

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

* * * * *

IN THE MATTER OF ADVICE NO. 993-)
GAS OF PUBLIC SERVICE COMPANY)
OF COLORADO TO REVISE ITS)
COLORADO PUC NO. 6-GAS TARIFF)
TO INCREASE JURISDICTIONAL)
BASE RATE REVENUES,) PROCEEDING NO. 22AL-____G
IMPLEMENT NEW BASE RATES FOR)
ALL GAS RATE SCHEDULES, AND)
MAKE OTHER PROPOSED TARIFF)
CHANGES EFFECTIVE FEBRUARY)
24, 2022)

DIRECT TESTIMONY AND ATTACHMENTS OF ADAM R. DIETENBERGER

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

January 24, 2022

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

* * * * *

IN THE MATTER OF ADVICE NO. 993-)
GAS OF PUBLIC SERVICE COMPANY)
OF COLORADO TO REVISE ITS)
COLORADO PUC NO. 6-GAS TARIFF)
TO INCREASE JURISDICTIONAL)
BASE RATE REVENUES,) PROCEEDING NO. 22AL-____G
IMPLEMENT NEW BASE RATES FOR)
ALL GAS RATE SCHEDULES, AND)
MAKE OTHER PROPOSED TARIFF)
CHANGES EFFECTIVE FEBRUARY)
24, 2022)

DIRECT TESTIMONY AND ATTACHMENTS OF ADAM R. DIETENBERGER

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION, QUALIFICATIONS, AND PURPOSE OF TESTIMONY	4
II. XCEL ENERGY'S FINANCIAL BUDGETING AND FORECASTING PROCESS....	8
A. Overview of Xcel Energy's Budget Process	9
B. Applying Budgeting and Forecasting Principles to the CTY and Step Years.....	15
III. SHARED CORPORATE SERVICES FUNCTIONS AND ACTIVITIES	21
IV. SHARED CORPORATE SERVICES BUDGETING AND PLANNING.....	26
V. OVERVIEW OF 2019-2024 CAPITAL ADDITIONS	32
VI. SHARED CORPORATE SERVICES 2019-2022 CAPITAL ADDITIONS	36
VII. SHARED CORPORATE SERVICES O&M	43
VII. CONCLUSION.....	50

LIST OF ATTACHMENTS

Attachment ARD-1	Shared Corporate Services Capital Additions for October 1, 2019 to December 31, 2024
Attachment ARD-2	Shared Corporate Services O&M Expenses July 1, 2020 to June 30, 2021 by Cost Element
Attachment ARD-3	Shared Corporate Services O&M Expenses July 1, 2020 to June 30, 2021 by Federal Energy Regulatory Commission ("FERC") Account
Attachment ARD-4	Comparison of Actual to Budget performance for 2018 to 2020 Capital Expenditures

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

* * * * *

IN THE MATTER OF ADVICE NO. 993-)
GAS OF PUBLIC SERVICE COMPANY)
OF COLORADO TO REVISE ITS)
COLORADO PUC NO. 6-GAS TARIFF)
TO INCREASE JURISDICTIONAL)
BASE RATE REVENUES,) PROCEEDING NO. 22AL-____G
IMPLEMENT NEW BASE RATES FOR)
ALL GAS RATE SCHEDULES, AND)
MAKE OTHER PROPOSED TARIFF)
CHANGES EFFECTIVE FEBRUARY)
24, 2022)

DIRECT TESTIMONY AND ATTACHMENTS OF ADAM R. DIETENBERGER

I. INTRODUCTION, QUALIFICATIONS, AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

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

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

12 A. The purpose of my Direct Testimony is to discuss Xcel Energy's rigorous budget
13 processes and explain how the processes ensure that the overall capital budget
14 presented in this case is a reasonable forecast of the capital additions that will be
15 placed in service by the end of the 2022 Current Test Year ("2022 CTY") and in
16 the two "step" years, 2023 and 2024, after the 2022 CTY.

17 In addition, I support Shared Corporate Services' capital additions and
18 O&M expenses, not including Business Systems, which is supported by Mr.
19 Michael O. Remington, that are allocated to Public Service's retail gas jurisdiction
20 and included in the 2022 CTY cost of service that is presented by Company
21 witness Mr. Arthur P. Freitas. In addition, I provide forecasted capital additions
22 for two "step" years, 2023 and 2024, after the 2022 CTY. The Company's overall

1 capital additions for the 2023-2024 step years are explained in more detail by
2 Company witnesses Mr. Steven P. Berman and Ms. Deborah A. Blair.

3 The Company's last gas Phase I rate case was Proceeding No. 20AL-
4 0049G ("2020 Combined Gas Rate Case"), in which a historical test year ("HTY")
5 ending September 30, 2019 was approved. I therefore provide support for
6 capital additions placed into service since the Company's 2020 Combined Gas
7 Rate Case, from October 1, 2019 through the CTY consisting of the calendar
8 year ending December 31, 2022. The Company's Shared Corporate Services
9 plant additions since the 2020 Combined Gas Rate Case total \$139.4 million
10 (Total Company) through the 2022 CTY. These capital additions are discussed
11 in Section VI of my Direct Testimony. In addition, the Company's forecasted
12 Shared Corporate Services capital additions for step years 2023 and 2024 are
13 \$27.8 million and \$11.2 million respectively, which are presented in Attachment
14 ARD-1 for purposes of supporting the capital true-up proposed in Mr. Berman's
15 Direct Testimony.

16 Most of these capital additions are considered common general plant
17 capital additions that are allocated to the Gas Department and, along with the
18 gas general plant capital additions, are both appropriately allocated to Public
19 Service retail gas customers and included in the cost of service that is presented
20 by Mr. Freitas. Company witness Laurie J. Wold calculated the monthly plant
21 balances, which were used by Mr. Freitas in the cost of service.

22 I also support the \$55.3 million (Total Company Gas) in Shared Corporate
23 Services O&M expenses that are included in the cost of service for the 2022

1 CTY, while also supporting the O&M drivers for the CTY as compared to the level
2 of O&M currently in base rates approved in the 2020 Combined Gas Rate Case.
3 Shared Corporate Services O&M in this rate case is based on July 1, 2020 to
4 June 30, 2021 actual O&M. I discuss O&M in Section V of my Direct Testimony.
5 Mr. Berman and Mr. Freitas support the Company's overall CTY development.

6 **Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT**
7 **TESTIMONY?**

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

- 10 • Attachment ARD-1: Shared Corporate Services Capital Additions for October
11 1, 2019 to December 31, 2024;
- 12 • Attachment ARD-2: Shared Corporate Services O&M Expenses from July 1,
13 2020 to June 30, 2021 with known and measurable adjustments by Cost
14 Element;
- 15 • Attachment ARD-3: Shared Corporate Services O&M Expenses from July 1,
16 2020 to June 30, 2021 by Federal Energy Regulatory Commission ("FERC")
17 Account; and
- 18 • Attachment ARD-4: Comparison of Actual to Budget Performance for 2018 to
19 2020 Public Service Total Capital Expenditures.

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

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

3 A. In this section of my Direct Testimony, I explain Xcel Energy's enterprise-wide
4 budgeting processes. I also explain why this robust budgeting process and Xcel
5 Energy's cost management processes that support Public Service's 2022 CTY
6 and the capital additions forecasted for the step years 2023 and 2024.

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

10 A. My testimony focuses on the corporate level and provides additional detail on
11 how the Company makes decisions at the overall corporate level about business
12 area budgets and how the Company manages overall Company expenditures on
13 an ongoing basis once budgets are set. The business area witnesses in this
14 case discuss in detail how they prioritize projects, develop budgets, and manage
15 ongoing spending. They describe how they review and assess priorities and
16 make necessary expenditure changes through trade-offs in spending – both
17 within individual departments and between departments within their own
18 business area - on an ongoing basis. In my Direct Testimony, I discuss how this
19 assessment and prioritization occurs at the corporate level between business
20 areas, where there are generally more projects and work to be done than the
21 Company has the capacity to fund. This overall prioritizing and balancing
22 between business areas occurs both during the budgeting process and through
23 ongoing monthly discussions. I describe the flexible and iterative nature of this

1 process, as budgets are reviewed, refined, and reprioritized to meet overall
2 operating company and customer needs, and respond to changing
3 circumstances.

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

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

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

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

- 16 • rigor, from the centralized development of spending guidelines and
17 analysis to ensure budgeted costs reflect the most efficient level of
18 costs, to the governance of major capital expenditures and executive
19 reporting and oversight;
- 20 • recognition of changes, such as the loss of a major customer, and
21 changing trends, such as the economy and customer usage, in our
22 budgeting and forecast processes; and
- 23 • regular and consistent monitoring, analysis and response to budget
24 variances stemming from necessary changes in our plans, as well as
25 unforeseen or unknowable events.
26
27

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

3 A. The financial budget process:

- 4 • Establishes and manages the overall corporate project plan and
5 governance for creating the budget.
- 6 • Facilitates establishment of the corporate guidelines for the annual
7 financial budget process for each of Xcel Energy's operating utility
8 subsidiaries, including Public Service.
- 9 • Ensures that the corporate O&M and capital expenditure budgets and
10 the budgets for each of the operating utility subsidiaries reflect as
11 accurate a forecast as possible of the costs the Company will incur to
12 deliver utility service during the next year.
- 13 • Ensures that the O&M and capital expenditure budgets reflect an
14 efficient level of cost consistent with the Company's obligations to
15 deliver reliable utility service to its customers now and in the future.
- 16 • Engages the budget managers within business areas as they develop
17 their budgets.

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

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

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

3 A. There are five primary steps in developing the annual financial budget for all Xcel
4 Energy operating companies, including Public Service, with each of these steps
5 encompassing multiple activities to ensure accurate budget levels.

6 First, spending guidelines are established for each of the next five years.
7 Strong emphasis is placed on establishing guidelines that are prudent from both
8 an operational and financial perspective. In any budget process, there is typically
9 more demand for O&M and capital budget dollars than there is financial capacity
10 to fund. Therefore, Xcel Energy provides financial guidance to the business
11 areas to set expectations for that area, making it clear that they will be expected
12 to justify and explain any significant deviations from the guidance as part of the
13 review and approval process. This financial guidance is based on the most
14 recent financial forecast, a review of five-year capital additions, and any new
15 legislation or regulatory requirements that may impact spending in the upcoming
16 years.

17 Second, budget plans are developed. Budget managers within each
18 business area develop the bottoms-up¹ budgets for each of the next five years.
19 To conduct this exercise, each business area assesses its operating needs and
20 identifies potential capital projects. The scope, cost, and timing of these projects
21 are evaluated and prioritized within the business area by operating company,

¹ By "bottoms up," we mean that each business area starts with the specific projects and work they believe need to be accomplished in the relevant years, building to business area, and then to the overall Xcel Energy budgets.

1 resulting in an aggregate projection of recommended capital expenditures for
2 each of the next five years. At the same time, the business areas forecast their
3 labor, material, equipment and other needs to build a projection of the O&M
4 levels needed to support their area over the next five years. The business area's
5 O&M and capital budgets are then consolidated by the corporate finance team
6 along with preliminary information necessary to estimate the overall financial
7 forecast and all information is presented for internal review prior to the
8 presentation to the Financial Council.

9 Third, five-year detailed budgets are reviewed and approved at the
10 executive management level by the Financial Council, which is comprised of the
11 Chief Executive Officer of Xcel Energy, the Operating Company presidents, and
12 the leaders of each of the business areas. The review also includes a discussion
13 of the cost pressures and emergent issues faced by the business areas, as well
14 as any key strategic decisions that need to be made in the near future.

15 Fourth, the five-year capital forecast is presented to the Board of Directors
16 after Financial Council review and approval. This review is focused around the
17 upcoming year, as well as major changes to the five-year budget. The Board
18 also specifically reviews and approves any new major projects with total project
19 spend in excess of \$50 million, and any previously approved major project that is
20 seeking re-approval because of significant changes to overall spend.

21 Fifth, after the Financial Council and Board of Directors approve the
22 annual budget, there is ongoing financial governance that consists of monthly
23 monitoring of financial performance in comparison to the budget. In addition,

1 once the next financial year begins, actual results are compared to O&M and
2 capital budgets by business area and by Operating Company, and business
3 areas are required to explain variances and update their forecasts as
4 appropriate.

5 **Q. HOW DO INDIVIDUAL BUSINESS AREA BUDGET REVIEW PROCESSES**
6 **RELATE TO THE OVERALL BUDGETING PROCESS?**

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

- 9 • the analysis of long-term trends;
- 10 • discussion of what costs should be reduced based on process
11 efficiencies or changing business requirements;
- 12 • identification of cost pressures and business risks;
- 13 • emerging regulatory requirements; and
- 14 • alignment with strategic objectives.

15 Each business area completes iterative reviews of its budget prior to finalizing
16 the budget that is submitted to the Financial Council for approval. These reviews
17 are intended to ensure that the budget is a reasonable and representative
18 forecast of costs for the budget period and that cost components are well
19 understood in preparation for the review meetings with the Financial Council.
20 During this process, the business area meets on an as-needed basis with the
21 operating company presidents, senior financial executives, and senior operations
22 leadership to discuss the preliminary budgets. The purpose of these meetings is
23 to help prioritize projects within the area, as well as across the Company, and to

1 understand how these preliminary budgets compare to the financial and
2 spending guidance I previously discussed. Emergent cost pressures are
3 discussed, along with how these preliminary budgets align with the regulatory
4 priorities of each operating company and the Company's ability to finance the
5 work. This process is designed to be iterative, giving each group ample
6 opportunity to provide input into the budgets that are proposed.

7 **Q. DOES THE PUBLIC SERVICE BOARD OF DIRECTORS ALSO HAVE A ROLE**
8 **IN APPROVING PUBLIC SERVICE'S BUDGETS?**

9 A. Yes. All of Public Service's board members are also on the Financial Council,
10 they also review and approve the full five-year capital forecast as part of that
11 separate process. Thus, the Public Service Board of Directors has multiple
12 opportunities to review, question (if needed), and ultimately approve the Public
13 Service budget.

14 **Q. HOW DOES THIS DISCUSSION OF THE COMPANY'S OVERALL BUDGET**
15 **PROCESS PROVIDE SUPPORT FOR THE USE OF A CTY?**

16 A. The Company's robust budgeting process and ongoing monitoring of
17 performance to budget provides support for the use of a CTY that relies on these
18 budgets for the development of the test year costs.

B. Applying Budgeting and Forecasting Principles to the CTY and Step Years

Q. PLEASE EXPLAIN WHY IT IS APPROPRIATE FOR PUBLIC SERVICE TO USE FORECASTED CAPITAL AMOUNTS FOR THE CTY AND THE STEP YEARS.

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

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

A. No. It is important to recognize that no business can ensure that every budgeted dollar is spent in exactly the same way that it was initially forecasted to be spent. Nor would this be a reasonable expectation, as it would preclude a company from being flexible or responding to emergencies, unexpected changes in the business, in customers' needs, statewide policy, or in the marketplace as a

1 whole. What is important is that overall, the Company's budgets reflect a
2 reasonable level of costs and are reasonably representative of the costs the
3 Company will incur to deliver gas utility services to its customers during each
4 year of the budget periods.

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

15 Conversely, if a project needs to be accelerated or if spending estimates
16 on a specific project prove to be too low, the Company may delay a different
17 project to avoid exceeding the spending level the Company has the financial
18 capacity to fund. While spending on a project-by-project basis never matches up
19 exactly with the Company's original budgets, Public Service's actual overall
20 budget spending tends to be accurate, as demonstrated by the comparison of
21 actual to budget performance for 2018 to 2020 capital expenditures provided in

1 Attachment ARD-4². Thus, the Company's budgeting and forecasting processes
2 serve as tools for both estimating capital expenditures and imposing financial
3 discipline on behalf of its customers and investors.

4 **Q. ARE THERE INSTANCES IN WHICH IT IS NECESSARY TO PLAN FOR**
5 **FUTURE WORK THAT MIGHT BE UNSPECIFIED AT THE TIME THE TEST**
6 **YEAR BUDGET IS DEVELOPED?**

7 A. Yes. It is necessary to recognize in the Company's budgets and forecasts that
8 the Company will experience events – such as an unexpected infrastructure
9 repair due to a wildfire like the recent Marshall fire or new cyber security attacks
10 that threaten Public Service's computer systems – that cannot be fully predicted
11 ahead of time. The Company therefore maintains certain capital construction
12 budget orders to account for this type of emergent work.

13 These emergent work budget orders represent the Company's expected
14 level of work that is likely to be required in a given year. They vary by business
15 area and the business area witnesses explain their processes for developing
16 these budgets in their individual testimony. It is important to note, however, that
17 these amounts do not represent a “cushion” over and above what the Company
18 expects to actually incur during the year. Nor does it come as a surprise that the
19 Company will have to address such issues. Rather, these amounts are based on
20 the level of work and current cost of the work the Company has completed
21 historically to address expected emerging work in these areas.

² Attachment ARD-4 is for Public Service Total, which includes Gas, Electric, and Common Gas/Electric.

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

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

Given the nature of Public Service's business, the Company must estimate the costs of certain very large projects, expected to span multiple years, and that contain a number of large, unknown variables. Generally, these are long-term construction projects with scope, timing or price risk considerations. The process for developing the budgets for these projects typically involves contracting third party engineering firms to develop estimates. The Company then runs its own estimating model as a check. In other instances, the business unit develops estimates in a less formal consultation with contractors, based on the Company's own prior experience, or some combination of these processes.

Due to the size and complexity of such projects, prudent business practice requires that the Company use initial scoping estimates to account for some of the variability of large, very early-phase projects between the results produced by the different estimating models. Because large projects typically go into service

1 several years in the future, there are frequently many unknown variables that
2 need to be accounted for with contingencies in the applicable project estimates
3 early in the budgeting process. However, as time progresses and more
4 information is known, these initial scoping estimates are replaced with more
5 refined estimates in later versions of the budget. The Company's forecasted
6 capital additions for the CTY typically represent refined estimates commensurate
7 with the status of the project.

8 The most important point to consider is that while the Company employs a
9 variety of methods to build its capital project budgets, its overall capital budgets
10 and forecasts do closely track with actual spend, as shown in Attachment ARD-4.
11 This is due, in part, to the fact that while some projects may come in over budget
12 and some projects may come in under budget, over the entire Company these
13 variances tend to cancel each other out.

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

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

20 **Q. IF BUDGETS FOR FUTURE YEARS CAN CHANGE, WHAT IS THE VALUE OF**
21 **THE FIVE-YEAR BUDGETING PROCESS?**

22 A. Long-term financial projections and planning are necessary to continue to
23 provide reliable service to customers in the future. Public Service operates a

1 capital-intensive business, and many of the Company's projects have long lead
2 times, have long construction phases, or require financing. Developing a five-
3 year budget provides the necessary information for out-year planning and
4 financial projections. The iterative nature of the Company's budgeting process,
5 where Public Service revises the five-year budget each year, allows the
6 Company to manage necessary work and investments given funds available and
7 as circumstances change over time. This is a balanced process that allows the
8 Company to be forward-looking and strategic, but also adaptable in allowing for
9 reprioritization as circumstances and business requirements change.

10 **Q. DO YOU BELIEVE THAT THE CAPITAL FORECASTS CONTAINED IN THE**
11 **CTY AND THE STEP YEARS ARE AN APPROPRIATE BASIS ON WHICH TO**
12 **SET RATES FOR PUBLIC SERVICE?**

13 **A.** Yes. As I discussed, Public Service employs a rigorous budgeting process that
14 enables our capital forecast to reflect, as accurately as possible based on current
15 information, the capital costs the Company will incur to deliver utility service
16 during the forecast period.

1 **III. SHARED CORPORATE SERVICES FUNCTIONS AND ACTIVITIES**

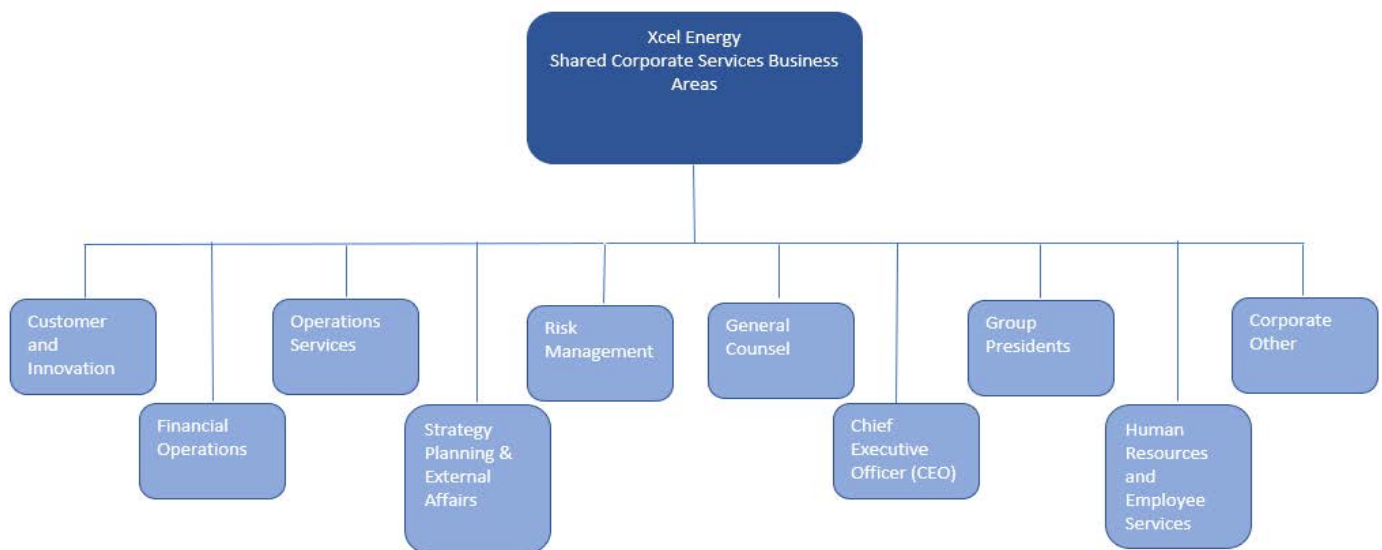
2 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT**
3 **TESTIMONY?**

4 A. In this section of my Direct Testimony, I provide an overview of the functions and
5 the types of work completed by Shared Corporate Services.

6 **Q. PLEASE DESCRIBE THE KEY FUNCTIONS AND SERVICES OF XCEL**
7 **ENERGY’S SHARED CORPORATE SERVICES.**

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

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



- 12 • *Customer and Innovation:* Provides services to meet the technology and
13 service needs of energy customers of the Xcel Energy system companies,
14 including those of Public Service. Customer and Innovation includes several

1 functional groups, including the Chief Customer and Innovation Office,
2 Customer Care, Customer and Brand, Customer Solutions and Innovation,
3 Strategic Partnerships, and Enterprise Security. The Business Systems area
4 also falls within Customer and Innovation and is addressed separately by Mr.
5 Remington in his Direct Testimony.

- 6 • *Financial Operations:* Leads financial governance for Xcel Energy and its
7 operating companies, including Public Service, and delivers financial
8 services. Financial Operations consists of several functional groups,
9 including Audit Services, the Controller's organization, Investor Relations,
10 Business Development, Tax Services, Financial Planning and Analysis, Risk
11 Management, Revenue Requirements, and the Treasurer's Organization.
- 12 • *Operations Services:* Provides a single centralized Operations support
13 organization that includes Supply Chain, Commercial Operations, Fuel
14 Supply, and Fleet services with a goal of using standardized processes,
15 shared best practices, and efficiencies of scale to ensure productivity and
16 control operating costs. Operations Services provides support to the Energy
17 Supply, Transmission, and Distribution Business Areas.
- 18 • *General Counsel:* Provides strategic services to Xcel Energy, its operating
19 companies and its subsidiaries, in addition to legal and claims services.
- 20 • *Risk Management:* Helps to ensure the integrity of company finances and
21 operations through robust risk analytics, audit services and compliance with
22 corporate ethics and other policies.

- 1 • *Strategy, Planning, and External Affairs:* Provides Xcel Energy's business
2 strategy development, communications and federal regulatory and legislative
3 initiatives.
- 4 • *Chief Executive Officer ("CEO"):* The CEO group includes the CEO and
5 support staff, and the budget for the Chairman's Fund. This group oversees
6 the vision, mission, and values of Xcel Energy, balancing the customer
7 demands for reliable, affordable energy with Xcel Energy's (and, in turn,
8 Public Service's) goal of creating a clean energy future.
- 9 • *Human Resources and Employee Services:* Provides services to meet the
10 needs of employees of Xcel Energy and its operating companies, including
11 Public Service. Human Resources and Employee Services includes several
12 functional groups including Human Resources, Property Services, Aviation,
13 Workforce Relations, and Corporate Giving.
- 14 • *Group Presidents:* The Group Presidents organization includes the Operating
15 Company Presidents Area for Xcel Energy's four operating companies,
16 providing leadership to the individual utility companies as well as customer
17 and community outreach support. The Group Presidents organization also
18 includes the Policy and Federal Affairs area and Regulatory and Resource
19 Planning.
- 20 • *Corporate Other:* Corporate Other includes costs that are not directly
21 attributable to a specific Shared Corporate group. Corporate Other contains
22 the following types of costs, credits, and charges: Company use credits,
23 overhead charges to affiliates, shared assets, Administrative & General

1 (“A&G”) charges to capital, non-regulated overheads, and permanent income
2 tax differences.

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

5 A. When certain projects, such as the Lipan Distribution Center Renovation project
6 described later in my Direct Testimony, are developed and implemented solely
7 for Public Service or other individual operating companies, the costs are directly
8 assigned to that operating company. In other cases, common projects are
9 allocated across Xcel Energy’s operating companies. In his Direct Testimony,
10 Company witness Ross L. Baumgarten explains the Company’s cost allocation
11 and assignment process for appropriately allocating costs for Shared Corporate
12 Services to the Public Service Gas Department.

13 **Q. DO ALL OF THE BUSINESS AREAS WITHIN SHARED CORPORATE**
14 **SERVICES HAVE ACTUAL OR FORECASTED CAPITAL ADDITIONS**
15 **BETWEEN OCTOBER 1, 2019 AND DECEMBER 31, 2024?**

16 A. No, the only Business Areas within Shared Corporate Services with capital
17 additions are Customer and Innovation (primarily in the Enterprise Security
18 functional group), Human Resources and Employee Services (specifically the
19 Property Services functional group), and Operations Services (specifically the
20 Fleet functional group). Capital additions for all three groups are discussed
21 below. Mr. Remington addresses the Business Systems related capital
22 additions, which are also part of the Customer and Innovation Business Area, in
23 his Direct Testimony.

1 **Q. PLEASE DESCRIBE THE ENTERPRISE SECURITY, PROPERTY SERVICES,**
2 **AND OPERATIONS SERVICES GROUPS.**

3 **A.** The Enterprise Security group, which is part of the Customer and Innovation
4 Business Area, implements various security projects related to both cyber and
5 physical security. The Property Services group, which is part of the Human
6 Resources and Employee Services Business Area, implements building security
7 features, manages leases, and provides interior and exterior building
8 maintenance for office buildings, service centers, and regional and customer
9 offices. The Fleet group, which is part of the Operations Services Business Area,
10 supports vehicle and equipment needs of the Energy Supply, Transmission, and
11 Distribution Business Areas with a variety of services. As a result, these three
12 groups undertake the majority of capital projects within the Shared Corporate
13 Services Business Areas, apart from the Business Systems capital additions
14 discussed by Mr. Remington.

1 **IV. SHARED CORPORATE SERVICES BUDGETING AND PLANNING**

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

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

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

12 A. As I mentioned above, and explain in more detail below, Property Services,
13 Operations Services, and Enterprise Security are three of the primary Shared
14 Corporate Services Business Areas to place capital additions in service since the
15 HTY in the Company's 2020 Combined Gas Rate Case.

16 **Q. WHAT TYPES OF CAPITAL INVESTMENTS ARE MADE BY PROPERTY**
17 **SERVICES?**

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

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

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

13 A. The Fleet group has one capital budget area: Fleet. Fleet capital additions
14 include the replacement of vehicles, trailers, and construction equipment. Fleet
15 asset replacements are by far the largest portion of capital additions in this
16 category but this category also includes investments to repair existing fleet
17 assets to extend their useful life, investments in garage tools to inspect and
18 repair fleet assets, and investments in Xcel Energy-owned fueling depots.

19 **Q. WHAT TYPES OF CAPITAL INVESTMENTS ARE MADE BY ENTERPRISE**
20 **SECURITY?**

21 A. Enterprise Security was created in late 2016 to consolidate the various security
22 operations of Xcel Energy and is a new budget owning group as of 2020. Prior to
23 2020 the associated capital investments were included in both the Business

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

12 **Q. PLEASE DESCRIBE THE PROCESS FOR RANKING AND FUNDING**
13 **CAPITAL PROJECTS FOR PROPERTY SERVICES.**

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

1 For instance, projects such as new or replacement fire alarm systems,
2 uninterruptible power supply, fire suppressing sprinkler systems, and building
3 code-related projects are all funded to assure safety and compliance with local
4 government jurisdictions.

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

10 **Q. PLEASE DESCRIBE THE BUDGETING PROCESS FOR RANKING AND**
11 **FUNDING CAPITAL PROJECTS FOR FLEET.**

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

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

21 A. Each year, Xcel Energy examines the total cost of ownership for each of our
22 existing fleet assets to determine which fleet needs to be replaced in that year.
23 In particular, a fleet unit is identified for replacement when the costs of owning,

1 operating, repairing, and maintaining a fleet unit exceed the average cost of
2 replacing that unit or when customer service is negatively impacted due to
3 increased instances of breakdowns. This condition-based assessment process
4 means that in one year, the most need for replacing fleet assets may be within
5 one operational company or within one business area. As a result, the annual
6 budget for fleet asset replacements for an Xcel Energy jurisdiction may fluctuate
7 year over year.

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

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

19 Older fleet assets are also not as reliable as newer fleet assets, and this
20 can impact customer service since our crews rely on these vehicles and
21 equipment to perform their work. Further, older fleet assets are not as safe as
22 newer assets as they are not equipped with the latest safety technology and
23 have a higher risk of catastrophic component failures. Newer fleet assets also

1 have improved fuel economy as compared to older vehicles, thus providing fuel
2 savings and reduced emissions.

3 **Q. PLEASE DESCRIBE THE PROCESS FOR RANKING AND FUNDING**
4 **CAPITAL PROJECTS FOR ENTERPRISE SECURITY.**

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

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

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

22

23

1 **V. OVERVIEW OF 2019-2024 CAPITAL ADDITIONS**

2 **Q. PLEASE DESCRIBE THE PRIMARY DRIVERS OF THE COMPANY'S**
3 **INVESTMENT IN SHARED CORPORATE SERVICES SINCE THE 2020**
4 **COMBINED GAS RATE CASE.**

5 **A.** The primary drivers for Property Services and Operations Services capital
6 additions within the Shared Corporate Business Areas since the 2020 Combined
7 Gas Rate Case are:

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

1 **Q. CAN YOU DEPICT THE TREND OF SHARED CORPORATE SERVICES**
2 **CAPITAL ADDITIONS AFFECTING PUBLIC SERVICE'S RATE BASE FROM**
3 **2019-2024?**

4 **A.** Yes. Table ARD-D-1 below summarizes Shared Corporate Services capital
5 additions (Total Company) trend from October 1, 2019 to December 31, 2024. As
6 reflected below, the only capital additions in the Shared Corporate Services
7 Business Areas between October 1, 2019 and December 31, 2024 are in the
8 Property Services, Enterprise Security, and Operations Services Business Areas.

9 Throughout my Direct Testimony, capital additions data from 2019 and
10 2020 represents actual costs, while 2021 capital additions include actual plant in
11 service from January 1, 2021 to June 30, 2021 and forecasted data for the
12 remainder of 2021 and all of 2022-2024. As I stated earlier, Enterprise Security
13 was a new capital area in 2020 so this area does not have any capital additions
14 prior to 2020. I provide descriptions of the Company's major capital additions for
15 October 1, 2019 to December 31, 2022, in Section VI of my Direct Testimony. As
16 I indicated above, overall forecasted capital additions for step years 2023 and
17 2024 are supported by Ms. Blair and Mr. Berman. The capital additions for
18 October 1, 2019 to December 31, 2024 are provided in Attachment ARD-1.

19

1

**Table ARD-D-1:
 Shared Corporate Services 2019-2024 Capital Additions
 Public Service (Total Company)
 (Dollars in Millions)**

	Actual Additions 10/1/2019- 6/30/2020	2021 HTY Actual Additions 7/1/2020- 6/30/2021	Forecasted Additions 7/1/2021- 12/31/2021	2022 CTY Forecasted Additions 1/1/2022- 12/31/2022	2023 Step 1 Forecasted Additions 1/1/2023- 12/31/2023	2024 Step 2 Forecasted Additions 1/1/2024- 12/31/2024
Total Property Services	\$23.2	\$2.6	\$9.2	\$43.9	\$20.6	\$3.9
Total Enterprise Security	-	\$1.3	\$0.4	\$19.9	\$0.7	\$0.7
Total Operations Services	\$11.5	\$13.7	\$3.8	\$9.4	\$6.5	\$6.6
Other	-	\$0.5	-	-	-	-
Total*	\$34.7	\$18.1	\$13.4	\$75.3	\$27.8	\$11.2
*There may be differences between the sum of individual category amounts and "Total" amounts due to rounding.						

2 The figures in Table ARD-D-1 are stated on a Public Service Total
 3 Company basis, meaning that they include both gas utility-specific projects and
 4 common electric/gas projects stated at the total Public Service level.

5 Table ARD-D-1 shows an increase in projected capital additions for
 6 Property Services and Enterprise Security for January 1, 2022 through
 7 December 31, 2022. As discussed in greater detail in Section V, within Property
 8 Services, these increases are due to some larger service center projects that are
 9 forecast to be completed within 2022. The increases in capital additions within
 10 Enterprise Security is the result of the investment in the OT Security Program,
 11 which I discuss in the testimony below.

1 **Q. WHY ARE CAPITAL ADDITIONS FOR 2023 AND 2024 INCLUDED IN TABLE**
2 **ARD-D-1?**

3 A. While the test year in this case is the 2022 CTY, the Company is requesting step
4 increases for 2023 and 2024 tied to estimated capital investment during those
5 years, as explained by Company witnesses Mr. Berman and Ms. Blair in their
6 Direct Testimonies. While Table ARD-D-1 reflects the currently forecasted
7 capital investment during those years, this information is provided not to obtain
8 specific approval of the referenced investments at this time, but to illustrate the
9 forecasted level of capital additions at that time.

10 **Q. ARE THE 2023 AND 2024 FORECASTED CAPITAL ADDITIONS**
11 **REASONABLE?**

12 A. Yes. These forecasts are reflective of actual expected capital investment by gas
13 operations as reflected in the Company's approved five-year plan. The
14 forecasted levels of spend are also generally consistent with our annual gas
15 operations investment today.

1 **VI. SHARED CORPORATE SERVICES 2019-2022 CAPITAL ADDITIONS**

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

4 A. The purpose of this section of my Direct Testimony is to describe the Shared
5 Corporate Services capital additions since the Company's 2020 Combined Gas
6 Rate Case through the 2022 CTY. Below, I discuss the Company's Shared
7 Corporate Services actual capital additions from October 1, 2019 through June
8 30, 2021, totaling \$52.8 million, as shown in Attachment ARD-1. I also address
9 the Company's forecasted capital additions planned to be placed into service
10 from July 1, 2021 through December 31, 2022, totaling \$86.6 million, as shown in
11 Attachment ARD-1.

12 **Q. PLEASE DESCRIBE THE MAJOR CAPITAL PROJECTS FOR PROPERTY**
13 **SERVICES AND OPERATIONS SERVICES THAT THE COMPANY PLACED**
14 **IN SERVICE SINCE ITS 2020 COMBINED GAS RATE CASE AND WILL**
15 **PLACE IN SERVICE THROUGH THE 2022 CTY.**

16 A. As shown in Attachment ARD-1, the major capital projects Public Service that will
17 be placed in service between October 1, 2019 and December 31, 2022 include,
18 by budget group:

- 19 • *Office Furniture and Equipment:* Office Furniture and Equipment capital
20 additions from October 1, 2019 to December 31, 2022 will total
21 approximately, \$6.5 million for furniture replacements, workstations,
22 audio/visual equipment purchases, and general tools and equipment.

- 1 • *Building Renovations and Improvements:* Building Renovations and
2 Improvements capital additions from October 1, 2019 to December 31, 2022
3 will total approximately \$61.8 million. I will discuss the major building
4 renovation projects later in my Direct Testimony.
- 5 • *Roads and Gates:* Roads and Gates capital additions from October 1, 2019
6 to December 31, 2022 will total approximately \$3.8 million. These projects
7 included multiple paving and asphalt projects as well as fencing and gate
8 projects as the following sites: Brighton Service Center, Materials Distribution
9 Center, Evergreen Service Center, Pueblo Service Center and Alamosa
10 Service Center. The paving and asphalt projects can vary in size and cost
11 depending on the condition of the parking lot and asphalt and are undertaken
12 to ensure a safe and usable area at our Company sites. There were also
13 other smaller paving and asphalt projects at various locations.
- 14 • *Miscellaneous Building Projects:* Miscellaneous Building Projects capital
15 additions from October 1, 2019 to December 31, 2022 will total approximately
16 \$6.9 million. The primary projects included in this category are routine
17 electrical, mechanical, and structural projects. Other projects in this category
18 include smaller Heating, Ventilation and Air Conditioning (“HVAC”) projects,
19 asbestos abatement activities, battery replacements, and lighting
20 replacements and upgrades. All of these projects were completed to ensure
21 that Company locations are secure, properly maintained, and operational.
22 This category also includes funding for emergent unplanned work.

1 **Q. PLEASE DESCRIBE THE MAJOR PROJECTS WITHIN THE BUILDING**
2 **RENOVATIONS AND IMPROVEMENTS CATEGORY FOR OCTOBER 1, 2019**
3 **THROUGH DECEMBER 31, 2022.**

4 **A.** The major projects in this category include the following:

- 5 • *Lookout Center Reliability Project:* This project involved renovating
6 and upgrading the electrical, mechanical, and life safety functions of
7 this facility to address reliability and operational issues and to bring it
8 up to standards as a mission critical facility. The Lookout Center
9 houses one of our main data centers and our operations rely heavily
10 this data center in order to quickly access electronic data. One of the
11 reliability issues with the Lookout Center's electric system was the lack
12 of redundant generators. Although there were two generators that were
13 configured to provide back-up power, one of the generators was not
14 adequately sized to support the Lookout Center's critical load. Further,
15 the other back-up generator was well past its useful life and in need of
16 replacement. As a result of this project, the Lookout Data Center now
17 has N+1 back-up generators to support the data center's critical load in
18 the event of a power outage. This project was placed in-service in
19 2019 with \$16.5 million in capital additions.
- 20 • *South Network Control Center Switch Gear Upgrade and Generator*
21 *Replacement Project:* This project will replace old breakers,
22 generators, and diesel fuel systems to improve the reliability and
23 performance of the electric system at the South Network Control
24 Center. The project will be completed in 2021 with \$1.0 million of
25 capital additions.
- 26 • *Lipan Distribution Center Transportation Garage Project:* This is the
27 primary fleet garage for Public Service and serves Public Service's
28 largest service center. This project involves renovating the existing
29 fleet garage by demolishing the interior of the garage, originally
30 constructed in 1918, and constructing a new modern interior. A new
31 interior is needed to accommodate the size and space requirements to
32 make repairs on larger trucks and construction equipment in Public
33 Service's current fleet. This renovation will also enable more fleet
34 assets to be repaired at the same time inside the garage. This project will
35 be completed in 2022 with total plant additions of \$14.6 million.
- 36 • *Golden Service Center Project:* This project involves the construction
37 of a new service center facility on existing Company property adjacent
38 to the existing Lookout Service Center to replace the Golden and Table

1 Mountain Service Centers. Due to recent addition of street
2 roundabouts near the service center entrance, the site can no longer
3 be accessed by certain trucks and other equipment as this larger
4 equipment cannot make the turn radiuses required for these
5 roundabouts. Also, the site has the potential for redevelopment due to
6 its location. This project will be completed in 2022 with total plant
7 additions of \$18.1 million.

- 8
- 9 • *Aurora Service Center Land Acquisition:* This project involves the
10 purchase of land in Aurora, Colorado that will be used to construct a
11 new service center in 2022 as the lease at the existing service center
12 facility in the east Denver metro area will not be renewed because the
13 existing building and site do not meet our operational needs. For
14 example, certain areas of the existing building are not insulated,
15 limiting their usefulness during cold weather periods. The existing site
16 also has limited laydown and yard space and poor drainage.
17 Significant investment would be needed to renovate and upgrade the
18 current building and site. The new Gateway Service Center will
19 support the Denver International Airport and surrounding Denver
20 industrial corridor. This project will be completed in 2022 with total
plant additions of \$3.6 million.

- 21
- 22 • *PSCo Fleet EV Charging:* These capital additions from October 1,
23 2019 to December 31, 2022 total approximately \$5.1 million. The
24 projects consist of the installation of charging stations at company
25 owned sites to facilitate the transition of our fleet vehicles from internal
26 combustion vehicles to electric vehicles. The work includes the
27 necessary electrical conduit and upgrades as well as charging units.
28 The actual vehicle purchases are included in the Fleet capital additions
29 as our transition is executed.

30 **Q. PLEASE DESCRIBE THE CAPITAL INVESTMENTS FOR FLEET BETWEEN**
31 **OCTOBER 1, 2019 AND DECEMBER 31, 2022.**

32 A. Fleet capital additions from October 1, 2019 and December 31, 2022 total
33 approximately \$38.4 million. These costs represent the necessary replacement of
34 fleet vehicles and construction equipment that have become less reliable and
35 costlier to maintain. Public Service utilizes fleet vehicles and equipment to travel
36 to work sites, perform construction work, and to quickly respond to emergencies.

1 **Q. CAN YOU PROVIDE A FURTHER BREAKDOWN OF THESE FLEET**
2 **REPLACEMENTS?**

3 A. Yes. The \$38.4 million in Fleet investments includes replacement of 61
4 passenger cars, 60 light-duty trucks, 137 medium and heavy-duty trucks, 14
5 trailers, and 12 pieces of construction equipment.

6 **Q. WERE ANY OF THESE FLEET VEHICLES REPLACED WITH ELECTRIC**
7 **VEHICLES?**

8 A. Yes. All 61 passenger vehicles that are or will be replaced from October 1, 2019
9 to December 31, 2022 will be replaced with either a plug-in hybrid electric vehicle
10 or a fully electric vehicle

11 **Q. PLEASE DESCRIBE THE MAJOR CAPITAL PROJECTS FOR ENTERPRISE**
12 **SECURITY BETWEEN OCTOBER 1, 2019 AND DECEMBER 31, 2022.**

13 A. Enterprise Security capital additions from October 1, 2019 to December 31, 2022
14 will total approximately \$21.6 million. Projects in this category primarily include
15 physical security investments such as card reader panel replacements and
16 upgrades and the installation of additional security cameras for monitoring of the
17 Company's sites. In 2020, Enterprise Security also implemented a new risk
18 dashboard software which will be used to monitor Xcel Energy's risk exposure
19 and enable the management of the overall security program in a more holistic
20 manner. In 2022, Public Service will also be making investments in its OT Cyber
21 Security Program.

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

2 A. The OT Cyber Security Program is designed to enhance the cyber security
3 capabilities in the operations environment. The program consists of six areas of
4 emphasis: Governance, Information Protection, Asset Management, Security
5 Logging and Monitoring, Vulnerability and Patch Management, and Response
6 Planning. For each of these six areas, the Enterprise Security team will partner
7 with operations leaders to implement solutions to enhance the current cyber
8 security environment, as well as implement new solutions to address areas of
9 opportunity. Examples of these solutions includes the deployment of Dragos
10 monitoring sensors at various sites across Gas, Transmission, and Energy
11 Supply to detect intrusions on our systems, firewall upgrades and additions at our
12 wind facilities, the expansion of various cybersecurity software platforms
13 currently in limited use, setting up a test lab for vulnerability scanning,
14 standardizing the patch management program across operations, enhanced
15 testing, training and continuous improvement of incident response plans. The
16 program is projected to have \$18.8 million of capital additions in 2022.

17 **Q. HOW CAN THE COMMISSION BE CONFIDENT THE COMPANY WILL**
18 **MANAGE ITS SHARED CORPORATE SERVICES-RELATED CAPITAL**
19 **PROJECTS INCLUDED IN 2021 AND THE 2022 CTY TO ENSURE THE**
20 **FINAL, ACTUAL COSTS ARE REASONABLE AND PRUDENT?**

21 A. As discussed, the Shared Corporate Services capital additions for July 1, 2021
22 through 2022, presented in Attachment ARD-1 have been, or will be, prudently
23 incurred, reasonable in cost, and used and useful in supporting Public Service's

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

VII. SHARED CORPORATE SERVICES O&M

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

A. This section of my Direct Testimony discusses Shared Corporate Services O&M expenses for the HTY July 1, 2020 to June 30, 2021, which the Company proposes to utilize as the basis for establishing Shared Corporate Services O&M levels included in the 2022 CTY. I also describe the drivers of O&M cost increases since the 2020 Combined Gas Rate Case, which used an HTY based on O&M expenses for the 12 months ending September 30, 2019.

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

A. As noted earlier in my Direct Testimony, Shared Corporate Services consist of functions largely performed by Xcel Energy Services on behalf of each operating company, with costs allocated to Public Service as discussed by Mr. Baumgarten in his Direct Testimony. These functions include the following types of O&M activities:

- *Financial Operations:* Includes functional costs, consisting of primarily labor and contractor / consulting costs (such as auditors), and insurance costs;
- *Operations Services:* Includes supply chain and commercial operations related costs, primarily labor and consulting;
- *General Counsel:* Primary costs include labor and outside legal and consulting costs³;

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

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

27 **Q. PLEASE PROVIDE AN OVERVIEW OF PUBLIC SERVICE'S SHARED**
28 **CORPORATE SERVICES O&M EXPENSES SINCE ITS 2020 COMBINED GAS**
29 **RATE CASE.**

30 **A.** The O&M expenses Shared Corporate Services incurred in the 2021 HTY (July
31 1, 2020 to June 30, 2021) are generally consistent with those expenses included
32 in the 2020 Combined Gas Rate Case, both with respect to the overall level of
33 expenses and the types of expenses incurred. Total O&M expenses have

1 increased by \$3.1 million, or just under six percent, and I provide further detail
2 regarding shifts in O&M expenses since the 2020 Combined Gas Rate Case
3 below and in Table ARD-D-3.

4 **Q. WHAT IS THE TOTAL DOLLAR AMOUNT OF O&M FOR SHARED**
5 **CORPORATE SERVICES THAT PUBLIC SERVICE IS REQUESTING IN THIS**
6 **CASE?**

7 A. As reflected in Attachments ARD-2 and ARD-3, the Company is seeking \$55.3
8 million in Shared Corporate Services O&M expenses. Table ARD-D-2, below,
9 breaks down the amount of overall O&M costs by the categories I discussed
10 above. Attachment ARD-2 provides the O&M expenses by Cost Element, and
11 Attachment ARD-3 provides the O&M by FERC account.

1

Table ARD-D-2
Shared Corporate Services O&M
Public Service Gas
(Dollars in Millions)

Business Area	2019 HTY	2020-2021 HTY	2022 CTY
Financial Operations	\$8.3	\$9.1	\$9.1
Operations Services	\$2.0	\$0.6	\$0.6
General Counsel	\$1.8	\$1.9	\$1.9
Chief Executive Officer	\$0.6	\$0.7	\$0.7
Customer and Innovation (excluding Business Systems)	\$27.7	\$29.1	\$29.1
Human Resources and Employee Services	\$10.8	\$12.5	\$12.5
Group Presidents	\$5.2	\$5.2	\$5.2
Risk Management	\$0.4	\$0.4	\$0.4
Strategy, Planning and External Affairs	\$0.6	\$0.8	\$0.8
Corporate Other	(\$5.1)	(\$5.0)	(\$5.0)
Total*	\$52.2	\$55.3	\$55.3
*There may be differences between the sum of individual category amounts and "Total" amounts due to rounding.			

- 2 **Q. ARE THE \$55.3 MILLION IN 2020-2021 HTY O&M COSTS FOR SHARED**
 3 **CORPORATE SERVICES YOU DESCRIBE ABOVE REFLECTED IN THE**
 4 **COST OF SERVICE PRESENTED BY COMPANY WITNESS MR. FREITAS?**
- 5 **A.** Yes, as I discuss in more detail below.

Q. WHAT ARE THE MAJOR DRIVERS BETWEEN THE SHARED CORPORATE SERVICES O&M EXPENSE INCLUDED IN THE 2020 GAS COMBINED RATE CASE AND THE 2020-2021 HTY O&M COSTS THAT WILL BE REFLECTED IN THE 2022 CTY?

A. The major drivers are shown in Table ARD-D-3 below.

**Table ARD-D-3:
 Shared Corporate Services Business Area's O&M
 Public Service Gas
 (Dollars in Millions)**

Drivers of O&M Expenses from 2019 HTY to 2021 HTY			
Driver	2019 HTY Actuals	Driver Amount	2020-2021 HTY Actuals
Total O&M	\$52.2		
Insurance		\$1.1	
Outside Services		\$2.6	
Lease Costs		\$0.6	
Employee Expenses		(\$0.6)	
Advertising		(\$0.7)	
Other		\$0.1	
Total*	\$52.2	\$3.1	\$55.3
*There may be differences between the sum of the individual category amounts and Total amounts due to rounding.			

Q. FIRST, CAN YOU DESCRIBE ANY DECREASES IN COSTS BETWEEN THE 2019 HTY AND THE 2020-2021 HTY?

A. Yes. The decrease in costs is primarily due to the following:

- 1 • *Employee Expenses:* Employee expenses have decreased \$0.6 million due
2 to decreased employee travel in response to the pandemic and increased use
3 of virtual tools.
- 4 • *Advertising:* Advertising expenses have decreased by \$0.7 million when
5 compared to the 2019 HTY. The reductions have been across the brand,
6 conservation, and general categories.

7 **Q. WERE THESE DECREASES IN O&M EXPENSES BETWEEN THE 2019 HTY**
8 **AND THE 2020-2021 HTY OFFSET BY ANY INCREASES?**

9 A. Yes. These decreases were partially offset by the following increases:

- 10 • *Insurance:* Insurance costs have increased \$1.1 million. The primary drivers
11 of these increases are policies related to property and general liability
12 coverage. These policies are renewed annually with many factors influencing
13 the overall level of premiums. Examples of these factors include loss history,
14 overall market conditions, risk level and overall level of assets to be insured.
- 15 • *Outside Services :* Costs in this area have increased by \$2.6 million primarily
16 due to a large credit in this expense in the 2019 HTY that did not occur in the
17 2020-2021 HTY.
- 18 • *Facility Costs:* Increased by \$1.2 million primarily due to annual rent
19 escalations built into the lease agreements for the buildings, as well as
20 slightly higher O&M costs related to activities like general exterior
21 maintenance, janitorial, materials, and shared asset costs.

1 **Q. PLEASE DISCUSS HOW GAS OPERATIONS O&M WILL BE MANAGED FOR**
2 **2023 AND 2024.**

3 A. As Company witnesses Mr. Berman and Ms. Blair discuss in their Direct
4 Testimonies, the Company is requesting certain step increases in 2023 and 2024
5 associated with the capital investment in those, which assume that O&M will
6 remain flat during that time period. While there is currently inflationary pressure
7 on O&M, it is our intention to manage Shared Corporate Services O&M for
8 calendar years 2023 and 2024 to the 2022 CTY level if our proposed 2023/2024
9 capital step increases are approved.

10 **Q. IS THE COMPANY'S 2020-2021 SHARED CORPORATE SERVICES O&M**
11 **DESCRIBED ABOVE A REASONABLE BASIS ON WHICH TO ESTABLISH**
12 **O&M COSTS FOR THE TEST YEAR?**

13 A. Yes. The Company's 2020-2021 HTY Shared Corporate Services O&M costs are
14 reasonably representative of the Company's forecasted O&M costs for
15 establishing the 2022 CTY. The O&M expense reflects the reasonableness of
16 the previously-approved year-ending September 30, 2019 O&M expense
17 adjusted to reflect key drivers the Company has been implementing to ensure
18 safe and reliable gas service for our customers.

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

20 A. Yes, it does.

Statement of Qualifications

Adam R. Dietenberger

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

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

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

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

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

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * *

IN THE MATTER OF ADVICE NO. 993-GAS)
OF PUBLIC SERVICE COMPANY OF)
COLORADO TO REVISE ITS COLORADO)
PUC NO. 6-GAS TARIFF TO INCREASE)
JURISDICTIONAL BASE RATE)
REVENUES, IMPLEMENT NEW BASE) PROCEEDING NO. 22AL-____G
RATES FOR ALL GAS RATE SCHEDULES,)
AND MAKE OTHER PROPOSED TARIFF)
CHANGES EFFECTIVE FEBRUARY 24,)
2022)

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

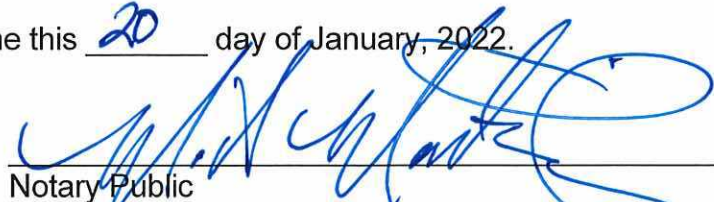
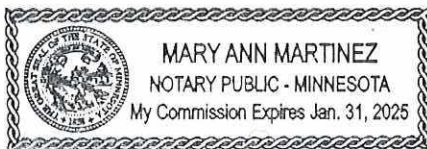
I, Adam R. Dietenberger, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the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

Dated at Minneapolis, Minnesota, this 20th day of January, 2022.



Adam R. Dietenberger
Director, Business Area Finance

Subscribed and sworn to before me this 20 day of January, 2022.


Notary Public

My Commission expires January 31, 2025