

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S)
APPLICATION FOR: (1) REVISION OF)
ITS RETAIL RATES UNDER ADVICE)
NOTICE NO. 312; (2) AUTHORITY TO)
ABANDON THE PLANT X UNIT 1,)
PLANT X UNIT 2, AND CUNNINGHAM)
UNIT 1 GENERATING STATIONS AND)
AMEND THE ABANDONMENT DATE)
OF THE TOLK GENERATING)
STATION; AND (3) OTHER)
ASSOCIATED RELIEF,)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
APPLICANT.)**

CASE NO. 22-00286-UT

DIRECT TESTIMONY

of

MICHAEL P. DESELICH

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Adjusted Base Period	Base Period adjusted for known and measureable changes and regulatory requirements
Base Period	July 1, 2021 through June 30, 2022
AIP	Annual Incentive Program
CBA	Collective Bargaining Agreement
Commission	New Mexico Public Regulation Commission
FLSA	Fair Labor Standards Act
FMCP	Family Medical Care Plan
Future Test Year Period	July 1, 2023 through June 30, 2024
HDHP	High Deductible Health Plan
HSA	Health Savings Account
IBEW	International Brotherhood of Electrical Workers
KPI	Key Performance Indicator
Linkage Period	July 1, 2022 through June 30, 2023
Local 602	IBEW Local Union 602
LTI	Long-Term Incentive

Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS
SAIDI	System Average Interruption Duration Index
SIP	Wholesale Energy Marketing and Trading Supplemental Incentive Program
SPS	Southwestern Public Service Company, a New Mexico corporation
Total Company	SPS total company costs (before jurisdictional allocation)
Total Rewards Program	All of the components of compensation and benefits that Xcel Energy offers SPS and XES employees
Relative TSR	Relative Total Shareholder Return
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
MPD-1	Total Company Amounts and Jurisdictional Percentages (<i>Filename: MPD-1.xlsx</i>)
MPD-2	Labor-related expenses for the Base Period and Adjusted Base Period, the Linkage Period, and the Future Test Year Period by FERC account (<i>Filename: MPD-2.xlsx</i>)

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of
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1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3 A. My name is Michael P. Deselich. My business address is 401 Nicollet Mall,
4 Minneapolis, Minnesota 55401.

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

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

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

10 A. I am employed by Xcel Energy Services Inc. (“XES”), the service company
11 subsidiary of Xcel Energy, as Senior Compensation Consultant.

12 **Q. Please briefly outline your responsibilities as Senior Compensation
13 Consultant.**

14 A. My responsibilities include participating in the design, implementation, and
15 administration of broad-based compensation programs, which include base pay and
16 incentive pay strategy and administration. The goals of these programs are to
17 attract, retain, and motivate talented employees at all levels throughout the
18 organization. In my broader role as a member of the human resources team, I am

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1 also responsible for supporting our regulatory process related to human resource
2 matters for rate cases to include research, draft testimonies, and discovery
3 responses.

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

5 A. I received my Bachelor of Science in Airway Science Management degree from
6 Kent State University, Kent, Ohio and my Master of Science Administration in
7 Human Resource Management degree from Central Michigan University, Mount
8 Pleasant, Michigan. Throughout the last 25 years of my corporate career, I have
9 stayed educated on current market trends, human resource best-practices, and
10 workforce challenges facing employers, as well as presented materials regarding
11 trending compensation topics.

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

13 A. Prior to joining XES, I worked for Gallagher Benefit Services, Katun Corporation,
14 and Park Nicollet Health Services serving in various consulting, generalist, and
15 analytical roles focusing on compensation analysis and administration, benefits,
16 and recruiting. I also retired from the U.S. Air Force with 25 years of active and
17 reserve duty serving in several training, operational, and leadership roles.

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1 **Q. Have you attended or taken any special courses or seminars?**

2 A. Yes. I have attended various seminars related to human resources topics,
3 maintained insights by reading industry publications and have completed Certified
4 Compensation Professional courses from the WorldatWork Society of
5 Compensation Professionals.

6 **Q. Are you a member of any professional organizations?**

7 A. Yes. I am a member of the WorldatWork Total Rewards Association and the Twin
8 Cities Compensation Network.

9 **Q. Have you testified before any regulatory authorities?**

10 A. Yes. I have provided pre-filed direct and rebuttal testimony before the Public
11 Utility Commission of Texas in Docket No. 51802 and rebuttal testimony for Public
12 Service Company of Colorado in Proceeding No. 22AL-0046G before the Colorado
13 Public Utilities Commission and testified before the Commission during that
14 hearing.

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

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

4 A. SPS’s proposed revenue requirement includes compensation and benefits costs for
5 SPS’s employees and the XES and other Operating Company¹ employees who
6 charge time to SPS for the necessary services they provide to SPS.² I demonstrate
7 why these costs are reasonable and necessary for the provision of utility service. In
8 particular, I discuss:

- The wage and base pay costs incurred or expected to be incurred during the Base Period³ and Adjusted Base Period⁴, the Linkage Period⁵, and the Future Test Year Period⁶; how these costs were calculated; and why these costs are reasonable and necessary;
- The structure of Xcel Energy’s Annual Incentive Program (“AIP”) and the reasonableness and necessity of related costs for the Base Period and

¹ Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; and Public Service Company of Colorado, a Colorado corporation.

² Unless otherwise specified, for ease of reference, I will refer to both groups of employees as SPS employees in my testimony.

³ SPS’s base period in this proceeding begins July 1, 2021 and ends June 30, 2022 (the “Base Period”)

⁴ SPS’s adjusted base period in this proceeding is the Base Period adjusted as described by SPS witness Stephanie N. Niemi (the “Adjusted Base Period”).

⁵ SPS’s “Linkage Period” in this proceeding begins July 1, 2022 and ends June 30, 2023. Per the Future Test Year Period Rule, it covers the period of time between the end of the Base Period and the beginning of the Future Test Year Period and includes the required “Linkage Data” as that term is defined in 17.1.3.7(H) NMAC.

⁶ SPS’s future test year period in this proceeding begins July 1, 2023 and ends June 30, 2024 (the “Future Test Year Period”).

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1 Adjusted Base Period, the Linkage Period, and the Future Test Year
2 Period;

3 • The structure of Xcel Energy’s Long-Term Incentive (“LTI”) Program
4 for executive and non-executive employees and the reasonableness and
5 necessity of related costs for the Base Period and Adjusted Base Period,
6 the Linkage Period, and the Future Test Year Period;

7 • The structure of Xcel Energy’s Wholesale Marketing and Trading
8 Supplemental Incentive Program (“SIP”) and the reasonableness and
9 necessity of related costs for the Base Period and Adjusted Base Period,
10 the Linkage Period, and the Future Test Year Period;

11 • The structure of Xcel Energy’s Recognition Program and the
12 reasonableness and necessity of related costs for the Base Period and
13 Adjusted Base Period, the Linkage Period, and the Future Test Year
14 Period; and

15 • The non-cash benefits offered to Xcel Energy employees, such as
16 retirement benefits, the initiatives undertaken by Xcel Energy to
17 mitigate increases in these costs, and how the benefits costs are
18 reasonable and necessary.

19 **Q. Please summarize your testimony and recommendations.**

20 A. Xcel Energy’s objective is to provide comprehensive, market-competitive
21 compensation and benefits—which make up an employee’s total rewards—that are
22 designed and valued to attract, retain, and motivate the skilled workforce SPS needs
23 to provide safe and reliable electric service to its customers. The pay and benefit
24 levels are comparable to the market median, which indicates they are at or near the
25 middle of pay and benefit offerings of similarly situated utility companies. The

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1 term “Total Rewards Program” in my direct testimony refers collectively to all of
2 the components of compensation and benefits that Xcel Energy offers SPS
3 employees. The components of the Total Rewards Program are regularly evaluated
4 to ensure competitiveness with the market, as well as innovative design features to
5 maximize employee engagement. The incentive pay components have limits
6 regarding minimum performance levels and maximum payout levels. There are
7 also strict eligibility requirements built into the programs to eliminate excessive or
8 unnecessary expenses. Further, the Total Rewards Program is administered to
9 ensure customers are the focal point of all employee actions and decisions. In all,
10 the Total Rewards Program follows the best practices in the marketplace, reflects a
11 reasonable level of costs to operate a large, national utility company, and is
12 necessary to attract and retain a qualified, skilled workforce. For these reasons, I
13 recommend that the New Mexico Public Regulation Commission (“Commission”)
14 approve the amounts of compensation and recognition as well as benefits costs
15 included in the cost of service study for the Future Test Year Period as set forth in
16 Table MPD-1 (next page):

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Table MPD-1
Future Test Year Period Total Rewards Program O&M Expenses

Compensation Type	New Mexico Retail	Total Company
Bargaining wages	\$8,895,822	\$25,216,650
Non-Bargaining base pay	\$32,719,605	\$92,955,682
Annual incentive compensation	\$2,557,263	\$7,284,511
Long-term incentive compensation	\$504,339	\$1,432,451

Q. Do any other SPS witnesses address issues related to compensation and benefits?

A. Yes. The following SPS witnesses address compensation and benefit issues in their direct testimonies:

- Richard R. Schrubbe supports SPS's request for active health and welfare expense, pension and other post-employment benefit expense, workers' compensation expense, and other benefit-related costs;
- Stephanie N. Niemi supports the cost of service study, including several known and measurable adjustments made to Base Period compensation component amounts to reach Adjusted Base Period amounts; and
- David A. Low also supports a known and measurable adjustment to Base Period compensation component amounts to reach Adjusted Base Period amounts related to four-year averaging of generation overhaul expense.

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1 **III. PRESENTATION OF LABOR-RELATED O&M DATA**

2 **Q. At a high level, how does SPS present O&M expenses in this proceeding?**

3 A. To comply with the Commission’s Future Test Year Period Rule, SPS presents its
4 O&M data in several separate views. In Attachment SNN-10, tab 2 of her direct
5 testimony, Ms. Niemi presents all of SPS’s O&M expenses by FERC account and
6 FERC account subcategory⁷ for the following periods: (1) the Base Period and
7 Adjusted Base Period, (2) the Linkage Period, and (3) the Future Test Year Period.⁸

8 This file also identifies the variance between the Adjusted Base Period⁹ expenses

⁷ Consistent with 17.1.3.16(B)(1) NMAC, each FERC account has been subdivided where necessary to a level that is sufficient to identify cost drivers and demonstrate where variations between the Adjusted Base Period and Future Test Year Period occur (a “FERC account subcategory”).

⁸ See 17.1.3.12 NMAC; 17.1.3.15 NMAC; 17.1.3.16(B) NMAC.

⁹ SPS notes that 17.1.3.6 NMAC states that the objective of the Rule is to “provide for a complete and comprehensive rate case filing that, by including full explanations and justifications of changes in items between the *adjusted base period*, linkage data and future test year period as required by this rule should minimize the amount of discovery needed by commission staff...and intervenors to analyze a filing.” 17.1.3.6 NMAC (emphasis added). 17.1.3.7 NMAC defines “material change” or “material variance” as “a change or variance in cost between the *adjusted base period* and the future test year period.” 17.1.3.7(J) NMAC (emphasis added). Later, however, 17.1.3.17(A) NMAC states that “[f]or any material changes between *base period* and future test year period, cost drivers shall be separately identified, explained and justified as well as linked to the historical base period and any linkage data.” 17.1.3.17(A) NMAC (emphasis added). And 17.1.3.18(B) NMAC directs an applicant to include a side-by-side comparison with “a column showing actual expenditures during the *base period*; a column showing the estimated expenditures during the future test year period; a column showing the variance between the two; and a column providing an explanation (or a reference to the written testimony requirement under Subsection D of this section) for the differences between the *base period* data and the future test year period estimates, including occurrences which took place in the linkage data.” 17.1.3.18(B) NMAC (emphasis added). Consistent with the Future Test Year Period Rule’s objective and the material variance definition and to ensure an apples-to-apples comparison throughout all relevant data, SPS focuses on Adjusted Base Period amounts, rather than Base Period amounts, when presenting variation data in testimony. Nonetheless, to ensure compliance with the NMPRC Future Test Year Period Rule, SPS has included the variance between the Base Period expenses and Future Test Year Period expenses in Ms. Niemi’s Attachment SNN-10, tab 2.

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1 and Future Test Year Period expenses by FERC account or FERC account
2 subcategory and highlights where material variances exist.¹⁰

3 Separately, in Attachment SNN-10, tab 3 Ms. Niemi presents a more
4 granular view of the general O&M data. There, the general O&M expenses
5 included in each FERC account or FERC account subcategory are further divided
6 into elements of cost,¹¹ including labor-related cost elements.¹² This view of the
7 O&M data is presented on both a Total Company and New Mexico retail basis.¹³

8 In Attachment SNN-10, tab 4, Ms. Niemi separates out the labor-related
9 cost elements from the general O&M data for the Base Period. In conjunction with
10 the Business Area witnesses, I support the Base Period labor amounts reflected in
11 this tab. Ms. Niemi, Mr. Low, and I support adjustments made to Base Period
12 labor-related expenses to arrive at Adjusted Base Period amounts. I also identify,
13 fully explain, and justify any labor-related cost drivers that contributed to material
14 variances between the Adjusted Base Period and the Future Test Year Period
15 identified by Ms. Niemi.

¹⁰ See 17.1.3.16(B) NMAC; 17.1.3.18(B) NMAC.

¹¹ The Future Test Period Rule defines the phrase “elements of cost” to mean types of cost such as labor, materials, outside services, contract costs, important clearings, and all other types of cost combined as one category.

¹² See 17.1.3.16(B) NMAC.

¹³ See 17.1.3.16(B) NMAC.

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1 Finally, in Attachment SNN-10, tab 5, Ms. Niemi presents the non-labor
2 cost elements of general O&M expenses for the Base Period and Adjusted Base
3 Period, the Linkage Period, and the Future Test Year Period by Business Area.
4 Each Business Area’s general O&M (non-labor) expenses are presented by FERC
5 account or FERC account subcategory, as appropriate.¹⁴ Next, the expenses in each
6 FERC account or FERC account subcategory are further divided by non-labor cost
7 element.¹⁵ Generally, SPS’s Business Area witnesses fully explain, justify, and
8 support the O&M data presented by Ms. Niemi for their applicable Business Area
9 in Attachment SNN-10, tab 5, including variances from period to period.¹⁶
10 However, as noted throughout my testimony, Ms. Niemi sponsors many of the
11 adjustments made to Base Period amounts to arrive at the Adjusted Base Period
12 amounts. Business Area witnesses also identify, fully explain, and justify any non-
13 labor Business Area cost drivers that contributed to material variances between the
14 Adjusted Base Period and the Future Test Year Period identified by Ms. Niemi.¹⁷

¹⁴ See 17.1.3.16(B) NMAC; 17.1.3.16(B)(1)-(2) NMAC.

¹⁵ See 17.1.3.16(B) NMAC; 17.1.3.16(B)(1)-(2) NMAC.

¹⁶ See 17.1.3.6 NMAC; 17.1.3.14 NMAC; 17.1.3.17 NMAC; 17.1.3.18 NMAC.

¹⁷ See 17.1.3.17(A) NMAC; 17.1.3.17(D) NMAC.

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1 **Q. How does the data you sponsor fit within this presentation?**

2 A. I provide support to the Business Area witnesses for compensation and recognition
3 levels associated with SPS employees actually incurred during the Base Period. In
4 other words, each Business Area witness explains why they need individuals
5 performing various tasks while I fully explain, justify, and support compensating
6 those individuals at the level they were compensated during the Base Period via the
7 Total Rewards Program. I also fully explain, justify, and support the known and
8 measureable adjustments made to the Adjusted Base Period labor-related expenses
9 to reach the Linkage Period amounts and the Future Test Year Period amounts.
10 Attachment MPD-2 to my direct testimony reflects the total labor-related expenses
11 for the Base Period and Adjusted Base Period, the Linkage Period, and the Future
12 Test Year Period presented by FERC account and cost element on a jurisdictional
13 basis.

14 **Q. What FERC accounts do labor-related expenses fall within?**

15 A. Labor-related O&M expenses fall within over 65 FERC accounts or FERC account
16 subcategories. Attachment MPD-2 column D identifies these FERC accounts and
17 FERC account subcategories.

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1 **Q. What elements of cost are included in the data you sponsor?**

2 A. As discussed above, I only support the labor-related cost elements within each of
3 the FERC accounts listed in Attachment MPD-2, which include the “labor” and
4 “incentive” elements.

5 **Q. Does Attachment MPD-2 present the total labor-related O&M expenses by**
6 **Base Period and Adjusted Base Period, the Linkage Period, and the Future**
7 **Test Year Period?**

8 A. Yes, Attachment MPD-2 identifies all of the FERC accounts and FERC account
9 subcategories with labor-related expenses, the associated elements of costs, and the
10 associated expense amounts by these periods and jurisdictionalized between New
11 Mexico retail and Total Company.

12 **Q. Is the Linkage Period data presented in a way that provides a reasonable**
13 **approximation of jurisdictional amounts for Future Test Year Period**
14 **comparison purposes?**

15 A. Yes. As explained by Ms. Niemi, the Future Test Year Period jurisdictional
16 allocators were applied to the Linkage Period data presented in Attachment
17 MPD-2.

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1 **Q. Does the Linkage Period data provide verifiable information that allows**
2 **Commission Staff and Intervenors to assess the validity of the information**
3 **contained in the Future Test Year Period discussed in Section VII of your**
4 **testimony?**

5 A. Yes. The Linkage Period data presented provides the necessary support to link the
6 Future Test Year Period amounts to the Adjusted Base Period amounts.

7 **Q. Are the FERC accounts and FERC account subcategories and elements of cost**
8 **used for the Future Test Year Period the same or similar to those appearing**
9 **in the Base Period and Linkage Period?**

10 A. Yes. Further, the expenses reflected in these accounts are largely the same.

11 **Q. Has SPS calculated the differences by FERC account or FERC account**
12 **subcategory, if applicable, between the Adjusted Base Period and the Future**
13 **Test Year Period?**

14 A. Yes. Ms. Niemi's Attachment SNN-10, tab 2 shows the differences by FERC
15 account or FERC account subcategory, as applicable, between the Adjusted Base
16 Period and the Future Test Year Period. This attachment contains:

17 (1) a column showing actual expenditures during the Adjusted Base Period;¹⁸

¹⁸ As described in Note 5 above, SPS has focused on Adjusted Base Period amounts here, rather than Base Period amounts, to ensure an apples-to-apples comparison.

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1 (2) a column showing the estimated expenditures during the Future Test Year
2 Period;

3 (3) a column showing the variance between the two; and

4 (4) a column providing an explanation or reference to the written testimony that
5 explains the differences between the Adjusted Base Period data and the
6 Future Test Year Period estimates.

7 **Q. What does the Future Test Year Period Rule deem a material variance in cost**
8 **between the Adjusted Base Period and Future Test Year Period?**

9 A. The Future Test Year Period Rule defines “material change” or “material variance”
10 as a change or variance in cost between the Adjusted Base Period and Future Test
11 Year Period for a FERC account that exceeds 6% and \$100,000 Total Company.¹⁹

12 **Q. Did labor-related expenses contribute to any material changes between the**
13 **Adjusted Base Period and Future Test Year Period?**

14 A. Yes.

15 **Q. Which FERC accounts or FERC account subcategories experienced a material**
16 **variance that labor-related expenses contributed to?**

17 A. As identified in Ms. Niemi’s Attachment SNN-10, tab 2, the following FERC
18 accounts or FERC account subcategories experienced a material variance between

¹⁹ See 17.1.3.7(J)(1) NMAC.

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1 the Adjusted Base Period and the Future Test Year Period that labor-related
2 expenses contributed to:

- 3 • 557 - Purchased Power Other
- 4 • 500 - Stm Prod Op & Supr
- 5 • 560 - Trans Oper Super & Eng
- 6 • 562 - Trans Oper Station Exp
- 7 • 580 - Dist Oper Sup & Eng
- 8 • 583 - Dist Oper Overhead Lines
- 9 • 584 - Dist Op UG Elec lines
- 10 • 586 - Dist Oper Meter Exp
- 11 • 588 - Dist Oper Misc Exp
- 12 • 593 - Dist Mtc of Overhead Lines
- 13 • 908 - Customer Asst Expense
- 14 • 920 - A&G Salaries
- 15 • 921 - A&G Office & Supplies

16 **Q. What are the labor-related cost drivers that contributed to these material**
17 **variances?**

18 A. The labor-related cost drivers that lead to these material variances in all of these
19 FERC accounts/FERC account subcategories are bargaining base wage, non-
20 bargaining base pay, and annual incentive compensation increases that will occur
21 during the Linkage Period and the Future Test Year Period as discussed in detail in
22 Section VI of my testimony.

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1 **Q. How do you present SPS's labor-related expenses in the remainder of your**
2 **testimony?**

3 A. SPS's labor-related expenses are all associated with the Total Rewards Program.
4 For clarity, and consistent with SPS's prior rate cases, I first discuss the Total
5 Rewards Program expenses actually incurred during the Base Period. I divide the
6 Total Rewards Program expenses into the program's individual cost components
7 (i.e., base wages and base pay, annual incentive compensation, supplemental
8 incentive compensation, long-term incentive compensation, and recognition
9 awards). Then I discuss the adjustments made to the Base Period amounts to reach
10 the Adjusted Base Period amounts. Next, I discuss the known and measurable
11 adjustments made to the Adjusted Base Period amounts to reach the Linkage Period
12 amounts and the Future Test Year Period amounts. Finally, I discuss the
13 reasonableness and necessity of the requested Future Test Year Period amounts.
14 This presentation allows me to fully explain, justify, and support the total SPS
15 labor-related expenses requested in this case .

16 **Q. How were the New Mexico retail jurisdictional amounts in your testimony and**
17 **attachments calculated?**

18 A. Throughout my testimony, I quantify the expense amounts on a New Mexico retail
19 basis based upon the jurisdictional allocation percentages Ms. Niemi uses to

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1 develop the New Mexico retail revenue requirement in her Attachment
2 SNN-6. Ms. Niemi is responsible for calculating jurisdictional allocation
3 percentages that apply to the various costs components in the cost of service. I
4 conferred with Ms. Niemi and her staff to determine these New Mexico retail
5 jurisdictional amounts presented in my testimony and attachment. If the
6 percentages used to allocate amounts to the New Mexico retail jurisdiction change,
7 those new allocation percentages will need to be applied to the Total Company
8 numbers to derive updated New Mexico retail amounts. Attachment MPD-1
9 contains the Total Company numbers and the jurisdictional percentages used to
10 derive the New Mexico retail amounts in my testimony.

11 **Q. Were Attachments MPD-1 and MPD-2 prepared by you or under your direct**
12 **supervision and control?**

13 **A. Yes.**

1 **IV. TOTAL REWARDS PROGRAM**

2 **Q. What is the Xcel Energy Total Rewards Program?**

3 A. The “Total Rewards Program” refers collectively to all of the components of
4 compensation and benefits that Xcel Energy offers SPS employees. Those
5 components are:

- 6 • Compensation in the form of:
 - 7 ○ Base pay;
 - 8 ○ Annual incentive compensation;
 - 9 ○ Supplemental incentive compensation for Wholesale Energy
 - 10 Marketing and Trading employees;
 - 11 ○ Long-term incentive compensation; and
 - 12 ○ Recognition awards;
- 13 • Retirement benefits in the form of:
 - 14 ○ Qualified pension benefits;
 - 15 ○ Non-qualified pension benefits; and
 - 16 ○ Retiree medical benefits;
- 17 • Active health care benefits;
- 18 • Workers’ compensation benefits;
- 19 • Long-term disability benefits;
- 20 • 401(k) matches; and
- 21 • Other miscellaneous benefits.

22 **Q. Does SPS rely solely on its own employees to provide safe and reliable service?**

23 A. No. With regard to internal labor, SPS relies on a combination of its own
24 employees and XES and other Operating Company employees to provide safe,
25 reliable electric service. To avoid the need to distinguish between these two groups
26 in my testimony, I refer generally to the employees who provide services to SPS as

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1 being SPS employees, except when necessary to identify XES specifically. In
2 addition, my testimony sometimes refers to Xcel Energy as a whole because my
3 group takes a corporate-wide view of certain issues.

4 **Q. What are the Total Rewards Program’s compensation goals?**

5 A. The goal of Xcel Energy’s compensation programs is to attract, retain, and motivate
6 the talented employees necessary to provide safe, reliable electric service to
7 customers, such as SPS’s New Mexico customers, at a reasonable cost. The
8 achievement of this goal requires that Xcel Energy provide SPS employees with
9 total compensation, through the use of base pay, annual incentive compensation,
10 long-term incentive compensation, supplemental incentive compensation for
11 unique positions, recognition awards, , and benefit plans that are competitive with
12 what is provided by employers with whom Xcel Energy competes for talent (i.e.,
13 the market).

14 **Q. Do the Total Rewards Program costs SPS requests recovery of in this case**
15 **include amounts for “bargaining” and “non-bargaining” employees?**

16 A. Yes. Bargaining employees are members of International Brotherhood of Electrical
17 Workers (“IBEW”) Local Union No. 602 (“Local 602”). Through IBEW Local
18 Union No. 602, those employees engage in collective bargaining with SPS over

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1 base wages and benefits. All other SPS employees are considered to be non-
2 bargaining employees whose compensation and benefits are established outside of
3 the collective bargaining process.

4 **Q. Are the bargaining and non-bargaining employees eligible for the same**
5 **components of compensation?**

6 A. No. Bargaining employees are eligible for the hourly wage amounts agreed to as
7 part of the collective bargaining agreement, including the amounts negotiated for
8 overtime work.

9 In contrast, non-bargaining employees are eligible for base pay and may be
10 eligible for one or more of the following types of incentive compensation:

- 11 • Annual incentive compensation;
- 12 • Supplemental incentive compensation for Wholesale Energy Marketing
13 and Trading employees;
- 14 • Long-term incentive compensation; and
- 15 • Recognition awards.

16 The respective compensation components vary by employee based on eligibility,
17 but the combination of components is designed to provide each non-bargaining
18 employee with all (100%) of the market-based compensation, on-average, relative
19 to his or her job.

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1 **Q. Please explain what you mean when you state that the compensation**
2 **components for non-bargaining employees vary by employee based on**
3 **eligibility.**

4 A. The eligibility for particular components of compensation varies depending on
5 whether a non-bargaining employee is considered to be an “exempt” employee or
6 “non-exempt” employee under the Fair Labor Standards Act (“FLSA”).
7 Non-exempt employees, which are defined in the FLSA as those employees paid
8 on an hourly basis and may receive over-time pay, are eligible only for base pay
9 and recognition awards. Exempt employees, which are defined in the FLSA as
10 salaried workers, are eligible for both base pay and various types of incentive
11 compensation depending on their job or job level.

12 **Q. Are the compensation packages structured the same for all exempt non-**
13 **bargaining employees?**

14 A. No. As shown in Figure MPD-1²⁰, the combinations and values of each component
15 of compensation (base pay, annual incentive compensation, and long-term
16 incentive compensation) differ by job and individual employee. For example,

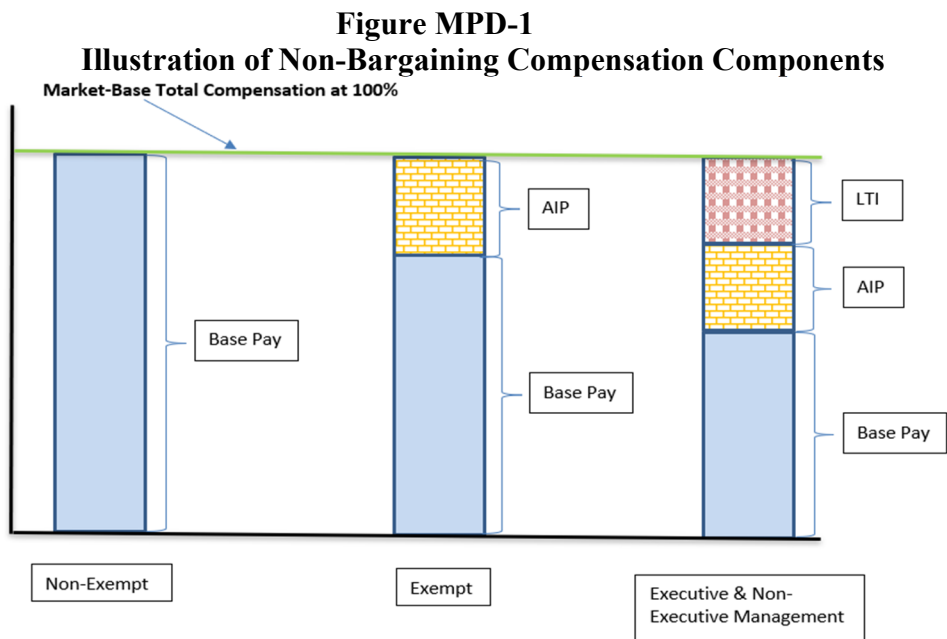
²⁰ Figure MPD-1 is for illustrative purposes only and does not represent a specific job or individual employee.

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1 Figure MPD-1 shows that executive and non-executive management receive a
2 greater percentage of their compensation in the form of incentive compensation
3 than non-management exempt employees do. This is similar to how other
4 employers with whom SPS competes for employees structure their compensation
5 components.

6 The compensation structure for all non-bargaining employees is designed
7 to provide a total compensation package based on the market-competitive
8 compensation levels and types necessary to attract, retain, and motivate employees
9 at varying levels.

10



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1 **Q. Is SPS seeking recovery of all of the costs associated with its compensation**
2 **components?**

3 A. No. As I will explain in more detail later in my testimony, SPS has not included
4 the executive LTI Program costs associated with relative total shareholder return
5 (relative “TSR”) as a part of its requested compensation expense in this electric rate
6 case. In addition, SPS is limiting its requested recovery of AIP costs to “target”
7 opportunity levels of an employee’s base pay.²¹ Thus, in this rate case, SPS is
8 seeking recovery of the compensation costs related to base pay, the AIP at target
9 (100% target opportunity), the SIP, the environmental and time-based LTI Program
10 (restricted stock units – RSUs) (100% target opportunity grant level),²² and the
11 Recognition Program. Despite these adjustments to SPS’s requested recovery, all
12 of the expenses of the Total Rewards Program are the necessary and reasonable
13 costs of attracting, retaining, and motivating the employees needed to provide safe
14 and reliable electric service. For this reason, SPS reserves the right to request full
15 AIP and LTI Program expense recovery in future base rate cases.

²¹ I explain in the next section of my testimony what is meant by a “target” level of incentive compensation.

²² Time-based LTI compensation includes both executive time-based LTI compensation and non-executive management time-based LTI compensation with modifier at the grant level.

1 **V. BASE PERIOD AND ADJUSTED BASE PERIOD BY**
2 **COMPENSATION COMPONENTS**

3 **Q.** **Please briefly explain the issues and related costs you will address in this**
4 **section of your testimony.**

5 A. In this section of my testimony I present the costs incurred during the Base Period
6 for the Total Rewards Program by compensation component: (a) base wage and
7 base pay, (b) annual incentive compensation, (c) long-term incentive compensation,
8 (d) supplemental incentive compensation, and (e) recognition awards. I discuss
9 certain adjustments made to the Base Period compensation component totals to
10 reach Adjusted Base Period totals as well. Finally, I discuss the reasonableness and
11 necessity of the costs associated with Total Rewards Program Adjusted Base Period
12 amounts.

13 **Q.** **What is the Base Period in this proceeding?**

14 A. SPS's Base Period in this proceeding is the historical 12-month period beginning
15 July 1, 2021 and ending June 30, 2022.

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1 **A. Base Wages and Base Pay**

2 *1. Bargaining Employee Base Wages*

3 **Q. How are base wage amounts for bargaining employees determined?**

4 A. Bargaining employee base wage amounts, including the hourly wage increases, are
5 based on the collective bargaining agreement (“CBA”) between SPS and Local
6 602.

7 **Q. What is the status of the collective bargaining agreement in place during the**
8 **Base Period?**

9 A. The CBA in place during the Base Period was effective through October 31, 2022.
10 Under that agreement, SPS bargaining employees received a base wage increase of
11 2.5% effective November 1, 2021. This increase is reflected in the Base Period
12 bargaining employee base wage expenses incurred.

13 **Q. What were the actual bargaining wage expenses incurred by SPS during the**
14 **Base Period?**

15 A. During the Base Period, the bargaining wage expense was \$7,554,984 on a New
16 Mexico retail basis (\$23,193,791 Total Company).

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1 **Q. Were there any known and measurable adjustments made to the actual**
2 **bargaining wage expenses incurred by SPS during the Base Period to reach**
3 **Adjusted Base Period amounts?**

4 A. Yes. SPS made a \$54,294 New Mexico retail (\$156,436 Total Company)
5 downward adjustment to the Base Period bargaining wage expense to reflect four-
6 year averaging of generation overhaul expense and to eliminate wholesale account
7 manager expenses as discussed by Mr. Low and Ms. Niemi, respectively.

8 **Q. Are the Adjusted Base Period base wage amounts for bargaining employees**
9 **reasonable?**

10 A. Yes. The Adjusted Base Period base wage amount for bargaining employees
11 reflects negotiated wages included in a collective bargaining agreement between
12 SPS and Local 602 and is consistent with Commission precedent.

13 2. *Non-Bargaining Employee Base Pay*

14 **Q. How are base pay amounts established for non-bargaining employees?**

15 A. On behalf of SPS and its other Operating Companies, Xcel Energy undertakes a
16 comprehensive evaluation process for each non-bargaining position using external
17 market data obtained from independent third-party compensation surveys to ensure
18 its non-bargaining employee compensation levels are comparable to the market. To

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1 develop an apples-to-apples comparison, Xcel Energy must first match the job
2 responsibilities of SPS positions to the job responsibilities provided in third-party
3 compensation surveys. Human resources professionals from other companies
4 provide compensation data to the third-party compensation companies based on
5 their jobs that match the descriptors in the surveys. Xcel Energy then considers
6 data from a variety of surveys, including data for both utility and non-utility
7 companies.²³ The 50th percentile or median is then used to determine the
8 appropriate pay range for a position. After an appropriate pay range is determined,
9 the components of the compensation package are divided among base pay, annual
10 incentive compensation, supplemental incentive compensation, and long-term
11 incentive compensation, as applicable. By approaching compensation in this
12 manner, Xcel Energy is able to ensure that its total compensation levels are
13 comparable to the market and, thus, that those costs are set at a reasonable level.

14 **Q. Can non-bargaining employees earn base pay increases?**

15 A. Yes. Although base pay is considered to be a fixed component of cash
16 compensation, managers are allowed to award base pay increases based on
17 employees' performance, their position in the pay range (an indicator of relative

²³ If SPS's position is unique to the utility industry, Xcel Energy may restrict its comparison to only the utility-specific data in the surveys.

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1 market position), and internal equity between employees. Base pay increases tend
2 to be higher for employees who have high levels of performance and who are
3 currently at the low end of the pay range. On the other hand, average performers
4 who are at the higher end of the pay range for their job classification may only
5 receive a small base pay increase, and a poor performer generally receives no base
6 pay increase. Base pay increases are generally effective in March each year.

7 **Q. Are the base pay increases earned by non-bargaining employees the same as**
8 **cost-of-living increases?**

9 A. No. An employee must earn a base pay increase based upon performance, among
10 other factors. This is distinct from cost-of-living increases in base pay, which are
11 typically provided to all employees of a company, regardless of performance. Xcel
12 Energy does not provide cost-of-living increases.

13 **Q. How does Xcel Energy determine the annual budget for base pay increases?**

14 A. For non-bargaining employees, a number of factors are considered to arrive at base
15 pay increases. The factors include:

- 16 • A review of external market surveys regarding base pay increases;
- 17 • Economic conditions;
- 18 • Xcel Energy performance; and

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- 1 • A comparison to potential or negotiated wage increases for bargaining
2 employees.

3 **Q. What base pay increase did non-bargaining employees earn during the Base**
4 **Period?**

5 A. Effective March 2022, eligible non-bargaining employees earned, on average, a
6 4.0% base pay increase. To earn a base pay increase, a non-bargaining employee
7 had to be eligible based on job performance and had to be employed by SPS on the
8 effective date of the base pay increase. These increases are reflected in the actual
9 expenses incurred related to non-bargaining employee base pay during the Base
10 Period.

11 **Q. Why does Xcel Energy rely on independent third-party surveys as a reference**
12 **to set base pay amounts and to evaluate base pay increases?**

13 A. Use of independent third-party compensation surveys is a best practice for
14 determining compensation across industries. SPS relies on independent third-party
15 compensation surveys because the survey vendors use rigorous methodologies to
16 collect and aggregate compensation information from a wide array of companies.
17 Those surveys are compiled in compliance with Department of Justice and Federal
18 Trade Commission Antitrust Safety Zone guidelines, which specify who can
19 administer surveys and define parameters such as the minimum number of

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1 participants in the survey, the percentage of data a single survey participant can
2 represent in weighted results, and the age of the data. In addition, the results of the
3 surveys are available only to authorized users, which motivates companies to share
4 competitive information they would not release publicly.

5 **Q. Was the 4.0% base pay increase earned by non-bargaining employees earned**
6 **during the 2021 performance year and paid in March 2022 reasonable?**

7 A. Yes. The independent third-party surveys that I described above demonstrate that
8 for 2022, the 4.0% base pay increase for non-bargaining employees was
9 competitive with the market as a whole. In particular, five different survey sources
10 reported the following base pay increase ranges:

- 11 • 3.5% to 4.2% for all utilities on a national basis; and
- 12 • 3.5% to 4.2% for all companies on a national basis.²⁴

13 As these independent surveys show, the 4.0% base pay increase for SPS's
14 non-bargaining employees was reasonable, and perhaps even conservative, when
15 compared to the market in 2022.

²⁴ WorldatWork “2022-2023 Salary Budget Survey;” The Conference Board “2022 Salary Increase Budget Survey Results;” Willis Towers Watson “2022 General Industry Salary Budget Survey;” Mercer “2022 US Compensation Planning Survey Report;” and Aon Hewitt “2022 Salary Increase and Turnover Study-United States.”

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1 **Q. What were the actual non-bargaining base pay expenses incurred by SPS**
2 **during the Base Period?**

3 A. During the Base Period, the non-bargaining base pay expense was \$27,723,150 on
4 a New Mexico retail basis (\$85,551,299 Total Company).

5 **Q. Were there any known and measurable adjustments made to the actual non-**
6 **bargaining base pay expenses incurred by SPS during the Base Period to reach**
7 **Adjusted Base Period amounts?**

8 A. Yes. SPS made a \$317,034 New Mexico retail (\$945,924 Total Company) net
9 upward adjustment to the Base Period non-bargaining wage expense. This reflects
10 several known and measurable adjustments sponsored by other SPS witnesses,
11 including a downward adjustment to reflect four-year averaging of generation
12 overhaul expense as discussed by Mr. Low and downward adjustments discussed
13 by Ms. Niemi to (1) eliminate costs not benefiting SPS and other standard business
14 area adjustments, (2) eliminate costs recovered in SPS's TEP Rider instead of base
15 rates, (3) eliminate wholesale account manager expenses, and (4) eliminate the Xcel
16 Foundation expense. It also includes one known and measurable upward
17 adjustment sponsored by me.

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1 **Q. Please describe the known and measurable adjustment made to Base Period**
2 **base pay sponsored by you.**

3 A. SPS made an upward known and measurable adjustment to base pay expenses
4 incurred during the Base Period in the amount of \$427,417 New Mexico retail
5 (\$1,268,575 Total Company) to account for a base pay increase for employees
6 below the base pay midpoint that occurred in March 2022 and an increase to
7 engineering jobs' base pay that occurred in June 2022. The non-bargaining base
8 pay amounts were annualized to reflect these two increases, such that the Adjusted
9 Base Period non-bargaining base pay is an appropriate starting point for the known
10 and measurable adjustments made to reach the Linkage Period and Future Test Year
11 Period amounts discussed later in my testimony.

12 **Q. Please explain the below average base pay increase that occurred in March**
13 **2022.**

14 A. In March 2022, the annual increase budget of 3% received an additional 2% market
15 increase for eligible non-bargaining employees who were below their respective
16 pay grade midpoint and displayed successful performance. This permanent base
17 increase was designed to keep pace with a quickly changing job market and
18 progression within their updated salary range. This increase applied to over 2,400

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1 employees Xcel Energy wide and was included with the average overall annual
2 increase of 4.0% reported above.

3 **Q. Please explain the engineering base pay increase that occurred in June 2022.**

4 A. In June 2022, Xcel Energy provided an increase to its Engineering job family.
5 Nearly 300 engineers in these jobs were falling below their competitive job market
6 and required an additional permanent base pay increase.

7 **Q. Has SPS had recruiting and retention challenges related to the Engineering
8 job family?**

9 A. Yes. Since January 2021, Xcel Energy has lost 70 Engineers through August 2022,
10 and while nearly 140 Engineers have been hired during that same period, there
11 remained over 104 openings within this group, as of September 15, 2022.

12 **Q. What are the Adjusted Base Period non-bargaining base pay expenses?**

13 A. The Adjusted Base Period non-bargaining base pay expense is \$28,040,184 on a
14 New Mexico jurisdictional basis (\$86,497,223 Total Company).

15 **Q. Are the Adjusted Base Period non-bargaining base pay amounts reasonable?**

16 A. Yes. The Adjusted Base Period non-bargaining base pay amounts reflect base pay,
17 including pay increases, that was competitive with the market as a whole in 2022
18 as benchmarked by independent survey sources. As discussed above, the job

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1 market is active and quickly changing, and Xcel Energy is experiencing challenges
2 in recruiting and retaining a variety of employees. The Adjusted Base period non-
3 bargaining base pay amounts are reasonable and necessary to recruit and retain the
4 employees required to serve SPS's customers.

5 **B. Annual Incentive Compensation**

6 **Q. What do you address in this subsection of your testimony?**

7 A. In this section, I discuss SPS's Annual Incentive Program, which is referred to by
8 the acronym "AIP." First, I explain that the use of incentive compensation benefits
9 customers, as compared to a compensation system that would provide all of an
10 eligible non-bargaining employee's compensation through base pay only. Second,
11 I describe the structure of the AIP and adjustments made to the Base Period
12 amounts.

13 *1. Benefits of Annual Incentive Compensation*

14 **Q. Why does Xcel Energy include annual incentive compensation as part of its**
15 **Total Rewards Program?**

16 A. Like most employers, Xcel Energy has the option of offering cash compensation to
17 employees solely through base pay or offering cash compensation through a
18 combination of base pay and incentive compensation. Xcel Energy has chosen to

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1 offer its non-bargaining employees a combination of base pay and incentive
2 compensation because that compensation structure produces a number of
3 well-recognized benefits: (1) it promotes superior employee performance; (2) it
4 reduces fixed labor costs; and (3) it provides a comparable, market-based
5 compensation design similar to other employers with whom Xcel Energy and SPS
6 compete for employees.

7 **Q. Please explain how offering incentive compensation promotes superior**
8 **employee performance.**

9 A. A well-designed incentive compensation plan motivates employees to focus on
10 activities that benefit customers, such as improving customer service response
11 times, enhancing reliability, and achieving environmental goals. In addition, a
12 compensation structure that includes incentive compensation strengthens the link
13 between pay and performance because the employee must meet the performance
14 standards to earn the full compensation amount. Using base pay alone to offer an
15 employee compensation consistent with the 50th percentile of the market would
16 allow an employee to receive all compensation regardless of performance, which
17 eliminates the ability for an employee to earn more by performing at a higher level.

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1 Thus, the use of incentive compensation helps Xcel Energy motivate and reward its
2 employees for delivering superior performance.

3 **Q. How does incentive compensation reduce fixed labor costs?**

4 A. The use of incentive compensation reduces labor costs by lowering the base pay
5 amount to which annual escalation rates are applied. For example, if a non-
6 bargaining employee's total cash compensation was \$50,000 in year one and all of
7 the compensation was in the form of base pay, a 4.0% base pay increase would lead
8 to a base pay increase of \$2,000 in year two and a new base pay of \$52,000.

9 In contrast, customers benefit if total cash compensation is structured with
10 base pay and 20% incentive compensation opportunity (variable pay) to reach total
11 compensation. In this example, a base pay of \$41,670 with a target-level payout of
12 20% would reach the market-based total cash compensation of \$50,000. The
13 difference to total cash compensation would need to be re-earned annually through
14 the AIP. Additionally, unlike the fixed cost described above when total cash
15 compensation is delivered in base pay, the 4.0% base pay increase would lead to an
16 increase of \$1,667 in year two ($\$41,670 + 4.0\% = \$1,667$) and a new base pay of
17 \$43,337. Thus, by moving a portion of each employee's pay from base pay to
18 incentive pay, SPS reduces overall fixed labor costs (base pay) by avoiding the

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1 compounding effect of annual base pay increases on the higher base pay amount,
2 as noted in Table MPD-2 below.

Table MPD-2
Fixed Cost and Variable Pay Example

	Total Compensation Base Pay Only	Total Compensation Base Pay and AIP
Competitive Market Total Cash Compensation Median	\$50,000	
Fixed Cost - Base Pay	\$50,000	\$41,670
Incentive Target Opportunity	0%	20%
Variable Pay at Target	\$0	\$8,334
Total Cash Compensation	\$50,000	\$50,004
Base Pay Increase (4.0%)	\$2,000	\$1,667
Fixed Cost - Post Increase	\$52,000	\$43,337

3 Furthermore, fixed costs associated with base pay affect a variety of benefit-
4 related expenses, such as 401(k) match, life insurance premiums, long-term
5 disability premiums, and short-term disability expenses. If total cash compensation
6 were provided through base pay at 100%, the additional fixed costs would
7 correspondingly increase benefit-related expenses. In contrast, variable pay
8 expenses associated with incentive compensation do not affect all benefit expenses,

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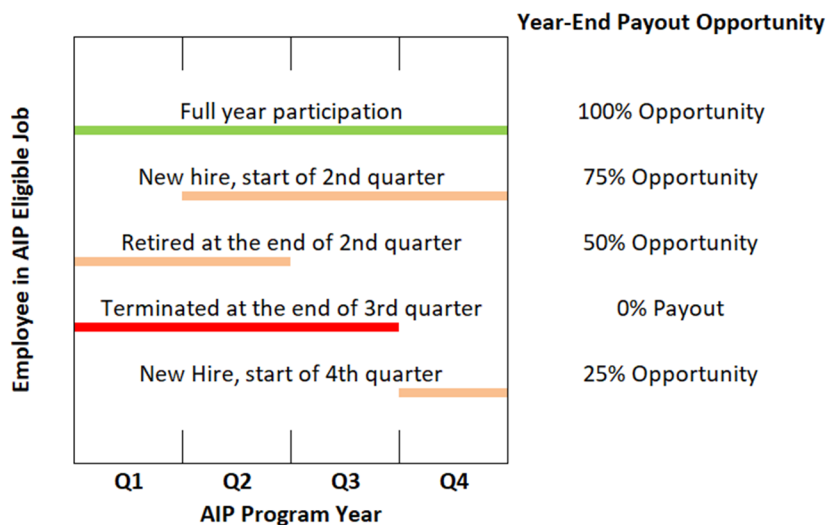
1 and variable pay may fluctuate from year to year. These factors, along with
2 prorated awards and eligibility requirements for payout, also contribute to incentive
3 design savings. In summary, by utilizing base pay and incentive components in the
4 Total Rewards Program, SPS reduces costs for our customers, while offering
5 employees market-based, target-level total cash compensation.

6 Finally, incentive compensation is paid only to those employed at the time
7 of payout in most circumstances. An example of an exception to this circumstance
8 would be eligible employees who retire during the AIP performance year. The
9 incentive compensation calculation also prorates the payout of incentive
10 compensation to new or transferring participants based on the dates those
11 employees were in an eligible position during the program year. By avoiding
12 payouts to departing employees and prorating payouts of arriving employees, SPS
13 pays less in incentive compensation than it would have paid those employees if all
14 of their compensation had been in the form of base pay.

15 Figure MPD-2 illustrates a few simple examples of how and when
16 employees in AIP-eligible jobs may or may not have full or pro-rated AIP
17 opportunities in relation to the year-end AIP award.

1
2

Figure MPD-2
Annual Incentive Program Eligibility



3 **Q. Is it common practice for utility companies to use annual incentive**
4 **compensation as part of their compensation packages?**

5 A. Yes. The use of incentive compensation by employers is a prevalent practice
6 throughout the United States, including utility companies. According to the 2021
7 Willis Towers Watson Compensation Study, 100% of utility companies in the 50+
8 company study maintain an annual incentive program.

9 2. *Structure of Xcel Energy's Annual Incentive Program*

10 **Q. Please summarize Xcel Energy's AIP.**

11 A. The AIP is the mechanism through which Xcel Energy and SPS tie part of an
12 eligible employee's cash compensation to the achievement of defined performance

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1 objectives called Key Performance Indicators (“KPIs”). SPS uses the AIP to align
2 employees’ goals with Xcel Energy’s corporate and business goals and to recognize
3 and reward employees for results that contribute to the achievement of reliability,
4 customer satisfaction, and safety goals. When combined with base pay, the AIP
5 compensation component is designed to produce a market-competitive total cash
6 compensation package.

7 **Q. What performance objectives were reflected in the 2021 performance year,**
8 **which was paid out in March 2022?**

9 A. Performance goals in the AIP are set at the Individual and Corporate levels as
10 follows in Table MPD-3:

11
12

**Table MPD-3
2021 AIP Performance Goals**

Performance Component	Types of Goals within Component	Purpose of Goals within Component
Individual	The individual component is based on an employee’s performance results for specific goals identified by the employee and his or her manager.	Goals are tied specifically to the employee’s job functions and competencies and are developed in alignment with business area and corporate objectives.
Corporate	The corporate component consists of goals and KPIs focused on operational, environmental, and safety measures.	Goals represent customer and employee interests.

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1 **Q. Which employees are eligible to participate in the AIP?**

2 A. The AIP applies to exempt, non-bargaining employees. Employees hired
3 throughout the program year are eligible for a prorated year-end AIP award. With
4 limited exceptions, employees must also be actively employed by Xcel Energy on
5 the date that the year-end award payments are made in order to receive an incentive
6 award.²⁵

7 **Q. In the previous answer, you refer to the “year-end portion of the AIP**
8 **compensation.” Are employees able to earn incentive compensation at times**
9 **other than year-end under the AIP?**

10 A. Yes. In addition to the year-end portion of their AIP compensation, which is based
11 on achievement of Corporate KPIs and Individual performance results, employees
12 are eligible to earn a portion of their Individual component throughout the course
13 of the year. The AIP provides leaders with the opportunity to recognize employees
14 and reinforce positive behavior in a timely manner. This portion of AIP
15 compensation can be received during the program’s prescribed intervals (monthly
16 or semi-annually) during the performance year.

²⁵ The exceptions are involuntary termination with severance, retirement, death, disability, or qualified leave of absence.

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1 **Q. In connection with the year-end AIP awards, you referred to Corporate KPIs**
2 **and Individual performance results. Please describe the Corporate KPIs.**

3 A. Each year, Xcel Energy develops a Corporate Scorecard that identifies certain
4 priorities for the year. For the 2021 performance year, for example, the Corporate
5 KPIs were focused on four priorities: (1) leading the clean energy transition, (2)
6 enhancing the customer experience, (3) keeping bills low, and (4) promoting safety
7 and reliability. As shown in Table MPD-4, those priorities resulted in six Corporate
8 KPIs for the year:

**Table MPD-4
2021 Corporate Scorecard**

Priority	Key Performance Indicator	Threshold (50%)	Target (100%)	Maximum (150%)	KPI Weight
Lead the Clean Energy Transition	Customer Satisfaction <i>(JD Power residential survey)</i>	747	762	777	20%
	Public Safety <i>(gas emergency response)</i>	91%	96%	99%	20%
Enhance Customer Experience	Electric System Reliability <i>(SAIDI)</i>	100	92	84	20%
	Employee Safety <i>(safety culture)</i>	Declining	Steady/ Improving	Significant Improvement	20%
Keep Bills Low	Diversity, Equity & Inclusion <i>(index)</i>	100	200	300	10%
Safety and Reliability	Wind Availability <i>(equivalent availability factor)</i>	92.0%	94.5%	97.0%	10%

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1 While I specifically address customer benefits related to incentive compensation in
2 my testimony, the KPIs are designed to address all stakeholders Xcel Energy
3 serves. In addition to customers, that also includes employees themselves and
4 shareholders. The KPIs provide employees with tangible ways to focus their
5 behavior and performance to operate in a safe, cost-effective, and reliable manner.
6 All of SPS's stakeholders benefit when the Corporate KPIs are met.

7 **Q. Table MPD-4 uses the terms “threshold,” “target,” and “maximum” for the**
8 **Corporate Scorecard. Can you explain what those terms mean?**

9 A. Yes. As shown in the table, Xcel Energy establishes quantitative measures to
10 evaluate whether the Corporate Scorecard KPIs have been met. The “threshold”
11 amount represents the minimum level of performance that must be achieved before
12 an incentive payment can be earned for the particular KPI (50%). Performance
13 below the threshold results in no incentive being earned for that KPI. The “target”
14 represents the level of performance that must be achieved to receive a target payout
15 for that KPI (100% payout). The “maximum” represents the level of performance
16 that must be achieved to receive the maximum payout possible for a particular KPI
17 (150%) of results for purposes of establishing the maximum amount of incentive
18 compensation for that Corporate KPI. As shown in Table MPD-5 (next page), the

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1 amount of incentive compensation an employee is eligible to receive under the
2 Corporate Scorecard depends on the degree of success that the corporation as a
3 whole achieves for the Corporate KPIs:

4 **Table MPD-5**
5 **Corporate Scorecard Scoring**

Corporate Goal Achievement	Payout
Below Threshold	0%
Threshold to Target	50% - 99.99% (based on a linear interpolation*)
Target	100%
Target to Maximum	100.1% - 149.99% (based on a linear interpolation*)
Maximum	150%

6 * mathematical calculation used to estimate values between two points

7 **Q. Is it reasonable to set the maximum at 150%?**

8 A. Yes. Xcel Energy relies on market studies to determine the payout ranges for its
9 AIP, and uses a conservative 150% maximum payout opportunity. This maximum
10 is lower than the incentive compensation opportunity offered by other companies.
11 Based on a study from WorldatWork and Compensation Advisory Partners in 2021,
12 60% of incentive programs had a maximum payout of 200% or greater. And while
13 there is an incentive payout opportunity of up to a 150% maximum, SPS is only

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1 requesting the target-level (100%) AIP expense in rate recovery. Shareholders are
2 responsible for AIP incentive expense amounts beyond target-level.

3 **Q. Did the 2021 Corporate Scorecard goals benefit customers?**

4 A. Yes. The Customer Satisfaction goal measures the satisfaction of residential
5 customers, using the Company's year-over-year results from the J.D. Power
6 Customer Satisfaction Survey. The Public Safety goal measures how quickly the
7 Company responds to situations to reduce hazards and maintain service
8 reliability. The System Average Interruption Duration Index ("SAIDI") goal
9 measures the reliability of the power the Company provides to customers. The
10 Employee Safety goal focuses on maintaining a safe-work mentality and injury-
11 free work environment, and is measured using questions on employee sentiment
12 towards safety culture in the Glint Employee Engagement Survey. The Diversity,
13 Equity & Inclusion goal measures success in attracting, retaining and engaging
14 diverse talents. Finally, the Wind Availability goal measures the availability of
15 wind assets and their ability to generate energy when the wind is blowing.

16 **Q. Is the AIP Corporate Scorecard for 2021 representative of the scorecards Xcel
17 Energy expects to use on a prospective basis?**

18 A. Yes. Xcel Energy will continue to be customer focused by driving operational and
19 cost efficiencies to deliver safe and reliable service to our customers. Although the

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1 specific KPIs and measures may change slightly to reflect specific objectives from
2 year to year, our commitment to our customers and the safety of the communities
3 SPS serves and our employees will always be high priorities.

4 **Q. Did you consider all Corporate KPIs to be operational goals?**

5 A. Yes. The 2021 Corporate Scorecard shown above in Table MPD-4 contains 100%
6 operational goals designed to focus employee performance on positive outcomes
7 for customers. Each of the goals is designed to influence employee activity, and
8 each goal has some type of cost element, whether through labor hours to complete
9 the work or equipment and material needs to safely and effectively complete the
10 job. Operating in a safe, reliable, cost-efficient manner benefits customers
11 receiving utility service, while delivering environmentally conscious energy to
12 customers.

13 **Q. Please turn now to the Individual component and explain how that is**
14 **evaluated.**

15 A. The purpose of the Individual component is to focus an employee on individual
16 goals and to reward that employee for his or her achievement of those goals.
17 Including an Individual component allows managers to recognize and reward
18 employees based on their levels of contribution and performance, consistent with
19 Xcel Energy's pay-for-performance philosophy.

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1 **Q. Who establishes an employee's individual goals?**

2 A. The Individual component is based on the individual performance results of specific
3 goals identified by the employee and his or her manager. Goals are tied specifically
4 to the employee's job functions and competencies and are developed in alignment
5 with business area and corporate objectives. Each manager has discretion to
6 determine the year-end Individual component award within a range of 0 to 150%
7 based on the employee's contributions and performance during the year.²⁶ Note,
8 however, that the budget for overall payouts for all employees is based on 100% of
9 all employees' target opportunities. This means that for every employee who
10 receives a payout above the target level, another employee's payout must be below
11 target level.

12 **Q. Are the Corporate and Individual KPIs weighted equally when assessing the**
13 **performance of an employee?**

14 A. No. The importance of the Corporate KPIs for year-end AIP payout varies based
15 on the employee's position and level of responsibility. The weightings of Corporate
16 versus Individual KPIs are designed such that an employee's goals are more
17 strongly linked to objectives that he or she has the greatest potential to affect. For

²⁶ The Individual component also includes the "I Deliver Award" and "Innovator Award." These awards, however, are not part of the year-end evaluation of whether an employee achieved his or her Individual KPIs during that year.

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1 example, the weighting for employees with a greater focus on day-to-day activities
2 and responsibilities tied to customer satisfaction, safety, and reliability are based
3 more heavily at the individual level. In contrast, when an employee's position has
4 the ability to affect Xcel Energy at a higher level, the weighting for those positions
5 focuses on broader corporate goals, though it will continue to require accountability
6 for individual performance. Table MPD-6 shows the weightings of these different
7 categories for the 2021 AIP performance year:

8 **Table MPD-6**
9 **Weightings of AIP by Employee Position**

Salary Tiers/Grades	Individual	Corporate
Exempt N, O Engineer A, B	90%	10%
Exempt P, Q Engineer C, Trader 1	80%	20%
Management R-T Engineer D, E, Trader 2-6	70%	30%
Management U-V	60%	40%
SLG	50%	50%

10 **Q. Do the category weightings change the total amount of target incentive**
11 **compensation that can be earned?**

12 **A.** No. The weightings modify the mix of accomplishments needed for employees to
13 achieve the target levels of AIP opportunity for the respective employee groupings,

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1 but they do not change the target opportunity levels for employees. For example,
2 a job with a market-based target opportunity of 10% would remain 10%, even if
3 the mix of Corporate versus Individual weightings changes.

4 **Q. Do all eligible non-bargaining employees receive the same percentage of their**
5 **overall cash compensation as incentive compensation?**

6 A. No. As I explained earlier, the percentage of total cash compensation paid as
7 incentive compensation is determined by the non-bargaining employee's position
8 or level within the organization. Thus, for example, an employee at a 10% target
9 annual incentive compensation opportunity level with a base salary of \$50,000 will
10 receive \$5,000 in annual incentive compensation, assuming achievement of 100%
11 of the Corporate KPIs and Individual goals. Target opportunities will vary based
12 on market competitive incentive and design levels. As such, the more senior the
13 non-bargaining employee, the more of his or her total cash compensation is paid as
14 incentive compensation.

15 **Q. Is the amount of an employee's incentive compensation earned always at the**
16 **incentive target amount?**

17 A. No. An employee receives his or her incentive target opportunity payout only if
18 that employee achieves 100% of his or her Individual goals and the Corporate KPI

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1 results are at 100%. The actual incentive payment earned by an employee may
2 exceed or fall below the incentive target amount, depending upon the actual
3 performance of the weighted AIP components. The maximum year-end payout is
4 150% of the incentive target amount based on exceptional performance for
5 established Corporate KPIs and Individual goals. The year-end threshold for a
6 minimum payout is 50% of the incentive target, which reflects meeting the
7 minimum expected level of performance for a Corporate KPI. Performance below
8 the 50% level for a Corporate KPI results in no incentive compensation for the
9 associated goal. Overall, an employee's final year-end payout may range from 0 to
10 150% of the individual's incentive target opportunity.

11 **Q. What were the actual AIP expenses incurred by SPS during the Base Period?**

12 A. During the Base Period, the non-bargaining base pay expense was \$1,942,258 on a
13 New Mexico retail basis (\$6,015,956 Total Company).

14 **Q. Were there any known and measurable adjustments made to the AIP expenses**
15 **incurred by SPS during the Base Period to reach Adjusted Base Period**
16 **amounts?**

17 A. Yes. SPS made a \$231,864 New Mexico retail (\$718,984 Total Company) net
18 upward adjustment to the Base Period non-bargaining wage expense. This reflects

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1 several known and measurable adjustments sponsored by other SPS witnesses,
2 including a downward adjustment to reflect four-year averaging of generation
3 overhaul expense as discussed by Mr. Low and downward adjustments discussed
4 by Ms. Niemi to (1) eliminate costs not benefiting SPS and other standard business
5 area adjustments, (2) eliminate wholesale account manager expenses, and (3)
6 eliminate the Xcel Foundation expense. It also includes one known and measurable
7 upward adjustment sponsored by me.

8 **Q. Please describe the known and measurable adjustment made to Base Period**
9 **AIP expense sponsored by you.**

10 A. SPS made an upward known and measurable adjustment to the Base Period AIP
11 expense in the amount of \$239,164 New Mexico retail (\$740,337 Total Company)
12 to reflect the 2022 AIP target-level expense (100%).

13 **Q. What are the Adjusted Base Period non-bargaining AIP expenses?**

14 A. The Adjusted Base Period AIP expense is \$2,174,122 on a New Mexico retail basis
15 (\$6,734,940 Total Company).

16 **Q. Is SPS's Adjusted Base Period AIP amount reasonable?**

17 A. Yes. This amount represents the 2022 year-end target-level payout expense. This
18 amount provides market-level, cash compensation to eligible non-bargaining

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1 employees, administered through our pay-for-performance philosophy. The design
2 of the AIP results in a lower expense request amount to rate payers than would be
3 requested using a base pay program alone to achieve market competitive
4 compensation necessary to attract, retain, and motivate our eligible non-bargaining
5 employees. The entire SPS AIP expense is a reasonable and necessary component
6 of overall cash compensation, and is based on target-level achievement (100%) of
7 the Corporate KPIs and Individual goals.

8 **C. Long-Term Incentive Compensation**

9 **Q. Please describe Xcel Energy's long-term incentive program.**

10 A. Like the other Xcel Energy compensation programs, the LTI program is intended
11 to attract, retain, and motivate employees. LTI compensation differs from annual
12 incentive compensation and other types of compensation in that it is offered only
13 to executives and non-executive leadership employees, as determined by market
14 competitive compensation designs to reach 100% market-based opportunity. Like
15 all other compensation components, the LTI program is necessary to ensure that
16 those employees' compensation levels and the mix of compensation are
17 competitive.

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1 **Q. Are long-term incentive programs commonly used in the utility industry?**

2 A. Yes. Long-term incentive programs are widely used compensation vehicles for
3 executives and certain non-executive employees, according to Willis Towers
4 Watson, and is a component of market-based total compensation in 100% the 50+
5 utility companies in the Willis Towers Watson study. These types of programs
6 create an incentive for eligible employees to engage in high-level planning that will
7 lead to customer benefits over the long-term. It also encourages those employees
8 to remain with Xcel Energy and to follow through on longer-term decisions and
9 projects, rather than incentives paid entirely for short-term outcomes.

10 **Q. What are the three components that make up the LTI compensation expense?**

11 A. The LTI Program includes a relative total shareholder return portion of executive
12 LTI compensation.²⁷ It also includes a performance-based component related to
13 Xcel Energy's environmental activities for executives, which I refer to as the
14 "environmental LTI compensation." Finally, it includes time-based LTI
15 compensation related to executives and non-executive participants.

²⁷ As discussed below, SPS has removed from the Base Period, costs related to executive LTI program relative TSR.

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1 **Q. Please explain Relative TSR component of executive LTI compensation.**

2 A. Relative TSR is a measure of creating shareholder value compared to the utility
3 industry peer group. This portion of the LTI program is 50% of the LTI
4 compensation for executive leaders.

5 **Q. Please generally describe the environmental goal of the LTI program.**

6 A. Some of the performance-based shares granted to executives relate to the
7 environmental goal, which ensures strong environmental stewardship. The
8 measurement for the environmental portion of the performance shares is the three-
9 year average percent reduction in carbon emissions. The types of activities that
10 affect the results are implementing renewable energy resources, promoting energy
11 efficiency programs, and improving plant operations to reduce carbon output,
12 among others. Because the majority of Xcel Energy's LTI compensation for
13 executives is performance-based, payout occurs only when pre-defined
14 performance goals are achieved. The performance shares are granted in the first
15 year, and the average performance is measured at the end of the third year to
16 determine the level of achievement.

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1 **Q. Please generally describe the time-based LTI compensation for executives and**
2 **non-executive leadership employees.**

3 A. Time-based LTI compensation is used to attract, retain, and motivate eligible
4 employees for the reasons I discussed earlier—it ensures that those employees
5 engage in long-term planning for the benefit of Xcel Energy and SPS and that the
6 employees remain with Xcel Energy long enough to implement those long-term
7 plans. Xcel Energy accomplishes that goal by requiring a three-year vesting period
8 for the LTI payment. LTI program participation is market driven. While only a
9 small percentage of non-bargaining employees are eligible for this form of
10 compensation, the LTI program is an essential portion of their total compensation.
11 Employees that are hired into higher-level leadership positions can be expensive
12 and the process to identify and have them join the company can be time consuming,
13 which can negatively impact departments and operational and support teams.

14 Retaining these experienced employees is critical. This group of employees
15 has a significant impact on the direction, leadership, and decision-making within
16 Xcel Energy and SPS. Therefore, it is imperative that the compensation value and
17 design for these employees are comparable to the options available in the market.

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1 **Q. How does the three-year performance period affect the accrual of LTI expense**
2 **for the cost of service?**

3 A. Accrual of LTI expense occurs ratably over a three-year period and, therefore,
4 reflects LTI program plans in effect during each of the three years. Because the
5 Base Period ends June 30, 2022, costs for the 2019, 2020, and 2021 LTI years,
6 which settled in the spring of 2022, are included in the Base Period.

7 **Q. What were the actual LTI expenses incurred by SPS during the Base Period?**

8 A. During the Base Period, the LTI expense was \$801,429 on a New Mexico retail
9 basis (\$2,470,734 Total Company).

10 **Q. Did SPS adjust the Base Period LTI expenses to arrive at Adjusted Base Period**
11 **amounts?**

12 A. Yes. SPS removed the Relative TSR portion of the LTI program expenses in an
13 amount of \$336,786 New Mexico retail (\$1,038,283 Total Company). Although
14 this amount has been excluded from the Base Period, it is a reasonable and
15 necessary expense related to total employee compensation.

16 **Q. Is SPS's Adjusted Base Period LTI amount reasonable?**

17 A. Yes. As described above, the LTI program is necessary to attract, retain, and
18 motivate executives and non-executive leadership employees. The Adjusted Base

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1 Period LTI expense is part of eligible SPS employees' market competitive
2 compensation package designed to reach 100% market-based opportunity.

3 **D. Supplemental Incentive Compensation**

4 **Q. Please explain Xcel Energy's Supplemental Incentive Program.**

5 A. The Xcel Energy Supplemental Incentive Program or SIP is designed to provide
6 certain eligible employees who work in wholesale energy trading activities with
7 compensation opportunities that are competitive with compensation practices in the
8 wholesale energy trading sector. The SIP is designed to reward employees for
9 achievement of wholesale energy trading profit margins. The program is a
10 supplement to the AIP and is part of the total cash compensation offered only to
11 Xcel Energy wholesale energy trading employees. Taken together, a wholesale
12 energy trading employee's base pay, annual incentive compensation, and
13 supplemental incentive compensation are designed to compensate an employee at
14 the median of the market for comparable jobs.

15 **Q. Is it reasonable for SPS to recover the cost of the SIP from retail customers?**

16 A. Yes. This supplemental incentive is designed to motivate trading employees to
17 seek out cost-effective trades and to achieve the maximum possible margins, a large
18 percentage of which are shared with customers through the Fuel & Purchased

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1 Power Cost Adjustment Clause. Thus, the benefits for customers are immediate
2 and flow directly from the employee activities that are rewarded under the SIP.

3 **E. Recognition Awards**

4 **Q. Please summarize Xcel Energy's recognition program.**

5 A. Xcel Energy's recognition program include a years-of-contribution award, a
6 corporate recognition award, and the Spot-On Award. The years-of-contribution
7 award recognizes employee loyalty and cumulative career effort every five years.
8 The corporate recognition award provides thank-you cards, nominal gift cards,
9 small gifts, or items with the Xcel Energy logo to recognize individuals and groups
10 of employees for extraordinary performance. The Spot-On Award was created as
11 a tool for managers to reward outstanding performance for non-exempt, non-
12 bargaining employees, who are generally not eligible to receive annual incentive
13 compensation.

14 **Q. Are AIP-eligible employees also eligible for the Spot-On Award recognition?**

15 A. No. Employees eligible for the AIP are not eligible for recognition through Spot-
16 On awards.

17 **Q. Is it reasonable for SPS to recover the cost of the Recognition Program?**

18 A. Yes. The Recognition Program allows SPS to acknowledge employment longevity
19 and performance for eligible employees and extraordinary performance of non-

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1 bargaining, non-exempt employees using an annually determined nominal budget
2 amount. Awards are related to SPS service over an employee's tenure or service to
3 customer related actions.

4 **F. Overall Compensation**

5 **Q. Did SPS compare its total cash compensation and total direct compensation**
6 **levels during the Base Period to the competitive market, including other**
7 **utilities?**

8 A. Yes. Xcel Energy uses market survey data to ensure that its total cash compensation
9 and total direct compensation levels are consistent with the median of the market.
10 Xcel Energy also engaged Willis Towers Watson to perform an analysis of how
11 Xcel Energy's target total cash compensation and total direct compensation
12 compare with the compensation of other utility companies, which I discuss below.
13 The analysis included compensation information related to exempt and executive
14 employees.

15 **Q. In the previous response, you used the phrases "total cash compensation" and**
16 **"total direct compensation." What is the difference between those concepts?**

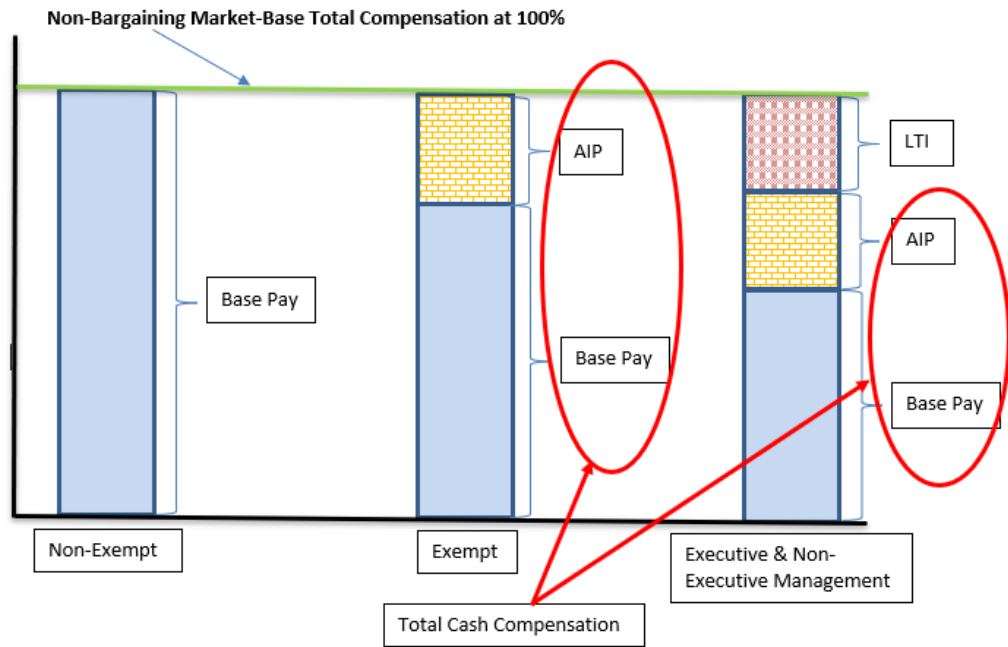
17 A. Total cash compensation is the combination of base pay plus short-term incentive
18 compensation (the AIP) components, as applicable (Figure MPD-3). These two
19 compensation components apply to non-bargaining, exempt employees, and are the

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1 main components of the compensation package offered to a majority of these non-
2 bargaining, exempt employees to make up all (100%) of their market-based
3 compensation.

4

**Figure MPD-3
Exempt Total Cash Compensation Components**

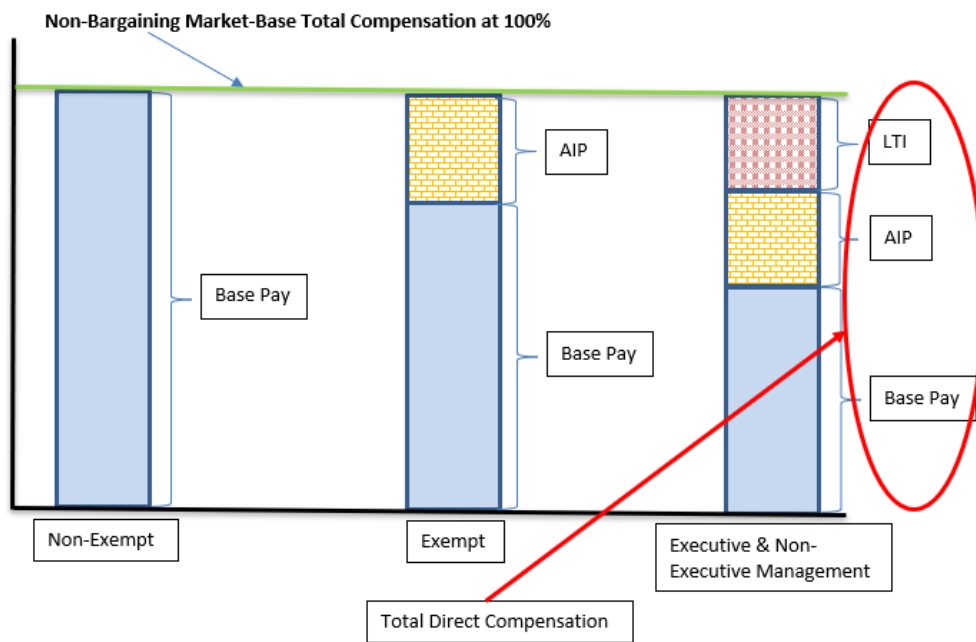


5 Total direct compensation is used to describe the compensation package
6 offered to executive and non-executive management employees who are eligible
7 for the LTI Program. Total direct compensation includes base pay plus short-term
8 incentive compensation (the AIP) and long-term incentive (LTI) compensation
9 (Figure MPD-4). This third component of compensation, the LTI Program,

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1 provides Xcel Energy with a market-based attraction and retention compensation
2 vehicle, as the long-term incentive offered requires a three-year vesting period
3 before payment in most circumstances. These three components make up all
4 (100%) of the compensation for this group of eligible employees.

5 **Figure MPD-4**
6 **Total Direct Compensation Components**



7 **Q. Please describe the specific focus of the most recent Willis Towers Watson**
8 **compensation study.**

9 A. The 2021 Willis Towers Watson Compensation Study was the most recently
10 available compensation study. It compared Xcel Energy's level of compensation

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1 during 2021 to the median and average levels of compensation paid by the
2 comparison groups. The 2021 Willis Towers Watson Compensation Study
3 includes the following comparisons:

- 4 • Xcel Energy's total cash compensation levels, which are base salary
5 plus target annual incentive compensation, compared with competitive
6 market target total cash compensation levels;
- 7 • Xcel Energy's total direct compensation levels, which are base salary
8 plus target annual incentive compensation plus long-term incentive
9 compensation, compared with total target direct compensation levels
10 offered in the market;
- 11 • Xcel Energy's base salary levels compared with competitive market
12 total base salary levels;
- 13 • Xcel Energy's annual incentive targets compared with market annual
14 incentive targets; and
- 15 • Xcel Energy's long-term incentive targets compared with the market
16 long-term incentive targets.

17 **Q. What comparison groups were used in the 2021 Willis Towers Watson**
18 **compensation study?**

19 A. Compensation levels were compared with two sets of data. The first set of data
20 compared Xcel Energy's compensation programs to the programs of a large number
21 of investor-owned utilities across the nation, including those both smaller and larger
22 than Xcel Energy. The second set of data compared Xcel Energy's compensation

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1 programs to those of investor-owned utilities similar in size to Xcel Energy based
2 on revenue size.

3 **Q. What were the results of the 2021 Willis Towers Watson compensation study?**

4 A. As shown on Table MPD-7 (next page), the 2021 Willis Towers Watson
5 Compensation Study found that with the inclusion of the AIP, Xcel Energy's
6 median total cash compensation levels during 2021 were generally in line with
7 other utilities. Without the target-level AIP, the median total cash compensation
8 provided would be well below the overall utility market, which shows that not
9 offering the AIP would put Xcel Energy at a material disadvantage in the
10 competition for employees.

11 Similarly, Xcel Energy's compensation would be at an unacceptably low
12 level with regard to total direct compensation for certain employee groups if it did
13 not provide a competitive LTI package for its executive and non-executive talent
14 and leadership. Long-term incentives are a significant portion of the compensation
15 package offered to attract, retain, and motivate this group of employees to design,
16 organize, lead, and manage one of the most forward-looking utilities in the country.

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**Table MPD-7
Market Median Compensation Comparisons**

Components of Xcel Energy Compensation	Compared to Base Salaries and Incentives of U.S. Utilities with Similar Revenues (Revenue Sample*)	Compared to Base Salaries and Incentives of U.S. Utilities (National Sample)
Base Salary Only (excludes Target AIP)	Below Market by 14.0%	Below Market by 11.3%
Target Total Cash Compensation (Base Salary + Target AIP)	Below Market by 0.1%	Above Market by 3.4%
Base Salary Only (excludes Target AIP and Target LTI**)	Below Market by 20.9%	Below Market by 16.8%
Base Salary + Target AIP (excludes Target LTI*)	Below Market by 8.1%	Below Market by 3.0%
Target Total Direct Compensation (Base + Target AIP + Target LTI**)	Above Market by 1.2%	Above Market by 8.3%

3
4

* Most comparable utilities by size and revenue

** Includes those eligible for LTI

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1 **Q. Of the two columns in Table MPD-7, which group does Xcel Energy consider**
2 **to be a better comparator group for analyzing the reasonableness of Xcel**
3 **Energy's compensation components?**

4 A. While both the Revenue Sample and National Sample provide good points of
5 comparison, references to utilities with revenues comparable to Xcel Energy's are
6 more informative than comparisons to an array of utilities throughout the United
7 States. The Revenue Sample is more informative because it is more representative
8 of the total compensation package design for similarly sized utility companies. The
9 National Sample includes many smaller regional utilities that may not have the
10 same total compensation design structure as Xcel Energy, as some may not include
11 LTI compensation when they are not publicly traded companies or they reduce the
12 total compensation package based on the overall size of their company.

13 **Q. What do you conclude from the 2021 Willis Towers Watson Compensation**
14 **Study?**

15 A. The study illustrates that Xcel Energy's compensation structure (i.e., both base
16 salary and the AIP) provides a market level of compensation, which confirms that
17 the Adjusted Base Period compensation expense is appropriate and reasonable. The
18 study also confirms that the target level annual incentives provided to employees

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1 during the Base Period through the AIP were aligned with those for similar
2 positions in the competitive market. Without the AIP, Xcel Energy's total cash
3 compensation would significantly lag behind the market by 14.0% (compared to
4 utilities with similar revenues), which would put Xcel Energy at a material
5 disadvantage when competing for skilled employees.

6 Additionally, the study confirms that the level of LTI compensation offered
7 to eligible employees during the Base Period was both in-line with the market and
8 a necessary component of pay for executives and other senior leadership employees
9 to fully reach their market-based level of compensation. Similarly, the study
10 confirms that without offering LTI, Xcel Energy's total direct compensation for
11 those employees would lag behind the market by 8.1% compared to utilities with
12 similar revenues.

13 In total, not offering the AIP and LTI Program would significantly hamper
14 Xcel Energy from attracting, retaining, and motivating eligible employees because
15 the study shows the 2021 levels of compensation would have been 20.9% below
16 market competitive levels of total compensation compared to utilities with similar
17 revenues.

1 **VI. LINKAGE PERIOD AND FUTURE TEST YEAR**
2 **PERIOD ADJUSTMENTS**

3 **Q. Please briefly explain the issues and related costs you will address in this**
4 **section of your testimony.**

5 A. In this section of my testimony I discuss known and measurable adjustments made
6 to the Adjusted Base Period labor-related expenses described in Section V to arrive
7 at the Linkage Period labor-related expenses and the Future Test Year Period labor-
8 related expenses.

9 **Q. What is the Linkage Period in this proceeding?**

10 A. SPS's Linkage Period in this proceeding begins July 1, 2022 and ends June 30,
11 2023.

12 **Q. What is the Future Test Year Period in this proceeding?**

13 A. SPS's Future Test Year Period in this proceeding begins July 1, 2023 and ends June
14 30, 2024.

15 **Q. Please remind the reader of the Total Rewards Program Adjusted Base Period**
16 **amounts by compensation component.**

17 A. Table MPD-8 (next page) provides the Adjusted Base Period amounts for the
18 primary compensation components included in the Cost of Service Study:

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Table MPD-8
Adjusted Base Period Total Rewards Program O&M Expenses

Compensation Type	New Mexico Retail	Total Company
Bargaining wages	\$7,500,690	\$23,037,355
Non-Bargaining base pay	\$28,040,184	\$86,497,223
Annual incentive compensation	\$2,174,122	\$6,734,940
Long-term incentive compensation	\$464,642	\$1,432,451

3 **Q. Explain why adjustments were made to per book Base Period labor-related**
4 **expenses to reach Adjusted Base Period amounts before applying the known**
5 **and measurable changes made to reach the Future Test Year Period amounts**
6 **discussed in this section of your testimony.**

7 A. SPS did not use budgeting to identify expected Linkage Period and Future Test
8 Year Period O&M expenses, including compensation and benefits. Instead, SPS
9 made specific and discreet known and measurable adjustments to the Adjusted Base
10 Period O&M expenses to reflect changes SPS expects to occur during these future
11 periods. So SPS adjusted the per book Base Period labor-related expenses first to
12 ensure that the starting point was appropriate for the discreet known and measurable
13 adjustments in the Linkage Period and Future Test Year Period.

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1 **Q. You stated that SPS made Linkage Period and Future Test Year Period known**
2 **and measurable adjustments to the Adjusted Base Period labor-related**
3 **expenses. Please explain these adjustments.**

4 A. SPS made discreet known and measurable adjustments to three compensation
5 components of the Adjusted Base Period labor-related O&M expenses to arrive at
6 Linkage Period and Future Test Year Period amounts:

- 7 • SPS made an adjustment in the Linkage Period and in the Future Test Year
8 Period to account for bargaining wage increases during those periods;
- 9 • SPS made an adjustment in the Linkage Period and in the Future Test Year
10 Period to account for non-bargaining base pay increases during those
11 periods; and
- 12 • Because base pay is a factor of the AIP calculation as described earlier in
13 my testimony, SPS made a corresponding adjustment to the AIP Linkage
14 Period and Future Test Year Period amounts to account for the base pay
15 increases during those periods.

16 **Q. Which compensation components were not adjusted from Adjusted Base**
17 **Period amounts to reach the Future Test Year Period amounts?**

18 A. SPS did not make further adjustments to the Adjusted Base Period amounts
19 associated with the LTI Program, the SIP, and the Recognition Program
20 components.

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1 **Q. Please describe the bargaining wage adjustments made to reach the requested**
2 **Future Test Year Period amounts.**

3 A. As discussed in Section V.A.1, the CBA in place during the Base Period expired
4 on October 31, 2022. The renewal of this CBA was under negotiations at the time
5 the Cost of Service Study was developed for this case. At that time, SPS anticipated
6 a minimum base wage increase of 6.1% effective November 1, 2022 and another
7 minimum base wage increase of 3.5% effective November 1, 2023. The anticipated
8 6.1% increase effective November 1, 2022 and the 3.5% increase effective
9 November 1, 2023 are reflected in the Cost of Service Study as adjustments to the
10 Adjusted Base Period amounts to reach the Linkage Period and Future Test Year
11 Period amounts, respectively.

12 **Table MPD-9**
13 **Bargaining Wage Adjustments**

	Adjusted Base Period	Linkage Period	Future Test Year Period
New Mexico Retail	\$7,500,690	\$8,525,244	\$8,895,822
Total Company	\$23,037,355	\$24,166,185	\$25,216,650

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1 **Q. Are these adjustments known and measurable?**

2 A. Yes. After the Cost of Service Study was closed for this proceeding, SPS reached
3 tentative agreement with Local 602 on the terms of the new CBA. This agreement
4 includes a base wage increase of 6.1% effective November 1, 2022 and another
5 base wage increase of 4.0% effective November 1, 2023.

6 **Q. Are the Linkage Period and Future Test Year Period adjustments to**
7 **bargaining wages reasonable and necessary?**

8 A. Yes. SPS is required to adhere to the negotiated outcomes of its bargaining
9 contracts. The Linkage Period adjustment reflects the agreed upon 6.1% base wage
10 increase effective November 1, 2022. The Future Test Year Period adjustment
11 reflects a base wage increase of 0.5% lower than the agreed upon 4.0% base wage
12 increase effective November 1, 2023. Thus, the Future Test Year Period adjustment
13 does not fully account for the bargaining wage increase that will occur during the
14 Future Test Year Period per the updated CBA.

15 **Q. Next, please describe the non-bargaining base pay adjustments made to reach**
16 **the requested Future Test Year Period amounts.**

17 A. SPS expects a minimum non-bargaining base pay increase of 4.0% effective March
18 2023 and another minimum non-bargaining base pay increase of 4.0% effective

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1 March 2024. The expected 4.0% increase effective March 2023 and the 4.0%
2 increase effective March 2024 are reflected in the Cost of Service Study as known
3 and measureable adjustments to the Adjusted Base Period amounts to reach the
4 Linkage Period and Future Test Year Period amounts, respectively.

5 **Table MPD-10**
6 **Non-Bargaining Base Pay Adjustments**

	Adjusted Base Period	Linkage Period	Future Test Year Period
New Mexico Retail	\$28,040,184	\$31,461,158	\$32,719,605
Total Company	\$86,497,223	\$89,380,464	\$92,955,682

7 **Q. Are these adjustments known and measurable?**

8 A. Yes. As discussed in Section V.A.2, the current job market is changing rapidly and
9 base pay is expected to rise over the next two years. Across the entire U.S. job
10 market, skilled and unskilled roles are going unfilled, which is putting pressure on
11 the starting rates for those jobs. Further, the recently negotiated CBA includes
12 6.1% and 4.0% increases for bargaining employees over the next two years.
13 Considering base pay increases generally track bargaining base wage increases (if
14 not slightly higher), a 4.0% increase during the Linkage Period and a 4.0% increase
15 during the Future Test Year Period are likely conservative adjustments to

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1 non-bargaining base pay. The adjustments are supported by current base pay
2 increase trends found in the market and noted above in my testimony.

3 **Q. Are the Linkage Period and Future Test Year Period adjustments to non-**
4 **bargaining base pay reasonable and necessary?**

5 A. Yes. As I just explained, a 4.0% increase to base pay in 2023 and 2024 is likely a
6 conservative adjustment given the current status of the job market. The
7 independent third-party surveys that I described in Section V.A.2 demonstrate that
8 for 2022, the 4.0% base pay increase for non-bargaining employees was
9 competitive with the market as a whole and similar increases are expected to be
10 competitive with the market in 2023 and 2024. As discussed above, the job market
11 is actively and quickly changing, and Xcel Energy is experiencing challenges in
12 recruiting and retaining a variety of employees. These adjustments are reasonable
13 and necessary to recruit and retain the employees required to serve SPS's
14 customers. The adjustments are supported by current base pay increase trends
15 found in the market and noted above in my testimony.

16 **Q. Finally, please describe the AIP adjustments made to reach the requested**
17 **Future Test Year Period amounts.**

18 A. As discussed in Section V.B of my direct testimony, SPS employees' annual
19 incentive compensation is calculated in part based on an eligible employees' base

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1 pay. Thus, the base pay adjustments just described caused corresponding changes
2 in the AIP amounts for the Linkage Period and the Future Test Year Period,
3 respectively, as reflected below.

4 **Table MPD-11**
5 **AIP Adjustments**

	Adjusted Base Period	Linkage Period	Future Test Year Period
New Mexico Retail	\$2,174,122	\$2,458,906	\$2,557,263
Total Company	\$6,734,940	\$7,004,338	\$7,284,511

6 **Q. Are these adjustments known and measurable?**

7 A. Yes. As just explained, annual incentive compensation amounts are calculated
8 based on eligible employees' base pay. These adjustments were made to reflect
9 increases in the target level AIP payout that will correspond to the 4.0% increase to
10 base pay during the Linkage Period and the 4.0% increase to base pay during the
11 Future Test Year Period.

12 **Q. Are the Linkage Period and Future Test Year Period adjustments to the AIP**
13 **reasonable and necessary?**

14 A. Yes. These amounts represent target-level AIP payout expense associated with a
15 4.0% increase in base pay during the Linkage Period and an additional 4.0%

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1 increase in base pay during the Future Test Year Period. The AIP Corporate
2 Scorecard discussed in Section V.B is representative of the scorecards Xcel Energy
3 will use during the Linkage Period and the Future Test Year Period. Xcel Energy
4 will continue to be customer focused by driving operational and cost efficiencies to
5 deliver safe and reliable service to our customers. Although the specific KPIs and
6 measures may change slightly to reflect specific objectives from year to year, our
7 commitment to our customers and the safety of the communities SPS serves and
8 our employees will always be high priorities. These adjustments to the Adjusted
9 Base Period AIP will provide market-level, cash compensation to eligible non-
10 bargaining employees, administered through Xcel Energy's pay-for-performance
11 philosophy during the Linkage Period and Future Test Year Period. These
12 adjustments are necessary to achieve the market competitive compensation
13 necessary to attract, retain, and motivate our eligible non-bargaining employees.
14 The adjustments are supported by current base pay increase trends found in the
15 market and noted above in my testimony.

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1 **VII. FUTURE TEST YEAR PERIOD REQUESTED AMOUNTS**

2 **Q. Please briefly explain the issues and related costs you will address in this**
3 **section of your testimony.**

4 A. In this section of my testimony, I discuss the Future Test Year Period labor-related
5 expenses that SPS seeks recovery of in this proceeding.

6 **Q. What are the Total Rewards Program Future Test Year Period expenses SPS**
7 **seeks recovery of in this case by compensation component?**

8 A. The requested Future Test Year Period expenses by major compensation
9 component are as follows:

10 **Table MPD-12**
11 **Future Test Year Period Total Rewards Program O&M Expenses**

Compensation Type	New Mexico Retail	Total Company
Bargaining wages	\$8,895,822	\$25,216,650
Non-Bargaining base pay	\$32,719,605	\$92,955,682
Annual incentive compensation	\$2,557,263	\$7,284,511
Long-term incentive compensation	\$504,339	\$1,432,451

12 **Q. What do you conclude about the Future Test Year Period bargaining**
13 **employee base wage expense requested in this proceeding?**

14 A. The Future Test Year Period bargaining employee base wage expense of
15 \$8,895,822 New Mexico retail (\$25,216,650 Total Company) is reasonable and

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1 necessary. As discussed in Section V.A.1 and Section VI, the Future Test Year
2 Period bargaining employee base wage expense is based on increases included in
3 the recently negotiated CBA. SPS must adhere to the negotiated outcomes of its
4 bargaining contracts and administer the respective increases.

5 **Q. Has the Commission previously approved SPS's request to recover bargaining**
6 **base wages, including increases, through base rates?**

7 A. Yes.

8 **Q. What do you conclude about the Future Test Year Period non-bargaining**
9 **employee base pay expense requested in this proceeding?**

10 A. The Future Test Year Period non-bargaining employee base pay expense of
11 \$32,719,605 New Mexico retail (\$92,955,682 Total Company) is reasonable and
12 necessary. As discussed in Section V.A.2 and Section VI, the Future Test Year
13 Period non-bargaining employee base pay expense is based on expenses incurred
14 during the Base Period and two 4.0% market-based increases. As explained above,
15 a 4.0% increase to base pay in 2023 and 2024 is likely a conservative adjustment
16 given the current status of the job market. The independent third-party surveys that
17 I described in Section V.A.2 demonstrate that for 2022, the 4.0% base pay increase
18 for non-bargaining employees was competitive with the market as a whole and

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1 similar increases are expected to be competitive with the market in 2023 and 2024.
2 As discussed above, the job market is actively and quickly changing and Xcel
3 Energy is experiencing challenges in recruiting and retaining employees. These
4 adjustments are reasonable and necessary to recruit and retain the employees
5 required to serve SPS's customers.

6 **Q. Has the Commission previously approved SPS's request to recover non-**
7 **bargaining base pay, including increases, through rates?**

8 A. Yes.

9 **Q. What do you conclude about the Future Test Year Period AIP expense**
10 **requested in this proceeding?**

11 A. The Future Test Year Period AIP expense of \$2,557,263 New Mexico retail
12 (\$7,284,511 Total Company) is reasonable and necessary. As discussed in Section
13 V.B and Section VI, the Future Test Year Period AIP expense is based on expenses
14 incurred during the Base Period and two 4.0% market-based increases to the base
15 pay of AIP-eligible employees. The Future Test Year Period AIP expense
16 represents target-level AIP payout expense associated with a 4.0% increase in base
17 pay during the Linkage Period and an additional 4.0% increase in base pay during
18 the Future Test Year Period. The AIP Corporate Scorecard discussed in Section

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1 V.B is representative of the scorecards Xcel Energy will use during the Linkage
2 Period and the Future Test Year Period. Xcel Energy will continue to be customer
3 focused by driving operational and cost efficiencies to deliver safe and reliable
4 service to our customers. Although the specific KPIs and measures may change
5 slightly to reflect specific objectives from year to year, our commitment to our
6 customers and the safety of the communities SPS serves and our employees will
7 always be high priorities. The Future Test Year Period AIP expense will provide
8 market-level, cash compensation to eligible non-bargaining employees,
9 administered through Xcel Energy's pay-for-performance philosophy.

10 **Q. Has the Commission previously approved SPS's request to recover AIP costs**
11 **through rates at the 100% target payout level?**

12 A. Yes. SPS has previously had the target-level incentive opportunity approved by
13 the Commission in its recovery request.

14 **Q. What do you conclude about the Future Test Year Period LTI expense**
15 **requested in this proceeding?**

16 A. The Future Test Year Period LTI expense of \$504,339 New Mexico retail
17 (\$1,432,451 Total Company) is reasonable and necessary. This amount equals the

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1 environmental LTI and time-based LTI actually incurred during the Base Period as
2 discussed in Section V.C.

3 **Q. Is it reasonable to grant rate recovery of costs related to environmental LTI**
4 **compensation?**

5 A. Yes. The achievement of the environmental goal directly benefits customers and
6 the public through prudently reducing carbon emissions and their impact on the
7 environment. Reducing carbon emissions is a reasonable and accepted practice. In
8 addition, the Commission has approved renewable wind energy projects that enable
9 Xcel Energy to achieve its long-term goals to reduce and eliminate carbon-based
10 energy production. The alignment of Xcel Energy’s environmental-related
11 incentive with New Mexico policy goals is further demonstrated by the Energy
12 Transition Act; Executive Order 2019-003, “Addressing Climate Change and
13 Energy Waste Prevention;” the Grid Modernization Roadmap and Grant Program
14 Act; and Executive Order 2021-052, “Protecting New Mexico’s Lands,
15 Watersheds, Wildlife, and Natural Heritage.”²⁸ For these reasons, the costs related

²⁸ See Energy Transition Act, NMSA 62-18-1 through 23, (2019); Executive Order 2019-003, Addressing Climate Change and Energy Waste Prevention, Gov. Michelle Lujan Grisham (Jan. 29, 2019); (Grid Modernization Roadmap and Grant Program Act, NMSA 71-11-1 through 71-11-2 (2020); Executive Order 2021-052, Protecting New Mexico’s Lands, Watersheds, Wildlife, and Natural Heritage at 2, Gov. Michelle Lujan Grisham (Aug. 25, 2021).

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1 to achievement of the environmental component of the LTI program are a
2 reasonable and necessary cost of providing electric service to SPS's customers.

3 **Q. Is it reasonable to grant rate recovery of costs related to time-based LTI**
4 **compensation for executive and non-executive employees?**

5 A. Yes. Time-based LTI compensation ensures that employees are making long-term
6 plans that align with strategic priorities and embarking on multi-year projects that
7 create stability for SPS's operations. Because payment of related LTI
8 compensation is contingent on the employee remaining with Xcel Energy for an
9 extended period of time, it requires employee commitment beyond a single year.
10 While this piece of the employee's total compensation makes the employee whole
11 each year, the actual compensation is not realized until after the three-year vesting
12 period. The costs related to time-based LTI compensation are both reasonable and
13 necessary costs of total employee compensation for providing electric service to
14 SPS's customers.

15 **Q. Has the Commission previously approved SPS's request to recover LTI costs**
16 **through rates?**

17 A. SPS has requested LTI expenses in the last two base rate cases filed with the
18 Commission; however, each of these cases was settled without specific reference
19 to LTI.

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1 **Q. What do you conclude about the Future Test Year Period SIP expense**
2 **requested in this proceeding?**

3 A. The Future Test Year Period SIP expense is the actual expenses incurred for the
4 SIP in the Base Period and these costs are reasonable and necessary. Supplemental
5 incentive compensation is designed to motivate trading employees to seek out
6 cost-effective trades and to achieve the maximum possible margins, a large
7 percentage of which are shared with customers through the fuel clause. Thus, the
8 benefits for customers are immediate and flow directly from the employee activities
9 that are rewarded under the SIP.

10 **Q. Has the Commission previously approved SPS's request to recover SIP costs**
11 **through rates?**

12 A. Yes.

13 **Q. What do you conclude about the Future Test Year Period Recognition**
14 **Program expense requested in this proceeding?**

15 A. The Future Test Year Period Recognition Program expense is the actual expenses
16 incurred for the program in the Base Period and these costs are reasonable and
17 necessary. The Recognition Program allows SPS to acknowledge employment
18 longevity and performance for eligible employees and extraordinary performance

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1 of non-bargaining, non-exempt employees using an annually determined nominal
2 budget amount.

3 **Q. Has the Commission previously approved SPS's request to recover**
4 **Recognition Program costs through rates?**

5 A. Yes.

6 **Q. With regard to the overall Total Rewards Program expenses SPS seeks**
7 **recovery of in this case, does SPS experience competition in recruiting and**
8 **retaining employees?**

9 A. Yes. Prospective employees with the skills and training required for the utility
10 industry are in high demand. Many of SPS and XES jobs require strong science,
11 technology, engineering, and math skills. Contracting firms, utilities, and other
12 sectors of both the energy and non-energy industries need these employees, too.
13 Thus, SPS experiences steep competition in attracting and retaining these
14 employees.

15 **Q. With whom does Xcel Energy compete for employees?**

16 A. Xcel Energy principally competes for employees with utility-sector employers for
17 utility-specific employees, as well as corporate employees, but also competes with
18 non-utility sector employers. There are currently three investor-owned electric

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1 companies, including SPS, and 21 rural electric cooperatives in New Mexico who
2 are competing for the same or similar industry expertise and experience.²⁹ Xcel
3 Energy also competes with the oil and gas industry for employees within this
4 jurisdiction.

5 **Q. Are Xcel Energy's compensation programs and related costs necessary and**
6 **reasonable?**

7 A. Yes. SPS and Xcel Energy must provide a market-competitive level of total cash
8 compensation to attract and retain the employees who provide safe and reliable
9 electric service to SPS's customers—this includes base pay and incentive
10 compensation. Furthermore, base pay coupled with the AIP is an appropriate
11 method of providing market competitive total cash compensation because it
12 includes some form of fixed base pay in addition to an incentive opportunity that
13 requires an individual employee to perform at expected levels in order to be
14 compensated in a competitive way.

15 To attract and retain employees at higher levels, SPS and Xcel Energy must
16 also include LTI compensation in a competitive compensation program design.

²⁹ See New Mexico Public Regulation Commission website, Consumer Relations - Company Directory, available at [Company Directory - NM PRC \(nm-prc.org\)](https://www.nm-prc.org) (last visited on 9/16/2022).

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1 The design of the LTI program and the levels of LTI compensation offered to select
2 groups of employees are market-based and require a greater level of commitment
3 from these employees before this form of compensation is realized. Without this
4 component of compensation, employees in these eligible positions would not have
5 access to a competitively designed compensation package, and Xcel Energy would
6 be at a great risk of not being able to attract or retain employees in these positions.
7 Without the LTI program, Xcel Energy would be misaligned with market best
8 practices regarding compensation plan design. However, Xcel Energy would still
9 be required to provide competitive compensation in another manner to attract,
10 retain, and motivate these groups of critical employees. Xcel Energy would also
11 lose the motivational tool incentive pay provides and would not have the ability to
12 vary employee compensation based on performance of the company or the
13 employee.

14 **Q. Do SPS's New Mexico retail customers benefit from Xcel Energy's ability to**
15 **provide market-competitive compensation?**

16 A. Yes. Providing market competitive compensation is necessary to attract, retain, and
17 motivate experienced and talented employees, and these employees perform the
18 work necessary to provide quality electric service to SPS's customers. For

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1 example, Xcel Energy's ability to attract and retain qualified engineers, plant
2 managers, and other professional positions would be adversely affected if Xcel
3 Energy did not offer market competitive compensation.

4 Market competitive compensation is important in attracting employees
5 with the specialized knowledge and skills necessary to provide safe and reliable
6 electric service. Without competitive compensation, SPS would likely lose these
7 skilled employees, resulting in added costs associated with recruitment and
8 training, as well as a loss in productivity.

9 **Q. What do you conclude regarding the overall Total Rewards Program expenses**
10 **reflected in the Future Test Year Period?**

11 A. The total labor-related expenses included in the Future Test Year Period are
12 reasonable and necessary and will allow SPS to provide market level compensation
13 during the time that rates are in effect.

VIII. BENEFIT COMPONENTS

1 **Q. What benefits does Xcel Energy provide to employees?**

2 A. Xcel Energy provides a comprehensive benefit program to all of its benefit-eligible
3 employees, including employees of SPS and its affiliates. These programs include
4 coverage for medical, dental, vision, life insurance, long-term disability, employee
5 assistance programs, adoption assistance, tuition assistance, pre-tax reimbursement
6 accounts, paid time off, 401(k) savings plans, pension, and other post-retirement
7 benefits. Xcel Energy also offers short-term disability to its non-bargaining
8 employees.

9 **Q. Please briefly summarize the features of Xcel Energy's retirement programs.**

10 A. Xcel Energy's pension or defined benefit programs are non-contributory programs
11 (i.e., programs to which employees do not contribute), which provide retirement
12 benefits to eligible employees. The 401(k) savings plan encourages employees to
13 save regularly for their retirement through pre-tax and after-tax employee deferrals
14 and provides an employer matching contribution. The amount of the employer
15 contribution is 50% of employee contributions up to 8% of pay, which results in a
16 maximum employer contribution of 4.0% of eligible pay.

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1 **Q. Has Xcel Energy taken any steps to manage costs related to retirement**
2 **programs?**

3 A. Yes. Effective January 1, 2012, bargaining and non-bargaining new hires and
4 rehired employees are no longer eligible for legacy pension plan formulas, which
5 provided a higher level of benefit. Instead, these employees participate in a 5%
6 Cash Balance Plan formula without pension supplements (i.e., Retirement
7 Spending Account or Social Security Supplement) or retiree medical subsidies. Mr.
8 Schrubbe addresses how the retiree medical plan design changes have assisted in
9 lowering the overall level of retiree medical expense that SPS seeks to recover in
10 its requested revenue requirement.

11 Effective January 1, 2018, the annual Retirement Spending Account credits
12 were eliminated on a go-forward basis for all non-bargaining employees, and the
13 Social Security Supplement was eliminated for all non-bargaining employees who
14 will not meet retirement eligibility by December 31, 2022.

15 **Q. Please explain the Cash Balance Plan formula.**

16 A. Through the Cash Balance Plan formula, participants earn a 5% benefit on eligible
17 wages each year, which has interest credited annually. The interest is based on the
18 30-year treasury rate based on November from the prior year and has no minimum

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1 guarantees. This interest bearing account acts like a savings account or a 401(k)
2 plan and will reduce Xcel Energy's pension obligations prospectively compared to
3 the legacy employee benefits programs.

4 **Q. Please briefly summarize the features of Xcel Energy's health benefits**
5 **programs.**

6 A. In the health care arena, Xcel Energy offers employees one medical plan option,
7 the High Deductible Health Plan ("HDHP") with a Health Savings Account
8 ("HSA"). Non-bargaining employees and their eligible dependents are responsible
9 for an upfront annual deductible of \$2,400 per individual or \$4,800 per family (in-
10 network). After the deductible is satisfied, the plan covers 80% of costs, with
11 employees or their dependents contributing 20% of costs until they reach an annual
12 out-of-pocket maximum, which is \$3,500 per individual or \$7,000 per family.
13 Non-bargaining employees and their eligible dependents contribute 20% to 50% of
14 prescription drug costs. After the out-of-pocket maximum is met, the plan covers
15 the remaining eligible medical and pharmacy expenses for the calendar year. The
16 HSA is a tax-advantaged medical savings account that Xcel Energy offers to
17 employees to provide a vehicle for them to save for their out-of-pocket costs under
18 the plan.

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1 Effective May 1, 2017, as part of Union negotiations, SPS bargaining
2 employees asked to move from the HDHP to a multi-employer union plan, called
3 the Family Medical Care Plan (“FMCP”). This plan is managed outside of Xcel
4 Energy.

5 **Q. Has Xcel Energy undertaken any initiatives to slow the rate of growth in health**
6 **and welfare related benefit costs?**

7 A. Yes. Over the past several years, Xcel Energy has made several design changes
8 and undertaken an array of initiatives to help mitigate health care costs. These
9 initiatives include:

- 10 • Xcel Energy offers a HDHP medical plan to encourage participating
11 employees to make (1) healthier lifestyle choices; and (2) informed
12 consumer choices when utilizing healthcare providers;
- 13 • To help mitigate pharmacy costs, Xcel Energy’s pharmacy coverage
14 mandates that employees fill prescriptions with generic drugs when
15 available, unless there is medical need to use a brand name;
- 16 • SPS bargaining employees hired after January 1, 2012 no longer receive
17 post-retirement medical benefits. This change will reduce Xcel
18 Energy’s future Other Post Employment Benefit costs prospectively;
- 19 • Vendor contracts are continually monitored and renegotiated with
20 benefit vendors on an ongoing basis. These negotiations focus on
21 administrative fee reductions, better performance guarantees and
22 rebates, and improved discounts on provider networks. All contribute
23 to our ability to minimize rising healthcare costs and benefit
24 administration costs charged by third parties;

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- 1 • Effective January 2017, Xcel Energy introduced a monthly premium
2 surcharge for non-bargaining employees for coverage of a spouse when
3 the spouse’s employer offers medical coverage;
- 4 • Effective April 2017, Xcel Energy outsourced the Family Medical
5 Leave Act administration, resulting in greater efficiencies, as well as
6 cost savings;
- 7 • Effective May 1, 2017, as part of Union negotiations, SPS bargaining
8 employees asked to move from the HDHP to a union plan, called the
9 FMCP. SPS agreed because the change provided an opportunity to
10 mitigate costs and risk through this insured plan; and
- 11 • Effective January 2018, Xcel Energy introduced a monthly premium for
12 non-bargaining employees and spouses and domestic partners who are
13 enrolled in the medical plan and are tobacco users.

14 **Q. What has been the effect of these changes?**

15 A. These changes have allowed SPS to better manage overall healthcare costs and the
16 rate at which our costs increase. These changes have helped keep overall employee
17 contributions to health and welfare benefits low, and the ways in which our
18 employees access healthcare and consume healthcare services have improved. For
19 example, we have seen improved use of urgent care facilities as opposed to hospital
20 emergency room visits for acute injuries and illness, and we also have a very high
21 rate of generic prescription drug use. This change in behavior has the potential to
22 mitigate healthcare cost increases for SPS as well as our employees.

23 Although it is difficult to identify direct savings from these changes, the
24 intent of the plan modifications was to mitigate cost increases on a long-term basis,

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1 in part by motivating employees to be more cost-conscious consumers of medical
2 and dental care, and also to live healthier lifestyles. We also know that it can take
3 time to see cost impacts resulting from program design changes and that healthcare
4 reform presents us with some unknown impacts to our costs.

5 **Q. Has SPS done anything other than change design to contain costs of health and**
6 **welfare benefits under the Xcel Energy medical plan?**

7 A. SPS is regularly taking steps to control costs without increasing costs to employees.

8 In the last year:

- 9 (1) We renegotiated contracts with our medical plan administrator and
10 pharmacy administrator. These negotiations focus on reducing
11 administrative fees, obtaining better performance guarantees and rebates,
12 and increasing discounts on provider networks. All of these measures help
13 mitigate the increasing healthcare costs and benefit administration costs
14 charged by third parties.
- 15 (2) We examined emerging benefit designs that would continue to drive our
16 employees and their covered family members to high-quality, cost-efficient
17 healthcare providers. We also continuously assess programs that will
18 provide more cost-effective opportunities for employees and help drive
19 healthy behaviors. For example, we offer a telemedicine or virtual visit
20 option for routine medical visits, a personalized diabetes management
21 program, and an online program to help employees manage stress. These
22 non-traditional visits with a trained physician or other provider are
23 convenient and provide a less expensive option for employees and SPS. In
24 addition, the plan provides lower levels of benefits coverage for using out-
25 of-network medical providers in order to encourage members to use in-
26 network providers when possible.

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1 (3) We have increased communications about programs we offer to control our
2 costs by improving the overall health and welfare of our employees,
3 including counseling and coaching for plan members who are seeking
4 treatment for a condition, engaging plan members proactively to help
5 modify behaviors and health risks, and providing educational materials to
6 help plan members make informed decisions.

7 **Q. Are Xcel Energy's health benefits programs and their costs necessary and**
8 **reasonable?**

9 A. Yes. Xcel Energy provides an affordable method to maintain the health of our
10 employees, who are ultimately serving customers. By providing these types of
11 benefits, SPS is providing a competitive package to attract, retain, and motivate the
12 current and future employees SPS will need to provide safe and reliable service to
13 customers.

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

15 A. Yes.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S)
APPLICATION FOR: (1) REVISION OF)
ITS RETAIL RATES UNDER ADVICE)
NOTICE NO. 312; (2) AUTHORITY TO)
ABANDON THE PLANT X UNIT 1,) CASE NO. 22-00286-UT
PLANT X UNIT 2, AND CUNNINGHAM)
UNIT 1 GENERATING STATIONS AND)
AMEND THE ABANDONMENT DATE)
OF THE TOLK GENERATING)
STATION; AND (3) OTHER)
ASSOCIATED RELIEF,)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
APPLICANT.)**

VERIFICATION

On this day, November 18, 2022, I, Michael P. Deselich, swear and affirm under penalty of perjury under the law of the State of New Mexico, that my testimony contained in Direct Testimony of Michael P. Deselich is true and correct.

/s/ Michael P. Deselich _____
MICHAEL P. DESELICH

Southwestern Public Service Company

Total Company Amounts and Jurisdictional Percentages

Line No.	Witness	Description	Page No.	Line No.	Total Company Amount	Number Scale	Allocator (Name)	TY Allocator (%)	NM Retail Amount
1	Deselich	Total Rewards Expenses, Bargaining Wages	7	Table MPD-1	\$ 25,216,650	Dollars	Various	Various	\$ 8,895,822
2	Deselich	Total Rewards Expenses, Non-Bargaining base pay	7	Table MPD-1	\$ 92,955,682	Dollars	Various	Various	\$ 32,719,605
3	Deselich	Total Rewards Expenses, Annual incentive compensation	7	Table MPD-1	\$ 7,284,511	Dollars	Various	Various	\$ 2,557,263
4	Deselich	Total Rewards Expenses, Long-term incentive compensation	7	Table MPD-1	\$ 1,432,451	Dollars	LABXAG	0.352081	\$ 504,339
5	Deselich	Bargaining Wages - Base Period	25	15 & 16	\$ 23,193,791	Dollars	Various	Various	\$ 7,554,984
6	Deselich	Bargaining Wages - known and measurable	26	4	\$ 156,436	Dollars	Various	Various	\$ 54,294
7	Deselich	Non-Bargaining Base Pay	31	3 & 4	\$ 85,551,299	Dollars	Various	Various	\$ 27,723,150
8	Deselich	Non-Bargaining Base Pay - known and measurable	31	8	\$ 945,924	Dollars	Various	Various	\$ 317,034
9	Deselich	Base Pay - Base Period	32	4 & 5	\$ 1,268,575	Dollars	Various	Various	\$ 427,417
10	Deselich	Non-Bargaining Base Pay - Adjusted Base Period	33	13 & 14	\$ 86,497,223	Dollars	Various	Various	\$ 28,040,184
17	Deselich	Annual Incentive (AIP) - Base Period	50	12 & 13	\$ 6,015,956	Dollars	Various	Various	\$ 1,942,258
18	Deselich	Annual Incentive (AIP) - Adjusted Base Period - known and measurable	50	17	\$ 718,984	Dollars	Various	Various	\$ 231,864
19	Deselich	Annual Incentive (AIP) - Base Period - known and measurable	51	11	\$ 740,337	Dollars	Various	Various	\$ 239,164
20	Deselich	Annual Incentive (AIP) - Non-Bargaining - Adjusted Base Period	51	14 & 15	\$ 6,734,940	Dollars	Various	Various	\$ 2,174,122
21	Deselich	Long-Term Incentive (LTI) - Base Period	56	8 & 9	\$ 2,470,734	Dollars	LABXAG	0.324369	\$ 801,429
22	Deselich	Long-Term Incentive (LTI) - Adjusted Base Period	56	13	\$ 1,038,283	Dollars	LABXAG	0.324369	\$ 336,786
23	Deselich	Bargaining Wages	68	Table MPD-8	\$ 23,037,355	Dollars	Various	Various	\$ 7,500,690
24	Deselich	Non-Bargaining base pay	68	Table MPD-8	\$ 86,497,223	Dollars	Various	Various	\$ 28,040,184
25	Deselich	Annual incentive compensation	68	Table MPD-8	\$ 6,734,940	Dollars	Various	Various	\$ 2,174,122
26	Deselich	Long-term incentive compensation	68	Table MPD-8	\$ 1,432,451	Dollars	LABXAG	0.324369	\$ 464,642
27	Deselich	Bargaining Wage Adjustments - Adjusted Base Period	70	Table MPD-9	\$ 23,037,355	Dollars	Various	Various	\$ 7,500,690
28	Deselich	Bargaining Wage Adjustments - Linkage Period	70	Table MPD-9	\$ 24,166,185	Dollars	Various	Various	\$ 8,525,244
29	Deselich	Bargaining Wage Adjustments - Future Test Year Period	70	Table MPD-9	\$ 25,216,650	Dollars	Various	Various	\$ 8,895,822
30	Deselich	Non-Bargaining Base Pay Adjustments - Adjusted Base Period	72	Table MPD-10	\$ 86,497,223	Dollars	Various	Various	\$ 28,040,184
31	Deselich	Non-Bargaining Base Pay Adjustments - Linkage Period	72	Table MPD-10	\$ 89,380,464	Dollars	Various	Various	\$ 31,461,158
32	Deselich	Non-Bargaining Base Pay Adjustments - Future Test Year Period	72	Table MPD-10	\$ 92,955,682	Dollars	Various	Various	\$ 32,719,605
33	Deselich	AIP Adjustments - Adjusted Base Period	74	Table MPD-11	\$ 6,734,940	Dollars	Various	Various	\$ 2,174,122
34	Deselich	AIP Adjustments - Linkage Period	74	Table MPD-11	\$ 7,004,338	Dollars	Various	Various	\$ 2,458,906
35	Deselich	AIP Adjustments - Future Test Year Period	74	Table MPD-11	\$ 7,284,511	Dollars	Various	Various	\$ 2,557,263
36	Deselich	Bargaining Wages	76	Table MPD-12	\$ 25,216,650	Dollars	Various	Various	\$ 8,895,822
37	Deselich	Non-Bargaining base pay	76	Table MPD-12	\$ 92,955,682	Dollars	Various	Various	\$ 32,719,605
38	Deselich	Annual incentive compensation	76	Table MPD-12	\$ 7,284,511	Dollars	Various	Various	\$ 2,557,263
39	Deselich	Long-term incentive compensation	76	Table MPD-12	\$ 1,432,451	Dollars	LABXAG	0.352081	\$ 504,339
40	Deselich	Bargaining Wages - Future Test Year Period	76	15	\$ 25,216,650	Dollars	Various	Various	\$ 8,895,822
41	Deselich	Non-Bargaining Wages - Future Test Year Period	77	11	\$ 92,955,682	Dollars	Various	Various	\$ 32,719,605
42	Deselich	AIP - Future Test Year Period	78	11 & 12	\$ 7,284,511	Dollars	Various	Various	\$ 2,557,263
43	Deselich	LTI - Future Test Year Period	79	16 & 17	\$ 1,432,451	Dollars	LABXAG	0.352081	\$ 504,339

Southwestern Public Service Company

Labor-related expenses for the Base Period and Adjusted Base Period, the Linkage Period, and the Future Test Year Period by FERC account.
12 Months Ending June 2024

Financial Category	Cost Element	Labor Designator	FERC Function	Account	Jurisdictional Allocator	Base Period	Adjusted Base Period	Linkage Period	Future Test Year
OM	Labor	Labor - Bargaining	Production	50000-Stm Prod Op & Supr	12CP-PROD	667,684	667,684	700,401	730,846
OM	Labor	Labor - Bargaining	Production	50200-Steam Expenses Major	12CP-PROD	2,480,158	2,460,439	2,581,000	2,693,192
OM	Labor	Labor - Bargaining	Production	50500-Stm Gen Elec Exp Major	12CP-PROD	1,879,417	1,879,540	1,971,637	2,057,341
OM	Labor	Labor - Bargaining	Production	50600-Misc Steam Pwr Exp	12CP-PROD	2,148,354	2,144,810	2,249,906	2,347,706
OM	Labor	Labor - Bargaining	Production	51000-Stm Maint Super&Eng	ENERGY	178,342	178,342	187,081	195,213
OM	Labor	Labor - Bargaining	Production	51100-Stm Maint of Structures	12CP-PROD	405,379	407,787	427,769	446,363
OM	Labor	Labor - Bargaining	Production	51200-Stm Maint of Boiler Plt	ENERGY	1,696,794	1,644,893	1,725,493	1,800,497
OM	Labor	Labor - Bargaining	Production	51300-Stm Maint of Elec Plant	ENERGY	944,870	904,755	949,088	990,343
OM	Labor	Labor - Bargaining	Production	51400-Stm Maint of Misc Stm Plt	12CP-PROD	1,290,560	1,275,300	1,337,790	1,395,941
OM	Labor	Labor - Bargaining	Production	54800-Oth Oper Gen Exp	12CP-PROD	84,568	84,568	88,712	92,568
OM	Labor	Labor - Bargaining	Production	54900-Oth Oper Misc Gen Exp	12CP-PROD	8,956	8,956	9,395	9,803
OM	Labor	Labor - Bargaining	Production	55200-Oth Maint of Structures	12CP-PROD	40,266	40,266	42,239	44,075
OM	Labor	Labor - Bargaining	Production	55200W-Oth Maint of Structures	ENERGY	110	110	116	121
OM	Labor	Labor - Bargaining	Production	55300-Oth Mtc of Gen & Ele Plant	12CP-PROD	165,962	161,454	169,365	176,727
OM	Labor	Labor - Bargaining	Production	55300W-Oth Mtc of Gen & Ele Plant	ENERGY	678	678	711	742
OM	Labor	Labor - Bargaining	Production	55400-Oth Mtc Misc Gen Plt Mjr	12CP-PROD	2,481	2,481	2,602	2,715
OM	Labor	Labor - Bargaining	Transmission	56000-Trans Oper Super & Eng	PIS-TRAN	215,754	215,754	226,326	236,164
OM	Labor	Labor - Bargaining	Transmission	56110-Load Disp-Reliability	12CP-TRAN	3,687	3,687	3,867	4,035
OM	Labor	Labor - Bargaining	Transmission	56120-Load Disp-Monitor/Operate	12CP-TRAN	754,470	754,470	791,439	825,841
OM	Labor	Labor - Bargaining	Transmission	56200-Trans Oper Station Exp	PIS-TRAN	476,334	476,334	499,674	521,394
OM	Labor	Labor - Bargaining	Transmission	56300-Trans Oper OH Lines	PIS-TRAN	130,453	130,453	136,845	142,793
OM	Labor	Labor - Bargaining	Transmission	56400-Trans Oper UG Lines	PIS-TRAN	132	132	138	144
OM	Labor	Labor - Bargaining	Transmission	56600-Trans Oper Misc Exp	PIS-TRAN	512,076	512,076	537,168	560,518
OM	Labor	Labor - Bargaining	Transmission	57000-Tran Mnt of Station Equip	PIS-TRAN	190,704	190,704	200,048	208,744
OM	Labor	Labor - Bargaining	Transmission	57100-Trans Mt of Overhead Lines	PIS-TRAN	15,060	15,060	15,798	16,484
OM	Labor	Labor - Bargaining	Regional Market Expenses	57510-Operations Supervision	ENERGY	(49)	(49)	(52)	(54)
OM	Labor	Labor - Bargaining	Distribution	58000-Dist Oper Sup & Eng	NM	133	133	139	145
OM	Labor	Labor - Bargaining	Distribution	58000-Dist Oper Sup & Eng	PIS-DIST	969,086	969,086	1,016,572	1,060,760
OM	Labor	Labor - Bargaining	Distribution	58000-Dist Oper Sup & Eng	TX	86,953	86,953	91,214	95,179
OM	Labor	Labor - Bargaining	Distribution	58200-Dist Op Station Exp	PIS-DIST	238,595	238,595	250,286	261,166
OM	Labor	Labor - Bargaining	Distribution	58300-Dist Oper Overhead Lines	NM	39,559	39,559	41,498	43,302
OM	Labor	Labor - Bargaining	Distribution	58300-Dist Oper Overhead Lines	PIS-DIST	199,403	199,403	209,174	218,266
OM	Labor	Labor - Bargaining	Distribution	58300-Dist Oper Overhead Lines	TX	183,222	183,222	192,200	200,554
OM	Labor	Labor - Bargaining	Distribution	58400-Dist Op UG Elec lines	NM	8,593	8,593	9,014	9,406
OM	Labor	Labor - Bargaining	Distribution	58400-Dist Op UG Elec lines	PIS-DIST	8,141	8,141	8,539	8,911
OM	Labor	Labor - Bargaining	Distribution	58400-Dist Op UG Elec lines	TX	25,188	25,188	26,422	27,570
OM	Labor	Labor - Bargaining	Distribution	58500-Dist Oper Streetlight	PIS-DIST	137,031	137,031	143,745	149,994
OM	Labor	Labor - Bargaining	Distribution	58600-Dist Oper Meter Exp	NM	380,061	380,061	398,684	416,014
OM	Labor	Labor - Bargaining	Distribution	58600-Dist Oper Meter Exp	PIS-DIST	15,648	15,648	16,415	17,129
OM	Labor	Labor - Bargaining	Distribution	58600-Dist Oper Meter Exp	TX	593,062	593,062	622,122	649,165
OM	Labor	Labor - Bargaining	Distribution	58700-Dist Oper Cust Install	PIS-DIST	164,092	164,092	172,133	179,615
OM	Labor	Labor - Bargaining	Distribution	58800-Dist Oper Misc Exp	NM	195,279	195,279	204,847	213,752
OM	Labor	Labor - Bargaining	Distribution	58800-Dist Oper Misc Exp	PIS-DIST	(48,490)	(48,490)	(50,866)	(53,077)
OM	Labor	Labor - Bargaining	Distribution	58800-Dist Oper Misc Exp	TX	555,357	555,357	582,570	607,893
OM	Labor	Labor - Bargaining	Distribution	59200-Dist Mt of Station Equip	PIS-DIST	86,639	86,639	90,885	94,835
OM	Labor	Labor - Bargaining	Distribution	59300-Dist Mtc of Overhead Lines	NM	260,564	260,564	273,332	285,213
OM	Labor	Labor - Bargaining	Distribution	59300-Dist Mtc of Overhead Lines	PIS-DIST	74,645	74,645	78,302	81,706
OM	Labor	Labor - Bargaining	Distribution	59300-Dist Mtc of Overhead Lines	TX	797,863	797,863	836,958	873,339
OM	Labor	Labor - Bargaining	Distribution	59400-Dist Mt of Undergrnd Line	NM	3,736	3,736	3,919	4,089
OM	Labor	Labor - Bargaining	Distribution	59400-Dist Mt of Undergrnd Line	PIS-DIST	2,246	2,246	2,356	2,458
OM	Labor	Labor - Bargaining	Distribution	59400-Dist Mt of Undergrnd Line	TX	24,428	24,428	25,625	26,739

Southwestern Public Service Company

Labor-related expenses for the Base Period and Adjusted Base Period, the Linkage Period, and the Future Test Year Period by FERC account.
12 Months Ending June 2024

Financial Category	Cost Element	Labor Designator	FERC Function	Account	Jurisdictional Allocator	Base Period Allocator	Test Year Allocator	NM Retail - Base Period	NM Retail - Adjusted Base Period	NM Retail - Linkage Period	NM Retail - Future Test Year
OM	Labor	Labor - Bargaining	Production	50000-Stm Prod Op & Supr	12CP-PROD	33.73%	38.47%	225,197	225,197	269,453	281,166
OM	Labor	Labor - Bargaining	Production	50200-Steam Expenses Major	12CP-PROD	33.73%	38.47%	836,510	829,860	992,945	1,036,107
OM	Labor	Labor - Bargaining	Production	50500-Stm Gen Elec Exp Major	12CP-PROD	33.73%	38.47%	633,892	633,933	758,515	791,486
OM	Labor	Labor - Bargaining	Production	50600-Misc Steam Pwr Exp	12CP-PROD	33.73%	38.47%	724,599	723,404	865,568	903,193
OM	Labor	Labor - Bargaining	Production	51000-Stm Maint Super&Eng	ENERGY	35.73%	39.19%	63,717	63,717	73,315	76,502
OM	Labor	Labor - Bargaining	Production	51100-Stm Maint of Structures	12CP-PROD	33.73%	38.47%	136,727	137,539	164,568	171,722
OM	Labor	Labor - Bargaining	Production	51200-Stm Maint of Boiler Plt	ENERGY	35.73%	39.19%	606,224	587,681	676,205	705,599
OM	Labor	Labor - Bargaining	Production	51300-Stm Maint of Elec Plant	ENERGY	35.73%	39.19%	337,580	323,247	371,939	388,107
OM	Labor	Labor - Bargaining	Production	51400-Stm Maint of Misc Stm Plt	12CP-PROD	33.73%	38.47%	435,281	430,135	514,665	537,037
OM	Labor	Labor - Bargaining	Production	54800-Oth Oper Gen Exp	12CP-PROD	33.73%	38.47%	28,523	28,523	34,129	35,612
OM	Labor	Labor - Bargaining	Production	54900-Oth Oper Misc Gen Exp	12CP-PROD	33.73%	38.47%	3,021	3,021	3,614	3,771
OM	Labor	Labor - Bargaining	Production	55200-Oth Maint of Structures	12CP-PROD	33.73%	38.47%	13,581	13,581	16,250	16,956
OM	Labor	Labor - Bargaining	Production	55200W-Oth Maint of Structures	ENERGY	35.73%	39.19%	39	39	45	47
OM	Labor	Labor - Bargaining	Production	55300-Oth Mtc of Gen & Ele Plant	12CP-PROD	33.73%	38.47%	55,976	54,455	65,157	67,989
OM	Labor	Labor - Bargaining	Production	55300W-Oth Mtc of Gen & Ele Plant	ENERGY	35.73%	39.19%	242	242	279	291
OM	Labor	Labor - Bargaining	Production	55400-Oth Mtc Misc Gen Plt Mjr	12CP-PROD	33.73%	38.47%	837	837	1,001	1,045
OM	Labor	Labor - Bargaining	Transmission	56000-Trans Oper Super & Eng	PIS-TRAN	27.01%	29.77%	58,276	58,276	67,387	70,316
OM	Labor	Labor - Bargaining	Transmission	56110-Load Disp-Reliability	12CP-TRAN	26.38%	29.24%	973	973	1,131	1,180
OM	Labor	Labor - Bargaining	Transmission	56120-Load Disp-Monitor/Operate	12CP-TRAN	26.38%	29.24%	199,046	199,046	231,429	241,489
OM	Labor	Labor - Bargaining	Transmission	56200-Trans Oper Station Exp	PIS-TRAN	27.01%	29.77%	128,660	128,660	148,774	155,241
OM	Labor	Labor - Bargaining	Transmission	56300-Trans Oper OH Lines	PIS-TRAN	27.01%	29.77%	35,236	35,236	40,744	42,516
OM	Labor	Labor - Bargaining	Transmission	56400-Trans Oper UG Lines	PIS-TRAN	27.01%	29.77%	36	36	41	43
OM	Labor	Labor - Bargaining	Transmission	56600-Trans Oper Misc Exp	PIS-TRAN	27.01%	29.77%	138,314	138,314	159,938	166,890
OM	Labor	Labor - Bargaining	Transmission	57000-Tran Mnt of Station Equip	PIS-TRAN	27.01%	29.77%	51,510	51,510	59,563	62,152
OM	Labor	Labor - Bargaining	Transmission	57100-Trans Mt of Overhead Lines	PIS-TRAN	27.01%	29.77%	4,068	4,068	4,704	4,908
OM	Labor	Labor - Bargaining	Regional Market Expenses	57510-Operations Supervision	ENERGY	35.73%	39.19%	(18)	(18)	(20)	(21)
OM	Labor	Labor - Bargaining	Distribution	58000-Dist Oper Sup & Eng	NM	100.00%	100.00%	133	133	139	145
OM	Labor	Labor - Bargaining	Distribution	58000-Dist Oper Sup & Eng	PIS-DIST	38.59%	38.10%	373,998	373,998	387,300	404,135
OM	Labor	Labor - Bargaining	Distribution	58000-Dist Oper Sup & Eng	TX						
OM	Labor	Labor - Bargaining	Distribution	58200-Dist Op Station Exp	PIS-DIST	38.59%	38.10%	92,081	92,081	95,356	99,500
OM	Labor	Labor - Bargaining	Distribution	58300-Dist Oper Overhead Lines	NM	100.00%	100.00%	39,559	39,559	41,498	43,302
OM	Labor	Labor - Bargaining	Distribution	58300-Dist Oper Overhead Lines	PIS-DIST	38.59%	38.10%	76,955	76,955	79,692	83,156
OM	Labor	Labor - Bargaining	Distribution	58300-Dist Oper Overhead Lines	TX						
OM	Labor	Labor - Bargaining	Distribution	58400-Dist Op UG Elec lines	NM	100.00%	100.00%	8,593	8,593	9,014	9,406
OM	Labor	Labor - Bargaining	Distribution	58400-Dist Op UG Elec lines	PIS-DIST	38.59%	38.10%	3,142	3,142	3,253	3,395
OM	Labor	Labor - Bargaining	Distribution	58400-Dist Op UG Elec lines	TX						
OM	Labor	Labor - Bargaining	Distribution	58500-Dist Oper Streetlight	PIS-DIST	38.59%	38.10%	52,884	52,884	54,765	57,146
OM	Labor	Labor - Bargaining	Distribution	58600-Dist Oper Meter Exp	NM	100.00%	100.00%	380,061	380,061	398,684	416,014
OM	Labor	Labor - Bargaining	Distribution	58600-Dist Oper Meter Exp	PIS-DIST	38.59%	38.10%	6,039	6,039	6,254	6,526
OM	Labor	Labor - Bargaining	Distribution	58600-Dist Oper Meter Exp	TX						
OM	Labor	Labor - Bargaining	Distribution	58700-Dist Oper Cust Install	PIS-DIST	38.59%	38.10%	63,328	63,328	65,580	68,431
OM	Labor	Labor - Bargaining	Distribution	58800-Dist Oper Misc Exp	NM	100.00%	100.00%	195,279	195,279	204,847	213,752
OM	Labor	Labor - Bargaining	Distribution	58800-Dist Oper Misc Exp	PIS-DIST	38.59%	38.10%	(18,714)	(18,714)	(19,379)	(20,222)
OM	Labor	Labor - Bargaining	Distribution	58800-Dist Oper Misc Exp	TX						
OM	Labor	Labor - Bargaining	Distribution	59200-Dist Mt of Station Equip	PIS-DIST	38.59%	38.10%	33,437	33,437	34,626	36,131
OM	Labor	Labor - Bargaining	Distribution	59300-Dist Mtc of Overhead Lines	NM	100.00%	100.00%	260,564	260,564	273,332	285,213
OM	Labor	Labor - Bargaining	Distribution	59300-Dist Mtc of Overhead Lines	PIS-DIST	38.59%	38.10%	28,807	28,807	29,832	31,129
OM	Labor	Labor - Bargaining	Distribution	59300-Dist Mtc of Overhead Lines	TX						
OM	Labor	Labor - Bargaining	Distribution	59400-Dist Mt of Undergrnd Line	NM	100.00%	100.00%	3,736	3,736	3,919	4,089
OM	Labor	Labor - Bargaining	Distribution	59400-Dist Mt of Undergrnd Line	PIS-DIST	38.59%	38.10%	867	867	898	937
OM	Labor	Labor - Bargaining	Distribution	59400-Dist Mt of Undergrnd Line	TX						

Southwestern Public Service Company

Labor-related expenses for the Base Period and Adjusted Base Period, the Linkage Period, and the Future Test Year Period by FERC account.
12 Months Ending June 2024

Financial Category	Cost Element	Labor Designator	FERC Function	Account	Jurisdictional Allocator	Base Period	Adjusted Base Period	Linkage Period	Future Test Year
OM	Labor	Labor - Bargaining	Distribution	59600-Dist Mtc of Streetlights	NM	1,839	1,839	1,929	2,013
OM	Labor	Labor - Bargaining	Distribution	59600-Dist Mtc of Streetlights	PIS-DIST	5,832	5,832	6,118	6,384
OM	Labor	Labor - Bargaining	Distribution	59600-Dist Mtc of Streetlights	TX	9,392	9,392	9,852	10,280
OM	Labor	Labor - Bargaining	Distribution	59700-Dist Mtc of Meters	PIS-DIST	23,488	23,488	24,639	25,710
OM	Labor	Labor - Bargaining	Distribution	59700-Dist Mtc of Meters	TX	2,302	2,302	2,415	2,520
OM	Labor	Labor - Bargaining	Customer Accounts	90200-Cust Acct Meter Read	CUST-AVG	1,186,383	1,186,383	1,244,515	1,298,612
OM	Labor	Labor - Bargaining	Customer Accounts	90300-Cust Acct Recrds & Coll	CUST-AVG	361,931	361,931	379,666	396,169
OM	Labor	Labor - Bargaining	Customer Accounts	90500-Cust Acct Misc	CUST-AVG	(350)	(350)	(367)	(383)
OM	Labor	Labor - Bargaining	Customer Service	90800-Customer Asst Expense	CUST-AVG	739,760	739,760	776,009	809,741
OM	Labor	Labor - Bargaining	Customer Service	910000-Misc Cust Serv Expense	CUST-RET	(212)	(212)	(222)	(232)
OM	Labor	Labor - Bargaining	Sales	91200-Economic Development	CUST-AVG	82,394	82,394	86,432	90,189
OM	Labor	Labor - Bargaining	Sales	916000-Misc Sales Expense	CUST-AVG	(21)	(21)	(22)	(22)
OM	Labor	Labor - Bargaining	A&G	92000-A&G Salaries	LABXAG	1,486,823	1,461,873	1,533,505	1,600,164
OM	Labor	Labor - Bargaining	A&G	926000-Employee pensions and benefits	LABXAG		1,029	1,079	1,126
OM	Labor	Labor - Bargaining			Subtotal Labor - Bargaining	23,193,791	23,037,355	24,166,185	25,216,650
OM	Incentive	Labor - Incentive	Production	50000-Stm Prod Op & Supr	12CP-PROD	204,015	229,443	238,621	248,166
OM	Incentive	Labor - Incentive	Production	50170-Stm Gen Fuel	ENERGY	53,378	59,091	61,455	63,913
OM	Incentive	Labor - Incentive	Production	50200-Steam Expenses Major	12CP-PROD	145,928	169,796	176,588	183,651
OM	Incentive	Labor - Incentive	Production	50500-Stm Gen Elec Exp Major	12CP-PROD	111,015	130,613	135,837	141,271
OM	Incentive	Labor - Incentive	Production	50600-Misc Steam Pwr Exp	12CP-PROD	468,234	528,640	549,785	571,777
OM	Incentive	Labor - Incentive	Production	51000-Stm Maint Super&Eng	ENERGY	22,341	25,741	26,770	27,841
OM	Incentive	Labor - Incentive	Production	51100-Stm Maint of Structures	12CP-PROD	29,307	34,811	36,203	37,651
OM	Incentive	Labor - Incentive	Production	51200-Stm Maint of Boiler Plt	ENERGY	169,636	188,175	195,702	203,530
OM	Incentive	Labor - Incentive	Production	51300-Stm Maint of Elec Plant	ENERGY	79,065	85,951	89,389	92,965
OM	Incentive	Labor - Incentive	Production	51400-Stm Maint of Misc Stm Plt	12CP-PROD	91,813	106,967	111,246	115,695
OM	Incentive	Labor - Incentive	Production	54600-Oth Oper Super&Eng	12CP-PROD	45,570	50,447	52,465	54,564
OM	Incentive	Labor - Incentive	Production	54600W-Oth Oper Super&Eng	ENERGY	13,714	15,182	15,789	16,421
OM	Incentive	Labor - Incentive	Production	54800-Oth Oper Gen Exp	12CP-PROD	13,129	14,925	15,522	16,143
OM	Incentive	Labor - Incentive	Production	54900-Oth Oper Misc Gen Exp	12CP-PROD	16,958	18,784	19,536	20,317
OM	Incentive	Labor - Incentive	Production	55100-Oth Mtee Supervision&Eng	12CP-PROD	41,884	46,367	48,222	50,151
OM	Incentive	Labor - Incentive	Production	55100W-Oth Mtee Supervision&Eng	ENERGY	24,518	27,142	28,228	29,357
OM	Incentive	Labor - Incentive	Production	55200-Oth Maint of Structures	12CP-PROD	2,592	3,050	3,172	3,299
OM	Incentive	Labor - Incentive	Production	55200W-Oth Maint of Structures	ENERGY	9	10	11	11
OM	Incentive	Labor - Incentive	Production	55300-Oth Mtc of Gen & Ele Plant	12CP-PROD	56,465	62,905	65,422	68,038
OM	Incentive	Labor - Incentive	Production	55300W-Oth Mtc of Gen & Ele Plant	ENERGY	50	59	61	64
OM	Incentive	Labor - Incentive	Production	55400-Oth Mtc Misc Gen Plt Mjr	12CP-PROD	56	66	69	71
OM	Incentive	Labor - Incentive	Production	55400W-Oth Mtc Misc Gen Plt Mjr	ENERGY	61	68	70	73
OM	Incentive	Labor - Incentive	Production	55600-Load Dispatch	12CP-PROD	71,351	78,988	82,147	85,433
OM	Incentive	Labor - Incentive	Production	55700-Purchased Power Other	12CP-PROD	141,408	156,542	162,804	169,316
OM	Incentive	Labor - Incentive	Transmission	56000-Trans Oper Super & Eng	PIS-TRAN	539,785	597,539	621,440	646,298
OM	Incentive	Labor - Incentive	Transmission	56110-Load Disp-Reliability	12CP-TRAN	621	731	760	790
OM	Incentive	Labor - Incentive	Transmission	56120-Load Disp-Monitor/Operate	12CP-TRAN	61,314	70,911	73,748	76,698
OM	Incentive	Labor - Incentive	Transmission	56160-Trans Service Studies	12CP-TRAN	1,792	1,984	2,063	2,145
OM	Incentive	Labor - Incentive	Transmission	56170-Gen Interconn Studies	12CP-TRAN	12,641	13,994	14,554	15,136
OM	Incentive	Labor - Incentive	Transmission	56200-Trans Oper Station Exp	PIS-TRAN	34,783	40,924	42,561	44,263
OM	Incentive	Labor - Incentive	Transmission	56300-Trans Oper OH Lines	PIS-TRAN	8,127	9,523	9,904	10,300
OM	Incentive	Labor - Incentive	Transmission	56400-Trans Oper UG Lines	PIS-TRAN	10	12	13	13
OM	Incentive	Labor - Incentive	Transmission	56600-Trans Oper Misc Exp	PIS-TRAN	79,566	90,655	94,281	98,052
OM	Incentive	Labor - Incentive	Transmission	57000-Tran Mnt of Station Equip	PIS-TRAN	11,860	13,954	14,512	15,092
OM	Incentive	Labor - Incentive	Transmission	57100-Trans Mt of Overhead Lines	PIS-TRAN	5,515	6,117	6,361	6,616

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OM	Labor	Labor - Bargaining	Distribution	59600-Dist Mtc of Streetlights	NM	100.00%	100.00%	1,839	1,839	1,929	2,013
OM	Labor	Labor - Bargaining	Distribution	59600-Dist Mtc of Streetlights	PIS-DIST	38.59%	38.10%	2,251	2,251	2,331	2,432
OM	Labor	Labor - Bargaining	Distribution	59600-Dist Mtc of Streetlights	TX						
OM	Labor	Labor - Bargaining	Distribution	59700-Dist Mtc of Meters	PIS-DIST	38.59%	38.10%	9,065	9,065	9,387	9,795
OM	Labor	Labor - Bargaining	Distribution	59700-Dist Mtc of Meters	TX						
OM	Labor	Labor - Bargaining	Customer Accounts	90200-Cust Acct Meter Read	CUST-AVG	31.26%	31.39%	370,827	370,827	390,649	407,630
OM	Labor	Labor - Bargaining	Customer Accounts	90300-Cust Acct Recrds & Coll	CUST-AVG	31.26%	31.39%	113,129	113,129	119,176	124,356
OM	Labor	Labor - Bargaining	Customer Accounts	90500-Cust Acct Misc	CUST-AVG	31.26%	31.39%	(109)	(109)	(115)	(120)
OM	Labor	Labor - Bargaining	Customer Service	90800-Customer Asst Expense	CUST-AVG	31.26%	31.39%	231,227	231,227	243,586	254,175
OM	Labor	Labor - Bargaining	Customer Service	910000-Misc Cust Serv Expense	CUST-RET	31.26%	31.39%	(66)	(66)	(70)	(73)
OM	Labor	Labor - Bargaining	Sales	91200-Economic Development	CUST-AVG	31.26%	31.39%	25,754	25,754	27,131	28,310
OM	Labor	Labor - Bargaining	Sales	916000-Misc Sales Expense	CUST-AVG	31.26%	31.39%	(6)	(6)	(7)	(7)
OM	Labor	Labor - Bargaining	A&G	92000-A&G Salaries	LABXAG	32.44%	35.21%	482,279	474,186	539,918	563,387
OM	Labor	Labor - Bargaining	A&G	926000-Employee pensions and benefits	LABXAG	32.44%	35.21%		334	380	396
OM	Labor	Labor - Bargaining			Subtotal Labor - Bargaining			7,554,984	7,500,690	8,525,244	8,895,822
OM	Incentive	Labor - Incentive	Production	50000-Stm Prod Op & Supr	12CP-PROD	33.73%	38.47%	68,810	77,387	91,801	95,473
OM	Incentive	Labor - Incentive	Production	50170-Stm Gen Fuel	ENERGY	35.73%	39.19%	19,071	21,112	24,084	25,047
OM	Incentive	Labor - Incentive	Production	50200-Steam Expenses Major	12CP-PROD	33.73%	38.47%	49,219	57,269	67,936	70,653
OM	Incentive	Labor - Incentive	Production	50500-Stm Gen Elec Exp Major	12CP-PROD	33.73%	38.47%	37,443	44,053	52,258	54,349
OM	Incentive	Labor - Incentive	Production	50600-Misc Steam Pwr Exp	12CP-PROD	33.73%	38.47%	157,927	178,300	211,510	219,970
OM	Incentive	Labor - Incentive	Production	51000-Stm Maint Super&Eng	ENERGY	35.73%	39.19%	7,982	9,197	10,491	10,911
OM	Incentive	Labor - Incentive	Production	51100-Stm Maint of Structures	12CP-PROD	33.73%	38.47%	9,885	11,741	13,928	14,485
OM	Incentive	Labor - Incentive	Production	51200-Stm Maint of Boiler Plt	ENERGY	35.73%	39.19%	60,607	67,230	76,694	79,762
OM	Incentive	Labor - Incentive	Production	51300-Stm Maint of Elec Plant	ENERGY	35.73%	39.19%	28,248	30,708	35,031	36,432
OM	Incentive	Labor - Incentive	Production	51400-Stm Maint of Misc Stm Plt	12CP-PROD	33.73%	38.47%	30,967	36,078	42,798	44,510
OM	Incentive	Labor - Incentive	Production	54600-Oth Oper Super&Eng	12CP-PROD	33.73%	38.47%	15,370	17,015	20,184	20,991
OM	Incentive	Labor - Incentive	Production	54600W-Oth Oper Super&Eng	ENERGY	35.73%	39.19%	4,900	5,424	6,188	6,435
OM	Incentive	Labor - Incentive	Production	54800-Oth Oper Gen Exp	12CP-PROD	33.73%	38.47%	4,428	5,034	5,972	6,210
OM	Incentive	Labor - Incentive	Production	54900-Oth Oper Misc Gen Exp	12CP-PROD	33.73%	38.47%	5,719	6,336	7,516	7,816
OM	Incentive	Labor - Incentive	Production	55100-Oth Mtc Supervision&Eng	12CP-PROD	33.73%	38.47%	14,127	15,639	18,552	19,294
OM	Incentive	Labor - Incentive	Production	55100W-Oth Mtc Supervision&Eng	ENERGY	35.73%	39.19%	8,760	9,697	11,062	11,505
OM	Incentive	Labor - Incentive	Production	55200-Oth Maint of Structures	12CP-PROD	33.73%	38.47%	874	1,029	1,220	1,269
OM	Incentive	Labor - Incentive	Production	55200W-Oth Maint of Structures	ENERGY	35.73%	39.19%	3	4	4	4
OM	Incentive	Labor - Incentive	Production	55300-Oth Mtc of Gen & Ele Plant	12CP-PROD	33.73%	38.47%	19,045	21,217	25,169	26,175
OM	Incentive	Labor - Incentive	Production	55300W-Oth Mtc of Gen & Ele Plant	ENERGY	35.73%	39.19%	18	21	24	25
OM	Incentive	Labor - Incentive	Production	55400-Oth Mtc Misc Gen Plt Mjr	12CP-PROD	33.73%	38.47%	19	22	26	27
OM	Incentive	Labor - Incentive	Production	55400W-Oth Mtc Misc Gen Plt Mjr	ENERGY	35.73%	39.19%	22	24	28	29
OM	Incentive	Labor - Incentive	Production	55600-Load Dispatch	12CP-PROD	33.73%	38.47%	24,065	26,641	31,603	32,867
OM	Incentive	Labor - Incentive	Production	55700-Purchased Power Other	12CP-PROD	33.73%	38.47%	47,694	52,799	62,633	65,138
OM	Incentive	Labor - Incentive	Transmission	56000-Trans Oper Super & Eng	PIS-TRAN	27.01%	29.77%	145,799	161,398	185,029	192,430
OM	Incentive	Labor - Incentive	Transmission	56110-Load Disp-Reliability	12CP-TRAN	26.38%	29.24%	164	193	222	231
OM	Incentive	Labor - Incentive	Transmission	56120-Load Disp-Monitor/Operate	12CP-TRAN	26.38%	29.24%	16,176	18,708	21,565	22,428
OM	Incentive	Labor - Incentive	Transmission	56160-Trans Service Studies	12CP-TRAN	26.38%	29.24%	473	523	603	627
OM	Incentive	Labor - Incentive	Transmission	56170-Gen Interconn Studies	12CP-TRAN	26.38%	29.24%	3,335	3,692	4,256	4,426
OM	Incentive	Labor - Incentive	Transmission	56200-Trans Oper Station Exp	PIS-TRAN	27.01%	29.77%	9,395	11,054	12,672	13,179
OM	Incentive	Labor - Incentive	Transmission	56300-Trans Oper OH Lines	PIS-TRAN	27.01%	29.77%	2,195	2,572	2,949	3,067
OM	Incentive	Labor - Incentive	Transmission	56400-Trans Oper UG Lines	PIS-TRAN	27.01%	29.77%	3	3	4	4
OM	Incentive	Labor - Incentive	Transmission	56600-Trans Oper Misc Exp	PIS-TRAN	27.01%	29.77%	21,491	24,486	28,071	29,194
OM	Incentive	Labor - Incentive	Transmission	57000-Tran Mnt of Station Equip	PIS-TRAN	27.01%	29.77%	3,203	3,769	4,321	4,494
OM	Incentive	Labor - Incentive	Transmission	57100-Trans Mt of Overhead Lines	PIS-TRAN	27.01%	29.77%	1,490	1,652	1,894	1,970

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Financial Category	Cost Element	Labor Designator	FERC Function	Account	Jurisdictional Allocator	Base Period	Adjusted Base Period	Linkage Period	Future Test Year
OM	Incentive	Labor - Incentive	Regional Market Expenses	57510-Operations Supervision	ENERGY	13,250	14,667	15,253	15,863
OM	Incentive	Labor - Incentive	Regional Market Expenses	57520-DA & RT Mkt Admin	ENERGY	34,790	38,514	40,054	41,656
OM	Incentive	Labor - Incentive	Regional Market Expenses	57550-Ancillary Serv Mkt Admin	ENERGY	90	99	103	107
OM	Incentive	Labor - Incentive	Regional Market Expenses	57560-Mkt Monitoring/Compliance	ENERGY	90	99	103	107
OM	Incentive	Labor - Incentive	Distribution	58000-Dist Oper Sup & Eng	NM	12	14	15	15
OM	Incentive	Labor - Incentive	Distribution	58000-Dist Oper Sup & Eng	PIS-DIST	123,657	141,627	147,293	153,184
OM	Incentive	Labor - Incentive	Distribution	58000-Dist Oper Sup & Eng	TX	7,445	8,759	9,110	9,474
OM	Incentive	Labor - Incentive	Distribution	58100-Dist Load Dispatching	PIS-DIST	9,755	10,800	11,232	11,681
OM	Incentive	Labor - Incentive	Distribution	58200-Dist Op Station Exp	PIS-DIST	17,619	20,730	21,559	22,421
OM	Incentive	Labor - Incentive	Distribution	58300-Dist Oper Overhead Lines	NM	1,320	1,553	1,615	1,679
OM	Incentive	Labor - Incentive	Distribution	58300-Dist Oper Overhead Lines	PIS-DIST	13,634	15,648	16,274	16,925
OM	Incentive	Labor - Incentive	Distribution	58300-Dist Oper Overhead Lines	TX	9,707	11,421	11,877	12,352
OM	Incentive	Labor - Incentive	Distribution	58400-Dist Op UG Elec lines	NM	443	522	543	564
OM	Incentive	Labor - Incentive	Distribution	58400-Dist Op UG Elec lines	PIS-DIST	45	53	56	58
OM	Incentive	Labor - Incentive	Distribution	58400-Dist Op UG Elec lines	TX	1,452	1,708	1,777	1,848
OM	Incentive	Labor - Incentive	Distribution	58500-Dist Oper Streetlight	PIS-DIST	9,622	11,186	11,634	12,099
OM	Incentive	Labor - Incentive	Distribution	58600-Dist Oper Meter Exp	NM	25,841	30,403	31,619	32,884
OM	Incentive	Labor - Incentive	Distribution	58600-Dist Oper Meter Exp	PIS-DIST	9,664	10,425	10,842	11,276
OM	Incentive	Labor - Incentive	Distribution	58600-Dist Oper Meter Exp	TX	41,004	48,242	50,172	52,179
OM	Incentive	Labor - Incentive	Distribution	58700-Dist Oper Cust Install	PIS-DIST	10,927	12,856	13,370	13,905
OM	Incentive	Labor - Incentive	Distribution	58800-Dist Oper Misc Exp	NM	17,002	19,953	20,752	21,582
OM	Incentive	Labor - Incentive	Distribution	58800-Dist Oper Misc Exp	PIS-DIST	72,963	80,125	83,330	86,663
OM	Incentive	Labor - Incentive	Distribution	58800-Dist Oper Misc Exp	TX	49,503	58,095	60,419	62,836
OM	Incentive	Labor - Incentive	Distribution	59000-Dist Mtc Super & Eng	PIS-DIST	1,163	1,288	1,339	1,393
OM	Incentive	Labor - Incentive	Distribution	59200-Dist Mt of Station Equip	PIS-DIST	4,456	5,243	5,453	5,671
OM	Incentive	Labor - Incentive	Distribution	592200	PIS-DIST	(3)	(3)	(3)	(3)
OM	Incentive	Labor - Incentive	Distribution	59300-Dist Mtc of Overhead Lines	NM	7,491	8,813	9,166	9,532
OM	Incentive	Labor - Incentive	Distribution	59300-Dist Mtc of Overhead Lines	PIS-DIST	17,378	19,473	20,252	21,062
OM	Incentive	Labor - Incentive	Distribution	59300-Dist Mtc of Overhead Lines	TX	28,168	33,141	34,466	35,845
OM	Incentive	Labor - Incentive	Distribution	59400-Dist Mt of Undergrmd Line	NM	267	315	327	340
OM	Incentive	Labor - Incentive	Distribution	59400-Dist Mt of Undergrmd Line	PIS-DIST	(73)	(86)	(90)	(93)
OM	Incentive	Labor - Incentive	Distribution	59400-Dist Mt of Undergrmd Line	TX	1,053	1,239	1,289	1,340
OM	Incentive	Labor - Incentive	Distribution	59600-Dist Mtc of Streetlights	NM	109	129	134	139
OM	Incentive	Labor - Incentive	Distribution	59600-Dist Mtc of Streetlights	PIS-DIST	292	343	357	371
OM	Incentive	Labor - Incentive	Distribution	59600-Dist Mtc of Streetlights	TX	724	852	886	921
OM	Incentive	Labor - Incentive	Distribution	59700-Dist Mtc of Meters	PIS-DIST	1,379	1,623	1,687	1,755
OM	Incentive	Labor - Incentive	Distribution	59700-Dist Mtc of Meters	TX	201	236	246	255
OM	Incentive	Labor - Incentive	Distribution	59800-Dist Mtc of Dist Plant	PIS-DIST	(785)	(869)	(904)	(940)
OM	Incentive	Labor - Incentive	Distribution	59800-Dist Mtc of Dist Plant	TX	6,923	7,664	7,971	8,290
OM	Incentive	Labor - Incentive	Customer Accounts	90100-Cust Acct Supervise	CUST-AVG	3,291	3,643	3,789	3,940
OM	Incentive	Labor - Incentive	Customer Accounts	90200-Cust Acct Meter Read	CUST-AVG	95,179	111,029	115,470	120,089
OM	Incentive	Labor - Incentive	Customer Accounts	90300-Cust Acct Recrds & Coll	CUST-AVG	307,583	342,336	356,029	370,270
OM	Incentive	Labor - Incentive	Customer Accounts	90500-Cust Acct Misc	CUST-AVG	2,047	2,258	2,348	2,442
OM	Incentive	Labor - Incentive	Customer Service	90800-Customer Asst Expense	CUST-AVG	67,072	78,206	81,334	84,587
OM	Incentive	Labor - Incentive	Customer Service	910000-Misc Cust Serv Expense	CUST-RET	514	564	587	611
OM	Incentive	Labor - Incentive	Sales	91200-Economic Development	CUST-AVG	10,935	12,555	13,058	13,580
OM	Incentive	Labor - Incentive	Sales	916000-Misc Sales Expense	CUST-AVG	69	76	79	82
OM	Incentive	Labor - Incentive	A&G	92000-A&G Salaries	LABXAG	2,432,176	2,690,077	2,797,680	2,909,587
OM	Incentive	Labor - Incentive	A&G	92100-A&G Office & Supplies	LABXAG	(2,806)	(2,919)	(2,919)	(3,035)
OM	Incentive	Labor - Incentive			Subtotal Labor - Incentive	6,015,956	6,734,940	7,004,338	7,284,511

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Financial Category	Cost Element	Labor Designator	FERC Function	Account	Jurisdictional Allocator	Base Period Allocator	Test Year Allocator	NM Retail - Base Period	NM Retail - Adjusted Base Period	NM Retail - Linkage Period	NM Retail - Future Test Year
OM	Incentive	Labor - Incentive	Regional Market Expenses	57510-Operations Supervision	ENERGY	35.73%	39.19%	4,734	5,240	5,978	6,217
OM	Incentive	Labor - Incentive	Regional Market Expenses	57520-DA & RT Mkt Admin	ENERGY	35.73%	39.19%	12,430	13,760	15,697	16,325
OM	Incentive	Labor - Incentive	Regional Market Expenses	57550-Ancillary Serv Mkt Admin	ENERGY	35.73%	39.19%	32	35	40	42
OM	Incentive	Labor - Incentive	Regional Market Expenses	57560-Mkt Monitoring/Compliance	ENERGY	35.73%	39.19%	32	35	40	42
OM	Incentive	Labor - Incentive	Distribution	58000-Dist Oper Sup & Eng	NM	100.00%	100.00%	12	14	15	15
OM	Incentive	Labor - Incentive	Distribution	58000-Dist Oper Sup & Eng	PIS-DIST	38.59%	38.10%	47,723	54,658	56,116	58,361
OM	Incentive	Labor - Incentive	Distribution	58000-Dist Oper Sup & Eng	TX						
OM	Incentive	Labor - Incentive	Distribution	58100-Dist Load Dispatching	PIS-DIST	38.59%	38.10%	3,765	4,168	4,279	4,450
OM	Incentive	Labor - Incentive	Distribution	58200-Dist Op Station Exp	PIS-DIST	38.59%	38.10%	6,800	8,000	8,214	8,542
OM	Incentive	Labor - Incentive	Distribution	58300-Dist Oper Overhead Lines	NM	100.00%	100.00%	1,320	1,553	1,615	1,679
OM	Incentive	Labor - Incentive	Distribution	58300-Dist Oper Overhead Lines	PIS-DIST	38.59%	38.10%	5,262	6,039	6,200	6,448
OM	Incentive	Labor - Incentive	Distribution	58300-Dist Oper Overhead Lines	TX						
OM	Incentive	Labor - Incentive	Distribution	58400-Dist Op UG Elec lines	NM	100.00%	100.00%	443	522	543	564
OM	Incentive	Labor - Incentive	Distribution	58400-Dist Op UG Elec lines	PIS-DIST	38.59%	38.10%	18	21	21	22
OM	Incentive	Labor - Incentive	Distribution	58400-Dist Op UG Elec lines	TX						
OM	Incentive	Labor - Incentive	Distribution	58500-Dist Oper Streetlight	PIS-DIST	38.59%	38.10%	3,713	4,317	4,432	4,610
OM	Incentive	Labor - Incentive	Distribution	58600-Dist Oper Meter Exp	NM	100.00%	100.00%	25,841	30,403	31,619	32,884
OM	Incentive	Labor - Incentive	Distribution	58600-Dist Oper Meter Exp	PIS-DIST	38.59%	38.10%	3,730	4,023	4,131	4,296
OM	Incentive	Labor - Incentive	Distribution	58600-Dist Oper Meter Exp	TX						
OM	Incentive	Labor - Incentive	Distribution	58700-Dist Oper Cust Install	PIS-DIST	38.59%	38.10%	4,217	4,961	5,094	5,297
OM	Incentive	Labor - Incentive	Distribution	58800-Dist Oper Misc Exp	NM	100.00%	100.00%	17,002	19,953	20,752	21,582
OM	Incentive	Labor - Incentive	Distribution	58800-Dist Oper Misc Exp	PIS-DIST	38.59%	38.10%	28,158	30,922	31,748	33,017
OM	Incentive	Labor - Incentive	Distribution	58800-Dist Oper Misc Exp	TX						
OM	Incentive	Labor - Incentive	Distribution	59000-Dist Mtc Super & Eng	PIS-DIST	38.59%	38.10%	449	497	510	531
OM	Incentive	Labor - Incentive	Distribution	59200-Dist Mt of Station Equip	PIS-DIST	38.59%	38.10%	1,720	2,023	2,077	2,160
OM	Incentive	Labor - Incentive	Distribution	592200	PIS-DIST	38.59%	38.10%	(1)	(1)	(1)	(1)
OM	Incentive	Labor - Incentive	Distribution	59300-Dist Mtc of Overhead Lines	NM	100.00%	100.00%	7,491	8,813	9,166	9,532
OM	Incentive	Labor - Incentive	Distribution	59300-Dist Mtc of Overhead Lines	PIS-DIST	38.59%	38.10%	6,707	7,515	7,716	8,024
OM	Incentive	Labor - Incentive	Distribution	59300-Dist Mtc of Overhead Lines	TX						
OM	Incentive	Labor - Incentive	Distribution	59400-Dist Mt of Undergrnd Line	NM	100.00%	100.00%	267	315	327	340
OM	Incentive	Labor - Incentive	Distribution	59400-Dist Mt of Undergrnd Line	PIS-DIST	38.59%	38.10%	(28)	(33)	(34)	(36)
OM	Incentive	Labor - Incentive	Distribution	59400-Dist Mt of Undergrnd Line	TX						
OM	Incentive	Labor - Incentive	Distribution	59600-Dist Mtc of Streetlights	NM	100.00%	100.00%	109	129	134	139
OM	Incentive	Labor - Incentive	Distribution	59600-Dist Mtc of Streetlights	PIS-DIST	38.59%	38.10%	113	132	136	141
OM	Incentive	Labor - Incentive	Distribution	59600-Dist Mtc of Streetlights	TX						
OM	Incentive	Labor - Incentive	Distribution	59700-Dist Mtc of Meters	PIS-DIST	38.59%	38.10%	532	626	643	669
OM	Incentive	Labor - Incentive	Distribution	59700-Dist Mtc of Meters	TX						
OM	Incentive	Labor - Incentive	Distribution	59800-Dist Mtce of Dist Plant	PIS-DIST	38.59%	38.10%	(303)	(335)	(344)	(358)
OM	Incentive	Labor - Incentive	Distribution	59800-Dist Mtce of Dist Plant	TX						
OM	Incentive	Labor - Incentive	Customer Accounts	90100-Cust Acct Supervise	CUST-AVG	31.26%	31.39%	1,029	1,139	1,189	1,237
OM	Incentive	Labor - Incentive	Customer Accounts	90200-Cust Acct Meter Read	CUST-AVG	31.26%	31.39%	29,750	34,704	36,246	37,696
OM	Incentive	Labor - Incentive	Customer Accounts	90300-Cust Acct Recrds & Coll	CUST-AVG	31.26%	31.39%	96,141	107,004	111,756	116,226
OM	Incentive	Labor - Incentive	Customer Accounts	90500-Cust Acct Misc	CUST-AVG	31.26%	31.39%	640	706	737	766
OM	Incentive	Labor - Incentive	Customer Service	90800-Customer Asst Expense	CUST-AVG	31.26%	31.39%	20,965	24,445	25,530	26,552
OM	Incentive	Labor - Incentive	Customer Service	910000-Misc Cust Serv Expense	CUST-RET	31.26%	31.39%	161	176	184	192
OM	Incentive	Labor - Incentive	Sales	91200-Economic Development	CUST-AVG	31.26%	31.39%	3,418	3,924	4,099	4,263
OM	Incentive	Labor - Incentive	Sales	916000-Misc Sales Expense	CUST-AVG	31.26%	31.39%	21	24	25	26
OM	Incentive	Labor - Incentive	A&G	92000-A&G Salaries	LABXAG	32.44%	35.21%	788,922	872,577	985,010	1,024,411
OM	Incentive	Labor - Incentive	A&G	92100-A&G Office & Supplies	LABXAG	32.44%	35.21%		(910)	(1,028)	(1,069)
OM	Incentive	Labor - Incentive			Subtotal Labor - Incentive			1,942,258	2,174,122	2,458,906	2,557,263

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Financial Category	Cost Element	Labor Designator	FERC Function	Account	Jurisdictional Allocator	Base Period	Adjusted Base Period	Linkage Period	Future Test Year
OM	Incentive	Labor - Long-Term Incentive	A&G	92000-A&G Salaries	LABXAG	2,470,734	1,432,451	1,432,451	1,432,451
OM	Incentive	Labor - Long-Term Incentive			Subtotal Labor - Long-Term Incentive	2,470,734	1,432,451	1,432,451	1,432,451
OM	Labor	Labor - Non-bargaining	Production	50000-Stm Prod Op & Supr	12CP-PROD	2,620,129	2,620,129	2,707,466	2,815,765
OM	Labor	Labor - Non-bargaining	Production	50170-Stm Gen Fuel	ENERGY	529,125	529,125	546,763	568,633
OM	Labor	Labor - Non-bargaining	Production	50200-Steam Expenses Major	12CP-PROD	4,242,610	4,208,878	4,349,174	4,523,141
OM	Labor	Labor - Non-bargaining	Production	50500-Stm Gen Elec Exp Major	12CP-PROD	3,214,970	3,215,180	3,322,353	3,455,247
OM	Labor	Labor - Non-bargaining	Production	50600-Misc Steam Pwr Exp	12CP-PROD	6,764,323	6,989,704	7,222,694	7,511,601
OM	Labor	Labor - Non-bargaining	Production	51000-Stm Maint Super&Eng	ENERGY	373,217	373,217	385,658	401,084
OM	Labor	Labor - Non-bargaining	Production	51100-Stm Maint of Structures	12CP-PROD	693,449	697,570	720,822	749,655
OM	Labor	Labor - Non-bargaining	Production	51200-Stm Maint of Boiler Plt	ENERGY	3,522,563	3,433,780	3,548,240	3,690,169
OM	Labor	Labor - Non-bargaining	Production	51300-Stm Maint of Elec Plant	ENERGY	1,779,761	1,711,139	1,768,177	1,838,904
OM	Labor	Labor - Non-bargaining	Production	51400-Stm Maint of Misc Stm Plt	12CP-PROD	2,207,659	2,181,555	2,254,274	2,344,445
OM	Labor	Labor - Non-bargaining	Production	54600-Oth Oper Super&Eng	12CP-PROD	464,021	464,021	479,489	498,668
OM	Labor	Labor - Non-bargaining	Production	54600W-Oth Oper Super&Eng	ENERGY	119,896	119,896	123,892	128,848
OM	Labor	Labor - Non-bargaining	Production	54800-Oth Oper Gen Exp	12CP-PROD	230,164	230,164	237,836	247,349
OM	Labor	Labor - Non-bargaining	Production	54900-Oth Oper Misc Gen Exp	12CP-PROD	182,794	182,794	188,887	196,442
OM	Labor	Labor - Non-bargaining	Production	55100-Oth Mtce Supervision&Eng	12CP-PROD	392,108	392,108	405,179	421,386
OM	Labor	Labor - Non-bargaining	Production	55100W-Oth Mtce Supervision&Eng	ENERGY	213,534	213,534	220,652	229,478
OM	Labor	Labor - Non-bargaining	Production	55200-Oth Maint of Structures	12CP-PROD	68,880	68,880	71,176	74,023
OM	Labor	Labor - Non-bargaining	Production	55200W-Oth Maint of Structures	ENERGY	189	189	195	203
OM	Labor	Labor - Non-bargaining	Production	55300-Oth Mtc of Gen & Ele Plant	12CP-PROD	736,493	728,782	753,075	783,198
OM	Labor	Labor - Non-bargaining	Production	55300W-Oth Mtc of Gen & Ele Plant	ENERGY	1,159	1,159	1,198	1,246
OM	Labor	Labor - Non-bargaining	Production	55400-Oth Mtc Misc Gen Plt Mjr	12CP-PROD	4,243	4,243	4,385	4,560
OM	Labor	Labor - Non-bargaining	Production	55400W-Oth Mtc Misc Gen Plt Mjr	ENERGY	484	484	500	520
OM	Labor	Labor - Non-bargaining	Production	55600-Load Dispatch	12CP-PROD	826,259	826,259	853,801	887,953
OM	Labor	Labor - Non-bargaining	Production	55700-Purchased Power Other	12CP-PROD	1,946,579	1,946,579	2,011,465	2,091,923
OM	Labor	Labor - Non-bargaining	Transmission	56000-Trans Oper Super & Eng	PIS-TRAN	5,419,885	5,692,407	5,882,154	6,117,440
OM	Labor	Labor - Non-bargaining	Transmission	56110-Load Disp-Reliability	12CP-TRAN	6,307	6,307	6,517	6,777
OM	Labor	Labor - Non-bargaining	Transmission	56120-Load Disp-Monitor/Operate	12CP-TRAN	1,457,281	1,457,281	1,505,857	1,566,091
OM	Labor	Labor - Non-bargaining	Transmission	56160-Trans Service Studies	12CP-TRAN	18,036	18,036	18,637	19,383
OM	Labor	Labor - Non-bargaining	Transmission	56170-Gen Interconn Studies	12CP-TRAN	118,138	118,138	122,076	126,599
OM	Labor	Labor - Non-bargaining	Transmission	56200-Trans Oper Station Exp	PIS-TRAN	814,826	814,826	841,987	875,667
OM	Labor	Labor - Non-bargaining	Transmission	56300-Trans Oper OH Lines	PIS-TRAN	229,065	229,065	236,700	246,168
OM	Labor	Labor - Non-bargaining	Transmission	56400-Trans Oper UG Lines	PIS-TRAN	225	225	233	242
OM	Labor	Labor - Non-bargaining	Transmission	56600-Trans Oper Misc Exp	PIS-TRAN	1,281,339	1,281,339	1,324,050	1,377,012
OM	Labor	Labor - Non-bargaining	Transmission	57000-Tran Mnt of Station Equip	PIS-TRAN	326,222	326,222	337,096	350,580
OM	Labor	Labor - Non-bargaining	Transmission	57100-Trans Mt of Overhead Lines	PIS-TRAN	76,196	76,196	78,736	81,886
OM	Labor	Labor - Non-bargaining	Regional Market Expenses	57510-Operations Supervision	ENERGY	128,906	128,906	133,203	138,531
OM	Labor	Labor - Non-bargaining	Regional Market Expenses	57520-DA & RT Mkt Admin	ENERGY	344,011	351,555	363,273	377,804
OM	Labor	Labor - Non-bargaining	Regional Market Expenses	57550-Ancillary Serv Mkt Admin	ENERGY	808	808	834	868
OM	Labor	Labor - Non-bargaining	Regional Market Expenses	57560-Mkt Monitoring/Compliance	ENERGY	808	808	834	868
OM	Labor	Labor - Non-bargaining	Distribution	58000-Dist Oper Sup & Eng	NM	227	227	234	244
OM	Labor	Labor - Non-bargaining	Distribution	58000-Dist Oper Sup & Eng	PIS-DIST	2,228,815	2,685,797	2,775,323	2,886,336
OM	Labor	Labor - Non-bargaining	Distribution	58000-Dist Oper Sup & Eng	TX	148,744	148,744	153,702	159,850
OM	Labor	Labor - Non-bargaining	Distribution	58100-Dist Load Dispatching	PIS-DIST	93,895	93,895	97,025	100,906
OM	Labor	Labor - Non-bargaining	Distribution	58200-Dist Op Station Exp	PIS-DIST	408,145	408,145	421,750	438,620
OM	Labor	Labor - Non-bargaining	Distribution	58300-Dist Oper Overhead Lines	NM	67,671	67,671	69,927	72,724
OM	Labor	Labor - Non-bargaining	Distribution	58300-Dist Oper Overhead Lines	PIS-DIST	396,624	396,624	409,844	426,238
OM	Labor	Labor - Non-bargaining	Distribution	58300-Dist Oper Overhead Lines	TX	313,423	313,423	323,870	336,825
OM	Labor	Labor - Non-bargaining	Distribution	58400-Dist Op UG Elec lines	NM	14,700	14,700	15,190	15,797

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Financial Category	Cost Element	Labor Designator	FERC Function	Account	Jurisdictional Allocator	Base Period Allocator	Test Year Allocator	NM Retail - Base Period	NM Retail - Adjusted Base Period	NM Retail - Linkage Period	NM Retail - Future Test Year
OM	Incentive	Labor - Long-Term Incentive	A&G	92000-A&G Salaries	LABXAG	32.44%	35.21%	801,429	464,642	504,339	504,339
OM	Incentive	Labor - Long-Term Incentive			Subtotal Labor - Long-Term Incentive			801,429	464,642	504,339	504,339
OM	Labor	Labor - Non-bargaining	Production	50000-Stm Prod Op & Supr	12CP-PROD	33.73%	38.47%	883,720	883,720	1,041,598	1,083,262
OM	Labor	Labor - Non-bargaining	Production	50170-Stm Gen Fuel	ENERGY	35.73%	39.19%	189,044	189,044	214,271	222,842
OM	Labor	Labor - Non-bargaining	Production	50200-Steam Expenses Major	12CP-PROD	33.73%	38.47%	1,430,952	1,419,575	1,673,185	1,740,112
OM	Labor	Labor - Non-bargaining	Production	50500-Stm Gen Elec Exp Major	12CP-PROD	33.73%	38.47%	1,084,349	1,084,420	1,278,153	1,329,279
OM	Labor	Labor - Non-bargaining	Production	50600-Misc Steam Pwr Exp	12CP-PROD	33.73%	38.47%	2,281,479	2,357,495	2,778,666	2,889,812
OM	Labor	Labor - Non-bargaining	Production	51000-Stm Maint Super&Eng	ENERGY	35.73%	39.19%	133,342	133,342	151,136	157,181
OM	Labor	Labor - Non-bargaining	Production	51100-Stm Maint of Structures	12CP-PROD	33.73%	38.47%	233,887	235,277	277,310	288,402
OM	Labor	Labor - Non-bargaining	Production	51200-Stm Maint of Boiler Plt	ENERGY	35.73%	39.19%	1,258,528	1,226,808	1,390,524	1,446,145
OM	Labor	Labor - Non-bargaining	Production	51300-Stm Maint of Elec Plant	ENERGY	35.73%	39.19%	635,866	611,349	692,933	720,650
OM	Labor	Labor - Non-bargaining	Production	51400-Stm Maint of Misc Stm Plt	12CP-PROD	33.73%	38.47%	744,602	735,797	867,249	901,939
OM	Labor	Labor - Non-bargaining	Production	54600-Oth Oper Super&Eng	12CP-PROD	33.73%	38.47%	156,506	156,506	184,466	191,844
OM	Labor	Labor - Non-bargaining	Production	54600W-Oth Oper Super&Eng	ENERGY	35.73%	39.19%	42,836	42,836	48,552	50,494
OM	Labor	Labor - Non-bargaining	Production	54800-Oth Oper Gen Exp	12CP-PROD	33.73%	38.47%	77,630	77,630	91,499	95,159
OM	Labor	Labor - Non-bargaining	Production	54900-Oth Oper Misc Gen Exp	12CP-PROD	33.73%	38.47%	61,653	61,653	72,667	75,574
OM	Labor	Labor - Non-bargaining	Production	55100-Oth Mtc Supervision&Eng	12CP-PROD	33.73%	38.47%	132,251	132,251	155,878	162,113
OM	Labor	Labor - Non-bargaining	Production	55100W-Oth Mtc Supervision&Eng	ENERGY	35.73%	39.19%	76,291	76,291	86,472	89,931
OM	Labor	Labor - Non-bargaining	Production	55200-Oth Maint of Structures	12CP-PROD	33.73%	38.47%	23,232	23,232	27,382	28,478
OM	Labor	Labor - Non-bargaining	Production	55200W-Oth Maint of Structures	ENERGY	35.73%	39.19%	67	67	76	79
OM	Labor	Labor - Non-bargaining	Production	55300-Oth Mtc of Gen & Ele Plant	12CP-PROD	33.73%	38.47%	248,405	245,805	289,718	301,307
OM	Labor	Labor - Non-bargaining	Production	55300W-Oth Mtc of Gen & Ele Plant	ENERGY	35.73%	39.19%	414	414	469	488
OM	Labor	Labor - Non-bargaining	Production	55400-Oth Mtc Misc Gen Plt Mjr	12CP-PROD	33.73%	38.47%	1,431	1,431	1,687	1,754
OM	Labor	Labor - Non-bargaining	Production	55400W-Oth Mtc Misc Gen Plt Mjr	ENERGY	35.73%	39.19%	173	173	196	204
OM	Labor	Labor - Non-bargaining	Production	55600-Load Dispatch	12CP-PROD	33.73%	38.47%	278,682	278,682	328,469	341,607
OM	Labor	Labor - Non-bargaining	Production	55700-Purchased Power Other	12CP-PROD	33.73%	38.47%	656,544	656,544	773,837	804,791
OM	Labor	Labor - Non-bargaining	Transmission	56000-Trans Oper Super & Eng	PIS-TRAN	27.01%	29.77%	1,463,939	1,537,549	1,751,368	1,821,422
OM	Labor	Labor - Non-bargaining	Transmission	56110-Load Disp-Reliability	12CP-TRAN	26.38%	29.24%	1,664	1,664	1,906	1,982
OM	Labor	Labor - Non-bargaining	Transmission	56120-Load Disp-Monitor/Operate	12CP-TRAN	26.38%	29.24%	384,463	384,463	440,336	457,949
OM	Labor	Labor - Non-bargaining	Transmission	56160-Trans Service Studies	12CP-TRAN	26.38%	29.24%	4,758	4,758	5,450	5,668
OM	Labor	Labor - Non-bargaining	Transmission	56170-Gen Interconn Studies	12CP-TRAN	26.38%	29.24%	31,167	31,167	35,697	37,125
OM	Labor	Labor - Non-bargaining	Transmission	56200-Trans Oper Station Exp	PIS-TRAN	27.01%	29.77%	220,089	220,089	250,695	260,723
OM	Labor	Labor - Non-bargaining	Transmission	56300-Trans Oper OH Lines	PIS-TRAN	27.01%	29.77%	61,872	61,872	70,476	73,295
OM	Labor	Labor - Non-bargaining	Transmission	56400-Trans Oper UG Lines	PIS-TRAN	27.01%	29.77%	61	61	69	72
OM	Labor	Labor - Non-bargaining	Transmission	56600-Trans Oper Misc Exp	PIS-TRAN	27.01%	29.77%	346,096	346,096	394,226	409,995
OM	Labor	Labor - Non-bargaining	Transmission	57000-Tran Mnt of Station Equip	PIS-TRAN	27.01%	29.77%	88,114	88,114	100,368	104,383
OM	Labor	Labor - Non-bargaining	Transmission	57100-Trans Mt of Overhead Lines	PIS-TRAN	27.01%	29.77%	20,581	20,581	23,443	24,381
OM	Labor	Labor - Non-bargaining	Regional Market Expenses	57510-Operations Supervision	ENERGY	35.73%	39.19%	46,055	46,055	52,201	54,289
OM	Labor	Labor - Non-bargaining	Regional Market Expenses	57520-DA & RT Mkt Admin	ENERGY	35.73%	39.19%	122,907	125,602	142,364	148,058
OM	Labor	Labor - Non-bargaining	Regional Market Expenses	57550-Ancillary Serv Mkt Admin	ENERGY	35.73%	39.19%	289	289	327	340
OM	Labor	Labor - Non-bargaining	Regional Market Expenses	57560-Mkt Monitoring/Compliance	ENERGY	35.73%	39.19%	289	289	327	340
OM	Labor	Labor - Non-bargaining	Distribution	58000-Dist Oper Sup & Eng	NM	100.00%	100.00%	227	227	234	244
OM	Labor	Labor - Non-bargaining	Distribution	58000-Dist Oper Sup & Eng	PIS-DIST	38.59%	38.10%	860,163	1,036,526	1,057,360	1,099,654
OM	Labor	Labor - Non-bargaining	Distribution	58100-Dist Load Dispatching	PIS-DIST	38.59%	38.10%	36,237	36,237	36,965	38,444
OM	Labor	Labor - Non-bargaining	Distribution	58200-Dist Op Station Exp	PIS-DIST	38.59%	38.10%	157,515	157,515	160,681	167,108
OM	Labor	Labor - Non-bargaining	Distribution	58300-Dist Oper Overhead Lines	NM	100.00%	100.00%	67,671	67,671	69,927	72,724
OM	Labor	Labor - Non-bargaining	Distribution	58300-Dist Oper Overhead Lines	PIS-DIST	38.59%	38.10%	153,068	153,068	156,145	162,391
OM	Labor	Labor - Non-bargaining	Distribution	58300-Dist Oper Overhead Lines	TX						
OM	Labor	Labor - Non-bargaining	Distribution	58400-Dist Op UG Elec lines	NM	100.00%	100.00%	14,700	14,700	15,190	15,797

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Financial Category	Cost Element	Labor Designator	FERC Function	Account	Jurisdictional Allocator	Base Period	Adjusted Base Period	Linkage Period	Future Test Year
OM	Labor	Labor - Non-bargaining	Distribution	58400-Dist Op UG Elec lines	PIS-DIST	13,925	13,925	14,390	14,965
OM	Labor	Labor - Non-bargaining	Distribution	58400-Dist Op UG Elec lines	TX	43,087	43,087	44,523	46,304
OM	Labor	Labor - Non-bargaining	Distribution	58500-Dist Oper Streetlight	PIS-DIST	253,915	253,915	262,379	272,874
OM	Labor	Labor - Non-bargaining	Distribution	58600-Dist Oper Meter Exp	NM	650,140	650,140	671,812	698,684
OM	Labor	Labor - Non-bargaining	Distribution	58600-Dist Oper Meter Exp	PIS-DIST	162,500	162,500	167,917	174,634
OM	Labor	Labor - Non-bargaining	Distribution	58600-Dist Oper Meter Exp	TX	1,014,505	1,014,505	1,048,322	1,090,255
OM	Labor	Labor - Non-bargaining	Distribution	58700-Dist Oper Cust Install	PIS-DIST	280,699	280,699	290,056	301,658
OM	Labor	Labor - Non-bargaining	Distribution	58800-Dist Oper Misc Exp	NM	340,168	340,168	351,507	365,567
OM	Labor	Labor - Non-bargaining	Distribution	58800-Dist Oper Misc Exp	PIS-DIST	731,295	731,295	755,672	785,899
OM	Labor	Labor - Non-bargaining	Distribution	58800-Dist Oper Misc Exp	TX	968,686	968,686	1,000,975	1,041,014
OM	Labor	Labor - Non-bargaining	Distribution	59000-Dist Mtc Super & Eng	PIS-DIST	12,398	12,398	12,811	13,324
OM	Labor	Labor - Non-bargaining	Distribution	59200-Dist Mt of Station Equip	PIS-DIST	148,207	148,207	153,147	159,273
OM	Labor	Labor - Non-bargaining	Distribution	59300-Dist Mtc of Overhead Lines	NM	445,726	445,726	460,584	479,007
OM	Labor	Labor - Non-bargaining	Distribution	59300-Dist Mtc of Overhead Lines	PIS-DIST	268,113	268,113	277,050	288,132
OM	Labor	Labor - Non-bargaining	Distribution	59300-Dist Mtc of Overhead Lines	TX	1,364,841	1,364,841	1,410,335	1,466,749
OM	Labor	Labor - Non-bargaining	Distribution	59400-Dist Mt of Undergrnd Line	NM	6,390	6,390	6,603	6,868
OM	Labor	Labor - Non-bargaining	Distribution	59400-Dist Mt of Undergrnd Line	PIS-DIST	3,842	3,842	3,970	4,129
OM	Labor	Labor - Non-bargaining	Distribution	59400-Dist Mt of Undergrnd Line	TX	41,787	41,787	43,180	44,907
OM	Labor	Labor - Non-bargaining	Distribution	59600-Dist Mtc of Streetlights	NM	3,146	3,146	3,251	3,381
OM	Labor	Labor - Non-bargaining	Distribution	59600-Dist Mtc of Streetlights	PIS-DIST	9,977	9,977	10,309	10,722
OM	Labor	Labor - Non-bargaining	Distribution	59600-Dist Mtc of Streetlights	TX	16,066	16,066	16,602	17,266
OM	Labor	Labor - Non-bargaining	Distribution	59700-Dist Mtc of Meters	PIS-DIST	40,179	40,179	41,519	43,180
OM	Labor	Labor - Non-bargaining	Distribution	59700-Dist Mtc of Meters	TX	3,938	3,938	4,069	4,232
OM	Labor	Labor - Non-bargaining	Distribution	59800-Dist Mtee of Dist Plant	TX	70,448	70,448	72,796	75,708
OM	Labor	Labor - Non-bargaining	Customer Accounts	90100-Cust Acct Supervise	CUST-AVG	30,220	30,220	31,227	32,476
OM	Labor	Labor - Non-bargaining	Customer Accounts	90200-Cust Acct Meter Read	CUST-AVG	2,163,153	2,163,153	2,235,258	2,324,668
OM	Labor	Labor - Non-bargaining	Customer Accounts	90300-Cust Acct Recrds & Coll	CUST-AVG	3,574,406	3,611,548	3,731,933	3,881,210
OM	Labor	Labor - Non-bargaining	Customer Accounts	90500-Cust Acct Misc	CUST-AVG	19,760	19,760	20,418	21,235
OM	Labor	Labor - Non-bargaining	Customer Service	90800-Customer Asst Expense	CUST-AVG	1,364,791	1,382,689	1,428,779	1,485,930
OM	Labor	Labor - Non-bargaining	Customer Service	90804EE-Customer Assistance SaversSwitch	TX	1,437	1,437	1,485	1,544
OM	Labor	Labor - Non-bargaining	Customer Service	910000-Misc Cust Serv Expense	CUST-RET	5,366	5,366	5,545	5,767
OM	Labor	Labor - Non-bargaining	Sales	91200-Economic Development	CUST-AVG	189,707	160,082	165,418	172,035
OM	Labor	Labor - Non-bargaining	Sales	916000-Misc Sales Expense	CUST-AVG	684	684	707	735
OM	Labor	Labor - Non-bargaining	A&G	92000-A&G Salaries	LABXAG	26,278,890	26,456,460	27,338,342	28,431,876
OM	Labor	Labor - Non-bargaining	A&G	926000-Employee pensions and benefits	LABXAG		1,131	1,169	1,215
OM	Labor	Labor - Non-bargaining			Subtotal Labor - Non-bargaining	85,551,299	86,497,223	89,380,464	92,955,682
O&M Total						117,231,780	117,701,969	121,983,437	126,889,294

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Labor-related expenses for the Base Period and Adjusted Base Period, the Linkage Period, and the Future Test Year Period by FERC account.
12 Months Ending June 2024

Financial Category	Cost Element	Labor Designator	FERC Function	Account	Jurisdictional Allocator	Base Period Allocator	Test Year Allocator	NM Retail - Base Period	NM Retail - Adjusted Base Period	NM Retail - Linkage Period	NM Retail - Future Test Year
OM	Labor	Labor - Non-bargaining	Distribution	58400-Dist Op UG Elec lines	PIS-DIST	38.59%	38.10%	5,374	5,374	5,482	5,702
OM	Labor	Labor - Non-bargaining	Distribution	58400-Dist Op UG Elec lines	TX						
OM	Labor	Labor - Non-bargaining	Distribution	58500-Dist Oper Streetlight	PIS-DIST	38.59%	38.10%	97,993	97,993	99,963	103,961
OM	Labor	Labor - Non-bargaining	Distribution	58600-Dist Oper Meter Exp	NM	100.00%	100.00%	650,140	650,140	671,812	698,684
OM	Labor	Labor - Non-bargaining	Distribution	58600-Dist Oper Meter Exp	PIS-DIST	38.59%	38.10%	62,713	62,713	63,974	66,533
OM	Labor	Labor - Non-bargaining	Distribution	58600-Dist Oper Meter Exp	TX						
OM	Labor	Labor - Non-bargaining	Distribution	58700-Dist Oper Cust Install	PIS-DIST	38.59%	38.10%	108,330	108,330	110,507	114,928
OM	Labor	Labor - Non-bargaining	Distribution	58800-Dist Oper Misc Exp	NM	100.00%	100.00%	340,168	340,168	351,507	365,567
OM	Labor	Labor - Non-bargaining	Distribution	58800-Dist Oper Misc Exp	PIS-DIST	38.59%	38.10%	282,228	282,228	287,901	299,417
OM	Labor	Labor - Non-bargaining	Distribution	58800-Dist Oper Misc Exp	TX						
OM	Labor	Labor - Non-bargaining	Distribution	59000-Dist Mtc Super & Eng	PIS-DIST	38.59%	38.10%	4,785	4,785	4,881	5,076
OM	Labor	Labor - Non-bargaining	Distribution	59200-Dist Mt of Station Equip	PIS-DIST	38.59%	38.10%	57,197	57,197	58,347	60,681
OM	Labor	Labor - Non-bargaining	Distribution	59300-Dist Mtc of Overhead Lines	NM	100.00%	100.00%	445,726	445,726	460,584	479,007
OM	Labor	Labor - Non-bargaining	Distribution	59300-Dist Mtc of Overhead Lines	PIS-DIST	38.59%	38.10%	103,472	103,472	105,552	109,774
OM	Labor	Labor - Non-bargaining	Distribution	59300-Dist Mtc of Overhead Lines	TX						
OM	Labor	Labor - Non-bargaining	Distribution	59400-Dist Mt of Undergrnd Line	NM	100.00%	100.00%	6,390	6,390	6,603	6,868
OM	Labor	Labor - Non-bargaining	Distribution	59400-Dist Mt of Undergrnd Line	PIS-DIST	38.59%	38.10%	1,483	1,483	1,513	1,573
OM	Labor	Labor - Non-bargaining	Distribution	59400-Dist Mt of Undergrnd Line	TX						
OM	Labor	Labor - Non-bargaining	Distribution	59600-Dist Mtc of Streetlights	NM	100.00%	100.00%	3,146	3,146	3,251	3,381
OM	Labor	Labor - Non-bargaining	Distribution	59600-Dist Mtc of Streetlights	PIS-DIST	38.59%	38.10%	3,850	3,850	3,928	4,085
OM	Labor	Labor - Non-bargaining	Distribution	59600-Dist Mtc of Streetlights	TX						
OM	Labor	Labor - Non-bargaining	Distribution	59700-Dist Mtc of Meters	PIS-DIST	38.59%	38.10%	15,506	15,506	15,818	16,451
OM	Labor	Labor - Non-bargaining	Distribution	59700-Dist Mtc of Meters	TX						
OM	Labor	Labor - Non-bargaining	Distribution	59800-Dist Mtee of Dist Plant	TX						
OM	Labor	Labor - Non-bargaining	Customer Accounts	90100-Cust Acct Supervise	CUST-AVG	31.26%	31.39%	9,446	9,446	9,802	10,194
OM	Labor	Labor - Non-bargaining	Customer Accounts	90200-Cust Acct Meter Read	CUST-AVG	31.26%	31.39%	676,136	676,136	701,639	729,705
OM	Labor	Labor - Non-bargaining	Customer Accounts	90300-Cust Acct Recrds & Coll	CUST-AVG	31.26%	31.39%	1,117,251	1,128,861	1,171,440	1,218,297
OM	Labor	Labor - Non-bargaining	Customer Accounts	90500-Cust Acct Misc	CUST-AVG	31.26%	31.39%	6,176	6,176	6,409	6,666
OM	Labor	Labor - Non-bargaining	Customer Service	90800-Customer Asst Expense	CUST-AVG	31.26%	31.39%	426,592	432,187	448,488	466,428
OM	Labor	Labor - Non-bargaining	Customer Service	90804EE-Customer Assistance SaversSwitch	TX						
OM	Labor	Labor - Non-bargaining	Customer Service	910000-Misc Cust Serv Expense	CUST-RET	31.26%	31.39%	1,677	1,677	1,741	1,810
OM	Labor	Labor - Non-bargaining	Sales	91200-Economic Development	CUST-AVG	31.26%	31.39%	59,297	50,037	51,924	54,001
OM	Labor	Labor - Non-bargaining	Sales	916000-Misc Sales Expense	CUST-AVG	31.26%	31.39%	214	214	222	231
OM	Labor	Labor - Non-bargaining	A&G	92000-A&G Salaries	LABXAG	32.44%	35.21%	8,524,049	8,581,647	9,625,314	10,010,327
OM	Labor	Labor - Non-bargaining	A&G	926000-Employee pensions and benefits	LABXAG	32.44%	35.21%		367	411	428
OM	Labor	Labor - Non-bargaining			Subtotal Labor - Non-bargaining			27,723,150	28,040,184	31,461,158	32,719,605
O&M Total								38,021,820	38,179,638	42,949,647	44,677,029