Studies	\$ 10,956	\$ 22,033	\$ 32,989
38	561.7	Generation Interconnection Studies	\$ (13,397)	\$ 158,983	\$ 145,587
39	561.8	Reliability Planning and Standards Development Services	\$ 2,756,221	\$ -	\$ 2,756,221
40	561.8W	Reliability Planning and Standards Development Services - Wholesale	\$ 464,991	\$ -	\$ 464,991
41	562	Station Expenses	\$ 1,479,573	\$ 43	\$ 1,479,616
42	563	Overhead Line Expenses	\$ 1,491,499	\$ 1,527	\$ 1,493,026
	565	Transmission of Others	\$ 288,806	\$ -	
43	565	Wheeling Lamar DC Tie	\$ -	\$ -	\$ -
44	565	Wheeling Meter Charges	\$ 403,986	\$ -	\$ 403,986
45	565	Wheeling Miscellaneous	\$ 4,036,141	\$ -	\$ 4,036,141
46	565	Wheeling Schedule 11	\$ 140,353,019	\$ -	\$ 140,353,019
47	565	Wheeling Schedule 11 - Wholesale	\$ 31,315,163	\$ -	\$ 31,315,163
48	565	Wheeling Schedule 12	\$ 2,678,896	\$ -	\$ 2,678,896
49	565	Wheeling Schedule 12 - Wholesale	\$ 639,203	\$ -	\$ 639,203
50	565	Wheeling Schedule 1 - Wholesale	\$ 599,438	\$ -	\$ 599,438
51	565	Wheeling Schedule 2	\$ 107,336	\$ -	\$ 107,336
52	565	W-Wheeling Schedule 2 - Wholesale	\$ 30,251	\$ -	\$ 30,251
53	565	Wheeling Schedule 9	\$ 10,448,848	\$ -	\$ 10,448,848
54	565	Wheeling Schedule 9 - Wholesale	\$ 31,154,821	\$ -	\$ 31,154,821
55	565	Z2 Direct Assigned Upgrade Charge	\$ 249,444	\$ -	\$ 249,444
56	565	Z2 Direct Assigned Upgrade Charge - Wholesale	\$ 17,766	\$ -	\$ 17,766
57	565	Z2 Schedule 11 Charges	\$ -	\$ -	\$ -
58	565	Z2 Schedule 11 Charges - Wholesale	\$ -	\$ -	\$ -
59	566	Misc Transmission Expenses	\$ 2,142,416	\$ 1,293,758	\$ 3,436,174
60	567	Rents	\$ 115,413	\$ 1,509,504	\$ 1,624,917
	569	Transmission Mtee of Structures	\$ -	\$ -	
61	568	Maintenance Supervision and Engineering	\$ -	\$ -	\$ -
62	570	Maintenance of Station Equipment	\$ 1,490,422	\$ (2)	\$ 1,490,419
63	571	Maintenance of Overhead Lines	\$ 560,841	\$ 48,655	\$ 609,496
64	Sub-Total Transmission O&M Expenses		\$ 240,670,851	\$ 11,216,420	\$ 251,427,866
Regional Market Expenses					
65	575.1	Operation Supervision	\$ 13,612	\$ 154,014	\$ 167,626
66	575.2	Day-Ahead and Real-Time Market Administration	\$ -	\$ 306,670	\$ 306,670
67	575.5	Ancillary Services Market Administration	\$ -	\$ 15,371	\$ 15,371
68	575.6	Market Monitoring and Compliance	\$ -	\$ 26,637	\$ 26,637
69	575.7	Market Admin, Monitoring, and Compliance Services	\$ 5,692,999	\$ -	\$ 5,692,999
70	575.7W	Market Admin, Monitoring, and Compliance Services - Wholesale	\$ 1,849,773	\$ -	\$ 1,849,773
71	575.8	Regional Market Rents	\$ 4,944	\$ 39,759	\$ 44,703
72	Total Regional Market Expenses		\$ 7,561,327	\$ 542,452	\$ 8,103,779
73	Total Transmission O&M Expenses		\$ 248,232,178	\$ 11,758,872	\$ 259,531,645

Southwestern Public Service Company

Native SPS Costs for Meter Reading
and Customer Records and Collections

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Distribution					
74	580	Operation Supervision and Engineering	\$ 4,159,461	\$ 653,231	\$ 4,812,691
75	581	Load Dispatching	\$ 53,518	\$ 325,552	\$ 379,070
76	582	Station Expenses	\$ 1,061,336	\$ (5)	\$ 1,061,332
77	583	Overhead Line Expenses	\$ 593,544	\$ 88,191	\$ 681,736
78	584	Underground Line Expenses	\$ 625,682	\$ (0)	\$ 625,682
79	585	Street Lighting and Signal Systems Expenses	\$ 564,247	\$ 31,248	\$ 595,496
80	586	Meter Expenses	\$ 2,080,418	\$ 168,816	\$ 2,249,234
81	587	Customer Installations Expenses	\$ 672,562	\$ 233	\$ 672,796
82	588	Misc Distribution Expense	\$ 5,154,037	\$ 1,901,606	\$ 7,055,643
83	589	Rents	\$ 306,415	\$ 2,112,339	\$ 2,418,754
84	590	Maintenance Supervision and Engineering	\$ 19,265	\$ 30,466	\$ 49,732
85	591	Maintenance of Structures	\$ (22,102)	\$ -	\$ (22,102)
86	592	Maintenance of Station Equipment	\$ 724,252	\$ 2,662	\$ 726,914
87	593	Maintenance of Overhead Lines	\$ 10,191,875	\$ 203,106	\$ 10,394,982
88	594	Maintenance of Underground Lines	\$ 88,641	\$ (0)	\$ 88,641
89	595	Maintenance of Line Transformers	\$ 1,262	\$ -	\$ 1,262
90	596	Maintenance of Street Lighting and Signal Systems	\$ 304,806	\$ (1)	\$ 304,806
91	597	Maintenance of Meters	\$ 55,405	\$ -	\$ 55,405
92	598	Maintenance of Misc Distribution Plant	\$ 41,218	\$ 3,158	\$ 44,376
93		Total Distribution O&M Expenses	\$ 26,675,843	\$ 5,520,604	\$ 32,196,447
Customer Accounts					
94	901	Supervision	\$ -	\$ 22,478	\$ 22,478
95	902	Meter Reading Expenses	\$ 4,408,365	\$ 640,349	\$ 5,048,714
96	903	Customer Records and Collection Expenses	\$ 2,872,880	\$ 4,497,473	\$ 7,370,353
97	904	Uncollectible Expenses	\$ 6,043,905	\$ -	\$ 6,043,905
98	904	Uncollectible Expenses	\$ (588,242)	\$ -	\$ (588,242)
	905	Customer Accounts Miscellaneous	\$ 77,254	\$ 59,453	\$ 136,707
99		DEPINT Customer Deposit Interest Expense	\$ 126,563	\$ -	\$ 126,563
100		Total Customer Accounts Expense	\$ 12,940,726	\$ 5,219,752	\$ 18,023,771
Customer Service					
101	908.00	Customer Assistance Expense	\$ 1,757,163	\$ 116,564	\$ 1,873,726
102	908.00	Historical EE Amortization	\$ -	\$ -	\$ -
103	908.01	EE Amortization - Texas	\$ -	\$ -	\$ -
104	908.03	EE Amortization - New Mexico	\$ -	\$ -	\$ -
105	908.04	SaversSwitch	\$ 667,364	\$ 5,947	\$ 673,311
106	909.10	Informational and Instructional Advertising Expense	\$ (39,529)	\$ 39,529	\$ 0
107	910.00	Miscellaneous Customer Service Expense	\$ 64,360	\$ 34,403	\$ 98,763
108		Total Customer Service Expense	\$ 2,449,358	\$ 196,443	\$ 2,645,801
Sales					
108	912.00	Demonstration and Selling Expense-Economic Development	\$ 218,209	\$ 58,243	\$ 276,452
109	916.00	Miscellaneous Sales Expense	\$ 5,516	\$ 3,075	\$ 8,592
110		Total Sales Expense	\$ 223,725	\$ 61,318	\$ 285,043

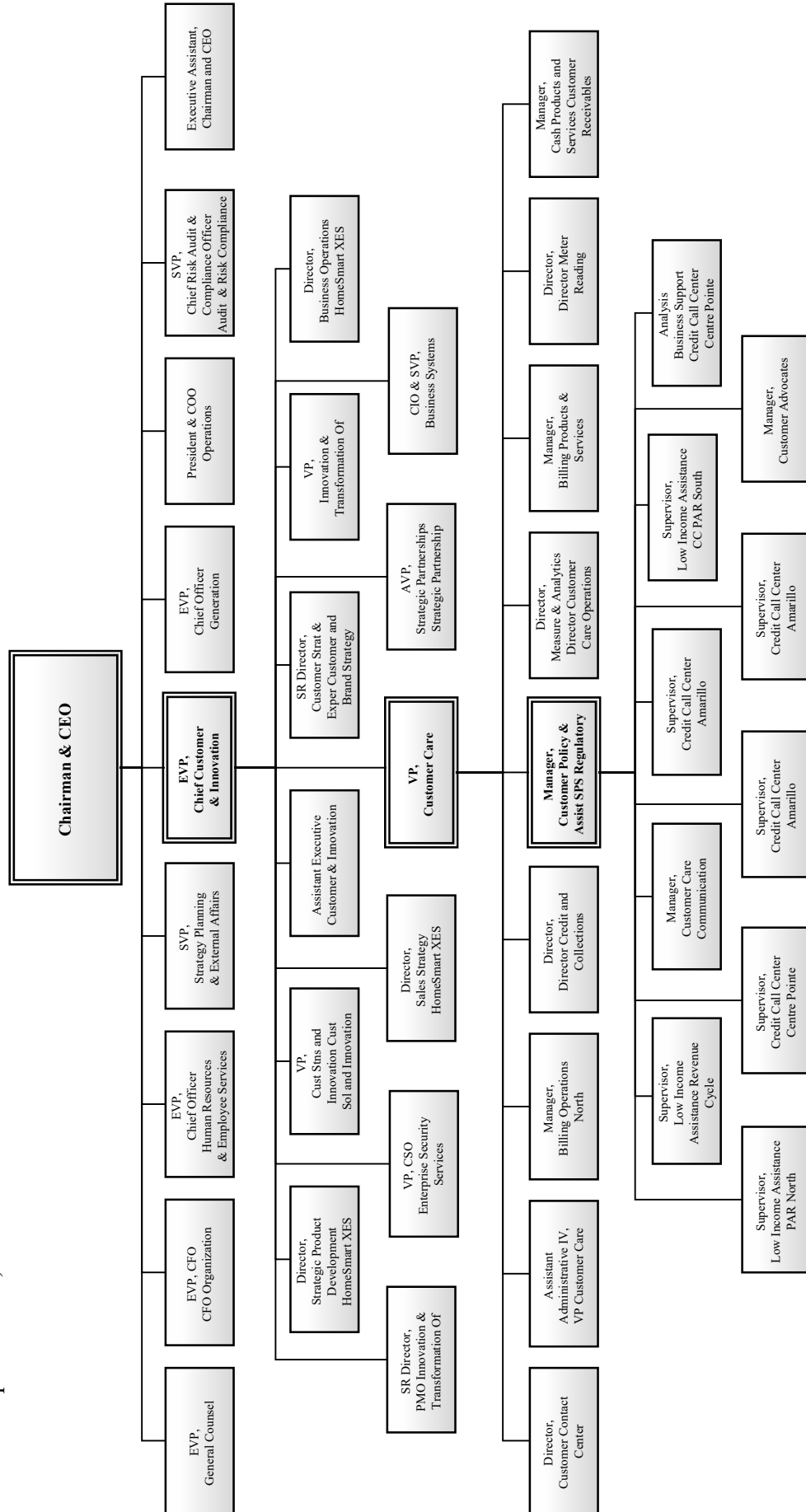
Southwestern Public Service Company

Native SPS Costs for Meter Reading
and Customer Records and Collections

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Administrative and General Expenses					
111	920	Administrative and General Salaries	\$ 4,567,528	\$ 29,033,835	\$ 33,601,363
112	921	Office Supplies and Expenses	\$ 3,128,572	\$ 17,013,148	\$ 20,141,721
113	922	Administrative Expenses Transferred-Credit	\$ (19,367,350)	\$ (504,767)	\$ (19,872,117)
114	923	Outside Services Employed	\$ 888,279	\$ 5,816,408	\$ 6,704,688
115	924	Property Insurance	\$ 3,853,753	\$ 1,543	\$ 3,855,296
116	925	Injuries and Damages	\$ 5,657,269	\$ 2,213,162	\$ 7,870,431
117	926.01	Employee Pensions and Benefits	\$ 17,512,113	\$ 9,035,911	\$ 26,548,023
118	926.03	Deferred Pension Expense	\$ -	\$ -	\$ -
	928	A&G Regulatory Commission Expense	\$ -	\$ -	\$ -
119	928	Regulatory Commission Expense - TX	\$ 1,489,288	\$ -	\$ 1,489,288
120	928.01	Regulatory Commission Expense - NM	\$ 2,293,032	\$ -	\$ 2,293,032
121	928.02	Regulatory Commission Expense - Wholesale	\$ 1,949,917	\$ -	\$ 1,949,917
122	928.03	Regulatory Commission Expense - Transmission Related	\$ -	\$ -	\$ -
123	928.04	Regulatory Commission Expense - Misc	\$ (83,936)	\$ (12)	\$ (83,947)
124	928.05	Regulatory Commission Expense - Energy Related	\$ -	\$ -	\$ -
125	929	Duplicate Charges-Credit	\$ (1,149,547)	\$ -	\$ (1,149,547)
126	930.11	General Advertising Expenses	\$ -	\$ -	\$ -
127	930.20	Misc General Expenses	\$ (39,822)	\$ 310,444	\$ 270,623
128	931	Rents	\$ (1,913,122)	\$ 13,846,230	\$ 11,933,108
129	935	Maintenance of General Plant	\$ 76	\$ 38,890	\$ 38,966
130		Recoverable Contributions, Dues, and Donations	\$ 2,130,030	\$ -	\$ 2,130,030
131		Total Administrative and General Expenses	\$ 20,916,080	\$ 76,804,794	\$ 97,720,874
132		Total Operations and Maintenance Expense	\$ 430,049,088	\$ 117,508,051	\$ 546,961,027

Note: All amounts included in this attachment are included in the cost of service study provided as Attachment SNN-RR-2

Southwestern Public Service Company
 Organization Chart – Customer Care
 As of September 30, 2020



Southwestern Public Service Company

Texas Payment Plan Data

		Installments													Grand Total	
		1	2	3	4	5	6	7	8	9	10	11	12	13+	Count	Amount
Residential	2019	6,816	6,049	4,968	8,541	1,215	1,219	352	97	101	274	607	50	30,365		
	Amount	\$ 1,815,024	\$ 2,561,378	\$ 2,420,854	\$ 4,707,616	\$ 865,026	\$ 980,642	\$ 327,232	\$ 120,660	\$ 123,322	\$ 102,646	\$ 1,356,202	\$ 117,208	\$	\$ 16,012,863	
Residential	2020	3,343	2,617	2,855	6,066	1,951	3,855	4,408	251	228	170	379	113	27,473		
	Amount	\$ 1,123,481	\$ 1,069,881	\$ 1,249,648	\$ 2,763,365	\$ 1,111,546	\$ 2,706,954	\$ 3,023,881	\$ 233,028	\$ 231,807	\$ 162,027	\$ 1,930,655	\$ 204,368	\$	\$ 16,395,530	

2019 Average Duration	1-3 Months	59%	4-6 Months	36%	7+ Months	5%
2020 Average Duration	1-3 Months	32%	4-6 Months	43%	7+ Months	25%

Non-Residential

		Installments													Grand Total	
		1	2	3	4	5	6	7	9	13+	Count	Amount				
Non-Residential	2019	296	71	14	13	1	3	2	1	2	403					
	Amount	\$ 4,067,434	\$ 95,945	\$ 16,513	\$ 17,763	\$ 880	\$ 1,769	\$ 3,470	\$ 1,012	\$ 2,081	\$	\$ 4,206,868				
Non-Residential	2020	588	126	133	146	25	20	9	1	1	1,049					
	Amount	\$ 2,991,965	\$ 132,207	\$ 252,032	\$ 238,384	\$ 181,255	\$ 32,072	\$ 9,172	\$ 1242	\$ 640	\$	\$ 3,838,969				

2019 Average Duration	1-3 Months	95%	4-6 Months	4%	7+ Months	1%
2020 Average Duration	1-3 Months	81%	4-6 Months	18%	7+ Months	1%

Southwestern Public Service Company
Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Formas	Requested Amount (Total Company)	% of Class Charges
1	Customer Care	200079 - Federal Lobbying	Assets/Revenue/No. of employees	\$ 2,875.41	\$ 2,500.87	\$ 374.54	\$ (374.54)	\$ -	\$ -	\$ -	0.00%
2	Customer Care	200151 - Customer Billing FERC 903	Number of Customer Bills	7,755,307.98	7,100,195.28	655,112.70	-	655,112.70	14,756.08	669,868.78	25.68%
3	Customer Care	200152 - Customer Care 902	Number of Customers	295,007.67	274,576.63	20,431.04	-	20,431.04	670.06	21,101.10	0.81%
4	Customer Care	200155 - Customer Care FERC 903	Number of Customers	25,410,565.60	23,648,549.98	1,762,015.62	(6.08)	1,762,009.54	41,850.40	1,803,859.94	69.16%
5	Customer Care	200156 - Customer Care FERC 901	Number of Customers	578,787.23	538,663.09	40,124.14	(34.64)	40,089.50	614.59	40,704.09	1.56%
6	Customer Care	200158 - Customer Care PSCo & SPS FERC 903	Number of Customers	3,588.13	3,159.69	428.44	-	428.44	8.45	436.89	0.02%
7	Customer Care	200160 - Customer Care NSPM & NSPW FERC 903	Number of Customers	353,490.23	353,490.23	-	-	-	-	-	0.00%
8	Customer Care	200161 - Customer Care Low Income Assistance FERC 908	Number of Residential Customers	452,479.53	415,442.47	37,037.06	(16.77)	37,020.29	1,064.02	38,084.31	1.46%
9	Customer Care	Direct	Direct	701,549.33	659,519.87	42,029.46	(8,713.43)	33,316.03	856.08	34,172.11	1.31%
10	Customer Care Total			\$35,553,651.11	\$32,996,098.11	\$2,557,553.00	\$ (9,145.46)	\$2,548,407.54	\$59,819.67	\$2,608,227.21	100.00%
11	Total Witness Nora Lindgren			\$35,553,651.11	\$32,996,098.11	\$2,557,553.00	\$ (9,145.46)	\$2,548,407.54	\$59,819.67	\$2,608,227.21	

Amounts may not add or tie to other schedules due to rounding

Southwestern Public Service Company

XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account

Nora Lindgren

2021 TX Rate Case

**APPLICATION OF
SOUTHWESTERN PUBLIC SERVICE COMPANY
FOR AUTHORITY TO CHANGE RATES**

NL-RR-B(CD) is provided in electronic format.

Southwestern Public Service Company

**Exclusions from XES Expense to SPS
For the Twelve Months Ended December 31, 2020**

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
1	Customer Care	417.1 - Expenses of nonutility operations	Below the Line	\$ (8,713.43)
2	Customer Care	426.1 - Donations	Below the Line	(16.77)
3	Customer Care	426.4 - Expenditures for certain civic, political and related activities	Below the Line	(374.54)
4	Customer Care	426.5 - Other Deductions	Below the Line	(40.72)
5	Customer Care Total			\$ (9,145.46)
6	Total Witness Nora Lindgren			\$ (9,145.46)
Amounts may not add or tie to other schedules due to rounding				

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
1	Customer Care	901 - Supervision	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 647.66
2	Customer Care	901 - Supervision	Business Area Adjustment	Nora Lindgren	(33.07)
3	Customer Care	902 - Meter reading expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	670.06
4	Customer Care	903 - Customer records and collection expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	62,484.60
5	Customer Care	903 - Customer records and collection expenses	Business Area Adjustment	Nora Lindgren	(5,481.26)
6	Customer Care	908 - Customer assistance expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	1,920.10
7	Customer Care	930.1 - General advertising expenses	Advertising	Stephanie N. Niemi	(388.42)
8	Customer Care Total				\$ 59,819.67
9	Total Witness Nora Lindgren				\$ 59,819.67
Amounts may not add or tie to other schedules due to rounding					