

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

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IN THE MATTER OF ADVICE NO.)
1881-ELECTRIC OF PUBLIC SERVICE)
COMPANY OF COLORADO FOR)
APPROVAL OF A RESILIENCY) PROCEEDING NO. 22AL-____E
SERVICE PROGRAM TARIFF IN ITS)
COLORADO PUC NO. 8 – ELECTRIC)
TARIFF EFFECTIVE APRIL 24, 2022)

DIRECT TESTIMONY AND ATTACHMENT OF R. NEIL COWAN

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

March 24, 2022

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LIST OF ATTACHMENTS

Attachment RNC-1	Resiliency Service Program Tariff
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I. INTRODUCTION, QUALIFICATIONS AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is R. Neil Cowan. My business address is 1800 Larimer Street, Denver,
Colorado 80202.

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

A. I am employed by Public Service Company of Colorado (“Public Service” or the
Company”) as Regulatory Policy Specialist.

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

A. I am testifying on behalf of Public Service.

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.

A. As a Regulatory Policy Specialist, I am responsible for the strategic planning,
policy development, and the regulatory and legislative support for issues pertaining
to renewable energy products and services, demand-side management, and
customer data privacy. A description of my qualifications, duties, and

1 responsibilities is set forth after the conclusion of my Direct Testimony in my
2 Statement of Qualifications.

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

4 A. The purpose of my Direct Testimony is to describe the key elements of the
5 Resiliency Service Program Tariff and sponsor the tariff itself, describe the various
6 costs borne only by participating customers, as well as describe the regulatory
7 accounting treatment and accounting.

8 **Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT**
9 **TESTIMONY?**

10 A. Yes, I am sponsoring Attachment RNC-1 which is the Resiliency Service Program
11 Tariff.

1 **II. PROPOSED RESILIENCY SERVICE PROGRAM TARIFF**

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

3 A. In this section of my Direct Testimony, I provide support for the Company's request
4 for approval of a Resiliency Service Program Tariff.

5 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED RESILIENCY SERVICE**
6 **PROGRAM.**

7 A. As Company witness Mr. Romine also explains in his Direct Testimony, the
8 Company's proposed Resiliency Service Program is a voluntary product offering
9 designed to support customers that have a need for higher than standard service
10 reliability. The Company will provide this support through Company ownership,
11 installation, operation, and maintenance of on-site resiliency assets. Customers
12 taking service under the Resiliency Service Program Tariff will pay for all program
13 costs through dedicated customer charges, and no services, including project
14 overhead, will be socialized to non-participating customers. The participating
15 customer's charge will reflect only the Company's cost of service, including a
16 carrying charge based on the Company's weighted average cost of capital
17 ("WACC"), with nothing preventing a competitive provider from offering the same
18 service to customers at a lower price or under different terms. Participating
19 customers will pay for their Resiliency Service Assets over the contract term
20 through a charge on a participating customer's bill.

1 **Q. PLEASE DESCRIBE CUSTOMER ELIGIBILITY AND PARTICIPATION UNDER**
2 **THE PROPOSED PROGRAM.**

3 A. The Resiliency Service Program Tariff will be available to Small Commercial or
4 Commercial and Industrial Secondary, Primary or Transmission Service
5 customers that take service from a single premise.¹ Customers will be given an
6 option of 10-year, 15-year, or 20-year terms for the Customer Service Agreement
7 ("CSA"). Term length will be determined by customer need and asset type.

8 **Q. ARE ALL PROGRAM COSTS PAID BY PARTICIPATING CUSTOMERS ONLY?**

9 A. Yes. Customers taking service under the Resiliency Service Program Tariff will
10 pay for all program costs through dedicated customer charges and receive all
11 benefits of the assets. Customers will pay for their requested Resiliency Service
12 Assets, as described in Mr. Romine's Direct Testimony, which will consist of
13 battery energy storage systems ("BESS"), onsite generation assets or some
14 combination of these, over the contract term through a charge that recovers the
15 revenue requirement of the assets requested by each customer. Because
16 program costs are recovered through dedicated customer charges, non-
17 participating customers will not pay any of the program costs.

18 **Q. HOW WILL PROGRAMMATIC COSTS BE RECOVERED THROUGH THIS**
19 **TARIFF?**

20 A. Programmatic costs such as labor, outreach, and marketing expenses will be
21 recovered through the Preliminary Scoping Fee and a Program Charge as defined

¹ Customers that have premises that are in close physical proximity but served by more than one meter may be eligible to combine those premises behind a single meter as part of the Resiliency Service Program under the Multiple Premises Provision.

1 in the Resiliency Service Program Tariff. These charges will be on a customer bill.
2 The Preliminary Scoping Fee will cover early project scoping and design work
3 performed by the Company. The Program Charge will vary depending on the asset
4 type where customers will pay one of two rates. Customers installing a back-up
5 generator will pay \$80 per month, while customers installing resiliency projects
6 beyond back-up generation, such as solar and storage or full microgrid
7 installations, will pay \$450 per month. The difference in pricing is due to the
8 additional design work and vendor management required for resiliency assets that
9 include multiple technologies. The Company will reassess these charges and
10 categories as the program progresses to determine if rates need to be adjusted or
11 if the charges need to be broken out into more granular groupings of asset types.
12 If the charges require adjustment, the Company will file an Advice Letter with the
13 Commission.

14 **Q. HOW WILL CAPITAL COSTS AND ASSET OPERATIONS AND**
15 **MAINTENANCE EXPENSES BE RECOVERED?**

16 A. Customers will be charged a Resiliency Charge as defined in the Resiliency
17 Service Program Tariff. The Resiliency Charge is a separate customer charge
18 from the Preliminary Scoping Fee or the Program Charge. This charge will recover
19 all capital costs, revenue requirements and asset operations and maintenance
20 ("O&M") over the course of the contract term to ensure that all costs are borne by
21 participating customers and that no costs are socialized to customers as a whole.
22 The total project cost is capitalized and a carrying charge is applied to this cost
23 according to the Resiliency Services Tariff based on the asset type and term length

1 to recover the total project revenue requirement. Carrying charges are calculated
2 using the Company's current WACC and applying it to the cost of the Resiliency
3 Service Asset at a levelized monthly rate over the term of the CSA. Routine asset
4 O&M costs will also be included in this charge and will vary by project depending
5 on the asset type and vendor specifications.

6 **Q. ARE THERE OTHER COSTS CUSTOMERS MAY EXPECT TO PAY AS A PART**
7 **OF THIS PROGRAM?**

8 A. Participating customers may be required to pay additional charges depending on
9 the project. Customers will be responsible for any design and engineering work
10 that takes place prior to installation of the asset. This could come in the form of an
11 upfront payment or could be included in the capital portion of the Resiliency Charge
12 if deemed appropriate by the Company.

13 A Contribution in Aid of Construction ("CIAC") may be applied at the outset
14 of the project if a customer chooses, or may be required by the Company if deemed
15 necessary based on a customer's credit history. Additionally, costs associated
16 with non-routine asset O&M, as agreed to in the CSA, and asset failure and
17 replacement will be charged directly to customers. An escrow fund option will be
18 made available to customers that will allow them to pay an amount in addition to
19 their on-bill charges to be placed in an escrow account and drawn from at a later
20 date for any non-routine O&M.

1 **Q. WHAT ARE SOME OF THE KEY TERMS AND CONDITIONS THAT SHOULD**
2 **BE HIGHLIGHTED?**

3 A. The proposed Resiliency Service Program Tariff, as set forth in Attachment RNC-
4 1, memorializes several standard terms and conditions necessary for participation.
5 These terms and conditions are designed to clarify areas of responsibility for the
6 Company and the customer and to minimize certain risks associated with
7 Company ownership and operation of Resiliency Service Assets. The terms and
8 conditions in the Tariff include details related to, among other things, permitting
9 and compliance reporting, easements, customer wiring requirements, the
10 allowance for Company control of the Resiliency Service Assets to ensure safe
11 operation, resiliency project modifications, and the assignment of any renewable
12 energy credits associated with Resiliency Service Assets to the Company.

1 **III. ACCOUNTING AND REGULATORY TREATMENT**

2 **Q. HOW DOES THE COMPANY PROPOSE TO ACCOUNT FOR THE COSTS AND**
3 **REVENUES ASSOCIATED WITH THE RESILIENCY SERVICE PROGRAM?**

4 A. Resiliency Service Asset revenues and costs will be accounted for consistent with
5 current practices. Customers will pay for their requested Resiliency Service Assets
6 through a charge on the participating customer's bill that recovers the revenue
7 requirement of the assets requested by each customer, enabling program
8 revenues to recover all program costs. As Resiliency Service Assets are placed
9 in service, the incremental revenues received by the Company from the
10 participating customer will offset revenue requirements of the assets.
11 Consequently, non-participating customers will not bear any costs of the program.

12 **Q. HOW WILL CAPITAL AND O&M PROGRAM COSTS BE TREATED?**

13 A. When Resiliency Service Assets are placed in service, their capital cost will be
14 recorded in FERC Account 371, which will be offset by any CIAC from the
15 customer. The purchase and installation of the assets will be capitalized as electric
16 distribution assets to Plant in Service as individual assets. Capital and O&M
17 expenses from the program will be excluded from consideration in base rate cases.

18 **Q. HOW WILL PROGRAM REVENUES BE TREATED?**

19 A. Since the capital and O&M expenses will be excluded from base rates, the
20 revenues will also be excluded.

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

22 A. Yes, it does.

Statement of Qualifications
R. Neil Cowan

I graduated from Colorado State University in 1994 with a Bachelor of Art degree in History and graduated from the University of Colorado at Denver in 2005 with a Master's in Business Administration.

I started with Xcel Energy in 2005 within the Regulatory Accounting department, followed by Customer Solutions, working specifically in the Demand-Side Management ("DSM") Regulatory Strategy and Planning group as a Senior Regulatory Analyst. In this role, my responsibilities included providing analysis and management of regulatory filings for DSM programs in the States of Colorado, New Mexico, and Texas. In this position, I filed testimony in Commission proceedings in both Colorado (Proceeding No. 11AL-947E) and Texas.

In June 2013, I joined the Regulatory Department as a Regulatory Policy Specialist and have worked on a variety of issues related to renewables, DSM, and customer data privacy in Colorado. In this position, my responsibilities include providing policy research and guidance to Company leadership to drive strategic planning and business decisions, operationalize regulatory decisions for compliance and efficiencies, and interfacing with external stakeholders, including regulators, to drive corporate strategies while balancing public interest.

Prior to my employment with Xcel Energy, I was employed by AT&T of the Mountain States for five years, where I worked on regulatory issues surrounding switched and special access rates and contracts in the 14-state region that was covered by US West/Qwest.

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AFFIDAVIT OF R. NEIL COWAN
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

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

Dated at Denver, Colorado, this 23rd day of March, 2022



R. Neil Cowan
Regulatory Policy Specialist

Subscribed and sworn to before me this 23rd day of MARCH, 2022



Notary Public

My Commission expires 2/18/2024

