

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

* * * * *

RE: IN THE MATTER OF ADVICE)
LETTER NO. 1748-ELECTRIC FILED BY)
PUBLIC SERVICE COMPANY OF)
COLORADO TO REVISE ITS) PROCEEDING NO. 17AL-_____E
COLORADO PUC NO. 8-ELECTRIC)
TARIFF TO IMPLEMENT A GENERAL)
RATE SCHEDULE ADJUSTMENT AND)
OTHER RATE CHANGES EFFECTIVE)
ON THIRTY-DAYS' NOTICE.)

**DIRECT TESTIMONY AND ATTACHMENTS OF
MARCI A. MCKOANE**

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

October 3, 2017

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SUMMARY OF THE DIRECT TESTIMONY OF MARCI A. MCKOANE

1 Ms. Marci A. McKoane is Manager, Regulatory Project Management of Xcel
2 Energy Services Inc. In this position she is responsible for directing the project
3 management of all electric utility regulatory filings for Public Service Company of
4 Colorado ("Public Service" or "Company").

5 In her testimony, Ms. McKoane presents the Company's proposal of
6 classification of Advanced Metering Infrastructure ("AMI") Meter Costs. She also
7 explains certain of the cost-of-service and revenue inputs the Company proposes for
8 the term of the multi-year plan ("MYP"). These inputs include rate case expenses; the
9 treatment of gains/losses on asset sales; and residential late-payment revenues. Ms.
10 McKoane also summarizes the Company's proposed tariff changes to implement Public
11 Service's requests in this proceeding.

1 Ms. McKoane recommends that the Commission approve the following
2 proposals: to recover the AMI meter costs classified as demand-related (approximately
3 17 percent) through Public Service's proposed General Rate Schedule Adjustments
4 ("GRSA"); the recovery of rate case expenses for the Company's estimated rate case
5 expenses from this instant proceeding, the actual rate case expenses from the
6 Company's Electric Depreciation Study Proceeding No. 16A-0231E and Phase II
7 Electric Rate Case Proceeding No. 16AL-0048E, and the estimated expenses for the
8 Residential Energy Time-of-Use ("RE-TOU") service and Residential Demand-Time
9 Differentiated Rates ("RD-TDR") ("Trial and Pilot") subject to true up; the treatment of
10 gains and losses on routine non-depreciable asset sales such as land should be
11 retained by shareholders whereas the depreciable asset sales of Green and Clear
12 Lakes should be split equally between customers and shareholders; to continue the
13 residential late-payment fee ("LPF") donations to Energy Outreach Colorado ("EOC")
14 consistent with past practice and the Company's tariff changes to implement our
15 requests in this proceeding reflected in Attachment MAM-4 including updates to the
16 Charges for Rendering Service and Maintenance Charges for Street Lighting Service.

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Attachment MAM-2	Rate Case Expenses
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Attachment MAM-4	Proposed Tariffs – Clean Version
Attachment MAM-5	Proposed Tariffs – Redlined Version

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
AFN	Alternative Form of Notice
AGIS	Advanced Grid Intelligence & Security
ALJ	Administrative Law Judge
Alliance	Alliance Consulting Group
AMI	Advanced Metering Infrastructure
CAAM	Cost Allocation and Assignment Manual
CACJA	Clean Air-Clean Jobs Act
CCOSS	Class Cost of Service Study
Commission	Colorado Public Utilities Commission
EAFPM	Equivalent Availability Factor Performance Mechanism
EBL	Excess Barker Land
ECA	Electric Commodity Adjustment
EOC	Energy Outreach Colorado
ESA	Earnings Sharing Adjustment
FDC	Fully Distributed Cost
FTY	Forward Test Year
Green/Clear Lakes	Green and Clear Lakes
GRSA	General Rate Schedule Adjustment
IBEW	International Brotherhood of Electrical Workers

<u>Acronym/Defined Term</u>	<u>Meaning</u>
JDE	JD Edwards
LPF	Late-payment Fee
M&V	Measurement and Verification
Maintenance Charges	Maintenance Charges for Street Lighting Service
MYP	Multi-Year Plan
O&M	Operations & Maintenance
OCC	Office of Consumer Counsel
Public Service or Company	Public Service Company of Colorado
QSP	Quality of Service Plan
RD-TDR, Trial and Pilot	Residential Demand-Time Differentiated Rates
RE-TOU, Trial and Pilot	Residential Energy Time-of-Use
REA	Restrictive Easement Agreement
ROE	Return on Equity
RTD	Regional Transportation District
S&F	Service & Facility
Schedule SL	Street Lighting Service Schedule
Staff	Staff of the Colorado Public Utilities Commission
TCA	Transmission Cost Adjustment
TOU	Time-of-Use
United Hydro	United Hydro Electric Company
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

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DIRECT TESTIMONY AND ATTACHMENTS OF MARCI A. MCKOANE

I. INTRODUCTION, QUALIFICATIONS, AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Marci A. McKoane. My business address is 1800 Larimer Street,
Denver, Colorado 80202.

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

A. I am employed by Xcel Energy Services Inc. ("XES") as Manager, Regulatory
Project Management. 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 "Company") and the other utility
operating company subsidiaries of Xcel Energy on a coordinated basis.

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

A. I am testifying on behalf of Public Service.

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

2 A. As the Manager, Regulatory Project Management, I am responsible for directing
3 the project management of all electric utility regulatory filings for Public Service. I
4 manage the resources necessary to make timely and complete regulatory filings,
5 including support for the filing of general rate case filings, certificates of need,
6 resource plans, and rate rider filings. I manage staff and processes to ensure
7 appropriate records retention, timely filings, and compliance with all regulatory
8 requirements. A description of my qualifications, duties, and responsibilities is set
9 forth after the conclusion of my testimony in my Statement of Qualifications.

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

11 A. I will sponsor several of the Company's specific recommendations in this rate
12 proceeding. A list of the issues I cover in my testimony is provided below:

- 13 • Present the Company's proposal of classification of Advanced Metering
14 Infrastructure ("AMI") Meter Costs.
- 15 • Explain some of the cost-of-service and revenue inputs the Company
16 proposes for the term of the multi-year plan ("MYP"). These inputs include
17 rate case expenses; the treatment of gains/losses on asset sales; and
18 residential late-payment revenues.
- 19 • Summarize the Company's proposed tariff changes to implement our
20 requests in this proceeding.

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

3 **A.** Yes, I am sponsoring the following attachments, which were prepared by me or
4 under my direct supervision:

- 5 • Attachment MAM-1: Classification of AMI Meter Costs
- 6 • Attachment MAM-2: Rate Case Expenses
- 7 • Attachment MAM-3: Gains & Losses on Asset Sales
- 8 • Attachment MAM-4: Proposed Tariffs – Clean Version
- 9 • Attachment MAM-5: Proposed Tariffs – Redlined Version

1 **II. CLASSIFICATION OF AMI METER COSTS**

2 **Q. WHY IS THE COMPANY PROPOSING TO CLASSIFY AMI METER COSTS IN**
3 **THIS CASE?**

4 A. The Company is undertaking the roll-out of advanced meters as an upgrade to its
5 distribution system as part of its Advanced Grid Intelligence & Security (“AGIS”)
6 initiative. The Unopposed Comprehensive Settlement Agreement from Public
7 Service’s AGIS Proceeding No. 16A-0588E, which was approved by the
8 Commission in Decision No. C17-0556 and effective on July 25, 2017, provides
9 for the following:

10 4. AMI meters are utilized for more than measurement of a customer's
11 consumption for billing purposes as discussed in the Background section
12 above. Therefore, it is reasonable that some portion of the meter cost not
13 be classified as a specific customer cost. In its next Phase I and Phase II
14 rate proceedings, the Company shall present a proposal for assigning the
15 portions of the AMI meter costs to the functions that cause those costs.
16 The Settling Parties expressly reserve the right to raise any arguments
17 concerning all elements of the proper allocation of costs in future rate
18 cases.

19
20 The Company is proposing the classification of the AMI meter costs in this
21 Phase I case to effectuate this agreement.

22 **Q. WHAT IS THE PURPOSE OF CLASSIFICATION AND HOW IS IT**
23 **TRADITIONALLY USED IN THE CLASS COST OF SERVICE STUDY**
24 **(“CCOSS”)?**

25 A. The three principal steps of a traditional CCOSS are Functional Assignment,
26 Classification and Allocation. These three steps are necessary to ensure that the

1 costs allocated to a class of customers reflect as accurately as possible the costs
2 that the particular customer class causes the Company to incur.

3 In the second step of Classification, the major cost drivers are identified
4 (or "classified") for each group of functionally assigned costs. Identifying the
5 major cost drivers allows the service characteristics that give rise to the costs to
6 serve as a basis for allocation. Once the costs are functionally assigned they are
7 then usually classified as customer-, demand- or energy-related costs.

8 **Q. WHAT IS THE METHODOLOGY THE COMPANY USED TO CLASSIFY THE**
9 **AMI METER COSTS?**

10 A. First, we identified the incremental cost of an AMI meter by comparing the
11 installed cost of an AMI meter to the installed cost of the least expensive option
12 for metering a customer¹. On the Public Service system that least-cost meter is
13 an AMR meter. The installed AMI meter cost is \$131.14 during deployment, or
14 about 23 percent more expensive than the \$100.42 installed cost of an installed
15 AMR meter.

16 **Q. WHY IS IT IMPORTANT TO FIRST IDENTIFY THIS INCREMENTAL COST OF**
17 **AN AMI METER?**

18 A. Any costs of AMI meters up to the costs of the Company's least expensive option
19 for metering residential customers should be classified as customer-related

¹ The Company compared the blended costs for all types of customers for determining the AMI and AMR installed meter costs.

1 costs. The cost of this least expensive option represents the minimum cost Public
2 Service could practically incur to meter a residential customer for billing
3 purposes, and the costs of these meters vary directly with customer count.

4 For Public Service the appropriate benchmark is an AMR meter, because
5 AMR meters are currently the Company's least expensive option for metering
6 residential customers and will still be used during the transition to full AMI
7 deployment. This is a reasonable method for assigning the incremental costs of
8 the AMI meter costs that is not classified as customer related as the Company
9 transitions to full AMI deployment. Consequently, as the Company transitions to
10 full AMI meter deployment it is reasonable to derive the incremental costs of an
11 AMI meter by comparing the total installed cost of an AMI meter to the total
12 installed cost of an AMR meter.

13 Any such incremental costs are incurred to provide other benefits, which
14 can then be evaluated and disaggregated into customer-, demand- or energy-
15 related components.

16 **Q. WHAT METHOD DID YOU USE TO CLASSIFY THE INCREMENTAL AMI**
17 **COSTS?**

18 A. I examined the additional benefits that AMI meters bring to the system using the
19 AMI meter cost - benefit analysis relied on in the AGIS Proceeding No. 16A-
20 0588E. The AMI meter cost - benefit analysis was presented in the AGIS
21 proceeding to compare the costs with the quantifiable benefits of AMI, as well as
22 to provide a more detailed breakdown of individual cost and benefits

1 assumptions. A few of the benefits, such as reduced meter reading and field
2 service costs, were classified as customer-related benefits. But the majority were
3 classified as demand-related benefits. Because very few of the costs were
4 classified as energy-related (about 6 percent), I included them as demand-
5 related in my analysis for simplicity. The split for AMI benefits was about 73
6 percent demand-related and 27 percent customer-related.

7 **Q. HOW DID YOU USE THAT BREAKDOWN TO DETERMINE THE**
8 **APPROPRIATE CLASSIFICATION OF AMI METER COSTS?**

9 A. I multiplied the incremental cost of an installed AMI meter (23 percent, as
10 explained above) by the percentage contribution of demand-related benefits (73
11 percent) to total AMI benefits to derive the percentage of AMI meter costs
12 classified as demand-related. This percentage is approximately 17 percent.

13 This detailed calculation is included as Attachment MAM-1.

14 **Q. WILL THERE ALWAYS BE A PORTION OF THE AMI METER COSTS**
15 **CLASSIFIED AS NON DEMAND-RELATED?**

16 A. No. After the Company transitions to full AMI deployment, there will no longer be
17 an AMR meter alternative; the only option will be an AMI meter. At that time, the
18 cost of an AMI meter will represent the least-cost option for metering a residential
19 customer and 100 percent of the AMI meter costs should be classified as
20 customer-related.

1 **Q. WHAT IS THE COMPANY’S RECOMMENDATION FOR COST RECOVERY OF**
2 **THE CUSTOMER AND DEMAND-RELATED AMI METER COSTS?**

3 A. The Company is requesting to recover the AMI meter costs classified as
4 demand-related through our proposed General Rate Schedule Adjustments
5 (“GRSA”).

6 The Company will request to recover the AMI meter costs classified as
7 customer-related through the Service & Facility (“S&F”) charges from customers²
8 through a separate advice letter filing prior to the AMI meter deployment
9 sometime in 2019.

10 **Q. HOW ARE THESE COSTS REFLECTED IN THE COMPANY’S COST OF**
11 **SERVICE IN THE MYP?**

12 A. The AMI meter costs classified as customer-related (approximately 83 percent)
13 have been removed from the MYP cost of service and are reflected as an
14 adjustment to the MYP in Ms. Deborah Blair’s Attachments DAB-1, DAB-3, DAB-
15 5, and DAB-7, Schedule 111.

16 The AMI meter costs classified as demand-related (approximately 17
17 percent) are included in the MYP cost of service, and are reflected in Ms. Blair’s
18 Attachments DAB-1, DAB-3, DAB-5, and DAB-7, Schedule 3.

² All customer classes excluding Transmission General Service, Schedule TG.

1 **III. DISCUSSION OF VARIOUS COST OF SERVICE INPUTS**

2 **Q. WHAT ARE THE COST OF SERVICE INPUTS THAT YOU ARE SPONSORING**
3 **IN YOUR DIRECT TESTIMONY?**

4 A. I am sponsoring rate case expenses, the treatment of gains/losses on asset
5 sales, and residential late-payment revenues. These inputs are explained in
6 more detail in my testimony.

7 **A. Rate Case Expenses**

8 **Q. WILL PUBLIC SERVICE INCUR RATE CASE EXPENSES TO PREPARE AND**
9 **PROSECUTE THIS RATE CASE?**

10 A. Yes. Public Service has already incurred rate case expenses to prepare this
11 required rate case filing and will continue to incur rate case expenses to perform
12 the other tasks necessary to filing and litigating a base rate case before the
13 Commission. Public Service expects to incur additional rate case expenses as
14 the case progresses.

15 **Q. IS PUBLIC SERVICE PROPOSING TO RECOVER THESE RATE CASE**
16 **EXPENSES IN THIS CASE?**

17 A. Yes.

18 **Q. IS PUBLIC SERVICE PROPOSING TO RECOVER RATE CASE EXPENSES**
19 **FROM OTHER PROCEEDINGS IN THIS CASE?**

20 A. Yes. Public Service is proposing to include rate case expenses from the
21 Company's Electric Depreciation Study Proceeding No. 16A-0231E and Phase II
22 Electric Rate Case Proceeding No. 16AL-0048E.

1 **Q. WHY IS PUBLIC SERVICE INCLUDING RATE CASE EXPENSES FOR THE**
2 **2016 DEPRECIATION STUDY IN THIS CASE?**

3 A. Under the terms of the Settlement Agreement (at page 22) from Public Service's
4 most recent electric rate case in Proceeding No. 14AL-0660E, which was
5 approved by the Commission in Decision No. C15-0292 (mailed March 31,
6 2015), the Company is allowed to include incremental outside consultant and
7 legal expenses incurred by the Company in preparing and defending the 2016
8 Depreciation Case in the 2017 Electric Rate Case.

9 **Q. WHY IS PUBLIC SERVICE INCLUDING RATE CASE EXPENSES FOR THE**
10 **LAST PHASE II ELECTRIC RATE CASE IN THIS CASE?**

11 A. Under the terms of the Unanimous Comprehensive Settlement Agreement (at
12 page 45) from Public Service's Phase II Electric Rate Case in Proceeding No.
13 16AL-0048E³, which was approved by the Commission in Decision No. C16-
14 1075 (mailed November 23, 2016)(as modified by Decision No. C16-1165
15 (mailed December 22, 2016)), the Company is allowed to include actual rate
16 case expenses as eligible for recovery in the next Electric Phase I rate case.

17 In addition, any additional programming and billing costs for the
18 Residential Energy Time-of-Use ("RE-TOU") service and Residential Demand-
19 Time Differentiated Rates ("RD-TDR") ("Trial and Pilot") above the incremental

³ The Proceeding Nos. 16AL-0048E (Public Service's Phase II Electric Rate Case), 16A-0055E (Public Service's Application for Approval of the Solar*Connect Program), and 16A-0139E (Public Service's Application for Approval of the 2017-2019 Renewable Energy Compliance Plan) were combined for purposes of settlement.

1 metering costs of the service and \$330,000 of one-time programming and billing
2 costs shall be treated as rate case expenses eligible for deferred accounting and
3 recovery in a subsequent proceeding.

4 **Q. WHY IS IT APPROPRIATE FOR PUBLIC SERVICE TO INCLUDE RATE CASE**
5 **EXPENSES AS A RECOVERABLE ITEM IN THE COST OF SERVICE?**

6 A. Most businesses have the flexibility to set their prices based on their assessment
7 of the market and the demand for their products. Utilities that are subject to cost
8 of service regulation do not have this same flexibility, but must instead file for and
9 obtain regulatory authorization to establish new rates. Consequently, the cost of
10 the filing and litigating rate cases are necessary costs of conducting our
11 business. It has been the long-standing practice of this Commission to treat
12 reasonable rate case expense as a necessary cost of doing business and, after
13 review, to allow recovery of rate case expenses through mechanisms established
14 in the same or subsequent proceedings.

15 **Q. WHAT AMOUNT OF RATE CASE EXPENSES IS PUBLIC SERVICE SEEKING**
16 **TO RECOVER IN THIS CASE?**

17 A. The total cost for this Phase I rate case, the last Phase II electric rate case
18 including the Pilot and Trial, and the 2016 Depreciation Study are as follows:

1

Table MAM-D-1

Proceeding Name	Proceeding No.	Amount	Expense Type
Phase I Rate Case	17AL-XXXXE, in this instant rate case proceeding	\$ 928,967	Actuals/Estimate
2016 Depreciation Study	16A-0231E	\$ 583,474	Actuals
Phase II Rate Case	16AL-0048E	\$ 382,576	Actuals
Phase II Trial and Pilot	16AL-0048E	\$ 5,369,726	Actuals/Estimate
Total		\$ 7,264,743	

2 The total cost for consultants, legal expenses, and other initiatives associated
3 with the Phase I rate case is estimated to be \$928,967, assuming a fully litigated
4 case with a hearing, post-hearing briefing, exceptions and replies to exceptions,
5 and motions for rehearing and replies. The actual costs for the Phase II rate case
6 (\$382,576) and the Depreciation Study (\$583,474) are primarily associated with
7 consultants and legal expenses that were incurred for these proceedings. The
8 Phase II Pilot and Trial is currently underway and the associated marketing,
9 program management, measurement and verification ("M&V"), billing and IT
10 costs are estimated to be \$5,369,726. Attachment MAM-2 provides a summary of
11 these rate case expenses by major category and proceeding.

12 Below I will discuss some rate case expense history and explain the major
13 categories of the rate case expenses.

1 **Q. DOES YOUR ESTIMATE OF RATE CASE EXPENSES INCLUDE ANY RATE**
2 **CASE EXPENSES FROM PRIOR PHASE I CASES?**

3 A. No. As detailed by Company witness Ms. Deborah A. Blair, the rate case
4 expenses approved for the 2014 Electric Rate Case were to be amortized over a
5 36-month period, which will end on December 31, 2017. Thus, it is expected that
6 those rate case expenses will be fully amortized prior to rates becoming effective
7 in this rate case, provided the Commission suspends this electric rate case for
8 the full 210 days. Ms. Blair's cost of service model reflects this expectation.

9 **Q. DOES YOUR ESTIMATE OF RATE CASE EXPENSES INCLUDE ANY**
10 **AMOUNTS OF RATE CASE EXPENSES FOR A PHASE II RATE CASE**
11 **FOLLOWING THIS CASE?**

12 A. No. The Company recently completed a Phase II case and is not proposing a
13 Phase II during the MYP period. At the time the Company files a Phase II rate
14 case following this Phase I case, we will likely request that the rate case
15 expenses associated with that proceeding be decided and placed into a deferred
16 accounting asset until such time as another Phase I rate case is filed.

17 **Q. PLEASE LIST AND GENERALLY DESCRIBE THE MAJOR RATE CASE**
18 **EXPENSE CATEGORIES YOU ARE PRESENTING FOR RECOVERY IN THIS**
19 **CASE FOR THE PHASE I RATE CASE, LAST PHASE II RATE CASE AND**
20 **DEPRECIATION STUDY.**

21 A. The major categories of rate case expenses included in my Attachment MAM-2
22 include the following areas:

1 **Consultants:** Consultants are necessary for the preparation of a
2 comprehensive electric rate case for a number of reasons. Many times
3 consultants will testify to or provide support for ROE recommendations, forecast
4 test year ("FTY")/MYP, benchmarking analyses, actuarial review of testimony,
5 discovery, or case assembly. Typically, the expertise sought from the consultant
6 is not an expertise that is hired on a permanent basis within the organization.

7 **Transcripts/Hearing Costs:** During the course of the case, a court
8 reporter will be necessary to transcribe depositions and hearings before the
9 Commission or Administrative Law Judge ("ALJ"). There is a cost of having court
10 reporters record and then transcribe these proceedings. This fee increases or
11 decreases based upon the timeframe by which the reporter must turn over the
12 transcript.

13 **Legal Counsel:** The Company has an in-house legal department whose
14 regulatory team works on the matters that we have before the Commission.
15 However, we have more Commission-related work than can be handled by our
16 in-house department, so we also need to retain outside attorneys for this work.
17 The Company does not staff up its legal department assuming continuous
18 ongoing rate cases, but we do assign inside attorneys to our rate cases. Our
19 ability to rely on our inside counsel for rate cases is dependent upon other
20 pending matters. Thus, outside legal assistance is sometimes necessary.

21 **Customer Noticing:** Pursuant to Rule 1210, the Company must provide
22 a notice to its customers regarding the rate request. Historically this meant

1 sending out a mailing to all customers at a substantial cost. During the 2014
2 Phase I (Proceeding No. 14AL-0660E), we reached an agreement on noticing
3 and filed that alternative form of notice ("AFN") with the Commission. We are
4 proposing to utilize that same procedure here.

5 **Postage:** We must occasionally mail case materials to intervenors (e.g.,
6 Company testimonies, discovery responses, and other materials).

7 **Duplicating and Office Supplies:** This category of costs reflects the
8 printing of our filings for internal and external use, as well as other materials
9 necessary for the rate case.

10 **Miscellaneous Expenses:** This category captures a variety of items,
11 including market research, incremental regulatory support from temporary or
12 hourly employees for the preparation and processing of the case, and travel and
13 related expenses for Company witnesses to attend the hearing and other
14 meetings.

15 1. Phase I Rate Case

16 **Q. PLEASE DISCUSS THE SPECIFIC CONSULTANT AND OUTSIDE WITNESS**
17 **COSTS THAT THE COMPANY IS PROJECTING TO INCUR FOR THIS PHASE**
18 **I RATE CASE.**

19 A. The costs associated with securing outside consultants or witnesses with specific
20 areas of expertise are necessary for the support and completion of the case. We
21 estimate these costs to be \$192,230. This amount is broken down below by
22 consultant, along with a description of the service provided later in my testimony:

1	PEG (MYP & Electric Benchmarking)	\$55,200
2	Concentric (ROE)	\$68,780
3	Janet Schmidt-Petree (Consultant through	
4	Wilkinson Barker Knauer LLP)	\$32,250
5	Willis Towers Watson (Discovery & Actuarial Study & Benefits	
6	Accounting & Ratemaking)	\$13,500
7	Gene Wickes, Willis Towers Watson	
8	<u>(Prepaid Pension Assets & OPEB)</u>	<u>\$22,500</u>
9	Total	\$192,230

10 **Q. PLEASE DESCRIBE THE SERVICES THAT WERE OR WILL BE PROVIDED**
11 **BY PEG.**

12 A. PEG was contracted to conduct and present benchmarking studies, provide
13 background information on MYPs, assist with and assess the Company's
14 proposed MYP, develop an O&M expense escalator, and assess the efficiency
15 impacts of HTYs. Because of the scope of the requested work, the complexity of
16 the econometric benchmarking studies, the need for in-depth experience with
17 MYPs in the U.S. and other countries, and the need for work products to be
18 developed quickly, the Company could not rely on in-house resources.

19 **Q. PLEASE DESCRIBE THE SERVICES THAT WERE OR WILL BE PROVIDED**
20 **BY CONCENTRIC.**

21 A. In any Phase I rate case ROE and capital structure are critical issues. The
22 witness developing the ROE recommendation must be experienced and able to

1 explain the analysis clearly. We do not maintain the expertise required of an ROE
2 witness in-house. Consequently, we must hire a consultant to provide the
3 analysis and testimony. The Company does not hire an internal witness for this
4 area of expertise because it is a specialized field. Additionally, external experts
5 generally have a broader view of developments in their areas of expertise than
6 internal employees focused on the eight states in which Xcel Energy operates.

7 **Q. PLEASE DESCRIBE THE SERVICES THAT WERE OR WILL BE PROVIDED**
8 **BY WILLIS TOWERS WATSON.**

9 A. Willis Towers Watson is Xcel Energy's outside consultant for evaluating our
10 pension and benefits programs and the accounting for those programs. They
11 have been asked to help respond to discovery regarding the pension program in
12 past general audit and rate cases, and provide the actuarial studies on pension
13 and benefits to support our test-year expenses in this rate case. We anticipate
14 needing their services for the discovery process as well in this rate case.

15 **Q. PLEASE DESCRIBE THE SERVICES THAT WERE OR WILL BE PROVIDED**
16 **BY JANET SCHMIDT-PETREE.**

17 A. The Company contracted with Ms. Schmidt-Petree to prepare testimony. She has
18 extensive knowledge of our Cost Allocation and Assignment Manual ("CAAM")
19 and the Fully Distributed Cost ("FDC") Study. Also, due to her prior employment
20 with the Company, she has extensive experience with the transition from the JD
21 Edwards ("JDE") system to SAP.

1 **Q. PLEASE DESCRIBE THE SERVICES THAT WERE OR WILL BE PROVIDED**
2 **BY MR. GENE H. WICKES.**

3 A. Mr. Wickes was contracted because he possesses specific expertise that is not
4 cost-effective to retain on a full-time basis in-house. He and his firm have
5 completed the Prepaid Pension Asset and Prepaid Retiree Medical Asset
6 analysis for the Company's rate case and Mr. Wickes provides testimony on this
7 subject.

8 **Q. PLEASE DISCUSS THE TRANSCRIPT AND HEARING COSTS THAT THE**
9 **COMPANY IS PROJECTING TO INCUR AS PART OF THIS PHASE I RATE**
10 **CASE.**

11 A. The Company anticipates incurring a total cost of \$16,038 for the purchase of
12 transcripts of the hearings and other hearing costs assuming the hearing lasts 7
13 days.

14 **Q. PLEASE DISCUSS THE OUTSIDE LEGAL FEES THAT THE COMPANY IS**
15 **PROJECTING TO INCUR AS PART OF THIS PHASE I RATE CASE.**

16 A. Outside Legal costs are estimated to be \$638,000, which are separated across
17 three law firms where we have hired specific assistance for our rate case filing.
18 The three law firms are Winstead PC, Wilkinson Barker Knauer, LLP, and Briggs
19 and Morgan. Each of these firms was retained for its expertise and specific
20 knowledge of Public Service and the other Xcel Energy companies. The firms
21 provided, or will provide, assistance in assembling testimony and attachments,

1 witness preparation, advice on strategy, responding to discovery, and generally
2 processing the case.

3 The Company's internal legal team works hard to ensure that duties are
4 appropriately assigned to outside legal counsel and to ensure that work efforts
5 are not duplicative.

6 **Q. PLEASE DESCRIBE THE COSTS TO MEET THE NOTICE REQUIREMENTS**
7 **OF THE COMMISSION THAT THE COMPANY IS PROJECTING TO INCUR AS**
8 **PART OF THIS PHASE I RATE CASE.**

9 A. The costs estimated for completing this requirement are \$51,799. This cost can
10 be broken down into three categories – bill onsert/online media, newspaper and
11 social media. The bill onsert/online media component of this category of rate
12 case expense is \$27,225, which is the cost associated with printing the notice on
13 a customers' bills, and mailing it to customers during their normal billing cycles.
14 The newspaper component of this category of rate case expense is \$24,074.
15 This expense is to fulfill the requirement that we post the notice of our filing in a
16 newspaper of general circulation for two consecutive Sundays. The social media
17 outreach is estimated to be \$500 for Facebook and Twitter.

18 **Q. PLEASE DISCUSS THE POSTAGE COSTS THAT THE COMPANY IS**
19 **PROJECTING TO INCUR AS PART OF THIS PHASE I RATE CASE.**

20 A. We are estimating that we will incur approximately \$500 in postage expenses
21 throughout the case. These are costs associated with providing materials such
22 as discovery responses to intervening parties through the United States Postal

1 Service delivery or direct shipping. If materials need to be mailed to an
2 intervener, the Company prefers to use the United States Postal Service delivery.
3 However, in some cases the only means of timely delivery is direct shipping.

4 We again plan to use the SharePoint site to provide access to discovery
5 responses, attachments, work papers, testimony, and some settlement materials.
6 Not only will this reduce postage costs to virtually \$0, it will allow interveners
7 located at a more distant location to more timely access the information.

8 **Q. PLEASE DESCRIBE THE ESTIMATED COSTS ASSOCIATED WITH THE**
9 **PRINTING AND PROVISION OF HARD COPIES OF CASE MATERIALS FOR**
10 **THIS PHASE I RATE CASE.**

11 A. Both at the onset of the case and throughout the case, the Company will provide
12 paper copies to various parties as well as to Company witnesses. The costs for
13 this activity are estimated to be \$600 for printing and \$500 for supplies.

14 **Q. PLEASE DISCUSS THE MISCELLANEOUS EXPENSES THAT THE**
15 **COMPANY IS PROJECTING TO INCUR AS PART OF THIS PHASE I RATE**
16 **CASE.**

17 A. Miscellaneous expenses cover communications with our employees regarding
18 the rate case, travel expenses for out-of-state witnesses and incremental
19 regulatory support. The total amount requested for this category is \$29,300,
20 which is broken down into sub-categories below.

Communications – Webcast	\$ 1,900
Employee Expenses (e.g. Travel)	\$14,600
<u>Regulatory Support</u>	<u>\$12,800</u>
Total	\$29,300

The two most significant subcategories in this major cost category are Employee Expenses and Regulatory Support. The Employee Expenses subcategory reflects travel expenses for individuals who do not reside in Colorado. They must travel to provide testimony at the hearing, meet with interveners, and participate in other preparatory sessions as needed.

Regulatory Support is for the incremental labor that the Company has contracted for eight months to support the case full time. Regulatory Support includes supporting the SharePoint site permissions, tracking Discovery requests and responses, and other administrative tasks necessary to managing the case timely and accurately.

2. Phase II Rate Case

Q. PLEASE DISCUSS THE OUTSIDE LEGAL FEES THAT THE COMPANY INCURRED FOR THE COMPANY’S LAST PHASE II RATE CASE.

A. The Company incurred \$180,331 for outside legal costs for the firms Armstrong Teasdale and Moss & Barnett. These firms provided assistance in assembling testimony and attachments, advice on strategy, responding to discovery, and generally processing the case. The outside legal services were retained in order to supplement the Company’s in-house legal staff’s case load.

1 **Q. PLEASE DISCUSS THE CONSULTANT COSTS THAT THE COMPANY**
2 **INCURRED FOR THE COMPANY’S LAST PHASE II RATE CASE.**

3 A. The Company incurred \$63,558 of consultant costs for The Brattle Group and
4 DNV-GL. The Brattle Group provided consulting services to help the Company
5 respond to intervenor critiques of the proposed residential demand charge based
6 on a draft of the Brattle Group study of customer response to the RD-TDR
7 [formerly RD-TOU] rate design. DNV-GL supported our measurement and
8 verification study design process including experimental design and analysis, and
9 control group considerations. They also conducted a power analysis to determine
10 appropriate sample size targets required to sufficiently provide statistically
11 significant results. DNV-GL’s work was incorporated into the Company’s RE-TOU
12 & RD-TDR Study and Evaluation Plan, and they participated in all of the
13 stakeholder meetings that occurred during the fall and winter of 2016 prior to the
14 launch of the pricing plans.

15 **Q. PLEASE DESCRIBE THE COSTS INCURRED TO MEET THE NOTICE**
16 **REQUIREMENTS OF THE COMMISSION FOR THE PHASE II RATE CASE.**

17 A. The Company incurred \$41,425 for noticing the Phase II Rate Case. The bill
18 insert was \$19,704, which is the cost associated with printing the notice on a
19 customers’ bills, and mailing it to customers during their normal billing cycles.
20 The newspaper notice was \$17,997. This expense was to fulfill the requirement
21 that we post the notice of our filing in a newspaper of general circulation for two

consecutive Sundays. The cost for sending direct mail to Solar*Rewards customers was \$3,724.

Q. WHAT WAS THE AMOUNT OF POSTAGE COSTS THAT THE COMPANY INCURRED FOR THE COMPANY'S LAST PHASE II RATE CASE?

A. The Company incurred \$54 of postage.

Q. PLEASE DISCUSS THE MISCELLANEOUS EXPENSES THAT THE COMPANY INCURRED FOR THE COMPANY'S LAST PHASE II RATE CASE.

A. Miscellaneous expenses cover communications with our employees regarding the rate case, market research, regulatory support, and travel and employee expenses for out-of-state witnesses. The total amount incurred for the Miscellaneous Expense category was \$95,508 and is subdivided as listed below:

Communications – Webinar	\$ 2,175
Market Research	39,740
Regulatory Support	48,952
Miscellaneous	4,641
Total	\$95,508

The most significant subcategories in this cost category are Market Research and Regulatory Support. Market Research costs were for conducting Focus Groups with residential customers to gather their input on Grid Use Charges and the Company's long-term rate design. Regulatory Support was for the incremental labor that the Company contracted to support the case by managing SharePoint site permissions, tracking Discovery requests and responses, and other administrative tasks necessary to manage the case timely and accurately.

1 3. 2016 Depreciation Study

2 **Q. PLEASE DISCUSS THE OUTSIDE LEGAL FEES THAT THE COMPANY**
3 **INCURRED FOR THE COMPANY’S 2016 DEPRECIATION STUDY.**

4 A. The Company incurred \$369,475 for outside legal costs for the firm Wilkinson
5 Barker Knauer LLP. This firm provided assistance in assembling testimony and
6 attachments, advice on strategy and legal issues, responding to discovery, and
7 generally processing the case. The outside legal services were retained in order
8 to supplement the Company’s in-house legal staff’s case load.

9 **Q. PLEASE DISCUSS THE CONSULTANT COSTS THAT THE COMPANY**
10 **INCURRED FOR THE COMPANY’S 2016 DEPRECIATION STUDY.**

11 A. The Company incurred \$212,638 for consultant costs for a depreciation study
12 conducted by Alliance Consulting Group (“Alliance”), and a Dismantling Study
13 conducted by Burns & McDonnell. Alliance consulting group was primarily
14 responsible for developing the electric and common utility plant depreciation
15 rates using industry standard depreciation methods under the direction of the
16 Company. These costs account for \$152,711 of the total Consulting costs. Burns
17 & McDonnell conducted the dismantling and decommissioning study that was
18 used to develop the decommissioning costs used in the depreciation rates
19 developed by Alliance. The 2016 decommissioning cost study was an update of
20 the 2014 decommissioning cost study used in the 2014 Electric Rate Case,
21 Proceeding No. 14AL-0660E, resulting in some cost savings for the Company

1 versus costs for a full blown study. Burns & McDonnell costs represent \$59,927
2 of the total Consulting costs.

3 **Q. PLEASE DISCUSS THE MISCELLANEOUS EXPENSES THAT THE**
4 **COMPANY INCURRED FOR THE COMPANY'S 2016 DEPRECIATION STUDY.**

5 A. The Company incurred \$1,361 of miscellaneous expenses for travel and
6 employee expenses for out-of-state witnesses.

7 4. Phase II Trial and Pilot

8 **Q. PLEASE LIST AND GENERALLY DESCRIBE THE MAJOR RATE CASE**
9 **EXPENSE CATEGORIES YOU ARE PRESENTING FOR RECOVERY IN THIS**
10 **CASE FOR THE PHASE II TRIAL AND PILOT.**

11 A. The major categories of rate case expenses included in my Attachment MAM-2
12 and Table MAM-D-2 below for the Phase II Trial and Pilot include the following
13 areas:

14 **Marketing:** The costs required to drive awareness, educate, recruit and
15 retain customers into the Trial and Pilot.

16 **Staffing:** Funding to hire an incremental dedicated program manager and
17 marketing assistant to manage the marketing and operational aspects to
18 successfully run the Trial and Pilot.

19 **Measurement & Verification ("M&V"):** The expenses incurred to hire a
20 third party consultant to advise on study design and conduct an impact analysis
21 based on the billing data, as well as perform customer research.

Billing and IT/Programming Costs: Incremental costs required to build IT systems required to enroll and bill customers in the Trial and Pilot.

**Table MAM-D-2
Phase II Trial & Pilot Rate Case Expense**

Type of Expense	Amount
Marketing	\$3,421,634
Staffing	\$421,413
Measurement & Verification (M&V)	\$1,125,969
Billing and IT/Programming Costs	\$400,710
Total	\$5,369,726

Q. HOW LONG WILL THE COMPANY RUN ITS RE-TOU TRIAL AND RD-TDR PILOT PROGRAMS?

A. The RE-TOU Trial will end in December 2019 and the RD-TDR Pilot will end in December 2021.

Q. PLEASE DISCUSS THE MARKETING COSTS THAT THE COMPANY IS PROJECTING TO INCUR AS PART OF THE PHASE II TRIAL AND PILOT.

A. The Company is using an appropriately robust marketing and education strategy to drive awareness about the two optional pricing plans, how they work, and the potential benefits, and ultimately enroll and retain customers into the Trial and Pilot. The strategy includes multiple tactics such as:

- Digital Web-page advertisements that display awareness and education messages for customers that have either been targeted due to:
 - o Online interests or to previous visits to relevant pages (like the pricing plan landing page),

- o Segmentation and other demographic characteristics
- o Interaction on social media (such as Facebook and Twitter);
- Direct mailing for recruitment as well as retention;
- Xcel Energy bill onserts (formatted inside bill pages) and inserts (separate pages included in the bill);
- Email campaigns;
- Promotion in new service activation/ mover kits given to customers moving homes within the service territory;
- Paid social media advertising; and
- Earned media coverage obtained through press releases and media outreach.

To support many of these measures, the Company developed specific Trial and Pilot messaging, infographics, videos, customer call center scripts, webpages and social media content to illustrate the different pricing plans and value propositions.

To continue to engage and support customers after their enrollment, the Company has created new Website content, delivered door hang tags to notify customers of their meter installations, provided new online customer reports on their billing usage and has mailed reminder tools, including clings that stick onto major household appliances as reminders for how to be successful on the rates and the pricing periods of their relevant rates. The Company has also incurred costs associated with retention, engagement through emails, social media and

1 additional website content (video, Frequently Asked Questions) and call center
2 support. The total estimated marketing costs are \$3,421,634.

3 **Q. PLEASE DISCUSS THE INCREMENTAL STAFFING COSTS THAT THE**
4 **COMPANY IS PROJECTING TO INCUR AS PART OF THE PHASE II TRIAL**
5 **AND PILOT.**

6 A. The Company hired a dedicated program manager and supporting marketing
7 assistant to design and execute the overall customer experience and marketing
8 strategy. Additionally, the dedicated program manager and supporting marketing
9 assistant are responsible for the day to day operational management of the Trial
10 and Pilot including enrollment, billing, metering, ongoing communications with
11 pilot participants, data management and analysis, reporting of program metrics,
12 working with internal teams involved in program implementation and engaging
13 with regulatory stakeholders. The total cost estimated for staffing is \$421,413.

14 **Q. PLEASE DISCUSS THE MEASUREMENT AND VERIFICATION COSTS THAT**
15 **THE COMPANY IS PROJECTING TO INCUR AS PART OF THE PHASE II**
16 **TRIAL AND PILOT.**

17 A. The Company hired Navigant Consulting to perform a third party M&V study for
18 the Trial and Pilot. Navigant is responsible for: advising the Company and
19 stakeholders on study design; verifying the experimental design to reduce bias
20 and ensure statistical confidence and precision can be achieved; managing the
21 solar control group matching process; performing customer research throughout
22 the Trial and Pilot including surveys and interviews; analyzing the meter and

1 billing data; and ultimately reporting on the impact of the Trial and Pilot on driving
2 load reduction across the sample segments, as well as a whole. Navigant will
3 provide annual preliminary impact reports, annual presentations to regulatory
4 stakeholders, summaries of the ongoing customer research, as well as final
5 reports. The Scope of Work describing these activities in more detail is included
6 in the Company's confidential workpapers. The total contracted value of these
7 services is \$1,125,969.

8 **Q. PLEASE DISCUSS THE BILLING AND IT/PROGRAMMING COSTS THAT THE**
9 **COMPANY IS PROJECTING TO INCUR AS PART OF THE PHASE II TRIAL**
10 **AND PILOT.**

11 A. In order to accommodate the participants on the new rates, it was necessary for
12 the Company to build a new enrollment system as well as make significant
13 changes and additions to the billing system to account for the new tariffs. Due to
14 the complexity of the rate design and to ensure a positive customer enrollment
15 experience, it was necessary to develop an unprecedented integration of multiple
16 internal IT systems, including: the Company's My Account platform so customers
17 could enroll online; the call center system so customers could call to enroll; the
18 billing system so the process for billing changes would be seamless and to
19 facilitate meter order creation so the meter shop could exchange the customer's
20 meter with a bridge meter; Salesforce to serve as the program system of record
21 and to allow the Company to efficiently conduct marketing campaigns; as well as
22 a manual Excel macro workbook to process the necessary random assignment

1 of control group participants. Additionally, the Company developed capabilities in
2 My Account to present customers with historical visualization of their energy
3 usage broken into the different time periods in annual, monthly, and daily views.
4 Some of this work is still in progress. The total cost treated as rate case expense
5 for this undertaking is estimated to be \$400,710⁴, which is in addition to the
6 \$330,000 already incurred and approved for recovery through the S&F charge.

7 **Q. HOW WILL THESE PHASE II TRIAL AND PILOT COSTS INFORM THE**
8 **COMPANY'S LONG TERM RATE DESIGN?**

9 A. The central purpose of the Trial and Pilot is to test how customers respond to
10 time varying rates, both in terms of behavior change (load reduction and bill
11 savings) as well as acceptance and understanding of the new rate structures.
12 Findings from the Trial and Pilot will inform long term rate design not only in
13 terms of the determining the optimal pricing differentials and periods, but also in
14 understanding customer preferences, attitudes, education requirements,
15 engagement techniques and acceptance of different pricing plans, as well as
16 assessing how these different rates impact different population segments with
17 varying household characteristics with different end use technologies. This is
18 particularly important as the Company plans to roll out a TOU rate concurrent
19 with AMI deployment on an opt-out basis. All the costs incurred during the course

⁴ Per the Unanimous Comprehensive Settlement Agreement from Public Service's Phase II electric rate case in in Proceeding No. 16AL-0048E: any additional programming and billing costs for the RE-TOU service and RD-TDR Trial and Pilot above the \$330,000 of one-time programming and billing costs shall be treated as rate case expenses eligible for deferred accounting and recovery in a subsequent proceeding. The \$400,710 reflects only the costs eligible for deferred accounting above the \$330,000.

1 of the Trial and Pilot were necessary to ensure a productive study with useful,
2 robust, statistically significant results with limited bias, as well as learnings and
3 tools that could potentially be applied towards future roll out of AMI technology to
4 all our Colorado customers.

5 **Q. HOW WILL INCURRING THESE COSTS HELP ENSURE A SUCCESSFUL**
6 **IMPLEMENTATION OF THE LONG TERM RATE DESIGN?**

7 A. While all of the incurred costs described are necessary to inform a successful
8 program and therefore deliver valuable information to inform long-term rate
9 design, several categories will be particularly impactful towards ensuring
10 successful implementation of the AGIS AMI roll out and concurrent Time of Use
11 (“TOU”) rate deployment to all our Colorado customers. To start, the Marketing
12 and Staffing costs invested now will yield learnings and best practices for how to
13 raise awareness, engage and educate customers on the value of more granular
14 data and time varying rates including optimal messaging, tactics, and awareness
15 campaigns. Internal IT development of enrollment, billing, metering, and
16 customer database system architectures can be directly leveraged for use for
17 when the majority of our customers will be billed and metered on a TOU rate.
18 Metering practices developed as part of the Trial and Pilot implementation can be
19 utilized and built upon to prepare for the installation of AMI meters to all our
20 Colorado customers.

1 **Q. ARE THERE ANY PHASE II TRIAL AND PILOT COSTS THAT ARE**
2 **CURRENTLY BEING CONTEMPLATED THAT ARE NOT INCLUDED IN RATE**
3 **CASE EXPENSES IN THIS RATE CASE?**

4 A. Yes. The Company is looking into procuring a third-party provided technology
5 solution that will bring rate specific insights to participating customers to help
6 them better understand their energy usage, their bills, and ultimately help them
7 save on the new rates (Insights Platform). The solution is expected to provide
8 customers with digestible and engaging messages about their bills and how they
9 can save using personalized reports on what major household loads are driving
10 usage or bills, specific tips on how to save, as well as relevant visual
11 representations of their historical usage (comparisons to previous months or
12 years), and neighbor usage comparison. A significant portion of the cost is
13 funding for the third-party software platform and is estimated to be \$1,000,000.
14 The Company also expects approximately \$700,000 in internal IT costs
15 necessary to facilitate integration of the bridge meter data to the third-party
16 vendor. Because this portion of the project is still in the planning stages, these
17 costs are subject to change.

18 The Company is also looking into enabling smart thermostat technology to
19 optimize the Trial and Pilot rates. In other words, the smart thermostat would be
20 able to automatically drop load during peak or shoulder hours without the
21 customer having to set a specific schedule by paying a vendor to make the
22 configuration (smart thermostat algorithms to optimize the Trial or Pilot rates) and

1 then push it out to existing customers with smart thermostats or offer a smart
2 thermostat rebate to encourage people to purchase them pre-configured in
3 conjunction with enrolling in the Trial or Pilot.

4 The Company will keep Commission staff and stakeholders apprised of
5 the status of these projects through the ongoing Trial and Pilot stakeholder
6 meetings and workgroups.

7 **Q. HOW IS THE COMPANY PROPOSING TO RECOVER PHASE II TRIAL AND**
8 **PILOT COSTS SUCH AS THE COSTS OF THE INSIGHTS PLATFORM OR**
9 **ENABLING TECHNOLOGY THAT ARE NOT INCLUDED IN THIS RATE**
10 **CASE?**

11 A. Due to the uncertainty of incurring the costs such as the Insights Platform and
12 Enabling Technology at this time, the Company requests to defer these actual
13 rate case expenses for recovery in the next Electric Phase I rate case. We will
14 defer and track the actual costs in an accounting asset with interest until they are
15 included for recovery in the next Electric Phase I rate case. In the next Electric
16 Phase I rate case, parties will be free to challenge the recovery of these amounts
17 and the manner in which those amounts may be recovered.

1 **Q. GIVEN THE LENGTH OF THE TRIAL AND PILOT AND THE UNCERTAINTY**
2 **OF COSTS THAT ARE DRIVEN BY PARTICIPATION, IS THE COMPANY**
3 **PLANNING ON A TRUE UP OF THE TRIAL AND PILOT RATE CASE**
4 **EXPENSES INCLUDED IN THIS CASE?**

5 A. Yes. The Company proposes to defer the actuals costs over or under the
6 forecasted amount (\$5,369,726) of the Trial and Pilot rate case expenses
7 requested in this rate case with interest for recovery or refund in the next Electric
8 Phase I rate case. In the next Electric Phase I rate case, parties will be free to
9 challenge the recovery of the actual costs deferred over the forecast in this case.

10 **Q. IS THE COMPANY PROVIDING SUPPORTING DOCUMENTATION FOR THE**
11 **ACTUAL RATE CASE EXPENSES THE COMPANY HAS INCURRED FOR**
12 **RECOVERY IN THIS CASE?**

13 A. Yes. The Company is providing supporting documentation for actual rate case
14 expenses as confidential workpapers in this case.

15 **Q. DO YOU BELIEVE THAT THE COSTS DESCRIBED ABOVE ARE**
16 **REASONABLE?**

17 A. Yes. We have worked diligently to find ways to reduce these rate case expenses,
18 such as the alternative form of notice (“AFN”) and bidding out our ROE witness
19 and Marketing & Verification activities. Where we do not have vendor contracts to
20 aid in cost estimations, we used rate case expenses incurred in previous rate
21 cases that were either settled or litigated over a long period and involved
22 extensive discovery.

1 **B. Gains/Losses on Asset Sales**

2 **Q. I WOULD NOW LIKE TO TURN TO THE ISSUE OF GAINS AND LOSSES ON**
3 **THE SALE OF UTILITY ASSETS. BY WAY OF BACKGROUND, PLEASE**
4 **EXPLAIN WHAT A GAIN OR LOSS IS IN THE CONTEXT OF A SALE OF**
5 **UTILITY PROPERTY?**

6 A. Utilities routinely sell assets, land or other equipment or facilities that they no
7 longer need for their utility operations. A utility receives a gain on sale when it
8 sells the asset for a price higher than the acquisition cost of the non-depreciable
9 asset or the depreciated book value of the depreciable asset. When a utility sells
10 an asset at a lower price than the acquisition cost of the non-depreciable asset or
11 the depreciated book value of the depreciable asset, it incurs a loss on that sale.

12 Non-depreciable assets (e.g., land) and depreciable assets (e.g.,
13 equipment or buildings) are thus treated differently when determining whether
14 there is a gain or loss from the sale of these assets.

15 **Q. WHY ARE THEY TREATED DIFFERENTLY?**

16 A. A utility depreciates certain assets like buildings, machinery, and equipment.
17 Depreciation is the cost of owning an asset that appears on the utility's books
18 each year. By depreciating an asset over its useful life a utility can allocate the
19 original cost of an asset across the period over which the asset provides service
20 to customers. In turn, customers reimburse the utility for this depreciation
21 expense through their rates. When a utility sells the depreciable asset, the gain

1 or loss is the difference between the depreciated value of the assets at the time
2 of sale and the sales price, minus applicable acquisition and closing costs.

3 Land, however, is not a depreciable asset. Unlike buildings, machinery
4 and equipment and other assets, land does not need to be replaced. Accordingly,
5 while customers pay the carrying costs of non-depreciable assets, the
6 Company's shareholders are not reimbursed for their investments in land until or
7 unless the land (or other non-depreciable asset) is sold.

8 **Q. DID THE COMPANY REALIZE ANY GAINS OR LOSSES FROM ROUTINE**
9 **ASSET OR LAND SALES FOR WHICH IT SEEKS ACCOUNTING**
10 **TREATMENT IN THIS PROCEEDING?**

11 A. Yes. Please see Table MAM-D-3 below, which summarizes Attachment MAM-3.

1

Table MAM-D-3

Account Description	PSCo Electric Asset/Land	Sales Price	PSCo Electric \$ Net Gain/(Loss)	PSCo Electric \$ Net Gain/(Loss) After Sharing
Green/Clear Lakes - Gain on sale	Asset ⁵	\$271,697	\$114,971	\$57,485
Barker Substation - Gain on sale	Land	\$2,835,000	\$1,823,593	\$1,823,593
Cameo - Loss on sale	Land	\$500,000	(\$669,318)	(\$669,318)
East Substation - Gain on sale	Land	\$479,520	\$478,185	\$478,185
Krameria Substation - Gain on sale	Land	\$620,000	\$596,593	\$596,593
Silverthorne Substation - Gain on sale	Land	\$226,105	\$103,057	\$103,057
Tollgate Substation - Gain on sale	Land	\$108,652	\$97,115	\$97,115
Fairfax Substation - Loss on sale	Land	\$25,000	(\$1,965)	(\$1,965)
Barnum Substation - Gain on sale	Land	\$25,000	\$6,281	\$6,281
Chestnut Substation - Gain on sale	Land	\$23,437	\$5,629	\$5,629
Total		\$5,114,410	\$2,554,141	\$2,496,655

2 Public Service sold property that included land and assets near its Cabin
 3 Creek hydro-electric plant in Georgetown, Colorado that resulted in a net gain as
 4 explained later in my testimony. Of the total gain, \$114,971 is attributable to the
 5 sale of depreciable assets included in electric rate base.

⁵ The investment in the land and recreational easement are reflected as a non-utility investment in a subsidiary (Green and Clear Lakes Company). Consequently, they are not listed here.

1 Details of Public Service's land-only sales listed above are included in
2 Attachment MAM-3. The total net gain of these land sales is \$3,225,424, with the
3 exception of the sale of the land at Cameo and the Fairfax Substation that
4 resulted in a net loss of \$671,283.

5 **Q. PLEASE DESCRIBE THE GREEN AND CLEAR LAKES PROPERTY SALE.**

6 A. The property is a legacy property originally purchased and owned by the Green
7 and Clear Lakes Company in the late 1800s. Green and Clear Lakes Company's
8 holdings included multiple storage reservoirs and land near Public Service's
9 present Cabin Creek hydro-electric plant. United Hydro Electric Company
10 ("United Hydro") acquired the Green and Clear Lakes Company in 1906. United
11 Hydro merged into Public Service Company of Colorado in 1941, and the Green
12 and Clear Lakes Company became a direct subsidiary of Public Service.

13 The property formerly owned by the Green and Clear Lakes Company
14 includes, among other things, land adjacent to Green Lake, a conference center,
15 a caretaker's lodge, and a recreational easement. Several years ago, the
16 Company determined that portions of the property previously owned by the
17 Green and Clear Lakes Company no longer served utility operations and decided
18 to sell it. The property at issue ("Green/Clear Lakes property") consists of 126.8
19 acres of land subject to a recreational easement, a conference center, and a
20 caretaker's lodge.

1 **Q. HOW HAS THE COMPANY ACCOUNTED FOR THE GREEN AND CLEAR**
2 **LAKES PROPERTY?**

3 A. The conference center and the caretaker's lodge are in the Company's rate base,
4 while the land is not. The Company has accounted for its \$22,500 of non-utility
5 investment in the land and recreational easement as an investment in a
6 subsidiary (Green and Clear Lakes Company). However, the Company has
7 included the buildings on the land in its utility rate base as common plant assets.
8 The original cost of these assets is \$190,090, and the associated depreciation is
9 \$109,016, which results in a total net book value of the depreciable property of
10 \$81,074.

11 **Q. HOW MUCH DID THE GREEN AND CLEAR LAKES PROPERTY SELL FOR?**

12 A. The total sale price was \$728,100, with a total net sales price of \$682,654 after
13 closing costs. Based on an appraisal of the property completed in 2012,
14 approximately 60 percent of the net proceeds (\$410,957) are attributable to land
15 and approximately 40 percent (\$271,697) are attributable to the equipment and
16 buildings, i.e., depreciable assets.

17 **Q. PLEASE DESCRIBE THE BARKER SUBSTATION LAND SALE.**

18 A. The Excess Barker Land ("EBL") consisted of vacant property, approximately
19 0.470 acres more or less, at the northwest corner of the Barker Substation
20 located in Denver County, Colorado. The EBL is located on the Barker
21 Substation property, which was initially acquired in 1990 by Public Service. Initial

1 substation improvements were constructed in 2010; however, these
2 improvements were not part of the sale.

3 The EBL generally went unused and provided no operational value to
4 Public Service or our customers. As such, Public Service filed with the
5 Commission for approval to sell a portion of excess land, approximately 33
6 percent of the land⁶. The sale of the EBL contained several restrictions, including
7 terms of the Restrictive Easement Agreement (“REA”) that ensured utility
8 operations would not be interfered with and severely limited the type of use for
9 the EBL.

10 Public Service expects the Barker Substation to be activated into a fully
11 functional substation in 2020 to accommodate load growth in the lower downtown
12 area.

13 **Q. PLEASE DESCRIBE THE CAMEO LAND SALE.**

14 A. The Cameo Land sale consisted of approximately 881 acres sold to the Town of
15 Palisade. A 12 acre parcel was carved out and retained in fee for Public
16 Service’s existing substation. The property was further encumbered by
17 reservation of easements for overhead electric transmission, and a right-of-way
18 corridor for future transmission, overhead electric distribution, underground
19 natural gas and environmental covenants were identified and recorded with Mesa

⁶ Application for Approval to Sell Excess Land at the Barker Substation Site in Proceeding No. 15A-0779E, approved in Decision No. C16-0013 effective January 7, 2016.

1 County. The four covenants are “no build” areas. The majority of the lands were
2 slopes that are non-buildable. The sale price reflected these land encumbrances.

3 **Q. PLEASE DESCRIBE THE EAST SUBSTATION LAND SALE.**

4 A. The East Substation property is currently functioning as an 115 kV electric
5 substation. The portion of vacant land that was sold to RTD is for a light rail
6 station.

7 **Q. PLEASE DESCRIBE THE KRAMERIA SUBSTATION LAND SALE.**

8 A. The Krameria Substation property is an old 44kV electric substation of
9 approximately 13 thousand square feet. It was decommissioned and remained as
10 vacant land.

11 **Q. PLEASE DESCRIBE THE SILVERTHORNE SUBSTATION LAND SALE.**

12 A. The Silverthorne Substation property is approximately 2.8 acres of vacant land.
13 Almost half of the acres were identified as wetlands and not buildable, but the
14 purchaser decided to move forward with the sale anyway.

15 **Q. PLEASE DESCRIBE THE TOLLGATE SUBSTATION LAND SALE.**

16 A. The Tollgate Substation property is currently functioning as an 115kV electric
17 substation. The substation is surrounded by vacant land where substation
18 expansion in the future may occur. Approximately 9,000 square feet of vacant
19 land was sold to RTD, including a slope easement.

1 **Q. PLEASE DESCRIBE THE FAIRFAX, BARNUM AND CHESTNUT**
2 **SUBSTATION LAND SALES THAT COMBINED HAVE A NET GAIN LESS**
3 **THAN \$10 THOUSAND.**

4 A. The Fairfax, Barnum and Chestnut Substation properties had all functioned as
5 small 44kV electric substations. They were all decommissioned and sold as
6 vacant land.

7 **Q. HOW HAS THE COMPANY ACCOUNTED FOR THE LAND SALES IN TABLE**
8 **MAM-D-3?**

9 A. The Company included the non-depreciable land in its utility rate base as electric
10 plant assets, or plant held for future use in the case of the Silverthorne property,
11 all of which were included in the Company's electric rate base. The original book
12 cost of these assets is \$1,016,765, and the sales proceeds are \$4,317,714 net of
13 acquisition and closing costs, which results in a total net gain of \$3,110,454. The
14 sales that resulted in net losses were the sale of the land at Cameo and the
15 Fairfax Substation. The original book cost of \$1,025,037 and sales proceeds of
16 \$525,000 net of acquisition and closing costs resulted in a net loss of \$671,283.

17 **Q. WERE THE SALES PRICES OF THESE ASSET AND LAND SALES**
18 **REASONABLE?**

19 A. Yes. All the sales prices were at or above the appraised prices, or the best price
20 available in a negotiated, arms-length transaction.

1 **Q. DOES THE COMMISSION HAVE AN ESTABLISHED POLICY ON THE**
2 **TREATMENT OF GAINS AND LOSSES ON THE SALE OF ASSETS?**

3 A. I believe the Commission's policy is to consider the treatment of the gain or loss
4 in the context of the specific sale, although the Commission has recognized that
5 simply because utility customers may pay for depreciable assets through rates
6 does not mean that utility customers should necessarily be entitled to the gain on
7 a sale of an asset.

8 **Q. WHAT IS THE BASIS FOR THAT UNDERSTANDING?**

9 A. While I am not a lawyer, I reviewed two decisions of the Commission addressing
10 gains and losses. The first was Decision No. R03-1228 (mailed October 31,
11 2003) of Docket No. 02M-573E, addressing the treatment of Public Service's
12 gain on the sale of the Boulder Canyon Hydroelectric Project in the context of an
13 earnings test filing of the Company. Public Service proposed to credit the retail
14 jurisdiction portion of the gain from the sale in its 2001 Earnings Test, but the
15 OCC objected, stating that such treatment would produce no sharing with
16 customers since Public Service did not produce earnings for 2001 in excess of its
17 authorized rate-of-return. The ALJ and the Commission on exceptions found that
18 the gain on the sale was appropriately included in the Earnings Test (amortized
19 over four years) consistent with a performance based regulatory structure.⁷ The
20 Commission stated that it determines the treatment of gain from sale of assets on

⁷ Decision No. R03-1228 at ¶¶ 21-22 and Decision No. C04-0143 at ¶¶ 4-7 (mailed February 6, 2004).

1 a case-by-case basis, and factors that are relevant to appropriate treatment of
2 the gain from sale of an asset include, among others, the purposes of the
3 earnings test (e.g., efficiency incentive), the interests of ratepayers and
4 shareholders, and the amount of gain realized on the sale.⁸ Where it benefits
5 both ratepayers and shareholders to sell plant, the gain from the sale should be
6 treated accordingly.⁹

7 The second Commission case I reviewed addressed how to treat an
8 acquisition premium for Aquila's sale of its Colorado assets in Docket No. 07A-
9 108EG.¹⁰ In that case, the Staff of the Commission took the position that the
10 Commission should require Aquila to pay to its Colorado ratepayers the
11 acquisition premium for the Colorado assets involved in the sale, arguing that
12 shareholders have been fully compensated for their capital investment through
13 depreciation and earnings and, thus, would be unjustly enriched if they were to
14 receive the increased value of the utility assets in the form of the acquisition
15 premium. The Commission disagreed, stating that adopting Staff's proposal
16 would be a significant departure from established regulatory principles and

⁸ Decision No. C04-0143 at ¶ 3 and footnote 2.

⁹ *Id.* at ¶ 5.

¹⁰ In the Matter of the Application of Aquila, Inc. Doing Business as Aquila Networks- WPC and Aquila Networks - PNG, Black Hills Corporation, Aquila Colorado, LLC, Black Hills/Colorado Utility Company, Inc. and Black Hills/Colorado Utility Company, LLC for an Order Approving the Transfer of Control and Ownership of Aquila's Public Utility Assets and Businesses in the State of Colorado.

1 expectations cited by Aquila, namely, that customers do not obtain an ownership
2 interest in utility assets simply by paying for utility services.¹¹

3 **Q. ARE THERE CASES FROM OTHER JURISDICTIONS THAT HAVE LOOKED**
4 **AT THIS ISSUE?**

5 A. I am not a lawyer and have not personally researched this issue, but it is my
6 understanding that there is no uniform treatment of gains and losses in other
7 jurisdictions. However, I am aware of one case that is frequently cited that
8 supports the Commission's case-by-case approach – *Democratic Central*
9 *Committee v. Washington Metropolitan Area Transit Commission*, 485 F.2d 786,
10 806 (D.C. Cir. 1973). My understanding is that in *Democratic Central Committee*,
11 the court concluded that the right to gain from a utility's sale of assets generally
12 follows the risk of loss and therefore the economic benefits should follow
13 economic burdens.

14 **Q. DO YOU BELIEVE THE COMMISSION SHOULD ADOPT A MORE DEFINED**
15 **POLICY REGARDING THE TREATMENT OF GAINS AND LOSSES?**

16 A. It could add clarity, but upon reflection, we think the facts of this case do not
17 really present the right context to present a policy that is applicable to all types of
18 assets since it only involves one small depreciable asset sale. However, this
19 case does present a variety of land sales, some at gains and some at losses.
20 Applying the risk of loss principle, the Company believes that the Commission

¹¹ See Decision No. C08-0204 at ¶¶ 128-130 (mailed February 29, 2008).

1 should make a determination in this rate case that the gain and loss on routine
2 non-depreciable asset sales such as land should be retained by shareholders. A
3 Commission policy on non-depreciable assets sales would provide regulatory
4 certainty and potentially minimize disputes.

5 **Q. WHAT IS THE COMPANY'S RATIONALE FOR RETAINING THE GAINS AND**
6 **LOSSES ON THE SALE OF LAND SALES?**

7 A. Although land is in rate base and utilities earn a return on it, land is non-
8 depreciable; therefore, customers never actually reimburse utilities for the cost of
9 land. Unlike equipment, software and other assets, land does not need to be
10 replaced. Accordingly, while customers pay the carrying costs of non-depreciable
11 assets, the Company's shareholders are not reimbursed for their investments in
12 land rights until or unless the land (or other non-depreciable asset) is sold.
13 Because the capital for the land is supplied entirely by shareholders, customers
14 make no contribution to the capital cost, nor do they provide reimbursement to
15 the shareholders for the capital through depreciation paid in rates as is the case
16 with depreciable assets. While customers pay a return on the land and some
17 associated operating expenses, this does not represent a contribution to the
18 capital cost. Customers benefit from the use of land, typically for many years or
19 decades, without sharing the risk. Customers do not own Company assets as a
20 result of these payments, nor do they guarantee the value of non-depreciable
21 assets to shareholders. The capital cost of non-depreciable land was entirely
22 borne by shareholders; thus, when the non-depreciable land is removed from

1 service, it is equitable that any gain or loss in value over original cost be passed
2 on to shareholders.

3 **Q. HOW IS THE COMPANY PROPOSING TO TREAT THE GAIN ON SALE OF**
4 **THE GREEN/CLEAR LAKES LAND AND ASSETS?**

5 A. As noted in your question, this transaction involved both the sale of land (non-
6 depreciable assets) and buildings (depreciable assets). Regarding land, we
7 propose to retain the gain for shareholders. In addition to the reasons noted
8 above, this land was never even included in rate base. The buildings were in rate
9 base and depreciated over time. With respect to these assets, the Company
10 proposes to share 50 percent of the gain on sale with customers, which amounts
11 to \$57,485 as reflected in Ms. Blair's Attachments DAB-1 and DAB-9, Schedule
12 52. The asset sale adjustment represents a one-time sharing of the gain on the
13 sale. Consequently, the adjustment is confined to the 2016 HTY and 2018 FTY.

14 **Q. WHAT IS THE COMPANY'S RATIONALE FOR SHARING THE GAIN ON**
15 **SALE OF THE GREEN/CLEAR LAKES LAND AND ASSETS?**

16 A. The Green/Clear Lakes assets (i.e., conference center and lodge) have been
17 included in rate base and are depreciable assets, meaning both customers and
18 shareholders have born capital risk associated with these assets. In the case of
19 depreciable assets, customers make good the shareholders' investment on
20 depreciable properties by paying for depreciation expense through their utility
21 rates prior to retirement, but shareholders bear the burden of the risk of loss
22 and/or recovery of their investment. In these circumstances, a 50/50 split seems

1 fair and appropriate. The Company is proposing this treatment based on the
2 specific context of this transaction, and is not recommending any broad policy at
3 this time with respect to sales for assets other than land.

4 **C. Treatment of Residential Late Payment Fees**

5 **Q. HOW IS THE COMPANY PROPOSING TO TREAT ITS PROJECTED**
6 **RESIDENTIAL LATE-PAYMENT FEE REVENUES?**

7 A. The Company currently donates 100 percent of our residential late-payment fee
8 ("LPF") revenues to Energy Outreach Colorado ("EOC"). In this proceeding the
9 Company is proposing to continue those donations consistent with past practice.
10 Accordingly, the residential LPF revenues have not been credited to the cost of
11 service.

1 **IV. PROPOSED TARIFF CHANGES**

2 **A. General Rate Schedule Adjustment (“GRSA”)**

3 **Q. IS THE COMPANY SEEKING APPROVAL OF NEW GRSA_s IN THIS**
4 **PROCEEDING?**

5 A. Yes, the Company is proposing revised GRSA_s (which are simply adjustments to
6 base rates) for 2018, 2019, 2020, and 2021 based on the revenue requirement
7 studies that Ms. Blair sponsors. I am sponsoring the proposed GRSA tariff sheets
8 changes necessary to reflect those rates. Clean and redlined versions of these
9 tariff sheets are included as Attachment MAM-4 and MAM-5 respectively, for the
10 years 2018, 2019, 2020, and 2021 respectively.

11 **Q. PLEASE SUMMARIZE THE CHANGES THE COMPANY IS PROPOSING TO**
12 **THE GRSA_s IN 2018, 2019, 2020 AND 2021.**

13 A. We propose to raise the GRSA over four years in order to implement the revenue
14 increase indicated by the revenue requirement studies in this case. The proposed
15 GRSA_s (incremental to the current GRSA of 0.0 percent) are 12.89 percent for the
16 2018 FTY, 17.47 percent for the 2019 FTY, 21.22 percent for the 2020 FTY, and
17 23.46 percent for the 2021 FTY. Ms. Blair presents the calculation of these GRSA
18 factors based on the requested rate increases in her Direct Testimony.

19 Overall, average customer bills will grow by less than 3 percent for all customer
20 classes as a result of the Company’s proposals in this case as explained in the
21 Direct Testimony of Ms. Alice K. Jackson.

1 **B. Earnings Sharing Adjustment (“ESA”)**

2 **Q. IS THE COMPANY FILING A NEW TARIFF FOR THE ESA?**

3 A. Yes. Ms. Jackson explains the parameters of the Earnings Sharing Test in her
4 Direct Testimony. The proposed clean and redlined tariff is included as
5 Attachment MAM-4 and MAM-5 respectively.

6 **Q. IS THE COMPANY PROPOSING TARIFF SHEETS TO MEMORIALIZE THE**
7 **PROPOSED ADJUSTMENTS FOR MATERIAL CHANGES TO EXPENSES**
8 **FOR THE ESA?**

9 A. No. The adjustments for material changes to expenses under our current and
10 previous electric MYPs were included in Commission-approved Settlement
11 Agreements. The Company requests that the Commission approve the
12 adjustments for material changes to expenses that Company witnesses Ms.
13 Jackson and Ms. Blair explain in testimony, which are provided in Attachment
14 DAB-22 to Ms. Blair.

15 **C. Clean Air – Clean Jobs Act (“CACJA”) Rider**

16 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE CACJA TARIFF?**

17 A. Yes. The Company is proposing to change the CACJA rates to reflect the roll-in
18 of both the capital and operations and maintenance (“O&M”) costs associated
19 with Eligible CACJA Projects in accordance with the Settlement Agreement
20 approved by the Commission in Decision No. C15-0292 in Proceeding No. 14AL-
21 0660E. Clean and redlined versions of these tariff sheets are included as
22 Attachment MAM-4 and MAM-5 respectively.

1 The CACJA clean and redlined tariff included in Attachments MAM-4 and
2 MAM-5, respectively reflect zero rates; however the Company will be filing the
3 2016 true-up in November 2017 to be effective January 1, 2018 and this true-up
4 amount will continue to be included in the CACJA rider after all other CACJA
5 costs are rolled into base rates when the rate case proposed rates are effective,
6 which is assumed to be June 1, 2018. At that time, the Company will make
7 compliance advice letter filings to effectuate the tariffs and, at this same time, the
8 known 2016 true-up amount will be reflected in the CACJA tariff.

9 The CACJA tariff is currently set to expire after 2018 CACJA costs and
10 revenues are trued up, at which time an Advice Letter will be filed to remove the
11 CACJA tariff. Ms. Blair explains this true up further in her testimony.

12 **D. Transmission Cost Adjustment ("TCA")**

13 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE TCA TARIFF?**

14 A. The Company is proposing to change the TCA rates to reflect the roll-in of 2018
15 plant in service transmission costs into base rates in this proceeding. Ms. Blair
16 explains the basis for these changes to the TCA rates in more detail in her Direct
17 Testimony. Clean and redlined versions of these tariff sheets are included as
18 Attachment MAM-4 and MAM-5 respectively.

19 **E. Electric Commodity Adjustment ("ECA")**

20 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE ECA TARIFF?**

21 A. Yes. The Company is proposing two changes: (1) update the Short-Term Sales
22 Margins for Generation and Proprietary Book from calendar year 2015 to 2016.

1 Ms. Blair explains the basis for these changes to the sales margins in more detail
2 in her Direct Testimony; and (2) discontinue the existing Equivalent Availability
3 Factor Performance Mechanism (“EAFPM”). Company witness Mr. Steven H.
4 Mills explains the EAFPM proposal in more detail in his Direct Testimony. I am
5 sponsoring the proposed ECA tariff sheet changes. Clean and redlined versions
6 of these tariff sheets are included as Attachment MAM-4 and MAM-5
7 respectively.

1 **F. Quality of Service Plan (“QSP”)**

2 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE QSP TARIFF?**

3 A. Yes. The Company is proposing to extend the QSP for the electric department
4 through 2021. The existing tariff expires at the end of 2018. No other changes
5 are proposed to the QSP. I am sponsoring the proposed QSP tariff sheet
6 changes. Clean and redlined versions of these tariff sheets are included as
7 Attachment MAM-4 and MAM-5 respectively.

8 **G. Schedule of Charges for Rendering Service**

9 **Q. WHAT IS THE SCHEDULE OF CHARGES FOR RENDERING SERVICE**
10 **TARIFF?**

11 A. The Schedule of Charges for Rendering Service is a set of charges listed in our
12 electric tariffs for services not covered by our typical rates. The Company
13 provides a wide variety of services to customers upon request or as needed, and
14 assesses charges for those services to the individual customer. Such services
15 include, but are not limited to: instituting or reinstituting service, non-regularly
16 scheduled meter reading, visits from Company technicians to conduct general
17 diagnosis of customer issues, and returned check processing.

18 **Q. IS THE COMPANY SEEKING APPROVAL OF CHANGES TO THE SCHEDULE**
19 **OF CHARGES FOR RENDERING SERVICES TARIFF AS PART OF THIS**
20 **FILING?**

21 A. Yes, the Company is proposing to revise the Schedule of Charges for Rendering
22 Service to reflect changes in the non-gratuitous labor and vehicle charges. I am

1 sponsoring the proposed Schedule of Charges for Rendering Service tariff sheet
2 changes. Clean and redlined versions of these tariff sheets are included as
3 Attachment MAM-4 and MAM-5 respectively.

4 **Q. PLEASE DESCRIBE THE PROPOSED CHANGES TO THE CHARGES FOR**
5 **RENDERING SERVICE TARIFF.**

6 A. We propose to increase the charge for most service activities that involve non-
7 gratuitous labor. These moderate increases are based on an updated Agreement
8 between Public Service Company of Colorado and the International Brotherhood
9 of Electrical Workers Local Union 111. Updated vehicular rates also impacted the
10 charges for rendering service. These rates were last updated in May 2015, as
11 part of the Company's last Phase I rate case in Proceeding No. 14AL-0660E and
12 are updated on an ongoing basis in rate cases so that the rates charged to
13 customers for these services reflect the Company's current cost of providing
14 these services, and the difference in costs are not subsidized by the rest of
15 customers in base rates.

16 **H. Maintenance Charges for Street Lighting Service**

17 **Q. WHAT ARE MAINTENANCE CHARGES FOR THE STREET LIGHTING**
18 **SERVICE TARIFF?**

19 A. The Company offers street lighting maintenance services over and above the
20 services provided under the Street Lighting Service Schedule (Schedule SL). We
21 then bill for these services on a time and materials basis. The Maintenance
22 Charges for Street Lighting Service tariff provides the rates under which such

1 non-routine services are offered, while Schedule SL governs the terms and
2 conditions under which such non-routine services are offered.

3 **Q. IS THE COMPANY SEEKING APPROVAL OF CHANGES TO THE**
4 **MAINTENANCE CHARGES FOR STREET LIGHTING SERVICE TARIFF AS**
5 **PART OF THIS FILING?**

6 A. Yes, the Company is proposing to revise the Maintenance Charges for Street
7 Lighting Service ("Maintenance Charges") to reflect changes in the labor
8 charges. These changes are based on the Worker Classification and Wage
9 Scale Amended June 1, 2014 with the International Brotherhood of Electrical
10 Workers ("IBEW") Local Union 111. These charges also include updated
11 vehicular rates. These rates were also updated in May 2015 as part of the
12 Company's last Phase I rate case in Proceeding No. 14AL-0660E, and are
13 updated on an ongoing basis in rate cases for the same reasons explained
14 above for the Charges for Rendering Service tariff. I am sponsoring the proposed
15 Maintenance Charges tariff sheet changes. Clean and redlined versions of these
16 tariff sheets are included as Attachment MAM-4 and MAM-5 respectively.

V. CONCLUSION

Q. WHAT RECOMMENDATIONS ARE YOU MAKING IN YOUR DIRECT TESTIMONY?

A. I recommend that the Commission approve the following proposals: to recover the AMI meter costs classified as demand-related (approximately 17 percent) through our proposed General Rate Schedule Adjustments ("GRSA"); the recovery of rate case expenses for the Company's estimated rate case expenses from this instant proceeding, the actual rate case expenses from the Company's Electric Depreciation Study Proceeding No. 16A-0231E and Phase II Electric Rate Case Proceeding No. 16AL-0048E, and the estimated expenses for the Residential Energy Time-of-Use ("RE-TOU") service and Residential Demand-Time Differentiated Rates ("RD-TDR") ("Trial and Pilot") subject to true up; the treatment of gains and losses on routine non-depreciable asset sales such as land should be retained by shareholders whereas the depreciable asset sales of Green and Clear Lakes should be split equally between customers and shareholders; to continue the residential late-payment fee ("LPF") donations to Energy Outreach Colorado ("EOC") consistent with past practice and the Company's tariff changes to implement our requests in this proceeding reflected in Attachment MAM-4 including updates to the Charges for Rendering Service and Maintenance Charges for Street Lighting Service.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Statement of Qualifications

Marci A. McKoane

I received my Bachelor of Science degrees in Finance and Marketing in 1994 from the University of Colorado. I began my employment with Xcel Energy Services Inc. ("XES") in 2001 as a Senior Financial Analyst in the Retail Finance department. In that position, I was responsible for the budgeting, forecasting, reporting, monthly close responsibilities, and analytical support of various business areas. I also provided training to employees on financial accounting, reporting, and systems. I was promoted to Key Financial Consultant around 2004. I was primarily responsible for the financial and accounting support of the Customer Care and Bad Debt business areas. In April 2008, I assumed the position of Senior Policy Analyst in the Public Service Regulatory department. I was responsible for managing Public Service Phase I and II Electric and Gas Rate Cases including the development and management of the rate case project plan, conducting weekly team and strategic meetings and other meetings as needed, coordinating preparation of rate case testimony and exhibits, ensuring every filing was accurate and timely, put together presentations to update leadership on case, managed the discovery process to ensure timely and accurate responses, acted as regulatory liaison to external parties for rate case, and reviewed communications, notices and media releases related to the rate cases.

I was promoted to Manager of Rate Cases in March 2012, and this role has evolved into my current role of Manager of Regulatory Project Management for the electric utility. I am responsible for directing the project management of electric utility

regulatory filings for Public Service. I manage the resources necessary to make timely and complete regulatory filings, including support for the filing of general rate case filings, certificates of need, resource plans, and rate rider filings. I manage staff and processes to ensure appropriate records retention, timely filings, and compliance with all regulatory requirements. In addition, I oversee the management of rate case proceedings.

Before working at Xcel Energy, I worked as a Lead Financial/Business Analyst at Qwest Communications, Senior Fund Accountant at OppenheimerFunds and various other accounting, finance and project management positions.

I submitted testimony for Public Service in Proceeding Nos. 14AL-0309G, 14AL-0660E and 15AL-0887E.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * *

RE: IN THE MATTER OF ADVICE LETTER)
NO. 1748-ELECTRIC FILED BY PUBLIC)
SERVICE COMPANY OF COLORADO TO)
REVISE ITS PUC NO. 8-ELECTRIC TARIFF) PROCEEDING NO. 17AL-_____E
TO IMPLEMENT A GENERAL RATE)
SCHEDULE ADJUSTMENT AND OTHER)
RATE CHANGES EFFECTIVE ON THIRTY-)
DAYS' NOTICE.)

AFFIDAVIT OF MARCI A. MCKOANE
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

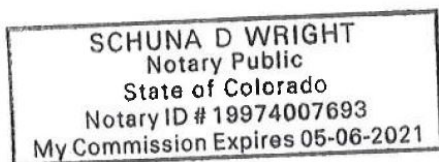
I, Marci A. McKoane, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the same testimony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

Dated at Denver, Colorado, this 29th day of September, 2017.



Marci A. McKoane
Manager, Regulatory Project Management

Subscribed and sworn to before me this 29th day of September, 2017.





Notary Public
My Commission expires May 6, 2021